



Why Slovakia

Key facts why
to choose
Slovakia as your
next investment
destination.

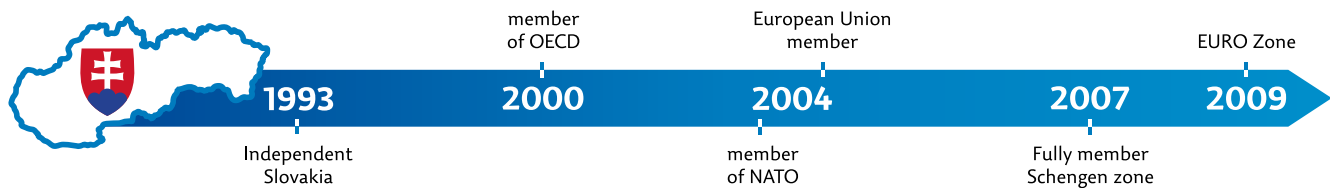
Introduction

"Why Slovakia" is a brochure that is designed to acquaint the reader with the economic facts and figures, supply information on the business environment, sector strengths, vision, and strategy for economic development and other useful data in order to illustrate **Why Slovakia** is an ideal location for business. We hope that this brochure will encourage you to consider Slovakia as an ideal destination for your investment.

5 Key reason to invest in Slovakia

1. Currency - EURO
2. Productivity to Labour Costs - the highest in CEE
3. Flat Tax System - 19% & no taxes on dividends
4. Ease of doing business - the highest in CEE
5. Attractive and competitive country ratings

Slovakia



"Slovakia ranks in the top 10 when it comes to the ease of registering property and the top 5 in terms of lowest costs as a percentage of property value."

Source: Doing Business Report 2011, World Bank and IFC

"Slovakia ranks 10th out of 139 countries in terms of pay and productivity."

Source: Global Competitiveness Report 2010-2011, World Economic Forum

"Slovakia, the one-time laggard turned reforming star."

The Economist, 29 March 2008

The largest cities and towns

City/Town	Population
Bratislava Area	601,132
Košice	235,006
Prešov	91,767
Nitra	85,742
Žilina	85,268
Banská Bystrica	81,704
Trnava	69,140
Trenčín	56,850

Source: The Statistical office of the Slovak Republic, 2010

Establishment:	1 st January 1993
Total Area:	49,035 km ²
Population:	5,4 million
Capital:	Bratislava
Membership:	OECD, EU, WTO, NATO, UN, Schengen area
Language:	Slovak (official), English 85%, German 61%, French 8%, Russian 8%, Spanish 3%, Hungarian & other Slavic languages
Currency:	EURO
Government:	Parliamentary Democracy
Prezident:	Ivan Gašparovič
Prime Minister:	Iveta Radičová
Election term:	4 years
Neighbours:	Hungary, Czech Republic, Poland, Austria, Ukraine
Time zone:	GMT +1 hour

The Slovak economy has been following a path of robust growth driven mainly by rising FDI inflows. In the year 2007 Slovakia experienced the highest GDP growth among all EU countries at a massive 10.6%. In 2010 the GDP started to rise again and was the highest in the EURO zone, and at the same time Slovakia's GDP growth was the second highest among all EU members.

Macroeconomic figures

	2007	2008	2009	2010	2011
Real GDP Growth	10.4%	6.4%	-4.7%	4%	3.5% (1Q 2011)
Inflation (HICP)	1.9%	3.9%	0.9%	0.7%	3.6% (1H 2011)
Registered level of unemployment	8.4%	7.7%	11.4%	12.48%	12.92% (2Q 2011)
SKK/EUR**	33,78	31,29	30,1260 (official since 1. 1. 2009)		
Export in EUR billion	47,3	49,5	39,7	48,791	22,65 (1. - 5. 2011)
Nominal wage inflation (conversion rate)	7.4%	8.1%	3.0%	3.2%	2.9% (1Q 2011)

Source: The Statistical office of the SR, National Bank of Slovakia, The Central Office of Labour, Social Affairs and Family of the SR, 2011

Slovak export in 2010 has again increased due to the rising demand on the foreign markets and expanding production in the key industrial sectors in Slovakia. In general, 90% of the Slovak export goes to OECD countries.

Member of the Eurozone



1st January 2009
Slovakia joined
the EURO Zone

Slovakia, as the 16th state in a row, has adopted the EURO currency, being the first among the CEE countries.

EURO IMPLEMENTATION IMPACT

- Limitation of Foreign Exchange Risk
- Lowering Transaction Costs
- Growth in Foreign Trade
- Increased Financial Stability



Labour productivity vs. Labour costs

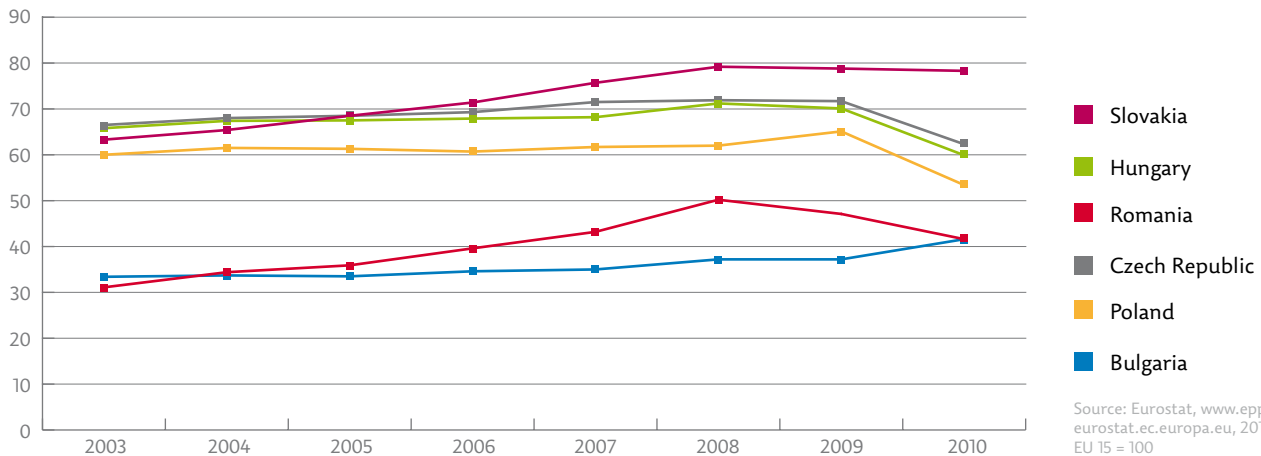
Labour productivity is expressed as GDP per hour worked. It is intended to give a picture of the productivity of national economies shown in relation to the European Union (EU-15) average. Basic figures are manifested in Purchasing Power

Standards (PPS), i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries.

Gross monthly salary

	Czech Rep. 976 EUR 23 951 CZK		Poland 806 EUR 3 224,98 PLN		Slovakia 769 EUR		Hungary 760 EUR 202 576 HUF		Romania 472 EUR 1936 RON		Bulgaria 328 EUR 642 BGN
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Data for 2010 Source: National Statistical offices of Czech republic, Hungary, Poland, Slovakia, Bulgaria, Romania exchange rate (as of 23 March 2011)

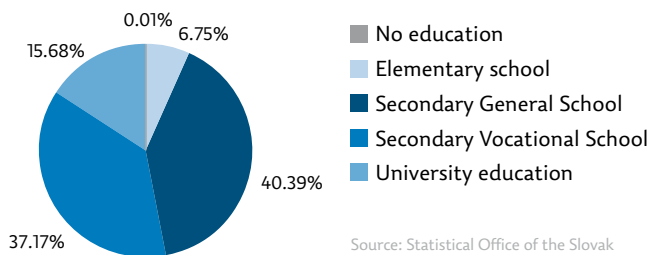


Source: Eurostat, www.epp.eurostat.ec.europa.eu, 2010, EU 15 = 100

Education

Slovakia reaches one of the highest shares of workforce with the secondary, higher and the university education among all the European countries.

Furthermore, the share of people with a university education is on the rise.



Source: Statistical Office of the Slovak Republic, www.statistics.sk, 2010







University education

There are 33 universities in Slovakia spread all over the country. In the academic year 2009/2010, there were 211,553 students enrolled at Slovak universities and 69,809 graduated (both data include Bachelor and Master studies). Slovakia is among the top countries in the world of secondary school graduates attending university.

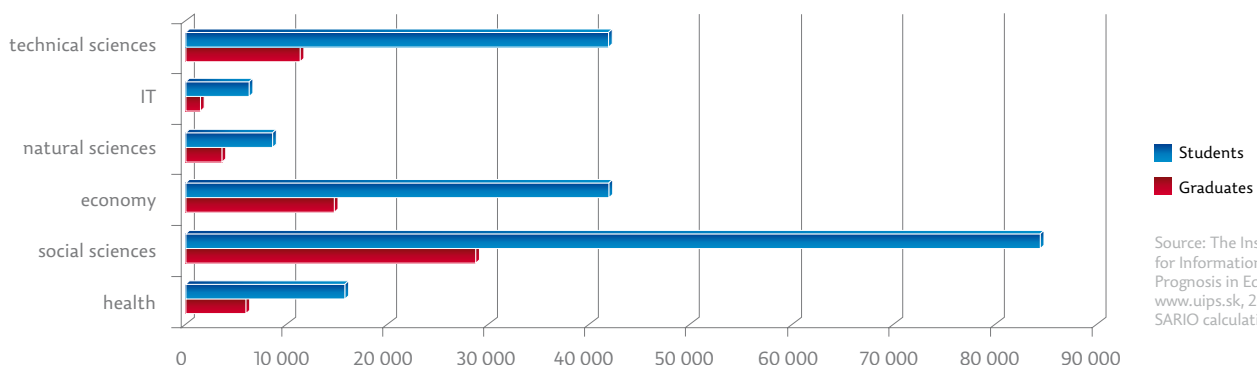
Secondary schools

Slovakia has a well established system of specialized training and vocational schools. To accommodate the changing requirements on the labour market, secondary schools are being given a higher degree of control in creating their own educational programs to meet the current needs of the local industry.

The most common foreign languages taught at Slovak secondary schools in 2009/2010 were:

	English 85.76%		French 7.93%		Spanish 2.99%		German 60.84%		Russian 7.56%		Italian 0.72%
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The subject of studies is following:



Source: The Institute for Information and Prognosis in Education, www.uips.sk, 2010, SARIO calculations, 2010

Simple and Fair Taxes

The progressive business-friendly tax regime has been in effect since January 2004. This highly competitive regime and a great advantage of the Slovak business environment has inspired several neighbouring countries to adopt a similar taxation model. All incomes are taxed at the flat rate of 19% without any progression.

The VAT rate of 20% is a temporary provision reflecting current budgetary deficit and is expected to be decreased back to 19% in 2013.

19% Flat TAX rate

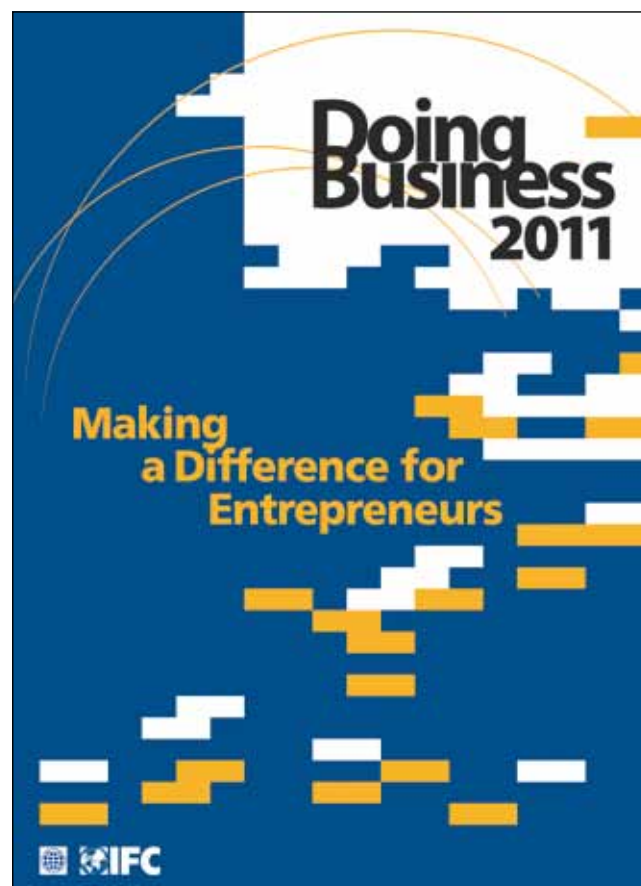
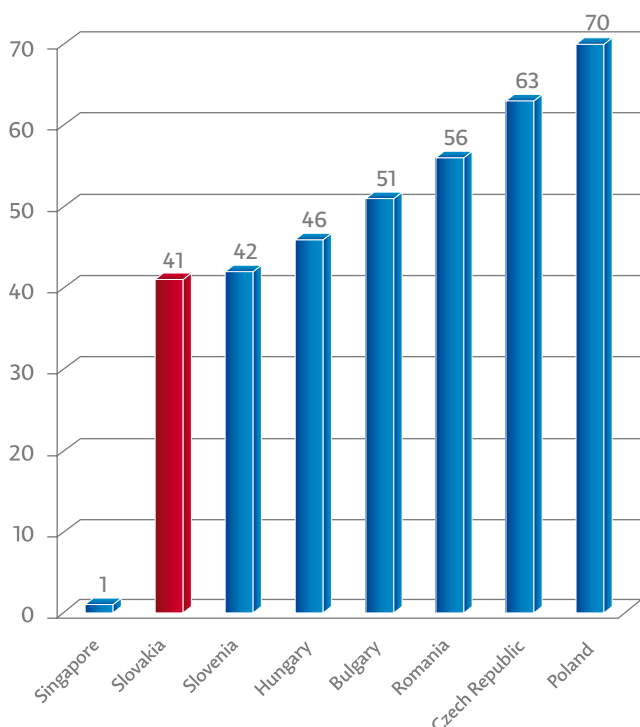
Corporate Income Tax	19%
Personal Income Tax	

Dividend tax	0%
Inheritance and Gift Tax	
Real Estate Transfer Tax	

Repatriation of profits	100%
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Ease of doing business

Based on the World Bank ease of doing business ranking considers the quality or attractiveness of the business environment. The rating factors are: political and institutional environment, macroeconomic stability, market potential, private entrepreneurship support, taxation system, finance, enforcing contracts, starting and closing of a business, labour market and infrastructure.



Source: Doing Business Report 2010, World Bank, www.doingbusiness.org, 2011

Country credit rankings

Slovakia is generally recognized as an open market economy, which is able and willing to pay its liabilities.

The following table shows the various credit ratings for the CEE countries. Slovakia has maintained its positive momentum and competitive values. This is a great advantage

for foreign investors, as it means that Slovakia, Slovak banks and companies are in a strong financial position and are able, and willing, to repay their debts. In spite of the current situation, Slovakia is one of the few countries to maintain a stable/positive outlook, in which our ratings are not expected to change in the near future.




Country	Standard and Poor's	Moody's	Fitch	OECD Country Risk (the lower the better)
Slovakia	A+ positive outlook	A1 stable outlook	A+ stable outlook	0
Czech Republic	AA- stable outlook	A1 stable outlook	A+ positive outlook	0
Poland	A- stable outlook	A2 stable outlook	A- stable outlook	2
Hungary	BBB- negative outlook	Baa3 negative outlook	BBB- stable outlook	0

Source: Standard & Poor's, www.standardandpoors.com; Moody's, www.moodys.com; Fitch, www.fitchratings.com; OECD Country Risk Report, www.oecd.org, 2011

Key sectors

Slovakia prides itself on its industrial heritage which has provided a stable base for the development of certain sectors such as automotive or electronics. During the past couple of

years, global corporations representing various industries have selected Slovakia as the top location for their expansion in the CEE region.

Top-notch sectors of slovakia			
	Automotive 1 st in world car production in 2010 - 103 cars/1000 inhabitants		Electronics Leading Slovak Exporter – driver of economic and technological growth
			SSC/ICT SR is becoming a hive of SSC and ICTs

Automotive

Slovak automotive industry is well diversified, with three different types of car producers surrounded by well established automotive sub-supplier networks, all of which are effectively interconnected. The sector produces various categories of cars as Volkswagen's Hybrid Touareg, Porsche Cayenne, Peugeot 207, Kia Sportage and Ceed.

Volkswagen has recently announced that also the next new generation of small family car VW UP! will be produced in Slovakia. The corporation is at the moment considering production of their first electric car E-UP! and Slovakia is still in the game.

"With plant in Zilina, Slovakia we have raised the awareness of Kia in Europe. The great success we have achieved right with Kia cee'd models produced in Zilina. In addition, this factory is considered within the entire KIA group as one of the best in the world. I am very pleased that we were able to build a new engine shop and thus to expand our overall capacity up to 450,000 engines per year. We confirm our long-term intention of Kia activities in the Slovak Republic. Our goal is the positive impact on employment in the Zilina region as well as the economic growth of Slovakia.,,"

In-Kyu Bae, President, KIA Motors Slovakia

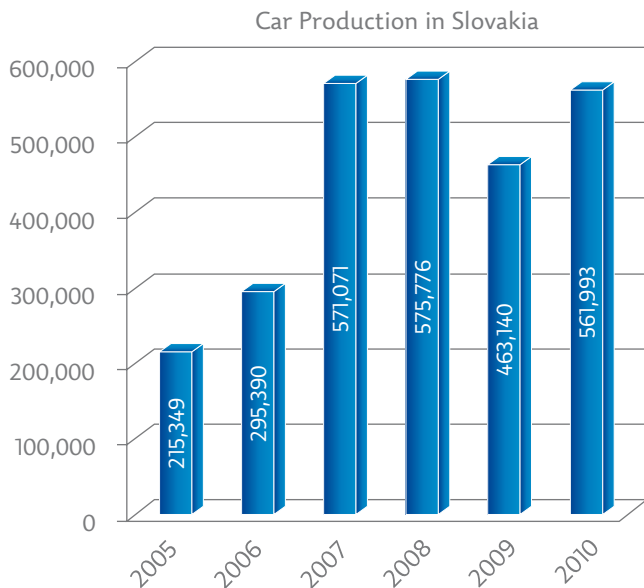


1st Place in 2010

103/1000 inhabitants
in World Car
Production/1000 inhabitants

**Full Capacity
of 3 automobile
companies**

1,000,000 cars/year



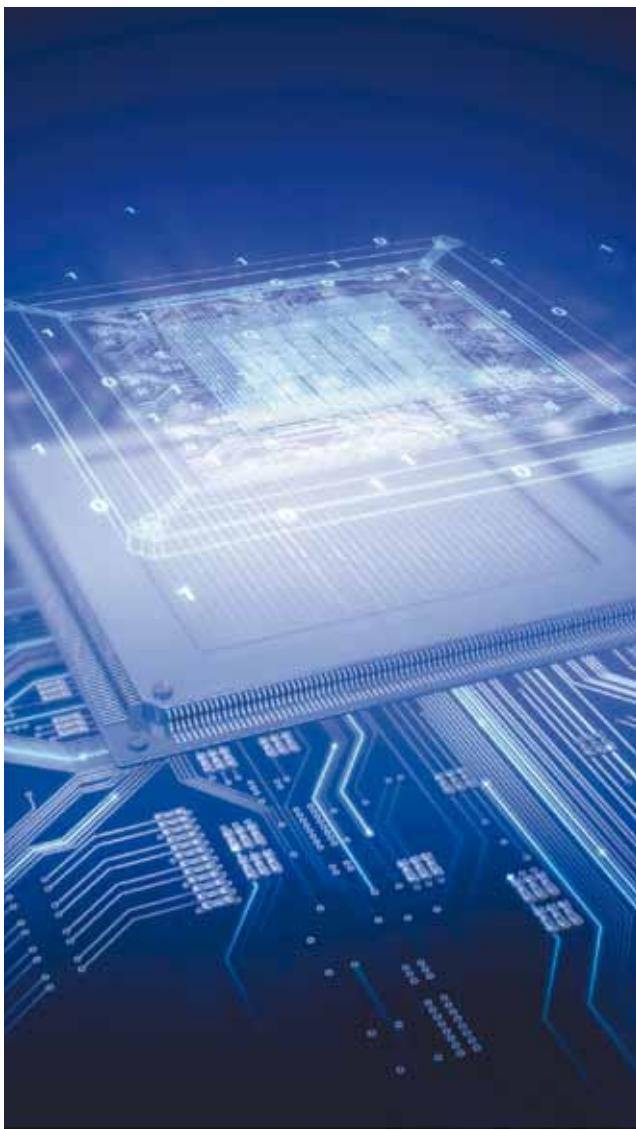
Source: Automotive Industry Association of the SR, 2011



Electronics

Huge investments by global brands producing flat screen TVs and LCD modules such as Sony or Samsung have contributed to the development of area which is currently known as the

Crystal Valley. Recently, another global player, Taiwanese corporation AU Optronics has officially launched its first production operation in Europe.



SONY **FOXCONN**

- Assembly of Bravia models for the European market doubled in 2008 to 4mil.
- 3D TV from April 2010

SAMSUNG

- Production of LCD 10 mil pcs.
- Assembly of LCD
- Logistic center
- Europe service center
- 3D TV from February 2010

AUO
AU Optronics

- Production of LCD modules
- Only 1 plant in Europe
- Headquarter for Europe
- 3000 new jobs
- Investment of 191,3 mil EUR

"With the establishment of AUO Slovakia, we are building an even more complete network with our clients to effectively deliver quality LCD products worldwide. We would like to express our gratitude for the full and continuous support from the Slovak government and Taipei Representative Office, Bratislava"

Paul S.L. Peng, President of AUO's Display Business Operation

The ICT sphere is the sector that contributes the highest volume to the state treasury when taking into consideration the revenue from income & corporate taxes. In addition to

the traditional Slovak industries, recent new developments have been observed especially in the IT and related services.

					Sykes Slovakia s.r.o.
					
					
					
					

Over 48 SSCs & CCs ...employing more then 25,800+ professionals

"Among the decisive factors that contributed to Slovakia's placing first in our research were the very good language skills of the Slovaks, the competitive voice and data networks, the stable economic and political environment, as well as the geographic location of Bratislava, which is very close to the majority of

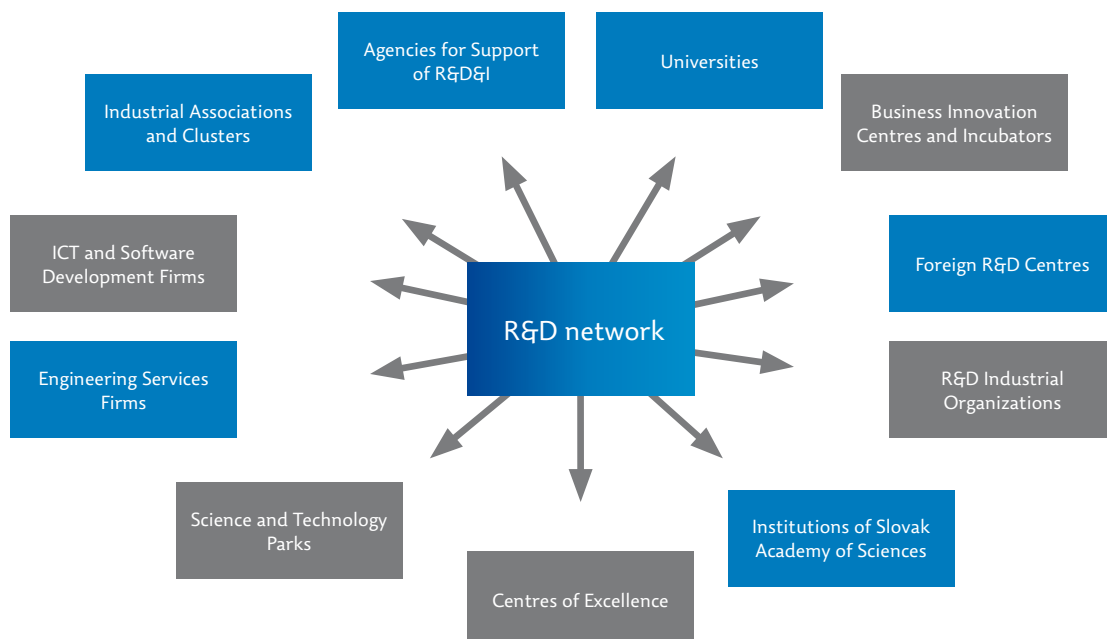
our EMEA customers operating in Western Europe, while also being close to the Eastern Europe that represents an important emerging market for us."

Rolf Lobreyer, Hewlett Packard, EMEA Delivery Manager

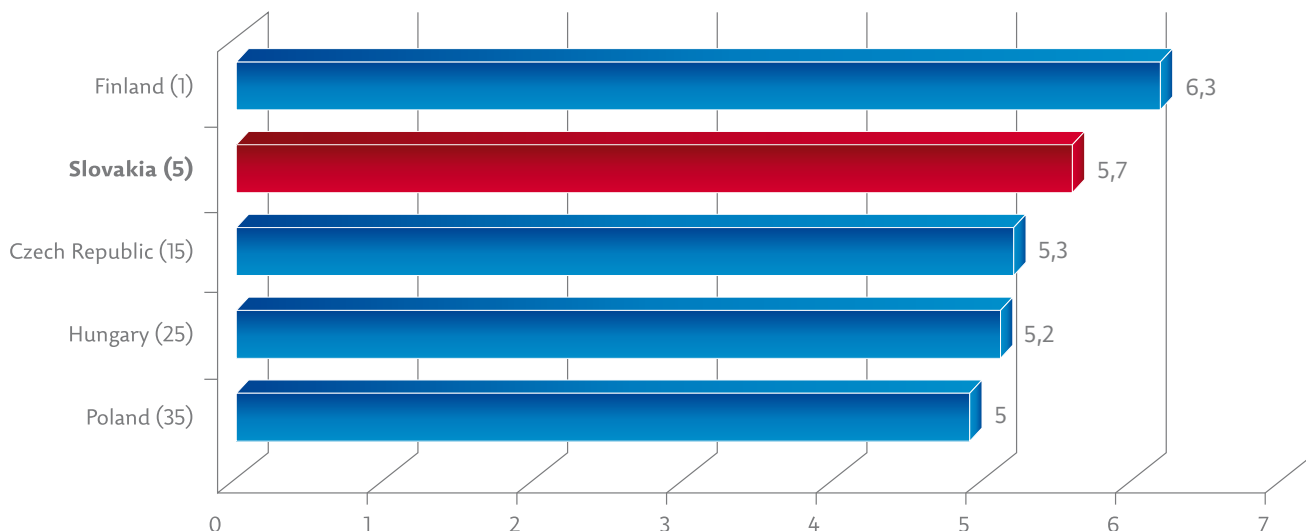
Research & development

As an open economy based on R&D and innovation activities presents a crucial element of further development, Slovakia tends to build strong cooperation partnerships with foreign

countries as well as companies, universities and other relevant R&D institutions.



FDI and Technology transfer (Rank you 139 countries)



Source: The Global Competitiveness Report 2010-2011, World Economic Forum, 2010

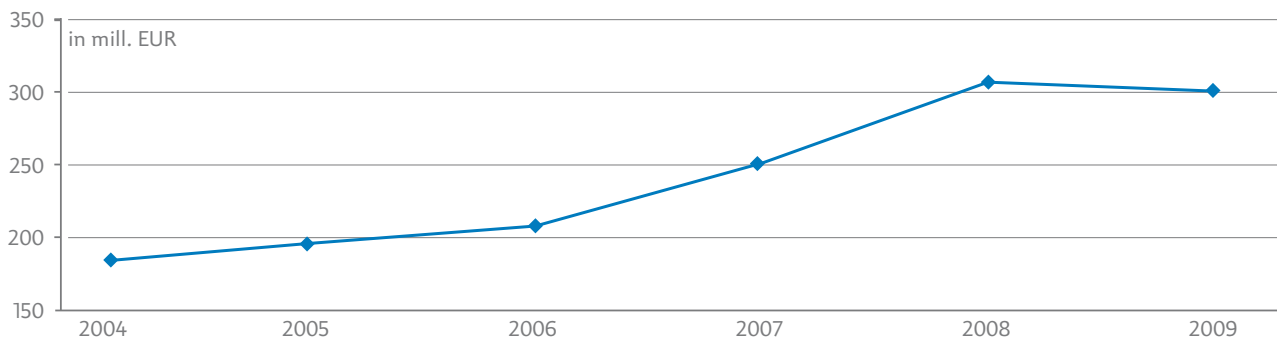
Note: To what extent does foreign direct investment (FDI) bring new technology into your country? (1 = not at all; 7 = FDI is a key source of new technology); 2009-10 weighted average

"You do not have to be afraid to make the decision to establish your R&D in Slovakia. The investors will find here highly qualified engineers, with maybe a little bit lower level of mastering foreign language, but willing to get over this handicap. They are flexible, diligent and they are relatively

abundant in the labor market. R&D costs are still low order than in more developed countries while these people do not have to be used only locally."

Miloš Kraus, CEO, Sauer - Danfoss, a.s.

Gross domestic expenditure on R&D is increasing each year



Source: Statistical Office of the Slovak Republic, 2010

Minerva 2.0 – Slovakia to the First League

Minerva 2.0 is the key government document which identifies an important set of criteria which are necessary for the implementation and building of the innovation eco-system in Slovakia. The main role of Minerva 2.0 is to ensure coordination between activities of the most important players in the process of building a knowledge economy. The Minerva 2.0 document focuses on the identification of the current issues of developing the Slovak knowledge economy and it offers a set of 26 solutions divided into 7 basic groups:

- Education
- Connection between research, development and education
- Research and development
- Connection between research and development and business support
- Business support
- Connection between business support and education
- System weak spots



For more information about initiative Minerva 2.0
please see www.vedomostna-ekonomika.gov.sk

Slovakia's attractiveness and great opportunities for research and development have already been discovered by many investors, including Siemens, Johnson Controls, ON Semiconductor and others.

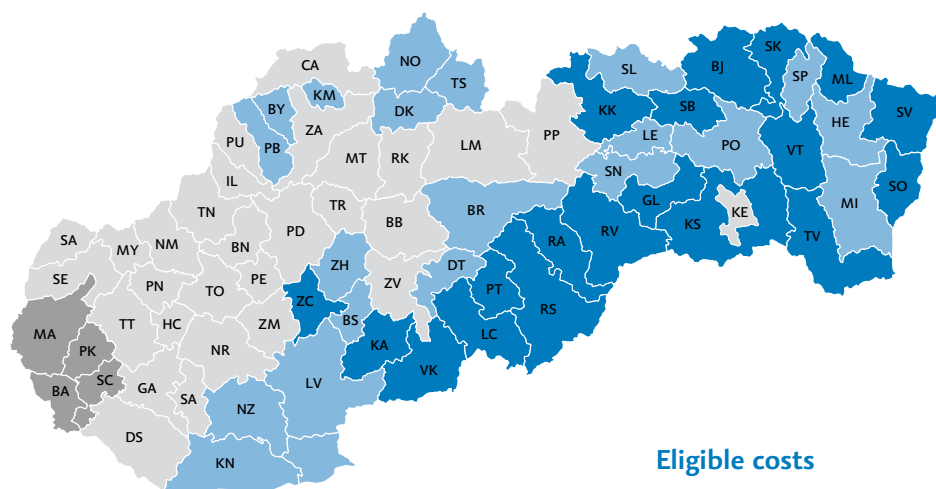
Investment incentives

The primary role of the investment incentives should be to motivate investors to place their new projects in regions with higher unemployment.

The positive impact of a new investment shall be proved by jobs creation, by improved chances for the graduates to get a job, as well as by creation of new entrepreneurial opportunities for local companies.

Minimum amount of investment in **industry** depends on the unemployment rate in the proposed location:

Minimum investment amount/share of new machinery, from 1 August 2011:



- half of the minimum investment (i.e. 7 mil./3.5 mil./1.75 mil. EUR) must be financed by own equity of the investor
- 60%/50%/40% of eligible costs must be used for acquisition of new machinery and equipment
- incentives are available for launch of a new industrial plant as well as for extension of an existing one

Eligible projects

The Act on Investment Aid divides the projects which may be supported into four categories:

- industry
- technological centers
- shared services centers
- tourism

All types of projects may apply for the following forms of incentives: cash grant, tax relief, contribution to new jobs or transfer of the state/municipality property to the investor for the discounted price.

Eligible costs

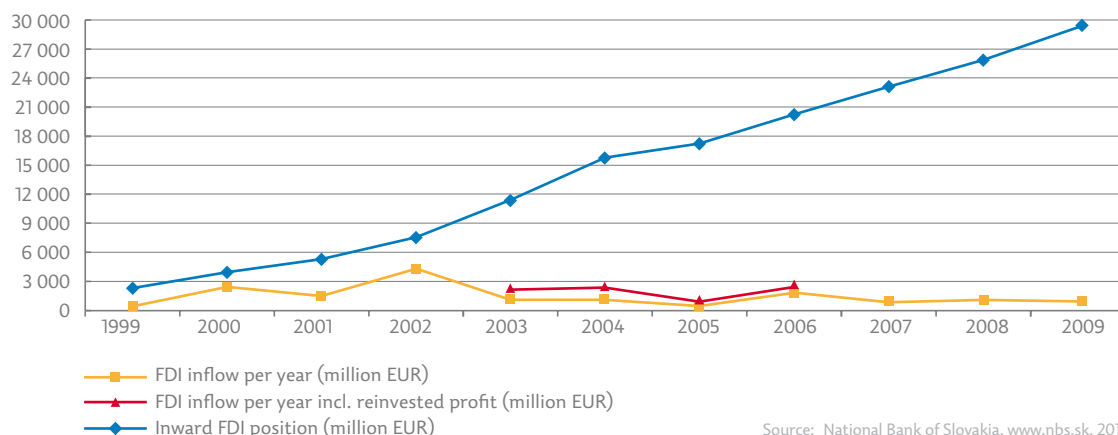
- costs of land acquisition
- costs of buildings acquisition
- costs of technological equipment and machinery acquisition
- intangible fixed assets – licences, know-how, etc.

For more information please see: www.sario.sk

FDI in numbers

Since Slovakia's declaration of independence in 1993, Slovakia has handled several hundred successful investment projects from various countries and in a wide range of industrial sectors. These investment projects have had a substantial impact on the economic growth of the country. The total volume

of FDI inflow to Slovakia reached 26 645,06 million EUR by 31 December 2009. Taking into account Slovakia's size, the level of influx of FDI is expected to assist in creation of a stable economic base in order to stimulate even stronger economic growth.



Selected investors by country of origin

USA	US Steel, Emerson, DELL, Whirlpool, IBM, HP, Johnson Controls, AT&T, Accenture, Getrag Ford, ON Semiconductor, MatTek Corp., Power-One AG
Germany	Siemens, Volkswagen, T-Systems, Continental Automotive Systems
Japan	Yazaki, Mitsui Sumitomo, Panasonic
Korea	Samsung, KIA Motors, Hyundai, Mobis
Taiwan	AU Optronics, ESON, Foxconn, Delta Electronics
France	PSA Peugeot Citroen, Alcatel
Spain	Soitron
China	Lenovo
Switzerland	Swiss RE

SARIO Services

SARIO is a governmental investment and trade promotion agency. In Slovakia, and around the world, SARIO's team of experts provides a wide range of services and is ready to help with all aspects of the investment or foreign trade process. All our services are FREE OF CHARGE.

Foreign Trade

- Tailor-made solutions for your business in Slovakia
- Identification of potential suppliers and subcontractors
- Monitoring vacant production capacities
- Facilitation in establishing joint ventures
- Organization of networking events, trade fairs and B2B meetings

Investment

- Assistance in implementing investment projects
- Analyses of the investment environment, sector and regional analyses
- Selection and recommendation on ideal location and suitable real estate
- Facilitation of communication with national and local authorities
- Consultancy in the area of state aid
- Aftercare services for foreign investors already operating in the Slovak Republic



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Our awards



2011 Global Best to Invest 2010, Selection Site magazine



2007 'Best European Investment Agency Award for High-Tech' at the World Investment Conference in La Baule (France)

