

POLISH SECTORS

Boom in automotive sector in Poland part 2

Automotive supply chain

As a result of snowball effect following automotive investments (or re-investments) are stimulating development of companies and creation of new jobs. Currently there are over 700 companies (ca. 200 obtained ISO/TS 16949 certificate) - suppliers of the automotive sector - with the share of both Polish and foreign capital. Their list includes for instance six plants of car engines e.g. of Isuzu in Tychy, Opel and FIAT-G.M. Powertrain in Gliwice, Toyota in Jelcz-Laskowice and Wałbrzych, and Volkswagen Motor in Polkowice. Poland is also a leading manufacturer of: components for engines, metal pressed parts, aluminum castings, rubber and plastic parts, manufacturing of dies and forms. Components manufactured in Poland are later assembled in cars, such as Mercedes, Nissan, Opel, Porsche, Toyota, Volkswagen, Isuzu, Fiat, Citroen, Honda, Peugeot, Volvo, BMW, Rolls-Royce, Lamborghini, Ferrari.

Poland - Emerging leader in trucks, vans, busses and coaches manufacturing

Automotive companies located in Poland not only deliver passenger cars and variety of components to internal market, but also export vans, buses and trucks. It amounted to almost 100,000 units in 2004. The list of major bus and trucks manufacturers include FSO in Warszawa, Opel Poland in Gliwice, Volkswagen in Poznań, Intrall in Lublin, MAN Star Trucks in Starachowice and in Poznań, Jelcz in Jelcz-Laskowice, Autosan in Sanok, Solaris Bus & Coach in Bolechowo, Volvo Poland in Wrocław, Scania in Słupsk. Polish commercial vehicles market is still too small as for the potential of the Polish economy. Having in mind rising trade between Poland and the EU, the growth potential of the Polish truck market is very big. Polish market is likely to retain high growth dynamics in the next few years.

Tyre sector

Attractiveness of Poland for automotive sector investors has recently been confirmed by a decision of Michelin to invest EUR 253 million in the Warmińsko-Mazurska Special Economic Zone.

Employment should exceed 500 people. „The firm represents tire manufacturing sector. In this field Poland becomes an unquestionable European leader. In the past Poland attracted investments of other major representatives of this sector, such as Bridgestone and Goodyear. Positive decision of Michelin is the reflection of Poland's investment attractiveness. The company participated in the privatization of domestic tire maker Stomil-Olsztyn S.A., which brought about positive financial results and high efficiency of production and thus convinced the firm to further invest in Poland. The plant will be technologically advanced, which will be important not only due to the anticipated transfer of technology and know-how to Poland, but it will also positively affect economic development of Warmia and Mazury region. Tire sector will indirectly contribute to the creation of a large number of jobs in the region due to its high demand for components,” announced Sebastian Mikosz, Executive Vice President of PAIIZ.

Earlier also Goodyear and Bridgestone decided to shift its manufacturing facility to Debica and Poznań respectively. Poland is one of the largest tyre producer in Europe. According to www.opony.pl Polish tyre market analyst, the internal market will grow in 2005 by 3% in comparison to the year before amounting 7.6 million pieces. According to Central Statistical Office Polish output capacity amounted to 33.6 millions tyres for the period January-November 2004.

Currently PAIIZ is working on 6 large automotive investment projects and about 15 smaller projects. The value of the projects has to exceed EUR 50 million and create at least 500 new jobs. If all of them were concluded with a positive investment decision, they would directly create at least 15,000 jobs.

MAP OF THE POLISH AUTOMOTIVE SECTOR

Poland has strengthened its position as one of the countries with the fastest growing economy in Central and Eastern Europe. Substantial growth of investments concluded in Poland by large multinational automotive sector suppliers causes increasing interest with this branch of the Polish industry. The project “Map of the Polish automotive sector” which is run by Internet site www.mojeauto.pl is becoming popular among individual Internet users, as well as executives of companies.

Latest information:

Form of polish automotive sector

An automotive sector is the significant part of Polish industry. It has achieved record results in 1999 by dint of constant growth of production up to 715,000 and sale up to 640 000 cars and vans.

FIAT&GM turbo drive

An investment related to beginning Turbo Diesel 1.3 SDE car engine production in Bielsko Biala has absorbed almost 370 million euro with over 1,300 employees. A huge demand for 1.3 SDE engines causes the plant will achieve full production abilities faster than it was planned.

New Investments in automotive sector

An amount of new overseas investments into the polish automotive sector is still increasing. Only in 2004 almost 9% of invested capital was connected with the branch. It makes the automotive sector leading one in the whole productive sector.

As the project “The map of the Polish automotive sector” is already recognizable and identified as a reliable source of information, Polish Information and Foreign Investment Agency (PAIIZ) has taken patronage over it. For the most up-to-date information concerning investments in the automotive sector in Poland please visit www.motogazeta.mojeauto.pl/mapa

POLISH ECONOMY

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Poland's Inflation at 1.4% YY in June The Polish consumer price index was at 1.4% in June, the Central Statistical Office (GUS) said. Consumer prices dropped 0.2% versus May 2005. The market expected the inflation of 1.5% yoy, down from 2.5% in May, with the range of forecasts at 1.4-1.8%.

Poland's Unemployment Rate at 18% in Jun., Prev. 18.3%

Poland's unemployment rate was at 18% in June, down from 18.3% in May, the Central Statistical Office (GUS) said Monday, July 25. The number of those out of work was at 2,827,400, down by

39,900 or 1.4% since end-May. Compared with June 2004, the number of those out of work in Poland was lower by 7.9%.

Poland Tops Europe for Investment Attractiveness

Poland holds the fourth place in the world and the first in Europe with respect to attractiveness for investments, said Ernst & Young in its European Attractiveness Survey. „[Poland's] attractiveness was indicated by 17% of respondents, which allowed it to overtake the three best European countries so far, that is Germany, the United Kingdom and France,” said Danuta Janczak, the deputy president of company's board.

POLICY MAKERS/ OPINION

IMF Praises Poland, Encourages Fiscal Reform In its first year in the European Union, Poland has shown its mettle and export growth remained buoyant and FDI picked up sharply, rendering a solid external position stronger, the International Monetary Fund (IMF) said. Policymakers successfully coped with accession-related price and demand shocks, the organization said. The IMF said, however, that the Polish government must continue fiscal reforms in order to use the country's economic potential.

AUTOMOTIVE

Poland's Car Production Up 35% MM in June 48,061 passenger cars were made in Poland in June, up nearly 35% versus May, and 0.5% down versus the corresponding period of last year, the research company, Samar, said in a statement. On the cumulative basis, Poland's car production reached 258,806 units through June, down 5.7% year-on-year. The country's car production continued to be driven by healthy export demand, particularly in Western Europe, Samar said. Of the 48,000 units built in June, 45,669 cars, or over 93% of the total, were delivered to foreign markets.

TELECOMMUNICATION

Sales of Mobile Phones in Poland to Rise 15-20% in 2005 Analysts of Gfk Polonia expect that this year's sales of mobile phones will rise by 15-20%. In their opinion, some 5m mobile phones will be sold every years in Poland, the company said in a report. Gfk Polonia's IT market analyst, Krzysztof Pawlak, said in the report the strong increase of sales may continue in the future as users will be replacing their units with newer models. Report: Polish IT Services Spending Reaches EUR 1.1bn in 2004, Up 28.6% YY. The Polish market for IT services picked up in 2004, as spending rose 28.6% to

EUR 1.1bn, a report from market advisory firm IDC said Monday, July 18. The organization expects the growth of 14.6% in 2005 and 14.8% in 2006. „Given the diminishing margins on hardware and software, many big-name vendors are bolstering their IT services offerings. Nevertheless, the market remained fragmented, with local players dominating the scene and the top 20 vendors accounting for just over 62% of spending in Poland in 2004. While HP and IBM ranked first and second in revenue on the Polish IT services market last year, only three international players in total broke the top ten. (Accenture took fifth),” the report states.

FOREIGN DIRECT INVESTMENTS

MAN Nutzfahrzeuge AG chose Niepołomice for the location of its new trucks plant

Management of MAN Nutzfahrzeuge AG decided that the additional trucks assembling plant will be constructed in Kraków. After all works are completed production capacity will stand at 15,000 vehicles annually, which will allow employing 650 persons. Planned investment outlays will stand at between EUR 90-100 million. Signing an agreement concerning the construction of the plant will take place on 16 August in Poland. Construction works will be commenced already in fall 2005. The first vehicles should be completed by the middle of 2007.

Electrolux to construct a new plant in Świdnica



The Swedish group Electrolux intends to construct a facility producing cookers. Total value of the investment is estimated at around EUR 40 million. Roughly 460 people will be employed. On 18 July 2005 tender procedures were completed. Electrolux Poland Sp. z o.o. will purchase a 30 ha plot in Świdnica, subzone of the Wałbrzych Special Economic Zone Invest-Park. The firm will construct a manufacturing facility, which will produce cookers designated for the Polish market as well as for export. The commencement of production is planned for March 2007. The construction of a plant in Świdnica is the next large investment of Electrolux Group, one of the world's largest producers of white goods, in Poland. In 2004, the company commenced the investment in Żarów (production of dishing machines) and in Siewierz (production of tumbler driers).

Investment of Volvo in Poland



Seat of Volvo in Wrocław

Volvo will invest PLN 26 million in the creation of accounting and IT system in Wrocław. The new centre will employ 500 persons who will provide services to the whole group of Volvo AB in Europe. Agreement signed between the Economy and Labour Ministry and Volvo will allow the creation of a Complex Financial-Accounting and Development of Information Technologies Centre LLC in Wrocław. Among the employed will be mostly young persons in the age of 25-34, which will help lower the unemployment rate in the Lower Silesia in this age group (currently at 26.3%). Investor also declared that majority (40%) of the employees will be taken on via Poviast Labour Office (PUP) in Wrocław. The new investment will result in growing turnover and thus employment among entities co-operating with the centre. It is estimated that thanks to the investment roughly 50 new jobs will be created in the close environment.

German investor to construct a plant in the LSEZ



The ceremony of granting the permit for commencing business activity

On 2 August 2005, Kühnl Polska Sp. z o.o., received a permit for commencing business activity in Złotoryja, a subzone of the Legnica Special Economic Zone. Kühnl will construct and equip a PLN 2.8 million plant, which will manufacture elements for cabrio cars. Subsidiary of a German company Kühnl GmbH Stanz und Umformtechnik purchased a 1 ha plot. The constructing works will be commenced later this year. The production of components for convertible tops will be commenced by the end of 2006.

New investment of Wrozamet in Poland



Facility of Wrozamet in Wroclaw

On 15 July, headquarters of the Polish Information and Foreign Investment Agency (PAIIZ) hosted the ceremony of signing agreement with Wrozamet S.A. concerning its new investment project in Wroclaw. The company, which is a subsidiary of Spanish Fagor Electrodomecos, will construct and expand its white goods factory. The investment, which value amounts to EUR 31 million, will create 1,000 new jobs by the end of 2008. Wrozamet will provide training for all new employees. The construction of new Wrozamet factory in Poland is another step to build a stable production infrastructure and strengthen its position on foreign markets. Having broad access to Western markets, due to membership in MCC, Wrozamet products are becoming another export hit of Poland.

EASY STUDY

3M recruits staff for its new plant in Wroclaw

3M has started hiring people for its new USD 30 million plant in the capital of Lower Silesia. Due to re-locating production from France, Japan and the United States to Poland, 130 new jobs will be created.



Headquarters of 3M Poland Sp. z o.o. in Kajetany near Warsaw

In January 2004, 3M Medical Division decided to shift all global manufacturing of Scotchcast™ (synthetic cast) to Wroclaw. The whole process of consolidating production from three continents in Poland should be concluded within two years. In the first stage 3M relocates production from Pithiviers in France, then from Irvine in the United States and Yamagata in Japan. A new, state-of-the-

-art, manufacturing facility was built in Wroclaw. The Polish facility will be one of 3M's most advanced, hi-tech plants and the prime supplier of synthetic cast for 3M worldwide. The estimated value of the project amounts to USD 30 million.

„During the two years that passed after the acquisition of Viscoplast we gained the full trust of our Board. In Poland we are manufacturing the highest quality products. Our plant in Wroclaw has become the reliable and proven supplier to 3M worldwide” - says Piotr Freyberg, Managing Director of 3M Poland Sp. z o.o. In 2004 American company completed the engineering team for the new plant. Now it is recruiting 60 technicians and production staff. „We are looking for motivated, technically gifted and teamwork-oriented individuals who will show the initiative” - adds Radoslaw



Majda, HR Director of 3M Poland. The whole process is supported by the committed Wroclaw Labour Office. 3M started its activity in Poland in late 60s and early 70s. It opened its Polish subsidiary in 1991 and sales office in 1997. In 1998 3M Poland moved to its new headquarters in Kajetany near Warsaw. In December 2001 3M paid PLN 63 million to acquire Viscoplast SA in Wroclaw, a leading Polish manufacturer of sticking plasters, surgical dressings, operative foil, dressing and healing plasters. 3M has invested approximately USD 80 million in the country so far. It currently employs 550 people. American investor is famous in Poland for its strong commitment to road safety, talent development of its Polish employees, constant innovation and corporate social responsibility.



Groundbreaking ceremony

Piotr Freyberg emphasizes that 3M's most positive experiences in Poland have a lot to do with Wroclaw. „From the very beginning our dynamic growth in Poland was supported by the mayor and most engaged and competent Wroclaw authorities. The remarkable beauty and unique atmosphere of the Lower Silesia capital

city also add to our high standards and business expectations of further expanding our Polish manufacturing base here.” - says Managing Director of 3M Poland.

Headquartered in St. Paul, Minnesota, 3M Company is a diversified industrial materials supplier, producing adhesives, bonding materials, coatings and specialty materials with operations in over 60 countries. It employs 67,000 people and sells its products in 200 countries worldwide. Wroclaw and Lower Silesia has become the top FDI destination in Poland in the recent years. The City offers the one-stop-shop for investors while its world class business environment is constantly proven by the new project announcements. Only July 2005 brought two major expansions of happy foreign investors: Volvo AB (share service centre, 500 new jobs) and Fagor Electrodomecos (domestic appliances, 1000 new jobs). Intense support from the mayor Rafał Dutkiewicz and continuous commitment and efforts put forth by the city authorities makes all foreign investors strongly recommend investment in Wroclaw for any potential foreign investor interested in this part of Europe.



New manufacturing facility of 3M Poland in Wroclaw

CALENDAR

Press Conference „Foreign investments in Poland, chances and perspectives”.

On June 29 Ernst & Young and Polish Information and Foreign Investment Agency were hosts of the press conference “Foreign investments in Poland, chances and perspectives”. The conference took place at PAIIZ premises. During the conference were presented results of two latest researches conveyed by Ernst & Young – reports: „Europe's investment attractiveness” and „German barometer of small and medium enterprises. According to the report Poland is perceived as one the most attractive countries for foreign investors.

UNICE Seminar, SME access to finance: a better understanding

On September 27, in Brussels will take place seminar organized by UNICE. The participants of the seminar - the repre-

representatives of companies, business organizations, the representatives of European Institutions (Council, Commission and European Parliament) will have the opportunity to ask questions to the panel of experts and give their own views. In the European Union, nine out of ten companies are small or medium-sized enterprises. They provide almost two out of every three jobs. They are driving force of European growth and job creation. UNICE, representing almost 20 million entrepreneurs and small and medium-sized companies is organising this seminar to state their concern about accessing finance and push for change.

III Forum of Polish Logistics Managers – Pollog 2005

On October 13-14 will take place III Forum of Polish Logistics Managers organized by the daily newspaper „Puls Biznesu” and Polish Logistics Managers Association. Forum Pollog will be addressed to logi-

stics managers of productive and trade companies, as well as logistics, transport, freight and courier service companies. The event will be organized for professionals, who will exchange their views and experiences on their success in business. It will also be an occasion to talk about latest trends, challenges for them in Poland and abroad.

UNICE Third Competitiveness Day

UNICE is to hold its third Competitiveness Day in Brussels on 20 October. The theme of this year is “Crossing Frontiers” and addresses the reality that businesses increasingly have to operate against a global backdrop. Among other aspects, modern communication technologies mean the range of activities can be conducted almost anywhere in the world.

The talks will concentrate on activities of European entrepreneurs in a global economy. To retain their competitive position

they have to not only be active and present on the world markets, but also overcome cultural barriers, strive for new and innovative solutions and to support reforms aiming at accelerating economic growth and increasing the number of new jobs. Participation in the Competitiveness Day is an opportunity for entrepreneurs from all European countries to meet together and exchange their opinions and views. It is also a great occasion to discuss with the most influential and important politicians and European decision-makers.

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PO LAND OF OPPORTUNITIES

Poland is:

- modern and developed country
- CEE leader in terms of FDI stock
- the shared services center of Europe,
- the second country in Europe in terms of the number of students,
- the largest regional producer of yachts,
- the center of automotive sector suppliers,

Poland has:

- one of the youngest populations in Europe,
- highly qualified IT experts
- a growing number of R&D centers of the largest global companies
- very efficient IT enterprises
- healthy food products already known all over Europe

Poland offers:

- very well trained, young and highly motivated employees
- investments in Special Economic Zones (attractive plots and numerous benefits, such as tax exemptions)
- low corporate income tax (19% CIT)
- one of the lowest labor costs
- one of the fastest rates of GDP growth in the EU (5.4% in 2004)
- business friendly environment

Should you have any questions related to investments in Poland, Polish Information and Foreign Investment Agency (PAIIZ) is there to help you. We are a governmental agency with extensive network of contacts both on the central and local levels.

PAIIZ offers investors:

- Quick access to complex information regarding economic-legal investment environment
- Help in finding suitable partners and suppliers, and attractive investment locations
- Advice during each phase of the investment process

PAIIZ

More information: www.paiz.gov.pl