

City of Katowice

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 Katowice

	31 Dec 15	31 Dec 14
Operating revenue (PLNm)	1,547.9	1,444.3
Debt (PLNm)	669.3	674.2
Operating balance/ operating revenue (%)	14.99	13.07
Debt service/current revenue (%)	2.11	2.06
Debt/current balance (yrs)	3.0	3.7
Operating balance/ interest paid (x)	22.5	14.3
Capital expenditure/ total expenditure (%)	17.70	31.24
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	2.60	-14.69
Current balance/ capital expenditure (%)	77.86	31.54

Key Rating Drivers

Sound Liquidity, Debt Ratios: The recent ratings affirmation reflects the City of Katowice's sound liquidity and strong debt ratios, which Fitch Ratings expects to be maintained over the medium term. The ratings factor in Katowice's strong capacity for self-financing investments, due to satisfactory fiscal performance and expected significant capital revenue. The ratings also reflect expected strong growth in debt servicing over the medium term, which is mitigated by the city's high liquidity buffers and prudent debt policy.

Stable Operating Margin: Our base-case scenario expects Katowice's operating performance to remain satisfactory, fuelled by growing income and local tax revenue due to expected growth in the national economy. We forecast the operating balance to average PLN200m annually in 2016-2019, or 11% of operating revenue, excluding some non-recurring operating revenue.

The city's operating result in 2016 will be supported by one-off revenue from the property transfer tax. As a result, the operating balance is projected to total PLN225m, or 13.5% of operating revenue – and PLN185m or 11% excluding the one-off item. The latter margin would be in line with the average for 2011-2014. Operating expenditure is under pressure and without the one-off revenue, opex growth would be comparable with operating revenue growth. An inability to constrain operating expenditure growth could be ratings negative.

Self-Financed Capex: For 2016-2019, we forecast that Katowice will spend PLN1.4bn on capex, or 17%-20% of total expenditure. Half of the capex will be on roads and more than 20% on public transport. We expect that on average over 50% of investment financing will come from the city's current balance and about 35% from capital revenue. The rest will be covered by available cash (from 2016) and additional debt (from 2017).

Very Strong Liquidity: We expect the city's liquidity to remain sound in the medium term, which is positive for the ratings. Investments will absorb some of its significant cash reserves (end-2015: PLN262m), leaving a still sound cash balance of PLN200m by end-2019. Cash reserves should still significantly exceed projected debt service, which is likely to increase to PLN65m in 2019 (2015: PLN33m) as two European Investment Bank (EIB) loans totalling PLN400m start to be redeemed from 2016.

Growing but Moderate Debt: Katowice's direct debt is likely to fall to PLN650m at end-2016, in line with the EIB redemption before gradually increasing to PLN720m in 2018-2019. Debt is, however, unlikely to exceed 45% of current revenue, similar to levels reported in 2013-2015.

Related Research

[Institutional Framework for Polish Subnationals \(March 2014\)](#)

[Interpreting the Financial Ratios in Local and Regional Government Rating Reports \(October 2015\)](#)

[Income Tax Ruling, Pledge Could Hit Polish Local Govts \(November 2015\)](#)

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Rating Sensitivities

Higher Operating Margin: The ratings could be upgraded if Katowice improves its operating performance, with an operating balance at above 15% of operating revenue on a sustained basis, and if it maintains a debt payback ratio of below three years.

Weak Debt Ratios: Conversely, a sharper-than-expected deterioration in the city's debt payback ratio to above eight years, due to a sustained weakening in the operating margin or a significant rise in the city's direct debt to above 70% of current revenue, could result in negative rating action.

Rating History

Date	Long-Term Foreign IDR	Long-Term Local IDR
22 Jan 16	A-	A-
24 Jul 15	A-	A-
30 Jan 15	A-	A-
1 Aug 14	A-	A-
7 Feb 14	A-	A-
13 Dec 13	A-	A-
28 Aug 13	A-	A-
27 Feb 13	A-	A-
3 Sep 12	A-	A-
16 Sep 11	A-	A-
19 Oct 10	A-	A-
14 Oct 09	A-	A-
7 Nov 08	A-	A-
30 Oct 07	A-	A-
19 Jan 07	A-	A-
2 Nov 06	BBB+	A-
17 Nov 05	BBB+	A-
17 Nov 04	BBB+	A-
15 Dec 03	BBB+	A-
23 Dec 02	BBB+	A-

Principal Rating Factors

Summary: Strengths and Weaknesses

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

Source: Fitch

Overall Strengths

- Moderate debt expected in 2016-2019, good access to external financing
- High liquidity, to be partly absorbed by financing capex
- Strong self-financing capacity of investments

Overall Weaknesses

- Pressure on operating spending, which is growing at close to the rate of operating revenue
- Expanding infrastructure generating maintenance costs
- Negative migration trend somewhat mitigated by social and pro-citizen investment policies

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 on their websites, as well as their long-term financial projections. LRGs' budgets and budget execution reports 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 sources assigned to new responsibilities have often been insufficient. This has increased the size of the LRGs' budgets, but is gradually decreasing the LRGs' financial flexibility. LRGs are not allowed to vote on a budget with an operating deficit, but there are no restrictions on running capital deficits.

LRGs may place outstanding cash in 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.

Since 2014, each LRG has had to comply with an individual debt limit calculated specifically for it. The debt service/total revenue ratio 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.

LRGs cannot go bankrupt. In case of financial distress, an LRG can be granted loans from the state budget when launching a reparatory procedure. However, it cannot be ruled out that an LRG may default on its financial obligations.

Debt and Other Long-Term Liabilities

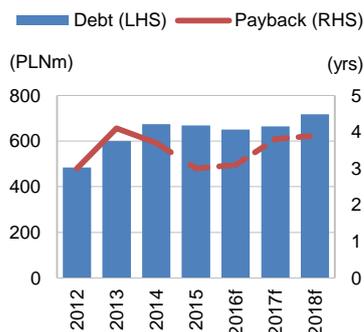
Moderate Debt, Rapid Increase in Debt Service

Katowice's direct debt fell to PLN669m or a moderate 43% of current revenue at end-2015, from PLN674m (46%) at end-2014, in line with our projections. Direct debt is likely to fall to

Related Criteria

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

Debt and Payback



Source: City of Katowice's budgets and Fitch forecasts (f)

PLN650m at end-2016, following the EIB redemption and as the city does not plan to draw new debt. From 2017, we expect debt to start increasing gradually to about PLN720m in 2018-2019, to finance investments. Debt is, however, unlikely to exceed 45% of current revenue, in line with the level reported in 2013-2015.

The debt payback ratio (direct risk/current balance) should remain healthy at a moderate three to four years in 2016-2019 (2015: three years), well below the city's weighted average debt maturity of about 18 years. The expected operating balance should cover debt servicing (debt repayments and interest) by at least 3x.

The city follows a prudent debt policy to limit costs and secure smooth debt repayments. The majority of loans at end-2015 were with the EIB (84%, maturing by 2035) and the Council of Europe Development Bank (CEB; 15%, maturing by 2030). More than half of the EIB loans (totalling PLN400m) start to be redeemed from 2016. As a consequence, debt servicing may increase to PLN65m by 2019 (2015: PLN33m). However, it should still not be much of a burden for the city, accounting for less than 30% of the operating balance (2015: 14%). For financing the planned investments in 2016-2019, the city aims to incur a smoothly amortising, long-term loan with an international financial institution, which would keep the pressure on debt service for the city's budget low.

Around 16% of Katowice's debt was in euros at end-2015; however, the share of foreign-currency loans has been on a downward trend since 2010 (32%). All debt is on floating interest rates, which may generate some interest rate risk for the budget. The city's prudent approach to budgeting and high cash somewhat mitigate this risk.

Still Very Good Liquidity

We expect the city's liquidity to remain sound in the medium term, which is a positive rating factor. Investments will absorb some of its significant cash reserves (end-2015: PLN262m), leaving a still sound cash balance of PLN200m by end-2019. Cash reserves should still significantly exceed projected higher debt servicing.

The balance on the city's bank account between January and May 2016 averaged PLN331m compared with PLN250m for the same period in 2015. The city has a liquidity credit line of PLN50m that may support it in case of liquidity shortages during the year, but has had no need to use it so far.

Low Risk From Contingent Liabilities

The city's companies' debt was low at PLN181m at end-2015 (end-2014: PLN182m) and should remain so in 2016-2018. The most indebted companies at end-2015 – the water and wastewater infrastructure company (Katowicka Infrastruktura Wodociagowo-Kanalizacyjna), and the housing association (Katowickie Towarzystwo Budownictwa Społecznego) – are able to service their debt from own sources, limiting the risk for Katowice's budget.

The transportation company (Przedsiębiorstwo Komunikacji Miejskiej Katowice) plans to purchase 100 buses by end-2018 (net investment value of PLN113m), to be PLN96m EU co-financed and up to PLN15m debt financed. The solid waste company (Miejskie Przedsiębiorstwo Gospodarki Komunalnej) plans to extend the installation of waste recovery in 2016-2017, an investment valued at PLN42m, and to incur debt of PLN19m. We assume that the remaining companies may eventually become indebted once they decide on their new investment scope.

Debt Structure, 2015

	PLNm	% of total
EIB loan	564.9	84
CEB loan	100.3	15
Preferential loan	4.1	1
Total	669.3	100

Source: Fitch calculations based on city's budgets

Key Figures on Corporate Exposure

As of 31 Dec 15

(PLNm)	City's share (%)	Equity	Total assets	Net income	Long-term debt		
					2014	2015	2016p
Miejskie Przedsiębiorstwo Gospodarki Komunalnej	100	80	116	3	2.6	4.0	19.2
Sp. z o.o. w Katowicach (solid waste)							
Katowicka Infrastruktura Wodociągowo-Kanalizacyjna	100	491	750	7	80.0	80.0	80.0
Sp. z o.o. w Katowicach (water and waste water infrastructure)							
Katowickie Wodociągi S.A. w Katowicach (water and waste)	100	166	278	5	0.1	0.1	0.0
Katowickie Towarzystwo Budownictwa Społecznego	99.98	215	372	8	99.0	96.0	91.8
Sp. z o.o. w Katowicach (housing)							
Przedsiębiorstwo Komunikacji Miejskiej Katowice	87.59	59	112	3	0.0	0.0	7.9
Sp. z o.o. w Katowicach (public transport)							
Szpital Murcki Sp. z o.o. w Katowicach (hospital)	100	13	19	-3	0.0	0.0	0.0
GKS GieKSa Katowice S.A. w Katowicach (sport club)	75.83	3	5	-7	0.3	0.5	0.0
Total					182.0	180.7	198.9

p - Prognosis

Source: City of Katowice

Economy

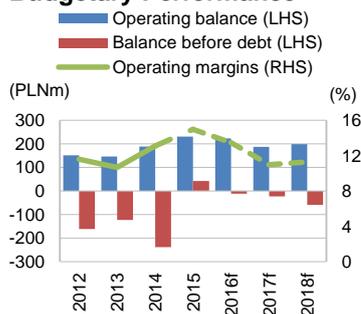
With 301,834 inhabitants at end-2014, Katowice is one of Poland's largest, wealthiest cities. It is the economic, educational and cultural centre of the Śląskie Region. The city is attractive to investors, thanks to its geographical location and good road, rail and air connections. In 2013, GRP per capita for the Katowicki sub-region was around 138% of the national average, translating into high tax revenue for the city. The unemployment rate in Katowice (3.4% at end-May 2016) is one of the lowest among Polish cities and well below the national average (9.1%).

Katowice's services sector is well developed. It produced 67.8% of gross value added in 2013 and employed 77% of the local workforce in 2014 (Poland: 63.4% and 52%, respectively). The city has dynamic developing IT, Business Process Outsourcing (BPO), Shared Services Centres (SSC) and Research and Development (R&D) sectors, for which it delivers highly educated potential employees, as there is a close relationship between the city, the education sector and investors. These sectors employ around 12,000 people, or 8% of all people employed in these sectors nationally, making Katowice the fifth-largest city for employment in new technologies and services.

Industry and construction remain important contributors to Katowice's economy. The city's main industrial sectors are chemicals, energy and coal mining. The latter is represented by Katowicki Holding Węgłowy S.A., a state-owned coalmining company that is one of the largest employers and taxpayers in the city. According to the city's management, the national recovery programme for the industry, which is in a difficult situation, and the planned staff reduction do not significantly affect Katowice's labour market or its budgetary situation.

The city's demographic situation follows the national trend. Katowice's population has shrunk by 2.2% since 2010, and as the birth rate and the migration rate are expected to remain negative in the long term, the population may decrease by about 4% to 287,000 in 2020. Katowice's share of people of retirement age, at 23%, is higher than the national average of 19%. Although this is not expected to change significantly over the medium term, the city is attempting to keep the population above 300,000 (see *Management and Administration*). Additionally, the city may face increases in the costs associated with the care of the elderly.

Budgetary Performance



Source: City of Katowice's budgets and Fitch forecasts (f)

Finances

Satisfactory Budgetary Performance

In our base-case scenario, we expect Katowice's operating performance to remain satisfactory, fuelled by growing income and local tax revenue due to expected growth in the national economy. We forecast the operating balance to average PLN200m annually in 2016-2019, or 11% of operating revenue, excluding some non-recurring operating revenue.

The city's operating result in 2016 will be supported by one-off revenue from the property transfer tax. As a result, its operating balance is projected to total PLN225m, or 13.5% of operating revenue – and PLN185m or 11% excluding the one-off item (2015 without one-off revenue: PLN182m or 12.2% respectively). The latter margin would be in line with the average operating margins in 2011-2014.

Like all other Polish municipalities, Katowice launched a central government "Family 500+" programme in April 2016. The flow of funds from the central government, inflating both sides of the budget by about PLN70m in 2016, will be neutral for Katowice's operating balance. The programme launch means the comparability of the operating and current margins, and the debt/current revenue ratios, for 2015 and 2016 will be limited.

We expect Katowice to post an almost balanced budget in 2016. However, from 2017, its deficit before debt variation may widen to about 3% of total revenue following the roll-out of new investments co-financed from the 2014-2020 EU budget. The deficit will be covered by free cash (in 2016) and additionally new debt (from 2017).

Moderate Operating Revenue Growth

We project that the city's operating revenue will grow by around 3% on average annually in 2016-2019. Katowice's flexibility to increase operating revenue is high, as it has not exploited its local tax- and fee-raising powers fully in recent years. The city's local economy is wealthy and diversified and should be fuelled by the expected growth in the national economy, which Fitch forecasts at around 3% annually.

Katowice's broad local tax base is expanding with the completion of new private-sector investments such as office and residential buildings and shopping centres. We expect income tax revenue, with the personal income tax accounting for 29% of operating revenue, to grow by about 5% annually on average. The second-most important tax revenue, the property tax accounting for about 15% of operating revenue, may grow by around 4% annually. In addition, in 2016, the city may report one-off revenues of about PLN50m resulting from the property transfer tax.

State transfers received, which account for about 28% of operating revenue, will grow by about 2% annually on average in 2018-2019. In 2016-2017, however, they will grow more strongly as the city will receive additional state transfers for the "Family 500+" programme.

In 2015, Katowice's operating revenue rose by a strong 7.2% to PLN1.5bn, supported by growing taxes and current transfers and by a one-off VAT refund of PLN50m.

Operating Expenditure Under Pressure

Like many other Polish cities, Katowice faces strong pressure on operating spending, due to underfunded responsibilities that were 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 growth control especially as without the one-off revenue, opex growth would be comparable to the growth in operating revenue. As a result, an inability to constrain operating expenditure growth could be ratings negative.

Operating Revenue

(PLNm)	2014	2015	2016b
Taxes	724	773	779
- PIT	421	452	464
- CIT	54	55	58
- Property tax	214	220	214
- Other taxes	35	46	43
Transfers	412	412	419
Other revenue	308	363	291
Total	1,444	1,548	1,488

b - City's budget dated January 2016; does not include PLN70m stemming from the "Family 500+" programme and one-off revenue

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

Operating Expenditure by Sector

(PLNm)	2014	2015	2016b
Education	481	490	496
Social care	188	189	195
Housing	131	122	135
Transport	119	122	126
Administration	110	110	118
Municipal services	106	108	111
Culture	55	59	54
Other	66	126	188
Total	1,256	1,326	1,423

b - City's budget dated January 2016; does not include PLN70m stemming from the "Family 500+" programme
 Source: Fitch own calculations based on the city's budgets

As in other Polish cities, education will remain Katowice's largest expenditure item in the medium term; we expect the city's participation in financing the education sector above the educational subsidy and other grants in total opex to remain around 35% (2012: 39%).

The city compensates the Municipal Transport Union of the Upper Silesian Industrial District (KZK GOP) for the share of transportation services it provides for the city. We expect that spending on public transport will grow further and become the city's third-largest expenditure item (after social care) in the medium term. The city budgeted around PLN95m for transport services for 2016 (2015: PLN92m; 2014: PLN85m). Unlike in other Polish cities rated by Fitch, the spending is not covered by fare revenue, which KZK GOP collects directly and does not partially compensate for the city's expenditure.

Capital Revenue and Expenditure – Self-Financed Investments

For 2016-2019, we forecast that Katowice will spend PLN1.4bn on capex, ie 17%-20% of total expenditure. Half of the capex will be on roads and more than 20% on public transport; the remainder will be on sport, culture and thermo-modernisation. We expect that on average over 50% of investment financing will come from the city's current balance and about 35% from capital revenue. The rest will be covered by available cash (from 2016) and additional debt (from 2017).

In 2015, capex was PLN290m or 18% of total expenditure, as a result of the completion of major infrastructure investments.

Management and Administration

In November 2014, Katowice elected a new president, Dr Marcin Krupa, former vice-president of the city. In the 28-member city council, the president's party (Forum Samorządowe i Marcin Krupa) has 12 seats, and together with the informal coalition (Prawo i Sprawiedliwosc party), he has a majority on the city council, with 18 votes. The opposition party is Platforma Obywatelska (Civic Platform party), with eight seats.

The city's new management aims to concentrate on the following four strategic pillars:

1. Improving living standards, including contracting on the revitalisation and development of housing, diversification of public services and increasing cultural offerings;
2. Strengthening the metropolitan area, including creating a joint infrastructure within the metropolitan area and promoting a strong business centre, and promoting sport and cultural events and research and education;
3. Attracting and increasing the share of technically advanced services and industries in the city's economy, by providing business support to existing entrepreneurs, developing a strategy to attract new investors from IT, BPO and SSC, and increasing the higher education offering for young people, etc; and
4. Creating an intelligent and eco-friendly transportation system, which includes an integrated, sustainable and intermodal transportation network and modern transportation hub.

The city's efforts may lead to higher opex and capex in the medium term, but may secure a growing tax base and counteract the negative demographic trend.

By end-2016, we assume that a law may come into force allowing the building of the Upper Silesian metropolitan area with Katowice as its centre. In 2017, Katowice and the surrounding municipalities will then have one year to build up the metropole. The main aims of the metropole would be joint public transport and the coordination of joint investments. At this stage, it is too early to assess the financial implications for Katowice's budget.

Appendix A

City of Katowice

(PLNm)	2011	2012	2013	2014	2015
Taxes	673.7	665.1	693.8	724.2	772.9
Transfers received	362.3	382.9	401.9	411.9	412.4
Fees, fines and other operating revenue	248.4	263.2	280.5	308.2	362.6
Operating revenue	1,284.4	1,311.2	1,376.2	1,444.3	1,547.9
Operating expenditure	-1,099.3	-1,158.9	-1,229.0	-1,255.5	-1,315.9
Operating balance	185.1	152.3	147.2	188.8	232.0
Financial revenue	21.6	23.1	13.2	8.6	4.1
Interest paid	-11.0	-15.1	-12.8	-13.2	-10.3
Current balance	195.7	160.3	147.6	184.2	225.8
Capital revenue	54.4	57.6	175.7	162.5	107.4
Capital expenditure	-294.1	-378.5	-445.5	-584.0	-290.0
Capital balance	-239.7	-320.9	-269.8	-421.5	-182.6
Surplus (deficit) before debt variation	-44.0	-160.6	-122.2	-237.3	43.2
New borrowing	76.5	128.0	128.1	87.3	17.6
Debt repayment	-7.0	-12.4	-14.6	-16.7	-22.4
Net debt movement	69.5	115.6	113.5	70.6	-4.8
Overall results	25.5	-45.0	-8.7	-166.7	38.4
Debt					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	375.9	484.8	600.2	674.2	669.3
Direct debt	375.9	484.8	600.2	674.2	669.3
+ Other Fitch classified debt - pre-financing	0.0	0.0	-	-	-
Direct risk	375.9	484.8	600.2	674.2	669.3
- Cash, liquid deposits, sinking fund	440.6	395.8	390.1	223.5	261.9
Net direct risk	-64.7	89.0	210.1	450.7	407.4
Guarantees and other contingent liabilities	5.8	9.4	5.1	4.6	4.3
Net Indirect debt (public sector entities exc. gteed amount)	110.4	185.3	179.0	177.4	176.4
Net overall risk	51.5	283.7	394.2	632.7	588.1
Memo for direct debt					
% in foreign currency	25.9	26.0	20.0	17.1	15.6
% issued debt	0.0	0.0	0.0	0.0	0.0
% fixed interest rate debt	7.2	3.9	2.1	1.0	0.0

Source: Issuer and Fitch calculations

Appendix B

City of Katowice

	2011	2012	2013	2014	2015
Fiscal performance ratios					
Operating balance/operating revenue (%)	14.41	11.62	10.70	13.07	14.99
Current balance/current revenue ^a (%)	14.98	12.01	10.62	12.68	14.55
Surplus (deficit) before debt variation/total revenue ^b (%)	-3.23	-11.54	-7.81	-14.69	2.60
Overall results/total revenue (%)	1.87	-3.23	-0.56	-10.32	2.31
Operating revenue growth (annual % change)	n.a.	2.09	4.96	4.95	7.17
Operating expenditure growth (annual % change)	n.a.	5.42	6.05	2.16	4.81
Current balance growth (annual % change)	n.a.	-18.09	-7.92	24.80	22.58
Debt ratios					
Direct debt growth (annual % change)	n.a.	28.97	23.80	12.33	-0.73
Interest paid/operating revenue (%)	0.86	1.15	0.93	0.91	0.67
Operating balance/interest paid (x)	16.8	10.1	11.5	14.3	22.5
Direct debt servicing/current revenue (%)	1.38	2.06	1.97	2.06	2.11
Direct debt servicing/operating balance (%)	9.72	18.06	18.61	15.84	14.09
Direct debt/current revenue (%)	28.78	36.33	43.20	46.40	43.13
Direct risk/current revenue (%)	28.78	36.33	43.20	46.40	43.13
Direct debt/current balance (yrs)	1.9	3.0	4.1	3.7	3.0
Net overall risk/current revenue (%)	3.94	21.26	28.37	43.55	37.89
Direct risk/current balance (yrs)	1.9	3.0	4.1	3.7	3.0
Direct debt/GDP (%)	2.18	2.76	-	-	-
Direct debt per capita (PLN)	1,216	1,579	2,021	2,270	2,316
Revenue ratios					
Operating revenue/budget operating revenue (%)	104.29	100.64	101.60	104.61	108.27
Tax revenue/operating revenue (%)	52.45	50.72	50.41	50.14	49.93
Modifiable tax revenue/total tax revenue (%)	33.69	34.55	35.83	34.31	34.45
Current transfers received/operating revenue (%)	28.21	29.20	29.20	28.52	26.64
Operating revenue/total revenue ^b (%)	94.41	94.20	87.93	89.41	93.28
Total revenue ^b per capita (PLN)	4,403	4,534	5,270	5,439	5,742
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	95.55	96.03	97.45	98.12	97.00
Staff expenditure/operating expenditure (%)	44.25	44.51	43.09	43.36	43.01
Current transfer made/operating expenditure (%)	9.87	10.18	9.36	10.08	10.56
Capital expenditure/budget capital expenditure (%)	43.33	44.82	55.90	101.88	82.79
Capital expenditure/total expenditure (%)	20.84	24.19	26.18	31.24	17.70
Capital expenditure/local GDP (%)	1.71	2.16	-	-	-
Total expenditure per capita (PLN)	4,568	5,097	5,730	6,294	5,670
Capital expenditure financing					
Current balance/capital expenditure (%)	66.54	42.35	33.13	31.54	77.86
Capital revenue/capital expenditure (%)	18.50	15.22	39.44	27.83	37.03
Net debt movement/capital expenditure (%)	23.63	30.54	25.48	12.09	-1.66

n.a.: Not available

^a Includes financial revenue

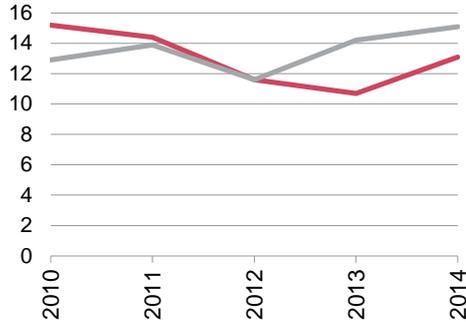
^b Excluding new borrowing

Source: Issuer and Fitch calculations

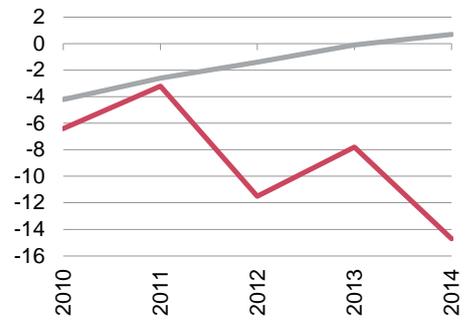
Appendix C
City of Katowice

Peer Comparison

Operating Balance
% Operating Revenue



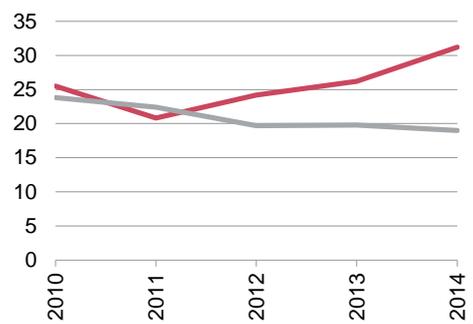
Surplus (Deficit)
% Total Revenue



Taxes
% Operating Revenue



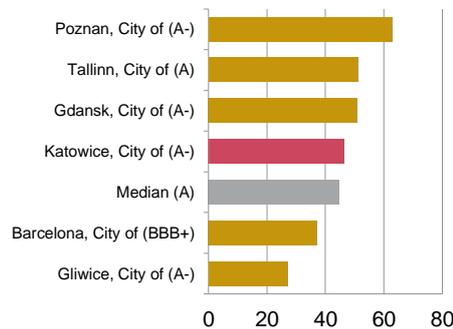
Capital Expenditure
% Total Expenditure



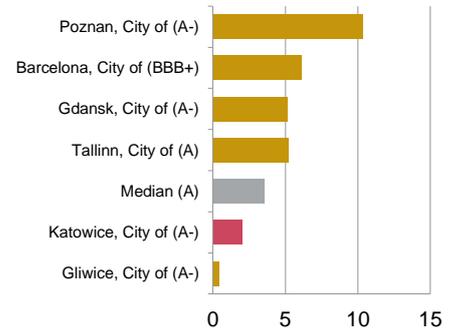
— City of Katowice

— A- Peer Group Median

Debt
To Current Revenue (%) 2014



Debt Servicing
To Current Revenue (%) 2014



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