City of Gdansk

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A−

Local Currency

Long-Term IDR	A−

National

Long-Term Rating	AA(pol)

Outlooks

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

Financial Data

City of Gdansk

	31 Dec 14	31 Dec 13
Operating revenue (PLNm)	2,186.1	2,004.9
Debt (PLNm)	1,116.8	1,188.2
Operating balance/ operating revenue (%)	16.63	12.07
Debt service/current revenue (%)	5.15	7.70
Debt/current balance (yrs)	3.4	6.1
Operating balance/ interest paid (x)	8.8	4.4
Capital expenditure/ total expenditure (%)	28.27	29.35
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	3.89	5.29
Current balance/capital expenditure (%)	43.01	24.47

Related Research

Institutional Framework for Polish Subnationals (March 2014)

Interpreting the Financial Ratios in International Public Finance Reports (July 2010)

Zaklad Komunikacji Miejskiej w Gdansku Sp. z o.o. (June 2014)

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Key Rating Drivers

Solid Performance to Continue: The City of Gdansk's continued sound operating performance and prudent financial management, which together with high capital revenue, support strong self-financing capacity for its investment plans, led Fitch to affirm its ratings in September 2015. The affirmation also factored in direct risk stabilisation. The Stable Outlook reflects expectations that the strong operating performance will be maintained in the medium term, despite pressure on operating spending, and that the level of debt will remain moderate.

Opex Growth Under Control: Fitch's base-case scenario expects Gdansk's operating margin to be 13%-14% in the medium term, in line with the 2011-2014 average. This will be driven by the city's financial flexibility, the city authorities' policy of limiting operating expenditure growth, coupled with growth of tax revenue, supported by projected growth of the national economy.

Direct Risk Stabilisation: We expect direct risk for 2015-2017 to further decline and stabilise at a moderate 50% of current revenue (end-2014: PLN1.2bn, or 54%). In the same period, debt servicing (excluding premature repayments) will be around 35% of the operating balance, and the debt/current balance, although slightly deteriorating to four years from 3.4 years in 2014, will remain well below the city's final debt maturity (up to 17 years).

Interest Rate Risk Exposure: At end-2014, most of the city's direct debt (79%) had floating rates, which exposes Gdansk to interest-rate risk. Polish local and regional governments (LRGs) cannot use any derivatives to hedge their interest rate or FX risk exposure. However, Gdansk's high cash reserves and a prudent budgetary approach, under which the city usually budgets and secures higher amounts for interest payments on debt than the actual amounts paid, currently offset this risk.

Lower Capex: Fitch projects that Gdansk's investment spending in 2015-2017 could total PLN1.5bn (about 20% of annual total expenditure on average), much lower than the average for 2012-2014 (PLN2.7bn, or 32%). Over 80% of this financing may come from Gdansk's current balance and capital revenue, limiting the city's recourse to debt. Fitch expects that the phasing-out of investments from the (now ended) EU budget programme may overlap in 2015 with preparations to roll out new investments for the 2014-2020 EU budget.

Prudent Financial Management: The city authorities follow a prudent budgetary and financial policy, which guarantees a solid operating performance despite persistently high pressure on operating expenditure. Much of this pressure arises from underfunded responsibilities transferred to local governments by the state in the past and from the dominance of rigid spending items, such as education and social care. In addition, pressure on the budget comes from growing maintenance costs as investments are completed.

Rating Sensitivities

Improved Operating Performance, Positive: The ratings could be upgraded if the city maintains its operating margin above 15%, accompanied by direct risk below 50% of current revenue.

Debt Payback Deterioration: A negative rating action could result from a sustained deterioration of the operating margin to well below 10% and/or a significant rise in Gdansk's direct debt, leading to the city's debt payback ratio (debt/current balance) exceeding 10 years.

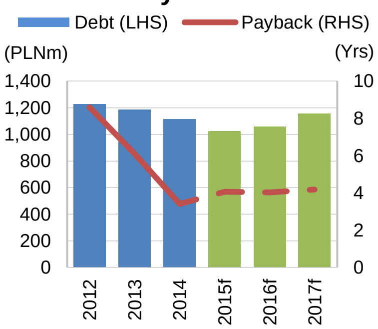
Rating History

Date	Long-Term Foreign Currency IDR	Local Currency IDR
25 Sept 15	A−	A−
27 Mar 15	A−	A−
03 Oct 14	BBB+	BBB+
04 Apr 14	BBB+	BBB+
22 Oct 13	BBB+	BBB+
23 Oct 12	BBB+	BBB+
26 Oct 11	BBB+	BBB+
02 Nov 10	BBB+	BBB+
30 Oct 09	BBB+	BBB+
31 Oct 08	BBB+	BBB+
21 Nov 07	BBB+	BBB+
21 Dec 06	BBB	BBB
20 Dec 05	BBB	BBB
20 Dec 04	BBB	BBB

Date	Long-Term National Rating
25 Sep 15	AA(pol)
27 Mar 15	AA(pol)
03 Oct 14	AA−(pol)
04 Apr 14	AA−(pol)
22 Oct 13	AA−(pol)
23 Oct 12	AA−(pol)
26 Oct 11	AA−(pol)

Figure 1

Debt and Payback



f: Fitch projections
Source: Fitch calculations based on City's budgets

Related Criteria

Tax-Supported Rating Criteria (August 2012)

International Local and Regional Governments Rating Criteria – Outside the United States (May 2015)

Principal Rating Factors

Summary: Strengths and Weaknesses

	Institutional framework	Debt and other liabilities	Economy	Finances	Management and admin
Status	Neutral	Strength	Neutral	Neutral	Strength
Trend	Stable	Stable	Stable	Stable	Stable

Source: Fitch

Overall Strengths

- Good operating results, due to prudent financial and strategic management
- High liquidity and long, smooth maturity debt profile
- Successful in acquiring external grants for investments (EU and state budget)

Overall Weaknesses

- Continuous pressure on opex, mainly from education and social care sectors, but also from increasing infrastructure

Institutional Framework

There is a stable regulatory regime for Polish LRGs, which include regions, counties and municipalities (cities combine the functions of a county and a municipality). Their activities and financial statements are closely monitored and reviewed by the central administration. There is good disclosure in the LRGs' accounts. LRGs are obliged to publish their budgets and annual and interim execution reports, as well as long-term financial projections, on their websites. LRGs' budgets and budget execution reports regarding revenue and expenditure are based on cash accounting.

All revenue sources for all tiers of LRGs and the formulae for their distribution are defined in law, limiting the national government's scope for discretionary decisions. There are also revenue equalisation schemes in place. Gradual decentralisation of responsibilities affects the LRGs' budgets, as financial resources assigned to new responsibilities have often been insufficient. This has increased the size of the LRGs' budgets but is gradually shrinking their financial flexibility. LRGs are not allowed to vote a budget with an operating deficit, but there are no restrictions on running capital deficits.

LRGs may place outstanding cash on deposits with banks established on Polish territory and invest it in treasury bonds or bonds issued by other LRGs. LRGs can incur short-term debt to cover their liquidity shortages during a year, but it has to be repaid by the year-end.

From 2014, each LRG has to comply with an individual debt limit calculated specifically for it. The debt service/total revenue planned in an LRG's budget must not exceed the last three years' average current balance plus revenue from asset sales/total revenue. This should encourage LRGs to improve their operating results, which will support their creditworthiness.

LRGs cannot go bankrupt. In a situation of financial distress, an LRG can be granted loans from the state budget. However, the possibility of an LRG defaulting on its financial obligations cannot be ruled out.

Debt and Other Long-Term Liabilities

Fitch forecasts that Gdansk's direct risk will hover around PLN1.2bn in 2015-2017, accounting for a moderate 50% of current revenue. The city's debt service and debt payback ratios should remain healthy in 2015-2017, supported by its projected good operating performance and conservative debt policy. Fitch expects debt servicing at about 35% of the operating balance (when excluding premature redemptions) and the debt/current balance ratio to deteriorate slightly to four years from 3.4 in 2014. In 2014, the city's direct debt declined by 6% and totalled PLN1,117m at year-end, accounting for 51% of current revenue (2013: PLN1,188m, or 59%). The operating balance was 3.2x debt servicing (principal and interest).

Figure 2
Direct Debt Structure

	(PLNm)	(%)
End-2014		
International financial inst. (EIB, EBRD, CEB)	916.4	82.0
Bonds	164.8	14.8
Bank loans	33.3	3.0
Preferential loans	2.5	0.2
Total	**1,116.9**	**100.0**
End-1H15		
International financial inst. (EIB, EBRD, CEB)	904.8	88.5
Bonds	115.8	11.3
Bank loans	0.0	0.0
Preferential loans	2.2	0.2
Total	**1,022.9**	**100.0**

EIB – European Investment Bank; EBRD – European Bank for Reconstruction and Development; CEB – Council of Europe Development Bank
Source: Fitch own calculations based on Gdansk's budget

Debt Policy and Debt Structure

Gdansk's debt structure (see Figure 2) does not create high pressure on the city's budget, as 89% of the debt outstanding at end-1H15 was drawn from international financial institutions, and it has low interest rates and long maturities (15-25 years). This benefits the budget as it limits the city's annual debt-service burden.

At end-2014, most of the city's direct debt (79%) was floating rate, which exposes it to interest-rate risk. LRGs in Poland cannot use any derivatives for hedging their interest rate or FX risk exposure. However, Gdansk's high cash reserves and a prudent budgetary approach, under which the city usually budgets and secures higher amounts for interest payments on debt than the actual amounts paid, offset this risk. The city also had PLN37m of bridging finance loans at end-2014, which are classified as "Other Fitch classified debt" in *Appendix A*. These liabilities are to be repaid directly from EU grants received by the city, within the current year.

In 2014, Gdansk refinanced before maturity PLN50m of high-interest-bearing bonds issued in previous years. A similar operation was carried out in 1H15 (PLN83m). Fitch views this as a positive rating factor, as these operations allowed the city to reduce the cost of debt, and to extend the debt maturity profile, reducing loan repayment pressure. However, these early repayments negatively affect the city's debt service ratios. Excluding these operations, the debt servicing/operating balance ratio for 2014 would have been only 17%, instead of 31%.

Good Liquidity

Historically, Gdansk has had good liquidity. At end-2014, cash in the city's accounts totalled PLN208m. The main account balance at month-end averaged PLN190m in 2013-1H15. The city has a stand-by credit line of PLN50m, which it has not used since 1H12. Fitch expects the city to partly absorb its ample liquidity for financing investments in 2015-2017, but it should remain good.

Figure 3
Selected Municipal Shareholdings' Key Financial Data

(PLNm)	2014			Net profit/loss	Long-term financial liabilities	
Company	**City's stake (%)**	**Equity**	**Total assets**	**2014**	**2013**	**2014**
Gdanska Infrastruktura Wodociagowo-Kanalizacyjna sp. z o.o. (water and sewerage utility)	100.0	770.7	1,482.0	9.9	179.7	154.7
Zaklad Komunikacji Miejskiej w Gdansku sp. z o.o. (public transport)	100.0	98.8	571.8	4.6	203.6[a]	182.5[a]
Gdanskie Towarzystwo Budownictwa Spolecznego sp. z o.o. (Gdansk Housing Association)	100.0	150.1	270.5	1.3	90.1	90.9
Towarzystwo Budownictwa Spolecznego – Motlawa sp. z o.o. (Motlawa Housing Association)	100.0	101.5	195.1	1.0	56.3	54.3
Zaklad Utylizacyjny sp. z o.o. (solid waste treatment)	100.0	105.7	362.4	5.3	75.0	67.3
Gdanska Infrastruktura Spoleczna sp. z o.o. (municipal housing)[b]	100.0	63.1	112.7	0.2	48.8	46.9
Biuro Inwestycji Euro Gdansk 2012 sp. z o.o. (implementing investment projects for EURO2012)[b]	100.0	426.1	750.3	-26.3	320.0	295.3
Gdanskie Inwestycje Komunalne sp. z o.o. (municipal investments)[b]	100.0	3.4	4.3	-0.1	0.0	0.0
Gdanska Agencja Rozwoju Gospodarczego sp. z o.o. (agency for economic development)	100.0	363.3	395.5	2.3	20.0	20.0
Gdanskie Melioracje sp. z o.o. (drainage)	100.0	8.6	12.8	0.5	0.0	0.0
Miedzynarodowe Targi Gdanskie SA (international fair)[b]	88.0	104.3	235.4	-13.3	103.1	75.8
Hala Gdansk-Sopot sp. z o.o. (sport and event hall)[b]	50.0	20.7	25.4	-0.7	0.0	3.0
Total					**1,096.6**	**990.7**

[a] Revenue bonds
[b] Considered by Fitch as contingent risk and included under "Net indirect debt" in *Appendix A*
Source: City of Gdansk

Contingent Liabilities

Gdansk's company sector is broad compared with other Polish cities rated by Fitch. Gdansk is a shareholder in 26 companies, but it holds majority stakes in only 12. Fitch expects the companies' total debt to decline in the medium term, as the majority of the city's public-sector entities, after completing their investments, will mainly focus on debt repayment. Most of the debt was not considered under "Net indirect debt" in *Appendix A* as it was incurred by self-supporting companies that repay their debt from tariffs collected from end-users (for example, water and sewerage and solid waste treatment utilities) and from rent paid by tenants (housing companies) or long-term contracts (public transport company), which alleviates the risk for the city's budget. We estimate the contingent liabilities for the city to remain low in the medium term at about PLN400m or 15% of its budget size.

Gdansk plans capital injections to strengthen some of its companies' financial positions. According to the city's multi-year financial plan until 2017, its average expenditure on capital injections should not exceed PLN55m annually (about 11% of annual capex), which should not put much pressure on its budget. These capital injections will mostly relate to Biuro Inwestycji Euro Gdansk 2012 sp. z o.o. and Hala Gdansk-Sopot sp. z o.o.

Economy

Fitch projects that Poland's real GDP will grow by 3.5% pa in 2015-2017, up from 2.3% pa in 2012-2014. This faster growth at the national level should support the development of Gdansk's tax base. In addition, the city's well-developed local economy will continue to benefit from the improving local infrastructure, which stimulates business activity within the city and provides it with higher tax revenue.

Gdansk is the capital of the Pomorskie region, in northern Poland. With Gdynia and Sopot, the city forms a conurbation with about 747,000 inhabitants (source: Central Statistical Office in Poland). This conurbation's gross regional product per capita was above PLN62,170 in 2012 (the sixth highest among 66 sub-regions), and exceeded the national average by 48.3%.

Gdansk is the largest and wealthiest city in the region and is an economic, scientific and cultural centre. The city is home to over 14 higher education institutes and universities, with currently more than 80,000 students in total. The local economy is attractive to investors, especially from the services sector. This is thanks to its location, well-educated workforce and well-developed transport infrastructure, including the A1 motorway, the largest marine port in Poland and an international airport. Several new private investments in the real-estate market, including office and residential buildings, shopping and logistics centres, will be completed in 2015-2017.

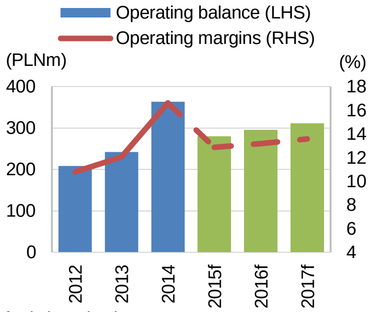
The city's local economy is well diversified. The number of companies operating in the city increased to more than 71,800 at end-2014 from about 58,222 at end-2004, or about 26% of all companies registered in the Pomorskie region. The growth in the number of companies was supported by the city's well-educated workforce and its favourable location. About 88 registered companies had more than 250 employees each and 1,750 had foreign capital participation.

Gdansk's services sector is well developed. In 2012, it produced about 68% of the city's gross value added (GVA), exceeding the national average of 64%. It employed 78% of the local workforce (Poland average: 51%). However, Gdansk's industry remains an important contributor to GVA, as more than 32% of it is generated by industry and construction, which employ 22% of the local workforce. The city's main industrial sectors are petrochemicals, energy production and maritime business.

Finances

Fitch in its base-case scenario expects Gdansk's operating balance to account for 13%-14% of operating revenue in the medium term, which would be in line with the 2011-2014 average.

Figure 4
Budgetary Performance



f: Fitch projections
Source: Fitch calculations based on City's budgets

Figure 5

Operating Revenue

(PLNm)	2013	2014	2015ab
CIT and PIT	618.9	661.3	707.1
Property tax	338.8	382.5	351.5
Civil law transaction tax	36.5	41.6	37.0
Other local taxes and fees	30.0	29.9	27.5
Current transfers	600.4	608.6	592.5
Other operating revenue	380.3	462.2	411.7
Total	**2,004.9**	**2,186.1**	**2,127.3**

ab – Budget as amended June 2015
Source: Fitch own calculations based on city's budgets

Figure 6

Operating Expenditure by Sector in 2014

	(PLNm)	Structure (%)
Education	700.7	38
Transport	345.1	19
Social care	235.5	13
Environment protection	140.0	8
Public administration	126.6	7
Culture	67.1	4
Public safety	42.8	2
Housing economy	24.8	1
Sport	24.2	1
Other	115.8	6
Total	**1,822.5**	**100**

Source: Fitch own calculations based on city's budgets

This should result from Gdansk's good financial management and effective policy to limit opex growth, coupled with increasing revenue from income and property taxes, supported by the expansion of the city's tax base. In 2015-2016, Fitch also expects Gdansk to post close to balanced budgets, as we do not expect material spending under the current programming period to be made before end-2016.

For 2014, Gdansk posted an exceptionally high operating margin of 16.6% (2013: 12.1%), as the city continued to keep its operating expenditure growth well below operating revenue growth. Fitch notes that the 2014 operating results were supported by a one-off revenue item linked to the execution of property tax receivables under dispute (PLN48m). After excluding this revenue, the city's operating balance would have constituted 14.8% of operating revenue, which is still above our expectations. Despite significant capex, due to the high operating balance, the city generated in 2014 a surplus of PLN106m (5% of total revenue) against an expected deficit of PLN40m (−1.5%).

Operating Revenue

Revenue from personal and corporate income taxes (PIT and CIT) will remain the city's largest source of operating revenue (30% of the total in 2014). Fitch projects PIT and CIT to grow by 4%-5% annually in 2015-2017. Gdansk's revenue policy aims for annual increases in local tax rates, keeping them close to the statutory maximum levels. Fitch expects the city's property tax revenue to grow by about 3% annually in 2015-2017 following the broadening tax base. Fitch also expects the city's revenue from current transfers to grow by about 1% annually in 2015-2017. However, Fitch forecasts that current transfers may decline in 2015, due to decreasing EU grants, as projects to be co-financed under the 2014-2020 EU programming period will start rolling out no sooner than end-2015.

In 2014, Gdansk's operating revenue rose by 9% and totalled PLN2,186m. However, the comparison with 2013 is limited, as operating revenue in 2014 was inflated by a one-off item, as mentioned in the previous section. Excluding this, operating revenue increased by 6.6%. This growth was supported mainly by growth in income tax revenue, local taxes and fees collected by the city, including the full-year effect of the solid waste fee introduced in mid-2013.

Operating Expenditure – Growth Pressure to Persist

Fitch believes that in 2015-2017 Gdansk will continue to keep its operating expenditure growth in line with operating revenue growth, which will allow the city to comply with the individual debt limit, and finance new investments under the 2014-2020 EU programming period.

Education – Most Costly Responsibility

Education will remain Gdansk's largest expenditure item in the medium term, consuming 38%-40% of total opex (similar to other big Polish cities). The educational subsidy and other operating revenue generated in this sector do not cover all Gdansk's operating costs, which puts pressure on the city's budget as the rest (2014: about 35% of opex) has to be financed from its own sources.

The pressure mainly comes from the upward equalisation of teachers' wages (enforced by law), as well as from growing demand for kindergarten care, where core five-hour daycare is free of charge for parents and is not financed through government transfers, as it is LRGs' own responsibility. Additional pressure on the city's budget may come from the legal change in the pre-school education system introduced in 2013, whereby LRGs are obliged to provide kindergarten daycare for all four-year-olds from September 2015 and for all three-year-olds from September 2017 – should their parents request it.

Second-Most Significant Opex Item

Public transport and road maintenance are the city's second-largest responsibility, accounting for about 19% of total opex. Most of it (81%) will be devoted to financing public-transport services contracted with Zaklad Komunikacji Miejskiej w Gdansku Sp. z o.o. (BBB/Stable) under a long-term contract. Fitch expects opex directed to this task to grow well above the rate of inflation, and faster than the growth in revenue from fares. This is bound to follow the rising scope of transport services provided, especially once the newly constructed tram lines come into service.

In 2014, due to favourable winter weather conditions and declining fuel and electric energy prices, spending on public transport and road maintenance declined by almost 4% to PLN345m. Gdansk spent about PLN280m of this on public-transport services, of which 44% was financed from ticket sales.

Capital Revenue and Expenditure

In 2015, the phasing-out of investments from the EU budget programme that has already ended will overlap with the roll-out of new investments for the 2014-2020 EU programming period. Fitch expects Gdansk's capital expenditure to continue to decline in 2015, but it will still be high at PLN700m (25% of total expenditure), and then to fall below PLN400m pa in 2016-2017.

The scope of investments after 2015 and Gdansk's debt needs for financing them will depend on the amount of EU grants available to the city. However, its debt financing needs in the medium term will remain limited as over 80% of investment financing may come from the city's current balance, cash reserves and capital revenue, provided Gdansk's administration continues to be successful in obtaining high EU grants to fund its investment programme.

Management and Administration

Paweł Adamowicz was re-elected as president for a four-year term in November 2014. He is a member of Platforma Obywatelska (Civic Platform – the ruling party at the national level). In the 34-member city council, his party has 22 seats, giving him a comfortable majority.

Political Priorities

The administration plans to continue exploiting available EU grants for investments. The local authorities are also determined to limit any non-obligatory operating spending in 2015-2016 to maximise the city's operating balance. This should support the process of gathering sources to co-finance investments during the 2014-2020 EU budget programming period. Fitch views Gdansk's overall strategic and financial management as positive for the ratings.

The main priority for Gdansk's authorities is to strengthen the city's metropolitan functions: improving the local infrastructure through modernisation and construction of city roads, public transport, wastewater and solid waste management; and creating a favourable environment for new business development and innovation focusing on R&D and IT. Due to this policy, the city has become an important IT, logistics, maritime services, business process outsourcing and shared services centre in Poland.

Successful Spending Rationalisation Programme

Gdansk, like many other Polish subnationals, faces strong pressure on operating spending, due to underfunded responsibilities transferred to local governments by the state and the structural inflexibility of opex dominated by education and social care. Additional growth pressure is likely to stem from maintenance costs from completed investments. To counteract this pressure, the city's administration is focused on spending rationalisation and cost control, and aims at acquiring as many non-returnable grants as possible for co-financing own responsibilities.

Fitch assumes this approach will be maintained and will result in a continuing satisfactory operating performance. To limit spending growth in the most rigid sectors, the local authorities are implementing cost-saving measures, with a focus on employment, optimising the school network and modernisation of public buildings. In addition, in the event of financial stress, Gdansk can curtail some discretionary expenditure, such as one-off operating spending on the promotion of the city or limiting the scope of repairs.

Appendix A

Figure 7
City of Gdansk

(PLNm)	2010	2011	2012	2013	2014
Taxes	875.6	943.1	971.7	1,022.4	1,113.2
Transfers received	512.8	545.0	591.1	600.4	608.6
Fees, fines and other operating revenue	378.1	358.4	365.0	382.1	464.3
Operating revenue	**1,766.5**	**1,846.5**	**1,927.8**	**2,004.9**	**2,186.1**
Operating expenditure	-1,574.0	-1,600.4	-1,719.4	-1,763.0	-1,822.5
Operating balance	**192.5**	**246.1**	**208.4**	**241.9**	**363.6**
Financial revenue	4.6	6.9	5.6	8.5	6.0
Interest paid	-30.8	-42.2	-71.2	-55.4	-41.5
Current balance	**166.3**	**210.8**	**142.8**	**195.0**	**328.1**
Capital revenue	257.0	227.9	1,000.5	747.9	541.1
Capital expenditure	-559.8	-900.7	-1,180.1	-796.8	-762.8
Capital balance	**-302.8**	**-672.8**	**-179.6**	**-48.9**	**-221.7**
Surplus (deficit) before debt variation	**-136.5**	**-462.0**	**-36.8**	**146.1**	**106.4**
New borrowing	360.0	526.3	155.8	60.0	0.0
Debt repayment	-217.6	-252.7	-54.1	-99.6	-71.5
Net debt movement	**142.4**	**273.6**	**101.7**	**-39.6**	**-71.5**
Overall results	**5.9**	**-188.4**	**64.9**	**106.5**	**34.9**
Debt					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	853.6	1,127.2	1,227.4	1,188.2	1,116.8
Direct debt	**853.6**	**1,127.2**	**1,227.4**	**1,188.2**	**1,116.8**
+ Other Fitch classified debt – pre-financing	0.0	210.0	177.0	141.5	68.6
Direct risk	**853.6**	**1,337.2**	**1,404.4**	**1,329.7**	**1,185.4**
- Cash, liquid deposits, sinking fund	107.4	142.1	172.2	208.0	208.3
Net direct risk	**746.2**	**1,195.1**	**1,232.2**	**1,121.7**	**977.1**
Guarantees and other contingent liabilities	1.2	1.2	20.8	20.4	20.4
Net indirect debt (public sector entities exc. gteed amount)	55.6	52.5	393.1	451.0	401.0
Net overall risk	**803.0**	**1,248.8**	**1,646.1**	**1,593.1**	**1,398.5**
Memo for direct debt (%)					
In foreign currency	3.0	1.9	1.3	1.0	0.6
Issued debt	14.2	26.2	22.3	18.0	14.8
Fixed interest rate debt	1.7	9.8	25.8	23.9	21.2

Source: Issuer and Fitch calculations

Appendix B

Figure 8
City of Gdansk

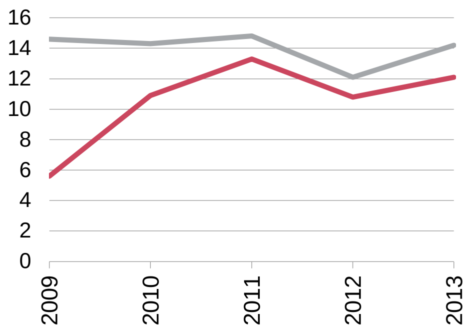
	2010	2011	2012	2013	2014
Fiscal performance ratios					
Operating balance/operating revenue (%)	10.90	13.33	10.81	12.07	16.63
Current balance/current revenue[a] (%)	9.39	11.37	7.39	9.69	14.97
Surplus (deficit) before debt variation/total revenue[b] (%)	-6.73	-22.20	-1.25	5.29	3.89
Overall results/total revenue (%)	0.29	-9.05	2.21	3.86	1.28
Operating revenue growth (annual % change)	n.a.	4.53	4.40	4.00	9.04
Operating expenditure growth (annual % change)	n.a.	1.68	7.44	2.54	3.37
Current balance growth (annual % change)	n.a.	26.76	-32.26	36.55	68.26
Debt ratios					
Direct debt growth (annual % change)	n.a.	32.05	8.89	-3.19	-6.01
Interest paid/operating revenue (%)	1.74	2.29	3.69	2.76	1.90
Operating balance/interest paid (x)	6.3	5.8	2.9	4.4	8.8
Direct debt servicing/current revenue (%)	14.03	15.91	6.48	7.70	5.15
Direct debt servicing/operating balance (%)	129.04	119.83	60.12	64.08	31.08
Direct debt/current revenue (%)	48.20	60.82	63.48	59.01	50.95
Direct risk/current revenue (%)	48.20	72.15	72.64	66.04	54.08
Direct debt/current balance (yrs)	5.1	5.3	8.6	6.1	3.4
Net overall risk/current revenue (%)	45.34	67.38	85.14	79.12	63.80
Direct risk/current balance (yrs)	5.1	6.3	9.8	6.8	3.6
Direct debt/GDP (%)	3.56	4.23	4.29	-	-
Direct debt per capita (PLN)	1,852	2,445	2,668	2,572	2,417
Revenue ratios					
Operating revenue/budget operating revenue (%)	108.50	106.33	103.70	102.49	108.84
Tax revenue/operating revenue (%)	49.57	51.08	50.40	51.00	50.92
Modifiable tax revenue/total tax revenue (%)	32.80	33.62	36.94	34.60	35.56
Current transfers received/operating revenue (%)	29.03	29.52	30.66	29.95	27.84
Operating revenue/total revenue[b] (%)	87.10	88.72	65.71	72.61	79.98
Total revenue[b] per capita (PLN)	4,399	4,515	6,378	5,977	5,916
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	104.53	100.04	102.54	99.08	100.42
Staff expenditure/operating expenditure (%)	40.06	41.88	40.56	41.20	40.77
Current transfer made/operating expenditure (%)	11.66	12.40	12.12	12.21	12.61
Capital expenditure/budget capital expenditure (%)	204.53	247.11	115.38	94.05	90.40
Capital expenditure/total expenditure (%)	23.50	32.21	39.01	29.35	28.27
Capital expenditure/local GDP (%)	2.33	3.38	4.13	-	-
Total expenditure per capita (PLN)	5,168	6,065	6,576	5,876	5,840
Capital expenditure financing (%)					
Current balance/capital expenditure	29.71	23.40	12.10	24.47	43.01
Capital revenue/capital expenditure	45.91	25.30	84.78	93.86	70.94
Net debt movement/capital expenditure	25.44	30.38	8.62	-4.97	-9.37

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

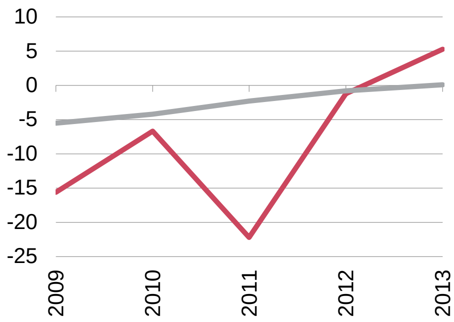
Appendix C
City of Gdansk

Peer Comparison

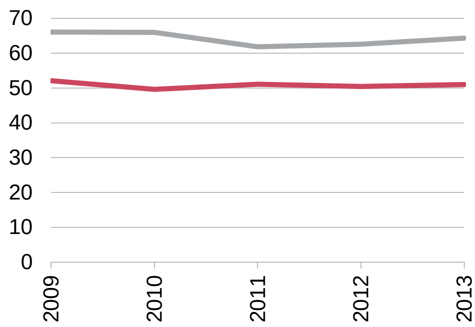
Operating Balance
% Operating Revenue



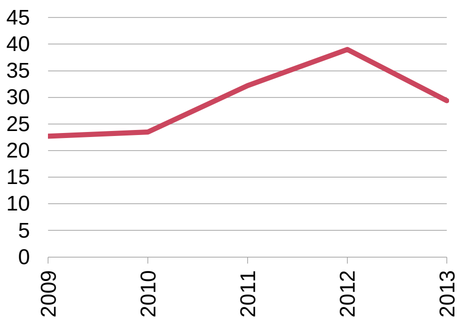
Surplus (Deficit)
% Total Revenue



Taxes
% Operating Revenue

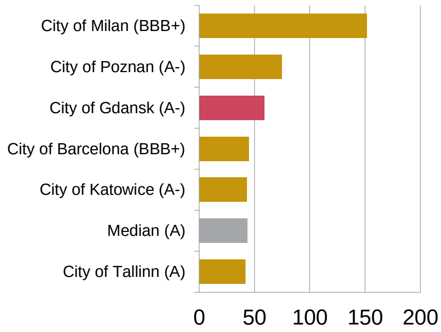


Capital Expenditure
% Total Expenditure

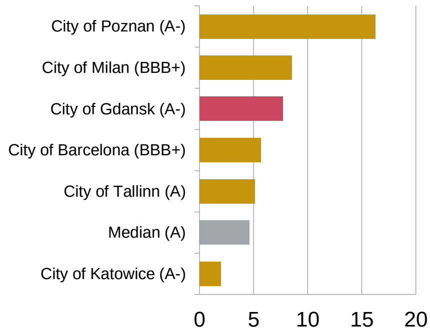


City of Gdansk   A− Peer Group Median

Debt
To Current Revenue (%) 2013



Debt Servicing
To Current Revenue (%) 2013



The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.