Developing a Market Entry Strategy for Poland
Introduction

As the largest economy among countries that joined the European Union (EU) over the last decade, Poland is attracting strong interest from investors around the globe. Its large and growing number of middle-income consumers and the forthcoming wave of infrastructure investments create new and enticing opportunities. The Polish government and the EU are facilitating foreign investors through continued liberalisation of markets, privatisation of assets, improvement of infrastructure, and investment incentive programmes.

While the investment prospects are attractive, decisions made now can have enduring consequences. Inadequate market understanding or insufficient forward planning can blight a venture in years to come. Commercial and operational issues, taxation, intellectual property, employee remuneration and regulation all bring challenges in new markets and jurisdictions. Meanwhile, pricing, innovation, supply chains and routes to market in one industry or sector may turn out to be quite different in another.

KPMG in Poland can help fill the gaps in knowledge, provide a better understanding of the market and assist with strategy development activities, as well as anticipating and preparing for the opportunities and risks involved in entering a new market. Our global experience and on the ground presence enable us to cut through the complexity of local markets for the benefit of our clients.

This publication presents a basic overview of Poland and highlights ways in which KPMG can assist investors with market entry. While this publication addresses relevant areas, it does not provide the in-depth information needed to make investment decisions. As matters in Poland are still subject to frequent and rapid change in line with the country’s economic development, we recommend that you obtain comprehensive advice before taking any investment decision.
Poland rising

Not only is Poland the largest of the transition countries in Central and Eastern Europe (CEE), it is also starting to emerge as a regional economic powerhouse. Poland’s economy, measured in GDP, has grown to become as large as those of the Czech Republic, Slovakia and Hungary combined. Poland has been a leading economic performer in the region since 2005, with annual GDP growth rates ranging between 3.6% and 6.8% in most years. In 2009, it was the only economy in the EU to show positive GDP growth and forecasts for the coming years point to continued solid growth of 3-4%. The World Bank recently suggested that “What makes Poland’s economic rebound different from that of the other EU10 countries is that it was not based solely on exports but on multiple factors, namely increased public investment, strong domestic demand ... and of course exports”.

Poland is not burdened by excessive debt, inflation rates lie below 3%, the reference interest rate is below 4% and the government is able to pursue mildly expansionist policies. The Polish banking system has proved relatively robust to the recent global financial crisis, as it is one of few that did not receive any support from the state. The Warsaw Stock Exchange is emerging as the regional leader and a hub for investment. Indeed, it is the largest stock exchange in CEE, with a nearly 50% annual increase in capitalisation as at September 2010.

So strong have been the fundamentals and so steady the growth of the Polish economy that Barclays Capital recently featured it on its global list of ten Advanced Emerging Markets (AEM) – economies graduating from emerging market status, with risks similar to developed nations paired with the higher returns that are typical of emerging markets. Polish stability and institutional reforms are strengthened by the country’s membership in the EU, OECD and NATO.

Poland’s infrastructure is rapidly being upgraded to support its growth and to enable the country to strengthen its natural role as an East-West corridor in Northern Europe, linking Germany and the Benelux ports with Russia and Ukraine. Its solid economy and funding from the EU (more than €67 billion of development funds allocated for the period 2007-2013) allow Poland to invest heavily in transport and energy infrastructure throughout the country in the coming years, including highway construction programmes and railway system modernisation.

Its large domestic market, together with a skilled and relatively cheap labour force have further stimulated Poland to become one of the four leading countries in Europe in terms of investment attractiveness, heading the CEE region according to the World Investment Prospect Survey. Over the past two decades, Poland received a steady inflow of foreign capital (as presented in the chart below), which held up relatively well even during the recent global recession. The cumulative value of Foreign Direct Investment in Poland reached USD 186 billion at the end of 2009.
Opportunities and challenges in the Polish market

Poland is by far the largest country in Central and Eastern Europe, with over 38 million inhabitants, comparable to that of Spain. Steady economic growth over the last two decades resulted in solid enlargement of the middle class and growth in internal demand. The country has one of the fastest-growing economies in Europe and consumer spending has proven remarkably resilient over the recession. GDP per capita has reached 61% of the EU average. Many companies are keen to position themselves to benefit from this large and increasingly affluent population.

Infrastructure investment is likely to be substantial over the coming decade. Poland ranks first among all EU countries in the total amount of EU structural fund contributions granted over the 2007-2013 period. This, together with infrastructure outlays for the EURO 2012 football championship, creates significant prospects for investors.

Many economic sectors are still relatively fragmented and undergoing restructuring and, furthermore, a second privatisation wave that recently started is providing ample opportunity for investment.

Labour is relatively highly qualified (above the EU average, according to EIS) and available, while labour markets are gaining flexibility. This is generating a substantial number of Business Process Offshoring and Knowledge Process Offshoring centres in Poland, with companies such as FIAT, JP Morgan Chase, McKinsey, Irevna and Google choosing Poland for their BPO and KPO destinations.

Poland is open for international business transactions and the authorities provide a number of investor incentives to attract FDI, including income tax exemptions in Special Economic Zones, real estate tax exemptions, as well as preferential tax deductions for purchase of new technology and R&D centres. Another mechanism supporting FDI are cash grants from both national and EU sources, which can support new investments and job creation, reaching up to 50% of an investment’s cost.

Nevertheless, investors need to be aware of a number of challenges that are common to most transition economies in the region, including Poland. Institutional risks still exist, albeit mostly at the local level. Although EU membership is slowly bringing stability, legislation is still changing relatively rapidly, may at times be self-contradictory and is sometimes inconsistently applied. Legal procedures can be inefficient and the administrative requirements for setting up a business remain complex.

The accessibility, timeliness and robustness of financial and commercial information are not always up to international standards, and the condition of plant and equipment should be carefully considered.

Infrastructure quality can also vary and local supply chain limitations can be a challenge to foreign investors. The distribution environment in Poland typically poses challenges to foreign entrants. A major share of retailing is still accounted for by a highly fragmented and unsophisticated system of traditional trade, and logistics can prove to be unreliable.

Market entry

Given Poland’s attractive opportunities and strong underlying fundamentals, it is no surprise that many companies are considering expanding into the Polish market. Although the country’s appeal is justified by many factors, any entry does require research and planning. Whether you are considering an acquisition, a greenfield investment or a restructuring, you need to understand the strategic and financial impact of your decisions as well as the implementation risks. Understanding where the opportunities and risks lie, the size of each opportunity and what competitors are doing will arm you with the confidence to make a sound investment decision.

The Polish commercial arena is changing rapidly due to the country’s increasingly competitive markets, as well as government reforms and initiatives. Many economic sectors prove to be a minefield of complexity. Moreover, potential target companies may lack reliable financial, tax, commercial and operational information. Market information and competitive intelligence may be untimely, inconsistent, inaccurate or simply non-existent. Investors often underestimate the cost of entry and the strain on management resources.
Our approach to market entry

KPMG in Poland aims to assist international and domestic investors in developing an understanding of what it takes to succeed in a market. We help define your expansion strategy and we study – in-depth – the market size and growth potential, key demand drivers and relevant trends, the regulatory and competitive environment, as well as the tax, legal and labour aspects which could be critical in the evaluation of an industry. Using a structured, quantitative and practical approach, we assess the attractiveness of the industry and evaluate whether the opportunity is realistic, as the client builds a strategy to enter or expand into the market.

Market entry process

When executed well, a new market entry is often the most controllable way for managers to drive corporate growth. Whether choosing a location, selecting a company form, devising a market entry strategy or identifying specific risks, the decisions you make at the beginning can have a decisive impact on your future success. At KPMG in Poland, we have witnessed that successful companies use a methodical, fact-driven process for market entry.
Developing a Market Entry Strategy for Poland

1. Identify and assess the market: Which markets, which segments, how to position, how to manage and implement marketing efforts, how to enter (through intermediaries or directly), and using which information? What is the scale of the opportunity?

2. Develop sourcing opportunities: Whether to make products or buy them? Where can key inputs be sourced?

3. Decide on the form of investment and control: Joint venture, local partner, or acquisition?

4. Determine how to operate in Poland from a tax perspective: What are the most efficient legal structures, the key potential taxes, the risks and opportunities involved, and the existing benefits and incentives?

5. Identify and approach local partners: Which companies can be approached, how attractive and dependable are these partners, how to reach a deal with them?

6. Build or validate a business plan: How the business is likely to perform in the upcoming years? How the key commercial and operational drivers, external and internal factors will impact the business?

7. Evaluate where to establish the business (location assessment, site identification): Which locations (regions, cities) are the most attractive? Within the selected locations, what are the sites (properties, land, buildings) that best fit the business needs?

### Market selection and determination of mode of entry

**Market assessment**
- Demand forecasting
- Value chain analysis
- Customer needs/behavior surveys
- Competitor profiling
- Channel analysis
- Risk analysis
- Institutional and regulatory environment mapping
- Entry barrier analysis
- Resources availability
- Cost driver analysis

**Internal capability assessment**
- Vision and objectives
- Internal core competencies
- Internal SWOT

**Market selection and positioning**
- Mapping internal capabilities to market opportunities
- Agree investment criteria
- Prioritization of potential market opportunities

**Assessment of entry options**
- Evaluation and prioritization of potential entry modes (e.g. acquisition, joint venture) based on market and internal capability assessment

### Preparation for market entry

**Acquisition**
- Target identification and profiling
- Target prioritization
  - Long-listing
  - Short-listing & ranking
- Target approach
- Preliminary due diligence
- Detailed due diligence
- Valuation, Deal negotiation, Tax structuring
- Closing / Integration

**Alliance / Joint venture**
- Business case development
  - Partner identification and selection
  - Evaluation of growth and synergy potential
  - Operational planning
- Partner approach
- Evaluation and planning
- Closing and implementation

**Greenfield**
- Business case development
  - Business plan development
    - Selection of location, product, etc.
    - Financial model build
    - Operational planning
  - Tax structuring and incentives
  - Roadmap preparation
- Business plan implementation
  - Operations planning and design
  - Sourcing
  - Real estate purchase and/or construction
  - Personnel recruitment
  - Roll-out planning and control
- Location assessment, Site identification

### Implementation

- Business plan implementation
- Operations planning and design
- Sourcing
- Real estate purchase and/or construction
- Personnel recruitment
- Roll-out planning and control
- Location assessment, Site identification

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To answer these questions, our team leverages a high level of local expertise, resources and networking capabilities in Poland along with a broad range of external information resources to develop a comprehensive market entry plan.

Our multidisciplinary team and in-depth industry expertise

Our talent pool of highly qualified professionals has always been our greatest strength. As a multidisciplinary advisory firm, instead of just being specialists in one discipline, we encourage our people to cross into other functions to bring a more rounded and comprehensive approach to every assignment. This means, for instance, that our Market Entry teams not only think about strategy and deal resolution, but also about the post-integration of systems and cultures, tax, legal and labour aspects; they consider how an internal audit will operate across a wider group; how risk can be effectively managed and reputations maintained and enhanced.

Our teams have the know-how and experience to consider the big picture and, where appropriate, to call in more specialist expertise. KPMG has industry specialists across all industries and sectors. We gather hard-to-find information from primary and secondary sources to present a fact-based and independent view. Nothing is considered in isolation but in terms of how it will promote overall corporate well-being. For clients, this means that KPMG staff give you the whole story, not the abridged version. They take time to truly understand your business and are plugged into the issues that matter.

Multidisciplinary by essence, in the context of a market entry exercise, KPMG can provide market intelligence, feasibility studies, due diligence assistance, tax structuring, integration and separation advice, M&A advisory, business modelling, valuation services and accounting advisory services.

Clients using our full range of advisory services benefit from improved efficiency of data gathering and communication as well as cross-fertilisation between the teams, which allows us to offer you a better deal in relation to cost.
Helping our clients succeed
KPMG has assisted numerous investors in their market entries to Poland. Here are just a few selected examples from recent years:

• KPMG performed business planning, financial modelling, due diligence and acquisition completion procedures in connection with the purchase of stakes in five producers of building materials by H+H Celcon, a leading European supplier of aircrete systems. Since then, H+H Celcon has become one of the leading aircrete producers in the Polish market.

• KPMG assisted in the acquisition of an interest in Trakcja Polska S.A., a company operating in the construction and engineering sector, by Comsa S.A., a leading Spanish construction company. Nowadays, Trakcja Polska S.A. is one of the leading companies in the railway construction industry in Poland.

• KPMG conducted due diligence on Bauma S.A. for Ulma Construcción, one of the world’s major manufacturers of formwork and scaffolding systems. Currently, Bauma S.A. inter alia supports construction works in the large scale highway system development in Poland.

• KPMG provided full-scope M&A advisory services, as well as due diligence and tax structuring advice, to Pirelli Real Estate on their first acquisition in Poland, that of an interest in Pekao Development Sp. z o.o.

• KPMG performed financial and tax due diligence and an SPA review in connection with the purchase of a stake in Matadoor Sp. z o.o., a company rendering door-mat services, by Rentokil Initial plc, a global UK-based company providing a wide range of business services.

• KPMG assisted Fiat Powertrain Technologies Poland Sp. z o.o. in setting up its business activity in Poland. This included not only tax and legal assistance for greenfield investments, but also active support in obtaining subsidies in the form of direct grants and public aid related to Special Economic Zones in order to maximise financial support at the early stage of investment.

• KPMG supported clients in numerous feasibility and due diligence studies regarding the purchase of wind farms.

• KPMG assisted an undisclosed investor in its entry into Poland through the privatisation of Ruch S.A., the leading Polish press distributor.
Poland Factsheet

Geography and infrastructure
The Republic of Poland is the largest country in Central and Eastern Europe (CEE) and the ninth largest on the continent. The country is located in the centre of the European land mass, bordering Russia, Lithuania, Belarus and Ukraine to the north and east, Slovakia and the Czech Republic to the south, Germany to the west, and the Baltic Sea to the north.

The Polish climate is temperate, with both maritime and continental elements, with average temperatures in the hottest month (July) ranging between 16°C and 19°C, and the coldest (January) between -5°C and 3°C. The country’s natural resources include substantial amounts of hard coal and lignite, together with copper, zinc, lead ores, silver, sulphur, salt, building stone, gas and oil. Poland is the largest producer of hard coal in Europe and meets ten percent of the EU’s demand. The country is in 9th place in lignite extraction in Europe, but its reserves are only 15% developed. Poland also possesses certain resources of hydrocarbon fuels. The world’s longest oil pipeline, Przyjaźń (Druzhba), runs across the country. Natural gas is carried by several pipelines, with the most important being the Yamal. In order to diversify energy sources, the Polish government has a long-term strategy to expand its gas supply options and plans to open its first nuclear power reactor in 2020.

Poland’s infrastructure has long been underdeveloped, especially the road and rail systems, which held back the country’s otherwise excellent opportunities to be a transport corridor between the European Union’s heartland and the developing markets of former Soviet Union countries. Poland’s rapid economic development after the economic transition in 1989 was not matched by equally swift improvement of infrastructure. The situation began to improve gradually at the start of the new millennium, especially after Poland joined the European Union. Of the €67 billion (USD 93 billion) of EU funds allocated to Poland for 2007-2013, as much as €19 billion (USD 27 billion) is allocated for immediate priorities relating to transportation infrastructure. Moreover, a large portion of funds related to Regional Operational Programmes (together €17 billion, or USD 23 billion) is to be spent on infrastructure investment at the regional and local level.

Apart from EU funds, the EURO 2012 European football championships, which will be co-hosted by Poland and Ukraine, has led to an investment boom generating a vast number of ventures relating not only to sport, but also to transport and hotel infrastructure. From November 2007 to October 2010, contracts were signed for the construction of more than 740 kilometres of motorways and 950 kilometres of major roads and city bypasses. According to official forecasts, EU funds allocated for 2007-2013 are also expected to support the construction of 410 kilometres of new railway lines, the modernisation of 1,250 kilometres of existing lines, as well as the redevelopment of eight airports.

Poland’s IT infrastructure is rapidly being upgraded and can compete with its peers in Europe. For example, the world’s 14th largest Internet Exchange Point in terms of maximum throughput, Polish Internet eXchange, is located in Warsaw.

| Snapshot |
|-----------------|-----------------|
| **Size of the country** | 311,889 square kilometers |
| **Population** | 38 million people in 2009 |
| **Capital** | Warsaw |
| **Currency** | Zloty |
| **Average exchange rate in 2009** | US$ 0.32 = Zloty |
| **Average exchange rate in 2009** | EUR 0.23 = 1 Zloty |

Sources: The Economist Intelligence Unit, Central Statistical Office in Poland
Population and education
With more than 38 million inhabitants, Poland is the most populous country in the CEE region and the eighth most populous country in Europe. It is divided into 16 provinces (voivodships) that have significant self-governing powers. The provinces are further divided into counties (powiaty) and communes (gminy). The local governments of the provinces, counties and communes are elected in general local elections. Warsaw is the capital and the largest city in Poland, with more than 1.7 million people in the Warsaw municipality and as many as 1.5 million more in the surrounding urban areas. It is also a leading economic and financial centre in CEE. Other large cities include: the Upper Silesian metropolitan area (with the major city of Katowice: more than 2 million inhabitants), Krakow (755 thousand), the Gdansk/Gdynia/Sopot tricity area on the Baltic coast (750 thousand), Lodz (742 thousand), Wroclaw (632 thousand), Poznan (554 thousand), Szczecin (406 thousand), Bydgoszcz (358 thousand) and Lublin (349 thousand). In total, 17 cities throughout the country have populations exceeding 200 thousand.

Tertiary education enrollment rate

<table>
<thead>
<tr>
<th>Country</th>
<th>CEE Rank</th>
<th>Global Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Poland</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>Hungary</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>9</td>
<td>40</td>
</tr>
</tbody>
</table>


Poland ranks in the top four in CEE in terms of tertiary education enrolment rates, with 18% of people between the age of 15 and 64 having completed some form of higher education and 36% having completed secondary school. The tertiary education system consists of 461 public higher education institutions, including 19 universities, 23 technical universities, 80 economics academies and nine medical academies. There were almost 2 million students in such institutions in 2010. Furthermore, an increasing number of Poles speak English or German as a second language.
Labour costs in Poland are lower than in the Czech Republic and comparable to Hungary. Polish workers’ exceptionally high level of professional skills is worth noting. This is the result of high education standards, rapid development of the free market economy after the political changes of 1989, as well as a long-standing industrial tradition. Redundancy policies are moderate, providing entrepreneurs flexibility of employment levels and containing redundancy costs.
Political system and government
Poland is a republic with its principles stated in the constitution adopted in 1997. The basic rule of separation and balance of power between the legislative, executive and judicial branches underpins the system of power. The country is led by a president elected in general elections held every five years. The bicameral parliament, composed of a lower house (the Sejm) and an upper house (the Senat), is elected every four years in general elections and is responsible for legislation. The prime minister, nominated by the president to form a government, chairs the Council of Ministers and is Poland’s head of government.

Poland is a member of the EU, the Schengen area, NATO, the United Nations, the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and the World Trade Organization (WTO).

Economy, fiscal policies and ratings
After the political changes in 1989 and the transition to a free market economy, Poland achieved considerable economic success. Driven by extensive internal demand, exports and foreign investment, Poland’s economy became one of the strongest in CEE and GDP per capita rose to 61% of the EU average. Moreover, in the 21st century, it remained one of the most stable and healthy economies in all of Europe. This was particularly visible in 2009, when Poland was the only country in the EU able to maintain positive GDP growth. The recent results of the Polish economy are reflected in high positions in international investment rankings.

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (PLN billion)</td>
<td>1 176,8</td>
<td>1 275,4</td>
<td>1 343,7</td>
</tr>
<tr>
<td>Real GDP growth</td>
<td>6,8%</td>
<td>5,1%</td>
<td>1,7%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>11,2%</td>
<td>9,5%</td>
<td>11,9%</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>2,5%</td>
<td>4,2%</td>
<td>3,5%</td>
</tr>
<tr>
<td>Average USD/PLN exchange rate</td>
<td>2,77</td>
<td>2,41</td>
<td>3,12</td>
</tr>
<tr>
<td>Average EUR/PLN exchange rate</td>
<td>3,78</td>
<td>3,52</td>
<td>4,33</td>
</tr>
<tr>
<td>Total public sector debt (% GDP)</td>
<td>44,8%</td>
<td>46,9%</td>
<td>49,9%</td>
</tr>
<tr>
<td>Government deficit (% GDP)</td>
<td>(1,9%)</td>
<td>(3,7%)</td>
<td>(7,2%)</td>
</tr>
<tr>
<td>Goods exported (USD billion)</td>
<td>138,8</td>
<td>171,9</td>
<td>136,6</td>
</tr>
<tr>
<td>Goods imported (USD billion)</td>
<td>164,2</td>
<td>210,5</td>
<td>149,6</td>
</tr>
<tr>
<td>Trade balance (USD billion)</td>
<td>(25,4)</td>
<td>(38,6)</td>
<td>(12,9)</td>
</tr>
<tr>
<td>Current account balance (USD billion)</td>
<td>(20,3)</td>
<td>(25,6)</td>
<td>(9,6)</td>
</tr>
<tr>
<td>International reserves (USD billion)</td>
<td>65,7</td>
<td>62,2</td>
<td>79,6</td>
</tr>
<tr>
<td>Inward direct investment (USD billion)</td>
<td>23,5</td>
<td>14,9</td>
<td>13,6</td>
</tr>
</tbody>
</table>

Sources: Economist Intelligence Unit, The World Bank, Standard&Poors Foreign Currency Risk Rating, Fitch Ratings

A majority of the country’s GDP is generated in manufacturing, trade and real estate. However, the economy is well diversified, with no sector accounting for more than 20% of GDP.

Rating/Outlook (2010, latest)
- Standard and Poor’s Currency Risk: A+
- Fitch Local Currency Long-Term IDR: A-
- Fitch Local Currency Country Ceiling: A
- Moody’s Domestic Currency Rating: A2
- Ease of Doing Business Rank: 72

Source: Polish Central Statistical Office, National Bank of Poland, The Economist Intelligence Unit
Foreign Direct Investment (FDI)

Poland is one of the leading emerging economies in Europe in terms of investment attractiveness. In spite of the recent financial turmoil, the Foreign Direct Investment (FDI) inflow decreased only slightly in 2009 to USD 13.7 billion (from USD 14.9 billion in 2008). At the same time, the cumulative value of FDI increased, reaching USD 186 billion at the end of 2009. According to forecasts of the Economist Intelligent Unit (EIU), this sound trend is expected to continue, sustained by investors’ very positive perception of Poland. In the 2010 edition of World Investment Report by UNCTAD, Poland was the only CEE country to be ranked among the top global investment destinations (4th position in Europe). A study by the Polish-German Chamber of Industry and Commerce in 2010 revealed that 86% of German entrepreneurs who invested in Poland would invest there again, reinforcing the attractiveness of the Polish market. The results of a similar survey among U.S. investors by the American Chamber of Commerce in Poland and KPMG were even more positive. The World Bank also ranked Poland 4th in CEE in terms of trading across borders, which reflects the country’s openness towards foreign investors.

The majority of FDI in Poland originates from European countries, led by the Netherlands, Germany and France. Outside Europe, the United States is an important source of investment into the country.

Investors should note that Poland has one of the EU’s lowest corporate income tax rates, at 19%, and that there is a pool of diverse incentives for investors, including EU funds, depending on the type of business and the scale of operations.

Among mechanisms designed to support FDI, a key role belongs to Special Economic Zones (SEZ). SEZs are separate parts of the country’s territory where business activity can be conducted under preferential conditions. In Poland, SEZs were created to accelerate the economic development of certain regions, manage post-industrial property and infrastructure, create new jobs and attract foreign investors. The basic benefit of investing in a SEZ is the possibility of obtaining a tax allowance consisting of corporate and personal income tax exemptions. Investors can also obtain real estate tax exemptions granted by local authorities. The tax exemptions for the companies operating within a SEZ are a form of EU-approved public aid.

The value of public aid granted in the form of tax exemption is equal to the value of qualified investment expenditures multiplied by the maximum intensity of public aid in the respective regions. The intensity of public aid factor generally varies between 40% and 50% (except for Warsaw, where the number is 30%). Public incentives in SEZs can also go toward the cost of two years’ employment for newly hired employees. The above public aid is classified as regional aid and can be cumulated with other forms of public aid, i.e. EU- or state-funded grants. To enjoy the tax allowances, a permit to operate within the SEZ has to be granted by the management of the respective zone.

Currently there are 14 SEZs in Poland, covering an area of 12,633 ha. At the end of 2009, the cumulative value of investment expenditures in SEZs exceeded PLN 66.5 billion (USD 22.7 billion), with more than 1,250 investment permits issued. The leading SEZ industries include the following: automotive (26% share in investment expenditures), polymers (10%), mineral products (9%), metals (7%) and electronics (7%). SEZs in Poland will operate until at least 2020, and there are plans to extend that period further.

Another available mechanism supporting FDI are cash grants from both national and EU sources. Cash grants support new investments and workplace creation and can reach up to 50% of investment cost (or up to 70% for SMEs), also depending on the region where the investment is made.
KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 146 countries and has 140,000 people working in member firms around the world. KPMG was among the first professional firms to establish itself in Poland in 1990. KPMG in Poland employs nearly 1,200 staff in Warszawa, Krakow, Poznań, Wrocław, Gdańsk and Katowice. KPMG advises Polish and multinational corporations and organisations in all sectors of the economy, particularly in finance, insurance, pharmaceuticals, the trade and manufacturing of consumer goods and industrial goods, information, communications and entertainment, public administration and SMEs.

Our services

- transaction services
- integration & completion services
- corporate finance
- grants & incentives
- tax advisory
- legal advisory
- audit and review of financial statements
- accounting and payroll-HR administration
- risk advisory.
## Top priority host economies in Europe for FDI for the 2010-2012 period

<table>
<thead>
<tr>
<th>European Rank</th>
<th>Global Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>14</td>
</tr>
<tr>
<td>Spain</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: UNCTAD Survey (World Investment Prospects Survey 2010-2012)

## Trading across borders

<table>
<thead>
<tr>
<th>CEE Rank</th>
<th>Global Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>3</td>
</tr>
<tr>
<td>Poland</td>
<td>42</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>53</td>
</tr>
<tr>
<td>Hungary</td>
<td>70</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>113</td>
</tr>
</tbody>
</table>

Source: Doing Business 2010 prepared by The World Bank
Interested in expanding business in Poland and/or penetrating new markets?

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