



CLIMATE FOR BUSINESS REMAINS GOOD

Findings of the 12th survey "Investment climate in Poland", conducted by the Polish Investment and Trade Agency (PAIH) in collaboration with the audit and advisory firm Grant Thornton and HSBC

June 2019



Polish Investment
& Trade Agency
PFR Group



HSBC



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INTRODUCTION

Poland is regarded as one of the most attractive locations on the investment map of Europe. Many important international corporations are already here or are considering bringing their investments to our market.

This “Investment Climate” report is a comprehensive study on Poland’s advantages and image in the eyes of foreign investors. The take-home message from the latest edition of the report is the satisfaction of the representatives of the global business community who have chosen our country to pursue high-technology projects. It is also worth mentioning the growing interest from Asian countries. Entrepreneurs from that continent returned very high ratings for the investment climate in Poland. Moreover, the growing cooperation between local and Asian businesses within the framework of joint electromobility projects also adds to our positive image. Another positive sign on the market is the strong loyalty of foreign investors, evidenced by the growing reinvestment rate.

The powerful business appeal of Poland and the smart range of investment opportunities we offer to potential investors are reflected in bold investment projects with high added value for our economy. For such investments, our doors are always wide open. Read about them in our “Investment Climate” report.

I hope you will enjoy reading our report and investing in Poland.

Grażyna Ciurzyńska

Interim President of the Board, Polish Investment and Trade Agency
(Polska Agencja Inwestycji i Handlu S.A.)

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ABOUT THE SURVEY

Over the past few decades, the role of foreign direct investment (FDI) in the Polish economy has clearly evolved. Initially, its main function was to bring to Poland financial capital whose scarcity was the main obstacle to the growth of domestic businesses, as well as to create jobs with the intention of reducing the high unemployment rate of the time. As the years went by and the Polish economy generated more and more domestic savings, the capital- and employment-related rationale for drawing foreign investment to Poland became less and less important, while different objectives came to the fore – attracting new technologies and know-how, as well as specialist jobs. Still, irrespective of the historic role of foreign investment in Poland, it has invariably been one of the driving forces of economic growth, contributing to the country's economic success.

Creating good conditions for investing foreign capital continues to be one of the most important objectives of Polish economic policy. A favourable investment climate helps attract the most desirable type of capital, i.e. ventures that come with high added value, innovative technologies and jobs for highly qualified specialists. The success of the Polish government administration in this scope will depend on a range of factors, such as keeping abreast of the changing needs of investors and being able to effectively address them.

To get to know these needs, the Polish Investment and Trade Agency is here to hear the voice of international business. This is the 12th time the survey on the “Investment climate in Poland” was conducted among representatives of businesses with foreign capital, with the aim of getting to know their opinions on the conditions for investing capital and doing business in Poland.

Like in the last three editions, the survey was supported by HSBC and the professional services firm Grant Thornton. Our collaboration helped produce this report in which we present conclusions from our analysis of information provided by representatives of businesses with foreign capital operating in Poland.

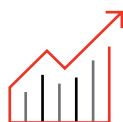
The picture they paint is really optimistic. The general assessment of the investment climate in Poland remains as high as ever, and the vast majority of the businesses surveyed declare that they would choose Poland again to invest in.

Wishing you a pleasant read!

KEY FINDINGS FROM THE SURVEY



94% of foreign investors would invest in Poland again



The investment climate in Poland was rated by foreign investors at an average of 3.7 points (on a 1-5 scale), which is one of the highest results in the history of the survey



Foreign investors pointed to the size of the internal market and economic stability as the main advantages of Poland



Volatility and lack of clarity in legal regulations, poor efficiency of the commercial courts system and tax-related bureaucracy are named as areas with a clear need for improvement



Chapter 1

GENERAL ASSESSMENT OF POLAND

A close-up photograph of a white industrial robotic arm with blue and yellow accents, positioned in a factory setting. The arm is holding a transparent, curved object, possibly a car part. The background is blurred, showing industrial lights and structures.

INVESTORS FEEL THEY MADE THE RIGHT CHOICE

For international enterprises, the decision to enter the Polish market is an important, but also quite a typical and pragmatic business decision – it is an ordinary investment which in the long run either pays off, or not. If the rate of return is high and the invested capital is recouped by the investor, or is likely to be recouped, then the decision to invest was probably right. If the returns are low and there are no prospects of recovering the invested capital any time soon – the decision to enter the Polish market was wrong. So, in this context, how do foreign businesses see their investments in Poland years down the line?

Overwhelmingly positively. A substantial majority of respondents – 94 per cent – confirm that they are glad to have chosen Poland, and if they were faced with the same decision again, they would place their bets on Poland, too. The percentage of satisfied investors has gone up a little from the previous edition of the survey, when it was 92 per cent, but is slightly lower than the ratings for 2015–2016, which amounted to 98 and 97 per cent respectively. So, it would seem that the level of satisfaction reported by investors regarding their decision to invest in Poland has remained stable and consistently high throughout the period covered by the survey.



● Yes

● No

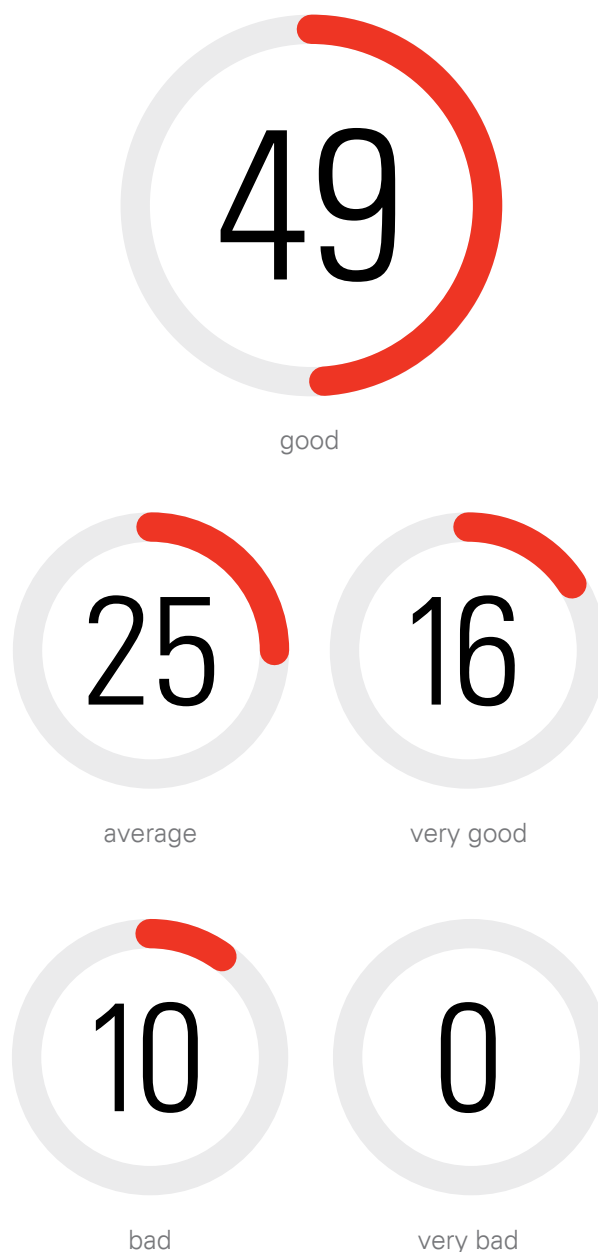
Would your business invest in Poland again?

Percentage responses, 2018/ 2019

It is worth bearing in mind that the presented results may be affected by the characteristics of the surveyed population, i.e. some of the investors who regret their decision to come into Poland may have already left the country and those investors did not participate in the survey. On the other hand, though, in recent years cases of actual, complete, operational divestment have been really rare and are practically negligible in the overall volume of incoming foreign direct investment.

A GOOD AND STABLE CLIMATE

Representatives of foreign companies who participated in the study were asked to provide an overall rating of Poland as a place to do business. On a scale from 1 to 5, where 1 stands for “very bad”, and 5 – “very good”, investors gave Poland an average rating of 3.7 pts. The predominant rating was “good” (49 per cent of responses). “Bad” ratings by investors were rare (10 per cent), and there was not a single “very bad” response. These results indicate that investments taken on by foreign investors in Poland bring satisfactory rates of return, and cases of low, disappointing outcomes are relatively rare.

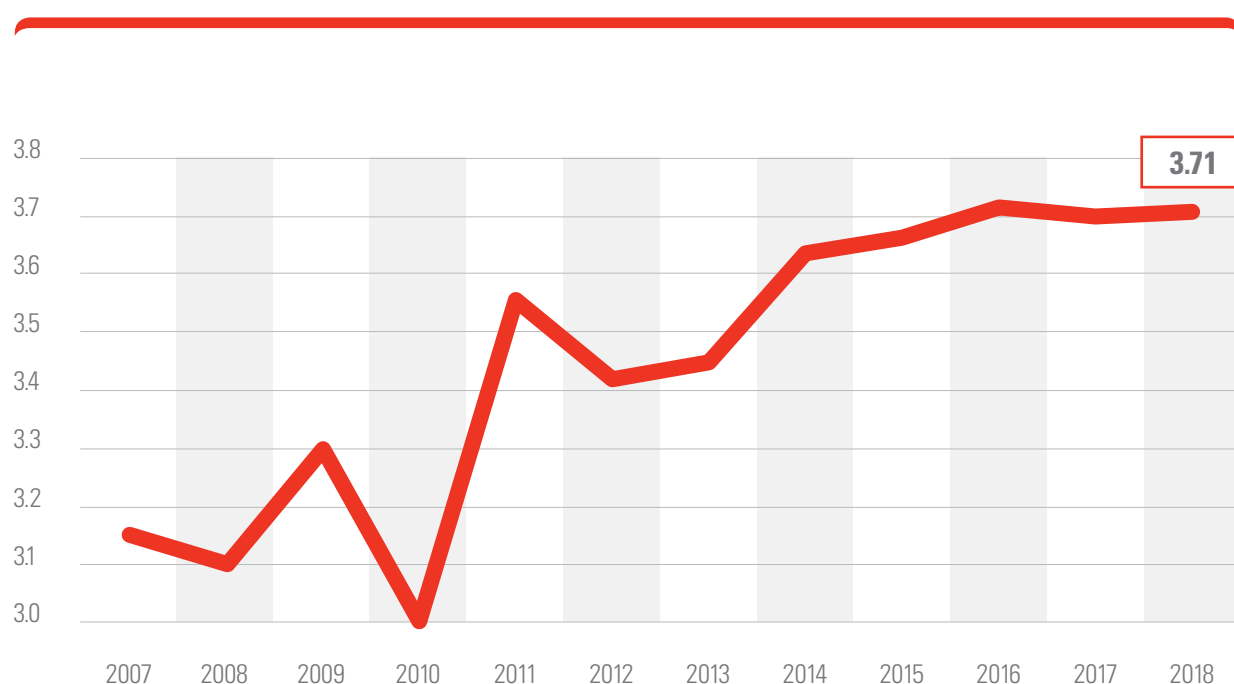


How do you rate the overall investment climate in Poland?

Percentage responses, 2018/2019

How does the current result compare to prior years? According to the survey, the general assessment of the investment climate in Poland is nearly identical to the results of earlier years – the difference becomes visible only in the second decimal place (the current rating is 3.71 pts, compared to 3.70 a year ago, and 3.72 two years ago). In other words, the investment climate index has stayed close to its record high in the 12-year history of the survey of approx. 3.7 pts.

Even though in the past year there have been phenomena which could potentially undermine the conditions for doing business in Poland (e.g. profound changes in tax law or introduction of the Sunday trading ban), they were probably compensated by other factors with a positive effect on the investment climate in Poland, e.g. the introduction of such incentives as the Polish Investment Zone, the continuing relatively positive market trends and improved dynamics.

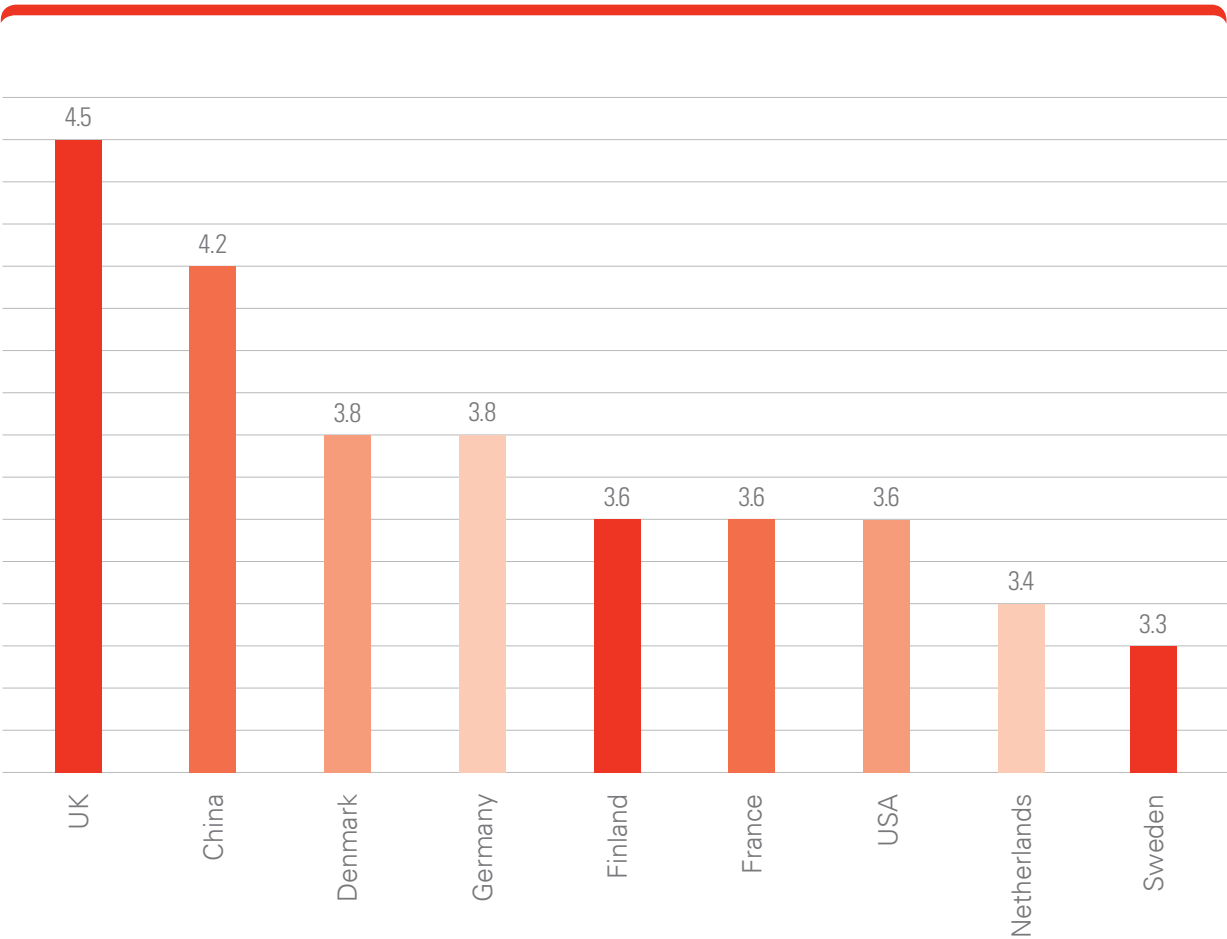


Overall rating of the investment climate in Poland in the history of the survey
(average pts on a 1-5 point scale)

THE BRITISH HOLD POLAND IN THE HIGHEST REGARD

Comparing responses in terms of the country of origin of capital in the surveyed enterprise, Poland got the highest rating from UK investors, with an average of 4.5 points out of the possible 5. They were followed by China (4.2 pts), with Denmark and Germany tied third at 3.8 pts. The lowest rating of the investment climate in Poland was returned by investors from Sweden (3.3 pts) and the Netherlands (3.4 pts).

Please note, however, that the lowest score in the survey returned by investors from a single country, i.e. 3.3 pts, is still a positive assessment, above the midpoint of the scale (3 pts). It means that, overall, foreign investors have a rather positive view of Poland, but the degree of satisfaction differs somewhat depending on the respective country of origin.



Average rating of the overall investment climate by country of origin of the controlling interest in the surveyed company (in pts)



POLAND IS A MAGNET FOR INVESTMENT

Poland's investment climate this year remains stable, according to our latest survey. A particularly positive signal is that as many as 94% of surveyed companies would reinvest in Poland, and nearly 53% plan to increase their investment in 2019. Given this positive trend, investors expect continued solutions and improvements to attract foreign capital, as well as facilitate investment projects and day-to-day business activities in Poland.

When selecting markets for foreign expansion, potential investors are guided by factors such as macroeconomic conditions, including the size of the market, GDP growth prospects, geopolitical factors, and any additional benefits that may contribute to faster growth of their business. Investors also look at regulatory, administrative, infrastructural and cost factors as well as incentives.

Poland has the potential to become a leader in terms of foreign direct investment (FDI) in Central and Eastern Europe. Its strategic location at European trade corridors as well as the New Silk Road guarantees easy access to the markets of the EU member states. Poland offers macroeconomic stability, a young and well-educated workforce, a strong internal market and dynamically developing infrastructure. With GDP growth of 5.1% in 2018, Poland is one of the fastest growing countries in the European Union; our forecasts for 2019 expect a growth of 4.1% (compared to 1.1% in the Euro-zone). Poland's strengths will continue to attract foreign investors.

Scott Solberg

Head of Wholesale Banking, HSBC Poland



Chapter 2

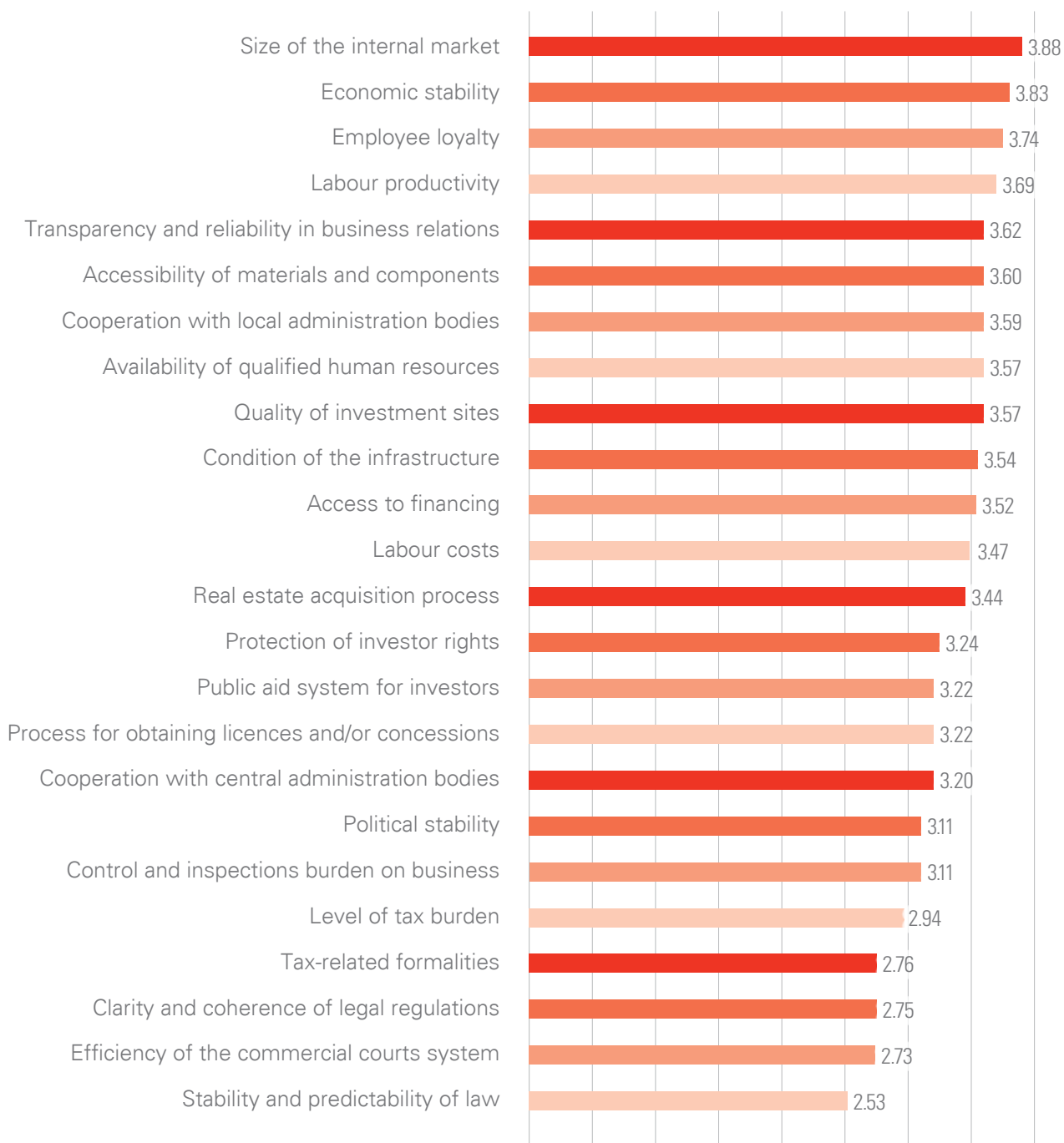
POLAND'S STRENGTHS AND WEAKNESSES



POLAND WITH A STABLE OUTLOOK

Like in the previous editions of the survey, we identified factors which affect the assessment of the investment climate in Poland by foreign investors. Survey participants were asked to rate each of the 24 factors on a scale from 1 to 5, where 1 point indicated a “very bad” rating (a factor that has a significant adverse impact on doing business), and 5 points – a “very good” rating (a factor favourable to doing business).

According to the respondents, the greatest advantage of Poland as an investment destination this year turned out to be the size of the internal market – with an average rating of 3.88 pts. Economic stability was not far behind – with an average rating of 3.83 pts. The lowest scores were returned for the stability and predictability of law and efficiency of the commercial courts system.



How do you rate the individual factors impacting on the investment climate in Poland?

Response average (in pts, on a 1-5 scale, where 1 is “very bad”, and 5 is “very good”, data for 2018/2019)

POLAND'S GREATEST STRENGTHS

The findings from the most recent investment climate survey show that – again – the strongest magnet attracting foreign capital to Poland is the country's unique "self-reliance". The domestic economy offers an unparalleled combination of strong economic growth, robust internal demand and a dynamic environment created by local suppliers and contractors. As an additional bonus, we find ourselves within the structures of the

European Union, with a combined population of more than 500 million consumers, and in the vicinity of Europe's biggest markets, too. Foreign investors also appreciate Poland's labour market – according to the representatives of businesses with foreign capital, Polish workers are loyal and hard-working, and labour costs in the country remain relatively low.

The best-rated factors, in three categories, are presented below.

Survey results suggest that a friendly and stable macroeconomic environment is the main advantage Poland has to offer to foreign investors.

For over a decade now, Poland has been one of the fastest-growing economies within the European Union. In 2018, the Polish economy with a GDP growth rate of 5.1 was one of the fastest-growing across the Union, earning an upgrade to the group of 25 "developed markets" in the FTSE Russell country classification. Unlike most other countries in Central and Eastern Europe, Poland has a large and receptive internal market, and is therefore perceived by investors not only as a place for manufacturing products, but also as a target market for those products. This year, market capacity is the parameter that was highest-rated by representatives of companies with foreign capital – investors gave it an average rating of 3.88 pts. Economic stability was the second highest-rated parameter – with an average score of 3.83 pts.



MACROECONOMIC FACTORS

- **Size of the internal market**
(average rating 3.88 pts)
- **Economic stability** (3.83 pts)

For foreign investors, Polish workers are one of the country's greatest strengths – this year, the assessment of the human capital in Poland is even better than the year before. According to representatives of companies with foreign capital, Polish workers are above all loyal to their employer (3.74 pts). Labour productivity was highly rated, too.

Apart from human capital, investors also give Poland positive marks for the quality of cooperation with institutions and other businesses. Foreign investors appreciate the transparency and reliability in business relations – this parameter obtained an average rating of 3.62 pts. Respondents also commend cooperation with local administration bodies – with an average rating of 3.59 pts. The latter is quite important because often it is the support of local municipal or regional officials that determines how easy it is for the investor to implement their undertaking – how long it takes to get the building permit, access to utility connections or local roads.

MATERIAL RESOURCES

- **Accessibility of materials and components** (3.60 pts)
- **Quality of investment sites** (3.57 pts)
- **Condition of the infrastructure** (3.54 pts)

BUSINESS ENVIRONMENT

- **Employee loyalty** (average rating 3.74 pts)
- **Labour productivity** (3.69 pts)
- **Transparency and reliability in business relations** (3.62 pts)
- **Cooperation with local administration bodies** (3.59 pts)

For another year running, the survey points to material resources as a strong suit of the Polish economy. Firstly, it is about securing the supplies for manufacturing. Foreign investors emphasise that in Poland it is relatively easy to obtain materials, stocks and components needed for production (an average rating of 3.60 pts). This is due to not only the availability of natural resources, but – to an even greater extent – the “self-reliant” internal market mentioned above, which has led to the development of a broad range of business-to-business manufacturing in Poland.

Secondly, according to foreign businesses, Poland offers relatively high-quality investment sites, i.e. in good locations and well prepared in legal and technical terms. To a large extent, this can be attributed to the successful cooperation with local government bodies, which also received a high rating in the survey.

Thirdly, for another year in a row, relatively good ratings were returned for the technical and logistical infrastructure in Poland, i.e. things like roads, sewage systems or access to the power grid. This is also good news for our country because at the beginning of the survey in 2007 this parameter got some of the lowest ratings, and this year's score shows how far Poland has come along in this regard over the past decade.

CHALLENGES

Out of the 24 factors suggested by the authors of the report, foreign investors again gave the lowest marks for those related to legislation, bureaucracy and the tax system. Business operators in Poland point out that our law is not stable or predictable. In their view, our tax system is complicated and commercial courts in the country are not efficient. Such opinions have been voiced in our report for years and from this year's edition it is evident

that the solution to these problems continues to prove elusive. Please note, moreover, that in this year's survey scores in nearly all parameters related to these areas have gone down, and so remedial action on the part of public administration seems an urgent necessity.

The lowest-rated factors, in three categories, are presented below.

Like a year ago, out of all the parameters, foreign investors gave the lowest ratings for stability and predictability of law (2.53 pts). Efficiency of the commercial courts system is the second lowest-rated factor (2.73 pts). In the eyes of foreign business representatives, the clarity and coherence of legal regulations is not much better (2.75 pts). So, for another year in a row, foreign investors give the lowest marks to the legal aspects of doing business, which continue to pose the main obstacle to business development in Poland.

— QUALITY OF COMMERCIAL LAW

- **Stability and predictability of law** (2.53 pts)
- **Efficiency of the commercial courts system** (2.73 pts)
- **Clarity and coherence of legal regulations** (2.75 pts)

Out of all the 24 parameters impacting on the attractiveness of doing business in Poland, low ratings were also returned in metrics related to the tax system. This year's scores are even lower than a year ago, when the taxation area was likewise identified as one of the major impediments for representatives of foreign companies in Poland – this year, tax-related formalities received an average rating of 2.76 pts, and the level of tax burden – 2.94 pts.

The low ratings in this year's survey were without a doubt affected by the multitude and volatility of tax regulations – according to research by Grant Thornton, 2018 was a record-breaking year in terms of the number of pages of tax legislation adopted in Poland – nearly a quarter of all tax statutes were replaced, which is the highest figure since 2004.¹

Like in prior years, the worst-rated aspects of Poland investment climate include those related to the burden of bureaucracy. As evidenced by this year's edition, foreign investors are complaining about the frequency and procedures involved in business inspections (3.11 pts) and the process for obtaining licences and concessions (3.22 pts).



TAXATION



Tax-related formalities (2.76 pts)



Level of tax burden (2.94 pts)



BUREAUCRACY



Control and inspections burden on business (3.11 pts)



Process for obtaining licences and/or concessions (3.22 pts)

¹ www.BarometrPrawa.pl



THERE IS ROOM FOR IMPROVEMENT

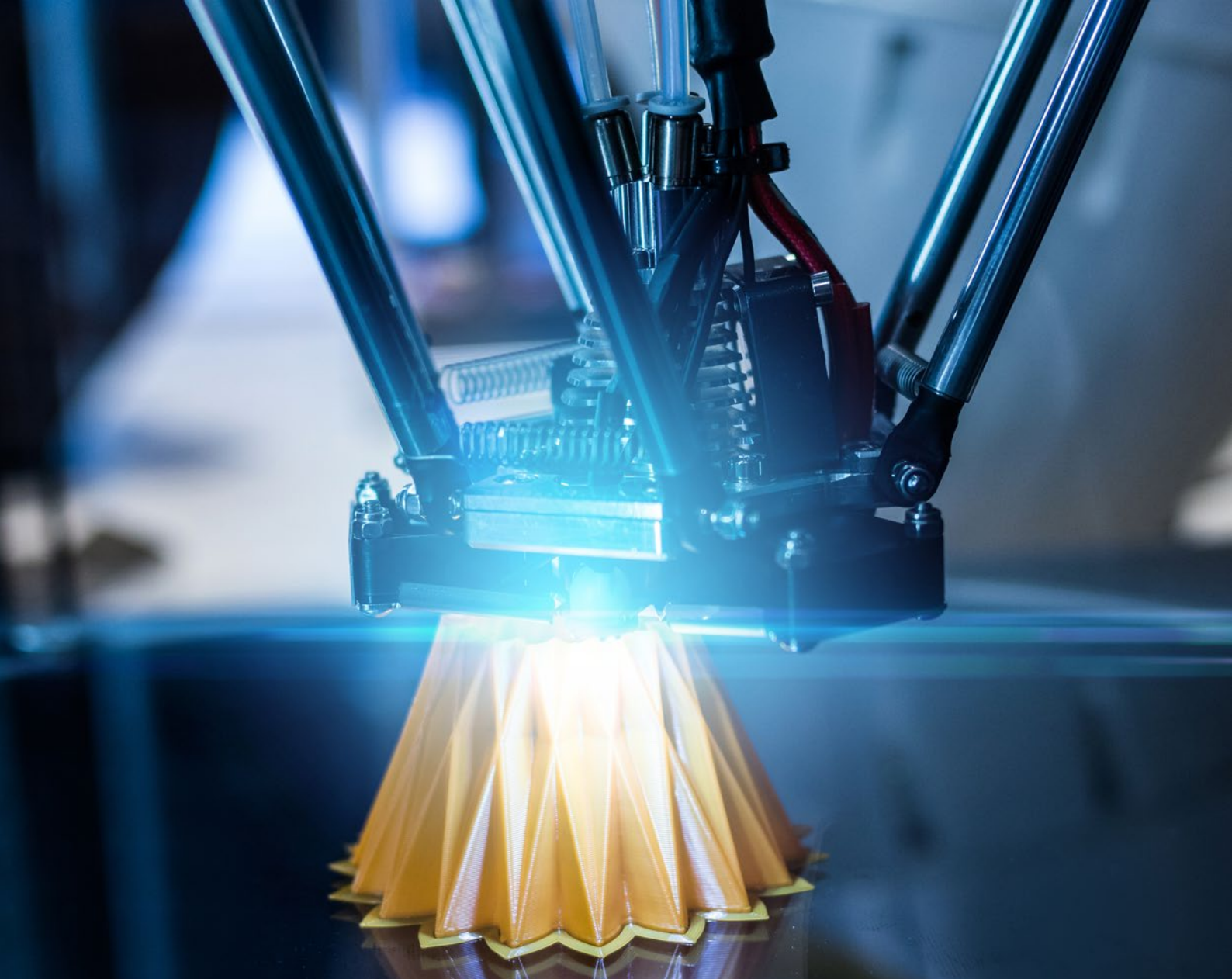
This year's survey upholds the overall level of optimism among foreign investors which has been high in recent years when it comes to the assessment of conditions for doing business in Poland. It is also good to see that the majority of respondents (94%) would invest in Poland again. On the other hand, we need to remember that there are still factors which significantly impede doing business in this country and if we fail to do enough to eliminate these barriers, they may in the future undermine Poland's investment attractiveness. A lot depends on the changing attractiveness levels of the neighbouring markets, which are beyond our control, but which we should nevertheless keep an eye on.

Parameters related to the condition of legislation and the justice system in our country are the main areas for improvement, as they received by far the lowest ratings from representatives of companies with foreign capital. What is more, compared to the year before, the scores in these categories suffered the worst decline. It is therefore clearly visible that bureaucracy is at present the biggest obstacle to the development of international enterprises in Poland.

It seems though that things have been changing for the better in this regard, as can be inferred from the most recent edition of the cyclical "Law Barometer" study by Grant Thornton, showing that the number of typescript pages of new legislation which came into effect in 2018 was down by 46 per cent from the year before, which is the best result in many years. While there is no doubt that a lot remains to be done in this area and the government should focus not only on the quantity, but also on the quality of promulgated laws, we would like to treat these statistics as a positive sign.

Przemysław Polaczek

Managing Partner, Grant Thornton



Chapter 3

CHANGES IN THE PAST YEAR



RATINGS FOR INVESTMENT CLIMATE REMAIN STABLE

If we were to compare last year's survey on the investment climate in Poland with this year's results, it should be noted that while the overall assessment of the climate somewhat improved, foreign investors gave slightly lower marks in most parameters. First and foremost, lower scores were returned for clarity and coherence of legal regulations in Poland – which is one of the worst-rated factors, but also one whose rating declined most visibly compared to last year (by 0.42 pts). Add to that the dwindling ratings in two other parameters – stability and predictability of law and tax-related formalities – which found themselves among the five factors with the greatest ratings decline over the past year – and you arrive at the conclusion that in recent times the bureaucratic burdens in Poland became even harder to bear for foreign investors than before.

Three factors with the greatest improvement in 2018/2019

	2018/2019	Change compared to 2017
Availability of qualified human resources	3.57	0.13
Real estate acquisition process	3.44	0.06
Quality of investment sites	3.57	0.04

Compared to the year before, foreign investors saw the greatest improvement in the availability of qualified personnel. This is quite a surprising result, considering the increasingly common complaints from Polish entrepreneurs who stress how difficult it is to find qualified employees. According to Grant Thornton's International Business Report for 2018, as many as 60 per cent of medium-sized and large businesses in Poland declare that they have a "big" or "very big" problem with staff recruitment. It would appear then that even though labour shortage continues to be a serious problem, it has recently started to ease.

The second-highest upswing in ratings compared to the previous survey can be observed in the real estate acquisition process (up by 0.06 pts), which may be due to the introduction of the so-called Polish Investment Zone, a reform under which investors are eligible for incentives not only within special economic zones, but – to a varying extent – all over the country. The last in the top three factors with the most marked improvement in 2018 is the quality of investment sites.

Three factors with the greatest decline in 2018/2019

	2018/2019	Change compared to 2017
Clarity and coherence of legal regulations	2.75	-0.42
Accessibility of materials and components	3.60	-0.28
Condition of the infrastructure	3.33	-0.20

The greatest decline in 2018 ratings can be observed in the clarity and coherence of legal regulations applicable in Poland – down by 0.42 pts. Foreign investors have also recently been finding it harder to ensure the accessibility of materials and components (a 0.28 pts decline). The top three parameters with the biggest downward change also include the condition of the infrastructure (down by 0.20 pts).



Chapter 4

STATUS OF FOREIGN DIRECT INVESTMENT IN POLAND

POLAND ON THE LEADING EDGE IN EUROPE

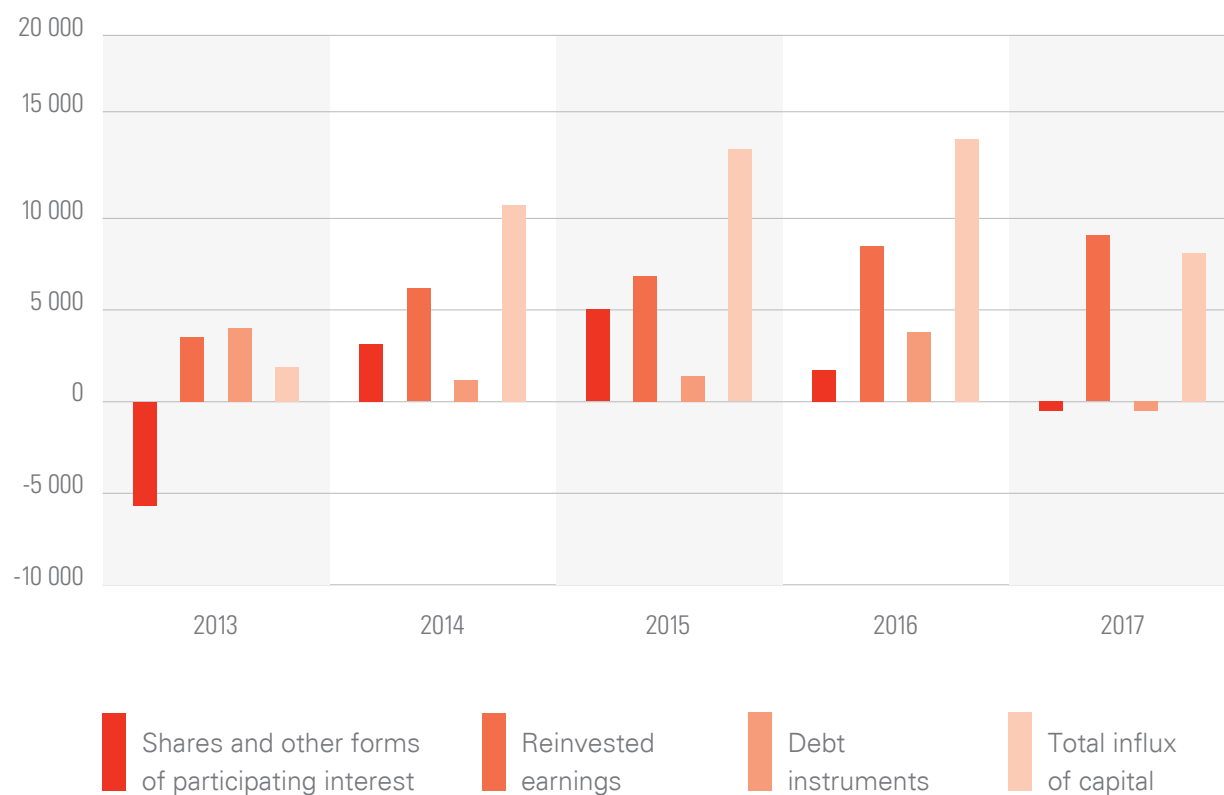
Poland is the European leader in terms of attracting greenfield investments with the highest numbers of jobs. It is also among the top five most attractive destinations for direct investment in terms of the number of projects.

A stable economy with strong growth potential, a convenient central location, a large internal market, easy access to the massive EU market with its 500 million consumers, availability of subcontractors and materials, an ample labour pool with qualifications, fluent language skills and hard-working attitude – all these factors act as magnets to attract foreign capital.



Influx of foreign direct investment to Poland in 2013-2017 (in million EUR)

Source: Developed by PAIH based on NBP data, 2018



Poland has built a reputation as the regional centre for manufacturing automotive parts and accessories. With perfect timing, the country has also joined the technology revolution in the automotive sector, attracting global electromobility leaders and becoming an important centre for production and development of this market segment in Europe. As a country, we have also made great strides in acquiring important investments from around the world in such innovative investment areas as aviation, business services centres and business software research and development.

The activity of foreign investors in 2018 shows the predominant role of projects with a high added value for the Polish economy. The trend is illustrated below by the chart presenting the sectoral breakdown of completed investment projects, showing the leading role of advanced technology services.

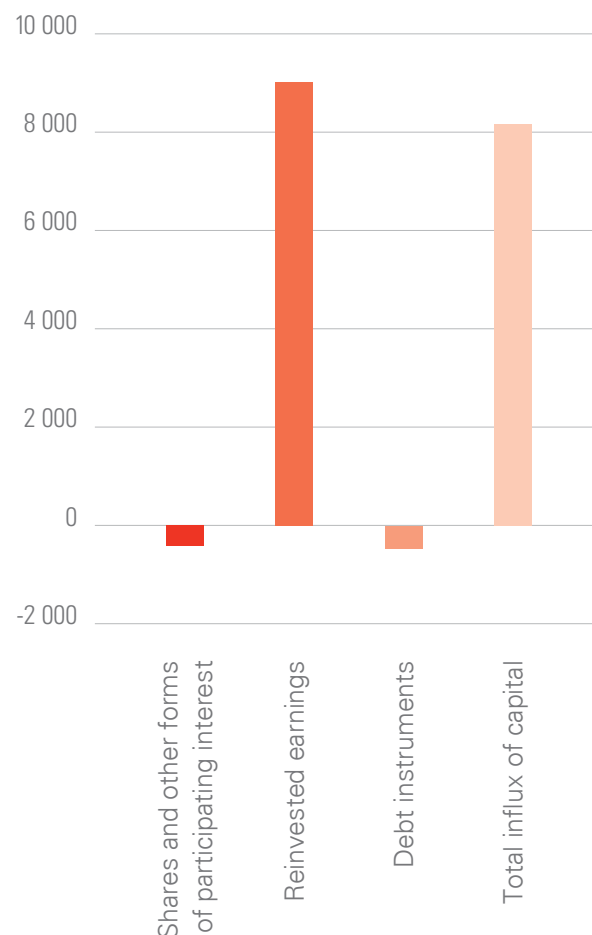
INVESTORS' LOYALTY

NBP data reveal that the value of incoming foreign investment to Poland in 2017 amounted to EUR 8.15 billion, compared to EUR 14.18 billion in 2016. However, this clear decline is not a result of a waning interest in Poland among foreign investors, but is due to several of big transactions in the banking sector (acquisition of Pekao SA by PFR and PZU from the Italian UniCredit) and the power sector (takeover of assets from the French EDF by PGE and acquisition by ENEA of the Polaniec power plant from the French Engie), which resulted in an increased commitment of Polish capital.

In view of the negative balances of transactions in equity instruments (EUR -365 million) and debt instruments (EUR -435 million), reinvested earnings were the only positive item of incoming investment, at EUR 8.95 billion. The volume of reinvested capital provides an indicator of the investors' confidence in the Polish economy, as they are willing to make long-term, strategic plans for growing their businesses in Poland – foregoing short-term profits (dividends) in favour of long-term investment projects financed out of the profits of the Polish branch.

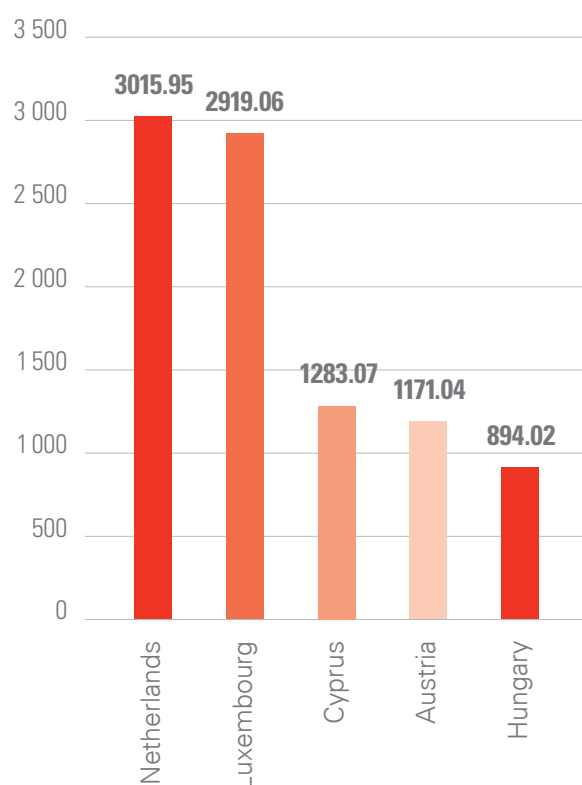
Influx of foreign direct investment to Poland in 2017 (in million EUR)

Source: Developed by PAIH based on NBP data, 2018



TOP 5 countries in terms of the influx of foreign direct investment to Poland in 2017 (in million EUR)

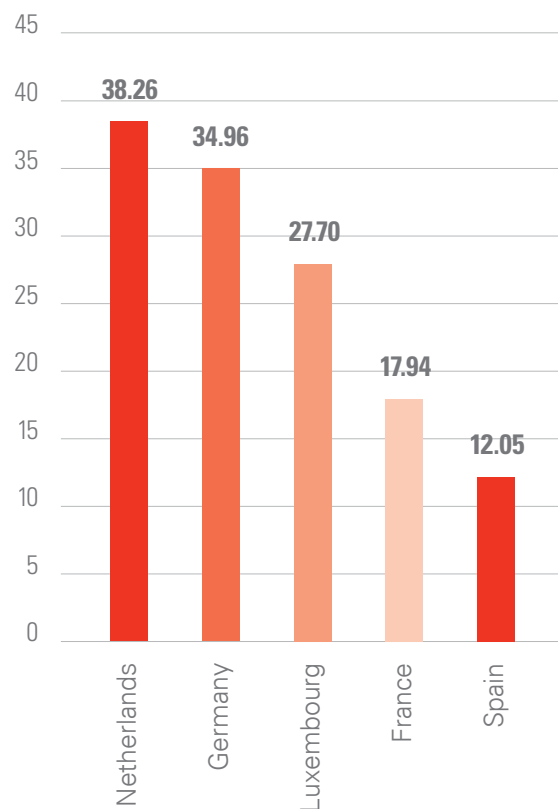
Source: Developed by PAIH based on NBP data, 2018



The top three countries in terms of the sources of the incoming capital include the Netherlands, Luxembourg and Cyprus. Looking at the geographical structure of foreign direct investment, it needs to be remembered that these countries to a large extent serve as transit countries for capital originating from elsewhere. The situation is similar when it comes to the breakdown of Poland's liabilities due to foreign investment.

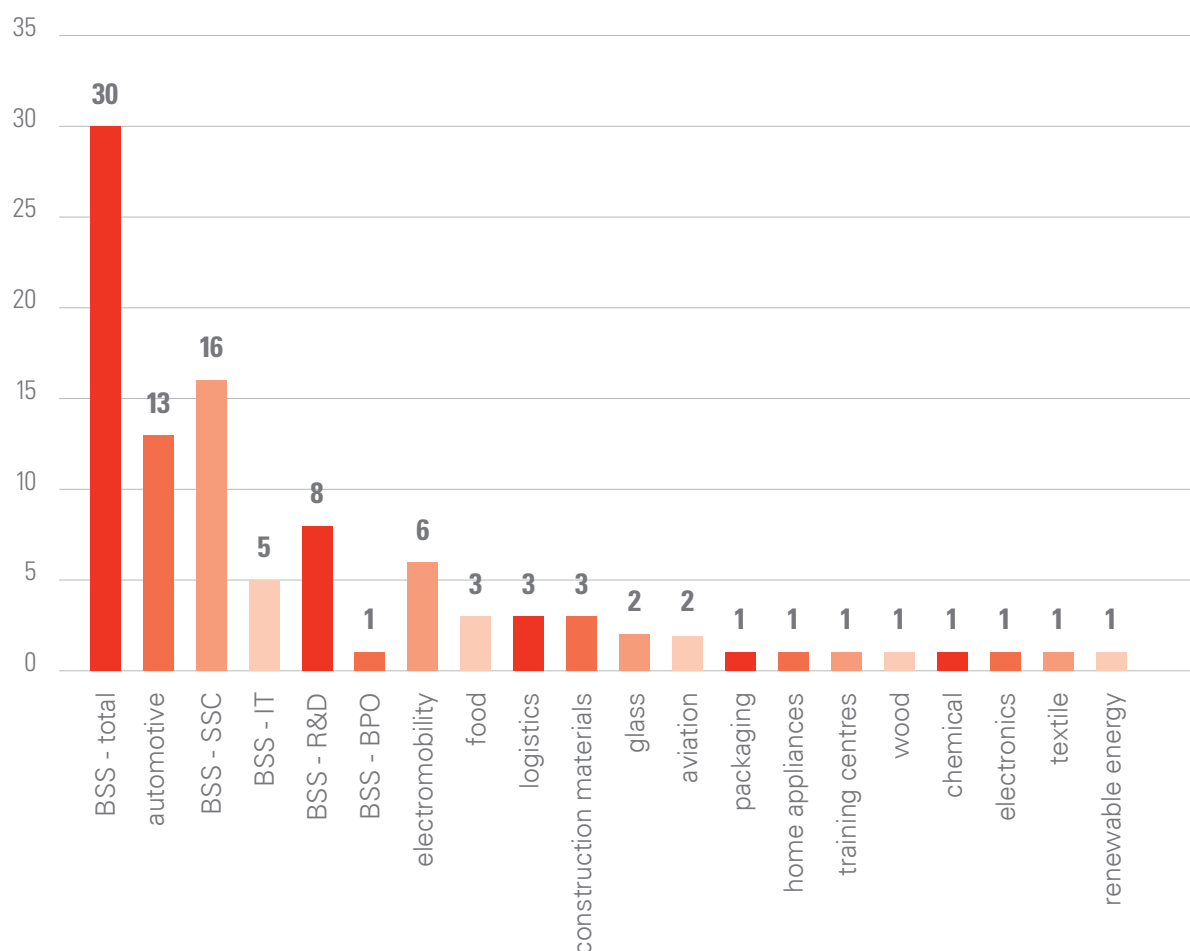
TOP 5 countries in terms of Poland's liabilities due to foreign direct investment at the end of 2017 (in billion EUR)

Source: Developed by PAIH based on NBP data, 2018



For a complete picture of foreign direct investment in Poland, we also need to consider the statistics regarding projects supported by PAIH in 2018. Positive investment decisions were issued in 70 FDI projects, with a total value of approx. EUR 2,146 million, which created 19,082 jobs.

The number of projects with PAIH support completed in 2018, according to the business sector
Source: Developed by PAIH



The completed projects overwhelmingly fell into two business categories: first, the general category of modern business services (the so-called Business Support Services, BSS) with 30 projects. This category includes shared service centres (SSC, 16 projects), information technology (IT, 5 projects), research and development (R&D, 8 projects) and business process outsourcing (BPO, one project). The second place was claimed by the automotive sector with 13 projects. Electromobility, with six projects completed

in 2018, came third. Other industries played a much smaller role in the statistics of completed projects. This structure shows that to foreign investors Poland is no longer a place to invest because of cheap labour but, increasingly, a country whose qualified labour pool makes it possible to take on more and more complex projects in the areas of services, manufacturing and research & development work.

FIVE-STAR INVESTMENTS

In 2018, foreign investors supported by PAIH again placed their bets on modern technologies and the service sector. This is evidenced, on the one hand, by projects related to IT and business support services, and on the other – by the use of advanced and capital-intensive technologies in newly developed industrial plants and research & development facilities.



One of the world's top three suppliers of electrolyte material for lithium-ion batteries, the Chinese GTHR, will build a factory for its flagship product in the Olawa commune by 2020. The project is worth EUR 40 million. It is one of several investment of such a grand scale in Lower Silesia. The foreign project fits into the strategy of the Electromobility Development Plan, prepared and implemented by the Ministry of Energy.



In October 2018, Kongsberg Automotive, a Norwegian automotive parts supplier, opened its plant in Brześć Kujawski which will make seat heating pads as well as fuel and air lines. It will be this investor's third factory in Poland. Some 800 people have already been employed at the new plant, and the head-count may go up to 1000. In total, the company employs close to 2000 people in Poland. The estimated value of the investment is EUR 35 million (approx. PLN 150 million).

Kongsberg Automotive generates revenues in the range of approx. EUR 1.1 billion, employing close to 10,500 employees in 19 countries. The company operates 25 manufacturing plants worldwide.



Boasting a nearly 30 years' presence in Poland, Johnson & Johnson Poland sp. z o.o. opened the company's first ever global science and research facility, Consumer Biomedical Information Centre (CoBIC) in Warsaw. By the end of 2019, the facility will give jobs to 90 people, and at full build-out the investor plans to employ 120. The types of jobs at CoBIC will include scientists and data analysis specialists. They will be working to develop, register and market new health and personal hygiene projects under the Johnson & Johnson brand worldwide. CoBIC will provide support in regulatory matters, clinical operations, laboratory information systems and medical matters. The facility will serve as an important point of contact for all the branches of the company worldwide.



In November 2018, Michelin in Olsztyn launched a crucial factory development project, worth close to EUR 40 million. The company will put in production lines with state-of-the-art equipment and also carry out construction work. The objective of the project is to increase the production capacity of the latest range of premium tyres up to 5 million a year, and to improve the factory's competitive edge. The project will create 66 new jobs. The company has qualified for a government grant, accounting for 7 per cent of the project total. The factory in Olsztyn makes tyres for cars, vans, trucks and agricultural vehicles, as well as moulds, cords and rubber mixtures. The plant also includes a modern 110,000-square-metre Logistics Centre, which is one of the largest Michelin warehouses worldwide and the largest in Central and Eastern Europe.



Equinix, a global provider of interconnection services and data centres, will open its first European Product Development Centre in Warsaw. Poland's capital will be the third development location in Equinix structures, after Silicon Valley and Singapore. In 2018, the Nasdaq-listed company was to employ 40 people at the Warsaw facility, and by the end of 2019, the number of employees will go up to 90. They will be product managers and engineers. The Warsaw facility will be responsible for developing and testing advanced-technology network solutions which will find applications in more than 200 Equinix data centres worldwide. On the banks of the Vistula River, they will be making network software and carrying out research and development of virtual IT structures, aimed at helping businesses go digital faster. In the space of 5 upcoming years, Equinix will invest EUR 40 million into developing the Polish centre.



In September 2018, one of the leading global banks registered in the UK, Standard Chartered, opened its global service centre in Warsaw, announcing its plans to create 750 jobs. In the first few months of operations, 300 people found employment in the new Polish company (status as of Q1 2019). Standard Chartered Global Business Services Sp. z o. o. operates as an "excellence centre", employing experienced specialists in such areas as financial crime prevention, cybersecurity, staff recruitment in Poland, UK and USA, and other services related to human resources management, liquidity and interest rate risk management, as well as negotiating contracts with corporate and institutional clients.



Chapter 5

FOREIGN INVESTORS' PLANS FOR 2019



INVESTORS WANT TO CONTINUE GROWING THEIR BUSINESSES IN POLAND

In the last few editions of the survey, we have started asking foreign investors about their plans for the coming 12 months – if they intend to take on more people and if they are thinking about new investments in Poland. The results, again, point to the optimism among our respondents – foreign investors intend to keep growing their businesses in our country.

How will your company's headcount change in the year ahead? (percentage)

	2019	2018
Go up	61	56
No change	29	41
Go down	10	3
Net result*	51	53

*(Net result - predictions to "go up" minus "go down")

HEADCOUNT

Companies with foreign capital are planning to take on more people in the next 12 months – such measures are planned by 61 per cent of the respondents, 5 percentage points more than the year before. Redundancies are anticipated by one respondent in ten. The net result (i.e. the difference between the responses anticipating an increase in headcount and those predicting a decline) is similar to last year's edition.

How will your company's capital expenditure change in the year ahead? (percentage)

	2019	2018
Go up	52	48
No change	35	41
Go down	8	8
None planned	5	3
Net result*	44	40

*(Net result - predictions to "go up" minus "go down")

INVESTMENT OUTLAY

More than half of the investors with foreign capital (52 per cent) are planning to increase their capital expenditure in the coming 12 months, up by 4 percentage points from a year ago. Only 8 per cent of the respondents predict that their capital expenditure will go down, and 5 per cent have no investments planned. This year's edition reveals that foreign investors have become even more optimistic with regard to investment plans.

LOOKING AHEAD

POLISH INVESTMENT ZONE

The Polish Investment Zone Law came into effect in May 2018. The new law extends zone incentives to nearly the entire area of the country.

TYPE OF RELIEF:

tax exemption in CIT (Corporate Income Tax) or PIT (Personal Income Tax). Amount of aid depends on several factors, including location of the investment and size of the enterprise. The same rules apply to Polish and foreign investors.

HOW MUCH:

- **large enterprises:** 10-50 per cent of the amount of capital expenditure or two-year labour costs
- **medium-sized enterprises:** 20-60 per cent of the amount of capital expenditure or two-year labour costs
- **small and micro enterprises:** 30-70 per cent of the amount of capital expenditure or two-year labour costs

WHAT FOR:

- new investment
- development of an existing enterprise, e.g.: establishment of another production plant; increasing production capacity, introducing new products, implementing innovations.

WHERE:

Any place in Poland – higher aid intensity for projects undertaken in areas with a high unemployment rate, small and medium-sized municipalities and rural areas (e.g. up to 50% in Podlaskie, Warmińsko-Mazurskie, Podkarpackie and Lubelskie Voivodeships).

FOR HOW LONG:

10, 12 or 15 years – depending on the location

LOOKING AHEAD

INNOVATION BOX

As of 1 January 2019, Poland offers special tax relief, the so-called Innovation Box (also known as the IP Box) for entities involved in research & development (R&D) activities. It is one of the most attractive IP BOX schemes among the developed countries.

TYPE OF RELIEF:

preferential tax rate of 5%

FOR WHO:

natural and legal persons

FOR WHAT:

research and development (R&D) work related to creating, developing or improving intellectual property, including patents, protection of utility models, registration of industrial designs, registration of integrated circuit layout design, supplementary protection certificates for pharmaceutical or plant protection products.

GOOD TO KNOW:

- Income from intellectual property rights must be earned and subject to taxation in Poland.
- The taxpayer will be eligible for IP BOX relief throughout the term of legal protection for their intellectual property rights.

The catalogue of intellectual property rights is one of the broadest worldwide, and the reduced tax rate is one of the lowest of all the developed countries.

CONCLUSIONS

Poland is a good place for doing business – enterprises with foreign capital have no doubt about it. Foreign investors who came to Poland to do business do not regret their decision and the vast majority claim they would invest here again – a conviction shared by 94 per cent of our respondents. The survey also returned a positive view of the investment climate in our country – the general assessment of the climate was scored at 3.7, which is a little higher than the year before. Enterprises with foreign capital for the most part plan to grow over the next 12 months – more than half of the respondents predict to take on additional staff in their enterprises, and to increase capital expenditure.

However, this year's findings also shine a light on a problem which the enterprises in Poland have had to contend with for years and which appears to be a lingering obstacle to development that the government is not quite able to deal with. Foreign investors point out that legal regulations in Poland are unclear, the law is not stable or predictable, and tax-related formalities are a cause of many frustrations for entrepreneurs. Dealing with these problems, therefore, seems to be the most important task facing government administration today.

ADDITIONAL INFORMATION



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ABOUT THE REPORT

This report was developed on the basis of a questionnaire survey of businesses with foreign capital operating in Poland. The most recent edition of the survey was carried out by the Polish Investment and Trade Agency (PAIH) in collaboration with Grant Thornton, an audit-advisory-outsourcing firm, and HSBC, a global financial institution, from November 2018 to March 2019. The survey was completed by 95 enterprises with foreign capital doing business in Poland. The survey was conducted using online questionnaires and one-on-one interviews. The data were collected by PAIH, and all three partners of the study worked together to analyse the results and develop the report.



Polish Investment
& Trade Agency
PFR Group

PAIH

Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu S.A., PAIH) replaced the Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych S.A., PAIiIZ) in 2017. The Agency, operating within the framework of the Polish Development Fund Group (PFR), carries out the tasks envisaged in the Strategy for Responsible Growth and is the central national institution responsible for supporting Polish exporters and attracting the best foreign investments. In the field of attracting foreign direct investment, PAIH relies on the 20+ years of experience of PAIiIZ.



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