Investment attractiveness of Poland for Scandinavian investors
Basic facts about Poland

<table>
<thead>
<tr>
<th>Key Facts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Official name</strong></td>
<td>Republic of Poland</td>
</tr>
<tr>
<td><strong>Official language</strong></td>
<td>Polish</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>Warsaw</td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td>312 700 sq km</td>
</tr>
<tr>
<td></td>
<td>* 6th in European Union</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>38.5 million</td>
</tr>
<tr>
<td></td>
<td>* 6th in European Union</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Polish Złoty</td>
</tr>
<tr>
<td></td>
<td>1 USD ~ 3.1 PLN,</td>
</tr>
<tr>
<td></td>
<td>1 EUR ~ 4.2 PLN</td>
</tr>
<tr>
<td><strong>Time zone</strong></td>
<td>UTC +1 (Winter)</td>
</tr>
<tr>
<td></td>
<td>UTC +2 (Summer)</td>
</tr>
</tbody>
</table>
FDI flows worldwide and in Poland (bn USD)

Source: OECD, April 2013
The percentage change of FDI (2011-2012)

**TOP 10 DESTINATIONS COUNTRIES IN EUROPE IN 2012**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>812</td>
</tr>
<tr>
<td>Germany</td>
<td>410</td>
</tr>
<tr>
<td>Spain</td>
<td>278</td>
</tr>
<tr>
<td>Russia</td>
<td>265</td>
</tr>
<tr>
<td>France</td>
<td>244</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td><strong>237</strong></td>
</tr>
<tr>
<td>Ireland</td>
<td>147</td>
</tr>
<tr>
<td>Netherlands</td>
<td>145</td>
</tr>
<tr>
<td>Romania</td>
<td>138</td>
</tr>
<tr>
<td>Turkey</td>
<td>133</td>
</tr>
<tr>
<td>Other</td>
<td>1 082</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 891</strong></td>
</tr>
</tbody>
</table>

Source: The FDI Report 2013
Why is Poland a crisis-proof country?

• Large internal market

• Healthy banking sector – *Poland passed stress tests*

• Low share of derivatives in portfolio of Polish banks

• PLN is not pegged to the EURO

• High position of Minister Rostowski in the Ranking of Finance Ministers – *(3rd place in 2012)*

• Low export-from-GDP dependence: *Poland only 45%* (Czech Republic 73%, Slovakia 94%)

Source: Eurostat 2013
Demographic structure

Population of CEE countries (%)

- Poland 38%
- Romania 22%
- Czech Republic 11%
- Hungary 10%
- Bulgaria 8%
- Slovakia 5%
- Latvia 2%
- Lithuania 3%
- Estonia 1%
- Slovenia 5%

Population by age classes CEE countries (mn)

- Poland
- Romania
- Czech Republic
- Hungary
- Bulgaria
- Slovakia
- Lithuania
- Latvia
- Estonia

Population by age classes in Poland (%)

- 0-14
- 15-24
- 25-49
- more than 65

- 13,4
- 20,25
- 36,15
- 14,9
- 15,3

- 6th largest country in the EU
- 1st in CEE in terms of population
- >59% of population is younger than 49 years old
- 11,4 mn Poles are less than 25 years old

Source: Eurostat 2012, Central Statistical Office 2010
- **22.6 mn** people aged **44** and less (59%)
- **almost 1,8 mn** students (2011/2012)
- **497 thous.** graduates in 2011/2012
- >90% of students speak foreign languages
- **over 24 thous.** foreign students
- 17% of population with higher education:

<table>
<thead>
<tr>
<th>City</th>
<th>Students</th>
<th>Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawa</td>
<td>258 890</td>
<td>65 590</td>
</tr>
<tr>
<td>Krakow</td>
<td>184 493</td>
<td>47 271</td>
</tr>
<tr>
<td>Wroclaw</td>
<td>145 621</td>
<td>47 277</td>
</tr>
<tr>
<td>Poznan</td>
<td>140 472</td>
<td>36 224</td>
</tr>
<tr>
<td>Lodz</td>
<td>122 480</td>
<td>35 248</td>
</tr>
<tr>
<td>Katowice agglom.</td>
<td>95 417</td>
<td>25 878</td>
</tr>
<tr>
<td>Tricity</td>
<td>95 289</td>
<td>23 005</td>
</tr>
</tbody>
</table>

No. of students in main academic hubs (in thous)

Source: Central Statistical Office, 2012
Services and Manufacturing Hubs in Poland (1)

**AUTOMOTIVE**
- Gliwice, Tychy
- Wrocław, Jelcz Laskowice, Wałbrzych
- Poznań

**HOUSEHOLD APPLIANCES**
- Łódź, Radomsko
- Wronki
- Wrocław, Kobierzyce

**ELECTRONICS**
- Gorzów Wielkopolski
- Tczew, Kwidzyn
Services and Manufacturing Hubs in Poland (2)

**AEROSPACE**
- Rzeszów, Mielec, Świdnik
- Kalisz

Other Manufactures
- Goodrich
- MTU Aero Engines
- Sikorsky
- AgustaWestland
- Pratt & Whitney
- Hamilton Sundstrand
- AvioPolska

**BSS**
- Kraków
- Wrocław
- Łódź

Other Centers
- Atos
- Sony Citi
- Unicredit
- Roche

**R&D**
- Wrocław
- Warszawa

Other Centers
- ABB
- Motorola
- Intel
- TRW
- Pöyry
Investment projects completed in 2012 assisted by PAiIiZ

53 INVESTMENT PROJECTS

1 236 mln EUR of investment
The largest investors as regards invested capital

9 996 NEW WORK PLACES
The largest investors as regards the number of job places created

Investments by country of origin

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of projects</th>
<th>Value of projects (EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>15</td>
<td>214.3</td>
</tr>
<tr>
<td>Japan</td>
<td>7</td>
<td>340.3</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
<td>253.3</td>
</tr>
<tr>
<td>Great Britain</td>
<td>5</td>
<td>24.4</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
<td>27.44</td>
</tr>
<tr>
<td>Italy</td>
<td>3</td>
<td>45</td>
</tr>
<tr>
<td>South Korea</td>
<td>2</td>
<td>167</td>
</tr>
</tbody>
</table>

Number of projects: Sums up the number of investment projects by country of origin.
Value of projects (EUR m): Sums up the value of investment projects by country of origin.
Projects completed by PAiIZ between 2002 and 2012

- Asian investment projects are **highly capital intensive**
- **Automotive and electronics** are predominant sectors of interest
Scandinavian foreign direct investment in Poland

- Scandinavia is the fifth largest investor in Poland.
- Investors in the Nordic countries decide to enter the Polish due to the geographical proximity.

The origin of the largest direct investors in Poland and Scandinavian investors in 2000-2010 (bln EUR)

Source: PAiIiZ compilation, 2013, NBP
Scandinavian investments in SEZ (northern Poland)

- In the north of Poland in the Special Economic Zones Scandinavian companies have made 23 investments,
- In Poland, most investment comes from Sweden and Denmark,
- Value of the investment is 0.95 bln PLN,
- Created jobs for nearly 3 000 employees.

Number of scandinavian enterprises in SEZ

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kostrzyn- Slubice</td>
<td>5</td>
</tr>
<tr>
<td>Pomorze</td>
<td>6</td>
</tr>
<tr>
<td>Slupsk</td>
<td>9</td>
</tr>
<tr>
<td>Suwalki</td>
<td>2</td>
</tr>
<tr>
<td>Warmia- Mazury</td>
<td>1</td>
</tr>
</tbody>
</table>

Major investments in special economic zones of northern Poland

Source: PAiIZ compilation, 2013
Scandinavian investments in northern Poland

Arla
Sector: Food
Location: Tychowo

Vestas
Sector: Manufacturing
Location: Szczecin

areco
Sector: Manufacturing
Location: Tychnowy

CARGOTEC
Sector: Manufacturing
Location: Stargard Szcz.

Carlsberg
Sector: Food
Location: Szczecin

Swedwood
Sector: Manufacturing
Location: Zbaszynek

Transcom
Sector: SSC
Location: Gdansk

X-Yachts
Sector: Boatbuilding
Location: Goldap

ROCKWOOL
Sector: Construction
Location: Malkinie near Elk

BIAWAR
Sector: Manufacturing
Location: Bialystok

IKEA
Sector: Manufacturing
Location: Koszki

DNB
Sector: Business Services
Location: Not Specified

FLSmidth
Sector: Machinery
Location: Elblag

Maag Gear

Alteams Group
Sector: Manufacturing
Location: Lebork

Source: PAIIIZ compilation, 2013
Effective incentives system

**Tax breaks**

- CIT exemption in **Special Economic Zone**
- CIT relief for acquisition of new technology
- Real estate tax exemption

**Cash support**

- Government grants
- Cash grants available through EU Funds

### The EU budget: present and future financial perspective

<table>
<thead>
<tr>
<th></th>
<th>2007-2013</th>
<th>2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>975 bn EUR</td>
<td>960 bn EUR</td>
</tr>
<tr>
<td>Poland:</td>
<td><strong>69 bn EUR</strong></td>
<td><strong>72.9 bn EUR</strong></td>
</tr>
</tbody>
</table>
State aid in Poland

- Value of the aid is expressed as a percentage of eligible costs (whichever is higher):
  - investment costs
  - 2 years wage costs

- The intensity rise for small and medium enterprises for 20 and 10 pp respectively

- The maximum level of the aid for large investment projects is reduced

Map of maximum intensity of regional state aid in Poland for years 2007-2013
Maximum intensity of regional state aid in years 2014-2020

Warsaw

to 31.12.2017 – 15%
Since 1.01.2018 – 10%

Map of maximum intensity of regional state aid in Poland for years 2014-2020
Special Economic Zones

- Special Economic Zone (SEZ) is an especially dedicated area where investors receive special benefits
- Major purpose of SEZ is to support local growth
- There are 14 SEZ + subzones
- Cumulative area = 20 000 ha
- SEZ will operate at least until 2026
- Permits to conduct activities in SEZ are issued by the authorities of each SEZ
- Minimum investment: EUR 100 000
- Possibility of including the land selected by an investor into SEZ

Benefits from obtaining a permit to conduct activities in SEZ:
- eligibility for income tax exemption
- plot of land prepared for an investment project, available at a competitive price
- free assistance in dealing with formalities relating to the investment project
### State aid in Poland
#### Government support system – cash grant

<table>
<thead>
<tr>
<th>Priority sectors</th>
<th></th>
</tr>
</thead>
</table>
| **Production**                | • automotive  
|                               | • electronics  
|                               | • aviation  
|                               | • biotechnology  
|                               | • „big investment” in other sectors |
| **Modern services**           | • ICT  
|                               | • SSC  
|                               | • BPO  
|                               | • R&D activity (e.g. software development) |

Program of support of investments of considerable importance for Polish economy
### Government grants
(*including amendments in the updated Programme for supporting investments of major importance*)

<table>
<thead>
<tr>
<th>Sector</th>
<th>New work places</th>
<th>and</th>
<th>Investment costs (PLN m)</th>
<th>Max. amount of support (PLN)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment grant</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>250</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modern services</td>
<td>250</td>
<td>1.5 (*previously 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>35</td>
<td>1.5 (*previously 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big investment in other sector</td>
<td>200 or 500 (*previously 500)</td>
<td>750</td>
<td>500 (*previously 1 bn)</td>
<td></td>
</tr>
<tr>
<td><strong>Investment grant</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>50</td>
<td>160</td>
<td></td>
<td>2% to 12.5% of investment costs (*previously up to 10.5%)</td>
</tr>
<tr>
<td>Big investment in other sector</td>
<td>200 or 500 (*previously 500)</td>
<td>750</td>
<td>500 (*previously 1 bn)</td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>35 (*new option)</td>
<td>10  (*new option)</td>
<td>up to 10%</td>
<td></td>
</tr>
</tbody>
</table>
General conditions of State Aid

• The application for aid has to be submitted before work on the project starts

• The beneficiary of aid must provide a financial contribution of at least 25% of the eligible costs

• The investment has to be maintained for at least 5 years from the date of its completion (3 years in case of SMEs)

• 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)

• Combination of instruments – under provision

Please check with PAIiIZ prior to hiring people/Signing lease agreement!
Poland is characterized by:

- Large domestic market,
- Well-qualified and productive workforce,
- Stable macroeconomic situation,
- Relatively low level of public debt comparing to Western European countries,
- Transparent tax and legal systems,
- Favorable conditions both for manufacturing and services investments.

Poland – a leader of growth in Europe

<table>
<thead>
<tr>
<th>Position in CEE Region</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>The most competitive country in the region</td>
</tr>
<tr>
<td>1st</td>
<td>In terms of number of the investment projects</td>
</tr>
<tr>
<td>3rd</td>
<td>In terms of 13,111 jobs created (after UK and Russia)</td>
</tr>
<tr>
<td>3rd</td>
<td>In terms of jobs created per 1 project</td>
</tr>
</tbody>
</table>

Source: E&Y Attractiveness Survey, June 2013
Poland as a mature location for SSC/BSS

Source: Everest Group, 2011
# 2013 Top 100 Outsourcing Destinations

<table>
<thead>
<tr>
<th>Rank 2012</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangalore</td>
</tr>
<tr>
<td>2</td>
<td>Mumbai</td>
</tr>
<tr>
<td>3</td>
<td>Manila</td>
</tr>
<tr>
<td>4</td>
<td>Delhi</td>
</tr>
<tr>
<td>5</td>
<td>Chennai</td>
</tr>
<tr>
<td>6</td>
<td>Hyderabad</td>
</tr>
<tr>
<td>7</td>
<td>Pune</td>
</tr>
<tr>
<td>8</td>
<td>Cebu City</td>
</tr>
<tr>
<td>9</td>
<td>Dublin</td>
</tr>
<tr>
<td>10</td>
<td>Kraków</td>
</tr>
<tr>
<td>17</td>
<td>Prague</td>
</tr>
<tr>
<td>36</td>
<td>Warsaw</td>
</tr>
<tr>
<td>75</td>
<td>Wroclaw</td>
</tr>
</tbody>
</table>

Source: Tholons Report, 2013
Why Poland – Summary

Availability of young and skilled human resources

Strategic location – gateway to the EU

Economic and political stability

Effective incentives system
**Agency’s offer – full spectrum of business location advisory**

- **Considering of investment**:  
  - Marketing campaigns, investment seminars, workshops, study tours  
  - Cooperation with Polish Embassies

- **Long list of countries**:  
  - Project Managers assistance  
  - Location advisory  
  - Site visits

- **Short list**:  
  - Assistance in obtaining financial support from the state government  
  - Cooperation with SEZs, data base of agencies (real estate, HR, legal), business partners and suppliers

- **INVESTMENT DECISION**:  
  - Post-investment services  
  - Ombudsman for foreign investors
Active projects serviced by PAIIIZ

As of September (6) 2013, PAIIIZ assisted 163 potential investments:

- Value of investment: EUR 4,9 bn
- Number of new work places: 31,9 thous.

### Main sectors:
- BSS + ICT (46)
- automotive (30)
- R&D (13)
- food industry (10)

### Major countries – investors:
- USA (44)
- Germany (21)
- China (14)
- Japan (8)
Case study Husqvarna – manufacturing project

2009 - first inquiry from the company

2009 – PAIiIZ gave investors 16 offers location

2009 – 6 delegations with the participation of PAIiIZ in Lubelskie, Podkarpackie and Dolnoslaskie regions.

2010 – selection of Mielec for Husqvarna for 100 FTE’s. Factors for the selection: low labor costs, proximity to the eastern border of EU and the proximity of suppliers.

2011, April 6 – Completion of the factory and start of manufacturing. Anticipated production volume will reach 80 000 machines.

Manufacturing of garden equipment (mowers, saws), target employment of 250 FTE’s in Mielec
2009 first inquiry from the company

detailed packages of information (RFIs + the state aid set) about several potential locations in Poland

2010 - first location visit to Łódź, Poznań, Wrocław – meetings with business partners

2011 – short list, and second visit to Poznań and Wrocław

2011 – selection of Poznań for Ikea’s European SSC for 250 FTE’s
Thank you for your attention

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