Poland – Country Presentation

• Country Information
• Economy
• Regional Perspective
• Investing in Poland
• Forestry Sector Snapshot

Finpro Poland
April 2012
Country Information

• Overview
• Political system
• Infrastructure
• Demography

PGE Arena, Gdansk
Poland – Country Outlook

Basic Facts

- **Area:** 312,679 sq.km
- **Population:** 38.2 Mio
- **Capital:** Warsaw agglomeration - population 2.5 million
- **Time zone:** GMT +1 (Helsinki is GMT +2)
- **Currency:** 1 Zloty (PLN) = 100 Groszy
- **Life expectancy:** Females 79.7, males 71.0

Biggest Cities

- Warsaw 1.72 Mio
- Krakow 0.76 Mio
- Lodz 0.74 Mio
- Wrocław 0.63 Mio
- Poznan 0.55 Mio
- Gdansk 0.46 Mio
- Bydgoszcz 0.36 Mio
- Lublin: 0.35 Mio
- Szczecin 0.3 Mio
Poland is a democratic multi-party republic, reflecting a mixture of parliamentary and presidential models.

### After 2011 elections:

- Total 5 parties in Sejm
- Elections won again by Civic Platform (Centre-right, liberal conservatism) ahead of Law and Justice (Right-wing, national conservatism)
- Government formed by Civic Platform and Polish People’s Party (Centre, agrarian)
- Biggest opposition party – Law and Justice

### System summary:

<table>
<thead>
<tr>
<th>Administrative divisions:</th>
<th>Three levels: 16 Voivodships, 314 Poviats, 2478 Municipalities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative branch:</td>
<td>Lower chamber: Sejm (460 representatives). Upper chamber: Senat (100 representatives).</td>
</tr>
<tr>
<td>Executive branch:</td>
<td>President (5 year term, direct elections), Council of Ministers (4 year term).</td>
</tr>
<tr>
<td>Judicial branch:</td>
<td>Supreme Court, common courts, administrative courts, military courts.</td>
</tr>
<tr>
<td>International memberships:</td>
<td>European Union (EU), United Nations Organization (UN), Council of the Baltic Sea States (CBS), Central European Free Trade Agreement (CEFTA), International Monetary Fund (IMF), UNESCO, UNICEF, WHO, WTO, OECD, NATO.</td>
</tr>
</tbody>
</table>
In May 2009, Poland had about 831 km of motorways and over 535 km of express-ways.
Under construction currently - 360 km of motorways, 290 km of express-ways and 120 km of bypasses.
Further investments in road infrastructure planned.

Poland is served by an extensive network of railways – total 23,429 km of railway tracks.
Main stations are typically located in city centers and are well connected with local transport systems.
An extensive railway network modernization is ongoing and will last until 2030.
Infrastructural investments in Poland will continue over next 10-20 years.

Direct flight connections to Finland in less than 2 hours!

| HELSINKI  | Warsaw, Gdańsk, Kraków |
| TURKU     | Gdańsk                  |

Airports in Poland

- Gdańsk
- Warsaw
- Łódź
- Bydgoszcz
- Poznań
- Szczecin
- Gdańsk
- Gdańsk
- Gdańsk
- Gdańsk
- Gdańsk
- Gdańsk
- Gdańsk
- Gdańsk
- Wroclaw
- Katowice
- Kraków
- Rzeszów

Oversea flights: ▲
European flights: ○
Domestic flights: □
Airports under construction: □
Poland is the 6th most populous country in EU.
Population of Poland is above 30% larger than the total population of Scandinavian (FI, NO, SE, DN) countries.

<table>
<thead>
<tr>
<th>Poland</th>
<th>2011</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population:</td>
<td>38.2 Mio</td>
<td>37.4 Mio</td>
</tr>
<tr>
<td>Median age:</td>
<td>38.5 years</td>
<td>45.7 years</td>
</tr>
<tr>
<td>Life expectancy:</td>
<td>76.2 years</td>
<td>80.1 years</td>
</tr>
</tbody>
</table>

• Today the biggest population segment is aged 22-37.
• In 2030 most opportunities will lie in the middle aged 40-55 segment - 9.5 million inhabitants/ or 25.5% of population will fall into this segment in 2030.

Source: Euromonitor International
Economy

- GDP
- Labour force
- Education
- Manufacturing
- Regions in Poland
Economy of Poland – Sustainable Growth

Poland is the EU 7th and globally 20th largest economy by GDP**

Europe exceptional: Over 20 years of continuous GDP growth!

*Source: Main Statistical Office, Poland.
**Source: International Monetary Fund, 2011
***Source: http://rafalhirsch.blogspot.com
Poland has been the best growth performer within the OECD through the global economic crisis.

OECD Economic Surveys, POLAND, MARCH 2012

EU highest 2.5% GDP growth in 2012

European Commission Interim Forecast, February 2012
### Labour Force Summary

- Total population: 38.2 m
- Labour force: 24.6 m
- Unemployment rate (February, 2012): 13.5%.
- Average salary in enterprise sector (March, 2012): gross €911

### Language skills

- Language skills heavily depend on age. Most popular languages are English, German and Russian. Russian is most popular in a generation of over 40 years old, whereas English is most popular in less than 30 years old generation. German is typically the second choice foreign language.
- Language skills affect the labour cost since skilled people have confidence in asking for bigger entry salary.

### Employment Costs

#### Taxation and social costs

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social cost for employer</td>
<td>~20%</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>19%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>18% - 32%</td>
</tr>
<tr>
<td>VAT</td>
<td>23% (8% and 5% reduced)</td>
</tr>
</tbody>
</table>

Source: CBOS Survey 2006
• There are 455 higher education institutions in Poland including:
  • 18 universities
  • 22 technical universities
  • 95 academies of economics
• More than 90% of students know foreign languages, with English being the most popular, followed by German.
• In 2010 technical universities, for the first time in 20 years, noted the highest number of candidates per one vacant post compared to other university types.

Every 9th student in the EU is a Pole!

Source: Randstad, October 2008
Manufacturing in Poland

Manufacturing output 2010

- 22.2% Food and beverage
- 14.7% Chemical and petrochemical
- 20.9% Metal, machinery
- 11.9% Automotive and Transport
- 14.8% Electrical and electronics
- 9.2% Wood, paper, furniture
- 6.3% Others

The key manufacturing sectors in Poland are:
- food and beverage,
- chemical & petrochemical.

Poland is a manufacturing hub for:
- automotive
- electronics
- white goods
- aviation

Poland is also a business destination for:
- R&D operations
- Business process outsourcing

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Closer look

- Polish Furniture Sector
  - Global:
    - 4th exporter
    - 10th producer
    - 2nd cheapest
    - 80% exports

- Boat sector
  - ~900 companies
  - ~35,000 employees
  - Capacity for 22,000 boats annually
  - 95% exports

- Partia AMV– KTO Rosomak
  - Licensing of Finnish military technology to Poland

- Coal mining experts
  - JSW - European largest charred coal producer.
  - Kopex – Global third largest mining machinery and equipment producer.

- Aviation valley
  - ~100 companies
  - ~23,000 employees
  - ~€1 bn turnover (2011)
  - Strong R&D cooperation

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Poland is Regionally Heterogenous

Different regions suit different company needs
Examples of Finnish Manufacturing Investments in Selected Polish Regions

- Vehicle assembly line.
  - Biggest FDI in Poland in 2009 – € 64.4m.
- Electrical switches manufacturing.
  - 2011.
- Machinery components manufacturing.
  - 2006.

Locations:
- Stargard Szczeciński
- Nidzica
- Poznań
- Janów Lubelski
Eastern Europe – Regional Leader

- Regional population
- Regional GDP
- FDI in the Region
Eastern Europe Outlook

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**Baltics**
- Estonia
- Latvia
- Lithuania

**CEE**
- Poland
- Czech Republic
- Slovakia
- Hungary

**SEE**
- Romania
- Bulgaria
- Slovenia
- Croatia
- Bosnia and Herzegovina
- Serbia
- Montenegro
- Macedonia

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**In 2010**

- **Gross Domestic Product (GDP)**: €1,008 billion
- **Population**: 120.3 million
- **Area**: 1,328 sq.km
- **Foreign Direct Investments (FDI inward stock)**: €536 billion
Poland is the largest country in the Eastern Europe region.

- Polish population accounts for almost 32% of total region population.
- Poland has more inhabitants than the rest of CEE and Baltic countries altogether.

Companies in Poland have access to a region largest domestic market.
In 2010 Poland produced more goods and services than any of the other sub-regions.

In 2009 Poland was the only economy in the region that showed positive GDP growth.

2011 GDP growth forecasts show Poland as the leader within the region.

Poland is economically stable country with the largest economy in the region.
**The Premium FDI Direction**

- Poland attracted about €145 billion of inward FDI till 2010 – it accounts for above 27% of total region inward FDI.
Investing in Poland

- FDIs
- Investment incentives
- Strategic sectors
- Opportunities
Foreign Direct Investments in Poland

- Key FDI sectors in recent years: modern services (business process outsourcing), automotive, food, R&D, energy and machinery.
- Key FDI countries of origin in recent years: USA, Germany, France, South Korea, Japan and China.
- Investments from China
  - Manufacturing (Liu Gong, 2011; Tri Ring Group, 2012)

FDI Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Inflow [€ bn]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8.3</td>
</tr>
<tr>
<td>2006</td>
<td>15.7</td>
</tr>
<tr>
<td>2007</td>
<td>17.2</td>
</tr>
<tr>
<td>2008</td>
<td>10.0</td>
</tr>
<tr>
<td>2009</td>
<td>9.8</td>
</tr>
<tr>
<td>2010</td>
<td>6.7</td>
</tr>
<tr>
<td>2011</td>
<td>9000*</td>
</tr>
</tbody>
</table>

Almost 90% of German entrepreneurs is satisfied from investments made in Poland.

Poland is the sixth most attractive location for investment in 2011-2013.

Upcoming Finnish FDI:

UNCTAD’s World Investment Report 2011
Special economic zone (SEZ)
A designated area where manufacturing or distribution operations can be conducted on preferential terms.

Locations of Special Economic Zones in Poland

Key benefit:
CIT TAX EXEMPTION

Benefits from SEZ locations:
- eligibility for corporate income tax exemption – a form of a regional aid
- plot of land prepared for an investment project, available at a competitive price
- free assistance in dealing with formalities relating to the investment project

Special economic zones can be found in every region in Poland (as subzones).

Warmian-Masurian Special Economic Zone
Example Investment – Incentives Package

- Project assumptions: A Finnish company plans to establish manufacturing operations in Łódź voivodeship.
- Employment: 300.
- Regional public aid intensity: 50%.

The company decided to select a Special Economic Zone for its investment

<table>
<thead>
<tr>
<th>Instrument of public aid</th>
<th>Eligibility criteria</th>
<th>Amount [PLN Mio]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government support system Investment grant</td>
<td>min. investment outlays of PLN 160 M and 50 new job places</td>
<td>1.7</td>
</tr>
<tr>
<td>Government support system Employment grant</td>
<td>min. investment outlays of PLN 40 M and 250 new job places</td>
<td>1.5</td>
</tr>
<tr>
<td>Grant co-financed from European funds (OP-IE measure 4.5.1.)</td>
<td>eligible expenditure of no less than PLN 160 M, and net increase in jobs of no less than 150 persons</td>
<td>51</td>
</tr>
<tr>
<td>CIT exemption</td>
<td>min. investment 100,000 PLN, permit to conduct business activity within SEZ</td>
<td>30.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>85</strong></td>
</tr>
</tbody>
</table>

Source: Invest in Poland agency.
Strategic Sectors in Poland

Strategic sectors get the most favourable investment incentives

- Automotive
- Aviation
- Metal Industry
- Electronics
- Biotechnology
- BPO
- IT
- R&D
- Renewable Energy

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23/04/2012
Strategic Opportunity Sectors

**Key drivers:**

- EU Funds
- EU Regulations Compliance
- Energy Security
- Roads & motorways construction
- Railway network upgrade
- Nuclear power
- Conventional power
- Wind energy
- Oil & gas
- Bioenergy

- Thousands of kilometers of motorways and express ways to be constructed in the next decade
- Ongoing upgrade of about 23,500 km of railways
- Planned till 2030
- Plans to set up the first Polish nuclear plant (phase of localization selection) – unaffected by recent nuclear energy crisis
- Upgrade/renovation of existing infra
- New plants development
- Co-generation
- Ongoing on-shore
- Upcoming off-shore
- Shale gas
- New resources exploration
- Infra development
- Energy mix diversification
Opportunities for Finnish companies

MARKET
- Largest CEE market
- Sales opportunities within the strategic opportunity sectors as well as in other markets
- Cost-effective gate to continental Europe

COST EFFECTIVENESS
- Low salary levels
- Low social costs for employers
- Favourable taxation

SKILLS
- Large number of educated talent, including engineers, management, marketing
- Availability of technical skills, such as welders, metal workers and hydraulics
- English & German language skills

STABILITY
- Economy - long-term positive GDP dynamics (also in recent downturn periods)
- Political - parliament of five parties, the ruling party re-elected for the first time in Poland history.

NO EURO
- Low currency value (e.g. in downturn times) promotes exports from Poland

INVESTMENT SUPPORT
- Tax exemptions: corporate income tax, real estate tax
- Subsidies: for creation of new jobs, government grants
- EU funds (regional development, innovations)
Examples of Finnish Investors in Poland
Overview of Forestry Sector
The northern regions have the highest level of forest cover (highest in Lubuskie region - 49%). The lowest forest cover percentage has central Poland: Lodzkie and Mazowieckie regions.

Forest surface in Poland is 9121 thousand ha, which corresponds to the forest cover level of 29.2%.

Public forest predominates (81%) and private forest makes less than 20%. 77% of Polish forest belongs to the State Forest Enterprise.

Source: Polish State Forest report, MCPFE report
In 2010, 33.6 mln m3 of merchantable timber was harvested from the Polish forest of which the highest volumes in: Zachodniopomorskie, Warminsko Mazurskie and Dolnoslaskie regions.

Harvesting and forest cultivation services are provided mainly by private companies. There are about 4 000 of such companies, majority of them small (1-5 people employed).

Only about 20-30% of this number are larger entities, majority of them with some 20-40 employees.

It can be estimated that in Polish forests work now some 200 harvesters and 300 forwarders.

State Forest Enterprise (Regional Directorates) tenders the services via public tenders procedure – the major criterion is price.
The sawmilling industry is fragmented and there are plenty of small local sawmills.

The trend observed in bigger companies – that used to have several sawmills with capacity of some 20-40 thousand m³, is concentration of initial sawing in one large scale plant and then the other plants specialize in further processing.

To the largest companies active in sawing timber belong:

- Swedwood Poland (its Wielbark sawmill has the capacity of 350 thousand m³)
- Barlinek (the largest in Poland producer of flooring materials with over 300 thousand m³ production)
- Tartak Olczyk – capacity close to 300 thousand m³

### Sawn timber production (estimation in thous m³)

<table>
<thead>
<tr>
<th>Sawn timber</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coniferous</td>
<td>6 580</td>
</tr>
<tr>
<td>Broadleaved</td>
<td>1 415</td>
</tr>
</tbody>
</table>
Thank you!

Kari Vähäkangas  
Head of Trade Center  
Finpro Poland

Email: kari.vahakangas@finpro.fi  
Phone: +48-22-625-68-65  
Mobile: +48-609-696-666

Igor Deryło  
Consultant  
Finpro Poland

Email: igor.derylo@finpro.fi  
Phone: +48-22-625-78-27  
Mobile: +48-607-838-888