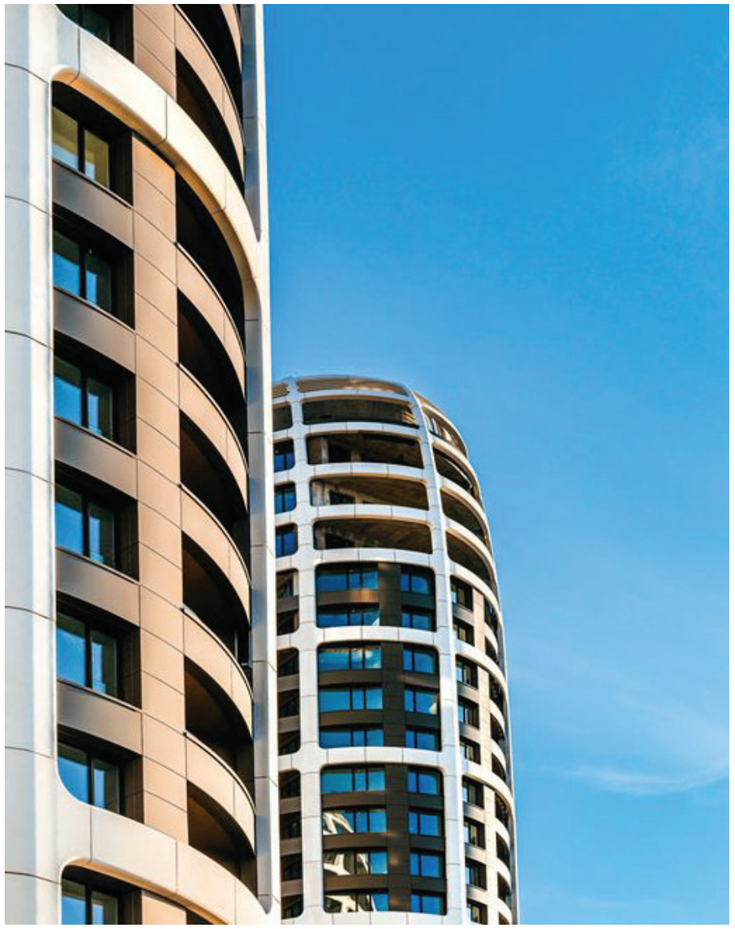
SARIO
SLOVAK INVESTMENT AND
TRADE DEVELOPMENT AGENCY

GOOD
IDEA
SLOVAKIA

01/2020



Why SLOVAKIA

Key Facts Why SLOVAKIA Should Be Your Next Investment Destination

SARIO IS YOUR ONE-STOP SHOP FOR INVESTMENT & TRADE IN SLOVAKIA. TALK TO US TODAY!

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Why **SLOVAKIA**

This publication is designed to provide an overview of Slovak investment & business environment including its key sectors. The main purpose is to illustrate what **SLOVAKIA** has to offer and why it should be considered as an ideal location for various types of businesses — ranging from manufacturing, global services and IT centers to research & development.

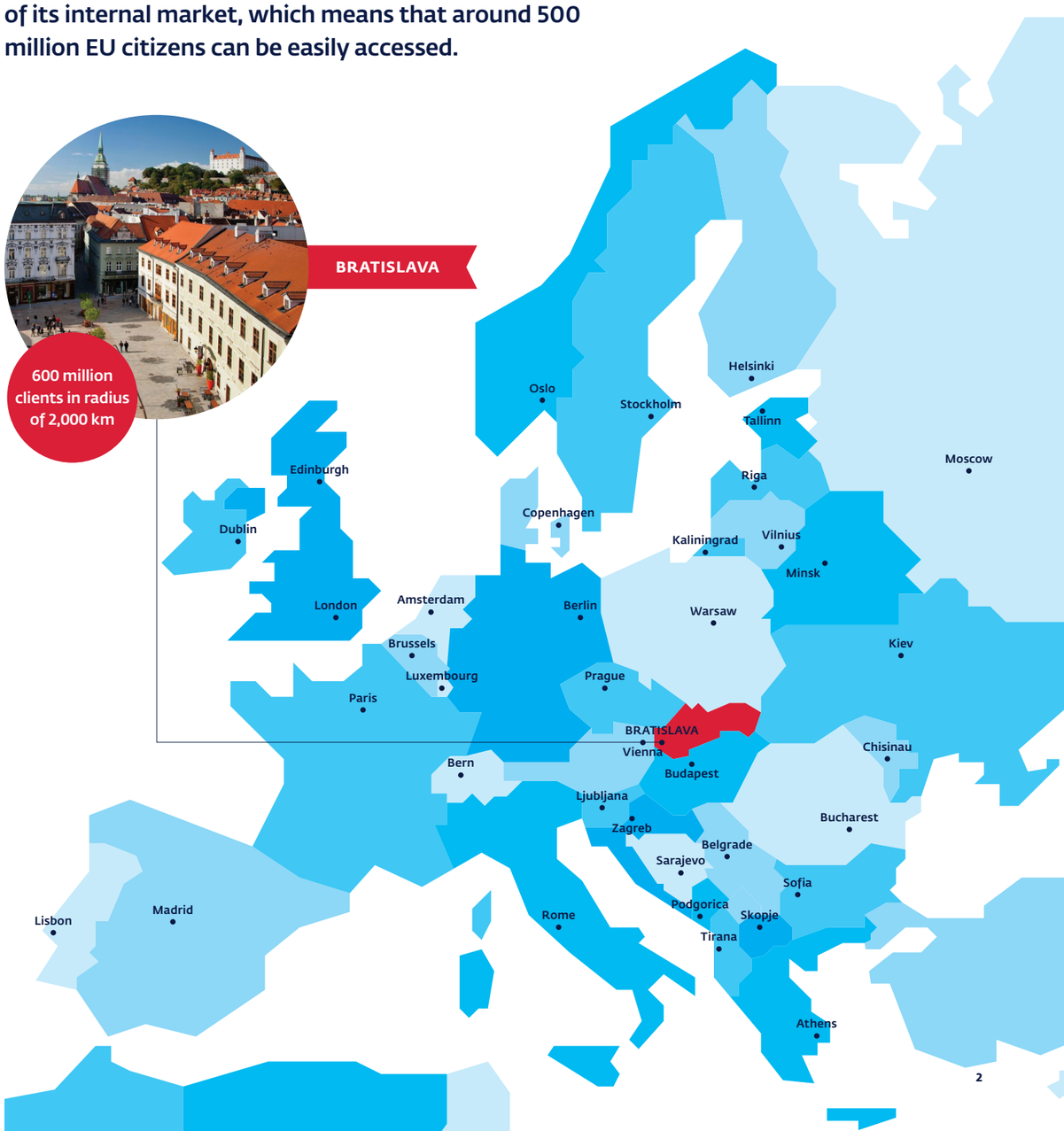
Closer Than You Think

SLOVAKIA is situated in the geographical center of Europe and is accessible from all key European economic hubs. As a fully integrated EU member, Slovakia is a part of its internal market, which means that around 500 million EU citizens can be easily accessed.

GENERAL INFORMATION
Total Area 49,035 km²
Population 5.4 million
Capital City Bratislava
Member Of European Union, Eurozone, Schengen Area, OECD, WTO, NATO
Time Zone GMT +1 hour

BRATISLAVA

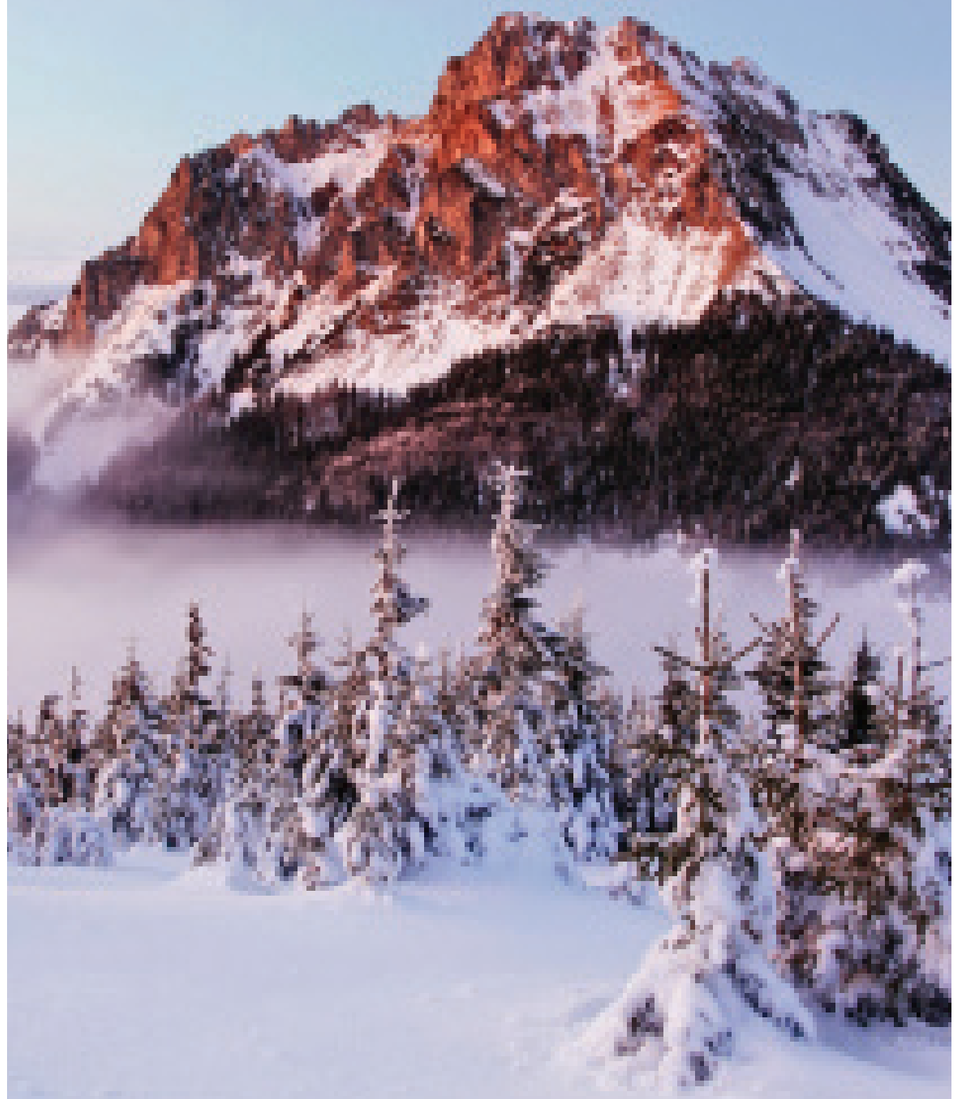
600 million clients in radius of 2,000 km



10 REASONS

Why to Consider **SLOVAKIA** as Your Investment Destination

SLOVAKIA offers a competitive business environment including several distinctive features, which set Slovakia apart from other CEE (Central & Eastern Europe) countries and thus represent a unique value proposition for investors.



1. **LOCATION**
   Strategic location in the heart of Europe with great export potential
2. **SAFETY & STABILITY**
   One of the safest and politically most stable countries in Europe (source: Credit Insurance Group Credendo)
3. **EUROZONE**
   A member of the Eurozone since 2009 as one of the few in Central & Eastern Europe
4. **QUALIFIED WORKFORCE**
   Cost–effective, skilled and loyal labour force with excellent multilingual skills
5. **PRODUCTIVITY**
   The highest labour productivity rate in Central & Eastern Europe (source: Eurostat)
6. **INVESTOR–FRIENDLINESS**
   Slovak government is continuously increasing the quality of local business & investment environment
7. **INNOVATIVE ECOSYSTEM**
   The highest share of higher added-value jobs in CEE, ready for new investments into R&D and innovation
8. **OPENESS**
   One of the most export oriented and open economies in the EU (source: Eurostat)
9. **DEVELOPED INFRASTRUCTURE**
   Developed and steadily growing infrastructure network with regards to road, railway & flight connections
10. **INCENTIVES**
    Attractive investment incentives scheme and special tax regimes for R&D activities

Macroeconomic Overview

SLOVAKIA is experiencing an ongoing economic expansion, driven by continually increasing domestic demand, as well as booming investments — domestic and foreign. Since 2010 Slovak economy has been growing above the EU average and is expected to keep this pace also in the coming years.

Slovak economy has been growing also in the terms of quality. Between 2010 and 2018 **SLOVAKIA** experienced the second highest growth of added value in the industrial production in the OECD.

REAL GDP GROWTH (%)

2016	2017	2018	2019 F	2020 F
2.1	3.0	4.0	2.7	2.6

Sources: GDP Growth Data: European Commission, European Economic Forecast Winter 2019; Credit Ratings Data: S&P, Moody's, Fitch, OECD (2019); Indebtedness Data: Eurostat (2017); Economy Openness Data: Eurostat (2018); Improving Business Enviroment: SARIO (2019)

UNEMPLOYMENT RATE (%)

2016	2017	2018	2019 F
9.7	8.1	6.5	5.8

COUNTRY CREDIT RATINGS

A+ Standard & Poor's	A+ Fitch Ratings
A2 Moody's	0 OECD Country Risk

Continually Improving **Business Environment**

There are several recent activities and measures introduced by the Slovak government to increase the quality of the Slovak business & investment environment.

2013
Introduction of RIS3 smart national R&D strategy

2015
Introduction of R&D related tax regime — R&D superdeduction

2015
Launch of official dual education system

2017
Decreased corporate income tax rate to 21%

2017
1st package of measures to reduce an administrative burden

2018
New attractive investment incentives scheme

2019
Electricity price discount for energy–intensive manufactourers

2020
Increase of R&D tax deduction rate to 200%

One of the **Lowest Indebtedness** in Eurozone

Healthy governmental and corporate finances are linked to low risk of implementation of austerity measures which would negatively affect business and private sector.

1	39.4	56.1	Lithuania
2	8.7	106.4	Estonia
3	40.0	83.5	Latvia
4	50.9	96.1	SLOVAKIA
5	74.1	75.6	Slovenia
6	63.9	100.1	Germany
7	50.9	118.6	Malta
8	78.3	122.5	Austria
9	61.3	146.1	Finland
10	98.1	139.6	Spain
11	131.2	110.5	Italy
12	98.5	148.2	France
13	124.8	162.2	Portugal
14	103.4	187.0	Belgium
15	176.1	116.4	Greece
16	57.0	252.1	Netherlands
17	68.0	243.6	Ireland
18	23.0	316.4	Luxembourg
19	96.1	316.3	Cyprus

GOVERNMENTAL DEBT (% OF GDP) PRIVATE SECTOR DEBT (% OF GDP)

Source: Eurostat, 2018

The **Most Open Economy** in the EU

EXPORT (% OF GDP)

1ST PLACE IN EU

86.4%

EXPORT OF GOODS

4TH PLACE IN EU

97.3%

EXPORT OF GOODS & SERVICES

The World Bank Ranking

№ 1

SLOVAKIA ranks as no. 1 globally in Ease Of Trading Across Borders reflecting the time and cost associated with the logistical process of exporting/importing goods.

International Chamber of Commerce Ranking

№ 12

SLOVAKIA ranks as no. 12 in the world in the Open Markets Index assessing openness to trade, trade policy settings, FDI openness and trade-enabling infrastructure.

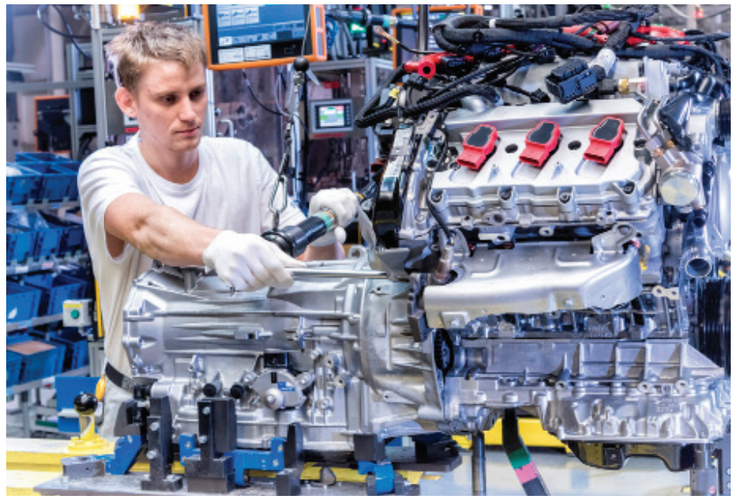
Dynamically **Developing Infrastructure**

SLOVAKIA's national roads network provides safe and efficient travel as well as fast and reliable transportation of goods.

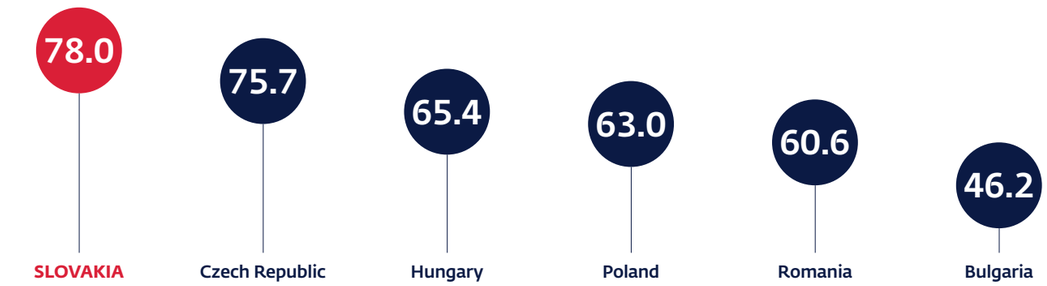
Source: National Motorway Company (2018); Respective Slovak Airports (flight schedules as of May 2019)

Productive & Skilled Labour Force

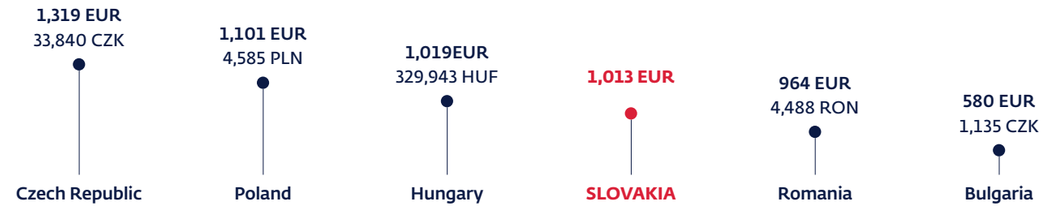
In SLOVAKIA, investors can find workforce which excels in three major areas — productivity, qualification & labour costs. SLOVAKIA is a regional leader in labor productivity, while still remaining cost–competitive on the regional as well as the European level.



LABOUR PRODUCTIVITY IN CEE (%) GDP (in PPS) per hour worked as compared to EU28 (100%)



AVERAGE GROSS MONTHLY SALARIES



Interesting **Facts & Rankings**

1

AMONG WORLD LEADERS IN AUTOMATION
Slovakia belongs to top 15 countries with the highest number of installed robots in the production industry per 10,000 employees.

2

FDI & TECHNOLOGY TRANSFER LEADER IN CEE
Slovakia is CEE leader in the extent of bringing new technology to host country (16/137 Global Ranking).

3

THE HIGHEST PROPORTION OF HIGHER ADDED–VALUE JOBS
The employment in high– and medium–high technology manufacturing sectors and in knowledge– intensive services as a share of total employment is the highest in the region.

4

CONSTRUCTIVE LABOUR RELATIONS
Slovakia records the lowest number of lost working days due to industrial actions in Europe (per 1,000 employees).

5

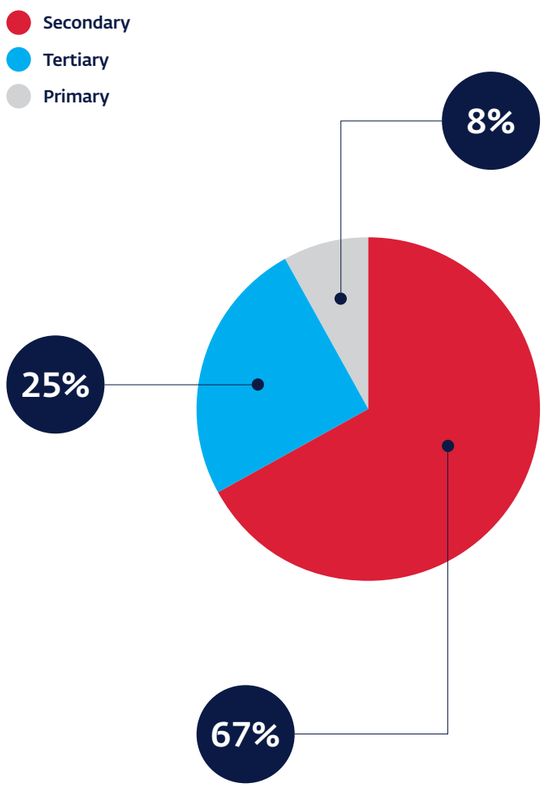
HARD–WORKING LABOUR FORCE
Slovakia has the highest percentage of people working at night & weekends in CEE.

Sources: Productivity statistics: Eurostat (2018); Salaries Data: National Statistical Offices of Respective Countries (salaries as of 2018); Automation: International Federation Of Robotics (2018); Higher Added–Value Jobs As a % Of Total Employment: Eurostat (2018); Industrial Actions: European Trade Union Institute (2019); FDI & Technology Transfer: World Economic Forum, The Global Competitiveness Report 2018; People Working At Night & Weekends: Eurostat (2018)

Education & Language Competencies

SLOVAKIA has a well–established system of secondary schools and 34 universities and colleges preparing students for a succesfull entry to the labour market in line with employer's requirements.

THE HIGHEST ATTAINED EDUCATION (25—64 years population)



Source: Eurostat (data for 2017)

SECONDARY EDUCATION

92%

One Of the Most Educated Workforce
The proportion of 25—64 years old people with at least secondary level qualification, compared to an EU average of 78%.

Dual Education

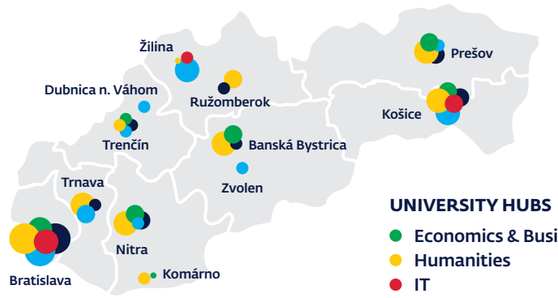
The Slovak Government fully implemented a new dual education framework facilitating shared theoretical education in schools and practical training in companies. Companies joining the new scheme have the advantage of not only benefiting from a prepared and qualified labor force, but also of the possibility to utilize a related tax relief.

200 companies & more than 2,000 students joined the dual education in academic year 2017/2018

THE MOST COMMON FOREIGN LANGUAGES TAUGHT AT SLOVAK SECONDARY SCHOOLS

TERTIARY EDUCATION

High Share Of STEM Profiles
Every 3rd 25—64 years old tertiary–educated adult studied sciences, technology, engineering and mathematics (STEM) programs.



2018/2019

136,874 students

38,952 graduates

UNIVERSITY HUBS
- Economics & Business
- Humanities
- IT
- Technical (including IT study programes)
- Other

Source: Share Of STEM Profiles: OECD (2017); Dual Education Statistics: National Union Of Employers, dualnysystem.sk (2017/2018); Languages Statistics: Eurostat (2016, Percentage Of Population Reporting Foreign Languages Competencies; 2017 Education Statistics); Universities Statistics: Slovak Centre of Scientific and Technical Information For the Academic Year 2018/2019

Pillars of the **Slovak Economy**

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

Over the last decade, global corporations representing various sectors have selected **SLOVAKIA** as the top location for their expansion in the CEE region.

01 AUTOMOTIVE

The automotive industry has a strong tradition, it has been the driving force of the Slovak economy and important source of foreign direct investment in the past 20 years. Moreover **SLOVAKIA** is well located within the European automotive production hub.

over 1 million
vehicles produced in 2019

275,000
people employed directly & indirectly in the automotive industry

50%
share of automotive industry on total industrial production

Apart from the four operating carmakers, the Slovak automotive industry is also defined by its well developed and high quality supplier network. As **SLOVAKIA** is well located within the European automotive production hub, Tier 1—2 suppliers can also benefit from a wider regional market.

Sources: Sector–related data as of 2017 as the latest available, provided by Statistical Office of the Slovak Republic; Statistics for car production: Respective OEMs & International Organization of Motor Vehicle Manufacturers (2019); Statistics for BSC & ICT sector: AmCham Business Service Center Forum Survey 2018; Slovak Game Developers Association (2019); SkillValue (2019); Digital Economy & Society Index Report, 2018, Eurostat, 2018

Currently, 17 electric or partly electric models are being produced in **SLOVAKIA**. There is also a growing number of e–mobility suppliers.

02 ELECTRONICS & ELECTRICAL COMPONENTS

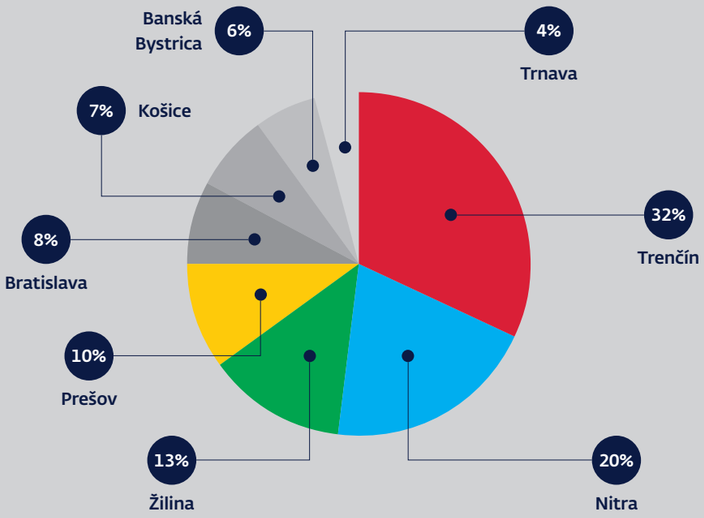
The electronics & electrical components industry (EECI) is one of the strongest contributors to the country's GDP and is also one of the biggest employers in the country.

11%
share of EECI on total manufacturing production

74,000
people employed in the EECI

217
companies in EECI (20+ FTEs)

DISTRIBUTION OF EECI EMPLOYEES IN SLOVAK REGIONS



03 BUSINESS SERVICE CENTER (BSCs)

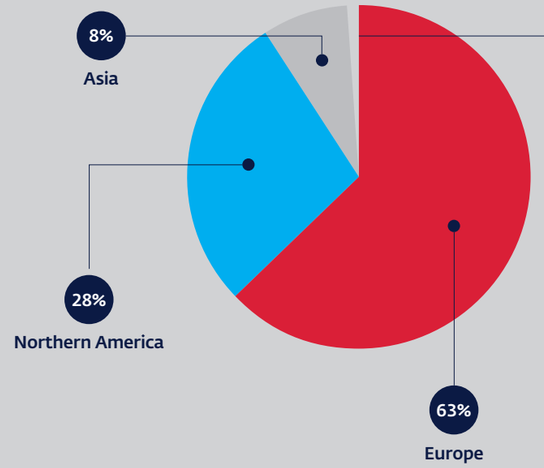
Thanks to the availability of labour force and its language skills BSCs in SLOVAKIA are evolving towards centers with higher added–value with greater emphasis on quality of their services.

65+
BSCs already established in Slovakia

74,000
people employed by BSCs

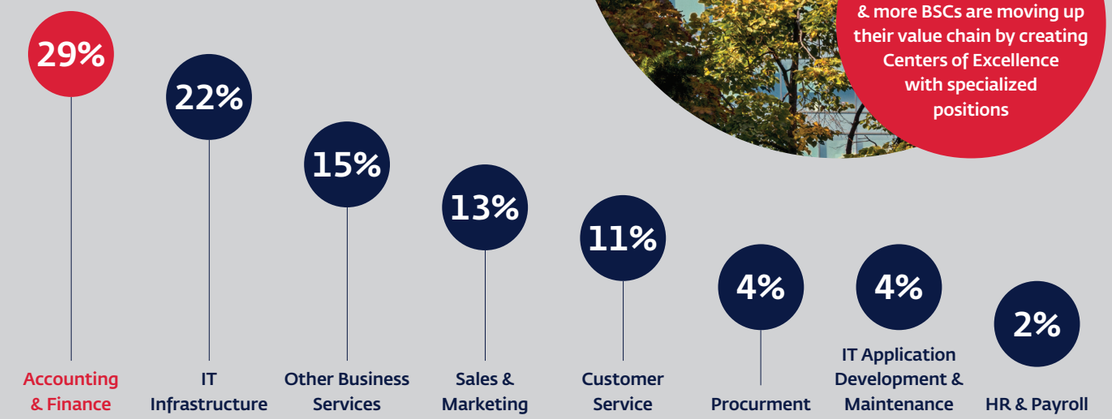
82%
centers provide higher added value functions & transactional processes

COUNTRY OF ORIGIN



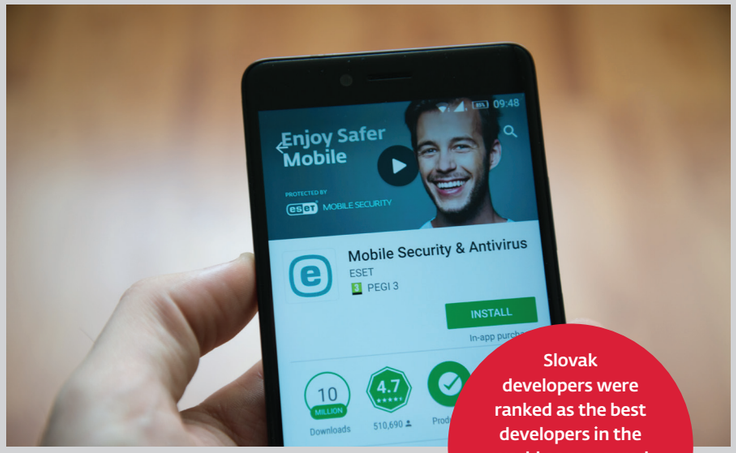
TOP BUSINESS SERVICES CENTERS IN SLOVAKIA
T–Systems, Swiss Re, Accenture, IBM, DXC Technology, Dell, AT&T, Johnson Controls, Adient, Henkel

AREAS OF OPERATION



Source: EECI figures: Statistical Office of the Slovak Republic, Yearbook of Industry of the SR 2018; BSCs figures: AmCham Business Service Center Forum Survey, 2018; Area of Operation: Grafton Recruitement Slovakia, 2019

The majority of IT services in **SLOVAKIA** are provided by service centers and software houses. On top of that, traditional activities of telecommunication operators are gradually expanding beyond their standard services and building a more diversified portfolio is becomingan integrated part of their business.



Slovak developers were ranked as the best developers in the world as measured by programming skills testing program

04 INFORMATION & COMMUNICATION TECHNOLOGIES

The information & communication technologies (ICT) sector has a solid position in the Slovak economy. This is demonstrated by the presence of foreign owned companies such as T–Systems, Asseco, Accenture, Soitron, Atos as well as strong domestic companies such as Eset, Sygic.

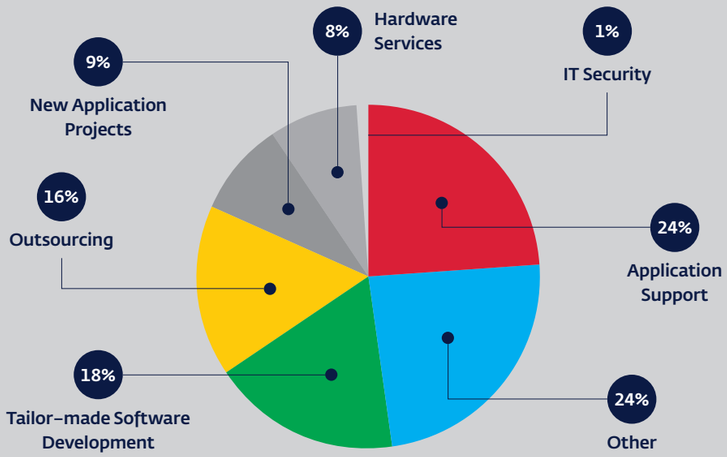
4.6%
ICT contribution to Slovak GDP

67,000+
jobs in ICT sector

38
games development companies & studios

IT SERVICE MARKET IN SLOVAKIA

ICT technologies became an integrated part of the daily life in **SLOVAKIA**. Their role continues to grow which is reflected by steadily raising adaptability of the Slovak population to ICT technologies.



05 RESEARCH & DEVELOPMENT

As a top priority, the Government of the Slovak Republic is determined to attract and support investments with high added value and innovation potential.

33,500 R&D employees in 465 R&D facilities

RIS3 — NATIONAL R&D SPECIALISATION STRATEGY
National R&D Specialisation Strategy is focused on innovation support through cooperation between entreprises and research institutions in key sectors of the Slovak economy.
RIS3 identifies following priorities linked to R&D funding — material research and nanotechnology, biomedicine and biotechnology, ICT including electronics.

30% of all outputs in international scientific journals on material research originates from SLOVAKIA

KEY FACTS WHY TO CONSIDER SLOVAKIA FOR R&D

1. Highly qualified labour force at affordable costs
2. Many production plants in high–tech industries
3. Established cooperation between companies & local universities
4. Broad R&D and innovation network
5. Presence of R&D centres & technology clusters
6. R&D incentives

Source: ICT and R&D Figures: Statistical Office of the Slovak Republic, Yearbook of Industry of the SR 2018; ICT Service Market in Slovakia: Trend, 2019; Number of Game Development Companies: Slovak Games Developers Association, 2019

WHY SLOVAKIA

Success Stories in Slovakia

SLOVAKIA has been the final investment destination for several hundreds successful projects from various countries and in a wide range of industrial sectors.

CANADA
MAGNA,
Martinrea Slovakia
Fluid Systems,
Slomatec

USA
US Steel, DELL, IBM,
DXC Technology, Johnson
Controls, Adient, AT&T,
Accenture, Amazon,
Honeywell Safety Products,
Whirlpool, Lear Corp. Seating,
Johns Manville

UNITED KINGDOM
Jaguar Land Rover,
GlaxoSmithKline, de Miclén,
Firm Services, Innopharma,
DS Smith

BELGIUM
Bekaert,
Carmeuse,
Punch Precision,
Team Industries,
Fremach Trnava

SPAIN
Gestamp, Jobelsa,
Cikautxo, Estamp,
Fagor Ederlan, Farguell,
Elastorsa, Cortizo

FRANCE
PSA Peugeot
Citroen, Orange, Faurecia,
Bourbon, Plastic Omnium,
Atos IT Solutions, GeLiMa,
Bel, Decathlon, Arval,
Tesca Slovakia

BRAZIL
Embraco, CRW Slovakia,
Micro Juntas SK

SWITZERLAND
Swiss RE, Schindler,
LafargeHolcim, Vetropack,
ABB, Nestlé, Nexis, Enics,
Zurich Insurance Services,
Global Blue

GERMANY
Siemens, Volkswagen, Brose,
Covestro, T-Systems, Schaeffler,
Leoni, Mahle, Hella, KUKA,
Osram, ZF, Evonik Fermas,
Deutsche Telekom

ITALY
Magneti Marelli,
Brovedani,
SISME,Bonfiglioli,
MTA, Mevis,
Lombardini,
C.I.M.A.

AUSTRIA
MIBA Sinter,
Neuman Aluminium,
ZKW, Uniqa4Ward
RSC Raiffeisen Service
Centre

TAIWAN (CHINA)
AU Optronics,
ESON, Foxconn, Delta
Electronics

CHINA
Lenovo, Yanfeng,
Huawei, Mesnac, Boge
Elastmetall, Leyard
Europe

SOUTH KOREA
Kia Motors,
Samsung, Mobis,
YURA, Sungwoo Hitech,
Hyundai Dymos,
Donghee Slovakia

JAPAN
Minebea,
SE Bordnetze,
Panasonic, Yazaki,
Marelli, Akebono,
U-Shin, SIIX EMS,
Brother Industries

EXAMPLES OF FOREIGN INVESTORS WITH R&D OPERATIONS
Adient, Yangfeng,
Brose, Osram, Siemens,
BSH, Honeywell,
Embraco

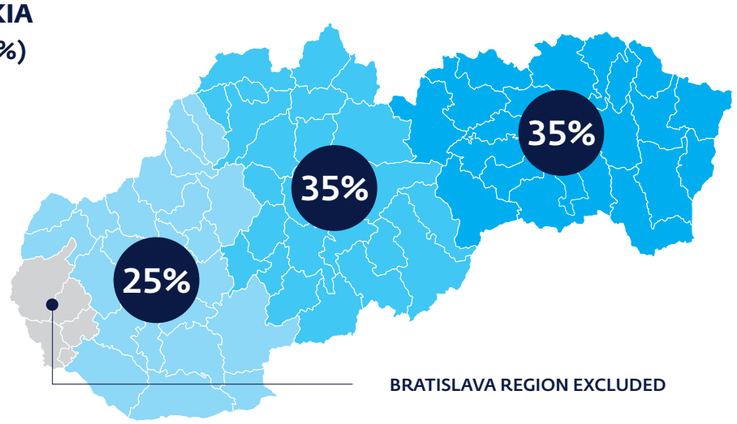
550+

Successful SARIO projects since 2002 including IBM, Dell, Jaguar Land Rover, Kia, PSA, Amazon, Volkswagen, Johnson Controls, Embraco, Samsung, Honeywell, Minebea and others.

Investment **Incentives**

The primary goal of the investment incentives is to motivate investors to place their new projects in regions with higher unemployment and to attract projects with higher added value.

MAXIMUM REGIONAL INTENSITIES OF INVESTMENT AID IN SLOVAKIA
(for SMEs additional 10%—20%)



BRATISLAVA REGION EXCLUDED

ELIGIBLE PROJECTS
The Act on Investment Aid divides the projects which may be supported into four categories:
- Industry
- Technology Centers
- Combined Projects of Industrial Production and Technology Center
- Shared Services Centers

ELIGIBLE COSTS
- Costs of land acquisition
- Costs of buildings acquisition & construction
- Costs of new technological equipment and machinery acquisition
- Intangible long–term assets — licences, patents, etc.
- Rent of new land/building
  or
- Wage costs of new employees for the period of 2 years

FORMS OF INVESTMENT INCENTIVES
- Tax relief
- Cash grant
- Contributions for the newly created jobs
- Rent/Sale of real estate for a discounted price

INDUSTRY
Minimum investment amount, number of newly created jobs and share of new technology are subject to the unemployment rate in the selected district and forms of aid required.

If applying for income tax relief, the following criteria have to be met in regards to particular districts category:
- 6 mil. EUR and 60% share of new technology
- 3 mil. EUR and 50% share of new technology
- 1,5 mil. EUR and 40% share of new technology
- 0,2 mil. EUR and 30% share of new technology
- Expansion includes minimum increase in the production volume or turnover by at least 15%

Direct forms of aid are also available, different conditions apply.

TECHNOLOGY CENTERS
- Minimum investment of 200 ths. EUR on fixed assets in all regions
- Minimum of 20 newly created jobs
- Minimum 1,7 fold of average salary in the district paid to new employees

SHARED SERVICES CENTERS
- Minimum of 50 newly created jobs
- Min 1,5 fold of average salary in the district paid to new employees

*Conditions differ for projects from 'Priority areas'. Minimum conditions for SMEs are in principle lowered by half. Please contact us at invest@sario.sk for more information.

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

AIM INVESTMENT AWARDS DUBAI 2017

CEE & TURKEY REGION
Best Investment Promotion Agency in 2016

SARIO Profile

Slovak Investment & Trade Development Agency (SARIO) is a governmental investment and trade promotion agency of the Slovak Republic. The agency was established in 2001 and it operates under the Slovak Ministry of Economy.

01 INVESTMENT SERVICES

FOR POTENTIAL INVESTORS
- investment environment overview
- assistance with investment projects implementation
- starting a business consultancy
- sector and regional analyses
- investment incentives consultancy
- site location & suitable real estate consultancy

FOR ESTABLISHED INVESTORS
- identification of local suppliers, service providers
- assistance with expansion preparation and execution
- relocation assistance, work/stay permits
- business networking

02 FOREIGN TRADE SERVICES

IF YOU ARE LOOKING FOR
- Slovak supplier or sub–contractor
- information about Slovak export/trade environment
- sourcing opportunities
- forming a joint venture, production cooperation or other forms of partnership with a Slovak partner

SERVICES FOR EXPORTERS
- information on foreign territories
- customized search for foreign partners
- on–line database of business opportunities
- export Training Centre
- subcontracting assistance

03 INNOVATION SERVICES

- supporting Slovak innovative technology companies towards growth by connecting them to SARIO's major clients — large investors established in Slovakia in order to innovate their technological processes not limited to the borders of Slovakia
- focus on, but not limited to: industry, product development, service sector
- interconnection of Slovak R&D capacities with industrial production in order to transfer technology processes closer to production praxis

04 DIVERSIFICATION SERVICES

- supporting diversification of Slovak companies towards high–tech areas with significant growth potential
- focus on, but not limited to: space industry, aviation industry, and innovative mobility
- include consultancy for companies regarding the potential and possibilities of entering the new sectors as well as creation of new business and R&D cooperation opportunities on the national and international level