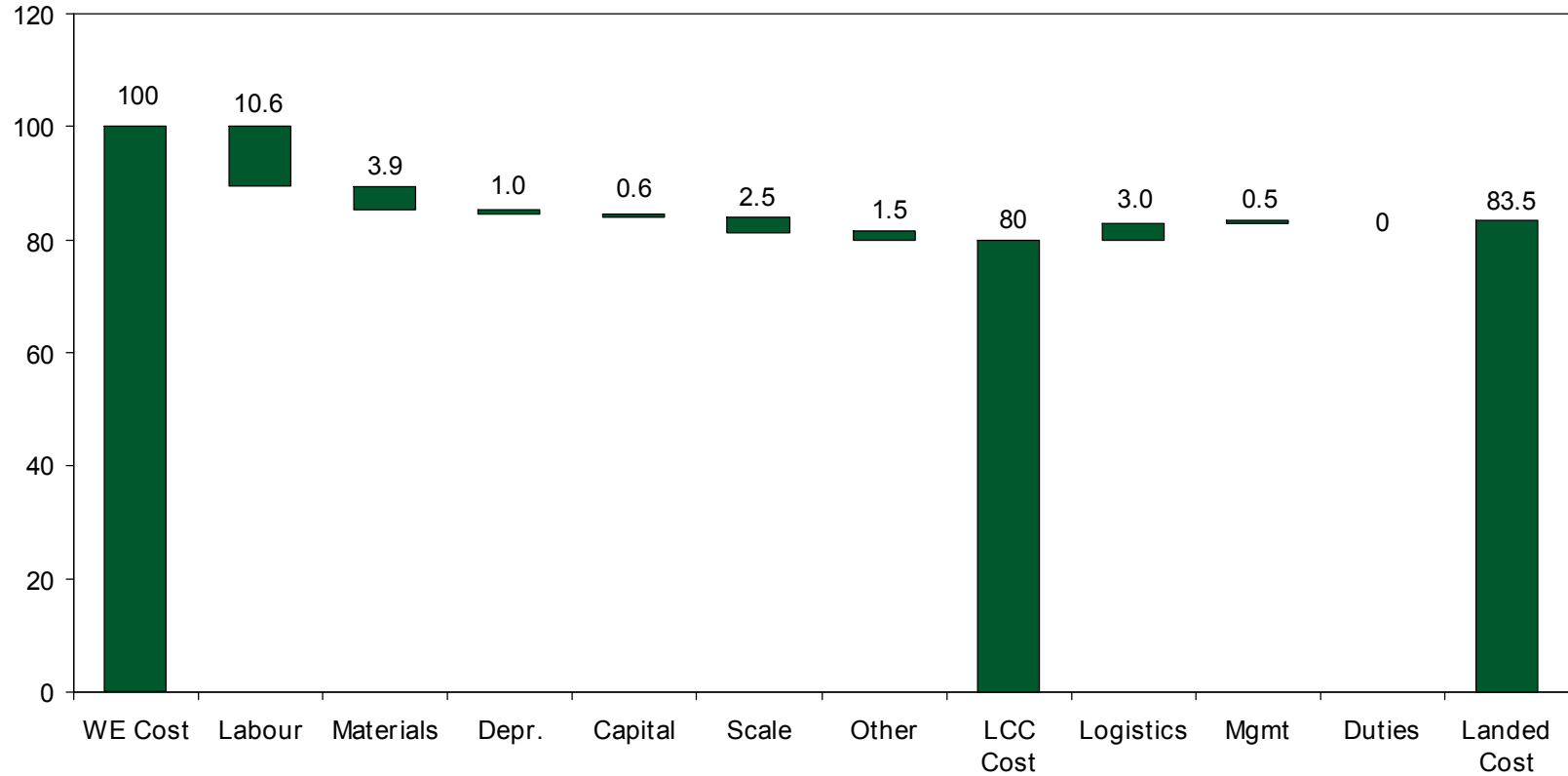


MODELLED ECONOMICS FOR SOURCING FILMS TO GERMANY FROM POLAND



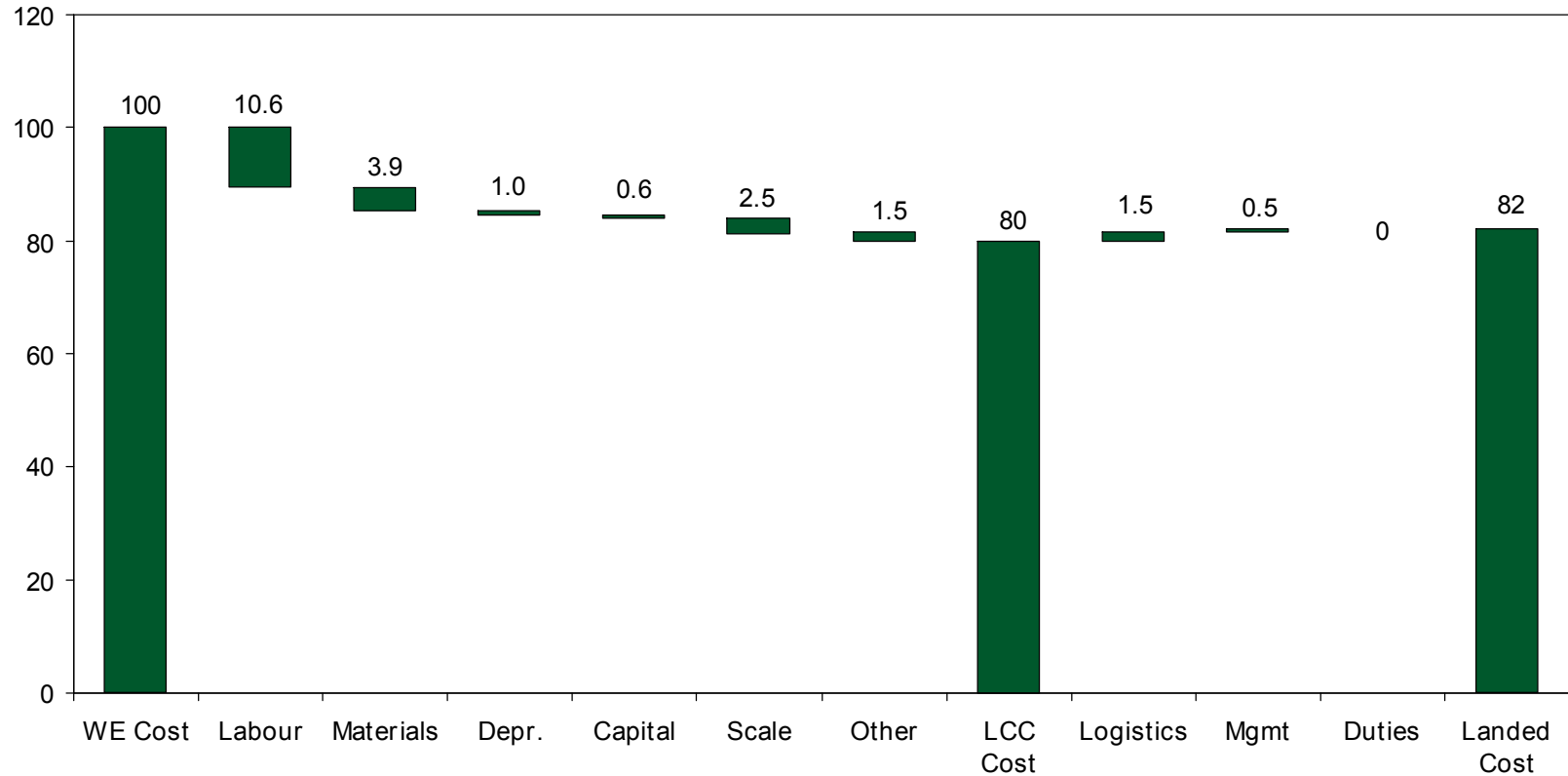
ECONOMICS FOR SOURCING FILMS FROM POLAND TO GERMANY

	Germany	Poland	Difference (Germany/Poland)	Comment
Direct costs				
• Labour	10.0	1.2	8.8	• Primarily blue collar gap: 2.7\$/hr vs 30\$/hr
• Materials	60.0	56.1	3.9	• Cheaper electricity (0.05\$/kWh vs 0.08\$/kWh); slightly lower other components
Sales & marketing	3.0	3.0	0	• No savings on sales organization
• Labour	10.0	13.0	-3.8	• Driven by cargo value (556 \$) and truck transportation cost (14.1 \$/cbm)
• Logistics	7.0	7.0	0	
• Other				
Overheads	2.0	0.2	1.8	• Significant labour cost gap
• Labour	5.0	4.0	1.0	• Substituting fixed assets with labour
• Depreciation				
• Other	3.0	3.5	-0.5	• Increasing management cost (complexity)
Other savings (negative)	0	-2.5	2.5	• Benefits of larger (2x) plants
• Scale	0	-0.6	0.6	• Econ gain on capital freed through reduction of machinery
• Capital (financial)				
• Corporate tax	0	-1.5	1.5	• 19% CIT in PL vs 38% in G
	100	83.5	16.5	

ECONOMICS FOR FILMS SOURCED FROM POLAND/CHINA

	Germany	Poland	China	Difference (Poland/China)	Comment
Direct costs					
• Labour	10.0	1.2	0.9	0.3	<ul style="list-style-type: none"> • Blue collars: 2.7\$/hr in PL vs 0.8\$ in C, white collars 60% more expensive in C. • Cheaper electricity (0.05\$/kWh vs 0.06\$/kWh)
• Materials	60.0	56.1	56.5	-0.4	
Sales & marketing					
• Labour	3.0	3.0	3.0	0	<ul style="list-style-type: none"> • 4x higher transportation cost from China
• Logistics	10.0	13.0	19.2	-6.2	
• Other	7.0	7.0	7.0	0	
Overheads					
• Labour					
• Depreciation	2.0	0.2	0.2	0	
• Other	5.0	4.0	4.0	0	
	3.0	3.5	3.5	0	
Other savings (negative)					
• Scale	0	-2.5	-5.0	2.5	<ul style="list-style-type: none"> • Benefits of larger (4x) plants • Lower CIT: 33% in C vs 19% in PL
• Capital	0	-0.6	-0.6	0	
• Corporate tax	0	-1.5	-0.4	-1.1	
	100	83.5	88.3	-4.8	

MODELLED ECONOMICS FOR SOURCING PRINTED BAGS TO GERMANY FROM POLAND



ECONOMICS FOR SOURCING PRINTED BAGS FROM POLAND TO GERMANY

	Germany	Poland	Difference (Germany/Poland)	Comment
Direct costs				
• Labour	10.0	1.2	8.8	• Primarily blue collar gap: 2.7\$/hr vs 30\$/hr
• Materials	60.0	56.1	3.9	• Cheaper electricity (0.05\$/kWh vs 0.08\$/kWh); slightly lower other components
Sales & marketing				
• Labour	3.0	3.0	0	• No savings on sales organization
• Logistics	10.0	11.5	-1.5	• Driven by cargo value (556 \$) and truck transportation cost (14.1 \$/cbm)
• Other	7.0	7.0	0	
Overheads				
• Labour	2.0	0.2	1.8	• Significant labour cost gap
• Depreciation	5.0	4.0	1.0	• Substituting fixed assets with labour
• Other	3.0	3.5	-0.5	• Increasing management cost (complexity)
Other savings (negative)				
• Scale	0	-2.5	2.5	• Benefits of larger (2x) plants
• Capital (financial)	0	-0.6	0.6	• Econ gain on capital freed through reduction of machinery
• Corporate tax	0	-1.5	1.5	• 19% CIT in PL vs 38% in G
	100	82.0	18.0	

ECONOMICS FOR PRINTED BAGS SOURCED FROM POLAND/CHINA

	Germany	Poland	China	Difference (Poland/China)	Comment
Direct costs					
• Labour	10.0	1.2	0.9	0.3	• Blue collars: 2.7\$/hr in PL vs 0.8\$ in C, white collars 60% more expensive in C.
• Materials	60.0	56.1	56.5	-0.4	• Cheaper electricity (0.05\$/kWh vs 0.06\$/kWh)
Sales & marketing					
• Labour	3.0	3.0	3.0	0	• 4x higher transportation cost from China
• Logistics	10.0	11.5	13.0	-1.5	
• Other	7.0	7.0	7.0	0	
Overheads					
• Labour					
• Depreciation	2.0	0.2	0.2	0	
• Other	5.0	4.0	4.0	0	
	3.0	3.5	3.5	0	
Other savings (negative)					
• Scale	0	-2.5	-5.0	2.5	
• Capital	0	-0.6	-0.6	0	• Benefits of larger (4x) plants
• Corporate tax	0	-1.5	-0.4	-1.1	• Lower CIT: 33% in C vs 19% in PL
	100	82.0	82.1	-0.1	

KEY ASSUMPTIONS

Area	Data	Granules	Cheap film	HQ printed bag
Cargo value	Net price (pln/kg)	4	7	30
	Stowage (kg/cbm)	500	400	400
Cost structure	Labour costs (% of Op costs)	15%	15%	15%
	Material costs (% of Op costs)	60%	60%	60%
	Direct costs (% of Op costs)	70%	70%	70%
	Overheads (% of Op costs)	10%	10%	10%
	Op. margin (%)	7%	7%	7%
Duties	Poland to Germany	0%	0%	0%
	China to Germany	0%	0%	0%