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Zortrax's winning team: Karolina Bołądź (Product Manager), Rafał Tomasiak (CEO) and Tomasz Drosio (Business Development Manager). Photo: Zortrax

Polish firm shakes up global 3D printing

A huge order from Dell Computers has turned the eyes of the global 3D printing community to a small, Olsztyn-based technology start-up Zortrax. "We want to be one of the world's leading makers of 3D printers for small and medium-sized businesses," CEO Rafał Tomasiak tells Poland Today. **page 10**

MANUFACTURING & PROCESSING

Teva to close down Kutno pharma plant

A little less than a decade after Israeli pharma group Teva acquired the former state-owned drug maker Polfa Kutno, the investor decided to shut down the plant. Production from Kutno is to be gradually transferred to Teva's other Polish factory in Kraków, as well as its other global units, before the plant is closed down in 2H 2015, resulting in approximately 200 redundancies. According to Teva, the decision was made based on a number of factors, including assessment of available production capacities and technology, cost efficiency and logistical capabilities. Teva said some of its Kutno employees may be offered positions in Kraków, as part of a broader outplacement program.

Polfa Kutno has been often brought up as a textbook case of a successful restructuring of a former state-owned enterprise. With US-Polish private equity company Enterprise Investors as its main shareholder, during the 1995-2003 period the Kutno-based company was one of Europe's fastest-growing pharmaceutical firms. In September 2003, when Enterprise Investors exited the investment via the Warsaw Stock Exchange, they cashed in PLN 310m, representing an impressive multiple of 5.4 times. The business was then purchased by US IVAX, which later became part of Teva.

The Kutno plant supplies mainly the domestic market, and its broad product range includes treatments for asthma, diabetes, hypertension, osteoporosis, cardiovascular, respiratory, digestive, urinary, and neurological conditions, as well as a number of OTC products, such as vitamin supplements. Most of the production will be relocated to the factory in Kraków, which used to belong to Croatian Pliva, before the latter was swallowed up by the Israeli giant. Teva has approximately 600 employees in Kraków.

Two decades after it went private **Polfa Kutnio** will cease to exist. Image: Teva Pharmaceuticals Polska

Headquartered in Israel, Teva is the world's leading generic drug maker, with a global product portfolio of more than 1,000 molecules and a direct presence in about 60 countries. Teva's branded businesses focus on CNS, oncology, pain, respiratory and women's health therapeutic areas as well as biologics. The NYSE-listed company currently employs approximately 46,000 people around the world and reached USD 20.3bn in net revenues in 2012.

MANUFACTURING & PROCESSING

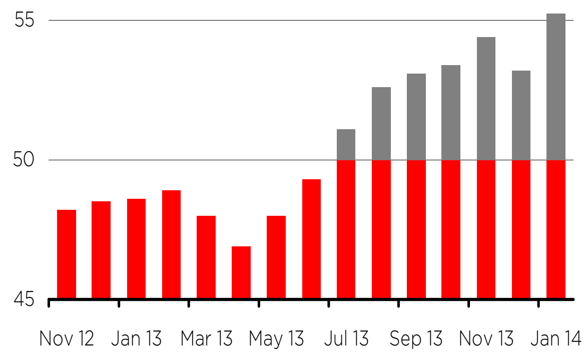
PMI data shows strong upturn in industry

Poland's manufacturing sector purchasing managers' index PMI soared to 55.4 points in January from 53.2 pts in December, signaling the strongest overall improvement in operating conditions since January 2011, a report by HSBC and Markit showed. January was the seventh consecutive month when the indicator remained above the 50 points mark that separates expansion from contraction.

"January manufacturing PMI marks a very strong start to 2014 with the index at a three year high. Importantly the latest improvement is broadly based. Output, new orders and employment indices all rose sharply in January. New orders were supported by rising new export orders. Declining stock of inputs was offset by rising purchases of materials. In contrast, rising production output was still matched by falling stock of finished goods," commented Agata Urbańska-Giner, Economist, Central & Eastern Europe at HSBC.

Purchasing Managers' Index (PMI)

The 50 mark separates growth from contraction



Source: Markit & HSBC

One key finding from the latest survey was a record rate of job creation in the manufacturing sector, and a sixth successive month of workforce expansion. The sharp rate of employment growth was mainly linked to higher workloads and new orders.

"The record high rate of job creation in January is a particularly positive indicator, implying stability of the current improvement. The above-expectation PMI reading will also fit in with recent upbeat comments from policy makers, including several MPC members, on a positive GDP growth outlook. For the time being improving manufacturing activity does not lift inflationary pressure. Input prices rose marginally in January while output prices fell for the fourteenth month in a row," Ms. Urbańska-Giner said.

BANKING & FINANCE

Deutsche Bank finalizes merger of Polish units

Germany's Deutsche Bank has officially completed the merger of its two Polish units Deutsche Bank Polska and Deutsche Bank PBC, creating a number 12 player on the Polish market with total assets of PLN 34.8bn. The Germans decided to consolidate their Polish businesses back in the autumn of 2012, in a move to create a universal banking institution to serve all segments of the Polish market. The merger was part of DB's global push towards universal banking and simpler organizational structure.

Deutsche Bank Polska used to specialize in corporate and investment banking, targeting medium-size and large enterprises, multinationals and financial institutions. A more universal banking institution, Deutsche Bank PBC focused on individuals and small and medium-sized businesses with a range of accounts, mortgages, investment products and the like.

"Our ambition is to join the ranks of Poland's top ten banks, but it is not our key concern as efficiency indicators are much more important for us," CEO Krzysztof Kalicki told reporters. "We want to maintain a double-digit ROE."

According to preliminary data, the merged institution posted a PLN 1.1bn result on banking operations in 2013, while its pre-tax profit amounted to PLN 349m. Deutsche's credit portfolio reached PLN 26.7bn at end-2013, including PLN 20bn in mortgage loans. Following the merger, DB's Polish network includes 180 branches, business banking and private banking centers. Its 2,380 full-time employees serve an estimated 439,000 customers. Last year alone the bank sold PLN 3.3bn worth of home loans and issued PLN 1.2bn worth of preferential loans and guarantees for small and medium enterprises.

"In 2014 we want to grow faster than in 2013. We expect that as a single merged institution we will reach better financial results in 2014." the CEO said. "We will look for synergies especially on the revenue side," Kalicki said. "Higher capital will enable us to 'enter' bigger transactions and the cooperation between retail and corporate segments will tighten."

DB's key business areas in Poland will be personal and business banking, global transaction banking, as well as corporate and investment banking. Last year DB's corporate and investment banking teams took part in a number of high-profile deals, including the PLN 5.2bn sale of PKO BP shares by BGK and the State Treasury, PLN 4.6bn BZ WBK tender offer, EUR 1.7bn Eurobond issued for the Finance Ministry as well as TVN's EUR 430m high-yield bond issue, among others.

"As the merged bank we also want to increase our market share in these segments which are the most important for us," the CEO said. "We will also have a bigger potential to develop lending on the retail side."

Besides the banking unit, the Deutsche Bank Group is represented in Poland by a brokerage house DB Securities, real estate leasing and development company RREFF Group, and Deutsche Services Polska, a shared services centre that performs a range of advanced support functions for selected Deutsche Bank group units in Europe (including the UK, Germany, Switzerland, Austria, Italy, Portugal, and the Netherlands), focusing on financial analyses, reporting and process management. Deutsche Services Polska has been operational since Q3 2012 and by the end of 2013 its staff numbers were to reach 50 employees.

BANKING & FINANCE

Pension funds transfer 51.5% of assets to state social security fund

On 3rd February Poland's private pension funds OFE transferred PLN 153.15bn representing 51.5% of their assets to the state social security fund ZUS, including PLN 134bn Treasury bonds, as part of the overhaul of Poland's pension system. The operation, which had no precedence on Poland's financial markets, also included PLN 17.2bn in other Treasury-guaranteed papers and PLN 1.9bn in cash. The operation reduced public debt by a nominal PLN 130bn or 9% of GDP by EU methodology, Finance Minister Mateusz Szczurek told a press conference.

Under the government-approved pension reform, treasury papers will be cancelled and the sums credited to the accounts of pension savers at the state's own social security office ZUS. OFEs will also be banned from investing in Treasuries and Treasury-guaranteed fixed income securities, but will be freer to invest in equities and municipal and corporate bonds. The

Polish government has made participation in the partially privatized portion of the system optional.

Poland's public debt according to EU methodology will amount to some 50% of GDP at the end of 2014 following the cancellation of T-bonds previously held by OFE, deputy Finance Minister Wojciech Kowalczyk said last week. According to Poland's debt management strategy, the general government debt was forecast at some 58% of GDP at end-2013 compared to 55.6% at end-2012.

As a result of the operation, foreign investors saw their share in the domestic T-bonds market increase from 34% to 41% (as of end-2013), while the share of foreign debt in the Treasury debt increased to 37% from 30%, minister Wojciech Kowalczyk told reporters, adding, however, that the latter figure was also the outcome of zloty depreciation in January and big bond issues conducted in this period on foreign markets.

Kowalczyk told the PAP agency that from now on Poland's special purpose bank BGK would assume the role of a short-term lender on the secondary Treasury securities market and will have all types of T-bonds at its disposal. Until last week, the principal players in this market had been the private pension funds. Additionally, the Finance Ministry agreed with BGK that the latter will coordinate its foreign bond issues with the ministry and that only banks having a status of Treasury market dealers will be picked as issues organizers, Kowalczyk also said.

The pension fund reform bill was signed into law by President Bronislaw Komorowski in late December but sent for review to the Constitutional Tribunal. During the legislative consultation process, concerns about the bill's constitutionality were raised by government agencies and private lobby groups.

ENERGY & RESOURCES

State investment fund PIR to support PLN 600m heat & power plant in Olsztyn

Poland's state-owned investment vehicle Polskie Inwestycje Rozwojowe (PIR), has inked a memorandum of understanding with the Olsztyn municipal district heating company MPEC regarding the development of a new energy efficient cogeneration plant in the city as well as thorough modernization of the existing heat & power unit in Kortowo. This is the first such project to be undertaken by PIR with a municipal council under a public-private partnership. The total value of the investment is estimated to be around PLN 600m, with PIR being expected to contribute no more than a quarter of the total amount.

"This is great news for residents of our city and province. The agreement paves the way for a project that will ensure heat supplies to Olsztyn residents over the next 30 years," said Olsztyn President Piotr Grzymowicz. "The investment will also ensure compliance with European waste-management standards and significantly benefit the environment. The adoption of the PPP model and PIR's participation will allow the municipality to achieve its strategic goals despite a shortage of funds for municipal investments, a common problem in Poland."

The Olsztyn project will be the first time PIR teams up with a local government under the public-private partnership (PPP) formula. A private partner, to be selected through a tender process conducted by MPEC, will play a key role in the investment project. The tender to select the private partner was announced in November 2012. The Olsztyn authorities have since engaged in competitive dialogue with five entities (Posco Enginering&Construction Co. Ltd., Abeinsa Ingeneria y Construccion Industrial, Strabag, as well as two consortia, one led by Dalkia and the other consisting of NDI, NDI Hotel Managment and Besix Group), one of which will be selected to run the project. In this case, PIR will act as a passive financial investor, one that does not exercise control over the venture, and provides additional capital needed to complete the project.

The construction of the new plant will ensure heat supplies to Olsztyn residents after 2017, at which time the tire manufacturer Michelin Polska is to stop supplying heat to the municipal network. The new plant will utilize alternative fuel, obtained from municipal waste, as well as other sources of energy, thus completing the waste management cycle in Poland's northeastern Warmia and Mazury region. Moreover, the investment will ensure compliance with relevant Polish and European standards, help protect the environment and reduce the amount of waste in landfills.

"The Olsztyn project is another example of a PIR investment that makes good business sense, stimulates growth and mobilizes private equity. It enables the construction not only of modern infrastructure based on cogeneration technology favored by the EU, but of a facility that complies with ever more stringent environmental regulations. We are confident that by working with a private partner and with MPEC, we will complete a project that will make the PPP formula more popular in Poland," said Mariusz Grendowicz, President of Polskie Inwestycje Rozwojowe S.A.

The private partner will be responsible for the construction of the new cogeneration plant, as well as the management, maintenance and operation of the infrastructure through a company established for the purpose. MPEC will contribute the existing Kortowo district heating station and the plot on Lubelska St. in Olsztyn, where the new plant will be built. In exchange for the assets contributed to the project, MPEC will own a stake in the new company. The private partner will likewise acquire a chunk of the business in exchange for its financial contribution. The remaining funds will come from PIR, as well as bank credit or other financial instruments.

"Given the model adopted, this project is clearly a pioneering undertaking. The financial feasibility of the replacement of assets to meet new environmental standards is currently the main challenge facing the entire district heating industry. Many local governments across the country will benefit from the know-how we are creating today," said MPEC President Konrad Nowak.

Created last year as part of the government's "Polish Investments" program to stimulate economic recovery by investing future privatization proceeds into projects of strategic importance, PIR has recently agreed to inject PLN 120m into a PLN 560m fiber optic joint venture with backbone network operator HAWE (see PT Business Review+ No. 018 page 12). Previously announced projects include a PLN 563m investment in Lotos Petrobaltic's B8 exploration project in the Baltic Sea (see PT Business Review+ No. 007 page 5) and possible participation in a PLN 12bn petrochemical project by Polish refiner Grupa Lotos and chemical company Azoty (see PT Business Review+ No. 014 page 2). Led by Mariusz Grendowicz, the former CEO of mBank, PIR mediates in the allocation of low-cost capital for strategic projects that have a hard time raising commercial financing.

ENERGY & RESOURCES

Gas imports from Germany via Yamal pipe to start in April

Poland's capability to import natural gas from Germany will increase significantly starting from April 2014, following the expansion of the metering station in Mallnow, on the border with Germany. The project, carried out by Poland's gas transmission operator Gaz-System and Germany's GASCADE Gastransport GmbH, will enable physical flow of gas from Germany to Poland at the annual volume of 2.3bn cb.m . So far, physical gas imports from Germany have been possible only via an interconnector in Lisewo which offers a capacity of 1.5bn cb.m. Poland's annual gas usage totals 15bn cb.m, most of which the country imports from Russia. The two operators said the bundled capacity (283,000 cb.m per hour) for the April-June and July-September periods will be put on auction on 24th February 2014.

The Mallnow metering station located at the Polish-German border currently offers the capability to measure gas flows from the Polish section of the Yamal pipeline towards Germany. Upon the completion of additional technical works on the German side, physical flow of gas from Germany to Poland will also become possible. The physical reverse flow service in the Yamal pipeline, which supplies Russian gas to Europe, will be an additional element contributing to the security of gas transportation to Poland from the West, particularly in case of unexpected interruptions of planned deliveries from other directions. The physical reverse flow will also strengthen the virtual reverse flow service which has been available since 2011 on an interruptible basis and enables gas imports to Poland from the western direction. After the completion of the investment at the Mallnow station, it will be possible to offer the service on a firm basis, which will ensure continuous reliability of supply, GASCADE representatives said.

Gaz-System seeks to improve Poland's energy security by developing cross-border interconnectors.
Photo: Gaz-System

GASCADE Gastransport GmbH is a joint venture of BASF and Gazprom. It operates a network of gas pipelines throughout Germany including its nationwide high-pressure pipeline grid of over 2,400 kilometers in length.

Under its ambitious investment program, Gaz-System seeks to build more than 1,000 km of new gas pipelines by the end of 2014, mainly in north-western and central Poland. Thanks to the ongoing development of Poland's gas transmission network and other recent investments, the country now has technical capabilities to obtain up to 43% of its gas import from suppliers other than Russia, compared to merely 9% back in 2011. So far Poland has built interconnectors to Germany (1.5bn cb.m/year) and Czech Republic (0.5bn cb.m/year; to be increased tenfold in 2017/18) and it is taking advantage of virtual reverse flow services on the Yamal pipeline (to be turned into an actual two-way link with a capacity of 5.5bn cb.m/year). At the beginning of next year the country is hoping to launch the LNG terminal in Świnoujście (5bn cb.m). Further interconnectors are to be built by 2018 to Lithuania and Slovakia (see PT Business Review+ No. 014 page 5).

The Yamal–Europe natural gas pipeline is a 4,196 kilometers long pipeline connecting natural gas fields in Western Siberia and in the future on the Yamal peninsula, Russia, with Germany. Its annual capacity totals 33m cb.m. Less than a year ago Russia announced plans to build a second line of the Yamal-Europe pipe, causing a political turmoil in Poland, which opposes any further expansion of imports capacity from the Eastern direction. According to last week's report in the Russian Vedomosti daily, Gazprom dropped the Yamal-Europe II idea, opting instead for another line of the North Stream pipeline, which connects Russia and Germany via the Baltic Sea. Gazprom is reportedly also mulling a third pipeline for its Nord Stream project, which would run to the UK.

IN BRIEF:

Mining machinery producer **Kopex** signed two deals worth a total of PLN 239.2m gross (approximately EUR 56.4m) for the sale and servicing of mining equipment for an Argentinean mine, Kopex said in a market filing. The contracts were signed with Poland's **Bumar-Łabędy** and **Yacimiento Carbonifero**, while the final recipient of the equipment will be the **Rio Turbio** mine in Argentina. Kopex is a sub-contractor of Bumer-Łąbędy.n.

PROPERTY & CONSTRUCTION

Bluehouse Capital acquires Euromarket Office Center in Kraków

An investment vehicle managed by CEE-focused private equity group Bluehouse Capital has completed its first acquisition in Poland with the purchase of Euromarket Office Center in Kraków, from Tawstock Estates, which was advised by property consultancies CBRE and Savills.

"The disposal of Euromarket Office Center proves that from a cross-border investor perspective, Poland continues to be the most active market in the CEE region and high on most investors target lists. We observe a growing investors' appetite for assets located not only in Warsaw, but also in regional cities in Poland. This trend will continue in 2014," commented Mike Atwell, Senior Director of CEE Capital Markets at CBRE.

Euromarket, located at Jasnogórska Street in Kraków, is a five-storey building offering ca. 10,600 sq.m of modern office space and over 1,600 sq.m of retail area. The property was completed in 2001 and its main tenants are fuel retailer BP Europe and aluminum can producer CanPack SA.

"This transaction yet again proves that there is a strong interest in Poland's regional cities and not only in prime assets, but also those that allow for adding value. The demand for such properties is growing on the pan-European basis and here we have another example of that trend," said Michał Ćwikliński, Director and Head of Investment Department at Savills.

Bluehouse was founded back in 2004 by Greek entrepreneurs. With offices in Bulgaria, Czech Republic, Romania, Croatia, Serbia and Greece, Bluehouse is managing capital across three funds, investing on behalf of a high-quality institutional investor base, including financial institutions, pension funds, endowments, multimanager funds and family offices. Bluehouse has invested in over 26 property transactions and has completed several successful exits.

Euromarket Office Center, was built in 2001 and Bluehouse is viewing the acquisition as a value-added opportunity. Photo: CBRE

Bluehouse last year attempted to float its Real Estate Investment Trust (REIT) Meridian Properties on the Warsaw Stock Exchange to raise EUR 200m (later reduced to EUR 170m) to raise funding for property deals (see PT Business Review+ No. 005 page 6). The company said it wanted to spend almost EUR 88m from the IPO proceeds to acquire a portfolio of nine properties – six office buildings and three retail parks in Bulgaria, the Czech Republic, Hungary and Romania, with a combined GLA of 104,000 sq.m, from its owner Bluehouse Capital. The rest were to be put towards other acquisitions in the region (EUR 57m) and loan repayments (EUR 17m). In the end Meridian decided to pull out of the IPO citing "unfavorable market conditions" but according to many observers investors disliked the fact that Meridian would spend the bulk of the IPO proceeds on the Bluehouse portfolio.

PROPERTY & CONSTRUCTION

Colliers to manage 11 Polish properties for Immofinanz

Austrian listed property group Immofinanz has mandated property consultancy Colliers International to manage a portfolio consisting of 11 office and industrial properties in Poland, Bulgaria, and Hungary with a combined volume of 167,000 sq.m of GLA.

In Poland, Colliers will be in charge of five office buildings located in Warsaw and two logistic parks - one in Warsaw and one in Silesia. The total GLA of the managed portfolio for Immofinanz Group in Poland amounts to over 86,000 sq.m. The properties under management include A class buildings such as IO-1 with a GLA exceeding 22,000 sq.m, Crown Point with a GLA of 10,500 sq.m and Crown Tower with a GLA of over 8,000 sq.m.

At the moment, Colliers manages 58 properties with a total GLA exceeding 900,000 sq.m in Poland. The properties are located primarily in Warsaw as well as in Wrocław, Kraków and Poznań. Colliers' portfolio under management includes office buildings, logistics space and retail properties. Across the whole of Eastern Europe, Colliers manages 79 commercial properties of over 1.3m sq.m with an estimated value of over EUR 3bn.

As for Immofinanz, it is focusing on the construction of its flagship retail development in Poland – Tarasy Zamkowe in Lublin. Scheduled to open in Q4 2014, the EUR 95m shopping and entertainment project will comprise up to 38,000 sq.m of rentable space divided into ca. 150 retail units. The Vienna-listed company, which carried out a secondary listing in Warsaw last year, has recently completed one of the largest ever deals on Poland's property market with the EUR 412m sale of Silesia City Center retail property in Katowice to an international consortium of investors led by Allianz. Silesia City Center has about 340 stores with combined floor space of 89,000 sq.m, all of which is occupied.

Warsaw's **IO-1,** office buildings is part of the portfolio to be managed by Colliers. Photo: Immofinanz

The company has also announced a new retail project in southern town of Stalowa Wola, 60 km north of Rzeszów, where they plan to build a shopping center with a GLA of approx. 30,000 sq.m. The investment is expected to total EUR 50m, with construction set to start during the first half of 2014, and completion being scheduled for the first half of 2015, the company said. Immofinanz's recent completions include a STOP.SHOP. retail park in Mława, their second in Poland, with another one, in Kętrzyn to be opened in the coming weeks. Overall, the developer seeks to build ten STOP.SHOP. projects in Poland over the coming years. Besides shopping centers, Immofinanz Group's ongoing investments in Poland include the Nimbus office building (19,000 sq.m of GLA) in Warsaw, and residential projects Riverpark in Poznań (189 apartments) and Dębowe Tarasy in Katowice (phase three with 317 apartments).

Immofinanz's CEO Eduard Zehetner seeks to bolster the company's development arm and sell properties more quickly in a strategy to increase profit. The developer expects to hold as-sets from three to 10 years before selling them, CEO said earlier last year.

Since its founding in 1990, Immofinanz has compiled a portfolio that now comprises more than 1,600 investment properties with a carrying amount of approx. EUR 10.1bn. The company concentrates on development management and sale of commercial properties in top locations. Immofinanz Group concentrates its activities in the retail, office, logistics and residential segments of eight regional core markets: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania, Poland and Russia.

PROPERTY & CONSTRUCTION

Poland's modern office stock tops 6.8m sq.m

The 2013 was a record year for the Warsaw office market, while in the regional market demand remained flat, reported property consultancy Jones Lang LaSalle. The country's total office stock has come to 6.8m sq.m, of which 60% is located in the capital.

"In Warsaw, gross take-up came to record 633,000 sq.m last year, while the high level of net take-up - 451,000 sq.m - proves that companies are more keen than before to relocate and lease suitable office space, both in terms of standard, size and price. The 2013 also saw a 13-year high for new completions, reaching 300,000 sq.m. This is expected to be followed by an even higher completion volume in 2014, with nearly 320,000 sq.m to be delivered over the next 12 months to the Warsaw market. It is also worth men-tioning that over 35% has already been secured with pre-lets," commented Anna Młyniec, Head of Office Agency and Tenant Representation, Jones Lang LaSalle.

Notable completions last year included Plac Unii, Konstruktorska Business Center, Miasteczko Orange, T-Mobile Office Park and Wola Center and the 300,000 sq.m delivered last year brought the city's total office stock to 4,113,000 sq.m. A further 591,000 sq.m is currently under construction in the Polish capital. Q4 saw gross take-up at 115,000 sq.m (86,000 sq.m net). The largest deals in Q4 2013 included pre-let transactions signed by: a client representing the FMCG sector (10,100 sq.m, Pacific Office Building), KPMG (8,300 sq.m, Gdański Business Centre) and IBM (5,500 sq m, The Park A2). Significant renewals included: IBM (5,300 sq.m, Wiśniowy Business Park), Budimex (6,200 sq.m, Stawki 40) and Mondelez (3,600 sq.m, Trinity Park III), just to name a few.

The high construction activity, despite healthy take-up levels, is gently pushing up the vacancy rate in Warsaw. At the end of 2013, the vacancy rate stood at 11.7% (0.8 pp higher than Q3), which equates to 481,000 sq.m of vacant space. Prime headline rents in Warsaw's city centre ranged between EUR 22 and EUR24 / sq.m month and EUR 14.50 to EUR 14.75 / sq.m / month in non-central locations, such as Mokotów.

Outside of Warsaw, a total of 280,200 sq.m of office space was brought to market last year including 75,000 in Q4 alone. New supply in Q4 was evenly distributed between: Wrocław (Aquarius Business House phase II and Millenium Tower IV); Kraków (Bonarka 4 Business building D and Nautilius); Tri-City (Alchemia phase I) and Lublin (Nord Office Park B&C and JPBC Business Center). Another major new addition to the market was Euro-Centrum VIII in Katowice. With its modern office stock now exceeding 100,000 Lublin has caught up with the Szczecin market in terms of supply. An estimated 493,200 sq.m of office space is under active construction in Poland's regional cities with 340,000 sq.m scheduled to be complet-ed in 2014.

In 2013, take-up in Poland's major regional office markets (excluding Warsaw) reached 370,000 sq.m, comparable to 2012. These markets registered 88,000 sq.m of letting deals in Q4 with Tri-City, Kraków and Wrocław taking a clear lead in respect of occupier activity for the quarter. However, in 2013 as a whole, Kraków, Wrocław and Katowice recorded the highest take-up levels of the major office markets in Poland. The largest Q4 deals were signed by Thomson Reuters (renewal of 9,000 sq.m, Baltic Business Center in Tri-City), PwC (pre-let, 6,770 sq m, Silesia Business Park A in Katowice), RWE (pre-let of 3,150 sq.m, Bonarka4Business building E, Kraków) and DHL (renewal of 3,050 sq.m, Targowa 35 in Łódź).

At the end of Q4 2013, quarterly vacancy rates remained stable in six of the eight major office markets in Poland (excluding Warsaw). Slight increases were seen in Lublin and Szczecin. According to Jones Lang LaSalle, some markets with extensive construction activity may see office vacancy rates increase slightly in the coming months. In Q4 2013, prime headline rents remained similar to those in Q3, however, there is still potential for downward movement, especially in terms of effective rents. Prime headline rents outside Warsaw currently range between EUR 11 and EUR 12 / sq.m / month in Lublin to EUR 15.5 / sq.m / month in Wrocław.

SERVICES & BPO

Nickel Technology Park Poznań to build new business services centre for PLN 17.5m

Nickel Technology Park Poznań (NTPP) in Złotniki near Poznań is gearing up to break ground on a brand new Business Services Centre that will open in May 2015. With a floor area of 4,500 sq.m, the project will comprise offices, conference rooms, exhibition space and a testLAB laboratory centre for the development of new products and services, available to all tenants. The capital expenditure on the project is to total PLN 17.5m.

"The Business Services Centre is one of our key projects in the coming two years. In December last year we obtained a PLN 7m grant for the investment under the Wielkopolska Regional Operational Program. The entire infrastructure, along with all additional specialized services, will be launched in May 2015," says NTTP's CEO Dagmara Nickel. "Companies located in the Business Services Centre will be able to benefit from all conveniences offered by the Park, including our network of business and science partners, tenant and business development services bundles, as well as the services offered by the remaining 51 companies currently operating in NTTP."

NTPP opened in 2006 as Poland's first non-public technology park and businesses located there have since employed more than 850 specialists. Spread across a vast area of 33ha, NTPP includes an ICT centre (7,200 sqm of class B office space and conference facilities), logistics centre (14,000 sqm of class A warehouse space) and a biotechnology centre (3,900 sq.m). In addition to modern office, conference, storage and research facilities, many of which are available for rent or purchase, NTTP offers a wide range of additional business services to its tenants, including help with relocation, recruitment, and search for business partners. The average occupancy ratio at all NTTP facilities tops 83% at the moment, with average office tenant taking up 163 sq.m.

Nickel Technology Park Poznań, plans to open the new Business Services Centre in May 2015. Image: NTTP

"The park is expanding organically, investing in subsequent buildings in line with market demand and the modern character of the entire project. Taking advantage of our experience in the bio/med and life science sector, two years ago we decided to build Nickel Biocentrum and the next step will be Business Services Centre with its high-tech testLAB laboratories. Having a sizeable piece of land at our disposal we are planning to develop more office and logistics space in the future. NTTP offers also built-to-suit spaces for foreign investors," Ms. Nickel tells Poland Today.

One of the key assets of the Business Services Centre, the construction of which will begin in spring, will be the testLAB facility, enabling companies to design, create and test new products and services.

"The testLAB will include five workshops, specializing in 3D modeling, sensory research, mathematical and statistical modeling, technical design as well as virtual and augmented reality. It will operate under an 'open lab' formula, enabling entrepreneurs and researchers test prototypes of new products and services, measure potential demand and work out business plans. We believe our comprehensive testing facility will help Polish companies and scientists minimize the risk and costs that come with innovation."

NTPP in numbers

	Office buildings		Logistics centre		Biotechnology centre	
	B1	B2	Ware-house	Offices	Offices	Labs
Total space (sq.m)	3,600	3,600	12,000	2,000	2,700	1,00
Available space (sq.m	0	184	1,800	800	1,200	200
Occupancy	100%	95%	85%	60%	56%	83%
Average occupancy	97%		81%		64%	

Source: Nickel Technology Park Poznań

The development of NTTP has cost PLN 78m to-date, of which PLN 30m was provided by the EU. The investor behind NTTP is a Poznań-based Nickel Group, which is particularly active in the residential property market through its subsidiary Nickel Development – a leading homebuilder in Western Poland. After many successful developments in Poznań, Nickel Development has recently entered the Warsaw market with a residential complex DKF Mokotów. Its bonds are listed on Warsaw's Catalyst market. Nickel Development has delivered more than 78,000 sq.m of floor. Projects totaling approximately 45,000 sq.m are currently under way, while the planned floor area of future Nickel projects is as high as 310,000 sq.m. Based on its existing land bank, Nickel Development will be able to deliver up to 3,000 apartments by the end of 2015.

TRANSPORT & LOGISTICS

Gdańsk Shipyard Group in "last chance" talks with investors

The Ukrainian-owned Gdańsk Shipyard Group (GSG), which has been teetering on the verge of bankruptcy for months now, said last week it was in talks with a number of potential investors, including Norway's Kleven Group, regarding their potential involvement in the business. According to GSG's spokesperson Jacek Łęski, the negotiations are at a very early stage with partial asset acquisition being considered as one of the options.

"As a policy we never comment on speculations in the media," Kleven's Communications Manager Ellen C. Kvalsund told Poland Today, in response to our questions about her company's involvement in the GSG talks.

The Gdańsk shipyard, which produces mainly steel assemblies and windmill towers, has been in dire straits for months and its employees are receiving their pay in installments. GSG's debt (mainly to the state treasury and subcontractors) totals some PLN 180-200m at the moment, and its day-to-day operations are being financed by its main shareholder, Ukrainian billionaire Sergey Taruta, who holds a 75% stake in business.

Polish government-controlled entity ARP, which holds the remaining 25%, has expressed growing concern about the state of affairs at the shipyard and asked the Ukrainians to put together a credible restructuring plan for the company. The plan was submitted in December and ARP has been analyzing it since.

The Gdańsk shipyard received PLN 150m worth of state-aid, following the EU approval for its previous restructuring program, announced in 2009. The support was delivered in the form of a PLN 46.6m equity boost as well as a PLN 103.4m loan. The latter were to be repaid by the end of last year, which was also the deadline for the Ukrainians to acquire the outstanding shares in the yard. ARP pushed back the deadline for both transactions to end of January and now it looks like another deadline will be needed. Additionally, a year ago ARP purchased PLN 13m worth of cranes from GSG to help the company pay its dues. GSG employs some 1,800 workers and its net-result as of end of 2012 was a PLN 69m loss.

Overall, the Polish taxpayer has contributed more than PLN 0.5bn to-date, in order to keep the shipyard afloat, and since according to EU regulations state aid can be granted only once a decade, the authorities and ARP are running out of patience. The only EU-approved way GSG's shareholders could help the company would be a proportional equity increase, but the Ukrainians have been rather unwilling to pump any more cash into the Polish company. According to ARP and the Ministry of Treasury, GSG needs an immediate capital injection of PLN 390m.

TECHNOLOGY

Sky is the limit for Polish 3D printer firm Zortax thanks to huge order from Dell

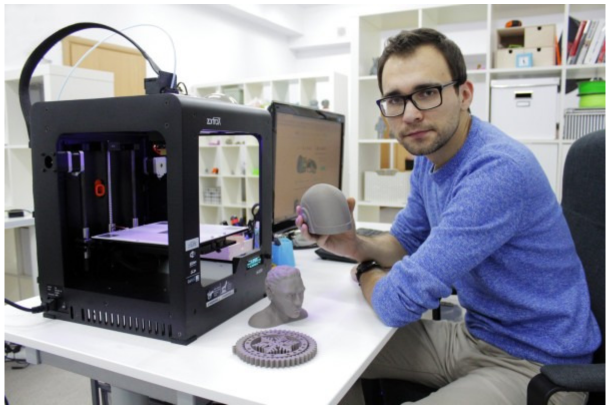
Poland made it to a number of top global tech media last week thanks to an Olsztyn-based 3D printing startup Zortrax. The company had sealed a major deal with Dell Computers, whereby Zortrax will supply the computer giant with 5,000 of its M200`s 3D printers. The deal, which is said to be the largest single order the global home 3D printing industry has seen to-date, will be completed in batches, the first of which is due to be shipped by the end of Q1.

The Polish company behind the Zortrax, Gadgets3D launched the M200 project on the world's largest crowdfunding platform Kickstarter and reached their USD 100,000 goal on June 21, 2013. Last month, Zortrax completed fulfillment of the campaign by shipping the M200s to all 80 Kickstarter backers. The Polish firm looks set to become a major player in the European market and, with Dell's backing, potentially globally. At the moment, some 20 people are working full-time on the Zortrax project.

Zortrax advertises its M200 as the first home 3D printer and one that will change the nature and the future of home 3D printing. The user-friendly and cost-effective unit has a 7×8 inch build plate and can print objects of up to 488 cubic inches with ABS and Nylon. It retails at just below EUR 1,600 per unit, with shipping to European customers being handled from Poland, and the rest of the world – from Hong Kong.

One may wonder what use can one buyer, even as large as Dell, find for 5,000 3D printers. Those "in the know" say that it makes more sense for designers who print large numbers of prototypes to operate many smaller printers at the same time rather than rely on a single unit with a larger build volume. According to Zortrax, the printers will be used by Dell's product development offices in Asia.

"I imagine a number of companies will be keeping an eye on Zortrax following this announcement — not least Makerbot (Stratasys) and 3D Systems from a competitive point of view; but also other large manufacturers — to see if Zortrax fulfills the Dell order competently with a view to following suit," Rachel Park from 3dprintingindustry.com commented on the Zortrax deal.



Poland Today talks to: **Rafał Tomasiak**, CEO and founder of Zortrax

• PT: Where are your printers made and what production capacities have you got at your disposal?

Rafał Tomasiak: The printers are made in China. We are cooperating with factories that offer virtually unlimited production capacities. At the moment we are discussing orders for tens of thousands of units. We do not find these numbers to be unrealistic, considering the global demand, especially among small and medium-sized companies.

• *PT: Do you own full rights to the M-200 design?*
RT: Yes, we are the authors. We started off with solutions that were available on the market but at the design stage we introduced so many modifications that the final product is unique. We have a number of patents pending for our technical solutions. The most significant part of the project might be our firmware, the software that guides the printing process, and Z-Suite, our desktop software for preparation of 3D printouts. These two elements may not be obvious at first glance, but they are crucial to print quality.

• *PT: In what way has the contract from Dell affected your business?*
RT: Dell is a key client for us. Thanks to this contract we are able to significantly bolster our production capacity. It is also a major boost to our image, especially since we are aiming primarily at the B2B market. There are many 3D printer makers out there, but only a few of them offer products that live up to B2B standards. High-end professional models sell for tens of thousands of US dollars, whereas low-cost printers offer poor print quality and low reliability. We believe our product is the solution. Zortrax M-200 is an affordable 3D printer that is cheap to run, dependable, and enables to print complicated 3D models.

• *PT: How do you imagine Zortax in 2-3 years?*
RT: In 2014, we intend to produce and sell more than 5,000 printers and at least 30,000 spools of filament, besides the Dell contract. We are in talks with some of the world's leading 3D printer distributors and should we establish cooperation, the sales result can go beyond our wildest dreams. Our goal is to become one of the leading global producers of 3D printers for small and medium-sized firms, although we are also open to cooperation with large corporations, such as Dell. In their case, operating a larger number of cheaper printers may be more cost effective than relying on several pricey models.

• *PT: Do you intend to remain independent?*
RT: At the moment we are fully independent but if the business continues to grow at the current pace we may need to change our strategy. We might decide to team up with an external investor if that enables us to gain competitive advantage on the global market.

CONSUMER GOODS & RETAIL

Biedronka launches distribution hub near Kraków, more to come

Poland's top retailer Jeronimo Martins Polska, owner of the discount grocery chain Biedronka, has launched its 14th distribution center in Poland in the Kraków suburb of Modlnica. Built in merely 10 months at the cost of PLN 100m, the Kraków center is Biedronka's second distribution hub, after Gdańsk, that is dedicated to a single metropolitan area.

With a storage space of 21,500 sq.m, 51 gates, and a fleet of 50 trucks and 50 trailers, the center can receive up to 3,600 pallets a day from 280 business partners and supply some 150 Biedronka outlets in the region. The center alone employs 240 staff, but according to Biedronka, a further 40 positions were created at the regional head office, and another 230 with security, cleaning, catering, and logistics firms cooperating with the facility.

"We have signed a preliminary agreement to acquire a site in Sosnowiec, where we plan to build our next distribution center, but that project is still at a very early stage and therefore we cannot provide any further details," Anna Papka, external relations manager at Jeronimo Martins Polska, tells Poland Today. "Last year we launched distribution hubs in Gdańsk and Lubartów."

Jeronimo Martins, hopes to have 3,000 Biedronka stores in Poland next year. Image: JMP

Jeronimo Martins Polska is Poland's 4th largest company by revenues. It operates more than 2,400 Biedronka groceries and 100 Hebe drugstores in 900 towns and cities and employs in excess of 45,000 people. According to preliminary estimates by its Portuguese owner Jeronimo Martins, Biedronka's sales rose by approximately 15% y/y in 2013 and came to EUR 7.7bn (PLN 32bn), representing two thirds of the company's global business, which turned over EUR 11.8bn (+11%). The like-on-like sales growth in Poland came to 4.2%. Biedronka opened 290 new locations last year and plans to maintain a similar pace of growth in 2014.

"We stick to our plan of reaching 3,000 Biedronka locations in 2015. As for the Hebe chain, we are expecting its dynamic expansion to continue this year," says Ms. Papka.

DATA BOX: RETAIL SALES

Polish retail sales increased 6.7% y/y in December 2013 and dropped by 0.4% from November, according to a release by Eurostat. The figure is higher than the 5.8% annual reading by Poland's Central Statistical Office (GUS). Unlike the Polish data, Eurostat data include stores with a headcount below ten employees and exclude automotive sales. Eurostat's annual growth figures are working-day adjusted, while the monthly figures are seasonally adjusted.

POLITICS & ECONOMY

Top institutions raise economic growth projections for Poland

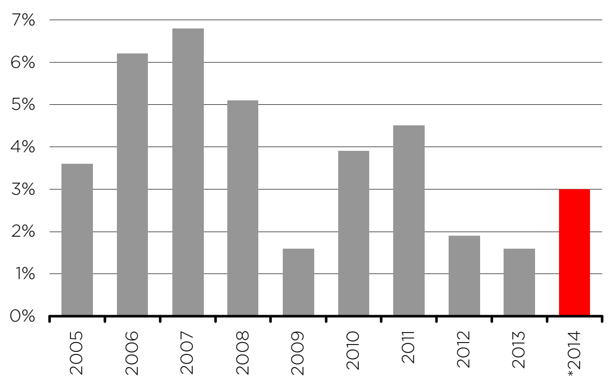
Following the better than expected full year GDP reading for 2013 (see PT Business Review+ No. 021 page 12), a number of renowned global institutions have revised upwards their 2014 projections for the Polish economy. One of them was Fitch Ratings, which had previously expected Poland's GDP growth to reach 2.4% this year.

"Our current forecast for GDP growth in Poland this year is at 3%," senior director at Fitch Ratings Paul Rawkins told a conference last week, saying the forecast had been revised up on higher-than-expected public revenues, resulting from the government's pension reform (see page 3).

Poland's public finance sector will enjoy a surplus of 4.5% of GDP in 2014, thanks to the pension fund asset transfer, but will swing back to a deficit of 2.9% of GDP in 2015, the agency said.

"We perceive the Polish pension reform as a natural step for the country," Rawkins said.

GDP growth in Poland (y/y)



Source: GUS *) projected

Poland's rating by Fitch is currently at A-, with stable outlook. According to the agency, Poland's rating could benefit from a lower debt to GDP ratio as well as a lower external debt. Easing fiscal discipline or prolonged economic slowdown, however, would have a negative impact on its forecast, Mr. Rawkins said, emphasizing, however, that slowdown in Poland was not Fitch's base scenario.

According to a brand new report by Ernst & Young and Oxford Economics the full year growth in 2014 may come in excess of 3%, on the back of accelerating external demand and domestics consumption.

"In 2015 we can expect greater acceleration of the Polish economy," Ernst & Young's chief economist Marek Rozkrut said last week, adding that medium-term GDP growth could reach 3.5% annually.

A preliminary estimate by Poland's Central Statistical Office (GUS) showed the country's GDP grow an estimated 1.6% y/y in 2013, beating average projections for 1.5% increase. Although the flash figure indicates that growth picked up sharply in the second half of last year, it remains 0.3 pps lower than in 2012 and matches an 11-year low reached in 2009. Private consumption slowed to 0.8% from 1.2%, while fixed investment fell 0.4% from a year earlier, improved from a 1.7% decline in 2012, GUS said.

Poland likely recorded a 2.9% GDP growth in Q4 2013 and will post a higher growth rate in 2014, Finance Minister Mateusz Szczurek said at a meeting in the American Chamber of Commerce. Szczurek called the 1.6% growth registered in Poland in the entire 2013 as "rather disappointing - above the euro zone average but very slow when it comes to the potential of the Polish economy."

DATA BOX: UNEMPLOYMENT

Poland's seasonally-adjusted unemployment fell to 10.1% in December, down from 10.2% the same level as in November, according to a release from EU statistical office Eurostat. Poland's own unemployment reading in December, based on registrations rather than a labor force survey, amounted to 13.4%, Poland's Central Statistical Office (GUS) said earlier. According to Labor Ministry estimates the, figure the jobless rate rose to 14% in January.

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
Gross CPI	**+1.0**	**+0.1**	**+0.8**	**+0.2**	**+0.6**	**-0.2**	**+0.7**	**+0.1**

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

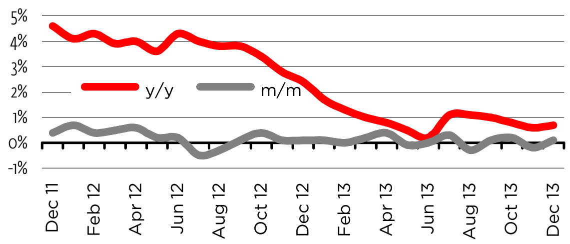
Gross Wages

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

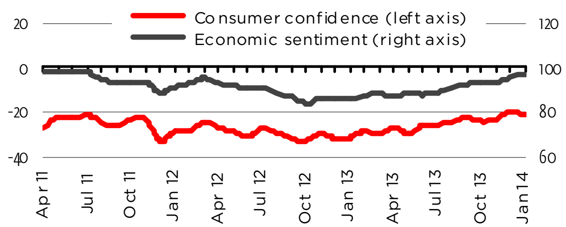
Construction Output

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%
2013	+1.6%	n/a	n/a
2012	+1.9%	1,522,736	-3.5%
2011	+4.5%	1,462,734	-4.9%
2010	+3.9%	1,416,585	-5.1%

Key Economic Data & Projections

Indicator	*2010	*2011	*2012	2013	2014
GDP change	+3.9%	+4.5%	+1.9%	+1.6%	+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%	+2.9%	+4.9%
Unemployment**	12.4%	12.5%	13.4%	13.4%	12.7%
EUR/PLN	3.99	4.12	4.19	4.20	4.06

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

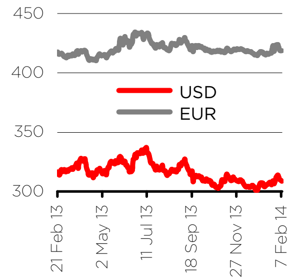
Currency

Central Bank average rates

as of 7 February 2014

100 USD	308.57 ↓
100 EUR	418.65 ↓
100 GBP	504.25 ↓
100 CHF	342.29 ↓
100 DKK	56.10 ↓
100 SEK	47.35 ↓
100 NOK	49.77 ↓
10,000 JPY	302.02 ↓
100 CZK	15.21 ↓
10,000 HUF	135.70 ↓

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	Jul '13	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13
PLN (up to 1 year)	4.7%	4.6%	4.5%	4.5%	4.5%	4.3%
PLN (up to 5 y)	5.1%	5.1%	4.9%	4.9%	4.9%	4.9%
PLN (over 5 y)	4.9%	4.9%	4.8%	4.8%	4.8%	4.7%
PLN (total)	5.0%	4.9%	4.8%	4.8%	4.8%	4.7%
EUR (up to 1m EUR)	2.3%	1.9%	1.8%	2.0%	1.9%	1.9%
EUR (over 1m EUR)	3.5%	3.5%	3.2%	2.5%	3.0%	2.9%

Warsaw Inter Bank Offered Rate (WIBOR) as of 7 Feb 2014

Overnight	1 week	1 month	3 months	6 months
2.58%%	2.59%	2.61%	2.71%	2.73%

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 7 Feb '14	Change 31 Jan '14	Change end of '13
→ Asseco Pol.	46.04	0%	0%
↓ Bogdanka	118.7	-5%	-6%
→ BZ WBK	396.55	0%	+2%
↑ Eurocash	44	+7%	-8%
↑ Grupa Lotos	38.05	+8%	+7%
↓ GTC	7.2	-3%	-3%
↑ Handlowy	106.5	+3%	+1%
↑ JSW	51.05	+10%	-4%
↓ Kernel	37.01	-3%	-3%
↓ KGHM	106.8	-2%	-9%
↑ mBank	525.5	+3%	+5%
↑ Orange Pol.	10.75	+2%	+10%
→ Pekao	186	0%	+4%
↑ PGE	16.99	+3%	+4%
↑ PGNiG	4.99	+8%	-3%
↑ PKN Orlen	40.81	+5%	0%
↑ PKO BP	42	+3%	+7%
↑ PZU	440	+7%	-2%
↑ Synthos	5.2	+3%	-5%
↑ Tauron	4.49	+5%	+3%

Source: Warsaw Stock Exchange

Key indices

as of 7 February 2014

WIG Total index

52,137.90

Change 1 week **+3%** ↑
Change end of '13 **+2%** ↑

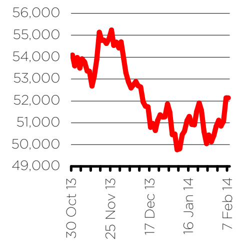
WIG-20 blue chip index

2,420.94

Change 1 week **+3%** ↑
Change end of '13 **+1%** ↑

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-Nov 2013	y/y (%)	share (%)	2012	share (%)	Jan-Nov 2013	y/y (%)	share (%)	2012	share (%)
Food and live animals	63,081	+8.5	10.7	61,694	10.3	43,296	+4.6	7.3	44,287	6.9
Beverages and tobacco	7,955	+6.5	1.4	7,967	1.3	3,764	+1.7	0.6	3,989	0.6
Crude materials except fuels	14,606	+10.1	2.5	14,024	2.4	19,851	-5.3	3.4	22,053	3.5
Fuels etc	27,381	+0.6	4.6	29,389	4.9	69,873	-10.4	11.8	85,280	13.4
Animal and vegetable oils	1,687	+32.5	0.3	1,342	0.2	2,430	-9.6	0.4	2,887	0.5
Chemical products	54,529	+6.9	9.3	54,295	9.1	85,948	+2.6	14.4	89,140	14.0
Manufactured goods by material	120,946	+1.3	20.5	126,161	21.1	104,027	-1.3	17.5	110,773	17.4
Machinery, transport equip.	221,253	+5.3	37.5	223,646	37.5	198,729	+3.4	33.3	203,718	31.9
Other manufactured articles	76,469	+7.1	13.0	75,925	12.7	53,487	-2.8	9.0	57,646	9.0
Not classified	1,606	n/a	0.2	2,653	0.5	14,854	n/a	2.3	18,515	2.8
TOTAL	589,513	+4.9	100	597,096	100	596,259	-0.9	100	638,288	100

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

EXPORTS in PLNbn					IMPORTS in PLN bn				
No Country	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 * Industry	Construction	Monthly wages (PLN) Jan-Dec 2013 ** Industry	Construction	Unemployment Dec 2013 in '000	%	New dwellings Jan-Dec 2013 Number	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
National average	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

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* Q3 '13 PLN/sq.m	Change y/y	Offices 1H'13 Rents**	Vacancy	Retail rents**1H'13 Retail centres	High streets
Warsaw	8,146	+3.4%	11.5-25.5	10.5%	85	85
Kraków	5,989	-13.1%	13-15	2.71%	41	78
Katowice	5,898	+9.0%	13-14	8.29%	48	56
Poznań	6,351	-6.7%	14-16	14.66%	44	55
Łódź	4,780	-3.8%	12-14	14.97%	31	26
Wrocław	5,997	-4.3%	13-16	12.37%	38	41
Gdańsk	6,398	-1.2%	13-15	11.24%	39	31

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

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

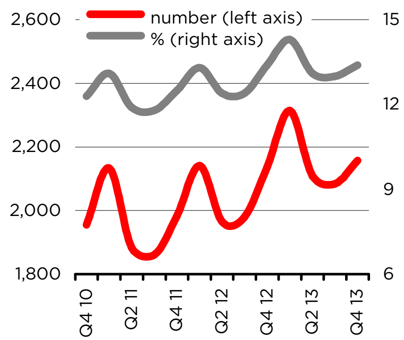
Current Account (EUR m)

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

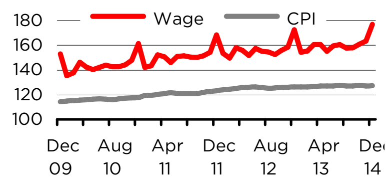
Country Credit Ratings

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

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