

## Poland Full Rating Report

## City of Gdansk

### Ratings

Foreign Currency  
Long-Term Rating BBB+

Local Currency  
Long-Term Rating BBB+

### Outlooks

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

### Financial Data

City of Gdansk	31 Dec 09	31 Dec 08
Operating revenue (PLNm)	1,591.0	1,582.7
Debt (PLNm)	712.6	409.9
Operating balance/ operating revenue (%)	5.64	14.29
Debt service/current revenue (%)	2.97	4.61
Debt/current balance (yrs)	10.28	1.87
Operating balance/ interest paid (%)	3.89	16.27
Capital expenditure/total expenditure (%)	22.66	23.30
Surplus (deficit) before debt variation/total revenue (excluding new debt; %)	-15.61	-6.40
Current balance/capital expenditure (%)	15.28	50.35

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### Related Research

#### Applicable Criteria

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

#### Other Research

- *Institutional Framework for Polish Subnationals* (October 2010)
- *Interpreting the Financial Ratios in International Public Finance Reports* (July 2010)
- *Zakład Komunikacji Miejskiej w Gdansk Sp. z. o.o.* (August 2010)

### Rating Rationale

- The City of Gdansk's ratings are supported by its vigorous economy, a robust, growing tax base and good debt-service coverage, although Fitch Ratings expects the latter to deteriorate due to growing debt service. The ratings are constrained by the city's increasing debt, large indirect risk and pressure on its operating expenditure.
- Gdansk's budget revenue benefits from the city's strong tax base resulting from its wealthy and diversified local economy, as indicated by per capita GDP 35% above the national average and a low unemployment rate of 4.9% at end-2009. Sectors such as IT, financial services, research and scientific centres attract high-skilled employees. Economic prospects are favourable, due to continuing private investment (in the services, production, and new technology sectors) supporting high tax revenue from personal and corporate income tax (PIT and CIT) and local property taxes.
- Fitch expects the economic recovery and the growing tax base to improve the city's operating performance. In 2010 the operating balance may rise to about PLN200m, resulting in the operating margin exceeding 11% of operating revenue. This will be above the 2009 results, when the operating margin was 5.6%. Fitch considers it crucial for the city's ratings for it to maintain the operating margin at least at 10% in 2011-2013. This should ensure sufficient operating balance in light of expected growing debt service.
- Debt service, which accounted for only 53% of the operating balance in 2009, may absorb a greater proportion of the latter in the medium term as the city raises new debt to fund its investments. The capex plan for 2009-2013 is about PLN5bn. This will require debt to grow to about PLN1.4bn in 2013, from PLN713m in 2009, meaning that debt service will also grow rapidly. Gdansk will need to maintain a robust operating performance to protect its debt and debt-service coverage ratios, with debt repayment not exceeding 10 years and an operating balance sufficient to cover debt servicing.
- Indirect risk is also growing. At end-2009 public companies' debt was PLN297m. Some new debt-financed investments will be undertaken by municipal companies, special-purpose vehicles (SPVs) established by the city or through public-private partnerships. However, they will require capital injections from the city to secure their debt service. Consequently, Fitch expects Gdansk's indirect risk to increase to about PLN1bn by 2013.

### Key Rating Drivers

- A rating downgrade could result from growing direct and indirect risk accompanied by weak operating performance insufficient to cover debt service.
- The ratings could be upgraded if the city maintains a sustainable sound operating performance and manages to stabilise its debt.

### Profile

Gdansk is located on the Gulf of Gdansk and has about 456,600 residents. Gdansk and the neighbouring cities of Gdynia and Sopot form a large conurbation of 743,000 inhabitants.

**Rating History**

Date	Long-Term Foreign Currency	Long-Term Local Currency
21 Nov 2007	BBB+	BBB+
20 Dec 2004	BBB	BBB

• In the local elections in November 2010 Mr Pawel Adamowicz was re-elected Gdańsk's president for his fourth term.

**Administration**

**Political Stability**

The local elections in November 2010 altered the composition of the city council. Civic Platform (Platforma Obywatelska, PO) won 26 out of 34 seats, Law and Justice (Prawo i Sprawiedliwość, PiS) seven, and the Democratic Left Alliance (Sojusz Lewicy Demokratycznej, SLD) one. The next elections will be held in 2014.

The city's president, Pawel Adamowicz, took office in 1998. He was re-elected for his fourth term in the November 2010 election. He is a member of the PO and the deputy party chairman in the Pomorskie Region (Pomorskie voivodship). He is supported by a comfortable majority of votes in the local council.

**Political Priorities**

In 2004, the city's authorities adopted a document that set out their strategic objectives until 2015. The strategy focuses on Gdansk's economic development, increasing its attractiveness and competitiveness, and improvement of the quality of services provided to inhabitants and of the local infrastructure. This strategy is accompanied by operational plans for each objective and the multiyear investment plan (Wieloletni Plan Inwestycyjny; WPI), which includes investment projects, their schedule and sources of financing. The largest investments are made in areas including:

- Transport (roads and public transportation),
- Water and wastewater,
- Solid waste infrastructure,
- Housing, and
- Sport, education, culture and tourism.

A large number of the city's investments will benefit from capital transfers from the EU. Several of projects are being or will be undertaken together with neighbouring cities, giving benefits of scale and increasing the economic, cultural and educational integration of these cities. The city is also aiming to facilitate the development of new technology (biotechnology) and innovation sectors, and the maritime sector (including construction of deep container terminals) and logistics industry.

In 2012 Gdansk will be one of four Polish cities hosting the European Football Championship (EURO2012). The projects that relate to this event (sport facilities and transport infrastructure) have the highest priority for the city.

**Economy**

**Wealthy Local and Diversified Economy**

Gdansk is the capital of Pomorskie Region, located on the coast of the Baltic Sea. Gdansk, Gdynia and Sopot form a large conurbation with more than 743,000 residents and more than 100,000 companies. In 2008 (latest data available), the GDP of the conurbation<sup>1</sup> accounted for 2.6% of national GDP. GDP per capita was 135% of the national average.

Gdansk's economy is diversified. More than 99% of companies are SMEs with fewer than 50 employees. Of these 30% are in finance, 24% in commerce, 12% in industry and 10% in construction. The services sector is important in the local economy, accounting for 73% of gross value added (GVA) and employment, respectively (national averages: 65% GVA and 50%); the sector is mainly concentrated on public administration, financial business services (eg, banks and insurance), real estate, IT, health care institutions (including nine hospitals) and commerce. The industrial

<sup>1</sup> Gross city product for Gdansk is not published.

- Wealthy and diversified local economy makes Gdańsk one of Poland's economic engines.
- High level of direct investments contributes further to the city's well-developed and still growing tax base.

sector (including construction) is also well developed, accounting for more than 26% of GVA and employment.

Thanks to its location and well-educated inhabitants, Gdansk is an attractive place for multinational companies from the electronics, IT, and bio- and other innovative technologies sectors. The number of companies and branches starting activities in Gdansk is growing dynamically, with some of them attracted by the existing Pomeranian special economic zone (PSSE) and Gdańsk's Science-Technological Park.

The manufacturing sector is also important, as there are several large companies, including Grupa Lotos SA's refinery, which has annual output of PLN14bn and 1,200 employees in the city, and Energa, with about PLN8.3bn annual output. Lotos has Poland's second-largest oil refinery. This was completed in 2010 after investment of about PLN13bn in construction of equipment, which will boost oil production by about 2x (to more than 10 million tonnes per year).

Significant private investment in the northern seaport area is focused on the construction of the 40-hectare deepwater container terminal, DCT Gdansk SA, at a total cost of EUR190m. The target total annual capacity of the terminal is 1 million tonne-equivalent units. The investment should strengthen the role of the city as a logistics hub of national and international importance.

The city has historic and architectural monuments, culture events and proximity to the coast, and so is a popular tourist destination. Gdansk hosts more than 1 million tourists a year. In 2012 Gdansk will host EURO2012, which will increase the number of travellers and event visitors.

The strength of Gdansk's economy is also reflected in the high demand for skilled labour and a low unemployment rate, which at end-2009 was only 4.9%. Due to the economic downturn unemployment increased to 5.5% in mid-2010, but remained low and compared positively with the national average of 11.6%.

### An Important Higher Education and Research Centre

Gdansk is a major national higher education, cultural and scientific centre. There are about 5,000 academic staff and 78,600 university students in the city.

### Demographics

In 2009 Gdansk, with 456,600 residents, was the largest city in Pomorskie Region. The city's population has been continuously falling. In 2008-2009 this long-term decline was slightly less pronounced, mainly due to a positive natural balance. Inhabitants at retirement age account for 18.8% of the total, exceeding the national and regional averages of 16.6% and 15.1%, respectively.

## Finances and Performance

### Revenue

#### *Tax-Based Revenue*

Most of Gdansk's operating revenue comes from taxes, which accounted for 52% of operating revenue in 2009. Modifiable local taxes represented about 30% of tax revenue (2008: 28%), giving the city some moderate revenue flexibility. The growing share of modifiable taxes indicates Gdansk's relative resistance to the economic slowdown.

- High local tax policy supports tax revenue growth.

The city sets rates for two local taxes and two categories of fees; these, however, cannot exceed limits established by the Ministry of Finance (MoF) every year. Since 2005 Gdansk's local tax rates have been kept at or very close to the maximum level set by the MoF. Uncollected local tax revenue due to lower tax rates totalled PLN10m in 2009, accounting for only 3.4% of local tax revenue. Some tax relief on local levies is offered to potential investors that create new jobs – especially new investors in the PSSE. In 2009 the tax relief amount was low at PLN1.2m.

The property tax, which is the most important modifiable tax, represents more than 79% of revenue from local taxes and fees. The property tax base is well developed and growing. The concentration of property tax payers is high. The 10 largest accounted for about PLN96.6m or 41% of property tax. Large investments by companies located in the city, which were completed in 2010 (see *Economy* above), will increase Gdansk's property tax base and should benefit the city's income tax revenue.

Income tax revenue represented 33% of operating revenue, totalling PLN532m in 2009. PIT and CIT revenue declined due to the economic slowdown and introduction of lower PIT rates from 2009. The decline of CIT by PLN29m, 29% compared with 2008, indicates a relative concentration on cyclical industries (oil and logistics) in the city's income tax revenue base.

### Breakdown of Taxes

(PLNm)	2007	2008	2009	2010 pre-closing
PIT	465.7	506.5	484.8	490.0
CIT	59.2	76.3	47.0	35.0
Property tax	208.9	231.6	237.1	260.0
Other local taxes	84.2	81.5	60.5	78.5
<b>Total tax revenue</b>	<b>818.0</b>	<b>895.9</b>	<b>829.4</b>	<b>863.5</b>

Source: Fitch own calculations based on the city of Gdansk's budgets

### Current Transfers

Current transfers totalled PLN493m (31% of operating revenue) in 2009. Of the total amount, PLN331m (67%) represents the educational element of the general subsidy. The remainder includes PLN101m (20% of the total current transfers amount) of earmarked grants for state government-delegated tasks and PLN36m grants for the co-financing of own tasks. The annual growth in transfers (12.5% in 2009) is attributable mainly to the increase of the educational subsidy following a rise in teachers' salaries, which are negotiated at the central government level.

### Prospects

In 2010 operating revenue may total PLN1,790m, accounting for a 12% increase yoy. In particular the growth of local tax revenue is supported by the expanding tax base due to completed private investments and tax rate increases following the city's high local tax policy. Fitch expects actual income tax revenue to total PLN525m, remaining stable compared with end-2009. The current transfers will be supported by the increase of the educational subsidy following the 7% rise in teachers' salaries from September 2010.

Fitch expects operating revenue to continue to grow in 2011-2012, propelled by tax revenue. The prospects for further economic growth are robust, with Fitch forecasting a GDP increase of 3.3% for Poland in 2010, 3.5% for 2011, and 3.8% for 2012. Operating transfers should grow due to the increase in the education subsidy.

### Operating Expenditure

Operating expenditure continued to grow rapidly in 2009, at an annual rate of 10.7%, comparable with 2008 growth of 10.9%, and substantially exceeding the growth of operating revenue for the second consecutive year. In 2009 in particular personnel expenditure (by 13.6%) and expenditure on goods and services (by 11%) increased, keeping overall operating expenditure growth high.

The structure of the city's operating expenditure leads to some rigidity. Staff costs represented 42% of operating expenditure in 2009, 64% of which was accounted for by growth in teachers' salaries.

In Gdansk the educational subsidy financed only about 57% of operating costs in education in 2009. The proportion of personnel costs financed from the educational

- Fitch expects tax revenue to recover from 2010.
- Current transfers will grow due to educational subsidy.

- There is upward pressure on operating expenditure for education, social care, and public transport

subsidy increased to 81% (2008: 78%). This positive result of the restructuring programme was too small, however, to outweigh the growth of other operating costs in the sector. As a result the co-financing of operating expenditure from the city's own sources increased by PLN8.9m or 3.7% in 2009, to PLN248m.

The other large items of operating spending are public transport (17%), and social care (13%). Public transport includes such responsibilities as road maintenance and public transport. In 2009 operating expenditure in the sector totalled PLN258m, of which about PLN195m was spent on public transport. Ticket sale revenue financed about 54% of public transport expenditure.

Social care is partly financed from state grants – more than 54% in 2009. Expenditure increased by about 5% in 2009, slightly higher than the past average growth of 4% in 2006-2008, although it remains manageable for the budget.

### *Prospects*

Gdansk's 2010 operating expenditure may total about PLN1,572m. The pace of growth of overall operating costs should be lower than operating revenue in 2010. However, operating cost pressure will continue in 2011-2012, with education, social care and public transport remaining major cost drivers. Fitch expects the city to intensify its restructuring measures, increasing operating expenditure to reduce its co-financing share from own sources.

### **Capital Revenue and Expenditure**

In 2009 capital expenditure totalled PLN454m, below the approved budget of PLN614m. According to Gdansk's WPI, in 2010-2013 the city's capex may total PLN5.0bn.

The city's main areas of investment are roads and public transport, which will absorb more than 40% of capex, and sport facilities and culture (more than 20%). Investment projects included in the WPI are of strategic importance to the city.

Some of them, related to EURO2012, are creating additional expenditure pressure, because they have to be completed by 2012; some others co-financed by the EU also have priority, in order to benefit from the availability of the grants. Only smaller projects of lesser importance may be postponed or not implemented, for example if the city does not receive financing from the EU.

The tender of the largest projects (a football stadium, the European Solidarity Centre, roads and school playgrounds) has been completed. They will cost less than projected due to competition on the construction market. The savings reduce the capital expenditure (and debt) during their implementation period, but the situation can not be expected to last in 2011. EU financing may cover about 50% of expenditure for the biggest investments; consequently the large amount of planned investments will require the city to incur debt and dispose of assets.

### *Off-Budget Capital Expenditure*

Several investments will be undertaken by municipal companies. The projects are included in the city's multiannual investment programme, and planned capital injections to strength the companies' financing. Until 2024 the city's average expenditure on capital injections will exceed PLN60m annually. They will mostly relate to the company Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o. (BIEG2012), the Lech Walesa Airport and the Ergo Arena Sport and Event Hall.

The largest project is the construction of a PLN600m water and wastewater network by Gdanska Infrastruktura Wodociagowo-Kanalizacyjna, to which the city made a PLN675m in-kind contribution for the water and sewerage network. About 29% of the project will be financed from the company's own sources (including a PLN47m loan from the European Bank for Reconstruction and Development), with the remaining 71% coming from the EU's Cohesion Fund.

- The city is making progress on an estimated PLN5bn capex plan for 2009-2013.
- There is high pressure on the investments due to EURO2012.
- Indirect risk is growing due to debt-financed investments by municipal companies.

A project to purchase new trams will be carried out by the municipal company ZKM Gdańsk. This will be co-financed from EU sources. ZKM Gdańsk's expenditure on the project may total PLN257m (see Fitch's Full Rating Report on ZKM under *Related Research* on the first page). A PLN340m solid waste management project will be carried out by municipal company Zakład Utylizacyjny. This will be financed via the EU, loans from national environmental fund (NFOŚiGW) and own sources.

Gdańskie Inwestycje Komunalne EURO 2012 and BIEG2012, both 100% owned by the city, will be responsible for implementing investment projects with total costs above PLN3bn. Those companies are financially weak as they are types of SPV and their operational risk will encumber the city's budget.

The city intends public-private partnership construction of car parks as a part of a larger private real estate development project, with an estimated total cost of PLN1bn. Although the city plans to cover its share in the construction cost through in-kind injections, operating the car parks may generate losses to be partially covered from the budget. Construction will not start before 2012.

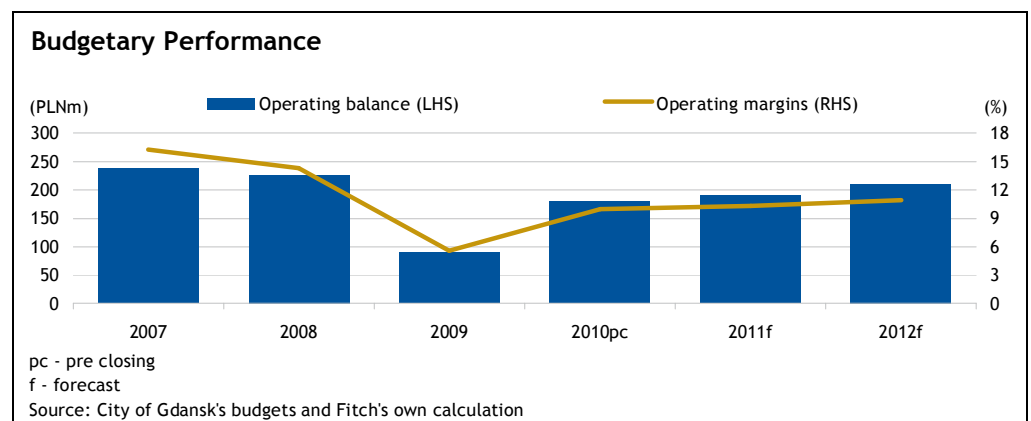
### Budgetary Performance

In 2009 the city's operating performance deteriorated, with the operating balance of only PLN90m, resulting in an operating margin of a mere 5.6%, the lowest result since 2004. The deterioration was caused by the lower growth of operating revenue than that of operating expenditure due to the economic slowdown and one-off effect of lower PIT rates, which negatively affected income tax revenue.

The low operating performance and increased capital expenditure both affected Gdansk's self-financing capacity, which covered 15% of capex in 2009 (compared with an average of 58% in 2005-2008). As the proportion of capex financed from capital revenue remained unchanged, the city had to increase its debt financing of investments, to 67% of the total in 2009 (2008: 38%). The low operating performance accompanied by growing debt also weakened the debt coverage ratios. Debt/current balance increased to 10 years in 2009 from about two years in 2008. Debt servicing only accounted for about 53% of the operating balance, which Fitch regards positively.

### Prospects

In 2010 Fitch expects the city to post an operating balance above PLN200m, and an improved operating margin of about 11%, which will be more in line with the average of previous results before the one-off drop in 2009. Maintaining the operating margin above 10% in 2011-2013, as result of effective operating expenditure control, is crucial for the city to protect its current rating level in light of the projected growth of debt and debt service.



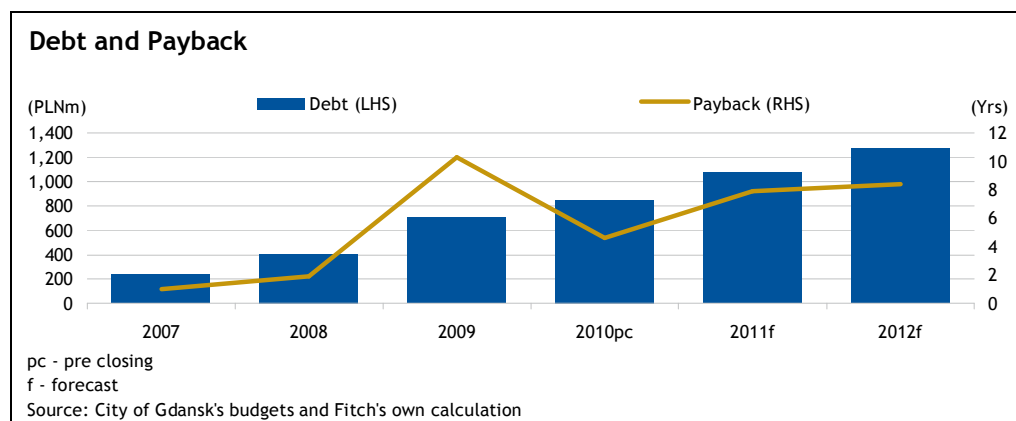
**Debt, Contingent Liabilities and Liquidity**

**Direct Debt**

- Fitch expects direct debt to grow to PLN1.4bn by 2013.
- There will be significant growth in debt service in 2010-2011

In 2009 debt increased by PLN306m to of PLN713m at year-end (45% of current revenue). Fitch expects a further debt increase to about PLN854m in 2010 and to about PLN1.4bn in 2013, representing 77% of projected operating revenue. The significant increase in the direct debt in the coming years is likely to be mainly due to the co-financing of inflowing EU funds in the programming period 2007-2013 and investments related to EURO2012.

At end-2009 about 96% of the debt portfolio consisted of loans in Polish zloty, while the remainder was loans denominated in euros. The city's direct debt was at floating rates linked to various indices, or three- to six-month WIBOR or EURIBOR, except PLN15m of preferential loans maturing in 2011, which have fixed interest rates of 2%. The average maturity of debt is about eight years and there are no bullet repayments in the maturity profile. Bonds represent only PLN60m of debt and will be repaid in 2011. In future the proportion of bonds in the debt stock will increase because the city will issue PLN120m in 2010. This will be repaid in tranches until 2017. The city agreed a loan from the Council of Europe Development Bank with a total amount of PLN300m. Of this, PLN58.5 was withdrawn in H110. The city also agreed a loan from the European Investment Bank (EIB). The loan amount with the limit of PLN600m will be fully withdrawn by 2013 (about PLN180m is planned already in 2010). The new loan will extend the average maturity, which will benefit Gdansk's debt-service burden.



Total debt service (direct debt repayment plus interest) is still modest compared with current revenue, at 3% in 2009. However, Fitch expects it to increase to about 8% in 2010 following the planned debt repayment amount of PLN75m. From 2011 Fitch expects the repayment amount to grow 2x, to about PLN160m, with the expected debt-service ratio remaining healthy.

**Contingent Liabilities**

At end-2009 the amount of guaranteed loans outstanding was immaterial, at PLN1.7m (there was an additional guarantee limit of PLN250m for Zakład Utylizacyjny Sp. z o.o., a solid waste management entity, which terminated in 2010; the company had no outstanding debt covered with the issued guarantee). The outstanding amount of guarantees related to a loan drawn by Towarzystwo Budownictwa Społecznego Motława Sp. z o.o. (housing association). The loan is self-supporting and repaid from the company's income from the collected rents.

The large investments will cause the debt of the city's municipal companies to grow to an estimated PLN1bn by 2013 (see *Off-Budget Capital Expenditure* above). This debt will not form part of the city's direct debt, but ongoing support for the companies, for example through capital injections from the budget (based on the

approved resolution of the City Council), and the importance of those investments for the city's strategy and infrastructure development, will result in growing indirect risk.

### Liquidity

Gdansk did not resort to liquidity facilities at its bank in 2005-2008. In 2009 the city's liquidity decreased and in April-June 2009 it reported cash deficits. However, these were financed from a stand-by liquidity credit line of PLN50m. In H110 the city did not need to use the stand-by credit line, following the PLN60m bond issue and PLN108m loan withdrawal at end-2009, which improved liquidity.

Month-end cash averaged PLN110m to June 2010. It will diminish in H210, when the city will have to settle investment expenditures. The flexible conditions of the EIB loan are also supportive of liquidity. In 2010-2013 the city plans to use PLN150m of the loan amount as pre-financing for the EU-financed investments.

### Municipal Shareholdings' Key Financial Data

Company	2009			Net profit/loss	Long-term debt	
	City's stake (%)	Equity	Total assets	2009	2008	2009
Gdańska Infrastruktura Wodociagowo-Kanalizacyjna (water and sewerage utility)	100.0	701.5	1.1	6.9	47.6	120.2
Zakład Komunikacji Miejskiej w Gdańsku (public transport)	100.0	69.2	169.3	1.1	0.0	0.2
Gdańskie Towarzystwo Budownictwa Społecznego (Gdansk Housing Association)	100.0	110.9	220.9	0.9	82.8	80.8
Towarzystwo Budownictwa Społecznego - Mottawa (Motlawa Housing Association)	100.0	78.7	129.5	1.6	24.3	27.7
Zakład Utylizacyjny (solid waste treatment)	100.0	10.3	220.2	15.5	0.0	8.6
Gdańska Infrastruktura Społeczna (municipal housing)	100.0	53.5	109.4	0.2	28.0	55.8
Biuro Inwestycji Euro Gdańsk 2012 (implementing investment projects for EURO2012)	100.0	203.0	260.5	0.2	0.0	0.0
Gdańskie Inwestycje Komunalne EURO2012 (municipal investments)	100.0	3.5	4.3	0.1	0.0	0.0
Gdańska Agencja Rozwoju Gospodarczego (agency for economic development)	100.0	59.2	60.2	-1.1	0.0	0.0
Gdańskie Melioracje (drainage)	60.0	0.2	5.6	0.4	0.0	0.0
Wielofunkcyjna Hala Sportowo-Widowiskowa Gdańsk-Sopot (sports facility)	50.0	0.6	0.2	-0.01	0.0	0.0
Port Lotniczy Gdańsk (airport)	31.36	72.3	0.2	10.5	0	0.1
Międzynarodowe Targi Gdańskie (international fair)	25.45	2.4	36.9	2.8	4.3	3.8
<b>Total</b>					<b>187.0</b>	<b>297.2</b>

Source: Fitch



Appendix A

City of Gdansk

(PLNm)	2005	2006	2007	2008	2009
Taxes	594.3	691.4	818.0	895.9	829.4
Transfers received	360.9	376.0	396.7	438.2	492.9
Fees, fines and other operating revenue	204.5	241.2	246.9	248.6	268.7
<b>Operating revenue</b>	<b>1,159.7</b>	<b>1,308.6</b>	<b>1,461.6</b>	<b>1,582.7</b>	<b>1,591.0</b>
Operating expenditure	-1,063.3	-1,154.2	-1,223.5	-1,356.5	-1,501.2
<b>Operating balance</b>	<b>96.4</b>	<b>154.4</b>	<b>238.1</b>	<b>226.2</b>	<b>89.8</b>
Financial revenue	11.2	7.3	6.1	6.4	2.6
Interest paid	-20.5	-13.0	-11.9	-13.9	-23.1
<b>Current balance</b>	<b>87.1</b>	<b>148.7</b>	<b>232.3</b>	<b>218.7</b>	<b>69.3</b>
Capital revenue	81.2	133.3	185.7	107.1	117.3
Capital expenditure	-135.7	-251.8	-406.6	-434.4	-453.6
<b>Capital balance</b>	<b>-54.5</b>	<b>-118.5</b>	<b>-220.9</b>	<b>-327.3</b>	<b>-336.3</b>
<b>Surplus (deficit) before debt variation</b>	<b>32.6</b>	<b>30.2</b>	<b>11.4</b>	<b>-108.6</b>	<b>-267.0</b>
New borrowing	1.5	1.6	51.0	223.9	330.1
Debt repayment	-73.4	-76.4	-77.7	-59.3	-24.3
<b>Net debt movement</b>	<b>-71.9</b>	<b>-74.8</b>	<b>-26.7</b>	<b>164.6</b>	<b>305.8</b>
<b>Overall results</b>	<b>-39.3</b>	<b>-44.6</b>	<b>-15.3</b>	<b>56.0</b>	<b>38.8</b>
<b>Debt</b>					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	348.9	271.8	239.6	409.9	712.6
<b>Direct debt</b>	<b>348.9</b>	<b>271.8</b>	<b>239.6</b>	<b>409.9</b>	<b>712.6</b>
+ Other Fitch classified debt - pre-financing	0.0	25.3	33.2	12.2	0.0
<b>Direct risk</b>	<b>348.9</b>	<b>297.1</b>	<b>272.8</b>	<b>422.1</b>	<b>712.6</b>
- Cash, liquid deposits, sinking fund	91.8	72.1	64.2	64.2	91.7
<b>Net direct risk</b>	<b>257.1</b>	<b>225.0</b>	<b>208.6</b>	<b>357.9</b>	<b>620.9</b>
Guarantees and other contingent liabilities	3.5	3.0	2.6	2.1	1.7
Net indirect debt (public sector entities exc. gteed amount)	78.8	101.6	117.9	180.6	296.6
<b>Net overall risk</b>	<b>339.4</b>	<b>329.6</b>	<b>329.1</b>	<b>540.6</b>	<b>925.2</b>
<b>Memo for direct debt (%)</b>					
Foreign currency	36.0	33.3	21.8	9.7	4.6
Issued debt	0.0	0.0	0.0	0.0	0.0
Fixed interest rate debt	4.5	5.6	6.2	3.5	2.0

Source: Fitch calculations based City's budgets

## Appendix B

### City of Gdansk

	2005	2006	2007	2008	2009
<b>Fiscal performance ratios (%)</b>					
Operating balance/operating revenue	8.31	11.8	16.29	14.29	5.64
Current balance/current revenue <sup>a</sup>	7.44	11.3	15.83	13.76	4.35
Surplus (deficit) before debt variation/total revenue <sup>b</sup>	2.6	2.08	0.69	-6.4	-15.61
Overall results/total revenue	-3.14	-3.08	-0.93	3.3	2.27
Operating revenue growth (annual change)	n.a.	12.84	11.69	8.29	0.52
Operating expenditure growth (annual change)	n.a.	8.55	6	10.87	10.67
Current balance growth (annual change)	n.a.	70.72	56.22	-5.85	-68.31
<b>Debt ratios</b>					
Direct debt growth (annual % change)	n.a.	-22.1	-11.85	71.08	73.85
Interest paid/operating revenue (%)	1.77	0.99	0.81	0.88	1.45
Operating balance/interest paid (x)	4.7	11.88	20.01	16.27	3.89
Direct debt servicing/current revenue (%)	8.02	6.79	6.1	4.61	2.97
Direct debt servicing/operating balance (%)	97.41	57.9	37.63	32.36	52.78
Direct debt/current revenue (%)	29.8	20.66	16.32	25.79	44.72
Direct risk/current revenue (%)	29.8	22.58	18.59	26.56	44.72
Direct debt/current balance (yrs)	4.01	1.83	1.03	1.87	10.28
Net overall risk/current revenue (%)	28.99	25.05	22.42	34.02	58.06
Direct risk/current balance (yrs)	4.01	2	1.17	1.93	10.28
Direct debt/GDP (%)	2.01	1.46	-	-	-
Direct debt per capita (local currency)	760	592	525	899	1,563
<b>Revenue ratios</b>					
Operating revenue/budget operating revenue (%)	103.03	113.13	108.18	109.46	97.07
Tax revenue/operating revenue (%)	51.25	52.84	55.97	56.61	52.13
Modifiable tax revenue/total tax revenue (%)	32.73	30.66	27.07	27.48	30.4
Current transfers received/operating revenue (%)	31.12	28.73	27.14	27.69	30.98
Operating revenue/total revenue <sup>b</sup> (%)	92.62	90.3	88.4	93.31	92.99
Total revenue <sup>b</sup> per capita (local currency)	2,728	3,157	3,626	3,720	3,752
<b>Expenditure ratios</b>					
Operating expenditure/budget operating expenditure (%)	97.59	101.61	97.37	100.97	100.49
Staff expenditure/operating expenditure (%)	44.06	42.6	42.41	40.91	42.01
Current transfer made/operating expenditure (%)	6.72	7.66	8.63	10.14	11.77
Capital expenditure/budget capital expenditure (%)	91.88	87.28	107.88	100.79	73.91
Capital expenditure/total expenditure (%)	10.5	16.84	23.64	23.3	22.66
Capital expenditure/local GDP (%)	0.78	1.35	-	-	-
Total expenditure per capita (local currency)	2,817	3,258	3,771	4,088	4,391
<b>Capital expenditure financing (%)</b>					
Current balance/capital expenditure	64.19	59.05	57.13	50.35	15.28
Capital revenue/capital expenditure	59.84	52.94	45.67	24.65	25.86
Net debt movement/capital expenditure	-52.98	-29.71	-6.57	37.89	67.42

n.a.: Not available

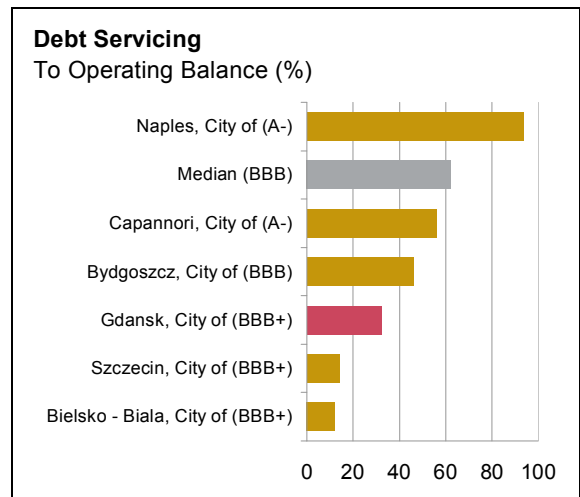
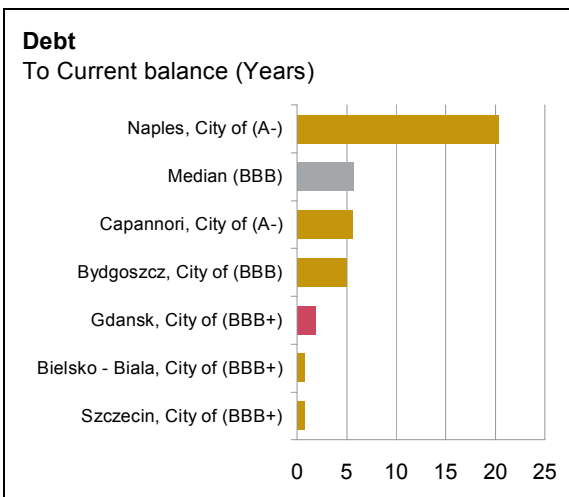
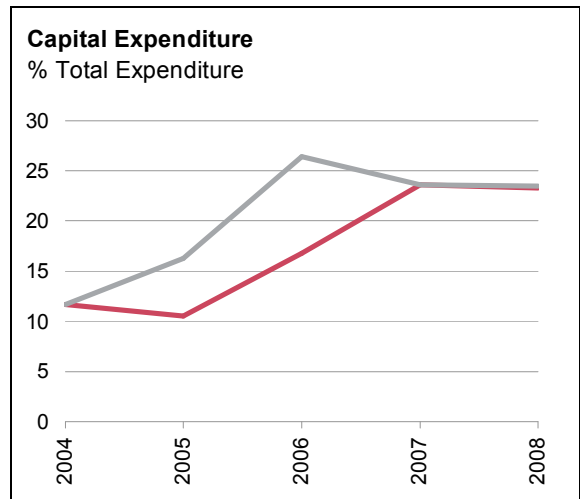
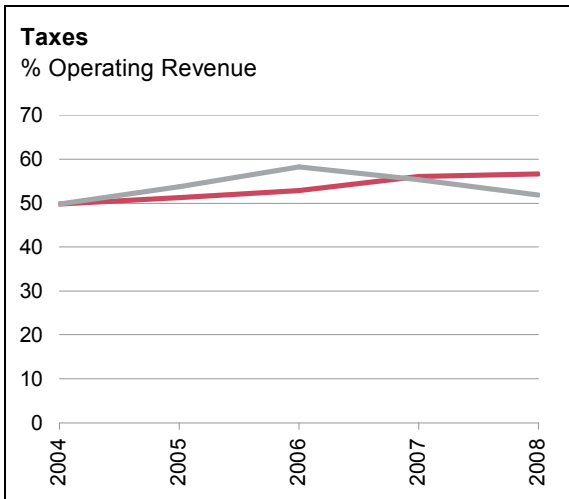
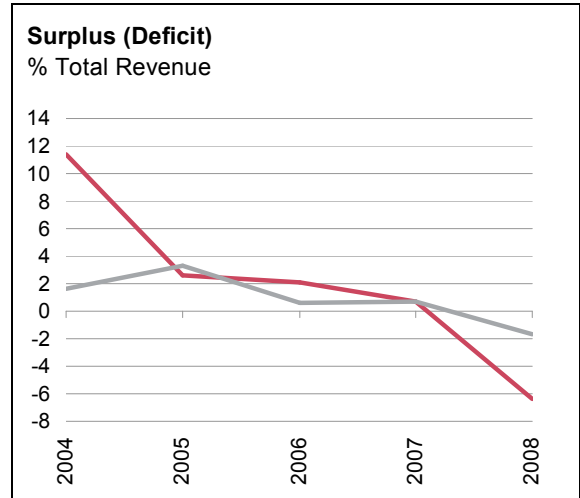
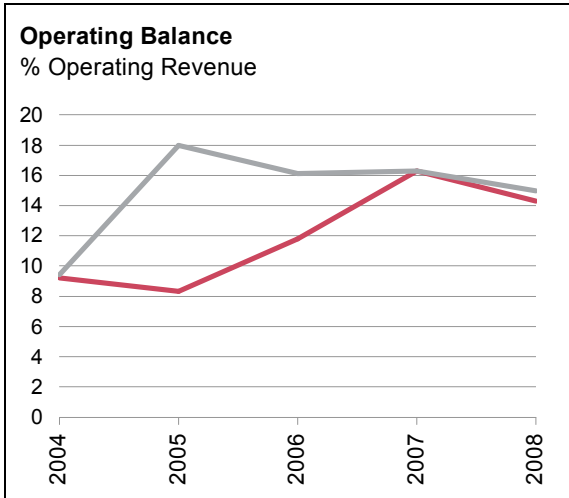
<sup>a</sup> Includes financial revenue

<sup>b</sup> Excluding new borrowing

Source: Fitch calculations based City's budgets

Appendix C – City of Gdansk

Peer Comparison



— City of Gdansk

— BBB+ Peer Group Median

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