

SECTORS

Boom in automotive sector in Poland

Poland is a center of automotive suppliers for transnational corporations. Plants located in the country are characterized with the highest quality and efficiency combined with low labor costs. Furthermore domestic plants meet the highest quality standards, which are broadly proven by receiving ISO certificates. This is especially visible on the example of Opel plant in Gliwice (in the south of Poland, in Silesia).

„Opel plant in Gliwice is one of the best factories of General Motors in the world due to the best quality and efficiency of the manufacturing process,” stressed Marc Kempe, spokesperson of GM Europe.

Automotive sector in Poland, as well as around the world, should always remain very important part of the manufacturing industry. In terms of shifting production to new locations it is far more beneficial for the development of an automotive producer to locate their facility in Poland than to produce in Germany for instance.

Poland, as one of the new member states of the European Union, is likely to attract new foreign investors. This location offers them many advantages in comparison to other countries, such as France, Japan or Germany, in terms of low labor costs, high quality of services and well educated and skilled staff, well developed supplies chain, and aid of the state.

Highlights of automotive sector in Poland

These factors contributed to the increasing inflow of foreign direct investments to the Polish automotive sector and resulted in the dynamic development of the number of suppliers. Automotive corporations, such as: Toyota, FIAT, Volkswagen, MAN, Volvo, General Motors (Opel, Isuzu) encourage companies cooperating with them to shift production to Poland. There are over 300 Tier 1&2 plants spread throughout the country. In 2003 the value of car components manufactured by Polish factories amounted to almost PLN 15.84 billion, while in 2004 the figure went up substantially and finally amounted to PLN 21.8 billion which mean growth by almost PLN 6 billion. The value of cars manufactured in the domestic plants in

2003 amounted to PLN 10.7 billion while in the same time in 2004 the figure stood at PLN 19 billion. According to PIM (Polish Chamber of the Automotive Industry) sales of cars including passenger cars, trucks and vans, buses and minibuses amounted to 600,000 in 2004, while employment stood at 110,000.

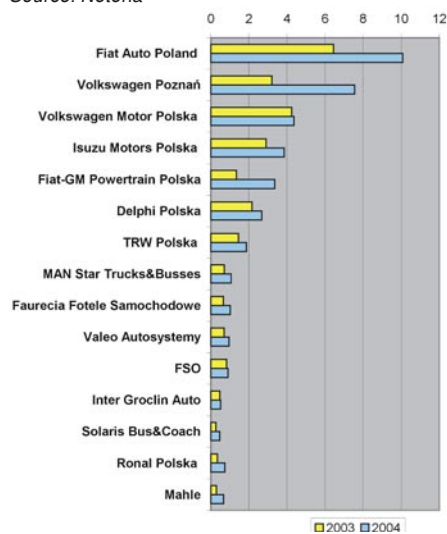
Manufacturing centers of the automotive sector in Poland are gathered around four major agglomerations: Katowice, Wrocław, Poznań and Warszawa. The employment in these sites amounted to 74,400 people in 2004.

Manufacturing boom in 2004

Surging external demand led to increased production of all Polish car makers. According to Samar (Automotive Market Analysys) in the whole 2004 516,162 passenger cars were manufactured in Poland, considerably up from 334,690 manufactured in 2003 which means 56.1% growth.

Income of the automotive manufacturing plants in Poland in 2004 and 2003

Source: Notoria



The list of the largest foreign companies representing automotive sector operating in Poland includes also: Bosch Breaking Systems, GKN, Valeo, Lear, Kirchoff, Stahlschmidt & Maiworm. Four of automotive passenger OEMs (Original Equipment Manufacturers) leaders have also decided to locate their facilities in Poland. These include Volkswagen in Poznań and General Motors in Gliwice with the maximum available production capacity of 150,000 units annually, FIAT in Tychy and FSO in Warsaw with the maximum available production capacity of 250,000 units per annum.

End of part 1. To be continued

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. The project, realized by internet portal mojeauto.pl, is a result of increasing interest throughout the business circles of automotive sector in Poland. Its aid is to provide detail information concerning new investment projects of automotive sector.

Latest information:

VOSS – “...not everyone is able to produce as well as Polish do...”

“The highest quality must be achieved in Polish plant of Voss Automotive (Legnica). The time we had to proof we are as good as UE producers is finished. We are better” – says Piotr Daniw – managing director of VOSS Automotive in Legnica.

Dębica – the largest Goodyear factory in Europe!

The factory in Dębica is the largest among 11 European and third largest among 85 plants of the company in the world.

First Solaris buses already in Berlin!

According to the agreement in 2005 Solaris Bus & Coach has to supply Berlin with 130 new city buses – Solaris Urbino 18. This is the largest order on the German market signed by the Polish producer so far.

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

Powered by Warsaw Independent



Poland's Gross Privatization Revenues at PLN 889.65m at Jun. 24

Poland's gross privatization revenues reached for the first half of 2005 PLN 889.65m, 15.7% of the annual plan, the Economy Ministry said in a statement Tuesday, June 28. The net revenues reached PLN 682.99m, or 15.4% of the yearly plan.

Polish Exports of Yachts Reach \$200m in 2004

As most Polish production of yachts is sold in Western countries, Poland's exports of these products reached \$200m last year, three times as much as in 2000. In 2003, Poland exported 36,000 of various vessels. Only 10% of the production is sold on the domestic market.

Poland Gives Preferential Tax Treatment to First-Time Individual Entrepreneurs

Individuals who begin business operations in Poland will be entitled to a reduction of compulsory social security contributions for two years, the Sejm, the lower house of Poland's Parliament, decided, passing an amended Social Security System Act Friday, July 1. In accordance with the bill, entrepreneurs will have to pay the minimum contribution of 30% of the minimum gross wage, which currently amounts to PLN 849. At present, taxpayers make monthly social security contributions reaching PLN 700.

Poland Ideal for Services Offshoring

Electrolux will move its accounting services to Kraków from several branches throughout Europe, the daily Gazeta Wyborcza reports, adding that it is yet another company that has recently decided to move such services to Poland. The daily speculates that service centers will be growing faster outside Warsaw, one of the biggest beneficiaries of Poland's foreign direct investment so far.

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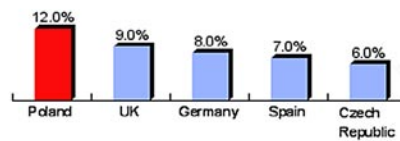
ERNST&YOUNG REPORT

Poland ahead of regional competitors

According to the latest Ernst&Young European Attractiveness Survey carried out among top executives, Western Europe turns out to be the most interesting economic

area (63% of polled named this region). Despite the traditional leaders, such as Germany, France and the United Kingdom, Poland made it to the top mainly due to its favourable labour costs.

Executives' most preferred site for: Availability of sites, costs of land and regulations



Source: Ernst & Young – European attractiveness survey 2005

In 2004 the CEE region attracted 31% of all FDI coming to Europe, which is more than France, Belgium, Germany and Spain combined. At the same time Poland and Hungary made the largest leap last year and currently they are chasing Germany with regard to the inflow of foreign investments.

Central and Eastern Europe becomes a 'low cost' competitor for China by further improving its attractiveness. According to the poll of E&Y, 55% of questioned pointed at the CEE region as the most attractive global area.

Within Europe, Poland stands out among other countries in terms of labour costs and availability of industrial sites, but it also has the second best result in terms of prospects of improving labour productivity. At the same time the country is recognized as the most preferred location for launching new investment projects or expanding existing ones

According to the report of Ernst and Young, potential savings resulting from transferring labour to countries such as Poland from Germany might allow savings of as much as 85% to 90%.

For more please visit www.paiz.gov.pl

FOREIGN DIRECT INVESTMENTS

Kostrzyń-Słubice Special Economic Zone attracts new investors



Kronopol company, part of Swiss Krono holding, will invest at least EUR 130 million in Kostrzyń-Słubice Special Economic Zone. 150 jobs will be created. The new investment will be the largest one in the zone. The company will construct a plant producing floor panels, cupboards etc.

ESG Odlewnictwo Ciśnieniowe has also obtained the permit for business activity.

German company will operate on a 9,900 square metre land, located in Słubice subzone. It will construct a modern production and metalworking plant.

Fenelon Group to invest in Poland

Fenelon Group International will invest in a production facility in the Wałbrzych Special Economic Zone (WSEZ). The company will initially invest PLN 1 million and employ at least 150 people.



Irish Fenelon Group International sp. z o.o. purchased a 4.47 ha land in Kudowa Zdrój sub-zone. The company, operating in the metal industry, will produce metal containers for fuel, liquids and loose materials in the city. The company will broaden and expand the production scope. It will commence its activity by the end of April 2006.

Fenelon Group International decided to invest in Poland due to significant demand on the domestic market. It was encouraged by low labour costs and potential of work force. Another reason for choosing the location was highly developed infrastructure in the Wałbrzych Special Economic Zone. (Fenelon Group machine shop)

Ahold Central Europe to open Back Office Services centre in Kraków



Polish hot spot for R&D and strategic services, the royal city of Kraków, has attracted another international shared service centre. Ahold Back Office Services (ABOS) centre will render accounting services to Ahold operations in Poland, the Czech Republic and Slovakia. 200 new jobs will be created.

Ahold Back Office Services (ABOS) will process incoming and outgoing invoices and payments of over 430 stores. The centre will be opened in August 2005 and employ around 200 accounting and finance professionals.

WABCO expands in Wrocław

In 2005, global commercial vehicle supplier WABCO will create 150 new positions as part of its long-term plans to invest USD 11 million by the end of 2010.

WABCO's facility in Wrocław plays an important role in its global manufacturing network, providing customers with reliable product quality and delivery. Because of the Wrocław facility's successful track record related to implementing new solu-

tions, WABCO believes that Wrocław has the ability to play an even more important role in the future.



“We have an internal project underway to make our existing plant and production areas as efficient and effective as possible. This will enable us to decide how to achieve the best results in terms of our long-term investments in jobs, skills, equipment and buildings,” announced Kai-Michael Wolters, business leader for the WABCO Poland facility.

Opening ceremony of Kofola in Kutno

On 16 June 2005 Kofola officially opened its new factory in Sub-Zone Kutno within Łódź Special Economic Zone. The investment outlays of the new plant amount to EUR 15 million. 135 job will be created.



A Czech company Kofola Sp. z o.o., which in September 2004 obtained the permit for business activity in complex “Wschodnia” in Sub-Zone Kutno within Łódź Special Economic Zone, has just started the production of non-alcoholic beverages in its newly built plant.

The company decided to locate its investment in Kutno in regard to the proximity of Warsaw-Poznań route and location in the industrial zone which provides necessary infrastructure utilities as well as high quality of water.

Gedia Poland expands its operations in the lubuskie voivodship

In 2005 the company envisaged capital outlays of over EUR 13 million, which would be designated for two new facilities for automotive sector - logistics and production. First of these undertakings will be concluded in July. Construction works concerning the production facility will be concluded in fall 2005.



„Both investments will envisage the creation of over 150 new jobs, thanks to which total employment in the company will increase to roughly 800,” said Zbigniew Paruszewski, managing director of Gedia Poland. Management of the company already announced investments of additional few million Euro in 2006.

CASE STUDY

Gillette is recruiting staff for a new EUR 120 million plant in Łódź

One of the largest greenfield investment projects announced in Poland in 2004 has entered the recruitment stage with the construction works successfully nearing completion. By 2007 Gillette and its suppliers will create over 2,000 new jobs in Łódź metropolitan area.



In March 2004 the American consumer goods manufacturer singled out Poland for its pan-European new manufacturing and distribution facilities. Gillette conducted a detailed study of 28 European countries for this project, finally having shortlisted Czech Republic, Slovakia, Hungary and Poland. The site in Łódź – Nowy Józefów will cover 95,000 sq.m. and will create about 1,150 new jobs. The new plant, located in Łódź Special Economic Zone, will manufacture disposable razors and other shaving products. It will also handle storage and distribution of a wide range of Gillette products for the whole European market.

The USD 58-million contract for the new factory is being carried out by Warsaw-based construction company Warbud SA, a Polish subsidiary of French Vinci Construction. The groundbreaking ceremony took place on 2 August 2004. General contractor is scheduled to complete the construction by 20 September 2005. The plant will become fully operational by 2007. The Polish project is the backbone of restructuring Gillette’s European operations. Consolidating into a single facility in Łódź will mean closing down Gillette’s UK facility in Isleworth near London as well as shifting some manufacturing (Sensor family of shaving products) from German plant in Berlin to Łódź. The new Polish facility will also replace a packaging and warehousing centre in Hemel Hempstead in the United Kingdom. The present, smaller facility of Gillette in Łódź is also to be relocated to Nowy Józefów.

Local authorities have already constructed road infrastructure required by Gillette.

Last year Łódź councilors unanimously voted on the bill exempting all strategic investors from property tax for the period of 10 years, with Gillette being its first beneficiary. Since April the new factory has been included into the city’s public transportation network.

Łódź has become a hot spot for foreign investments since 2004 when it attracted three huge manufacturing projects of BSH Bosch-Siemens, Indesit Company and Gillette. The second largest Polish city has always been considered one of the best places to locate light manufacturing which was partly due to its 150-year traditions in textile industry (now being gradually replaced by home appliances) as well as one of the lowest labour costs in Central & Eastern Europe. In May 2005 the city hired McKinsey & Company, one of the world’s leading consultancies, to prepare and implement the cluster-based development plan for Łódź. The PLN 3.6 million deal will help to attract another EUR 300 million of investments and create 30,000 new jobs in Łódź metropolitan area over the next few years. This is the first such a project conducted by a large Polish city.



The strategy to make Poland Gillette’s manufacturing & distribution centre in Central & Eastern Europe resulted in new investment projects in other parts of Poland. In May 2005 the U.S. manufacturer and DHL Logistics jointly opened a logistics centre in Dąbrowa Górnicza (southern Poland). It is one of the largest Gillette’s facilities of that kind in Europe supplying Poland, the Czech Republic, Slovakia, Hungary, Ukraine, Russia as well as distributors in Africa and Asia. Around 200 new jobs will be created. Gillette’s project has also attracted to Łódź a growing group of suppliers. The largest newcomer so far has been the U.S. contract packaging company Sonoco Products, Inc., which will create over 1,000 new jobs alone. Sonoco and Gillette have a longstanding business relationship. The Sonoco’s packaging centre will be located on the same, 20-hectare site, owned by Gillette. Intensive recruitment for new Sonoco plant is also under way.

The Gillette Company is a world’s leading manufacturer of shaving systems, batteries and personal care products. It owns manufacturing operations in 14 countries and employs 30,000 people worldwide.

QUOTE OF THE MOUNTH



Wido Waelput,
Vice President, Marketing, Sales and Supply Chain Director Basell Orlen Polyolefins Sp z o.o.

„We are getting ready for commercial launch of EUR 500-million PP and PE manufacturing facility in Plock. Poland is particularly attractive for foreign investors interested in polyolefin industry due to its market potential. Poland is very competitive as far as costs are concerned even when compared to other low cost countries, e.g.: China.”

CALENDAR

Conference on “Outsourcing and Shared Services – Maximizing competitive advantage”.

Between 13-14 June, Frankfurt hosted conference “Outsourcing and Shared Services – Maximizing competitive advantage”, which was organized by the European Outsourcing Association. The talks concentrated on the topics concerning outsourcing, setting up accounting, IT and HR shared services centres on cheaper overseas markets (offshoring to India) and in the neighbouring countries (nearshoring to Central and Eastern Europe).

Polish Outsourcing Association took part in the conference, which presented Poland as an attractive country for setting

up shared services centres offering cheap labour force and highly skilled personnel having good command of foreign languages. The list of Poland’s advantages includes also favourable tax relieves for investors locating their service centres on the territory of Special Economic Zones, as well as attractive location in the heart of Europe, good infrastructure and fast developing economy.

All participants of the conference received publication “Focus on Poland” prepared by Polish Outsourcing Association under the patronage of PAIiIZ. The publication contains a guide for investors, offer of Special Economic Zones and many more information for potential investors.

XVth Economic Forum in Krynica - European Challenges: The Model and Boundaries of Europe

Between 7-10 September, XVth Economic Forum will be held in Krynica. Each year the Forum brings together decision makers, experts, as well as political, economic and cultural leaders. They gather together to discuss challenges faced by the world - and in particular Europe. By sharing experience and exchanging opinions, they facilitate decision making processes and undertaking projects crucial for both international and interregional cooperation. Around 1,500 participants from more than 40 countries are expected to take part in the 15th edition of the Economic Forum. Economic Forum, which aims at building a friendly atmosphere for development of political and economic cooperation between EU countries and their neighbours, can play an important role in enriching the EU-Russia relations.

Almost 100 panels, sessions and workshops will be focused around the following issues: macroeconomics, economic policy, business, management, power sector, finances, banking, new economy, international politics and security, regions, society, science and culture, the European Union and its neighbours

PAIiIZ, as one of the participant of the Forum, will take part in the panel on „The influence of foreign investments on economic development in Europe”. The panel will be moderated by PAIiIZ President Andrzej Zdebski.

Mission to Japan

Between 10-14 September, Polish Information and Foreign Investments Agency is organizing a mission to Japan. The mission will accompany the official visit of the Poland Japan Economic Committee to this country. The visit aims at strengthening business links with Japanese entrepreneurs. The participants will take part in investment seminar presenting economic potential of Poland. They will also participate in a number of meetings with representatives of Japanese economic societies, as well as with Japanese companies investing in Poland.

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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 (PAIiIZ) is there to help you. We are a governmental agency with extensive network of contacts both on the central and local levels.

PAIiIZ 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

PAIiIZ

More information: www.paiz.gov.pl