

PUŁAWY

GRUPA AZOTY
Zakłady Azotowe "Puławy" S.A.

Criteria
of Functioning for Investors
at the Puławy Subzone
of the Special Economic Zone

November 2016





Puławy Production Park - (PPP)

Subzone Puławy SEZ Starachowice

www.sse.pulawy.com

The Puławy Subzone of the Starachowice Special Economic Zone offers a maximum level of state aid that can be obtained in Poland:

- 70% for small companies**
- 60% for medium-sized companies**
- 50% for large companies**

Investors at the Puławy Subzone who run an economic activity on its territory based on a business licence shall be entitled to exemption from income tax up to the amounts of 70, 60, 50% (respectively) of incurred eligible expense or two-year labour costs of employed workers, generated by the new investment.

In order to take advantage of the afore-mentioned tax exemptions, the minimum investment expense declared in the licence must be incurred and employment must be maintained at the declared level (not lower) for a period that is not lower than the stated in the licence.

The maximum intensity of regional aid given to small and medium-sized companies has increased by 20 percentage points gross for small companies and 10 percentage points gross for medium-sized companies in relation to the maximum intensity specified for a given area.

The above increase shall not be applied when a small or medium-sized company implements a large investment in the special economic zone - that is - implements a project, which eligible costs for the aid exceed the equivalent of 50 million Euros at the exchange rate announced by the National Bank of Poland as of the date of granting the licence.



Establishing the level of state aid for a large project implemented on the territory of the Special Economic Zone

For regional aid granted to entrepreneurs for implementation of a large investment project, which uses the aid granted in the special economic zone and provided by other aid sources, the amount of the aid shall be calculated according to the following formula:

$$I = R \times (50 \text{ million Euros} + 0.5 \times B + 0 \times C)$$

where:

I - maximum amount of aid for a large investment project

R - maximum intensity of a regional investment aid for an area in which a large investment project is located

B - amount of eligible costs for aid that exceeds the equivalent of 50 million Euros and not exceeding the equivalent of 100 million Euros

C - amount of eligible costs for aid that exceeds the equivalent of 100 million Euros

What is understood by a large investment project is a new investment, which eligible costs for the aid exceed the equivalent of 50 million Euros at the exchange rate announced by the National Bank of Poland as of the date of granting the licence.

Criteria of the Puławy Subzone of the Starachowice Special Economic Zone for areas covered by the borders of the Puławy Subzone on the day of its establishment:

New jobs or investments

- at least 140 new jobs or at least 28 million Euros of investment.

Innovation and high technology

- at least 30 new jobs and at least 5 million Euros of investment.

IT and BPO

- at least 150 new jobs or at least 5 million Euros of investment.

R&D service support

- at least 50 new jobs or at least 3 million Euros of investment.

Criteria of the Puławy Subzone of the Starachowice Special Economic Zone for areas being included in the Puławy Subzone as a result of its development.

Based on the Government Order of the Council of Ministers as of October 7, 2014 amending the Government Order on criteria that must be met to include certain lands in the special economic zone, the following was established:

In districts where the unemployment rate is higher than 60% of the state average, but not higher than the state average, the entrepreneur shall create at least 200 new jobs or incur an eligible cost of investments in the amount of at least PLN 124 million.

The assessment of meeting the afore-mentioned criteria is made based on data on the average unemployment rate in the country and in the state districts, according to the announcement of the President of the Central Statistical Office published in the Official Journal of the Republic of Poland ("Monitor Polski") based on Art. 82 of the Act of April 20, 2004 on promotion of employment and labour market institutions (Journal of Laws of 2013, item 674, as amended).

In accordance with the aforementioned Government Order of the Council of Ministers as of October 7, 2014, detailed conditions for the employment rate and costs of qualified investments, referred to in § 2, item 1 and 1a, § 3, item 2, § 4, item 2 and § 5, item 2, are reduced by 30% in the following voivodeships: Lublin, Subcarpathian, Podlaskie, Świętokrzyskie and Warmia and Masuria.

According to data for the month of February 2016, the unemployment rate in Poland amounted to 8.3%, whereas in the district of Puławy the unemployment rate was 7.3%.

Thus, the basic criterion that an investor must meet when applying for a business activity licence in a region being included to the Puławy Subzone is to employ at least 140 people and incur the minimum eligible expenditure of no less than PLN 86.8 million.

In other categories, the criteria for regions being included in the Puławy Subzone, in accordance with the Government Order of the Council of Ministers as of December 10, 2008 on criteria that must be met to include certain lands in the special economic zone, are as follows:

Innovation and high-end technology

- at least 21 new jobs and at least 14 million PLN of investment.

IT and BPO

- at least 105 new jobs or at least 14 million PLN of investment

R&D service support

- at least 35 new jobs or at least 7 million PLN of investment.

In accordance with the guidelines by the European Commission on regional aid for the years 2014 - 2020 (2013/C 209/01), in order to make an investment profitable, a Member State must ensure the beneficiary contributes financially in an amount of at least 25% of eligible costs from its own resources or external sources of funding, in a form that is free of any public financial support.



The course of the business licence application procedure in the Puławy Subzone of the Starachowice Special Economic Zone:

1. Filling in the Investor's Initial Declaration
2. Location proposal in the Puławy Subzone of the "Starachowice" S.A. Special Economic Zone
3. Negotiations and agreements
4. The Investor's Application for Initiation of a Tender Procedure or Negotiations
5. Invitation to the Tender or Negotiations
6. Purchase of Specifications of Conditions for Tenders or Negotiations
7. Submission of offer by an Investor interested in activities in the zone
8. Tender or negotiations and business licence approval
9. Issue of a business licence to operate in the zone; making a property available.

Criteria of sustainability of a zone project

The entrepreneur has to remain the owner of the property's assets with which the investment expenses for a period of five years from the date of entry into the fixed assets and intangible assets records was connected. For small and medium-sized enterprises this period is 3 years.

An economic activity associated with a given investment must be carried out for a period of not less than five years from the investment's completion date. For small and medium-sized companies - for a period of not less than three years.

Eligible expenses

Eligible expenses covered by the aid are costs of investments, reduced by the calculated tax on goods and services and the excise tax, incurred in the zone during the period of the licence, which are:

- - the price of purchase of lands or the right of their perpetual usufruct,
- the price of purchase or the production cost of fixed assets,
- the cost of development or modernization of existing fixed assets,
- the cost of purchase of intangible and legal assets related to technology transfer through purchase of patent rights, licenses, know-how or unpatented technical knowledge.

Fixed assets purchased by entrepreneurs other than small and medium-sized should be new.



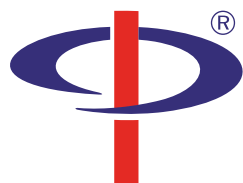
Purchase-related costs for assets under lease, other than land and buildings, are taken into account only if the lease takes the form of financial leasing and includes obligations to purchase the assets at the expiry date of the lease.

New investment

What is understood by a new investment is an investment made in fixed assets and intangible assets consisting in creating a new or expanding an existing business activity, diversification of a company's production by introducing new additional products or a fundamental change made to the whole of the production process of an existing company. Moreover, new investments include purchase of a company in liquidation, but an independent investor must acquire the company.

New employees

By new employees, we understand the number of employees recruited after granting the licence in connection with the implementation of a new investment, but no later than three years after finishing the investment. The number of employees is the number of full-time employees in a period of one year together with part-time and seasonal employees expressed as full-time jobs.



PUŁAWY

Contact data

Section for Cooperation with Investors in the PPP and SEZ
GRUPA AZOTY Zakłady Azotowe "Puławy" S.A.

Al. Tysiąclecia Państwa Polskiego 13

24-110 Puławy; POLAND

Phone +48 81 565 21 71

Fax +48 81 565 37 01

Krzysztof Cichoń

krzysztof.cichon3@grupazoty.com

Zbigniew Kisiel

zbigniew.kisiel@grupazoty.com

Andrzej Mitruczuk

andrzej.mitruczuk@grupazoty.com

Websites

www.sse.pulawy.com

www.pulawy.com

