

Attractiveness of Poland for PE and VC investors – industries and tax planning opportunities. An overview of growth indicators as well as availability of targets and competition for deals.

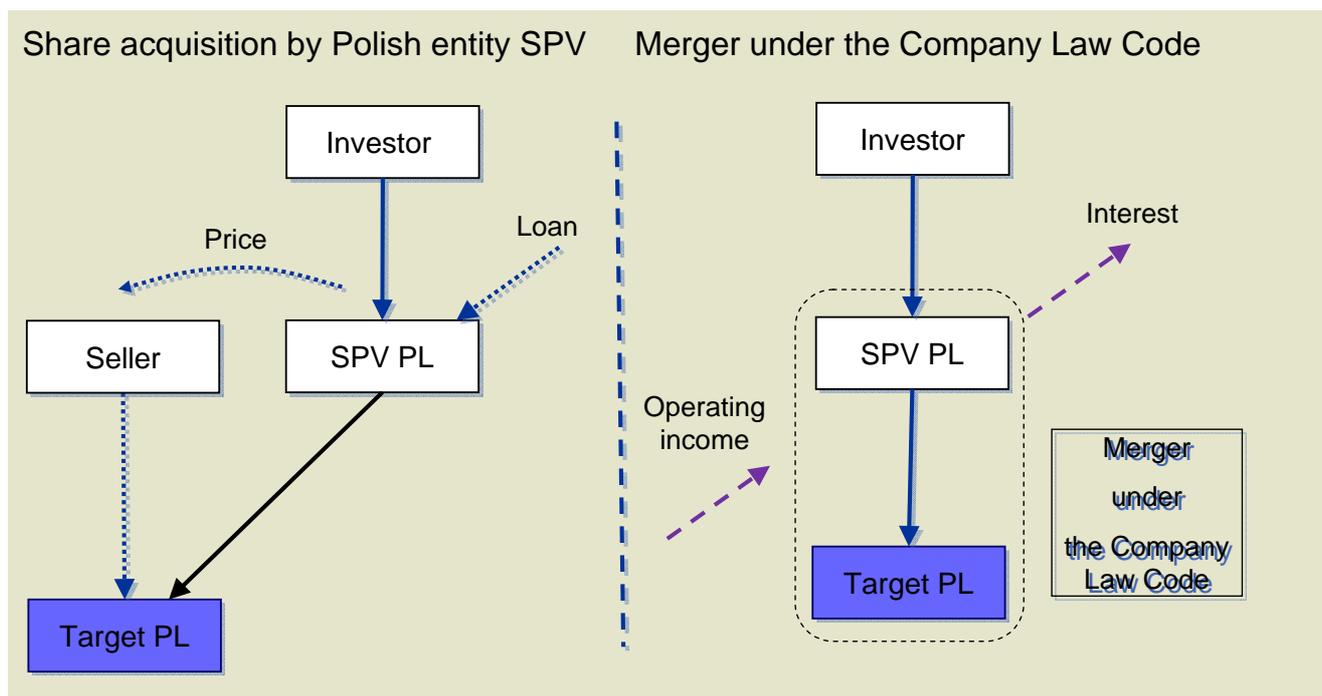
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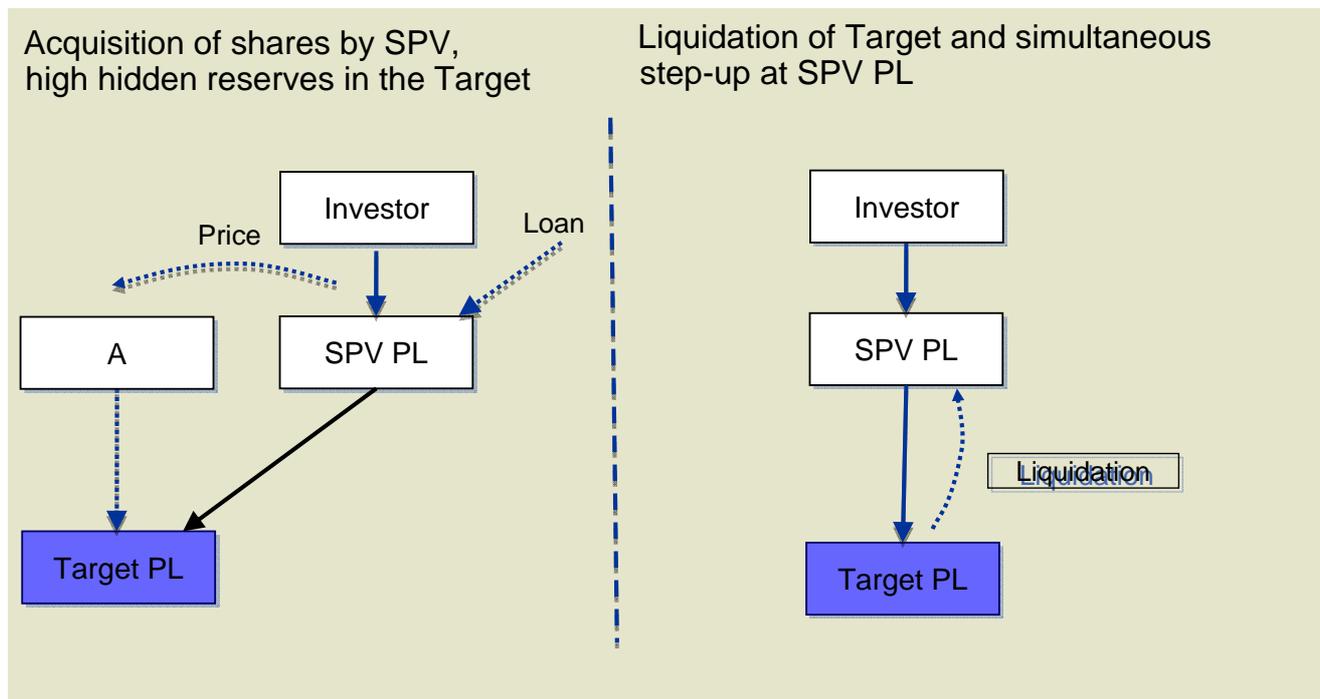
Selected optimization structures for foreign investors

Financing of share acquisition – debt push-down



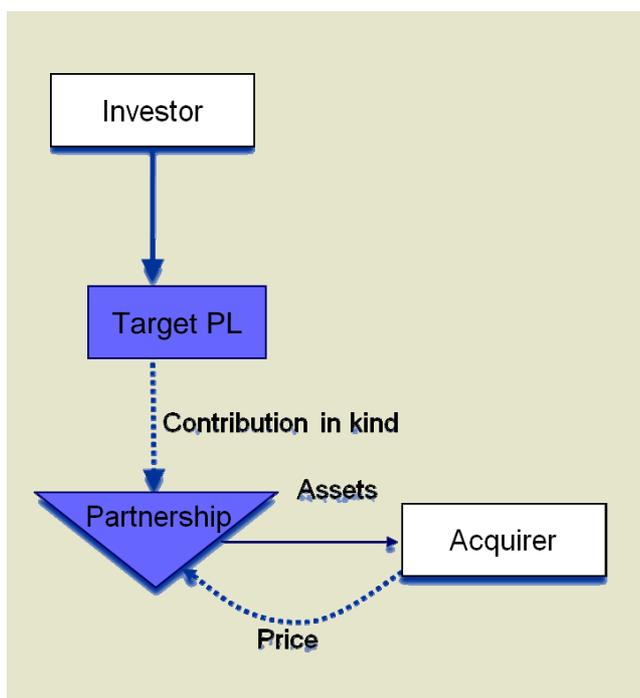
Selected optimisation structures for foreign investors

Debt push-down plus step-up



Selected optimisation structures for foreign investors

Step up (and optional sale) of assets with high hidden reserves



- Contribution in kind to a transparent Partnership - tax neutral (except from stamp duty and input VAT)
- Partnership is allowed to increase of initial value of assets to market value
- If no sale then higher depreciable amount
- Sale from Partnership is tax neutral
- After sale - merger of Target PL and Partnership or liquidation of Partnership

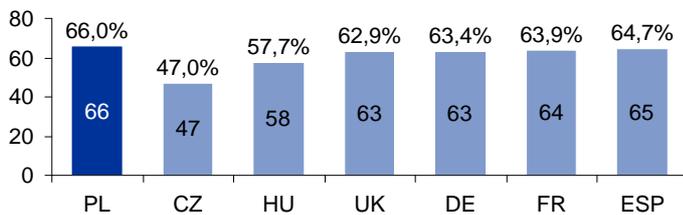
Economic and Industry Outlook



Condition of Polish Consumers

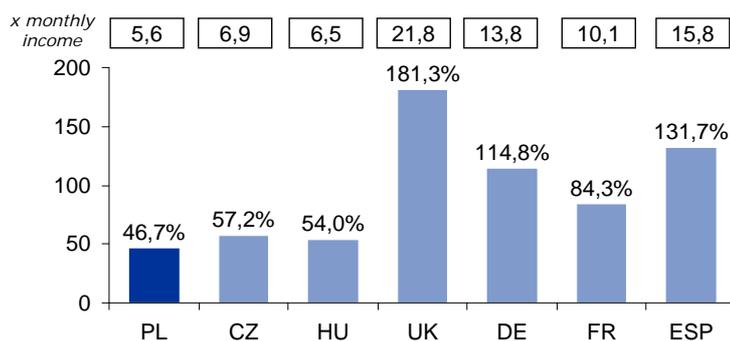
In spite of the economic slowdown, the condition of Polish consumers is still based on good fundamentals, and their exposure to credit supply is far smaller than in the EU-15

Disposable income as % of GDP [2008, %]



- Polish consumers have relatively **high level of disposable income** versus overall GDP, which shows a relatively strong purchasing power
- Consumer behaviour are therefore an important factor in the economy – their **attitude to consumption** have been driving the growth so far and is expected to soften the cooling

Household debt as % of Disposable income [2008, %]

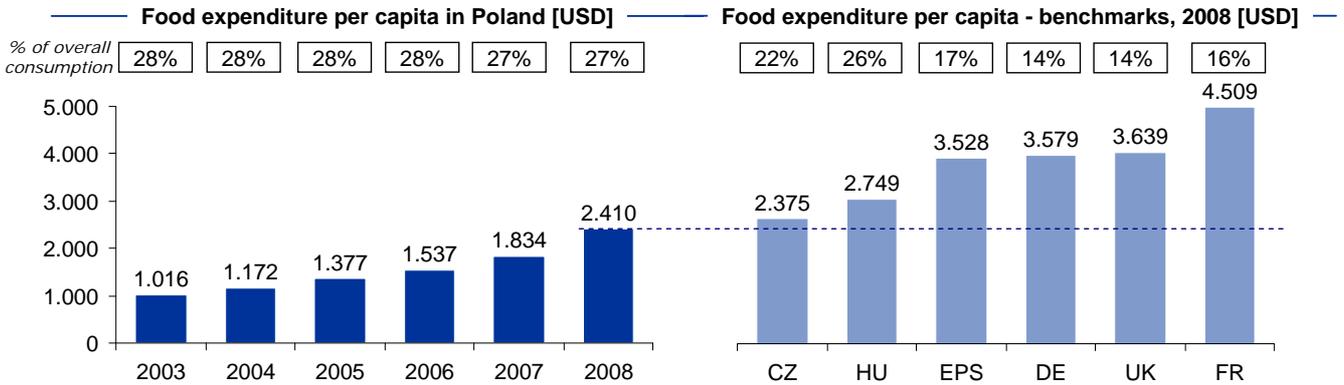


- Polish consumer is much **less exposed to cost of credit** than its Western counterparts (both in terms of consumption credits as well as mortgage)
- An average Polish household could cover its debt with a **6 month** income, while a UK one would need almost **2 years**.

Sources: EIU, Deloitte

Food & Beverage Industry

Relatively high level of food expenditure (as % of overall consumption) has been very stable for over 5 years. Market growth was driven by real wages growth, and in spite of slowdown is expected to continue growing, allowing good deals to get attractive IRR.



- Over recent 5 years, the **share of food expenditures** in overall consumption has been **stable** on the level of 27-28%
- Increasing income was in line with food expenditure growth as a joint result of inflation and **emergence and expansion of new categories**

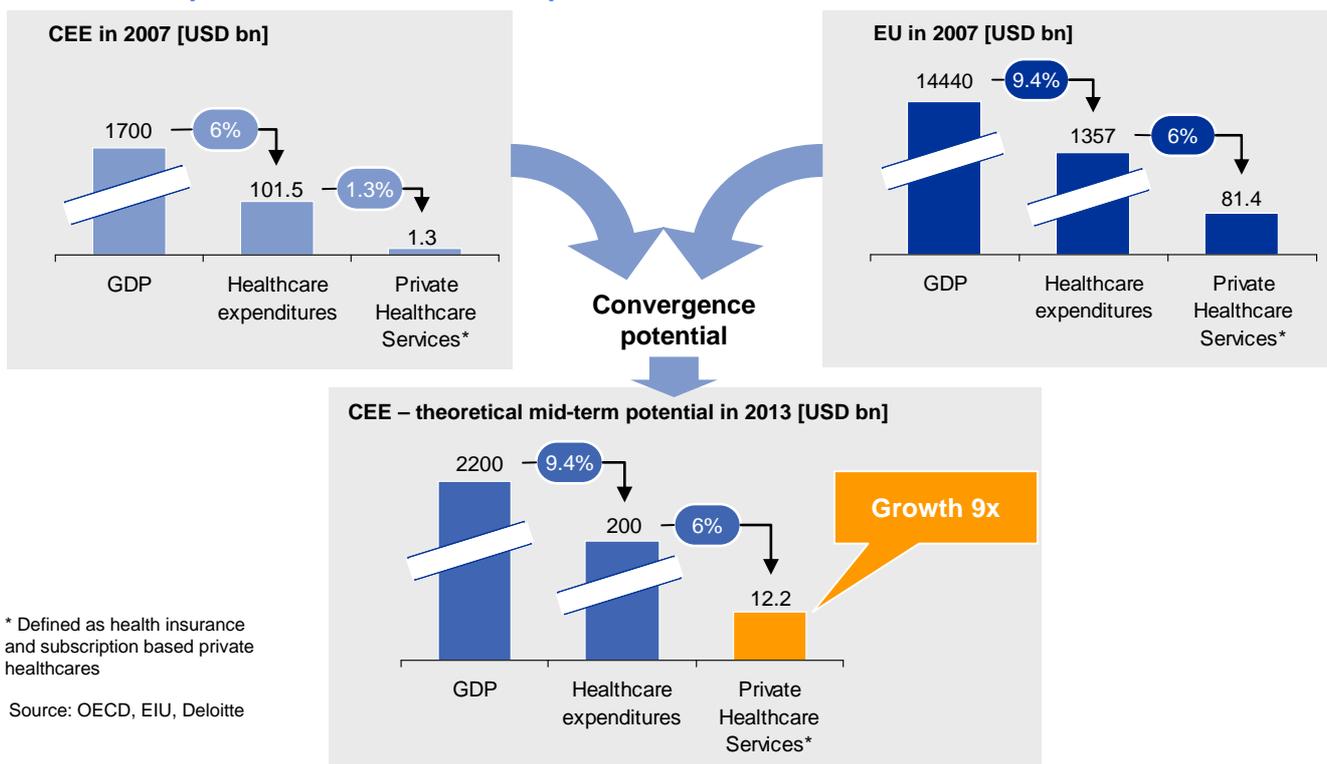
- Over the next few years we expect that Polish food expenditures will **continue to move towards EU-15 levels...**
- ...while the growth rates would naturally phase out, leading to a **gradual decrease** in importance of food in the consumption basket

Source: EIU, Deloitte



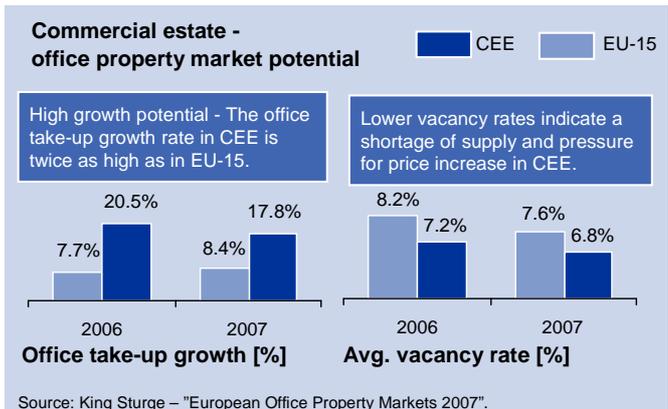
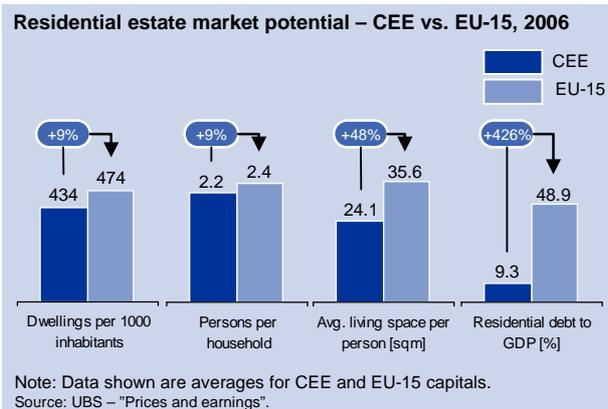
Healthcare Industry

Private healthcare has seen some large transactions across recent year. The private market is expected to continue its expansion to new lines of service.



Construction Industry (1/2)

The real estate market is obviously cooling down, but the fundamentals still show space for new development. Good deals on this market will pay off.



Construction Industry (2/2)

Each player in the value chain has a different risk/reward profile, but there are interesting targets in all categories. Watch out for Euro2012 hype, but observe the KSF.

Real Estate Developers



Construction Companies



Building materials producers



Key success factors:

- Real estate and land portfolio
- Project fit to clients' needs
- Sales channels

Key success factors:

- Project management, budgeting, and forecasting materials needs
- Economies of scale and available resources
- Reliability of subcontractors

Key success factors:

- Quality of products
- Energy efficiency and good deal on energy overall
- Access to raw materials

Key risks:

- High administrative barriers
- Rising costs of services and materials
- High level of land prices
- Access to financing

Key risks:

- Underbids
- Possible cash flow instability
- Costs of building materials and labour

Key risks:

- Environmental pollution risk
- Adjusting capacity to meet the demand takes time, making it difficult to decide on CAPEX levels – especially for materials that are expensive to transport

If you consider making a move...

Consulting headcount in CEE



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Strategy Consulting

Early stage commercial work

- Market analysis (multi-country)
- Assessment of target's positioning on the market
- Preliminary CDD (i.e. based on IM or VDD analysis)

Regular CDD:

- CDD in cooperation with FDD and TDD
- Commercial part of VDD (when on sell-side)

Commercial work pre-completion:

- Input to commercial assumptions for P&L modelling
- Inputs to SPA and earn-out structuring (i.e. KPIs)
- Quantification of upsides and preliminary business plan

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