

# M&M<sup>®</sup> NEWS

Nachrichten – News – Nouvelles – Новости

For our clients, partners and employees

December 2006

Dear readers,

Once again, a year is drawing to a close that has brought many an interesting development. What has happened at M&M over the past 11 months?

For instance, in some countries, such as China, Germany, Lithuania and Poland, investments have been made into new terminals and warehousing capacities. Currently, new logistics projects are being prepared in further countries. Tajikistan and India are two new countries in which M&M is now represented with delegation offices. Some M&M companies have also been able to celebrate anniversaries this year and have drawn a balance of their performance so far.

Keeping these developments in mind, M&M is ready to face new tasks and challenges also in the future. Of course, this requires the commitment of the staff members and the trust of the customers and partners in M&M.

That is why we would like to say a big "Thank You" for the pleasant cooperation and wish you a peaceful Christmas, relaxed holidays and, for the new year 2007, health, happiness and success.

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## General

### **M&M Polska Wroclaw location is becoming increasingly attractive**

Poland is highly attractive for foreign investors thanks to its membership of the European Union, the size of its market, its sustained economic growth, its low labour cost as compared to Western Europe and additional investment incentives. The Voivodship of Lower Silesia, with its capital Wroclaw, are among the regions with the most investments. Both the need for logistic services as well as the demands on their quality are increasing constantly.

The M&M Polska Sp.z o.o. branch in Wroclaw has accounted for this development recently by moving its warehousing into the modern logistics estate of ProLogis in Bielany Wroclawskie. There, the company has a warehouse space of 4,500 m<sup>2</sup> for the time being, which may be extended, however, at any point. There is an integrated warehouse for temperature sensitive goods. Advanced IT-solutions and modern offices provide for a higher level of customer satisfaction and better working conditions at the new location.

### **>> Ideal location <<**

The ProLogis Park is located 2 km south of the city centre of Wroclaw, at trunk road No 35



(Wroclaw-Prague), in the immediate vicinity of the A4 motorway (Berlin-Wroclaw-Kraków-Ukraine). The International "Copernicus Airport Wroclaw", offering direct flights to Warsaw, Frankfurt, London, Copenhagen and further destinations, is just 9 km away. M&M is also represented there with a branch office of M&M air cargo service Polska S.A. and a warehouse of its own.

### **>> Location is becoming more international <<**

Jaroslav Schneider, branch manager of the Polish air cargo subsidiary in Wroclaw and also responsible for the development of the logistics business in the region, expects a further growing potential, "Lower Silesia is an important location of the automotive industry. Volvo, Volkswagen and Toyota have production facilities here. Companies from mechanical engineering, the electrical and food industries as well as of the iron and steel industry have also been set up at this site. This region of Poland plays an outstanding role in modern IT, too. One third of all companies operating in IT production and services come from Lower Silesia." Grzegorz Kaczor, who is responsible for the further development of road and rail as well as multi-modal transports as the COO of M&M Polska, is



also convinced of the good prospects at the location of Wrocław. It is becoming more and more international. Already 27 % of the companies entered in the Trade Register are enterprises with a foreign shareholding.

Together with representatives of the cooperation partner Asta Logistik Group ALG from Spain, he inspected the new M&M warehouse. At the end, everyone agreed that the logistic capacities available at the location of Wrocław correspond with high international standards. "There are no differences compared to Western Europe anymore," Reinhard Sawatzki, Managing Partner of ALG, stated.

Traditionally, road freight transport plays an outstanding role for the M&M branch in Wrocław, as, due to its geographical location, it is suited excellently as a turntable for transports between Western and Eastern Europe, even into Asia as well as for distribution traffic within Western and Southern Poland. Over the past years, the air and sea cargo business has also developed well. In this case, production focuses on component deliveries of the automotive industry, the electronics industry and kitchen equipment. As regards the countries, the emphasis is on China, Japan, Brazil and the USA. "We are open also for other product areas and countries, of course," Jaroslav Schneider said. "We have special experience, for instance, in the air cargo charter business. In 2005, we arranged 25 charter flights with an average 40 t per flight from this location."

**>> Developing the logistics business <<**

The logistics business is being developed in the long run. At the moment, there are 35 staff members working for M&M at the location of Wrocław. "As at all the other Polish M&M locations, we will develop, above all, our know-how for modern contract logistics further. We want to stand our own at this location in the growing competition. Due to the attractiveness of the region, more and more international forwarding and logistics companies are settling here. But there are new industrial investors that are added all the time, and they need logistic services on site," Wojciech Paprocki, Chairman of the Polish M&M Group and member of the Executive Board of the M&M Militzer & Münch International Holding AG, commented optimistically on the further development. Indeed, all the signs in Wrocław and the surrounding region point to growth. Further international producers are setting up operations in the Special Economic Zones all around the cities of Lower Silesia. At the moment, for instance, the Korean household equipment manufacturer LG Electronics is building a new plant here, which is to be dimensioned for an annual production capacity of 500,000 refrigerators and 3.5 million LCD TV-sets by 2011. It is also with the aim of promoting growth that a lot of money is being invested in the improvement of the road infrastructure of the city. The further development of the "Copernicus Airport Wrocław" has also been planned already. Thus, there are many reasons for betting on a successful future in Wrocław.

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#### **Rail ferry service between Sassnitz-Mukran and Baltiysk starts soon**

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At the beginning of 2007, the rail ferry service starts its operation between the German Baltic Sea port of Sassnitz-Mukran and the Russian port of Baltiysk, near Kaliningrad.

Klaus Lutze, Managing Director of M&M rail & projects GmbH, already inspected the concrete conditions on site personally. The operational and technical prerequisites for the ferry service as well as the connection with the rail and road are good at both ports, he was able to state. The new project also enjoys political backing. There is constructive cooperation of the parties involved from both countries, ie the railways, the ports and shipping companies and a considerable mutual will to turn this ferry service into a success story. He summed up the situation saying that the framework conditions were just right.

#### **>> Direct link between Germany and Russia <<**



(photo: Kulke-Fiedler)

The price was subject to hard negotiations between the parties involved to the very end. In order to strengthen the competitiveness of the new rail-sea product, further reserves have to be tapped, no doubt. However, the price cannot be the only criterion for the decision in favour of this route of transport. The great advantage of the rail ferry service to Baltiysk consists in the fact that this establishes the first direct link between Germany and Russia. The possibility of loading the freight directly onto the Russian wagons, the reliability of the connection and the short transport times as well as the simplified customs handling will arouse the interest in this offer among the customers quickly. The new ferry line represents a further high-performance rail ferry link across the Baltic Sea in the direction of Eastern Europe. There has already

been a reliable service from the port of Sassnitz-Mukran to Klaipeda in Lithuania for some two decades now. This will be continued at least 2 times a week also in the future. There will be one ferry service per week to the new port of Baltiysk, near Kaliningrad, at the initial stage. The crossing takes 12 hours. The service frequency is to be increased as quickly as possible. If the need arises, a second ferry is to be used per week.



(photo: Fährhafen Sassnitz-Mukran)

**>> Transport of nearly all types of goods <<**

The type of ferry used enables the transport of nearly all types of goods. It is suited for multi-modal units as well as cargo in open and closed wagons, bulk goods and tank wagons, for instance, carrying oil products or liquefied gas.

In the future, the ferry service to Baltiysk is to be extended to the new Baltic Sea port of Ust-Luga, 100 km west of St. Petersburg. Already today, there are important prerequisites in place for such an extension. The new rail ferry landing pier at Ust-Luga was completed this year. The internal Russian ferry service between Baltiysk and Ust-Luga is already in a trial mode of operation, thus gathering the necessary experience. The ferry pier in Sassnitz-Mukran still needs to be adapted to the vessel geometry of the type of ferry utilised by the partners in Ust-Luga. The final issues are to be addressed by summer 2007, at the latest, so that the round trip of Sassnitz-Mukran, Baltiysk, Ust-Luga becomes possible. This would mean that the wide expanses of Russia would be accessible without any transit through third countries and the number of borders to be overcome en route to Central Asia would be reduced drastically.

M&M has long years of experience in the rail ferry traffic with the CIS countries. For instance, project consignments as well as excess-dimensional and heavy

goods are sent regularly through Sassnitz-Mukran, which is the only West European port with the broad-gauge rail connection of the CIS countries, via the Lithuanian port of Klaipeda to Russia and the other CIS countries. "There are many companies that are interested in a direct German-Russian ferry service due to the rapidly growing foreign trade with Russia and the newly developing industrial settlements there", said M&M rail & projects Managing Director Klaus Lutze. "Thus, I expect a good start-up of the rail ferry service to Baltiysk and later to Ust-Luga."

**Donations instead of Christmas presents**

This year, too, M&M Militzer & Münch have decided not to hand out any Christmas presents to their customers and are making a donation in the amount of EUR 2000 to the local branch of the Child Welfare Association.



**Werner Krauß, Managing Director of M&M Militzer & Münch Deutsche Holding**

GmbH, handing over the cheque to Mrs Ingeborg Poswa from the Child Welfare Association Hof.

**M&M and ALG extend their cooperation**

The M&M Group and the Spanish Asta Logistik Grupo ALG want to develop their cooperation further. Whereas there has been cooperation in individual areas and in different regions for years now, the relationship is to be developed systematically.



This is of interest to the customers of both corporate groups. With its cooperation with ALG, M&M is putting its West European business on a broader foundation. ALG, on the other hand, is expanding its range towards the East. "M&M Militzer & Münch has a very good reputation. Our new offer in the direction of Poland, the CIS and to other Eastern countries will meet with great interest among our customers and will be positioned well in the market," says Reinhard Sawatzki, Managing Partner of ALG and one of its two principal owners.

ALG, which has been in existence for about 10 years now, has its headquarters in Barcelona. The group is a medium-sized universal forwarding company, at home in all modes of transport, be it road, rail, sea or air. The freight management forms an important pillar of their activities. The companies making up the ALG have decades of experience in specialist areas. The company U.T.T. Barcelona, for instance, has been engaged successfully in road freight transport for heavy-duty and excess-



**Reinhard Sawatzki, Managing Partner of ALG and one of its two principal owners.**

dimensional goods in Spain and Europe for 25 years now. And the U.L.Chartering, S.L. company has gathered 25 years of experience in transporting hazardous goods. The port feeder and distribution traffic by road or rail is especially important for the shipping companies at a national and regional level of the corporate activities. In part, there are own tractors, trailers, carrier wagons and depots available. Every year, for instance, more than 50,000 TEU are moved on rail alone by Spain Rail S.A. belonging to the ALG, in the region of Spain and Portugal. In the international business, the road freight transport is being extended to cover the entire area of Europe. Last year, sea cargo activities focused on the Canary Islands and South America. In the case of air cargo, it was South America and the Middle East. The second most important area of ALG is contract logistics. About one quarter of the Group turnover comes from this field nowadays. The focus here is on the chemical industry, white and brown ware as well as components for the automotive industry, which, however, is not exhaustive. "The ALG disposes of the necessary instruments to satisfy the needs of any customer who is seeking a new and more efficient concept for their logistics. We cover different processes in the supply and purchasing chain of the customer. We do not only take over the distribution for the customers but also implement a wide range of value-added



**Sales meeting in Tianjin** (by Dieter Buchinger). On the occasion of Mr Harald Mazarin (MD M&M air sea cargo GmbH and member of the Executive Board of the M&M Militzer & Münch International Holding AG) recent visit to Asia, M&M China organized a sales conference in the new M&M APLC in Tianjin-Bonded Logistic Park. The defined goal of the conference was to establish sales targets and discuss mutual product developments especially in the China – Germany/West and Central Europe v.v. traffics.

The meeting was attended by the branch managers and their sales representatives especially from the Air-Sea division of M&M China. All nine M&M China offices have sent representatives. Harald Mazarin used the forum to present M&M air sea cargo GmbH, Germany, and also highlighted recent developments and news from the air & sea units and agency networks throughout the world.

Important conclusions taken during the conference were: M&M China has decided to establish a direct LCL Service route Xingang – Hamburg v.v. (possibly applying as masterloader both directions Group 99'), by January 2007. Mutual sales focus for the organizations will be "import". We hope to be able to report more new products with the next issue of the M&M News.

services and are connected with them interactively through the Internet", Reinhard Sawatzki explained.

The Asta Logistik Grupo ALG is among the TOP 10 of the medium-sized forwarding and logistics companies in Spain. In 2005, they achieved a net forwarding turnover (without customs duties and levies etc.) of about EUR 75 million. They have a stable revenue situation and are a successful business. The profits are to be increased even further over the years to come. In Spain and Portugal, ALG is represented at all ports, in all economic centres, at all important airports and at other important nodes of transport.

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#### **"Success through happiness in the job"**

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In November, a letter of an M&M pensioner reached the M&M News editors, which is an appeal to everybody who wishes to be successful in his work. We would like to quote from the letter with the approval of the author:

"As one of the 'old boys', I always look forward to the next edition of the M&M News. On the one hand, it reminds me of my employment between 1951 and 1993, first as an intern, then as a scheduler, head of department, boss of the

Cologne branch and Transport Manager of the former Czechoslovakia – and Yugoslavia relations. Always one among many colleagues of the M&M Alliance.

On the other hand, it fills me with happiness and a little bit of pride when I read and hear about the changes taking place, the new and meanwhile extended organisation, the expansion of the M&M activities, as I was part of them over the past decades.

I wish all of you who are still or already 'part of it all' and who are making your contribution a lot of success also in the future, through happiness in the job.

Your Klaus Kotthaus"

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