Poland
Full Rating Report

Region of Mazowieckie

Ratings

Foreign Currency
Long-Term Rating BBB+

Local Currency
Long-Term Rating A-

National Rating
Long-Term Rating AA(pol)

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable
National Long-Term Rating	Stable

Financial Data

Region of Mazowieckie

	31 Dec 10	31 Dec 09
Operating revenue (PLNm)	2,096.2	2,541.4
Debt (PLNm)	1,398.6	1,263.1
Operating balance/ operating revenue (%)	5.24	10.93
Debt service/ current revenue (%)	7.10	25.21
Debt/ current balance (yrs)	20.21	5.14
Operating balance/ interest paid (%)	2.22	6.37
Capital expenditure/ total expenditure (%)	18.12	24.37
Surplus (deficit) before debt variation/ total revenue (excluding new debt; %)	-2.24	-9.94
Current balance/ capital expenditure (%)	14.65	26.22

Analysts

Renata Dobrzynska
+48 22 338 62 82
renata.dobrzynska@fitchratings.com

Elzbieta Kaminska
+48 22 338 62 84
elzbieta.kaminska@fitchratings.com

Related Research

Applicable Criteria

- *Tax-Supported Rating Criteria (August 2010)*
- *International Local and Regional Governments Rating Criteria – Outside the United States (April 2011)*

Other Research

- *Institutional Framework for Polish Subnationals (October 2010)*
- *Interpreting the Financial Ratio in International Public Finance Reports (July 2010)*

Rating Rationale

- Fitch Ratings downgraded the ratings of the Region of Mazowieckie on 12 April 2011. This reflects the deterioration of the region's operating performance in 2009-2010 due to weak control over operating expenditure, which was growing faster than operating revenue. The region's operating performance was also negatively affected by equalisation transfers made to the state budget. The rating reflects the agency's expectation that the region's operating performance will not materially improve in 2011-2012, its debt ratios remain relatively weak and the health care sector continues to put pressure on the region's budget. The ratings are supported by the region's wealthy and developed tax base.
- In 2010 the operating balance fell to 5.2% of operating revenue from an average of 20.8% in 2007-2009. Fitch expects the operating margin to improve in 2011-2013, to about 8%, but the debt service ratios will remain rather weak, with the debt repayment ratio above 15 years (five years in 2009).
- The high proportion of income taxes in operating revenue (2010: 71%) and the progressive formula of the equalisation transfers leave the region exposed to the economic cycle. Tax revenue was already declining in 2010, but equalisation transfer expenditure grew by 7% to PLN939m (63% of actual tax revenue in 2010). Although the region's equalisation transfer expenditure will decline to PLN628m in 2011 due to the one-year agreement with the Ministry of Finance the system remains unchanged and disadvantageous for the region, and may still put pressure on the region's budget in the coming years.
- Although management intends to limit any increase in debt, Fitch considers that debt may still grow due to investments, partly financed by EU grants. In Fitch's opinion Mazowieckie's debt may increase to 78% of current revenue in 2013 from a moderate 66.5% (PLN1.4bn) at end-2010.The region's debt service may more than double in connection with the planned bonds redemption in 2017-2019, to PLN250m annually, up from an average of PLN117m in 2011-2016, further weakening the debt service ratio.
- High indirect risk stems from the region's broad health care sector, which is in a weak financial position. At end-2010 the sector's debt totalled PLN286m. In Fitch's opinion this will be ultimately serviced by Mazowieckie as PLN123m consists of loans provided from the region's budget. The remaining debt is guaranteed by the region. The high liabilities of the health care sector, guarantees issued by the region and its off-budget lending policy will put pressure on the Mazowieckie's budget in the long term.

Key Rating Drivers

- The ratings could be downgraded further if Mazowieckie's operating performance remains weak, and indirect risk continues to grow or materialises in significant direct pressure on the region's budget.
- The ratings could be upgraded if the region's operating performance improves due to better control of operating expenditure, and if debt stabilises alongside a lowering of indirect risk.

Profile

Mazowieckie is the largest (11% of the national territory), most populous (5.2 million inhabitants) and wealthiest Polish region.

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
12 Apr 2011	BBB+	A-
19 Jan 2007	A-	A
5 Dec 2006	BBB+	A

Rating History

Date	National Long-Term
12 Apr 2011	AA(pol)
20 Jan 2010	AAA(pol)

- There is a stable coalition in the region's council.
- In 2010 Polish regions ceased to act as pass-through vehicles for EU grants.

- Mazowieckie is the largest and the wealthiest Polish region.
- GRP per capita is 158% of the national average.
- Strong GDP growth of about 4% annually is forecast for 2011-2012.

Political Context and Administration

The region's governing bodies are the regional board (the executive) and a 51-seat sejmik (regional parliament). The regional parliament is elected by direct vote for a four-year term, with the most recent election held in November 2010.

There is a formal coalition in the regional parliament between the Polish Farmers' Party (PSL; with 13 seats) and the Civic Platform (with 17 seats), which gives them a comfortable majority. Other parties represented are: Law and Justice (14 seats) and Democratic Left Alliance (seven seats)

Adam Struzik (PSL) has been the region's marshal, the head of the executive, since 2001. Following the most recent local election he was re-appointed by the regional parliament. He, two vice-marshals and two other members form the regional board.

The administration focuses primarily on the region's economic development, which should encourage equalisation of disparities across the region's territory. It is pursuing this through:

- improvement of regional transport infrastructure, which includes road construction and renovations, development of public rail transport services, and construction of the airport;
- improving the efficiency of the health care sector and protecting the health care service level; and
- additional activities regarding culture, education and promotion of the region.

In 2010 Polish regions, including the Region of Mazowieckie, ceased to act as pass-through vehicles for EU grants. In their budgets they include only EU grants for their own projects, while in 2007-2009 they also included pass-through amounts directed to other final beneficiaries The exclusion of these funds from the budgets remains performance neutral. However, due to the changes in budget size the comparison of financial ratios (including calculation of the operating margin based on the lower revenue) is distorted. The regions' budgets shrank, but became more transparent.

Socio-Economic Profile

Mazowieckie is located in the centre of Poland. With 5.2 million inhabitants it accounts for about 13.7% of the national population. Mazowieckie's administration projects its population to grow in the coming years, exceeding 5.4 million by 2035 (more than 15% of Poland's projected population), due to the location of Warsaw within the region. The city is Poland's administrative, business and educational centre, and so attracts many people from other parts of the country.

In 2008 Mazowieckie's gross regional product (GRP) accounted for 21.5% of Poland's GDP. Its GRP per capita was 158% of the national average, placing it first among the 16 Polish regions. The region also has the highest number of companies registered. It accounts for 17.3% of all companies registered in Poland (646,696 at end-2009) and 37% of all companies with foreign capital (8,135).

The region's economy is dominated by the services sector, as indicated by the gross value added (GVA) and employment structure, with shares well above the national averages. In 2008 services accounted for 76% of GVA and 62% of employment. The region's main services sub-sectors are trade, telecommunications, and financial and insurance services. Almost all banks operating in Poland have their headquarters in Warsaw. Industry and construction accounted for 21% of GVA and 20% of employment. Almost all industries are present in the region. Although agriculture employs 18% of the local workforce, it produced only 3.6% of GVA.

Figure 1

Gross Value Added and Employment Composition

(%)	Mazowieckie Region GVA, 2008	Mazowieckie Region Employment, 2008	Poland GVA, 2008	Poland Employment, 2008
Agriculture, forestry and hunting	3.6	18.0	3.7	20.0
Industry and construction	20.7	20.3	30.9	28.6
Services	75.7	61.7	65.4	51.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office, Poland

Although the region's wealth indicators are the best among the Polish regions and higher than the respective national averages, there are huge disparities among sub-regions in Mazowieckie. The wealth indicators are supported by the City of Warsaw (1.7 million inhabitants, 33% of the region's population), with GRP per capita at 295% the national average in 2008 and unemployment of only 3.4% at end-2010. At the same time, they are dragged down by the Radomski sub-region, which had GRP per capita at only 72% of the national average in 2008, and high unemployment of 23% at end-2010.

Prospects

Fitch expects Poland's economy to grow by 3.9%-4.3% in 2011-2012, faster than in 2009 (1.7%). Fitch expects the further strengthening companies' financial results to support the growth of Mazowieckie's tax revenue from 2011. In light of Mazowieckie's role as the country's economic engine, the tax revenue increase may be particularly strong, exceeding the country's average, backed by the developing economic improvement.

Budgetary Performance and Prospects

Operating Revenue

Income Taxes

- Income tax revenue dominates the region's operating revenue.
- Income taxes will grow, supported by economic growth in 2011-2013.

Income taxes dominate the region's operating revenue, averaging 70% of it in 2008-2010. At end-2010 they totalled PLN1,489m, 9% lower than in 2009. Tax revenue declined despite the increase in the share of corporate income tax (CIT) from 2010 (up by 0.75 percentage points, to 14.75%).

The revenue from CIT accounts for most (86% in 2010) tax revenue, with the remainder from personal income tax (PIT). The relatively high volatility of CIT revenue makes the region's operating revenue sensitive to economic cycles. Due to the absence of local taxes the region has no tax revenue leeway.

Growing Current Transfers

The region's current transfers are made up of EU grants for social projects, the educational subsidy, the regional subsidy, and other current grants (mainly related to state-delegated responsibilities).

In 2010 the nominal decline in the total current transfers reflected the exclusion of pass-through EU transfers to other beneficiaries and lower EU grants received for the region's own projects (PLN91m, down from PLN268m in 2009).

The educational subsidy is growing, due to the increase of teachers' salaries as agreed by the central government. In 2010 it grew by 4.3% (to PLN91.6m).

Figure 2
Operating Revenue

(PLNm)	2008	2009	2010	2011 budget
CIT	1,654	1,426	1,286	1,355
PIT	210	205	202	214
Other operating revenue	122	224	116	405
Current transfers	435	686	492	49
Operating revenue	**2,421**	**2,541**	**2,096**	**2,023**

Source: Region of Mazowieckie

Prospects

The expected sound economic growth is likely to increase Mazowieckie's tax revenue. The budget forecasts a tax revenue increase of 5.3% for 2011. Current transfers will be supported by growing EU grants for social and educational tasks. In addition, from 2011 other operating revenue will include additional revenue sources following consolidation of some off-budget funds (eg, for some agriculture, geodesy and cartography services), which according to the budget should increase revenue from fees by PLN11m. The trend of tax revenue and transfer growth should continue in 2012-2013, resulting in operating revenue growth of about 5% annually.

Expenditure

Growing and Rigid Spending Related to the Equalisation Mechanism

- Disadvantageous formula for calculating equalisation transfers paid by the region exposes Mazowieckie to cyclicality risk.
- Operating spending on regional railway services is high and growing

As Mazowieckie's tax revenue per capita is more than 2x the national average, the region is obliged by law to make payments to the state budget aimed at financing equalisation transfers to poorer regions. The formula for calculating the payments due is disadvantageous for the region, because it is based on tax revenue with a two-year lag. This exposes the region to cyclicality risk, especially in years of economic slowdown, when the region's tax revenue is declining but it is obliged to pay high equalisation transfers calculated on tax revenue received two years earlier.

In 2010, even though tax revenue declined the region's equalisation expenditure rose by 7.3%, to PLN939m (63% of tax revenue received), based on the good tax revenue performance in 2008. In 2011 equalisation expenditure will fall by about 30% to PLN628m as the region reached a one-year agreement with the Ministry of Finance to cap its equalisation expenditure in 2011 (at 40% of budgeted tax revenue). Until implementation of sustainable rules more favourable to the region, the equalisation system will continue expose it to the economic cycle.

Public Transport Region's Most Expensive Responsibility

The region's second most expensive item is public transport. This includes financing the regional railway services, maintenance and repairs of roads, and regional bus services (financed from state grants). In 2010 the region's current expenditure in this sector totalled PLN396m (19% of total current expenditure).

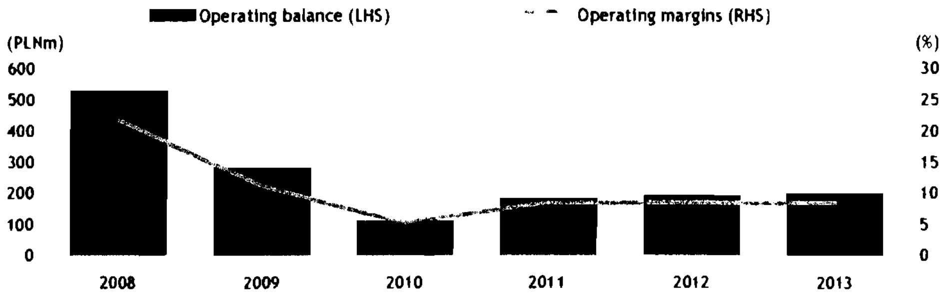
In 2010 the region's current expenditure on regional railway services was PLN199m (up 5% on 2009). In 2009 it signed a 15-year agreement with two railway companies, Koleje Mazowieckie (KM) and WKD. The contracts set the minimum level of services ordered by the region at about PLN150m annually. However, each year the region may decide to order more services. In 2011 the region projects its spending on railway transport services to increase to about PLN221m.

The region spends high amounts on road renovations and maintenance. In 2010 these totalled about PLN133m. According to the 2011 budget the region's current expenditure on this item will decline to PLN101m. However, this amount may be increased during the year.

Fitch expects operating expenditure on this sector to grow in 2011-2012 due to the management's focus on improving the quality of public transport in the region.

Figure 3

Budgetary Performance



Source: Fitch's calculation based on the data from the Region of Mazowieckie

Capital Revenue and Expenditure

After excluding the EU grants transferred to other beneficiaries, in 2010 capital revenue fell by 12% to PLN348m, accounting for 15% of total revenue. The capital grants from the state and EU remain the major source of capital revenue, accounting for about 80%. Asset sale revenue (PLN60m in 2010, PLN100m in 2011) is exceptionally high and relates to a transaction with the region's own company KM, which purchased its rolling stock, which was previously leased from the region. The company financed the transaction with debt.

- Capital revenue and expenditure in 2011-2013 is high thanks to available EU grant.

The region projects capital revenue to remain high in 2011-2013. Over that period it expects to receive about PLN1,300m of EU grants (up to PLN550m in 2011) for its own projects, including roads (60%), rolling stock (13%) and e-administration (27%).

In 2010 the region's capital expenditure declined to PLN473m from PLN937m in 2009, due to exclusion of EU pass-through grants to the ultimate beneficiaries. The decline was also due to the region's decision to postpone some investments in light of its weakened tax revenue collection. By sector, the largest proportions of capital expenditure were spent on public transport (39%) and health care (26%).

In 2011 budgeted capital expenditure totals PLN1,1bn (35% of the total), but the actual amount at year-end may be less, if some projects are postponed or implemented more slowly (as used to be done in the past). Fitch expects actual capex to be below 70% the budgeted amount in 2011.

Budgetary Performance

- After being relatively weak in 2010, the region's operating performance should improve in 2011-2012, with operating balance accounting for 8% of operating revenue.

In 2010 the region's operating balance fell to only PLN110m from PLN278m in 2009 and accounted for a mere 5.2% of operating revenue (10.9% in 2009). The decline would have been even more severe if the operating balance were not supported by the last 2010 CIT revenue instalment, of about PLN60m, which was received at year-end and not spent.

During 2010 actual tax revenue underperformed the budget. To finance the equalisation transfers the region had to make deep cuts in its other operating expenditure, reduce investment, and tap the current account liquidity credit line.

The weak operating balance was insufficient for 2010 debt service, which totalled PLN150m (keeping the debt service/operating balance ratio at about 136%).

For 2011 the region budgeted its operating balance at PLN80m, accounting for 3.9% of operating revenue. Fitch expects the actual results to be better than budgeted, with the operating margin at about 8% in 2011 due to growing tax revenue and operating transfers. In 2012-2013 Fitch expects the region to maintain the operating margin at a similar level, because growth in operating revenue may be consumed by similar operating expenditure growth. The low level of investment financing from the current balance may therefore stimulate debt growth, eventually weakening the debt repayment ratio and leading to growing debt service in following years. The cyclicality of equalisation transfers also represents continuing risk to Mazowieckie's operating performance.

Debt, Liquidity and Contingent Liabilities

In 2010 the region's debt rose by 10% and to PLN1.4bn, accounting for 66.5% of current revenue. The debt structure is presented in Figure 4 below. About 77% of debt is loans from European Investment Bank (EIB) and from the Council of Europe Development Bank (CEB). They have long maturities (until 2031) and five-year grace periods. Of the total, 23% was in Eurobonds, which mature in tranches in 2017-2019. These, together with the loans in euros from CEB, bring the FX risk to 47% of total debt. All debt has variable interest rates.

Figure 4

Debt Structure at 31 December 2010

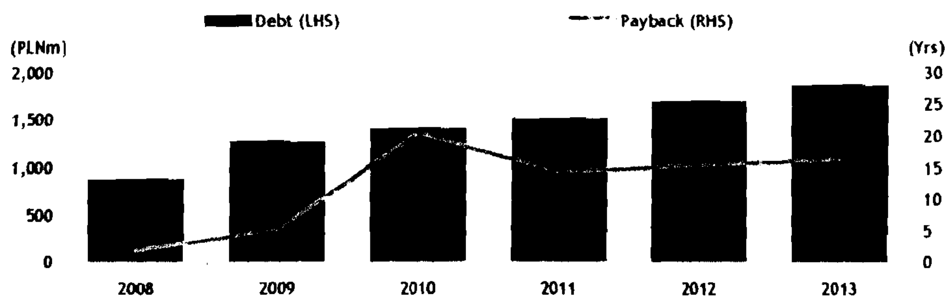
	Amount according to the contract	Incurred	Grace period	Final maturity	Interests formula	Debt amount (PLNm)
EIB	PLN260m	2009	5	2024	WIBOR3M + margin	260
Bonds	EUR82m	2009	-	2017, 2018, 2019	Variable based on DBFRBEUR index	325
CEB	EUR83M	2007	5	2027	EURIBOR3M + margin	328
EIB	PLN310m	2008	5	2028	WIBOR3M + margin	310
EIB	PLN175m	2007	3	2031	WIBOR3M + margin	175
Total						**1,398**

Source: Fitch

Debt Projections

Figure 5

Debt and Payback



Source: Fitch's calculation based on the data from the Region of Mazowieckie

The region is committed to continuing its investment programme and expects its debt to peak at about PLN1,550m in 2011-2012. Although the local authorities do not expect debt to grow in line with the present projections, in Fitch's view debt may peak in 2013-2014, with the outstanding amount close to PLN1,900m. The agency therefore projects debt service to gradually increase from an average of PLN117m in 2011-2016 to an average of PLN250m in 2017-2019 owing to scheduled bond repayments.

Liquidity

Low collection of tax revenue and high equalisation transfer instalments erode Mazowieckie's liquidity, causing it to access the liquidity credit line. The cash balance was negative in June-September 2010, and peak use of the credit line about PLN150m. At end-2010 the region's cash totalled PLN211m and was higher than the average month-end cash (PLN52m) during the year. In 2011 the region had a PLN300m stand-by liquidity credit line available (same amount as in 2010).

- High indirect rise arises from the health care sector, whose financial situation is relatively weak.
- Fitch expects a rise in the debt of the region's companies, following their investments.

Contingent Liabilities

The region's contingent liabilities relate to debt of the region's companies, debt of the health care sector and guarantees issued to it (see Figure 6). These totalled PLN346m at end-2009. Fitch expects the contingent liabilities to further increase in the medium term due to partly debt-financed investments by the region's companies and the weak financial situation of the health care sector.

Figure 6

Contingent Liabilities

(PLNm)	2007	2008	2009	2010
Guarantees	174.6	327.4	306.4	272.4
Total debt of region's hospital, excluding guaranteed amount	18.8	0.0	0.0	0.0
Debt of region's companies	21.5	40.9	39.5	39.5*
Total contingent liabilities	**214.8**	**368.3**	**345.9**	**311.9**

n.a. - Not available, * - pre-closing
Source: Fitch's calculations based on the region's data

The region's main companies are listed in Figure 8. At end-2009 the companies' debt was low, only about PLN40m. As the companies plan to make investments, their debt may reach PLN450m in 2011 and is projected to grow further to about PLN700m in 2013.

The railway company KM has started to implement investments (purchase and modernisation of rolling stock) of over PLN600m, to be mostly financed from debt, with the rest financed by the EU (estimated at PLN262m). In March 2011 the company issued a EUR100m bond, maturing in 2016.

The railway company WKD may incur PLN140m of debt to finance purchase of trains (total cost of PLN280m, 50% co-financed by the EU), to be completed by March 2012. The airport company is developing the existing Modlin military airfield into a civil airport at a total cost of PLN400m, of which more than PLN140m will be financed from debt, with the rest financed by the EU (PLN70m) and capital increases (in kind and cash injections). The region is considering part privatisation of some companies, which may generate additional revenue, but not before 2012.

High Risk Stemming From Health Care Sector Due to High Liabilities and Losses

Mazowieckie's health care sector is in a difficult financial situation, creating a risk for its budget. Although medical services are financed by the National Healthcare Fund, the region would be obliged by law to repay the liabilities of its health care entities if they were liquidated or unable to service their debt. The region is the founder of 30 health care entities (including 23 hospitals), down from 47 in 2005.

Figure 7

Financial Data of Region's Health Care Entities

	2007	2008	2009	2010
Employees	17,665	17,743	17,661	17,376
Long and short-term debt (PLNm)	193.4	259.1	259.1	286.1
-Of which loans provided from Mazowieckie's budget	n.a.	n.a.	n.a.	123.1
Overdue liabilities plus penalty interests (PLNm)	71.7	73.2	77.9	88.5
Net profit/loss (PLNm)	-93.7	-83.6	-106.7	-145.2

Source: Region of Mazowieckie

The sector generates significant losses every year and has very weak liquidity. In 2010 its aggregated net loss was PLN145m. At end-2010 the health care sector had PLN88m of overdue liabilities and about PLN286m of short- and long-term debt, of which PLN156m related to bank loans guaranteed by the region. About PLN123m related to loans provided by the region from its own budget. Those loans are not included in the region's expenditure, but deplete its cash reserves. Due to the weak financial position of the health care entities, they are often unable to repay the loans. Consequently, many are written off by the region instead of being repaid.

Five health care entities are undergoing restructuring. They will be transformed into limited-liability companies. Due to the restructuring the region will repay their bank loans (PLN103m). It may also have to cover some payables, up to about PLN50m. The region had already provided the entities with about PLN50m of loans to enable them to repay some of their overdue liabilities, on which penalty interest has been calculated. The amounts will not be regained by the region (technically, at the closure of the entities, the region will show in the budget current expenditure aimed at repayment of the hospital's liabilities and income from repayment of the loan it granted to the hospital, but there will be no flow of funds).

In the medium term Fitch expects the health care sector to put strong, continuous pressure on the region's budget and require financial help from the region. In the agency's opinion the region will face payments under guarantees provided to the sector and will be obliged to repay the liabilities of the entities undergoing restructuring. All this will negatively affect the region's operating performance and liquidity position. The region will still support the hospitals in making purchases of equipment and modernisation of buildings.

Figure 8

Key Financial Figures on Corporate Exposure

	Region's share (%)	Equity (PLNm)		Assets (PLNm)		Net income (PLNm)		Long-term debt (PLNm)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009
Koleje Mazowieckie - KM Sp. z o.o (railway company)	100	248	297	337	424	0.6	0.7	9.5	9.9
Mazowiecki Regionalny Fundusz Pożyczkowy Sp. z o.o. (regional loan fund)	100	20	30	27	37	4.4	3.2	0.0	0.0
Agencja Rozwoju Mazowsza S.A. (regional development company)	100	60	60	52	58	-2.1	0.9	0.0	0.0
Instytucja Filmowa Max-Film S.A. (cinemas)	100	29	29	96	101	1.6	-4.3	31.4	29.6
Warszawska Kolej Dojazdowa Sp. z o.o. (WKD) (railway company)	95	16	57	49	75	0.1	0.3	0.0	0.0
Mazowiecki Fundusz Poręczeń Kredytowych Sp. z o.o. (guarantee fund)	44	27	39	55	57	0.3	0.0	0.0	n.a.
Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o (airport)	34	149	289	144	192	-2.0	-4.5	0.0	n.a.
Mazowiecka Spółka Taborowa Sp. z o.o. (rolling stock rental)	98	2	2	2	2	-0.1	-0.2	0.0	0.0
Mazowiecka Agencja Energetyczna Sp. z o.o. (from 2009; promotion of renewable energy)	74	-	2	-	2	-	-0.2	-	0.0
Total								40.9	39.5

Source: Region of Mazowieckie

Appendix A

Figure 9

Region of Mazowieckie

(PLNm)	2006	2007	2008	2009	2010
Taxes	1,599.3	1,999.1	1,863.8	1,631.3	1,488.8
Transfers received	234.9	248.4	435.4	685.7	491.8
Fees, fines and other operating revenue	182.3	111.4	122.0	224.4	115.6
Operating revenue	2,016.5	2,358.9	2,421.2	2,541.4	2,096.2
Operating expenditure	-1,541.9	-1,661.0	-1,894.9	-2,263.7	-1,986.3
Operating balance	474.6	697.9	526.3	277.7	109.9
Financial revenue	14.4	12.9	12.8	11.6	8.7
Interest paid	-0.3	-0.5	-18.4	-43.6	-49.4
Current balance	488.7	710.3	520.7	245.7	69.2
Capital revenue	90.4	110.8	131.4	397.9	348.3
Capital expenditure	-819.6	-1,066.9	-1,165.9	-937.0	-472.5
Capital balance	-729.2	-956.1	-1,034.5	-539.1	-124.2
Surplus (deficit) before debt variation	-240.5	-245.8	-513.8	-293.4	-55.0
New borrowing	0.0	259.8	580.2	1,016.5	260.0
Debt repayment	0.0	0.0	0.0	-600.0	-100.0
Net debt movement	0.0	259.8	580.2	416.5	160.0
Overall results	-240.5	14.0	66.4	123.1	105.0
Debt					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	259.8	867.1	1,263.1	1,398.6
Direct debt	0.0	259.8	867.1	1,263.1	1,398.6
+ Other Fitch classified debt – pre-financing	61.0	92.1	57.3	0.0	0.0
Direct risk	61.0	351.9	924.4	1,263.1	1,398.6
- Cash, liquid deposits, sinking fund	102.4	108.1	61.1	169.7	211.2
Net direct risk	-41.4	243.8	863.3	1,093.4	1,187.4
Guarantees and other contingent liabilities	167.3	174.6	327.4	306.4	272.4
Net indirect debt (public sector entities exc. gteed amount)	2.1	21.2	40.9	39.5	39.5
Net overall risk	128.0	439.6	1,231.6	1,439.3	1,499.3
Memo for direct debt					
% in foreign currency	-	36.6	22.1	53.7	46.7
% issued debt	-	0.0	0.0	26.7	23.2
% fixed interest rate debt	-	0.0	0.0	0.0	0.0

Source: Fitch

Appendix B

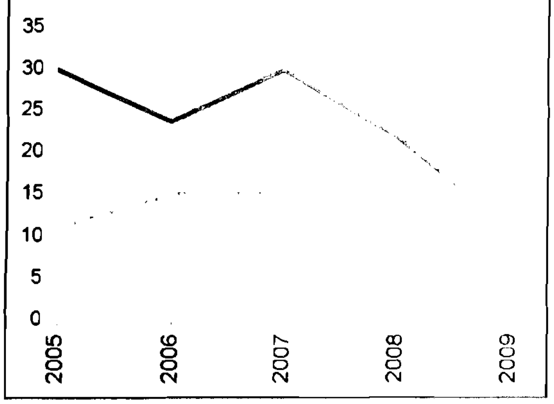
Figure 10

Region of Mazowieckie

	2006	2007	2008	2009	2010
Fiscal performance ratios					
Operating balance/operating revenue (%)	23.54	29.59	21.74	10.93	5.24
Current balance/current revenue[a] (%)	24.06	29.95	21.39	9.62	3.29
Surplus (deficit) before debt variation/total revenue[b] (%)	-11.34	-9.9	-20.03	-9.94	-2.24
Overall results/total revenue (%)	-11.34	0.56	2.59	4.17	4.28
Operating revenue growth (annual % change)	n.a.	16.98	2.64	4.96	-17.52
Operating expenditure growth (annual % change)	n.a.	7.72	14.08	19.46	-12.25
Current balance growth (annual % change)	n.a.	45.34	-26.69	-52.81	-71.84
Debt ratios					
Direct debt growth (annual % change)	n.a.	n.a.	233.76	45.67	10.73
Interest paid/operating revenue (%)	0.01	0.02	0.76	1.72	2.36
Operating balance/interest paid (x)	1,582	1,395.8	28.6	6.37	2.22
Direct debt servicing/current revenue (%)	0.01	0.02	0.76	25.21	7.1
Direct debt servicing/operating balance (%)	0.06	0.07	3.5	231.76	135.94
Direct debt/current revenue (%)	0	10.95	35.62	49.48	66.44
Direct risk/current revenue (%)	3	14.84	37.98	49.48	66.44
Direct debt/current balance (yrs)	0	0.37	1.67	5.14	20.21
Net overall risk/current revenue (%)	6.3	18.53	50.6	56.38	71.23
Direct risk/current balance (yrs)	0.12	0.5	1.78	5.14	20.21
Direct debt/GDP (%)	0	0.1	0.32	-	-
Direct debt per capita (local currency)	0	50	167	242	267
Revenue ratios					
Operating revenue/budget operating revenue (%)	118.36	109.19	93.54	80.21	92.16
Tax revenue/operating revenue (%)	79.31	84.75	76.98	64.19	71.02
Modifiable tax revenue/total tax revenue (%)	0	0	0	-	-
Current transfers received/operating revenue (%)	11.65	10.53	17.98	26.98	23.46
Operating revenue/total revenue[b] (%)	95.06	95.02	94.38	86.12	85.45
Total revenue[b] per capita (local currency)	411	481	493	565	468
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	88.2	93.07	87.63	82.19	91.97
Staff expenditure/operating expenditure (%)	11.81	12.55	14.01	12.9	14.51
Current transfer made/operating expenditure (%)	30.44	31.69	30.04	30.38	25.05
Capital expenditure/budget capital expenditure (%)	111.71	123.54	98.31	72.73	49.59
Capital expenditure/total expenditure (%)	34.7	39.1	37.86	24.37	18.12
Capital expenditure/local GDP (%)	0.36	0.42	0.43	-	-
Total expenditure per capita (local currency)	458	529	592	736	498
Capital expenditure financing					
Current balance/capital expenditure (%)	59.63	66.58	44.66	26.22	14.65
Capital revenue/capital expenditure (%)	11.03	10.39	11.27	42.47	73.71
Net debt movement/capital expenditure (%)	0	24.35	49.76	44.45	33.86

n.a.: not available
[a] Includes financial revenue
[b] Excluding new borrowing
Source: Issuer and Fitch calculations

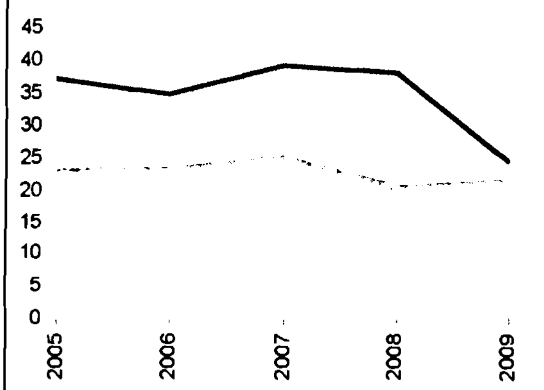
Operating Balance
% Operating Revenue



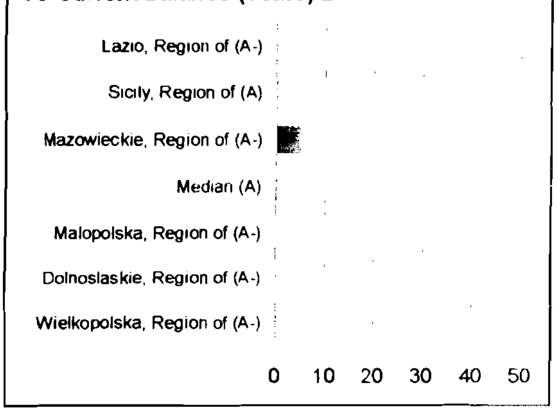
Surplus (Deficit)
% Total Revenue

Taxes
% Operating Revenue

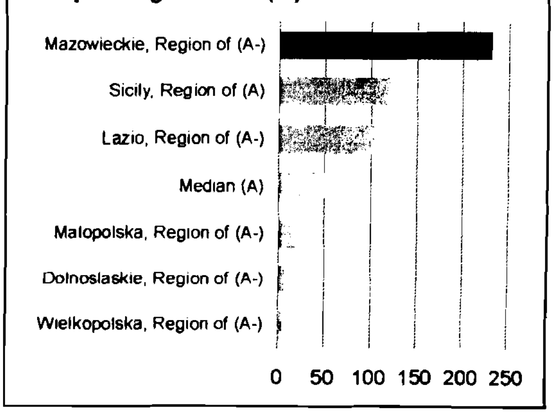
Capital Expenditure
% Total Expenditure



Debt
To Current balance (Years) 2009



Debt Servicing
To Operating Balance (%) 2009



—— Region of Mazowieckie

- - - A- Peer Group Median