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

<table>
<thead>
<tr>
<th>(PLN billion)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications infrastructure</td>
<td>130</td>
</tr>
<tr>
<td>Energy</td>
<td>120</td>
</tr>
<tr>
<td>Public utilities infrastructure</td>
<td>100</td>
</tr>
<tr>
<td>Natural resources extraction</td>
<td>20</td>
</tr>
<tr>
<td>Chem. and petrochem. industry</td>
<td>15</td>
</tr>
<tr>
<td>Heavy industry</td>
<td>15</td>
</tr>
<tr>
<td>Gas</td>
<td>10</td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>400</td>
</tr>
</tbody>
</table>

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
THE PROGRAM'S UNIQUE STRUCTURE WILL SATISFY DIFFERENT STAKEHOLDER INTERESTS

- MINISTRY OF FINANCE
- BOND HOLDERS
- MINISTRY OF TREASURY
- INSTITUTIONAL INVESTORS

BANK GOSPODARSTWA KRAJOWEGO

- Loans and guarantees
- Supervision
- Financing
- Capital (supervision)
- Capital
- Loans and guarantees

Banks

- Loans and guarantees

POLISH INVESTMENTS FOR DEVELOPMENT

- Special Purpose Vehicles (SPV)
- Strategic investors
  - Project partners
  - Private investors or municipalities/government institutions either as partners or project initiators

Capital or debt

Capital
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>PRIVATE EQUITY</th>
<th>COMMERCIAL BANKS</th>
<th>PENSION/MUTUAL FUNDS</th>
<th>EIB/EBRD</th>
<th>COMPANIES³</th>
<th>BGK</th>
<th>POLSKIE INWESTYCJE ROZWOJOWE S.A.</th>
<th>EU FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors with a high rate of return</td>
<td>Low risk</td>
<td>Low risk Stability of investment</td>
<td>Strategic sectors for the country</td>
<td>Sector in which it is active</td>
<td>Strategic sectors for the country</td>
<td>Strategic sectors for the country</td>
<td>Strategic sectors for the country</td>
<td></td>
</tr>
<tr>
<td>TYPES OF FUNDING</td>
<td>Equity (LBO)⁶</td>
<td>Loans Guarantees Mezzanine Other³</td>
<td>Equity</td>
<td>Loans Guarantees Mezzanine</td>
<td>Own equity</td>
<td>Loans Guarantees</td>
<td>Equity Mezzanine⁵</td>
<td>Not applicable</td>
</tr>
<tr>
<td>AMOUNT INVESTED</td>
<td>Limited by AUM (Assets under Management)</td>
<td>&lt; PLN 500 mln, depending on the strategy to risk exposure</td>
<td>&lt; PLN 1 billion, depending on the portfolio management strategy</td>
<td>&lt; PLN 1 billion, depending on the strategy for the region’s development</td>
<td>Depends on company’s financial standing</td>
<td>&lt; PLN 2 billion</td>
<td>PLN 50–750 mln, depending on the project</td>
<td>Limited by the size of the development program</td>
</tr>
<tr>
<td>PARTICIPATION IN INVESTMENT FUNDING</td>
<td>Majority (10–30%)</td>
<td>Minority (~30%)</td>
<td>Minority (~30%)</td>
<td>Depends on project profile</td>
<td>Depends on the availability of resources</td>
<td>&lt; 50%</td>
<td>15–85%, depending on the program</td>
<td></td>
</tr>
<tr>
<td>EXPECTED RETURN</td>
<td>Short</td>
<td>Project finance horizon</td>
<td>Long</td>
<td>Not applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
### 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)

### 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

### 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

### 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).

### QUICK IMPLEMENTATION OF THE PROGRAM’S FLEXIBLE INSTRUMENTS WILL SUPPORT FINANCING OF PROJECTS
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
Commercial project evaluation and investment decisions

- Ultimate decisions made by Polskie Inwestycje Rozwojowe S.A.
  - no external influences possible
- The decision-making process concerning potential involvement in a project must be supported by independent and documented analysis prepared by/on behalf of Polskie Inwestycje Rozwojowe S.A. (similar to Private Equity principles and processes)

Critical is the separation of the project preparation and recommendation from investment decision making processes

3-tier investment process

- PIR Board, Investment Committee, Supervisory Board

A stable Supervisory Board to be actively involved in key decision making, consisting of up to 9 members:

- Up to 5 independent members with business/investment experience
- 4 members representing the Ministries/BGK (2 members from the Ministry of Treasury, one member from the Ministry of Finance, one member from BGK)

PIR Board of Directors is responsible for preparing the investment recommendation, the investment process and its monitoring

The prevalence of independent members ensures a fully market-driven (based on commercial criteria) selection of projects
Both the Board of Directors and the Supervisory Board of Polskie Inwestycje Rozwojowe S.A. are involved in the decision-making process, supported by BGK.

<table>
<thead>
<tr>
<th>BGK involvement in securing projects</th>
<th>INVESTMENT PROCESS</th>
<th>INVESTMENT MONITORING</th>
<th>EXIT DECISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisory Board/Investment Committee</td>
<td>Preliminary analysis</td>
<td>DD start approval</td>
<td>Exit approval</td>
</tr>
<tr>
<td>PIR Board/Project Committee</td>
<td>Detailed analysis</td>
<td>Investment approval</td>
<td></td>
</tr>
<tr>
<td>Advisors</td>
<td>Due Diligence</td>
<td>Ongoing investment monitoring and supervision</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preliminary investment decision</td>
<td>Investment recommendation to SB</td>
<td>Exit recommendation</td>
</tr>
<tr>
<td></td>
<td>DD recommendation</td>
<td>Network of external advisors supporting DD</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BGK comments to proposals</td>
<td>Common DD process for PIR SA and BGK</td>
<td></td>
</tr>
</tbody>
</table>

DD - due diligence (e.g., financial, legal, environmental)
SB - Supervisory Board
TODAY

- Financing local government units and projects in the public sector
- Market oriented commercial operations in line with the Bank’s mission
- Strategic funding of key industries

TOMORROW

- Continuation of current activities and focus on the long-term financing of local infrastructure
- Larger scale of operations due to recapitalisation
- Additional counter cyclical activities
Like other banks in Europe with a similar profile, **BGK wants to provide** 'the first penny’ or 'the last penny' needed to finance a project

**Cooperation with other banks** in the financing of large projects

**Acting according to commercial market principles**

**Financing** consortium projects supported by Polskie Inwestycje Rozwojowe

**Complementary support role by BGK** but on commercial market terms

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

**2012**

Revenue: **PLN 9.2 bn**

111 companies in which ownership changes were implemented

Dividends: **PLN 7.8 bn**

**2013**

Revenue: **PLN 5 bn**

Implementation of privatisation projects:
- trade
- stock market: planned IPO of Energa S.A.

Dividends: **PLN 5 bn**

**2014-2016**

No further privatisation plans

Sale/liquidation of remaining companies

**The Treasury to retain majority/controlling stakes in companies of strategic importance**

Dividend plan for the coming years
- **PLN 2 bn pa expected MINIMUM**
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.

<table>
<thead>
<tr>
<th>PROJECT FINANCE</th>
<th>VS</th>
<th>LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A typical method of financing infrastructure projects</td>
<td>Charged to the balance sheet of the project sponsor</td>
<td>In the event of failure the loss is not limited</td>
</tr>
<tr>
<td>Limits the charge on the balance sheet of the project sponsor and the loss in the event of failure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INCINERATION PLANT IN POZNAŃ EXAMPLE

- Waste incineration cost: PLN 1 billion
- Technical parameters: 200,000 t pa of waste
- End product: energy and heat
- Operation to start in 2016
- PPP concession period: 25 years from construction

The financing amounts are based on publicly available information and may differ slightly from the actual.
# THE PROGRAM

- 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

<table>
<thead>
<tr>
<th>BANK GOSPODARSTWA KRAJOWEGO</th>
<th>POLSKIE INWESTYCJE ROZWOJOWE S.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The products are offered together or independently</td>
<td>Loans, bond guarantees, guarantees</td>
</tr>
<tr>
<td>Projects</td>
<td>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.</td>
</tr>
<tr>
<td>Size of engagement</td>
<td>Up to PLN 2 billion</td>
</tr>
<tr>
<td>Length of commitment</td>
<td>Consistent with the financial model of the project</td>
</tr>
<tr>
<td>Product Availability</td>
<td>Immediate</td>
</tr>
</tbody>
</table>
| Contact | Bank Gospodarstwa Krajowego  
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Michał Markowski  
Chief Economist  
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**PROGRAM SUPERVISION:**

- Ministry of Treasury
- Michał Markowski
- Chief Economist
- inwestor@msp.gov.pl

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**THE PROGRAM’S INVESTMENT AND LOAN POLICY FOCUSES ON COFINANCING PROFITABLE PROJECTS WITH PRIVATE CAPITAL**

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**POLISH INVESTMENTS PROGRAM**
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