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Invest in Poland

Ernst & Young
Quality In Everything We Do

HAYS Recruiting experts in Manufacturing & Operations

Made in Poland

Investor's Guide for Manufacturing Companies

2013


1 2 3
4 5
6 7 8

Foreword

Poland is a European success story. While other European economies stagnated or went into recession, growth in Poland has steadily continued over the last 5 years. Within just over 20 years, Poland is at the cusp of joining the world's 20 largest economies (predicted for 2014, at current growth rate).

Poland has become one of the most vibrant and thriving business locations in Europe. Its 38 million population creates a large domestic market, with a dynamic growth in consumption. It is a strategic location for manufacturing and logistics companies planning activity throughout Europe, Central & Eastern Europe, Russia and other CIS countries.

The rapidly expanding Polish motorway network and infrastructure developments continue to strengthen the logistics potential of Poland as a central hub within Europe. These advantages, linked with the highly skilled workforce and favourably low labour costs, alongside the availability of investment grants and incentives (particularly in Special Economic Zones), make Poland a very attractive, business-friendly location.

Local knowledge is key to making the most of the opportunities that the Polish market offers. For this reason, Jones Lang LaSalle has prepared this report in co-operation with the following partners: the Polish Information and Foreign Investment Agency (PAIiIZ), Ernst & Young and Hays Poland.

This report aims to offer guidance to international manufacturing companies that wish to establish a presence in Poland and gives an inside view of the country's manufacturing landscape. It also offers comprehensive expertise on the Polish labour market with regard to the manufacturing sector and advice on important legal topics such as the structure of grants and incentives, setting-up a business and taxes. Insights into the manufacturing industry are demonstrated with sector analysis. Commentary on the real estate market provides a guide to the different acquisition and rental methods, timeframes and market practices.

We would like to thank all partners involved for their valuable input in preparing this report. We firmly believe that ***"Made in Poland"*** is a useful source of information for investing in this country.

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Managing Director Poland / CEE
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Content Table

1. Executive Summary

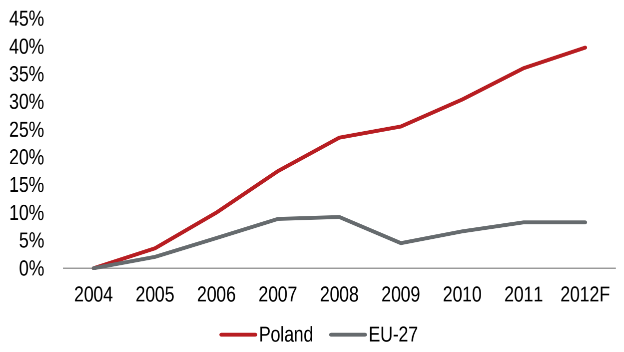
Fast growing market

Poland, with a population of 38 million people, is one of the most rapidly growing markets in Europe and enjoys a stable political climate. By 2014, Poland will enter the ranking of the world's 20 largest economies. The country registered an FDI of USD 18.7 billion[1] in 2011, up 29% on 2010.

Germany, known as the manufacturing engine of Europe, is the major export destination for Polish goods, followed by major western and eastern European countries. Russia is also an important export partner.

Poland is also seen as the largest construction site in Europe due to its rapidly expanding public infrastructure network of roads, airports, seaports and railway (ref. map page 18), which have massively improved its accessibility.

Economic output
Real, change in gross domestic product relative to 2004, as a percentage



Source: European Commission Forecast, Spring 2012

Attractive Polish labour market

354,000 companies were operating in the manufacturing sector in 2011, employing more than 2 million people. According to Eurostat, Poland has some of the lowest labour costs in Europe; an average of EUR 7.1 per hour (2011). Monthly salaries for manufacturing staff range from EUR 350 to 475 for blue-collar workers to EUR 3,100 to 6,675 for the management level. Social security contributions are significantly lower in Poland than in other CEE countries.

A high level of education, knowledge and skills are available on the market. Another important benefit is the demonstrably professional attitude and work ethics of employees. Technical studies are increasingly popular. This is mainly a result of government-funded programmes and powerful media campaigns.

Appealing grants & incentives

In addition to its attractive labour market and availability of workforce, another important draw factor for manufacturers assessing where to locate a new development, is the availability of investment incentives offered by the government.

Appealing investment incentives are granted through many forms of state aid, including corporate income tax exemption in Special Economic Zones (SEZ), government cash grants from the Multi-Annual Support Programme (MASP) and a real estate tax exemption (RETAX).

The manufacturing sector is evolving

The first-generation low-cost manufacturing locations are losing their competitive advantage largely as a result of higher transport costs, volatile customer demand, currency and supply chain risks. Therefore, repatriation or nearshoring of production will be increasingly seen as a way to improve operating efficiency. Thanks to its strategic location next to Germany, in the centre of Europe, Poland is an attractive place for manufactures to nearshore operations and also to progressively compete for cost-effective, value-added manufacturing supported by a highly skilled workforce.

Poland also attracts manufacturers from overseas markets (including BRIC's) as it offers a regional platform for both the Central and Eastern European (CEE) region and the wider European hinterland.

The well-established manufacturing base, including FMCG, domestic appliances & electronics, automotive and aviation sectors, amongst others, continues to expand.

Maturing real estate market

There are many legal structures available for doing business in Poland. Most of them are available to Polish investors and foreign investors based in EU or EFTA member countries, or countries which have entered into specific international agreements with the EU.

Poland has a transparent real estate market[2] which is closing the gap with Western Europe. Land ownership rights, planning regulations and the procedures to obtain planning consent are transparent. The real estate market is maturing, offering high quality manufacturing and warehouse space. Many large international developers are present in the market. There is an increasing availability of land offered at competitive prices resulting from new major road developments. The various options of buying or renting an existing facility or commissioning a built-to-suit production facility are outlined in this report.

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[1] Source: NBP November 2012

[2] Source: The 2012 Global Real Estate Transparency Index, a proprietary Jones Lang LaSalle survey that calculates transparency in 97 real estate markets worldwide by weighting 83 different factors.

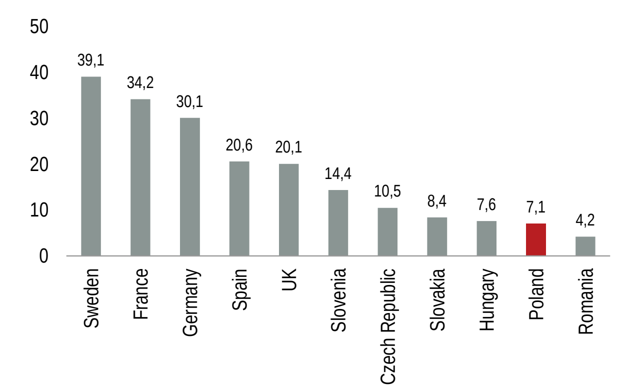
2. Labour Market

Human capital is a key element in the investment process. The three main areas to assess with regard to investment potential include employment costs, availability of workforce and quality of labour. A focus on Polish dynamics will be outlined in this chapter.

Employment costs

The two most significant components of employer costs are salaries and Social Security Contributions (SSC). According to Eurostat, Poland offers one of the lowest labour costs in Europe: EUR 7.1 per hour.

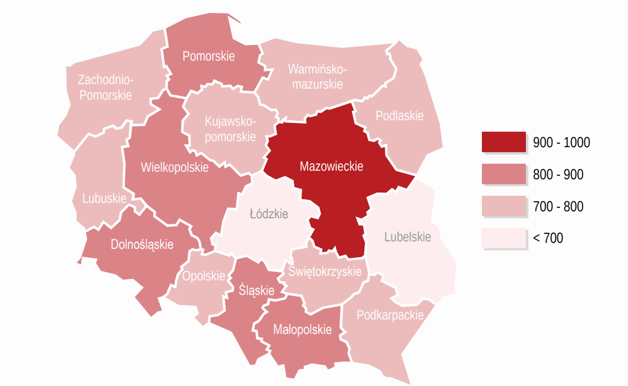
Comparison of hourly total labour cost among some selected European countries (in EUR)



Source: Eurostat, 2011

Monthly salaries for manufacturing roles in Poland range from EUR 350-475 for blue-collar workers to EUR 3,100-6,675 for white collar staff. It is worth noting that salary levels can be higher when seeking specialists with niche skills and/or when relocation is required.

Average monthly salaries within the manufacturing sector (in EUR)



Source: Central Statistical Office, Q1 2012, (1 EUR = 4.2 PLN)

When assessing employment costs among the Polish regions, the variation between average salaries in each region should be considered. Salary levels mostly depend on the development of each region, as well as the type of industry situated in that particular area.

Salary ranges for manufacturing roles in Poland

Level	Typical roles	Gross monthly salaries in EUR
Management level	Plant Manager, Production Manager, Technical Manager, Production Project Manager, Production Planning Manager, Production Controller, Facility Manager, Quality Control Manager, Maintenance Manager, Purchasing Manager, Logistics Manager, Environmental & Health and Safety Manager, General Purchasing and/or Logistics Manager, Purchasing Manager, Warehouse Supervisor	3,100 – 6,675
Supervisory level	Manufacturing Shift Leader, Production Team Leader, Quality Control Team Leader, Warehouse Team Leader, Maintenance Shift Leader, Maintenance Team Leader, Mechanical Shop Supervisor, Tool-room Supervisor	1,550 – 2,150
Specialist level (min. 3 years' professional experience)	Maintenance Specialist, Quality Control Specialist, Product Quality Controller, Process/Production Engineer, Environmental Engineer, Warehouse Administrator, Purchasing Specialist, Logistics Specialist, Delivery Quality Controller, Maintenance Assistant, Automatics Engineer, Electronics Engineer, Power Engineer, Fleet Specialist, CNC Programmer	950 – 1,550
Qualified blue-collar workers	Automatic Line Operator, Machine Operator II, Fitter II, Turner II, Milling Machine Operator II, Grinder II, Locksmith II, Solderer II, Electrician , Electromechanic, Mechanic II, Machine Fitter, Tool and Die Technician	725 - 950
Blue-collar workers	Machine Operator I, Production Handler, Fitter I, CNC Operator, Turner I, Milling Machine Operator I, Grinder I, Locksmith I, Solderer I, Drill Operator, Welder, Tinman, Painter, Mechanic I, Tool Assistant Forklift Operator, Packing Operator, Warehouse Worker, Lorry Driver	350 - 475

Source: Hays Poland, 2012 ; 1 EUR = 4.2 PLN

The metallurgy industry in the Śląskie region for example offers above average wages which do not reflect the whole sector. The opposite is true in certain regions, with some areas dictating lower salaries. The Lubelskie and Łódzkie regions have a significant cost advantage with regards to average manufacturing sector wages.

High wages in major Polish cities located in regions such as Mazowieckie (Warsaw), Śląskie (Katowice), Dolnośląskie (Wrocław) impact on the average salary for the whole region.

SSC's amount to between 19.48% and 22.67% of an employee's salary and are distributed between five main funds: pension, annuity, injury, unemployment and an 'employee guaranteed' fund. Additional funds, i.e. sickness and health care, are being covered by employees.

In the case of senior specialists or managerial hires, when the salary exceeds PLN 100,770 (EUR 23,993*), contributions automatically decrease to between 3.22% and 6.41%, as payments for pension and annuity funds are no longer required.

SSC's are significantly lower in Poland than in other CEE countries, such as Slovakia (35.2%), the Czech Republic (34.0%) and Hungary (28.5%).

Social security contributions on employers' side

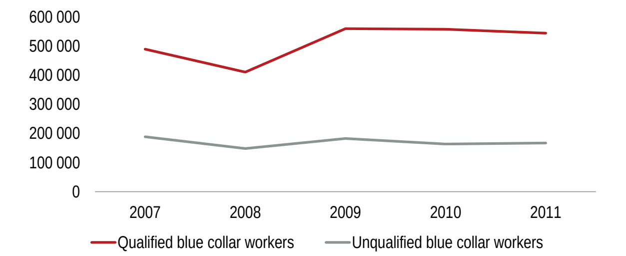
National insurance system	Employers contribution for salary ≥ PLN 100,770 (EUR 23,993*)	> PLN 100,770 (EUR 23,993*)
Pension	9.76%	-
Annuity	6.5%	-
Injury	0.67% - 3.86%	0.67% - 3.86%
Unemployment	2.45%	2.45%
Employee Guaranteed Fund	0.10%	0.10%
Health	-	-
Sickness	-	-
TOTAL	19.48 – 22.67%	3.22 – 6.41%

Source: Hays Poland, 2012; (*) 1 EUR = 4.2 PLN

Availability of labour

In 2011, Poland's unemployment rate was 9.7% according to Eurostat. The number of unemployed qualified blue-collar and unqualified blue-collar workers has remained steady over the last few years. This represents a significant readily-available talent pool. Polish employers are also able to partly refund training costs for candidates previously registered as unemployed (the maximum amount is up to 50% of the total training cost and for individuals aged 45 and above, it is up to 80%).

Number of unemployed qualified blue-collar and unqualified blue-collar workers in Poland

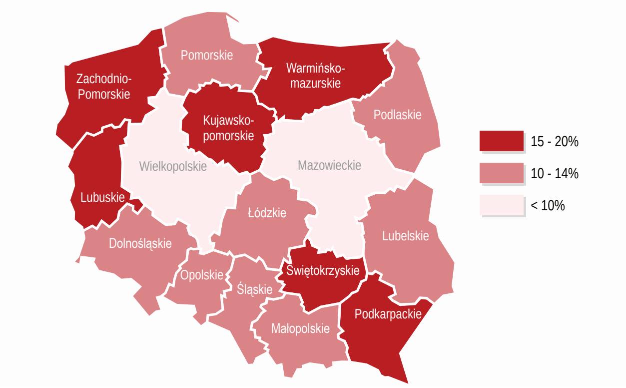


Source: Ministry of Labour and Social Policy, 2012

When analysing unemployment across Poland, the difference between regions is significant, as shown on the map below. More developed regions, such as Wielkopolskie and Mazowieckie, have unemployment rates below 10%, whereas some less developed regions, such as Warmińsko-Mazurskie and Zachodniopomorskie, have unemployment rates heading towards 20%.

The unemployment map can indicate parts of the country where there is an accessible labour force, although it is worth considering that there are certain sub-regions in some of the most developed regions that also have a ready workforce (such as Radomski, near Warsaw, or Bytomski in Śląskie). These regions can facilitate investment in proximity to a major hub, such as Warsaw, whilst also providing easy access and cheaper employment of the labour force, particularly when hiring blue-collar workers.

Average unemployment rate (%) in Polish regions in 2011



Source: Central Statistical Office, 2011

In 2011, there were more than 354,000 companies operating in the manufacturing sector in Poland, employing more than 2 million people, over a quarter of which were in the Mazowieckie and Śląskie regions alone.

Most inward foreign investment in manufacturing has been directed to 'Special Economic Zones' (SEZs). In 2011, there were 14 such entities in Poland and companies located in these regions employed almost a quarter of a million people (245,000), the biggest employer being the Katowice SEZ. The approximate number of people employed in each SEZ (in 2011) is shown in table on page 8.

Number of people employed in Polish SEZs

Special Economic Zones	Employment
Katowicka	47,300
Wałbrzyska	34,000
Tarnobrzeska	30,050
Łódzka	25,050
Pomorska	19,425
Kostrzyńsko-Słubicka	18,500
Mielecka	18,000
Warmińsko-Mazurska	12,250
Krakowska	9,805
Legnicka	9,100
Starachowicka	7,100
Suwalska	6,000
Kamiennogórska	4,650
Słupska	3,400

Source: Hays; Estimates based on data from the Ministry of the Economy 2011

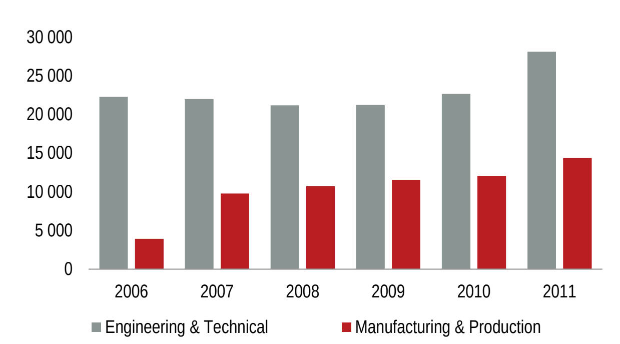
Skilled workforce

Graduates

Vocational and secondary technical education is becoming popular among young people in Poland. The number of graduates in these fields is growing, reaching 72,332 and 117,784 respectively according to GUS, BDL (2010).

The increasing popularity of technical studies in Poland is shown in graph below and is mainly a result of government funded programmes and strong media campaigns. In 2012, the four most popular higher educational institutions (ranked by number of applications for each place) were technical universities located in Warsaw, Łódź, Poznań, and Gdańsk.

Technical high school graduates in Poland

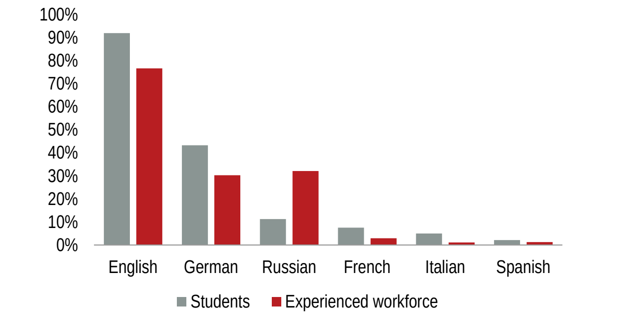


Source: Central Statistical Office, 2012

Knowledge of foreign languages

Candidates for specialist and managerial positions in the manufacturing sector are increasingly required to speak at least one foreign language, usually English. The following graph shows the levels of language proficiency for experienced engineers and engineering students in Poland.

Knowledge of foreign languages among engineering students and experienced engineers



Source: BKL Survey, sample = 7,000 students; 466 experienced professionals

Productivity

As well as the high levels of education, knowledge and skills available in the Polish market, another important factor is the demonstrable professional attitude and work ethic of Polish employees.

A study of the Human Capital in Poland (BKL) survey shows that 76.2% of professionals (taken from a sample of 467 engineers) were 'very committed to their work' and that 63.2% of respondents were also extremely flexible in terms of their working hours.

Labour productivity, expressed in terms of GDP adjusted to purchasing power parities (PPP) per hour worked in Poland is about USD 23.3 and is expected to grow by around 3% per year in the next decade.

"**TRW Steering Systems Poland**, *part of the European Steering Operations, is one of the major steering technologies producers, currently employing more than 800 staff.*

The plant in Czechowice-Dziedzice was set up in 1972 and acquired by TRW in 1996 and we have significantly grown since then. People are our key assets, as confidence in our products goes hand in hand with trust in our employees.

Therefore, the quality of labour is always the key aspect for us when making an investment decision or planning further development. We believe that Poland was the right choice, which enables constant growth in accordance with corporate standards. That was the reason why we decided to set up our second plant in Bielsko Biała."

Dariusz Domin, HR Manager, TRW SSP Poland

3. Grants & Incentives

Introduction

Choosing the appropriate investment location relies on a thorough analysis of potential costs and benefits of the sites. One of the key factors influencing the decision on location is often the availability of state aid.

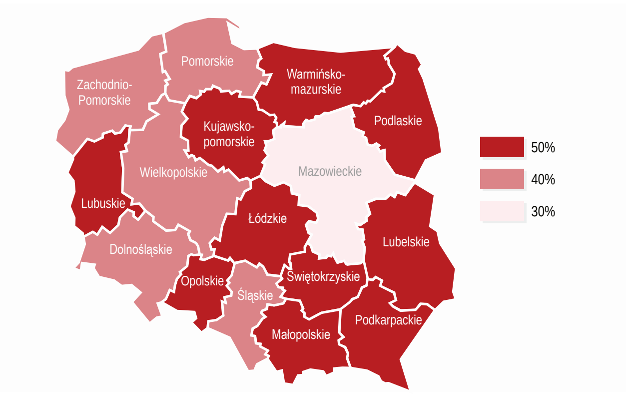
Investors in the manufacturing sector take this into consideration as they can benefit from different types of state aid in Poland, including, inter alia, corporate income tax exemption in Special Economic Zones ('SEZ'), government cash grants from the Multi-Annual Support Programme ('MASP') and real estate tax exemption (RETAX).

The most popular types of state aide available in Poland include:

- Corporate Income Tax (CIT) exemption
- Polish governmental cash grant; Multi-Annual Support Programme
- Real Estate Tax (RETAX) exemption

The decision regarding the location may determine not only the forms of state aid available to the investor, but also the complexity of the procedures regulating the application for a particular form of support in different regions of Poland. The selected investment location is one of the main factors affecting the amount of support available. Also the maximum level of state aid is connected with the location of the investment and the size of the investor (small / medium-sized / large company).

Since 1 January 2011 till 31 December 2013, the amounts of regional aid for particular voivodships are as follows:[3]



The permitted maximum amount of regional aid for a chosen location is expressed as a percentage of the higher amount out of:

- eligible investment costs or
- the value of the two-year employment costs of the newly created jobs.

[3] The aid intensity levels are increased by 20% in the case of small enterprises and by 10% in the case of medium-sized enterprises.

Corporate Income Tax (CIT) exemption

Special Economic Zones, as listed in previous chapter, are selected parts of the Polish territory where companies can run their business under preferential terms and conditions, the main incentive being Corporate Income Tax ('CIT') exemption.

CIT exemptions are available to investors operating within SEZs based on a permit to run business in the given SEZ issued by the SEZ authorities. The CIT exemption implies that income generated on business activities carried out by an investor in the SEZ and listed in the SEZ permit is CIT exempt and the value of unpaid tax represents the limit of the aid pool available for the given investment project.

SEZ permits specify the conditions that permit holders must meet, in particular:

- the amount of eligible expenses to be incurred,
- the number of new jobs to be created as a result of the given investment,
- the deadlines for fulfilling all the obligations listed,

they also list the activities in relation to which the CIT exemption is available.

SEZ permits are valid until the end of 2020; according to the current regulations. However, there are currently plans to extend the existence of SEZs past this date (to 2026).

In order to receive an SEZ permit, an investor may either:

- enter an existing SEZ (i.e. plan the investment on land already covered by SEZ status) and only apply for the permit, or
- apply for an SEZ extension (so as to cover new land with SEZ status) and apply for the permit.

This decision is crucial as it may affect the project implementation phase. One should bear in mind that while entering, an existing SEZ can be closed within six to eight weeks and an SEZ extension can take six to eight months.

As a suitable location does not always have SEZ status, SEZ extension is something worth considering. However, in order to benefit from SEZ extension to private land, the investor is obliged to fulfil one of the specific criteria, taking into account:

- a specified minimum number of new jobs created, or
- a specified minimum amount of capital expenditure to be incurred, or
- development of innovative, new technologies, or
- supporting R&D and modern services (i.e. SSC, BPO, ITO, KPO etc.).

Once one of the criteria has been fulfilled, the SEZ extension procedure can be carried out. The results, however, are subject to the approval of the Council of Ministers.

Multi-Annual Support Programme (MASP)

Aid within the Multi-Annual Support Programme is granted and designated for large investments which are considered crucial to the Polish economy, including investments in the so called priority sectors (i.e. automotive, electronics, aviation, biotechnology and modern services, R&D).

Support is provided in the form of a **cash grant** based on a bilateral agreement between the Minister of Economy and the investor and may be based on eligible investment costs or two-year employment costs of newly created jobs.

Support for investments in the manufacturing sector **based on eligible investment costs** may be granted to:

- investments in the "priority" sectors involving eligible investment costs of at least PLN 160 million[4] (EUR 38 million) and creating at least 50 new jobs,
- "significant" investments in other sectors involving eligible investment cost of a minimum PLN 1 billion (EUR 238 million) and creating at least 500 new jobs.

The level of support based on eligible investment costs amounts up to **10.5%** depending on specific set of criteria.

Support for investments in the manufacturing sector **based on employment costs** may be granted to:

- investments in the "priority" production sectors involving eligible investment costs of at least PLN 40 million (EUR 9.5 million) and creating at least 250 new jobs.

The level of support based on newly created jobs ranges from **PLN 3,200 (EUR 762) to PLN 15,600** (**EUR 3,714)** per each job, depending on specific set of criteria.

This type of support can be combined with different kinds of public aid, if the investment is big enough, i.e. at least PLN 350 million (EUR 83 million), or the support is not very substantial, i.e. no more than PLN 3 million (EUR 0.7 million) and lower than 10% of state aid granted for the project.

Real Estate Tax (RETAX) exemption

RETAX exemption is available depending on location. It is based on a resolution of the relevant city council where specific conditions of applying and utilizing the aid are set, like investment size or tax exemption period.

RETAX exemption applies to buildings, grounds and structures developed in relation to a new investment within the area of a given city.

It is necessary to notify the relevant city council that the investor intends to benefit from the RETAX exemption before the project starts. When the notification is made, the investor holds the right to the RETAX exemption (provided that there is real estate to be tax exempt).

The real estate tax rate values are set by a municipality council in a given location, so they differ depending on the investment site selection. However, these rates may not exceed statutory levels resulting from the Polish Law on local taxes and fees.

According to the current binding Notice of the Ministry of Finance, the maximum annual rates in 2013 are:

- with respect to land used for business activity purposes - based on surface: PLN 0.88 (EUR 0.21) per 1 square meter;
- with respect to buildings or their parts used for business activity purposes - based on usable surface: PLN 22.82 (EUR 5.43) per 1 square meter;
- with respect to constructions - based on their value: 2%.

[4] EUR 1 = PLN 4.2; (stated EUR amounts only as indication)

4. Key Manufacturing Sectors in Poland

The manufacturing market is evolving

At present, first-generation low-cost manufacturing locations are making moves up the value chain. Combined with higher transport costs, volatile customer demand, currency and supply chain risks, this is having noticeable effects on cost arbitrage and the attractiveness of certain markets. Repatriation or nearshoring of production, together with a reduced cost advantage, will increasingly be seen as a way to improve operating efficiency. Thanks to its strategic location next to Germany in the centre of Europe, Poland is an attractive place for manufactures to nearshore operations.

Poland also attracts manufacturers from overseas markets as it offers a regional platform to the Central and Eastern European (CEE) region, with some 100 million consumers, and to the wider European market of 500 million customers. US and Asian manufacturers are responsible for a large number of FDI projects in Poland.

A substantial shift from western and northern Europe to CEE has taken place over the past two decades. While western Europe is still a stronghold for manufacturing, CEE countries have taken the lead in terms of the number of FDI manufacturing projects. Thanks in no small part to its highly skilled workforce and steadily growing R&D expenditure, Poland is increasingly competing for higher value-added manufacturing projects.

The key location drivers for manufacturers engaging in FDI are domestic market growth potential and proximity to markets or customers, closely followed by infrastructure, logistics and the availability and cost of a skilled labour force. Poland is one of the fastest growing economies in Europe, offering a large domestic market, an available talent pool at competitive costs, and a transparent real estate market (which will be outlined in detail in the next chapters). All of those factors combine to make Poland a highly attractive location for manufacturing.

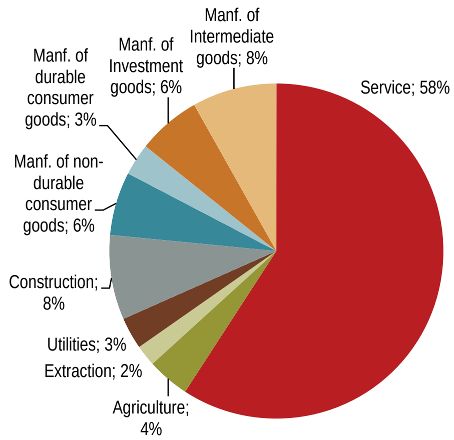
Growing sectors in Poland

The service sector output had a share of 58% of GDP in 2011, as depicted on the graph, followed by industrial production (manufacturing, utilities and extraction). Agricultural output accounted for 4% of GDP in 2011.

The overall value of industrial production in 2011 was PLN 278.3 billion (EUR 66.2 billion).

Between 2011 and 2021, industrial production in Poland is expected to grow by 3.7% a year on average according to data from Oxford Economics[5].

Poland economic structure 2011



Source: Oxford Economics

Manufacturing output growth over the next decade is forecasted to be higher than GDP growth, rising to an annual average of 4.3% by 2021.

The services sector, which is dominated by distribution, transport, storage and communication, is expected to grow by 1.3% in 2012 and by an average of 2.7% annually until 2021.

Construction output is expected to rise by 4.3% in 2012 and by an average of 4.0% annually until 2021.

From the various different manufacturing sectors, four (FMCG, domestic appliances & electronics, automotive and aviation) are outlined in more detail below. However, great potential also exists in many other sectors.

3M expands in Poland

"Our plan is to make Poland a key country for 3M, the country which will produce the majority of products exported to the markets of Central and Eastern Europe. 3M, which has been present in Poland for 20 years now, currently has nine production plants, six of which are located in Wroclaw. Wroclaw plays a critical role into the overall growth of 3M in Poland. It also reflects our key values, which are based on customer collaboration, combined with the imagination and the creativity of our employees and supported by the best technologies available."

John Bowers, Director of Manufacturing and Supply Chain 3M in CEE & MEA

[5] Output is measured in value-added terms at 2005 prices.

FMCG sector

Large multinationals, such as Philip Morris, British American Tobacco, P&G, Danone, Nestlé, Unilever, PepsiCo, Mars, Nestlé, Ferrero, Kraft foods, Group Pernod Richard, Coca Cola, Henkel, L'Oreal, Carlsberg and many others, are already established in Poland. The majority entered the Polish market at the beginning of the 1990s and have increased their presence over the years.

Foreign direct investments by FMCG manufacturers in Poland have enabled them to tap into local talent pools and recruit top employees with superior knowledge of local markets, therefore enabling them to better understand the needs of local consumers. With a population of nearly 40 million people and increasing purchasing power, Poland is among the largest markets in the region. Locating of FMCG plants in Poland allows manufacturers to be close to their consumers and serve them better. Furthermore, for many FMCG manufacturers, Poland is the manufacturing hub for the wider EU, and even EMEA markets.

The food & beverage sector is one of the largest manufacturing sectors in Poland, accounting for nearly 20% of the gross output of the manufacturing sector.[6]The competitiveness of Polish producers in the EU, and even beyond, is high. The most successful branches of the Polish food economy include meat and milk processing, fruit and vegetables, sugar, secondary cereal processing, and the manufacturing of tobacco products. The source of this competitive advantage is, above all, cost and price advantages; although this has been partly diluted by the process of convergence of the Polish economy with that of the EU.

As Poland develops economically, there will also be increased opportunities for added value food and drink products, such as ready-made meals; ambient foods and innovative packaging.

Location

FMCG manufacturing facilities are concentrated mainly near the larger cities of Warsaw, Kraków, Łódź, Wrocław or Poznań, due to proximity to large consumer bases and access to workforce. In many cases, foreign manufacturers bought existing state-owned factories when they entered the Polish market. This enabled them to take over the production infrastructure (which often had to be modernised), qualified and experienced staff, and highly developed networks of suppliers.

Depending on the strategy and the nature of the business, many FMCG manufacturers, such as Unilever, Kraft Foods and Nestlé, have production plants in various regions of Poland, whilst others have concentrated their operations in one region. Cargill, for example, is concentrated in Wielkopolska (the Poznań area), Bahlsen in Małopolska (Kraków), Procter & Gamble in the central part of Poland (Warsaw and Łódź) and Mars in Mazowsze (Warsaw).

Looking at the food (processing) sector, especially the meat and dairy producers, the domestic players have built strong regional structures across Poland, working in co-operatives or other types of group structure.

Third-Party Logistics

The 3PL sector is well established in Poland as many large FMCG manufactures outsource their warehousing and distribution activities. With large volumes and low margins, fast-moving consumer goods (FMCG) companies must respond quickly in order to deliver in-demand, on-trend products to shoppers when and where they want those, and to avoid getting stuck with undesirable merchandise. As the market develops there will be opportunity for regional-based distribution of time-critical products, e.g. chilled produce with a short shelf-life.

Retail distribution

Hypermarket operators, mostly French and German chains, were pioneers in the Polish retail market. Their development started in the mid 1990s, taking advantage of opportunities arising in the transitional booming Polish economy. A British chain, Tesco, was the most recent significant entrant and is currently the most active with regard to expanding its foodstore chain, now having more than 420 stores across the country (including hypermarkets and supermarkets).

Major food operators in Poland

Type	Chains
Hypermarkets	Auchan (FR), Carrefour (FR), E. Leclerc (FR), Real (D),Tesco (UK)
Supermarkets	Carrefour (FR), Intermarché (FR), Marcpol (PL), Polomarket (PL), Simply Market (FR), Strokrotka (PL), Tesco (UK)
Discounts	Aldi (D), Biedronka (P), Kaufland (D), Lidl (D),Netto (DK)
Delicatessen	Alma (PL), Bomi (PL), Delima (PL), Piotr i Pawel (PL)

Source: Jones Lang LaSalle

[6] Source: Central Statistical Office 2010; in million PLN current prices

Main Manufacturing Companies - FMCG Sector

Warmińsko - Mazurskie Region

Elbląg
Grupa Żywiec (Brau Union AG/Harbin B.V.)
Lidzbark Warmiński
Grupa Polmlek
Morliny
Animex
Olsztyn
Indykpol

Zachodniopomorskie Region

Kluczewo
Krajowa Spółka Cukrowa
Szczecin
Animex
Carlsberg

Wielkopolskie Region

Gierałtowo
Konspol
Grąbkowo
Polski Koncern Mięsny DUDA
Jankowice
Kraft Foods Polska
Imperial Tobacco Polska
Kalisz
Cargill
Jutrzenka Colian
Nestle Polska
Kaźmierz
Hochland
Kiszkowo
Cargill
Kostrzyn Wielkopolski
Orkla
Krotoszyn
Nutricia (Danone)
Krzemieniewo
Cargill
Nowe Skalmierzyce
Orkla
Opalenica
Nordzucker Polska
Poznań
Jutrzenka Colian
Kompania Piwowarska (SABMiller)
Lisner
Nivea Polska
Pernod Ricard Polska
Schulstad (Lantmannen Axa Poland)
Unilever Polska
Wrigley Polska
Pudliszki
HJ Heinz
Słupca
Konspol
Stopno
Henkel Polska
Śmiłowo
Grupa Farmutil
Tarnowo Podgórne
Zeelandia
Turek
Bongrain
Żylice
Fermy Drobiu Woźniak

Lubuskie Region

Kargowa
Nestle Polska
Nowa Sól
AB Foods
Zielona Góra
Pernod Ricard Polska

Opolskie Region

Brzeg
ZT Kruszwica
Głubczyce
Bongrain
Namysłów
Nestle Polska
Opole
Nutricia
Zott
Polska Cerekiew
Sudzucker Polska
Wołczyn
Lesaffre

Pomorskie Region

Banino
Unilever Polska
Gdańsk
Grupa Polmlek
ZT Kruszwica (Bunge)

Kujawsko - Pomorskie Region

Bydgoszcz
Drobex
Jutrzenka Colian
Unilever Polska
Chełmża
Nordzucker Polska
Gniewkowo
Bonduelle
Kruszwica
Krajowa Spółka Cukrowa
ZT Kruszwica (Bunge)
Solec Kujawski
Drobex
Toruń
OSM Łowicz
Toruńskie Zakłady Materiałów Opatrunkowych
Włocławek
Agros Nova
Żnin
Pepsi Cola General Bottlers

Mazowieckie Region

Baranowo
Hochland Polska
Belsk Duży
Ferrero Polska
Elżbietów
Bakoma
Glinojeck
AB Foods
Grodzisk Mazowiecki
Frito Lays (Pepsi)
Halinów
Colgate - Palmolive
Janaszówek
Mars Polska
Kanie Helenowskie
L'Oreal Polska
Karczew
Bunge Polska
Kożuszki - Parcel
Mars Polska
Marki
Tchibo Warszawa
Michrów
Pepsi Cola General Bottlers
Mława
Grupa Polmlek
Nowy Dwór Mazowiecki
Reckitt Benckiser
Ostrołęka
OSM Piątnica
Płońsk
Kraft Foods Polska
Przysucha
Hortex Holding
Radom
Imperial Tobacco Polska
Radzymin
Coca - Cola HBC Polska
Siedlce
Drosed
Sierpc
Carlsberg Polska
Sobolew
Sante
Sokołów Podlaski
Sokołów (Danish Crown)
Warka
Grupa Żywiec
Warsaw
Animex
Danone
Drosed
LOTTE Wedel
Procter and Gamble DS. Polska
ZT Kruszwica (Bunge)
Węgrów
Hochland Polska

Podlaskie Region

Augustów
British American Tobacco Polska
Białystok
Kompania Piwowarska (SABMiller)
Bielsk Podlaski
Kofola - Hoop Polska
Grajewo
Mlekpol
Piątnica
OSM Piątnica
Wysokie Mazowieckie
Mlekovita

Lubelskie Region

Krasnystaw
Krajowa Spółka Cukrowa
Lublin
Stock Polska / Polmos Lublin
Łuków
Łmeat Łuków
Międzyrzec Podlaski
Drosed
Ryki
Hortex Holding

Świętokrzyskie Region

Starachowice
Animex
Starporków
Henkel Polska

Podkarpackie Region

Jarosław
Krafts Foods Polska
Leżajsk
Grupa Żywiec (Brau Union AG/Harbin B.V.)
Philip Morris Polska
Ropczyce
Sudzucker Polska
Rzeszów
Nestle Polska

Dolnośląskie Region

Dzierżoniów
Henkel Polska
Siechnice
IPH Group
Sobótka
Orkla
Strzelin
McCain
Sudzucker Polska
Świdnica
Colgate - Palmolive

Śląskie Region

Bierun k. Tychów
Danone
Cieszyn
Kraft Foods Polska
Katowice
Unilever Polska
Racibórz
Henkel Polska
Tychy
Kompania Piwowarska (SABMiller)
Żywiec
Grupa Żywiec (Brau Union AG/Harbin B.V.)

Łódzkie Region

Aleksandrów Łódzki
Procter and Gamble DS Polska
Dobrzelin
Krajowa Spółka Cukrowa
Gostków Stary
JTI Polska
Krośniewice
Leiber GmbH
Kutno
Kofola - Hoop Polska
OSM Łowicz
Łowicz
Agros Nova
OSM Łowicz
Łodź
Barry Callebaut
Lesaffre
Procter and Gamble DS Polska
Vandemoortele
Rusiec
Pamapol
Skierniewice
Hortex Holding
Tomasz Mazowiecki
Chipita Poland
Drosed
Frito Lay (PepsiCo)
Tymienice
Agros Nova

Małopolskie Region

Brzesko
Carlsberg Polska
Kraków
Philip Morris Polska
Myślenice
Bahlsen Polska
Nowy Sącz
Konspol
Skawina
Bahlsen Polska
Staniątki
Coca - Cola HBS Polska
Tylicz
Coca - Cola HBS Polska
Wadowice
Grupa Maspex

Source: Jones Lang LaSalle 2012

Domestic appliances sector

The production of domestic appliances in Poland has a long history. Well-known factories established after World War II, include, among others, Wromet Heating Equipment Plant in Wronki (now Amica Wronki SA) and Wrocław Metallurgical Plant. Wrozamet (today FagorMastercook SA), Zakrzów Metal Works (later Polar, now Whirlpool Poland SA) and Zelmer have also undergone rapid development since the 1960s. Thanks to numerous foreign investments since the 1990s, the Polish domestic appliance sector has become more competitive, not only domestically but, also on the European market.

Experts estimate that the production of domestic appliances in Poland increased by more than 20% in 2011 from the level of 15 million units recorded in 2010. This means that the Polish market is likely to become a European leader in the domestic appliance sector (according to estimates from research company Euromonitor International).

Data compiled by Eurostat and CECED Poland (the European Committee of Domestic Equipment Manufacturers) shows that exports of domestic appliances in the first three quarters of 2011, were 15% higher than in the same period of 2010.

Largest foreign manufacturers of household appliances in Poland
BSH Bosch und Siemens Hausgeräte GmbH
Electrolux
Fagor Electrodomesticos Group
Indesit Company
LG
Samsung Electronics
Whirlpool

Source: PAIiIZ, 2012

In addition to the many foreign domestic appliance companies which operate in Poland, there are also Polish producers that compete on foreign markets. The largest of those is Amica, which sells approximately 40% of its overall production to some 40 different foreign markets. Another Polish manufacturer is Zelmer, a significant producer of vacuum cleaners on the world market.

Electronics

According to experts from Business Monitor International (BMI), the value of the Polish electronics market will gradually increase, reaching approximately USD 7.6 billion in 2013. This increase will be driven mainly by growing demand for digital products, falling prices and increasing public revenues. BMI also predicts that by 2014, retail sales will increase by 28% (to PLN 495 billion or approximately EUR 118 billion) compared to 2010, and the electronics market will be one of the fastest growing segments in Poland. More than 37% of the Polish population is 20 to 44 years old, and young people are precisely those most likely to purchase new products from the world of electronics.

There are more than 6,700 companies operating in the electronics sector in Poland. Approximately 90% of production is generated by medium-sized and large companies.

Largest foreign investors in the electronics sector in Poland

Company	Type of production
Alcatel-Lucent	Telecoms equipment
Dell	Desktop PCs
Flextronics	Telecommunications components and products
Humax	Radio and TV appliances
Jabil	TV sets and electronic components
Kimball	Electronic components for the telecommunications and automotive industries
LG	TV sets and other consumer equipment
Orion	TV sets
Sharp	LCD modules
Toshiba	LCD Displays
TPV Displays	LCD Displays

Source: PAIiIZ, 2012

The rationale for the development of the **electronics industry** in Poland:

- long-standing tradition in the electronic industry;
- presence of international companies, manufacturers of electronic equipment;
- highly-trained labour force offering the highest standards of knowledge in their fields;
- well-developed base of suppliers: small and medium sized enterprises are well prepared to work with large corporations as subcontractors;
- institutional climate: the state helps manufacturers which are creating their own R&D centres;
- clusters: continuously developing technological parks co-operating closely with research centres;
- increased investments: new investment projects that generate demand for products and services of suppliers from the electronics industry;
- investment incentives for the electronics sector.

Main Manufacturing Companies - Domestic Appliances & Electronics Sectors

Kujawsko - Pomorskie Region

Bydgoszcz
Lucent Technologies

Łysomice
Orion Electric
Sharp Manufacturing Poland
Kimoto Poland
Poland Tokai Okaya Manufacturing

Zachodniopomorskie Region

Szczecinek
Info-Mac

Wielkopolskie Region

Wronki
Amica Wronki
Samsung Electronics Poland Manufacturing

Lubuskie Region

Gorzów Wlkp.
TPV Technology Limited
TPV Displays
BriVictory Display Technology

Nowa Sól
Funai Electric Europe

Dolnośląskie Region

Biskupice Podgórne
Chung Hong Electronics
Dong Yang Electronics
Dongseo Display Poland
Heesung Electronics Poland
LG Chem Poland
LG Display Poland
LG Electronics Wrocław
LG Innotek Poland
Toshiba Television Central Europe
LG Philips LCD Poland

Dzierżoniów
Alphavision Polska
SKC Haas Polska

Jelcz-Laskowice
CRI Val Polska
EPP
ELICA GROUP POLSKA

Kobierzyce
Toshiba

Oława
Electrolux Poland
Nardi Appliances Poland

Świdnica
Electrolux Poland

Wrocław
Advantech (2014)
Fagor Mastercook
Inoxveneta
Itsumi
Rosa Europe
Whirlpool

Żarów
Electrolux Poland
T&P Polska

Złotoryja
Adeo Screen

Warmińsko - Mazurskie Region

Ełk
Stalewski i Reszczyk

Pomorskie Voivodeship

Chwaszczyno
Danfoss Poland

Tczew
Flextronics International Poland

Kwidzyń
Jabil Assembly Poland
Jabil Circuit Poland

Mazowieckie Region

Grodzisk Mazowiecki
Danfoss Poland

Mława
LG Electronics Mława

Piaseczno
Technicolor Polska

Żyrardów
TCL Operations Polska

Łódzkie Region

Aleksandrów Łódzki
ABB

Bełchatów
Humax Poland

Łódź
BSH Sprzęt Gospodarstwa Domowego
Ciat
Dell Products
Indesit Company Polska
Mecalit Polska
Wirthwein Polska

Radomsko
Indesit Company Polska

Śląskie Region

Dąbrowa Górnicza
Johnson Electric Poland

Gliwice
Oasis East

Siewierz
Electrolux Poland

Sosnowiec
Process – Electronic

Tychy
Aweco Polska Appliance

Podkarpackie Region

Mielec
Interphone Service

Rzeszów
Zelmer

Małopolskie Region

Bukowno
Schneider Electric Industries Polska

Kraków
Motorola Polska Electronics

Source: PAIiIZ 2012

Automotive sector

Poland is a leading market in CEE for passenger and commercial vehicle manufacturers and suppliers. The outstanding ratio between the quality and cost of labour, the vast presence of key automotive sub-suppliers, and appealing investment incentives all combine to make Poland a superb location for investment. The examples of Fiat, GM, Volkswagen, MAN and Toyota give only a taste of the well-known brands which are operating here.

Three major passenger car manufacturers, several bus manufacturers and hundreds of tier 1 and 2 manufacturers make for a solid industrial base. According to the automotive market research institute Samar, 825,469 vehicles were produced in Poland in 2011. The leading manufacturer is Fiat (with its plant in Tychy), followed by Volkswagen (in Poznań) and GM-Opel (in Gliwice). MAN is the sole manufacturer of trucks in Poland, producing some 8,280 in 2011 (according to data from Fleet Magazine). With 4,632 buses manufactured in 2011, Poland became the third largest bus manufacturer in the EU. Research company JMK Bus Market Analysis states that in 2011 the top three bus manufacturers in Poland were Man, Solaris and Volvo, followed by Scania, Autosan and others.

In addition to vehicle production, Poland is also well positioned as a supplier of components. One of the most important factors with regard to Poland's competitiveness is its very attractive cost to quality ratio. While the quality of production is comparable to, and often higher than that in western European countries, the cost of production in Poland is still much lower.

Even in these times of worldwide economic turmoil, the automotive sector has significantly contributed to the continuous growth of Poland's national economy.

Thanks to the flexibility and creativity of Polish workers, the healthy cost structures, and strong demand for vehicle parts manufactured in Poland, the industry has emerged from the turbulent times almost intact. The polish automotive sector has managed to attract a good set of foreign investors.

For example, Japan-based Boshoku Automotive Poland has decided to increase production capacity in Tomaszów Mazowiecki (Central Poland) with a new EUR 13 million production line which will produce upholstery parts for leading premium vehicle manufacturers, creating 250 new jobs. Another example, Japanese tyre manufacturer Bridgestone Corporation, has decided to increase production capacity in Poznań and Stargard Szczeciński.

Key features of the Polish automotive sector:

- the largest domestic market in CEE;
- automotive clusters in Upper and Lower Silesia as well as in the Wielkopolska region;
- more than 900 companies, of which 300 have foreign shareholders;
- 350 Tier 1 & 2 operations of Polish origin;
- approximately 305 suppliers with ISO/TS 16949 certificates;
- high profile expertise from automotive faculties at technical universities in the biggest cities (Warsaw, Gliwice, Wrocław, Poznań, Krakow);
- EUR 67 billion cash grants from European Union funds for 2007 to 2013 is supporting, inter alia, R&D activities, innovative investment projects and massive infrastructure improvement projects;
- long-standing industrial traditions within the automotive industry dating back to 1920s.

Toyota Production Plant **in Wałbrzych (Source: Toyota Motor Manufacturing Poland)**

Main Manufacturing Companies - Automotive Sector

Zachodniopomorskie Region

Stargard Szczeciński
Bridgestone Stargard
MTU Polska

Wielkopolskie Region

Ostrów Wielkopolski
Delphi Poland

Poznań
Bridgestone Poznań
Exide Technologies
Solaris Bus & Coach
MAN Bus
Volkswagen Poznań

Lubuskie Region

Gorzów Wielkopolski
Faurecia Gorzów

Nowa Sól
BCC Polska
Fabryka Tapicerki Samochodowej Fatsa
Gedia Poland
Jost Polska
Utescheny Polska

Śląskie Region

Bielsko Biała
Cooper Standard Automotive Polska
Cornaglia Poland
Eaton Automotive Systems
Electropoli Galwanotechnika
Fiat Powertrain Polska
Fiat Powertrain Technologies Polska
Hutchninson Poland
Magneti Marelli Suspension Systems Bielsko
Pojazdy Specjalistyczne Zbigniew Szczęśniak
TI Poland

Czechowice – Dziedzice
TRW Steering Systems Poland
Valeo Electric and Electronic Systems
Zakład Usług Technicznych ZUT

Częstochowa
GST Automotive
Safety Poland
TRW Polska

Dąbrowa Górnicza
Brembo

Gliwice
Assembly Centre Gliwice
Autorobot Strefa
Epedal Polska
General Motors Manufacturing Poland
Hirschvogel Components Poland
HP Polska
Kirchhoff Polska
Nexteer Automotive Systems
NGK Ceramics Polska
Plastic Omnium Auto
Shinchang Poland
SILS Centre Gliwice
Tenneco Automotive Eastern Europe
TRW Breaking Systems Polska
Yushin Precision Automotive

Jeleśnia
Delphi Poland

Sosnowiec
Automotive Lighting Polska
Magneti Marelli Exhaust Systems Polska
Nadwozia-Partner
Plastic Components Fuel System Poland
Plastic Components and Modules Poland
Segu Polska

Tychy
Boryszew S.A Oddział Maslow
BOS Automotive Products Polska
Comau Poland
Fiat Auto Poland
Ford Werke GmbH
Huf Polska
Isuzu Motors Poland
Lear Corporation Poland II
Magna Car Top Systems Poland
Magna Formpol
Nexteer Automotive Poland
VAB Czesław Tomkowicz

Żory
MCS
Nifco Korea Poland

Pomorskie Region

Gdańsk
Bibus Menos
Delphi Poland

Słupsk
Lauber
Kapena
Nordglass II
Scania

Tczew
Eatong Automotive Components
Eaton Truck Components

Łódzkie Region

Ozorków
BZWF Motor
Orsa Moto

Dolnośląskie Region

Jelcz Laskowice
Autoliv Poland
EPP
Faurecia Wałbrzych
Simoldes Plasticos Polska
Toyota Motor Industrial Poland

Legnica
Faurecia Legnica
Gates Polska
TBMeca Poland
Wezi-tec

Wrocław
Cropu Polska
Rosa Europe
Sor Iberica Polska
Volvo Polska
WABCO Polska

Polkowice
Sanden Manufacturing Poland
Sitech
Volkswagen Motor Polska

Środa Śląska
Fiuka Polska
HMT Heldener Metalltechnik Polska
PGW
Schürholz Polska
VIA Technika Obróbki Powierzchniowej

Wałbrzych
AGC Silesia
Faurecia Wałbrzych
NSK Steering Systems Europe (Polska)
Toyota Europe Engineering & Maintenance
Toyota Motor Manufacturing Poland
Toyota Susho Europe
Tristone Flowtech Poland
Quin Polska
Ronal
Mando

Warmińsko - Mazurskie Region

Olsztyn
Michelin

Mazowieckie Region

Błonie
Delphi Poland

Grójec
Faurecia

Pruszków
TRW Sterling System Poland
Kongsberg Automotive

Kujawsko - Pomorskie Region

Solec Kujawski
Solbus

Świętokrzyskie Region

Sandomierz
Pilkington
Automotive Poland

Starachowice
Autobox
Man Bus
P.P.H.U. Goset Duo
Z.P.H. Prodhurt Bis

Lubelskie Region

Lublin
D&D Resory Polska
DZT Tymińscy
POL-MOT Warfama

Małopolskie Region

Niepołomice
MAN Trucks
Meiller Polska
Nidec Motor & Actuators Poland

Podkarpackie Region

Dębica
Dębica

Mielec
Firma Tarapaty
Gregson Polska
Kamot – Mielec Zakład Produkcyjny
Kirchhoff Polska
Kirkham Motorsports
Lear Corporation Poland
Leopard Automobile
Regmot
Stamet – Zakład Mechaniczny
S. Stachura
Waldrex
WAW Mielec

Sanok
Autosan

Stalowa Wola
ATS Stahlschmidt & Maiworm
Uniwheels Production (Poland)

Source: PAIiIZ 2012

The Infrastructure Map of Poland

Source: Jones Lang LaSalle, 2012

Poland - At a Glance

Economy

Poland - Facts and Figures	
Population (a):	38,511,824 (6)
Territory km² (a):	312,685 (6)
GDP Volume in million (b):	€ 320,961 (9)
GDP Per Capita (b):	€8,402 (65% of EU ave)
Consumer Price Index (c):	3.8% (2)
Unemployment Rate (c):	10.1% (17)
Government Gross Debt (as % GDP) (c):	55.5% (15)
Exchange Rate EUR/PLN (d):	4.1
Exchange Rate USD/PLN (d):	3.2

Source: (a) GUS National Census 2011, (b) Eurostat 2011, (c) European Economic Forecast Autumn 2012, (d) National Bank October 2012, ( ) ranking EU-27

Largest Cities

City	Population in agglomeration
Warsaw	2.49 million
Katowice	2.20 million
Kraków	1.07 million
Gdańsk	1.09 million
Łódź	0.99 million
Poznań	0.81 million
Wrocław	0.77 million
Szczecin	0.55 million
Lublin	0.45 million
Bydgoszcz	0.44 million

Source: Central Statistical Office, agglomerations' definitions by Jones Lang LaSalle

Transport Infrastructure

Motorways and Express Roads

Existing network ~ 2,400 km
Under Construction ~ 640 km

Major roads planned till 2015:
Completion of the North-South A1 Motorway
Completion of the East-West A4/A18 Motorway
Completion of the S8 Warsaw - Wrocław
Completion of the S3 Gorzów Wlkp – Zielona Góra

Major well-connected Seaports

Gdańsk, Gdynia and Szczecin-Świnoujście
Frequent connections to the Baltics, Scandinavia, major Western European Ports, Asia including China, Malaysia, Singapore and South Korea.

Airport Network

13 main Airports

Aviation industry

The Polish aviation industry offers a wide range of advanced aviation products. Almost every passenger aircraft in the world contains at least one part manufactured in Poland.

The competitive edge of Polish aviation companies is based on high quality of products (expertise in treatment of materials, casting, mechanical engineering, electronics) and competitive labour costs. Companies which have recently invested in Poland (such as Hamilton Sunstrand, Hispano Suiza, EADS, Agusta Westland, Sikorsky, Goodrich, MTU) are already planning further expansion.

Poland also has a strong base of SMEs constituting a wide chain of suppliers for Boeing, Airbus and Embraer, as well as producers of light aircraft and gliders, which are valued all over the world. Last year, many SMEs investments were made in Poland (by the likes of Vac Areo, MacBrida, Meyer), which has contributed to the growth of the aviation sector.

Aviation is one of the most innovative industries in the Polish economy, due to aviation companies making large expenditures on R&D, co-operating with research centres, and participating in international projects, as well as to Poland's human potential and rapidly developing clusters.

The advanced level of processes used in the Polish aviation sector can be illustrated by the participation of Avio Polska and GE EDC Poland in the development of the innovative GEnx jet engine, which will be used in the state-of-the-art Boeing 747-8 and 787 Dreamliner (Avio Polska is the designer and sole producer of the GEnx2 turbine blade, while GE EDC Poland carries out engineering works).

Polish participation in such projects may increase as a result of strong financial backing from the National Centre for Research and Development. The NCRD will invest EUR 75 million between 2013 and 2017 in scientific research, development work and knowledge transfer to the aviation industry.

Strengths of the Polish aviation industry*:*

- long-standing tradition;
- high quality of products;
- competitive costs of production and labour;
- qualified workforce;
- constantly developing R&D, educational and training activity;
- well-developed supplier network;
- three aviation clusters;
- dense network of international and domestics airports.

Opportunities **for the aviation sector:**

- growth of production during the economic boom;
- increasing co-operation between small and large companies;
- further development of the supply chain in Poland;
- development of R&D activity;
- investment in engineering and services centres;
- development of aircraft engines;
- construction of new helicopters and light aircraft, including unmanned units.

The final assembly line in PZL-Świdnik, an AgustaWestland company

Main Manufacturing Companies - Aviation Sector

Wielkopolskie Region

Kalisz
Hamilton Sundstrand Poland
Meyer Tool Poland
Pratt & Whitney Kalisz
Teknequip Kalisz
Vac Aero
WSK "PZL Kalisz"

Pomorskie Region

Tczew
Gardner Poland

Kujawsko - Pomorskie Region

Bydgoszcz
Vaxell
Wentworth Tech Sp. z o.o.
WZL-2

Grudziądz
Franklin Aircraft Engines

Mazowieckie Region

Ostrołęka
Aviacom.pl

Radom
Solaris Group Aviation & Wind

Warsaw
ATM
Aviacom
Aviotech Electric
Domar
EADS PZL „Warszawa Okęcie"
ETC-PZL Aerospace
GE
Sandvik Polska
WSK PZL Warszawa
WZL-4

Podkarpackie Region

Dębica
Royal-Star
Zakłady Mechaniczne Rufus
Zakład Narzędziowy „PZL-Dębica"

Krosno
Aero-Kros
Ekolot
Goodrich Aerospace Poland
PESZKO Aero Technologies
SEGER Ozga Mikuszewski
Wiet-Pol PPHU Piotr Wietecha
WSK „PZL – Krosno"

Mielec
AERO At
Borimex PPUH
Eurotech
Gardner Aerospace – Mielec
King & Fowler Polska
Mikrotech
Prodrem
PZL Mielec Sikorsky
Remog Polska
STAMET Stanisław Stachura
Waldrex
Wytwórnia Zespołów Kooperacyjnych
Zakłady Narzędziowe w Mielcu
ZPTSz „PZL-Mielec"

Rzeszów
B&M OPTIK
BorgWarner Turbo Systems Poland
CAV Aerospace Limited
Cermet – Technika
CONTI
Creuzet Polska
EL-AUTOMATYKA
FIN
Goodrich Aerospace Poland
Hispano-Suiza Polska
Hamilton Sunstrand
M.A.M. PPUH
McBraida Polska
MTU Aero Engines Polska
Nicholson Sealing Technologies
Norbert Polska
P.P.U.H BRYK
Trigger Composites
Ultratech
Vac Aero
WSK "PZL – Rzeszów"
ZELNAR ZN
ZM „WSK-Rzeszów"

Stalowa Wola
ATI ZKM Forging
Iwamet
Thoni Alutex

Tarnowiec
ERKO

Dolnośląskie Region

Jelenia Góra
The Gilder Factory „Jeżów"

Wrocław
Dolam
Hamilton Sundstrand Poland
Microtech International
Output 42

Śląskie Region

Bielsko Biała
Allstrat PZL Glider
Anga Uszczelnienia Mechaniczne
Avio Polska
Aviomechanika
Avionic
B.O.T. Aircraft
Certech
Design Office „B" Bogumil Beres
Evatronix
Wytwórnia Konstrukcji Kompozytowych Andrzej Papiorek
Zakłady Lotnicze „3Xtrim"
Zakłady Lotnicze Margański & Mysłowski

Gliwice
Cermet – Technika

Katowice
Aldec-ADT
Kamaeko

Łódzkie Region

Łódź
WZL - 1

Małopolskie Region

Kraków
Kreisler Polska
EC Engineering

Lubelskie Region

Lublin
Lotniczej E&K
WZL – 3 Dęblin Zakład Produkcji

Poniatowa
METALTON G. Olchawski

Świdnik
„PZL Świdnik" / Agusta Westland
Zakład Narzędziowy w Świdniku
Zakładk Obróbki Plastycznej

Tomaszów Lubelski
WSK – Tomaszów Lubelski

Source: PAIiIZ 2012

5. A Maturing Polish Industrial Real Estate Market

The industrial real estate market in Poland has developed rapidly over the last decade, initially boosted by EU accession in 2004. The growing number of foreign and national manufacturers and the expanding regional and national distribution network have pushed the construction of modern manufacturing facilities and warehouses.

The total industrial stock which is offered on the letting market currently stands at almost 7 million m^2 and consists of new, high quality buildings which meet the highest international standards. This also enables distribution space to be converted for light manufacturing purposes.

The largest amount of industrial stock is situated in the vicinity of major cities such as Warsaw, Katowice, Poznań, Łódź, Wrocław, and, most recently, the main Polish seaports of Gdańsk, Gdynia and Szczecin, which are increasingly gaining in importance.

Today's real estate market is very competitive. The main developers of industrial buildings are large international groups, such as Panattoni, Prologis, Segro, Goodman, Valad and P3, plus, strong domestic players, such as MLP and BIK, which have long track records of building distribution centers and turn-key projects for manufacturers.

The amount of industrial land available in Poland is increasing, due to the construction of new motorways and motorway junctions, placing a downward pressure on land prices. Local municipalities are eager to issue local master plans for such plots of land in order for investors to start industrial projects.

Developers have 'virtual' land banks or, in other words, have an option to buy plots of land when a manufacturer is interested in a given site. This enables developers to obtain all necessary permits beforehand, in order that they can start the development as soon as a manufacturer signs a lease contract.

Legislation is widening in terms of public grants. One does not need to be the owner of a building to receive public grants, so tenants can also receive state aid. Such financial support paves the way for new developments.

Manufacturers can choose between buying or renting an existing facility or built-to-suit projects. These options will be described in the next chapter.

Robert Dobrzycki
Managing Partner for
Panattoni Europe in
Central & Eastern Europe

"The continued improvement of the Polish motorway network, combined with the competitive advantage of labour costs, favours moves by manufacturers into Poland and a further consolidation of different plants located around Europe.

A trend that we see today is that manufacturing companies are increasingly interested in Special Economic Zones driven by grants & incentives compared to established industrial parks where real estate can be let on relatively shorter term leases and where labour pool availability is an advantage.

Panattoni has a long term track record in developing warehouse and production space. We do not only construct built-to-suit production facilities but also adjust existing warehouse space for production purposes.

Examples of production BTS projects which we have either completed or are still under construction include: Pilkington in Tarnobrzeg (SSE), 35,000 m^2; Zelmer in Rzeszów (SSE), 32,500 m^2; and Lear in Legnica (SSE). Examples of production facilities in established parks include: Recticel in Panattoni Park Łódź South, 21,000 m^2 and Knauf in Panattoni Park Wroclaw II, 19,000 m^2."

Bartosz Mierzwiak
Vice President & Market Officer
Prologis Poland

"When building their distribution network, manufacturers do consider locations from which they can serve more than one country or a few submarkets and have easy access to a skilled labour force. We mainly receive requirements for space in Upper and Lower Silesia which, next to Warsaw, Poznań and Central Poland, are the most developed, dynamic and mature markets.

A trend that we see is that manufacturers prefer to invest in their know-how rather than in real estate assets. They are more eager to accept leasing standardised market facility shells with the interior adjusted to their specific needs. Of course, they are still interested in dynamic markets with a skilled labour force and well developed infrastructure. Sustainability is also becoming a crucial topic in their business.

Manufacturers account for approximately 15% to 20% of Prologis' portfolio in Poland and therefore are one of the main target groups to which we address our global experience in the development of tailor-made industrial facilities. As a global market leader, we have co-operated with customers from various industries and met their diversified, individual requirements."

6. Real Estate: Rent or Buy? That's the First Question to Ask!

The decision to rent or buy a production facility is one of the first which should be taken in terms of real estate. This decision largely depends on the goals of the manufacturing company, the time needed to be operational, expansion plans, and the desired flexibility. Consideration is also given to tax implications, the cashflow position and the availability of real estate in a specific location.

Three rental and three purchase methods for real estate will be described in this chapter, as well as their implications and timeframe.

Rent a facility? Three main options

Option 1 : A Built-to-Suit facility on a **greenfield** site

Built-to-Suit (BTS) is a dedicated building developed specifically to suit the particular needs of a given investor.

The entire investment process is led by the developer, who :

- presents the site offers;
- proceeds with the 'due diligence' of the selected site;
- purchases the chosen site (subject to a binding agreement with the investor);
- finances and supervises the entire development process;
- hands over the building to the investor in the form of a leasehold.

The investor acquires a building :

- in the form of a leasehold, based on a lease agreement (typically a minimum lease length of 7-10 years and usually a rent-free period is negotiated);
- designed and constructed according to the **investor's requirements** (location, technical specification, shape of the building, purpose of the facility – e.g. heavy production, light production, warehouse-sorting plant).

In this scenario the investor :

- does not have to commit any funds for the purchase and there are no initial payments;
- can benefit from additional incentives such as being located in a Special Economic Zone.

Option 2: A Built-to-Suit facility in a warehouse park

Built-to-Suit (BTS) in a Warehouse Park is a specific form of BTS project, where the specially designed facility is developed as a part of an existing or planned warehouse park.

The main differences between a 'classic BTS' and a BTS in a Warehouse Park are:

- shorter timeline for the process;
- the selection of the site is determined by the developer's portfolio;
- the construction of the premises can start almost immediately, as the site is typically equipped with the necessary infrastructure and connections. Usually the developer already holds all environmental and building permits required.

The location of the BTS project

- is determined by the developer's site portfolio;
- is limited to the logistics hub/main industrial regions in Poland, next to motorways, national road junctions and by-passes, which does, however, improve the transport connectivity.

Option 3 : Leasehold **of an existing building**

Is this scenario the investor becomes the lessee of a building in one of the parks located in the main logistics regions in Poland.

- The investor signs a lease agreement, with the typical minimum lease length being 3 years.
- The use of the space is determined by the developer (storage space, light production, etc).
- The leased premises have a standard technical specification.
- The space can be adapted to the lessee's needs, although the scope of such change is limited.
- Adaptations can be financed by the lessee or by the developer; the cost may be paid as additional rent or offset against incentives.
- In most cases, in order to benefit from tax exemptions, Special Economic Zone status has to be granted to the location, subject to meeting formal criteria.

This option is preferable for investors who :

- need the space as soon as possible;
- only require a small production space;
- can conduct their manufacturing services in a standard A-class warehouse which has been adapted to their needs.

Bridgestone plant in Poznań

Buy **a facility**? Three main options

Option 1: Fee development

Fee development is a form of cooperation between an investor and a developer, where the developer takes all the responsibility in the development process and provides the investor (i.e. future owner) with a facility built on the Investor's site and according to the investor's technical specification.

The developer:

- proceeds with the due diligence of the site (which has already been purchased by the Investor or is purchased by the Investor as part of the process);
- incorporates the site into the Special Economic Zone (if necessary);
- is responsible for financing and leasing the whole investment process;
- negotiates with the general contractor, provides all environment and building permits, telecom connections, road access, construction, permit for use and all paperwork for authorities and contractors;
- delivers the building according to the exact timing and technical specification required by the investor;
- having finished the development, hands over the building to the investor in the form of a freehold title.

After completion of the whole process, the investor:

- is the owner of the site and the building;
- operates in a building, which has been designed and constructed according to the investor's specific business requirements;
- can benefit from Special Economic Zone CIT exemptions.

Option 2: Own development

The investor leads the whole development process. This involves :

- proceeding with due diligence and purchasing the site (preferably within a Special Economic Zone);
- determining the technical specifications for the premises;
- being responsible for all paperwork and permits with regard to authorities and contractors;
- organising the tender for an architect and negotiating the conditions;
- organising the tender from general contractor among construction companies and negotiating conditions;
- supervising the whole development process.

The funding of the project is the responsibility of the investor.

The investor is the owner of the site and constructed building.

The length of the project development is dependent on the investor.

Option 3: Acquisition of an existing building

In this scenario the investor acquires an existing building, and the land it is on, according to technical specification and location preferences.

The building can be adapted to meet all of the investor's requirements and the Investor bears all the costs regarding any improvements.

Bridgestone expands in Poland

Bridgestone is expanding its Poznań plant for additional production of tyres for passenger cars, starting from January 2012 and has recently announced that it will increase its Stargard truck and bus tyre factory capacity by more than 50% by the second half of 2014.

Bridgestone entered Poland in 1994 and started its production operations in Poznań in 1998. Today, the Japanese Bridgestone Corporation operates four production plants (the tyre production plants in Poznań (25ha) and Stargard Szczeciński (10ha), a rubber track plant in Żarów and an industrial and technological product plant in Wolsztyn), a regional sales company and the European finance & accounting back office in Poland.

"These expansions of the plants are an important step in increasing the locally sourced supply ratio for our European sales, as well as recognition of the high quality of the production and of our trust in the workforce in our plants" commented **Mr Armand Dahi, Managing Director East Europe Region at Bridgestone**.

In Poland Bridgestone either acquired greenfield land to build its own plants or took over existing facilities. The Japanese manufacturer employs more than 2,400 people in Poland.

Overview of the permit process

Once the decision has been made as to how the property will be acquired, it is necessary to go through the steps of the various legal and technical procedures in order to obtain an occupancy permit and to be allowed to operate a constructed or refitted facility. The standard project delivery procedures are outlined in table below with the provided average duration of each step being based on the typical project and typical location.

The **first step** consists of the technical due diligence of the site and the investigation of whether the property is contained in the local master plan or, if a planning decision will be required. In addition, utilities connection and various consents relevant to the development, need to be obtained together with the environmental decision.

The second step is drawing up a building design suitable for the building permit in order to obtain a valid building permit which will allow the construction of the facility.

Finally, the commissioning and occupancy permit procedure should be followed in order to receive the final, valid occupancy permit which will allow the operation of the facility.

Permit process and estimated timing

	Site selection				
Step 1	**Technical due diligence (audit) of the plot (2** to 5 weeks)				
	Zoning (Planning Decision required if there is no Local Master Plan)	Environmental decision	Utilities connection consents	**Building permit** design development	Additional consents which may be required for a particular development plot: - archaeological survey - tree cutting permits - rainwater discharge permit
	(3 to 6 months)	(3 to 6 months)	(2 months)	(2 to 5 months)	(2 to 6 months)
Step 2	**Obtaining** a valid **building** permit (3 to 6 weeks)				
Step 3	**Construction** (20 to 40 weeks)				
Step 4	**Obtaining** a valid occupancy permit (3 to 6 weeks)				

The above durations represent observed actual times of delivery for typical project in a typical location. In more complex situations the given forecasts might not be sufficient to complete the particular activity. Source: Jones Lang LaSalle, 2012.

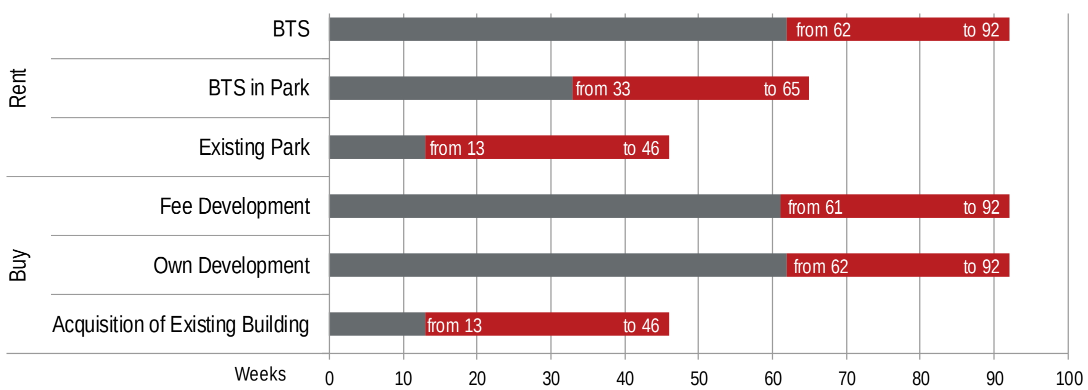
How quickly to be operational?

This largely depends on the option chosen, which is discussed in the previous chapter. The options involving BTS for renting or the fee development or, own development of a facility in a greenfield are the longest processes to realise and have to go through all four steps which are described in the above table. This takes approximately 62 to 92 weeks from the selection of a greenfield site to an occupancy permit being issued.

The process of renting a facility that will be constructed according to the manufacturer's needs (BTS) but, located in an existing park, will take less time (33 to 65 weeks) as the different permits or work may, in many cases, already be available, including infrastructure work and environmental decisions. The building permit can also be obtained beforehand so the work can start as soon as the decision as to the particular site is taken and in parallel, modification to the existing building permit will be requested to incorporate the specific building requirements of the investor/manufacturer.

Renting or acquiring an existing facility is the fastest way to become operational in the market. Only the modification of the existing premises (up to 10 weeks) and/or the request for the occupancy permit will be needed.

Time frame of the different rental and sales options



Source: Jones Lang LaSalle, 2012

Market practice **for leasing or acquiring** industrial space

Leasing space	
Lease length	typically three to five years; seven to ten years more common for BTS projects.
Rental basis	paid monthly in advance with rents denominated in Euro but paid in Zloty.
Lease agreement collateral	bank guarantee or cash deposit equivalent of three to six months' rent and service charge, all increased by VAT.
Rent increases	annually, according to Harmonised Index of Consumer Prices (HICP).
Repairs	internal, tenant; external/structural and common areas, landlord, although recovered through service charges.
Insurance	landlord covers costs of building insurance (recovered through service charges), tenant covers insurance of its own premises, contents and civil liability.
Agency fees	15% to 25% of the annual rent, increased by VAT, depending on the lease length. Fees are typically paid by the landlord. Remuneration may be also calculated as a percentage of monthly rent or a percentage of the total value of a lease contact. In case of renegotiations on behalf of the tenant, remuneration paid by the tenant may be based on the percentage of the savings secured for the tenant.
Service Charges	ranges between 60 to 85 Eurocent / m² / month.
Reinstatement	negotiable lease by lease.
Other developers' incentives	partial or full fit-out, or rent-free periods: common practice in the market, usually in the range of four to eight months' rent (in the case of a 60-month lease). Rent-free periods and fit out contributions depend on the transactional volume and lease length.
Rental Cost	largely depends on the fit-out requests.

Purchasing space	
VAT	Asset sale: 23% VAT on buildings and land (commercial properties) or, in exceptional cases (if a transaction classified as the sale of an enterprise), civil-transaction tax in the amount of 2% of the transaction price. Buyers are now more frequently applying for tax rulings confirming that VAT can be charged on asset sales and refunded by the tax office thereafter. Rulings take up to three months to obtain, but guarantee no tax office interpretation risk on real estate transactions. **Sale of shares**: 1% of the NAV (net asset value).
Court registration fees	real estate transactions are subject to fixed court registration fees, not linked to the volume of the contract, e.g. PLN 200 (approx. EUR 48) for the entering of the right of freehold or perpetual usufruct to the Perpetual Book.
Notarial fees	vary according to transaction price, but no more than 6 months' average salary in the domestic economy for the previous year.
Agency fees	typically 3% of purchase price, plus VAT at 23%.
Land prices	largely depends on the location of the site: if the site is located in the vicinity of a city or within a city, EUR 30 to 60 /m²; if the site is located further away from a city; EUR 10 to 20/m².

Source: Jones Lang LaSalle, 2012

7. Real Estate Acquisition

How to **acquire a property as a foreign company?**

Rule

As a rule, under current regulations (the Act on the Acquisitions of Real Estate by Foreigners, the "**Act**"), foreign nationals (individuals and entities) must obtain a permit from the Minister of Internal Affairs if they:

(1) wish to purchase real estate in Poland or

(2) wish to purchase shares in a commercial company that has its registered office in Poland or

(3) execute any other legal transaction involving such shares, if a company that is the owner or perpetual usufructuary or real estate becomes, as result of the purchase or other transaction, a 'controlled' company; or

(4) wish to purchase or subscribe for shares in an already controlled commercial company with its registered office in Poland, if the company is the owner or perpetual usufructuary of real estate in Poland and the shares are purchased/subscribed for by a foreign investor that is not a shareholder in that company.

In the Act, a 'foreigner' is defined as:

- a person who is not a Polish citizen; or
- a legal person with its registered office outside Poland; or
- a partnership of the persons mentioned in the points above with its registered office abroad, established in accordance with the law of the relevant foreign country; or
- a company or a legal person with its registered office in Poland controlled directly or indirectly by the companies or person/s mentioned in the points above.

The **acquisition of** real estate **by investors from** the EEA[7] and Switzerland

The exception to the above rule is that citizens and entities (including companies) from EEA countries and Switzerland do not have to obtain a permit to acquire real estate or shares in companies which are owners or perpetual usufructuaries of real estate, unless the real estate comprises forest or agricultural land; this restriction will continue to apply until 2 May 2016 (there are, however, some additional exceptions to this restriction).

The **acquisition of** real estate by investors **from** outside the EEA and Switzerland

Given the above, the requirement to obtain a permit from the Minister of Internal Affairs to acquire real estate or shares in a company that is the owner or perpetual usufructuary of real estate currently applies mainly to foreigners from outside the EEA and Switzerland.

[7] European Economic Area (EU-27 members plus Iceland, Norway and Lichtenstein)

What are the different types of property rights in Poland?

Full ownership

Full ownership is the legal title which gives the broadest ownership rights, as in all other EU member states. Public owners of real estate (the State Treasury, local authorities, other public bodies) are not privileged over private ones.

Transfer of full ownership occurs upon the execution of the relevant sale deed. Sales deeds are drawn up in notarised form and need to be registered in the applicable land and mortgage register. Such registration makes the information about the transfer public and creates the presumption of public knowledge of the transfer.

Perpetual **usufruct**

Right of perpetual usufruct is one of the most important property interest in land and specific to Poland, its scope is very close to that of full ownership. It arises from the historical reluctance of the state to hand over control of property to full private ownership.

These rights are transferable, alienable and mortgageable rights to use property. Perpetual usufruct can be granted in relation to state-owned (and situated within the administrative borders of a city or beyond those borders but within the area included in the development plan for a city) or local government owned real estate for a specified period of time of between 40 and 99 years, after which it expires unless extended for another period of between 40 and 99 years. Buildings and other installations situated on land that is subject to a right of perpetual usufruct are owned by the perpetual usufructuary.

The usufructuary is required to pay an annual fee to the state or the local government unit. The broad rights granted to the usufructuary result in the rights of the owner (i.e. the State Treasury or local government unit) being limited in that it may neither encumber nor sell the property to a party other than the usufructuary.

Other titles

Polish law also provides for the following real estate interests:
Lease (najem) – the right to use a property for a definite or indefinite period of time subject to payment.

Tenancy (dzierżawa) – the right to use and collect profits from real estate for a definite or indefinite period of time, subject to payment.

What is the acquisition processes **when acquiring from** private or public entities?

The different steps in the process when acquiring real estate (warehouse or production facility) or land from a private party, a Public Entity or a Special Economic Zone are briefly described in this chapter.

Acquisition from a private party

This acquisition process is straightforward and comparable to other EU countries. 'Private party' refers to a private individual or entity.

Process **when buying from a** private party
⇨ *Negotiation process*
⇨ *Preliminary Agreement (not obligatory)*
The period between the preliminary agreement and the purchase agreement can be used to obtain financing. The vendor is obliged to make certain that the title to the real estate is clear and capable of being conveyed to the buyer. The deposit is between 10% and 15%.
⇨ *Purchase agreement*
The purchase agreement is signed as a notarial deed.

Acquisition from a public entity

A significant proportion of real estate in Poland is owned by the Polish State and local authorities. The sale of state-owned real estate is regulated by the Act on Real Estate Management of 21 August 1997. Such real estate can generally only be sold via **public tender**; however, in certain cases a tender is not required. The Act also indicates a list of entities which are vested with the priority right to acquire state-owned real estate and, therefore, they must be called to exercise their right before the tender can be announced.

Tender process **when buying from a** public entity
⇨ *Initial contact public entity and investor*
Direct contact between parties where the potential buyer expresses interest in a specific property.
⇨ *Valuation*
The public authority set the initial asking prices based on the valuation by an independent valuer.
⇨ *Preliminary agreement*
The public authority takes a decision on the continuation of negotiations based on the submitted documents. If the decision is positive, the public tender process is started.
⇨ *Public tender process*
Publish information / Placement of announcement. A specification of the real estate which is designated to be sold is publicly announced, along with a detailed description of each real estate (legal status, the area, the purpose, the price, etc). It is displayed for 21 days in the office of the above local authority and on their website and published in a local newspaper at least 30 days before the planned date of the tender. **Purchasing terms of** tender. **Payment of deposit specified in the** terms. Provide a cash deposit tender guarantee; not less than 5% and not more than 20% of the initial price. **Submission of an offer by the investor.** The investor winning the tender can purchase the real estate. **Inform the successful bidder**. The public authorities should inform the successful bidder about the date and place for signing the property purchase agreement.
⇨ *Purchase agreement*
Signing of the purchase agreement within 21 days of the completion of the tender process. The purchase agreement is signed as a notarial deed.

Investment land – **Prologis Park Wrocław V (Nowa Wieś Wrocławska)**

Acquisition from a Special Economic Zone

A Special Economic Zone is a special type of public entity. There are two kind of procedures for an investor wishing to obtain a permit to start an economic activity within a SEZ:

- if the SEZ is not the owner of the land, the negotiation procedure is only related to granting the permit;
- if the SEZ is the owner of the land, there is a joint tender procedure related with both granting the permit and selling the land, which will be discussed hereunder.

Joint **tender procedure when buying from** an **SEZ**

⇨ *Initial contact between the SEZ and the investor*

Direct contact to communicate information on the property and specific SEZ conditions.

⇨ *Location proposal by the SEZ*

Proposal based on the initial info provided by the investor.

⇨ *Letter of intent submit by the investor*

The official investment plans of the investor express the will to start advance talks and procedures.

⇨ *Preliminary Agreements*

The SEZ takes a decision on the continuation of negotiations based on the submitted documents. If the decision is positive, the public tender process is started.

⇨ *Public tender process*

Placement of announcement. The SEZ places an announcement in the national press / website for the invitation to the public tender to select an investor.

Purchasing terms of tender.

Payment of deposit specified in the terms.

Submission of an offer by the investor. All the requested documents by the SEZ need to be completed, including a description of the planned business, the price offered for purchasing the real estate property, a copy of a receipt for the deposit paid, etc).

Commission of tender. Offers which receive the required number of points by the commission of the tender are qualified for further proceedings.

Negotiations. The commission of the tender negotiates with the investors the final location, size and price for the real estate, dates and terms of payment, participations, obligations regarding the amount of investment expenditure, number of new jobs and goods to be produced, terms of the licence to conduct business activity in the SEZ.

⇨ *Signing the agreement Joint Tender*

The **SEZ grants** the investor a permit to contract economic activity within the zone.	The **SEZ and the investor sign a land sale agree**ment.

The whole procedure, starting from the day of publishing the invitation in the press, usually does not last longer than two months.

Faurecia production plant in Gorzów Wielkopolski

8. Setting-up a Business

Introduction

There are many legal forms available for doing business in Poland. Most of them are available to Polish investors and foreign investors based in EU and EFTA member countries, or countries which have entered into specific international agreements with the EU. Below we present the most popular legal forms of setting up a business in Poland.

Joint-stock company (spółka akcyjna – S.A.)

The formation of a joint-stock company involves the following:

- execution of the articles of association by the founding members;
- the shares being paid up in accordance with the law;
- appointment of a management board and a supervisory board;
- the company being entered in the commercial register (part of the Polish Court Register).

The articles of association should be drawn up in the form of a notarial deed and signed by the founding members. All founding members should provide the notary with documents confirming their legal status (e.g. for a foreign corporate shareholder, an excerpt from the appropriate commercial register or a deed of incorporation that usually has to be validated by way of an apostille or in a Polish embassy or consulate, together with a sworn translation into Polish).

The company is then registered by the registration court. The following documentation should be filed with the court:

- application for registration signed by all the members of the company's management board;
- the company's articles of association and share subscription statements in the form of notarial deeds;
- a statement signed by all management board members to the effect that the shares have been paid up as provided for in the articles of association and in accordance with the law;
- proof that payment for the shares has been made to the bank account of the company in organization certified by a bank or brokerage house; if the articles of association provide for share capital to be covered by in-kind contributions after the company is registered, the appropriate statement made by all the management board members must be attached;
- a document showing that the members of the company's authorities have been appointed, together with a list of their names;
- the relevant permit or evidence that the articles of association have been approved by a competent administrative authority if such documents are required for the company's incorporation;
- specimen signatures of all the management board members.

For the company to become fully operational, the statistical office should be notified, whereupon the company will receive its own statistical identification number (REGON). The company will also need to apply to the tax office for a tax identification number (NIP). There is a statutory requirement for a joint-stock company to carry out an annual audit.

The key features of the joint-stock company are:

- Its shareholders are not personally responsible for the company's liabilities.
- The **minimum share capital** requirement is PLN 100,000[8] (EUR 23,810). The value of each share must be at least PLN 0.01 (1 grosz).
- The authorities of a joint-stock company are the shareholders' meeting, the management board and the supervisory board.

Limited liability company (spółka z ograniczoną odpowiedzialnością – sp. z o.o.)

Incorporation of a limited liability company generally involves the same procedure as incorporation of a joint-stock company. A limited liability company may have only one shareholder, though it cannot be formed solely by another limited liability company with one shareholder. A limited liability company does not necessarily have to be audited every year

- The **minimum share capital** in a limited liability company is PLN 5,000 (EUR 1,190) and it must be paid up in full before registration. The nominal value of one share cannot be less than PLN 50 (EUR 11.9).
  A shareholder can hold either one share (when shares are divisible and unequal) or more than one share (when they are indivisible and equal). Preference shares may be issued. The transfer or pledge of a share or part thereof in a limited liability company should be made in written form with signatures certified by a notary.
- The authorities of a limited liability company are the shareholders' meeting and the management board.
- A supervisory board or audit committee is optional, unless the limited liability company has a share capital of more than PLN 500,000 (EUR 119,000) and more than 25 shareholders.

Sole proprietorship (indywidualna działalność gospodarcza)

This form of business entity is widely used in Poland, especially for **small enterprises**. It is not subject to any special regulation except for the Act on the Freedom of Economic Activity. A natural person may conduct economic activity in this form using either his/her name or the name of the enterprise.

A person using this form of economic activity is liable for all obligations arising from it with all his/her personal assets.

[8] EUR 1 = PLN 4.2 (stated EUR amounts only as indication)

9. Tax Structure in Poland

Corporate tax rate (CIT)

Polish resident companies (that have either its registered office or place of management in Poland) pay corporate income tax on their worldwide income and capital gains. Non-resident companies are taxed only on income and capital gains earned in Poland, unless a specific double tax treaty (DTT) provides otherwise.

The **standard corporate income tax rate** is 19%.

Corporate income tax is payable annually. However, advance monthly payments usually have to be made when cumulative income in a tax year is recorded (quarterly in the start-up year). In certain circumstances, special rules on simplified advance monthly payments or a payment deferral mechanism may be applied. The tax year generally consists of twelve consecutive months and usually corresponds to the calendar year.

The standard withholding tax rate is 19% on dividends and 20% on interest and royalties. The rate may be reduced inter alia under a DTT upon presentation of a certificate of tax residence.

Personal income tax (PIT)

Individuals who are domiciled (resident) in Poland pay tax on their worldwide income. Under an amendment to the law (in force since 2007), an individual is deemed to be tax resident in Poland if:

- His/her centre of vital interests is in Poland, or
- He/she stays in Poland for more than 183 days in a tax year.

Limited taxation (e.g. on Polish source income only) applies to those individuals who are not domiciled (resident) in Poland. For those who qualify for limited tax liability, income from board duties (under certain conditions) and Polish civil contracts such as personal services contracts or specific task agreements may be taxed at a flat rate of 20%.

Personal income tax is payable on most sources of income, including cash and in-kind benefits, which are taxable as salary.

Interest income from personal, e.g. non-business, bank accounts and income from dividends are subject to 19% withholding tax and are not further taxed. Capital gains on the sale of shares are also subject to 19% tax, while gains earned on the disposal of other assets may be taxed as normal income.

Current personal income tax rates are as follows:

- income up to PLN 85,528[9] (EUR 20,363): 18% of assessment basis minus PLN 556.02 (EUR 132);
- income over PLN 85,528 (EUR 20,363): PLN 14,839.02 (EUR 3,533) + 32% of any amount exceeding the threshold.

For some individuals (e.g. the self-employed or members of civil partnerships) a flat 19% tax rate is available if certain conditions are met.

An annual return disclosing all income sources and showing any additional tax payable must normally be filed (and the tax due paid) by 30 April of the following year. Polish employers must withhold tax from their employees' taxable salary and remit it to the tax office by the 20th day of the month following the month of payment.

Value Added Tax (VAT)

Under Polish VAT regulations, VAT is payable on the following transactions:

- supply of goods and services in Poland for consideration. Supply of goods includes the handing over by a taxpayer of business-related goods for non-business-related purposes, e.g. donations. However, VAT is not payable on a supply of samples, small gifts and printed advertising and informational materials;
- export of goods from outside the EU/ import of goods from outside the EU;
- intra-Community acquisition of goods (from the EU) carried out for consideration in Poland; this includes the movement of goods between different Member States within the same business (movement of own goods);
- intra-Community supply of goods (to the EU); this includes the movement of goods between different Member States within the same business (movement of own goods).

VAT taxpayers are legal entities, unincorporated organisational units, and individuals that independently carry on business activity, regardless of the purpose or the effect of such activity. VAT is paid by Polish entities that are recipients of services rendered or goods supplied by taxpayers that do not have their registered office, fixed place of business, or place of residence in Poland.

VAT is also paid by entities:

- performing intra-Community supplies of new means of transport;
- carrying out intra-Community acquisitions in Poland, or
- performing distance sales to Polish customers in excess of the threshold of PLN 160,000 (EUR 38,095).

The **standard VAT rate** in Poland is **23%** from January 2011.

There are also reduced rates of 8%, 5% and 0% on certain food, books, newspapers and the supply of a limited number of other services. A flat rate for acquisition of goods from farmers amounts to 7% and 4% for provision of personal tax.

A number of services, such as financial and postal services, are exempted from VAT.

[9] EUR 1 = PLN 4.2 (stated EUR amounts only as indication)

Notes

Notes

Information on the content providers

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The Polish Information and Foreign Investment Agency (PAIiIZ) is a governmental body which main mission is to create a positive image of Poland in the world and increase inflow of foreign investments by encouraging international companies to invest in Poland. The Agency guides investors through all the essential administrative and legal procedures as well as provides rapid access to business matters regarding investment projects. Moreover, PAIiIZ helps with finding appropriate partners and suppliers together with new locations.

On the website *www.paiz.gov.pl* an investor can find all the necessary information concerning key facts about Poland, the Polish economy, legal regulations in Poland and detailed information which could be useful for any company wanting to set up a business in Poland.

Since 2011 in PAIiIZ operates also **China – Poland Economic Cooperation Centre** as a "one-stop shop" providing comprehensive information on investment opportunities in Poland and offering support for Chinese companies during the investment process. The Centre is responsible for: promotion of Poland as a location for FDI, identyfying sources of foreign direct investment, supporting the missions and delegations from China, preparing analysis & information, maintaining regular contact with Chinese companies operating in Poland, Go China Project. More information you can find on: *www.gochina.gov.pl*

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