

ISSUER'S ANNUAL REPORT

2011



The Capital City of Warsaw

The Mayor of the Capital City of Warsaw

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1. INTRODUCTION	5
1.1 Statements of the Mayor of Capital City of Warsaw	5
I. THE MOST IMPORTANT ACHIEVEMENTS/FAILURES OF THE ISSUER IN 2011 AND DEVELOPMENT PERSPECTIVES.....	5
II. FINANCIAL CONDITION OF THE ISSUER.....	9
II.1. Selected financial data	9
II.1.1. General data (mln PLN/EUR¹)	10
II.1.2. Current revenue (mln PLN/EUR¹).....	10
II.1.3. Current expenditures by type (mln PLN/EUR¹)	10
II.1.4. Capital revenue (mln PLN/EUR).....	11
II.2. Debt	11
II.2.1. Synthetic table (mln PLN/EUR¹).....	12
II.2.2. Debt ratio (%).....	12
II.2.3. Debt forecasts in years 2012-2015 (mln PLN)	13
II.3. International rating	14
II.4. Domestic rating	14
III. ANNUAL FINANCIAL STATEMENT	15
III.1. Balance sheet of the implementation of the City's budget (mln PLN)	15
III.2. Combined balance sheet, including data from the balance sheets of the City's budgetary entities and budgetary enterprises.....	16
III.3. Combined profit and loss accounting, including data from the profit and loss accounts of the City's budgetary entities and budgetary enterprises	17
III.4. Combined statement of changes in fund budgetary entities and local government budgetary enterprises.....	18
IV. REPORT ON ACTIVITIES OF THE ISSUER	19
IV.1. The basic economic and financial figures presented in annual financial statement including factors and events having significant impact on budget result in 2011	19
IV.2. Important risk factors and threats.....	20
IV.3. Contracts important for the activity of the issuer, including contracts concluded between shareholders (partners), insurance, cooperation or collaboration agreements.....	21
IV.4. Assessment of management in financial assets and the specification of potential threats and activities that the issuer has taken or is willing to take in order to prevent these threats.....	22

IV.5.	An evaluation of options to realise investment objectives, including capital investments as compared to the volume of assets owned, including possible changes in the structure of financing of this activity	22
IV.6.	Assessment of factors and untypical events having impact on budget results in 2010, and specification of the level of impact of these factors or untypical events on the result achieved.....	23
IV.7.	Information on the date of the Issuer concluding an agreement with an entity authorised to audit financial statements on the examination or review of the financial statement or consolidated financial statement and the period for which this agreement was concluded	23
IV.8.	Information on the remuneration of the entity authorised to examine financial statements, paid or due in financial year	23
IV.9.	Amendments to the rules and scope of management in the issuer's entity	23
IV.10.	Important changes in surface or membership in administrative structures and in basic demographic data	26
V.10.1	General information	26
V.10.2	Demographic data	26
IV.11.	Important changes in organisational relations of the entity with other parties.....	26
IV.12.	Important changes in capital owned.....	29
IV.13.	Tasks implemented by the issuer	29
IV.14.	Changes in the organisation of providing municipal services	29
IV.15.	Expenditures for the implementation of individual tasks.....	30
IV.16.	<i>General revenue in the issuer's budget</i>	30
IV.17.	<i>Efficiency of revenue acquisition</i>	31
IV.18.	<i>Description of the course and efficiency of budget planning and realisation of entity's budget</i> 33	
IV.19.	<i>Forecasts on the repayment of liabilities of the issuer</i>	34
IV.20.	<i>Efficiency of municipal services and plans for their development</i>	34
IV.20.1.	<i>Local public transport and urban transit services</i>	34
IV.20.2.	<i>Public roads</i>	35
IV.20.3.	<i>Technical infrastructure</i>	35
IV.20.4.	<i>Housing management</i>	36
V.	OPINION DELIVERED BY THE REGIONAL ACCOUNTING CHAMBER	37
V.1.	<i>Resolution of Adjudication panel of the Regional Accounting Chamber in Warsaw on delivery of opinion on submitted report on realisation of the budget for 2011</i>	37
V.2.	<i>Resolution of Adjudication panel of the Regional Accounting Chamber in Warsaw on delivery of opinion on options to repurchase bonds</i>	40

VI.	OPINION AND REPORT OF THE EXPERT AUDITOR	42
VI.1.	<i>Opinion of the expert auditor for Warsaw City Council on examination of financial statement of the City of Warsaw for period from 1.01.2011 to 31.12.2011.</i>	42
VI.2.	<i>Report on examination of the financial statement of the City of Warsaw for period from 1.01.2011 to 31.12.2011</i>	44

1. INTRODUCTION

The Capital City of Warsaw, as the issuer of bonds admitted for trading on regulated markets, domestic and foreign, is committed to comply with information obligations, according to the schedule specified below:

1. the Act of 29 July 2005 on the Trading of Financial Instruments (with amendments) and the Act of 29 July 2005 on public offers and conditions for introducing financial instruments into organised trading systems and public companies (with amendments);
2. the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information communicated by the issuer of securities, and terms for the recognition of equivalent (with amendments) information required under the provisions of the law of non-Member-State countries;
3. the Regulations of the Luxembourg Stock Exchange (LSE) and regulations valid on the parallel securities market operated by Warsaw Stock Exchange S.A., and the over-the counter market operated by BondSpot S.A.

1.1 Statements of the Mayor of Capital City of Warsaw

The Capital City of Warsaw ("the City of Warsaw", "Issuer") ensures that according to its best knowledge (with due diligence in the verification of this assurance), the annual financial statement and comparative data were prepared according to valid accounting rules and reflected in a true, reliable and clear manner the financial condition of the Issuer and its financial result, and the report on the activities of the Issuer included a true picture of development and achievements, as well as the condition of the Issuer, including a description of the basic threats and risks.

Moreover, the Issuer ensures that the entity authorised to examine financial statements verifying the annual financial statement was selected according to the provisions of the law, and that this entity or expert auditors verifying this statement complied with requirements on the delivery of impartial and independent opinions about the examined annual financial statement according to the valid provisions of the law and professional standards.

All references made in this document to "PLN" or "złoty" mean the currency of the Republic of Poland. Any references made in the Annual Report to the provisions of the law should be interpreted as references to the contents of this provision with amendments, or, if it is repealed or invalid, to repealing provisions or provisions regulating the subject matter equivalent to that specified by the repealed provision.

This Annual Report for 2011 should be read: (i) with the unitary report on the realisation of the budget of the City of Warsaw for 2011, and 2010 (ii) intermediate statements (if prepared and made available); (iii) information and documents published on the webpage of the City of Warsaw www.bip.warszawa.pl or published in another form.

I. THE MOST IMPORTANT ACHIEVEMENTS/FAILURES OF THE ISSUER IN 2011 AND DEVELOPMENT PERSPECTIVES

The total revenue of the City of Warsaw in 2011 amounted to 11,268.5 mln PLN and constituted 103.1% of the plan. Total expenditures were incurred at the level of 12,268.8 mln PLN, and, as compared to the plan, amounted to 93.8%. The amount for the current tasks was 10,126.0 mln PLN, and the actual ratio as compared to the plan was 95.8%. The level of capital expenditures was 2,142.8

mln PLN, and their actual level compared to the plan was 85.3%. Debt in 2011 amounted to 5,966.4 mln PLN. Debt as of 31 December 2011 constituted 52.95% of total revenue and was lower than the statutory limit of 60% of revenue, and also lower than the assumed internal limit of 55% of revenue provided for in the multiannual debt policy of the City of Warsaw.

In 2011, the city maintained a high level of investments, the total value of which amounted to 2,143 mln PLN. The limit of 2 billion PLN assigned for the financing of citywide and district investment tasks, as well as for the current capital expenditures, was exceeded for the fourth year in a row.

The biggest tasks implemented in 2011 were:

- the construction of the 2nd underground line: plan 608.6 mln PLN, actual 588.8 mln PLN
- the construction of the Północny Bridge route: plan 549.4 mln PLN, actual 336.5 mln PLN
- the construction of Nowolazurowa Street in the section from Al Jerozolimskie to AK Highway: plan 108.3 mln PLN, actual 102.4 mln PLN
- the modernisation of Al. Jerozolimskie in the section Zesłańców Syberyjskich Roundabout - Łopuszańska: plan 87.2 mln PLN, actual 84.5 mln PLN
- the construction of the Museum of the History of Polish Jews: plan 49.3 mln PLN, actual 46 mln PLN
- the reconstruction of Andersa Street - stage I – reconstruction of viaducts over railway tracks and Słomińskiego Street: plan 38 mln PLN, actual 37.7 mln PLN
- the development of recreational and sports areas at Łazienkowska Street No. 1/3 in Warsaw, including the modernisation and extension of the football stadium as well as facilities: plan 37.8 mln PLN, actual 37.5 mln PLN
- the reconstruction of Modlińska Street in the section from Grota Roweckiego Bridge to the city limits: plan 28.4 mln PLN, actual 27.7 mln PLN
- the renovation and adaptation for cultural purposes of the Old City of Warsaw cellars under the entry to the list of the UNESCO World Heritage: plan 19.6 mln PLN, actual 18.2 mln PLN.

In 2011, significant financial expenditures were also assigned for the following investment linked with the needs of residents and the betterment of their standards of lives and functioning in the City:

- **in terms of transport and urban transit:** for the reconstruction of the Kabaty Technical and Stoppage Station infrastructure due to the expansion of the rolling stock, the construction of strategic car parks "Park and Ride" (P+R), the acquisition of real-estate under the construction of tram line to the Tarchomin District and the Światowida and Projektowana Street road section, the modernisation of the bus terminal and passenger departure hall at Wschodni Station from Lubelska Street, the modernisation of the Streets Marsa – Żołnierska in the section of the Marsa interchange – city limits, modernisation of the crossing of national road No. 2 with the Siekierkowska Highway, the construction of Nowolazurowa Street in the section from Al. Jerozolimskie to the AK Highway, the construction of the road from 17-Stycznia – Cybernetyki Street, the modernisation of Górczewska Street in the section Młynarska Street – city limits, the construction of traffic lights, the construction of a bicycle route, the reconstruction of Wybrzeże Szczecińskie Street in the section from Poniatowski Bridge to the railway viaduct, the construction of Nowoborkowska Street, the reconstruction of Wybrzeże Helskie Street due to the construction of the central section of the 2nd metro line, the reconstruction of the bridge over Żerański Canal in Kobiłka Street, the construction of the Płaskowicka Bis Street (stage I) crossing of Al. Rzeczypospolitej – Płaskowicka Bis, the extension of Al. KEN, drafts and the construction of roads in the area of Boernerowo, WAT and Groty (Bemowo District), the construction of Grupy AK Północ Street (Mokotów District), the construction of Nowoursynowska Street (IIIrd stage in the section Ciszewskiego - Dolina Służewiecka Street) (Ursynów District) and the modernisation of Historic Żoliborz Street near Warsaw Citadel (Żoliborz District),

- **in terms of spatial governance and real-estate economy:** for the reconstruction of communal buildings situated in the following districts: Ursynów, Praga Północ, Żoliborz and Białoleka, the modernisation of Szembeka Square, the construction of multiple dwelling buildings on Naukowa Street, the modernisation of the park with Cietrzewia Ponds, the construction of public-utility premises situated on Kolegiacka Street – 1st stage and construction of Kozłowski park, the Warsaw technology Area – Entrepreneurship Centre - Smolna 6, the modernisation of the market place at Banacha Street,
- **in terms of the communal economy and environmental protection:** for the adaptation of existing buildings for purposes of *paludarium* situated in the ZOO, the development of the Vistula River banks (stage I), the restoration of the embankment damaged in the Floyd summer of 2010 in Praski Port, the extension of the black ice early-warning system, waste economy (asbestos storage), the protection of waters through utility connections, including the elimination of septic tanks,
- **in terms of safety and public order:** for the construction of an Integrated Coordination and Emergency Stand for the City of Warsaw, the modernisation of the visual monitoring system for the City of Warsaw, the extension of the public alarm and warning system,
- **in terms of culture and the protection of the cultural heritage:** for the construction of the Museum of the History of the Polish Jews, the renovation and adaptation for cultural purposes of the Old City of Warsaw cellars under the entry onto the list of UNESCO World Heritage, construction of Copernicus Science Centre, museum of Warsaw Praga district, the construction of the Palmiry National Memorial Museum, the reconstruction and adaptation of Sokolnicki Fort for cultural facility purposes, the adjustment of the buildings of the Baj, Współczesny and Guliwer Theatre to fire protection regulations, the construction of the Służewiec community Centre and the adaptation of a building situated on Tyniecka Street for the purposes of the Multimedia Library Centre,
- **in terms of sports and recreation:** for the reconstruction of the football fans identification system for the stadium at No. 6 Konwiktorska Street and the modernisation of the water treatment and ventilation system in the swimming pool of the Polonia Centre, the construction of the swimming pool and sports hall including the underground car park, as well as the construction of football pitches in school complex No. 79 situated at 26 Wiertnicza Street and the modernisation of the roofed swimming pool on Łabiszyńska Street,
- **in terms of health protection and social support:** for the modernisation and extension of Bielański, Czerniakowski, Praski, Grochowski, Wolski, Holy Family, "Inflancka", St. Sophia Streets, and the Warsaw Children Hospital, the extension of the public healthcare facility situated at 48 Strusia Street, modernisation of healthcare facility situated at 6A, Dragonów Street 19 Wrocławska Street, 19 Powstańców Śląskich Street, 1 Soczi Street, Otwocka Street, 54 Elekcyjna Street and 34 Grzybowska Street, the thermal modernisation and modernisation of buildings of the Healthcare and Treatment establishments situated at 8 Olchy Street and 37 Izbicka Street, the construction of the Healthcare facility situated on Cegielniana Street in Włochy District, the construction of the Centre for Abandoned Mothers and Children, the adaptation of premises and facilities for nurseries, the modernisation of social support facilities situated on Nowoursynowska Street (for the needs of patients suffering from Alzheimer's disease), and Przedwiośnie, Kawęczyńska, Arabska, Wójtowska, Sternicza and the modernisation of orphanages situated on Jaktorowska, Nowogrodzka and Bohaterów Streets, the modernisation of the Education Centres Complex of K. Lisiecki "Grandpa", the modernisation of social support facilities, and investment purchases for these facilities,
- **in terms of education** (for educational purposes) : for the modernisation and extension of School and Educational and Revalidation Facilities Complex No. 1 situated at 5 Bełska Street, the thermal

modernisation of Special Schools Complex No. 90 situated at 54 Kordeckiego Street, the development of the area of Special Schools Complex Nos. 63 and 85 situated at 12/14, Elektoralna Street the modernisation of the school building in Special Schools Complex No. 109 situated at 44 Białobrzaska Street, the laying of playgrounds within the Governmental programme "Joyful School" at the Special Schools Complex situated on Różana, Czarnieckiego, Elektoralna Streets, and The Institute for the Deaf, the construction of an Educational System situated on Lokajskiego Street, the modernisation of preliminary school No.112 situated at 31 Berensona Street (Białołęka District), the construction of the preliminary school in the Stara Miłosna Residential Area – 7.0 mln PLN (Wesoła District), the extension of School Complex No. 43 at 49 Kobiałka Street, the adaptation of facilities for the purpose of the Pedagogical and Psychology Clinic and the preliminary school situated at 3 Otwocka Street, the modernisation of a building in the Schools Complex of S. Wysockiego (formerly "Kolejówka") situated at 56 Szczęśliwicka Street - stage I, the replacement of roof coverage with insulation in the attic and the thermal modernisation of the secondary school situated on Rogalińska Street, as well as the modernisation of school football pitches in the Wola District.

In 2011, the international rating agencies Moody's Investors Service and Fitch Ratings confirmed their assessment of the creditworthiness of the City of Warsaw respectively as A2 and AAA (pol), both with a stable outlook. These ratings confirm the good financial standing of the City under economic slowdown, and present an accurate view for financing development in the future.

The strategy of City development in the perspective of the next 15 years is described in the Strategy of Development of the City of Warsaw up to the year 2020, approved by the Warsaw City Council under Resolution No. LXII/1789/2005 on 24 November 2005. The mission included in the Strategy is to achieve the highest possible level of compliance with the needs of the citizens, and taking an important place among the most important European metropolis. By the year 2020, Warsaw should become an attractive, modern, dynamically-developing metropolis with a knowledge-based economy and the Central European Financial Centre, a city occupying an important place among the most significant European capital cities. The progress of Warsaw on the road to the achievement of this vision is controlled in the Framework of the Strategy's monitoring. The strategic goals of the City are being realised at a different pace. Thanks to regular improvement in the level and accessibility of public services, including education, culture, recreation and sports, healthcare and social welfare, the realisation of strategic objectives – the improvement in the quality of the lives and safety of the residents of the City of Warsaw is being realised faster than expected. A similar situation applies to the following strategic objectives: the development of a modern economy based on knowledge and scientific research, as well as – achievement of permanent spatial governance.

Prospects for – development of the City in the nearest future are specified by the fundamental budgetary assumptions for the year 2012. The budget of the City of Warsaw for 2012 assumes that, compared to the year 2011, nominal revenue will increase by 6.5%, and expenditures will be higher by 12.6%. It is estimated that total revenue will amount to 12,003.6 mln PLN, while the current level is 10,319.0 mln PLN, with capital at 1,684.6 mln PLN. Expenditures are planned at the level of 13,819.2 mln PLN. in 2012, and 76% of expenditures will be assigned to current activities, and investment will consume 24% of assets. This means a growth in the proportion of capital expenditures to total expenditures by 6.6 p.p. compared to the year 2010. Capital expenditures planned for the year 2012 in the total amount of 3,327.1 mln PLN include the financing of investment tasks in the total amount of 3,264.9 mln PLN, and current capital expenditures in the amount of 62.2 mln PLN.

The most important investments included in the investment plan for 2012 encompass the following: the 2nd underground line the construction of the Północny Bridge Route, the construction of Nowolazurowa Street in the section from Al. Jerozolimskie to the AK Highway, the modernisation of Marsa – Żołnierska Streets in the section of the Marsa Street interchange – city limits, the modernisation of Al. Jerozolimskie in the section of the Zesłańców Syberyjskich Roundabout – Łopuszańska Street (the construction of the Łopuszańska – Kleszczowa interchange), the construction of the Świętokrzyska Highway in the Wybrzeże Szczecińskie Street to Zabraniecka Street section, the modernisation of Górczewska Street in the section from Młynarska Street – city limits, the construction of a lane on Kasprowicza Street at the Oczapowskiego Street – “Młociny” interchange section, the construction of the junction of national road No. 2 with the Siekierkowska Highway, the reconstruction (extension) of Modlińska Street in the section from the Grota Roweckiego Bridge over Żerański Canal, the construction of the junction of 17-go Stycznia Street – Cybernetyki, the construction of Al. KEN – IIIrd stage (Nowobukowińska Street) and the modernisation of the Kawęczyńska Street intersection from Ząbkowska to Otwocka Streets, renewal of buildings (DK Kadr at Ząbkowska Street no 28, building situated at Reja Street no 9 including renewal of public area - Zieleniec at Ochota Theatre), modernisation of Szembeka Square, development of Vistula River banks, modernisation of Czerniakowski Port, construction of floodgate in Praski Port, and modernisation of Krasińskich Gardens.

The budget for 2012 provides also assets for betterment of quality of services rendered, e.g. through co-financing of investment enterprises conducted by Holy Family Hospital, “Inflancka”, Grochowski Hospital, Warsaw Children’s Hospital, St. Sophia Hospital, construction of Warsaw Prague and Museum of the History of Polish Jews, construction of tent for Simfonia Varsovia Orchestra, renewal and adaptation for cultural purposes of Old City of Warsaw cellars. In the Framework of current spheres, e.g. assets for financing of construction of the next communal buildings situated at: Pełczyńskiego, Marywilska, Jagiellońska and Kłobucka Street were provided, as well as extension and construction of special schools, primary schools, secondary schools, kindergartens, modernisation of social security facilities, purchase and adaptation of apartments for the purposes of small care centres, construction of swimming pool and sports hall situated at Niegocińska Street, including development of land, modernisation of stadium situated at Konwiktorska Street in terms of adjustment to UEFA requirements.

II. FINANCIAL CONDITION OF THE ISSUER

II.1. Selected financial data

Realisation for the year 2011 as presented complies with the Report on budget’s realisation of the City of Warsaw for the year 2011 communicated for delivery of opinion by the Regional Accounting Chamber.

II.1.1. General data (mln PLN/EUR¹)

	2010		2011	
	PLN	EUR	PLN	EUR
Current revenue	9 843.10	2 485.50	10 347.22	2 342.70
Capital revenue	603.8	152.5	921.29	208.58
Total revenue	10 446.90	2 638.00	11 268.51	2 551.28
Current expenditures,				
including:	9 509.20	2 401.10	10 126.03	2 292.62
Debt service costs	208.7	52.7	306.3	69.35
Capital expenditures	2 591.50	654.4	2 142.76	485.1
Total expenditures	12 100.70	3 055.50	12 268.79	2 777.76
Current result				
(Current revenue – Current expenditures)	333.9	84.3	221.19	50.1
Capital result				
(Capital revenue– Capital expenditures)	-1 987.70	-501.9	-1 221.47	-276.6
Surplus/Deficit	-1 653.80	-417.5	-1 000.28	-226.5
Total revenues	3 209.90	810.5	3 593.36	813.6
Total expenses	203.8	51.5	2498.66	565.7

II.1.2. Current revenue (mln PLN/EUR¹)

	2010		2011	
	PLN	EUR	PLN	EUR
Total taxes and charges	1 695.50	428.1	1 656.23	375.0
Share in taxes constituting revenues in the state budget	3 900.70	984.9	4 017.80	909.7
Real-estate revenue	1 047.20	264.4	1 109.50	251.2
Service revenue	942	237.9	1 086.33	246.0
Other	574.9	145.2	661.44	149.8
Own revenue	8 160.30	2 060.50	8 531.39	1 931.58
General subsidy	1 262.00	318.7	1 298.3	293.9
Specific grants from the state budget	377.2	95.2	468.37	106.0
Other, including the EU assets	43.7	11	49.2	11.1
Transfers	1 682.90	424.9	1 815.83	411.1
Current revenue total	9 843.10	2 485.50	10 347.22	2 342.70

II.1.3. Current expenditures by type (mln PLN/EUR¹)

	2010		2011	
	PLN	EUR	PLN	EUR
Remunerations and contributions charged	3 017.70	762	3 181.80	720.4

Expenditures linked with realisation of statutory tasks	4 109.00	1 037.50	4 569.31	1 034.5
Grants for current tasks, including: payment to a part balancing general subsidies	1 785.20	450.8	1 677.60	379.8
benefits for individuals	965.9	243.9	916.61	207.5
Expenditures for programmes	334.7	84.5	329.41	74.6
finance from the EU	42.5	10.7	48.39	11.0
Debt service	208.7	52.7	306.3	69.3
Guarantees and warranties	11.4	2.9	13.26	3.0
Current expenditures total	9 509.20	2 401.10	10 126.03	2 292.62

As of 31 December 2011, total value of **guarantees** of the City of Warsaw amounted to **98.2 mln PLN**, and was composed mainly of guarantees awarded in the year 2008, 2009 and 2011 to Independent Public Healthcare Facilities and Housing Associations. In 2011, the City has awarded guarantee to Praski Hospital in amount of 39.9 mln PLN. Payment in amount of 13.3 mln PLN were realised from these guarantees.

II.1.4. Capital revenue (mln PLN/EUR¹)

	2010		2011	
	PLN	EUR	PLN	EUR
Inflows from sales of apartments and real-estates	175.1	44.2	184.6	41.8
Sales of capital rights – sales of shares in companies	0.5	0.1	0.6	0.1
Inflows from transformation of perpetual usufruct in capital right	8.9	2.2	13.4	3.0
Other	0.8	0.2	16.9	3.8
Own revenue	185.3	46.7	215.6	48.8
Assets for co-financing of projects realised in the framework of the EU programmes	372.2	94	664.5	150.4
Specific grants from the state budget received for investments	4.7	1.2	3.8	0.9
Other	41.7	10.5	37.4	8.5
Transfers	418.6	105.7	705.7	159.8
Capital revenue total	603.8	152.5	921.3	208.6

II.2. Debt

In 2011, **financing deficit income** of the Issuer amounted in total to **800 mln PLN** and included the amount of 200 mln PLN for credits drawn, and amount of 600 mln PLN for bonds issued.

In 2011, **expenses** of the Issuer for **repayment of liabilities** amounted in total to **215.7 mln PLN**, and included **repayment** of principal instalments for credit and loans drawn.

As of 31 December 2011, **liabilities** of the City of Warsaw amounted to **5,996.4 mln PLN**, where **credits and loans** amounted to **2,883.6 mln PLN**, and **bonds** in amount of **3,082.8 mln PLN**.

¹ Exchange rate assumed for calculations expressed in EURO was published on 31.12.2010 (1 EUR=3,9603 PLN) and 30.12.2011 (1 EUR=4,4168PLN)

II.2.1. Synthetic table (mln PLN/EUR¹)

	2010		2011	
	PLN	EUR	PLN	EUR
Opening balance of the year	4 023.7	1 016.0	5 289.1	1 197.5
Credits and loans	500.0	126.3	200.0	45.3
Issue of bonds	971.4	245.3	600.0	135.8
Income from financing	1 471.4	371.6	800.0	181.1
Repayment of principal instalments				
for credits and loans	197.3	49.8	215.7	48.8
Redemption of bonds	6.5	1.6	0.0	0.0
Repayment of liability	203.8	51.5	215.7	48.8
Exchange differences	-2.2	-0.6	93.1	21.1
Closing balance of the year	5 289.1	1 335.5	5 966.4	1 350.8

In 2011, the City of Warsaw has drawn two tranches of credits in total amount of 200 mln PLN under credit contracts concluded in 2010 with the European Investment Bank and Council of Europe Development Bank. Tranche of the credit drawn in EIB (in amount of 100 mln PLN) is assigned for financing of investment projects in terms of road and transport network, modernisation of public utility buildings, modernisation of public administration, cultural, historic and architectural heritage, renewal of soft landscape areas and open public areas, and the tranche drawn in CEB (in amount of 100 mln PLN) is assigned for financing of projects corresponding to betterment of lives in municipal and rural areas, health, education and professional training as well as construction of infrastructure and public services in the field of law and administration.

As of 31 December 2011, the City of Warsaw has concluded 14 credit contracts, where 3 were concluded with the national institutions (e.g.: Pekao S.A., PKO BP S.A., National Fund for Environment Protection), and 11 with international financial institutions (CEB, EIB).

In 2011, two series of bonds were issued on domestic market of total value of 600 mln PLN. On 18 March 2011, the City of Warsaw has issued 10-years bonds of **WAW0321** series and nominal value of 300 mln PLN with fixed annual coupon in amount of 6.64% and redemption date specified on 18 March 2021, and on 29 March 2011, 7-years bonds of **WAW0318** series and nominal value of 300 mln PLN with fixed annual coupon in amount of 6.48%, and redemption date specified on 29 March 2018. The bonds were public, and addressed to institutional investors. The bonds were entered for trade on regulated market of Catalyst.

Both series of bonds were issued in the framework of Bonds Issuance Programme established under agreement with organisers on 10 July 2009 amounting to 4 billion PLN. Fitch Ratings agency has awarded the Programme, and issues the rating assessments on the level of AAA (Polish).

Acquisition of financial assets for planned budgetary deficit was the objective of the above-mentioned bonds.

As of 31 December 2011, the City of Warsaw has issued seven series on domestic market, and one of foreign market (Eurobonds), including the above-mentioned bonds.

II.2.2. Debt ratio (%)

2008	2009	2010	2011	2012
	realisation			plan

Increase in liabilities total (y/y)	-0,7	78	31,4	12,8	-3,7
Share of debt in foreign currency	1	20,9	15,3	15,1	15,6
Total liabilities/Total revenue	22	39,8	50,6	52,9	47,9
Total liabilities/Current revenue	23,6	41,7	53,7	57,7	55,7
Total liabilities/Operating surplus	1,9	9,7	11,10	13,4	24,1
Debt service/Revenue total	5,7	3,4	4,1	4,8	5,8
Debt service/Current revenue	6,1	3,5	4,3	5,2	6,7
Interests/Current revenue	1,3	1,2	2,1	3,0	4,4

II.2.3. Debt forecasts in years 2012-2015 (mln PLN)

Data comply with Resolution no XXXII/766/2012 of the Warsaw City Council from 23 February 2012 on changes in the Multiannual Financial Forecast for the City of Warsaw in years 2012-2033.

	2011	2012	2013	2014	2015
	realisation	plan		forecast	
Revenue total	11 268.51	12 003.67	12 407.55	11 913.05	11 890.06
Expenditures total	12 268.79	13 819.16	13 094.95	12 824.64	11 708.36
including debt service	306.25	449.93	494.18	464.94	475.12
Deficit/Surplus	-1 000.28	-1 815.49	-687.40	-911.59	181.70
New debt income	800	0	950	950	0
Repayment of principal instalments	215.74	220.97	937.52	158.67	181.7
Liabilities total	5 966.43	5 745.46	5757.94	6549.26	6367.56
Debt service ratio (calculated acc. to art. 169 of the act on public finances)	4.75%*	5.77%	11.72%	5.42%	5.68%
Debt level ratio (calculated acc. to art. 170 of the act on public finances)	52.95%**	47.86%	46.41%	54.98%	53.55%

* - Due to initialling on 22.09.2011 of agreement with the Centre for EU Transport Projects on co-financing of project "Construction of III metro line", and realisation of other projects co-financed from the EU funds, debt service ration including deductions made according to art. 169 item 3 of the act from 30 June 2005 on public finances (O.J. No 249, item 2104 with later amendments) amounted to 3.08%.

** - debt ration after deductions made according to art. 170 item 3 of the above-mentioned act on public finances amounted to 23.57%.

The Multiannual Financial Forecast as the instrument of financial management of the City of Warsaw include in its contents information presented in the then "Debt policy of the City of Warsaw" (selected components), and forecast on debt amount of the City of Warsaw in years 2011-2033".

Obligation of preparing the Multiannual Financial Forecast by units of territorial Local-Government units was entered under the act from 27 August 2009 on public finances (O.J. No 157, item 1240 with later amendment). The full version with explanations is available on sites of Public Information Bulletin of the City of Warsaw (www.bip.warszawa.pl) in applet Budget and financial policy of the City of Warsaw.

II.3. International rating

On 20 December 2011, the international rating agency Moody's Investors Service has updated the international rating for Capital City of Warsaw awarded on 20 December 2007. Moody's Investors Service Agency has maintained assessment of the City on the previous level.

Rating assessment: **A2 with stable outlook.**

The key prerequisites for rating awarded by Moody's agency include:

- improving current operations ratios,
- solid financial liquidity,
- estimated drop in average level of liabilities,
- positive social and economic ratios.

Moreover, the rating assessment includes strong and diversified economic situation of Warsaw, balanced budget in the following years and realisation of an ambitious programme of investments in infrastructure. Comprehensive analysis of credit potential of Warsaw is available after logging-in on webpage of rating agency www.moodys.com.

II.4. Domestic rating

On 5 April 2012, the international rating agency Fitch Ratings has confirmed domestic, long-term rating for capital city of Warsaw awarded on 18 May 2009.

Rating assessment: **AAA (Polish) with stable outlook.**

At the same time, Fitch Ratings has confirmed the long-term, domestic rating "AAA (Polish)" for the programme of issuance of bonds up to amount of 4 billion PLN, and all issuances of bonds made by the City in the framework of this programme.

Rating for Warsaw reflects a very high level of cash securing debt service, well-developed and diversified economy, and tax base, as well as average, further increase of indebtedness of the City in years 2012-2014. The rating considers also the planned, rapid growth in intermediate liabilities of the City, and lower budgetary results of Warsaw on operating level. Stable rating's perspective reflects Fitch's expectations that operating results of the City, and high level of cash, will ensure safe debt service ratios in medium term.

Comprehensive analysis of credit potential of Warsaw is available after logging-in on webpage of rating agency <http://www.fitchpolska.com.pl>.

III. ANNUAL FINANCIAL STATEMENT (mIn PLN)

III.1. Balance sheet of the implementation of the City's budget

	2011	
	As at the beginning of the year	As at year end
ASSETS		
CASH	1 465,8	1 925,5
Funds	1 465,8	1 925,5
- <i>budget funds</i>	1 465,8	1 925,5
- <i>aid funds</i>	0,0	0,0
- <i>other funds</i>	0,0	0,0
RECEIVABLES AND SETTLEMENTS	169,4	129,3
Financial receivables	0,0	0,0
- <i>short-term (up to 12 months)</i>	0,0	0,0
- <i>long-term (over 12 months)</i>	0,0	0,0
Budget receivables	161,6	125,7
Other receivables and settlements	7,8	3,7
OTHER ASSETS	0,0	549,9
Prepayments and accruals	0,0	549,9
TOTAL ASSETS	1 635,2	2 604,7
LIABILITIES		
CREDITORS	5 241,8	5 940,9
Financial liabilities:	5 228,5	5 905,4
- <i>short-term (up to 12 months)</i>	214,8	204,1
- <i>long-term (over 12 months)</i>	5 013,7	5 701,3
Budget liabilities	1,8	30,2
Other liabilities	11,6	5,3
BUDGET NET ASSETS	-3 702,1	-3 439,8
Budget implementation surplus (+) or shortage (-)	-1 653,8	-1 000,3
- <i>budget surplus (+)</i>	0,0	0,0
- <i>budget deficit (-)</i>	-1 479,7	-912,0
- <i>non-executed expenditures (-)</i>	-174,1	-88,3
Gains/losses on non-cash operations (+,-)	30,0	-92,7
Provision for permanent appropriations	174,1	88,3
Privatisation funds	0,0	1 441,0
Accumulated surplus or shortage of budget resources (+,-)	-2 252,4	-3 876,2
OTHER LIABILITIES	95,4	103,6
TOTAL LIABILITIES	1 635,2	2 604,7

III.2. Combined balance sheet, including data from the balance sheets of the City's budgetary entities and budgetary enterprises

	2011	
	As at the beginning of the year	As at year end
ASSETS		
FIXED ASSETS	73 754,3	106 235,5
INTANGIBLE ASSETS	10,0	12,7
TANGIBLE ASSETS	69 703,7	70 286,8
Fixed assets	65 483,0	66 727,1
- <i>land</i>	55 087,2	55 203,6
- <i>buildings, premises and civil engineering structures</i>	10 068,8	11 126,6
- <i>plant and machinery</i>	236,0	301,8
- <i>means of transportation</i>	38,4	37,5
- <i>other fixed assets</i>	52,6	57,6
Launched investments (fixed assets under construction)	4 220,6	3 559,7
Advances for investments	0,0	0,0
LONG-TERM RECEIVABLES	181,7	137,6
LONG-TERM FINANCIAL ASSETS	3 858,7	3 812,1
- <i>shares</i>	3 858,7	3 812,1
INVESTMENT REAL ESTATE	0	31 986,2
PROPERTY OF LIQUIDATED COMPANIES	0,3	0,0
CURRENT ASSETS	2 184,6	1 326,7
STOCKS	24,6	20,5
- <i>materials</i>	24,2	20,1
- <i>finished products</i>	0,1	0,1
- <i>goods</i>	0,3	0,3
SHORT-TERM RECEIVABLES	1 186,0	960,8
- <i>trade receivables</i>	182,2	139,4
- <i>budget receivables</i>	73,4	105,0
- <i>insurance and other benefits receivables</i>	0,3	0,5
- <i>other receivables</i>	929,7	715,9
- <i>settlements due relative to funds for budget expenditure and relative to budget income</i>	0,3	0,0
CASH	302,9	290,0
- <i>cash in hand</i>	0,4	0,5
- <i>cash at bank</i>	229,5	271,4
- <i>other cash and cash equivalents</i>	64,2	6,9
- <i>national earmarked fund cash</i>	8,8	11,2
SHORT-TERM SECURITIES	615,1	6,6
PREPAYMENTS AND ACCRUALS (ACTIVE)	56,0	48,8
OTHER ASSETS	0,0	0,0
TOTAL ASSETS	75 938,9	107 562,2
LIABILITIES		
FUNDS	73 991,8	104 813,8

OWN FUNDS	71 695,0	101 891,0
NET FINANCIAL PROFIT/LOSS	2 302,7	2 924,8
- <i>net profit</i>	6 698,5	8 486,0
- <i>net loss</i>	4 395,8	5 561,2
SURPLUS OF WORKING CAPITAL (-)	-6,2	-2,0
FUND FROM THE PROPERTY OF LIQUIDATED COMPANIES	0,3	0,1
NATIONAL EARMARKED FUNDS	2,4	4,4
LONG-TERM LIABILITIES	60,7	473,4
SHORT-TERM LIABILITIES AND SPECIAL FUNDS	1 798,4	2 245,8
SHORT-TERM CREDITORS	1 694,1	2 136,0
- <i>trade liabilities</i>	135,1	100,8
- <i>budget liabilities</i>	53,8	47,2
- <i>liabilities relative to social insurance</i>	107,9	123,9
- <i>liabilities relative to employee accounts</i>	150,3	161,4
- <i>other liabilities</i>	190,1	246,6
- <i>third party deposits and guarantees</i>	168,7	171,5
- <i>settlements due relative to funds for budget expenditure and relative to budget income</i>	7,7	4,5
- <i>provision for liabilities</i>	880,5	1 280,0
SPECIAL FUNDS	104,2	109,8
- <i>Employee Benefit Fund</i>	100,0	106,1
- <i>other</i>	4,3	3,6
ACCRUALS	85,5	24,8
ACCRUALS OF REVENUE	85,2	23,4
OTHER	0,3	1,3
OTHER LIABILITIES	0,1	0,0
TOTAL LIABILITIES	75 938,9	107 562,2

III.3. Combined profit and loss accounting, including data from the profit and loss accounts of the City's budgetary entities and budgetary enterprises

	2011	
	As at the beginning of the previous year	As at the end of the previous year
I. NET REVENUE ON SALES AND REVENUE EQUIVALENTS, OF WHICH:	10 925,6	11 282,9
Net revenue from product sales, including:	2 386,9	2 374,5
- <i>subsidies classified as revenue (specified-user subsidies, specific subsidies, subsidies providing first current assets)</i>	79,3	30,9
Change in the stocks of products	0,6	0,3
Cost of manufacturing products for the entity's own requirements	0,0	0,0
Net revenue from product and material sales	8,4	-0,7
Other budget revenue	8 529,6	8 908,8
II. OPERATING COSTS	8 388,0	8 360,3
Depreciation	559,6	586,7
Materials and energy	716,2	703,4
External services	3 149,8	2 966,9

Taxes and charges	163,3	169,4
Payroll	2 751,5	2 844,2
Social insurance and other employee benefits	602,0	643,4
Other cost by category	107,1	319,3
Cost of merchandise and materials	1,4	1,6
Other benefits financed from the budget	334,3	115,8
Other liabilities	2,8	9,6
III. PROFIT / LOSS ON SALES (I-II)	2 537,5	2 922,6
IV. OTHER OPERATING REVENUE	1 076,0	283,5
Profit on sales of non-financial fixed assets	66,6	18,1
Subsidies	36,9	0,0
Other operating revenue	972,5	265,4
V. OTHER OPERATING COSTS	1 214,8	920,3
Other operating costs	1 214,8	920,3
VI. OPERATING PROFIT / LOSS (III+IV-V)	2 398,7	2 285,8
VII. FINANCIAL REVENUE	268,2	1 097,6
Dividends and share in profits	36,4	832,3
Interest	135,0	217,2
Other	96,8	48,1
VIII. FINANCIAL COSTS	363,3	458,6
Interest	253,8	241,3
Other	109,5	217,3
IX. PROFIT / LOSS ON ORDINARY ACTIVITIES (VI+VII-VIII)	2 303,6	2 924,9
X. EXTRAORDINARY PROFITS / LOSSES	0,2	0,2
Extraordinary profits	0,4	0,2
Extraordinary losses	0,1	0,0
XI. PROFIT / LOSS BEFORE TAXATION (IX+/-X)	2 303,8	2 925,0
XII. INCOME TAX	1,0	0,2
XIII. OTHER OBLIGATORY REDUCTIONS OF PROFIT (INCREASE OF LOSS) AND SURPLUS OF CURRENT ASSETS	0,0	0,0
XIV. PROFIT / LOSS AFTER TAXATION (XI-XII-XIII)	2 302,7	2 924,8

III.4. Combined statement of changes in fund budgetary entities and local government budgetary enterprises

	2011	
	As at the end of the previous year	As at the end of this year
I. OWN FUNDS AS AT THE BEGINNING OF THE PERIOD	102 765,0	71 695,0
II. INCREASES IN OWN FUNDS (AS A RESULT OF)	23 851,1	55 666,6
Balance sheet profit brought forward	7 282,3	6 698,5
Performed budgetary expenditure	12 046,5	12 269,0
payments effected for the budgetary entities from EU funds	0,0	1,2
Funds for investments	2 365,2	2 014,3
Fixed assets and investments received free of charge	334,4	213,3
Assets acquired from liquidated entities	44,7	2,1

Other profit/loss write-offs for the current year.	0,0	2,1
Other increases	1 778,1	34 466,0
III. DECREASE IN OWN FUNDS	54 921,1	25 470,6
Loss for the previous year	4 381,6	4 395,8
Performed budgetary income	10 446,9	11 247,0
Settlement of financial result and current assets brought forward	3,6	6,2
Subsidies and funds for investments	4 313,2	3 865,7
Revaluation of fixed assets	0,0	6,3
Value of fixed assets and investments sold and transferred free of charge	730,1	519,0
Liabilities acquired from liquidated (consolidated) entities	0,5	54,2
Assets received within a central procurement	0,0	0,0
Other decreases	35 045,2	5 376,4
IV. OWN FUNDS AT THE END OF THE PERIOD (I+II-III)	71 695,0	101 891,0
V. NET PROFIT/LOSS FOR THE CURRENT YEAR	2 302,7	2 924,8
Net profit	2 302,7	2 924,8
VI. SURPLUS OF OWN INCOME OF BUDGETARY ENTITIES, SURPLUS OF CURRENT ASSETS OF BUDGETARY ENTERPRISES, WRITE-OFFS FROM FINANCIAL RESULTS OF AUXILIARY HOLDINGS OF BUDGETARY ENTITIES	6,2	2,0
VII. FUNDS (IV+, -V-VI)	73 991,5	104 813,8

IV. REPORT ON ACTIVITIES OF THE ISSUER

IV.1. The basic economic and financial figures presented in annual financial statement including factors and events having significant impact on budget result in 2011

Realisation of the budget of the City of Warsaw in 2011 was closed with **deficit** amounting to **1,000.3 mln PLN**. The generated budget deficit was lower than planned by 53.5%, which was due to revenue exceeding the plan in amount of 338.1 mln PLN, and expenditures lower than planned by 814.6 mln PLN.

Realisation of **revenue** in 2011 amounted to **103.1%** of the plan. The nominal revenue were **higher** as compared to the year 2010 by 7.9%.

Realisation of the plan of **current revenue** amounted to **102.0%** meaning that inflows from the current operations exceeded the plan to amount of **201.3 mln PLN**. As compared to the previous year, the current revenue have increased by **5.1%**. The current revenue exceeding the plan were generated from: *taxes collected by revenue offices* (mainly tax on civil law transactions) in amount of 10.6 mln PLN, *inflows from share in taxes constituting revenues of the state budget* in amount of 92.1 mln PLN, *capital revenue* (mainly inflows from rental of leased capital, fees for administration, utilisation and perpetual usufruct of real-estates, interests on cash in bank accounts) in amount of 48.9 mln PLN, *inflows from other current revenue* (including *inflows from sales of urban transit tickets*) in amount of

60.5 mln PLN. In the framework of the current revenue, unrealised plan of revenue corresponded to: *inflows from taxes and local charges* in amount of 4.8 mln PLN, *inflows from charges (including revenue and transport)* in amount of 2.1 mln PLN, *specific grants from the state budget* in amount of 5.4 mln PLN, *assets for co-financing of projects realised in the framework of the EU* in amount of 8.0 mln PLN. The listing of realisation of revenue from 2011 as compared to the previous year show insignificant growth in revenue from share in income taxes on natural and legal persons – by 2.0% and 9.2% respectively. In other categories of current revenue, insignificant drops in revenue as compared to the previous year have occurred, except for increase in revenue from: *collected by revenue offices (mainly tax on civil law transactions)*, *revenue from capital*, and *other revenue (including from sales of urban transit tickets)*.

The plan of **capital revenue** was realised in **117.4%**, e.g. in amount higher than assumed by **136.8 mln PLN**. As compared to the previous year, capital revenue have increased by **52.6%** capital revenue exceeding the plan in 2011 were generated mainly from *inflows from the European Union budget* in amount of 169.6 mln PLN, and *inflows from transformation of perpetual usufruct into capital right* in amount of 5.8 mln PLN.

Total plan of **expenditures** in 2011 was realised in **93.8%**. As compared to the year 2010, realised nominal expenditures were higher by **1.4%**.

Realisation of the plan of **current expenditures** in 2011 was equal to **95.8%**, which means realisation lower than the plan by **446.6 mln PLN**. As compared to the previous year, the current expenditures in 2011 have increased by 6.5%.

Realisation of the plan on **capital expenditures** in 2011 amounted to **85.3%**, e.g. was lower than the plan by **367.9 mln PLN**. As compared to the year 2010, the level of capital expenditures was lower by 17.3%.

For **payment of debt liabilities** resulting from issued bonds and credits or loans drawn in previous years assigned for financing of investment, the budget for 2011 was debited with amount of **215.6 mln PLN**.

Deficit of budget amounting to **1,000.3 mln PLN** was financed by repayable inflows in total amount of 800 mln PLN including financial assets from issuance of bonds and drawing of credit, inflows from privatisation in amount of 1,440.99 mln PLN, as well as free assets originating from financial surpluses generated in the previous years in amount of 1,352.4 mln PLN.

The fundamental macroeconomic ratios in Poland improved in 2011 as compared to the year 2010. The real Gross Domestic Product increased by 4.3% as compared to 3.9% growth recorded in the year 2010. The average employment in the national economy in 4th quarter of 2011 as compared to the same period in the previous period has increased by 1.5%. The unemployment rate in 4th quarter of 2011 was equal to 12.5%, which means increase by 0.1 p.p. as to comparable period in 2010. The unemployment rate in Warsaw was equal to 3.8%.

IV.2. Important risk factors and threats

Management of the budget and Multi-Year Financial Forecast is associated with numerous risks defined as conditions of negative course of phenomena related to definite events or activities taken

that may cause deviation of the implemented objectives from their planned value. The most important threats to the preparation and implementation of financial plans of the City should include:

- the risk of macroeconomic situation being worse than expected that may result in lower income, mostly directly linked with economic situation, i.e. from share in income taxes on natural and legal persons, as well as tax on civil law transactions with a large, 40% share in the City's income,
- the risk of increase in capital acquisition costs on domestic and foreign financial markets that may result in increased burden for the budget in the form of expenditures linked with debt service,
- the risk of the long-term drop in PLN exchange rate that may result in consequences described in the previous item, and in both short and long-term perspective, in a possible increase in costs of investment realised,
- the risk of amendments to provisions of the law that may result in reduced income by territorial local government units or burdening them with additional tasks without adequate increase in income,
- the risk of natural disasters that may result in an increase in expenditures associated with the necessity to undertake extraordinary action, and with direct effects of impact of catastrophic events.

However, it should be stressed that risks may also constitute opportunities, e.g. an economic downturn may go hand in hand with an increase in competition, and hence a drop in the costs of investment realisation.

On the strategic level, the conducting of budget policy in the City in the framework of multi-year budgetary forecasts prepared for the central, as well as pessimistic and optimistic scenario contributes to the elimination of any potential consequences of risks named. The limitation of consequences of risks in the present perspective is realised through constant monitoring of processes within the organisation itself, and in external environment. Supervision includes in particular, the current performance of the budget and phenomena occurring in economy, as well as amendments to the law having impact upon the income and expenditures of the City. In the event of a high probability of threats to budget performance, budget adjustment plans for the changed situation are initiated, fitted to variants of the long-term development of the City's financial situation prepared for such events. The risk of exceeding statutory precautionary standards in terms of debt is limited to an acceptable level by an adequate selection of debt instruments assuming the diversification of the debt portfolio.

On 1 April 2011, the plenipotentiary of the Mayor of the Capital City of Warsaw for the implementation of a risk management system in the Capital City of Warsaw was appointed. The operation of a risk management system is specified in the following regulations: No. 1386/2011 of the Mayor of Warsaw of 2 August 2011 on the organisation of risk management in the city of Warsaw and risk coordinators (as amended), and No. 1814/2011 of the Mayor of Warsaw of 30 November 2011 on the implementation of a policy on risk management in the Capital City of Warsaw.

IV.3. Contracts important for the activity of the issuer, including contracts concluded between shareholders (partners), insurance, cooperation or collaboration agreements

On 22 September 2011, the City of Warsaw signed a contract with the Centre for EU Transport Projects on the co-financing of the project "Construction of metro line II". The total cost of the investment is PLN 5.92 billion, and co-financing from the EU resources is to be equal to PLN 2.77 billion.

As a result of the privatisation process of SPEC S.A., on the basis of the Warsaw City Council resolution No. XXI/398/2011 of 25 August 2011 on providing consent to the sale of shares of the City

of Warsaw in the company under the name Przedsiębiorstwo Energetyki Ciepłej S.A. with its registered office in Warsaw, on 11 October 2011, the City of Warsaw and Dalkia Polska S.A. signed an agreement on the sale of 6,131,891 shares in SPEC S.A., constituting in total nearly 84.99998% of the initial capital of the Company. As a result of privatisation in 2011, PLN 1,440.9 million was acquired.

In 2011, in the framework of Bonds Issuance Programme established under agreement concluded with Founders on 10 July 2009 in the amount of up to PLN 4 billion, the Capital City of Warsaw issued two series of bonds on the domestic market. A detailed description of the issuance was given in item III.2 of this report.

Warsaw Public Transport Authority (ZTM) deals with public transport and urban transit services. Inter alia, ZTM concludes agreements with carriers having their own fleet, for the implementation of a certain part of transport. Agreements are binding for settlements with such carriers as: Miejskie Zakłady Autobusowe Sp. z o.o., Tramwaje Warszawskie Sp. z o.o., Metro Warszawskie Sp. z o.o., Szybka Kolej Miejska Sp. z o.o.

IV.4. Assessment of management in financial assets and the specification of potential threats and activities that the issuer has taken or is willing to take in order to prevent these threats

Good financial governance, debt service, and high liquidity are proven by the highest possible credit worthiness assessments awarded to Warsaw by the international rating agencies since 2007. The active debt service and liquidity management system implemented by the City facilitates current monitoring of demand for assets, and forecast inflows of revenue with limitation of debt related risks. Warsaw's rating also reflects the well-developed and diversified economy of the City, as well as its strong tax base.

The credit worthiness assessment (rating) reflects the general capacity of an entity to fulfil financial obligations, and is made by independent, specialised institutions, namely rating agencies. The main objective of rating is to inform the current and future investors, domestic and foreign, on the reliability and solvency of the city. The rating awarded reflects the up-to-date results of the city budget management, financial flexibility, local economic situation and development perspectives. Detailed information on rating assessments for the City of Warsaw awarded by international rating agencies: Moody's Investors Service and Fitch Ratings are given in item III.3 and III.4 of this report.

IV.5. An evaluation of options to realise investment objectives, including capital investments as compared to the volume of assets owned, including possible changes in the structure of financing of this activity

Despite a limitation to budgetary opportunities of the City due to the weakened pace of economic development, the generation of relevant investment assets ensuring proper financial conditions for the continued implementation of the Multi-Year Investment Programme for 2012-2015 remains the strategic objective of the City. In 2012, it is planned to maintain the high level of investment despite reduced income opportunities of the City. It is assumed that share of investment expenditures in total expenditures of the City for 2012 shall be higher than realised in 2011, and achieve the level of 24%, meaning that every fourth penny from the budget shall be assigned for development. The aggregated value of investment expenditures in years 2012-2015 shall amount to PLN 9.3 billion.

Investment enterprises of the Issuer were presented in the Multi-Year Financial Forecast for the City of Warsaw for the years 2012-2033 approved under resolution of the Warsaw City Council No. XXIX/631/2011 on 15 December 2011 (as amended).

The full version of the document is available on the website of the Public Information Bulletin of the Capital City of Warsaw (www.bip.warszawa.pl) in the tab Budget and financial policy of the City of Warsaw.

IV.6. Assessment of factors and untypical events having impact on budget results in 2010, and specification of the level of impact of these factors or untypical events on the result achieved

The specific factors having impact upon the level of performance of income and expenditures were discussed in item V.1. of the report.

IV.7. Information on the date of the Issuer concluding an agreement with an entity authorised to audit financial statements on the examination or review of the financial statement or consolidated financial statement and the period for which this agreement was concluded

On 30 January 2012, the City of Warsaw has concluded an agreement with PricewaterhouseCoopers Sp. z o.o. as the entity authorised to verify the annual financial statement of the City of Warsaw for the year 2011. The agreement was concluded under Art. 4 item 8 of the Act of 29 January 2004 on Public Procurement Law (Journal of Laws. of z 2006 No 164 item 1163 as amended) and is valid from 30 January to 30 June 2012.

IV.8. Information on the remuneration of the entity authorised to examine financial statements, paid or due in financial year

According to art. 65 of the Act of 29 September 1994 on accounting, the amount of remuneration due to the entity authorised to examine financial statements for review of the annual financial statement of the City of Warsaw in 2011, as well as the delivery of a written opinion and report amounts to PLN 69 thousand.

IV.9. Amendments to the rules and scope of management in the issuer's entity

The scope of activities of the City includes all public matters of local importance, not restricted under the law for other entities. The City performs public tasks on their own behalf and responsibility through its bodies and district units. The division of tasks performed by the City authorities as well as tasks performed by district bodies and relations among the authorities of the City and district units are regulated by the laws, the Articles of Association, and other resolutions of the Warsaw City Council. These documents are available on the sites of the Public Information Bulletin of the Capital City of Warsaw, e.g. at:

http://bip.warszawa.pl/Menu_podmiotowe/Warszawa/statut.htm

http://bip.warszawa.pl/Menu_podmiotowe/Rada_Warszawy/Uchwaly_Rady/default.htm

In order to perform public tasks, the City may found organisational units, and conclude agreements with their entities, including non-governmental organisations. The performance of public tasks may be also realised under collaboration of the City with different units of territorial local government.

Executive authority	
In charge	Tasks
Mayor of the City of Warsaw Hanna Gronkiewicz-Waltz Deputies of the Mayor of the City of Warsaw Jacek Wojciechowicz Jarosław Kochaniak Włodzimierz Paszyński Michał Olszewski from 13 October 2011, replacing A. Jakubiak nominated on 12 October to Chairman of Financial Supervision Committee Treasurer of the City of Warsaw Mirosław Czekaj Secretary of the City of Warsaw Jarosław Maćkowiak	<p>The Mayor of the Capital City of Warsaw is the executive authority of the city – she performs the communal and district tasks included in its competences, tasks commissioned in the field of governmental administration, including those resulting from the capital nature of Capital City of Warsaw, and from agreements concluded with territorial local government units.</p> <p>The Mayor performs certain functions specified in regulations for the starost, and district authority because Warsaw is the commune having municipal, district rights.</p> <p>The Mayor's tasks include the performance of resolutions of the Warsaw City Council and tasks specified under provisions of the law, in particular:</p> <ul style="list-style-type: none"> – preparation of drafts of resolution of the Warsaw City Council, – the City capital management, – realisation of the City budget, – representing the City to the outside, – administering of the current matters of the City. <p>In the framework of realisation of the City budget, the Mayor is responsible for the correct financial economy of the City.</p>

Decisive and supervising authority	
In charge	Tasks
Warsaw City Council	<p>The Warsaw City Council is composed of sixty Council members.</p> <p>The tasks of the Warsaw City Council were specified under art. 18 of the act on the communal local government and art. 12 of the act on district local government as well as the act on system of the Capital City of Warsaw.</p> <p>These tasks include in particular:</p> <ul style="list-style-type: none"> – resolution of the draft of the city articles of association agreed with Chairman of the Cabinet, and then resolved, – nomination and dismissal of the city treasurer upon request of the Mayor (budget chief accountant), – resolving the city budget, considering report on its realisation and acknowledgement of the fulfilment or tasks (or not) to the Mayor,

	<ul style="list-style-type: none"> – resolving local land development plans, – taking resolutions on capital matters exceeding scope of ordinary management, – taking resolutions on the following matters: coat of arms, names of the street and erection of monuments, – granting of honorary citizenship.
Organisation	
In charge	Tasks
The Office of the City of Warsaw	<p>In its present form, the Office of the Capital City of Warsaw was founded on 27 October 2002. According to art. 18 item 1 of the Act of 15 March 2002 on the system of the Capital City of Warsaw, it includes previously operating: management Office of the City of Warsaw, Warsaw district starosty, Warsaw commune offices and Warszawa – Centrum district offices, as well as Wesoła commune office.</p> <p>The Office operates under provisions of the law, including the local law, regulations of the Mayor, as well as according to adequately applied provisions stipulating organisation of existing Warsaw communes, districts of Warszawa-Centrum and Wesoła commune in scope complying with the act on the system of the Capital City of Warsaw.</p> <p>Part of the Office relevant for district is the district office.</p> <p>The Office is organisational unit through which:</p> <ul style="list-style-type: none"> – the Mayor performs communal and district own tasks in the limits of its competences, commissioned tasks in scope of governmental administration, including the tasks resulting from capital nature of the City of Warsaw, and those resulting from agreements concluded with territorial local government units, – district administration offices perform the tasks in scope of local matters specified under art. 11 item 2 of the act, and tasks assigned to districts under articles of association of districts, and different resolution of the Warsaw City Council (these tasks are performed through district offices), – members of district management and other officials of district offices perform tasks of the Mayor on behalf of the Mayor and communicated to the under powers of attorney.
Accessory units	<p>According to the act on the system of the Capital City of Warsaw, eighteen accessory units were founded in Warsaw – districts of the city of Warsaw, e.g.: Bemowo, Białołęka, Bielany, Mokotów, Ochota, Praga Południe, Praga Północ, Rembertów, Śródmieście, Targówek, Ursus, Ursynów, Wawer, Wesoła, Wilanów, Włochy, Wola, Żoliborz.</p> <p>Districts are the accessory units of the Capital City of Warsaw. District management are the executive bodies in districts, and supervision or control is performed by councils of districts.</p>

IV.10. Important changes in surface or membership in administrative structures and in basic demographic data

V.10.1 General information

Warsaw is the capital of the Republic of Poland, and the most important political Centre of Poland, a Centre of social, economic, scientific, and cultural life of the country. It is also the capital of the largest Voivodeship - Mazowieckie - and the largest Polish city.

Warsaw occupies the surface of 517 km sq.

Population density: 3,333 residents per 1 km sq²

Continuing its history, after the 2nd World War Warsaw was the separated city, e.g. municipal Province, and in the 60-ties of 20th century, administrative division of the City into 7 districts was maintained, namely: Mokotów, Ochota, Praga Południe and Praga Północ, Śródmieście, Wola and Żoliborz. Since 1994, Warsaw was the communal association of 11 Warsaw communes, and as a result of administrative reform implemented under the act on system of the Capital City of Warsaw, from the year 2002, Warsaw has become the commune having district city rights. Warsaw is divided into 18 districts of the status of accessory units.

V.10.2 Demographic data

Warsaw, having over 1,723 thousand residents (1,604 thousand permanent residents) is the largest city of Poland. Warsaw is inhabited by nearly 4.5 percent of the domestic population.

Warsaw and its adjacent communes forms an agglomeration inhabited by nearly 3 million residents, which constitutes over 7.5 percent of the domestic population (data from 2010).

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Population (in thousands)	1 706.90	1 707.0	1 714.40	1 720.40	1 604.80
working age	1 112.40	1 110.40	1 103.60	1 098.80	1 006.40
pre-working age	248.8	249.4	253.9	258.3	254.7
post-working age	345.5	348.2	357	363.2	343.7
Unemployment rate (%)	2.9	1.9	2.9	3.5	3.7
Migration (in thousands)					
Inflow	22.7	17.7	15.5	9.9	8.9
Outflow	17	14	14.3	8.6	7.2
Migration balance	5.7	3.7	1.1	1.3	1.7

Data on population and unemployment rate as at 30 June 2011 (source: Central Statistical Office)

Population migration –acc. to the recent available data, for Q3 2011 (source: Central Statistical Office)

IV.11. Important changes in organisational relations of the entity with other parties

The greatest changes in the value of shares of the City of Warsaw resulted from the disposal of 84.99% of shares in "SPEC" S.A., contribution to "MPO w m.st. Warszawie" Sp. z o.o. (The City Sewage Treatment Plant for the Capital City of Warsaw) in the form of the municipal company capital

² Data of the Central Statistical Office in Warsaw for 2011 (as of 30 June 2011)

of "Przedsiębiorstwo Robót Inżynieryjnych Budownictwa Warszawa" Sp. z o.o. (Engineering Construction Works Plant in Warsaw") (acquisition) and elimination of budgetary unit under the name Zakład Unieszkodliwiania Stałych Odpadów Komunalnych (Municipal Solid Waste Elimination Plant) and contribution to "MPWIK w m.st. Warszawie" S.A capital for the increase of the initial capital of Oczyszczalni Ścieków Czajka ("Czajka" Waste Treatment Plant).

The table presents a listing of companies with a share of the City of Warsaw including value the of shares and stocks as at 31.12 2011 compared to the status as at 31.12.2010.

No	Company Name	Number of shares/stocks of the City of Warsaw as at 31.12.2010	Nominal value of shares/stocks of the City of Warsaw as at 31.12.2010	Number of shares/stocks of the City of Warsaw as at 31.12.2011	Nominal value of shares/stocks of the City of Warsaw as at 31.12.2011
1	Agencja Inwestycyjna CORP - S.A.	13 shares	50 050	13 stocks	50 050
2	Gminna Gospodarka Komunalna Ochota sp. z o.o.	10,406 shares	520 300	10,406 shares	520 300
3	Hotele Warszawskie Syrena sp. z o.o.	49 shares	2 450	49 shares	2 450
4	Komunalne Domy Handlowe sp. z o.o. (suspended)	100 shares	10 000	100 shares	10 000
5	Królewski Port Żerań sp. z o.o. w likwidacji	7,625 shares	7 625 000	7,625 shares	7 625 000
6	Kupieckie Domy Towarowe sp. z o.o.	4 shares	4 000	0	0
7	Mazowiecki Fundusz Poręczeń Kredytowych sp. z o.o.	16,000 shares	16 000 000	16,000 shares	16 000 000
8	Metro Warszawskie sp. z o.o.	657,835 shares	328 917 500	657,835 shares	328 917 500
9	Miejskie Przedsiębiorstwo Oczyszczania w m.st. Warszawie sp. z o.o.	218,000 shares	109 000 000	374,185 shares	187 092 500
10	Miejskie Przedsiębiorstwo Robót Ogrodniczych sp. z o.o.	14,000 shares	7 000 000	14,000 shares	7 000 000
11	Miejskie Przedsiębiorstwo Robót Wodociągowych i Kanalizacyjnych sp. z o.o.	241 shares	12 050	241 shares	12 050
12	Miejskie Przedsiębiorstwo Taksówkowe sp. z o.o.	50,000 shares	5 000 000	50,000 shares	5 000 000
13	Miejskie Przedsiębiorstwo Usług Komunalnych sp. z o.o.	4,600 shares	2 300 000	4,600 shares	2 300 000
14	Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie S.A.	18,710.646 shares	1 871 064 600	19,545,766 stocks	1 954 576 600
15	Miejskie Zakłady Autobusowe sp. z o.o.	861,130 shares	430 565 000	861,130 shares	430 565 000
16	POL-FRED sp. z o.o. (suspended)	20 shares	2 000	20 shares	2 000
17	POL-MOT Holding S.A.	2,300 stocks	11 500	2,300 stocks	11 500
18	"POSESJA" sp. z o.o.	490 shares	55 615	490 shares	55 615

19	Przedsiębiorstwo Gospodarki Maszynami Budownictwa „Warszawa” sp. z o.o.	10,000 shares	5 000 000	10,000 shares	5 000 000
20	Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Zaplecze” sp. z o.o.	26,659 shares	13 329 500	26,659 shares	13 329 500
21	Przedsiębiorstwo Robót Elewacyjnych Budownictwa "Warszawa" sp. z o.o.	200 shares	100 000	200 shares	100 000
22	Przedsiębiorstwo Robót Inżynieryjnych Budownictwa Warszawa sp. z o.o.	33,961 shares	16 980 500	0	0
23	Ratusz Wilanów sp. z o.o.	8 shares	28 108 200	8 shares	28 108 200
24	SEDECO sp. z o.o.	20,085 shares	20 085 000	20,085 shares	20 085 000
25	Stołeczne Przedsiębiorstwo Energetyki Ciepłej S.A.	7,213.991 stocks	721 399 100	1,082,100 stocks	108 210 000
26	Stołeczne Przedsiębiorstwo Usług Plastycznych i Wystaw Artystycznych „WAREXPO” sp. z o.o.	10,000 shares	500 000	10,000 shares	500 000
27	Strefa Ekonomiczna Lotniska Okęcie sp. z o.o. under liquidation	21 shares	798 000	21 shares	798 000
28	Szybka Kolej Miejska sp. z o.o.	72,500 shares	72 500 000	72,500 shares	72 500 000
29	TechnoPort Warszawa S.A. under liquidation	2,467.971 stocks	123 398 550	2,467,971 stocks	123 398 550
30	Towarzystwo Budownictwa Społecznego Bemowo sp. z o.o.*	38,914 shares	38 914 000	38,914 shares	38 914 000
31	Towarzystwo Budownictwa Społecznego Mokotów sp. z o.o.**	11,514 shares	11 514 000	11,514 shares	11 514 000
32	Towarzystwo Budownictwa Społecznego Praga Południe sp. z o.o.**	50,845 shares	50 845 000	50,845 shares	50 845 000
33	Towarzystwo Budownictwa Społecznego Praga Północ sp. z o.o.*	12,595 shares	12 595 000	12,595 shares	12 595 000
34	TOWING sp. z o.o.	874 shares	437 000	874 shares	437 000
35	Tramwaje Warszawskie sp. z o.o.	934,550 shares	467 275 000	934,550 shares	467 275 000
36	Trasa Świętokrzyska sp. z o.o. under liquidation	125,702 shares	62 851 000	125,702 shares	62 851 000
37	Wola Sport sp. z o.o. under liquidation	12,871 shares	6 435 500	12,871 shares	6 435 500
38	Zakłady Mięsne "PEKPOL Ostrołęka" S.A.	308 stocks	3 080	308 stocks	3 080
39	Zakłady Przemysłu Ciągnikowego URSUS S.A. in bankruptcy	592,400 stocks	5 924 000	592,400 stocks	5 924 000
40	Zarząd Pałacu Kultury i Nauki sp. z o.o.	6,600 shares	3 300 000	6,600 shares	3 300 000

41	Złote Tarasy sp. z o.o.	571,570 shares	57 157 000	571,570 shares	57 157 000
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IV.12. Important changes in capital owned

Capital of the Capital City of Warsaw divided into individual components of the capital as of 31 December 2010 and 2011 is given in table below (*in million PLN*).

	2010	2011
Land	55 087,22	55 203,62
Buildings, premises, civil engineering structures	10 068,73	11 126,64
Other fixed assets	373,37	396,83
Fixed assets under construction and advances	4 220,63	3 559,71
Long-term receivables	181,70	137,62
Intangible assets	9,98	12,65
Long-term financial assets	3 858,69	3 812,12
Fixed capital total	73 800,32	74 249,19

Tabular data under item "land" exclude the value of land under perpetual usufruct of different entities; their area equals 3.490 ha.

The following are the main property right of the Capital City of Warsaw: ownership of real estates, movables, other equipment as well as shares and stocks.

Other capital rights include perpetual usufruct, mortgage and rights resulting from obligatory relations. Communal capital of the City includes capital owned by services, inspections and guards operating in form of budgetary units, as well as capital of healthcare facilities and culture establishments for which the Capital City of Warsaw is the leading body or organiser, but also communal enterprises for which the Capital City of Warsaw is the founding authority.

IV.13. Tasks implemented by the issuer

The Capital City of Warsaw is the commune having municipal status with district rights. Its functions are specified by the act on communal and district local government, while the tasks resulting from the capital nature of the city are regulated by the Act of 15 March 2002 on the system of the Capital City of Warsaw (Journal of Laws of 2002, No 41, item 361, with as amended). The Capital City of Warsaw has a legal personality, and its independence is subject to judicial protection.

IV.14. Changes in the organisation of providing municipal services

Municipal companies serve the implementation of the own tasks of the City, e.g. the fulfilment of the collective needs of residents – in particular referring to water supply, sewerage system, the generation and transfer of thermal energy, the organisation of urban transit, providing for housing needs.

The group of the largest companies in which the City owns 100% of shares includes Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji S.A. and transport sector companies, such as: Metro Warszawskie Sp. z o.o., Tramwaje Warszawskie Sp. z o.o. and Miejskie Zakłady Autobusowe Sp. z o.o.

Information on companies of the City is given under item V.11, and a description of tasks implemented in 2011 in scope of communal services under item V.20.

IV.15. Expenditures for the implementation of individual tasks

The table presents the expenditures of the Capital City of Warsaw by tasks and areas for 2010 and 2011 (*in PLN million and %*).

	2010		2011	
	PLN	share	PLN	share
Transport and urban transit	3 594.60	29.70%	3 968.17	32.34%
Education	2 487.80	20.60%	2 543.71	20.73%
Finance and various settlements	1 194.50	9.90%	1 243.14	10.13%
Spatial governance and real-estate economy	1 144.20	9.50%	1 358.42	11.07%
Health protection and social support	1 031.10	8.50%	997.97	8.13%
Local governmental structures management	853.8	7.10%	818.77	6.67%
Culture and protection of cultural heritage	646.9	5.30%	455.86	3.72%
Recreation, sports and tourism	373.8	3.10%	197.4	1.61%
Communal economy and environment protection	446.6	3.70%	373.68	3.05%
Public safety and order	273	2.30%	267.93	2.18%
Promotion and development support	54.5	0.50%	43.74	0.36%
Total expenditures	12 100.70	100.00%	12 268.79	100.00%

IV.16. General revenue in the issuer's budget

Sources of revenue of the Capital City of Warsaw are specified in the Act of 13 November 2003 on revenue of Local-Government units (O.J. from 2010, No 80, item 526, as amended). As the city having district rights, Warsaw acquires revenue from communal and district sources. These include:

1. individual revenue (including e.g.: inflows from taxes, inflows from charges, inflows from commune's capital, shares in inflows from income tax on natural and legal persons);
2. general subsidy;
3. specific grants from the state budget;
4. assets from budget of the European Union and other foreign sources, non-repayable.

Two main sources of revenue of the Capital City of Warsaw are the share in inflows from the Personal Income Tax (PIT), and educational part of general grant constituting respectively approx. 30.4% and 10.6% in total revenue. The other main sources, including: real-estate tax, inflows from sales of urban transit tickets or share in inflows from tax on legal persons (CIT) are on the level of approx. 30%.

Number of sources of the city's revenue (e.g. over 70) proves high diversity and has positive impact upon total risk for the budget non-realisation in terms of revenue.

Table presents the main sources of revenue for the Capital City of Warsaw in 2010 and 2011 (*in mln PLN and %*).

	2010		2011	
	PLN	share	PLN	share
Share in personal income tax	3 365.60	32.20%	3 433.29	30.47%
Educational part of general subsidy	1 099.40	10.50%	1 196.70	10.62%
Tax on real-estate	898.2	8.60%	935.23	8.30%
Inflows from services – sales of urban transit tickets	583.9	5.60%	695.05	6.17%
Share in corporate income tax	535.1	5.10%	584.54	5.19%
Tax on civil law transactions	452.5	4.30%	386.03	3.43%
Assets for co-financing of projects realised in the framework of the EU programmes	411	3.90%	708.54	6.29%
Charges for management, utilisation and perpetual usufruct	361.31	3.40%	410.89	3.65%
Specific grant – commissioned tasks	299.5	2.90%	379.08	3.36%
Inflows from services – reimbursement of payments for utilities	244.6	2.30%	254.11	2.26%
Revenue total	10 446.90	100.00%	11 268.51	100.00%

IV.17. Efficiency of revenue acquisition

The level of realisation of the annual plan is the basic measure of efficiency of revenue' acquisition. In 2011, budget of the Capital City of Warsaw was realised on the level of 3.1% more than planned, which means deviation in amount of 338.1 mln PLN.

The table presents the highest positive deviations in realisation of revenue' plan in 2011 (*in mln PLN*)

	2011			
	Plan	Realisation	Deviation	Level of realisation
Assets from the European Union's budget	547.0	708.5	161.5	129.52%
Share in personal income tax	3 375.7	3 433.3	57.6	101.71%
Share in corporate income tax	550.0	584.5	34.54	106.28%
Inflows from sales of urban transit tickets	666.0	695.1	29.1	104.37%
Revenue from capital rental and lease	575.1	597.7	22.6	103.93%
Tax on civil law transactions	373.9	386.0	12.13	103.24%
Fees for management and perpetual usufruct	389.1	410.9	21.8	105.60%
Real-estate tax	939.7	935.2	-4.47	99.52%
Total revenue	10 930.40	11 268.51	338.11	103.09%

Dynamics obtained y/y is the next measure of efficiency of revenue' acquisition. In 2011, revenue of the Capital City of Warsaw were higher than in preceding year by 7.9%, meaning increase in amount of 821.6 mln PLN.

The table presents the highest positive deviations in dynamics of realisation of revenue in 2011 (in *mln PLN and %*).

	2010	2011	2010/2011	
	Realisation		Deviation	Dynamics in %
Assets for co-financing projects realised in the framework of the EU programmes	411.0	708.5	297.5	172.38%
Specific subsidies from the state budget	377.2	468.4	91.2	124.18%
Sales of urban transit tickets	583.9	695.1	111.2	119.04%
Charges for management and perpetual usufruct	361.3	410.9	49.6	113.73%
Share in personal income tax	535.1	584.5	49.4	109.24%
Inflows from sales of premises and real-estates	175.1	184.6	9.5	105.43%
Inflows from capital rental and lease	568.8	597.7	28.9	105.08%
Real-estate tax	898.2	935.2	37.0	104.12%
General subsidy	1 262.0	1 298.3	36.3	102.88%
Tax on civil law transactions	452.5	386.0	-66.5	85.30%
Revenue total	10 446.90	11 268.51	821.61	107.86%

The following factors have impact on results of the budget of the Capital City of Warsaw in terms of realisation of the plan and y/y dynamics:

- lowering of ratio of share of Warsaw in due tax PIT from 12.94% in 2010 to 12.06% in 2011 resulting in lower growth in Warsaw revenue from PIT share (2%) as compared to dynamics of inflows from this source recorded in the whole sector of public finances (8.5%), as well as compared with dynamics of the basic macroeconomic ratios determining PIT inflows. Drop in Warsaw share is associated with share ratio structure based on archive data that in 2010 included consequences of system changed performer in the previous years, e.g. increase in children's allowance and lowering of taxation base relatively more serious for Warsaw than average for the current part of the country,
- macroeconomic ratios correlated with inflows from PIT higher than assumed by the Ministry of Finance. Ratio for prices of consumption foods and services was on the level of 4.3% as compared to 2.3% assumed. Ratio of growth in nominal remuneration gross in national economy equalled to 5.5% as compared to 3.7% assumed. The rate of employment in the national economy was lower than assumed, and increased by 1.5% as compared to the assumed 1.9%.
- gross results of non-financial sector enterprises were better than in the forecast (growth for three quarters of 2011 by 14.4% as compared to the same period in 2010), as well as financial results of banking sector (similar growth by 41.7%). Moreover, annual settlement of tax for 2010 (revenue in 2011) that was more beneficial than settlement for 2009 (revenue in 2010) also had positive impact on realisation of revenue from share in CIT,

- situation on Warsaw housing market probably stimulated by fears of potential purchasers about the further limitations in access to mortgage credit, also e.g. with relation to update of recommendation S conducted by the Polish Financial Supervision Authority in January 2012, e.g. increase of rigours for examination of credit worthiness.

Moreover, positive values of measures of revenue' obtaining resulted from activities taken by the City authorities aimed at increase of revenue obtained by Warsaw, including e.g.:

- realisation on maximising of absorption of assets originating from the European funds; the largest co-financing was obtained for realisation of the following projects: construction of II metro line – preparatory works: design and construction of central section, including purchase of rolling stock – 393.1 mln PLN (196.6% of the plan), including 200 mln PLN as advance payment; construction of Północny Bridge Route to intersection with Modlińska street and from intersection with Pułkowa street to change "Młociny" intersection – 128.6 mln PLN (92.1% of the plan), construction of crossing of the national road no 2 with Siekierowska Highway – 43.5 mln PLN (104.2% of the plan), modernisation of Al. Jerozolimskie – construction of Łopuszańska- Kleszczowa intersection – 40.6 mln PLN (100% of the plan), construction of strategic parking lots „Park & Drive” – II stage – 25 mln PLN (145% of the plan), reconstruction of Modlińska street in section from Grota Roweckiego Bridge to the city limits – 22.2 mln PLN (100.4% of the plan)
- keeping of the pace of updating annual fees for perpetual usufruct.

Individual events or the date of realisation of which is hard to be predicted, and consequences of which may not be planned in the process of budget structuring also had impact on financial result of the City. These comprise:

- individual transactions of the high value conducted on financial or real-estate market having impact on realisation of tax on civil law transactions,
- reimbursement of VAT tax due to investment from previous years having impact on realisation of different revenue,
- indemnities of high value for lands acquired under construction of express roads and highways having impact on realisation of revenue on sales of real estates.

IV.18. Description of the course and efficiency of budget planning and realisation of entity's budget

Modern metropolis management requires clearly defined strategic, long-term objectives and identification of tools for their realisation. Considering this, management of finance of Capital City of Warsaw is made in marching system, e.g. assumptions made in the multiannual financial addendum attached to budget from preceding year for which the budget was prepared is the basis for preparing the budget for a given year and following years. Specification of multiannual financial framework in the management of Local-Government unit facilitates effective allocation of limited financial assets at maintenance of financial safety. Knowledge on priorities assumed and financial opportunities enables to select optimum path for the City development. Comparing of the City needs and potential in the context of development strategy provided is decisive for relevant hierarchy of realisation of investment projects. Moreover, the long-term forecast on the City potential facilitates effective debt management, necessary for financing of development al needs of Warsaw. On one hand, specification of the long-term financial framework identified the statutory and economic, possible level of indebtedness, on the other, reliable budgetary forecast facilitated acquisition of relatively cheap capital obtained in form of issuance of bonds, and "cheap" credits from international institutions (European Investment Bank, Council of Europe Development Bank). Events from the last three years reflected benefits of

multiannual planning also under extraordinary circumstances, meaning unexpected weakening of economic situation. Precisely developed multiannual financial forecast facilitated flexible – not excluding strategic objectives – discounting of predicted, disadvantageous effects of economic slowdown resulting from crisis on global financial markets.

Preparation of the budget and Multiannual Financial Forecast is of continuous nature, e.g. valid, official budgetary framework of the City approved under resolution of the City Council are concurrently verified based on monitoring of realisation of budgetary revenue and expenditures as well as analysis of changes in economic environment having impact on the level of revenue and expenditures to be realised in the future. The process of detailed budgetary planning for Capital City of Warsaw involves all organisational units of the city, and also management authorities or councils of the City districts.

IV.19.Forecasts on the repayment of liabilities of the issuer

Budgetary forecast for years 2012-2015, scheduled indebtedness and repayment of liabilities were given under item III.2.3 of this report. Detailed forecast, until repurchase of liabilities, e.g. until the year 2033, was presented in the Multiannual Financial Forecast for Capital City of Warsaw for years 2012-2033 available on sites of Public Information Bulletin of the City of Warsaw (www.bip.warszawa.pl) in applet Budget and financial policy of the City of Warsaw.

IV.20. Efficiency of municipal services and plans for their development

IV.20.1. Local public transport and urban transit services

Zarząd Transportu Miejskiego (ZTM) is dealing with planning, organising and supervision of urban transit system on behalf of the Capital City of Warsaw.

In 2011, the following changes have occurred in framework of public transport and urban transit system organised by ZTM:

- Transit services in terms of collective public transport in Warsaw and adjacent communes (with which Intra-communal Agreements were concluded on realisation of urban transit services) were increased by approx. 3.9% as compared to the year 2010, e.g. from 204.6 mln PLN vehicle kilometres to 212.6 mln of vehicle kilometres.*
- Share of metro as compared to other transport means was decreased due to start-up of the new bus and tramway lines.*
- Continuous modernisation of rolling stocks owned by the city carriers was in progress. In 2011, 211 busses, 53 trams and 13 cars of 27 WE (ELF) - Szybka Kolej Miejska – were made operational.*
- The following were continued. Construction of the 2nd metro line, central section. Preparatory and construction works on metro station buildings were in progress.*
- Other transport investment were continued, e.g.: pre-design Works for 2nd metro line, western and east-north section, modernisation of the 1st underground line, extension of metro Technical and Stoppage Station in Kabaty, construction of strategic parking lots “Park & Drive” – II stage (Ursus-Niedźwiadek, Al. Krakowska, Anin, Ursynów, Wawer, Rembertów). In August, the change parking lot P+R Al. Krakowska was finished, design works of tram line to Tarchomin and road intersection of Światowid street, modernisation of bus stop including construction of building for passenger departure at Wschodni Station from Lubelska street, adaptation of premises of*

Młociny Traffic Joint for the purpose of passenger service centre and ticket checkout desk with utilities.

- The new Intra-communal Agreement with Góra Kalwaria commune on realisation of urban transit services by ZTM was signed.

IV.20.2. Public roads

Tasks in terms of construction, modernisation, maintenance and protection of public roads running within the limits of the Capital City of Warsaw are realised by the budgetary unit Zarząd Dróg Miejskich. In scope of organisation and financing, ZDM is subordinated to the Mayor of the Capital City of Warsaw that under the Act on public roads of 21 March 1985, manages Warsaw national, district and district roads.

Areas and activities generating the highest expenditures in 2011 are e.g.: maintenance and overhauls of city lights, maintenance of roads and bridges, maintenance of light signals, assembly and maintenance of traffic safety equipment, maintenance of road drain equipment, maintenance and changes in horizontal marking, maintenance, monitoring and modernisation of elevators at buildings, maintenance and extension of the City Information System.

The most import and significant investment realised by ZDM and completed in 2011 are the construction of the bridge over Żerański Canal in Kobiłka street, construction of light signals in Bazyliańska – Ogińskiego street, construction of the new light spots in Radarowa street, Al. Piłsudskiego, Wał Miedzeszyński, Kąty Grodziskie, the construction of lights system in Wioślarska street.

Additionally, in ZDM have conducted modernisation and reconstruction of the following buildings: replacement of asphalt surface (re-surfacing) – overhaul of 319.5 thousand m² of road surface, overhaul of pavements – 69.8 thousand m² of surface in 10 street, overhaul of bus bays – 1.3 thousand m² of concrete surface in bus bays in 7 streets, overhaul of bicycle routes – 2.2 thousand m² of bicycle routes, design and overhauls of pedestrian overpasses, e.g. design of overhaul of overpass in Bronisława Czecha street at Marysińska street, design of re construction of overpass in Ostrobramska at Kinowa street, overhauls of pedestrian overpasses in the following streets: Płowiecka, Grochowska, Żwirki i Wigury, Ostrobramska at Poligonowa street, Wawelska, overhaul of viaduct over Cierlicka street in Traktorzystów street.

IV.20.3. Technical infrastructure

Rendering communal services in scope of common water supply and waste disposal is conducted by the city company MPWiK w Warszawie S.A., in which the City has 100% of shares.

The City may co-create enterprise's strategy by shaping company's articles of association and appointment of management.

In scope of realisation of tasks referring to water supply, investments realised by MPWiK (Municipal Water and Wastewater Company) and completed in Zakłady Wodociągu Północnego i Centralnego (Northern and Central Pipeline Establishment) in the framework of the project "Water supply and waste treatment in Warsaw" co-financed from the Cohesion Fund that significantly contributed to betterment in the year 2011 of quality of water supplied to residents through the city pipeline system. Moreover,

within the "Project" an innovative computer system facilitating reliable and effective management of water system, the so-called mathematic system was implemented.

In scope of realisation of tasks referring to waste management, priority investment co-financed from the EU assets is the extension and modernisation of Oczyszczalnia Ścieków "Czajka" (Sewage Treatment Works "Czajka") with construction of transmission system to sewage treatment and Zakładu Unieszkodliwiania Stałych Osadów Ściekowych (Municipal Solid Waste Treatment Plant). Sewage from the central and northern part of the left-bank Warsaw shall be transmitted via transmission system under the bottom of Vistula River to OŚ "Czajka". At present, treatment plant collects also waste from the right-bank part of Warsaw, and Legionowo, Jabłonna, Zielonka, Marki and Żąbki. Completion of OŚ "CZAJKA" extension is planned at the end of 2012, including treatment of 100% municipal waste collected through closed sewerage system. The important investment "pending" include construction of "W" manifold through which household sewage from Wawer district shall be transmitted to OŚ "Czajka" – the investment is to be completed in December 2012. The National Programme for Municipal Waste Water Treatment (NPMWWT) includes the planned investments aimed at limitation of disposal of insufficiently treated wastes, as well as water environment protection against their disadvantageous effects. This programme provides obligation of Warsaw valid in years 2007-2015 to construct at least 93.4 km of sewerage system and modernisation of 40 km of network. At the end of 2011, status of realisation of tasks of NPMWWT (only within the limits of the city of Warsaw) is as follows: increment of length of network: 109.2 km, the length of modernised network: 37.6 km.

IV.20.4. Housing management

Policy in terms of housing resources of the City was specified in Wieloletni Program Gospodarowania Mieszkaniowym Zasobem (WPGMZ) (the Multiannual Programme for Housing Resources Management) for the years 2008-2012. According to WPGMZ, in 2011 activities resulting from assumptions presented in the programme were continued. These were mainly referred to continuation of implementation of unanimous rules for rental policy o the whole city resulting in e.g. ordering of rent calculation system. Implementation of such rules resulted in significant increase in revenue from housing premises.

In order to fulfil housing needs, and taking into account the huge demand and sales of housing premises, the Program Komunalnego Budownictwa Mieszkaniowego (the Programme for Communal Housing) was prepared for Capital City of Warsaw valid in years 2008-2012. In the Framework of activities planned and aimed at betterment of technical condition of housing resources, betterment of quality of lives of residents and protection of natural environment in years 2010-2012, the project named "Network heat in communal buildings" is being performed according to which 120 buildings were selected for equipment with internal central heating and hot water systems.

V. OPINION DELIVERED BY THE REGIONAL ACCOUNTING CHAMBER

V.1. Resolution of Adjudication panel of the Regional Accounting Chamber in Warsaw on delivery of opinion on submitted report on realisation of the budget for 2011

RESOLUTION No. Wa.164.2012 of the Adjudicating Panel of the Regional Chamber of Audit in Warsaw of April 30, 2012

on the issuance of the opinion regarding the report on the execution of the budget of the Capital City of Warsaw for the year 2011 submitted by the Mayor of the Capital City of Warsaw

Pursuant to Art. 13 subpar. 5 in conjunction with Art. 19 par. 2 of the Act on Regional Chambers of Audit of 7 October 1992 (consolidated text: Journal of Laws of 2001 No. 55 item 577, as amended) – **the Adjudicating Panel of the Regional Chamber of Audit in Warsaw composed of:**

	i
Chairperson	Teresa Gołębiewska
Members	> Lucyna Kusińska
	Bożena Zych

hereby resolves as follows:

§ 1

The report on the execution of the budget of the Capital City of Warsaw for the year 2011 is given a positive opinion.

§ 2

The justification forms an integral part of the Resolution.

§ 3

This Resolution may be appealed against to the Collegium of the Regional Chamber of Audit in Warsaw within 14 days from its delivery.

Justification:

On 30 March 2012, the Regional Chamber of Audit received a letter from the Mayor of the Capital City of Warsaw No. Nr PB.PB-5.3035.1.2012.ESO of 30 March 2012 accompanied by the report on the execution of the budget of the Capital City of Warsaw for the year 2011.

The Adjudicating Panel of the Regional Chamber of Audit in Warsaw performed an analysis and evaluation of the abovementioned document, based on the following criteria:

1. compliance with time limits specified in Art. 267 – par.3 of the Act on Public Finances of 27 August 2009 (Journal of Laws No. 157 item 1240, as amended) regarding the submission of the report on the execution of the budget of the Local-Government unit for the year 2011,
2. the accuracy of the report taking into account Art. 267 par. 1 subpar. 1 of the Act on Public Finances of 27 August 2009;
3. compliance with the material scope as defined in Art. 267 par.2 and Art. 269 of the Act on Public Finances of 27 August 2009,

4. mutual conformity of planned and implemented amounts of revenues and expenditures as well as incomings and outgoings shown in the following reports: descriptive, statistical and those resulting from the Resolutions adopted by the legislative and executive bodies throughout the financial year,
5. conformity of the implemented sources of revenues and the purposes of their disbursement with the applicable laws, including those pertaining to the assigned tasks as well as tasks performed under the agreements,
6. the keeping of the budget balance (income and expenditures as well as incomings and outgoings), taking into account the result of the budget,
7. the keeping of the appropriate proportions between current income and expenditures as specified in Art. 242 par. 2 of the Act on Public Finances,
8. the status of implementation of the plan of income and expenditures as well as incomings and outgoings and an analysis regarding the reasons of any substantial deviations from the planned and implemented amounts,
9. the observance of the debt limit set out for the budget of a Local-Government unit in Art. 169 par. 1 of the Act on Public Finances of 30 June 2005 (Journal of Laws No. 249 item 2104, as amended) in conjunction with Art. 85 subpar. 3 of the Act of 27 August 2009 on Regulations enforcing the Act on Public Finances (Journal of Laws No. 157 item 1241, as amended) on account of:
 - repayment of credits and loans mentioned in Art. 82 par. 1 subpar. 2 and 3 of the Act on Public Finances of 30 June 2005 as well as any interest due mentioned in Art. 82 par.1 of this Act;
 - redemption of securities issued by Local-Government units for the purposes specified in Art. 82 par. 1 subpar. 2 and 3 of the Act on Public Finances of 30 June 2005 as well as any interest due and discount on securities issued for the purposes specified in Art. 82 par. 1 of this Act,
 - potential repayments of the amounts arising from sureties and guarantees granted by a Local-Government unit,
10. the observance of the debt limit of Local-Government unit in proportion to realized income of the Local-Government unit – as set out in Art. 170 par. 1 of the Act on Public Finances of 30 June 2005 in conjunction with Art. 85 of the Act on Public Finances of 27 August 2009 Regulations enforcing the Act on Public Finances,
- "11. compliance of the applied budget classification with the Regulation of the Minister of Finances of 2 March 2010 regarding a detailed classification of income, expenditures, incomings and outgoings as well as funds from foreign sources (Journal of Laws No. 38 item 207, as amended).

Assessing the abovementioned report, the Adjudicating Panel of the Regional Chamber of Audit in Warsaw performed its analysis and compared it with the source documents submitted to the Chamber.

In view of the foregoing, the Adjudicating Panel resolves as follows:

1. The plan of income was implemented in the amount of PLN 11,268,509,501.65, which accounts for 103.09%. This amount increased by 7,9% compared to the year 2010.
 Current income accounted for 91.82%, whereas property income accounted for 8.18% of the total actual income.
 The plan of property income was implemented in 117.44%, whereas the plan of current revenues - in 101.98%.
2. The plan of expenditures was implemented in the amount of PLN 12,268,789,156.22 which accounts for 93.77%.
 The amount of expenditures increased by 1.4% in proportion to the expenditures implemented in 2010.
 The implemented expenditures included the expenditures which were carried over as the financial year ended.

Current expenditures were implemented in 95.78% of the adopted plan which accounts for 82.53% of the total implemented income.

Property expenditures accounting for 17.47% of the total implemented expenditures were implemented in 85.35%.

A detailed description of the implementation of current expenditures as well as the status of the implementation of investment projects is described in the performance budget.

Following the analysis of the reports, no overrun in the plan of expenditures or liabilities due were revealed at the end of the audited period.

- 3: No irregularities were revealed in the income sources shown in the report as well as in the purposes of expenditures connected with own tasks, including the performance of obligatory tasks and tasks requested under separate acts as well as those implemented under the agreements with the government authorities and other Local-Government units.
4. The submitted report reveals a budget deficit in the amount of PLN 1,000,279,654.57, the planned deficit amounting _____ to _____ PLN 2,152,946,789.00.

The plan of incomings in the amount of PLN 2,929,072,737.00 was implemented in 122.68%. The implemented incomings came from the property privatisation and accounted for 184.86% of the planned amount.
5. The plan of expenditures with respect to the repayment of any liabilities previously assumed was implemented in 95.4% The repayment of credits and loans as planned was in the amount of PLN 226,125,948 whereas it was implemented in the amount of PLN 215,737,746.42. At the end of the reporting period, the unit reveals the expenditures associated with the financing of other purposes in the amount of PLN 2,282,920,321.75 (investments).
6. On the basis of the report Rb-Z it was established that the liabilities of the Capital City of Warsaw, at the end of 2011, with respect to debt titles amounted to PLN 5,966,430,195.98 to account for 52.95% of the actual income. The aforementioned amount includes liabilities on account of issuance of bonds in the amount of PLN 3,082,771,000 as well as credits and loans in the amount of PLN 2,883,659,195.98. Debt repayment and debt service charges amounted to PLN 535,194,559.55 i.e. 4.75% of the implemented revenues. Consequently, the debt limits for the budget of the unit specified in Art. 169 and 170 of the Act on Public Finances of 2005 were observed.
7. Receivables due to the Capital City of Warsaw at the end of the reporting period amounted to PLN 1,141,390,263.89 and accounted for 10.44% of the planned income and 10.13% of the implemented income.
8. The report will be accompanied by the information on the status of municipal property, which includes the data set out in Art. 267 par. 1 subpar. 3 of the Act on Public Finances.

Having regard to the abovementioned findings, as well as the explanatory notes included in the submitted report, the Adjudicating Panel of the Regional Chamber of Audit in Warsaw confirms that this report meets all the criteria and requirements mentioned at the beginning of this justification, as set out in Art. 269 subpar. 1 - 3 of the Act on Public Finances. It means that the accuracy of income and expenditures corresponds to the accuracy described in the budgetary resolution and the advancement status of the implementation of long-term investment projects was included in the report. The amendments introduced to the plan of income aimed at the implementation of financing programmes and projects co-financed by the European Union funds were also provided in the report.

The Adjudicating Panel considers the submitted report to be a reliable source of information and resolves as stated in the conclusion of the Resolution.

V.2. Resolution of Adjudication panel of the Regional Accounting Chamber in Warsaw on delivery of opinion on options to repurchase bonds

RESOLUTION No. 23/W/11
passed by the Adjudicating Panel of the Regional Accounting Chamber
in Warsaw
on 14 February 2011

regarding the opinion on the capability of redeeming of bonds by **the Capital City of Warsaw**

Pursuant to Article 13, Point 1 and Article 19, Paragraphs 1 and 2 of the Act of 7 October 1992 on Regional Accounting Chambers (consolidated text of 2001, Journal of Laws No. 55, Item 577 with subsequent amendments) with regard to Article 91, Paragraph 2 of the Act of 27 August 2009 on Public Finances (Journal of Laws No. 157, Item 1240), **the Adjudicating Panel of the Regional Accounting Chamber in Warsaw**, comprising of:

Chairperson: Teresa Gołębiewska

Members: Lucyna Kusińska
Bożena Zych

hereby resolves as follows:

§1

The Capital City of Warsaw is able to redeem its bonds in the amount of PLN 600,000,000 which are planned to be issued in 2011.

§2

The justification constitutes an integral part of the resolution.

§3

Any appeal against this resolution is to be presented to the Regional Accounting Chamber Court in Warsaw, no later than within 14 days from its delivery.

JUSTIFICATION:

The Regional Accounting Chamber in Warsaw was requested by the Deputy President of the Capital City of Warsaw, in his letter No. PD-MAL-3055-1-1-11 received on 26 January 2011, to issue an opinion on the capability of redemption of bonds in the amount of PLN 600,000,000.

The Adjudicating Panel of the Regional Accounting Chamber in Warsaw has based its opinion regarding the matter in question on the following documents:

1. Resolution No. VI/100/2011 of the Council of the Capital City of Warsaw of 13 January 2011 regarding the Multi-Annual Financial Projection of the Capital City of Warsaw for 2011-2033;
2. Resolution No. VI/101/2011 of the Council of the Capital City of Warsaw of 13 January 2011 on the budget of the Capital City of Warsaw for 2011;
3. Resolution No. VI/102/2011 of the Council of the Capital City of Warsaw of 13 January 2011 on the issue of bonds by the Capital City of Warsaw to finance its budget deficit in 2011;
4. The monthly reports Rb-27S regarding the execution of revenues of December 2010, and RB-28S regarding the execution of expenditures of December 2010.

In the aforementioned resolution regarding the issue of bonds, the Council of the Capital City of Warsaw set forth the following conditions:

1. The revenues from the issues of bonds on the domestic and foreign market of total nominal value not exceeding PLN 600,000,000, will be allocated to finance the budget deficit planned for 2011.
2. The bonds will be redeemed at their nominal value in 2018 and in 2021. The Capital City of Warsaw may further purchase these bonds prior to their maturity date for redemption purposes.
3. The monthly reports regarding the execution of revenues and expenditures of the 2010 budget have revealed that the revenues of the Capital City of Warsaw were executed in 102.1% of the planned amount, and expenditures in 92.1% of the plan.
4. The Budget Act for 2011 provides for:

- revenues in the amount of PLN 11,358,489,066
- expenditures in the amount of PLN 13,755,560,202
- deficit in the amount of PLN 2,397,071,136

The Council of the Capital City of Warsaw has indicated that the financial resources to cover the deficit in the aforementioned amount will originate from:

- sales of the securities issued by the City in the amount of PLN 600,000,000
- credits and loans contracted in the amount of PLN 200,000,000
- privatising of property in the amount of PLN 779,500,000
- disposable financial resources, constituting the financial surplus on the current budget account, arising from the settlement of credits and loans contracted in the previous years, in the amount of PLN 817,571,136.

5. The Resolution regarding the Multi-Annual Financial Projection of the Capital City of Warsaw for 2011-2023 stipulates that the revenue growth rate assumed for 2011-2033, in relation to the preceding year, ranges from 3.7% to 0.6%. In 2018 and 2021, in which the redemption of the reference bonds is planned to be made, pursuant to the Resolution regarding the issue of bonds, the revenue growth rate will reach the level of 2.2% in relation to the preceding year.
6. The total financial encumbrance of the City's budget in respect of the repayment of principal amounts and interests of all credits and loans, whether contracted or planned to be contracted, as well as in respect of the redemption of bonds and interest payments, will amount to 8.72% in 2018, and to 5.23% in 2021 of the revenues planned for these two years. The Multi-Annual Financial Projection stipulates that the redemption of bonds has been entirely planned to be made in 2018. In the event that it takes place in 2021, the debt ratio of the City will increase to 7.5% of the revenues planned for this year (excluding interest payments). The individual debt ratio of the City, arising from Article 243 of the Act of 27 August of 2009, will amount to 10.98% in 2018, and to 10.56% in 2011.

To sum up, the Adjudicating Panel of the Regional Accounting Chamber in Warsaw finds that the analysis of the documents submitted by the Capital City of Warsaw has indicated the compliance with all legal requirements laid down in Article 243 of the Act of 27 August 2009 on Public Finances, i.e. that the amounts of annual liabilities in respect of the credit and loan repayments, including interest, and in

respect of the redemption of bonds and interest payments, as well as the potential repayment of any amounts of warranties granted, will not exceed the individual debt ratio of the City in 2018 and 2021.

The Adjudicating Panel is of the opinion that, assuming a complete or close to the figures planned execution of the amounts forecasted by the City in its revenues and debt projection, the Capital City of Warsaw will be capable of redeeming of bonds, which are planned to be issued, in 2018 or in 2021.

[rectangular stamp and illegible signature of]: CHAIRPERSON of the Adjudicating Panel of the Regional Accounting Chamber – Teresa Gołębiewska, MSc.

VI. OPINION AND REPORT OF THE EXPERT AUDITOR

VI.1. Opinion of the expert auditor for Warsaw City Council on examination of financial statement of the City of Warsaw for period from 1.01.2011 to 31.12.2011.

The opinion of the Independent Expert Auditor for the Warsaw City Council

We have audited the attached financial statement of the Capital City of Warsaw (hereinafter referred to as "the City") with the registered seat of the City Office in Warsaw at Kredytowa 3/5 St., containing the introduction to the financial statement, City's budget execution balance sheet as at 31 December 2011, which presents a total amount of assets and liabilities equal to PLN 2,604,725,115.77, a consolidated balance sheet as at 31 December 2011, which shows a total amount of assets and liabilities equal to PLN 107,562,240,361.85, a consolidated profit and loss account drawn up for the financial year running from 1 January 2011 to 31 December 2011 which shows a net profit equal to PLN 2,924,806,607.48, a consolidated statement of changes in equity prepared for the financial year running from 1 January 2011 to 31 December 2011, as well as additional information and explanatory notes.

The President of the City is responsible for the preparation of the financial statement in accordance with the applicable provisions for financial statements and the proper maintenance of the books of account. The President of the City is also obliged to ensure that the financial statement meets the requirements set out in the Accounting Act of 29 September 1994 ("The Accounting Act" – Journal of Laws of 2009 No. 152 item 1223 as amended), the Act on Public Finances of 27 August 2009 ("The Act on Public Finances" – Journal of Laws of 2009 No. 157 item 1240) and the Regulation of the Minister of Finance of 5 July 2010 regarding special accounting principles and charts of accounts for the state budget, budgets of the Local-Government units, budgetary units, Local-Government budgetary entities, state special purpose funds and state budgetary units located outside the Republic of Poland ("The Regulation on special accounting principles of 2010" – Journal of Laws of 2010 No. 128 item 861).

Our responsibility involved auditing of the attached financial statement and expressing an opinion on its compliance, in all material respects, with the required applicable accounting principles (policy), on the reliability and clarity, in all material respects, of the asset position and financial results of the City as well as on the correctness of the books of account which the financial statement was based on.

Except for any possible consequences resulting from the issue described below, the audit was carried out in accordance with Art. 268 of the Act on Public Finances and on the basis of the following:

a. Section 7 of the Accounting Act;

b. national auditing standards issued by the National Council of Expert Auditors.

The audit was planned and performed in such a manner as to be reasonably assured that the financial statement is free of any material misstatements and errors. The audit included, *inter alia*, examining, on a test basis, the accounting evidence and records supporting the amounts and disclosures in the financial statement. The audit also included the assessment of the accounting principles applied by the City as well as any significant estimates made when preparing the financial statement as well as the evaluation of its overall presentation. We believe our audit provided a reasonable basis to express a reliable opinion.

As described in more details in clause (3.b) of the introduction to the attached financial statement, the City is preparing a verification procedure regarding the method of keeping a register of land, buildings and other facilities as well as land let for perpetual usufruct in respective units included in the financial statement. The City has also initiated the procedure of standardising the policy of evaluating its own land or land let for perpetual usufruct (disclosed as investment land) applied by respective units included in the financial statement. As the aforementioned procedures had not been completed by the date of issuance of this opinion, we were not able to assess the impact of these issues on the evaluation of land, buildings, and other facilities as well as land let for perpetual usufruct (disclosed as investment land), total balance sheet, the City's funds as at 31 December 2011 and 31 December 2010 as well as the financial result for the financial year running from 1 January 2011 to 31 December 2011.

In our opinion, except for any possible impact of the issue described above, the attached financial statement, in all material respects:

- a. presents a reliable and clear view of the financial position of the City as at 31 December 2011 and the financial results of the City for the financial year running from 1 January 2011 to 31 December 2011 in accordance with the accounting principles, applicable in the territory of the Republic of Poland, specified in the Accounting Act and the Regulation regarding specific accounting rules of 2010;
- b. complies, in its form and content, with the relevant laws applicable to the City;
- c. was based on properly kept books of account in accordance with the accounting rules (policy).

We express no further reservations, but nevertheless wish to stress that, for a complete assessment of the asset and financial status of the City, the financial statement should be audited together with a consolidated balance sheet of the group of entities, for which the Capital City of Warsaw is the parent entity, comprising of the entities with the City's capital share, local institutions of culture, public healthcare and municipal enterprises. Pursuant to the Act on Public Finances, a consolidated balance sheet of the group is not subject to the audit and therefore was not audited by the expert auditor auditor.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., the company entered onto the list of entities authorised to audit financial statements under No. 144:

Andrzej J Konopacki

Key Expert Auditor No.1750

Warsaw, 22 May 2012

VI.2. Report on examination of the financial statement of the City of Warsaw for period from 1.01.2011 to 31.12.2011.

THE CAPITAL CITY OF WARSAW

Financial statement

for the financial year from 1 January to 31 December 2011

intended for the Council of the Capital City of Warsaw

Adoption of the financial statement

Pursuant to the Accountancy Act of 29 September 1994 (uniform text – Journal of Laws of 2009, No. 152, Item 1223 as amended), the manager of an entity shall be obliged to ensure the drafting of an annual financial statement, providing a reliable and clear picture of the property and financial situation of this entity at the end of the financial year, including the financial result generated in the reference year.

While drafting the financial statement, certain accountancy principles have been adopted, in line with the entity operations. Any changes in the said principles, as well as any classification and presentation changes, and respective adjustments for previous years, introduced during the trading year, together with their impact on this financial statement, are presented in Point (u) of the Introduction.

Having established both the value of assets and liabilities, and the financial result, it has been assumed that in the foreseeable future the City will continue its business to the extent which will not be significantly reduced.

This financial statement has been drafted in compliance with the said Accountancy Act, and with the Regulation of the Minister of Finance, of 5 July 2010, on Detailed Accountancy Principles and Account Plans for the State Budget, for the Budgets of Territorial Government Bodies, Budget Entities, Budgetary Establishments Within Local Government, State-Owned Purpose Funds, and State-Owned Budget Units Located Outside the Borders of the Republic of Poland (Journal of Laws of 2010, No. 128, Item 861). The statement comprises the following sections:

INTRODUCTION	45
BUDGET EXECUTION BALANCE.....	60
TOTAL BALANCE	61
TOTAL PROFIT AND LOSS STATEMENT.....	63
STATEMENT OF CHANGES IN TOTAL ENTITY FUND.....	64
ADDITIONAL INFORMATION AND EXPLANATIONS.....	Błąd! Nie zdefiniowano zakładki.

Mirosław Czekaj, Treasurer for the Capital City of Warsaw *[illegible signature]*
Hanna Gronkiewicz-Waltz, Mayor of the Capital City of Warsaw *[illegible signature]*
Warsaw, 22 May 2012

The Introduction and additional information form part of this financial statement.

INTRODUCTION

▪ Information about the Capital City of Warsaw

a) The Capital City of Warsaw (hereinafter referred to as “the City”) is a commune with the status of a city, with the right of a district. The scope of activity of the Capital City of Warsaw is defined by the Act on Commune Local Government, the Act on District Local Government and, in respect of the tasks resulting from the fact that Warsaw is the Capital of Poland, the Structure of the Capital City of Warsaw Act.

b) The Capital City of Warsaw has legal personality, whose independent character is subject to judicial protection.

c) The scope of the City’s tasks include all public matters of local importance that are not reserved for other entities under separate provisions. The City performs its public tasks on its own behalf, and at its own responsibility, by hand of internal and district bodies. The tasks allocation to the City and district bodies, and the relationship between these two, is governed by specific acts of law, the Statutes and other resolutions passed by the Council of the Capital City of Warsaw, including Resolution No. XLVI/1422/2008 of the Council of the Capital City of Warsaw, dated 18 December 2008, on Delegating Certain Tasks and Competences of the Capital City of Warsaw to the Districts of the Capital City of Warsaw.

The City acts as the owner or co-owner, or the founding body of the following legal entities, not included herein:

1. Health care centres in the Capital City of Warsaw
2. Local-government culture institutions in the Capital City of Warsaw,
3. Single-person companies in the Capital City of Warsaw,
4. Companies with major participation of the Capital City of Warsaw,
5. Municipal enterprises.

The public tasks performed by the City can be divided into the commune’s own tasks and the tasks commissioned by the government administration. The former are performed by the commune on its own behalf, and at its own responsibility (the Act on Commune Local Government, Journal of Laws of 2001, No. 142, Item 1591, as amended), comprising the issues related to satisfying the collective needs of the community, such as:

- Spatial order, real property management, environmental protection and nature, as well as water management,
- Roads, streets, bridges, squares and traffic organisation,
- Water pipes and water supply systems, sewage systems, municipal waste water discharge and treatment, standards of cleanliness and order, sanitary equipment, landfill sites and municipal waste neutralisation, and electricity, heat and gas supply.
- Local collective transport,
- Health protection,
- Social assistance, including assistance centres and homes,
- Housing construction,
- Public education,

- Culture, including libraries and other culture centres,
- Physical culture and tourism, including recreation areas and sports facilities,
- Marketplaces and market halls,
- Green areas and plantings,
- Cemeteries,
- Public order and citizen safety, as well as fire and flood protection,
- Maintenance of public utility buildings and equipment, and administrative buildings,
- Pro-family policies, including the provision of social, medical and legal care to pregnant women,
- Support and popularisation of self-governance,
- Publicity,
- Cooperation with non-governmental organisations,
- Cooperation with local and regional communities in other countries.

The City also performs a number of government administration tasks. These also include ensuring the performance of certain tasks and competences assigned to the manager of district services, inspection offices and guards, arising from separate acts.

d) The Council of the Capital City of Warsaw constitutes the decision-making and supervisory body for the Capital City of Warsaw. The Council comprises 60 councillors elected every four years through local election.

- The Council operates in sessions and gives its decisions in the form of resolutions, stands and provisions.
- The Council's competences include all tasks within the scope of the City's operations, unless the Acts provide otherwise.
- Among the Council's exclusive competences are the tasks restricted by Acts for the communes and districts.
- The following tasks from exclusive competences of the Council require the opinions of district councils, and, when they only refer to one or a few districts, they require the opinion of the respective council or district councils:

- passing Statutes;
- passing the study of land use conditions and directions for the City;
- passing local special development plans;
- passing the City development plans and long-term investment plan;
- establishing, connecting, dividing and abolishing city districts;
- passing district statutes, defining the scope of district operations, the rules of transferring the items of property to them, of using and transferring the budget allocations for the realization of tasks by the district;
- passing resolutions concerning: the coat of arms and City colours, districts' coat of arms, the names of the streets and squares constituting public roads, internal roads, as well as erecting statues.

e) The City's Executive Body is the Mayor of the Capital City of Warsaw. The Mayor is selected pursuant to the Act on Direct Election of Commune Head / Administrator and Mayor.

The Mayor is in charge of the operations of the Office, through the Office Management and the Directors of the Organizational Units. By means of managing, the Mayor can delegate to the members of the Office Management, the carrying out of particular tasks, especially the supervision of the Office's organizational units and entities.

The Mayor's responsibilities include carrying out the resolutions of the Council of the Capital City of Warsaw and tasks defined with legal regulations, specifically:

- Preparing draft resolutions for the Council of Warsaw,
- Managing the City's property,
- Realizing the City budget,
- Representing the City outside,
- Managing the City's current affairs.

Within the framework of realizing the City budget, the Mayor is responsible for the proper financial management of the City.

The Mayor:

- is the head of the Warsaw City Office, manages competence injunctions resulting from the operation of the Office,
- is an official superior of the employees of the City Office and the directors of the City's organizational units,
- he carries out activities within the scope of the labour law towards the Local Government of the Office, subject to specific regulations,
- has direct supervision over the operations of Deputy Mayors, the Secretary, the Treasurer and the managers of the Office's basic organizational units directly answerable to him,
- employs and dismisses the directors of the organizational units of the Capital City of Warsaw.

The Mayor is also the head of the services, inspections and the guard of Warsaw. Pursuant to the Structure of the Capital City of Warsaw Act, the District services, inspection and guards became the services, inspections and guards of the Capital City of Warsaw.

As the head of the services, inspections and guards of the Capital City of Warsaw, the Mayor:

- Appoints and dismisses the directors of these units, in agreement with the Province Governor, and carries out towards them, activities within the scope of the labour law, subject to specific regulations
- In special situations, he/she manages the joint operation of these units
- Approves their operational program.

In individual cases, the Mayor issues decisions from within the scope of public administration, subject to specific regulations.

f) Pursuant to the Structure of the Capital City of Warsaw Act, eighteen support units have been created in Warsaw – the districts of the Capital City of Warsaw: Bemowo, Białołęka, Bielany, Mokotów, Ochota, Praga Południe, Praga Północ, Rembertów, Śródmieście, Targówek, Ursus, Ursynów, Wawer, Wesoła, Wilanów, Włochy, Wola, Żoliborz.

The decision making and control bodies are district councils, and the executive bodies in the districts are the district boards.

District Councils:

- Consist of councillors, appointed in the election to the district councils, in the numbers between fifteen and twenty eight, depending on the number of the district's residents.
- The term of office of the district council begins on the day of election and ends one day before the next election,
- The Council chooses its Chairman, who manages its activities, and one to three Deputy Chairmen,
- The council decisions in the form of resolutions are made during the Council sessions, which take place at least once a quarter.

The district boards consist of the Mayor of District, his deputy (or deputies) and other members of the board, typically between three and five persons, depending on the number of district's residents. District boards perform tasks from within the scope of local matters, pursuant to par. 11 section 2 of the Structure of the Capital City of Warsaw Act, as well as the tasks delegated to the districts according to the district statutes and other resolutions of the Council of the Capital City of Warsaw Resolution No. XLVI/1422/2008, of the Council of the Capital City of Warsaw, dated 18 December 2008, on Delegating Certain Tasks and Competences of the Capital City of Warsaw to the Districts of the Capital City of Warsaw. These tasks are being realized through the district offices.

On the behalf of the Mayor, the members of the district boards carry out the Mayor's tasks, handed over to them by proxy. The Mayor of the District administers the district Office. He is responsible for organizing the operations of the district office, and coordinates the district departments, subject to § 13 section 3 of the organizational regulations of the Office. The Mayor of the District may perform acts in the scope of the labour law in relation the employees of the district office on the basis of the power of attorney granted by the Mayor of Warsaw.

In order to perform public tasks, the City may create organizational units, as well as enter into agreements with other entities, including NGOs. The performance of public tasks may also be realized through the cooperation of the City with other Local Government units.

g) In 2011, the office of :

- the Mayor of the Capital City of Warsaw was held by Mrs Hanna Gronkiewicz-Waltz, chosen in direct elections, on 21 November 2010;
- the Deputy Mayor of Warsaw was held by - Mr Jacek Wojciechowicz, Mr Andrzej Jakubiak (until 12 October 2011), Mr Jarosław Kochaniak, Michał Olszewski (from 13 October 2011) and Mr Włodzimierz Paszyński, appointed by Ordinance No. 13/2010, of the Mayor of the Capital City of Warsaw of 3 December 2010, and Ordinance No. 1626/2011 of the Mayor of Warsaw of 13 October 2011;
- the Secretary of the Capital City of Warsaw was held by Mr Jarosław Maćkowiak, appointed by Resolution No. XXII/742/2008 of the Council of the Capital City of Warsaw of 10 January 2008;
- the Treasurer of the Capital City of Warsaw was held by Mr Mirosław Czekaj, appointed by Resolution No. IV27/2007 of the Council of the Capital City of Warsaw of 11 January 2007;
- the Head of the Accounting and Countersignature Office was held by Mrs Małgorzata Gajewska, employed since 1 May 2007, acting as interim Head of the Office, and then as Head of the Office since 15 February 2009.

h) Organizational units of the Capital City of Warsaw:

Pursuant to Art. 3, section 1, point 1, in relation to Art.2, section 1, point 4 letter a and b of the Accountancy Act of 29 September 1994 (Journal of Laws of 2009, No. 152, Item 1223, as amended), a unit, within the meaning of the law, is a commune, budgetary unit, or a communal budgetary unit.

The member of the governing body is the manager of the unit, and if such body has many members – members of the body are managers of the unit. The manager of the public finances sector unit, hereinafter referred to as "the manager of the unit", is responsible for the entire financial management of this unit.

Pursuant to Art. 4 section 5 of the Accountancy Act (Journal of Laws of 2009, No. 152, Item 1223, as amended), the manager of the unit is responsible for the performance of the duties within the scope of accounting, subject to the Act.

Organizational units of the Capital City of Warsaw – budgetary units as at 31 December 2011, in the amount of 959 units (Annex No. 1) to:

- educational organizational units,
- sports and recreation centres,
- social assistance centres,
- special education centres,
- administrators of housing resources of the Capital City of Warsaw,
- other budgetary units.

Budgetary units are these organizational units of the public finances sector which do not have legal personality and cover their expenses directly from the budget, and pay their earned income respectively for the account of the State Budget revenue or the Local Government unit budget.

Budgetary unit acts pursuant to the statutes defining specifically its name, office and scope of activity.

The basis of financial management of the budgetary unit is the income and expenditure plan, hereinafter referred to as the financial plan of the unit.

Organizational units of the capital city of Warsaw – Local Government budgetary enterprises as at 31 December 2011, in the amount of 11 enterprises (Annex No. 1) are:

- sports and recreation centres,
- municipal cemetery board,
- road renovation and maintenance board.

The budgetary enterprise is an organizational unit which performs tasks against payment covering the costs of its business from its own revenue.

The basis of the financial management of the budgetary enterprise is the annual financial plan including revenue, including subsidy from the budget of the Local Government unit, other costs and other charges, the state of current assets, receivables and liabilities for the beginning and the end of the period, as well as accounts with the Local Government unit budget.

Local Government budgetary enterprise may receive from the Local Government unit budget:

- 1) specific subsidies,
- 2) designated subsidies for the current tasks financed with the grants from the EU budget and the non-refundable grants from the foreign sources, and the support from the EFTA member states,
- 3) designated subsidies for the financing and financial support of the investment implementation costs,

Subject to the respective Acts, Local Government budgetary enterprise may receive a specified-user subsidy.

2. Financial Statement

a) This financial statement has been prepared pursuant to the regulations of:

- Public Finance Act of 27 August 2009 (Journal of Laws of 2009, No. 157, Item 1240), taking into account specific principles defined in the Regulation of the Minister of Finance of 5 July 2010 on detailed accountancy principles and account plans for the State budget, for the budgets of local government bodies, budget entities, budgetary establishments within local government, state-owned special purpose funds, and state-owned budget units located outside the borders of the Republic of Poland (Journal of Laws of 2010, No. 128, Item 861, hereinafter referred to as "Regulation on Accountancy Principles of 2010").
- the Accountancy Act of 29 September 1994 (Journal of Laws of 2009, No. 152, Item 1223 as amended, hereinafter referred to as "UoR"/"AA")

The financial statement has been prepared according to the historical cost concept, except for the financial obligations of material liability valued at depreciated cost value and tangible assets valued according to the rules described in point 3b) of the Introduction, and according to the matching of costs and revenues (accrual basis) modified in relation to the income and expenditures, as stated in the accounting books within the scope executed to the amount actually paid, in order to establish the surplus or deficit of the City budget, pursuant to the regulation regarding the accounting principles of 2010. Moreover, financial means received in the form of a grant, intended for the investments, are recognized once in the profit and loss statement as the revenue of a particular period, and not settled over time. Simultaneously, the cost of sold tangible assets decreases the unit's Fund.

The financial statement of the City includes the financial year from 1 January 2011 to 31 December 2011.

The financial statement of the City includes aggregated data including the data of the organisational units drawing up their own financial statements, which includes 959 budgetary units and 11 Local Government budgetary enterprises (hereinafter referred to as "the units"), for which the mutual settlements among the units were excluded.

b) The financial statement of the City was drawn up based on the assumption of the operation continuity. As for the date of signing the financial statement, the Mayor of the City does not state the existence of any facts or circumstances that would indicate any threat to the operation continuity of the City within the period of at least 12 months following the balance sheet date, due to an intentional or obligatory failure or a significant rundown of operation.

3. Major Accountancy Principles

a) Intangible Assets

Intangible assets are entered in the accounting books according to the purchase prices or production costs. Intangible assets are valued according to the purchase prices or production costs diminished by amortisation write-offs and impairment write-offs. Straight-line depreciation of intangible assets is calculated with the application of rates determined in provisions on corporate income tax under the regulation on accountancy principles of 2010.

b) Fixed Assets

Fixed assets are entered in the accounting books according to the purchase prices, production costs or updated value, diminished by the already made depreciation write-offs, as well as the impairment write-offs. Tangible assets received gratuitously are valued according to the value stipulated in the decision on consignment, diminished by depreciation write-offs and impairment write-offs, in the case when the value

has not been stipulated in the decision – according to the sales price of the same tangible asset or a similar one.

Because of the nature of the activity, the City does not invest in tangible assets with the aim of obtaining financial benefits, but with the aim of performing certain social tasks. That is why the City makes impairment write-offs only in the case of physical devastation or permanent cessation of use of tangible assets.

The Land Register is maintained by the City Hall of the Capital City of Warsaw, and by the District Offices of the Capital City of Warsaw. The diversification of the analytical accounts is a remainder of the change of the political system of the Capital City of Warsaw, and the creation of the Capital City of Warsaw (the Act on Political System of the Capital City of Warsaw, of 15 March 2002, Journal of Laws No. 31, item 361). Having regard to standardisation of the Land Register, the City initiated the process of standardisation of the records of lands, buildings and real estates, as well as appraisal of own lands and the ones granted for perpetual usufruct (shown as investment properties), applied by all the organisation units incorporated into the aggregated accounts.

In 2009, the City stopped performing periodical updates on the value of lands to the prices reflecting their value market.

However, as of the balance sheet day, some of the City's organization units included into the financial statement have performed periodical updates.

Capital expenditure on road and building infrastructure, or the infrastructure modernized by the City before 2006, was transferred to reduction in fund, and not in relation to tangible fixed assets under construction. That is why the fixed assets related to road infrastructure incurred after 2006 were included in the City's balance sheet as of 31 December 2011. The City is preparing the process of verification. This is aimed at recreating the historical value of capital expenditure incurred during the period for which it has the accounts that enable it to recreate the source data on the realised investments and the appraisal of the remaining property connected to the owned road infrastructure, where it is not possible to appraise its historical value on the basis of the existing accounts.

The purchase price and the cost of generation of tangible assets includes also the costs of servicing of the liabilities used to finance them during the period of construction, installation and adaptation.

The purchase price or the cost of generation of a tangible asset are increased by the cost of its improvement.

Fixed assets, except for the lands, are subject to straight-line amortisation with the application of rates determined in provisions on corporate income tax under the regulation on particular accountancy principles of 2010, except for the rate for the right of perpetual usufruct of land determined by the City on the basis of the estimates concerning the duration of perpetual usufruct agreements.

The basic rates of amortisation applied by the City:

Intangible assets	50%
Buildings, premises and civil engineering facilities	2,5%÷10%
Technical equipment and machines	4,5%÷30%
Means of transport	7%÷20%
Other fixed assets	10%÷20%
The right of perpetual usufruct of land	2.5%

The fixed assets that have low initial individual value, that is that the value is below PLN 3 500, are amortised once in a month when they are put into use,

c) Capital work in progress

Tangible fixed assets under construction are appraised according to the costs connected directly to the purchase or production of a given fixed asset.

The purchase price and production cost of tangible fixed assets under construction includes also the price of servicing of the liabilities used to finance them during the period of construction, installation and adaptation, including the financing costs concerning the used credit amount. Tangible fixed assets under construction are amortised until the moment of completion of the construction and the date of putting the development into operation under the decision of the Mayor or the resolution of the Council of the City of Warsaw.

The abandoned fixed assets under construction are transferred to reduction of the Fund.

d) Stocks and shares

Stocks and shares are entered in the accounting books of the Capital City of Warsaw according to their purchase prices.

Stocks and shares are valued according to the purchase prices diminished by impairment write-offs.

e) Investment properties

The lands that belong to the City and which are subject to perpetual usufruct not by the City units, are treated as investment properties.

Investment properties are included into the value being the basis for charge calculation for perpetual usufruct.

Investment properties are subject to amortisation according to the rules of establishing the basis of charges for perpetual usufruct that result from the provisions on property management, that is only once in three years. The difference resulting from the amortisation is transferred to the unit's fund.

f) Short- and long term receivables

Receivables are valued based on the conservative valuation method as the amount payable, and reported as net value.

The value of a receivable is subject to revaluation, based on the probability of payment, through valuation allowance.

As at the moment of the redemption of a receivable, receivables redeemed, overdue debts or non-collectible debts which were beforehand subject to valuation allowance, are charged to valuation allowances. Receivables redeemed, overdue debts or non-collectible debts which were not subject to revaluation or not revaluated in full, are charged as other operating costs or financial costs.

g) Funds

Funds at banks, as well as cash in hand and bank deposits with the maturity no longer than 3 months, are valued according to face value.

In the budget execution balance, funds include the money accumulated at the primary bank account of the City as a local government unit.

In the consolidated balance of budgetary units and budgetary local government entities, funds involve mainly the money assets held by the City's organisational units at designated bank accounts, for the purpose of performing tasks under special funds, as well as third-party amounts (deposits, performance security deposits).

In the consolidated balance of budgetary units and budgetary local government units, cheques and bills of exchange are also recognized as funds.

h) Prepayments and accruals

Prepayments include prepaid expenses incurred, whereas the main item is the unamortized bond discount. Prepayments are reported according to the passage of time or the amount of benefits. The period and mode of the settlement depends on the type of the costs settled, based on the conservative valuation method.

Accruals are reported in the amount of probable liabilities due in the current reporting period, attributable in particular to services rendered by the contractors of the City in respect of the City, when the amount of the liability can be reliably estimated.

i) Entity's fund

The City's fund is the equivalent of fixed and current assets held by the City. All changes to the fund are recognized as per separate provisions for the financial management of the City.

The City's fund is increased by:

- positive financial results for the financial year (balance sheet profit) reported by the budgetary units and the budgetary entities in their financial statements for the financial year, serving as the groundwork for drawing up the City's statement, budgetary expenses for the financial year, the value of the current assets provided free of charge by budgetary units and sourced from extra-budgetary funds,
- the value of the tangible assets and investments (tangible assets under construction), the increase in the current gross value of tangible assets due to revaluation,
- permanent expenses for the last year spent in a given year.

The City's fund is reduced by:

- negative financial results for the financial year (balance sheet loss), reported by the budgetary units and the budgetary entities for the financial year, serving as the groundwork for drawing up the City's financial statement
- recognised budgetary income for the financial year,
- unamortised value of the reimbursed fixed assets due to consumption, free-of-charge transfer or sale, the costs related to the investments (fixed assets under construction) sold or transferred free-of-charge,
- the value of current assets transferred free-of-charge to the budgetary units and local government budgetary entities or other units, based on the decision issued by competent authorities or under the existing legislation,
- budgetary subsidies and budgetary finds allocated for investments
- the value of subsidies from the budget recognized as used or settled
- payments to the State's budget for the balancing component of the general subsidy for the municipalities and counties (the so-called "Janosikowe"), calculated as per the Local Government Units Income

The amount of the budget payment is calculated based on the value of the income recognised by the City for the last financial year.

j) Current assets surplus

This item illustrates the surplus of current assets achieved by local government budgetary entities, as at the balance sheet day, which is the difference between the planned and the actual current assets balance, as at the balance day.

k) The property fund of the liquidated entities

The property fund of the liquidated entities is the equivalent of the property held by the liquidated municipal enterprises or other organisational units which were acquired by the City as the founding or supervising body.

The item illustrates the value of the property acquired by the City following the Solec hospital's liquidation.

l) Financial liabilities

Financial liabilities include the issued bonds and the taken up loans and credits which are valued according to the amortised cost.

The records of the issued bonds are kept in two books:

- the budget book of the City of Warsaw, recognised as financial liabilities – expressed as the issue value, and presented in the budget execution balance sheet;
- the budget book of the Warsaw City Council – expressed as the amount of the liability servicing cost (discount, interest, commission), and presented in the financial statement of the budgetary units and the local government budgetary entities.

The records of liabilities arising from the received credits and loans are kept in two books:

- the budget book of the City of Warsaw – expressed as the value of the received capital, and presented in the budget execution balance sheet;
- the budget book of the Warsaw City Council – expressed in the amount of the liabilities servicing costs (interest, commission), and presented in the consolidated financial statement of the budgetary units and local government budgetary entities).

m) Budget execution result

The balance sheet day budget execution result is the budget surplus or deficit, plus the unrecognised expenses equal in their value to the permanent expenses.

The budget surplus or deficit is determined as at the balance sheet day, as the difference between City's income and expenditures.

The City's budget surplus is the positive difference between City's income and expenditures, whereas the negative difference is understood as the deficit in the City's budget.

Unrecognised expenditure amounts of the City's budget expire at the end of the financial year. Permanent expenditures reserve in the City's budget execution balance sheet is related to the expenditures approved by the resolution of the City Council. At the same time, the amount of the permanent expenditures is

transferred to a separate bank account. Permanent expenditures should be disbursed until 30 June the following year

n) Non-cash operations results

Non-cash operations results presented in the budget execution balance sheet of the City include unrecognised exchange rate differences arising from the valuation of the financial liabilities assumed in foreign currencies,

o) Third-party amounts

In order to secure the financial interests of the City arising from the concluded investment agreements and service delivery agreements, the City receives commissions and cash deposits to individually designated cash accounts as a guarantee of a proper performance of a service. These amounts are declared as at the balance day as the amount due.

p) Reserves

Reserves are established when the City has an obligation (legal or customary) arising from future events, and it is either sure or highly probable that the performance of this obligation will cause the out-going of funds or the need to dispose of an asset, and when amount of this liability can be reliably estimated.

The City establishes reserves:

- for court cases which are more likely to result in a sentence that is not favourable for the entity than in a favourable sentence,
- for the sureties and guarantees granted by the City of Warsaw as part of the loans contracted by the entities.

The probability of an unfavourable sentence in court cases against the City is assessed based on the course of the court proceedings and the opinions provided by lawyers.

The service anniversary awards, retirement and disability packages and death benefits are paid by the city based on separate provisions. As at the balance sheet day, the City uses the actuarial calculation method to establish reserves for liabilities arising from the future payments. The calculation is made with the following components: growth rate of wages, discount rate, staff retention rate, mortality rate, retirement rate and the entire period of employment entitling to a given benefit.

Reserves for pecuniary claims that are likely to be returned in kind are charged to the Fund.

r) Deferred revenue

Deferred revenue is calculated based on the conservative valuation method to include, in particular, the equivalent of funds payable by the contracting parties due to the services which will be performed that are due in the subsequent reporting periods.

s) The revenue recognition principles

Pursuant to the Local Governments Income Act of 13 November 2003 (Journal of Laws of 2010, No. 80, item 526) and the Regulation on the accounting principles of 2010, the revenue of an office of a local government entity comprises budgetary income of the local government entity which is not recognised in the financial plans prepared by the budgetary units.

The City's revenue comprises mainly:

- tax and management fees income (real estate tax, tax on civil law transactions, inheritance tax, vehicle excise duty; charges: stamp duty, market dues, fees for the licence to sell alcoholic beverages, etc.) – the revenue is included in the amount of taxes and fees calculated for the financial year
- income attributable to perpetual usufruct fees – revenue is recognised as the calculated payment for the financial year.
- income from the sale of property – the revenue is recognised when a significant risk and benefits arising from the property right were transferred to the purchaser. The revenue includes payable or received sales amounts less VAT,
- rental and lease income – the revenue is recognised as the amount of the rent charges received for the rental or lease period calculated for the financial year,
- income from forfeitures and fines – the revenue is recognised as the amount of forfeitures and fines calculated for the financial year
- general subsidies – the revenue is recognised as the amount of subsidies received in the financial year
- earmarked subsidies, including subsidies for the construction of fixed assets – the revenue is recognised as the amount of subsidies received in the financial year,
- share of revenue from the personal income tax and corporate income tax – the revenue is recognised as the amounts payable in that respect, in the financial year,
- subsidies and funds designated to finance the expenditures co-financed by the EU budget – the revenue is recognised as the amount of funds received in the financial year,
- revenue from the sales of public transport tickets – the revenue is recognised as the amount of ticket sales incomes less VAT,
- revenue from interest – the revenue is recognised with the interest amount calculated as per legally required,
- dividends – dividends payable are classified as financial revenue as at the date on which the Shareholders Meeting of the company adopted a resolution to disburse dividend, unless the resolution sets out a different dividend record date

t) The reporting period

The data provided in the budget execution balance sheet is published as at 31 December 2010 and 31 December 2011. In the budget execution balance sheet and the consolidated balance sheet, the date of 31 December 2010 is understood as the beginning of the 2011 period.

The data provided in the consolidated profit and loss account and in the consolidated statement of changes in equity are published for the financial years 2010 and 2011

u) The information on the adjustment to the opening balance for 2011 made with regard to the changes in the accounting (policy) principles, changes to the items classification or corrected errors

Below the basic adjustments are specified:

	Net profit (PLN)	Fund (PLN)	The sum of assets (PLN)
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1. adjustment of revaluation write-offs on receivables	2 302 727 812.36	73 991 789 925.41	75 938 950 313.19
2. adjustment to the recognition of reserves for employee benefits	-509 748 151.69	-645 954 558.71	-645 954 558.71
3. adjustment to the recognition of land subject to perpetual usufruct	-436 590 924.53	-436 590 924.53	-
4. adjustment to the guarantee and surety reserve	-	29 367 748 744.78	29 367 748 744.78
5. adjustment to the revenue and expenses arising from the performance of tasks assigned by the government administration	-32 927 375.73	-32 927 375.73	-
6. Coverage the depreciation of costs	-559 619 984.85	-	-
7. adjustment of the capitalised interest on loans	-18 458 816.00	-18 458 816.00	-18 458 816.00
8. adjustment to the reserves for contentious issues	-	-14 046 300.00	-
9. adjustment to the recognised land	-	-323 704 581.16	-323 704 581.16
10. adjustment to the valuation of land	-	-923 923 506.80	-923 923 506.80
11. adjustment to the value of the land	-	392 744 371.00	392 744 371.00
12. adjustment to the current assets and liabilities due to the performance of tasks assigned by the government administration	-	257 450 699.57	-159 296 395.76

Financial information on the year that ended on 31 December 2010, or as at 31 December 2010, according to the approved financial statement for this adjustment period:

	418 989 906.54	101 287 735 024.81	103 628 105 570.54
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A description of basic adjustments is presented below:

1. The City has detailed its policy towards creating allowances for uncollectable accounts including trade payables. Due to information and system limitations, most of the additional write-offs were included in the 2010 outcomes.
2. In 2011 the City, for the first time, calculated the provision for the future employee benefits, including years of service awards, retirement, pension and survivor's bonuses for all the units included into the financial statement, and entered them into the City's aggregated balance sheet. The adjustment concerns the status of liabilities as of 31 December 2010.
3. The adjustment concerns the recognition in Land Registers of the land owned by the City and put into perpetual usufruct. These properties were qualified by the City as investment properties, as they are assets that bring in profits for the City.
4. The adjustment is the result of an analysis the City performed in the scope of the acts of co-signing issued for the hospitals by reason of the assessment of probability that the given agreement/act will be transformed into the City's liability. Due to information and system limitations, the whole adjustment was included in the 2010 outcome.

5. The City, as a part of the research in the scope of servicing the agreements of perpetual usufruct of the property of the State Treasury, commissioned by the Mazovian Voivodeship Office, an adjustment which concerns the declared revenue that belongs to the Mazovian Voivodeship Office, and the City receives only commission from the cash-accounting part.
6. An adjustment pursuant to amendments in Regulation on accountancy principles of 2010.
7. An adjustment pursuant to amendments in the procedure for calculating interest on credits
8. An adjustment pursuant to identification of disputes of 2010
9. As a result of analyses of land registers maintained by district and budgetary authorities, the City made adjustments in the reported land.
10. This adjustment was made in respect of change in the value of land, identified as a result of the quantitative and value analysis of land carried out by the City.
11. This adjustment was made in respect of change in the value of land resulting from writing-off the value of land let for perpetual usufruct in overstated value.
12. The adjustment was made in respect of excluding the property of the State Treasury that is managed by the State Treasury Property Management, from the total balance.

The description of additional reclassification adjustments introduced to the Financial Statement for 2010, which influences the comparability of data for 2010 is presented below:

- | | |
|---|----------------|
| 13. An adjustment in respect of the presentation of incorporation costs and revenue from release of provision for bad debt in the net amount, resulting from the standardisation of the policy on presentation of write-offs to receivables. | 247 668 621.34 |
| 14. An adjustment in respect of reclassification from investments on the receivables of part of capital expenditures for the implementation of the Świętokrzyska Route project, which were independent of Trasa Świętokrzyska S.A. Company, and the beginning of liquidation procedure against the company. | 378 351 130.61 |
| 15. An adjustment in respect of reclassification from investments in progress to buildings and constructions, resulting from an analysis carried out by the City followed by identification of commissioned buildings and constructions. | 206 474 540.00 |
| 16. An adjustment in respect of reclassification from buildings and constructions to other tangible assets, resulting from the standardisation of the policy on the presentation of tangible assets. | 34 088 061.00 |
| 17. A reclassification of other funds to cash in bank accounts, an adjustment resulting from the standardisation of the policy on the presentation of cash. | 64 218 595.63 |
| 18. An adjustment in relation to the change in the presentation of short term creditors, in respect of a resolution passed by the City, which increased MPWiK's share capital between 2009-2013, resulting from the analysis of liabilities' maturity date carried out by the City. | 100 000 000.00 |

Due to the changes introduced to the financial statement of the City for the year 2010, in relation to the changes of the accounting policy, the classification of the statement items and corrections, here are the changed data for the year 2010, for the purpose of comparison with the 2011 statement.

TOTAL BALANCE

Changed items	Approved Financial statement for the year 2010	Adjustments	Financial statement for the year 2010 with corrections
	PLN	PLN	PLN
tangible assets	65,483,015,492.79	-367 186 185.54	65 115 829 307.25
capital work in progress	4,220,619,684.52	-935 684 816.96	3 284 934 867.56
investment property	0.00	29 367 748 744.78	29 367 748 744.78
current receivables	1,185,944,076.66	-288 709 185.84	897 234 890.82
long-term liabilities	60,744,796.29	475 537 323.96	536 282 120.25
remaining liabilities	190,115,246.07	-109 846 600.11	80 268 645.96
Provisions for liabilities	880,494,740.47	108 027 276.30	988 522 016.77
Entity fund	71 694 995 027.98	29 179 685 015.67	100 874 680 043.65
Net financial result	2 302 727 812.36	-1 883 739 916.27	418 989 906.54

TOTAL PROFIT AND LOSS STATEMENT

Changed items	Approved Financial statement for the year 2010	Adjustments	Financial statement for the year 2010 with corrections
Changed items	PLN	PLN	PLN
revenue from sales of particular goods	10 925 573 037.05	-300 190 643.19	10 622 320 648,04
Other operational revenue	1 075 963 167.46	-920 854 631.26	154 923 019,38
Other operational costs	-1 214 838 182.72	601 708 486.69	1 816 546 669,41
Financial costs	-363 296 751.39	51 386 191.73	414 682 943,12
Net financial result	2 302 727 812.36	-1 883 739 916.27	418 989 906,54

w) Foreign currency exchange rates

Exchange rate for the last day of the period	31.12.2011	31.12.2010
Euro to PLN exchange rate	PLN 4,4168	PLN 3.9603
Average exchange rate in the period of	2011	2010
Euro to PLN exchange rate	PLN 4,1401	PLN 4.044

Average exchange rate has been calculated as an arithmetic mean of the monthly exchange rates for the last day of each month in a given period, as stated by the National Bank of Poland (NBP).

BUDGET EXECUTION BALANCE

	Note	31 December 2010	31 December 2011
Assets			
I.Funds		1 465 826 948.18	1 925 495 443.40
1.Funds		1 465 826 948.18	1 925 495 443.40
1.1.Budgetary funds		1 465 826 948.18	1 925 495 443.40
1.2.Other funds			
II.receiveables and accounts		169 352 495.63	129 295 112.37
1.financial receivables		-	-
1.1.Short-term (to 12 moths)		-	-
1.2.Long-term (over 12 months)		-	-
2.Budgetary receivables		161 598 627.57	125 644 275.19
3.other receivables and accounts		7 753 868.06	3 650 837.18
III.Short-term financial investments		-	549 934 560.00
1. Securities		-	549 934 560.00
IV.Other assets		-	-
Total assets		1 635 179 443.81	2 604 725 115.77
Liabilities			
I.Liabilities	14, 15	5 241 826 997.03	5 940 883 037.64
1.Financial liabilities		5 228 489 789.45	5 905 363 559.18
1.1.Short-term (to 12 moths)		214 754 563.68	204 070 828.83
1.2.Long-term (over 12 months)		5 013 735 225.77	5 701 292 730.35
2.Budget liabilities		1 784 341.24	30 233 604.60
3.Other liabilities		11 552 866.34	5 285 873.86
II.Net budgetary assets		-3 702 057 160.22	-3 439 771 865.87
1.Budget execution result (+, -)	31	-1 653 750 544.77	-1 000 278 572.40
1.1.Budget surplus (+)		-	-
1.2.Budget deficit (-)		-1 479 691 773.77	-911 993 012.40

1.3.Unrealised expenditure (-)		-174 058 771.00	-88 285 560.00
2.non-cash operations result (+,-)		29 996 832.84	-92 657 307.25
3.Provisions for permanent expenditure		174 058 771.00	88 285 560.00
4.Privatisation funds		-	1 440 994 385.00
5.Accumulated budget result (+,-)		-2 252 362 219.29	-3 876 115 931.22
Other liabilities		95 409 607.00	103 613 944.00
Total liabilities		1 635 179 443.81	2 604 725 115.7

TOTAL BALANCE

	Note	31 December 2010	31 December 2011
Assets			
A.Fixed assets		73,754,291, 690.26	106,235,459,752.19
I.non-tangible and legal assets		9,980,672.09	12,651,376.46
II.Material fixed assets	1	69,703,650,441.24	70,286,800,351.72
1.Tangible assets	2, 3	65,483,015,492.79	66,727,088,656.87
1.1.Lands		55,068,763,251.71	55 203 616 442.85
1.2.buildings, premises and land & water engineering		10,068,763,251.71	11 126 640 502.41
1.3.Technical appliances and machines		236,003,866.36	301 761 088.75
1.4.Means of transport		38 429 118.60	37 517 531.75
1.5.Other tangible assets		52 603 552.71	57 553 091.11
2.Commenced investments (Capital work in progress)		4 220 619 684.52	3 559 708 582.85
3.Funds for financing the investment		15 263.93	3 112.00
III.Long-term receivables	4, 5	181 699 887.91	137 623 053.29
IV.Long-term financial assets		3 858 693 344.31	3 812 126 642.25
1.1 Stocks and shares	4	3 858 693 344.31	3 812 126 642.25
V.Investment real estate		-	31 986 197 239.71
VI.Value of property of liquidated undertakings		267 344.71	61 088.76
B.Current assets	10	2 184 632 654.57	1 326 730 273.86
I.Stock		24 589 947.00	20 477 199^5
1.1.Materials		24 213 886.06	20 089 956.22
1.2.Finished products		71 498.41	71 498.41
1.3.Goods	8,11,12	304 562.53	315 744.72
II.Short-term receivables		1 185 944 076.66	960 784 100.49
1.1.Trade receivables		182 173 754.97	139 418 707.47
1.2.Budget receivables		73 424 554.67	104 936 150.59
1.3.Insurance and other benefits receivables		317 977.51	513 923.93
1.4.Other receivables		929 724 919.37	715 873 385.06
1.5.Budgetary expenditure and income settlement		302 870.14	41 933.44

III.Funds		302 917 749.71	290 028 633.92
1.1.Cash in hand		411 554.33	515 323.82
1.2.Cash at bank		229 490 989.07	271 377 495.02
1.3.Funds from the national special purpose fund		8 796 610.68	11 182 061.94
		64 218 595.63	6 953 753.14
1.4.Other funds	4	615 144 235.00	6 647 255.00
IV.Short-term securities	9	56 036 646.20	48 793 085.10
V.Accrued expenses		25 968.36	50 335.80
C.Other assets			
		75 938 950 313.19	107 562 240 361.85
Total assets			

TOTAL BALANCE (cont.)

	Note	31 December 2010	31 December 2011
Liabilities			
A.The fund		73 991 789 925.41	104 813 821 067.62
I. Entity fund		71 694 995 027.98	101 890 964 993.19
II. Net financial result (+,-)	31	2 302 727 812.36	2 924 806 607.48
1.1.Net profit (+)		6 698 486 127.15	8 485 997 147,80
1.2.Net loss (-)		-4 395 758 314.79	-5 561 190 540,32
III.Current assets surplus (-)		-6 200 259.64	-2 011 621.81
IV.Fund of property of liquidated undertakings		267 344.71	61 088.76
B.National and other special purpose funds		2 404 176.18	4 390 239.28
C.Long-term liabilities	16	60 744 796.29	473 452 440.19
D. Short-term liabilities and special funds		1 798 375 385.88	2 245 807 824.50
I. Short-term liabilities		1 694 143 006.91	2 136 047 727.28
1.1. Trade receivables		135 083 013.72	100 832 203,23
1.2.Budgetary liabilities		53 831 328.75	47 197 648,99
1.3.Insurance and other benefits liabilities		107 930 206.89	123 938 872,77
1.4.Remuneration-related liabilities		150 267 464.63	161 376 501,57
1.5.Other liabilities		190 115 246.07	246 603 787,91
1.6. third party deposits and guarantees		168 716 006.53	171 540 698.63
1.7.Budgetary expenditure and income settlement		7 704 999.85	4 514 670,34
1.8Provisions for liabilities		880 494 740.47	1 280 043 343,84
II. Special purpose funds	13		
1.1.Employee Benefit Fund		104 232 378.97	109 760 097.22
1.2.Other funds		99 961 379.77	106 121 098,90
E.Accrued expenses		4 270 999.20	3 638 998.32
I.Accrued revenue expenses	18	85 520 469.56	24 768 790.26
II,Other accrued expanses		85 197 881.45	23 430 187.24

F.Other liabilities		322 588.11 115 559,87	1 338 603.02 -
Total liabilities		75 938 950 313.19	107 562 240 361.85

TOTAL PROFIT AND LOSS STATEMENT

	Note	2010	2011
A. Net sales revenue and equivalents, including:	25	10 925 573 037.05	11 282 936 764.33
I. Net product sales revenue		2 386 871 422.19	2 374 545 006.86
1. including: subsidies qualified as revenue (specified-user subsidy, specific subsidies, for the first current assets)		79 253 304.68	30 933 983.59
II. product change (increase – positive goodwill, decrease – negative goodwill)		632 512.51	276 996.87
III.Manufacturing cost of products for unit's own purposes		7 995.63	-
IV.Goods and materials sales net revenue		8 423 060.12	-657 818.81
V.Budgetary expenditure and income revenue		8 529 638 046.60	8 908 772 579.41
B.Operating expenditure		8 388 031 241.31	8 360 312 583.51
I.Depreciation		559 621 995.30	586 748 297.63
II.Raw materials and energy		716 167 263.64	703 371 283.10
III.Outsourced services	26	3 149 768 315.83	2 966 855 192.18
IV.Tax and levies		163 312 908.14	169 387 052.92
V.Remuneration		2 751 532 452.73	2 844 211 115.71
VI.Social insurance and other benefits for employees		602 046 689.94	643 405 398.86
VII.Remaining expenses by type		107 092 971.98	319 255 737.25
VIII.Value of goods and materials sold		1 373 780.20	1 641 055.58
IX.Other financial benefits from the budget		334 290 708.36	115 827 631.84
X.Other charges		2 824 155.19	9 609 818.44
C.Sales profits (A-B)		2 537 541 795.74	2 922 624 180.82
D.Remaining operational revenue	27	1 075 963 167.46	283 491 561.92
I.Profit on disposal of unfunded tangible assets		66 573 087.79	18 122 460.71
II.Subsidies		36 901 364.85	-
III.Other operational revenue		972 488 714.82	265 369 101.21
E.Remaining operational revenue		28 1 214 838 182.72	920 281 384.12
I. Remaining operational revenue		1 214 838 182.72	920 281 384.12
F.Profit from operations (C+D-E)		2 398 666 780.48	2 285 834 358.62
G.Financial revenue	29	268 212 063.90	1 097 605 358.23
I.Dividends and profit sharing		36 414 771.36	832 264 817.82
II.Interest		134 963 907.88	217 227 789.15
III.Other		96 833 384.66	48 112 751.26

H. Financial costs	30	363 296 751.39	458 552 055.26
I. Interest		253 841 104.03	241 261 287.75
II. Other		109 455 647.36	217 290 767.51
I. Business profit (F+G-H)		2 303 582 092.99	2 924 887 661.59
J. Result of extraordinary events (J.I.-J.II.)		210 218.49	156 443.89
I. Extraordinary profits		356 050.18	182 904.45
II. Extraordinary losses		-145 831.69	-26 460.56
K. Gross profit (I - J)		2 303 792 311.48	2 925 044 105.48
L. Income tax		1 047 719.00	237 498.00
M. Other obligatory reductions of profit (increases of loss)		-16.780.12	-
N. Net profit (K-L-M)	31	2 302 727 812.36	2 924 806 607.48

STATEMENT OF CHANGES IN TOTAL ENTITY FUND

	Note	31 December 2010	31 December 2011
I. Entity fund at the beginning of period (opening balance)		102 765 041 306.02	71 694 995 027.98
1. Increase in the fund (due to)		23 851 083 146.33	55 666 558 059.96
1.1. Balance profit for the past year		7 282 303 692.98	6 698 486 127.15
1.2. Realized budgetary expenditure		12 046 485 880.49	12 268 984 576.11
1.3. Realized European funds payments for the budgetary entity		-	1 232 120.00
1.4. Investment funds		2 365 163 255.14	2 014 250 166.78
1.5. Tangible assets and investments received at no cost		334 363 230.10	213 341 903.26
1.6. Assets acquired from liquidated (combined) entities		44 675 311.13	2 117 697.90
1.7. Remaining write-offs of current year's financial result		-	2 100 000.00
1.8. Other accruals		1 778 091 776.49	34 466 045 468.76
2. Entity fund reductions		54 921 129 424.37	25 470 588 094.75
2.1. Past year loss		4 381 608 687.25	4 395 758 314.79
2.2. Realized budgetary income		10 446 926 749.84	11 246 987 327.55
2.3. Settlement of financial result and current assets for the past year		3 602 621.48	6 200 259.64
2.4. Subsidies and investment funds		4 313 189 445.55	3 865 739 446.47
2.5. Revaluation of fixed assets		-	6271 918,19
2.6. The value of sold and free of charge fixed assets and investments		730 138 718,36	519 034 346,10
2.7. Liabilities acquired from liquidated (combined) entities		454 122,06	54 223 190,65
2.8. Other deductions		35 045 209 079,83	5 376 373 291,36
II. Entity fund at the end of period (closing balance)		71 694 995 027,98	101 890 964 993,19
III. Net financial result for the current year (+,-)		2 302 727 812,36	2 924 806 607,48

1.net profit (+)		2 302 727 812,36	2 924 806 607,48
IV.Surplus of income of the local government budgetary units, surplus of current assets of the local government budgetary units		6 200 259,64	2 011 621,81
V.Fund (II+,-III-IV)		73 991 522 580,70	104 813 759 978,86

ADDITIONAL INFORMATION AND EXPLANATIONS

1. Material fixed assets – changes during financial year

	Land PLN	Including the right of perpetual usufruct of land PLN	Buildings, premises and land & water engineering PLN	Technical appliances and machines PLN	Means of transport PLN	Other Fixed assets PLN	Capital work in progress PLN	Total PLN
Initial value								
Opening balance	55 100 418 092.55	469 725 075.62	14 205 201 083,00	652 995 200,37	133 190 070.47	411 940 232,11	4 220 619 684,52	74 724 364 363.02
Accruals, including:	1 400 264 458.21	3 617 288.99	1 720 883 942,10	194 256 729,21	16 578 930.91	65 057 447.11	1 131 034 511.21	4 528 076 018.75
-Acquisition	320 937 014.43	53 588.16	36 569 524.33	6 423 141.91	1 540 350.00	25,160,520.71	1 821 062 696,25	2 211 693 247.63
-Other	1 044 044 465.33	3 563 700.83	454 671 576.21	147,647,070.51	14 424 269.60	26,167,469.84	639 603 419.47	2 326 558 270.96
-Transfers	35 282 978.45		1 229 642 841,56	40 186 516.79	614311.31	13 729 456,56	-1 329 631 604.51	-10 175 499,84
Deductions, including:	1 277 024 595.64	138 186 345.06	291 905 692.84	15 297 837,24	2 985 865.56	10 843 284.79	1 791 945 612.88	3 390 002 888.95
-Liquidation and sale	17 352 131.00	138 186 345,06	17 205 626.43	10 622 671.41	1 282 665.66	9 635 046.63	17 979 935.67	74 078 076,80
-Other	1 259 672 464,64		274 700 066,41	4 675 165.83	1 703 199,90	1 208 238,16	1 773 965 677,21	3 315 924 812,15
Closing balance	55 223 657 955,12	335 156 019,55	15 634 179 332,26	831 954 092,34	146 783 135,82	466 154 394,43	3 559 708 582,85	75 862 437 492,82
Amortization								
Opening balance	13 202 389,14	13 002 389,14	4 136 437 831,29	416 991334,01	94 760 951,87	359 336 679,40	-	5 020 729 185.71
Accruals, including:	8 535 593.17	8 535 593.17	480 880 697.58	126 492 517.00	17 260 457.99	59 275 505.86		692 444 771.60
-Depreciation of the period	8 535 593.17	8 535 593.17	454 251 877.42	73 566 554.05	12 353 617.73	36 949 134.15	-	585 656 776.52
-Other			25401356.93	52627704.07	4906840.26	21854605.33		104790506.60
-Transfers			1227463,23	298258.88		471766.38		1997488.49
Deductions, including:	1 696 470.04	1 696 470.04	109 779 699.02	13 290 847.42	2 755 805.79	10010881.94	-	137 533 704.21
-Liquidation and sale								
-Other	1 696 470.04	1 696 470,04	11006205.94	10471520.87	1261575.63 1	9031273.56		31770576.00
Closing balance			98 773 493,08	2 819 326,55	494 230.16	979 608,38		105 763 128.21
Net value	20 041 512,27	19 841 512,27	4 507 538 829,85	530 193 003,59	109 265 604,07	408 601 30332		5 575 640 253,10
Opening balance	55,087,215,703.41	456,722,686.48	10,086,763,251.71	236,003,866.36	38,429,118.60	52,603,552.71	4,220,619,684.52	69,703,635,177.31
Closing balance	55,203,616,442.85	315,314,507.28	11,126,640,502.41	301,761,088.75	37,517,531.75	57,553,091.11	3,559,708,582.85	70,286,797,239.72

Additional information and explanations (cont.)

2. tangible assets – according to the title deed	31 December 2010 PLN	31 December 2011 PLN
Total tangible assets in the balance sheet register	65,483,015,492.79	66,727,088,656.87
The value of tangible assets non depreciated or non written off by the entity, used in accordance with hire and leasing agreements and other agreements, including those resulting from leasing agreements	675,295.34	821,174.22
	65,483,690,788.13	66,727,909,831.09

Balance value of the land in perpetual usufruct is 315,314,507.28 PLN, all of which was received free of charge. During the financial year, no revaluation charges were made.

As of 31 December 2011, balance value of tangible assets subject to a one-off depreciation was 471,424,560.51.

Manufacturing cost of tangible assets in the period of:	2010 PLN	2011 PLN
For tangible assets as at the balance sheet day:	2,583,507,315.92	2,091,707,811.30
Including: capitalized interest	34 480 030,79	121 840 949.57

3. Non-financial fixed assets expenditures

Non-financial fixed assets expenditures in the current financial year are 2,091,707,811.30.

Planned expenditures for the next year is PLN 3,272,144,394.00.

Additional information and explanations (cont.)

Long- and short-term financial investments, changes during the financial year

	Stocks and shares PLN	Investment real estate PLN	Short-term securities PLN	Total PLN
Status as at 01.01.2011	3 858 693 344,31		615 144 235.00	4,473,837,579.31
Accruals	128 744 635.00	31 986 197 239.71	6 647 255.00	32,121,589,129.71
-Revaluation	126 789 500.00			126,789,500.00
-Transfer	1 955 135.00		6 647 255.00	8,602,390.00
-Recognizing the land with the right of				31,986,197,239.71

perpetual usufruct	175 311 337.06	31 986 197 239.71	615,144,235.00	790,455,572.06
	110 665 182.42			110,665,182.42
Deductions	39 622 000.00			39,622,000.00
-impairment write-offs	4 000.00		613 189 100.00	613,193,100.00
-Revaluation	18 372 899.64			18,372,899.64
-Sale	6 647 255.00		1,955,135.00	8,602,390.00
-Liquidation				
-Transfer				
State as at 31 December 2011	3,812,126,642.25	31,986,197,239.71	6,647,255.00	35,804,971,137.96

4. The list of entities on which the City owns at least 20% of participation interest or in the general number of votes in the entity's decision making body.

As at 31 December 2011 Entity name	Gross value of shares /stocks	Write-off	Balance value of shares / stocks	Equity share (%)	Net profit / (loss) for the year that ended on 31 December 2011 (in thous. PLN)	Equities as at 31 December 2011 (in thous. PLN)
Gminna Gospodarka Komunalna Ochota Spółka z o.o.	520.300.00	-	520 300.00	100.00%	248.78	3,052.99
Komunalne Domy Handlowe Spółka z o.o. (in suspension)	10.000.00	- 10.000,00	-	100.00%	n/a	n/a
Metro Warszawskie Spółka z o.o.	328.917.500.00	-	328 917 500.00	100.00%	5,446.71	524,227.85
Miejskie Przedsiębiorstwo Oczyszczania w m. st. W- wie Sp. z o.o.	187.092.500.00	-	187 092 500.00	100.00%	11 324.60	197,190.66
Miejskie Przedsiębiorstwo Robót Ogrodniczych Spółka z o.o.	7.000.000.00	-	7 000 000.00	100.00%	2 274.60	54,247.84
Miejskie Przedsiębiorstwo Usług Komunalnych Spółka z o.o.	2.300.000.00	-	2 300 000.00	100.00%	391.51	4,216.69
Miejskie Przedsiębiorstwo Taksówkowe Spółka z o.o.	5.000.000.00	-	5 000 000.00	100,00%	-2 304.21	6,727.20
Miejskie Zakłady Autobusowe Spółka z o.o.	430.565.000.00	-	430 565 000.00	100.00%	11 155.90	492,570.16
MPWiK w m. sl. Warszawie S.A.	1.954.576.600.00	-	1 954 576 600.00	100.00%	104 270.98	2,109,406.36
PPHU Zaplecze Spółka z o.o.	13.329.500.00	-	13 329 500.00	100.00%	3 379.97	29,861.04
Przedsiębiorstwo Robót Elewacyjnych Budownictwa Warszawa Spółka z o.o.	100.000.00	-	100 000.00	100.00%	108.47	378.86

Przedsiębiorstwo Gospodarki Maszynami Budownictwa Warszawa Sp. z o.o.	5.000.000.00	-	5 000 000.00	100.00%	1 657.99	10,959.03
Ratusz Wilanów Spółka z o. o.	28.108.200.00	- 1.751.522.00	26 356 678.00	100.00%	-487.99	26,356.68
Szybka Kolej Miejska Spółka z o.o.	72.500.000.00	-	72 500 000.00	100,00%	3 580,39	82,222.98
TBS Mokotów Spółka z o.o.	11.514.000.00	-	11 514 000.00	100.00%	226.50	14,081.56
TBS Praga Południe Spółka z o.o.	50.845.000.00	-	50 845 000,00	100.00%	1 258.24	71,400.43
Technoport Warszawa S.A. (in liquidation)	123.398.550.00	-123.398.550.00	-	100.00%	-575.29	110,916.72
	3 220 777 150.00	-125 160 072.00	3 095 617 078.00			