

M&M® NEWS

Nachrichten – News – Nouvelles – Новости

For our clients, partners and employees

January / February 2007

Dear Readers:

With this double edition for January and February we start a new year of M&M News.

2007 has brought an exciting change: There are two new EU member states. We have asked the managers of the M&M companies in Bulgaria and Romania about the chances and risks they see in the new situation.

This and many more news on the following pages. Enjoy reading!

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General

M&M in the New EU Member States Bulgaria and Romania

Two M&M companies – M&M Militzer & Muench BG OOD and M&M Air Cargo Service BG – operate in Bulgaria, with about 300 employees in 26 branch offices.

Last year, M&M's Bulgarian subsidiaries achieved a sales volume of circa 30 million euros. M&M Militzer & Muench BG OOD was the first Bulgarian M&M company – last fall, they celebrated their 15-year jubilee (cf. M&M News October/November 2006).

M&M holds a top position among Bulgaria's international forwarders and logistics providers. Now that the country has joined the EU, M&M BG OOD aims to hold, and better still, to strengthen this position.

In Romania, M&M is one of the players in the market with M&M Militzer & Muench Romania SRL, a relatively new company that began operating on January 1st 2005. M&M Romania SRL is a joint venture with one of the leading Romanian logistics providers and forwarders, a long-time partner of the M&M Group.

Sacho Todorov, Managing Director of M&M Militzer & Muench BG, Michail Dantchev, Managing Director of M&M Air Cargo Service BG, and Valentin Dragu, General Manager of M&M Militzer & Muench Romania SRL, have set down the following reflections on the EU membership of their countries.



Sacho Todorov, Managing Director M&M Militzer & Münch BG OOD

The new EU membership of our country comes with chances, but also with risks – same as with the EU's eastward expansion in 2004. One thing is clear: Bulgaria will certainly be more attractive for international investors. Today's macroeconomic indicators show a positive picture. In 2006, we had a growth in our gross domestic product of 6 %. And for the 2007 GDP, we expect the same growth rate. Bulgaria's foreign trade is increasing at a two-digit rate, unemployment is on the decrease, and the purchasing power is going up. Our national budget closed with a surplus. On January 1st 2007, Bulgaria's tax reform came into effect. The reform affects the value added tax for imports from and exports to EU countries, since Bulgaria is now part of the EU -internal market. Moreover, the tax on profits was lowered from 15% to 10%, making Bulgaria the country with the lowest profit tax rate within the EU. As to our income tax, its maximum rate of 24% is much lower than in Germany. Investment conditions comply more and more with EU standards. With the EU membership, it has become much easier for foreign

entities to acquire real estate: Thus, natural persons and legal entities from other EU states are now entitled, on principle, to buy property; some of the regulations in question are still being customized in detail to reflect the principle of reciprocity. In view of all these facts and basic parameters, I assume we will experience a further increase in direct investments, and in economic growth. This means there will be more than enough work for M&M Bulgaria. We are determined to continue on our expansion course. Taking into account the new market conditions, we at M&M Bulgaria see our most important goals in expanding our logistics services and in strengthening our domestic distribution network. We are also prepared to commit ourselves to extending our air cargo and multi modal transport business.

There still remains a lot to be done concerning surface transport in Bulgaria. In large parts of the country, roads are of poor quality and low capacity. Railroad infrastructure, and railway equipment, is not satisfactory.

Numerous projects to modernize Bulgaria's infrastructure, road and rail, have been initiated. We hope to see faster progress in the future, thanks to financial aid from the EU.

To give some examples: The ring road around Sofia as well as all six motorways from Sofia to the Black Sea, the Turkish, or the Greek borders respectively are to be finished by 2015. As to the railroad, the modernization, upgrading, and extension of the railway connection from Plovdiv to Svilengrad, the key route in the pan-European Corridor # 4, have now begun. And after long years of delay the bridge over the Danube at Vidin near the Bulgarian-Romanian border is now being built.

We would very much appreciate seeing faster progress in the development of our infrastructure and especially with the railroad. Apart from companies that load directly, M&M is the largest rail cargo specialist in Bulgaria. Thus, the deficiencies in the railroad system directly affect our company. We

urgently require the necessary improvements!

Our railroad is state-owned, and the state should really fulfill its owner's duties more diligently.

My hope is that the cooperation within the EU will entail faster moving modernization efforts in the Bulgarian traffic sector. After all, this constitutes a key incentive for investors.



Michail Dantchev, Managing director M&M Air Cargo Service BG

Without any doubt, the EU membership is one of the most far-reaching developments in Bulgaria's recent history. The majority of my Bulgarian colleagues supports Bulgaria's membership and celebrates the return of our country into the European family. At the same token, Bulgaria's EU member status constitutes a challenge to the country's business and trade, since now we have to comply with the standardized European norms and regulations in all fields of industry and commerce. As a rule, that means that we now are confronted with much higher requirements than before – for example concerning our products and our production processes, the technical specifications of our machinery, the quality of our technical facilities and equipment, the qualification of our staff, our financial resources, and so forth.

All these changes are prone to affect the transportation business most of all. In two ways: European countries account for 60 % of the Bulgarian foreign trade, and thus the forwarding and logistics industry will lose

considerable customs business owing to the fact that with Bulgaria's integration into the intra-European market, and the subsequent opening of the borders, there will not be any more customs operations necessary. On the other hand, there will be stronger competition, and our clients will continually demand better and better service at highly competitive rates.

In another respect, the country's EU membership opens new and very interesting possibilities. Bulgaria is becoming part of one of the world's largest markets – the European Economic Area. This will necessarily entail a much larger flow of goods between Bulgaria and the other EU states, and that again will necessitate more transportation and logistics services.

Let us now look at air cargo. There has been important progress lately. Thus, a new airstrip at Sofia Airport was put into operation in mid 2006, and in December, only a few days before Bulgaria joined the EU as a member, the new airport terminal was inaugurated.

As to our airfreight business, M&M invested in better handling conditions, so that we now have our own terminal adjacent to the airport's cargo facilities. We also invested in equipment, security, and qualification, and have thus contributed our part to enhance cargo handling at Sofia airport.

In these past years, M&M Air Cargo Service has been the leading airfreight specialist in Bulgaria. Our primary and foremost long-term goal is to hold this position.

During the coming months, we aim at finalizing the certification process for our air cargo company according to the ISO 9001 regulations.

The M&M Group has invested considerably in Bulgaria through all the years of M&M's presence in this market, and has thus made a crucial contribution to the development of the country's forwarding and logistics industries.

We look with optimism to the further development of our company, and of our country as a whole, now that it is part of Europe.



Valentin Dragu, General Manager, M&M Militzer & Münch Romania SRL

That Romania was accepted as a EU member on January 1st 2007 can be seen as the most important event in Romanian history since the country's accession to NATO three years ago. As to the consequences of our being a member state, opinions in the country vary. Most Romanians hope that their standard of living will improve – whereby, I am sorry to say, some of them seem to think that this will happen automatically.

Compared to the “old EU member states”, Romania's standard of living is indeed very low. As a consequence, we have a certain lack of skilled personnel – they prefer working abroad. And as a consequence of this lack of skilled workers, we had an artificial increase in wages – yet qualified staff is really hard to find in our country.

Economically, Romania is on an upward course. Since the fences have fallen between Romania and the other EU countries, new opportunities abound on the market. Yet, on the other hand, there are higher requirements concerning, especially, the quality of our products.

Generally, Romania expects to attract investments from the large investment funds and corporations in all branches of trade. This will then positively influence the dynamism of the country's economic activities.

The EU membership will certainly increase the possibilities in the transportation sector. At the same time, competition will

certainly be tougher, too. Even before 2007 we had fierce competition in our field, as all large forwarders and logistics providers have been in the market already for some years. In my opinion, those companies that are quick to launch new, attractive and reliable products will be able to snatch the biggest market share.

Romania today counts a population of 23 million. That means there is a huge market potential for large quantities of all sorts of goods, and that again will result in a higher demand for logistics and distribution services. Internationally, business to and from EU countries accounted for 60 % of Romania's economy. This will not change. Yet, on the other hand, Romania is now also part of those economic treaties that EU member states agreed on with non-EU countries in the past. Thus, business connections with non-EU states will increase also, especially with economically strong partners such as the US or with economically ambitious countries such as China and India.

This year, we at M&M Romania will concentrate on securing our existing groupage business and on acquiring new groupage contracts. We will also extend our air and ocean freight business, actively cooperating with the M&M Group's new partners in these fields. As Bulgaria, Romania is now, too, part of the EU's Eastern border, plus part of the gateway to the Black Sea. We are sure that this, too, will generate new possibilities for M&M Romania.

M&M Romania flies auto parts to India

by Valentin Dragu

It was quite a challenge for a young company such the Romanian M&M subsidiary: In late December 2006, its India-bound airfreight for Dacia Renault Pitesti Romania attained a volume of over 50 tons. The cooperation between M&M Romania and the Indian forwarder and airfreight and logistics provider Flyjac began in June 2006, and the beginnings were slow. But now this coop-

eration has become very intensive.

The automobiles that are assembled in India and sold under the name of DACIA LOGAN by Renault are such a success on the market that there is a high demand for auto parts and assembly kits to be shipped for assembly to India's Mahindra Renault Car Plant.

Airfreight business virtually exploded towards the end of the year, as everybody expected the official inauguration of the Renault Mahindra plant in Nashik. To be able to meet the demands, M&M Romania and Flyjac left no stone unturned to handle the necessary volume of car parts during the busiest time of the year, when it is already a huge success to snatch just one cubic meter of airfreight space.

In a way, this made Christmas rather exotic for the M&M Romania staff.

It has been signaled that the automotive airfreight business to India will develop even more dynamically in 2007, and will continue to grow.

Gyula Pintya, Air & Sea Cargo manager with M&M Romania, stresses the challenge this job meant for the young team: “Mahindra put a lot of pressure on us. But together with Flyjac, we were able to successfully provide them with the necessary volume of goods, plus, and that was really vital, in time. Now we have improved some of our processes, and things are beginning to take their normal course as far as the time line is concerned. The volume we handled in January alone already surpasses the volume we shipped in December.”

Valentin Dragu, M&M Romania's General Manager, considers the partnership of the M&M Group with the Indian company Flyjac with much optimism, as India's economic boom will generate further interesting business opportunities. “The partnership between M&M Romania and Flyjac came into existence last year, and it has become clear, that there are important possibilities for us in this market. We now have made the Indian business our top

top priority especially for our airfreight and ocean departments. The enormous growth of the Indian economy, as well as Romania's positive economic development in the context of the EU membership since January 2007 open up very promising opportunities for us for further business cooperation. Indian companies are now investing more and more in Romania. Since 1990, the direct investment volume has reached 1 billion USD."

A Flyjac delegation of high-ranking employees is visiting M&M Romania at the end of the month. Valentin Dragu expects this meeting to tighten the connections to M&M Romania's Indian partner. It will also intensify the cooperation between the two parties and help investigate new business fields.

Flyjac, a well-renowned Indian airfreight and ocean cargo forwarder and logistics provider has been partner to other M&M companies for quite some time. The cooperation between Flyjac and the German air sea cargo for instance has been practiced for a decade already. Flyjac counts 16 branch offices in India, is present in the markets of 40 countries, and relies on a world wide network of agents.

Moreover, to enhance the M&M-India connection, Manoj Kumar was nominated M&M delegate to Mumbai in September 2006 (cf. M&M News August 2006). He has long years of experience in the field of transport and logistics, and is active in sales.

M&M Switzerland to expand air and ocean freight business

Markus Benz has been appointed as Director for air freight as well as for the further development of the overseas business of M&M Switzerland, as of January 1st. In his function he will be working closely with Rolf Schmid, Managing Director of M&M Switzerland.

The past five years, Benz successfully established and managed the Shanghai branch of M&M Tianbao. Before he acted five years in China, as delegate of the M&M sister companies Multimodal and TransRail in Beijing.

With Mr. Benz's wide experience and knowledge of the Chinese market, he has been additionally appointed with the responsibility of M&M Tianbao's Chinadesk in Europe. In this function he attends to customer care and acquisition on behalf of the Chinese M&M organization.

Markus Benz is based in Basel, Switzerland where he will be assisted by Simone Siegrist, who worked with him already in Shanghai from August 2004 to December 2005. Siegrist initially completed her apprenticeship in Switzerland with M&M St. Gallen. Afterwards she worked for M&M Halluin from 2002 to 2004, and has just finished a year in Moscow where she was with EMEX.

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News from M&M air sea cargo Istanbul

M&M TK Int. Air Sea Cargo Service & Trading Inc., Istanbul, was converted into a 100 % subsidiary of M&M Militzer & Münch International Holding AG, St. Gallen, Switzerland.

Fikret Kilbacak und Merve Eliacik remain in their managing positions, same as with the joint venture before.

The company has moved to new premises. Please see following the new address:

M&M TK Intl Air Cargo Service & Trading Inc.
Istanbul Dunya Ticaret Merkezi
A2 Block Kat: 12 No: 373

Yesilkoy / Istanbul
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Fax: +90 212 465 60 75
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(from left) Merve Eliacik (assistant to the Manager), Christian Köppel (Business Development M&M air sea), Nese Encuman (Observer of the Ministry of Commerce), Harald Mazarin (Member of the Executive Boards of M&M Militzer & Münch International Holding AG), Fikret Kilbacak (Managing Director M&M TK air sea) and Recep Yilmaz (Controlling) at the signing of the deed

M&M now also in Dubai

Dubai has always been an important hub for the Central Asian M&M companies and is nowadays being considered as 'the' boom town of the Middle East. Thus, it has become vital for M&M, not only for geographical but also for economical reasons, to strengthen its position there. Therefore M&M Emirates Logistics LLC was founded in Dubai.

M&M Emirates Logistics LLC

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Antony.Issac@mumnet.com

Antony Issac is appointed as General Manager of M&M Dubai. The company will focus mainly on airfreight and ocean freight (both LCL and FCL) and its connected services such as trucking (pre-carriage), customs clearance, and so forth. In a medium-range respective, M&M Dubai's portfolio will also

contain warehousing and logistics.

M&M Kazakhstan is the initiator and therefore overall responsible for the new M&M company in Dubai.

(Elvis.Roberts@mumnet.com,
Simon.Sajen@mumnet.com).

Shenzhen Office expanding

by Hans-Werner Rieker

Defoe Gao, Branch Manager and Peggy Zhong, Seafreight OP, are joining Joyce Chen in M&M's enlarged Shenzhen Office. The promising development of the sea- and airtraffics encourages M&M to build Shenzhen into the main base for conquering the market in Guangdong Province.



Defoe Gao

Shenzhen special economic region has been spearheading the policy of reform and opening since the early 1980s. Today, Shenzhen is a vibrant city and an important logistics hub for Guangdong Province, serving Yantian Port, Shenzhen Airport and the huge air hubs in Hong Kong and Guangzhou.



Peggy Zhong

With a population of around 80 Mio. and a well developed infrastructure, Guangdong Province is one of China's economic growth engines. Guangdong

Province is a heaven for investors from neighbouring Hong Kong as well as from overseas. Consumer electronics, telecommunications equipment and light industrial products are continuing to drive the export economy.

Defoe Gao has several years of experience with renowned shipping lines and with a local forwarder. Peggy Zhong is joining M&M from a Shenzhen sea-freight forwarder. Further recruitments are in progress.

New address Hangzhou Sales Delegate

by Hans-Werner Rieker

Hangzhou, the capital of Eastern China's Zhejiang Province, is a major source of light industrial products, such as textiles, garments, arts-and-crafts. M&M has obtained 4 full charter flights in Dec/Jan to Russia from one of our Hangzhou accounts. To solidify the position in this sprawling commercial center, M&M has moved the Sales Delegate Kevin Zhao to new premises:

M&M Hangzhou

Mr Kevin Zhao / Sales Delegate
c/o High Goal Intertrans (Zhejiang) Corp.
No.1, Qingfengxincun Yugu Rd.
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Phone: +86 571 56853171
Fax: +86 571 85302635

Two week training course M&M APLC

by Dieter Buchinger

Scholarship program - Beijing Technology and Business University

In February M&M Tianbao, APLC has started the training courses as part of the cooperation with the Beijing Technology and Business University. Out of 50 students who actually receive M&M scholarship, eight have been chosen to participate in the in-house training program which will accompany them until graduation from university. The students major in

logistics, sales & marketing and business administration.

For two weeks now (before Chinese New Year) the students have been studying and training in the M&M APLC. For the summer break the trainees will return to the M&M facility for four to six weeks conducting various tasks for and together with the regular M&M staff.

The management team of M&M APLC, Jack Zhao (branch manager), Lance Wang (Logistics Project Manager), Tony Mu (Operations Manager) and Wayne Lu (Sales & Marketing Manager) have worked closely with the students for two weeks and look forward to start with serious projects in the summer. Interesting to mention is that the students come from provinces all over China (Beijing, Sichuan, Jilin, Heilongjiang, Shanxi, Jiangxi). The students have been invited to the annual Chinese New Year Dinner of the M&M Tianjin / Tanggu offices before traveling back to their hometowns for the holidays.



Group picture, incl. Prof. Pang (4 from left)

Chinese exhibition in Poland

by Anna Kostyra

In August 2006 M&M started to take part in an extremely interesting cultural event as logistics operator for the exhibition called "The secrets of Chinese genius - Science and Technology". For the next three years, the exhibition will be shown in different Polish cities. M&M transported the exhibits from China to Cracow, and will

then also organize the transport of the exhibition within Poland.



The current exhibition is the second exposition organized with AKIE. The first one, also in cooperation with the same company, showed Chinese ceramics and was a huge success.

Historically, China has always been regarded as the world's most advanced country with respect to science and technology.

The Chinese made a lot of scientific discoveries, and invented a substantial series of useful tools that influenced agriculture, science, and medicine not only in Asia.

Polish Companies in Comparison

by Anna Kostyra

In October 2006 the Polish newspaper Rzeczpospolita published a supplement with a list of the best Polish companies. List 2000 is the best view of Poland's economy.

Not only because turnovers and results of companies are still growing - it's also important that we are able to get to know more and more names of companies significant for our country's economical results.

The 2006 list came up with almost 700 new companies, in many cases companies that developed very fast.

M&M Group Poland was placed on rank 13.

Standardized CIM/SMGS freight consignment note

Last December, M&M's department "rail & projects", and InterRail AG, St. Gallen, forwarded a shipment using the new, standardized, bilingual freight consignment note. The new CIM/SMGS freight consignment note is in Russian and German.

The shipment that went from St. Ingbert in the German Saarland to a Russian metallurgical combine arrived safely at the destination, Kotel, a station in the South Eastern Russian railway net.

The successful shipment has shown how important the standardized freight consignment notes are in simplifying cargo transportation on the Russian railroad: they help cut costs, and save time.

The creation of the standardized freight consignment note results from agreements within the framework of the so-called 4-axes-project, a cooperation between all railway companies that service the German Russian railway corridor. In the course of time, more and more Russian railroad stations are going to be licensed for the new freight consignment note, so that freight documentation can be handled without much paper work. In the long run, there are plans to implement the new CIM/SMGS freight consignment note for all cargo moving between Western Europe and Russia.

For Klaus Lutze, "rail & projects" product manager with M&M Militzer & Münch Internationale Spedition GmbH, the successful test of the standardized freight consignment note marks an important step in the field of rail cargo to Russia. He mentioned in this context that there is growing demand for rail cargo to Russia. "Shippers in Western Europe are closely observing how the framework for eastbound rail cargo develops", he says. "Their interest will certainly grow with the introduction of such simplifications as the standardized

freight consignment note that lowers the transportation risks." M&M's activities portfolio focuses, among other fields, on rail cargo to Russia. Thus, M&M intends to strengthen the cooperation with the other West-European rail specialists within the TransInvest Group – such as InterRail AG and MTE Multimodal Transport Equipment GmbH – as well as with partners in Russia.

Werner Krauss 60

Werner Krauss, one of the two Managing Directors of the German M&M Holding, was 60 on February 7.



Mr. Krauss has accompanied our house for 35 years. He began taking care of our taxes when working with Dr.F.X. Schober CPA in Muenchberg near Hof, where, from 1972 on, he was responsible for all German M&M companies.

In 1991, he came to work for M&M directly: as director of the accounting department. During the restructuring process of the German Holding in 1999, he was made managing director of M&M Interservices GmbH. In 2000, he was nominated managing director of the German holding.

We thank Mr. Krauss for his continuous commitment also through rougher times, and wish him good health and success for the future.

New addresses

Azerbaijan

M&M Baku moved to new premises. Please find below the new contact details:

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Tajikistan

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