MOODY'S
INVESTORS SERVICE

CREDIT ANALYSIS

Prague, City of

Czech Republic

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Prague, City of and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

Summary Rating Rationale

The A1 issuer rating for the City of Prague reflects its consistently strong operating performance, which generates the majority of funding for the city's investment plans. Prague enjoys comfortable cash reserves, which were strengthened by overall financial surpluses during 2005-08 and now cover almost half of the city's direct debt, a comforting factor in the current weaker economic environment.

The rating takes into account the structure and maturity of Prague's debt and the liabilities of its companies, particularly for the city's public transport company, Dopravni podnik Hlavniho mesta Prahy, a.s. Also factored into the rating are: (i) the tax revenue effect of the economic recession; (ii) the limited flexibility of the city's operating revenue; and (iii) the rigidity in operating expenditure in the Czech regional and local governments (RLGs) framework.

National and International Peer Comparisons

The City of Prague's rating is the same as that of the Czech Republic and is higher than those of all other Czech RLGs having a global scale rating. Prague's position relative to national peers reflects its outstanding local economic performance as the economic hub of the Czech Republic as well as its sound financial and operating performance, which enables it to manage a higher level of debt compared with its national peers.

Prague's rating is higher than those of other capital cities in Central and Eastern Europe (CEE), whose ratings range from A2 to Baa3. Prague's debt remains slightly below the median of these regional governments, while its debt service is close to the median. Prague enjoys a stronger operating environment for RLGs in the Czech Republic, compared with Poland, Estonia, Hungary, Latvia, and Croatia.

Rating Outlook

The outlook for the City of Prague's long-term issuer rating is stable.

Key Rating Considerations

Financial Performance

TABLE 1

Key Indicators

	2005	2006	2007	2008	2009
Net Direct and Indirect Debt/Operating Revenue (%)	69.8	66.9	61.7	54.6	55.4
Debt Service/Total Revenue (%)	2.6	3.1	3.0	3.0	15.6
Gross Operating Balance/Operating Revenue (%)	32.0	29.0	33.2	37.2	26.0
Cash Financing Surplus (Requirement)/Total Revenue (%)	2.8	1.6	1.6	11.9	-7.6
Self-Financing Ratio	1.1	1.1	1.0	1.4	0.8
Current Intergovernmental Revenue/Operating Revenue (%) [1]	89.1	89.7	90.7	90.0	88.2
Capex/Total Expenditure (%)	31.4	30.1	33.8	30.6	34.6

[1] Current intergovernmental revenue = current transfers + shared taxes

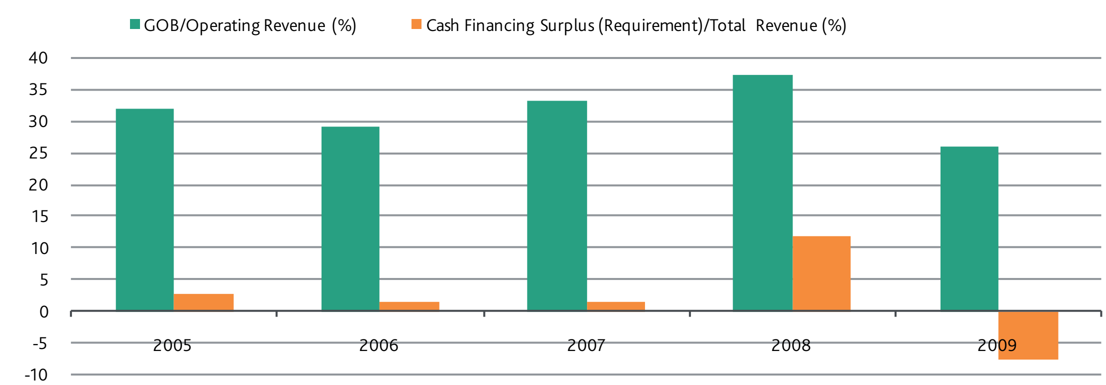
Operating performance remains strong

Despite Prague's operating performance having fallen to a five-year low in 2009, it remains strong, with an average gross operating balance (GOB) of almost 32% of the city's operating revenue between 2005 and 2009. In 2009, the GOB declined to 26% of the city's operating revenue, from an outstanding 37% in 2008.

CHART 1

Operating and financial performance

2005 - 2009 (%)



Until 2008, the city's finances benefited from significant national economic growth and the cost-cutting measures introduced by its management in 2006. However, in 2009 the city's budget was impacted by the economic crisis weighing on its shared tax revenue (almost 70% of its operating revenue), which experienced an unprecedented sector-wide fall of 14%. In total, Prague's operating revenue fell by 8%, for the first time since 2005.

Despite constant pressures arising from increasing quality standards and growing input prices, Prague managed to control its operating expenditure and broadly maintain its structure in the period 2005-

09. Nevertheless, in 2009 Prague's operating expenditure increased by an unusual 9%, particularly as a result of changes in financing of public transport (see below), but also by looser budget control ahead of the upcoming municipal elections. These factors will also affect the city's expenses in 2010. However, Prague's GOB is likely to recover slightly, thanks to relatively positive developments in tax proceeds in 2010.

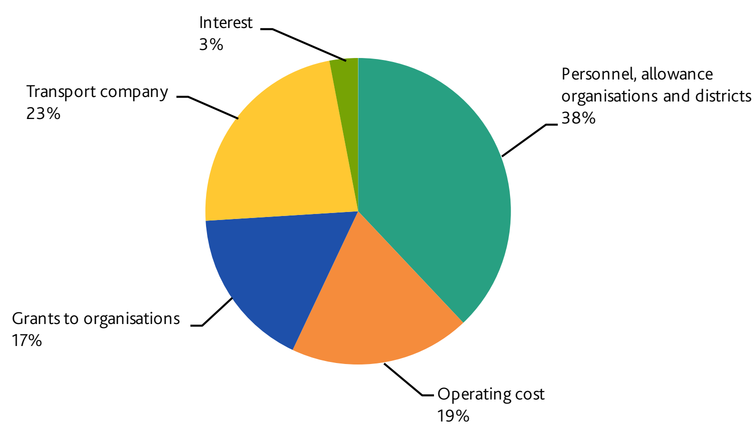
The least-flexible elements of the city's expenditures are personnel costs and transfers to contributory organisations and districts. On average, these expenses made up around 38% of operating expenditure in 2005-09, among which transfers to districts alone represented around 12% of Prague's operating expenditures. These expenses are largely covered by the central government. On average, transfers earmarked for Prague's public transport company represented 23% of the city's operating expenditure in 2005-09. Although this was reduced to 20% in 2008, the transfers will increase again with the recent change in financing the public passenger transport service.

Costs related to services, supplies and administration represented 19% of Prague's operating expenditure in 2005–09, and interest payments around a well manageable 3%. Prague also supports various foundations and not-for-profit organisations that provide social, cultural or religious services. The number of grants depends on the annual negotiations with the city and, in 2009, exceeded by 2% the 2005-09 average of 17% of the operating budget.

CHART 2

Structure of operating expenditure

(2005 - 2009)



High capital spending challenges the strong self-funding capacity to date

For several years, high operating surpluses and investment transfers together created a cushion for Prague's capital expenditure (capex) and gave the city extraordinarily high self-funding capacity. In 2005-08, the city's gross operating surpluses and investment transfers exceeded its capex by 15% and led to an average financial surplus of 4.5% of its total revenue. However, the revenue shortfalls resulting from the recent economic recession caused a reduction in Prague's capacity to fund planned investments. The investments, in addition, significantly increased in 2009 compared with the previous year following the political cycle. As a result, the city posted a deficit before financing of 7.6% of its total revenue, which was covered by its cash reserves. In 2010, the national GDP is expected to start to recover, which should help to balance Prague's budget again. Nevertheless, a low-single-digit deficit is a more likely outcome if the city sticks to its existing investment programme.

Prague consistently uses around 30% of its budget for capex, although the figure was almost 35% in 2009. In 2005-09, half of the city's capex was dedicated to transport, such as the city ring road and the extension of the underground network. A large portion of investments was also spent on city infrastructure (almost 14% in 2005-09) and education (10%), especially the renovation of schools. Since 2007, the city has managed to carry out this high level of investment without undertaking new borrowing or significantly tapping its cash reserves (except in 2009).

Prague has compiled a list of its strategic investments until 2015. It includes: (i) the reconstruction of the city's wastewater treatment plant (WWTP); (ii) the completion of the city ring road; (iii) flood protection; and (iv) further expansion of the underground network. EU funds may be raised only for the underground and WWTP projects; indeed, the modernisation of WWTP is required by current EU standards. Reconstruction has already started, but the detailed financing is still unclear.

Moody's note that Prague has sufficient reserves to withstand a pressured operating environment in the short term without needing to change its strategic targets, as was evident in 2009. In the medium and long term, however, shrinking self-funding capacity would represent an obstacle to the implementation of those targets, exerting pressure on the city's budget, which could deplete its cash reserves and necessitate additional external funding. However, the severity of these concerns depends on further developments in the macroeconomic situation and/or the adjustment of the investment programme, which will be a task for the new city representatives following the municipal elections due in October 2010.

Debt Profile

Net debt stock has recently stabilised at a relatively moderate level

Prague's net direct and indirect debt[1] decreased from 77% of the city's operating revenue in 2003 to the modest level of 54.6% in 2008, thanks to the aversion of the city's representatives to new debt. The debt ratio remained more or less stable in 2009, at 55.4%, due to lower operating revenue, but continued with its downward trend in absolute figures, falling to CZK28.8 billion from 30.8 billion in 2008.

Going forward, Prague intends to stabilise its debt at around CZK30 billion. However, a slight increase in debt cannot be ruled out over the next five years due to continuing infrastructure needs. External funding might be used for strategic investments: to finance such projects as the reconstruction of the city's WWTP if EU funds are not acquired, or to meet the financing needs of the public transport company (see below).

City of Prague's direct debt of CZK26.1 billion accounts for almost 91% of the net debt. Around 60% is in the form of bank loans, primarily European Investment Bank (EIB) loans to fund for the public transport system and the extensive repairs in the aftermath of the 2002 floods. Bonds issued between 1999 and 2003 in euros or CZK represent the majority of the city's remaining direct debt (40%).

Prague has hedged its bonds against any foreign currency exposure and EIB loans against the interest rate risk. In general, the currency risk has been eliminated, while around 50% of the city's debt is exposed to interest rate risk. Despite a relatively sizeable debt stock and notable peaks in bond and loan repayments due in 2009-11 and 2013, the repayment schedule remains manageable. Debt service was relatively low and stable at around 3% of total revenue in 2005-08. In 2009, it increased to almost 16% of the city's total revenue and, in Moody's view, is unlikely to exceed this level in the following most exposed years, 2010-11 and 2013.

[1] Net direct and indirect debt is calculated as a city's debt with guarantees of non-self-supporting entities, the debt of districts and non-self-supporting entities. It is reduced by the amount held on the sinking fund.

For the EIB loans, Prague benefits from a grace period of five to seven years, with a maturity of 15-30 years, depending on the investment. The first bond repayment of €200 million in 2009 was covered by Prague's own cash reserves, especially the sinking fund. For its ING loan of CZK3.8 billion, due in bullet in 2010, the city used its own cash reserves only partially, as more than three-quarters of it was refinanced with the last tranche of the existing EIB loan (€225 million). The remainder of the bullet repayments due until 2013 is likely to be refinanced, but is subject to the decision of a new management team (elections to be held in October 2010).

Factored into Moody's net direct and indirect debt ratio for the city is also the debt of its public transport company and that of city districts. The public transport company's debt formed almost 9% of Prague's net debt stock in 2009 (CZK2.5 billion in 2009) and was drawn in 2004 to fund new metro cars. The debt of the city districts is relatively small, amounting to CZK131 million in 2009.

In 2005, Prague provided a financial guarantee to a bank loan for the Congress Centre, a company 100% owned by the city. At the end of 2009, the outstanding amount of the city's guaranteed debt was CZK0.4 billion. Apart from this, the company issued bonds of €55 million that will mature in 2014. With the exception of 2009, when Prague poured CZK0.5 billion into the company to stabilise its finances during the economic crisis, the Congress Centre does not rely on the city's subsidies. Therefore, Moody's continues to consider the company to be self-supporting, and so does not incorporate its debt in Prague's net debt ratio.

Transport company represents a substantial burden for the city

While the city pushed hard on the transport company's efficiency through reduction in operating transfer in 2007 and 2008 below CZK8 billion the company's streamlining measures could not outpace increasing costs from the extension of the transport system nor prevent accumulation of uncovered losses consistently carried forward from previous years. However, since 2010 a new EU regulation on public passenger transport will lead to a change in the financing of this public service. The newly signed long-term contracts are expected to ensure not only the full compensation of the scope of public transport service obligations specified therein, but also a fair level of profits to the public transport company (covering depreciation), which will be subject to annual negotiations. In Moody's view, this should help stabilise the company's finances and increase mutual cooperation with the city. However, as the room for further cost-saving measures in the company is limited and there is no political will to increase tariffs in the short term or reduce provided transport services, the cost of public transport will exert increasing pressure on Prague's budget.

In 2009, the company's operating costs amounted to CZK13.5 billion, with around 60% of this figure covered by the city's operating transfers and only 32% by tariffs. The company's 2010 budget contains the same level of operating subsidy – CZK8 billion – although a slight increase during the year is not unlikely. In addition, a further CZK2.9 billion will be spent on the upgrade of rolling stock, a payment that was covered by investment subsidy from the city in previous years, but now was included under operating subsidies. Prague's future financing requirements for trams, buses and metro cars are based on signed contracts with suppliers totalling CZK23billion (44% of 2009 operating revenues). Indeed, new contracts (for further underground expansion) will inevitably follow, representing a challenge for the city's rating.

Prague's budget has historically funded almost all investments in the city's public transport development and rolling stock, with around CZK5 billion dedicated to these areas of infrastructure annually until 2009. Without the coverage of depreciation (included under operating subsidies), the 2010 budget allows for around CZK1 billion on metro extensions. Investment subsidies of CZK1-2 billion are expected going forward.

Moody's notes that a potential debt issue has to be approved by the city, and would be considered particularly in relation to the funding of the rolling stock upgrade. However, currently, the public transport company has no new loans planned.

Cash cushion deteriorated but is still comfortable

Supported by continual financial surpluses since 2005, Prague's cash reserves were a substantial 45.4% of its operating revenue in 2008 (CZK25.6 billion), increasing from 33% in 2005. Around a quarter of these reserves (CZK5.6 billion) formed a sinking fund, which was abolished and fully used for bond repayments in 2009. At the same time, the city partially offset the negative impacts on its revenue of the recession with its cash reserves to maintain a high level of capital spending. Both measures led to a reduction in Prague's free cash, to 24.2% of the city's operating revenue in 2009, which Moody's still regards as a comfortable cushion in the event of financial distress. The cash provides almost 50% coverage of the city's direct debt and is not likely to deteriorate further in the medium term.

Prague's cash management is conservative. Maturity of its investments does not exceed one year and ratings of used banks as well as of the financial instruments are taken into account, while 100% recovery of investment with above-average yields has to be ensured. A comfortable level of cash, regular proceeds from taxes and a schedule of transfers help the city to better manage its financing. Therefore, Prague has not used any bank lines and does not intend to do so in the future.

Governance and Management Factors

Prague has demonstrated a prudent approach to its revenue and expenditure budgeting for the past five years, fully taking into account its responsibilities and revenue sources, excluding central government transfers. Except for 2009, when its tax revenue was impacted by adverse national economic conditions, the city maintained budgetary surpluses driven by its strong operating performance, enabling it to self-finance most of its high capital spending. Prague provides long-term budgetary forecasts until 2015, which reflects the city's intention to continue covering the majority of its investments with own sources rather than new borrowing. The city exercises sophisticated and cautious debt management. Prague does not rely on capital revenue, as it tends to keep its property and has a very limited chance of obtaining capital transfers according to EU criteria.

Reporting required by the Ministry of Finance is comprehensive and timely, comprising: a financial statement on a monthly basis; a quarterly balance sheet (for the city as well as for its contributory organisations) and profit and loss account; a yearly annual report (including its contributory organisations); and information about new debt and borrowing, with an annual report available within six months of the subsequent year. An independent entity audits the annual financial accounts of the city and its districts.

Economic Fundamentals

Given its contribution to national GDP of 24% and GDP per capita 2.5x the national average in 2008, Prague is economically outperforming its domestic peers and is well positioned relative to other European cities. Although Prague is the economic centre of the Czech Republic and enjoys a robust economy, Moody's does not focus closely on the local economic environment: under the Czech RLGs' institutional and financial framework, local economic fundamentals do not directly influence their budgets, which rely almost entirely on the growth of the national economy.

However, demographic trends have a direct impact on the amount of revenue coming into the city, so they are valid for analysis. After years of population decline, due both to negative natural balances and net migration, Prague has recently seen a reversal in demographic trends, owing mainly to positive migration inflow. A natural increase has been also recorded since 2006 when, for the first time in 26 years, the number of live births exceeded the number of deaths. With a population of 1.25 million people as of 31 December 2009, Prague is home to 11.9% of the total population of the Czech Republic.

Operating Environment

The operating environment for Czech RLGs reflects that of OECD emerging-market economies, with relatively high GDP per capita within the emerging-market universe, modest GDP volatility and a relatively high ranking on the World Bank Government Effectiveness Index. The combination of these characteristics suggests a low level of systemic risk, as reflected by the A1 rating assigned to the debt issued by the national government.

Institutional Framework

The institutional framework reflects low revenue and expenditure flexibility

The framework for Czech municipalities, which began to take shape in the mid-1990s, has been relatively predictable. Moreover, the fundamentals of the system have been stable and are unlikely to be substantially changed in the medium term.

The Czech economy declined by around 4% in 2009, which when compared with average annual growth of 5.3% over 2006-08, means a challenging reduction in tax revenue for municipalities. In 2009, the decrease in shared taxes reached 14% year-on-year, which constitutes a significant shock for Czech cities, especially as it brings a rather abrupt end to recently buoyant revenue growth. Municipalities will experience another challenging year in 2010, as they will be forced to adjust their budgets, which generally have limited flexibility, to uncertain revenue conditions associated with the dynamics of an economic recovery and the potential time lag before it would support resurgence in tax revenue. Nevertheless, some cuts appear feasible, especially in terms of capital spending and (in the short term) the operating side of budgets. Moody's believes that potential challenges will be eased by municipalities' comparatively low debt and comfortable cash cushions accumulated in previous years.

Most of the operating revenues of Czech municipalities are either shared taxes collected at the national level or operating-related transfers from the central government. This leaves municipalities with only marginal taxation power and a limited ability to tap into wealth generated by the local economic environment. The tax base and tax rate of all taxes are set by the central government. City-controlled fees are capped and are often already set at their maximum legal threshold. Cities' potential use of the real estate tax, whereby they can multiply the basic tax calculation on real estate by up to 5x (since 2009), remains very politically sensitive. In the case of Prague, real estate tax proceeds are transferred to its districts (see below) and there is generally no desire to impose higher rates for the time being.

The ability of municipalities to influence operating expenditure is also constrained, in that it largely consists of services that cities are obliged to provide under national law. Additionally, salaries of civil servants and the level of social benefits provided to citizens are set by the central government. Therefore, local governments can only contain growth in current expenditure by restructuring administrative costs, reallocating staff resources, streamlining the education sector or making other organisational and administrative changes. Municipalities have a degree of flexibility with regard to capex, which constituted on average 32% of their total expenditure in 2009. However, it should be noted that part of capex is usually devoted to infrastructure maintenance and works in progress, and is closely linked to EU co-funded projects, which can limit this flexibility.

Investments have been the main driver of the development of municipal debt in the Czech Republic. The stock of municipal direct debt in the country is relatively low (34% of operating revenues in 2009) and has been more or less stable over 2005-09. Nevertheless, indebtedness is expected to slowly increase in the medium term, given the pressure to upgrade the municipal infrastructure to EU standards and recently weakened operating margins.

City districts

Prague is divided into 57 districts, the boundaries of which can be changed only by its assembly. Given the districts' strong representation in the assembly, a reduction in their number through mergers is unlikely. Although districts are self-governing bodies recognised by national law, with their own legislature, council and mayors, they are financially heavily dependent on central government transfers. A high proportion of these transfers can be explained by the range of the districts' responsibilities specified in the city's status, especially education (for those under the age of 15) and social welfare benefits, which are funded by the central government within the Czech budgetary system. The rest is non-tax revenue generated by the property entrusted to the districts by the city and taxes either fully assigned to the districts (property tax) or shared with the city.

Moody's analysis of Prague focuses on the city's financial results before consolidation with its districts. The districts represented 23% of the total consolidated budget and less than 1% of total debt in 2009. Although it controls it strictly, the city is not formally responsible for the financial performance of different districts and does not guarantee their debt obligations. Nevertheless, Moody's incorporates their debt into the city's debt, as we believe there is a very high likelihood of the city supporting the districts in the event of financial stress. The annual statistics presented in the appendix show the transfers to city districts under expenditure, despite these transfers being listed as a negative part of Prague's revenue in the city's financial statements.

Rating History

Prague, City of

DATE	RATING
15 December 2006	A1
3 June 2004	A2

Annual Statistics

Prague, City of

CZK MILLIONS	2005 REALISED	%	2006 REALISED	%	2007 REALISED	%	2008 REALISED	%	2009 REALISED	%
FINANCIAL INDICATORS										
Total Revenues [1]	48,950		50,572		53,087		57,930		54,687	
Total Expenditure [2]	47,598		49,769		52,255		51,038		58,823	
OPERATING REVENUES										
Tax revenues	36,686	*76.4*	37,230	*76.0*	41,111	*79.4*	44,142	*78.3*	38,158	*73.4*
Assigned taxes	34,435	*71.7*	35,131	*71.7*	38,329	*74.0*	41,477	*73.6*	35,869	*69.0*
Personal Income (PIT)	11,257	*23.5*	10,612	*21.7*	11,648	*22.5*	11,233	*19.9*	9,354	*18.0*
Corporate Income (CIT)	9,018	*18.8*	9,379	*19.1*	10,609	*20.5*	12,447	*22.1*	8,792	*16.9*
VAT	14,161	*29.5*	15,140	*30.9*	16,071	*31.0*	17,797	*31.6*	17,722	*34.1*
Own taxes (local taxes & collections)	188	*0.4*	193	*0.4*	206	*0.4*	197	*0.3*	172	*0.3*
Tax reimbursements on proceeds	1,185	*2.5*	984	*2.0*	1,580	*3.1*	1,488	*2.6*	1,204	*2.3*
Other taxes and collections	877	*1.8*	922	*1.9*	996	*1.9*	980	*1.7*	913	*1.8*
Intergovernmental revenues	8,310	*17.3*	8,820	*18.0*	8,674	*16.7*	9,245	*16.4*	10,022	*19.3*
Non-tax revenue	3,002	*6.3*	2,952	*6.0*	2,017	*3.9*	3,000	*5.3*	3,828	*7.4*
Charges on services	216	*0.5*	228	*0.5*	185	*0.4*	282	*0.5*	336	*0.6*
Revenues from city-owned entities	942	*2.0*	806	*1.6*	600	*1.2*	1,005	*1.8*	1,463	*2.8*
Interest income & realization of financial assets	1,547	*3.2*	1,601	*3.3*	657	*1.3*	1,085	*1.9*	1,466	*2.8*
Other	296	*0.6*	317	*0.6*	575	*1.1*	628	*1.1*	563	*1.1*
Total operating revenues	**47,998**	***100.0***	**49,002**	***100.0***	**51,801**	***100.0***	**56,386**	***100.0***	**52,007**	***100.0***
OPERATING EXPENDITURE										
Wages, salaries & overheads	1,417	*4.3*	1,507	*4.3*	1,714	*5.0*	1,893	*5.3*	2,170	*5.6*
Services, supplies & consumables	6,134	*18.8*	6,662	*19.2*	6,469	*18.7*	6,867	*19.4*	7,436	*19.3*
Subsidies and current transfers	24,012	*73.5*	25,496	*73.3*	25,188	*72.8*	25,262	*71.3*	27,668	*71.9*
Interest expenses	1,087	*3.3*	1,078	*3.1*	1,187	*3.4*	1,334	*3.8*	1,182	*3.1*
Other operating costs	11	*0.0*	30	*0.1*	33	*0.1*	53	*0.1*	13	*0.0*
Total operating expenditure	**32,661**	***100.0***	**34,773**	***100.0***	**34,592**	***100.0***	**35,410**	***100.0***	**38,468**	***100.0***
Primary operating balance	16,424		15,307		18,397		22,310		14,721	
Gross operating balance	15,337		14,229		17,209		20,976		13,539	
Net operating balance	15,143		13,743		16,795		20,583		6,211	

Prague, City of

CZK MILLIONS	2005 REALISED	%	2006 REALISED	%	2007 REALISED	%	2008 REALISED	%	2009 REALISED	%
CAPITAL REVENUES										
Capital transfers	947	*99.4*	1,546	*98.4*	1,261	*98.1*	1,446	*93.7*	2,674	*99.8*
Other capital revenues	5	*0.6*	25	*1.6*	24	*1.9*	98	*6.3*	5	*0.2*
Total capital revenues	**952**	***100.0***	**1,571**	***100.0***	**1,286**	***100.0***	**1,544**	***100.0***	**2,679**	***100.0***
CAPITAL EXPENDITURE										
Investments and purchase of intangible assets	8,726	*58.4*	7,640	*50.9*	8,653	*49.0*	8,577	*54.9*	14,162	*69.6*
Capital transfers	6,209	*41.6*	7,348	*49.0*	8,974	*50.8*	7,027	*45.0*	6,169	*30.3*
Other capital expenditures	2	*0.0*	9	*0.1*	36	*0.2*	23	*0.1*	19	*0.1*
Total capital expenditure	**14,938**	***100.0***	**14,996**	***100.0***	**17,664**	***100.0***	**15,628**	***100.0***	**20,355**	***100.0***
CAPITAL BALANCE	-13,985		-13,426		-16,378		-14,084		-17,676	
FINANCING DEFICIT/SURPLUS	1,352		803		831		6,892		-4,136	
DEBT INDICATORS										
DEBT MOVEMENTS										
Gross new borrowings	1,628		96		0		0		0	
Debt repayment	194		485		415		393		7,329	
Change in debt [3]	**1,434**		**-390**		**-415**		**-393**		**-7,329**	
TOTAL BUDGET BALANCE	2,786		414		417		6,499		-11,465	
CASH BALANCE at year-end	15,732		16,940		17,357		25,601		12,588	
Direct debt	34,718	*83.4*	34,276	*84.4*	33,851	*85.3*	33,462	*86.4*	26,129	*84.1*
Guaranteed debt	790	*1.9*	645	*1.6*	590	*1.5*	535	*1.4*	446	*1.4*
of which non-self-supporting entities	0	*0.0*	0	*0.0*	0	*0.0*	0	*0.0*	0	*0.0*
Debt of city owned entities	6,104	*14.7*	5,696	*14.0*	5,237	*13.2*	4,737	*12.2*	4,510	*14.5*
of which non-self-supporting entities	4,423	*10.6*	4,119	*10.1*	3,725	*9.4*	2,974	*7.7*	2,544	*8.2*
DIRECT AND INDIRECT DEBT	**41,612**	***100.0***	**40,617**	***100.0***	**39,677**	***100.0***	**38,734**	***100.0***	**31,085**	***100.0***
- Sinking fund	-5,635		-5,635		-5,635		-5,635		0	
NET DIRECT AND INDIRECT DEBT	**33,506**	***80.5***	**32,760**	***80.7***	**31,941**	***80.5***	**30,801**	***79.5***	**28,804**	***92.7***

Prague, City of

	2005 REALISED	2006 REALISED	2007 REALISED	2008 REALISED	2009 REALISED
KEY RATIOS AND INDICATORS					
TOTAL ACCOUNTS					
Total revenue growth rate [1] (%)	11.60	3.31	4.97	9.12	-5.60
Total expense growth rate [2] (%)	-3.06	4.56	5.00	-2.33	15.25
Total revenues per capita CZK thousands	41.43	42.56	43.80	46.98	43.78
Total expenses per capita CZK thousands	40.28	41.89	43.11	41.39	47.10
Total tax revenues/ total revenues (%)	74.95	73.62	77.44	76.20	69.78
Total intergovernmental revenues/total revenues (%)	18.91	20.50	18.71	90.05	88.80
Total transfers/total expenses (%)	63.49	65.99	65.38	63.27	57.52
Financing deficit/surplus [3] as % of total revenues (%)	2.76	1.59	1.57	11.90	-7.56
OPERATING ACCOUNTS					
Operating revenues/total revenues (%)	98.05	96.89	97.58	97.34	95.10
Operating expenses/total expenses (%)	68.62	69.87	66.20	69.38	65.40
Tax revenues/operating revenues (%)	76.43	75.98	79.36	78.28	73.37
Intergovernmental revenues (operations related)/operating revenues (%)	89.06	89.69	90.74	89.95	88.24
Transfers (op. related)/operating expenses (%)	73.52	73.32	72.82	71.34	71.92
Primary operating balance/operating revenues (%)	34.22	31.24	35.51	39.57	28.31
Gross operating balance/operating revenues (%)	31.95	29.04	33.22	37.20	26.03
Net operating balance/operating revenues (%)	31.55	28.05	32.42	36.50	11.94
Financing (deficit/surplus) [3]/operating revenues (%)	2.82	1.64	1.61	12.22	-7.95
CAPITAL ACCOUNTS					
Capital revenues/total revenues (%)	1.95	3.11	2.42	2.66	4.90
Capital expenses/total expenses (%)	31.38	30.13	33.80	30.62	34.60
Intergovernmental revenues (capital related)/capital revenues (%)	99.43	98.43	98.11	93.66	99.81
Net operating balance/capital expenses (%)	101.37	91.64	95.08	131.71	30.51
DEBT					
Direct debt growth rate (%)	4.24	-1.27	-1.24	-1.15	-21.91
Direct debt per capita CZK thousands	29.38	28.85	27.93	27.13	20.92
Direct debt/operating (%)	72.33	69.95	65.35	59.34	50.24
Direct debt in yrs of gross operating balance (yrs)	2	2	2	2	2
Net direct and indirect debt growth rate (%)	2.12	-2.23	-2.50	-3.57	-6.48
Net direct and indirect debt per capita CZK thousands	28.36	27.57	26.35	24.98	23.06
Net direct and indirect debt/operating revenues (%)	69.81	66.86	61.66	54.62	55.38
Net direct and indirect debt in yrs of gross operating balance (yrs)	2	2	2	1	2
Direct debt maturing within 12 months/direct debt (%)	0.56	1.42	1.22	21.90	0.00
Interest expense growth rate (%)	3.59	-0.85	10.16	12.38	-11.42
Interest expenses/operating revenues (%)	2.26	2.20	2.29	2.37	2.27
Debt service growth rate (%)	-30.20	22.00	2.47	7.81	392.79
Debt service/total revenues (%)	2.62	3.09	3.02	2.98	15.56
Gross new borrowings/direct debt (%)	4.69	0.28	0.00	0.00	0.00
Gross new borrowings/debt repayment (%)	838.11	19.75	0.00	0.00	0.00
Gross new borrowings/capital expenses (%)	10.90	0.64	0.00	0.00	0.00
Debt repayment/gross operating balance (%)	1.27	3.41	2.41	1.87	54.13

[1] Excludes new borrowings

[2] Excludes debt repayment

[3] Financing deficit/surplus before debt movements

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Report Number: 127322

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