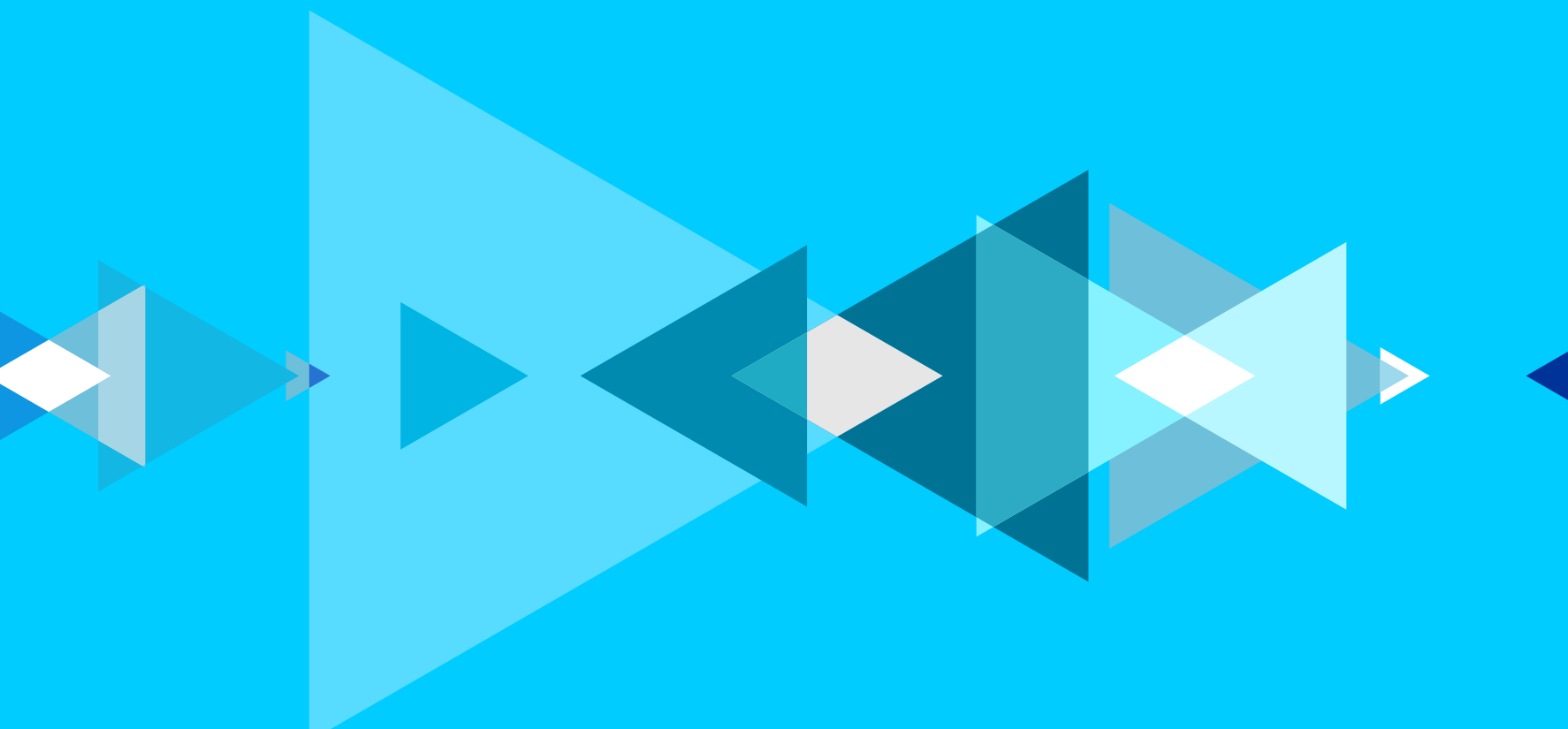
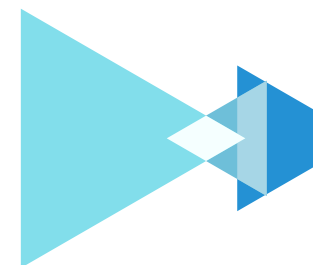
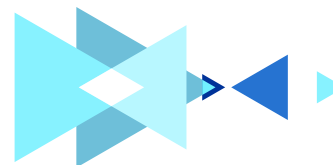


DEAL FLOW: POLAND 2012



CONTENTS

THE 2011 STORY...	3
... SET TO CONTINUE IN 2012	4
TOP TRANSACTIONS IN POLAND – 2011	5
M&A ACTIVITY	6
M&A SPOTLIGHT – POLKOMTEL S.A.	8
PRIVATE EQUITY ACTIVITY	10
PRIVATE EQUITY SPOTLIGHT – TP EMITEL SP. Z O.O.	11
ECM ACTIVITY	12
PRIVATISATION	15
SPOTLIGHT ON THE OUTBOUND AGENDA – KGHM POLSKA MIEDŹ S.A.	17
2012 OUTLOOK	18
APPENDIX 1	19
APPENDIX 2	20
APPENDIX 3	22
ABOUT THE AUTHORS	24



THE 2011 STORY...

Seemingly insulated from the prevailing global economic turmoil and the euro zone debt crisis, Poland's capital market witnessed an unprecedented level of deal-making activity in 2011.

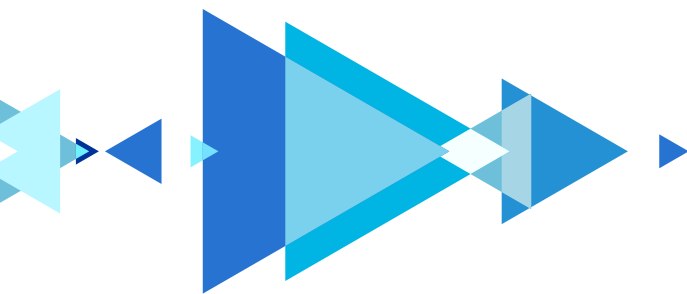
With the year's overall buyout activity totalling over €16 billion, Poland captured 20% and 4% of deal value in CEE and Europe respectively. The string of landmark transactions announced in 2011 included the €4.5 billion acquisition of telecom operator Polkomtel S.A. by Polish media mogul Solorz-Żak, Banco Santander's €4.3 billion acquisition of Poland's third largest bank – BZ WBK S.A., and the takeover of broadcaster and pay-TV provider TVN S.A. by Canal+.

In an undoubtedly difficult year for European equity markets, the Warsaw Stock Exchange's 31 IPOs, raising a total of €2.07 billion, placed it second in Europe by volume and third by value. WSE-regulated NewConnect led the European alternative exchange scene by volume with 172 listings, though at an aggregate value of only €133 million.

The WSE owes much of its 2011 activity to the high-profile privatisation of coal producer JSW S.A., which saw Poland's State Treasury raise €1.36 billion in what was Europe's fourth largest IPO last year. Several other notable deals involving state assets were completed in 2011, adding up to a total of €3.2 billion raised through the privatisation programme.

POLAND – 2011 HIGHLIGHTS

- The total value of all announced M&A transactions topped €16 billion, a 79% increase y/y
- Private equity deal value reached €1.2 billion, representing 35% of all CEE PE activity*
- Europe's largest LBO since 2008 – Polkomtel S.A. at €4.5 billion
- Fourth largest IPO in Europe – JSW S.A., with €1.4 billion raised
- Poland's largest ever private equity buyout – TP EmiTel Sp. z o.o. at €425 million
- The five largest privatisations raised over €2.7 billion out of a €3.2 billion total for the year
- Revived PE exit activity with a string of IPOs and trade sales
- Top performing sectors by value:
 - TMT
 - Financial services
 - Power and energy



* CEE: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

... SET TO CONTINUE IN 2012

Poland's M&A and private equity deal-making lost no pace over the first six months of 2012. Indeed, the year's first quarter saw a number of high-profile deals already announced, primarily in the financial services sector. At the end of February, Banco Santander again made headlines with the announcement of a €5 billion merger (combined entity pro forma enterprise value) between its recently acquired BZ WBK and KBC-controlled Kredyt Bank S.A. The Belgian institution also divested its Polish insurance unit, Warta S.A., to Germany's Talanx International AG for €770 million. A month earlier Talanx and Japan's Meiji Yasuda had picked up another insurance provider, TU Europa, from Getin Holding for €336 million, in effect creating the second largest insurance group in Poland.

In the short- to mid-term, stable, domestic demand-driven GDP growth, along with the Polish government's on-going privatisation programme, is likely to sustain the elevated level of interest from global financial and strategic players seeking quality targets with a combination of high growth potential and reasonable valuations.

This report provides an in-depth look at Poland's emergent deal-making environment, with a cross-section of this year's M&A, private equity and IPO activity. It is based on data published by mergermarket and our own research.



KEY THEMES FOR 2012 AND BEYOND

Looming euro zone crisis and Poland's response

- To date, Poland has shown an uncanny resilience to the economic downturn, recording steady, single-digit GDP growth in each of the last three years (4.3% in 2011)
- Growth expectations remain optimistic – the EBRD predicts that Poland's GDP will grow by 2.7% in 2012 and 2.9% in 2013, while the European Commission puts the figure at 2.7% and 2.6% respectively
- As time is rapidly running out for Greece to make its stay-or-go decision, the Polish economy continues to show signs of reticent improvement, with healthy domestic demand, ambitious public debt targets and stable, reform- and EU-oriented policy

M&A and private equity activity drivers

- Attention is expected to focus largely on the middle market, with several potential big-ticket deals on the horizon
- Telecommunications is set to remain a key sector of interest, along with healthcare, retail, financial services and energy

Uncertain ECM outlook as the privatisation pipeline dries up

- Recently crowned the top European listing destination, the Warsaw Stock Exchange has in recent years benefitted greatly from the Polish government's substantial privatisation programme
- In the short term, state assets will continue to underwrite the Polish market's success story; in the long term the private sector will need to fill the gap

Redefining Europe's energy landscape

- Although resource estimates vary and controversy over the safety of hydraulic fracturing is escalating, Poland's nascent shale gas industry has the potential to make it a significant player in European energy
- If historical shale-related M&A activity is any indication, strategic and financial acquirers are likely to have a defining role in the industry's development
- In private equity's first bet on Polish shale gas, Enterprise Investors recently made a €21 million minority investment in oil services start-up United Oilfield Services

The outbound agenda

- Despite twenty years of transformation, Polish business has been conspicuously absent from the global marketplace. Recent developments may however be a sign of change
- Companies such as PKN Orlen S.A., with its €2.7 billion investment in a Lithuanian refiner, or more recently Asseco Poland S.A., with an acquisition spree culminating in the purchase of Nasdaq-listed Formula Systems, along with Boryszew S.A., Polpharma S.A., Selena S.A. and Kulczyk Investments, all have their eyes set on foreign markets
- Poland's outbound ambitions were vindicated in Q1 2012 with copper miner KGHM's €2.2 billion acquisition of TSX-listed Quadra FNX

TOP TRANSACTIONS IN POLAND – 2011

	TARGET	DATE	TYPE	DEALVALUE (€m)	BUYER	BUYER FINANCIAL ADVISER	BUYER LEGAL ADVISER	VENDOR	VENDOR FINANCIAL ADVISER	VENDOR LEGAL ADVISER	SECTOR
1	Polkomtel S.A.	30 Jun	LBO	4 524	Spartan Capital Holdings Sp. z o.o., controlled by private investor Zygmunt Solorz-Żak	Trigon Dom Maklerski S.A., Deutsche Bank, Crédit Agricole CIB	Dewey & LeBoeuf; Chajec, Don-Siemion & Żyto	Vodafone Group Plc, KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., Polski Koncern Naftowy ORLEN S.A., Węglokoks S.A.	Goldman Sachs, Rothschild Polska, ING, Nomura	K&L Gates, Gide Loyrette Nouel, Allen & Overy, Clifford Chance, in-house counsel	TMT
2	Bank Zachodni WBK S.A.	7 Feb	Acquisition	4 290	Banco Santander	KPMG, Bank of America Merrill Lynch, Nomura	DLA Piper	Allied Irish Banks plc	AIB Corporate Finance, Morgan Stanley	Linklaters	Financial services
3	Vattenfall Heat Poland S.A., Górnośląski Zakład Elektroenergetyczny S.A.	24 Aug	Asset disposal	1 722	Tauron S.A., PGNiG S.A.	BNP Paribas	Weil Gotshal & Manges	Vattenfall AB	Deutsche Bank	Norton Rose	Energy
4	Cyfra+ (Canal+ pay-TV platform), n (TVN S.A. pay-TV platform) / N-Vision B.V. (40% stake)	19 Dec	JV merger / acquisition	n/a; 230	Canal+ Group (Vivendi)	Bank of America Merrill Lynch, Barclays	Sołtysiński Kawecki & Szlęzak, Orrick Herrington & Sutcliffe	ITI Group, TVN S.A.	JP Morgan, Nomura, Bastion Group	Weil Gotshal & Manges, Allen & Overy, Domański Zakrzewski Palinka	TMT
5	Telewizja Polsat S.A.	21 Apr	Acquisition	1 000	Cyfrowy Polsat S.A.	Trigon Dom Maklerski S.A., KPMG	Dewey & LeBoeuf	Telewizja Polsat S.A.	-	-	TMT
6	Polbank EFG S.A. (70% stake)	3 Feb	Majority acquisition	490	Raiffeisen International Beteiligung	Deutsche Bank	Dewey & LeBoeuf	EFG Eurobank Ergasias S.A.	Goldman Sachs, Rothschild	-	Financial services
7	TP EmiTel Sp. z o.o.	24 Mar	Buyout	425	Montagu Private Equity	Bastion Group	Allen & Overy	Telekomunikacja Polska S.A.	Rothschild Polska	White & Case	TMT
8	TU Europa S.A. (83.5% stake)	14 Dec	Acquisition	336	Meiji Yasuda Life Insurance Company, Talanx AG	UniCredit Group	Linklaters	Getin Holding S.A.	JPMorgan	-	Financial services
9	Stołeczne Przedsiębiorstwo Energetyki Ciepłej S.A. (85% stake)	11 Oct	Privatisation	331	Dalkia International, Industry Funds Management Pty Ltd	-	Gide Loyrette Nouel	City of Warsaw	BZ WBK S.A.	Baker & McKenzie	Energy
10	Elektrownia Rybnik S.A. (32.45% stake), ZEW KOGENERACJA S.A. (15.59% stake)	21 Dec	Follow-on acquisition	301	Electricite de France SA	Citigroup, Inc.	-	EnBW Energie Baden-Wuerttemberg AG	Royal Bank of Scotland Group Plc	Clifford Chance LLP	Energy

M&A ACTIVITY

Poland's overall deal value in 2011 reached an unprecedented level. 144 transactions worth €16 335 million were announced, compared with 348 deals valued at €23 052 million throughout CEE. The ten largest M&A transactions alone accounted for over €13 billion.

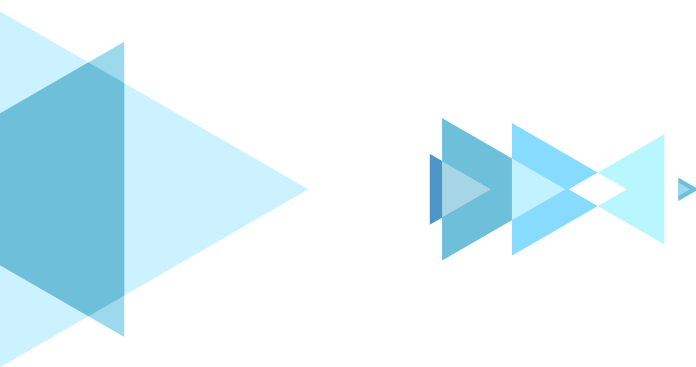
Strong growth was evident across the financial services, TMT and energy sectors. In the mid-term the market is set to continue to benefit from a robust privatisation programme, with the state looking to dispose of several significant holdings via equity offerings and sales to both strategic and financial players.

SECTOR HIGHLIGHT – LARGE-CAP FINANCIAL SERVICES DEALS CONTINUE TO DOMINATE

Poland's banking sector features a high degree of foreign ownership, and as such is particularly sensitive to the divestment processes prevalent at major European financial institutions. While a certain number of banks are looking to dispose of non-strategic operations in an attempt to raise capital and repay EU bailout funds, others are keen to enter the Polish market. The rapidly changing landscape and diverging interests of key financial players were the driving force behind some of the year's largest M&A deals. This dynamic was particularly visible in February – soon after Greece's EFG Eurobank divested a 70% stake in Polbank EFG to Raiffeisen Group for €490 million, Banco Santander announced its €4.29 billion acquisition of BZ WBK from Allied Irish Banks. The Spanish lender continues to build a strong market position, having paid €1 billion for Kredyt Bank S.A. at the beginning of 2012 to create the third largest bank in Poland.

DEALS IN THE PIPELINE

Mid-way through 2012, M&A deal flow continues to centre on financial institutions, telecoms and energy assets, with banks and insurers continuing to draw the most interest from global suitors. Retail and healthcare assets are also high on dealmakers' agendas. Multiple mega buyout funds as well as top-tier financial players including BNP Paribas and Sberbank are all said to be eyeing Polish acquisition targets.



DEALS IN THE PIPELINE*

COMPANY	BUSINESS DESCRIPTION	VENDOR	VENDOR FINANCIAL ADVISER	PARTIES RUMOURED TO BE INTERESTED	APPROX. VALUE (€m)
Azoty Tarnów S.A.	Leading EU producer of mineral fertilisers	-	-	Acron, Yara	531
Bank DnB Nord Polska S.A.	DnB NOR's Polish arm; focus on large corporates and HNW clients	DnB Nord	Rothschild	-	-
Bank Millennium S.A.	65% stake; largest foreign asset of Millennium BCP	Millennium BCP	Deutsche Bank, Nomura	BNP Paribas, Sberbank	400
Biuro Maklerskie DnB Nord Polska S.A.	Brokerage firm	DnB Nord Polska S.A.	-	-	-
BP LPG	LPG bottles and tank filling business	BP Plc	-	-	-
Exatel S.A.	Telco solutions provider	PGE S.A.	-	Netia S.A., GTS Central Europe	150
Grupa Lux Med	Poland's largest chain of medical clinics	Mid Europa Partners	-	PZU, Generali, Signal Iduna, Medcover, Bupa, EQT, Riverside, Advent, Montagu	-
Lotos S.A. non-core assets	Lotos Kolej, Lotos Asphalt, Lotos Biopaliwa, Lotos Serwis	Grupa Lotos S.A.	-	-	-
Multimedia S.A.	One of the leading triple play providers in Poland	M2 Investment, Tri Media Holdings, Lubotech	JP Morgan	-	-
Netia S.A.	Publically-listed, leading Polish altco operator	-	-	Innova Capital, P4, et al.	-
P4 Sp. z o.o.	Operator of Play, Poland's 4th largest mobile network	Tollerton Investments Limited, Novator	-	Eurotel, Plus, T-Mobile; Telenor	-
RWE assets	Potential sale as part of an €11b non-core asset divestment plan	RWE AG	-	-	-
Sobieski	Polish vodka brand	Belvedere S.A.	Messier, Maris et Associes	10 PE firms and 9 strategic players including Brown-Forman	650
Sygnity S.A.	WSE-listed system integrator	-	KPMG	Asseco Poland S.A.	-
TK Telekom Sp. z o.o.	Primarily rail sector telco solutions provider; 2010 EBITDA at PLN 70m	PKP S.A.	-	Netia S.A., Hawe S.A., Dialog	-

* See Appendix 2 for a more comprehensive pipeline of on-going and prospective deals.

M&A SPOTLIGHT: POLKOMTEL S.A.

TRANSACTION DETAILS

On 30 June 2011 Spartan Capital Holdings Sp. z o.o., an SPV controlled by Polish investor Zygmunt Solorz-Żak, agreed to acquire a 100% interest in Polkomtel S.A. for a cash consideration of approximately €4 524 million.

Announced:	30 June 2011
Completed:	9 November 2011
Value:	€4.52 billion
Value excluding net debt:	€3.75 billion
Target:	Polkomtel S.A.
Acquirer:	Spartan Capital Holdings Sp. z o.o.
Financial advisers:	Trigon Dom Maklerski S.A., Deutsche Bank, Crédit Agricole CIB
Legal advisers:	Dewey & LeBoeuf, Chajec, Don-Siemion & Żyto
Vendors:	KGHM Polska Miedź S.A. (24.39%)
Financial adviser:	Rothschild Polska
Legal adviser:	Gide Loyrette Nouel
	PGE Polska Grupa Energetyczna S.A. (21.85%)
Financial adviser:	ING
Legal adviser:	Allen & Overy
	Polski Koncern Naftowy ORLEN S.A. (24.39%)
Financial adviser:	Nomura
Legal adviser:	Clifford Chance
	Vodafone Americas Inc. and Vodafone International Holdings B.V. (24.39%)*
Financial adviser:	Goldman Sachs
Legal adviser:	K&L Gates
	Węgłokoks S.A. (4.98%)

Underwriting consortium

Crédit Agricole
Deutsche Bank
The Royal Bank of Scotland
Société Générale
PKO Bank Polski

Legal advisers: Latham & Watkins,
Norton Rose and White & Case

Company description

Polkomtel S.A. operates the second largest mobile telephony network in Poland – Plus – with approximately 14 million customers at the end of 2010.

Transaction rationale

Despite the substantial price paid, the strategic implications of the Polkomtel acquisition, although highly uncertain at this point, may far outweigh the risks. Already holding a variety of telecommunications and media assets with vast capacity for synergies and convergence, from the outset Solorz-Żak was regarded as one of the top contenders in the Polkomtel auction, PE heavyweights such as KKR, Blackstone, TPG and Bain Capital notwithstanding.

* The sellers are Vodafone Americas Inc. and Vodafone International Holdings B.V., wholly-owned subsidiaries of the Vodafone Group.

KEY CHALLENGES

Several aspects of the Polkomtel acquisition made it a particularly challenging transaction to close.

- **Multi-jurisdictional deal-making**

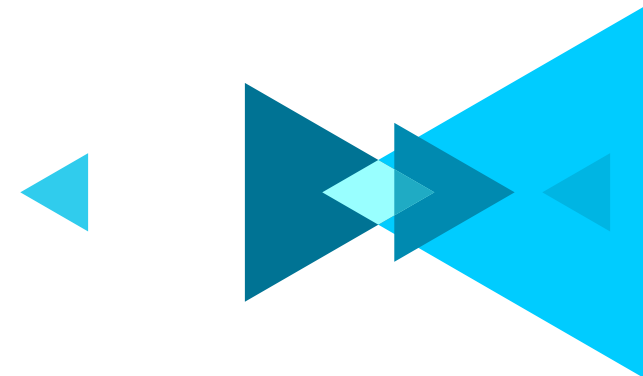
A total of 11 law firms worked across four jurisdictions on closing the transaction, which involved coordinating a negotiation process among five owners, the bidder and a banking consortium providing €3.75 billion in debt financing. Not only is this Poland's largest ever LBO, but considering its legal structure (spread across Polish, British, Swedish and Cypriot legal jurisdictions) and an unusually complex ownership situation, from a legal viewpoint it is also by far the Polish capital market's most demanding transaction.

- **Alignment of sell-side interest**

The target's five owners each retained their own financial adviser and had individual, often differing agendas. To add further complexity, aside from Vodafone all the sellers were state-controlled. A range of news reports published during the auction process suggested that the transaction was in danger of falling through due to disagreements over valuation, with a distinct likelihood that Polkomtel would instead be floated on the Warsaw Stock Exchange.

GROWTH PERSPECTIVES

- In a recently published report, telecommunications advisory firm Audytel outlines three post-acquisition growth scenarios for the Polish TMT market. Two of these – organic growth and cost leadership – assume “business as usual” and do not result in any major disruption to the market. The third alternative, however, focuses on the convergence of mobile and TV services which, considering the synergies from Polkomtel's consolidation with Solorz-Żak's other companies, including Poland's second largest TV network Cyfrowy Polsat and LTE infrastructure operators Aero2, Mobyland and CenterNet, presents a highly feasible business model.
- Audytel estimates that the convergence scenario may generate approx. PLN 8.5 billion in added value over the next five years. If executed properly, this strategy may yield both significant ROI for the company and savings for customers, resulting in a major gain in market share at the expense of its two rivals, Orange and T-Mobile.



PRIVATE EQUITY ACTIVITY

Overview

Total private equity activity in 2011 reached a level of €1 162 million. With global deal-making suffering due to difficult conditions in developed equity markets and a discouraging economic outlook, PE investors are increasingly turning their attention to new growth vectors. Poland in particular has drawn significant interest from mega buyout funds in connection with a number of large privatisations and asset disposals. Despite market volatility and uneasy lending conditions, this led to the completion of several large-cap deals by private equity players, most notably Poland's largest ever PE transaction – Montagu's buyout of EmiTel.

New investments

While the telecommunications, retail and FMCG sectors accounted for the largest share of last year's PE activity, towards the end of the year and moving into 2012 healthcare has begun to attract considerably more notice from private equity investors. In October Advent International announced a minority investment in American Heart of Poland S.A., the country's leading provider of cardiac healthcare services. Two months later, as part of its bid to consolidate the Polish laboratory market, Mid Europa Partners acquired diagnostic services provider Dr n. med. Teresa Fryda Laboratorium Medyczne Sp. z o.o.

Exits

On the exit side, in yet another healthcare deal, Mid Europa is said to be considering exiting its investment in clinic operator Lux Med. Various press and analyst reports state that the transaction may be worth up to €200 million. Earlier in 2011 the firm made headlines as the seller of cable operator Aster to UPC Polska in a €595 million exit, and as the buyer in Penta's €400 million divestment of grocery chain Żabka. Other notable exits included the Kruk and Libet IPOs by Enterprise Investors and Innova Capital respectively.

RECENT PE EXITS

COMPANY	VALUE (€m)	BUYER	EXIT TYPE	VENDOR
Aster Sp. z o.o.	595	UPC Polska Sp. z o.o.	Trade sale	Mid Europa Partners
Żabka Polska S.A.	400	Mid Europa Partners LLP	Secondary	Penta Investments
Kruk S.A.	83	WSE investors	IPO	Enterprise Investors
DGS S.A.	80	Guala Closures Group	Trade sale	Enterprise Investors
Dom Maklerski TMS Brokers S.A. (95% stake)	45	Nabbe Investments / Pinebridge Capital Partners LLC	Management buyout	3TS Capital Partners
Libet S.A.	29	WSE investors	IPO	Innova Capital
Drumet Liny i Druty Sp. z o.o.	undisclosed	WireCo World Group	Trade sale	Penta Investments
POCH S.A.	undisclosed	Avantor Performance Materials	Trade sale	Kulczyk Holding
Motor Polimer Sp. z o.o.	undisclosed	European Polymers and Chemicals Distribution	Trade sale	Carlson Capital Partners

PRIVATE EQUITY SPOTLIGHT

– TP EMITEL SP. Z O.O.

TRANSACTION DETAILS

In Poland's largest ever private equity deal, Montagu acquired the country's leading operator of terrestrial TV and radio broadcast infrastructure from Telekomunikacja Polska S.A. for €425 million.

Announced: 24 March 2011

Completed: 22 June 2011

Value: €425 million

Target: TP EmiTel Sp. z o.o.

Acquirer:
Montagu Private Equity LLP

Financial adviser: Bastion Group

Legal adviser: Allen & Overy

Due-diligence advisers: Ernst & Young, Arthur D. Little, Solon Management Consulting

Minority co-investors:

Innova Capital
SG AM Eastern Europe Fund
EBRD

Vendor:
Telekomunikacja Polska S.A.

Financial adviser: Rothschild Polska

Legal adviser: White & Case

Due-diligence adviser: PwC

Company description

EmiTel is Poland's leading terrestrial TV and radio broadcast infrastructure operator, as well as the leader in digital broadcasting and the development of telecommunication and media services based on state-of-the-art wireless systems. EmiTel aims to provide high-quality transmission services, based on innovative technological platforms. In 2010 the company employed 950 people across Poland and generated revenues of PLN 380 million.

Transaction rationale

The transaction marks the first investment in the Polish market for Montagu Private Equity, and its second in the CEE region. Montagu has considerable experience investing in critical infrastructure and regulated businesses. EmiTel is a leader in the Polish broadcasting and telecommunication infrastructure markets. As the owner of nationwide infrastructure it provides mission-critical transmission services for the broadcasting of terrestrial TV and radio throughout Poland as well as multiple services to mobile network operators. The business has a strong record of profitability and ensures stable opportunities for development. Montagu was attracted to EmiTel's defensive characteristics, with high levels of recurring revenues supported by long-term contracts, unrivalled market position in the broadcasting segment as well as high growth potential due to its unique infrastructure.

Key growth drivers

EmiTel has already secured contracts for the operation of three multiplexes, thus over the coming years will focus on contributing to the success of the digitalisation process in Poland. Montagu Private Equity intends to support the company's investment programme leading to full DVB-T coverage throughout Poland. EmiTel may also benefit from growth in the data transmission market since the company's tower infrastructure enables deployment of 2G, 3G and LTE transmitters. In addition, the company plans to enter into new market segments for telecommunication and media services providers. Aside from new growth vectors, EmiTel's management will aim to fully develop its existing broadcasting and telecommunication infrastructure over the coming years in order to capitalise on its unique market position. Linking the sector experience of EmiTel's management with the value creation expertise of Montagu will lead the company into a new stage of development as a strong, independent infrastructure operator.

ECM ACTIVITY

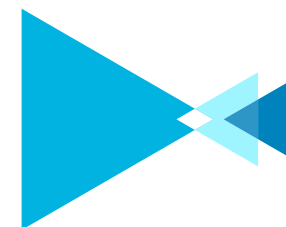
WSE MAIN MARKET

With 31 IPOs raising €2.07 billion, the Warsaw Stock Exchange ranked second by volume and third by value among EU-regulated markets in 2011. While encouraging on paper, these figures are to a large extent distorted by Europe's fourth largest floatation – JSW S.A. This €1.36 billion IPO, managed by Citi, Goldman Sachs, JP Morgan, UniCredit, PKO Bank Polski S.A., IPOPEMA Securities S.A., Société Générale, BRE Bank S.A. and Wood & Company Financial Services, met with significant demand from domestic and foreign institutional investors.

The WSE's total IPO value has in fact demonstrated a 48% decline over 2010, when companies raised €3.8 billion. Continued volatility and massive sell-offs on secondary markets weighed heavily on prospective listing candidates. According to data provided by the Polish Financial Supervision Authority, a total of 23* IPOs are currently suspended, including financial institutions Bank Pocztowy and Masterlease, as well as a number of foreign issuers such as Valinor and ViOil Holding S.A.

TOP WSE MAIN MARKET IPOs

ISSUER	DATE	CAPITAL RAISED (€m)	SECTOR	NOTES
JSW S.A.	6 Jun	1 359	Energy	Privatisation
Open Finance S.A.	5 Apr	111	Financial services	-
Nova KBM d.d.	11 May	106	Financial services	Foreign
Kruk S.A.	10 May	94	Financial services	PE-backed exit
BGŻ S.A.	27 May	78	Financial services	Privatisation
Coal Energy S.A.	4 Aug	56	Energy	Foreign company



* As at 31 May 2012

NEWCONNECT

The WSE-regulated alternative trading system paints a similarly contrasting picture. On the one hand, with 172 floats in 2011, it is the undisputed European leader in terms of IPO volume. However, recent figures suggest that the market, originally designed to provide small, innovative companies with access to capital, may be placing too much emphasis on “small” – these 172 companies raised a lacklustre €133 million, averaging €0.9 million per listing.

TOP NEWCONNECT IPOs

ISSUER	DATE	CAPITAL RAISED (€m)	SECTOR	NOTES
Dom Maklerski TMS BROKERS S.A.	18 Jan	22.0	Financial services	Public offering
DTP S.A.	29 Dec	15.3	Financial services	Private placement
BIOMED-LUBLIN Wytwórnia Surowic i Szczepionek S.A.	29 Jul	8.9	Healthcare	Private placement
Budus S.A.	24 Jun	7.2	Construction	Private placement
Scanmed Multimedix S.A.	16 Aug	6.2	Healthcare	Private placement
GC Investment S.A.	31 Mar	5.8	Real Estate	Private placement

ECM ACTIVITY - LOOKING AHEAD

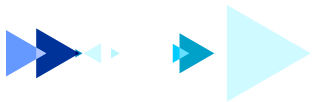
Putting aside investor concerns over the future shape of the euro zone, unfavourable market conditions and a global flight from risk, the WSE's near- to mid-term outlook remains cautiously optimistic. Its IPO pipeline, driven largely by the Polish government's updated privatisation programme, appears strong and features several big-ticket deals. Upcoming flagship IPOs include state-owned railway operator PKP Cargo, renewable energy firm PGE Energia Odnawialna, Liberty Bank – a leading Georgian financial institution, as well as coal conglomerates PAK S.A. and Katowicki Holding Węglowy S.A.

The government is also preparing to float Poland's postal service operator Poczta Polska S.A., along with a major real estate portfolio via holding entity PHN S.A. In total, 9* IPO prospectuses are currently awaiting PFSA approval. The NewConnect market should also see a steady flow of growth IPOs including up-and-coming names such as Proteon Pharmaceuticals, Laser Med, Medicolux, Vivid Games, Vinci Games, Elemental Holding, MCI Partners, Browar Gontyniec, Invest-Eko, Eko Elektrownie and Energia dla Firm.

* As at 31 May 2012

IPO PIPELINE

COMPANY	DATE	SECTOR	NOTES
Dominium S.A.	Q2 2012	Food and beverage	-
Global Cosmed Sp. z o.o. Sp.k.	Q2 2012	Consumer goods	Plans to raise up to PLN 20 million
Grupa O2 spółka z o.o.	Q2 2012	TMT	One of Poland's top Internet portals
Investors Holding S.A.	Q2 2012	Financial services	Offering to include approx. 20-30% of existing shares
Polski Holding Nieruchomości S.A.	Q2 2012	Real estate	Privatisation
WestLB Bank Polska S.A.	Q4 2012	Financial services	May raise up to PLN 100 million
Alior Bank S.A.	Q1 2013	Financial services	IPO advisers: JP Morgan, Morgan Stanley, Barclays Capital
Mennica Wrocławska Sp. z o.o.	Q3 2013	Financial services	Part of Grupa Trinity
Kompania Węglowa S.A.	Q1 2014	Energy	May raise over PLN 5 billion
B.I.G. Harvest Group	-	Food and beverage	Ukrainian company
Dom Kredytowy Notus S.A.	-	Financial services	-
S.C. Fondul "Proprietatea" S.A.	-	Financial services	Romania's government-sponsored closed-ended fund for individuals dispossessed by the Romanian state during the Communist Romania; managed by Franklin Templeton Investment Management Ltd
SkyCash Poland S.A.	-	TMT	-
Triglav	-	Insurance	Slovenian company



PRIVATISATION

2011 – A TRANSFORMATIVE YEAR...

The government's steadfast commitment to state asset sales continues to underwrite the Polish capital market success story, attracting considerable interest from global trade and financial buyers. Despite the dismal conditions prevalent on global equity markets, a milestone was reached in July when coal producer JSW S.A. floated on the Warsaw Stock Exchange, raising €1.36 billion in what was Europe's fourth largest IPO of 2011. Public offerings were in fact the preferred way to dispose of state assets, with the year's three largest privatisations – JSW S.A, PZU S.A. and Tauron Polska Energia S.A. – conducted via the Warsaw Stock Exchange. All told, according to the Polish State Treasury, 2011 proceeds reached €3.2 billion, some half a billion euros less than planned.

... FOLLOWED BY A PLATEAU

Poland continues to implement its long-term privatisation strategy on the back of last year's record figures. There are approx. 300 state assets in the pipeline for 2012 and 2013, with the energy sector leading in terms of value. The Polish government expects to raise €2.5 billion through privatisation in 2012. Subsequent years should however see a gradual decline in value as more and more strategic assets are put on the market.

LARGEST PRIVATISATIONS COMPLETED IN 2011

COMPANY	DATE	STAKE SOLD	VALUE (€m)	BUYER	DISPOSAL TYPE	SECTOR
JSW S.A.	6 Jul	30.84%	1 359	WSE investors	IPO	Energy
PZU S.A.	10 Jun	10.0%	804	WSE investors	Secondary offering	Financial services
Tauron Polska Energia S.A.	22 Mar	11.90%	318	WSE investors	Secondary offering	Energy
ENERGA-OPERATOR S.A.	31 May	14.56%	144	ENERGA S.A.	Other	Energy
Zakłady Chemiczne "Police" S.A.	19 Aug	52.33%	108	Zakłady Azotowe w Tarnowie-Mościcach S.A.	Tender offer	Energy



KEY PRIVATISATION PROJECTS IN THE PIPELINE*

COMPANY	STATE INTEREST	ESTIMATED VALUE	EXPECTED PRIVATISATION METHOD	EXPECTED DATE	SECTOR
Ciech S.A.	38.72	-	Secondary offering	-	Chemicals
ENEA S.A.	51.69	-	Secondary offering	-	Energy
ENERGA S.A.	84.18	-	Secondary offering	-	Energy
Giełda Papierów Wartościowych w Warszawie S.A.	35.00	-	IPO	-	Financial services
Katowicki Holding Węglowy S.A.	100.00	-	IPO	-	Mining
Kompania Węglowa S.A.	100.00	PLN 5bn	-	Q1 2014	Mining
KDPW S.A.	33.33	-	Secondary offering	-	Financial services
PGE Polska Grupa Energetyczna S.A.	68.96	-	Trade sale	-	Energy
PKP Cargo S.A.	91.91	-	Trade sale / IPO	2012	Transport
Polskie Linie Lotnicze LOT S.A., EuroLOT and LS Airport Services	67.97	-	Secondary offering	2012-13	Transport
PKO BP S.A.	40.99	-	Secondary offering	-	Financial services
PZU S.A.	35.19	-	IPO	-	Financial services
WĘGLOKOKS S.A.	100.00	30% for PLN 660m	Secondary offering	Q4 2012	Natural resources
Zakłady Azotowe PUŁAWY S.A.	50.67	-	-	-	Chemicals
Zespół Elektrowni Pątnów-Adamów-Konin S.A.	50.00	-	-	-	Mining

* See Appendix 3 for a more comprehensive list of on-going and prospective privatisation deals.

SPOTLIGHT ON THE OUTBOUND AGENDA – KGHM POLSKA MIEDŹ S.A.

TRANSACTION DETAILS

In an effort to develop a diversified asset base and reduce production costs, copper mining firm KGHM Polska Miedź S.A. launched and subsequently received approval for a €2.2 billion friendly takeover of TSX-listed mining operator Quadra FNX (now KGHM International Ltd.), the largest outbound acquisition by a Polish company.

Announced: 6 December 2011

Completed: 6 March 2012

Value: €2.2 billion

Target:

Quadra FNX Mining Ltd.

Financial adviser: BMO Capital Markets

Legal adviser: Blake, Cassels & Graydon LLP

Acquirer:

KGHM Polska Miedź S.A.

Financial advisers: Rothschild, BNP Paribas

Legal advisers: Gide Loyrette Nouel, Davies Ward Phillips & Vineberg LLP

Tax adviser: Ernst & Young

Technical advisers: AMC Consultants, KGHM Cuprum

Financial adviser to the management: Citigroup, Inc.*

Vendor:

Quadra FNX shareholders

Financial adviser: GMP Securities L.P.**

Legal adviser: Cassels Brock & Blackwell LLP

Company description

A mid-tier producer of copper, nickel and precious metals, Quadra FNX operated mines in Robinson, Nevada, Carlota, Arizona, Franke in northern Chile, and Levack, including the Morrison Deposit, Podolsky and McCreedy West in Sudbury, Ontario. At the time of the acquisition, Quadra had two key development projects: Sierra Gorda, a copper-molybdenum venture in Chile, and Victoria, a polymetallic project in Sudbury, Ontario.

Poland-based KGHM is the world's third-largest silver producer and eighth-largest copper producer, with global copper reserves of 8.2 million tonnes. The company owns and develops the world's largest copper deposit and has an integrated production structure, comprising three mines, copper smelters, a wire rod plant and auxiliary units supporting its core business. In 2010 KGHM produced 937.8 million lbs. of mined copper, 1.206 billion lbs. of refined copper, 37.3 million oz. of silver and 24 949 oz. of gold.

Transaction rationale

- Access to world-class copper deposits and mines in Canada, the US and Chile
- A 50% target increase in annual copper output
- A 20% target reduction in average mine operating costs
- Mitigation of operating risk through geographical, currency and product diversification

Expected synergies

- Know-how sharing (KGHM – underground mining vs. Quadra – open pit mining)
- Strengthening of KGHM's presence in Canada, with two projects underway – Quadra FNX and KGHM Ajax Mining Inc., a joint venture with Abacus Mining & Exploration Corporation
- Establishment of an effective investment vehicle in North and South America
- Groundwork for KGHM International's listing on the TSX

* Skadden, Arps, Slate, Meagher & Flom LLP acted as legal adviser to Citigroup, Inc.

** Fairness opinion provider

2012 OUTLOOK

As can be seen throughout this report, the Polish capital market's story is one of mixed signals.

Poland's steady economic growth is vividly contrasts with recession in the other 26 EU member states. Just as contradictory are the on-going moves by new entrants to the Polish banking sector versus the choices made by financial groups leaving it.

Add to that the contrast between record ECM activity and the finite nature of the privatisation programme largely underwriting it or between Europe's highest IPO volumes and their relatively low values, and the prevailing feeling is one of exuberance on the surface and warranted concern about what lies beneath.

In fact, it may be as easy to be overly optimistic given last year's headline numbers as excessively pessimistic given the continuing uncertainty over Europe's economic future. In this mixed-signal environment, several factors emerge as having a decisive impact on Poland's M&A and private equity activity over the course of the next few quarters, with key emphasis on:

- the uncertainty created by the euro zone crisis, resulting in pervasive risk aversion and depressed deal activity across Europe, Poland notwithstanding
- Poland's emergent domestic demand, attracting foreign investors and warranting the relatively high acquisition premiums paid
- the diminishing impact of privatisation on ECM activity, potentially leaving a void which may be difficult to fill
- maturing capital market mechanisms, lending credibility to Poland as it moves closer to developed Europe and away from its eastern neighbours
- steady inflow of private equity capital into Poland and CEE

These are the underlying drivers. What remains to be seen is whether in the long term the positives outweigh the negatives. Given last year's economic performance and M&A/ECM activity, which put Poland firmly on the deal map on a par with its western counterparts yet far enough from them to offer emerging-market returns, the odds favour an optimistic outcome.



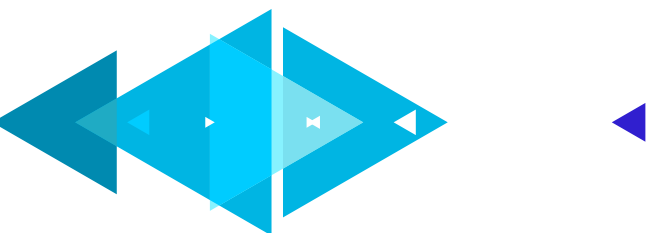
APPENDIX 1

Q1 2012 FIGURES FOR POLAND

M&A value	€3.1 billion
M&A volume	22
Private equity value	€107 million
Private equity volume	4

10 LARGEST TRANSACTIONS IN Q1 2012

	TARGET	DATE	TYPE	DEAL VALUE (€m)	BUYER	SECTOR
1	Kredyt Bank S.A.	28 Feb	Merger	1 028	BZ WBK SA	Financial services
2	Mondi Packaging Paper Swiecie S.A.	16 Feb	Public tender offer	852	Mondi Plc	Industrial
3	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	20 Jan	Acquisition	770	Meiji Yasuda Life Insurance Company; Talanx AG	Financial services
4	NFI Empik Media & Fashion S.A. (39.6% stake)	13 Mar	Public tender offer	100	Penta Investments Limited, Eastbridge Group	Retail
5	Huta Stalowa Wola S.A. (civil engineering division)	10 Jan	Privatisation	67	Guangxi Liugong Machinery Co., Ltd	Construction machinery
6	Sygnity S.A.	22 Feb	Public tender offer	66	Asseco Poland SA	IT
7	Tax Care S.A. (33.78% stake; 33.11% stake and 33.11% stake)	24 Mar	Acquisition	63	Idea Bank S.A.	Financial services
8	Redefine Sp. z o. o.	12 Mar	Acquisition	36	Cyfrowy Polsat SA	TMT
9	Lotos Parafiny (currently Polwax Sp. z o.o.)	11 Jan	MBO	9	Lotos Parafiny (MBO vehicle backed by Krokus Private Equity Sp. z o.o.)	Petrochemical Manufacturing
10	Info-TV-Operator Sp. z o.o. (38.77% stake)	3 Feb	Acquisition	7	NFI Magna Polonia SA	TMT



APPENDIX 2

DEALS IN THE PIPELINE

COMPANY	BUSINESS DESCRIPTION	VENDOR	VENDOR FINANCIAL ADVISER	PARTIES RUMOURED TO BE INTERESTED	APPROX. VALUE (€m)
Azoty Tarnów S.A.	Leading EU producer of mineral fertilisers	-	-	Acron, Yara	531
Bank DnB Nord Polska S.A.	DnB NOR's Polish arm; focus on large corporates and HNW clients	DnB Nord	Rothschild	-	-
Bank Millennium S.A.	65% stake; largest foreign asset of Millennium BCP	Millennium BCP	Deutsche Bank, Nomura	BNP Paribas, Sberbank	400
Biuro Maklerskie DnB Nord Polska S.A.	Brokerage firm	DnB Nord Polska S.A.	-	-	-
BP LPG	LPG bottles and tank filling business	BP Plc	-	-	-
Cenos Sp. z o.o.	Manufacturer of rice, dried beans, dried peas and salt	Pamapol S.A.	-	-	-
Donako S.A.	Component and tool manufacturer for electrical machinery production	Innova Capital, Pett & Pett Industrie Consulting	DC Advisory Partners	-	-
Exatel S.A.	Telco solutions provider	PGE S.A.	-	Netia S.A., GTS Central Europe	150
Grupa Lux Med	Poland's largest chain of medical clinics	Mid Europa Partners	-	PZU, Generali, Signal Iduna, Medcover, Bupa, EQT, Riverside, Advent, Montagu	-
Komex S.A.	Polish children's clothing retailer	3TS Capital Partners, Arx Equity Partners, Cavalor Services	-	-	-
Lotos S.A. non-core assets	Lotos Kolej, Lotos Asphalt, Lotos Biopaliwa, Lotos Serwis	Grupa Lotos S.A.	-	-	-
Malma Trading Sp. z o.o.	Premium pasta maker under bankruptcy protection	-	-	-	20
Multimedia S.A.	One of the leading triple play providers in Poland	M2 Investment, Tri Media Holdings, Lubotech	JP Morgan	-	-
Netia S.A.	Publically-listed, leading Polish altco operator	-	-	Innova Capital, P4, et al.	-
Oleofarm Sp. z o.o.	Food supplement manufacturer	-	-	-	-

COMPANY	BUSINESS DESCRIPTION	VENDOR	VENDOR FINANCIAL ADVISER	PARTIES RUMOURED TO BE INTERESTED	APPROX. VALUE (€m)
P4 Sp. z o.o.	Operator of Play, Poland's 4th largest mobile network	Tollerton Investments Limited, Novator	-	Eurotel, Plus, T-Mobile, Telenor	-
PBG S.A.	Listed construction services group; advanced on-going talks on sale of non-core assets: PBG Erigo, PBG DOM, Hydrobudowa Polska, Aqua S.A. and Aprivia	PBG S.A.	-	-	150
Polfa Sp. z o.o.	Pharmaceuticals distribution company	Ciech S.A.	-	Invest Pharma, a pharma sector-related investment fund	-
Polimex-Mostostal S.A non-core assets	Real estate assets and five or six non-core companies including railway construction services firm Torpol	Polimex-Mostostal S.A.	-	-	-
Polisa Życie S.A.	Life insurer	Zygmunt Solorz-Żak	Trigon Dom Maklerski S.A.	Zurich Financial services AG, IDM S.A.	-
Praktiker	DIY retail chain; CEE operations	Maseltov	-	-	-
PTE Polsat S.A.	Pension fund	Zygmunt Solorz-Żak	Trigon Dom Maklerski S.A.	-	30
Rabat Service S.A.	FMCG distribution company	Bomi S.A.	CAG	-	-
Remak-Rozruch S.A.	Power industry contractor	-	Rubicon Partners Corporate Finance	-	-
RWE assets	Potential sale as part of an €11b non-core asset divestment plan	RWE AG	-	-	-
Simple Creative Products S.A.	Fashion company	Gino Rossi S.A.	-	Resource Partners	-
Sobieski	Polish vodka brand	Belvedere S.A.	Messier, Maris et Associes	10 PE firms and 9 strategic players including Brown-Forman	650
Sygnity S.A.	WSE-listed system integrator	-	KPMG	Asseco Poland S.A.	-
TK Telekom Sp. z o.o.	Primarily rail sector telco solutions provider; 2010 EBITDA at PLN 70m	PKP S.A.	-	Netia S.A., Hawe S.A., Dialog	-
Zelmer S.A.	Electronic appliances manufacturer and retailer	Enterprise Investors	-	-	-

APPENDIX 3

SELECTED ON-GOING AND PROSPECTIVE PRIVATISATION DEALS

COMPANY	STATE INTEREST / STAKE FOR SALE	ESTIMATED VALUE	EXPECTED PRIVATISATION METHOD	EXPECTED DATE	SECTOR
Bank Gospodarki Żywnościowej S.A.	25.51	-	Secondary offering	-	Financial services
Ciech S.A.	38.72	-	Secondary offering	-	Chemicals
ENEA S.A.	51.69	-	Secondary offering	-	Energy
ENERGA S.A.	84.18	-	-	-	Energy
Giełda Papierów Wartościowych w Warszawie S.A.	35.00	-	Secondary offering	-	Financial services
Huta Stalowa Wola S.A.	57.72	-	-	-	Defence
Jastrzębska Spółka Węglowa S.A.	65.74	-	Secondary offering	-	Mining
Katowicki Holding Węglowy S.A.	100.00	-	IPO	-	Mining
Kompania Węglowa S.A.	100.00	PLN 5bn	IPO	Q1 2014	Mining
Krajowa Spółka Cukrowa S.A.	79.69	-	-	-	Food products
Krajowy Depozyt Papierów Wartościowych S.A.	33.33	-	-	-	Financial services
PGE Polska Grupa Energetyczna S.A.	68.96	-	Secondary offering	-	Energy
PKP Cargo S.A.	91.91	-	Trade sale	2012	Transport
Polfa Tarchomin S.A.	100% / 85%	-	Trade sale	2013	Pharma
Polskie Linie Lotnicze LOT S.A., EuroLOT and LS Airport Services	67.97	-	Trade sale / IPO	2012-13	Transport
Powszechna Kasa Oszczędności Bank Polski S.A.	40.99	-	Secondary offering	-	Financial services
Powszechny Zakład Ubezpieczeń S.A.	35.19	-	Secondary offering	-	Financial services
WĘGLOKOKS S.A.	100.00	30% for PLN 660m	IPO	Q4 2012	Natural resources

COMPANY	STATE INTEREST / STAKE FOR SALE	ESTIMATED VALUE	EXPECTED PRIVATISATION METHOD	EXPECTED DATE	SECTOR
Zakłady Azotowe PUŁAWY S.A.	50.67	-	Secondary offering	-	Chemicals
Zakłady Azotowe w Tarnowie-Mościcach S.A.	32.05	-	Secondary offering / trade sale	-	Chemicals
Zespół Elektrowni Pątnów-Adamów-Konin S.A.	50.00	-	-	-	Mining
Agroma Kutno Sp. z o.o.	100% / 85%	-	Trade sale	Q2 2012	Machinery
Bumar Sp. z o.o.	100% / 85%	-	Trade sale	Q2 2012	Machinery / defence
Fabryka Maszyn in Lezajsk Sp. z o.o.	100% / 85%	-	Trade sale	Q2 2012	Machinery
Fabryka Przewodow Energetycznych S.A.	100% / 88%	-	Trade sale	Q2 2012	Industrial / cable manufacturer
Kopalnie i Zakłady Chemiczne Siarki Siarkopol in Grzybow S.A.	100% / 85%	-	Trade sale	Q2 2012	Mining
KWB Konin S.A. /KWB Adamow S.A.	100% / 85%	PLN 166m	Trade sale	Q2 2012	Mining
Meble Emilia Sp. z o.o.	100% / 85%	-	Trade sale	Q2 2012	Retail / furniture
Polski Holding Nieruchomosci S.A.	100% / 20-30%	-	IPO	June 2012	Real estate
TK Telekom Sp. z o.o.	52.09% / 52.09%	PLN 102m	Trade sale	Q2 2012	TMT
ZCh Rudniki S.A.	100% / 85%	-	Trade sale	Q2 2012	Chemicals
ZEW Niedzica S.A.	100% / 85%	-	Trade sale	Q2 2012	Energy
ZGH Boleslaw S.A.	100% / 87%	-	Trade sale	Q2 2012	Steelworks



ABOUT THE AUTHORS

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Exen is the premier CEE deal data and content services consultancy for capital markets stakeholders. We work closely with our clients to develop customised solutions for their cross-border communications challenges. With a novel approach to facilitating new market entry and transnational deal-making, Exen provides a range of industry-specific solutions to create and sustain value over the lifetime of investment projects. Exen is involved in more CEE M&A, private equity and IPO activity than any other documentation solutions provider. For further information please visit our website at www.exen.com.

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Gide Loyrette Nouel was one of the first international legal practices to open an office in Poland in 1990. Today, the Firm employs over 40 lawyers and tax advisors in Warsaw and is frequently called upon to offer legal support to its local and international clients. With 19 offices around the world, Gide Loyrette Nouel prides itself on offering expert international and local advice.

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