

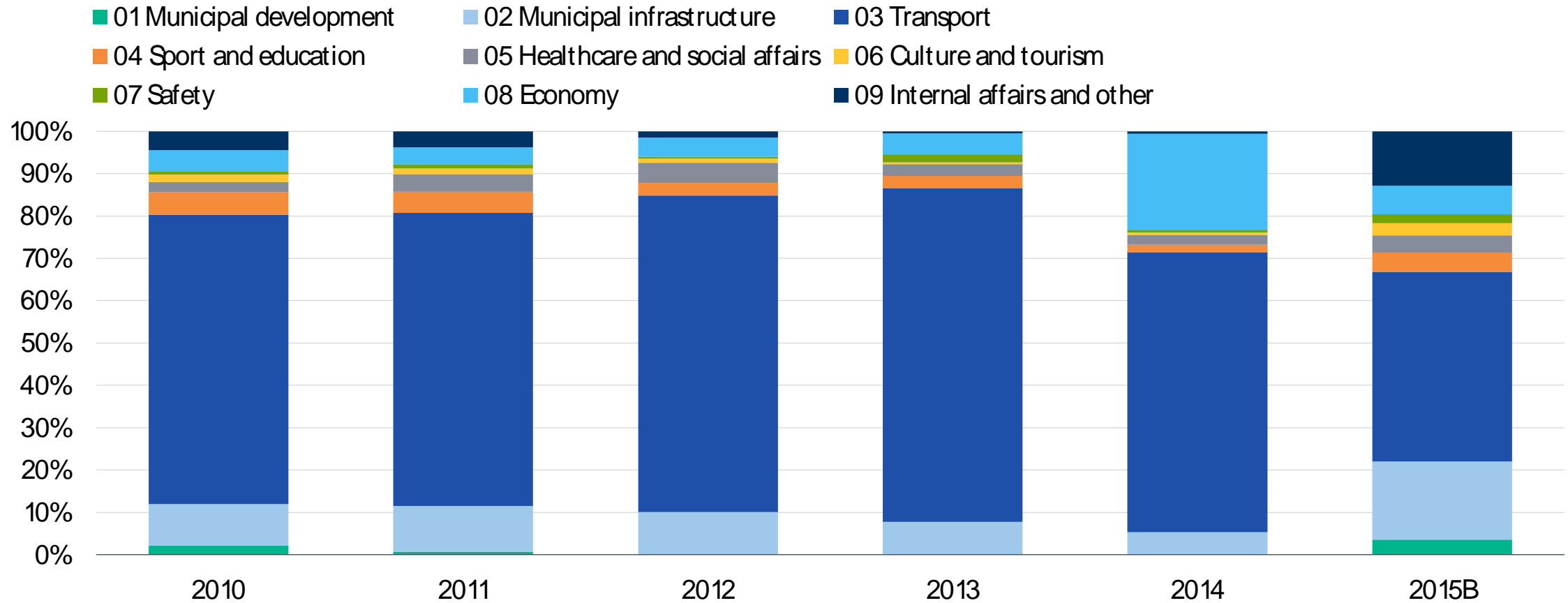
Prague's Investment Programme

Extensive infrastructure requirements

- Demanding infrastructure spending requirements equalling CZK150 billion (EUR5.56 billion) for 2015-2020 or equivalent to 25% of total city's spending
- Focus on transport upgrades accelerates economic growth and indirectly support city's revenue generation
- Most of Prague's capex is self-financed
- Flexible capex planning and sound management ensures a continued strong financial performance

Key investments

Transportation dominates Prague's 2010-2015 capex



Source: City of Prague, author's calculations

Key investments (cont'd)

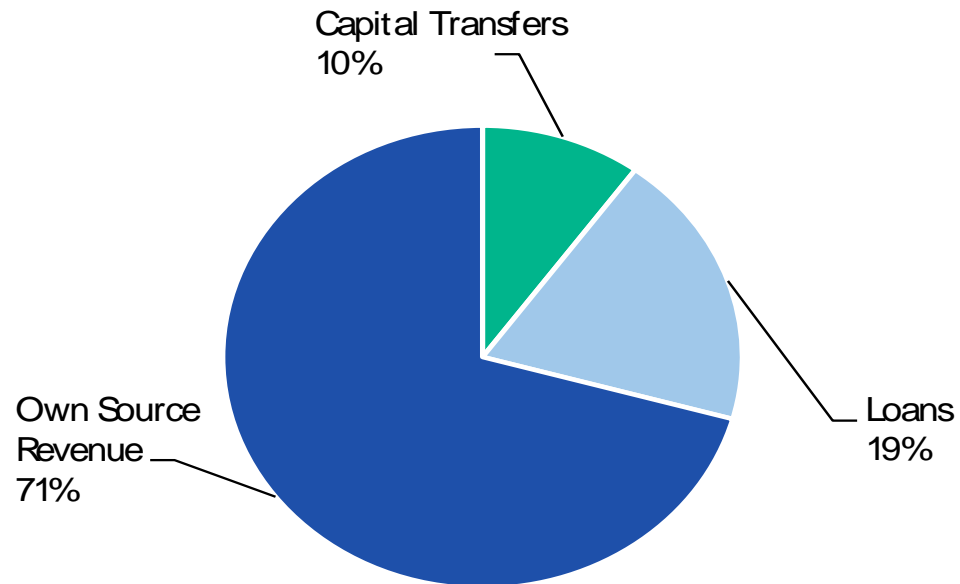
- Of particular importance are the inner city ring road, including “Blanka” tunnel project, extension of the underground railway
- Environmental projects – large flood protection
- These projects account for more than a half of the city’s investment plan and are set as strategic priorities
- Goals to extend the city’s capacity to absorb a growing population, and make the city centre more accessible to tourists and commuters
- To make the Czech capital more attractive to business, supporting economic growth and as such will bring additional revenue into the city’s budget

Key investments 2014-2020

- Extension of underground line “A”
- Construction of new underground line “D” budgeted at CZK31.7 billion (depending on allocations from EU structural funds during new programming period)
- Environmental infrastructure – upgrade of a waste water treatment plant estimated at CZK12.5 billion (to be funded from city’s budget and water company contributions)

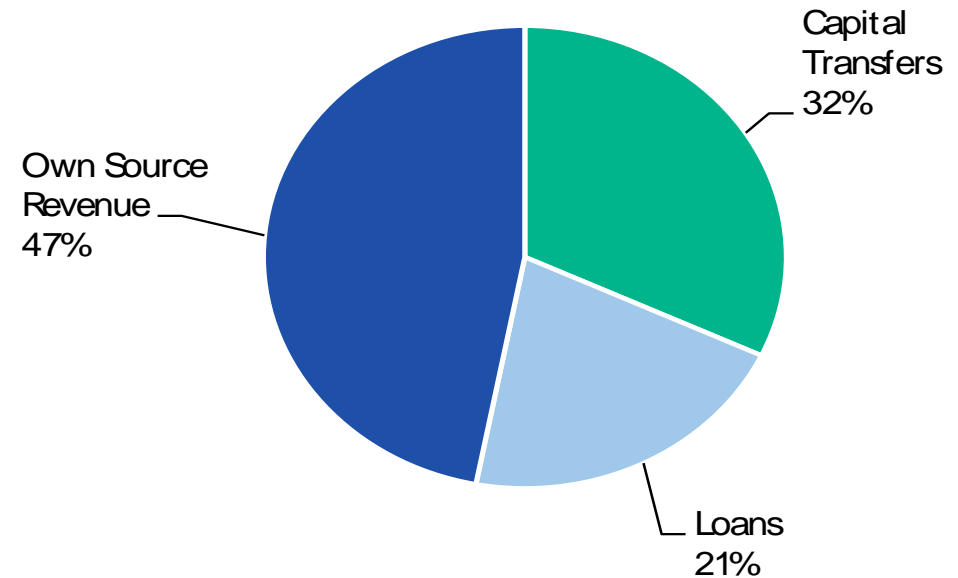
Most of Prague's capex is self-financed

Prague capex funding in 2010-2015



Source: City of Prague

Czech average capex funding in 2010-2015



Source: Ministry of Finance

Prague vs. Czech municipal sector

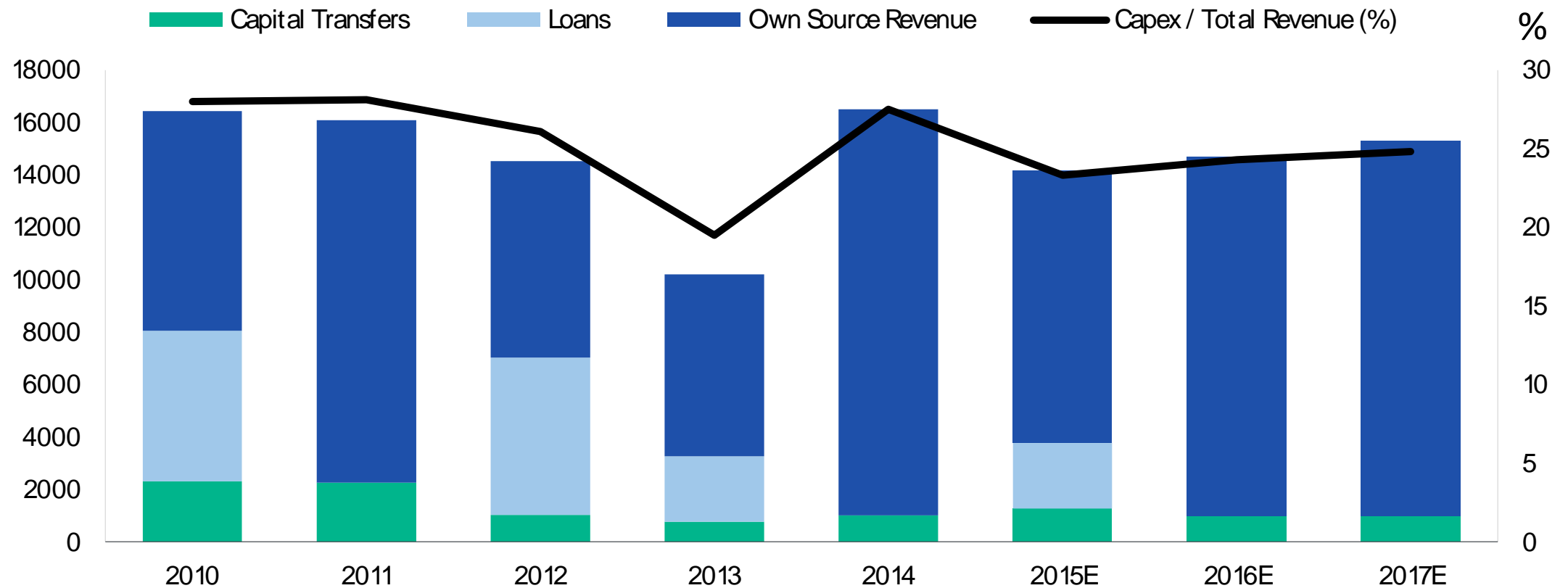
- Proportion of Prague's annual budget taken up by capex is close to the national average (26% and 29% respectively), its capex funding differs significantly.
- Prague covers 71% of its capex from its own revenues, with loans accounting for 19% and CG transfers the remaining 10%.
- Self-funding accounted for just 47% of capital expenditures for the Czech municipal sector on average, with transfers covering 32% and loans the remainder.

Prague's capex and funding sources

- Prague enjoys very strong operating margins, which stood at 24% of operating revenue on average in 2010-15, and are a key source for capex funding
- No plans to raise new loans to fund infrastructure in 2016-17
- Rely on an existing CZK2.5 billion facility with the European Investment Bank
- Indebtedness remains contained with net direct and indirect debt at below 70% of operating revenues
- EU subsidies will make smaller contribution to Prague's infrastructure during the new EU financial framework

Prague's capex and funding sources (cont'd)

Prague's capex remain high (CZK mil.)



Source: City of Prague

Flexible capex planning and sound management

- Overall financial performance of the city does not suffer
- Willingness to contain current debt levels
- Maintaining a comfortable liquidity position of above 30% of operating revenue, which fully covers debt servicing costs falling due in the next 12 months
- City's long-term investment plans are updated on regular basis, allowing the city's officials to adapt them to changing fiscal circumstances and avoid excessive financial pressure.
- The city benefits from growth of around 2-3% in shared taxes, reflecting stronger national economic expansion. Shared taxes are the city's main revenue source, accounting for about 65% of operating revenue.

Thank you