



# BUSINESS REVIEW+

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The team behind the new chain created Poland's most successful retail concepts.

Photo: Czerwona Torebka

**Discount chain to open 100 stores a year**  
Dyskont Czerwona Torebka, a brand new "hard discount" chain created by the original founders of Poland's top retail concepts Biedronka and Żabka, has launched its first locations across the country, aiming at 100 openings per annum. **page 9**

**VW mulling EUR 0.5m project in Poland**  
Germany's top carmaker Volkswagen is contemplating a large investment in western Poland, sources say. The company is looking for a new site to produce its Crafter cargo vans. **page 2**

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500,000 sq.m of retail space to enter Polish market in 2014 **page 11**

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Poland tops Bloomberg's "best for business" ranking **page 13**

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**POLAND TODAY**  
CONFERENCES

# Power Breakfast: **Thousands of events, one place. Sopot**

Thursday 6th February 2014, Hotel Bristol, Warsaw

We kindly invite you to the meeting of **Jacek Karnowski, Mayor of Sopot**, with the representatives of the event sector. During the conference participants will have a chance to hear why to organize their events in this charming seaside resort.

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## MANUFACTURING & PROCESSING Volkswagen to invest EUR 0.5m in new car plant in Poland

After many failed attempts at convincing global car-makers to open new production facilities in Poland, the country looks set to get its first new car plant in years. The rumors of a "large new automotive project" surfaced in the final weeks of 2013, with Economy Minister Janusz Piechociński telling journalists about a giant new project that was being negotiated with a reputable foreign company.

According to a number of Polish sources as well as German daily Frankfurter Allgemeine Zeitung (FAZ), that mysterious investor is Volkswagen, which is seeking a new place to assemble its Transporter Crafter van range. The latter is currently being made in cooperation with Daimler under an agreement that expires in 2016, and Volkswagen is said to be currently looking for a more cost-effective alternative. FAZ goes so far as to say that the decision has already been made and Volkswagen will announce it officially at the annual press event on 13 March.

Volkswagen representatives had reportedly taken into consideration several potential sites, including the company's main commercial vehicles unit in Hanover as well as locations in Turkey and a number of CEE countries. No location, however, came even close to the western Polish city of Poznań, where Volkswagen produces the Caddy van and the smaller Transporter T5 model at three factories that employ some 6,800 skilled workers and boast a well-developed network of suppliers. Last but not least, VW's bus and truck subsidiary MAN is producing city buses at a separate

plant in Poznań, which could provide additional back-up to the new factory, which is to make some 70,000 Crafters per annum.



**Volkswagen** will produce the Crafter vans in Poland.  
Image: VW

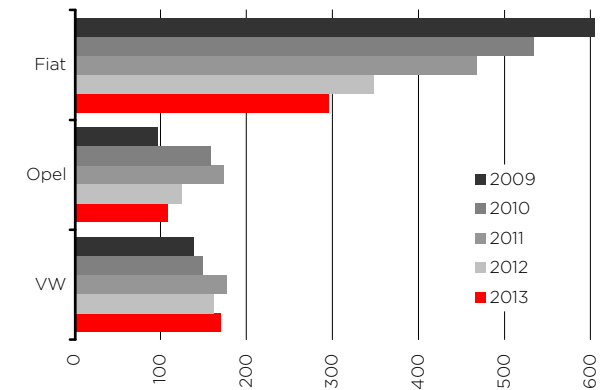
Although the Poznań area is said to be the most likely location for VW's new EUR 500m project, a number of other Polish regions are still hoping to draw in the German investor. Tomasz Olszewski, head of Jones Lang LaSalle's CEE industrial property unit, which is helping VW identify the best place to invest, has mentioned also the towns of Września (50km east of Poznań) and Stargard Szczeciński (of Szczecin). According to Olszewski, time is of the essence and VW will choose the site where production can be launched the fastest.

With a 30% in the country's total vehicle output Volkswagen Poznań was Poland's second largest car-maker last year, after Italy's Fiat and the only one to have seen an increase in production on the prior year. The company boosted its overall output by more than 5% in 2013, reaching nearly 171,000 units, including

more than 88,00 light commercial vehicles (mainly VW Caddy). In 2012 Volkswagen Poznań turned over PLN 9.38bn and posted a net profit of PLN 310m.

## VW is Poland's No. 2 car manufacturer

Car production in Poland by maker in '000 units



Source: Samar

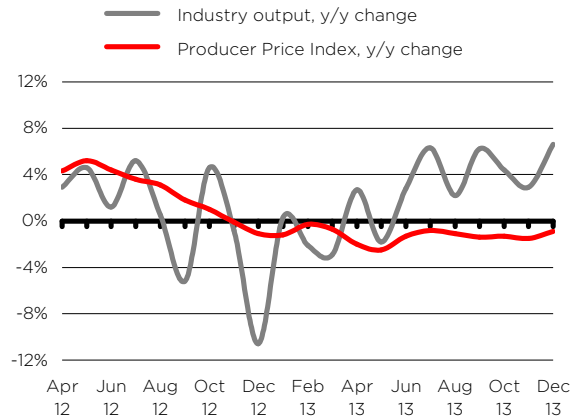
## MANUFACTURING & PROCESSING Industrial output goes up 6.6% in December & 2.2% in full year 2013

Poland's industrial output increased by 6.6% year on year in December, well below consensus expectations for a 10.0% y/y growth, as output fell 9.7% from the prior month, the Central Statistical Office (GUS) said. Analysts surveyed by PAP had expected a monthly decline of 6.5%. Polish seasonally adjusted industrial output in December was up by 5.2% y/y on a 0.4% monthly decrease. In the whole of 2013, industrial



production rose by merely 2.2% y/y, while construction output dropped 12%, GUS said.

### Industrial output & producer prices



Source: GUS, the central statistical office

"Mild weather conditions in Poland may have the one key factor that negatively affected industrial output last December," commented BNP Paribas economist Michał Dybuła. "Energy production, which is included in the industrial output data, fell 9.8% y/y, while at the same time construction, which is not part of the series, performed much better - with output rising 5.8% y/y. This signals ongoing improvement in investment spending and bodes well for overall growth in the coming months. Given robust leading indicators, we expect that the disappointing December output data will prove to be a one-off blip only and that production growth will accelerate in early 2014."

Another factor a number of economists pointed to was December's public holiday schedule that prompted many employees to take more days off than in previous years.

In related news, Polish producer prices fell by 0.9% y/y in December vs. 1.1% decline expected, and were flat month on month, GUS also said.

### ENERGY & ENVIRONMENT

## San Leon set to be Europe's first shale gas producer in Lewino

Dublin-based San Leon Energy looks set to launch Europe's first gas "fracking" production after passing a "major milestone" as testing at one of its Polish wells was successful, company representatives told reporters at last week's briefing in Warsaw. As we reported earlier (see PT Business Review+ No. 013 page 4), natural gas flowed from San Leon's Lewino well in a shale formation in the Baltic Basin in northern Poland. The company has announced a sustained gas production rate of 45,000-60,000 standard cubic feet per day (scf/d) after six weeks of partial well clean-up on a fracked vertical well, and estimates 200 - 400 thousand scf/d would be the rate from a fully-cleaned well.

AIM-listed San Leon, which is backed by billionaire George Soros, BlackRock Inc., and hedge fund Toscafund, was set up by former MMI stockbrokers and Smart Telecoms boss Oisín Fanning. The firm is planning to start drilling a more productive horizontal well this summer, according to Dennis McKee, CEO and President of United Oilfield Services (UOS), which worked on San Leon's Lewino well. Backed by the Warsaw-based private equity fund Enterprise Investors and based in Łowicz in central Poland UOS is Poland's largest provider of hydraulic fracturing, also known as fracking.

"The recovery of gas so early in the flowback of frac fluid is highly unusual and very positive. It suggests to me that the formation really wants to flow gas. I look forward to the horizontal with great anticipation as it stands a strong chance of proving up this play," Mr. McKee commented on the testing results from the Lewino, calling them a "major milestone in the process of commercialization of shale gas in Poland. In his opinion, San Leon may bring the well to commercial production by October after it conducts flow tests.



The hydraulic fracturing in Lewino was carried out by the Łowicz-based **United Oilfield Services**, in which the private equity company Enterprise Investors holds a substantial stake. Image: UOS

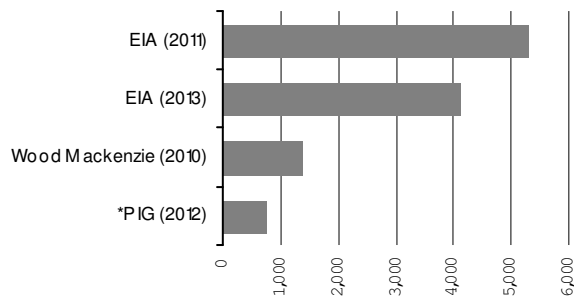
"This is the most encouraging vertical shale well test in Poland to date. We have moved a long way towards "cracking the code" towards commercial production from our unconventional plays. This has been achieved in conjunction with our technical partners, and is the result of the successful iteration of the frac design to the point where we can now see the production potential of our extensive shale gas acreage in Poland's Baltic Basin," commented San Leon's CEO Oisín Fanning.



San Leon became the sole owner of three permits in northern Poland after Talisman's exit, including the Gdansk West license where the Lewino well is located. Lewino produced gas almost immediately after clean-up and had done so continuously when the well was open, the company said on 13th January. UOS was also bidding in tender for seismic services for Chevron Corporation in Ukraine but the unrest in the country is likely to slow the search.

### Assessing Poland's shale riches

Estimated recoverable shale gas reserves in bn cb.m

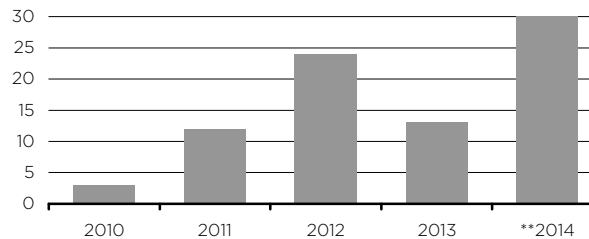


\*) Poland's Geological Institute PIG estimates the country's recoverable shale gas reserves at 346-768bn cb.m  
Source: EIA, Wood Mackenzie, PIG, PT archives

Shale gas is produced by injecting rock formations with a mixture of water and chemicals at high pressure, a process known as hydraulic fracturing. Gas begins to flow out of the fractures created in the rock and through the well once the pressurized fluid is removed. There were 105 valid exploration licenses as of September 1, 2013, held by 35 Polish and foreign entities. Altogether the licensees plan to make 335 boreholes by 2021. To-date, only 52 exploration boreholes have been completed, including only 13 last year. UOS believes the industry will drill a further 30 wells in 2014, of which the company hopes to handle 70 to 75%. UOS attention is focused on deals with San Leon,

Lane/Connoco and BNK. Several international explorers have divested or reduced their positions in Polish shale in recent months, including ExxonMobil, Marathon Oil and Talisman Energy, which has dented investor confidence although none of the explorers attributed their decision directly to exploration results.

### Shale exploration wells in Poland\*



\*) completed as of 6.01.2014; work is currently underway on a further 5 boreholes \*\*) projection by UOS Source: Ministry for Environment

"Derisking shale plays in North America typically requires drilling about 100 wells, while achieving economies of scale requires many hundreds more, the US Energy Information Administration (EIA), said in a recent report, in which it estimated Poland's risked, technically recoverable shale gas resources at 4.13 trillion cb.m. Poland, which consumes 15bn cb.m of gas a year, mostly imported from Russia, has estimated its recoverable shale gas reserves at up to 768bn cb.m. The Polish government, which sees domestic extraction as a way to reduce the country's dependence on Russian gas imports, has been streamlining regulations governing Polish shale to speed up the permitting process, and the country's Treasury has described shale development as a priority of Polish national interest. So far, however, the proposed regulation has been repeatedly delayed whereas the geology is proving more difficult than anticipated.

## PROPERTY & CONSTRUCTION

# Bouygues Immobilier Polska to build their second office complex in Warsaw

Following the successful completion and sale of their flagship business park Miasteczko Orange, France's Bouygues Immobilier Polska are embarking on a second office project in the Polish capital. Located on 120 Włodarzewska St., in the rapidly growing Jerozolimskie Business District in the west of the city, the new project West Point 120 will comprise two connected office buildings with a total leasable area of over 20,000 sq.m. The developer has not disclosed the value of its capex on the project.

Besides all the usual class-A amenities, West Point 120 will feature a canteen, café lounge and a green patio area. Good public transport connections are secured by a number of bus lines and the fast commuter train SKM, which provides a direct link between the city centre and the Chopin Airport. The planned office complex is located not far from the junction of Aleje Jerozolimskie, one of Warsaw's key thoroughfares, and the A2 highway to Berlin. The real estate consultancy Savills is the leasing agent for West Point 120, which has been BREEAM pre-certified with a "very good" grade.

"Bouygues Immobilier is committed to urban sustainability and has developed in France a specific range of low-energy and positive-energy buildings, especially under the brand Green Office. So naturally, while designing West Point 120, we focused both on improving the end-user's well-being and on providing efficient



technologies securing lower building charges and energy savings that go even beyond BREEAM certificate requirements,” says Marc-Alban Fortier, commercial development director at Bouygues Immobilier Polska.



**West Point 120** will welcome first tenants in 2016.  
Image: Bouygues Immobilier Polska

Established in 2012, Bouygues Immobilier Polska has since delivered more than 2,000 houses and apartments to individual clients. Their first office development was the Miasteczko Orange complex, housing the new headquarters of Poland’s top telecommunications company, the France Telecom-owned Orange Polska. Opened last year, the class-A development had been acquired two years before its completion by the Qatar Investment Authority, through the sovereign wealth enterprise’s Qatar Holdings LLC. With a GLA of 45,000 sq.m, the built-to-suit complex houses offices for 3,300 staff, a canteen with 300 seats, parking lots for 1,050 vehicles and 120 cars, and a number of additional class-A amenities.

Bouygues Immobilier Polska belongs the Paris-based conglomerate Bouygues, which is active in construction (Bouygues Construction, Bouygues Immobilier, Colas), telecommunications (Bouygues Telecom), media (TF1 Group), as well as energy and transportation (via a significant ownership in engineering giant Al-

stom). The group had full-year sales of EUR 33.5bn in 2012 with a net profit of EUR 633m.



Poland Today talks to:  
**Bruno Le Corre**,  
Managing Director of  
Bouygues Immobilier  
Polska

• **PT: Are you going to divide West Point 120 into phases or build the entire project in one go?**

Bruno Le Corre: West Point 120 was designed as a single office building offering over 20,000 sq.m of GLA with floor plates of around 3,350 sq.m of net office area. But it can be built in two stages and separated into two completely independent office buildings, each with its own reception and lobby and its own access to an underground carpark.

• **PT: When do you intend to begin construction and deliver the project? Will you seek to secure key tenants first?**

BLC: We want to achieve some pre-leasing before we actually start construction. It is an opportunity for future tenants to have some input in the project and to adapt it easily to their needs, a little bit in a way of a “Build-to-Suit.” The construction of West Point 120 could start as soon as the summer of 2014 for a delivery to tenants in Q1 2016.

• **PT: Have you secured the necessary financing?**

BLC: As a company, Bouygues Immobilier Polska does not rely on external financing as all our projects are financed “in-house.” It gives us more flexibility to adapt to ever changing market conditions.

• **PT: West Point 120 is your second office development in Poland. Will there be more? Have you secured any sites? Can you tell us more about your development pipeline?**

BLC: Office development is an integral part of our business model. We have been looking at office opportunities for quite a long time but we did not want to rush. After the success of Miasteczko Orange, West Point is indeed our second office development, and we expect that there will be many others afterwards. In fact, we are currently negotiating for some new plots. For the time being, we want to be active in the residential and offices segment. We believe that there are still some opportunities even if the market is much more mature! We are currently active in Warsaw and we hope to be active in Wrocław as soon as 2015 after opening a new agency in this city this year. On the retail side, we have nothing underway but considering our strong track record in Europe, we are open to any opportunities.

## Warsaw office market

Key indicators as of end of 1H 2013

Office zones	Stock sq.m	Vacancy
<b>Central locations</b>	1,287,000	9.9%
CBD-Central Business District	501,000	11.4%
CCF-City Centre Fringe	786,000	8.9%
<b>Non-central locations</b>	2,724,000	10.8%
E-East (Praga)	172,000	9.8%
LS-Lower South (Puławska)	176,000	13.0%
N-North (Żoliborz)	135,000	9.0%
SE-South East (Wilanów & Sadyba)	188,000	2.2%
SW-South West (Jerozolimskie & Okęcie)	660,000	15.6%
US-Upper South (Mokotów)	1,105,000	10.5%
W-West (Wola)	288,000	6.4%
<b>Total</b>	4,011,000	10.5%

Source: CBRE H1 2013 Warsaw Office MarketView



## PROPERTY & CONSTRUCTION

# Warsaw modern office stock totals 4.1m sq.m at year-end 2013

Only three office buildings with a combined GLA of 52,000 sq.m were delivered to the Warsaw office market in Q4 2013, which took the modern office stock to 4,113,000 sq.m, reported the Warsaw Research Forum, which consists of seven top real estate services firms: CBRE, Colliers International, Cushman & Wakefield, DTZ, Jones Lang LaSalle, Knight Frank and Savills. The largest building delivered to the market in Q4 was Plac Unii offering over 41,300 sq.m of office space .

The vacancy rates rose by nearly 0.8 percentage points to 11.7% in Q3 2013. The vacancy rate in central locations stood at 10.6% compared to 10.5% at the end of Q3 2013, while in non-central locations it was at 12.2% (11.1% in Q3 2013).

Take-up in Q4 2013 reached 115,100 sq m, which boosted the total figure for 2013 to the record level of 633,200 sq.m (up by around 4% on 2012's level). The largest office space volumes were leased in the Upper-South zone (33.6%) and in the South-West zone (20%).

New leases (78,650 sq.m) accounted for 68% of all deals, with pre-lets making up almost 42% of them (33,700 sq m). Renegotiations and extensions accounted for 31% of all transactions, which was a similar figure to that in Q3 2013.

The largest deal in Q4 2013 was the pre-let signed by KPMG for 8,300 sq.m in the Gdański Business Centre office building developed by HB Reavis, while Budimex renewed space in Stawki 40 office building

(6,200 sq m) and IBM signed pre-let for 5,500 sq m in The Park A2 developed by AIG/Lincoln and renegotiated 5,360 sq m in Wiśniowy Business Park.

## SERVICES & BPO

# Polish cities move up in Tholons ranking of top global outsourcing destinations

In the recently published [2014 Tholons Top 100 Outsourcing Destinations](#) ranking, Kraków has risen to 9th spot, dislodging Dublin, and becoming the number one city in Europe. Warsaw is 4 positions higher than the previous year (in 32nd place). Wrocław (65th) has risen the most (+10) among all 100 cities in the ranking.

## Employment at BPO/SSC centers in Poland



Source: ABSL \*) projected

Tholons is a Services Globalization and Investment Advisory firm, whose experts engage with government bodies to build strategies for making countries attractive destinations for outsourcing and help service providers optimize their global delivery model. The annu-

al Tholons report is aimed to reflect the dynamic shifts occurring across regional outsourcing landscapes.

## Tholons Top outsourcing destinations

Top 10 destinations worldwide + Warsaw and Wrocław

Rank 2014	Rank 2013	Move ment	Country	City
1	1	-	India	Bangalore
2	3	+1	Philippines	Manila
3	2	-1	India	Mumbai
4	4	-	India	Delhi
5	5	-	India	Chennai
6	6	-	India	Hyderabad
7	7	-	India	Pune
8	8	-	Philippines	Cebu City
9	10	+1	Poland	Kraków
10	9	-1	Ireland	Dublin
...				
32	36	+4	Poland	Warsaw
65	75	+10	Poland	Wrocław

Source: Tholons

The business process outsourcing (BPO) & shared services (SSC) sector employs some 115,000 staff in Poland at the moment, and according to the Association of Business Services Leaders (ABSL), it will create a further 15,000-20,000 jobs in 2014. The country is home to some 440 foreign-owned BPO/SSC centers, which expand their operations rapidly, and it continues to attract new investors. In 2012 Poland welcomed 56 new BPO investors and last year their number came to 25. Crucially, offshoring projects create jobs also outside the key destinations of Kraków, Warsaw, and Wrocław. In recent years the Tricity area, Łódź, Poznań and Katowice have become hotspots for BPO/SSC investments and new projects have been popping up in places like Szczecin, Opole, Lublin, Białystok, Kielce and Toruń.



## TRANSPORT & LOGISTICS

# Large new logistics park to emerge near Ukrainian border

The first logistics complex on the Polish-Ukrainian border is to emerge by the end of 2014, announced the Cyprus-based property investment company Waimea Holdings Limited, the investor behind EAST A4 Logistic Park. The company obtained a valid building permit for the project a few weeks ago and plans to break ground on the first building in spring. In addition to a loan from BOŚ Bank, the investment is being partially financed with an EU grant.

"We estimate the whole capex at PLN 110m, of which 30% will be provided by the EU under the Innovative Economy program in the form a grant for the creation of a shared logistics services centre for external clients," Andrzej Rosiński, CEO of EAST A4 Logistic Park, tells Poland Today.

Located in Młyny, 3km from the border with Ukraine and exactly half way between Rzeszów and Lvov, EAST A4 Logistic Park will have a gross area of 55,000 sq.m . The project will be spread over a 12ha site, directly by the A4 highway, which is to reach completion by the end of this year, connecting Germany, the key industrial centers of southern Poland (Wrocław, Katowice, Kraków, Rzeszów) and Ukraine.

"We are targeting companies from all over Europe, especially those that supply Ukraine and other markets east of Poland and need a space for storage, packaging, distribution and access to other logistics services, on the EU side of the border," says Andrzej Rosiński. "The newly-completed A4 motorway, which is part of a

trans-European transportation corridor, is bound to generate heightened demand for warehouse space in this region."



**EAST A4 Logistic Park**, targets primarily Polish companies that do business with Ukraine. Photo: East A4LP

EAST A4 Logistic Park will include three buildings equipped with all the necessary warehousing solutions (high bay and controlled temperature storage for food products, large yard and parking lot for up to 110 trucks, customs offices, and amenities for drivers etc.). Building A, with 7,169 sq.m, is to be completed before the end of 2014 and the developer is currently in talks with a number of potential tenants. The subsequent two buildings (14,560 sq.m and 13,100 sq.m) are to be delivered in 2015.

"Due to the high demand for Polish foodstuffs in Ukraine we expect Polish food producers to be among those most interested in warehouse space near the Ukrainian border. The investor is ready to enable modern high-bay and controlled temperature storage conditions for food products in all buildings," says Mr. Rosiński.

Waimea's first Polish project was the 45,000 sq.m Korczowa Dolina shopping centre, located near the Poland-Ukraine border crossing in Korczowa, which the company sold in 2011 after completing the first of its planned three buildings. Next the company embarked on an industrial development NORTH-WEST Logistic Park in Szczecin, the first section of which was delivered (and fully leased) in July 2013. Currently work is underway on the 13,380-sq.m phase two of the project, which is situated on a 14ha site in the Szczecin's south-eastern Dąbie district, by the A6 highway (Szczecin-Berlin) and the S3 expressway (Szczecin-Świnoujście port). With an estimated total capex of PLN 110m and planned leasable area of 64,000 sq.m, North-West Logistic Park is Szczecin's first class-A warehouse and industrial complex.



**Andrzej Rosiński**, CEO of EAST A4 Logistic Park hopes the project will prove attractive to Polish food exporters.

Photo: East A4LP

The 6,850 sq.m phase one of NORTH-WEST Logistic Park attracted three tenants (InCom Polska, Premium Distributors, and IQ Metal Polska) WHO employ 110 staff at the site. North-West Logistic Park targets particularly companies from Scandinavia and northern Europe. Thanks to its strategic location Szczecin represents an attractive warehouse and manufacturing destination for northern European companies seeking to expand in Germany and the CEE region. After all, it takes merely 1½ hours to get from



Szczecin to Berlin by car, which makes the Polish port town a natural logistics hub for the German capital.

"Spain's InCom have recently decided to double their premises from 2,000 to 4,000 sq.m and relocate from building A to building B, which is currently 65% complete. We have earlier signed a lease with Denmark's MyTrendyPhone for a 2,000 sq.m lease, which makes building B already 40% occupied and talks with other prospective tenants are underway."

## TRANSPORT & LOGISTICS

# Car sales go up while production drops further down in 2013

New passenger car and light commercial vehicle registrations came to 332,100 last year, representing a growth of 6.4% according to data provided by Poland's central vehicle register CEP. The automotive market consultancy Samar argues that the actual growth came to no more than 2.7% as an estimated 42,000 new vehicles sold in Poland were purchased by foreign buyers to be taken out of the country.

### Top five passenger car brands in 2013

Based on vehicle registrations

Car make	Units sold	Change y/y	Share
Skoda	36,395	+13.1%	12.6%
Volkswagen	26,133	+13.4%	9.0%
Toyota	23,476	+18.3%	8.1%
Ford	19,652	+16.1%	6.8%
Opel	18,827	-3.5%	6.5%

Source: Samar / CEP

The official data show 289,912 passenger cars being registered in Poland in 2013 (+6.31% y/y), of which an estimated 38,000 were re-exported. Corporate buyers were responsible for 58% of the total demand.

Germany's Volkswagen Group topped the podium last year with its Skoda (36,395 units and a 13.1% y/y increase) and Volkswagen (26,133; +13.4% y/y) brands, which together boasted a 21.6% share in the Polish market. Japan's Toyota came in third with 23,476 passenger cars sold and the most impressive y/y improvement of all of Poland's top 15 automobile brands (+18.3%). When it comes to individual models, Skoda Octavia and Skoda Fabia were most popular, each having sold more than 10,000 units. Other best-sellers included Ford Focus, VW Golf and Opel Astra. Premium marques had an 8.8% share in the market with BMW and Audi generating close to a half of all sales in this segment.

### Top five LCV\* brands in 2013

Based on vehicle registrations

Car make	Units sold	Change y/y	Share
Fiat	9,921	+3.3%	23.5%
Peugeot	5,733	+33.6%	13.6%
Renault	4,880	+5.8%	11.6%
Volkswagen	3,459	+1.9%	8.2%
Mercedes	3,032	+2.6%	7.2%

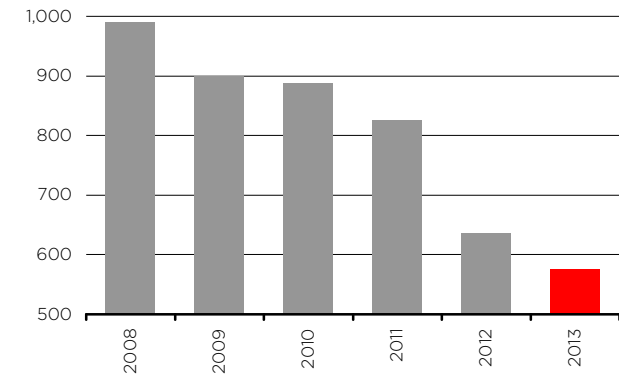
Source: Samar / CEP \*) light commercial vehicles GVM<3.5t

As far as the light commercial vehicle segment, which encompasses vans with a gross vehicle mass of less than 3.5 tons, the full-year sales came to 42,188 in 2013, a growth of 7.2%. The undisputed leader in this segment, with a 24% share, is Italy's Fiat, which sold 9,921 vans last year (+3.3% y/y). Peugeot ranked as second with 5,733 units (+34% y/y) sold and a market share of 13.6%, with Renault at number three position (4,880; +5.8% y/y). The most popular commercial

model was Fiat Ducato, followed by Renault Master and Peugeot Boxer.

### Car production in decline

Poland's passenger car & light commercial vehicle production in '000



Source: Samar

Despite the slight improvement in automobile sales, Poland-based car manufacturers turned out 575,117 passenger cars and light commercial vehicles last year, marking a 9.6% drop from 2012, Samar said. Although Fiat Auto Poland retained its position as the country's number one carmaker, its share in the total vehicle output dropped by 3.4 pps, down to 51.4%. The Poznań-based Volkswagen plant came second with a 29.7% share (+4.2 pps), whereas Opel Polska's factory in Gliwice saw its share shrink by less than 1 pps, reaching 18.9%.



## CONSUMER GOODS & RETAIL

# Competition watchdog approves Real takeover but orders Auchan to sell eight stores

It took the Polish competition watchdog UOKiK more than 10 months to voice its verdict on French Auchan's plans to acquire the Real hypermarket chain from Germany's Metro AG. Although the French giant, which currently operates 27 stores across Poland, has been given green light to buy Real's 54 locations, the UOKiK requested that Auchan sells eight Real stores in order to ensure fair competition is maintained.

Auchan agreed in March 2013 to acquire 91 Real outlets in Poland, Russia, Ukraine and Romania for EUR 1.1bn as part of its expansion in the CEE region. The competition authority carried out an in-depth study to conclude that the Real deal would reduce competition in 11 local markets (Białystok, Bielsko Biała, Czeladź, Legnica, Rzeszów, Szczecin, Wałbrzych and Sosnowiec) and those are the towns where Auchan will have to find buyers for Real stores within 18 months after the transaction. Once Auchan fulfils UOKiK's request, it will have 81 hypermarkets in Poland.

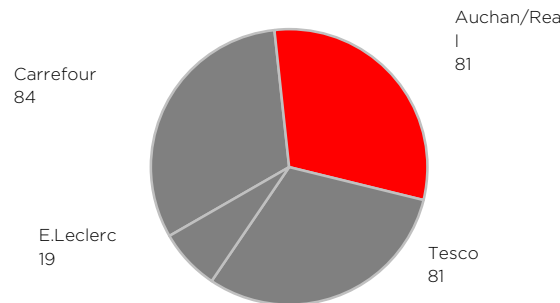
In the three months ended 31st December 2013, Real saw its sales drop 16% y/y across the four markets where Germany's Metro AG still operated the chain (Germany, Poland, Turkey, and Romania). A quick look at the data reveals that it was mainly the Polish Real stores that were responsible for such a miserable result, as in Germany, where the company has 310 outlets, the y/y decline came to 2.2%. With 57 Real stores,

Poland is Real's second largest market, as apart from Germany and Poland the chain has only 12 shops in Turkey and four in Romania.

Auchan's Polish unit turned over PLN 6.55bn in 2012, while Metro Group (which besides Real operates Makro Cash & Carry wholesale outlets, as well as Saturn and Media Markt electronics chains) had a turnover of PLN 14.96bn in the same period.

## Hypermarket chains in Poland

Number of outlets



Source: Cushman & Wakefield, July 2013

According to the brand new edition of Deloitte's "Global Powers of Retailing 2014", report, Groupe Auchan was the world's 11th largest food retailer in 2014 and number two in Europe, behind Carrefour. The report ranks the top 250 largest food and non-food retailers around the world, based on their 2012 revenues.

As of July 2013, Poland had more than 260 hypermarkets and several thousand smaller food retail formats. According to experts, the Polish hypermarket sector is reaching saturation with limited expansion of food chains and continuing market consolidation, of which

the Auchan/Real deal is a perfect example. Following the transaction, the hypermarket sector will be almost evenly divided between Carrefour (84) locations, Auchan (81) and Tesco (81), with E.Leclerc maintaining a smaller chain of 19 units.

As for the country's supermarket sector, it continues to expand sustainably while discount stores are moving ahead with strong growth strategies, improving store standards and finding new growth areas in shopping centers and downtown locations. The key operators in the supermarket & discount grocery segment include the thriving, Portuguese-owned Biedronka chain, German Lidl, Polish Piotr i Paweł, German Kaufland and French Intermarche. Carrefour and Tesco are both successfully developing smaller supermarket and grocery formats, often in cooperation with private franchisees.

According to Cushman & Wakefield, rents for food stores stood at EUR 6-7/sq.m/month for hypermarkets, EUR 7-11/sq.m/month for supermarkets and EUR 5-9/sq.m/month for discount stores as of mid-2013.

## CONSUMER GOODS & RETAIL

# Biedronka founders launch new discount chain with hundreds of stores in pipeline

Following its recent strategic shift from real estate development to retail (see PT Business Review+ No. 002 page 12), the Poznań-based group Czerwona Torebka has launched the first pilot batch of nine discount groceries with another 42 currently under



construction and a further 200 or so at a preparatory stage. Their long-term plan is 100 openings annually.

"We have nearly two decades of experience in building and running retail chains, both on the property development side as well as in operational management," Przemysław Schmidt, Member of Czerwona Torebka's Supervisory Board tells Poland Today. "Our people know this business like no-one else and we are confident there is plenty of space on the market for another discount chain. Poland's retail segment still remains largely fragmented."

## No private label goods

The new chain Dyskont Czerwona Torebka will target both small towns (with population of 10,000+) and big cities, but unlike its key competitors Biedronka and Lidl, it will not sell private labels, focusing on brand name goods only. Every product carries two price tags: a retail and a wholesale one, the latter being applicable when a client purchases more than six items of the same kind.

"The inventory will include some 2,500 brand-name items, mainly packaged foods, beverages and other consumer products. There will be fewer products categories, but a better choice within each category. We are targeting clients who seek well-priced brand-name products. Despite some optimistic data, customer trust in private label products remains low and therefore we are not going to develop those," says Mr. Schmidt.

Measuring between 550 and 850 sq.m in size, Czerwona Torebka discount stores will be located in existing free-standing buildings, many of which the company has accumulated in its portfolio over the years, as well as in newly-built properties, shopping centers, and retail parks, like Szczecin's Marcredo Center. Each outlet will employ some 10-15 staff and accept cash payments only, similar to the market leader Biedronka.



**Czerwona Torebka** is targeting 100 discount supermarket openings per annum. Photo: Czerwona Torebka

"Poland's FMCG retail market has been dominated by discount chains, but the latter are gradually evolving towards the regular supermarket model. We believe this has created a niche in the proper discount segment and this is exactly where we are positioning our new retail concept. There are an estimated 3,000 discount groceries throughout Poland but experts believe the market can fit 5,000 and more. At the same time, the hyper- and supermarket segment is experiencing a decline, with shrinking sales and profitability, and traditional, independent mom & pop shops are likewise becoming a thing of the past, which creates new opportunities for discount stores," says Przemysław Schmidt.

## Full focus on retail

A brainchild of Mariusz Świtalski, the creator of Poland's most successful retail concepts (Biedronka discount groceries, Żabka convenience stores, and Eurocash wholesale warehouses), Czerwona Torebka started up as a developer of neighborhood shopping plazas, focusing mainly on high traffic areas in small and medium-sized towns, where competition has been weak and existing retail properties – outdated or non-

existent. A typical Czerwona Torebka project includes a handful of prefab, standard-sized 60-sq.m retail units which generate natural customer traffic due to location, available parking, and a smart tenant mix, combining all the essentials: a bakery, pharmacy, butchers, bank, post office, hairdresser, and the like. To-date, the company has launched some 65 strip malls and its original plan was to reach 1,900 locations by 2021, with the capex on the entire pipeline seen at some PLN 4.5bn.

However, discouraged by tight lending policies of Polish banks, in August 2013 the company officially shifted its focus from shopping centre development to retail, starting with the acquisition of Małpka Express, a rapidly expanding chain of convenience stores that has grown from 80 locations in mid-2013 to some 240 at the moment. In 2014 their number is to double and the company is hoping to speed up the pace to reach 300 new stores per annum in the coming years, targeting 2,500 locations as of end of 2012. Besides the two retail chains and its network of shopping plazas, Czerwona Torebka owns one of Poland's top multimedia retailer and e-commerce operators Merlin.pl. The group counts on synergies between its online and brick & mortar business on the of logistics and purchasing side.

Based in Poznań, Czerwona Torebka employs some 200 staff at the head office. In 2012 the company turned over PLN 75.8m and net-earned PLN 30.1m (31.8m gross). In Q1-Q3 2013 the revenues came to PLN 101.1m, while the net result was a PLN 27.6m loss, reflecting its capital-intensive property investments. Czerwona Torebka debuted on the Warsaw Stock Exchange in 28 December 2012, raising merely 19m instead of the PLN 280m it had been hoping to get. Despite the disappointing IPO, the business attracted a strong minority shareholder in the shape of private equity fund Pinebridge, and its listed status enables it to finalize acquisitions via share swaps, which proved

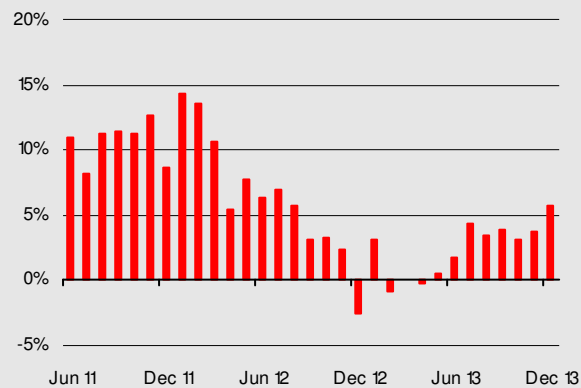


handy in the case of Merlin.pl and Małpka Express. Czerwona Torebka is not planning an equity boost anytime soon, hoping to rely on its own cash, bank loans and bond issues for financing.

### DATA BOX: RETAIL SALES

Polish retail sales rose at an annual rate of 5.8% in December, on a 17.3% monthly increase, the stats office GUS said. An analyst survey by PAP, the Polish press agency, had shown consensus expectations for a 6.8% y/y increase and a 18.9% m/m growth. In real terms, Polish retail sales were up by 5.9% y/y in December after 4.2% y/y increase in November, GUS added. In the whole of 2013 retail sales rose by merely 2.3% from the prior year.

#### Retail sales in Poland (y/y)



Source: GUS

## CONSUMER GOODS & RETAIL 500,000 sq.m of retail space to enter Polish market in 2014

Following a considerable slowdown in Poland's shopping centre sector in 2012, the last year saw 459,000 sq.m of retail space being delivered to the market, over a half of which (275,000 sq.m) was completed in Q4. According to the property consultancy Jones Lang LaSalle, a further 610,000 sq.m of retail space is currently under construction throughout Poland, of which approximately 500,000 sq.m is scheduled for delivery in 2014.

At the end of 2013, the supply of modern retail space in Poland came 11.8m sq.m, with shopping centers representing a vast majority (nearly 8.5msq.m) of the total stock. Floor space in retail parks and retail warehouses amounted to 1.3m sq.m and 1.85m sq.m respectively. The market is complemented by ten outlet centers, with a joint floor space of 163,000 sq.m. The average shopping center density in Poland rose by 12sq.m last year and reached a level of 220 sq.m per 1,000 inhabitants.

The last year saw a number of major shopping center openings in key urban areas such as the greater Katowice region (Galeria Katowicka and Europa Centralna), Poznań (Poznań City Center), Kraków (Galeria Bronowice), Tri-City (Riviera – extension of the Wzgórze scheme), and Warsaw (Plac Unii City Shopping). New retail properties opened also in small and medium-sized cities, e.g. Nowy Sącz (Galeria Trzy Korony), Łomża (Galeria Veneda), Inowrocław (Galeria Solna), Chojnice (Brama Pomorza) or Czechowice-Dziedzice (Stara Kablownia).

According to Jones Lang LaSalle, Poland remains a sought-after destination for retailers, both newcomers, as well as those already present on the market but seeking further expansion opportunities. The 2013 saw more than 30 new brands launch operations in Poland, including Louis Vuitton, Hollister, Sports Direct, Celio, Original Marines, Only, Joop!, Tape a l'oeil, Bobbi Brown, Laura Ashley. Retailers owning wide-ranging brand portfolios introduced new concepts, including Sinsay (LPP Group), H.E. by Mango, H&M Home. Others diversified their concepts, such as Empik who launched Empik Express stores. The segment of small retail parks, which is gathering pace across the country, is fostering the expansion of clothing discounters, such as Pepco, KiK and NKD. On the other hand, some retail operators decided to either withdraw from the Polish market or to optimize their store chain, i.e. Charles Voegelé, Marrionaud, Jackpot&Cottonfield, Wallis, KappAhl, LaSenza and Flo.

Prime shopping centre rents, which refer to a 100 sq.m unit in a leading shopping centre earmarked for the fashion and accessories category, remained stable throughout 2013. The highest rents are typically registered in Warsaw, where they now range from EUR 85 to EUR 100 sq.m/ month, representing a 5% increase y/y.

"The 2014 will be another busy year on Poland's retail market. Construction activity remains high as currently 610,000 sq. m is in the development stage, of which approximately 500,000 sq.m is scheduled for completion in 2014. The largest ongoing projects include Atrium Felicity and Tarasy Zamkowe in Lublin, Galeria Warمیńska in Olsztyn, Galeria S in Siedlce and Galeria Amber in Kalisz. It is also worth noting that the retail offer in Eastern Poland and in towns with less than 100,000 residents will grow. In addition, extensions of existing centers, aimed at strengthening



their position on the local retail markets, will remain one of the key and trends, especially when it comes to older schemes,” said Edyta Potera, National Director, Retail Agency, Jones Lang LaSalle.



**Poznań City Center** was one of the largest retail projects completed in 2013. Photo: JLL

The most notable extension projects planned for 2014-2015 include Galeria Pomorska (Bydgoszcz), Ogrody (Elbląg), Atrium Copernicus (Toruń), Magnolia Park (Wrocław), Gemini Park (Bielsko-Biała) and Galeria Sudecka (Jelenia Góra). On the demand side, established projects, with a solid trading history, will remain the most popular locations among retail tenants. “The best performing shopping schemes in major agglomerations still receive the greatest interest. However, good quality projects in smaller cities are also gaining market recognition. However, owners of assets perceived as a secondary product or located in more competitive markets, should be prepared to optimize rental levels”, Edyta Potera said.

The value of retail properties transacted throughout 2013 reached EUR 1.32bn, most of which (EUR 1.12bn) was finalized in H2 2013. In Q4 deals worth approx. EUR 550m were closed, including Wola Park (Warsaw), Galeria Kazimierz (EUR 180.4m, Kraków) and Charter Hall’s portfolio (Zakopianka in Kraków, Borek in Wrocław, Turzyn in Szczecin, Arena in Gliwice, and

Dąbrówka in Katowice, with a total volume of EUR 174.5m). Two other key deals were concluded earlier in 2013 contributing greatly to the high retail investment volume over the second half of the year. These were the largest single asset deals in 2013 in CEE: Silesia City Center (ca. EUR 400m, Katowice), and Galeria Dominikańska (EUR 151.7m, Wrocław).

“The volume of retail property transactions increased by 25% last year, compared to 2012’s result of EUR 1.07 billion. These figures confirm that Poland continues to attract interest from investors. This trend is likely to be sustained throughout 2014 and we expect the retail investment volume to be on par with the one registered in 2013. We expect a number of noteworthy retail acquisitions to be closed in the coming months,” said Agnieszka Kołat, Associate Director, CEE Retail Capital Markets, Jones Lang LaSalle.

## IT & TELECOM

# Play prepares giant bond issue to part ways with Chinese creditors, and pay dividend

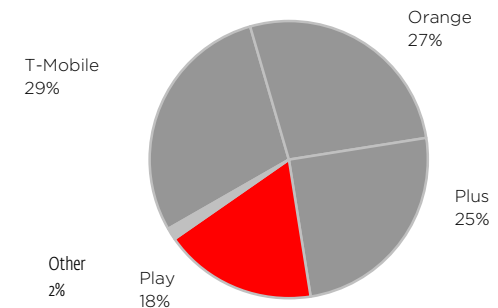
P4, operator of Poland’s fourth-largest mobile-phone network Play, last week met with investors to sell a total EUR 870m of bonds, seeking to take advantage of record low borrowing costs for high-yield issuers.

The owner of the Play brand is marketing the notes in euros and Polish złoty to refinance existing debt and pay shareholders, according to sources cited by Reuters. P4 plans to issue five-year senior secured notes that it can buy back after two years, 5 1/2-year senior unsecured securities callable after 2 1/2 years, and

five-year floating-rate notes in złoty redeemable after one year, according to the person familiar with the deal. The bonds will be issued by P4’s Play Finance SA unit.

## Play is Poland’s No. 4 mobile player

Mobile operators in Poland, market shares as of Q2’13\*



Source: Telepolis \*) based on SIM card numbers

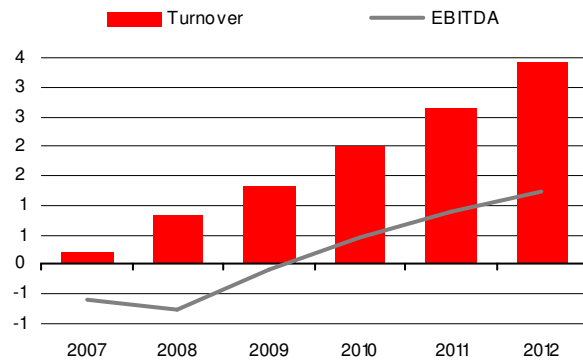
Fitch Ratings expects to assign P4 a Long-term Issuer Default Rating (IDR) of B+ with a positive outlook. The agency has assigned expected ratings of BB- to the proposed senior secured notes to be issued by Play Finance 2 S.A. and B- to the senior notes to be issued by Play Finance 1 S.A. The Polish T-Mobile and Orange units received BBB+ ratings with a stable outlook from Fitch.

“Fitch views competition in the Polish mobile market as developed and well dimensioned with no single operator owning a disproportionate share of the market, while as the market challenger, Play has taken a measured approach to market share gains, product position and pricing. The agency considers that a population of 38 million people in a reasonably advanced economy can support a four player market and that the market



structure is less likely to experience the kind of value-destructive price wars seen in some markets. The somewhat underdeveloped fixed telephony infrastructure and limited pervasion of traditional triple-play services, suggest an aggressive move to convergent fixed-mobile bundles is currently a limited medium-term risk," the ratings agency said.

### P4 (Play) key figures in PLN bn



Source: KRS, Play

One of the key objectives of the refinancing is to reduce P4's dependence on China Development Bank as its main creditor, in favor of Europe-based institutions, market insiders said. The Chinese lender supported P4's growth in Poland after the company chose Huawei as its main infrastructure provider. Secondly, P4 is raising money to pay a reported PLN 1.3bn dividend to its shareholders, Greek entrepreneur Panos Germanos (who has a majority stake in the operator via his Cypriot venture Tollerton) and Icelandic billionaire Thor Bjorgolfsson (operating via the Novator fund).

P4, which serves 10m subscribers, is taking advantage of record low borrowing costs as it upgrades its net-

work to offer fast wireless data connections. The average yield investors demand to hold junk bonds in euros dropped 18 basis points this month to 4.8%, Bank of America Merrill Lynch index data show. Warsaw-based P4 will be the third Polish company to sell bonds in euros this year, adding to issuance of EUR 650m compared with EUR 1.2bn for all of 2013, according to data compiled by Bloomberg.

"Play has developed an efficient approach to network coverage concentrating its own network infrastructure in more populous and urban areas, relying to a limited extent on roaming agreements, which currently exist with each of the other three main network operators. Data traffic is almost entirely carried on the company's own network, while spectrum and planned LTE (next generation data technology) investment appear adequately provisioned relative to the competition. This hybrid asset-light approach allows for a lower level of capital intensity, in turn supporting an improving cash flow. While roaming agreements are entirely commercially negotiated, Fitch does not perceive a high degree of renegotiation risk given the current existence of multiple agreements," reads the Fitch assessment.

As the smallest in a four player market in an emerging economy, Play has proven a nimble competitor and has grown quickly and consistently. With more than 10m customers as of end of Q3 2013, the company turned over PLN 2.14bn in Q1-Q3 2013 (+24% y/y). Its full-year EBITDA came to PLN 1.22bn in 2012 on revenues of PLN 3.44bn.

"Play appears to have developed a consistent and well-communicated brand, seeking to be the mobile number porting destination of choice and has acquired customers on a relatively evenly balanced basis across the market (ie. without targeting any one particular competitor). Management appear conscious of the need not to be seen as a disruptive challenger, which could provoke a destructive price war," concluded Fitch.

## POLITICS & ECONOMY

# Poland tops Bloomberg's "best for business" ranking

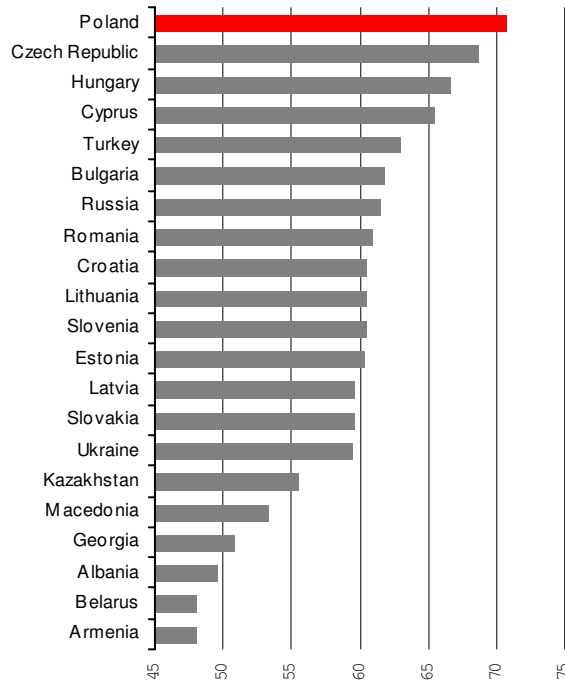
Poland topped a list of 21 countries in a brand new Bloomberg Rankings survey for 2014 as the best place to do business in Eastern Europe and Central Asia because of its expanding consumer market and improving infrastructure. The European Union's largest eastern economy ranked 26th of 214 evaluated countries worldwide.

Bloomberg identified the best countries for business based on their overall business, commerce and trade climate. Countries and sovereigns were ranked on the following six weighted factors (degree of economic integration, cost of setting up a business, cost of labor and material, cost of moving goods, less-tangible costs and readiness of the local consumer base) for a combined score from zero to 100. With 70.8 points, Poland beat its regional peers the Czech Republic (70.8) and Hungary (66.7) as well as much larger rivals like Turkey and Russia.

Thanks to a USD 80bn EU-supported program to re-vamp its roads and bridges and the resulting tripling of the country's highway network in the past half a decade, Poland scored very high on the cost of moving goods, ranking as second in the region behind Turkey. It was third after Kazakhstan and Russia on labor and materials costs. With a population of 38.5m - almost equal to that of the Czech Republic, Hungary and Romania combined, Poland led the ranking in terms of its potential consumer base. That includes factors such as the size of the middle class and household consumption.



### Best countries for business in Eastern Europe and Central Asia 2014\*



Source: Bloomberg Rankings \*) ranked according to total score

Poland's currency, the zloty, has been the second-best performer against the euro during the last year among 24 emerging-market currencies tracked by Bloomberg, remaining little changed while Russia's ruble weakened by 12%. Moreover, Polish labor productivity increased between 2009 and 2012 by the most among 34 countries tracked by the Organization for Economic Cooperation and Development. Even so, average monthly salaries are a third of what companies pay their employees in neighboring Germany, according to statistics office.

On the flipside, however, Poland was near the bottom of the ranking for costs and time required to set up a business, and dropped six places from 2012 in the global assessment after being taken over by Luxembourg, Portugal, Ireland, Chile and New Zealand. It tied with Italy.

#### DATA BOX: CORPORATE WAGES & EMPLOYMENT

Poland's average corporate gross wage totaled PLN 4,222 in December, as it rose by 2.7% y/y and by 8.3% m/m, the Central Statistics Office (GUS) said. Wages counting out bonus payments from profit at PLN 4,218 were up by 2.7% y/y on a monthly increase of 8.2%, which reflect the end-of-the-year bonuses in certain . Poland's corporate employment measured 5.491m people in December, as it rose by 0.3% y/y and down by 0.2% m/m. The tie up of jobs and wages pushed the nominal corporate wage bill up by 3.0% y/y on a 8.1% monthly increase, calculations against the data showed.



## Power Breakfast: Thousands of events, one place. Sopot.

Thursday 6th February 2014, Hotel Bristol, Warsaw

Poland Today invites you to a power breakfast with **Jacek Karnowski, Mayor of Sopot**, during which he will discuss the opportunities this charming Polish seaside resort has to offer to event organizers. The event will bring together municipal officials and representatives of Poland's meetings, incentives, conferences, and exhibitions (MICE) sector.

For more details go to: [www.prospectsinpoland.com](http://www.prospectsinpoland.com) or contact Marta Borowska at: +48 608 577 709

**Registration deadline: 30th January 2014**



## KEY STATISTICS

### Consumer Prices

Data in (%)	Sep '13		Oct '13		Nov '13		Dec '13	
Sector	y/y	m/m	y/y	m/m	y/y	m/m	y/y	m/m
Food & bev	+2.6	0.0	+1.9	-0.1	+1.9	+0.3	+1.5	+0.7
Alcohol, tobacco	+3.7	+0.2	+3.6	+0.1	+3.6	+0.1	+3.7	0.0
Clothing, shoes	-4.7	+0.7	-4.8	+3.5	-4.9	-0.2	-4.9	-0.6
Housing	+1.8	+0.1	+1.8	+0.2	+1.8	+0.1	+1.8	0.0
Transport	-1.4	+0.8	-2.3	-1.0	-2.3	-1.2	-0.9	0.4
Communications	-9.7	0.0	-7.2	+2.8	-11.7	-4.9	-11.6	0.0
<b>Gross CPI</b>	<b>+1.0</b>	<b>+0.1</b>	<b>+0.8</b>	<b>+0.2</b>	<b>+0.6</b>	<b>-0.2</b>	<b>+0.7</b>	<b>+0.1</b>

### Producer Prices

Month	Jun '13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13
m/m (%)	+0.7	+0.2	-0.3	+0.1	-0.7	-0.3	0.0
y/y (%)	-1.3	-0.8	-1.1	-1.4	-1.4	-1.5	-0.9
Year	2007	2008	2009	2010	2011	2012	2013
y/y (%)	+2.0	+2.2	+3.4	+2.1	+7.6	+3.3	-1.3

### Construction Prices

Month	Jun '13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13
m/m (%)	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
y/y (%)	-2.0	-1.9	-1.9	-1.8	-1.8	-1.7	-1.7
Year	2007	2008	2009	2010	2011	2012	2013
y/y (%)	+7.4	+4.8	+0.2	-0.1	+1.0	+0.2	-1.8

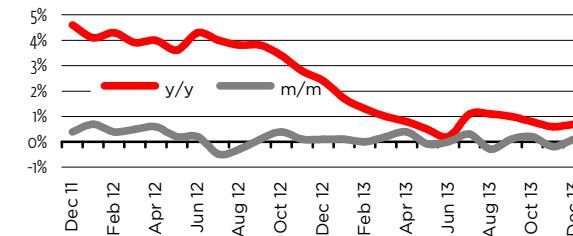
### Gross Wages

A: avg monthly wages in PLN B: indexed avg wages, 100=2005

Sector	Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	A	B	A	B	A	B	A	B
Coal mining	8,427	192	6,060	138	6,290	143	6,061	138
Manufacturing	3,522	154	3,491	152	3,560	155	3,625	158
Energy	6,535	198	6,196	188	5,828	177	6,021	183
Construction	3,829	163	3,556	152	3,693	157	3,766	160
Retail & repairs	3,365	143	3,432	146	3,421	146	3,408	145
Transportation	3,816	135	3,439	122	3,547	125	3,589	127
IT, telecoms	6,379	166	6,685	174	6,707	174	6,654	173
Financial sector	6,044	136	6,356	143	6,702	151	6,109	137
National average	3,878	154	3,741	149	3,613	144	3,652	145

Source: Central Statistical Office (GUS)

### Inflation



### Industrial Output

Month	Jun '13	Jul '13	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13
m/m (%)	+2.6	+1.5	-4.5	+9.6	+6.0	-6.2	-9.7
y/y (%)	+2.8	+6.3	+2.2	+6.2	+4.4	+2.9	+6.6
Year	2007	2008	2009	2010	2011	2012	2013
y/y (%)	+10.7	+3.6	-3.5	+9.8	+7.7	+1.0	+2.2

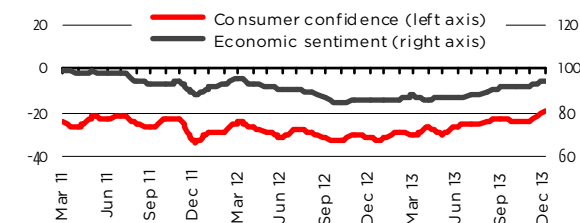
### Construction Output

Month	Jun '13	Jul '13	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13
m/m (%)	+19.1	+7.8	-0.8	+9.4	+14.3	-2.9	+21.5
y/y (%)	-18.3	-5.2	-11.1	-4.8	-3.2	-8.9	+5.8
Year	2007	2008	2009	2010	2011	2012	2013
y/y (%)	+15.5	+12.1	+5.1	+4.6	+11.8	-0.6	-12.0

Source: The Central Statistical Office of Poland, GUS

### Sentiment Indicators

Economic sentiment and consumer confidence indicators



The economic sentiment (1990-2010 average = 100) is a composite made up of 5 sectoral confidence indicators, which are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable. Source: Eurostat

### Retail Turnover

Month	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13
m/m (%)	-0.7	-0.9	+3.6	-5.8	+17.3
y/y (%)	+3.4	+3.9	+3.2	+3.8	+5.8
Year	2009	2010	2011	2012	2013
Turnover in PLNbn	582.8	593.0	646.1	676.0	n/a
y/y (%)	+4.3	+5.5	+11.6	+5.6	+2.3

### Residential Construction

Dwellings (in '000 units)	2008	2009	2010	2011	2012	2013	y/y (%)
Permits	230.1	178.8	174.9	184.1	165.1	138.7	-16.0
Commenced	174.7	142.9	158.1	162.2	141.8	127.4	-10.2
U. construction	687.4	670.3	692.7	723.0	713.1	694.0	-2.6
Completed	165.2	160.0	135.7	131.7	152.5	146.1	-4.4

Source: Central Statistical Office (GUS)

### Gross Domestic Product

Period	Growth y/y unadjusted	GDP in PLN bn current prices	Current account def. in % of GDP
Q3 2013	+1.9%	404,310	-1.9%
Q2 2013	+0.8%	395,657	-2.3%
Q1 2013	+0.5%	377,815	-3.1%
Q4 2012	+0.7%	442,231	-3.5%
2012	+1.9%	1,522,736	-3.5%
2011	+4.5%	1,462,734	-4.9%
2010	+3.9%	1,416,585	-5.1%
2009	+1.6%	1,344,384	-3.9%

### Key Economic Data & Projections

Indicator	*2010	*2011	*2012	2013	2014
GDP change	+3.9%	+4.5%	+1.9%	+1.5%	+3.1%
Consumer inflation	+2.6%	+4.3%	+3.7%	+0.9%	+1.4%
Producer inflation	+2.1%	+7.6%	+3.4%	-1.3%	+0.7%
CA balance, % of GDP	-5.1%	-5.0%	-3.7%	-1.3%	-0.2%
Nominal gross wage	+3.9%	+5.2%	+3.7%	+3.3%	+4.9%
Unemployment**	12.4%	12.5%	13.4%	13.5%	12.7%
EUR/PLN	3.99	4.12	4.19	4.20	4.06

Sources: NBP, BZ WBK, GUS \*) actual figures \*\*) year-end

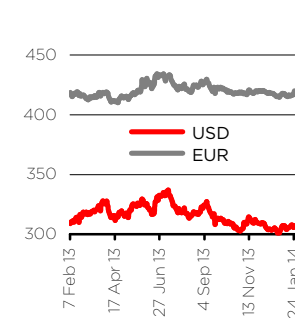


## Currency

**Central Bank average rates**  
as of 24 January 2014

100 USD	307.27 ↑
100 EUR	420.14 ↑
100 GBP	510.72 ↑
100 CHF	342.37 ↑
100 DKK	56.31 ↑
100 SEK	47.52 ↑
100 NOK	50.06 ↑
10,000 JPY	298.71 ↑
100 CZK	15.29 ↑
10,000 HUF	137.52 ↑

**100 USD/EUR against PLN**



## Money Supply

in PLN m	Sep '13	Oct '13	Nov '13	Dec '13
Monetary base	166,620	154,967	153,672	164,010
M1	540,873	536,237	538,837	555,851
- Currency outside banks	113,223	113,174	113,718	114,401
M2	931,042	935,095	934,713	960,361
- Time deposits	405,703	414,941	412,469	421,160
M3	947,228	955,419	953,446	978,924
- Net foreign assets	147,978	150,517	148,702	143,430

Monetary base: Polish currency emitted by the central bank and money on accounts held with it.  
M1= currency outside banks + demand deposits  
M2= M1+ time deposits (inc in foreign currencies)  
M3= the broad measure of money supply

Source: NBP

## Interest rates

**Average weighted annual interest rates**

on loans to non-financial corporations

Term / currency	Jun '13	Jul '13	Aug '13	Sep '13	Oct '13	Nov '13
PLN (up to 1 year)	5.0%	4.7%	4.6%	4.5%	4.5%	4.5%
PLN (up to 5 y )	5.4%	5.1%	5.1%	4.9%	4.9%	4.9%
PLN (over 5 y )	5.3%	4.9%	4.9%	4.8%	4.8%	4.8%
PLN (total)	5.3%	5.0%	4.9%	4.8%	4.8%	4.8%
EUR (up to 1m EUR)	1.9%	2.3%	1.9%	1.8%	2.0%	1.9%
EUR (over 1m EUR)	2.9%	3.5%	3.5%	3.2%	2.5%	3.0%

**Warsaw Inter Bank Offered Rate (WIBOR)** as of 24 Jan 2014

Overnight	1 week	1 month	3 months	6 months
2.58%	2.58%	2.60%	2.70%	2.72%

**Central Bank (NBP) Base Rates**

Reference	Lombard	NBP deposit	Rediscount
2.50%	4.00%	1.00%	2.75%

## Credit

**The financial sector's net lending in PLN bn.**

loan stock at the end of period

Type of loan	Aug '13	Sep '13	Nov '13	Dec '13
Loans to customers	908,106	901,288	906,298	903,890
- to private companies	262,963	260,585	262,396	259,061
- to households	560,608	559,965	563,157	562,381
Total assets of banks	1,626,489	1,612,836	1,627,119	1,601,293

Source: Central Bank NBP

## Stock Exchange

**Warsaw Stock Exchange**, rates in PLN

WIG-20 stocks in alphabetical order	Price 24 Jan '14	Change 17 Jan '14	Change end of '13
↑ Asseco Pol.	45.97	+3%	0%
→ Bogdanka	125	0%	-1%
↑ BZ WBK	392.6	+3%	+1%
↑ Eurocash	40.6	+1%	-15%
↑ Grupa Lotos	36.17	+2%	+2%
↓ GTC	7.28	-2%	-2%
↑ Handlowy	107	+3%	+2%
↓ JSW	47	-6%	-12%
↓ Kernel	40	-1%	+5%
↓ KGHM	110	-3%	-7%
→ mBank	494	0%	-1%
↓ Orange Pol.	9.6	-5%	-2%
→ Pekao	180.8	0%	+1%
→ PGE	16.6	0%	+2%
↓ PGNiG	4.73	-6%	-8%
↓ PKN Orlen	38.98	-7%	-5%
↑ PKO BP	40.5	+1%	+3%
↓ PZU	423	-1%	-6%
↓ Synthos	5.19	-5%	-5%
↓ Tauron	4.04	-4%	-8%

Source: Warsaw Stock Exchange

**Key indices**

as of 24 January 2014

**WIG Total index**

**50,593.45**

Change 1 week **-1% ↓**

Change end of '13 **-1% ↓**

**WIG-20 blue chip index**

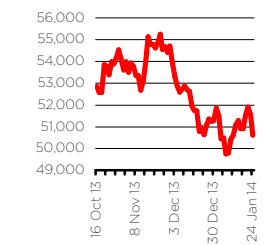
**2,347.44**

Change 1 week **-1% ↓**

Change end of '13 **-2% ↓**

**WIG Total closing index**

last three months



## Trade

**Poland exports and imports according to commodity groups**, according to SITC classification

	EXPORTS in PLN bn					IMPORTS in PLN bn				
	Jan-Oct 2013	y/y (%)	share (%)	2012	share (%)	Jan-Oct 2013	y/y (%)	share (%)	2012	share (%)
Food and live animals	56,746	+9.4	10.7	61,694	10.3	38,800	+4.3	7.2	44,287	6.9
Beverages and tobacco	7,170	+6.0	1.4	7,967	1.3	3,338	+1.0	0.6	3,989	0.6
Crude materials except fuels	13,343	+10.5	2.5	14,024	2.4	18,009	-6.4	3.4	22,053	3.5
Fuels etc	24,776	+0.6	4.7	29,389	4.9	63,364	-10.0	11.8	85,280	13.4
Animal and vegetable oils	1,484	+36.0	0.3	1,342	0.2	2,213	-9.0	0.4	2,887	0.5
Chemical products	49,367	+6.8	9.3	54,295	9.1	78,196	+2.5	14.6	89,140	14.0
Manufactured goods by material	109,878	+1.3	20.6	126,161	21.1	94,121	-2.1	17.5	110,773	17.4
Machinery, transport equip.	200,458	+5.4	37.6	223,646	37.5	177,909	+3.1	33.1	203,718	31.9
Other manufactured articles	68,214	+5.9	12.8	75,925	12.7	48,271	-3.4	9.0	57,646	9.0
Not classified	1,380	n/a	0.1	2,653	0.5	13,347	n/a	2.4	18,515	2.8
TOTAL	532,816	+4.9	100	597,096	100	537,568	-0.9	100	638,288	100

**Poland's ten largest trading partners**, ranked according to 2012

No	Country	EXPORTS in PLNbn				IMPORTS in PLN bn					
		Jan-Nov 2013	share	*2012	Share	No	Country	Jan-Nov 2013	share	*2012	Share
1	Germany	147,936	25.1%	150,046	25.1%	1	Germany	128,267	21.5%	134,933	21.1%
2	UK	38,640	6.6%	40,184	6.7%	2	Russia	73,484	12.3%	91,033	14.3%
3	Czech Rep.	36,340	6.2%	37,475	6.3%	3	China	56,314	9.4%	57,235	9.0%
4	France	33,145	5.6%	34,862	5.8%	4	Italy	30,866	5.2%	32,782	5.1%
5	Russia	31,656	5.4%	32,290	5.4%	5	France	22,700	3.8%	25,303	4.0%
6	Italy	25,415	4.3%	29,067	4.9%	6	Netherlands	22,875	3.8%	24,543	3.8%
7	Netherlands	23,129	3.9%	26,678	4.5%	7	Czech Rep.	21,954	3.7%	23,327	3.7%
8	Ukraine	16,612	2.8%	17,213	2.9%	8	USA	15,956	2.7%	16,436	2.6%
9	Sweden	16,304	2.8%	15,811	2.6%	9	UK	15,594	2.6%	15,509	2.4%
10	Slovakia	15,487	2.6%	15,288	2.6%	10	South Korea	n/a	n/a	14,619	2.3%

Source: Central Statistical Office (GUS)

\*) preliminary estimates, full year



## Regional Data

Poland's regions (main cities indicated in brackets)	Industrial output Jan-Dec 2013 *		Monthly wages (PLN) Jan-Dec 2013 **		Unemployment Dec 2013		New dwellings Jan-Dec 2013	
	Indus-try	Constru-ction	Indus-try	Constru-ction	in '000	%	Num-ber	Index *
Dolnośląskie (Wrocław)	101.1	96.6	4,317	4,114	153.6	13.2	16,730	111.3
Kujawsko-Pomorskie (Bydgoszcz)	103.6	105.4	3,350	3,346	150.1	18.1	6,680	105.1
Lubelskie (Lublin)	104.6	95.9	3,736	3,080	134.0	14.4	6,892	95.9
Lubuskie (Zielona Góra)	97.4	90.7	3,388	2,990	59.8	15.7	3,322	104.8
Łódzkie (Łódź)	104.0	91.0	3,715	3,084	151.6	14.1	6,113	76.2
Małopolskie (Kraków)	98.2	92.5	3,763	3,386	164.4	11.6	15,525	101.5
Mazowieckie (Warszawa)	107.6	78.4	4,488	4,787	283.2	11.0	29,609	96.9
Opolskie (Opole)	97.9	94.4	3,500	3,192	51.6	14.3	1,747	96.0
Podkarpackie (Rzeszów)	108.3	96.8	3,276	3,093	154.2	16.4	6,192	94.9
Podlaskie (Białystok)	106.8	98.6	3,224	3,796	70.9	15.1	4,228	93.4
Pomorskie (Gdańsk-Gdynia)	102.0	97.3	3,885	3,503	114.1	13.3	11,948	84.2
Śląskie (Katowice)	97.8	92.7	4,681	3,582	208.3	11.2	10,384	106.6
Świętokrzyskie (Kielce)	101.9	90.1	3,393	3,211	90.1	16.5	2,786	90.0
Warmińsko-Mazurskie (Olsztyn)	98.9	84.1	3,178	3,076	115.9	21.7	4,768	86.8
Wielkopolskie (Poznań)	104.4	92.4	3,697	3,649	144.8	9.6	13,686	92.4
Zachodniopomorskie (Szczecin)	112.5	86.5	3,436	3,262	111.1	18.0	5,512	77.9
<b>National average</b>	102.2	88.7	3,959	3,729	2,157.9	13.4	146,122	95.6

Index 100 = same period of the previous year. \*\* without social taxes

Sources: Central Statistical Office GUS, NBP, C&W

## Foreign Direct Investment (EUR m)

Quarter	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13
in Poland	1,861	1,381	2,886	175	-3,020	-1,794
Polish DI	310	-550	-1,203	957	2,588	-1,529
Year	2007	2008	2009	2010	2011	2012
in Poland	17,242	10,128	9,343	10,507	14,832	4,716
Polish DI	-4,020	-3,072	-3,335	5,484	-5,276	375

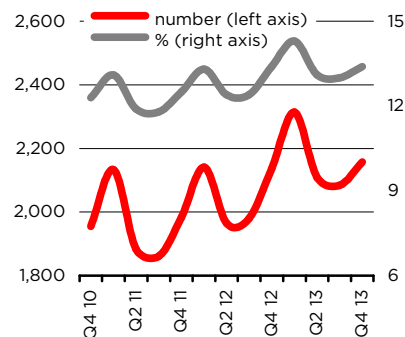
## Current Account (EUR m)

Period	2010	2011	2012	Q1 '13	Q2 '13	Q3 '13
Trade balance	-8,893	-10,059	-5,313	-139	1,203	1,017
Services, net	2,334	4,048	4,816	1,274	1,686	1,047
CA balance	-18,129	-17,977	-13,332	-2,313	486	-2,027
CA balance vs GDP	-5.1%	-5.0%	-3.7%	-3.1%	-2.3%	-2.0%

Source: NBP, BZ WBK

## Unemployment

Registered unemployed, in '000 and % of population in working age



Source: Central Statistical Office GUS

## Industrial Properties

by region, 1H 2013	Existing stock, sq.m	Under construction, sq.m	Vacancy ratio	Effective rents EUR/sq.m/mth
Warsaw central	2,728,000	41,000	15.9%	3.5-5.0
Warsaw suburbs				1.9-3.2
Central Poland	1,021,000	8,000	16.5%	1.9-3.1
Poznań	1,041,000	50,000	3.6%	2.3-2.9
Upper Silesia	1,478,000	33,000	5.8%	2.5-3.1
Wrocław	795,000	84,000	5.5%	2.4-3.0
Gdańsk	192,000	n/a	9.6%	3.2-4.0
Kraków	149,000	n/a	7.6%	4.0-4.1

## Commercial Properties

City	New apartments*		Offices 1H'13		Retail rents**1H'13	
	Q2 '13	Change	Rents**	Vacancy	Retail centres	High streets
Warsaw	8,081	-0.5%	11.5-25.5	10.5%	85	85
Kraków	6,026	-15.0%	13-15	2.71%	41	78
Katowice	5,817	+8.7%	13-14	8.29%	48	56
Poznań	6,341	-8.0%	14-16	14.66%	44	55
Łódź	4,811	-2.8%	12-14	14.97%	31	26
Wrocław	5,970	-7.7%	13-16	12.37%	38	41
Gdańsk	6,403	+0.7%	13-15	11.24%	39	31

\*avg, offer-based \*\* EUR/sq.m/month; Retail units 100-150 sq.m



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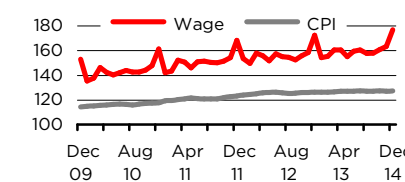
## Country Credit Ratings

Agency	rating	outlook
Fitch Ratings	A-	stable
Standard & Poor's	A-	stable
Moody's	A2	stable

Source: Rating agencies

## Real Earnings

Average gross wage vs inflation.



Index 100 = Jan 2005. Source: GUS