



POLAND

Economy, banking environment, infrastructure financing

Réception de la promotion de l'IHEDATE



BUILDING TEAM SPIRIT TOGETHER

 **SOCIETE GENERALE**
Corporate & Investment Banking

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POLAND AT A GLANCE

Population, economy....

POLAND AT A GLANCE (1/2)

Area - 312,679 km²

Population:

- ▶ 38.542.866 inhabitants the 34th largest country in the World and the 6th in Europe (*EUROSTAT 1.01.2011*)
- ▶ 60/40 urban/rural and 50% of secondary and higher level of education ratio.
- ▶ Very slow pace of population growth est. at 0,7%.
- ▶ GUS estimates that at the end of 2011 2.06m Poles were emigrants (only 781k according to the 2002 census).
- ▶ High unemployment rate however under EUROSTAT methodology below European average i.e. 10,6% vs. 10,7%

Economy:

GDP € 381,361m in 2012 (YtY + 2.0%) i.e. €9,900 per capita

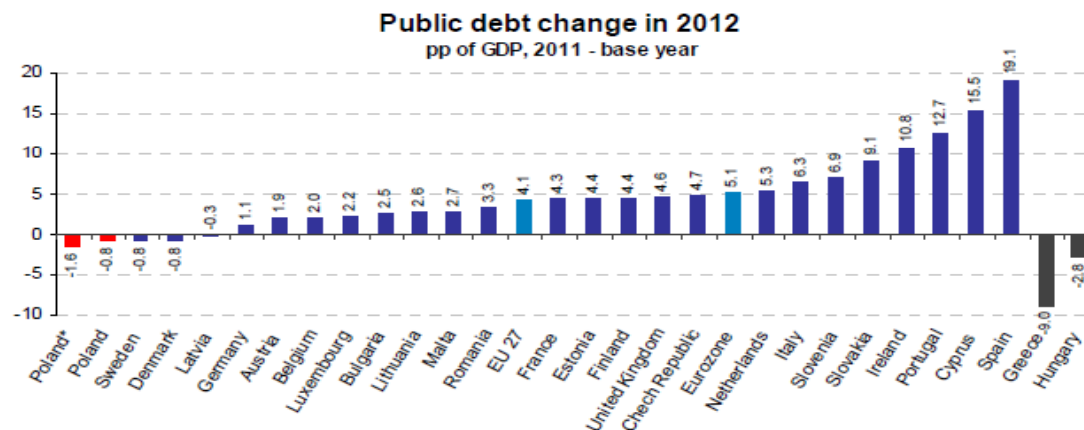
Inflows of EU funds – EU budget 2007-2013 ca. €68bn that is translated into 81.310 contracts for PLN 344,4bn of which PLN 237,8bn is co-funded by EU that represent 85,5% of the 2007-2013 allocation (source: Regional Development Ministry's data as of February 3, 2013)



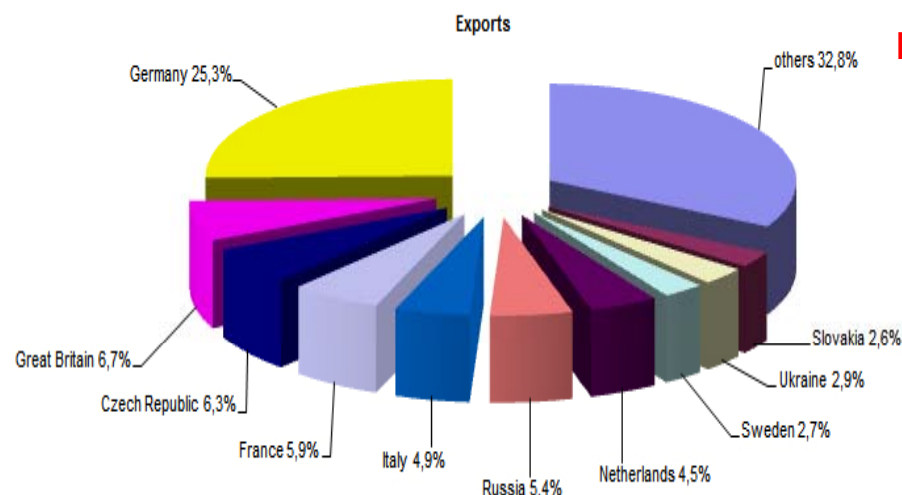
POLAND AT A GLANCE (2/2)

**1st time since 2007
decrease of the debt in pp
of GDP**

	2012		2011	
	PLN bn	% GDP	PLN bn	% GDP
Public debt	840.5	52.7	815.3	53.5
GG debt	886.8	55.6	859.1	56.4



* excluding prefinancing
source: European Commission, MoF



Foreign trade – in 2012 exports grow faster than imports

According to the newest data from GUS, exports grew faster than imports in the first eleven months of 2012. PLN-denominated exports in current prices were higher by 8.1% y/y and amounted to PLN 553.7 bln. Imports, in turn, increased y/y by 3.2%, hitting the level of PLN 587.9 bln. Poland's foreign trade deficit declined significantly to EUR 8.1 bln at the end of November, compared with EUR 14.3 bln at end-November 2011

CLIENT'S ENVIRONMENT

CEE & Poland

CLIENT'S ENVIRONMENT (1/6)

Executive Summary

B A C K G R O U N D

- Poland is by far the largest economy in Central and Eastern Europe, excluding Russia (CEE). With 38M inhabitants, it is the most populated, and 67 out of the 208 largest companies in the region are located there*/ (turnover of more than €1bn in 2011, SG CIB criteria).
- Multinationals are very present in the country and represent 35 out of the 67 largest companies : this is both due to privatizations and to the large size of its domestic market, which combined with low employment costs and high qualifications, has attracted many investors from Western Europe, the USA and Asia.
- With only a little bit more than 20 years of market economy, Polish companies are still much smaller than their Western European counterparts (1 Polish company in the Fortune 500 vs. 9 Spanish). In addition, in spite of the restarted privatization most of the largest Polish owned companies are still state owned or controlled (all out of the top 10 are state controlled vs. all 9 Spanish from the Fortune 500 are private).
- The combination of a large domestic market, lower reliance on exports and large infrastructure investments (EU funds flow of 67 bn € between 2007-2013) have helped sustain the economy. To remember that Poland was the only EU country to show positive growth during the economic crisis, good prospects for the future in spite of the economic environment and with a budget deficit under control.

C O M P E T I T I O N

- The banking market is dominated by international groups (Unicredit/Pekao SA, CitiBank/Handlowy, ING Slaski, Commerzbank/BRE and Santander) with most of them active across retail, commercial and investment banking and all market segments (individuals, corporate, SME). Other competitors are: PKO BP (sole large polish bank, the largest financial institution by assets), branches of International banks (SG, RBS/ABN), and Investment Banks (Goldman Sachs, Barclays, JP Morgan, UBS..). Deutsche Bank, BNPP and CA are present through a CIB operations and retail network (respectively Deutsche Bank PBC, Fortis/Dominet for BNPP and Lukas for CA), however with a current tendency to merge both. It remains fragmented so we do expect a further consolidation (like in Santander with BZWKB and KB & Raiffeisen with RZB Polska and POLBANK case)
- The CIB market remains small by western standards (€129m of fees in 2011 & €112m in 2012 as per the estimates of Dealogic), very competitive but not yet "mature": market is still first and foremost driven by commercial banking, there are far fewer pure "investment banking" transactions than in Western Europe, chiefly because of small size of polish companies and high penetration of multinationals (value added transactions done at HO level).
- From 2010 we see a regain of interest coming from various global players to open dedicated IB branches in Poland (CS, GS, JPM, MS, MLBoA ..). This trend is driven by 2 main factors (i) restarted privatization program & „Polskie Inwestycje” and MoT decision to work only with locally present institutions and (ii) regaining importance of Warsaw as a regional financial centre (biggest number of IPOs i.e. 203 in 2011 vs. 107 @ LSE and 105 in 2012 vs. 79 @ LSE).

**A LARGE REGIONAL ECONOMY, WHOSE STRUCTURE IS VERY DIFFERENT FROM THOSE OF WESTERN EUROPE;
A VERY COMPETITIVE BUT NOT YET MATURE CIB MARKET**

CLIENT'S ENVIRONMENT (2/6)

Companies (ex FI) with sales of + €1 bn in Central and Eastern Europe (ex.Russia) */



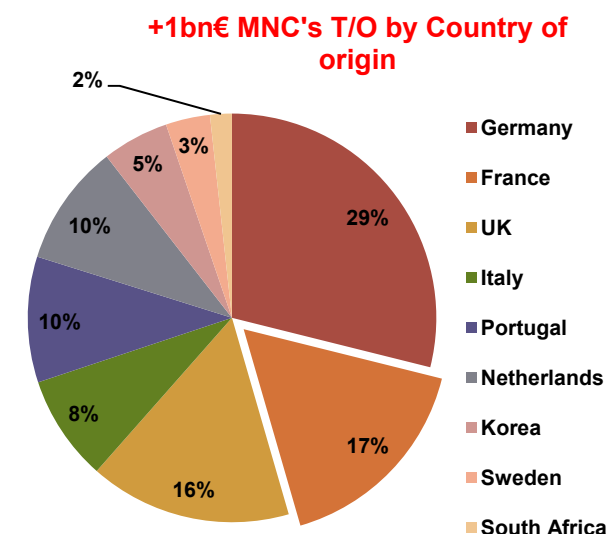
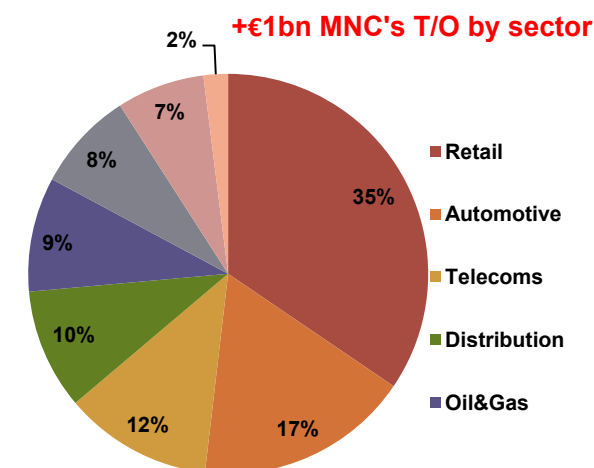
COUNTRY	NB OF COMPANIES WITH T/O +€1bn
Poland	67
Czech Republic	41
Hungary	25
Ukraine	24
Slovakia	10
Romania	10
Slovenia	8
Serbia	6
Croatia	5
Bulgaria	5
Lithuania	4
Estonia	2
Latvia	1
TOTAL	208

IN TOTAL THERE ARE 208 OF THE + €1BN T/O CLIENTS IN THE WHOLE CEE WHILE 132 IN SPAIN (2010)

CLIENT'S ENVIRONMENT (3/6)

+ € 1bn T/O Multinationals (ex. FI) present in Poland ranked by 2011 turnover */

Rank CE Top 500	Company name	Group	Sector	Turnover (M €)	Country
1	Jeronimo Martins Dystrybucja	JMD	Retail	6 137,9	Portugal
2	Metro Group	METRO	Retail	4 175,0	Germany
3	Fiat	FIAT	Automotive	4 008,4	Italy
4	Arcelor Mittal	ARCELORMITTAL	Process Industries	3 679,6	Netherlands
5	TP S.A.	FT	Telecommunications	3 622,0	France
6	BP	BP	Oil and Gas	3 106,5	UK
7	Tesco	TESCO	Distribution	2 976,6	UK
8	Volkswagen Polska	VW	Automotive	2 396,2	Germany
9	Carrefour	CARREFOUR	Retail	2 171,4	France
10	Centertel	FT	Telecommunications	1 870,5	France
11	Lidl	SCHWARZ	Retail	1 809,5	Germany
12	General Motors Manufacturing Poland	GM	Automotive	1 809,5	US
13	Makro Cash and Carry	METRO	Distribution	1 574,0	Germany
14	PTC	DT	Telecommunications	1 737,2	Germany
15	Auchan	MULLIEZ	Retail	1 583,8	France
16	Kaufland Polska	SCHWARZ	Retail	1 373,4	Germany
17	BUDIMEX	FERROVIAL	Construction Companies	1 339,1	Spain
18	BAT POLSKA TRADING	BAT	Distribution	1 327,1	UK
19	Real	METRO	Retail	1 273,0	Germany
20	Castorama	KINGFISHER	Retail	1 267,2	UK
21	STATOIL	STATOIL	Oil and Gas	1 247,4	Norway
22	SHELL POLSKA	SHELL	Oil and Gas	1 235,4	Netherlands
23	STRABAG POLSKA	STRABAG	Construction Companies	1 220,2	Germany
24	GSK	GSK	Life Sciences	1 196,4	UK
25	MAN Truck and bus	MAN	Automotive	1 175,0	Germany
26	Skanska Polska	SKANSKA	Construction Companies	1 158,4	Sweden
27	Fiat Powertrain	FIAT	Construction Companies	1 150,8	Italy
28	Samsung Electronics	SMASUNG	Industrial Products	1 113,2	Korea
29	LG Electronics Wrocław	LG	Industrial Products	1 104,4	Korea
30	Volkswagen Motor Polska	VW	Automotive	1 084,1	Germany
31	Kompania Piwowarska	SAB	Consumer Products	1 068,7	South Africa
32	LG Electronics Wrocław	LG	Industrial Products	1 039,8	Korea
33	Philips Lighting	Philips	Industrial Products	1 031,3	Netherlands
34	Grupa Muszkieterów	ITM	Retail	1 019,5	France
35	Swedwood	IKEA	Process Industries	1 007,4	Sweden

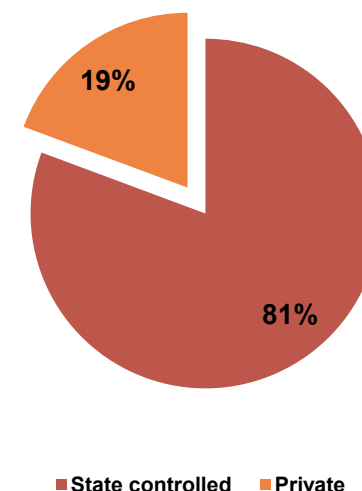


CLIENT'S ENVIRONMENT (4/6)

+ €1 bn T/O Polish Companies (ex. FI) ranked by 2011 turnover */

	Rank CE Top 500	Company	Industry	Sub industry	Group	Turnover(M€)	State control
1	1	PKN Orlen	Energy and Ressources	Oil and Gas	PKN Orlen	25 965,6	yes
2	7	LOTOS	Energy and Ressources	Oil and Gas	GRUPA LOTOS	7 102,2	yes
3	8	PGE	Energy and Ressources	Power and Utilities	PGE	6 823,5	yes
4	12	PGNiG	Energy and Ressources	Oil and Gas	PGNiG	6 823,5	yes
5	15	KGHM	Energy and Ressources	Mining	KGHM	5 366,1	yes
7	34	LOTOS Paliwa	Energy and Ressources	Oil and Gas	GRUPA LOTOS	3 486,0	yes
8	45	Kompania Węglowa	Energy and Ressources	Mining	Kompania Węglowa	3 486,0	yes
6	18	Tauron	Energy and Ressources	Power and Utilities	TAURON	3 150,6	yes
9	47	PKP	Consumer Business and Transportation	Transportation	PKP	2 904,8	yes
10	46	ENERGA	Energy and Ressources	Power and Utilities	ENERGA	2 469,3	yes
11	59	Eurocash	Consumer Business and Transportation	Retail	EMPERIA	2 422,6	no
12	60	Enea	Energy and Ressources	Power and Utilities	ENEA	2 407,2	yes
13	63	JSW	Energy and Ressources	Mining	JSW	2 276,0	yes
14	78	Orlen Petrocentrum	Energy and Ressources	Oil and Gas	PKN Orlen	2 021,7	yes
15	86	Lasy Państwowe	Public Sector	National Government	STATE	1 879,7	yes
16	95	POLKOMTEL	Technology, Media and Telecom	Trelecommunications	SOLORZ ZAK	1 774,8	no
17	96	Lewiatan	Consumer Business and Transportation	Wholesale and distribution	LEWIATAN	1 771,9	no
18	104	PSE Operator	Energy and Ressources	Power and Utilities	STATE	1 696,7	yes
19	111	POCZTA POLSKA	Public Sector	Postal Services	STATE	1 611,8	yes
20	113	PELION	Life Sciences and Health Care	Life Sciences	PELION	1 594,7	no
21	119	NEUCA	Life Sciences and Health Care	Life Sciences	NEUCA	1 550,7	no
22	120	EMPERIA HOLDING	Consumer Business and Transportation	Wholesale and distribution	EMPERIA	1 537,2	no
23	139	PKP CARGO	Consumer Business and Transportation	Transportation	PKP	1 327,1	yes
24	141	SYNTHOS	Manufacturing	Process Industries	SOLOWOW	1 320,6	no
25	144	AZOTY TARNOW	Manufacturing	Process Industries	AZOTY	1 295,7	yes
26	152	FARMACOL	Life Sciences and Health Care	Life Sciences	FARMACOL	1 241,5	no
27	156	ASSECO	Technology, Media and Telecom	Technology	ASSECO	1 203,9	no
28	166	POLIMEX-MOSTOSTAL	Real Estate	Construction Companies	POLIMEX-MOSTOSTAL	1 171,6	no
29	189	BORYSZEW	Manufacturing	Process Industries	KARKOSIK	1 051,5	no
30	199	KHW	Energy and Ressources	Mining	STATE	1 024,3	no
31	203	CIECH	Manufacturing	Process Industries	STATE	1 011,5	no
32	208	Grupa Canpack	Manufacturing	Industrial Products	CANPACK	1 004,0	no







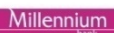





+€1bn in T/O by type of control



CLIENT'S ENVIRONMENT (5/6)

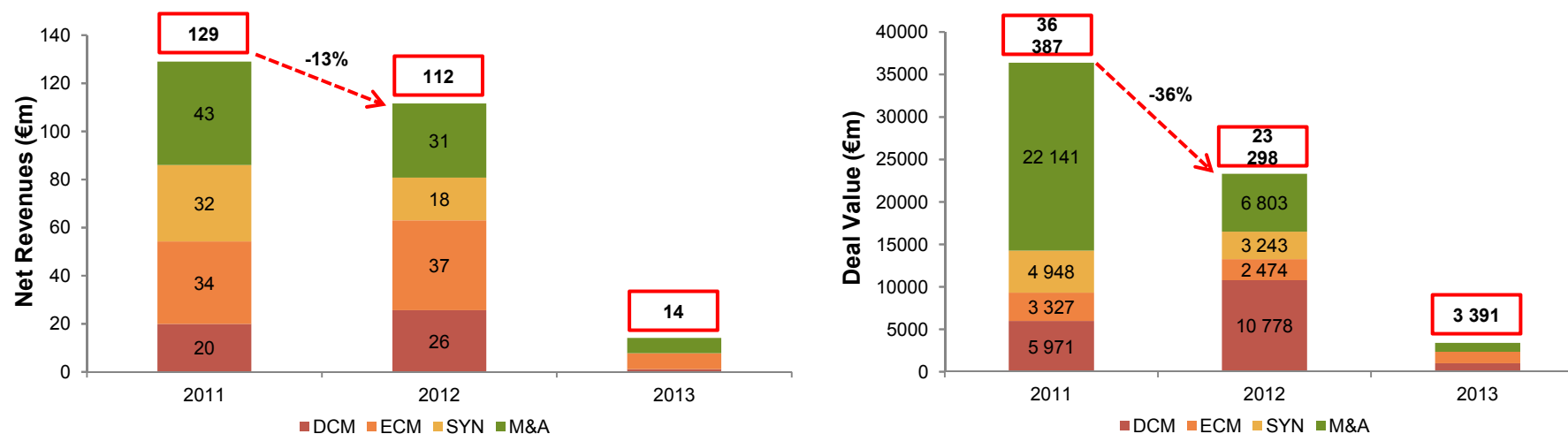
Top 12 commercial banks in Poland, as of 2011 in terms of assets (1EUR=4,4PLN)

THE POLISH BANKING MARKET IS MAJORITY UNDER FOREIGN MANAGEMENT.
REMAIN FRAGMENTED AND WE DO EXPECT A FURTHER CONSOLIDATION (I.E. SANTANDER)

Bank	Assets, EUR billion	Share by Assets, %	Major Shareholder
1  PKO BP	43.2	14,7	State Treasury
2  Bank Pekao	33.2	11.3	UniCredit
3  BRE	22.4	7.6	Commerzbank
4  ING	15.8	5.4	ING
5  BZWBK	13.4	4.5	Santander (BSCH)
6  GetinBank	12.1	4.1	Getin Holding SA
7  Millennium	11.5	3.9	BCP
8  CITI BH	9.5	3.3	Citibank Overseas
9  Kredyt Bank	9.4	3.2	Santander (BSCH)
10  BGK	8.9	3.0	State Treasury (100%)
11  Bank BPH	8.3	2.9	GE
12  BGŻ	7,5	2.6	Rabobank
Total TOP 12 =195.9		66.7	

CLIENT'S ENVIRONMENT (6/6)

POLAND IB BUSINESS OVERVIEW 2011 – March 2013



Top 5 IB deals 2011 – YTD 2013

Product	Completion	Company	Type	Deal Value (€m)	CCY	Net Revenues (€m)	Lead Banks	SG Role
ECM	5-Dec-12	Alior Bank SA	IPO	504	Polish Zloty	18.3	Barclays; JPM; Ipopema Securities SA; MS; Erste Group Bank AG; Renaissance Capital	n.a
M&A	9-Nov-11	Polkomtel SA (Acquired); SOLORZ-ZAK GROUP	Cash	4,310	Polish Zloty	12.4	Nomura; Goldman Sachs; ING; Rothschild; UniCredit; DB; Credit Agricole CIB; Trigon	n.a
SYN	28-Apr-11	POLSKI KONCERN NAFTOWY (PKN)	Leveraged	2,625	Euro	10.5	Mitsubishi UFJ Financial Group; Nordea Markets; UniCredit; Citi; Erste Group Bank AG; ING; DNB Bank ASA; Credit Agricole CIB; Commerzbank Group; SG CIB; Santander; Rabobank; SEB; BNP Paribas	Mandated Arranger
ECM	29-Jun-11	JASTRZEBSKA SPOLKA WEGLOWA SA	IPO	1,344	Polish Zloty	9.1	Citi; JPM; Ipopema Securities SA; SG CIB; PKO BP; Goldman Sachs; UniCredit; Wood & Co; Commerzbank Group	Bookrunner
M&A	5-Mar-12	Quadra FNX Mining Ltd (Acquired); KGHM	Cash	2,140	Canadian Dollar	8.1	BMO Capital Markets; GMP Capital Inc; Rothschild; BNP Paribas; Citi	n.a

Dealogic as of Mars 7th 2013

INFRASTRUCTURE

Financing angle

- During the last 5 years, 81.310 contracts eligible to EU funds, have been opened for a total value of PLN344,4bn.
- MoT estimates that PLN230bn (i.e. 67%) out of these PLN344,4bn projects were spend on infrastructure projects of which, according to the press agency PAP, PLN94bn in relation with the EURO 2012
- The main source of funding for infrastructure was largely:
 - sponsors direct participation -> in most of the cases central and local budgets
 - Multilateral financial Institutions -> EIB, EBRD
 - and in a smaller extend
 - BGK – Investment Bank of the State, in spite of its nature having a limited capacity because it's undercapitalization
 - Commercial banks -> bridge financing to EU funds and time to time take in the financing depending on the horizon
 - Financial Investors i.e. PZU
 - Private Equity -> were the investment horizon might be limited to 5-7 years.
- As EU Funds came in the end as partial refinancing after the project completion this set up was sufficient to absorb 85,5% of 2007-2013 EU budget allocation i.e. PLN 237,8bn out of the EUR76bn

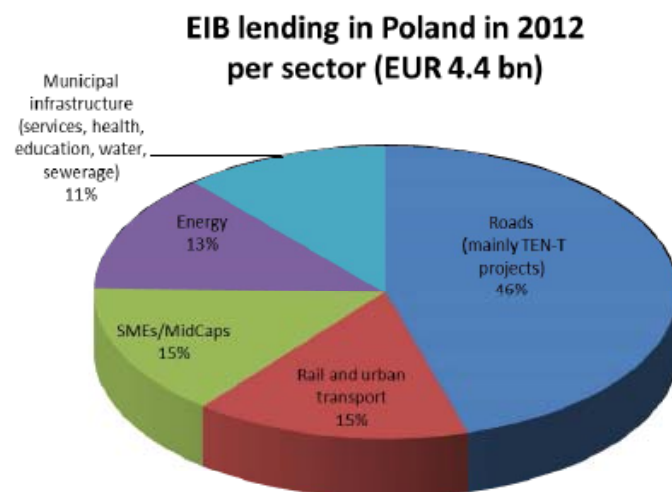


The event created a strong motivation & provided a dead line for the road, airports and stadiums modernization, and had a direct impact on the perception of Poland

THE MULTILATERAL CREDIT INSTITUTIONS



Over the five past years (2008-2012) the bank has pledged to provide EUR 22.8 bn for promoting European objectives in Poland

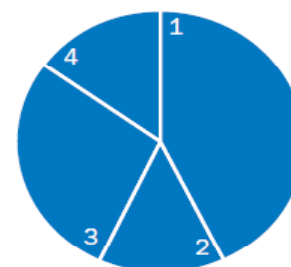


Source: EIB „The EIB in Poland 2012”



**European Bank
for Reconstruction and Development**

Sector breakdown of current projects



1	Corporate	43%
2	Energy	14%
3	Financial institutions	28%
4	Infrastructure	15%

- 1 Corporate comprises agribusiness, manufacturing and services, property and tourism and telecommunications
- 2 Energy comprises natural resources and the power sector
- 3 Financial sector includes investments in micro, small and medium-sized enterprises via financial intermediaries
- 4 Infrastructure comprises municipal environmental infrastructure and transport

Source: EBRD „Poland April 2012”

Cumulative number of projects

299

Total project value

€28.7 billion

Net cumulative business volume

€5.5 billion

Cumulative disbursements

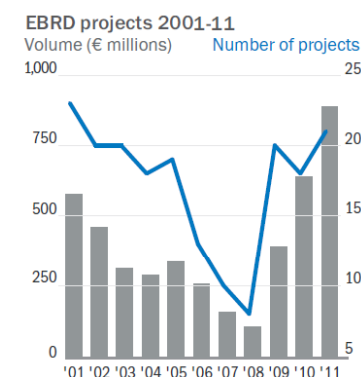
€4.9 billion

Private portfolio share

89%

Portfolio

€2.4 billion



EXAMPLE OF INFRASTRUCTURE PROJECT

A2 – Motorway

A2 – MOTORWAY (1/2)

June 2009

Autostrada Wielkopolska

**AUTOSTRADA WIELKOPOLSKA II S.A.
A2 MOTORWAY ŚWIECKO – NOWY
TOMYŚL SECTION**

EUR 1,000,000,000 EIB Loan Facility
EUR 400,000,000 Commercial Loan Facility
PLN 150,000,000 VAT Facility

Project Sponsors

Kulczyk Holding S.A. **meridiam** **STRABAG**

Mandated Lead Arranger

A2 Motorway, Poland (Section 2)

SG acted as Mandated Lead Arranger to the AWSA consortium led by Strabag and Meridiam Infrastructure. The 40-year DBFO Concession Agreement was granted to AWSA for the A2 Motorway project which comprises two sections, and when complete will link Warsaw to Berlin. Section II comprises the design, construction and operation of c.105km of the motorway. The financing was procured from a club of nine banks and the EIB. The total debt package is €1.4bn and total project costs are €1.6bn. Financial close was achieved in June 2009



Project overview

Project overview

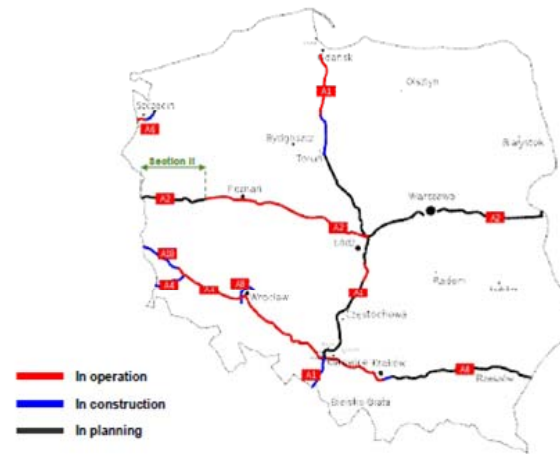
Rationale of the Project

- Project is part of strategic Trans European Network (TEN)
- A2 connects Berlin-Warsaw en route to Moscow, bridging section I to German border
- Improves in-country traffic flows on east-west road link
- GDDKiA & AWSA are closely working to successfully close transaction in time to complete road prior to the European football championships
- Project enhances Polish economy, sourcing substantial goods & services from Poland

Overview Works program (2009 – 2011)

- The construction of a new motorway, to be built from Nowy Tomyśl to Rzepin (length: 87.45 km)
- The upgrade of road No. 2 to motorway standards from Rzepin to Świecko (length: 17.075 km)
- The rehabilitation of the road surface in the vicinity of the Świecko interchange (length: 1.38 km) and
- Installation of a closed toll collection system on all sections and including on the Goluski Toll Plaza and the Buk interchange on Segment I

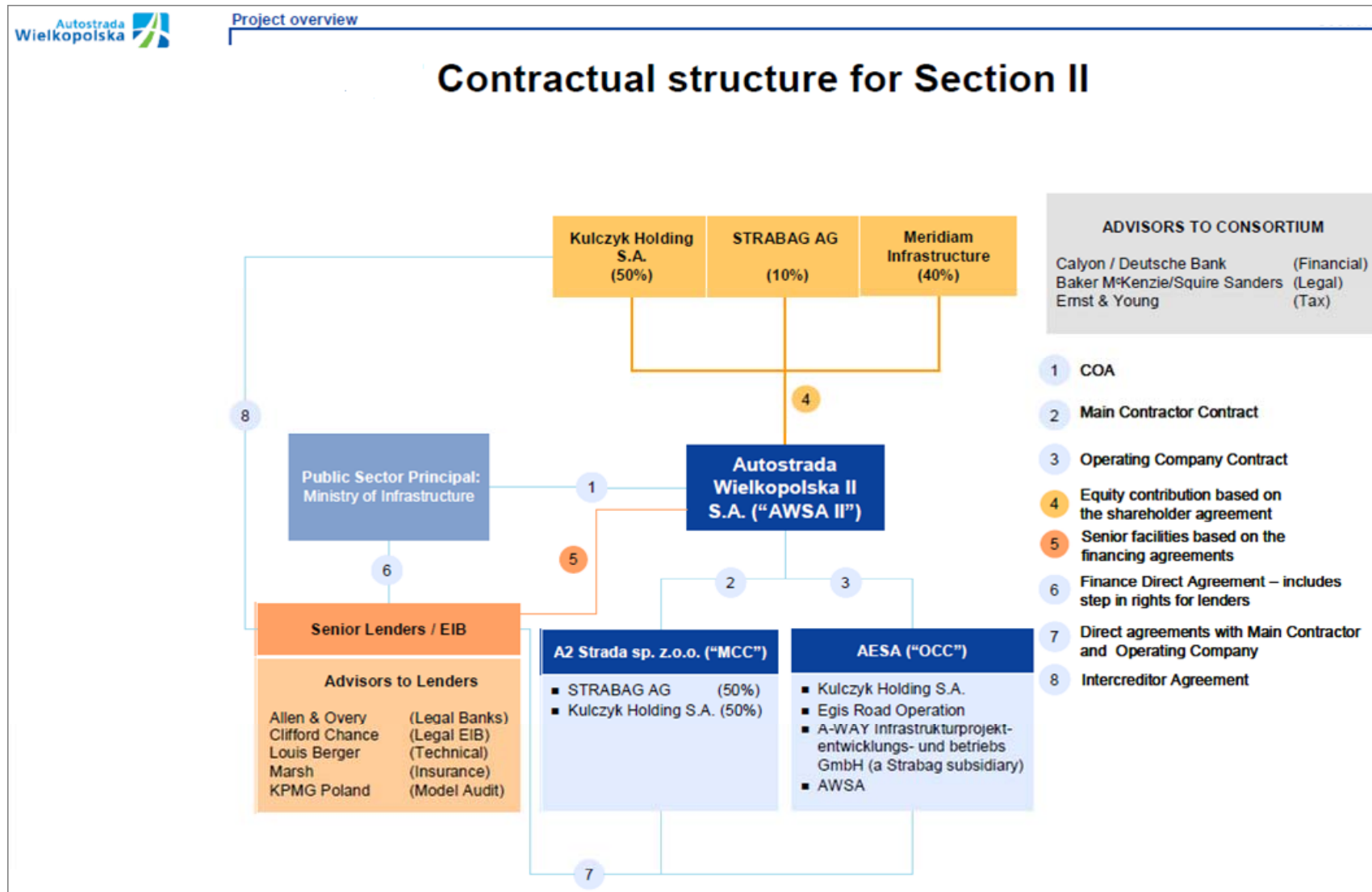
Existing and planned motorways in Poland



Project map



A2 – MOTORWAY (2/2)





POLISH INVESTMENTS PROGRAM

PROGRAM SUPERVISION:



Ministerstwo
Skarbu
Państwa



Ministerstwo
Finansów



BANK
GOSPODARSTWA
KRAJOWEGO

PIP – AS A MUST TO FURTHER CONTINUE INFRASTRUCTURE INVESTMENTS

- **Although Poland has proven to be quite efficient in absorbing the 2007-2013 EU subsidies, there is a need of further organizational improvements to be able to spend the planned PLN 500 bn during the 2013-2020 period.**
- **These improvements are necessary because:**
 - Existing central and local budget limitation due to:
 - ▶ Deficit constraints
 - ▶ Risk of entering into state support considerations
 - less lending appetite with commercial banks -> Basel 3 implications
 - private equity firms limited investment horizon
 - weak Tier1 of BGK capping its investment capacity to EUR50m
- **All that has led to the creation of:**



PIP – A CATALYST FOR LONG TERM INVESTMENTS */

OBJECTIVE

To support the implementation of selected infrastructure investments ensuring:

Projects are economically justified

Public debt is not increased

Long-term private capital is activated

MAIN INFRASTRUCTURE INVESTMENT TARGETS

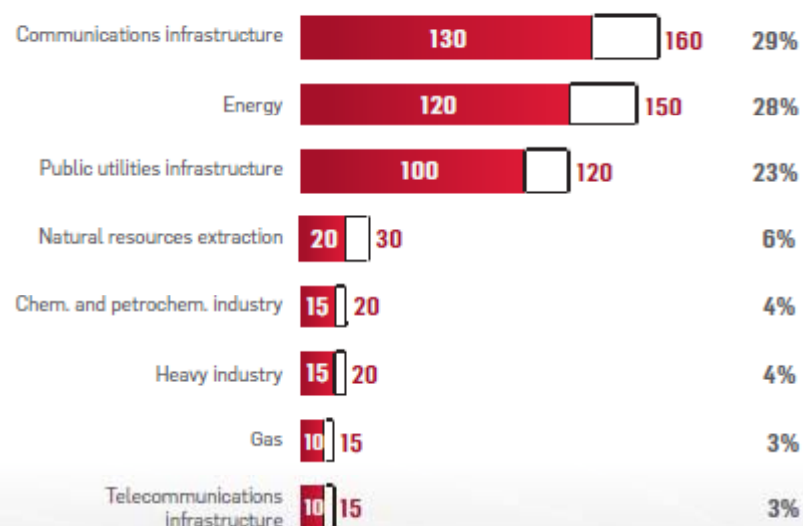
- **Energy** – distribution and manufacturing
- **Gas** – transmission, extraction and storage
- **Natural Resources** – hydrocarbon deposits, including shale gas
- **Port, maritime, rail, and road networks**
- **Municipal projects** e.g. waste management, transport and communication infrastructure, town rejuvenation
- **Industrial and telecommunication networks**



PIP – ENSURE CURRENT INVESTMENT DYNAMICS */

PLANNED INFRASTRUCTURE EXPENDITURE TILL 2020 ESTIMATED AT PLN 400–500 BILLION
REQUIRES THE PROVISION OF LONG-TERM FINANCING

(PLN billion)



TOTAL PLN 400–500 bn 100%

PLN 400–500 bn investment estimated
for maintaining the current growth rate vs EU
(~PLN 60 bn annual average)

Limiting long-term funding sources may cause
a drop in infrastructure investments till 2020

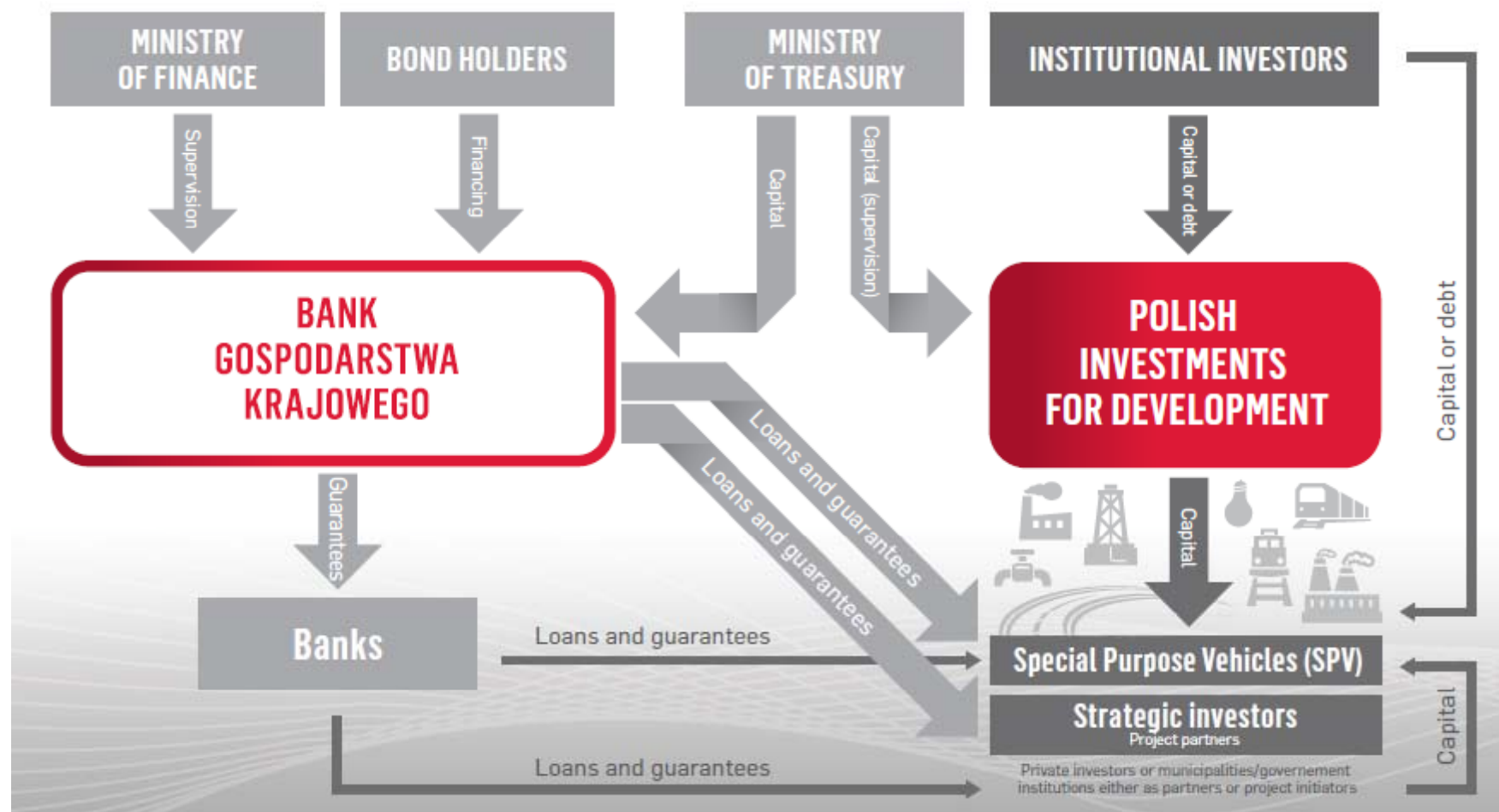
- No guarantee of funding from the EIB/EBRD
- Reduced risk appetite in the banking sector (particularly after 2009)

For key infrastructure projects at risk
more balanced support will be critical

THE POLISH INVESTMENTS PROGRAM A CATALYST TO STIMULATE INVESTMENTS INTO INFRASTRUCTURE

Sources: Interviews and press releases, company information, annual reports, CSO

PIP - TO SATISFY STAKEHOLDERS INTERESTS */



PIP – TO BRIDGE THE GAP IN AVAILABLE FINANCING */

		POLISH INVESTMENTS							
		PRIVATE EQUITY	COMMERCIAL BANKS	PENSION/ MUTUAL FUNDS	EIB/EBRD	COMPANIES ²	BGK	POLSKIE INWESTYCJE ROZWOJOWE S.A.	EU FUNDS
SECTOR		Sectors with a high rate of return	Low risk	Low risk Stability of investment	Strategic sectors for the country	Sector in which it is active	Strategic sectors for the country	Strategic sectors for the country	Strategic sectors for the country
TYPES OF FUNDING		Equity (LBO) ⁶	Loans Guarantees Mezzanine Other ¹	Equity	Loans Guarantees Mezzanine	Own equity	Loans Guarantees	Equity Mezzanine ⁵	Not applicable
AMOUNT INVESTED		Limited by AUM (Assets under Management)	< PLN 500 mln, depending on the strategy to risk exposure	< PLN 1 billion, depending on the portfolio management strategy	< PLN 1 billion, depending on the strategy for the region's development	Depends on company's financial standing	< PLN 2 billion	PLN 50-750 mln, depending on the project	Limited by the size of the development program
PARTICIPATION IN INVESTMENT FUNDING	D ³		Minority (10-30%)		Minority (~30%)		Depends on project profile		
	E ⁴	Majority > 50%		Minority (10-15%)		Depends on the availability of resources		< 50%	15-85%, depending on the program
EXPECTED RETURN									
<small>1. Includes all forms of debt financing - (including obligations) 2. Companies that invest in their own assets 3. Debt 4. Equity 5. Mezzanine – capital with limited risk 6. LBO – redemption aided by debt financing</small>								Long	Not applicable

PIP – INSTRUMENTS TO SUPPORT THE PROJECTS */

PROGRAM INSTRUMENTS

- **Debt financing** (loans and guarantees, subscribing to bonds) provided by BGK
- **Capital investments** by Polskie Inwestycje Rozwojowe (PIR) (by subscribing to shares in a future resale) with private capital
- **Available for Municipalities:**
 - Debt financing (loans and guarantees provided by BGK)
 - Purchase of bonds issued by community partnerships
 - PIR to act as a private co-investor in PPP's

FINANCING THE PROGRAM

- BGK and PIR will be recapitalised with funds of up to PLN 10 bn each.
The funds will be raised through the sale of shares of shares held by MSP (whilst maintaining control in strategic companies).

THE PROGRAM IS AIMED AT

- **Private entities** (also those with foreign capital) and entities with Treasury shareholding
- **Public institutions, local authorities** (e.g. public-private partnerships)

LONG-TERM TIMETABLE

Cumulative effect of investments of PLN 40 bn possible within 3-4 years.

2012

- **Program launch**
- **Establish** Polskie Inwestycje Rozwojowe S.A. (PIR)

2013

- **Increase** BGK's statutory reserves and recapitalise PIR
- **Obtain external funding** for BGK to leverage the increased statutory reserves
- **Intensification** of BGK's activity
- **PIR to start investing**

2014-2016

- **Continue** BGK's lending campaign
- **PIR continues its activities**
- **Continue recapitalising** PIR and BGK

PIP – INVESTMENT POLICY ASSUMPTIONS */

- Investments in selected **strategic sectors in Poland**
- Polskie Inwestycje Rozwojowe S.A. to take up **minority interests** (possible exception in PPP projects) in the form of equity (mainly) and mezzanine
- Minimum commitment – **PLN 50 million** (target), maximum commitment – **PLN 750 million** (preferred – **PLN 250 million**)
- Maximum commitment period = construction phase + debt repayment; exit preference **as quickly as possible**
- PIR shall **invest on terms no less favourable** than other investors, taking into account the type of capital risk
- Project returns are calculated as equity IRR; **IRR at above average market rate** for debt financing, taking into account project risk

PIP – SUPPORTED BY THE PRIVATISATION PROGRAM */

1. The privatisation process continues
2. Revenues from privatisation will be used to support private capital in infrastructure investments



FINANCING OPTIONS USED IN THE POLISH INVESTMENT PROGRAM

Infrastructure projects can be executed directly by its initiator or separately as a special purpose entity. Project finance is a form of financing which separates cash flows of the project from the operational activity of the project sponsor. In the case of direct project execution, assets of the sponsor may serve as a guarantee. In both cases, funding may take the form of a loan or bond issue.

Both infrastructure financing options can be used in the Polish Investments Program

PROJECT FINANCE	VS	LOANS
A typical method of financing infrastructure projects		Charged to the balance sheet of the project sponsor
Limits the charge on the balance sheet of the project sponsor and the loss in the event of failure		In the event of failure the loss is not limited

PIP – ROLE OF THE PILLARS OF THE PROGRAM */

THE PROGRAM		
<ul style="list-style-type: none"> Ensures the current dynamics of investment into long term infrastructure projects are maintained by providing attractive financing options Complements the current offering of financial institutions on the Polish market 		
Pillars of the program	BANK GOSPODARSTWA KRAJOWEGO	POLSKIE INWESTYCJE ROZWOJOWE S.A.
The products are offered together or independently	Loans, bond guarantees, guarantees	Equity, Mezzanine
Projects	Profitable projects only – energy (distribution and production) and gas infrastructure (transmission networks, mining and storage facilities), development of hydrocarbon deposits (including shale gas), transport infrastructure, local government infrastructure (waste disposal, communication), as well as industrial and telecommunications infrastructure.	
Size of engagement	Up to PLN 2 billion	From PLN 50 million to PLN 750 million with no more than 50% in the SPV for a specific project (preferred PLN 250 million)
Length of commitment	Consistent with the financial model of the project	Maximum = construction phase + cost of debt; preferred exit as quickly as possible
Product Availability	Immediate	Second half of 2013
Contact	Bank Gospodarstwa Krajowego Piotr Kuszewski, Managing Director of Infrastructure Investment Division inwestycje@bgk.com.pl	Ministry of Treasury Michał Markowski Chief Economist inwestor@msp.gov.pl
PROGRAM SUPERVISION:  Ministerstwo Skarbu Państwa  Ministerstwo Infrastruktury  BANK GOSPODARSTWA KRAJOWEGO		

CONCLUSIONS

CONCLUSIONS

- Since Poland's accession to EU in 2004 the country has come a long way
- Nonetheless in spite of the large infrastructure investments, strongly helped by the inflow of EU structural funds, there is still a lot to do
- The workload is translated into ab. PLN500bn of projects during 2013-2020
- It will be still helped by the inflow of EU funds to Poland
- For the years 2014-2020 the draft of the EU budget sets the EU fund allocation at 105,8bn of which EUR72,9bn in the Cohesion Policy framework
- So far Poland has proven to be able to absorb the allocated funds, however it was done with the help of the central and local budgets
- Given the existing budget restriction to successfully manage the structural funds some new schemes need to be implemented
- PIP might be a solution, but we do believe, that as well, a more PPP approach would be necessary

THANK YOU FOR YOUR ATTENTION

Q & A

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