

Methodology

Rating scale & symbols

Symbols of a long-term rating scale of the European Rating Agency Inc.

Symbol	Definition
AAA	Supreme rating. This symbol means that the company/title (issues) bears the minimum investment risk. The companies/titles labelled with this symbol contain very high probability of capability and willingness to pay principal, interests and fixtures of an investment in time and without any unnecessary delay. It is also highly improbable that the company/title might be threatened by alterations of economic or another external environments.
AA	The company/title (issue) bears a very low investment risk exposure. Companies/titles labelled with such symbol contain high probability of capability and willingness to pay principal, interest and fixtures of the investment in time and without any unnecessary delay. However, it is probable that the company/title may be threatened by distinct variations of economic or another external environment.
A	The company/title (issues) bears a low investment risk exposure. Companies/titles labelled with this symbol contain probability of uncertain capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. It is probable the company/title can be threatened by more serious variations of economic or another external environment.
BBB	The company/title (issues) bears a certain investment risk exposure. Companies/titles labelled with this symbol contain risk associated with capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. Capability of the company/issuer to pay principal, interests and fixtures of investment in time and without any unnecessary delay may be disturbed by variations of economic or another external environment.

BB	The company/title (issues) bears high investment risk exposure. Companies/titles labelled with this symbol contain high risk associated with capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. Capability of the company/issuer to repay principal, interests and fixtures of investment in time and without any unnecessary delay is not stable and may be substantially disturbed by variations of economic or another external environment.
B	The company/title (issues) bears a very high investment risk exposure. Companies/titles labelled with this symbol contain very high risk of preference to repay interests to repayment of principal. Even non-distinct variations of external environment may disturb capability of the company/issuer to repay its liabilities.
CCC	The company/title (issues) bears an extraordinarily high investment risk exposure higher than common in the sector of the company's/issuer's operation. Negative variations of external environment of any scope mean real risk of default.
CC	The company/title (issues) bears a high default risk exposure and its capability to repay its liabilities depends on distinctively positive development of the sector and industry of the operation of the company/issuer.
C	The company/title (issues) bears a very high default risk exposure. Even the positive development of the sector and industry of the company's/issuer's operation needn't mean its capability to repay liabilities in time and without unnecessary delay.
D	This symbol means that liabilities of this company/title (issues) are in default.

All rating symbols in the categories AA to C may be supplemented by an index (+/plus) or (-/minus) indicating relative position within the rating category.

Symbols of a short-term rating scale of the European Rating Agency Inc.

Symbol	Definition
S1	The company/title (issues) bears a very low investment risk. The company/titles indicated with this symbol includes a high probability of capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delay.
S2	The company/title (issues) bears an appropriate investment risk. The company/titles indicated with this symbol include a certain risk connected with capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delays. However, it is probable the company/title can be threatened by more distinct variations of economic and other external environment.
S3	The company/title (issues) bears a relatively high investment risk. The company/titles indicated with this symbol include a higher risk related to capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delays. However, it is probable the company/title can be also threatened by less distinct variations of economic and other external environment.
S4	The company/title (issues) bears a very high investment risk. Capability of the company /issuer to repay principal, interests and fixtures of an investment in time and without unnecessary delay depends on positive development of the sector and industry of the operation of the company/issuer.
NS	The company/title (issues) will be with high probability not capable of repaying its financial liabilities in time and without unnecessary delay.

Symbols of rating in the categories S1 to S4 may be supplemented by an index (+/plus) or (-/minus) indicating relative position within the rating category.

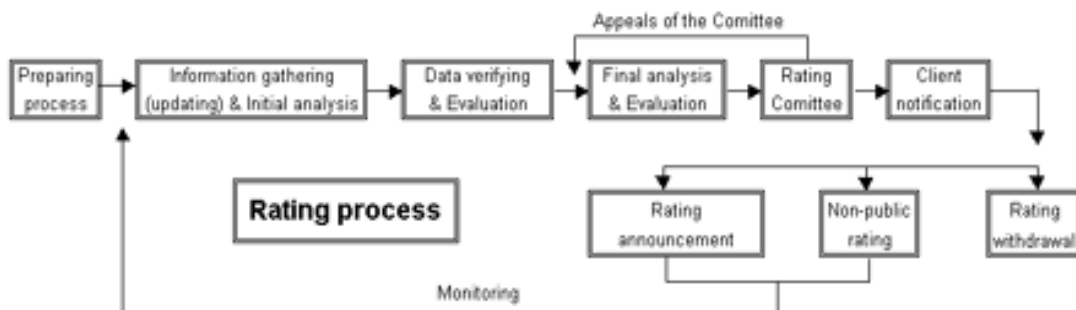
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Rating process

In the rating process, the Slovak Rating Agency puts emphasis on working with actual data that are provided either by the company/issuer or that are available to the Agency from other information sources considered by the Agency as reliable. The rating process is executed under co-participation and co-operation by the management of the company/issuer (an exception is granting of a rating developed without any co-operation of the assessed company which is executed based on publicly available information on the entity assessed). Important principle is strict preserving of secrecy on all confidential information and data about the client, which the Agency obtains within its work

Even though the rating has validity for one-year period, the rating may be modified and re-evaluated during that time. Necessity of re-evaluation of the rating may occur in case when new facts have arisen and occurred or in case of change in relevant information, facts and matter of facts having been considered in the process of granting a rating. New events may occur not only within internal processes in the company/issuer, but also on the level of the industry or that of the macro-economic environment. The result of monitoring of the granted rating is the decreasing, increasing, or preserving of its initial level.

Granting a rating is a result of rating process shown in the following chart:



Preparatory process starts by definition of requirement of the client. The client should define what kind of rating he is expecting. As the primary task and goal of the Slovak Rating Agency is to define an independent and non-affected opinion on the company /issuer, it is

discussed and assessed in the so-called Acceptance Committee after having defined the requirement by the client.

Task of the Acceptance committee is to investigate, whether the Slovak Rating Agency cannot get into a conflict of interests within the process of granting the rating for the specific entity, project, issue, which could cast doubt upon its independence and non-affectability or, as the case may be, the Acceptance committee should specify conditions on which the Slovak Rating Agency is able to develop an independent rating.

In case of a negative result of assessment (absence of conflict of interest) by the Acceptance committee, a contract is concluded with the client.

The last stage of the preparatory process is the creating of project analytic team managed by a project manager responsible for the area in which the given entity is operating (financial area, non-financial area, municipalities, projects, transactions).

The phase of the rating process, collection of data and their analysis begins with sending a request on information to the management of the given entity. In this phase, the Slovak Rating Agency is helpful to the client and, in order to provide efficient data collection, requirements upon special kind of information needed in the rating process and its structure are specified more in detail.

After initial analysis of data and information, results of the analysis are consulted with the client, while the data are verified especially from the perspective of testing of consistency of separate data in the outcomes. In this phase, high emphasis is put on meetings with the management of the given entity.

Conclusions of common meetings as well as all newly acquired information are processed, evaluated and assessed by an analytic team. In this phase of the rating process, the first draft of the rating report is developed with a proposal for rating assessment. Internal approval and acceptance of the wording of the rating report is realised in several levels to assure a highly unbiased opinion on the company / issuer from the perspective of granting an independent rating.

As the rating process itself takes a certain time, the company / issuer has to inform the Slovak Rating Agency in a formal manner about all significant changes occurred within information entering the rating

process during the information processing and analysing, or whether any new circumstances arose, which could affect the result of the rating assessment of the company / issuer.

Having incorporated all possible comments specified within the internal approval of the results of analytical processes and possible new relevant information from the client, a draft of the rating report and *draft of the rating assessment is submitted for approval to the Rating committee.*

The Rating committee is composed of well-known experts recognized by the market. The Rating committee is another component in the process of securing the independence and high level of expertise applied in the whole rating process.