

Slovak Economic and Tourism Update Information

September 2008

1. Economy

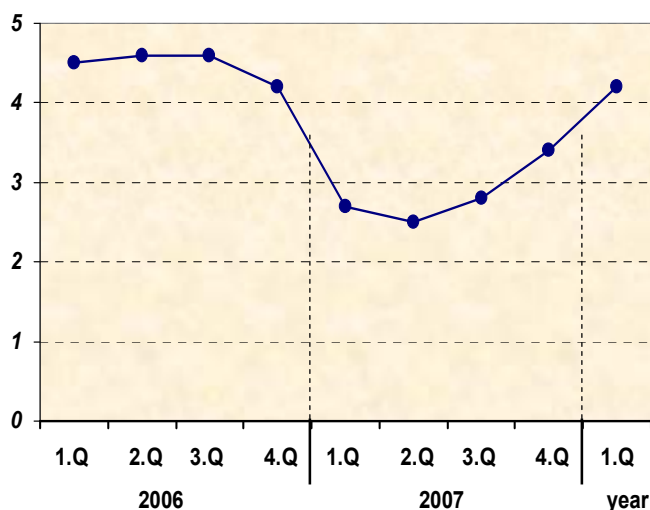
In recent years Slovakia has been regarded as an economic tiger of central Europe, with the highest sustained GDP growth in the European Union, reporting 10.4% in 2007. Slovakia has been an EU member state since 2004.

Fulfilling all the Maastricht criteria Slovakia will join the Euro-zone and become the 16th of the EU 27 countries to adopt the euro. Slovakia is the only Visegrad Group country to adopt Euro as early as 2009.

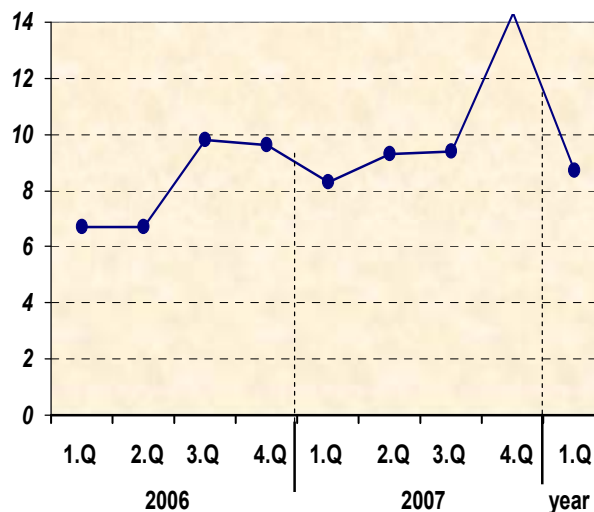
Criterion	Reference value	2007 Data & Outlook in March 2008 (%)		
		2007	2008	2009
Government deficit	3%	2,2	2	1,8
Government debt	60%	29,4	29,2	29,7
Inflation (HICP, average)	3,5%	2,2	3,9	3,5
Stability of long-term interest rates	6,5% (March-08)	4,5	4,2	4,3
Stability of exchange rate SKK to EUR	SK joined ERM II - 28/11/05	33,37	30,31	30,17

Next diagrams show Inflation and GDP growth in the last 2 years.

Inflation (%)



GDP growth (%)



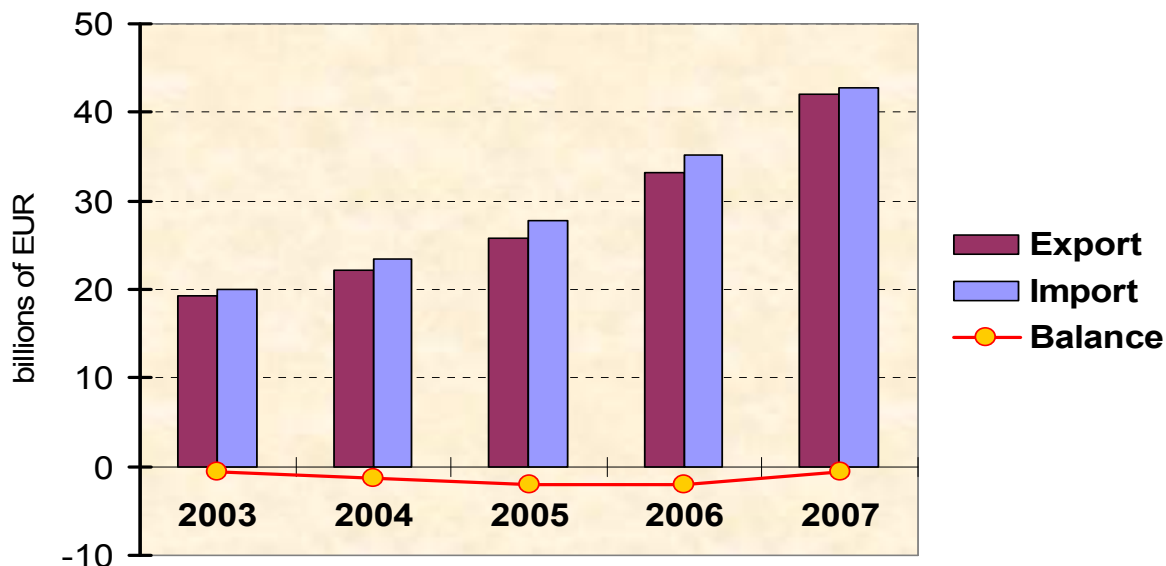
2. Industry

Slovakia became industrialized mostly in the 20th century. Heavy industry (including coal mining and the production of machinery and steel) was built for strategic reasons because Slovakia was less exposed to the military threat than the western parts of Czechoslovakia. After the end of the Cold War, importance of industry, and especially of heavy industry, declined. In 2007, industry (including construction) accounted for 28% of GDP, compared with 49% in 1990. Nowadays, building on a long-standing tradition and a highly skilled labour force, main industries with potential of growth are following sectors: Automotive, Electronics, Mechanical engineering, Chemical engineering, Information technology. The automotive sector is among the fastest growing sectors in Slovakia due to the recent large investments of Volkswagen (Bratislava), PSA Peugeot (Trnava), and Kia Motors (Žilina). Passenger car production was app. 600,000 units in 2007. In 2007 Slovakia became the top country in the world in terms of number of new cars produced per capita with 105,7 cars per 1000 inhabitants. Other big industrial companies include US Steel (metallurgy), Slovnaft (oil industry), Samsung Electronics (electronics), Sony (electronics), Mondi Business Paper (paper), Hydro Aluminium (aluminium production), and Whirlpool. In 2006, machinery accounted for more than a half of Slovakia's export.

3. Foreign Trade

Global Slovak Foreign Trade

According to the Slovak Statistics, in 2007 the total export from Slovakia grew by 15.2% and reached SKK 1 421 billion (EUR 42.1 billion) while the imports grew to SKK 1 442 billion (EUR 42.7 billion) by 10.2%. The negative foreign trade balance thus dropped down to SKK 21,4 billion (EUR 0.6 billion) from SKK 74,9 billion (EUR 2 billion) in 2006.



Germany is Slovakia's largest trading partner, purchasing 22% of Slovakia's exports and supplying 20% of its imports in 2007. Other major partners include the Czech Republic (11% imports and 12% exports), France (4% import and 7% export), Italy (4% and 6%), Russia (9% import and 2% export), and Austria (3% and 6%). Slovakia imports nearly all of its oil and gas from Russia and its export markets are primarily OECD and EU countries.

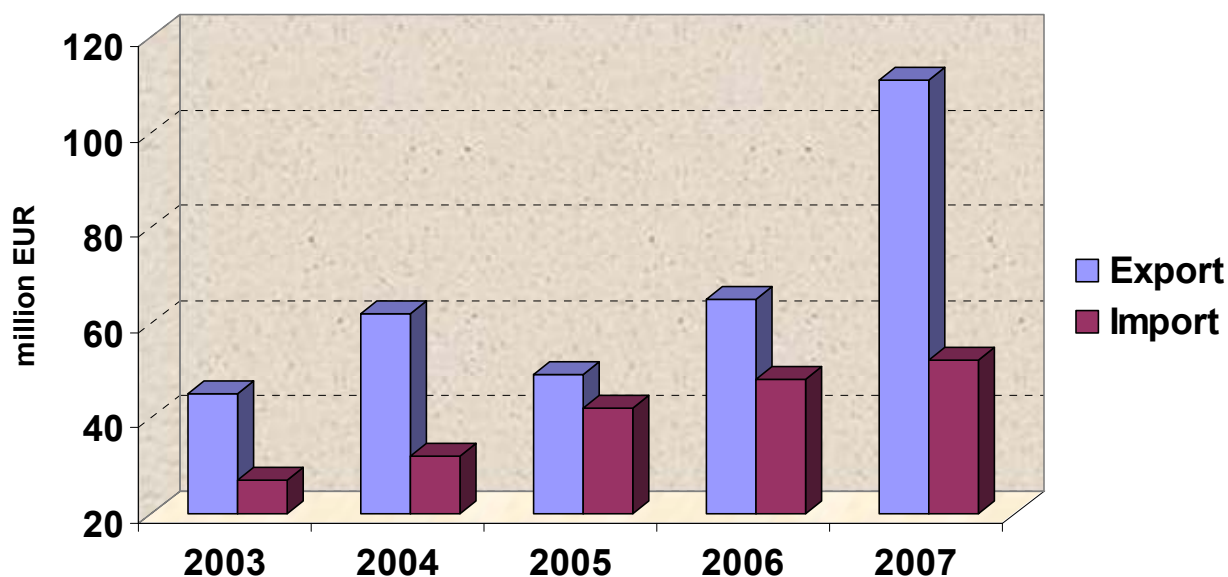
Slovakia and Norway mutual foreign trade

After 5 years of continuous progressive development bilateral trade, export decreased in 2005 and reached the highest export in 2007 as described by the following figures of the Statistical Office of the SR (an effective yearly exchange rate EUR/SKK has been used for this calculation):

Bilateral Trade (millions EUR)

	2003	2004	2005	2006	2007
Export	45	62	49	65	111
Import	27	32	42	48	52
Turnover	72	94	91	113	163
Balance	18	30	7	17	59

Source: Statistic Office of SR



The main Slovak exports are: cars, measuring apparatus, steel, electrical machine, paper, machinery, cordage from Norwegian TIMM in Trencin. The main Norwegian exports are: ferro-alloys, surveying instruments, transformers, paper, plastics, and chemicals.

4. Investment

Foreign direct investment (FDI) in Slovakia has increased dramatically. Cheap and skilled labour, low taxes, a 19% flat tax rate for both businesses and individuals, no dividend taxes, liberal labour code and a good geographical location are Slovakia's main advantages for foreign investors. FDI inflow grew more than 600% from 2000 and cumulatively reached an all-time high of EUR 23.1 billion in 2007. New investment stimuli introduced – more favourable conditions to IT and research centres, especially to be located in the east part of the country (where is more unemployment), to bring more added value and not to be logistically demanding.

Origin of foreign investment 1996-2006 – the Netherlands 20%; Germany 18%, Austria 15%; Italy 12%, Hungary 6% and UK 5%. Top investors by companies: Deutsche Telekom, Volkswagen (Germany), Mondi Paper (Austria), Gaz de France, PSA (France), US Steel (US through Nederland), MOL (Hungary), ENEL (Italy), E.ON (Germany) and KIA (Korea).

The biggest investment in Slovakia materializes in automotive and electronic industry. TOP investors in Slovakia include: US Steel, Volkswagen, KIA Motors, PSA Peugeot Citroen, Getrag Ford, IBM, Hewlett Packard, On Semiconductor, Johnson Controls, Dell, Accenture, Deutsche Telekom, Samsung, Sony, Delphi, Tower Automotive, Invensys, AT&T, AIG – Insurance company, Pepsi Cola, Coca Cola, Glacier Tribometal, CSC Computers, Energizer, Oracle, PWC, Whirlpool, John's Manville, Molex, Citibank, Emerson Electric, Lear, Taylor-Wharton Harsco, Kraft Foods, Teleflex Slovakia, SAS Radisson, UPS, MOL, Enel, TESCO Sores, Deutsche Telekom, Allianz, Excellent London Syndicate, Heineken, Sauer-Danfoss etc.

Norwegian companies doing business in Slovakia

As per the currently available information the following Norwegian companies invested or established their presence in SR: Norsk Hydro, Telenor Slovakia, Vizada Networks, TIMM Slovakia, Orkla, Sapa Slovakia, CEPM Bratislava, Verdispar CE and Verdispar Project Development.

5. Tourism

Tourism from Slovakia

In the same period of time some 3100 Slovak travellers visited Norway and spent estimated 15800 nights there. Their total expenditure is estimated at EUR 7 mil. In 2007 both the number of visitors and the expenditure increased against the previous year 2006.

Tourism from Norway

According to the figures of Norwegian Statistical Office some 6100 Norwegian tourists visited Slovakia in 2007 slowly decreased from the 6500 level in 2006 and spent approximately EUR 11 mil. From the Slovak statistic Norwegian spent app. 2,5 days in Slovakia and together spend 13 500 days.



There is an open invitation to visit and enjoy Slovakia all year around with superb winter skiing conditions, relaxation spas, battery recharge facilities of all sorts of different

nature, beautiful landscape, historic castles, magic Bratislava and a lot more.

You can find more about tourisms in Slovakia on the website here below.

www.slovakia.travel

6. Opportunities

Priority sectors for investment

ICT, Innovations; Research and Development Centres; Software, Database Management & Administration; IT Services; Strategic Business Services; Network Processing and Communications, Electro-technical Industry, Precision Machinery, Pharmaceutical Industries and Production of Medical Equipments & Apparatuses, Technologically Based Chemistry, Biotechnologies, and Nano-technologies.

Concrete trade and investment opportunities including offers may be found on the following website as per the expressed interests of Slovak businesses.

www.sic.sario.sk/?home

Useful links to Slovakia business:

www.sktoday.com/sections/business

www.english.etrend.sk

www.mhsr.sk

www.statistics.sk

www.nbs.sk

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