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"It would be a big success if we can keep the sales decline from deepening."

Jacek Pastuszka, Carlsberg Polska CEO PAGE 6

The Patnow-Adamow-Konin plants generate 8.5% of Poland's electricity.
Image: ZE PAK

Leading electricity producer for sale

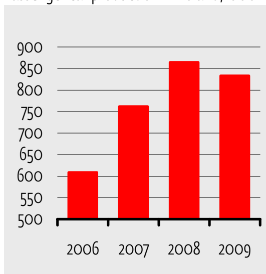
The government has invited investors to bid on a 50% stake in one of Poland's key energy producers, the ZE PAK group of power plants, along with two lignite mines, which supply them with fuel. The new investors in ZE PAK will have to deal with a powerful minority shareholder – the Elektrim group. PAGE 14

Car production down 9%

Polish factories manufactured close to 900,000 passenger and commercial vehicles last year, marking a 9% decline against the record year of 2008. The Polish Fiat factory boosted its output by a quarter, while Opel and VW experienced a dramatic slump. The situation is said to be improving. PAGE 12

Automotive slowdown

Passenger car production in Poland, '000



Carlsberg Polska to invest PLN 57m in 2010

Despite the last year's contraction of Poland's beer sector, the Danish-owned third largest producer in the country does not intend to give up investing. Although the outlook for 2010 remains rather pessimistic, Carlsberg Polska seeks to spend PLN 57m on improved production capacity and marketing efforts, aiming to keep its market share intact at the current level of approximately 13-14% . PAGE 5

Most important updated key figures in this issue

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- **WSE's capitalization came close to EUR 110m at end of 2009** PAGE 5
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MANUFACTURING

COSMETICS

Oriflame moves logistics to Warsaw

Oriflame, the Swedish maker and distributor of cosmetic products, is closing its distribution centers in the Netherlands and Slovakia and moving the activities to Warsaw.

"We are in the process of building a new logistics infrastructure whereby our Warsaw logistics center will service Northern Europe. In addition, we are looking to build a logistics center for Southern Europe in Budapest as well as centers in Kiev, Moscow and Yekaterinburg," explains Magnus Brännström, Oriflame's CEO to news2biz.

Oriflame has a rented 10,000+ sq.m logistics center in Warsaw as well as the group's largest production facility and the head office for Northern Europe. Distribution from the Nordic and Baltic countries has already been dealt with from Warsaw.

According to Mr. Brännström, there will only be a modest intake, well below 10%, of new employees to the Warsaw logistics center. All in all, Oriflame employs 500 to 600 staff in Poland.

Due to the company's exposure to Eastern European and overseas markets Oriflame experienced in 2009 that its turnover increased by 15% measured in local currencies, while in EUR it stood almost unchanged at EUR 1.317bn against EUR 1.319bn in 2008. EBITDA stood at EUR 168m against EUR 217m in 2008, while the number of distributors increased from 2.7 million to 3.3 million. The company has 7,500 employees and own production plants in Sweden, Poland, Russia, China and India.

We have talked to

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STEEL PRODUCTS

Celsa completes EUR 250m investment, seeking scrap

Estonian sources have reported recently that representatives of **Celsa Huta Ostrowiec**, the Spanish-owned Polish steel mill, are touring the Baltics in search of scrap metal. The company is close to completing a major expansion of the Polish plant, and right now sourcing raw materials seems to be the number one issue for them.

Back in 2007 Celsa embarked on the implementation of a second coating line at its Huta Ostrowiec iron and steel works. In October last year the investor completed phase one of the EUR 250m investment, which allowed Celsa to produce medium-sized commercial steel bars. Stage two, which is to be finalized in April 2010, will expand the plant's range to include medium-sized profiles. The final phase, scheduled for completion three months later, will include a conditioning line for bars of special qualities.

Huta Ostrowiec's current coating capacity totals approximately 1m tons of products a year. Once the new lamination line is up and running, the figure will go up by 70%, marking the end of Celsa's current investment program for the Polish subsidiary. However, the company says that after 2012 the production of coated products at the Ostrowiec mill may double, reaching 2m tons per annum.

Huta Ostrowiec, a steel plant with more than 200 years of experience, was acquired by Celsa in 2003.

Image: Celsa

Celsa Huta Ostrowiec consists of two divisions: a rolled products shop equipped with a continuous casting line, and rolling mills for bars and profiles, as well as a forge, comprising a melt shop, and machinery for manufacturing completely finished products with mechanical and thermal treatment. In late 2009 the company sought to acquire an 85% stake in one of Poland's leading scrap metal traders – **Centrozlom Wroclaw**, but it did not make it to the second stage of talks. Perhaps this failure to acquire a domestic scrap trader in Poland has turned the company's attention to the Baltics. Asked by news2biz for a comment, Celsa's Ana Baiges Zapater, said the company had nothing to communicate at the moment.

Celsa's Polish subsidiary turned over PLN 3.1bn in 2008 and its workforce topped 1,600 people. With an annual output of some 10m tons of steel, the Spanish group turns over some EUR 5bn a year. **Celsa Group** employs some 8,000 people at its European facilities in Spain, France, Poland, Norway, Sweden, Denmark, and Finland.

We have talked to

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More on Celsa: see no 308 page 3

BUILDING PRODUCTS

Leading aggregate producer to raise PLN 100m via WSE

One of Poland's leading aggregate producers **Dolnoslaskie Surowce Skalne** (DSS), seeks to enter the Warsaw Stock Exchange in March to raise resources for acquisitions and market expansion.

After publishing its listing prospectus in early December, the company had been hoping to hit the bourse by the end of 2009, but there was simply too little time to advertise the IPO among institutional investors. Then the situation on the market was too volatile to guarantee a positive outcome of the IPO, which led to the whole operation being postponed yet again.

DSS estimates its share in Poland's aggregates market at 8.5%. The company is one of the key suppliers to the A1 and A2 highway projects as well as the Wroclaw ring road. Its customers include Strabag, Skanska, Mostostal Warszawa, and J&P Avax.

Photo: DSS

Approximately a half of the projected IPO proceeds (which are set to total some PLN 91-108m) are to be put towards the acquisition of the LKB Ksieginki basalt quarry in Luban (60km west of Legnica). The PLN 92m takeover is to boost DSS' deposits to 450m tons (up from the current PLN 320m tons) while its annual output is to reach 10m tons as a result (compared to 7.5m tons as of now). The remaining funding is to support the company's immediate capital needs and re-payment of past dues. New investors will be offered up to 30% of shares in DSS.

Over the coming decade Poland is to build some 10,000 km of roads, which will require an estimated 450m tons of crushed stone. Maintenance of existing roads is likely to use up a further 100m tons, which ought to ensure a stable demand for DSS products for years to come.

DSS turned over PLN 111m last year, with an EBITDA profit of PLN 10.1m and a net loss of PLN 14.9m. According to the initial version of the company's listing prospectus, the combined revenues of DSS and LKB were to reach PLN 110m last year, with EBITDA at PLN 183m and net earnings at PLN 155m (the latter two figures reflecting the impact of the LKB takeover). However, due to the delayed IPO, DSS has to revise its projections and publish a separate estimate.

According to a brand new forecast, assuming a successful consolidation with the newly acquired venture, DSS is to turn over PLN 332m this year. Its net gains are set to total PLN 182m and EBITDA gains – PLN 250m.

IN BRIEF

Lock and paint cartels

The lock manufacturer Gerda and the paint producer Sniezka have been found guilty of price fixing and have received fines totaling PLN 8m. The Office of Competition and Consumer Protection UOKiK determined that both companies illegally set the prices charged by their distributors and threatened to stop working with those who did not agree to their pricing terms. Gerda was fined a total of PLN 1.2m, while Sniezka received a PLN 6.7m fine.

Investors for chemical firms

German PCC group has been invited to exclusive negotiations on the sale of Poland's leading nitrate plants Azoty Tarnow and ZAK (Kedzierzyn). The investor has been given time until 22 March to convince the authorities about the strengths of its offer. Negotiations regarding the sale of chemical trader Ciech are to be carried out simultaneously with three candidates, whose names remain undisclosed.

Arctic Paper issues bonds

The Warsaw-listed Swedish paper manufacturer Arctic Paper is to issue PLN 200m worth of bonds to finance acquisition of the Swedish Grycksbo mill. The transaction is to total PLN 230-249m, depending on what payment option is chosen by the buyer (see nop 426 page 3).

FINANCE

REDUNDANCIES

Leading insurer PZU to slash thousands of jobs

Polish insurance giant **PZU** is to downsize its workforce by a few thousand jobs this year. The company has just announced plans to hand in pink slips to 2,316 employees. A further 5,200 are to receive new contracts, which for some 2,900 will include some hard-to-swallow requirement, such as relocation to another city. Essentially, more than 5,000 of PZU's current 15,550 workers are likely to be let go under the new cost-cutting scheme.

Light years ahead of the rest

Poland's top five non-life insurers in Q1-Q3 2009

Company	Gross written premiums PLNm	Y/y	Net result PLNm	Y/y
PZU	6,176	- 4%	981	+9%
STU Ergo Hestia	1,589	+17%	64	- 24%
TUiR Warta	1,424	- 6%	3	- 96%
TU Allianz	1,210	0%	-76	n/a
HDI Asekuracja	633	- 4%	19	- 17%

Source: Parkiet

"Administrative costs in our case amount to some 12% of premiums collected, while the industry average is some 8%," PZU CEO Andrzej Klesyk said at a press conference. "In order to reach this level we would either have to boost our gross premiums by a half or adjust our costs accordingly."

Fact

15,500

employees work at PZU group. The figure is likely to be cut by a third.

Last year PZU decided to restructure 600 jobs at its Warsaw headquarters, setting aside some PLN 100m for severance payments and other related costs. Although in the end only 300 employees were laid off, based on these figures one can assume that the new employment reduction scheme may cost the company some PLN 450m.

Klesyk declined to provide any estimates of the expected costs and benefits of the planned redundancies, saying PZU is currently in the process of gearing up for an IPO, which makes certain data sensitive.

PZU's life premiums down by a third

Poland's top five life insurers in Q1-Q3 2009

Company	Gross written premiums PLNm	Y/y	Net result PLNm	Y/y
PZU Zycie	7,247	-33%	2,308	+ 74%
ING Zycie	2,139	+35%	153	+ 112%
TuNZ Warta	2,111	+ 23%	26	+ 36%
TUnZ Europa	1,760	- 21%	31	+ 50%
TU Allianz Zycie	1,360	+ 46%	26	+ 224%

Source: Parkiet

The planned layoffs will affect mainly PZU's back office departments: bookkeeping, claims management, and IT. Trade unions (in PZU there are 19 different ones) expressed anger at the news and staged protests in the blizzard-stricken center of Warsaw. Unfortunately, their demonstration caused little more than additional traffic jams in the already severely congested Polish capital.

More on PZU: see no 425 page 4

PAYING BILLS

DnB NORD to expand banking agency network

Bank **DnB NORD Polska** is to speed up the development of its banking agency network **Monetia**. Their goal is to serve 400,000 customers and carry out 1.2m transactions a month, up from the respective 300,000 and 0.9m as of now.

Currently Monetia has 350 units all over the country, following the launching of 78 new units in 2009. The total number of transactions carried out via Monetia in 2009 amounted to nearly 10m. Both figures rank Monetia among Poland's top two largest networks of banking agencies.

"Bank DnB NORD plans to continue Monetia's dynamic development. In 2010 we want to open 126 new agencies. By the end of 2010 our network should include more than 470 units," said Wojciech Jozwiak, Monetia's CEO.

The first Monetia agencies were opened in 2003 by Bank BISE, acquired in 2007 by DnB NORD.

Image: DnB Nord

At the moment customers can pay all kinds of household bills – e.g. rent, electricity, gas and phone - at Monetia branches. Selected units also allow for mobile top-ups, cash withdrawals from PoS terminals and cash loans.

"Plans are made to expand the range of services to include savings, investment, and insurance products, as well as credit cards," says DnB NORD Polska's Lukasz Piasta to news2biz. "Apart from extending Monetia's proprietary branch network and product range, we seek to introduce its household bill payments system to financial intermediaries. Monetia's cooperation with financial brokerage networks will include cash desk services, cash withdrawals from PoS terminals and mobile top-ups – all based on our payments system."

DnB Nord Polska's assets came to PLN 7.4bn at the end of September 2009. The bank posted a sizeable net loss of PLN 48m, mainly brought about by the financial problems experienced by its corporate borrowers. DnB NORD is a joint project of Germany's Nord L/B and Norway's DnB Nor.

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RETAIL BANKING

Nordea resumes expansion after 2009 pause

Nordea, the largest Nordic banking group, has resumed its rapid growth strategy of 50 to 60 branches per year after a suspension in early 2009.

"We did not know which way the financial crisis would point in Poland's case, so we geared down expansion in 2009 and opened only 14 offices. Now we have decided to resume the expansion and we expect to add 50 branches in 2010," says Thomas Neckmar, Nordea's head of Eastern European markets, to news2biz.

news2biz: How many offices do you need before you believe to have covered Poland?

"That is difficult to say - all I can say is that the 50 offices that we add this year will not cut it. We will have to add more offices than that," says Mr Neckmar.

Nordea's full year report was recently published and the Swedish papers noted that Nordea was the one of the large Swedish banks least affected by losses in the Baltic markets; those faring much worse were **SEB** and **Swedbank**.

Nordea boasted assets worth EUR 507.5bn, 33,300 staff, operating income of EUR 9.1bn (EUR 8.2bn in 2008) and net earnings of EUR 2.3bn against EUR 2.7bn in 2008. In Poland, Nordea had 1,630 full time equivalent staff by the end of 2009 and made an operating profit of EUR 149m.

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DEBTS

Small debts are a problem reports collection agency

Data from Poland's largest debt collection agency show that Poles are most often having problems paying off small bank loans and bills, rather than mortgages or other large debts.

According to a report released by Wroclaw-based Kruk, Poland's largest debt collection agency, the average bad debt sent to the company for collection was PLN 3,900, but when only the debts of individuals and not businesses were included the number dropped to PLN 2,250.

The report provided one of the first comprehensive pictures of the kinds and amounts of loans that ended up in collection. Kruk's portfolio includes some PLN 10bn in bad debts, roughly a quarter of the national total. Most accounts are held on behalf of banks unable to collect on loans.

Fact

2,250

PLN was the average bad debt of individual customers sent for collection to debt collection agency Kruk.

The company also reported that last year most people preferred to put off dealing with their debts. Only 95,000 individuals agreed to a monthly installment plan to pay off their arrears. For those that did, the average payment varied from PLN 198 to PLN 275 per month, depending on the region.

The report's data show that the average debtor comes from Silesia or the Warsaw region and is 35 years old. He is in debt for not paying a bank loan or for falling behind on the bills for a cell phone, cable television, or internet access.

Iwona Slomska of Kruk's board of directors noted that the statistics show most overdue debts are not astronomically high. “This is good news for both the debtor and the collection agency. The current level of debt of our company's average client means he has a good chance of being able to manage the problem.”

The company did not reveal how many cases had to be brought to court due a lack of willingness among debtors to cooperate.

According to a recent report by the financial markets watchdog KNF, the value of consumer loans in Poland's banking system rose by 13.2% in 2009, totaling PLN 154.5bn. Nonperforming loans represented 10.8% of the total portfolio at the end of 2009, compared to 6.6% a year earlier.

IN BRIEF

WSE capitalization: EUR 110bn

According to Federation of European Stock Exchanges FESE, the capitalization nof the Warsaw Stock Exchange totaled EUR 108m at the end of 2009. Thanks to a number of large IPO scheduled for this year, the value of companies listed in Warsaw is likely to increase by a further EUR 20m. According to many analysts, the Warsaw bourse may outgrow Wiener Boerse together with other markets controlled by the Austrians (Prague, Budapest, Ljubljana).

Millennium raises PLN 1bn

Bank Millennium, the Polish arm of Portugal's BCP, has successfully boosted its equity by PLN 1bn (see no 424 page 5). The bank aims to use up the money by 2012 on loans for corporations and retail customers. Millennium's goal is to become one of Poland's top five commercial lenders.

Finamo goes under

Financial intermediary Finamo will disappear from the market. Home Broker, the real estate brokerage firm controlled by Leszek Czarnecki (owner of Getin group), acquired Finamo's distribution network and staff, but it did not take the name, the company itself or its liabilities. According to the daily Parkiet, Finamo closed 2009 PLN 35.6m in the red and the capital injection of PLN 40m from its owners last year was of little help. Some of Finamo's 31 branches will be transferred to Getin Noble Bank, Open Finance and TaxCare, but the majority, including 200 financial advisors and sales people, will go to Home Broker. After the transaction, the number of HB outlets will double and the number of its advisors will exceed 600.

FOOD & AGRICULTURE

BEER

Carlsberg Polska to invest PLN 57m in 2010

Although the past year was anything but encouraging for Polish breweries, with beer sales dropping by an estimated 5-8%, Danish Carlsberg has not given up on the Poland. The company plans investments to the tune of PLN 57m in 2010, hoping to increase its market share from an estimated 13.1% (value-wise) last year to some 14% by the end of this year.

Carlsberg Polska aims to develop its production capacities, particularly at the Okocim brewery in Brzesko, but they key to battling recession will be skillful marketing.

Fact

13,1%

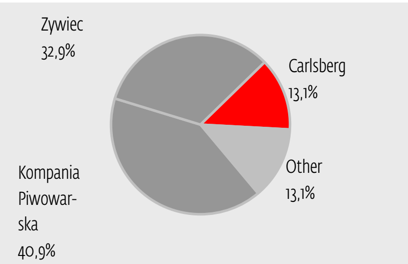
is Carlsberg Polska's share in Poland's beer market.

"An important target of our investments will be its sales capacity – providing the market with valuable tools and organizing effective promotional campaigns at points of sale. This should translate into financial and sales results," Carlsberg Polska CEO Jacek Pastuszka told news2biz. The related investments may include for instance equipping more bars, restaurants, and shops in the right kind of Carlsberg-branded serving devices and refrigerators.

According to preliminary estimates by Carlsberg Polska, its 2009 sales dropped by some 5-8%, largely reflecting the contraction of the market. The company owes a great deal to its economy brand Harnas, which saw a 30% sales increase, becoming Poland's number seven beer brand. Another Carlsberg Polska brand, Okocim Premium Pils, which the company reintroduced to the market after a few year's break, gained a 1% share in Poland's total beer sales.

In the grip of global giants

Poland's beer market in December 2009, value-wise



Source: Nielsen

Carlsberg Polska CEO Jacek Pastuszka assures that his company not only remained in the black, despite recession in the sector, but even managed to improve its financial condition thanks to reduction of excess inventories (by 45%), past due receivables, and employment cuts (by 10%). Currently the company employs 1,100 staff and hopes no further downsizing will be necessary this year.

Harnas, the legendary mountain rogue, helped Carlsberg Polska through a tough year.

Image: Carlsberg Polska

According to market research company Nielsen, Poland's leading three beer makers: Kompania Piwowarska (SABMiller), Zywiec (Heineken), and Carlsberg Polska hold close to 87% of the Polish market in value terms. At the same time, as reported recently by news2biz, there is a growing interest in local and regional beers among Polish consumers, something Nielsen's stats fail to illustrate adequately (see 427 page 4).

"We are not expecting any major improvement in 2010. It would be a big success if the can keep the downward tendency from deepening. On the other hand, a clear corporate strategy and attractive marketing plans for our brands allow us to remain optimistic," says Jacek Pastuszka.

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SAUSAGES

DanCasings closes down in Szczecin, 30 people laid off

Not even the Polish appetite for kabanosy was enough to keep the Danish-owned provider of casings **DanCasings** running (see no 312 page 6).

"The Polish products could not compete against the Chinese wages, so we have closed down the company," says the owner and founder, Jasper Lassen, also owner of the Danish mother company **International Tarm Import**, to news2biz. He is keen to underline that the DanCasings has not been bankrupted, just liquidated.

The company was founded in 2004 and had 30 people cleaning, salting and packaging guts from pigs and lambs. The raw material came from Turkey, Lebanon, Syria, Australia, and New Zealand, but the end products were mostly sold in Scandinavia and Poland. The 600 sq.m premises in Szczecin were rented.

"We entered into a partnership with one of the giants in this business, Germany's **Peter Gelhard Naturdärme** in 2007, but the decision to close down and move the production to Peter Gelhard's plant in China was not made until early 2009," says Mr. Lassen.

The result is that International Tarm Import is no longer a production company, but retains only the supply of casings for the Danish and the Norwegian market.

International Tarm Import was founded by Mr. Lassen's father in 1953 and has 5-6 employees. DanCasing's was not the first venture of International Tarm Import in Poland. From the early 1990'es and until 2003, the International Tarm Import had a sales company in Poland through which they sold casings in Poland brought from Demark where International Tarm Import processed them at that time.

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CONFECTIONERY

Kraft confirms Cadbury's production relocation plans

Confectionery giant **Cadbury** has announced plans to move one of its eight British plants to Poland next year, a decision that has angered some in the UK. More than 400 jobs will be lost when the British confection maker's Somerdale factory shuts down its production facilities.

Union officials representing workers at the plant complain that when **Kraft Foods** acquired Cadbury late last year for USD 19.5bn, it promised not to close any of its plants in the UK. Kraft says it is being forced to close the plant because it is unprofitable.

Cadbury's CEO Irene Rosenfeld noted that the decision to close the plant was a difficult one, but that plans for it were already under way before the merger. "It became clear that it is unrealistic to reverse the closure program, despite our original intent to do so," she told BBC. The choice to move eastward was made easier by the fact that Cadbury had already invested EUR 114m in a new factory in Poland and that most production was already being carried out in there.

In 2007, as part of the Walbrzych Special Economic Zone, Cadbury-Wedel Polska started building a GBP 100m chewing gum plant in Skarbimierz It presently produces brands such as Trident, Stimorol, V6 and Hollywood. The company also acquired rights to an additional 60 acres (0.24 km2) plot which in 2009 it started to develop as a new chocolate facility (see no 403 page 5), which would take over production of brands previously made at the Somerdale Factory in Keynsham, Bristol from 2011.

In January, the EC approved Kraft's takeover bid under the condition that it sell Cadbury's chocolate operations in Romania and Poland, where the British candy maker had purchased the **Wedel** label and its line of chocolates in 1999. Before the takeover, Cadbury and Kraft both had a strong presence in the confectionary market in Poland. Many of Kraft's products competed head to head with Cadbury's, such as its Milka line of chocolate bars. The EC demanded the asset sales under the EU's anti-monopoly laws, which the commission ruled prohibited Kraft from owning both Cadbury and Wedel.

More on Kraft-Cadbury: see no 427 page 5

IN BRIEF

Sfinks & Da Grasso need time

Poland's leading casual dining operator Sfinks Polska has pushed back the deadline for its acquisition of pizzeria chain Da Grasso. According to the initial agreement between the two firms (see no 422 page 5), Sfinks were to decide whether to go ahead with the transaction by the end of January 2010. The new deadline has been set for July 2010, giving the potential partners more time to discuss scenarios for their potential integration.

Lublin tobacco plant in trouble

French Biosyntec, which won a tender to acquire a controlling stake in Poland's last state-owned tobacco factory ZT Lublin (see no 420 page 5) has failed to transfer the agreed amount, thus effectively pulling out of the transaction. The future of the Polish company hangs in the balance, as it has been in the red for years.

CEDC to buy Nemiroff?

The world's number one vodka producer, the NYSE and Warsaw-listed Central European Distribution Corporation (CEDC) has confirmed its interest in the Ukrainian distiller Nemiroff. Experts value Nemiroff at some USD 300m. CEDC expects its 2010 turnover to total USD 1.8-2bn.

PROPERTY & CONSTRUCTION

RETAIL PROPERTIES

Unibail-Rodamco acquires two major Warsaw malls

Following a long period of silence on Poland's property investment market, the beginning of 2010 signals that the big buyers and sellers arereturning to negotiating tables. Only a few weeks after a EUR 236m acquisition of three Polish shopping malls by **MGPA**, there is news of another major deal, putting three of Warsaw's most successful and prestigious retail centers in the hands of a single owner.

Poland's largest shopping centers

Name. location & gross leasable area in '000 sq.m

Manufaktura (Lodz)	110
Arkadia (Warsaw)	103
Bonarka (Krakow)	90
Wola Park (Warsaw)	73
CH Janki (Warsaw)	69
Silesia (Katowice)	65
Magnolia (Wroclaw)	64
Zlote Tarasy (Warsaw)	64
Galeria Mokotow (Warsaw)	63

Source: Cushman & Wakefield

One of Europe's leading listed commercial property companies, the French-Dutch giant **Unibail-Rodamco** has just inked an agreement to acquire **Simon Ivanhoe**, a jointly held European subsidiary of the **Simon Property Group** and **Ivanhoe Cambridge**, with a portfolio of shares in seven shopping centers in France and Poland.

The largest asset in the portfolio is Warsaw's leading shopping center Arkadia, with a total retail area of 103,128 sq.m. The centrally-located mall often receives some 120,000 visitors a day. The transaction included also the Wilenska Station shopping center (35,400 sq.m) in Warsaw's Praga district, as well as five smaller French properties. Unibail-Rodamco paid more than PLN EUR 715m for the entire lot, including (according to unofficial reports) some EUR 200-265m for Arkadia and up to EUR 100m for Wilenska.

The acquisition is to be finalized by mid-2010 as it is subject to regulatory approvals.

Launched in 2004, Arkadia was an instant success, and has been packed with shoppers ever since.

Image: news2biz archives

Unibail Rodamco holds a 50% stake in Galeria Mokotow, one of the oldest and still the most successful shopping and entertainment centers in the Polish capital. A couple of years ago it agreed to acquire a 50% interest in Zlote Tarasy, another landmark retail property in the city, from Dutch **ING**. The deal is to be completed once ING buys the Warsaw municipality out of the project. ING and Warsaw councilors have been arguing over money for years and they are now expecting a final verdict on the issue from a Strasbourg arbitration court.

There is approximately 1.33 million sq.m of modern retail space in Warsaw. After completing the Simon Ivanhoe takeover, Unibail-Rodamco will hold an estimated 15% share in the city's retail property stock and its three most popular shopping destinations: Arkadia, Galeria Mokotow, and Zlote Tarasy.

Unibail-Rodamco is one of Europe's leading listed commercial property operators, investors, and developers, present in 12 countries across the continent. In mid-2009 its portfolio was value at EUR 22.8bn.

According to Cushman & Wakefield, investment transactions on Poland's retail property market totaled merely EUR 238m last year, marking a 45% drop y/y.

SHOPS & OFFICES

Polish investor building mixed-use complex in Lodz

Polish company **Fabryka Biznesu** seeks to build a giant mixed-use project in Lodz. The EUR 120m development Sukcesja is to combine shops, offices, and service outlets on an area of approximately 150,000 sq.m.

The investor behind Fabryka Biznesu is Krzysztof Apostolidis, owner of **PartnerCenter**, one of Poland's key wine importers. The businessman has been involved a number of projects on the property market, including office buildings in Lodz and a logistics center in Wolborz.

Sukcesja will occupy a 3.2ha site next to the Lodz technical university campus and the Lodz international fair grounds. The municipality is yet to issue a building permit for the project, but the local zoning plans are already in favor for the development. Representatives of the investor told news2biz the project will be financed by a consortium of domestic and foreign banks.

The final architectural design for Sukcesja is still in the making, but the project will draw inspiration from the industrial past of its location.

Image: Fabryka Biznesu

If all goes as planned, the construction of Sukcesja should begin by the end of this year. Phase one, encompassing a shopping center with entertainment facilities and 1,500 parking spaces, is to reach completion by the end of 2012 at the cost of EUR 80m.

Phase two, estimated at some EUR 40m, will include a class-A office building and three-star hotel with 160 rooms. The investor has not signed any pre-lease agreements with prospective tenants, and a general contractor for the project as well as operator for the hotel are yet to be selected.

IN BRIEF

Pricey firm & attractive site

Polish marine logistics company Dalmor, which owns a 20ha waterfront site in the very center of Gdynia, considered one as one of the most attractive pieces of development land in the country, will be privatized this year. Dalmor's management estimates its value at some PLN 400m. Last year Dalmor net-earned PLN 35m.

Pol-Aqua building for Auchan

Listed construction group Pol-Aqua (which is in the process of being acquired by Spain's Dragados) has been awarded a PLN 133m contract for the construction of an Auchan hypermarket and shopping center in Gliwice. The project is to reach completion by October 2010.

RETAIL & SERVICE

RETAIL CENTERS

Irish investors to build five shopping malls in Poland

A new large shopping center is to emerge in the Warsaw satellite town of Legionowo, just east of the Polish capital. The company behind the project is **Irish Investment Group**, which has a number of other major retail projects in its pipeline.

Galeria Legionowo is a modern shopping center offering 44,000 sq.m of leasable area. Anchored by the DIY retailer **Castorama**, the venue will include also a food operator, large electronics & appliance outlet, cinema, shopping mall with approximately 140 retail units and, car park with some 1,000 spaces. The deal with Castorama, the first key tenant, was inked in November last year.

The center, which is set to reach completion in 2012, will be located in Legionowo between Zegrzynska and Waska streets and railroad tracks – near a busy road linking Warsaw with Pultusk and Ostrolnka, at overpass level and in close proximity to the Legionowo train station. The last retail development completed by the Irish group was the 18,500-sq.m Solaris Center in Opole, launched in March 2009. The investment came to approximately EUR 50m. At the end of last year the company received a building permit for a large project in Lomza, which it hopes to complete by the end of next year with 45,000 sq.m of leasable space. The Lomza mall will house some 100 tenants, including H&M and Castorama.

Architects Broadway Maylan are behind the futuristic design of Galeria Legionowo, and property advisors DTZ are responsible for its commercialization.

Image: IIG

Another big project is set to get underway in Torun, where IGI has already inked the first pre-lease agreements for a new 40,000-sq.m shopping mall in the center of the city. When news2biz spoke to IIG three years ago, they were hoping to complete the Torun project in 2009.

Impressive retail pipeline

Irish Investment Group's retail projects in Poland

Project & location	GLA sq.m	Completion
Solaris Opole	18,500	2009
Galeria Lomza	45,000	2011
Galeria Legionowo	44,000	2012
Galeria Oswiecim	12,500	2011
Galeria Torun	40,000	2012
Galeria Bialystok	60,000	2013

Source: IIG

"The plans in Torun were delayed slightly because of changes in the master plan, negotiations with the city in connection with the contribution as well as archeological works that had to be carried out. The building permit is expected now in August 2010," IIG's CEO Padraic Coll told news2biz. According to current plans, the center is to reach completion in 2012.

At the moment access to finance is the biggest barrier.

Padraic Coll of Irish Investment Group

Another development – Galeria Zasole in Oswiecim, is to get underway shortly. This mall will have some 12,500 sq.m for lease. Final details of IIG's largest development, a 60,000-sq.m mixed-use complex in Bialystok, are yet to be announced.

"At the moment access to finance is the biggest barrier. Hopefully this will change this year and bureaucracy will resume its normal position," said Mr. Coll. "We are concentrating on our existing projects, but in the second half of the year we will recommence the search for new projects. The intention of IIG is to hold all investments for a minimum of seven years, where possible."

IIG and its sister company Irish Development Group (IDG) are joint projects of KeyInvest and Castle Carbery Properties, which raised funds from private investors in Ireland. The estimated value of IIG's Polish retail portfolio (including existing and pipeline projects) totals some EUR 860m.

The group operates also in the office and residential sector. The construction of its flagship project - a 26-storey luxury residential tower on Warsaw's Grzybowska street, designed by the renowned studio SOM (Skidmore, Owings, Merrill), was set reach completion in 2010, but the project is on hold.

"We are looking at the market and a decision will be made soon whether to develop it as a residential tower or to try to change it to an office tower."

In addition to retail centers, homes, and offices, the Irish group wants to try its luck in Poland's expanding hospitality sector. IIG owns an investment site near Zalew Zegrzynski (Zegrze Lake, just north of Warsaw), where they plan to build a 4-star hotel with some 150 rooms. According to Padraic Coll, the project will begin in 2010, but it's unlikely to open for 2012.

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More on IIG: see no 389 page 11

MIXED-USE PROJECTS

Makrum to build giant retail center in Bydgoszcz

The listed Polish producer of industrial machinery **Makrum** aims to develop Poland's fifth largest retail center in Bydgoszcz, on the site currently occupied by the company's production facilities. The project, estimated at some PLN 0.5bn will include some 75,000 sq.m of retail space for rent, as well as offices and a hotel.

In the end of December 2009, the Bydgoszcz municipality greenlighted Makrum's ambitions by altering the zoning plan for the area. Markum's site totals approximately 9ha and its development means essentially the creation of an entirely new district in the northern Polish city.

"It is a rare opportunity to be able to design and build a new district in the center of a large Polish city from scratch and according to a uniform concept," Makrum's CEO Rafal Jerzy told news2biz. "The project is ready so I think we should be able to communicate subsequent decisions regarding this investment in the immediate future.

Makrum is currently putting together a list of potential partners for the project. The company aims to set up a special purpose vehicle, to which it will contribute the site along with the project design. The necessary financing is to be provided by new investors and banks.

"Despite the recent stagnation in the construction sector, our project has attracted great interest. Since the entire investment site belongs to Makrum, no risky acquisition of land is necessary, and there is no comparable project in Bydgoszcz, where the amount of commercial space remains much smaller than in other cities of similar size."

After completing its Bydgoszcz development Makrum will seek to sell its stake in the project.

Image: Makrum

This year Makrum is to begin demolition work at the site and construction of the new center is to begin as soon as a proper building permit has been issued, which is expected to happen at the break of 2011.

With a 140-year long history, Makrum specializes in production of machinery and equipment for industrial customers. In 2008 the company acquired the Pomerania shipyard in Szczecin, and in October 2009 a German manufacturer of industrial presses Heilbronn Pressen. The beginning of the Bydgoszcz project will result in a large portion of Makrum's operations being transferred outside the city. The investor will seek to acquire a company with suitable infrastructure, where the new Makrum plant were to be located. In order to finance such a transaction Makrum's shareholders have recently approved an equity boost.

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WHOLESALE & RETAIL

Sybil Europe adds new buildings to Nadarzyn giant

Cyprus-based property developer **Sybil Europe** is working on new additions to Maximus - the leading fashion wholesale center in Poland and Eastern Europe. With 88ha of development land just outside of Warsaw, only 15km from the Okecie airport, the investor aims to attract companies representing other sectors – interior goods, furniture, and electronics.

Currently Sybil is seeking tenants for Mega Dom – a 25,000 sq.m center targeting furniture and home goods companies. The EUR 45m project is set to launch in November 2010 and pre-lease talks are underway with Villeroy & Boch, TTW Opex, and Dywilan, to name just a few. Based on Sybil's experience in the area, the property may count on some 7m visitor a year.

"Mega Dom should not be treated as another phase of Maximus. The latter specializes in fashion and textiles, while Mega Dom focuses on furnishings for homes, apartments, and offices," says Ofer Koren, development & project manager at Sybil Europe to news2biz. "Mega Dom's offer, including furniture, interior goods, and accessories, will be complemented by our subsequent investments: Meganet, specializing in computers, and Megatron, focused on electronics. They will total 24,000 and 21,000 sq.m respectively."

A dream location: 88ha in the outskirts of Warsaw, near a junction of two major state roads.

Image: Maximus

In addition to the three "Mega"-centers, Sybil has plans for a 19,000 sq.m NonStop development, including a hotel, petrol station, and McDonald's – all very useful for the thousands of merchants traveling to Maximus from far away – as well as a 27,000 sq.m factory outlet center with an adjacent family entertainment complex. A further 100,000 sq.m will be devoted to other infrastructure, such as sports facilities, theater & cinema, conference center, and playgrounds.

"The estimated value of our Polish projects tops some EUR 280m," says Ofer Koren. "We are very hopeful about these investments and we consider Poland as a very prospective market. Sybil Europe bets on constant progress, so in the near future we will seek to invest in other major Polish cities."

Fact

280m

EUR is the value of Sybil Europe's current investments in Poland.

Sybil's Maximus International Fashion Wholesale Center currently includes four buildings totaling 100,000 sq.m and housing some 670 tenants, serving wholesale and retail shoppers from Poland and other CEE countries. Another four buildings are under development to double the size of the exiting center. Maximus provides its tenants with a range of additional services, including an on-site showroom for fashion shows, access to a database of over 20,000 fashion wholesalers and retailers to facilitate networking in Poland and the region, as well as various forms of promotional activities, including international and local fairs and exhibitions.

"Sybil Group pioneers the IDM strategy, which stands for Investment, Development & Management. We seek out the best investment sites for wholesale and retail trade, develop ultra-modern facilities with full-service marketing, and manage them with a focus on synergic tenant mix and professional property management," explains Ofer Koren. "This proved effective during the recent slowdown, when Sybil Group boosted its value. The Maximus center in particular enjoys higher customer traffic."

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More on Sybil Europe: see no 375 page 10

IN BRIEF

Resorts for sale

The Ministry of Treasury has invited investors to bid on three well-known Polish health resorts: Ustron, Inowroclaw, and Polczyn-Zdroj. The resorts offer rehabilitation, spa, and wellness services, and in the recent years they have been attracting a growing number of foreign patients.

New Look arrives in Poland

Warsaw-listed retail group NFI Empik Media & Fashion has introduced the popular British fashion chain New Look to the Polish market. The first two stores were opened in Wroclaw and Warsaw.

IT & MEDIA

DOT COM SYNERGIES

Naspers in talks on Nasza-Klasa acquisition

According to recent reports in the Russian media, South African group **Naspers** is in talks with Russia's **Digital Sky Technologies** on the acquisition of the latter's Estonian arm **Forticom**, The latter holds an 85% stake in Poland's third most popular online service, the social networking site nasza-klasa.pl, as well as similar projects in Russia (odnoklassniki.ru) and the Baltics (one.lv and one.lt)

"It is our company policy not to respond to press speculation," Meloy Horn, head of investor relations at Naspers, told news2biz.

Naspers is already a major player

Biggest acquisitions in Poland's online media sector

Year	Company	Buyer	Price in PLNm
2006	Onet.pl	TVN	1,300
2006/07	Interia.pl	Bauer	488
2007	Gadu-Gadu	Naspers	413
2008	Tradus (incl. Allegro)	Naspers	3,770
2009	Bankier.pl	Naspers	67

Source: news2biz archives

The rumors sound very plausible, however, as Naspers has been consequently building its online media empire in the region since the acquisition of Russia's leading portal mail.ru and Poland's number one internet communicator **Gadu-Gadu**. In 2008 the South Africans paid more than PLN 3.8bn for Tradus, owner of Poland's uber-popular internet trading platform **Allegro.pl**, and last year they bought the financial portal Bankier.pl.

The potential synergies between nasza-klasa.pl, Gadu-Gadu, and Allegro.pl seem quite clear. nasza-klasa.pl introduced its own communicator, while Gadu-Gadu has been trying to develop a new social networking service, but neither of the two has been much of a success. Co-operation could be beneficial for both businesses. Interestingly, however, Naspers has not explored any synergies between Allegro.pl and Gadu-Gadu, and the two continue to operate independently.

Advertising expenditures in 2010

Projected ad revenues in PLNm and y/y change, by medium

Television	3,813	+ 0.9%
Internet	997	+ 17.9%
Magazines	726	- 8.7%
Outdoor	638	- 3.9%
Newspapers	566	- 8.7%
Radio	495	- 0.2%
Cinemas	98	+2.9%

Source: ZenithOptimedia

Nasza-Klasa, Gadu-Gadu sites, and Allegro together have some 28m users, which is a giant number also in terms of their advertising potential. Nasza-klasa.pl alone attracts more than 11m hits a month, while Gadu-Gadu boasts 6.9m users (compared to Skype's 4.7m).

Naspers and Forticom may also choose to cooperate the way the do in Russia's mail.ru, in which they hold the respective 53.2% and 42.9% stakes. Two years ago Forticom paid USD 92m for a 62% stake in nasza-klasa.pl and there is no reason why they would want to pull out of the investment just yet, unless Naspers is offering a really good price for the Polish classmates.com clone.

In the first half of 2009 Naspers turned over approximately PLN 5.2bn, which represents a 6% increase y/y. Its operating profits rose by 19%, topping some PLN 1bn. Apart from the CEE assets, it owns a number of newspaper publishers and pay-television firms in South Africa, as well as online businesses in China and Brazil.

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More on Naspers: see no 416 page 12

IN BRIEF

Textbook publisher sold

The buyout bid on Poland's leading textbook publisher WSiP has been successful (see no 424 page 10). Private equity company Advent International has acquired a 75% in the company for PLN 318m. Following the transaction Advent has 84% of shares in WSiP and the investor intends to delist the publisher as soon as possible.

Agora ousted from WIG-20

The publisher of Poland's leading broadsheet daily Gazeta Wyborcza will lose its place in the Warsaw Stock Exchange's blue chip index WIG 20 in mid-March. The company will be replaced by Poland's largest energy group PGE, which debuted on the WSE last year. PGE's capitalization totals some PLN 38bn.

TRANSPORT & LOGISTICS

AUTOMOTIVE INDUSTRY

Car production down by a tenth, mixed outlook for '10

Last year production of passenger cars and commercial vehicles slipped by 9% to less than 900,000 units. The decline would have been much higher had it not been for generous scrappage schemes introduced by some European government, which promoted acquisitions of new, environmentally-friendly and small cars – precisely like the ones made in Polish factories.

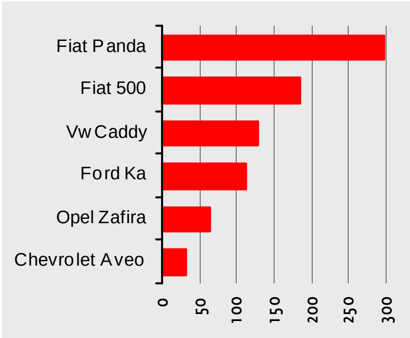
Production of passenger cars and commercial vehicles saw a decrease in 2009 by 9.2%, or 91 245 units compared to 2008. Total number of cars produced in 2009 reached 899 737 units which is a similar result to 2007, reported the automotive consultancy Samar.

"It should be noted that only from October the level of production has been going up compared to the corresponding months of the previous year with a steady percentage rates growth every month, Production of passenger cars in December 2009 amounted to 65,627 units, about 34% more than a year earlier." Samar boss Wojciech Drzewiecki told news2biz.

Passenger cars constituted 92.6% of the total output, compared to 87.2% a year earlier. Export totaled 816,531 units, which represents a decline of 3% over the previous year. Only 2% (or 16,783 units) of cars made in Poland were sold domestically (in 2008 the figure was 2.6%).

Passenger car models made in Poland

2009 production, '000 units



Source: Samar

Poland's number one carmaker was **Fiat Auto Poland**, which boosted its output by a quarter to reach 605,800 vehicles. Fiat Panda remained to most popular model made in Poland last year with more than 298,000 units produced and was followed by Fiat 500 (181,000) The Fiat plant in Tychy made also 112,,500 Ford Ka vehicles, in cooperation with the US carmaker.

Volkswagen Poznan made 138,200 cars last year, mainly the passenger version of its delivery van VW Caddy. The German government's "cash for clunkers" program applied to passenger cars only, which explains VW's decision to sideline its commercial vehicle range.

Hot news from Polish car factories

- **Poland's number one passenger car maker Fiat Auto Poland is booming (its January output topped 52,600 vehicles marking a 44% increase y/y) but some dark clouds are looming on the horizon. One problem concerns the Panda model, which remains Poland's number one exports hit. The Italian authorities and trade unions are pushing for the next generation of the Panda model to be manufactured in Italy instead of Tychy, Poland. At the same time, employees at the Polish Fiat plant are demanding a higher pay.**
- **Although US General Motors decided to cut some 8,300 jobs at its European unit Opel/Vauxhall, the decision will have almost no impact at the company's Polish factory in Gliwice. Only some 40 administration employees may be downsized in Poland, where Opel has recently launched production of the Astra IV model. Apart from the current five-door version, Opel plans to introduce a sedan as well as a three-dor hatchback, which likewise will be made in Gliwice. In January the Polish Opel plant made 9,561 vehicles, up from 5,164 in the corresponding month of 2009.**
- **Volkswagen Poznan intends to produce 145,000 vehicles this year, some 35,000 fewer than in the record year of 2008. The company is implementing anti-crisis measures to protect employees from the consequences of shrinking sales.**

Opel's Gliwice plant produced 94,900 cars (45% down y/y), mainly the Zafira van (64,000), as the Astra III model lost its appeal to many buyers ahead of the premiere of its successor. The Warsaw-based **FSO** plant saw its output drop by 60%, down to 59,600. Its key products were Chevrolet Aveo (28,700 units) and Lanos knocked-down kits (shipped to Ukraine for final assembly).

Production of commercial vehicles amounted to 64,423 units last year. The leading player in this segment was Volkswagen Poznan, with a market share of 84%, or 11 percentage points better than a year ago. Volkswagen Caddy (48,637 units) had the highest production volume in 2009 and was followed by Fiat Panda Van (9,660 units), Volkswagen Transporter (7,313 units) and Fiat Seicento Van (813 units). All commercial vehicle models manufactured in Poland recorded a decline in production compared to 2008.

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AIR TRAFFIC

Official data show airline sector shrank by a tenth

Following several of years of fast-paced growth in Poland's air travel sector, the number of passengers in regular airline traffic dropped by 9.5% last year, down to 16.1m. Airlines carried 1.7m passengers less than in 2008 due to economic crisis and shrinking migration.

In the wake of Poland's EU accession the country experienced a true aviation frenzy, with ticket sales going up by 20-30% per annum. In 2005 airlines carried 10.5m passengers to and from Poland, whereas three years later the figure came to 17.8m. The economic downturn halted this growth and put many projections for the airline industry in question.

Although Polish **LOT** (and its domestic subsidiary Eurolot) retained its position as Poland's leading airline, its passenger numbers shrank by more than 8%, down to 2005 levels. LOT planes carried less than 4.6m passengers.

Wizzair and **Ryanair**, the leading low-cost carriers, are quickly catching up with the leader, as their ticket sales on Polish routes rose by approximately 2% and 9% last year, to reach 3.5m and 3.1m respectively. In mid-December Wizzair's CEO Jozsef Varadi announced the Hungarian carrier was going to outgrow LOT in 2010 and fly 4.7m people to and from Poland.

The aviation watchdog ULC, which provided the statistics, expects airline traffic to grow by 7.7% this year.

"We are optimistic about this year, expecting the market to grow by a few percent," **SAS Poland** CEO Wanda Brociek told news2biz. "The last year was tough for SAS as it was for the entire airline industry. Despite a drop in ticket sales we managed to maintain seat occupancy ratios more or less unchanged by introducing smaller aircrafts on the routes to Poland."

Despite a serious downturn in the sector as a whole, there was one segment of Poland's airline industry that resisted the crisis. Some 3m passengers flew with charter operators, which represents an increase by 3.5%. The main destinations for charter flights were Turkey, Egypt, and Tunisia. Unlike the regular airline sector, where the top three carriers hold nearly 70% of the market, the charter segment is very fragmented. The leading three charter operators (LOT Charters, **Travel Service**, and **Aurela**) carried less than a third of all passengers.

Wizzair catching up with LOT

Passengers in Polish airports by carrier

Maker	2009		2008	
	Passengers (m)	Market share	Passengers (m)	Market share
1. LOT & Eurolot	4.575	28.4%	5.000	28.0%
2. Wizzair	3.489	21.6%	3.432	19.3%
3. Ryanair	3.133	19.4%	2.885	16.2%
4. Lufthansa	1.103	6.8%	1.082	6.1%
5. EasyJet	0.643	4.0%	0.950	5.3%
6. Norwegian	0.564	3.5%	0.672	3.8%
7. AerLingus	0.258	1.6%	0.233	1.3%
8. Air France	0.252	1.6%	0.261	1.5%
9. British Airways	0.234	1.5%	0.293	1.6%
10. SAS	0.215	1.3%	0.285	1.6%
Others	1,674	10.3%	2.636	15.3%
Subtotal (LCCs*)	8.338	51.7%	9.402	52.7%
TOTAL	16.140	100%	17.829	100.0%

Source: ULC *) low cost carriers

As far as airports were concerned, Warsaw's Okecie welcomed some 8.3m passengers, which corresponds to a 12% contraction against 2008. The decline was less severe (-4.9%) in the case of regional airports, which welcomed close to 10.7m passengers. The only airport to report improvement (+18.6%) in 2009 was Rzeszow's Jasionka.

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Passenger numbers down everywhere

Number of passengers in Polish airports

Airport	Passengers (m) 2008	Passengers (m) 2009	Change y/y
1. Warsaw	9.437	8.282	-12.2%
2. Krakow	2.895	2.661	-8.1%
3. Katowice	2.407	2.301	-4.4%
4. Wroclaw	1.480	1.324	-10.5%
5. Poznan	1.256	1.248	-0.6%
6. Gdansk	1.942	1.891	-2.6%
7. Lodz	0.342	0.312	-8.7%
8. Rzeszow	0.321	0.381	18.6%
9. Szczecin	0.299	0.277	-7.4%
10. Bydgoszcz	0.267	0.265	-0.9%
11. Zielona Gora	0.05	0.03	-43.6%
Subtotal regional	11.213	10.664	-4.9%
TOTAL	20.650	18.946	-8.3%

Source: ULC

IN BRIEF

Polish logistics gets praise

According to a new World Bank Group survey on trade logistics (Logistics Performance Index 2010), Poland has emerged as a pretty strong global player in logistics, despite the country's underdeveloped road and railroad infrastructure. Poland ranked as number 30 among 155 economies covered by the report, and number 15 in the EU. In the CEE region only the Czech Republic ranked higher (26). In the Baltics, Latvia scored the highest at 37, followed by Estonia at 43 and Lithuania at 45. Since the first edition of the LPI in 2007 Poland moved up by ten places in the ranking.

Up by 10 places in two years

Polish results in the World Bank's Logistics Performance Index

Overall LPI	score	3.44
	rank	30
Customs	score	3.12
	rank	34
Infrastructure	score	2.98
	rank	43
International shipments	score	3.22
	rank	35
Logistics competence	score	3.26
	rank	36
Tracking & tracing	score	3.45
	rank	33
Timeliness	score	4.52
	rank	2

Source: Connecting to Compete 2010: Trade Logistics in the Global Economy; World Bank

Interestingly, Poland took the second place globally as far as timeliness of shipments was concerned, which represents an ascent by 40 places. The category where the country lags behind the most (ranked 43) is the quality of transport infrastructure.

Helicopter maker sold

Italian-British helicopter manufacturer AgustaWestland has completed the acquisition of Polish aerospace firm PZL Swidnik (see no 417 page 12). The European giant, which intends to implement a large-scale investment program at the Polish firm, paid PLN 340m for 88% of shares in Swidnik. Following the transaction, its ownership totals 94%.

ENERGY & ENVIRONMENT

PRIVATIZATION

Gov't seeks buyers for Poland's no 3 power plant

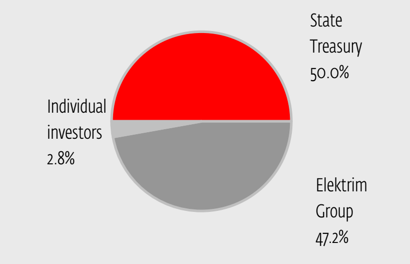
Investors interested in acquiring a 50% stake in Poland's third largest electricity producer, the Patnow-Adamow-Konin (**ZE PAK**) group as well as 85% of shares in their key fuel suppliers, the Adamow and Konin lignite mines, are expected to submit their initial offers by mid-March, announced the Ministry of Treasury. The government hopes to sit down at a negotiating table with a number of potential candidates in April.

For years, ZE PAK's future has been a bone of contention between the Ministry and Polish business tycoon Zygmunt Solorz-Zak, who holds a 47% stake and operational control of the group via the Elektrim group.

Elektrim, which de facto remains in charge of ZE PAK, has only recently agreed to allow any potential bidders to carry out due diligence in the firm. Solorz-Zak has stressed, however, that any new investor in ZE PAK should be prepared to negotiate terms of cooperation with Elektrim, as the latter has no intention of exiting the energy producer anytime soon.

Facing a tough partner

PAK's shareholder structure

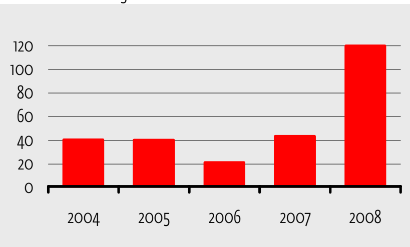


Source: ISI

The lignite-fired ZE PAK plants generate some 8.5% of Poland's electricity. Its most immediate investment plans include a complete revamping of four out of six power units at the Patnow plant. Besides modernization of the somewhat outdated installations, the PLN 3bn project is set to boost the plant's capacity by 100MW, to reach 900MW. So far PAK has not been able to secure financing for this investment.

In the black

ZE PAK 's net earnings in PLNm



Source: ZE PAK

The Konin and Adamow mines, which supply lignite to PAK power stations, have their own ambitions. KWB Konin seeks to get involved in the PLN 100m district heating project in Konin and cooperate with the Poznan-based Enea group on development of new lignite deposits (Gubin) and power sources. The Adamow mine has recently teamed with Gdansk's Energa to build an 80MW wind farm as part of a broader mine reclamation project.

All in all, a potential new investor in PAK is facing a tough minority shareholder with a decisive say, considerable (and inevitable) investments in power generation and lignite mining assets, as well as trade unions, which count on a hefty privatization bonus. It will take a very determined buyer to get involved in this transaction, estimated at some PLN 2-2.5bn.

Czech energy giant CEZ had frequently expressed its interest in PAK, but now company representatives seem a bit more reserved, telling news2biz their further actions will depend on the contents of the ministry's offer. On its part, the government is desperate to sell some key energy assets, as the condition of state finances this year largely relies on proceeds from privatization. Another investor interested in PAK is the listed Polish energy group Enea.

REFINERIES

PKN Orlen fed up with Lithuanian partners

A growing number of signals suggest that Poland's leading oil refiner **PKN Orlen** has ran out of patience with the Lithuanians. Unable to find a convenient way of delivering oil to and from their Lithuanian unit **Orlen Lietuva** (formerly known as Mazeikiu Nafta), Orlen executives and Polish government officials seem to have changed their rhetoric in the past few weeks.

In mid-February, Orlen Lietuva's boss Krystian Pater accused the **Lithuanian Railways** of resorting to state protectionism in order to keep the refinery from seeking services of competition. The issue regards a piece of railroad connecting Mazekiu with Latvian seaports, which was dismantled in September 2008 by the state-owned Lithuanian Railroads. As a result, gasoline produced in the refinery has to be transported to Latvia and Estonia via Riga instead of Renge (241 vs. 166km), which generates additional shipping costs (PLN 49.6 vs. PLN 44.2 per ton according to estimates published in the local media). The Polish side claims the Renge tracks used to be in a much better shape than many passenger routes still operating in Lithuania and its closure excluded the Latvian Railways from cooperation with Orlen. Moreover, the Lithuanian authorities rejected Orlen's offer to co-sponsor modernization of the said tracks.

Still running below capacity

Mazeikiu refinery key quarterly figures in 2009

	Q1	Q2	Q3
Oil processing, m t	2.16	2.05	2.25
Capacity utilization	86%	82%	90%
Turnover PLNbn	3.02	3.22	3.57
Net result PLNm	-103	66	-119

Source: PKN Orlen

Adding an insult to injury, the Lithuanian Railways refuses to repair tracks that offer Orlen a shorter route to Lithuania's **Klaipedos Nafta** terminal. Consequently fuel trains from Mazeikiu have to take a detour, making an additional 95km. Consequently, fuel logistics costs for Orlen are said to be higher than for other importers operating in the Baltics, undermining its competitiveness.

Time for Russians to step in?

Krystian Pater said Orlen is contemplating taking the case to Brussels as a breach of European free competition regulations. Observers say the case may be hard to win as the Poles would have to prove that the Lithuanian railway operator purposefully dismantled the tracks to make Orlen pay extra.

Orlen's problems in Lithuania began almost immediately after the Polish refinery beat Russian competitors in a tender to acquire Mazeikiu. An unexplained failure of a Russian pipeline, which used to deliver oil to the Lithuanian refinery, left Orlen dependent on oil tankers. Importing oil by the sea has proven very pricey and the costs could be lowered with the construction of a 100-km pipeline to Klaipedos. However, in order to embark on such an investment, the Poles would like to acquire operational control of the Lithuanian terminal, something Vilnius seems less than enthusiastic about.

The USD 2.3bn acquisition of Mazeikiu Nafta remains Poland's largest foreign investment. Developing the business and defending its feasibility used to be a treated as a matter of national pride, but Polish officials cannot any longer ignore the company's deepening financial difficulties. Deputy Treasury Minister Mikolaj Budzanowski was recently quoted saying the government would leave it up to Orlen management to decide whether or pull out of Mazeikiu. Lithuanian President Dalia Grybauskaite told Reuters she had heard from Vladimir Putin that negotiations between Poland and Russia on Mazeiku sale had already been underway.

"This is not true. We are not discussing the sale of Orlen Lietuva neither with the Russians nor with any other party," Orlen spokesman Dawid Piekarz told news2biz.

Following Grybauskaite's unexpected announcement, there have been a number of conciliatory statements on the part of Lithuanian politicians. After all, if no progress is made, the Lithuanian refinery may indeed end up in Russian hands, as surely no Western buyer would like to find itself in the kind of pickle Orlen has in for the past year or so.

In Q3 2009 Orlen Lietuva turned over PLN 3.57bn and posted a net loss of PLN 119m. PKN Orlen has invested USD 3.7bn in Mazeikiu todate. The refinery currently operates at some 70% of its capacity.

We have talked to

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More on Mazeikiu: see no 424 page 15

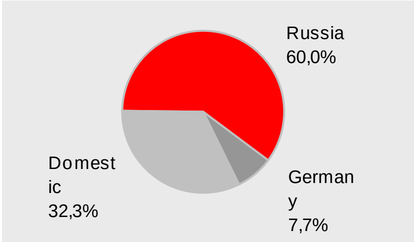
ENERGY

Gov't approves new Russian gas imports contract

Following months of negotiations, the Polish government and the national gas monopoly **PGNiG** have approved a gas agreement with Russia, dispelling the threat of supply shortages.

Russia provides 60% of Polish gas

Supply of natural gas to Poland in 2009

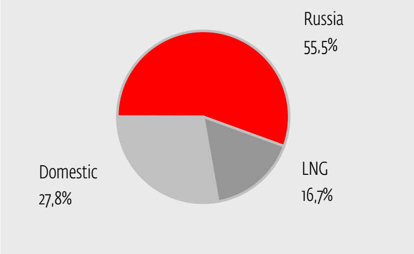


Source: Polish government's energy policy 2030

According to the deal. Polish is to boost imports from Russia to 10.2bn cb.m of gas per annum (a 28% increase against the 2010 levels), extending the current agreement with Russian gas giant **Gazprom** until the end of 2037. Critics believe the Russian supplies may prove excessive already in 2015, when the planned LNG terminal in Swinoujscie is expected to reach its full operational capacity.

LNG terminal changes little

Supply of natural gas to Poland in 2015



Source: Polish government's energy policy 2030

The deal has been put off for several months, chiefly due to Gazprom's overdue fees for gas transit though Poland. The issue has been resolved although no details were made public, which is often the case with any contracts involving the Russian company. Importantly, the agreement extends the contract for gas transit through Poland to Western Europe via the Yamal pipeline from 2019 until 2045 on current terms. These means that technical conditions permitting, the Yamal pipeline will be pumping some 30bn cb.m of gas per annum, most of it (27 cb.m) for German customers. It has not been specified what happens when the pipeline breaks down.

"Russian gas has been flowing to Poland since the beginning of the year as if the agreement with Gazprom had been signed, otherwise Poland's storage facilities would have been empty," PGNiG Deputy CEO Miroslaw Dobrut told reporters. "At present, PGNiG's storage facilities are filled in more than a third, incl mandatory reserves," he added.

Indeed, the severe weather this winter has boosted demand for gas. However, regardless of the weather, Poland was likely to face a shortage of some 2bn cb.m this year, a problem the new deal resolved fully. Natural gas usage in Poland is expected to reach 14bn cb.m this year and go up to 18bn cb.m by 2015. Currently, the country gets a third of gas from domestic wells and 60% from Russia. Following the opening of the LNG terminal, the Russian share is set to drop to 55.5%, which can hardly be regarded as a truly successful diversification.

IN BRIEF

Another piece of Enea sold

The government has further lowered its stake in the energy group Enea (see no 427 page 16), cashing in PLN 1.13bn for 16% of shares. Some 80% of the offer was acquired by domestic financial institutions. Apart from financial proceeds, one of the goals of the operation was to generate sufficient liquidity on Enea shares to enable a more accurate valuation of the company before it is sold to a strategic investor later this year.

LitPol power link gets advisor

Ernst & Young business advisory will advise the Polish-Lithuanian joint-venture LitPol Link on financial and operational matters regarding the planned power link between the two countries. The 154-km project is expected to cost EUR 237m, but prior to its launching Poland and Lithuania need to upgrade their power grids, which is said to set them back by EUR 100m and EUR 600m respectively.

ECONOMY & POLITICS

OFFICIAL PROJECTIONS

Ministers put together a revised convergence plan

The government has submitted a revised plan for Poland adopting the euro to the European Commission a week after the deadline due to prolonging disputes with its junior coalition partner over overhauling the country's expensive pension scheme for farmers.

The government says that overhauling the KRUS retirement system is necessary if Poland is to reduce its deficit to 3 percent of GDP, which is a requirement for entering the EMR2, an initial stage in the Euro adoption process.

Although there had been talk earlier of reaching this deficit reduction goal as early as next year, the new target is 2012, when the figure is to reach 2.9% of GDP. Prime Minister Donald Tusk warned that if economic growth slowed the date could be pushed back to 2013.

The government recently announced plans cutting spending and speeding up privatization this year, but the proposal still leaves a budget deficit of some PLN 30bn for 2010.

The government's proposal to include farmers in the pension system would require them to make bigger monthly contributions.

Meanwhile, PSL needs to show its support for its rural electorate, since recent polls show the party is struggling to maintain the 5% voter support it needs to enter parliament in the next elections.

The current update to the EU's convergence program stipulates for - in its base scenario - GDP growth of 3.0% in 2010, 4.5% in 2011 and 4.2% in 2012. The 2010 budget act is based on a GDP growth estimate of 1.2% (vs. 1.7% in 2009), which is being widely regarded as way too conservative.

Looking ahead through pink glasses

Key items in Poland's updated convergence plan, February 2010

Indicator (change y/y)	2009	2010	2011	2012
GDP growth	+1.7%	+3.0%	+4.5%	+4.2%
Investments	-0.3%	+5.7%	+11.3%	+4.7%
Exports	-9.4%	+5.5%	+7.0%	+8.0%
Imports	-14.4%	+6.1%	+7.6%	+8.5%
Consumption	+2.3%	+0.8%	+3.0%	+4.8%
Gen. Gov. deficit*	7.2%	6.9%	5.9%	2.9%
Public sector debt*	50.7%	53.1%	56.3%	55.8%

Source: Finance Ministry *) in % of GDP

The government also stressed that current data concerning the global economy "show that the most painful effects of the crisis have already taken place," and more positive trends may now be expected. For the needs of the current update, the cabinet assumed that the global economy would expand by 3.8% this year and by 4.1% on average in 2011-2012. Under the base scenario, the general government deficit is expected to inch down to 6.9% of GDP this year (from 7.2% in 2009) and further to 5.9% in 2011 and to 2.9% in 2012. Then, a stabilization at levels below 3% of GDP is forecasted. The government also estimates that this public sector's debt - which amounted to 50.7% of GDP at the end of end-2009 - would grow to 53.1% in 2010, to 56.3% in 2011 and to 55.8% in 2012.

The government has decided not to set an official target for euro adoption, but FinMin officials have frequently mentioned 2015 as a realistic date. A recent Reuters analyst poll showed that most of those surveyed feel Poland could adopt the Euro as early as 2014.

LABOR COSTS

Average wages up by 5.4% in 2009, growth slowing

The average gross wage in the Polish economy came to PLN 3,103 last year, marking an increase by 5.4% (PLN 156). In real terms, the growth was even lower and topped merely 2.1%.

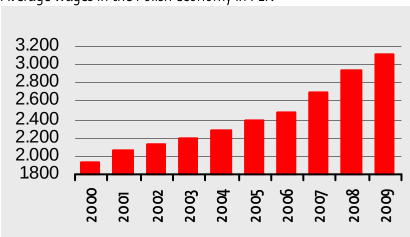
Since in 2007 and 2008 average wages grew by the respective 8.6% and 9.4%, the last year's result proves that the global economic slowdown did have a strong impact on Polish employers. The situation in

Poland was still much better than in other major economies in the region.

One should bear in mind, that the figure encompasses all wages including small businesses, public administration, and financial sector, unlike the enterprise sector data GUS releases every month, which focus on larger firms.

Wage growth slower than in 2007-08

Average wages in the Polish economy in PLN



Source: GUS states office

Wages were growing the fastest last year in public administration, defense as well as energy companies, where the y/y increase came in excess of 8%. Education and healthcare professionals saw their paychecks go up by 7%, while finance and insurance sector employees enjoyed a symbolic 1.7% raise. On the plus side, however, the latter are earning decent money anyway (approximately PLN 5,500 a month), and the banking sector worldwide was among the key victims of the post-Lehman Brothers fallout.

The 2010 is unlikely to see any major improvement as far as wages are concerned. According to the Finance Ministry, the nominal growth is to reach 3.5%, while economists are somewhat more optimistic. Usually slower wage growth translates into lower consumption, but most experts are not expecting a disaster in this respect. The Poles did not fall victim to negative thinking when the crisis was at its strongest and they are unlikely to do so when things are beginning to look up.

IN BRIEF

Best places to invest

Poland has been ranked among the top countries globally for business investment. The latest AT Kearney Foreign Direct Investment Confidence Index placed Poland 6th in terms of its attractiveness for companies to invest in, a sharp rise from the country's 16th place ranking in the previous list from 2007. Higher ratings this year were given only to China, the U.S., India, Brazil, and Germany.

Polish model wins Ecco award

The Ecco Walk in Style award sponsored by the Danish footwear maker Ecco was won by the Polish former top model, PR agency director and philanthropist Ilona Felicjanska. The jury listed that Ms Felicjanska has served as role model for women "in a country which is desperately lacking female role models like herself" and noted that she supports single mothers through her organization Forgetmenot. The award was presented by H.R.H. Crown Princess Mary.

Auschwitz thief apprehended

35-y-o Anders Högström, a supposedly reformed Nazi leader from Sweden and the alleged mastermind of the theft of the "Arbeit Macht Frei" sign from the gates of the former German extermination camp in Oswiecim (Auschwitz) 60 km west of Krakow was apprehended in Stockholm on 10 Feb. The Swedish courts will not decide whether he should be extradited to Poland.

Unemployment shoots up

Poland's unemployment rate should not exceed 13% in the first six months of 2010, deputy Labor Minister Czeslawa Ostrowska told reporters. Labor Ministry estimates January unemployment at 12.8%. In December the unemployment rate stood at 11.9%, stats office GUS reported. The sharp increase in January may have something to do with new regulations, which offer higher benefits for those registering in 2010. Based on data from job centers more than 2m people are without work in Poland. According to the recent update to Poland's convergence plan, the unemployment rate, as measured by Eurostat's methodology, is to rise to 9.2% this year from 8.2% in 2008, while in subsequent years, it will be 9.3% and 8.9% respectively.

Contraction in foreign trade

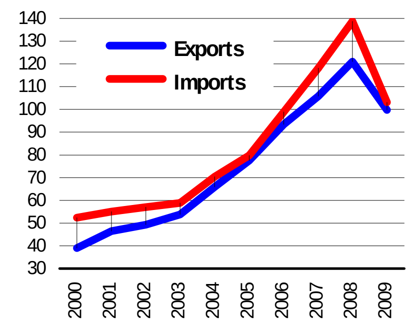
The foreign trade deficit in 2009 reached EUR 8.7bn vs. EUR 26.2bn a year before, said the Central Statistical Office (GUS). Exports shrank by 17.1% y/y over the period, down to EUR 96.3bn, while imports decreased by 26.3% y/y to EUR 105bn. Germany's share in exports was higher than last year by 1.2pts and amounted to 26.1% , and in imports, it was lower by 0.6pts and amounted to 22.4%. Amongst Poland's main trade partners, Poland boosted exports to Italy, Britain, France, Germany, the Netherlands, the Czech Republic, and Spain, while among main suppliers of goods and services to Poland, China and South Korea strengthened their position.

C/A deficit at 1.5% of GDP

Poland's current-account showed a deficit of EUR 1,034m in Dec 2009 against a (revised) EUR 1,237m deficit a month earlier and vs. EUR 1,740m deficit a year earlier, the National Bank of Poland (NBP) announced. The trade balance was negative and amounted to EUR 711m vs. a (revised) EUR 305m deficit a month earlier and against EUR 1,819m deficit a year earlier. Calculated in EUR, the full year deficit was EUR 4.968m, which corresponds to some 1.5% of GDP- the lowest figure in four years. The data further boosts the image of Poland as a reliable borrower, which is likely to reflect in a gradual strengthening of the Polish currency towards the end of the year.

Trade gap shrinks in 2009

Foreign trade according to NBP figures in EURbn



Source: Central Bank NBP

KEY FIGURES

WAGES

Average monthly wages in PLN (column A)

Indexed average wages (column B)

Gross wages before social taxes

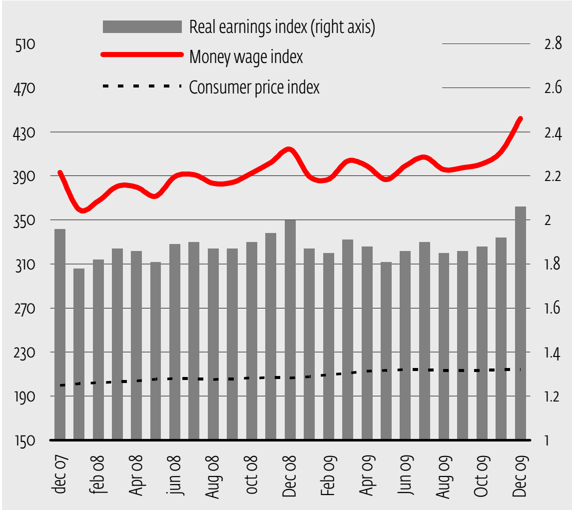
Sector	Sep 2009 A	Sep 2009 B	Oct 2009 A	Oct 2009 B	Nov 2009 A	Nov 2009 B	Dec 2009 A	Dec 2009 B
Coal mining	5,284	307	4,843	281	6,625	385	**9,194**	**534**
Food	2,691	359	2,721	363	2,702	360	**2,777**	**370**
Textiles	2,240	367	2,293	376	2,262	371	**2,321**	**380**
Paper and cellulose	3,367	552	3,480	570	3,466	568	**3,560**	**584**
Chemicals	3,762	617	3,753	615	3,874	635	**4,045**	**663**
Machines	3,281	538	3,310	543	3,361	551	**3,415**	**560**
Water, heating and gas	4,657	763	4,510	739	5,051	828	**5,985**	**981**
Construction	3,470	569	3,510	575	3,546	581	**3,709**	**608**
Hotels and restaurants	2,312	379	2,318	380	2,316	380	**2,407**	**395**
Retail	2,372	389	2,395	393	2,389	392	**2,552**	**418**
Wood processing	2,362	387	2,381	390	2,380	390	**2,401**	**394**
Transport	3,239	531	3,702	607	3,219	528	**3,365**	**552**
National average	**3,283**	**397**	**3,312**	**401**	**3,404**	**412**	**3,652**	**442**

The table covers average wages in the enterprise sector, both white-collar and blue-collar, both private and state-owned enterprises. It does not include public administration.

In addition, the employer must pay social taxes amounting to app. 20% altogether.

For more information on the calculation of social taxes, see no 202 page 11 & no 406 page 15

REAL EARNINGS



Note: The diagram shows the developments of the average national gross wages and inflation. The difference between the two graphs may be read as the average improvement of the real earnings compared to January 1996. The columns show an index of the real earnings. If index is above 1, the wages have increased more than inflation compared to January 1996.

Note: January 1996 = index 100. Source: The Central Statistical Office of Poland, GUS.

MONEY SUPPLY

in PLN m

	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Dec 09
M0	125,380	126,376	120,014	118,818	119,433	125,267	**137,507**
M1	370,618	363,656	371,091	372,830	378,639	381,533	**388,851**
M2	687,455	682,405	678,890	685,514	698,941	694,897	**715,274**
M3	693,693	689,428	685,391	691,268	711,194	699,861	**720,327**

M0 (reserve money) encompasses Polish currency emitted by NBP and money on accounts held with it.

M1 encompasses currency outside banks as well as demand deposits.

M2 encompasses M1 plus time and savings deposits as well as deposits in foreign currencies.

M3 encompasses M2 plus large time deposits, institutional money-market funds, short-term repurchase agreements, & other larger liquid assets

Source: The Central Bank of Poland, Narodowy Bank Polski.

CREDIT

The financial sector's net lending in PLN m

Type of loan	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
Loans to households	402,858	412,419	421,176	417,561	**420,990**
of which individuals	344,292	353,447	361,713	357,415	361,588
Loans to non-financial corporations	221,457	223,572	222,974	221,094	**216,541**

Source: The Central Bank of Poland, Narodowy Bank Polski.

TRADE

according to SICT classification, in PLN m

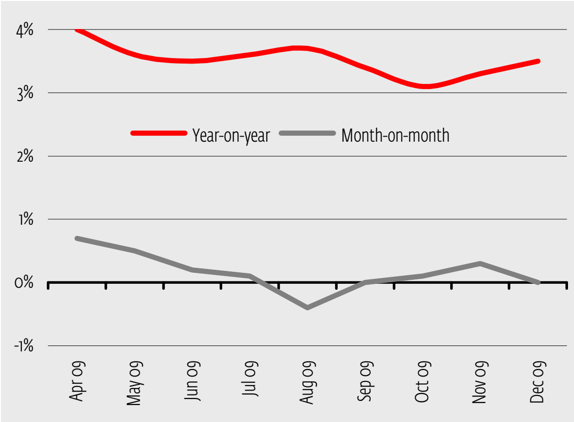
	EXPORTS						IMPORTS					
	Jan-Nov 2009	Jan-Nov '08 = 100	Jan-Nov '08 share	Jan-Nov '09 share	2008	Share	Jan-Nov 2009	Jan-Nov '08 = 100	Jan-Nov '08 share	Jan-Nov '09 share	2008	Share
Food and live animals (0)	36,585	115.9	8.4%	9.5%	33,367	8.4%	28,673	111.8	5.6%	6.9%	26,841	5.5%
Beverages and tobacco (1)	5,542	161.7	0.9%	1.4%	3,653	0.9%	2,635	114.0	0.5%	0.6%	2,470	0.5%
Crude materials except fuels (2)	7,078	83.3	2.3%	1.8%	8,795	2.2%	11,296	78.8	3.1%	2.7%	14,863	3.1%
Fuels etc (3)	11,604	72.2	4.3%	3.0%	16,941	4.2%	39,416	74.9	11.5%	9.5%	55,669	11.5%
Animal and vegetable oils (4)	807	103.8	0.2%	0.2%	768	0.2%	1,414	82.4	0.4%	0.3%	1,805	0.4%
Chemical products (5)	30,116	101.4	7.9%	7.8%	31,306	7.8%	58,446	97.5	13.0%	14.0%	63,654	13.1%
Manufactured goods by material (6)	74,981	90.4	21.9%	19.5%	87,350	21.9%	73,195	83.9	19.0%	17.6%	91,448	18.8%
Machinery, transport equipment (7)	165,720	105.6	41.4%	43.3%	165,543	41.5%	146,793	90.1	35.4%	35.2%	171,227	35.2%
Other manufactured articles (8)	51,435	106.7	12.7%	13.4%	51,354	12.9%	44,563	106.9	9.1%	10.7%	43,998	9.1%
Not classified (9)	221	n/a	0.0%	0.1%	276	0.0%	10,148	n/a	2.4%	2.5%	13,858	2.8%
TOTAL	**384,089**	**101.5**	**100%**	**100%**	**399,353**	**100%**	**416,579**	**90.6**	**100%**	**100%**	**485,833**	**100%**

Poland's ten largest markets, ranked according to 2008 in PLN m

EXPORT						IMPORT					
No	Country	2009	Share	2008	Share	No	Country	2009	Share	2008	Share
1	**Germany**	108,826	26.1%	101,520	25.0%	1	**Germany**	101,916	22.4%	114,166	23.0%
2	**France**	28,329	6.9%	25,178	6.2%	2	**Russia**	39,516	8.7%	48,341	8.1%
3	**Italy**	28,643	6.8%	24,252	6.0%	3	**China**	42,237	9.3%	40,067	9.7%
4	**UK**	26,535	6.4%	23,377	5.8%	4	**Italy**	30,579	6.7%	32,347	6.5%
5	**Czech Rep.**	24,308	5.8%	23,123	5.7%	5	**France**	20,831	4.6%	23,485	4.7%
6	**Russia**	15,542	3.7%	21,070	4.0%	6	**Czech Rep.**	16,336	3.6%	17,668	3.6%
7	**Netherlands**	17,322	4.2%	16,324	5.2%	7	**Netherlands**	16,208	3.6%	17,084	3.4%
8	**Ukraine**	n/a	n/a	15,085	3.7%	8	**UK**	13,231	2.9%	14,094	2.5%
9	**Sweden**	11,217	2.7%	12,863	3.7%	9	**South Korea**	13,848	3.0%	12,369	2.8%
10	**Hungary**	n/a	2.7%	n/a	2.8%	10	**Belgium**	10,640	2.3%	11,796	2.4%

Source: The Central Statistical Office of Poland, Glowny Urzad Statystyczny (GUS).

INFLATION



Source: The Central Statistical Office of Poland, Glowny Urzad Statystyczny (GUS).

Year-on-year inflation shown as the average

2003	2004	2005	2006	2007	2008	2009
1.9%	3.5%	2.1%	1.0%	2.5%	4.2%	3.5%

By sectors, current 12 months = index 100 (column A), previous month = index 100 (column B)

Sector	Oct 2009		Nov 2009		Dec 2009	
	A	B	A	B	A	B
Food	103.0	100.3	103.4	100.7	104.3	100.4
Alcohol and tobacco	108.9	100.2	108.3	100.1	108.0	100.0
Clothing and footwear	93.7	101.7	93.8	100.0	93.9	99.4
Transport	99.3	99.2	103.0	100.9	107.2	99.6
Dwelling	105.7	100.2	105.0	100.1	104.9	100.1
Electricity and gas	107.5	100.3	105.9	100.1	105.8	100.1
Mail / telecommunications	99.7	99.9	99.3	99.6	98.4	99.0
Consumer price index	**103.1**	**100.1**	**103.3**	**100.3**	**103.5**	**100.0**

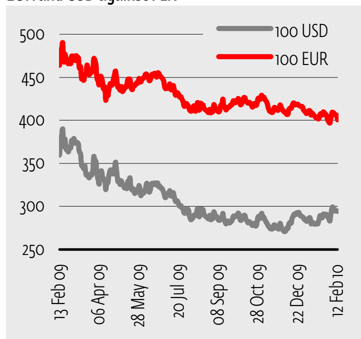
CURRENCY

Central Bank average rates

as of 12 Feb 2010

100 USD	294.28
100 EUR	400.35
100 GBP	461.92
100 CHF	273.16
100 DKK	53.78
100 SEK	40.49
100 NOK	49.60
100 CAD	280.04
10,000 JPY	327.94
100 AUD	261.33
100 CZK	15.39
10,000 HUF	147.35

EUR and USD against PLN



Source: The Central Bank of Poland, Narodowy Bank Polski.

INTEREST RATES

Average annual interest rates on credits, PLN

Term	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
<1 Y	6.3%	6.3%	6.3%	6.4%	6.5%	**6.5%**
1Y-5Y	6.2%	6.1%	6.1%	6.1%	6.3%	**6.2%**
5 Y>	5.5%	5.4%	5.6%	5.4%	5.7%	**5.6%**
Average	5.9%	5.8%	5.9%	5.8%	6.0%	**5.9%**

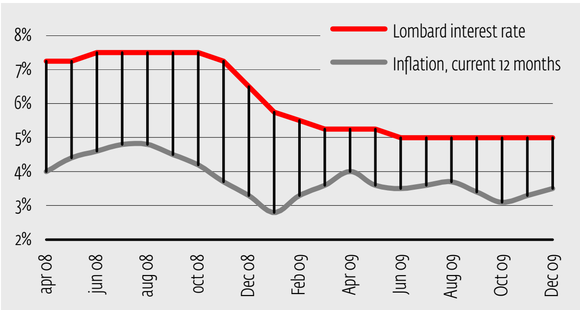
Note: The average rates of the reported credits to non-financial corporations

Warsaw Inter Bank Offered Rate (WIBOR)

Overnight	1 week	1 month	3 months	6 months
3.05%	3.29%	3.62%	4.17%	4.27%

Source: Central Bank of Poland, Narodowy Bank Polski as of 12 February 2010.

REAL INTEREST RATES



RETAIL TRADE

Turnover in Poland's retail trade by index

Month	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
100 = prev. month	106.9	95.8	99.3	103.9	93.9	121.1
100 = same month prev. year	105.7	105.2	102.5	102.1	106.3	107.2
Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
100 = prev. year	110.9	103.9	111.9	116.0	113.3	104.3

Source: The Central Statistical Office of Poland, Glowny Urzad Statystyczny (GUS).

PRICES

Price range of key commodities in PLN as of 12 February 2010

Wholesale prices	**Lowest**	**Highest**	**Wholesale prices**	**Lowest**	**Highest**
Milk, 3.2%, 1 liter	1.57	1.63	Milk UHT, 3.2%, 1 l	1.72	1.76
Wheat per barrel	49.00	52.00	Cheese (type Edam)	10.96	12.26
Rye per barrel	33.00	39.30	Cream, 10-29%, 1kg	4.83	5.09
Wheat flour, 100 kg	68.70	76.90	Potatoes, 100 kg	45.00	100.00
Rye flour, 100 kg	56.60	60.80	Fresh chicken, 1 kg	4.20	4.60
Beef, 1 kg	8.40	9.40	Chicken filet, 1kg	10.20	10.60
Pork, 1 kg	5.00	5.50	Pork with bone	7.40	10.20
Diesel, 1 m3 *	3,013	3,013	Diesel, 1 liter**	3.94	4.03
Petrol 98, 1 m3*	3,444	3,462	Petrol 98, 1 liter**	4.52	4.66
LPG gas, 1 liter	1.93	1.99	LPG gas, 1 liter**	2.16	2.35

*) plus 22% VAT **) retail prices

Source: The Ministry of Agriculture; Netbrokers, Rzeczpospolita.

INDUSTRIAL OUTPUT

Month	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
100 = prev. month	95.6	115.0	101.9	96.8	94.6
100 = same month prev. year	100.1	98.7	98.7	109.9	107.4
Year	**2005**	**2006**	**2007**	**2008**	**2009**
100 = prev. year	104.0	111.8	109.7	103.5	96.8

GDP

	Real growth 12 months	GDP at current prices in bn PLN	in bn USD	GDP per capita in USD***
3Q 2009	+ 1.7%	331,494	n/a	n/a
2Q 2009	+ 1.1%	326,283	n/a	n/a
1Q 2009	+ 0.8%	314,117	n/a	n/a
4Q 2008	+ 2.9%	348,986	n/a	n/a
3Q 2008	+ 5.0%	314,216	n/a	n/a
2Q 2008	+ 5.9%	310,512	n/a	n/a
2010 **	+ 2.4%	n/a	n/a	n/a
2009*	+ 1.7%	n/a	n/a	n/a
2008	+ 4.9%	1,271.734	664,546	17,493
2007	+ 6.8%	1,176.737	620,868	16,311
2006	+ 6.2%	1,060.031	567,696	14,884

*) Estimates by GUS **) average projections ***) based on PPP valuation

Source: The Central Bank of Poland, Narodowy Bank Polski (NBP) and the Central Statistical Office of Poland, Glowny Urzad Statystyczny (GUS), ISI, IMF

STOCK EXCHANGE

Warsaw Stock Exchange

WIG-20	Last price 12 Feb 10	Change 29 Jan 10	Change end of '09	WIG-20	Last price 12 Feb 10	Change 29 Jan 10	Change end of '09
↑ Agora	21.52	+3%	-4%	↓ KGHM	90.40	-7%	-15%
↓ Asseco Poland	56.55	-7%	-10%	↓ Lotos	26.10	-7%	-18%
↓ Bioton	0.19	-5%	-17%	↓ PBG	198.90	-7%	-2%
↓ BRE	235.30	-9%	-10%	↓ Pekao	152.50	-11%	-6%
↓ BZWBK	174.20	-2%	-8%	↓ PGNiG	3.59	-6%	-5%
↓ Cersanit	12.70	-10%	-23%	↓ PKN Orlen	31.28	-7%	-8%
↓ CEZ	133.00	-7%	-1%	↓ PKO BP	36.30	-8%	-4%
↓ Cyfrowy Polsat	14.00	-7%	3%	↓ Polimex-Mostostal	4.15	-3%	5%
↓ Getin	9.10	-1%	3%	↓ TP SA	15.49	-5%	-2%
↓ GTC	20.99	-13%	-18%	→ TVN	14.02	0%	-2%
↓ WIG-total index	**37,933.01**	**-5%**	**-5%**				
↓ WIG 20-index	**2,216.71**	**-7%**	**-7%**				

Note: Rates in PLN. WIG total index includes all stocks quoted on the WSE main market.

Source: Warsaw Stock Exchange.

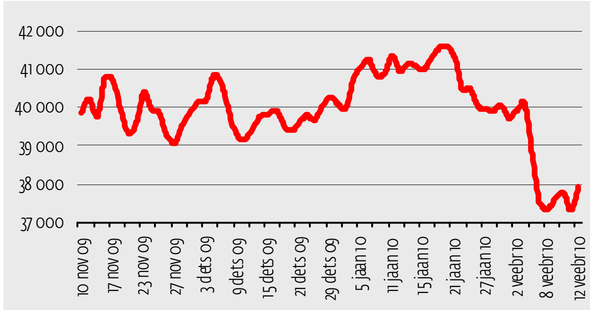
REGIONAL DATA

Poland's regions (main cities indicated in brackets)	Industrial output Jan-Dec 2009 *		Monthly wages (PLN) Jan-Dec 2009 **		Unemployment December 2009		New dwellings Jan-Dec 2009	
	Industry	Construction	Industry	Construction	Total	%	Number	Index *
Dolnoslaskie (Wroclaw)	98.6	115.6	3,619.57	3,574.57	146.3	12.5	14,359	114.9
Kujawsko-Pomorskie (Bydgoszcz)	96.3	98.5	2,823.18	2,898.25	134.1	15.8	6,694	87.6
Lubelskie (Lublin)	88.6	105.5	2,918.78	2,770.29	117.2	12.8	6,082	82.2
Lubuskie (Zielona Gora)	113.5	120.3	2,796.75	2,643.87	61.1	15.9	3,753	88.2
Lodzkie (Lodz)	100.0	97.8	2,863.79	2,999.61	128.1	11.6	6,415	87.0
Malopolskie (Krakow)	90.8	100.4	3,163.91	2,993.62	130.0	9.7	18,853	117.7
Mazowieckie (Warszawa)	101.2	102.6	3,887.32	4,760.57	224.5	9.0	38,415	100.7
Opolskie (Opole)	95.3	116.3	3,094.37	3,285.76	47.1	12.6	1,762	96.2
Podkarpackie (Rzeszow)	92.0	109.4	2,744.50	2,736.09	141.9	15.5	5,450	96.5
Podlaskie (Bialystok)	103.8	94.3	2,767.05	3,284.49	61.2	12.6	4,239	85.2
Pomorskie (Gdansk-Gdynia)	97.2	101.5	3,318.76	3,415.85	100.3	12.0	14,666	102.1
Slaskie (Katowice)	94.6	105.5	3,917.10	3,286.13	168.4	9.2	10,637	87.0
Swietokrzyskie (Kielce)	90.8	112.4	3,008.44	2,964.31	83.8	14.7	1,891	70.9
Warminsko-Mazurskie (Olsztyn)	95.5	101.0	2,590.22	2,761.54	109.2	20.2	4,857	71.1
Wielkopolskie (Poznan)	96.4	111.9	3,052.36	3,225.78	133.6	9.1	14,264	87.3
Zachodniopomorskie (Szczecin)	101.7	134.0	2,980.53	3,189.36	105.9	16.5	7,742	111.1
National average	**96.8**	**105.7**	**3,315.38**	**3,462.99**	**1,892 ,700**	**11.9%**	**160,079**	**96.9**

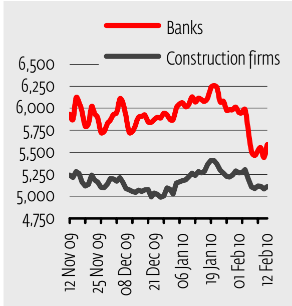
* Index 100 = same period of the previous year. ** In addition the employer must pay social taxes amounting to app. 20% altogether.

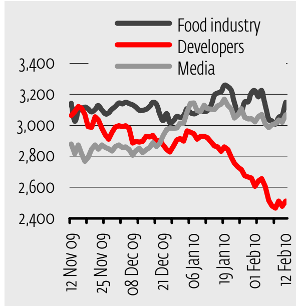
Source: The Central Statistical Office of Poland, Glowny Urzad Statystyczny (GUS).

WIG total index over the last 3 months



WIG sector indexes





CURRENT ACCOUNT

excerpts shown in EUR m	2007	2008	2009	Nov 2008	Dec 2009
Trade balance	- 12,383	- 17,726	- 3,427	-305	-711
Services, net	3,405	3,465	3,826	479	379
Direct investments, net	16,649	10,025	8,384	-399	751
Current account (CA) balance	- 14,609	- 18,293	- 4,968	-1,237	-1,034
CA deficit in % of GDP *	-4.7%	-5.1%	-1.5%	-2.1%	-1.9%

*) Estimates by BZ WBK

KEY ECONOMIC DATA FORECAST

Indicator	2007	2008	2009*	2010*	2011*	2012*
GDP growth	+ 6.6%	+ 4.9%	+ 1.7%	+ 2.4%	+ 3.5%	+4.5%
Consumer price inflation (CPI)	+ 2.5%	+ 4.2%	+ 3.5%	+ 2.3%	+ 2.6%	+2.6%
Producer price inflation (PPI)	+ 2.3%	+ 2.6%	+ 3.4%	+ 1.1%	n/a	n/a
Current account, % of GDP	- 3.8%	- 5.4%	- 1.8%	- 2.8%	- 3.9%	-3.9%
Unemployment rate, end of period	11.7%	9.5%	11.9%	11.7%	9.8%	n/a
EUR/PLN, end of period	3.60	3.79	4.24	3.88	3.83	3.40

*) average projections Source: ISI Consensus Forecasts, 12 February 2010

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