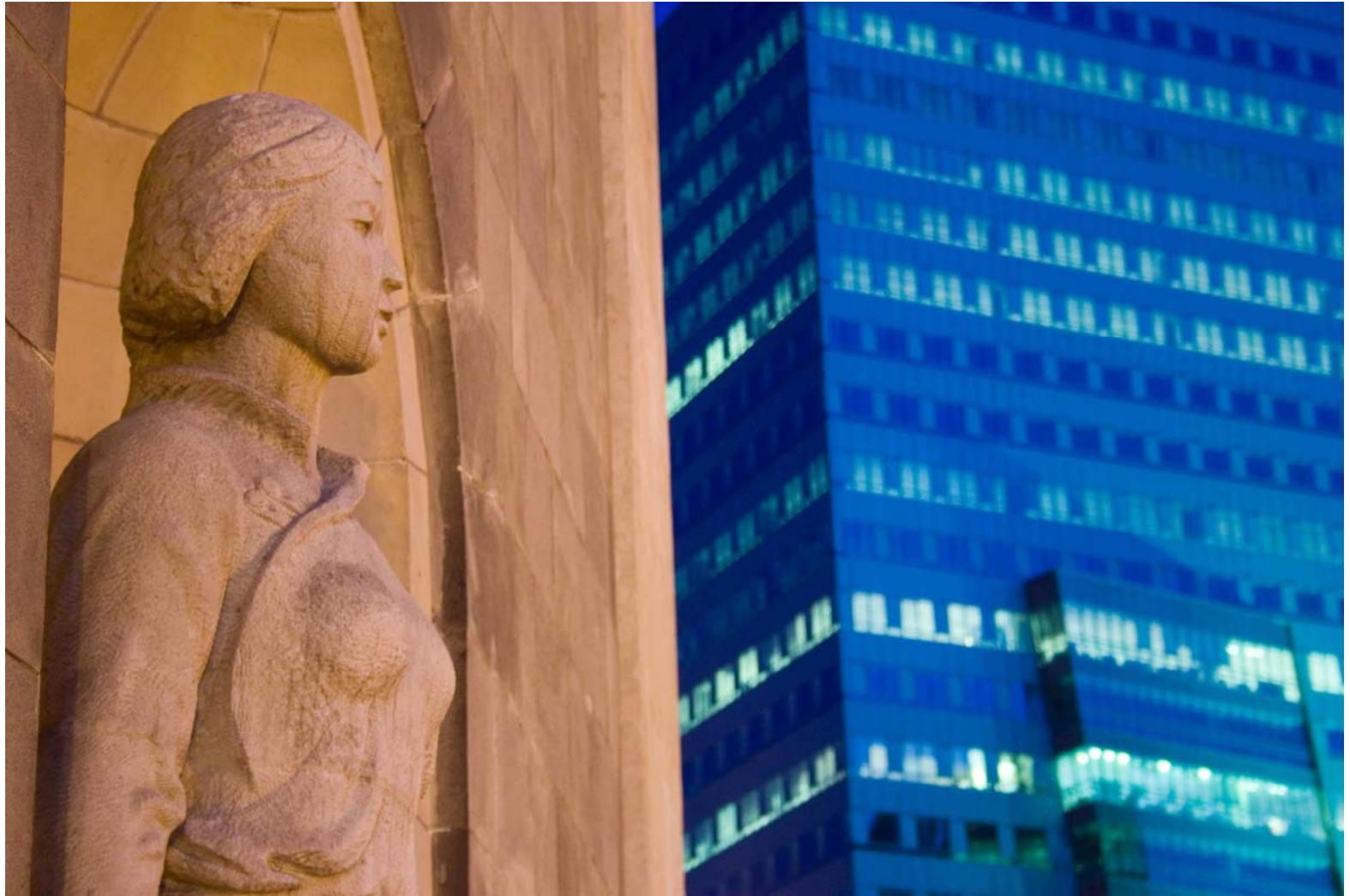


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E- Newsletter

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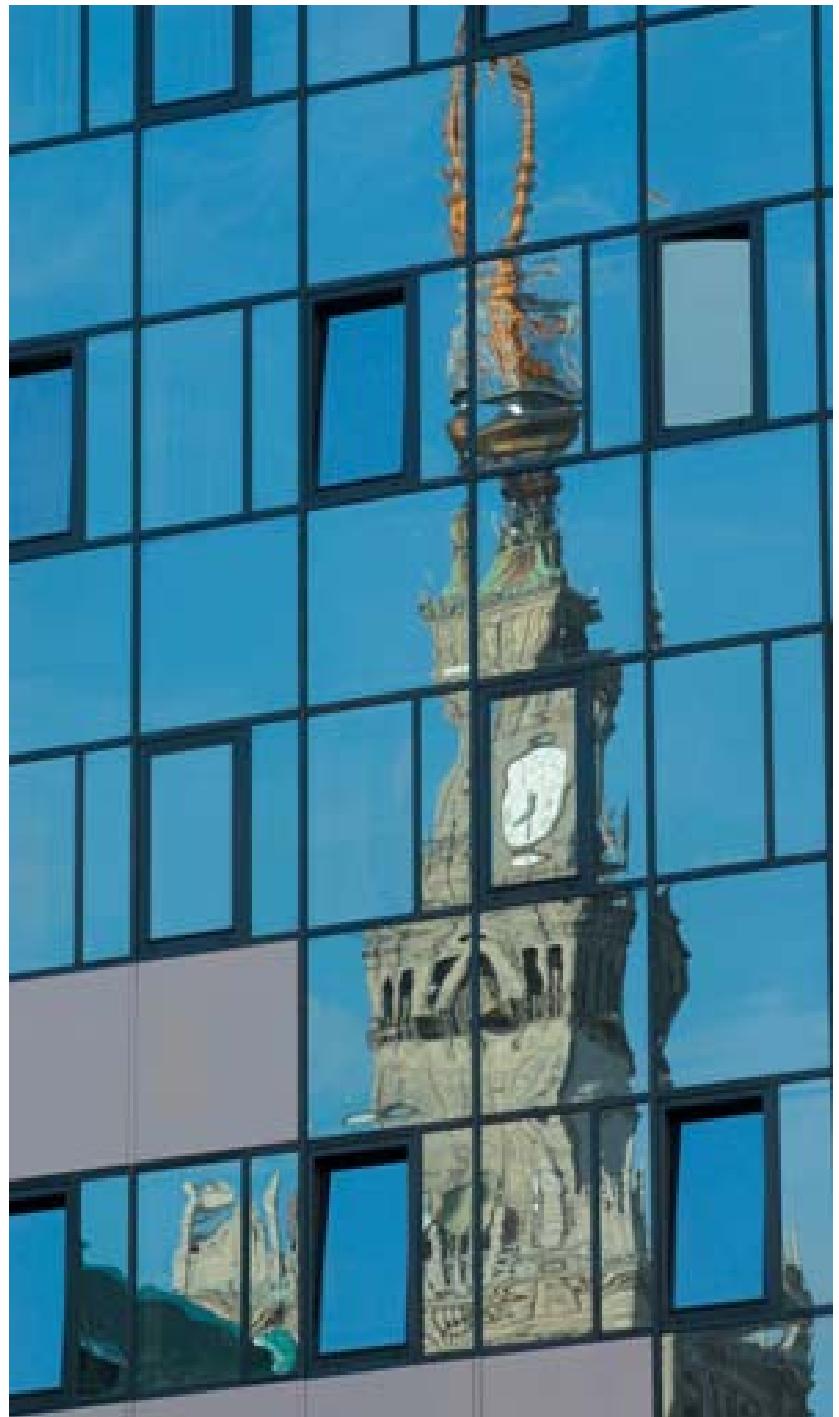
**No. 2
March / April 2009**

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Bolesław Gryzel

First of all I would like to thank you very much for the warm reception of the first edition of our e-newsletter. We have received a great number of positive feedback.

In the last months the polish currency - the Złoty had a “rollercoaster ride” – its value went up and down on the international markets. Since the end of March it has been continuously rising though. Our colleagues from the Polish Professionals in London took a closer look at the situation – the results you can find in the “From a professionals perspective” section of the newsletter.

For the second edition we have prepared an overview of the City of Lódz or the “polish Manchester”. Ms Suszczewicz – Deputy Director of the Investor Relations Unit / City of Lódz took the time to explain the transformation from a textile oriented city into a booming BPO center. Besides that you will also find a lot of information regarding new investments in Poland – for example Unilever R&D Center in Poznań or IBM Center in Gdańsk.

I hope you will find this newsletter useful and interesting.

Bolesław Gryzel
First Councillor
Head of Trade & Investment Promotion Section
Embassy of the Republic of Poland in London

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News

Foreign investors are returning to polish market

03/27/2009

Although in time of crisis it is difficult to find optimistic news about economy, up to now, Poland, is defending itself against the decrease. This is confirmed by the reports of international economic institutions and by a growing interest in Polish market shares.

An entrance on Polish shares market was announced on Monday by the management of Credit Suisse Asset. Its representative, Robert Parker, a well known London analyst of financial market, has arrived to Warsaw.

Credit Suisse AM intends to invest first of all in consumer sector and export but it also takes into consideration infrastructure, public health and telecommunication firms - assessed Robert Parker for Gazeta Wyborcza daily. Polish economy is in good condition, especially in comparison with other countries from the CEE region such as Hungary, Ukraine or Baltic countries. In his opinion, Polish banking system is strong, it does not have any 'toxic' assets, only individual credits admitted in Swiss francs may cause a certain problem in future. What's more, Credit Suisse AM took Poland (next to India) as the most perspective location for investment among emerging markets. Various analysts are of the same opinion: Polish economy has a solid foundation which will enable it to escape from the effects of a worldwide slowdown and maintain good health in 2009.

In the opinion of one of the biggest world banks, HSBC, Poland will not suffer from crisis as much as other countries in our region due to lower tax rates, strong internal demand, as well as the influx of capital from the European Union. The problem may be the decrease in exports, but due to the fact that its share in the structure of Poland's GDP does not exceed 33%, the Polish economy will not feel the effects of the global slowdown as strong as other countries in our region, where the share of exports in national income is much higher: 66% in the Czech Republic and 69% in Hungary.

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From the beginning of this year, many international financial institutions issued their reports evaluating well foundation of the Polish economy. The World Bank states that Poland in 2009 will reach two-percent GDP growth, which makes our country one of the few with positive growth rate of GDP. The European Commission confirms these estimates.

The next one is a report by an international rating agency Moody's Investor Service, issued in March. The report on the countries of the CEE region, qualifies Poland in addition to Slovakia, the Czech Republic and Slovenia, to a group of countries with a rating without risk for the financial credibility.

Favorable results of the reports cited by the international press are essential part of the good reputation of Poland. The positive image of the country plays an important role in taking business decisions, especially in the time of crisis, when emotions play an important role. Companies, which decided to remain on the market, can no longer hold the investment. Sooner or later, they will be forced to seek new markets and opportunities for cutting costs. That is when Poland may prove to be a black horse in the race for attracting investors. (*PAIiZ / Gazeta Wyborcza*)

Moody's: Polish economy in good condition

03/13/2009

A report by an international rating agency Moody's Investors Service shows a bright outlook for the Polish economy.

The latest Moody's study concerning countries in the CEE region indicates Slovakia, the Czech Republic, Hungary and Poland as countries which are very much in line to successfully tackle crisis-connected budget difficulties. All the four countries may boast stable financial credibility ratings. According to the study it is the Baltic States that may face the greatest solvency problems. The countries, however, may count on help from outside as opposed to Ukraine which was poorly rated and is less likely to enjoy external financial support.

Moody's considers the bank systems of the Central European countries not to be threatened by the global trends although Western parent companies may tend to reduce capital directed to the region. (*IAR*)

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Poland among countries resisting the crisis

03/13/2009

The third edition of "The European Growth and Jobs Monitor" published by the Lisbon Council and Allianz SE shows all the 14 biggest EU economies are affected by the global downturn. Poland classifies among countries bound to withstand the crunch.

The study, now in its third edition, looks at the EU's 14 largest economies and measures how they perform in reaching goals derived from the so-called Lisbon Agenda. The ranking classifies countries according to six key criteria including economic growth and productivity growth in which Poland ranked 1st and 2nd respectively and was generally ranked among the six countries which are considered not to be hit by the crisis. Finland tops the ranking.

The country ranked 1st in two of the six key criteria i.e. human capital and sustainable public finances. The Allianz/Lisbon Council study ranks countries according to six key criteria i.e. economic growth, productivity growth, jobs, human capital, future-oriented investment and sustainable public finance.

The Allianz Group is one of the leading global service providers in insurance, banking and asset management. The Lisbon Council is an independent, non-profit association registered in Brussels. (www.lisboncouncil.net)

The Word Bank predicts 2% GDP growth for Poland in 2009

02/28/2009

The latest World Bank's report on the Polish economy forecasts a 2% GDP growth for 2009.

During the report's presentation Tomas Laursen, the World Bank Country Manager for Poland and the Baltic States said that a 2% GDP growth in Poland this year is a very attainable scenario.

From among the new EU member states Poland is in the best fiscal and financial condition. Although the country has been experiencing sluggish external demand and lowering foreign direct investment (FDI), against the backdrop of the rest of the region Poland maintains a far more stable development, also thanks to

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private consumption which is one of the most important stimulating economic factors - Mr Laursen added.

The report points out that the government's determination to maintain budget's discipline remains an important anti-crisis element of the economic policy in the country. (PAP)

Gdańsk among the 31 most attractive IT investment destinations

02/28/2009



Gdańsk is the only Polish city and one of eight European locations which entered the ranking of the 31 most attractive investment destinations in the IT sector- Paweł Adamowicz, Gdańsk's President and Jerzy Kalinowski, representative of KMPG who prepared the ranking "Exploring Global Frontiers - The New Emerging Destinations" informed on Monday.

KPMG presented 31 cities situated on all continents which tend to be most attractive for investors who look for alternative investment locations after traditional outsourcing projects destinations result oversaturated. Among the selected locations there are both big cities from developed countries and smaller destinations from emerging economies. Gdańsk as the only Polish city entered the ranking.

It is the easy access to highly qualify IT specialists, good communication infrastructure, the city's attractiveness as a place to live in and a considerable investment support from local authorities that constitute the destination's major set of advantages.

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Every year Gdańsk universities generate round 150 thousand graduates. The city offers well developed and competitively priced office space, among others, within the Gdańsk Science and Technology Park. Undoubtedly among the major city's advantages there is the modern airport and well-developed (continually modernised in the frame of the EURO 2012 preparations) transport urban infrastructure. New investors generating jobs are in line to obtain attractive concessions and other investment incentives as well as professional economic assistance on every stage of the investment process.

Both the President Adamowicz and the KMPG representatives agree that a good position in the ranking effectively promotes the city and may contribute to new projects acquisition and thus stimulate the city's and the whole region's economic development. (*Gdańsk City Council*)

Unilever opens first global product development centre in Central & Eastern Europe

02/13/2009

Unilever has invested 16 million EUR in the new building and its world-class R&D facilities in Poznań.

Unilever R&D centre in Poznań. Unilever opened the Centre of Excellence Liquid Foods in Poznań, the first global foods product development centre in the Central & Eastern European region.

The R&D Centre is responsible for product, process and packaging development for food products to brands like Knorr, Hellmann's. - "It's great to see how fast we've been able to build this new R&D team and these new R&D facilities here in Poznań. It takes the best R&D experts to be able to deliver the most natural, home-cooked quality foods on a large scale." The R&D centre employs 65 R&D professionals from 13 countries.

Unilever, already operating one food factory in Poznań, in 2006 invested over 100 million PLN in a new production line for soups destined both for the Polish and foreign markets. That is why the company opted for Poznań as the best location for the centre. Vindi Banga, Unilever CEO for food and cosmetics, admits that even if offered other destinations the company would once again choose Poland to locate the investment. Banga confirms that investment in

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Poland continues to be attractive and the food market is highly absorbent. Within the last three years Unilever's investment outlay in Poland reached 300 million PLN. Beside the two Poznań-based facilities, the company constructed also a tea factory and a transport management centre in Katowice. (*Unilever/Rzeczpospolita*)

Cadbury opens a new factory in Poland

02/13/2009

The Skarbimierz-based Cadbury plant producing chewing gums opened last autumn. The official opening ceremony took place on February 10th.

The newest Cadbury plant constructed in Poland is the concern's most modern plant in the region and will provide European markets with chewing gums. The enterprise generated 300 new workplaces and contributed to making Poland, currently hosting three Cadbury plants and more facilities under construction, the concern's major distribution centre in Europe.- said Judith Pickering, President of the Chewing Gum Factory, Cadbury Polska.

The plant located in Skarbimierz is the latest completed project by Cadbury and at the same time the company's most modern facility in the region. It manufactures products known and sold all over Europe, including brands like Trident, Stimorol, and V6.

It was the good location of Poland and the town of Skarbimierz itself, in the very centre of Europe as well as access to highly-qualified employees and well-developed transport infrastructure that helped the location outstrip other possible investment destinations. The construction process took round 1.5 year as the project began to be realised in 2006 and regular production stared in autumn last year.

The first Cadbury investment in Poland dates back to 1993. The first plant producing chocolate was constructed in Bielany Wrocławskie (Kobierzyce). In 1999 the company acquired a historic Polish brand Wedel, together with a Warsaw-based Wedel factory, which has been modernised since 2007. To date, Cadbury invested in new lines for the production of one of the brand's flagship products Ptasie Mleczko as well as in new laboratories and office space. Two

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first Cadbury companies have been hiring over 1600 people. In the upcoming months further 200 workplaces are to be created in all of the company's facilities.

February 2008 saw announcement of another Cadbury investment in Poland. The project which is to be realised near Wrocław, estimated to cost 250 million EUR, received support from the Polish Government. The planned actions include expansion of the factory in Bielany Wrocławskie (to be completed by the 4thQ of the year) as well as the construction of a new chocolate factory in Skarbimierz, which is to be opened in 2010 and will be located next to the facility producing chewing gums.

Last year the Polish Information and Foreign Investment Agency rewarded Cadbury with the title of the biggest foreign investor of the year in Poland. (Cadbury)

IBM opened a new business services center in Gdańsk

03/26/2009

New IBM center in Gdańsk supports companies in the area of consulting and application services. It specializes in SAP and Chordiant solutions, offering services in the area of ERP systems (integrated management of business), CRM (customer relationship management), SCM (supply chain management), and in perspective - Business Intelligence and Data Warehouse.

The center belongs to a network of 20 similar centers in eight countries which cooperate with clients and with the big and medium companies of the petrochemical and telecommunications. The center employs now 20 people but recruitment is continuing.

- I am very happy with each new investor in Gdańsk, especially when such a famous and important company like IBM appears in our city. Its presence is undoubtedly a promotion of the city and the perspective of new workplaces. It is also the result of a consistent policy to attract foreign investors from IT sector to Gdańsk - says Paweł Adamowicz, Mayor of Gdańsk.

IBM is developing its activities in Pomerania region on the basis of the available resources of knowledge and highly skilled employees. At the end of September

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2008, under the Academic Initiative, IBM opened a Research Information Technology Laboratory at the Technical University of Gdańsk. It is a joint initiative of IBM, the Department of Management and Economics, Gdańsk University of Technology and the Ministry of Science and Higher Education.

In the laboratory, students are carrying out the work on the basis of content and support of IBM products. The next step of the development of the newly opened center is a transformation into the Center of Advance Studies, which is to work with R&D Laboratories of IBM worldwide network. (*Municipality of Gdańsk*)

Photo: Inauguration of the IBM service center in Gdańsk
(Source: *Municipality of Gdańsk*)

Poland attractive to BPO investment

According to the report *Onshore, Nearshore, Offshore: Unsure?*, Poland is one of the most attractive BPO investment destinations. The study was prepared by Polish Information and Foreign Investment Agency, Jones Lang LaSalle and Grafton Recruitment.

The study looks at the Polish investment attractiveness in the BPO sector in that it assesses Poles' professional qualifications and linguistic competence, the country's infrastructure, investment incentives available in the country and the local real estate market i.e. basic elements considerably influencing the process of investment selection in the BPO sector. The report clearly indicates that, first of all, the pace of the Polish economy development outstrips other EU economies. The 2009 economic forecasts for Poland show GDP growth in the country may rise by 2% as opposed to the majority of the rest of European countries where the economy is expected to shrink. Secondly, the country may boast of a substantial young and talented pool of specialists, with 400.000 university graduates enriching the available qualified cadres every year. The quality of provided services and creativity of Polish employees has always been highly appreciated by foreign concerns and thus was crucial in attracting further investment projects, also those involving advanced processes. Undoubtedly it is the competitive level of salaries and the wide range of investment incentives on offer that play an important role in shaping the trend. In fact, the Polish labor market is stable with attrition level typically not exceeding 15%. Apart from being stable it is also attractive - Polish employees do tend to be highly qualified and speak foreign languages i.e. not only the most popular English language but also

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German and French. Pay expectations in Poland still continue to be considerably lower than in the rest of Western Europe.

Moreover, easy access to office space constitutes another highly appreciated factor drawing investment to Poland. The outlook for commercial premises market in the country for the years 2009-2010 is bright for tenants. The majority of office blocks in the biggest Polish cities do meet the highest European standards (A class) with big office space suitable for the sector's requirements on offer. Renting rates begin at 13 EUR/m² a month. However, experts advise that in order to secure the possibility of a pre-let agreement or a "made-to-measure" office projects inquiries concerning big office space should be settled in advance. (PAIiZ)

Mokate invests in the Czech Republic

The well known Polish tea and coffee producer, Mokate, acquires another Czech enterprise. The Prague-based Marila Balirny will be the 9th entity to enter the Mokate group.

Marila is an old enterprise specialising in the production of whole bean, ground and cappuccino coffee as well as in confectionery. One of the company's flagship products i.e. the "Standard" coffee, has been determining the nation's consumption habits since the WW II. The company has also been producing sponge cakes, wafers and gingerbread which jointly constitute 40% of the whole production. Marila owns a coffee roasting establishment and a production complex equipped with two modern production lines, warehouses and a dispatch office. Marila hires 170 employees.

The acquisition of Marila testifies to the interest Mokate shows in the markets of the *Central and Eastern Europe*. *The region constitutes an important element of the strategy the company has been realising consequently for the last several years.* - said Teresa Mokrzysz, owner of the Mokate group. The group's companies are located in the Czech Republic, Slovakia, Hungary and Ukraine.

The group is not the only Polish company planning foreign expansion. There are a number of other well known Polish brands operating in the region through numerous subsidiary companies. As for the sector of confectionery products it is worth mentioning the Wadowice-based juice producer - Maspex which has already been distributing its products in Romania, Slovakia and the Czech Republic. In fact, the company has been buying local enterprises in the region for

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the last four years. To date the group consists of 9 Polish and 10 foreign companies.

Moreover, the liquid fuel industry shows clear signs of regional expansion. For instance, PKN Orlen acquired shares in the Czech Unipetrol and the Polish Petroleum and Gas Mining (PGNiG) invested almost a billion PLN in licences permitting petrol and gas deposits' exploitation in the Norwegian Continental Shelf. There is an ever growing number of Polish companies which in their development strategies do include the whole region and not only Poland. A report published by the "Rzeczpospolita" daily indicates that last year Polish entrepreneurs invested 1.8 billion EUR i.e. 20% more than in 2007. (*Mokate.com.pl, Rzeczpospolita*)

Successful students from the Warsaw University of Technology!

Students from the Warsaw University of Technology win a contest organised by the European Space Agency (ESA).



SKA students at work (Author: Tomasz Rybus)

The prize in the contest consists in that the students will be able to install their project onboard a stratospheric balloon BEXUS which is to undergo a series of test flights in Kiruna above the Arctic Circle. This is not the first time Polish students ranked among the best students from all over Europe.

The winning experiment is called SCOPE, i.e. Stabilized Camera Observation Platform Experiment. The project consists in designing a manipulator-mounted camera able to observe selected points on the Earth. The device will fly aboard

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the stratospheric BEXUS balloon to the height of 35 km that is why it must be adequately prepared to work in such extreme conditions i.e. -90°C and low pressure 10 mBar (the air is so thin that man cannot breathe normally). The project's coordinator is Mateusz Wolski. The winners have still several months to develop all the project's details and send the device to Sweden in July 2009 for further testing. Should it pass the entire test, it will be then installed in the BEXUS balloon and will undergo the final stage of trials during a tests BEXUS 8/9 flights. The winners will have the chance to personally witness the effects of their work in Kiruna above the Arctic Circle.

SCOPE may in the future help develop a number of practical solutions. One of the possibilities involves traffic monitoring solutions and monitoring the state of the environment – remote sensing methods enable to determine the forests health, soil humidity, and forecast agricultural crops. The students do not rule out the possibility of putting the project to commercial purposes. The REXUS/BEXUS (Rocket and Balloon Experiments for University Students) is an educational initiative developer by the German DLR and Swedish SNSB in co-operation with the European Space Agency (ESA). Thanks to the initiative students from the EU member states enjoy the opportunity to fly their projects on sounding rockets and stratospheric balloons. The programme enables students to get familiar with the workings of a big space agency and learn all the peculiarities involved in designing processes of space devisees.

Students' Space Association (SKA) was established in 1996 at the Warsaw University of Technology. The group connects young people interested in broadly based subject matter of space engineering and astronomy. SKA promotes space engineering in Polish society and helps its members develop by encouraging them to participate in contests and a variety of projects. Young SKA members promote Polish science in the country and abroad. (*Warsaw University of Technology*)

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Events

February – April 2009

Business Breakfast

03/31/2009



On the 27th of March a business breakfast has been organized by the Trade & Investment Promotion Section of the Embassy of the Republic of Poland in London dedicated to the topic of Investment Incentives for Foreign Investments to Poland. The idea behind the project was to present the incentives scheme to business consultants – co decision makers in the location process of new offshore projects. Having in mind the saying “small is beautiful” the event was dedicated to only a

small number of decision makers. Rafal Szajewski, Key Strategic Analyst to the Board – Polish Information and Foreign Investment Agency explained the system focusing on both the EU funds as well as on the Polish central budget possibilities. The event was also a good opportunity to promote the City of Poznań which presented some interesting case studies from their region f.e. Franklin Templeton Shared Service Center and Unilever R&D Center.

“Polish construction workers encouraged to report poor working conditions to HSE”. Joint media briefing - 28th of January 2009.

02/02/2009

Over 2.3 million people (including migrant workers) are employed by the UK’s construction sector, making it one of the country’s biggest industries. A recent survey indicates the largest single group of migrant workers is from Poland, accounting for 2% of the workforce. Robert Rusiecki Embassy 1st Counsellor to the Polish Embassy said “migrant workers have a positive reputation in Great Britain (GB) and are providing an important source of labour. However it is easy for them to be exploited on British construction sites as they often have a limited

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knowledge of this country's health and safety system and many have never even heard of the Health and Safety Executive (HSE). I welcome this HSE initiative

aiming to improve Polish migrant workers working conditions.

"Speaking from the Polish Embassy, Stephen Williams Chief Inspector of Construction said "HSE is not here to check on workers' legal or employment status and we do not pass any information



about individuals on to other agencies. We just care about the health and safety of workers, and all workers, including those from abroad, should receive protection from the risks of their workplace. Any health and safety system must take account of individuals – a 'one size fits all' system is not sufficient. "HSE is ensuring that guidance is available for migrant workers, many construction publications have been translated for several years and we have undertaken outreach work in Polish communities to raise awareness. Mr. Williams went on to say "my message to Polish and other migrant construction workers in Britain is the if conditions are poor where you work, and your health and safety is at risk as a result, you should have no fear in contacting HSE to report it."

Organizers of the Event:

Trade & Investment Promotion Section, Embassy of the Republic of Poland

HSE – Health and Safety Executive

Consular Section, Embassy of the Republic of Poland

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IFE 2009 – International Food and Drink Event

15-19 of March 2009: The Trade and Investment Promotion Section participated in the biggest food sector trade fair - International Food and Drink Event (IFE 2009). The section's stand was organized in cooperation with the Ministry of Agriculture and Rural Development.

The main goal of Ministry's presence at IFE 2009 was the promotion of the "Discover Great Food" programme and of products already certified. Trade and Investment Promotion Section concentrated on providing information on possibilities on cooperation with Polish companies. Both stands distinguished themselves by very interesting décor bringing in mind Polish nobleman's manor.

Mr. Marian Zalewski, Undersecretary of State in the Ministry of Agriculture and Rural Development visited IFE to support promotional activities. The Minister also took part in a cookery show presented by Karol Okrasa, which was an additional occasion to promote Polish food.



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31 Polish companies participated during the IFE 2009 presenting a vast range of all sorts of food products. The IFE 2009 trade fair was a bustling multi-cultural event and a success in the eyes of the exhibitors as well as visitors. Despite the challenges we all face in the current trading environment many interesting contacts have been made and we should expect further success stories very soon.

Business seminar: Food and agricultural sector!

On the 16 of March 2009 the Trade & Investment Promotion Section of the Embassy of the Republic of Poland organized a seminar on Polish-British cooperation in the food and agriculture sectors.



**POZNAJ DOBRA
ŻYWNOŚĆ**

The line up of participants ranged from representatives of Polish companies exhibiting at IFE 2009 to distributors of Polish food and supermarket chains from the United Kingdom. The honorable guest of the evening was Mr. Marian Zalewski, Undersecretary of State in the Ministry of Agriculture and Rural Development.

During the seminar Ms. Karolina Parol from the Ministry presented detailed information on the Discover Great Food Programme focusing on the requirements the companies have to meet to obtain the certification.

Mr. Radomir Szwed from "Bestfood" presented challenges that Polish companies face to achieve success in exporting to the UK.

After the presentations guests had the occasion to network and discuss possibilities on the UK market during recession time.

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Macroeconomic data - Poland

- **National budget 2009: income - 303 billion PLN, deficit lower by 26%**

Finance Minister, Jacek Rostowski presented this year's budget figures. During a parliamentary debate the Minister informed, among others, that the budget's income will account for 303.03 billion PLN i.e. 19.3% more when compared with the preliminary data for 2008. Planned budget expenses are expected not to exceed 321.22 billion PLN. Subsidies from the European Union will reach 33.60 billion PLN. The level of budget deficit planned for his year is 26% lower than in 2008 i.e. should hover at 18.19 billion PLN. (*Ministry of Finance*)

- **Polish economy to receive 17 billion PLN from European Funds**

The Ministry of Regional Development prepared an anti-crisis activity package which should accelerate and streamline European funds investment spending. 2009 will witness an inflow of round 17 billion PLN from the EU funds to the Polish economy. The Ministry's initiative forms part of a bigger government Stability and Development Programme which is to supply the economy with 91.3 billion PLN. Since the initiation of the programmes till March 9th, the joint number of accepted subsidy application forms reached 26.4 billion PLN and the number of agreements concerning cofinancing from the programmes accounts for 8,4 thousand agreements jointly worth 15.4 billion PLN. 11.4 billion PLN came from EU funds. (*MRR*)

- **Ministry of Treasury: gross privatization proceeds in February reached 202.9 million PLN**

As of the end of February 2009 gross proceeds from privatization accounted for 202.9 million PLN - informed the Ministry of Treasury on Monday. Minister of Treasury Aleksander Grad estimates this year's privatization proceeds will reach 12 billion PLN. (*PAP*)

Source PAIiIZ – Polish Information and Foreign Investment Agency

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From a professional perspective – Polish Professionals in London



The value of Poland's currency fell by 46% as compared to the beginning of September.

Over the last few months the zloty has depreciated against the euro at its fastest rate in history. At the peak level, on February 17, the euro cost zł.4.93, and the value of the zloty fell by 46% as compared to the beginning of September 2008.

The main reason for this fall in value was the situation abroad, although the issue of currency options also affected the exchange rate level. According to PKO BP economists, the zloty is currently 15-20% below its real value and this does not mean that the value of the zloty will suddenly go up in a short period of time.

The current situation makes it hard for market analysts to predict the future level of the domestic currency, and estimates vary from zł.4-zł.5 per euro by the end of this year.

With Zloty on market constantly declining against Euro or Dollar, the word "speculation" has been on an unprecedented discussion within Polish media. In general, speculation is considered the opposite of investment, in recent media reports speculation has become just issuing an investment recommendation and here we had a well-known case of Goldman Sachs.

In a special statement to its clients, on February 19th, Goldman Sachs declared that further speculating with the Polish zloty is becoming risky. The bank revealed that the operations brought an 8% profit. Public opinion in Poland understood the

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statement as a declaration of illegal transactions with the Polish currency and the treasury ministry demanded an explanation. Goldman Sachs clarified that it was only a recommendation for the clients and not a statement describing the bank's operations.

The report in question was in fact zloty supportive. Goldman Sachs said that the zloty by all rights should to be stronger and speculators will fail. "We think that the CEE3 weakness trade is starting to re-shape from a fundamental trend to speculative overshoot," analysts of Goldman Sachs wrote.

Media also wrote recently that Danske bank is speculating against the Polish currency, however it wasn't proved and Danske bank requested correction of article.

In such circumstances it is hard to say if the zloty's current weakness is a matter of speculation rather than fundamentals.

The zloty's weakness began to represent a problem for the economy. Foreign-currency loan instalments were growing and more companies that hedged themselves with currency options when the zloty was strong were filing for bankruptcy.

If the zloty's current weakness is a matter of speculation rather than fundamentals the Monetary Policy Council and the government could consider conducting an intervention using the NBP's foreign currency reserves according to experts at PricewaterhouseCoopers.

Coordinated interventions by central banks, mainly the Polish one and the Hungarian, could also play significant role. If it's short-term investors who are behind the zloty's weakening, selling euros through the NBP could scare them away because they'll lose money in a short term.

If it's not speculators but a negative trend then fighting it wouldn't make much common sense. Russia's foreign currency reserves shrank by over \$200 billion over the last half-year and yet the rouble continued to fall headlong.

However, there is a potential solution to help Polish Zloty. Polish finance minister Jacek Rostowski has informed that Poland applied for International Monetary

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Fund's Flexible Credit Line and wants to become a member of the prestigious "Platinum Club" which includes strong economies.

Thanks to the Flexible Credit Line (FCL) the reserves of the National Bank of Poland will increase by USD 20 bln. Joining the mechanism will protect Poland against uncontrolled depreciation of our currency and will shield it against the effects of the global crisis. Talks with IMF shows that Poland continues to be perceived as a pillar of stability in our region.

The mechanism does not form part of an IMF support scheme and the resources will not be available for the Polish budget as they will constitute part of international reserves available to the National Bank of Poland. The Platinum Club admits only countries with a very strong track record of viable economic policy and those which give confidence that their economic policies will remain strong in the future. Poland will be the second country, after Mexico.

European institutions should be interested in offering such support. Moody's, the rating agency, warned that an economic slump, devaluating currencies and as a result, a rise in loan defaults in Eastern Europe could have a negative impact on the condition of Western banks, which have hundreds of billions of loan exposure in the region. This means that weak currencies are no longer our problem only.

This analysis has been written by:

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City focus – Łódź – the new promised land!



URZĄD MIASTA ŁÓDZI

In this issue we present you an interview with **Ms. Aleksandra Suszczewicz, Head of the Investor Relations Department, Łódź City Hall**. Aleksandra took the time to present the transformation of Łódź from a textile oriented city to a **BPO and white goods hub**. Case studies are as always at hand!



1. Why Łódź [pronounced as: wootch]?

I would rather reverse the question: **why not Łódź?** Łódź has **got a special strategy for economic development** in years 2007 – 2015 elaborated with advisory company McKinsey due to which local authorities are focused on

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attracting and professional servicing of investors, enterprise development and improving the City's attractiveness.

Nevertheless:

1. Łódź is located in **the very centre of Poland** and this fact alone is enough to demonstrate the great potential of the city, moreover ongoing development of transport infrastructure (**highways and international airport**) and **an easy access to experienced human resources** provide real opportunities for investors
2. Łódź agglomeration is inhabited by **1,150,000 citizens**
3. Łódź is major academic centre. **Over 150,000 students and graduates** learn in 22 state-owned and private universities and academies
4. Łódź has **experienced and highly qualified personnel** with **competitive labour costs**
5. Łódź offers its investors **broad scheme of incentives** within the largest limit of all European regions, **up to 50 per cent** of costs of investment outlays or 2 year labor costs
6. Łódź presents **competitive costs of running a business** (both investment and operational costs)
7. Łódź offers **dedicated Investor Relations Manager**, experienced in serving investors
8. Łódź is a centre of modern branches of industry, including information technology, research and development centres as well as household equipment industry
9. Łódź is an important **centre of entertainment** and stands for the contest of **European Capital of Culture** there are two major cyclical events - international Plus Camerimage Film Festival, The Festival of Dialogue of Four Cultures and blend and interesting culture heritage reflected in everyday life of Łódź.

Above mentioned distinctive conditions and investor-friendly attitude raise appreciation among the many companies which have already located their

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business here. During last couple of years, Łódź is very successful in acquiring investors. The best examples are: more than 1,200 teleinformation companies operating in Łódź. There are accounting and financing centres such as: Infosys, Ceri, GE Power Controls, as well as IT Centres - Fujitsu, Accenture, Ericpol. Łódź has well developed household goods industry and many logistic centres e.g. AIG Lincoln, Panattoni, Segro, Schenker.

2. Does Łódź have a focus in terms of attracting Foreign Investments?

Local authorities are implementing the strategy for economic development of Łódź elaborated with McKinsey Company. The first of three pillars of the strategy focuses on acquiring and professional servicing the investors from priority branches. Those were chosen on the basis of the City's resources and assets:

- Business Process Offshoring,
- IT and Research and Development Centres,
- white goods production
- logistics.

Moreover, large investors from other branches, who declare to create more than 200 places of employment, will profit from professional services.

The implementation of the strategy should bring about an effect of about 40 thousand new jobs by 2015. Both well educated young people, such as accountants or engineers, as well as people who have no permanent jobs and technical education should be able to find employment.

3. Three biggest advantages of Łódź?

In my opinion they are:

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- strategic location in a very centre of Poland and Europe with ongoing development of transport infrastructure
- still large pool of skilful manpower, well-educated young people with knowledge of languages with competitive labour cost
- dedicated Investor Relations Manager assisting at all steps of the investment process and after it

4. What kind of help can the City of Łódź offer foreign investors?

In our office Investors Relations Unit (Zespół Obsługi Inwestorów - ZOI) has been established, whose main task is investor service in the “one stop shop” system and coordination of activities of all the local and regional departments (the Province Governor’s Office, Marshal’s Office, City of Łódź) with this respect. Furthermore, I would like to add that each of key investors in our City is served, during the whole investment process and after, by a dedicated Investors Relations Manager specially appointed to a given case and supported by senior officers of the Łódź City Council. A Manager is a link between the investor and public and private agencies, both on the local and governmental level.

All companies interested in Łódź receive complex information and necessary support from the Investor Relations Unit.

And Your Investor Relations Manager will help you with:

- **Initial information search.**
 - Immediately available information concerning:
 - Quantity, quality and cost of labor resources by specialization,
 - Real estate, warehouses and office space available – full list of items and very specific description of each of them addressing key requirements of investors,

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- Infrastructure required at each real estate location, necessary roadmap to obtain it, timing and key decision makers,
- List of necessary permits, roadmap, timing and decision makers.

- Overview of public aid available, sources, possible level, roadmap of obtaining the aid and decision makers
- All additional information upon specific request

- **Sites search:**

- Preparation of short list of sites addressing investor's requirements,
- Organizing site visits and assisting investor in the visits,
- In specific situations, providing help in negotiation of terms with real estate owner or agency,
- Coordination and follow-up on search process,
- Assistance in solving unexpected problems.

- **Recruiting the staff:**

- help in structuring the pool of staff required, recruiting sources, work plan, timing and cost,
- Assistance launching recruiting process in key sources (universities, unemployment offices, job agencies),
- Coordination and follow-up on recruiting process,
- Assistance in solving unexpected problems.

- **Setting up:**

- structuring the roadmap of setting up the infrastructure,
- launching the installation process with key decision makers (energy, sewage, water, telecom),
- coordination and follow-up on the setting-up,

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- one-stop shop services for public aid handling
- assistance in solving unexpected problems.

- **Live in Łódź:**

- looking for a nice place to live
- looking for a nanny for your kid
- looking for a place to repair your car
- helping your family to set up here.

5. Interesting case study?

Taking into account the culture and working standards, Poland is located at the same level as other developed markets in Western Europe. During the last couple of years Łódź has already been recognized by such investors as Dell, Accenture, Philips, General Electric, and Procter&Gamble.

Taking into consideration last year, one of the most interesting investment projects in Łódź was the Fujitsu Services Limited Centre, the European IT Services arm of Fujitsu. Fujitsu Services is a leading European information technology services company operating in Europe, Middle East and Africa. Its business is helping the customers realize the value of information technology through the application of consulting, systems integration and managed service contracts. It serves customers in the private and public sectors across Europe including retail, financial services, healthcare and government. Fujitsu Services employs over 19,000 people across 20 countries. And its headquarter is in London

The office is due to open for service in 2009, facilitating up to 500 agents over the next three years. The need for the new operation has been driven by

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demand from customers for a European multi-lingual Service Desk capacity. Out of the available locations across Europe, Łódź was selected because of its excellent infrastructure, its high quality educational establishments and its linguistic skills amongst the graduate population. It also provides a competitive cost base and enables delivery of a parallel service to that provided by existing Fujitsu's centre in Lisbon. This investment project represents two of our strategic sectors - BPO & IT. According to our support system Fujitsu Services has a specially appointed dedicated Investor Relations Manager, who assists the company at any stage of an investment process and after it.

This project is going to provide the population of Łódź (where the rate of unemployment is still high – 7,3 per cent, including the older and younger generations) with career opportunities within a global company. Due to our cooperation Fujitsu Services Limited has already established cooperation with Łódź universities and students associations, the example of which is organisation of open days to help students understand what Fujitsu can offer them in terms of their career prospects. The company already actively supports local authorities initiatives, such as the "Młodzi w Łodzi" (Young in Łódź) campaign.

Moreover, close and fruitful cooperation with Polish Information and Investment Agency and Łódź Special Economic Zone results in successful setting up this project in Łódź.

6. Economic crisis – what is the impact on Łódź?

The consequences of economic crisis are visible in all areas of economic activity. There is no country, city, company which does not feel the effects of world crisis. According to strategy Łódź focus on branches such as BPO, IT, logistics and household appliances.

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Currently Łódź conducts negotiations with 7 companies from BPO&IT sector. Fujitsu Services set up IT Service Centre in Łódź. The company wants to create 500 workplaces. What is more, Infosys plans to increase a number of employees and still wants to develop. Such companies as SWS BPO or Atos Origin which recently entered the market also expand their businesses. Ericpol plans to create another 100 workplaces. Industrial companies such as Dell, or P&G plan to develop their production in Łódź.

According to the Colliers International report, Łódź is one of the best places for BPO investments. The creditworthiness of Łódź was rated by Standard & Poor's Ratings Services on level BBB+.

Łódź presents a big potential using the European funds. The funds will be used for new infrastructure, sport facilities and accommodation infrastructure. City of Łódź received also 340 million PLN for regional railway and tram route with street-cars.

7. Besides business – what is the strategy of the city development?

Taking care of the City's economic development and new jobs, the local authorities do not forget about improvement of city attractiveness (third pillar of the strategy). In this attempt on the one hand they take advantage of unique Łódź qualities, i.e. multinational character, film history and ambitious scientists. On the other hand, the development of infrastructure is a crucial issue for Łódź.

The key element is to restore the multicultural character of the city. The fact that various nationalities such as: Germans, Poles, Jews, Russians lived and worked in Łódź before II World War, influences the nature of the city and provides an opportunity of organising international events such as The Festival of Dialogue of Four Cultures. Its idea comes back to the memory of the dialogue

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taking place in Łódź for many successive years, the dialogue of four cultures that created Łódź: Polish, German, Jewish and Russian. Construction of temples, theatres, cinemas, public buildings was a joint effort of the citizens of Łódź. The festival presents comprehensive and versatile achievements in the field of culture, music, film, and theatre. Every year directors, cameramen, actors and cinema fans come to Camerimage International Film Festival of the Art of Cinematography from all over the world.

Recently, the most serious enterprise that City of Łódź is engaged into is a transformation of untidy and neglected grounds surrounding train station of Łódź-Fabryczna, including areas of City's first power station. That all together embraces revitalization of 90 hectares in the City centre. Main non-commercial/cultural initiatives which will be undertaken are Center of World's Art, David's Lynch Studio, Museum of Modern Art, TV building. Moreover, edge-cutting multi-media centre and conference hall will be placed there. In the future, fast railway track is going to cross those areas. It has frequent and fast connections with the capital city of Poland, Warsaw (travel time: 90 minutes) and other cities in Poland and Europe via international transit trains (from Warsaw via Łódź to Wrocław and then to the Czech Republic and Germany).

What is more, the City focuses on continuous improvement of sport facilities. One of the biggest sports halls in Poland with 12,000 seats will be open in June this year in Łódź. The European Women volleyball Championship and European Men Basketball Championship will be held in autumn this year. And the Municipal Stadium, with 35,000 seats, will be built next to it. These, together with the nearby "Fala Aquapark", will make the biggest sport and recreation centre in Poland.

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The modern and high standard hotels area is developed in the City centre. The first 4-star deluxe design hotel - Andel's Hotel opens in spring 2009, located on the grounds of the Manufaktura art and culture centre. There are plans of building 5-star Hilton Hotel in the City centre. Visitors are attracted by the 19th century architecture, the Piotrkowska street and cultural, trade and entertainment centre – Manufaktura.



Piotrkowska Street

In the field of infrastructure improvement, the local authorities have been sparing no efforts to have new motorways and express roads constructed and the Łódź airport developed. Many of their actions have brought about measurable effects. An international airport located within Łódź city limits is constantly expanding and winning new flight connections with European cities, including

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London, Dublin, Vienna and Copenhagen. And Łódź is becoming a Polish capital city of road infrastructure. Three transport junctions – motorway, railway and airway – offer Łódź a chance to be one of the most significant European transport logistics centres.

Łódź is more and friendlier to its residents. Living conditions have improved also due to municipal investments in the modernization of water and sewage system, extension and modernization of the Group Water Treatment Plant, construction of new solid waste composting plant and many other such initiatives. Preparations are now under way to create a modern system of public transport in Łódź and its suburbs. A regional tram – which is already tested in Łódź –running every two minutes, is an attractive alternative for cars in the centre.

The city becomes a better and better place not only for studying but also for starting a family or raising children – also for those expecting to have international schools for their offspring. The changes in urban development process have been seen. Collapsed textile factory areas as well as private housing have been re-adjusted (revitalized) mainly in two different ways. One of them offers adaptation of those areas into trade and service facilities, as well as gastronomy, hotels and culture premises. Manufaktura centre, settled in former Poznanski factory is a good example here. Unused factories are also being adapted into exclusive apartments, called ‘lofts’, which combine modernity with classic style of industrial architecture. They are situated in Karol Scheibler’s Księży Młyn residential district, which represents best example of the 19th century ‘city in the city’.

Łódź is still a place of unique Art Nouveau architecture, with tourist attractions and plenty of green areas. There are 30 parks covering as many as 650

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hectares. The magic of one of the most beautiful Polish streets – the Piotrkowska Street – with its varied entertainment offer and plenty of restaurants.

8. Last words?

15 years ago Łódź was regarded by many as nothing more than city of factory chimneys but Łódź has developed and became one of the most important educational, cultural and economical centers in Poland. There is only one solution to become convinced - visit Łódź.

Welcome to Łódź - the new Promised Land!

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