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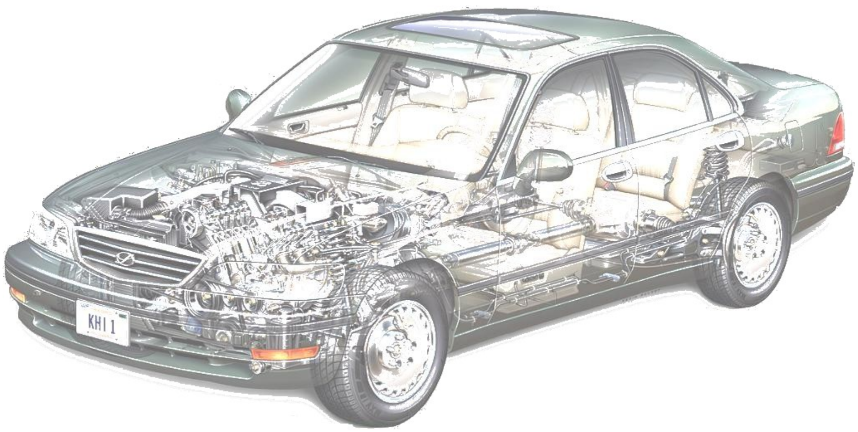
MARKET BRIEF:
Motor Vehicle Manufacturing in Slovakia



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MOTOR VEHICLE MANUFACTURING IN SLOVAKIA

Production Developments

In 2008, 70 thousand new cars were sold in Slovakia, up 17% on 2007 (ACEA 2009). Since 2003, vehicle sales have grown annually by 3.2%, which is better than the EU average growth of 1.4%. Slovakia is the 20th largest market in the EU. Based on the first five months, sales of new cars during 2009 should reach about 55 thousand, up more than 20% on 2008. This positive number, means that Slovakia is one of the few EU countries showing growth of car sales in 2009. (Acea, 2009)

Imports of used vehicles is important as well. Imports increased substantially after Slovakia's accession to the EU, though no figures are available.

The automotive parts industry in the country has flourished with the increase in automotive production. Automotive parts production reached EUR 8,294.6m in 2007, with the bulk of output headed for the Volkswagen manufacturing plants. Major automotive parts manufacturers include Delphi (US), Dura (US), Johnson Controls (US), Faurecia (FRA) and Visteon (US).

Total motor vehicle production has been growing annually at a healthy compound growth rate of 26.7% between 2004 and 2008. Since there are no trucks or buses manufacturers, the total vehicle production equals the production of passenger cars. The year-on-year growth of only 0.8% in 2008 shows the slowing down pace of car production in Slovakia, reflecting the diminished global demand.

FIGURE 1 SLOVAKIA: Motor Vehicle Production 2004 - 2008

Volume (in pcs.)	2004	2005	2006	2007	2008	CAGR 08/04
Passenger cars*	223 542	215 349	295 390	571 071	575 776	26.7

*Source: OICA; Automotive Industry Association of the Slovak Republic (AIA SR). Note: * There are only passenger cars produced in Slovakia, no other types of motor vehicles.*

Production Forecasts

Our very conservative estimate is that the car production in Slovakia will plummet this year by 27.3% due to global economic crisis. But it should continue to grow again in the coming years. We forecast a compound annual growth rate of 20.6% in the period of years 2009 through 2013.

FIGURE 2 SLOVAKIA: Motor Vehicle Production Forecast 2009 - 2013

Volume (in 1000 pcs.)	2009	2010	2011	2012	2013	CAGR 13/09
Total MV production	418.7	595.7	722.0	821.6	886.2	20.6

Source: Data for 2009, 2010 & 2012 are CSM Worldwide forecasts; data for 2011 and 2013 are MARKETiN forecasts.

The strong growth forecasted is depicted in the FIGURE 3.

FIGURE 3 SLOVAKIA: Motor Vehicle Production 2004 – 2013 (in thousand pieces)

Source: Data for 2004 to 2008 are actual consumption data from OICA & AIA SR; data for 2009, 2010 & 2012 are CSM Worldwide forecasts; data for 2011 and 2013 are MARKETiN forecasts.

Key Players

There are three major car makers in Slovakia: KIA Motors Slovakia s.r.o., Volkswagen Slovakia a.s. and PCA Slovakia s.r.o.

FIGURE 4 SLOVAKIA: Overview of Major Makes Manufactured in Slovak Plants

Company	Group/JV	Plant Location	Type of prod.	Makes (Models)
KIA Motors Slovakia s.r.o.	Hyundai-Kia	Žilina	Passenger cars	Kia, Hyundai*
Volkswagen Slovakia, a.s.	Volkswagen Group	Bratislava	Passenger cars	Audi,VW, Porche, Škoda
PCA Slovakia, s.r.o.	PSA Peugeot Citroën	Trnava	Passenger cars	Peugeot, Citroën

*Source: ACEA; MARKETiN. Note: * Production of a new model of this make should be launched in 2010.*

Although Volkswagen was the largest car manufacturer in Slovakia in 2007, KIA Motors seems to outpacing this German manufacturer in Slovakia.

FIGURE 5 SLOVAKIA: Motor Vehicle Production by Manufacturers 2004 - 2008

Volume (in pcs.)	2004	2005	2006	2007	2008	'08 Share
Passenger cars - total	223.5	215.3	295.3	571.1	575.8	100%
KIA Motors Slovakia s.r.o.	0.0	0.0	4.6	145.0	201.5	35%
Volkswagen Slovakia, a.s.	223.5	215.3	238.7	248.5	187.9	33%
PCA Slovakia, s.r.o.	0.0	0.0	52.0	177.6	186.4	32%

*Source: MARKETiN estimates based on various data published by car manufacturers and AIA SR. Data for 2008 are actual data as published by SITA's newswire. Note: *PCA Slovakia s.r.o. is PSA Peugeot – Citroën joint venture.*

KIA Motors Slovakia s.r.o. manufactures such models as Kia Cee'd and Kia Sportage, while the production of Hyundai ix35, a brand new model, is scheduled for launch to the beginning of 2010.

KIA Motors Slovakia s.r.o.

Address	P.O.Box 2, SK 01301 Teplička nad Váhom
Production Launch	2006
Manpower	2 700 people
Production/Assembly	201.5 thousand cars (estimate); Annual Capacity: 300 000 cars
Makes (Models)	HYUNDAI (Tucson – *fased out*, ix35 *planned for 2010*), KIA (Sportage-*fased out*, CEE'D,)

Kia is the youngest of car manufacturers in Slovakia. Most of the cars produced in Kia consist of Kia cee'd five door version. Kia Motors Slovakia has about 55% of its suppliers coming from Slovakia, and the remaining part is from Europe. Almost the whole production of Kia is exported, only 2% remain in the country..

Volkswagen Slovakia, a.s.

Address	ul. Jána Jonáša 1, Devínska Nová Ves, SK 843 02 Bratislava 49
Production Launch	1993
Manpower	10,000 people in Bratislava, 700 in Martin (gear plant) & 30 in Košice (export)
Production/Assembly	187.9 thousand cars (estimate); Annual Capacity: 280 000 cars
Makes (Models)	VOLKSWAGEN (Polo, Touareg, Up!*), PORSCHE (Cayenne – *only body*), AUDI (Q7), SKODA (Octavia-*fased out in 2009*, Up!*), SEAT (Up!*) ** New small car Up! will be available under 3 brands. Its launch is planned for early 2011.*

Slovakia's development into one of the world's most important automotive hubs began in the early 1990s, when Volkswagen decided to establish a factory for car production near Bratislava. Since then Volkswagen has become the country's largest industrial concern and its leading exporter (accounting for about 19% of total export revenues in 2004). In May 2007 the company passed an important milestone in the number of VW cars produced. Since the start of production, it has now produced more than 2 million cars in Slovakia. Volkswagen's entry into the Slovak market has also attracted other companies and has contributed to strong growth in the car components industry, which increased the value of its output from EUR 621.4m in 1998 to EUR 8294.6m in 2007.

In May, VW confirmed that it would produce its new Up! model at its Bratislava plant. The model, part of its New Small Family range and available in 3- and 5-door versions, is available under the VW, SEAT, and Škoda Auto brands and should be launched worldwide in early 2011. The addition of the Up! could increase capacity at the plant by 30%. The automaker currently builds the VW Touareg, Porsche Cayenne and Audi Q7 models in the Slovak plant.

PCA Slovakia, s.r.o. (PSA Peugeot Citroën Slovakia)

Address	Automobilová ulica 1, SK 917 01 Trnava
Production Launch	2006
Manpower	3 408 people (in 2008)
Production/Assembly	186.4 thousand in 2008 (estimate); Annual Capacity: 300 000 cars
Makes (Models)	PEUGEOT (207), CITROËN (C3 Picasso, *new small Citroën is in preparation - its launch is planned for 2010*)

PSA Peugeot-Citroën entered Slovakia in 2003 after signing an investment agreement with the Ministry of the Economy. The French car producer plans to assemble 450,000 cars yearly in its production facility located just outside of Trnava once it starts using the full capacity of the plant. Another 300,000 finished cars will leave the premises annually of Kia Motors in Žilina.

CONTACT US

This is just a brief excerpt from one of our projects. If you need more information about this market, please contact:

Mr. Pavol Kopec (PhD.)
CEO & Senior Consultant

MARKETiN CEE s.r.o.
Hviezdoslavova 3
903 01 Senec

Tel.: +421-33-7878811
E-mail: info@marketincee.com

Pavol Kopec, Ph.D. - *Director & Senior Consultant*

As a CEO and senior consultant at MARKETiN CEE, Pavol has led and conducted numerous market research, competitive intelligence and strategy consulting projects, especially for leading global companies from heavy-industry and related business-service sectors, and assisted them in entering Slovak, Czech and other CEE markets.

MARKETiN CEE is a business development consultancy using customized market research and competitive intelligence to provide clients with relevant information and knowledge on markets, industries and companies in Central and Eastern Europe (CEE).

Our team not only recommends the best corporate and business strategies and marketing practices, but can also help with their implementation by providing on-site 'one-stop-shop' assistance.

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