

M&M[®] NEWS

Nachrichten – News – Nouvelles – Новости

For our clients, partners and employees

October 2005

Welcome to M&M News

Valued Reader,

Companies interested in doing business in, or seeking to establish commercial cooperation with, countries in Middle and Eastern Europe, find a host of specialized forwarding and logistics providers.

Before these countries opened up, economically, at the beginning of the nineties, there was practically no infrastructure for forwarding or logistics infrastructure. It is competent companies mainly from the old EU states that have built up a reliable structure. The M&M Group is among them - it had been very active in these countries already before they opened up.

Among forwarders and logistics providers, M&M has now become a leading "specialist for the East" with their own companies with their own terminal handling facilities in almost all these countries.

Yet, for all the growth in the transportation sector in these countries, it still pays to be a pioneer. In this respect, M&M has shown its mettle again and again in these past months.

One recent example is the expansion of M&M Poland's

logistics capacities that you will read about here.

And Sacho Todorov, Managing Director of M&M Bulgaria, gives a survey of the Bulgarian market.

Enjoy reading!

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General

News from our partners in the TransInvest Group

M&M Polska: Larger Logistics Capacities

M&M Polska has increased its logistics capacity with a new terminal complex in Poznan, near the motorway Berlin-Warsaw. The facility will boast its won railroad track and will thus be

directly connected to the pan-European corridor number 2 linking Europe and Russia, and the Far East. Dr. Miroslaw Kaczmarek, member of the Board and CEO of M&M Polska Sp.z o.o., sees the biggest advantage in the terminal's being linked with the railway.



An ideal hub for distribution in Central Europe

The new M&M logistics center has 20900 square meters warehousing and storage space, with a 10400 m² warehouse with 16 docks and all the necessary IT. Smaller warehouses is designated for temperature controlled and other special cargo.

Poznan, a traditional economic center, where automakers, the food industry and other industry have settled over the past few years, is among Poland's most important logistics locations geographically, it is the ideal hub for transportation in Central Europe.

The prognosis is good for the new terminal that will be

opened in 2006, says Kaczmarek.

Two thirds of the warehousing space have already been rented by long term contracts.

The logistics facility in Wola Rakowa near Lodz cannot handle the volume any more.

Growth in logistics services

There will be a considerable increase in logistics activities in M&M Polska's business once the new terminal has been opened. Although competition has increased enormously with Poland's EU membership, M&M Polska has been able to secure and strengthen its market position. Not only did the logistics activities increase, there have been, this year, 2-digit increases in the turnover on airfreight and ocean freight and in inland transportation. The figures for groupage transports to the Baltic States went up, too.

For these transports, M&M opened an extra office this fall in Byalystok in North Eastern Poland, thus increasing the number of locations in the country to 16.

M&M Bulgaria: Bulgaria's Logistics Market more and more Attractive

In the early nineties, M&M Militzer & Münch was the first international forwarder to found a company in Bulgaria. M&M Bulgaria has had a very successful development and holds its place

among the market leaders despite the growing competition.

In an interview, Sacho Todorov, M&M Bulgaria's Managing Director, talks about the general situation in the country, the forwarding and logistics market, and M&M Bulgaria's future.

Read here a summary of the interview.



How do you see the situation in the country? Is it good for business?

Todorov: Over the past 5, 6 years, the political situation here has been stable, attracting foreign investments, entailing economic progress. That Bulgaria will become a member of the European Union will further enhance economy with an annual growth in GDP of 5.3 %. A very important factor in this positive development is the stability of Bulgaria's finances with an effective anti-inflationary policy.

What role does the transportation sector play in Bulgaria?

Todorov: A very important one. Geographically, Bulgaria is situated at the center of traffic between Europe, Asia, and Africa. 31 million tons of import and export cargo, 6 million tons

of transit freight per year – those are the impressive figures of the past years. A 6.1 % annual growth is expected here, whereby the largest segment (7.6%) will be inland transportation by river barge, then airfreight (7.1 %) , followed by road, and ocean freight. The lowest growth is prognosticated for railroad cargo (5.1%).

Does Bulgaria's transportation market meet the demands to join the EU?

Todorov: The expected growth of the transportation sector is coupled with the EU membership in 2007 / 2008. The country's integration into the European market will lead to more growth and higher investments, and that again will increase the demand for transportation and logistics services. There are also investments from the EU that the country uses to improve its transportation system.

At this moment, the infrastructure cannot yet cope with the growing demand. Truck fleets and the railroad are in need of repair, roads are limited, and often in bad repair, too. There is only one inter-modal terminal in the country. Airfreight infrastructure is being expanded.

The danger is: Unless Bulgaria offers modern and effective transportation services soon, Europe-Asia traffic will pass Bulgaria and go through the neighboring countries Rumania, Greece, and Turkey.

We expect faster growth in the communications and transportation sector than in

the overall economy for Bulgaria: In 2008, it will amount to 5.13 billion USD, that is 14.4 % of the country's GDP. In 2004, 7.6 % of the inhabitants worked in this sector.

The picture is changing as far as trade partners are concerned: In 2004, more than 50 % of Bulgaria's trade volume was with other EU countries, whereas in 1995, 36% of the imports and 18 % of the exports were with countries of the former Soviet Union.

Now, we see 18% of the imports and 5 % of the exports coming from, or going to, the CIS.

Tell us about M&M Bulgaria's development.

Todorov: M&M BG Co. Ltd. was founded in 1991. After the fall of the Iron Curtain, we were the first foreign owned company in the country, and we were the first competitor on a market that was dominated by the state owned DESPRED. Other competitors such as Danzas, Kuehne&Nagel, Schenker and Gebr. Weiss came later.

Our first shipments, we did with Iran and Turkmenistan. Metal working machinery and pharmaceuticals for instance. And we started direct truck traffics with our partners in Germany, France, Austria, England, Benelux, and Italy. We also then expanded our services to include container transports via road and rail. In 1995, we founded the airfreight department that was made into an extra company three years later owing to the high amount of airfreight.

Another important step was the acquisition of our own terminal in Sofia that, with the help of our motivated staff, we turned into a state of the art multi function facility with warehouse, customs office, insurance and freight security office and all the necessary facilities. We are expanding our services there with the help of the M&M IH in St. Gallen – in view of the transportation situation in Bulgaria, their strategy to re-invest large parts of the profit in the country is very important!

What was M&M's biggest investment in Bulgaria recently?

Todorov: The Sofia airfreight terminal. It contains all the necessary facilities – such as a special warehouse for hazardous goods, a packaging facility, temperature controlled storage rooms.

In how far do customers of other forwarders profit from this terminal?

Todorov: We are the biggest airfreight service provider in Bulgaria and we work for over 2000 companies, 80 of them corporate clients. They all rely on the high quality and reliability of our services that have been ISO 9001 certified. We were awarded the license to act as airfreight agent on behalf of Austrian Cargo, Lufthansa Cargo, Olympic Airways, Cargolux, LOT and others.

How do figures reflect the success of your company?

Todorov: We are still a market leader, in spite of growing competition. Our

turnover in 2004 was 23.2 million Euros. This year, we will have 28 millions. We have a staff of 234 in 19 locations. This year, we have a 17 % growth in freight volume, and a 6% increase in groupage. We also have continuous growth in airfreight and logistics services.

At the moment, we are concentrating our efforts also on rail and multi-modal transportation. One of our customers is U.S. STEEL. We organize the transportation of the raw material (iron ore, coal) and the export via the ports of Constanta (Rumania) and Burgas (Bulgaria). We transport the freight via rail, ocean, river barge in one logistic cycle.

Has the increased competition forced you to adopt new strategies?

Todorov: There is enormous interest in the Bulgarian transportation market, from established as well as from foreign companies, and the freight volumes are increasing. Our aim is to maintain our market leader position also in a market with now more than 3000 forwarders.

Which problems are you facing at the moment?

Todorov: Customs problems are still an issue. There have been improvements, but especially in transit goods there are still many questions open. Bulgarian authorities need to cooperate much better. The transportation ministry should be more active to create better conditions for transit freight. We need an

open dialogue such as we have between customs and the industry owing to the EU regulations.

What are M&M Bulgaria's plans for the near future?

Todorov: Our focus will be on the expansion of our Sofia terminal. There, we want to expand our combined and multi-modal transports, since the terminal has its own railroad track to the most important railroad corridors in the country. Given the size of the terminal, we could handle there ocean cargo containers, railroad wagons, block trains and trucks loads.

M&M Bulgaria plays an important role in the M&M Group's strategic planning. Thus, we will set up logistics centers at economically important locations such as Burgas, Varna, Plovdiv, Russe, and Sliven. And in cooperation with other M&M companies, we want to expand our international road transportation network.

M&M France: More Shipments for Yves Rocher

Know Yves Rocher, ladies? Of course, you do. Most of you have probably already tried one of his products. Yves Rocher's plant-based cosmetic products are all the rage in Russia. And for the transportation, Yves Rocher relies on M&M.

Yves Rocher recognized early the significant potential of the Russian market – he opened 120 shops in Russian cities. These shops

receive their goods via M&M France in Nantes.

Dominique Pinchon and his team have done such a good job that they were now contracted for more shipments with Yves Rocher.



M&M Nantes Team

Five truckloads leave France every week, with a growing tendency. Yves Rocher plans to introduce his other brands, Dr. Pierre Ricaud, Daniel Jouvance, and the baby clothes brand Petit Bateau on the Russian market.

M&M France also does Yves Rocher's transports to Poland!

Allez, M&M Nantes!

M&M Poland – Meeting in Jachranka

On the 7th and 8th of October an annual meeting of the Polish M&M team took place in Jachranka near Warsaw. About 45 people participated in the meeting which is organised every year in order to summarize the 12 passed months of the common work.



The participants were: M&M Poland top management directors, local branch managers and marketing dept.

This year meeting was dedicated mainly to operational aspects of the M&M Poland's services offered on the market. At the beginning of the first seminar, the finance director of M&M Poland Pawel Krajewski presented finance results of all the four M&M companies in Poland (M&M Militzer & Münch Polska Sp. z o.o., M&M Logistik Sp. z o.o., M&M Service Sp. z o.o. and M&M air cargo service Polska S.A.).

The following speaker - Professor Wojciech Paprocki discussed the quality level of the domestic distribution system in Poland M&Mnet. The President of M&M air cargo service Polska S.A. presented to the audience their innovative product i.e. chartered transports of the goods requiring the Internal System Control Certification (pol. WSK).

In the evening of the first day all the participants were invited to a barbecue, which is always a great opportunity to know each other and to continue discussions in

informal atmosphere.

During the second day of the meeting the participants could learn more details about new rail "container project" managed by Artur Dutkowski director of M&M Polska, as well as about the new logistics potential in Poznan (new storage and offices complex on Wolczynska str.) and connected with them new abilities and chances to growth on the Polish market. Dr. Miroslaw Kaczmarek concentrated his speech on the undertaking in Poznan.

The meeting was closed on the 8th of October with several important conclusions and reorganizational decisions. The reorganization applies to the top managerial structure of M&M group in Poland which brings the following assumptions into effect: the top management board of directors of M&M Polska are: Prof. Wojciech Paprocki, Miroslaw Kaczmarek, Aleksander Maczko and Wojciech Lyzwinski.

- Prof. Wojciech Paprocki's range of responsibilities include (among others): management of M&M Polska activity, IT, investments and development;
 - Miroslaw Kaczmarek's responsibilities include (among others): management of M&M Service activity, investments and development, finance, accounting and controlling dept., legal issues, HR;
 - Aleksander Maczko is responsible for: the activity of M&M Logistik, investments and development, all

the administrative and technical issues;

- Wojciech Lyzwinski's range of responsibilities are: activity of M&M air cargo service Polska S.A., investments and development, sales dept., marketing and PR of the whole M&M group in Poland.

M&M at the Kiev Transport and Logistics 2005

M&M Kiev, Ukraine, is very pleased with the results of its participation at the "Transport + Logistik 2005".

The fair took place for the 8th time at the beginning of October, accompanied by exhibitions around the topic of transportation.



The fair always offers a good possibility to present one's services to a large public. M&M Kiev participated for the first time – and very successfully so: They were awarded the 1st prize for most beautiful stand!

Among the participants were such renowned companies as BLN Handelsberatung Berlin, Skylock Ukraine, Universal Services, Bt Ukraine, Davir, Cardeck, Linde AG, Mitsubishi forklift,

Still, Schaefer Shop, and Jungheinrich.

General

On 1st, October, **M&M Service sp.z o o. Wroclaw** moved. The new address is:

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News from our partners in the TransInvest Group

A Train Swimming to Bandar Abbas

Intership Europe NV, Antwerp, a company of the TransInvest Group, has organized the transportation of a train from Hamburg to Bandar Abbas, Iran.

The train left the factory in Slovenia and arrived in Hamburg – by train. For the ocean transport, the four segments of the train were loaded on a freight vessel.

Since each segment weighed 60 tons, the original plan was to use two heavy lift cranes. Yet the shipper decided to use one crane with special harnesses. It was no easy job to fix the load onto the crane and to get in on board – the first segment made a 360 degree pirouette when lifted!



But finally everything was stowed and blocked and braced safely, and the voyage began.



The Belgian Intership, founded in 1978, offers customized solutions for door to door shipments especially to and from Iran, Turkey, Russia, the CIS, and other destinations in the Middle East.

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