



Investor's Guide – Poland

How to do Business

LEGAL NOTICE

This guide presents an overview of the Polish legal system and business environment. We intended it to provide a general outline of the topics concerning legal issues and believe that all the information is correct on the day of writing and printing. Please bear in mind that Polish law is changeable, especially taxation regulations at least once in a fiscal year.

We would like to emphasise firmly to the readers that the information in this guide is not professional advice and should not be treated as a substitute for legal, tax or business advice. The investor should seek professional advice before making any legal, tax or investment decision. JP Weber will be pleased to discuss specific problems.

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About PAIiZ

The Polish Information and Foreign Investment Agency (PAIiZ) has been serving investors for 17 years. Its mission is to increase Foreign Direct Investment (FDI) by encouraging international companies to invest in Poland. PAIiZ guides investors through all the necessary administrative and legal procedures along the way to setting up their business.

Agency:

- helps investors to enter the Polish market,
- provides quick access to the complex information related to economic and legal environment,
- helps to find a convenient investment location and to obtain investment incentives,
- advises in each phase of the investment process,
- helps to find the appropriate partners and suppliers at the new locations,
- supports firms already active in Poland.

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.

In order to provide the investors with the best possible service a network of Regional Investor Assistance Centres has been established across Poland. Their goal is to improve the quality of a region's investor services as well as to provide an access to the latest information - such as, the investment offers and regional micro-economic data.

These Centres hire professionals that have been trained by PAIiZ and are financed by local authority funds.

About JP Weber

JP Weber is a prestigious address for international investors and entrepreneurs wishing to invest directly within the territory of Poland. Throughout the investment process, we offer professional support for international companies and senior decision makers ensuring that their corporate responsibility is maintained throughout their activities in Poland.

Boasting more than ten years of investment experience, our proven track record has enabled us to evolve into a trusted business partner for numerous demanding customers. Cultural awareness is a cornerstone of our business strategy, enabling our team to fully integrate with our customers, ensuring that customer experience remains a positive benchmark for JP Weber. Our teams are comprised of interdisciplinary and multilingual experts, specializing in fields such as law, tax, financial accounting and project management.

JP Weber's core competencies comprise:

JP Weber Investments	JP Weber Advisory
■ Direct Investments	■ Legal Services
■ Merger & Acquisitions	■ Tax Advisory
■ Corporate Finance	■ Financial Accounting

Within GMN International, we work with world renowned accounting firms from over 35 countries globally, enabling JP Weber to gain best practice leaning's, as well as benefits from a solid base of international professionals.

Poland

– a place for living



New Year's Eve in Wrocław on Market Square

Investor's Guide – Poland

How to do Business



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I. Introduction

The numerous positive responses to our 2009 edition motivated us to update this guide in accordance with the changing economic environment and legal requirements. This edition is designed to be a cornerstone of Business Guides, helping to lead Poland into the next decade from 2010 onwards. We hope that this guide will continue to create bridges and make the Polish market appear transparent as well as attractive for doing business.

This guide is a result of the JP Weber Group's combined experience with PAliIZ gained through advising foreign investors. Investment projects are very sensitive for decision makers who need to be familiar with an environment that will influence their investment. Since each project completed by us was different in nature, we have been able to gather remarks from investors and have summarised them below to give you crucial information about Poland, financing, the business climate, real estate, public aid, the investment process, labour law and taxation. We hope this summary will serve as a road map to investment opportunities in Poland.

This guide was prepared by professionals from JP Weber who are experts in their field and

experienced in advising foreign companies as well as the professional know-how from PAliIZ who supported this guide.

The editorial team understand that this publication is not intended as a solution or answer to all possible questions. We have simply drafted the key areas of the business and legal environment. Consequently, we hope our guide will be an opportunity for discussion between readers and the editorial team. We will, of course, be happy to answer any questions related to the issues presented in this book.

Accession to the European Union has widely opened the European market for foreign companies and has created benefits for investing in Poland. In particular, incentives such as the regulations on public aid and the lowering of the taxation rate, together with a motivated and qualified labour force, have created opportunities to compete with other European countries. Poland is becoming a leading country as a direct investment destination due to the fact that it offers guarantees of legal regulations related to conducting business and achieving business goals such as profit and a friendly legal business environment.

II. Preparing for Business

– the most underlining facts about Poland



II.1. Political & Legal Stability

II.1.1. Political system

Poland is a democratic multi-party republic, reflecting a mixture of parliamentary and presidential models. The governmental system is based on the separation and balance between legislative (the Parliament or National Assembly), executive (the President and the Council of Ministers) and judicial powers (courts and tribunals).

The supreme law of the Republic of Poland is the constitution rewritten in 1997, passed on April 2nd and submitted for ratification by national referendum. The constitution assures freedom of economic activity, any limitation of which should be based on law.

II.1.1.1. The Parliament

The Parliament is composed of two chambers: the lower house, including the Sejm, which comprises 460 deputies elected for four years through a proportional voting system in a general election. The upper house includes the

Senate, which comprises 100 senators, who are elected every four years through a majority voting system. When sitting in a joint session, members of the Sejm and the Senate form the National Assembly, presided by the Marshal of the Sejm. The National Assembly is formed in case of three different situations: to adopt a new Constitution, to receive the oath from a newly elected President, or when an indictment against the President of the Republic is brought to the State Tribunal.

The Senate has the right to initiate legislation and reviews, approve or reject acts passed by the Sejm or to propose amendments to those acts. However, the Senate's veto may be overruled by an absolute majority vote in the Sejm. It is the Sejm, ultimately, that decides on the final version of any legislative act. The legislative initiative is also granted to the President, the Council of Ministers and to any group of at least 100,000 citizens coming up with a draft law.

On the approval of the Senate, the Sejm also appoints the Commissioner for Civil Rights Protection (Ombudsman; Rzecznik Praw Obywatelskich) for a five-year term. The Ombudsman has the duty to guard the civil rights



and freedoms of Polish citizens and residents and the implementation of the law and of principles of community life and social justice. The Ombudsman remains independent, and is responsible only to the Sejm.

II.1.1.2. The President

The President is elected via a general election for a five-year term and can spend a maximum of two terms of office. The President is the head of state, the supreme representative of the country in foreign affairs and also the Commander-in-Chief of the armed forces. He appoints candidates for the post of Prime Minister and appoints the cabinet according to the Prime Minister’s proposals. He has also the right to dissolve the parliament if it is unable to form the Government or approve the draft of the State Budget.

Apart from the legislative initiative, the President also has the right to veto acts approved by Parliament (although this veto can itself be overruled by the Sejm with a 3/5 majority vote).

II.1.1.3. The Supreme Chamber of Control

The Supreme Chamber of Control (Najwyższa Izba Kontroli - NIK) is an institution that cannot be

exactly qualified as a legislative, executive or judicial power. Nevertheless, it is one of the oldest state institutions in Poland. The NIK is entitled to audit all state institutions including the National Bank of Poland, Government and local Government administrative units and other corporate bodies and Non-Governmental Organisations which perform or receive public contracts.

II.1.2. Government administration

The government in Poland consists of central and local administrations: the Office of the President of the Republic of Poland, the Council of Ministers, with its respective ministries, and the structures comprising the central administration.

The Council of Ministers is the executive body that manages the current state policy, ensuring the execution of the law, approving the draft of the budget, protecting the interests of the State Treasury, and ensuring public order as well as the internal and external security of the state.

Currently, the Council of Ministers consists of 18 members responsible for:

Ministry	Functions
Prime Minister	Represents the Council of Ministers and directs their work, supervising territorial self-government within the guidelines and in ways described in the Constitution and other legislation, acting as the superior for all government administration workers.
Ministry of Agriculture and Rural Development	Concerned with various aspects of Polish agriculture and improving its rural areas.
Ministry of Culture and National Heritage	Concerned with various aspects of Polish culture, including the protection of its heritage.
Ministry of Economy	Concerned with creating the best conditions for business activity, and initiating and co-ordinating policies regarding economic activity and development.
Ministry of the Environment	Caring about the environment in Poland and ensuring the long-term, balanced development of the country.
Ministry of Finance	Drafts Poland’s budget, and deals with taxes, financing of the local self-governments and issues related to public debt.
Ministry of Foreign Affairs	Represents and protects the interests of the Republic of Poland and of Polish nationals and legal persons abroad, promotes Poland abroad, maintains diplomatic relations with other countries and international organisations.
Ministry of Health	Administrates the healthcare system, pharmaceutical policy, promotes health and deals with the prevention of diseases.
Ministry of Infrastructure	Responsible for the issues related to construction, spatial order, housing, maritime economy, communications and transport.
Ministry of Interior and Administration	Controls the main administration and security branches of the Polish government.
Ministry of Justice	In charge of judiciary issues within the scope not reserved by separate legislation for the competence of other public bodies, and taking into account the principles of judicial independence.
Ministry of Labour and Social Policy	Regulates all issues regarding the labour market and conditions, including the social security system.
Ministry of National Education	Policy for national education. The ministry prerogatives do not include higher education.
Ministry of National Defence	Manages in peacetime all of the activities of the Armed Forces, the realisation of the general assumptions, decisions and directives in the area of national defence.
Ministry of Treasury	Supervises and manages the State Treasury, responsible for the privatisation of state-owned enterprises and national investment funds.

Ministry of Regional Development	Functions related to the preparation and implementation of the national development strategy, which includes the concept of the country's zoning and functions related to the management of the European Union's assistance funds.
Ministry of Science and Higher Education	Administers governmental activities in science and higher education and has a budget for scientific research provided by State funds.
Ministry of Sport and Tourism	Oversees sport clubs, deals with promotion and development of sports and matters related to tourism.

The administrative division of Poland is based on three levels of administration, i.e. 16 voivodeships/provinces (województwa) headed by provincial voivode (governor/wojewoda), appointed by the Prime Minister, who is the superior of the team governmental administration, the supervision body over the territorial self-government units as well as the senior body as per the regulations for administrative proceedings.

The leader of the executive is the voivodeship marshal (marszałek), elected by the regional assembly (sejmik) and co-existing with the voivode. The self-government executes tasks in the following scope: public education, health promotion and protection, environmental protection, modernising the rural areas, public roads, collective transport, land development, culture, social welfare, tourism, counteracting unemployment and activating the local labour market.

The voivodeships are divided into poviats (boroughs/powiaty), which are divided further into communes (gmina).

There are two types of poviats: the basic territorial division unit that comprises the entire areas of the bordering boroughs, a land poviat; or the whole town area, a town with the rights of a poviat.

A commune is the fundamental community and the smallest administrative unit. The scope of its activity comprises the public affairs of local significance, unreserved statutorily for other entities. Predominantly, a commune is responsible for satisfying the primary, concrete needs of its inhabitants. It deals with planning and managing the land, environmental protection, roads, bridges, streets, public transport and supplying the inhabitants with electricity and heating. It also keeps the surroundings tidy, as

well as manages and maintains the communal buildings and the public usage facilities.

The local government's decision-making and supervisory bodies are the councils, operating at all three levels of the local administration. Council members are voted for in general, equal, direct and secret elections. They have the authority to appoint or dismiss local administrative officers including mayors of rural communes (wójt), mayors of towns and cities (burmistrz or for large municipalities prezydent), heads of the poviats (starosta) and, as mentioned before, the marshal.

II.1.3. Poland International

II.1.3.1. Poland in the European Union

Poland became a member of the EU on 1 May 2004, together with nine other countries, marking the culmination of a negotiation process which first began on 31 March 1998. On 21 December 2007 Poland joined the Schengen area: a territory with no checks at internal borders formed in the 24 member States.

The main benefits for Poland from joining the European Union are:

- harmonisation of Polish law with EU regulations,
- access to over 460 million customers within the EU,
- the possibility of applying for EU structural funds,
- infrastructure development.

The harmonisation of Polish law, as well as access to EU structural funds, has helped to increase the attractiveness of Poland for foreign investors. The European Union is now Poland's largest trading partner. From January to August 2010 the share of total Polish exports reached 78.6% and imports 58.7%.

II.1.3.2. Poland's Single Market

As a member of the European Union, Poland participates in the Single European Market. The freedom of movement of people, goods, capital and services makes this market much more competitive.

The freedom of movement of people is very important, especially with reference to freedom of movement for workers. However, some Member States apply restrictions for workers from new EU countries because this right to work in any country might significantly affect the labour market within the EU area.

The freedom of movement of goods is one of the fundamental principles of the single market. It constitutes the prohibition of quantitative restriction on exports and imports between Member States. It is the rule that products complying with the standards set in the Member State of origin shall also comply with the standards of the Member States of destination.

The freedom of movement of services implies the rights of individuals and companies to offer and provide services without hindrance in all EU Member States. EU Treaty regulations on the free movement of services essentially cover all types of services provided against payment. Individual citizens and companies have the right to offer and provide services in other Member States on the same terms as those applied to the country's own citizens and companies.

Any obstacles to the freedom of movement of capital are prohibited according to EC treaty. EU citizens must be able to transfer unlimited sums of money between Member States, open bank accounts, invest funds or borrow money in other Member States. EU citizens who move to another Member State to work or retire must have the right to transfer money from one EU country to another.

In Poland there is an important 12-year transition period for the purchasing of agricultural land and forests.

II.1.3.3. Poland and the Monetary Union

The next stage of integration is the accession to the Monetary Union as well as the adoption of the Euro as the official currency of Poland. Although official declarations say that Poland aims to join the Eurozone by 2012-2013, there are still many conditions to meet first. Moreover, in order to adopt the Euro the Polish constitution will need to be changed.

The basic requirements for joining the Euro are the Maastricht criteria of economic convergence, including fiscal (the general government deficit and public debt) and monetary criteria (price stability, the level of long-term interest rates and exchange rate stability). The requirements regarding the general government deficit result in the need for significant reform of public finances in Poland. The fulfillment of the exchange rate criterion will be preceded by entering into ERM-2.

From 24th January 2009, it has been possible to conclude agreements and provide performances in foreign currency in Poland pursuant to the amendment of Article 358 of the Civil Code and the deletion of § 9 Section 15 of the Foreign Exchange Acts. There are currently no obstacles to making payments in Euros.

II.1.3.4. International organisations

After 1989 Poland began an intensive period of economic development, supported by its membership in various international organisations. This helped to accelerate development, promote globally the Polish economy and enabled collaboration with other countries. Currently, Poland is a member of:

- The Organisation for Economic Cooperation and Development (OECD),
- The North Atlantic Treaty Organization (NATO),
- The World Trade Organization (WTO),
- The World Bank,
- The International Monetary Fund (IMF).

OECD

The Organisation for Economic Cooperation and Development was set-up by the Convention of 1960, which came into force one year later. The headquarters of the institution is located in Paris. The main objective of the OECD is to coordinate socio-economic policies of the Member States in order to stimulate economic growth, employment, social development and international trade and capital flows. Therefore, the organisation develops common rules to be applied in different areas of the economy, which takes the form of recommendations, resolutions, declarations and agreements. The organisation includes the most economically developed countries to create ‘the richest club’, an exclusive organisation representing less than 1/6 of the world’s population, and providing about 2/3 of the global production of goods, 3/5 of world exports and 4/5 of the total public development aid.

Poland started its cooperation with the OECD in 1990 and became a member in 1996. Thanks to its OECD membership, the regulation of foreign investment and changes in the foreign exchange law in Poland has been carried out more quickly. Its membership in the most prestigious club of economically developed countries in the world is concrete proof of Poland’s current economic stability. This undoubtedly improves the global image of Poland, because we are now seen as partners with a strongly growing economy and stable legal rules. Membership in the OECD facilitates access to preferential credit lines provided by international financial institutions. In addition, through its membership in the OECD, Poland was given the opportunity to co-liberate in the global economy, as well as forming a new identity for the OECD.

NATO

NATO, the North Atlantic Treaty Organization the political-military organization was established on 24th of August 1949 basing on the Treaty of Washington in April 1949 which was signed by 10 European countries and the United States and Canada. NATO’s purpose is to put the collective protection of its members as a basis for keeping peace and strengthening international security. Its main objective is to ensure – by political and military means - the freedoms and security of all its Member States. It obliges each Member State to share the risks and responsibilities, as well as the benefits of collective security. According to NATO’s

principles its Members shall not enter into any other international commitments that might conflict with this Treaty.

In 1997 the Alliance invited the Czech Republic, Poland and Hungary to negotiate with a view to adopting them as members of NATO. The Polish accession to NATO on 12 March 1999 was one of the most important events in the modern history of our country. This alliance forms the basis of Polish security and defence; it is also a major factor in the political-military stability in Europe.

WTO

The World Trade Organisation was established on 1 January 1995. Poland was one of the founding countries. The main responsibility of the WTO is the liberalisation of the international trade of goods and services, investment policies of trade support, the settlement of trade disputes, and the respect for intellectual property rights. Countries acceding to the WTO are required to adapt domestic legislation to the standards of the World Trade Organisation and to grant concessions to foreign entities. The WTO has 153 members at present, the most recent to join being the Republic of Cape Verde. The WTO has eliminated many barriers between countries and people by reducing tariffs. The rules of the WTO (contained in agreements and contracts) are the result of negotiations among the WTO members. The core document is the General Agreement on Tariffs and Trade (GATT). GATT comprises 60 agreements, which were signed individually in specific areas by each Member State.

World Bank

The World Bank has operated since 27 December 1945, and its headquarters are located in Washington DC, USA. Currently, its main task is to support the development of the market economy whilst combating all the causes of poverty in the world. Poland acceded to the World Bank (WB) in 1986. The President of the National Bank of Poland represents the country in the meetings of the WB. From 1990 until 1996, Poland received funds from the World Bank (equivalent to USD 3.374 billion) to assist in the transformation of Poland. Of this money, 46% was spent directly on the restructuring of the Polish economy to adapt it to the principles of the free market trade. By the year 2000, the WB supported the development of private sector industries and environmental protection.

Today its function is gradually starting to comply with the European Investment Bank.

IMF

The International Monetary Fund has existed since 1945, while it has been operating on a permanent basis since 1947. Currently, it has more than 180 members, including Poland. Its head office is in Washington, USA. Its main tasks are:

- the development of international co-operation in the field of monetary policy,
- securing the stability of exchange rates,
- monitoring the international debt of Member States,
- supporting the development of trade in the world.

Poland has been a member of the IMF since 1986, at which time Poland received 1.8 billion SDR units (Special Drawing Rights, which function within the IMF as a unit of account). In 1995, Poland was able to repay its debts incurred in international institutions, before becoming a full member of the IMF.

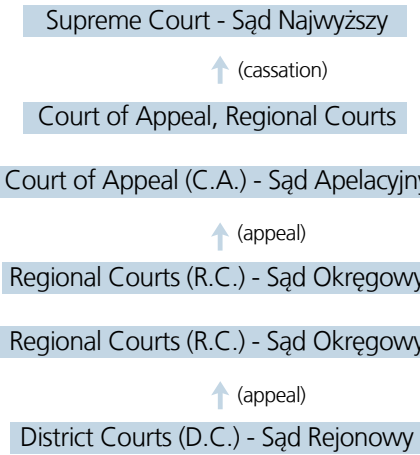
II.1.4. System of justice

In accordance with the Polish Constitution, judicial power consists of courts and tribunals, which are independent from the other institutions of power. The system of justice is based on the Supreme Court, the common courts, and the administrative and military courts. Judges are independent and cannot be dismissed: they are only subject to the Polish Constitution and regulations.

Polish courts system

The Supreme Court supervises the activities of the common and military courts. It is the highest judicial body, whose rulings are not subject to further review by another court. The Supreme Court deals with cases under particular regulations, provides uniformity and accuracy of interpretation of the law, and issues opinions on bills.

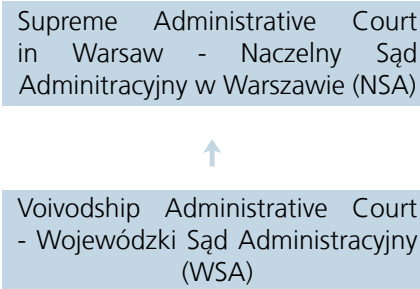
Polish courts system scheme



Administrative justice system

The Supreme Administrative Court is the court of last resort in administrative cases e.g. those between private citizens (or corporations) and administrative bodies. This court deals with appeals from lower administrative courts. It judges the conformity of local government authority resolutions to the regulations and normative acts of local government administration authorities.

Administration justice system scheme



According to the Polish Constitution, the tribunals (The Polish Constitutional Tribunal - Trybunał Konstytucyjny and the State Tribunal - Trybunał Stanu) operate outside the structure of the Polish system of justice, although the concept and definition of ‘system of justice’ still applies to them.

The Constitution Tribunal is a judicial body established to resolve disputes on the constitutionality of the activities of state institutions: Its main task is to supervise the compliance of statutory law with the Constitution. It adjudicates in compliance with the Constitution

Political & Legal Stability

of legislation and international agreements (as well as its ratification), on disputes over the powers of central constitutional bodies, and in compliance with the Constitution of the aims and activities of political parties. Its judgements are final.

The State Tribunal is the judicial body, which rules on the constitutional liability of people holding the highest State offices. It is empowered to rule for the removal of individuals from public office; to impose injunctions on individuals against their appointment to senior offices; to revoke an individual's right to vote and to stand for election; to withdraw previously awarded distinctions and in criminal cases to impose penalties stipulated in the criminal code.

As a member of the European Union, Poland is also subject to certain international organisations with international judicial power. These organisations include:

- The European Union - Court of Justice of the European Communities and Court of First Instance,
- The United Nations - International Court of Justice,
- The Council of Europe - European Court of Human Rights,
- The International Criminal Court.

The international system of justice exists to supplement the national courts and makes decisions only when the national justice system is incapable of resolving the dispute at the national level.

Poland

- a place for living



Tour de Pologne - Cracow, Market Square



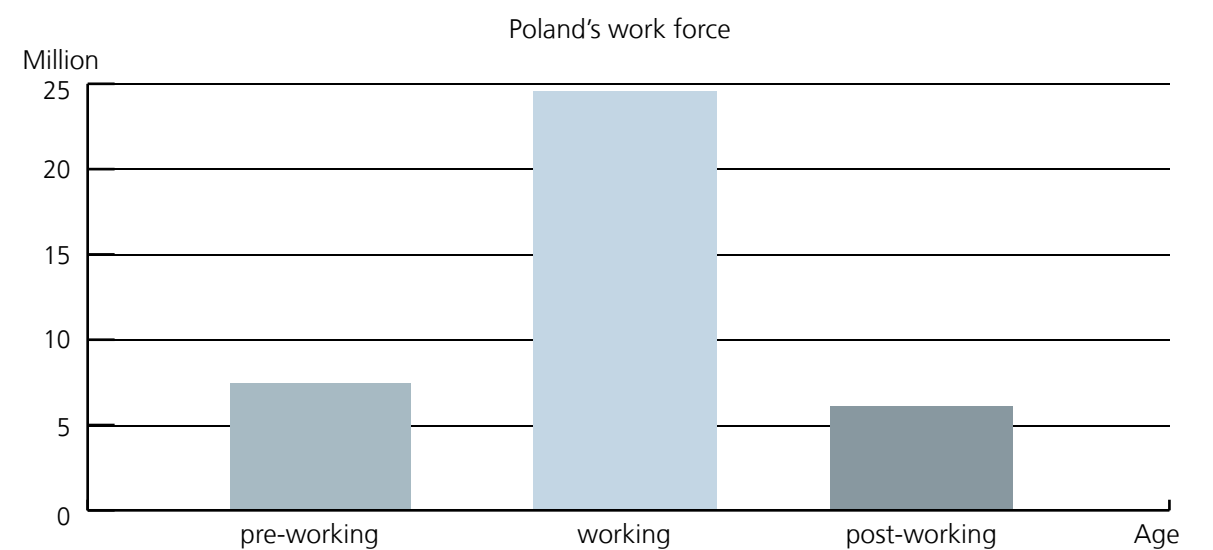
II.2. Domestic Market

II.2.1. Population and language

The population of Poland (as of 31 December 2009) is 38.167 million, making it the eighth biggest country in Europe in terms of population and the sixth largest in the European Union as a whole. Although the population growth rate

has been low in recent years (2009 - 10.9 per 1,000 people), Poland's work force is still among the youngest in Europe, with 24.591 million people of working age as of 31 December 2008. The retirement age for men is 65 years and for women 60 years.

Approximately 61.1% of Poles live in cities and urban areas.



Source: Central Statistical Office, Demographic Yearbook of Poland, 2009

Ethnically Poland is one of the most homogenous countries in Europe, with over 98% of the population ethnic Poles. The major ethnic minorities are German, Belarussian, Ukrainian and Romanian.

Most educated Poles, especially in the business community, speak at least one foreign language, with English the most popular. In addition to this, German and Russian are also spoken frequently, due to the geographical closeness of these countries.

II.2.2. Macroeconomic indicators

II.2.2.1. Gross Domestic Product

The GDP of Poland was USD 447 billion in 2009. This makes Poland the 21st largest economy in the world and the ninth largest in Europe. Per capita GDP was respectively USD 13,799, or USD 17,482 with PPP.

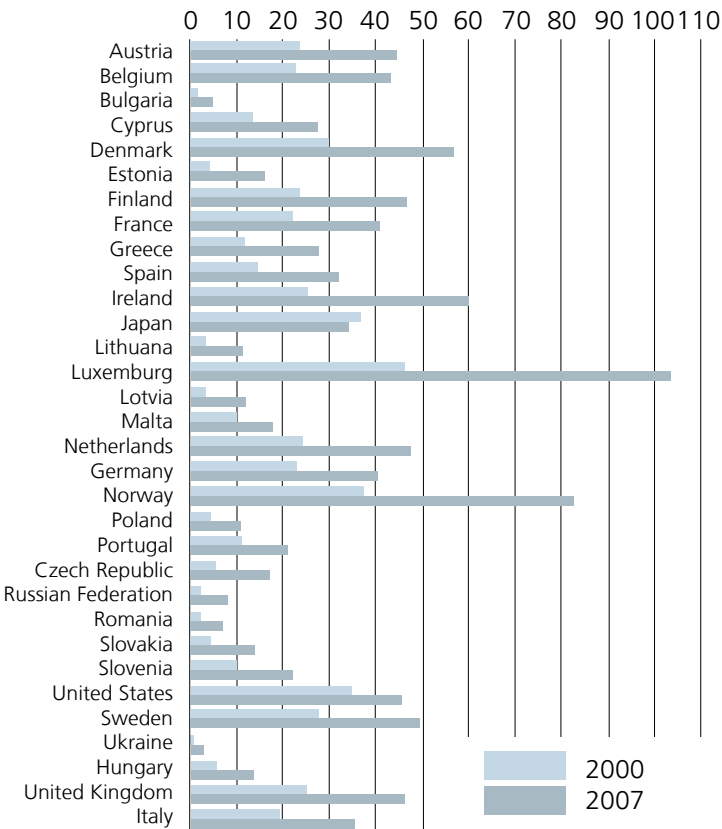
Polish GDP has been growing steadily for almost two decades, since 1991. The average growth in the years 1992-2008 was almost 4.5%, with the lowest rate (in 2001)¹ 1.0%. For almost five years (between 1995-1997 and 2006-2007) Polish GDP grew at least 6% per year. Despite the major recession facing many economies in 2008 and 2009, market growth in 2009 was 1.8% - the highest in the whole of Europe, making Poland the only country in the European Union not to see a decline in GDP.

Polish GDP is generated through industry (31.7%), services (65.5%) and agriculture (2.8%), though GDP per capita varies in the regions. The biggest GDP was generated in Mazowieckie voivodship (21.6% of Polish GDP), but the main contributor here is Warsaw, which alone generated approximately 13% of Polish GDP. Per capita GDP in Warsaw is three times higher than the Polish average. High per capita GDP

is also noticeable in other big cities, including Poznań (twice the national average), Kraków (60% above the national average), Wrocław and the Tricity of Gdańsk, Sopot and Gdynia (45% above average). The strongest region after Mazowieckie is Śląskie voivodship, generating 13% of Polish GDP, followed by Wielkopolskie (9.3%), Dolnośląskie (8.1%) and Małopolskie voivodship (7.4%).

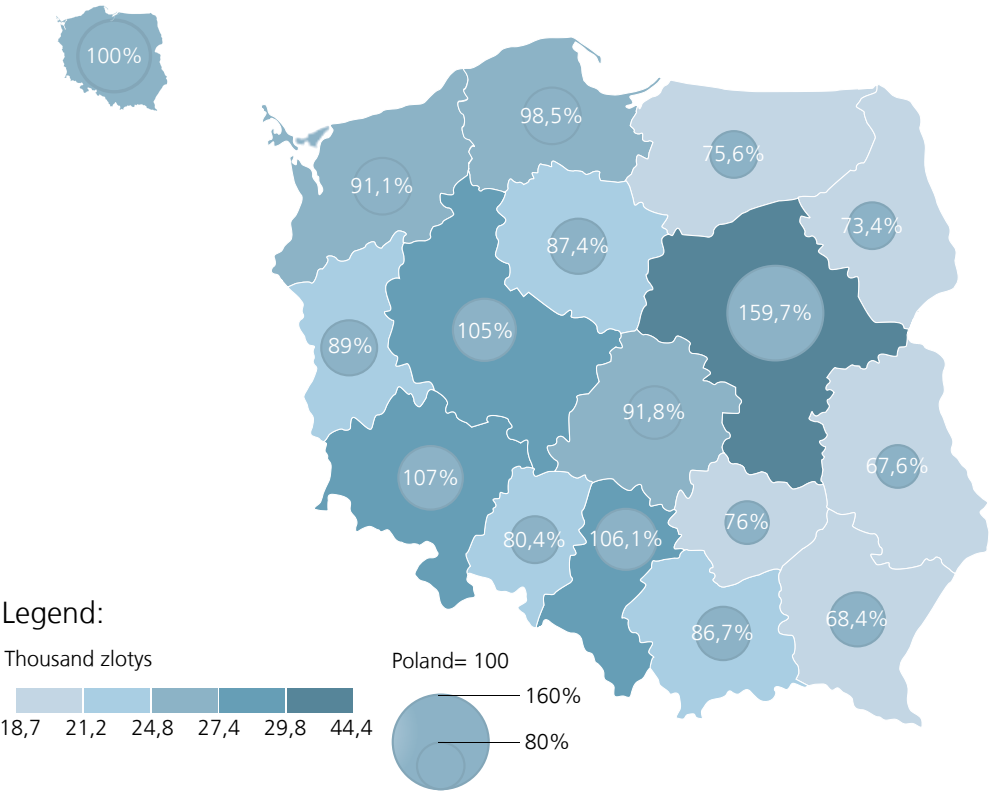
After Mazowieckie (159.7% the national average), the biggest per capita GDP is generated in Dolnośląskie (107%), Śląskie (106.1%) and Wielkopolskie voivodship (105.3%). The regions with the lowest per capita GDP are the voivodships in the 'eastern wall': Lubelskie (67.6% of the average), Podkarpackie (68.4%), Podlaskie (73.4%), Warmińsko-Mazurskie (75.6%) and Świętokrzyskie (76%). The attached map presents the per capita GDP of the various voivodships (in Polish Zloty and %).

Gross Domestic Product per capita in selected countries



^a - according to the official exchange rate

Gross Domestic Product per capita by voivodships



Legend:

Thousand zlotys

18,7 21,2 24,8 27,4 29,8 44,4

Poland= 100

160% 80%

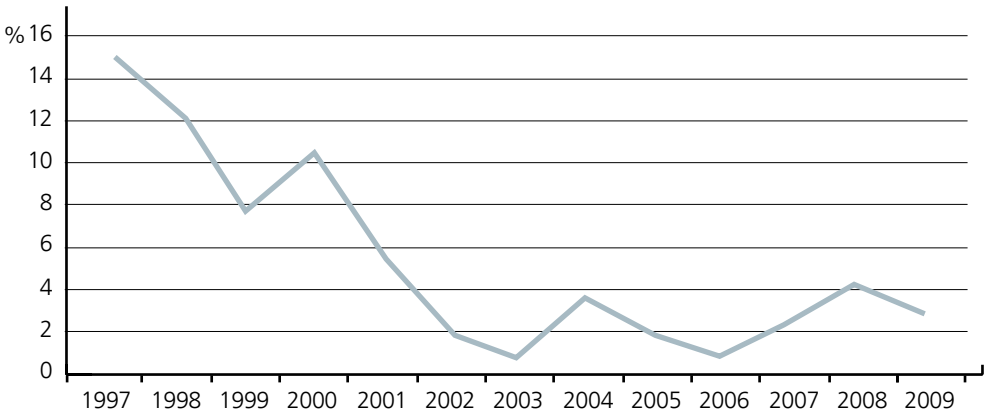
II.2.2.2. Consumer Price Index

Consumer Price Index inflation was calculated as 3.5% in 2009, compared with an average yearly inflation of 4.2% in 2008. It is worth noting that the inflation rate has been quite low in recent years and relatively stable in comparison with the last 10-20 years. The graph below shows the inflation rates between

1997 and 2008. Many Poles still remember the hyperinflation, a characteristic of the economy change-over period in the years 1990-1991, with inflation rates exceeding 1.000% in some months.

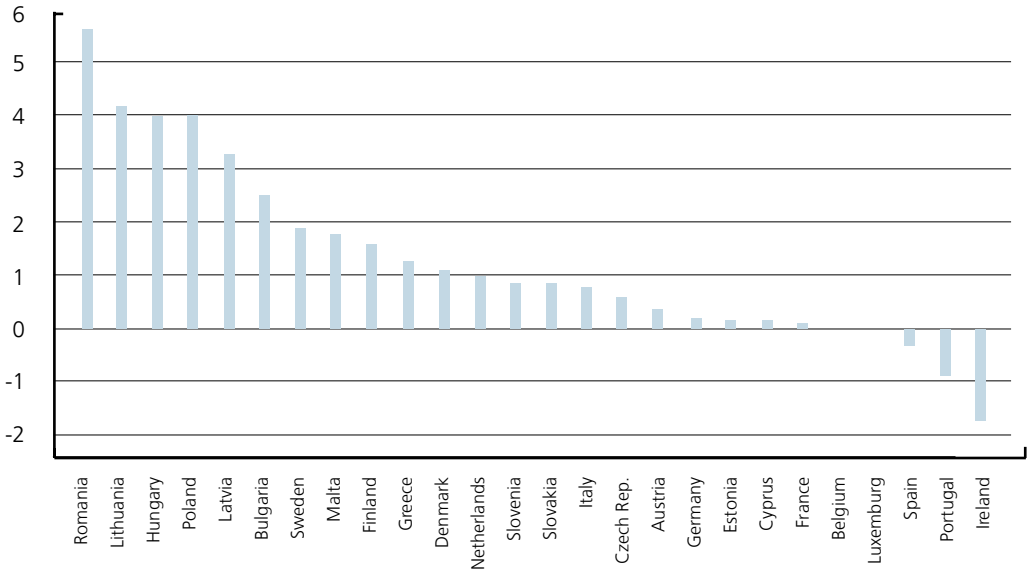
In 2009, the Polish Consumer Price Index was above average for the European Union, with a harmonised CPI of 1%.

Annual average inflation in Poland



Source: Central Statistic Office, CPI index, 2010

Harmonised CPIs in European Union in 2009



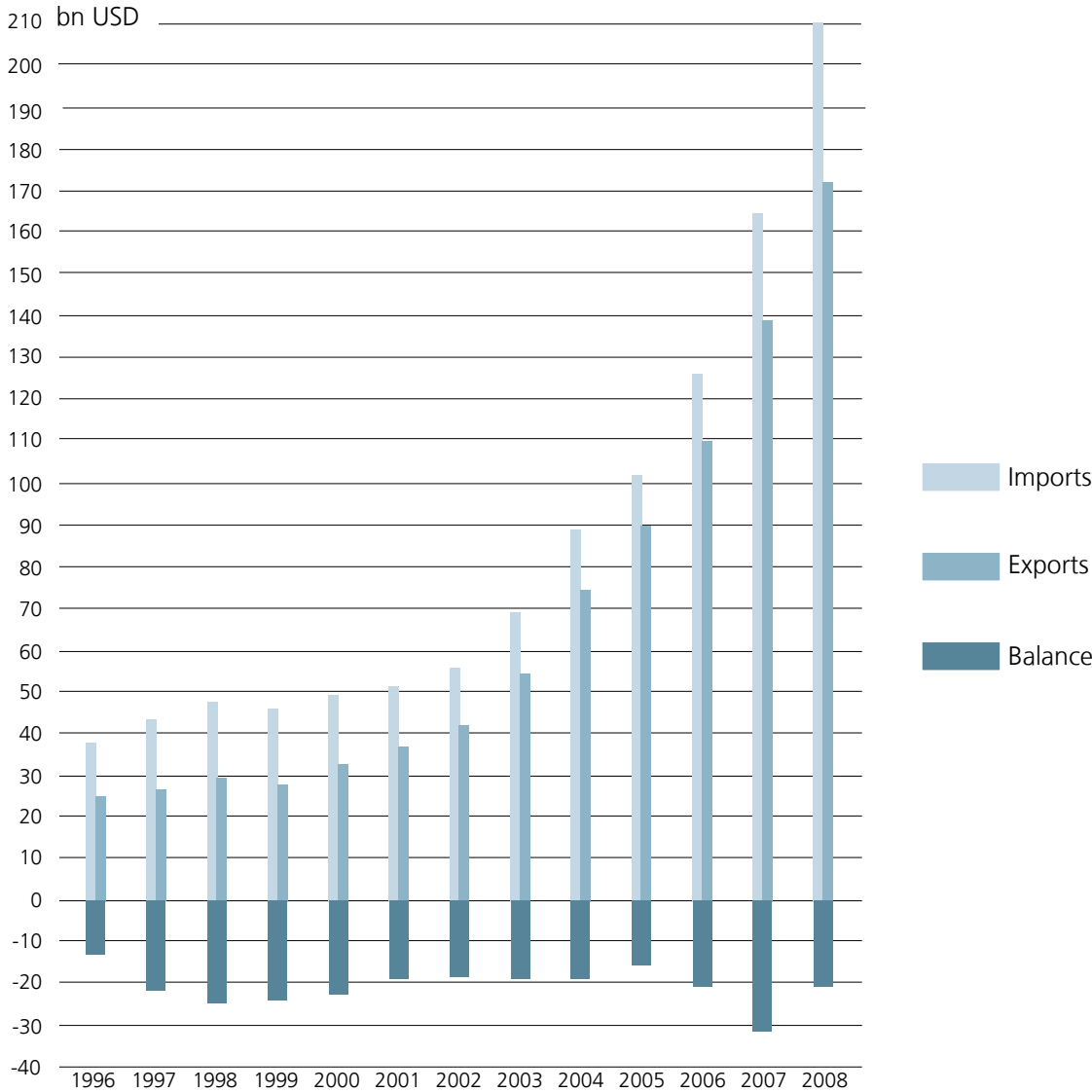
Source: Eurostat, Harmonised Index of Consumer Prices, 2010

II.2.2.3. Foreign trade

In 2009 Poland imported USD 145.8 billion worth of goods and exported USD 133.6 billion². The trade balance was therefore USD -12.1 billion. A deficit in the external trade balance has been a characteristic for Poland as a market economy since 1990. This is due to the fact that Poland is mostly importing capital goods for industry and manufacturing components, rather than consumer goods. The attached graph shows the value of imports and exports, as well as the trade balance in the period from 1996 until 2008 (in USD billion).

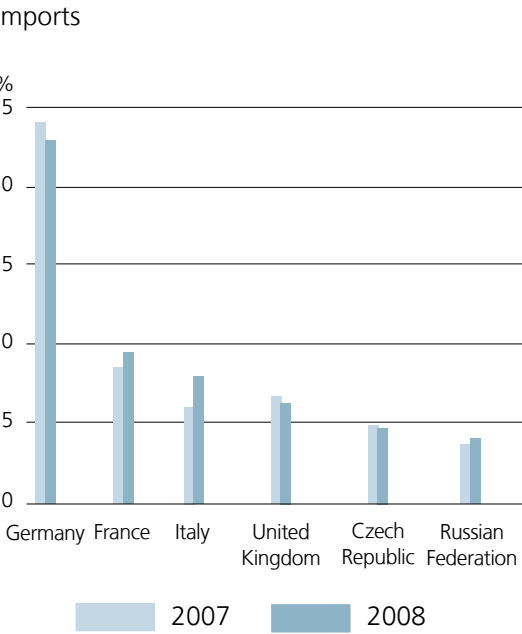
With the change from a communist, plan-based economy to the current free trade market, the direction of Polish foreign trade has been reversed. Beforehand, the most important trade partner was the USSR. Nevertheless, Poland has always had a high trade rate with its direct neighbours. In 1990, the first year of economic reforms, Germany became Poland's most important trade partner and remains so until today. In 2010, 23.9% of Polish exports and 20.9% of Polish imports were exchanged with Germany. No other country exceeds 10% in any direction of trade. Other important countries for imports are: Russia (9.7%), China (8.1%), Italy, France and the Czech Republic. Polish exports also flow to: France (6.2%),

Polish trade between 1996 and 2008



Source: Central Statistical Office, Yearbook of Foreign Trade Statistics, 2009
² Central Statistical Office, Annual Economic Indicators, 2010

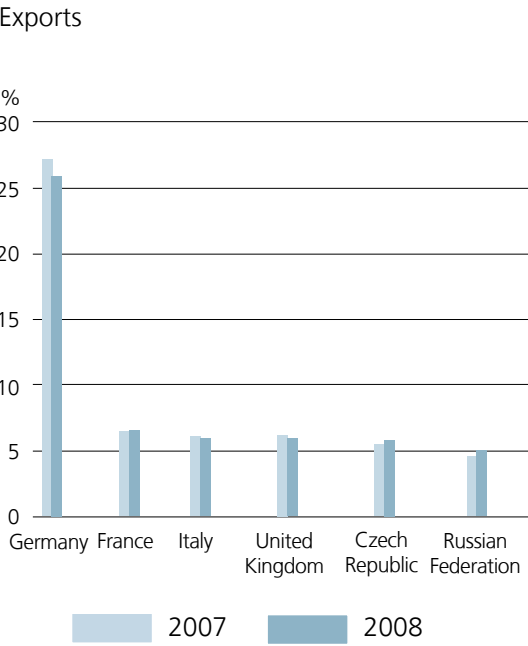
Italy (6%) Great Britain, the Czech Republic and Russia. The following chart presents the percentage of foreign trade with the most important countries in 2007 and 2008.



Source: Central Statistical Office, Yearbook of Foreign Trade, 2009

The global economic recession is having a noticeable impact on Poland's foreign trade. The numbers from the months January to April 2009 show a decrease of 5% in exports and almost 14% in imports, when calculated in Polish Zloty. Due to the significant devaluation of the Zloty against foreign currencies since the fourth quarter of 2008, however, this decrease is much more visible in USD or EUR. However, the overall decline has increased the export shares of its most important partners. The share of Germany, Italy and France in the overall Polish exports in the first four months of 2009 increased, to 26.6%, 7.1% and 7% respectively. On the imports side the main gainer is China with its share increasing to 10% over the same period. All of the other biggest import partners saw falls in their market share. If these trends continue until the end of the year, China will have become Poland's second most-important import partner³.

³ Central Statistical Office Foreign Trade Turnover in Total and by Countries, 2009



Source: Central Statistical Office, Yearbook of Foreign Trade, 2009

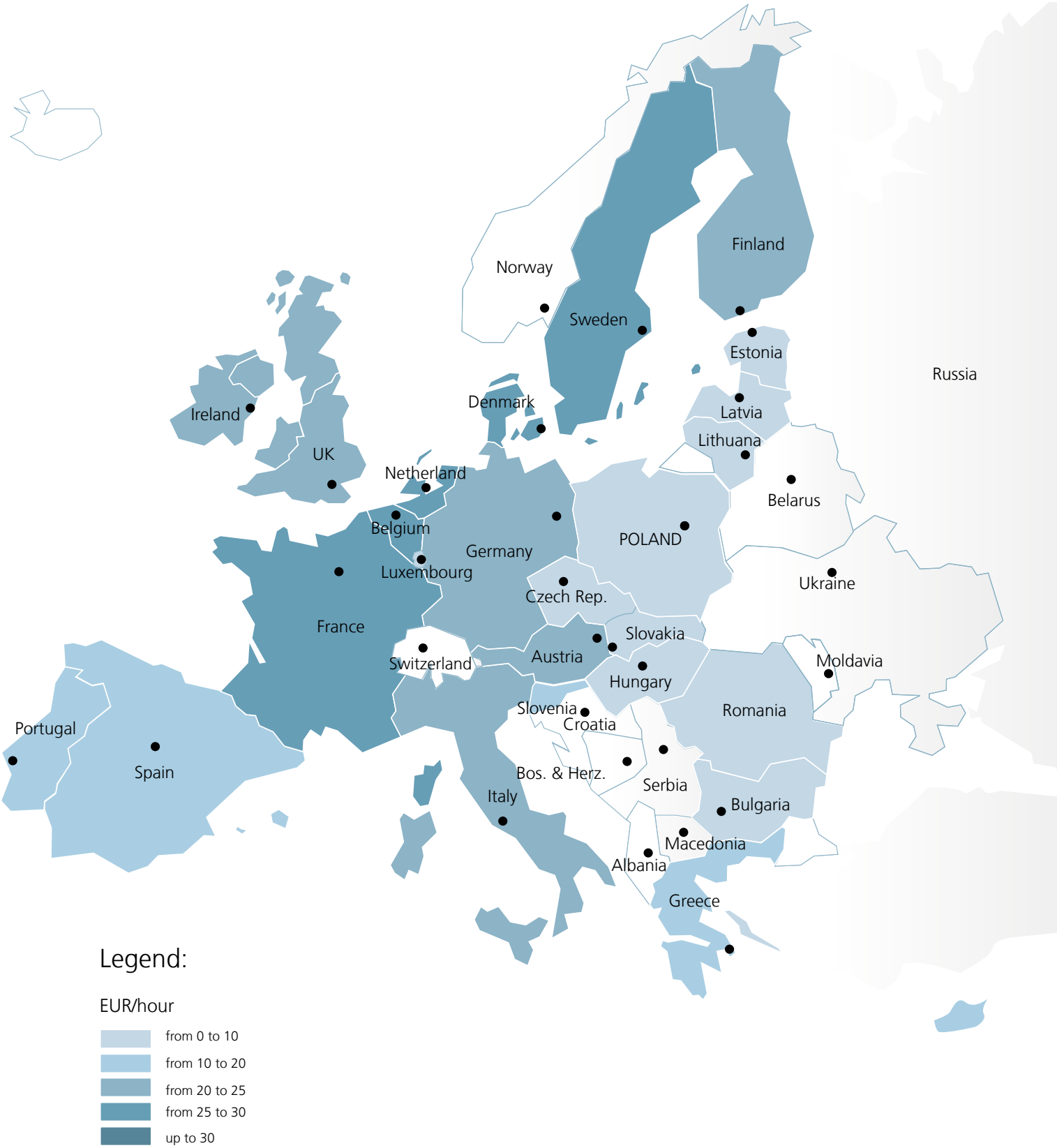
II.2.2.4. Local cost effectiveness

Costs of Labour

During past years one of the main reasons for direct investment in Poland has been its lower average labour costs compared to other European Union countries. It is indeed still the fact that average labour costs are both low and competitive. On the other hand, what really counts is the fact there is a high availability of labour on the market. The young structure of Poland's population and the high standard of Universities ensure a continuing and growing potential for a highly skilled and educated labour force. Looking deeper, the low labour costs are combined with competitive productivity, which indicates the created value per working hour. This combination of competitive productivity alongside the total amount of average salaries serves to back up the argument for underlining direct investments in Poland.

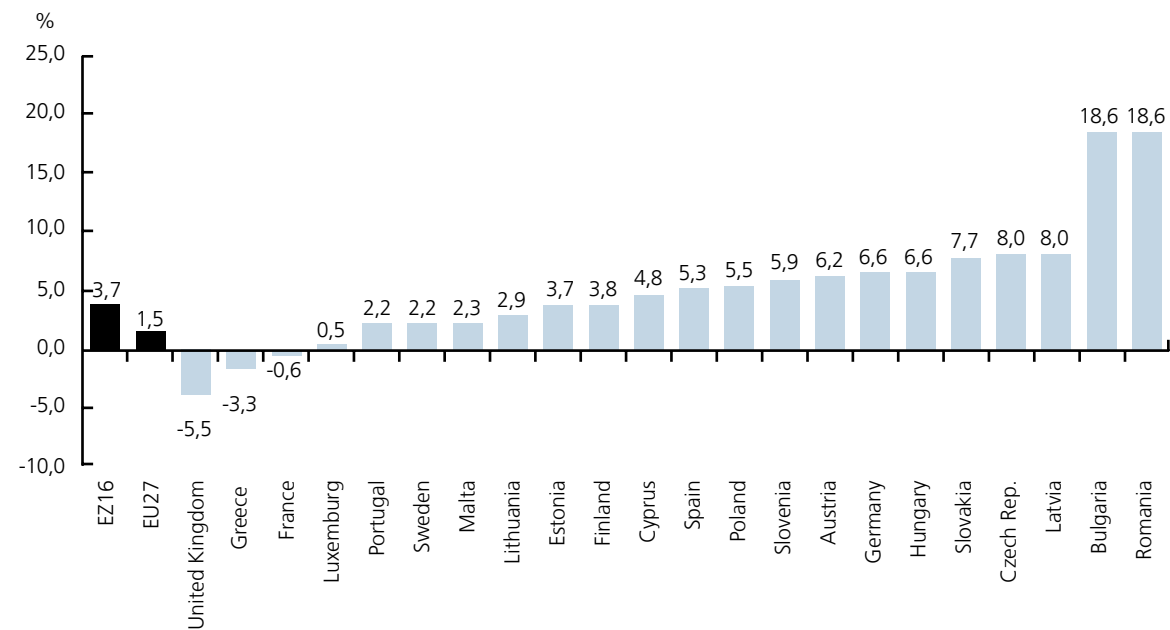
The next indicator shows, that the increase in the average cost of working hours has developed quite moderately compared to countries like Romania or Bulgaria. Sharp rises in wages are the result of shortages in availability, and in this example - the qualified labour force. Since direct investment decisions are based on a longer time

Hourly labour costs in European Union in 2009



Source: Federal Statistical Office of Germany, 2009

Changes in labour costs per hour Q1 2008/Q1 2009



Source: Federal Statistical Office of Germany, 2009

horizontal, it is important to have a closer look at the size of the country. Bigger countries tend to develop in a more stable fashion in each of the indicators than smaller countries, where shortages and capacity limits occur suddenly and within a short period of time. Due to the fact that Poland (with almost 40 million citizens) is by far the biggest of the countries to join the EU in 2004, it can be considered rather stable when taking the actual economic core data into account.

■ Cost of transport

Due to the decision to make significant investments into its infrastructure, Poland will increase the number of fast roads and improve its transport connections. In the close future, the main cities of Poland will be connected by motorways (this is not the case as yet). Furthermore, the European motorway number 30 will be finished and function as one straight motorway connection between Berlin and Moscow.

The costs of transport were reduced in the past when Poland became part of the Schengen Agreement, allowing fast and easy travelling within the countries which are part of Schengen. Today a country becomes automatically part of Schengen by joining the EU.

II.2.3. Tourism

Poland is the one of the most frequently visited countries in Central Europe among new EU members, with many natural and cultural assets for the development of domestic and foreign tourism. The coastal area around the Baltic Sea is worth mentioning in particular. The Masurian Lake District, the Tatra Mountains and other regions of the country with a clean environment and a micro-climate favourable to the health. More than 321 wellness centres offer health facilities and treatments in 75 places located in areas that are unique for their natural healing environments. The largest of these are Nałęczów, Krynica Zdrój, Augustów, Kołobrzeg, Ciechocinek, Rabka and Duszyniki Zdrój. The most reflective places for their historical backgrounds are Kraków, Warszawa, Wrocław, Gdańsk, Toruń, Oświęcim and Wieliczka with its salt mine. Each of these places are highly attractive for tourists and are places of both relaxation and interest.

The Institute of Tourism estimated that during the whole of 2009 there were 53.8 million arrivals, of which about 11.9 million were tourists.

The total number of tourists is predicted to rise to around 12.7 million in 2011 and 13.2 and 13.3 million in 2012 and 2013 respectively.

Arrivals of foreigners to Poland in 2009 by country

2009 year together				
	Total arrivals	Change	Tourists arrivals	Change
Total	53840	-10%	11890	-8%
UE27	45345	-13%	8345	-6%
EU15	28545	-23%	6750	-4%
of which:				
Germany	26070	-25%	4560	-5%
Great Britain	500	-10%	450	-9%
Netherlands	335	-6%	300	-5%
Austria	325	2%	280	4%
Italy	255	-7%	245	-6%
France	240	0%	215	0%
Sweden	190	-10%	155	-9%
others EU15	630	2%	545	0%
New EU	16800	14%	1595	-15%
of which:				
Czech Republic	8180	5%	175	-3%
Slovakia	5040	35%	85	6%
Lithuania	2640	37%	620	-11%
Latvia	390	-28%	230	-32%
Hungary	225	-12%	200	-11%
others EU12	325	-23%	285	-19%
Russia, Belarus, Ukraine	7390	10%	2480	-12%
Ukraine	3820	15%	1295	-16%
Belarus	2360	11%	865	-1%
Russia	1210	-6%	320	-22%
Main overseas	405	-19%	390	-17%
USA	230	-15%	215	-15%
others overseas*	175	-24%	175	-19%
Rest of the World	700	-11%	675	-9%
of which:				
Norway	120	-17%	115	-15%
Switzerland	60	-8%	60	-8%
Turkey	55	0%	55	0%
Others	465	-11%	445	-8%

Source: Estimated by Institute of Tourism* Canada, Japan, South Korea, Australia



Source: Estimation and forecast by Institute of Tourism (III 2010)

Poland
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Chopin Concert in Łazienki Park, Warsaw



II.3. Resources & Industry Clusters

II.3.1. Geographic location and climate

Poland, officially the Republic of Poland, is often considered to be the 'heart of Europe' due to its central location. Throughout history, it has served as one of the most important trade routes on the continent, connecting the north, south, east and west of Europe together thanks to its geopolitically advantageous location. Poland has belonged to the European Union since 2004, with its eastern border constituting the eastern fringe of the entire community. At 1,163 km it is the longest exterior land border of the European Union (the total length of Poland's national borders is 3,511 km). By geographical area, Poland is the ninth largest country in Europe, and the sixth largest in the European Union as a whole, with a surface area of 312 679 km². Its neighbouring countries are Germany to the west, the Czech Republic and Slovakia to the south, Ukraine and Belarus to the east, and Lithuania and the Russian province of Kaliningrad to the north-east. Poland belongs to the Central European time zone, GMT + 1 hour, except for between March and October when it switches to daylight saving time.

Generally, Poland is an unbroken plain stretching from the Baltic Sea in the north to the Carpathian Mountains in the south. Although the average elevation is just 173 m above sea level, with only 3% of Polish territory along the southern border averaging at higher than 500 m, the landscape is relatively diversified with terrain variations generally running in bands from east to west. Poland is traditionally divided into five geographic zones.

The Baltic coastal plains are a low-lying region, which form Poland's mostly smooth coastline and northern border. It provides many kilometres of sandy beaches, complete with coastal lakes, sand dunes and cliffs.

To the north of the central lowlands, the lake region includes the only primeval forests remaining in Europe. Glacial action in this region formed many lakes and low hills over many centuries. In fact, there's no other region in Europe outside Finland where so many post-glacial lakes can be found. Small lakes dot the entire northern half of Poland, and the glacial formations that characterise the lake region extend as much as 200 km inland in western Poland.

The largest zone, the central lowlands, is a narrow band in the west which expands to the north and south as it extends eastward. The terrain is relatively flat, cut by several major rivers, including the Oder (Odra), which constitutes Poland's natural border with Germany in the west, and the Vistula (Wisła) in the centre, which at 1,047 km is the country's longest river.

To the south are the Małopolska uplands that connect the ranges in south-central Poland - the Sudetes and Carpathian Mountains. The highest peak in the Sudetes is Śnieżka (1,602 m). The Carpathians Mountains in Poland are the highest and most picturesque mountains in the country, with Poland's highest mountain peak being Rysy (2,499 m) in the Polish Tatras.

Poland has a moderate climate with relatively cold winters from December to March. January temperatures average -1°C (30°F) to -5°C (23°F), but in the mountain valleys they may drop as low as -20°C (-4°F). Summers, which extend from June to August, are usually warm, sunny and less humid than winter. July and August average temperatures range from 16.5°C (62°F) to 19°C (65°F), though some days the temperature can easily reach even 35°C (95°F). The average annual rainfall for the whole country is 600 mm a year, although isolated mountain locations may receive as much as 1300 mm a year.

II.3.2. Natural resources

II.3.2.1. Coal

Coal and lignite are the main raw materials for the energy production in Poland. The major differences between the two materials are the means of mining them and their calorific value. Coal is extracted in underground mines and its calorific value is bigger. Although the mining method itself is more expensive, it does not cause any significant impact on the land above it. Despite some limited, so called, 'mine damages' on the surface, it is possible to construct buildings, roads and even entire cities above such mines. There are three areas in Poland, where coal is or was extracted:

- Dolnośląskie voivodship: in the surroundings of Wałbrzych and Nowa Ruda. Coal is no

longer extracted here, with the region now set up to develop other kinds of industries, maintaining one of the biggest and best operating Special Economic Zones,

- Śląskie voivodship: the traditional Polish region for coal mining (and also the steel industry). Approximately 5,000 m² of coal is available. Most of the mining companies and activities are located around Katowice, Mysłowice, Dąbrowa Górnicza, Rybnik, Jastrzębie Zdrój and neighbouring cities,
- Lubelskie voivodship: the youngest coal mining region with one coal mine at Bogdanka, close to Łęczna. There are many perspective deposits here⁴.

Roughly 80% of this coal is consumed for energy generation, with more than 50% used for power and power-heat plants, and the rest being used to heat plants and private households⁵.

Lignite is extracted in open-cast mines. This method has much more of an impact on the environment, not only by physically changing the landscape (by digging a big hole in the ground), but also in terms of pollution. The calorific value is also much lower than that of coal. It is therefore not worth transporting lignite long distances and it is not used by private households. Due to these factors, power plants are often built very close to mines. Such a duet of mine and plant can be found in three places in Poland:

- Turów: in the south-western end of Poland, close to Germany and Czech Republic, exploited by the PGE SA,
- Bełchatów: in the south from Łódź, extracted by the PGE SA,
- Konin: in the east from Poznań, extracted by ZE PAK SA.

There is also one small stand-alone lignite mine in Sieniawa, in a village close to Świebodzin in Lubusz. It used to be an underground mine, but since 2002 it has also been an open-cast mine, the importance of which is very low.

There are many other deposits of lignite in Poland, which have not been exploited as of yet. One of the biggest is in the surroundings of Legnica in Dolnośląskie voivodship. There is currently a debate as to whether to start exploiting these beds, a move which could eventually make some villages in the area disappear. The attached map shows the lignite deposits in Poland – in dark blue

Lignite deposits in Poland



Legend:

- Lignite deposits (geological reserves documented and future)
- Exploited deposits

TURÓW Names of exploited deposits nad mines

the ones that are currently exploited, in light blue the ones which have been discovered but not exploited as of yet. Most of these are geologically confirmed.

II.3.2.2. Oil & gas

The deposits of crude oil and natural gas in Poland are limited. In 2008 the overall quantity of crude oil mined in Poland was around 740,000 tons, whereas 21 million tons were imported⁶. In the case of natural gas, domestic exploitation (with more than five million m³) can only cover approximately 40% of the demand. Exact import data is not currently available⁷. The biggest deposits of oil can be found in the area around Gorzów Wielkopolski, although oil is

also extracted in the Pomorze Zachodnie, as well in the Carpathian Mountains. Deposits under the bed of Baltic Sea are also used and gain even more industrial meaning.

The exploited deposits of natural gas are spread in the Carpathian Mountains (Jasło, Krosno, Gorlice) in the southern part of Wielkopolskie voivodship (Ostrów Wlkp., Jarocin, Kościan, Grodzisk Wlkp. Góra), in the Lubuskie voivodship (Krosno Odrz., Wschowa), at the border between the voivodships Lubuskie and Zachodniopomorskie (Myślibórz, Strzelce Kraj., Międzychód, Barnówko-Mostno-Buszewo [BMB]), and in the coastal area of Zachodniopomorskie (Kamień Pomorski)⁸. There are also some gas deposits accompanying the oil in the Baltic Sea.

⁴ Polish Geological Institute, Hard Coal, 2009

⁵ Central Statistical Office, 2008. Consumption of Fuels and Energy Carriers

⁶ Polish Geological Institute, Petroleum, 2010

⁷ Polish Geological Institute, Natural Gas, 2010

⁸ Polish Geological Institute, Deposits of natural gas, 2010

Gas and oil exploitation in Poland

Resource	Number of beds	Deposits		Yearly Exploitation
		Exploitable	Industrial	
Natural gas	271	140 bn m ³	74 bn m ³	5 bn m ³
Crude oil	85	23 m tons	15 m tons	0.7 m tons

Due to the industrially and economically insufficient deposits of natural gas and oil, Poland relies heavily on imports to meet its energy needs. Up to 95 % of oil and gas imports come from Russia. There are several pipelines for gas and one for oil, most of which are transit pipelines to other European countries. Transit countries from Russia to Poland are Belarus and Ukraine.

There are several plans and projects to diversify imports of these two energy resources. The possibilities include building new pipelines, e.g. from Caucasus or Nordic Countries, or building gas storage at Baltic ports. Such investments are expensive, however, and need to involve many different countries. Due to several economic constraints and political tensions, making predictions about future developments is very difficult.

Recent reports indicate that Poland may have large shale gas resources. Poland's reserves of shale gas are estimated to be as much as 3 trillion m³ by geologists and energy consultants, potentially making Poland a net exporter of gas.

II.3.2.3. Other deposits

Aside from energy deposits - metallic, chemical and rock deposits can also be found in Poland. Out of all the metallic deposits, by which we mean the ore deposits of base metals, the most important of those are beds of copper, which are extracted in the area between Legnica and Głogów in Dolnośląskie voivodship by one of the biggest polish companies, KGHM SA. The copper is extracted here in underground mines together with other metals such as silver, nickel and lead. Iron ore is also important. Iron ore was extracted in Poland in the 20th century in the areas around Częstochowa, in Świętokrzyskie and close to Łęczyca. The quality of these

deposits was very poor and have not been considered industrial standard since the 1990s. New deposits of iron ore, containing traces of titanium and vanadium have been identified in the Suwalskie region, close to the north-eastern boarder of Poland. The exploitation of these beds is not currently economically feasible as they lie relatively deep (850 to 2,300 meters below the ground) and are located in an environmentally protected area.

Other metallic deposits in Poland are zinc and lead ore as well as nickel. These are located on the border between Śląskie and Małopolskie voivodeship and are extracted close to Olkusz and Chrzanów.

The nickel ore lies in Dolnośląskie voivodship, close to Ząbkowice Śląskie, where it was exploited until 1983 at which point it ceased to be economically feasible⁹.

Among chemical deposits, the most important in Poland are salt (rock salt) and sulphur. Salt deposits located in the region of Małopolska have already been exhausted (Wieliczka and Bochnia). The economic importance of other beds in eastern part of Wielkopolskie (Kłodawa) and Kujawsko-Pomorskie voivodship (Inowrocław and Mogilno) are now being exploited.

Sulphur deposits, one of the biggest in the world, are situated mainly in south-eastern Poland, around Staszów and Tarnobrzeg. Poland used to be the leading producer of sulphur in the world. However, since the development of technology to recapture sulphur from crude oil and gas deposits, the direct extraction has declined in importance. Nowadays, only one bed of sulphur at Osiek (Staszów) is exploited¹⁰.

There are many different rock deposits that are available and exploited in Poland. The most widely mined are the sand and gravel that can be mined almost all over the country. Regions

Exploitation of other deposits in Poland

Resource	Number of deposits	Capacity		Yearly Exploitation
		Geological	Industrial	
Metallic				
Copper ore	14	1 819 m tons	1 195 m tons	24 m tons
Zinc and lead ore	21	94 m tons	17 m tons	4 m tons
Nickel ore	4	14 m tons	0	0
Chemical				
Rock salt	19	85 bn tons	0.7 bn tons	3 m tons
Sulphur	18	515 m tons	29 m tons	783,000 tons

especially rich in other rock deposits are:

- The Sudetes – the mountains in the south-western part of Poland. They are very rich in different specific rock deposits such as granites, syenites, basalts, porphyries, quartz slates, marbles and sandstones,
- Świętokrzyskie Mountains, with sandstone and limestone,
- Kraków-Częstochowa Upland, with limestone,
- Lublin Upland, with Cretaceous limestone and marls,
- The surroundings of Nida, with plaster¹¹.

II.3.2.4. Fauna & Flora

Over 28.7% of Poland is covered by forest, most of which consists of Scots pine. Other conifers found in Poland are spruce and fir. There are also several kinds of broadleaf trees, including oaks, birches, alders and beeches. The forests are natural habitats for several animal species such as red deer, roe deer, wild boar, foxes and hares. It is also quite common to encounter hedgehogs, and different kinds of frogs and snails. In Poland there are also some species which cannot be found or are not common in other European countries. This includes wisent, which appears only in the ancient woodland of Białowieża, Podlaskie voivodship. Other such species include the brown bear in Białowieża, in the Tatras, and in the Beskids, the grey wolf and the Eurasian lynx in various forests, the

moose in northern Poland, and the beaver in Warmińsko-Mazurskie, Pomorskie and Podlaskie voivodships. Some interesting species can be found in the mountains, including mouflons in the Sudetes and chamoises in the Tatras.



Polish meadows and lakes are home to many different species of birds, the most important of which are the white stork (almost every fourth

⁹ Polish Geological Institute, Mineral Resources of Poland, Metallic Deposits, 2010

¹⁰ Polish Geological Institute, Mineral Resources of Poland, Sulphur, 2010

¹¹ Polish Geological Institute, Mineral Resources, Rock deposits, 2010

stork in the world comes from Poland, making it an important symbol and mascot of the country) and the white eagle, which is included on the Polish coat of arms. The most common birds, found almost everywhere, are pigeons and sparrows. Other birds include magpies, wild ducks, swans and geese. In the lakes, mostly in Warmińsko-Mazurskie voivodship, one can also find cormorants, herons, pelicans. The most common coastal bird is the seagull.

The animals raised in agricultural households in Poland include cows, pigs, sheep, horses, goats, chickens, ducks, geese and rabbits.

Species of fish used for culinary reasons include carp (an important dish for Christmas), herring, zander, sole, trout, salmon, bream, cod, mackerel, pike, sprat and eel.

As the agriculture uses approximately 50% of the land, food production plays an important role in Poland. The most important crops are grains, like wheat, rye, and maize (corn). Other important vegetables are hops and rapeseed, with garden vegetables and fruits also raised in industrial quantities, including tomatoes, cucumbers, cabbages, lettuces, apples, strawberries and plums. The Polish vegetative period lasts approximately 200 days, meaning that most fruits and vegetables come into season just once a year. Conditions in Poland are not appropriate for tropical fruits such as bananas, oranges and pineapples.

It is also popular to gather forest fruits and mushrooms. The most popular forest fruits are bilberries (blueberries), while the most popular mushrooms are boletus, bay boletus and species like leccinum and suillus. A Polish speciality is chantarelle. Champignon is the only type of mushroom that can be raised artificially and it is raised in Poland.

Poland is also one of the largest producers of raspberries in Europe. In 2009 raspberry plantations in Poland covered 20.2 ths. ha with production amounting to 81.8 ths T.

II.3.3. Energy sector

The industry connected with energy supply can be divided into two groups:

- the production and supply of electric power,
- the production of fluid fuels.

The first group consists of all power plants and power-heat plants. Electric power in Poland is produced almost exclusively from coal and lignite. Only about 2% of electricity is produced via natural or renewable sources¹².

Power plants powered by lignite are located directly at the lignite mines. The biggest power plant in Poland, and in Europe as a whole, is located at Bełchatów. With 4,400 MW of maximal power and 27-28 TWh of energy produced per year, this one plant alone caters for almost 20% of Poland's energy demands. The other large power plant is located in Turów (in the south-western end of Poland) with an output of 2,100 MW, amounting to almost 10% of Poland's domestic energy needs. Another 10% is covered by the group of plants located close to Konin in the eastern Wielkopolska. The group known as Pątnów-Adamów-Konin (PAK) comprises four power plants with a combined output of almost 2,300 MW. All of the above mentioned plants are fuelled by lignite from mines located nearby.

The power plants supplied by different kinds of coal are mostly located in the coal extracting region in Silesia. The biggest of these include:

- power plant Rybnik (1,775 MW of power),
- power plant Jaworzno (1,345 MW of power),
- power plant Łaziska (1,155 MW of power),
- power plant Siersza (800 MW of power).

The biggest coal-fired power plants located outside Silesia are:

- power plant Kozienice, located in southern Mazowieckie voivodship, on the Vistula river, with an output of 2,800 MW. This is the second-biggest power plant in Poland and the biggest non-lignite-fuelled plant,
- power plant Połaniec, located on the south-eastern Świętokrzyskie, on the Vistula river, with an output of 1,800 MW,

- power plant group Dolna Odra (Lower Oder), a group of three power plants located in Nowe Czarnowo and Szczecin at the Oder River. The overall electrical output of the plants is almost 2,000 MW,
- plant Opole, located in Brzezie, close to Opole, at the Oder river, with an output of 1,500 MW. This relatively new plant, built between 1993 and 1997, is due to be expanded in the next few years.

Besides the above examples, almost every large city contains additional so-called power-heat plants, which use the same technology and fuel (coal), but are intended to produce heat more than electrical power. Such plants supply the heat for the industrial and central heating systems in the cities, as well as delivering a portion of electrical power to the surroundings.

There are several hydroelectric power plants in Poland, the most important of which is located in Solina (on the San river) and in Włocławek (on the Vistula river). Poland also has several hydro-pump storage power plants, which are in fact power accumulators. The biggest of these are Żarnowiec (700 MW) and Porąbka-Żar (500 MW).

Although wind power has almost no significance so far, new wind-turbines are being built in many areas in Poland, including Wolin in Zachodniopomorskie voivodship. Additionally, some of the more traditional power plants may be modified in the future to run by biomass.

Among renewable sources of energy, hydroelectricity, wood and other types of biomass all share a significant presence in Poland. There is also the potential for the wider application of wind and geothermal energy and also of bio fuels as components in motor fuel. The greatest interest from investors is centered around the country's potential for wind power generation that is currently being developed at a fast pace compared with other renewable energy investments. Currently, the share of renewable sources in the primary energy balance is not substantial (it does not exceed 5%). However, by 2020 energy from renewable sources will account for 15% of Poland's gross final energy consumption.

There are currently no nuclear power plants in Poland. In the 1980s, construction of such a

plant was started in Żarnowiec, but it was finally suspended and terminated at the beginning of the 1990s. Since 2005 the Polish Government has outlined a desire to build at least one nuclear power plant in the future. These intentions were formalised in 2009's release of Poland's energetic strategy until 2030. The introduction of nuclear power was one of the points of this strategy¹³. Neither the location nor any other details are set as of yet, but the investment should be finalised by 2020.

The production of fluid fuels in Poland is done in refineries belonging to two petrochemical companies:

- PKN ORLEN, the biggest company in Poland, owning the refineries in Płock, Trzebinia and Jedlicze,
- LOTOS, based in Gdańsk, owning the refineries in Gdańsk, Gorlice, Jasło, and Czechowice-Dziedzice.

The crude oil for these refineries is mostly imported from Russia

II.3.4. Industry clusters

The Polish industry is based on two main pillars. One on traditional industries, which have survived the post communistic times and have been adapted to new modern forms of activity. The second pillar are newly created industrial clusters formed through large initial investments in the form of Greenfield investments by foreign global players. These foreign global investors have attracted new suppliers and helped to develop existing Polish companies to match new production requirements. Here, the creation of Special Economic Zones was one of the major aspects which determined the development of new modern industries.

Especially for small and medium sized companies, the growing scale of developing industry clusters became as important for the local market as the local cost competitiveness for the global reach of the companies.

Since industry clusters form an area of special know-how among the labour market, the advantage for direct investing companies has had a strong influence on the time needed to

¹² Central Statistical Office, Concise Statistical Yearbook of Poland, Table Balance of Electricity, 2008

¹³ Ministry of Economy, <http://www.mg.gov.pl>, Polish Energy Strategy until 2030.

reach the targeted volume within the defined quality. The graphics show certain kinds of developing industry clusters in Poland with their directions for the global selling market, as well as the industry clusters in the different voivodships.

During the communist period Poland put a lot of emphasis on its heavy industries including its mining, metallurgy, machine construction, shipbuilding and arms sectors. After the political, social and economical turnaround of the late 1980s however, this kind of industry was no longer supported by the government who needed to change and reduce the nature of its employment. This created the possibility of establishing new industries in Poland and opened the way for foreign investment.

Nowadays, the industrial sector employs approximately 29% of all employed Poles. The most popular industries include:

■ The automotive industry: Fiat (in Tychy), Opel (as former part of GM, in Gliwice), Volkswagen (in Poznań), and GM DAT (former Korean Daewoo, in Warsaw) producing cars, and Volvo (Wrocław), Solaris (Poznań) and MAN (Poznań) producing buses. There is also a wide range of suppliers producing components for factories and customers.

- Other world producers present in Poland include GM Fiat, Isuzu, Volkswagen and Toyota who produce engines and gearboxes.
- Home appliances: all world leading producers have plants in Poland, including Whirlpool (Wrocław), Electrolux (several plants in Silesia and Lower Silesia), Bosch and Siemens (Łódź) and Indesit (Łódź).
- Food production: many different, mostly Polish companies, producing different meat, vegetable and fruit products, as well as beverages. This also includes investment of foreign companies like Nestle, Cadbury's, Masterfoods and Unilever.
- Electronics: with the strongest emphasis on TV sets. Due to the presence of LG, Toshiba, Thomson and Sharp, Poland is a strong producer of TV sets. Every third TV set sold in Europe is produced in Poland.
- Cosmetics: Avon, Beiersdorf, Procter&Gamble and others.
- Other consumer goods: Goodyear, Michelin and Bridgestone.
- Petrochemical: PKN Orlen is the biggest Polish company, with LOTOS and PGNiG following closely behind.
- Others: including the aviation and train construction industries, textiles, ceramic, furniture, communication and IT technology, all of which are strongly represented in Poland.

The traditional industries are also present. Mining is mostly concentrated around the Silesian coal basin and copper mining in Dolny Śląsk. There are also several steelworks in Silesia. The future of shipbuilding is uncertain – some Polish shipyards went bankrupt in the end of 2008 to pay back public aid received from the Polish Government.

The construction industry is also quite strong, with its boom coming in the years 2005-2007 due to the conjuncture on the market for private homes that was stopped at the end of 2007. The most prestigious Polish construction and design offices, mostly located around Warsaw and Silesia, are currently entering consortiums with western companies. As Poland is hosting the European Football Championships in 2012, there are several major public as well as some private construction projects currently in the works.

Industry clusters in the voivodships

Voivodships	Field of industry
Dolnośląskie	High - Tech, Machine Industry Automotive
Kujawsko-Pomorskie	Chemical, High - Tech, Machine and Food Industry
Lubelskie	Machine and Food Industry, BPO, Logistic, Tourism
Lubuskie	Timber, Food and Electrical Industry
Łódzkie	BPO, Household goods, Logistic
Małopolskie	Chemical Industry, BPO, Tourism, High - Tech
Mazowieckie	Food and Building Industry, BPO
Opolskie	Food, Building and Chemical Industry
Podkarpackie	Air Craft Industry
Podlaskie	Food and Machine Industry, Tourism
Pomorskie	Tourism, High - Tech, Water Economy
Śląskie	Tourism, BPO, Automotive
Świętokrzyskie	Metal and Building Industry, Health and Rehabilitation Sector
Warmińsko-Mazurskie	Tourism, Timber and Food Industry, alternative Energetic
Wielkopolskie	Automotive, Logistic, BPO
Zachodnio-pomorskie	Logistic, Food and Timber Industry, BPO

Industry clusters in Poland





II.4. Labour Market

II.4.1. Education

II.4.1.1. The education system

The Polish education system is well developed, especially in the cities. Although the number of state-owned schools and Universities is rather stable, the number of private institutions is growing in response to recent market demand.

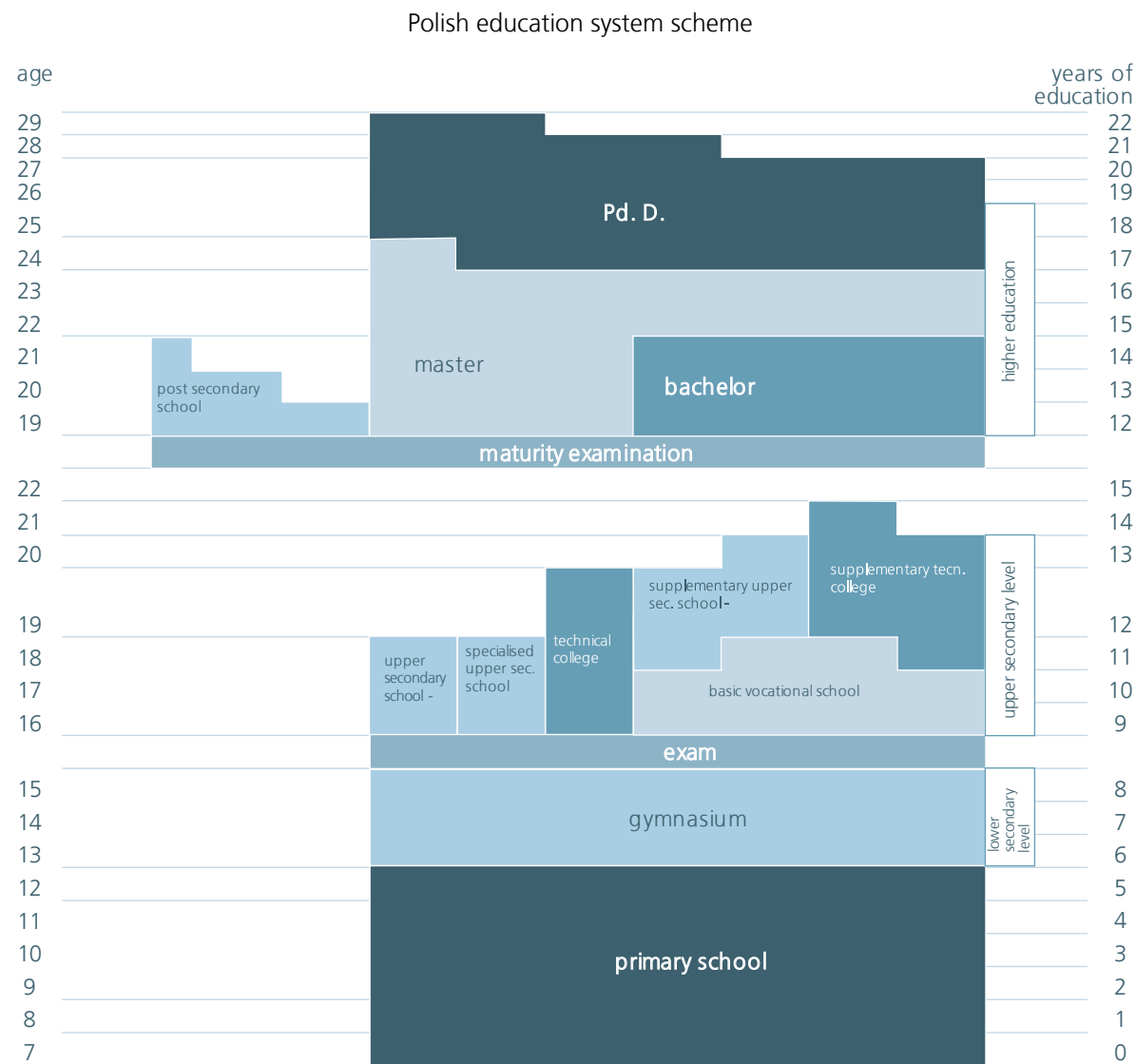
Pre-school education is part of the formal system of education in Poland. There is a well-established network of state pre-schools that children may attend between the ages of three and six. Formal school education before the age of six is not compulsory, although currently about 60% of the nation's children attend such schools, mostly in the cities. Pre-school education helps those between the ages of three and five develop their communication and social skills, so they can cope with any situation. Pre-primary education establishments primarily deal with preparing children for education in school.

Since 2004 an obligatory one year pre-primary education ('0 grade' – zerówka) has been introduced for children at the age of six in pre-primary education and nursery schools. According to the education reform, the school age will soon be lowered by one year. Until the school year of 2011/2012, children will have the right to attend primary school at the age of six, but after the school year 2012/2013 this will become compulsory. Also the pre-primary education of children between the ages of three and five will become obligatory from 2011.

■ Compulsory full-time education

Full-time compulsory education in Poland lasts 10 years and covers education in the already mentioned '0 grade', the six-years of primary education and the three-years of lower secondary education. Admission to primary school is based on age. Primary school education is divided into two stages:

1. Stage I – grades 1 to 3, called integrated teaching which is meant to provide a smooth transition from pre-primary to school education
2. Stage II – grades 4 to 6



The school year is divided into two semesters between September and June. Pupils attend primary school five days a week, from Monday to Friday.

Pupils are assessed separately in each subject, the evaluation of which depends entirely on the teacher. If the student feels that the periodical or annual mark given by their teacher is too low, they have the right to take a verifying examination. Certificates of completion for each year of school education are necessary when children change school (to another place of living).

The requirements for admission to lower secondary school are the successful completion of primary school and a primary school leaving certificate. In 2002 an externally standardised test was conducted for the first time upon the completion of primary school. Tests are

comparable on the national stage. In the third year, pupils take another compulsory examination. This exam is external and standardised and is designed to check the child's abilities, skills, and knowledge in the field of humanities and science. From 2009 it will also encompass foreign language proficiency.

■ **Upper secondary and post-secondary education**

This part of a child's education covers the ages 16-18, or 19-20. Candidates who have successfully graduated from lower secondary school may choose between the following types of schools:

General secondary school - liceum (three years), offers general upper secondary education and, at the end, a final maturity examination (Matura) that is necessary for admission to higher education. Specialised secondary school – liceum profilowane

(three years), which differs from the general secondary school by offering specialised upper secondary education (e.g. economic, electronic and fashion design among others).

Technical secondary school – technikum (four years), offers technical and vocational upper secondary education. It also offers the final Matura examination.

Basic vocational school – szkoła zasadnicza (two-three years), after finishing school, graduates have access to the trade or occupation of supplementary schools.

Supplementary general secondary school – liceum uzupełniające (two years), meant for the graduate of the basic vocational school, offering general upper secondary education and preparing them for the Matura examinations.

Supplementary technical secondary school – technikum uzupełniające (three years), offers vocational upper-secondary education for students in preparation for their Matura.

Post secondary school – szkoła policealna (max. 2.5 years), meant for people with secondary education who want to obtain a vocational qualifications diploma upon the passing of an exam.

The maturity examination is compulsory for all graduates who apply for higher education. It comprises a written part assessed by external Regional Examination Commissions and an oral examination assessed by school teachers.

Children of foreigners who are subject to compulsory education in Poland can attend primary and lower secondary public school on the same terms as Polish pupils. This also applies for upper-secondary education, although whether it is free of charge or requires a fee depends on the student's, and their parents', legal basis of residence. Also, there are many private international schools in major cities (see appendix 2), which provide adequate education in English or other languages for the children of expats. All schools are required to satisfy the requirements of the Polish national system, some of whom additionally offer the International Baccalaureate Programme. Attending bilingual school helps children to adapt to their new home and students may also learn the language and culture of their new home and of other countries.

■ **Higher education**

There are several types of higher education and study programmes in Poland:

Professional higher studies – wyższe studia zawodowe (three-four years), the graduates obtain a professional degree of licentiate or engineer (in the field of engineering, agriculture or economics). This is the Polish equivalent of a bachelor's degree.

Master's studies – studia magisterskie (five-six years), the graduates obtain a professional degree of magister, or an equivalent degree, which is the Polish equivalent of master's degree depending on the study course profile.

Postgraduate master's studies – uzupełniające studia magisterskie (two-2.5 years), meant for graduates of professional higher studies and offering them the possibility of obtaining a professional master's degree.

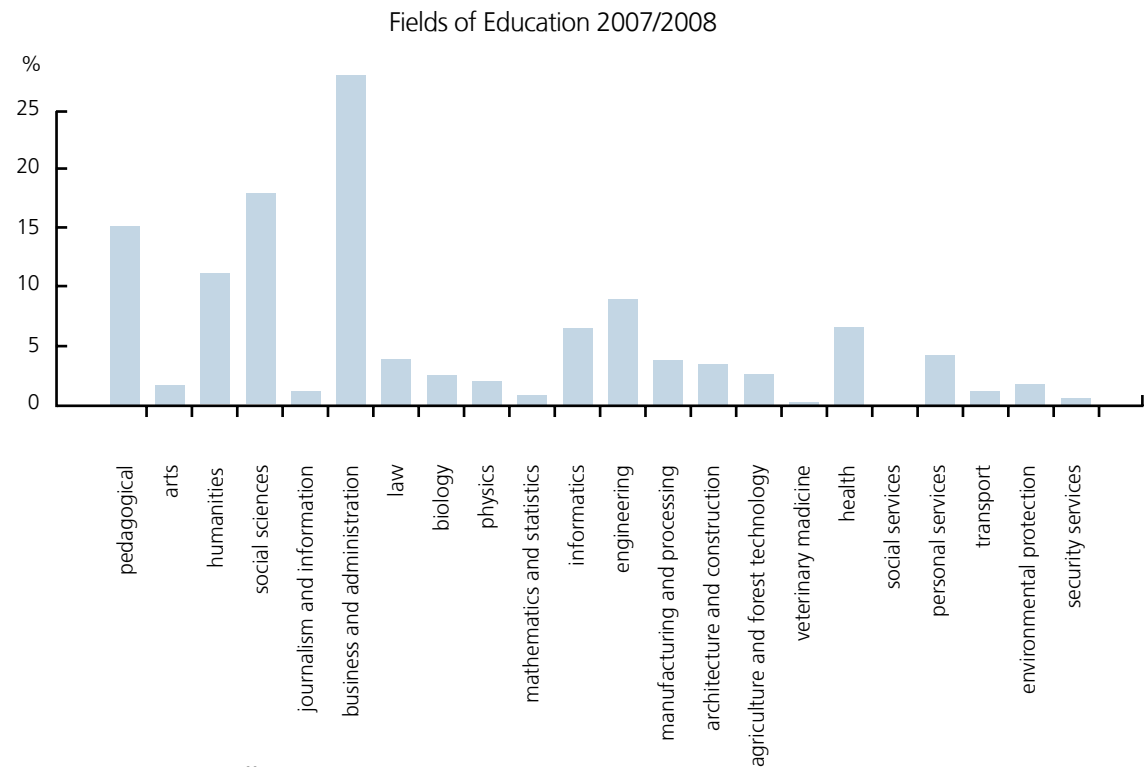
Postgraduate studies – studia podyplomowe (one-two years), meant for graduates of all types of higher education institutions.

There are two types of higher education institution, the University type, which offers studies in humanities; science; medical science; economics; the arts; pedagogy and military studies and the professional type, which educates students in specific professional areas preparing them for practising a profession.

The institution of higher education runs full-time courses, evening courses, extramural courses and external courses. The basic system of studies is the full-time mode.

According to Eurostat, Poland holds fourth place after the United Kingdom, Germany and France in terms of the number of people enrolled in tertiary education. In the 2008/2009 academic year, 1.93 million people studied at higher and tertiary education facilities, among which 56,98% were women. The most popular faculties among students were the business and administration faculties. Of these, 48,1% students studied full-time, and 51,9% took evening or extramural courses. The number of graduates in 2007/2008 grew to 420.9 thousand compared with 2006/2007 when 410 thousand completed their studies.

The biggest centres of higher education are in Warsaw, Kraków, Wrocław, Poznań, Łódź,



Source: Central Statistical Office, 2008

Lubin, Gdańsk and Katowice. In total there are 461 higher education establishments in Poland, 29% of which are state-owned. There are 18 universities, 17 technical universities, 11 medical academies, 6 agricultural academies and 5 economics academies.

Apart from the philology students and foreign students, 44.6% of students attend foreign language courses at university. Especially active are students of business faculties, many of whom study more than one foreign language.

■ Academic degrees

Many departments of state higher education establishments run doctoral courses (three-four years). Candidates applying for PhD course must have a master's degree or an equivalent, while foreign candidates must provide a diploma of a master's degree course of study obtained in Poland or a legalised diploma or another certificate confirming the completion of higher education obtained abroad and recognised under separate provisions as equivalent to a polish degree. There are several academic degrees that graduates continuing their education at doctoral courses can work towards, including:

Doctor – doktor, after three to four years of study, this is awarded to candidates who submitted and successfully defended a doctoral

dissertation before a thesis committee and passed a doctoral examination.

Habilitated doctor – doktor habilitowany, awarded to candidates with a doctor's degree having important academic achievements and who proposed a dissertation and completed the procedure.

Professor – profesor, the highest academic degree, awarded by the President of the Republic of Poland after receiving a petition from the academic council and upon the resolution of the Central Commission.

II.4.1.2. Special education

Polish law guaranties everyone the right to be educated. This means that the Polish education system, under the supervision of the Ministry of National Education and Sport, is supposed to ensure the education of children and young people with activity limitations. Such people can get their education in general access schools and in integrated (inclusive) schools, as well as in special needs schools.

According to the Ministry, 3% of Polish students have special needs. Students with special needs may attend:

- public special education units (primary schools, lower secondary schools, basic vocational schools, vocational secondary schools, general secondary schools and post-secondary schools),
- public education units (regular, integrative, special or therapeutic classes),
- individual education programs at home.

The integration into general access school is subject to the positive recommendation given by a competent authority and/or the child's parents.

II.4.1.3. Teachers

Teachers must have a higher education qualification, the type of which depends on the teaching level.

Pre-primary school teachers have the same responsibilities as teachers in primary education for the first three years of a child's education. The teacher is required to hold at least a bachelor's degree. Teachers may receive their initial training in three-year teacher training colleges which award the title of licentiate or a diploma. Many teachers at this level have completed higher education and are graduates of universities or higher education schools (pedagogical academies).

At the secondary level, teachers employed in the three-year lower secondary school are required to have at least the qualifications outlined above with the title of licentiate.

Upper secondary school teachers must have completed university education with a master's degree or an equivalent qualification.

Professional training is required at all three levels of education. Teachers should be specialists in two subjects, have computing skills and a good command of at least one foreign language.

According to the Teachers' Charter, a teacher can obtain the following professional promotional grades:

- trainee teacher,
- contract teacher,
- appointed teacher,
- chartered teacher.

Chartered teachers with outstanding professional achievements may be further awarded the honorary title of education professor.

II.4.1.4. Scientific and R&D

There are two important institutions responsible for Poland's scientific development: the State Committee for Scientific Research (Komitet Badań Naukowych, KBN) and the Polish Academy of Sciences (Polska Akademia Nauk, PAN).

KBN is a governmental body, which was set up by the Polish Parliament. It is the supreme authority on State policy in the area of science and technology. It combines the role of a 'typical' ministry of science and technology with that of a funding agency presenting guidelines for the country's scientific policy, submitting plans for budgetary expenditure in the area of research in science and technology, and distributing funds among scientific and research institutions. KBN's works are headed by its chairman, the Minister of Science.

PAN is a state scientific institution that functions as a learned society acting through an elected corporation of leading scholars and research institutions. Operating through its committees, PAN has become a major scientific advisory body. PAN as a research centre is currently comprised of 79 research establishments (institutes and research centres, research stations, botanical gardens and other research units), and auxiliary scientific units (archives, libraries, museums and foreign PAN stations). A very special part of the Academy is its committees, the Academy's network of 107 committees constituting a major representation of all researchers in Poland. Each scientific committee constitutes a self-governing representation of a scientific discipline for the purpose of integrating Polish scholars.

Over 40 R&D centres have been opened in Poland by foreign investors including Google, Unilever, Siemens and Motorola. This is mostly because of the lower R&D costs in Poland, the availability and the quality of R&D labour forces, the quality of universities and research centres and the proximity to customers as well as government R&D incentives. Generally, there are 1,157 R&D units in Poland (employing 74,596 R&D workers), including the Polish Academy of Sciences, as well as independent and specialized R&D centres and support agencies. Considering the number of students and young workers in the R&D sector, the potential of Poland in this field is extremely promising.

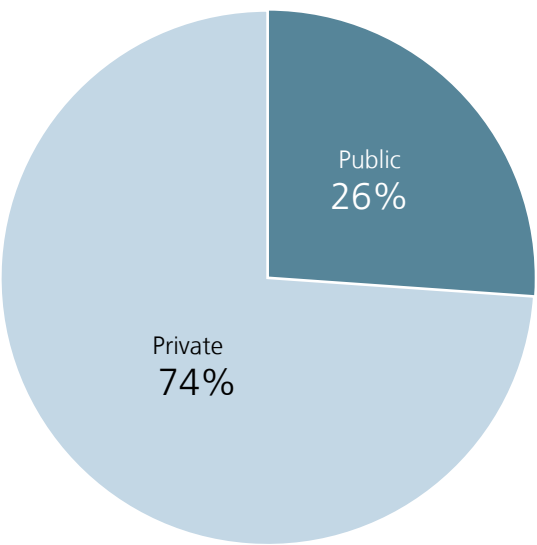
II.4.2. Human resources

II.4.2.1 Employment and labour force

In the fourth quarter of 2009, 15.9 million Polish people were employed. This number is slightly lower than that of the fourth quarter of 2008, but higher than at the beginning of 2009. Depending on the economic sector, 12.9% were employed in agriculture, 30.8% in industry and 56.3% in services. In comparison with figures for 2008, the employment rate in the services sector has increased, while the numbers in both agriculture and industry have declined.

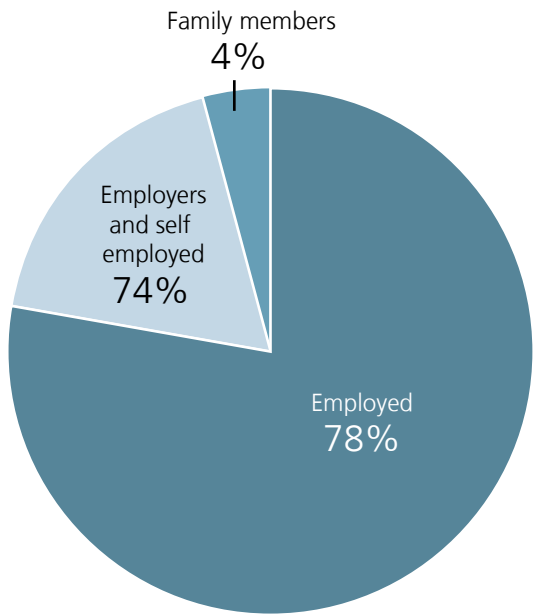
The overall activity ratio is 55.1%, meaning that 55.1% of Poles in the production age of 15-64 are economically active. This includes both employed (50.4%) and unemployed (4.7%). The rest (44.9%) is economically passive. Most of these are in education or obtaining additional skills, others are passive due to sickness or disability, family commitments, or the fact they are already retired. The activity ratio has significant differences depending on the level of education. Among people with tertiary education, the activity ratio is 80.1%, while among people with vocational education, the ratio is 66% (secondary vocational) and 63.9% (basic). The lowest ratio is among people with basic education (19.1%) followed by 47% as the ratio of people with general secondary education.

Employment by type of ownership



The average working time was 39.2 hours a week, slightly lower than in the fourth quarter of 2007 and the first quarter of 2008.

Employees by employment status



Employment by sections

Sections	2002	2005	2007	2008
	in thous.			
Total	12803.3	12890.7	13771.1	14126.2
Agriculture, hunting and forestry	2161.1	2138.9	2145.4	2144.2
of which agriculture	2109.0	2092.8	2092.3	2089.7
Fishing	6.3	4.9	4.5	4.3
Industry	2887.9	2912.1	3142.9	3154.2
Mining and quarrying	2009	185.1	180.3	185.3
manufacturing	2440.8	2508.7	2747.4	2755.4
electricity, gas, water supply	238.1	218.3	215.2	213.5
Construction	676.6	622.9	780.5	824.0
Trade and repair	1988.0	2058.8	2193.7	2325.0
Hotel and restaurants	210.9	219.4	239.9	259.1
Transport, storage and communication	724.7	699.9	773.1	808.0
Financial intermediation	290	295.4	327.6	342.7
Real estate, renting and business activities	897.1	950.4	1091.5	1140.7
Public administration and defence, compulsory social security	838.8	872.0	895.7	921.4
Education	894.6	1026.3	1033.0	1037.6
Health and social work	851.7	706.8	737.6	748.0
Other community, social and personal services activities	365.6	382.9	405.7	417.0

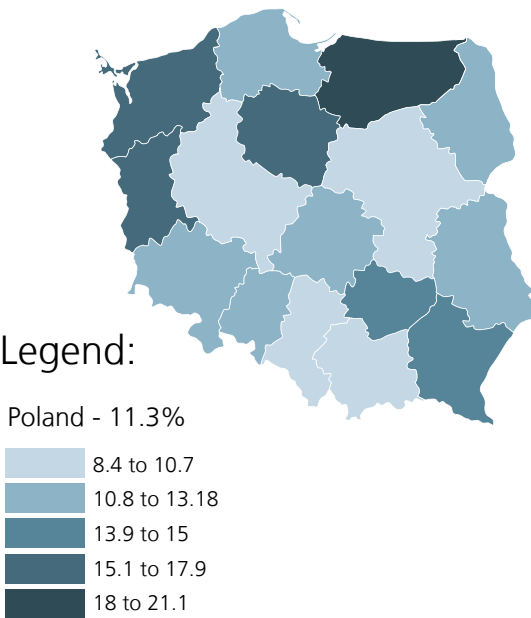
Source: Central Statistical Office, Employed Persons by Section, 2009

II.4.2.2 Unemployment

Registered unemployment in August 2010 was 11.3%¹⁴. The graph below represents the monthly rates since 1990. One can see the seasonality whereby every year there is a peak in winter. This is mostly due to construction work and agriculture, which tend to follow seasonal patterns.

Unemployment rates differ from region to region. The lowest unemployment at the end of August 2010 was registered in Wielkopolskie voivodship (8.4%), followed by Mazowieckie (9.0%), Śląskie (9.2%), and Małopolskie (9.4%). The highest unemployment was in Warmińsko-Mazurskie (18.0%), Zachodniopomorskie (15.1%), Kujawsko-Pomorskie (14.7%) and Lubuskie voivodship (14.5%). The map below presents the unemployment rates in the various voivodships.

Unemployment in Poland by voivodships

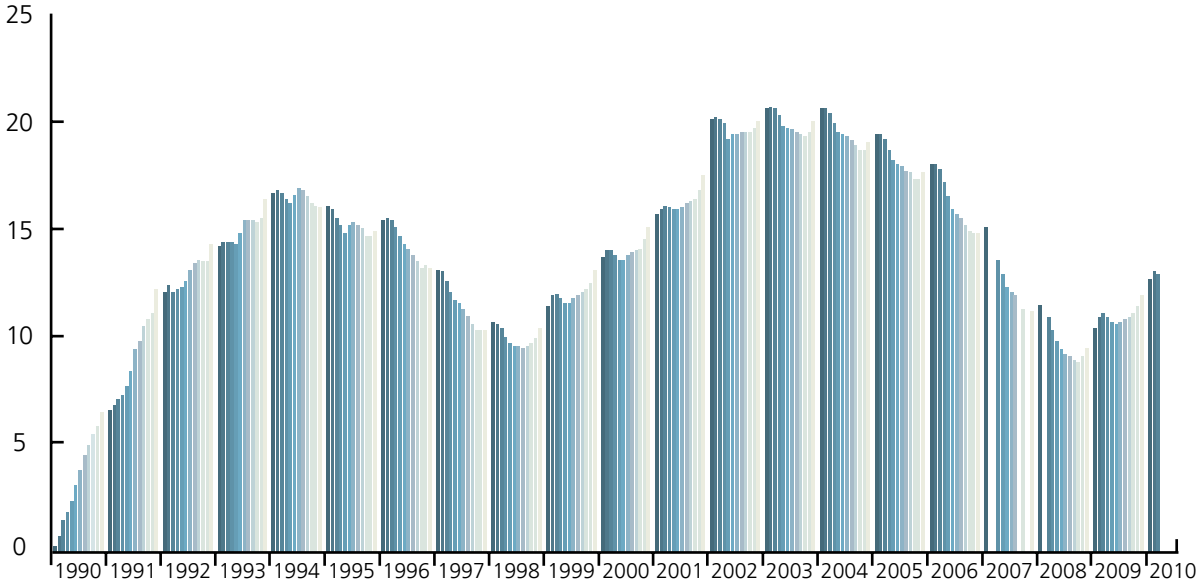


Source: Central Statistical Office, Quarterly Information on the Labour Market - 4th quarter, 2009

Source: Central Statistical Office, Monthly Information on Unemployment in Poland March, 2010

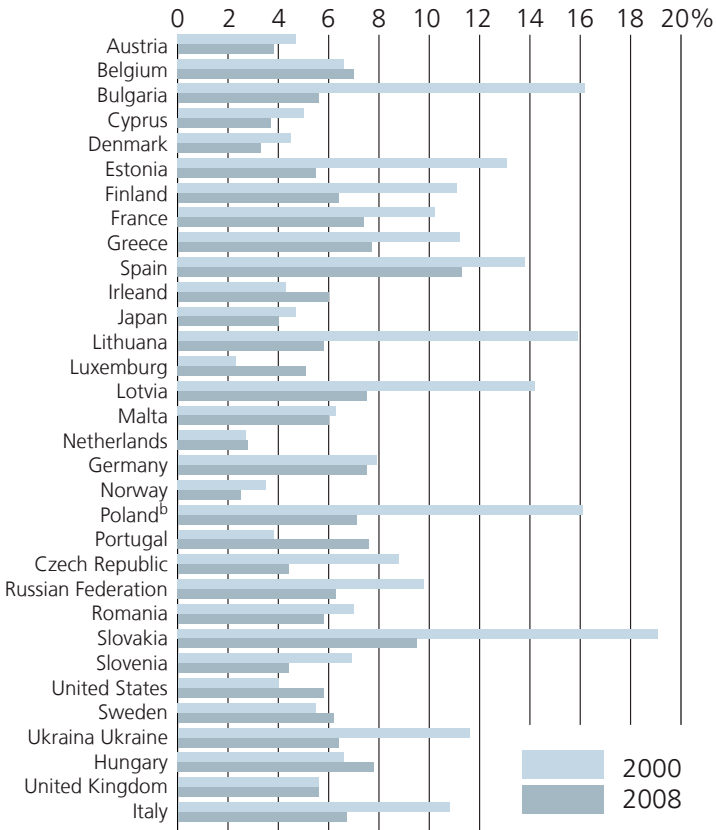
¹⁴ Central Statistical Office, Registered unemployed persons and unemployment rate by voivodships, subregions and powiats as of the end of August 2010.

Monthly unemployment rates 1990-2010



Source: Central Statistical Office, Unemployment Rates, 2010

Unemployment rate^a in selected countries



Source: Central Statistical Office, Employed Persons by Section, 2010

^a Data based on the Labour Force Surveys (LFS) compiled in accordance with the methodology of International Labour Organization (ILO)

^b Annual averages; data for 2000 concern unemployed persons aged 15 and more.



Unemployment rates can also vary within different regions. The lowest rates are always in the big cities: the capital city Warszawa (3.4%), Poznań in Wielkopolskie (3.7%), Katowice in Śląskie (4.2%), Kraków in Małopolskie (4.9%) and Wrocław in Dolnośląskie (5.7%). However, unemployment rates are growing in more rural districts. Mazowieckie, a region with a low overall unemployment rate, contains a district with an unemployment rate of more than 35% (Szydlowiec) and there are many with levels of unemployment significantly above or close to 20%. In Wielkopolskie there is only one district above 20%. Małopolskie, with an

unemployment rate of 10.7%, slightly below the Polish average, has several districts with unemployment of around 19%.

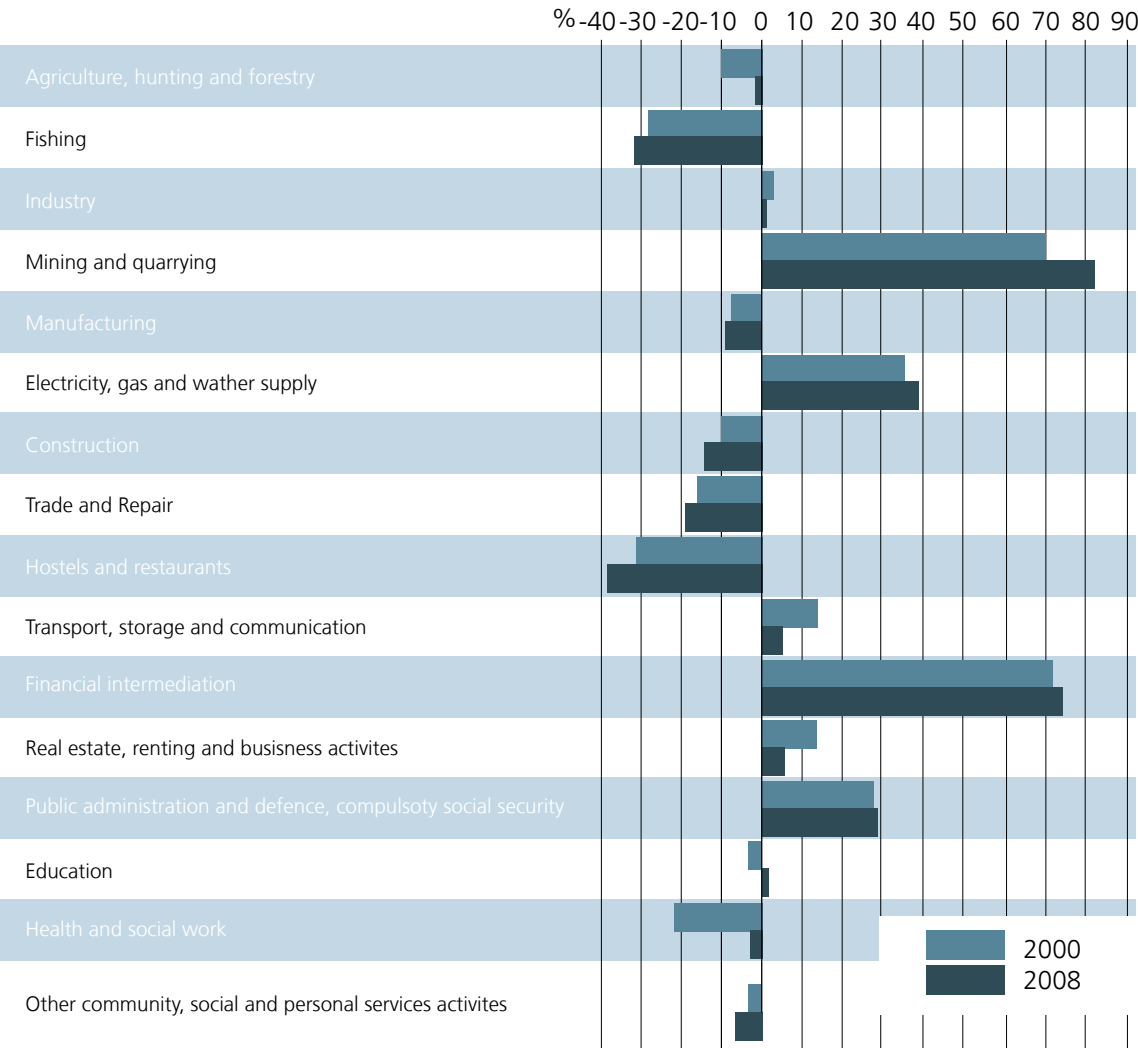
The attached graph presents the Polish unemployment rates compared with other selected countries (based on 2008 data). It is clear from this that among other European countries, Poland has significantly higher unemployment with only Slovakia sharing a similar picture. The numbers and proportions are changing dynamically however. This is due to the difficult situation in the world economy starting from the fourth quarter of 2008.

II.4.2.3 Salaries

The average salary within the enterprise sector as of March 2010 was PLN 3,493.42 (a figure which corresponds to USD 1,218.40, calculated using the average monthly exchange rate in March 2010 of USD 1 = PLN 2.8672)¹⁵. This average salary is slightly higher than the national average (e.g. in 2009, the average salary in the enterprise sector was PLN 3,324.91

and the national average was PLN 3,102.96). Depending on the investigated quarter, the salaries in Poland rose approximately 3-5% per year between 2002 and 2006. In the years 2007 and 2008 the annual increase was 8-11%¹⁶, a trend which has been since halted by the global economical crisis. March 2009's numbers show an increase of 6.8% year-on-year and March 2010 of -4.8%.

Relative deviations of average monthly gross wages and salaries from the average wages and salaries in the national economy



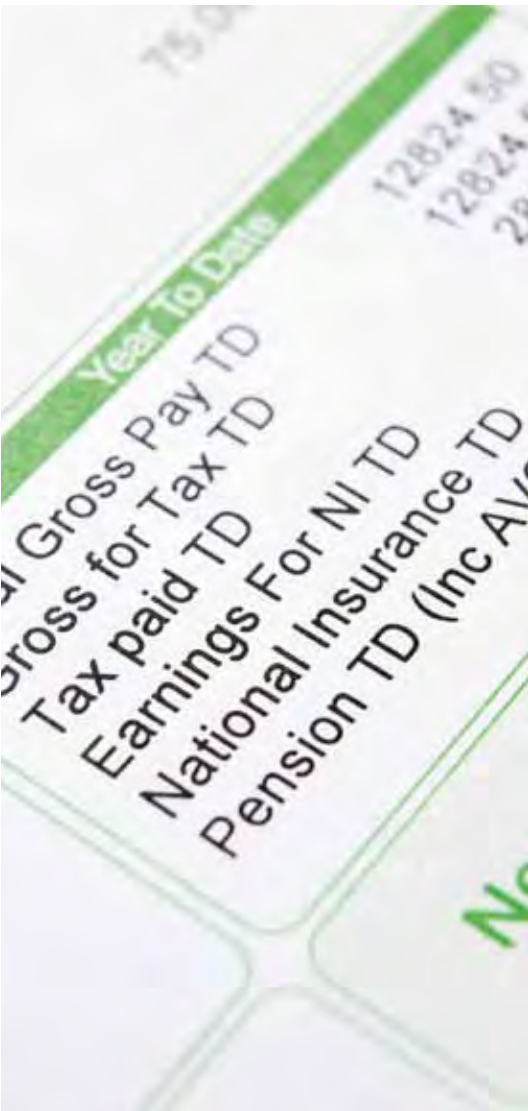
Source: Concise Statistical Yearbook of Poland, Central Statistical Office, Warsaw 2009

This picture can be supplemented by HR consulting companies that are investigating the market based on opinion polls. One of the biggest polls performed in 2008, with more than 55,000 participants, shows an average salary of PLN 3,800, with men averaging at PLN 4,500 and women PLN 3,150. This median is also much higher in companies with foreign capital (PLN 4,200), than those owned by Polish investors (PLN 2,600). The five sectors with the highest and lowest salary medians, according to the survey, are presented in the tables below.

The highest and lowest salary medians

Industry sector	Median salary in PLN
Telecommunications	5500
IT	5100
Insurances	4950
Banking	4900
Power and heat industry	4500

Industry sector	Median salary in PLN
Agriculture	3000
Public sector	2900
Health service	2800
Education, schools	2522
Culture and arts	2500



¹⁵ Central Statistical Office, Average Monthly Nominal Gross Wages and Salaries in Enterprise Sector, May 2010
¹⁶ Central Statistical Office, Employment, Wages and Salaries in National Economy in 2009



II.5. Financial Centre

II.5.1. Banking and financial institutions

The banking system in Poland is built on three pillars:

- I. Central bank (the National Bank of Poland – NBP)
- II. Commercial banks
- III. Cooperative banks.

From 1 January 2008, banking supervision has been carried out by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego - KNF), as stipulated in the 21 July 2006 act on the supervision of the financial market.

The merger of the financial and banking supervision was a pragmatic decision based on the evolution of the Polish financial market, the growing significance of multinational financial groups and cross-sector financial products.

Before 1 January 2008, banking supervision, conducted by the Commission for Banking Supervision (Komisja Nadzoru Bankowego - KNB), had a limited objective which was to ensure the safety of deposits held by banks. The

aims of the PFSA are much broader and include undertaking measures designed to ensure the regular operation of the financial market (its stability, safety and transparency). Consumer issues such as dealing with complaints, financial education and codes of best practice were not considered particularly important before 1 January 2008.

The PFSA is supervised by the President of the Council of Ministers.

II.5.1.1. The National Bank of Poland

The National Bank of Poland is the Republic of Poland's central bank. Its tasks are stipulated in the Constitution of the Republic of Poland, the Act on the National Bank of Poland and the Banking Act. The fundamental objective of the NBP's activity is to maintain price stability. The most important areas of activity for the NBP are:

- monetary policy,
- the issue of currency,

- the development of the payment system,
- the management of official reserves,
- education and information,
- services to the State Treasury.

The management authorities of the NBP are the President of the NBP, the Monetary Policy Council and the NBP Management Board. The Monetary Policy Council lays down the foundations for monetary policy, sets interest rates and defines the level of obligatory reserves for commercial banks. The Management Board directs NBP activities. Its fundamental tasks include the implementation of resolutions for the Monetary Policy Council, the adoption and implementation of the NBP plan of activities, the execution of the financial plan approved by the Council and the performance of tasks related to the exchange rate policy and the payment system.



II.5.1.2. Commercial banks

As of the end of 2009, 49 commercial banks and 20 branches of credit institutions conducted operations in Poland.

The number of banks and branches of credit institutions conducting operations:

	2004	2005	2006	2007	2008	2009
Total	57	61	63	64	70	69
Commercial banks	54	54	51	50	52	49
Branches of credit institutions	3	7	12	14	18	20

Mergers and acquisitions are among the most important methods of growth used by commercial banks. These transactions became popular in Poland as early as the mid-1990s and have led to significant changes in the operation of the entire banking system

over the following decade. As a result, the number of entities decreased, in particular those which were economically weak, with the existing banks becoming modernised and the growth potential of the financial market rising significantly. Consolidation has also resulted in the diffusion of banking activity and risk management standards elaborated by highly developed countries over the years.

Foreign investors have a decisive impact on consolidation in Poland. Another important trend noted is that global banks have dominated these transactions. Such entities are both the initiators of the transaction and institutions most sought after for a merger or acquisition. In the Polish banking sector, there is still great potential for the development of mergers and acquisitions and the process of banks' consolidation is still to be finished. In Poland, further M&A transactions will mainly result from those entered into on international markets by the owners of Polish entities.

II.5.2. Stock exchange and capital market regulations

The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A., WSE) is a joint-stock company founded by the State Treasury. The WSE began its activity in April 1991, at the time of writing (June 2009) investors could buy and sell on WSE stocks of almost 380 companies. In August 2007 WSE launched the New Connect – a market for young companies with a large growth potential, on which more than 90 companies are currently listed. The WSE, as well as the other entities operating in the Polish capital markets (i.e. investment firms and entities operating investment funds), is

authorised by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego). Transactions on the WSE are executed from 8.30 am to 4.30 pm (this does not apply to block trades).

The following instruments are all traded on the WSE: shares, bonds, subscription rights, futures, options, index participation units, allotment certificates, investment certificates, and derivative instruments.

Capital market in Poland is regulated by three main acts:

- on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies,
- on Trading in Financial Instruments,
- on Capital Market Supervision.

All of these are dated 29 July 2005.

II.5.2.1. Warsaw Stock Exchange

The functioning of the Warsaw Stock Exchange is based on three legal acts dated 29 July 2005:

- the act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies,
- the Act on Trading in Financial Instruments,
- the Act on Capital Market Supervision.

The capital market in Poland was created in 1817, when the first Mercantile Exchange was set up to operate in the Warsaw Exchange. Activity in its current form started on 16 April 1991, by organising, from the beginning, securities trading in an electronic form.

As of May 2010 the ownership of the Stock Exchange was as follows:

- 98.20% - the State Treasury,
- 1.20 % - other entities including banks and brokerage houses.

The General Meeting of Shareholders is the highest decision-making body, its main function being to select 7 members of the Supervisory Board and the President of the Management Board. The Management Board comprises four members, with the President of the Management Board being elected for a three-year term.

The purpose of the WSE is to organise trading in financial instruments. The Exchange provides

a concentration of buy and sell offers in one place and time in order to determine the course of the transaction. Trading systems valid on the Warsaw Stock Exchange are characterised by the exchange of individual financial instruments being based on the orders of buyers and sellers, and therefore being called order-driven. This means that in order to determine the price of the instruments, a summary disposition of purchase orders and sales must be prepared. The matching of these orders is done according to strict rules, and the checkout process takes place during trading sessions. To improve the liquidity of traded instruments, the members of the exchange or other financial institutions can act as market animators, placing (on the basis of an appropriate agreement with Exchange) orders to buy or sell the instrument on its own account. The subjects of the trade on the stock market are securities (stocks, bonds, rights, rights to shares, investment certificates and derivatives), forward contracts, options and index units.

Warsaw Stock Exchange operates in financial instruments on two markets:

- The WSE Main Market has run since the Stock Exchange's inception on 16 April 1991. The market is supervised by the Polish Financial Supervision Authority and notified to the European Commission as a regulated market,
- NewConnect is organised and maintained by the Exchange acting in the key market for an alternative system of trade. It was created for the young and growing companies, particularly working with new technology and has functioned since 30 August 2007. The subject of trade in an alternative system may be shares, the rights to shares (PDA), rights, depositary receipts and other equity securities.

Currently, the WSE implements the development strategy, designed to enhance the attractiveness and competitiveness of the market and make Warsaw the financial centre of Central and Eastern Europe. The Polish Exchange is now an important capital stock market in Europe and a leader in Central and Eastern Europe, using the potential development of the Polish economy and the dynamism of the Polish capital market.

Statistic information:

Number of companies

	Domestic companies	Foreign companies	Total
Main market	317	22	339
Parallel market	41	0	41
TOTAL	358	22	380

Market value (EUR mil.)

	Domestic companies	Foreign companies	Total
Main market	114 571.46	69 154.07	183 725.52
Parallel market	1 258.42	0.00	1 258.42
TOTAL	115 829.88	69 154.07	184 983.95*

*as of 14 May 2010

II.5.2.2. Financial supervision

The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, PFSA) initiated its activity in September 2006. In its present form, the PFSA covers banking supervision, capital market supervision, insurance supervision, pension scheme supervision and the supervision of electronic money institutions. The FSA's activities are supervised by the President of the Polish Council of Ministers.

The main purpose of this supervision of the financial market is to ensure the proper operation, stability, security and transparency of the financial market, as well as to ensure confidence in that market, and to safeguard the interests of the financial market participants.

The tasks of PFSA include, among other things, undertaking measures aimed at ensuring the regular operation of the financial market, undertaking measures aimed at the development of the financial market and its competitiveness and undertaking educational and information measures related to financial market operation.

The PFSA is composed of a Chairperson, two Vice-Chairpersons and four members.

Of note is that, in civil-law cases arising from the relationships entered into in connection with participation in trading on the banking, pension, insurance or capital markets, or relating to entities operating on those markets,

the FSA's Chairperson has the powers of a prosecutor ensuing from the provisions of the Code of Civil Procedure.

II.5.2.3. Acquisition of material blocks of shares

Rules regarding the acquisition of material blocks of shares are applicable only to public companies. There are some specific levels of votes that can be executed during general shareholders meetings, the exceeding of which causes some special duties to come into play. Anyone who:

- has achieved or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 50%, 75% or 90% of the total vote, or
- has held at least 5%, 10%, 15%, 20%, 25%, 33%, 50%, 75% or 90% of the total vote and as a result of a reduction of its equity interest holds 5%, 10%, 15%, 20%, 25%, 33%, 50%, 75% or 90% or less of the total vote, respectively, is obliged to notify the Polish Financial Supervision Authority and the company of this fact immediately. This must be done no later than within four business days from the date on which the shareholder became, or by exercising due diligence could have become, aware of the change in his share in the total vote.

In the case of a change resulting from the acquisition of shares of a public company in a

transaction on a regulated market (e.g. a stock exchange), the above mentioned requirement is due no later than within six trading days from the transaction date.

The notification requirement mentioned above applies also to a shareholder who:

- has held over 10% of the total vote and this share has changed by at least: 2% of the total vote, in the case of a public company whose shares have been admitted to trading on the official stock-exchange listing market, or
- 5% of the total vote, in the case of a public company whose shares have been admitted to trading on a regulated market other than the one specified above,
- has held over 33% of the total vote and this share has changed by at least 1%.

In some cases, the acquisition of shares may be done only by way of a tender offer. In the event of the acquisition of a number of shares in a public company, which increases a shareholder's share in the total vote by more than:

- 10% within a period of less than 60 days, in the case of a shareholder holding less than 33% of the total vote at the company,
- or 5% within 12 months, in the case of a shareholder holding 33% or more of the total vote at the company.

Such acquisition may be done only by way of a tender offer to subscribe for sale or exchange of those shares in no less than 10% or 5% of the total vote, respectively.

Polish law provides mandatory buy-out insulation. A shareholder in a public company, who individually or jointly with its subsidiaries or parent entities has reached or exceeded 90% of the total vote in the company, shall be entitled, within three months from the day on which this threshold has been reached or exceeded, to demand that the other shareholders sell all the shares held in the company.

II.5.2.4. Venture Capital Funds

Venture Capital (VC) Funds started to operate in Poland at the beginning of the 90s. These days between 40 and 50 VC management companies are present on the Polish market, a significant proportion of which are foreign

entities looking for investment opportunities in Central-Eastern Europe. The most common types of entities active in the VC area are:

- investment funds,
- investment banks,
- special funds in the structure of the financial corporations,
- consulting companies.

Funding in the VC mostly comes from foreign investors. However, over the last few years Polish entities have also been very active in this area.



II.5.3. Insurance Regulations

Legal acts in Poland specify two sections of insurance. The first section includes life insurance, whilst the second section includes the remaining personal and property insurance types. An insurance company cannot conduct insurance activity simultaneously in the scope of both these sections.

The main legal acts related to insurance activities in Poland regulate the areas of:

- insurance activity,
- insurance mediation,
- compulsory insurance,
- the Insurance Guarantee Fund and Polish Motor Insurers' Bureau,
- insurance and pension funds supervision and Insurance Ombudsman.

Insurance activities can be pursued only by an insurance company established as a public limited company or a mutual insurance society. The Polish insurance market is supervised by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego). Brokers must be locally licensed.

The policy language is in Polish, as is the unit of currency: zloty (PLN).

The main compulsory insurance according to Polish law:

- third party automobile liability (with a minimum limit of EUR 2.5 million for corporal injury in each accident and EUR 500,000 for material damage in each accident),
- farmers third party liability,
- fire and other natural disasters coverage for farm building,
- workers' compensation (social security scheme covering health and pensions),
- lawyers' notaries and councillor's third party liability,
- tax advisors' third party liability,
- other insurance, listed in the applicable law.

Poland

– a place for living



FIS World Cup - Adam Malysz, Zakopane



II.6. Infrastructure

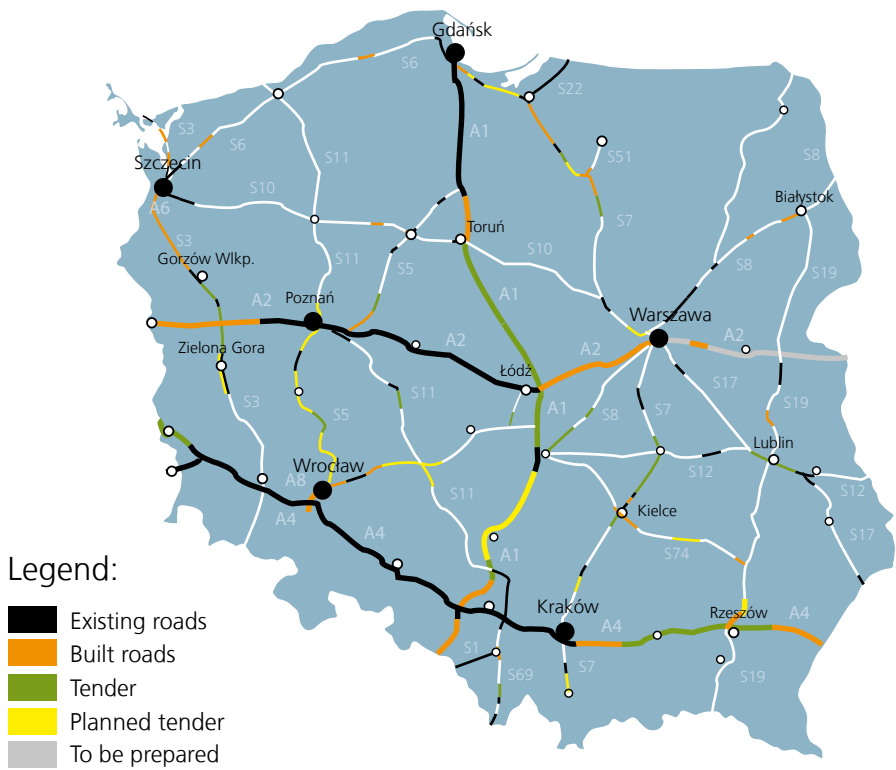


II.6.1. Transport

II.6.1.1. Road system

In recent years the Polish road system has undergone an extensive period of renovation, with government spending on road construction seeing a huge boost due to the inflow of European Union funds for infrastructure projects. In May 2009, Poland had 93 national roads with a total length of about 18,500 km, including about 831 km of motorways and over 535 km of express-ways. At the moment there are around 850 km of national roads being built or rebuilt. Under new construction are 360 km of motorways, 290 km of express-ways and 120 km of bypasses, while 80 km of existing roads are undergoing a process of modernisation.

Status of major roads as of May 2010



Source: General Directorate for National Roads and Motorways, 2010



II.6.1.2. Railways

Poland is served by an extensive network of railways. In most cities the main railway station is located near the city centre and is well connected to the local transportation system. The infrastructure is operated by PKP PLK SA (PKP-Polskie Linie Kolejowe: PKP-Polish Rail Lines), part of state-run PKP Group. The rail network is very dense in western and northern Poland, while the eastern part of the country is less well developed. There are 23,429 km of railway tracks managed by PKP SA and owned by the state. The extent of railway line concentration varies from 3.7 km to 15.6 km of line per 100 km². The national average is around 6.08 km of line per 100 km². There are 1,500 stations operating on the network of PKP Polish Railway Lines. There are also over 14,200 level crossings with roads and pedestrian passages, including 2,700 of which are guarded by workers on the lines. PKP Polish Railway Lines maintains over 26,500 structures, including almost 7,000 bridges and viaducts.

II.6.1.3. Air transport

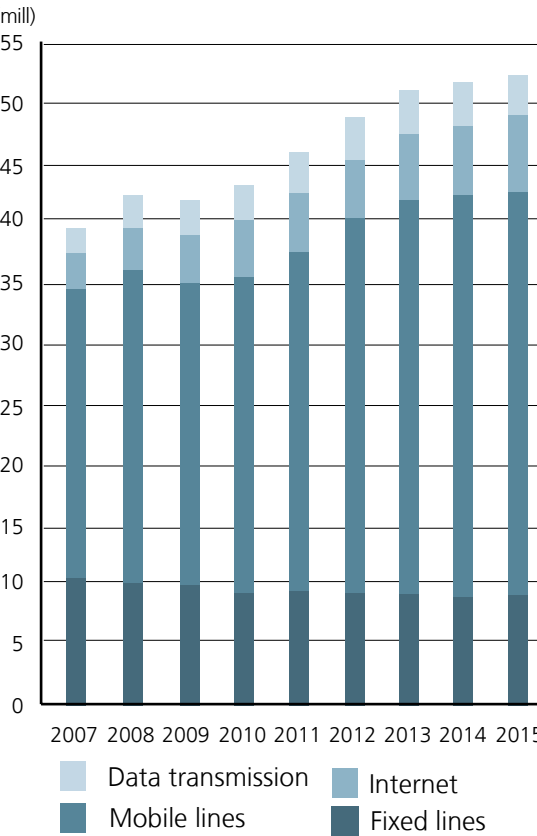
Polish air transport was initiated in 1919 with a flight between Poznań and Warsaw. In 1929, LOT Polish Airlines was established, which is still the international flag carrier of Poland. The biggest Polish airport is the one at Warsaw: the Warsaw Frederic Chopin Airport. Other airports in Poland include:

City	Airport
Bydgoszcz	Bydgoszcz Ignacy Jan Paderewski Airport
Gdańsk	Gdańsk Lech Wałęsa Airport
Zielona Góra	Zielona Góra Airport
Kraków	John Paul II International Airport Kraków-Balice
Katowice	Katowice International Airport
Łódź	Łódź Władysław Reymont Airport
Poznań	Poznań-Ławica Airport
Rzeszów	Rzeszów-Jasionka Airport
Szczecin	Szczecin-Goleniów "Solidarność" Airport
Wrocław	Copernicus Airport Wrocław

also various new forms of telecommunication have entered the Polish market contributing to the growth in the numbers of customers. According to the Urząd Komunikacji Elektronicznej (Office of Electronic Communications) report, the value of the telecommunications sector at the end of the 2009 was PLN 41.87 billion.

Poles are using the internet and mobile telephones more and more. In 2009, about 59.8% of Poles said they used the internet. Regarding mobiles communications, there are now more active mobile phones in the country than inhabitants. 2006 by comparison had only 37% of the population using the internet and 72% of the population were mobile phone users. Market growth was dominated at first by the increasing revenues of its mobile operators. The second segment of the telecommunications market are still fixed-line telephones; however its market share is currently decreasing – from 58% in 2000 to 23% in 2009. The fixed-line telephone market in Poland is still dominated by Telekomunikacja Polska S.A., which provides around 72.1% of fixed lines. Alternative operators comprise around 27.9% of the number of fixed lines in 2009, the main competitors being Netia S.A. and Telefonia Dialog.

Total value of the telecommunication market in Poland in 2007-2015 (in billion PLN)



Source: Office Electronic Communications, Report about Telecommunication Market, 2009

II.6.1.4. Waterways

Next in the way of transport in Poland are the waterways. The network of Polish waterways, comprising navigable canals and canalised or free-flowing rivers, as well as a number of interconnected lakes, is nearly 3,650 km long. There are three main inland waterways in Poland: the river Oder, the river Vistula and the waterway Warta-Notec-Kanal Bydgoski. Access to the Polish inland waterways from the Baltic Sea is possible via the Port of Gdańsk or the Port of Szczecin.

II.6.2. Telecommunication

II.6.2.1. Telecommunication systems

The Polish telecommunication infrastructure is continuously developing. Not only has the number of the potential providers increased steadily, but

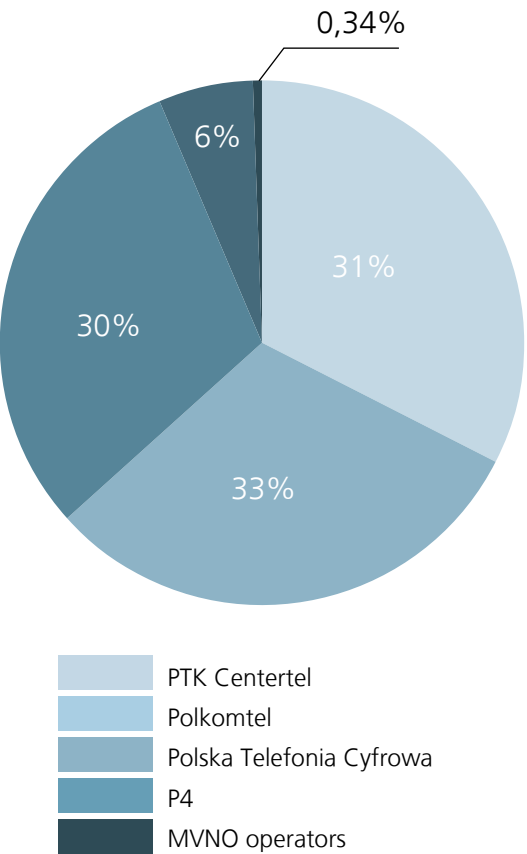
The mobile telephone segment is characterised by a rapid increase in the number of subscribers and operators. In 2008 the existing mobile telephone operators Polska Telefonia Komórkowa Centertel Sp. z o.o., Polska Telefonia Cyfrowa sp. z o.o., Polkomtel S.A and P4 Sp. z o.o. (acting from 2007) gained new competitors:

- Mobile Entertainment Company Sp. z o.o. (Mobilking) – MVNO,
- CP Telecom Sp. z o.o. (Carrefour Mova) – MVNO,
- MediaTel S.A. (telepin mobi) – MVNO,
- Cyfrowy Polsat S.A. – MVNO,
- Aster Sp. z o.o.,
- Crowley Data Poland Sp. z o.o. (CROWLEY TeleMobile) – MVNO,
- Netia S.A. – MVNO,

and in 2009 gained:

- CenterNet - MVNO,
- GaduAir - MVNO.

Mobile phone market share (2nd quarter 2009)



Today, the internet is a major source of information. The number of Internet users in Poland reached 7.3 million in 2009. The

most popular form of access to the internet in households is still via service provider Neostarda TP and offers from cable television operators. Broadband internet access services are dominated by 13 telecommunications operators, three of which are fixed line telephone operators, four of which are mobile telephone operators and the rest of which are cable television providers.

The Polish telecommunications market is gradually approaching Western European markets. In order to win over new customers, telecommunication operators are trying to retain their current clients by offering many incentives. These incentives include free minutes and better service quality either at the same price or as an extension to their existing service range. They also offer better packages, including telecommunications services and banking or television services.

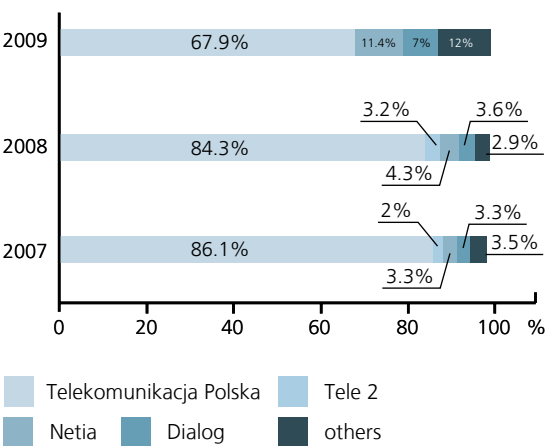
II.6.2.2. Density and connection lease market



The fixed line telephone market in Poland is characterised by a low level of penetration, with only 25 fixed telephone lines for every 100 people. In 2009, 51.4% of Poles declared themselves to have a fixed-line phone in their households. Telekomunikacja Polska S.A. is the most spontaneously recognised brand among fixed-line operators (94.6% of respondents). The second-best well-known operator is Netia (with 48.8% of respondents). Another recognized provider is Dialog (21.8% of respondents). According to a UKE survey, a fixed-line phone is an important mean of contact for local calls. The frequency of

using a fixed-line phone for local calls is very high, with 36.6% of respondents using it every day and half of the respondents (51.2%) several times a week

The number of fixed-line users 2007–2009



Source: Office Electronic Communications, Report about Telecommunication Market, 2009

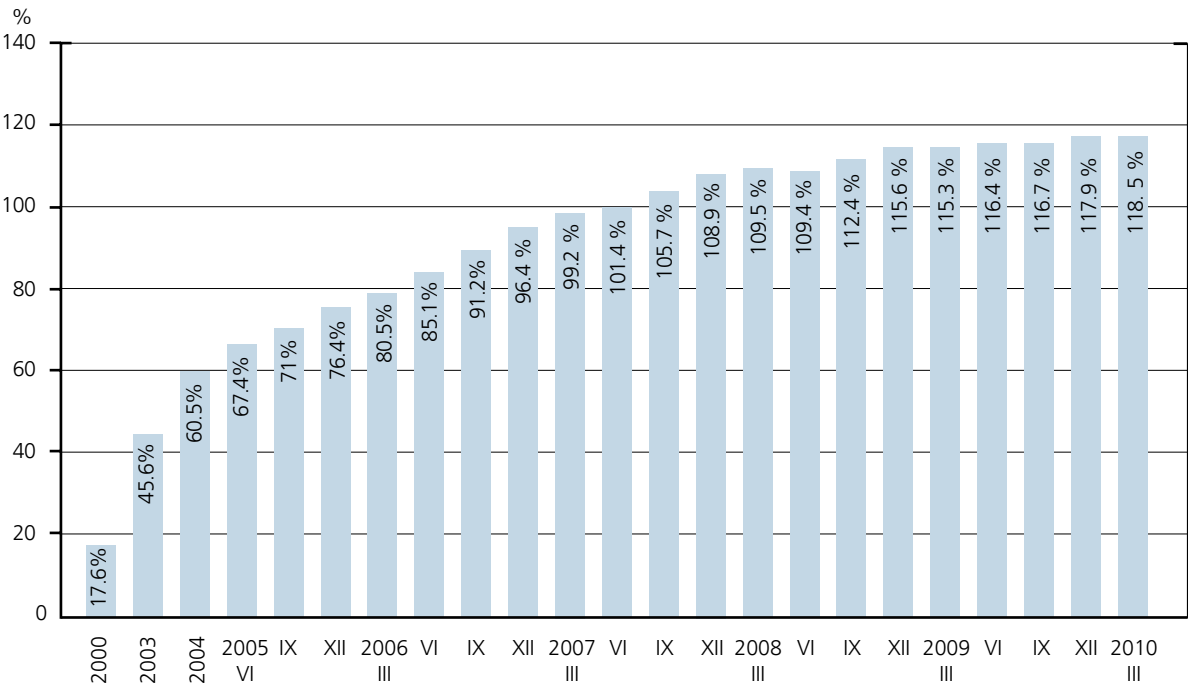
According to the UKE report, in 2009 more than 84.9% people declared that they have used mobile telephones. Over 87.1% of Poles

said they use at least one mobile phone. Spontaneous awareness of the three largest mobile phone operators is at similar levels: Era (84.3%), Orange (80%) and Plus (79.8%).

Most households (64.9%) said they have a home computer. 66.4% of those households with a computer also have internet access at home. Of these, 70.4% of Polish internet users said they use high usage frequency at least once a week. The majority of those who use the Internet at home use an always-on connection, usually broadband.

According to the UKE report, the value of the retail connection lease market reached over PLN 448 million by the end of 2008. The biggest operators on the retail connection lease market in 2008 in terms of achieved revenues were: Telekomunikacja Polska S.A., Exatel S.A., Telekomunikacja Kolejowa Sp. z o.o., Netia S.A., Crowley Data Poland Sp. z o.o. and GTS Energis Sp. z o.o. The greatest revenue in this market sector in 2009 was achieved by Telekomunikacja Polska S.A., which since 2002 has been in first position in terms of revenues and the numbers of leased connections.

Mobile technology penetration in Poland 2000–2010

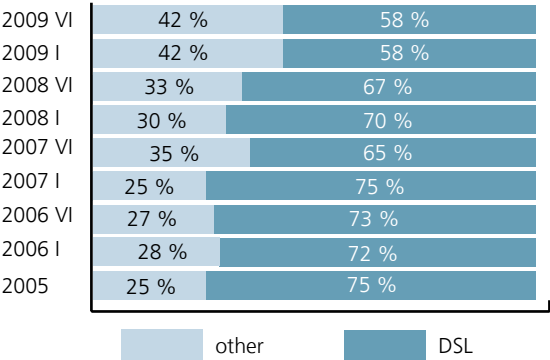


Source: Central Statistical Office, 2010

II.6.2.3. Data transmission system and density

The retail market for broadband Internet access is an important one for the future development of telecommunications and will be the starting point for many new services. Poland's Internet service is developing rapidly, with many different types of technology used for broadband Internet access. The most popular data transmission technology is xDSL, with a market share of more than 50%. Other technologies used to provide broadband access include cable modems in TVK networks, mobile Internet and LAN/WLAN Ethernet. Just 1% comes from other technologies, though both FTTC and FTTH technology became very popular last year and the number of FTTC and FTTH connections have increased by almost 100%. These trends comply with those of other European countries:

Broadband acces in Poland by technology



Source: Broadband acces in the EU: situation at July 2009

The most popular company for providing wired broadband Internet access is Telekomunikacja Polska S.A. with a 45% market share. Other providers are UPC sp. z o.o., Netia S.A., Multimedia S.A., Vectra S.A., Aster sp. z o.o., Dialog S.A., Toya sp. z o.o. and INEA S.A. In January 2009, wired broadband Internet achieved 11.7% penetration, meaning that 33% of households now use this technology.

Mobile broadband connections are characterised by rapid development. The reason for this is the development of UMTS technology. Today over half of Poland is already covered by this technology, allowing the use of the Internet and HSDPA functionality.



The 18th Grand Finale of the Great Orchestra of Christmas Charity. It was the second time that the Finale was devoted to children oncology.

III. Setting up Business

- get to know about the first steps to be taken



III.1. Incorporation

III.1.1. Conducting business activities

The general rules related to conducting business are regulated by the Freedom of Economic Activity Act dated 2 July 2004. This act is also known under the name of 'business constitution', because the Act governs the undertaking, conducting and legal limitation of business activities in Poland. All descriptions presented in this act, such as entrepreneurship, economic activity, licenses, or permits lists for a specific type of business, are applicable across Polish law related with business.

The rules of the Act are applicable to naturals and legal persons. However, the Act distinguishes between the investors from EU/EFTA and other third party countries.

Conducting business by naturals or legal persons from EU/EFTA is free, under the same conditions and rules as for Polish individuals or companies. Such a foreign entity may choose any legal form for their business activity in Poland freely with

the same restrictions as are applicable for Polish naturals or companies, if any.

Unless international agreements state otherwise, and all requirements are fulfilled, a foreign company or natural person based outside the EU/EFTA may conduct business only in the form of:

- Limited partnership,
- Limited joint-stock partnership,
- Limited liability company (LLC),
- Joint-stock company.

Despite these limitations, such business entities founded in Poland in accordance with Polish law are allowed to conduct business without restriction based on the same rules as Polish and other EU member companies. It follows that there are no restrictions related to the source of capital and, consequently during its performance, no administrative permit can be applied for by virtue of the mother company being the source of capital.

Instead of founding a legal entity in Poland, a foreign company may create a branch or a representative office in Poland.

The branch office is restricted in conducting business activity only in the scope of the mother company. The registration process is close to the LLC, because it shall be registered in court of entrepreneurship (the Entrepreneurs' Register, referred to as KRS) and shall use its own KRS number.

Furthermore, the representative office may only perform in the field of advertising or marketing activities for the benefit of the mother company. However, such entities are obliged to perform all activities in accordance with Polish law, especially Polish Accounting Rules. Register of Representative Offices of Foreign Companies is held by the Ministry of Economy in Warsaw. The representative office and branch office shall appoint the representative acting on behalf of each entity.

Polish law allows domestic and foreign enterprises to operate under a wide variety of legal forms. Besides the limited liability company, which is probably the most attractive legal vehicle for foreign investors to conduct business in Poland, there is a number of other forms of business organisations.

The Polish Commercial Companies Code sets forth six forms of commercial association as follows:

- General Partnership,
- Limited Partnership,
- Professional Partnership,
- Limited joint-stock Partnership,
- Limited Liability Company (LLC),
- Joint-stock Companies.

Apart from the Polish Commercial Companies Code, Polish Law also provides other legal forms to conduct business activities. Below we will provide you with a short description and characteristic of each of the aforementioned forms. However, we will concentrate on the limited liability company to present the bigger picture of this legal form, which is often chosen by foreign investors.

III.1.2. Limited Liability Company

As mentioned above, the Limited Liability Company (LLC) is the most popular legal vehicle for foreign investment in Poland.

Literally translating as a company with limited liability, the Polish LLC remains very similar to the German limited liability company as its concept was inspired by German law. The name of the LLC emphasises the fact that the shareholders of the entity are not personally liable for the company's debts. The main feature of the LLC is to ensure that the company is treated as the separate legal entity from its shareholders or sole shareholder.

The significant advantages of the LLC in comparison with other legal forms provided by Polish law are as follows:

- the relatively low costs of the establishing of the company,
- the fact that the company comes into existence upon the execution of the Articles of Association and may conduct business activity immediately,
- the quick registration process of the Entrepreneurs' Register (KRS),
- the limited liability and low minimal share capital,
- the clear rules in day-to-day duties of the companies' governing bodies,
- the low cost of running the company and the fulfilment of requirements provided by Polish law.

The LLC may be established by one or more people. However, the LLC cannot be founded by another single-shareholder LLC governed by Polish or foreign law. Nevertheless, Polish law does not prohibit the holding of 100% of shares in an LLC by another single-shareholder LLC. Therefore, the above mentioned restriction concerns only the registration process of the LLC.

The formation of a LLC is executed in front of the Polish notary and the Articles of Association must be notarized. The company may also be founded by attorneys, acting upon the power of attorney.

The Articles of Association should specify:

- the business name of the Company including the additional description 'Spółka z ograniczoną odpowiedzialnością' or its abbreviation 'sp. z o.o.',
- the seat of the company,
- the scope of the business activity,
- the amount of share capital,
- information, including the number and nominal value that each shareholder holds,

- if the shareholders hold more than one share,
- whether the duration of the company is limited.

As mentioned above, the Commercial Companies Code outlines the minimum content of the Articles of Association, but it is quite common to have a wide range of additional rules which make this legal form very flexible. Under Polish law, the LLC must have a minimum share capital of PLN 5,000.00 with the minimum nominal value of one share being PLN 50.00. Contributions may be made in cash or in kind, the contribution in kind being at the free disposal of the management board.

Corporate bodies of a limited liability company

The limited liability company may have three governing bodies: the management board, the general meeting of shareholders and the supervisory board. The latter is required only if the company has more than 25 shareholders and if its share capital exceeds PLN 500,000.00. The Polish corporate governance system is basically a two-tier system and the separation of the management and oversight functions carried out by the supervisory board is prescribed by law.

The Management Board is a body which is responsible for the affairs of the company and represents the company in relation to the third parties. The duties and prerogatives of the Management Board differ significantly from the duties and prerogatives of the Board of Directors known in other countries. The Management Board may consist of Polish citizens or/and foreigners. Members of the Management Board may be appointed from the shareholders or from third persons. The Management Board may consist of one or more members. Unless the Articles of Association stipulate otherwise, members of the management board are appointed and dismissed by the resolution of the General Meeting of Shareholders.

As mentioned above, the Supervisory Board is not simply a compulsory body. It exercises permanent control over all areas of the company's activity. However, the management board is not bound by the instructions given by the Supervisory Board. The Supervisory Board consists of at least three members appointed by the resolution of the General Meeting of Shareholders. The foreign investors usually do not appoint a supervisory board in their Polish subsidiaries.

The third body known as the General Meeting of Shareholders is a body created by shareholders. The commercial code distinguishes between 'Ordinary' and 'Extraordinary' General Meetings. The Ordinary General Meeting of Shareholders is held within six months of the end of each financial year. Polish law stipulates precisely which items should be put on the agenda (e.g. consideration and approval of the management report and financial report). The Extraordinary General Meeting is called in cases stipulated in the Commercial Companies Code or in the Articles of Association and if the persons or bodies authorised to call the general meeting believe there to be a need to do so. The shareholder may be present at the meeting either in person or by representatives with the power of attorney granted in writing.

Liability in a limited liability company

The shareholders of a limited liability company are not responsible for any of its debts or the Company's obligations. Instead, shareholders can only lose their investment (monetary contribution or in-kind contribution invested to take up the shares in the share capital of the company). Polish law states that other persons may be liable for a company's obligations. In the case of an organisation, the responsibility for the company's obligation is borne jointly by the company and the people acting on its behalf. To protect the economic interests of the company's business partners and of public institutions (e.g. tax authorities), Polish law states that in certain circumstances members of the management board may be liable for the debts of the company.

III.1.3. Joint-stock Company

A joint-stock company is very similar to a limited liability company concerning the liability of shareholders, governing body and the taxation. However, the provisions of the Commercial Companies Code are relatively more formalistic and provide additional obligations which must be fulfilled by the bodies of the company. This has a direct impact on the cost of establishing and running the Company. In fact, this legal form is used for business planning IPO, searching for PEVC investors or when this form is required by Polish law (e.g. banks, pension funds and other financial institutions).

As in the case of a LLC, the joint-stock company is treated as a separate legal entity from its stockholders or sole stockholder. The joint-stock may be established by one or more people. However, the joint-stock company cannot be founded by another single-shareholder limited liability company governed by Polish or foreign law. The restriction concerns only the registration process. The statute of the joint stock company should be signed in front of the Polish notary. Nonetheless, the company may be founded by attorneys upon the power of attorney granted by foreign investors. The company comes into existence on the implementation of the statute. Only registration in the Entrepreneurs' Register provides the joint-stock limited company with its full legal status.

The statute should specify:

- the business name of the Company, including the additional description 'spółka akcyjna' or its abbreviation 'S.A.',
- the seat of the company,
- the scope of its business activity,
- whether the duration of the company is limited,
- the amount of the company's share capital and the amount paid up to cover the share capital before its registration,
- the nominal value of the shares and their number with an indication of whether they are registered or bearer shares,
- whether various types of shares are provided, and if so, the number of shares of a specific type and their related rights,
- the founder's name,
- the number of members of the Management Board and Supervisory Board (at least the minimum and maximum number of members of these bodies with information concerning the entity authorised to define the membership),
- the gazette selected for publication of the company announcement if the company intends to publish announcements in addition to those published in Court and Business Gazette (Monitor Sądowy i Gospodarczy).

Under Polish law the joint-stock company must have a minimum share capital of PLN 100,000.00 and the minimum nominal value of the stock must be PLN 0.01. Contributions may be made in cash or in kind and the contribution in kind must be at the disposal of the management board.

Corporate bodies of a joint-stock company

The joint-stock company has three governing bodies: the Management Board, the General Assembly and the Supervisory Board, which is compulsory. The features, duties and obligation of the Supervisory Board and Management Board are almost the same as in the case of a LLC.

The General Assembly is a body created by stockholders who may exercise the rights stipulated in the Commercial Companies Code and the statute. An Annual General Assembly must be called within six months of the company's financial year and the items on the agenda are stipulated by law.

Liability in a joint-stock company

Just as in the case of the LLC, the stockholders of the joint-stock company are not responsible for any debts and any obligations of the Company, and Polish law does not provide any exemptions from this principle. The stockholders can only lose their investment (e.g. monetary contribution or in-kind contribution invested to take up the shares in the share capital of the company). To protect the economic interests of the company's business partners and of public institutions (e.g. tax authorities), Polish law states that in certain circumstances members of the management board may be liable for the debts of the company.

III.1.4. Other corporate entities

III.1.4.1. Civil partnership

A civil partnership governed by the civil code is used for small businesses. A civil partnership does not have any legal personality and is considered by Polish law as a civil agreement between at least two individuals or legal entities. The partners of the civil partnership are jointly and separately liable for any debts incurred in the partnership. The partners are registered in the Business Activity Register. The profits of the civil partnership are taxed with personal income tax due to the fact that civil partnerships are perceived as transparent for tax purposes by Polish tax law. Foreign investors rarely choose this legal vehicle for their investments in Poland.

III.1.4.2. General partnership

A General Partnership is an association of at least two partners operating an enterprise under its own business name. The General Partnership is governed by the Commercial Companies' Code. The Company is registered in the Entrepreneurs' Register (KRS). The General Partnership is not a separate entity, it is a legal organisation with the capacity to acquire rights, incur debts, sue and be sued. The rights and obligations of the partners are stipulated in the deed of partnership. Each partner has unlimited liability for the debts of the General Partnership, where execution from the assets of the partnership proves ineffective (subsidiary liability of the partner).

III.1.4.3. Limited partnership

In the General Partnership all partners are fully liable for the partnership's debts, whereas in the case of the Limited Partnership there are general partners with unlimited liability and limited partners whose liability is restricted to their fixed partnership contributions. The name of the general partner should be revealed in the partnership's name. On the other hand, if the business name of the Limited Partnership includes the name of a limited partner in the partnership's business name, the limited partner will have an unlimited liability as if he were the general partner. Although a partnership itself is not a legal entity, it may acquire rights and incur liabilities, acquire title to real estate and sue or be sued.

The mixed construct of the limited partnership with a limited liability company as a sole general partner is used quite often by foreign investors. It is used in order to limit liability and to achieve the optimal taxation model.

III.1.4.4. Professional partnership

A professional partnership is a partnership established by professionals (such as lawyers, tax advisors or doctors), for the purpose of rendering professional services. A partner of the professional partnership may only be a person authorised to conduct the profession. The main feature of the professional partnership is

that a partner is not liable for the obligation of the partnership incurred in connection with the professional activities of other partners.

III.1.4.5. Limited joint-stock company

A limited joint-stock company has two types of participants. It has at least one partner with unlimited liability (General Partner) and at least one partner that is a stockholder. The limited joint-stock is a mixture of a partnership and a joint stock company. This form of activity is relatively uncommon, however, it is used in atypical investments conducted by PE/VC investors. The business name of a joint-stock company should include the names of one or more general partners and the additional description ('spółka komandowo-akcyjna'). If the stockholders' name is included in the partnership's name, the stockholder has unlimited liability for any obligation of the partnership. The minimal share capital is PLN 50,000.00 and the statute must be signed in front of the Polish notary. The partnership comes into existence upon the registration in the Entrepreneurs' Register.

III.1.4.6. Sole proprietorship

The simplest form of doing small business in Poland is the legal form known as sole proprietorship. The proprietorship is created upon the registration in the Business Activity Register held by the head of the municipality. The owner has unlimited liability for any debts connected with the sole proprietorship. This legal form is used by foreign managers and directors as a platform to render their services for Polish companies.

III.1.4.7. Branch office

Foreign investors may establish branches in Poland to conduct the same business as the foreign investor. From a legal point of view, the branch is part of the foreign enterprise and does not have its own legal identity. The branch is registered in the Entrepreneurs' Register and may conduct business upon its registration.

III.1.4.8. Representative office

Foreign investors are also allowed to establish representative offices, which in their simplest form only regard the involvement of international business in Poland. Despite this, the representative offices may not conduct business activities in Poland and can only carry out activities regarding the advertising and promotion of a foreign investor.

III.1.4.9. European Company

On 8 October 2004, the council regulation (EC) No. 2157/2001 on the Statute for the European Company (SE) entered into force. The European Company is regulated by the European Economic Interest Grouping and the European Company Act dated 4 March 2005. A European Company may be formed in one of four ways: the merger of at least two joint-stock companies, the formation of a holding company, the formation of a joint subsidiary, or the conversion of a joint-stock company under the additional conditions prescribed by law. The SE must have a minimum subscribed capital of EUR 120,000.00. Monetary contributions and in-kind contributions are also allowed. In the case of a cash contribution, at least one quarter of the nominal value should be covered before the registration. Shares subscribed for in-kind contributions must be covered in full no later than one year after the date of the company's registration.

The Statutes of the SE must constitute as governing bodies the General Meeting of shareholders and either a Management Board and a Supervisory Board (known as two-tier system) or an administrative board (known as one-tier system). Under the two-tier system, the SE is managed by the Management Board. The

member or members of the Management Board are empowered to represent the company. They are appointed and dismissed by the Supervisory Board. No person may be a member of both the Management Board and the Supervisory Board of the same company at the same time. Under the one-tier system, the SE is managed by an administrative board. The member or members of the administrative board have the power to represent the company. Under the single-tier system, the administrative board may delegate the power of management to one or more of its members.

III.1.4.10. European Economic Interest Grouping

Apart from the European Company, Polish law provides a second supranational form of business organisation, known as the 'European Economic Interest Grouping'. The main feature of the EEIG is that its purpose is not to make profits but to develop the economic interests and activities of its members.

III.1.5. Establishing and registering an entity

The first step in establishing an entity is to choose the appropriate legal form. This has a significant effect on the further proceedings. The limited liability companies or joint-stock companies are probably the most attractive legal vehicles for foreign investors conducting business in Poland. Therefore, the following explanations will focus on these alone.

The formation of a LLC and joint-stock company is executed in front of the Polish notary and the Articles of Association must be notarised. After this, the company as an organisation is established. The company in an organisation may, in its own name, acquire rights, including ownership of immovable property and other rights in rem, incur obligations, sue, and be sued. This is crucial in the first stage of establishing an entity.

The company must also choose their business address. In the registering process, the address is confirmed by the lease agreement or the title to ownership of real estate.

The initial capital of the company must be paid in full by the LLC and at least 25% by the joint-stock company before the moment of submitting the registration application.

All companies in Poland are obliged to open a bank account. The documents required for this depend on the individual bank (e.g. articles of association/statute, and the specimen signatures of those authorised to represent the company). It is also possible to open an account for the company in the organisation.

The next step is to submit an application to the national court register. Due to recent changes in Polish law alongside with the application to National Court Register are also submitted the application for a REGON identification number, an application to receive a Tax Identification Number (NIP), as well as an application to a Social Insurance Institution (Zakład Ubezpieczeń Społecznych).

The following attachments to the application form (KRS-W3) are required in the registration of a limited liability company:

- articles of association,
- documents appointing the company's governing body (Management Board),
- a statement from all members of the Management Board that the contributions towards initial capital have been made by all shareholders in full,
- specimen signatures of all members of Management Board certified by a notary or made in person through their presence in Court,
- a list of the shareholders and the number and nominal value of shares held.

The following attachments to the application form (KRS-W4) are required in registration of the joint-stock company:

- a company's statute,
- notary deeds on establishing the company, and on the subscription of stocks,
- documents appointing the company's governing bodies, with a specification of appointed members (Management Board and Supervisory Board),
- specimen signatures of the all member of Management Board certified by a notary or made in person through their presence in Court,
- a statement from all members of the Board of Management that the stock payments

and contributions in kind envisaged by the charter have been effected lawfully,

- a confirmation for the stock payments from bank or an investment company.

The court fee for the registration is PLN 1,000.00 and PLN 500.00 for the publication of Monitor Sądowy i Gospodarczy.

As mentioned above, the following applications are submitted alongside the application for the company's registration:

- an application for a REGON identification number issued by the Central Statistical Office (Główny Urząd Statystyczny) – free of charge,
- an application for a Tax Identification Number issued by the appropriate Tax Office, accompanied by confirmation of the legal title to the office or real estate where the company has its seat – free of charge, with the exception of the cost of applying for a tax number for VAT purposes - PLN 170.00,
- an application to Social Insurance Institution – free of charge.



III.2. Taxes

III.2.1. General overview

The tax system applicable in Poland is based on three pillars:

- the Constitution of the Republic of Poland,
- internal tax regulations,
- EU tax regulations regarding Art. 93 of the Treaty establishing the European Community.

The Constitution of the Republic of Poland is the most important legal document in the Polish tax system because it regulates all principles to create an applicable law system in Poland, including the tax system. According to the Constitution, the following subjects can be established in law:

The levying of:

- taxes,
- other public fees,

The definition of:

- entities and subjects of taxation,
- tax rates,

- exemption, tax relief and remission in taxes.

The Constitution includes the rule that its regulations should be applied directly unless its other regulation says otherwise. It means an interpretation of tax regulations should always conform to the Constitution. If there is a regulation in tax law that is inconsistent with a certain regulation of the Constitution, the Constitution should be applied.

The Polish tax system consists of tax titles and the act of Tax Ordinance. Generally tax titles are divided into direct and indirect titles. Direct tax titles are related to possessions like income, real estate property or inheritance. Indirect tax titles are related to other subjects like goods and services (e.g. VAT, excise tax).

The act of the Tax Ordinance specifies the basic rights and obligations of taxpayers and tax authorities and procedures.

Since 1 May 2004 when Poland joined the European Community, Polish legislators are obligated to harmonise the internal Polish tax system with EU regulations. The changes above

all relate to VAT and excise tax. Since this date a lack of implementation or an implementation inconsistent with the EU-legislator's intention in the above-mentioned range is always interpreted to the taxpayers' advantage.

The Polish tax authorities consist of (in accordance with their validity):

- the Minister of Finance,
- tax chambers and customs chambers,
- tax offices and customs houses.

III.2.2. Taxation of company

III.2.2.1. Income tax

Income tax is governed in the Corporate Income Tax Act, hereinafter referred to as 'CIT', and the Personal Income Tax Act, hereinafter referred to as 'PIT'. A regulation type that should be used in a concrete case depends on a legal form of an entity. Depending on the legal form, the income of an entity or of a shareholder will be taxed, i.e. CIT for a limited company and a joint-stock company, PIT for a limited partnership or a registered partnership.

Entity of taxation

According to CIT:

- a legal person,
- an organisational entity without corporate personality, except partnerships,
- tax capital group.

According to PIT:

- a partner in a limited partnership or registered partnership,
- a company without corporate personality that has its place of residence or board of directors in another country where according to the law of this country it is treated as a legal person and all its income is taxed in the country regardless of the country generating the income. Taxpayers that have their place of residence or board of directors in Poland (residents) are liable to a tax obligation for total profits regardless of the country generating those profits. Taxpayers that don't have their place of residence or board of directors in Poland (non

residents) are liable to a tax obligation only for profits generated in Poland.

Taxation of partnerships

Incomes and costs generated by a partnership are taxed separately by each partner according to the proportion of possessed shares and to the chosen tax rate (in the case of individuals).

Branches of foreign companies

Foreign investors have the possibility to choose a legal form for their activity in Poland. This could be a partnership, a capital company or a branch.

The branch is, in general, treated for tax purposes as a Polish company, with the consideration of the legal form of its head office. Only Polish-generated incomes and costs are subject to Polish taxes.

From the legal point of view a branch is not a separate entity, but a unit of a foreign company. Therefore, there is no withholding tax on profits transferred to its head office.

Tax capital group

It is possible to optimise corporate income tax (CIT) obligations by forming a tax capital group. The main advantage of this solution is the calculation of a taxable profit by adding the profits and losses of all the companies in the group. However, the conditions that have to be fulfilled are highly restrictive.

A group can be formed only by the limited liability and joint-stock companies based in Poland, if:

- an average share capital of each company in the group amounts to at least PLN 1,000,000,
- one of companies in the group, referred to as the holding company, owns 95% of shares directly in the share capital of other companies, called subsidiaries,
- there are no other relations in the group and also with companies outside the group,
- all companies in the group have no tax arrears,
- the ratio of profit to income generated by the group in every tax year amounts to at least 3%.

The legal basis for a tax capital group is an agreement for three years, in the form of a notary deed that has to be registered at a tax office. Companies from the group cannot use any tax exemptions.

Transfer pricing

All transactions carried out between related individuals and/or corporate entities are under the special supervision of tax authorities. The reason is a transfer of profits to the country of a related entity because of favourable tax rates.

According to Polish regulations, a relationship exists when:

- an entity participates directly or indirectly in the management or control of another entity or holds at least 5% of shares in another entity (capital relationship),
- there is a familiar relation or other relation resulting from an employment between individuals who act as a manager or a supervisor in different corporate entities and/ or the same individuals act as a manager or a supervisor in the same time in different entities.

If a relationship exists, one of related entities is obliged to prepare a transfer pricing document, which should describe all transactions between the related entities and include amongst others a calculation of prices and point out the risks inherent to each party. The aim of such documentation is to show that the conditions of the transactions are the same as those between non-related entities. In the case of a tax control the documentation has to be presented within seven days of the date of request.

If prices do not comply with market conditions, the tax authorities are entitled to estimate the value of transactions using one of following methods:

- comparable uncontrolled price method,
- resale price method,
- reasonable margin (cost plus) method,
- transaction profit method.

If a profit or a loss calculated by the tax authorities is respectively higher or lower than that given by an entity, a 50% penalty tax rate is applied.

Since 2006, Polish taxpayers are entitled to apply for an agreement with the Minister of

Finance in scope of transfer pricing. This is known as the Advanced Pricing Agreement (APA) and is related not only to transactions between Polish taxpayers, but also between Polish and international entities.

The main advantage of the APA is the confirmation by the tax authorities that the calculation and application of transfer prices chosen by a taxpayer are correct. The APA obliges tax authorities to accept presented methodology.

The APA concerns transactions which shall both be concluded after the submission of an application for the APA or those that started before and are currently in progress. It does not refer to transactions which were started before the submission of an application and on the APA completion date were subject to any tax control or proceedings.

Subject of taxation

The subject of taxation is a profit regardless of the income source it was received from. Profit is an amount of surplus between revenues and tax-deductible costs received in a fiscal year. If the amount of tax-deductible costs exceeds the amount of income, the difference is a loss. If a taxpayer incurs a loss, he can reduce profit in following five years by the amount of this loss, but the reduction cannot be higher than 50% of the loss in one year.



In case of a share in an individual or corporate entity's profit (dividends), non-resident incomes due to so-called licence dues (i.e. loan interests, licence fees, royalties, rent for machines etc.) and intangible services (such as management and advisory services or market research), the income is considered as the taxation subject, not the profit.

The Polish legislator excluded some incomes and costs from the taxation subject; therefore they cannot be taken into consideration by calculating the profit.

Examples of other non-deductible costs:

- non depreciated value of fixed assets that are spent for free,
- most penalties and fines,
- expenditures for a car over determined limits,
- representation expenses.

The definition of revenues includes, amongst others, due revenues, even if they are not received, excluding payments in advance, free and partially free benefits.

Tax rates

Income source	Tax rate
business activity (self-employed) unless the linear taxation is not declared	18% up to PLN 85,528* 32% over PLN 85,528* the tax credit amounts PLN 556.02
- capital company income, - share in capital companies profits, i.e. dividends (withholding tax), - interests, - business activity (self-employed) – after the declaration of the linear taxation.	19%
non-residents' income due to licence dues (withholding tax) and intangible services	20%
- some incomes: - donations, - incomes of some entities.	exemption

* new rates in force since 1 January 2009

This regulation applies, for example, in cases of loan and credit interests paid by a Polish corporate entity to its affiliates. If all the liabilities of a Polish corporate entity from different sources (such as loans, credits and invoices), due to its affiliates who hold no less than 25% of shares, exceed three times the share capital value of the Polish corporate entity, the loan or credit interests are not recognised as a tax-deductible cost for a period in which a loan or credit exceeds a triple share capital value. This limitation was put into force to avoid so-called 'thin capitalisation', which refers to the financing of a current business activity via loans and credits. This can easily be paid back to the borrower instead of capital that can be paid back to shareholders only in case of the dissolution of the capital company.

The special exemption concerns licence dues and dividends paid by a Polish capital company to another capital company outside Poland or the EU. Regarding licence dues, the exemption applies when:

- an EU capital company holds directly no less than 25% shares in a Polish capital company,
- a Polish capital company holds directly no less than 25% shares in a capital company from an EU country,
- other capital companies, whose income is taxed in an EU country, directly holds no less than 25% shares of both aforementioned capital companies.

With respect to dividends, the exemption applies when a capital company from an EU country directly holds no less than 10% of shares from a Polish capital company for a continuous period of



at least two years. Both acts (CIT and PIT) allow a number of exemptions or lower tax rates for the income profit generated by non-residents in Poland.

Therefore a non-resident's place of residence and regulations regarding double tax treaties, of which Poland is part, should be taken into consideration when settling the final tax rate.

Obligations

According to the general rule, a payer of income tax is obligated to pay a tax advance before the 20th day of the month that follows the month in which the tax obligation arose or in case of 'small' taxpayers: before the 20th day of the month that follows the quarter in which the tax obligation arose. Additionally, a taxpayer has an obligation to submit an annual tax declaration within three months following the year in which tax obligation arose.

The exception relates to dividends, licence dues and intangible services. In this case the tax has to be paid within seven days following the month in which the tax obligation arose.

III.2.2.2. Value Added Tax

The Value Added Tax Act (hereinafter referred to as 'VAT ') uses the following terms:

- output tax – when resulting from a sale, a salesman is obligated to show an invoice and to pay to the bank account of a tax office,
- input tax – a tax that a buyer of goods or services has to pay to a salesman, but has a possibility to deduct it from his own output tax or to receive it back from a tax office.

Subject of taxation

- payable delivery of goods and payable providing of services in Poland,
- export of goods,
- import of goods,
- intra-community acquisition of goods with remuneration in Poland,
- intra-community delivery of goods.

Entity of taxation

- a legal person,
- an organisational entity without corporate personality,
- individuals that carry out an independent business activity (VAT has its own definition of business activity, therefore every case should be analysed separately.

VAT payers are also entities who:

- perform intra-community delivery of new transport means,
- perform intra-community acquisition of goods in Poland,
- are recipients of services provided or goods delivered by taxpayers having their registered seat, fixed place of business activity or place of residence outside Poland.

Entities having their registered seat, fixed place of business activity or place of residence outside Poland and who are subject to registration as a VAT payer in Poland are obliged to appoint a tax representative. This obligation does not concern entities from any EU member state.

Entities that perform activities mentioned in the 'Subject of taxation' are obliged to register as an active VAT payer before undertaking the first taxable activity. From the first activity they have to issue invoices with the proper VAT rate, according to special regulations.

There is the possibility of not registering for VAT if an entity foresees that the volume of a total annual turnover will be lower than PLN 50,000. In this case, an entity is not obliged to

tax its turnover, however is also not eligible to deduct input tax from purchases.

An intra-community acquisition and delivery are allowed only for entities that are registered as an EU VAT payer.

Consignment stock

A consignment stock is a warehouse where raw materials moved by a supplier – who is a VAT payer in another EU state than Poland – from its warehouse in another EU state than Poland are stored. The consignment stock is located in Poland and managed by a Polish VAT payer.

This procedure is a simplification that allows suppliers not to register for VAT in Poland, because all formalities connected with taxation and tax reports are completed by a Polish VAT payer.

Tax rates

Activity	Tax rate
all besides below mentioned	22% until the end of 2010*
some goods and services specified in the Act	3% and 7% until the end of 2010**
<div>- export of goods</div> <div>- intra-community delivery of goods</div> <div>- international transport</div>	0%
<div>- some used goods</div> <div>- financial services</div>	ed

* from 2011 basic rate would be 23%
** from 2011 rates would be 8% and 5%

The above mentioned rates will be in force from 2011 until 2013. Due to the implementation of EU regulations, new groups of goods like books and some periodicals, as well as unprocessed food, will be taxable with VAT, usually at the lowest rate of 5% (until now, rates have been between 0% and 3% for these services).

Obligations

A VAT payer has an obligation to submit a monthly tax declaration until the 25th day of the month following the month in which the VAT obligation arose or, in the case of ‘small’ VAT payers, before the 25th day of the month following the quarter in which the VAT obligation arose. In a VAT-declaration, a VAT payer has to show the difference between output tax resulting from sales, and input tax resulting from purchases. In case of a surplus of output tax, a VAT payer is obliged to pay

this surplus to a bank account of a tax office within a time limit set forth for tax declarations. In case of a surplus of input tax the taxpayer can apply for VAT returns on his bank account or assign it to the next settlement period. In case of an import of goods VAT showed in a customs declaration should be paid within 10 days from the date of customs clearance. There are some possibilities to save the VAT obligation in case of the import of equipment or factory facilities.

VAT return from tax office

VAT may be recovered by two methods – indirect and direct.

The indirect return of input tax is the most common method for companies which have monthly sales and expenses on a constant level. A VAT payer may recover the input tax via deduction from output tax.

The direct tax return means the refund of VAT by money transfer from the tax office in the amount of VAT paid during the purchasing process. This method is common for the start-up phase, like industrialisation or purchasing of assets, when input VAT is accumulated. The return of VAT is generally made within 60 days under the condition that Tax Office will not suspend this period because of control in a VAT payer company. The VAT act also governs the shorter term of 25 days for refund, but only under certain conditions. All the above mentioned deadlines may be easily extended by the tax office during the tax control.

Activity	Tax rate
<div>- loans granted by a shareholder of partnerships</div> <div>- contribution to a new company and capital increase</div>	0.5%
- loans granted by shareholder capital companies	exemption
<div>- donations</div> <div>- sale of a property</div>	2%
- sales of some financial rights, including shares	1%

III.2.2.3. Tax on civil law transaction

With respect to a business activity, the following transactions amongst others are taxed with tax on civil law:

Tax on civil law transactions should be paid within 14 days from the date of a transaction.



III.2.2.4. Custom and excise tax

Custom Tax

Since 1 May 2004, Polish territory became part of the Customs Union, a fact which caused significant changes in customs clearance regarding import and export goods to and from Polish territory. Any existing customs barriers between Poland and EU member states disappeared. The transfer of goods between the EU member states is realised by intra-community acquisition and supplies, both for goods and services. Additionally on 1 January 2008 Poland fulfilled its conditions and joined the Schengen zone, resulting in the abolition of border check points between Poland and its EU neighbour countries.

The transfer of goods between Poland and non-EU countries is still governed by the Customs Code and is classified as import-export. All regulations related to customs clearance, customs rates and obligations are governed on the EU level, although the local country praxis is still important and is recognised as binding and valid (i.e. the technical and procedural aspects).

The import of goods, such as raw materials from a non-EU country into the EU and eventually to Polish territory, creates an obligation to pay customs and VAT in the country of customs clearance or country of destination for supply. The procedure depends on obligations of the supplier and delivery procedure.

Excise tax

The act of Excise Tax regulates production and trading of harmonised (motor fuel, heating oil and gas, alcohol and tobacco products) and non-harmonised (goods which are not harmonised) excise-duty goods.

Entity of taxation

- a legal person,
- an organisational entity without corporate personality,
- individuals that carry out transactions taxed by excise tax.

Subject to taxation:

- production of harmonised excise-duty goods,
- taking out harmonised excise-duty goods from a tax warehouse,
- sale of harmonised excise-duty goods in Poland,
- export and import of harmonised excise-duty goods,

- intra-community acquisition of harmonised excise-duty goods,
- intra-community delivery of harmonised excise-duty goods.

Tax rates are expressed as percentage of the value of goods or on a volume basis (fixed rate per product unit).

III.2.2.5. Duty-free zones

A duty-free zone (DFZ) is a separate entity not inhabited as part of a larger customs area, which is treated as a foreign country for which a uniform customs system applies. All entries and exits of DFZ are under customs supervision.

The advantage of a DFZ is that foreign merchandise (other than from EU or EEA) brought in are sold without import duties, excise tax and VAT.

There are seven duty-free zones in Poland (as of 16 March 2009):

Map with duty – free zones



III.2.2.6. Customs bonded warehouse

A customs bonded warehouse is a building or other secured area in which dutiable goods (other than from EU or EEA) may be stored, manipulated or undergo manufacturing operations without payment or duty under bond and in the joint custody of the importer, or his agent, and the customs officers. It may be established and managed by the state or by private enterprise. In the latter case a customs bond must be posted with the government.

The main advantage of a customs bonded warehouse is that all payments connected with a goods import (import duties, excise tax and VAT) are postponed until the moment of their withdrawal for consumption within Poland.

There are seven customs bonded warehouses in Poland (as of 16 March 2009).

Map with bonded warehouses



III.2.2.7. Local taxes

The most important local taxes are for entrepreneurs:

Tax rates or exemptions in the property tax and vehicle tax are determined by a commune

council, but they cannot be higher than limits given by the legislator.

Examples of exemptions established by the legislator:

Property tax:

- real estate used by associations to conduct a statutory activity among children and youth
- lands and buildings registered individually in the register of historical monuments – on certain conditions
- non-arable lands, ecological arable lands, excluding used for business activity

Vehicle tax:

- historical vehicles
- as a reciprocity rule – vehicles possessed by foreign embassies, consulates and other missions, that use diplomatic privileges and immunity upon acts, agreements or customs

Forest tax:

- forests with woods no older than 40 years
- forests registered individually in the register of historical monuments

Agricultural tax:

Kind of tax	Scope	Tax base
Property tax	- land used for business activity purposes, - building or its parts, - structure or its parts used to conduct a business activity.	- for land and buildings – area, - for structures – value.
Vehicle tax	- lorries over 3.5 tons, - trailers, - buses.	- admissible total weight of a vehicle for lorries and trailers, - number of seats – for buses.
Forest tax	- activity conducted with using a forest.	- number of hectares resulting from the register of lands and buildings.
Agricultural tax	- arable land, - aree- and bush-covered land on arable land, - excluding lands used for business activity other than agricultural.	- for farms – amount of hectares taken for calculation purposes, depending on a quality of a land, - for other lands – amount of hectares resulting from the register of lands and buildings.

- arable lands of the lowest quality
- lands for a new farm up to the area of 100 hectares – on certain conditions

III.2.2.8. Stamp duty

Stamp duty is collected from state administration agencies’ activities that are specified in regulations, i.e.:

- registration for VAT: PLN 170.00,
- giving a power of attorney: PLN 17.00,
- certificate that an entity has no overdue tax liabilities: PLN 21.00.

III.2.3. Taxation of individuals

III.2.3.1. Personal Income Tax

Entity of taxation

- a partner in a limited partnership or registered partnership,
- a company without corporate personality that has its place of residence or board of directors in another country (but only if according to the laws of this country, it is treated as a legal person and all its income is taxed in this country regardless of the country generating it),
- an individual.

According to the Polish Personal Income Tax Act, all individuals are liable to tax their income by PIT, but depending on their residence status, the tax liability can be unlimited and limited. The first of these refers to the worldwide income of a resident – an individual who has his centre of economic or vital interest in Poland or stays in Poland for longer than 183 days in a calendar year. The second concerns a non-resident’s income that arose or was sourced in Poland.

Subject of taxation

Polish regulations define a lot of income sources. As a rule, profit from each source is calculated separately. Profit is an amount of surplus between revenues and tax-deductible costs, received in a fiscal year. If the amount of tax-deductible costs exceeds the amount of

income, the difference is a loss. If a taxpayer incurs a loss, he can reduce the profit in next following five years by the amount of this loss, but the reduction cannot be higher than 50% of the loss in one year. It does not apply to loss payable on disposal of items, properties and rights connected to properties.

The Polish legislator excluded some income and costs from the taxation subject; therefore they cannot be taken into consideration by calculating the profit. Additionally, in some cases regulations of double treaties, of which Poland is part, can change the status of an individual, and therefore the country of taxation of some income sources, or reduce tax rates, e.g. for dividends, interests or licence dues.

The definition of revenues includes, among others, due revenues, even if they are not received, excluding payments in advance, and free and partially free benefits.

The deductible costs for people who do not run a business activity are strictly defined in the Act, e.g.

- 50% of income for certain activities, e.g. exploiting copyrights,
- the annual lump-sum cost, that in 2009 amounts to PLN 1,335 for employees,
- 20% of income for civil law agreements,
- social insurances,
- internet, up to the value of PLN 760 per year,
- expenses for rehabilitation purposes.

Obligations

The tax year for all individuals is the calendar year. During the year, income tax payers are obliged to pay a tax advance before the 20th day in the month following the month in which the tax obligation arose or, in the case of ‘small’ taxpayers, before the 20th day of the month following the quarter in which the tax obligation arose. Additionally, a taxpayer is obliged to submit an annual tax declaration before 31 March following the year in which the tax obligation arose.

In the case of the remuneration of employees, an employer is obligated to calculate, deduct and pay the monthly tax advances to a competent tax office.

Individuals who receive any income from abroad are obliged to calculate and pay monthly tax advances themselves.

Income source	Tax rate
- employment contracts, - civil law agreements, - activity performed personally (e.g. members of board of directors), - business activity (self-employed) – unless the linear taxation is not declared, - rental, - other.	- 18% up to PLN 85,528* - 32% over PLN 85,528* - the tax credit amounts PLN 556.02
- business activity (self-employed) – after the declaration of the linear taxation, - capital gains, interests.	- 19%
- non-residents’ income due to licence dues (withholding tax) and intangible services.	- 20%
- some income: - return of business trip costs, like per diem, travel and accommodation expenditures, - expenses paid by an employer for education and enhancement of qualifications of his employees, - the value of some benefits paid by an employer due to an accommodation of employees.	- exemption

* new rates in force since 1 January 2009.

Tax rates

Married couples and sole parents are entitled to tax their income individually or jointly, if certain conditions are met, excluding the case in which one of them is taxed by the linear rate.

The PIT Act allows a number of exemptions or lower tax rates for income/profit generated by non-residents in Poland. Therefore, a non-resident’s place of residence and regulations of double tax treaties, of which Poland is a part, should be taken into consideration when settling the final tax rate.

III.2.3.2. Inheritance and donation tax

Entity of taxation are individuals.

Subject of taxation

Acquisition by individuals of ownership of items located in Poland or of property rights exercised in Poland due to:

- inheritance, legacy,
- donations,
- the gratuitous cancellation of joint ownership.

Tax base

Value after the deduction of debts and burdens calculated according to the condition of an item or a property right on the acquisition date and market prices on the tax obligation date.

Tax rate

Depends on the personal relation of a receiver to a person, from whose items or property rights were acquired. As a rule, the further relation between these, the higher the applicable tax rate. This ranges between 3% and 20%.

The legislator foresees some exemption from inheritance and donation tax, e.g.:

- the acquisition of a flat or a block of flats – for the amount of 110 m², but only after the fulfilment of certain conditions,
- the acquisition of an item or a property rights from one person during the last five years – up to PLN 9,637 depending on

the personal relation between a receiver and the person from whom items or property rights were acquired.

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World Rally Championship - 66th Rally of Poland, Sebastian Loeb, Daniel Sordo



III.3. Investment Incentives

Business opportunities for Poland can be considered attractive. Due to a solid base of economic growth over the past years, Poland has not been hit by the global financial crisis in the same way like other countries. There are multiple reasons for this, the most important of which is that Poland is still targeting a GDP growth for 2009 with a positive outlook for the upcoming years.

The banking sector is stable, the main indicators for FDI's are excellent and local government investment is at a high level. Furthermore, the structural funds from the EU will underline this tendency and keep the investment volume on a high or even increasing level.

Public aid for FDI is ensured mainly through the legal acts constituting the Special Economic Zones (SEZ). The opportunities are highly interesting for long-term direct investment. It is possible to combine different instruments of public aid, but this cannot exceed the admissible intensity of regional aid.

III.3.1. EU structural funds 2007 - 2013

From 2007 to 2013 Poland will gain EUR 67.3 billion of EU Structural Funds support. This sum will be increased owing to necessary domestic contribution from the Polish Government. Financial support will be provided within the framework of Operational Programmes. The three most important Operational Programmes are: Infrastructure and Environment, Innovative Economy and Human Capital. Furthermore, each region has its own specific Regional Operational Programme.

Financial support will be provided not only as investment grants (accumulating to admissible limits of regional aid), but also as other types of aid, among others:

- R&D activity grants,
- environmental grants,
- training grants.

The support is granted in the form of the reimbursement of incurred costs, which means

that the investor must have their own financing source (possibly in the form of a loan).

In case of investment grants, it needs to be stressed that support will only go to innovative investments generating new technologies, logistic solutions, products, services, projects committed to the increase in productivity and export or implementation of a substantial logistic modification in the company.

The following table illustrates all of the operational programmes available in Poland:

Name	% of total funds	Amount in EUR billions
OP Infrastructure and Environment	41.90	27.9
OP Innovative Economy	12.40	8.3
OP Human Capital	14.60	9.7
OP Development of Eastern Poland	3.40	2.3
OP Technical Assistance	0.80	0.5
16 Regional Operational Programmes	24.90	16.6
European Territorial Cooperation Programmes	-	0.7

Source: Ministry of Regional Development

Operational Programme - Infrastructure and Environment (IaE OP)

Considering needs regarding transport, the environment and other types of infrastructure, 41.9% of the total Structural Funds have so far been earmarked for this programme under the National Strategic Frame of Reference (NSFR). This has been financed from the European Regional Development Fund (ERDF) and the Cohesion Fund.

The IaE OP supports key investment aimed at sustaining and improving environmental conditions. Issues connected with balanced development will also have a major importance due to the following streams of investment in the energy sector:

The necessary investment in the diversification of traditional energy sources is to be achieved using market mechanisms.

Investing in renewable energy, reducing demand for energy and otherwise environmentally friendly projects. Investments of key supra-regional importance concerning the social infrastructure (health care, culture and higher education) will be complementary to these areas.

The expected value of these indicators of expenditure on the implementation of the Lisbon Strategy goals will be reached by concentrating the Community funding on the activities for the conformity of the national transport system with the European system, mainly the development of the transport infrastructure of transnational outreach with respect to the principles of balanced development.

The IaE OP contains 15 priorities:

- water and sewage management,
- waste management and the protection of land,
- resource management and counteracting environmental risks,
- initiatives aimed at adjusting enterprises to the requirements of environment protection,
- environment protection and promotion of ecological habits,
- ten-t road and air transport network,
- environmentally friendly transportation,
- transport safety and national transport networks,
- environmentally friendly energy infrastructure and energy efficiency,
- energy security, including diversification of the energy sources,
- culture and cultural heritage,
- health security and improving the efficiency of the healthcare system,
- infrastructure of higher education,
- technical assistance – European regional development fund,
- technical assistance – cohesion fund.

Operational Programme - Human Capital (HC OP)

Financed from the European Social Fund (ESF).

In view of the scale of social problems, 14.6% of the structural measures is being allocated to the implementation of projects which have been co-financed by the European Social Fund. A substantial part of these funds under that programme is focused on the implementation of the Lisbon Strategy goals.

The programme is concentrated on the following areas: employment; education; social inclusion; development of the adaptability of workers and enterprises as well as issues connected with the development of human resources in rural areas. It creates an efficient and effective public administration at all levels, implementing a good governance principle and health promotion in human resources.

The overall goal of the programme is to enable Poland's full human resources potential through increasing employment; the adaptability of the enterprises and employees; raising the level of education in society; reducing areas of social exclusion and supporting the development of the state's administrative structures.

The combination of all areas supported by the ESF and resources are concentrated on one programme comprising central and regional components, resulting from the need to ensure a consistent system for the implementation of ESF in Poland. The establishment of a single Managing Authority facilitates the monitoring of the programme's implementation, while at the same time providing for an immediate response should any problems in its implementation arise.

The HC OP contains five priorities implemented at the central level:

- employment and social integration,
- the development of human resources and adaptation potential of enterprises and the improvement of health condition for working people,
- high quality of the educational system,
- tertiary education and science,
- good governance.

The HC OP contains five priorities implemented at the regional level:

- the labour market open for all,
- the promotion of social integration,
- regional human resources for the economy,
- the development of education and competences in the regions,
- technical assistance.

Operational Programme - Innovative Economy (IE OP)

Financed from the EFRD.

12.4% of the total of the Structural Funds is allocated to the IE OP.

It is assumed that the highest performance value indicators will be reached under this programme. The focus of the IE OP is to increase the number of innovations by increasing R&D outlays, the development of cooperation between the R&D sphere and businesses, as well as diversifying entrepreneurship potential. The investment should be responsive to the needs of the Community market.

The programme supports innovation at a national level. Innovation at local or regional levels is supported and promoted through the Regional Operational Programmes.

The main goal of the innovative economy Operational Programme is the development of the Polish economy based on innovative enterprises. The Programme's detailed objectives include: increasing the innovativeness of enterprises; enhancing the competitiveness of Polish science; creating better, sustainable jobs and increasing the use of ICT in the economy.

The IE OP contains nine priorities:

- the research and development of new technologies,
- R&D infrastructure,
- capital for innovation,
- investments in innovative undertakings,
- the diffusion of innovation,
- the Polish economy on the international market,
- establishing electronic administration for the information society,
- increasing economic innovation for the information society,
- technical assistance.

Operational Programme - The Development of Eastern Poland (OP DEP)

The Operational Programme Development of Eastern Poland (OP DEP) is financed from the ERDF.

The reason for the development of this programme was that additional funding was awarded from the European Regional Development Fund for the five most disadvantaged regions: Lublin, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie. These voivodships are characterised by: low living standards; a low dynamic of economic development; poorly developed, inadequate transport infrastructure and insufficient growth factors.

The outreach of the OP DEP covers the areas of intervention of other programmes but it differs in that its scope is restricted to selected areas which, because of the scale of activities and the expected long-term results, may have a special impact on the development process. This programme is an additional element of support under the structural funds which will enhance the actions of other programmes in Eastern Poland.

The Objective of the Operational Programme Development of Eastern Poland is, "Hastening the pace of social and economic development in Eastern Poland pursuant to the sustainable development principle."

The main objective of the programme will be achieved through the implementation of specific objectives, namely:

- stimulating the development of knowledge based on a competitive economy,
- improving access to broadband Internet in Eastern Poland,
- developing selected metropolitan functions of voivodship cities,
- improving accessibility and the standard of transport links in voivodships of Eastern Poland,
- enhancing the role of sustainable tourism and the economic development of the macro-region,
- optimising the implementation process of OP Development in Eastern Poland.

Source: Ministry of Regional Development

The OP DEP contains five priorities:

I: Modern Economy

- the infrastructure of universities,
- supporting the establishment and co-financing of financial engineering instruments - supporting innovativeness,
- promotion and cooperation.

II: Infrastructure of the information society

- broadband network of Eastern Poland,
- voivodship growth centres,
- systems of municipal public transport,
- infrastructure of congress and fair travel.

III: Transport infrastructure

- Road infrastructure.

IV: Sustainable development of tourist potential based on natural conditions

- promoting sustainable tourist development,
- developing bicycle routes.

V: Technical Assistance

- support for the process of implementation and promotion of the programme.

Regional Operational Programmes

Nearly one quarter of the budget (24.9%) is allocated to investment in the development of regions.

The justification for the preparation of the 16 ROPs is the decentralisation of the programming of regional development, an increased effectiveness of the provision of development activities by the public administration, the strengthening of the civic and self-government dimensions, as well as the effective use of structural measures for the period of 2004-2006 by regions under the Integrated Regional Operational Programme (IROP).

The objectives of the ROPs are on the one hand set by voivodships in compliance with regional development strategies, while on the other hand they are also inscribed in such NSFR goals as the enhanced competitiveness of individual regions and the promotion of balanced development.

All ROPs have a similar structure, but their

contents and financial resources are specified at the regional level. The need to harmonise the list of activities implemented under regional programmes resulting from a number of premises, of which the most important is to ensure the consistency between the regional approach and goals and priorities of the national and European strategies, as well as taking into account activities concerning state aid for the SMEs sector (uniform criteria for the granting of aid are laid down at the national level).

A maximum of 3% of ERDF allocations for each of the 16 ROPs may be used for housing projects which meet the requirements laid down in the relevant regulations. These activities are complementary to ROP projects regarding urban areas threatened with degradation and social exclusion. Such solutions, despite being planned and implemented at a regional level, will form a component of activities connected with the improvement of the housing situation contained in the state policy, with regards to housing.

General rules for project development

Before applying for a particular grant, an entrepreneur must define:

- the project's objective,
- the expected effect and benefits to be derived from the project,
- the starting and closing date of the project, as well as the duration of each project stage,
- the project's implementation path,
- the people involved in the project,
- the costs involved,
- the actions necessary in order to start project implementation,
- the limitations and threats to project implementation,
- an analysis of financial sources,
- an analysis of requirements to be met by the beneficiary and the project (whether it be eligible for co-financing or not),
- an analysis of the technical and financial aspects of the project.

Regardless the type of a programme, one has to take the following facts into consideration:

- the financing authority will not assign any funds until it is presented with a coherent, logical and complete project,
- development of a project requires considerable expenditure of time and money,

- not all projects will be granted support (failure to meet the criteria or comply with the procedures will result in rejection),
- the project must be addressed to a clearly specified group of beneficiaries and respond to documented needs,
- the project must be in line with the beneficiary's statutory objectives and individual strategy,
- the project should contain a detailed timetable of actions - a cost estimate, as well as a system of promotion, monitoring and evaluation,
- the project costs must be fairly calculated, based on the actual costs incurred, with the account being removed from any unexpected circumstances,
- a beneficiary should ensure the sustainability of a project for a minimum of five years, or, in the case of SMEs (small and medium enterprises), a minimum of three years following the project's completion.

III.3.2. Special Economic Zones (SEZ)

Special Economic Zones in Poland



Source: PAliIZ

A Special Economic Zone (SEZ) is a particular area defined by the legal acts issued by the Ministry of Economy for each SEZ. Such areas are specially earmarked with local infrastructure support, in which business activity can be conducted on preferential terms (corporate income tax exemption). The primary objective of providing public aid within an SEZ is to assist

in the reduction of development disparities between regions, thereby strengthening economic and social cohesion. In order to operate within an SEZ and benefit from the aforementioned exemption, the investor must obtain a special permit which is issued by SEZ authorities.

The map on page 107 shows the main headquarters of each of the 14 SEZs (source PAIIIZ). In addition to these, there are many subzones to help the investor place their project in the most suitable location. The combined area of all the SEZs is currently 12.531 ha, although the total area of the SEZs cannot exceed 20,000 ha. If an entrepreneur is interested in investing in a specific location currently outside an SEZ, it is possible to include the location within an SEZ under certain conditions.

The conditions for conducting business within an SEZ are as follows:

- investment expenditure should amount to at least EUR 100,000,
- the entrepreneur's own share should be at least 25%,
- investment must be maintained for at least five years from the investment completion date (three years for SME),
- newly created workplaces must be maintained for at least five years from the employment date (three years for SME).

CIT exemption can be utilised by the timeline of permission or given SEZ's existence (currently 2020 for the new investors). CIT exemption is provided only for profits earned from activities conducted within an SEZ.

In the SEZ permit, the investor must provide investment outlays, the intended level of employment, the date of commencing business and the deadlines for fulfilling all obligations mentioned in the permit, which is usually valid by the end of a given SEZ's existence.

It takes between three and four months to complete all the requirements needed to obtain the SEZ permit and to start business activity entitled to CIT exemption. The SEZ management collects an annual fee for administrating the SEZ.

III.3.3. System of financial support for investment projects important for national economy

A governmental system of financial support for investment projects considered important for the national economy, was passed by the Council of Ministers in September 2008 and provides earmarked subsidies for much projects from the state budget. This support is allocated to the investor by means of a multi-year programme adopted by the Council of Ministers, pursuant to the Act of 30 June 2005 on Public Finances, Article 117.

This subsidy is granted on the basis of an agreement between the investor and the Minister of Economy. Support is given to the investor only after the creation of new jobs and/or the incurring of eligible investment costs specified for the year set out in the agreement.

The investment has to be maintained for at least 5 years from the date of its completion (3 years in the case of SMEs), and each newly created job has to be maintained for a period of at least 5 years from the date of its creation (3 years in case of SMEs).

This kind of support constitutes 'ad hoc state aid' (aid not granted within any scheme previously accepted by the European Commission). All state aid has to be notified to the Commission as regional investment aid pursuant to Article 87 (3) (a) of the ECT. Approval from the European Commission is required (obligation of notification); hence no aid may be paid out before obtaining such approval.

The new system focuses on supporting foreign direct investment in sectors "of particular importance to the national economy," which include:

- automotive,
- aviation,
- biotechnology,
- IT and electronics,
- business process outsourcing,
- research and development.

Grants will be awarded by the Ministry of Economy, and will be payable in annual tranches for up to five years.

Support for the creation of new jobs:

The minimum value of an eligible investment is PLN 40m and the minimum number of jobs created is 250. Beyond strategic sectors (those that are eligible for regional aid), these criteria are PLN 1 billion and 500 jobs.

For investment in modern services (BPO), the requirement is for the creation of 250 new jobs. For the R&D projects the minimum value of eligible investment is PLN 3m and the minimum number of jobs created is 35 (for people with higher education).

Maximum aid now ranges from PLN 3,200 per employee (for investments that create up to 250 jobs), to PLN 18,700 per employee (for those creating over 1,000 jobs).

Support on the basis of eligible costs of new investment projects:

The minimum value of an eligible investment is PLN 160m and the minimum number of jobs created is 50. Beyond strategic sectors (but those that are eligible to benefit from regional aid), the criteria are PLN 1 billion and 500 jobs.

Aid is calculated as a percentage of eligible costs and amounts to 1 to 10 % of them.

The total value of aid will be capped at 15% of the investment's value for projects located in Special Economic Zones, and at 30% for others.

III.3.4. Real estate tax exemption

Real Estate Tax Exemption is a form of regional state aid. It is available in Communes which have adopted resolutions concerning the possibility of exemption from real estate tax.

The maximum tax rates in 2011 are: 21.05 PLN/m² for buildings, 0.80 PLN/m² for land and 2% of construction value.

In each commune, tax rates are set by local authorities.

The exemption usually depends on the amount of new workplaces created.

III.3.5. Labour market instruments

In order to hire unemployed people the companies may approach the local Labour Office, which can support entrepreneurs using various labour market instruments. The main forms of assistance include the following measures:

1. Assistance in the process of recruiting employees with the required qualifications. First of all, the Labour Office collects and disseminates the job advertisements and informs entrepreneurs about potential candidates; it then initiates and organises contacts and interviews unemployed persons and employers. The Labour Office can also be informed about the current situation and planned changes to the local labour market. Often there are also various organised events, such as labour exchanges. Assistance in the process of recruitment is also carried out by career consulting services, which are provided in order to define the profile of candidates or job advertisements.

2. Intervention works - This kind of program provides subsidised jobs to unemployed people based on an agreement between the Labour Office and an employer. The program is targeted at unemployed people who are in difficult situation on the labour market. The Labour Office reimburses the wage costs of people hired under the program to employers. The duration of this scheme and the amount reimbursed depends on the target group.

3. The preparation of new workplaces - This type of subsidy can be offered as reimbursement of the cost of purchasing workplace equipment. The amount of this reimbursement is limited and cannot be higher than six times the average monthly salary in Poland.

4. On the job training - Based on this program, the Labour Office may delegate the person to the training without concluding an employment contract with the employer. The duration of this work experience can be from a minimum of three months to a maximum of 12 months. In such cases, the selected group

will be paid by the Labour Office. When the training period ends, it is possible to conclude the work agreement with selected candidates.

5. Financial support for training programmes for all potential employees who may acquire new qualifications or vocational skills through practical work performance at a given post.

6. The reimbursement of social security contributions in case of the employment of an unemployed person delegated by the Labour Office. The reimbursement of social security contributions up to 300% of the minimum monthly salary in Poland is based on the contract concluded between the prefect and the employer. The amount can be reimbursed only after the fulfilment of two conditions: that the person delegated by the Labour Office is employed in a full-time position within the next 12 months and that the employee is still employed after this time.

Entrepreneurs interested in labour authority support should contact the appropriate Labour Office and prepare and submit the required application and documentation depending on the type of support required.

III.3.6. OECD guidelines for multinational enterprises

OECD Guidelines for Multinational Enterprises are annex to the OECD Declaration on International Investment and Multinational Enterprises. They contain recommendations, providing voluntary principles and standards for responsible business conduct for multinational corporations operating in or from countries adhered to in the declaration. The guidelines are legally non-binding. The business community, labour representatives and non-governmental organisations were all engaged in the developing of these guidelines. A definition of multinational enterprises usually comprises companies or other entities established in more than one country and so linked that they might coordinate their operations in various ways.

The guidelines cover business ethics on employment, human rights, the environment, information disclosure, combating bribery, consumer interests, science and technology as

well as competition and taxation.

According to the OECD Council, each adhering country must set up a National Contact Point (NCP). The NCP is an entity responsible for the promotion of the guidelines on a national level. An NCP handles all enquiries and matters related to the guidelines in that specific country, including investigating complaints about a company operating in, or whose headquarters are based in that country. The Polish OECD NCP is located at the Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych S.A).

The guidelines contain, among other things, the following rules:

- enterprises should respect the rights of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on employment conditions,
- enterprises should, within the framework of laws, regulations and administrative practices in the countries in which they operate, and in consideration of relevant international agreements, principles, objectives, and standards, take due account of the need to protect the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development,
- enterprises should not directly or indirectly offer, promise, give or demand a bribe or other undue advantage to obtain or retain business or other improper advantage,
- when dealing with consumers, enterprises should act in accordance with fair business, marketing and advertising practices and should take all reasonable steps to ensure the safety and quality of the goods or services they provide.

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Market Square, Wrocław



III.4. Accounting & Finance

III.4.1. Accounting and financial regulations

The Polish accounting regulations are very similar to other systems and are constantly being synchronised with the International Accounting Standards and EU regulations, to make them comparable.

Law Regulations

Polish accountancy law is constituted by the Accountancy Act of 29 September 1994 and the Polish Generally Accepted Accounting Principles – GAAP (which so far constitutes six standards). The provisions of the Accounting Law apply to the entities whose registered offices or place of executive management are located in Poland. The Act enumerates foreign people, foreign companies operating through branch offices or registered subsidiaries, obliging them to maintain full accounting records in compliance with Polish law.

The Accounting Act does not differ considerably from International Financial Reporting Standards, which were adopted by

the EU and are harmonised with regulations resulting from EU Directives. The amendment dated March 2008 implemented regulations from the 2006/46/WE EU Directive. Among others, it is concerned with consolidating financial statements and extends to a scope of obligatory disclosures presented in statements. It also introduced to the management of the entities the responsibility to prepare and publish their financial results.

In situations which are not regulated by the Accounting Law, proper standards can be used.

Also there is an allowance, for a specified group of companies, to do so according to International Financial Reporting Standards. Companies listed on the Warsaw Stock Exchange are obliged to prepare consolidated financial statements in accordance with International Financial Reporting Standards. Furthermore, the subsidiaries of such companies may choose financial statements in accordance with EU and International Financial Reporting Standards if they prefer.

Accounting facts

Accounting records must be maintained in both the Polish language and currency. Amounts denominated in foreign currencies are converted into Polish at the average exchange rate set by the National Bank of Poland. In general, all accounting documents should be in Polish apart from source documents, though it should be remembered that these should be translated into Polish at the behest of the tax authorities and auditors.

The accounting period lasts 12 months, and is usually the same as a full calendar year. Of course, the company may choose different dates, but the Tax Authorities must be informed about this change. Bookkeeping can be done internally by a qualified employee or externally by an accounting office. Documents and accounting books must be kept in the company's head office, as well as in an accounting office. Documents for each year must be kept for five years, payroll documentations for longer period and financial statements permanently.

The responsibility for fulfilling these obligations in the field of accounting falls entirely on the Manager of a company. The scope of this responsibility was extended and emphasised in the implemented regulations of the 2006/46/WE EU Directive.

Entities are required to apply all accounting principles included in the Accounting Law, to truly and fairly present their financial position and financial results. The economic substance of transaction is a base for recognising events, including business transactions, in the books of accounts and a presentation in the financial statements. The company can apply some simplifications within its accounting principles, provided that it has no significant negative impact on the presentation of their financial position and its financial results.

III.4.2. Financial statements

Entities shall prepare the financial statement on the last day of the financial year referred to in article 12, paragraph 2 of the Accounting Law. Principles for the measurement of assets, liabilities and equity and the determination of the financial result should be applied

respectively as specified in chapter 4 of the Accounting Law.

Issuers of securities admitted to or intending to file for admission to or issuers of securities pending admission to trading in one of the regulated markets of the European Economic Area may prepare their financial statements in accordance with International Financial Reporting Standards.

Another group of companies allowed to use the International Financial Reporting Standards regulations are entities which are members of capital groups, in which a parent company prepares consolidated financial statements under International Financial Reporting Standards.

These decisions can be made only by the approving body of such companies.

Financial statements consist of a balance sheet, a profit and loss account, an introduction to the financial statements and notes and explanations. Entities which are a subject to annual audits also prepare a statement of changes in equities and a cash flow statement. For financial statements, an annual report of company activity should be included. The report covers information about events having significant influence on company's activity, and also presents the company's achievements and projections. All documents must be prepared in both the Polish language and currency.

The entity's manager ensures the preparation of the financial statements within three months from the date of the balance sheet, as well as its presentation to the relevant authorities.

The approval of the statements shall take place within six months after the date of the balance sheet.

III.4.3. Audit and publication

The obligation of auditing and the publishing of the financial statement refers to consolidated statements of capital groups, joint stock companies, banks, insurers and entities which operate on the basis of regulation on trading in securities and regulations on investment funds or pension funds.

Other companies are obliged to be audited if they have met at least two or three of the following conditions during or preceding the accounting year:

- the average number of employees converted into full-time employment is equivalent to at least 50 people,
- the total assets at the end of the financial year were at least the Polish zloty equivalent of EUR 2.5 million,
- the net revenue from the sales of goods for resale and finished goods and the financial transactions for the financial year was at least the Polish zloty equivalent of EUR 5 million.

The aim of the audit is expression by a statutory auditor with a written opinion. The audit contains a report on whether the financial statements are correct, and whether they give a true, fair representation of the property, financial position and the financial result of the audited entity.

Polish accounting Law is often changing, due to the application of solutions from the International Financial Reporting Standards and EU accounting regulations.

The aim of the implementation of these international regulations is to equalise the competitiveness of enterprises. The harmonisation of accounting regulations will have an effect on increasing the quality and comparability of information given by the companies. It also effects the improvement in the reliability of financial data in front of business partners and financial institutions.



III.5. Employment of Staff

III.5.1. Employment of workers

Every investor who wishes to start and develop their business activity in Poland must take into account the employment of workers. Polish law describes and regulates various possibilities of employment. The main legal form of employment is the employment relationship regulated by the Polish Labour Code from 26 June 1974. The employment relationship is connected with the system of guarantees and rights of employees. In accordance with the Labour Code the employee has right to:

- Receive the remuneration for his work, the financial conditions of which are defined in the employment agreement and the employer is obliged to pay it regularly to an employee. The employee may not earn less than the minimum monthly remuneration which in 2010 is PLN 1,317.00 for full-time work,
- Use their holiday leave time - The employee has the right to annual paid leave, the length of which depends on their seniority, but in general every employee is entitled to 20

or 26 days of paid annual leave. The employee is not allowed to renounce their leave and the employer is obliged to pay the equivalent to an employee for unused leave,

- receive sickness allowance,
- working time rules,
- special protection of some employees' groups,
- procedure of termination of employment.

The Labour Code lists various forms of employment contract:

- For a trial period - This kind of contract may be concluded only once between a given employee and employer. Its purpose is to check the employee's suitability to perform the duties for an extended period of time. The trial period may not exceed three months,
- For a fixed period - This kind of contract is defined by a specified date. The law does not regulate the maximum duration of such an agreement, but the terms of the contract should be reasonable. However, there is a limit to the number of such contracts which can be concluded with one employee.

In accordance with the Polish law, a permanent employment contract must follow after two consecutive contracts for a fixed period,

- For an indefinite period,
- For a period of absence of another employee.

The employment contract must define the parties, working hours, financial conditions, type of work and place of its performance, and should be concluded in writing. Besides from the employment contract, the employee should receive from the employer written information concerning their employment within seven days after starting work. The employee is obliged to perform their work in the hours specified in the contract, to carry out the instructions of their supervisors and act in the interest of the employer.

Apart from the employment relationship regulated by the Labour Code, there are other forms of employment based on the Civil Code – known as civil law contracts. These contracts give more latitude in formulating the content of legal relationship between the parties without any minimal guaranties which result from the Labour Code. The parties may decide on such matters as the amount of remuneration or working time because these factors are not regulated by the Civil Code. The most common contracts under the Civil Code are as follows:

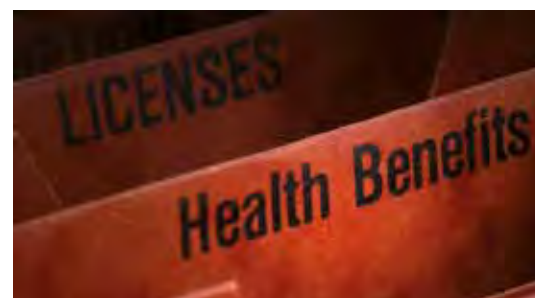
Task contract – This kind of contract is also called as agreement of result. The employee receives a defined task which must be carried out in order to achieve specified results and the employer is obliged to pay the salary for the realisation of tasks according to the provisions in the contract.

Service contract – Based on the contract, the employee receives defined tasks and activities which must be realised by the employer. The employee performs the work by himself because there is no subordination or work performance under someone's management, which is characteristic of an employment contract. The contract expires automatically with the end of the term or when a given task or activity has been completed. An employment agreement may be terminated upon mutual agreement of both parties (at any time and regardless of the type of contract), by one of the parties upon prior notice (at the end of a specified notice period), or by one of the parties without prior notice (if a serious breach on the side of the other party occurs or if employment cannot be

continued for certain reasons). The notice period depends on the type of contract concluded by the parties and the actual duration of the employment.

In general (there are many exemptions in Polish law), foreigners who are going to perform work in Poland are obliged to obtain a work permit. The need to obtain the work permit concerns non-EU citizens who are going to work in Poland as an employee. In the case of citizens of non-EU countries who are members of the management board in legal entities in Poland, Polish law gives a simplification. Namely, they are allowed to perform the work in Poland for a period not exceeding six months, within 12 months without the work permit, after receiving an appropriate legal document which permits the worker to stay in Poland.

Because of the recent changes in the Polish regulations concerning the legalisation of work and residence of foreigners in Poland, the procedure connected with obtaining a work permit in Poland has been simplified. Various types of work permits were implemented but now there is no 'promise' to grant work permits anymore. A company who is going to employ a foreigner receives a work permit after submitting a complete application with the required documentation. With the work permit, the foreigner can receive the visa in order to perform the work or permission to have temporary residence in Poland. The last step is signing the contract between the foreigner and the employer according to the conditions mentioned in the work permit.



III.5.2. Polish social security system

Pillar I, II & III

In 1999 a reform of social insurance was carried out, which was based on the co-financing of premiums

by the employer, the employee and three pillars – one repartition and two capital pillars.

The social security system in Poland is based on three pillars:

- 1st Pillar (ZUS) – obligatory and common. Premiums, deducted from salaries, are written from the individual account of an insured person. The institution which manages the 1st pillar is the Social Security Establishment. Pensions, received from the 1st pillar, are based on the repartition system, which has the character of the generation contract. This means that payments of pensions are financed from the contribution of the people who currently work. The system functions efficiently only if the premiums of employees, which supply the system, are delivered in an amount sufficient for the payment of present pensioners. Thanks to obligatory premiums of 12.22% of gross salary, people acquire pensionable rights that aren't inherited.
- 2nd Pillar (OFE) – is also an obligatory element of the social security system, the capital fund. The premiums, deducted from salaries, are written from the individual account of the insured person. Open pensionable funds belong to the 2nd pillar of the social insurance and are managed by private investing firms (Public Pensionable Associations) that invest premiums into financial markets.
- 3rd Pillar (IKE) – is a free capital pillar, which is organised as an investing fund. The insured people choose the insurance company (associations of the mutual insurance, insurance associations). After reaching a pensionable age the pensioners (women at 60, man at 65) get pensions from the Social Security Institution (ZUS) and the Open Pensionable Fund (OFE) through an Agent Company, and the eventually payment from the free 3rd pillar.

Obligatory social insurance contributions paid by the employee and the employer

According to the Act from 13 October 1998 regarding the social security system social insurance in Poland includes:

- pensionable insurance,
- rental insurance,
- insurance in case of sickness leave or maternity leave, known as sickness insurance,
- insurance in case of accidents at work and occupational diseases, known as accident insurance.

According to above mentioned Act regarding the social security system, obligatory pensionable and rental insurance concerns physical people, who in Poland are:

- employees,
- people running non-agricultural activity or people cooperating with them,
- people who perform casual work,
- people who perform a job on the basis of agentive contracts, contractor contracts or another contract concerning the provision of services, to which according to the Civil Code are applied regulations about contractor contracts or individuals who cooperate with these people,
- people on parental leave or who receive maternity benefits.

Sickness insurance

The social security system, obligatory sickness insurance concerns the following people:

- employees,
- members of agricultural production cooperatives and cooperatives of agricultural circles,
- people who perform substitutionary services.

Voluntary sickness insurance concerns the following people, covered by **obligatory pensionable** and **rental insurance**, on their own application:

- people who perform casual work,
- people who perform the job on the base of agentive contracts, contractor contracts or another contract concerning providing services, which according to the Civil Code apply to regulations about contractor's contracts or individuals who cooperate with these people,
- people running non-agricultural activities or individuals who cooperate with them.

In general, the yearly base for social insurance in the following calendar year can't be higher than the amount relative to 30 times the proposed average monthly salary in the national economy for the given calendar year. As of 2010, this is 94,380.00 PLN.

The employer spends 19.52% of the gross salary on pensionable insurance. The other contributions for the social security institution (ZUS) regard the following insurance: rental,

Employment of Staff

sickness, accident, health insurance, Labour Fund and the EAG Fund.

Social security contributions (13.71%), income tax and health insurance (20.25%) are also deducted from the gross salary.

The employer must also pay part of any social security contributions (16.60 %).

For example:

Gross salary agreed in contract	Employee Social Contribution	Employee Health Care Contribution	Income Tax	Net to be paid	Employer Social Security Contributions	Total employer cost
4.000.00	548.40	310.64	287.00	2853.96	739.20	4739.20
3.000.00	411.30	232.98	199.00	2156.72	554.40	3554.40

EU Regulation 1408/71 and 883/2004

Since 1 May 2004, after Poland joined the European Union, regulations concerning the rules of liability for social insurance (included in EU Regulation 1408/71) have become obligatory. According to EU regulations, people moving across the European Union for the purpose of increased earnings are liable to legislation from only one of these countries.

The new EU regulations concerning the delegation of employees to work in other European countries came into force on 1 May 2010.

These are the following orders: no 987/2009 from 16 September 2009, which concerns the performance of the order (WE) no 883/2004 in the matter of coordinating systems of social protection, and no 988/2009 from 16 September 2009 as well as no A2 from 12 June 2009 from the administrative board of social protection, which concerns the interpretation of article 12 of order no 883/2004.

The general rule has remained, however, according to which, employees are liable to social insurance only in the country in which their work was performed.

There are a couple of exceptions to this rule which anticipate insurance in the sending country, including: keeping the relation between employer and employee and not exceeding the maximum periods of delegation.

The employer must operate their activity in Poland. For this purpose, it is the object of the company's activities, such as the administration of the company, which is taken into consideration rather than its internal activities.

Order no 987/2009 introduced a rule that an employee is liable to the legislation of the delegated country just before the delegation itself. This means that the employee of a Polish company might be delegated according to EU

regulations only if just before this time they were liable to Polish social insurance for a period of at least one month.

The delegated employee (according to union regulations) is a person who is sent by their employer to another EU country and a direct relationship between the two parties still exists.

It is also acceptable to hire an employee in order to delegate them.

The delegation period can last up to 24 months. The new regulations refer also to employees who began a period of delegation before 1 May 2010.

Decision A2 stipulated that the next period of delegation cannot begin earlier than two months from the end of the previous period of delegation.

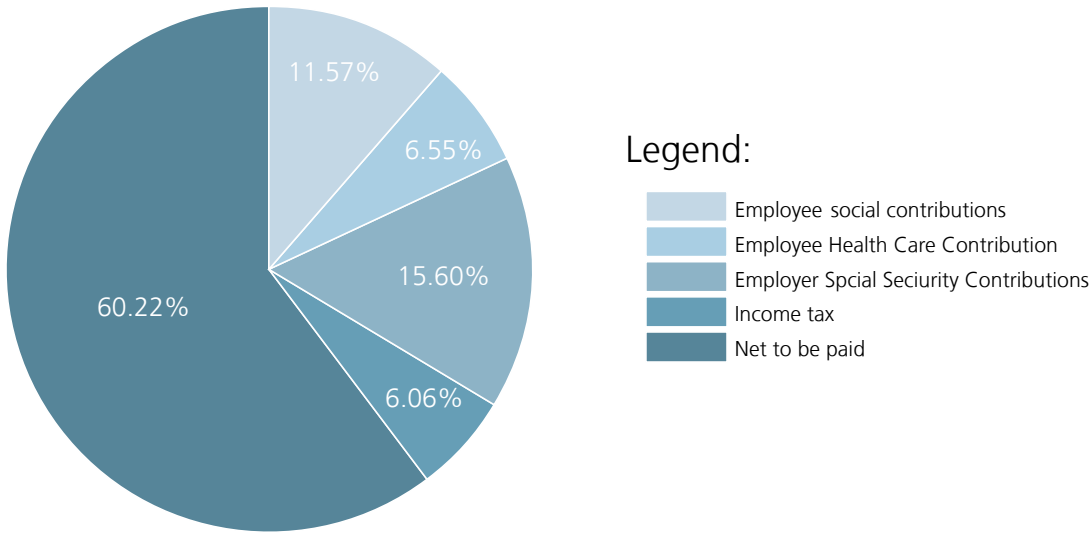
The document which confirms the delegation of employees is still undergoing a process of transition from E101. This document will be replaced by the A-1 form and, ultimately, by the A003 electronic form by 2012.

According to the new rules, the right for paying collections for an employee's place of living depends on the performance of their work. If the person works for two foreign employers, neither of which has a head office in their place of living, their place of living will be adequate for paying collections.



It is very important that since 1 May 2010 any employees hired in two countries report this fact to the suitable jurisdiction for their place of living. The institution will then be obliged to point out the appropriate insurance system for this employee. Any temporary legislation passed on this matter will become final two months from the date that the appropriate institution was informed about the situation.

Total cost to the employer



Legend:

- Employee social contributions
- Employee Health Care Contribution
- Employer Social Security Contributions
- Income tax
- Net to be paid

IV. Doing Business

- from Start-Up to performing a direct investment



IV.1. Greenfield Investment

IV.1.1. Activities requiring licenses, concessions or permits

The general law stipulates that the undertaking and conducting of business activities is free. However, Polish law also states some exceptions to this general rule. It means that the undertaking and conducting of certain activities is limited and requires the consent of the Polish authorities or entry into the register of regulated services. We can divide the above-mentioned activities into four main groups:

- activities which may be undertaken and conducted freely,
- activities which may be undertaken and conducted on the basis of a concession,
- activities which may be undertaken and conducted on the basis of a license or permits,
- activities which may be undertaken and conducted upon registration into the register of regulated activities.

Furthermore, Polish law states that certain professional services may be conducted only



by people who have an appropriate certificate (e.g. tax advisors, lawyers, real estate, appraisals, architects, accountants or financial advisors).

To conduct certain types of activities (e.g. bank or insurance funds, pension funds) Polish law requires the establishment of a specified legal form (e.g. joint-stock company).

Concessions

A concession is issued for a period of time between five and 50 years and is stipulated for business activities which have a significant importance for the interests of the State (e.g. national security, public safety and major public interests).

Licenses and permits

Polish law also states other types of administrative decisions which are mandatory in order to undertake and conduct business activity. When the entrepreneur fulfils the statutory requirements stated by law, they may apply for an administrative decision (e.g. a permit or license). Polish law states that for almost thirty types of business activity you are required to obtain a permit or license. Below you will find some of the business activities which require such administrative decisions:

- national and international road transport (including goods and passengers),

- forwarding agency,
- railway stations,
- tourism agencies,
- private investigation and detective services
- conduction of business in special economic zones,
- the operation of banks, insurance companies, brokerage agencies, investment funds or pension funds,
- wholesale trade and manufacturing of alcoholic beverages,
- casinos, lotteries and gambling.

Registration for the register of regulated activities

Such activities may be conducted when the entrepreneur fulfils their statutory requirements and upon registration into the register of regulated activities. Polish law states twenty types of regulated business activities. Below are some of the business activities which require entry into the register of regulated activities:

- the archiving of employees and personal documentation,
- storage enterprises,
- telecommunication,
- the manufacturing of alcoholic beverages,
- detective services,
- work agencies,
- the organising of horse races.

Authorities responsible for issuing concessions

Activity requiring a concession	Authority
Searching, Exploration of minerals; underground storage of substances and waste in rock masses or in underground mines	Minister of Environment
The manufacturing of and trading in explosives, ammunition, weapons and other items and technology for military or law enforcement purpose	Minister of Internal Affairs and Administration
Manufacturing, processing, storing, delivering, distributing and trading of fuels or energy	President of the Energy Regulatory Authority
Security services for persons and property	Minister of Internal Affairs and Administration
Radio and television broadcasting	President of the National Broadcasting Authority
Air transportation	President of the Civil Aviation Authority



IV.1.2. Real estate market

The Polish real estate market has been strongly dominated in the past years by the outstanding position of the Polish capital Warsaw as the centre for major investment activities. In a second wave within the last five years other cities as Wrocław, TriCity (Gdansk, Gdynia, Sopot), Poznań, Katowice or Łódź have also developed a strong position. Not only have they attracted Industrial, BPO- or logistics investments, in addition they have become serious markets for international developers and investors, which have invested in local commercial and housing projects.

The financial crisis, which limited or partly blocked access to financial sources led to a generalized “high risk classification” of Poland within the CEE countries on one level with Hungary, Ukraine or the Baltic countries. After the first wave of panic, international investors have stated that the Polish economy is stable. The European Commission expects Poland to grow by 3.4% in 2010. This aspect of stability is attracting new potential investors to Poland. Nevertheless, the adjustment in the strong growth of real estate prices has probably prevented the market from the creation of a

Real Estate bubble, which has already been developing quite strongly in the housing market.

Poland is now going through a phase of consolidation but in a third wave we do expect the following market developments:

- more selective choice of attractive locations (while new well located objects have lost within the crisis from 7,5% - 15% of the boom-value, the price decrease of 2nd and 3rd choice locations will exceed 20% or 25% due to higher vacancies and more competition on the market),
- focus on investments and growth in less developed Cities with 100.000 – 500.000 inhabitants (Lublin, Rzeszów, Kielce, Białystok) – third wave after Warszawa, and other top polish cities (Poznań, Wrocław, Tri City (Gdańsk, Gdynia, Sopot), Kraków, Katowice, Łódź),
- the role of build quality will grow and become more crucial for the valuation of the real estate.

The polish market is becoming more mature and with limited access to financing it can now be considered a “Buyers Market” which offers investors the opportunity to verify some options longer than before during an uncontrolled “time to market” acting.



IV.1.2.1. Warehouse & industrial market

The Development of modern warehouse space in Poland exceeded more than 5 mln m² in 2009, which has been built mostly amongst the major industrial centers such as Warsaw, Katowice or Poznań and among existing or planned Polish highways. Two famous logistics locations in Poland are Piotrkow Trybunalski and Strykow (next to Łódź), which profit from their precise central position and the fact they have already attracted global players into their portfolio. Logistics, FMCG and key investments in electronics and white goods are the drivers for new warehouse developments. Beside that, Poland often plays a strategic role as a server market for further expansions to Eastern markets. Based on that approach it can be assumed that future development will be focused closer to the eastern border of Poland. Today we can define five major Clusters for Warehouse investments in Poland:

- Śląskie voivodship around Katowice,
- Central Poland around Łódź,
- Warszawa and Mazowieckie voivodship,
- Wielkopolskie voivodship around Poznań,
- Dolnośląskie voivodship around Wrocław.



Major developers have established their projects in 10-20 different locations. Rental costs for those modern-standard warehouses are between 3,5 – 5 EUR depending on location of warehouse and time of contracting.

Industrial factories are either developed in BTS (build-to-suit) solutions on a minimum of 7 - 10 years financial leasing-/rental- contracts or mainly built by industrial companies themselves. These industrial companies invest directly in individual locations because of specific location requirements (often high unemployment, high availability of workers, closeness to customers / suppliers or raw materials, etc.). Those peripheral locations are usually chosen in order to keep investment and production costs low and to achieve the highest possible level of workforce availability. A well developed peripheral plot offered by a local municipality or the Agricultural Property Agency – ANR* for a Greenfield investment can cost around 25 to 40 PLN / sm (within a SEZ usually more), while a medium developed private plot in a top logistics region can be offered for between 100 and 200 PLN / sm.

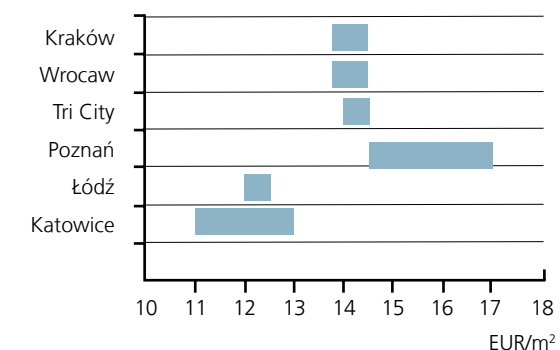
IV.1.2.2. Office market

Between 1990 and 2000 the Warsaw Office market was in the centre of the first investment wave, which started during the transition process. During this process almost all global players, consulting companies and banks installed their head offices in Warsaw to communicate the necessary presence in the market and in order to start business activities within the whole country. After this first

investment wave like in other CEE Capitals, Warsaw has become one of the most expensive office markets in the world. A steady supply of new and modern office space over the last years has reached a level of more than 3.3 mln m² by the first quarter of 2010. In Warsaw – less than 50% of this space is offered in the city centre, while the offer on non-central locations has risen in the last few years.

Within the last 5 years a wave of foreign BPO and specific local Investments with high quality requirements in towns like Krakow, Poznań or Wrocław have had a strong impact on the development of modern office space in these regions. These markets had been dominated previously by local office supplies with low quality. This was unsuitable for global players who invested in BPO or other services. Meanwhile, after a certain quality level was set, local Polish developers have entered the market and created local brands for smaller and medium size offices, which are also accepted by foreign customers.

Top central average rents in Polish cities - 1st Quarter 2010



The rents paid in Warsaw oscillate between 18 and 25 EUR/m² in central locations, while outside central locations, rents vary between 12 and 17 EUR/m². The same pattern can be seen in Krakow or the Tricity, but at the slightly lower level of 14 EUR/m².

Leasers have started to look for savings as well in the rental side costs. Service charges of 4 – 5 EUR/m² have been analyzed exactly and the requirements for professional facility management and equipment of buildings have risen significantly in order to deliver the required quality. Many leasers have renegotiated their contracts to pay at least the service charges in PLN, which are also paid in PLN by the owners. In order to close new bigger rental contracts Rent free periods have been extended to attract

bigger customers with more than 1.000 m² in rental area.

IV.1.2.3. Retail and commercial market

After Russia and the Ukraine, Poland is the biggest consumer market in CEE and the biggest within the new EU accession countries. This fact was already clear in the beginning of the transition process and it is one of the reasons why the retail market is now the most mature and developed real estate market in Europe. From the beginning of the 90's big French retail groups as Carrefour, Auchan, Géant and E.Leclerc had already started trading in Poland with big hypermarkets to meet the significant demands of the population's quickly growing market. Today's modern retail supply exceeds more than 8 mln m² and is again dominated by Warsaw and the other remaining top 7 Cities.

The retail market already passed certain stages. The first basic satisfaction through the creation of big hypermarkets and malls, the change of focus from hyper- to supermarkets and the establishment of discount markets mostly in rural regions in order to substitute little local shops. Now, the trend is to minimize the distance from customers living areas instead of forcing them to travel long distances to the suburban hypermarkets and malls. Investors are now more open to enter municipalities which have between 50.000 – 100.000 inhabitants for supermarkets or for discount markets with a minimum of 15.000 inhabitants.

A legal insecurity for all retail investors occurred within the last two years (from 18 th September 2007) due to the Act on Large Retail Schemes. The act demanded that each retail investment with a sales area above 400 m² achieved additional permission from the local authorities to establish such an object. This act blocked more than 50% of the potential to create a new object in a municipality because each project was strictly combined with intensive political lobbying. Almost each political decision maker – especially in the smaller municipalities – did not want to carry such a political burden. Finally, this act has been deemed to be contrary to the Polish Constitution by the Constitutional Tribunal in June 2008. This decision brought more security for investors and developers.

Number and types of stores in Poland

Type	Size criterion (m²)	Number of stores	Total area (m²)	Foreign ownership share
Hypermarket	>2,500	374	2,566,685	83.2%
Supermarket	400-2,299	2,716	2,125,077	56.1%
Department store	>2,000	95	390,550	9.5%
Trade stores	600-1,999	462	451,966	20.3%

Source: Central Statistical Office, 2008

The market of shopping malls in Poland has grown very strongly within the last few years. Insufficient existence of coherent and developed shopping streets or city areas have initialized developers to build big shopping malls, which have been integrated into the cityscapes or built just outside the cities. Warsaw owns 6 objects with 59,000 to 110,000 m², a similar picture can be found in Wrocław or in Łódź with the prestigious Manufaktura.

Prices for commercial rents are falling with additional space on the market. Prime locations will not lose attractiveness, but older objects with insufficient service and quality will either have to adapt their pricing to new market conditions or go through redevelopment processes to be state-of the art for more demanding customers. Today smaller prime objects with a maximum of. 200 sm oscillate between 50 – 80 EUR / m² while bigger leasers pay around 20 – 50 EUR / m² for good locations. Over 1,000 m² an average rent can be found on a level of 8 – 12 EUR / m² down to 5 EUR for hypermarkets, which are the major players for object operators.

IV.1.3. Acquiring real estate

Legal entitlement to real estate

Entitlement to real estate is regulated by the Polish Civil Code from 23 April 1964. Real estate is understood to be grounds with premises, including facilities such as apartments, and houses etc., which are separate subjects of property in accordance with Polish Law. Full ownership gives the widest scope of rights related to real estate and can be restricted only under certain circumstances, defined by the Civil Code (neighbour or zoning regulations), administrative law or the owner's

will. Ownership is the ultimate right to real estate and provides the owner with a complete range of usage. Ownership is legally protected against any third parties acting against the owner. Ownership is not time-limited. Neither the government nor public offices have any right to intrude ownership, the only exceptions being those presented in the zoning plan.

The Polish legal system offers several types of rights to real estate:

- ownership,
- perpetual usufruct,
- easement over real estate,
- mortgage,
- lease.

Ownership

Full ownership gives the widest scope of rights related to real estate and can be restricted only under certain circumstances, which are defined by the Civil Code (neighbour or zoning regulations), administrative law or wiliness of the owner. Ownership rights are the most complete and have a full scope of the usage of the property of land or building. The right of ownership is protected against all third parties, who are trying to act against the owner. The ownership rights are not time limited. The government or public offices do not have any right to influence the ownership, except the zoning and taxation regulations.

Perpetual usufruct

Perpetual usufruct is established with respect to land owned by the State Treasury or local government authorities. It is usually created for 99 years (the minimum period is 40 years) and may be extended. The perpetual usufructee is allowed to use the land in the same scope as the owner. However, the purpose of land use is defined by an agreement and should

be recognised before purchasing the right of usufruct. This is because the owner (State Treasury or local government) may terminate the agreement if the land is used in a way contradictory to the way defined in the agreement. The purpose is generally defined by development and zoning regulations.

The perpetual usufruct is transferred under the same rules as regular ownership and property rights for real estate. No special permit from the owner (the State Treasury or local government unit) is required (except when the transfer is carried out by foreigners).

Fee for perpetual usufruct

Usufructees must pay the government an annual fee (until 31 March 2009) separate from the obligatory land tax. The fee is calculated with respect to land value and cannot be changed more than once a year (for special types of land this period can be extended to five years).

Ownership vs. perpetual usufruct

A substantial difference between perpetual usufruct and ownership is that in the perpetual usufruct the building is a separate object of ownership from the land, and acts as a second object. After constructing a building, the perpetual usufructee becomes its owner with full ownership rights. In case of the termination of the perpetual usufruct, the usufructee has the right to obtain an equivalent market value of the building which is part of the property held in the perpetual usufruct.

Another right to real estate

The Polish Civil Code also recognises the right to use real estate in the form of lease, without ownership rights. Any legal entity, including a foreign company or natural person, may lease land without any special permit from the Ministry of Interior and Administration or any special conditions from local authorities. The freeholder may give his right to use and additionally to gain profit from the property to a third party. The Polish Civil Code recognises two types of lease contracts: umowa najmu (where only its use is possible) and umowa dzierżawy (for use and profit gain).

According to the above property rights and contractual rights related to usage by third parties, the law recognises so-called sales and leases back contracts. These allow a foreign

company or natural person to get long-term rights for property use.

Real estate acquisition

Real estate acquisition is regulated by the provisions of the Polish Civil Code. Property transfer may be based only on a sales agreement, which stipulates all the parties' rights and obligations. Both real estate and perpetual usufruct transfers become valid through a sales agreement, which is obligatorily signed in front of public notary in the form of the notary deed.

Pre-sales agreement

Prior to the final transfer of rights, decision makers may establish a so-called pre-sales agreement for selected land (or land with buildings). It is not necessary but highly recommended to make the pre-sales agreement in front of a public notary. In the pre-sales contract it is possible to oblige the second party to realise specific conditions related to the property in question, such as clarifying legal status, the payment of mortgage and preparing for final sales. The pre-sales agreement may guarantee the rights for future property transfers, even without any pre-payment or minimal amounts as pre-payment.

Real estate and mortgage register

The above mentioned rules are binding for ownership or perpetual usufruct transfer. Both transactions differ in terms of when they actually come into force. In the case of ownership transfer, the date of signing the final agreement is the day the buyer becomes the property owner. Perpetual usufruct transfer requires (apart from signing the sales agreement) entering the new usufructee into the real estate and mortgage register kept by the proper court. As a consequence of the new entry of the buyer, the perpetual usufruct is transferred.

Public purchase

Purchasing real estate from public or government-controlled authorities entails a special procedure, which involves public tender or auction. Public or government authorities guarantee equal conditions to all potential buyers.

Acquisition of real estate by foreigners

When on 1 May 2004 Poland became a member state of the European Union and consequently joined the European Economic Area, the real estate purchasing procedure was altered to become more attractive for foreigners interested in investing in Poland.

However, certain binding regulations of Polish Law defined by the Act from 24 March 1920 about the Acquisition of Real Estate by Foreigners (further referred to as the AARE), still states that foreigners with a seat registered outside the EEA intending to purchase real estate in Poland must obtain a permit from the Minister of Interior and Administration. The required permission is issued in the form of an administrative decision. This means that neither a public notary nor a Polish court or Government body can register or proceed with such action, and that the non-EEA entity will become neither owner nor usufructuary.

Shares acquisition

This rule also applies to any acquisition of transactions or other legal actions when the transaction concerns the shares/stocks (with the exemption of listed companies) of a legal entity with a registered seat in Poland, regarding the owner or perpetual usufructuary of the real estate. Permission from the Ministry of Interior and Administration is required via acquisition or other legal action. A Polish company becomes controlled by a foreign company (which takes place when more than 50% of votes on the Shareholder/Stakeholder Meeting belong to a foreign entity or when a company is controlled by similar naturals as members of governing bodies like Board of Directors).

Exemptions for EEA companies

The AARE classifies foreigners according to a foreign company's registered seat or foreign natural persons place of abode when they are located both within and outside the EEA.

When foreign companies and nationals are registered inside the EEA they are exempt from obtaining an acquisition permit. These entities do not require any permit for the acquisition of shares/stocks or real estate, except agricultural land and a forest. However, purchasing agricultural land or a forest (12 years from 1 May 2004) or the so-called 'second house' (five years from 1 May 2004 until 30 of April

2009) still entails obtaining a permit, even for foreigners registered inside the EEA.

Procedure of permission process

The standard procedure involves obtaining a permit from the Ministry of Interior and Administration, which takes on average three-four months of administrative procedures. Moreover, it is also necessary to collect all required documents, which is a time-consuming process.

A foreign businessperson may apply for a promise regarding a prospective acquisition. Such a promise is in the form of a guarantee that he/she will obtain the permit without any special conditions or requirements. However, the promise is not an act that allows purchasing real estate or shares/stocks. In order to close or transfer ownership, a permit is mandatory.

IV.1.4. Investment process

IV.1.4.1. Analysis

The choice of location affects about 80% of the investment and follow-up costs (including development costs, transport costs, wages, taxes and energy). The first choice between greenfield and brownfield defines the basic scope of possibilities to choose between the location advantages.

Below is a short extract about the main location factors which we must consider during the investment process.

- greenfield vs. brownfield,
- the investment inside or outside the Special Economic Zone,
- the distance, quality and time of logistics to the main customers,
- labour costs, availability and the quality of desired blue-collar and white-collar workers,
- infrastructure and development costs (all media, roads, access and extension possibilities),
- the availability of required components suppliers,
- the appropriate contacts in local authorities.

IV.1.4.2. Step-by-step investment process

Architecture Planning

If the Start of Production (SOP) or other deadlines for an investment have been set up for a near date, the planning of buildings and other utilities must be prepared in advance. If the location has an official zoning map at its disposal, an architect can start planning without any delay. If there is no zoning map the investor must apply for Conditions for Area Development and Construction (CADC), which define the basic scope of the buildings allowed.

For the phase of architectural planning, a minimum period of three-six months must be taken into consideration before a well-prepared document is sent to the architectural office to apply for a building permit. Many companies often underestimate the volume of official documents and procedures which must be prepared in order to start their operations in Poland.

Building permits for construction or re-development process

After collecting the title to use the property or the property itself, it is possible to start the investment process.

Zoning plans

The construction of a building is possible when the real estate has the appropriate zoning plan regulated by the Act from 27 March, 2003 on Zoning Planning. The local authority (municipality) is responsible for drawing up a local development plan of the land. As a consequence of the zoning plan, the purpose of the land's use is changed from agricultural to industrial, or vice versa.

The zoning plan defines all conditions regarding prospective land use and the scope of business that may be conducted on the land. The scope is wide and allows the owner to use the property for a variety of business activities.

Local authorities are empowered to create zoning plans with respect to municipality development. The municipality creates the zoning plan in accordance with voivodship and country zoning plans.

Zoning plans may be changed by the municipality either in accordance with the owner's application or when the area is modified by the Government. The latter situation is rather exceptional and takes place when the modifications are related to public interest (such as building roads and railways).

Every special economic zone has a valid and binding zoning plan and the investment process may start soon after purchasing the land.

Conditions for area development and construction

A significant area of Polish territory has no zoning plans. This situation requires an application to the municipality for CADC. CADC is required for any investment process and land development or new investment, such as the re-development of brown field sites. Owners must apply for a CADC from their local authority. However, the Ministry of Agriculture may also be involved and this may extend the process leading to obtaining the decision.

An application for a CADC should confirm specified conditions, e.g. that at least one adjacent plot is developed for a similar aim, has access to a public road and that the infrastructure is adequate for the planned investment. Obtaining the CADC may take up to six months, depending especially on whether the application presents the expected influence of the investment in the local community.

Environmental decisions

After obtaining the zoning plan or CADC it is possible to start architectural and design work. During this stage, the investor is obliged to sign the pre-agreements for connecting the utilities (such as gas, water and energy) with proper suppliers. Furthermore, connection to the public road must be agreed with the office managing the roads.

After completing the initial layout and technical description, the investor may apply for an investment-related environmental decision. The scope of the environmental decision is related to the type of production or range of business activity.

During the re-development process, the investor should recognise previous technology and administrative decisions via due diligence. Usually, re-development requires

new administrative decisions, including any environmental decisions.

The environmental decision process may be concluded after the application is completed, providing the local government's answer states that the decision is not requested for such a type of production or activity. Situations in which it is necessary to obtain the environmental decision are specified in the Act on Environmental Law from 27 April 2001.

The environmental decision (or local authority's opinion that the decision is not required), is an indispensable element of the investment process, as it is the first condition required to obtain a building permit. If the environmental decision is required, the investor must prepare an Environmental Impact Assessment (EIA). The EIA is an evaluation of how the production and technology will impact the environment, in accordance with the best knowledge available. According to Environmental Law the procedure for obtaining Integrated Pollution Prevention and Control (IPPC) is one of the most complicated environmental permit procedures as production and technology have a significant influence on the environment. IPPC is issued by the governmental authorities of the voivodship. Environmental Law describes the types of production that have a negative influence and the types which require governmental control from a higher level.

The procedure regarding the environmental decision may take up to three months, including time for preparing the EIA, and the IPPC can even take up to five months. The bulk of the investment process is realised after the completion of the EIA.

Building permit

The final application for a building permit may be put forward to the local authorities once the investor has permission for all of the above, including agreements and opinions and also when the architectural or re-development project is finished.

The building and construction process is regulated by the Act on Construction Law (CL) of 7 July 1994. During the construction process the following parties are involved: the investor, the supervisor, the designer (architect) and the construction site manager.

The building permit describes the obligations

of all the participants. It is valid only for three years from its date of issue.

The re-development process does not require a building permit (a formal application is sufficient) for types of works that do not involve heavy machinery or altering the structure of the building, e.g. painting the property, changing the windows and gates etc. (the scope is specified by CL). This procedure helps to save time, but construction work cannot exceed the scope specified in the formal application.

Construction Law describes all necessary documentation, applications, permissions and agreements which must be attached to the application for the building permit.

The investor may start the construction work by taking two steps. In the first step, they must obtain a 'validation stamp' from the municipality office after 14 days of issuing the permit, which confirms its validity (no application claims from neighbours). In the second step the investor notifies the building supervision office and submits the proper application. Construction work may start within seven days starting from the date of submitting the proper application.

Usage and operation permit

The Start of Production (SOP) is an important milestone for every investment. The construction process is divided into several phases in accordance with the SOP time schedule. During the industrialisation phase, the investor should make preparations for obtaining the usage permit.

An important fact to bear in mind is that equipment must be certified with a CE mark. Certification is required to confirm that the equipment was produced using the best knowledge available and is safe for workers.

Factory facilities need approval by the following units: fire, employment and sanitary office. Prior to the SOP the investor must notify the mentioned offices that the construction and industrialisation works are completed and that the equipment obtained positive test results.

After the application, each office may audit the factory independently. If no audit takes place within 14 days, the company may start the SOP. Furthermore, the investor must measure the emission, check its influence on the environment and compare the results against appropriate norms of Environmental Law.

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Jewish Culture Festival, Cracow



IV.2. M&A

IV.2.1. The Polish M&A market

One of the natural methods of implementing projects in Poland is to take over existing business entities. Nowadays, the following reasons for transactions in Poland can be identified:

- good business opportunities resulting from the weakening of business entities due to the global financial crisis,
- taking over businesses in order to obtain preferences resulting from operations in special economic zones,
- the privatisation of state-owned companies,
- looking for strategic partners to enable further growth while financial markets are frozen.

The financial crisis, although not as devastating as in other countries, has caused certain companies (especially those operating in sensitive branches or incurring losses due to investments in currency options), to face bankruptcy proceedings. In many such cases, however, capital support and appropriate reorganisation may begin to cure the business and lead to the restoration of its profitability.

Therefore, such situations are constantly monitored by organisations active in the mergers and acquisition field in Poland.

A definite advantage of takeovers in Poland is the use of entities enjoying preferences related to operations in special economic zones.

After certain requirements are met, it is possible to take over an entity operating within the special economic zone, which may relate to a further reduction in operating costs.

Privatisation processes which still involve a relatively significant percentage of Polish state-owned companies make it possible to find interesting targets for takeovers.

It should be noted that the intention of selling a company via such a process includes taking part in public tendering procedures organised by the Ministry of State Treasury. It is crucial to prepare the appropriate documentation professionally as indicated in the freely available, detailed tender specifications.

Undoubtedly, the initial signs of market improvement will cause investors to return

to standard transactions between intact companies in conditions which justify a company's purchase or sale.

In case of a takeover, it is necessary to plan the whole process in an appropriate way, which usually consists of the following elements:

- the choice of an investment adviser/partner looking for entities to be potentially taken over,
- initial negotiations,
- due diligence – extensive legal, tax and business analysis of the entity concerned,
- final negotiations, according to results of due diligence,
- closing the transaction – executing a contract.

What makes the transaction easier, and sometimes determines its success, is the choice of the right advisers/partners that will find the right entity to be taken over and will obtain an appraisal beneficial for the buyer.

A crucial element of a successful transaction is the appropriate performance of due diligence, which requires cooperation with highly competent legal advisers, tax advisers and business consultants. These people will conduct the necessary analyses and describe all circumstances crucial to the analysed company in a final report. The above actions are necessary to identify the legal and tax hazards in the company's operations and to validate future business plans.

The representation of the parties constitutes part of the investment contract (purchase contract for shares), which includes the basic agreements of the parties, representations and promises of the present owners, contractual penalties and conditions precedent.

Entities which perform the most takeovers in Poland include:

- private equity funds,
- companies based in the EU,
- companies based outside the EU, which expand into the EU market,
- Polish business entities which increase the scale of their operations.

The most commonly encountered barriers for investors during company takeovers, which often prevent the implementation of expansion plans, include:

- insufficient knowledge about the local

market, its structure and entities operating on it (difficulties in finding potential entities to be taken over/partners for cooperation),

- insufficient knowledge of the legal and tax realities in the target investment country,
- insufficient knowledge of solutions which allow more profitable acquisitions of business entities with the use of companies already operating in the Special Economic Zones,
- ignorance of the specific negotiation process and local business culture resulting from cultural differences.

IV.2.2. Regulations governing M&A

The rules of the mergers and acquisitions of the companies have been included in the Polish code of commercial companies.

Companies may merge with other companies or partnerships; however, a partnership may not be the bidding party or the newly formed one. Partnerships may merge with other partnerships only through formation of a company.

A merger may be effected through the:

- transfer of all assets of a company or partnership to another company in exchange for the shares that the bidding company issues to the shareholders or partners of the target company or partnership (merger by takeover),
- formation of a company to which the assets of all merging companies or partnerships devolve in exchange for shares of the new company (merger by formation of a new company).

The target company, partnership or companies or partnerships merging by formation of a new company will be dissolved, without conducting liquidation proceedings, on the day in which they are removed from the register.

It should be noted that a plan of the merger of the companies requires a written accord between those merging companies.

As of the day of merger, the bidding company or the newly formed company takes all rights and duties of the target company or partnership merging by formation of a new company. In particular, the bidding company

or the newly formed company will take over any permits, concessions and reliefs granted to the target company or partnership or any of the companies or partnerships merging by formation of a new company (unless otherwise provided in the commercial companies code or the decision on granting the permit, given consent or relief).

The mergers have an effect on the territory of Poland, and the turnover of the involved enterprises that exceed a certain amount is covered by the initial control of the President of the Office of Competition and Consumer Protection.



IV.3. Public Private Partnership (PPP)

Public-private partnerships (PPP) are institutions, over which state (local) authorities can work together with private investors to achieve common goals in an effective, accelerated and simple way.

PPP's promote growth, because more investment projects can be completed at the same time.

A Legal act, which sets out the rules of cooperation between public authorities and private institutions, is an Act on Public-Private Partnership dated 19 December 2008. This act has become part of the tools which already function in the Polish legal system, creating a cohesive whole.

The PPP Act regards the bodies, which may be considered as public entities in Art. 2 Sec. 1, to be:

- a public finance entity as defined by the regulations on public finance,
- a legal person other than under a) created specifically for the purpose of fulfilling general needs. A person that is non-industrial and non-commercial in nature, and if the entities referred to in this provision and under item 1, individually, jointly, directly or indirectly by another entity:

- contribute more than 50% of their funding,
- own more than half of their shares,
- exercise supervision over their managing bodies,
- or have the right to appoint more than half of the composition of their supervisory or managing bodies,
- associations of entities referred to in item a) or b).

Taking the above into consideration, we can enumerate some of the entities that fulfil the requirements of the statute to be regarded as public entities including: the organs of public authorities, including organs of government administration; state control, law enforcement bodies and their associations; municipality; country and provincial authorities; entities financed by the state; and the local government (including other central or local government legal people created under separate legislation for the purpose of performing public tasks), with the exclusion of enterprises, banks and commercial companies.

The new PPP Act has maintained the possibility of the gratuitous assignment of real property to a private partner or a PPP company for the duration of a PPP project. Moreover, the PPP

Public Private Partnership (PPP)

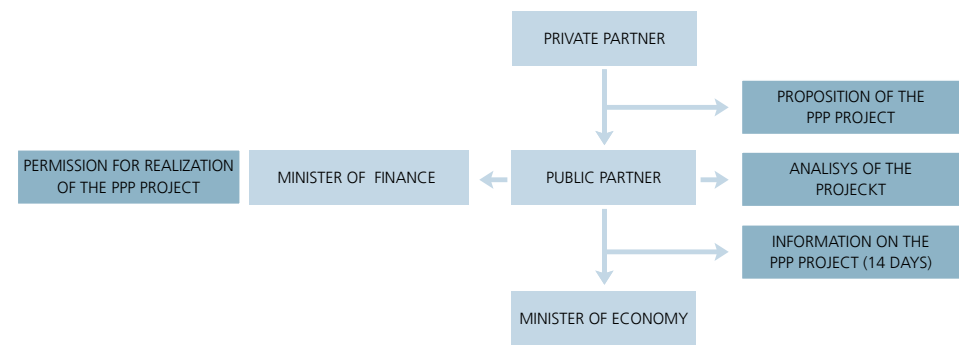
Act has introduced improvements concerning administering of real properties, such as:

- the possibility of the assignment of a property to a private partner or special purpose vehicle without holding a tender of the Act on Real Property Management),
- the possibility of sale with a discount.

In order to carry out an investment project under the PPP formula, a public entity and private partner may establish a joint-stock

company, a limited partnership or a limited joint-stock partnership (Public Private Partnership Company). This is a special purpose vehicle, the scope of which is provided in the PPP contract of the PPP Act). Due to this fact any amendments to the contract or of the articles of associations which must fall within the scope are set out in the PPP contract.

An exemplary model of cooperation between public and private partners:



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Couple trekking by the side of mountain pond in Tatra Mountains, Poland



IV.4. Important Regulations

IV.4.1. Polish trade regulations

After Poland acceded to the European Union, it has been required to follow European trade regulations and replace its national law.

IV.4.1.1. Import/export licensing

One of the most common questions about starting a local import/export business concerns the import/export licensing or the licenses required to start an import/export business. Importers of products that are new to the Polish market must request prior product approval by contacting the National Institute of Hygiene where they should request a permit. Along with this request, the importer should submit the following:

- a copy of the invoice,
- the product certificate,
- the producer's laboratory specification,
- the label (in Polish).

Once approval has been granted, the product may be imported into Poland. If this type of approval has already been granted in another EU country, the importer may present (at Customs) a statement from the producer confirming the country in which the product has been approved.

CAP (Common Agricultural Policy) import licenses are required for several products imported from 'third countries' such as the US into any country in the EU. Such import licenses, often referred to as AGRIM Certificates, are issued in Poland by the Agencja Rynku Rolnego (Agricultural Market Agency).

IV.4.1.2. Customs tariffs

The Polish customs service has an official Tariff Browser. The Tariff Browser (a module of the Integrated Tariff System - ISZTAR) provides information on goods in international trade to customs administration and traders. The Tariff Browser presents data from the TARIC system (goods nomenclature, duty rates, restrictions, tariff quotas, tariff ceilings and suspensions),

and national data (VAT, excise tax, restrictions and non-tariff measures), as well.

The Tariff Browser is maintained by the Customs Department of the Ministry of Finances within the framework of the Integrated Customs Tariff Information System - ISZTAR2. The browser provides detailed information concerning the commodity turnover to Customs Administration and to all those concerning that issue. EU data coming from the TARIC system and the Polish data (VAT and excise taxes), as well as some national non-tariff measures not integrated in the TARIC database, are presented in the browser.

IV.4.1.3. Customs procedures

The principal roles of the Customs Service include:

- exercising customs control on the commercial international exchange,
- assessing and collecting customs duties and taxes in the part calculated at the State's border (VAT, excise),
- fighting against smuggling activities and counteracting customs fraud.

While performing these roles, the Customs Service must fulfil a series of responsibilities, the most important of which (apart from the fiscal function), include the protection of:

- national industry - against trade in goods which would adversely affect the conditions of competition in the country,
- natural environment - against an entry of hazardous substances and micro-organisms,
- world fauna and flora - against illegal predatory circulation of endangered species,
- consumers - against the entry into the market of goods which are substandard with relation to Polish norms or whose period of use has expired,
- society - against the entry of goods, items or appliances which are hazardous to life, the health and safety of citizens or would jeopardise the country's security (e.g. weapons, paralyzing gases etc.),
- the State - against the loss of cultural heritage (primarily against the exportation of goods with cultural value),
- authors, artists, industrial and commercial rights owners - against infringement of

intellectual property rights, trademark and patent rights etc.

and control the area of:

- the State's customs policy instruments, regulating the targets and volumes of international trade (e.g. monitoring the execution of customs quotas),
- the enforcement of national and international regulations relating to prohibitions and restrictions in the international trade, the enforcement of regulations regarding permissible load of vehicles to ensure proper use of roads by carriers, and the enforcement of agreements concerning customs prevention with Poland being a party,
- foreign currency control, including combating so-called money laundering. In order to discharge the above-described roles and responsibilities, the Customs Service co-operates with other services in the country, such as the police, border control, general customs inspectorate and tax authorities. Also included in this are customs and investigation services from other countries, commercial organisations, research and scientific institutes, universities and similar organisations.

The import of infringing products may be blocked through cooperation with customs officials in special procedures that were provided for by the Regulation of the Council of Ministers on 2 February 1999. This considers the procedure and operating principles for Customs Authorities for withholding goods in the case of the suspected violation of provisions of intellectual, commercial and industrial property. As a result of EU accession, EU customs laws apply directly to Poland. In particular the Council Regulation (EC) 1383/2003 of 22 July 2003, concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods, were found to have infringed such rights.

IV.4.2. Currency and exchange controls

The main purpose of foreign exchange law is to protect the so called 'foreign exchange interest' of the state. After the turmoil of the past decade and the spate of currency crises occurring almost simultaneously in different

parts of the world, protecting this interest should mean being able to prevent any negative trends which could result in a crisis. Another function of foreign exchange law is to introduce mechanisms which, if a crisis does happen, create administrative barriers to capital outflow. Poland is currently in the middle of a debate over modifications to its foreign exchange law. This could be introduced in the course of its harmonisation with EU law concerning joining the EURO currency zone. It may be a good time to consider the purpose of the current regulatory restrictions to capital movement and, even more importantly, their effectiveness.

After the revision of law in Poland at the beginning of 2009, the parties can choose their contract of payment in a currency other than Polish zloty. This is an important difference between the old regulations in Polish law, which stated that residents can pay in a currency other than Polish zloty only with the approval of the Polish National Bank, the NBP.



IV.4.3. Competition law

Competition law is based on the Act of 16 February 2007 on competition and consumer protection. The most important actions forbidden through this law are:

the concluding of illegal competition-restricting agreements (Art. 6) by:

- directly or indirectly fixing prices,
- limiting or controlling production or sales, sharing sales or purchase markets,

- applying burdensome or dissimilar terms and conditions in equivalent contracts with other trading parties, thereby differentiating the conditions of competition for these parties,
- making the conclusion of contracts conditional upon the acceptance or rendering by the other parties of supplementary performance, which has nothing to do with the subject of the contract and has no customary relation thereto,
- restricting access to, or eliminating from the market enterprises not covered by the agreement,
- agreeing terms and conditions of bids by enterprises entering the tender or by those enterprises and the party organising the tender, in particular with respect to the scope of the works or the price.

abusing a dominant market position (Art. 9), in particular by:

- directly or indirectly imposing unfair (excessively high or unjustifiably low) prices,
- limiting production, sales or technical development,
- counteracting the formation of conditions necessary for the creation or development of competition,
- imposing burdensome terms and conditions of contracts, resulting in unjustified profits for the enterprise.

Source: official homepage of Office of Competition and Consumer Protection uokik.gov.pl

Competition law is enforced by the central administrative body named the 'President of the Office for Competition and Consumer Protection' (the Office). The decisions and guidelines of the President of the Office, as well as court rulings issued pursuant to appeals against the decisions of the President of the Office, may be published in the Office's Official Journal.

The administrative decisions of the President of the Office related to competition law may be appealed against to a special court set up within the Regional Court of Warsaw (the Competition and Consumer Protection Court). Appeal applications must be filed within two weeks of the date of receipt of the relevant decision. The appellate proceedings are governed by the provisions of the Code on Civil Proceedings on commercial matters.

The Competition and Consumer Protection Court ruling may be further appealed to the Supreme Court, whatever the amount involved, but only for questions of law (in Polish, *kasacja*). The appeal must be filed within 30 days following the date of receipt of the ruling of the Competition Protection Court.

A system of fines is imposed by the President of the Office for failure to comply with competition law.

The penalties are discretionary and may range from:

- up to 10% of the total annual revenues of an entity in case this entity enters into agreements which aim to prevent, restrict or distort competition; abuses its dominant position; or proceeds with a merger before obtaining a clearance decision from the President of the Office,
- the PLN equivalent of EUR 1,000 to EUR 50 million, if no information or incorrect information was provided during the merger or anti-monopoly inspection proceedings,
- the PLN equivalent of EUR 500 to EUR 10,000 for each day of delay in compliance with a decision of the President of the Office or the ruling of the Competition and Consumer Protection Court.

In addition, competition law provides for penalties which may be imposed by the President of the Office, on a natural person acting as a manager or being a member of a managing body of an entity or a group of entities (up to a maximum of 50 times the average remuneration), for breaching the law.

Fines imposed by the President of the Office may be appealed to the Competition and Consumer Protection Court. Such fines constitute the revenues of the State budget and may be collected pursuant to executory administrative proceedings (these proceedings consist of a forced seizure of assets, and measures related to bank accounts and other properties of the debtor).

Polish competition protection legislation is efficient and its enforcement mechanisms function in a satisfactory manner. EU regulations, which apply directly in Poland as of 1 May 2004, should further strengthen the effectiveness of the Polish competition protection authorities. This is due to the fact

that the President of the Office will closely cooperate with the Commission regarding the enforcement of competition law within Poland and the EU as a whole.

IV.4.4. Regulations for entering into contracts

Contracts in Poland are based on the rules of the party's autonomy. This is the main regulation for contractual law in the Polish Civil Code. Contract law deals with promises which create legal rights and obligations. Polish law does not require the same consideration as common-law systems. In the Polish law system, all parties must agree the essential terms, including the price and the subject matter of the contract. Nevertheless, parties are used to constructing their agreements to avoid any future disputes and to protect their interests by searching for a 'golden middle solution'. Contracts in Poland may be made in writing or by word of mouth. However, there are exceptions to this rule, such as real estate sales or the sale of shares in a company, which requires acting in front of the notary in public.

There are many examples of these agreements available on the Internet in English, though it should be taken into consideration that such examples may not be useful depending on the case-by-case willingness of each party.

Other law sources

In Poland you have to pay special attention to several international civil law regulations, an example of which is the Council Regulation No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Other examples include the United Nations Convention on Contracts for the International Sale of Goods - CISG of 11 April 1980 and the New York Convention of 1974 on the Limitation Period in the International Sale of Goods.

Contracts between Polish and foreign companies use the International Private Law (the Act from 12 November 1965), because the rules of international law may define proper law as concerning the rights/obligations of each party arising from the agreement. Parties should govern the agreement under the law

that will secure their interest and will guarantee that the agreement will come into effect.

Relations between companies and entrepreneurs

The Act on the Combating of Unfair Competition from 16 February 2007 aims to protect enterprises from the affects of unfair acts in business. It applies to relations between companies and entrepreneurs. It also covers the issue of consumer protection, where consumer interests are being infringed. The infringing companies may be sued by other more honest companies.

This regulation has a general clause stating that an act of unfair competition is an act which is illegal or contrary to good practices.

IV.4.5. CO₂ emission allowances

As of April 2010, Carbon dioxide (CO₂) had a concentration of 392,39 ppm (parts per million) within the Earth's atmosphere by volume. As a result of Directive 2003/87/EC of the European Parliament and Council, a greenhouse gas trading system was created in the European Union, whereby the goals set forth in the Kyoto Protocol could be more easily achieved. This was approved by the Council in 1997, following the conclusion of an inter-governmental agreement in the same year.

The Directive creates the legal means with which to fulfil the Kyoto Protocol's goal to decrease the emission of greenhouse gases, by implementing an effective European greenhouse gas allowance trading system.

The Polish parliament adopted a national greenhouse gas emission trading system (the 'GGETS') on 3 December 2004. The emission trading system was scheduled to come into effect from 1 January 2005, covering all aspects of industry in the energy, thermal, petrochemical and paper sectors. Pursuant to the GGETS, the affected entities will be required to apply for a greenhouse gas emission permit, which will entitle each emitter to emit a defined amount of such greenhouse gases into the atmosphere. The holder of a permit will be entitled to emit gases into the environment up to its assigned limit. If such a holder so chooses, they may also sell any unused gas emission allowances on

the open market to other gas emitters likely to exceed their assigned allowances.

GGETS states that the individual allowances granted to each gas emitter will be determined by the National Allocation Plan (the 'Plan') prepared at least three years in advance. The Plan establishes the total number of allowances to be granted during a given time period, the number of allowances granted to each gas emitter, along with the criteria to be used in allocating the allowances. A gas emission permit will be issued by either the county chief executive or provincial governor in response to receiving an applicant's motion. The Minister of Environment Protection will supervise the trading system, while the National Administrator for the Allowance Emission Trading Scheme will function as administrator. The Administrator will maintain the National Allowance Register and the list of businesses participating in the system, in addition to preparing the National Allocation Plans. Due to the Directive's provisions, the National Allowance Register will be open to the public. Each year the Member States shall submit a report on the application of this Directive to the Commission.

Under the Kyoto Protocol, countries with unused emission allowances may sell their unused allowances. This right to sell may also serve as an incentive to private business to invest in modern, environmentally friendly technology. An entity which emits CO₂ into the atmosphere without having sufficient emission allowances has to pay a penalty amounting to EUR 100 for each allowance which it does not possess. The penalty is imposed by the Provincial Environmental Protection Inspector. Emission allowances are valid only within a particular period of time. After its lapse, allowances are subject to annulment.

The European Union Emission Trading System (EU ETS) is the largest multi-national emissions trading scheme in the world, and is a major pillar of EU climate policy. The ETS currently covers more than 10,000 installations in the energy and industrial sectors, which are collectively responsible for close to half of the EU's CO₂ emissions and 40% of its total greenhouse gas emissions.

Under the EU ETS, large emitters of carbon dioxide within the EU must monitor and annually report their CO₂ emissions, and they are obliged every year to return an amount of emission allowances to the government,

Important Regulations

equivalent to their CO₂ emissions in that year. In order to neutralise annual irregularities in CO₂-emission levels that may occur due to extreme weather events (such as harsh winters or very hot summers), emission allowances for any plant operator subject to the EU ETS are given out for a sequence of several years at once. Each such sequence of years is called a Trading Period. The first EU ETS Trading Period expired in December 2007 covering all EU ETS emissions since January 2005. With its termination, the first phase of EU allowances became invalid. Since January 2008, the second Trading Period has been under way and will last until December 2012. One CO₂ emission allowance is equivalent to the right to emit 1 Mg of carbon dioxide. As far as Poland is concerned, the overall amount of allowances for the accounting period 2008-2012 amounts to 1,042,576,975 Mg (according to the Polish National Allocation Plan).

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Summer on the Baltic Sea



IV.5. Securing Business

IV.5.1. Property rights

On 22 August 2001 a new Industrial Property Law came into force. This replaced the four previous items of legislation (Laws on Inventive Activity, Trade Marks, Integrated Circuit Patents and on the Patent Office). The new legislation does not significantly change the regulations applied to industrial and commercial intellectual property rights.

IV.5.1.1. Patent legislation

Poland is a member of the Stockholm Text of the Paris Convention on the Protection of Industrial Property. Since 1990 Poland has also been a signatory to the Patent-Cooperation Treaty. The Industrial Property Law regulates the protection of inventions by patents and utility models. Applications are filed with the Polish Patent Office. Polish patent attorneys must represent foreign applicants.

Registered patents are valid for 20 years from the date of filing. The protection right of a utility

model is valid for 10 years. To keep a patent or protection right in force annuities are to be paid. Patents are granted after an examination as to whether an invention is new, involves original research and is commercially viable. A utility model is to be new and useful and to relate to the shape, construction, or arrangement of an object that has a durable form. Applications are published 18 months from the priority date.

The patent or protection right of a utility model gives the owner the exclusive right to exploit the invention on the territory of Poland while it is valid. This exclusive right cannot, however, be abused specifically by applying prohibited monopolistic practices. In particular, patent rights will not apply where its exploitation by a third party is necessary to satisfy a domestic market need. Also specifically, when the public interest requires so and supply and/or quality of the product concerned is insufficient, and/or its price is unduly inflated. This provision, however, does not apply in the first three years following patent registration.

Abusing patent rights as well as preventing or eliminating a state of national emergency may be reason enough to apply for a compulsory

license. There are no special terms on licenses for this. The owner of a patent or exclusive license has the right to sue for an injunction on account of profits and/or damages. Criminal penalties are foreseen for false marking and infringement. Marking products with a patent number are commonly used but not obligatory.

IV.5.1.2. Trademarks

Poland is a member of the Madrid Agreement on the registration of trademarks and the prevention of false or deceptive indications of a source of goods. Since 1991 Poland has also been a member of the Madrid Agreement on the international registration of trademarks. It became a member of the Protocol for this Agreement in the spring of 1997. The following kinds of mark may be registered:

- trademark,
- service mark,
- collective mark,
- mutual quality assurance trademark.

A registered trademark is valid for 10 years from the date of filing unless it is proved that the mark has not been used for five consecutive years. The registration may be renewed for the next 10-year period. In the case of infringement, the proprietor or licensee can take legal steps. Protection is extended to names of geographical places and regions, where the name refers to a specific locality or area associated with a particular product and where there is a particular characteristic of the product associated with the name. Foreign applicants have to be represented by a local patent agent in Poland.

IV.5.1.3. Copyrights

Copyrights in Poland are protected by the Law on Copyrights and Rights in relation to 4 February 1994, which was substantially revised in June 2000. The new law meets contemporary international standards and corresponds to the principles of free trade in intellectual property.

The scope of copyright protection has been considerably broadened of late. The new law covers not only the protection of traditionally understood author's rights, but also related rights. The law provides for new rights and new

owners of those rights. They are now able to decide how the outcome of their work is to be used and are able to derive financial benefits from this outcome. The new owners include producers of sound and video recordings, TV channels, radio stations and artist-performers. The new law provides the protection of intellectual property in the area of science, technology and manufacturing, including computer programs and industrial designs, etc. The protection mechanism of computer software is similar to that used in EU countries.

The law also provides for a general compensation mechanism of losses incurred by authors, performers, and producers due to uncontrolled mass reproduction for personal use (at home). Producers and importers of VCRs, tape recorders, other audio and video equipment, as well as clean tapes, CDs, etc., must pay a surcharge to the artists, performers and manufacturers amounting to a maximum of 3% of the sales income generated by these products.

The new law gives ground for more efficient procedures for enforcing copyright protection. Illegally obtained benefits may be confiscated and returned to the true owner. The law also envisages penalties for infringement of intellectual property rights by fines and even prison sentences for up to five years. The new legislation has considerably strengthened copyright protection in Poland. It has also contributed to curtailing piracy. Meeting international standards in intellectual rights protection creates appropriate conditions for foreign investments making use of property rights.

IV.5.2. Product certification

Product Conformity Certification, to use its full title, is a process by which manufactured products are assessed and verified as conforming to stated requirements. This results in the issue of a statement or certificate of conformity and, normally, approval to apply a mark indicating the conformity of the product. Certification may be mandatory or voluntary.

Mandatory certification applies when required by either national or international law. Voluntary systems are being implemented by specifying organisations in order to improve the build quality of components that form an integral part of a larger product. In simple terms, a

mark on a product is a form of assurance that the product and system used to manufacture it all meet the regulatory requirements and the relevant specifications. Marks in many different formats are used and some are mandatory. Others are not.

The underlying certification process may involve various tests and production quality assurance procedures and will vary in value and cost. Product certification marks signal that a product conforms to a specification, so it is important to understand the content of the specification to fully appreciate the value of the mark.

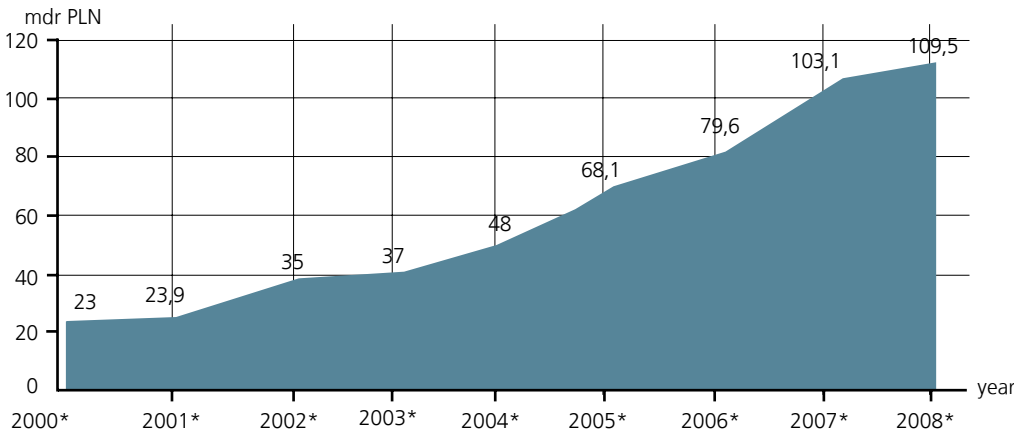
In accordance with EU law, it is very important to certify the product with the 'CE sign'. This symbol is placed by the producer on his product. The CE sign certifies that the product is consistent with all law requirements and safety standards. These requirements are based on over 20 European directives, each of which regulates a policy for another product. The directives are implemented in Poland through the legal act of estimation systems from 30 August 2002. It is important to notice that without a CE sign, the product cannot be used across the EU countries nor imported from outside the EU.

Products with this mark can be used throughout the European Union and in Norway.

IV.5.3. Public procurement law

The Polish public procurement legislation dates back to 1994 when the first Act on Public Procurement was adopted. The Act was amended several times over the following years, mainly with the aim of clarifying its rules and definitions, broadening the scope of application and making the procurement process more transparent. The adjustment of the Polish procurement provisions to the EU requirements was a major factor in the preparation of the new legislation. The new Public Procurement Law was adopted on 29 January 2004 to replace the Act of 1994. In April 2006 and April 2007 the Public Procurement Law was largely amended in order to implement the provisions of the EU directives. Public procurement law regulates the purchasing by public sector authorities of contracts for goods, works or services. It concerns orders for construction work, supplies or the rendering of services which are financed from the state budget or from municipalities. The Public Procurement law is designed to open up the EU's public procurement market to competition, to prevent 'buying national' policies and to promote the free movement of goods and services. The public procurement aspects are regulated in the Act on Public Procurement Law of 29 January 2004. The abovementioned act stipulates the entities which are obliged to apply and fulfil all of its requirements.

The value of the Polish public procurement market in years 2000-2008



* Estimated value based on announcements published in Public Procurement Bulletin

Source: The Annual Report of the Public Procurement Office for the year 2008

In accordance with the annual report of the Public Procurement Office for the year 2008, the market value of the Public procurement amounts to PLN 109.5 billion, a relatively significant increase compared with the previous year. The Public Procurement market constituted 8.6% of the national gross product. Therefore, this part of Polish law has a significant role for Polish and Foreign entrepreneurs conducting business in Poland.

The act does not apply to orders which do not exceed EUR 14,000 in value.

Polish law provides several procedures for the granting of a public procurement order. However, two of these are applied in most cases, namely unlimited tender bidding and limited tender bidding. The unlimited tender bidding, apart from the limited tender, forms the basis of procedure. In this procedure, all the interested contractors may place their offer in response to a public advertisement. In the limited tender binding procedure the contractors send an application for admittance to participation in the bidding. The offers may be sent only by contractors which have been invited to submit offers. Furthermore, Polish law provides procedures as follows: negotiations with advertisement, negotiations without advertisement, competitive dialogue, order with restrictions, price enquiry, electronic bidding. However, those procedures may be applied in exceptional situations.

The contractor or supplier who attends is basically obliged to pay a tender deposit of no greater than 3% of the value of the procurement. The deposit may be paid in cash. However, the bank guarantee, insurance guarantee, bill of exchange confirmed by a bank and other financial guarantees are excepted from this rule.

The ordering party includes all of the essential elements in the specification which are necessary for the precise description of the ordered products or for carrying out a delivery. The best offer is chosen on the basis of criteria foreseen in the specification. The best price, which is the most common indicator, is not the only criterion used by Polish authorities. Very often, the quality, functionality, application of the best available technology and its impact on environment may also be applied.

The public procurement law is an administrative law. However, based on the contracts closed

upon a tender application, the Civil Code and Civil Procedure Code are used.

The information about proceedings is published in the Public Procurement Bulletin on the website of the Public Procurement Office and the official Journal of the European Union.

The contractor and participators of the public procurement procedure as well as others who have a legal interest may appeal from any action and omissions which are incompliant with the procurement law. The appeal should be lodged with the National Appeal Chamber within 5, 10 or 15 days, depending on the value of the order or contract.

If the value of the contract award procedure is less than a certain amount - specified in the appropriate provisions of the Public Procurement Law - the appeal may solely be admissible against only some of the actions taken during the procurement procedure. In other situations there are no similar limitations and the appeal may be lodged against any illegal actions.

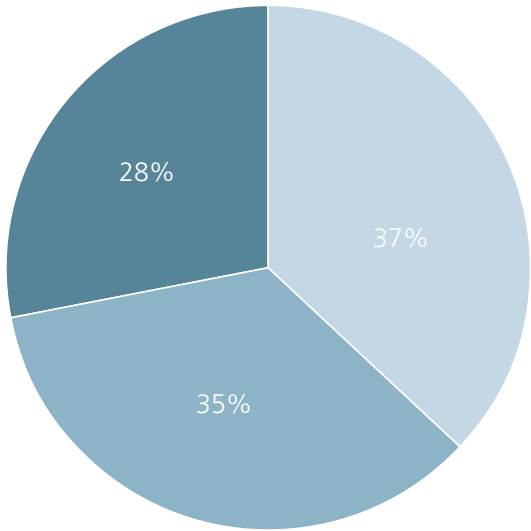
In the case of an appeal being lodged, the awarding entity may not conclude a contract until the Chamber has passed its judgment or decision which ends the appeal process. The Chamber will examine the appeal within 15 days from the date of its submission to the Chairman of the Chamber. The Chamber will then issue a judgement on the dismissal or admission of an appeal.

The parties and participants of the appeal procedure may complain to the court against the Chamber's ruling. The complaint should be lodged with the district court competent for the seat or place of residence of the awarding entity. The court shall forthwith examine the complaint, however not later than within one month of the day on which the complaint was received by the court. The contract cannot be closed so long as the appeal proceedings are not finalised.

An agreement between the ordering party and the contract with the best offer must be executed in written form on pain of validity. However, when Polish law requires a special form (e.g. a notary deed), such an agreement should be closed also in this form. The agreement should be concluded in this way that the scope does not exceed the obligation under offer.

The last amendment of the Public Procurement Act came into force on 16 September 2010.

The object of public procurement proceedings



Legend:

- 37% supplies
- 35% services
- 28% construction work

IV.5.4. Bankruptcy and restructuring

The 2003 Bankruptcy and Restructuring Act established rules concerning the bankruptcy of entrepreneurs as well as settlement and restructuring proceedings aimed at preventing bankruptcy.

There are two types of bankruptcy that may be declared. Firstly, liquidation proceedings which result in the sale of all assets and the deletion of the company from the National Court Register. Secondly, bankruptcy with the possibility of entering into an settlement agreement with te creditors.

According to the Polish Bankruptcy and Restructuring Law Act, a declaration of bankruptcy should be issued in respect of a debtor who has become insolvent. A debtor is insolvent if they are in default of their enforceable obligations. A debtor, which is a legal person, shall be deemed insolvent also when their obligations exceed the value of their assets, even if they should be currently in the discharge of these obligations. The court may dismiss a bankruptcy petition when the delay in the discharge of obligations has not exceeded

three months and the sum of the outstanding obligations is no higher than 10% of the balance-sheet value of the debtor's enterprise. The court will also dismiss a bankruptcy petition in which the assets of the insolvent debtor are not sufficient to cover the costs of the court proceedings.

A bankruptcy petition may be filed by the debtor or by any of their creditors. A petition may also be filed, in respect of legal person, by by the company's representative. The crucial thing is that a debtor shall, no later than within two weeks from the day on which grounds for the declaration of bankruptcy arose, file a bankruptcy petition with the court. In the case of a debtor being a legal entity, the aforementioned duty shall be attached to whoever is entitled to represent the company (individually or jointly with other people). These persons are liable for any damages that may arise through the failure to file the petition within the time limit indicated above (two weeks).

The debtor files, jointly with the bankruptcy petition, a written statement as to the accuracy of the data contained therein. If this statement is inaccurate, the debtor is liable for any damage caused by inaccurate data having been furnished in the bankruptcy petition.

Instead of liquidation, bankruptcy proceedings may be finalised by an arrangement between the company and its creditors.

Another legal institution provided by the Polish Bankruptcy and Restructuring Law Act are rehabilitation proceedings occurring in the event of a threat of insolvency. An entrepreneur will be threatened with insolvency if, despite performing their obligations, it is obvious that according to a reliable assessment of their economic situation they will soon become insolvent. Such entrepreneurs may initiate and conduct proceedings aimed at reducing debts or repaying them in instalments, as well as securing the payment of their debts. The procedure is supervised by a person indicated by the court, but is conducted by the debtor. Taking the above into consideration, one can see that this procedure is not compulsory.

Poland

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The Tall Ship Races 2007 - Szczecin

V. Sources of Information



^ Yuri Arcurs - Fotolia.com.

V.1. Polish Information and Foreign Investment Agency

The Polish Information and Foreign Investment Agency (PAIILZ) is a useful partner for foreign entrepreneurs entering the Polish market. The Agency guides investors through all essential administrative and legal procedures that involve projects. It also provides rapid access to complex information relating to legal and business matters regarding investments.

Moreover, it helps with finding appropriate partners and suppliers together with new locations.

This Agency was established in June 2003 to coordinate the economic promotion of Poland, stimulate the inflow of foreign direct investment, assist foreign companies in their investment processes and promote Polish exports. It was created in a merger between the State Foreign Investment Agency (PAIZ) and the Polish Information Agency (PAI). Both institutions were established in order to support the development of the Polish economy (by raising the inflow of foreign investments) and the promotion of Poland abroad.

The Polish Information and Foreign Investment Agency provides professional advisory services for new investors in Poland, including:

- assistance and support in finding the best location for investment,
- support in finding potential partners and suppliers,
- support concerning investment incentives,
- assistance for entrepreneurs during the investment process.

In order to ensure the best quality of service, the Agency is divided into departments and bureaux with defined responsibilities.

- The Foreign Investment Department is responsible for winning foreign investors and ensuring the best quality of services. The employees of this department advise the companies in scope of the best location and take part in negotiations. The Foreign Investment Department assists the companies in the investment and also supports firms which have already invested in Poland.
- One of the most important departments is the Economic Promotion Department. Promotional activities of this department include the annual organization of exhibitions and seminars both in Poland and abroad, seminars, conferences as well as economic

forums for investors. It is also responsible for organizing media study tours for foreign journalists, thanks to whom the public opinion and foreign entrepreneurs may learn about the Polish economic situation. The Economic Promotion Department is in constant contact with both the domestic and foreign media, providing them with up-to-date information on foreign investments in Poland, through TV, radio and press (promotional spots, articles, adverts). It is also responsible for publishing publications and promotion materials, guidebooks, sectoral reports, information leaflets and multimedia presentations on Poland and its economy. The Economic Promotion Department issues every week a newsletter, both in Polish and English, that reaches over 10 thousand recipients.

■ Bureau for Eastern Poland Economic Promotion Programme is mainly responsible for realization of tasks within the scope of Eastern Poland Macroregion promotion in compliance with the Eastern Poland Economic Promotion Programme (Measure I.4 Promotion and Co-operation, component Promotion, Development of Eastern Poland Operational Programme). The Bureau is responsible for organization of participation of Eastern Poland entrepreneurs in fairs/exhibitions in Poland and abroad; complex realization of outgoing and incoming economic missions; organization of national/foreign theme conferences, seminars and economic fora; preparation and complex service of study visits of foreign journalists in Poland and Eastern Poland representatives abroad; preparation of information/promotion materials and distribution thereof during organized events; supervision of promotional campaign process in national and foreign media; coordination of PR activities which inform about stage of realization of the Programme; supervision and realization of the contest for the entrepreneurs/regional authorities related to implemented promotion activities.

■ The Regional Development Department is responsible for preparing investment offers for potential investors. The Regional Development Department manages and updates the database of investment offers (brownfield and greenfield). Therefore, the RDD cooperates with Special Economic Zones, local authorities and Regional

Investor Assistance Centres, which work on promotion and increasing the FDI inflow into regions.

■ The Economic Information Department collects and analyses economic data, which can then be used by the Agency or interested companies. The scope of duties also includes monitoring foreign investment in Poland and Polish investment abroad, establishing cooperation with domestic and international business partners and research institutions. The Economic Information Department is also responsible for maintaining Poland's OECD National Contact Point and managing the Agency's website.

■ Accountancy, financial, administrative and IT tasks belong to the Bureau for Finance and Logistics. The employees of this department are responsible for the organisation of financial documents and the monitoring of the agency's financial condition. The Bureau for Organisation and Human Resources is responsible for organisational and HR issues as well as training.

■ The Audit and Control Department is responsible for the internal auditing of the Agency and of other companies resulting from legal regulations. It also concerns the structural funds which are implemented by the Agency.

Besides the National Contact Point, the Agency also maintains an Information Point for companies which are interested in European Funds. All of the Agency's activities are supported by the aforementioned Regional Investor Assistance Centres. Thanks to training and ongoing support by the Agency, the Centres provide complex professional services for investors at the voivodship level.

The Polish Information and Foreign Investment Agency is the best source of knowledge, not only for foreign entrepreneurs but also for domestic companies.

On its website (www.paiz.gov.pl), the investor can find all the necessary information concerning key facts about Poland, the Polish economy, legal regulations in Poland and other detailed information useful for any company wanting to establish themselves in Poland.

Poland
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Sailing with a beautiful sunset on a Masurian Lake



V.2. Regional Investor Assistance Centres

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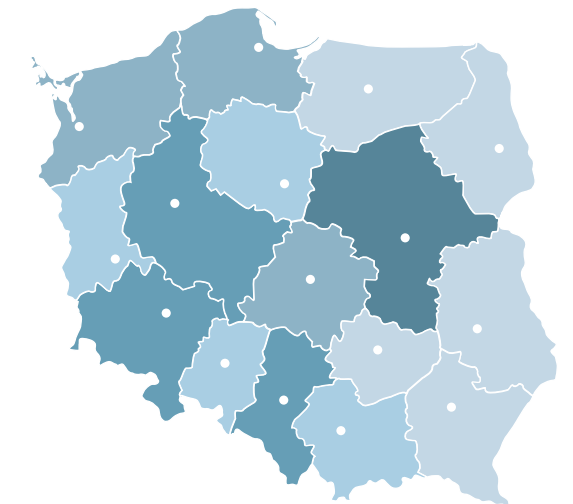
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VI. Appendices



VI.1. International schools in Poland

Warszawa

American School of Warsaw
ul. Warszawska 202
05-520 Konstancin-Jeziorna
Tel.: +48 22 702 85 00

Meridian International School
ul. Wawelska 66/74
02-034 Warsaw
Tel.: +48 22 822 15 75
Fax: +48 22 822 20 13
Email: infoprimary@meridian.edu.pl

International American School
Ul. Dembego 18
02-796 Warszawa, Poland
Tel.: +48 22 649 14 40,
Fax: +48 22 649 14 45

Middle & High School
ul. Radarowa 6,
02-137 Warszawa - Włochy
Tel.: +48 22 868 25 03
Fax: +48 22 868 25 09
E-mail: infomiddle@meridian.edu.pl

The British School Primary, Secondary and IB Diploma Programme
ul. Limanowskiego 15
02-943 Warszawa
Tel.: +48 22 842 32 81
Fax: +48 22 842 32 65
E-mail: british@thebritishschool.pl

The British School
Early Years Centre
ul. Jaroslawa Dabrowskiego 84
02-751 Warszawa, Poland
Tel.: +48 22 646 77 77
Fax: +48 22 646 46 66
E-mail: british@thebritishschool.pl

Lycee Francais de Varsovie
ul. Walecznych 4/6
03-916 Warszawa
Tel.: +48 22 616 54 00
Fax: +48 22 616 53 99
E-mail : info@lfv.pl

Canadian School of Warsaw
ul. Belska 7
02 - 638 Warszawa
Tel.: +48 22 646 92 89
Fax: +48 22 646 92 88
E-mail : secretary@canadian-school.pl

International European School – Warsaw
ul. Wiertnicza 75
02-952 Warszawa
Tel.: +48 22 842 44 48
Fax.: +48 22 842 44 48
E-mail: ies@ies-warsaw.pl

European Bilingual Preschool
ul. Chłapowskiego 1
02-787 Warszawa
Tel.: +48 22 644 15 14
Fax: +48 22 644 15 14
E-mail: info@preschool.waw.pl

International Preschool
ul. Okrężna 95
02-933 Warszawa
Tel.: +48 600 94 93 90
Fax: +48 22 842 22 62
E-mail: office@childisplay.com.pl

“W stumilowym lesie” day care centre
ul. Naprzetałaj 5a
03-092 Warszawa Choszczówka
Tel.: +48 609 80 43 20
Fax: +48 22 676 68 91
E-mail: kontakt@wstumilowymlesie.pl

World Hill Academy - Szkoła Anglo-Amerykańska
ul. Okrężna 83
02-933 Warszawa
Tel.: +48 22 858 31 91
E-mail: worldhillacademy@wp.pl

American English School S.A.
ul. Rogatkowa 50
04-773 Warszawa
Tel.: +48 22 615 76 49

Ecole Antoine de Saint-Exupéry
ul. Nobla 16
03-930 Warszawa
Tel.: +48 22 616 14 99

Happy Montessori House-International Pre-school
ul. Rumiana 14
02-956 Warszawa
Tel: +48 697 06 05 04
E-mail: hmh@hnh.com.pl

Tęczowy Ogród
ul. Miłobędzka 2
02-634 Warszawa
Tel.: +48 22 848 04 35
E-mail: iwona.antonowicz@teczowyogrod.com.pl

Francusko-Polska Szkoła Podstawowa “LA FONTAINE”
ul. Rolna 177
02-729 Warszawa (Mokotów, Metro Służew)
Tel.: +48 22 843 42 41
Fax: +48 22 843 42 41
E-mail: szkola@lafontaine.edu.pl

Francusko-Polskie Przedszkole “LA FONTAINE”
ul. Rolna 177
02-729 Warszawa
Tel.: +48 22 843 42 41
Fax: +48 22 843 42 41
E-mail: przedszkole@lafontaine.edu.pl

St Paul's The British International school of Warsaw
ul. Zielona 14
05-500 Piaseczno
Tel.: +48 22 756 77 97
Fax: +48 22 756 26 09
E-mail: jod@arts.gla.ac.uk

Szkoła Japońska przy Ambasadzie Japonii w Warszawie
ul. Kormoranów 7A
02-836 Warszawa
Tel.: +48 22 643 54 74

Willy Brandt Deutsche Schule
ul. Radosna 24
02-956 Warszawa
Tel.: +48 22 642 21 31
Fax: +48 22 642 21 31

Wrocław

Wrocław International School
ul. Zielińskiego 38
53-534 Wrocław
Tel.: +48 71 782 26 26
Fax.: +48 71 782 26 20
E-mail: wis@fem.org.pl

International School EKOLA
Fundacji Oświatowej EKOLA
ul. Tadeusza Zielińskiego 56
53-534 Wrocław
Tel./Fax.: + 48 71 361 43 70
E-mail: sekretariat@ekola.edu.pl

Polsko-Niemiecka Szkoła Podstawowa
ul. Wejherowska 28
54-239 Wrocław
Tel.: +48 71 798 26 00
Fax.: +48 71 798 26 01
E-mail: szkola@cekiron.pl

Kraków

British International School of Cracow
ul. Smoleńsk 25
31-108 Kraków
Tel.: +48 12 292 64 80
Fax.: +48 12 292 64 81

International School of Kraków
Lusina ul. sw. Floriana 57
30-698 Kraków, Poland
Tel.: +48 12 270 14 09
E-mail: director@iskonline.org

Gdańsk

British International School Gdansk
ul. Zielony Trójkąt 1
80-869 Gdańsk
Tel.: +48 58 342-26-00
office@bis-gdansk.pl

High School no. 3
ul. Topolowa 7
80-255 Gdańsk
Tel.: +48 58 341 06 71
Fax: +48 58 341 06 71
E-mail: sekretariat@topolowka.pl

Poznań

International School of Poznań
ul. Taczanowskiego 18
60-147 Poznań
Tel.: +48 61 646 37 60
E-mail: info@isop.pl

Poznań British International School
ul. Darzyborska 1A
61-303 Poznań
Tel.: +48 61 8709 730
Fax: +48 61 8768 799
office@pbis.edu.pl

International School of Poznań:
ul. Dąbrowskiego 262/280
60-406 Poznań
Tel.: +48 61 847 74 35
E-mail: info@isop.pl

Katowice

Silesian International Business School
ul. Bogucicka 3
40-226 Katowice
Tel.: +48 32 257 73 37
smsh@ae.katowice.pl

Łódź

British International School
ul. Sterlinga 26
90-212 Łódź
Tel.: +48 42 631 59 23
ipsit@ipt.pl

Kindergarten and Primary School
ul. Demokratyczna 85,
93-430 Łódź
Tel.: +48 42 681 61 00
Fax: +48 42 681 61 01
E-mail: info.lodz@meridian.edu.pl

Gdynia

High School no. 3
ul. Legionów 27
81-405 Gdynia
Tel.: +48 58 622 18 33
Fax: +48 58 622 18 33
E-mail: lo3@lo3.gdynia.pl

The American Elementary and Middle School:
ul. Lowicka 41,
81-504 Gdynia
Tel.: +48 58 664 69 71
Fax: +48 58 664 74 14



JP Weber in Poland

We Support Decision Makers

- JP Weber is a prestigious address for international investors wishing to directly invest within Poland.
- With locations in Wrocław, Warsaw and Berlin we guarantee our clients the necessary personal touch.
- International standards, team work, and professional excellence are core values at JP Weber, priming our team for success.
- With more than 100 investment projects at JP Weber Advisory, we represent proven market know-how and best practice.

Who our clientele is

We represent owners of medium enterprises, management boards of international trusts private investors and project managers. We seek clientele who desire a responsible and committed partner, whom they can trust. Partnership is not just an obligation; it is a responsibility we enliven.



Legal Advisory

We maintain an active presence within international markets, building upon our solid reputation with foreign investors and polish companies. Top international standards and highly specialized lawyers enable our team to produce quality results for our clients.

- Corporate law
- Real estate law
- Capital markets law
- Labor law
- Contractual law
- Public procurement law

Tax Advisory

Tax advisory is a long term cooperation. We provide up to date and pragmatic solutions for speedy tax clarifications. Our Tax professionals support our customers in Poland by incorporating local tax regulation expertise, as well as gaining international insight from our GMN partners worldwide.

- Tax planning
- Value added tax and tariff law
- Transfer price documentation
- International tax law

Financial Accounting

External accounting by JP Weber connects two central elements – tax declarations for the financial authorities and transparent reporting for the management. Each focus is flawlessly executed in order to satisfy the stringent requirements of the Polish fiscal offices. Moreover, JP Weber offers the technical feasibility of accounting with digital documents making it possible to provide services for clients all over Poland.

- Financial accounting
- Payroll accounting
- Management reporting
- IFRS
- Accounting advisory



Direct Investments

JP Weber Investments has established its professional roots via personally accompanying senior decision makers through the intricate and complex Polish investment process. Location planning, finalization of real estate transactions and an all-round permission management are standard services provided to our international customers.

- Strategic advisory
- Location planning
- Project development
- Greenfield management
- Brownfield redevelopment

Mergers & Acquisitions

The focus of our M&A competence team is to overcome intercultural boundaries and to achieve optimal matchmaking between international sellers and buyers. With more than ten years of experience in CEE, specifically focusing on the polish market, we know how to maneuver within this intricate yet lucrative environment, successfully closing corporate transactions for our elite customers.

- Strategic advisory
- Corporate sale
- Corporate purchase

Corporate Finance

Remotely financing projects from abroad contains inherent risks. We reduce this risk by helping to diversify investments by utilizing local financing from within Poland, as well as backwards international financial sources from elsewhere in the world. JP Weber are localized experts, able to turn complex multifaceted financing schemes, into seamless and successful go to market strategies. Our competent team works closely with local and international financial partners and provides the necessary business planning to support financial transactions.

- Equity Financing
- Private Equity
- MBO/MBI/LBO

Why JP Weber....

Our Values

- Trust
- Partnership
- Integrity
- Independence
- Discretion

Our Approach

- Professional excellence
- Multilingualism
- Personal touch
- Results oriented

Our Know-how

- Longtime market experience
- Deep industry knowledge
- Competence Center

Our Network

- Within GMN International we work with and for recognized accounting firms from over 35 countries in the world
- GMN International secures for our customers international professional competence at any time – Know-how is knowing Who



Your personal contact



Marcin Dudarski Managing Partner Attorney at Law Legal Services Tax Advisory	Gregor Piechowiak Managing Partner Mergers & Acquisiton	Mirco Weber Managing Partner Corporate Finance Financial Accounting	Jędrzej Piechowiak Managing Partner Direct Investments Real Estate
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