ARDAL

Slovak Republic

Investor Presentation

February 2013

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1. Country Overview

Slovak Republic at a Glance

Territory:	49,035 km²
Population:	5.4 million
GDP per capita:	Approx. €12,700 in 2011[1]
Credit ratings:	A2 (negative outlook) / A (stable outlook) / A+ (stable outlook)
Capital:	Bratislava

1989	End of the Communist regime
1992	WTO membership
1993	Slovak Republic founded
2000	OECD membership
2003	EU accession referendum
2004	NATO and EU membership
2005	ERM-2 entry
2007	Schengen area membership
2009	Euro adoption
2011	Continued economic and fiscal reforms
2012	Participation in ESM

1) Source: Eurostat

Recent Political Developments

Social-democratic government has a strong mandate to maintain orthodox policies

- Over 55% of parliamentary seats allowed SMER to form a one-party government
- A simple but not a constitutional majority in government (8 votes short)
- Prime Minister Robert Fico is an experienced politician (PM when the Slovak Republic joined the EMU in 2009)

Strong support for EU and for fiscal rules contained in Fiscal Compact

- The government is determined to achieve gradual improvements in its fiscal accounts and debt levels in line with the strictest requirements of the European Union
- Repeated public commitment and broad political consensus to cut the deficit to below 3.0% of GDP in 2013 and an additional 0.5% cut in the structural deficit from 2014 onwards
- The National Council approved in 2011 a **constitutional "debt brake" starting at 60% of GDP until the end of 2017, gradually declining to reach 50% of GDP** by 2027

Key Investment Highlights (1/2)

Solid Domestic Environment | Strong Fiscal Discipline | Sound Debt Management

I. Solid Domestic Environment

- Highest real GDP growth in the EU for the last 10 years (2003-2012), averaging 4.4%[1]
- Low private and public debt levels compared to the EU average
- Almost no exposure of corporate and private sector to FX loans
- Highly integrated economy with low cost, skilled labour in manufacturing
- A competitive export sector with high-value niches in key industrial sectors
- Strong FDI despite global crisis (USD 1.4bn in first 3Q of 2012 and one of the few CEE countries with rising FDI in 2012)
- Sound and highly liquid banking sector without government assistance, banking sector assets to GDP 81.9% in 2012, well below EU average

1) Source: Eurostat, National Bank of Slovakia

Key Investment Highlights (2/2)

Solid Domestic Environment | Strong Fiscal Discipline | Sound Debt Management

II. Strong Fiscal Discipline amidst medium-term deficit adjustment effort

- Significant fiscal tightening implemented after 2010 based on a three year consolidation effort of 4.6% of GDP through 2013 – a majority already achieved
- Government thus succeeded cutting its fiscal deficit from 7.7% of GDP in 2010, to 4.6% of GDP in 2012
- Clear strong public commitment to cut deficit to 2.9% of GDP in 2013

Slovakia remains amongst the highest rated countries in the CEE region

III. Sound Debt Management

- Public debt well below the average of EMU countries (an estimated 52.1% of GDP in vs. 91.5% of GDP average in EMU in 2012)

Slovakia participates in Eurozone's European Stability Mechanism

1) Source: Eurostat

A Strong, Credible and Balanced Fiscal Effort

Three-pillar strategy to secure fiscal and macroeconomic stability

Budgetary Measures	Structural Decisions	Liability Management
• Fiscal tightening worth 4.6% of GDP over 2011-2013 • Commitment to 3% deficit in 2013 • Higher income taxes • Higher dividends from State Enterprises • Higher corporate tax – tax on politicians • Higher caps on social contributions • Savings by state administration • New levy on bank liabilities	• A fiscal responsibility law with a "debt brake" • Independent fiscal council • Pension system reform: linking the retirement age to life expectancy, less generous indexation of pensions, contributions partially shifted from second to first pillar • Phasing out preferential social contribution regimes for self-employed and "work-by-agreement"	• Conservative multi-annual debt management strategy • Public debt under half EMU average and low private debt • Moderate bank contingency

- Most measures to get the public deficit to 3% of GDP in 2013 have already been approved
- Low public debt of 52.1% of GDP (vs. 91.5% of GDP in EMU in 2012) and low private debt of 45% of GDP in 2011
- Low risk of debt surprises, with banks well capitalised and foreign-owned
- Fiscal consolidation consistent with slow recovery of GDP over 2013-2014

2. Strong Economic Performance

Firm Recovery, but More Gradual Than Expected

- Lowered overall growth due to worsened external demand and further fiscal consolidation
- Weaker GDP growth translates into worse performance of the labour market, but the unemployment rate is expected to peak in 2013
- Given the structural reforms completed and the competitiveness of Slovakia's exports, the average annual GDP growth in the country is expected to be around 2.7% over 2012-16
- GDP per capita continues to rise and was 73% of EU-27 average in 2011, up from 50% in 2000

	2011	*2012F*	*2013F*	*2014F*	*2015F*
Real GDP Growth	3.2	***2.3***	*1.2*	*2.9*	*3.3*
Private Consumption (growth)	(0.5)	***(0.4)***	*(0.1)*	*1.5*	*2.6*
Investments (growth)	14.2	***(3.7)***	*2.3*	*3.3*	*2.4*
Export (growth)	12.7	***8.9***	*3.3*	*4.9*	*4.8*
Import (growth)	10.1	***3.5***	*3.5*	*4.1*	*4.0*
Employment Growth (ESA 95)	1.8	***0.1***	*(0.5)*	*0.5*	*0.7*
Unemployment Rate (LFS)	13.5	***13.9***	*14.3*	*13.8*	*13.0*
Current Account Balance (% of GDP)	(2.1)	***1.8***	*1.2*	*1.7*	*2.4*
Inflation (HICP)	4.1	***3.7***	*2.4*	*2.5*	*2.5*
Net FDI (% of GDP)	1.7	***2.4***	*2.2*	*2.6*	*2.6*

Source: Ministry of Finance, January 2013

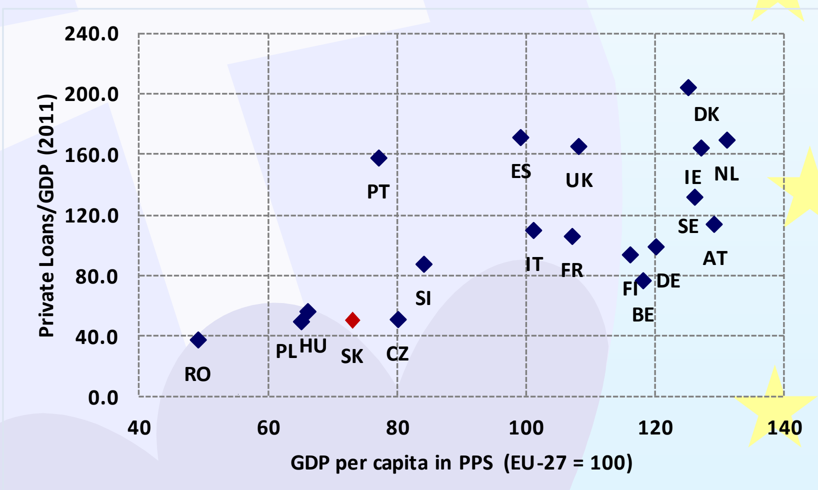
3. Public Debt

Low Public and Private Debt

Low indebtedness level

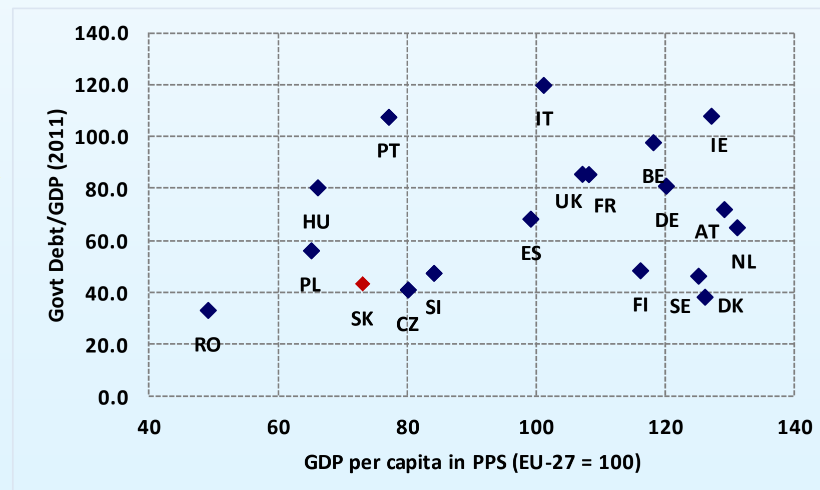
- Slovakia's public and private debt to GDP ratios are both considerably below the EU average
- Private debt ratio amongst the lowest in the EU
- As a Eurozone country, Slovakia participates in the European Stability Mechanism, which serves as a backstop should a participating country have problems with financing

Private Debt Ratio (% of GDP)



Source: ECB, Eurostat, October 2012

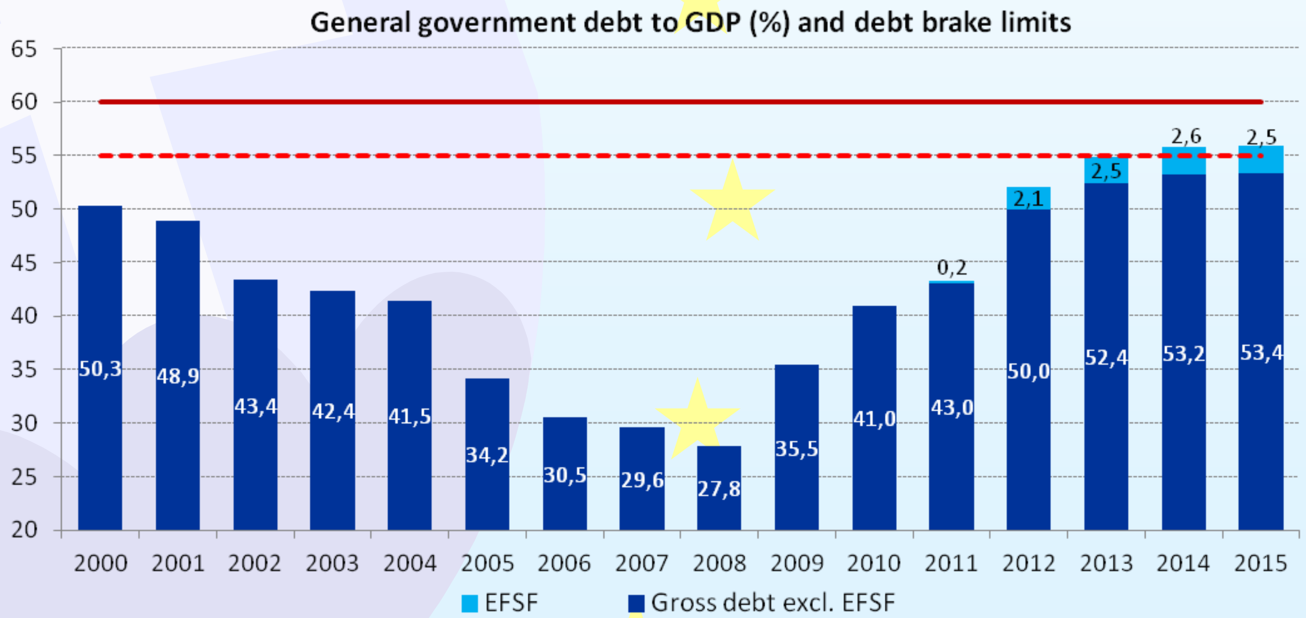
Government Debt Ratio (% of GDP)



Source: Eurostat, October 2012

General Government Debt Forecast and Debt Brake

- Thresholds set by the constitutional act on fiscal responsibility:
  - 50% of GDP – a letter from the Minister of Finance to the Parliament
  - 53% of GDP – proposal of measures by the Government to cut the debt
  - **55% of GDP – expenditure freeze**
  - 57% of GDP – balanced general government budget requirement
  - **60% of GDP – upper limit, vote of confidence in the Parliament has to take place**
- Starting from 2018, the thresholds will gradually decrease by 1 p.p., in 2027 the upper debt limit will be 50% of GDP

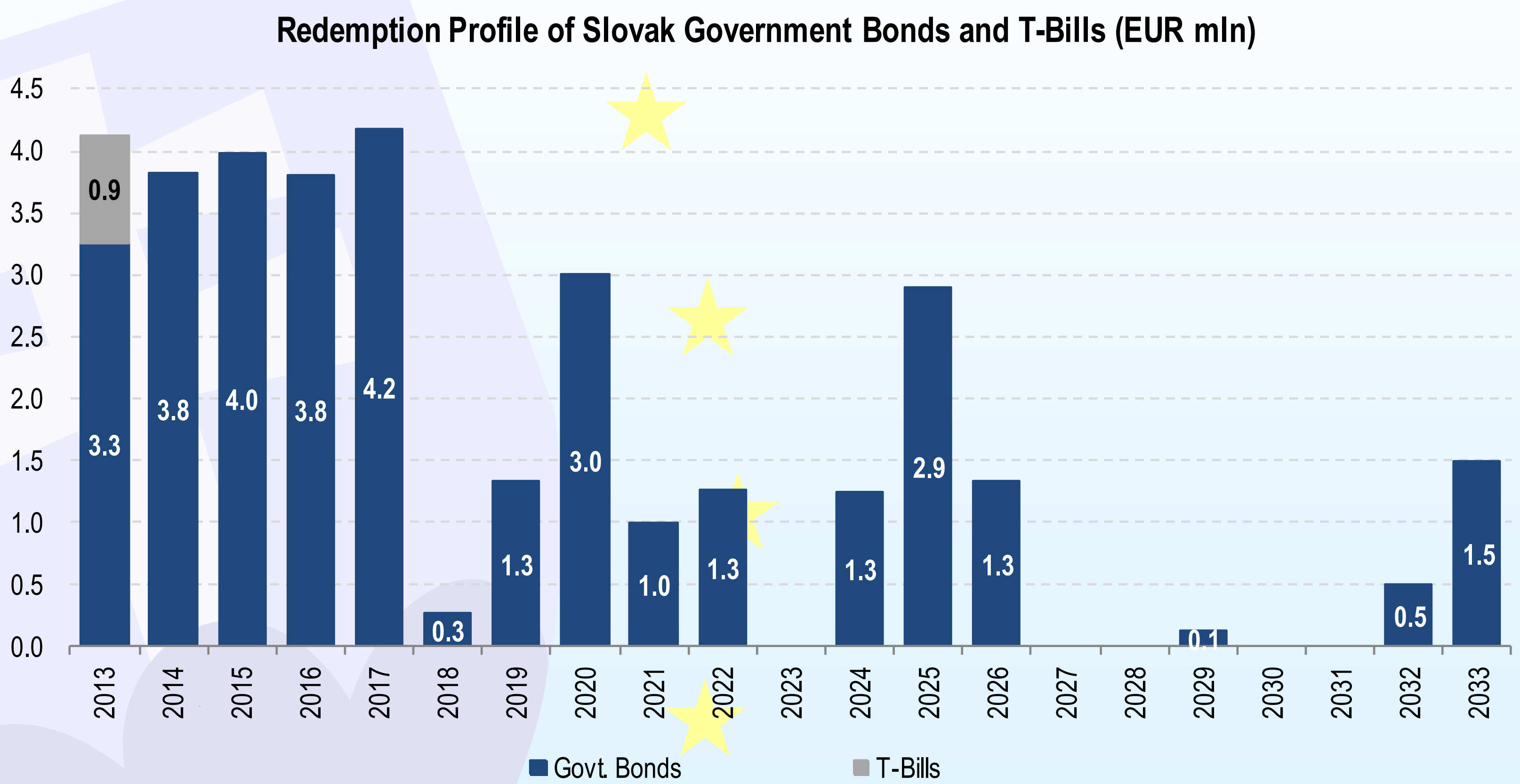


Source: Ministry of Finance , January 2013

4. Debt Management and Funding

Redemption Profile

ARDAL's effort extended and smoothed the debt redemption profile

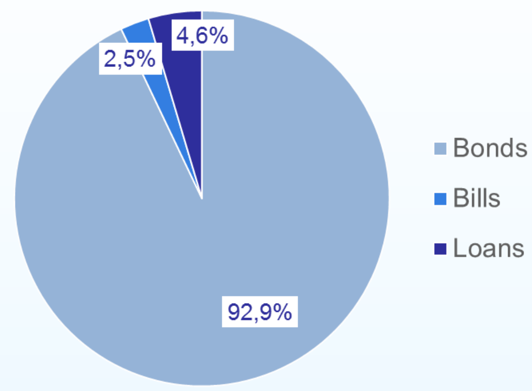


Source: Bloomberg, February 2013

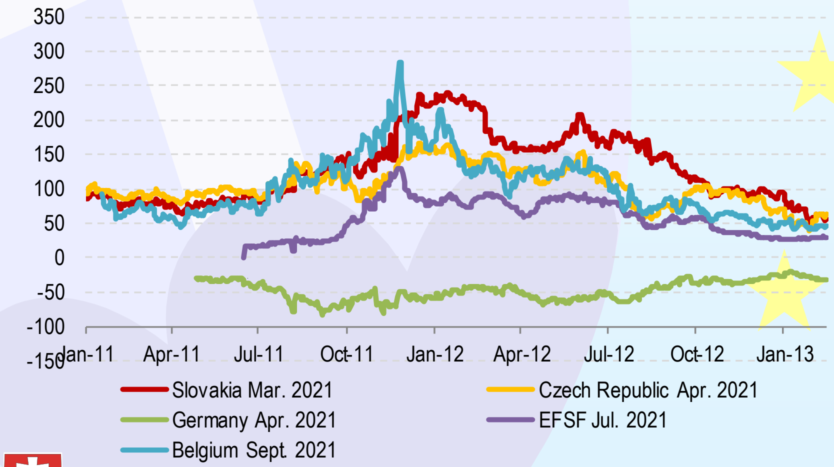
Government Debt Characteristics

- No impact of currency fluctuations, as major part of outstanding public debt is euro-denominated
- Small part of debt issued in CZK, CHF and USD in 2012 is fully hedged
- Non-resident share at 43 % as of end of February 2013 (both Bonds and T-Bills)
- Volatility comparable to peer group

Government Debt by Instrument

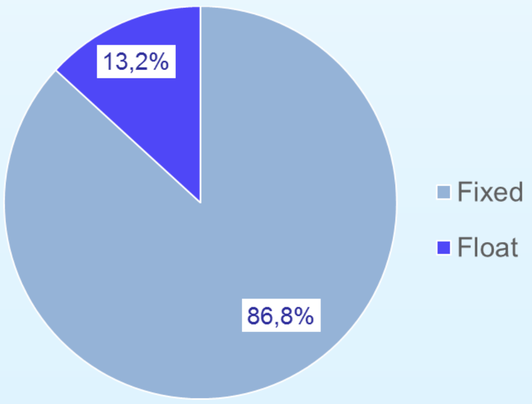


Asset Swap Spread Development of Selected Eurobonds (in bps)



Source: Bloomberg, February 2013

Government Bond Portfolio by Coupon Type



Source: ARDAL, February 2013

Debt Financing in 2012

- The main area of interest for debt management in 2012 was **to broaden the portfolio of investors**:
  - Marketing efforts to regional and institutional investors
  - Successful debut issues in CZK and CHF completed in Q1 and debut benchmark issue in USD launched in Q2 as follow up marketing effort overseas
  - Originally planned gross issuance EUR 7.6 billion was achieved already at the first half of year 2012
  - With EUR 10 billion gross issuance not only backlog from 2011 was covered but also substantial cash reserve was created for 2013 (pre-financing)
  - Debt issued in 2012 was issued in line with the needs of the debt portfolio and contributed to prolongation of average tenor and average duration
  - Achieved average yield was below planned one for 2012 and means historically lowest relative cost per issued debt unit weighted by tenor

Source: ARDAL

Debt Financing in 2013

- The **main tasks** for debt management in year 2013:
  - formal establishing of **Primary Dealership**
  - creation and support of state securities **secondary market** platform
  - further **broadening** of **investors** portfolio
  - further **diversifying** the portfolio of **instruments**
  - implied duty to keep **portfolio´s parameters in an optimal range of values**
- Total financing needs for 2013 are expected to be lower than **originally planned around EUR 8.3 billion** partially as a result of pre-financing in 2012 and smaller than expected amount of T-Bills issued in 2012
- Approximately half of the amount is expected to be issued via syndicated issues and the rest via regular domestic auctions
- At least 5 new lines of bonds will be opened in year 2013 with tenor 5 years, 10 years and 15+ years

Source: ARDAL

5. Credit Positioning of Slovakia and CE4 Comparison

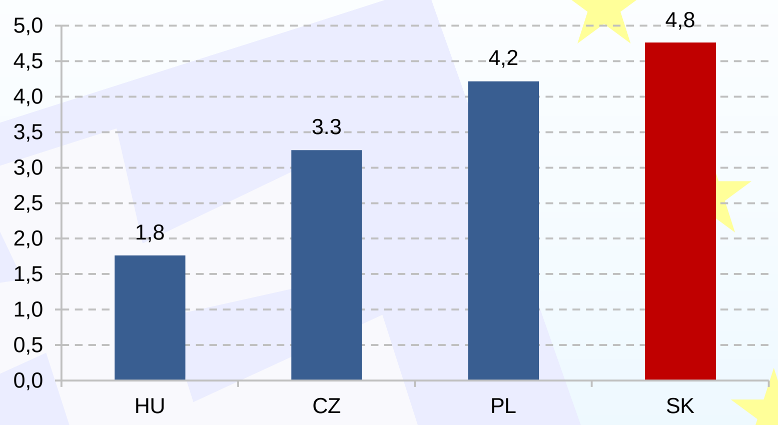
Slovakia's Fundamentals Compare well vs. its Peer Group Inside and Outside of the Eurozone (1/2)

	Slovakia	Czech Republic	Poland	Slovenia	Belgium	Germany	Eurozone Average
Credit Ratings and outlook	A2/A/A+ (neg/st/st)	A1/AA-/A+ (st/st/st)	A2/A-/A- (st/st/st)	Baa2/A-/A- (neg/st/neg)	Aa3/AA/AA (neg/neg/st)	Aaa/AAA/AAA (neg/st/st)	Aaa/AAA//AAA (st/neg/st)[1]
Debt/GDP [2] % (100, 50, 0) — '10 '11 '12E	41,0 43,3 51,7	37,8 40,8 45,1	54,8 56,4 55,5	38,6 46,9 54,0	95,5 97,8 99,9	82,5 80,5 81,7	85,6 88,1 92,9
Deficit/GDP [2] % (0, (3), (6), (9), (12)) — '10 '11 '12E	(7,7) (4,9) (4,9)	(4,8) (3,3) (3,5)	(7,9) (5,0) (3,4)	(5,7) (6,4) (4,4)	(3,8) (3,7) (3,0)	(4,1) (0,8) (0,2)	(6,2) (4,1) (3,3)
GDP growth [3] % (5, 0, (5)) — '10 '11 '12E	4,4 3,2 2.6	2,5 1,9 (1.3)	3,9 4,3 2.6	1,2 0.2 (2.3)	2,4 1,8 (0.2)	4,2 3,0 0.7	2,0 1,4 (0.4)
CA/GDP [2] % (6, 3, 0, (3), (6)) — '10 '11 '12E	(2,5) (2.5) 1.4	(5,2) (3,9) (2,9)	(3,8) (4,5) (3,9)	(0,4) 0,1 0.4	3,0 2.2 1.5	5,6 5,7	0,3 0,3 1,1
10yr ASW Spread [4] bps	101	65	112	360	58	-19	N/A

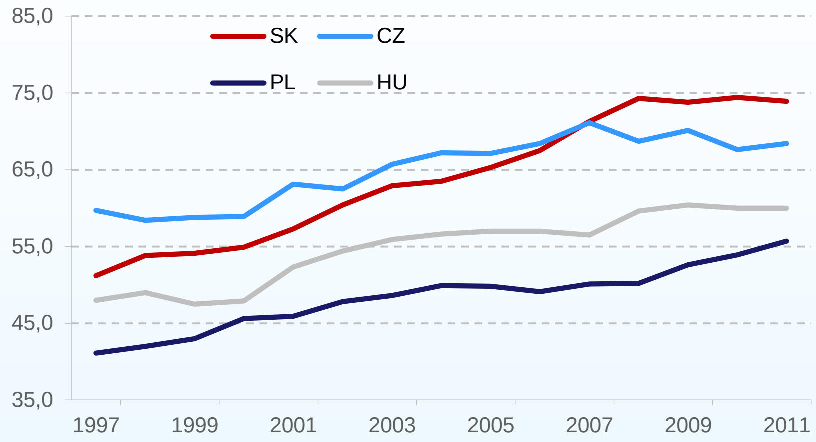
1) Source: EU Bond Ratings
2) Source: EC Autumn Forecast 2012; Eurostat
3) Source: Eurostat 15 February 2013
4) Source: Bloomberg, February 2013

Slovakia's Fundamentals Compare well vs. its Peer Group Inside and Outside of the Eurozone (2/2)

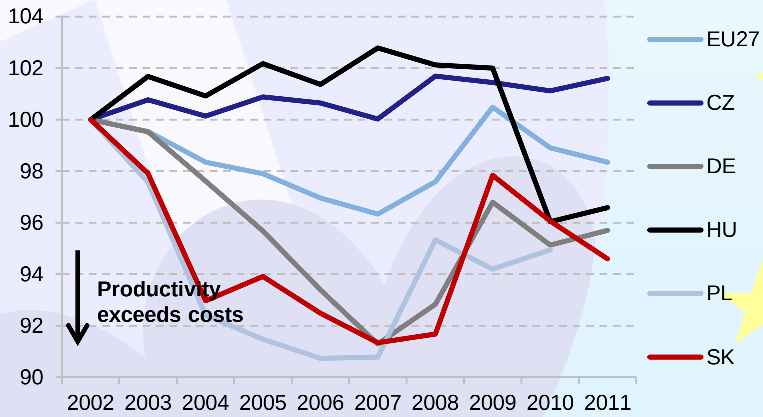
Average Real GDP Growth in CE4 Countries (2002-2011, %)



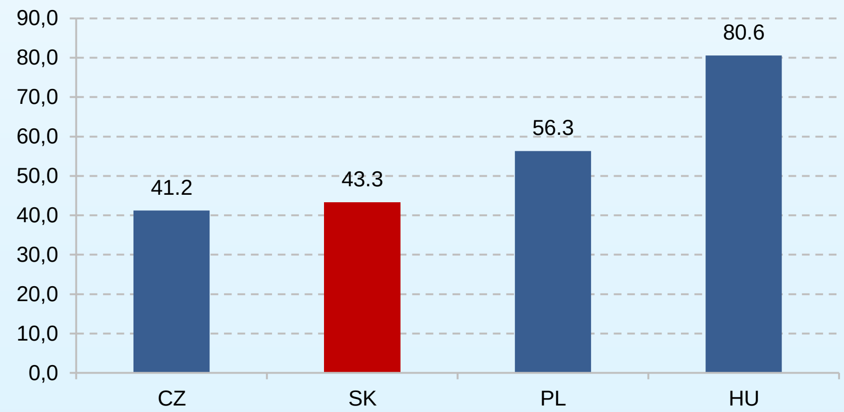
Labour Productivity in CE4 Countries (EU27=100, in PPS)



Nominal ULC Index (Wage Bill / Nominal GDP, 2002=100)



General Government Debt in CE4 Countries (2011, % of GDP)



Source: Eurostat

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