PANATTONI

CBRE

Confidence Index 2022

An occupier survey of market conditions
and the latest trends across the supply chain

Poland

Contents

1 Introduction

> The further away from 50.0 the index is, the stronger the change over the period.

The Poland Logistics and Supply Chain Confidence Index 2022 is the fifth edition of a market survey undertaken to assess confidence and expectations in the Polish logistics and supply chain sector. CBRE and Panattoni Europe, with strong support from the specialist sector research agency Analytiqa, have summarised the main performance indicators for businesses operating within the logistics and supply chain sector. The report corresponds with similar analysis carried out in other European countries.

50 decision makers representing both logistics companies, manufacturers and retailers have shared their opinions and insights to facilitate the industry research study. Respondents included CEOs, managing directors and senior management. Interviewees were asked about current business conditions in Poland and forecasts for the future. In addition to the quantitative analysis, we are delighted to yet again present the comments of a selection of our research respondents, who have agreed to share their more detailed views on key topics in the country and in the industry.

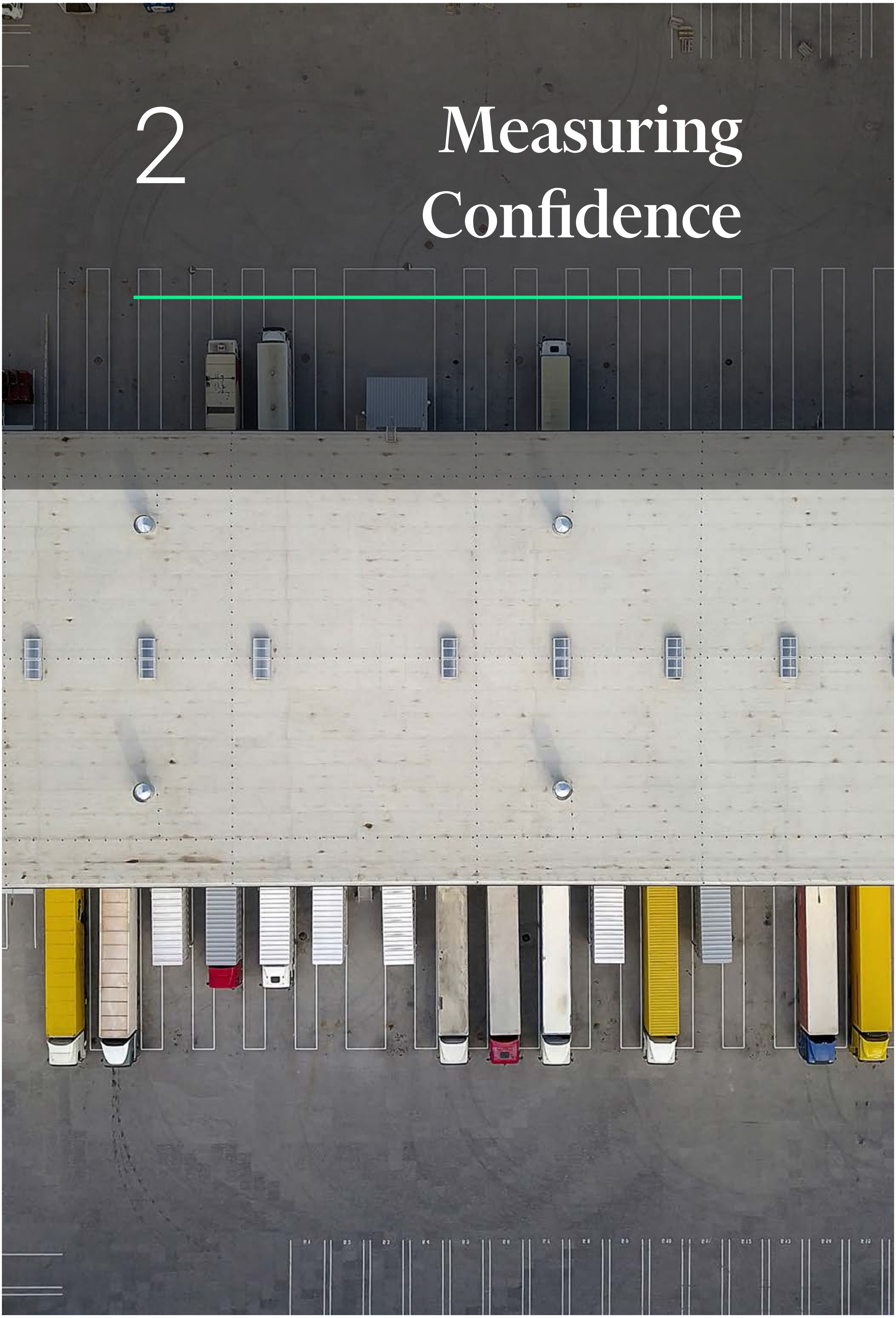
Similar to last year, the survey reflects an uncertain outlook for the logistics and supply chain market, strengthened by an unstable economic situation. The Poland Logistics and Supply Chain Confidence Index 2022 has been set at 44.8, which is a lower number than previous years (46.4 in the last edition). A number over 50.0 indicates an improvement, while below 50.0 suggests a decline. The further away from 50.0 the index is, the stronger the change over the period.

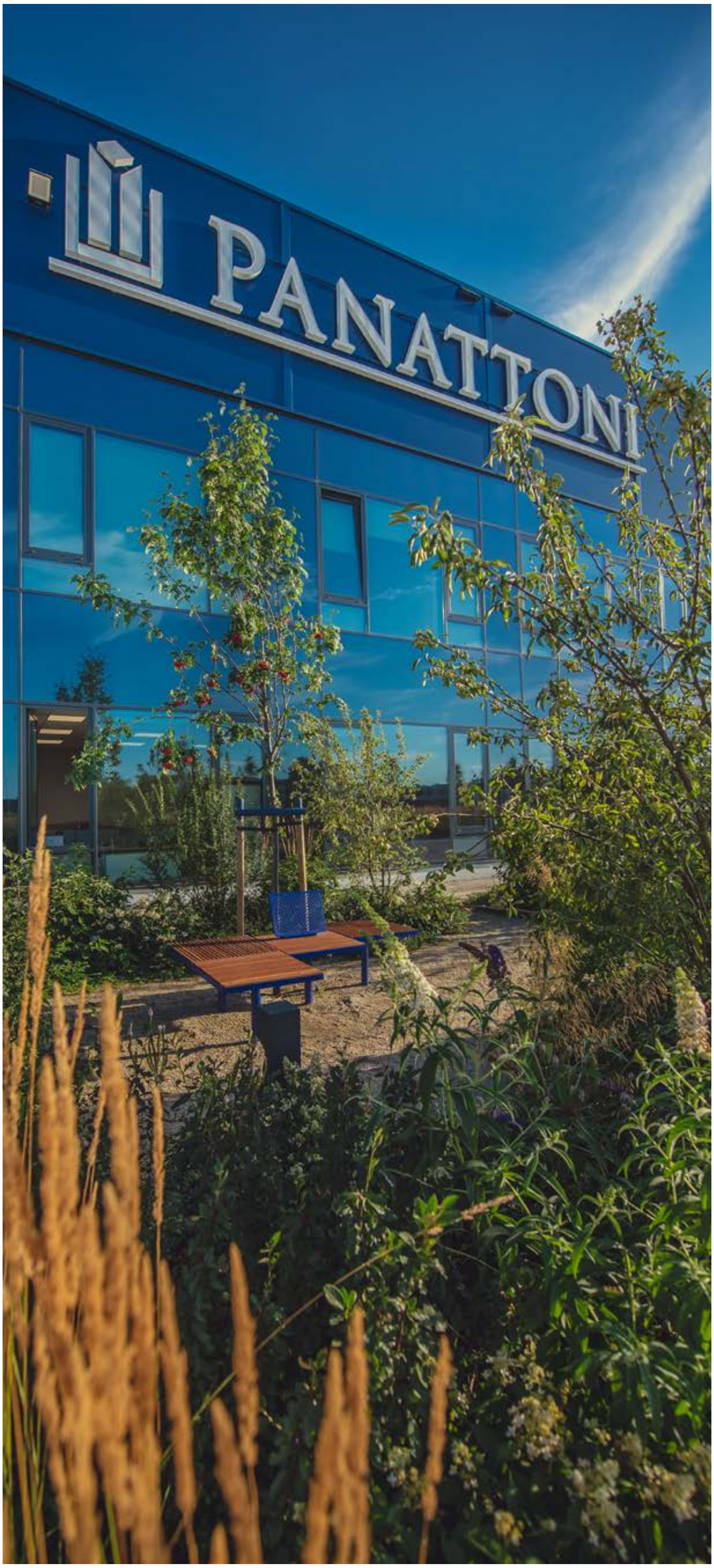
Analytiqa

All figures and data relating to the Poland Logistics & Supply Chain Confidence Index within this report have been researched by Analytiqa. Analytiqa is a market analysis and business intelligence company providing published reports, custom research and strategic advisory for multinational clients across all sectors and industry verticals of the global supply chain.

Analytiqa delivers high quality, commercially relevant research to assist clients to grow and profit in challenging and competitive markets.

2 Measuring Confidence





Panattoni Park A2 Warsaw East

In undertaking this survey, we have adopted the same methodology used across similar surveys conducted by Analytiqa for other jurisdictions.
The report examines the key performance indicators for businesses operating within the logistics and supply chain sector. It provides insights from the perspective of both logistics buyers and service providers, thus giving us a 360 degree view of sentiment as well as the current issues and topics affecting the sector.
In addition to sharing their views on the recent performance of the logistics sector, respondents also outlined their expectations for the sector over the near term.

This is the fifth recording of the Logistics and Supply Chain Confidence Index in Poland and the report was supported by CEOs, managing directors and senior decision makers from some of Poland's most successful logistics providers, manufacturers and retailers including:

Antalis,
Auchan,
Carlsberg Supply Company Polska,
Castorama,
CEVA Logistics,
DARTOM,
DB Schenker,
DMT,
DSV,
EKOL,
Elfa Pharm,
EV Cargo,
Fiege,
FM Logistic,
GEODIS,
Hellmann Worldwide Logistics,
ID Logistics,
Kellogg's,
Lindt,
Maersk,
NSG,
Pepsico,
Raben,
ROHLIG Suus,
Spedimex,
Transfennica Logistics.

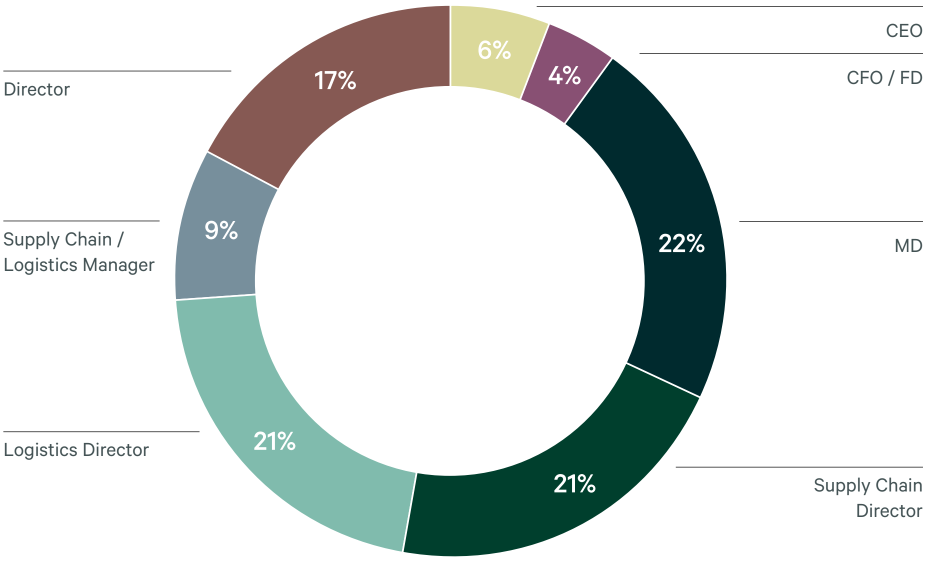
2.1 Respondents

There were a total of 50 respondents to our survey of which 25 were from logistics companies and 25 were manufacturers and retailers.

The group of the survey participants comprised predominantly Logistics Directors and Supply Chain Directors who altogether represented 42% of respondents, as well as Managing Directors and CEOs, who accounted for 28% of interviewees.

We are grateful to our loyal respondent base, as we publish this fifth edition of the report. 32 companies have taken part in either four, or all five of our surveys, providing us with valuable consistency of responses, collected from senior industry leaders across Poland.

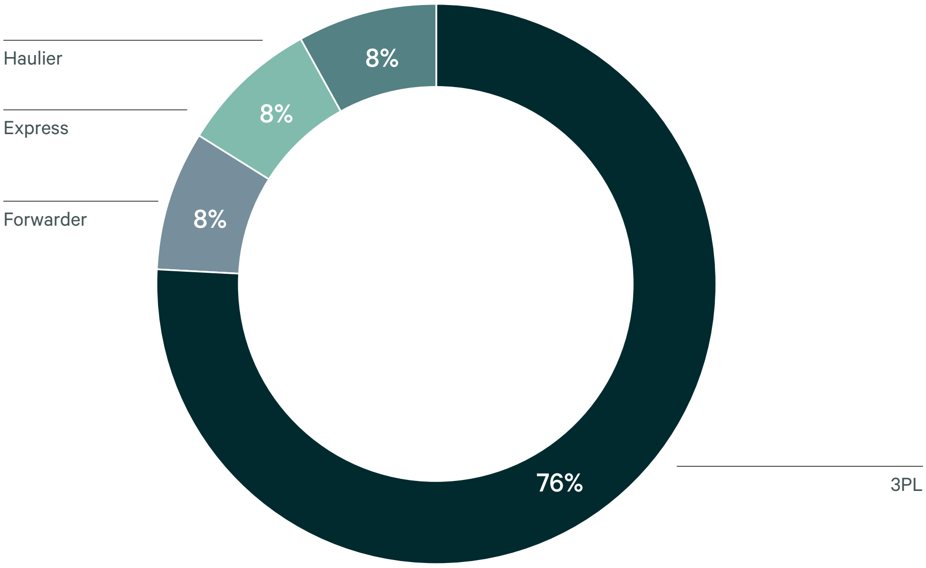
Figure 1. Overall job titles



City Logistics Kraków Airport

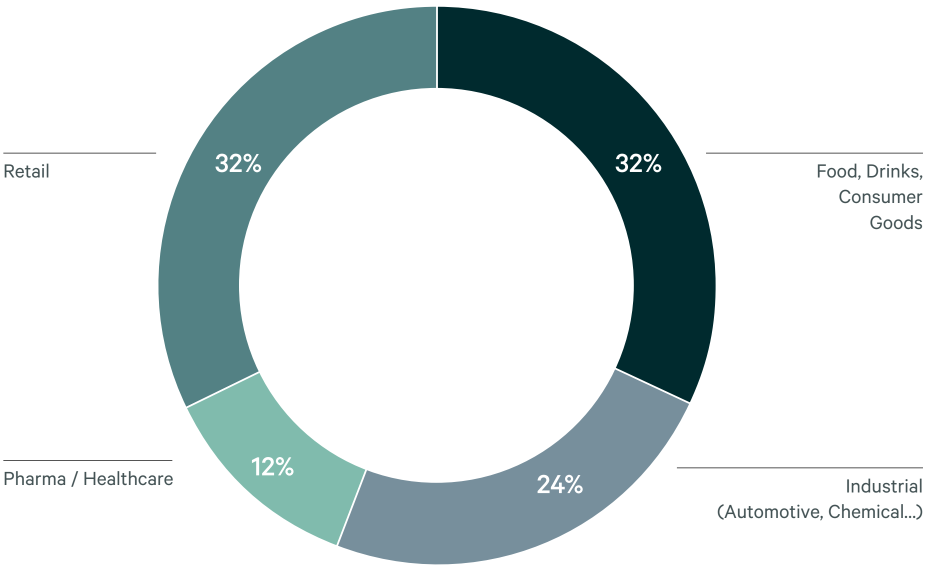
The majority of the logistics firms which participated in the survey were categorised as 3PL companies and represented 76% of logistics respondents. 8% belonged to forwarding companies, hauliers and express firms.

Figure 2. Logistics company types



The manufacturers and retailers which responded to the survey were dominated by the food, drinks and consumer goods sector (32%). Retail companies accounted for 32% of respondents as well. The remaining answers were coming from industrial manufacturers (24%) and the pharma/healthcare sectors (12%).

Figure 3. Manufacturers and Retailers company types

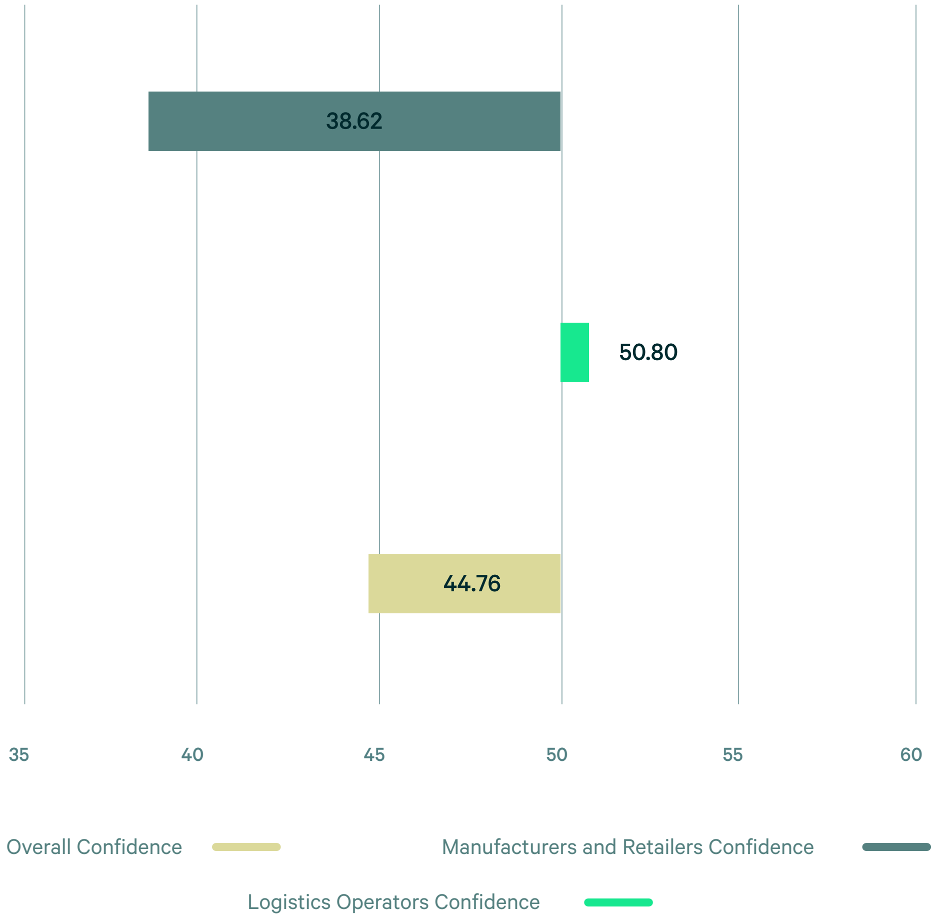


2.2 How Confident is the Logistics and Supply Chain Sector in Poland?

Figure 4. Confidence Index in time series

There remains a divergence of confidence between the groups of manufacturers and retailers, and logistics operators, which widened over the last few years. Continuing the trend, we see logistics operators being more confident and at a similar level as last year, with a score of 50.8 (down from 53.7). For manufacturers and retailers, with a score of 38.6 (down from 39.1), this is the third time our Index has fallen below the 50 mark, indicating that, overall, manufacturers and retailers are now more pessimistic than optimistic about the state of the market.

Figure 5. 2022 Confidence



Our respondents face the challenges, now underlined by the difficult global economic environment. The logistics and supply chain sector is, however, still strong and resilient. As we will see in this report, logistics operators, manufacturers and retailers are continuing to invest in the future, allocating capital expenditure to fleet operations, warehouses, sustainability initiatives and innovative new technologies, despite the tougher conditions.

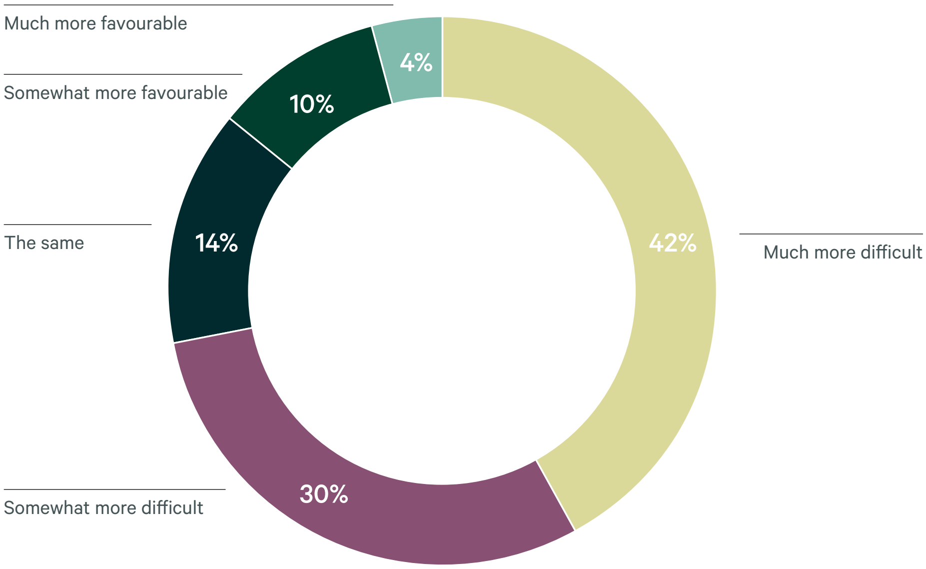
The index calculation is based on the proportion of respondents reporting either an improvement, no change or deterioration within the sector. Therefore, a number over 50.0 indicates an improvement, while below 50.0 suggests a decline. The further away from 50.0 the index is, the stronger the change over the period.

> “The index calculation is based on the proportion of respondents reporting either an improvement, no change or deterioration within the sector.”

2.3 Business Confidence Compared to 12 Months Previous

When comparing the current business conditions to the situation prevailing on the market one year ago, only 14% of respondents claimed they are more confident about the business environment than they were 12 months ago. However, vast majority of respondents (72%) evaluated the current business conditions as “more difficult” in comparison to last year.

Figure 6. Change in business conditions vs the last 12 months



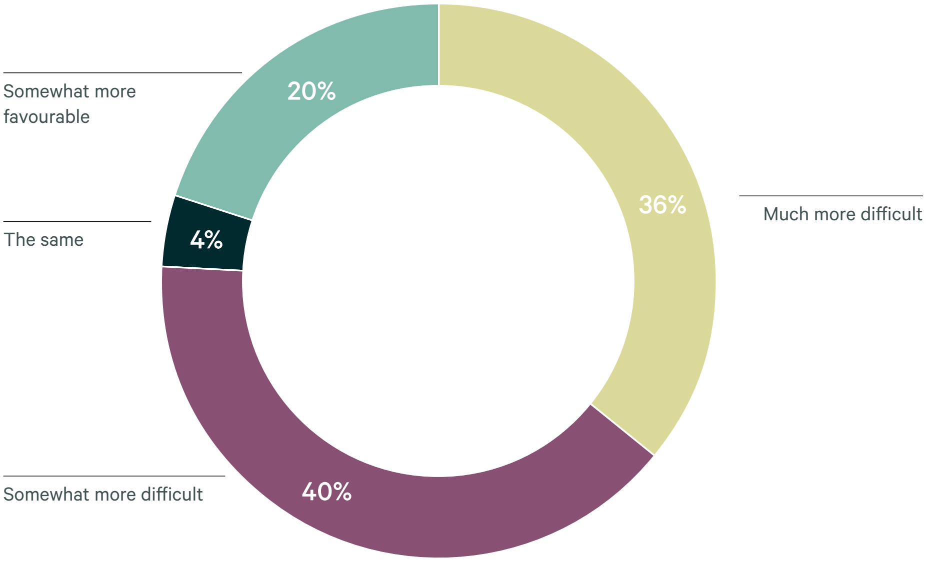
Respondents were pessimistic last year, although this year both groups are even more pessimistic. 72% of both manufacturers and retailers and logistic operators regard current market conditions as more challenging than 12 months ago.

Panattoni Park Bydgoszcz III

2.4 Business Confidence Forecast for Next 12 Months

When asked how confident the respondents feel about the coming 12 months, 20% were optimistic and perceived the future business environment as favourable (down from 32%), whilst over 76% predicted some external difficulties in running their business effectively (up from 44%). 4% expect business conditions to stay on the same level.

Figure 7. Change in business conditions vs the next 12 months



Logistics operators seemed to be more optimistic about the future than manufacturers and retailers. 24% of them foresee business conditions as more favourable, while 16% of manufacturers and retailers share this view.

Panattoni Park Bielsko-Biała

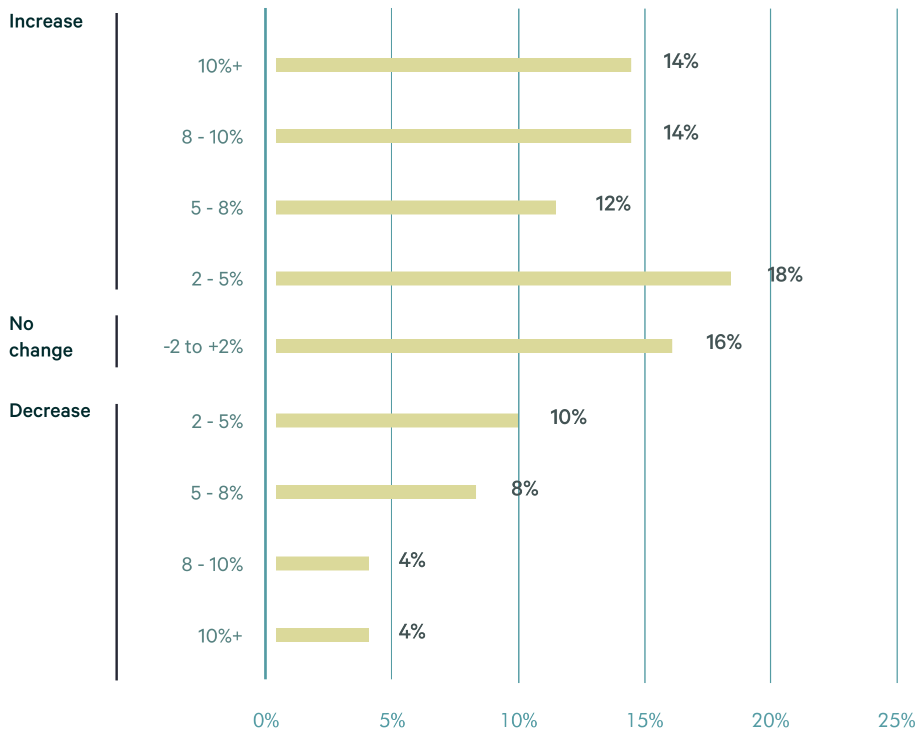
3 Growth Opportunities

3.1 Anticipated Changes in Turnover

It is encouraging to see that, when asked about the anticipated changes in turnover within the next year, the majority of respondents (58%) forecast an increase in turnover.

The results differ between the groups of respondents. 84% of logistics companies believe that the turnover will increase or stay the same, while 64% of manufacturers and retailers are of the same opinion, with more than one third of them expecting a decrease of turnover.

Figure 8. Change in turnover over the next 12 months



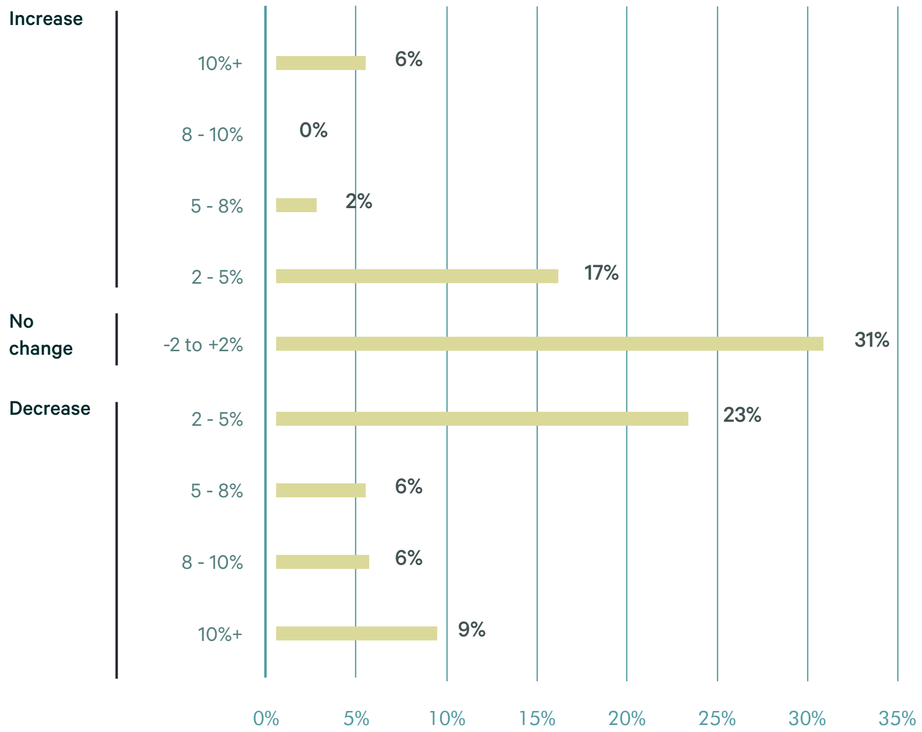
Panattoni Park Poznań X

3.2 Anticipated Changes in Profitability

Optimism regarding turnover growth is in most cases followed by less positive forecasts about business profitability. This is a trend we see continuing in our fifth report. Whilst 58% of respondents forecast an increase in turnover, we see that only 25% are anticipating higher levels of profitability (44% in the last edition of the report). A further 31% of respondents said they do not expect any change in profitability over the next 12 months, whilst 44% claimed their profits may fall (29% in the previous year).

36% of logistics companies anticipate higher profits in the year ahead, with 40% expecting to see a decline. Only 14% of manufacturers and retailers are forecasting higher profits over the next 12 months, whilst 47% anticipate a decline and 39% do not foresee any changes.

Figure 9. Change in profit over the next 12 months



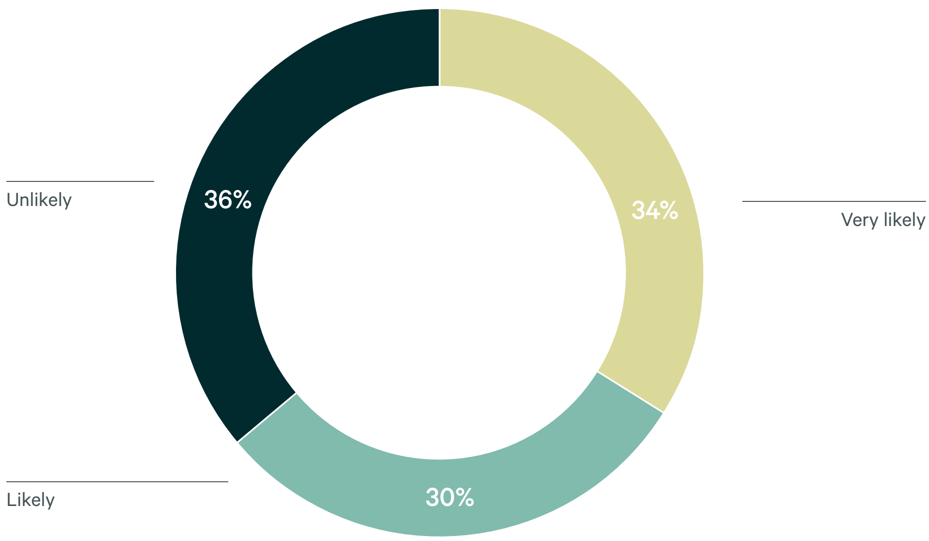
> Optimism regarding turnover growth is in most cases followed by less positive forecasts about business profitability.

3.3 Forecasts of Capital Expenditure

When asked about the likelihood of making significant logistics and supply chain related capital expenditures in their companies over the next year, the responses were much more positive than in last edition. Almost two-thirds (64%) of respondents are expecting to make capital expenditures in this area, while in the previous report 46% chose those answers. 36% of respondents are not expecting significant capital expenditure.

Logistics operators are once again more positive with 72% being likely to invest, while 56% of manufacturers and retailers are prone to do so.

Figure 10. Significant capital expenditure over the next 12 months



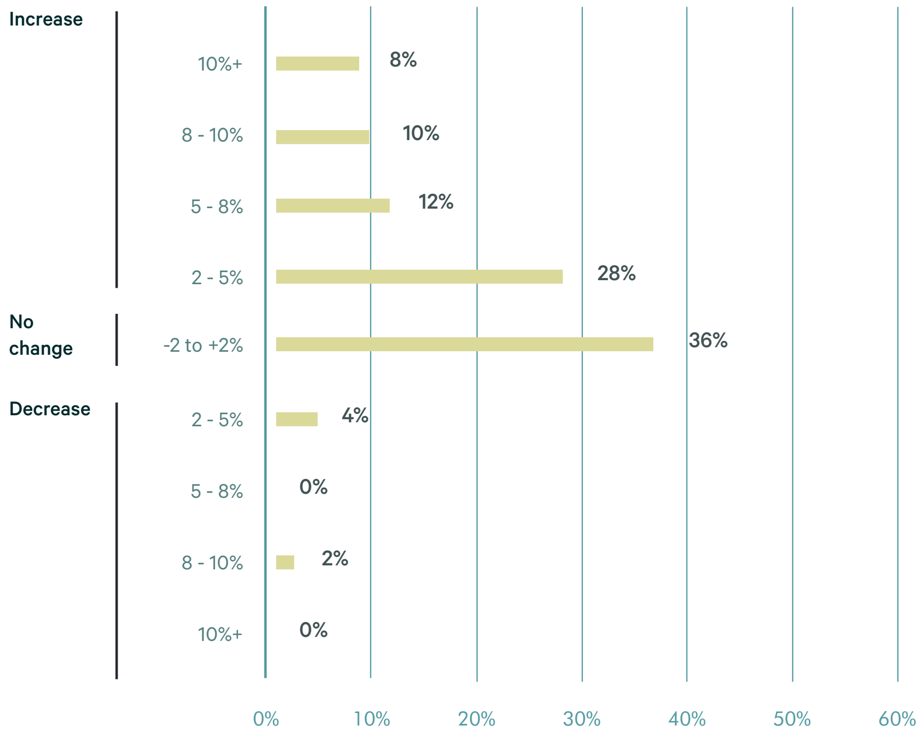
Panattoni chillout zone

3.4 Forecast Changes to Employment

When asked if they plan to increase or decrease headcount over the next 12 months (excluding seasonality impacts), just over one-third of the respondents don't plan any changes (36%).
58% anticipate growth in employment (41% last year). Only 6% predict a reduction of employment, which is the same level as last year.

Logistics companies mostly expect an increase in employment levels (68%) and no reduction of employment is planned. Among manufacturers and retailers, the majority (48%) expect an increase in employment, 40% expect no change and 12% a minor decrease in employment.

Figure 11. Headcount over next 12 months



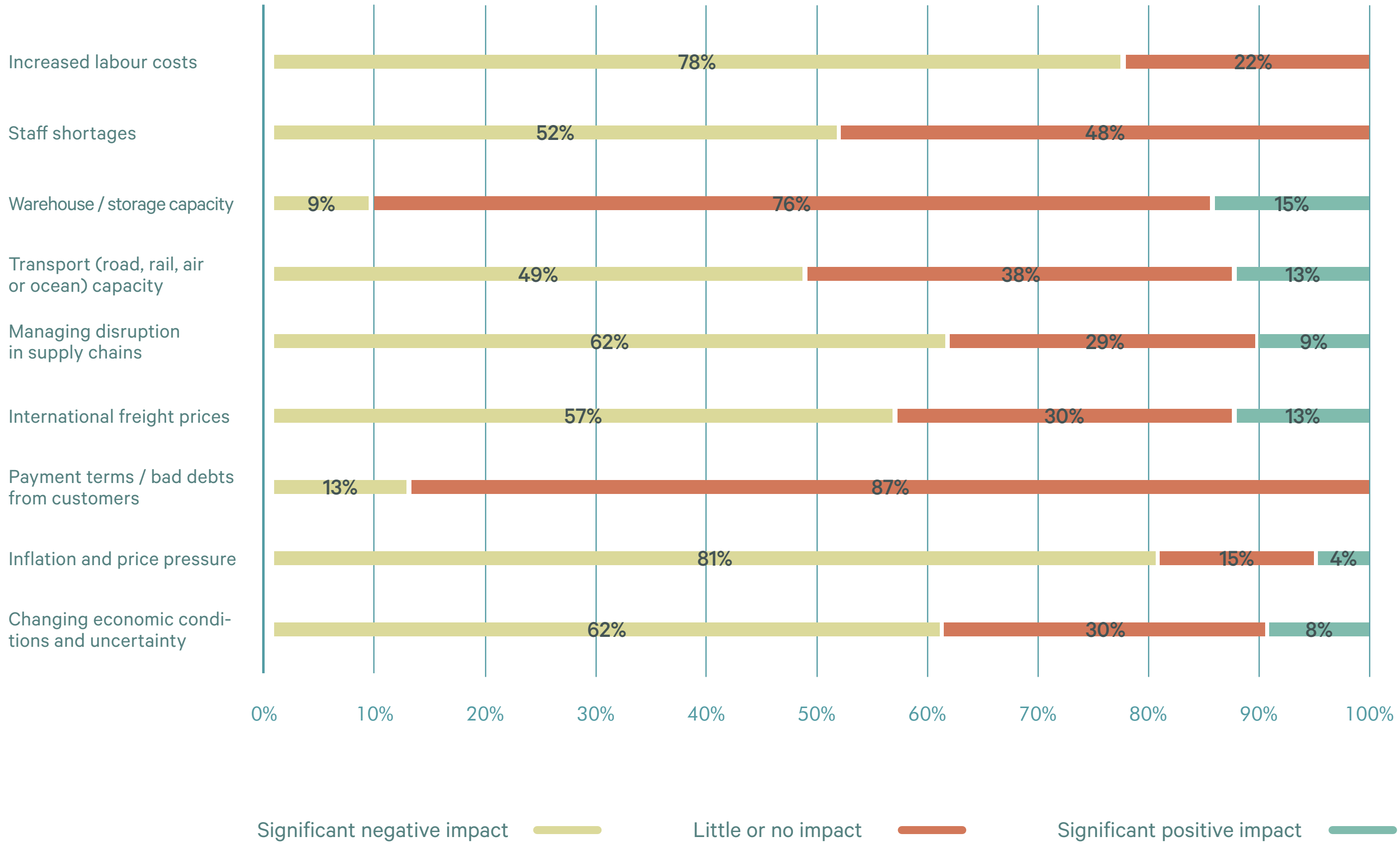
> "Only 6% predict a reduction of employment, which is the same level as last year."

4 Key Issues

4.1 The Economy, Trading Conditions and Investment

When asked about their company's performance, 81% of respondents stated that inflation and price pressure is having a significant negative impact. Similarly, 78% of respondents stated that increased labour costs are having a significant negative impact, whilst 62% stated that changing economic conditions and uncertainty; and managing disruption in supply chains are also having the same detrimental impact.

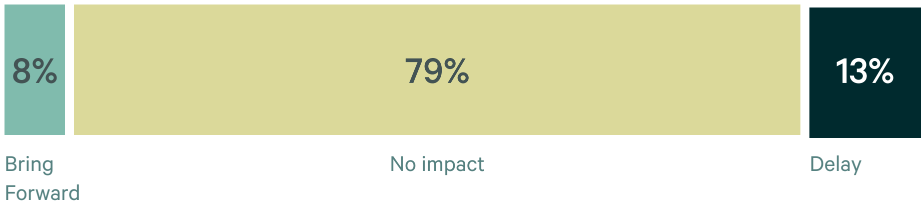
Figure 12. To what extent are the following currently having a significant positive or negative impact on your company's performance?



> "Inflation, price pressure and increased labour costs are the factors that affect companies' performance this year."

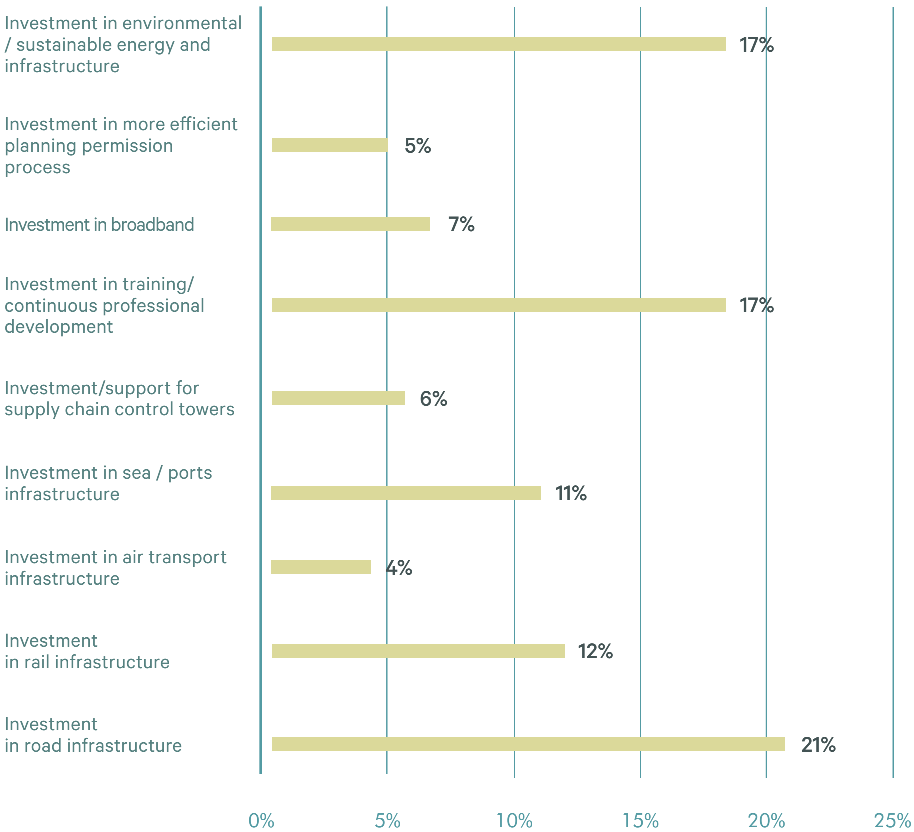
When asked about the impact of the increase in inflation on investment plans in 2022, 79% of respondents answered that there will be no impact, 13% will delay their investment plans and 8% will bring investment plans forward and start earlier.

Figure 13. What is the impact of the increase in inflation on your investment plans in Poland in 2022?



For the first time in our research, we asked our respondents what investment, in their opinion, is needed to facilitate improvements in logistics and supply chain operations across Poland, 21% of them pointed to investment in road infrastructure, followed by investment in training/continuous professional development and investment in environmental/sustainable energy and infrastructure (17% both).

Figure 14. What investment is needed to facilitate improvements in logistics and supply chain operations across Poland?



Panattoni Park Janki IV

What are your expectations for this year's market growth / performance?

We do not expect any negative changes in the demand for logistics services in Poland this year. Global trends and changes in industrial supply chains still strongly influence the growth of this market. The lack of warehouse and industrial space, e.g. in Germany or the Czech Republic, and even greater problems with the availability of employees than ours, create additional demand for services in Poland. Recent problems in Chinese ports caused by the pandemic and restrictions introduced by Chinese authorities continue this trend.

Of course, there are also negative aspects - galloping inflation, weak zloty, soaring energy prices. This makes the appropriate profitability of the business a huge challenge.

How do you think the current situation across the border will influence your company's operations and the market conditions in general? Perhaps considering its impact on supply chains / capital expenditure and investments / the labour market.

What actions are your company taking to try to overcome these challenges?

We are seriously considering investing in very advanced automation in one of the existing locations in Poland. The project has a chance to happen next year.

Paradoxically, this is helped by the already rapidly rising rents for warehouse lease and forecasts of an increase in construction costs and land prices in the coming years. Maybe the coming years will be a breakthrough for Polish logistics and investments in automation will become a standard.

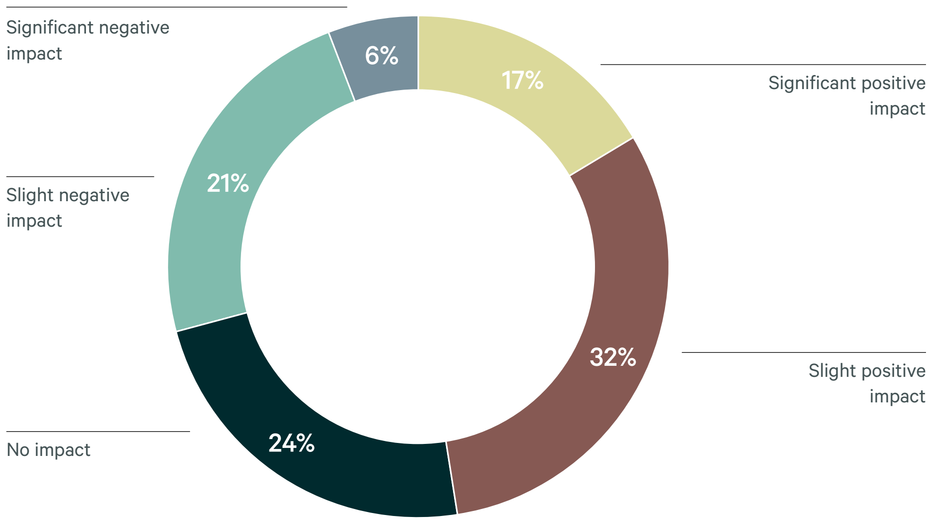
Wojciech Cipiur,
Managing Director, Solutions Poland,
Executive Board, DSV Solutions Sp. z o.o.

4.2 Covid-19 Impact in the previous year

When asked about the general impact of Covid-19 on operation and performance in 2021, the answers were distributed quite similarly. 49% experienced positive impact, while 27% faced negative effects of Covid-19. 24% of companies were not impacted.

This differed in industries– 62% of logistics operators were impacted positively, while only 35% of manufacturers and retailers shared the same experience. 35% of manufacturers and retailers and 21% of logistics companies were negatively impacted by Covid-19 effects.

Figure 15. What investment is needed to facilitate improvements in logistics and supply chain operations across Poland?



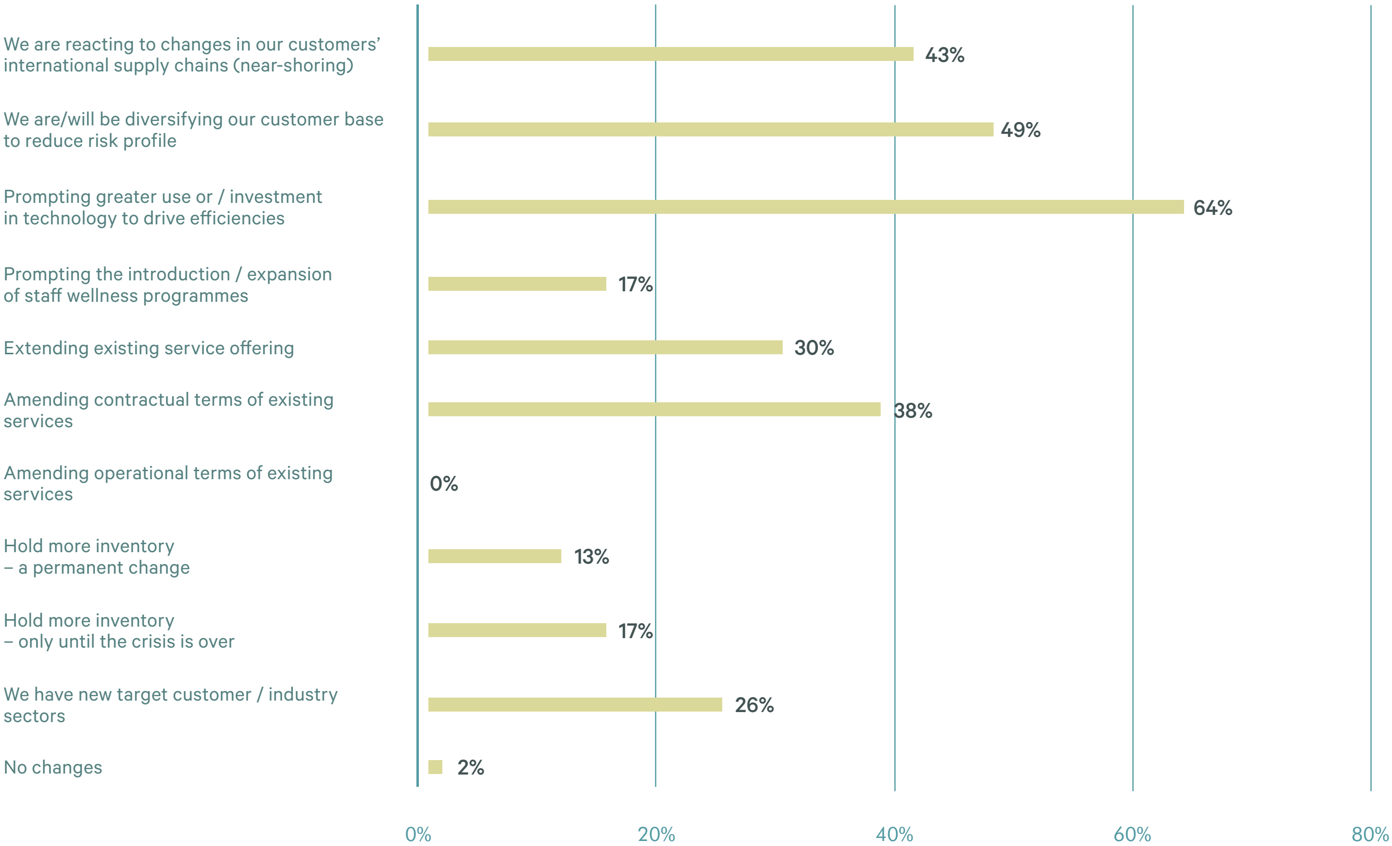
> When asked about the general impact of Covid-19 on operation and performance in 2021, the answers were distributed quite similarly.

4.3 Covid-19 Adapting for the Future

When asked about the post Covid-19 future, respondents were asked to identify how their business is adapting to the post Coronavirus environment. Almost two-thirds of companies are seeing greater use/investment in technology to drive efficiencies (64%), almost half (49%) are diversifying their customer base to reduce risk profile and 43% are reacting to changes in customers' international supply chains - near-shoring.

The most common four strategies selected by logistics operators and manufacturers and retailers slightly differed between the groups and are presented below.

Figure 16. How will your business adapt to the post Coronavirus / Covid-19 environment?



Logistics: Top 4 actions

1. Diversifying customer base
2. Greater use of technology
3. Amending contractual terms of existing services
4. Target new customers/sectors
4. Responding to changing customers' supply chains

Man-Ret: Top 4 actions:

1. Greater use of technology
2. Responding to changing customers' supply chains
3. Hold more inventory – only until the crisis is over
4. Diversifying customer base
4. Extending existing service offering

4.4 Comparing Poland Internationally

Respondents were asked to compare Poland with other European Union countries in terms of its logistics performance and ease of managing supply chain operations in order to identify the main advantages of the Polish market. They evaluated a few key issues such as speed of supply chain operations, cost of supply chain operations, legislation, 'red-tape' (excessive adherence to official rules and formalities) and bureaucratic decision-making, investment attractiveness, labour force skills and the planning permission process.

Interviewees were optimistic about the cost of running supply chain operations (59% - down from 64% in our survey last year) and the speed of supply chain operations in Poland (52%).

Categories in which Poland is largely perceived as "average" by the respondents are labour force skills (50%), investment attractiveness (48%) and the planning permission process (60%).

Legislation, 'red-tape' and bureaucratic decision-making in Poland is perceived "worse than average" with 71% of responses, while in previous research Poland was perceived as the "average" with 50% of responses. Last year, investment attractiveness was assessed better, with 56% claiming that Poland was "better than average"

Figure 17. How does Poland compare to other EU countries in terms of its logistics performance and / or ease of managing supply chain operations?

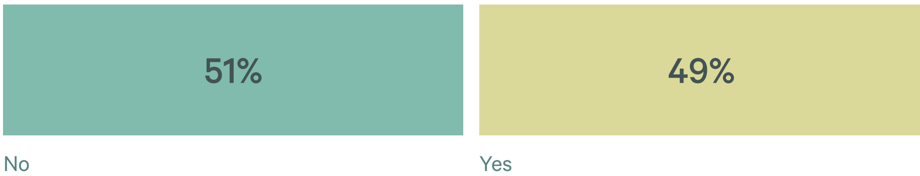
	Speed of supply chain operations	Cost of supply chain operations	Legislation / red-tape / bureaucratic decision-making	Investment attractiveness	Labour force skills	Planning permission process
Overall						
Average	**46%**	36%	**25%**	**48%**	**50%**	**60%**
Better than average	52%	**59%**	4%	41%	43%	12%
Worse than average	2%	5%	71%	11%	7%	28%
Logistics						
Average	**35%**	35%	**22%**	**48%**	**56,5%**	**59,1%**
Better than average	65%	**61%**	9%	39%	43,5%	18,2%
Worse than average	0%	4%	69%	13%	0%	22,7%
Man-Ret.						
Average	**57%**	38%	**29%**	**48%**	**43%**	**62%**
Better than average	38%	**57%**	0%	43%	43%	5%
Worse than average	5%	5%	71%	9%	14%	33%

4.5 Logistics Property

We asked our respondents if they expected to require additional warehouse space in Poland in the next 12 months and, if so, what challenges they would face when trying to meet these requirements.

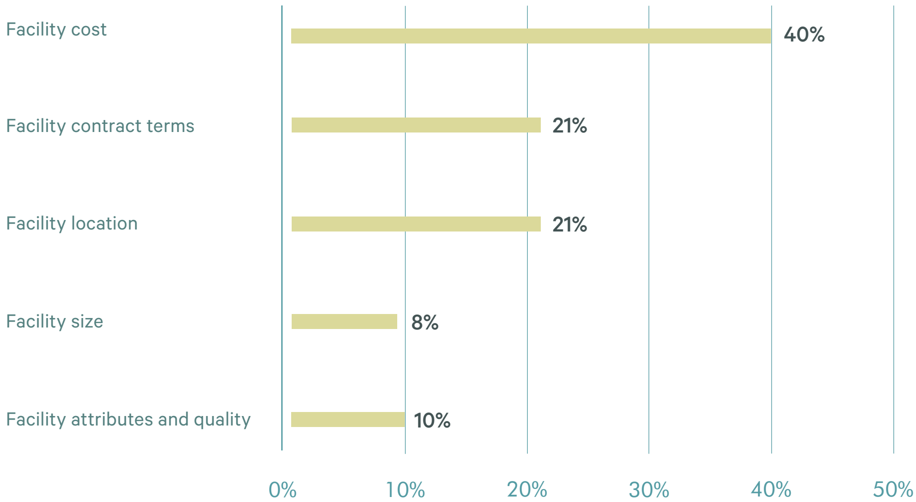
49% of respondents anticipate an increase in demand for logistics space in 2022, which is a significant increase fromaround one-quarter of respondents (27%) choosing the same answer last year, during the most challenging period of the pandemic. 71% of logistics operators expect growth of demand for warehouse space, while only 21% of manufacturers and retailers predict to be interested in leasing or building, new space.

Figure 18. Logistics space demand



When asked what issues logistics operators and manufacturers and retailers foresee in relation to supply or securing additional warehouse space, our respondents expressed similar concerns to last year. Cost of facility was the most important for both logistics operators (37%) and manufacturers and retailers (44%). However, when comparing answers from two categories of respondents they foresee slightly different issues regarding new logistics space.

Figure 19. Supply Chain Property Issues



Logistics operators

1. Facility cost (37%)
2. Facility contract term (22%)
3. Facility location (19%)
4. Facility attributes and quality (12%)
5. Facility size (10%)

Manufacturers and retailers

1. Facility cost (44%)
2. Facility location (23%)
3. Facility contract terms (11%)
3. Facility size (11%)
3. Facility attributes and quality (11%)

What are your expectations for this year's market growth / performance?

We still expects the market to continue growing very fast this year, as an effect of projects launched last year but also thanks to new projects being currently started or discussed.

As ID Logistics Poland, we thus expect a yoy organic growth over 50% for the 3rd year in a row.

How do you think the current situation across the border will influence your company's operations and the market conditions in general?

On demand side and despite some concerns, we do not see our customers resigning from their logistics projects due to the war in Ukraine, except maybe for a very few number which planned to use Poland as logistics base for deliveries in Ukraine and Russia.

On the contrary, we indeed see a continuous increase of the need for contract logistics outsourcing. This is partly due to humanitarian operations and increase of the number of consumers in the country connected with high number of refugees, but first of all to the confirmation of Poland as major logistics hub for the whole Central Europe.

On the resources sides, we suffered a bit from the lower number of male Ukrainian workers available for warehouse operations, but this challenge was compensated by higher number of available women and adaptation of our processes, although sometimes generating slight decreases in productivities.

Our main concerns indeed come from indirect effects of the war, with strong increase of most costs – medias, real-estates, consumables, equipment, salaries – and longer or sometimes unpredictable delivery times – Real-estates, IT equipment, ...

What actions are your company taking to try to overcome these challenges?

Those increases and unpredictability cause significant difficulties in projects and costs management. We however remain confident that the close cooperation with our customers and key partners will allow us to successfully overcome these difficulties.

On a Human Resources aspect, we also implemented many actions to help our Ukrainian employees and their families in these difficult times, and we intend to continue supporting them as much as we can.

Yann Belgy,
Managing Director, ID Logistics

Panattoni Park Tricity South II

4.6 E-commerce

The growth of e-commerce business in Poland continues apace and the country remains one of the fastest growing markets in Central Eastern Europe. This is reflected in the very positive opinions of our respondents on the performance of the market, when asked about predicted year on year e-commerce growth. However, this year respondents are not so optimistic about the pace of growth of e-commerce as previously, mainly because the major e-commerce acceleration caused by the pandemic has slowed down.

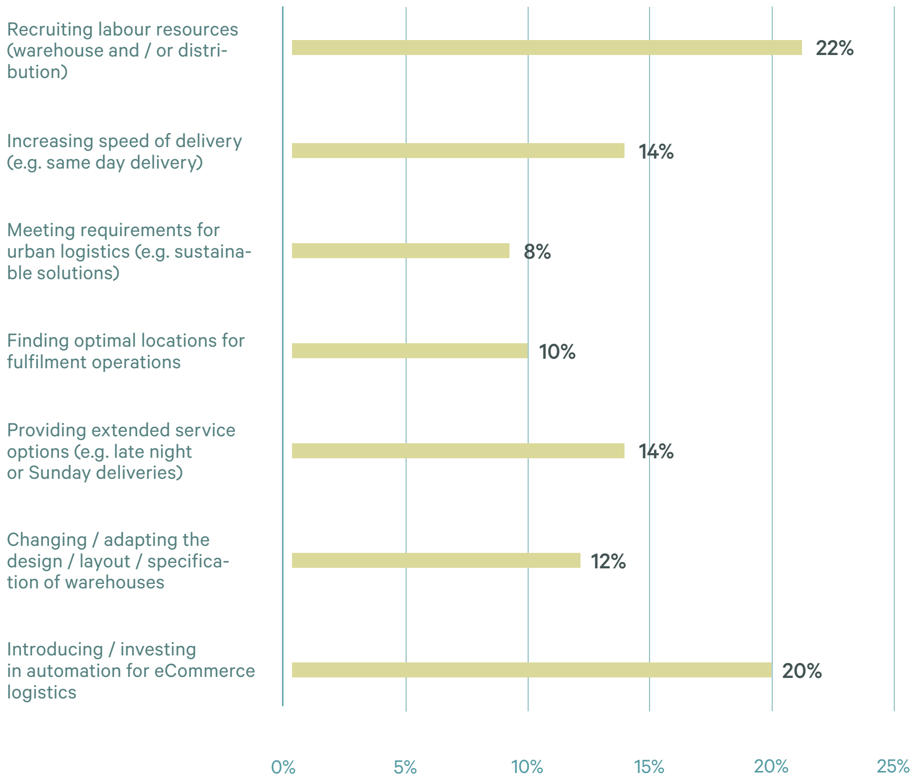
27% (up from 24% last year) estimate the growth rate for e-commerce in 2022 between 6% and 10%, 34% (up from 24% last year) selected the 11-15% expected growth rate and 34% (down from 46% last year) selected a more than 15% expected growth rate, out of whom the majority (17%) believe that e-commerce in 2022 will grow 16-20% compared to last year.

Figure 20. eCommerce: In 2022, what will be the growth rate (year on year) for eCommerce (B2B and B2C) across Poland?

Overall	
0% - 5%	5%
6% - 10%	27%
11% - 15%	34%
>15%	34%
Sub-Total	100%

When asked about the biggest challenge in facing e-commerce growth 22% of respondents said that recruiting labour resources is the most pressing topic. Introducing automation for e-commerce (selected by 20%) followed.

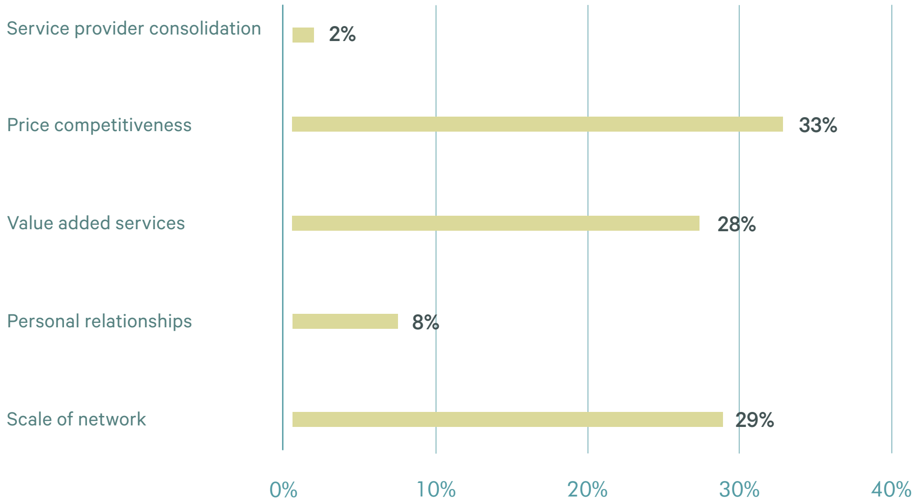
Figure 21. eCommerce: What will be the biggest challenges you face in managing growth in eCommerce (B2B and / or B2C) in 2022?



4.7 Commercial Relationships

When asked to identify the key drivers behind contract wins from customers or, for manufacturers and retailers, contract awards to service providers in the last 12 months, price competitiveness once again ranked as the most important factor (33%, similar to 32% last year). Scale of network was almost as important, selected by 29% of respondents.

Figure 22. In the last 12 months, what were the key drivers behind contract wins from customers / awards to service providers?



The increasingly vital role of technology in logistics and supply chain operations has been a key feature across all editions of this report. This year, it was emphasised by 61% of our respondents that stated that the use of technology is 'very important' in helping their business achieve a competitive advantage, although a figure is down from 76% last year. 70% of logistics respondents and 50% of manufacturers and retailers said that the use of technology is very important to help their business. No answers where technology was "marginally important" or "not at all important" were recorded, in line with previous editions.

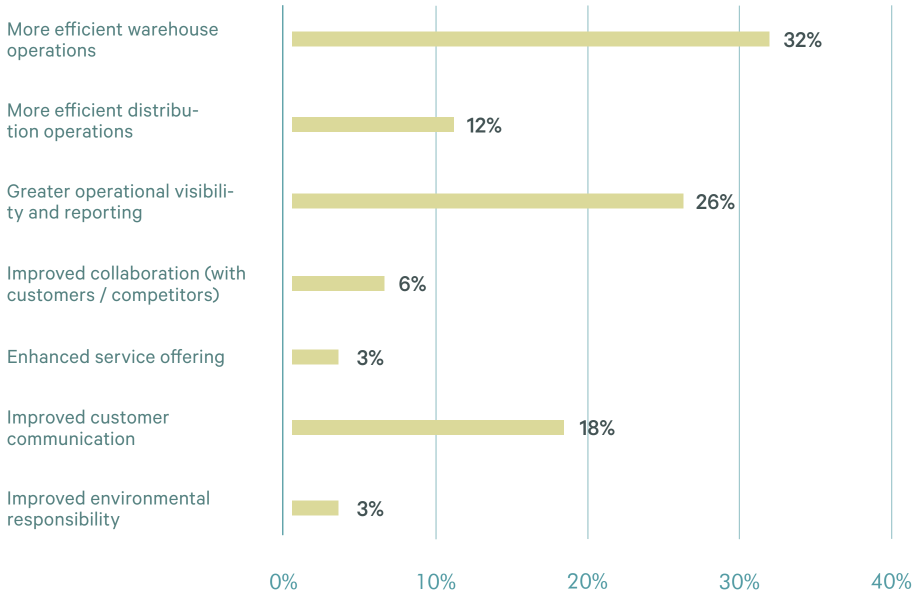
Figure 23. How important is the use of technology to help your business gain a competitive advantage?

> "The increasingly vital role of technology in logistics and supply chain operations has been a key feature across all editions of this report."

Benefits of Technology Applications

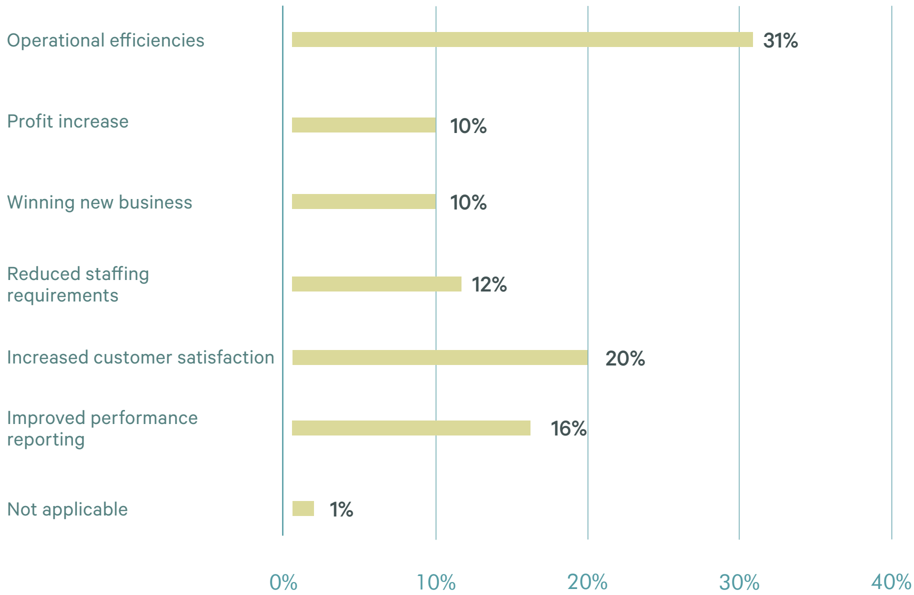
Our respondents were asked to identify the elements of their company where technology is most benefitting their business and according to this year's research, technology's most important role is in the warehouse, chosen by 32% of respondents. Greater operational visibility and reporting was selected in second place (by 26% of respondents).

Figure 24. How important is the use of technology to help your business gain a competitive advantage?



We asked our respondents if they have invested in supply chain technology over the last two years and, if so, what impact has been made on their business of this investment. 31% of respondents pointed to operational efficiencies. The two other most frequently chosen answers were: increased customer satisfaction (20%) and improved performance reporting (16%).

Figure 25. If you have you invested in supply chain technology over the last two years, what has been the impact on the business of this investment?



Expectations for the rest of the year 2022. - What are your expectations for this year's market performance? How do you think the current international situation will affect your business and the market (in terms of the supply chains, investments, job market etc.)? What actions does the company take to overcome these challenges?

This year is particularly unstable and unexpected.

A great challenge for the entire economy, including the logistics branch, are the rising costs within every area.

I'm an optimist, and I trust that well-organised, effective and innovative companies will make it in these difficult times that are ahead of us.

That particularly regards the CEE region, where the speed of investments and economic development is high, which is why the Raben Group extends its transporting network in 15 countries

Janusz Anioł,
General Director, Raben Logistics

Currently, the market is very unstable. The war in Ukraine has a large impact on the situation on the raw materials market and destabilizes the political situation in the region. In addition, we are constantly struggling with problems in supply chains and the availability of raw materials and components for production.

Under such circumstances, it is difficult to make reliable forecasts. It seems to us that the market is on the eve of a slowdown and even a slight recession, which should begin at the turn of the third and fourth quarter of 2022. However, it should not have a significant negative impact on road transport.

Andrzej Szymanski,
Managing Director, DARTOM Sp. z o.o.

4.8 Sustainability

We asked our respondents if their company has already invested in sustainable/environmental/'green' supply chain projects and solutions in Poland and 71% of them have done so.

Has your company already invested in sustainable / environmental / 'green' supply chain projects and solutions in Poland?

Figure 26. Has your company already invested in sustainable / environmental / 'green' supply chain projects and solutions in Poland?

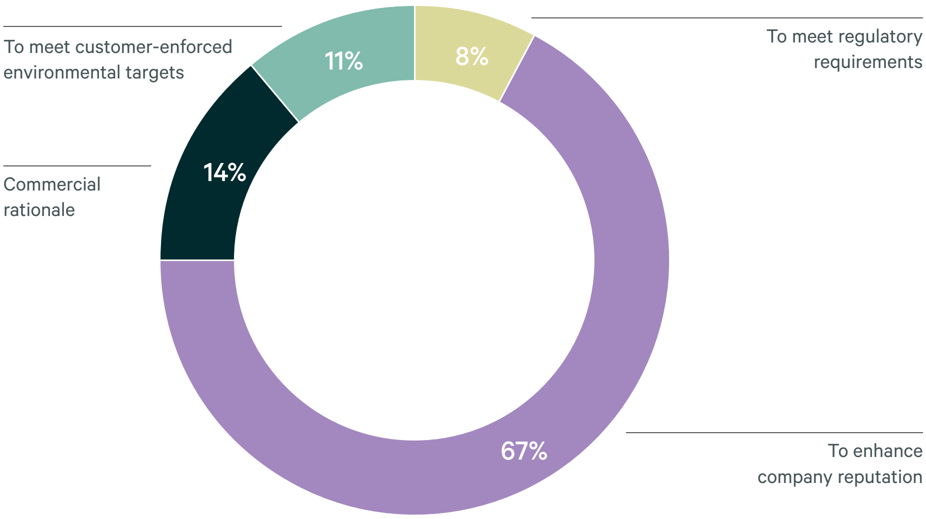
This is the third edition of our report in which we asked our respondents about developing sustainable / environmentally friendly / 'green' supply chains because we feel that it is a pressing issue and this is confirmed in the results.

It is very encouraging to see that the level of environmental awareness stays on the high level in line with the previous editions. 79% of respondents (76% previously) say that their company will be investing in a sustainable / environmental / 'green' supply chain project in the next 12 months. This view was shared by 74% of logistics operators and by 86% of manufacturers and retailers.

Figure 27. In the next 12 months will your company be investing in any sustainable / environmental / 'green' supply chain projects?

We then asked our respondents what they perceived to be the main reason why their company was investing such projects. Two-thirds of respondents (67%) suggest that their company is investing in a sustainable / environmental / 'green' supply chain project to enhance its reputation, whilst 14% are doing so for commercial reasons and 11% are being pushed to undertake such projects to meet customer-enforced environmental targets.

Figure 28. If Yes, what is the main driver of this decision



Panattoni Park Kraków II

Our respondents also provided details of a range of projects that they are undertaking.: 85% of respondents are undertaking warehouse energy saving solutions,almost two-thirds have introduced recycling initiatives (63%), optimising fleet fuel use and staff initiatives are both being undertaken by 38% of respondents.

Figure 29. If Yes, please describe the 'green' projects that your company will be investing in:

Overall	Responses	Respondents
Optimising fleet fuel use	11%	38%
Introducing / expanding alternative energy vehicles	10%	35%
Warehouse energy saving solutions	25%	85%
Preserving water resources	6%	20%
Positive environmental impact	4%	15%
Staff initiatives	11%	38%
Recycling initiatives	18%	63%
Procurement initiatives	5%	18%
Utilising technology	3%	10%
Extending initiatives to suppliers / sub-contractors	7%	25%
Sub-total	100%	

When asked about government support for sustainability, respondents selected the provision of alternative, clean, energy choices (20%), development of road infrastructure (17%), grants for vehicles (15%) and investment in charging infrastructure (15% as the support that they would like to see. Just 3% of respondents think that no support is needed.

Figure 30. What support from Government do you most want to see to assist you to achieve decarbonisation targets?

Overall	
Clarity on fuel choices, technology and cost	11%
Longer implementation period	3%
Grants for vehicles	15%
Grants for charging / refuelling	7%
Vehicle scrappage scheme	1%
Investment in refuelling infrastructure	8%
Investment in charging infrastructure	15%
Development of road infrastructure – expressways, junctions	17%
Provision of alternative, clean, energy choices	20%

4.9 Most Important Issues

We asked our respondents what will be the most important issue they will be facing in the next 12 months and they were able to select three. The vast majority - 87% of respondents pointed to employee wage pressure. Customer price pressure is also important, selected by 53% of respondents. Economic slowdown/recession and driver/skills shortage were both equally important to 49% respondents.

For both categories of respondents, the most important issue is employee wage pressure. Both groups pointed the same Top 4 most pressing issues, but in a slightly different order of importance.

Figure 31. What will be the three most important issues facing your business in the next 12 months?

Overall	Responses	Respondents
Driver / skills shortage	17%	49%
Customer price pressure	18%	53%
Employee wage pressure	30%	87%
Further industry consolidation	2%	7%
Lengthening payment terms from customers	3%	9%
Shortage of warehouse space	1%	2%
Working capital / access to finance	3%	9%
Economic slowdown / recession	17%	49%
Investment in physical infrastructure	2%	7%
Investment in technology	7%	22%
Sub-total	100%	

Logistics operators

1. Employee wage pressure – 83%
2. Driver/skills shortage – 58%
3. Economic downturn/recession – 42%
4. Customer price pressure – 38%

Manufacturers and retailers

1. Employee wage pressure – 91%
2. Customer price pressure – 71%
3. Economic downturn/recession – 57%
4. Driver/skills shortage – 38%

> “Economic slowdown/recession and driver/skills shortage were both equally important to 49% respondents.”

What are your expectations for this year's market growth / performance?

The pandemic resulted in restrictions on traditional trade, which resulted in a strong expansion of e-commerce. This, in turn, contributed to the increased demand for warehouse space and this trend will continue.

How do you think the current situation across the border will influence your company's operations and the market conditions in general? Perhaps considering its impact on supply chains / capital expenditure and investments / the labour market

The war in Ukraine and the sanctions imposed on the aggressor poses a question about the further development of New Silk Road, which was supposed to run through Russia. A large number of drivers from Ukraine employed in transport returned to Ukraine to fight for their homeland. This will aggravate the problems with the staff in the TSL industry. The increase in fuel prices will affect rates in transport.

What actions are your company taking to try to overcome these challenges?

Diversifying services and markets, investing in digitization that helps increase profitability.

Bogdan Augustyniak,
Executive Managing Director,
EV Cargo Global Forwarding Sp. z o.o.

4.10 Business priorities

Respondents were asked to list the business areas which they plan to focus on over the next 12 months in order to achieve their growth plans.

In the coming year, logistics operators will focus on contract margin improvement, when in 2021 they concentrated on winning new contracts.

For manufacturers and retailers, the main focus for the year ahead is once again to control costs. Their second most important focus will be to optimise operational efficiency – the same as last year.

Figure 32. What is the main focus for your company over the next 12 months in order to achieve your growth plans?

Logistics Ranking	2022	2021	2019	2018	2017
Cost control	4	2	1	1	2
Winning new contracts	2	1	2	2	1
Offering more services	5	5	5	5	5
Contract Margin improvement	1	3	3	2	3
Maintaining existing customer base	2	4	3	4	3
Entering new vertical sectors	8	7	5	8	8
Expanding geographical markets	6	6	5	7	7
Enhancing supply chain footprint	6	8	8	5	6

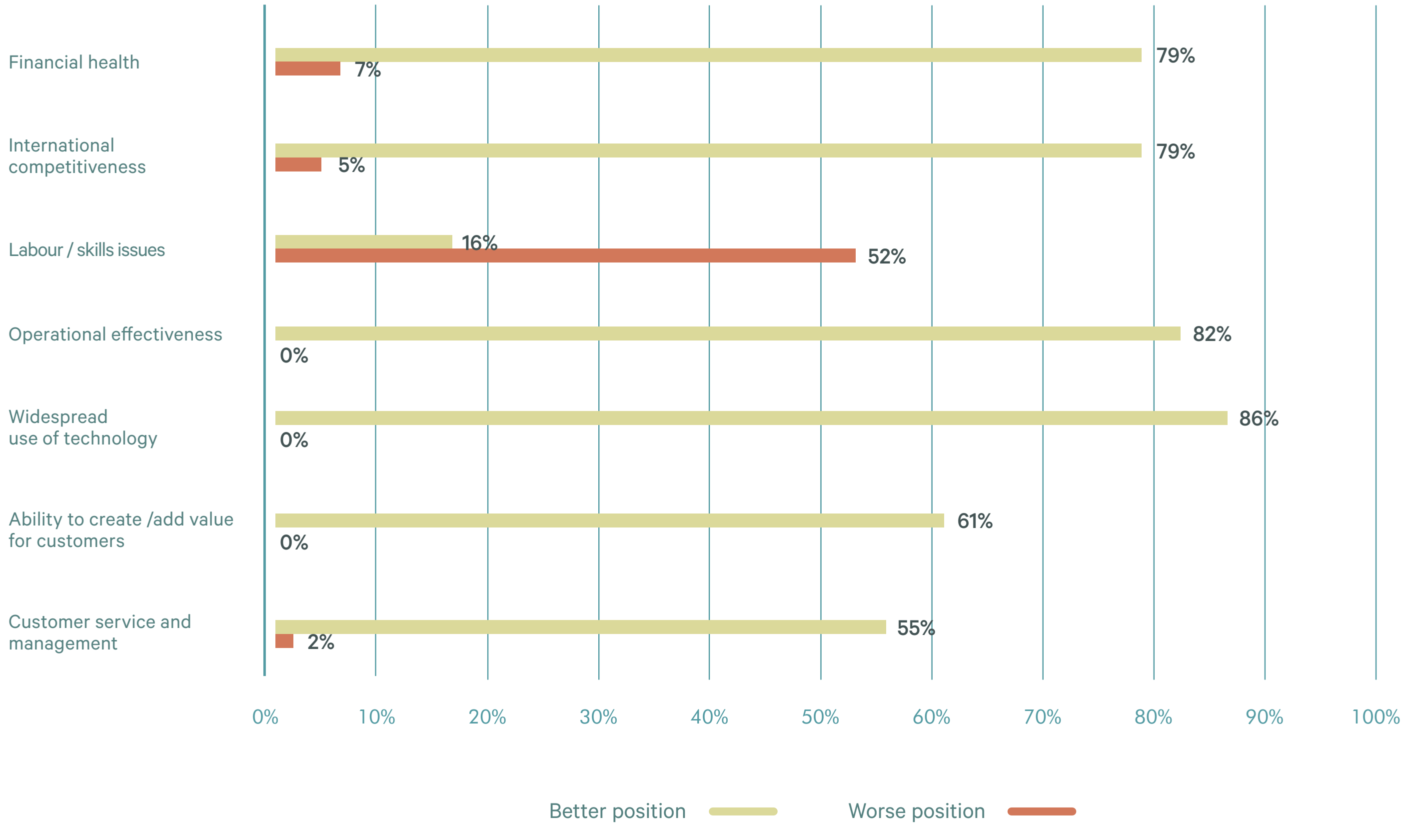
Man-Ret. Ranking	2022	2021	2019	2018	2017
Cost control	1	1	2	2	2
Optimising operational efficiency	2	2	1	1	1
Technology	3	5	3	5	3
Investment in resources (fleet, materials management, etc.)	6	3	6	5	5
Securing the supply of materials	4	3	5	2	4
Strengthen inbound delivery operations	8	7	6	8	5
Strengthen outbound delivery operations	4	6	4	4	8
Strengthening supply chain footprint	6	8	6	7	5

> “Their second most important focus will be to optimise operational efficiency – the same as last year.”

4.11 Five year review

On the occasion of the fifth anniversary of our first Confidence Index report, we asked the respondents if supply chains in Poland, in comparison to 2017, are better placed to meet operational, commercial and economic challenges now. For five out of six challenges, respondents answered positively. The most significant jump is seen for widespread use of technology which was claimed by 86% of respondents to be in better position compared to 2017. Only in case of labour/skills issues, 52% stated that supply chains in Poland are in a worse position than before.

Figure 33. Compared to 2017, are supply chains in Poland better placed to meet operational, commercial and economic challenges?



> Only in case of labour/skills issues, 52% stated that supply chains in Poland are in a worse position than before.

Respondents were also asked to foresee, what will companies have been able to do in the next five years,. 87% said that they will certainly or likely be able to establish sustainable supply chains and logistics operations and 59% of respondents said they likely will be able to optimise their use of technology, while 39% are certain of it. 61% of respondents think they will unlikely be able to benefit from greater public-sector investment in infrastructure, but 36% see it as likely to happen. As for increase profit margins/efficiency, this is the most even category, as 46% said it will be unlikely and 49% believe profit margins and efficiency are likely to increase.

Figure 34. Looking ahead to 2027, will the majority of companies have been able to?

Panattoni Park Poznań X

Expectations for the rest of the year 2022. - What are your expectations for this year's market performance? How do you think the current international situation will affect your business and the market (in terms of the supply chains, investments, job market etc.)? What actions does the company take to overcome these challenges?

The TFL industry has been developing intensively for many years and represents a significant part of the Polish GDP. We anticipate, however, that due to the market situation, limited foreign trade or new EU regulations this year will see a slowdown in growth. Ukraine is of key importance to EU countries in terms of business - particularly in the field of steel production, components or agriculture. For this reason, in addition to price increases, companies also have to cope with longer delivery times, e.g. forklift delivery times have extended from 8-12 weeks to 25-35 weeks.

Similarly, situation in Ukraine affects the supply chains we manage. Since the start of the Russian aggression on Ukraine, we have decided to suspend transport from/to/through Russia and Belarus, including the New Silk Road. Despite it not being an easy decision from a business point of view, morally we had no doubts. Having consulted our customers, we have shifted a significant proportion of our volume to sea freight and combined transport (Sea-Air, Rail-Air, Road-Air).

Due to the global supply chain disruptions, we are also seeing an increased demand for buffer storages, especially in the CEE countries. One can clearly see a shift from Just-in-Time policy towards increased secure stock levels. On the Polish market, for example, the warehouse space vacancy rate is at a very low level of around 3%, despite 2-3 million m² of new warehouses opening every year. Responding to these needs, we are also continuously increasing our warehouse space (this year alone by ~30%).

Diversification - in terms of products, industries and geography - is the foundation of a business resilient to the unpredictable market turbulence. At Rohlig Suus Logistics, we have been implementing a broad diversification strategy for many years, making it possible for us to offer our customers the most advantageous solutions, depending on the current market situation. It goes without saying that in these difficult times it is crucial to have stable but also agile business partners who not only know the mechanics of our business, but are also able to satisfy its needs. Certainly, our wide distribution network and an ongoing technological development allows us to meet our customers' expectations, evidenced by the last year's 70% growth.

Adam Galek,
Member of the Board/ CEO Contract Logistics and Domestic Distribution, Rohlig Suus.

What are your expectations for this year's market growth / performance?

How do you think the current situation across the border will influence your company's operations and the market conditions in general? Perhaps considering its impact on supply chains / capital expenditure and investments / the labour market

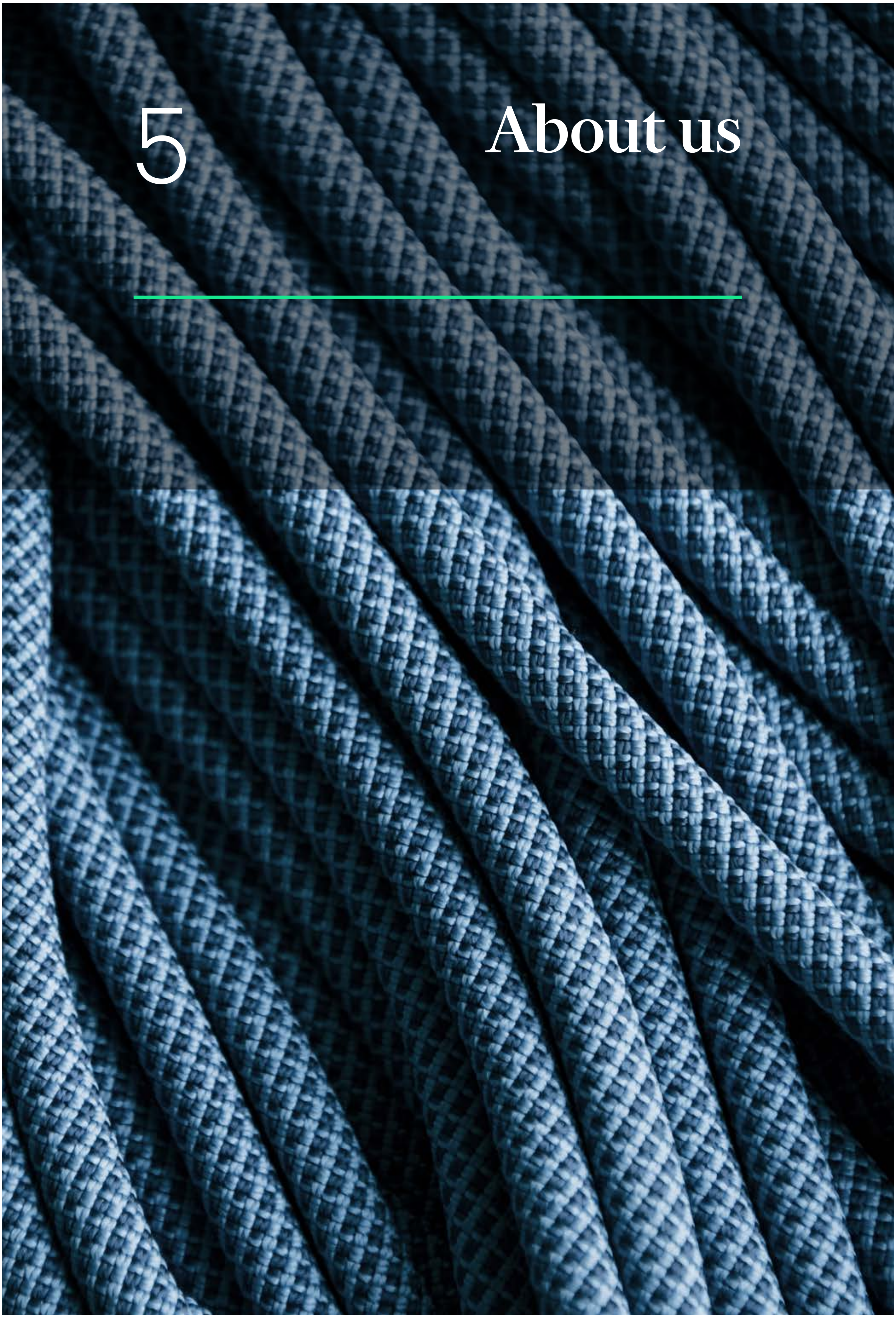
What actions are your company taking to try to overcome these challenges?

We felt we were living in overly interesting times and faced enormous challenges because of Covid - well, we thought. 2022 is a year of war, migration to / from Ukraine, inflation, problems with the supply chain. There are no indications that these trends will reverse by the end of the year - although there is no noticeable drop in demand for the time being, it should be taken into account when inflation affects consumers more strongly. The labor market will be unstable due to the outflow of men to Ukraine, which will not fully offset the inflow of women - workers from more distant parts are gaining in importance. On the investment side, we also have to take into account the producer's market - deliveries will be delayed despite already long deadlines, prices may be renegotiated not only due to inflation. Working closely with both customers and suppliers has become crucial to jointly progress through this squall to more predictable waters.

Rafał Witowski,
CFO, Board Member.

Panattoni Park Poznań X, hotel for insects

5 About us



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For logistics and industrial investors we have created Integrated Industrial Platform, where tenants can find solutions to all their requests, from location and technical advisory, through transaction process support, up to full project and facilities management. We are an experienced team of the best advisors, negotiators, engineers, project managers, licenced architects, building and quantity surveyors, valuers as well as Breeam and Leeds assessors and auditors to build real advantage for your project.

Please visit our website:
www.industrialgo.pl or www.cbre.pl

PANATTONI

Panattoni is part of the Panattoni Development Company, one of the largest industrial developers in the world, with 51 offices in North America and Europe. Panattoni has been present in Central Europe since 2005. To date, the developer has delivered almost 17 million sqm of modern industrial space altogether. Apart from Poland, the company also has offices in Germany, the UK, the Czech Republic, Slovakia, the Netherlands, Spain, Portugal, France, Hungary, Italy, Austria and Sweden.

Panattoni acts as consultants at each stage of the investment process. The company supports local business by providing multi-functional build-to-suit and warehouse facilities.
For the purposes of developing our activity we buy land, securing the most strategic locations in the country.

Panattoni's commitment to constructing sustainable and high-quality industrial assets has created significant brand loyalty amongst many tenants and build-to-suit clients. Panattoni's client list includes more than 2500 international, national and regional companies, many of which have completed multiple assignments with Panattoni.

Among key tenants are companies such as Amazon, Arvato Services Polska, Coty Cosmetics, DSV, H&M, Intermarché, Leroy Merlin, ND Logistics, Still, Schenker, Selgros, Tesco, DB Schenker, DHL, Fedex, DPD, XPO, Coca Cola, Weber, Whirlpool, Bosch, Volkswagen and H&M.

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