

SLOVAKIA: BASIC INFORMATION

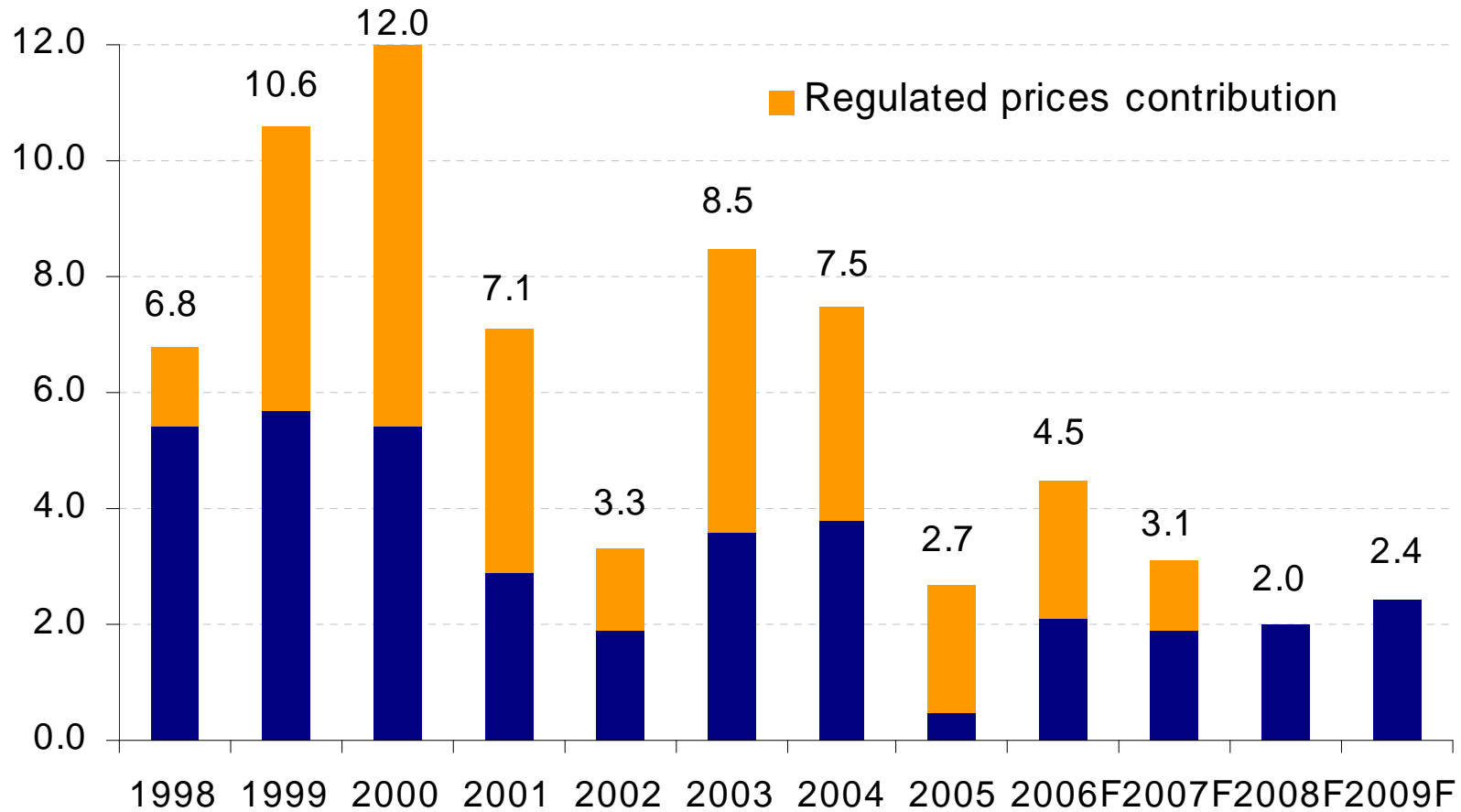


- **Area:** 49,035 km²
- **Population:** 5.4 million
- **Capital:** Bratislava
(430 thousand)
- **Rating:** Moody's: A1
S&P: A
Fitch: A
- **GDP per capita:
in PPP** 52% of the EU
average in 2004
- **% of GDP created by
private sector** 90,1%

MACROECONOMIC INDICATORS

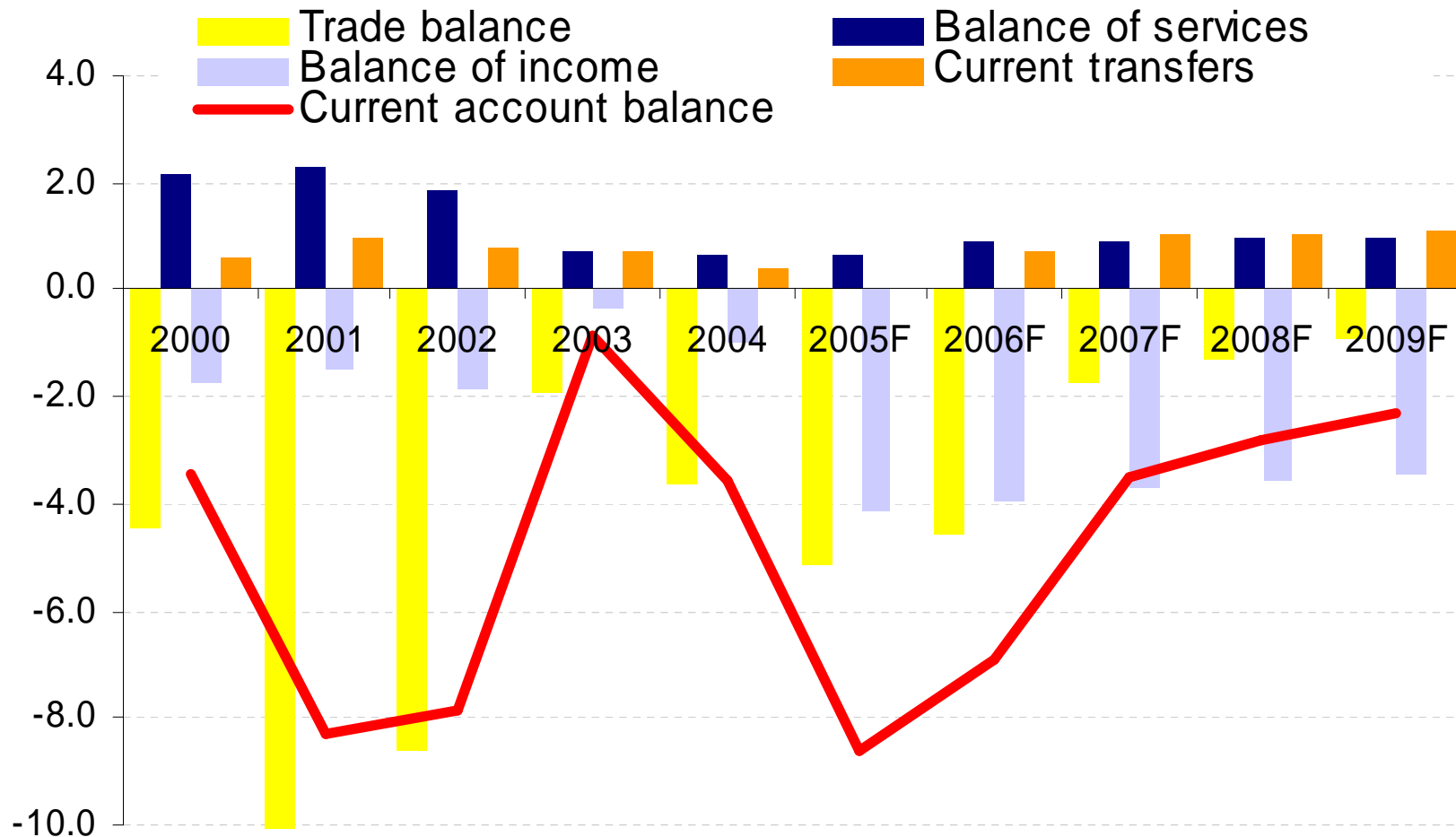
growth in %	2001	2002	2003	2004	2005	2006 F	2007 F	2008 F	2009 F
GDP	3.2	4.1	4.2	5.4	6.1	6.6	7.1	5.5	5.1
Real wage	1.0	5.8	-2.0	2.5	6.3	3.1	3.9	4.0	3.7
Employment	1.0	0.2	1.8	0.3	2.1	3.5	1.5	0.8	0.8
Unemployment rate	19.2	18.5	17.4	18.1	16.2	13.8	13.2	12.9	12.4
Inflation	7.1	3.3	8.5	7.5	2.7	4.5	3.1	2.0	2.4
Balance of current account (% of GDP)	-8.3	-7.8	-0.8	-3.6	-8.6	-6.9	-3.5	-2.8	-2.3

INFLATION DEVELOPMENT

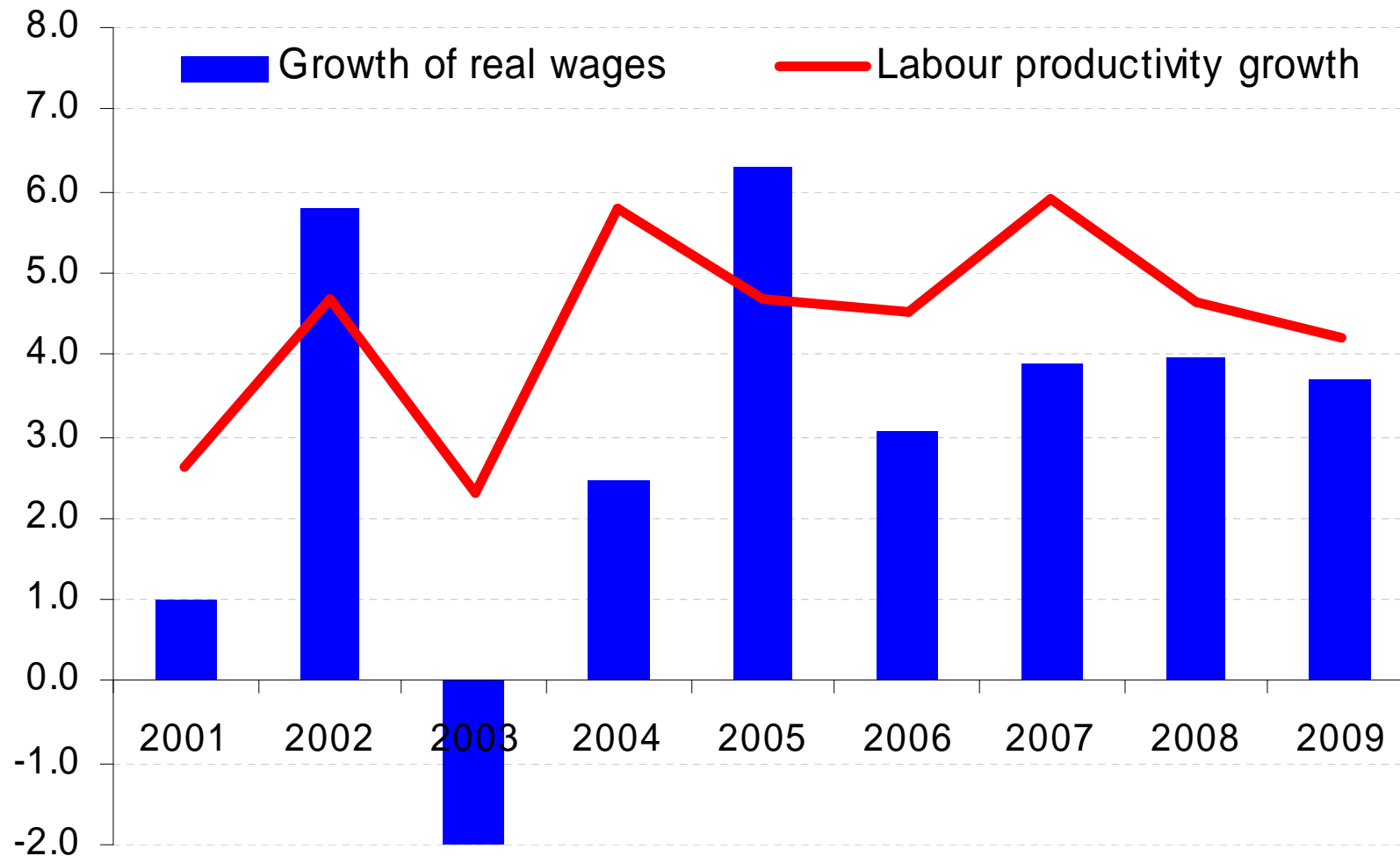


- Drop in inflation in 2005: exchange rate appreciation, food and beverages

FOREIGN TRADE

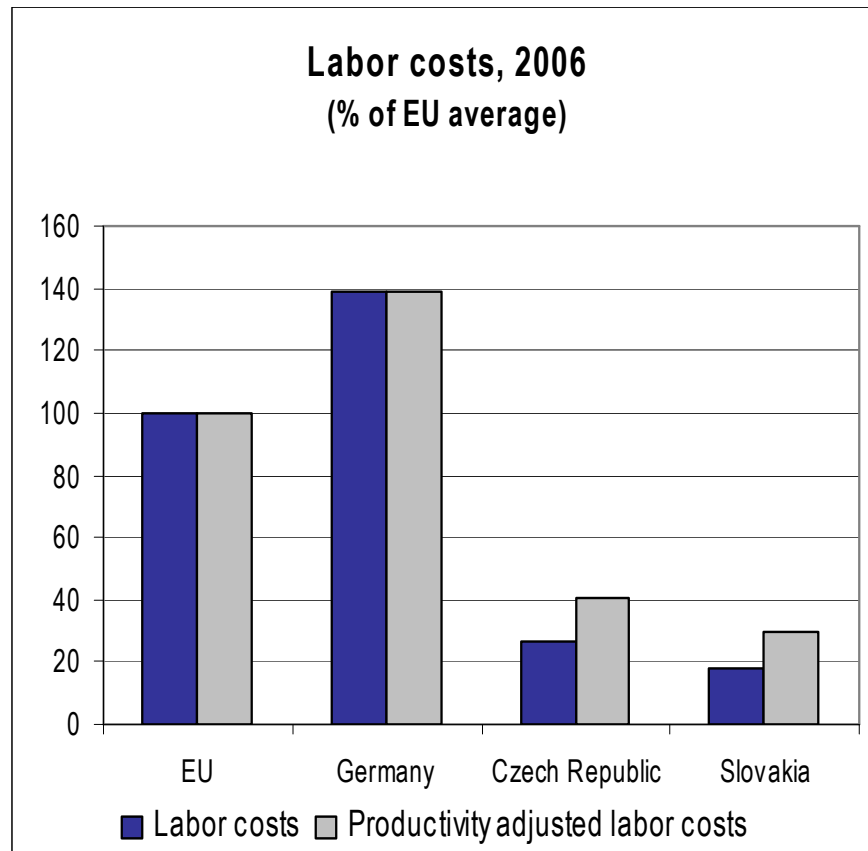


REAL WAGES - LABOUR PRODUCTIVITY



LABOR FORCE

Highly skilled and inexpensive

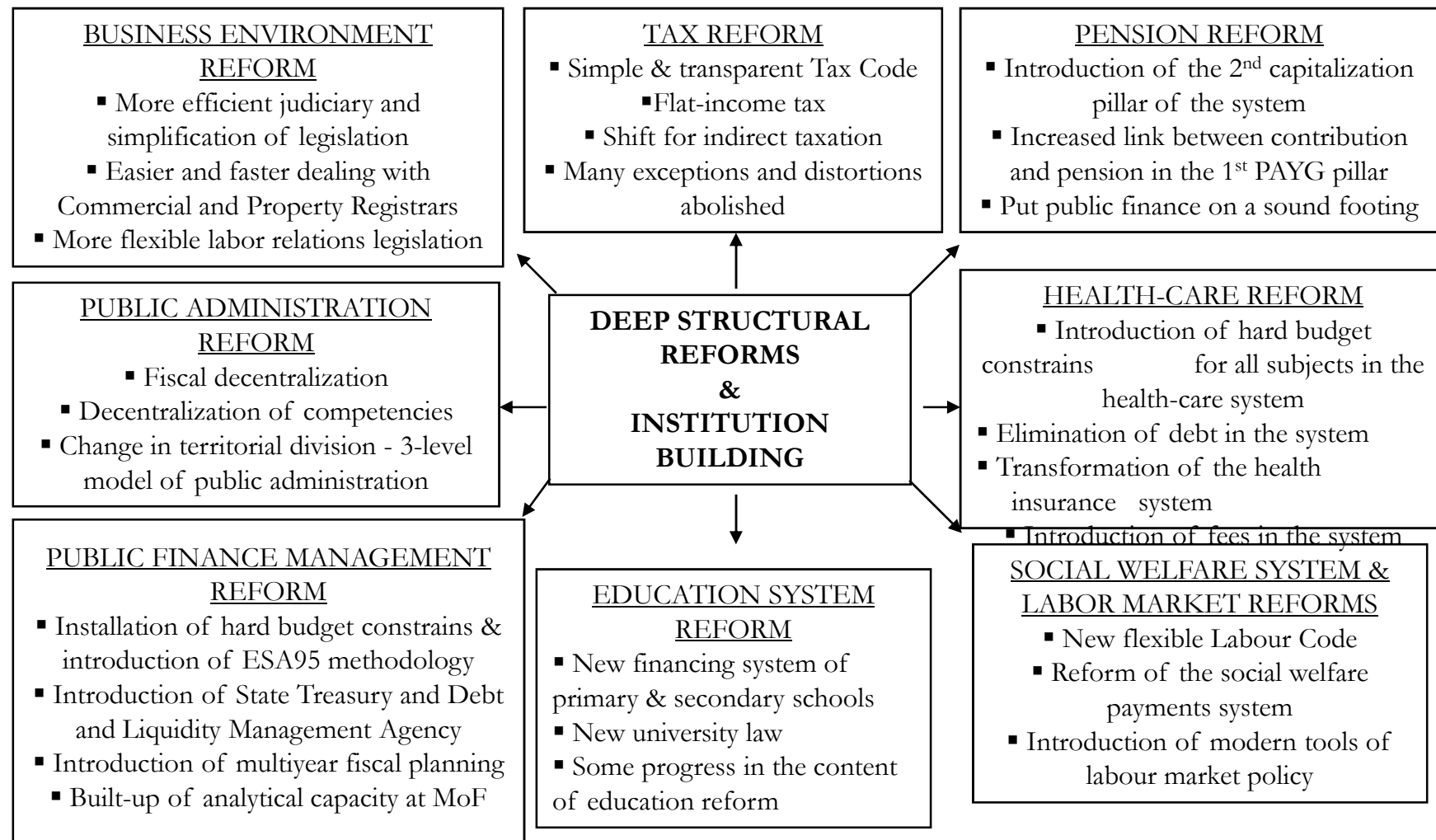


Source: Mercer, Eurostat

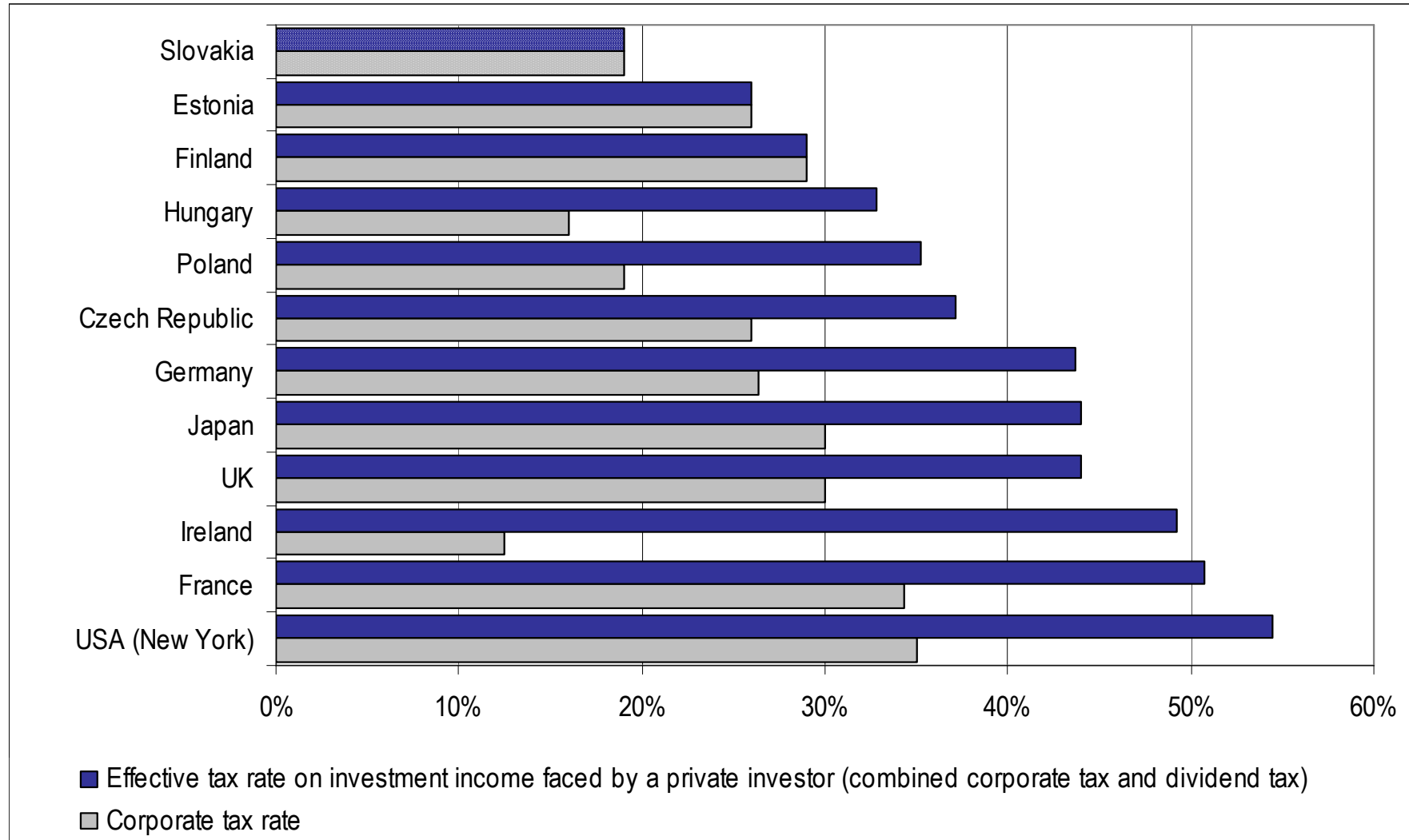
- Highly skilled labor
 - nearly 95% of the population has secondary or university education: 5th highest rate in the world
 - 13% of Slovak population holds a university degree
- Very low degree of labor unrest
 - negligent power of labor unions
 - compares highly favorably with most EU countries

REFORMS

to maintain & improve Slovakia's competitiveness in a global economy



TAX RATES FACED BY INVESTORS



FISCAL INDICATORS

% of GDP	2002	2003	2004	2005	2006	2007B	2008B	2009B
DEFICIT	7.7	3.7	3.1	3.5	3.6	2.9	2.4	1.9
GROSS DEBT	43.3	42.7	41.6	34.5	33.1	31.7	30.9	29.7
DEFICIT (excluding PAYG pillar shortfall)	7.7	3.7	3.1	2.9	2.5	1.8	1.3	0.7

Source: Convergence Programme, Draft Budget 2007-2009, MoF, 2005

KEY POLICY PRIORITY–FISCAL OBJECTIVES

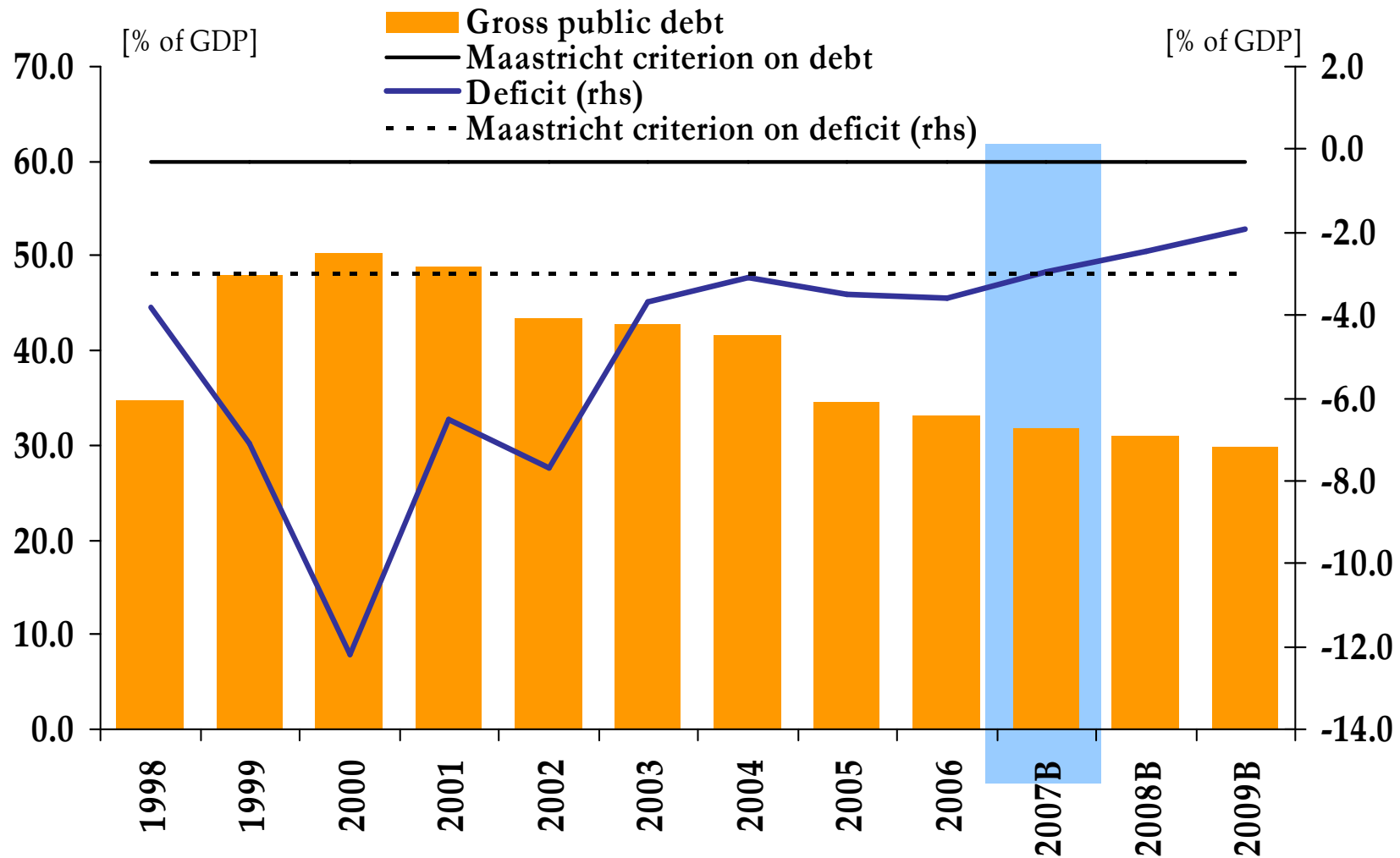
Medium term – Fiscal Consolidation

- Reduction of the deficit to 3% of GDP in 2007 (including costs of launching 2nd pillar of pension reform)
 - meet Maastricht criterion
 - adopt euro in 2009
- Meet the ultimate SGP goal in 2010 (close to balance or in surplus position)

Long term – Ensure Fiscal Sustainability

- Inter-temporal fiscal constraint of public debt under 60% of GDP
- Ageing issue
- Contingent liabilities

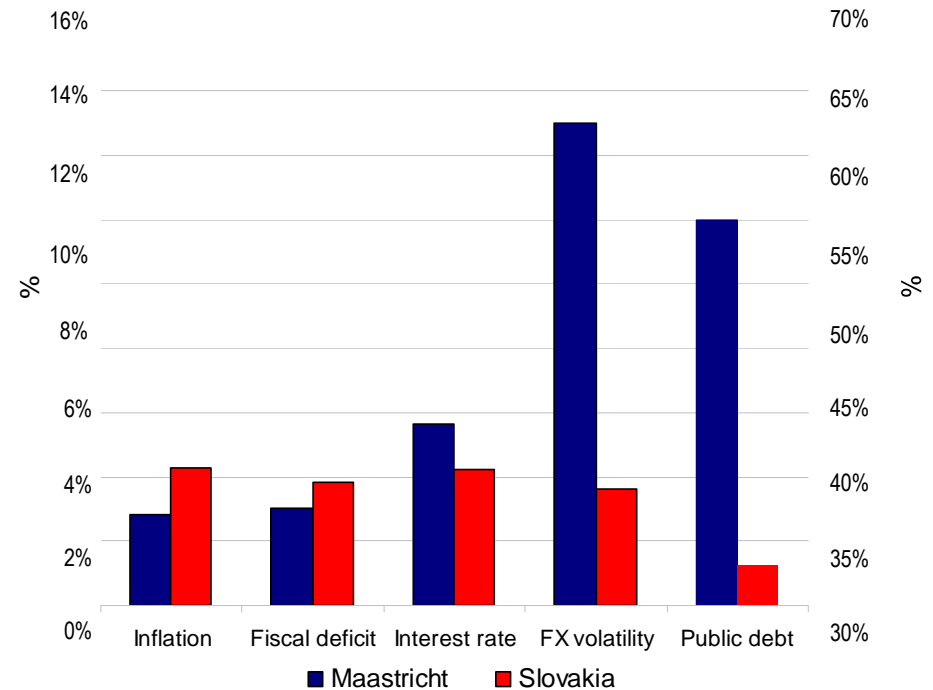
MAASTRICHT CRITERIA



EMU ENTRY IN SIGHT

- Inflation targeting under ERM II conditions to continue
- Fiscal criterion to be met also next year
- Long-term yields under reference value of Maastricht criteria
- Public debt level stay below Maastricht threshold
- **EMU Entry Target in 2009**

Fulfilment of Maastricht Criteria



Source: Ministry of Finance, European Commission, NBS, SUSR

Note: FX volatility is defined as the monthly deviation from a 2-yr moving average of the SKK/€ rate as a proxy

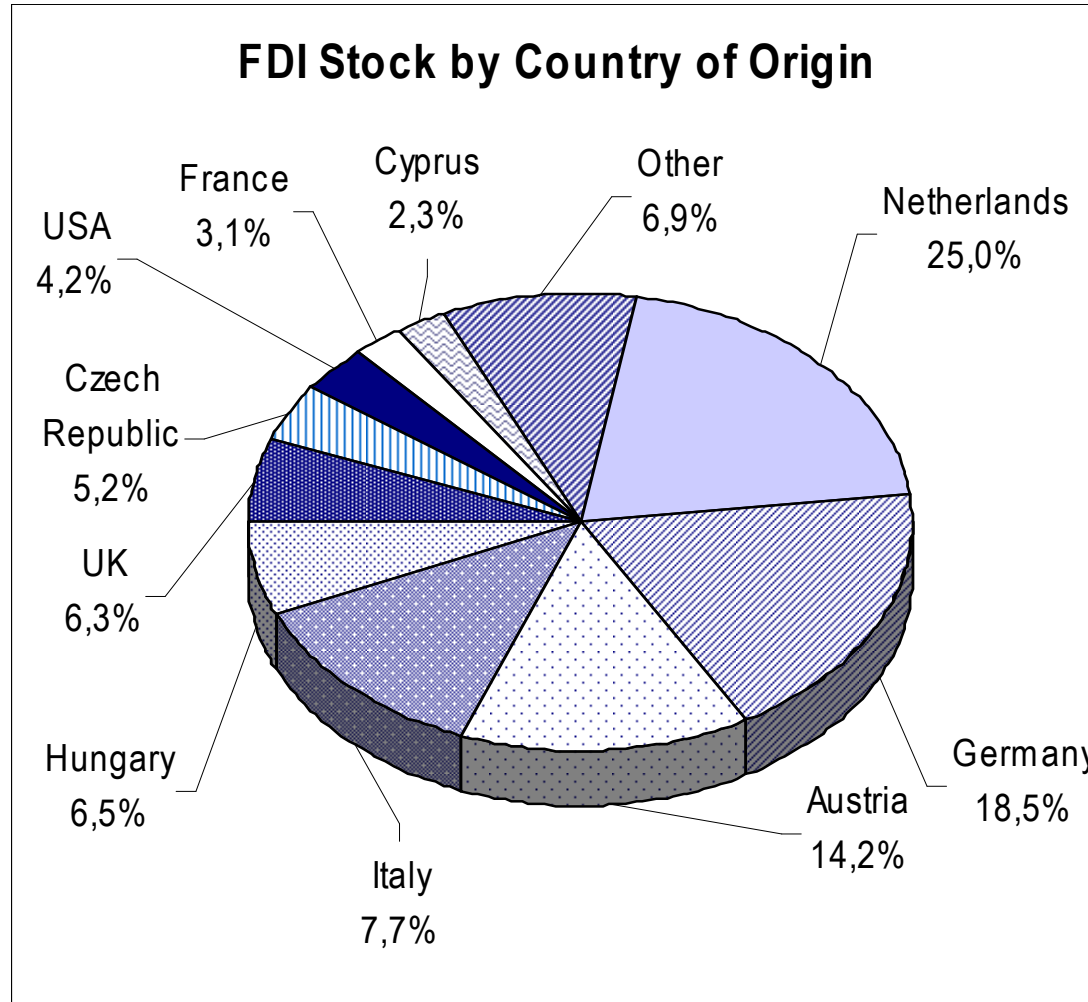
GENERAL GOVERNMENT BALANCE

(in % of GDP)	2002	2003	2004	2005	2006E	2007B	2008B	2009B
TOTAL REVENUES	38.0	35.8	35.0	36.2	35.6	34.4	34.1	34.3
Tax revenues	18.8	17.9	17.6	17.9	17.1	17.0	17.0	17.0
Social security contributions	14.2	13.8	12.5	12.5	12.4	12.2	12.0	12.2
Non-tax revenues	4.7	4.1	4.1	4.5	3.9	3.2	3.1	2.8
Grants and transfers	0.2	0.0	0.7	1.3	2.1	2.0	2.0	2.2
of which, from the EU	0.0	0.0	0.6	1.2	2.0	2.0	2.0	2.2
TOTAL EXPENDITURES	45.7	39.5	38.0	39.1	38.0	36.2	35.4	35.0
Current expenditure	38.1	36.1	34.8	34.8	34.0	32.9	32.1	31.7
Gross wages	7.4	7.3	6.8	6.8	6.8	6.5	6.4	6.3
Goods & Services	5.0	5.1	5.4	5.7	5.1	5.1	4.7	4.6
Subsidies and transfers	22.0	21.1	20.4	20.6	20.3	19.3	19.0	18.9
Interest	3.7	2.6	2.2	1.8	1.8	2.0	2.0	1.9
Capital spending	7.5	3.4	3.2	4.3	4.0	3.3	3.3	3.2
Balance	-7.7	-3.7	-3.1	-2.9	-2.5	-1.8	-1.3	-0.7
2. pillar	0.0	0.0	0.0	-0.6	-1.1	-1.1	-1.1	-1.2
Balance including 2. pillar	-7.7	-3.7	-3.1	-3.5	-3.6	-2.9	-2.4	-1.9

Source: Ministry of Finance

FDI IS GROWING STEADILY

Preliminary data as of June 2006



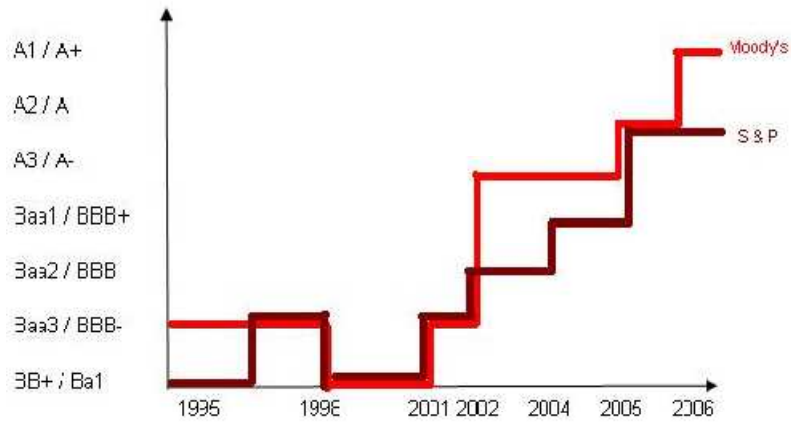
Data are updated to the end of June 2006, but only small part of automotive industry investment is included in data

PSA investment will cover almost 10% of all FDI

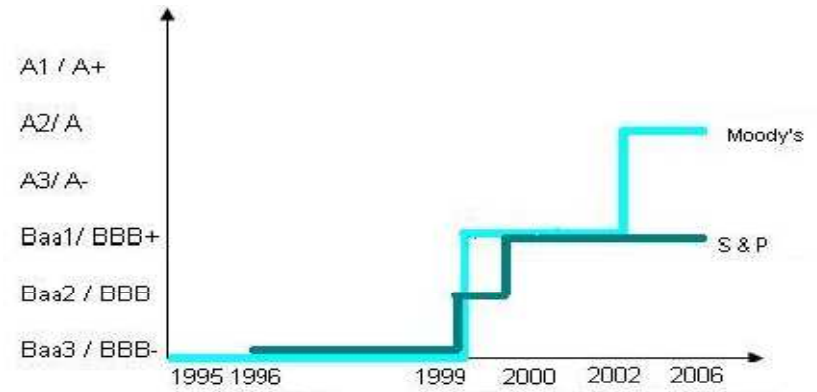
Whole automotive investment together with induced investment will cover more than 25%

RATING DEVELOPMENT

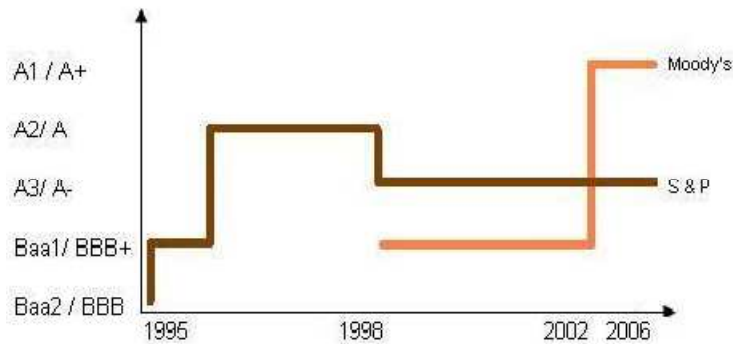
Slovakia



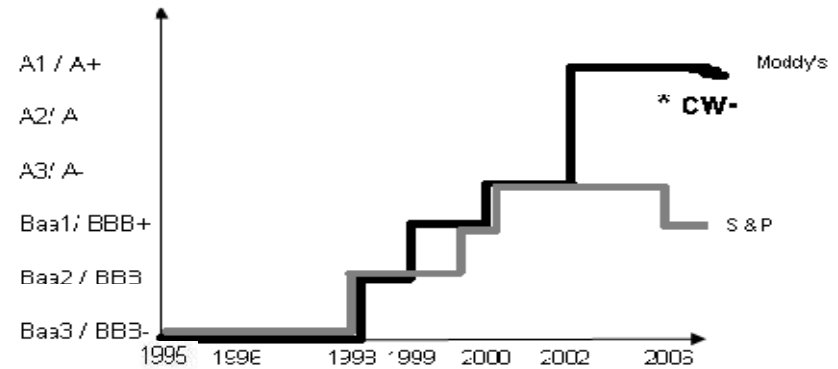
Poland



Czech Rep.



Hungary

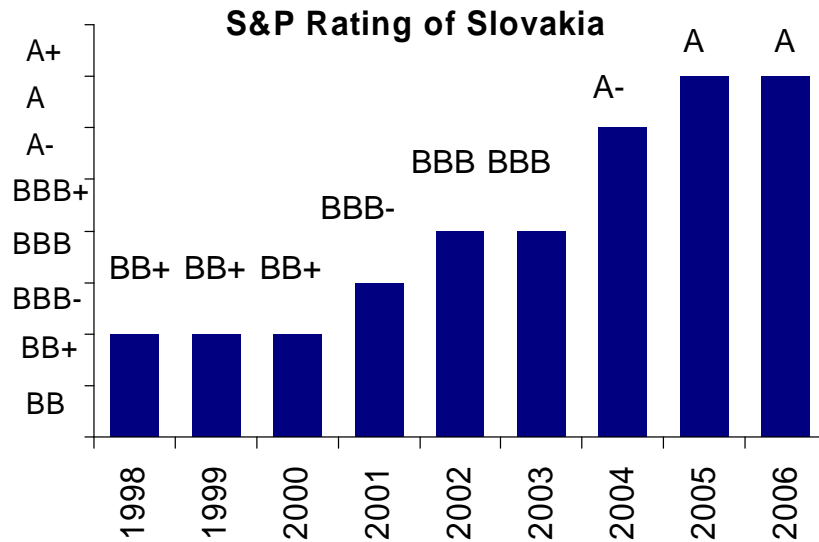


CURRENT RATING OF SLOVAKIA

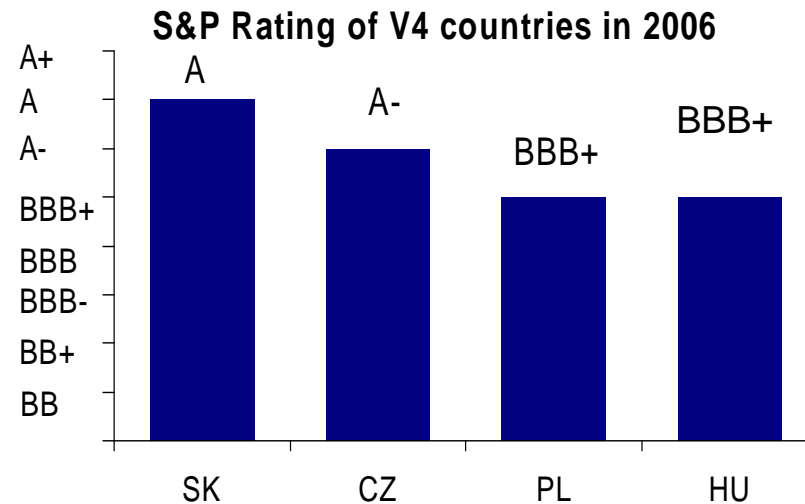
Sound macroeconomic policies and structural reforms rewarded by rating agencies

Rating Agency	Year	Month	Rating	Outlook
Standard & Poor's	2005	December	A	Stable
Moody's	2006	October	A1	Stable
FITCH	2005	October	A	Stable
R & I	2006	October	A-	Stable
JCR	2006	September	A	Stable

HIGHEST S&P RATING IN THE REGION



Note: rating as at the end of the year
Source: S&P



Source: S&P

- Slovakia improved its S&P rating from BB+ in 1998 to A in Dec 2005
- S&P consider Slovak sovereign risk as lowest in the region

INDEBTEDNESS OF SLOVAKIA

- Central government debt - EUR 14 bln.
 - tradable debt - EUR 12 bln.
- Annual financing needs lower than EUR 3 bln.
 - debt roll-over lower than EUR 2 bln.
 - budget deficit and temporary shortcomings up to EUR 1 bln.

- Instruments

Market	Non-market
T-Bonds	State Treasury sources via refinancing system
T-Bills	
MM Loans	

INTERNATIONAL ISSUANCE

- Year 1998 – realization of first foreign state bond issues with maturities from 3 to 5 years
- Further foreign issues – issued in 1999, 2000, 2003, 2004 and 2006 with maturities 10, 2, 10 and 15 years respectively
- 3 outstanding issues (maturity 2010, 2014 and 2021)

Plans:

- Increase portion of EUR denominated bonds
- Commencing 2006 to issue every year Slovak Eurobond (benchmark size and maturity)

ADDITIONAL DETAILS

Debt and Liquidity Management Agency - ARDAL

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813 19 Bratislava

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web: www.ardal.sk

Reuters code and pages: DLMA

ADDITIONAL DETAILS

- All available data of the state debt on the website: www.ardal.sk
- State Treasury: www.pokladnica.sk
- National bank of Slovakia: www.nbs.sk
- Ministry of Finance: www.finance.gov.sk
- Statistical Office of the Slovak Republic: www.statistics.sk
- Convergence program:
www.finance.gov.sk/Default.aspx?CatID=120