

report | RADOM



2013

ECONOMIC SITUATION IN POLAND

Statistics (06.2013)

Population

38 507 000

Country area

312 679 sq km

Administrative divisions

16 voivodeship

314 districts

2479 municipalities

Unemployment rate

13,2%

Registered unemployed

2 109 100

Average gross salary in the enterprise sector

3781,04 PLN

Source: CSO

Location

Poland is located in the heart of Europe. Convenient location at the junction of the East-West and North-South routes gives great communications opportunities with other European countries. One of the most important advantages is that among group of 7 neighbours of Poland is present Germany- the major economic and political power of Europe. Access to the Baltic Sea is an additional source of transport for goods and people. Central location offers foreign entrepreneurs opportunities to create logistic centres in Poland and shorten shipping time for eastern markets.

Gross Domestic Product

Gross domestic product (GDP) of Poland has increased in 2012 by approx.1.9 % - according to CSO estimation from April 2013. The data show a clear slowdown in growth when compared to the previous year, in which GDP grew by 4.5 %. Despite the decline, CSO and Eurostat data indicates that in 2012, Poland was ranked on fifth place among 27 EU countries after the Baltic countries and Slovakia. In 2013, Polish GDP growth may decrease to 1.1 %, however, next year it may increase again to 2.2 % – foresees the European Commission (EC) in the latest spring forecast.

Unemployment rate

The average annual unemployment rate increased continuously from 2008 to February 2013. Growth rate was particularly high at the turn of 2012 and 2013. However, from February 2013 there was recorded a downward trend and in June it has reached level of 13.2% which is a very positive economical signal.

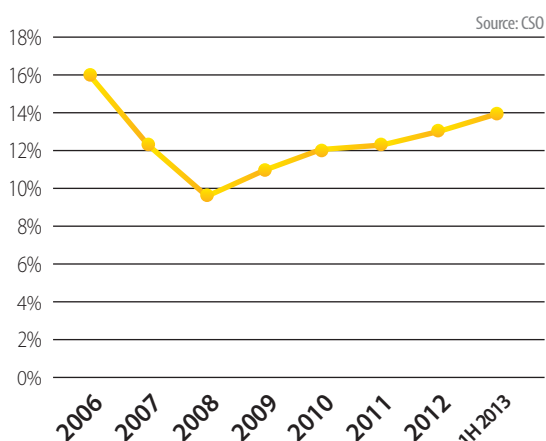
Foreign Direct Investment

After a very strong year in 2011 when the inflow of foreign direct investment (FDI) in Poland increased to 13,567 billion EUR (according to the National Bank of Poland), year 2012 has brought weaker investment performance, finishing at the level of 2.66 billion EUR. According to the latest NBP calculations, FDI inflow in the first term of this year has reached 3.57 billion USD, already exceeding the result from whole 2012. Poland is perceived as one of the most attractive locations for the new investment projects in Central - Eastern Europe and it is expected that year 2013 will bring many new projects.

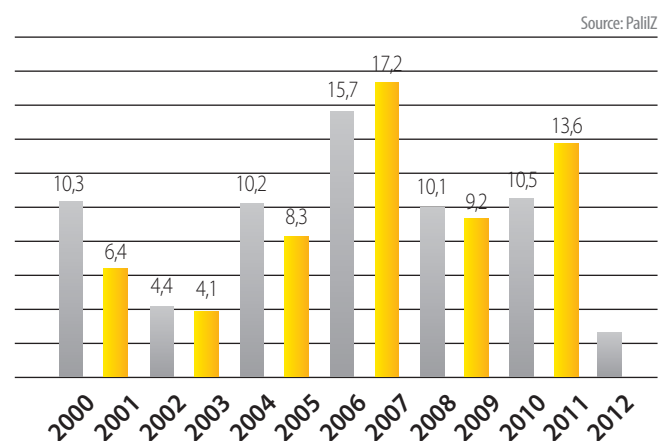
BPO/SSC

Currently, Poland is leading country in Central and Eastern Europe in respect of the number of people working in BPO/SSC sector. In Poland this sector will continue to grow rapidly through a number of foreign investments. Predicted increase in employment will result not only from expansion of already existing companies but also from new projects, as many investors perceive Poland as perfect place to open business in. Outsourcing sector in Poland has entered a phase of maturity and is stable and verified place for business. Investors looking for a perfect locations for their companies are more often choosing other cities outside Warsaw and Radom with its location, lower costs and highly qualified specialists is a great place for companies from BPO / SSC sector.

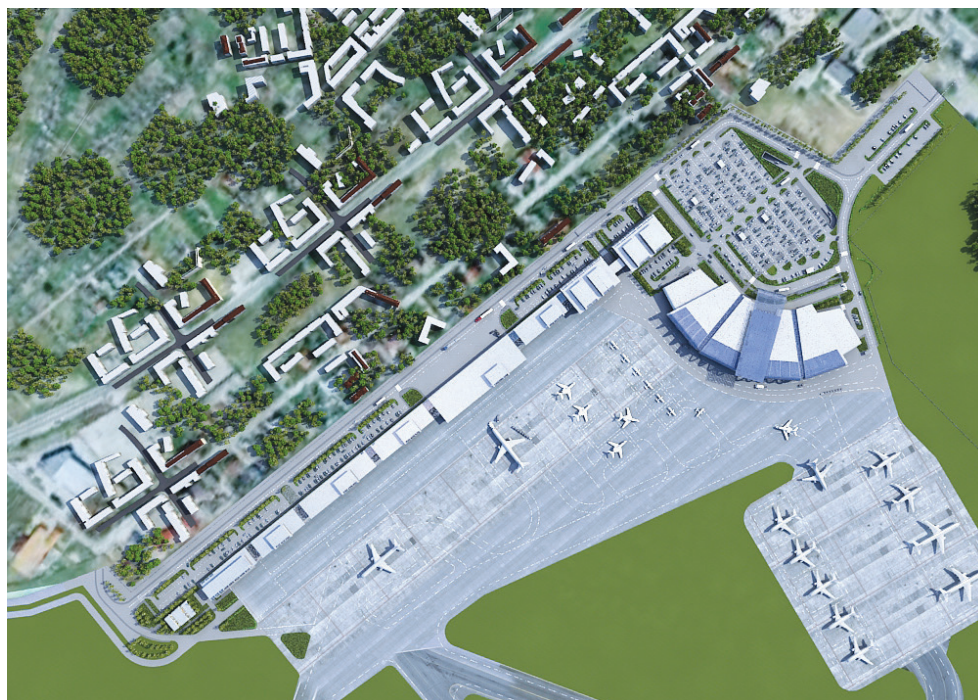
Unemployment rate (%)



FDI inflow (bln EUR)



RADOM



Source: Airport„RADOM”S.A.

Location

Radom is the second largest city after Warsaw, both in terms of population and area, in the Mazowieckie voivodeship. Excellent central location provides good access to the entire country. City is distant only 100 km from the capital, 200 km from Krakow and 625 km from Berlin.

Transport

Radom is situated at the intersection of Polish main north-south and east-west roads:

- Route no. E77, DK7 (Gdansk - Krakow),
- Route no. E371, DK9 (Radom - Rzeszow),
- Route no. DK12 (Lodz - Lublin).

Access to the capital itself is very comfortable thanks to the expressway S7. Radom western and southern ring roads, currently under construction are the largest road city investments in recent years. Western runs on a north-south direction, in the districts of Radom and Szydłowice and by municipalities Jedlinsk, Zakrzew, Wolanow, Kowala i Oronsko. Southern runs on east-west direction in the southern part of Radom and the north-western part of the municipality Kowala.

There is also planned a modernization of railway route connection from Radom to Warsaw and

Krakow. After reconstruction, thousands of passengers each day traveling this route to the capital will be able to move there in just 55 minutes. PKP S.A. is planning modernization of not only the railroads, but also the entire railway infrastructure for secure traveling on line between Radom and Warsaw. This means that 92-km section of railway line No. 8 connecting Warsaw and Krakow will be rebuilt.

Radom passenger Airport planned to be opened by the end of this year will increase the attractiveness of the city. Location is just 5 km from the city centre at the crossroads of international routes providing easy access from the neighbouring cities. Scheduled air connections will be available in mid of 2014. To the biggest international airport - Warsaw-Okęcie is only 100 km / 1 hour drive.

Radom has well-developed public transport network. Numerous bus lines provide easy access to every part of the city. This communication network is growing rapidly to meet the needs of residents and this year the most important investment was the creation of access road with bus lines to the Radom airport, to make convenient access for everyone.

Tomasz Siwak

The Chairman of Radom Airport

Undoubtedly, the impulse to open the Radom airport was that Poland joined the European Union, Schengen area and that there is the ability for passengers and goods to move without problems on the area of the whole Europe. In this context, the most important was to create new opportunities of development for more than 200 000 inhabitants of 14th in terms of population and area city in Poland.

Observation of the experiences of our western neighbours shows that the Radom airport does not need to generate huge revenues to be beneficial for the region. Having such object is valuable for the region, because it significantly increases its attractiveness for investments. This is one of the main functions of the airport in Radom.

Many analyses show that the access to air services is one of three main factors influencing the location of new investments. This facility will be positively impacting not only the area of Radom, but also southern part of Mazowieckie voivodeship and Swietokrzyskie voivodeship. It will stimulate the inflow of new investments and expansion of existing businesses. Not without significance is the fact that in the impact area of the airport is population of over 5.5 million people.

Radom - statistics (03.2013)**Population**

219 263

Mazowieckie voivodeship population

5 303 937

City area

11 180 ha

Population density

1961 p/ sq km

Unemployment rate (06.2013)

22,7%

Average gross salary in the enterprise sector (without companies up to 9 employees)

3411,51 PLN

People with higher education, as a % of adult population

15,68 %

Number of higher education school / of graduates in 2012

14/ 4346

Working age population (%) in 2012

63,8 %

Source: CSO

Population

City, as the second largest in the Mazowieckie voivodeship, has approximately 220 thousand inhabitants, and in the entire voivodeship more than 5.3 million. The working age population is 63.8% of the total in Radom.

The unemployment rate in Radom, at the end of June 2013, was at a high level of 22.7%. In the records of the District Labour Office were 21 268 registered people, 9973 women, who accounted for 47% of all unemployed. Indicators point very similar situation of women and men on the local market.

Education and labour market

Radom is the second largest educational centre in the Masovia region with 14 higher education schools and nearly 14 thousand students.

A great legacy of the days when Radom was an important industrial centre, is well organized number of vocational high schools in the city. Currently, there are as many as 10 complexes of vocational schools and the Centre of Continuing Education. Students can choose to educate in branches such as: construction, mechanical, clothing, leather, electronic, electrical, economic, automotive, service, food and hotel business. In the whole Mazowieckie voivodeship Bohaterow Westerplatte Technical College ZSE in Radom ranks first place in Poland in the technicians ranking from 2013. In addition, in the national high schools ranking, in 2013 on 19th place is Jan Kochanowski High School in Radom, in which 100% of students passed maturity exams this year.

More and more popular become language schools which demonstrate great engage-



Source: Radom Town Council

ment in self-education and skills improvement. Such developed educational infrastructure of the city allows to prepare well qualified future employees.

Radom investment potential

Many investments in road infrastructure, expanding of Tarnobrzeg Special Economic Zone offering extensive conveniences for investors, well-qualified human resources, constantly improving the level of technical education and wide range of labour market are just few examples of why to choose this city as a place to start or expand business.

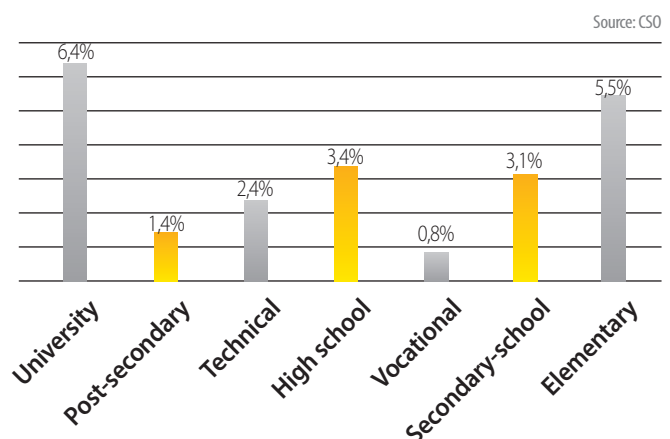
For the city very important are constant improvements not only in roads modernizations or better communication with the major cities of the country, but also for example in environmental protection or entertainment and physical culture.

Associations assembling and supporting Radom's entrepreneurs:

- Business Centre Club Radom Lodge
- Chamber of Commerce of Radom
- Chamber of Craft and Small Business
- Polish Merchants Association
- Association of Radom Centre for Entrepreneurship
- Radom Center for Innovation and Technology
- Tarnobrzeg Special Economic Zone

Source: Radom Town Council

Students as % of population



List of most important investment projects that are already carried out or in the short time will be started:

- Waste Management
- Upgrading the water and sewage system
- Modernization of the railway line no. 8
- Radom Airport
- Southern ring road of Radom
- Western ring road of Radom
- City Centre Revitalization
- Reconstruction of sanitary system on Brzustowska street
- Retrofitting of the School of Food & Hotel Trade
- Retrofitting of public utility buildings, including Powszechny Theatre, Regional Specialist Hospital In Radom, Primary school No. 3 and No. 24, High school No. VII and Junior high school No. 3 in Radom
- Enlargement and renovation of School of Fine Arts on Grzecznarowskiego 13 street in Radom
- Comprehensive revitalization of historic urban parks: The Old Garden and Tadeusz Kosciuszko Forest in Radom

List of recently completed investment projects:

- Ministry of Finance Data Processing Centre
- Construction of Music School Complex in Radom

The average level of earnings is almost 50% lower than in the neighbouring Warsaw, so the city begins to attract many companies who want to reduce costs. Radom has already seven companies from BPO / SSC sector,



Source: Walter Herz Research

among them are the Ministry of Finance Data Processing Centre, Europe Calling, Iron Mountain, Millward Brown SMG KRC and Telbridge. In the city there are also well-known real estate developers like AIG / Lincoln and Capital Park Group.

Investment conveniences

The city makes sure that areas designed for investment purposes are covered with current zoning plan and are prepared for investments.

New investors can rely on many conveniences, such as:

- allowances and preferences issuing from the public support regulations used in Poland. Support can reach up to 50% of the investment value for small and medium companies and 30% for large ones,
- property tax exemption, period dependent on number of created jobs, can amount from 1 to 5 years.

Main investment sectors

Machinery and equipment manufacture
Metal forming
Food production
Shoe industry
Constructional
Textile industry
IT

Source: Radom Town Council

Examples of Investors

Imperial Tobacco

(tobacco company)

Medicofarma

(pharmaceutical manufacturer)

RADWAG

(leading manufacturer)

ITM Poland

(tobacco machinery)

Zbyszko Company

(refreshments manufacturer)

Trend Glass

(glass factory)

Source: Radom Town Council

Fot: Radom

Source: Radom Town Council





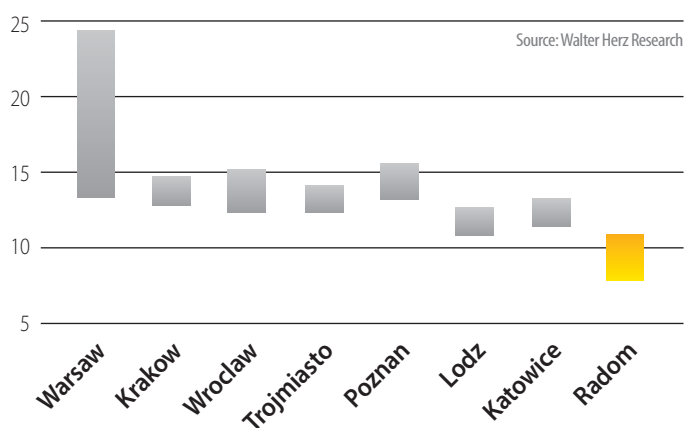
Source: Marian Strudziński

Factors that attract investors to Radom:

- Low labour costs
- Low land purchase costs
- Well-qualified human resources
- Proximity to Warsaw
- Low office rent costs

Source: Radom Town Council

Asking office rents (EUR/sq m/per month)



Fot: Rwana Street

Source: Radom Town Council



REAL ESTATE MARKET IN RADOM



Fot: Radom Office Park

Source: AIG/Lincoln Polska Sp. z o.o.

Office market

Supply of modern office space in Radom rapidly grows due to the increasing interest in this market of the international companies willing to open their headquarters in the city while trying to reduce operational labour costs at the same time maintaining close proximity to the business centre of the country - Warsaw.

In 2013, was delivered first phase of major AIG / Lincoln project - Radom Office Park A providing approximately 5 000 sq m of modern office space. This is the first this type of project in the city, so far dominated by B + / B office space located in the city centre in tenement houses. Currently at the end of the first half of 2013, the total office space amounted to 15 000 sq m.

Average value of rents in Radom are stable and oscillate between 8,00-11,00 EUR / sq m per month.

Completion of the second phase of Radom Office Park, will provide another 5 000 sq m of high quality office space. In addition, planned reconstruction of NOT building and the building on Szklana Street will make the market even more attractive for companies from BPO / SSC sector. Radom is seen as a satellite town for Warsaw and more visible becomes interest of the international investors who are looking for modern office space outside capital.

Dariusz Domanski

**Development Manager at
AIG/Lincoln Polska Sp. z o.o**

Radom Office Park in total will deliver approximately 10,000 sq m of new, A Class office space over two buildings as a part of Centrum Sloneczne –multifunctional project of AIG/Lincoln which includes Galeria Sloneczna shopping mall, Aquapark Radom, Osiedle Sloneczne residential project and Park Sloneczny. The complex has been designed to meet the expectations of entrepreneurs, mainly from the BPO / SSC industry. The building implements the latest architectural solutions, ensuring functional and effective use of the office space, internal common areas and external green space. The 1,700 sq m floor plate of each floor offers tenants flexible office space arrangement possibilities. Specifications class provides solutions specific to the modern office.

Fot: Szklana Office Building

Source: TG Sp. z o.o.



Henryk Dudek

President of the Polish Merchants Association in Radom

New supply of modern retail space and the presence of the international brands in Radom has not reduced the interest in regional brands. Inhabitants still like to visit the local sales markets. Such marketplaces complete the retail market offer of the city, where you can buy almost everything. However there is noticeable change in buying habits. More and more people, in addition to food and clothes, willingly spend their afternoons and weekends in shopping malls. They seek a variety of entertainment, which is noticeable in the types of the latest available centres focusing full range of services available under one roof.



Fot: Galeria Feniks

Source: Walter Herz Research

Retail market

Supply of modern retail space in Radom is about 150 000 sq m, while the supply of supermarkets around 20 000 sq m. Retail market is very well developed and on every 1 000 inhabitants, there are nearly 600 sq m of retail space. The city is characterized with high level of saturation in comparison to the larger agglomerations like Krakow, Lodz or even Warsaw with density indicator approx. 500 sq m per 1 000 inhabitants. Despite high saturation level, developers are still

planning new projects of mini retail parks and discount stores.

Currently, the city has two shopping centres with entertainment facilities (Galeria Sloneczna and Galeria Rosa), three large shopping centres (M1, Atrium Gama and CH Echo) and several smaller ones with a supermarket as the anchor and few boutiques. Location of the centres is very diverse and there is no noticeable trend.

Structure of tenants in % *

38% - Clothing and shoes

22% - Services

8% - Restaurant

7% - Electronics and home

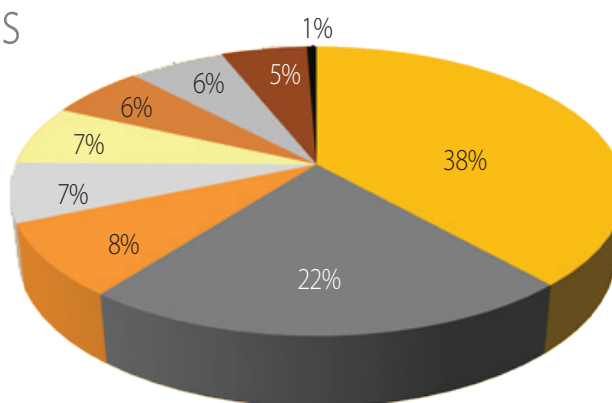
7% - Health and beauty

6% - Entertainment

6% - Jewellery

5% - Groceries

1% - Others



Source: Walter Herz Research

*shopping centres above 3 000 sq m

Largest shopping centres

Source: Walter Herz Research

Name	Opening date	Address	Retail space	Main tenants
Galeria Sloneczna	2011	Chrobrego 1	42 000 sq m	MarcPol, Multikino, H&M, Zara, C&A, TK Maxx, New Yorker, Reserved, Sephora, Douglas, CCC
M1	1998	Grzeczynarowskiego 28	38 978 sq m	Real, Praktiker, Media Markt, H&M, Deichmann, Reserved, CCC
Atrium Gama	2001	Mireckiego 14	15 000 sq m	OBI, Biedronka CCC, Rossmann, Takko Fashion, Pepco, Prymus
CH ECHO	2000	Zółkiewskiego 4	10 000 sq m	Real, Euro RTV AGD, Deichmann, CCC, Nomi, Bank Milenium



Fot: TG Park

Source: TG Sp. z o.o.

Warehouse market

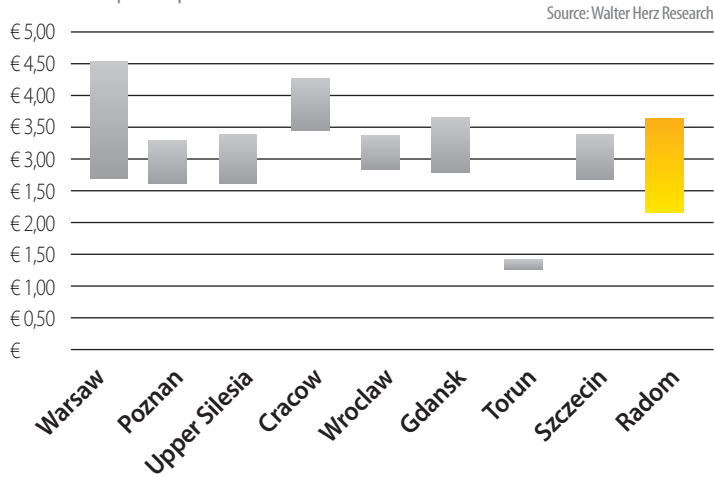
Radom and neighbouring districts are developing in terms of available modern warehouse space. Currently large logistics park with six warehouses planned to be built by TG Sp. z o.o. in BTS system will provide up to 30 000 sq m of modern warehouse space. Region's economy is driven by Tarnobrzeg Special Economic Zone in which a lot of investments were located, mainly from the engineering industry. Currently, the total stock of modern warehouse

and production space in the region of Radom is almost 20 000 sq m mostly built in the BTS system. On the market there is not much available space for rent. The main reason is the fact that in the current market conditions, developers are not willing to take risk and they keep building according to the earlier signed leases (BTS). Average rental rates vary between 9-15 PLN/ sq m per month.

Source: Radom Town Council



Effective warehouse rents (EUR/sq m/per month)



Existing warehouses and production plants in Radom e.g.:

- Almech s.c.
- DHL Express Poland Sp. z o.o.
- Dürr Poland Sp. z o.o.
- Fabryka Broni „Łucznik” - Radom Sp. z o.o.
- Imperial Tobacco Polska S.A.
- ITM Poland Sp. z o.o.
- Jasik A.S
- Jadar Sp. z o. o.
- Techmatik S.A.
- Trend Glass Sp. z o.o.
- Zbyszko Company Sp. z o.o.

radom

siła w precyzji



Source: MOSiR Radom

RADOM. STRENGTH IN PRECISION

The message coded in words „Radom - Strength in precision” successfully reflects the new image of the city. Commitment in creating of economically strong Radom, reflected at every level of society. Craftsmen, tanners, factories producing weapons and telephones in the Central Industrial Region focused in their work on technical excellence. The foundation created years ago exists today, research institute,

server rooms, schools for engineers and technicians. This range of events resulted in Radom as a city famous for its precision technologies. Looking at the facts, one can safely say that today's Radom presents everything what the city always has - precision. The precision of projects, skills, plans aiming creating a strong city, an important centre in Mazovia, in Poland and around the world.

Radom Town Council

Source: Radom Town Council



Source: Radom Town Council



Radom's investors

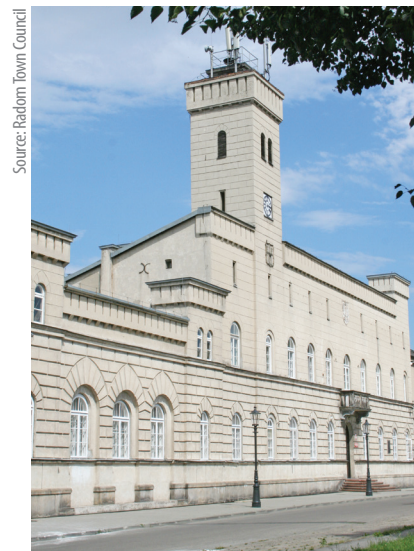
Fot: Kelles-Krauza Office Building



Source: Radom Town Council



Source: Investor's materials



Source: Radom Town Council

Why did they choose Radom as place for their headquarters?

Adam Zurawski
Director of Aplsens S.A.
(production sector)

Construction of a new factory for pressure measuring devices, in which at the beginning will find employment more than 100 people is a very important event in the history of our company, it is the largest investment decision for Aplsens SA. We chose Radom because it has always been a city of precision engineering, with a great chance of being successful.

Lukasz Bernady
Vice-president of TG Sp. z o.o. (logistic sector)

Radom is my home town, which in the period of the transformation experienced big economic problems. Currently, due to the excellent location, continuously improving infrastructure and well educated employees becomes more and more attractive for investors. To meet the expectations of entrepreneurs interested in modern warehouse and production spaces - TG warehouse project was created, located in the southern part of the city in Tarnobrzeg Special Economic Zone. Agreements signed with new interested tenants proof constant economic potential of Radom.

Dariusz Chlastawa
Chairman of Energetyczne Centrum S.A.
(BPO/SSC sector)

We are now one of the largest independent suppliers of electricity in Poland. 9 out of 10 people who changed the energy supplier, has chosen Energetyczne Centrum SA. We run our business in Radom since 2011. Here is our headquarter and we employ 243 people. We value the cooperation with the local government who supports local entrepreneurs. Employment in the region is rising and our company is growing rapidly, however in the entire country economic slowdown is still noticeable and many cities are struggling with financial problems. Our offer of cheaper electricity is very popular among individual customers as well as businesses investors operating in the region.



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