

# Why Poland?

Poland offers you exceptional business and investment opportunities. It is one of the largest members of the European Union therefore guarantees stability, security and prosperity. The business environment is friendly and provides many opportunities for success.

The main reasons why it is worth to consider investing in Poland are the following:

## *Investment Potential:*

- GDP growth three times that of Western Europe
- Ranked 1st in planned investments in Europe
- Ranked 2nd Europe in FDI Confidence Index
- Ranked 5th in top 10 global investment destinations
- Excellent productivity
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## *Human Capital*

- 20 million young, highly educated, multilingual people
- 50% of the population under 35 years old
- Over 2 million attending higher education structures
- Nationwide network of 427 centers of higher education
- Loyal and hard working people

## *Strategic Location*

- In the heart of continental Europe
- Population of 250 million within a 1000 km radius
- Part of the Trans European Network
- Competitive cost base offers significant location benefits

## *Large and Growing Domestic Market*

- 38 million consumers driving 10% annual retail market growth

## *Investment Incentives*

- Over 90 billion euro available for development, infrastructure and human capital
- 14 Special Economic Zones and Technology Parks with incentives

## *Industrial Services Hub*

- Regional/Global Manufacturing and Services Platform
- Ranked 4th globally in terms of attractiveness for R&D investments
- European shared service centre

## Investment Potential

- GDP growth three times that of Western Europe
- Ranked 1st in planned investments in Europe
- Ranked 2nd in FDI Confidence Index
- Ranked 5th in top 10 global investment destinations
- Excellent productivity

### GDP growth twice that of Western Europe

The Polish economy, with GDP growth of 3.2 % in 2005, and in 2006 is projected to reach 5,3%. The Polish economy is developing much faster than the Euro zone (1.3%) and more than the average of all 25 EU members (1.5%). Poland's growth has been driven to a significant extent by export growth, industrial production and investments. Employment is also increasing. The best GDP growth rate per capita in the region is the highest in Poland.

Stronger growth in real wages, improving labour market and low interest rates will lead to even greater improvement in private consumption and investment in 2006 – 2007. Exports may expand by even 8.4% in 2006 and 8.7% in 2007.

### Polish GDP growth rate forecasts

Year	2006	2007	2008
GDP growth in %	3.9 - 5.0	3.4 - 5.8	3.5 - 6.2

Source: National Bank of Poland, April 2006

### Ranked 1st in planned investments in Europe

Poland is seen as the top potential destination for new investment or expansion projects in Europe. According to the European Attractiveness Survey of 2005 conducted by Ernst & Young, the advantages offered in terms of productivity and flexible employment conditions placed Poland in the leading position in Europe.

### Considered destinations for new investment or expansion projects in Europe (% citation for each country)

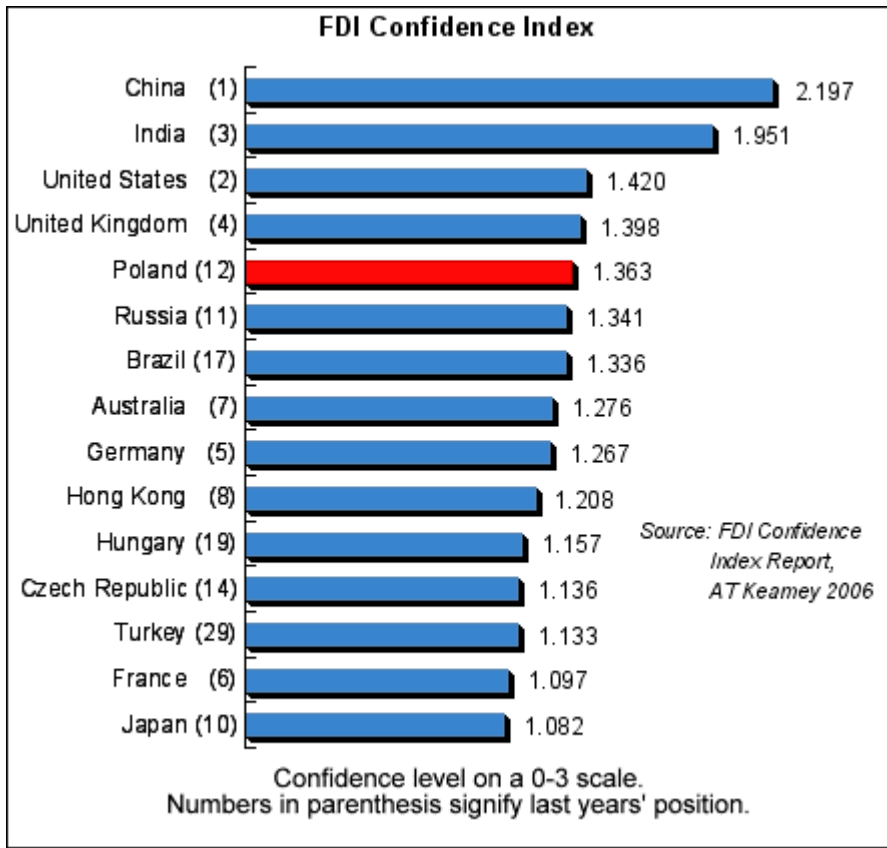
	%
Poland	16
Russia	10
Germany	7
Hungary	6
Czech Republic	6
Slovakia	4
United Kingdom	4

Source: "Emerging Economies Stake Their Claim" Ernst & Young 2005

### Ranked 2nd in Europe in FDI Confidence Index

According to the AT Kearney report, of 2006 the environment for Foreign Direct Investment to Poland is very positive and dynamic. The report states that one out of every four investors is more and more optimistic about Polish market. One in ten global investors indicated that they will make first-time

investment in Poland. Global communications investors ranked Poland first in the world in terms of attractiveness for FDI. The outlook for the dynamic development of services in the new technology market is also very optimistic. Based on the AT Kearney report, it can be predicted that Poland will see a huge inflow of communication investment.



The report stressed the growing potential of Poland as a location for service centers such as financial or call centers. Poland also holds second place as most preferred location for investment in the electricity and gas sector, and the third place in agricultural, forestry and fishing.

**Ranked 5th in top 10 global investment destination**

According to the Ernst & Young report, executives placed Poland fifth in the world when focusing on specific countries within their region of choice for investments.

For foreign investors, the center of gravity for investments in Europe is now located between Poland (17%) and Germany (16%).

**Top 10 global investment destinations  
Individual classification by country  
(Total superior to 100% - 3 possible choices)**

	%
China	52
USA	39
India	18
Poland	17
Germany	16,5
United Kingdom	13
Czech Republic	10

Source: "Emerging Economies Stake Their Claim" Ernst&Young 2005

European executives also highly value Poland's potential productivity gains. According to Ernst & Young report, in this respect Poland is ranked second in Europe.

**Executive's most preferred site for:  
Availability of sites, cost of land and regulations.**  
Poland placed first and sharp decline of UK

	%
Poland	12
United Kingdom	9
Germany	8
Spain	7
Czech Republic	6

Source: "Emerging Economies Stake Their Claim" Ernst&Young 2005

## Human Capital

- 20 million young, highly educated, multilingual young people
- 50% of the population under 35 years old
- Over 2 million attending higher education structures
- Nationwide network of 427 centers of higher education
- Loyal and hard working people

Poland has the largest working population in Central Europe as well as the youngest one in Europe.

50% of the population is under the age of 35 years and 35% is under 25 years of age. The young generation of Poles is one of the best educated in Europe. Close to 50% citizens between the ages of 20 – 24 attend higher education centers.

### Percentage of population in higher education in the 20-24 age group

	%
Poland	45.2
Germany	35
Hungary	34.8
Netherlands	34.4
USA	33.9
Ireland	28.3
Czech Republic	25.0
Slovakia	19.0

Over two million young people currently studying at the higher education institutions make up almost half of the student age population. In 2004 the number of graduates was 384 000.

Poland has a nationwide network of 126 state higher education academies including 17 universities, 18 universities of technology, as well as 301 private schools of tertiary education. They employ over 100 000 academics; half of them hold a Ph.D. degree.

Every year about 211,000 students graduate in social sciences, business and law, 43,000 in engineering, manufacturing and construction, 22,000 in science, maths and computing.

Polish Information and Communication Technologies (ICT) education centers and specialists are highly recognized worldwide. Poles are winning in the prestigious Top Coder ranking and also achieving high positions in the worldwide Google Code Jam Competition and the IBM Linux Scholars Challenge. Polish IT specialists are employed by the largest IT companies in the world. They also constitute an important share of managers responsible for research and development (R&D) activities in multinational corporations such as Microsoft.

There are 20 information and telecommunications (ICT) academic centers with more than 2500 students each and 150 000 IT, computer science and telecommunication students overall.

The level of foreign language knowledge is high for many Poles. The most popular foreign language is English, followed by German and Russian. 44% of Polish society is able to communicate in a foreign language, 33% speak two foreign languages. It is significant that 80% of students speak English.

**Percentage of pupils in general secondary education by foreign language**

	English	German	French	Russian
Poland	80	53	11	18
Hungary	63	60	4	1
Czech Republic	64	49	4	1
Slovakia	56	51	1	7

Poles are one of the hardest working people after Koreans. According to the OECD Employment Outlook 2005, on average they worked 600 hours more in 2004 than employees in France and Germany.

#### **Poles are hard working and loyal**

Hungary	1806
Greece	1803

Source: OECD Employment Outlook 2005

Foreign investors highly rate the skills and commitment of Polish employees. In many cases the Polish subsidiaries of foreign companies were judged to be the most effective units worldwide according to their management. In the 2005 Ernst&Young report, Poland is placed fifth after Germany, UK, France and Scandinavian countries regarding labour skills level. Finding qualified managers and staff is not a problem in Poland. Rotating between various companies is common, thus professionals have very versatile skills from many sectors.

#### Best cities in terms of qualified staff

Place	City	Score
1 (1)	London	1,32 (1,32)
14 (16)	Warsaw	0,28 (0,20)
24 (19)	Prague	0,11 (0,16)
18 (23)	Budapest	0,21 (0,13)

The score is derived from the number of nominations for best, second best and third best  
 Source: *European Cities Monitor 2005, Cushman & Wakefield; data in the brackets represents values from European Cities Monitor 2004, C&W*

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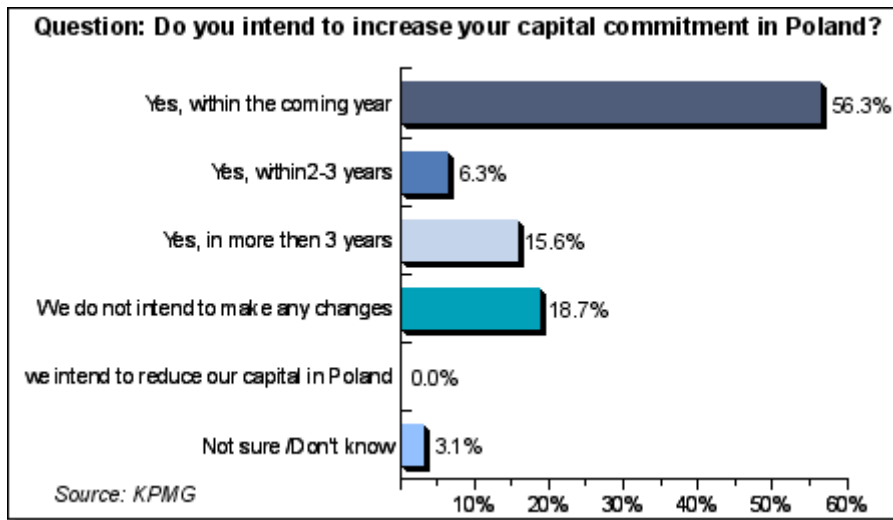
## Strategic Location

- In the heart of continental Europe
- Population of 250 million within a 1000 km radius
- Part of the Trans European Network
- Competitive cost base offers significant location benefits

Poland's geographic location.- in the hearth of Europe - creates a number of opportunities, attracts investment from the Western Europe as well as from the US and Asia. It also facilitates the logistics activities related to the export of goods to all locations in Europe and to countries outside Europe. There are air, road, railway and sea connections with all major European capital cities.



Poland is situated between the highly developed Western European countries and Eastern Europe with such growing markets as Russia, the Ukraine. Investments in Poland provide the possibility for direct and easy access to 500 million people in Western Europe and 250 million in Eastern Europe. There are direct flights to major European and world cities from 11 airports. There are 3 seaports on the coast of the Baltic sea with connections to the most important seaports in the world. All forms of communication infrastructure are being improved. The road infrastructure is a priority. Thanks to the availability of EU funds the Trans- European Network as well as national roads are being constructed and upgraded.



Poland is currently becoming a key distribution centre in Europe as about 80% of modern warehouses are located around Warsaw. Also cities like Łódź, Poznań, Gdańsk, Wrocław, Katowice and other smaller towns with strategic locations are becoming important warehousing centers thanks to the development of the road infrastructure.

Warsaw remains one of the most preferred locations for investments. It was ranked second in Europe in terms of easy access to markets.

#### Future expansion - Europe

City	No. of companies
Warsaw	41

Warsaw	41
Prague	34
Moscow	32
Budapest	32
London	20

Source: European Cities Monitor 2005,  
Cushman & Wakefield

#### Best cities in terms of easy access to markets

The score is derived from the number of nominations for best, second best and third best.

Rank	Score
1. (1) London	1.3 (1.25)
18. (18) Warsaw	0.16 (0.17)
25. (21) Budapest	0.07 (0.13)
21. (25) Prague	0.13 (0.07)

Source: European Cities Monitor 2005, Cushman & Wakefield  
data in the brackets represents values from European Cities Monitor 2004, C&W

#### Competitive cost base offers significant location benefits

According to the Ernst & Young report, Poland achieved first place in Europe in terms of availability of industrial sites, cost of land and regulations. In terms of flexibility of employment regulations Poland is placed second after UK and third in terms of corporate taxation.

#### Executive's most preferred site for:

##### Flexibility of employment regulations:

The UK is still in the lead followed by its Central and Eastern European competitors, Poland and the Czech Republic

	%
Poland	12
United Kingdom	9
Germany	8
Spain	7
Czech Republic	6

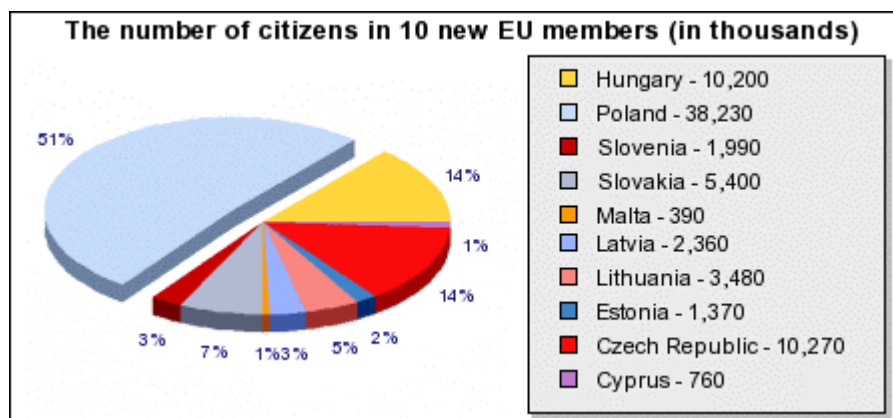
Source: "Emerging Economies Stake Their Claim" Ernst&Young 2005

## Large and Growing Domestic Market

- 38 million consumers driving 10% annual retail market growth



Poland with its population of 38,17 mln is the largest market in Central Europe and the eighth largest on the Continent, as well as 30th in the world. Poland's market is larger than the combined markets of all the other nine accession countries that entered the EU together with Poland in May 2004. These 38.17 million consumers drive 10% annual retail market growth.



Source: Eurostat

In terms of attractiveness of domestic markets Poland leads among the new EU member states and is fourth in Europe, after Germany, UK and France.

## Investment Incentives

- Over 90 billion euro available for development, infrastructure and human capital
- 14 Special Economic Zones (SEZ) and Technology Parks with incentives

Poland benefits from the largest amount of EU funds of any beneficiary EU member state. Over 90 billion euro is available for development, infrastructure and human capital for 2007 -2013.

Poland welcomes foreign investors with a number of investment incentives tailored to their needs. Various forms of state aid are available including grants and tax incentives, abatements and exemptions.

In order to facilitate and support regional development 14 Special Economic Zones were created with a total area amounting to about 6.300 hectares. They are designated areas in which investment activities can be conducted on preferential terms. Investors permitted to operate in the SEZ can benefit from the following:

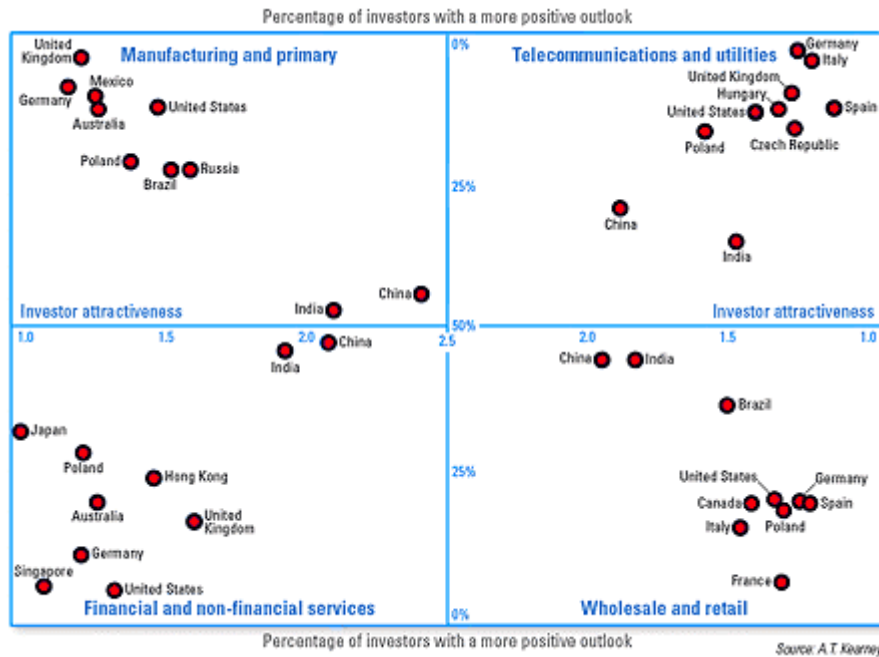
- income tax exemption – a form of regional aid
- land at competitive prices
- free assistance in dealing with formalities relating to the investment project
- exemption from real estate tax
- grants for employee training programmes
- grants for the creation of new jobs

Special Economic Zones will operate until 2015 – 2017.

## Industrial Services Hub

- Regional/Global Manufacturing and Services Platform
- Ranked 4th globally in terms of attractiveness for R&D investments
- European shared service centre

Poland's attractiveness as the location for Research and Development Centres (R&D) as well as Business Process Offshoring investments (BPO) is growing fast. A number of factors including strategic location, human capital and available incentives determine that Poland is developing both a regional and global manufacturing and service platform.



International corporations are locating their Research and Development Centres in Poland. They want to use the advantages offered by competitive salaries, excellent ICT professionals, academic potential and availability of wide range of specialists. Setting up a R&D centre in Poland allows mainly for: increasing efficiency and lowering costs, as well as improving the quality of products. Currently, there are more than 35 R&D centres in Poland and their number increases each year. Investors choose Poland mainly for the availability of a highly qualified labour force, the presence of many universities and the support of the authorities. Among others, the following investors have set up their R&D centres in Poland: ABB, Avio, Fujitsu, Glaxo Smith Kline, IBM, Intel, Lincoln Electric, Motorola, Oracle, Siemens, TRW Automotive, Samsung, Microsoft Whirlpool. They experience has been very positive and results are good, thus most of them are expanding.

According to the AT Kearney report European investors placed Poland fourth globally in terms of attractiveness for R&D investments. The German based Siemens has expanded its Wrocław R&D centre and increased staff by 40%.

Poland is also seen by international corporations as an excellent location for transferring non-production functions of a company, such as accounting departments, call centres or warehouses. Poland is becoming the European centre of modern Business Process Offshoring (BPO) services.

Since 2005 investors can locate BPO resources in Special Economic Zones, which offer for example tax exemptions. Alongside accountancy and financial services, call centres are also expected to develop dynamically. Poland has the opportunity to be at the forefront of the direct foreign investments inflow into the BPO sector. Currently, the following companies, among others, have located their finance and accounting shared services in Poland: Accenture, Avon, CITI, Electrolux, Fiat, Hewlet Packard, IBM, Lufthansa, Philips, Tesco, Volvo.

#### Map of chosen BPO Centres in Poland

