FitchRatings

Public Finance
Local and Regional Governments
Poland

City of Gliwice

The affirmation of the City of Gliwice's ratings reflects Fitch Ratings' expectations that the city will maintain its payback ratio at levels corresponding to a 'aa' debt sustainability, despite expenditure pressures. We forecast the payback ratio will deteriorate in the medium term due to continued high investment expenditure requiring debt finance, coupled with weaker operating performance expectations.

Changes to the local and regional governments' (LRGs) funding mechanism, which started with the 'Polish Deal' tax reform, and still-high inflation will continue to pressure the city's operating balance. Fitch upgraded Gliwice's National Ratings to 'AAA'(pol) from 'AA+(pol)' due to a strong financial performance.

Key Rating Drivers

Risk Profile 'Midrange': Fitch assesses the city's risk profile as 'Midrange', in line with the majority of other Fitch-rated Polish municipalities. The assessment reflects Fitch's view of a moderately low risk of the city's ability to cover debt service with the operating balance weakening unexpectedly over the scenario horizon (2024-2028) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Reform Ahead: The Ministry of Finance recently outlined a plan to change the financial framework governing local governments in Poland. A key objective of the reforms is to realign local government revenue with the economic activities of their jurisdictions. These elements are scheduled to be announced in 2024, with the goal of implementing the revised system at the beginning of 2025.

Long Debt Maturity: Gliwice's debt is dominated by loans from the European Investment Bank (EIB, AAA/Stable; about 59% of the debt stock) followed by bonds (41%; PLN50 million issued in December 2023; PLN20 million issued in December 2022; PLN150 million issued at end-2020; maturity up to 2035). The EIB loans have a long, smooth repayment schedule, with final debt maturity in 2034. All of the city's debt is zloty-denominated and 59% is fixed-rate, which eliminates foreign-currency and interest-rate risks.

Debt Sustainability – 'aa' Category: Under our rating case for 2024-2028, the payback ratio will rise to 7.5x ('aa' debt sustainability score) in 2028 from 2.5x in 2023 reflecting rising debt due to high capex. The fiscal debt burden ratio will increase but remain strong ('aa' debt sustainability score) and below 60% on average (2023: 30%). It more than counterbalances the weaker synthetic debt service coverage ratio (SDSCR) of 1.3x in 2028 ('bbb' debt sustainability score). All these metrics justify the city's balanced debt sustainability assessment at 'aa'.

Stabilise Operating Balance: Gliwice maintain its operating balance at PLN168 million in 2023 (2022: PLN189 million) due to additional revenue from the property tax, transfers, and cost-cutting. We expect that this combined with an economic rebound should result in a stable, though slightly decreasing, operating balance. We expect it to decline to a minimum PLN144 million in 2028, and average PLN162 million in 2024-2028.

Rating Derivation summary: Fitch assesses Gliwice's Standalone Credit Profile (SCP) at 'a-'. This reflects the combination of the 'Midrange' risk profile and debt sustainability in the 'aa' category. The city's SCP assessment factors in positioning among peers in the same rating category. No other rating factors, such as extraordinary support from the state or asymmetric risks, influence the ratings. The city's Issuer Default Ratings (IDRs) are equal to its SCP and to the sovereign ratings.

Ratings

Foreign Currency

Long-Term IDR	A-

Local Currency

Long-Term IDR	A-

National Rating

National Long-Term Rating	AAA(pol)

Outlooks

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

Issuer Profile Summary

Gliwice is an urban county in the Slaskie region, and had around 171,000 inhabitants at mid-2023. It has a well-developed economy that is attractive to investors. The unemployment rate was 2.1% (Poland: 5.1%) at end-2023.

Financial Data Summary

(PLNm)	2023	2028rc
Payback ratio (x)	2.5	7.5
Synthetic coverage (x)	4.2	1.3
Fiscal debt burden (%)	29.5	58.3
Net adjusted debt	416	1,077
Operating balance	168	144
Operating revenue	1,411	1,847
Debt service	71	151
Mortgage-style debt annuity	40	108

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, City of Gliwice

Applicable Criteria

National Scale Rating Criteria (December 2020)

International Local and Regional Governments Rating Criteria (September 2021)

Related Research

Fitch Affirms Polish City of Gliwice at 'A-'; Outlook Stable (March 2024)

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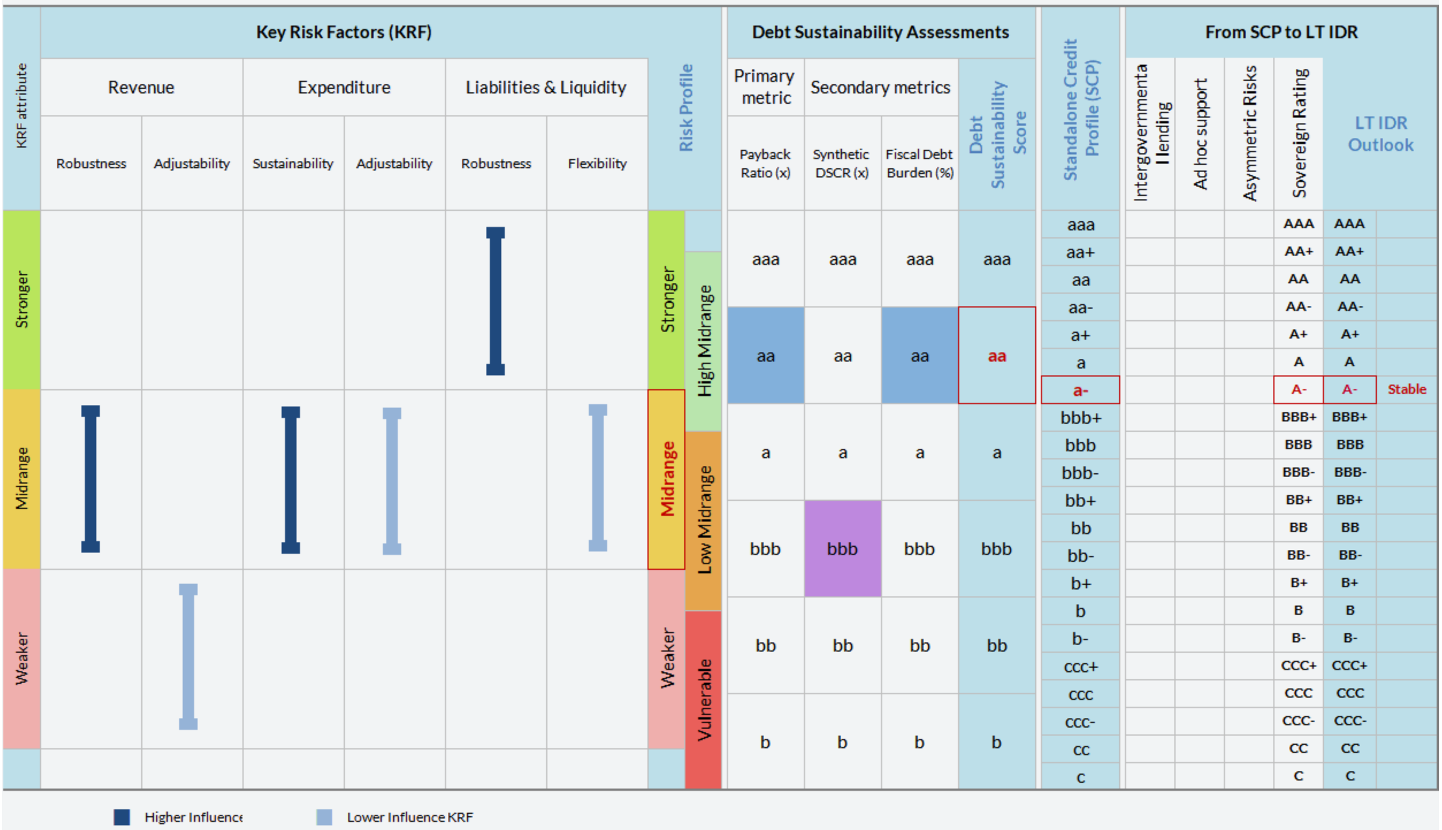
Rating Synopsis

City of Gliwice LT IDR Derivation Summary



Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The risk profile and debt sustainability assessments, which measure the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in an SCP. This, together with some additional factors not captured in SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

The debt payback ratio remaining lower or equal to 7.5x on a sustained basis under Fitch's rating case, provided the sovereign was also upgraded, as the city's IDRs are currently equal to those of the Polish sovereign.

A downgrade of Poland's sovereign ratings or a downward revision of the city's SCP, which could be driven by deterioration in debt metrics, particularly debt payback rising above 9x on a sustained basis under Fitch's rating case.

Issuer Profile

Gliwice is an urban county (i.e. municipality with an urban status, additionally fulfilling responsibilities of a county; city). Fitch classifies Gliwice as a 'Type B' LRG as it is required to cover debt service from cash flow annually. Polish regulation is stable and the national governments monitors the cities' activities and financial statements. Cities have clear accounting as they have to make public their budgets, annual and interim reports, and long-term financial projections, which are based on cash accounting.

Polish cities can administrate public-mission unitary companies, the financials of which are not consolidated in the budgets. Their revenue sources and municipal tasks are legally defined, and the classification of revenue and expenditure governs the split into current and capital. The cities are typically not allowed to adopt a budget with a current deficit, but there are no restrictions on running capital deficits.

Cities can deposit cash with banks established in Poland and invest it in treasury bonds or bonds issued by other LRGs. Cities can incur short-term debt to cover their liquidity shortages in a particular year, but have to be repay it by year-end. Each city has an individual debt limit (see What Investors Want to Know: Polish Subnationals' Debt Regulations). LRGs in Poland cannot be declared bankrupt. If a city is in financial distress, the state can grant it a loan from the budget, once the city takes steps rectify its finances. However, we cannot rule out the possibility of an LRG defaulting on its financial obligations. For more information, see Polish Cities – Peer Review 2023**.**

The Ministry of Finance recently said it is planning a new financing system for Polish LRGs, but because it is in the initial stages, Fitch has not considered it in its analysis.

The Ministry of Finance recently said it is planning a new financing system for Polish LRGs, but because it is in the initial stages, Fitch has not considered it in its analysis. Gliwice is a medium-sized city by Polish standards. Located in the Slaskie Region, it is part of the Silesia Metropolis (more than 2 million inhabitants) and is at the crossroads of the main Polish rail and road corridors. This benefits its well-developed economy and helps to make it attractive to investors; it also has a well-educated and qualified labour force.

GDP per capita for the Gliwicki sub-region, which includes Gliwice, Zabrze (BB/Stable) and surrounding towns and villages, was 113.9% of the national average in 2021 (latest available data). Gliwice is strongest economically in the sub-region, with lower unemployment (2.1% at end-2023) than the sub-region (3.3%) and considerably lower than the national average (5.1%), so its wealth indicators should also be stronger.

Gliwice's services sector is growing. In 2021, it produced about 56% of gross value-added and employed 61% of the local workforce (Poland: 64% and 58%, respectively). Industry is also important, as 43% of the city's gross value-added is generated by industry and construction, which together employ 35% of the local workforce (Poland: 33% and 27%, respectively).

Socioeconomic Indicators

	Issuer	Sovereign
Population, mid-2023 (m)	0,171	37.698
GDP per capita, Gliwicki subregion 2021 (PLN)	84,730	69,263
GRP growth, Gliwicki subregion 2021 (%)	12.7	12.6
Inflation, 2023 (%)	-	11.4
Unemployment rate, 2023 (%)	2.1	5.1

Source: Fitch Ratings, national statistics

Risk Profile Assessment

Risk Profile: Midrange

Fitch assesses Gliwice's risk profile at 'Midrange', reflecting the combination of assessments:

Risk Profile Assessment

Risk Profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
Midrange	Midrange	Weaker	Midrange	Midrange	Stronger	Midrange

Source: Fitch Ratings

This assessment is in line with other Fitch-rated Polish municipalities. It reflects Fitch's view of a moderately low risk of the city's ability to cover debt service with the operating balance weakening unexpectedly over the scenario horizon due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: Midrange

This assessment is the same as for other rated Polish cities. Tax accounted for about 44% of Gliwice's operating revenue in 2023, and is based on moderately cyclical economic activities (39% of total revenue). Personal income tax (PIT) accounted for about 21% of operating revenue, followed by local taxes (about 20%), and corporate income tax (CIT; about 3%) which is more volatile. Current transfers accounted for 38% of operating revenue in 2023 (34% of total revenue), the majority of which was state budget transfers that are not subject to discretionary changes as the majority are legally defined.

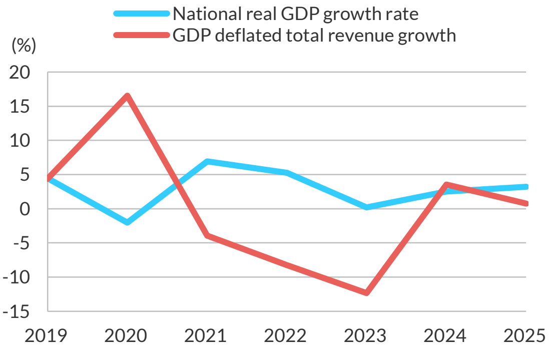
We expect revenue to grow slightly faster than GDP, except in 2024 and 2025. A large allocation of PIT and CIT (37% more versus 2023) will fuel a 13.3% increase in operating revenue in 2024; this is likely to be followed by growth of only 1.9% in 2025, due to lower expected CIT revenue due to compensation calculations in both years. We expect capital revenue to remain at PLN126 million on average in 2024-2028.

Operating revenue decreased 1.4% yoy in 2023 (PLN20 million) to PLN1,411 million in 2023. The extra PIT revenue (PLN43.3 million) that the city received in 2022 boosted its 2022 results; this had been destined to support revenue in 2023.

Lower transfer revenue in 2023 (7.1%) was compensated by robust growth in fees, fines and other operating revenue (18.3%). The decrease was due mainly to 2023 being the first year without state subsidies to cover social transfers under the "Family 500+" programme, now operated by the National Social Insurance agency. In 2022, the city received more than PLN68 million – or almost 5% of operating revenue – from this source. Gliwice received PLN43.3 million in additional subsidies to minimise PIT revenue losses from tax changes implemented in 2022.Gliwice's PIT and CIT revenue in 2024 includes compensation for lower than expected PIT (PLN8.9 million) and CIT (PLN10.1 million) in 2022. Based on the preliminary state budget in 2023, we expect that the adjustments for that year in 2025 should boost PIT (by about PLN22.8 million), but be negative for CIT (about PLN3.7 million less). Additionally, the base for the calculations of 2025 PIT and CIT levels excludes compensation made in 2024.

Fluctuations in revenue from both taxes highlight that although change in the calculation and disbursement of taxes by the central government was officially aimed at stabilising LRGs' revenue, it affected it outside of the control of the entities receiving it. It also cut back on the LRGs awareness of how much tax they could collect that usually enable them to adjust their budgets during the year. It also effectively limited their ability to plan to just one year.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, City of Gliwice

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
PIT+CIT	24.3	21.5
Local taxes	19.4	17.3
Fees and charges	7.2	6.4
Transfers	38.1	33.8
Other operating revenue	11.0	9.8
Operating revenue	**100.0**	**88.8**
Interest revenue	-	0.4
Capital revenue	-	10.8
Total revenue	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, City of Gliwice

Revenue Adjustability: Weaker

Gliwice's ability to generate additional revenue in response to economic downturns is limited. This assessment is the same for most Fitch-rated Polish cities. The central government sets income tax rates and current transfers.

Gliwice has limited control over local taxes, which accounted for just over 19% of operating revenue in 2023, as rates are constrained by national tax ceilings. In our view, any additional revenue from discretionary tax leeway would cover less than half of an expected revenue decline in an economic downturn. The city has sold assets in the past decade, generating average revenue averaging PLN72 million a year, which Fitch deems would be feasible in a downturn, as in 2022 when the city received about PLN74 million and in 2023 about PLN100 million in 2023.

The finance ministry's recent proposals to overhaul LRG financing include allocating funds based on LRG's individual needs, abolishing the "Janosikowe" financial adjustment mechanism, and changing the sources of funding and the subsidy system.

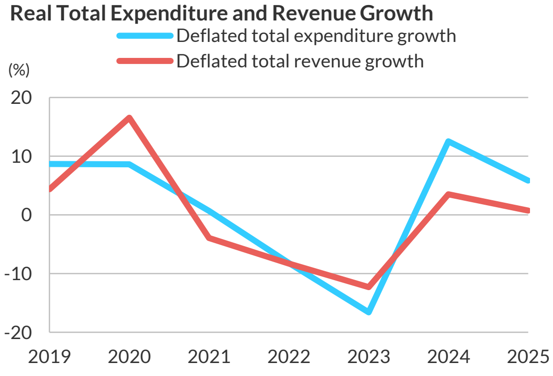
Under the proposals, LRGs' shares of PIT and CIT revenue would be calculated based on taxable income, unaffected by tax relief or exemptions, thereby making them less sensitive to changes in tax legislation. The proposals also suggest an algorithm be developed to more accurately estimate the expenditure needs of municipalities, counties, and regions, and adjust subsidies accordingly. Fitch expects fuller details to be announced this year, and the government intends to implement the system in 2025.

Expenditure Sustainability: Midrange

This assessment is in line with the majority of Polish cities. Gliwice has a record of moderate control over opex growth. Non-cyclical responsibilities – such as education, public transport, municipal services, and administration – underpin expenditure sustainability. The city's control of opex growth is good, which was well below operating revenue in 2019-2023, leading to operating balances averaging 15.1% of operating revenue. Capex was 24.3% of total expenditure on average in 2019-2023, and 19.5% in 2023.

Gliwice's financial management is good. Fitch expects opex to increase at similar pace to operating revenue in the long term, although the operating balance is likely will probably settle at a lower level than it has in the past.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, City of Gliwice

Expenditure Breakdown, 2023

	Operating expenditure (%)	Total expenditure (%)
Education	37.6	29.8
Family & social care	13.0	10.3
Public administration	9.4	7.4
Transport	7.2	5.7
Other operating expenditure	32.8	25.9
Operating expenditure	**100.0**	**79.1**
Interest expenditure	-	1.5
Capital expenditure	-	19.5
Total expenditure	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, City of Gliwice

Expenditure Adjustability: Midrange

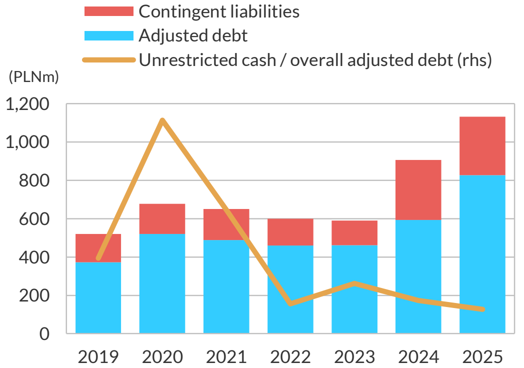
Fitch assesses the city's ability to reduce spending in response to shrinking revenue as 'Midrange'. It has control over 15% of current spending, while fixed costs comprise between 70% and 90% of total expenditure and relate mainly to mandatory responsibilities in education, family benefits, social care, public administration and public safety. Capex is more flexible as it is implemented in phases, and can be postponed in case of need.

Liabilities and Liquidity Robustness: Stronger

We assess Gliwice's as 'Stronger'. The city has a debt-management strategy, which is not common. The city's loan portfolio at end-2023 was dominated by EIB loans (about 59% of the debt stock) followed by bonds (41%; PLN150 million issued at end-2020; PLN20 million issued in December 2022; PLN50 million issued in December 2023; maturity up to 2035). The EIB loans result in a long-term and smooth repayment schedule, with final debt maturity in 2034.

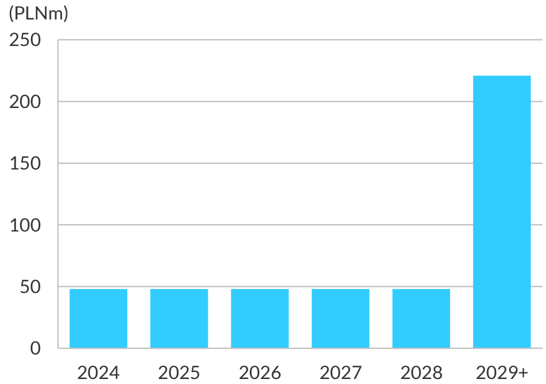
All of the city's debt is zloty-denominated and 59% is fixed-rate, which eliminates foreign-currency risk, which interest-rate risk is low. Annual principal payments do not exceed 11% of the debt stock outstanding at end-2023. New loans have a maximum 25-year maturity and grace periods of up to four years.

Overall Adjusted Debt Structure



Source: Fitch Ratings, City of Gliwice

Direct Debt Maturity Profile, End-2023



Source: Fitch Ratings, City of Gliwice

Liabilities and Liquidity Flexibility: Midrange

This assessment reflects the lack of central government emergency liquidity and the lack of banks rated above 'A+' in the Polish market. Gliwice has a long record of robust liquidity. The city has a PLN60 million committed but unused credit line provided by Bank Millennium S.A. (BB/Positive). Liquidity at end-2023 (PLN45 million of unrestricted cash and a PLN60 million committed credit line) exceeded annual debt service of PLN71 million.

Net adjusted debt increased to PLN416 million in 2023 from PLN151 million in 2015 as Gliwice implemented a large capex plan, mainly related to EU investments. The payback ratio remained very low at 2.5x in 2023 due to a strong operating balance. In our rating-case scenario for 2024-2028, we expect net adjusted debt to continue to increase as the city aims to maintain a high level of investments in transport infrastructure, flood control projects and hospitals.

Debt Analysis

	2023
Fixed rate (% of direct debt)	59
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	5
Weighted average life of debt (years)	5.5

Source: Fitch Ratings, City of Gliwice

Liquidity

(PLNm)	2023
Total cash, liquid deposits and sinking funds	45
Restricted cash	0
Cash available for debt service	45
Undrawn committed credit lines	60

Source: Fitch Ratings, City of Gliwice

Debt Sustainability Assessment

Debt Sustainability: aa category

Debt Sustainability Metrics Summary

	Primary Metric	Secondary Metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X >= 4	X ≤ 50
aa	**5 < X ≤ 9**	2 ≤ X < 4	**50 < X ≤ 100**
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	**1 ≤ X < 1.2**	200 < X ≤ 250
b	X > 25	X < 1	X > 250

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

Fitch's rating case projects the operating balance will weaken in 2024-2028 and debt will increase, which will erode the debt payback to 7.5x (2023: 2.5x) towards the end of the period, although this remains consistent with 'aa' debt sustainability score.

For the secondary metrics, we project that the fiscal debt burden will increase in the same period, but remain strong and below 60% , in line with the 'aa' debt sustainability category. The city's synthetic SDSCR is likely to gradually worsen to about 1.3x (2023: 4.2x), which corresponds to a 'bbb' debt sustainability assessment.

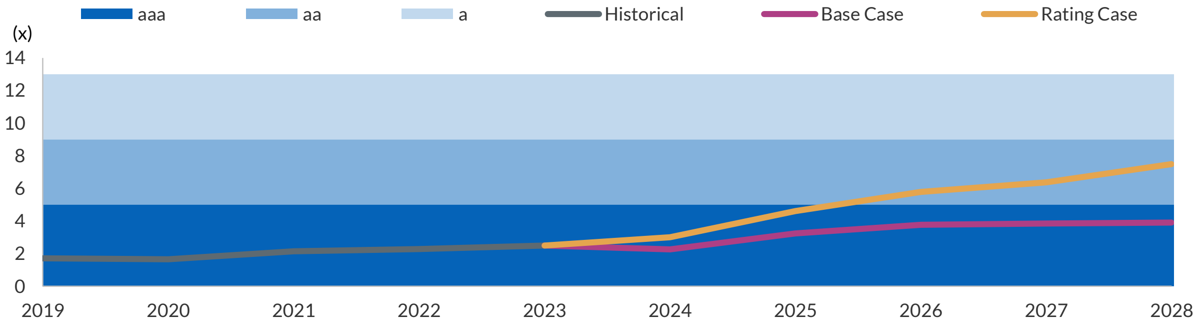
The SDSCR typically underestimates Polish LRGs as it calculates debt annuities for 15 years, whereas the loan agreements typically are above 15 years. Gliwice's weighted average life of debt is 5.5 years and its final debt maturity is in 2035.

These metrics result in an overall debt sustainability assessment at the lower end of the 'aa' category, due to the projected payback ratio in the middle of the 'aa' category, and good fiscal debt burden ratio mitigating a lower SDSCR.

Gliwice's operating balance, which is one of the factors we use to determine the payback ratio, declined in 2023 to PLN168 million, or 11.9% of operating revenue, from a historical high of PLN189 million in 2022 (value adjusted for the additional PLN40 million subsidy earmarked for 2022, but received by end-2021). Fitch's rating case expects the city's operating balance to decline in 2024-2028 to a minimum of PLN144 million in 2028, averaging PLN162 million in 2024-2028, compared with PLN179 million on average in 2019-2023.

These are better outcomes than in Fitch's 2023 rating case, but because net adjusted debt will rise to PLN1,077 million in 2028 from PLN416 million in 2023, the payback ratio remains in line with the 'aa' debt sustainability category.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, City of Gliwice

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2019-2023 figures and 2024-2028 projected ratios. The key assumptions for the scenario include:

- Operating revenue to rise by an average 5.5% a year, including tax revenue CAGR of 8.5% and transfers received CAGR of 3.1%, driven by an anticipated economic rebound.
- Annual average 6.5% increase in operating spending; due to inflationary increases of goods and services and salaries, also driven by increased minimum salaries.
- Negative net capital balance of an average PLN246 million annually; factors in uncertainty about the timing and amount of available non-returnable EU capital grants.
- Average cost of debt increasing to 5.8% in 2024-2028 from 3.0% in 2019-2023, due to higher policy rates.
- We do not consider proposed changes to the LRG Income Act due to the early stages of the initiative.

Scenario Assumptions Summary

		2024 - 2028 average	
Assumptions	**Five-year historical average**	**Base case**	**Rating case**
Operating revenue growth (%)	5.2	5.5	5.5
Tax revenue growth (%)	3.3	8.5	8.5
Current transfers received growth (%)	5.7	3.1	3.1
Operating expenditure growth (%)	6.3	5.8	6.5
Net capital expenditure (average per year; m)	-207	-246	-246
Apparent cost of debt (%)	3.0	5.1	5.8

		2028	
Outcomes	**2023**	**Base case**	**Rating case**
Payback ratio (x)	2.5	3.9	7.5
Synthetic coverage ratio (x)	4.2	2.7	1.3
Fiscal debt burden (%)	29.5	42.5	58.3

Source: Fitch Ratings, City of Gliwice

SCP Positioning and Peer Comparison

SCP Positioning Table

Risk Profile	Debt Sustainability					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**

Source: Fitch Ratings

Gliwice compares well with other Polish cities in terms of risk profile ('Midrange') and debt sustainability ('aa'). Issuers with a payback ratio between 7.5x and 9.0x have SCPs of 'a-' and their IDRs are equalised but not capped by the sovereign ratings. The distinction between the notch-specific SCP takes into consideration secondary metrics, especially the synthetic coverage, which defines the refinancing risk and differences in the socio-economic profiles. Katowice and Bydgoszcz, which have 'bbb+' SCP have higher (worse) reference payback ratios above 10x, which justifies lower SCP, despite the same risk profile.

Gliwice's international peers are Italian cities, like Arsizio Busto or Milan (payback at 5.8x), which have a similar 'Midrange' risk profile. However, the Italian entities have higher assessment of the revenue adjustability ('midrange' for Arsizio Busto, 'stronger' for Milan) and liabilities and liquidity robustness ('stronger') risk factors. The latter is due to them borrowing under national prudential regulation (including borrowing only for capex, debt-amortising structures and no foreign-currency debt exposure), and their IDRs are capped by the sovereign IDRs at 'BBB', thus comparability is limited.

Other international peer is the City of Bucharest, which 'Midrange' risk profile consist of one assessment of risk factors in the 'Stronger assessment as in case of Gliwice but their IDRs are at' BBB-', thus comparability is limited.

For both mentioned Italian cities and Bucharest, the 'aa' DS score result in the SCP of 'a'. This is driven primarily by the payback ratio being in the lower (better) than in case of Gliwice and other Polish cities with SCP of 'a-'.

Peer Comparison

	Risk Profile	Primary metric (x)	SCP	IDR
Gliwice, City of	Midrange	7.5	a-	A-
Plock, City of	Midrange	7.9	a-	A-
Gdansk, City of	Midrange	7.3	a-	A-
Bucharest, City of	Midrange	5.1	a	BBB-
Busto Arsizio, City of	Midrange	6.1	a	BBB
Katowice, City of	Midrange	10.1	bbb+	BBB+
Bydgoszcz, City of	Midrange	9.2	bbb+	BBB+

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to IDR: Factors Beyond the SCP

		Support						
SCP	Sovereign Rating	Intergovern. Financing	Ad-hoc Support	Floor	Asymmetric Risks	Cap	Notches above the Sovereign	IDR
a-	A-	--	--	--	-	-	-	A-

Source: Fitch Ratings

To assign Gliwice's IDR, Fitch first assigns an SCP. The latter results from the combination of a 'risk profile' and 'debt sustainability' metrics. The 'a-' SCP of Gliwice combines a 'Midrange' risk profile with debt sustainability metrics assessed at the lower end of the 'aa' category. The city's ratings are equalized with the sovereign. No other rating factors, such as extraordinary state support or asymmetric risks, influence the ratings.

National Ratings

Fitch upgraded Gliwice's National Ratings to 'AAA (pol)' from 'AA+(pol)'. The 'A-' IDRs map to 'AAA(pol)' or 'AA+(pol)'. Based on the improved financial performance, which positions the city in line with the other cities rated 'AAA (pol)' with the same risk profile and SCP, we have revised our assessment of the city to the higher of the available options.

Criteria Variation

No variation from the criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Appendix A: Financial Data

City of Gliwice

(PLNm)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance										
Taxes	560	565	621	635	617	770	820	843	888	929
Transfers received	474	556	555	578	537	570	582	599	611	625
Fees, fines and other operating revenues	171	265	202	218	258	259	265	274	283	293
Operating revenue	1,204	1,387	1,378	1,431	1,411	1,598	1,667	1,715	1,782	1,847
Operating expenditure	-1,020	-1,203	-1,207	-1,241	-1,244	-1,415	-1,497	-1,557	-1,626	-1,703
Operating balance	184	184	171	189	168	183	170	158	156	144
Interest revenue	2	1	1	9	6	0	0	0	0	0
Interest expenditure	-8	-9	-9	-17	-23	-28	-43	-55	-59	-59
Current balance	178	175	162	182	150	155	128	104	98	85
Capital revenue	99	198	225	189	172	134	148	125	114	108
Capital expenditure	-361	-360	-451	-437	-306	-421	-512	-357	-295	-273
Capital balance	-263	-163	-227	-248	-134	-287	-365	-232	-181	-165
Total revenue	1,304	1,585	1,603	1,628	1,589	1,732	1,815	1,840	1,897	1,956
Total expenditure	-1,389	-1,573	-1,667	-1,695	-1,573	-1,864	-2,052	-1,969	-1,980	-2,036
Surplus (deficit) before net financing	-85	13	-64	-67	16	-132	-237	-128	-84	-80
New direct debt borrowing	75	175	0	20	50	181	284	218	120	180
Direct debt repayment	-26	-27	-33	-49	-48	-48	-51	-64	-78	-91
Net direct debt movement	49	148	-33	-29	2	133	233	155	43	89
Overall results	-35	160	-97	-95	18	1	-4	26	-41	9
Debt and liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	373	521	488	459	461	594	827	982	1,024	1,113
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	373	521	488	459	461	594	827	982	1,024	1,113
Other Fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	373	521	488	459	461	594	827	982	1,024	1,113
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	148	157	163	140	130	313	306	217	156	132
Overall adjusted debt	521	678	651	599	591	907	1,133	1,198	1,180	1,245
Total cash, liquid deposits, and sinking funds	60	220	123	27	45	46	42	68	27	36
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	60	220	123	27	45	46	42	68	27	36
Net adjusted debt	313	301	365	432	416	548	785	913	997	1,077
Net overall debt	461	458	529	572	546	861	1,091	1,130	1,152	1,209
Enhanced net adjusted debt	313	301	365	432	416	548	785	913	997	1,077
Enhanced net overall debt	461	458	529	572	546	861	1,091	1,130	1,152	1,209
Memo										
Debt in foreign currency/Direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/Direct debt (%)	0	29	31	34	41	-	-	-	-	-
Floating interest rate debt/Direct debt (%)	1	1	31	34	41	-	-	-	-	-

rc - rating case
Source: Fitch Ratings, City of Gliwice

Appendix B: Financial Ratios

City of Gliwice

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance ratios (%)										
Operating balance/operating revenue	15.3	13.2	12.4	13.2	11.9	11.5	10.2	9.2	8.8	7.8
Current balance/current revenue	14.8	12.6	11.8	12.6	10.6	9.7	7.7	6.0	5.5	4.6
Operating revenue annual growth	10.0	15.2	-0.7	3.9	-1.4	13.3	4.3	2.9	3.9	3.7
Operating expenditure annual growth	11.1	18.0	0.3	2.9	0.2	13.8	5.8	4.0	4.4	4.8
Surplus (deficit) before net financing/total revenue	-6.5	0.8	-4.0	-4.1	1.0	-7.6	-13.1	-7.0	-4.4	-4.1
Surplus (deficit) before net financing/GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue annual growth	7.5	21.5	1.1	1.6	-2.4	9.0	4.8	1.4	3.1	3.1
Total expenditure annual growth	12.0	13.2	6.0	1.7	-7.2	18.5	10.1	-4.1	0.6	2.8
Debt ratios										
Primary metrics (x)										
Payback ratio (net adjusted debt to operating balance)	1.7	1.6	2.1	2.3	2.5	3.0	4.6	5.8	6.4	7.5
Enhanced payback ratio	1.7	1.6	2.1	2.3	2.5	3.0	4.6	5.8	6.4	7.5
Overall payback ratio	2.5	2.5	3.1	3.0	3.3	4.7	6.4	7.1	7.4	8.4
Enhanced overall payback ratio	2.5	2.5	3.1	3.0	3.3	4.7	6.4	7.1	7.4	8.4
Secondary metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	26.0	21.7	26.5	30.2	29.5	34.3	47.1	53.2	55.9	58.3
Synthetic debt service coverage ratio (x)	7.3	7.9	6.0	5.0	4.2	3.4	2.1	1.7	1.5	1.3
Actual debt service coverage ratio (x)	5.4	5.0	4.1	2.9	2.3	2.4	1.8	1.3	1.1	1.0
Other debt ratios										
Liquidity coverage ratio (x)	8.2	6.7	9.3	4.8	2.7	3.0	2.3	1.7	1.7	1.1
Direct debt maturing in one year/total direct debt (%)	7.2	6.3	6.7	10.5	10.4	8.1	5.8	0.0	0.0	0.0
Direct debt (annual % change)	15.2	39.6	-6.3	-5.9	0.4	28.8	39.3	18.7	4.3	8.7
Apparent cost of direct debt (interest paid/direct debt) (%)	2.3	2.1	1.8	3.5	5.0	5.3	6.0	6.0	5.9	5.6
Revenue ratios (%)										
Tax revenue/total revenue	42.9	35.6	38.7	39.0	38.8	44.4	45.2	45.8	46.8	47.5
Current transfers received/total revenue	36.3	35.1	34.6	35.5	33.8	32.9	32.1	32.5	32.2	32.0
Interest revenue/total revenue	0.1	0.0	0.0	0.5	0.4	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue	7.6	12.5	14.0	11.6	10.8	7.7	8.1	6.8	6.0	5.5
Expenditure ratios (%)										
Staff expenditure/total expenditure	30.1	29.2	30.3	31.1	37.0	-	-	-	-	-
Current transfers made/total expenditure	8.4	7.6	7.8	8.2	10.1	-	-	-	-	-
Interest expenditure/total expenditure	0.6	0.6	0.6	1.0	1.5	1.5	2.1	2.8	3.0	2.9
Capital expenditure/total expenditure	26.0	22.9	27.1	25.8	19.5	22.6	25.0	18.1	14.9	13.4

rc - rating case
Source: Fitch Ratings, City of Gliwice

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Gliwice's direct debt increased to PLN461 million at end-2023 from PLN459 million at end-2022. Net adjusted debt, corresponding to the difference between adjusted debt and year-end available cash that Fitch views as unrestricted was PLN45 million at end-2023. The city's net adjusted debt was PLN416 million at end-2023, compared with PLN432 million in 2022.This was due to direct debt and unrestricted cash both increasing by PLN18 million from PLN27 million at end-2022. In our rating case, we expect net adjusted debt to rise to about PLN1077 million in 2028, following debt-driven investments, but to remain below 60% of the operating revenue.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

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