

FITCH RATES ROMANIAN METROPOLITAN AREA OF ORADEA 'B+'

Fitch Ratings-London/Barcelona-09 June 2009: Fitch Ratings has today assigned the Romanian Metropolitan Area of Oradea (OMA) Long-term foreign and local currency ratings of 'B+', respectively, and a Short-term foreign currency rating of 'B'. The Outlooks on the Long-term ratings are Stable.

OMA's ratings reflect its main objective of providing economic and infrastructure development to the metropolitan area which is of high importance to its 11 local authority members. The ratings also factor in the importance of the City of Oradea (Oradea, rated 'BB+/'B'/Negative) to the metropolitan area, because it is the main sponsor and contributor. OMA's ratings also take into account the association's limited revenue flexibility and small budget.

A clear commitment from the county council to the obligations of OMA's members in the form of a guarantee, and/or an improvement of the Romanian economy - which could positively affect the creditworthiness of Romanian local authorities and Oradea in particular - would be positive for OMA's rating. A deterioration of OMA's budgetary performance, which could stem from delays in members' contributions, and/or a deterioration of Oradea's ratings would be negative for OMA's rating. Furthermore, a decline in interest on the further development of the metropolitan area could be negative for the ratings.

OMA has a short track record although its performance to date has been good with reported overall surpluses and operating margins, as per Fitch's calculation, well over 25% on an annual basis respectively. OMA has no debt outstanding and has indicated it has no immediate plans to contract debt. However, its ability to acquire debt funding would be limited by its low revenue flexibility, as 84% of its operating revenue derives from member contributions. OMA's revenue is also concentrated as over 87% derives solely from Oradea. Therefore, OMA's credit profile is somewhat linked to that of Oradea. The limited budget, with total revenues amounting to just RON1.95m in 2008, is also a constraining factor for its rating.

Romania's highly centralised budgetary system ensures adequate support and control from the central government, as the state supervises local authorities' accounts and financial positions including debt approval, but it also limits their budgetary flexibility. In addition, the current mayor of Oradea has clearly stated the importance of OMA with respect to economic and infrastructure development and the improvement of Oradea and its associated communes, ensuring the necessary support for the annual contributions for the association's operating and business activities.

OMA was founded in 2005 as an association of nine, since increased to 11, local authorities for the purpose of implementing common projects to benefit the economic development of the metropolitan area. OMA's total population consists of about 246,000 inhabitants, most of which (207,000) are located in Oradea.

A full report on the Metropolitan Area of Oradea will be soon available on the agency subscriber website, www.fitchresearch.com.

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