

RETAIL MARKET IN POLAND : RECENT TRENDS









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RECENT TRENDS ON THE RETAIL MARKET – EXECUTIVE SUMMARY

- Polish retail market is low concentrated with major retailer: Metro holding <10% market share. At the same time almost all important European retailers are present on this market and most of them declare ambitious plans for further growth. Current priority are smaller formats like: supermarkets, discount or convenience stores
- With some exceptions, profitability of retailers in Poland is generally low. Many chains operating in the country for almost 10 years are still around break-even, mainly due to high costs and low efficiency.
- So far only few international retailers have withdrawn from Poland (Dohle, Reitangroup, Julius Meinl), or have selectively divested (Ahold, Jeronimo Martins, REWE)
- In the mid-term, market consolidation seems inevitable as organic growth options, especially for largest formats are diminishing

METRO IS BY FAR THE MAJOR RETAILER IN POLAND...

		Total sales revenue (EUR million*)		Annual change	Formats available**
		2004	2003	percent	
	Metro	2737	2625	4,3	HY, C&C, DIY, EL
	Jeronimo Martins	1044	962	8,5	DI
	Tesco	1019	959	6,2	HY,SU
	Auchan	947	886	6,8	HY,SU
	Carrefour	839	818	2,5	HY,SU
	Casino / Geant	812	750	8,3	HY, DI
	REWE	608	572	6,4	SU, C&C
	Ahold	563	560	0,5	HY,SU

Retail Trade in Poland - 2005

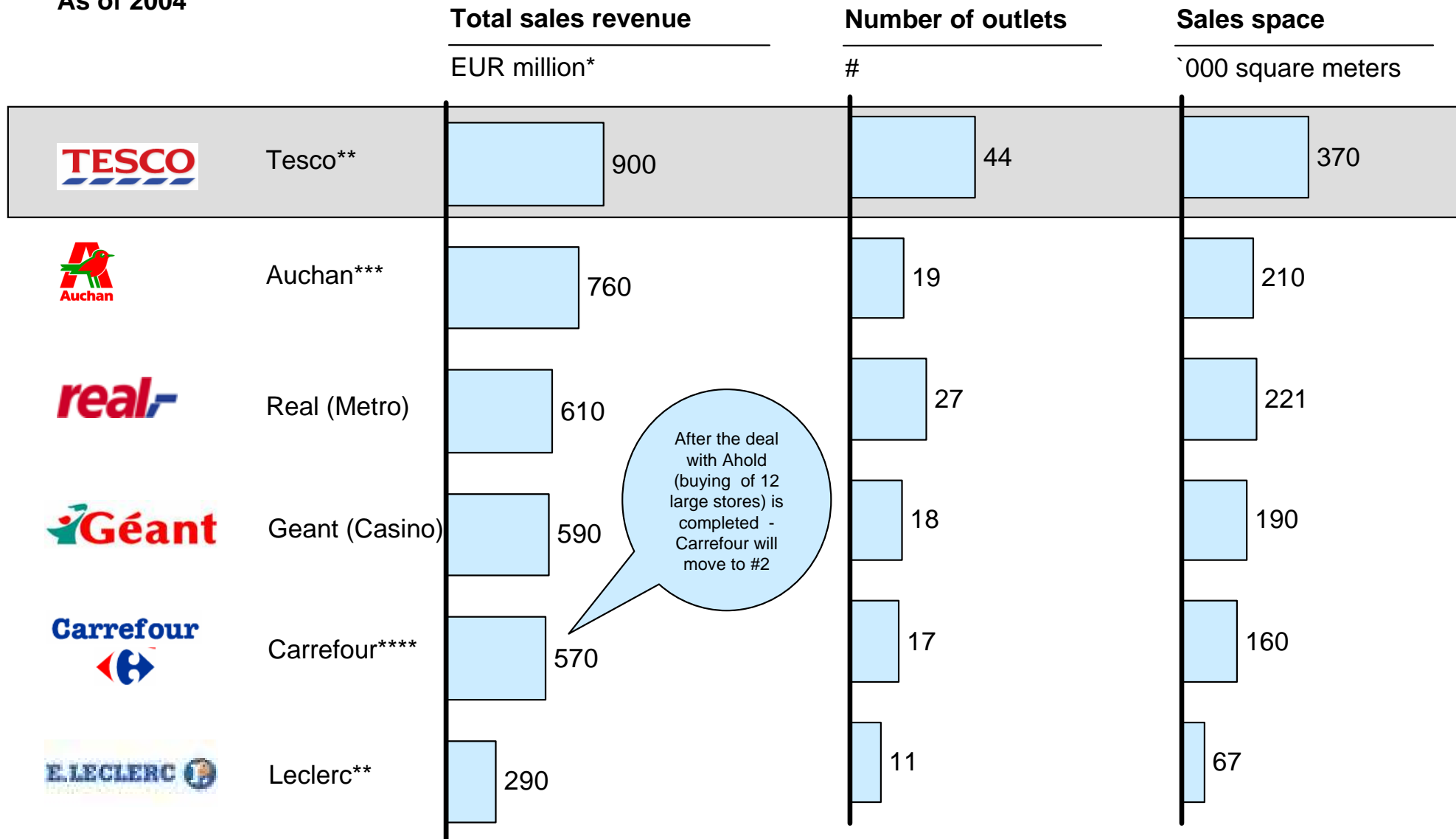
* At exchange rate EUR/PLN = 4,53

** Formats description: HY- Hypermarkets, C&C- Cash&Carry, SU- Supermarket, DI – Discount, DIY – Do it yourself, EL - Electronics

...BUT TESCO IS A CLEAR LEADER IN HYPERMARKET FORMAT...

Partially estimates

As of 2004



Retail Trade in Poland - 2005

* At exchange rate EUR/PLN = 4,53

** Stores with sale space < 4000 sqm. excluded

Source: Handel, retailers

*** Three stores managed together with Schiever Polska included

**** Not included 12 large stores purchased from Ahold in 2005

MAJOR RETAILERS PLAN FURTHER DEVELOPMENT IN POLAND... (1/2)

METRO

Metro

„All our chains will not be developed that quickly as in the mid-90s...we will make our network more dense...we may develop smaller stores4000 sqm.hype-markets.... It will be a slower process....It does not make sense to take-over stores close to ours...In our group a two digit growth is expected for electronics markets...We are the biggest on the market.... „

Hans-Joachim Körber, CEO Metro Polska, 2005



Jeronimo
Martins

„Jeronimo Martins has announced plans to open 275 Biedronka stores within the next three years. At present the chain comprises 725 outlets. Investment in new stores and in the modernization of existing ones will total €60-80m per annum. The company is considering various ways of raising capital, according to the CEO one option would be an IPO....”

Press after Pedro Silva, CEO JMD, 2005

TESCO

Tesco

„If someone wants to assure a long-term and profitable position on the market - then reaching 15-20% share is a must...Those who can not keep up with price competition and sales space development will be gone.....There is a room in Poland for 500 smaller outlets and this is what we want to do within next 8-10 years”

Kevin Grace, CEO Tesco Polska, 2005

MAJOR RETAILERS PLAN FURTHER DEVELOPMENT IN POLAND... (2/2)



Leclerc

„This year Leclerc has upgraded its shopping centre in Rzeszów and will start two new projects of medium-size stores.... In plans there is also an upgrade of shopping gallery in Lublin..... Total investments in 2005 will reach PLN 100 million,,

Puls biznesu, 2005



Casino /
Geant

„...Casino plans to have 25 hypermarkets up to 2010...”
„...Current focus is on discount stores, both integrated as well operating on a franchising model. There will be a new small format introduced: Leader Express, with the average sales space of 200-300 sqm. ...Casino would like to reach in total ~300 smaller stores up to the end of 2005.....”

Supermarket News, Puls biznesu, 2005



Carrefour

„Carrefour Polska will invest PLN 350 in 2006....Unemployment is falling, economy is growing, there are still towns with no modern shopping malls... Our company is going to launch 12 Champion markets and at least two shopping malls..... ”

Alain Souillard, CEO Carrefour Polska

... HOWEVER THEIR STRATEGIES ARE DIFFERENT

TESCO

„If someone wants to assure a long-term and profitable position on the market - then reaching 15-20% share is a must...Those who can not keep up with price competition and quick sales space development will be gone...

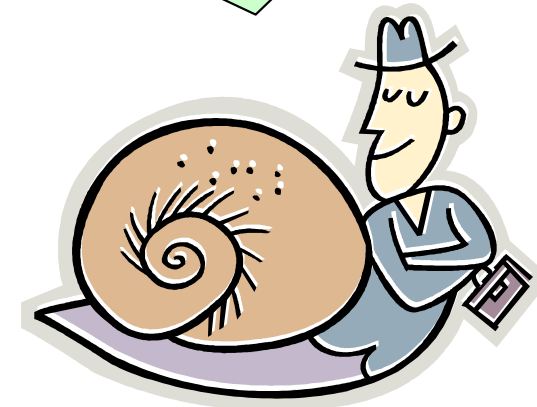
Kevin Grace, CEO Tesco Polska, 2005




METRO

„...We are the biggest on the market.... All our chains will not be developed that quickly as in the mid-90s...– It will be a slower process...It does not make sense to take-over stores close to ours...In our group a two digit growth is expected at electronics markets”

Hans-Joachim Körber, CEO Metro Polska, 2005



ONE THING IS CERTAIN - TO GROW IN THE LARGE STORES SEGMENT, M&A ACTIVITY WILL BE HARD TO AVOID

 Hypermarket format M&A

Selected retail M&A deals in Poland : 2001-2005

Year	Buyer	Target	Format	# stores	Turnover* US\$ million	Transaction value US\$ million
2005	Tesco	• Major Market (Julius Meinl)	• Supermarkets	9	<15	N/A
2004/5	Real (Metro)	• Hypernova (Ahold)	• Hypermarket	1	N/A	N/A
2004/5	Carrefour	• Hypernova (Ahold)	• Hypermarkets	12	N/A	N/A
2002	Tesco	• HIT (Dohle)	• Hypermarkets	13+2 (under development)	480	~320
2002	Ahold	• Jumbo (JM)	• Hypermarkets	5	90	~20
2002	Management group	• Eurocash (JM)	• Cash & Carry	82	270	~30**
2001	Auchan	• Billa (REWE)	• Supermarkets	11	110	N/A

Retail Trade in Poland -2005

* A year prior to the transaction

**MBO transaction

Source: Press

THE END

On this report

This report has been prepared using publicly available sources including: press publications, industry magazines, directories, financial databases, expert opinions and a part of „2005 shopper research” performed by Intelace Research.

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Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

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