



**EVALUATION OF THE DEVELOPMENT OF THE
SLOVAK AUTOMOTIVE INDUSTRY IN**

2016/2017

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1. Introduction

Automotive industry is a significant industrial sector of the Slovak economy, production of which makes up approximately 30% of the total industrial production in Slovakia. The following analysis of the Slovak automotive industry is based on available information on more than 300 companies found on websites such as www.idpap.sk, www.okba.sk, and www.finstat.sk which are compiled from publicly available information from the Registry of Financial Statements managed by the Ministry of Finance of the Slovak Republic available on www.registeruz.sk. Its goal is not to create exact statistical analyses but to point out some indicators and trends in this sector based on chosen indicators of the representative sample that might be of interest for either a professional or non-professional community.

We also created the same view on automotive industry in the former year and our ambition is to continue in this tradition with the aim to point out the main development trends within the sector in the long-term.

2. The Development of Industrial Production

There are currently three large car companies doing business in Slovakia: Volkswagen (Bratislava), PSA Peugeot Citroën (Trnava), and Kia Motors (Žilina). With the arrival of these companies many doors also opened for a lot of other firms almost all in sectors that became the suppliers of the automotive industry. The suppliers of automotive industry are also significant contributors to the total industrial production in Slovakia and to the labor market (job creators). As can be seen from the following graph, production of vehicles represents a significant part of the whole industrial production in the Slovak republic, which represents 29%. From one year to another we notice in production a slight drop, which is probably caused by a drop in the production of automobiles.

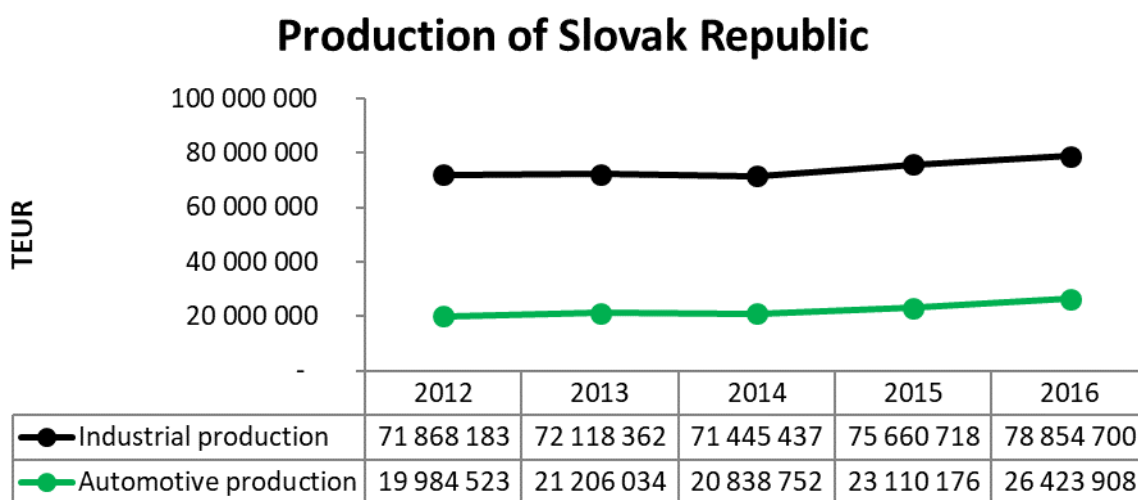


Chart No. 1: Comparison of the total industrial production and automotive production

Note: The economic activity called "Production of motor vehicles" includes the production of motor vehicles, car bodies for motor vehicles, trailers, spare parts and accessories for motor vehicles, electrical and electronic devices for motor vehicles and the production of other parts and accessories for motor vehicles.

Volkswagen, Kia and PSA built together 1 043 237 vehicles in 2016 which makes up for a year increase of production of 4 734 automobiles (+0,46%). Second time in history was build more than one million of cars in Slovak Republic in one year. Of the three companies, in 2016 Volkswagen built the most cars (388 687) which means a year-over-year decrease of 8 771 pieces. The first place in the production of automobiles was retained by Volkswagen in last 5 years.

PCA and KIA record an increase in year-to-year car production what can also be seen in the following graph.

Production of cars in Slovak Republic (in pcs)

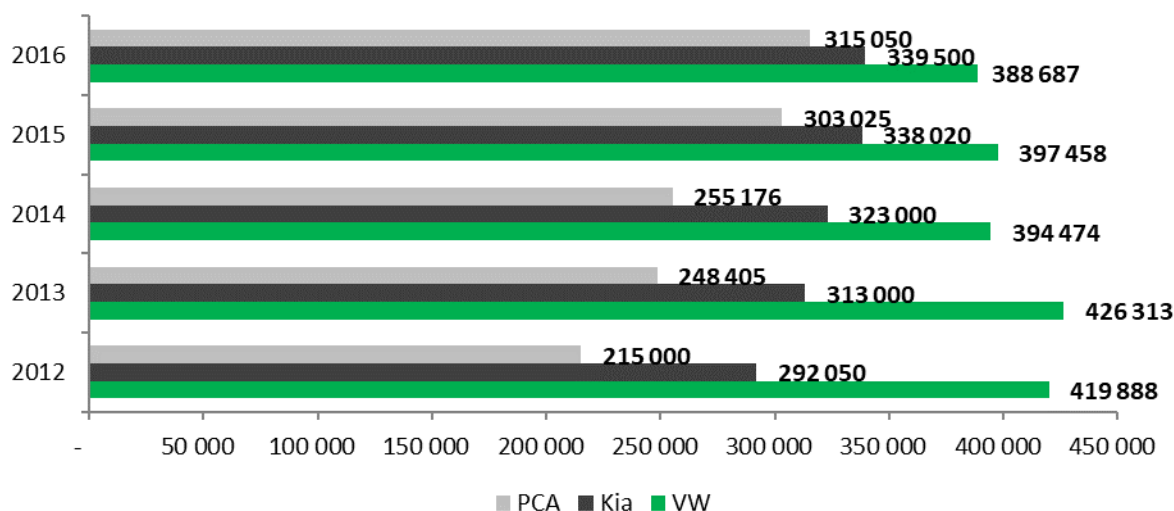


Chart No. 2: Comparison of car production in Slovakia over last 5 years (numbers of cars produced)

2.1 Volkswagen Slovakia, a.s.

Volkswagen Slovakia, a.s. has been active on the Slovak market for 20 years and its factories are located in Bratislava, Martin, and Košice. In this period, Volkswagen made more than 3 million cars and it is currently the only automobile production factory in the world producing five brands of vehicles under one roof. Volkswagen Slovakia is the largest and longest producing car company in Slovakia. It is also one of the biggest employers in Slovakia. There are about 10 800 employees working for the company.

The series production of cars began on February 14, 1992 and the first types produced were Volkswagen Passat Variant of the 3rd generation. At that time only 15 cars were made in one day. In May 2007 the company crossed the 2-million-cars-made threshold. More than 99 % of production is aimed at export to 148 countries around the world while the biggest export markets are countries of the EU, China, USA and Russia.

In 2016 Volkswagen Slovakia, a.s. generated revenues of 7 586 602 thousand EUR and in comparison with the year 2014 there is a year-over-year increase of +5,0 %. This is already second year-over-year increase in revenues after two years of year-over-year decline in a row in years 2013 and 2014.

The development of revenues

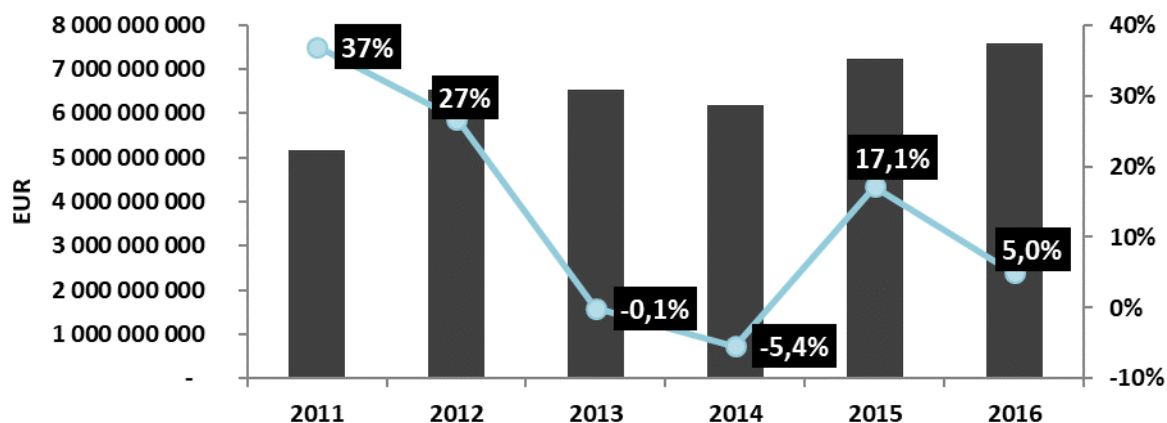


Chart No. 3: Development of revenues of Volkswagen Slovakia, a.s. in the past six years

Net income of Volkswagen Slovakia, a.s. was, in 2016, on the level of 145 344 thousand EUR, which represents a rise of 14 % compared with the previous year.

In present VW Slovakia produces 6 models of 5 brands under one roof. These are Volkswagen Touareg, Audi Q7, Porsche Cayenne, Volkswagen Up!, Seat Mii and Škoda Citigo.

And they are intensively preparing for the 3rd generation of Volkswagen Touareg and the new Audi Q8.

The development of net income

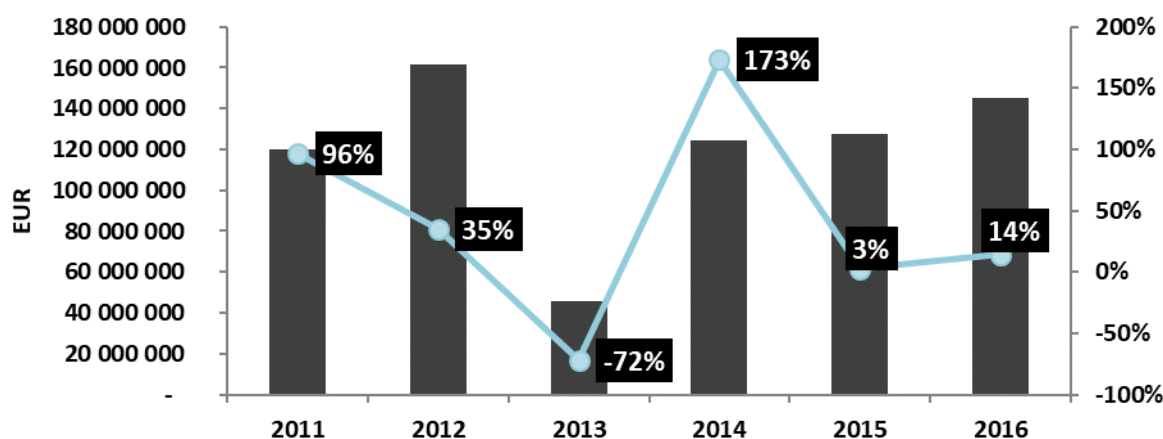


Chart No. 4: Net income of Volkswagen Slovakia, a.s. in the past six years

2.2 Kia Motors Slovakia, s.r.o.

Kia Motors Slovakia, s.r.o. is a subsidiary of the Korean car company Kia Motors with a seat near to Žilina. The company has been operating in Slovakia from 2004 and the series production of cars was launched in December 2006. Between 2006 and 2014 the company built more than 1,900,000.

Currently Kia employs more than 3800 people in Slovakia. They produce Kia cee'd in three body versions (five-door cee'd, Sportswagon and three-door sports pro_cee'd), SUV Kia Sportage and family MPV Kia Venga.

Revenues of Kia Motors Slovakia in 2016 reached 5 566 181 thousand EUR, which represents a year-over-year increase of 10%. This is already the 7th year-over-year increase of revenues in a row. The company Kia Motors, s.r.o. is considered to be the second largest company in the automotive industry in Slovakia in terms of revenues.

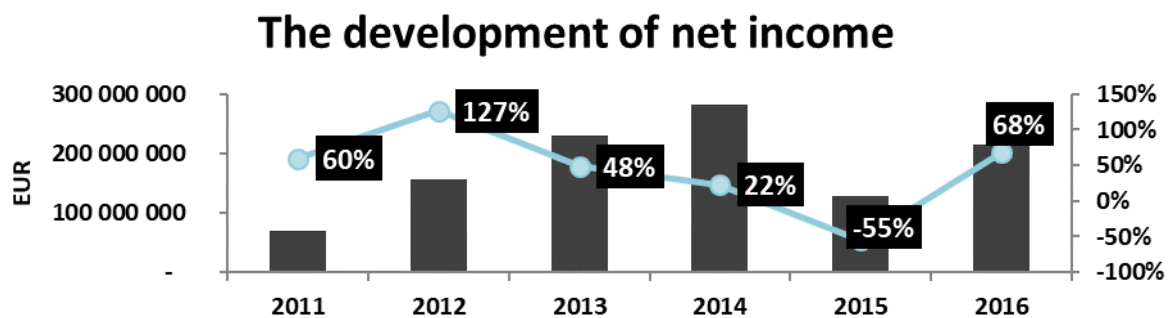


Chart No. 5: Development of revenues of Kia Motors Slovakia, s.r.o. in the past six years

In 2016 Kia Motors Slovakia, s.r.o. generated a net income of 213 991 EUR, which represents a year-over-year increase of 68 %. The company records against year-over-year increase in net profits after year-over-year decrease in previous year.

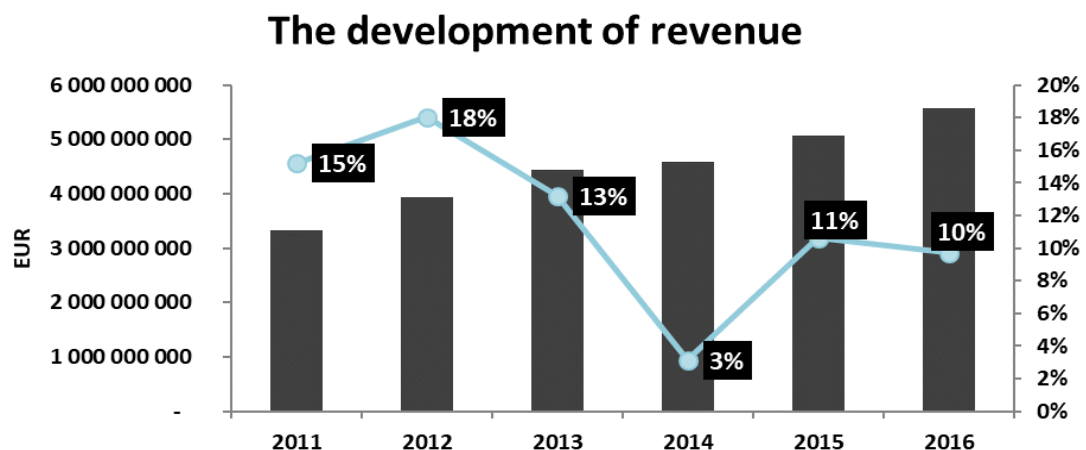


Chart No. 6: Net income of Kia Motors Slovakia, s.r.o. in the past six years

2.3 PCA Slovakia, s.r.o.

The PCA Slovakia, s.r.o. car company has been headquartered in Trnava since 2006 and has already built more than 1,700,000 vehicles during its presence in Slovakia. The company currently employs around 3 700 people and approximately another 500 employees are employed through agencies. Together with sub-contractors, they are employing about 10 000 employees.

They built 4 models: Peugeot 207 (from 06/2007, with investment more than 700 000 000 €), Citroën C3 Picasso (01Q/2009, this model is built only in Slovakia with investment about 100 000 000€), Peugeot 208 (from 11/2012, this model replaced the old Peugeot 207 with investment about 120 000 000€). In the end of year 2016 they started with production of new model Citroën C3. This is the 4th model built in Trnava(investment cca 80 000 000€).

PCA Slovakia generated a revenue of 2 499 920 thousand EUR in 2016, which represents a year-over-year increase of +2%. PCA Slovakia, s.r.o. record a year-over-year increase in revenues also in years 2012 (19 %), 2013 (13 %) and 2015 (17 %). The year-over-year decrease in revenues came in 2011 (-1%) as well as in and in 2014 (-4%).

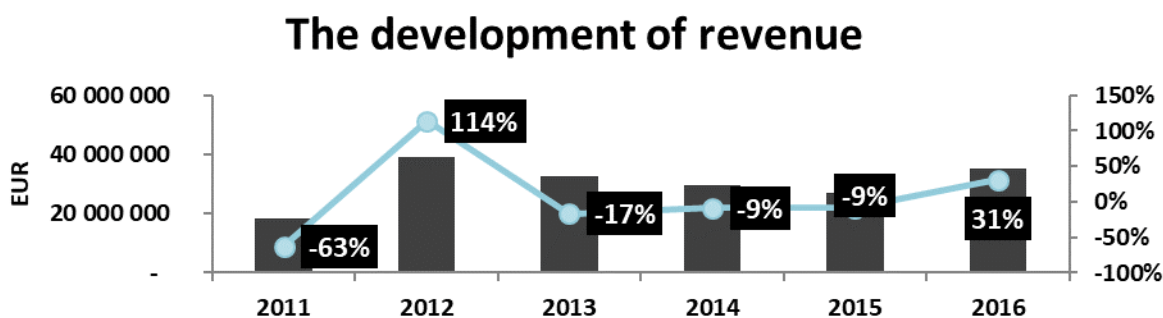


Chart No. 7: Revenues of PCA Slovakia, s.r.o. in the past six years

In 2016 the company PCA Slovakia, s.r.o. earned 35 382 thousand EUR, which is a year-over-year increase in net profits of + 31%. It is the first year-over-year increase after three year-over-year decline in net profits in a row. In the observation period the company did not recorded a negative income.

The development of net income

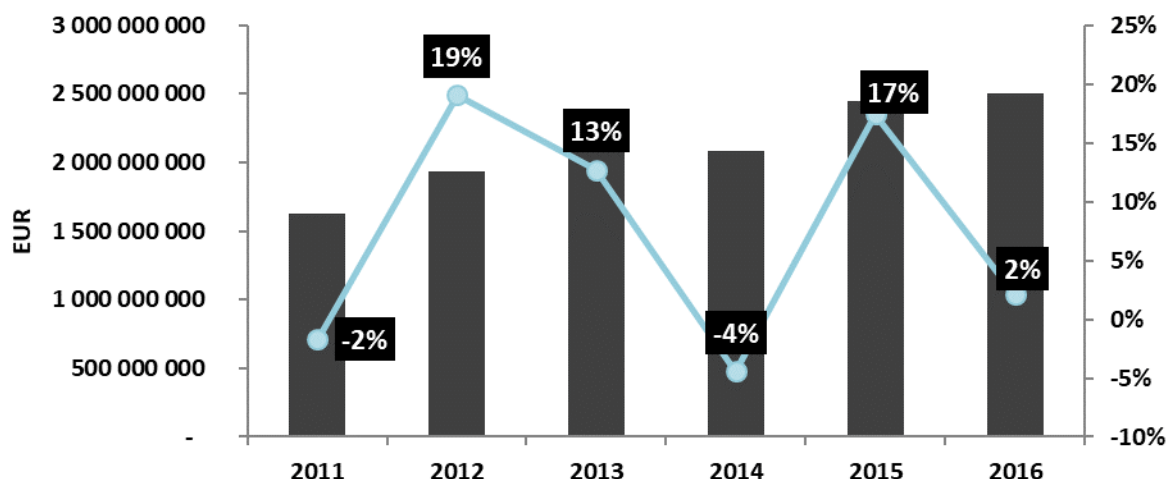


Chart No. 8: Net income of PCA Slovakia, a.s. in the past six years

2.4 Return on Equity

The chart below presents profitability ratios for the three largest companies. It is clear that the average return on equity (ROE) in 2016 was around 18,6% and the average return on assets (ROA) was 6,7%. In comparison with the previous year this is an improvement of indicators. One of the important profitability ratios is also the return on sales (ROS, profit margin), which tells us how much percentage of 1 EUR revenues remains in the form of net income. In the case of the three largest car companies, the average profit margin stood at 2,4%, which means that on average only 2.4% remains after all the expenses have been deducted from the revenues.

Summary of average financial indicators

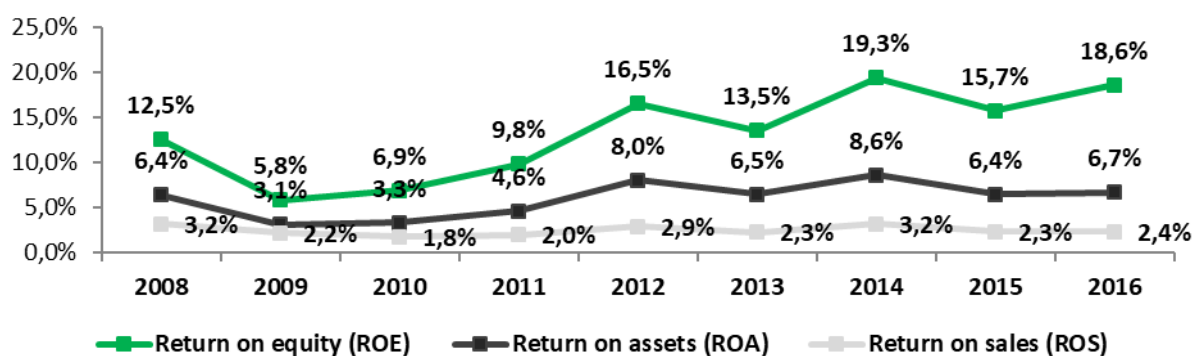
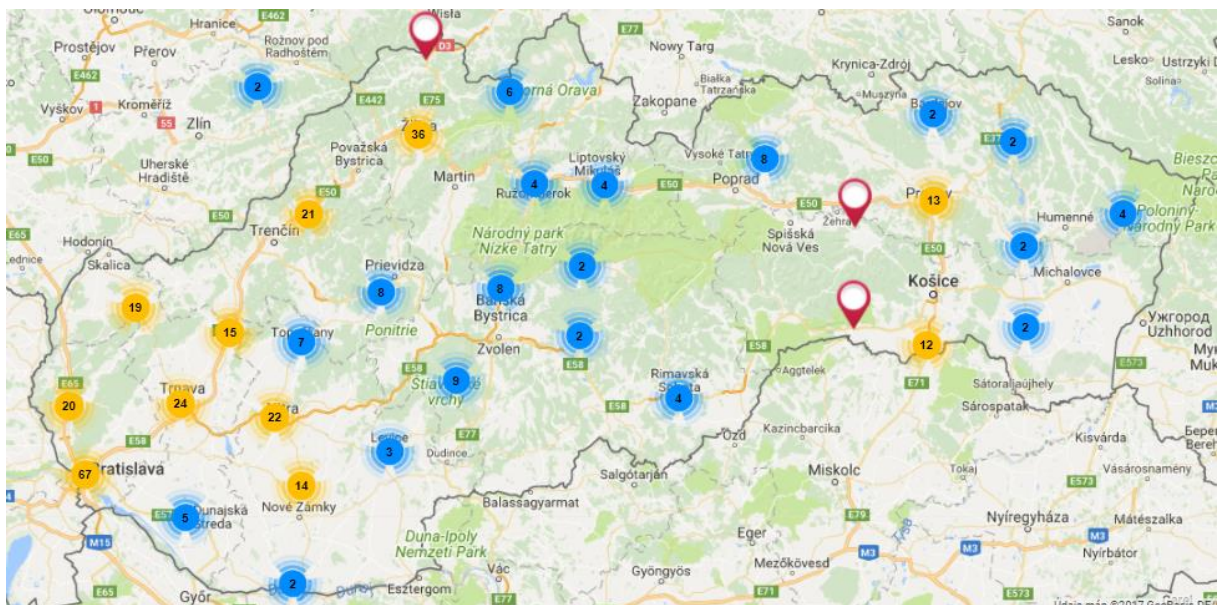


Chart No. 9: Summary of average financial indicators for VW, Kia, and PCA

3. What is the Benefit of the Automotive Industry for the Economy of Slovakia?

It has already been mentioned that the automotive industry is a significant or even a crucial sector of our industry. Of the total industrial production, car manufacturing represents 30%. One of the strengths is not the sole presence of the three big companies Volkswagen, Kia and PCA but their whole supply chain and network. There are currently 266 important or less important direct suppliers (classified as Tier-1, Tier-2, Tier-3 according to the type of network) and 68 indirect suppliers (classified as Other) according to the data compiled by IPDAP and OKBA. (Note: these numbers were up-to-date in October 2016).



Picture No. 1: A map of concentration of suppliers of the automotive industry in Slovakia

All these companies not only significantly contribute to the overall production of the industry sector but they also play a key part in the labor market. Volkswagen, Kia, and PCA alone employ together approximately 20 000 people. Another approximately 80,000 people work in the network of direct suppliers (Tier-1 + Tier-2 + Tier-3) and approximately 11 000 work at indirect suppliers. Otherwise stated, thanks to the trinity of car companies operating in Slovakia, this sector employs more than 111 000 people.

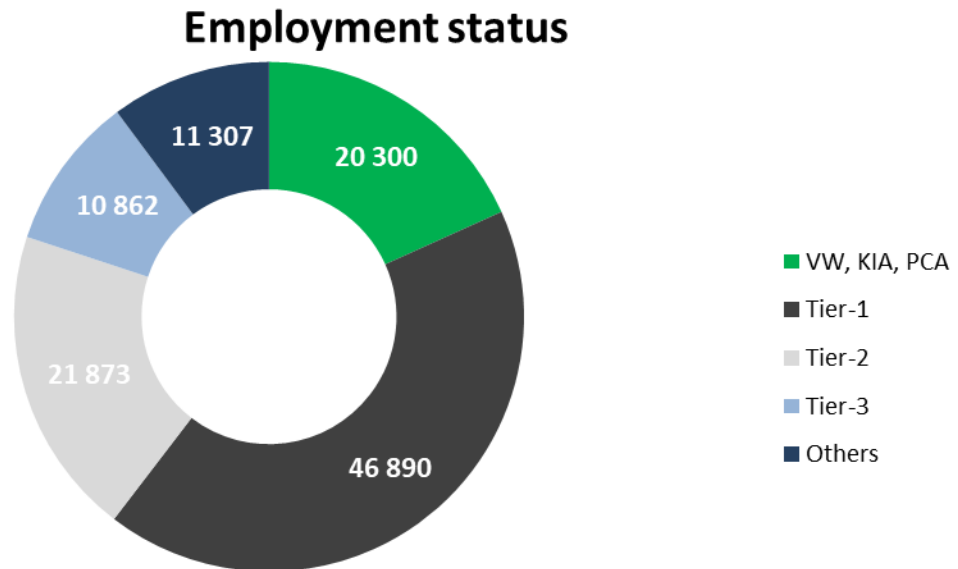


Chart No. 10: Employment in the automotive industry (at the end of 2016)

The largest part (89) of suppliers operates (primarily or secondarily) in the automotive industry. Another 60 suppliers are from the metallurgical industry, 41 suppliers are categorized into the chemical industry, 223 into electrotechnical industry, 23 into engineering industry, and 83 suppliers are categorized into other parts of the industry.

Count of suppliers by type of industry

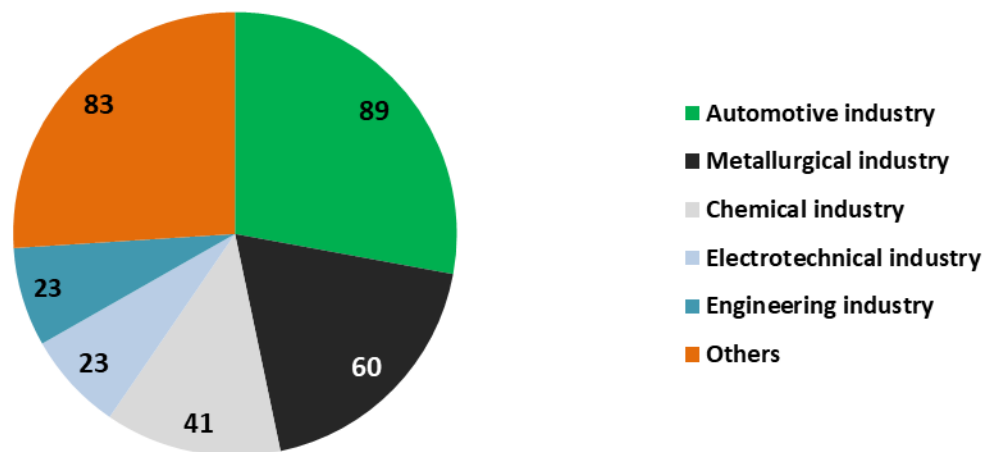


Chart No. 11: Numbers of suppliers by type of industry

Sales by industry

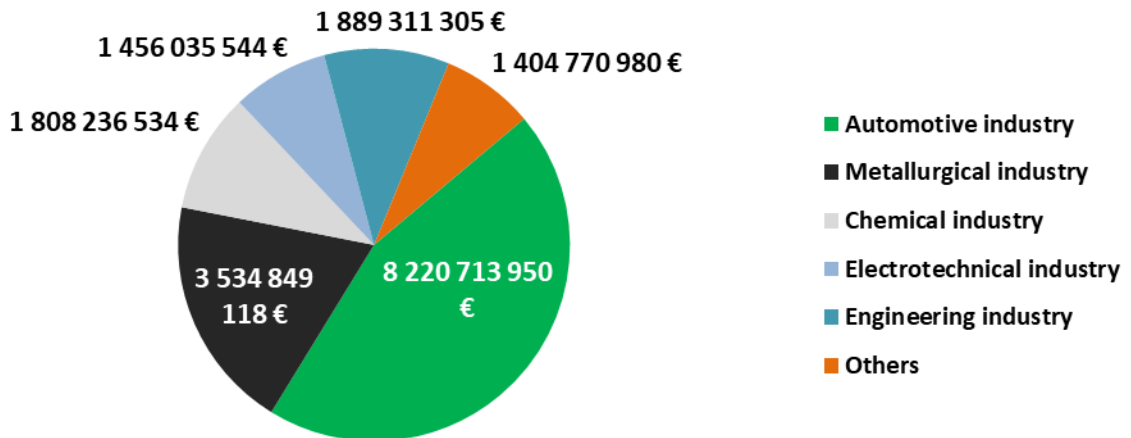


Chart No. 12: Revenues by industry in 2015

Since the most suppliers operate in the automotive industry, this group of companies generated the largest revenues in 2016. The sum of revenues of suppliers from automotive industry was 8 220 714 thousand EUR, which represents 44,89% of the total value of revenues of all suppliers of the automotive industry in 2016.

Count of companies by the type of supplier

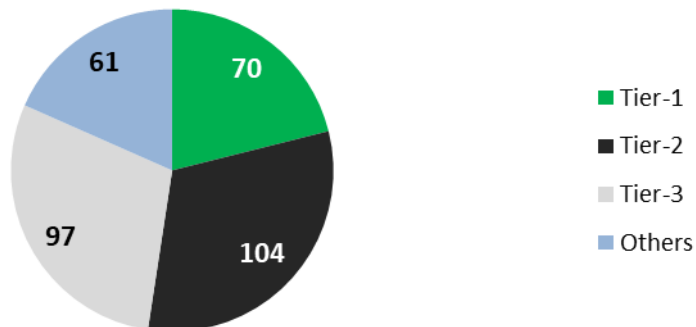


Chart No. 13: Number of companies by the type of supplier

There are 70 suppliers categorized in the Tier-1 category, 104 suppliers in the Tier-2 category, and 97 suppliers in the Tier-3 category. 61 companies were categorized as indirect (Other) suppliers. However, we need to highlight the fact that approximately 14 companies have not yet published their results for 2016.

The key automotive suppliers are: Continental, Mobis Slovakia, Schaeffler, SAS Automotive, Faurecia Slovakia, Getrag FORD Transmissions Slovakia, Hella Slovakia, Matador Automotive and many other companies.

The development of supplier's revenues

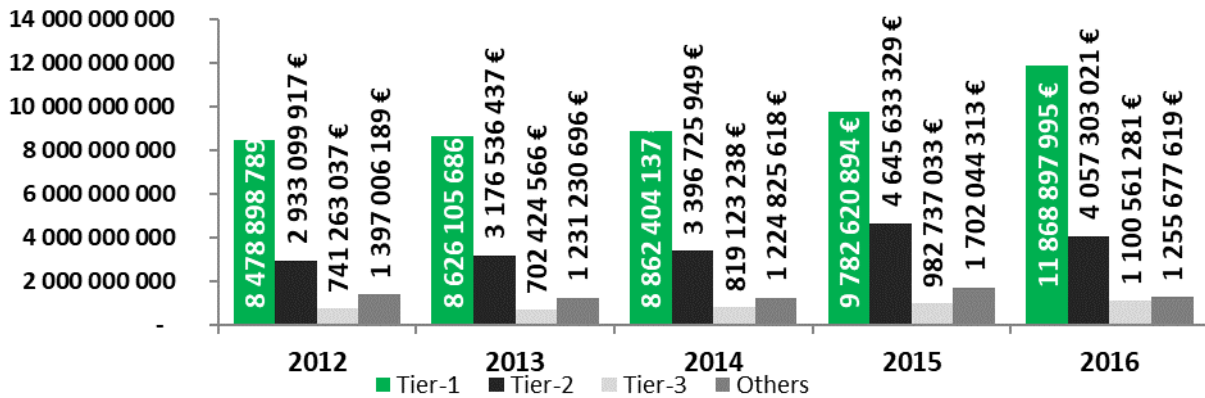


Chart No. 14: The development of suppliers' revenues by category

Note: Only companies with results for all the four years have been included in the statistics.

Based on the graph above we see how large the revenues that the suppliers of automotive industry generate actually are. In 2016 a selected sample of suppliers to the automotive industry generated together revenues of **18 282 439 916 EUR**, a year-over-year increase of **6,83%**.

The largest suppliers by revenue

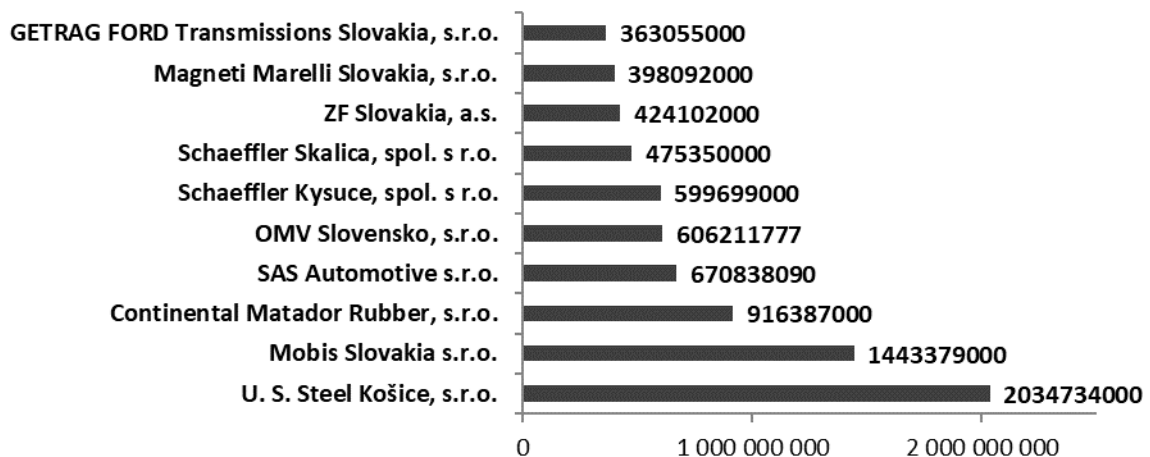


Chart No. 15: The largest suppliers by revenue in 2016

Of all suppliers to the automotive industry U.S. Steel Košice, s.r.o. (Tier-1 category) generated the highest revenue in 2016. Its revenue reached 2 034 734 thousand

EUR in 2016. The second place in the Top 10 largest supplier group is occupied by Mobis Slovakia, s.r.o. (Tier-1 category) with revenues of 1 443 379 thousand EUR. The third place in the same group belongs to Continental Matador Rubber, s.r.o. The ranking can slightly change after the results of remaining suppliers are published.

Suppliers with the highest net income

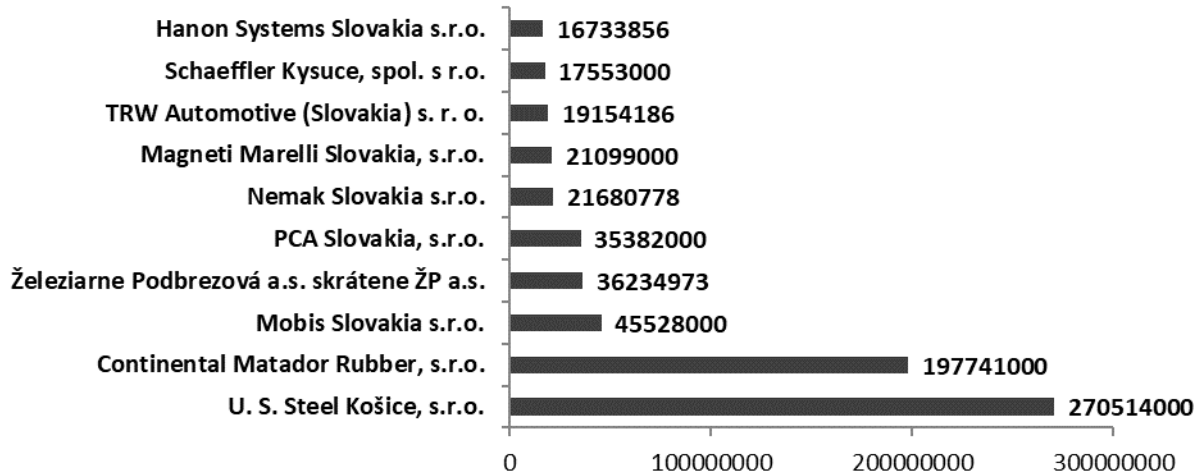


Chart No. 16: Suppliers with the highest net income in 2016

After rearranging the largest suppliers by their net income earned in 2016, the top position is occupied U.S. Steel Košice, s.r.o. (Tier-1 category) with net income of 270 514 thousand EUR. The second position is occupied Continental Matador Rubber, s.r.o (Tier-2 category) with a net income of 197 741 thousand EUR. Once again, the ranking can slightly change after the results of remaining suppliers are published.

3.1 Category of Tier-1 Suppliers

In 2016 **44 companies from the Tier-1 category reached a profit and 15 companies generated a loss.** The largest Tier-1 suppliers are U.S. Steel Košice, Mobis Slovakia, SAS Automotive, Schaeffler Kysuce, spol. s r.o., Schaeffler Skalica, spol. s r.o. or ZF Slovakia, a.s.

The largest suppliers by revenue

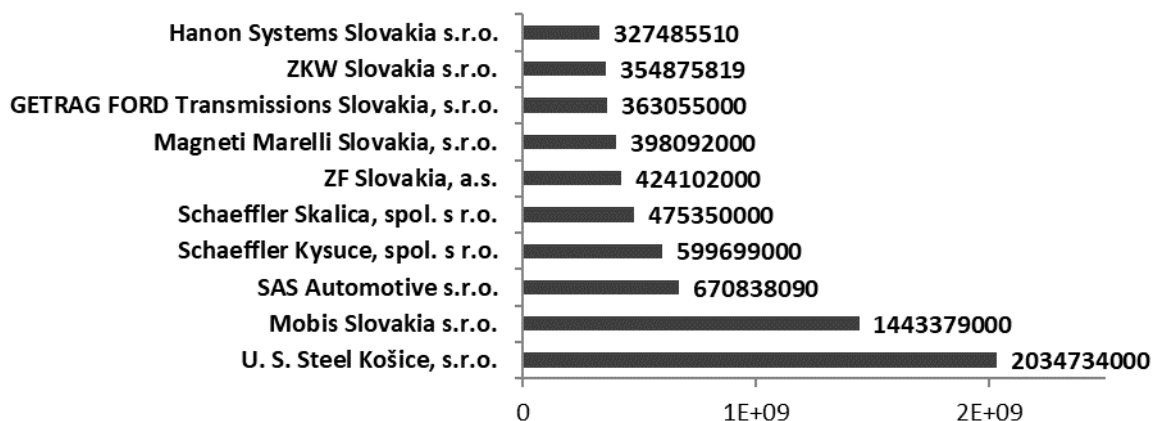


Chart No. 17: The largest suppliers by revenue in 2016 (category Tier-1)

Eliastech s.r.o. (+407,54 %), Samwoo Slovakia, s.r.o. (+315,24 %), ZKW Slovakia s.r.o. (+153,87 %), or GETRAG FORD Transmissions Slovakia, s.r.o. (+147,05 %) were among the companies with the most significant year-over-year changes in revenues from the Tier-1 category. No companies recorded the drop in revenues.

The largest suppliers by revenue

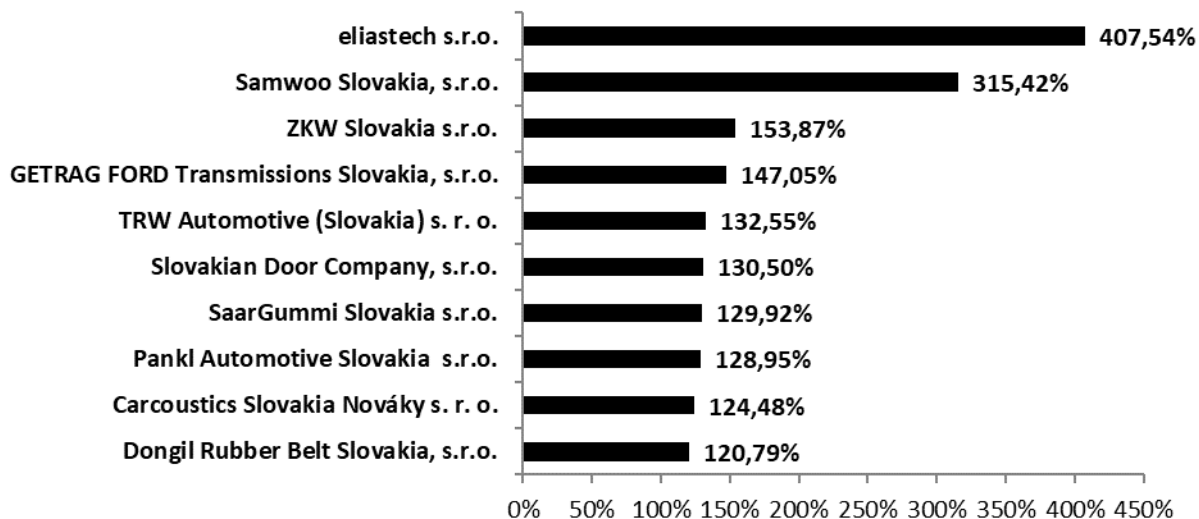


Chart No. 18: The most significant changes in revenue in 2015 (category Tier-1)

The sample is based on the same sample, which was used to calculate the progress of revenues based on the supplier (Picture no. 15).

We can summarize that the average gross margin in the Tier-1 category is about 16%. It means that 16% of revenues remain in the company as the added value (i.e.

after cost of goods sold and services rendered have been deducted from revenues). Based on the information from 2016 the gross margin reaches the level of 16%, which is year-by-year decrease of 2percentage point.

In the case of Tier-1 suppliers, the operating margin was around 3% in 2012. In 2013 the margin was negative since the sum of operating losses was larger than the sum of operating profits. For 2016 the operating margin reaches the level of 5%, it is higher by 1% in comparison with years 2015 and 2014 (4%).

Return on equity reached 5% in 2016 and the return on assets reached 11%.

Suppliers in the Tier-1 category employed at the end of 2015 were approximately 39 177 people and at the end of 2016 this sample employed 46 890, which is a increase by 7 700 employees. In 2015 the average added value per employee was 44 833 EUR. The added value is almost twice as high (1.9x) as the personal costs and the revenues are 10.4-times as high as the personal costs of Tier-1 suppliers. In 2016 the average added value per employee was 51 526 EUR and the added value was 1.9-times as high as personal costs. The revenues were 11,4-times higher than personal costs.

The total indebtedness (measured by the debt to assets ratio) of Tier-1 suppliers was around 53% while in 2015 it was 56%.

Overall Financial Indicators of Category Tier-1 Suppliers

Indicator	2014	2015	2016
Gross Margin	18%	18%	16%
Operating Margin	4%	4%	5%
Return on Assets	4%	5%	10%
Return on Equity	9%	11%	22%
Profit Margin	2%	3%	5%
Added Value per Employee	39 398 €	44 833 €	51 526 €
Personal Cost Coverage	1,9	1,9	1,9
Revenue/Personal Cost	10,7	10,4	11,4
Asset Turnover	1,7	1,9	2,1
Non-current Assets Turnover	4,7	4,9	5,0
Debt to Assets	55%	56%	53%

3.2 Category of Tier-2 Suppliers

In the category of Tier-2 suppliers, 83 companies ended the year 2016 in profit, 19 companies ended up in loss. The largest Tier-2 suppliers are (among others) Continental Matador Rubber, s.r.o., SUNGWOO HITECH Slovakia s.r.o., U-Shin Slovakia s. r. o., ArcelorMittal Gonvarri SSC Slovakia, s.r.o., SEJONG Slovakia s.r.o.,

Plastic Omnium Auto Inergy Slovakia s.r.o., Hyundai Steel Slovakia s.r.o., OSRAM, a.s. and MAGNA SLOVTECA, s.r.o.

The largest suppliers by revenue

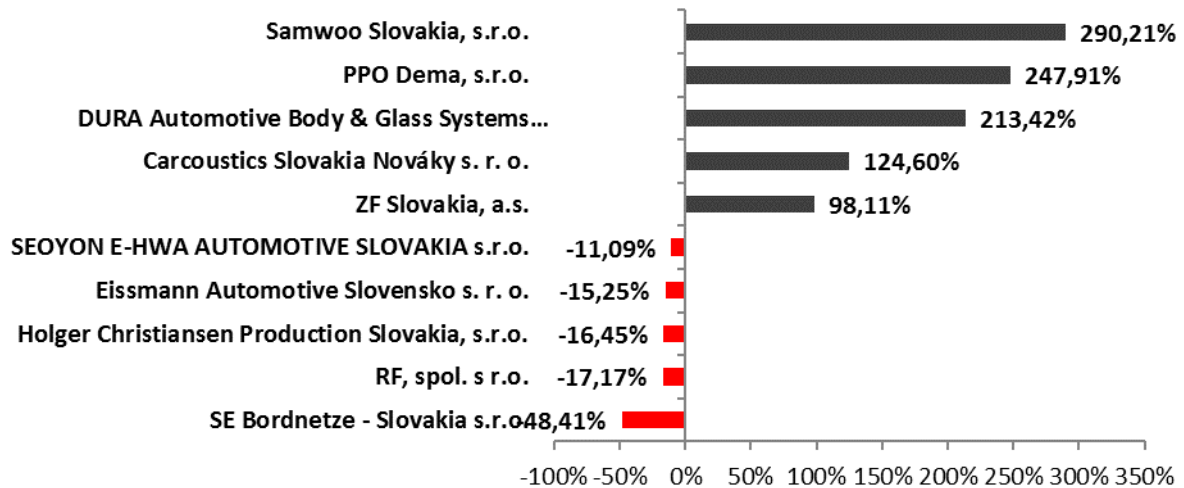


Chart No. 19: The largest suppliers by revenue in 2015 (category Tier-2)

JOHRAmont, s.r.o. (+165,93 %), SIIX EMS Slovakia s.r.o. 203,89 %) and FTE automotive Slovakia s.r.o. (+316,71 %) ranked among the companies with the largest positive change in revenues in 2016 in the Tier-2 category. On the other hand, Mecaplast Slovakia s.r.o. (-10787,81 %) and SEWS Slovakia, s.r.o. (-100,00 %) were among those companies with the largest negative change in revenues.

The most significant changes in the revenues earned

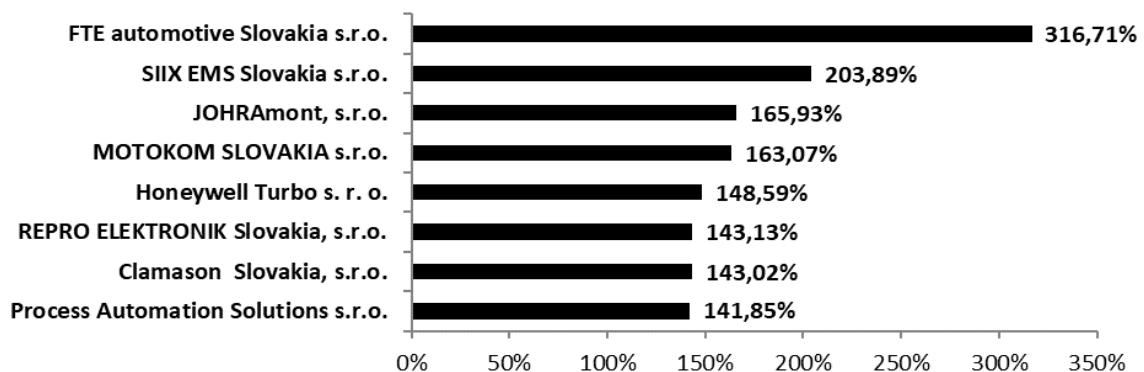


Chart No. 20: The most significant changes in revenue in 2015 (category Tier-2)

The average gross margin of the companies in the category of Tier-2 suppliers laid in 2016 by approximately 24%. In 2015 it was approximately the same value, which is better than in the case of Tier-1 suppliers. Similarly, the operating margin stands at more favorable levels with Tier-2 suppliers than with Tier-1 suppliers. In 2016, the operating margin was 9% (only 7% in 2015), while for Tier-1 suppliers the operating margin was approximately between 4-5% in 2015 and 2014.

Overall Financial Indicators of Category Tier-2 Suppliers

Indicator	2014	2015	2016
Gross Margin	22%	24%	24%
Operating Margin	5%	7%	9%
Return on Assets	5%	9%	10%
Return on Equity	12%	17%	16%
Profit Margin	3%	6%	7%
Added Value per Employee	25 696 €	38 861 €	45 614 €
Personal Cost Coverage	1,5	1,8	2,1
Revenue/Personal Cost	6,9	7,6	8,5
Asset Turnover	1,6	1,5	1,4
Non-current Assets Turnover	2,9	2,8	2,8
Debt to Assets	53%	43%	42%

Profitability ratios also show more favorable values than in the case of Tier-1 suppliers. Return on assets was 10% in 2016, return on equity reached 16% and the profit margin was 7% in 2016.

Suppliers in the Tier-2 category at the end of 2015 employed approximately 31 100 people at the end of 2016 it was 21 900 EUR, which is a significant year-over-year decrease of employment about 9 000 employees. The value reached per one employee in 2016 was 45 614 EUR, which is less than in the case of Tier-1 suppliers, but much more than the value of the indicator in 2015 (38 861 €).

Less positive values are exhibited by the ratio of personal cost coverage. In the case of Tier-2 suppliers the revenues exceed personal costs only by 8,5 times the ratio while the revenues of Tier-1 companies exceeded personal costs by a ratio of 11,4 times.

The total indebtedness of Tier-2 suppliers in 2016 was 42%, and 43% in 2015, which is better state than the levels reached by the suppliers in the Tier-1 category.

3.3 Category of Tier-3 Suppliers

In the category of Tier-3 suppliers, 73 companies were profitable in 2016, whereas 21 suppliers recorded a loss. LEONI Slovakia, spol. s r. o., OMNIA KLF, a. s.,

MATADOR Industries, a. s. and Sapa Profily a.s. are ranked among the largest suppliers in the Tier-3 category.

The largest suppliers by revenue

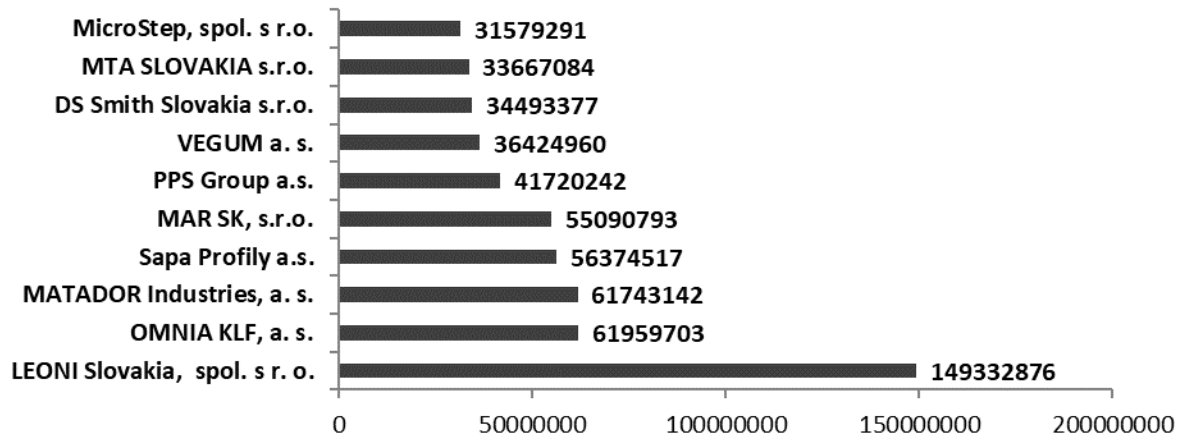


Chart No. 20: The largest suppliers by revenue in 2015 (category Tier-3)

ELZIN, spol. s r.o. (151,74%), SCHÜTT s.r.o. (285,95%), APM Automotive Protection M, s. r. o. (313,60%), SNECI Central & Eastern Europe s. r. o. (456,97%) were the companies with the largest positive change in revenues. We don't have information about companies with negative change in revenues yet.

The most significant changes in the revenues earned

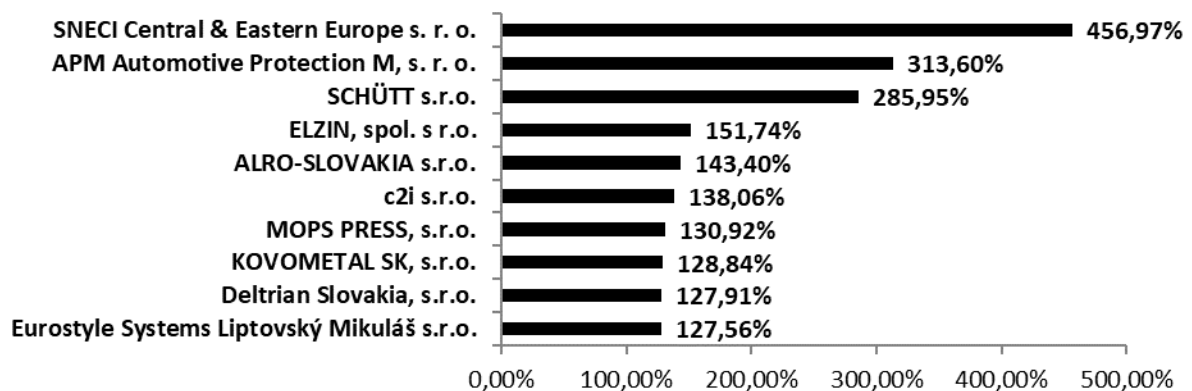


Chart No. 23: The most significant changes in revenue in 2015 (category Tier-3)

The average gross margin of Tier-3 suppliers in 2016 was 29%, which is the best result among all direct suppliers. Operating margin is cca 4%, which is the lowest number out of all supplier categories.

Both return on equity and return on assets are again the weakest of the three tiers of suppliers in 2016. Return on assets reached 4% in 2016 and return on equity was 9% and profit margin was 3%.

Overall Financial Indicators of Category Tier-3 Suppliers

Indicator	2014	2015	2016
Gross Margin	26%	26%	29%
Operating Margin	3%	3%	4%
Return on Assets	2%	4%	4%
Return on Equity	5%	10%	9%
Profit Margin	2%	3%	3%
Added Value per Employee	21 631 €	24 765 €	29 355 €
Personal Cost Coverage	1,4	1,4	1,5
Revenue/Personal Cost	5,4	5,3	5,0
Asset Turnover	1,3	1,3	1,2
Non-current Assets Turnover	2,5	2,5	2,4
Debt to Assets	54%	58%	57%

The suppliers in the Tier-3 category at the end of 2015 employed around 11 900 people and almost 10 900 at the end of 2016. This represents a yearly decrease of 1 000 employees. The added value per employee reached 29 355 EUR in 2016, which is the lowest value of all tiers of direct suppliers. Personal costs were in 2016 covered only 1.5 times by the added value, and revenues exceeded personal costs only 5,0 times.

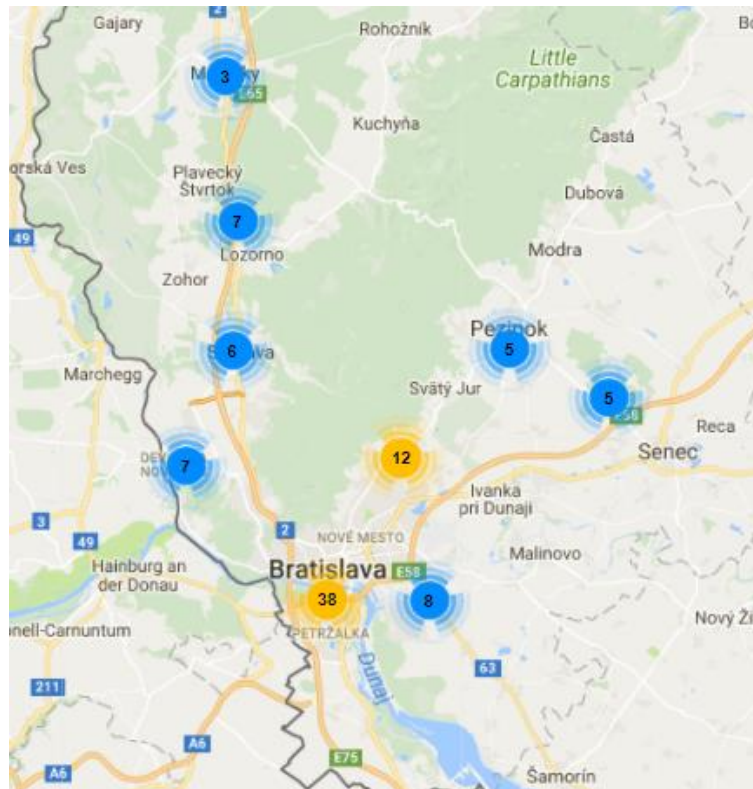
The total indebtedness of Tier-3 suppliers was 57% in 2015, and 28% in 2015; which, again, does not significantly deviate from the values recorded for the previous two tiers.

4. Automotive Industry in the Regions

A look on the map of companies focused on the automotive industry will reveal that the suppliers are concentrated mainly in the western part of the country around the largest car companies.

4.1 Suppliers of the Automotive Industry in the Bratislava Region

There are 87 suppliers located in the Bratislava region (plus car producer Volkswagen). From the geographical point, Bratislava Region is home to the highest number of suppliers. Measured by revenues in 2016, the largest supplier in the Bratislava Region was SAS Automotive s.r.o. (Category Tier-1) with revenues of 284 208 thousand EUR and net income of 12 126 thousand EUR.

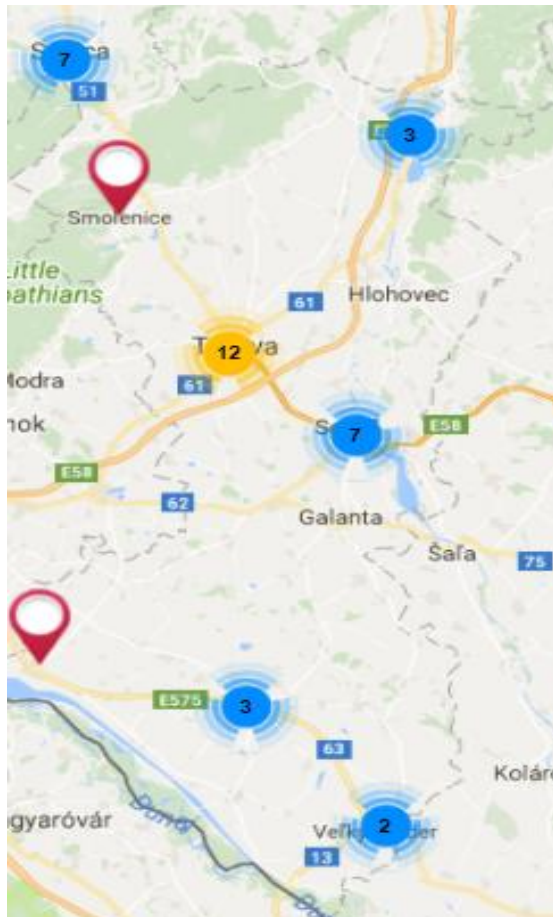


Overview of the Largest Suppliers by Revenue in the Bratislava Region:

The largest suppliers by revenue in the Bratislava Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
SAS Automotive s.r.o.	Tier-1	670 838	10 657	500
Faurecia Slovakia s.r.o.	Tier-1	284 208	12 126	1000
Inteva Products Slovakia spol. s r. o.	Tier-1	248 212	-2 596	500
HBPO Slovakia s.r.o.	Tier-1	195 971	5 428	150
Adient Slovakia s.r.o.	Tier-1	183 466	2 570	2000

4.2 Suppliers of the Automotive Industry in the Trnava Region

Trnava Region is home to 38 suppliers (plus car producer PCA Slovakia). The largest supplier in the region is Schaeffler Skalica, spol. s r.o. (Tier-1 category) with revenue in 2016 of 475 350 thousand EUR and net income of 16 000 thousand EUR. Schaeffler Skalica, spol. s r.o. also ranks among very important employers, since it was employing more than 4 000 people at the end of 2016.

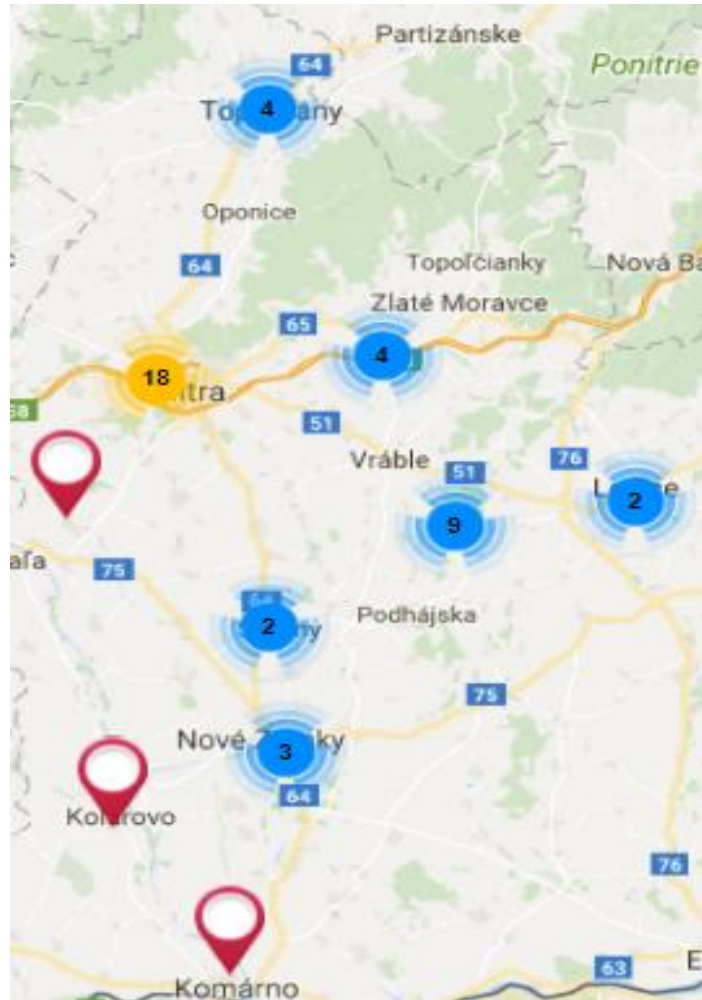


Overview of the Largest Suppliers by Revenue in the Trnava Region:

The largest suppliers by revenue in the Trnava Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Schaeffler Skalica, spol. s r.o.	Tier-1	475 350	16 000	4000
ZF Slovakia, a.s.	Tier-1	424 102	10 113	2000
ArcelorMittal Gonvarri SSC Slovakia, s.r.o.	Tier-2	195 043	8 544	100
Bekaert Slovakia, s.r.o.	Tier-1	121 832	5 791	500
BOGE Elastmetall Slovakia, a.s.	Tier-1	104 506	3 713	500

4.3 Suppliers of the Automotive Industry in the Nitra Region

There are 45 suppliers with the seat in the Nitra Region, with Duslo, a.s.(Others) being the largest. Its revenues in 2016 were 359 188 thousand EUR and net income was 18 981 thousand EUR. Duslo, a.s. also belongs to the group of the largest employers since it currently employs around 2 000 people.

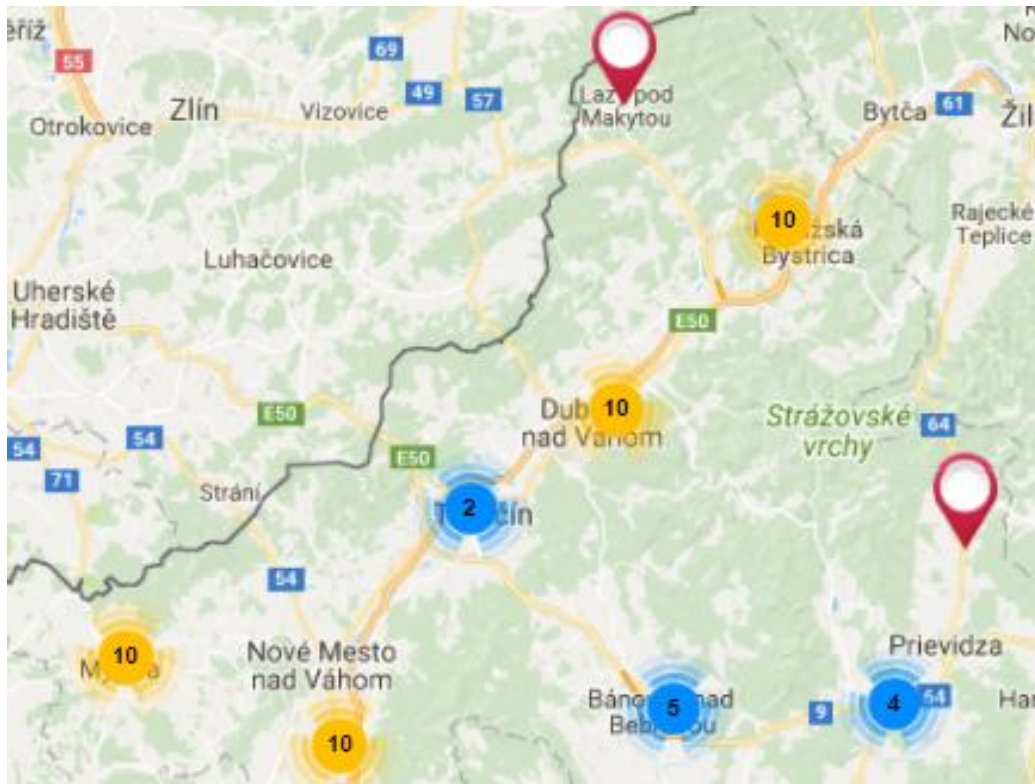


Overview of the Largest Suppliers by Revenue in the Nitra Region:

The largest suppliers by revenue in the Nitra Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Duslo, a.s.	Iný	359 188	18 981	2000
ZKW Slovakia s.r.o.	Tier-1	354 875	14 264	2000
MATADOR Automotive	Tier-1	148 653	4 287	1000
Vrábľe, a.s.	Tier-1	148 653	4 287	1000
OSRAM, a.s.	Tier-2	124 445	6 401	1000
CIKAUTXO SK s.r.o.	Tier-2	73 518	5 006	500

4.4 Suppliers of the Automotive Industry in the Trenčín Region

48 suppliers are seated in the Trenčín Region, with Continental Matador Rubber, s.r.o. with revenues of 916 387 thousand EUR in 2016 being the largest of them. Its net revenues in 2016 were 197 741 thousand EUR.

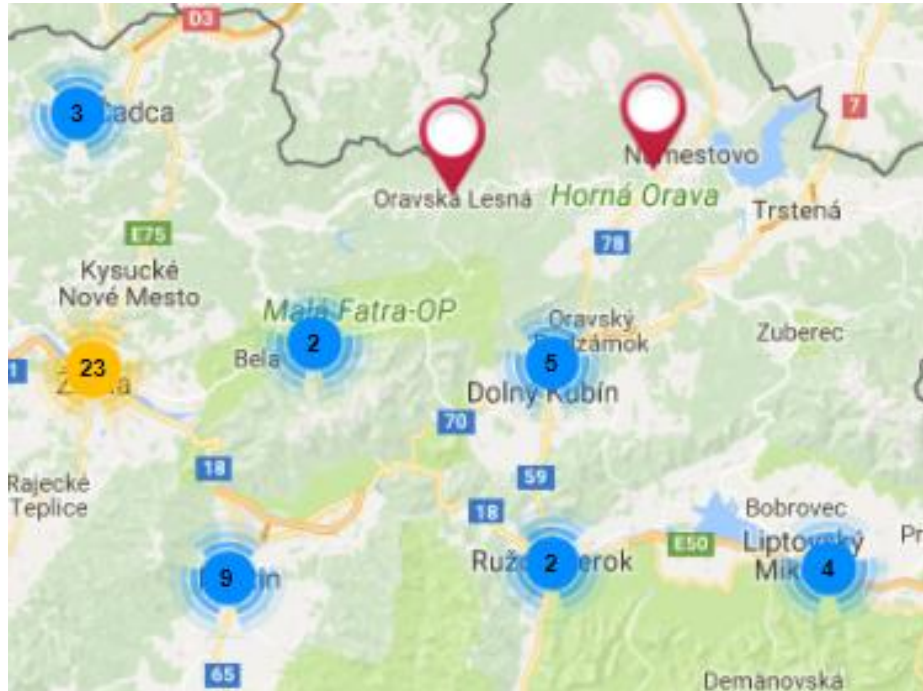


Overview of the Largest Suppliers by Revenue in the Trenčín Region:

The largest suppliers by revenue in the Trenčín Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Continental Matador Rubber, s.r.o.	Tier-2	916 387	197 741	2000
Hanon Systems Slovakia s.r.o.	Tier-1	327 485	16 733	500
TRW Automotive (Slovakia) s. r. o.	Tier-1	303 369	19 154	500
Hella Slovakia Front-Lighting s.r.o.	Tier-1	178 124	5 292	500
Vertiv Slovakia, a. s.	Tier-1	168 008	5 786	1000

4.5 Suppliers of the Automotive Industry in the Žilina Region

The Žilina Region is home for 49 suppliers (Plus KIA Motors Slovakia), which ranks this region second in the number of suppliers of the automotive industry having seat in a given geographical area. The largest supplier is Mobis Slovakia, s.r.o. with revenues of 1 443 379 thousand EUR in 2016. The company is the second largest supplier of the automotive industry (the first is U.S. Steel).

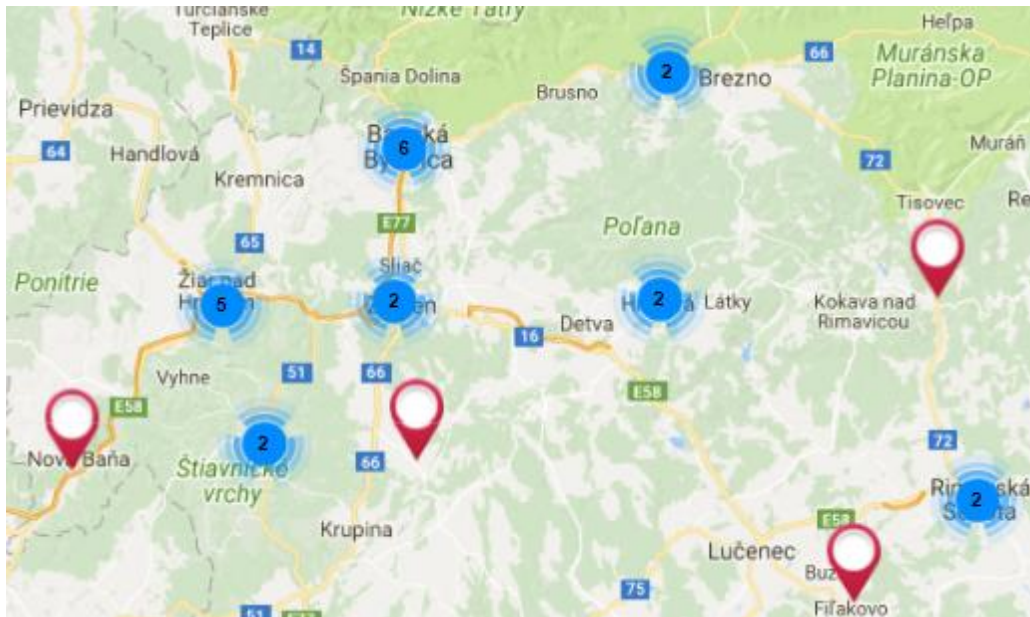


Overview of the Largest Suppliers by Revenue in the Žilina Region:

The largest suppliers by revenue in the Žilina Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Mobis Slovakia s.r.o.	Tier-1	1 443 379	45 528	1 000
Schaeffler Kysuce, spol. s r.o.	Tier-1	599 699	17 553	4 000
SUNGWOO HITECH Slovakia s.r.o.	Tier-2	233 979	269	500
SEJONG Slovakia s.r.o.	Tier-2	172 672	105	150
DONGHEE Slovakia, s.r.o.	Tier-1	151 953	2 426	250

4.6 Suppliers of the Automotive Industry in the Banská Bystrica Region

Twenty-four suppliers have seat in the Banská Bystrica Region. The largest supplier is Železiarne Podbrezová, a.s. (from the category of indirect suppliers (other)). The company generated revenues of 192 872 thousand EUR in 2016 with a net profit of 36 234 thousand EUR. The company is also a significant employer, giving jobs to approximately 2 000 people at the end of 2016.

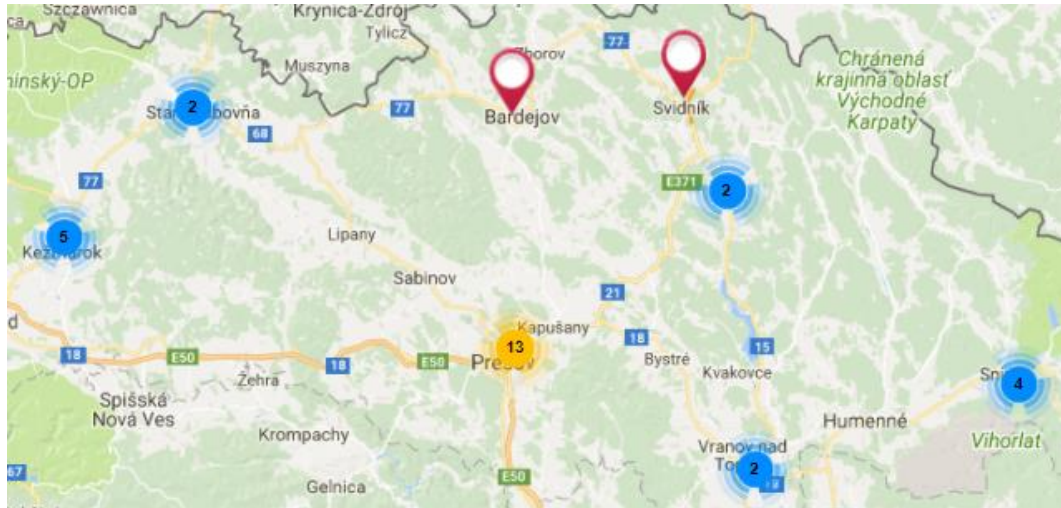


Overview of the Largest Suppliers by Revenue in the Banská Bystrica Region:

The largest suppliers by revenue in the Banská Bystrica Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Železiarne Podbrezová a.s.	Others	192 872	36 234	2 000
Nemak Slovakia s.r.o.	Tier-1	105 473	21 680	500
Sapa Profily a.s.	Tier-3	56 374	1 747	250
Küster s. r.o.	Tier-1	43 496	3 959	250
PPS Group a.s.	Tier-3	41 720	926	500

4.7 Suppliers of the Automotive Industry in the Prešov Region

30 companies operate in the Prešov Region, with Lear Corporation Seating Slovakia, s.r.o. with revenues of 184 229 thousand EUR and net income of 4 722 thousand EUR in 2016 being the largest one.

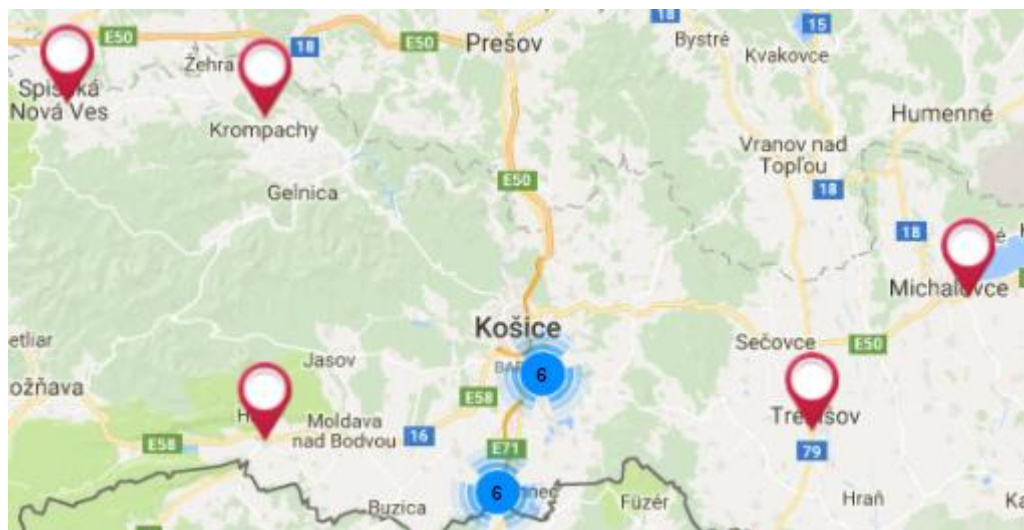


Overview of the Largest Suppliers by Revenue in the Prešov Region:

The largest suppliers by revenue in the Prešov Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
Lear Corporation Seating Slovakia s.r.o.	Tier-1	184 229	4 722	1 000
KE Prešov Elektrik, s.r.o.	Tier-2	73 954	6 225	500
FTE automotive Slovakia s.r.o.	Tier-2	51 784	2 164	250
CEMM THOME SK, spol. s r.o.	Tier-2	42 481	5 545	500
TESLA STROPKOV, akciová spoločnosť	Tier-3	29 133	675	500

4.8 Suppliers of the Automotive Industry in the Košice Region

The Košice Region is ranked last by the number of suppliers operating in a given geographical area, because only 17 suppliers are registered in this region, which is the lowest number of all regions. The largest supplier operating in the region is U. S. Steel Košice, s.r.o. with revenues of 2 034 734 thousand EUR in 2016. The company is the largest supplier (by revenues) and is also the largest employer of all suppliers of automotive industry. U. S. Steel Košice, s.r.o. recorded a net profit of 270 514 thousand EUR in 2016.



Overview of the Largest Suppliers by Revenue in the Košice Region:

The largest suppliers by revenue in the Košice Region				
Supplier	Type of Supplier	Revenues in 2016 (thousand €)	Net Income in 2015 (thousand €)	Number of employees
U. S. Steel Košice, s.r.o.	Tier-1	2 034 734	270 514	5 000
Magneti Marelli Slovakia, s.r.o.	Tier-1	398 092	21 099	500
GETRAG FORD Transmissions Slovakia, s.r.o.	Tier-1	363 055	15 346	500
U-Shin Slovakia s. r. o.	Tier-2	209 858	-7 428	1000
Yazaki Wiring Technologies Slovakia s.r.o.	Tier-1	85 761	-7 634	2000

5. Significant trends in the automotive industry

In this section, we summarize the main trends that can have a significant impact on the further development of the automotive industry.

- **Development of the production of hybrid vehicles and electric vehicles**

All major finishers are already investing a significant amount in the development of electric vehicles - our republic is also trying to support sales by selling grants. Grants are enough to support the purchase of more than 1,000 vehicles, but so far, only about 300 cars have registered in the program.

The number of electric vehicles in the world has almost doubled last year. More than a third of a million new electric cars were sold in China.

Although in absolute terms the number of electric vehicles is rising rapidly in the total sales of all cars, they represent only a negligible share in the level of the statistical variation (0.2%). Last year, according to data from the International Energy Agency, they traveled around two million passengers, with 95% of them focusing on only 10 countries in the world. These are countries with generous state grants when buying an electric vehicle or a hybrid vehicle

In the coming years, however, development in the field of charging stations, battery production and changes in the specialization of some suppliers may be expected. New opportunities for development and research, as well as for data processing (ICT), are emerging with the development of this segment.

- **Intelligent transport**

Within the EU, several projects are planned and implemented to enable uninterrupted and efficient use of interconnected vehicles and autonomous vehicle management on TEN-T cross-border transport corridors in the border area. Slovakia wants to contribute to the implementation of a European strategy for deploying intelligent transport systems, which have the ambition to use all modern technologies such as big data, artificial intelligence and the internet of things for a totally new travel experience. The automotive industry has considerable overhead in related industries such as materials and mechanical engineering, power engineering, robotics and information and communication technologies where there is a great potential for smart transport opportunities in the following areas:

- Autonomous ride

- Vehicle interconnection in the communications network and data exchange
- Drive sharing

- **Industry 4.0**

Recently, a number of activities have been launched in Slovakia to promote the Industry 4.0 approach to support the digital transformation of manufacturing companies towards a new "Production Business Model", including Smart Facts, Smart Sales, Smart Innovation, Smart Supply Chain, Smart Solution and Technology: Robotics, Mobile, 3D Print, Cloud, Social Networking, Big Data Analysis and M2M / IoT. With this terminology, many vendors come to manufacturing companies, but many of them are still in the marketing plane. We recommend companies first to make that clear and create a reasonable long-term digital business transformation plan, taking into account its focus on Win to Win.

- **Digital Single Market“ (DSM)**

The objective of achieving the "Single Digital Market in the EU" was presented as one of the European Commission's top priorities. The key reason is the need to exploit the enormous economic opportunities resulting from the inclusion of digital technologies in all spheres of the economy and the removal of barriers, particularly in e-commerce.

Since the unification of rules in the European Union, it is also possible to expect a significant increase in competition, which brings many challenges and opportunities. In general, companies that can upgrade and digitize their processes, but in particular offer services and products with high added value, can be expected to succeed. It is therefore important that such businesses receive the appropriate support.

From a corporate perspective, DSM's emphasis is on:

- Better access for consumers and businesses to online goods and services across Europe.
- Creating favorable conditions for the growth of electronic networks and services.
- Maximizing the growth potential of our European digital economy

- **Collaborative platform for the automotive industry**

Within the portal www.ipdap.sk, we currently register information about more than 350 companies - automotive suppliers in the Slovak Republic. The information includes a detailed company profile, including products and services, references, certificates, contact person, etc. In the sense of the trends, we also try to provide members with aggregated information about the company that we obtain from available open state registers such as: business data, financial data, business people, etc. We can also talk about G2B (Government to Business) data. Our intention in this direction is to prepare an intelligent collaborative network for the automotive industry. The prototype of this approach can be found at www.okba.sk, the aim is to enable online co-operation, resource sharing, capacities, technology, development, etc. In terms of the Action Plan of the Slovak Republic and the EU Single Digital Market, we would like to start with the available data from neighbour countries - V4 and Austria - with a gradual enlargement to the whole EU

6. Conclusion

The goal of this analysis was to provide a compact view on the automotive industry in Slovakia using the data on carmakers and their suppliers. The analysis was prepared from the data available on www.ipdap.sk, www.okba.sk, and www.fistat.sk which also provide more detailed information. This material is not supposed to substitute official and exact statistical overviews, but rather seeks to describe overall trends in the crucial industry of the Slovak economy while using different sources including OpenData of the state. The goal is also to provide useful information for domestic, as well as international entities or persons interested in doing business in this industry, such as application of G2B principles.

We believe that this publication will be a valuable source at the time when discussions with the forth car producer are reaching their end. With its arrival the supplier net can be dynamically developed further.