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### ***Growing Production of Polish Industry***

Polish industry sales in May were more than 12 percent higher as compared with a year ago. Although in May the industrial growth rate declined slightly, its results are still very good: sales went up 18 percent during the five months of 2004. Economic growth forecast for the second quarter is promising: gross national product is likely to go up 5.5-6 percent.

### ***Increased Steel Production***

In May, Polish steelworks turned out 960,000 tons of steel, nearly 15 percent more than a year ago. "This year's world production will most probably exceed one billion tons of steel. The good business trend in the branch with minor corrections will last until 2007," said Romuald Talarek, president of the Industrial-Trade Metallurgical Chamber. All the major steel manufacturers, including Poland, record growths. Between January and May, Polish steelworks produced 4.5 million tons of steel, that is 26.1 percent more as compared with a year ago. There is all indication that annual production will exceed ten million tons, that is a level unattained in recent years. Poland stands out on the background of the European Union where steel production during the first five months rose barely 3.5 percent to 81.2 million tons. The International Institute for Steel and Iron published a list of the biggest steel manufacturers in the world. The LNM Group, owner of Ispat Polska Stal (former Polskie Huty Stali) places second.

### ***Optimism in Industry and Building Engineering***

In June, building engineering and industrial firms in Poland assessed the business outlook for their products and services similarly as in May or slightly better, expecting a greater influx of orders. The June research of the Central Statistical Office indicates that 31 percent of the investigated companies declared an improvement of business trends and 14 percent – its deterioration. They expected more orders, assessed current production similarly as in May, having neither excessive reserves nor payment difficulties. In the future, companies expect an improvement of their financial situation predicting growth of prices in the coming months. Companies turning out fibrous masses, paper and paper products, radio and TV equipment and motor vehicles scored the best results.

### ***Merger and Take-Over Market***

The value of merger and take-over transactions (M&A) grew markedly in Poland during the first six months of 2004 from 1.1 to 1.9 billion dollars. The number of concluded transactions dropped 32 percent (there were 82 of them during the first six months of 2004). The average transaction value amounted to 23 million dollars. International transactions constituted 34 percent of the value of mergers and take-overs on the Polish market, that is much less than in the first quarter of 2003 (down 67 percent). "The drop can be justified by the stronger consolidation processes among Polish companies, especially in sectors regarded as excessively dispersed in which domestic companies want to improve their position in relation to firms from the European Union. This, among other things, concerns the information and media, food and financial sectors as well as industrial goods," said Krzysztof Rozen, head of the Polish division of Corporate Finance KPMG Company, which prepared the report. The

biggest M&A transaction in Poland during the period under study was the take-over by Rida Development Corporation of 28 Metro AG trade centres for 840 million dollars.

### ***Assistance Funds for Poland***

In the coming weeks, Polish government institutions will receive nearly 1.3 billion euro from the European Union budget. This is an advance for financial projects from EU assistance means. On June 23, the European Commission took a decision on transferring structural aid to Poland and the other nine new member states. In all, Poland will receive 12.8 billion euro.

### ***Masovia: Quick Development***

The Masovia Province is developing so fast that it is already richer than many regions of Western Europe – German Meklemburg, Turingen or Saxony, Spanish Andalusia, Italian Campagna and Sicily, Belgian Hainaut and also most regions in Portugal and Greece.

### ***Expensive Cars Most Popular***

According to the latest data supplied by Samar Automotive Market Research Institute, 169,500 new passenger cars were sold in Poland during the first five months of 2004, 47,000 of which priced at 50,000-70,000 zlotys. 39,000 cars costing from 40,000 to 50,000 zlotys found new owners and only 10,300 cars were cheaper than 35,000 zlotys. 10,700 most expensive cars priced above 100,000 zlotys were sold, that is 52.3 percent more as compared with a year ago. 13,938 delivery vans found new owners, up nearly 30 percent on a year ago. Samar also informed that, by the end of May, domestic car factories made 225,300 new vehicles or 90 percent more than in the corresponding period of 2003.

### ***Car Production and Car Sale are Growing***

Starting from March 2003 we have witnessed a constant growth in car sale, which has increased during the first five months of 2004 by 19.5%, as compared to the same period last year. It means, that from the beginning of January till the end of May 169,583 cars have been sold – informed Sama, a company that analyzes car market in Poland. It is being predicted, that thanks to good sales results in May, the overall sales this year will exceed those from 2003. In spite of favorable economic situation, the car sale in May 2004 fell by 42% (as compared to April 2004), reaching 25,995 units.

### ***A Few Big Foreign Investments in Poland soon***

There is a big chance that a few large companies will carry out their investments in the near future in Poland. The agency is working currently over 20 large investments projects. In the case of half of them decisions to invest will be made shortly – said President of Agency, Andrzej Zdebski. “The vast majority of investments projects are at least in the second phase of decision process, which means that an investor has selected 2 or 3 locations and is examining and gathering information about them,” said Zdebski. 16 of the investments planned are related to services for the needs of large companies. The services include among other things accounting, IT and human resources management. Employment will be offered to about 12-16 thousand people. Poland compete for investments with Arabic countries, where service investments are more often located. Most companies interested in Poland are supposed to come from Asia according to unofficial information from Rzeczpospolita daily.

### ***Philips Head Office in Lodz***

Philips will put a modern office building into use in the second half of 2005. The building will house company's service centres – the purchase centre and accounting services centre. The new head office

will become a workplace for 500 people, who will serve 100 Philips plants in 20 European countries. The building will be erected on a site purchased at the cost of PLN 11 million. Philips centre is another investment of this kind in Łódź. Earlier head offices have been located among others by General Electric Power Controls (purchased former Elester). Philips head office will be made up of 4 storeys occupying an area of 8 000 sq meter and consist of twin buildings connected with a bridge made of aluminum and glass. There will be a dining room and patio. At the back of the office building the Dutch will build a parking site for 250 cars.

### ***Toyota's New Factory in Jelcz-Laskowice near Wrocław***

The firm plans to produce 180 thousand engines of 2 litres capacity annually. They will be installed in Corolla models manufactured in Great Britain and Turkey, and in Avensis models manufactured in Great Britain. First engines will most probably come out of the Jelcz-Laskowice factory at the beginning of the next year. Toyota has already located a plant (Toyota Motor Manufacturing Poland) on Dolny Śląsk area. It is placed in Walbrzych and produces gearboxes for Toyota cars in Europe. At the end of 2004 it will start producing petrol engines, as well. Toyota has plans of investing EUR 600 million in both Walbrzych and Jelcz-Laskowice plants and taking on 2.5 thousand people ultimately. In Walbrzych 900 workers have been employed so far but 1.7 thousand will be employed in the near future.

### ***Poles will Pick Euro Symbols***

Preparations to the issue of euro coins with Polish national symbols will start still this year. It is first necessary to decide what should be placed on them and a public opinion poll will help to make a choice. The National Bank of Poland (NBP) is preparing design for the Polish national symbol on euro coins. The obverse of the Community coins is identical for all states of the euro zone. The other side is individualised – each Economic and Monetary Union member state designs it on its own. Euro banknotes are identical for all states and bear no national symbols but European architectural objects. In keeping with the law on the NBP, the governor of the central bank endorses the image of coins.

### ***Profits Thanks to Euro 2004***

Polish Television earned near one million zlotys on the broadcast the football match between France and England during the Euro 2004 championship now on in Portugal. Owners of bars, mobile phone networks and TV set makers reap considerable profit on the Poles' love of football.

### ***Outsourcing and Investment opportunities in Poland***

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