Invest in Poland

Polska

Investor's Guide - Poland

How to do business

2015

JP Weber

supporting decision makers

LEGAL NOTICE

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

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

JP Weber, Polish Information and Foreign Investment Agency and the co-authors in person reserve that they cannot be held responsible or liable for any damages (or losses) that may arise with regards to action taken or not taken in accordance with the information presented in this guide.

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About PAIiIZ

The Polish Information and Foreign Investment Agency (PAIiIZ) has been serving investors for over 20 years. Its mission is to increase Foreign Direct Investment (FDI) by encouraging international companies to invest in Poland. PAIiIZ guides investors through all the necessary administrative and legal procedures along the way to setting up their business.

Agency:

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

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

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

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

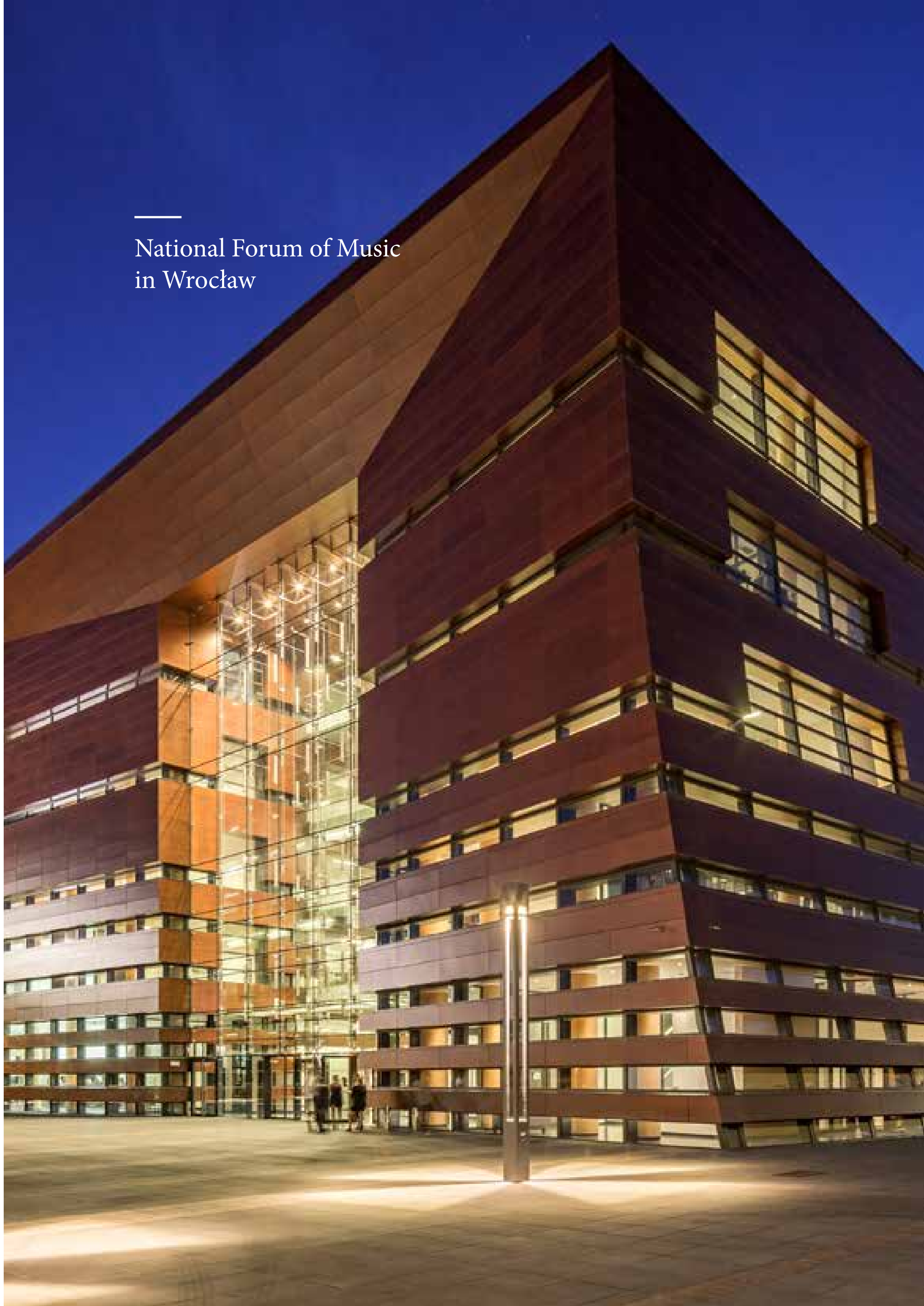
About JP Weber

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

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

JP Weber´s core competencies comprise:

- Direct Investments
- Mergers & Acquisitions
- Restructuring
- Legal Advisory
- Tax Advisory
- Financial Advisory



National Forum of Music in Wrocław

Investor’s Guide – Poland

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I.
Introduction

The numerous positive responses to our previous editions motivated us to update this guide in accordance with the changing economic environment and legal requirements. We hope that this guide will continue to create bridges and make the Polish market appear transparent as well as attractive for doing business.

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

This guide was prepared by professionals from JP Weber who are experts in their field and experienced in advising foreign companies as well as the professional know-how from PAIiIZ who supported this guide.

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

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

I.1. Why Poland?

Poland is a promising country for investors. International reports describe the Polish economy as a safe for business environment and long – term planning with a low risk of financial crisis, offering investment opportunities in connection with the modernization of infrastructure and introduction of modern technologies in the enterprise. In times of global economic crisis Poland has strengthened its position, not only in the region of Central and Eastern Europe but also all over the continent. Over the last decade Poland has been steadily improving its business environment and competitiveness of the economy. The latest 'Doing Business 2016 report', launched by the World Bank Group rank Poland in 25th place out of 189 economies worldwide in terms of ease of doing business. Poland is ranked among the top performers in the Europe and Central Asia regions and is also the leader among new European Union member states in Central Europe.

10 reasons to invest in Poland

1. SUCCESSFUL ECONOMY

Poland is one of the fastest growing economies in the entire Europe. It was the only nation in the European Union to resist the 2009 recession. Poland is going to see a positive trend in its economy in the coming years.

2. POPULATION

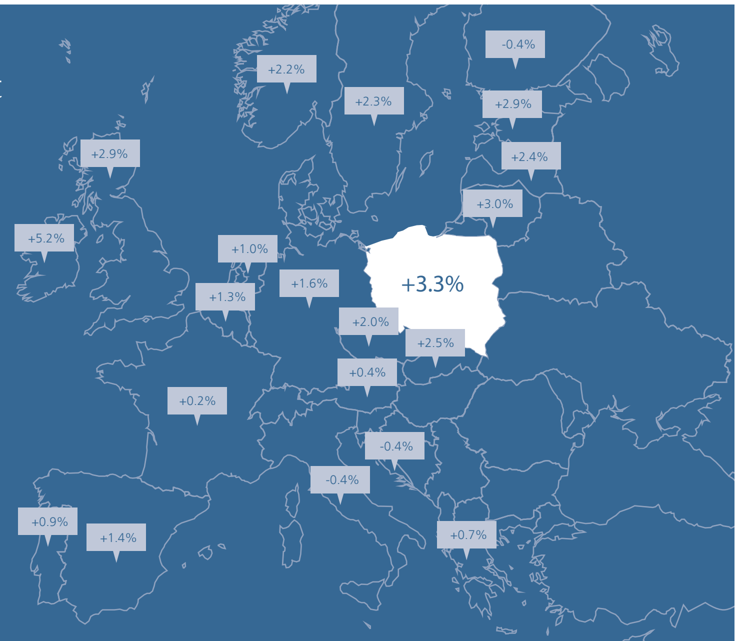
Poland has the biggest consumer market (ca. 40 M people), which has entered the European Union within the last 20 years.

3. QUALIFIED AND COMPETITIVE LABOR FORCE

Highly-qualified workers and well-educated specialists are easily available. It is connected with the fact that Poland has about 430 higher education institutions (2015). Besides of the huge number of graduates produced every year in the academic centres, there are also many young people educated by

GDP Growth 2014

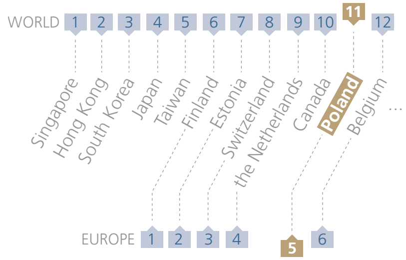
The growth is not the only reason to invest in Poland, but an indicator that the Economy is very stable



Source: Eurostat 2015

Introduction

3 International OECD Education Ranking



Source: OECD 2015

4 Centrally Located in Europe

Polish Universities of Technology. In this way Poland has experts in IT, modern technologies and other technology fields. Polish engineers and scientists are highly acknowledged across the world.

In the biggest international education ranking to date (OECD), Poland was placed 5th in Europe and 11th in the world, ahead of Britain and the United States.

4. CENTRALLY LOCATED

Poland's convenient location, in the very centre of Europe, makes the country a perfect investment destination for enterprises targeting both Western and Eastern part of the continent. From Warsaw it takes just a few hours either by car, train or plane to reach a number of Europe's major capital cities

5. LABOUR COSTS

Labour costs are still much lower in comparison to other European countries.

6. POLAND IS THE BIGGEST BENEFICIARY FROM THE EU BUDGET

Between 2014 and 2020 Poland will receive from the EU's budget – EUR 82.5 billion for the cohesion policy and EUR 32.09 billion for agricultural policy from the EU's budget. These funds will be invested in such areas as scientific research and its commercialization, the key road connections (motorways, expressways), business development, environmentally friendly transport and the digitization of the country, the inclusion of social and professional activity.

7. POLITICAL STABILITY BASED ON EU AND NATO MEMBERSHIP

As a NATO and European Union member, Poland has a proven record of political stability and commitment to free market principles.

8. LARGE DOMESTIC MARKET

Poland is one of the biggest EU member states. We are the 6th most populated country in the Union and we are the biggest market in the region of Central and Eastern Europe.

Poland's economic growth in 2014 was 3.3%, while the average for European countries equalled 1.4%. Polish GDP will grow further with approximate rates of over 2.5% in 2015 to 3.5% in 2018.

9. STEADILY IMPROVING CONDITIONS FOR RUNNING BUSINESS

The World Bank's reports 'Doing Business 2010–2016' classified Poland as the greatest improver in terms of ease of doing Business.

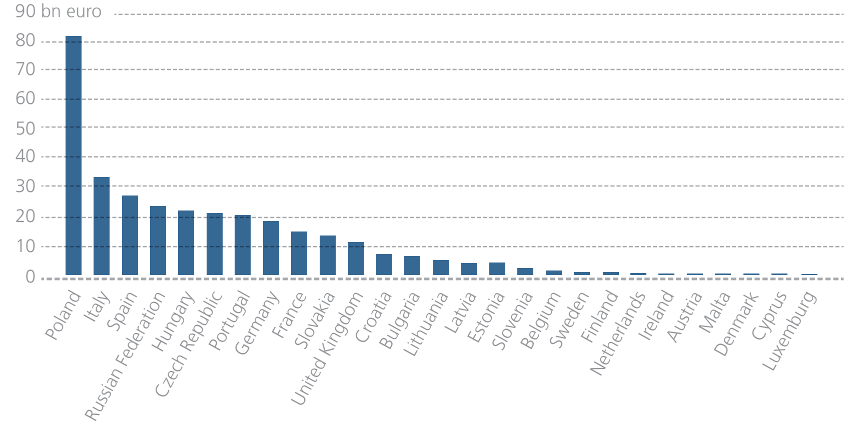
This ranking compares the degree to which a given country has narrowed its distance to the so-called frontier (representing the best performance achieved by any economy on each Doing Business indicator) in the period 2010–2016: Poland limited the distance by 13.3 percentage points, overtaking Slovenia, the Czech Republic, Croatia and Romania.

5 Labour costs per hour in euro, breakdown by economic activity in 2014

	Business economy	Industry	Construc-tion	Services	Mainly non-business (excl. public admin.)
EA18	29.2	32.0	25.8	28.2	29.1
EA19	29.0	31.8	25.6	28.0	28.9
EU28	24.5	25.5	22.0	24.3	24.7
Belgium	41.1	44.1	34.4	40.6	34.1
Bulgaria	3.8	3.7	3.2	4.0	3.8
Czech Republic	9.6	9.6	8.7	9.8	8.6
Denmark	42.0	42.1	36.5	42.6	37.1
Germany	31.8	37.1	25.5	29.0	30.2
Estonia	10.2	9.8	11.5	10.4	8.6
Ireland	28.4	32.1	26.7	27.2	33.8
Greece	14.4	15.6	12.7	14.2	15.1
Spain	21.0	23.5	20.8	20.2	22.2
France	35.2	37.0	30.4	35.1	32.7
Croatia	9.4	8.5	8.3	10.0	9.6
Italy	27.4	28.0	24.7	27.2	32.3
Cyprus	15.7	14.8	14.4	16.1	17.7
Latvia	6.6	6.2	6.5	6.9	6.5
Lithuania	6.6	6.3	6.5	6.8	6.1
Luxembourg	35.7	32.0	24.8	38.6	37.4
Hungary	7.8	7.7	6.4	8.0	5.9
Malta	11.8	11.8	9.6	12.1	14
Netherlands	33.5	c	c	c	c
Austria	31.7	34.9	30.5	30.3	30.6
Poland	8.2	8.4	7.2	8.1	9.0
Portugal	12.6	10.7	11.5	14.0	14.4
Romania	4.8	4.7	3.4	5.1	4.1
Slovenia	15.5	15.8	11.6	16.1	15.7
Slovakia	10.0	10.1	8.2	10.2	8.7
Finland	32.9	35.9	33.7	31.4	31.0
Sweden	40.2	41.8	38.4	39.7	32.8
United Kingdom	22.2	22.6	22.3	22.1	22.5
Norway	54.6	63.8	46.9	51.7	51.1

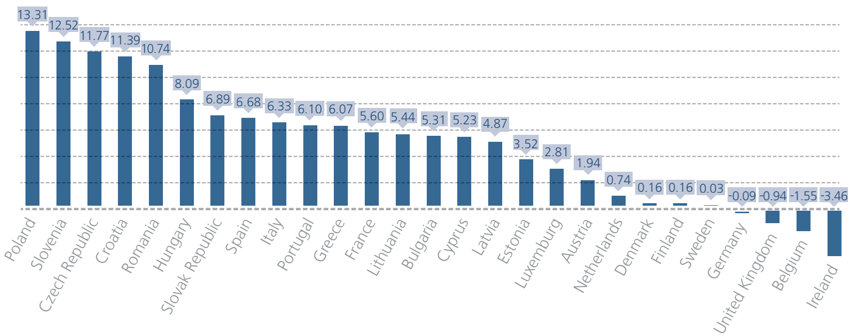
Source: Eurostat 2015

6 Between 2007 and 2020 Poland is the EU's largest recipient of funding



Source: European Commission 2014

9 Progress in narrowing distance to frontier (representing the best performance achieved by any economy on each World Bank's Doing Business research indicators) for Poland and other EU member states in the period between 2010 and 2016



Source: Doing Business 2016 Report

10 Top priority host economy for FDI Ranking

	United Kingdom	Germany	France	Singapore	Poland
Ranking 2013–2015	9	6	16	22	14
Ranking 2014–2016	7	6	12	17	13

Source: UNCTAD's World Investment Prospects Surveys 2013–2016

10. POLAND AS ONE OF THE TOP COUNTRIES IN UNCTAD'S WORLD INVESTMENT PROSPECTS SURVEYS 2014-2016

The UNCTAD's World Investment Prospects Surveys 2014–2016 ranked Poland as 13th top prospective host economy for 2014–2016 for FDI in the World, and 4rd in Europe. This means an improvement by one place compared to the previous 2013 edition of the report. It is noteworthy that among the EU Member States only the following ones were listed in the top 20 prospective host economies for 2014–2016: Germany (6th place), Great Britain (7th place) and France (12th).

According to the World Investment Report 2015, Poland was listed as the 20th global receiver of FDI and the 10th amongst developed countries in 2014.

I.2. Basic facts

I.2.1. Geographical location and climate

Poland, officially the Republic of Poland, is often considered to be the 'heart of Europe' due to its central location. Throughout history, it has served as one of the most important trade routes on the continent, connecting the north, south, east and west of Europe together thanks to its geopolitically advantageous location. Poland has belonged to the European Union since 2004, with its eastern border constituting the eastern fringe of the entire community. At 1,163 km it is the longest exterior land border of the European Union (the total length of Poland's national borders is 3,511 km). By geographical area, Poland is the ninth largest country in Europe, and the sixth largest in the European Union as a whole, with a surface area of 312,679 km^2. Its neighbouring countries are Germany to the west, the Czech Republic and Slovakia to the south, Ukraine and Belarus to the east, and Lithuania and the Russian province of Kaliningrad to the north-east. Poland belongs to the Central European time zone, GMT + 1 hour, except for between March and October when it switches to daylight saving time.

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

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

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

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

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

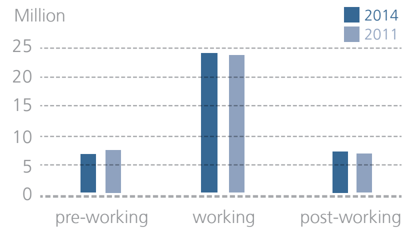
Poland has a moderate climate with relatively cold winters from December to March. January temperatures average -1°C (30°F) to -5°C (23°F), but in the mountain valleys they may drop as low as -20°C (-4°F). Summers, which extend from June to August, are usually warm, sunny and less humid than winter. July and August average temperatures range from 16.5°C (62°F) to 19°C (65°F), though some days the temperature can easily reach even 35°C (95°F). The average annual rainfall for the whole country is 600 mm a year, although isolated mountain locations may receive as much as 1,300 mm a year.

I.2.2. Population and language

The population of Poland (as of 2014) is 38.479 million people making it the seventh biggest country in Europe (omitting Russia) in terms of population and the sixth largest in the European Union in terms of area. Although the population growth has been low in recent years (the rate of population loss is -0.03% in 2014). Poland's work force is still among the youngest in Europe as of 2014, with 24.230 million people of working age as of 2014. Recent regulatory changes bound the retirement age to gradually increase up to 67 both for men and for women by 2020 and 2040 respectively. The retirement age before the changes was 60 for women and 65 for men.

Approximately 60.3% of Poles (as of 2014) live in cities and urban areas.

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



Source: Central Statistical Office, "Size and structure of population and vital statistics in Poland by territorial Division in 2014" report, 2015

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

II. Legal and business enviroment

– the most significant facts about Poland

II.1.
Political & legal stability

II.1.1. Political system

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

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

II.1.1.1. The Parliament

The Parliament is composed of two chambers: the lower house, including the Sejm, which comprises 460 deputies elected for four years through a proportional voting system in a general election. The upper house includes the Senate, which comprises 100 senators, who are elected every four years through a majority voting system. When sitting in a joint session, members of the Sejm and the Senate form the National Assembly, presided by the Marshal of the Sejm. The National Assembly is formed in case of three different situations: to adopt a new Constitution, to receive the oath from a newly elected President, or when an indictment against the President of the Republic is brought to the State Tribunal.

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

On the approval of the Senate, the Sejm also appoints the Commissioner for Civil Rights Protection (Ombudsman; Rzecznik Praw Obywatelskich) for a five-year term. The Ombudsman has the duty to guard the civil rights and freedoms of Polish citizens and residents and the implementation of the law and of principles of community life and social justice. The Ombudsman remains independent, and is responsible only to the Sejm.

II.1.1.2. The President

The President is elected via a general election for a five-year term and can spend a maximum of two terms of office. The President is the head of state, the supreme representative of the country in foreign affairs and also the Commander-in-Chief of the armed forces. He appoints candidates for the post of Prime Minister and appoints the cabinet according to the Prime Minister's proposals.

He has also the right to dissolve the parliament if it is unable to form the Government or approve the draft of the State Budget.

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

II.1.1.3. The Supreme Audit Office

The Supreme Audit Office (Najwyższa Izba Kontroli – NIK) is an institution that cannot be exactly qualified as a legislative, executive or judicial power. Nevertheless, it is one of the oldest state institutions in Poland. The NIK is entitled to audit all state institutions including the National Bank of Poland, Government and local Government administrative units and other corporate bodies and Non-Governmental Organisations which perform or receive public contracts.

II.1.2. Public administration

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

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

Currently, the Council of Ministers consists of a Prime Minister (who is the President of Council of Ministers), three Vice Presidents, four Ministers-Members of the Council of Ministers, and representatives of 19 Ministries responsible for:

Ministry	Functions
Prime Minister	Represents the Council of Ministers and directs their work, supervising territorial self-government within the guidelines and in ways described in the Constitution and other legislation, acting as the superior for all government administration workers.
Ministry of Agriculture and Rural Development	Concerned with various aspects of Polish agriculture and improving its rural areas.
Ministry of Culture and National Heritage	Concerned with various aspects of Polish culture, including the protection of its heritage.
Ministry of Energy	Is responsible for various aspects of the power sector including the mining industry, the energy policy of Poland and the EU, the energy market, energy efficiency and safety. The ministry also takes care of supervising mining companies and institutions.

Ministry of the Environment	Cares about the environment in Poland and ensures the long-term, balanced development of the country.
Ministry of Finance	Drafts Poland's budget, and deals with taxes, financing of the local self-governments and issues related to public debt.
Ministry of Foreign Affairs	Represents and protects the interests of the Republic of Poland and of Polish nationals and legal persons abroad, promotes Poland abroad, maintains diplomatic relations with other countries and international organisations.
Ministry of Health	Administrates the healthcare system, pharmaceutical policya promotes health and deals with the prevention of diseases.
Ministry of the Interior and Administration	Responsible for various aspects of administration and internal security, law enforcement, civil defence and registry functions.
Ministry of Justice	In charge of judiciary issues within the scope not reserved by separate legislation for the competence of other public bodies, and taking into account the principles of judicial independence.
Ministry of Family, Labour and Social Policy	Regulates all issues regarding the labour market and conditions, including the social security system. and family affairs
Ministry of National Education	Policy for national education. The ministry prerogatives do not include higher education.
Ministry of National Defence	Manages in peacetime all of the activities of the Armed Forces, the realisation of the general assumptions, decisions and directives in the area of national defence.
Ministry of State Treasury	Supervises and manages the State Treasury, responsible for the privatisation of state-owned enterprises and national investment funds.
Ministry of Digital Affairs	The main tasks of this new ministry are to develop broadband infrastructure, support the creation of web content and e-services and promote digital competences amongst citizens. Digitization is also key to modern administration.
Ministry of Science and Higher Education	Administers governmental activities in science and higher education and has a budget for scientific research provided by State funds.
Ministry of Sport and Tourism	Oversees sports clubs, deals with promotion and development of sports and matters related to tourism.
Ministry of Development	Is the core government centre for a variety of economic and infrastructural development roles, including creating the best conditions for business activity, development policy, regional policy, managing and distributing European Union structural and cohesion funds and eliminating spatial economic disparities.

Ministry of Infrastructure and Construction	Is responsible for managing the Republic's transportation infrastructure including motorways and expressways, national roads, the rail network, airports, and the nation's maritime transport sector.
Ministry of Maritime Economy and Inland Waterways	Has authority over, for example: shipyards, national sea carriers, fishing, port policy and maritime education.

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

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

The voivodeships are divided into powiats (boroughs/powiaty), which are divided further into communes (gminy).

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

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

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

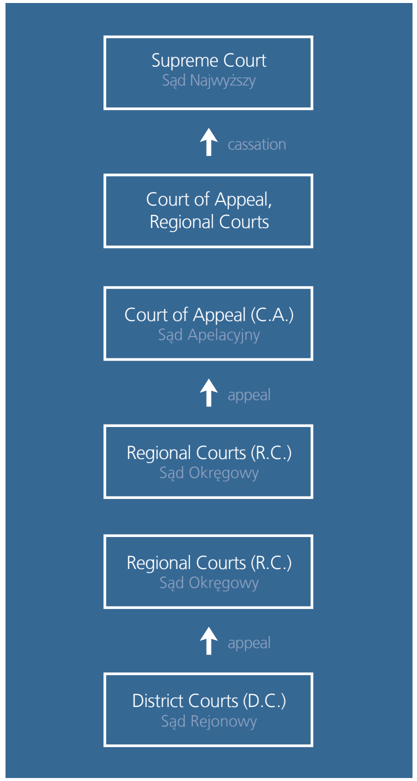
II.1.3. Legal system

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

Polish courts system

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

Polish courts system scheme



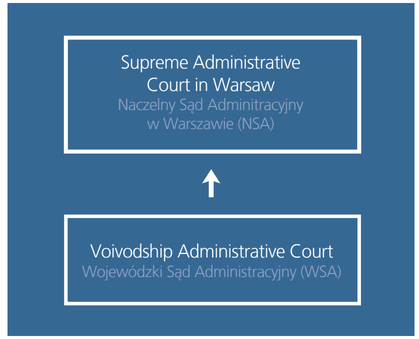
Administrative justice system

The Supreme Administrative Court is the court of last resort in administrative cases e.g. those betweens private citizens (or corporations) and administrative bodies. This court deals with appeals from lower administrative courts.

It judges the conformity of local government authority resolutions to the regulations and normative acts of local government administration authorities.

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

Administration justice system scheme



The Constitution Tribunal is a judicial body established to resolve disputes on the constitutionality of the activities of state institutions: Its main task is to supervise the compliance of statutory law with the Constitution. It adjudicates in compliance with the Constitution of legislation and international agreements (as well as its ratification), on disputes over the powers of central constitutional bodies, and in compliance with the Constitution of the aims and activities of political parties. Its judgements are final.

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

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

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

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

II.1.4. Poland international

II.1.4.1. Poland in the European Union

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

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

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

The harmonisation of Polish law, as well as access to EU structural funds, has helped to increase the attractiveness of Poland for foreign investors. The European Union is now Poland's largest trading partner. Today, after 11 years of joining European Union Poland has become a significant political player in the European Union, winning a strong political position and the reputation of a country that is predictable and responsible.

II.1.4.2. Poland in the Single European Market

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

The freedom of movement of people is very important, especially with reference to freedom of movement for workers. The last restrictions for Polish employess were rescinded in May 2011. Since then, no more national regulations of Member States may ban Poles to work within Member States (with regards to domestic rules).

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

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

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

In Poland there is an important 12-years transition period for the purchasing of agricultural land and forests, that ends on 30th April 2016.

II.1.4.3. Poland and the European Monetary Union

The next stage of integration is the accession to the European Monetary Union as well as the adoption of the Euro as the official currency of Poland. The crisis within Eurozone has put the great pressure on polish authorities to delay the adoption of the Euro. The unofficial plans are to fulfill all requirements in the next years, but the adoption of the Euro will need change of the constitution. It might be possible after the new government is formed following the Autumn 2015 election.

Political & legal stability

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

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

II.1.4.4. Poland in international organizations

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

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

OECD

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

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

NATO

NATO, the North Atlantic Treaty Organization the political-military organization was established on 24th of August 1949 basing on the Treaty of Washington in April 1949 which was signed by 10 European countries and the United States and Canada. NATO's purpose is to put the collective protection of its members as a basis for keeping peace and strengthening international security. Its main objective is to ensure – by political and military means – the freedoms and security of all its Member States. It obliges each Member State to share the risks and responsibilities, as well as the benefits of collective security. According to NATO's principles its Members shall not enter into any other international commitments that might conflict with this Treaty.

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

WTO

The World Trade Organisation was established on 1st January 1995. Poland was one of the founding countries. The main responsibility of the WTO is the liberalisation of the international trade of goods and services, investment policies of trade support, the settlement of trade disputes, and the respect for intellectual property rights. Countries acceding to the WTO are required to adapt domestic legislation

Political & legal stability

to the standards of the World Trade Organisation and to grant concessions to foreign entities. The WTO has 160 members at present, the most recent to join being Yemen. The WTO has eliminated many barriers between countries and people by reducing tariffs. The rules of the WTO (contained in agreements and contracts) are the result of negotiations among the WTO members. The core document is the General Agreement on Tariffs and Trade (GATT). GATT comprises 60 agreements, which were signed individually in specific areas by each Member State,

World Bank

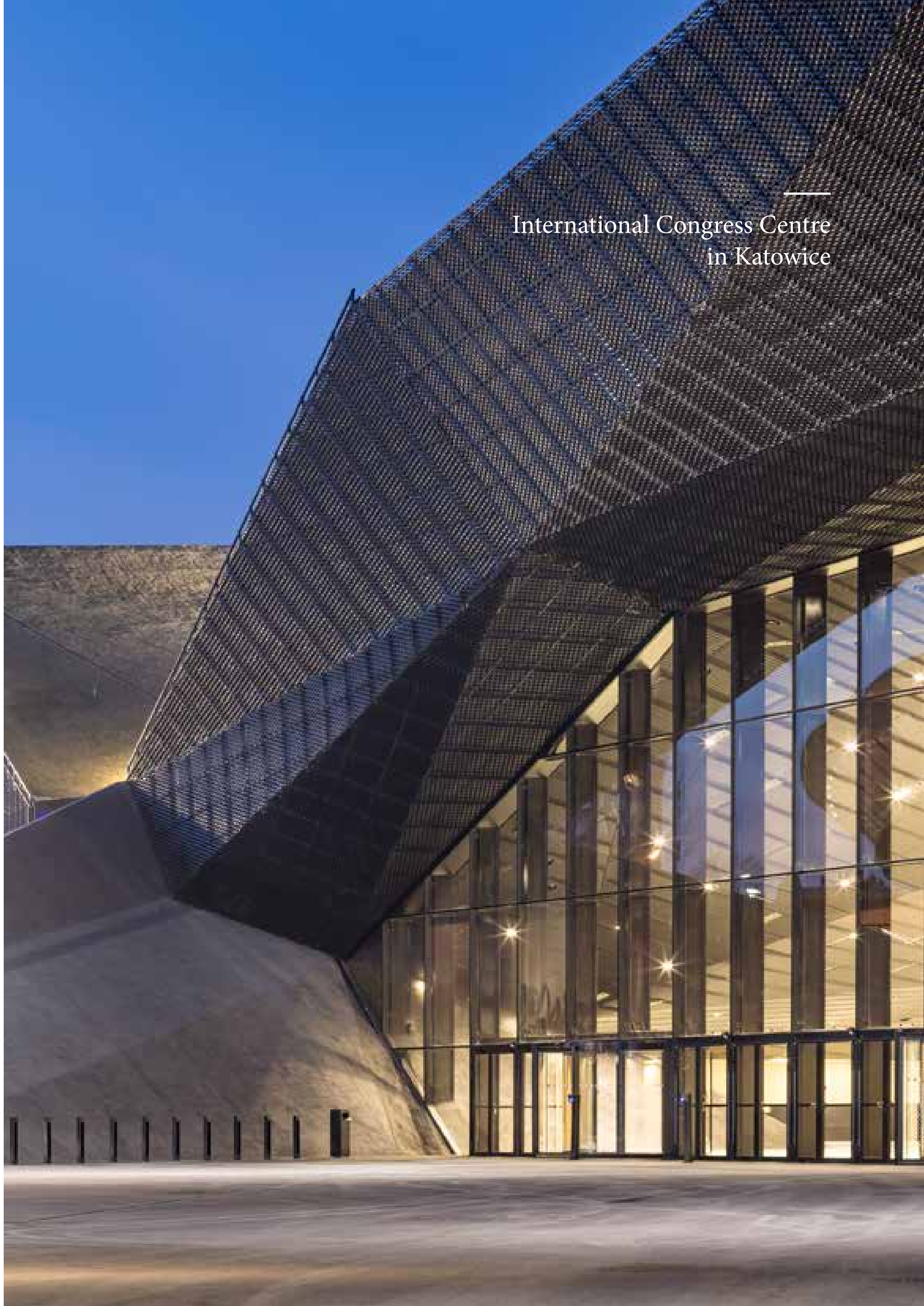
The World Bank has operated since 27th December 1945, and its headquarters are located in Washington DC, USA. Currently, its main task is to support the development of the market economy whilst combating all the causes of poverty in the world. Poland acceded to the World Bank (WB) in 1986. The President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

IMF

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

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

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



International Congress Centre in Katowice

II.2.

Macroeconomic indicators

II.2.1. Gross Domestic Product

The GDP of Poland was 546.6 billion USD in 2014. This makes Poland the 23rd largest economy in the world (better position than in 2013) and the 9th in Europe. Per capita the GDP was respectively 14.411 USD, or 25.247 USD PPP.

Polish GDP has been growing steadily for more than two decades, since 1991. The average growth in the years 1992–2008 was almost 4.5%, with the lowest rate (in 2001) 1.0%. For almost five years (between 1995–1997 and 2006–2007) Polish GDP grew at least 6% per year. Despite the major recession that many economies have struggled with since 2008, GDP growth was 3.9% in 2010 and 4.3% in 2011 according to European Commission. GDP growth rate for 2014 equalled 3.3% but the International Monetary Fund forecasts Polish GDP growth to 3.5% by 2018, and European GDP to rise to 2.0%, which places Poland in the group of the fastest growing countries.

The highest GDP in 2013 (according to latest data published by GUS in 2015) was generated in Mazowieckie voivodship (22.1% of Polish GDP) but the main contributor was Warsaw, which alone generated approximately one fifth of Poland's GDP.

The strongest region after Mazowieckie is Śląskie voivodship, generating 12.5% of Poland's GDP in 2013, followed by Wielkopolskie (9.7%), Dolnośląskie (8.5%) and Małopolskie (7.7%).

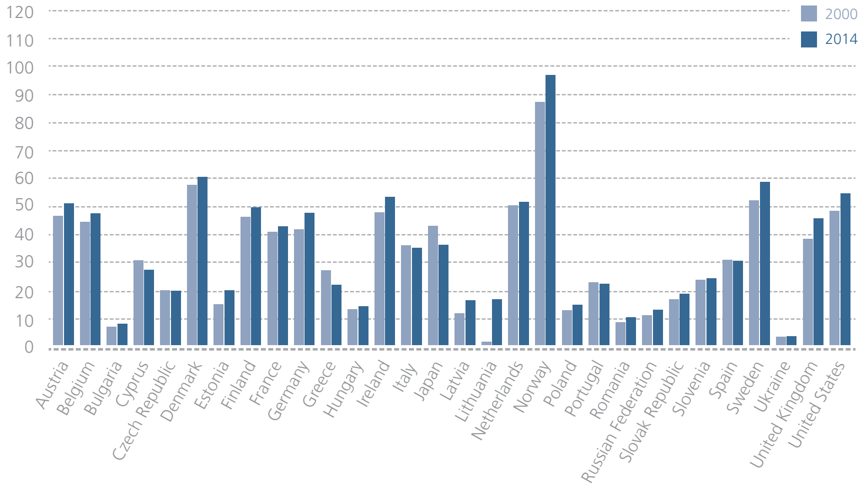
After Mazowieckie (159.1% of the national average), the biggest GDP per capita is generated in Dolnośląskie (112.1%), Wielkopolskie (108.0%), Śląskie voivodship (104.2%). The regions with the lowest GDP per capita are the voivodships of "the eastern wall": Lubelskie (70.6%), Podkarpackie (71.1%), Warmińsko-Mazurskie (72.0%), Podlaskie (72.8%), and Świętokrzyskie (73.0%).

European Economic Forecast Autumn 2015

Forecasts for Poland	2013	2014	2015	2016	2017
GDP growth (%, yoy)	1.3	3.3	3.5	3.5	3.5
Inflation (%, yoy)	0.8	1.1	2.5	1.4	1.9
Unemployment (%)	10.3	9.0	7.6	7.2	6.8
Public budget balance (% of GDP)	-4.0	-3.3	-2.8	-2.8	-2.8
Gross public debt (% of GDP)	55.9	50.4	51.4	52.4	53.5

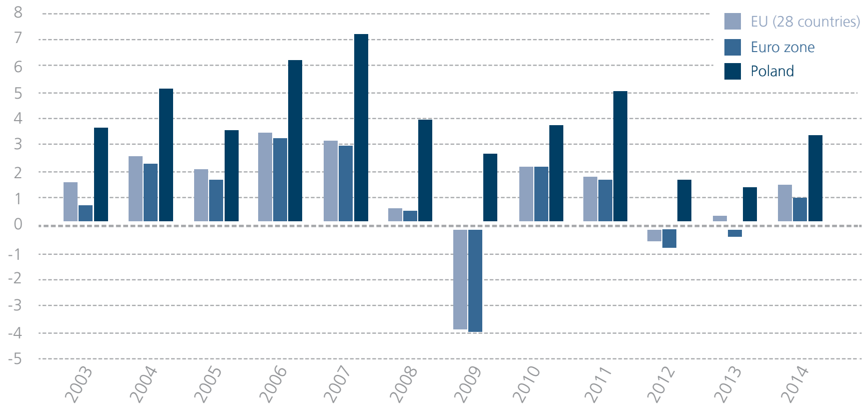
Source: Eurostat 2015

Gross Domestic Product per capita in selected countries (current USD)



Source: World Bank 2015

Real GDP growth rate



Source: Eurostat 2015

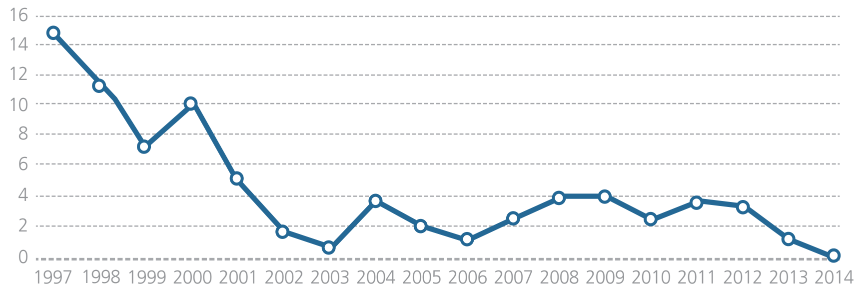
Macroeconomic indicators

II.2.2. Consumer Price Index

Consumer Price Index inflation was calculated as 0.1% in 2014, compared with the average yearly inflation of 0.8% in 2013. It is worth noting that the inflation rate was very low in 2013 and remains extremely low in 2014. The graph shows the dynamic decrease of inflation rates between 1997 and 2014. As a result of this trend in 2014, the Polish consumer price index was below average for the European Union, with a 0.7 pp change in the Harmonised Index of Consumer Prices – 0.2 pp less than EU average HICP.

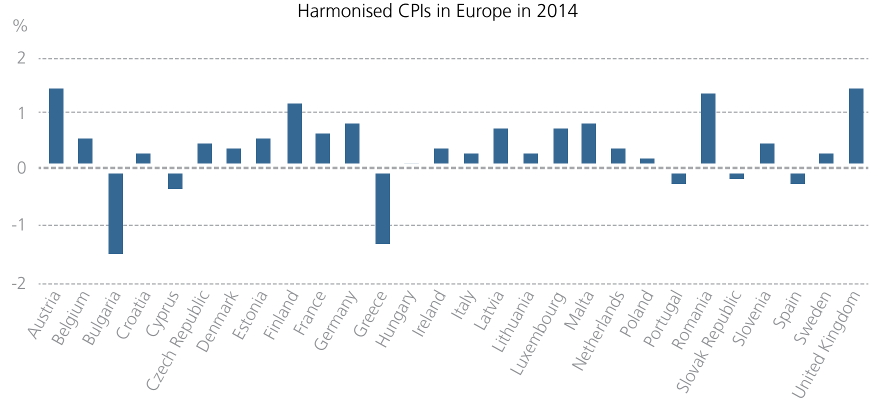
The inflation rate and GPD growth is influenced by the interest rate. The interest rate is one of the most important variables determining the functioning of a market economy. It is also one of the main instruments of monetary policy used by the Polish National Bank (NBP) to maintain the price stability in the Polish economy. The reference interest rate of

Annual average inflation (HICP) in Poland



Source: Eurostat, Harmonised Index of Consumer Prices 2015

Harmonised CPIs in Europe in 2014



Source: Eurostat, Harmonised Index of Consumer Prices 2015

Reference rate of the Polish National Bank in the years 2003–2015

Source: National Polish Bank 2015

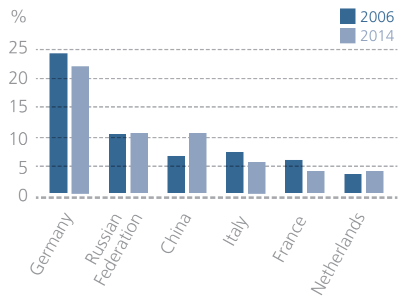
NBP has recently decreased to 1.5 pp (in 2015) as the annual inflation was lower than expected. The chart presents changes in the reference rate of the Polish National Bank in the years 2003–2015.

II.2.3. Foreign trade

In 2014, Poland imported USD 222.2 billion worth of goods and exported products and services worth USD 218.9 billion resulting in a trade balance of USD -3.3 billion. A negative balance is typical for the Polish market economy and has been one of its characteristics since the 1990's. This is due to the fact that Poland imports mostly capital goods for industry and manufacturing components rather than consumer goods. The attached graph presents the values of import and export, as well as the trade balance over the period 1996 to 2014 (in USD billion). It should be noted that over the past few years, the negative balance has decreased significantly.

With the change from a communist, plan-based economy to the present free market trade, the direction of Polish foreign trade has been reversed. Formerly, the most important trade partner was the USSR. Nevertheless, Poland has always had a high trade rate with its direct neighbours. In 1990, the first year of economic reforms, Germany became Poland's most important trade partner and remains one today: In 2014, 26.1% of Polish exports and 22.0% of imports were exchanged with Germany. What is more, in the last few years the import of goods and services from Russia achieved 10.5% of the total Polish import, which is largely due to purchases of oil and natural gas. Other key importers are: China (10.5%), Italy (5.4%), France (3.8%), and the Netherlands (3.8%), while Polish exports primarily flow to: United Kingdom (6.4%), Czech Republic (6.3%), France (5.6%), Italy (4.5%), and Russia (4.3%). The following charts present the percentage of foreign trade with the most important countries in 2006 and 2014.

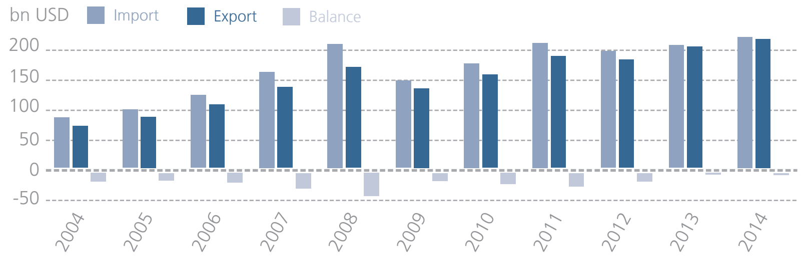
Imports



Source: Central Statistical Office. Yearbook of foreign trade statistics of Poland 2015 edition

The prolonged slowdown of the global economy has had a significant impact on Polish foreign trade. Only in 2009, the value of total trade exchange decreased by 25.1%. Although Polish trade quickly recovered in 2010 and 2011 achieving double-digit growth rates, while 2013 and 2014 had again brought an increase in the total trade with the increases in both import and export of 0.7% and 6.5% respectively in 2013, and 6.4% and 6.2% y-o-y in 2014.

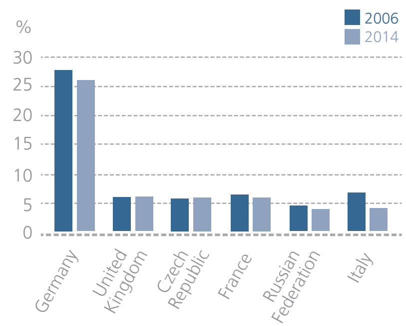
Polish Trade untill 2014



Source: Central Statistical Office, Yearbook of foreign trade statistics of Poland 2009 and 2015 editions

Poland's key trade partners in terms of export are Germany, the United Kingdom, Czech Republic, France and Italy. With all of them, except for Italy, Poland maintains a positive trade balance. Poland's import needs are reflected in a high share of goods bought in Russia and China, where oil, gas and inexpensive consumer goods are purchased. China has recently become the third largest exporter to Poland, surpassing Italy. Poland is still dependent on the trade with Germany, but in 2014 the export to Germany grew by 10.5% while import grew by 7.7% resulting in a positive trade balance of over USD 8 billion. Poland exports some 3/4 of goods to EU countries, which makes it reliant on the economic condition of the European Union.

Exports



Source: Central Statistical Office. Yearbook of foreign trade statistics of Poland 2015 edition

Foreign trade and balance is influenced by exchange rates of national currency (zł) against Euro and USD. The prolonged slowdown of the global economy and risk aversion of the investor have had a remarkable impact on Polish national currency. The value of the Polish zloty against the euro and the dollar declined explicitly in 2008–2009 and 2011–2012. Since 2013 the Polish zł has slightly dropped in value against Euro and US dollar. The following chart presents changes in the annual exchange rates of Polish złoty against Euro and USD during the years 2008–2014.

Average annual exchange rates in PLN

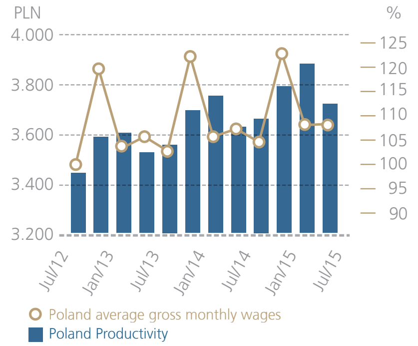
Source: National Polish Bank

II.2.4. Local cost effectiveness

Costs of Labour

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

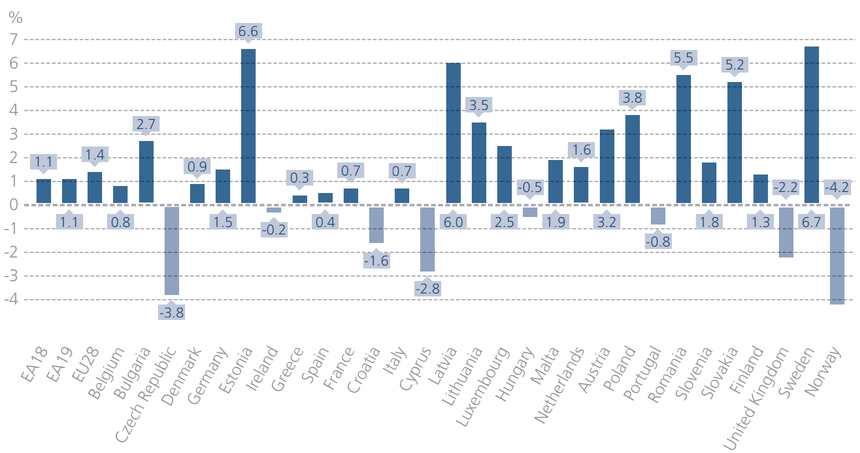
Poland productivity and average gross monthly wages



Source: Central Statistical Office, Eurostat, 2015

The next indicator shows, that in Poland, the hourly labour costs during 2013–2014 changed by only 3.8% in EUR. It is worth mentioning that the labour costs in other CEE countries changed by similar amount in

Changes in Labour costs per hour in euro, whole economy (excluding agriculture and public administration) 2014/2013



Source: Eurostat, Labour Cost Levels 2015

2014, such as 5.2% in Slovakia, 2.7% in Bulgaria or 3.5% in Lithuania. These rises in wages are the result of shortages in availability, and in this example – the qualified labour force. Since direct investment decisions are based on a longer time horizon, it is important to have a closer look at the size of the country. Bigger countries tend to develop in a more stable fashion in each of the indicators than smaller countries, where shortages and capacity limits occur suddenly and within a short period of time. Due to the fact that Poland (with almost 40 million citizens) is by far the largest country to join the EU in 2004, it can be considered rather stable when taking the actual economic core data into account.

Cost of transport

Due to the exceptional investments into its infrastructure, Poland has recently rapidly increased the number of motorways and expressways and improved its transport connections. Over 3 000 km of expressways and motorways were built in Poland, which makes it the 6th highest in the EU. In the close future, the main cities of Poland will all be connected by motorways. 2 228 km of new roads are planned to be built by 2020.

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

Hourly labour costs in European Union in 2014

Source: Eurostat, 2015

II.2.5. Deficit and government budget

Maintaining a high deficit of public finance increases the cost of capital and, by the need to handle the increasing debt, contributes to a reduction in the growth of potential GDP. The discipline of public finances is a key element of macroeconomic stability, and thus the credibility of the national economy, which is of particular importance in the dynamic period of financial turmoil and the accompanying uncertainty and the risk of sudden capital flows.

The financial results of the public sector are largely dependent on fluctuations in the economy. Over the last years, we have seen this pattern – the unfavourable macroeconomic conditions resulted in the deterioration of public finances. In Poland, however, the negative changes were much smaller than in the entire economy of the European Union.

The government budget in 2014 envisaged a deficit of 47,505.1 million PLN. Government spending had been estimated at 325,287.4 million PLN, with revenues amounting to 277,782.2 million PLN. In the end, the executed deficit in 2014 was 28,976 million PLN (61.0% of the planned value) because of the revenues were approximately 5760 million PLN higher than planned (102.1% of the estimated value), and the expenditure was around 12,768 million PLN lower than what the plan assumed (96.1% of the estimated value). In 2015 and in subsequent years, a steady decline in the budget deficit is predicted (below 3% of GDP).

The revenue, expenditures and balance of the government budget throughout 2012–2014 are shown below.

Government consolidated gross debt in 2012–2014 as percentage of GDP

Year	Poland	EU 28
2012	54.4	83.5
2013	55.7	85.4
2014	50.1	86.8

Source: Eurostat, Ministry of Finance, 2015.

According to the Ministry of Finance, at the end of 2014 the public debt calculated to the national methodology, amounted in nearly 49% of GDP, and according to the EU methodology (in accordance with the ESA2010) was about 50% of GDP. In 2014, the ratio of public debt to GDP in Poland was significantly lower in comparison with the EU (86.8%) and also the euro zone (91.9%). The decline of the public debt-to-GDP ratio in 2014 was influenced by implementation of changes in the pension system. In subsequent years, the share of public debt to GDP ratio is likely to decrease consistently. According to the Debt Management Strategy of Public Finance sector for the years 2015–2018, public debt in Poland is expected to drop to approximately 44.5% of GDP in 2018.

Revenues and expenditures in 2012–2014 – the execution of the government budget

Year	Revenues (execution) bn PLN	Expenditures (execution) bn PLN	Budget balance – surplus/deficcit bn PLN	Surplus/deficit as percentage of GDP
2012	287.6	318.0	-30.4	1.8
2013	279.2	321.3	-42.2	2.5
2014	285.5	312.5	-29.0	-1.7

Source: Eurostat, Ministry of Finance, 2015.

Malta Office Park in Poznań

II.3.
Financial markets and institutions

II.3.1. Banking and financial institutions

The banking system in Poland is built on three pillars:

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

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

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

Before 1st January 2008, banking supervision, conducted by the Commission for Banking Supervision (Komisja Nadzoru Bankowego – KNB), had a limited objective which was to ensure the safety of deposits held by banks. The aims of the PFSA are much broader and include undertaking measures designed to ensure the regular operation of the financial market (its stability, safety and transparency). Consumer issues such as dealing with complaints, financial education and codes of best practice were not considered particularly important before 1st January 2008.

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

II.3.1.1. National Bank of Poland

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

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

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

II.3.1.2. Commercial banks

As of the end of August 2015, 38 commercial banks and 28 branches of credit institutions were conducting operations in Poland.

Mergers and acquisitions are among the most important methods of growth used by commercial banks. These transactions became popular in Poland as early as the mid-1990s and have led to significant changes in the operation of the entire banking system over the following decade. As a result, the number of entities decreased, in particular those which were economically weak, with the existing banks becoming modernised and the growth potential of the financial market rising significantly. Consolidation has also resulted in the diffusion of banking activity and risk management standards elaborated by highly developed countries over the years.

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

II.3.2. Stock exchange and capital market regulations

The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A., WSE) is a joint-stock company founded by the State Treasury. The WSE began its activity in April 1991, at the time of writing investors could buy and sell on WSE stocks of almost 480 companies. In August 2007 WSE launched the New Connect – a market for young companies with a large growth potential, on which 437 companies are currently listed. The WSE, as well as the other entities operating in the Polish capital markets (i.e. investment firms and entities operating investment funds), is authorised by the PFSA (Komisja Nadzoru Finansowego). Transactions on the WSE are executed from 9.00 am to 5.00 pm (this does not apply to block trades).

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

Financial markets and institutions

The number of banks and branches of credit institutions conducting operations

Number of banks and credit institutions	2014/08/31	2014/09/30	2014/10/31	2014/11/30	2014/12/31	2015/01/31	2015/02/28	2015/03/31	2015/04/30	2015/05/31	2015/06/30	2015/07/31	2015/08/31
Number of commercial banks	39	39	38	38	38	38	38	38	38	38	37	37	38
Number of cooperative banks	566	566	565	565	565	564	564	563	563	563	563	562	562
Number of branches of credit institutions	28	28	28	28	28	28	28	28	28	29	29	29	28
Banking offices													
Number of branch offices	7,264	7,262	7,352	7,319	7,352	7,340	7,344	7,344	7,333	7,322	7,309	7,282	7,406
In Poland	7,260	7,258	7,348	7,315	7,347	7,336	7,340	7,340	7,329	7,318	7,305	7,278	7,402
Abroad	4	4	4	4	5	4	4	4	4	4	4	4	4
Number of other customer service facilities	4,987	4,979	4,851	4,857	4,872	4,873	4,871	4,865	4,848	4,842	4,818	4,720	4,714
In Poland	4,955	4,947	4,819	4,825	4,840	4,841	4,839	4,833	4,816	4,810	4,786	4,685	4,679
Abroad	32	32	32	32	32	32	32	32	32	32	32	35	35
Number of agencies	3,006	2,991	2,853	2,842	2,838	2,808	2,781	2,779	2,753	2,717	2,706	2,661	2,653
In Poland	3,006	2,991	2,853	2,842	2,838	2,808	2,781	2,779	2,753	2,717	2,706	2,661	2,653
Abroad	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Polish Financial Supervision Authority

Capital market in Poland is regulated by three main acts:

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

All of these are dated 29th July 2005.

II.3.2.1. Main and alternative markets

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

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

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

As of November 2015 the ownership of the Stock Exchange was as follows:

- 35% – the State Treasury,
- 65% – other entities including banks and brokerage houses.

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

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

Warsaw Stock Exchange operates in financial instruments on two markets:

Main market

- The WSE Main Market has run since the Stock Exchange's inception on 16 April 1991. The market is supervised by the Polish Financial Supervision Authority and notified to the European Commission as a regulated market,

Alternative market

- NewConnect is organised and maintained by the Exchange acting in the key market for an alternative system of trade. It was created for the young and growing companies, particularly working with new technology and has functioned since 30th August 2007. The subject of trade in an alternative system may be shares, the rights to shares (PDA), rights, depositary receipts and other equity securities.

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

Number of companies

	Domestic	Foreign	Total
Main market	344	46	390
Alternative market	83	6	89
TOTAL	427	52	479

Source: GPW, 6.11.2015

Financial markets and institutions

Capitalization (PLN mil.)

	Domestic	Foreign	Total
Main market	539,206.98	615,977.61	1,155,184.59
Alternative market	11,303.00	851.76	12,154.76
TOTAL	550,509.98	616,829.37	1,167,339.35

Source: GPW, 6.11.2015

II.3.2.2. Polish Financial Supervision Authority

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

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

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

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

It is worth noting that, in civil-law cases arising from the relationships entered into in connection with participation in trading on the banking, pension, insurance or capital markets, or relating to entities operating on those markets, the PFSA's Chairperson has the powers of a prosecutor ensuing from the provisions of the Code of Civil Procedure.

II.3.2.3. Acquisition of major package of shares

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

Anyone who:

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

In the case of a change resulting from the acquisition of shares of a public company in a transaction on a regulated market (e.g. a stock exchange), the above mentioned requirement is due no later than within six trading days from the transaction date.

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

- has held over 10% of the total vote and this share has changed by at least:

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

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

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

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

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

II.3.2.4. Venture Capital Funds

Venture Capital (VC) Funds started to operate in Poland at the beginning of the 90's. These days between 40 and 50 VC management companies are present on the Polish market, a significant proportion of which are foreign entities looking for investment opportunities in Central-Eastern Europe. The most common types of entities active in the VC area are:

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

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

II.3.3. Insurance regulations

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

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

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

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

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

The main compulsory insurance according to Polish law:

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

II.3.4. Investment financing

General Information

Polish bank law and related regulations are rather restrictive and conservative in comparison with most of other European systems and an investor may expect higher requirements regarding loan collaterals and debt coverage ratios. At the same time Polish bank system is competitive and efficient. What is more restrictive regulations kept the Polish bank sector healthy and almost intact by the Financial Crisis.

Common Issues

The main problems in financing start-up investments in Poland are connected to the lack of credit history and usually the mother company has to provide acceptable securities.

Main possible issues with financing process in Poland:

- complicated decision process in Polish banks owing to hidden information,
- relatively long decision process in the banks (depending on financing volume), which often causes a problem for short–term SOPs, considering customer demand,
- mistakes in financial documentation (stable financial forecasting etc.) made by investors,
- proper communication with bank authorities.

Costs of local debt financing and additional requirements

- almost all banks require at least 25%–30% equity in the investment projects (as well as sets such as land, machines or other equipment),
- the pricing is usually divided into a fix up-front fee between 1% and 2%, depending on the risk and effort of the financing project and a variable margin, which the bank adds to the Polish WIBOR/ LIBOR interest rate,
- the total financing costs depend on the reliability of each customer, securities provided and the length of the financing period.

If the bank issues a positive opinion of a planned investment project (e.g. a factory) it requires special contract clauses to secure the repayment of the loan. These usually involve the mother company into the risk of the project.

Typical contract clauses are:

- turnover clause,
- debt restriction,
- Pari Passu (subordination of loans from connected companies),
- dividend clause,
- financial indicators.

The main securities used by the banks for investment financing are:

- mortgage on the real estate,
- letter of comfort (companies with strong mother);
- bank or corporate guarantee,
- lien on movable objects (strong asset driven investment),
- long-term fuel contracting (logistics companies),
- contracts for about half of the sales value (logistics companies).

Following documents and information should be provided:

- opinion about the customer´s credibility with information about offered securities,
- iInformation about mother company / group with an option to secure the loan within the group,
- financial data and a professional business plan (details below).

In order to achieve a positive opinion the investing company must prepare a professional business plan with all expected financial data for the project. The documentation is required by most Polish banks in Polish language.

II.3.5.
List of banks

The following table summarizes the list of banks with 100,000 EUR deposit guarantee operating in Poland. The five largest Polish banks in 2014 in terms of book value of assets were: PKO BP, Pekao S.A., BZ WBK, mBank, ING.

Name	Address	Profile	Capital Group	Webpage
Alior Bank SA	ul. Domaniewska 52 02-672 Warszawa	universal	-	www.aliorbank.pl
Bank BGŻ BNP Paribas SA	ul. Kasprzaka 10/16 01-211 Warszawa	universal	-	www.bgzbnpparibas.pl
Bank BPH SA	ul. Pałubickiego 2, 80-175 Gdańsk	universal	GE Capital	www.bph.pl
Bank Gospodarstwa Krajowego	Al. Jerozolimskie 7 00-955 Warszawa	public invest-ment	-	www.bgk.com.pl
Bank Handlowy w Warszawie SA	ul. Senatorska 16 00-923 Warszawa	universal	Citigroup	www.citibank.pl
Bank Millennium SA	ul. Stanisława Żaryna 2a 02-593 Warszawa	universal	Banco Commercial Portuges	www.bankmillen-nium.pl
Bank Ochrony Środowiska SA	ul. Żelazna 32 00-832 Warszawa	universal	-	www.bosbank.pl
Bank of Tokyo-Mit-subishi UFJ (Polska) SA	ul. Emilii Plater 53 00-113 Warszawa	corporate	Mitsubishi	www.pl.bk.mufg.jp
Bank Pocztowy SA	ul. Puławska 111B 02-707 Warszawa	universal	Poczta Polska	www.pocztowy.pl
Bank Polska Kasa Opieki SA	ul. Grzybowska 53/57 00-950 Warszawa	universal	Unicredit	www.pekao.com.pl
Bank Polskiej Spółdzielczości SA	ul. Grzybowska 81 00-844 Warszawa	universal	-	www.bankbps.pl
Bank Zachodni WBK SA	Rynek 9/11 50-950 Wrocław	universal	Santander	www.bzwbk.pl
BPI Bank Polskich Inwestycji SA	ul. Przyokopowa 33 01-208 Warszawa	universal	Getin Noble	www.dexiabank.pl
Credit Agricole Bank Polska SA	pl. Orląt Lwowskich 1 53-110 Wrocław	universal	Credit Agricole	www.credit-agricole.pl
Deutsche Bank Polska SA	al. Armii Ludowej 26 00-609 Warszawa	universal	Deutsche Bank	www.deutschebank.pl
DnB Bank Polska SA	ul. Postępu 15C 02-676 Warszawa	corporate	DNB	www.dnbnord.pl
Euro Bank SA	ul. Św.Mikołaja 72 50-126 Wrocław	consumer finance	Societe Ge-nerele	www.eurobank.pl
FCA-Group Bank Polska SA	al.Wyścigowa 6, 02-681 Warszawa	cars	-	www.fcabank.pl
FCE Bank Polska SA	ul. Taśmowa 7 02-677 Warszawa	cars	Ford Motors Company	www.fcebank.pl
FM Bank PBP SA	ul. Domaniewska 39 A 02-672 Warszawa	micro enter-prises	-	www.fmbank.pl
Getin Noble Bank SA	ul. Przyokopowa 33 01-208 Warszawa	universal	-	www.getinbank.pl
HSBC Bank Polska SA	ul. RONDO ONZ 1 00-124 Warszawa	corporate	HSBC	www.hsbc.pl
Idea Bank SA	ul. Przyokopowa 33 01-208 Warszawa	SME	Getin Noble	www.ideabank.pl
ING Bank Śląski SA	ul. Sokolska 34 40-086 Katowice	universal	ING	www.ingbank.pl
mBank Hipoteczny SA	al. Armii Ludowej 26 00-609 Warszawa	universal	mBank	www.mhipoteczny.pl
mBank SA	ul. Senatorska 18 00-950 Warszawa	universal	mBank	www.mbank.pl
Mercedes-Benz Bank Polska SA	ul. Gottlieba Daimlera 1 02-460 Warszawa	cars	Daimler- Benz	www.mercedes-benz-bank.pl
Pekao Bank Hipotec-zny SA	ul. Domaniewska 39a 02-672 Warszawa	universal	Unicredit	www.pekaobh.pl
PKO Bank Hipoteczny SA	ul.Jerzego Waszyngtona 17, 81-342 Gdynia	consumer finance	PKO Banku Polskiego	www.pkobh.pl
Plus Bank S.A.	ul. Ostrobramska 77 04-175 Warszawa	universal	-	www.investbank.pl
PKO Bank Polski SA	ul. Puławska 15, 04-175 Warszawa	universal	PKO Banku Polskiego	www.pkobp.pl
Raiffeisen Bank Polska SA	ul. Piękna 20 00-549 Warszawa	universal	Raiffeisen	www.raiffeisen.pl
RBS BANK (Polska) SA	ul. 1-go Sierpnia 8A 02-134 Warszawa	corporate	RBS	www.rbsbank.pl
Santander Consumer Bank SA	ul. Strzegomska 42C 53-611 Wrocław	consumer finance	Santander	www.santandercon-sumer.pl
Sygma Bank Polska SA	ul. Suwak 3, 02-676 Warszawa	consumer finance	BNP Pari-bas Personal Finance	www.sygmabank.pl
Toyota Bank Polska SA	ul. Postępu 18B 02-676 Warszawa	cars	Toyota	www.toyotabank.pl
VOLKSWAGEN BANK POLSKA SA	Rondo ONZ 1 00-124 Warszawa	cars	Volkswagen	www.vwbank.pl

Financial markets and institutions

II.4.
Resources & business sectors

II.4.1. Natural resources

II.4.1.1. Coal

Coal and lignite are the main raw materials for the energy production in Poland. The major differences between the two materials are the means of mining them and their calorific value.

Coal is extracted in underground mines and its calorific value is bigger. Although the mining method itself is more expensive, it does not cause any significant impact on the land above it. Despite some limited, so called, 'mine damages' on the surface, it is possible to construct buildings, roads and even entire cities above such mines.

There are three areas in Poland, where coal is or was extracted:

- Dolnośląskie voivodship: in the surroundings of Wałbrzych and Nowa Ruda. Coal is no longer extracted here, with the region now set up to develop other kinds of industries, maintaining one of the biggest and best operating Special Economic Zones,

- Śląskie voivodship: the traditional Polish region for coal mining (and also the steel industry). Approximately 5,000 m^2 of coal is available. Most of the mining companies and activities are located around Katowice, Mysłowice, Dąbrowa Górnicza, Rybnik, Jastrzębie Zdrój and neighbouring cities,

- Lubelskie voivodship: the youngest coal mining region with one coal mine at Bogdanka, close to Łęczna. There are many perspective deposits here.

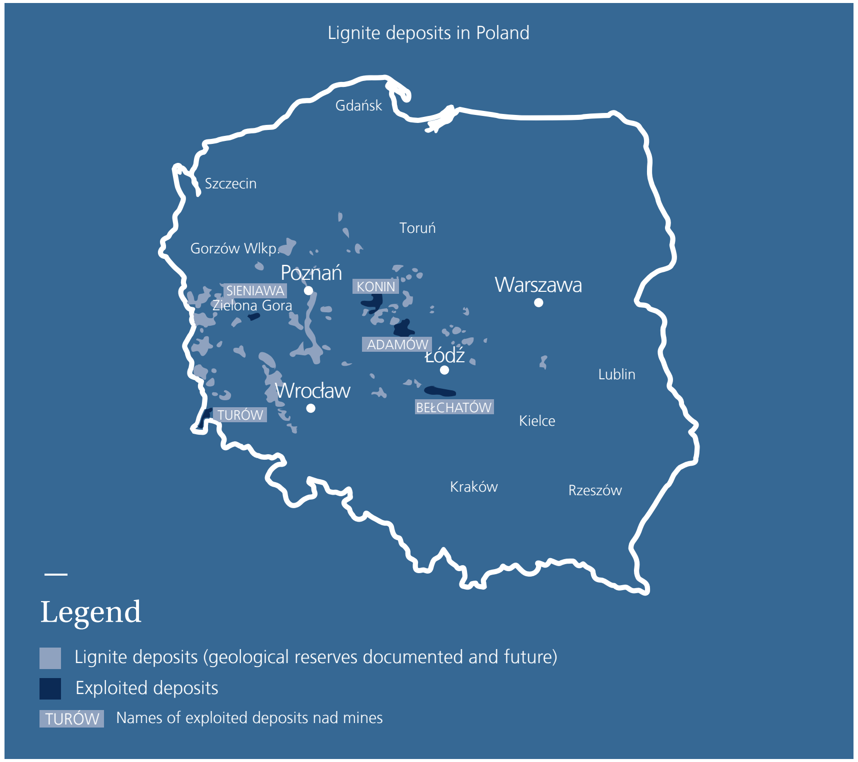
Roughly 80% of this coal is consumed for energy generation, with more than 50% used for power and power-heat plants, and the rest being used to heat plants and private households.

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

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

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

Geological resources of lignite as of 31/12/2014 were 22 683.98 million tonnes and it does not change if compared to the previous year.



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

The attached map shows the lignite deposits in Poland – in dark blue the ones that are currently exploited, in light blue the ones which have been discovered but not exploited as of yet. Most of these are geologically confirmed.

II.4.1.2. Oil & Gas

Deposits of crude oil and natural gas in Poland are limited. In 2014 the overall quantity of crude oil mined in Poland was around 918,715 tonnes and decreased by 7.63 tonnes in comparison with 2013. In the case of natural gas, domestic exploitation amounted to 5.258 billion m^3 and was 0.230 billion m^3 lower than in 2013. In 2014, exploitable natural gas resources amounted to 127,523 billion m^3 and decreased by 6.77 billion m^3 compared to 2013, primarily as a result of mining.

The biggest deposits of oil can be found in the area around Gorzów Wielkopolski, although oil is also extracted in the Pomorze Zachodnie, as well in the

Gas and oil exploitation in Poland

Resource	Number of beds	Deposits		Yearly Exploitation
		Exploitable	Industrial	
Natural gas	291	127,523 bn m^3	57,296 bn m^3	5,258 bn m^3
Crude oil	85	23,526 m tons	1,493 m tons	0.92 m tons

Source: National Polish Geological Institute, 2015

Carpathian Mountains. Deposits under the bed of the Baltic Sea are also used and gain even more industrial meaning.

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

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

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

Recent reports indicate that Poland may have large shale gas resources. Poland's reserves of shale gas are estimated to be as much as 2 trillion m^3 by geologists and energy consultants, potentially making Poland a net exporter of gas.

II.4.1.3. Copper and silver

Aside from energy deposits – metallic, chemical and rock deposits can also be found in Poland. Out of all metallic deposits, by which ore deposits of base metals are meant, the most important are deposits of copper, which are extracted in the area between Legnica and Głogów in Dolnośląskie voivodship by KGHM – one of the biggest companies in Poland and Central Europe.

Copper in the form of cathodes is exported to the markets of the European Union mainly to the rolling mills and metal factories. The recipients are mainly wire rod production plants situated in Central and Eastern Europe belonging to the biggest cable manufacturers. In 2014, copper resources in the Polish regions where the raw material was mined in amounted to a total of 1,736,883,000 tons. Compared to 2013, there was a drop by 25.07 million tons of copper ore, mainly due to its extraction. The sales volume of copper and copper products on the domestic market accounted for 22% of total copper sales, while the remaining 78% were generated by export and sales to European Union countries. The biggest producer of copper, copper products and silver in Poland is KGHM Polska Miedź S.A. In 2014, KGHM ranked 8th worldwide in terms of copper production (copper concentrate) with production of 663,000 tons (almost 3% of global production). The largest foreign buyers of copper produced by KGHM Polska Miedź S.A. were: China, Germany, Czech Republic and France.

The copper mined in Dolnośląskie voivodship in underground mines is extracted together with other metals such as silver, nickel and lead. Silver is delivered in the form of granules to plants producing materials for photography, jewellers and metal plants producing silver alloys. Silver in the form of

Exploitation of other deposits in Poland

Resource	Number of deposits	Capacity		Yearly Exploitation
		Geological	Industrial	
Metallic				
Copper ore	14	1736.88 m tons	1190.97 m tons	31.02 m tons
Zinc and lead ore	21	86.02 m tons	6.99 m tons	2.29 m tons
Nickel ore	8	64.31 m tons	0	0
Chemical				
Rock salt	19	85 405.39 m tons	1 769.61 m tons	4.2 m tons
Sulphur	18	507.40 m tons	21.15 m tons	629.62 m tons

Source: National Geological Institute, Mineral and Chemical Resources, 2015

ingots is supplied mainly to banks. The domestic market generated only 1% of total sales of silver, while export and sales to the European Union countries accounted for the remaining 99%. The largest foreign recipients of silver were: the United Kingdom, Australia, USA, Belgium. In 2014, the total mine production of silver in the world amounted to 905 million ounces (27,039 tons). The KGHM ranked 1st worldwide with production of 1,263 tons of silver.

II.4.1.4. Other deposits

In the 20th century, iron ore was extracted in Poland in the areas around Częstochowa, in Świętokrzyskie and close to Łęczyca. The quality of these deposits was very poor and has not been considered industrial standard since the 1990s. New deposits of iron ore, containing traces of titanium and vanadium have been identified in the Suwalskie region, close to the north-eastern boarder of Poland. The exploitation of these beds is not currently economically feasible as they lie relatively deep (850 to 2,300 metres below the ground) and are located in an environmentally protected area. In addition to the previously described deposits, there is another little iron ore deposit (8,000 tons) – Debe Małe, intended for applications other than iron metallurgy, mainly for the purification of industrial gases, as sorbent of hydrogen sulphide, carbon dioxide and organic sulphur compounds and other areas of environmental protection.

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

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

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

Sulphur deposits, some of the biggest in the world, are situated mainly in south-eastern Poland, around

Staszów and Tarnobrzeg. Poland used to be the leading producer of sulphur in the world. However, since the development of technology to recapture sulphur from crude oil and gas deposits, the direct extraction has declined in importance. Nowadays, only one bed of sulphur at Osiek (Staszów) is being exploited.

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

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

II.4.2. Agriculture and forestry

Agriculture and forestry in Poland have a very long and deep rooted tradition. Over 60% of Poland's territory has been declared agricultural land. The most common crops are grains, especially rye, wheat, barley and oats. Another important crop group are potatoes, sugar beets, fodder crops, flax, hops, tobacco, and fruits. Poland can be found in diverse statistics as one of the biggest producers of potatoes, rye and sugar beet in Europe. Because of the climate and differentiated soil quality amongst the regions, mixed farming is the most common. Raised livestock in those cases is mostly dairy cows, beef cattle, pigs and poultry.

The share of Polish working-age population employed in agriculture is still relatively high, compared to other Western European countries and amounts as for 2014 ca. 11.5%. The average farm area amounts to 10.48 hectares (ha) and is usually spread over a couple of plots in the area. Statistics of the main statistical office suggest, successive development towards modern agriculture. This can be seen mostly in the numbers concerning amount of farms, average farm area, average crop etc. The modernisation of the Polish agricultural sector has accelerated greatly with the accession to the EU which has triggered inflow of funds assigned within Common Agricultural Policy.

On 1st May 2004, the general rule whereby a permit is required for purchase by foreigners of real estate or shares in companies which are legal owners or perpetual usufructuaries of real estate ceased to apply to nationals and entrepreneurs residing or established in the territory of the European Economic Area (EEA).

However, the Act provides for derogation in this respect. EEA nationals and entrepreneurs willing to purchase agricultural and forest land are obliged to obtain a permit for 12 years after Poland's accession to the EU (i.e. until 2 May 2016).

However, EEA foreigners will not be required to obtain a permit during this transitory period in following cases:

- to purchase agricultural land situated in:
  - the following eight western and northern provinces: Dolnośląskie, Kujawsko-Pomorskie, Lubuskie, Opolskie, Pomorskie, Warmińsko-Mazurskie, Wielkopolskie, Zachodniopomorskie – after the end of the seven year period since the execution of a lease contract (date of execution must be certified), if during that period they have pursued farming in person on the land concerned and have legally resided in Poland,
  - the following eight central are eastern provinces: Lubelskie, Łódzkie, Małopolskie, Mazowieckie, Podkarpackie, Podlaskie, Śląskie, Świętokrzyskie – after the end of the three year period since the execution of a lease contract (date of execution must be certified), if during that period they have pursued farming in person on the land concerned and have legally resided in Poland.

A characteristic feature of the Polish agricultural land market is the role of Agricultural Property Agency (pol. ANR). According to the provisions of the Act of 11 April 2003 on the agricultural system in the sale of agricultural land by a natural or legal person other than the Agricultural Property Agency, the right of first refusal is granted by law to the tenant, if all of the following conditions are met:

- the lease agreement was concluded in written form and has a certain date, and was performed at least three years, as of that date,
- acquired property is part of a family farm tenant or leased by the agricultural production cooperatives.

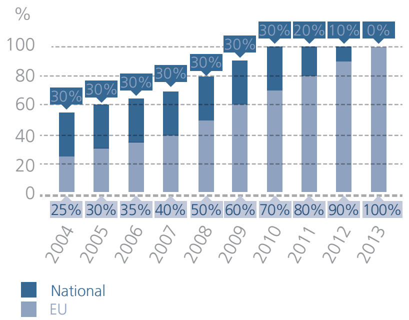
In the absence of such a tenant Agricultural Property Agency has the right of first refusal to all agricultural properties sold with an area of not less than five hectares.

Nevertheless Polish agricultural land still seems to be a great investment opportunity not only because of the constantly growing land prices but also because of the single area payments. With Poland's EU accession on 1st May 2004 the agricultural sector enjoyed land subsidies of 25% of the standard single area payment from the European funds. The rest of the payment came from national budget and there was a subsidy maximum cap set to 55% for the possible overall combined help. In the following years this percentage grew and from 2013 the full amount of the payment comes from the EU and reached its EU wide maximum level. The graph visualizes this development.

In December 2013 Heads of State of European States agreed a final version for the Common Agricultural Policy. For 2014 and 2020 Poland received from the EU's budget – EUR 82.5 billion for the cohesion policy and EUR 32.09 billion for agricultural policy from the EU's budget.

One of the pillars of Common Agricultural Policy is Rural Development. The Polish Rural Development Programme was adopted by the European Commission in December 2014, defining Poland's priorities for using the EUR 13.5 billion in public money that is available for the period 2014–2020 (EUR 8.6 billion from the EU budget plus EUR 4.9 billion of national funding).With one third of the funding aimed at "enhancing farm viability and competitiveness", the programme is expected to provide investment support to roughly 200,000 farms, and intends to see the creation of more than 22,000 jobs and more than 1,800 producer groups.

Development of the structure of single area payments



Source: Ministry of Agriculture and Rural Development, 2014

II.4.3. Energy sector

There are two aspects of the energy sector in Poland that are worthy of consideration. The first one is the electricity market and prices for the industrial consumer. The second one is the liquid fuel branch of the industry.

Electricity market

The electricity market in Poland is shaped through the energy act from 1997. Due to the fact that production, sale and distribution of electricity in contrast to transmission doesn't show the characteristics of a natural monopoly the market underwent an unbundling process, which is in its advanced phase now. The monopoly for transmission services belongs to the PSE S.A. a sole-shareholder company of the State Treasury. The structural importance of the transmission system and the fact that the exact way electricity flows cannot be retraced the form of a government dependent regulated monopoly is optimal.

PSE SA in the "Development Plan 2010-2025", updated in May 2014, introduced the development plans of the national power grid. The plan includes development of cross-border mergers, the modernization of transformers, construction of new network elements and expansion of the existing network.

The producers group consists of all power plants and power-heat plants which are mostly coal and lignite fueled. Then there are the distribution system operators. The strongest companies from this group have been separated from the former national groups due to the unbundling process and are meant to be financially strong subjects capable of developing expensive infrastructural projects and establishing an equilibrium on the market in a competitive way. Those legally independent subjects Energa – Operator SA, Enea Operator sp. z o.o., PGE Dystrybucja SA and Tauron Dystrybucja SA unite other energy companies and divide the territory of the country into 4 regions. RWE Stoen Operator sp. z o.o. has been privatized before the unbundling measures took place and owns a sub region of the capital city of Warsaw.

Currently, Poland is an net energy exporter. The main export destinations are: Germany, Czech Republic and Slovakia. The export growth is stimulated by the reduction of nuclear power in Germany, and the limiting factor is the need to modernize the existing infrastructure. The main source of electricity import is Sweden and Ukraine.

Conventional power generation

The Polish energy system is based on 19 so called professional power plants and over 50 heat and power stations. Professional power plant generates about 60% of the overall consumed electricity in the country from lignite and coal. Those facilities are located near the fuel mining spots to reduce transportation costs. Heat and power stations are about 30% more efficient than professional power plants due to the cogeneration of electricity and heat and causes 30% less CO_2 emission. Those 50 facilities are located around bigger agglomerations. There are also around 160 industrial power and heat stations. Some industry companies build their own power and heat stations to secure huge amounts of energy their characteristic productions process needs.

The group of electricity traders is fully open. Every company with a concession can become a player in the market.

Also the price shaping mechanism is almost freed from the regulatory measures. The only exception to that are the electricity prices for private households, which are still controlled by the regulator because of the threat of an unreasonable price growth in cases where the consumer has still no ability to switch freely between electricity providers.

The only other non-market component that has an influence on the price shaping is the way electricity mix is being created. The electricity mix in Poland follows to some extent the obligatory path for the energy sales structure, which was stated by the EU legislative and implemented by each member country.

Poland is one of the few countries that choose to implement a quota system for renewable energies. As an effect every year a certain amount of the sold electricity has to be generated from renewable energy sources, which means that the amount of energy from those sources has its fixed place in the electricity sales. This path is scheduled till 2030 when the percentage of renewables in the overall sold electricity should be around 20%. Although the development

Geographically defined areas of the strongest operators

Source: CIRE 2014

of renewable energy in the common electricity mix is increasing rapidly over recent years, the share of electricity from conventional sources is still dominant. The graph below shows the average participation of lignite and coal in the national electricity generation in 2014. Currently, the government is working on the Polish Energy Policy 2050 which assumes that the coal is still the dominant source of energy, but its role will be limited in the future.

CCS and ATOM

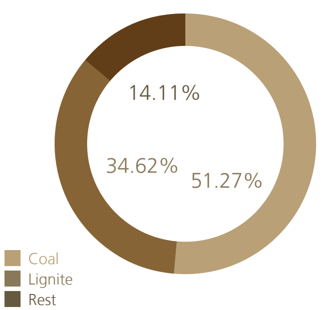
Every price development scenario in Poland has to make some assumptions concerning the CCS technology and atomic power.

The abbreviation CCS comes from Carbon Capture and Storage, which is a possible solution to dramatically reduce the CO_2 emission caused by the energy sector. The reduction is achieved through separating CO_2 from the power plants exhaust gases and storaging them in special sealed and monitored empty mines.

Atomic power is a very probable step for further modernization of the energy sector. There have already been some plebiscites concerning the future location of the plant. The Polish government plans to increase the share of renewable energy sources (RES) and construction of two nuclear power plants with a total capacity of 6000 MWj by 2050.

The interaction of those factors, the economic growth and most reasonable energy market development scenarios allow to make a forecast of

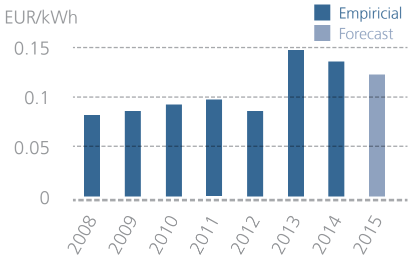
Structure of the electricity generation in 2014



Source: PSE, 2014

the future electricity prices for industrial consumers, although every single forecast of the recent years has turned out to be wrong. The reason for that was that every forecast simulated a further trend development concerning increasing prices and demand. Since 2012 this trend stopped most probably due to weaker demand resulting from the global finance crisis and today the electricity prices charged to the final consumer are amongst the lower ones in the EU. The following diagram shows historical price development from 2008 till 2014 and the most recent forecast (for the representative Mazowieckie Voivodship) for 2015.

Electricity price development in Poland
(industrial consumers)

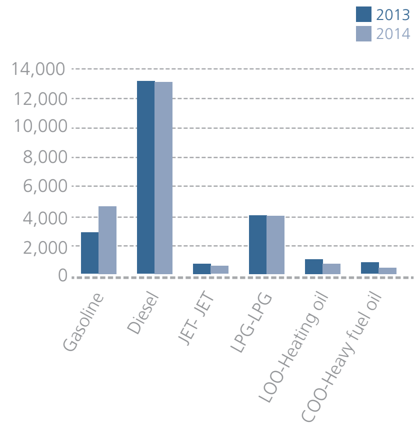


Source: Eurostat, 2015

Liquid fuel market

The production of liquid fuel in Poland is dominated by two companies PKN ORLEN and LOTOS. Both companies own refineries and have a great influence on the market prices. The liquid fuel market in Poland in 2014 decreased by 4.74% compared to 2013. The main reason for this trend also noticed in 2013, was the decline in the official demand for motor gasoline, diesel, light and heavy fuel oil.

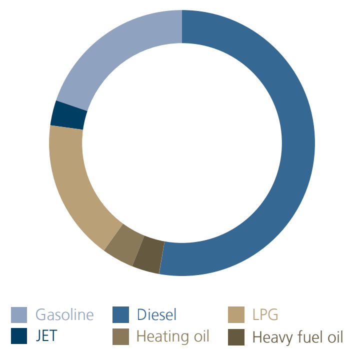
Liquid Fuel consumption in Poland



Source: POPiHN, 2015

Total domestic consumption of 6 species of liquid fuels amounted to 23.7 million m^3 and was lower by 1.2 million m^3 compared to 2013.

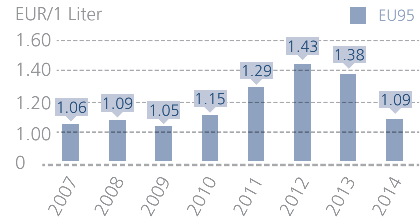
Liquid Fuel consumption structure in Poland 2014



Source: POPiHN,2014

The empirical price development in Poland just as in the rest of the world can't be forecasted because it doesn't follow directly economic facts. The next graph shows the average retail price in EUR for 1 liter EU 95 petrol from 2007 till 2014, which is representative for the overall market state for liquid fuels in Poland.

Average retail price 2007–2014



Source: Reflex Broker Office (www.reflex.com.pl), 2014

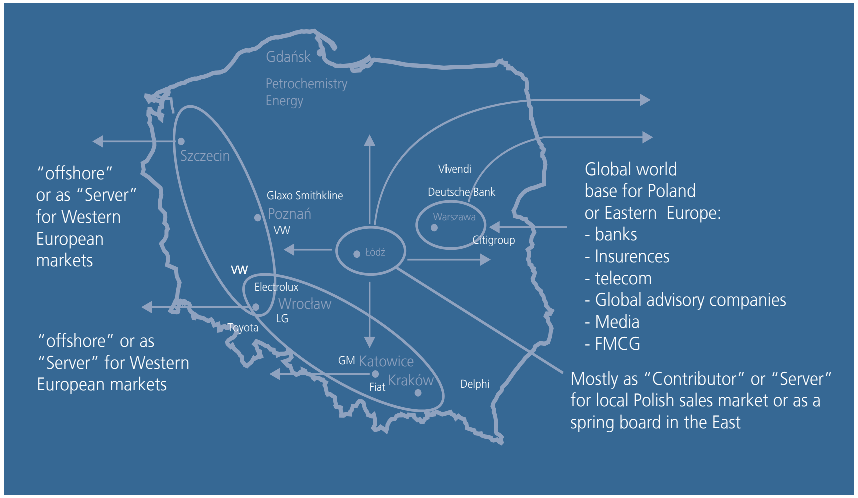
II.4.4. Industry clusters

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

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

Since industry clusters form an area of special Know-how among the labour market, the advantage for direct investing companies has had a strong influence on the time needed to reach the targeted volume within the defined quality. The graphics show certain kinds of developing industry clusters in Poland with their directions for the global

Industry clusters in Poland



Source: JPW

selling market, as well as the industry clusters in the different voivodships.

During the communist period, Poland put a lot of emphasis on its heavy industries including its mining, metallurgy, machine construction, shipbuilding and arms sectors. After the political, social and economical turnaround of the late 1980's however, this kind of industry was no longer supported by the government who needed to change and reduce the nature of its employment. This created the possibility of establishing new industries in Poland and opened the way for foreign investment. Nowadays, the industrial sector employs approximately 30% of all employed Poles (2014).

The most popular industries include:

- The automotive industry: Fiat (in Tychy), Opel (as former part of GM, in Gliwice), Volkswagen (in Poznań), and GM DAT (former Korean Daewoo, in Warsaw) is producing cars, and Volvo (Wrocław), Solaris (Poznań) and MAN (Poznań) is producing buses. There is also a wide range of suppliers producing components for factories and customers. Other world producers present in Poland include GM Fiat, Isuzu, Volkswagen and Toyota who produce engines and gearboxes.
- Home appliances: all world leading producers have plants in Poland, including Whirlpool (Wrocław), Electrolux (several plants in Silesia and Lower Silesia), Bosch and Siemens (Łódź, Wrocław) and Indesit (Łódź).
- Food production: many different, mostly Polish companies, producing different meat, vegetable and fruit products, as well as beverages. This also includes investment of foreign companies like Nestle, Mondelez, Mars and Unilever.
- Electronics: with the strongest emphasis on TV sets. Due to the presence of LG, Poland is a strong producer of TV sets. Every third TV set sold in Europe is produced in Poland.
- Cosmetics: Avon, Beiersdorf, Procter&Gamble and others.
- Other consumer goods: Goodyear, Michelin and Bridgestone.

Industry clusters in the voivodships

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

- Petrochemical: PKN Orlen is the biggest Polish company, with LOTOS and PGNiG following closely behind.
- Others: including the aviation and train construction industries, textiles, ceramic, furniture, communication and IT technology, all of which are strongly represented in Poland.

The traditional industries are also present. Mining is mostly concentrated around the Silesian coal basin and copper mining in Dolnośląskie. There are also several steelworks in Silesia.

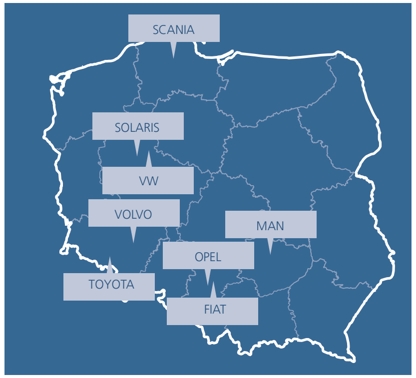
The construction industry is also quite strong, with its boom coming in the years 2005–2007 due to the conjuncture on the market for private homes that was stopped at the end of 2007. The most prestigious Polish construction and design offices, mostly located around Warsaw and Silesia, are currently entering consortiums with western companies.

II.4.4.1. Automotive industry

Key facts 2014

Value of automotive sector production in Poland	26.6 billion EUR
The number of new passenger cars registered in Poland	372 thousand
Number of passenger cars manufactured	472,6 thousand
Employment in automotive industry	167,3 thousand

Source: Ministry of Development and Central Statistical Office, Polish Automotive Industry Association, 2015



Source: JPW

Market overview

The Polish automotive sector (including related services) in one of the largest in Central and Eastern Europe and holds the position of one of the key industries in Poland in terms of production value, employment, capital expenditures as well as share in exports.

Taking into account the number of manufactured passenger cars, Poland has been the third largest manufacturer in the CEE region (after Czech Republic and Slovakia). Poland is the regional leader in manufacturing of light commercial vehicles as well as heavy trucks buses and coaches.

Of the 40 manufacturing plants carrying out vehicle and engine assembly in the CEE Region 16 are located in Poland. The industry is concentrated in southern and western Poland.

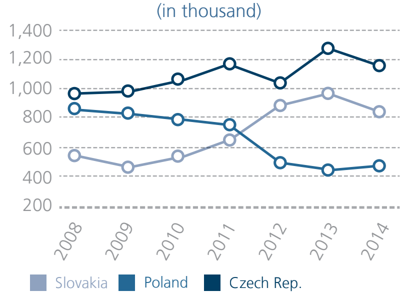
The vast majority of goods produced by Polish automotive industry are exported to European Union member states with Germany as the biggest recipient of 30% of Poland's total exports.

In 2014, the Polish automotive market was at its highest level since the financial crisis and is expected to continue growing until 2020. In 2014, investments alone made by the sector fetched EUR 1.3 billion, which positioned it in the second place right behind the food industry. The start of 2015 was less positive than expected, however, the first half of 2015 turned out to be quite good for the domestic automotive industry with a value of production sold hitting EUR 15 bn.

Raking up 13.2 percent of market share with 43,200 vehicle registrations, Skoda once more topped the charts of the most popular passenger car maker in 2014. The second place belonged to Volkswagen with third place secured by Toyota.

The year 2014 was also the year of one of the biggest greenfield automotive investments in Europe in the 21st century, the new factory in Września. The value of the project amounts to EUR 800 million. The new plant, which will produce a light commercial vehicle, will be finished in 2016 and in the long term will employ ca. 3,000 people.

Number of passenger cars manufactured
(in thousand)



Source: ACEA, Polish Automotive Industry Association, 2015

Figures

Motor vehicles production (in thousand vehicles)	2008	2009	2010	2011	2012	2013	2014
Passenger cars	841.7	818.8	785.0	740.5	548.1	475.1	472.6
Heavy trucks (including Light commercial vehicles)	99.3	55.4	79.9	92.1	103.9	111.1	115.8
Buses and coaches	4.6	4.8	4.6	5.1	3.9	4.2	5.0

Source: Eurostat and Central Statistical Office, 2015

Market potential / perspectives

- Automotive manufacturing remains one of the largest and most dynamic industries in Poland.
- Taking into account the present economic situation, in order for Poland to maintain its position on the global market in the automotive industry it is necessary to at least maintain the level of production from some previous years, i.e. 800–900 thousand cars annually.

Key players 2014

Company Name	Turnover (million EUR)
Volkswagen Polska	3,198
FCA Poland	2,272
General Motors Poland	1,864
Mercedes Benz Poland	669
Toyota Motor Poland	441

Source: Bisnode Database 2015

II.4.4.2. Aviation

Key facts 2014

Revenues of the sector	1.52 billion EUR
Number of enterprises	130
Number of employees	20 thousand

Source: Central Statistical Office 2014

Market overview

The aviation industry is one of the fastest and most intensively growing segments of the Polish industrial sector, whose recent growth should be largely contributed to the high technical culture and skills of personnel in factories that have been operating in Poland for more than 50 years, the influx of foreign investment, the successful development of cluster and cooperation initiatives and the implementation of the offset, relating mainly to the orders from the Polish army. In comparison to other countries in the region Polish aviation sector is undoubtedly the strongest in the area of Central and Eastern Europe.

The aviation sector in Poland consists currently of more than 130 companies, employing ca. 20 thousand people. Production in the aviation industry is targeted mainly for export to countries such as: the United States, Indonesia, Italy, Spain and Germany. The biggest domestic customer is the Polish government and its affiliates institutions, ordering aircraft, helicopters and spare parts to them for the army, police, border guards and emergency rescue services.

Manufacturing companies associated with the aviation industry are strongly concentrated in the south-eastern part of the country, where they form one of the strongest cluster initiatives in Poland – The Aviation Valley.

Offset agreements signed between the Polish government and foreign suppliers such as: Lockheed Martin, Airbus Group, Avio have had great importance for the development of the Polish aviation industry. Within the framework of agreements more than 50 contracts have been completed directly in the aviation sector. The most important effect of which were the significant increase in the number of orders related to manufacturing, services and maintenance of various aircraft and transfer of advanced technology.

Source: Ministry of Economy

Market potential / perspectives

Polish accession to the European Space Agency (ESA), which took place in 2012, may have significant importance for the further development of the Polish aviation and aerospace. Currently Polish companies participate in several ESA scientific missions, such as Integral, Rosetta, BepiColombo and Solar Orbiter and Earth observation in the Envisat and GMES. Development of the sector is strongly supported by the National Centre for Research and Development (in 2015 the annex to the agreement from 2012 was signed). The support will be provided for projects in the field of modern technologies with the greatest market potential.

Industry concentration

More than 100 companies concentrated in South – Eastern Poland, while some other major players located in South and Central Poland.

Major plants in Poland

Source: JPW, 2015

The Aviation Clusters

There are three clusters operating in the sector. The Aviation Valley Association is one of the most successful cluster initiatives in Poland and currently represents over 100 companies from aviation industry. Several other companies are in the process of applying for membership. Aviation Valley is located in southeastern Poland, famous for its aerospace industry and pilot training centres. This region has a heavy concentration of aerospace industry, scientific research centers, as well as educational and training facilities. Most of companies associated in the Aviation Valley are located in Podkarpackie Region and the town of Rzeszów is the seat of the association. The long-term objective of the Aviation Valley Association is to transform southeastern Poland into one of Europe's leading aerospace regions, which would be able to provide a diverse cross section of products and services for the most demanding clients.

The most prominent members of the cluster are: Sikorsky Aircraft Corporation, Pratt & Whitley, Augusta Westland, Ladish, and Goodrich Aerospace Poland.

The second cluster is the Silesian Aviation Cluster, the association of companies operating around Bielsko Biała. The main representatives of the cluster are: AVIO and Zakłady Lotnicze Margański & Mysłowski.

The third cluster – Greater Poland Aviation Cluster – is located in the region of Kalisz. Its main member companies are Pratt & Whitney Kalisz and Wytwórnia Sprzętu Komunikacyjnego PZL-Kalisz, which, among other things, makes aircraft engines.

II.4.4.3. Electronics

Key facts 2014

Market value of electronics and household appliances	5.4 billion EUR
Export of household appliances	4.0 billion EUR
Manufacturing of computers, electronics and optical products	37,513 thousand pcs
Manufacturing of electrical and non-electrical household appliances	53,841 thousand pcs
Number of enterprises	310
Employment in the electronics industry	53.0 thousand

Source: Ministry of Development and Central Statistical Office, 2015

Market overview

In the last decade the electronics industry in Poland has grown significantly mostly thanks to numerous foreign direct investments. The scale of foreign capital involvement in the Polish electronics industry has been systematically increasing. Virtually every major electronics manufacturer in Poland is a subsidiary of a foreign multinational company.

Figures

Annual production (thousand pcs)	2007	2008	2009	2010	2011	2012	2013	2014
TV sets & monitors	6,733	17,563	21,559	26,349	20,674	20,526	18,691	19,635
Refrigerators	1,674	2,253	1,886	1,867	2,066	2,221	2,885	3,182
Dishwashers	960	2,043	2,340	2,780	2,966	3,110	3,471	3,842
Washing machines & dryers	1,447	2,471	3,190	4,025	4,372	4,957	5,634	6,366
Cookers	873	1,705	977	1,214	1,405	1,507	1,373	1,370

Source: Central Statistical Office, 2015

The electronics sector mainly covers manufacturing of office equipment, computers as well as radio, television and telecommunications equipment and appliances. Poland benefited great from the development of new technologies used in flat screen displays, as most of market leaders, such as LG, TPV and Funai have chosen Poland as their main production hub. As result Poland has become a European leader in production of LCD and plasma displays and TV sets with the annual number of units manufactured exceeding 20 million units.

It is estimated that in recent years Poland also became Europe's leading producer of household appliances, replacing Italy. Again growth of manufacturing activities should be mainly attributed to expansion of foreign companies such as Electrolux, Whirlpool, Bosh, Samsung, LG, which invested in Poland both by acquisition of existing plants or greenfield projects.

Currently the household appliances manufacturers are concentrated in South Western Poland (LG, Whirlpool, Electrolux) and central regions (Bosh, Indesit).

On average more than 80% of home appliances products are exported (mainly to CEE and Western Europe). The household appliances export volume may be broken down as follows: washing machines 28%, cookers 18%, dishwashers 17%, refrigerators 20%, dryers 12%, others 5%. The year 2014 was a very good for electronics and household appliance. According to the industry experts the year 2015 should finish with record sale in the sector.

Source: PAIIZ, CECED, 2015

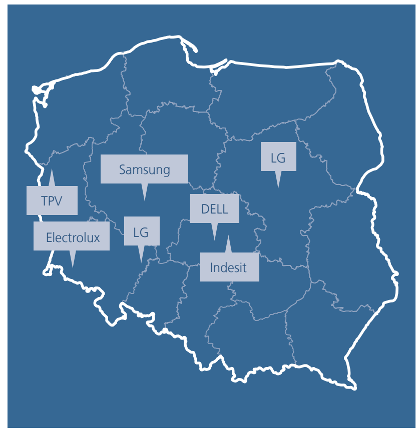
Market potential / perspectives

- Relatively low labor costs, improving infrastructure and central location will keep Poland as the main electronics manufacturing hub in the CEE Region.

Industry concentration

Among 40 manufacturing plants carrying out vehicle and engine assembly in the CEE Region 16 are located in Poland. The industry is concentrated in southern and western Poland.

Major plants in Poland



Source: JPW, 2014

Key players 2014

Company	Employment	Turnover (million EUR)
LG Electronics	3,656	2,259
Philips Lighting Poland	4,537	1,214
Indesit Company Polska	3,149	763
Samsung Electronics Poland Manufacturing	2,400	574
Dell	130	297

Source: Bisnode Database 2015

II.4.4.4. Food Industry

Key facts 2014

Value of sold production in food industry	45.5 billion EUR
Share of food industry in total sales of Polish industry	18.5%
Share of food industry sector in total export of goods	13.0%
Average employment in the industry	359,000

Source: Central Statistical Office, Concise Statistical Yearbook of Poland 2015.

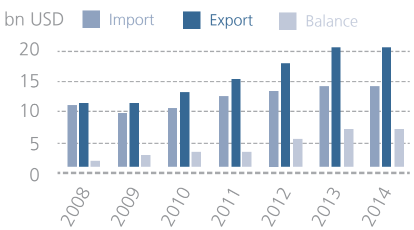
Market overview

In the last 20 years, the Polish food sector has undergone a significant transformation. It was one of the industries that was reborn soon after the crisis associated with political transformation and has become the major stimulus to economic growth. Due to permanent technical, technological and organizational development, the Polish food sector has become a modern and innovative industry comparable with other European countries. A major factor accelerating the development of the sector was Polish accession to the European Union in 2004. Due to a broad stream of grants and subsidies, both pre- and post-accession, Poland was enabled to adapt plants to the standards required by the EU. Additionally, foreign investments in the Polish food sector have become an important source of innovation in the food industry.

Poland as an attractive food producer and supplier in Europe

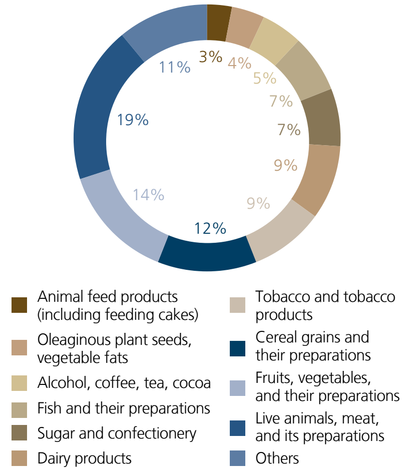
Currently, the food sector is one of the key sectors of the Polish economy in terms of production, employment as well as share in export. In 2014, the value of sold production of food industry exceeded 45.5 billion EUR. The food sector accounted for 21% of the sold production of industrial processing (which is one of the highest shares in the European Union) and 18.5% of total industry sales. The food industry employed approx. 359 thousand people. The food sector is relatively resistant to economic fluctuations. The global crisis of 2008 caused only a 1% slowdown in the food industry, but since 2009 the industry recorded promising yearly growth rates of 3-6%. The total value of food industry investments is EUR 9,5 bn. Due to food investments in Poland, 6000 new jobs were created while 750 new ones will appear in 2015. Despite growing competition and market turbulence, such as the Russian sanctions, Poland's foreign trade in food products is growing. In 2014, exports came to EUR 21.9 bn (up 5.5 times that of in 2003). The positive foreign trade balance was more than 13 times larger and came to EUR 6.7 bn. The 2015 estimates are also bright. Poland ranked eighth amongst major EU food exporters. The value of the balance of trade in agri-food products ranks Poland fifth among the eleven countries of the European Union with a positive balance of trade in these products (other EU countries are net importers of food). The most frequently traded goods in Polish agri-products are primarily food industry products.

Figures (bn EUR)



Source: Agricultural Development Agency in 2015.

Commodity structure of Polish agri-food exports in 2014



Source: Agricultural Market Agency, 2015.

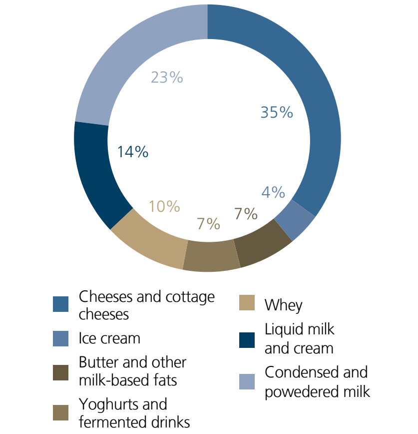
In 2014 the main export partner of the Polish food sector was the European Union with a share of 79%. Traditionally, Polish agri-food products were exported mainly to Germany (22% of the total export, 4.8 billion EUR sold goods, a 2% increase compared to 2013), United Kingdom (6% share in total export, exported goods worth 1.6 billion, an increase of 6% compared to 2013) and the Czech Republic with 6% share of total export. It is worth noting that in the case of France the increase of export compared to 2013 amounts to 23%.

It is also worth adding that the value of the grocery market which is a part of the food industry and the largest segment of the Polish retailing sector reached EUR 56 billion in 2014. According to estimations the market in 2015 should reach over EUR 57 billion.

Industrial concentrations

The food industry in Poland incorporates nearly 2 500 companies. The key players in the food sector in terms of total revenues are producers of alcohol, meat and meat products as well as companies from the dairy sector. The food industry clusters are located in 12 voivodships but the leading ones are; Dolny Śląsk and Opolskie as well as Wielkopolskie, Łódzkie and Mazowieckie.

Commodity structure of Polish dairy product exports in 2014



Source: Agricultural Market Agency, 2015.

Major plants

Source: PAIiZ

Market perspectives

- The food sector is responsible 13% of Polish GDP
- Poland is the eighth largest exporter of food amongst EU countries
- The sector has successfully survived the economic crisis, is relatively resistant to economic fluctuations and recently noted optimistic growth rates

- Poland has huge potential for the production of organic food
- Further development of the sector is possible through the creation of Polish food brands in foreign markets
- The competitiveness of the Polish food industry is growing through networking and cluster initiatives

Key players 2014

Company Name	Employment	Turnover (Million EUR)
Kompania Piwowarska	3,200	1 123
Cargill Polska	1,500	1 026
Animex	7,700	970
SM Mlekovita	1 700	857
Mlekpol	2,200	844
Grupa Żywiec	4,700	834
Unilever Polska	2,500	819
Maspex	5,000	785
Ferrero Polska	1,300	750
Sokołów (data for 2013)	5,500	740
Nestle Polska	3,200	657
ZT Kruszwica	900	634
Mondelez	1,000	349

Source: JPW based on data bank, 2015

II.4.5. Business Services Clusters in Poland

In the recent decade, the region of Central Eastern Europe has become one of the most important hubs for business processes offshoring worldwide. Compared with other countries in the region Poland holds first place in number of attracted service sector investors and number of created workplaces, which can be attributed to a bigger number of potential locations – major cities, significantly larger labour pool with higher education and language skills, an abundance of available office space and proximity to Western Europe.

Among ca. 20 cities in the CEE Region internationally recognized as potential offshoring locations almost 50% are located in Poland with 3 leading cities of Warsaw, Kraków and Wrocław. According to the ABSL Report 2015, foreign-capital service centres operating in Poland employ 150’000 specialists. This means that since April 2014, investors have created another 22’000 high-quality jobs. Since the beginning of 2014, 60 new foreign-capital service centres were opened in Poland. For the first time Poland is gaining an internationally recognised specialisation – management of advanced business processes for the world’s leading corporations.

According to the ABSL Report 2015, Poland is the largest office market in the CEE region offering 7.5 million m2 of modern office space. Nearly 13% of the vacancy rate is located in Warsaw. In terms of regional cities, the most dynamic markets are Wrocław, Kraków and the Tri-City. Currently there is approximately 1.4 million m2 of office space under construction, of which 50% is located in Warsaw. 800 thousands m2 will enter the market in 2015. The basic rent rates offered in most major Polish cities vary in range between 11–15 EUR/m2 per month.

One of the most important factors contributing to attractiveness of Poland is availability of well-educated staff. The large number of universities and other tertiary education institutions (over 450 schools in 2014) deliver more than 450 thousand of graduates (both Degree and Master Degrees) and the total number of students exceeded 2 million in the recent years. What is important Polish students demonstrate a relatively high level of foreign language skills. The highest level of knowledge of foreign languages among students applies to English, which is followed by German, Russian and French. Additionally numerous language faculties with more than 30 thousand students provide a large pool of people with less popular language skills, such as Nordic languages or Dutch.

The total number of foreign service centres in Poland has been increasing constantly in the last decade with more than 532 centres with foreign capital operating as of 2015 (659 centres including Polish companies – according to the report “10 years of the Polish sector of modern business services”). The majority of them belong to BPO//ITO, shared service and R&D entities. The total employment in service centres located in Poland exceeded 150’000 people with the biggest share in Kraków (24%), Warsaw (18%) and Wrocław (16%). According to the ABSL Report 2015, employment growth in the sector from 2013 has been increasing at a rate of 36%.

The most common types of services provided in foreign service centres in Poland include:

- Finance and Accounting,
- IT Services,
- Research and Development (including Software Development),
- Customer Service,
- HR,
- Financial services,
- Decision Support & Knowledge Process Outsourcing,
- Procurement.

The top 10 foreign employers in the business services sector in Poland include: France Telecom, Capgemini, IBM, General Electric, Hewlett Packard, Bertelsmann Media, Nokia Siemens Networks, Citi Group, Shell and Accenture.

The following investment incentives may be offered to foreign companies, willing to establish a business service center in Poland:

- Government cash grant in the name of the Programme for supporting investment of major importance to the Polish economy for the years 2011–2020:
  - The number of jobs planned to be set up in connection with the investment project is the basic criterion of qualification for the instrument. In the case of:
    - Shared Services Centres (SSC), Business Process Outsourcing (BPO), and IT centres the qualifying number is the minimum of 250 new jobs with investment expenses amounting to PLN 1.5 million,
    - Research and Development (R&D) Centres, the investor is required to create a minimum of 35 new jobs for workers with higher education and to pay a minimum of PLN 1.5 million of investment costs.
  - The value of investment underlying the creation of new jobs in the business services sector shall be at least two times higher than the granted support. The level of support per job ranges between PLN 3,200 and PLN 15,600 and the following factors are assessed by the government committee:
    - number of jobs created,
    - quantity of jobs created, i.e. the number of jobs for employees with higher education,
    - type and degree of sophistication of the accomplished processes,
    - their uniqueness,
    - investment location,
    - involvement in the development of the local environment such as cooperation with universities,
    - investor’s brand.
- Tax exemptions in a Special Economic Zone (for further details see the SEZ section):

In order to be eligible for a tax exemption, a company must apply for a permit to operate in the SEZ. The SEZ permit is issued by the zone’s managing entity on the basis of the investor’s application. Regardless of the current location of the zones, an existing SEZ may be extended to include a location chosen by an investor, subject to certain criteria, provided that in the case of (according to The ordinance of the Council of Ministers dated on 10 of December 2008, concerning the criteria according to which land may be included in a SEZ, with subsequent changes):

- R&D services, this criterion is for the investment to result in the creation of a minimum of 50 new jobs, or incurring costs in the minimum amount of PLN 10 million, or

- services within the scope of: information technology, accounting and books auditing with the exclusion of tax returns, call centers – the criterion is for the investment to result in the creation of a minimum of 150 jobs, or incurring at least PLN 20 million of capital expenditures.

- Grants from the EU funds:

In former EU funds framework, entities planning to set up a new or expand an existing SSC, BPO/ITO or R&D center could request support under Action 4.5.2 "Support for investment in modern services sector" of the Operational Program – Innovative Economy. It has to be noted that in the current 2014–2020 financial framework the programme 4.5. will be not continued in its previous form. It is expected that only companies implementing R&D projects will be able to apply for financial grants.

Sources: PAIiIZ, ABSL 2015 Report

II.4.6. Tourism

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

It is worth noting that this year Poland was ranked by Lonely Planet's Best in Travel 2016 – a world's leading guidebook – as the 7th place to visit. The Institute of Tourism estimates that during 2014 there were 73.8 million arrivals to Poland of which tourist arrivals constituted about 16 million.

Arrivals of foreigners to Poland in 2014 by country (in thousands)

	Total arrivals	Change %	Tourist arrivals	Change %
Total	73,750	2	16,000	1.3
EU27	56,013	0.3	11,379	15.3
of which:				
Germany	30,260	4.7	5,743	8.8
Great Britain	862	39	664	16.5
France	572	84.5	427	55.3
Italy	444	32.5	398	28.4
The Netherlands	487	21.8	399	9.3
Austria	432	21.7	355	9.2
Sweden	297	44.9	257	38.9
New EU	21,354	-10.9	1,982	8.6
of which:				
The Czech Republic	11,374	-15	266	8.6
Slovakia	5,769	-14.2	159	27.2
Lithuania	2,605	-9.9	605	2.5
Hungary	257	4.9	208	-5.5
Latvia	742	103.3	363	10
Non Schengen Countries				
Ukraine	8,732	19.1	1,072	-49.2
Belarus	4,066	2.9	811	-47
Russia	2,807	-21.4	1,003	31.1
Others				
USA	508	63.9	394	33.6

Source: Ministry of Sport and Tourism and Institute of Tourism, 2015

International Congress Centre in Kraków

II.5.

Infrastructure

II.5.1. Transport

II.5.1.1. Road network

The development of the road transportation network in Poland over the last few years has made an exceptional progress. From 2003 to October 2015, Poland built motorways and expressways with a total length of 3,390.85 km. As of October 2015, there were over 1,564.75 kilometres of motorways and over 1,826.1 kilometres of expressways in Poland. Together they constitute a network of high-speed roads that allow vehicles to travel at speeds exceeding 110 km/h.

Thanks to cohesion policy funds, which Poland has tapped into since the accession to the EU, the infrastructural investments have accelerated. The EU's Infrastructure and Environment Programme for the years 2007–2013 helped to finance transportation development investments worth 25.78 billion EUR out of total available programme funds of 37.69 billion EUR. 75% of the Programme funds were streamed directly from the EU budget.

For 2014 and 2020 Poland received from the EU's budget – EUR 82.5 billion for the cohesion policy and these funds will also be invested in the key road connections from the EU's budget.

According to the National Road Construction Programme for the years 2014–2023, the Polish government will spend PLN 107 billion for the construction of 3.9 thousand km's of motorways and expressways and 57 new ring roads. The main goal is to complete the road network in Poland and connect the main cities in such a way as to reduce the travel time between them by a minimum of 15%. This will in turn improve road traffic safety.

Network of highways and expressways

Source: GDDKiA, 2015

Main new investments in expressways and motorways:

- Connection between Kraków and Gdańsk with S7 road.
- Connection between Tri-city and Poland's southern border with A1 motorway.
- Connection between Szczecin and Tri-city with S6 road.
- Connection between Warsaw, Lublin and Rzeszów with S17 and S19 roads.
- Connection between Bydgoszcz, Poznań and Wrocław with S5 road.
- Connection between Bydgoszcz and Toruń with S10 road.

Investments are to be divided into tenders for 20–30 km sections with funding spread in time to allow for a stable demand for construction materials. The investments seem to attract foreign constructors who participate in the tenders.

The major foreign constructors active in Poland: Astaldi S.p.A., Metrostav a.s. (Czech Republik), Colas S.A. (France), Torpol (Norway), Vinci S.A. (France), SRB (Ireland), Skanska AB (Sweden), Grupo ACS (Spain), Kirchner Holding, Max Boegl (both Germany) and SB Granit (FYROM).

II.5.1.2 Air transportation

Polish air transportation began in 1919 with a flight between Poznań and Warsaw. In 1929, LOT Polish

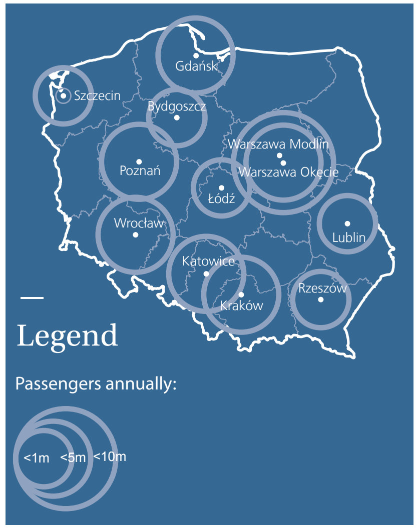
City	Location	Airport Name	Passengers (2014)	Major destinations
Warsaw	Okęcie	Warsaw Chopin Airport	10,575,000	New York, Chicago, Beijing, Dubai, Istanbul, Berlin, Frankfurt, Munich, Moscow, Rome, Milan, Brussels, Helsinki, London, Madrid, Stockholm, Oslo, Paris, Amsterdam
Kraków	Balice	John Paul II International Airport Kraków–Balice	3,807,000	Rome, Berlin, Munich, Vienna, London, Frankfurt, Oslo, Stockholm, Madrid, Paris
Gdańsk (Tricity)	Rębiechowo	Gdańsk Lech Wałęsa Airport	3,238,000	Berlin, Amsterdam, Frankfurt, Munich, London, Barcelona, Hamburg, Milan, Rome, Paris
Katowice	Pyrzowice	Katowice International Airport	2,668,000	London, Frankfurt, Dusseldorf, Barcelona, Milan, Rome, Paris, Stockholm, Dortmund
Wrocław	Strachowice	Wrocław-Copernicus Airport	2,035,000	Frankfurt, London, Munich, Milan, Paris, Rome, Oslo, Brussels, Warszawa
Warsaw	Modlin	Warsaw-Modlin Airport	1,704,000	Barcelona, London, Milan, Paris, Rome, Stockholm, Oslo, Brussels
Poznań	Jeżyce	Poznań–Ławica Henryk Wieniawski Airport	1,423,000	Munich, Frankfurt, Barcelona, Milan, London, Copenhagen, Rome, Oslo, Paris, Dortmund, Dublin
Rzeszów	Jasionka	Rzeszów-Jasionka Airport	599,000	Frankfurt, London, Dublin, Oslo, Bristol
Szczecin	Goleniów	„Solidarity" Szczecin-Goleniów Airport	286,000	Oslo, Dublin, London, Liverpool
Bydgoszcz	Szwederowo	Bydgoszcz Ignacy Jan Paderewski Airport	268,000	Birmingham, Dublin, Dusseldorf, London, Frankfurt
Łódź	Lublinek	Łódź Władysław Reymont Airport	253,000	London, Edinburgh, Munich, Prag, Amsterdam
Lublin	Świdnik	Lublin Airport	185,000	Brussels, Dublin, Frankfurt, London, Oslo

Source: The Civil Aviation Authority, 2015

Airlines was established, and up to this day is the Polish flagship carrier operating from the largest Polish airport Frederic Chopin Airport in Warsaw.

Recent years have brought large investments in the airport infrastructure that needed modernization to account for rising demand for air travel. EURO 2012 football championship gave an impulse to development of the airports in the major Polish cities – Warsaw area gained an airport in Modlin, which is supposed to service low-cost carriers, Cities of Wrocław, Łódź, Gdańsk, Rzeszów and Poznań opened new passenger terminals in 2012 while Kraków opened the new terminal in September 2015. There is also the regional airport in Zielona Góra, providing flights to Warsaw and Olsztyn Mazury Regional Airport starting flights in January 2016. The acceleration in infrastructural development that began recently is expected to translate into increased passenger and cargo traffic to and from Poland as well as to promote domestic travel.

Major Polish airports and passenger traffic annually 2014



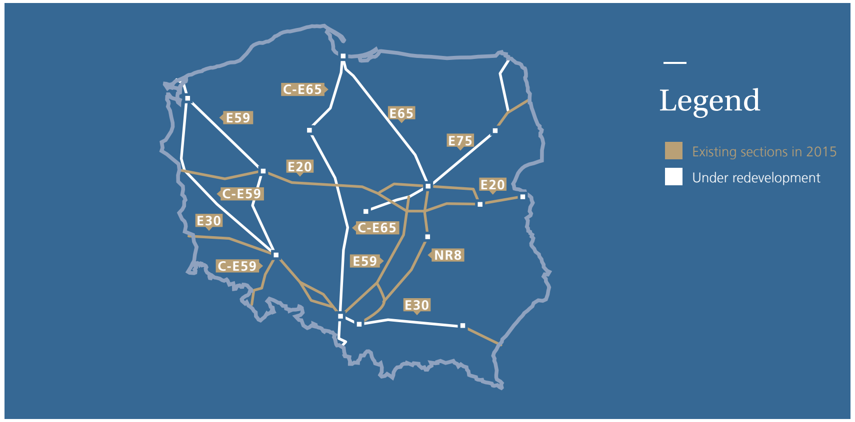
Source: The Civil Aviation Authority, 2015

II.5.1.3 Railway network in Poland

Poland has a dense railway network that serves both regular citizens and industry. In most cities, the main railway station is located near the city centre and is well connected to the local transportation system. PKP Polskie Linie Kolejowe (PKP Polish Railway Lines), a part of the state-owned PKP Group, operates the rail infrastructure. There is an extensive railway network in western and northern Poland, however, eastern parts of the country have less developed network. In total there are 23,429 km of railway tracks in Poland, almost 60% of which are electrified – a value comparable to Norway or France. The extent of railway concentration varies from 3.7 km to 15.6 km of line per 100 square kilometres, with the average around 6.08 km/100 km^2. PKP Polish Railway Lines maintains over 80,000 structures, including 25,000 bridges and viaducts.

The existing infrastructure is still developing and modernizing, 2012 was the break-through year with many vital train stations being refurbished, including landmark investments in Warszawa, Wrocław, Poznań and Kraków. These infrastructural projects were stimulated by the requirements of Euro 2012 football championship. Instead of building extremely expensive high-speed connection between Warsaw, Wrocław and Poznań with speeds exceeding 250 km/h the Polish government has, since 2013, concentrated on the modernization of existing tracks and train stations with the support of the EU funding. The total value of investments in infrastructure spent by PKP PLK between 2012–2014 amounted to 19 bn PLN. In 2015 Poland's Council of Ministers approved the country railway investment programme. By 2023, PLN 67.5 billion (including PLN 57.5 billion from EU funds) will have been spent upgrading the Polish rail network. Key projects include greater implementation of ERTMS and increasing the number of routes that support line speeds of 160 km/h. The length of the routes where trains will be able to travel at over 160 kmph, is expected to increase from the current 90 to 350 kilometres in 2023. Within the programme PLK will implement a new strategy called the "Great Railway Investment Offensive", it is meant, first and foremost, to avoid the mistakes of the years 2007–2013. Part of projects will be co-financed by the European Union's Connecting Europe Facility (CEF). Other projects to be undertaken in the investment period include various capacity improvement and gauge enhancement schemes.

Main trunk rail lines



Source: Ministry of Infrastructure and Development, 2015

New investments in the following years:

- The modernisation of the E 65 Będzin-Zebrzydowice line (Gdynia to Czech Republic) and modernisation of the No. 7 line, Warsaw to Lublin PLN
- Building ERTMS traffic management system
- The modernisation of the E 75 Warsaw Bialystok line (Rail Baltica)
- The modernisation of the E 20 Sochaczew Swarzędz line (Warsaw-Poznań).

II.5.2. Telecommunication

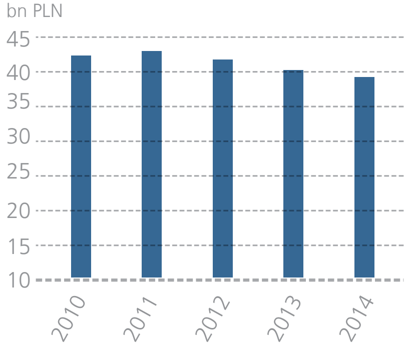
II.5.2.1. Telecommunication system

The Polish telecommunication infrastructure is stable during last few years. According to the Urząd Komunikacji Elektronicznej (Office of Electronic Communications) report, the value of the telecommunications sector at the end of the 2014 was PLN 39.21 billion.

This means that the total market value decreased by 2.6% compared to the end of 2013. Declines affected in mobile and fixed telephony segments were mainly due to roaming price reductions and strong competition. The largest increase in revenue noted was that of internet service providers and amounted of 11.5% compared to 2013.

Poles are using the internet and mobile telephones more and more. In 2014, about 90% of Poles said

Total value of the telecommunication market in Poland



Source: Office of Electronic Communications, Report about Telecommunication Market, 2014

they used the internet. Regarding mobiles communications, there are now more active mobile phones in the country than inhabitants (2014 – mobile phones penetration: 150.2%). 2012 by comparison had 83.5% of the population using the internet and 88% of the population were mobile phone users. The second segment of telecommunications is the internet. The market value of the Internet in Poland amounted to 5.1 billion PLN. The largest market share in number of users was taken by 'Orange'. The company provided for 29.1% of all Internet subscribers.

Mobile telephony is still the most important segment of the Polish telecommunications market. In 2014, the revenues from mobile telephony accounted for almost 45% of the total market value. The majority of revenues (81%) was generated by the post-paid customers. In 2014, the number of users increased by 1.5%, compared to the previous year. In this respect, T-Mobile Polska remained the leader with a 26.8% share, which also represents a decrease of 0.2 percentage points, compared to the previous year. P4 further strengthened its position, recording the largest growth in the number of users by 14.1% compared to the previous year.

Today, the internet is a major source of information. The number of Internet users in Poland reached 13 million in 2014. The most popular form of access to the internet in households is access services provided primarily through 2G/3G modem 45%, xDSL lines 22.5%, cable modems of cable TV operators 19%. Approximately 1/3 of the market value comes from services provided through mobile modems. xDSL technology in market share in 2014 was about 3 percentage points lower than in 2013.

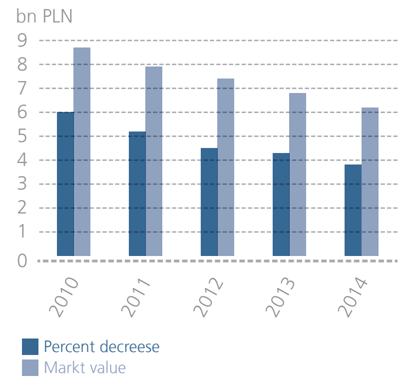
The Polish telecommunications market is gradually approaching Western European markets. In order to win over new customers, telecommunication operators are trying to retain their current clients by offering many incentives. These incentives include

free minutes and better service quality either at the same price or as an extension to their existing service range. They also offer better packages, including telecommunications services and banking or television services.

II.5.2.2. Density and connection lease market

The fixed line telephone market in Poland is characterized by a low level of penetration. In 2014, 6.2 million of Poles declared themselves to have a fixed-line phone. Orange Polska S.A. is the most spontaneously recognized brand among fixed-line operators Market share according to amount of subscribers: Orange Polska S.A. 56.1% and Netia 8%. According to a UKE survey, a fixed-line phone is an important mean of contact for local calls.

Market value of the fixed-line telephony



Source: Office of Electronic Communications, Report about Telecommunication Market, 2014

According to the UKE report, in 2014 more than 91% people declared that they have used mobile telephones and said they use at least one mobile phone. Spontaneous awareness of the three largest mobile phone operators is at similar levels: T-mobile, Orange and Plus.

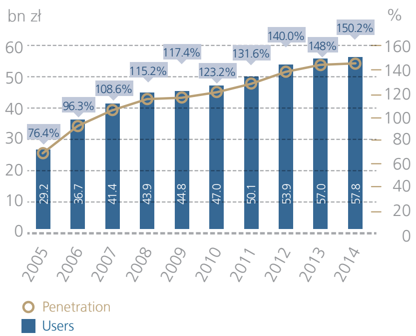
Most households (78%) said they have a home computer. 78% of households with a computer also have internet access at home. Of these, 46% of Pol-

Infrastructure

ish internet users said they use internet daily. The majority of those who use the Internet at home use an always-on connection, usually broadband.

The value of the retail connection lease market reached over 17.6 billion PLN by the end of 2014. The biggest operators on the retail connection lease market in 2014 in terms of achieved revenues were: T-mobile Polska S.A., P4, Orange Polska, Polkomtel. The greatest revenue in this market sector in 2014 was achieved by Polkomtel, which since 2014 was in first position in terms of revenues and the numbers of leased connections.

Mobile technology penetration in Poland 2005–2014



Source: Office of Electronic Communications, Report about Telecommunication Market, 2014

II.5.2.3. Data transmission system and density

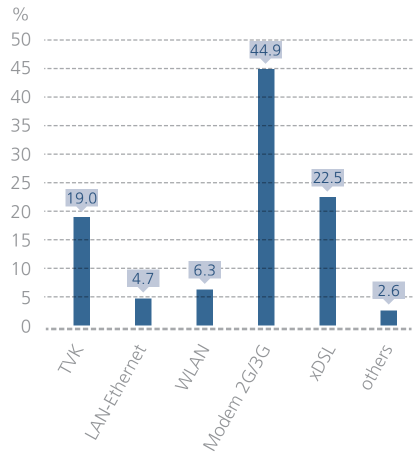
The retail market for broadband Internet access is an important one for the future development of telecommunications and will be the starting point for many new services. Poland's Internet service is developing rapidly, with many different types of technology used for broadband Internet access. The popular data transmission technology is xDSL, with 22.5% clients, 2G/3G modems 44.9%, TVK 19%, WLAN 6.3%, LAN Ethernet 4.7%. These trends comply with those of other European countries.

In 2014, the largest customer base was held by Orange Polska S.A (29.1%). Subsequent positions were occupied by TP and mobile network operators whose combined shares at the level of 40.5% demonstrate the popularity of mobile services and their growing competition in relation to the fixed line Internet access.

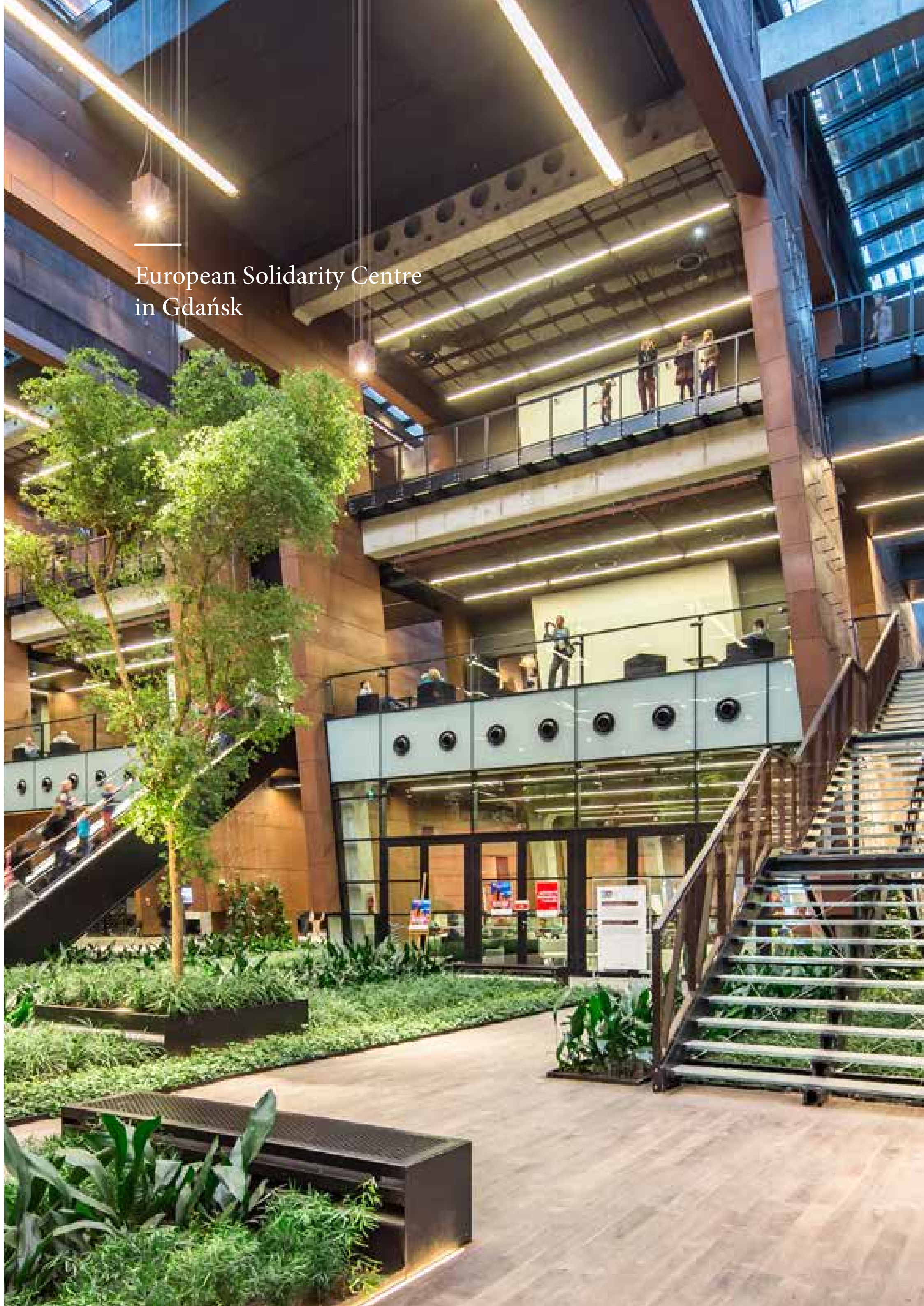
At the end of 2014, there were more than 13 million subscribers of Internet access services, nearly 10% more than the year before. In terms of fixed internet, 2014 was dominated by lines with a capacity of 2 Mb/s to 10 Mb/s. Over 45% of users have used the Internet with such speed. The share of lines with speeds of 10 Mb/s to 30 Mb/s amounted to 23.7%.

Poland was one of the countries with low fixed -line Internet penetration and a concurrent high rate of mobile access use, exceeding the EU average by 13.9 percentage points. XDSL lines comprised in Poland the most common fixed – line technology (as in most countries of the European Union)

Structure of subscribers in terms of access technology



Source: Office of Electronic Communications, Report about Telecommunication Market, 2014



European Solidarity Centre in Gdańsk

II.6.

Labour market

II.6.1. Education

II.6.1.1. Education system

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

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

Since 2004, an obligatory one year pre-primary education ('0 grade' – zerówka) has been introduced for children at the age of six in pre-primary education and nursery schools. According to the education reform, the school age is lowered by one year. Until the school year of 2014, children had the right to attend primary school at the age of six, but after the school year 2015 this became compulsory. Also the pre-primary education of children between the ages of three and five became obligatory from 2011.

Compulsory full-time education

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

1. Stage I – grades 1 to 3, called integrated teaching which is meant to provide a smooth transition from pre-primary to school education
2. Stage II – grades 4 to 6 The school year is divided into two semesters between September and June. Pupils attend primary school five days a week, from Monday to Friday

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

The requirements for admission to lower secondary school are the successful completion of primary school and a primary school leaving certificate. In 2002 an externally standardised test was conducted for the first time upon the completion of primary school. Tests are comparable on the national stage. In the third year, pupils take another compulsory examination. This exam is external and standardised and is designed to check the child's abilities, skills, and knowledge in the field of humanities and science. From 2009 it also encompass foreign language proficiency.

Upper secondary and post-secondary education

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

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

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

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

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

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

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

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

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

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

Higher education

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

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

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

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

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

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

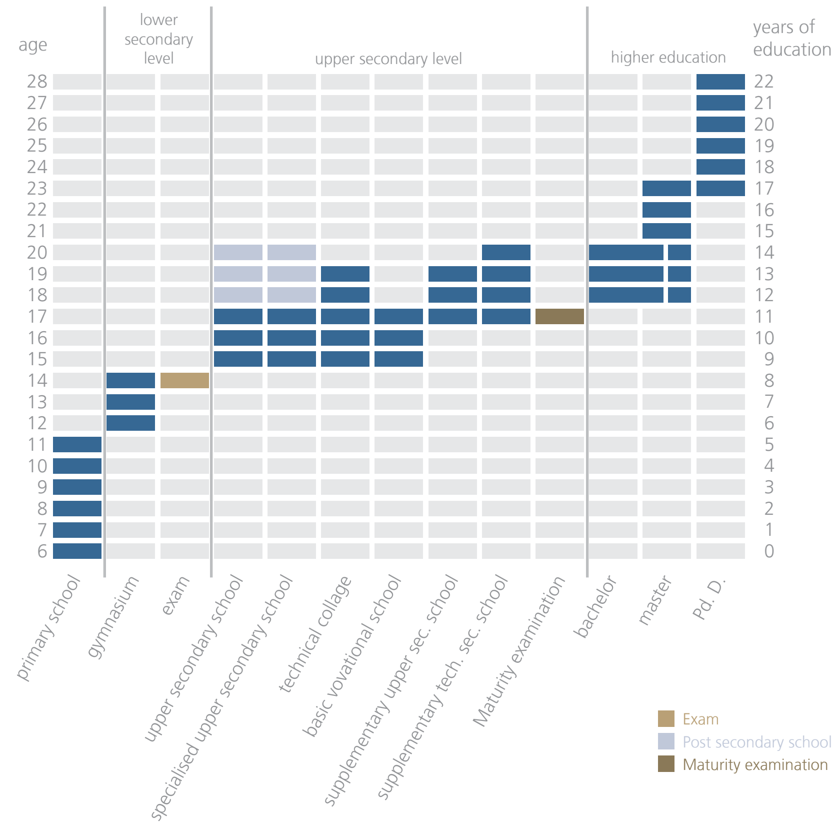
The institution of higher education runs full-time courses, evening courses, extramural courses and external courses. The basic system of studies is the full-time mode.

According to Eurostat, Poland holds fourth place after the United Kingdom, Germany and France in terms of the number of people enrolled in tertiary education. In 2014 academic year, 1.5 million people studies at higher and tertiary education facilities, among which 58% were women. The most popular faculties among students were the economics and administration, social sciences and pedagogical faculties.

The biggest centres of higher education are in Warsaw, Kraków, Wrocław, Poznań, Łódź, Lubin, Gdańsk and Katowice. In total there are 453 higher education establishments in Poland, 29% of which are state-owned. There are 20 universities, 22 technical universities (including maritime universities), 9 medical academies, 5 agricultural academies and 5 economics academies.

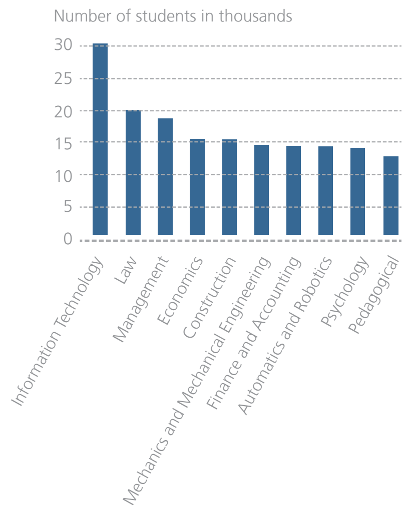
Apart from the philology students and foreign students, 44% of students attend foreign language courses at university. Especially active are students of business faculties, many of whom study more than one foreign language. The most popular foreign language studied at Polish univesities is English, followed by German, Russian, Spanish and French.

Polish education system scheme



Source: JPW 2015

The most popular fields of education 2014/2015



Source: Central Statistical Office, 2015

Academic degrees

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

Doctor (doktor) – after three to four years of study, this is awarded to candidates who submitted and successfully defended a doctoral dissertation before a thesis committee and passed a doctoral examination.

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

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

II.6.1.2. International schools

International schools, providing pre-school, primary and secondary education are now present in most Polish major cities and their number has been growing since the 1990s. They are attended both by children of expatriates living in Poland and local children and youth, whose parents decide to enroll them to international schools with the main reason being to ensure the best language training available.

Additionally international schools usually offer high quality studying conditions such as smaller class sizes, abundant extracurricular activities and a diverse and multinational groups of students in almost all classes.

The most popular language used in Polish international schools is English, but there are schools providing education in other languages, including German, French, Italian and Japanese. Most of the English language schools use the British syllabus that leads to the globally, recognized International Baccalaureate (IB) certificate. Other international schools have internationally recognized accreditations.

The largest number of international schools are located in Warsaw, among which most recognized are: American School of Warsaw, the International American School of Warsaw, and The British School, École Antoine de Saint-Exuper (French), Lycée Français de Varsovie (French), Willy Brandt Deutsche Schule Warschau (German), Japanese School at the Japanese Embassy in Warsaw (Japanese). Other major cities with international schools available include Wrocław, Kraków, Poznań, Szczecin and Gdańsk.

II.6.1.3. Science and R&D

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

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

PAN is a state scientific institution that functions as a learned society acting through an elected corporation of leading scholars and research institutions. Operating through its committees, PAN has become a major scientific advisory body. PAN as a research centre is currently comprised of 79 research establishments (institutes and research centres, research stations, botanical gardens and other research units), and auxiliary scientific units (archives, libraries, museums and foreign PAN stations). A very special part of the Academy is its committees, the Academy's network of 104 committees constituting a major representation of all researchers in Poland. Each scientific committee constitutes a self-governing representation of a scientific discipline for the purpose of integrating Polish scholars.

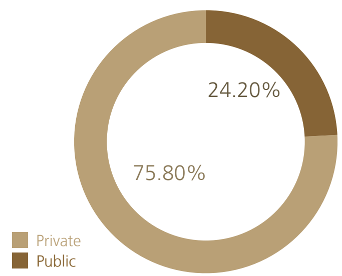
II.6.2. Human resources

II.6.2.1 Employment and labour force

In 2014, the number of employed persons in the national economy comprised 15,837 thousand people.

The number of employed people at the end of June 2015 amounted to 8,636.9 thousand and was 0.9% higher than the previous year. A relatively high increase in employment was observed in sections: information and communication (by 3.5%), administrative and support service activities (by 2.8%), manufacturing (by 2.7%), transportation and storage (by 2.2%), trade, repair of motor vehicles (by 2.1%)

Employment by type of ownership

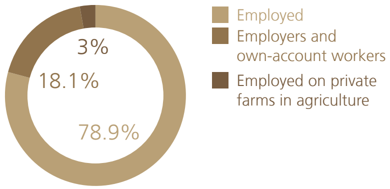


Source: Central Statistical Office. Concise Statistical Yearbook of Poland 2015

The average working time in the 2014 was 41.5 hours a week, Poland has 25th place within EU28 countries.

The overall activity rate is 56%, meaning that 56% of Poles over the age of 15 are economically active. This includes both employed, unemployed and pensioners. The activity rate for people in the working age is significantly higher and equals 74.3%. The rest is economically passive. Most of these people are obtaining education or additional skills. Others are passive due to sickness or disability, family commitments, or because they have retired already. The activity rate significantly varies for different levels of education. Among people with tertiary education, the activity ratio is 80.1%, while among people with vocational education, the ratio is 66% (secondary vocational) and 63.9% (elementary). The lowest ratio is among people with basic education (19.1%) followed by 47% as the ratio of people with general secondary education.

Employees by employment status



Source: Central Statistical Office. Concise Statistical Yearbook of Poland 2015

Employment by sections

Sections	2009	2010	2011	2012	2013	2014
	in thousands					
Total	13,782.3	14,106.9	14,232.6	14,213.4	14,244.2	15,837
Agriculture, forestry and fishing	2,124.9	2,376.1	2,376.7	2,378.0	2,378.9	1,823
Mining and quarrying	183.4	173.0	175.6	174.5	168.5	244
Manufacturing	2,420.6	2,436.5	2,443.6	2,426.9	2,421.1	3,126
Electricity, gas, steam and air conditioning supply	151.3	159.1	152.8	143.3	137.1	180
Water supply; sewarage, waste management and remediation activities	136.5	140.9	143.3	143.2	145.1	160
Construction	882.7	865.2	909.2	879.9	810.4	1,152
Trade; repair of motor vehicles	2,179.5	2,189.1	2,158.8	2,167.3	2,121.8	2,280
Transportation and storage	693.7	701.4	727.9	732.9	729.9	886
Accomodation and catering	252.5	237.4	237.5	235.9	244.6	329
Information and communication	239.6	237.8	249.4	255.3	270.8	374
Financial and insurance activities	333.9	337.9	346.3	345.8	352.1	382
Real estate activities	193.1	196.0	198.2	195.1	199.1	175
Professional, scientific and technical activities	480.2	481.3	518.2	525.2	553.2	561
Administrative and support service activities	375.7	411.7	413.9	421.4	443.2	441
Public administration and defence, compulsory social security	964.5	970.1	951.9	958.2	963.0	1,046
Education	1,071.9	1,079.9	1,084.7	1,088.1	1,100.3	1,225
Human health and social work activities	747.6	764.4	775.4	772.5	804.7	941
Arts, entertainment and recreation	146.3	148.4	153.3	152.0	140.0	210
Other service activities	204.4	200.7	215.9	217.9	259.3	231

Source: Central Statistical Office, Employment in the National Economy in 2015

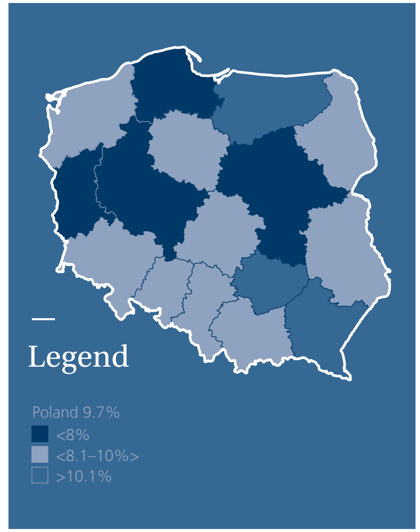
II.6.2.2. Unemployment

Registered unemployment in September 2015 was 9.7%. The graph below represents the monthly rates since 1990. One can see the seasonality whereby every year there is a peak in winter. This is mostly due to construction work and agriculture, which tend to follow seasonal patterns.

Unemployment rates differ from region to region. The lowest unemployment in the first quarter of 2015 was registered in Wielkopolskie voivodship (6.8%), followed by Mazowieckie (7.1%), Lubuskie (7.4%). The highest unemployment was registered in Podkarpackie (12.7%), and Warmińsko-Mazurskie (11.7%), Świętokrzystkie voivodship (11.2%). The map presents unemployment rate in the various voivodships in the first quarter of 2015.

Unemployment rates can also vary within different regions. The lowest rates are always in the big cities: Poznań in Wielkopolskie (3.3%), the capital city Warszawa (4.4%), Katowice in Śląskie (5.5%), Wrocław in Dolnośląskie (4.3%), Kraków in Małopolskie (5.6%). However, unemployment rates are growing in more rural districts. Mazowieckie, a region with

Unemployment in Poland by voivodships

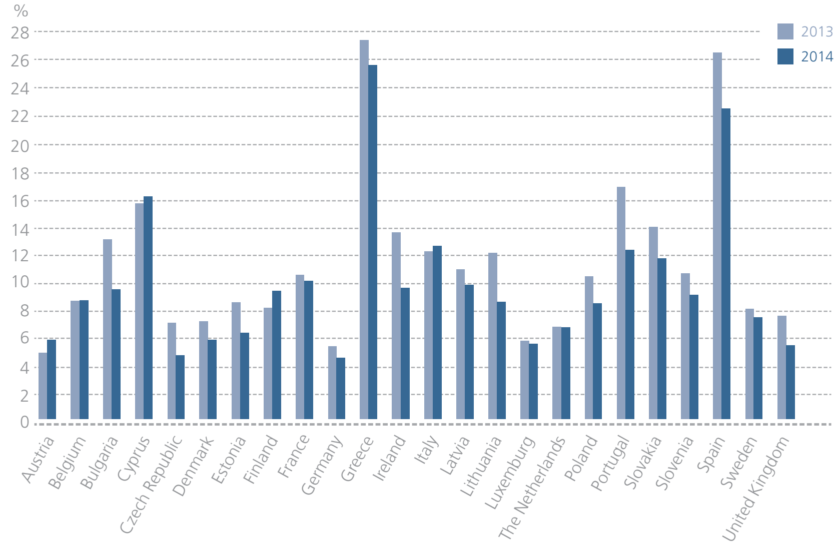


Source: Central Statistical Office, Unemployment Rates, 2015

Monthly unemployment rates 1990–2015 (IQ)

Source: Central Statistical Office, Monthly Information on Unemployment in Poland March, 2015

Unemployment rate in selected countries



Source: International Labour Organization, 2015

a low overall unemployment rate, contains a district with an unemployment rate of more than 38% (Szydłowiec) and there are many with levels of unemployment significantly above or close to 20%. In Wielkopolskie there is only one district above 20%. Małopolskie, with an unemployment rate of 11.4%, slightly below the Polish average, has several districts with unemployment of around 19%.

The attached graph presents the Polish unemployment rates compared with other selected countries (based on the World Bank's methodology). It is clear from this that among other European countries, Poland in 2014 had lower unemployment ratio than the average in UE and lover than other countries in the region such as Slovakia, Latvia, Lithuania but still significantly higher than Germany or the Czech Republic.

It is expected that in 2015 the unemployment rate will decrease to 8.2% and in 2018 further to 6.5% and the number of employed will increase by 1.1%. Taking into account the projected evolution of the economically active population and employment growth, it is expected further reduction in the unemployment rate.

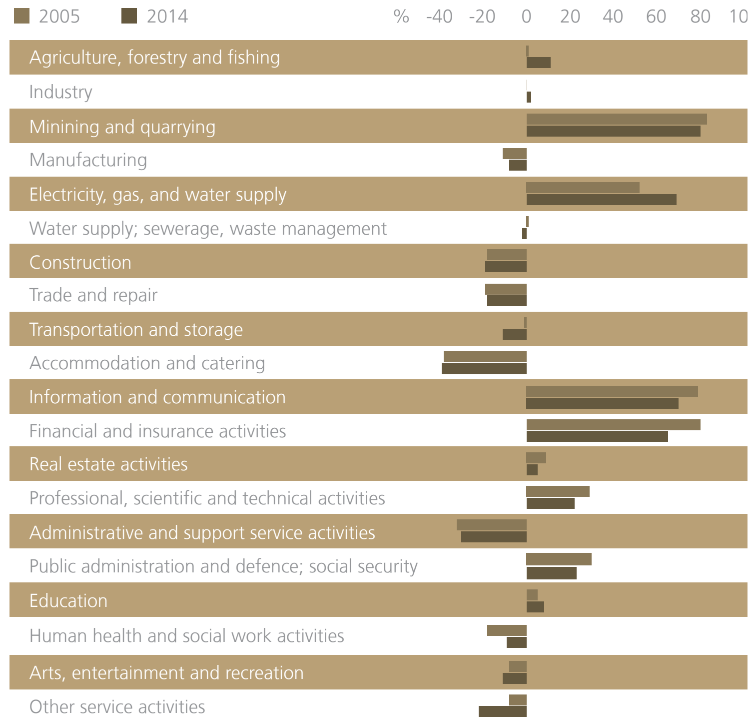
II.6.2.3 Salaries

The average gross salary within the private sector in 2014 was 3,980 PLN. The average salary in the public sector is lower and in 2014 amounted to 3,486 PLN. Depending on the investigated quarter, the salaries in Poland rose approximately 5–6% per annum between 2005 and 2012. In the years 2007 and 2008 the annual growth in salaries was increasing reaching a 8–11% pace, a trend which has been counteracted by the global economic crisis. In the first half of 2015, the average monthly gross wages and salaries in the national economy amounted to 3953.72 PLN, i.e. at a level higher by 3.6% than in the same period of the previous year.

This picture can be supplemented by HR consulting companies that are investigating the market based on opinion polls. The poll performed in 2014 by Sedlak&Sedlak, with more than 108 thousand people participating gives insight into salaries of specialized workers. As the bulk of interviewees are young and educated, the survey is able to show the cost of skilled labour. The survey finds that among the five

top paying sectors, women are significantly underpaid compared to men with the difference of median salary lower of 1,000 PLN. Moreover, in most sectors firms with foreign capital offer higher salaries than domestic companies with the differences ranging from 30 to 120%, depending on the sector.

Relative deviations of the average sector-specific gross salary from the average gross salary



Source: Concise Statistical Yearbook of Poland, Central Statistical Office, Warsaw 2014

The highest and lowest salary medians

Industry sector	Median salary in PLN
IT	6,000
Telecommunications	5,500
Banking	5,500
Insurance	5,000
Energy and heat	4,800

Industry sector	Median salary in PLN
Education	3,300
Public sector	3,240
Health service	3,200
Services for population	3,000
Culture and art	3,000

Source: Sedlak&Sedlak, Report 2015

III.

Setting up business

– get to know about the first steps to be taken

III.1.

Incorporation

III.1.1. Conducting business activities

The general rules related to conducting business are regulated by the Freedom of Economic Activity Act dated on 2nd July 2004. The Act is also known under the name of 'business constitution', because the Act governs the undertaking, conducting and legal limitation of business activities in Poland. The Act is the source of various terms, e.g. entrepreneurship or economic activity, that remain applicable in relation to business activities. The Act also contains a list of specific licenses that have to be acquired in order to undertake certain business activities.

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

Natural persons and legal entities from the EU/EFTA countries, in regard to conducting business in Poland, fall under under the same conditions and rules as Polish individuals or companies. Such a foreign entity may choose any legal form for their business activity in Poland freely with the same restrictions as are applicable for Polish naturals or companies, if any.

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

- Limited Partnership (LP),
- Partnership limited by shares,
- Limited Liability Company (LLC),
- joint-stock company / Public Limited Company (PLC).

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

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

The branch office is restricted in conducting business activity only in the scope of the mother company. The registration process is similar to the LLC, because it has to be registered in the Entrepreneurs' Register maintained by the court (hereinafter referred as "KRS"). The branch office has its own KRS number.

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

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

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

- General partnership,
- Limited Partnership (LP),
- Limited Liability Partnership (LLP),
- Partnership limited by shares,
- Limited Liability Company (LLC),
- joint-stock company / Public Limited Company (PLC).

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

III.1.1.1. Limited Liability Company

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

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

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

- relatively low costs of incorporation of the company,
- the company may conduct business activities immediately after signing the Articles of Association,
- fast registration process at KRS,
- limited liability and low minimal share capital,
- clear and simple rules in relation to the daily management of the company,
- low operational costs.

The LLC may be incorporated by one or more person or/and entity. However, the LLC cannot be incorporated by another single-shareholder LLC governed by Polish or foreign law. Nevertheless, Polish law does not prohibit the holding of 100% of shares by another single-shareholder LLC. Therefore, the above mentioned restriction concerns only the registration process of the LLC.

The incorporation of a LLC is executed before the Polish notary and the Articles of Association must be notarized. The company may also be incorporated by attorney in fact, acting upon prior given power of attorney.

The Articles of Association should specify:

- the business name of the company including the additional description 'Spółka z ograniczoną odpowiedzialnością' or its abbreviation 'sp. z o.o.',
- the seat of the company,
- the scope of the business activity,
- the amount of share capital,
- information, on the number of shares along with their value, owned by each shareholder,
- whether the company has been incorporated for limited period of time.

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

Corporate bodies of a limited liability company

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

The Management Board is a body which deals with the affairs of the company and represents the company before the third parties. The duties and prerogatives of the Management Board differ significantly from the duties and prerogatives of the Board of Directors, which is typical for the common law sates. The Management Board may consist of one or more members (no difference whether Poles or foreigners), that can be appointed from the shareholders or from third persons. Unless the Articles of Association stipulate otherwise, members of the Management Board are appointed and dismissed by the resolution of the General Meeting of the Shareholders.

The statutory duty of the Supervisory Board is to exercise permanent control over all areas of the company's activities, however, as stated hereinabove, there is no obligation to appoint the Supervisory Board. The Management Board is not bound by the instructions given by the Supervisory Board. The Supervisory Board consists of at least three members appointed by the resolution of the General Meeting of the Shareholders. The foreign investors usually do not appoint the Supervisory Board in their Polish subsidiaries.

The third body – The General Meeting of the Shareholders, consists of the shareholders. The Code of Commercial Companies distinguishes between the 'Ordinary' and 'Extraordinary' General Meetings. The Ordinary General Meeting of the Shareholders is held within six months of the end of each financial year. Polish law stipulates precisely which issues should be put on the agenda (e.g. consideration and approval of the management report and financial report). The Extraordinary General Meeting is called in cases stipulated in the Code of Commercial Companies or in the Articles of Association. The Extraordinary General Meeting might be also called incase any authorised person or body finds it necessary. The shareholder may be present at the meeting either in person or by representatives with the power of attorney granted in writing.

Liability in a limited liability company

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

III.1.1.2. Joint-stock Company / Public Limited Company (PLC)

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

Similarly to LLC, PLC is treated as a separate legal entity from its stockholders or sole stockholder. The PLC can be incorporated by one or more person/entity. However, the PLC cannot be incorporated by another single-shareholder limited liability company governed by Polish or foreign law. The restriction concerns only the registration process. The statute of the PLC should be signed before the Polish notary. Nonetheless, the company may be incorporated by attorney in fact upon the power of attorney granted to him. The company comes into existence on the implementation of the statute. Only registration in the Entrepreneurs' Register provides the PLC with its full legal status.

The statute should specify:

- the business name of the company, including the additional description 'spółka akcyjna' or its abbreviation 'S.A.',
- the seat of the company,
- the scope of its business activity,
- whether the company has been incorporated for a limited period of time,

Incorporation

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

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

Corporate bodies of a joint-stock company / PLC

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

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

Liability in a joint-stock company / PLC

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

III.1.2. Other corporate entities

III.1.2.1. Civil Partnership

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

III.1.2.2. General Partnership

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

III.1.2.3. Limited Partnership

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

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

III.1.2.4. Limited Liability Partnership

A Limited Liability Partnership is a partnership incorporated by professionals (such as lawyers, tax advisors or doctors), for the purpose of rendering professional services. A partner of the Limited Liability Partnership may only be a person authorised to conduct the profession. The main feature of the Limited Liability Partnership is that a partner is not liable for the obligation of the partnership incurred in connection with the professional activities of other partners.

III.1.2.5. Partnership Limited by Shares

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

III.1.2.6. Sole Proprietorship

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

III.1.2.7. Branch office

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

III.1.2.8. Representative office

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

III.1.2.9. European Company

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

The Statutes of the SE must constitute as governing bodies the the General Meeting of the Shareholders and either a Management Board and a Supervisory Board (known as two-tier system) or an administrative board (known as one-tier system). Under the two-tier system, the SE is managed by the Management Board. The member or members of the Management Board are empowered to represent the company. They are appointed and dismissed by the Supervisory Board. No person may be a member of both the Management Board and the Supervisory Board of the same company at the same time. Under the one-tier system, the SE is managed by an administrative board. The member or members of the administrative board have the power to represent the company. Under the single-tier system, the administrative board may delegate the power of management to one or more of its members.

III.1.2.10. European Economic Interest Grouping

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

III.1.3. Establishing and registering an entity

The first step in incorporation an entity is to choose the appropriate legal form. This has a significant effect on the further proceedings. The LLC or PLC are probably the most attractive legal vehicles for foreign investors conducting business in Poland. Therefore, the following explanations will focus on the hereinabove. The formation of LLC and PLC is executed before the Polish notary and the Articles of Association must be notarized. In effect, the company as an entity is incorporated. The company in an organization (before the documents are submitted to the Court) may, in its own name, acquire rights, including ownership of immovable property and other rights in remit, incur obligations, sue, and be sued. The company must also choose their business address. In the registration process, the address is confirmed by the lease agreement or the title of ownership of the real estate. The initial capital of the company must be paid in full by the LLC and at least in 25% by the PLC before the moment of submitting the documents to the Court. All companies in Poland are required to open a bank account. The documents required for the opening of an account may be different at every bank (e.g. articles of association/statute, and the specimen signatures of those authorized to represent the company). It is also possible to open an account for the company in the organization. The next step is to submit an application to the National Court Register (KRS).

Apart from an application form (KRS-W3), the following attachments are required upon registration of LLC:

- articles of association,
- documents appointing the company's governing body (the Management Board),
- a statement from all members of the Management Board that the contributions towards initial capital have been made by the shareholders in full,
- consent to the appointment of a company's representatives,
- a list of the shareholders, the number and nominal value of shares held.

Incorporation

The following attachments to the application form (KRS-W4) are required upon registration of the PLC:

- a company's statute,
- notary deeds on incorporation of a company, and on the subscription of stocks,
- documents appointing the company's governing bodies (the Management Board and the Supervisory Board),
- consent to the appointment of a company's representatives,
- a statement from all members of the Management Board that the stock payments and contributions in kind envisaged by the charter have been effected lawfully,
- a confirmation for the stock payments from bank or an investment company.

The court fee for the registration is 500.00 and 100.00 PLN for the publication in Monitor Sądowy i Gospodarczy.

As of 1 December 2014, changes to the Act on National Register Court have been introduced aiming at speeding up the registration procedure of a new company. REGON identification number (assigned by the Central Statistical Office – Główny Urząd Statystyczny) as well as Tax Identification Number (assigned by the Tax Office) are now assigned automatically after an entry of a new company to the National Register Court is made. Relevant data of a new company is also automatically transferred to the National Insurance. This solution should significantly reduce the time of the registration procedure.

From 1st January 2012, an LLC can also be established using standard articles of association available in the ICT system. The new registration procedure, carried out by filling in the registration form, articles of association and the list of shareholders -all in the ICT system, is aimed at removing barriers to start business. As of 15 January 2015 the same procedure can be used while establishing and entering into an agreement of a limited partnership as well as general partnership.

Additionally, from 1st April 2016 it will also be possible in ICT system to make changes in articles of association of LLC, limited partnership and general partnership as well as to dissolve these companies. Shareholders of LLC will also be able to sell their shares and undertake resolutions using electronic model.

III.2.
Taxes

III.2.1.
General overview

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

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

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

The levying of:
- taxes,
- other public fees.

The definition of:
- entities and subjects of taxation,
- tax rates,
- exemption, tax relief and remission in taxes,
- categories of subjects exempted from tax.

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

The Polish tax system consists of the Tax Code and the Acts regulating particular types of taxes. Generally, the taxes in Poland may be divided on direct and indirect. In mechanism of direct taxation the taxpayer bears the cost of the tax. In this group in Poland there are below taxes: income (PIT and CIT), inheritance and endowment, on civil law transactions, real estate, agricultural, forest, means of transport. The second group are indirect taxes. In indirect taxation mechanism the tax is paid during the purchase of the good or service. These are: VAT – Tax on Goods and Services, Excise, Duty.

The Tax Code specifies the general definitions, rights and obligations of the taxpayers as well as the tax authorities and the tax procedures.

Since May 1st, 2004 – the date of Poland entering to the European Community, Polish legislators are obliged to harmonise the internal tax systems with EU regulations. A special accent has been put on harmonisation of the Value Added Tax and Excise Tax. As a consequence in cases of the lack of the implementation of the EU regulation to internal VAT and Excise regulations or discrepancies between the VAT and Excise taxation on the EU and internal level, the tax payer shall have the right to use the EU regulations directly and shall not be burdened with the negative consequences of such action.

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

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

III.2.2. Taxation of company

III.2.2.1. Income tax

Income tax is governed in the Corporate Income Tax Act, hereinafter referred to as 'CIT', and the Personal Income Tax Act, hereinafter referred to as 'PIT'. A regulation type that should be used in a case depends on the legal form of an entity. In consequence, either the income of the entity as a whole will be taxed (i.e. CIT form a limited company and joint stock company) or the incomes of particular shareholders (i.e. limited partnership or registered partnership). In the second case mentioned above (i.e. companies in the Polish legal system named as partnerships), in order to establish if the taxation will be in accordance with PIT or CIT Act, the legal status of the shareholder of the partnership must be considered. If the partner is a natural person – he will be taxed directly from the incomes gained by the partnership, in accordance with PIT Act. If the partner is a limited liability company or a joint-stock company – the entity will be taxed directly from incomes gained by the partnership in accordance with CIT Act.

Subject to taxation with income tax is:
1. According to CIT:
- a legal person
- an organisational entity without corporate personality except partnerships (but not all types of partnerships)
- limited joint -stock partnership
- a company without corporate personality that has its place of residence or board of directors in another country, where, according to the law of this country, it is treated as a legal person and all its income is taxed in that country regardless of the place of generating the incomes

2. According to PIT
- a partner in a limited partnership or registered partnership, if s/he is a natural person.

Taxpayers that have their place of residence or board of directors in Poland (residents) are liable to a tax obligation for total profits regardless of the country generating those profits. Taxpayers that don't have their place of residence or board of directors in Poland (non residents) are liable to a tax obligation only for profits generated in Poland.

Taxation of partnerships

Incomes and costs generated by a partnership are taxed separately by each partner according to the proportion of possessed shares and with the appropriate tax rate from PIT or CIT Act, depending from the legal status of each partner.

Branches of foreign companies

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

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

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

Tax capital group

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

A group can be formed only by at least two limited liability and/or joint-stock companies, having their registered office within the territory of Poland, if:

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

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

Transfer pricing

All transactions carried out between related individuals and/or corporate entities are under the special supervision of tax authorities. The reason for this is the protection against the transfer of profits of the related entity to the country where are more favourable tax rates.

According to Polish regulations, a relationship exists when:

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

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

If prices do not comply with the arm's length principle, the tax authorities are entitled to estimate the value of transactions using one of the following methods:

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

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

Since 2006, Polish taxpayers may apply to the Minister of Finance with motion to conclude the agreement regarding the confirmation of the used Transfer Pricing Policy. This is known as the Advanced Pricing Agreement (APA) and is related not only to transactions between Polish taxpayers, but also between Polish and foreign entities.

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

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

CFC provisions

New legal provisions concerning Controlled Foreign Company (CFC) came into force at the beginning of 2015 and imposed a 19% corporate income tax at Polish taxpayer's level on income generated by the taxpayer's CFCs.

The aim of the Controlled Foreign Company (CFC) provisions is to discourage Polish parent companies from tax planning with use of non-Polish entities. The Polish taxpayers will be subject to Polish tax on income earned by their controlled foreign companies even if income is not distributed from the non-Polish company. Subsidiaries subject to CFC rules are those, which have passive income taxed with a rate lower than 14.25% and the Polish parent company holds at least 25% of shares either directly or indirectly.

Subsidiaries seated in tax havens are also treated as CFC. CFC provisions will not apply if the foreign corporation conducts real business activities.

The objective of the CFC rules is to penalize transactions that are artificial and whose key objective is to obtain a substantial tax benefit. Transactions will be considered artificial, if they are excessively and unnecessary complex or have no economic substance. Tax authorities may assess additional tax liability, which disregards artificial constructions if they prove that a taxpayer gained a substantial tax benefit in comparison to a standard transaction and the taxpayer is not able to provide grounds for the business reasons of that transaction.

Subject of taxation

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

However, in some cases pure revenue is to be taxed. These are: dividends, licence fees (i.e. interests from loans, royalties) as well as provisions of intangible services (such as management and advisory services or market research). It is important that taxation of the above should be done with consideration of the double taxation avoidance agreements. Additionally in case of related entities within EU and EEA, there is the tax exemption for dividends and for licence fees.

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

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

Examples of other non-deductible costs:

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

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

Tax rates

The special exemption concerns licence dues and interests and dividends paid by a Polish capital company to another capital company outside Poland or the EU. Regarding licence dues, and interests, the exemption came into force on July 1st, 2013 and applies if the below conditions are fulfilled:

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

With respect to dividends, the exemption applies when a capital company from an EU country directly holds no less than 10% of shares from a Polish capital company for a continuous period of at least two years. Both acts (CIT and PIT) allow a number of exemptions or lower tax rates for the income profit generated by non-residents in Poland.

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

In particular, 31st December 2015 sees an amendment to the CIT Act coming into force, which introduces Article 22c into the CIT Act. The new limits the scope of application of the Parent – Subsidiary Directive 2011/96/UE implemented to the domestic tax law which provides for a tax exemption for dividends paid between related companies.

According to the adopted Article 22c the participation exemption will not apply to arrangements between related parties that are artificial and the main driving force behind the arrangements is to obtain a tax advantage.

Under the new rules, an arrangement or contract shall be deemed artificial it is carried out without justifiable business or economic reasons, in particular when shares of the paying dividend company are transferred or the company generates income which is further transferred through a dividend distribution or another method of profit distribution.

Obligations

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

In case of dividends, licence dues and intangible services paid to affiliates, and to be taxed with withholding tax (only if the tax exemption described above is not applicable), the tax has to be paid within seven days following the month in which the tax obligation arose. This rule is however applicable only to those foreign affiliates/shareholders that are legal persons. In case of the affiliates/shareholders (taxpayers of WHT) that are the natural persons the term is twenty days following the month in which the tax obligation arose.

Tax rates

Income source	Tax rate
business activity (self-employed) unless the linear taxation is declared	18% up to 85,528.00 PLN and 32% of the surplus over 85,528.00 PLN the tax credit amounts 556.02 PLN
- incomes of capital companies and limited joint stock company, - share in capital companies profits, i.e. dividends (withholding tax), - interests, - business activity (self-employed) – after the declaration of the linear taxation.	19%
non-residents' income due to licence dues (withholding tax) and intangible services	20%
some incomes: - donations, - incomes of some entities.	exemption

III.2.2.2. Value added tax

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

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

Subject of taxation:

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

Taxable person:

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

VAT payers are also entities who:

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

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

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

There is the possibility of not registering for VAT if an entity foresees that the volume of a total annual turnover will be lower than 150,000 PLN. In this case, an entity is not obliged to tax its turnover, however is also not eligible to deduct input tax from purchases.

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

Consignment stock

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

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

Obligations

A VAT payer has an obligation to submit a monthly tax declaration until the 25th day of the month following the month in which the VAT obligation arose or, in the case of 'small' VAT payers, before the 25th day of the month following the quarter in which the VAT obligation arose. In a VAT-declaration, a VAT payer has to show the difference between output tax resulting from sales, and input tax resulting from purchases. In case of a surplus of output tax, a VAT payer is obliged to pay this surplus to a bank account of a tax office within a time limit set forth for tax declarations. In case of a surplus of input tax the taxpayer can apply for VAT returns on his bank account or assign it to the next settlement period. In the case of an importing goods VAT shown in a customs declaration should be paid within 10-days from the date of customs clearance. There are some possibilities to save the VAT obligation in case of the import of equipment or factory facilities.

Tax rates

Activity	Tax rate
all besides below mentioned	23%
some goods and services specified in the Act	5% and 8%
- export of goods - intra-community delivery of goods - international transport	0%
- supply of goods used only for activity exempted from VAT - financial services	exemption

VAT return from tax office

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

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

III.2.2.3. Tax on civil law transaction

With respect to a business activity, the following transactions amongst others are taxed with tax on civil law: Tax on civil law transactions should be paid within 14 days from the date of a transaction.

Activity	Tax rate
- articles of incorporations of capital companies as well as partnerships - increase of the capital or contribution in partnership - loan granted by a partner to partnership	0.5%
- loans granted by shareholder to capital company - loan agreements	exemption
- sales or donation of a property (including immovable property)	2%
- sales of some financial rights, including shares	1%

III.2.2.4. Custom and excise tax

Custom Tax

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

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

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

Excise tax

The act of Excise Tax regulates production and trading of of excise-duty goods such as: electrical products, electricity, alcohol, tobacco products (including dried tobacco), motor fuel, heating oil and gas and passenger cars.

Taxable person:

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

Subject to taxation:

- production of excise-duty goods,
- taking out excise-duty goods from a tax warehouse,
- sale of excise-duty goods in Poland,
- import of excise-duty goods,
- intra-community acquisition of excise-duty goods.

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

III.2.2.5. Duty-free zones

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

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

The duty-free zones in Poland are located on the main communication routes (airports, harbours, border crossings):

Map of duty – free zones in Poland

Source: JP Weber, 2014

III.2.2.6. Customs bonded warehouse

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

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

III.2.2.7. Local taxes

Tax rates or exemptions in the property tax and vehicle tax are determined by a commune council, but they cannot be higher than limits given by the legislator.

Examples of exemptions established by the legislator:

Property tax:

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

Vehicle tax:

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

Forest tax:

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

For the entrepreneurs, the most important local taxes are:

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

Agricultural tax:

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

III.2.2.8. Stamp duty

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

- registration for VAT: PLN as a rule registration for VAT is not payable, 170 PLN applies only to confirm the registration, which shall be issued at the request of the taxpayer,
- giving a power of attorney: PLN 17.00,
- certificate that an entity has no overdue tax liabilities: PLN 21.00.

III.2.3. Taxation of individuals

III.2.3.1. Personal Income Tax

Entity of taxation:

- individual (natural person) that is a partner in a limited partnership or registered partnership,
- natural person conducting economic activity – the sole proprietor,
- an individual.

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

Transfer Pricing

In the Polish Personal Income Tax Act there are analogous provisions relating to transfer pricing as in Corporate Income tax Act.

Taxpayers performing transactions, including the fact of:

- concluding deeds of partnerships,
- contracts of joint undertaking,
- contracts of a similar character, with subjects linked with these taxpayers;
- transactions in relation to which the payment of sums due as a result of such transactions is made directly or indirectly for the benefit of a subject having the place of residence, seat or management office in a territory of or in a country applying harmful tax competition,
- concluding by those taxpayers of deeds of partnerships, contracts of joint undertaking, or contracts of a similar character, if one of the parties of such deed or contract is a subject having their place of residence, seat or management office in a territory of or in a country applying harmful tax competition, they shall be obliged to prepare tax documentation of such transaction or transactions.

However, since January 2015 a provision expanding the scope of application provisions on transfer pricing came into force. According to these provisions in the case of a partnership deed, the obligation to prepare tax documentation shall include such deeds in which the total value of the contributions made by the partners exceeds the equivalent of EUR 50,000. In the case of a contract of joint undertaking or another contract of a similar nature which has a limit referring to the value of the joint undertaking specified in this deed, and in the case of this value not being specified in the deed – to the value of jointly implemented undertaking envisaged for the day of concluding the deed.

Subject of taxation

Polish regulations define a lot of income sources. As a rule, profit from each source is calculated separately. Profit is an amount of surplus between revenues and tax-deductible costs, received in a fiscal year. If the amount of tax-deductible costs exceeds the amount of income, the difference is a loss. If a taxpayer incurs a loss, he can reduce the profit in next following five years by the amount of this loss, but the reduction cannot be higher than 50% of the loss in one year. It does not apply to loss payable on disposal of items, properties and rights connected to properties.

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

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

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

- 50% of income for activities related to exploiting copyrights, however the total tax deductible costs in the fiscal year cannot exceed the amount of PLN 42,764,
- the annual lump-sum cost, that in 2015 amounts to PLN 1,335 for employees,
- 20% of income for civil law agreements,
- social insurances,
- expenses for rehabilitation purposes.

Obligations

The tax year for all individuals is the calendar year. During the year, income tax payers are obliged to pay a tax advance before the 20th day in the month following the month in which the tax obligation arose or, in the case of 'small' taxpayers, before the 20th day of the month following the quarter in which the tax obligation arose. Additionally, a taxpayer is obliged to submit an annual tax declaration before April 30th following the year in which the tax obligation arose.

In the case of the remuneration of employees, an employer is obliged to calculate, deduct and pay the monthly tax advances to a competent tax office. Individuals who receive any income from abroad are obliged to calculate and pay monthly tax advances themselves.

Tax rates

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

Income source	Tax rate
- employment contracts, - civil law agreements, - activity performed personally (e.g. members of board of directors), - business activity (self-employed) – unless the linear taxation is declared, - rental, - other.	- 18% up to 85,528.00 PLN and 14 839.02 PLN + 32% for the surplus over 85,528.00 PLN - the tax credit amounts 556.02 PLN
- business activity (self-employed) – after the declaration of the linear taxation, - capital gains, interests.	- 19%
- non-residents' income due to licence dues (withholding tax) and intangible services.	- 20%
examples of exempt income: - return of business trip costs, like per diem, travel and accommodation expenditures, - expenses paid by an employer for education and enhancement of qualifications of his employees, - the value of some benefits paid by anemployer due to an accommodation of employees.	exemption

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

III.2.3.2. Inheritance and donation tax

Subject of taxation

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

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

Tax base

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

Tax rate

Depends on the personal relation of a receiver to a person, from whose items or property rights were acquired. As a rule, the further relation between these, the higher the applicable tax rate. This ranges between 3% and 20%. The tax is calculated as the surplus in taxable base over the tax allowance amount, with the use of the above tax rates from the scale.

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

- the acquisition of property or property rights by the members of the closest family: spouse, successor, ascendant, stepchild, siblings, stepfather, stepmother and after fulfillment of additional conditions otherwise the taxation in accordance with the general rules mentioned above,
- the acquisition of a flat or a block of flats – for the amount of 110 m², but only after the fulfilment of certain conditions,
- the acquisition of an item or a property rights from one person during the last five years – up to total amount of PLN 9,637, depending on the personal relation between a receiver and the person from whom items or property rights were acquired.

III.3.

Investment incentives

Business opportunities for Poland can be considered attractive. Due to a solid base of economic growth over the past years. Additionally, Poland has not been hit by the global financial crisis in the same way as other countries.

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

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

III.3.1. EU structural funds 2014–2020

From 2014 to 2020 Poland will gain EUR 82.5 billion from EU Cohesion Policy (ab. EUR 77 billion after deducting transfers relating to additional funds for i.a. help for the poorest people and Connecting Europe Facility instrument). This sum will be increased owing to necessary domestic contribution from the Polish Government. Financial support will be provided mainly within the framework of national and regional Operational Programmes. The three most important national Operating Programmes are: Infrastructure and Environment, Smart Growth and Knowledge, Education and Development. Apart from group of 6 national Operational Programmes covering issues at the national level, each of 16 voivodships has its own specific Regional Operational Programme.

Financial support will be provided partly as investment aid and partly as other types of aid, among others:

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

Investment support will be granted mainly in the form of the repayable financial instruments. Non-repayable support in the form of grants will go to conducting R&D work, purchasing R&D equipment and to the most innovative investments (related to R&D works implementation), which will enable generating new technologies, new products and services.

The following table illustrates operational programmes available in Poland and estimated budget distribution.

Operational Programme – Infrastructure and Environment (IaE OP)

Considering needs regarding transport, the environment and other types of infrastructure, 33% of the total funds will be distributed for this programme from sources of the European Regional Development Fund (ERDF) and the Cohesion Fund. The aim of IaE OP is to support an environmentally-friendly, low-emission

Name	% of total funds	Amount in EUR billions
OP Infrastructure and Environment	33	27.4
OP Smart Growth	10	8.6
OP Knowledge, Education and Development	6	4.7
OP Eastern Poland	2	2.0
OP Digital Poland	3	2.2
OP Technical Assistance	1	0.7
16 Regional Operational Programmes	38	31.1

economy strengthening territorial and social cohesion. Issues connected with balanced development will also have a major importance due to the following streams of investment in the energy sector. The necessary investment in the diversification of traditional energy sources is to be achieved using market mechanisms, investing in renewable energy, reducing demand for energy and otherwise environmentally friendly projects. Investments of key supra-regional importance concerning the social infrastructure (health care, culture and higher education) will be complementary to these areas. The expected value of these indicators of expenditure on the implementation of the EUROPA 2020 goals will be reached by concentrating the EU funding on the activities for the conformity of the national transport system with the European system, mainly the development of the transport infrastructure of transnational outreach with respect to the principles of balanced development.

The IaE OP contains eight priorities:

- promotion of renewable energy sources and energy efficiency,
- environment protection, including climate change adaptation,
- development of environmentally-friendly and significant on a European scale transport infrastructure,
- increasing the availability of European transport network,
- development of an energy security infrastructure,
- protection and development of cultural heritage,
- strengthening strategic health care infrastructure,
- technical assistance.

Operational Programme – Knowledge, Education and Development (KED OP)

Financed from the European Social Fund (ESF).

In the view of the scale of social problems, 65% of the EU funds are being allocated to the implementation of projects which will be co-financed by the European Social Fund. A substantial part of these funds under that programme is focused on the implementation of the EUROPA 2020 goals. The programme is concentrated on the following areas: employment, education (including higher education), social inclusion, development of the mobility and adaptability of workers and enterprises as well as issues connected with improvement of governing effectiveness. It creates an efficient and effective public administration at all levels, implementing a good governance principle and health promotion in human resources. The overall goal of the programme is to optimize Poland's human resources potential through increasing employment, the adaptability of enterprises and employees, raising the level of education in society, reducing areas of social exclusion and supporting the development of the state's administrative structures.

The combination of all areas supported by the ESF and resources are concentrated on one central programme and on regional operational programmes, resulting from the need to ensure a consistent system for the implementation of ESF in Poland.

The KED OP contains five priorities:

- effective public policies for the labour market, economy and education,
- higher education for economy and development,
- young people on the labour market,
- social innovations and international cooperation,
- technical assistance.

Operational Programme – Smart Growth (SG OP)

Financed from the EFRD.

10% of the total of the EU funds is allocated to the SG OP. It is assumed that the highest performance value indicators will be reached under this programme. The focus of the SG OP is to increase the number of innovations by increasing R&D outlays, development of R&D institutions, development of cooperation between the science and business, as well as diversifying entrepreneurship potential. The investment should be responsive to the needs of the EU Single Market.

The programme supports innovation at a national level. Innovation at local or regional levels is supported and promoted through the Regional Operational Programmes. The main goal of the Smart Growth Operational Programme is the development of the Polish economy based on innovative enterprises. The programme's detailed objectives include: increasing the innovativeness of enterprises, enhancing the competitiveness of Polish science, creating better, sustainable jobs and increasing the use of ICT in the economy.

The SG OP contains three priorities:

- increasing the R&D potential for the development of Poland,
- increasing the scientific-innovative potential of Polish companies,
- technical assistance.

Operational Programme – Eastern Poland (OP EP)

The Operational Programme Eastern Poland (OP EP) is financed from the ERDF. The reason for the continuation of this programme is the lack of competitiveness and innovativeness of the five most disadvantaged regions: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie. These voivodships are characterised by: low work productivity, low living standards, a low dynamic of economic development, poorly developed, inadequate transport infrastructure and insufficient growth factors.

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

The Objective of the Operational Programme Eastern Poland is increasing competitiveness and innovativeness of in Eastern Poland macroregion. The main objective of the programme will be achieved through the implementation of specific objectives, namely:

- supporting innovativeness and R&D,
- supporting competitiveness of enterprises, especially in the area of internationalization,
- increasing effectiveness of provincial cities and their functional areas transport systems,
- increasing inner cohesion of the macroregion.

The OP EP contains five priorities:

- innovative Eastern Poland,
- entrepreneurial Eastern Poland,
- modern transport infrastructure,
- supra-regional rail infrastructure,
- technical assistance.

Operational Programme – Digital Poland (OP DP)

The Operational Programme Digital Poland (OP DP) is financed from the European Regional Development Fund. OP DP focuses mainly on the implementation of smart growth priority. 2.6% of the funds will be dedicated to ICT projects, broadband networks and e-services. OP DP also contributes to achieving the objectives of the Digital Agenda for Europe, which is one of the seven "flagship initiatives" of the Europe 2020 Strategy. The programme is intended for administration offices and their units, as well as telecommunications operators. OP DP will support public administration especially in provision of public e-services.

In accordance with the strategic documents, OP DP should provide support in three areas:

- universal access to broadband Internet,
- content and services available through the network,
- digital competence development.

Regional Operational Programmes

For the Regional Operational Programmes 38% of EU Structural Funds for the 2014–2020 Perspective have been allocated.

The justification for the preparation of the 16 ROPs is the decentralisation of the programming of regional development, an increased effectiveness of the provision of development activities by the public administration, the strengthening of the civil and self-government dimensions, as well as the effective use of structural measures for the period of 2007–2013 by regions under the Regional Operational Programmes.

The objectives of the ROPs are on the one hand set by voivodships in compliance with regional development strategies, while on the other hand they are also compliant with the goals of EUROPA 2020 strategy. All ROPs have a similar structure, but their contents and financial resources are specified at the regional level. The need to harmonise the list of activities implemented under regional programmes resulting from a number of premises, of which the most important is to ensure the consistency between the regional approach and goals and priorities of the national and European strategies, as well as taking into account activities concerning state aid for the SMEs sector (uniform criteria for the granting of aid are laid down at the national level).

General rules for project development

Before applying for EU Structural Funds the following key issues should be defined:

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

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

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

III.3.2. Incentives in Special Economic Zones

A Special Economic Zone (SEZ) is a particular area defined by the legal acts issued by the Ministry of the Economy for each SEZ. Such areas are specially earmarked with local infrastructure support, in which business activity can be conducted on preferential terms (corporate income tax exemption). The primary objective of providing public aid within an SEZ is to assist in the reduction of development disparities between regions, thereby strengthening economic and social cohesion. In order to operate within an SEZ and benefit from the aforementioned

exemption, the investor must obtain a special permit which is issued by SEZ authorities.

Special Economic Zones in Poland

Source: PAIiIZ, 2014

The map above shows the main headquarters of each of the 14 SEZs (source PAIiIZ). In addition to these, there are many subzones to help the investor place their project in the most suitable location. The combined area of all the SEZs is currently exceeding 18,687 ha, although the total area of the SEZs cannot exceed 25,000 ha.

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

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

Investment sites located currently outside of a SEZ area may be incorporated into a SEZ under certain conditions. The incorporation process lasts from 6 to 9 months and is started after an interested enterpreneur submits an application to the relevant SEZ. CIT exemption can be utilised by the timeline of permission or given SEZ's existence (currently 31.12.2026). CIT exemption is provided only for profits earned from activities conducted within the SEZ.

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

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

III.3.3. Program for the support of investments of considerable importance for Polish economy for years 2011–2020

Program for the support of investments of considerable importance for Polish economy for years 2011-2020, was passed by the Council of Ministers in July 2011 and provides earmarked subsidies for new investment projects from the state budget.

This subsidy is granted on the basis of an agreement between the investor and the Minister of Development. Before the agreement is signed each investment udergoes an assesment process on the basis of defined criteria. The cash grant subsidy may not be combined with other forms of support engaging public aid, such as SEZ exemtions or EU Grants unless additional criteria are met.

The investment has to be maintained for at least 5 years from the date of its completion (3 years in the case of SMEs), and each newly created job has to be maintained for a period of at least 5 years from the date of its creation (3 years in case of SMEs). Incentives offered under the Programme starting from July 1st 2014 are consistent with the rules on the award of state aid in the EU: Commission Regulation (EC) no. 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty (Official Journal of the European Communities L 187 of 26th June 2014, page 1). The aid that does not comply with the requirements of the Regulation may be granted after approval by the European Commission according to the procedures specified in the Guidelines on regional State aid for 2014–2020 (Official Journal of the European Communities C 209 of 23rd July 2013, page 1).

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

- automotive sector,
- electronic and household appliances sector
- aviation sector,
- biotechnology sector,
- food processing sector,
- modern services sector (IT, ICT, SSC, BPO),
- research and development (R&D).

Grants will be awarded by the Ministry of Development, and will be payable in annual tranches for up to five years maximal until 2020.

III.3.4. Real estate tax exemption

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

Support for new investment (investment grant)

Sector	New jobs	and	Eligible costs of the new investment (m PLN)	Amount of aid (% of eligible costs)
automotive, electronics and household appliances, aviation, biotechnology, food processing*	50		160	1.5–7.5**
significant investment in other sectors	200		750	1.5–7.5**
	500		500	1.5–7.5**
R&D	35		10***	up to 10

* Aid is not granted if unemployment rate in location (poviat) is below 75% of the national average, unless Eastern Poland
** extra 5 p.p. for investments in Eastern Poland
*** excluding office space rental costs

Support for creation of new job places (employment grant)

Sector	New jobs	and	Eligible costs of the new investment (m PLN)	Amount of aid per one job (PLN)
automotive, electronics and household appliances, aviation, biotechnology, food processing*	250		40	from 3 200 to 15 600**
modern services	250		1.5***	
R&D	35		1***	
significant investment in other sectors	200		750	
	500		500	

* Aid is not granted if unemployment rate in a district (poviat) is below 75% of the national average, unless Eastern Poland
** extra 20% for investments in Eastern Poland
*** excluding office space rental costs

The maximum tax rates for entrepreneurs in 2016, for the subject of taxation in real estate tax and related to business activity, are: 22.86 PLN/m^2 for buildings, 0.89 PLN/m^2 for land and 2% of the initial value for the structures.

In each commune, the tax rates are set by local authorities, however they cannot exceed the maximum amounts as set forth above.

The regional state aid in this form is related to the new investment or new workplaces (created as the consequence of the new investment).

III.3.5. Labour market instruments

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

1. Assistance in the process of recruiting employees with required qualifications – This assistance can be given on various levels. Initially, the Labour Office collects and disseminates job advertisements. Afterwards, it provides entrepreneurs with information about potential candidates. Subsequently, Labour Office organises meetings for employers and the unemployed who fulfill designed requirements. Moreover, the Labour Office organises various events, in which both – the unemployed and the employers are free to participate, such as career expo or labour exchanges. Assistance in the process of recruitment is also carried out by career consulting services, which are provided in order to define the profile of candidates or job advertisements. What needs to be pointed out, is that the Labour Office is usually informed about the current situation on the local labour market, as well as about planned changes to the local labour market.
2. Intervention works – This kind of program provides subsidised jobs to unemployed people based on an agreement between the Labour Office and an employer. The program is targeted at unemployed people who are in particularly difficult situation on the labour market. The Labour Office reimburses part of the wage costs of people hired under such a program to employers. The duration of this scheme and the amount reimbursed depends on the target group. Depending on the decision of the district Labour Office, intervention works can take up to 6, 12, 18 and 24-months or even up to 4 years.
3. Refund of costs incurred for preparations of new workplace for an unemployed person – the Labour Office may reimburse the costs incurred by an entrepreneur for the equipment or retrofitting newly created workplace for its targeted unemployed. Refund concerns all or partial costs of creating a new workplace (including costs of suitable assets, equipment, license, programs etc.) for up to 6 – times the average wage per one workplace created. It has to be noted, that previously unemployed person have to be employed on the newly created workplace for a period of minimum 24 months.
4. On the job training – Based on this program, the employer may apply for a job training organisation, in which the Labour Office delegates a person for job training, without the employer having to conclude an employment contract with this person. However, the employer has to enter into an agreement with the prefect of the district. Such a work experience lasts for a period of a minimum 3-months up to 12-months maximum. While filling in an application form, the employer may indicate the exact person whom s/he wishes to have trained. The selected person is not being paid by the employer, yet receives a scholarship from the prefect of the district. Consecutively to the end of the training period, the employer is free to enter into an employment agreement with selected candidates.
5. Financial support for training programmes for all potential employees who may acquire new qualifications or vocational skills through practical work performance at a given post.
6. The reimbursement of social security contributions in the case of the employment of an unemployed person delegated by the Labour Office. The reimbursement of social security contributions is up to 300% of the minimum monthly salary in Poland is based on the contract concluded between the prefect and the employer. The amount can be reimbursed only after the fulfilment of two conditions: that the person delegated by the Labour Office is employed in a full-time position within the next 12 months and that the employee is still employed after this time.

7. Vocational training of adults – is an instrument of mobilization in the form of (a) a practical training lasting from 12 up to 18 months or (b) apprenticeship training which lasts from 3 to 6 months. Training courses are carried out without having to conclude an employment contract with the employer, on the basis of an agreement between the employer and the prefect. Training is based on a program involving acquisition of practical skills and theoretical knowledge, and it ends with an exam. Employers interested in creating a place of adult vocational training shall file a motion in the relevant Labor Office. The employer may receive reimbursement of expenses incurred for each participant in the amount specified in the contract, up to a maximum of 2% of the average salary for each full month of the program. Moreover, the employer may be granted a one-time bonus for each full month of adult vocational training of each participant if that person completes the program with a successfully passed exam.

8. It should be noted, that Labour Office also offers a particular support for employers of people with disabilities, such as: reimbursement of costs of hiring a disabled person, reimbursement of costs of training disabled employees, reimbursement of workplace equipment developed for the disabled, reimbursement of costs incurred for adaptation of buildings and equipment, as well as for special purchase of equipment and software.

Entrepreneurs interested in gaining support from labour authorities should contact the appropriate Labour Office, prepare and submit the application required, as well as the appropriate and documentation, depending on the type of support required.

III.3.6. OECD guidelines for multinational enterprises

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

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

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

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

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

Neptun – Business Centre in Gdańsk

III.4.
Accounting & finance

III.4.1.
Accounting and financial regulations

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

Law Regulations

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

The Accounting Act does not differ considerably from International Financial Reporting Standards, which were adopted by the EU and are harmonised with regulations resulting from EU Directives. The amendment dated March 2008 implemented regulations from the 2006/46/WE EU Directive. Amongst others things, it is concerned with consolidating financial statements and extends to a scope of obligatory disclosures presented in statements. It also introduced to the management of the entities the responsibility to prepare and publish their financial results.

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

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

Accounting facts

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

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

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

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

III.4.2. Financial statements

Entities shall prepare the financial statement on the last day of the financial year referred to in article 12, paragraph 2 of the Accounting Law. Principles for the measurement of assets, liabilities and equity and the determination of the financial result should be applied respectively as specified in chapter 4 of the Accounting Law.

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

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

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

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

Some entities which operate in the extractive industry or are individually engaged in primary logging will prepare report on the payments to the public administration at the date of balance sheets, together with annual financial statements, report on the payments to the public administration.

The entity's manager and the members of the supervisory board or other body supervising the entity have to ensure that the financial statements, the consolidated financial statements, report on the activities of entity and report on the activities of the group meet the requirements of the Accounting Act. The entity's manager then ensures the preparation of the financial statements within 3-months from the date of the balance sheet as well as its presentation to the relevant authorities.

The entity's manager is obliged to submit the financial statement to the register court within 15 days from the date of approval, together with the auditor's opinion and a copy of the resolution or decision approving the financial statements and the distribution of profit or covering of loss. The entity's manager is also obliged to submit the financial statement to the tax office within 10 days from the date of approval, together with the auditor's opinion and a copy of the resolution or decision approving the financial statements and the distribution of profit or covering of loss.

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

III.4.3. Audit and publication

The obligation of auditing and the publishing of the financial statement refers to consolidated statements of capital groups, joint stock companies,

Accounting & finance

banks, insurers and entities which operate on the basis of regulation on trading in securities and regulations on investment funds or pension funds.

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

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

The aim of the audit is expression by a statutory auditor with a written opinion. The audit contains a written opinion and report on whether the financial statement truly and fairly presents the financial position of and the financial result of the audited entity in accordance with the applicable provisions of the Act and accepted accounting principles (policy).

Some entities that maintain their accounting records and undergo a mandatory audit of annual financial statements are required to publish their financial statements.

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

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

III.5.
Employment legislation

III.5.1.
Employment of workers

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

- receive the remuneration for his work, the financial conditions of which are defined in the employment agreement and the employer is obliged to pay it regularly to an employee. The employee may not earn less than the minimum monthly remuneration which in 2015 is 1,750.00 PLN gross for full time work. As of 1 January 2016 the minimum monthly salary will be increased and will amount to 1,850.00 PLN gross,
- use their holiday leave time – The employee has the right to an annual paid leave, the length of which depends on their seniority, but in general every employee is entitled to 20 or 26 days of paid annual leave. The employee is not allowed to renounce their leave and the employer is obliged to pay the equivalent to an employee for unused leave,
- receive sickness allowance,
- working time rules,
- special protection of some employees' groups,
- procedure of termination of employment.

The Labour Code lists various forms of employment contract:

- for a probation period – This kind of contract may be concluded only once between a given employee and employer. Its purpose is to check the employee's suitability to perform duties for an extended period of time. The trial period shall not exceed three months,
- for a fixed period – This kind of contract is defined by a specified date. The applicable law does not regulate the maximum duration of such an agreement, but terms of the contract should be reasonable. However, there is a limit to the number of such contracts which can be concluded with one employee. In accordance with Polish law, a permanent employment contract must follow after two consecutive contracts for a fixed period,
- for an indefinite period,
- for a period of absence of another employee (i.e. a replacement employment contract).

Starting from 22nd February 2016, the Polish Employment Code will undergo vast changes in terms of fixed term employment contracts. The maximum duration of the fixed time employment contract from 22nd February 2016 will be 33-months. There will be no differentiation between an indefinite period employment contracts and fixed time employment contracts in terms of notice periods, which will be equal for both types of employment contracts. The notice periods will last from 2- weeks to 3-months and will be dependent upon seniority in the enterprise. Of particular interest is the fact that both parties of the employment contract will be allowed to conclude a fixed-term employment contract only three times. The fourth employment contract concluded with the same employer would be considered as an indefinite employment contract.

The employment contract must define parties, stipulate working hours, financial conditions, type of work and place of its performance. Moreover it should be concluded in writing. Aside from the employment contract, the employee should receive from the employer a written information concerning the employment within 7-days counting from the day when the work has started. The employee is obliged to perform work in the hours specified in the contract, as well as to carry out the instructions of their supervisors and act in the best interest of the employer.

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

- Task contract – this kind of contract is also called as agreement of result. The employee receives defined tasks which must be carried out in order to achieve specified results and the employer is obliged to pay the salary for the realisation of tasks according to the provisions stipulated in the contract.
- Service contract – based on the contract, the employee receives defined tasks and activities which must be realised by the employer. The employee performs the work by himself because there is no subordination or work performance under someone's management, which is characteristic of an employment contract.

The contract expires automatically with the end of the term or when a given task or activity has been completed. An employment agreement may be terminated upon a mutual agreement of both parties (at any time and regardless of the type of contract), by one of the parties upon prior notice (at the end of a specified notice period), or by one of the parties without prior notice (if a serious breach on the side of the other party occurs or if employment cannot be continued for certain reasons). The notice period depends on the type of contract concluded by the parties and the actual duration of the employment. While choosing which agreement to conclude with an employee, the employer should bear in mind that a legal relationship in which there are elements of the employment relationship can not be regulated by a civil law contract.

In general (there are many exemptions in Polish law), foreigners who are going to perform work in Poland are obliged to obtain a work permit. The need to obtain the work permit concerns non-EU citizens who are going to work in Poland as an employee. In cases of citizens of non-EU countries who are members of the management board in legal entities in Poland, Polish law provides a simplification. Namely, they are allowed to perform work in Poland for a period not exceeding 6 months, within 12 months without a work permit, after receiving an appropriate legal document which permits the worker to stay in Poland.

Because of the recent changes in applicable Polish regulations concerning legalisation of work and residence of foreigners in Poland, the procedure connected with obtaining a work permit in Poland has been simplified. Various types of work permits were implemented but now there is no 'promise' to grant work permits anymore. A company which is intending to employ a foreigner receives a work permit after submitting a complete application with the required documentation. With the work permit, the foreigner can receive a visa in order to perform work or a permission to have temporary residence in Poland. The last step is signing a contract between the foreigner and the employer according to the conditions mentioned in the work permit. It should be noted that the newly implemented law stipulates severe penalties for employing foreigners who have not obtained indispensable permits.

III.5.2. Polish social security system

Pillar I, II & III

In 1999 a reform of social insurance was carried out, which was based on the co-financing of premiums by the employer, the employee and three pillars – one repartition and two capital pillars.

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

- 1st Pillar (ZUS) – obligatory and common. Premiums, deducted from salaries, are written from the individual account of an insured person. The institution which manages the 1st pillar is the Social Security Establishment. Pensions, received from the 1st pillar, are based on the repartition system, which has the character of the generation contract. This means that payments of pensions are financed from the contribution of the people who currently work. The system functions efficiently only if the premiums of employees, which supply the system, are delivered in an amount sufficient for the payment of present pensioners. Thanks to obligatory premiums of 12.22% of gross salary, people acquire pensionable rights that aren't inherited. Additionally an employee has individually created sub-account in 1st Pilar where are transferred obligatory 4.38% of their premiums. Moreover an employee can decide that additional 2.92% of deducted premiums are booked on this individual account in ZUS.
- 2nd Pillar (OFE) – is not an obligatory element of the social security system. Employees can choose once every 2 years whether they prefer to transfer 2.92% of their premiums to OFE or leave it in an individual sub-account in 1st Pilar (ZUS). Open pensionable funds belong to the 2nd pillar of the social insurance and are managed by private investment firms (Public Pensionable Associations) that invest premiums into financial markets.
- 3rd Pillar (IKE) – is a free capital pillar, which is organised as an investing fund. The insured people choose the insurance company (associations of the mutual insurance, insurance associations). After reaching a pensionable age the pensioners (from 2013 the pensionable age is for women born after 30.09.1973 – 65 years, for man born after 30.09.1953 – 67 years.) get pensions from the Social Security Institution (ZUS) and the Open Pensionable Fund (OFE) through an Agent Company, and the eventually payment from the free 3rd pillar.

Obligatory social insurance contributions paid by the employee and the employer

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

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

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

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

Sickness insurance

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

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

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

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

In general, the yearly base for social insurance in the following calendar year can't be higher than the amount relative to 30 times the proposed average monthly salary in the national economy for the given calendar year. As of 2016, this is 121,650 PLN.

The employer spends 9.76% (financed by the employer) of the gross salary on pensionable insurance. The other contributions for the social security institution (ZUS) regard the following insurance: rental, sickness, accident, health insurance, Labour Fund and the EAG Fund.

Employment legislation

Gross salary agreed in contract	Employee Social Contribution	Employee Health Care Contribution	Income Tax	Net to be paid	Employer Social Security	Total employer cost
4,000.00	548.40	310.64	287.00	2,853.96	829.60	4,829.60
3,000.00	411.30	232.98	199.00	2,156.72	622.20	3,622.20

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

The employer must also pay part of any social security contributions (19.21% – 22.31%)

For example:

EU Regulation 1408/71 and 883/2004

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

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

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

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

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

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

Order no 987/2009 introduced a rule that an employee is liable to the legislation of the delegated country just before the delegation itself. This means that the employee of a Polish company might be delegated according to EU regulations only if just before this time they were liable to Polish social insurance for a period of at least one month.

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

It is also acceptable to hire an employee in order to delegate them. The delegation period can last up to 24 months. The new regulations refer also to employees who began a period of delegation before 1st May 2010.

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

The documents which confirm the delegation of employees are E-101 form and A-1 form. Both can be found on the website www.zus.pl.

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

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

Panorama of Kraków

IV. Doing business

– from Start-up to performing a direct investment

IV.1.

Greenfield & Brown-field investments

IV.1.1. Activities requiring licenses, concessions or permits

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

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

Furthermore, Polish law states that certain professional services may be conducted only by people who have an appropriate certificate (e.g. tax advisors, lawyers, real estate, appraisals, architects, accountants or financial advisors).

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

Concessions

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

Licenses and permits

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

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

Registration for the register of regulated activities

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

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

Authorities responsible for issuing concessions

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

Greenfield & Brownfield investments

IV.1.2. Real estate market

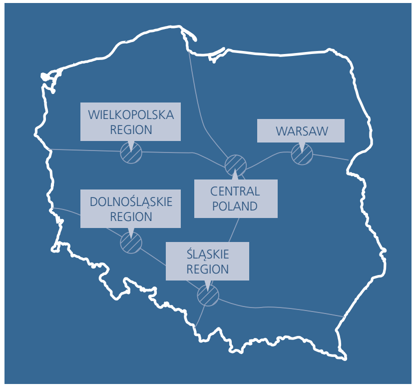
The Polish real estate market has been strongly dominated in the past years by the outstanding position of the Polish capital Warsaw as the centre for major investment activities. In a second wave within the last five years other cities such as Wrocław, Tri City (Gdańsk, Gdynia, Sopot), Poznań, Katowice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

The financial crisis, which limited or partly blocked access to financial sources led to a generalized "high risk classification" of Poland within the CEE countries on one level with Hungary, Ukraine or the Baltic countries. After the first wave of panic, international investors have stated that the Polish economy is stable. The European Commission expects Poland to grow by 3.4% in 2016. This aspect of stability is attracting new potential investors to Poland. Nevertheless, the adjustment in the strong growth of real estate prices has probably prevented the market from the creation of a Real Estate bubble, which has already been developing quite strongly in the housing market.

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

- more selective choice of attractive locations (while new well located objects have lost within the crisis from 7.5%–15% of the boom-value, the price decrease of 2nd and 3rd choice locations will exceed 20% or 25% due to higher vacancies and more competition on the market),
- focus on investments and growth in less developed Cities with 100,000–500,000 inhabitants (Lublin, Rzeszów, Kielce, Białystok) – third wave after Warszawa, and other top polish cities (Poznań, Wrocław, Tri City (Gdańsk, Gdynia, Sopot), Kraków, Katowice, Łódź),
- the role of build quality will grow and become more crucial for the valuation of the real estate.

The Polish market is becoming more mature. Poland and the Czech Republic remains the most developed and liquid market in the CEE region. Increasing diversity of capital flowing into Poland, which in turn translates into increasing competition among investors, greater liquidity and exerting upward pressure on property prices.



IV.1.2.1. Warehouse & industrial market

The Development of modern warehouse space in Poland exceeded in 2015 more than 9.4 mln m^2 with a vacancy rate of 9.4%, which has been built mostly amongst the major industrial centres such as Warsaw, Katowice or Poznań and among existing or planned Polish highways. Two famous logistics locations in Poland are Piotrków Trybunalski and Stryków (next to Łódź), which profit from their precise central position and the fact they have already attracted global players into their portfolio. Logistics, FMCG and key investments in electronics and white goods are the drivers for new warehouse developments. Beside that, Poland often plays a strategic role as a server market for further expansions to Eastern markets. Based on that approach it can be assumed that future development will be focused closer to the eastern border of Poland. Today we can define five major Clusters for Warehouse investments in Poland:

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

Major developers have established their projects in 10–20 different locations. Rental costs for those modern-standard warehouses are between 2.0–4.8 EUR depending on location of warehouse and time of contracting.

Industrial factories are either developed in BTS (build-to-suit) solutions on a minimum of 5–10 years financial leasing-/rental- contracts or mainly built by industrial companies themselves. These industrial companies invest directly in individual locations because of specific location requirements (often high unemployment, high availability of workers, closeness to customers / suppliers or raw materials, etc.). Those peripheral locations are usually chosen in order to keep investment and production costs low and to achieve the highest possible level of workforce availability. A well developed peripheral plot offered by a local municipality or the Agricultural Property Agency – ANR for a Greenfield investment can cost around 25 to 50 PLN / sm (within a SEZ usually more), while a medium developed private plot in a top logistics region can be offered for between 100 and 200 PLN / sm. Crucial criterion analysed by investors is land situated in the vicinity of major roads (A1, A2, A4 and express roads) close to Warsaw, Łódź, Wrocław, Poznań and Katowice.

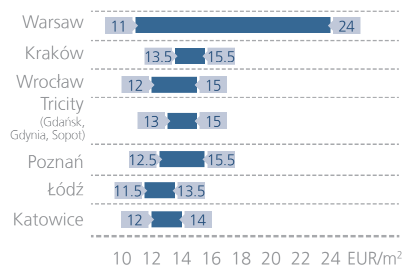
IV.1.2.2. Office market

Between 1990 and 2000 the Warsaw Office market was at the centre of the first investment wave, which started during the transition process. During this process almost all global players, consulting companies and banks installed their head offices in Warsaw to communicate the necessary presence in the market and in order to start business activities within the whole country. After this first investment wave as in other CEE Capitals, Warsaw has become one of the most expensive office markets in the world. Presently the modern office stock reached almost 4.5 mln m^2 with vacancy rate 14.1%.

Source: Research Forecast Report H1 2015 Colliers International

Within recent years a wave of foreign BPO and specific local Investments with high quality requirements in towns like Kraków, Poznań or Wrocław have had a strong impact on the development of modern office space in these regions. These markets had been dominated previously by local office supplies with low quality. This was unsuitable for global players who invested in BPO or other services. Meanwhile, after a certain quality level was set, local Polish developers have entered the market and created local brands for smaller and medium size offices, which are also accepted by foreign customers. Due to growing competition, developers and property owners are willing to negotiate lease terms regarding both: expansion (or renewal) and reductions of leased space. Current market conditions are favourable for tenants who want to increase the efficiency of their office space.

Top 7 cities. Supply and asking prices – 2015



Source: Research Forecast Report H1 2015 Colliers International

The average rents paid in 2015 in Warsaw remains unchanged: 22 EUR sqm/month in central locations and 14.5 EUR sqm/month in non central locations. In the secondary cites rents does not exeed 15.5 EUR/m^2.

Concluding pre-lets agreements is intensifying trend and represents 23% of total transaction volumes.

IV.1.2.3. Retail and commercial market

After Russia and the Ukraine, Poland is the biggest consumer market in CEE and the biggest within the new EU accession countries. This fact was already clear in the beginning of the transition process and it is one of the reasons why the retail market is now the most mature and developed real estate market in Europe.

From the beginning of the 90´s big French retail groups such as Carrefour, Auchan, Géant and E.Leclerc had already started trading in Poland with big hypermarkets to meet the significant demands of the population's quickly growing market. Today´s modern retail supply exceeds more than 10.5 mln m^2, with 50% share in total market and is again dominated by Warsaw and the other remaining top 7 Cities.

The retail market already passed certain stages. The first basic satisfaction through the creation of big hypermarkets and malls, the change of focus from hyper- to supermarkets and the establishment of discount markets mostly in rural regions in order to substitute little local shops. Now, the trend is to minimize the distance from customers living areas instead of forcing them to travel long distances to the suburban hypermarkets and malls. Investors are now more open to enter municipalities which have between 50,000–100,000 inhabitants for supermarkets or for discount markets with a minimum of 15,000 inhabitants. Polish retail is still relatively shredded – the top 10 retailers have around 30% market share.

The market of shopping malls in Poland has grown significantly within the last few years. Insufficient existence of coherent and developed shopping streets or city areas have initialized developers to build big shopping malls, which have been integrated into the cityscapes or built just outside the cities. The vacancy rate is decreasing on the most saturated markets. The average vacancy rate hovers below 3.1%.

Approximately 745,800 m^2 GLA of retail and commercial space are under construction, 45% of which is planned to be opened before the end of IV Q 2017.

IV.1.3. Acquiring real estate

Legal entitlement to real estate

Entitlement to real estate is regulated by the Polish Civil Code from 23 April 1964. Real estate is understood to be grounds with premises, including facilities such as apartments, and houses etc., which are separate subjects of property in accordance with Polish Law. Full ownership gives the widest scope of rights related to real estate and can be restricted only under certain circumstances, defined by the Civil Code (neighbour or zoning regulations), administrative law or the owner's will. Ownership is the ultimate right to real estate and provides the owner with a complete range of usage. Ownership is legally protected against any third parties acting against the owner. Ownership is not time-limited. Neither the government nor public offices have any right to intrude ownership, the only exceptions being those presented in the zoning plan.

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

- ownership,
- perpetual usufruct,
- usufruct,
- real Estate easement,
- transmission easement,
- mortgage,
- lease.

Ownership

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

Perpetual usufruct

Perpetual usufruct is established with respect to land owned by the State Treasury or local government authorities. It is usually created for 99 years (the minimum period is 40 years) and may be extended. The perpetual usufructee is allowed to use the land in the same scope as the owner. However, the purpose of land use is defined by an agreement and should be recognised before purchasing the right of usufruct. This is because the owner (State Treasury or local government) may terminate the agreement if the land is used in a way contradictory to the way defined in the agreement. The purpose is generally defined by development and zoning regulations. Right to terminate the perpetual usufruct agreement is used by State Treasury or local governments only in exceptional circumstances (continuous and flagrant violation of purpose).

The perpetual usufruct is transferred under the same rules as regular ownership and property rights for real estate. No special permit from the owner (the State Treasury or local government unit) is required (except when the transfer is carried out by foreigners). In most cases the perpetual usufruct may be transferred to full ownership upon application and payment of the transformation fee.

Fee for perpetual usufruct

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

Ownership vs. perpetual usufruct

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

Usufruct

Usufruct is a qualified property right established by the owner or perpetual usufructuary in a notary deed. Usufruct allows for both using the real estate and gaining benefits therefrom. Usufruct can be either payable or free of charge, However in case of the latter it may be subject of additional taxation. The usufructuary is also obliged to incur costs related to the real property maintenance. Usufruct is non-transferable, and it can't be transferred onto any other natural or legal person.

Real Estate easement

Real estate easement is a qualified property right, under which the owner of a real estate may either use another real estate to a specified extent (defined in an easement contract), or possible actions with respect to his/her property are limited in order to increase usefulness of another real estate. Easements are established by contracts between property owners in the form of notary deed. Easements shall be revealed in the land register.

Transmission easement

Transmission easement is a qualified property right that can be established for a grid operator that intends to construct or owns facilities used to transmit electricity. The easement authorizes a grid operator to use the real estate to a specified extent, in line with the intended use of transmission facilities. The owner of the property may claim compensation from a grid operator (in case of all utilities) for limitations in property use related to the presence of transmission facilities.

Another right to real estate

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

According to the above property rights and contractual rights related to usage by third parties, the law recognises so-called sales and leases back contracts. These allow a foreign company or natural person to get long-term rights for property use.

Real estate acquisition

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

Pre-sales agreement

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

Real estate and mortgage register

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

Public purchase

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

Acquisition of real estate by foreigners

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

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

Shares acquisition

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

Exemptions for EEA companies

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

When foreign companies and nationals are registered inside the EEA they are exempt from obtaining an acquisition permit. These entities do not require any permit for the acquisition of shares/stocks or real estate, except agricultural land and a forest. However, purchasing agricultural land or a forest (12 years from 1st May 2004) or the so-called 'second house' (five years from 1st May 2004 until 30 of April 2009) still entails obtaining a permit, even for foreigners registered inside the EEA.

Procedure of permission process

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

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

IV.1.4. Investment process

IV.1.4.1. Analysis

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

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

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

IV.1.4.2. Step-by-step investment process

Architecture Planning

If the Start of Production (SOP) or other deadlines for an investment have been set up for a near date, the planning of buildings and other utilities must be prepared in advance. If the location has an official zoning plan passed (in the form of the resolution of a local government), an architect can start planning without any delay. If there is no zoning plan the investor must apply for Conditions for Area Development and Construction (CADC), which define the basic scope of the buildings allowed to be constructed on the specific property. Depending on the complexity of buildings allowed under CADC the procedure of obtaining CADC decision takes from three to six months.

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

Zoning plans

The property may be utilized only within the limits allowed in the zoning plan, regulated by the Act from 27th March, 2003 on Zoning Planning. Zoning plans are drawn up by communal authorities and in order to be effective have to be passed by communal council in the form of resolution. The procedure related to the change of a zoning plan requires reconciliation with numerous authorities and public consultation what makes it time consuming (minimum time of nine months).

The zoning plan defines all conditions regarding prospective land use and the scope of business that may be conducted on the properties located within geographical limits, defined in the zoning plan. Zoning plan regulations are general and apply to all owners of real estates.

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

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

It should be noted that in case of special economic zones all properties, located within a boundaries of a special economic zone have a zoning plan passed and effective.

Conditions for area development and construction

A significant area of Polish territory has no zoning plans. This situation requires an application to the municipality for CADC. CADC is required for any investment process of land development or new investment, such as the re-development of brown field sites. CADC may be applied for by an owner of a real estate or a third party. There can be multiple different CADC issued for a single property (unlike zoning plan or building permit, where only one document of that type may be issued and valid for a single property). Depending on complexity and real estate features (like soil class), different external authorities may be engaged in the process of reconciliation of CADC.

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

Environmental decisions

Before applying for a building permit an investor is obliged to conduct the environmental impact assessment (EIA) for the planned investment. The aim of the process is to define the related environmental risks at the stages of investment planning, construction and operations and minimize the negative impact. The process of EIA ends with obtaining an environmental impact decision (EID).

EID imposes environmental conditions for planning, construction and operations of an investment. Architectural design, building permit and other permits have to be compliant with conditions set in

EID. As EID defines the level of noise and emissions it has an impact on future operations as well.

As EID has to be attached to the building permit application it has to be obtained first. In cases where tjere is no zoning plan and an investor applies fo CADC, the environmental decision needs to be obtained before CADC. EIA is usually carried on simultaneously with the design process, as the architectural design and building permit need to be compliant with EID. The most important legal acts of the EIA process are the Act of 3rd October 2008 on the Provision of Information on the Environment and its Protection, Public Participation in the Environmental Protection and Environmental Impact Assessments and The Regulation of the Council of Ministers of 9th November 2010 on types of projects likely to have a significant impact on the environment.

The above act define three types of investment projects with reference to EIA procedures:

- always having a significant impact on the environment (group I),
- may potentially have a significant impact on the environment (group II),
- cases in which modifications of civil structures are classified as projects from group I or group II.

Legal regulations list what types of investments should be qualified into group I or II. If an investment is not on the list no EID is required, however this must be confirmed by relevant authority.

As the EIA process requires significant amounts data and expertize it is strongly recommended to contract a specialized company that supports an investor in the EIA process.

The EIA procedure is carried out by the local government (commune), reconciled with local and regional authorities and in some cases consulted publicly. It can be divided into following key steps:

1. An investor prepares initial documents and submits them to the local government – commune:
   - in case of group I – requests authority to define scope of the Environmental Report,
   - in case of other investment – provides general information regarding the investment (on a defined form) and requests decision if Environmental Report and Decision are required.
2. The local government gives initial ruling (after reconciliation with other authorities if needed):
   - in case of group I – defines scope of the Environmental Report,
   - in case of group II – decides that Environmental Report and Decision are required,
   - in other cases – decides that no EID is required – an Investor receives official confirmation that should be attached to building permit application.
3. An investor prepares an Environmental Report and submits it to the local government – commune.
4. The local government analyses the report, reconciles it with relevant authorities and issues the EID (or may refuse to issue EID).

In stages 2 and 4 the local government may decide to start a public consultation. The EIA process or requests amendments or complimentary information. An investor may be requested for amendments or complimentary information from the local reconciling authorities which are: local office of the National Sanitary Inspection (Sanepid) and Regional Authority for Environmental Protection (RDOS).

The EID process is one of the more complex and time consuming stages of the permitting process and depending on investment complexity and environmental impact takes from four to six months. If no EID is required official confirmation should be receive between 2 to 6 weeks upon application.

EID is valid for 4-years from the day when it becomes validated. EID can also be transferred to a different entity.

Building permit

A building permit is an administrative decision approving the architectural design and entitles an investor to start construction work. Building Permits are issued by a district construction authority – Starosta. In larger cities building permits are issued by the city office. Some large and infrastructural investments (like sea ports or national roads and motorways) require building permits to be issued by a regional authority – Voivodship.

Building permits are issued upon application of an investor. Before the building permit is issued an authority verifies if architectural design and attached documents are legally compliant with Polish Construction Law (the authority is not entitled or

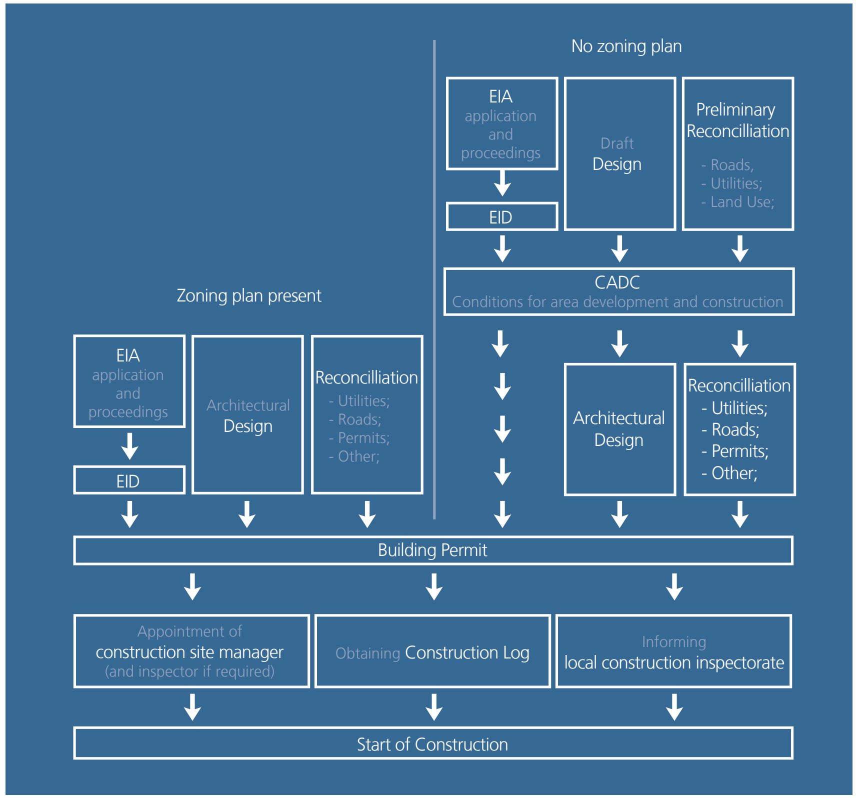
allowed to check the technical characteristics of the design), zoning plan and informs owners of neighboring real estate about the fact that a building permit is about to be issued.

With the exception of architectural design a building permit application shall contain:

- a copy of the zoning plan or CADC decision;
- environmental Impact Decision,
- declaration that an investor holds a legal title allowing him/her to apply for a building permit,
- documents confirming that the design was reconciled with all relevant authorities (like utility providers, administrators of public roads that provide access to the real estate).

The building permit is valid for 3 years from the day it was issued and validated. Building permits may be transferred to other entities.

Validation procedure protects interests of entities that may be influenced by an administrative decision, such as the building permit or EID. After a decision is issued a notification with a copy of a decision is sent to all engaged parties (neighbours and relevant authorities), which have 14 days to officially raise claims from the day they receive a copy of a decision. Notifications are usually sent via regular mail which means that validation time takes 14-days + time required to deliver a letter with notification. If there are no objections or claims raised a decision receives a validation stamp.



Greenfield & Brownfield investments

Before construction work is started an investor needs to get a "validation stamp" on the building permit and receive a construction log and inform the local construction inspectorate (Powiatowy Inspektor Nadzoru Budowlanego) 7-days before construction work is planned to be started and appoint an official construction site manager (and work inspector if required).

In case of less complicated investments or some redevelopment work a less complicated procedure of "construction works notification" may be used. In such case, an investor submits a simplified design (with relevant attachments) to a district construction authority. If an authority does not raise any objections within 30-days construction work may be started without further formalities.

Use and operations permit

After the construction works are finished an investment needs to obtain the usage permit before operations are started. In cases of less complicated constructions it is enough to inform a local construction inspectorate about the fact that construction works work was accomplished, if the inspectorate does not raise any objections within 14-days from the day it received the information an investor may start to use the building. Building permit defines whether an investment requires a usage permit or only notification.

In both cases the following documents needs to be delivered to construction inspectorate:

- Declaration of construction site manager (and construction inspector if required) that all work was accomplished, carried out compliant with the design and the construction site with the surroinding area is cleared from construction remnants,
- Construction log,
- As-built geodesic map,
- Approvals of connections issued by all relevant utility operators and road administrators,
- Approvals and certificates for built-in materials, equipment and machines,
- Protocols of checks and approvals for all relevant installations (electricity, fire protection, water, gas);
- Approval of technical inspectorate for certain built-in machinery and equipment (lifts, tanks, boilers, cranes),
- Documentation confirming energy characteristics of the building,

In order to receive the usage permit an investor needs to perform the following steps.

1. Collect all the above documents (Document confirming energy characteristics may be added in step 3).
2. Inform local firefighting authority and local office of the National Sanitary Inspection that the construction work was finished. Both authorities are entitled to check the construction site and all documents within 14-days after the information was received. In case they do not react within the above-mentioned time an investor may proceed to the next step.
   If one or both authorities decide to check the construction site and documents an investor has to receive a written positive approval to proceed further (if any authority raises objections to the construction site or documents improvements have to be made to receive approval).
3. After approvals are issued (or the above authorities do not react) an investor shall officially inform the local construction inspectorate, which checks the construction site and all documents again. If there are no objections the usage permit is issued. The building may be officially used after the usage permit is validated.

Additional procedures

Although not needed to obtain the usage permit there are some other permits related to environment protection that should be obtained before operations are started:

- Emissions permits- approving the start of operations of all installations emitting pollutants to air and water,
- Approval of the Environmental Inspectorate – if an investment required an EID an investor shall notify the Regional Environmental Inspectorate (Wojewódzki Inspektor Ochrony Środowiska) about the planned start of operations 30-days advance. The inspectorate is entitled to check the construction site and relevant documents to confirm that the investment was accomplished compliant with EID.

In 2015 there were major amendments to Constructional Law. The most important was for housing. However, this also exerts some influence on the investment process, eg. in the industry. The legislator, for example, resigns from the requirement to submit an application for a building permit and statements of ensuring the supply of utilities. Whether the object meets the requirements for attachment to specific networks will be verified only at the stage of putting the object in use.

Sea Towers in Gdynia

IV.2.
M&A

IV.2.1. Polish M&A market

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

- good business opportunities resulting from the:
  a) Market size
  b) Well educated personnel
  c) Low labour costs
- taking over businesses in order to obtain preferences resulting from operations in special economic zones,
- the privatisation of state-owned companies,
- looking for strategic partners to enable further growth while financial markets are frozen.

The Polish market is large enough to be interesting for global players and the economy suffered least during the last crisis. Moreover, a company based in Poland could be a good platform to reach the whole CEE market. One of the biggest advantages about investing in Poland is that there is still easy access to qualified personnel, people are well educated and the labour costs are very competitive.

A definite advantage of takeovers in Poland is the use of entities enjoying preferences related to operations in special economic zones. After certain requirements are met, it is possible to take over an entity operating within the special economic zone, which may relate to a further reduction in operating costs.

Privatisation processes which still involve a relatively significant percentage of Polish state-owned companies make it possible to find interesting targets for takeovers. Nowadays all the biggest entities are sold. But there is still a great deal of small and medium companies to be sold. The reasons why they could be a good targets:

- Not so many buyers are interested
- Good price can be achieved
- Profitability can be increased very easily

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

Undoubtedly, the initial signs of market improvement will cause investors to return to standard transactions between intact companies in conditions which justify a company's purchase or sale.

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

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

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

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

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

Entities which perform the most takeovers in Poland include:

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

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

- insufficient knowledge about the local market, its structure and entities operating on it (difficulties in finding potential entities to be taken over/partners for cooperation),
- insufficient knowledge of the legal and tax realities in the target investment country,
- insufficient knowledge of solutions which allow more profitable acquisitions of business entities with the use of companies already operating in the Special Economic Zones,
- ignorance of the specific negotiation process and local business culture resulting from cultural differences.

IV.2.2. Regulations governing M&A

The rules of the mergers and acquisitions of the companies have been included in the Polish code of commercial companies. Companies may merge with other companies or partnerships; however, a partnership may not be the bidding party or the newly formed one. Partnerships may merge with other partnerships only through formation of a company.

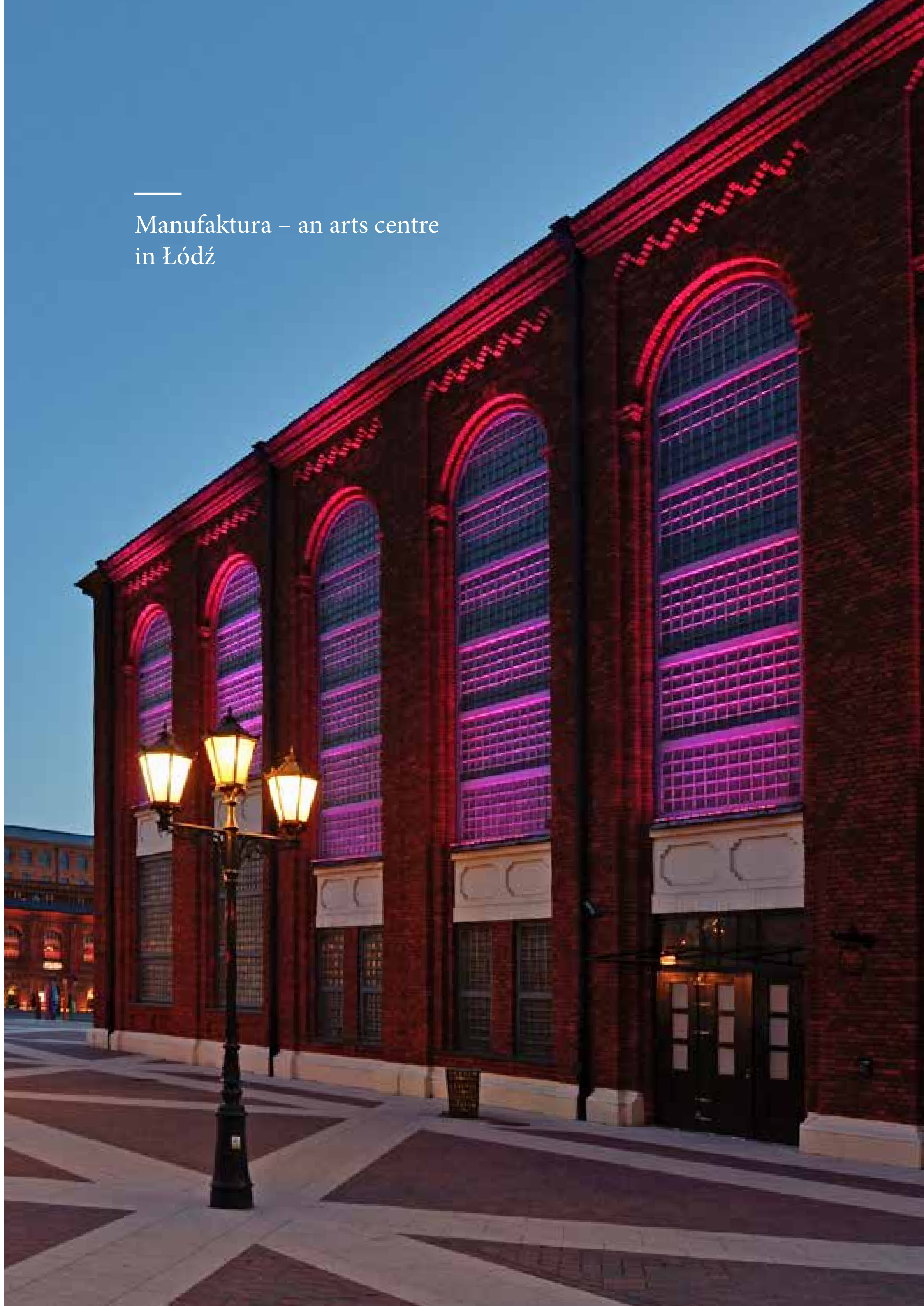
A merger may be effected through the:

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

The target company, partnership or companies or partnerships merging by the formation of a new company will be dissolved, without conducting liquidation proceedings, on the day in which they are removed from the register. It should be noted that a plan of the merger of the companies requires a written accord between those merging companies.

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

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



Manufaktura – an arts centre in Łódź

IV.3.

Public Private Partnership (PPP)

Public-private partnerships (PPP) are institutions, over which state (local) authorities can work together with private investors to achieve common goals in an effective, accelerated and simple way.

PPP`s promote growth, because more investment projects can be completed at the same time.

A Legal act, which sets out the rules of cooperation between public authorities and private institutions, is an Act on Public-Private Partnership dated 19th December 2008. This act has become part of the tools which already function in the Polish legal system, creating a cohesive whole.

The PPP Act regards the bodies, which may be considered as public entities in Art. 2 Sec. 1, to be:

- a public finance entity as defined by the regulations on public finance,
- other legal person (defined in the PPP Act).

Taking the above into consideration, we can enumerate some of the entities that fulfil the requirements of the statute to be regarded as public entities including: the organs of public authorities, including organs of government administration; state control, law enforcement bodies and their associations; municipality; country and provincial authorities; entities financed by the state; and the local government (including other central or local state legal entities created under separate legislation for the purpose of performing public tasks), with the exclusion of enterprises, banks and commercial companies.

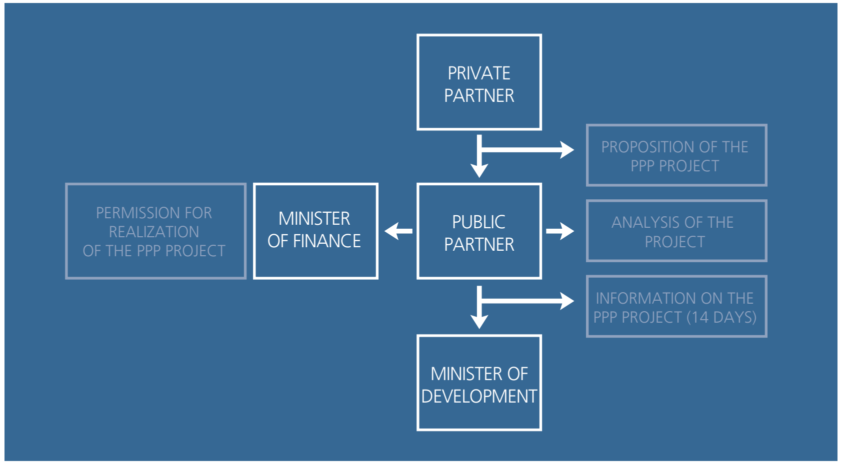
Moreover, the PPP Act has introduced improvements concerning administering of real properties, such as:

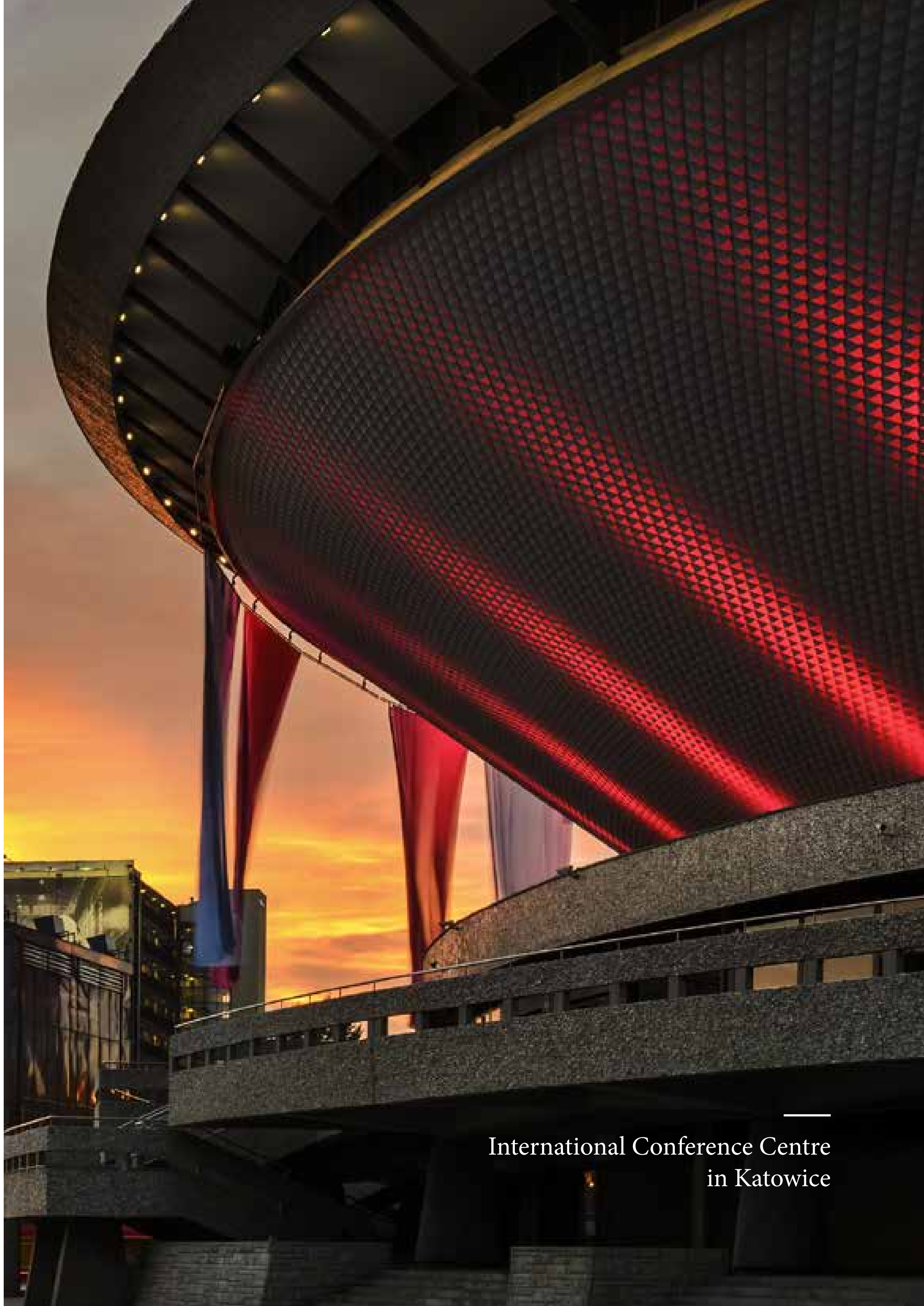
- the possibility of the assignment of a property to a private partner or special purpose vehicle without holding a tender of the Act on Real Property Management),
- the possibility of sale with a discount.

In order to carry out an investment project under the PPP formula, a public entity and private partner may establish a capital based company, a limited partnership or a limited joint-stock partnership (Public Private Partnership Company). This is a special purpose vehicle, the scope of which is provided in the PPP contract of the PPP Act). Due to this fact any amendments to the contract or of the articles of associations which must fall within the scope are set out in the PPP contract.

Public Private Partnership (PPP)

An exemplary model of cooperation between public and private partners:





International Conference Centre in Katowice

IV.4.

Important regulations

IV.4.1. Polish trade regulations

As a consequence of accession to the EU structures, Poland has been required to follow European trade regulations and to replace its domestic regime in regard to the trade regulations.

IV.4.1.1. Import/export licensing

The most common questions in reference to the import and export of goods to/from Poland are licenses that might be required, if it is not local import. For the purpose of this section, local import means import within the European Union states.

CAP (Common Agricultural Policy) import licenses are required for several products imported from non-EU countries into any country within the EU. Such import licenses, often referred to as the AGRIM Certificates, are issued in Poland by the Agricultural Market Agency (Agencja Rynku Rolnego).

An example of another certificates are approvals that must be issued prior to the introduction of goods to the Polish market. This applies to the importers of products that are new to the Polish market, who must request product approval from the National Institute of Public Health – State Institute of Hygiene (Narodowy Instytut Zdrowia Publicznego – Państwowy Zakład Higieny).

Once approval has been granted, the goods may be imported to Poland. However, if a license has already been issued in another EU country, the document is valid in every state, that is a member to EU.

IV.4.1.2. Customs tariffs

The Customs Service (Służba Celna) has an official Tariff Browser (a module of the Integrated Tariff System – ISZTAR), that provides information on tariffs of goods in international trade. The Browser contains data from the TARIC system (goods nomenclature, duty rates, restrictions, tariff quotas, tariff ceilings and suspensions) as well as national provisions (VAT, excise tax, restrictions and non-tariff measures). The Browser is maintained by the Customs Department of the Ministry of Finances within the framework of the Integrated Customs Tariff Information System – ISZTAR3. The Browser provides also detailed information concerning the commodity turnover to Customs Administration and to all those concerning that issue.

IV.4.1.3. Customs procedures

The principal roles of the Customs Service include:

- exercising customs control on the international commercial exchange,
- calculating and collecting customs duties and taxes,

- undertaking steps against smuggling and counteracting customs fraud.

While performing these roles, the Customs Service must fulfill a series of duties, the most important, apart from the fiscal function, is the protection of:

- national industry – against goods which would adversely affect the conditions of competition in the country,
- natural environment – against entry of hazardous substances and micro-organisms,
- world fauna and flora – against illegal predatory circulation of endangered species,
- consumers – against the entry into the market, goods which are substandard with relation to Polish norms or whose period of use has expired,
- society – against the entry of goods, items or appliances which are hazardous to life, health and safety of citizens or would jeopardise the country's security (e.g. weapons, paralyzing gases etc.),
- the State – against the loss of cultural heritage (primarily against the exportation of goods with cultural value),
- authors, artists, industrial and commercial rights owners – against infringement of intellectual property rights, trademark and patent rights etc.

and control the area of:

- the State's customs policy instruments, regulating the targets and volumes of international trade (e.g. monitoring the execution of customs quotas),
- the enforcement of national and international regulations relating to prohibitions and restrictions in the international trade, the enforcement of regulations regarding permissible load of vehicles to ensure proper use of roads by carriers, and the enforcement of agreements concerning customs prevention with Poland being a party,
- foreign currency control, including combating so-called money laundering. In order to discharge the above-described roles and responsibilities, the Customs Service co-operates with the other State's authorities, such as the Police, border control, general customs inspectorate and tax authorities. Also included in this are customs and investigation services from other countries, commercial organisations, research and scientific institutes, universities and similar organisations.

In case of doubts with regard to goods potentially violating intellectual property rights, Customs Authorities might decide on the suspension of the release or detention of such goods. Regulation (EU) No 608/2013 of the European Parliament and of the Council 12th June 2013, provides the mechanism of relevant procedures.

IV.4.2. Currency and exchange controls

Foreign exchange regulations, which constitute part of the financial legislation, are laid down in the Foreign Exchange Act of 27th July 2002.

The main aim of the restriction is to protect "foreign exchange interest" of the State. Restrictions in foreign exchange turnover provided for by the Act refer to transactions with third-world countries, i.e. countries that are not EU Member States, and are not members of the EEA or the OECD. The restrictions concern the following areas:

- transfer of funds designated to finance economic activity, including real estate purchase,
- transactions in securities with a maturity up to one year,
- transactions in debt claims,
- opening of bank accounts.

It has to be noted that as of 24th January 2009, conclusion of agreements and performance of other acts of law which result or might result in settlements in foreign currencies between residents, and the execution of such settlements within the country do not require an individual foreign exchange permit.

IV.4.3. Competition law

Competition law is based on the Act of 16th February 2007 on competition and consumer protection. The most important actions forbidden through this law are:

conclusion of illegal competition-restricting agreements (Art. 6) by:

- directly or indirectly fixing prices,
- limiting or controlling production or sales, sharing sales or purchase markets,
- applying burdensome or dissimilar terms and conditions in equivalent contracts with other trading parties, thereby differentiating the conditions of competition for these parties,
- making the conclusion of contracts conditional upon the acceptance or rendering by the other parties of supplementary performance, which has nothing to do with the subject of the contract and has no customary relation thereto,
- restricting access to, or eliminating from the market enterprises not covered by the agreement,
- agreeing terms and conditions of bids by enterprises entering the tender or by those enterprises and the party organising the tender, in particular with respect to the scope of the works or the price.

abusing a dominant market position (Art. 9), in particular by:

- directly or indirectly imposing unfair (excessively high or unjustifiably low) prices,
- limiting production, sales or technical development,
- counteracting the formation of conditions necessary for the creation or development of competition,
- imposing burdensome terms and conditions of contracts, resulting in unjustified profits for the enterprise.

Source: Official homepage of Office of Competition and Consumer Protection uokik.gov.pl

Competition law is enforced by the central administrative body – the President of the Office of Competition and Consumer Protection (Prezes Urzędu Ochrony Konkurencji i Kosumentów). The decisions and guidelines of the President, as well as courts' decisions issued pursuant to appeals against the decisions of the President, are published in the Official Journal of the Office.

The administrative decisions of the President of the Office related to competition law may be appealed against to a special court set up within the structures of the Regional Court of Warsaw (the Competition and Consumer Protection Court). Appeal applications must be filed within two weeks of the date of receipt of the relevant decision.

The Competition and Consumer Protection Court decisions may be further appealed to the Supreme Court, whatever the amount involved, but only for questions of law (in Polish, "kasacja"). The appeal must be filed within 30 days following the date of receipt of the ruling of the Court.

A system of fines is imposed by the President of the Office for failure to comply with competition law.

The penalties are discretionary and may range from:

- up to 10% of the total annual revenues of an entity in case this entity enters into agreements which aim to prevent, restrict or distort competition; abuses its dominant position; or proceeds with a merger before obtaining a clearance decision from the President of the Office,
- the PLN equivalent of up to 50 million EUR, if no information or incorrect information was provided during the merger or anti-monopoly inspection proceedings,
- the PLN equivalent of up to 10,000 EUR for each day of delay in compliance with a decision of the President of the Office or the ruling of the Competition and Consumer Protection Court.

As of the 18th January 2015 also managers (as well) of a company breaching the prohibition on concluding agreements restricting prohibition may face penalty of up to 2 000 000 PLN. In addition, competition law provides for penalties which may be imposed by the President of the Office, on a natural person acting as a manager or being a member of a managing body of an entity or a group of entities (up to a maximum of 50 times the average remuneration), for breaching the law.

Fines imposed by the President of the Office may be appealed to the Competition and Consumer Protection Court. Such fines constitute the revenues of the State budget and may be collected pursuant to executory administrative proceedings (these proceedings consist of a forced seizure of assets, and measures related to bank accounts and other properties of the debtor).

Polish competition protection legislation is efficient and its enforcement mechanisms function in a satisfactory manner. EU regulations, which apply directly in Poland as of 1st May 2004, should further strengthen the effectiveness of the Polish competition protection authorities. This is due to the fact that the President of the Office will closely cooperate with the Commission regarding the enforcement of competition law within Poland and the EU as a whole.

IV.4.4. Regulations for entering into contracts

Contracts in Poland are based on the rules of the party's autonomy. This is the main regulation for contractual law in the Polish Civil Code. Contract law deals with promises which create legal rights and obligations. Polish law does not require the same consideration as common-law systems. In the Polish legal regime, all parties must agree the essential terms, including the price and the subject matter of the contract. Nevertheless, parties are used to have written agreements in order to avoid any future disputes and to protect their interests by searching for a 'golden middle solution'. Contracts in Poland may also be made by the word of mouth. However, there are exceptions to this rule, such as real estate sales or the sale of shares in a company, which requires acting in front of the notary in public.

Other law sources

There are also many private international law regulations that have been ratified and remain applicable in Poland, e.g. the Council Regulation No 44/2001 of 22nd December 2000 on Jurisdiction, Recognition and Enforcement of Judgments in Civil and Commercial Matters. The United Nations Convention on Contracts for the International Sale of Goods – CISG of 11th April 1980 and the New York Convention of 1974 on the Limitation Period in the International Sale of Goods.

Contracts between Polish and foreign companies are covered by the Act on International Private Law of 12 November 1965. However the Act, in regard to the law applicable, will most probable redirect the parties to international regulation that Poland has ratified.

IV.4.5. CO_2 emission allowances

As of April 2010, Carbon dioxide (CO_2) had a concentration of 392,39 ppm (parts per million) within the Earth's atmosphere by volume. As a result of Directive 2003/87/EC of the European Parliament and Council, a greenhouse gas trading system was created in the European Union, whereby the goals set forth in the Kyoto Protocol could be more easily achieved. This was approved by the Council in 1997, following the conclusion of an inter-governmental agreement in the same year.

The Directive creates the legal means with which to fulfil the Kyoto Protocol's goal to decrease the emission of greenhouse gases, by implementing an effective European greenhouse gas allowance trading system.

The Polish parliament adopted a national greenhouse gas emission trading system (the 'GGETS') on 3rd December 2004. Currently, GGETS is operating on the basis of the act of 12th June 2015 on greenhouse gas emission allowance trading system. The emission allowance trading system refers to covering all aspects of industry in the energy, thermal, petro-chemical and paper sector as well as flight operations. Pursuant to the GGETS, the affected entities are required to apply for a greenhouse gas emission permit, which will entitle each emitter to emit a defined amount of such greenhouse gases into the atmosphere.

The holder of the permit will be entitled to emit gases into the environment up to its assigned limit. If such a holder so chooses, they may also sell any unused gas emission allowances on the open market to other gas emitters likely to exceed their assigned allowances. A gas emission permit will

be issued by either the county chief executive or provincial governor in response to receiving an applicant's motion. The Minister of Environment Protection will supervise the trading system, while the National Centre for Emissions Management (KOBiZE) will function as administrator.

Under the Kyoto Protocol, countries with unused emission allowances may sell their unused allowances. This right to sell may also serve as an incentive to private business to invest in modern, environmentally friendly technology. An entity which emits CO_2 into the atmosphere without having sufficient emission allowances has to pay a penalty amounting to EUR 100 for each allowance which it does not possess. The penalty is imposed by the Provincial Environmental Protection Inspector. Emission allowances are valid only within a particular period of time. After its lapse, allowances are subject to annulment.

The European Union Emission Trading System (EU ETS) is the largest multi-national emissions trading scheme in the world, and is a major pillar of EU climate policy. The ETS currently covers more than 10,000 installations in the energy and industrial sectors, which are collectively responsible for close to half of the EU's CO_2 emissions and 40% of its total greenhouse gas emissions.

Under the EU ETS, large emitters of carbon dioxide within the EU must monitor and annually report their CO_2 emissions, and they are obliged every year to return an amount of emission allowances to the government, equivalent to their CO_2 emissions in that year. In order to neutralise annual irregularities in CO_2 – emission levels that may occur due to extreme weather events (such as harsh winters or very hot summers), emission allowances for any plant operator subject to the EU ETS are given out for a sequence of several years at once.

IV.5.
Securing business

IV.5.1. Property rights

On 22nd August 2001, a new Industrial Property Law came into force. This replaced the four previous items of legislation (Laws on Inventive Activity, Trade Marks, Integrated Circuit Patents and on the Patent Office). The new legislation does not significantly change the regulations applied to industrial and commercial intellectual property rights.

IV.5.1.1. Patent legislation

Poland is a member of the Stockholm Text of the Paris Convention on the Protection of Industrial Property. Since 1990 Poland has also been a signatory to the Patent-Cooperation Treaty. The Industrial Property Law regulates the protection of inventions by patents and utility models. Applications are filed with the Polish Patent Office. Polish patent attorneys must represent foreign applicants.

Registered patents are valid for 20 years from the date of filing. The protection right of a utility model is valid for 10 years. To keep a patent or protection right in force annuities are to be paid. Patents are granted after an examination as to whether an invention is new, involves original research and is commercially viable. A utility model is to be new and useful and to relate to the shape, construction, or arrangement of an object that has a durable form. Applications are published 18 months from the priority date.

The patent or protection right of a utility model gives the owner the exclusive right to exploit the invention on the territory of Poland while it is valid. This exclusive right cannot, however, be abused specifically by applying prohibited monopolistic practices. In particular, patent rights will not apply where its exploitation by a third party is necessary to satisfy a domestic market need. Also specifically, when the public interest requires so and supply and/or quality of the product concerned is insufficient, and/or its price is unduly inflated. This provision, however, does not apply in the first three years following patent registration.

Abusing patent rights as well as preventing or eliminating a state of national emergency may be reason enough to apply for a compulsory license. There are no special terms on licenses for this. The owner of a patent or exclusive license has the right to sue for an injunction on account of profits and/or damages. Criminal penalties are foreseen for false marking and infringement. Marking products with a patent number are commonly used but not obligatory.

IV.5.1.2. Trademarks

Poland is a member of the Madrid Agreement (Madrid Agreement Concerning the International Registration of Marks) on the registration of trademarks and the prevention of false or deceptive indications of a source of goods. Since 1991 Poland has also been a member of the Madrid Agreement on the international registration of trademarks. It became a member of the Protocol for this Agreement in the spring of 1997. The following kinds of mark may be registered:

- trademark,
- service mark,
- collective mark,
- mutual quality assurance trademark.

A registered trademark is valid for 10-years from the date of filing unless it is proved that the mark has not been used for five consecutive years. The registration may be renewed for the next 10-years period. In the case of infringement, the proprietor or licensee can take legal steps. Protection is extended to names of geographical places and regions, where the name refers to a specific locality or area associated with a particular product and where there is a particular characteristic of the product associated with the name. Foreign applicants have to be represented by a local patent agent in Poland.

IV.5.1.3. Copyrights

Copyrights in Poland are protected by the Law on Copyrights and Rights in relation to 4 February 1994, which was substantially revised in June 2000. The new law meets contemporary international standards and corresponds to the principles of free trade in intellectual property.

The scope of copyright protection has been considerably broadened of late. The new law covers not only the protection of traditionally understood author's rights, but also related rights. The law provides for new rights and new owners of those rights. They are now able to decide how the outcome of their work is to be used and are able to derive financial benefits from this outcome. The new owners include producers of sound and video recordings, TV channels, radio stations and artist-performers. The new law provides the protection of intellectual property in the area of science, technology and manufacturing, including computer programs and industrial designs, etc. The protection mechanism of computer software is similar to that used in EU countries.

The law also provides for a general compensation mechanism of losses incurred by authors, performers, and producers due to uncontrolled mass reproduction for personal use (at home). Producers and importers of VCRs, tape recorders, other audio and video equipment, as well as clean tapes, CDs, etc., must pay a surcharge to the artists, performers and manufacturers amounting to a maximum of 3% of the sales income generated by these products.

The new law gives ground for more efficient procedures for enforcing copyright protection. Illegally obtained benefits may be confiscated and returned to the true owner. The law also envisages penalties for infringement of intellectual property rights by fines and even prison sentences for up to five years. The new legislation has considerably strengthened copyright protection in Poland. It has also contributed to curtailing piracy. Meeting international standards in intellectual rights protection creates appropriate conditions for foreign investments making use of property rights.

IV.5.2. Product certification

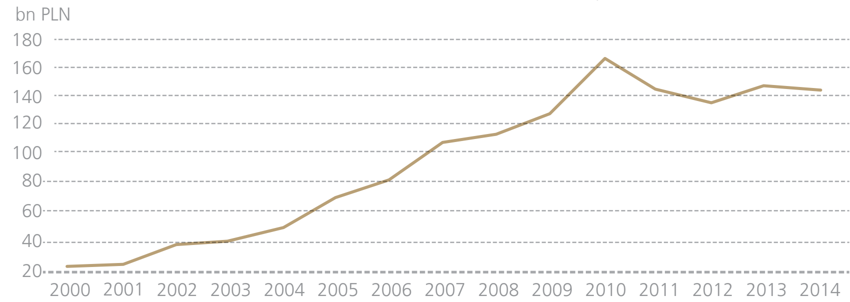
Product Conformity Certification, to use its full title, is a process by which manufactured products are assessed and verified as conforming to stated requirements. This results in the issue of a statement or certificate of conformity and, normally, approval to apply a mark indicating the conformity of the product. Certification may be mandatory or voluntary.

Mandatory certification applies when required by either national or international law. Voluntary systems are being implemented by specifying organisations in order to improve the build quality of components that form an integral part of a larger product. In simple terms, a mark on a product is a form of assurance that the product and system used to manufacture it all meet the regulatory requirements and the relevant specifications. Marks in many different formats are used and some are mandatory. Others are not.

The underlying certification process may involve various tests and production quality assurance procedures and will vary in value and cost. Product certification marks signal that a product conforms to a specification, so it is important to understand the content of the specification to fully appreciate the value of the mark.

In accordance with EU law, it is very important to certify the product with the 'CE sign'. This symbol

The value of the Polish public procurement market in the years 2000–2014



Source: The Annual Report of the Public Procurement Office for the year 2014

is placed by the producer on his product. The CE sign certifies that the product is consistent with all law requirements and safety standards. These requirements are based on over 20 European directives, each of which regulates a policy for another product. The directives are implemented in Poland through the legal act of estimation systems from 30th August 2002. It is important to notice that without a CE sign, the product cannot be used across the EU countries nor imported from outside the EU.

Products with this mark can be used throughout the European Union and in Norway.

IV.5.3. Public procurement law

The Polish public procurement legislation dates back to 1994 when the first Act on Public Procurement was adopted. The Act was amended several times over the following years, mainly with the aim of clarifying its rules and definitions, broadening the scope of application and making the procurement process more transparent. The adjustment of the Polish procurement provisions to the EU requirements was a major factor in the preparation of the new legislation. The new Public Procurement Law was adopted on 29th January 2004 to replace the Act of 1994. In April 2006 and April 2007 the Public Procurement Law was largely amended in order to implement the provisions of the EU directives. Public procurement law regulates the purchasing by public sector authorities of contracts for goods, works or services. It concerns orders for construction work, supplies or the rendering of services which are financed from the state budget or from municipalities. The Public Procurement law is designed to open up the EU's public procurement market to competition, to prevent 'buying national' policies and to promote the free movement of goods and services. The public procurement aspects are regulated in the Act on Public Procurement Law of 29th January 2004. The abovementioned act stipulates the entities which are obliged to apply and fulfil all of its requirements.

In accordance with the annual report of the Public Procurement Office for the year 2014, the market value of Public Procurement amounts to 46'937 bn PLN. In comparison to 2013, the expenses on public procurement had increased by 11.9%. According to actual data from the Public Procurement Office, the value of the contracts implemented by the end of the third quarter of 2015 amounts to 28'929 billion PLN and therefore also in 2015 we shall expect a continuation of the trend of steady increase in the value of orders over the years.

The act does not apply to orders which do not exceed EUR 30,000 in value. In April 2014 this limit was raised from EUR 14.000 to EUR 30.000.

Polish law provides several procedures for the granting of a public procurement order. However, two of these are applied in most cases, namely unlimited tender bidding and limited tender bidding. The unlimited tender bidding, apart from the limited tender, forms the basis of procedure. In this procedure, all the interested contractors may place their offer in response to a public advertisement. In the limited tender binding procedure the contractors send an application for admittance to participation in the bidding. The offers may be sent only by contractors which have been invited to submit offers. Furthermore, Polish law provides procedures as follows: negotiations with advertisement, negotiations without advertisement, competitive dialogue, order with restrictions, price enquiry, electronic bidding. However, those procedures may be applied in exceptional situations.

The contractor or supplier who attends is basically obliged to pay a tender deposit of no greater than 3% of the value of the procurement. The deposit may be paid in cash. However, the bank guarantee, insurance guarantee, bill of exchange confirmed by a bank and other financial guarantees are excepted from this rule.

The ordering party includes all of the essential elements in the specification which are necessary for the precise description of the ordered products or for carrying out a delivery.

The best offer is chosen on the basis of criteria foreseen in the specification. The best price, which is the most common indicator, is not the only criterion used by Polish authorities. Very often, the quality, functionality, application of the best available technology and its impact on environment may also be applied.

The public procurement law is an administrative law. However, based on the contracts closed upon a tender application, the Civil Code and Civil Procedure Code are used.

The information about proceedings is published in the Public Procurement Bulletin on the website of the Public Procurement Office and the official Journal of the European Union.

The contractor and participators of the public procurement procedure as well as others who have a legal interest may appeal from any action and omissions which are incompliant with the procurement law. The appeal should be lodged with the National Appeal Chamber within 5, 10 or 15-days, depending on the value of the order or contract.

If the value of the contract award procedure is less than a certain amount – specified in the appropriate provisions of the Public Procurement Law – the appeal may solely be admissible against only some of the actions taken during the procurement procedure. In other situations there are no similar limitations and the appeal may be lodged against any illegal actions.

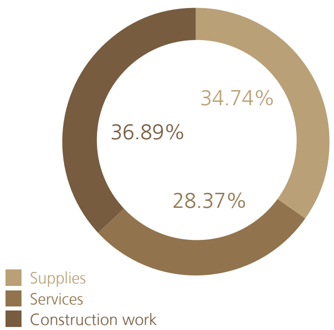
In the case of an appeal being lodged, the awarding entity may not conclude a contract until the Chamber has passed its judgment or decision which ends the appeal process. The Chamber will examine the appeal within 15-days from the date of its submission to the Chairman of the Chamber. The Chamber will then issue a judgement on the dismissal or admission of an appeal.

The parties and participants of the appeal procedure may complain to the court against the Chamber's ruling. The complaint should be lodged with the district court competent for the seat or place of residence of the awarding entity. The court shall forthwith examine the complaint, however not later than within one month of the day on which the complaint was received by the court. The contract cannot be closed so long as the appeal proceedings are not finalised.

An agreement between the ordering party and the contractor with the best offer must be executed in written form on pain of validity. However, when Polish law requires a special form (e.g. a notary deed), such an agreement should be closed also in this form. The agreement should be concluded in this way that the scope does not exceed the obligation under offer.

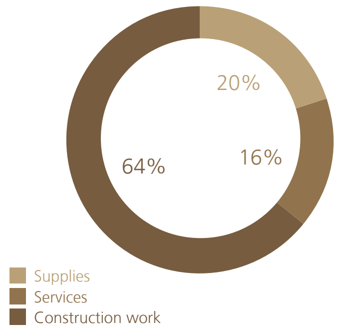
The last amendment of the Public Procurement Act came into force on 1st of July 2015.

Proceedings initiated in 2015 by type of contract (published in PPO).



Source: The Annual Report of the Public Procurement Office for the period of 1.01.2015–30.09.2015

The value of awarded contracts



Source: The Annual Report of the Public Procurement Office for the period of 1.01.2015–30.09.2015

IV.5.4. Bankruptcy and restructuring

The 2003 Bankruptcy and Restructuring Act (as to the 1st January Bankruptcy Act) established rules concerning the bankruptcy of entrepreneurs as well as settlement and restructuring proceedings aimed at preventing bankruptcy. Due to amendments the bankruptcy proceedings as well as restructuring proceedings shall be severely changed on 1st January 2016.

Bankruptcy

There are two types of bankruptcy that may be declared. Firstly, liquidation proceedings which result in the sale of all assets and the deletion of the company from the National Court Register. Secondly, bankruptcy with the possibility of entering into a settlement agreement with creditors.

According to the Polish Bankruptcy and Restructuring Law Act, a declaration of bankruptcy should be issued in respect of a debtor who has become insolvent. A debtor is insolvent if he loses his ability to perform his due pecuniary obligations. It is presumed that the debtor has lost the ability to perform his due pecuniary obligations if the delay in the performance of pecuniary obligations exceeds three months. A debtor, which is a legal person, shall also be deemed insolvent when his obligations exceed the value of his assets, and that state lasts for a period exceeding 24-months. The court may dismiss a bankruptcy petition if there is no risk of losing the debtor's ability to perform his due pecuniary obligations in a short time. The court dismisses the bankruptcy petition filed by the creditor if the debtor proves that the claim is entirely of a disputable character, and if a dispute arose between the parties before filing for bankruptcy. The court will also dismiss a bankruptcy petition in which the assets of the insolvent debtor are not sufficient to cover the costs of the court proceedings. The court will also dismiss a bankruptcy petition in which the assets of the insolvent debtor are not sufficient to cover the costs of the court proceedings.

A bankruptcy petition may be filed by the debtor or by any of his creditors. A petition may also be filed in respect of a legal person, by the company's representative. The crucial thing is that a debtor shall file a bankruptcy petition to the court no later than 30 days from the day on which grounds for the declaration of bankruptcy arose. In the case of a debtor being a legal entity, the aforementioned duty shall be attached to whoever is entitled to represent the company (individually or jointly with other people). Those persons are liable for any damages that may arise through the failure to file the petition within the time limit indicated above.

The debtor attaches to the bankruptcy petition a written statement as to the accuracy of the data contained therein. If the statement is inaccurate, the debtor is liable for any damage caused by inaccurate data having been included in the bankruptcy petition.

The Bankruptcy Act is also so called "pre-packaged deals". Due to this institution it will be possible to establish conditions of sale of the debtor's company, in particular the buyer and the price. The sales price shall not be lower than the price estimated by an expert's opinion. The restructuring plan shall be prepared and presented to the court. The pre-packaged deals allows room to prevent bankruptcy proceedings from starting. Also the sale of the enterprise is possible on much more favourable terms and conditions than the sale during liquidation. Simultaneously, there is no degradation of the enterprise on the market and loss of the good name of the debtor, which in the long term would allow him to continue his business activity.

Restructuring

On 1st January 2016 the new Restructuring Law Act will come into force. The main purpose of the new regulation regarding restructuring is the restructuring of the debtor's enterprise and allows his further activity instead of liquidating it. The Restructuring Law Act distinguishes 4 types of restructuring proceedings:

1. proceedings regarding approval of the arrangement,
2. fast-track restructuring proceedings,
3. restructuring proceedings,
4. sanation proceedings.

Any of the above mentioned proceedings is available to debtors who are already insolvent and those who are only threatened by insolvency at the moment. Each type of restructuring proceeding is intended to lead to an arrangement with creditors.

Proceedings regarding approval of the arrangement are available for debtors whose contested liabilities do not exceed 15% of their total debt and who can obtain (by themselves) approval of the creditors for terms of the arrangement (at least 2/3 of them). This type of proceeding allows for making an arrangement with some of the creditors (partial arrangement). Fast-track restructuring proceedings resembles the proceedings regarding approval of the arrangement with respect to the condition that consented liability shall not exceed 15% of the total debt of the debtor. The basic difference is that the creditors approves the terms of the arrangement during the creditor's meeting. This type of proceeding also allows for making a partial arrangement. The third type – restructuring proceedings – is basically the reflection of the arrangement proceedings stipulated by the Bankruptcy Law Act in the wording before 1st January 2016. The debtor is still entitled to manage the enterprise, however this management is controlled by the court as well as the creditors. The arrangement proposals shall already be included in the petition. Sanation proceedings allow for the conducting of advanced restructuring of the debtor's assets, obligations, and employment level. The debtor, however, will be deprived of his right to managing the enterprise. It is addressed to the debtors who are already insolvent, however, with a prospect of further business activity after restructuring.

IV.5.5. Renewable energy support system

Dependency of the sector

The state of technology development and current energy market conditions does not guarantee cost-efficiency of power plants based on renewable energy sources. To fulfill the National Overall Target for the share of energy from renewable sources in gross final consumption of energy in 2020 set by the EU, Poland implemented a Renewable Energy (RE) support system.

The current system

Until 2015, the system of support for renewables in Poland was based upon the Energy Law and regulations of particular ministries. The national legislator introduced a quota system functioning on a basis of certificates of origin and different kinds of tradable renewable energy certificates (REC). The fundamental part of a quota system was renewables obligation order (ROO) – an amount of energy from renewable sources which energy traders have been obliged to sell. In Poland, the path for ROO has been set in the EU approved National Action Plan and announced by the regulator. Certain entities have been obliged to buy the whole amount of renewable energy directly from any RE power plant or have been forced to pay a replacement fee – a type of penalty. Those entities also had to provide grid access for any plant using renewable technology.

Certificates of origin are used by the regulatory authority to monitor the fulfillment of obligations, especially the procurement of energy under the renewables obligation order by the obliged entities. Those certificates are not tradable but the property rights bound to every certificate of origin are tradable goods on the energy market – the Towarowa Gielda Energii (TGE).

Property rights are the central part of the whole support system. The financial aid for the renewables in Poland is generated by the sale prices of those rights, commonly known as certificates (REC). There are a couple of types of tradable REC for different technologies and fuels.

Share of renewables in sale of electricity

Poland still generates about 85% of the overall electricity from lignite and coal. Due to the EU regulations and the implemented support system for renewable energy sources the share of electricity from renewables constantly increases.

Sales structure

Every year the market regulator announces a renewables obligation order that arranges the energy sales structure. Three different types of REC Yellow, Red and Violet describe the share of electricity coming from cogeneration in certain chosen technologies. Electricity available due to the increased energy efficiency is included by the White RECs. Green RECs are the share of electricity from renewable sources. The rest of the electricity sales called "Black energy" consists of conventional technologies and is been created by simple demand and support equilibrium on the energy market without any mandatory quotas.

RECs on the market

Prices for REC's have been created on the market. Without a differentiation between all the available technologies and because of the lack of certain market stabilization mechanisms, the current system generated volatile prices and endangered new investments. The experienced REC price fall showed an acute need for modern support system solutions.

The Renewable Energy Sources Act

The answer to the above problems related to the prices of REC's shall be the Act on Renewable Energy Sources (RES) passed by the Sejm of the Republic of Poland on the 16th of January 2015. The act implements crucial changes to the system of support for the energy produced from renewable sources. The renewable energy sector obtained separate law regulations and a new approach to the support of electricity produced from renewable energy sources.

One of the most important changes introduced by new laws pertaining actual legal framework is the retreat from the system of certificates of origin to the auction system and implementing different regulations for micro-renewables in the form of ability to settle up for energy company owners under the rules of net-metering, which means to settle up in net terms. During voting of this law, members of parliament reckoned that the net-metering instrument would not guarantee the ability for the development of civic energy and decided on the enactment of the prosumer amendment pertaining to the introduction of feed-in-tariffs for the smallest renewable energy producers – the micro prosumers exploiting the smallest systems with capacities below 10 kW for the first time in Poland.

Because of many objections to the new regulation, in particular the ambiguities and imprecision, the government has prepared recently an amendments to the Act taking into account many requests of the entrepreneurs and organizations dealing with renewable energy sources.

Generation structure, domestic balance of cross-border exchange and electricity consumption in 2013–2014 [GWh]

	2013	2014	Growth rate 2014/2013
Total electricity generation	162 501	156 567	-3,65
Hard coal-fired power plants	84 566	80 284	-5,06
Lignite-fired power plants	56 959	54 212	-4,82
Gas-fired power plants	3 149	3 274	3,98
Industrial power plants	9 171	9 020	-1,64
Water utility power plants	2 762	2 520	-8,76
Wind units	5 823	7 184	23,38
Other renewable sources	72	73	0,18
Cross-border exchange balance	-4 521	2 167	-
National electricity consumption	157 980	158 734	0,49

Source: ERO, on the basis of data provided by PSE S.A

V.

Sources of Information

V.1.

Polish Information and Foreign Investment Agency

The Polish Information and Foreign Investment Agency (PAIiIZ) is a useful partner for foreign entrepreneurs entering the Polish market. The Agency guides investors through all the essential administrative and legal procedures involved in a project. It also provides rapid access to detailed information relating to legal and business matters regarding investments.

Moreover, it helps with finding appropriate partners and suppliers together with new locations. The Agency was established in June 2003 to coordinate the economic promotion of Poland, stimulate the inflow of foreign direct investment, assist foreign companies in their investment processes and promote Polish exports. It was created in a merger between the State Foreign Investment Agency (PAIZ) and the Polish Information Agency (PAI). Both institutions were established in order to support the development of the Polish economy by raising the inflow of foreign investment and promotion of Poland abroad.

Polish Information and Foreign Investment Agency provides professional advisory services for new investors in Poland, including:

- investment site selection in Poland,
- tailor-made investors visits to Poland,
- information on legal and economic environment,
- information on available investment incentives,
- facilitating contacts with central and local authorities,
- identification of suppliers and contractors,
- care of existing investors (support of reinvestments in Poland).

The services provided by PAIiIZ are, in accordance with its mission, free of charge.

In order to ensure the best quality service, the Agency is divided into departments and bureaus with defined responsibilities:

- The Foreign Investment Department is responsible for winning foreign investors and ensuring the best quality services. The employees of this department advise companies in terms of the best location and take part in negotiations. The Foreign Investment Department assists companies with investment and also supports firms which have already invested in Poland.
- One of the most important departments is the Economic Promotion Department. Promotional activities of the department include the organization of seminars, conferences, economic forums for investors both in Poland and abroad as well as exhibitions abroad. It is also responsible for publications and promotion materials on Poland and its economy. Since 2011, China – Poland Economic Cooperation Centre operates in PAIiIZ 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, identifying sources of foreign direct investment, supporting missions and delegations from China, preparing analysis & information, maintaining regular contact with Chinese companies operating in Poland as well as for the Go China Project. The Agency also has a China Repre-

Polish Information and Foreign Investment Agency

sentative Office in Shanghai. More information can be found on: **www.gochina.gov.pl**.

Additionally, since 2013 PAIiIZ has been implementing the "Go Africa" programme. Its aim is to encourage Polish entrepreneurs to invest in African markets and promote Poland in Africa. Therefore PAIiIZ has organized: fact-finding missions to African countries, participation of Polish entrepreneurs in fairs, conferences, seminars and workshops both in Poland and in Africa. Furthermore, the Agency has prepared publications on African markets.

- The Information and Communication Department creates and implements the Agency's information policy. It deals with national and international media and promotes the positive image of PAIiIZ and its projects. The department is also responsible for organizing study tours for foreign journalists and managing the Agency's web portals.

- The Economic Development Department (EDD) implements comprehensive action in developing strategic (PAIiIZ) plans as well as the substantive support of PAIiIZ. The Department is coordinated in conjunction with local government bodies and a support system for investors at a regional level. PAIiIZ experts provide support services for investors, post-investment care at a local level and are engaged in promotional activities associated with attracting investment to individual regions. Employees regularly acquire investment offers and update this information on a database. The Department helps Polish companies in promoting their products on international market. EDD is also responsible for preparing investment offers for potential Investors and cooperation with Special Economic Zones, local authorities and Regional Investor Assistance Centres which work on promotion and increasing the FDI inflow into regions.

- Accountancy, financial, administrative and IT tasks belong to the Finance and Logistics Office. The employees of this department are responsible for financial documents and the monitoring of financial conditions of the agency.

- The Organisation and Personnel Office is responsible for organisational and HR issues as well as training.

- The Audit and Control Department is responsible for the internal auditing of the Agency and of other companies resulting from legal regulations.

All Agency activities are supported by Regional Investor Assistance Centres. Thanks to training and ongoing support by the Agency, the Centres provide comprehensive professional services for investors at voivodship level.

The Polish Information and Foreign Investment Agency is the best source of knowledge, not only for foreign entrepreneurs but also for domestic companies.

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

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

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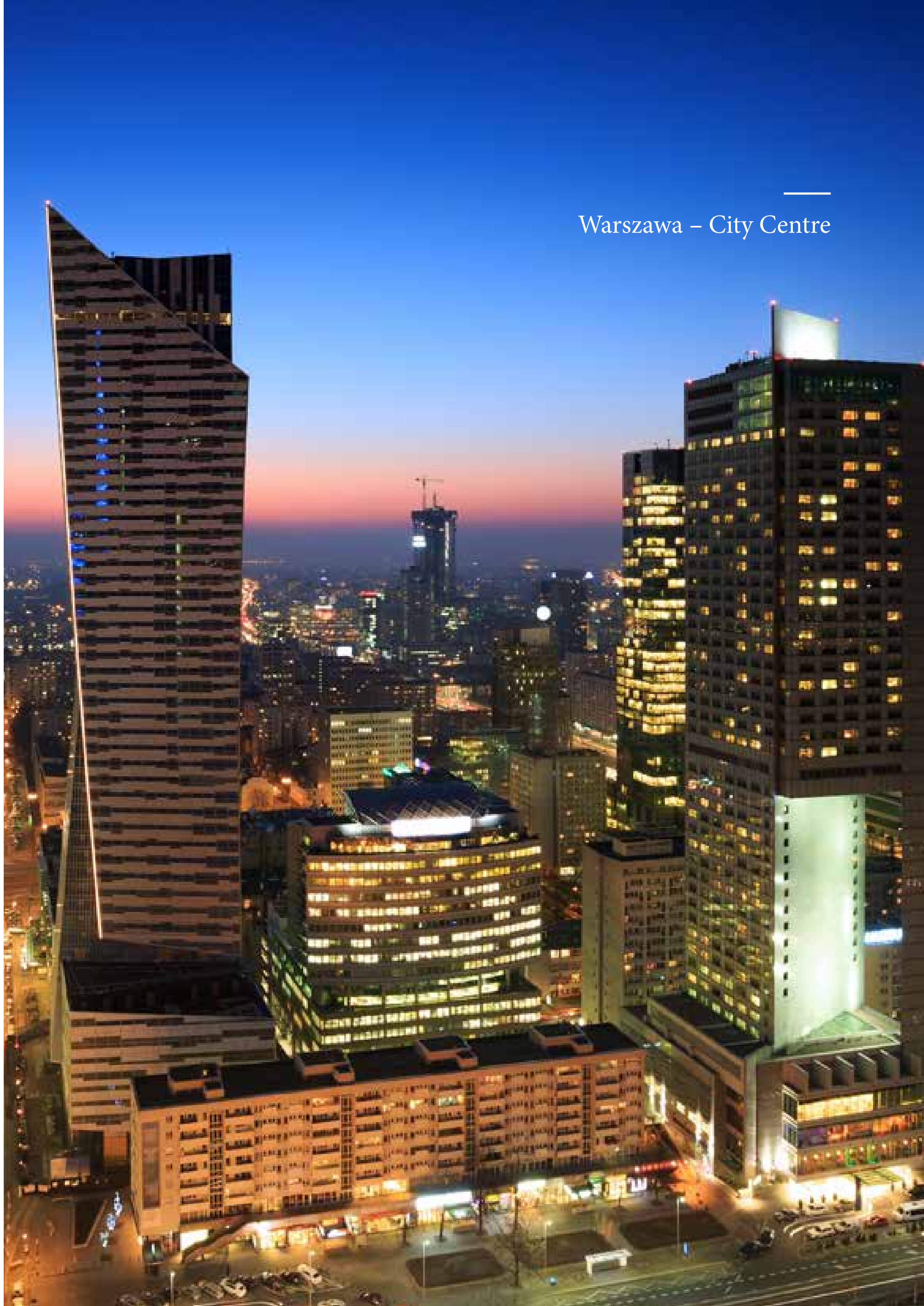

Warszawa – City Centre

V.2.

Regional Investor Assistance Centres

Dolnośląskie Voivodship

Dolnośląska Agency of Economic Cooperation
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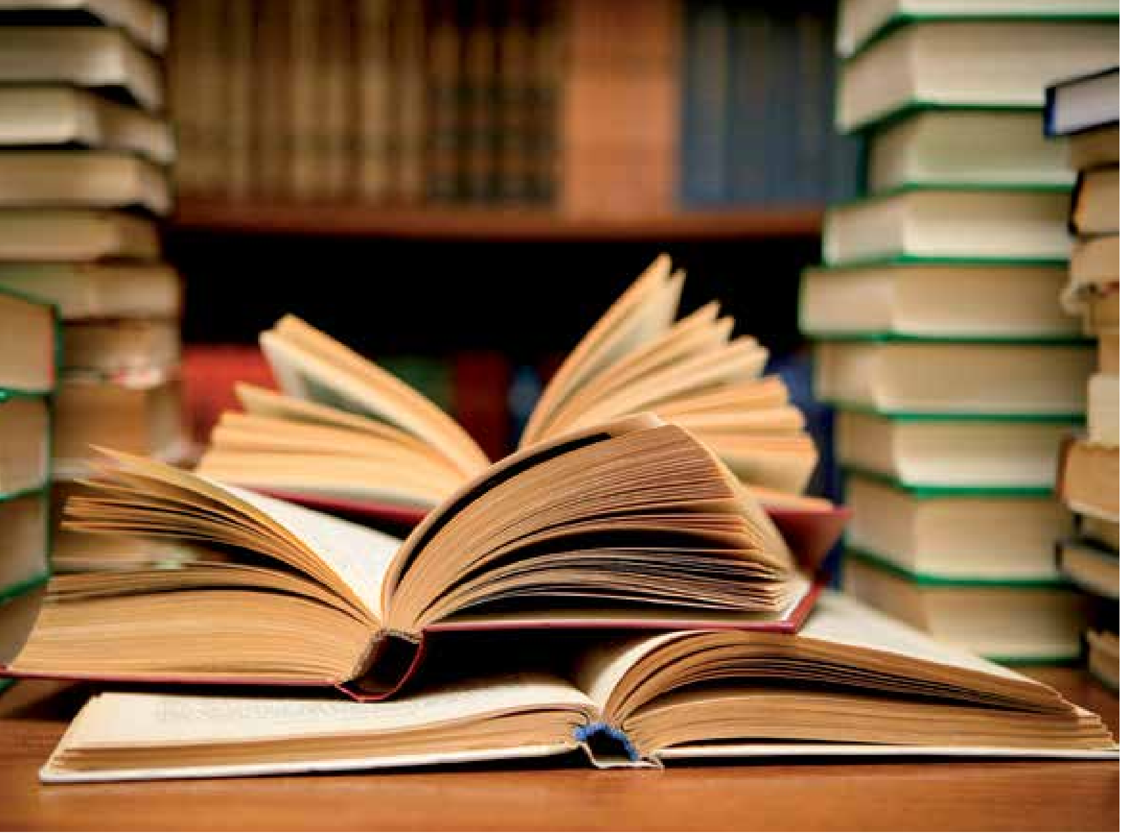
Powiśle Park in Warszawa



V.3.

International schools in Poland

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American School of Warsaw
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Meridian International School
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Tel.: +48 22 822 15 75
Fax: +48 22 822 20 13
E-mail: esinfo@meridian.edu.pl

International American School
ul. Dembego 18
02-787 Warszawa, Poland
Tel.: +48 22 649 14 40
Fax: +48 22 649 14 45

Middle & High School
ul. Stoklosy 3
02-787 Warszawa – Włochy
Tel.: +48 22 457 24 24
Fax: +48 22 457 23 66
E-mail: info@meridian.edu.pl

The British School Primary, Secondary and IB Diploma Programme
ul. Limanowskiego 15
02-943 Warszawa
Tel.: +48 22 842 32 81
Fax: +48 22 842 32 65
E-mail: british@thebritishschool.pl

The British School
Early Years Centre
ul. Jaroslawa Dabrowskiego 84
02-751 Warszawa, Poland
Tel.: +48 22 646 77 77
Fax: +48 22 646 46 66
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Lycee Francais de Varsovie
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Tel.: +48 22 616 54 00
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Canadian School of Warsaw
ul. Bełska 7
02-638 Warszawa
Tel.: +48 22 646 92 89
Fax: +48 22 646 92 88
E-mail: secretary@canadian-school.pl

International European School – Warsaw
ul. Wiertnicza 140
02-952 Warszawa
Tel.: +48 22 842 44 48
Fax.: +48 22 842 44 48
E-mail: info@epd.waw.pl

European Bilingual Preschool
ul. Chłapowskiego 2
02-787 Warszawa
Tel.: +48 22 644 15 14
Fax: +48 22 644 15 14
E-mail: info@epd.waw.pl

"W stumilowym lesie" day care centre
ul. Naprzełaj 5a
03-092 Warszawa Choszczówka
Tel.: +48 697 202 509
Fax: +48 22 676 68 91
E-mail: kontakt@wstumilowymlesie.pl

World Hill Academy – Szkoła Anglo-Amerykańska
ul. Okrężna 83
02-933 Warszawa
Tel.: +48 22 858 31 91
E-mail: worldhillacademy@wp.pl

American English School S.A.
ul. Rogatkowa 50
04-773 Warszawa
Tel.: +48 22 615 76 49

Ecole Antoine de Saint-Exupéry
ul. Nobla 16
03-930 Warszawa
Tel.: +48 22 616 14 99

Happy Montessori House-International Pre-school
ul. Rumiana 14
02-956 Warszawa
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E-mail: hmh@hmh.edu.pl

Tęczowy Ogród
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02-634 Warszawa
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Francusko-Polska Szkoła Podstawowa "LA FONTAINE"
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Willy Brandt Deutsche Schule
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Wrocław

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International School EKOLA
Fundacji Oświatowej EKOLA
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International School of Kraków
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High School no. 3
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80-255 Gdańsk
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Fax: +48 58 341 06 71
E-mail: sekretariat@topolowka.pl

Poznań

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Poznań British International School
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E-mail: interschool@interschool.uni.lodz.pl

Kindergarten and Primary School
ul. Demokratyczna 85
93-430 Łódź
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Gdynia

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V.4.

About JP Weber

V.4.

About JP Weber

Who we are...

For over 14 years, JP Weber has been supporting international investors in their Poland based investment-related operations as well as their day-to-day tax and legal dealings. Moreover, we run a multi-language accounts outsourcing business. We support small and medium-sized enterprises, whose owners we assisted in getting a foothold on the Polish market; we also provide services to big international companies. With our experts we guarantee an individual client-oriented as well as comprehensive approach to the Polish market's business.

Our philosophy...

Single-provider solutions for decision makers are the essence of our philosophy, which constitutes an added value for our Clients while reflecting the awareness we have of the work we do as well as who our recipients are.

Values, tha way we work and substantive knowledge determine the character of long-term co-operation, which is underpinned by trust and partner-like attitude guaranteeing individual but also a comprehensive approach to issues on the Polish market.

JP Weber Team...

It is our employees who make JP Weber what it is. We take pride in having managed to build a large team of experts and managers who are at all times fully committed to performing their job to our Clients' satisfaction. Our team consists of more than 60 members, including attorneys at law, tax advisors, project managers and business advisors. Extensive expertise and experience as well as commitment of our team to find solutions are guarantee for high efficiency and quality of our services.

14 years
experience in Investments & Transactions in Poland

International Focus with more than **90%** of our customers

Leading Advisor
to Asian Companies in Poland

Trusted Partner
for Polish Champions in Going Global

Over **60** Lawyers, Advisors & Sector Experts in Wroclaw & Warszawa

More than **20** German-speaking Lawyers & Advisors

Direct Investments

JP Weber has established its professional roots through personally accompanying senior decision makers through the intricate and complex Polish investment process and ongoing business activity. Location planning, finalization of real estate transactions, strategic and operation advisory are standard services provided to our international customers. Targets and alternative scenarios need to be clarified at the outset before any objective decisions can be taken, these include:

- Strategic advisory
- Location planning
- Project development
- Greenfield management
- Brownfield redevelopment

Your Personal Contact

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Managing Partner

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Mergers & Acquisitions

We offer cross-border support to buyers and sellers of companies and participating interests, and offers accompaniment and support in the course of splits, spin-offs, mergers, joint ventures and public sector takeovers. With more than 13-years experience in CEE, specifically focused on the Polish market, we know how to maneuver within this intricate yet lucrative environment, successfully closing corporate transactions for our elite customers.

- Development of the transaction process
- Company purchase
- Company sale
- MBO, MBI, LBO

Your Personal Contact

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Managing Partner

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Restructuring

Our experts with many years of experience conduct the assessment and verification of particular company areas, on the basis of which proper tools are created, which will allow for the preparation of business plans and control of efficiency ensuring the successful implementation of any possible restructuring processes. We support Clients through the assessment of their operation, development of recommendations for changes as well as implementation of strategies orientated towards increasing their operational profitability and attaining streamlining goals.

- Quick checks
- IBR
- Restructuring plans
- Cash and working capital management
- Insolvency Planning

Your Personal Contact

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Legal Advisory

We maintain an active presence within international markets building upon our solid reputation with foreign investors and Polish companies. Top international standards and a highly specialised legal team enable us to produce quality results for our Clients. Key success factors are integrity and personal contact. We attach special importance to this, since these two factors, together with clear communication, are the key to long-term and close cooperation.

- Mergers & Acquisition
- Insolvency Law
- Company Law
- Real Estate
- Labour Law
- Energy & Infrastructure
- Litigation
- Public Procurement

Your Personal Contact

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Attorney at Law

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Tax Advisory

Purposeful tax consultation grows with long-term cooperation. We prepare up-to-date implementable solutions for the clarification of tax related issues or for the purposes of transaction structuring and optimization with the highest tax safety. Cross-border international issues are solved by us in close cooperation with our international partners, since isolated solutions do not hold out any promise of success here. We work pro-actively and clarify how to avoid the possibility of double taxation in your individual case. Our tax specialists also support clients with the preparation of internal documents, contracts and transfer pricing documentation requested by tax authorities.

- International Taxation
- Transfer Pricing
- Tax Optimization
- Tax Litigation
- Tax Compliance

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Financial Advisory

We specialise in business and intangible asset valuations, financial opinions, financial and strategic analysis. Our extensive experience in developing asset and business forecasts and assessing a company's value in light of sector trends and market conditions helps our Clients to make decisions confidently, enhances their results, and allows them to prosper.

- Structuring of efficiency and financing possibilities
- Development of business plans
- Due Diligence
- Expert assessments
- Financial valuations

Your Personal Contact

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M&A WORLDWIDE® THE NETWORK FOR MERGERS & ACQUISITIONS

We are member of international network M&A Worldwide

Language Desks

International Clients require international standards. Over 90% of our Clients run businesses involving foreign capital. Due to that all of our departments operate within the framework of language-oriented teams, which provide interdisciplinary services for our Clients. There are currently four Language-Desks at JP Weber, whose names reflect our most important Clients' countries of origin:

Korean Desk

Many Korean companies choose to set up business or outsource certain operations to Poland. Our Korean Desk is committed to support Korean manufacturing companies to start and successfully develop their investment projects and also adapt to changing market conditions.

Your Personal Contact

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Managing Partner
Attorney at Law

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German Desk

In order to reflect the commercial relations between Germany and Poland, we have expanded our advisory through the German Desk. Our German Desk consists of more than 20 interdisciplinary experts who are partners in new investments, Mergers & Acquisitions, but also in phases of the turnaround as well as in ongoing activities in Poland.

Your Personal Contact

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French Desk

Team members from our French Desk represent the highest standards dedicated to our Francophonic Clients, including local language knowledge or long-standing experience in manufacturing & real estate and such competencies as Mergers & Acquisition and restructuring.

Your Personal Contact

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Managing Partner

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Polish Champions

Polish enterprises must also meet various challenges which are inherent in foreign expansion. In such cases, our many years' of experience with foreign companies allows us to effectively restructure and optimize Polish enterprises as well as support their international projects.

Your Personal Contact

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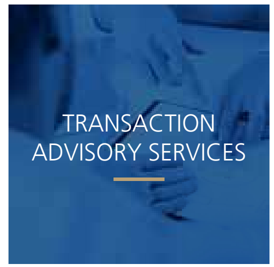
Cross Practices

Since 2001, we have supported decision makers in all phases of their Poland-based operations – from the establishment of a company, through comprehensive investments or transactions.

All of our projects are carried out within interdisciplinary teams specializing in tax, legal or business-related areas and matched to the industries. Our interdisciplinary fields of specialization entail the following:



JP Weber Newsletter

Always up to date with Poland

We invite you to subscribe for our newsletter. With our interdisciplinary teams we keep our Customers and Partners regularly informed about any developments in the fields of law, tax and accounting, as well as a corporate finance and direct investments. We also inform you via Grant Alert about current EU programmes 2014–2020.

You can subscribe for the newsletter via our website or send an email to newsletter@jpweber.com.

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