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PM and Foreign Minister Sign EU Reform Treaty

tvn24.pl, December 13 2007

On Thursday the representatives of 27 member states of the European Union signed the EU Reform Treaty in Lisbon. On behalf of Poland, the document was signed by PM Donald Tusk and Foreign Minister Radosław Sikorski. The Polish delegation was headed by President Lech Kaczyński, who gave PM Tusk a warm embrace after the ceremony. Portugal, the organiser of the summit, did not escape a slight faux pas with regard to the Polish President; his name was left out in the brochure presenting the make-up of national delegations. The Polish Foreign Ministry has assured that it had informed Lisbon about the three-person make-up of the Polish delegation. Nevertheless, the event was considered a success. The EC President Jose Manuel Barroso did not conceal his satisfaction, but stated that this was not the end of the road yet.

Contention over Iraq

Rzeczpospolita p. A1, December 17 2007

The weekend saw further tensions between PM Donald Tusk and President Lech Kaczyński over the Polish mission in Iraq. The PM declared that the president would be requested to sign a document prolonging the mission only until the end of October 2008. Presidential Minister Michał Kamiński retorted that the Polish head of state does not accept such a solution, and would not sign the document. This, in turn, triggered an instant response from Tusk, who stated that the president's refusal would mean evacuating the 900 soldiers stationed in Iraq on 31 December 2007, since the current mandate expires on that day. According to *Rzeczpospolita* daily's findings, the issue is to be discussed on Monday by the National Defence Minister Bogdan Klich and the head of the presidential National Security Office, Władysław Stasiak.

Ujazdowski and Zalewski Say Goodbye to Law and Justice

tvn24.pl, December 12 2007

Kazimierz Ujazdowski and Paweł Zalewski have announced they are leaving the ranks of Law and Justice (PiS). In a special statement they informed the party and the general public that they would now take up activity as independent MPs, and that they did not intend to set up a new party. Now, all eyes are on

the third renegade Ludwik Dorn, and what his move is going to be. Certain PiS members are convinced that he will be the only one to come out of the dispute remaining as one of them. Ujazdowski and Zalewski's statement came after the Wednesday's meeting with the PiS President Jarosław Kaczyński. The two rebels wrote that "in the recent weeks their rights as party members were flouted in consequence of PiS's statute abuse." They also claimed that their exclusion from the party's congress was tantamount to ousting. As a result, they felt they were dismissed from the party through no fault of their own.

CBA Head Accuses Anticorruption Minister of Defamation

Gazeta Wyborcza online, December 12 2007

In a follow-up to the dispute between Anti-Corruption Minister Julia Pitera and head of the Central Anti-Corruption Bureau (CBA) Mariusz Kamiński, the latter has sued the former for slander. He has also written an open letter to PM Donald Tusk, demanding apology. Julia Pitera does not intend to back down and claims that the contentious issue will be settled in the court. According to Kamiński, "Pitera repeatedly formed false accusations against the CBA in public," referring to her comments about the tapping in her office and about the corruption scandal in the Agriculture Ministry. He also stated that Pitera was conducting a slanderous campaign in respect of his person. Kamiński also referred to Pitera's intention to release a report on the functioning of the CBA, which will determine the bureau's fate. He said that she had no access to source materials, which will make her report unreliable.

Tusk: I Will Not Negotiate with Miners

Puls Biznesu online, December 16 2007

PM Donald Tusk declared that he will not negotiate with miners who announced a 24-hour strike to be held on Monday. "This is a conflict between Kompania Węglowa and its employees. I will not interfere for now," he said. Deputy PM Waldemar Pawlak appealed to the coal company's management and staff to consider their enterprise's future before making any decisions regarding pay rises. On Wednesday, talks were held between mining trade unions and the Kompania Węglowa board regarding pay rises, both in this and the coming year. During the "last chance meeting" the board presented its final proposition, which the unions described as "ridiculous and insufficient." The boards of Jastrzębska Spółka Węglowa and Katowicki Holding Węglowy are also in conflict with their staff over pay rises and additional benefits.

Russia Lifts Embargo on Polish Meat

Puls Biznesu online, December 12 2007

The Ministers for Agriculture of Poland and Russia have reached an agreement regarding the Russian embargo on Polish meat products. Next week in Kaliningrad veterinary experts from both countries will sign a memorandum which will repeal the embargo. The Russian minister, however, stipulated that some limitations will remain due to the rampaging bird flu. Gordyeyev and Sawicki will meet again in Berlin at the annual Gruene Woche fair to talk about the Russian embargo on vegetable products. PM Donald Tusk was happy with the result, and took the opportunity to emphasize that his "policy of ease and goodwill" is starting to bear fruit. "It has finally been confirmed that one can act tough for two years and achieve nothing," said Tusk, referring to the former PM's declarations.

Record-High Inflation

Gazeta.pl, Puls Biznesu online, December 13 2007

The Central Statistical Office (GUS) has released the most recent macroeconomic data concerning inflation. The price of goods and services grew in November at a 0.7 percent higher rate than in the previous month, and amounted to 3.6 percent year-on-year. The same indicator for October amounted to 3 percent. Economists claim that the November jump was caused by the increase in the price of food and fuel. Yet they do not expect the data to prompt the Monetary Policy Council (RPP) to raise interest rates, although the Council may be forced to revise its December inflation forecast to 4 percent. According to BPH's head economist Ryszard Petru, the CPI for the whole 2007 may total 3.7-3.8 percent. X-Trade Brokers' Przemysław Kwiecień is more of a pessimist. He points out that for the first time since 2004, the price of shoes and clothing rose for the second month in a row. He expects December inflation to reach 4.2-4.3 percent. The next session of the RPP is due on 18-19 December.

Budget Deficit Lower Than Ever

Gazeta Wyborcza p. 33, December 15-16 2007

The budget deficit as recorded after November is sensationally low and amounts to ZŁ6bn, as compared to the forecast ZŁ28bn. Deputy Finance Minister Katarzyna Zajdel-Kurowska has explained that tax revenue was ZŁ5bn higher than expected, while expenditure proved ZŁ17bn lower! The surplus income is a result of higher economic growth and, most of all, higher demand growth (8 percent as compared to the forecast 5 percent). Moreover, inflation grew over expectations, while imports exceeded exports, translating to higher VAT revenue. According to the Finance Ministry's calculations, over 94 percent of the planned proceeds flowed into the state coffers after the first 11 months of the year. PIT revenue also beat all expectations, reaching ZŁ31.6bn at the end of November, while ZŁ31.75bn was forecast for the whole year. Although the small deficit is certainly a reason for joy, there is one thing that could dim it: the deficit could have been even smaller, had Poland taken greater advantage of EU funds.

Public Sector and Miners Demanding Too Much

Puls Biznesu p. 4, December 17 2007

Today, coal miners will go on strike over their wage demands. During the year, their wages increased by 10 percent, mainly in private companies. Companies had to increase wages, fearing their employees may migrate to Western Europe. Next year may be even more difficult, as higher wages in the private sector have become a reason for the public sector to ask for more money. However, the private sector may not survive raises in the public sector. Teachers, miners, physicians - they all want raises, and they all say whatever the government offered them is not enough. Other professions want raises too. Wage growth in 2008 in the public sector is forecasted at 10-12 percent, depending on how tough the government will be. Experts are concerned the government is not aware of the threats. They say the current remuneration system does not motivate efficient workers.

Energy Sector Fights for Free-Market Prices

Puls Biznesu p. 8, December 14 2007

Large energy receivers may expect prices to rise by up to 25 percent. Energy companies want the Energy Regulatory Office (URE) to also free up the prices for households. The Polish Confederation of Private Employers Lewiatan (PKPP) has appealed for full deregulation of the energy sector. Everything revolves about energy prices next year. The URE decided to leave the prices for households unchanged. As far as the other clients are concerned, the regulator has just a few more days to take a decision, so that it can start abiding as of 1 January 2008. Based on energy prices in neighbouring European countries, energy companies say the profitability level for new energy investment is ZŁ190-210/MWh. Meanwhile, next year energy companies in Poland want ZŁ145/MWh. Energy providers want to increase prices, because of the higher price of coal.

Pension Discrimination?

Gazeta Wyborcza p. 28, December 14 2007

Labour Minister Jolanta Fedak signed a new pension draft law, which would be effective as of 2009 if passed. She split pensioners into two groups according to sex, calculating different rates for women and men. She decided that since women live longer than men by 5 years on average, they receive more money. "It will be fair then to reduce women's pensions and raise those of men as they die earlier," the justification to the draft reads. "It's absurd and open discrimination against women," said Irena Wóycicka, an expert on social policy at Gdańsk Institute for Market Economics (IBnGR) and deputy labour minister between 1991 and 1993. PKPP Lewiatan's expert Jeremi Mor-dasewicz said the law would widened the discrepancy between the pensions of women and men. Fedak's plan would lower women's pensions by 15 percent, while at the moment they are 35 percent lower than those received by men.

Getin Holding Put up for Sale

Rzeczpospolita p. B7, December 15-16 2007

Leszek Czarnecki, one of the richest Poles, intends to sell Getin Holding, whose biggest part is Getin Bank. The value of the transaction has been estimated at ZŁ6-8bn. Among the investors interested in the acquisition are mainly European financial groups. One of them, Spain's La Caixa, is currently carrying out due diligence at Getin Bank. The bank being put up for sale has been talked about for some time now. However, according to analysts, Czarnecki has not chosen the best moment for the deal. On the other hand, the coming months may bring a further deterioration on the mortgage market in the US. La Caixa is a giant institution already present in Poland. Its subsidiary, Criteria CaixaCorp., which is supposed to supervise the institution's foreign operations, debuted on the Madrid stock exchange in October, raising EUR3bn for international investments.

Polsat Not for Springer?

Rzeczpospolita p. B5, December 15-16 2007

Almost two months before the initial agreement expired, Polsat and Axel Springer announced their decision to withdraw from talks, which had been further complicated by the decision of the Competition and Customer Protection Office (UOKiK). In April, the UOKiK decided to discontinue proceedings regarding the purchase of 25.1 percent of Polsat shares by the Axel Springer company. According to the UOKiK, after the transaction Springer would have had a large influence on the management of Polsat, completely disproportional to its amount of shares. The companies could have submitted another project, introducing mutual control. They did not, as station-owner Zygmunt Solorz did not want to share power. Another unofficial reason for the fiasco was Solorz's attitude - refusing to accept the earlier conditions of purchase. Throughout the whole process, analysts could not understand why Polsat needed an investor or to enter the stock market, as its income was high and funds for development - abundant.

Birth of a New Retail Giant

Puls Biznesu pp. 4-5; Rzeczpospolita p. B6, December 13 2007

The pace of consolidation in the Polish retail trade is stepping up. The network of up-market delicatessens Bomi, which recently debuted on the stock exchange, announced two acquisitions which are to be funded through a new share issue for the owners of the firms targeted for a take-over. As announced on Monday, Bomi will take over 80 percent of shares in the FMCG wholesale distributor Rabat Pomorze, which enjoyed more than ZŁ610m of revenue this year and ZŁ15m of net profits. According to yesterday's announcement, the second acquisition target

is Rast, a network of 20 up-market delicatessens in north-east Poland. This year's Rast profit is to amount to ZŁ340m. The largest Bomi shareholder and deputy CEO of the company, Krzysztof Pietkun, says it is a realistic possibility that Bomi will join the first five retail trade companies in Poland. Thus, it may join Emperia and Eurocash, the leaders on the market today, which rose to their positions due to spectacular acquisitions. Polish retail trade leader Biedronka, owned by Jeronimo Martins group, plans in turn to take over the third largest network of discount supermarkets, Plus Discount.

Naspers Buys Gadu-Gadu

Rzeczpospolita p. B8, December 14 2007

South African consortium Naspers has taken over Polish instant messaging system Gadu-Gadu (GG). However it is difficult to say whether Naspers will manage to withdraw GG from the stock exchange, because its call for shares offer was rather unattractive. The subscription for GG shares ended on Thursday. It remains unknown exactly how many investors answered the call for shares. MIH Poland Holdings, which belongs to Naspers and announced the call for shares, says one of the conditions during the call for shares was met. Shareholders in possession of at least 67 percent of GG shares answered. This will allow Naspers to take control over the company. MIH acquired 55 percent of GG shares from its largest shareholder Warsaw Equity Holding (WEH). On the day of the call MIH offered ZŁ23.5 per share, which is 21 percent above the market price. However those investors who bought GG shares in May at ZŁ25 could not make a profit on Naspers' offer. WEH was in a much better position, because it bought GG shares many years ago for about ZŁ2-3m. Now it will receive some ZŁ230m.

PZU to Create New Strategy

Parkiet p. 3, December 15-16 2007

The Treasury Ministry decided that Andrzej Klesyk will be the new chief executive at the largest Polish insurer PZU. Treasury Minister Aleksander Grad said Klesyk is thoroughly prepared for the job and counts on approval from the Commission for Financial Supervision (KNF). Witold Jaworski and Rafał Stankiewicz also became members of the board of PZU. Minister Grad stressed that he would not like the new board to get involved in a dispute with other shareholders - Its role is to stabilise the situation in the company and raise its value, also through attracting new, competent managers to the company, Grad said. The new PZU chief executive would like to focus on three basic objectives. First, creation and implementation of corporate governance rules in the company. Another objective, according to Klesyk, is the reconstruction of a team of 100-150 managers responsible for the development of the company. Third is the development of a strategy. Andrzej Klesyk's appointment has been positively assessed by the market.

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