Summary annual report
of the Slovak Republic
for 2016

October 2017

Contents

Summary

- **The deficit of the general government of the** Slovak Republic according to the ESA 2010 methodology in 2016 reached **1,773,913,000 Euros (2.2% of GDP).** The share of the general government deficit in GDP decreased year-to-year by 0.5 percentage points and in absolute terms by 356,391,000 Euros. The total revenues of the general government in 2016 reached 31,910,172,000 Euros (39.3% of GDP) and the total expenditures reached 33,684,085,000 Euros (41.5% of GDP) at the calculated GDP of 81,153,966,000 Euros (up by 3.0%).
- **The gross debt of the general government** according to the methodology of ESA 2010 **reached the** level of **42,053,243,000 Euros as at 31 December 2016 (51.8% of GDP).** The gross debt ratio in relation to GDP fell year-to-year again by 0.5 pp. This decrease was mainly due to the year-on-year increase in nominal GDP.
- **The structural deficit** reached 2.1% of GDP in 2016 and fell year-to-year by 0.4 pp in relation to the GDP. **Consolidation efforts at the level 0.4% of GDP observed the European fiscal rules**, which required a consolidation effort of 0.25% of GDP in 2016. In 2016, the one-time impact was recorded in the form of an additional contribution from the SR budget to the EU budget, which worsened the general government balance by 0.04% of GDP.
- In 2016 within the EU28, 7 countries reached a higher deficit and 18 countries achieved a higher general government debt than the Slovak Republic. The average EU28 deficit was 1.7% of GDP (Slovakia 2.2% of GDP) and the average EU28 general government debt was 83.2% of GDP (Slovakia 51.8% of GDP) in 2016.
- **Net wealth of the public sector** reached a negative value of 120,726,845,000 Euros as at 31 December 2016 (-148.8% of GDP). Compared to the previous year, the negative share of GDP decreased by 22.1 pp (by 15 pp in 2015). The decrease was mainly due to a change in implicit liabilities, which was primarily the result of the update of macroeconomic data (including revenue forecasts) and the shift of the base year. In addition to the better economy, other assets had a positive impact as well, which due to the update of the data base increased year-to-year by 2.3 pp in the share of the GDP.
- The value of assets as well as liabilities of the general government as a whole as at 31 December 2016 was 63,683,435,000 Euros (78.5% of GDP) and increased year-to-year by 645,993,000 Euros (0.8% of GDP). Among assets, the non-current tangible assets (in the form of road and motorway infrastructure, land, vehicles and equipment) and the financial accounts increased the most. Among the liabilities, the bank loans and reserves increased year-to-year the most, on the contrary, equity of the aggregate unit and liabilities decreased year-to-year.
- Total expenses from the profit and loss statement of the aggregate unit reached 54,543,764,000 Euros and the total revenues 53,126,080,000 Euros. Year-to-year, there was a decrease of transfer expenses, financial expenses, while personnel expenses increased. Among revenues, a significant increase was in tax revenues and revenues from sales, which were offset by a decline in financial revenues and transfer revenues. The economic loss totalled -1,428,291,000 Euros, which is a reduction of the "loss" by 558,264,000 Euros from the previous year.

Introduction

The summary annual report of the Slovak Republic (hereinafter referred to as the "summary report" or "report") is a summary document on the management of Slovakia's public finances for the previous calendar year. The summary report updates and supplements the data contained in the national accounts of the Slovak Republic (hereinafter "the national accounts"), which is submitted for the cabinet meeting in April of the current year. The main objective of the national accounts is to present data on the general government economy according to the ESA 2010 methodology at the earliest possible date. At the time of preparation of the summary report (October), a larger scope of data and information is already available, for example based on the approved financial statements of entities; therefore, the summary report is a much more complex document. In addition to the general government economy, the ESA 2010 methodology provides information on net wealth, the performance of the state-owned enterprises, net debt, one-off effects, structural balances, and an assessment of the state debt management strategy. The second major difference lies in the fact that the report focuses on the analysis of public finance developments over the previous year (year-to-year changes) and the national accounts focus mainly on the comparison of the general government budget plan with the reality achieved.

The content of the report is defined by three legislative standards. The Act on the Budgetary Rules of the Public Administration defines the basic scope of the summary annual report, the deadlines for its preparation and submission to the Government and the National Council of the Slovak Republic. The Fiscal Responsibility Constitutional Act defines, beyond the scope of the Act on the Budgetary Rules of the Public Administration, additional data and information to be included in the summary report (eg net wealth, one-off impacts and structural balance). The Accounting Act provides for the accounting units of the public administration to prepare consolidated financial statements and for the Ministry of Finance of the SR the obligation to draw up the consolidated financial statements of the central administration and the summary financial statements of the public administration.

The summary annual report for 2016 updated data for the calculation of net wealth, in particular with regards to implicit liabilities, equity of the central government and contingent assets. The number of entities entering the net wealth calculation is still a major challenge in terms of investigating their economic and legal background. During 2016 and 2017, the Ministry of Finance of the Slovak Republic worked on the possibilities of obtaining relevant data from these entities, which are often not available from publicly presented information sources.

The result should be more reliable and accurate data in the future, in particular on the management of state-owned enterprises and the development of components of the net wealth, such as implicit liabilities and contingent assets and liabilities.

Summary Annual Report of the Slovak Republic is the structured in the following manner:

- *The summary* presents the most important data on the management of the public finances of the Slovak Republic for 2016. More detailed information can be found in each chapter of the report.
- *The first chapter* presents the public finances in terms of sectoral breakdown of the public administration according to the ESA 2010 methodology. Emphasis is placed on the contribution of individual groups of public administration entities to the result of the budget management of the public administration. The main data of this section are the balance and debt of the public administration according to the Maastricht criteria.
- *The second chapter* follows up on the first in the public finance assessment from the point of view of the general government sector. However, when the first chapter focuses strictly on data in the ESA 2010 methodology, which are contained in the October notification, the second chapter assesses developments in general government, in particular in terms of data compiled by the summary report on the basis of the Fiscal Responsibility Constitutional Act. This data deepens the analytical view of the economy of the general government.
- *The third chapter* broadens the view of public finances from general government to the public sector and its main indicator of the net wealth. This part describes the structure and year-to-year changes in net wealth; in accordance with the Fiscal Responsibility Constitutional Act the emphasis is placed on the description of the economy of state-owned enterprises.
- *Annex no. 1* has a table form and is linked to the third chapter. It contains a list of state-owned enterprises with data on their profit/loss, the level of equity over the last three years and the amount of state ownership in the enterprises.
- *Annex no. 2* represents the summary financial statements of the general government of the Slovak Republic for the respective year, which is a mandatory part of this report in accordance with the Act on the Budgetary Rules.

In addition, a *dictionary of professional terms* is part of the report, which explains in detail but in clear terms the main concepts contained in the report. The document lists a number of titles and multiple laws in abridged form, so a *list of abbreviations* is also included.

The report is accompanied by an *electronic annex*, which is linked to the first chapter and is only published on the website of the Ministry of Finance together with the main document. The electronic annex contains the structure of the government deficit and its financing in 2016 by individual groups of subjects in the ESA 2010 methodology (transition from the cash deficit to the deficit in the ESA 2010 methodology).

In the calculation of the public finance share ratios, the GDP data at current prices, which were notified in the October notification, were used: 2016: 81,153,966,000 Euros, 2015: 78,896,443,000 Euros, 2014: 76,087,789,000 Euros. Compared to last year's report, GDP figures for both 2014 and

2015 have changed, which may have affected the change in the size of the share-based indicators in GDP in these years.

1. General government economy in the ESA 2010 methodology

This section presents public finances according to the ESA 2010 methodology applied to EU member states. The chapter contains the data subject to Eurostat's October notification, in particular the balance and gross debt of the general government. When analysing the balance, emphasis is placed on the contribution of individual groups of general government entities to the resulting balance of the general government. Debt analysis focuses on the contribution of factors that explain its year-to-year change. The chapter also contains a comparison of the notified balances and the general government debt for all member states of the European Union.

For the autumn notification of deficit and debt by Eurostat, the Statistical Office of the Slovak Republic carried out a regular overhaul of the national accounts, which affected the level of GDP.

1.1. Balance of general government

Based on the results of the autumn notification by Eurostat, in 2016 the general government of the Slovak Republic ended, according to the ESA 2010 methodology, with a **deficit of 1,773,913,000 Euros (2.2% of GDP)** . The deficit in relation to GDP for 2016 fell by 0.5 pp compared to 2015. Compared to the spring notification, when the general government deficit was provisionally estimated at 1.7% of GDP, the revision was 0.5 pp (see section 1.4 more detail).

General government balance by sub-sectors of the public administration (ESA 2010)

	ESA code	2014 % of GDP	2015 % of GDP	2016 % of GDP	2016 in thousands of Euros
1. general government	S.13	-2.7	-2.7	-2,2	-1,773,913
2. Central state administration	S.1311	-2.5	-2.6	-2.4	-1,980,265
3. Local government	S.1313	-0.1	0.2	0.6	459,479
4. Social security funds	S.1314	-0.1	-0.2	-0.3	-253,127

Source: Statistical Office of the Slovak Republic

In terms of sectoral breakdown, the central government was most involved in the deficit, and within it the state budget with a deficit of 2,234,319,000 Euros. The local self-government managed in 2015 a surplus of 121,252,000 Euros, in 2016 it increased its surplus to 459,479,000 Euros (year-to-year improvement by 0.4 pp on GDP).

In the healthcare sector in 2016, public health insurance institutions and hospitals reported a deficit of 143,373,000 Euros, out of which health facilities reached a deficit of 70,674,000 Euros and the public health insurance a deficit of 72,699,000 Euros. Expenditures of health insurance companies grew faster than revenues from levies, of hospitals and other healthcare facilities; despite more funds from the insurance companies, in particular the liabilities from outstanding invoices issued to suppliers grew.

The entities that helped to reduce the deficit of the general government most were in particular municipalities and their budgetary organizations with a surplus of 348,274,000 Euros. Similarly as in 2015, the state funds with a surplus of 188,250,000 Euros contributed to reduce the general government deficit. A relatively high positive balance of the state funds is caused mainly by the National Nuclear Fund, which, as in previous years, also in 2016 accumulated funds for the storage and future disposal of nuclear waste.

Public sector deficit according to individual entities (ESA 2010) in thosands of Euros

	2014	2015	2016
State budget[1]	-1,881,505	-1,496,498	-2 234 319
State funds	209,094	232,756	188,250
Public universities	-15,602	-3,324	47,302
Non-profit organizations of the state	-3,459	-10 105	-37,080
MH Management, as	-216,769	-849,265	-47,029
Slovak Land Fund	16,657	4,725	122
National Resolution Fund	-	0	0
Radio and Television of Slovakia	-1,467	5,856	2,655
Slovenská konsolidačná, a.s.	-919	-1,665	-4,952
Slovenská reštrukturalizacná, s.r.o.	-	14,494	-154
MH Invest, s.r.o.	0[3]	40,540	10,372
MH Invest II, s.r.o.	-	-	-20,533
JAVYS, a.s.	6,457	17,419	12,150
Railways of the Slovak Republic (ŽSR)	36,050	-16,044	47,650
Železničná spoločnosť Slovensko, a.s.	-28,850	22,777	-17,018
Národná diaľničná spoločnosť, a.s.	3,677	16,518	98,481
Emergency Oil Stocks Agency	29,135	-6,229	5,737
Eximbanka SR	19,644	-2,033	9,344
Transport enterprises	-46,100	-11,672	12,612
Social Insurance Agency	-38,660	-224,034	-180,428
Public health insurance	-70,068	53,664	-72,699
Healthcare facilities included in the public sector	-61,935	-67,731	-70,674
-Other entities of the general government[2]	-7,314	-12,596	-3,420
Higher territorial units	16,604	58,123	84,308
Municipalities	-11,099	64,558	348,274
Contributory organisations	-9,687	10,176	47,136
of which: state	-14,890	526	34,299
municipal	1,859	4,568	11,906
of higher territorial units	3,344	5,082	931
General government deficit total	**-2,056,116**	**-2,159,590**	**-1,773,913**
% of GDP	**-2.7**	**-2.7**	**-2,2**

Source: Ministry of Finance of the SR

[1] Including government financial assets, off-budget accounts and the balance of the state debt

[2] Including non-profit organizations of municipalities included in the sector

1.2. General government debt

Gross debt of the general government (Maastricht debt) amounted to **42,053,243,000 Euros** as at 31 December 2016 **(51.8% of GDP)** year-to-year, its ratio to GDP decreased by 0.5 pp.

The general government debt is a consolidated indicator, meaning that credits between individual general government entities are eliminated. The general government entities listed in the table below are already consolidated, the specified consolidation value represents only credits between these entities. The total amount of consolidation in 2016 was 1,591,610,000 Euros. In terms of the amount of mutual loans and credits in the general government, the most significant item of consolidation is the State Housing Development Fund, which provides repayable funds in particular to the local self-government bodies in the field of housing support (707,506,000 Euros). Another significant item of consolidation is the repayable financial assistance provided from the state budget to the Emergency Oil Stocks Agency (EUR 520,000,000) and the imputed loan of the Emergency Oil Stocks Agency (318,383,000 Euros). The other part of the consolidation consists mainly of repayable financial assistance provided from the state budget to cities, municipalities and other general government entities (41,329,000 Euros). In addition to these relations, in the calculation of the Maastricht debt under the "state debt" component, it abstains from the liabilities of the Ministry of Finance of the SR to the Treasury from the so-called refinancing system (7,356,329,000 Euros) and liabilities from deposits of general government entities in the Treasury (7,468,529,000 Euros).

General government debt by individual entities in thousands of Euros

	31/12/2014 1	**31/12/2015** 2	**31/12/2016** 3	**Amendment** 4 = (3-2)
Central budgetary organisations	39,249,883	39,808,670	40,643,814	835,144
Public universities	0	3,666	7,731	4,065
Non-profit organizations of the state	3	2	3	1
MH Management, as	15,415	15,313	15,223	-90
Radio and Television of Slovakia	0	12	85	73
MH Invest, s.r.o.	2,720	2,730	70	-2,660
MH Invest II, s.r.o.	0	0	2,737	2,737
JAVYS, a.s.	0	1	307	306
Railways of the Slovak Republic (ŽSR)	63 074	63,222	62,944	-278
Železničná spoločnosť Slovensko, a.s.	321,231	311,938	343,945	32,007
Národná diaľničná spoločnosť, a.s.	340,751	263,587	223,430	-40,157
Emergency Oil Stocks Agency	520,000	521,097	521,212	115
Eximbanka SR	87,381	22,725	25,644	2,919
Transport enterprises	84,731	105,165	82,153	-23,012
Social Insurance Agency	0	422	146	-276
Public health insurance	0	368	265	-103
Healthcare facilities included in the public sector	28,012	26,912	23,028	-3,884
Other entities of the general government	5,797	2,705	5,082	2,377
Higher territorial units	363,586	369,159	347,635	-21,524
Municipalities	1,236,742	1,374,885	1,334,719	-40,166
Contributory organisations	1,711	2,979	4,680	1,701
of which: state	1,038	2,012	2,704	692
municipal	661	932	936	4
of higher territorial units	12	35	1,040	1,005

General government total	**42,321,037**	**42,895,558**	**43,644,853**	**749,295**
Consolidation	1,596,019	1,600,578	1,591,610	-8,968
General government total consolidated	**40,725,018**	**41,294,980**	**42,053,243**	**758,263**
Gross domestic product in current prices	76,087,789	78,896,443	81,153,966	2,257,523
in % of GDP	**53.5**	**52.3**	**51.8**	**-0.5**

Source: Ministry of Finance of the SR

In 2016, the state budget deficit in the amount of 980,255,000 Euros (1.2% of GDP), which was down 952,341,000 Euros year-to-year, contributed most to the debt increase[1].

The increase in the Maastricht debt compared to 2016 was **negatively** affected by the following circumstances in particular:

- the cash deficit of the state budget and other requirements for foreign resources stemming from debt and liquidity management over the past year, which triggered the need to issue government bonds in the face value of 5,046,000 Euros;
- the issue of the state treasury bills in the face value of 400,000,000 Euros;
- receipt of credits in the amount of 531,710,000 Euros into the state debt;
- an increase in the debt of Železničná spoločnosť Slovensko, a.s. by 32,007,000 Euros;
- an increase in the indebtedness of Eximbanka of the SR by 2,919,000 Euros;
- an increase in the debt of JAVYS, a.s. by 306,000 Euros;
- an increase in the consolidated debt of the Emergency Oil Stocks Agency by 115,000 Euros.

The positive impact on the development of the Maastricht debt in 2016 was mainly the result of the following :

- repayment of liabilities from government bonds in the face value of 4,754,778,000 Euros;
- repayment of loans in the state debt in the face value of 241,986,000 Euros;
- reduction of the consolidated debt of municipalities by 90,975,000 Euros, which was mainly due to a decline in the number of bank loans that contribute to the consolidated debt of municipalities the most;
- reduction of the consolidated debt of higher territorial units by 21,579,000 Euros;
- the decrease in the debt of the National Motorway Company (Národná diaľničná spoločnosť, a.s.) by 40,157,000 Euros as a result of the repayment of loans of previous years;
- a decrease of indebtedness of transport enterprises by 23,012,000 Euros;
- reduction of the consolidated debt of medical facilities by 2,990,000 Euros;
- reduction of the debt of MH Management, a.s. by 90,000 Euros due to the repayment of privatization bonds.

Slovakia's share of European Financial Stability Facility (EFSF) loans did not change in 2016 compared to the previous year and remains at 1,880,640,000 Euros (2.3% of GDP).

Growth in nominal GDP contributed to a year-to-year decline in the debt-to-GDP ratio by 1.5 percentage points.

[1] National accounts of the Slovak Republic for 2016, www.finance.gov.sk

The structure of the public debt as at 31 December 2016 was as follows:

- In terms of sources of financing, debt was mainly financed by securities (85.3%) and bank loans and other liabilities (13.9%), of which 32.1% represents Slovakia's commitment ensuing from the EFSF. The remaining 0.7% was liabilities arising from deposits of funds in the Treasury of those clients who are not part of the general government.
- In terms of currency, the government debt in 2016 was composed of 94.0% of debt in Euros and 6.0% of debt in other currencies (Japanese yen, US dollars, Swiss francs and others).
- In terms of original maturity, the public debt is largely long-term. Of the total debt, 98.0% is debt with a maturity of more than one year. Of which 0.6% debt is payable over a period of 1 to 5 years, 18.2% debt is payable from 5 to 10 years, 38.0% debt is payable between 10 and 15 years and 41.2% of the debt is over 15 years. 2.0% of public debt is originally due in one year.
- In terms of territorial structure, domestic creditors accounted for 47.2% and foreign creditors 52.8% of the total debt. Domestic creditors are primarily financial corporations whose share in the total debt is 46.8%.

1.3 Net general government debt

As gross debt reached 51.8% of GDP as at 31 December 2016 and fell by 0.5 pp on a year-to-year basis, the **net debt of the Slovak Republic totalled 38,057,824,000 Euros as at 31 December 2016 (46.9% of GDP) and declined by 1.2 pp compared to 2015.**

The general government net debt is an analytically more appropriate indicator than gross debt when looking at the year-to-year debt dynamics because, unlike the gross debt ratio, it eliminates the differences arising from the growth or fall in financial assets, and thus more credibly depicts the real increase in government indebtedness.

The net debt shows the ability of the state to repay its gross debt on the basis of cashing its most liquid financial assets. If the gross general government debt presented in the first chapter is precisely defined in the ESA 2010 methodology, the methodology for net debt is still regulated only by the definition in the European Commission guidelines. According to this definition, the net debt of the general government represents the difference between gross Maastricht debt and the sum of gold and SDR, cash, securities at the market value (excluding shares) and quoted shares at the market value.

Net general government debt

					% of GDP		
		2014	**2015**	**2016**	**2014**	**2015**	**2016**
Gross general government debt	**(1)**	**40,725,018**	**41,294,980**	**42,053,243**	**53.5**	**52.3**	**51.8**
Liquid financial assets	**(2)**	**2,885,008**	**3,356,490**	**3 995 419**	**3.8**	**4.3**	**4.9**
- monetary gold and SDR		0	0	0	0.0	0.0	0.0
- cash on general government accounts		2,835,006	3,336,461	3,979,601	3.7	4.2	4.9

- securities		50,002	20,029	15,818	0.1	0.0	0.0
- quoted shares		0	0	0	0.0	0.0	0.0
Net general government debt	**(1-2)**	**37,840,010**	**37,938,490**	**38,057,824**	**49.7**	**48.1**	**46.9**

Source: Statistical Office of the SR, Ministry of Finance of the SR

1.4. Differences between October and April notification of data

The Council Regulation (EC) on the application of the Procedure in the Case of Excessive Deficit sets out detailed rules for the organization of rapid and regular reporting of planned and actual results of the management of the general government finances. According to this Regulation, the European Commission (Eurostat) presents the results of the general government management twice a year, for the first time until 1 April of the current year (the so-called April notification) and the updated data for the second time until 1 October of the current year (so-called October notification). The management deficit, which was reported on 1 April 2017 increased by 0.5 pp. The individual items of the update are shown in the following table.

Adjustment of the deficit for 2016 in the October notification in the ESA 2010 methodology			
Adjusted items	**in thousands of Euros**	**% of GDP**	**Reason for adjustment**
General government deficit - April 2017	**-1,361,537**	**-1,682**	
State budget	-26,087	-0.032	update of the receivables balance
Reducing the receivables against the EU - corrections	38,571	0.048	updating data due to corrections
Superdividends	-160,914	-0.198	superdividend review
Off-budget accounts	1,092	0.001	updating tax revenues
Slovenská konsolidačná, a.s.	-4,958	-0.006	update of the receivables and liabilities balance
Public universities	4,877	0.006	update of the receivables and liabilities balance
Radio and Television of Slovakia	-730	-0.001	update of the receivables and liabilities balance
Medical facilities - central	2,201	0.003	update of the receivables and liabilities balance
Medical facilities - local	284	0.000	update of the receivables and liabilities balance
ŽSR	1,386	0.002	update of the receivables and liabilities balance
Železničná spoločnosť Slovensko, a.s.	-2,442	-0.003	update of the receivables and liabilities balance
MH manažment, a.s.	-173	0.000	update of the liabilities balance
JAVYS, a.s.	310	0.000	update of the receivables and liabilities balance
MH Invest, s.r.o.	-6	0.000	update of the liabilities balance
MH Invest 2, s.r.o.	-10,264	-0.013	update of the liabilities balance
Národná diaľničná spoločnosť, a.s.	62	0.000	update of the receivables and liabilities balance
Non-profit organizations of the state	-1	0.000	update of the receivables and liabilities balance
Other small central units	48	0.000	update of the receivables and liabilities balance
Eximbanka	-25	0.000	updating statuses in the balance sheet
Transport enterprises	-2,065	-0.003	update of the receivables and liabilities balance
Tax and contribution revenues	-244,801	-0.302	updating from tax returns

Emission quotas of the Environmental Fund	252	0.000	revision of emission quotas recording
EFSF	-8,993	-0.011	revision based on Eurostat background
General government deficit - September 2017	**-1,773,913**	**-2,186**	

Source: Ministry of Finance of the SR

In addition to updating the data from the financial statements, the general government deficit was affected by:

- updated data on the amount of accrued tax revenues and contribution revenues (increase of the deficit by 244,801,000 Euros);
- revision of the amount of the superdividend according to Eurostat instructions (increase of the deficit by 160,914,000 Euros);
- imputation of tax revenues of the National Security Authority not included in the financial statements (deficit reduction by 1,092,000 Euros);
- increase of the receivable from the EU due to update of the amount of corrections (deficit reduction by 38,571,000 Euros);
- reviewing the recording of emission allowances of the Environmental Fund (deficit reduction by 252,000 Euros);
- EFSF revision based on Eurostat (8,993,000 Euros in the deficit).

1.5. Comparison of the balance and the general government debt within the European Union

In 2016 within the EU (28 countries) 7 countries reached a higher deficit and 18 countries achieved a higher general government debt than the Slovak Republic. **The average EU28 deficit was 1.7% of GDP (Slovakia 2.2% of GDP) and the average EU28 general government debt was 83.2% of GDP (Slovakia 51.8% of GDP) in 2016.**

The highest government deficits within the EU 28 in 2016 were reported by countries peaked even in the previous years. Spain achieved the highest deficit in the EU of 4.5% of GDP, France 3.4% of GDP and Great Britain 2.9% of GDP. On the other hand, Greece, which recorded the highest deficit of 5.7% of GDP last year, posted a surplus of 0.5% of GDP in 2017. Compared to the previous year, the number of countries ending in surplus increased from four to eleven. The highest surplus was reached by Luxembourg 1.6% of GDP, Malta and Sweden the same 1.1% of GDP, Germany 0.8% of GDP and the Czech Republic 0.7% of GDP.

The view of public debt in 2016 copies the results of the previous year. The countries with the highest debt are countries with long-term high debt such as **Italy and Belgium. Five countries reached a level of indebtedness above 100%.** The highest public debt in 2016 was reported by **Greece at 180.8% of GDP, Italy at 132.0% of GDP and Portugal at 130.1% of GDP**. **Estonia** has the lowest debt at **9.5% of GDP**.

Slovakia with its **51.8% of GDP debt belongs among the countries with a lower debt, which is important from the point of view of the long-term sustainability of public finances.**

EU28 balance and general government debt (% of GDP)						
	Balance of general government			**Gross general government debt**		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
EU (28 countries)	**-3.0**	**-2.4**	**-1.7**	**86.5**	**84.5**	**83.2**
Eurozone	**-2.6**	**-2.1**	**-1.5**	**91.8**	**89.9**	**88.9**
Spain	-6.0	-5.3	-4.5	100.4	99.4	99.0
France	-3.9	-3.6	-3.4	95.0	95.8	96.5
Romania	-1.4	-0.8	-3.0	39.4	37.9	37.6
Great Britain	-5.5	-4.3	-2.9	-87.4	88.2	88.3
Belgium	-3.1	-2.5	-2.5	106.8	106.0	105.7
Italy	-3.0	-2.6	-2.5	131.8	131.5	132.0
Poland	-3.6	-2.6	-2.5	50.2	51.1	54.1
Slovakia	**-2.7**	**-2.7**	**-2,2**	**53.5**	**52.3**	**51.8**
Portugal	-7.2	-4.4	-2.0	130.6	128.8	130.1
Hungary	-2.7	-2.0	-1.9	75.2	74.7	73.9
Slovenia	-5.3	-2.9	-1.9	80.3	82.6	78.5
Finland	-3.2	-2.7	-1.7	60.2	63.6	63.1
Austria	-2.7	-1.0	-1.6	83.8	84.3	83.6
Croatia	-5.1	-3.3	-0.9	85.8	85.4	82.9
Ireland	-3.6	-1.9	-0.7	104.5	76.9	72.8
Denmark	1.1	-1.8	-0.6	44.0	39.5	37.7
Estonia	0.7	0.1	-0.3	10.7	10.0	9.4
Bulgaria	-5.5	-1.6	0.0	27.0	26.0	29.0
Latvia	-1.2	-1.2	0.0	40.9	36.9	40.6
Lithuania	-0.6	-0.2	0.3	40.5	42.6	40.1
Netherlands	-2.3	-2.1	0.4	68.0	64.6	61.8
Greece	-3.6	-5.7	0.5	179.0	176.8	180.8
Cyprus	-8.8	-1.2	0.5	107.5	107.5	107.1
Czech Republic	-1.9	-0.6	0.7	42.2	40.0	36.8
Germany	0.3	0.6	0.8	74.6	70.9	68.1
Malta	-1.8	-1.1	1.1	63.8	60.3	57.6
Sweden	-1.6	0.2	1.1	45.5	44.2	42.2
Luxembourg	1.3	1.4	1.6	22.7	22.0	20.8

Source: Eurostat

2. General government economy - requirements of the Fiscal Responsibility Constitutional Act

This chapter assesses developments in general government, particularly in view of the information to be included in the summary annual report on the basis of the Fiscal Responsibility Constitutional Act (balance of the general government budget, one-off effects and evaluation of the state debt management strategy). The specificity of these data and information is the fact that for the most part[2] they are not based on the standard methodology of ESA 2010 and in some cases they are based on estimates and methodology of the Ministry of Finance of the Slovak Republic (one-off effects, cyclical component, structural balance), but they extend the analytical view of the general government management over the balance and the debt.

2.1. Budget balance of the general government

The balance sheet of the general government budget provides an analytical view of the development of the main revenue and expenditure items of the general government as a whole for the given year. The balance sheet is consolidated, thus excluding transactions between individual entities of the general government. The structure of the presented balance consists of a combination of ESA 2010 code classification and economic classification. The combination of methodologies enables the presentation of analytical and at the same time internationally comparable data. The economic classification provides an in-depth view of the various income and expenditure categories and the ESA 2010 methodology enables international comparisons and is consistent with the macroeconomic categories of the national accounts (GDP, general government consumption).

2.1.1. General government revenues

The total revenues of the general government budget in the ESA 2010 methodology reached 31,910,172,000 Euros in 2016 (39.3% of GDP) and decreased by 4.8% year-to-year. The main factor behind the decline was the lower use of the EU funds (a year-to-year drop in grants and transfers by 62.1%). While 2015 Slovakia recorded a record absorption of the EU funds due to over-funding of the previous programming period, in 2016 there was a decline associated with lower EU fund absorption in the new programming period. The corporate income tax fell, while the growth was recorded on the personal income tax of natural persons and the VAT reached almost last year's value.

Tax and contribution revenues in 2016 accounted for 82.1% of all government revenues and recorded a year-to-year growth of 3.4%. The contribution of macroeconomic development to the growth of tax revenues was 3.2 pp. The Slovak economy moderately decrease the tempo of growth to 3.3% in 2016, mainly due to the lower absorption of the EU funds in the new programming period. The economic growth was driven by net exports and household consumption, which, thanks to good labour market conditions and falling prices, grew most since 2008. The highest employment growth

[2] Exceptions include the main revenue and expenditure items in the state budget balance, which are in the ESA 2010 methodology.

since the crisis pushed the unemployment rate to a record low single-digit level. Of all macroeconomic fundamentals, the decline was recorded only in the case of the interest base, which had a negative effect on the income tax revenue collected by deduction. The contribution of higher tax collection to tax and contribution revenues was 0.9 pp[3]. The tax collection was recorded especially in the case of VAT, personal income tax from employment and social and health contributions. Legislative measures and one-off effects reduced the year-to-year growth in tax revenues.

General government revenues (ESA 2010) in thousands of Euros

	2014	2015	2016	2016/2015 in %
Tax revenues	**13,251,973**	**14,301,679**	**14,577,630**	**1.9**
Taxes on production and imports	8,045,254	8,505,784	8,620,776	1.4
- Value added tax	5,021,131	5,420,173	5,419,650	0.0
- Excise taxes	2,014,994	2,108,224	2,173,884	3.1
- Import duties	-7	20	39	95.0
- Property taxes and others	224,873	228,214	236,895	3.8
Current taxes on pensions, property	5,206,715	5,795,901	5,956,850	2.8
- Personal income tax	2,275,117	2,464,414	2,682,069	8.9
- of which: from employment	2,132,904	2,319,132	2,541,925	9.6
- Corporate income tax	2,504,402	2,916,816	2,829,047	-3.0
- Income tax collected by deduction	175,061	162,006	179,212	10.6
- Property taxes and others	105,777	106,937	111,006	3.8
Taxes on capital	4	-6	4	166.8
Social security contributions	**10,360,111**	**11,042,304**	**11,617,093**	**5.2**
Real social security contributions	10,206,748	10,871,448	11,436,458	5.2
- Employer contributions	5,831,566	6,282,744	6,467,179	2.9
- Employee contributions	2,292,381	2,477,656	2,632,747	6.3
- Contributions of self-employed and non-working persons	2,082,801	2,111,048	2,336,532	10.7
Imputed social security contributions	153,363	170,856	180,635	5.7
Non-tax revenues	**3,842,378**	**4,115,361**	**4,172,828**	**1.4**
Sales	3,290,152	3,482,302	3,555,663	2.1
- Market output + for own final use	3,126,937	3,336,133	3,411,472	2.3
- Payments for other non-market production	163,215	146,169	144,191	-1.4
Property income	552,226	633,059	617,165	-2.5
- Dividends	304,097	336,603	334,648	-0.6
- Interest	191,410	226,809	226,094	-0.3
Grants and transfers	**2,472,913**	**4,072,944**	**1,542,621**	**-62.1**
of which: from the EU	1,194,671	2,788,375	787,800	-71.75
Other regular transfers	1,510,906	2,157,163	988,197	-54.2
Capital transfers	962,007	1,915,781	554,424	-71.1
Revenues total	**29,927,375**	**33,532,288**	**31,910,172**	**-4.8**
% of GDP	**39.3**	**42.5**	**39.3**	**-3.2**

Source: Statistical Office of the SR, Ministry of Finance of the SR

Value added tax in 2016 reached almost the same level as in the previous year. Several negative impacts, such as the closure of a large number of open inspections on deductible surpluses over the

[3] Assessment of the effects is in line with the methodology for assessing tax forecasts (Financial Policy Institute, MF SR). The calculation manual can be found at http://www.finance.gov.sk/Default.aspx?CatID=8958

previous year, a reduction in the rate for selected types of groceries or a fall in government investments were fully offset by higher tax collection efficiency.

In 2016 excise taxes recorded a year-to-year increase of 3.1%, the mineral oil tax contributed the most to this growth, which rose by 4.8%. Its higher collection can be attributed to both factors, to a better economic environment and to increased collection rate. The decrease in the effective excise tax rate on tobacco was offset by the growth of final consumption of households, which increased the tax revenues by 7,180,000 Euros (1.1%). In the case of other excise duties, between the years 2015 and 2016, there was a slight increase in the tax on alcohol and gas, with a minimum impact on the overall collection.

Personal income tax grew by 8.9% in 2016. The increase of the personal income tax from employment contributed by 222,800,000 Euros (9.6%), while the personal income tax from business decreased by 4,832,000 Euros (3.3%). The reason for the positive development of the personal income tax from employment was in particular improved wage base growth (growth of employment and average wages), to which up to 60% of the impact can be attributed, the remainder being the result of an increase in the effective tax rate.

Among the main taxes, the biggest year-to-year decline of 3.4% (87,769,000 Euros) was recorded by the corporate income tax. This decline is largely related to one-off factors that increased the corporate income tax revenues in 2015 but were not repeated in 2016. The main one-time factors affecting 2015 were the EU fund absorption in the last year of the programming period, and several legislative changes aimed at improving the payment discipline of companies that once reduced the volume of tax expenditures in 2015.

Income tax deducted from the previous year increased by 10.6% (17,207,000 Euros). The year-to-year decline in the interest base by 23% was offset by higher tax collection efficiency. One-off payments totalling 13,948,000 Euros contributed to the higher collection as well.

The year-to-year increase of 5.2% in actual social security contributions was mainly due to positive developments in the labour market. In 2016 the contribution revenues were also affected by legislative measures. The contribution deductible item negatively impacted the income from health contributions. On the contrary, the development of social contributions was positively influenced by the exit of the savers from the second pillar and by an increase in contributions in the pay-as-you-go pension system in the amount of 29,144,000 Euros.

In terms of non-tax revenues, in 2016 the revenues from the **sales** for the general government production increased by 2.1% in 2016. Over the past three years, the share of this item grew significantly in total general government revenues. The share of the sales of the general government revenue was 4.3% in 2012, rising to 11.1% in 2016. The main reason for this is the implementation of the ESA 2010 methodology, which led to the gradual transfer of a number of non-financial and financial corporations to the public sector (after several previous years of redeployment, no commercial company was transferred to the public sector in 2016). Since the main source of income for these accounting units is the sales achieved in a market environment, the dynamics of their revenue and expenditures are not directly affected by the government management, but by the market situation of specific production and services.

Dividends and earnings contributions recorded a decrease of 0.6%. The companies with the highest yield of ESA dividends in the budget of the general government in 2016 were Slovenský plynárenský priemysel, a.s. (140,614,000 Euros), Slovenská elektrizačná a prenosová sústava, a.s. (53,351,000 Euros) and three energy companies (in the total amount of 72,537,000 Euros). The highest increase in dividends was recorded in 2016 by Stredoslovenská energetika, a.s. (20.8%) and Slovenský plynárenský priemysel, a.s. (10.8%).

A sharp drop of 62.1% was recorded in 2016 in the area of **grants and transfers** (in 2015, on the other hand, this item increased at a record rate of 64.7%). In 2015, the EU funds of the previous programming period were largely absorbed, and in 2016 there was a decline related to the gradual rise of the new programming period. The development of the EU funds on the revenue side of the balance depends to a large extent on the use of European funds on the expenditure side of the budget.

2.1.2. General government expenditures

Total expenditures of the general government in 2016 in the ESA 2010 reached 33,684,085,000 Euros (41.5% of GDP). The main reason for the year-to-year decline of 5.6% was a decline in the EU fund absorption, which was demonstrated by a 43.9% decrease in **capital expenditures** in the general government balance.

Compensations for employees increased by 5.0% in 2016. Year-to-year growth was driven by an increase in the salaries of civil servants and employees in the performance of works in public interest by 4.0% as of 1 January 2016, excluding teachers, whose salaries grew by 6.0% year-to-year.

Considering the structure of consolidation, it is positive that the reduction in the general government deficit was brought about by expenditure items, which, in terms of the economic theory, are considered to be the least productive. This mainly includes a drop in **interim consumption** (consumption of goods and services within the general government) by 4.2%, **subsidies** mainly for agriculture and transport by 18.8% and **other current transfers** by 8.3%.

Consolidation was also contributed by the **interest expenses** of the public debt, which declined by 3.2% in 2016. The main reason for this was continuing consolidation (the cash deficit of the state budget decreased by 952,341,000 Euros year-to-year in 2016) and record low interest rates on the market.

Social transfers to the public are the most significant item of the general government budget, with a share of total expenditures of 46.1% in 2016, up 3.7% year-to-year. Favourable economic development and, in particular, the excellent labour market dynamics contributed to the drop in emergency benefits by 14.3%. On the contrary, after several years of decline, spending on active labour market measures increased significantly by 76.8%, which should make a positive contribution to further employment growth in the coming years.

General government expenditures (ESA 2010) in thousands of Euros				
	2014	2015	2016	2016/2015 in %
Current expenses	**28,756,425**	**30,076,888**	**30,534,166**	**1.5**
Compensation of employees	**6,693,738**	**7,049,497**	**7,400,143**	**5.0**
- Wages and salaries	4,894,200	5,141,582	5,412,214	5.3
- Employer social contributions	1,799,538	1,907,915	1,987,929	4.2
Interim consumption	**4,266,165**	**4,654,823**	**4,459,021**	**-4.2**
Taxes	**68,736**	**71,300**	**68,678**	**-3.7**
- Other taxes on production	38,512	60,713	55,362	-8.8
- Current property taxes, etc.	30,224	10,587	13,316	25.8
Subsidies	**519,818**	**463,736**	**376,401**	**-18.8**
- Agricultural subsidies	91,730	68,585	57,859	-15.6
- Transportation subsidies	238,880	261,460	242,321	-7.3
- Railway transport	67,549	8,537	9,633	12.8
- Road transport	163,781	246,755	228,690	-7.3
- Other	189,208	133,691	76,221	-43.0
Property income (Interest expenses)	**1,443,604**	**1,379,407**	**1,335,808**	**-3.2**
Total social transfers	**14,500,930**	**14,960,204**	**15,519,974**	**3.7**
- Social benefits other than natural soc. transf.	10,670,954	10,967,340	11,281,543	2.9
- Active labour market measures	50,675	39,175	69,276	76.8
- Sickness benefits	386,422	420,914	479,094	13.8
- Old-age pension benefits and disability pension benefits	6,416,494	6,596,793	6,829,807	3.5
- Unemployment benefits	154,721	158,624	171,630	8.2
- State social benefits and support	1,362,794	1,336,755	1,320,384	-1.2
- child allowance	319,094	315,599	312,838	-0.9
- birth allowance and parent allowance	35,102	41,463	43,890	5.9
- for parental allowance	356,002	355,279	352,444	-0.8
- for emergency benefits	244,457	213,181	182,656	-14.3
- for compensatory allowances	235,774	231,635	226,343	-2.3
- other	172,365	179,598	202,183	12.6
- Premiums paid for groups of persons established by the law	1,447,056	1,582,232	1,626,516	2.8
- social insurance	232,909	227,756	231,496	1.6
- health insurance	1,211,535	1,351,628	1,392,100	3.0
- Natural social transfers (health facilities)	3,829,976	3,992,864	4,238,431	6.2
Other regular transfers	**1,263,434**	**1,497,921**	**1,374,141**	**-8.3**
of which: Contributions to the EU budget	595,965	637,483	684,196	7.3
of which: 2% of taxes for public beneficial purposes	52,193	56,970	61,631	8.2
Capital expenditures	**3,227,069**	**5,614,990**	**3,149,919**	**-43.9**
Capital investments	2,841,590	5,055,850	2,806,380	-44.5
- Gross fixed capital formation	3,023,410	4,950,645	2,599,571	-47.5
- Change of inventory adjustment + Acquisition - Loss of valuables	47,120	6,430	21,319	231.6
- Acquisition minus the loss of non-fixed non-productive assets	-228,940	98,775	185,490	87.8
Capital transfers	385,479	559,140	343,539	-38.6
- Investment grants and other capital transfers	385,479	559,140	343,539	-38.6
Expenditures total	**31,983,494**	**35,691,878**	**33,684,085**	**-5.6**

% of GDP	**42.0**	**45.2**	**41.5**	**-3.7**

Source: Statistical Office of the SR, Ministry of Finance of the SR

2.2. One-off effects, cyclical component and structural balance

One-off effects can generally be defined as revenue or expenditures that is not of a lasting or recurring nature and has a temporal impact on the general government balance. Adjusting the general government balance for one-off effects together with the impact of the economic cycle allows analytical evaluation of the nature of fiscal policy. One-off effects are part of the EU's fiscal surveillance and are used to assess the compliance of the country's public finances with European fiscal rules[4].

In Slovak legislation, the one-off effects are established in the Act on Budgetary Rules of the general government and in the Fiscal Responsibility Constitutional Act. The Ministry of Finance of the Slovak Republic published a methodological manual in 2013[5] laying down detailed rules for their identification. Due to the slight differences between the European and national methodology, the Ministry of Finance uses two types of calculations depending on the purpose of use. In this report, the methodology of the European Commission and the current macroeconomic forecast of the Ministry of Finance of 13 September 2017 were used in identifying one-time measures and estimating the cyclical component[6]. The following table identifies one-time effects between 2014 and 2016.

One-time impacts (ESA 2010, millions of Euros,% of GDP)							
		mil. Euros			**% of GDP**		
	cat.	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
One-time impacts total		**208**	**0**	-35	**0.27**	**0.00**	**-0.04**
- revenues from the sale of telecommunication licenses (digital dividend)	Revenues*	164	0	0	0.22	0.00	0.00
- a one-off payout of the old-age benefits to armed forces	Expenditures *	-58	0	0	-0.08	0.00	0.00
- correction of levy to EU budget	Expenditures *	58		-35	0.08	0.00	-0.04
- fine of the Antimonopoly Office for a building cartel	Revenues*	45	0	0	0.06	0.00	0.00

** R - Revenue Item, E - Expenditure Item; ** (+) restriction (-) expansion* *Source: IFP*

In 2016 one one-time effect was identified. Following the decision of the European Council 2014/335/EU (ORD 2014), with retroactive effect as of 1 January 2014, the revision of the European Union's own revenue calculation was made. Due to this ratified modification, an additional one-time contribution from Slovakia's budget to the EU budget amounted to 35,160,000 Euros (0.04% of GDP).

[4] The system of European fiscal rules is described in more detail in the glossary of terms at the end of the document .

[5] One-time effects (update June 2015), http://www.mfsr.sk/Default.aspx?CatID=9595

[6] The principles of the European Commission are described in the so-calledVade Mecum, which is a manual for the Stability and Growth Pact.

The cyclical component reflects the response of the general government revenues and expenditures to changes in the production gap resulting from the fluctuation of the economy around its potential. The size of the cyclical component depends on the size of the production gap and the elasticity of the selected revenue and expenditure categories that respond to fluctuations in the economic activity. In 2016, the Slovak economy was slightly below its potential. The estimated cyclical component thus contributed positively by 0.1% of GDP in the calculation of the structural balance.

The structural balance is defined as the government balance adjusted by one-time effects and the impact of the economic cycle (cyclical component). **The structural deficit reached 2.1% of GDP in 2016 and fell year-to-year by 0.4 pp of GDP.** The consolidation effort at 0.4% of GDP observed the European fiscal rules, which required a consolidation effort of 0.25% of GDP in 2016.

Calculation of structural balance and consolidation effort (ESA 2010)

	in thousands of Euros	% of GDP		
	2016	2014	2015	2016
1. General government balance according to ESA 2010	**-1,773,913**	**-2.7**	**-2.7**	**-2,2**
2. One-off effects total	-35,160	0.3	0.0	0.0
3. Cyclic component	-	-0.6	-0.3	-0.1
4. Structural general government balance (1-2-3)	**-**	**-2.4**	**-2.4**	**-2.1**
May Consolidation effort (year-to-year change 4)	-	-0.4	-0.1	0.4

Source: Financial Policy Institute, Ministry of Finance of the SR

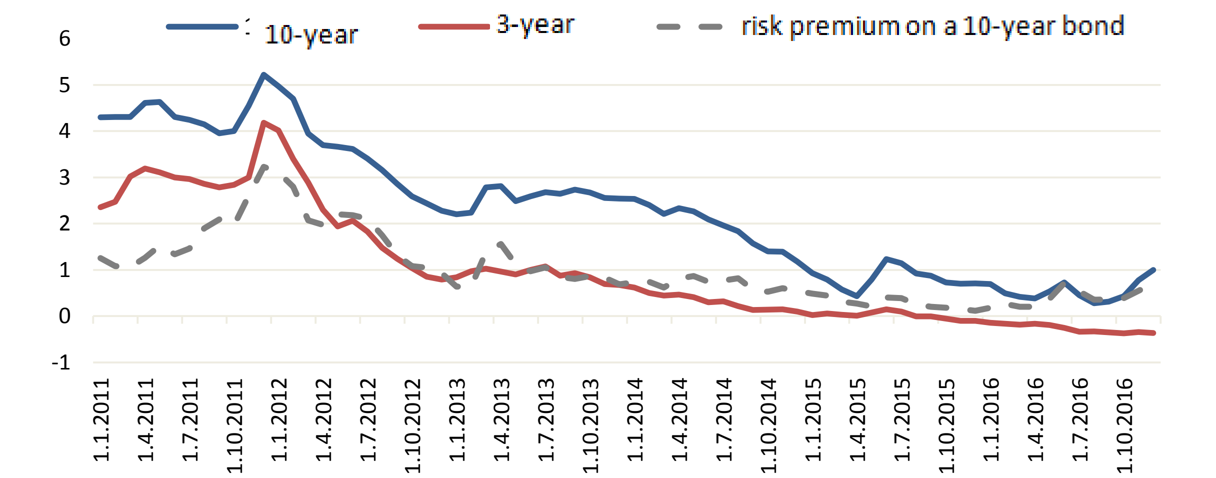
2.3. Evaluation of the state debt management strategy for the year 201 6

The main events in 2016 on the global markets were the US election, the Brexit vote and the rise in geopolitical risks. However, persisting political uncertainty remained the main obstacle to a more robust acceleration of economic growth and the primary risk of the outlook for the external environment. Equity markets have offset the loss since the beginning of the year, but have consequently stagnated mainly due to weaker economic growth in Europe and increased geopolitical risks. World markets recorded a positive impulse by the end of the year when, with the exception of China, they responded positively to the US election results.

The main event on the commodity market was the bounce-off of oil prices from the bottom, confirmed with the agreement to cut production in OPEC countries in December 2016. The agreement stabilised prices at USD 55/barrel. During the year, the FED raised its rate only one time, namely to the level of 0.75%. The European Central Bank (ECB) modified the QE parameters. In December 2016, it decreased the volume of purchases by 20 billion Euros to 60 billion Euros per month. There was also an extension of purchases by nine months for the planned end of the program in March 2017. This should further slightly strengthen the US dollar, which is against the basket of US trading partners at 15-year highs. The British pound since the Brexit referendum weakened to a low in October 2016 when it traded at USD/GPB 1.2. Long-term European bonds left the historical lows during the year, indicating positive inflation expectations as well as rising political risks. These included elections in Germany, France and the Netherlands.

Slovakia's state debt financing in 2016 was provided by the Debt and Liquidity Management Agency on behalf of the Ministry of Finance of the SR under relatively stable conditions without the need to use less traditional forms of financing. At the end of the year, a portion of government bonds before maturity was redeemed earlier, resulting in a more comfortable repayment of large government bond issues and a moderate reduction in the cost of holding a cash reserve. Consolidation on the capital markets has yielded favourable conditions for "safe" countries in the form of interest rates at the level of historical lows and for Slovakia also the demand by those investors who see Slovakia as the core of the Euro area. Favourable conditions on the financial markets were used by Slovakia to substantially improve the risk profile of the sovereign debt portfolio towards a higher average maturity and a lower risk of a negative portfolio revaluation. As a result, the average weighted maturity of the portfolio slightly increased to 7 years and the average weighted duration to 6.4 years.

Revenues of selected Slovak government bonds and risk premium against German 10-year government bonds (in% and pp)



Source: Bloomberg, Ministry of Finance of the SR

2.3.1. Evaluation of the fulfilment of the objectives of the sovereign debt management strategy

The government debt management strategy sets quantitative limits for refinancing and interest rate risk. The aim of debt management is to achieve a close approximation to the set values, or to keep the debt parameters as close as possible to the set values.

- The value of the cumulative maturity refinancing risk of up to one year was set at 20% of the liabilities payable within one year to total liabilities. The value of this criterion at the end of 2016 increased year-to-year from 18.5% at the end of 2015 to 20.3% of total liabilities. The value of the cumulative maturity refinancing risk of up to one year was set at 55% of the liabilities payable within five years to total liabilities. The value of this criterion reached 43.0% at the end of 2016. Compared to the same period last year, there was a decrease from 48.2% of the total liabilities.

- The value of the cumulative refixation interest risk of up to one year was set at 25% of the liabilities refixed within one year to total liabilities. The value of this criterion was 20.4% at the end of 2016 (18.6% at the end of 2015). The value of the cumulative refixation interest risk of up to one year was set at 55% of the liabilities refixed within five years to total liabilities. The value of this criterion was 40.3% at the end of 2016 (48.9% at the end of 2015). All the above-mentioned indicators of the sovereign debt portfolio were positively reflected in the issuance policy, the goal of which was the use of the option of emitting sovereign bonds with a longer maturity at the expense of the use of short-term, cheaper sources of funding.

In 2016, three new bond lines were opened on the domestic market: 7.5-year, with zero coupon yield maturing in 2023 at the face value of 1.5 billion Euros. Another 9.5-year coupon yield of 0.625% with the maturity in 2026 at the face value of 1.5 billion Euros and the longest 15-year bond with coupon yield of 1.625% with the maturity in 2031 at the face value of 3 billion Euros.

In the same year, three issues were paid out, one of them being denominated in Japanese yen registered abroad, two Euro-denominated issues registered in Slovakia. As at 31 December 2016, the Ministry of Finance had a total of 28 "live" issues (of which 11 were registered abroad). Also in 2016, ARDAL to a greater extent made reverse purchases of government securities for the purpose of more efficient debt and liquidity management.

Also in 2016, ARDAL to a greater extent made reverse purchases of government securities in particular in period in the end of the year. Bond repurchases make it easier to repay large issues and slightly reduce the cost of managing the cash reserve.

2.3.2. State debt management in 2016

The following table shows the basic quantitative parameters of state debt management in 2016. The table shows the average interest rate and maturity on the newly issued debt. The Debt and Liquidity Management Agency issued securities on behalf of the Ministry of Finance of the SR in 2016 in the total value of 5,446,000,000 Euros, issuing bonds denominated only in Euros with a fixed interest rate in the value of 5,046,000 Euros. In 2016 state treasury bills were issued in the amount of 400,000,000 Euros. In addition to securities, loans in the face value of 330,000,000 Euros were received to cover the debt with an average weighted interest rate of 1.15% and an average weighted maturity of 18 years.

State debt implemented in 2016 in thousands of Euros

Type of security	Face value	Average interest / premium (government bond float)	Average maturity (year)	Type of coupon rate
State bond fix	5,046,000	0.60%	9.7	fixed
Treasury bills	400,000	-0.22%	1.0	zero
Loans	330,000	1.15%	18.1	fixed
Gross debt	**5,776,000**	-	-	-
Government bond fix repurchase	-737,865	-0.36%	0.3	fixed

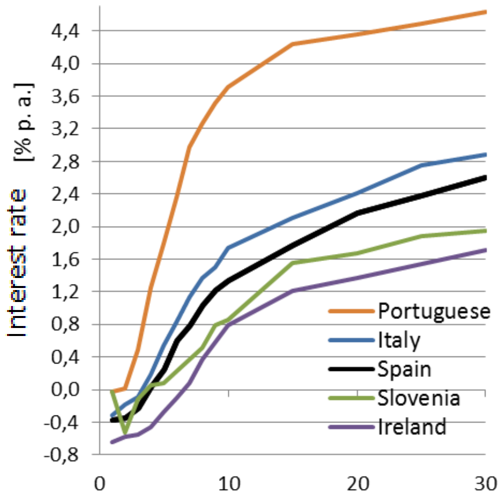
Government bond float repurchase	-51,075	-0.16%	0.5	6M Euribor
Net debt	**4,987,060**	-	-	-

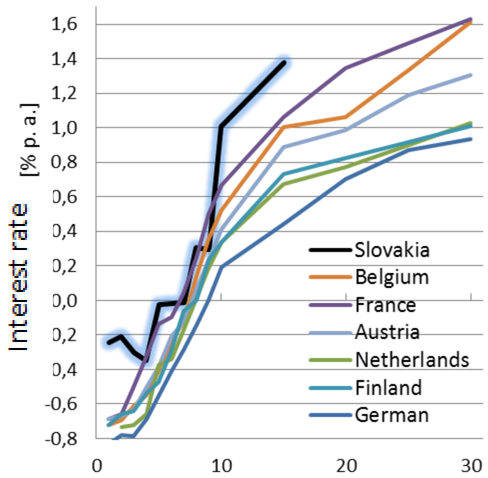
Source: Ministry of Finance

The structure of the presented average interest (costs) and maturity corresponds to the individual types of securities that have been aggregated within their category. "Government Bond Fix" refers to a fixed interest rate bond. "Government Bond Fix and Float Redemption" refer to the premature amortization of government bonds with fixed or floating rate originally payable at a later date.

These transactions de facto reduced the debt in 2016, so the table shows the debt in both gross and net terms. The weighted average interest rate of all "live" bonds in 2016 declined by approximately 0.6% compared to 2015 to 3.01%. The substantial change resulted in a decrease in average interest expense for fixed interest rate bonds.

When comparing the yield curve (the development of interest rates on the maturity of government bonds in years) of Slovakia with the Euro area countries, our yield curve is roughly in the middle of the range, along with Ireland. The first five countries are formed by strong European economies like Belgium, France, Austria, the Netherlands, Finland and Germany. The curves of Slovenia, Italy, Spain, and Portugal are moving above our interest curve. Graphs of yield curves were updated as of 31 October 2016.





Source: ARDAL

3. Net wealth

The first two chapters of the summary annual report assess the management of public finances from the point of view of the public sector as defined by Eurostat in the ESA methodology. This view is most widely used in EU countries due to the fact that European fiscal rules[7] are formulated for the general government, and the national budgets of most countries are currently set up also for the area of the general government and in this methodology. **This chapter broadens the view of public finances from general government to the public sector and its main indicator of the net wealth.** The obligation to present the net wealth as well as information on the management of state-owned enterprises in the summary annual report stems from the Fiscal Responsibility Constitutional Act, with the **emphasis on explaining year-to-year changes in net wealth items.**

3.1 Concept of net wealth

The public sector is a wider concept than the general government, and over the general government it also includes general government companies and the National Bank of Slovakia. Under Slovak conditions, the public sector is defined by the Fiscal Responsibility Constitutional Act because of the need to quantify the net wealth of the SR.

The net wealth describes the status of the public sector economy at the end of the year. According to the Fiscal Responsibility Constitutional Act the net wealth is understood as the sum of the equity of the general government entities, the equity of the National Bank of Slovakia, the equity of the state-owned and local government enterprises, adjusted for implicit liabilities, other assets and other liabilities, including contingent liabilities.

The net wealth has a specific structure, and therefore its correct interpretation is very important. In case of net wealth, it is important to analyse only the individual components of its structure, such as the companies' equity, contingent liabilities or implicit liabilities, since they are economic standalone indicators. Net wealth must be perceived as a complex of all types of indicators that are essential to monitor in terms of the financial stability and the wealth of the state.

Analysing and explaining the year-to-year changes to net wealth components provide important information about the state economy, which may not capture the traditional view of the government balance and debt of the general government. There are policies and transactions that, for methodological reasons, do not have to show on the balance and the general government debt, but have a negative or positive effect on the net wealth of the state. The concept of net wealth thus allows for a better assessment of the state's economic policy from the point of view of public finances.

[7] These are, in particular, the Stability and Growth Pact rules, which set the government deficit threshold at 3% of GDP and the government debt ratio of 60% of GDP (see the glossary of basic terms for more details on the European fiscal rules).

3.2 Estimate of net wealth for 2016

The estimated net wealth of the Slovak Republic amounted to **120,726,845,000 Euros** as at 31 December 2016 **(-148.8% of GDP)**. Compared to the previous year, the net asset value improved by 13,727,459,000 Euros, reducing the negative share of GDP by 22.1 pp.

Net wealth of the Slovak Republic (in thousands of Euros)				
	2014	**2015**	**2016**	**Δ 2016-2015**
Public sector equity (1)	-17,153,233	-19,297,220	-21,732,774	-2 435 554
Equity of of the general government aggregate	-14,039,738	-16,215,078	-18,875,763	-2,660,685
Equity of enterprises under MH Management, a.s.	303,726	276,226	279,673	3,447
Equity of the National Bank of Slovakia	-3,417,221	-3,358,368	-3,136,684	221,684
Implicit liabilities (2)	111,466,637	102,725,905	88,807,252	-13,918,653
Contingent liabilities (3)	13,401,059	13,271,343	12,948,856	-322,487
Other assets (4)	866,053	840,164	2,762,037	1,921,873
Net wealth of SR (1-2-3+4)	**-141,154,876**	**-134,454,304**	**-120,726,845**	**13,727,459**
in % of GDP	***-185.9***	***-170.9***	***-148.8***	**22.1**

The following subchapters explain in detail changes in the individual components of net wealth,with the exception of the equity of the companies of MH Management, a.s. (successor to the Slovak National Property Fund). The ownership of these companies forms a subgroup of state-owned enterprises that are listed separately for the purposes of quantification of net wealth because this group of enterprises is not part of the aggregate and therefore is not the subject of consolidation. Equity of companies under MH Management, a.s. is the sum of the equities of the individual companies from individual financial statements, the amount of equity being recalculated by the ownership interests of the state in these companies. The companies' equity capital under MH Management, a.s. increased slightly year-to-year by a total of 3,447,000 Euros. In 2016 there was no change in interest due to the sale or transfer of their administration onto other entities.

3.2.1. Equity of the general government aggregate

As at 31 December 2016 the aggregate equity reached a negative value of 18,875,763,000 Euros, representing a negative economic result of 19,036,314,000 Euros, the shares of other accounting entities in the amount of 207,705,000 Euros and valuation differences in the amount of -47,154,000 Euros. The economic result forms 93% of the result achieved in previous accounting periods. **On year-to-year basis, the total equity of the aggregate unit decreased by 2,660,685,000 Euros.**

The result of the previous years of the aggregate consists mainly of:

- undistributed profits or unpaid loss of the business companies;
- transfer of balances of capital funds, reserve funds and other funds of business companies;
- transfer of the balance of central government funds;

- the economic result of all budgetary organizations of the central administration;
- corrections of significant errors of previous accounting periods or changes in accounting policies and policies that have an impact on the result of previous periods.

From the point of view of the size of the equity in the aggregate unit, the most important is the central administration and within itself is the Ministry of Finance of the Slovak Republic. The specific position of the Ministry of Finance of the SR is that it accounts for all transfers provided from the state budget, which are reported on the one hand in the expenditure of the given year, and also in the accrual expenses. These are different types of transfers, which cannot be provided only by the Ministry of Finance of the Slovak Republic, but also by the other chapters of the state budget and their budgetary organizations in their founding competence. On the other hand, the Ministry of Finance of the Slovak Republic posts the most important revenues of the general government, namely tax and non-tax revenues of the state budget.

Due to the deficit of the state budget management, the deficit is also the main reason for the negative economic outturn for 2016. Such cumulative negative economic results of the state budget are included in the economic results of the previous years'.

The second significant transaction that impacts the negative result of the economic result of the central administration of the previous years is posting the long-term reserve for employee benefits of the employees of the state budgetary and the state contributory organizations. The amount of this reserve is posted on the basis of an expert judgement which takes account of the current legislation on the provision of benefits in the central administration, the wording of collective agreements and the higher collective agreement in the central administration, the number of employees, their age structure and other factors. The purpose of the calculation and disclosure of this long-term reserve (liability) is to apply the provisions of the International Accounting Standards and thereby to disclose information from the relevant data about the state's commitment to its employees resulting from the current legislative obligation. What is uncertain about reserves is the amount and timing of these liabilities in line with the definition of book reserves. As at 31 December 2016, the reserve for employee benefits of the central administration was booked by the Ministry of Finance of the SR in the amount of 20,648,623,000 Euros. Of this, with the effect on the economic result of the previous years in the amount of 1,432,044,000 Euros due to the correction of the input parameters needed for the calculation itself.

Overall, the economic results of previous years' for the central administration reached -33,646,946,000 Euros, which is by 1,216,489,000 Euros better result than in 2015 (-34,863,435,000 Euros), mainly due to the inclusion of state-owned enterprises and state funds in the consolidation node of the central administration. Other organisations of the aggregate unit improve this result, such as municipalities 9,592,863,000 Euros (2015: 9,257,871,000 Euros) and higher territorial units 960,396,000 Euros (2015: 887,939,000 Euros).

The economic result of the current accounting period 2016, which is the result of the difference between accounting revenues and accounting costs, reached the total of - 1,418,811,000 Euros for the aggregate unit. The negative result was recorded on a year-to-year basis, namely 532,462,000 Euros. The negative result of the central administration economy in the amount of -1,716,032,000 Euros is year-to-year to 903,852,000 Euros. Without the impact of switching the state-owned enterprises and the state funds into another category, the result for the central administration was improved year-to-year by 851,535,000 Euros.

The municipalities together with their consolidation organizations achieved the accounting profit in the amount of 303,882,000 Euros and higher territorial units in the amount of 95,645,000 Euros.

The negative result of the management of the central administration is influenced mainly by the cash result of the state budget management, since many revenues and expenditures also mean revenues and expenses in the given period (subject to the condition of temporal or substantive correlation with the given accounting period), the creation of a reserve for employee benefits of the central administration, whose creation is charged to the costs of a particular year or to the profit or loss of previous periods.

Gains or losses arise from the revaluation of assets and liabilities from revaluation of capital interests in companies that are not part of the aggregate unit or represent minority interests of aggregate entities in companies. The losses reached -47,153,000 Euros as at 31 December 2016 and year-to-year they were down by 10,944,000 Euros, mainly by reducing the valuation differences in municipalities by 5,675,000 Euros.

Interests of other accounting units are reported using the equity method in accounting consolidation. It is a method of including minority interests in companies in the summary financial statements, which consists of comparing the value of the interests of the shareholder and the value of the company's equity. Since ownership is less than 51%, the revalued value of shares attributable to other owners of these companies forms a separate item in the equity of the aggregate unit. Year-to-year the value of interests of other entities decreased by 1,802,000 Euros, especially in the central administration by 1,515,000 Euros due to a change in the consolidation method of JESS, a.s. (from share to the equity method). The interests of other accounting entities are affected in particular by the profit of the company, which is attributable to the interests of all the owners, a change in the share in the company's registered capital or a change in the consolidation method.

3.2.2 Equity of state-owned enterprises

The equity capital of the state-owned enterprises amounted to **16,942,178,000 Euros** as at 31 December 2016 **(20.9% of GDP)** . This figure is unconsolidated and represents the sum of equity of individual enterprises from individual financial statements calculated on the size of the state's ownership interests. This figure cannot be linked to the figure of the total net wealth in Section 3.2 because, in the context of net wealth, all enterprises other than MH Management, a.s. are included in the aggregate unit and the equity data are consolidated.

The equity of the state-owned enterprises **increased by 384,174,000 Euros** [8]. The following section details the changes in equity for selected businesses. *Annex no. 1* contains a table overview of all state-owned enterprises, state interests (as at 31 December 2016) and their own equity and results (for the last three years). The notes under the table show changes as at the end of 2016 compared to the previous year for enterprises where the ownership interest of the state changed and where a merger, formation or dissolution took place.

When commenting on year-to-year changes in the equity of selected companies, for the purpose of this report, we focus in particular on five main items that cause an increase or decrease in equity:

- **The result of the current accounting period** is the net profit (equity increase) or loss (equity decrease) for the monitored year. This is the most important item because the results of the economy directly point to an added value of the enterprise to the net wealth.
- **Dividends** are an item that is usually paid out of profits for the previous accounting period and cause a decrease in equity. Dividends may be disbursed in a given year, or only approved for disbursement, and subsequently paid out in a later period. In the case of dividends, super dividends are specifically mentioned if their payment is recorded at the enterprise in the year in question. Superdividends are generally defined according to the ESA 2010 National Accounts Methodology as dividends exceeding the last or the most recent level of dividends and profits. Superdividends thus indicate a faster decrease in equity.
- **Direct contributions of the shareholders to equity** increase a company's equity. Direct deposits are monetary and non-monetary contributions to registered capital, capital funds or deposits used to cover a loss.
- **Changes in revaluation of assets and liabilities** may reduce and increase equity due to the difference between the accounting and real valuation of certain items of assets and liabilities. Specific cases are explained in more detail with individual companies.
- Under "**other changes**", we include corrections of material mistakes of prior accounting periods and differences from changes in accounting policies used and accounting policies that are accounted for directly in equity (in profit or loss from previous periods) and which may cause a decrease or an increase in the equity of an enterprise. It also includes changes in reserves from hedging derivatives or changes in other reserves that are not related to revaluation.

The following table provides an overview of changes in the equity of selected state-owned enterprises. The aforementioned enterprises account for up to 91.2% of the total equity of all state-owned enterprises recalculated to state ownership interests.

Year-to-year change in equity as at 31 December 2016 in thousands of Euros

Company	Equity Δ2016-2015	Economic result	Dividends	Revaluation	Partners' contributions	Other
Národná diaľničná spoločnosť, a.s.	248,223	28,223	0	0	220,000	0

[8] The year-to-year comparison is based on a revised corporate equity data for 2015. The current figure is 16,558,004,000 Euros, in the last year's report the value was 16,543,805,000 Euros. The growth is mainly due to the updating of balance of the financial statements.

Slovenský plynárenský priemysel, a.s.	151,584	462,989	-315,000	3,595	0	0
Slovenské elektrárne, a.s.	126,937	116,833	0	10,104	0	0
Railways of the Slovak Republic (ŽSR)	30,290	8,173	0	-4,603	26,720	0
SEPS, a.s.	21,402	57,360	-53,351	17,393	0	0
Stredoslovenská energetika, a.s.	12,341	78,010	-65,646	-23	0	0
Jadrová a vyraďovacia spol., a.s.	3,731	12,903	-5,000	-1,705	0	-2,467

Company	Equity Δ2016-2015	Economic result	Dividends	Revaluation	Partners' contributions	Other
Slovenská pošta, a.s.	2,029	2,277	0	-248	0	0
Slovenská záručná a rozvojová banka, a.s.	593	2,529	-2,000	64	0	0
Vodohospodárska výstavba, š.p.	212	1,209	0	-225	0	-772
Lesy Slovenskej republiky, š.p.	-138	7 281	-5,300	0	0	-2,119
Verejné prístavy, a.s.	-2,325	-2,063	-255	0	0	-8
Transpetrol, a.s.	-2,667	4,608	-6,939	0	0	-335
Železničná spoločnosť Slovensko, a.s.	-5,678	-5,152	0	-526	0	0
Letisko M.R.Š.-Airport BA, a.s.	-6,030	-6,297	0	267	0	0
Západoslovenská energetika, a.s.	-6,409	50,860	-57,570	270	0	1
Exportno-importná banka SR	-11,197	-4,685	-250	0	0	-6,262
Slovenský vodohospodársky podnik, š.p.	-14,822	-7,990	0	0	0	-6,832
Východoslovenská energetika Holding, a.s.	-29,225	41,251	-70,587	112	0	-1
Všeobecná zdravotná poisťovňa, a.s.	-193,421	-112,338	0	-3,138	0	-77,945

Source: Individual financial statements

National Motorway Company (Národná diaľničná spoločnosť, a.s. – NDS)

The NDS equity in the year 2016 increased by 248,223,000 Euros year-to-year, mainly due to the cash contribution of the shareholder in the company's registered capital of 220,000,000 Euros to secure tasks in the preparation of a PPP project in the public interest (implementation of sections of the D4 motorways and the R7 expressway). Net profit reached 28,223,000 Euros.

The year-to-year growth of net profit of 20.7% was due to a faster growth of revenues (+4.2%) than of costs (2.6%). The main source of revenue generation was in particular higher revenues from electronic toll and the sale of motorway vignettes (year-to-year sales growth of 14.3% due to the introduction of an electronic motorway vignette to increase accessibility as well as the control system via static gantries or mobile patrols, while the highest share of revenue generation was from the sale of 1-year electronic vignettes, 60.4%). The slower growth of costs was mainly influenced by the clearing of subsidies in operating costs with a positive impact on profits due to the use of assets acquired in the form of subsidies (a year-to-year increase of 11.8%). The negative impact on profits was from a growing year-to-year trend in particular of the electronic toll cost items (consequence of incorporating legislative adjustments into the system), material and service consumption (higher repair costs of motorways and expressways), personnel expenses (year-to-year increase in staff numbers) and depreciation and amortization (the impact of completion and the inclusion of buildings in assets).

Slovenský plynárenský priemysel, a.s. (hereinafter referred to as "SPP")

The equity of SPP increased by 151,584,000 Euros in 2016 mainly due to the profits achieved for the current period in the amount of 462,989,000 Euros. The positive impact of the profits was partly eliminated by the payment of dividends amounting to 303,000,000 Euros, a superdividend of 162,386,000 Euros and the ESA dividend for 2016 was reported at 140,614,000 Euros. In addition to paying dividends to the shareholder, on the basis of a resolution of the Government of the Slovak Republic, the shareholder decided to provide a gift to the City of Bratislava in the amount of 12,000,000 Euros, which was recognized as a superdividend in terms of the ESA methodology. The change in the provision for hedging derivatives of 3,724,000 Euros also had a positive impact.

The profit for the current period increased by 6.4% due to the year-to-year mitigation of the generated operating loss (down by 85.3%). The reason for the year-to-year mitigation of the operating loss was the savings on several cost items (8.9%), mainly on gas purchases (the reduction in costs was mainly affected by lower gas prices on international markets), material consumption, energy and services consumption and drop in storage costs of natural gas. The positive impact of savings on the cost items partly specified above mitigated the higher provisioning of receivables against risky clients and the creation of provisions for unfavourable contracts. A negative year-to-year trend was also recorded for revenues, mainly revenues from gas and electricity sales. The reason for the decline in sales was due to the fall in gas prices on international markets and the decrease in sales prices in the regulated segments (from 1 January 2016 and from 4 July 2016). The negative impact of prices was partially eliminated by a higher consumption of natural gas, in Slovakia by 2.0% year-to-year, due to cooler weather and economic growth. The influence of the competitive environment on the Slovak energy market was also significant, which was reflected in a decrease in the number of natural gas delivery points but also in a double increase in the number of power delivery points. The profit for the current period was also influenced by the lower dividends received from the subsidiary SPP Infrastructure, a.s. (down by 6.2%).

Slovenské elektrárne, a.s. (hereinafter referred to as "SE")

The equity capital of SE increased by 126,937,000 Euros in 2016 compared to the previous year mainly due to the profit achieved for the current period of 116,833,000 Euros and the impact of the updated valuation of reserves in the amount of 10,104,000 Euros.

The year-to-year growth of earnings (almost 4.9 times) was mainly due to the impact of embedded derivatives posted in the financial result, which generated higher yields over the year (2.4 times growth) and lower costs (down approx. 47.6 %). The impact of the operating activity itself, presented by the level of operating profit, was negative (decrease by 9.6%). The year-to-year decline in operating profits was mainly due to the negative impact of the change in the reserve for the decommissioning and disposal of nuclear power facilities and spent fuel management. A negative influence was also observed in the change of the reserve for decommissioning and liquidation of thermal power plants (they constitute reserves for gradual decommissioning of the plants in Nováky and Vojany after the expiration of their remaining accounting lifetime). A year-to-year decline was also recorded in the sales of electrical power and heat (the drop in domestic sales was partly offset by higher sales volume on the foreign market). The negative trend of some of the accounting items was partially offset by the positive development of other accounting items, in particular: the absent negative impact of asset value testing, which had a significant impact on the decrease in profits in the previous accounting period, the associated decrease in the annual depreciation of 9.7% resulting in a decrease in the value of the assets) and a drop in personnel costs by almost 29.1% due to the signing of a new collective agreement and its impact on the employee benefits as well as a lower number of employees (by 4.7%).

Železnice Slovenskej republiky (hereinafter "ŽSR")

The equity capital of ŽSR increased by 30,290,000 Euros in 2016 compared to the previous year mainly due to the non-financial investment in the value of 26,720,000 Euros and the net profit in the amount of 8,173,000 Euros.

Net profit fell by 9,016,000 Euros year-to-year (down by almost 52.5%) due to a drop in revenues of 1.0% and a rise in operating costs of 2.7%. The main impact on the decrease in operating revenues was due to lower revenues from the sale and distribution of traction electricity (the impact of lower sales of electricity, which also countered the saving of energy costs). In terms of other operating revenues, the revenues for siding performances declined in particular. Revenues from access to railway infrastructure, which are made up of the compensation provided by the state to ŽSR for the reduction of charges for access to railway infrastructure by freight forwarders, increased year-to-year slightly. Compensations are provided on the basis of the Resolution of the Government of the SR No. 390/2013 adopted on 10 July 2013 with the effect until 31 December 2016. The negative trend of operating revenues was partially offset by the growth of sales from rail infrastructure operations (by 1.8%) due to higher transport performances for freight (by 3.0%) and passenger transport (by 0.1%).

The increase in operating costs was mainly due to the year-to-year increase in personnel costs (by 6.1%) as a result of a collective agreement. The increase in other operating expenses net (by 52.5%) was due to lower netting of the provision. The negative trend of the aforesaid items of operating costs partially alleviated the year-to-year decrease of depreciation and amortisation, saving on material consumption and energy.

In addition to profits, the amount of equity capital was also affected by the non-cash contribution to capital funds in the amount of 26,720,000 Euros (transfer of land ownership title). The revaluation of the provision for employee benefits had a negative impact on the final equity status.

Slovenská elektrizačná prenosová sústava, a.s. (hereinafter referred to as SEPS")

The SEPS equity capital increased by 21,402,000 Euros in 2016 compared to the previous year as a result of the profit for the current period in the amount of 57,360,000 Euros and the effects of movements on revaluation funds in the amount of 17,393,000 Euros (mainly as a result of asset revaluation). The positive effects partially eliminated the negative impact of dividend payments of 53,351,000 Euros (corresponding to the amount of the dividend according to ESA).

Net profit fell 21.4% year-to-year, in spite of the year-on-year increase in the volume of power production by 0.7%. Power consumption in Slovakia, on the other hand, grew year-to-year by 1.6% (increased consumption was covered by energy imports). The main source of the year-to-year decline in profits was lower revenues by 8.5% due to lower revenues from cross-border electricity transmission - OT profile, from other regulated revenues as shipping and daily market, system services, system operation and deviations. The negative impact of lower revenues was partly mitigated by a decrease in auctioning costs and the use of the OT profile. The decrease in the amount of annual depreciation (by 3.7%) due to the revaluation of assets implemented in 2016 in accordance with IAS 16 and the reassessment of the useful life of individual asset items also had a positive impact on the profit for the current period.

Stredoslovenská energetika, a.s. (hereinafter referred to as "SSE")

The equity of SSE increased by 12,341,000 Euros in 2016 mainly due to the profits achieved for the current period in the amount of 78,010,000 Euros. The positive impact of the achieved profits was partially eliminated by the dividend payout in the amount 65,646,000 Euros (dividend pertaining to the state ownership was 33,480,000 Euros for 2016, of which dividend according to the ESA methodology was in the amount of 31,911,000 Euros and the superdividend in the amount of 1,569,000 Euros).

Net profit recorded a year-to-year increase of 18.8% in 2016. The increase was mainly due to higher revenues from dividends received from the subsidiary Stredoslovenská energetika - distribúcia, a.s., which in 2015 achieved a higher profit due to the positive trend in the operating activity and the commissioning of SSE with the purchase of electricity from RES/CHP electricity producers. SSE's operating earnings declined year-to-year by 8.1% as a result of a higher decrease from the sales of surplus electricity through spot contracts, brokerage and balancing deviations. A decrease in the cost of purchasing electricity was recorded for purchases from long-term contracts, spot contracts and balancing deviation costs. This negative trend from the main business activity partially diminished the year-to-year savings on personnel costs, depreciation and amortization as a consequence of the ongoing reorganization of the SSE Group (as at 31 December 2015, the sale of a part of SSE to Stredoslovenská energetika - distribúcia a.s., which deals with the provision of IT services, was carried out, which involved the transfer of assets, employees, receivables and liabilities related to the performance of these activities).

Železničná spoločnosť Slovensko, a.s. (hereinafter "ŽS Slovensko")

The equity of ŽS Slovensko, a.s. decreased by 5,678,000 Euros in 2016 as a result of the loss of 5,152,000 Euros and the negative impact of the revaluation of the provision for employee benefits in the amount of 526,000 Euros.

Loss generation, which declined by 12.5% year-to-year, was mainly caused by a reduction in operating losses due to a higher increase in operating revenues (by 1.7%) than operating costs (by 1.2%). The total year-to-year growth in the number of passengers (14.6%) was the source of revenue growth, with higher earnings mainly from performances for public benefit (5.4% growth) due to a 3.7% increase in passenger transport performance, affected by the introduction of free transport for selected categories of passengers (children, students and retired) under the Public Benefit Transport Services Agreement. On the other hand, the negative impact on the national transport performance was brought by the suspension of IC trains in the period between 18 January 2016 and 10 December 2016. Losses were also generated by the year-to-year decrease in interest earnings.

In 2016, in line with the ambition to reach a balanced budget in 4 years, the company through gradual introduction of modern solutions (such as maintenance planning) reduced its generation of losses. At the same time, it gradually reached its goal of becoming an attractive employer, also by raising the average wage by 3.6% (in 2016); according to a new Collective Agreement, the average wage growth will continue in the following years by approximately 3.2%.

Západoslovenská energetika, a.s. (hereinafter referred to as "ZSE")

ZSE equity capital decreased by 6,439,000 Euros in 2016 compared to the previous year mainly due to the payment of dividends totalling 57,570,000 Euros, of which the ESA dividend pertaining to the interest of the state was reported in 2016 in the amount of 29,352,000 Euros. The super dividend for the state share was recorded in 2016 in the amount of 8,000 Euros. The negative impact of dividend payments was partially eliminated by the current period profit of 50,860,000 Euros and the impact of the change related to the revaluation of employee benefits.

In 2016 the net profit contributed to an increase in equity of 50,860,000 Euros (a decrease of 12.2% compared to the previous year). Net profit fell year-to-year mainly due to lower revenues from services provided within the group and to shareholders by 11.3% (general administrative services, controlling, accounting, human resources management, etc.). Negative impact on the economic result was brought by the creation of a provision for financial investments reported under the item of interest and similar costs (year-to-year growth of 6.7%) and lower income from dividends received from subsidiaries (2.8% year-to-year decrease). The final negative impact of lower dividend yields was due in particular to the year-to-year decline in dividends granted by Západoslovenská distribučná, a.s., whose lower earnings in 2015 affected the amount of dividends paid to ZSE. The reason for the decrease in profits was an increase in interest expense from the loan received from ZSE[9] (interest in 2015 was for 12 months, with only half a year in 2014). The negative impact of the lower dividends received from Západoslovenská distribučná, a.s. was partially mitigated by the higher dividends received from ZSE Energia, a.s. (the impact of the higher profit in 2015 compared to 2014 by 39.8%,

[9] As part of the optimization of the internal capital structure of Západoslovenská distribučná, a.s., the company Západoslovenská energetika, a.s. decided to reduce its registered capital as the sole shareholder. Part of the redemption for withdrawn shares is reported as a provided loan.

mainly due to lower provisioning of receivables and lower costs of assigning receivables than in 2014).

Východoslovenská energetika Holding, a.s. (hereinafter referred to as "VSEH")

VSEH's equity decreased by 29,225,000 Euros in 2016, mainly due to the payment of dividends of 70,587,000 Euros (dividend per share of the state was 36,000,000 Euros, of which the superdividend was 24,726,000 Euros). The negative impact of dividends paid was partially mitigated by the profit for the current period of 41,251,000 Euros.

Net income increased 1.8-fold year-to-year, mainly due to 2.1 times higher earnings on dividends received from subsidiaries. The impact on the growth of the dividends received was caused by higher dividends received from Východoslovenská energetika, a.s. (higher profit achieved in 2015 due to the expansion of the scope of business as a result of the transfer of VSEH activities within the reorganization of the group), Východoslovenská distribučná, a.s. (higher profit achieved in 2015 due to higher savings in the cost of purchasing electricity to cover losses) and the company of innogy Slovensko, s.r.o. (acquired on 1 September 2015). The positive impact of the received dividends was partially eliminated by the negative impact of lower returns on services provided outside the VSE group (a decrease of 4.9%), the impact of the adjustment of the time value of financial liabilities (discounted) and the negative impact of the revaluation of liabilities from the contingent purchase price[10].

Všeobecná zdravotná poisťovňa, a.s. (hereinafter referred to as "VšZP")

VŠZP equity fell by 193,421,000 Euros in 2016 due to the loss incurred for the current accounting period of 112,338,000 Euros by increasing the unpaid loss of previous years due to the adjustment of technical provisions and adjustments of 77,941,000 Euros and the impact of valuation differences on securities of 3,138,000 Euros (revaluation of balneotherapy as at 31 December 2016).

The result of the current period declined by almost 6.4 times, mainly due to the higher growth of health care expenses (including the impact of the change in technical provisions) by 8.3% (mainly due to higher expenses of institutional and outpatient healthcare). The negative effect was also recorded in the net operating cost item, which grew year-to-year by 10.5% due to the depreciation and amortization growth and the increase in personnel costs. A significant negative impact of the above items on the result was partially alleviated by revenues from insurance premiums, which at their gross value increased by 3.1% due to higher advance payments received, mainly from employers (including estimates). The decrease in other technical expenses by 43.4% also had a positive effect due to the lower provisioning of receivables.

In 2016, the VšZP insurance portfolio was reduced - the average registered number of policyholders in 2016 was 3,264,905, which was less by 14,516 persons compared to the previous year, with 49.1%

[10] Commitment from the contingent purchase price arose in connection with the acquisition of shares in innogy Slovensko, s.r.o. (part of the purchase price was paid in cash and part of the purchase price is conditional on the results achieved by innogy Slovensko, s.r.o. for the years 2015 - 2018).

men and 50.9% women. The structure of the insurance portfolio in 2016 was as follows: 56.5% state insured; 35.3% employees; 7.1% self-employed; 1.1% others.

In terms of number of closed and terminated insurance relationships in 2016, the transition to other insurance companies by 7,272 persons was lower than the number of insured persons who filed an application for VšZP. The increase of insured persons for other reasons than switching from another insurance company was 2,528, while the decrease due to death was by 10,063 higher than the increase of newly-born insured persons, an increase was recorded on the higher arrival of insured persons from abroad than departure abroad (by 4,674 policyholders) and there was also a higher arrival of insured persons from the EU than those leaving into the EU (by 7,917 policyholders).

The volume of income of the VšZP, which amounted to 3,012,695,000 Euros in 2016 increased year-to-year by 3.0%, with an average income per insured per month rising from 74.3 Euros (2015) to 76.9 Euros (2016) per month. In 2016 the structure of income also changed: the income from insurance premiums from the economically active insured persons increased by 2.7%, income from insurance premiums from the state insured persons by 2.9% and revenues from the reallocation of insurance premiums from other health insurance companies by 8.2%.

Slovenský vodohospodársky podnik, š.p. (hereinafter referred to as "SVP")

In 2016 SVP equity decreased by 14,823,000 Euros mainly due to the deepening of the generated loss, which for the year 2016 reached the amount of 7,990,000 Euros. The negative effect of the economic result for the current period was partially diminished by an increase in the registered capital due to land modifications - the inclusion of land lots in the company's assets, which were not at that time at all or were incorrectly entered in the real estate cadastre. The generated loss for the current period grew year-to-year by 77.2%, mainly due to the settlement of deferred tax from previous years (in the amount of 4,013,000 Euros). The loss from operating activities recorded a year-to-year decline of 13.3% as a result of a faster decrease in costs than the drop in operating revenues. The decrease in costs was due, in particular, to a lower provision for litigations compared to 2015 and lower repair and maintenance costs. The negative impact on the development of operating revenues was mainly caused by the receipt of only 33% of the required amount of money from the state budget for non-regulated activities. This negative impact on revenues was partially mitigated by the growth of revenues from the lease and operation of the Gabčíkovo Water Works.

3.2.3 Equity of the National Bank of Slovakia

In 2016, the National Bank of Slovakia (NBS) also faced several challenges within the Eurosystem, including the persistence of the low interest rate environment that reached a new historical low and the widening of the use of non-standard monetary measures, the slowdown in Euro area economic growth during 2016 as a result of the uncertainty on the financial markets resulting from geopolitical developments and the new experience of the Slovak Presidency of the Council of the EU, in which the NBS took part in negotiations concerning, in particular, the completion of the Banking Union and the Union of Capital Markets.

Year-to-year change in equity of the National Bank of Slovakia as at 31 December 2016 (in thousands of Euros)						
	Equity Δ2016-2015	**Economic result**	**Dividends**	**Revaluation**	**Partners' investments**	**Other**
National Bank of Slovakia	221,684	147,025	0	73,854	0	805

Source: Individual financial statements

The equity of the National Bank of Slovakia (hereinafter "NBS") increased by 221,684,000 Euros in 2016 mainly due to the profits of the current period of 147,025,000 Euros and an increase in the balance of revaluation accounts by 73,854,000 Euros.

The current period profit increased almost 31.9 times, mainly due to the dilution of a portion of the general risk reserve. The positive impact was also brought by the result of the implementation of the currency policy, which grew year-to-year by 11.6% as a result of higher yields on the NBS's Eurosystem monetary income and a higher interest income from securities in connection with the monetary policy operations, taking into account the taxes levied by deduction from the yield of bonds issued in Slovakia (due to an increase in the volume of the issue for the purpose of monetary policy implementation). The positive effect on the year-to-year growth of the NBS profit was also the result of operations with the ECB (growth of 21.9%) carried out pursuant to the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the positive effect of which was mainly a higher yield on the NBS's share of the ECB's profit. On the other hand, the negative trend was recorded in the development of profits from the management of investment reserves11, which decreased by 38.5% mainly due to lower interest income from securities transactions (as a result of the decrease in the interest rate and the decrease in the position in TARGET2) and the decrease in the volume of securities denominated in EUR in the portfolio. Year-to-year, the NBS generated emission-related losses mainly due to the emission of €50 denominated banknotes (accounting for approximately 60.4% of the emission cost).

Operating costs increased by 13.3% due to higher personnel costs due to higher staff numbers, wage growth and staff structure change. Higher costs were also drawn for the purpose of implementation of repairs and maintenance of buildings, the growth of annual depreciation and amortization and the impact of the revaluation of buildings of cancelled branches intended for sale.

3.2.4 Implicit liabilities

According to the Fiscal Responsibility Constitutional Act, implicit liabilities are defined as "the difference between the expected future expenditures of general government entities and the expected future revenues of general government entities arising from the financial consequences resulting from the future exercise of rights and obligations established by the legal system of the Slovak Republic, if they are not a part of the general government debt". Based on the aforesaid, they

[11] The management of investment reserves is understood as the management of investment portfolios for trading, consisting in particular of securities, currency and interest rate swaps, repurchase transactions, gold repurchase transactions and nostro accounts.

are not liabilities posted in the balance sheet of general government entities, as their valuation may be problematic. Nevertheless, when using adequate analytical methods, and taking into account the current legislative situation, it is possible to estimate their amount. In 2014, the Ministry of Finance of the Slovak Republic published a methodological manual on the estimation of implicit liabilities[12].

The category of implicit liabilities in the Slovak Republic conditions include net liabilities in the social, health and education sectors associated with population ageing and other types of liabilities, such as PPP projects (express way R1, bypass Bratislava D4/R7) and future costs of the shutdown of the nuclear power plants (National Nuclear Fund).

Estimate of implicit liabilities (thousands of Euros)						
	Value as at 31 December 2015		**Value as at 31 December 2016**		**Δ 2016-2015**	
	% of GDP	**in thousands of Euros**	**% GDP**	**in thousands of Euros**	**pp**	**in thousands of Euros**
Ageing of the population	**-131.0%**	**-103,068,501**	**-116.2%**	**-88,276,838**	**14.8%**	**14,791,663**
- pension system	-50.0%	-39,348,666	-56.2%	-42,711,287	-6.2%	-3,362,621
- healthcare	-87.4%	-68,777,648	-67.1%	-50,956,011	20.3%	17,821,638
- long-term care	-16.1%	-12,663,692	-15.0%	-11,371,971	1.1%	1,291,721
- unemployment insurance	5.5%	4,312,789	5.3%	4,007,346	-0.2%	-305,443
- education	-17.0%	13,408,716	16.8%	12,755,085	-0.2%	-653,631
PPP projects	-2.7%	-2,009,083	-3.8%	-2,857,126	-1.1%	-848,043
Impact of the National Nuclear Fund	3.1%	2,351,679	3.1%	2,326,712	-0.1%	-24,967
Implicit liabilities total	**-130.5%**	**-102,725,905**	**-116.9%**	**-88,807,252**	**13.6%**	**13,918,653**

Source: Financial Policy Institute, Ministry of Finance of the SR

The value of implicit liabilities fell to 116.9% of GDP by the end of 2016. Compared to 2015, the implicit liabilities fell by 13.6 percentage points. This change was primarily a result of updating macroeconomic data (including revenue forecasts) and shifting the base year. On the expenditure side, there was no significant change in projections in 2016. As in the case of the Summary Annual Report for 2015, the retirement benefits of armed forces were excluded from the total implied liabilities, which are reflected in the net wealth through book reserves.

The most important contributors to the level of implicit liabilities are pension and health service related commitments, total on the level of 123.3% of GDP. For health service liabilities there was a most significant decrease of 20.3 pp year-to-year. This decrease can be attributed mainly to the updated health service income forecast. Liabilities related to the pension system slightly deteriorated in comparison with the previous year due to an additional methodical adjustment in the clearing of retirement pensions (without this adjustment, on the contrary, they would fall year-to-year by 2.7 pp). Health service expenditures remained unchanged. Unemployment insurance and education system

[12] The method of calculation of implicit liabilities (August 2014), http://www.finance.gov.sk/Default.aspx?CatID=9696

expenditures[13] are items that reduce the total amount of implicit liabilities by 22.1 pp. The impact of population ageing results in a gradual reduction in the number of children and the active population in the labour market, which automatically leads to savings in unemployment benefits and education system expenditures.

Implicit liabilities related to the PPP of the R1 expressway are quantified based on the estimates of state payments for availability for the whole duration of the concession until 2041. With the PPP project of the R1 expressway, compared to 2015 there was a slight decrease in the impact on total implicit liabilities by 0.1% of GDP due to the change of the initial year and the update of the availability payments.

In 2016, the Slovak Government approved a new PPP project related to the construction of the Bratislava bypass D4/R7. This PPP project is included in the total liabilities for the first time and increases the total implicit liabilities by 1.1 pp in 2016. The implicit liabilities ensuing from it were quantified on the basis of the state payment scheme for availability over the entire duration of the concession until 2050.

The implicit liability associated with the National Nuclear Fund ensues from the funding of the decommissioning of nuclear installations, where the size of future costs increases significantly due to the increasing costs of storage and disposal of nuclear waste. Over the whole horizon, mainly due to the cumulative surplus of the system in the first decades, the impact of the inclusion of the National Nuclear Fund is positive at 3.1% of GDP and reduces the total implicit liabilities. The slight deterioration of the surplus compared to the previous year caused a shift in the base year.

[13] The projection of future earnings and expenditures on the education system is based on expenditure data in the base year. This methodology causes a strong dependence of total implied liabilities at the beginning of the year and is therefore relatively volatile due to their development.

3.2.5. Contingent liabilities

Contingent liabilities are other liabilities of an entity that are reported in the notes to the financial statements. It is not, therefore, a liability recognized on the liability balance sheet because the conditions for posting it are not met (the amount of the liability cannot be measured reliably, the period to which the liability is related is not determined, and the loss of economic benefits is uncertain in the future). As other liabilities, in economic theory, but also in the accounting practice, the most frequent liabilities mentioned are those from ongoing or imminent litigations, guarantees provided, generally binding legal regulations, liabilities, or other financial obligations such as foreign exchange futures, option trades, a statutory or contractual obligation to withdraw certain products, for example, from supplier contracts and customer contracts, lease, concession, and other contracts. In general, general governments have specific items not only on ordinary liabilities but also on other liabilities. The most important of them are provided with a more detailed commentary.

Total contingent liabilities of the public sector were reported at as 31 December 2016 in the amount of 12,948,128,000 Euros[14] (15.9% of GDP). Within the public sector, the decisive part (99.8%) of contingent liabilities was reported in the sub-sector of the central administration, including state-owned enterprises. The remaining part is self-government, which, in addition to municipalities and higher territorial units, also includes their budgetary and contributory organizations and commercial companies. The year-to-year decrease of total contingent liabilities by 323,215,000 Euros by the end of 2016 was mainly due to the fall in liabilities in the central administration.

Contingent liabilities by components of the public sector (thousands of Euros)

	2014	2015	2016	Δ 2016-2015
Central administration and state administration enterprises	13,309,615	13,228,220	12,925,404	-302,816
Higher territorial units and their accounting units	5,832	2,615	1,247	-1,368
Municipalities and their accounting units	85,612	40,508	21,477	-19,031
Total	**13,401,059**	**13,271,343**	**12,948,128**	**-323,215**

The most significant group consists of **contingent liabilities resulting from the guarantees** provided by the stabilization mechanisms and the **capital due on demand** in international financial institutions. The largest contingent liability remains reported under the European Stability Mechanism [15] (ESM) in the amount of 5,108,800,000 Euros. This financial mechanism is intended to provide assistance to the Euro Area member states in serious financial problems to ensure the stability of the Euro Area. The registered capital of ESM in the amount of 700,000,000 Euros is formed by 80,000,000,000 Euros in the form of paid-up shares (of which the share of the SR: 659,200,000 Euros) and 620,000,000,000 Euros on the form of shares payable on demand (of which SR: 5,108,800,000 Euros). By ratifying the

[14] Value definition is possible only for the entities that submitted the financial statements or, if necessary, the details of the relevant year.
[15] More detailed information is available on the official website www.esm.europa.eu, which is also common to the description of the EFSF instrument.

agreement establishing the ESM, the Slovak Republic has committed that if the level of paid-up capital falls below the approved 80,000,000,000 Euros by absorbing the ESM losses, the ESM Board will call upon the shareholders to repay it by a simple majority.

The European Financial Stability Facility (EFSF) is the forerunner of the ESM. As an EFSF member state, the Slovak Republic committed itself to provide guarantees for debt financial instruments issued by the EFSF in the event of a request from a Euro Area member state for financial stabilization assistance. Pursuant to the Act on Specific State Guarantees, Slovakia has to contribute to the total amount of guarantees up to an amount not exceeding 7,727,570,000 Euros. At the same time, it has to participate in the other guarantee mechanisms needed to obtain the AAA rating for the EFSF, for example by providing additional EFSF guarantees up to 165% of its share of guarantees for each issue. The balance guarantees issued by the Slovak Republic as at 31 December 2016 amounted to 2,178,243,000 Euros and decreased year-to-year by 4,906,000 Euros. The decrease was due to the fact that some EFSF maturing bonds in 2016 were replaced by new bonds, the total amount of guarantees issued declined slightly, as interest on maturing bonds was no longer paid in 2016 (the guarantees are issued on the total amount of the principal and the interest that must be paid to EFSF bond holders).

The EFSF has impact on both contingent liabilities and general government debt (Chapter 1.2). The different amount arises from the different methodology of debt and contingent liabilities. The Slovak Republic's share of the real debt to the program countries of the EFSF is included in the public debt. The contingent liabilities include Slovakia's guarantees for loans raised by the EFSF on the capital market to be able to provide loans to the program countries. The difference results from the fact that the guarantees are provided to obtain the best possible rating provided for a higher amount than EFSF actually borrows on the market, whereas the borrowed amount on the market does not need to be exactly the same as that EFSF needs in a given year for loans for the countries (EFSF, like ARDAL, can take advantage of the favourable situation on the financial markets by administering the Slovak State Debt by pre-stocking itself with cash). Also, only the principal is counted in the public debt, with the guarantees being issued on the total amount of principals and interest. For these reasons, it is clear that the guarantees issued (contingent liability) are slightly higher than the real loans granted to the program countries (public debt). Although this is the same debt (the SR provides guarantees on one hand for EFSF issued bonds, on the other hand this money is used for loans to the countries), there is no need to consolidate these items for the calculation of net wealth as the EFSF loans do not have an impact on the equity of the aggregate unit and they are imputed to the Maastricht general government debt (not posted in the accounts).

Overview of the largest contingent liabilities (thousands of Euros)

	2014	2015	2016	Δ2016-2015
Guarantees and capital on demand in international financial institutions	**8,573,444**	**8,464,557**	**8,473,154**	**8,597**
European Stability Mechanism (ESM)	5,108,800	5,108,800	5,108,800	0
European Financial Stability Facility (EFSF)	2,318,329	2,183,149	2,178,243	-4,906
European Investment Bank	580,496	573,996	573,996	0

International Bank for Reconstruction and Development	385,983	424,731	438,673	13,942
International Bank for Reconstruction and Development	101,359	101,359	101,359	0
Council of Europe Development Bank	16,854	16,854	16,854	0
	2014	**2015**	**2016**	**Δ2016-2015**
International Bank for Economic Cooperation	11,526	11,526	10,658	-868
Multilateral Investment Guarantee Agency	2,485	2,823	3,252	429
International Investment Bank	47,612	41,319	41,319	0
International investment arbitrations	**27,394**	**263,500**	**343,852**	**80,352**
Eurogas Inc. and Belmont Resources Inc.	227,000	234,000	239,705	5,705
Spoldzielnica Pracy Muszynianka	0	0	75,960	75,960
Zdravotná poisťovňa Union, a.s.	27,394	29,500	28,187	-1,313
Other litigations	**1,022,912**	**2,336,740**	**1,590,061**	**-746,679**
Office of the National Council of the Slovak Republic	728,073	596,323	596,148	-175
Ministry of Finance of the Slovak Republic	555,878	553,361	554,530	1,169
Slovak Land Fund	116,842	115,071	115,686	615
Ministry of Labour, Social Affairs and Family of the SR	-	5,731	114,896	109,165
Ministry of Interior of the SR	128,906	81,129	79,270	-1,859
Vodohospodárska výstavba, š.p.	-	75,321	77,780	2,459
Železničná spoločnosť Slovensko, a.s.	-	51,751	51,751	0
MH Management, as (National Property Fund of the SR)	221,286	858,053	0	-858,053
Others (state administration enterprises, MF SR)	**2,595,971**	**2,081,252**	**2,355,099**	**273,847**
MH Management, as - Privatisation agreements	1,013,876	1,010,197	976,822	-33,875
Národná diaľničná spoločnosť, a.s.	-	-	508,000	508,000
MH Invest, s.r.o.	0	342,000	290,639	-51,361
Slovenský plynárenský priemysel, a.s.	1,111,581	284,125	242,820	-41,305
Slovenská záručná a rozvojová banka, a.s.	146,880	146,880	125,405	-21,475
Eximbanka SR	198,396	169,172	108,889	-60,283
Lesy SR, š.p.	-	69,161	47,596	-21,565
Slovenská elektrizačná a prenosová sústava, a.s.	115,050	47,142	41,600	-5,542
Guarantees of MF SR against SZRB, a.s.	10,188	12,575	13,328	753
Total	**12,219,721**	**13,146,049**	**12,762,166**	**-383,883**

Source: Financial statements of entities

Capital payable on request (call capital) in international financial institutions is also administered by the Ministry of Finance of the Slovak Republic. It is the unpaid share of the registered capital of specific financial institutions, the repayment of which requires a call for the shareholders. Since it is not certain at what time and in what volume it will be necessary to supplement the capital of these institutions, the allocated share attributable to the Slovak Republic as a member of international financial institutions is reported as a contingent liability on the off-balance sheet. The primary objective of membership in international banks is mutual assistance in the area of economic development through the concentration of capital from national sources. The Slovak Republic itself draws favourable loans from some of these banks, eg for the development of domestic road infrastructure and the support of the joint programs of the Slovak Republic and the EU (for *more details, see Annex 2 to the Summary Financial Statements*). Year-to-year changes in the category of call capital caused the adjustments of the member share in a foreign currency (revaluation).

International investment arbitrations arise from alleged violations of bilateral investment treaties concluded between sovereign states. The subject of disputes is the indemnification of damages for breach of investment promotion and protection agreements.

By the end of 2016, the **Ministry of Finance of the Slovak Republic** had three international arbitrations. The most important of these was arbitration with EuroGas Inc. and Belmont Resources Inc. of 2014. The dispute for the indemnification of damages were carried by the companies against the Slovak Republic for allegedly unlawful withdrawal of a talc mining license. The arbitration was conducted under a bilateral investment agreement between the Slovak Republic and the USA and a bilateral investment agreement between the Slovak Republic and Canada. During the year 2017, the relevant tribunal accepted the objections raised by the Slovak Republic, which did not require a decision on the merits of the dispute. The Slovak Republic considers the possibility that the applicants initiate proceedings for the annulment of this decision (within the relevant timeframe from its issue) as minimum. Because this is information after the date of the summary financial statements as well as the summary annual report, the arbitration figure for 2016 remains in the statements.

The second open arbitration is the dispute with the Polish company Spóldzielnia Pracy Muszynianka concerning the alleged violation of the bilateral investment agreement between Poland and the Slovak Republic. The dispute was initiated by the Polish company in 2016 and the constitutional ban on the export of water from the territory of the Slovak Republic should be the reason, which allegedly caused a loss to the company in the amount of 75,960,000 Euros. In the beginning of 2017, an arbitration tribunal was created and the Slovak Republic is currently preparing its first defense.

In the international arbitration with the health insurance company Union, a.s. it is a dispute between Achmea vs. Slovak Republic, which is led due to the ban on profits of health insurance companies in 2007. In this arbitration, conducted under a bilateral investment agreement between the Slovak Republic and the Kingdom of the Netherlands, in December 2012 a judgement was issued by which the Arbitration Tribunal ordered the Slovak Republic to pay to the applicant, the Dutch company Achmea B.V., a compensation in the amount of 25,226,000 Euros plus interest in the amount of 2,961,000 Euros (as of 1 November 2016, interest is attributed on quarterly basis). The Slovak Republic challenged this judgement as well as the jurisdictional decision of the tribunal in front of the German courts. The EU Court of Justice is currently taking a decision on the question of the applicability of the bilateral investment agreement between the SR and the Kingdom of the Netherlands, which was referred to the Court of Justice of the EU by the German Federal Court in

May 2016 as a preliminary question. In parallel Achmea also requested the Luxembourg court to execute the decision of the arbitration tribunal in December 2012 and block the assets of the Slovak Republic. The court upheld Achmea's claim and ordered the blocking of Slovak assets worth 29,500,000 Euros, against which the SR appealed and this procedure is still ongoing. The value of the contingent liability as of 31 December 2016 represents the claimed amount according to the arbitration tribunal.

International investment arbitrations of the Slovak Republic since 1993

International investment arbitrations arise from alleged violations of bilateral investment treaties concluded between sovereign states. These agreements include the so-called arbitration clause, that is to say, the consent of the parties to submitting a possible dispute to the International Arbitration Tribunal. The subject of disputes is the indemnification of damages for breach of investment promotion and protection agreements. The Ministry of Finance of the Slovak Republic, as the guarantor of the bilateral agreements on the promotion and protection of investments, administers and manages the international investment arbitrations which are applied by foreign investors on the basis of these agreements.

The Ministry of Finance of the Slovak Republic, in addition to the ongoing arbitrations mentioned in this chapter, defended the interests of the Slovak Republic in 11 additional cases of international investment arbitrations, eight of which were won in favour of the Slovak Republic, in one case the action was withdrawn by the applicant, in one case there was reconciliation and in one arbitration cancellation proceedings is under way. Although in these cases the Slovak Republic was sued for over 1.8 billion Euros, it did not have to pay any compensation to the applicants on the basis of the tribunal's decisions from these disputes.

The international investment arbitrations were preceded by the lost legal dispute of the Slovak Republic, which was conducted between 1997 and 2004. In this case, it was not an international investment arbitration, but an international commercial arbitration of ČSOB versus the SR. The

From **other litigations** the highest value was reported by the Office of the National Council of the SR, namely 596,148,000 Euros, of which a substantial part consists of claims for damages caused by the legislative activity of the National Council of the SR, including three litigations on the "ban on profits" of health insurance companies (a total of 583,337,000 Euros).

The claims filed by the Ministry of Finance of the SR in the total value of 554,530,000 Euros involve in particular the compensation for damages under Act No. 514/2003 Coll. on liability caused during the exercise of public authority and on amending and supplementing certain acts in which the Ministry of Finance of the SR represents before the court also other public authorities.

The value of contingent liabilities in court disputes decreased by a total of 746,679,000 Euros year-to-year, in particular to review the potential negative effects of litigations of the former National Property Fund, which the successor organization of MH Management, a.s. reassessed at 154,351,000 Euros, and to which it has created provisions of the same value on the balance sheet. The positive impact on net wealth is at the difference of the original value of 858,053,000 Euros and the provisions created in the amount of 154,351,000 Euros since the creation of the provisions in the books reduces the entity's equity and thus the net wealth.

The most significant increase was recorded by the Ministry of Labour, Social Affairs and Family of the Slovak Republic, namely 109,165,000 Euros for updating the existing and ongoing litigations for previous accounting periods, including in particular litigations for the payment of damages due to an incorrect administrative procedure, but where there is no presumption of future performance.

Of **other contingent liabilities**, the highest value was reported MH Management, a.s. These are possible payments from former privatisation contracts, which were until 31 December 2015 on the Agenda of the National Property Fund.

The increase in contingent liabilities for Národná diaľničná spoločnosť, a.s. was represented by the concluded contracts in 2016 for the provision of motorways and express roads in the total value of the undelivered works in the value of 508,000,000 Euros excluding VAT.

3.2.6. Other components of net wealth

The other components of net wealth as at 31 December 2016 included in particular active litigations and receivables after maturity at the recovery stage. Other assets reached the total of 5,121,759,000 Euros.

Contingent assets by components of the public sector (thousands of Euros)				
	2014	**2015**	**2016**	**Δ 2016-2015**
Central administration and state administration enterprises	1,218,382	1,336,074	4,992,997	3,640,418
Higher territorial units and and their accounting units	9,236	13,434	3,399	-10,035
Municipalities and their accounting units	30,622	42,696	125,363	82,667
Total	**1,258,240**	**1,392,204**	**5,121,759**	**3,713,050**

The largest increase in contingent assets was recorded at Slovenská konsolidačná, a.s. (SKo, a.s.), which is based on Act No. 374/2014 Coll. on State Receivables and on amending and supplementing certain acts, the authorized person for the consolidation of public sector claims. From the total increase of contingent assets in the central administration, **receivables due in the recovery process amount to** 3,504,230,000 Euros. The posting of this contingent asset is in the summary annual report of the Slovak Republic for 2016 for the first time due to the update of the data base.

The second largest other assets as of 31 December 2016 were **litigations** registered by the Ministry of Finance of the Slovak Republic in the amount of 394,105,000 Euros (insolvency proceedings, enforcement decisions and other litigations). The Ministry of Finance of the Slovak Republic still has a claim against Slovenský záručný a rozvojový fond, s.r.o. (Slovak Guarantee and Development Fund) in the amount of 85,751,000 Euros, the equivalent to the European Investment Fund's share in Slovenský záručný a rozvojový fond, s.r.o.

Vodohospodárska výstavba, š.p. records litigations against Slovenské elektrárne, a.s. regarding unjust enrichment in the amount of 407,877,000 Euros. The dispute concerns payments paid by Vodohospodárska výstavba, š.p. power plants since 2006 on the basis of their invalid contracts for the use of Gabčíkovo Hydroelectric Power Station.

Slovenský plynárenský priemysel, a.s. (SPP, a.s.) posts the guarantees provided by the parent companies of customers. SPP, a.s. is thus able to claim performance by their parent companies in the event of customer default.

The group of Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) posted as at 31 December 2016 in the consolidated financial statements as contingent assets the amount of accepted bank guarantees of 106,227,000 Euros. Bank guarantees are concluded for the benefit of the SEPS, a.s. group of participants in the short-term electricity market, which protect the group from their potential insolvency.

Overview of the largest contingent assets (thousands of Euros)				
	2014	**2015**	**2016**	**Δ2016-2015**
Receivables administered by SKo, a.s.	**0**	**0**	**3,504,230**	**3,504,230**
Litigations	**717,752**	**805,125**	**801,982**	**-3,143**
Ministry of Finance of the Slovak Republic	393,218	394,105	394,105	0
Vodohospodárska výstavba, š. p.	323,534	411,020	407,877	-3,143
Ministry of Interior of the SR	3,317	3,317	17,088	13,771
Other (state-owned enterprises)	**346,722**	**412,293**	**401,685**	**-10,608**
Slovenský plynárenský priemysel, a.s.	64,877	171,996	201,835	29,838
Slovenská elektrizačná prenosová sústava, a.s.	103,901	100,550	106,227	5,677
Exportno-importná banka SR	177,944	139,746	93,623	-46,123
Total	**1,064,474**	**1,217,418**	**4,793,648**	**3,490,479**

For the concept of net wealth, the total contingent assets of the public sector must be adjusted by the following items. A part of the calculated disputed amount claimed by Vodohospodárska výstavba, š.p. from Slovenské elektrárne, a.s. was deducted from the total contingent assets. This part corresponds to 34% of the ownership interest of the state in SE, a.s. From a public sector point of view, this is a consolidation. The received guarantees of EXIM banka, SEPS, a.s. and SPP, a.s. were deducted as well. In such cases, if the guarantees would be applied, equity and net wealth would not increase, as the income from the underlying guarantees would only replace the existing balance sheet assets (loans with EXIM banka and the trade receivables of SEPS, a.s. and SPP, a.s.). These contingent assets are therefore not a potential source of increase in public sector equity. With the receivables administered by SKo, a.s., the amount of the face value was adjusted in case of receivables that were the subject of consolidation adjustments within the central administration. The transfer of receivables after maturity, which are handed over or sold by the central administration organisations to Slovenská konsolidačná, a.s. is eliminated and a provision is created for the receivables. The act of transferring receivables is a reason to reduce their book value, which has a negative impact on equity and thus net wealth. At the same time, these revalued receivables cannot be in the original value on the contingent asset side. The third adjustment for the calculation of the net wealth is the state's receivable from investment funds in the amount of 102,256,000 Euros. **The adjusted amount of contingent assets for the net wealth as at 31 December 2016 was thus 2,762,037,000 Euros.**

List of abbreviations

CKS – Central consolidation system

VAT – value added tax

EFSF - European Financial Stability Facility

ESM - European Stability Mechanism

ESA 2010 - European System of National and Regional Accounts 2010

EUROSTAT - Statistical Office of the European Community

FNM SR - National Property Fund of the Slovak Republic

GNI - Gross National Income

GDP - gross domestic product

IPSAS - International Accounting Standards for the Public Sector

CFS - Consolidated Financial Statements

MF SR - Ministry of Finance of the Slovak Republic

IMF - International Monetary Fund

OECD - Organization for Economic Cooperation and Development

BC - business companies

UN - United Nations

PPP - a public-private partnership project

CO - contributory organisations

BO - budgetary organisations

SDR - Special Drawing Rights, Single Currency and Entity Used under the International Monetary Fund

SAR - summary annual report of the Slovak Republic

SEP - self-employed person

SO SR - Statistical Office of the Slovak Republic

NA - national accounts of the Slovak Republic

AE - accounting entity

HTUs - Higher Territorial Unis

Fiscal Responsibility Constitutional Act - Constitutional Act no. 493/2011 Coll. on Fiscal Responsibility

Act on the Budgetary Rules of the Public Administration (Budgetary Rules) **-** Act no. 523/2004 Coll. on the Budgetary Rules of the Public Administration and on amending and supplementing certain acts as amended

Accounting Act - Act no. 431/2002 Coll. on Accounting as amended

Act on the organization of the government and the state administration - Act no. 575/2001 Coll. on the organization of government activities and the organization of the central state administration, as amended

Act on the general establishment - Act of the Slovak National Council no. 369/1990 Coll. on the general establishment as amended

Act on Self-Governing Regions - Act No. 302/2001 Coll. on Self-Government of Higher Territorial Units as amended

Act on the Social Insurance Company - Act No. 274/1994 Coll. on the Social Insurance Company as amended

Act on Health Insurance Companies - Act no. 581/2004 Coll. on health insurance companies, health care surveillance and on amending and supplementing certain acts as amended

Act on Auditors - Act No. 540/2007 Coll. on Auditors, Audit and Supervision of Audit Procedures and on amending and supplementing Act No. 431/2002 Coll. on Accounting as amended

Glossary of Terms

Chapter 1: General government economy in the ESA 2010 methodology

Summary annual report of the Slovak Republic - a summary document containing data on revenues, expenditures and results of the budgetary management of general government entities and the state debt of the general government as at 31 December of the financial year in a uniform methodology applicable for the European Union reported to the European Commission by 1 October of the current year, the summary financial statements of the general government of the Slovak Republic, the data provided by a special regulation, which is the Fiscal Responsibility Constitutional Act and other data on the management of the Slovak Republic. (Section 29a of the Act on the Budgetary Rules of the Public Administration)

The National Accounts of the Slovak Republic - a report on the budgetary management of the Slovak Republic, containing the results of the budgetary management of the general government bodies for the relevant financial year in the uniform methodology applicable for the European Union reported to the European Commission by 1 April of the current year, revenues, expenditures and results of budgetary management of the state budget and other data on the implementation of the general government budget. (Section 29 of the Act on the Budgetary Rules of the Public Administration)

ESA 2010 - European System of National and Regional Accounts 2010 is an internationally compatible framework for a systematic and detailed description of the national economy, its components and its relations with other national economies. It is based on the System of National Accounts 2008 (SNA 2008). The SNA was developed in synergy with the UN, EU, OECD, IMF and World Bank statistical bodies and represents the global standard in the application of national accounts. ESA 2010 was introduced by the Council Regulation (EC) 549/2013 of 21 May 2013 on the European System of National and Regional Accounts in the Community and became applicable since September 2014. ESA 2010 is a revision of ESA 95. The new standards have brought about changes in public finance that are important for the reporting of the general government balance and debt. The description of the implementation of the ESA 2010 methodology and the most significant methodological changes are specified in Chapter 1.5. in the Slovak Republic's Summary Annual Report for 2013.

April notification - According to the Commission Regulation 479/2009, member states report to the Commission (Eurostat) the planned and the actual government deficits and general government debt twice a year, for the first time by 1 April of the current year (year n) and the second time by 1 October of the year n. At the same time, member states shall report to Eurostat which national bodies are responsible for reporting the excessive deficit procedure. By 1 April of the year n, member states shall notify Eurostat of a planned general government deficit for the year n and an updated estimate of their actual general government deficit for year n - 1 and their actual public administration deficits for the years n-2, n-3 and n-4.

October notification - update of the April notification, which is necessary because several data for the general government are available only after the April notification deadline (these are replaced by estimates). However, the October notification cannot be regarded as a source of final data for the general government because the accruals of some of the tax revenues (DPPO and DPFO) are known for year n - 1 only at the beginning of n + 1. Even after this date, data revisions for past years are relatively frequent for general government data (and national accounts in general). Revisions are made both because of the modifications or refinements of the ESA methodology itself, and also because the countries themselves (the national statistical authorities) may in the past data discover irregularities that they will correct in the revisions.

General government - a concept defined by the national accounts (ESA 2010). National accounts are broken down by the national economy (S.1) into five institutional sectors: non-financial corporations (S.11), financial corporations (S.12), general government (S.13), households (S.14) and non-profit institutions serving households (S.15). The institutional sector is formed by a group of institutional units that have a similar character and economic behaviour (industry). An institutional unit is an economic entity entitled to own products and assets, accepting liabilities and engaging in economic activities and transactions with other entities in its own name. The general government sector consists of institutional units (bodies) belonging to the general government.

Public finance - or public sector finance **-** is a commonly used term in economics that refers to the sum of budgets of entities under the public control or belonging to the public sector. The public sector can be defined differently depending on the objectives of the analysis and the criteria for the inclusion of entities in the public sector. Unless otherwise indicated, public finances are most often measured in EU countries on the basis of national accounts data in the ESA 2010 methodology, which defines a general government entity. In this publication, three public finance assessment concepts differing from each other are covered: general government (ESA 2010), general government aggregate unit and the public sector.

SR general government entities - legal entities registered in the register of organizations kept by the Statistical Office of the Slovak Republic, which are classified in accordance with ESA methodology in the central administration, territorial self-government and in social and health insurance funds. (Section 3(1) of the Act on the Budgetary Rules of the general government)

- The central administration consists of the ministries and other central government bodies. Their number, organization and scope are laid down by the Act on the Organization of the Government and the Central State Administration. The central administration also includes other entities (universities, Slovak Radio and Television, the National Property Fund of the Slovak Republic, Slovak Land Fund, state funds, Slovenská konsolidačná, a.s., the Office for Audit Oversight, the Slovak National Centre for Human Rights, the Nation's Memory Institute, the Health Care Surveillance Authority, the Office of the Council for Budget Responsibility, the News Agency of the Slovak Republic, the Audiovisual Fund), which manage more or less public funds and whose competence is regulated by specific legislation.
- Local self-government is represented by municipalities and higher territorial units - self-governing regions. Municipality is a separate territorial self-governing and administrative unit of the Slovak Republic, it associates persons who have permanent residence in their

territory, self manages its own assets and revenues and its basic role in the exercise of self-government is the care for the general development of its territory and the needs of its inhabitants. In the Slovak Republic, there are eight self-governing regions established, which are legal entities managing their own assets and own revenues, which safeguard and protect the rights and interests of their citizens. The basic legislation regulating the scope of self-government is the Act on Municipalities and the Act on Self-Governing Regions.

- The social security and health insurance funds are constituted by the Social Insurance Company set up by the Act on the Social Insurance Company and Health Insurance Companies (currently three, of which one state owned and two private), the scope of which is laid down by the Act on Health Insurance Companies.

General government budget - medium-term economic instrument of the financial policy of the state. It shall be prepared annually for three financial years. The financial year is the same as the calendar year. The government budget shall comprise the national budget for the financial year and the subsequent two years, and a summary of the budgets of other general government entities, including revenues and expenditures related to the implementation of public health insurance, in accordance with the uniform methodology applicable to the European Union for the relevant financial year and the subsequent two years (Section 4(1) of the Act on the Budgetary Rules of the Public Administration).

The state budget is an essential part of the budget of the general government and it provides for the financing of the main functions of the state in the respective budget year. The state budget for the financial year in question includes budgeted revenues, budgeted expenditure and financial operations with government financial assets, and other operations that affect the status of state financial assets or state financial liabilities (Section 6(1) of the Act on the Budgetary Rules of the Public Administration).

Superdividend - ESA methodology, unlike corporate accounting, recognizes dividends and superdividends. Superdividends are dividends that are high in view of the latest (recent) level of dividends and profits. The logic of the categorisation is that if dividends distribute asset income, superdividends divide the net wealth of an enterprise by reducing the company's own capital (equity), thus representing capital withdrawal. In other words, dividends are in the form of operating profits, which stems from core business operations and superdividends belong to other (special) revenues. To determine the amount of superdividends, the so-called superdividend test is used.

Chapter 2: Management of general government - requirements of the Fiscal Responsibility Constitutional Act

The balance sheet of the general government budget or the balance sheet of the revenues and expenditures of the general government budget provides an analytical view of the development of the main revenue and expenditure items of the general government as a whole for the given year. The balance sheet is consolidated, thus excluding transactions between individual entities of the general government. The structure of the presented balance sheet consists of a combination of ESA 2010 code classification and budget classification.

General government budget balance - may have the character of a deficit or surplus. A deficit is a negative difference between total revenues and expenditures of the general government. A surplus is a positive difference between total revenues and total expenditures of the general government. In the national accounts methodology, the general government balance is called "net lending/borrowing". The amount of lending/borrowing is the amount that the general government can provide or receive as a loan to finance its non-financial operations.

Structural balance - general government budget balance adjusted for the impact of the economic cycle and one-off and temporary effects. The reference value of the year-to-year change in the structural balance is used to assess the nature of fiscal policy, whether it is expansive (year-to-year increase/decrease in structural deficit/surplus) or restrictive (year-to-year decrease/increase in structural deficit/surplus).

One-off effects - can generally be defined as revenues or expenditures that is not of a lasting or recurring nature and has a temporal impact on the general government balance. Adjusting the public balance for such impacts allows analytically more appropriate assessment of its development over time.

Debt of general government gross - or gross Maastricht debt of the general government is the consolidated sum of all liabilities of the general government sector at the face value based on received deposits, issued securities (excluding shares) and loans received (excluding liabilities from outstanding interest). Loans received also include imputed loans that equal to the value of the assets acquired through financial leasing. Debt is consolidated, i.e. all liabilities and reciprocal claims of entities belonging to the general government sector are excluded. (Government debt and deficit handbook, Issue 2013)

Debt of general government net - according to this definition, the net debt of the general government represents the difference between gross Maastricht debt and the sum of gold and SDR, cash, securities at the market value (excluding shares) and quoted shares at the market value. The net debt expresses the ability of the general government to repay its gross debt on the basis of cashing its most liquid financial assets. (Code of Conduct - Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes)

European fiscal rules - arose from the need to maintain fiscal discipline within the Economic and Monetary Union (Euro area) in order to preserve the stability of the common Euro currency. They represent a set of numerical, procedural and transparency rules on disclosure of state economy data. The rules are enshrined in the EU legislation (Treaty on the Functioning of the European Union, regulations, directives), but they also include an international treaty. The predecessor of EU fiscal rules was the so-called Maastricht criteria, which set the conditions for the membership in the Eurozone in the form of the reference value for deficit (3% of GDP) and general government debt (60% of GDP). Due to the need to maintain fiscal discipline even after joining the Euro area, the

Stability and Growth Pact (SGP) was adopted in 1997, which includes sanctions if the country deficit exceeds 3% of GDP. As a result of the economic and financial crisis, the SGP was revised for the second time in 2011 (the first time in 2005), and four more regulations were adopted to tighten fiscal supervision and expand supervision in the macroeconomic area as well. The so-called six-pack brought in particular tighter sanctions when the country could be penalized for not complying with the fiscal rules up to 0.5% of GDP, a greater focus on the public debt rule (its non-compliance being practically ignored) and the obligation to consolidate the public budget even after the deficit has been reduced below 3% of GDP by reducing the structural balance by at least 0.5% of GDP until reaching the medium-term objective (MTO). The international treaty, which was signed by the 25 member states of the European Union (all except the Czech Republic and the UK) in 2012, imposed an obligation to introduce a rule on an even structural balance of general government in the national legislation (so-called Fiscal compact). At last, in 2013, two regulations were adopted, which further tightened up and deepened fiscal surveillance in the Euro area countries (the so-called Two-pack). According to them, for example, the Eurozone countries must, for example, submit to the European Commission, before 15 October each year, the draft budget proposal for the following year.

The state debt management strategy - hereinafter referred to as the strategy, is a strategic document that sets out the basic frameworks and direction of state debt management policy. The strategy formulates top quantitative indicators and government debt parameters and sets out targets that should contribute to a qualitative improvement in debt management. The document also describes the development and structure of the Slovak Republic's state debt, macroeconomic and fiscal origins and the risks of the debt portfolio. The strategy is derived from individual rules governing the rules for state debt risk management, state position limits and the control system. The strategy is compiled for a four-year period and updated annually. Updates ensure that the strategy is linked to developments in a particular budget year and provide the flexibility to respond to market developments. Pursuant to the Fiscal Responsibility Constitutional Act, the strategy is a part of the SR general government budget and the evaluation of the fulfilment of the objectives of the strategy is a part of the summary annual report of the Slovak Republic.

Chapter 3: Net wealth

Net wealth - the sum of the equity of the general government entities, the equity of the National Bank of Slovakia, the equity of the state-owned and local government enterprises, adjusted for implicit liabilities and contingent liabilities, other assets and other liabilities. (Article 2e of the Fiscal Responsibility Constitutional Act)

Equity - own source of property coverage, expresses the right to assets of the enterprise after deducting all its accounting debts. Equity represents the difference in the balance sheet between the value of assets and the value of liabilities in a broader sense. According to the Slovak legislation, for entrepreneurs accounting for double-entry bookkeeping, equity capital consists of: registered capital, capital funds, profit funds, revaluation differences, profit/loss of previous years and profit/loss for the accounting period after tax.

Public sector - for needs of the summary report defined as the sector for which the net wealth is calculated. Besides the general government according to the ESA 2010 methodology, it includes enterprises of the state administration, local self-government enterprises and the NBS.

General government enterprises - the common name used in this document for government and local government companies that are defined by legislation. As state-owned and local government enterprises are defined for the purposes of calculating the net wealth, in which only the enterprises with the state interest of at least 20%, this concept can be used even more broadly, that is to say, to all enterprises without limitation of the state ownership.

State-owned enterprise - a state-owned enterprise, a state-owned company with a minimum interest of 20% of its capital and a legal person established by the law in which the state has a qualifying interest; for the purposes of this Act, a qualifying interest shall mean a direct or indirect interest representing at least 20% of the legal person's capital or voting rights in the legal person or the possibility of exercising influence over the management of the legal person that is comparable to the influence corresponding to that interest; an indirect interest for the purposes of this Act means a share held by intermediaries through legal entities in which the holder of the indirect interest holds a qualifying interest (Art. 2f of the Fiscal Responsibility Constitutional Act).

Local self-government enterprise - a company with a local self-government minimum interest of 20% of its registered capital (Art. 2g of the Fiscal Responsibility Constitutional Act)

Implicit liabilities - the difference between the expected future expenditures of general government entities and the expected future revenues of general government entities arising from the financial consequences resulting from the future exercise of rights and obligations established by the legal system of the Slovak Republic, if they are not a part of the general government debt (Article 2h of the Fiscal Responsibility Constitutional Act). The best-known example is old-age pensions from the pay-as-you-go pillar of the pension system.

Contingent liabilities - other liabilities of an accounting entity that recognizes them in notes as a part of an individual financial statement (Accounting Act). It is not, therefore, a liability recognized in the liability balance sheet items because the conditions for posting it are not met - the amount of the liability cannot be measured reliably, the period to which the liability is related is not determined, and the loss of economic benefits is uncertain in the future. Other liabilities are posted as follows:

1. a possible liability that arose as a result of a past event, and whose existence depends on whether or not one or more future events occur in the future, the occurrence of which does not depend on the accounting entity, or
2. an obligation that arose as a result of a past event but which is not recognized in the balance sheet because it is unlikely that a reduction in economic benefits will be required to meet that obligation or the amount of that liability cannot be measured reliably.

PPP project - a form of cooperation between the public and private sectors to finance the construction, reconstruction, operation and maintenance of infrastructure and the provision of public services through this infrastructure. Under PPP projects, public sector entities are partners and private sector customers from whom they purchase services. The private partner essentially finances the construction and operation of the work and, as a consideration, it is enabled to provide services related to this work for payments from its users or from a public partner. An important characteristic of PPP is the sharing of the risks associated with the construction and operation of the work between private and public partners and the long-term contractual relations between the private and the public partner.

Centralized consolidation system - system for collecting, processing, analysing, consolidating and presenting accounting data from accounting entities of the aggregate unit. The Central Consolidation System is data processing from the financial statements and the consolidation package.