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- Research on demand

SLOVENIA'S IT SECTOR RESUMES OPERATIONS

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SLOVENIA'S IT SECTOR RESUMES OPERATIONS

The Slovenian IT market is recovering from the consequences of the global economic downturn. The local demand for IT products and services is still lagging behind the pre-crisis levels but some segments are showing potential for considerable growth in the next few years. The introduction of new IT services such as cloud computing should boost the sector's development with software sales outpacing those of hardware.

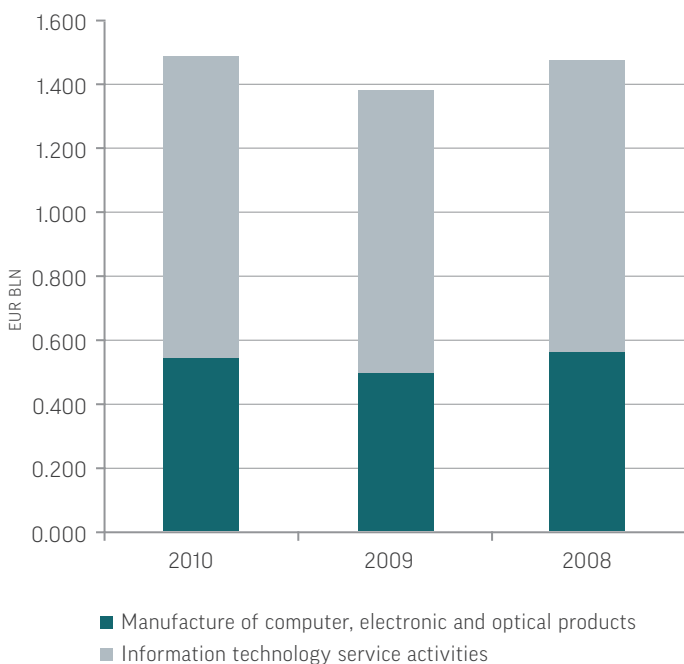
The Slovenian IT sector managed to record growth in 2010, unlike in 2009 when it slumped by 6.6% year-on-year. The combined revenue of the 4,229 companies operating in the sector reached EUR 1.478 bln in 2010, compared with EUR 1.372 bln in 2009, according to data of the country's Statistical Office (SORS).

According to other data – released by market research company IDC Adriatics (IDC), the total expenditure for hardware, software and IT services in Slovenia was USD 873 mln (EUR 659 mln) in 2010. In USD terms the market went down by 4.4% compared to 2009 but in EUR terms it grew by 0.3%. In 2010 the sharpest increase was registered in the demand for IT services and computer hardware, while software sales remained unchanged in comparison with 2009.

The main challenges faced by the Slovenian IT market were the lack of funding for IT projects and the downtrend in prices, according to IDC.

The average per capita expenditure for IT in the country stood at EUR 322 in 2010, IDC data showed. It remained far behind the figure in the leading country – Denmark with EUR 1,514 per capita. In 2010 the average per capita expenditure for the Adriatic region¹ was EUR 72. Slovenia's share in the total value of the IT market in the region stood at 27.5% in 2010.

REVENUE OF SLOVENIAN IT SECTOR



Source: SORS

¹ Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, Macedonia and Albania

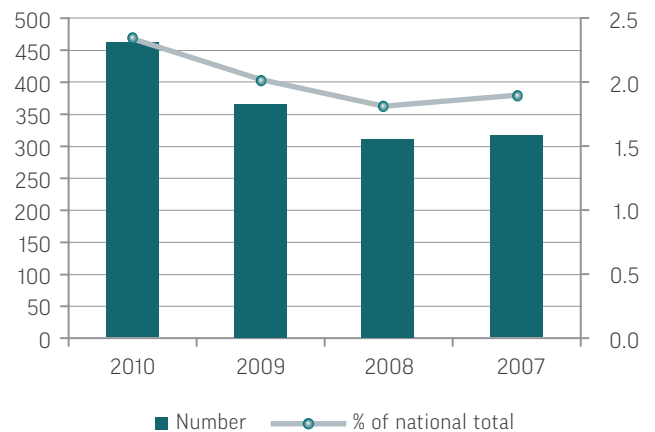
The number of IT enterprises in Slovenia grew by an average of 13% in the period 2008-2010, according to SORS. The number of companies engaged in management of computer facilities continued its sharp rise and reached 220 in 2010, up from 165 in 2009. Apparently, the 2008-2010 was tough for manufacturers of computers and peripheral equipment as their number continued to shrink in 2010 to 40 from 46 in 2008.

NUMBER OF IT ENTERPRISES BY ACTIVITIES IN SLOVENIA

Activity	2010	2009	2008
Manufacture of computers and peripheral equipment	40	42	46
Wholesale of computers, computer peripheral equipment and software	135	146	143
Retail sale of computers, peripheral units and software in specialized stores	73	65	60
Publishing of computer games	4	3	2
Other software publishing	23	26	22
Computer programming activities	1,768	1,575	1,372
Computer facilities management activities	220	165	99
Renting and leasing of office machinery and equipment (including computers)	11	9	7
Repair of computers and peripheral equipment	296	273	253
Information technology (IT) consultancy activities	982	898	763
Other IT service activities	677	640	553
Total	4,229	3,842	3,320
% of national total	2.5	2.4	2.2

Source: SORS

TERTIARY EDUCATION GRADUATES IN COMPUTING



Source: SORS

Services

The Slovenian IT services market was estimated at USD 319 mln (EUR 240 mln) in 2010, according to IDC Adriatics. The market went down on an annual basis by 7.0% in USD terms, and by 2.0% in EUR terms. The downtrend in the demand for IT services that began in 2009 spread in 2010 as a result of the economic instability. However, the decline slowed down in 2010, with interest in IT outsourcing and cloud computing services growing.

The market of cloud computing services in Slovenia was worth EUR 9.0 mln in 2010, IDC data showed. The local market was larger than in Romania (it accounts for 65% of the Slovenian market) and in Bulgaria (9.0%), but lower than in Slovakia (118%), Russia (230%) and the Czech Republic (314%). The leading provider of cloud computing services to public clients in Slovenia was Ljubljana-based Xlab d.o.o., while the local unit of U.S. IT giant IBM was top provider of cloud computing to private clients.

The major clients of cloud computing services were manufacturing and financial companies and institutions. They accounted for more than 70% of the total expenses for cloud computing services in Slovenia in 2010, according to IDC.

Software

Slovenia is considered to have a mature software market compared with other countries in Southeastern Europe. Nearly 80% of the biggest employers in the country are already using Enterprise Resource Planning (ERP) systems and the software vendors should focus on other products to maintain growth. Demand for enterprise application software (EAS) continues to be dominated by large companies but more than 64% of the newly installed EAS is in small and medium-sized enterprises (SMEs), according to market intelligence company Business Monitor International (BMI).

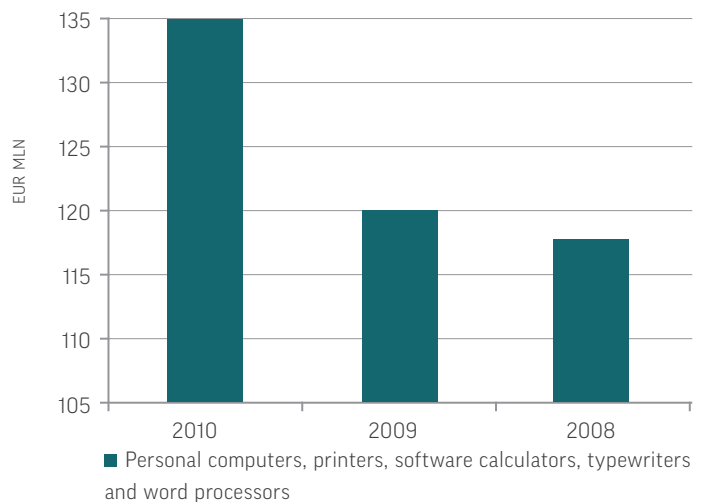
The country's software market was expected to post single-digit annual growth and to reach USD 215 mln in 2011, BMI data showed. The volatile economic situation pushed many companies to review their spending on IT products and services, which had a negative impact on the market in 2010. BMI expects that software sales will grow faster than hardware sales and the software market will experience a compound annual growth rate (CAGR) of 6.0% in the period through 2016.

Hardware

In 2010 computer hardware sales in Slovenia continued to grow in the retail segment and to fall in the wholesale segment. The retail trade went up by 12.4% year-on-year in 2010 to EUR 135 mln, while the wholesale trade decreased by 7.4% to EUR 797 mln.

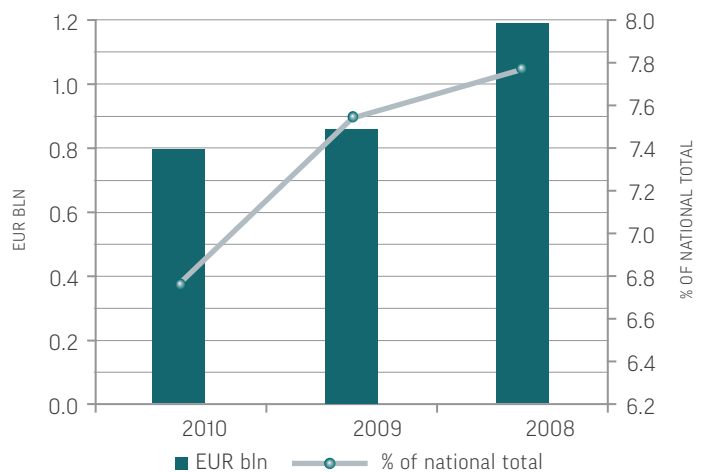
In 2011 a total of 180,000 personal computers were sold in Slovenia, which is by 2.5% less than in 2010, according to IDC data. Hewlett-Packard strode atop in terms of PC sales with more than 60,000 units sold for a market share of over 33%. Sales of laptops continued to outpace demand for desktop computers.

RETAIL TRADE



Source: SORS

WHOLESALE TRADE OF COMPUTERS, ELECTRONIC AND OPTICAL PRODUCTS

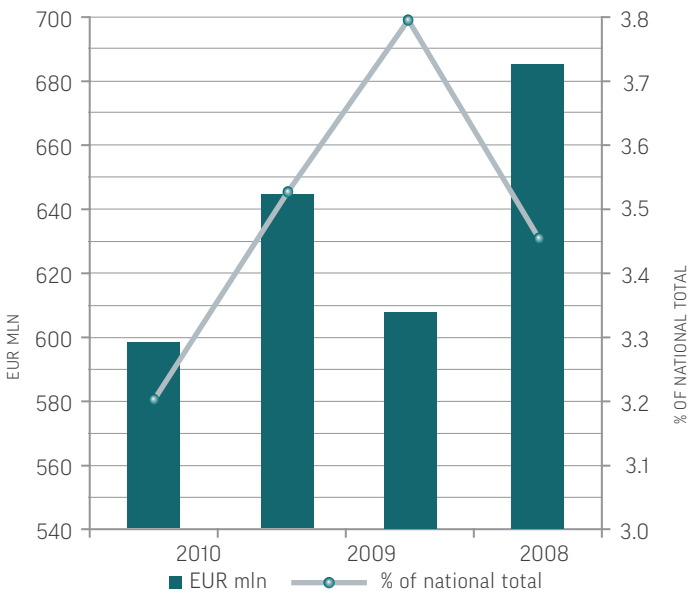


Source: SORS

Exports

Slovenia's export of computer, electronic and optical products followed the trend of the national total in the period 2008-2010, SORS data showed. In the first eleven months of 2011 the share of the export of computer, electronic and optical products in the country's total exports continued to shrink and at year's end its value is expected to have remained below the level in 2010. There were no exports recorded in the IT service activities segment in the period from 2008 to November 2011, according to official data.

EXPORTS OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS

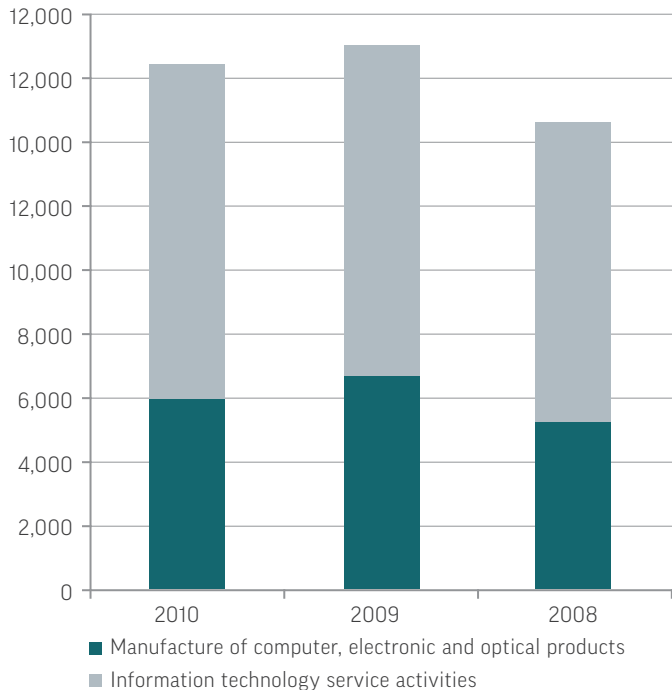


Source: SORS

Employment and Salaries

In 2010 the total number of employees in Slovenia's IT sector declined by 3.4% on the year to 16,496, according to SORS. However, the total average decrease resulted from the drop in the number of employed in the manufacturing of computer, electronic and optical products, while the number of IT specialists grew to 10,513 in 2010 from 9,399 in 2008.

NUMBER OF EMPLOYEES

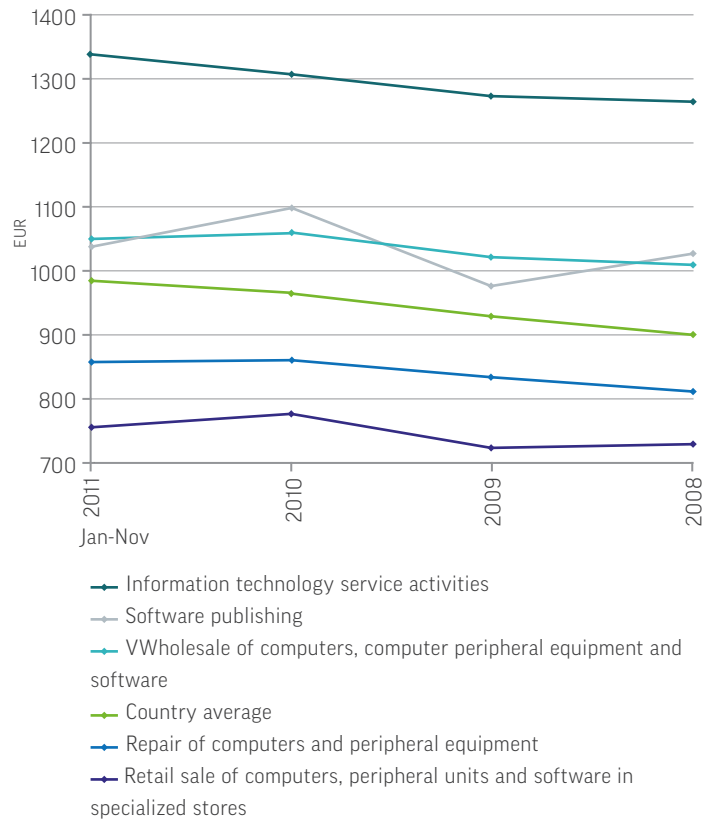


Source: SORS

The total average net monthly salary in the Slovenian IT sector remained higher than the national average in January to November 2011. The average IT salary stood at EUR 1,009 compared to a national average of EUR 986 in the period under review. However, the wages in almost all IT segments marked a decline compared to end-2010. The IT services were

the only segment that registered an increase in salaries and kept its leading position in terms of average net monthly pay at EUR 1,338.

AVERAGE NET MONTHLY SALARY PER EMPLOYEE BY ACTIVITY

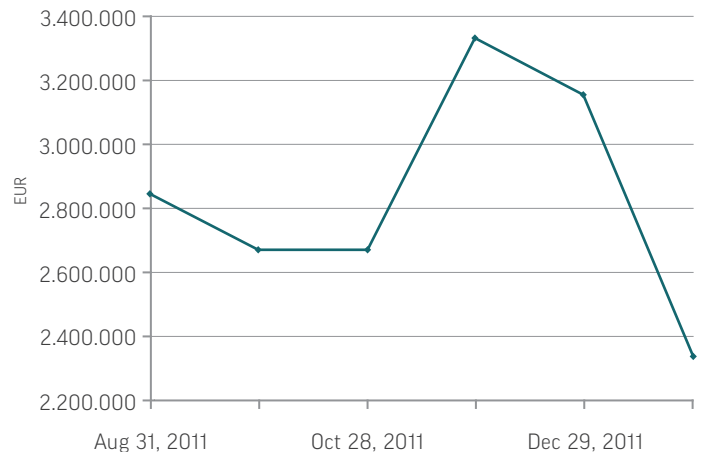


Source: SORS

Listed Companies

Only one Slovenian IT company was listed on the Ljubljana Stock Exchange (LJSE) as of end-January 2012. Datalab Tehnologije d.d., set up in 1997, provides business solutions to SMEs and large enterprises with highly integrated ERP software. The company's main product Pantheon, aimed primarily at SMEs, had 24,000 users as of September 2011.

DATALAB TEHNOLOGIJE D.D. MARKET CAPITALISATION



Source: LJSE

IT sector forecasts for 2012:

- The sector will register growth of up to 3.0%;
- The total number of IT companies will continue to grow;
- Growth of cloud computing services will boost revenue in the IT services segment;
- The software market will start growing with the software developers diversifying their products and focusing on SMEs;
- The computer hardware segment, especially sales of desktop PCs, will experience a difficult year. However, demand for laptops and tablet computers is expected to rise;
- Export of computer, electronic and optical products will remain at the 2011 level;
- Growing demand for highly-qualified IT specialists, especially in the IT services and software development segments.

Growing demand for highly-qualified IT specialists, especially in the IT services and software development segments.

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