

ECONOMIC COOPERATION BETWEEN POLAND AND THE NORDIC COUNTRIES

Investments, trade and the Nordic investors in Poland



Honorary Patronage

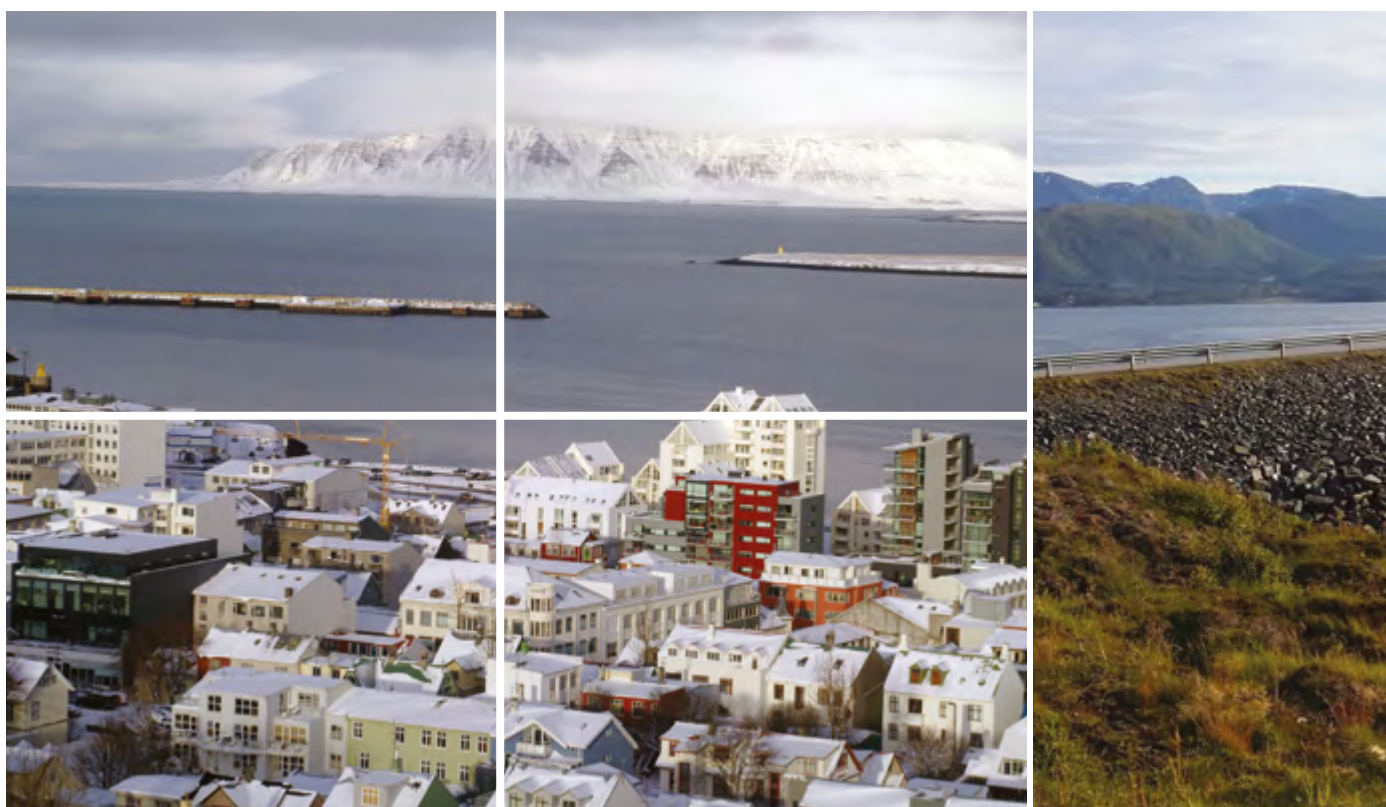


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Foreword

We are pleased to present you with the latest report, in which we gathered the most current, available information showing the scope of Nordic investments in Poland and the value of the trade exchange between Poland and the Nordic countries - Denmark, Finland, Norway and Sweden. The publication was supplemented with data regarding economic cooperation with Iceland, Estonia, Latvia and Lithuania, as companies which originally come from these countries are also members of the Scandinavian-Polish Chamber of Commerce.

Entrepreneurs from the Nordic countries have been associated with Poland for years and they have a great contribution in strengthening its economic foundations. The investments carried out by the Nordic investors at the end of 2014 amounted to 10.2 billion EUR, which gives Nordic companies the sixth spot among the most important foreign investors in Poland.

Nordic entrepreneurs associated in the Chamber care about transferring good practices to the Polish market such as hiring employees under employment contracts, initiating pension plans and medical care for employees. There are more than two thousand Nordic companies registered in Poland - they have fully integrated with the Polish economy and already became its integral and crucial part.

On the other hand, Nordic countries are also an important partner for Polish export and the level of mutual trade is increasing every year.

We hope that this publication and presented data will meet with your interest.

Carsten Nilsen
Chairman

Agnieszka Kowalcze
Director

"We feel like home and we are not planning to move anywhere" - this is what I have heard from one of the founders of Poldanor, a company that was a pioneer in using biogas on the Polish market and until today remains a great example of efficiency. It started with a business activity, but the group of newcomers from Denmark quickly merged with the local community and brought a multicultural spirit there. The ability of adjusting so quickly to the Polish market reality by Scandinavian investors is partly a result of Polish openness to the foreign companies, however it is also a set of features that are typical for the Nordic entrepreneurs, which PAIIIZ's experts assisting foreign investors can confirm. "Swedes are among my favorite foreign investors. They quickly adapt to a new market conditions, they are very goal oriented, well organised and they treat their business partners with respect" - said Michał Szaraniec, Foreign Investors Department, PAIIIZ.

Beside the flagship companies such as IKEA or Nokia, Polish-Scandinavian economic relations have been developing on many levels; starting from the fast growing business service centres to the small family businesses. Poland, especially Pomerania region, is often chosen by the Swedish and Norwegian students who belong to the top five nations studying at the Polish universities. They appreciate the high level of education and quality of life in Tricity. They are becoming the ambassadors of Poland in their own countries and break stereotypes, bringing Poland closer to their families and friends (a plane journey from Stockholm to Gdańsk takes a bit more than one hour).

The awareness and knowledge about Poland in Scandinavia is increasing, making the Scandinavian investors discover other Polish regions. Danish construction company Skamol has decided to open a plant in Opole, BL Stream from Finland operates in Lublin and Norwegian company Schibsted has opened its IT centre in Kraków. These few examples confirm that the investors from the Northern Europe feel more confident in Poland.

Sweden, Norway, Denmark and Finland are the countries of different and rich cultures, however one can find many common features, especially in the business context. For example long-term thinking and ability to cooperate under the same flag. The result? Scandinavian high technology clusters or a comprehensive strategy of attracting new investments to Norway created in a very short time - these are the practices worth to admire and follow.

Bartłomiej Pawlak
President of the Polish Information and Foreign Investment Agency

Nordic - polish economic cooperation

- key numbers

EUR **10.2** billion
is the amount of **Nordic**
capital invested as FDI
until the end of 2014

There are
companies with Nordic
capital participation
registered in Poland (2014)

2167

...and they represent
of foreign capital
in Poland

8.3%

Nordic companies are the

6th most important foreign investor
in Poland with the share of

6% in the total value of FDI
at the end of 2014

A record inflow of Nordic investments of
EUR **3.2** billion was recorded in 2011

In 2014, the highest rate of **72%**
reinvested earnings was noted regarding
investors from Sweden

Nordic companies
are the
largest group of foreign
companies...

5th

Over the past 10 years,
the number of companies
with Nordic capital participa-
tion in Poland increased by

37%

In 2014, the Nordic countries
were Poland's export
destination

2nd

Nordic countries are the location
in terms of the volume
of goods imported
by Poland

5th

EUR
20.6
billion

is the total value
of exchange of goods
with the Nordic
countries in 2014

According to the preliminary data for 2015,
Poland's trade with Sweden exceeded
for the first time

EUR
8
billion

1. Foreign direct investments (FDI) in Poland

Poland as the location for investments

The significance of Poland as an investment location has definitely increased over the past years. Its large internal market, stable economic and political situation and convenient location on the map of Europe are among the key economic factors which have encouraged companies to invest in Poland,



while positive experiences of the already present investors have brought further investments. Foreign investors also notice the potential of Polish employees, their skills and motivation. The educated young workforce leaving Polish universities every year also remains an important factor for companies investing in Poland, especially for the investors from the rapidly developing business services sector.

Such a state of affairs is reflected in numerous international rankings. In the most recent *Doing Business 2016* ranking published by the World Bank, evaluating the conditions for doing business, Poland came 25th among the world's 189 economies, which has been its best achievement in this ranking thus far. In 2014, Poland was also included in the group of world's leading countries in terms of the value of the allocated

investments, taking the 20th spot in *UNCTAD Top 20*.¹ In the *Global Competitiveness Index 2014-2015* competitiveness ranking prepared by the World Economic Forum, Poland is 43rd out of 144 countries included in the study. Poland has received good results in the area of health, education and macroeconomic environment but, unfortunately, poor ratings in terms of innovation.

According to the most recent Economic Survey conducted at the beginning of 2016 among foreign investors in Poland by a group of bilateral chambers of commerce, Poland remains the leader in Central and Eastern Europe.² Almost all entrepreneurs have positively evaluated the current condition of Polish economy. Elements which received poor ratings when compared to the previous years were: political and social stability as well as predictability of the economic policy. The percentage of those in support of introducing the shared European currency in Poland dropped considerably (41.3% of respondents, a 16.7% drop in comparison

¹ *Bezpośrednie inwestycje zagraniczne w Polsce w 2014r.*, Report of the Ministry of Development, March 2016

² The study was conducted on 351 companies which were members of the following Chambers: American, Belgian, British, Canadian, Dutch, French, German, Irish, Italian, Portuguese, Scandinavian, Spanish, and Swiss.

with the previous year). The assessment was conducted based on 21 factors determining the appeal of Poland as viewed by investors. Once again the companies participating in the survey gave Poland the highest rating for its European Union membership and staff qualifications, in a broad meaning of the term, including the quality of academic education, productivity and motivation of employees.

The majority of respondents representing Nordic companies³ would again choose Poland as the destination of their investments (93%). Nordic investors participating in the study consider state administration efficiency improvement and cost control as the greatest challenges lying ahead of Poland's economic policy. Similarly to the remaining foreign investors, Nordic companies participating in the survey view Poland's current economic situation as good or satisfactory. Similar responses were also given in the evaluation of economic development prospects for the upcoming years - about 50% believe that the situation will not change, while the remaining 30% expect the condition of Polish economy to deteriorate. About 55% of respondents representing Nordic companies plan to increase the number of employees this year.



Poland is one of the biggest economies in the EU (and definitely the biggest in the CEE region) which together with real perspectives of maintaining the high dynamics of GDP and workforce productivity will attract foreign direct investments. The raising political instability is not affecting such strong advantages of our country such as one of the lowest government debts and private debts in the EU, sound financial sector, conservative monetary policy and underrated exchange rate of the Polish zloty. The negative demographic tendencies remain the biggest challenge, but they are offset by a massive inflow of immigration from Ukraine which helps to maintain the labour costs. At the same time it is worth to notice the growing Polish direct investments abroad, including the most developed economies.

Piotr Bujak, Head of Macro Research Team, PKO Bank Polski

FDI inflow to Poland

Foreign direct investments play a significant part in Poland's economic development. They help to build long-term direct and stable relationships with other economies. Furthermore, FDI inflow strengthens knowledge and technology transfer, which is conducive to innovation. Despite various turbulences in the FDI inflow to Poland over the past years, Poland remains one of the most appealing locations for investments both in Europe and worldwide.

Since Poland has joined the European Union, the greatest FDI inflow has definitely been recorded in the 2006-2007 period and in 2011. Considerable inflow has also occurred at the beginning of

³ About 30 Nordic investors participated in the study.

the studied period, i.e. in 2004. The 2006-2007 period was practically the best time for Polish economy – it has been characterised by high economic growth, increase in trade, consumption level and investor optimism. On the other hand, 2009 turned out to be a painful year but an analysis of the studied period has revealed that an even greater drop of the FDI inflow was recorded three years ago – in 2013, when the net value of foreign direct investment inflow to Poland was EUR 2.208 million. This amount consisted of reinvested profits of EUR 4.124 million, inflow of other capital, i.e. various debt instruments, of a net value of EUR 3.531 million, and withdrawal of capital shares of EUR -5.447 million, connected mostly with special purpose vehicles transactions (SPEs).⁴ According to data of NBP (National Bank of Poland), 2013 was a year of the lowest foreign investment inflow to Poland when compared to the past decade. In 2014, the FDI inflow to Poland has recovered to approx. EUR 9.0 billion (capital shares EUR 1.7 billion, reinvested profit EUR 6.0 billion, and other capital EUR 1.3 billion). In addition to the special purpose vehicles transactions, the low FDI inflow to Poland in 2013 also resulted from capital shares in the banking sector being sold to foreign portfolio investors, certain financial holdings limiting their activity, and foreign investors withdrawing their capital shares, as well as the economies of European Union countries slowing down.⁵

The relatively high variation in the foreign direct investment transaction values in Poland in particular years arises also from single transactions of relatively high values occurring in some periods. In 2014, such transactions were represented by the PKO BP bank purchasing the assets of the Swedish Nordea bank and the closing of Polkomtel's merger with Cyfrowy Polsat.⁶



⁴ *Zagraniczne inwestycje bezpośrednie w Polsce w 2013r.*, annual report of the NBP (National Bank of Poland). The 'special purpose vehicles transactions' are defined as a phenomenon which involves recording the inflow of funds from abroad to increase the share capital of special-purpose entities, which funds are then transferred by those entities to foreign branches or subsidiaries outside that country. As a result, such transactions have no impact on national production and employment.

⁵ *Zagraniczne inwestycje bezpośrednie w Polsce w 2013r.*, annual report of the NBP.

⁶ *Zagraniczne inwestycje bezpośrednie w Polsce w 2014r.*, annual report of the NBP.

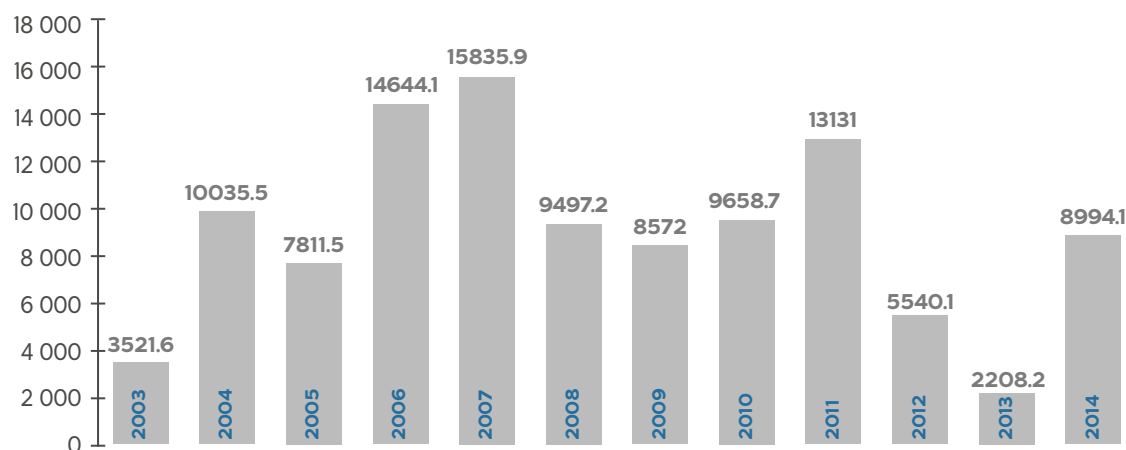


Chart 1. Foreign direct investment transactions in Poland in 2003-2014 (net values), in million EUR, data of the NBP (National Bank of Poland)⁷.

In 2015, the Polish Information and Foreign Investment Agency (PAIiZ) managed 56 investment projects worth EUR 766.9 million, which brought 9,098 new jobs. Most of the projects were completed with the assistance of PAIiZ in the area of research & development, (14 investments of a total value of EUR 62 million, which are to ultimately create 969 jobs), the automotive sectors (12 projects, EUR 158 million, 1,858 jobs) and the jointly approached business services sector and ICT sector (10 projects, EUR 28.6 million, 3,790 jobs)⁸. In April 2016, the Agency managed 179 investments worth approx. EUR 3.7 billion, which may create over 40,000 jobs⁹.

Countries of origin of the main foreign investors in Poland

The major part of the FDIs come to Poland from the European Union countries. In addition to Europe, the United States are another important investor, and in the recent years they have been joined by Japan and South Korea.

From the general amount of EUR 171.7 billion invested in Poland by the end of 2014, 91.5% of capital came from the European Union countries. The largest contributors are the Netherlands (EUR 29.6 billion), Germany (EUR 28 billion), Luxemburg (EUR 20.4 billion). Investments from the Nordic countries until the end of 2014 amounted to more than EUR 10 billion, which gives these countries when considered jointly the sixth spot among the most important foreign investors in Poland. Denmark, Finland, Sweden and Norway are among the first 20 main foreign investors in Poland and amounts invested by the companies coming from those countries until the end of 2014 are: EUR 4.7 billion of

⁷ Since 2013, information about Foreign Direct Investments in Poland has been prepared by the National Bank of Poland based on new OECD standards regarding preparation of direct investment statistics. The historical data in Chart 1 has been converted by NBP according to the currently used methodology so the data presented on this chart in the time series is comparable.

⁸ 2015 rok w inwestycjach PAIiZ, press release: http://www.paiz.gov.pl/20151229/podsumowanie_2015#

⁹ PAIiZ press release, 6 April 2016

Swedish investments; EUR 3 billion of Danish investments; EUR 1,5 billion investments conducted by the Finnish companies and around EUR 1 billion invested by the Norwegian companies. Investors from the four Nordic countries represent almost 6% of the total value of FDI invested by the end of 2014.

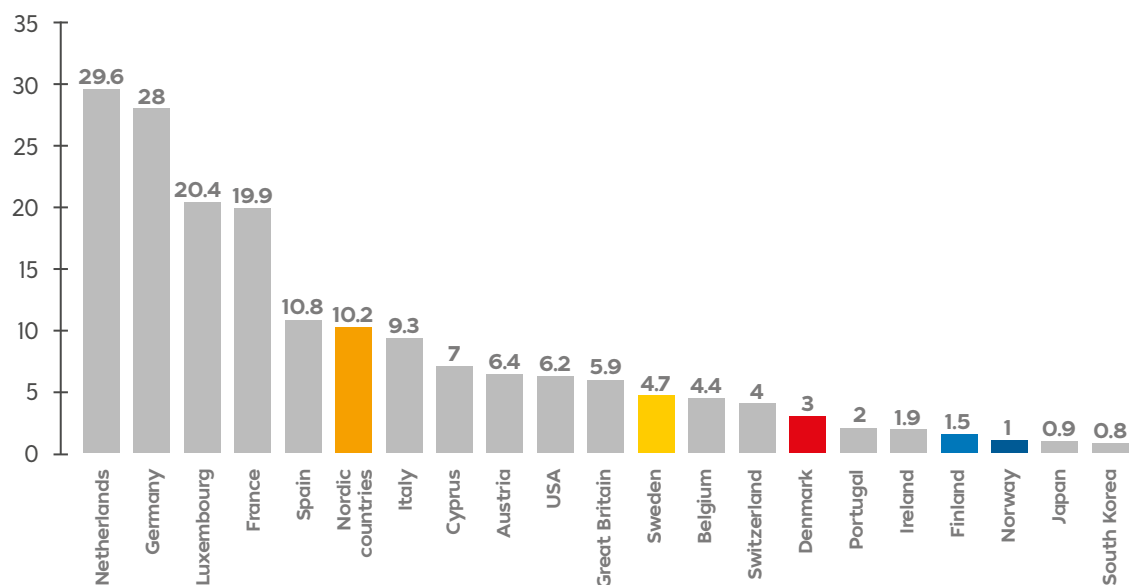


Chart. 2. Poland's FDI stock at the end of 2014 - the main investors, billion EUR, data of the NBP (National Bank of Poland)

In 2014, Poland recorded a FDI inflow of EUR 9 billion, the largest share of which was represented by entities coming from Luxembourg, the Netherlands and France. In 2013, the biggest amounts were invested in Poland in terms of FDI by companies from the UK, Germany, Austria and Belgium. In the past three years, the total value of investments from the Nordic countries was affected by the outflow of investments from Sweden¹⁰, but in 2013 and 2014 considerable amounts were invested in Poland by companies from Denmark and Norway. In 2013, the Norwegian FDI inflow of EUR 248.1 million made Norway the 8th largest investor in Poland, while in 2014 the inflow of investments from Denmark amounted to EUR 153 million, thus making Denmark the 11th largest foreign investor in Poland.

¹⁰ The outflows of investments from Sweden results mostly from large-value single transactions, such as purchase of the Nordea shares by PKO Bank Polski.

FDI inflow to Poland in 2013 and 2014, the main investors, million EUR.

Country of origin	inflow in 2013	inflow in 2014
Austria	790.7	-899.7
Belgium	753.9	1136.7
France	524.4	1180.5
Spain	132.7	410.7
Luxembourg	-2082.2	3814.3
The Netherlands	-449.8	3460.9
Germany	2 019.8	632.1
USA	200.3	-610.7
UK	3539.8	-677.6
Italy	-478.8	179.3
Denmark	-277.3	153
Finland	108.2	-10.1
Norway	248.1	63.9
Sweden	-247.9	-858.9
Nordic countries	-168.9	-652.1

Data of the NBP (National Bank of Poland).



Denmark, Finland, Norway and Sweden are in the **top 20** of the biggest foreign investors in Poland

2. Nordic direct investments in Poland

Nordic investments in 2003-2012

The investment activity of the Nordic companies in Poland between 2003 and 2012 is characterised by considerable variability, and the size of investments was impacted by a number of factors connected with the economic condition of the Nordic countries, with the global economic situation and the investment climate in Poland. In the first year after Poland joined the European Union, the investment inflow from Denmark, Finland and Sweden was comparable, around EUR 450 million for each of those three countries, which brought a total inflow of Nordic investments of EUR 1.3 billion¹. In the said year 2005, investors from the Nordic countries were among the first three largest foreign investors in Poland (the most was invested by companies with Luxemburg capital – EUR 1.7 billion, and German capital – EUR 1.5 billion). In the next years, Sweden clearly became the leader among the Scandinavian countries investing in Poland. In 2006, Nordic investments in Poland dropped, but the in the next two years they reached high values, of EUR 1.7 and 1.6 billion respectively. The weaker period connected with the financial crisis was followed by the year 2011, with its record investment inflow from the Nordic countries, of EUR 3.2 billion, including Swedish investments of EUR 2.6 billion. Sweden itself was then the fourth larger investor in Poland. In 2012, due to the outflow of Swedish capital, the value of the total Nordic FDI was negative.² The same year witnessed capital withdrawal by Vattenfall (a Swedish company operating in the energy sector) from Poland, which considerably contributed to the negative balance of Swedish FDI in Poland.



A record inflow of Nordic investments of **EUR 3.2 billion** was recorded in 2011

¹ In 2015, an outflow of EUR -45.3 million of Norwegian investments was noted.

² In 2013, the methodology of the NBP (National Bank of Poland) changed in terms of the statistics regarding foreign direct investments in Poland, which entailed the need to introduce new OECD standards in terms of preparing direct investment statistics. As a result, the data for the 2013-2014 period and for the previous years are not directly comparable, and therefore they have been presented in the report separately. For more information please visit: http://www.nbp.pl/publikacje/zib/zib_2013_n.pdf

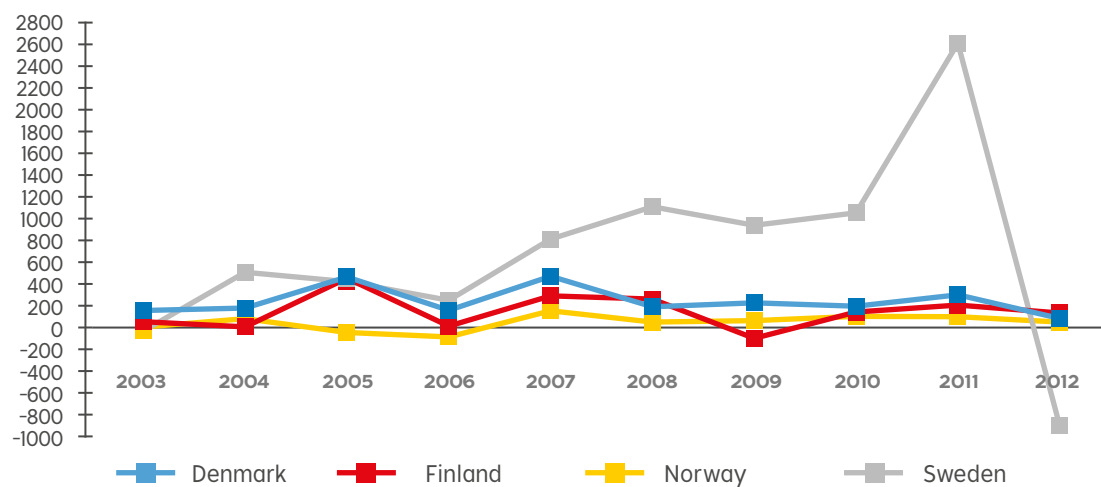


Chart 3. The inflow of Nordic investments between 2003 and 2012, million EUR, data of the NBP.

Danish investments

At the end of 2014, the balance of Poland's FDI liabilities towards investors from Denmark was close to EUR 3 billion (EUR 2,977.7 million - 14th among investors, with 1.73% share in foreign investments in Poland). In 2014 the inflow of FDI from Denmark amounted to EUR 153 million and in the same year investors from Denmark achieved the income from FDI in Poland of EUR 142.6 million. Despite the Danish economy being much smaller than Swedish economy, there are more companies with participation of Danish than Swedish capital registered in Poland.

The greatest investment inflow from Denmark took place in 2005 and 2007 (the invested amounts are EUR 465 million and EUR 471.7 million respectively). Danish investments seem to be characterised by greater stability when compared to other similar investments of the Nordic countries in Poland. Only in 2013, an outflow of Danish capital was recorded, connected mostly with withdrawal of capital participation. In the same year, a considerable part of Polish investments went to Denmark (EUR 267 million).³

Out of the recent Danish investments, the distribution centre opened in Goleniów in 2014 by a Danish e-commerce company, Smartguy Group A/S should be mentioned.

³ Foreign Direct Investments in Poland 2013, annual report of the NBP (National Bank of Poland).





Poland's GDP growth in 2014-2015 averaged 3.5% p.a. and we forecast a GDP growth in 2016 at around same level even though Q12016 came in at "only" 3.0%. Many countries worldwide would be more than happy with a growth rate like that.

Relatively, Poland's outperformance of its peers on growth largely has been driven by the country's ability to continue offering an attractive near shore alternative to more remote outsourcing destinations as well as a healthy private consumption.

Often Poland is referred to as an outsourcing alternative for production companies only. However, the development in recent years has seen more and more knowledge based companies establishing themselves in Poland due to the availability of highly skilled people as one of the main factors.

Danske Bank Poland's strategy is to support and help the increasing number of Scandinavian companies choosing Poland as the preferred destination of investment and outsourcing. We believe the growing importance of Poland as a trade partner to Denmark, Sweden, Norway and Finland will continue to offer great opportunities for Scandinavian-Polish trade relations in the years to come. However, like in all countries, various challenges exist but, there are so many opportunities still to be exhausted in Poland.

Carsten Brøchner Thing, General Manager, Danske Bank A/S S.A. Branch in Poland

Moreover, Lundbeck - a Danish pharmaceutical company - has launched their Business Service Centre in Kraków the same year. The Centre is providing service to Lundbeck's affiliate units all around the world in such functions as Finance, HR, IT, and Procurement. In 2015, Abena Polska developed the office & warehouse part of the already existing facility in the Goleniów Industrial Park. In May 2016, the Velux plant in Namysłów producing roof window systems was expanded by a new production space of 4260 sq. meters. The whole plant which consists of nine production halls has now expanded to 67 thousands sq. meters. Lantmannen Unibake, a leading bakery manufacturer is building a high-tech production plant in Nowa Sól, a city located in the Kostrzyn-Słubice Special Economic Zone. The works on the first part of the project covering 21ha of land are already in progress, and this will be a modern refrigerator plant for 20 000 palletts yearly. A planned production of 60 000 tons of bakery products will be addressed beyond the Polish borders. The launch of the production lines is scheduled to begin next year and the construction works on the investment should be finished by the end of 2018. It will be the third production plant of this company in Poland, apart from the already existing plants in Poznań and Nieporęt near Warsaw.

The VELUX Group and sister companies are the largest windows manufacturer in Poland. In the last four years (2012-2015) invested in the development and modernization of the Polish factories almost 500 million pln. We achieve annual revenues of over 1.5 billion pln, which accounts for nearly 1/4 of the total value of Polish exports of windows. The investments aimed at increasing exports are the greatest value for the Polish economy.

Jacek Siwiński, General Manager, VELUX Poland

Finnish investments

The balance of the FDI liabilities towards investors from Finland was EUR 1,532 million at the end of 2014, which means that Finland is 17th among the countries investing in Poland, with a share of 0.89% in total direct investments. In 2014, investors from Finland reached a FDI income of EUR 134.5 million.



When asked about their motivation to locate investments in Poland, our Finnish clients underline that Poland offers great business opportunities to increase their Group effectiveness by lowering production costs, more efficient logistics for their European business and potential for expansion on the local market. Key motivating factors behind investments are: consumers' increasing purchasing power, following continued economic growth, motivated and well educated personnel and also special economic zones with tax incentives for foreign investors.

**Tiina Helenius, Head of Economic Research Finland,
Handelsbanken**

Companies from Finland invested the most in 2005 - investment inflow to Poland from that country reached EUR 453.8 million. Greater activity of Finnish investors could also be observed in 2007 and 2008. In 2010-2012 the inflow level remained stable, with EUR 150-200 million per annum. In 2014, similarly to the crisis year of 2009, capital inflow of EUR 10.1 million was recorded. However, this amount is still 10 times lower when compared to the outflow of almost EUR 100 million recorded in 2009.

The investment of a paper industry company Stora Enso in an existing paper processing plant in Ostrołęka, completed in 2013, is among the largest investments in the recent years. Another company operating in the paper industry, Metsa Tissue, modernised its paper plant in Krapkowice as well. Alteams Poland had begun its operations in Łębork at the beginning of 2013 and in the first quarter of 2014 a production of aluminum components for the telecommunication industry was launched. Production for additional industry - mechatronics - is planned for 2016. Ultimately the company is going to hire 300 employees - at this moment there are 134 people working in Alteams.

Finnish companies also have some development plans for the upcoming years. Fiskars - a manufacturer of gardening tools - is



planning to expand the production in its Słupsk factory. Similar actions and creation of 200 new jobs are planned by Finnish Cargotec; the original investment of that company, i.e. the cargo handling machinery/equipment assembly plant in Stargard Szczeciński opened in 2009, was the largest foreign investment in Poland in that year. It is also worth to mention the planned investments of Fortum, a company operating in the energy industry, which strengthened its position on the power market in Poland even more after taking over the shares of the Polish Duon Group in 2016. Fortum has a modern thermal power plant in Częstochowa and construction works for a EUR 200 million thermal power plant in Zabrze are already being in progress. The Zabrze power plant will supply energy for the inhabitants of Zabrze and Bytom and is to be commissioned in 2018.

Already since early 2000 Alteams Group have had its main operations in China and India to serve our global customers. To strengthen our global presence and to improve our competitiveness as local supplier in European market, we made strategic decision to invest factory into Łęborg, on 2012. Operations started in 2014 and factory is today very important part of our manufacturing platform.

Having competitive manufacturing in Europe, it enables Alteams growth in all our main customer segments. In existing location we have all opportunities to grow and make future investments when needed. Logistically northern Poland is excellent location when looking our customer base and delivery addresses. We have also just started hub operation in Łęborg to have full market coverage within 48 hours. We are also building up more and more development and engineering resources in Łęborg.

Asko Nevala, CEO, Alteams Group

Construction of modern multi-fuel CHP is a part of wide Fortum investment program for Zabrze and Bytom, which in total will be worth around PLN 1 billion. It will be the second Fortum facility of that kind in Poland beside Częstochowa CHP, which was commissioned in 2010. New Zabrze CHP will be a technologically advanced multi-fuel facility. The fuel mix of coal, RDF and biomass will be flexibly adjusted to the needs and market conditions. Poland is a very important market for us and we keep looking for more development and investment opportunities in solutions aimed to ensure safe, reliable and ecological heat production and distribution.

Mikael Lemström, CEO Fortum Power and Heat Polska

Norwegian investments

According to the National Bank of Poland, the total value of Norwegian capital invested in Poland as FDI was EUR 1032.7 million at the end of 2014 and the Norwegian investors are 18th among the countries investing in Poland with a share of 0.6% in total FDI positions. In 2014, investors from Norway achieved an income of EUR 59.8 million from FDI in Poland.



Poland continues to be an attractive investment place for investments for Norwegian companies. At this moment there are approx. 400 companies, including approx. 50 large ones, operating especially in the processing industry. The attractiveness of Polish is evidenced by the very fact that the Norwegian Government has developed a dedicated strategy of cooperation with Poland. "Strategy for cooperation with Poland" was published by the Norwegian Government during President Duda's visit to Norway in May 2016. Poland is a stable country belonging to the European Union and NATO. It's the sixth largest economy in Europe, the 9th largest partner of Norway in terms of imports and 10th in exports, it is also the largest export market for seafood industry, and one of the most important markets for the security & defence industry. It's worth to mention a new perspective Norway Grants / EEA Grants, which causes that Poland again will be a major beneficiary of, and the support for innovation is one of the main objectives of this program. All this contributes to strengthening of business relations between Poland and Norway and promotes Norwegian investment in Poland. The positive image of Norway in Poland additionally supports Polish - Norwegian co-operation.

**Søren Jensen, Head of Regional Corporate Centres & Head of Global Clients,
DNB Bank Polska SA**

The value of investments from Norway was the highest in 2013 - Norwegian companies invested EUR 248.1 million, which gave Norway the 8th spot among the top ten largest investors in Poland. In the previous years, considerable capital inflow (of EUR 154.4 million) was also recorded in 2007.⁴ In 2014, capital inflow from Norway reached EUR 63.1 million.

In the recent years, Norwegian investments are becoming increasingly visible in Poland. The year 2014 was marked by the completion of the Elbląg factory of Acoustics AS - a manufacturer of noise monitoring devices on the "offshore" and "onshore" markets, as well as in the shipyard industry. In the same year, a plant of Titrec, a company from the industry steel structures used in offshore and maritime areas, was opened in the Redzikowo Subzone of the Słupsk Special Economic Zone. At the beginning of 2015, NFM Production, an undertaking from the military industry (protective products for the army) opened its new manufacturing plant in Łębork. This is the second investment of this company in Poland - the first production facility was built in Potęgowo in 2006. Next expansions of the Łębork plant are scheduled for 2017-2018. PURO Hotels, the first lifestyle hotel chain on the Polish market with the share of Norwegian capital, opened a hotel in Gdańsk in the same year. The

⁴ Please note that due to changes in the methodology for calculating the FDI by the NBP (National Bank of Poland), data for the 2003-2012 period and the 2013-2014 period are not fully comparable.

hotel will be marked in history of the Wyspa Spichrzów as the first commercial investment in its North part. In March this year the works aimed at expanding the Gdańsk facility begun, the end of the project is scheduled for 2017. The company is planning further dynamic growth in Warsaw, Cracow and Łódź, where parcels of land for investments have already been secured. PURO has its hotels in Wrocław, Cracow, Poznań and Gdańsk - all located in the close city centres.

In 2016, Kongsberg Automotive, a holding from the automotive industry, developed its plant in Pruszków with PLN 3 million invested in the development. The Norwegian holding also invests near Łódź - a new factory of another Kongsberg Automotive division is being built there, with its commissioning (validation and production) planned for the end of May or the beginning of June 2016. Norwegian Tergopower invests in Poland in construction of two ecological power plants - in Lublin and Biłgoraj. The Lublin investment, with the estimated cost of EUR 150 million, is planned to be completed in 2018.

The largest Norwegian investor in Poland is Pension Fund Global, which invests the funds obtained as income from hydrocarbon extraction on the Norwegian continental shelf. However, the Fund allocates capital into portfolio investments, which are not foreign direct investments.⁵

The construction of the new production plant is above all connected with increasing the production capacity as well as strengthening the company's position on the market. The investment in a modern infrastructure has increased the safety and comfort of work for our current and future employees.

Katarzyna Wołejko, Managing Director, Tritec Production Sp. z o.o.

The Norwegian investment created a leverage for the dynamic development of the company. At the same time, the long term plans of investors regarding their presence in Poland results in strengthening not only the infrastructure but also in supporting innovativeness, bringing modern technologies, promoting personal development and building the Scandinavian company culture.

Małgorzata Dombrowska, CEO, NFM Production Sp. z o.o.

Our vision is to create a great Polish hospitality brand, that we eventually can take international. In the upcoming years, we will continue our expansion in Poland, still concentrating on the main regional cities.

We plan to open our first hotel in Warsaw towards the end of next year (2017). This hotel will have one of the best locations in the city, and will be our flagship property. Both because it will finally establish Puro in the capital of Warsaw, but also because it will increase the awareness of the brand. This will be an important element when it comes to our future plans to expand internationally.

**Rune Askevold, Managing Director, Puro Hotels Sp. z o.o.,
he is also responsible for the brand's creative direction**

⁵ Kto i gdzie inwestuje, Export Promotion Portal - Norway, <https://norway.trade.gov.pl/pl/inwestycje/85.kto-i-gdzie-inwestuje.html>

Investments in Pruszków allowed Kongsberg Automotive to strengthen the position among the suppliers of the automotive parts. Thereby, we are able to launch new generation products - more effective and even better. This year, the investment for only one production plant was worth EUR 17 million, next year we are planning comparable investments.

Krzysztof Hauk, Plant Manager, Kongsberg Automotive

Swedish investments

At the end of 2014, the balance of Poland's FDI liabilities towards Sweden was EUR 4731.8 million. Sweden was the 11th investor in Poland in 2014, with a total share in direct investments of 2.76%. In 2014, investors from Sweden achieved the income from FDI in Poland of EUR 624.9, which gives those investments the 7th spot in terms of the value of income achieved by foreign investors from FDI.⁶



Scandinavian investors in Poland come for three key reasons. Poland has a skilled labor force and has become an integral part of Scandinavian companies' supply chain. It represents a large domestic consumer base with strong growth potential. For portfolio investors, it offers the largest and most liquid market in Eastern Europe. The main challenge for Poland in the coming years will be to spur productivity growth and innovation by improving education. Scandinavian investors will benefit from rising incomes and demand for higher value-added goods and services.

Per Hammarlund, Chief Emerging Markets Strategist, SEB

The biggest inflow of investments from Sweden was noted in 2008 and 2010, and in 2011 in particular, with an inflow of EUR 2.6 billion. In the past years, Swedish capital has been observed to have considerably withdrawn from Poland. According to the National Bank of Poland, investors from Sweden withdrew mostly funds in the form of shares and other forms of capital participation. This results mostly from large-value single transactions, such as the already mentioned purchase of Nordea shares by PKO BP⁷. In 2013, of the outflow of Swedish FDI were largely connected with transactions of special-purpose entities.⁸ It should be noted that Swedish companies present in Poland still have a large share of reinvested profit in the total FDI value, thus developing their presence in the Polish market. In 2014, the rate of reinvested earnings was the highest for direct investors from Sweden (72%), then from France (57%), Germany (56%) and Switzerland (56%).⁹

Examples of recent large Swedish investments in Poland include the sawmill of IKEA Industry opened in 2014 in Stalowa Wola, which is the largest sawmill operated by IKEA Industry worldwide. An earlier large investment was the launching of the IKEA Industry Orla plant (then Swedspan), announced by PAIIZ as the largest foreign investment in Poland in 2010. At the end of 2015, Atlas

⁶ The income consists of dividends, reinvested profit and income from debt (interest).

⁷ According to the National Bank of Poland, the change of methodology in presenting FDI statistics that took place in 2013 could also have a special influence on the data regarding Swedish investments in Poland, as well as on the data of Polish investments in Sweden.

⁸ Transactions of special-purpose entities are explained on page 10.

⁹ Zagraniczne inwestycje bezpośrednie w Polsce i polskie inwestycje bezpośrednie za granicą w 2014, Report of the NBP.

Copco Polska announced its decision to open a modern service & repair centre for mining machines in the Legnica Special Economic Zone. Also in Lower Silesia, Electrolux – a leading manufacturer of household equipment – developed its oven factory in Świdnica. Last year also was marked by the launching of a supply support centre at the Electrolux plant in Oława, development of the production facility, and opening of a research & development lab by Electrolux in Żarów. The company is planning other investment projects connected with production capacity increase. Husqvarna, a Swedish manufacturer of equipment for professional horticulture, present in Mielec, also plans to develop its existing plant. In April 2016, Swedish Ericsson completed the process of taking over the shares and activity of Ericpol in Poland and the Ukraine, which resulted in 2100 Ericpol employees joining Ericsson.

Decision to construct the new Service & Remanufacturing Centre for Mining and Rock Excavation Business Area in Polkowice, Poland has proved the long-term strategy of Atlas Copco business in Central Region of Europe. The intention is to meet the actual and future customer's needs, which are more demanding as for a quality of services and products delivered, especially to world leading companies. Investment makes our brand and business position stronger in Poland, presenting the company mission for sustainable profitable growth with respect to our core values: innovation, commitment and interaction. It is built as for LEED requirements, following the environmental care awareness. We invest in competence of our employees, modern workshop tools and equipment as well as in achieving the expected high energy efficiency of facilities. We plan to accomplish the construction by end of 1st Quarter 2017. That has been another one development phase of Atlas Copco business in our country since 20 years.

**Andrzej Mielko, Country Manager Poland for Mining & Rock Excavation,
Atlas Copco Polska Sp. z o.o.**

By this acquisition, Ericsson will strengthen its global R&D capabilities. Secure technology leadership in building best in class products. This will give Ericsson a platform from which we can further grow our own R&D capacity for in both the areas of Radio and Cloud and IP. Total number of Ericsson employees in Poland increase to 2900 people.

Sinisa Krajnovic, Head of Development Unit Radio, Ericsson

Locating in Poland such a large manufacturing facility producing sawn timber necessary for our furniture. IKEA Industry confirms its commitment to the use of certified raw material. Polish wood is FSC certified, which gives us the confidence of using raw material coming from responsibly managed forests. It is very important to us.

Michał Kubliński, Ikea Industry Solid Wood Operation South manager

Poland is a significant point on Electrolux's investment map. At present, we employ nearly 5,000 here, working in our 4 factories, global shared services centre in Krakow and Central-East Europe HQ in Warsaw. Last years we consistently invested in the development of our factories, increasing their capacities, which resulted in the yearly total production output of 4 750 000 pieces. The most intensive development took place at our oven factory in Świdnica. It went from being the smallest to the largest plant, with a staff of over 1,200 employees. Previously Electrolux was strongly focused on developing its manufacturing part, employing mostly production staff. 2015 was a year of intensive development in specialized business areas at Polish factories. A European centre for the management of the supply chain for Europe was formed at the Oława factory, where we employed 150 logistics and supply chain specialists. In Żarów, we launched an R&D lab, which enabled us to respond to market needs even faster. It is also worth mentioning that Electrolux has its CEE sales headquarters running since 2014 in Warsaw, from which our managers and specialists manage 24 countries in our part of Europe, including Russia.

Adam Cich, General Manager, Central & Eastern Europe, Electrolux

Investment cooperation with Iceland and the Baltic countries - Latvia, Lithuania and Estonia

The presence of Icelandic companies in Poland and Polish companies in Iceland is relatively low. On the list of the main foreign investors in Poland prepared by PAIIZ (Polish Information and Foreign Investment Agency) there are three Icelandic companies: Horn Invest hf., Promens hf., and The Enterprise Investment Fund (EIF), all of them connected with the Promens Warszawa and Promens Międzyrzecz investment. At the end of 2014, the balance of Poland's liabilities for Icelandic FDI was EUR 5.2 million.

At the end of 2015, PAIIZ announced the Go Arctic programme, the purpose of which is to increase the presence of Polish companies not only in Scandinavia, but in Iceland as well.¹⁰

Poland has more active capital cooperation with Baltic economies, and in particular with Lithuania, just as in the case of trade. The balance of Lithuanian capital invested in Poland as FDI at the end of 2014 was EUR 280.6 million, with EUR 42.4 million coming to Poland in 2014 as Lithuanian FDI. In 2012, Poland was the second foreign investor in Lithuania, after Sweden and before Germany (representing 11% of the foreign capital invested in Lithuania).

According to the Central Statistical Office (GUS) there are 46 companies with Estonian capital participation registered in Poland. The PAIIZ list of main foreign investors includes 5 companies from Estonia and 2 companies with the Latvian capital. The Estonian companies investing in Poland are: BLRT Grupp, Navirec AS, Norstat AS, Olympic Entertainment Group AS and Wendre AS, which belongs to the Swedish group Wendre Scandinavia AB, which invested in a pillow production plant in Kostrzyn. 2014 marked the outflow of EUR 68.5 million of Estonian FDI capital. Latvian companies listed as foreign investors in Poland are: Severstallat, operating in metallurgy, and Stenders - from the cosmetics industry. A EUR 16.7 million FDI capital inflow from Latvia was recorded in 2014.

¹⁰ Rusza Go Arctic, http://www.paiz.gov.pl/20151207/rusza_go_arctic

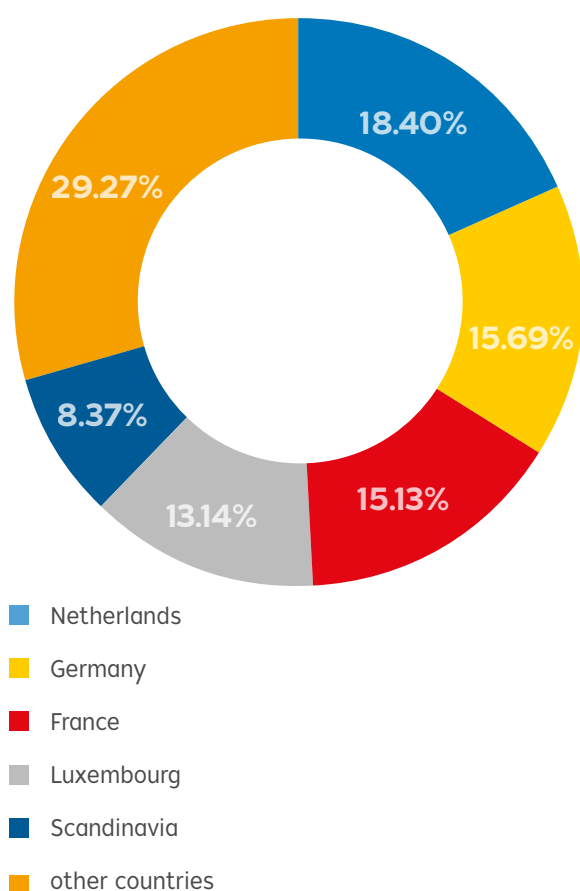
3. Nordic-Polish economic relations

Companies with the Nordic capital in Poland

Companies with the Nordic capital form a large group of entities with foreign capital in Poland, with the majority of them having settled in the Polish market for good. In 2014, Poland had 2167 active companies with participation of the Nordic capital, which represents a capital of PLN 16.3 billion. Those companies are important employers, trade partners for Polish companies, and significant investors on our market.

The foreign capital allocated in Poland at the end of 2014 came from 125 countries. Companies with Nordic capital form the fifth largest group of entities with foreign capital in Poland, representing 8.3% of the total foreign capital. In 2012, Nordic companies constituted 7% of the foreign capital in Poland and in 2013 - 8.7%. The biggest group consisted as per usual of companies with Dutch, German, French and Luxemburg capital.

Over the past 10 years, the number of companies with Nordic capital in Poland increased by 37%. Since 2011, their number has been more or less the same (Chart 5).



The biggest group is represented by the Danish companies - there are 854 entities that are registered in Poland, and they represent almost 40% of all the Nordic companies in Poland. The second largest group is represented by Swedish companies - 706 companies representing 32% of the capital, then Norwegian companies - 299 companies with contribution of 18%, and Finnish companies - 208 companies, holding 10% of Scandinavian capital in Poland (chart 6). The Nordic companies in Poland represent a capital of PL 16.36 billion, with the value of Swedish contribution exceeding that from Denmark (chart 7).

Chart 4. Countries of companies with foreign capital in Poland, 2014, data according to the Central Statistical Office (GUS)

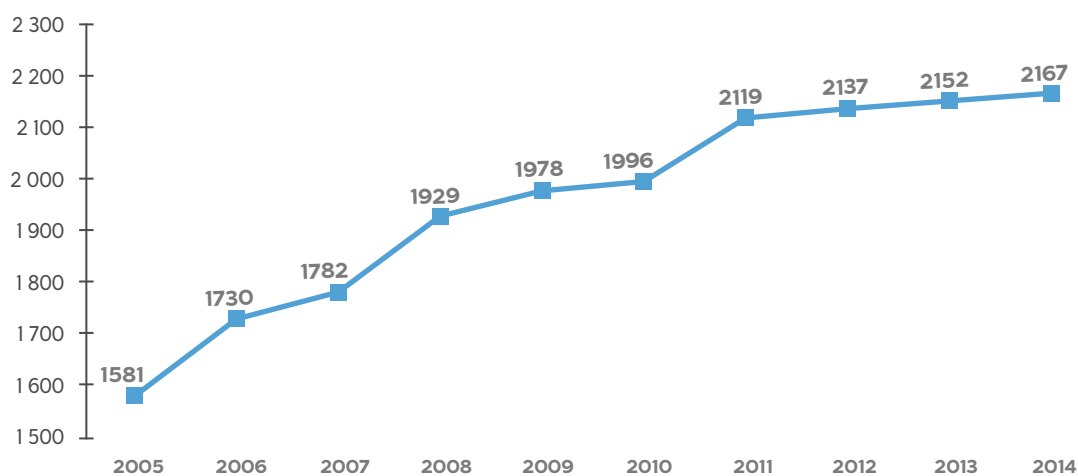


Chart 5. The number of companies with the Nordic capital in Poland in the 2005-2014 period, data according to the Central Statistical Office (GUS)

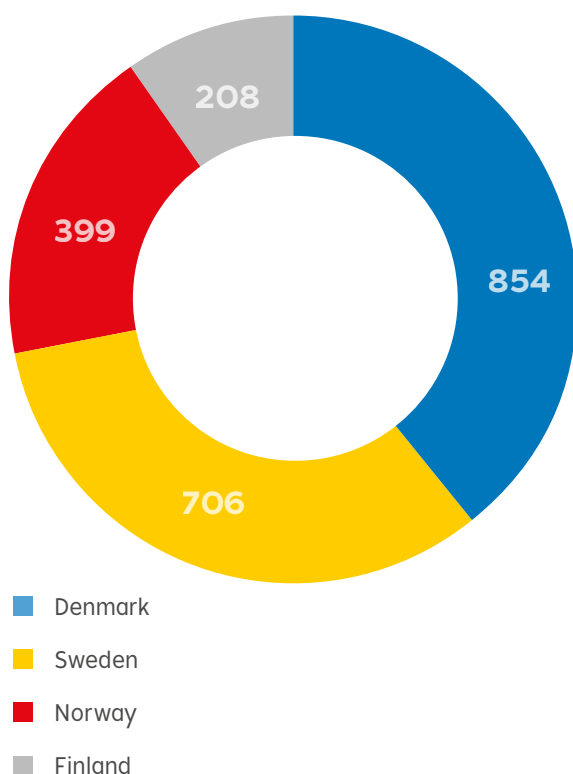
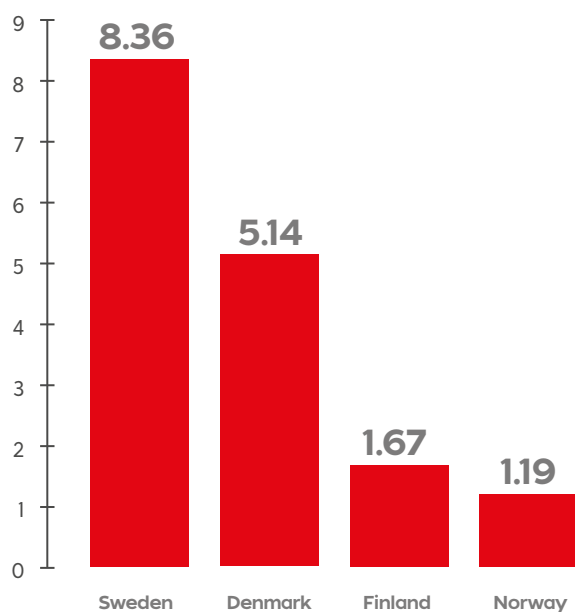


Chart 6. The number of companies with the Nordic capital in Poland (2014), Central Statistical Office (GUS)

Nordic companies in Poland are mostly small companies with up to 9 employees (59% of all Nordic companies in Poland). The other 41% consists of undertakings which hire more than 9 people. However, this is no exception, since 66.7% of all entities with foreign capital operating in Poland are microenterprises with up to 9 employees.

As far as the represented industries are concerned, the majority of Nordic companies focus on industrial manufacturing as well as wholesale and retail trade. In case of the Danish companies, construction and real property market are other strongly represented sectors. Norwegian companies have also allocated their capital in the real property market as well as the hospitality industry.



Over a half of Swedish capital has been allocated in entities with their registered office in Mazowieckie Province, similarly to companies with Danish capital. In the case of Danish companies, Zachodniopomorskie Province is a location that stands out. This is connected with the geographic location of that region, which is conducive to development of regional cooperation with Denmark, as well as with Norway and Sweden. Zachodniopomorskie Province, along with Pomorskie Province, stands out also as far as locations with the most Norwegian capital are concerned.

Chart 7. The value of capital held by the companies with Nordic capital in Poland (2014), Central Statistical Office (GUS), in billion PLN

Nordic countries among Poland's main commercial partners

Nordic countries remain one of Poland's most important commercial partners, in terms of both import and export. The close geographic distance and the increasing involvement of Nordic companies on the Polish market give the mutual economic relations between Poland and the Nordic countries a chance to develop. In 2014, the Nordic countries were the second destination for Polish export (approx. 7% of the whole export), behind Germany (26.3% of the whole export). Poland also imports the most goods from Germany, China, Russia, and Italy, so in the global dimension the

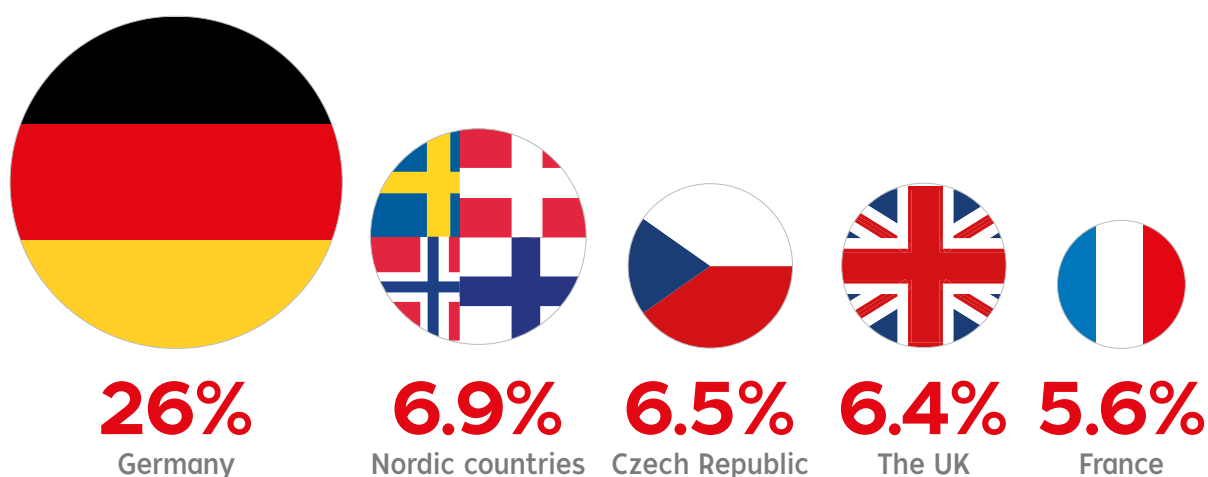


Fig. 1. The most important destinations for Polish export in 2014 (data according to the Central Statistical Office - GUS)

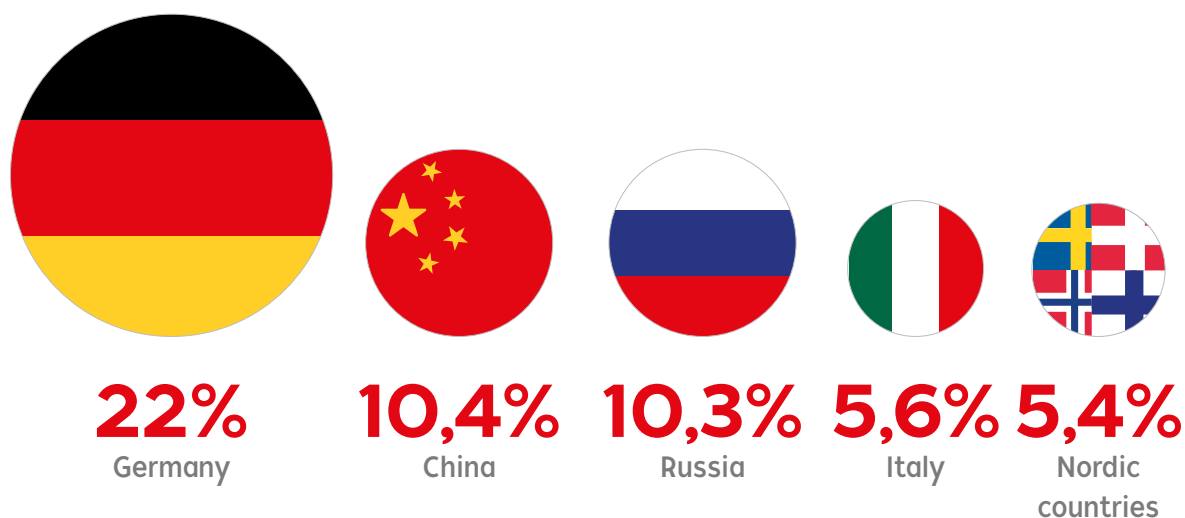


Fig. 2. The most important countries for Polish import in 2014 (data according to the Central Statistical Office - GUS)

Nordic countries are the fifth source of Polish import. However, as far as Poland's trade with the European Union is concerned, the Nordic countries are Poland's third destination of import.

From all the Nordic economies, Sweden is Poland's most important partner - it is among Poland's top ten most important export destinations.

Poland's economic cooperation with the Nordic countries in the 2005-2015

In 2013, mutual trade between Poland and the Nordic countries exceeded EUR 11 billion for the first time in export categories, and EUR 9 billion in import categories. In 2014, Poland's trade with Scandinavia reached EUR billion 20.6. Since Poland entered the European Union, the value of export and import with the Nordics has doubled - the value of exported goods has increased from EUR 5.75 billion to EUR 11.6 billion, while the value of imported goods grew from EUR 5.27 billion to EUR 9 billion.

Over the past 10 years, the biggest slump in the mutual trade between Poland and the Nordics was recorded in 2009, and it resulted from the economic crisis. It was not until 2012 that the mutual trade level was rebuilt, and it has been at its highest when compared to the whole studied period ever since. According to preliminary data for 2015, Poland imported goods worth EUR 8.9 billion from the North, and exported goods worth EUR 11.6 billion. The value of mutual trade with four Nordic countries over the past three years has remained on a stable level, approx. EUR 20 billion per annum.

The trade balance for the whole studied period remains positive for Poland - we export more to the Nordic countries than we import, and additionally the balance has been increasing since 2009, reaching EUR 2.58 billion in 2014. According to the preliminary data for 2015, the balance was EUR 2.65 billion.

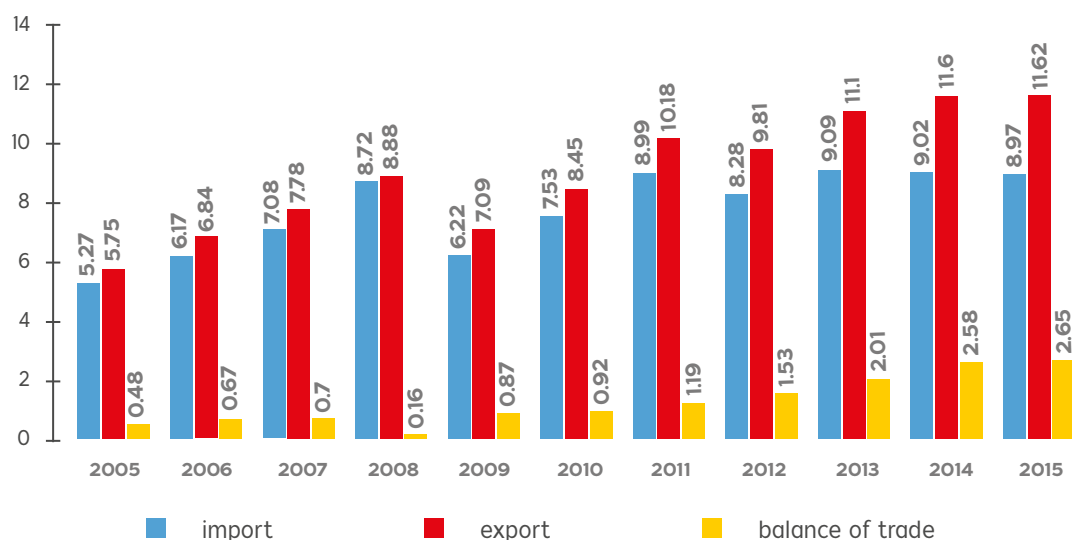


Chart 8. Trade with the Nordic countries in 2005-2015, billion EUR (Central Statistical Office - GUS). Data for 2015 are preliminary data.

The value of mutual trade with Sweden in 2014 equalled Poland's trade with Denmark and Finland combined, reaching EUR 7.75 billion. According to preliminary estimation for 2015, it already exceeds EUR 8 billion. Norway comes second - the value of mutual trade with this country in 2014 is over EUR 5 billion. According to preliminary data for 2015, Norway was replaced by Denmark, which results from the slight increase in export to Denmark, with concurrent drop in both import and export with Norway.

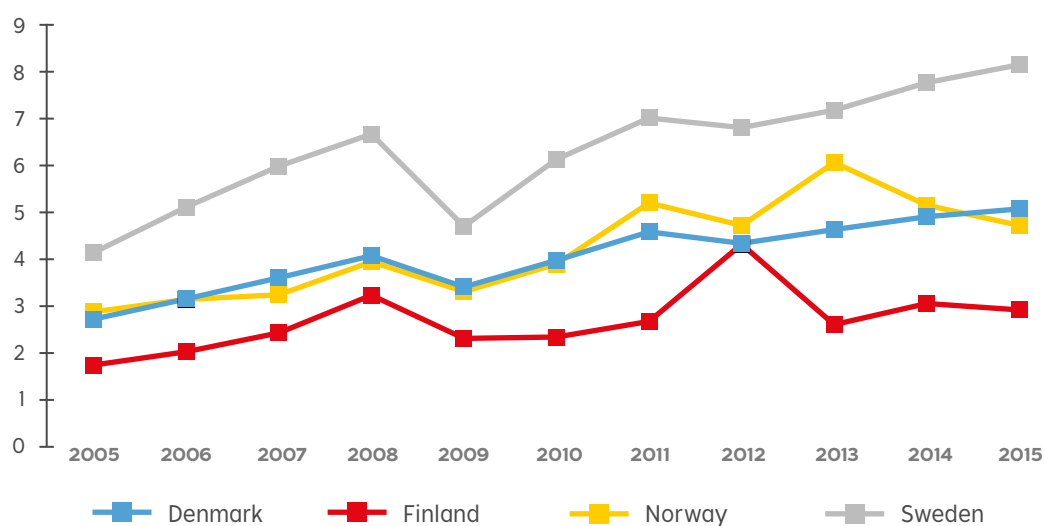


Chart 9. Trade with the Nordic countries in the 2005-2015 period (data for 2015 are preliminary data), EUR billion (Central Statistical Office - GUS).

Trade with the Nordic countries

Denmark

In 2014, Denmark was 17th on the list of Poland's export destinations and 19th in terms of import.

From the moment Poland joined the European Union until the economic slump in 2009, export of Polish goods to Denmark was developing rapidly. In 2010, export was successfully rebuilt to a level slightly higher than that in 2008, and no major negative fluctuations have been observed ever since. Since 2013, export has been increasing every year, and its estimated value in 2015 for the first time reached EUR 2.9 billion, while the volume of mutual trade in 2015 reached over EUR 5 billion. Since 1990, Poland has had a positive balance of trade with Denmark. The surplus in the mutual trade is generated not only by Polish companies but also by Danish companies operating in Poland.



Presence of Danish companies on the Polish market has throughout the years been developing positively. Today in Poland, there are 854 entities with Danish capital. Danes eagerly invest in industry, e.g. metal and steel production; IT and services, as well as agriculture and food production. Companies with Danish capital create working places for approx. 60 thousand Poles. The value of Danish investments in Poland (FDI) amounted to approximately PLN 12 billion by the end of 2015.

For many years the main focus of Danish presence on the Polish market was logistics and production with third country sale.

Over the years we are noticing a significant and continuous development of Danish companies benefitting from direct sales to the Polish consumers and businesses. Poland is no longer merely a sourcing country. The rising real income (65% since 2000) and the boom in the industrial production have meant that Poland today constitutes an enormous domestic market. Danish companies already in the Polish market and Danish companies in Denmark are opening their eyes towards this grand export possibility.

In the years to come Poland as a near market is going to become an inherent part of the export strategy of all serious Danish and Scandinavian companies.

Ambassador of Denmark
Steen Hommel

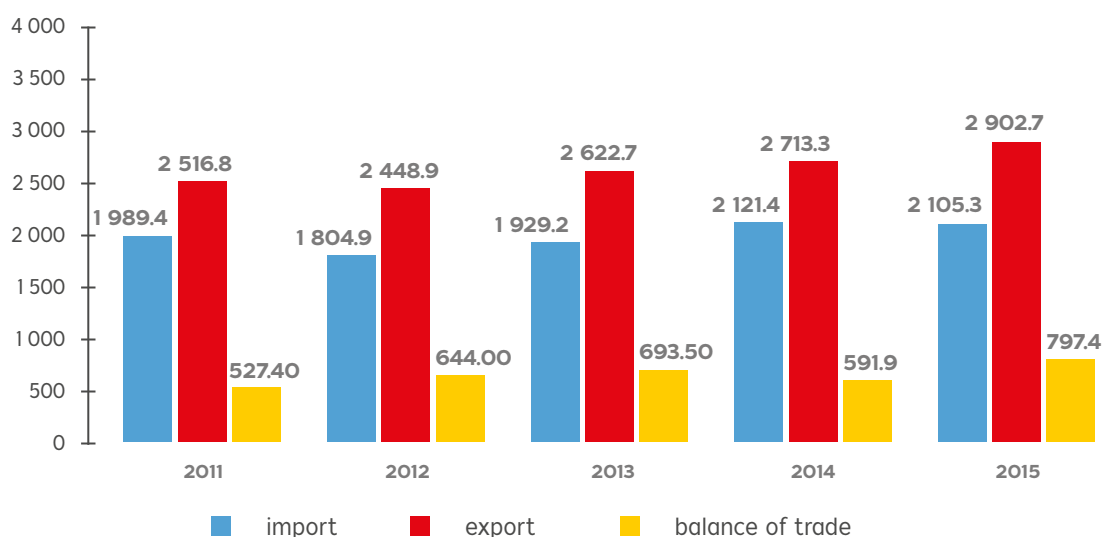


Chart 10. Trade with Denmark over the past 5 years (EUR million). Data for 2015 are preliminary data (Central Statistical Office - GUS).

The structure of Polish export after joining the European Union has changed; the share of agriculture products and foodstuffs, machines and equipment, as well as cars increased, while the share of textile products and clothes dropped. In 2014, the greatest share in Poland's export to Denmark is represented by products of the electromechanical industry - almost 32%, mostly mechanical and electrical devices. Further, there are agricultural foodstuffs, chemical industry products, metallurgical products, and wood and paper industry products. The group of Poland's largest exporters trading with Denmark are: Animex, Crist, Electrolux Poland, Elstar Oils, Farm Equipment International, Hjort Knudsen Polen, Philips Lighting Poland, Arcelormittal Poland, Borg Automotive, Can-Pack.¹



¹ Wymiana handlowa z Danią, Export Promotion Portal, <https://denmark.trade.gov.pl/pl/wymiana-handlowa/1159.Cokupi%C4%87-a-co-sprzed%C4%87.html>

**31.7%**electromechanical
industry products**10.2%**

metallurgy products

**15.8%**agricultural products
and foodstuffs**8.7%**wood & paper
industry products**12.8%**

chemical industry products

Fig. 3. Major groups of products exported to Denmark (2014) (Central Statistical Office - GUS).

The largest group in import consists of agricultural products and foodstuffs - approx. 33% (mostly products of animal origin, beef), products of electromechanical industry, chemical industry products, metallurgy products, and light industry products. Importers are mostly represented by: Animex, Cemat-Silicon, Crist, Jysk, Mmarkisol International Ltd., Novo Nordisk Pharma, Ship-Service, Sokołów, Arla Foods and Chr. Hansen Poland.²

**32.9%**agricultural products
and foodstuffs**9%**

metallurgy products

**24.7%**electromechanical
industry products**6.6%**

light industry products

**16.1%**

chemical industry products

Fig. 4. Major groups of products imported from Denmark (2014) (Central Statistical Office - GUS).

² Wymiana handlowa z Danią, Export Promotion Portal, https://denmark.trade.gov.pl/pl/wymiana-handlowa/1159_Co-kupi%C4%87,-a-co-sprzed%C4%87.html



Poland has maintained its attractiveness in the eyes of Finnish companies. The bilateral investment treaty signed in 1996 laid the foundation for the Finnish investments in Poland. After Poland joined the European Union, we have gladly noticed steady growth and intensified relations in many fields of business. At present around 200 Finnish companies have their subsidiaries in Poland and more than half of them have more diverse operation than just a sales office. Both sides have benefited from Finnish presence in Poland as over 40 000 Poles are making their living in Finnish companies.

Large and steadily growing domestic market, central location and capable labor force are some of the many factors which make Poland such an attractive trade partner and investment destination for Finnish companies. Poland is the key manufacturing and sourcing market for the Finnish mechanical engineering industry and strong activities can also be found in chemical, pulp & paper, cleantech and ICT sectors. The co-operation between our defense industries is strong as exemplified by the co-operation on the "Rosomak" AMVs. The shared service centers and R&D services are the latest growth sectors in our bilateral commercial co-operation.

The new government has taken supporting innovations as one of its main focus areas and Finland, as a one of the leading education and innovation countries in today's world, can offer a large variety of knowledge in the strategic sectors of Poland as the country is heading towards knowledge based economy. ICT and Healthcare sector startups can offer solutions that Poland would certainly benefit.

In the future, Poland will invest remarkably in the municipal cleantech where Finland has lot to offer and knowledge to share. In municipal cleantech district heating- and CHP- networks, water infrastructure, municipal waste management will be the potential areas to intensify our cooperation. Finnish agritech-companies have also noticed Polish market one of their target markets. Poland as a major global and European agricultural country offers lot of investment potential for Finland.

We are looking forward to see the full realization of the great potential that Poland offers. The ongoing ministerial visit of the Minister of Foreign Trade and Development Lenita Toivakka to Poland during the 13th to 15th of June has demonstrated the great possibilities of intensify the economic relations between us.

Hanna Lehtinen
Ambassador of Finland

Finland

In 2014, Finland was 24th among Poland's export partners (0.8% of Polish export) and 22nd as its import partner (0.9% of Polish import). Poland is currently Finland's most important trading partner in Eastern and Central Europe.³

The volume of mutual trade between Poland and Finland is the lowest of all the four Scandinavian countries but the presence of Finnish companies and Finnish investments on the Polish market is also relatively smaller. The value of mutual trade between Poland and Finland in 2015 was EUR 2.8 billion. Similarly, as in the case of Denmark, export to Finland rapidly developed and basically doubled in the 2005-2008 period, reaching EUR 554 million in 2005 and EUR 998.5 million in 2008. After the slump in 2009, it was not until 2011 that the level of export from before the crisis was successfully rebuilt. As of then, export kept increasing, only to reach the level of EUR 1,402.7 million in 2014. Preliminary estimations for 2015 point to a slight drop in export.

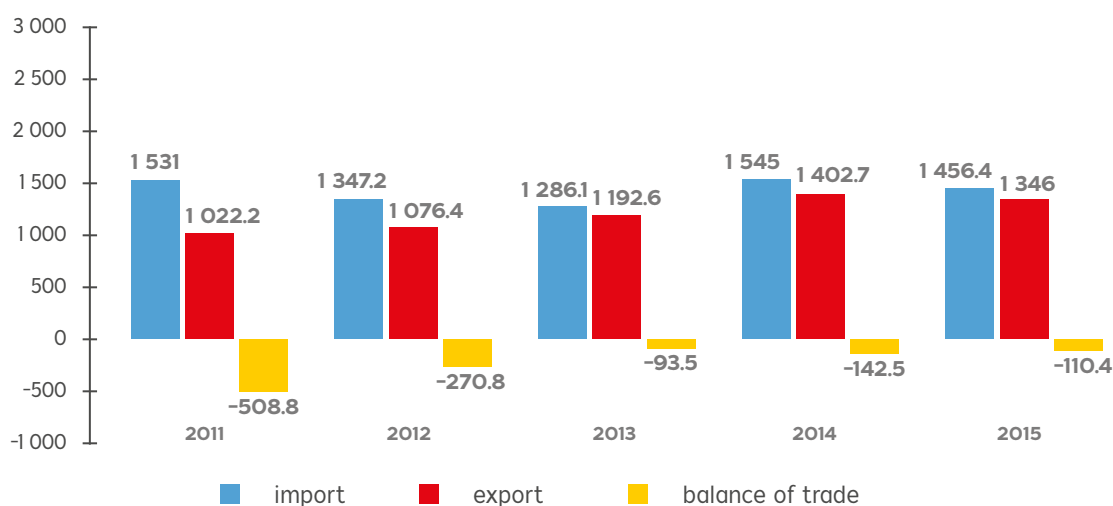


Chart 11. Trade with Finland over the past 5 years (EUR million). Data for 2015 are preliminary data (Central Statistical Office - GUS).

Mutual trade with Finland has had a negative balance over the past years, which is an exception in trade with the Nordic countries - only in relations with Finland we import more than we export. The negative balance was recorded in 2005, while its value peaked in 2008. Import from Finland was twice as high as export - the value of export to Finland is EUR 998.5 million, while the value of import is EUR 2,130 million. 2015 was marked by a slight drop in both import and export. In the recent years, sale of Polish products to the Finnish market when compared to the good imported from Finland has been increasing, so the balance of trade is gradually moving towards a value positive for Poland. Trade with Finland, since 2004, has been shaped by supplies of armoured personnel carriers for Polish army from the Finnish state-owned Concern Patria Industries OY, who has won the tender proceedings of Polish Armed Forces for supplies of AMVs. On 1 July 2013, an offset agreement of an offset value of

³ Minister Toivakka leads a Team Finland visit to Poland, notatka prasowa MSZ Finlandii, 9.06.2016: <http://formin.finland.fi/public/default.aspx?contentid=347598&nodeid=15145&contentlan=2&culture=en-US>

EUR 482 million was signed, and it was performed by mid 2013.⁴ Mutual trade in the recent years has also been affected by the economic crisis and the fact that the Finnish economy in the past years has been in recession. According to forecasts, this is not expected to change in the years to come.

Since the beginning of the decade, Polish export to Finland has been marked by increasing significance of electromechanical industry products, metallurgy products and agricultural products and foodstuffs. Groups of goods with the greatest share in export in 2014 are represented by electromechanical industry products (36.4%), mainly mechanical and electrical products, then metallurgy products made of non-noble metals (19.4%), chemical industry metals (13.9%), as well as agricultural products and foodstuffs, and light industry products. According to preliminary data for 2015, this structure has not changed significantly.

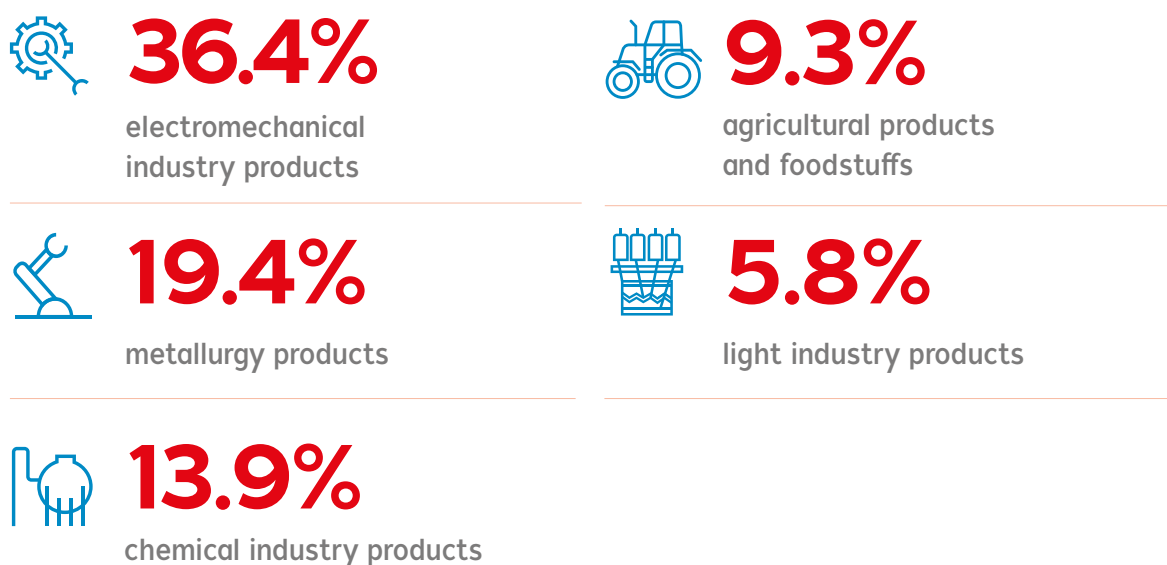


Fig. 5. Major groups of Polish products exported to Finland (2014) (Central Statistical Office - GUS).

The most important import products are represented by the wood & paper industry (pulp, paper and cardboard), which constitutes 31% of the total import from that country. A significant part is also played by the electromechanical industry - 27%, chemical industry - 19% and metallurgy (almost 14%). No major changes took place to the above product groups in 2015; the share of electromechanical and chemical products is decreasing, in line with the trend from the recent years.

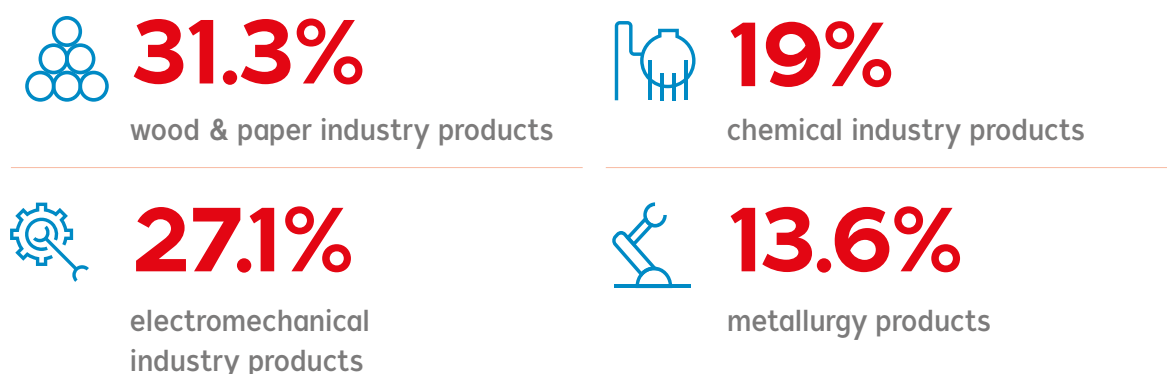


Fig. 6. Major groups of Polish products imported from Finland (2014) (Central Statistical Office - GUS).

⁴ Ministry of Development, *Finlandia - informacja o stosunkach gospodarczych z Polską*, 02.2016



When President Duda visited His Majesty King Harald in Norway in May, a substantial business delegation accompanied him to meet with their Norwegian counterparts and explore new opportunities for cooperation.

With a significant Polish diaspora in Norway and rapidly growing trade and investment activity, the bilateral ties between Norway and Poland are stronger than ever before. These personal, political and commercial ties certainly provide a solid foundation for future expansion of economic cooperation. While only a few years back there were strict visa regulations and flights were

scarce and expensive, today numerous direct airplane connections between towns in Norway and in Poland have literally brought us closer together. The threshold for both travel and for expanding economic activity between the countries is lower than ever before.

For good reason Poland has become a top destination for Norwegian tourists. Last year more than 300 thousand Norwegians spent time and money in Poland. Some of them surely staying at Norwegian hotel chains that are increasingly present in major Polish towns.

Boasting an educated workforce, a large consumer market, modernized infrastructure and years of strong and stable growth, Poland is an attractive partner for Norwegian companies. Poland has established itself as Norway's most important export market for seafood. Investments in the processing industry create thousands of jobs in Poland in a sector that surely will continue to develop. Cooperation in the maritime industries and in the defense sector is also significant. Norway is the single most important trading partner for Polish ship building industry, which the Polish government has ambitions to develop. Advanced Polish shipyards are being contracted to build and fit out complex offshore vessels for Norwegian owners. As an important NATO ally, Poland is committed to modernizing its defensive capabilities and Norwegian defense industry has a lot to offer in this area where Poland has already become our second most important export market. Renewable energy production is another promising field for Norwegian providers as EU-wide climate-obligations require Poland to increase the renewable component in energy production to 15% by 2020. In the same way, new requirements for waste handling draw the attention of Norwegian companies with expertise on recycling, and waste management.

The list could go on and on, as opportunities abound. I am happy to conclude that the horizon for economic cooperation with Polish partners is indeed bright!

Karsten Klepsvik
Ambassador of Norway

Norway

In 2014, Norway was 18th among Poland's export partners (1.7% of Polish export) and 16th as the import partner (1.4% of Polish import). Poland is amongst the top ten Norwegian trade partners.

In the recent years, Norway has been competing with Denmark for the 2nd spot in trade with Poland. In 2014, Norway was the second Nordic economy in terms of the volume of trade with Poland, and in 2015 it was surpassed by Denmark.

Similarly to trade with other Nordic countries, the year 2009 was marked by a slump. Both export to an import from Norway peaked in 2013 - the value of mutual trade with Norway in that year reached EUR 6 billion. Both export and import have recorded a drop ever since. Preliminary data for 2015 point to an export drop of 11.6% and an import drop of 5.2%, while the value of mutual trade is EUR 4.64 billion. The trade balance for Norway remains positive for Poland.

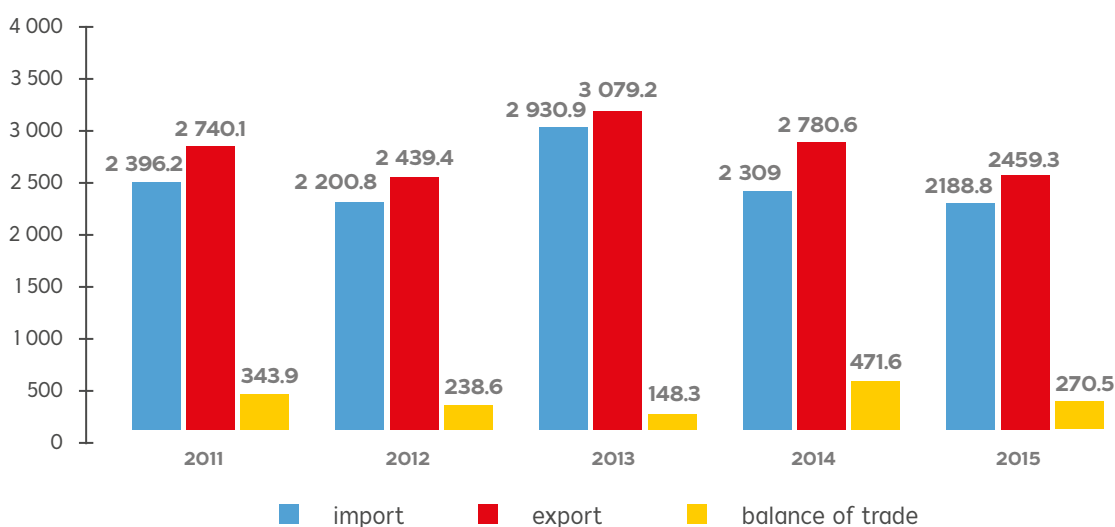


Chart 12. Trade with Norway over the past 5 years (EUR million). Data for 2015 are preliminary data (Central Statistical Office - GUS).

Electromechanical products play a considerable part in Polish export to Norway, representing almost 60% of the total export to that country in 2014. This is mostly export connected with the shipyard industry (vehicles, aircraft, vessels and the accompanying equipment). The same product group has a major share in import (30%). The considerable share of product groups connected with the shipyard sector makes the value of almost the whole trade contingent on the economic situation in this industry, which is based on long-term contracts settled through a small number of large payments. So in some years, settlements within such contracts may accumulate, which is not insignificant for the volume of mutual trade.⁵ Structures and their parts (including structures of bridges, roofs, doors and windows) form an important part of metallurgy products.

⁵ Ministry of Development, *Norwegia - informacja o stosunkach gospodarczych z Polską 2015*

**58.6%**electromechanical
industry products**6%**chemical industry
products**15.1%**

metallurgy products

**4.3%**wood & paper
industry products

Fig. 7. Major groups of Polish products exported to Norway (2014) (Central Statistical Office - GUS).

Agricultural products and foodstuffs also have a major position in import (almost 30%), in addition to the electromechanical industry. Within this group we should highlight import of Norwegian fish and seafood as Poland has been the largest recipient of these products since 2014. Metallurgy and mineral product also have a considerable share in import.

**30.2%**agricultural products
and foodstuffs**16.8%**

metallurgy products

**29.9%**electromechanical
industry products**15.3%**

mineral products

Fig. 8. Major groups of Polish products imported from Norway (2014) (Central Statistical Office - GUS).



The art of sustaining growth

With growth rates at twice the European average, Sweden and Poland stand out as two of the fastest growing economies in Europe. The growth models may be different, but increasing integration between our countries and mutually profitable trade has contributed to this strong economic performance.

But economic growth requires constant care. Regardless if we are from the spheres of diplomacy or business we all need to appease it.

Many industries are expanding rapidly without much help from diplomats. One example is retail - it is heartwarming to see strong Swedish brands of vastly different sizes, market segments and sales models gaining ground in Poland. Another example is shared services, where Poland has been brought into the Swedish home market.

Some sectors require more involvement from diplomats. Swedish cleantech solutions are groundbreaking, but many of the companies in this industry are small and lack the resources for lengthy procurement processes overseas. The Swedish Embassy has involved extensively in promoting cleantech, due to this structural challenge in combination with a strong national image building effect which benefits other industries as well. We are now happy to see an increasing interest from our Polish colleagues. The next step is to transform interest into business.

A related area is the Swedish-Polish declaration of intent on cooperation in the area of innovation. It is the Swedish companies' ability to reinvent solutions or even the market itself which has allowed our already advanced economy to sustain high growth. This ability has been noted in many rankings of innovation where Sweden scores among the top countries. For Poland, innovation is identified as the chief lever in the pursuit of higher value added and standard of living.

The declaration on innovation on government level can assist and be used by innovative Swedish companies as a vehicle in their expansion in Poland.

This is how we can secure continued growth together, and make sure it develops further in the future.

Inga Eriksson Fogh
Ambassador of Sweden to Poland

Sweden

According to data for 2014, Sweden was 8th as Poland's export partner and 14th as its import partner.

Polish trade with Sweden in the recent years was characterised by very dynamic growth, and preliminary data for 2015 point to very good results in Poland's trade with Sweden and to a volume of mutual trade for the first time exceeding EUR 8 billion. After the trade drop in 2009, the dynamics has been successfully restored, and over the past 3 years the economic relations with Sweden have remained at a very good level; Poland's trade surplus has also been gradually increasing. It should be noted that Poland's share in Sweden's trade is also important - in 2014, Poland was 11th in terms of both the recipients of Swedish goods and exporters to the Swedish market.⁶

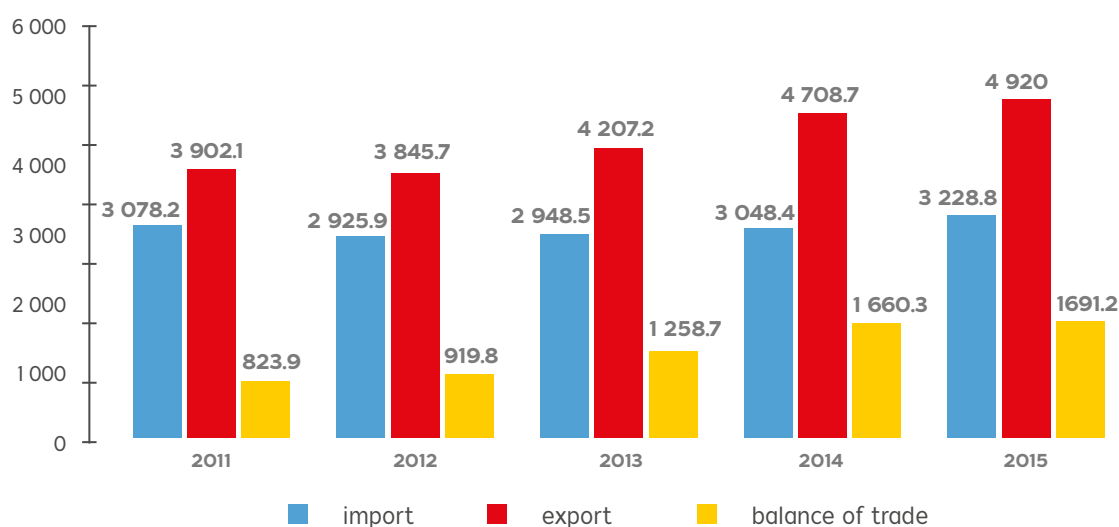


Chart 13. Trade with Sweden over the past 5 years (EUR million). Data for 2015 are preliminary data (Central Statistical Office - GUS).

In Polish trade with Sweden, electromechanical industry products hold a major position (43.3% of export and 33% of import). In 2015, the share of these products in import additionally increased by 5%. A significant share of export is also represented by the chemical industry products, mineral products, and metallurgy products. Another important group of export goods comprises wooden furniture and products, and agricultural products and foodstuffs.

⁶ Ministry of Development, *Szwecja - informacja o stosunkach gospodarczych z Polską* [Sweden - Information About Trade Relations with Poland], 2016

**43.3%**electromechanical
industry products**8.7%**

metallurgy products

**9.9%**

chemical industry products

**7.6%**agricultural products
and foodstuffs**8.7%**

mineral products

Fig. 9. Major groups of Polish products exported to Sweden (2014) (Central Statistical Office - GUS).

The structure of imported goods is very similar - the above-mentioned products of the electromechanical industry, metallurgy products, the chemical industry, as well as the wood & paper industry, and agricultural products and foodstuffs.

**33.1%**electromechanical
industry products**12.8%**wood & paper
industry products**19.8%**

metallurgy products

**6.8%**agricultural products
and foodstuffs**15.7%**

chemical industry products

Fig. 10. Major groups of Polish products imported from Sweden (2014) (Central Statistical Office - GUS).

Trade with Iceland and the Baltic States

Poland's trade with Iceland is quite low and its balance is negative for Poland. Poland imports mostly the products of Icelandic fishery and equipment for fish processing. Polish import from Iceland reached EUR 120.6 million in 2015. When compared to the previous year, import increased by approx. PLN 20 million, while export slightly dropped - from EUR 66.4 million in 2014 to EUR 63.1 million in 2015.

Poland's trade with the Baltic States is quite considerable, in particular in terms of Polish export to those countries, especially to Lithuania. The complementariness of Polish and Lithuanian economies creates favourable conditions for trade between those countries - Polish economy is mostly based on industry, while Lithuanian economy has a well developed service sector.⁷ In 2015, Polish export to Lithuania was approx. EUR 2.5 billion, while import of Lithuanian products reached EUR 974 million. Polish export to Lithuania is diverse; it covers mostly the chemical and plastic processing industries, products of the electromechanical industries, agricultural products and food-stuffs, and mineral products.

Poland has a positive trade balance with Latvia and Estonia as well - goods worth EUR 1.4 billion were exported to Latvia in 2015, while export to Estonia reached approx. EUR 1 billion. Polish import from Latvia in 2015 reached approx. EUR 400 million, while from Estonia - EUR 160 million. These values are similar to those from 2014.



⁷ Export Promotion Portal, Lithuania <https://lithuania.trade.gov.pl/pl/wymiana-handlowa/1432,Co-kupi%C4%87-a-co-sprzed%C4%87.html>



This year we commemorate the 25th Anniversary of the Restoration of Diplomatic Relations between Lithuania and Poland. We enjoy a fruitful bilateral cooperation in many fields, including economics.

Current economic dynamics between our countries demonstrates positive trends. According to the Lithuanian statistics, Poland has moved to the 2nd position among trade partners of Lithuania in 2015 by turnover (€4.85 billion), by export - in the 3rd (€2.23 billion), by import - in the 3rd (€2.62 billion).

In 2015, as compared to 2014, Lithuania's export to Poland increased by 10.4%, while import - by 5.1%. Lithuanian exporters' market share in Poland is considerably increasing. A possible explanation for this increase is a continuous long-run improvement of quality and price competitiveness of Lithuanian products. Lithuania exports mostly mineral products, plastics, foodstuffs, machinery and mechanical appliances, electrical equipment and chemicals. A spike in the crude oil refining margins has led to an increase Lithuania's refining capacity utilisation and the growth of its sales volumes, therefore the mineral product export is expected to remain robust in the months ahead.

Economic situation in Lithuania and in Poland could be favourable factor for more intense development of bilateral investment cooperation. In 2015 Poland's investment in Lithuania amounted to €708.6 million (5th position by FDI in Lithuania). As in previous years, most of the investments were in the fields of refined petroleum products ("PKN Orlen", "Grupa Lotos"), wholesale and retail trade, financial and insurance business ("PZU"), professional, scientific, technical activities, information and communications.

In 2015 Lithuania's investment to Poland amounted to €298.9 million. Major investments were in manufacturing, construction, wholesale and retail trade, information and communication, financial and insurance activities.

Moreover, Lithuania and Poland are developing reliable, competitive and sustainable projects on energy security and transport. Cooperation on strategic projects proves that Lithuania and Poland are capable of achieving strategic goals at tight schedules and under highly challenging conditions.

I am very delighted that in 2015 Lithuania succeeded in the opening of two strategic electricity connections - *LitPol Link* with Poland and *NordBalt* with Sweden. Efficient cooperation with Polish and Swedish partners was one of the key elements of the success could serve as a successful way-to-go model for other regional states.

LitPol Link and *NordBalt* projects achieve one of the tasks of the EU energy security policy - eliminate energy islands in the Baltic region, connecting the Baltic States to the EU energy market and energy system. The "energy bridge" *LitPol Link* connecting Poland's and Lithuania's power grids is an essential precondition towards the ultimate desynchronization of Lithuania and the Baltic states from post Soviet Russia controlled electricity system and synchronization with the

electricity Network of Continental Europe. The support of Poland is of outmost importance in achieving this goal.

Gas interconnection Poland-Lithuania (GIPL) is another strategic energy infrastructure project that will ensure diversification of gas supply to Lithuania and enable integration of the Baltic States into EU gas market. Project contributes to two key EU objectives - creating interconnected EU market and eliminating energy islands.

I appreciate effective cooperation with Poland on transport projects: on the road construction project *Via Baltica* and the priority European Union Trans-European Transport Network project *Rail Baltica*, which is part of international transport corridor "North Sea-Baltic". I strongly believe these transport projects that are of outmost importance for the growth of the whole Baltic-Scandinavian region will become operational until 2020.

Šarūnas Adomavičius
Ambassador of the Republic of Lithuania to the Republic of Poland





Latvia has an active and fruitful cooperation with Poland – our friend, our ally and geographically close neighbor. Good evidence for that is high dynamics of our political relations. Interest of Latvian entrepreneurs about Polish market is also systematically growing.

Poland is one of Latvia's most important trade partners in the Baltic Sea region. According to data as from the end of 2015 6% of Latvian exports (value – 623,33 MEUR) goes to Poland, that situates Poland on the 5th place on the list of Latvia's export partners. The most important export branches are electric equipment (17,25%), mineral products (15,83%), metal products (15,04%). We are glad to see that increasing number of Latvian products on the shelves of Polish supermarkets. This year during the World Food Warsaw Expo Latvian products were presented in ten stands of Latvian producers. This is a new record of activity of Latvian entrepreneurs during such type of events in Poland.

Imports from Poland to Latvia makes 11,08% from all imports, that situates Poland on the 3rd place on the list of countries importing to Latvia (overall value of Polish imports is 1,39 BEUR). Main import branches are electrical equipment (24,55%), chemical products (8,94%) and plastic products (7,2%).

Total value of Polish direct investments in Latvia in 2015 was 43,73 MEUR. Among the biggest investors one should mention e.g. insurance company PZU S.A., Arctic Navigations, that deals with activities of holdings, Vienna Insurance Group Polska (insurance) and others. Total value of Latvian investments in Poland in 2015 was 14,27 MEUR.

We are glad to see the increasing number of Polish tourists visiting Latvia. In 2015 the number of guests from Poland exceeded 40 000. More and more Polish tourists stay in Latvia more than one day. One of the factors that supported such a growing interest from Polish tourists was activities of the Embassy of Latvia in Warsaw as well as other partners from Latvia in promotion tourism possibilities of our country. We plan to continue such activities also in the future.

For Latvia and the whole region a highly important aspect of cooperation is common action in the framework of major infrastructure and energy projects. We were delighted to see the conclusion of LitPolLink, energy interconnection between Poland and Lithuania, that improves energy security in our countries. This project, as well as infrastructure projects Via Baltica and Rail Baltica will significantly facilitate economic growth and will help to ensure long-term prosperity for our countries.

Jans Kevišs-Petuško
Third Secretary (economic issues)
Embassy of the Republic of Latvia



Poland is Estonia's most important trade partner in Central Europe. In terms of turnover, which reached 319 million euros in the first quarter of this year, Poland advanced to 6th place, passing Russia.

In 2015, the trade turnover between Estonia and Poland was 1,23 billion euros, it is about 5 % of the total of Estonia's trade volume. Estonia's export to Poland constituted 264 million euros, import 963 million euros. Trade balance was in favour of Poland by 0.7 billion euros.

Still, Estonia's export to Poland increased 13.3% in 2015 in comparison to the previous year. Poland is one of the markets to where Estonian companies could export even more.

Estonia's main export articles to Poland are machinery and equipment 41.1%, wood and wood products 9.9%. Main import articles - machinery and equipment 32.2% and chemical products 13.4%. Estonia's biggest investment to Poland (31 million EUR) has been made by Olympic Entertainment Group.

Excellent example of good economic co-operation is Estonia's decision to buy two ferries from Poland's Remontowa shipyards; the ships should be ready by Sept. 1st and Dec. 1st 2016.

Also, Estonian textile company Wendre, IT firm Navirec, bus company LuxExpress, currency exchange and investment company Tavex, real estate group Legend Management and others are acting in Polish market. Some Estonian companies like the energy company Enefit are looking for opportunities to enter Polish market.

Estonia is well-known in Poland as a successful e-country with well-established e-government administration. At the same time Estonia's tourism opportunities need better presentation in Poland, in 2015 just about 20 000 Polish tourists visited Estonia.

Estonia has a good dialogue with Poland on energy projects because the objectives of both countries from the point of view of energy security in the region are similar. In this context, completion of the LNG terminal in Świnoujście in December 2015 was an important development. When the Polish-Lithuanian gas interconnector will be ready and operating Estonia would be able to purchase gas from Świnoujście as well. Similarly, completion of the LitPol Link (LT-PL 500MW interconnection) in late 2015 contributed greatly to the improved energy connections of the Baltic States.

In the future, presumed the construction of *Rail Baltic* will succeed, economic ties between the Baltic countries and Poland would receive a significant boost.

Sven Mäses
Counsellor, Political and Economic Affairs
Estonian Embassy in Warsaw

Additional information

The data in the report cover the 2003-2014 period, while the chapter regarding trade between Poland and the Nordic countries and Baltic countries also contains preliminary statistics of the Central Statistical Office (GUS) for 2015.

Since 2013, information about foreign direct investments in Poland has been prepared by the National Bank of Poland based on new OECD standards regarding preparation of direct investment statistics; as a result, data for the 2003-2012 and 2013-2014 periods may not be directly comparable, which is why they are analysed separately.

In this report, the Nordic countries shall mean Denmark, Finland, Norway and Sweden. Wherever general statistics regarding the Nordic countries are discussed, this means collective data for these four countries.

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