Prospectus

CITY OF WARSAW

€1,300,000,000
Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), the City of Warsaw (the "**Issuer**", the "**City**" or "**Warsaw**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €1,300,000,000 (or the equivalent in other currencies).

Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. This Prospectus does not constitute a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC. References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued under the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market (or any other stock exchange).

An investment in Notes issued under this Programme involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and together with the temporary Global Note, the "**Global Notes**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Certificates will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series.

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Arrangers

BNP PARIBAS **DEUTSCHE BANK**

Dealers

BNP PARIBAS **DEUTSCHE BANK**

Dated 17 March 2009

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

This Prospectus constitutes a simplified base prospectus for the purposes of Chapter 2 of Part III of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the Law on Prospectuses for Securities).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (as defined in "*Overview of the Programme*"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arrangers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by an Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger and Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any such statement is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Prospectus or any such statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

In connection with the issue of any Tranche (as defined in "*Overview of the Programme – Method of Issue*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "dollars", "U.S. dollars, "U.S.$" and "$" are to the lawful currency of the United States, references to "£" and "Sterling" are to and the lawful currency of the United Kingdom, references to "złoty" or "PLN" are to Polish złoty and references to "€", "EUR" and "Euro" are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time.

As at 12 March 2009:

the EUR/PLN foreign exchange rate of the National Bank of Poland was PLN 4.6197 to EUR 1; and

the USD/PLN foreign exchange rate of the National Bank of Poland was PLN 3.6105 to USD 1.

This Prospectus contains forward-looking statements. Such statements, which are indicated by words or phrases such as "intend", "anticipate", "plan", "estimate", "project", "expects", "believes" or "currently envisions" and similar phrases are based on current expectations only, and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Included among the factors that could cause actual results to materially differ are those risks listed under the heading "*Risk Factors*" below. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited balance sheets of the Issuer for the financial years ended 31 December 2006 and 31 December 2007 together in each case with the audit report thereon which have been previously published or are published simultaneously with this Prospectus. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the office of the Issuer specified therein, the specified office of the Paying Agent in Luxembourg and the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

PROSPECTUS SUPPLEMENT

The Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations in respect of Notes issued under the Programme

Risks related to changes in the Polish taxation system

The Polish taxation system is subject to ongoing change and tax regulations are subject to frequent change. Changes in the Polish tax laws are additionally driven by the need to implement EU regulations. Such changes may not only lead to decreased tax rates, but may also involve new tax treatments of existing arrangements, or decrease the scope of taxation. The introduction of any such provisions may affect the overall tax receipts of the City. The City relies heavily upon tax receipts as part of its overall revenues and any action which leads to a decrease in revenues from taxation may have an impact, short-term or otherwise, on the overall financial condition of the Issuer. The City cannot offer any assurances that tax revenues will not decrease or that any such additional tax exposure will not significantly reduce its cash flow and profitability.

Risks related to the functioning of healthcare institutions funded by the City

The City is the founding entity of 31 healthcare institutions in Warsaw. Under the Act on Health Care Institutions of 1991, the healthcare institution's liabilities and claims become the liabilities and claims of its founding entity in the event that such institution becomes the subject of a liquidation order. As the triggering of liquidation or restructuring procedures can be highly political, it is often coupled with full or partial governmental indemnification, but there is a risk that the City, as the founding entity, will be obliged to satisfy claims under these guarantees. The City cannot provide any assurances that the liquidation or restructuring of healthcare institutions will not have an adverse effect on the City's current expenditures. It should be noted that in 1994, 1999 and 2007 the Polish Government indemnified most of the healthcare institutions' overdue liabilities. In order to implement restructuring procedures in the period 2003 to 2008 the City has given 14 guarantees for healthcare institutions with an aggregate potential liability of PLN 137 million. During the same period the City paid PLN 1.3 million under existing guarantees and to date has recovered PLN 0.2 million of the sums paid out. The City's current policy is to limit the amount of guarantees given for the healthcare institutions and to strictly monitor their financial situation.

Potential claims of the pre-war owners

In Poland, and especially in the public sector, there are potentially claims against and financial obligations owed to the owners of real property and their successors who suffered the loss of their ownership rights during the Second World War and the political changes which followed the conflict. The Government of Poland's intention is to resolve these problems through new legislation dealing with claims that can be brought against Polish cities. Such legislation may allow for financial claims to be brought against the Issuer.

Waiver of Sovereign Immunity

The Issuer has waived sovereign immunity to the fullest extent permitted by Polish law. However, a claimant may not be able to enforce a court judgment against specific assets of the Issuer, as the laws of the Republic of Poland exempt some assets from execution proceedings (for example, money granted by the State Treasury for special purposes by virtue of Art. 831 of the Polish Civil Procedure Code of 1964).

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waivers

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other counties). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required, save as provided in Condition 7 of the Notes, to maintain a Paying Agent, in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Polish Civil Code relating to the Rate of Interest on the Notes

According to the Polish Civil Code the maximum rate of interest on the Notes cannot be higher than four times the Lombard rate offered by the National Bank of Poland (the "**NBP**"). As at 11 March 2009, the Lombard rate amounted to 5.50 per cent. Under the Polish Civil Code the restriction applies regardless of whether the agreement is governed by Polish or English law. There is a risk that Polish courts may refuse to recognise and enforce a foreign judgement for the payment of interest on the basis that it abuses the basic principles of Polish law if the rate of interest is higher than the maximum rate.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer:	City of Warsaw
Description:	Euro Medium Term Note Programme
Size:	Up to €1,300,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers:	BNP Paribas Deutsche Bank AG, London Branch
Dealers:	BNP Paribas Deutsche Bank AG, London Branch The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" and include risks related to the changes in the Polish taxation system and risks related to the functioning of healthcare institutions funded by the City. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of a particular Series of Notes and certain market risks.
Fiscal Agent:	Citibank, N.A.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which

will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Zero Coupon Notes may not be issued with an Issue Price of less than 95 per cent. of its aggregate nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes: The Notes may be issued in bearer form only ("**Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in " – *Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for a common depositary on behalf of one or more clearing systems are referred to as "**Global Certificates**".

Clearing Systems: Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Initial Delivery of Notes: On or before the issue date for each Tranche, if the relevant Global Note is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such

	delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities:	Any maturity, subject to compliance with all relevant laws, regulations and directives.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000.
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Interest periods will be specified in the Relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will

	be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of Index Linked Interest Notes (as defined in "*Terms and Conditions of the Notes*") will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and the prospectus supplement.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Notes will constitute direct, unconditional and unsecured obligations of the Issuer all as described in "*Terms and Conditions of the Notes – Status*".
Negative Pledge:	See "*Terms and Conditions of the Notes – Negative Pledge*".
Cross Acceleration:	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings:	The Programme has been rated A2 (stable) by Moody's

	Investors Service, Inc. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "– *Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Withholding Tax:	Payments of principal and interest in respect of the Notes to non-residents of Poland will be made free and clear of withholding taxes of the Republic of Poland. Payments of interest (including the difference between the issue price and redemption price) in respect of the Notes to residents of Poland will be subject to withholding taxes imposed by the Republic of Poland. For further information, see – "*Taxation – Republic of Poland*".
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Redenomination, Renominalisation and/or **Consolidation**	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	The United States of America, the United Kingdom, the Republic of Poland and Japan. See "*Subscription and Sale*". Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act. The Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "**registration required**

obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the terms and conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 17 March 2009 between the Issuer, Citibank, N.A. as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 17 March 2009 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Exchange of Notes and Transfers of Registered Notes

(a) **Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured indebtedness and other monetary obligations of the Issuer, present and future.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not create, or have outstanding any Security Interest (other than a Permitted Security Interest), upon the whole or any part of the City Assets to secure any Relevant Indebtedness of the Issuer or any Relevant Entity, or any guarantee or indemnity of the Issuer in respect of any Relevant Indebtedness of the Issuer or any Relevant Entity without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

(i) "**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or the government of, any state and, for the avoidance of doubt, includes the legislature and administration of the Issuer;

(ii) "**City Assets**" means all of the assets which constitute the communal (municipal) property of the territorial community of the Issuer and in respect of which the Issuer and/or any Relevant Entity exercise(s) ownership rights, management rights or any similar rights, and all of the undertakings, assets, receivables, budget revenues and monetary funds of the Issuer and/or any Relevant Entity;

(iii) "**Permitted Security Interest**" means:

(a) any Security Interest existing on any property at the time of its acquisition; or

(b) any Security Interest upon any property to secure Relevant Indebtedness incurred for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or

(c) any Security Interest securing or providing for the payment of Relevant Indebtedness incurred in connection with any Project Financing provided that such Security Interest applies solely to (x) any property which is, or forms part of, the subject of such Project Financing or (y) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss, or failure to complete or damage to, any such property; or

(d) any Security Interest securing or providing for the payment of Relevant Indebtedness incurred in connection with the issue of Revenue Bonds by the Issuer; or

(e) any renewal or extension of any Security Interest described in sub-paragraphs (a)-(d) above, provided that the principal amount of the Relevant Indebtedness secured thereby is not increased;

(iv) "**Person**" means any individual, corporation, partnership, association, joint venture, joint-stock company, limited liability company, trust, unincorporated organisation or government or any Agency or political subdivision thereof;

(v) "**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the Persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project;

(vi) "**Relevant Entity**" means, with the exception of the Issuer itself, any executive, governing, administrative or other body, department, committee, commission, division, unit or entity of any kind of, operating under the authority of, or representing the Issuer or the territorial community of the Issuer;

(vii) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, with the agreement of the Issuer, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other internationally recognised securities market and (i) denominated in a currency other than the currency of the Republic of Poland or (ii) if the lawful currency of the Republic of Poland is changed to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time, and such indebtedness is denominated in such currency, in the case of either (i) or (ii), more than 50 per cent. of which is initially placed outside the Republic of Poland;

(viii) "**Revenue Bonds**" means revenue bonds (*obligacje przychodowe*) issued under the Polish Act on bonds dated 29 June 1995; and

(ix) "**Security Interest**" means any mortgage, charge, pledge, lien or other security interest (but excluding any lien arising by operation of law).

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless otherwise specified hereon, the Minimum Rate of Interest shall be zero.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and

Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30 and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30 and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30 and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date

"**Instalment Amount**" means the amount (if any) specified as such hereon

"**Instalment Date**" means the date (if any) specified as such hereon

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon

"**Reference Rate**" means the rate specified as such hereon

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption

Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Republic of Poland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or, in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of a Bearer Note) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) **Purchases:** The Issuer may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) **Cancellation:** All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation, in the case of a Bearer Note, by surrendering such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of a Registered Note, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender or, in the case of part payment of any sum endorsement of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. For the purpose of this Condition 7, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment of any sum endorsement, of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, one such city not being in the Republic of Poland, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) Unmatured Coupons and Receipts and unexchanged Talons:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than a Long Maturity Note), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Poland or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** presented by, or by a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of Poland other than the mere holding of the Note, Receipt or Coupon or

(b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or

(d) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest

Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") shall occur and be continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment:** default is made for more than 14 days in the payment on the due date of interest or principal, as the case may be, in respect of any of the Notes or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in respect of the Notes which default is incapable of remedy or is not remedied within 45 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder or

(c) **Cross-Acceleration:** (i) any other Existing Indebtedness or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity as extended by any grace period applicable thereto by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for moneys borrowed or raised, or (iv) if a moratorium on the payment of the indebtedness for moneys borrowed or raised of the Issuer is imposed or declared by it, provided that the amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred and which remain outstanding equals or exceeds in aggregate €50,000,000 (or its equivalent (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates)) or

(d) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and/or (iii) to make the Notes admissible in evidence in the courts of the Republic of Poland is not taken, fulfilled or done or

(e) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

For the purposes of this Condition 10, "**Existing Indebtedness**" means indebtedness incurred after 27 May 1990.

11 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to change the governing law of the Notes, or (viii) modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) **Modification:** The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders or

(ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law or

(iii) any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times) and so long as the Notes are listed on the Luxembourg Stock Exchange, published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Jurisdiction

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer irrevocably appoints Fleetside Legal Representatives Limited of One Bishops Square, London E1 6AD as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

(d) **Sovereign Immunity:** To the extent permitted by law, the Issuer hereby irrevocably and unconditionally waives and agrees not to raise with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (a) if principal in respect of any Notes is not paid when due or (b) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(d) will apply to the Definitive Notes only. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholder's Option

Any option of a Noteholder provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 17 March 2009 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

5 Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the relevant Global Note(s). While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for investment expenditure purposes not provided for within the budgeted revenues.

DESCRIPTION OF ISSUER

Introduction

The City of Warsaw (the "**City**" or "**Warsaw**") occupies an area of 517 square km. It constitutes 1.5 per cent. of the total area of the voivod (county) of Mazovia (the "**Mazovian Voivodship**") and 0.2 per cent. of the territory of the Republic of Poland ("**Poland**"). Green and residential areas account for approximately 28 per cent. of the City's territory, the areas occupied by the technical and service industries, approximately 18 per cent., and production and service functions approximately 5 per cent. The population density is 3,293 inhabitants per square km, which is among the highest in the country. The suburban districts are almost entirely without cultivated green areas with public access but large forest areas on the outskirts of the City compensate for this.

In accordance with the Act on the Organisation of the Capital City of 15 March 2002, the City is a municipality (*gmina*) with the powers of a county (*powiat*) (see "*Municipal Administration*" below). The City is divided into 18 autonomous districts (*dzielnice*): Bemowo, Białołęka, Bielany, Mokotów, Ochota, Praga Południe, Praga Północ, Rembertów, Śródmieście, Targówek, Ursus, Ursynów, Wawer, Wesoła, Wilanów, Włochy, Wola and Żoliborz.

History

In 1918 Poland regained its independence and Warsaw became the capital of the Second Republic. After only 21 years of independence, Poland was invaded by Germany. The City soon became the centre of the resistance, but also a major centre of clandestine cultural and academic life. After the defeat of the Warsaw Uprising in 1944, most of the population was expelled or deported to concentration camps. Some 650,000 people died and 84 per cent. of the urban fabric was destroyed. After the Second World War the City began its reconstruction.

The City's role in the national economy

Warsaw is the largest city in Poland and, in addition to the normal tasks entrusted to municipality and county governments, it carries out certain functions by virtue of its status as the national capital. It is the seat of the Parliament, the President of the Republic, the Council of Ministers and other governmental authorities, as well as diplomatic and consular representative offices. Warsaw is also an important location for the head offices of political parties, scientific and artistic associations, as well as churches and religious organisations.

Warsaw is the leading research centre of the country's scientific and technological communities. It is also home to the Polish Academy of Science, the majority of colleges, universities, research institutes and publishers of recognised scientific journals.

The City is the economic centre of the country and the largest market for goods, services and labour in the region. It has the highest salary levels and the lowest unemployment rate in Poland. It is also the seat of all major financial institutions, both national and international, including banks, insurance companies and other elements of the business community. Warsaw plays an important role in the Polish foreign trade in goods. It is also a huge market for goods and services produced in the entire country. Its large population, high income levels and good economic situation drive the spending of businesses and individuals on luxury goods, which generates wealth and creates jobs outside the City.

As the principal financial centre of Poland, Warsaw is the seat of key capital markets institutions (including the Warsaw Stock Exchange), as well as the head offices of nearly half of the largest Polish companies, foreign corporations and companies with foreign equity participation.

Warsaw plays a key role in the formation of social opinions and trends in Poland. The City hosts the seats of the major national media companies, including the editors of television and radio broadcasters, internet portals, newspapers and magazines and the largest publishing houses.

Warsaw carries out various metropolitan and administrative functions as the capital of Mazovian Voivodship. It is the principal manufacturing centre, the main centre of employment and a major transportation hub, as well as the main economic, scientific, educational and cultural centre of the region. The continuing development of Warsaw plays a key role in the process of growth and modernisation of the regional and national economy.

To avoid alienating the rest of the region, coherent development of the Warsaw metropolitan area and the surrounding region is required. The unique role of Warsaw in the Polish economy, as well as in the region of Mazovia, calls for the development of the City's transportation system to facilitate the flow of people and goods within, as well as to and from, the City. Also of key importance is the ease of access to Warsaw from other major European cities.

Warsaw's position amongst the most developed and fastest growing cities in Poland is confirmed by the rate of its GDP growth, which significantly exceeds the national average. From 2000 to 2006, Warsaw's per capita GDP increased from 271 per cent. to 308 per cent. of the national average. The GDP of Warsaw grew by an average of approximately 6 per cent. in 2000-2006 compared to 3 per cent. for Poland as a whole. In 2000, the total GDP generated within Warsaw accounted for approximately 12 per cent. of the national GDP of Poland, and in 2003 its share increased to 13 per cent. In 2007, the corresponding figure was estimated at approximately 13.3 per cent.

Collective labour productivity in Warsaw, measured by GDP generated per employee, is 182 per cent. of the national average. In industry, labour productivity is 155 per cent. of the average for Poland, and in services, approximately 190 per cent.

The economic structure of Warsaw differs markedly from the national structure. This is attributable to a number of factors including the metropolitan and capital functions of the City, the high degree of urbanisation, the relatively abundant supply of labour and the tendency among large corporations to establish their local headquarters in Warsaw.

Service industries represent the largest part of GDP generated in Warsaw, estimated at 75 per cent. of the total, compared to an average in the national economy of 50 per cent. In particular, financial services and real estate businesses support services, and trade and maintenance play a much greater role in Warsaw compared to other areas of the country.

Manufacturing industry is the second largest sector of the City's economy, generating approximately 12 per cent. of the City's GDP (compared with the national average of 24 per cent.). The construction industry contributes 5 per cent. of Warsaw's GDP (compared with the national average of 6 per cent.) and non-market services another 8 per cent. (compared with the national average of 16 per cent.).

The following tables show a breakdown of those entities operating in the City within (i) the public sector, and (ii) the private sector, as at 31 December 2007:

Public Sector

	as at 31 December 2007
	Market share
	(in per cent.)
Entity	
Commercial companies of the state treasury	1.3
Commercial companies of public sector entities[1]	5.3
State-owned enterprises	2.0
Others	91.4

[1] Such entities include universities and hospitals.

Private Sector

	as at 31 December 2007
	Market share
	(in per cent.)
Entity	
Commercial companies	21.4
Commercial companies with foreign capital	5.3
Co-operatives	0.5
Natural persons conducting economic activity	65.8
Others	7.0

Warsaw is successfully attracting potential investors due to the relatively well developed technical and transport infrastructure, as well as the availability of skilled labour. At the end of 2007 the number of business entities registered in the City was in excess of 313,000, approximately 50 per cent. of all those found in the Mazovian Voivodship. In the period 2001-2006 the number of companies located in Warsaw increased by 23 per cent. and the number of sole proprietor businesses by 20 per cent. The private sector dominated with 98.4 per cent. of the total.

The following table sets out the City's economy split by the number of businesses by sector, as at 31 December 2007:

	Year ended 31 December 2007	
	(No. of businesses)	*(as percentage of total business sector)*
Trade and repair	86,466[1]	27.6
Real estate, renting and business activities	82,678	26.4
Manufacture	27,526	8.8
Construction	25,718	8.2
Transport, storage and communication	25,680	8.2
Services	23,811	7.6
Financial intermediation	12,668	4.0
Health and social work	12,035	3.8
Education	7,918	2.5
Hotels and restaurants	6,967	2.2
Others	1,900	0.6
Total	313,367	100.0

Numerous Polish and foreign companies choose to establish their representative offices and branches in Warsaw. The City is now home to a number of Polish companies which feature in the "Top 500 Polish Companies" List (as ranked by income and profit in the "Rzeczpospolita" newspaper). The faster pace of development in Warsaw, as compared to the rest of the country, is attributed to two phenomena:

- the relative attractiveness of Warsaw as compared to other parts of Poland, which leads to higher investment levels; and
- structural changes leading to growth in Warsaw's GDP, which offer relatively high added-value per employee (particularly in some of the market services).

The role of Warsaw in the national economy can be illustrated by the comparison of the City's economy to other conurbations in Poland. The GDP per capita in Warsaw is nearly 40 per cent. higher than that of Poznań, nearly 80 per cent. higher than that of Krakow and double the level of other large Polish cities. As a result, the total GDP generated in Warsaw is 40 per cent. higher than for the entire Silesian conurbation with its much bigger population, and four and a half to five and a half times higher than that in other large cities in Poland.

Demographics

Population

Warsaw is the largest city in Poland with over 1.7 million inhabitants and, together with surrounding areas, forms a conurbation of approximately 3 million people accounting for approximately 7.5 per cent. of the national population. Warsaw's population has maintained a positive rate of growth since 2001, the only Polish city to do so.

The following table sets out population, division by gender and population density of the City in the period 2003-2008:

	As at 31 December					**As at 30 June**
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
			(thousands)			
Total population................	1,689.6	1,692.9	1,697.6	1,702.1	1,706.9	1,707.9
Of which are male	780.4	781.6	782.3	783.4	776.3	785.3
Of which are female	909.2	911.3	915.3	918.7	930.6	922.6
Population per km^2	3,266.8	3,273.2	3,282.3	3,290.9	3,800.3	8,802.3

The situation of the capital manifests itself in the continuing growth in the area of the City as well as in the size and density of the population, both of which are due to the high rates of migration (4.9 per cent. in 2005 as compared to 2 per cent. for the same period in Krakow, the second largest conurbation in Poland). The figures indicate that Warsaw is an attractive destination for migrants in the working age bracket.

Structure of Population

The following table sets out the volume of population and internal migration of the City across working age divisions in the period 2004-2006:

	As at 31 December							
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2005**	**2006**
	(Population thousands)			*(Internal migration thousands)*			*(per cent.)*	
Pre-working age.............	293.7	288.0	284.5	367.0	519.0	487.0	141.4	93.8
Working age	1,111.5	1,119.3	1,125.9	6,736.0	7,986.0	8,606.0	118.6	107.8
Post-working age...........	287.7	290.3	291.7	(844.0)	(634.0)	(814.0)	75.1	128.4

In 2006 Warsaw was second only to Vienna in terms of overall migration (internal and cross-border). Warsaw has the highest rate of internal migration among comparable European capitals.

The age demographic of Warsaw's population compares favourably to other European capitals, with a greater number of people entering into the working age bracket than Budapest, Prague or Vienna: the figures are comparable for people between 30 and 64 years of age. The population below age 14, as well as in the retirement age bracket, is however, relatively small.

The following table sets out the populations, population densities and size of Warsaw and similar Central and Eastern Europe capital cities as at 31 December 2006:

	Warsaw	Budapest	Vienna	Prague	Bratislava
			(thousands)		
Area in km^2	517.2	525.1	419.9	496.1	367.6
Population	1,702.1	1,696.1	1,664.1	1,188.1	426.1
Population per km^2	3.4	3.2	4.0	2.4	1.2
Population by age			*per cent.*		
0-14	11.8	12.4	14.5	12.2	12.0
15-24	12.1	10.9	11.8	11.7	13.9
25-29	9.3	8.9	7.4	8.9	9.5
30-49	28.3	27.9	32.1	29.1	29.9
50-64	21.3	21.6	18.0	22.5	21.9
65-69	4.6	5.1	5.3	4.3	3.8
70-79	8.7	8.3	6.1	7.2	6.0
80 years and more	3.9	4.9	4.8	4.1	3.0

Municipal Administration

Relationship between Central and Local Government

The relationship between central and local government is governed by the Constitution of the Republic of Poland (the "**Constitution**"), which provides for the monitoring of the operations of local government for compliance with legal requirements. The bodies responsible for this supervision are the Prime Minister and the Voivodship Governors, and, in respect of financial audits, the Regional Courts of Auditors. On a motion by the Prime Minister, the Parliament may dissolve a local government's legislative body should it grossly violate the provisions of the Constitution or other applicable statutory regulations.

The City is a municipality with the powers of a county, sub-divided into districts. The functions of municipality and county authorities are exercised by the City Council and the President of Warsaw. The City carries out public tasks in its own name and on its own account. It has ownership rights to municipal property and may dispose of, and otherwise deal with it, and enter into any legal transactions within applicable legal constraints.

The municipal administration of Warsaw has a two-tier structure. At the city level it is governed by the City Council and the President of Warsaw, both directly elected. The City is sub-divided into districts that operate as independent entities with their own authorities, being councils and administrative boards led by a mayor.

As a municipality, with the powers of a county, the City is authorised to carry out those matters reserved for municipalities according to the Law on Municipality Self Government, dated 8 March 1990 (Journal of Laws 1996 No. 13, item 74), matters pertinent to the responsibilities of a county according to the Law on County Self Government, dated 5 June 1998 (Journal of Laws No. 91, item 576), as well as the Law on Commune Local Government, dated March 2000 (Journal of Laws No. 142, item 1591), and the Law on Revenues of Local Self-Government Entities, dated 13 November 2003 (Journal of Laws No. 203, item 1966) and matters delegated to the Capital City of Warsaw under the Law on the Political Organisation of the Capital City of Warsaw, dated 15 March 2002 (Journal of Laws No. 41, Item 361).

As a borough, the City is responsible for those matters of public importance in Warsaw which are not reserved for other entities by legislation. Such matters include real estate management, maintenance of roads, bridges and recreational areas, water and sewage systems, the supply of energy and the maintenance of public transport.

As a county, the City carries out certain tasks described in the Law on County Self-Government relating to education, public healthcare and general welfare.

The tasks delegated to the City's central administration by virtue of the status of Warsaw as the Polish capital are particularly important and require the City to ensure that the necessary conditions prevail for the proper functioning of national authorities and central government, foreign embassies, consulates and international organisations, as well as the operation of the public infrastructure and facilities necessary for a capital city.

The organisation of the City's administrative structure is described in the Statute of the Capital City of Warsaw adopted in 2008 (the "**Warsaw Statute**"), and replaced the temporary statute. This statute defines in detail the division of responsibilities and the interaction between individual agencies of the City and the district authorities, and sets out the scope and principles applicable to the activities of the City, its agencies and districts.

Institutions and their responsibilities

The City is sub-divided into independent administrative districts (*dzielnice*), of which there are 18, each with its own district council. The district council is the legislative and controlling body of a district and the district board, led by a mayor, is the executive body. The district council representatives are elected at the same time as the central municipal council representatives. Elections must comply with the Act of 16 July 1998 on Municipal, County and Regional Council Elections.

There are sixteen Regional Accounting Chambers (*Regionalne Izby Obrachunkowe*), which are responsible for local government budget controls under the supervision of the Ministry of Interior. Draft local budgets are prepared in October, when the Ministry of Finance informs local governments of the grants they will receive, and are finalised in March. The budget must be submitted to the relevant Regional Accounting Chamber for comments, and is published the following month, subject to approval. If approval is withheld, the budget must be modified to take account of the relevant Regional Accounting Chamber's comments.

The Supreme Chamber of Control (*Najwyższa Izba Kontroli*) only intervenes in exceptional local government budget control cases. The Constitution states that the Supreme Chamber of Control can control the legality of the activities, good management and probity of local government and other entities reporting to it. It is under the House of Deputies' (*Sejm*) supervision and is independent from the Regional Accounting Chamber.

The council of the City (the "**Council**") has set up an audit commission which operates under the rules of the municipality charter and is composed of municipal councillors (excluding the mayor and his deputies). It controls the municipal budget implementation and advises the Council which decides, on the basis of that advice, whether to give approval to the mayor. The decision must be approved by the Regional Accounting Chamber.

The President

The executive head of the City is the President of Warsaw, who is elected for a four year term. The President is specifically responsible for: the preparation of draft resolutions to be adopted by the Council and defining the method of their implementation; the management of municipal property; budget execution; ensuring proper financial management; and hiring and dismissing managers of organisational units of the City. In addition, the President acts as the supervisor of certain services, inspectorates and the municipal police (*Straż Miejska*) operating in the City.

The current President of Warsaw, elected for the 2006-2010 term, is Hanna Gronkiewicz-Waltz. As the President, Ms. Gronkiewicz-Waltz exercises direct supervision over the activities of her cabinet, promotion of the City, culture, public safety and emergency management, and the Registry Office.

Ms. Gronkiewicz-Waltz’s Deputies are:

Jacek Wojciechowicz;

Andrzej Jakubiak;

Włodzimierz Paszyński;

Jarosław Kochaniak; Jerzy Miller (2006-2007)

Jarosław Maćkowiak; Adam Leszkiewicz (2006-2007) (Secretary); and

Mirosław Czekaj (Treasurer).

Each Deputy has a specific remit. Of particular importance are: Deputy President Jarosław Kochaniak who exercises supervision over the use of EU funds, investor support services, owner’s supervision policy with respect to subsidiary companies, healthcare policy and environmental protection and the Treasurer of Warsaw, Mirosław Czekaj, who is responsible for the budget of the capital. His responsibilities pertain to financial policy, budget accounting and planning, and financial management, as well as debt policy.

The Treasurer is responsible for the final validation of any decision with budgetary implications by virtue of a power of countersignature. The countersignature provides the Treasurer with the power to veto any erroneous decisions or unreasonable spending. Each year the Treasurer is scrutinised by an independent, external auditor who assesses the accuracy of financial documentation and reporting. The review by an external auditor confirms reasonable budget management and the financial condition of the City. The external auditor is selected in the public tender every financial year. The 2007 statements were audited by ECO-BILANS Ltd - External Auditors Office.

The Council

The Council is the legislative and controlling authority of the City and is composed of sixty members, each elected for a four year term. The current term runs from 2006 to 2010. The councillors are under a duty to have regard to the interests of the community, maintain regular contact with the inhabitants and their organisations, and, in particular, consider representations made by the inhabitants and present them to municipal authorities where appropriate.

The current political parties represented on the Council are as follows:

	Deputies	Percentage
Citizens Platform	27	45
Law and Justice	22	37
Democratic and Left	11	18

The chairperson of the Council for the term 2006-2010 is Ewa Malinowska-Grupińska (between November 2006 and June 2007 this position was held by Lech Jaworski).

The members of the Council work in committees to supervise the execution of specific tasks by the City. For the current term the following committees of the Council have been appointed: Audit Committee; Budget and Finance Committee; Public Safety and Order Committee Education and Family Committee; Ethics

Committee; Inventory Committee; Culture and City Promotion Committee; Spatial Order Committee; Environmental Committee; Social Policy and Pathology Counteraction Committee; Infrastructure and Investments Committee; Economic Development Policy Committee; Local Government and Economic Development Committee; Sports and Recreation Committee; Statute and Regulatory Committee; Health Committee; and temporary Committees in charge of Tourism Development and Euro 2012.

The tasks of the Council include in particular: adoption of the draft statutes of the City and, upon consultation with the Prime Minister, adoption of the finalised statute; appointment and dismissal, upon a motion by the President, of the Treasurer and Secretary; adoption of the budget; review of the budget implementation report; acknowledging the discharge of duties by the President; adoption of local development plans and adoption of resolutions concerning assets that exceed the scope of ordinary management.

Administrative Districts

The implementation of the Law on the Political Organisation of the Capital City of Warsaw and the temporary Statute of the City of Warsaw on 27 October 2002, led to a reorganisation of the City's administrative structure into that of a municipality with the powers of a county, subdivided into 18 autonomous districts. The temporary Statute defined in detail the division of responsibilities and the interactions between the central administration of the City and the district authorities, as well as setting out the scope and principles applicable to the activities of the City, its agencies and districts.

Warsaw's districts assumed responsibility for many activities previously within the remit of the City's central authorities. The districts make decisions regarding activities in their respective spheres of influence based on targets set by the Council. A district is responsible for local affairs, such as the maintenance and operation of the municipality's housing, education, cultural and social welfare, to the extent regulated by the Warsaw Statute and other Council resolutions. The provision of healthcare, the maintenance of green areas, local roads and administrative facilities, as well as the supervision of subordinate administrative units to the extent regulated by the Warsaw Statute and other Council regulations are also matters for the districts.

Employment

The labour market in Warsaw is driven by the growth of salaries and ease of access to information about job opportunities, as well as the low rate of unemployment. The availability of skilled workers is another factor making the labour market in Warsaw favourable for investors.

The official unemployment rate in the City in June 2008 was 2.3 per cent. (3.8 per cent. in June 2007), while the average in Mazovian Voivodship was 7.8 per cent. and 9.6 per cent. for Poland as a whole.

It is the national academic hub with nearly 100 research institutions, as well as 15 public high schools and universities. 25 per cent. of Warsaw's population is university educated, as against an average of approximately 20 per cent. in other Polish cities. The indicators for high-school education are also the highest in the country.

As a sector, market services represents the largest employer in Warsaw. This sector primarily includes: real estate and business services, and commerce and support services, which together account for almost one third of all employees. Other major services in the market services sector include transport, telecommunications and financial services which account for 17 per cent. of the workforce.

In the business sector, a number of large corporations with more than 1,000 employees are based in Warsaw. In particular, these include the head offices of nearly all of the largest Polish banks and financial institutions, network infrastructure operators, retail chains, distribution networks, public utility providers, and, in the industrial sector, energy companies.

The public to private sector employment ratio is largely attributable to Warsaw's role as the Polish capital.

The following table sets out the employment structure of the major cities of Poland as at 31 December 2006:

	As at 31 December 2006			
	Warsaw	**Krakow**	**Poznan**	**Wroclaw**
	(thousands)			
Enterprise sector employees	867.5	174.6	145.3	135.0
Per 1,000 population	446.2	403.0	397.7	312.5
Public sector	302.3	21.2	21.0	14.8
Private sector	565.2	153.4	124.3	120.2
Average monthly gross salaries in enterprise sector (in PLN)	3,553.4	2,606.24	2,863.9	2,580.6
Unemployment rate (in per cent.)	4.6	5.5	4.9	8.1

The following table sets out (i) the number of employed persons residing in the City and (ii) the number of persons employed by the City:

	As at 31 December				
	2003	**2004**	**2005**	**2006**	**2007**
	(thousands)				
Employed persons in City	829.2	834.4	851.9	867.5	941.0
City employees	5.25	5.32	5.50	5.80	6.36

As at 31 December 2007, the City employed 6,364 employees, which represents 0.7 per cent. of employees in Warsaw.

City employees have the option of trade union representation: Intercollegiate Trade Union nr 2477 “Solidarity” (*Międzyzakładowa Organizacja Związkowa Nr 2477 NSZZ “Solidarność”*), Trade Union of Local Governments Workers (*Warszawski Związek Zawodowy Pracowników Samorządowych*), Trade Union of OPZZ “Work Confederation” (*Organizacja Zakładowa Nr 07-052 OPZZ “Konfederacja Pracy”*) and Trade Union “August 80” in City of Warsaw (*Komisja Międzyzakładowa WZZ “Sierpień 80” w Urzędzie m. st. Warszawy*).

Activities of the City

Under Polish law the City, as a primary municipality, is a legally independent entity with specific administrative responsibilities and fiscal powers including the right to levy taxes and charges. The City is responsible for the provision of the following services: healthcare and social services including care for the elderly, water supplies, sewage works, refuse collection and disposal, education (up to university level), road construction, public transport and maintenance, housing and real estate development, public safety, culture and protection of national heritage, parks and sport, town planning and the municipal economy. At present, Warsaw attaches considerable importance to cultural pursuits and over 100 theatre and music initiatives are receiving subsidies.

The City’s activities are divided into:

- those financed out of local taxation such as social services, education, public transport, environment and culture, and town planning, which are conducted through divisions of the City administration; and

- those covered by charges, such as the provision of district heating, water supplies, sewage works and housing and real estate development which are generally conducted through wholly-owned limited liability companies.

President Gronkiewicz-Waltz set the following priorities for the current term:

- simple and effective governance – the streamlining of the administration of the City was partially achieved by the adoption of the Warsaw Statute in 2008;

- entrepreneurialism – development of small and medium-sized enterprises within Warsaw to maximise the potential of the Warsaw metropolitan area. Co-operation of the districts within the metropolitan area will lead to the establishment of industrial zones located further from the city centre, which offer lower costs and good communications. A range of measures will be used to create a favourable climate for business growth, ranging from tax incentives and the sale of commercial premises, to the development of business information systems and solutions to improve relations between the local government and entrepreneurs. To prevent long term structural unemployment in the City's labour market, measures will be introduced to re-educate the unemployed and to offer flexible youth education programmes, among other things;

- modern economy – making use of the intellectual and educational potential in Warsaw through the transformation of Warsaw into a centre of scientific and technological development in Central and Eastern Europe;

- acceleration of municipal investments – the strategic financial objective of the City is to maximise the funds allocated to investments. The Long-term Investment Plan (the "**Investment Plan**") for the years 2008-2012 prioritises long-term investment projects focusing on general infrastructure with particular emphasis on transportation, communications, environmental protection and public utilities;

- safety – the level of crime in Warsaw is relatively low but spending on public safety per capita is almost double that of other major cities; and

- quality of life – the standards of living in Warsaw are positively perceived. An identified area of concern is the environment, but the City is good by comparison to other Polish cities as regards the access to high quality education and healthcare, as well as security.

The goal of the City's development strategy is to make Warsaw a modern, dynamic metropolis with a hi-tech economy, at the financial centre of Central and Eastern Europe whilst also offering a high quality of living combining culture with well-organised public space. This vision for the future of Warsaw will be implemented through defined strategic objectives formulated as specific operational goals implemented as sector-specific programmes.

Organisations and Companies established by the City

The central administration of the City consists of the following organisational units: the Municipality Office of Warsaw, budgetary units, budgetary enterprises and the auxiliary enterprises of the municipality.

The basic organisational units of the Municipality Office include:

- offices (currently 36) whose jurisdiction extends to the whole of the City;

- the Registry of Warsaw, also with jurisdiction over the entire City; and

- departments, each with jurisdiction over an individual District.

Some municipal tasks are carried out by the City through independent legal entities, including: commercial companies, municipal enterprises, cultural institutions and healthcare centres.

At the end of 2007, the organisational structure of the City consisted of the following:

- 982 budgetary units which have no legal personality and are funded directly from the City's budget. This grouping includes: educational organisational units and centres, and administrators of the housing resources of Warsaw (115 have City-wide jurisdiction);
- 52 budgetary enterprises which have no legal personality and cover the costs of their activities from internally generated revenues. They may receive product subsidies from the budget. They settle accounts with the budget by contributing any surplus in current assets. This grouping includes: educational institutions and sports and recreation centres (44 have City-wide jurisdiction); and
- 2 auxiliary enterprises which have no legal personality. These may be established by budgetary units as a part of their core activities or for an auxiliary activity. They fund their operating expenses with internally generated revenues (including the Support Centre of the Warsaw Municipality Office).

The budgetary units with jurisdiction over specific districts operate in the areas of education, sports and recreation, welfare and housing administration. The City-wide units include: the City Development Board, the Municipal Roads Board, the Municipal Transport Board, the Municipal Police, the Labour Office of Warsaw, the Property Administration Board of Warsaw and the State Treasury.

The budgetary enterprises operate mainly in the fields of education, sports and recreation, and real estate administration. The largest of those with city-wide jurisdiction include: the Municipal Cemeteries Administration and the Road Repairs and Maintenance Company.

Additionally, some municipal tasks are carried out by the City through independent legal entities, including: commercial companies, municipal enterprises, cultural institutions and healthcare centres.

As at 31 December 2007, the City had 30 wholly-owned subsidiaries, and was a shareholder in a further 19 companies; it is also the founding entity of 5 municipal companies, and the organiser of 18 municipal theatres, an entertainment agency "Stołeczna Estrada", 4 museums, 46 other institutions of culture (libraries, cultural centres) and 31 healthcare institutions, including 10 hospitals.

The following table sets out companies established by the City, the number of shares therein owned by the City and the City's ownership interest as at 31 December 2007:

Companies established by the City	**Activity**	**Number of shares held by the City**	**Ownership interest of the City**
		(PLN thousands)	*(%)*
Administracja Domów Wspólnot Mieszkaniowych „Włochy" sp. z o.o.	Management of real estate	356.50	100.00
Miejskie Przedsiębiorstwo Oczyszczania w m.st. Warszawie sp. z o.o.	Waste disposal	109	100.00
Miejskie Przedsiębiorstwo Robót Ogrodniczych sp. z o.o.	Maintenance of green areas	7	100.00
Miejskie Przedsiębiorstwo Taksówkowe sp. z o.o.	Taxi transport	5	100.00
Miejskie Przedsiębiorstwo Usług Komunalnych sp. z o.o.	Funeral services	2,3	100.00

Companies established by the City	Activity	Number of shares held by the City	Ownership interest of the City
Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie S.A.	Waste water and public utilities	1,422,532.3	100.00
Miejskie Zakłady Autobusowe sp. z o.o.	Bus transport	430,565	100.00
Przedsiębiorstwo Gospodarki Maszynami Budownictwa "Warszawa" sp. z o.o.	Construction services	5	100.00
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe "Zaplecze" sp. z o.o.	Construction services	13,329.5	100.00
Przedsiębiorstwo Robót Elewacyjnych Budownictwa "Warszawa" sp. z o.o.	Construction services	100	100.00
Przedsiębiorstwo Robót Inżynieryjnych Budownictwa Warszawa sp. z o.o.	Construction services	16,98	100.00
Ratusz Wilanów sp. z o.o. w upadłości	Construction of building	29,711	100.00
Stołeczne Przedsiębiorstwo Energetyki Cieplnej S.A.	Heating supply	718,825.1	100.00
Stołeczne Przedsiębiorstwo Usług Plastycznych i Wystaw Artystycznych "WAREXPO" sp. z o.o.	Advertising materials, media vehicle services	500	100.00
Szybka Kolej Miejska sp. z o.o.	Railway transport	72,5	100.00
TechnoPort Warszawa S.A.	Construction of techno-park, management of real estate	123,398.55	100.00
Towarzystwo Budownictwa Społecznego Bemowo sp. z o.o.	Construction and lease of housing apartments	38,914	100.00
Towarzystwo Budownictwa Społecznego Mokotów sp. z o.o.	Construction and lease of housing apartments	11,514	100.00
Towarzystwo Budownictwa Społecznego Praga Południe sp. z o.o.	Construction and lease of housing apartments	39,278	100.00
Towarzystwo Budownictwa Społecznego Praga Północ sp. z o.o.	Construction and lease of housing apartments	12,595	100.00
Budowa i Zarząd Stadionu Piłkarskiego sp. z o.o. w likwidacji	Construction and management of sport building	1,851	100.00
TBS Wawer sp. z o.o.	Construction and lease of housing apartments	5,561.6	100.00
Tramwaje Warszawskie sp. z o.o.	Tram transport	467,275	100.00
Trasa Świętokrzyska sp. z o.o.	Construction and management of expressway	62,851	100.00
Wola Sport sp. z o.o.	Construction and management of sport building	6,435.5	100.00
Zarząd Pałacu Kultury i Nauki sp. z o.o.	Management of real estate	3,3	100.00
Gminna Gospodarka Komunalna Ochota sp. z o.o.	Management of real estate	494.25	100.00
Gościniec-Mazowsze sp. z o.o.	Hotel and catering	2	100.00
Komunalne Domy Handlowe sp. z o.o. (w zawieszeniu)	Trade	10	100.00
SEDECO sp. z o.o.	Construction of building	20,085	99.87

Companies established by the City	Activity	Number of shares held by the City	Ownership interest of the City
Królewski Port Żerań sp. z o.o. w likwidacji	Construction and management of harbour	7,265	93.85
Eco-Partners sp. z o.o.	Waste utilisation	1,8	75.00
Przedsiębiorstwo Eksploatacji Budynków "POSESJA" sp. z o.o.	Building services	55.62	49.00
* BEWAREX sp. z o.o. w upadłości	Construction	4.12	49.00
Rondo Wasa sp. z o.o.	Construction of building city hall	28,108.2	48.78
Łubna II sp. z o.o. w likwidacji	Waste utilisation	2	33.00
Mazowiecki Fundusz Poręczeń Kredytowych sp. z o.o.	Credit and loan guarantee for medium business	8	30.05
* Zakłady Przemysłu Ciągnikowego URSUS S.A. w upadłości	Production of tractors	5,294	3.12
* Strefa Ekonomiczna Lotniska Okęcie sp. z o.o. w likwidacji	Economic free-zone	798	24.70
Złote Tarasy sp. z o.o.	Management of real estate	57,157	23.15
* TOWING sp. z o.o.	Towage and parking services	437	23.00
Agencja Inwestycyjna CORP - S.A.	Management of real estate	50.05	10.00
Towarzystwo Budownictwa Społecznego STOLICA sp. z o.o.	Construction and lease of housing apartments	5	10.00
* POL-MOT Holding S.A.	Production of motor transport	11.5	0.83
Miejskie Przedsiębiorstwo Robót Wodociągowych i Kanalizacyjnych sp. z o.o.	Water supply and sewerage repair services	12.05	0.38
Hotele Warszawskie Syrena sp. z o.o.	Hotel and catering	2.45	0.05
Kupieckie Domy Towarowe sp. z o.o.	Lease of housing premises	4	0.03
* Zakłady Mięsne "PEKPOL Ostrołęka" S.A.	Meat processing	3.08	0.01

* Acquisition of shares by the City after administrative re-organisation of the City in 2002.

Municipal Enterprises

A large proportion of the City's commercial activities are conducted through wholly- or partly-owned limited liability companies, which are independent legal and economic units. The exercise of authority or other statutory administration of local government matters may not be delegated as a rule to a City-owned company. The objects of the companies, as stated in their respective articles of association, must remain within the limits of local government competence, which is to be concerned with local government matters for the benefit of the citizens of Warsaw. In the case of companies which also engage in commercial operations, their activities must not be speculative or favour any individual citizen or group of citizens.

Among the main City-owned enterprises are:

- Municipal Water Supply and Waste Water Company J.S.C – a multi-plant enterprise wholly-owned by the City, the main tasks of which are the maintenance and provision of water supplies and sanitation services;

- Warsaw District Heating J.S.C – a joint stock company wholly-owned by the City, the main task of which is to provide heat and hot water to the private homes and enterprises of Warsaw;
- Warsaw Tramways Ltd. – a limited company wholly-owned by the City, founded to conduct tram transport in Warsaw;
- Warsaw Metro Ltd. – a limited company wholly-owned by the City, the main tasks of which are to provide transport services and investment for the construction of the first metro line;
- Municipal Bus Company Ltd. – a limited company wholly-owned by the City, the main task of which is to operate bus transport in Warsaw. The company purchases new means of transport, repairs and maintains the old ones and constructs and modernises the bus depots;
- Municipal Sanitation Company Ltd. – a limited company wholly-owned by the City, the main task of which is the cleaning of the voivod and municipal roads (including Warsaw's pavements), especially in winter time. It is also responsible for the maintenance and cultivation of plants and green areas within the City; and
- Złote Tarasy – a joint venture between the City and ING Real Estate for the construction of a commercial centre in the vicinity of the central railway station, with total construction costs of over EUR 400 million.

Key aspects of the Municipal Economy

Warsaw has a growing economy with low unemployment – at 2.3 per cent. it is the lowest in Poland. It offers an attractive business environment with a full range of modern business services and well-trained professionals familiar with western standards. It is the financial centre of Eastern Europe and an important consumer market. It has become the focal point of foreign investments and a driving force in the development of the entire country's economy.

Warsaw has the largest percentage of companies with foreign capital registered. Over 30 per cent. of the foreign companies in Poland are located in Warsaw. The majority of these (44 per cent.) are active in retail, 23 per cent. in banking and finance with other services for business development, and 12 per cent. in manufacturing. One advantage of Warsaw is its labour market: 25 per cent. of Warsaw's population are university educated.

The service sector is the most important economic sector in Warsaw, employing over 70 per cent. of the total working population, together with retail. The biggest growth in recent years has been in banking and finance. Warsaw has become an important financial centre in Eastern Europe and private financial institutions are concentrated in Warsaw. The Warsaw Stock Exchange is attractive to overseas investors, as shown by the fact that 25 per cent. of its total transactions involve foreign capital.

Warsaw plans to compete vigorously with other Central and Eastern Europe ("**CEE**") cities for such leadership, specifically with Prague, Budapest and Vienna. According to the survey by the European Cities Monitor, out of 500 interviewed international companies, 44 plan to develop their business in Warsaw in comparison to 38 companies in Prague, 31 in Budapest and 10 in Vienna.

Warsaw has a high concentration of skilled individuals, which is one of the key reasons for its attractiveness to investors and growth prospects. Warsaw is capable of attracting educated employees from the neighbouring areas of the Mazovian Voivodship, as well as from other Polish cities. Both migration and commuting are factors at play. Availability of human resource is directly related to the demographic structure and compared to some Western European cities, the present population of Warsaw is relatively young. Almost two thirds of the population is of working age. This fact, combined with high income levels has contributed to a good economic situation. Warsaw is considered to be in the best situation in this respect among major Polish cities and comparable to other competing cities in the Central Europe. 25 per cent. of people have a university degree (according to international classification it is International Standard Classification of Education of UNESCO ("**ISCED**") level 5-6), and nearly 47 per cent. have a high school degree (ISCED level 3-4). A similar percentage of individuals with a university degree can be found in Berlin and Bratislava, while in Budapest and Prague it is lower, at 17-18 per cent.

Adequate technical infrastructure and housing resources in the City are fundamental factors that contribute to the development opportunities of Warsaw. A high standard of infrastructure is a pre-condition for the efficient functioning of economy and investment attractiveness of the City. Through an intensive process of investing in Warsaw's infrastructure, the City plans to develop and modernise this infrastructure.

Investment Programmes

In 2003 the Council adopted guidelines for the Investment Plan, which will be reviewed annually and adopted in the form of successive programmes by virtue of resolutions of the Council.

The Investment Plan consists of a number of programmes. Each programme includes a list of investments in all areas of the City's operations, implemented by its organisational structures and other legal entities such as municipal companies, which invest in municipal infrastructure and are financed or co-financed from the City budget.

The latest version of the programme covers a planning period of five years and is a continuation of the strategy of the City's activities. The programme presents investment plans for the period to 2012 and provides information on how investment is to be financed. This includes proposals for financing to come from the resources of the City budget as implemented from each municipal companies' own resources.

Regardless, however, of the resources to finance the City's investment plans, the aim is to benefit the entire City, to contribute to the development of its individual regions, improve services for citizens and guarantee better conditions for education, healthcare, leisure and entertainment.

A focus of the current programme is the development of the City's individual regions, which will be implemented by the districts themselves. Different investment proportions have been determined for supra-regional objectives.

Characteristic of these objectives is their breadth, the long investment cycle and cost-intensive effects. In this field expenses have been allocated as follows: 75 per cent. to be applied to existing investments and 25 per cent. to new investments.

The following tables set out the proposed volume and structure of funds within the current programme for 2008-2012:

Name of Programme	**Foreseen expenditure for investments until 2012**	**Realised in 2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total in years 2008 - 2012**	**Foreseen expenditure for investments after 2012**
					(PLN thousands)				
Road Infrastructure Development........	10,899,579	2,132,601	948,994	1,422,252	1,320,586	1,191,090	1,140,042	6,022,964	2,744,014
Public Transport Development	12,497,504	753,993	479,128	524,438	903,987	1,355,000	1,013,064	4,275,617	7,467,894
Environmental Protection and Municipal Services................	218,624	69,345	30,019	19,908	55,019	41,500	2,833	149,279	0
Public Safety Improvement........	279,071	6,911	24,795	34,600	26,992	39,954	31,500	157,841	114,319
Sports and Recreation............	840,519	65,777	232,914,	243,139	184,639	28,895	23,370	712,957	61,785
Social Welfare	298,284	31,818	46,420	57,723	58,707	20,503	26,227	209,580	56,886
Development for Institutions of Culture	977,703	42,481	143,541	256,852	243,696	55,852	229,604	929,545	5,677
Housing Construction & Real Estate Management	787,825	103,082	140,193	145,835	126,293	127,667	81,005	620,993	63,750
Public Administration Efficiency Improvement........	989,018	81,196	193,316	257,858	207,737	12,200	47,700	718,811	189,011
Educational Infrastructure Development........	1,277,507	128,811	276,882	245,440	175,203	114,909	102,341	914,775	233,921
Healthcare...............	1,115,932	190,717	138,804	234,894	130,357	50,000	40,050	594,105	331,110
Urban Greenery	317,533	45,163	59,528	58,654	41,328	22,010	29,500	211,020	61,350
Reserves..................	135,310	0	135,310	0	0	0	0	135,310	0
Total.......................	30,634,409	3,651,895	2,849,844	3,501,593	3,474,544	3,059,580	2,767,236	15,652,797	11,329,717

Name of Programme	Foreseen expenditure for investments until 2012	Realised in 2007	2008	2009	2010	2011	2012	Total in years 2008 - 2012	Foreseen expenditure for investments after 2012
					(per cent.)				
Road Infrastructure Development	35.6	58.4	33.3	40.6	38.0	38.9	41.2	38.5	24.2
Public Transport Development	40.8	20.6	16.8	15.0	26.0	44.3	36.6	27.3	65.9
Environmental Protection and Municipal Services	0.7	1.9	1.1	0.6	1.6	1.4	0.1	1.0	0.0
Public Safety Improvement	0.9	0.2	0.9	1.0	0.8	1.3	1.1	1.0	1.0
Sports and Recreation	2.7	1.8	8.2	6.9	5.3	0.9	0.8	4.6	0.5
Social Welfare	1.0	0.9	1.6	1.6	1.7	0.7	0.9	1.3	0.5
Development for Institutions of Culture	3.2	1.2	5.0	7.3	7.0	1.8	8.3	5.9	0.1
Housing Construction and Real Estate Management	2.6	2.8	4.9	4.2	3.6	4.2	2.9	4.0	0.6
Public Administration Efficiency Improvement	3.2	2.2	6.8	7.4	6.0	0.4	1.7	4.6	1.7
Educational Infrastructure Development	4.2	3.5	9.7	7.0	5.0	3.8	3.7	5.8	2.1
Healthcare	3.6	5.2	4.9	6.7	3.8	1.6	1.4	3.8	2.9
Urban Greenery	1.0	1.2	2.1	1.7	1.2	0.7	1.1	1.3	0.5
Reserves	0.4	0.0	4.7	0.0	0.0	0.0	0.0	0.9	0.0
Total	100.0	11.9	9.3	11.4	11.3	10.0	9.0	51.1	37.0

Most projects in which the municipal companies invest their own resources are for the improvement of the condition and operation of technical infrastructure in the territory of individual districts. These involve the development of the communications system, water-supply network and sewage system, as well as the heating network. They are of great significance for the improvement of current conditions and the further development of individual districts, and ultimately also of the entire City.

In the current programme, apart from investments in technical and social infrastructure, there are also plans aimed at improving the aesthetics of the City by creating attractive sites for recreation and leisure.

In light of changes in the markets, it is anticipated that delays in implementation of the plans will occur, especially those connected with construction and extension of infrastructure.

The current programme provides information on the planned investment projects until 2012 in all relevant areas to be funded from the budget of Warsaw, or co-funded from other alternative sources e.g. EU funds. The planned tasks have been specified in physical and financial terms. The overall amount allocated to investments in the period 2008-2012 is PLN 15,652,797,000 which represents an average annual spend of PLN 3,130,559,400. In aggregate, 1,199 projects are expected to obtain financing in the period 2008-2012.

The share of expenditure on City-wide and district-related projects varies depending on the programme. Expenditure on City-wide investments are contained in the following programmes: development of roads and public transport, efficiency improvement in public administration, healthcare, welfare, sports and recreation. These projects are characterised by a complex and extensive programme, long implementation times and high costs required to achieve the expected impacts. Such investments, despite their general nature, provide benefits to all citizens of, and visitors to, Warsaw. Investment projects such as housing construction and real estate management and development of educational infrastructure will be chiefly implemented by the individual districts of Warsaw. District investments, despite forming a larger number in the total number of projects included in the budget, require less financial commitment due to their physical scope, shorter implementation time and lower capital intensity.

The amounts appropriated for the projects included in these programmes are set out in the table on pages 62 to 63.

Road Infrastructure Development Programme

The amount appropriated for the projects included in this programme for the period 2008 to 2012 is PLN 6,022,964,000, which corresponds to 38.48 per cent. of total investment expenditures.

Investment projects related to road infrastructure constitute the most extensive programme both physically and financially. The aim of the projects is improvement in the quality of the road system, gradual alignment of the parking infrastructure and more efficient traffic organisation. To achieve these goals, plans include the expansion and modernisation of the road and street network, as well as the addition of components such as ring roads, construction of bridges, and implementation of a central traffic control system.

The implementation of the Integrated Traffic Management System (Phase I) will further streamline traffic management in the City.

Public Transport Development Programme

The amount appropriated for the projects included in this programme for the period 2008 to 2012 is PLN 4, 275, 617, which corresponds to 27.3 per cent. of total investment expenditures.

This programme will focus on the expansion of the underground network and alignment of the parking infrastructure. In order to achieve these goals the following investments will be implemented: the first underground line and "Młociny" transport interchange; a "Park&Ride" strategic car park system; and a central section of the second underground line.

The general goal of the City's transport policy is the improvement of the transport system to result in the efficient and safe movement of people and commodities combined with a limitation of pollution. The transport policy will be implemented through the improvement of travelling standards, traffic safety and environmental conditions.

Environmental Protection and Municipal Services Programme

The amount appropriated for this programme for the period 2008 to 2012 is PLN 149,279,000, which constitutes 0.95 per cent. of the total investment expenditure.

The works envisaged in the plan of city-wide investments include the expansion of cemeteries – the continued construction of the Southern and Northern Municipal Cemeteries. Another project to be implemented includes the planned development of the banks of the river Vistula.

Public Safety Improvement Programme

The implementation of projects included in this programme is aimed at creating an efficient crisis management system, improving public safety and public order and increasing the effectiveness of the Municipal Police.

Sports and Recreation Programme

The projects are intended to improve the conditions for recreation and leisure, and to develop the sports infrastructure. The implementation of these investments is aimed at providing better conditions for both young people of school age and other inhabitants of the City to practice sports. Those goals will be achieved through the construction of new sport facilities (public football grounds, swimming pools and sport halls) and improvement of existing infrastructure.

Social Welfare Programme

It is expected that by 2012, the system of care for people with Alzheimer's disease will be extended by launching a specialist clinic to provide dedicated comprehensive care for those affected by this disease. Additionally, as part of the measures aimed at care for the elderly, the City plans to expand and modernise the existing welfare institutions in order to conform to the applicable standards, and to develop the sites where such facilities are located.

It also aims to improve child care conditions by modernising individual children's homes and continuing with the programme concerning the construction of family-run children's homes. The expenditure plan envisages the implementation of a programme aimed at bringing nurseries into conformity with applicable standards.

Development for Institutions of Culture Programme

The plans envisage the construction of the Copernicus Science Centre, which will serve educational purposes. It will be the first interactive science centre in Poland, comprising an educational pavilion for children of school age, a module for youth and adults, and a planetarium.

New construction will be undertaken, including the Museum of the History of Polish Jews and two departments of the Historical Museum of Warsaw: one in the Praga district and the Museum of Military Ordinariate in the cellars of the Field Cathedral of the Polish Army.

Housing Construction and Real Estate Management Programme

The council housing construction programme will be executed through the construction of new buildings and the upgrading of existing buildings.

In the Śródmieście district, extensive refurbishment works will be undertaken to improve the condition of pre-war tenement houses.

An important part of the programme is aimed at the renovation of historical buildings, areas and quarters of the City. The revitalisation of the historical part of the Praga Północ district will be continued. Other districts will also undergo revitalisation.

Public Administration Efficiency Improvement Programme

To improve the efficiency of the public administration, a number of investment projects has been planned to ensure better housing conditions and increased use of information technologies in public offices leading to an improved standard of service for the citizens of Warsaw.

Educational Infrastructure Development Programme

Activities under the programme are aimed, in particular, at alignment of the network of schools and educational institutions to the demographic changes and urban development of the City (and, according to the needs of peripheral districts, modernisation of existing buildings in central districts), and at providing adequate educational conditions through construction of new schools and nursery schools together with surrounding facilities, for example playgrounds and football grounds.

Healthcare Programme

The goal of the planned investments is to upgrade the standard of healthcare and improve the accessibility of healthcare services for the citizens of Warsaw.

The planned expenditures will be spent in particular on the reconstruction and expansion of the following hospitals: Praski, "Inflancka", "St. Family", "Bielański", "Grochowski", „na Solcu" and "Wolski". The construction of one new facility, the Southern Hospital, has been planned. Specialist clinics in Public Healthcare Centres will also be modernised.

Urban Greenery Programme

The aim of the planned investment is to enhance the standard of the urban greenery.

Investment Plans of Municipal Subsidiary Companies

The level of investment into technical infrastructure is considerably increased by the investment expenditure of the municipal subsidiary companies which fund projects with respect to public transport, development of water supply, sewage and heat supply networks, and sanitation.

Implementation of the projects from this Investment Plan will be reliant upon financing conditions.

The following table sets out the amount of investment budgeted by the City and its subsidiary companies for the period 2008-2012:

	As at 31 December				
	2008	**2009**	**2010**	**2011**	**2012**
			(PLN thousands)		
City of Warsaw	2,849,844	3,501,593	3,474,544	3,059,580	2,767,236
Companies of the City of Warsaw	2,023,318	2,809,047	2,373,686	1,546,608	719,198

The following table sets out the expected level of investment in technical infrastructure by municipal subsidiary companies in the period 2008-2012:

	As at 31 December					
	2008	**2009**	**2010**	**2011**	**2012**	**total**
			(PLN thousands)			
Warsaw Tramways Ltd.	401,714	395,176	457,033	463,105	150,845	1,867,873
Municipal Bus Company Ltd.	175,290	107,215	113,335	98,100	25,470	519,410
Warsaw Metro Ltd.	66,488	93,512	15,939	422,359	138,181	736,479
Warsaw District Heating J.S.C	141,434	173,545	184,297	191,195	176,050	866,521
Municipal Water Supply and Waste Water Company J.S.C	1,229,202	2,028,739	1,568,812	324,484	185,107	5,336,344
Municipal Sanitation Company Ltd.	9,190	10,860	34,270	47,365	43,545	145,230
Total investment expenditures	2,023,318	2,809,047	2,373,686	1,546,608	719,198	9,471,857

The following municipal companies are extensively engaged in activities aimed at improving the public transport in Warsaw: Warsaw Tramways Ltd. (Tramwaje Warszawskie Sp. z o.o.), Municipal Bus Company Ltd. (Miejskie Zakłady Autobusowe Sp. z o.o.) and Warsaw Metro Ltd. (Metro Warszawskie Sp. z o.o.). Overall, the level of investment in transport infrastructure in the period 2008-2012 will amount to PLN 3,123,762,000. Of this amount, approximately 60 per cent. has been allocated to Warsaw Tramways Ltd. that invests in the construction and modernisation of tram tracks.

The activities of the Municipal Bus Company Ltd. focus primarily on the replacement of buses, investments in parking yards, ancillary facilities and technical infrastructure in order to ensure compliance with the applicable regulations. Warsaw Metro Ltd. will spend funds to purchase new carriages and invest in upgrading its assets with respect to the operational sections of the underground.

The Municipal Water Supply and Waste Water Company J.S.C. (Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie S.A.) will spend PLN 5,336,334,000 to complete 1,365 investment projects concerning the development of water supply and sewage systems, which constitutes approximately 56 per cent. of the total investment expenditure planned by the municipal subsidiary companies of the City.

The largest amounts will be allocated to the following investments:

- sewage systems (PLN 3,857,345,000).
- water supply systems (PLN 1,250,851,000).

Warsaw District Heating J.S.C. (Stołeczne Przedsiębiorstwo Energetyki Cieplnej S.A.) will undertake projects aimed at supplying heat for the City. The planned investments are directly related to the modernisation and expansion of Warsaw's district heating system (investments in construction and reconstruction of networks and sub-stations). Additionally, initiatives to improve the performance efficiency of the company while reducing its operating expenses will be pursued (including continued development in its IT systems).

With respect to municipal sanitation services, the Municipal Sanitation Company Ltd. (Miejskie Przedsiębiorstwo Oczyszczania Sp. z o.o.) will implement a project named "Construction of RADIOWO Municipal Waste Neutralisation Plant". The Radiowo plant will constitute one of the key elements of the municipal waste recycling and disposal system, which will be important in order to conform to the requirements stipulated by the law.

The Municipal Budgetary Process

A Polish city such as Warsaw undertakes budgetary planning at both municipality and county level. A single budget, for both municipality and county, is prepared annually, consisting of revenue and expenditure. Revenue and expenditure of local self-government entities budgets are grouped on the basis of budget classification, introduced by the Regulation of the Minister of Finance. Revenue and expenditure of local self-government budgets are presented and grouped on the basis of public finance law, particularly: the Public Finance Law dated 20 XII 2005 (Journal of Laws No. 249, item 2104) and the Law on Revenues of Local Self-government Entities, dated 13 XI 2003 (Journal of Laws No. 203, item 1966).

Budget revenues of local self-government entities comprise:

- current revenue; and
- capital revenue,

which both include own and transfer (external) revenue.

Budget expenditure of local self-government entities comprise:

- current expenditure of budgetary entities:
    - wages and salaries with contributions for social security and the Labour Fund,
    - purchase materials and services,
    - allocations and appropriated funds; and
- capital expenditure including property and investment expenditure.

The financial management of the City is based on an annual budget adopted by the Council which sets forth planned revenues and expenditures (including long-term investment programmes) and proposed financing of the budget.

The draft budget of the City is prepared based on pre-defined assumptions and according to applicable procedures and together with the opinions of district councils with regard to appendices attached to the budget, a list of opinions and a report on the condition of municipal property, they are presented to the Council by 15 November in the preceding year for approval, following approval by the Regional Accounting Chamber.

The budget resolution is passed by the City Council prior to the beginning of the following financial year and in case of a failure to adopt the budget by the beginning of the next financial year, the draft budget constitutes the basis for the ongoing financial management.

The budget adopted by the Council is published, amongst other places, in the Public Information Bulletin on the website of the City (see www.e-warsaw.pl/2/index.php, and see www.bip.warszawa.pl/Menu_przedmiotowe/budzet_polityka_finansowa/default.htm). The planning and presentation of the draft budget and the amendment of the budget are the sole competence of the President of Warsaw.

According to the requirements set out in the Public Finance Act, the President is also responsible for reporting to the Council and the Regional Accounting Chamber on the progress (for the first half of the budget year) and execution of the budget. The report is reviewed by the Regional Accounting Chamber for completeness, conformity of revenues and expenditures with the plan, other reports and the applicable legal regulations.

In order to assess the effective discharge of duties by the President for the completed budget year, the Council reviews a report on the budgetary performance and a motion of the Council's audit committee relating to the discharge of duties (or a lack thereof), together with opinions from the Regional Accounting Chamber.

The 2009 budget of the City was approved by virtue of Resolution No. XLV/1407/2008 of the Council of the City of Warsaw dated 11 December 2008.

The Financial Condition of the City

The overview of the financial condition of the City in recent years shown below indicates a number of trends that reflect the financial policy pursued by the City and the changes taking place in the Polish national economy. The basic processes identified on the revenue and expenditure side have been shaped by the economic development and strong financial performance in recent years. Investment expenditure closed at a relatively low-level. The recent trends can be summarised as follows:

- current revenues and capital revenues continue to grow dynamically, with a fairly low share of capital revenues in total revenues;
- total expenditures increased in line with the revenue growth and the share of current expenditure remains at a level of over 80 per cent.;
- cost of municipal debt servicing remains at a low level with respect to the revenues/expenditures which is explained by limited indebtedness;
- current expenditure increased in line with the current revenue growth; and
- debt-to-revenue ratio remains at a low level with respect to the revenues and limited indebtedness (60 per cent.).

The table below sets out budgetary performance of the City for the period 2003-2008:

	As at 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[(1)]
			(PLN)			
Current revenues	4,671,211,281	5,786,010,027	7,049,491,591	7,769,159,652	9,192,089,975	9,131,914,087
Capital revenues	189,847,463	197,387,435	285,250,936	805,831,381	579,751,917	753,298,189
Total revenue	4,861,058,744	5,983,397,462	7,334,742,527	8,574,991,033	9,771,841,892	9,885,212,276
Current expenditures	4,289,246,228	5,266,073,027	6,447,102,747	6,850,137,008	7,386,332,766	8,432,311,279
Capital expenditures	812,191,134	990,983,446	1,027,928,504	1,235,966,412	1,711,645,541	2,859,900,997
Total expenditure	5,101,437,362	6,257,056,473	7,475,031,251	8,086,103,420	9,097,978,307	11,292,212,276
Budget Balance	(240,378,618)	(273,659,011)	(140,288,724)	488,887,613	673,863,585	(1,407,000,000)

Note:

(1) Budgeted only

The table sets out the City's budgetary surplus over the past two years. Since 2003 current revenues represented approximately 95 per cent. of total budgetary revenues. Since 2003 revenue grew at an annual average rate of 19.1 per cent. whilst expenditure growth was lower at an annual average of 15.7 per cent.

The table below sets out operating results of the City budget for the period 2003-2008:

	As at 31 December					
	2003	2004	2005	2006	2007	2008[(1)]
			(PLN)			
Current revenues	4,671,211,281	5,786,010,027	7,049,491,591	7,769,159,652	9,192,089,975	9,131,914,087
Operating expenditures	4,193,311,248	5,158,821,415	6,330,948,186	6,734,466,443	7,271,250,378	8,252,311,279
Primary Operating Result	477,900,033	627,188,612	718,543,405	1,034,693,209	1,920,839,597	879,602,808
Debt service – costs	95,934,980	107,251,612	116,154,561	115,670,565	115,082,388	180,000,000
Gross Operating Result	381,965,053	519,937,000	602,388,844	919,022,644	1,805,757,209	699,602,808
Debt service – capital instalments	132,219,374	201,851,697	238,984,307	220,147,530	270,615,907	252,569,000
Net Operating Result	249,745,679	318,085,303	363,404,537	698,875,114	1,535,141,302	447,033,808

Note:

(1) Budgeted only

Between 2003 and 2007, the City realised positive operating results. This enabled the City to increase its gross operating result to 19.6 per cent. of its operating revenue in 2007, up from 8.2 per cent. in 2003.

Ratings

The A2 rating assigned by Moody's Investors Service Limited to the City in December 2008 reflects a number of factors, including favourable socio-economic indicators and a good operating performance in recent years, which has enabled the City to maintain relatively low debt ratios.

Budgetary revenues

Budgetary revenues comprise two basic groups: own revenues and transfer (external) revenues. Own revenues are the most important category of the City's revenue, which to some extent can be controlled by the City and account for approximately 85.2 per cent. of annual total revenue.

Own revenues comprise:

- revenues from shares in receipts from corporate and personal income taxes;
- revenues from taxes established and collected on the basis of separate acts, including the tax on real estate, the agricultural tax, the tax on means of transport, receipts from lump sum taxation, taxes on inheritance and gifts and forest tax;
- receipts from fees and charges established and collected on the basis of separate acts, for example, the Financial Statute, the Service Act and the Marketplace Act and tax on civil law transactions;
- revenue from property of local self-government entities, for example, receipts from services, income from renting and leasing, as well as other agreements with a similar character; and
- other income of local self-government entities, for example, administrative fees, local fees, interest on funds deposited in bank accounts and interest on late payments.

Transfer (external) revenues comprise:

- subsidies and appropriated allocations:
  - from the State budget for: government administration related tasks, own tasks, tasks realised on the basis of agreements with bodies of the government administration;
  - from funds designated for a specific purpose, such as road construction; and
  - received on the basis of self-government agreements entered into between the City and other municipalities;
- general subvention from the State budget transferred to all local government budgets for supplementing local government revenue, and which are to be allocated for educational spending; and
- funds from non-budgetary sources and from EU structural funds for the additional financing of own tasks.

The following table sets out the volume, structure and main sources of the budgetary revenues for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[(1)]
			(PLN)			
Tax and charges revenues	1,103,852,394	1,207,028,440	1,346,902,915	1,567,060,848	1,944,886,536	1,895,950,021
Share in tax revenues of state budget	1,494,630,063	2,503,718,606	2,797,222,786	3,278,122,196	4,059,749,786	3,902,695,873
Real estate revenues	417,391,816	541,436,292	896,764,601	1,342,579,988	1,204,220,382	1,151,286,962
Other revenues	528,341,434	602,232,868	1,130,019,609	1,046,382,157	1,117,779,190	1,239,248,633
Own revenue	3,544,215,707	4,854,416,206	6,170,909,911	7,234,145,189	8,326,635,894	8,189,181,489
Current	3,468,135,839	4,768,189,241	5,961,937,662	6,594,058,591	7,878,943,587	7,793,534,218
Capital	76,079,868	86,226,965	208,972,249	640,086,598	447,692,307	395,647,271
General Subvention	938,036,604	735,581,003	774,639,453	850,908,548	954,983,936	1,003,866,658
Subsidies	374,056,434	384,780,277	371,318,395	409,417,029	365,028,632	317,171,158
Funds from other sources	4,749,999	8,619,976	17,874,768	80,520,266	125,193,430	374,992,971
Transfer revenue	1,316,843,037	1,128,981,256	1,163,832,616	1,340,845,843	1,445,205,998	1,696,030,787
Current	1,203,075,442	1,017,820,786	1,087,553,929	1,175,101,060	1,313,146,389	1,338,379,869
Capital	113,767,595	111,160,470	76,278,687	165,744,783	132,059,609	357,650,918

Note:

(1) Budgeted only

The following table sets out the main sources of the budgetary revenues as a percentage of total revenues for the period 2003- 2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008[(1)]
	(As a percentage of total revenues)					
Tax and charges revenues	22.7	20.2	18.4	18.3	19.9	19.2
Share in tax revenues of state budget	30.7	41.8	38.1	38.2	41.5	39.5
Real estate revenues	8.6	9.0	12.2	15.7	12.3	11.6
Other revenues	10.9	10.1	15.4	12.2	11.4	12.5
Own revenue	72.9	81.1	84.1	84.4	85.1	82.8
Current	71.3	79.7	81.3	76.9	80.6	78.8
Capital	1.6	1.4	2.8	7.5	4.5	4.0
General Subvention	19.3	12.3	10.6	9.9	9.8	10.2
Subsidies	7.7	6.4	5.1	4.8	3.7	3.2
Funds from other sources	0.1	0.1	0.2	0.9	1.4	3.8
Transfer revenue	27.1	18.8	15.9	15.6	14.9	17.2
Current	24.8	17.0	14.8	13.7	13.4	13.5
Capital	2.3	1.8	1.1	1.9	1.5	3.7

Note:

(1) Budgeted only

The growth dynamics of nominal budget revenue in the years 2003-2007 resulted from the following external and internal factors:

(i) external:

- systemic changes related to the enforcement in 2004, of the Act on Revenue of Local Government Units dated 13 November 2003: the changes consisted of replacing the financing of some local government tasks through subsidies and grants from the Polish State budget by financing from own incomes, with an increase of the share of communes and poviats in taxes that constitute revenue of the State budget; and
- changes in the State tax system in respect of personal income taxes ("**PIT**") and corporate income taxes ("**CIT**") since 2004: changes included the reduction of the CIT rate of 19 per cent.; the introduction of the possibility for taxpayers conducting a business activity and settling tax liabilities under the personal income tax to settle the tax liabilities using a flat 19 per cent. tax rate; and the expiry of tax abatements in the subsequent years.

(ii) internal:

- organisational changes in the City since 2005, which consisted of the transformation of entities responsible for the administration of communal housing resources (Real Estate Property Management Units) into separate budgetary units. These entities operated up to that point as budgetary enterprises, which resulted in the budgetary revenue and expenditure of the units being included in the budget of the City; and

- increase of the local tax base (reflecting an increase in the number of taxpayers).

As a result of the decentralisation of public tasks and extension of the statutory powers of local governments, transfers from the State budget (subsidies and subventions) generally continue to play a major role in the Polish system of local government financing. Since 2005 the transfers have corresponded to only around 15 per cent. of the revenue generated in the budget of Warsaw. This is achieved by the City proactively generating increased revenues from the sources that are under direct control of the City.

Despite a decentralisation of public tasks and a statutory extension of the scope of tasks executed by the local governments, transfers from the State budget (grants, subsidies and shares in the incomes of the State budget) constituted, in the years 2003-2006, the largest proportion of the City's revenues. Grants and subsidies are considered to be relatively unstable sources of revenues for local government as their amount is discretionary.

Activities undertaken as part of the City's own revenues policy include:

- the City Council defining the tax rates within the limits of the regulatory ceiling with reference to the rates of tax on transportation, real property, dogs and the market place charge;

- the President of the City defining the charge for communal land and real properties;

- application of individual abatements, exemptions and annulments;

- the City Council defining the principles of managing the communal real estate in the scope of sales and purchase of real properties as well as their tenancy and lease;

- application of abatements and exemptions for the sale of communal premises; and

- principles of privatisation of the communal estate.

Tax and charges revenues

Direct taxes

The following tables sets out the volume and structure of direct taxes raised by the City for the period 2003 2008:

	2003	2004	2005	2006	2007	2008(1)
	Year ended 31 December					
	(PLN)					
Tax on real estate	564,214,321	608,985,086	655,337,449	692,570,650	726,993,576	746,474,834
Tax on means of transport	68,512,312	76,672,726	79,760,688	75,936,847	67,787,449	67,129,387
Other local taxes	10,577,475	12,786,168	26,459,150	18,369,949	17,532,874	19,825,909
Local direct taxes	643,304,108	698,443,980	761,557,287	786,877,446	812,313,899	833,430,130
Tax on civil law transactions	232,596,431	287,549,585	344,233,691	441,061,565	769,877,745	730,000,000
Tax on heritage and donation	41,175,551	47,487,125	46,823,541	53,714,123	65,336,353	50,000,000
Lump sum taxation	21,080,111	1,8122,197	17,090,557	16,280,971	15,014,816	15,000,000
Direct taxes	294,852,093	353,158,907	408,147,789	511,056,659	850,228,914	795,000,000
Total	938,156,201	1,051,602,887	1,169,705,076	1,297,934,105	1,662,542,813	1,628,430,130

Note:

(1) Budgeted only

The following table sets out the main sources of direct taxes raised by the City as a percentage of total direct taxes for the period 2003-2008:

	2003	2004	2005	2006	2007	2008(1)
	Year ended 31 December					
	(As a percentage of total direct taxes)					
Tax on real estate	60.2	57.9	56.0	53.3	43.7	45.8
Tax on means of transport	7.3	7.3	6.8	5.9	4.1	4.1
Other local taxes	1.1	1.2	2.3	1.4	1.1	1.3
Local direct taxes	68.6	66.4	65.1	60.6	48.9	51.2
Tax on civil law transactions	24.8	27.4	29.4	34.0	46.3	44.8
Tax on heritage and donation	4.4	4.5	4.0	4.1	3.9	3.1
Lump sum taxation	2.2	1.7	1.5	1.3	0.9	0.9
Direct taxes	31.4	33.6	34.9	39.4	51.1	48.8

Note:

(1) Budgeted only

The fiscal policy pursued by the City puts emphasis on the effectiveness of tax collection. The City has the right to take enforcement measures with respect to the taxes that constitute own revenue of the local government. These powers result from the Act on Enforcement Proceedings in Administration.

The above activities are carried out by the Tax and Enforcement Office. Tax receipts constitute a large portion of the City budget and in the years 2003-2007 formed approximately 20 per cent. of own revenues.

Real Estate Tax

The largest portion of the local-direct tax revenue category is constituted by real estate tax, which is the most stable source of own revenue and the most important local tax. The real estate tax is a property tax related to the surface area of land and buildings. Tax bands may vary depending on the nature of the property, in particular due to location, purpose, type of development and usage. Receipts from real estate tax have shown a stable upward trend with average annual growth of around 6.5 per cent. since 2003. Revenues from real estate tax are characterised by the fact that they have been wholly gathered in the territory of the City and in the districts. The increase of revenues in this category is related to the increase of the tax base (average growth: approximately 3.5 per cent. per annum), and to a lesser extent, the increase in tax rates. The above is particularly true of real estate tax, as the tax rates defined by the Council for subsequent years were below the maximum rates provided for by law.

Civil Law Tax

The second most important revenue category is civil law tax, which is direct but not local tax. The tax on civil law activities is the most important of the direct taxes revenues. The receipts from the tax on civil law transactions are mostly related to the transactions with respect to real estate, perpetual habituation rights or the sale of objects and property rights. The tax is a stable source of own revenue and broadly reflects the situation in the real estate market. The increase in the value of real estate being sold increases civil law tax revenues. As a result of the favourable situation in the real estate market, revenues from the civil law tax tripled in the period 2003-2007 with average annual growth in this period of approximately 36 per cent.

Other Taxes

Tax revenues obtained by tax offices include revenues from taxes on transportation, inheritance tax and donation tax and taxes on the business activities of natural persons (lump sum taxation) and revenues from the forest tax, agricultural tax and dog tax. The average annual proportion of other taxes as a proportion of direct tax revenues of the City was stable in the 2003-2007 period and remained at the level of approximately 11 per cent. Receipts from other taxes have shown a stable upward trend with average annual growth of around 4 per cent. over the period 2003-2007. Revenues from taxes on inheritances and donations as well as revenues for tax paid in the other form are expected to be at a similar level. In future, the revenues from tax on inheritances and donations will decrease due to the abolition of taxation of these items in the case of the immediate family.

Indirect taxes

The following table sets out the volume and sources of indirect taxes (i.e. the City's share of State budgetary revenues) raised by the City for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[(1)]
	(PLN)					
Personal income tax .	1,307,311,601	2,086,894,732	2,326,708,932	2,673,752,744	3,304,228,290	3,168,695,873
Corporate income tax	187,318,462	416,823,874	470,513,854	604,369,452	755,521,496	734,000,000
Total.........................	1,494,630,063	2,503,718,606	2,797,222,786	3,278,122,196	4,059,749,786	3,902,695,873

Note:

(1) Budgeted only

The following table sets out the sources of indirect taxes raised by the City as a percentage of total indirect taxes for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[(1)]
	(As a percentage of total indirect taxes)					
Personal income tax .	87.5	83.3	83.2	81.6	81.4	81.2
Corporate income tax	12.5	16.7	16.8	18.4	18.6	18.8

Note:

(1) Budgeted only

Indirect taxes

City's revenue from the State budget

The impact of the City on the amount of generated revenues is limited to own revenues and excludes the City's share in income tax of the State budget. The City's share in tax revenues from the State budget (from PIT and CIT) is dependent upon macroeconomic factors as well as the fiscal and budgetary policy of the State.

Revenues from the City's share in State budget taxes increased from PLN 1,495 million in 2003 to PLN 4,059.7 million in 2007, an increase of 171.6 per cent. As a consequence of an increase of revenues for share in the State taxes, the level of income per inhabitant also increased.

The revenues from the City's share in the State budget (both PIT and CIT) are related to the wider economic environment. The growth dynamics of these revenues result from the changes implemented in the tax system, and in particular in relation to the expiry of tax abatements in case of PIT and lowering of the tax rate since

2004. Since 2004, the share of revenues from State tax as total receipts of the City budget has risen to 40 per cent., which means that the City's budget is sensitive to changes in the fiscal policy of the State.

City's revenue from taxation

The main source of current revenue for the City is PIT from taxpayers residing in the City. The amount of revenue of the City in this category depends on:

- the projected amount or actual receipts from PIT from taxpayers residing in Warsaw;
- and the statutory ratio of the share of the City and the actual ratio of the share of such tax due from Warsaw taxpayers from the total amount of tax due in this category in Poland.

Revenue from PIT per inhabitant of the City for the period 2003-2007 increased from PLN 774 to PLN 1,944.

Revenue from the City's share in CIT from legal persons with an office registered in Warsaw depends on projected CIT growth and ratio of the City's share in this tax.

Despite a lower share of revenue coming from CIT in the structure of budgetary revenue than the share of revenue from PIT, the revenue growth in CIT was higher. Revenue from CIT per inhabitant was the highest in Poland and increased from PLN 111 in 2003 to PLN 444 in 2007.

Charges and fees revenue

Revenues from charges include various fees, for example, for issuing driving licences, licence plates, car registration, parking fees, towing and storage of removed cars and taxi licensing charges. Revenues from local fees and charges constitute a stable source of own revenue dependable on the City policies. In the group of revenues, local fees are the least significant source of own revenue, which accounts, on average, for approximately 3 per cent. of total own revenue.

The following table sets out the volume and sources of charges and fees revenues of the City for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[(1)]
			(PLN)			
Treasury charge......	74,407,417	54,634,185	75,134,123	77,484,296	90,875,975	84,000,000
Communication charge..................	37,091,605	44,088,884	46,447,287	42,946,740	40,526,162	42,060,300
Charge for delivering alcohol licence.................	26,838,372	27,846,776	29,744,715	31,065,495	31,988,036	31,900,000
Market place charge.....................	17,200,537	16,210,778	15,593,021	14,391,925	12,173,907	6,071,020
Other charges..........	10,158,262	12,644,930	10,278,693	103,238,288	106,779,642	103,488,571
Total......................	165,696,193	155,425,553	177,197,839	269,126,744	282,343,722	267,519,891

Note:

(1) Budgeted only

The following table sets out the sources of charges and fees revenues of the City as a percentage of total charges and fees for the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008(1)
	(As a percentage of total charges and fees)					
Treasury charge	44.9	35.2	42.4	28.8	32.2	31.4
Communication charge..................	22.4	28.4	26.2	16.0	14.4	15.7
Charge for delivering alcohol licence	16.2	17.9	16.8	11.5	11.3	11.9
Market place charge	10.4	10.4	8.8	5.3	4.3	2.3
Other charges..........	6.1	8.1	5.8	38.4	37.8	38.7

Note:

(1) Budgeted only

Real estate revenues

The following table sets out the volume and sources of real estate revenues raised by the City in the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008(1)
	(PLN)					
Perpetual usufruct...	223,004,795	283,000,341	246,772,304	255,293,748	299,131,871	300,183,394
Lease and renting....	121,591,900	154,434,528	411,973,106	422,179,612	448,060,177	420,636,297
Sole proprietorship .	69,678,992	81,916,079	202,694,608	622,235,422	435,685,036	291,088,821
Asset & shares sales, profit and dividends............	2,683,952	19,809,548	30,481,834	37,824,753	10,327,268	132,919,000
Transformation of perpetual usufruct.	432,177	2,275,796	4,842,749	5,046,453	11,016,031	6,459,450
Total	417,391,816	541,436,292	896,764,601	1,342,579,988	1,204,220,383	1,151,286,962

Note:

(1) Budgeted only

The following table sets out the sources of real estate revenues raised by the City as a percentage of total real estate revenues for the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008(1)
	(As a percentage of total real estate revenues)					
Perpetual usufruct	53.4	52.3	27.5	19.0	24.8	26.1
Lease and renting	29.1	28.5	45.9	31.4	37.2	36.5
Sole proprietorship	16.7	15.1	22.6	46.3	36.2	25.3
Asset & shares sales, profit and dividends	0.6	3.7	3.4	2.8	0.9	11.5
Transformation of perpetual usufruct	0.2	0.4	0.6	0.5	0.9	0.6

Note:

(1) Budgeted only

Revenue from real estate revenues include earnings from:

- charges for perpetual habituation rights (first payment for establishment of the right and annual charges);
- revenue from tenancy and lease of communal property; and
- dividends from companies and payments from profit of communal enterprises.

The revenues include the City's earnings from sales of proprietary rights, in particular interests in shares and stock in companies in which the City is a partner, real properties and communal premises, as well as transformation of the right of perpetual habituation into ownership rights. The amount of revenues from this source increased from PLN 72.7 million in 2003 to PLN 457.1 million in 2007. The growth in this type of revenue is related to the increased earnings from the sale of communal real properties.

The revenue from tenancy and lease of communal property increased, although its contribution to the total revenue was insignificant - 29.1 per cent. in 2003 to 37.2 per cent. in 2007. However, its contribution to current revenue of the City is notable - 2.6 per cent. in 2003 to 4.8 per cent. in 2007.

In the 2003-2007 period, the structure of revenue from property saw an increase in dividends from companies and receipts from rent. In the same period the share of this category of revenue has stabilised at a level of 20 per cent. of total revenue and 40 per cent. of current revenue of the City.

Subvention, subsidies and intergovernmental revenues

As part of general subvention (grants) the City received the educational, basic, compensational and road development segments of the grant.

Following amendments to the Law on Revenues of Local Self-Government Entities, dated 13 November 2003 (Journal of Laws No. 203, item 1966), the City receives the educational segment of the general subvention, the segment compensating for statutory tax relief as part of the final settlement from the general subvention, as well as funds to supplement the general subvention from the general subvention reserve in the State budget.

The following table sets out the volume and sources of subvention, subsidies and intergovernmental revenues for the City for the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008[1]
			(PLN)			
General Subvention	938,036,604	735,581,003	774,639,453	850,908,548	954,983,936	1,003,866,658
Educational part......	700,792,496	714,541,139	749,464,091	780,632,965	838,330,706	863,630,670
Purpose subsidies for own tasks........	216,116,506	177,211,069	119,631,955	153,461,684	50,669,825	39,815,463
Purpose subsidies for commission tasks	157,939,928	207,569,208	251,686,440	255,955,345	314,358,808	277,355,695
Funds and allocation from other sources	4,749,999	8,619,976	13,611,908	21,048,853	20,288,695	16,092,236
Funds from EU	0	0	4,262,860	59,471,414	104,904,734	358,900,735
Total.......................	1,316,843,037	1,128,981,256	1,163,832,616	1,340,845,844	1,445,205,998	1,696,030,787

Note:

(1) Budgeted only

The designation of subvention funds is determined by the local government authority by way of a resolution of the Council. The educational segment of the general subvention supports educational projects. The road development segment of the general subvention was deployed to finance the construction, modernisation, maintenance and management of public roads. Approximately 80 per cent. of the general subvention from the State budget is transferred to the City's budget for supplementing the City's educational spending. The funds transferred to the City from the State budget as part of the educational and road development segment of the general grant are not sufficient to cover the expenses in the area of education, custody and transport, and the City uses its own budget resources to supplement these tasks.

Target subsidies from the State budget support the following goals:

- performance of central administration tasks assigned to the City and other statutorily imposed tasks;
- tasks completed by the City under agreements with central administration agencies; and
- financing or co-financing of own tasks.

In terms of subsidies from other sources, the funds are used to co-finance the tasks indicated in the signed agreements. Warsaw is entitled to funding from the Voivodship Fund for Environmental Protection and Water Economy for co-financing current purchases and investment projects carried out by the National Fire Service in the area of fire protection, the Fund for Development of Physical Culture and the Fund of Sport and Recreational Activities for Pupils.

Funds to provide financial support for projects carried out under EU programmes

Assets from European Union funds, earmarked to provide financial support to projects carried out under EU programmes, have a relatively low share in the structure of the City's budgetary revenues. The funds obtained from the refunds of expenses incurred by the City relate to the execution of investment tasks co-financed from operational programmes: Operational Programme Transport Section, Integrated Regional Operational Programme (including completion of line 1 of the Warsaw underground and modernisation of the largest Warsaw communication thoroughfares).

Other revenues

Revenues from other sources include:

- for services provided by the City's organisational units (for example sale of public transport tickets, refunds for utilities supplied at communal premises and other); and
- water supply, investment supervisions, cleaning of the City and others.

The following table sets out the volume and sources of other revenues for the City for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008(1)**
			(PLN)			
Tickets revenue from local transport	426,617,521	451,916,143	459,688,211	469,101,283	477,682,622	578,989,683
Services	51,988,166	47,515,143	340,579,255	350,133,434	326,232,705	348,641,259
Revenues (VAT)	20,153,870	48,705,855	87,104,749	90,103,180	104,415,511	187,802,931
Interest and fines	19,535,685	25,551,156	98,974,155	71,417,569	135,214,060	66,745,160
Other	10,046,192	28,544,571	143,673,239	65,626,691	74,234,292	57,069,600
Total	528,341,434	602,232,868	1,130,019,609	1,046,382,157	1,117,779,190	1,239,248,633

Note:

(1) Budgeted only

The following table sets out the sources of other revenues for the City as a percentage of total other revenues for the period 2003 - 2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008(1)**
			(As a percentage of total other revenues)			
Tickets revenue from local transport	80.7	75.0	40.7	44.8	42.7	46.7
Services	9.8	7.9	30.1	33.5	29.2	28.1
Revenues (VAT)	3.8	8.1	7.7	8.6	9.3	15.2
Interest and fines	3.7	4.2	8.8	6.8	12.1	5.4
Other	1.9	4.7	12.7	6.3	6.6	4.6

Note:

(1) Budgeted only

As a percentage of total revenues, this group of revenues increased from approximately 10.8 per cent. in 2003 to approximately 11.4 per cent. in 2007. Receipts from sales of public transport tickets decreased between

2003 and 2007; revenues for issuing driving licences, licence plates, forms related to car registration, parking fees, parking, towing and storage of removed cars and taxi charges and the revenues from communication fee were responsible for the most significant budgetary receipts.

Revenues from services provided by City's organisational budget units include the following revenues from:

- sales of public transport tickets obtained by the Board of City Transport (*Zarząd Transportu Miejskiego*);
- enforcement of fines imposed by the Municipal Police (*Straż Miejska*);
- sales of water supply and sewage systems services for municipal housing. Services obtained by The Municipal Water Supply and Waste Water Company J.S.C. (*Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie S.A.*);
- sales of sanitation services obtained by The Municipal Sanitation Company Ltd. (*Miejskie Przedsiębiorstwo Oczyszczania Sp. z o.o.*);

Other revenues include the following revenues:

- from various services provided by care and educational centres, including residential and nursing facilities and support centres maintained by welfare centres in districts;
- from various fees (including parking fees under the system of paid unguarded parking and roadway occupancy fees);
- for charges for utilities collected from tenants of communal premises, advertisements on bus stations and sale of advertising materials;
- from interest on late payment of tax liabilities and non-tax budgetary liabilities to the City; and
- from interest on assets in banks.

Current and Capital Expenditure

In the period 2003-2007, the City's expenditure grew by an average of 16 per cent. per annum.

The following table sets out the City's main budgeted categories of expenditure for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**[1]
			(PLN)			
Current expenditure	4,289,246,228	5,266,073,027	6,447,102,747	6,850,137,008	7,386,332,766	8,432,311,279
Capital expenditure	812,191,134	990,983,446	1,027,928,504	1,235,966,412	1,711,645,541	2,859,900,997
Total	5,101,437,362	6,257,056,473	7,475,031,251	8,086,103,420	9,097,978,307	11,292,212,276

The following table sets out the City's main budgeted categories of expenditure as a percentage of total expenditure for the period 2003 - 2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008(1)
	(As a percentage of total expenditure)					
Current expenditure	84.1	84.2	86.2	84.7	81.2	74.7
Capital expenditure	15.9	15.8	13.8	15.3	18.8	25.3

Note:

(1) Budgeted only

Current expenditures

Current expenditure as a percentage of total expenditure has fallen from approximately 84 per cent. in 2003 to approximately 81 per cent. in 2007. Current expenditure comprises four main groups, including operating expenses, personnel, goods (materials) and services, subsidies and interest (debt costs) expense. Personnel expenditures are wages (salaries) in connection with contributions to social security expenses.

Goods and services include amounts spent on goods as well as materials and service expenditure provided by independent contractors, such as street maintenance, and by certain of the City's subsidiaries.

The supply by the subsidiaries is regulated by contractual agreements. Subsidies are current transfers made by the City to municipal companies or entities and to the government budget.

Interest expense is the interest paid on the City's long-term and short-term debt.

The following table sets out the volume and structure of the City's main cost categories of current expenditure for the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008(1)
	(PLN)					
Wages and contributions to social security......	1,707,005,038	1,832,319,530	2,114,823,343	2,236,694,837	2,391,600,133	2,592,806,099
Subsidies...............	566,531,930	1,073,748,719	1,094,878,356	1,142,711,564	1,268,790,258	1,495,121,712
transfer to the government budget	112,132,065	472,406,060	483,314,713	562,838,310	636,685,163	781,646,144
Materials and services expenditures........	1,919,774,280	2,252,753,166	3,121,246,487	3,355,060,042	3,610,859,987	4,165,383,468
Debt service – costs.......................	95,934,980	107,251,612	116,154,561	115,670,565	115,082,388	179,000,000
Total.....................	4,289,246,228	5,266,073,027	6,447,102,747	6,850,137,008	7,386,332,766	8,432,311,279

Note:

(1) Budgeted only

The following table sets out the City's main cost categories of current expenditure as a percentage of total current expenditure for the period 2003 - 2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008[(1)]
	(As a percentage of total current expenditure)					
Wages and contributions to social security	39.8	34.8	32.8	32.7	32.4	30.7
Subsidies	13.2	20.4	17.0	16.7	17.2	17.7
transfer to the government budget	2.6	9.0	7.5	8.2	8.6	9.3
Materials and services expenditures	44.8	42.8	48.4	48.9	48.8	49.5
Debt service – costs	2.2	2.0	1.8	1.7	1.6	2.1

Note:

(1) Budgeted only

The following table sets out the volume of current expenditures by major activity of the City for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**(1)
			(PLN)			
Education & educational care........	1,468,045,863	1,606,348,542	1,723,277,227	1,777,146,179	1,890,633,836	1,971,345,735
Transport & telecommunication services....................	1,098,158,516	1,254,681,037	1,418,586,701	1,549,128,129	1,722,467,289	1,918,274,430
Social welfare & health care	431,349,204	513,731,983	577,316,845	651,146,871	668,483,434	726,914,356
Housing & municipal economy..................	259,309,581	370,443,357	1,018,168,423	1,019,689,098	1,046,545,953	1,187,248,937
Culture, sport & protection of national heritage......	223,184,154	282,159,512	357,053,284	394,898,794	442,689,008	527,546,893
Public safety	124,507,253	149,980,442	175,802,050	188,626,147	204,817,645	205,791,843
Other services activity	24,921,595	35,960,335	44,568,185	41,954,263	45,914,289	183,030,704
Public administration..	451,703,017	473,110,147	532,860,758	549,038,652	613,013,761	752,512,237
Transfer to the government budget...	112,132,065	472,406,060	483,314,713	562,838,310	636,685,163	780,646,144
Debt service – costs	95,934,980	107,251,612	116,154,561	115,670,565	115,082,388	179,000,000
Total..........................	4,289,246,228	5,266,073,027	6,447,102,747	6,850,137,008	7,386,332,766	8,432,311,279

Note:

(1) Budgeted only

The following table sets out the structure of current expenditure by major activities of the City as a percentage of total current expenditure for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**(1)
	(As a percentage of total current expenditure)					
Education & educational care...	34.2	30.5	26.7	25.9	25.6	23.4
Transport & telecommunication services............	25.6	23.8	22.0	22.6	23.3	22.7
Social welfare & health care	10.1	9.8	9.0	9.5	9.1	8.6
Housing & municipal economy.............	6.0	7.0	15.8	14.9	14.2	14.1
Culture, sport & protection of national heritage..	5.2	5.4	5.5	5.8	6.0	6.3
Public safety	2.9	2.8	2.7	2.8	2.8	2.4
Other services activity	0.7	0.7	0.7	0.6	0.5	2.2
Public administration........	10.5	9.0	8.3	8.0	8.3	8.9
Transfer to the government budget	2.6	9.0	7.5	8.2	8.6	9.3
Debt service – costs......................	2.2	2.0	1.8	1.7	1.6	2.1

Note:

(1) Budgeted only

Current expenditure in 2007 increased compared to 2003, mainly due to a substantial increase in housing and municipal economy expenditure (environmental matters being an important part of this), transport and telecommunication services, social welfare and healthcare, public safety and culture, sport and protection of national heritage.

Education

Education as a percentage of current expenditure in the period 2003-2007 decreased from 34 per cent. to 25 per cent. (expenditure on education increased in the same period from PLN 1.47 billion to PLN 1.89 billion). Teachers' and educational workers' salaries accounted for 70 per cent. of education expenditure; the remaining expenditure was spent on other current expenditure items such as goods, materials, services, building reconstruction and subsidies.

Transport

Spending on transport and communication in the period 2003-2007 was in excess of 20 per cent. In this sector, funds were used for:

- maintenance of public transport - the purchase of transport services from communal companies and other carriers; and
- on-going maintenance of public roads, including poviat and communal roads.

Housing management

As a percentage of current expenditure, housing management costs increased in the period 2003-2007 from 6.0 per cent. in 2003 to 14 per cent. in 2007.

Social Welfare and Healthcare

Expenditure on social welfare costs in the period 2003-2007 were at a level of between 9 and 10 per cent. of total current expenditure.

Public Administration

Expenditure on public administration decreased from 10.5 per cent. in 2003 to 8.3 per cent. in 2007. This sector included expenses for the maintenance of the public administration of the City, the Council and district councils and also marketing of the City.

Debt service costs

In the years 2003-2007 debt service costs showed a decreasing trend Interest payments fell from 2.2 per cent. in 2003 to 1.6 per cent. in 2007.

Heritage

The protection of national heritage, and for the promotion of culture and conservation of monuments amounted to between 5-6 per cent. of total current expenditure in the period 2003-2007.

Transfer to the central government budget

A part of the current expenditure is the transfer-equalisation payment to the State budget. The equalisation payment, used to compensate discrepancies in the amounts received by municipalities in revenues from the State budget, amounted to 8.6 per cent. of the current expenditure in 2007.

Capital expenditure

Capital expenditure the City is incurred for the development and improvement of facilities for education, transport and communication, housing and economic development, particularly the development of public property for general use and other civic purposes.

Capital expenditure of the City is earmarked to finance investment tasks and the purchase of long-term assets, while investment expenses are earmarked to finance the following:

- investment tasks at the City and district level; and
- financial aid provided to other local government units to finance the investment tasks, including subsidies to entities from outside the local government sector tasked to provide financial support for investment tasks.

The following table sets out the volume of budgeted categories of capital expenditure of the City for the period 2003-2008:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008[(1)]
			(PLN)			
Education & educational care	70,036,996	82,076,647	124,874,875	158,147,426	166,475,234	265,495,910
Transport & telecommunication services	544,062,560	645,828,710	537,039,793	674,954,726	924,797,189	1,367,929,354
Social welfare & health care	9,351,308	53,261,457	75,464,360	113,334,423	181,081,429	171,856,000
Housing & municipal economy	122,879,530	83,883,328	127,735,979	106,087,113	156,181,007	206,212,477
Culture, sport & protection of national heritage	36,914,306	74,209,247	77,067,459	75,930,786	163,694,683	436,684,406
Public safety	17,504,933	18,490,120	30,341,970	39,359,267	32,304,365	33,295,000
Other services activity	7,709,844	6,428,848	3,395,418	17,712,278	23,161,671	194,971,000
Public administration	3,731,657	26,805,089	52,008,650	50,440,393	63,949,963	183,456,850
Total	812,191,134	990,983,446	1,027,928,504	1,235,966,412	1,711,645,541	2,859,900,997

Note:

(1) Budgeted only

The following table sets out the structure of budgeted categories of capital expenditure of the City for the period 2003-2008 as a percentage of total capital expenditure:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008[(1)]
	(As a percentage of total capital expenditure)					
Education & educational care	8.6	8.3	12.1	12.8	9.7	9.3
Transport & telecommunication services	67.0	65.2	52.2	54.6	54.0	47.8
Social welfare & health care	1.2	5.4	7.3	9.2	10.6	6.0
Housing & municipal economy	15.1	8.5	12.4	8.6	9.1	7.2
Culture, sport & protection of national heritage	4.5	7.5	7.5	6.1	9.6	15.3
Public safety	2.2	1.9	3.1	3.2	1.9	1.2
Other services activity	0.9	0.6	0.3	1.4	1.4	6.8
Public administration	0.5	2.6	5.1	4.1	3.7	6.4

Note:

(1) Budgeted only

Investments made pursuant to the previous programme of the Investment Plan, was the main item of capital expenditure in the period 2003-2007 and was mainly focussed on public transport. An increase in investment expenditure is also seen in spending on healthcare and culture and sports facilities in this period. In the period 2003-2007 capital expenditure has increased on average at an annual rate of approximately 21 per cent. This has resulted from the implementation of the City's Investment Plan, which includes land development and environmental projects, maintenance works for municipal buildings and special development projects for roads and the transportation system.

Capital expenditure has been financed (a) by the budget of the City, (b) transfers of capital funds from the State (for example, to finance the first line of the Warsaw underground system) and (c) from European Union funds (for example, for road construction). Capital expenditure financed by the City included funds accumulated from the budget surpluses in the previous years, capital borrowings and asset sales.

Indebtedness of the City

City's borrowing policy in the scope of debts

The City's borrowing policy is closely connected to the City's Investment Plan. Property expenses that, in the majority, are financed from loans, the State budget or from EU funds underlie such indebtedness and influence its change. The policy creates limitations in the form of adjusting the investment performance schedule, allowing for financial continuity. The dependence of infrastructure investment performance on other sources of financing, can lead to changes in the financing structure. The term of newly-incurred debt should be related to the return period of the relevant finance project. Because infrastructure projects of the City with a usage period of more than 20 years dominate the Investment Plan, they are financed by means of financial instruments with matching maturities.

Currently, when the City has multiple debt instruments of varying maturity and interest formulations, the definition of risk parameters are for guidance purposes only. The components of the debt portfolio in the near future are expected to contain a combination of instruments with fixed and floating interest rates, co-financing of the investment by the long-term commercial credits. An active role of the debt management policy of the City will be focused on improvement of the characteristics of the debt through the extension of the instruments' maturity and the gradual replacement of those liabilities with higher servicing costs and risk profiles (conversion policy). Measurements which are widely applied in the debt management programme include:

- minimising debt service costs through the optimal choice of debt management instruments and structure;
- limiting interest rate risk with more extensive use of mid- and long-term fixed rate bonds; and
- limiting refinancing risk by matching bond maturity with financing needs.

Indebtedness of the City: 2003-2008

Outstanding debt

The following table sets out a breakdown of the City's indebtedness for the period 2003-2008:

	Year ended 31 December					Six months ended 30 June
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
			(PLN)			
Bonds	22,700,000	22,700,000	22,700,000	22,700,000	18,000,000	18,000,000
Credits	1,767,620,406	2,171,410,926	2,748,581,336	2,528,775,525	2,257,707,467	1,915,189,121
Total	1,790,320,406	2,194,110,926	2,771,281,336	2,551,475,525	2,275,707,467	1,933,189,121
Foreign debt	66,402,299	665,730,333	1,462,527,730	1,455,751,944	1,404,792,106	1,381,449,587
Domestic debt	1,723,918,107	1,528,380,593	1,308,753,606	1,095,723,581	870,915,361	551,739,534
Structure of debt			*(Per cent.)*			
Foreign debt	3.7	30.3	52.8	57.1	61.7	71.5
Domestic debt	96.3	69.7	47.2	42.9	38.3	28.5

The majority of outstanding debt is in the form of long-term borrowing. The majority of such borrowing is PLN denominated debt borrowed from international financial institutions, based on the domestic market interest rate but classified as foreign liabilities. This makes the City's indebtedness dependent on changes in domestic market interest rates.

As at 31 December 2007, the outstanding indebtedness of the City totalled PLN 2,275 million, PLN 276 million less than as at 31 December 2006. Current outstanding indebtedness is composed of thirteen bank credits and two National Fund of Environment Protection and Water Management loans, divided between five lending organisations including three foreign banks. At the beginning of 2008, the City repaid two loans using surpluses from 2007. The City has not entered into any swaps transactions to hedge its exposure under revolving credit facilities as at the date hereof because municipalities have not been permitted to enter into such transactions.

The following table sets out the proportion of outstanding debt by creditors as a percentage of total outstanding debt, as at 30 June 2008.:

Source	**Percentage of total**
European Investment Bank	40.3
Dexia Credit Local Group	17.2
PKO BP	13.0
Council of Europe Development Bank	14.0
PEKAO S.A. (UniCredit Group)	7.9
National Fund of Environment Protection & Water	6.7
Privately-placed domestic bonds	0.9
	100.0

The following table sets out the long-term debt maturity profile as at 1 January 2008:

Scheduled maturity date	**Amount outstanding**	**Annual repayment**
	(PLN)	
2008	3,499,937,851	252,569,000
2009	5,119,668,378	251,367,648
2010	6,708,833,877	268,492,684
2011	7,443,183,194	318,893,361
2012	7,729,422,301	317,260,193
2013	7,884,356,833	293,599,993
2014	7,851,348,527	307,240,641
2015	7,544,107,886	556,279,153
2016	6,987,828,733	570,442,593
2017	6,417,386,140	538,403,978
2018	6,613,276,719	161,356,436
2019	6,426,821,847	219,703,442
2020	5,608,656,501	318,330,857
2021	4,770,630,194	398,484,667
2022	3,732,145,527	538,930,937
2023	3,193,214,590	538,418,306
2024	2,654,796,283	517,691,943
2025	2,137,104,341	566,202,450
2026	1,570,901,891	490,935,566
2027	1,079,966,325	407,143,204
2028	672,823,121	297,382,560
2029	398,851,399	201,342,458

Debt refinancing risk resulting from the current level of liabilities is small. It allows for long-term financing through the use of debt securities and at the same time using, to some extent, short-term financing policy. The number of banks engaged in the financing of the whole investment process, together with often long tender and procedural processes resulting from Polish credit and public order rules, complicates the investment process. The risk metrics that characterise the current quality of the City's debt are:

- interest rate risk – ATR (average time to re-fixing), which is currently 90 days; and
- refinancing risk – ATM (average time to maturity) calculated as the average maturity of credits and loans, is 13.5 years.

The following table sets out changes in and servicing of indebtedness of the City for the period 2003-2007:

	Year ended 31 December				
	2003	**2004**	**2005**	**2006**	**2007**
			(PLN)		
Gross new borrowings	290,060,741	618,539,094	819,766,254	1,413,882	0
Debt repayment	132,219,374	201,851,697	238,984,307	220,147,530	270,615,907
Changes in debt	157,841,367	416,687,397	580,781,947	(218,733,648)	(270,615,907)
Interest expenses	95,934,980	107,251,612	116,154,561	115,670,565	115,082,388
Debt repayment	132,219,374	201,851,697	238,984,307	220,147,530	270,615,907
Debt service	228,154,354	309,103,309	355,138,868	335,818,095	385,698,295

Mid-term debt projections for the City

By formulating assumptions on the method of financing, the borrowing needs of the City and the size of debt for 2008-2012, the City has attempted to work within the parameters of the Public Finance Act, dated 30 June 2005 (Journal of Laws 2005 No. 249, item 2104: (art. 169 and art. 178). The size of the budget deficit and borrowing requirements may exceed revenue growth, which may cause an increase in the debt index– debt/revenues in the fiscal year and the gradual increase of debt servicing costs. It requires the City to diversify its funding sources and to harmonise the maturity profile of debt repayment.

The City's debt service costs for the years 2008-2012 are expected to gradually increase and will reach a peak in 2011. According to the basic objective of debt management formulated in the City's debt policy, debt service costs should be minimised and the cost criteria (the repayment of capital instalments and securities redemption) should not exceed 6 per cent. of revenue per annum. The debt index, expressed as total debt at the end of a fiscal year compared to total revenues will rise sharply in 2009, as a consequence of the increase in debt, but will not exceed the level of 60 per cent. of revenues.

Forecast for the indebtedness of the City: 2008-2012

The following table sets out forecasted indebtedness for the City for the period 2008-2012:

	Year ending 31 December				
	2008	**2009**	**2010**	**2011**	**2012**
			(PLN)		
Revenues	9,885,212,276	10,347,604,000	10,989,783,000	12,120,159,000	12,788,221,000
Expenditures	11,292,212,276	12,098,492,092	12,582,162,463	12,804,107,640	13,076,093,275
Debt service costs	179,000,000	222,310,092	316,118,463	405,562,640	438,968,275
FINANCING DEFICIT/ SURPLUS	(1,407,000,000)	(1,750,888,092)	(1,592,379,463)	(683,948,640)	(287,872,275)
Income	16,054,000	45,459,000	59,337,000		
Debt - capital instalments	252,569,000	251,367,648	268,492,684	318,893,361	317,260,193
Total direct debt	3,247,371,638	4,868,298,730	6,440,341,193	7,124,289,833	7,412,162,108
			(Per cent.)		
Debt service ratio	4.37	4.58	5.32	5.98	5.91

Legal conditions in the scope of debts and the City's loan policy

The Public Finance Act formulates the meaning, scope and classification for debt and financing of public sector entities, as well as imposing limitations on the creation of debt.

Municipal budget deficits can be financed with revenue from municipal securities, credits, loans, privatisation of property, budgetary surpluses from previous years and surpluses from the credit and loan settlement of previous years. At the same time, incurring a further liability can finance a transitional and planned deficit throughout the year or to repay previously incurred liabilities.

Current provisions set principles and limits on incurring liabilities by local government units. The discount on securities issued by local government cannot exceed 5 per cent. of their face value and the capitalisation of interest is not permissible. The liability value during the period of repayment should be expressed in PLN with the exception of bond issues on foreign markets, according to regulations introduced in 1999 and 2006.[1]

More stringent restrictions relate to instalment, credit and loan interest repayments; redemptions, interest payments and discount of the issued bonds and, additionally, *potential* repayments of sums resulting from granted warranties and guarantees to *budgeted* revenues cannot exceed 15 per cent. of revenues. There are additional limitations resulting from the relation of state debt to GDP. Once the ratio of state debt to GDP exceeds 55 per cent., the above limitation for municipalities is reduced to 12 per cent. The second ratio is between outstanding debt at the end of the year/quarter and the actual/budgeted revenue, which cannot exceed 60 per cent.

Additional limitations, including those factors influencing market conditions in which the City borrows are not substantial. They include potential limitations resulting from the tax base.

Cash position

One of the key elements in the City's debt policy is the implementation of the new cash management policy. New rules on the co-operation with selected banks gives the City the possibility of managing cash shortfalls due to any time lag between revenues and expenditures.

Warranties and guarantees given by the City

The following table sets out details of the total cumulative amounts of granted guarantees issued by the City for the period 2003-2008:

	Year ended 31 December					
	2003	**2004**	**2005**	**2006**	**2007**	**2008[(1)]**
			(PLN million)			
Value of aggregated guarantees.........	11.7	11.5	95.2	134.7	144.2	141.1

Note:

(1) Projected only

In the period 2003-2007 the City issued 14 guarantees for healthcare institutions with the aggregate amount of PLN 137 million. The majority of this amount was issued in 2005 (PLN 83.7 million), in 2006 PLN 39.5

[1] Ordinance of the Council of Ministers of 28 September 1999 on the cases, when there is no restrictions on some financial liabilities draw down by municipalities and other public sector entities, excluding the State Treasury (number 62/2000) changed by Ordinance of the Council of Ministers of 27 June 2006 on the cases, when there is no restrictions on some financial liabilities draw down by municipalities and other public sector entities, excluding the State Treasury (number 112/2006).

million was issued and the smallest portion in 2007 (PLN 9.5 million). In addition to the above, before 2003 the City issued guarantees for healthcare institutions and TBS (social housing associations). At the end of 2007 the total aggregate amount of granted guarantees reached PLN 144.2 million. The provision of a guarantee is not foreseen in the 2008 budget.

The City is the founding body of thirty autonomous public healthcare institutions, including 10 hospitals, 14 units of out-patient healthcare, three addiction treatment units and three nursing care units. Those establishments employ approximately 11,000 people. Parts of these units, located in Warsaw, fall under the management of other authorities: Minister of Health, Minister of Internal Affairs and Administration, Minister of National Defence, Marshal of Mazowieckie Voivodship and Chancellor of the Academy of Medicine. There are 41 hospitals and 137 out-patient healthcare units located in the City.

In the years 2005-2006, the City carried out the debt restructuring of autonomous public healthcare centres (SPZOZ). Under the programme of warranties for the centres' debts, it was planned to exchange costly liabilities due for payment into lower cost long-term credit (resulting in a reduction of financing costs and the improvement of liquidity) as well as by the healthcare centres performing restructuring and repair programmes in order to complete the restructuring plans pursuant to the Acts of Law on Public Aid and Restructuring Programmes of Public Healthcare Centres and on Balancing Revenues and Costs.

During that period the City paid PLN 1.3 million under its obligations as a guarantor and up to the date hereof has recovered PLN 0.2 million. The majority of payments under the guarantees are expected to be made between 2008 and 2012.

The constant monitoring by the City allows it to evaluate the risks connected with issued guarantees. As at the date of this Prospectus, it is estimated that 60 per cent. of the guarantees given by the City have a high risk of being called upon. The City's current policy is to limit the amount of issued guarantees for healthcare institutions and to continue to strictly monitor their financial situation.

Co-financing from European Union funds

Warsaw as a local government is currently the largest beneficiary of European Union ("**EU**") funds provided to Poland. Since Poland acceded to the EU, Warsaw has been actively participating in the process of seeking EU funds for a number of undertakings.

Environmental - sanitation and waste management

The largest beneficiary of EU funds in the City is the "Cohesion Fund". At present, three phases of a water-sanitation project for the City are being undertaken. This project is the largest environmental project in Poland and one of the largest projects in Europe to be financed by EU funds. The total value of the sanitation project amounts to PLN 2.4 billion, of which PLN 1.4 billion is to come from EU funding. As part of this project, the infrastructure of the water delivery system is being modernised, which will have a positive effect on the quality of drinking water in the City. However the majority of the EU funding provided to this project will be spent on the construction and modernisation of the sewage system infrastructure and a sewage treatment plant in Czajka (in the Białołęka district), which, when completed, will be one of the most modern in Poland, providing for sewage treatment for a major part of the City. The final phase of development is planned for the period 2008-2013.

The second strategic investment in the environmental sector is waste management, where a project co-financed by the EU is underway to provide for increased processing capacity at Poland's only waste treatment plant (in the Targówek district).

Transport

The largest transport project which benefits from EU funds is the construction of the first line of the Warsaw underground which is ongoing. In the period 2007-2013, the transport sector will dominate those activities of the City co-financed with EU funds, and will see the construction of the second line of Warsaw underground.

The total value of the transport project amounts to PLN 8.1 billion, of which PLN 3.6 billion is to come from EU funding.

The improvement of the transport system is the other investment in the transport sector. According to the project of the Strategy for Sustainable Development of Transport in the Capital City of Warsaw, it is also planned to submit applications for the co-financing of, amongst others, projects to modernise tram routes, to purchase trams and for the development of the Fast City Train.

Other

The European Regional Development Fund is less important in the City's revitalisation (two projects have been performed to date) and international co-operation (two projects were performed). In the period of 2007-2013, there are planned projects from sectors other than environment and transport. The biggest of these is the construction of the Modern Art Museum and Warsaw's Technological Park.

The City is currently operating 36 projects co-financed by the European Social Fund, the highest number of any Polish local government. They are being performed mainly through social aid centres in the City and its district offices.

The City's Financial Statements

Introduction

The City prepares its financial statements in accordance with accounting principles and standards established by the Act on Accounting dated 29 September 1994 (Journal of Laws No. 76, item 694), the Public Finance Law dated 20 December 2005 (Journal of Laws No. 249, item 2104) (the "**Public Finance Law**") and the Law on Revenues of Local Self-government Entities, dated 13 November 2003 (Journal of Laws No. 203, item 1966). This Act requires the preparation of a detailed annual provisional budget, the multi-annual debt forecast and the multi-annual investment plan.

According to the Public Finance Law, the City's annual financial statements must be examined by the Regional Accounting Chamber (*Regionalna Izba Obrachunkowa*), which is responsible for local government budget controls under the supervision of the Ministry of the Interior. The examination focuses on the compliance of the City's budget with the law, budgetary rules and accounting principles.

Additionally since 2006 the City's financial statements must be examined by an independent audit firm; currently, ECO-BILANS Ltd. The external auditors are empowered to perform an examination of, provide comments on, the City's financial statements. They also monitor the City's accounting and financial management and prepare an annual report on the City's financial statements. The auditors are assisted by the City's internal accountants, and audit financial statements in accordance with generally accepted auditing standards in Poland. The City's year end is 31 December.

Accounting and Financial Statements of the City

Each district (*dzielnica*) of the City maintains separate budgets which are approved by the Council. The annual financial statements and budgetary statements of the City include the operations and assets of both the City and the districts.

The annual financial statements are composed of a balance sheet, profit and loss statement and annual statement from budget realisation. The annual budgetary statements also include an annex which describes budget realisation of each district.

In accordance with the effective accounting rules appropriate to state organisational branches, self-governing units and contributory organisations, the City also prepares a consolidated form of balance sheet which includes the contributory organisations established by the City and business corporations in which the City has an equity investment.

Major differences between the City and corporate entities in the accounting procedures

The City's accounting and bookkeeping system (budget revenues, income and expenditures) as well as financial and budgetary statements, must according to Public Finance Law dated 20 December 2005, be recorded and prepared on a cash-basis with compliance of cash accounting rules basis.

Balance sheet

The following table shows the aggregated, non-consolidated balance sheet as at 31 December 2006 and 31 December 2007 relating to the City and prepared according to the Polish accounting standards applicable for municipal and local-government units.

	As at 31 December	
	2006	**2007**
	(PLN)	
ASSETS		
FIXED ASSETS	10,345,255,205	9,780,301,095
Intangible assets	2,496,247	10,506,907
Tangible fixed assets	6,129,432,785	5,895,039,578
Long-term receivables	5,606,354	4,755,722
Long-term financial assets	4,207,719,819	3,869,998,888
CURRENT ASSETS	193,512,700	194,171,364
Inventory	3,457,290	5,136,544
Short-term receivables	99,354,601	133,243,206
Financial (Cash) assets	90,670,459	55,762,626
Short-term securities	0	
Prepayments	30,350	28,988
OTHER ASSETS	0	
TOTAL ASSETS	10,538,767,905	9,974,472,459
LIABILITIES		
FUNDS	10,380,950,287	9,826,525,338
Funds	9,798,001,443	9,208,313,631
Financial result (net)	580,051,344	616,568,134
Funds from liquidated subsidiary	2,897,500	1,643,573
PURPOSEFUL FUNDS	46,015,119	44,294,694
LONG-TERM LIABILITIES	0	0
SHORT-TERM LIABILITIES AND SPECIAL FUNDS	109,093,645	100,540,278
Short-term liabilities	103,827,257	96,590,893
Special funds	5,266,388	3,949,385
ACCRUALS	2,708,854	3,112,149
OTHER LIABILITIES	0	0
TOTAL LIABILITIES	10,538,767,905	9,974,472,459

Profit and loss statement

The following table shows the aggregated, non-consolidated profit and loss statement as at 31 December 2006 and 31 December 2007 relating to the City and prepared according to the Polish accounting standards applicable for municipal and local-government units.

	Year ended 31 December	
	2006	**2007**
	(PLN)	
PROFIT AND LOSS ACCOUNT		
OPERATING REVENUES	973,495,834	806,899,774
Net revenues from sales of products	509,261,338	326,377,171
Other revenues	464,234,496	480,522,603
OPERATING EXPENSES	391,788,927	426,836,070
Depreciation of fixed assets	18,959,134	10,954,091
Consumption (usage) of materials and energy	5,507,576	6,752,499
External services	116,423,736	125,103,238
Taxes and charges	5,762,264	8,266,640
Payroll	198,953,645	219,662,881
Social security and other benefits for workers	37,359,397	45,361,545
Other costs by type	1,822,515	1,975,601
Other benefits from budget	4,970,030	6,785,974
Other debit	2,030,630	1,973,601
RESULT FROM OPERATING ACTIVITY	581,706,907	380,063,704
OTHER REVENUES	118,666,079	378,002,386
Other operating revenues	22,014,413	15,091,788
Financial revenues	96,651,666	362,910,598
OTHER EXPENSES	120,321,642	141,497,956
Other operating expenses	62,034,770	49,815,787
Financial expenses	58,286,872	91,682,169
RESULT FROM COMMERCIAL ACTIVITY	580,051,344	616,568,134
Extraordinary gains	0	0
Extraordinary losses	0	0
GROSS PROFIT (LOSS)	580,051,344	616,568,134
Income tax	0	0
Other statutory reductions (increases)	0	0
NET PROFIT (LOSS)	580,051,344	616,568,134

Balance sheets of contributory organisations

The following table shows the aggregated, consolidated balance sheet as at 31 December 2006 and 31 December 2007 relating to the City and prepared according to the Polish accounting standards applicable for municipal and local-government units.

	As at 31 December	
	2006	**2007**
	(PLN)	
ASSETS		
FIXED ASSETS	78,488,948,256	89,735,207,674
Intangible assets	18,608,547	32,183,450
Tangible fixed assets	78,193,385,618	89,397,608,478
Long-term financial assets	85,232,197	110,969,014
Long-term financial receivables	191,721,894	194,446,732
CURRENT ASSETS	4,094,833,959	4,500,777,544
Inventory	209,291,100	174,267,984
Receivables and claims	1,817,090,699	1,890,284,432
Financial (Cash) assets	1,862,933,782	2,410,628,835
Short-term securities	205,518,378	25,596,293
PREPAYMENTS	210,311,479	287,077,551
OTHER ASSETS	0	26,093
TOTAL ASSETS	82,794,093,694	94,523,088,862
LIABILITIES		
FUNDS	75,595,688,026	86,745,600,644
Funds of subsidiary	79,465,908,629	90,018,386,639
Accumulated result (deficit/surplus) of budget	(1,987,232,196)	(1,450,846,014)
Result (deficit/surplus) of budget	488,887,613	673,876,156
Financial result from no-cash transactions	0	0
Financial result from current year	(2,092,345,943)	(2,299,819,247)
Financial result from previous year	(345,638,829)	(231,331,761)
Purposeful funds	0	0
Minority shares	0	354,968
Others	66,108,752	34,979,903
LONG-TERM LIABILITIES	2,914,484,300	2,826,940,757
Long-term financial liabilities	2,914,484,300	2,826,940,757
Other long-term financial liabilities		
SHORT-TERM LIABILITIES AND SPECIAL FUNDS	2,556,996,067	2,682,176,372
Short-term financial liabilities	77,296,646	23,067,404

	As at 31 December	
	2006	**2007**
	(PLN)	
Other short-term liabilities	1,422,992,545	1,527,404,591
Provisions for liabilities	917,677,803	985,035,857
Special funds	139,029,073	146,668,520
ACCRUALS	1,659,620,065	1,740,873,469
OTHER LIABILITIES	67,305,236	527,497,620
TOTAL LIABILITIES	82,794,093,694	94,523,088,862

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amount under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Republic of Poland

Non-residents of Poland

The Minister of Finance issued a tax order dated 27 November 2008 regarding taxation of the Notes (the "**Tax Order**"). The Tax Order applies solely to any Notes issued by the City in 2009 and exempts from the Polish withholding tax regime (A) payments of interest (including the difference between the issue price and redemption price) to, and (B) capital gains realised on disposals of the Notes by, Polish Non-Residents (as defined below). For the purposes of this paragraph, "**Polish Non-Residents**" means:

- individuals, whose place of residence is not in Poland; and
- (1) legal persons, (2) organisational units having no legal personality, and (3) partnerships having no legal personality which do not have their seat or a management office in Poland, provided that under the law of the country where it has its seat or management office, such entity is treated as a legal person and is subject to tax on the total amount of its income, irrespective of the place where such income is earned.

The exemption applies to payments received before 31 December 2019.

The payments of principal are not subject to withholding tax in Poland.

Residents of Poland

Income (including income interest and income from redemption) derived by a Polish tax resident individual, from the Notes, held as non-business assets qualifies as capital income according to Article 17 of the Polish Personal Income Tax Act dated 26 July 1991. This income is not subject to the progressive tax scale associated with general income but is subject to a 19 per cent. flat rate tax.

If the Notes are kept in a securities account maintained with a Polish bank or a Polish brokerage house, such bank or brokerage house is generally required to withhold tax at a rate of 19 per cent. on any interest (including the difference between the issue price and redemption price) paid to an investor.

If interest is paid by a foreign entity, further to currently prevailing practice, the entity would not be obliged to withhold Polish income tax and the tax should be settled by the individual. Potentially, the foreign entity could make withholdings pursuant to laws of other jurisdictions. Withholding tax incurred outside Poland (including countries which have not concluded any tax treaty with Poland), up to an amount equal to the tax paid abroad but not higher than 19 per cent. tax on the interest amount, could be deducted from the Polish tax liability.

Income from disposal of the Notes derived by an individual who is tax resident in Poland and held as non-business assets is subject to a 19 per cent. rate of tax. An individual is responsible for payment of such tax.

A Polish tax resident, corporate income taxpayer or a natural person holding the Notes as a business asset, will be subject to income tax on the Notes (both on capital gains and on interest, including the difference between the issue price and redemption price) following the same principles as those applying to any other income from business activity. The appropriate tax rate will be the same as the tax rate applicable for the business activity, i.e. 19 per cent. for a corporation and, in case of a natural person, either at the basic rate of 19 per cent. or the progressive tax rate up to 32 per cent., depending on the taxpayer's choice and whether other requirements are met.

EU Directive on the Taxation of Savings Income

The EU has adopted EC Council Directive 2003/48/EC regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period unless during such period they elect otherwise. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 17 March 2009 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

(ii) it will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Poland

The Notes will not be offered to the public in Poland as a part of the "**public offering**", as specified by the relevant provisions of Polish law, in particular, by the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005 (the "**Offering Act**"). Pursuant to Article 3.3 of the Offering Act, "**public offering**" shall be a communication in any form and by any means (i.e. one which is made within the Republic of Poland and addressed to at least 100 persons or to an unspecified addressee) which contains sufficient information on the securities to be offered and the terms and conditions of their acquisition, so as to enable an investor to decide to purchase these securities. Each Dealer has represented and agreed that it will offer and sell any Notes to residents in the Republic of Poland only in accordance with the applicable Polish laws, exemptions and regulations as amended or supplemented from time to time. Additionally, the Notes have not been and will not be admitted to trading on a regulated market in Poland.

Japan

The Notes will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**"). Accordingly, each Dealer has represented and agreed that it will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

CITY OF WARSAW

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €1,300,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 17 March 2009 [and the supplemental Prospectus dated [ ]. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at the website of the Luxembourg Stock Exchange (www.bourse.lu) [and] during normal business hours at [address] [and copies may be obtained from [address]]. The opinion of the Regional Chamber of Audit (*Regionalna Izba Obrachunkowa*) in relation to the issue of Notes is set out in the Annex to these Final Terms.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated 17 March 2009 [and the supplemental Prospectus dated [ ]]. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [ ]], save in respect of the Conditions which are extracted from the Prospectus dated 17 March 2009 [and the supplemental Prospectus dated [ ] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated 17 March 2009 and [current date] [and the supplemental Prospectuses dated [ ]]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at the website of the Luxembourg Stock Exchange (www.bourse.lu) [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

1.	Issuer:	City of Warsaw
2.	[(i)] Series Number:	[ ]
	[(ii) Tranche Number:	[ ]]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
3.	Specified Currency or Currencies:	[ ]

4.	Aggregate Nominal Amount of Notes:	[ ]
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)][2]
6.	(i) Specified Denominations:	[ ]
	(ii) Calculation Amount:	[ ]
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date	[*Specify/*Issue Date/Not Applicable]
8.	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[ ] per cent. Fixed Rate] [[*specify reference rate*] +/– [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (specify)]
11.	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)] Status of the Notes:	Senior - as further described in Condition 3
	(ii) Date of resolutions authorising the issuance of Notes obtained:	[ ]
14.	Method of distribution:	[Syndicated/Non-syndicated]

2 Zero Coupon Notes may not be issued with an Issue Price of less than 95 per cent. of its aggregate nominal amount.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
(iv)	Broken Amount(s):	[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]
(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
(vi)	Determination Dates:	[ ] in each year [*(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[ ]
	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	First Interest Payment Date:	[ ]
	(iv)	Interest Period Date:	[ ] (Not applicable unless different from Interest Payment Date)
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi)	Business Centre(s):	[ ]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]

	(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Calculation Agent]):	[ ]
	(ix)	Screen Rate Determination:	
		– Reference Rate:	[ ]
		– Interest Determination Date(s):	[ ]
		– Relevant Screen Page:	[ ]
	(x)	ISDA Determination:	
		– Floating Rate Option:	[ ]
		– Designated Maturity:	[ ]
		– Reset Date:	[ ]
		– ISDA Definitions:	2006
	(xi)	Margin(s):	[+/-][ ] per cent. per annum
	(xii)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xiv)	Day Count Fraction:	[ ]
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[ ] per cent. per annum
	(iii)	Any other formula/basis of determining amount payable:	[ ]
18.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula/other variable:	[*give or annex details*]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest	[ ]

		Amount(s) (if not the [Calculation Agent]):	
	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv)	Interest Determination Date(s):	[ ]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
	(vi)	Interest Period(s):	[ ]
	(vii)	Specified Interest Payment Dates:	[ ]
	(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix)	Business Centre(s):	[ ]
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	[ ]
19.	**Dual Currency Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the [Calculation Agent]):	[ ]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ] per Calculation Amount
		(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv)	Notice period	[ ]
21.	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
	(iii)	Notice period	[ ]
22.	**Final Redemption Amount of each Note** In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		[ ] per Calculation Amount
	(i)	Index/Formula/variable:	*[give or annex details]*
	(ii)	Party responsible for calculating the Final Redemption Amount (if not the [Agent]):	[ ]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv)	Determination Date(s):	[ ]

(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(vi)	Payment Date:	
(vii)	Minimum Final Redemption Amount:	[ ] per Calculation Amount
(viii)	Maximum Final Redemption Amount:	[ ] per Calculation Amount

23. Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice] *(If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€[ ] and integral multiples of €[ ]" the Temporary Global Note must not be exchangeable on [ ] days notice)* [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes: Permanent Global Certificate exchangeable for individual Certificates in the limited circumstances specified in the Global Certificate]
25.	New Global Note:	[Yes] [No]
26.	Financial Centre(s) or other special provisions relating to payment dates	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15(ii), 16(v) and 18(ix) relate*]

27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):		[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:		[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:		[Not Applicable/*give details*]
30.	Redenomination, renominalisation and reconventioning provisions:		[Not Applicable/The provisions attached apply]
31.	Consolidation provisions:		[Not Applicable/The provisions attached apply]
32.	Other final terms:		[Not Applicable/give details]

DISTRIBUTION

33.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]
35.	U.S. Selling Restrictions:		[Reg. S Compliance Category 2; TEFRA C/ TEFRA D/ TEFRA not applicable]
36.	Additional selling restrictions:		[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the Luxembourg Stock Exchange of the Notes described herein pursuant to the €1,300,000,000 Euro Medium Term Note Programme of the City of Warsaw.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [Certain information has been extracted from third party sources. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of City of Warsaw:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market Luxembourg Stock Exchange with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [[Other]: [ ]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."][3]

4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer	[ ] (*See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*]
[(ii)]	Estimated net proceeds:	[ ] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds*

[3] If no conflicts have been disclosed, delete entire Section 3. If conflicts have been discussed, reference should be to the section of the document where such conflicts were disclosed.

insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii) Estimated total expenses:	[ ]
	(*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included a above.)]*[4]

5. [Fixed Rate Notes only – YIELD

Indication of yield:	[ ]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also, the Issuer needs to include the name of the editor for the index, a description of the index, the place of publication of the index and the frequency and method of calculating the index. Where the underlying is not an index need to include equivalent information.

7. [Dual Currency Notes only – PERFORMANCE OF RATE[S]

OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained. Also need to include a description of the assets, a description of the market on which the underlying assets are regularly traded and which is used for providing the indication of market prices, the place of publication and the frequency of this publication.]

8. OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)]*]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent:	Citibank, N.A.

[4] This is required for Notes where the Final Redemption Amount is other than 100% of the nominal value.

Names and addresses of additional Paying Agent(s) (if any):	[ ]
Intended to be held in a Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" simply means manner which would allow that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]*[include this text if "yes" selected in which case the Notes must be issued in NGN form*]

ANNEX

[Insert the opinion of the Regional Chamber of Audit (*Regionalna Izba Obrachunkowa*) in relation to the issue of the Notes]

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Poland in connection with the establishment of the Programme. The Programme was established, and the Notes will be issued and performed, pursuant to (1) the Polish Act on public finance dated 30 June 2005, (2) the Tax Order, (3) Resolution No. XLV/1407/2008 of the Council of the City of Warsaw dated 11 December 2008 approving the 2009 budget, and (4) Resolution No. XLV/1408/2008 of the Council of the City of Warsaw dated 11 December 2008 as amended by the Resolution No. XLVII/1452/2009 of the Council of the City of Warsaw dated 15 January 2009 authorising the issue of Notes under the Programme.

2. Except as disclosed in this Prospectus, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2007.

3. The Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) relating to any claims or amounts that may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position of the Issuer.

4. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

5. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

6. For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer or the specified office of the Paying Agent for the time being in Luxembourg:

   (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons); and

   (ii) the Deed of Covenant.

   In addition, for so long as Notes may be issued pursuant to this Prospectus or any of the Notes is outstanding, the following documents will be available for inspection and obtainable, during business hours on any weekday (Saturday and public holidays excepted), from the office of the Issuer or the specified office of the Paying Agent for the time being in Luxembourg:

   (i) each Final Terms (save that Final Terms relating to a Note which is neither admitted to listing, trading and/or quotation by any listing authority, stock exchange or quotation system will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity); and

   (ii) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

   This Prospectus, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

THE ISSUER

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