Automotive Industry in Slovakia

Desk Research Report 2017

XSIGHTS
RESEARCH AND CONSULTANCY

OTOMOTİV ENDÜSTRİSİ İHRACATCILARI BİRLİĞİ OİB

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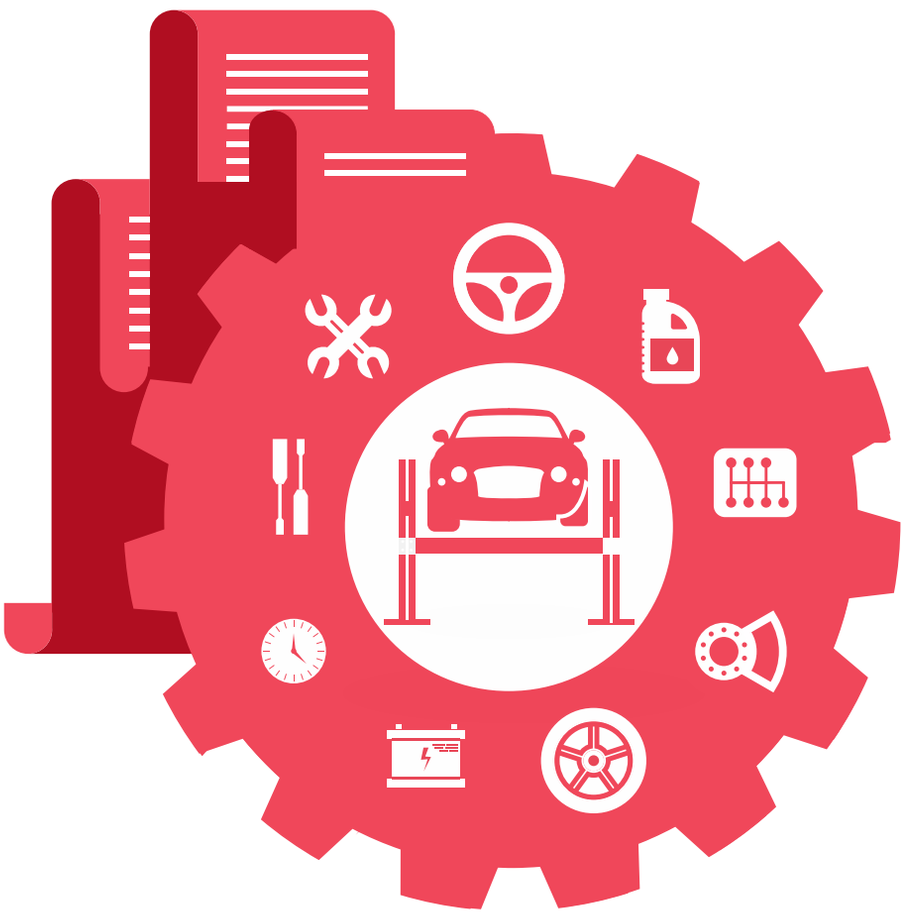


General Economic Situation in Slovakia

More than ten years ago, Slovakia embarked on an ambitious plan of deep structural eforms with a vision to become one of the best business locations in the European Union (EU). Today, Slovakia is widely seen as a success model for other EU countries for creating an investmentand business-friendly environment. Slovakia is a full member of the EU, NATO, OECD, Eurozone and Schengen Area.

Slovakia adopted the Euro on January 1, 2009 and thus became the 16th member state of the Eurozone. This was thanks to the country's sustainable development and good inflation forecasts. The official exchange rate was SKK 30.1260 to the EUR. Membership in the Eurozone reduces currency exchange risks and tightens the fiscal discipline of member countries, which results in more opportunities for a stable economy. In the long run, this will be beneficial for businesses active in Slovakia.

	2012[a]	2013[a]	2014[a]	2015[a]	2016[a]	2017[b]	2018[b]	2019[b]	2020[b]	2021[b]
Nominal GDP (US$ bn)	93.5[c]	98.5[c]	100.9[c]	87.3[c]	89.6[c]	88.7[a]	93.4	100.0	106.3	113.1
Population (m)	5.4[c]	5.4[c]	5.4[c]	5.4[c]	5.4[c]	5.4[a]	5.4	5.4	5.4	5.4
GDP per head (US$ at PPP)	26,600[c]	27,871[c]	28,997[c]	29,894[c]	31,210[c]	32,915[a]	34,805	36,426	38,151	40,090
Private consumption per head (US$)	9,870[c]	10,248[c]	10,378[c]	8,837[c]	9,033[c]	9,052[a]	9,436	10,254	10,891	11,585
No. of households ('000)	2,269	2,287	2,308	2,331	2,351	2,371	2,394	2,414	2,434	2,454
No. of households with annual earnings above US$5,000 ('000)	2,269	2,287	2,308	2,331	2,351	2,371	2,394	2,414	2,434	2,454
No. of households with annual earnings above US$10,000 ('000)	2,096	2,123	2,148	2,103	2,133	2,151	2,178	2,223	2,258	2,293
No. of households with annual earnings above US$50,000 ('000)	75	82	88	54	58	59	62	76	87	101

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: Economist Intelligence Unit

Gross Domestic Product and Consumer Prices

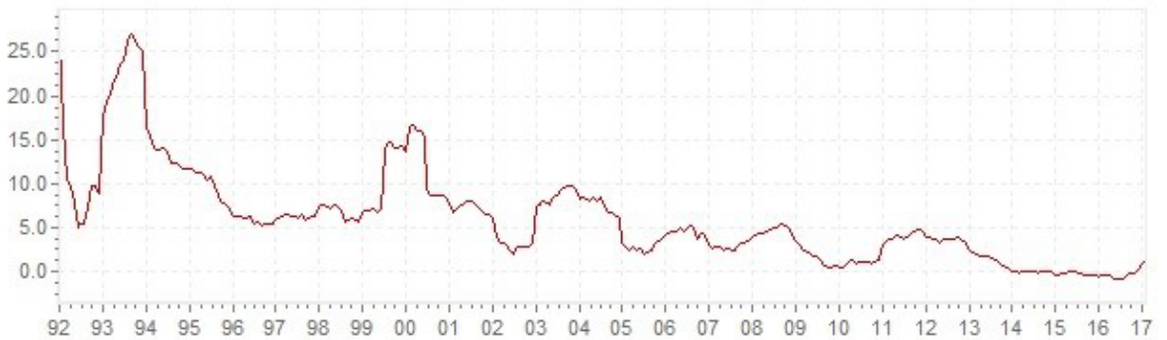
Gross domestic product (GDP) of Slovakia grew 3.3% in 2016 compared to 2015. This rate is 5-tenths of one percent less than the figure of 3.8% published in 2015.

Date	GDP Mill.$	GDP Growth (%)
2016	89,612M.$	3.3%
2015	86,629M.$	3.8%
2014	100,406M.$	2.6%
2013	98,064M.$	1.5%
2012	93,101M.$	1.7%

Source: countryeconomy.com

The GDP figure in 2016 was $89,612 million. The absolute value of GDP rose $2,983 million with respect to 2015. GDP per capita of Slovakia n 2016 was $16,515, $536 higher than 2015. Slovakia is in 48th position of 196 countries.

Consumer prices in Slovakia have recorded a year-on-year growth again, after 3 years. Year-on-year inflation amounted to mines 0,2% in December 2016 with both core and net inflations tanding at 0.9%, The Slovakia Statistics Office reported.



Source: inflation.eu

Slovakia Labour Market

The Statistics Office reported growing overall employment, with its growth accelerating by 0.3 percentage points year-on-year to 2.8% to a total of 2.503 million employed people for the third quarter of 2016. The number of the employed people in Slovakia increased during the first three quarters of 2016, reaching historical records.

Unemployment rate falls

The so-called registered unemployment rate, the rate calculated based on jobseekers able to take a job immediately, was at 8.76% in December 2016. It had fallen from 10.39% in January 2016, based on data from the Central Office of Labour, Social Affairs and Family.

Data from Slovakia's Statistics Office also confirm the drop in the jobless rate, reporting 9.5% for the third quarter of 2016 compared to 11.5% for all of 2015.

Automotive Industry in Slovakia

The automotive industry has a strong tradition in Slovakia and became the most important sector and driving force of the Slovak economy. Slovakia is one of the smaller automotive markets in the EU. Car sales averaged about 70,000 units annually over the past decade and total motor vehicles sales stood at about 100,000 last year. However, Slovakia is a major automotive producer, manufacturing more than 1m vehicles a year. Major strengths of the industry are its close proximity to core export markets in Europe, low labour costs, and government support.

Slovakia has grown to become one of the leading car producers in world, primarily thanks to the presence of three world-class automotive companies being established in Slovakia: Volkswagen Slovakia in Bratislava (since 1991), PSA Peugeot Citroën Slovakia in Trnava (since 2003), Kia Motors Slovakia in Žilina (since 2004) and Jaguar Land Rover in Nitra (since 2016).

Automotive parts production plants have increased the value of their production more than tenfold within the last decade. Among the important activities of modern automotive industry development can be listed not only the construction of the latest automotive plants with the latest technologies, but also the first initiatives in the development of e-Mobility in Slovakia.

Number of Cars per 1,000 Population

Total passenger-car ownership has risen since the fall of communism, from 163 per 1,000 population in 1990 to an estimated 369 per 1,000 population in 2016. This figure is still below the typical rates for developed countries. This figure is expected to rise to 400 per 1,000 population in 2021, closing the gap with rates prevailing in richer countries in the EU.

Registrations of New PC Vehicles

New car registrations hit record figures in Slovakia last year. Slovaks bought a total of 88,163 new cars in 2016, an increase of 13.1% from the previous year.

Slovakia's car market has expanded steadily over the past three years, with new-car registrations rising by 9.5% in 2014 and 7.7% in 2015. Sales accelerated to 13.1% in 2016, setting a new record of 88,000 units. Neighbours the Czech Republic provide the best selling brand, however with a reduced market share. Most of the action came from marques just below the top ones, as they seemingly jostled to outdo each other.

	2012[a]	2013[a]	2014[a]	2015[a]	2016[a]	2017[b]	2018[b]	2019[b]	2020[b]	2021[b]
Passenger cars (stock per 1,000 people)	338.0	348.0	360.0	360.0[c]	368.8[c]	373.9	379.7	385.8	392.6	399.8
Passenger car registrations ('000)	69.3	66.0	72.3	77.8	88.2	88.8	93.3	96.9	99.8	102.7
Passenger car registration growth (%)	1.5	-4.7	9.5	7.7	13.1	0.7	5.0	3.9	2.9	2.9

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Source: Economist Intelligence Unit

Most Popular Brands

The German Volkswagen Group operates in Slovakia through the Skoda, Volkswagen, Seat and Audi brands. Skoda is by far the most popular brand, both historically and because it offers the highest quality for a relatively modest price. Last year it controlled less than 20% of the Slovak market. The Volkswagen brand was second, with 9.7%, as its sales slipped by 4% during 2016. Combined, the group controls around one-third of the market.

In the chart below, pale yellow represents a reduction in registrations, pale blue is increase but lost market share. Green is for those exceeding the market growth and finally the salmon colour for those with over 100% increase.

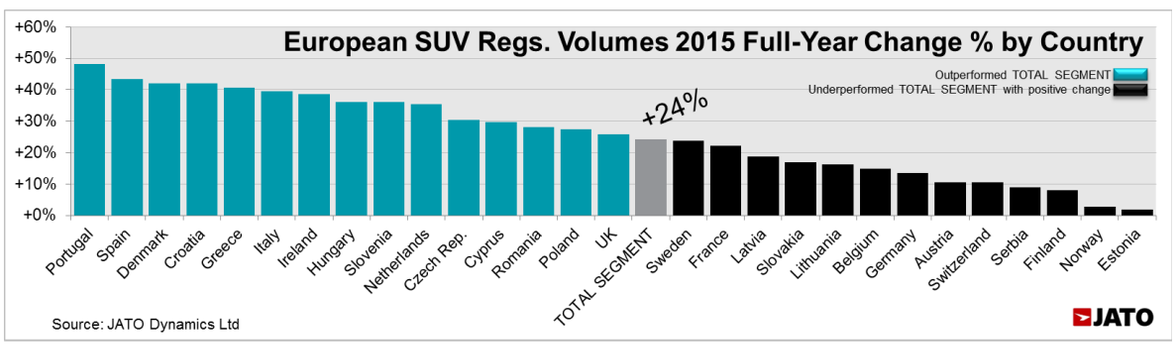
Most Popular Brands

12	13	14	15	16	Brand	2016	%	
1	1	1	1	1	Škoda	17,571	19.9%	6%
2	2	2	2	2	VW	8,086	9.2%	6%
4	3	4	3	3	Hyundai	6,724	7.6%	7%
3	4	3	4	4	Kia	6,393	7.3%	14%
7	6	6	6	5	Opel	4,925	5.6%	17%
6	5	5	5	6	Peugeot	4,761	5.4%	6%
5	9	9	8	7	Renault	4,031	4.6%	34%
8	8	10	10	8	Suzuki	3,987	4.5%	51%
17	10	7	7	9	Dacia	3,938	4.5%	19%
14	13	11	12	10	Mercedes	3,210	3.6%	28%
12	11	12	13	11	Toyota	3,171	3.6%	30%
10	14	14	14	12	BMW	3,149	3.6%	31%
9	7	8	9	13	Citroën	2,830	3.2%	6%
11	12	13	11	14	Ford	2,505	2.8%	-3%
21	21	18	17	15	Mazda	1,925	2.2%	25%
13	20	17	15	16	Nissan	1,666	1.9%	-14%
15	15	15	16	17	Audi	1,595	1.8%	3%
18	19	20	20	18	Fiat	1,365	1.5%	20%
19	17	16	19	19	Seat	1,328	1.5%	12%
20	16	19	21	20	Honda	1,268	1.4%	26%
22	22	21	18	21	Mitsubishi	1,256	1.4%	4%
23	23	23	22	22	Volvo	566	0.6%	4%
25	24	25	25	23	Subaru	318	0.4%	28%
24	25	24	24	24	Land Rover	315	0.4%	19%
27	26	26	23	25	Chrysler	298	0.3%	-8%
26	27	27	26	26	MINI	225	0.3%	42%
31	30	28	28	27	Lada	181	0.2%	69%
32	31	30	29	28	Lexus	167	0.2%	76%
33	33	34	32	29	Jaguar	117	0.1%	318%
28	28	28	27	30	Porsche	103	0.1%	-7%
-	-	-	30	31	DS	90	0.1%	6%
29	29	31	31	32	Alfa Romeo	44		47%
34	35	35	33	33	smart	22		-19%
-	37	36	34	34	Mahindra	17		42%
-	-	-	-	35	Maserati	11		n/a
					Other	5		
					Total	88,163		13%

Source:
http://raycee1234.blogspot.com.tr/2017/02/sovakia-car-sales-brand-2016.html

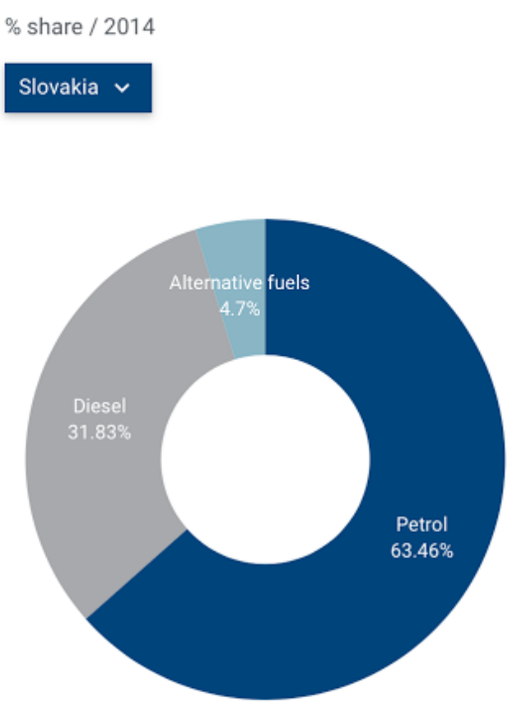
Škoda Fabia kept the title of the top selling passenger car when as many as 5,381 Slovak drivers opted for it last year. Skoda Fabia drops 1% but remains the best-seller in Slovakia for the second year running and the 18th time in the past 22 years. It holds off the Skoda Octavia, leader in 2010, 2011, 2013 and 2014, up 11% with 4,938 sold units but still #2. The Skoda Rapid (-2%) makes the Slovakian podium 100% Skoda for the fourth consecutive year. The Kia Cee'd (+12%) is once again the most popular foreign nameplate but the Suzuki Vitara ends 2016 only 47 units below, overtaking the Hyundai i30 (-1%) and VW Golf (-11%), The Hyundai Tucson is up 4-fold on its 2015 score to land at #7 for the first full year of this generation, the Opel Astra is lifted up 51% by the new model and the Skoda Superb doubles its 2015 result to break into the 10 most popular nameplates in the country.

SUV sales ratio in Slovakia is less than Europe average.



Most cars on Slovak roads have an internal combustion engine.

Almost 65% of vehicles have petrol engine in Slovakia. Alternatif fuels ratio is in line with EU average. r for those with over 100% increase.



Source: ACEA

Emissions

In 2015, average new car emissions in the European Union were 119.6g CO2/km.

As an EU member, Slovakia co-ordinates its emissions regulations with EU policy. Following the perceived failure of an earlier voluntary agreement, tough new EU rules to combat transport-related carbon dioxide (CO2) emissions were agreed at the end of 2008. These require European manufacturers to cut average CO2 emissions across their new-car fleets to 130 g/km in 2015.

In 2014 the EU agreed a further reduction in permitted CO2 new-car emissions, to 95 g/km by 2021. The deadline was pushed out by a year from the originally proposed 2020, owing largely to lobbying from Germany. The agreement also offers some flexibility via a system of super-credits that allows carmakers to gain extra credits for low-emission vehicles, such as electric cars.

EU CO2 limits for new cars beyond 2021 are currently on the back burner. However, in the wake of the Volkswagen diesel emissions scandal, the EU is set to roll out tighter testing rules, including real driving emissions tests, by 2017.

Interest in electric cars is increasing thanks to support scheme

Interest in the purchase of electric cars in Slovakia is increasing, partly in thanks to a recently launched initiative by the Automobile Industry Association (ZAP), which has so far assisted with the purchase of 32 electric vehicles.

While in 2013 people and companies bought a total of 19 electric vehicles, in 2014 the figure increased to 65 and in 2015 to 69. Regarding 2016, as many as 123 electric cars were sold by the end of October.

In early November 2016, the government introduced a €5.2-million support scheme. Of this, €5 million will come from the recycling fund and €200,000 from ZAP resources. Each buyer of a new electric car is set to receive a contribution of €5,000, while those who purchase hybrid cars will receive €3,000. Every individual, business entity, town or village will be able to apply for such a contribution, which will concern only personal vehicles and small commercial vehicles up to 3.5 tonnes. The contribution will be paid gradually over the course of three years of registration in order to prevent speculative exports abroad.

The government also has other plans to support the usage of electric and hybrid cars. It is planning to draft a series of measures, including tax relief and other benefits. Owners of electric cars, for example, will not have to pay for parking.

The support programme for purchasing electric cars will run until the end of 2017 or until all resources are exhausted. The primary endeavour is to increase the number of these cars to some 1,000 by the end of 2017.

Weak charging infrastructure

In the meantime the Slovak Electric Vehicle Association (SEVA), a grouping of legal entities aimed at supporting transport and infrastructure for personal and commercial electric vehicles in Slovakia, praised the initiative. But it stresses lack of charging infrastructure saying that the ecosystem of electromobility does not consist only of electric vehicles but also of charging infrastructure, to which the state is not very attentive and without which there will not be any sustainable growth in this segment.

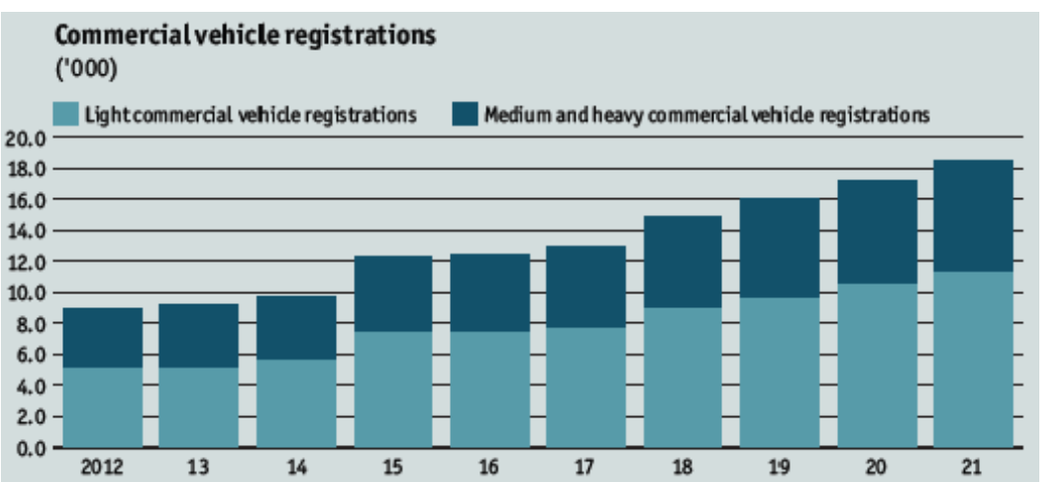
The current infrastructure is rather decent given the small number of electric cars, but there is a lack of charging points in cities and at public carparks. In two years from now there will not be anywhere to recharge new electric cars. It would be appropriate for the government to find a way of helping cities to build at least basic infrastructure that would correspond with the increasing number of electric vehicles.

New registrations - CVs

CV sales slumped dramatically in 2009-12, to just 9,000 units in 2012, down from a peak of more than 32,000 units in 2008. Since 2013 the market has been recovering, with a surge in 2015, when growth topped 26%. The surge was led by the light commercial vehicle (van) market. Growth continued at a far slower rate in 2016, when total CV registrations rose by 1.2%. Van sales inched up by 0.3%, and registrations of medium and heavy commercial vehicle (truck) rose by 2.7%. Even so, annual CV registrations remained at less than 40% of their 2008 levels, with van registrations at little more than a quarter of their peak.

With pent-up demand still strong, new CV registrations had a good start of 2017, gaining 9.1% in January-February and outpacing the 5.6% increase in the EU market. However, growth was concentrated in the truck segment, which jumped by 20.1%. Van registrations were effectively flat, as they had been in 2016. We expect the same pattern to persist through 2017, when van sales will increase by 2.8% for the year as a whole and trucks will power ahead by 5.6%, leading to total CV market growth of 3.9%.

CV sales is expected to bounce back strongly in 2018 and to rise steadily in 2019-21, driven by the economic recovery and increases in real gross fixed investment. The segment will expand at an average annual compound rate of 8.3% in 2017-21. Given their lower base, we expect van sales to outpace truck sales, with annual growth averaging 8.7% and 7.8% respectively. Even so, by 2021 total van sales will remain below their 2008 peak, whereas truck sales will be at record highs.



Source: Economist Intelligence Unit

	2012[a]	2013[a]	2014[a]	2015[a]	2016[a]	2017[b]	2018[b]	2019[b]	2020[b]	2021[b]
Light commercial vehicle registrations ('000)	5.1	5.1	5.6	7.4	7.5	7.7	8.9	9.7	10.4	11.3
Medium & heavy vehicle registrations ('000)	3.9	4.1	4.1	4.8	5.0	5.3	6.0	6.4	6.8	7.2
Commercial vehicle registrations ('000)	9.0	9.2	9.7	12.3	12.4	12.9	14.9	16.0	17.2	18.6
Commercial vehicle registration growth (%)	-7.1	2.6	5.4	26.3	1.2	3.9	15.3	7.4	7.5	7.9

[a] Actual. [b] Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit

Most popular brands

The CV market in Slovakia is small and has been volatile, with market shares changing quickly. According to the Slovak Automotive Industry Association (ZAPSR), in 2013 (latest available figures) Fiat (Italy) was the leading brand in the small and light commercial vehicle segment, with a market share of 22.3% unchanged from 2012, and ahead of PSA Peugeot Citroën, with a market share of 16.1%.

In 2013 Mercedes-Benz (Germany) retained its dominant position for medium and heavy commercial vehicles with a market share of 53.3%, followed by Volvo (Sweden) with a 21.1% share, unchanged from 2012. The shares held by Scania (Sweden) and MAN (Germany) were far smaller and accounted for less than 10% of the market.

All commercial vehicles sold in Slovakia are imported, mainly from other parts of the EU.

Production

Slovakia kept its position of global car manufacturing leader in per capita terms last year. With output of just above 1m vehicles, it accounted for 1.1% of global car production, and is the 20th-largest car producer overall.
Due to high and steadily increasing productivity in the Slovak automotive sector, the production in this industry is not categorised as low cost anymore. Nevertheless, it remains cost-competitive on the regional as well as the European level. The Slovak labour force is known for its flexibility, excellent qualification and high productivity.

Carmakers in Slovakia keep breaking records in car production. After they exceeded the one million threshold in 2015 for the first time in history, they managed to increase production again last year. In 2015, the carmakers in Slovakia produced 1,038,503 cars. The Slovak Automotive Industry Association (ZAP) estimates that Volkswagen Slovakia, Kia Motors Slovakia and PSA Groupe Slovakia produced more than 1.04 million cars in 2016. Final figures will be known only after Volkswagen announces its results in March 2017.

No commercial vehicle production in Slovakia.

In 2016, Kia Motors Slovakia near Žilina which is the KIA's only factory in Europe, manufactured 339,500 cars and PSA Groupe Slovakia in Trnava 315,050 cars. Thus, production of Volkswagen in Bratislava is estimated at 385,450 units.

Peugeot Citroën Slovakia points to the new Citroën C3 model behind the 4% increase in production in 2016. It launched its production in late 2016 and manufactured almost 42,000 units. At Kia it was the new Kia Sportage that pushed up its car production, which began in 2015.

Slovakia, therefore, maintains its position as the world leader in car production, as carmakers produced 191 units per 1000 inhabitants.

KIA is producing the models : Kia cee'd, Kia cee'd Sportswagon, Kia pro_cee'd, Kia Sportage and Kia Venga.

Peugeot Citroën Slovakia is producing the models : Peugeot 2008, Citroen C3 Picasso and Citroen C3.

Volkswagen is producing the models : VW Touareg, Audi Q7, VW Up!, Škoda Citigo, SEAT Mii, Porsche Cayenne, body in white for Bentley Bentayga

It was expected as carmakers in Slovakia will launch production of new models in 2017.

Currently, the ratio of purchases of new and old cars is 60:40, but the new fees may motivate people to buy older cars.

While Slovakia's carmaking industry manufactures about 6,000 electric and hybrid cars annually, less than 300 such cars are currently on the country's roads.

2016 PRODUCTION STATISTICS

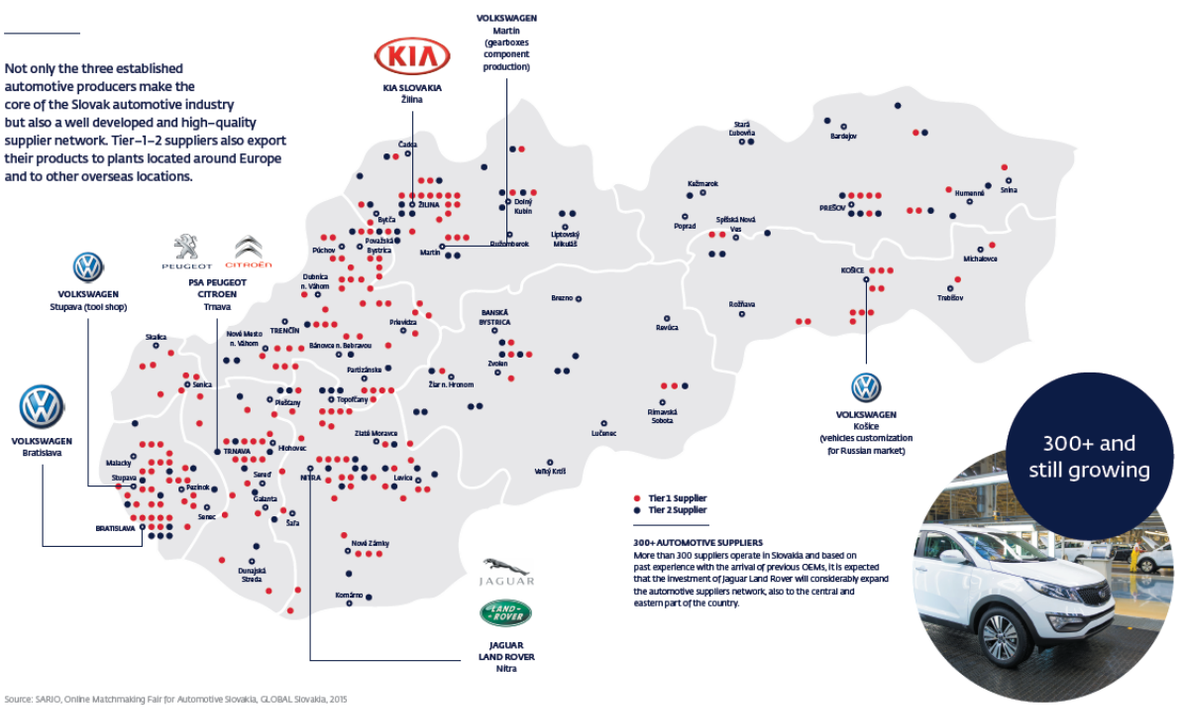
Country	Cars	Commercial vehicles	Total	% change
China	24,420,744	3,698,050	28,118,794	14.5%
USA	3,934,357	8,263,780	12,198,137	0.8%
Japan	7,873,886	1,330,704	9,204,590	-0.8%
Germany	5,746,808	315,754	6,062,562	0.5%
India	3,677,605	811,360	4,488,965	7.9%
South Korea	3,859,991	368,518	4,228,509	-7.2%
Mexico	1,993,168	1,604,294	3,597,462	0.9%
Spain	2,354,117	531,805	2,885,922	5.6%
Canada	802,057	1,568,214	2,370,271	3.8%
Brazil	1,778,464	377,892	2,156,356	-11.2%
France	1,626,000	456,000	2,082,000	5.6%
Thailand	805,033	1,139,384	1,944,417	1.8%
UK	1,722,698	93,924	1,816,622	8.0%
Turkey	950,888	535,039	1,485,927	9.4%
Czech Rep.	1,344,182	5,714	1,349,896	8.3%
Russia	1,124,774	179,215	1,303,989	-5.4%
Indonesia	968,101	209,288	1,177,389	7.2%
Iran	1,074,000	90,710	1,164,710	18.6%
Italy	713,182	390,334	1,103,516	8.8%
Slovakia	1,040,000	0	1,040,000	0.1%
Others	781,708	138,454	920,162	10.6%

Source:OICA

Automotive Suppliers in Slovakia

Not only the three established automotive producers make the core of the Slovak automotive industry but also a well developed and high-quality supplier network. Automotive Suppliers in Slovakia, Tier-1-2 suppliers, also export their products to plants located around Europe and to other overseas locations.

More than 300 suppliers operate in Slovakia and based on past experience with the arrival of previous OEMs, it is expected that the investment of Jaguar Land Rover will considerably expand the automotive suppliers network, also to the central and eastern part of the country.



Source: SARIO, Online Matchmaking Fair for Automotive Slovakia, GLOBAL Slovakia, 2015

Overview of major Tier 1-2 Suppliers in the Slovak Automotive Industry

Brakes, Brake Systems, Dampers
Fragokov , Continental Automotive Systems, Europalt, FTE Automotive, HUHN PressTech, Nobel Automotive, Ti-Hanil, TI Automotive, Mobis, Akebono Brake

Engine, Engine Parts & Components
Mobis, Pankl, Miba Sinter, Nemak, Getrag Ford Transmissions, MAR SK, Hriňovské strojárne, ZF, Honeywell Turbo, CCN Group Slovakia, Magneti Marelli, EUROPALT, Miba Steeltec, ZWL Slovakia, HUHN PressTech, Plastic Omnium, Nissens, Mahle Behr, GeWiS, Panasonic-Sanyo

Wiring Harneses & Electronic Components
Delphi Slovensko, Leoni, SE Bordnetze, Calearo, Yazaki, Kromberg & Schubert, JOHRAmont, Yura Corporation, RETTL, Konfektion E, CRT Electronic, DongYang E&P, PANASONIC Industrial devices, Molex, Mkem, SIIX EMS, Služba Nitra, MTA, CEMM THOME

Air-Conditioning
Hanon Systems Slovakia, DELPHI Slovensko

Stering Wheels
ADTOOL, TRW Automotive

Seats
Johnson Controls, Faurecia, Lear Corporation,

Suspensions
Donghee, Ilj

Plastic Components
POLYTEC, Fremach Slovakia, HTP, THERMOPLASTIK, Nobel Automotive, Bourbon Automotive, Rehau, RF, K-plast, MTA, Steep Plast, Z Industries, Polytec Composites

Exhaust Systems
TAJCO, SEJONG, Faurecia, Matador Automotive, Liaz

Body and Body Stampings
ArcelorMittal Gonvarri SSC, COMAX TT, Autotest Bratislava, Benteler, Matador, Švec a Spol, Donghee, TOWER Automotive, Bekaert, DURA Automotive, Sungwoo Hitech, Farguell

Seals and Silentblocs & other Rubber Components
ALDOBEC, CIKAUTXO, COBA Automotive, DONGIL RUBBER BELT, Elastomer Solutions, Eldisy, MIKON, Rubena, Vegum, SaarGummi, Contitech, Boge Elastmetall

Tyres, Balance Weights
Continental Matador Rubber, Continental Matador Truck Tires, Rotobalance, Bekaert

Exterior Lights
OSRAM, SEC, CEMM THOME, HELLA Front Lighting, HELLA Signal Lighting, Služba Nitra, ZKW, Hella Innenleuchten

Shock Absorbers
Plastic Omnium, Mobis, Rehau, Matador

Mirrors
Magna

40 Largest Suppliers in the Automotive Sector

COMPANY	COUNTRY OF ORIGIN	LOCALITY	SALES REVENUE THS. EUR.(2014)	NUMBER OF EMPLOYEES(2014)
Mobis Slovakia	South Korea	Gberany	1,135,821	1,703
Continental Matador Rubber	Germany	Púchov	792,017	2,612
Johnson Controls International	USA	Bratislava	633,341	3,150
Continental Matador Truck Tiers	Germany	Púchov	572,569	1,187
Faurecia Slovakia	France	Bratislava	528,031	1,970
SAS Automotive	Germany	Bratislava	495,637	476
INA Skalica	Germany	Skalica	448,815	4,689
INA Kysuce	Germany	Kysucké Nové Mesto	447,996	4,059
Yura Corporation Slovakia	South Korea	Lednické Rovne	275,147	2,505
Bekaert	Belgium	Hlohovec	271,620	1,490
Johnson Controls Lucenec	USA	Lucenec	267,342	749
Hanon Systems Slovakia	South Korea	Hava	257,716	495
Zeleziarne Podbrezova	Slovakia	Podbrezová	240,211	3,229
Continental Automotive Systems Slovakia	Germany	Zvolen	228,519	904
Getrag Ford Transmissions Slovakia	Canada	Kechnec	221,400	950
Emerson	USA	Nové Mes to n. Váhom	208,248	1,328
Hella Slovakia Front-Lighting	Germany	Koiovce	201,395	821
Inteva Products Slovakia	Netherlands	Lozorno	199,373	561
TRW Automotive Slovakia	USA	Nové Mesto n. Váhom	197,166	400
ArcelorMittal Gonvarri SSC Slovakia	Luxembourg	Senica	194,315	101
ZF Slovakia	Germany	Trnava	192,411	2,138
Sungwoo Hitech Slovakia	South Korea	Zilina	186,282	693
Hanil E - HWA automotive Slovakia	South Korea	Dubnica n. Váhom	176,440	450
U-Shin Slovakia	Japan	Kosice	174,476	1,813
Sejong Slovakia	South Korea	Lietavská Lúcka	168,421	165
Plastic Omnium Auto Exteriors	France	Lozorno	161,814	640
ZKW Slovakia	Austria	Krusovce	155,997	1,141
Leoni Slovakia	Germany	Trencín	153,850	2,163
Lear Corporation Seating Slovakia	USA	Presov	150,286	1,100
Hella Slovakia Signal-Lighting	Germany	Bánovce n. Bebravou	148,768	1,173
Brose Bratislava	Germany	Lozorno	141,572	358
HBPO Slovakia	Germany	Lozorno	139,517	130
Donghee Slovakia	South Korea	Strecno	137,553	452
Magna Slovteca	Canada	Nové Mesto n Váhom	135,697	500
Osram	Germany	Nové Zámky	132,572	1,262
Iljin Slovakia	South Korea	Pravenec	132,152	312
Inergv Automotive Systems Slovakia	France	Lozorno	132,113	181
Matador Automotive Vrable	Slovakia	Vrable	131,262	685
Tower Automotive	USA	Malacky	123,971	540
Magneti Marelli Slovakia	Italy	Kechnec	120,702	425
Yazaki Wiring Technologies Slovakia	Japan	Michalovce	114,930	4,591
SE Bordnetze - Slovakia	Japan	Nitra	96,277	1,213
Boge Elastmetall Slovakia	China	Trnava	93,971	635
Trim Leader	USA	Kostany n. Turcom	91,546	1,263

Investment Structure in Slovakia

Foreign Direct Investment

A new era for Slovak automotive industry would start with the 1991 arrival of German automotive company Volkswagen in Slovakia. Volkswagen expansion in Central Europe started with Skoda in Czech Republic but in the same year it continued through buying an 80% stake in BAZ in the Slovak Republic. Due to the obsolete nature of production facilities in the region VW would keep the buildings but invest in new equipment and technology.

The second major investment came in 2003, the largest Greenfield investment in the Slovak Automotive Industry at that time. France's Peugeot Citroen (PSA) would make a decision to invest in Trnava with investment plans of €700million. PSA Trnava Plant would start production in 2006 although the official opening was in October of 2009.

In 2004, KIA decided to invest in Zilina and this would be the only European factory for KIA motors. The investment would reach 1 billion in plant of 161 hectares.

The 2008-2009 fall in international investment and the subsequent Eurozone crisis, have had an impact on Slovakia and continue to weigh on foreign investment flows bound for the country. The main foreign investors in Slovakia are companies from Germany, Austria, Netherlands, USA, UK, Czech Republic, Italy, especially in the manufacturing industry (automobiles), electronics, financial services, telecommunications, precision engineering, utilities.

Given that a very large share of Slovakia's FDI directly depends on the Eurozone, the country is dependent on the economic health of its European neighbours, especially Germany and France, and is sensitive to regional tensions (the Russia-Ukraine conflict). French and German companies are the biggest investors in Slovakia, especially in the key energy, automotive, telecommunications and services sectors.

The continued upgrading of national infrastructure since 2012 still presents great opportunities for FDI, and the strategically located country remains attractive to foreign investors. Slovakia ranks 33rd out of 190 economies in terms of ease of doing business, according to the 2017 World Bank Doing Business Report. The FDI influx in the first 11 months of 2016 was near EUR 4 billion. Acceleration is expected with recent investments in the automotive sector (Jaguar Land Rover USD 1.45 billion facility project).

Recent increases in corporate taxes, changes to the Labour Code, slow dispute resolution as well as corruption are the factors that can undermine the attractiveness of the Slovak market.

The Slovak automotive industry experienced significant growth since 1992, which became even more rapid after the turn of the millennium. Over the past 20 years it has been an important source of foreign direct investment. Slovakia has grown to become one of the leading car producers in world, primarily thanks to the presence of three world-class automotive companies being established in Slovakia: Volkswagen Slovakia in Bratislava (since 1991), PSA Peugeot Citroën Slovakia in Trnava (since 2003), Kia Motors Slovakia in Žilina (since 2004) and Jaguar Land Rover in Nitra (since 2016).

Slovakia´s automotive industry broke a record in 2015, producing more than a million cars for the first time. The country is the global leader in car production per capita (184 cars per 1,000 inhabitants in 2015). Automotive accounts for 45% of Slovakia´s manufacturing activities and 35% of exports. In H1 of 2016 the sector continued to benefitted from rising car sales in Europe, while domestic car sales remain robust.

The automotive components industry in Slovakia has flourished hand in hand with the rise in automotive production. More car component makers are constantly shifting their operations to Slovakia, to the various industrial parks set up near Bratislava, Trnava, Žilina, Martin and Nitra.

For VW Slovakia, 2017 will be a kind of a threshold year as it will launch production of

a new generation of the Porsche Cayenne. So far it has manufactured only bodies for this model. The carmaker will also open a new body shop and a new logistics centre later this year.

PSA Groupe Slovakia plans to produce about 350,000 in 2017, while it also plans, at the turn of 2018 and 2019, to launch production of engines in Slovakia.

Kia plans to invest €130 million in 2017 while this money will be used in preparation for production of new engines and production of a new car model.

The British carmaker Jaguar Land Rover continues building its brand new plant near Nitra. Its construction started in the autumn of 2016 and the first cars will roll off production lines in 2018. The carmaker plans to manufacture in Slovakia 150,000 cars annually, while it plans to produce here the new Land Rover Discovery model.

Holeček of ZAP, estimates that the local automotive industry will need 14,000 new workers during the coming years, but schools might supply only about 4,000. Re-qualification training may bring between 5,000-6,000 workers and the rest could be foreign workers. While the Slovak government does not plan to ease employment of workers from non-EU member countries, companies can do so under special projects.

Based on ZAP data, the automotive industry directly employed 129,000 people in 2015 while an additional 121,000 people had jobs thanks to the existing automotive production in Slovakia.

Export

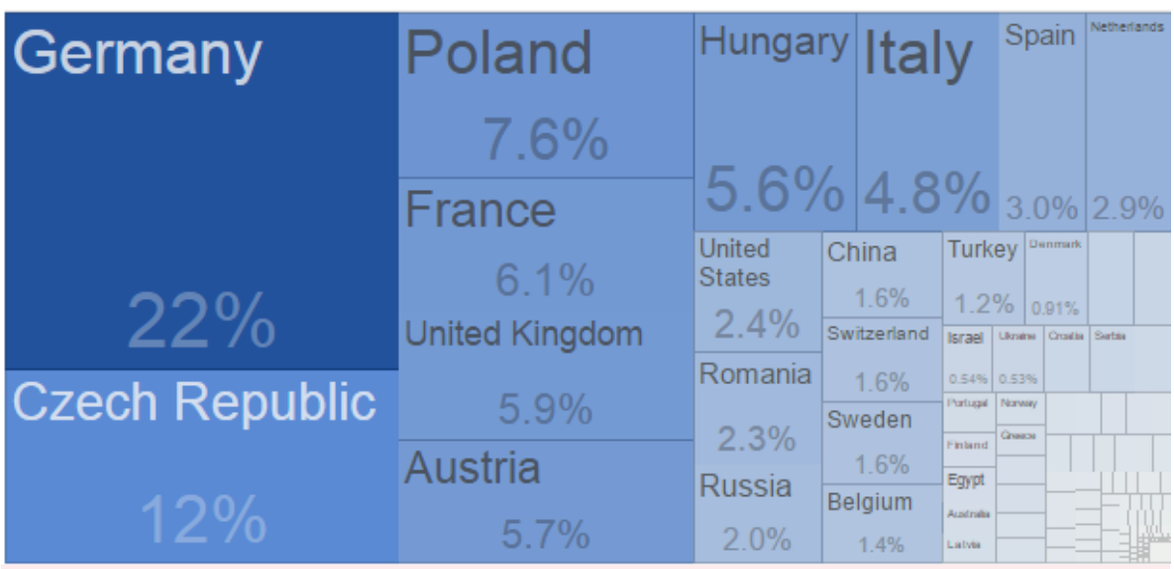
Exports from Slovakia rose 4.3 percent year-on-year to EUR 5.99 billion in February of 2017, preliminary data showed. Exports in Slovakia averaged 2895.38 EUR Million from 1993 until 2017, reaching an all time high of 6771 EUR Million in November of 2016 and a record low of 312 EUR Million in January of 1993.

Export of vehicles other than railway and tramway had the highest export volume in Slovakia.

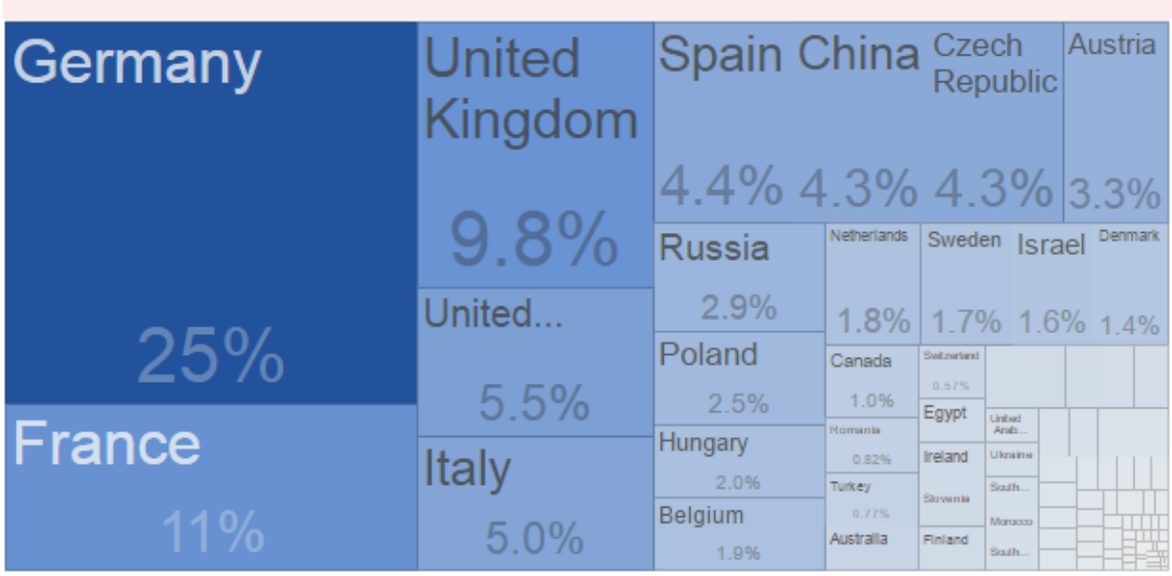
	2016
Vehicles other than railway, tramway	$21.97B
Electrical, electronic equipment	$15.99B
Machinery, nuclear reactors, boilers	$9.72B
Iron and steel	$3.04B
Mineral fuels, oils, distillation products	$2.60B
Plastics	$2.38B
Rubbers	$2.32B
Articles of iron or steel	$1.79B
Furniture, lighting signs, prefabricated buildings	$1.57B
Aluminum	$1.11B
Footwear, gaiters and the like, parts thereof	$1.08B

Source: tradingeconomics.com

Germany is the top export partner for Slovakia.



Slovakia Exports of Vehicles other than railway, tramway was US$21.97 Billion during 2016, according to the United Nations COMTRADE database on international trade. Export destinations in 2016 for Vehicles other than railway, tramway can be seen in below table. Most of the cars manufactured in Slovakia are exported and due to the turbulent situation in the world, carmakers must seek out new export destinations. For example, after exports of Kia cars to Russia decreased, it found a new market in Israel. Last year, its Slovak branch exported there 6 percent of its production.



Source: tradingeconomics.com

Import

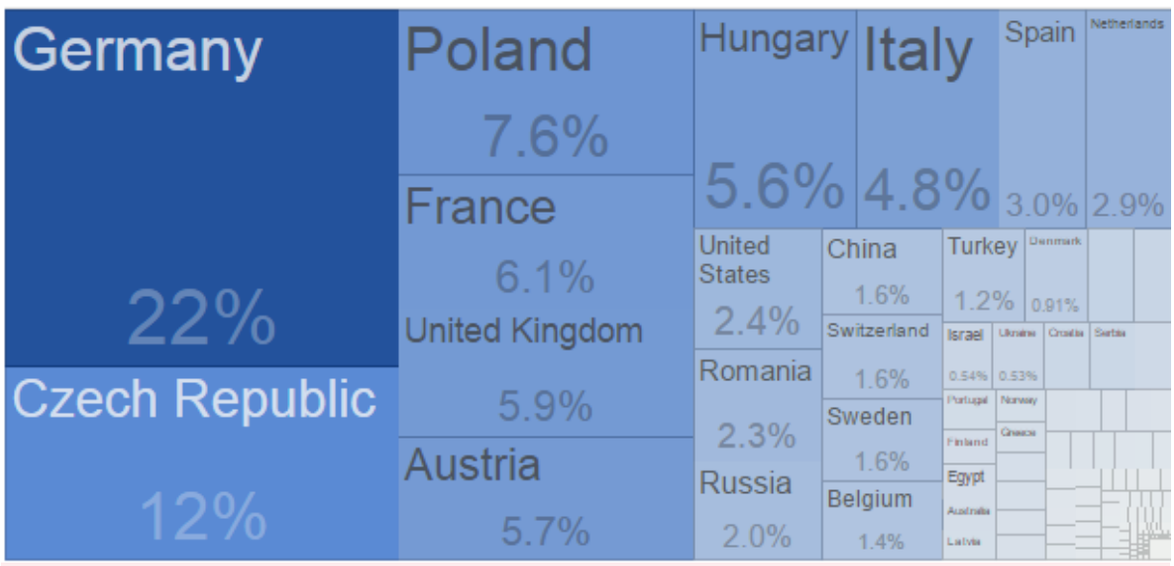
Imports to Slovakia advanced 5.4 percent year-on-year to EUR 5.64 billion in February of 2017, preliminary data showed. Imports in Slovakia averaged 2909.98 EUR Million from 1993 until 2017, reaching an all time high of 6468 EUR Million in November of 2016 and a record low of 287 EUR Million in January of 1993.

Importation of vehicles other than railway,tramway is the second biggest import item for Slokia.

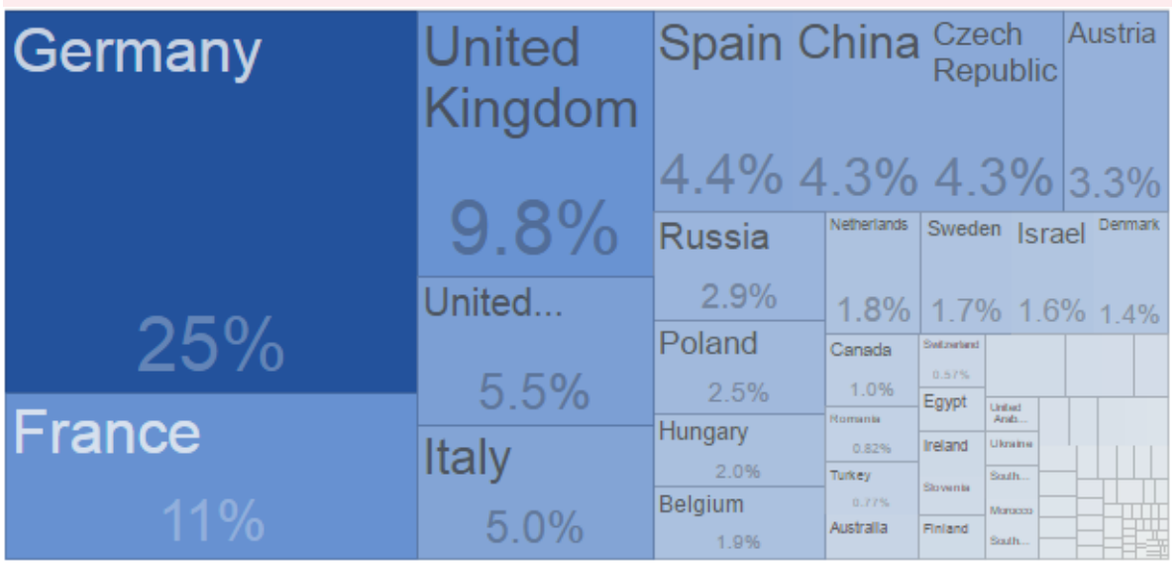
	2016
Electrical, electronic equipment	$15.26B
Vehicles other than railway, tramway	$11.47B
Machinery, nuclear reactors, boilers	$9.55B
Mineral fuels, oils, distillation products	$4.91B
Plastics	$3.36B
Optical, photo, technical, medical apparatus	$2.77B
Iron and steel	$2.06B
Articles of iron or steel	$2.03B
Pharmaceutical products	$1.97B
Furniture, lighting signs, prefabricated buildings	$1.82B
Rubbers	$1.39B

Source: tradingeconomics.com

As in export, Germany is the top import partner for Slovakia.



Slovakia Imports of Vehicles other than railway, tramway was US$11.47 Billion during 2016, according to the United Nations COMTRADE database on international trade. Imports from Gemany and Czech Rebuplic have covered almost half the vehicles other than railway,tramway category



Source: tradingeconomics.com

Future Expectations & Trends

The Slovak car market still has considerable medium-term potential for growth, with most households keeping a single car to serve the needs of the entire family. As disposable incomes rise, middle-class households and businesses will increasingly favour new cars. Slovaks have been spending more and more money in shops and it seems that they have now decided to also invest their money in new cars.

The car market will continue to be dominated by small and medium-sized cars in the early years of the forecast period. Expanding production lines for small cars by market leaders will support this trend. Chinese producers are also eyeing the market potential in central and eastern Europe.

Demand for larger cars and cars that are expensive to run such as sports utility vehicles (SUVs) is expected to grow as market leaders such as the Volkswagen Group and Kia Motors invest more in production (notably for the best-selling VW Touareg and Kia Sportage SUV brands). Planned investment by Jaguar Land Rover (UK; owned by Tata Motors of India) will also boost local production of luxury cars and increase this segment's share of sales.

The used-car market will gradually become saturated as disposable incomes increase over the forecast period.

Profit margins of vehicle manufacturers are expected to increase further in the coming months due to robust sales, lower costs for steel and plastics and improving efficiency in the production process. Depending on the level in the supply chain, payment duration in the automotive sector ranges between 30 days and 60 days. Payment behaviour is generally good with a low number of non-payment notifications, and this is expected to remain unchanged in the coming months. The insolvency level in this industry is expected to remain low after decreasing over the last six months. Our underwriting stance remains open, given the low payment default and insolvency level in this industry. Market conditions are expected to remain favourable. However, due to its high export dependency, the Slovakian automotive sector remains highly susceptible to adverse developments in the global car market, e.g. a major slump in demand in the eurozone and/or China.

7 Investment Incentives in Automotive Sector

Investment Incentives in Automotive Sector

Summary

Slovak Investment and 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 Ministry of Economy of the SR.

Source: The Slovak Investment and Trade Development Agency (SARIO), www.sario.sk, 2016

Why You Should Choose to Invest in Slovakia

Strong Points

The country's main advantages are:

- ✓ A strategic geographical position: the country is situated in the centre of Europe A workforce that is inexpensive and well-qualified
- ✓ An advantageous tax system
- ✓ The existence of several financial aid forms favouring foreign investment, ranging from 20 to 50% of investment costs, depending of the project
- ✓ A large growth potential
- ✓ The adoption of the Euro since 1 January 2009, which has caused risks of foreign
- ✓ A low cost of living in relation to the rest of Europe

Weak Point

The main weak points of the country are:

- ✓ Important technical and administrative barriers: requirement of import licenses especially for raw materials, energy and some agricultural products;
- ✓ High energy costs: Slovakia must import 90% of its energy needs.
- ✓ Deficient infrastructures. Although, governmental reforms have been set up, the infrastructures are not yet well developed and the country has no access to the sea.
- ✓ The small size of its domestic market with a population that has a low purchasing power.
- ✓ The education system does not fulfil the needs of employers and the gap between the demand and supply has been widening.

Government Measures to Motivate or Restrict FDI

The Slovak government encourages foreign investment, since it is one of the main driving forces of the economy. It has also established financial incentives such as tax credits and subsidiary systems. These aids are granted depending on the type of project, geographical location and the sector of activity.

The country's low tax rate is one of the key elements that attracts FDI. Slovakia also benefits from European financial aids and many investors can benefit of the large renovation and modernization projects of the country.

Bilateral Investment Conventions Signed By Slovakia

Slovakia has signed 63 bilateral investment treaties.

Procedures Relative to Foreign Investment

Freedom of Establishment

Foreign investors have freedom of establishment.
Acquisition of Holdings
A majority holding interest in stock of a local company is legal in Slovakia.
Obligation to Declare
Several authorizations are necessary to set up a factory (planning license, building permit, occupation license). An authorization is also needed to carry out commercial activity. It has to be obtained from the competent local authorities.
Competent Organisation For the Declaration
Consult the information provided by the Ministry of Interior
Requests For Specific Authorisations
There are special authorizations in the sectors of electricity, telecommunications, banking services and insurance.

Eligible Projects

Under the Slovak Act on Investment Aid the following four types of projects may be granted with the investment aid:

- ✓ Industrial production;
- ✓ Technology centres;
- ✓ Shared service centres;
- ✓ Tourism.

SARIO, an Economy Ministry agency, is responsible for proactively identifying potential foreign investors. SARIO counsels potential investors about the Slovak political, business and investment climate, discusses investment incentive information, provides assistance with the implementation of investment projects, and advises on business launch issues such as site location. SARIO's services are available to all potential investors. The European Commission recommendation 2003/361/EC approved on 6 May 2003, applicable in each EU Member State, defines small and middle sized enterprises as:

"The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million."

Industrial Promotion

In 2014, the Slovak Government approved the Research and Innovation Strategy for Smart Specialization of the Slovak Republic, which serves as the national strategy for supporting research and innovation in the new EU programming period 2014 – 2020. The document evaluates the overall industrial focus of the Slovak economy, sources of economic growth, and trends in export specialization and defines four key areas of economic specialization in Slovakia:

- ✓ Automotive and mechanical engineering industries;
- ✓ Consumer electronics and electrical equipment;
- ✓ Information and communication technologies and services, and
- ✓ Production and processing of iron and steel.

Slovakia has targeted these sectors for attracting FDI.

The automotive industry, including auto manufacturers and the extended supply chain, continues to play an important role in the Slovak economy. Slovakia ranks as the world's top per capita producer of passenger cars, producing more than a million cars per year. There is a wide network of approximately 300 automotive suppliers.

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Slovakia. In theory, competitive equality is the standard by which private enterprises compete with public entities. In addition, businesses are able to contract directly with foreign entities. Private enterprises are free to establish, acquire, and dispose of business interests, but all Slovak

obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia. Non-residents from EU and OECD member countries can acquire real estate for business premises.

Investment aid

Eligible Costs

Companies have the option to calculate the investment aid amount on basis of the investment costs related to the investment project or the wage costs of the new jobs associated with the investment project (wage costs over a two year period).

Eligible investment costs attributable to investment aid are costs of:

- ✓ land acquisition;
- ✓ buildings acquisition;
- ✓ technological equipment and machinery acquisition;
- ✓ intangible fi xed assets – licenses, know-how, etc.; however only from third parties.

All production and technology equipment which will be included in the eligible costs must be new (never depreciated), acquired under market conditions and manufactured not more than two years prior to the start of its operation.

Under the Investment Aid Act, investors can apply for:

- ✓ investment grants;
- ✓ corporate tax relief;
- ✓ new job grants; and
- ✓ the option to acquire property at a price lower than market value.

Investment aid granted by the Slovak Government is considered regional aid and must therefore be fully compatible with EU regional aid regulations. There are many detailed provisions and exceptions that need to be taken into account when applying for investment aid.

Rules for Obtaining Investment Aid

The following rules for obtaining aid should be taken into consideration:

- ✓ The investment aid is depending on a percentage of the eligible investment expenditure which varies from 25 % to 35 %. Companies in the SME sector may receive even higher aid amounts;
- ✓ The percentages are based on the regional aid map for Slovakia which is determined by the European Commission. The maximum percentage (intensity ceiling) is set to 35 % for Central and Eastern Slovakia respectively and to 25 % for Western Slovakia as of September 15, 2015.
- ✓ Investments in the Bratislava region are not eligible for investment aid;
- ✓ The aim of the Slovak authorities is to guide new investments to high unemployment regions;
- ✓ It is current practice that the total aid cannot exceed between EUR 20,000 and EUR 30,000
- ✓ per new job, irrespective the above thresholds. Therefore it is advisable to discuss the investment aid package before fi ling any request for aid;
- ✓ An eligible investment project must create at least 40 new jobs (10 new jobs for the least
- ✓ developed regions) and these jobs must be kept for at least a fi ve year period (a similar condition applies for the investment project);
- ✓ In case the investment project refers to an expansion the turnover must increase with at least 15 %;
- ✓ The investment project cannot start before the submission of the investment aid application to the Ministry of Economy of the SR or the Ministry of Transport, Construction and Regional Development of the Slovak Republic for projects in tourism;
- ✓ The investor must report (yearly) about the investment project during the investment project and the fi ve year period following completion. Crucial is that the actual investment amount equals to at least 85 % of the projections and the actual number of new jobs to 90 % of the projections;
- ✓ There is no automatic entitlement to investment aid under this legislation in Slovakia, and all investment aid needs to be approved by the Slovak Government.

Further, investors may apply for subsidies under the EU Structural Fund programs. New programs are set up for the period 2014 – 2020. Note that most funds will be destined for local and regional support to improve

infrastructure, health care, etc. Many schemes under the EU structural fund programs will also be aimed at small and medium sized businesses. However, some programs may be eligible for large companies. Further substantial EU funds will be made available for research and innovation (Horizon 2020).

Key Conditions for Different Types of Investment Projects

Shared services centres			
Min. investment amount	**% of own equity***	**Min. number of new jobs**	**Other condition**
EUR 400,000	50 %	At least 40 new jobs	At least 60 % of new jobs must require university education
Technology centres			
Min. investment amount	**% of own equity***	**Min. number of new jobs**	**Other condition**
EUR 500,000	50 %	At least 30 new jobs	At least 70 % of new jobs must require university education
Tourism			
Average unemployment rate	**Min. investment amount**	**% covered by own equity***	**% of new technology equipment***
Lower than average unemployment rate in Slovakia	EUR 10 mil.	50 %	40 %
Higher than average unemployment rate in Slovakia	EUR 5 mil.	50 %	20 %
Higher than 135 % of average unemployment rate in Slovakia	EUR 3 mil.	50 %	20 %

Minimum Investment Amounts for Industrial Production

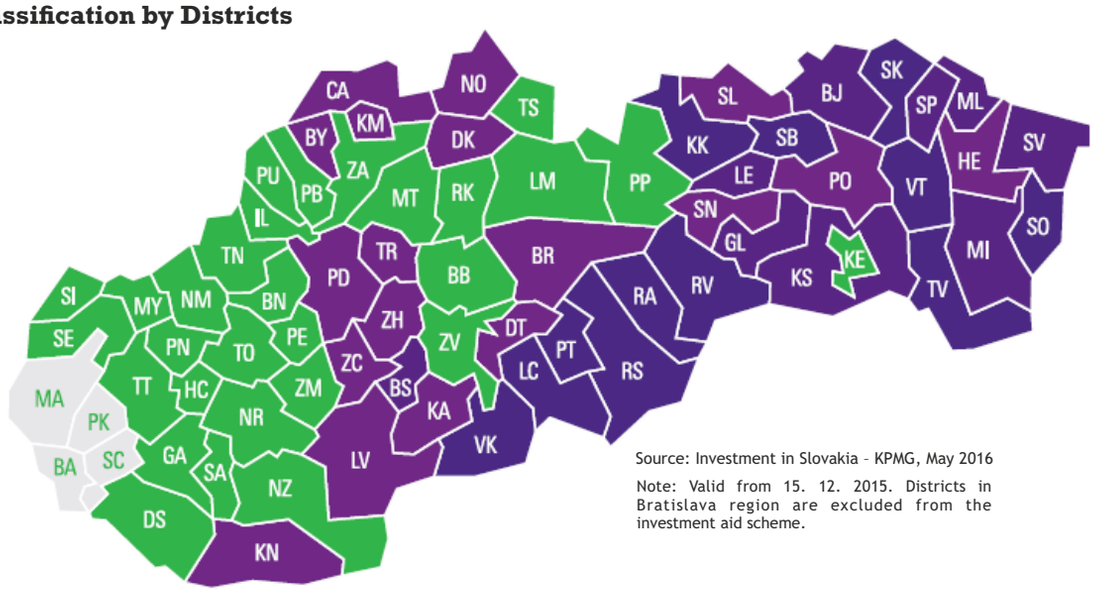
The minimum investment amounts depend on the unemployment rate in the district where the investment is targeted.

Average unemployment rate (UR)	Minimum investment amount	% of own equity*	% of equipment	Minimum number of new jobs
Below average in SK	EUR 10 mil.	50 %	60 %	40
Above average in SK	EUR 5 mil.	50 %	50 %	40
Above 135 % of average	EUR 3 mil.	50 %	40 %	40
Least developed districts	EUR 0.2 mil.	50 %	30 %	10

Source: Investment in Slovakia – KPMG, May 2016

* From the minimum investment amount.UR – unemployment rate in the year preceding the year in which the investor will request for investment aid – see map. In case the company will invest at least EUR 200 mil. different requirements will apply. In case of small and medium size companies the minimum investment amounts and the ratio of own equity are lower by 50 %.

Minimum Investment Amounts – Classification by Districts



Source: Investment in Slovakia – KPMG, May 2016

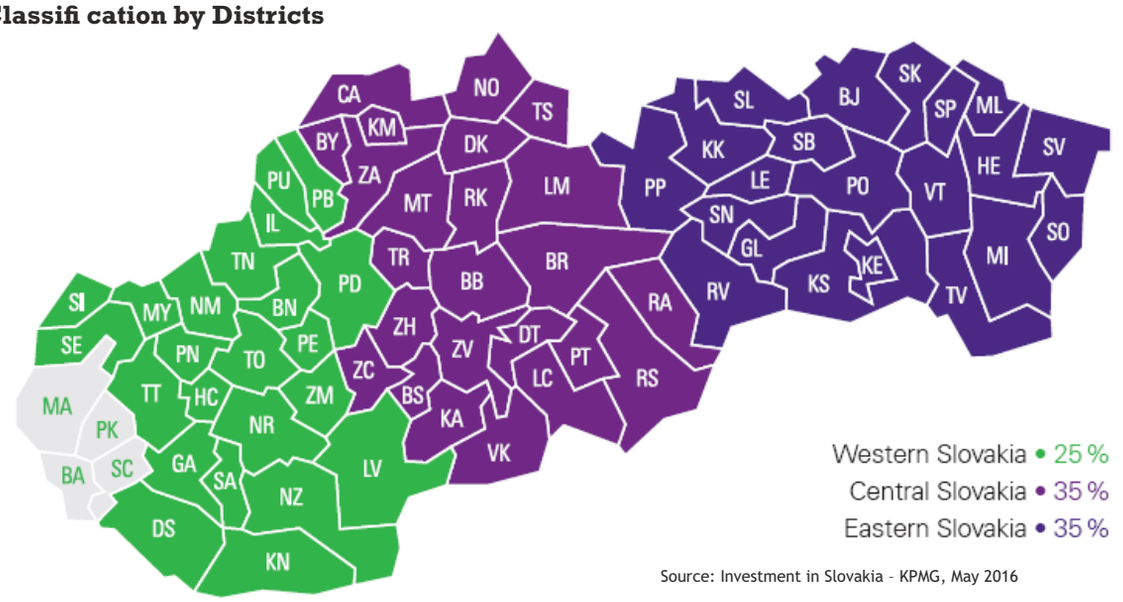
Note: Valid from 15. 12. 2015. Districts in Bratislava region are excluded from the investment aid scheme.

Maximum Investment Aids

	Western Slovakia	Central Slovakia	Eastern Slovakia
Cash grants	25 %	35 %	35 %
Income tax relief	25 %	35 %	35 %
Transfer of property	25 %	35 %	35 %

Source: Investment in Slovakia – KPMG, May 2016

Maximum Intensities of Investment Aid – Classifi cation by Districts



Source: Investment in Slovakia – KPMG, May 2016

Industrial Production

Unemployment rate	Western	Central	Eastern
Zone A	EUR 15,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 10,000	EUR 10,000
Zone C	EUR 5,000	EUR 9,000	EUR 9,000
Zone D	-	-	-

Shared Service Centres

Unemployment rate	Western	Central	Eastern
Zone A	EUR 18,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 6,000	EUR 6,000
Zone C	EUR 6,000	EUR 6,000	EUR 6,000
Zone D	EUR 6,000	EUR 6,000	EUR 6,000

Technology Centres

Unemployment rate	Western	Central	Eastern
Zone A	EUR 30,000	EUR 30,000	EUR 30,000
Zone B	EUR 10,000	EUR 10,000	EUR 10,000
Zone C	EUR 10,000	EUR 10,000	EUR 10,000
Zone D	EUR 10,000	EUR 10,000	EUR 10,000

Tourism

Unemployment rate	Western	Central	Eastern
Zone A	EUR 30,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 10,000	EUR 10,000
Zone C	EUR 5,000	EUR 9,000	EUR 9,000
Zone D	-	-	-

Source: Investment in Slovakia – KPMG, May 2016

Taxation of Business

The Slovak tax system comprises of the following taxes:

- ✓ Income taxes (personal income tax, corporate income tax);
- ✓ Value added tax (VAT);
- ✓ Excise duties;
- ✓ Motor vehicle tax;
- ✓ Municipal taxes (including real estate tax);
- ✓ Special levy for regulated entities;
- ✓ Bank tax.

Inheritance and gift tax were abolished with the effect as of January 1, 2004. Real estate transfer tax was abolished with the effect as of January 1, 2005.

Legal entities that are seated in Slovakia or which place of effective management is seated in Slovakia are generally regarded as tax resident and liable to pay Slovak corporate income tax.

A taxpayer should register with the tax authorities by the end of the month following the month in which permission to conduct business in Slovakia was obtained. Furthermore, a taxpayer should notify the tax authorities of changes in registration by the end of the month following the month in which such changes arose.

Corporate Income Tax

Corporate income tax is levied on legal entities when their seat or their place of effective management is located in Slovakia. Non-resident entities are liable to pay Slovak the month in which permission to conduct business in Slovakia was obtained. Furthermore, a taxpayer should notify the tax authorities of changes in registration by the end of the month following the month in which such changes arose.corporate income tax only on income derived from Slovak sources.

Tax License / Minimum Tax

The taxpayer declaring a tax loss or tax liability under a tax licence (as per below table) is obliged to pay tax license (minimum tax). The amount of the tax license depends on the entity's turnover and whether the entity is a VAT payer. The tax licence relates only to corporate taxpayers.

VAT position	Annual turnover	Tax license
not a VAT payer	not exceeding EUR 500,000	EUR 480
a VAT payer	not exceeding EUR 500,000	EUR 960
not relevant	exceeding EUR 500,000	EUR 2,880

Source: Investment in Slovakia – KPMG, May 2016

The tax license is reduced by a half if at least 20 % of the taxpayer's employees are handicapped persons.

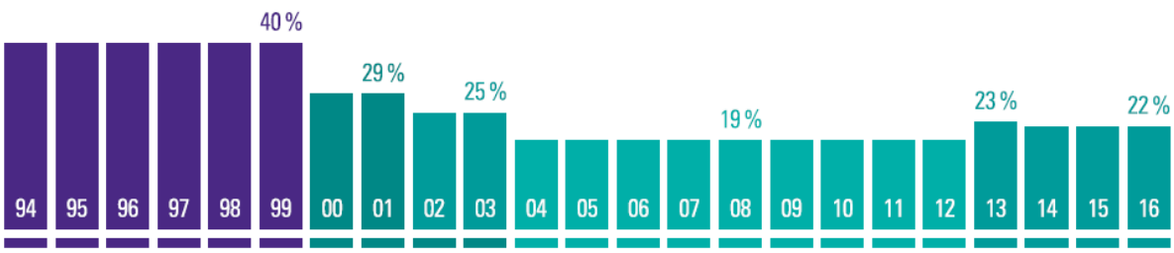
The tax license is due within the period for the fi ling of the corporate income tax return (i. e. by March 31 of the following year if the deadline is not extended). A positive difference between the actual tax liability and the tax license may be offset against future tax liabilities
in excess of the amount of the tax license. Such offset can be performed in the consecutive three tax periods following the tax period in which the tax license was paid. Several exemptions may apply. The tax legislation stipulates which taxpayers are not obliged to pay the tax license.

Tax Base and Rate

Corporate income tax is computed by reference to the "tax base". The tax base is generally the gross income of the entity less related expenses, modifi ed by a number of adjusting items.

The general tax rate is 22 % of the tax base. The graph below shows how corporate income tax rate in Slovakia has been changing over two decades.

Corporate Income Tax Rate since 1993



Not Taxable Income Examples:

- ✓ shares in profit after tax (to the extent these are not considered as tax deductible expenses of the paying taxpayer), e. g. in the form of dividends paid to shareholders who participate in the share capital of the entity distributing dividends from profi t after tax (unless the distributed profi t was generated prior to January 1, 2004);
- ✓ dividends paid after April 1, 2004 by a Slovak subsidiary to an EU parent Company (as well as from an EU subsidiary to a Slovak parent company) even if such dividends relate to profi ts earned before January 1, 2004; the receiving (parent) company needs to directly possess a holding of at least 25 % of the capital at the time of distribution;
- ✓ income received from inheritance or donations (with some exceptions, e. g. gifts provided to a health care provider by a pharmaceutical company).

Tax Deductible and Non-deductible Expenses

As a general rule, documented expenses for generating, ensuring and maintaining taxable income booked in the records of the taxpayer are tax deductible unless they are specifi cally listed as tax non-deductible items (see the following examples). Generally, documentation should be kept on file to support the tax deductibility. In case of assets (e. g. computers, furniture, cars, etc.), which are for personal use as well as any related expenditures, such expenses are tax deductible only up to the level of the generated taxable income from such assets. In general, costs of acquisition, technical improvement, use, repairs and maintenance of assets for personal use are only deductible up to 80 % of the actual cost, or up to a percentage of usage for business purposes.

Certain expenses, e. g. for consultancy and legal services, costs on rental, costs of marketing and other studies, costs for market research, have to be paid in order to qualify as tax deductible costs.

Examples of Tax Deductible Items:

- ✓ tax depreciation costs (certain limitations apply in case of assets subject to rental);
- ✓ tax residual value of depreciable assets (certain limitations apply, e. g. in some cases only up to the amount of income from sale);
- ✓ obligatory social security contributions paid by an employer;
- ✓ expenses incurred for the provision of health and social facilities for employees (subjec to special limits in some cases);
- ✓ operational expenses of facilities used for protecting the environment;
- ✓ taxes and fees, other than those listed as non-deductible items (see below);

- ✓ expenses incurred by the founder of a permanent establishment (PE) for the purpose of this PE, including management and administration expenses; regardless of the place where they were incurred, provided that specifi c conditions in the Income Tax Act are fulfilled;
- ✓ advertising costs, with the exception of representation and high value promotional expenses (see below). Advertising costs are costs incurred for the advertisement of the taxpayer's business activities, advertisement of goods, services, immovable property, trade name, trade mark, trade labeling of products, and other rights and liabilities related to the taxpayer's activities carried out with the intention to generate, maintain or increase his income;
- ✓ interest paid on credits and loans taken for business purposes (transfer pricing or thin Capitalisation limitations may apply);
- ✓ reserve for unused holidays including related social security and health insurance costs;
- ✓ certain bad debt provisions (subject to limitations).

As of January 1, 2015 it is possible to deduct from the tax base (decreased in utilized tax loss) the aggregate of

a) 25 % of costs for R&D in the tax period for which the tax return is filed;

b) 25 % of labour and other similar costs of a graduate in a permanent employment relationship (conditions apply);

c) 25 % of costs for R&D incurred in the tax period which exceeds the aggregate of costs for R&D in the previous tax period. It is necessary to maintain separate evidence of these expenses and some other conditions apply.

Tax Period / Tax Return Filing

The tax period is usually a calendar year. However, it is possible for companies (not individuals) to notify the tax authorities that a taxpayer will use an accounting period that is not identical to a calendar year, i. e. a period of 12 consecutive calendar months (a so-called fi nancial year). Such an accounting period then also becomes the tax period.

A tax return should be fi led with the respective Tax Authority within three months following the end of the tax period. In general, it is possible to extend the fi ling period by up to three months based on a notifi cation fi led with the respective Tax Authority within the statutory deadline for fi lling the respective corporate income tax return, or by up to six months if the taxpayer has foreign sourced income.

There is no group taxation in Slovakia. All entities are taxed separately. There is a special tax treatment for partnerships which are in principle treated as wholly transparent (general partnerships) or partially transparent (limited partnerships).

Corporate Income Tax Advance Payment

Corporate income tax payers whose previous tax liability exceeded EUR 2,500 are normally obliged to make advance tax payments, either quarterly or monthly, which are then offset against the final tax liability.

Tax Base and Rate

Value Added Tax (VAT)

Slovakia implemented the EU Council Directive 2006/112/EC on November 28, 2006 on the common system of value added tax as well as other amending EU VAT Directives.
VAT Registration

Slovak taxable persons, with their seat, place of business, establishment or residence/habitual abode in Slovakia, must in general register for VAT if their cumulative turnover for the previous twelve calendar months reached EUR 49,790. Specific rules apply mainly to:

- a person who acquires a business or a part of a business of a VAT payer;
- a legal successor of a VAT payer dissolved without liquidation;
- a person supplying immovable property unless a VAT exemption applies.

VAT grouping for group companies is allowed if certain conditions are met.

Foreign persons are obliged to register for VAT in Slovakia if:

- ✓ they start performing economic activities in Slovakia which are subject to VAT (certain exceptions apply); *
- ✓ their distance sales (supplies of goods from outside Slovakia to Slovak non-taxable persons) turnover reached EUR 35,000;
- ✓ they supply goods subject to excise duties via distance sales to Slovak non-taxable persons for personal consumption.

* As of January 1, 2016, a foreign person supplying goods (except for distance sale) is not obliged to charge output VAT on supplies to taxable persons with a seat or fi xed establishment in Slovakia. In such case the customer should reverse charge the VAT. Subject to meeting conditions, such foreign persons may claim input VAT via the VAT refund mechanism.

VAT registration without an entitlement to deduct input VAT is obligatory for taxable persons:

- ✓ or legal entities which acquire goods from another EU Member State at a value of at least EUR 14,000 in a calendar year;
- ✓ who acquire/render services from/to another EU Member State under certain conditions.

VAT Rates

The standard VAT rate in Slovakia is 20 %. A reduced tax rate 10 % applies to specifi c goods (e. g. certain medical and pharmaceutical products, books and brochures and certain food products).

Input VAT Recovery

A taxpayer is entitled to deduct VAT from purchased goods and services used by the taxpayer for his own supply of goods and services as a VAT payer. In general, the taxpayer can recover the input VAT provided that:

- ✓ a VAT liability arose with respect to the purchased goods or services, in the case of the import of goods, the import VAT was paid;
- ✓ the VAT was applied on the supply (by the supplier/the customer/the customs authorities);
- ✓ the taxpayer has a valid VAT document (invoice/customs document).

A foreign (non-established) person which is VAT registered in Slovakia may normally reclaim VAT via the VAT refund procedure. Where the input supplies are related to own supplies of goods and services on which this person is liable to pay VAT, the input VAT is deducted via its Slovak VAT return.

No VAT recovery is possible on purchased goods or services for the purpose of:

- ✓ entertainment or amusement;
- ✓ VAT exempt output supplies without an entitlement to input VAT recovery, mainly certain activities in the public interest e. g. postal services, medical care, education, sporting and cultural services, public broadcasting and television, as well as other activities e. g. financial and insurance services, sale and lease of real estate (option to tax exists), sale of a business under certain conditions.

VAT Period

The VAT period of newly registered VAT payers is strictly a calendar month. A quarterly VAT period can be opted by VAT payers after they have been registered for at least 12 months and their total turnover in the preceding 12-month **period did not reach EUR 100,000.**

VAT Return

A VAT return is filed within 25 days following the previous VAT period. As of January 1, 2014, the electronic filing of all tax filings (not only VAT returns) became obligatory for all VAT payers. Sending tax filings to tax authorities in a paper form is no longer possible.

Refunds

Taxable Persons – VAT Registered in Slovakia
An excess of input VAT claim reported via a VAT return is not paid to the VAT payer immediately, however it should be carried forward and offset against a (potential) VAT liability reported in the following tax period. The (part of the) excess input VAT claim which cannot be so offset, should be refunded to the VAT payer within 30 days after the fi ling of the following period's VAT return. Alternatively, an accelerated refund is possible i. e. within 30 days following the deadline for filing the VAT return for the respective VAT period, if specifi c conditions are met.

Foreign Taxable Persons – Not VAT Registered in Slovakia

A foreign person established and registered for VAT in another EU member state can claim a refund of Slovak VAT invoiced to him by a Slovak supplier, in line with the conditions set out in Council Directive 2008/9/EC laying down detailed rules of the refund of valued added tax.

Foreign persons established outside of the EU can also claim Slovak VAT in line with the rules set out by the 13th Council Directive 86/560/EEC, however, this is based on a reciprocity rule. In order to succeed, during the period for which the VAT refund is claimed, the foreign person:

- ✓ could not have its seat, place of business, fi xed establishment or residence in Slovakia (within the EU in the case of a non-EU person);
- ✓ could not supply goods or services in Slovakia (subject to certain exceptions).

Foreign Individuals

An individual with no residence in any EU country, exporting goods (except for fuel) from Slovakia, can file a request for a VAT refund of Slovak VAT if:

- ✓ the amount of the goods exported outside the EU stated in the purchase document exceeds EUR 175;
- ✓ the individual possesses a document on the purchase of goods issued by a taxpayer;
- ✓ export is carried out within three months following the end of the month of purchase;
- ✓ the Customs Office of the respective EU **country certifi es the export of goods.**

Customs Duties

Since May 1, 2004, customs rates are based on the EU customs tariffs and depend on the classifi cation of goods and their origin. Customs duty is normally payable within 10 days of the date of importation of goods. Normally, payments cannot be deferred for more than 30 days.

Excise Duties

Excise duties are governed by separate acts which set out the conditions under which excise duty is levied on mineral oils, alcoholic drinks, tobacco products and electricity, coal and natural gas (referred to as “excisable products”). The tax treatment is harmonized with the EU Directives.

Taxable persons are all legal entities and individuals who produce these excisable **products in Slovakia or to whom excisable products are released in Slovakia. Excise duties are stipulated in accordance with the**

Foreign person established	Deadline for application	Minimum amount (EUR)	Form of application	Period for refund
within the EU	September 30 *	50/400 **	electronic	4/8 **** months
outside the EU	June 30 *	50/1000 ***	in paper	6 months

**** of the year following the year for which the application is fi led.
**** if the application is fi led for a period less than a calendar year but at least 3 months.
**** if the application is fi led for a period of a calendar half year.
**** if additional information is requested by the Tax Authorities.

EU legislation generally as a set amount per unit of measure for each group of products, except for cigarettes, where the tax rate also contains an ad valorem component.

Motor Vehicle Tax

The motor vehicle tax is imposed on vehicles registered in Slovakia and used for business purposes in the tax period. If an employee uses his private vehicle for business purposes of his/her employer, the employer is obliged to pay motor vehicle tax.

The tax base depends on type of vehicle (it might be engine performance in kW, cylinder capacity or total weight). The annual tax rate is determined by the Act on Motor Vehicle Tax and its amount depends on the type of the vehicle. Furthermore, the tax rate is reduced for newer vehicles and later is increased depending on the age of the vehicle. An additional tax rate reduction is allowed for electric vehicles or vehicles used in combined transportation. The tax liability arises on the first day of the month when the vehicle is used for business purposes and terminates on the last day of the month of the disposal or temporary disposal of the vehicle from the records, the termination or interruption of business, the dissolution of the taxpayer without liquidation or the change of the vehicle holder. The motor vehicle tax is payble by January 31 of the calendar year following the year to which the due motor vehicle tax relates.

Conducting Business in Turkish Automotive Industry

Turkish government explicitly declares intentions to develop automotive industry to become one of the leading car manufacturers in the world.

Regardless of the location of the investment, all automotive industry investments in Turkey (including sub industry investments) are supported by several measures. Local and foreign investors have equal access to.

Regional Investments Incentive Scheme Measures

Incentive Item		Region I	Region II	Region III	Region IV	Region V	Region VI
VAT exemption		+	+	+	+	+	+
Custom duty exemption		+	+	+	+	+	+
Tax reduction as of investment contribution rate	Out of OIZ	15%	20%	25%	30%	40%	50%
	Within OIZ	20%	25%	30%	40%	50%	55%
Social Security Premium Support (employer's share)	Out of OIZ	2 Years	3 Years	5 Years	6 Years	7 Years	10 Years
	Within OIZ	3 Years	5 Years	6 Years	7 Years	10 Years	12 Years
Land allocation		+	+	+	+	+	+
Interest support	Local loans	-	-	3 Points	4 Points	5 Points	7 Points
	Foreign currency loans			1 Points	1 Points	2 Points	2 Points
Social Security Premium Support (Employee's Share)		-	-	-	-	-	10 Years
Income Tax Withholding Allowance		-	-	-	-	-	10 Years

Various governmental and industrial institutions provide additional incentives

Institution	SME or General	Incentive details
KOSGEB	SME	Gives R&D, innovation and industrial application incentives.
TÜBİTAK	General	Uses industry incentives by Ministry of Economy; R&D investments receive R&D tax discount of %100 as of 2008; the companies that use law no:5746 discount cannot use law no:5520 discount at the same time.
Ministry of Science, Industry, and Technology	General	Supports attempts of cumulative industrialization with legislation called "Cumulative Support Program Legislation"; support amount provided by ministry without payback, for business plan cannot be more than 50% of budget, while for each supported area cannot be more than 75% of the budget.
TTGV	General	Supports two types of R&D projects •Technology development projects support (suspended in current in 2013): "Technological product" and "Technological Process Innovation" , classified as R&D projects are supported; maximum support is 1 million USD, maximum support duration is 2 years and supports need to be paid-back •Advanced technology projects support: Companies applying for this support have R&D projects in food processing, biomedical, or climate control technologies); manufacturing and software companies are targeted and can receive a maximum support of 3 million USD to be paid back in three years.

Turkey vs Czech Republic

Industrial Promotion
1. Automotive and mechanical engineering industries;
2. Consumer electronics and electrical equipment;
3. Information and communication technologies and services, and
4. Production and processing of iron and steel.

	Slovakia	Turkey
Cash grants	x	
Income tax relief	x	
Transfer of property	x	
Tax incentives for R&D		x
VAT exemption		x
Exemption from import customs		x
Reduced social contribution rates		x
Tax Exemptions in Specific Economic Zones		x
Tax exemptions in Technolgy Development Zones		x
TUBITAK (Scientific and Technological Research Council of Turkey) support		x
Export Support		x
Interes Rate Support		x

3. Labor Costs in Automotive Sector

Labour Cost in Automotive Industry

The automotive industry has a strong tradition in Slovakia and became the most important sector and driving force of the Slovak economy. Over the past 20 years it has been an important source of foreign direct investment.

The Fico cabinet has also been pushing for increases in the minimum wage. It currently stands at €435 monthly, up €30 compared with 2016.

Since 2012 the minimum wage has been increased by €107.80. The ambition of Fico's third cabinet is to hike the minimum wage to €500 by 2020 and Minister Richter can even imagine exceeding this level in 2019.

Social Security Contributions

	Rate (Employee)	Rate (Employer)	Maximum monthly assessment base (EUR)
Sickness insurance	1.40 %	1.40 %	4,290
Pension insurance	4.00 %	14.00 %	4,290
Disability insurance	3.00 %	3.00 %	4,290
Unemployment insurance	1.00 %	1.00 %	4,290
Guarantee insurance	-	0.25 %	4,290
Accident insurance	-	0.80 %	unlimited
Reserve fund	-	4.75 %	4,290
Health insurance	4.00 %	10.00 %	4,290

Source: Ministry of Labour, Social Affairs and Family of the Slovak Republic, www.employment.gov.sk, 2016

Employment Contract

An employment relationship is established by a written employment contract concluded between an employer and employee. The parties agree on the job description, place of work, date on which employment commences, and the salary (unless this has been agreed in a collective bargaining agreement). On taking up the employment, an employer is obliged to acquaint the employee with work rules, health and safety regulations and collective agreements, if any.

Pursuant to the Act on illegal work and illegal employment, it is prohibited for an employer to employ persons without an established employment relationship or without a working/temporary residence permit (unless the person is a citizen of the EU, or contracting states of the Agreement on the European Economic Area and Switzerland). An employment contract may be concluded for a fixed or an indefi nite term. If the contract is agreed for a fi xed term, it may be concluded cumulatively for a maximum of two years; it can also be extended or concluded again within these two years but only twice. Limited duration of the contract must be agreed upon in writing, otherwise the contract is deemed to be of indefi nite term.

Working Hours

The maximum weekly working time is 40 hours, employees performing work on a two-shift operation may work up to 38.75 hours per week, and employees working a three-shift system or who are involved in continuous operation may work up to 37.5 hours per week. Although in some particularly arduous or hazardous occupations, the maximum fi gure may be lower.

An employer may agree with the representatives of the employees in writing on the working time account, which is a way of uneven distribution of working time, and upon which the working time will be based on the needs of the employer.

Termination of Employment Contracts

An employment contract can be terminated in writing by:

- mutual agreement;
- notice on termination;
- immediate termination;
- termination in the probationary period.

The expiry of a fi xed-term labour contract is also a valid form of termination, although it should be borne in mind that in case of a foreign national, the date of expiry of his or her residence permit (either by virtue of time or revocation) also serves as a valid termination of the contract of employment. Both the employer and the employee may terminate the employment during a probationary period (maximum of three months for a regular employee and six months for an executive employee) without stating any reason. A written notice in this case should be given and delivered to the other party at least three days before the day of stipulated termination.

In order for this termination to become effective, the employer must terminate the employment relationship within two months since becoming aware of the grounds for an immediate termination, and at the latest within one year of the day on which those grounds arose.

Finally, both the employer and the employee may terminate an employment contract with a written notice on termination. The employee may terminate the employment contract for any reason or without stating any reasons. On the other hand, the employer may terminate the employment contract with a notice only in cases defi ned by the Labour Code, e. g.:

- if the employer's business or a part thereof is wound-up or relocated and the employee does not agree with the change of agreed place of work;
- if the employee is made redundant by virtue of change in duties, technical equipment, reduction in the number of employees with the aim of increasing work effi ciency, or other organizational changes;
- if there is an ongoing but less serious breach of working discipline, the employee may dismissed, provided he/she has been warned in writing within the previous six months to the possibility of dismissal.

The statutory minimum notice period is at least one month, increasing to three months for employees with fi ve and more years of service, which runs from the fi rst day of the month following the month after which the notice has been received.

If the employee does not remain with the employer during the notice period, he/she may obliged, if agreed in the employment contract, to compensate the employer in the amount of product of his/her average monthly wage and length of notice period upon such occurrence.

An employer has a duty to negotiate a notice or an immediate dismissal given by the employer with employees' representatives; otherwise, such an act is invalid.

Severance Payment

If the employment relationship is terminated for organizational or health reasons (upon a notice of termination, or an agreement on termination), the employer must pay the employee a severance allowance in the amount determined by the years of employment and the employee's average monthly salary.

Labour Code also stipulates a concurrence of severance allowance and a notice period under the condition that an employment relationship has lasted at least two consecutive years.

4. Taxes on Automotive Sector

Taxes on Automotive Sector

1.1. VAT

The purchase of motor vehicles is subject to VAT at the rate of 20%.

VAT paid when importing the vehicle	20%
Import duty from outside the EU	10%
Proportional VAT calculated from difference between wholesale and general retail price	20%

The taxpayer is not allowed to decrease the vehicle price by reducing the proportional VAT.

The taxpayer is allowed to include in allowances for depreciation the price of a vehicle up to a maximum total value of €26,555 in the case of a vehicle purchased outright and €31,534 in the case of a vehicle purchased on leasing terms, provided the vehicle is intended for business purposes (first depreciation group – depreciation period four years).

1.2. Allowable Deductions

1.2.1. VAT exemptions

A person registered for VAT is allowed to deduct VAT on the purchase of vehicles for business use. This applies to motor vehicles with an engine capacity of more than 48cm3 or a power greater than 7.2kW to be used for passenger and cargo transport.

1.3. Registration Charges

The fee for registration of a vehicle in category L, M1 or N1, except for N1 vehicles with a maximum of three seats, in the vehicle registry of the Slovak Republic, including necessary adjustments to the relevant documents and the issuing of such documents, amounts to at least €33 and is calculated according to the following formula:
RP = PkW * RV1-n
where:
RP is the amount of the fee;
PkW is the fee rate for the registration of a vehicle in euros depending on the engine power (on the first registration of the vehicle), values for which are given in Table 1;
RV1-n is the coefficient of the vehicle's residual value, according to its age in years from the date of first registration of the vehicle, values for which are given in Table 2.
The assignment of a registration number and the issuing of a registration plate costs €16.50 for each plate.

Rates for registration depending on engine power

Engine power in kW		Fee (€)
>	≤	
0	80	33
80	86	90
86	92	110
92	98	150
98	104	210
104	110	260
110	121	360
121	132	530
132	143	700
143	154	870
154	165	1,100
165	176	1,250
176	202	1,900
202	228	2,300
228	254	2,700
254	and over	3,900

Registration of vehicles in other categories, and registration of trailers, is subject to a charge of €33, including adjustments to and the issuing of the necessary documents.

Registration of vehicles whose only source of power is electricity is subject to a charge of €33, including adjustments to and the issuing of the necessary documents.

Registration of a previously unregistered vehicle in category L, M1 or N1 intended for sale is subject to a charge of €33 if the registered vehicle holder is a vehicle manufacturer, vehicle manufacturer's representative, or legal entity or individual entrepreneur whose business is the sale of vehicles as part of a contractual relationship with a vehicle manufacturer or a vehicle manufacturer's representative.
This includes adjustments to and the issuing of the necessary documents. This does not apply to N1 vehicles with fewer than four seats.

Coefficient of residual value according to age

Age of the vehicle	Coefficient of vehicle residual value
First registration	1.00
Up to 1 year including day of the first registration	0.82
Up to 2 years including day of the first registration	0.68
Up to 3 years including day of the first registration	0.56
Up to 4 years including day of the first registration	0.46
Up to 5 years including day of the first registration	0.38
Up to 6 years including day of the first registration	0.32
Up to 7 years including day of the first registration	0.26
Up to 8 years including day of the first registration	0.23
Up to 9 years including day of the first registration	0.19
Up to 10 years including day of the first registration	0.16
Up to 11 years including day of the first registration	0.14
Up to 12 years including day of the first registration	0.12
Up to 13 years including day of the first registration	0.10
Up to 14 years including day of the first registration	0.09
Up to 15 years including day of the first registration	0.08
Up to 16 years including day of the first registration	0.07
Over 16 years from the date of first registration	0.06

2. Taxes on Ownership

There are no typical ownership taxes in the Slovak Republic.

2.1 Motor Vehicle Tax (Former Road Tax)

The legislation concerning tax on motor vehicles is specified in Act No 361/2014 Z.z. and its supplements.
Any category L (motorcycles), M (vehicles for the transport of persons), N (cargo vehicles) and O (trailers) vehicles registered in the Slovak Republic and used for business or self-employment are subject to motor vehicle tax. Exempt from the tax are test vehicles with special registration plates, special vehicles not intended for the transport of persons, vehicles of diplomatic missions, emergency vehicles, public transport vehicles, and agricultural and forestry vehicles. The taxpayer may be the owner or keeper of the vehicle, the vehicle user or the employer.
The rate of tax increases gradually depending on the age of the car. The base rate of vehicle tax is reduced by 25% for new vehicles and increased by 20% for vehicles aged 13 years or more. Hybrid vehicles, vehicles powered by compressed natural gas (CNG), and vehicles that are used at least 60 times in the hybrid mode within the tax period attract 50% of the tax. Electric-powered vehicles are not subject to motor vehicle tax. The tax liability arises on the date when use of the vehicle for business begins (not from the date of purchase). It expires on the date on which the business use of the vehicle stops.

a) Vehicles in categories L, M and N powered by electric energy Electric-powered vehicles are not subject to motor vehicle tax.

b) Passenger cars

≤ 150cm^3	€50
151-900cm^3	€62
901-1,200cm^3	€80
1,201-1,500cm^3	€115
1,501-2,000cm^3	€148
2,001-3,000cm^3	€180
> 3,000cm^3	€218

c) Commercial vehicles and buses
Depending on gross vehicle weight (GVW) and number of axles: from €74 up to €2,790 max.

3 Taxes on Motoring

3.1 Fuel Taxes

Taxes applicable on mineral oils are specified in Act No 98/2004 Z.z.

Fuel taxes

Fuel	Excise duty (€/1000l)	VAT (%)
Petrol	514.50	20
Diesel	368.00	20
Liquefied petroleum gas (LPG)	182.00	20

3.2. Insurance

3.2.1. Generally

Liability insurance is compulsory for all registered motor vehicles. Rates are not regulated and there are small differences depending on the insurance company. Rates are specified as base rates, with additional charges for taxi cars, vehicles for hire and vehicles used by driving schools. The rate depends on engine rating and vehicle purpose.
Rates

Rates are calculated by insurance companies and vary from company to company. Insurance rates are based on owner status and the vehicles concerned.

Many aspects influence the final insurance rate, including number of traffic accidents (bonus/malus around 50%) caused by the owner, the owner's age, the vehicle's engine power, purpose, etc. The payer may be the owner or the keeper of the vehicle.

Approximate rates:

Motorcycles	Rate (€)
≤ 50cm^3	31
50-350cm^3	40
> 350cm^3	133

Passenger cars (up to 3.5t GVW)	Rate (€)	Passenger cars (up to 3.5t GVW)	Rate (€)
≤ 1,300cm^3	120	< 57kw	116
1,301-1,800cm^3	195	58-85kW	170
1,801-2,500cm^3	320	86-125kW	220
> 2,500cm^3	400	> 125kW	229

LCVs (up to 3.5t GVW)	Rate (€)	LCVs (up to 3.5t GVW)	Rate (€)
≤ 1,300cm^3	120	< 57kw	116
1,301-1,800cm^3	222	58-85kW	175
1,801-2,500cm^3	330	86-125kW	220
> 2,500cm^3	410	> 125kW	235

Trucks	Rate (€)
3,500-12,000kg	755
> 12,000kg	1,012

Buses	Rate (€)
For public transport only	714
≤ 5,000kg	731
> 5,000kg	1,086

Trolleybuses	Rate (€)
For public transport only	814

3.3. Road Pricing

Highway fees for motor vehicles

On 1 December 2015, the Slovak Republic introduced an electronic system for vignette payment collection and records (hereafter referred to as the 'electronic vignette system') for the use of specified sections of motorways and expressways. Obligatory vignette payment before the use of specified sections of motorways and expressways applies to motor vehicles with a total weight of up to 3.5t.

Types of electronic vignette

The electronic vignette is a charge for using specified sections of motorways and expressways, based on a specific period rather than distance travelled or number of journeys. It is possible to purchase electronic vignettes with 1-year, 30-day or 10-day validity, while:

- a 1-year vignette is valid from 1 January of the relevant calendar year (or the day of payment for the vignette by the customer in the relevant calendar year) until 31 January of the following calendar year;
- a 30-day vignette is valid for 30 days (including the starting date) from the date specified by the customer;
- a 10-day vignette is valid for 10 days (including the starting date) from the date specified by the customer. Pursuant to the provision of Section 2 of the Electronic Vignette Act, obligatory vignette payment for the use of specified sections of motorways and expressways applies to the following vehicles:
- Two-track motor vehicles or vehicle combinations with a maximum permissible weight of up to 3.5t
- Two-track motor vehicles in the M1 category regardless of their total maximum permissible weight
- Two-track vehicle combinations consisting of a motor vehicle in the M1, N1, M1G or N1G category, regardless of the maximum permissible weight of the vehicle combination

Based on the provisions of Section 2 and Section 6 of the Electronic Vignette Act, and in accordance with the provision of Section 1 of Regulation of the Slovak Government No 410/2014 Coll., as amended, which establishes the amount of the electronic vignette payment for the use of specified sections of motorways and expressways, the electronic vignette has to be paid for the vehicle and, in the case of a vehicle combination with a maximum permissible weight over 3.5t, for the trailer as well.

This information is displayed in the following table
(also available at www.eznamka.sk/selfcare/home/#text-BasicInfo1):

Vehicle category and vehicle total maximum permissible weight/ vehicle combination maximum permissible weight*		**Type and obligation of electronic vignette/electronic vignettes payment** (i.e. the required type of electronic vignette/electronic vignettes)		
VEHICLE 	• a two-track motor vehicle up to 3.5 t • a two-track motor vehicle of M1 category regardless of its total maximum permissible weight		**Electronic vignette for VEHICLE**	The obligation of electronic vignette payment for the use of the specified sections of motorways and expressways **applies to the VEHICLE exclusively.**
VEHICLE COMBINATION up to 3.5 t (VEHICLE + TRAILER) 	• a two-track vehicle combination up to 3.5 t		**Electronic vignette for VEHICLE**	The obligation of electronic vignette payment for the use of the specified sections of motorways and expressways **applies to the VEHICLE exclusively.**
VEHICLE COMBINATION over 3.5 t (VEHICLE + TRAILER) 	• a two-track vehicle combination consisting of a motor vehicle of M1, N1, M1G and N1G and a trailer of O1 and O2 category if the total weight of the vehicle combination is over 3.5 t	 	**Electronic vignette for VEHICLE** + **Electronic vignette for TRAILER**	The obligation of electronic vignette payment for the use of the specified sections of motorways and expressways **applies to the VEHICLE and to the TRAILER as well.**

*The total maximum permissible weight of a vehicle and the maximum permissible weight of a vehicle combination are defined by the figure in section 1 of the Vehicle Registration Certificate

For the avoidance of doubt, pursuant to the aforesaid facts and legal circumstances a trailer – in the case of a two-track vehicle combination with the total weight up to 3.5t – does not require an electronic vignette payment.

The amount of vignette payments (ie current prices of vignettes in euros including VAT are as follows

(also available at
www.eznamka.sk/selfcare/home/#text-BasicInfo1):

Annual	GVW < 3.5t	€50.00
	Trailers	€50.00
9 months	GVW 3.5-12t	Toll
9 months	GVW > 12t	Toll
1 month	GVW < 3.5t	€14.00
	Trailers	€14.00
	GVW 3.5-12t	Toll
	GVW > 12t	Toll
10 days	GVW < 3.5t	€10.00
	Trailers	€10.00
	GVW 3.5-12t	Toll
	GVW > 12t	Toll
1 day	GVW 3.5-12t	Toll
	GVW > 12t	Toll

4. Private use af a Company Car

The use of a company car for private motoring is treated as a benefit in kind under personal income tax. The amount to be added to an employee's income before taxation is 1% of the purchase price of the company car for each month of use.

5. Periodical Inspection of Vehicles

5.1. Inspections

Compulsory periodic inspections of road vehicles include regular technical inspections. Brand-new cars undergo their first inspection after four years and every two years thereafter. Emissions are measured at the same frequency

Regulations in Turkey

Although the readjustment of the automotive sales taxes was already at a high level, it ranks again the first with a significant increase in Turkey. This topic is still the most important problem of the sector.

Motor vehicle tax taken yearly depends on the age and the engine size of the vehicle for passenger cars and motorcycles.

Engine Size	Motor Vehicle Tax (Yearly)				
	1 - 3 age	4 - 6 age	7 - 11 age	12 - 15 age	16 and above age
Passenger Cars					
1301 - 1600 cm³	1.035,00	776	450	318	122
1601 - 1800 cm³	1.827,00	1.428,00	841	513	199
1801 - 2000 cm³	2.878,00	2.217,00	1.303,00	776	306
2001 - 2500 cm³	4.317,00	3.134,00	1.958,00	1.170,00	463
2501 - 3000 cm³	6.019,00	5.236,00	3.271,00	1.760,00	646
3001 - 3500 cm³	9.166,00	8.247,00	4.968,00	2.480,00	910
3501 - 4000 cm³	14.411,00	12.444,00	7.329,00	3.271,00	1.303,00
4001 cm³ and above	23.586,00	17.687,00	10.475,00	4.708,00	1.827,00
Motorcycles					
100 - 250 cm³	122	92	68	43	17
251 - 650 cm³	252	191	122	68	43
651 - 1200 cm³	646	385	191	122	68
1201 cm³ and above	1.565,00	1.035,00	646	513	252

Motor vehicle tax taken yearly depends on:
The age and the engine size of the vehicle for panel van and motor caravans,
The age for minibuses

The age and number of seats for buses
Maxiumum weight and age for truck, tractors and so on.

Type of vehicle & # of seats /	Motor vehicle tax (Yearly)		
Max total weight	1 - 6 age	7 - 15 age	16 and above age
1) Minibus	776	513	252
2) Panel van and motor caravans			
1900 cm³ and below	1.035,00	646	385
1901 cm³and above	1.565,00	1.035,00	646
3) Bus			
Max 25 people	1.958,00	1.170,00	513
26 - 35 people	2.348,00	1.958,00	776
36 - 45 people	2.613,00	2.217,00	1.035,00
46 people an above	3.134,00	2.613,00	1.565,00
4) Truck, trucktor and so on			
until 1.500 kg	697	463	228
1.501 - 3.500 kg	1.408,00	817	463
3.501 - 5.000 kg	2.115,00	1.760,00	697
5.001 - 10.000 kg	2.348,00	1.995,00	936
10.001 - 20.000 kg	2.821,00	2.348,00	1.408,00
20.001 kg and above	3.529,00	2.821,00	1.640,00

VAT

The sale of new passenger cars is subject to 18% VAT.

The VAT rate for the operational or financial leasing of the passenger cars is also 18 %.
The second hand sale of the passenger cars and that of the vehicles which are designed specifically for the passenger transportation is subject to VAT at the rate of 1 %.

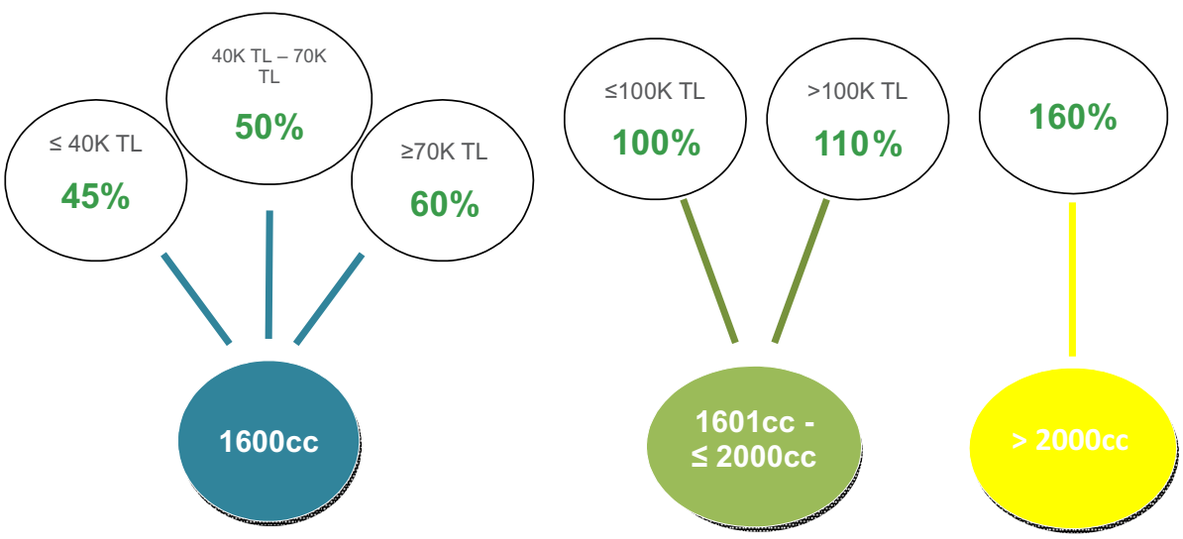
Special consumption tax

Special consumption tax is an indirect tax due for the list of the goods stated in its particular Law. The passenger cars are in this list and subject to special consumption tax.

For the hybrid engine passenger cars, special consumption tax ratio:

- If the engine does not exceed 1800cm3, the electric motor will exceed 50kW., the tax is 45%
- If the engine is between 1800cm3 - 2500cm3, the electric motor will exceed 100kW., the tax is 90%
- If the engine volume is 2500cm3 or more, there is no change, the tax is 145%.

Special consumption tax ratio for passenger cars with only electric engine is 10%.
Special consumption tax for passenger cars with combustion engine depends on the engine size and the price before tax as shown in below table in %.



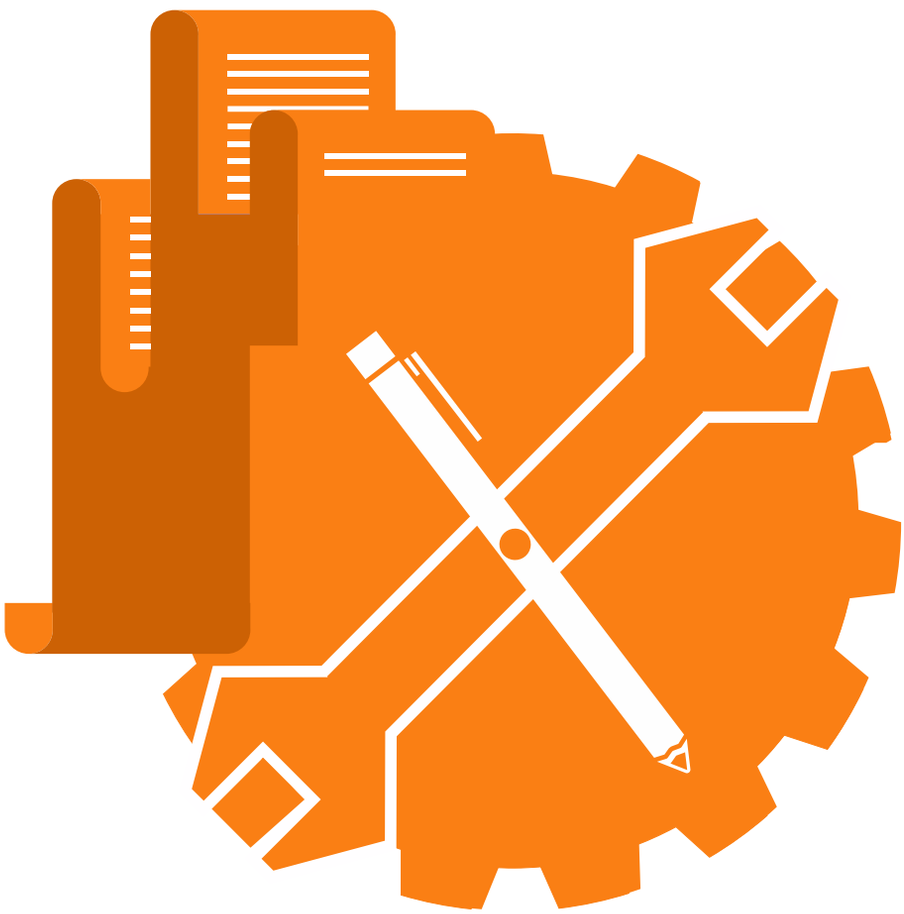
Slovakia vs Turkey

Charges for registration depending on engine power and the age of the vehicle in Slovakia. No registration fee in Turkey.

In Turkey high special consumption tax rate is affecting the car selling prices.

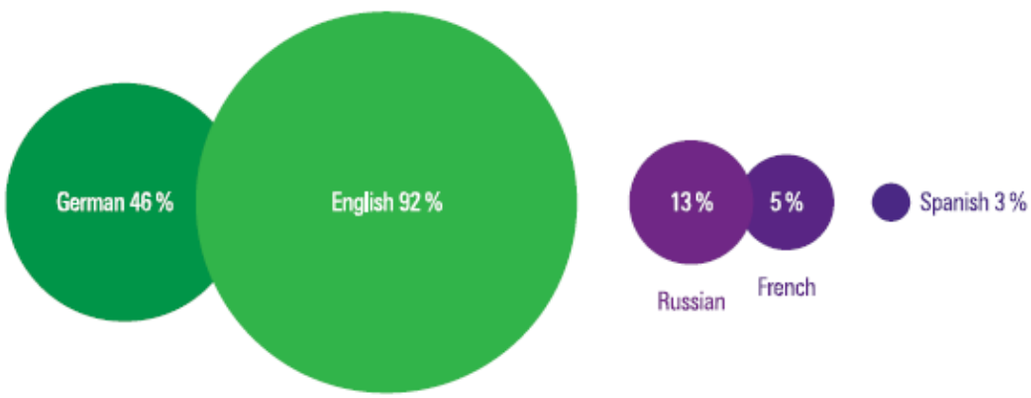
	Slovakia	Turkey
Value-added tax (VAT)	x	x
Registration charges	x	
Motor Vehicle tax (ownership tax taken yearly)	x	x
Special consumption tax		x

5. Education/Training in Automotive Sector



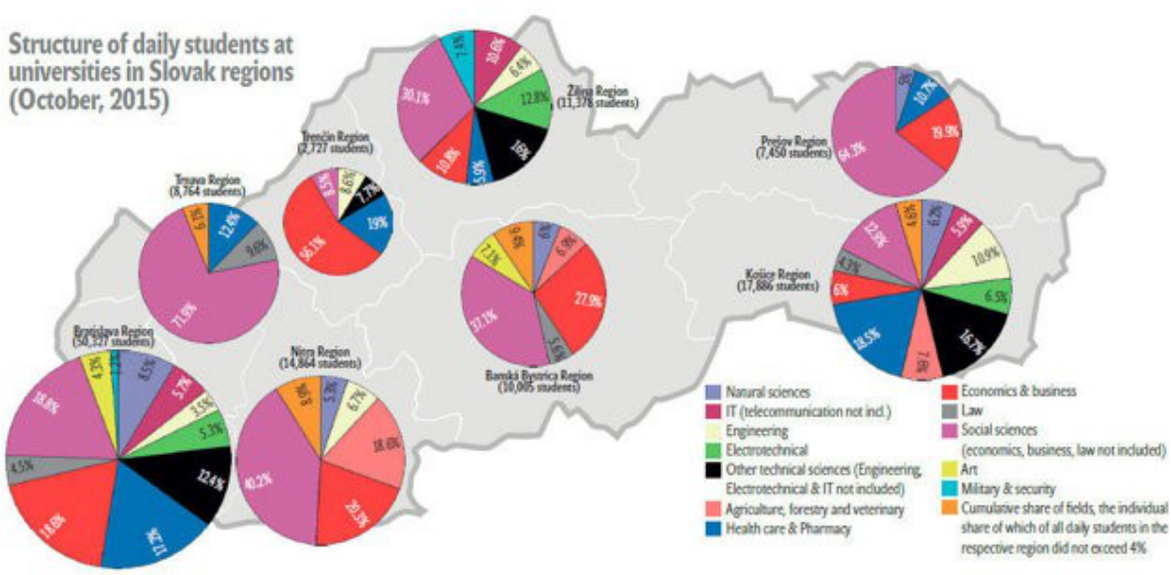
Knowledge of Foreign Languages

Slovakia is an export-oriented economy that can offer a workforce with a high degree of language skills. English is the most common foreign language spoken, followed by German due to Slovakia's proximity to Austria and Germany. The percentage of people speaking foreign languages has resulted in an inflow of multilingual technology and shared service centres. Slovaks are mostly taught a foreign language from elementary school age and subsequently they deepen their language knowledge at secondary school.



Source: The Institute for Information and Prognosis of Education, www.uips.sk, 2016

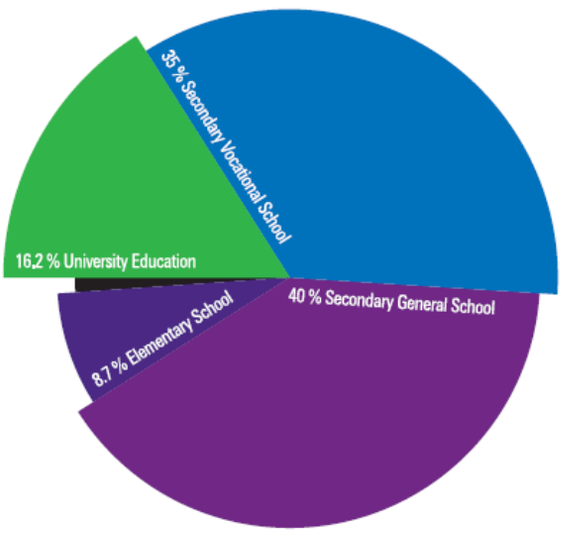
Education in Slovakia



Source: Ministry of Education

There are 36 universities in Slovakia across the country. In the academic year 2014/2015, there were 162,568 students enrolled at Slovak universities, and 58,089 students graduated in 2015 (both data include Bachelor and Master Studies).

Education in Slovakia per Levels



Source: The Institute for Information and Prognosis of Education,www.uips.sk, 2016

The Slovak labour market faces a paradoxical situation when there are still hundreds of thousands of unemployed while employers are struggling to fill vacancies.

Companies are struggling to hire new workers, either to fill places vacated by those who have retired or for brand new positions as companies expand. At the same time, there are still more than 270,000 people in the labour market without jobs. The reason for this paradox is what has been called a skills gap resulting from a mismatch between what jobseekers can offer and the specific skills demanded by employers. To address this problem, companies – in cooperation with schools – have developed the dual education scheme. They are also calling on the government to make it easier to hire workers from countries that are not members of the EU. The government does not like this idea and instead is pinning its hopes on various requalification schemes, by luring Slovaks working abroad to return, as well as by tightening conditions for the jobless to receive benefits from Slovak social assistance programmes.

The reason is especially the disadvantageous structure of the unemployed, out that of over 275,000 unemployed at the end of December 2016 almost 85,000 have only basic education, more than 137,000 have been jobless for more than one year and that it is not even possible to find out the previous profession of 160,000 of the unemployed. Other repeated reasons why people fail to get a job are such as unrealistic wage expectations or the inability to speak any foreign language.

The Labour Ministry is addressing this issue by tightening the rules for the unemployed to access the benefits of the social system. For example, the ministry has proposed limiting the possibility of those registered with job offices to work on temporary employment agreements (na dohodu) to 40 days per year. Also, a jobseeker who repeatedly leaves a new job within the first month could not enrol again with the job office, and a person will be excluded from the register if he or she unreasonably refuses to attend requalification programmes or engage in activation work. These proposals still must be passed by parliament but they are expected to become effective as of May 1, 2017. The ministry also wants to increase investments into requalification programmes for the unemployed.

Unemployment rate by education in 2Q/2016*

	Slovakia	Bratislava Region	Trnava Region	Trenčín Region	Nitra Region	Žilina Region	B. Bystrica Region	Prešov Region	Košice Region
Unemployed	264,800 (100%)	16,400 (100%)	28,600 (100%)	18,100 (100%)	30,900 (100%)	29,100 (100%)	45,200 (100%)	57,600 (100%)	38,800 (100%)
Elementary and without education	49,000 (18.5%)	1,900 (11.6%)	3,700 (12.9%)	2,500 (13.8%)	3,500 (11.3%)	4,700 (16.2%)	9,000 (19.9%)	15,900 (27.6%)	7,900 (20.4%)
Secondary without A grade	90,800 (34.3%)	4,000 (24.4%)	11,300 (39.5%)	6,700 (37%)	12,700 (41.1%)	10,300 (35.4%)	16,000 (35.4%)	16,600 (28.8%)	13,300 (34.3%)
High school with A grade	92,300 (34.9%)	4,600 (28%)	10,200 (35.7%)	6,500 (35.9%)	11,100 (35.9%)	10,400 (35.7%)	15,500 (34.3%)	20,000 (34.7%)	14,200 (36.6%)
University	32,700 (12.3%)	6,000 (36.6%)	3,400 (11.9%)	2,500 (13.8%)	3,600 (11.7%)	3,800 (13.1%)	4,700 (10.4%)	5,200 (9%)	3,500 (9%)

Economically active population by education in 2Q/2016*

	Slovakia	Bratislava Region	Trnava Region	Trenčín Region	Nitra Region	Žilina Region	B. Bystrica Region	Prešov Region	Košice Region
Economically active population	2,755,600 (100%)	353,500 (100%)	310,100 (100%)	299,700 (100%)	345,700 (100%)	344,300 (100%)	333,600 (100%)	398,100 (100%)	369,700 (100%)
Elementary and without education	149,600 (5.4%)	11,800 (3.3%)	11,200 (3.6%)	9,700 (3.2%)	17,100 (4.9%)	17,400 (5.1%)	27,300 (8.2%)	28,800 (7.2%)	26,200 (7.1%)
Secondary without A grade	774,600 (28.1%)	66,100 (18.7%)	97,800 (31.5%)	94,700 (31.6%)	100,600 (29.1%)	117,100 (34%)	88,800 (26.6%)	103,900 (26%)	105,700 (28.6%)
High school with A grade	1,219,200 (44.2%)	141,700 (40.1%)	149,700 (48.3%)	133,900 (44.7%)	152,900 (44.2%)	147,000 (42.7%)	148,400 (44.5%)	175,300 (43.9%)	170,500 (46.1%)
University	612,300 (22.2%)	134,000 (37.9%)	51,500 (16.6%)	61,500 (20.5%)	75,100 (21.7%)	62,700 (18.2%)	69,100 (20.7%)	90,100 (22.6%)	67,300 (18.2%)

* data based on a labour force sample survey (LFS)

Source: Statistics Office of the Slovak Republic

Source: Statistics Office of the Slovak Republic

Workers from abroad

Importing labour, alongside requalification programmes, is suggested as another way for employers to find necessary skilled labour. For example, the automotive sector expects that it will need about 14,000 people to fill vacancies during the next three years and it wants to bring 4,000 to 5,000 of these workers from abroad. This is because the dual education scheme is just starting and it will take some time until it starts producing newly-qualified workers for the labour market.

The car producing sector hopes that it will secure the rest of its needed labour via targeted requalification programmes which could bring 5,000 to 6,000 workers.
In the meantime, carmakers in Slovakia already employ hundreds of foreigners. For example, Bratislava-based Volkswagen Slovakia has 'borrowed' 550 people from its sister company Audi from the Hungarian town of Győr. They are expected to help manufacture cars in Bratislava until about 2018. The Trnava-based PSA Groupe Slovakia, which in January 2017 had about 3,800 employees, was seeking to hire new workers to launch weekend shifts and reported that it employed about 450 foreigners – more than half are from Serbia, mostly with the status of a Slovak living abroad. So even though Serbia is not member of the EU, these individuals do not need any special permission to work in Slovakia.

At the end of 2016, ÚPSVaR reported 35,100 foreigners working in Slovakia. Compared with the end of 2015, this is a significant increase of 9,600 people, a 27 percent jump. Of these foreigners, Romanians were the biggest share with 7,400, an increase by 1,100 from the previous year. Serbians were next with 4,900, an increase of 3,600 from a year earlier and Czechs followed with 4,100 employed in Slovakia, up by 939.

In response to the call of employers to make Slovakia more open to foreign workers, Minister Richter agreed that bringing in foreign labour is a solution, but said that the government would not support a flat, blanket permission.

But permission to bring in labour from abroad will be granted only under individual projects and the government does not plan in any way to ease conditions for foreigners outside the EU to come to work in Slovakia.

Brain drain

Along with the demographic crisis in Slovakia in which its population is expected to age more than all other EU countries, the country is facing a brain drain with a significant portion of its university-educated youth leaving abroad. The Institute for Financial Policy (IFP) think tank at the Finance Ministry estimates that about 300,000 people or almost 5% of the total.

Slovak population have left Slovakia over the past 15 years. Based on data for 2010 and 2015, more than half of those leaving were under 30 years old. Graduates of medical and technical universities make up the biggest proportion of those leaving. Slovaks emigrate abroad for better remuneration as well as better career prospects.

Slovakia has already launched schemes to lure back educated and experienced people but so far the results are rather limited. In 2016 Slovakia managed to attract only eight experts back home while the plan was to draw back 27 under a state supported scheme. This scheme provides financial support of up to €50,000 for highly-educated experts who decide to return.

HR experts expect that the lack of qualified labour will continue to be a main factor influencing the labour market in 2017.

There is a high demand for technical professions, reflecting the increasing automation of production, while candidates with non-technical education without knowledge of at least one world language will have problems finding an acceptable job. The interest of employers in hiring people older than 50 years is increasing as these persons are able to work at the most demanding specialised positions.

Technical Education in Slovakia

Slovak universities with a technical background companies can find many suitable engineers for R&D jobs.

5 Technical universities

32 Technical faculties

42 453 Students in technical fields

14 468 Graduates in technical fields

100+ Technical Vocational Secondary Schools

44 080 Students in technical fields
100+ Technical Vocational Secondary Schools

54+ secondary vocational schools already esta blished cooperation with 115 companies around Slovakia.

The Institute of Automotive Mechatronics (UAMT) at the Faculty of Electrical Engineering and Information Technology of the Slovak University of Technology in Bratislava provides research and development and education in applied and automotive mechatronics, electromobility and control of mechatronic systems. Complex mechatronic systems are being formed based on the synergy of mechanical, electronic, information, communication and control technologies and their integration. UAMT consists of four departments: Department of Applied Mechanics and Mechatronics, Department of Information, Communication and Control Systems, Department of Electronics, Microcomputers and PLC Systems, Department of E-mobility, Automation and Drive Systems.

Volkswagen Slovakia (VW SK) and the Faculty of Electrical Engineering and Informatics, Technical University of Košice (TUKE) opened a Laboratory of Automotive Electronics. TUKE received specialized equipment – e-Simulator from VW SK company at the opening ceremony. The education at this study programme is focused on the field of electromechanical, electrohydraulic and other systems controlled by computer. They are characterized by the movement control of their parts and the energetic interactions, the transformations of the various forms of energy focused on the subsystems of information transfer, control and regulation, which are based on the microprocessor control in the real time. The graduates have a possibility to specialize for the field of automobile technology choosing the optional courses.

Growing R&D & Innovation Network

More and more subcontractors move their R&D divisions to Slovakia due to the growing potential of the Slovak market. Decision to relocate and establish R&D capacities results not only in cost saving, but also contributes to company's flexibility to become more responsive to clients' needs. As well as they benefit from the available pool of highly qualified engineers and experts.

Success Stories in Automotive R&D in Slovakia

- JOHNSON CONTROLS – Part of the global R&D network for seat systems
- ZKW SLOVAKIA – Innovation of lighting systems
- LEONI – Development of car cable systems
- CONTINENTAL AUTOMOTIVE – Development of brake callipers
- YANFENG – Engineering centre for interiors systems
- INA SCHAEFFLER – Development of rolling and ball bearings
- CEIT – Focus on innovative solutions and complex research projects in cooperation with industry
- AeroMobil – A unique prototype of a flying car is being developed in Slovakia by AeroMobil R&D. The Aeromobil R&D was supported by the Slovak government with state aid.
- Institute of Materials & Machine Mechanics – Applied research institute within the Slovak Academy of Sciences.

Innovation Support

- Slovak universities with a technical Support activities for development and popularization of Slovak innovations and R&D environment
- Establishment of relations with domestic and foreign well-established innovative companies
- Interconnection of Slovak R&D capacities with industrial production and investors' needs in order to transfer leading innovative technology processes closer to production praxis
- Encouragement to foreign investors to bring investments with substantial R&D components to the SR
- Ecosystem analysis of local investment opportunities as well as domestic and foreign investors in order to support acquisitions and joint ventures projects
- Specific information from the field, in order to obtain capital and foreign markets penetration

Automotive Innovations in CEE Region

More innovations are needed and the CEE region is seeing increasing demand for:

- Improved efficiency in the supply chain
- Increased R&D capabilities
- Innovation, particularly connected to 'mega trends' driving the industries. In the automotive sector, this includes the need to reduce fuel consumption and lower CO2 emissions, to adapt to short product life-cycles and to incorporate a growing volume of electronic components (50% of a car's parts today, compared with 1% back in 1950)

These demands all play into the hands of TIER 1 & TIER 2 suppliers. Often underestimated, but very significant, is the opportunity in industrial machinery. Demand exists for automatic processing machines; computer parts and accessories; and turbines. There is a growing trend for acquisition of machinery linked to exclusive supply of spare parts and maintenance services – with Central and Eastern European buyers spending more on higher quality spare parts, if these are accompanied by ongoing support. hin the Slovak Academy of Sciences.

Universities and R&D Institutions in Turkey

Automotive industry in Turkey is one of the manufacturing sectors that employs mostly higher education graduates. Approximately 8% of the employers have engineering degrees. In the last years many universities opened new programmes specifically devoted to Automotive Engineering:

University	Bachelor	Masters	Doctorate
Afyon Kocatepe University	+		
Atılım University	+	+	
Boğaziçi University		+	
Cumhuriyet University	+		
Çukurova University	+	+	
Fırat University	+	+	
Gazi University	+	+	+
Hacettepe University	+		
Işık University	+		
İstanbul Teknik University		+	
Karabük University	+		
Kocaeli University	+	+	+
Mersin University	+		
Okan University	+	+	
Pamukkale University	+	+	
Sakarya University		+	+
Süleyman Demirel University	+		
Uludağ University	+	+	+
Yakın Doğu University	+		

Okan University, one of the most eminent and distinguished foundation universities in Turkey, is home to a diverse undergraduate and graduate student body of 14,000. Currently, Okan University has students from 43 different countries. It offers more than 138 undergraduate and graduate programs. The University comprises six faculties, two applied sciences schools and three graduate schools. The university also offers a variety of two year associate degree programs that correspond to the in-demand vocational opportunities.

The new global business era of borderless business relations demands a new set of engineering competencies. Okan University Automotive Engineering Undergraduate Program, having revised its programs accordingly, offers a rich selection of concentration areas in order to meet the unique career needs of our students. The world-class faculty members from diverse backgrounds provide a balance of theory and practice in the execution of the curriculum.

The Engineering Faculty of Atılım University has a unique position among Turkish universities, with its new and popular engineering fields such as mechatronics, manufacturing, software, informatics systems, energy systems and automotive engineering in addition to the existing conventional engineering departments. Altogether there are fourteen departments in the faculty. Having been established in 1997, the faculty, with its relatively large number of departments, a strong and dynamic academic cadre, and modern educational and research facilities, has secured a reputable position in a very short time and now is competing with the famous public universities in Turkey

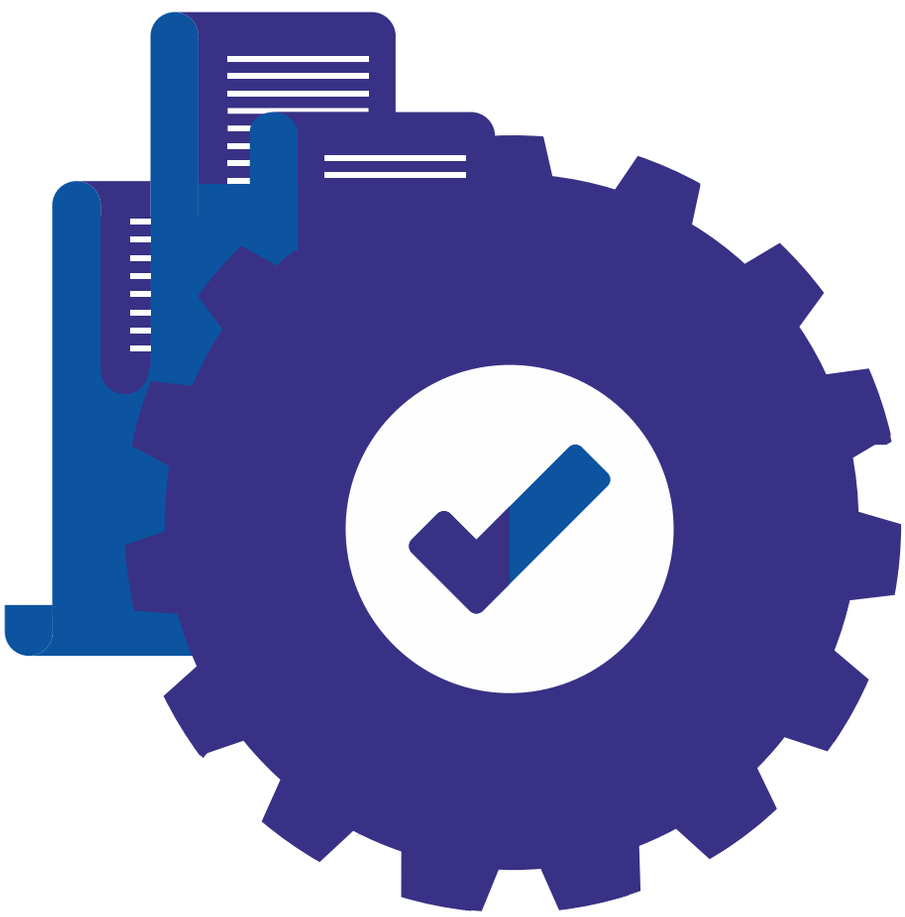
Department of Mechanical Engineering at Hacettepe University offers an undergraduate program in Automotive Engineering and Master of Science and PhD programs in Mechanical Engineering. The research focus of the department lies in the areas of automotive engineering, solid mechanics and design, mechanisms and machine theory, materials, control, mechatronics, sensors and thermal-fluids engineering and energy.

Uludag University Automotive Engineering Department was established in 2010 and was started to give education on master of science degree in 2011. The Automotive Engineering Department is a pioneer department for Turkey, as being one of the first of its kind in Turkey. The Department offers two programs to qualified students for further education and research at advanced level, leading to the degree of MSc in Automotive Engineering. The Graduate Programs are MSc with thesis and non-thesis programs in Automotive Engineering. Non-thesis program is a MSc without thesis program with the support of Politecnico di Torino (PdT) Italy.

Slovakia vs Turkey

In Slovakia, the education system does not fulfil the needs of employers and the gap between the demand and supply has been widening. Turkey is more favourable when compared to Slovakia.

6. Conclusions



Concluding Remarks

When on December 11th, 2015 Jaguar Land Rover (JLR), a Tata group company, confirmed its plans to open a new $1.5 billion factory in the town of Nitra in Slovakia, it became the fourth large automaker moving to the Central European Republic. Since the entry of Volkswagen in 1991, Citroën/Peugeot and Kia had built auto manufacturing plants in 2003 and 2004 respectively. In less than 22 years, since its split from Czechoslovakia and independence, the Slovak Republic became the largest per capita producer of autos in the world, with more than 1 million vehicles rolling out of factories in the Republic. (192 cars per capita in 2016)

Major strengths of the industry are its close proximity to core export markets in Europe, low labour costs, and government support.

HR experts believe that attracting enough workers to the labour market as well as hopes that the education system will be able to generate the graduates in the needed professions will be crucial for Slovakia's future development.

Strengthening education and training would allay skill shortages, which are becoming more binding. Effective implementation of the recently launched dual vocational education system is essential to help meet labor market needs. On the job training should be prioritized. Devise a program for Slovaks to receive industry specific higher education and/or trainings abroad for management level, as managers are more likely to start related businesses and see them succeed.

Promotion of R&D investment through increasing deductible R&D tax benefits to levels common in the CEE region and establishing a National Technology Institute for collaboration between local suppliers and research institutions will strengthen the future of the automotive industry.

Turkey's automotive industry offers companies a dynamic domestic market and reach to a qualified yet relatively inexpensive labor force versus European countries. The automotive market grows and the production of vehicles increases steadily. The Turkish government supports the automotive industry in various ways and gives a special attention to R&D efforts.

TUBITAK Marmara Research Center coordinates several automotive projects including range extended electric vehicle. The current manufacturers in the Turkish automotive sector continue to increase their investments. However, it will be necessary to aim for new strategic investments to move into the next level and increase the added value in production. The positive developments in Turkish logistics sector also presents ample opportunities to Turkish automobile manufacturers.

On the other hand, import dependency of the industry and increasing energy prices are the main threats against Turkey. Also, taxes on new vehicle sales is a slowing factor for development of vehicle parc.

Turkey’s growing current account deficit creates a significant macroconomic risk for investors. Political risks such as terrorist attacks in major cities and Turkey’s proximity to the civil war in Syria also add to macroeconomic instability. As the world grudgingly grows to accept Russia's role in Syria, Russia's industry is struggling to keep pace the country's geopolitical success.

Bilateral trade volume between Turkey and Slovakia has been increasing steadily in recent years, where it reached 1.3 billion Dollars in 2016 (Turkish exports at 384 million USD; Turkish imports: 951 million USD).

Turkey primarily exports automotive products, electrical machinery and devices, textile materials, copper and fruit-vegetables to Slovakia; while the main imports from Slovakia are iron/unalloyed steel products, electrical machinery and devices, automotive products and plastic. During the visit of Prime Minister of Turey to the Slovak Republic in February 2013, the target was set for the bilateral trade volume to reach 5 billion USD.
ve in the fields food, textiles and gift market.

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Notes

Notes

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