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 Rating	Stable
Local-Currency Long-Term Rating	Stable
National Long-Term Rating	Positive

Financial Data

City of Gdansk

	31 Dec 15	31 Dec 14
Operating revenue (PLNm)	2,264.7	2,186.1
Debt (PLNm)	994.4	1,116.8
Operating balance/ operating revenue (%)	16.40	16.63
Debt service/ current revenue (%)	6.68	5.15
Debt/current balance(yrs)	2.9	3.4
Operating balance/ interest paid (x)	12.8	8.8
Capital expenditure/total expenditure (%)	23.04	28.27
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	6.71	3.89
Current balance/ capital expenditure (%)	56.62	43.01

Related Research

Institutional Framework for Polish Subnationals (March 2014)

Interpreting the Financial Ratios in Local and Regional Government Rating Reports (October 2015)

Fitch: Income Tax Ruling, Pledge Could Hit Polish Local Govts (November 2015)

Polish LRGs Debt Dashboard (December 2015)

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Key Rating Drivers

Ratings Affirmation: The affirmation of the City of Gdansk's ratings reflects Fitch Ratings' view that the city will maintain sound operating performance and strong debt service and payback ratios in the medium term. The IDRs reflect the city's solid financial management, which coupled with a strong operating performance, supports strong self-financing capacity for its investment plans.

The Positive Outlook on the National Rating reflects Fitch's view that Gdansk may continue to perform better than the majority of 'AA(pol)' peers in terms of its operating margin and debt ratios over the medium term.

Sound Performance to Continue: In its base case scenario, Fitch expects Gdansk to continue to demonstrate solid operating performance in 2016-2018, with an operating margin of around 13%-14%, in line with the 2010-2015 average. This will be underpinned by the city authorities' continued cost control measures, coupled with growth of tax revenue, supported by projected growth of the national economy.

Ratio Comparison Distortion: Like all municipalities in Poland, Gdansk launched a central government "Family 500+" programme in April 2016. Although the flow of funds from the central government, inflating both sides of the budget, will be neutral for the operating balance, the ratios such as operating and current margins, as well as debt to current revenue between 2016 and 2015 will not be comparable.

Self-Financed Capex: Gdansk's investments in 2016-2018 could total PLN2bn – on average 20% of annual total expenditure – below 2012-2015 levels, as the city is beginning to roll out investments under the 2014-2020 EU budget. However, Fitch expects the city to finance the majority of its capex from the current balance and non-returnable investment grants available to Polish local and regional governments, which will limit Gdansk's recourse to debt.

Limited Debt-Financing Needs: In 2016, Gdansk does not plan to incur new debt and also intends to repay PLN29m of high interest-bearing debt ahead of schedule as it has done in previous years. The city's direct debt is therefore likely to further decline to about PLN906m by end-2016 (end-1H16: PLN937m). Fitch expects the city's direct debt to return to a growth path in 2017, but to not exceed 50% of current revenue in the medium term (2015: 44%).

Healthy Debt Ratios: Fitch projects the city's debt service and debt payback ratios to remain healthy in 2016-2018. Debt servicing (excluding premature repayments) will be around 30% of the operating balance, and the debt payback is likely to stabilise around three years (2015: 2.9), which will be well below the city's final debt maturity (up to 21 years).

Rating Sensitivities

Strong Operating Performance: The ratings could be upgraded if Gdansk maintains its operating margin at around 15%, accompanied by direct debt below 50% of current revenue. However, an upgrade of the IDRs would additionally rely on the upgrade of the sovereign (A−/Stable), as local and regional governments cannot be rated above the sovereign.

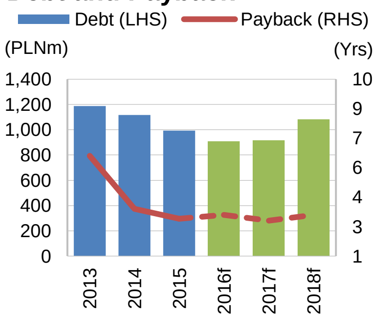
Debt Payback Deterioration: A negative rating action could result from a sustained deterioration of the operating margin to below 10% or a significant rise in Gdansk's direct debt, leading to the city's debt payback ratio exceeding 10 years. Any negative action on Poland's ratings would be reflected in Gdansk's ratings.

Rating History

Date	Long-term foreign currency IDR	Local currency IDR
16 Sep 16	A−	A−
28 Jul 16	-	A−
18 Mar 16	A−	A−
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
16 Sep 16	AA+(pol)
03 Aug 16	AA+(pol)
18 Mar 16	AA(pol)
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)

Debt and Payback



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

Related Criteria

International Local and Regional Governments Rating Criteria – Outside the United States (April 2016)

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 local and regional governments (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 must 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

In 2016, Gdansk does not plan to drawdown any new debt and also intends to repay PLN29m of high interest bearing debt ahead of schedule as in previous years. Therefore, the city's direct debt is likely to further decline to about PLN906m at year-end (end-1H16: PLN937m). Fitch expects the city's direct debt to return to a growth path from 2017, but to not exceed 50% of current revenue in the medium term (2015: 44%). Fitch projects the city's debt service and debt

Direct Debt Structure

	(PLNm)	(%)
End-2015		
International financial inst. (EIB, EBRD, CEB)	876.4	88.1
Bonds	115.8	11.6
Preferential loans	2.1	0.2
Total	**994.4**	**100.0**
End-1H16		
International financial inst. (EIB, CEB)	847.7	90.5
Bonds	86,9	9.3
Preferential loans	2.1	0.2
Total	**936.7**	**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

payback ratios will remain healthy in 2016-2018. Debt servicing (excluding premature repayments) will be around 30% of the operating balance and the debt payback (debt-to-current balance) is likely to stabilise at around three years (2015: 2.9), which will be well below the city's final debt maturity (up to 21 years).

Debt Policy and Debt Structure

Gdansk's debt structure does not create high pressure on the city's budget, as 90% of the debt outstanding at end-1H16 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-2015, most of the city's direct debt (80%) 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 the majority of this risk.

In 2010-2015, Gdansk has been refinancing or repaying before maturity high-interest-bearing bonds and loans of a total amount of PLN494m. Further PLN29m will be repaid ahead of schedule in 2H16. Fitch views this as a positive rating factor, as these operations allow the city to reduce the cost of debt and to extend the debt maturity profile, reducing loan repayment pressure. However, such early repayment distorts the city's debt service ratios. For example, when excluding these operations, the debt servicing-to-operating balance ratio for 2015 would have been only 17%, instead of 41%.

Good Liquidity

Historically, Gdansk has had good liquidity. At end-2015, cash in the city's accounts totalled PLN198m, and exceeded debt servicing (interest and principal, excluding premature repayments) by almost 3x. The main account balance at month-end averaged PLN200m in 2014-1H16. The city has a stand-by credit line of PLN50m, which it has not used since 2012. Fitch expects the city to partly absorb its liquidity for financing investments in 2016-2018, but it should remain sound.

Contingent Liabilities

Gdansk's company sector is broad compared with other Polish cities rated by Fitch. Gdansk is a shareholder in 29 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 "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 sewage 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.

Selected Municipal Shareholdings' Key Financial Data[a]

(PLNm)	2015			Net profit/loss	Long-term financial liabilities	
Company	City's stake (%)	Equity	Total assets	2015	2014	2015
Gdanska Infrastruktura Spoleczna sp. z o.o. (municipal housing)	100.0	71.7	117.1	0.0	46.9	44.8
Biuro Inwestycji Euro Gdansk 2012 sp. z o.o. (implementing investment projects for EURO2012)	100.0	441.3	737.6	-28.5	295.3	266.4
Gdanskie Inwestycje Komunalne sp. z o.o. (municipal investments)	100.0	3.4	3.7	0.0	0.0	0.0
Miedzynarodowe Targi Gdanskie SA (international fair)	60.0	152.9	218.4	-2.4	75.8	45.9
Hala Gdansk-Sopot sp. z o.o. (sport and event hall)	50.0	20.4	25.9	-0.9	3.1	2.9
Total					**421.0**	**360.0**

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

We estimate the contingent liabilities for the city to remain low in the medium term, at about PLN200m-PLN300m or 8%-12% 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, its average expenditure on capital injections should not exceed PLN60m annually (about 10% 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 3.2% pa in 2016-2018, up from 2.5% pa in 2012-2015. 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.

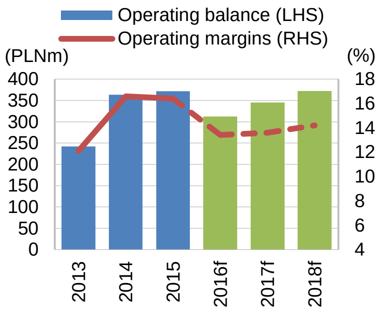
Gdansk is the capital of the Pomorskie region, in northern Poland. With Gdynia and Sopot, the city forms a conurbation with about 747,000 inhabitants (source: Central Statistical Office in Poland). This conurbation's gross regional product per capita was above PLN61,847 in 2013 (the sixth highest among 66 sub-regions), and exceeded the national average by 43.8%.

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 2016-2017.

The city's local economy is well diversified. The number of companies operating in the city increased to more than 73,300 at end-2015 from about 58,222 at end-2004, or 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 91 registered companies had more than 250 employees each and more than 1,800 had foreign capital participation.

Gdansk's services sector is well developed. In 2013, it produced about 71% of the city's gross value added (GVA), exceeding the national average of 63%. It employed 77% of the local workforce (Poland average: 52%). However, Gdansk's industry remains an important contributor to GVA, as more than 29% of it is generated by industry and construction, which employ 22% of the local workforce (Poland: 34%; 27% respectively). The city's main industrial sectors are petrochemicals, energy production and maritime business.

Budgetary Performance



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

Finances

Strong Operating Performance

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 2010-2015 average. 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 2016-2017, Fitch also expects Gdansk to post close-to-balanced budgets, as we do not expect spending peak under the current programming period to begin before end-2017. However, once investments pick-up pace in 2018-2020 we assume that Gdansk may post budgetary deficits of up to 10%-15% of total revenue, as EU grants in the majority of instances are received as refunds.

Operating Revenue

(PLNm)	2014	2015	2016ab
CIT and PIT	661.3	725.8	746.6
Property tax	382.5	373.8	364.8
Civil law transaction tax	41.6	46.7	39.0
Other local taxes and fees	29.9	31.4	25.0
Current transfers	608.6	638.1	703.3
Other operating revenue	462.2	448.9	453.8
Total	**2,186.1**	**2,264.7**	**2,332.5**

ab – Budget as amended June 2016
Source: Fitch own calculations based on city's budgets

Operating Expenditure by Sector in 2015

	(PLNm)	Structure (%)
Education	697.3	36.8
Transport	351.0	18.5
Social care	245.0	12.9
Environment protection	144.9	7.7
Public administration	126.8	6.7
Culture	67.5	3.6
Public safety	43.7	2.3
Housing economy	32.6	1.7
Sport	32.8	1.7
Other	151.6	8.1
Total	**1,893.2**	**100**

Source: Fitch own calculations based on city's budgets

On 1 April 2016, the Family 500+ programme commenced. This is a central government-delegated task, with transfers from the central budget to the budgets of municipalities. Each LRG in Poland will pay monthly cash benefits of PLN500 per child to families with more than one child. Besides the benefits, the transfers include compensation for administration of the process. The flow of funds from the central government will inflate both sides of the LRGs' budgets and will therefore be neutral for the operating balance. However, comparability of operating and current margins, as well as the debt/current revenue ratio, between 2016 and 2015 will be limited. In Gdansk's case, PLN86m of current transfers may pass through the budget in 2016 (nine months), and the city estimates about PLN226m in 2017.

In 2015, Gdansk again posted a high operating margin of 16.4% (2014: 16.6%), as the city continued to keep its operating expenditure growth in line with operating revenue growth. This result was also supported by higher-than-budgeted corporate and personal income tax revenue. For the third consecutive year, the city has posted a budgetary surplus (6.7% of total revenue), irrespective of high investment spending (average 27% of total spending).

Operating Revenue

Fitch projects Gdansk's operating revenue will grow by 4%-5% CAGR (compound annual growth rate) in 2016-2018. This will come from the growing economy, the developing tax base and the city's local tax rate policy. Revenue from personal and corporate income taxes (PIT and CIT) will remain the city's largest source of operating revenue (32% of the total in 2015). Fitch projects personal and corporate income tax to grow by about 5% annually in 2016-2018. Gdansk's revenue policy is to maintain local tax rates and fees close to the statutory maximum levels. Fitch expects the city's property tax revenue will grow by about 3% annually in 2016-2018, mainly due to the broadening tax base. Fitch also expects the city's revenue from current transfers to grow by at least 6% CAGR in 2016-2018.

Operating Expenditure – Growth Pressure to Persist

Fitch believes that in 2016-2018 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. The city's authorities demonstrated their ability to keep opex growth below operating revenue growth in 2010-2015. This was despite the strong pressure on operating spending that all Polish LRGs face (see *Management and Administration* section below).

Education – Most Costly Responsibility

Education will remain Gdansk's largest expenditure item in the medium term, consuming 35%-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 (2015: about 31% of opex) has to be financed from its own sources.

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 (85%) will be devoted to financing public-transport services contracted with Zaklad Komunikacji Miejskiej w Gdansku Sp. z o.o. (BBB/Outlook Stable) under long-term contracts. 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 as new tram lines come into service.

In 2015, despite favourable winter weather conditions and declining fuel and electric energy prices, spending on public transport and road maintenance increased by almost 2% to PLN351m, mainly due to a new tram line that commenced operation. Gdansk spent about PLN300m of this on public transport services, 44% of which was financed from ticket sales.

Capital Revenue and Expenditure

Roll-out of New Investments Ahead

The city is beginning to roll out investments under the 2014-2020 EU budget so that Gdansk's investments in 2016-2018 could total PLN2bn – on average 20% of annual total expenditure – much lower than in 2012-2015. Although the scope of investments during the current EU budget and Gdansk's debt needs for financing them will depend on the amount of EU grants available to the city, Fitch expects the city to finance the majority of its capex from the current balance and non-returnable investment grants available to Polish LRGs. This will limit Gdansk's recourse to debt.

During the current EU programming period ending 2020/2022 the city will focus capex on areas such as public transport and road infrastructure, housing and education (building new, as well as modernising facilities).

Management and Administration

Paweł Adamowicz was re-elected as president for a four-year term in November 2014. In the 34-member city council, he is supported by the Civic Platform party (22 seats), giving him a comfortable majority.

The administration plans to continue exploiting available EU grants for investments. In the previous EU programming period, the city was successful in obtaining EU and state grants for infrastructure developments; in 2010-2015 the city's capex was about 67% financed by capital revenue, which is also likely during the current EU budget for 2014-2020.

The local authorities are also determined to continue to limit any non-obligatory operating spending in 2016-2017 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.

Creating Good Conditions for Business Development is Priority

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

City of Gdansk

(PLNm)	2011	2012	2013	2014	2015
Taxes	943.1	971.7	1,022.4	1,113.2	1,175.3
Transfers received	545.0	591.1	600.4	608.6	638.1
Fees, fines and other Operating revenue	358.4	365.0	382.1	464.3	451.3
Operating revenue	**1,846.5**	**1,927.8**	**2,004.9**	**2,186.1**	**2,264.7**
Operating expenditure	-1,600.4	-1,719.4	-1,763.0	-1,822.5	-1,893.2
Operating balance	**246.1**	**208.4**	**241.9**	**363.6**	**371.5**
Financial revenue	6.9	5.6	8.5	6.0	4.2
Interest paid	-42.2	-71.2	-55.4	-41.5	-29.1
Current balance	**210.8**	**142.8**	**195.0**	**328.1**	**346.6**
Capital revenue	227.9	1,000.5	747.9	541.1	447.8
Capital expenditure	-900.7	-1,180.1	-796.8	-762.8	-612.2
Capital balance	-672.8	-179.6	-48.9	-221.7	-164.4
Surplus (deficit) before debt variation	**-462.0**	**-36.8**	**146.1**	**106.4**	**182.2**
New borrowing	526.3	155.8	60.0	0.0	0.0
Debt repayment	-252.7	-54.1	-99.6	-71.5	-122.4
Net debt movement	**273.6**	**101.7**	**-39.6**	**-71.5**	**-122.4**
Overall results	**-188.4**	**64.9**	**106.5**	**34.9**	**59.8**
Debt					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	1,127.2	1,227.4	1,188.2	1,116.8	994.4
Direct debt	**1,127.2**	**1,227.4**	**1,188.2**	**1,116.8**	**994.4**
+ Other Fitch classified debt - pre-financing	210.0	177.0	141.5	68.6	25.7
Direct risk	**1,337.2**	**1,404.4**	**1,329.7**	**1,185.4**	**1,020.1**
- Cash, liquid deposits, sinking fund	142.1	172.2	208.0	208.3	193.3
Net direct risk	**1,195.1**	**1,232.2**	**1,121.7**	**977.1**	**826.8**
Guarantees and other contingent liabilities	1.2	20.8	20.4	20.4	0.4
Net indirect debt (public sector entities exc. gteed amount)	52.5	393.1	451.0	401.0	360.0
Net overall risk	**1,248.8**	**1,646.1**	**1,593.1**	**1,398.5**	**1,187.2**
Memo for direct debt					
% in foreign currency	1.9	1.3	1.0	0.6	0.2
% issued debt	26.2	22.3	18.0	14.8	11.6
% fixed interest rate debt	9.8	25.8	23.9	21.2	20.1

Source: Issuer and Fitch calculations

Appendix B

City of Gdansk

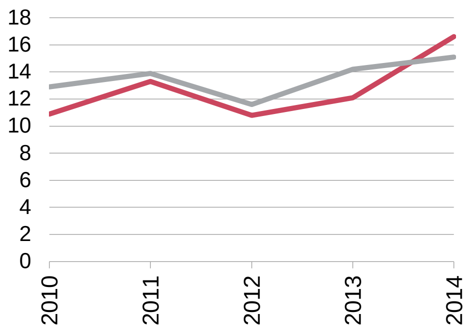
	2011	2012	2013	2014	2015
Fiscal performance ratios					
Operating balance/operating revenue (%)	13.33	10.81	12.07	16.63	16.40
Current balance/current revenue[a] (%)	11.37	7.39	9.69	14.97	15.28
Surplus (deficit) before debt variation/total revenue[b] (%)	-22.20	-1.25	5.29	3.89	6.71
Overall results/total revenue (%)	-9.05	2.21	3.86	1.28	2.20
Operating revenue growth (annual % change)	n.a.	4.40	4.00	9.04	3.60
Operating expenditure growth (annual % change)	n.a.	7.44	2.54	3.37	3.88
Current balance growth (annual % change)	n.a.	-32.26	36.55	68.26	5.64
Debt ratios					
Direct debt growth (annual % change)	n.a.	8.89	-3.19	-6.01	-10.96
Interest paid/operating revenue (%)	2.29	3.69	2.76	1.90	1.28
Operating balance/interest paid (x)	5.8	2.9	4.4	8.8	12.8
Direct debt servicing/current revenue (%)	15.91	6.48	7.70	5.15	6.68
Direct debt servicing/operating balance (%)	119.83	60.12	64.08	31.08	40.78
Direct debt/current revenue (%)	60.82	63.48	59.01	50.95	43.83
Direct risk/current revenue (%)	72.15	72.64	66.04	54.08	44.96
Direct debt/current balance (yrs)	5.3	8.6	6.1	3.4	2.9
Net overall risk/current revenue (%)	67.38	85.14	79.12	63.80	52.32
Direct risk/current balance (yrs)	6.3	9.8	6.8	3.6	2.9
Direct debt/GDP (%)	4.18	4.25	4.16	-	-
Direct debt per capita (PLN)	2,445	2,668	2,572	2,417	2,152
Revenue ratios					
Operating revenue/budget operating revenue (%)	106.33	103.70	102.49	108.84	107.64
Tax revenue/operating revenue (%)	51.08	50.40	51.00	50.92	51.90
Modifiable tax revenue/total tax revenue (%)	33.62	36.94	34.60	35.56	32.81
Current transfers received/operating revenue (%)	29.52	30.66	29.95	27.84	28.18
Operating revenue/total revenue[b] (%)	88.72	65.71	72.61	79.98	83.36
Total revenue[b] per capita (PLN)	4,515	6,378	5,977	5,916	5,880
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	100.04	102.54	99.08	100.42	103.60
Staff expenditure/operating expenditure (%)	41.88	40.56	41.20	40.77	40.14
Current transfer made/operating expenditure (%)	12.40	12.12	12.21	12.61	13.55
Capital expenditure/budget capital expenditure (%)	247.11	115.38	94.05	90.40	82.26
Capital expenditure/total expenditure (%)	32.21	39.01	29.35	28.27	23.04
Capital expenditure/local GDP (%)	3.34	4.09	2.79	-	-
Total expenditure per capita (PLN)	6,065	6,576	5,876	5,840	5,751
Capital expenditure financing					
Current balance/capital expenditure (%)	23.40	12.10	24.47	43.01	56.62
Capital revenue/capital expenditure (%)	25.30	84.78	93.86	70.94	73.15
Net debt movement/capital expenditure (%)	30.38	8.62	-4.97	-9.37	-19.99

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

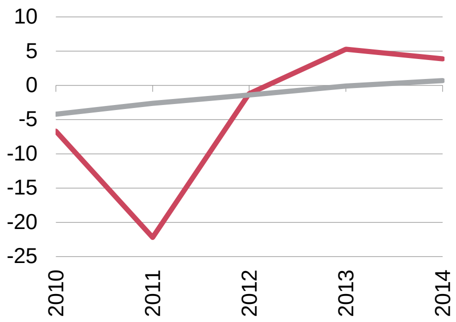
Appendix C
City of Gdansk

Peer Comparison

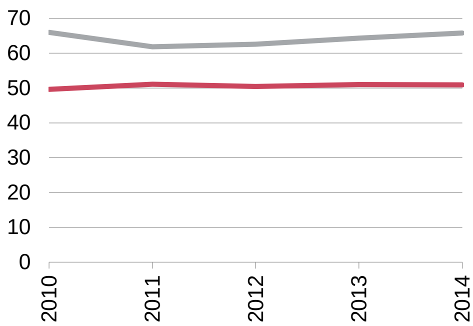
Operating Balance
% operating revenue



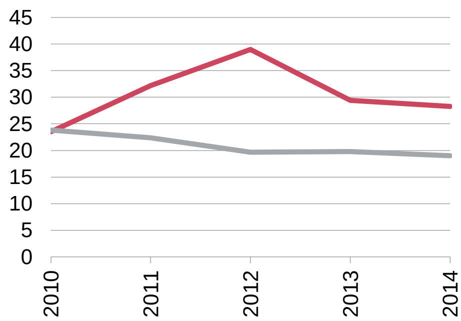
Surplus (Deficit)
% total revenue



Taxes
% operating revenue

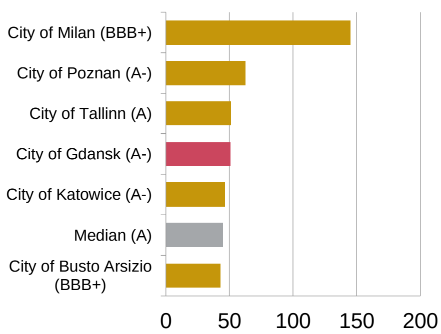


Capital Expenditure
% total expenditure

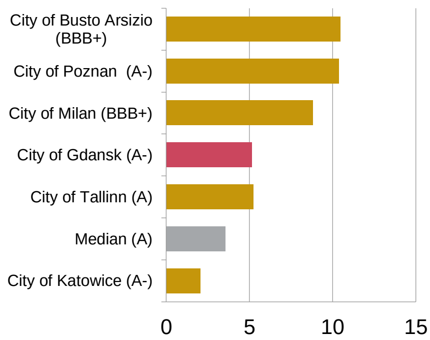


, City of Gdansk   A− Peer Group Median

Debt
To current revenue (%) 2014



Debt Servicing
To current revenue (%) 2014



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