FORESTS AND THE WOOD–PROCESSING INDUSTRY

SARIO

Slovak Investment
and Trade Development Agency

General information

Timber resources of Slovak forest are continually increasing what relates to the higher portion of stands aged 50 to 100 years. Average timber reserve represents 232 $m^{3.}$ per hectare.
Variability of tree species is specific for Slovak forest cover. Coniferous trees, broadleaves and mixed forests represent 30.8 %, 49.7 % and 18.9 %, respectively of the total cover.

Afforested land in the Slovak Republic is partially privately owned. However, the government is still keeping its position of a significant player on the industrial supply market. Currently, small property is legally not settled due to restitutions in progress. A frequent question of producers is related to state guarantees for wood mass supplies. These claims, however, are usually rejected and a part of wood mass is still available for export purposes.

Timber harvesting shows increasing tendency. The top annual harvesting capacity in the history of Slovak forestry was reached in the year 2005. This year sees unusual situation due to the extremely strong whirlwind in the end of 2004 which led to the devastation of considerable amount of stands. Processing of wind thrown timber followed, also in conservation areas. Forestry GDP in 2006 was influenced also by sales of windthrown timber residuals from 2004 which represented about 0.8 %.

Timber harvesting increase results in the rise of market and economic potential of forest economics. On the other hand, exceeding the planned capacity decreases future opportunities of timber harvesting. Random harvesting represents high portion of the total harvesting capacity, even after the whirlwind event. That follows primarily from forests health status which is negatively affected by air pollution and plant resistance decrease.

Proportion of forestry in the Slovak macroeconomics amounted to 0.42 % GDP in 2008. That means a decrease, as compared with the year 2007, because forestry proportion of GDP in 2007 amounted to 0.46 %. The proportion reached in 2009 has not been published yet.

Wood-processing industry share of the Slovak economy continues to be considerably low. Lately, however, significant increase of foreign investments was documented also in this area. Former governmental sawmills were partially taken over by foreign companies.

The most stable wood-processing industry branch is paper industry.

Forests

Forests ownership

Forests ownership structure results from the register of forest owners and cultivators. 55.1 % of the total forest area is occupied, 40.2 % is state-owned. This state also results from the uncompleted restitution proceedings as well as from the non-risen claims of forest owners.

Category	Type of ownership (owner)						
	State	**Municipality**	**Private**	**Cooperative communities**	**Church**	**Agricultural cooperations**	**Unknown**
Ownership (in % of the land)	40.2	9.7	13	25.7	3	0.2	8.2
Usage (in % of the land)	55.1	8.8	7.2	26.9	1.7	0.3	-

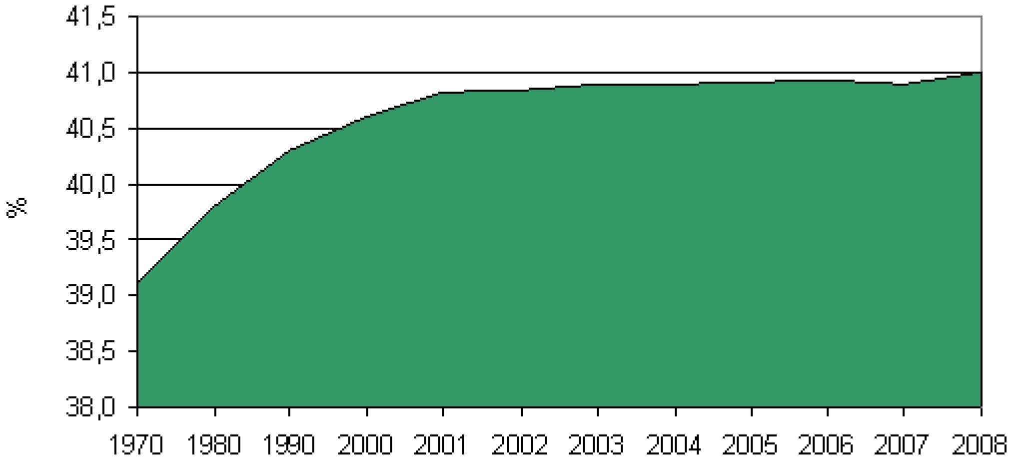
Source: Green Information 2008, 2009

Structure of forest land resources

Forest cover area

The Slovak Republic belongs to the European countries with the highest forest percentage. The forest percentage in 2008 amounted approximately to 41 % (2,006.6 thousand hectares) of the total area of the Slovak Republic. In comparison to the year 2005, this represents an increase by 834 hectares. This increase means a stable, continual raise of forest percentage. Since 1950 forest cover increased by 235,840 hectares, i.e. by 11.8 %.

Development of forest areas and plant-cover territories:



Source: NLC Zvolen, researched by SAZP

Detailed overview:

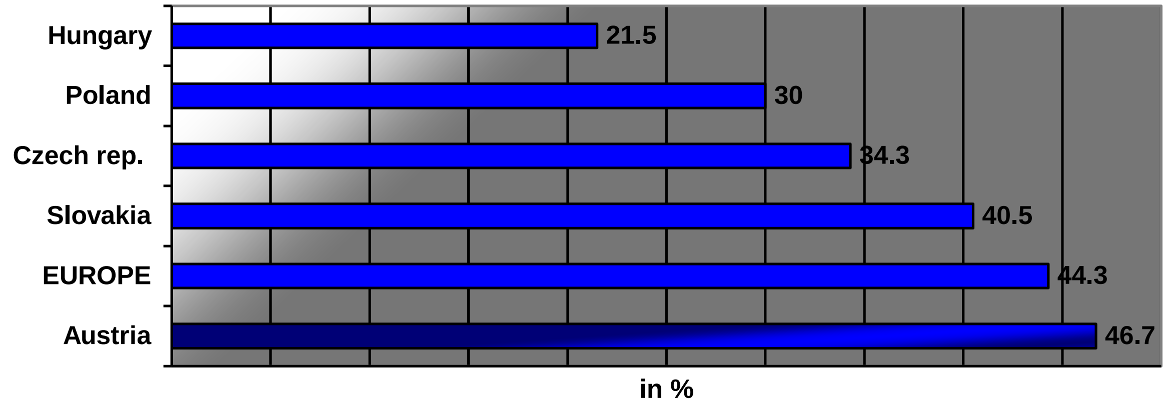
Type/Year (in hectares)	1950	1960	1970	1980	1990	2000	2007	2008
Forest area	1 771 166	1 775 644	1 918 570	1 952 656	1 976 538	1 997 961	2 006 601	2 007 441
Plant-covered area	1 763 056	1 769 012	1 826 564	1 861 642	1 921 705	1 921 705	1 932 9942	1 933 591

Source: Green Information 2008, 2009

In comparison, plant-covered territories worldwide represent approximately 4 billion hectares. Forest percentage is 30 % of world land area. Forest percentage of 43 countries exceeds 50 %. On the other hand, forest percentage of 64 countries lies below 10 %. One half of the total forest area is located on territories of Russian Federation, USA, Brazil, China, and Canada.

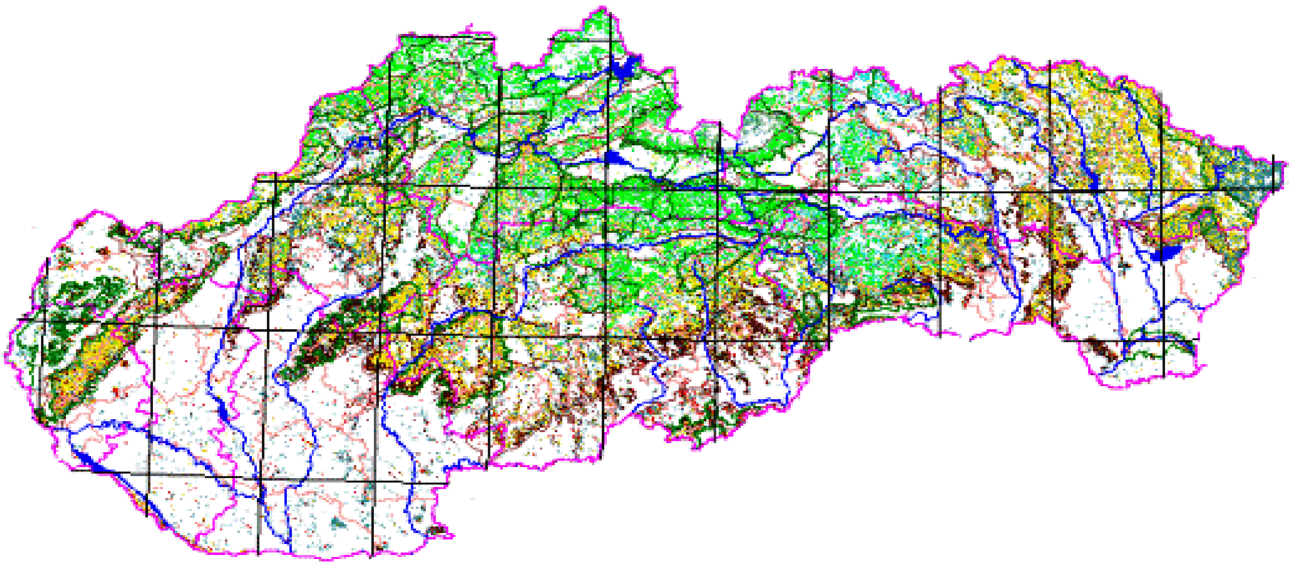
Forest area in Europe in 2005 represented 193 million hectares. From 1990, increase almost by 7 % has been documented. Approx. 43 % of European forest area serves for timber harvesting purposes. The total capacity of 26.8 million m^3, and the capacity per hectare equal to 141 m^3, is increasing, especially in the Central European countries.

Forest percentage comparison of selected countries (as of 2008, in %):



Forest type classification

Broadleaved trees (59.7 %) dominate coniferous trees (40.3 %).



Norway Spruce	**Maple**	**Beech**	**Mixed coniferous**	**Locust Tree**
Silver Fir / Giant Fir	Ash	Oak	Mixed deciduous	Poplar
Pine	Birch	Hornbeam	Mountain Ash	
Common Larch	Mountain Pine	Alder	Turkey Oak	

Forest composition by species in Slovak forests (2008):

Tree species	**Share (in %)**
Spruce / Fir	25.7 / 4.0
Pine / Larch	7.1 / 2.4
Other coniferous	1.1
Coniferous together	**40.3**
Oak	10.8
Beech / Hornbeam	31.4 / 5.8
Maple / Ash	2.1 / 1.5
Robinia / Birch	1.7 / 1.4
Alder	0.8
Poplar	0.9
Other deciduous	0.4
Deciduous together	**59.7**

Source: Green Information 2008, 2009

Development of the composition by species:

Type (in %)	**1970**	**1980**	**1990**	**2000**	**2005**	**2007**	**2008**
Coniferous	41.3	42.5	42.3	41.9	41.0	40.5	40.3
Broadleaved	58.7	57.5	57.7	58.1	59.0	59.5	59.7
Spruce	26.0	26.4	27.3	26.8	26.3	25.9	25.7
Fir	6.2	5.8	5.0	4.3	4.1	4.0	4.0
Pine	6.7	7.5	7.0	7.5	7.2	7.1	7.1
Beech	30.1	29.5	29.8	30.3	31.0	31.2	31.4
Oak	14.4	14.4	14.2	13.6	13.4	13.4	13.3
Hornbeam	6.2	5.7	5.6	5.7	5.7	5.8	5.8

Source: Green Information 2008, 2009

Percentage of coniferous trees is gradually decreasing in favor of broadleaved trees. Negative decreasing trend has been found especially for fir tree. Its percentage decreased by one third since 1950.

Forest classification by age

Age structure is defined by means of age levels separated by 10 year spans. In total, 15 levels are applied. The youngest tree species belong to the level 1, the oldest are comprised in the level 15+.

Age		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Total	in hectares	138 328	151 649	139 377	124 336	124 336	175 887	202 727	191 464
	In %	7.2	7.9	7.9	7.2	6.4	9.1	10.5	9.9
Out of that	Coniferous (in hectares)	54 113	65 677	68 178	63 149	51 195	60 317	71 722	71 372
	In %	2.8	3.4	3.5	3.3	2.6	3.1	3.7	3.7
	Broadleaved (in hectares)	84 215	85 972	84 998	76 228	73 141	115 570	131 005	120092
	In %	4.4	4.5	4.4	3.9	3.8	6.0	6.8	6.2
		9	**10**	**11**	**12**	**13**	**14**	**15+**	
Total	In hectares	182 325	164 233	114 535	64 169	38 195	26 735	55 531	
	In %	9.4	8.5	5.9	3.3	2.0	1.4	2.9	

Out of that	Coniferous (in hectares)	71 268	70 302	45 780	25 019	16 199	12 378	28 918	
	In %	3.7	3.6	2.4	1.3	0.9	0.6	1.5	
	Broadleaved (in hectares)	111 057	93 931	68 755	39 150	21 997	14 357	26 613	
	in %	5.7	4.9	3.5	2.0	1.1	0.8	1.4	

Source: Green Information 2008, 2009

Wood raw material supplies

Timber resources of Slovak forest cover are increasing. In the year 2008, they reached 452.1 million m^3 of barkless core wood with the average resources per hectare being 234 m^3. Timber resources capacity is influenced by the age structure of Slovak forests with dominant participation of middle-age levels.

Within the Europe, Slovakia disposes of relatively high timber resources capacity required by domestic manufacturers. As a result, majority of production inputs follows from domestic resources.

Timber harvesting in the Slovak Republic shows increasing long-term tendency. In the year 2006, it amounted almost to 8.4 million m^3, 5.2 million m^3 of which was related to coniferous trees. That means an increase by 58.4 %, as compared with the year 1990. Timber harvesting in 2008 reached 9.5 million m^3 what exceeds the level of the year 2007 by 1.1 million m^3.
Random timber harvesting in 2008 comprised 64.6 % of the total harvested capacity (in 2006, it was only 51.1 %). This resulted in exceeding the annual planned timber harvesting almost by 26 %.

Timber harvesting capacity assessments are significantly complicated by random harvesting representing 40 to 65 % of the total harvested amount. Due to its high proportion, the planned annual capacity is exceeded every year. Since the year 2000, the capacity is exceeded by 16.7 % on average, even by 27 % in the course of the last three years 2005-2008.

Timber resources of the Slovak Republic allow the average annual harvesting capacity of 6.5 million m^3. One half of the capacity is represented by coniferous trees. Due to the whirlwind event in the year 2004, 5 million m^3 of coniferous timber were harvested. Total harvested capacity in this year was 8.3 million m^3 with dominant proportion of spruce and beech timber.

Timber resources in 2005 – 2008:

Indicator	2005	2006	2007	2008
Resources total (million m^3)	438.1	443.8	445.9	452.1
Out of which: coniferous	207.3	209.8	212.3	211.0
broadleaved	231.6	233.9	233.5	241.0
Resource per hectare in m^3	229	232	232	234

Source: Green Information 2008, 2009

Timber harvesting development

The highest demand of sawmills and furniture producers is oriented on spruce and pine timber (3rd quality level), with resources available in Central and Northern Slovakia.

Harvest (in ths. m3)		1990	2000	2005	2007	2008
Coniferous	Total	2 777.0	3 245.0	6 927.4	5 344.2	6 354.5
	Out of that random	1 838.0	2 012.0	6 152.7	4 271.8	5 559.4
	% of random harvesting	66.2	62.0	88.8	79.9	87.5
Broadleaved	Total	2 499	2 973.0	3 263.1	3 022.9	3 112.6
	Out of that random	766.0	1 010.0	380.3	429.0	555.8
	% of random harvesting	30.7	34.0	11.7	14.2	17.9
Total	Total	5 276.0	6 218.0	10 190.5	8 367.1	9 467.1
	Out of that random	2 604.0	3 021.0	6 533.0	4 700.8	6 115.2
	% of random harvesting	49.3	48.6	64.1	56.2	64.4

Source: Green Information 2008, 2009

Timber business

The year 2008 was one of the most successful years in terms of timber sales despite the 12 % decrease in prices in comparison to the year 2007. Increase of the timber harvest resulted from high level of random harvesting (64.6%).
In the year 2007, subjects managing forests in the Slovak Republic provided approx. 7,847 thousand m^3 of timber of the Slovak market. Thus, the best assortment structure was reached since the year 1990. Coniferous sawmill wood amounted to 62.4 %; broadleaved wood represented 41.6 % of the total supply capacity. Processing of windthrown timber influenced data for the year 2007 only marginally.

Timber sales provides 79 % of revenues for forest economics.

Timber price

Timber sales increased almost by 14% on a year-to-year basis (2007/2008) especially due to the increased exports (+27.9%).

The price of wood mass depends on the respective timber type and quality. In the case of coniferous wood, increase in price is observed. The whirlwind event in the year 2004 influenced not only wood mass capacity but also the price which decreased. E.g. in the year 2000, the price for a cubic meter of coniferous wood exceeded 1,000 SKK (23.47 EUR) while decreasing to 800 SKK (21.47 EUR) in the year 2006. On the other hand, the price for a cubic meter of firewood increased by 85 %, exceeding 500 SKK (13.42 EUR). In the case of broadleaved wood, increase in price was also observed. The price for the top quality wood increased by more than 50 percent. In the case of firewood, the price was even doubled.

The timber price level in the Slovak Republic does not reach that of the Czech Republic, Germany and Austria. It is approx. by 10 % lower. This, however, can't be applied generally because the price for some wood species in Slovakia exceeds the price level in the Czech Republic.

The interim price increase index was approximately equal for the Slovak Republic, Czech Republic and Austria and amounted to 14 %. The index in Germany reached 22 %.

Along with standard market conditions, timber price movement is also influenced by changes in wood mass demand, sales volume of domestic producers, windthrown timber volume in Europe, partially also by governmental policy etc.

Average coniferous wood prices in Slovakia in 2005 -2008 in EUR per m3:

Offer	Local (domestic) price				Export price			
	2005	2006	2007	2008	2005	2006	2007	2008
I. class cutouts	106.5	101.2	102.9	126.1	96.6	98.7	117.6	136.9
II. class cutouts	81.2	84.2	95.3	101.7	89.1	85.7	98.3	113.8
III. A,B,C class cutouts	42.1	46.7	54.2	53.2	41.3	43.1	46.2	49.3
Piles	35.0	57.8	42.7	45.4	32.2	-	-	-
Mine wood	38.9	34.9	44.2	54.0	32.9	31.9	40.9	35.4
Wands	18.6	21.2	23.6	27.05	26.7	27.2	-	36.3
Pulp wood	20.0	23.5	28.1	26.2	20.8	24.1	32.6	31.6
Forest splits	9.6	9.6	9.8	10.7	-	-	-	-
Fire wood	10.3	11.9	13.35	15.6	10.2	10.4	37.5	8.33
Coniferous wood general	16.9	18.8	20.8	23.8	15.9	14.8	-	-
Raw coniferous canes	25.9	38.6	41.7	39.03	20.5	45.1	42.0	51.9
Coniferous together	31.4	38.6	45.3	43.15	28.0	29.9	35.3	40.8

Source: Green Information 2008, 2009

Timber export and import

Average broadleaved wood prices in Slovakia in 2005 -2008 in EUR per m3:

Offer	Local (domestic) price				Export price			
	2005	2006	2007	2008	2005	2006	2007	2008
I. class cutouts	256.5	269.7	313.3	336.6	245.7	273.9	308.1	352.5
II. class cutouts	127.8	135.7	147.6	155.6	120.4	154.4	179.6	205.3
III. A,B,C class cutouts	45.2	47.3	53.9	60.0	54.6	53.1	72.9	63.3
Piles	28.2	32.7	47.7	62.5	31.9	31.6	-	-
Mine wood	16.7	19.1	-	57.0	-	-	-	-
Wands	25.9	28.6	36.4	37.0	29.7	34.1	47.6	49.0
Pulp wood	26.2	41.0	15.2	18.8	31.2	41.1	-	-
Forest splits	18.7	22.6	24.9	31.0	22.8	34.0	50.8	-
Fire wood	8.2	8.7	11.3	16.1	-	-	-	-
Broadleaved wood general	22.4	35.6	39.2	39.3	-	-	42.2	-
Raw broadleaved canes	32.1	35.9	43.8	45.7	48.9	56.9	96.9	80.3
Coniferous and broadleaved total	31.6	37.6	44.7	44.0	32.4	41.8	48.9	47.9

Source: Green Information 2007, 2008, 2009

According to statements of foresters, only timber which can't be processed within Slovakia is exported. Between 2000 and 2005 the export was decreasing. Before the whirlwind event in the year 2004, approx. 1.1 million cubic meters of wood were exported. This number increased to 1.8 million in 2005, after the whirlwind event.

Based on customs statistical data it follows that 392 thousand m^3 of coniferous wood and 50 thousand m^3 were exported in 2008.

Approximately 19 % of domestic raw timber is exported without further added value.

Raw timber export in 2005 – 2008:

Type	Amount (in ths. m3)				Share (in %)			
	2005	2006	2007	2008	2005	2006	2007	2008
Coniferous cutouts (I. - III. class)	767	285	544	1 010	42.3	23.1	35.5	44.1
Coniferous wood IV. - V. Class	605	391	379	746	33.3	31.7	24.7	32.6
Broadleaved cutouts (I. - III. class)	111	218	122	100	6.1	17.7	8.0	4.4
Broadleaved wood IV. - V. class	208	324	412	337	11.5	26.3	26.9	14.7
Fire wood	124	15	76	97	6.8	1.2	4.9	4.2
Total	1 815	1 233	1 533	2 290	100	100	100	100

Source: Green Information 2007, 2008, 2009, Customs Office statistics

Raw timber import in 2005 – 2008:

Type	Amount (in ths. m3)				Share (in %)			
	2005	2006	2007	2008	2005	2006	2007	2008
Coniferous cutouts (I. - III. class)	2	3	15	9	3.0	0.9	3.6	1,1
Coniferous wood IV. - V. Class	-	-	46	218	-	-	11.2	27,0
Broadleaved cutouts (I. - III. class)	5	51	74	23	7.5	14.6	18.0	2,8
Broadleaved wood IV. - V. class	55	286	265	500	82.0	81.7	64.3	61,9
Fire wood	5	10	12	58	7.5	2.8	2.8	7,2
Total	67	350	412	808	100	100	100	100

Source: Green Information 2007, 2008, 2009, Customs Office statistics

Assumed development

Forecast for the period 2010 – 2020 assumes increase in the volume of harvested spruce timber of III.A quality level. The real development, however, may vary due to random harvesting resulting from weather events which are significant from the year 2004 and due to timber quality.

Current trend of spruce forest regeneration assumes only 30-40 % cover by spruce trees on areas with former percentage of spruce trees up to 90 %.

Currently, the average age of spruce trees is 67 years. There are concerns about their negative quality development as well as higher risk of health deterioration and provision of future production.

Wood-processing industry

Companies active in the woodprocessing industry can be divided into three sub-sectors:

- sawmills
- pulp and paper producers
- furniture producers

The wood-processing industry was the first one that experienced the economic crisis influence especially due to the decreasing demand of the building industry. The situation resulted in the closing of various smaller plants.

In general, the revenues in this industry decreased last year by 16% and reached 570 million EUR. After four years with positive economic results the industry experiences loss again.

Source: Trend Top v priemysle 2009

Sawmills

Local Slovak sawmills are usually small and use outdated technologies what influences the imbalance between the supply of raw material and their capacities. In general, the growth of sawmills was caused especially due to foreign investments.

The majority of Slovak sawmills has been taken over by foreign companies. Bučina Zvolen, previously one of the most important broadleaved wood processing companies was taken over by the Austrian Kronospan. On the other hand, Smrečina Banská Bystrica, the company processing coniferous wood, is still in the hands of Slovak owners.

The economic crisis in this field resulted in bankruptcy of few smaller companies. On the other hand large international companies have only announced mass dismissals.

Slovak producer of timber floorings Bonanza Slovakia from Zarnovica dismissed all 50 employees. Another 130 employees were dismissed by Bukoza, a local producer, that stopped the production of glued boards, chairs and armchairs.

Amico Drevo, member of the Skipper group, that is the largest producer of glued board construction consoles dismissed 50 employees due t the crisis. Even more significant reductions were observed in companies Doka Drevo (90 out of 370 employees) and Kronospan (140 out of 600) employees.

Source: Trend Top v priemysle 2009

Major companies:

Kronospan	Austria	Produces fibrewood and wooden flooring. Established a daughter company in Prešov and also bought part of the Bučina Zvolen company and glue production line from Chemko Strážske
Rettenmeier	Germany	Sawmill services and construction wood. It is the only large capacity sawmill in Slovakia. Bought the sawmills in Liptovský Hrádok and Polomka.
Skipper Investment	Luxembourg	Bought the sawmill and plywood company P.F.A. Lozorno, Amico Drevo in Oravský podzámok and Slovincom in Hurbanovo.
Smrečina Hofatex	Slovak Republic	The new Slovak owners (since 2003) initiated large investments. The company is currently focusing on the production of insulation boards and energy production from woodchips and wood residues.
Doka Industrie	Austria	Produces mostly construction material and pellets. Started in 1994 as a joint venture of Smrečina and Doka Industrie.
PRP Veľký Krtíš	Slovak Republic	Currently the largest Slovak-owned sawmill. Only those of Rettenmeier and Skipper are larger.

Source: Trend Analyses

Pulp and paper producers

The consumption of paper in Slovakia is very high at more than 85 kg per capita per year, yet domestic production is higher than consumption. The lack of wood is the key problem faced by producers. This problem is usually solved by the import of wood mass from Ukraine, Hungary and Belarus, which on the other hand makes the transportation more expensive. Growing consumption also significantly helps wrapping-paper producers.

Paper producers active in Slovakia are mostly export oriented. Their main difficulties are lack of wood mass and growing prices of energies. It is interesting especially due to the fact that there was enough wood mass on the market after the whirlwind event in 2004. The disadvantage is that most of the wood was coniferous which can be used for the production of pulp and paper only to a certain limited extent.

All pulp producers process broadleaved wood mass what causes its lack on the market as Slovakia is not using any fast growing plants. Slovak pulp producers are thus the mutual raw materials competitors.

In 2006 the recession on the European market that caused decrease of prices of paper and paper products finally ended. The input costs of the paper producer are significantly higher those of the paper products producers, therefore the recession influenced them more considerably. On the other hand after its end their profits were rising faster.

Current economic crisis influenced also this group of producers. The year 2008 indicated improving of its performance with the revenues of 1.4 billion EUR and net profit of more than 85 million EUR. Average monthly salary rose from 860 EUR to 910 EUR. In 2009 according to the information by the association of the pulp-paper producers the revenues in the first half of 2009 fell by 16% to 482 million EUR what was caused by the decrease of prices but with stable volume of orders.

This situation was reflected also by the international companies present in Slovakia. Mondi Business Paper decreased their manufacturing capacities by 14% and sold certain plants abroad.

Smurfit Kappa located in Sturovo is facing significant difficulties and plans to cease production and dismiss all 350 employees as the result of demand decrease. The company Smurfit Kappa Obaly (Smurfit Kappa Packaging) being a 100% daughter company should continue the operation. Currently it employs 220 employees.

Smurfit Kappa Group is the largest European producer of corrugated cardboard and employs 40,000 employees and reaches annual turnover of approximately 7.1 billion EUR.

Source: Trend Top v priemysle 2009

Major companies:

Mondi Business Paper SCP.	Germany	The largest pulp and paper producer in Slovakia.
Smurfit Kappa Štúrovo	Netherlands	Currently shutting down the manufacturing plant in Slovakia.
Bukocel Hencovce	Slovak Republic	The only Slovak pulp mill.
SHP Group	Slovak Republic	Focusing on the Balkan and Russian markets.
Metsä Tissue	Finland	Previously Tento Žilina, the company invested large amounts into modernization.
SCA Hygiene Products	Sweden	Increasing production in order to overcome a drop in revenues.

Source: Trend Analyses

In comparison with cellulose and paper works, package producers gain advantage due to production power demand and lower modernization cost.

Several package producers are active in the Slovak Republic. The company Smurfit Kappa Obaly is oriented on production of boxboard packages made of corrugated paper which are utilized for transport and storage of various products. The company Duropack Turpak Obaly located in Martin takes advantage of automotive and electrotechnical industry development. It is specialized on packages applicable for car components and large screen TV sets.

The company Grafobal in Skalica is oriented on smooth cardboard packages. It is primarily focused on graphical layout of packages.

Furniture producers

Slovak furniture producers are primarily export-oriented. Sales volume is increasing but domestic sales are considerably low. According to the available statistics an average Slovak citizen spends approximately 70 EUR on furniture, Czech 120 EUR and German actually 700 EUR. Due to the decreasing demand on the western markets the domestic producers try to focus on the local market. In 2008 the local revenues of furniture producers increased from 170 million EUR to 230 million EUR, but the export fell down from 660 million EUR to 600 million EUR.

Sufficient capacity of wood mass indicates that Slovakia may become a top player on the furniture world market.
One may say that the Slovak furniture segment is increasing. However, the furniture segment represents only one fifth of the total wood-processing industry profit. Main activities related to timber are still oriented on sawmills, semi-product manufacturers and paper and cellulose works.

During the communist era, furniture making represented an attractive industrial branch. The top companies in this segment were Mier Topoľčany, Západoslovenské nábytkárske závody and Nový Domov located in Spišská Nová Ves. Their products were also known far away from the former Czechoslovakia. Most of them were marketed in the former COMECON countries.

The year 1989 was a break. Unfortunately, most of furniture producers lost their market position and a strong competition appeared in the field. Overemployment and low flexibility of production program were the first issues. Substantial part of companies did not match the new conditions and the companies folded. Couple of successful exemptions are Decodom in Topolčany and Elkotech in Fiľakovo.

The main issue of Slovak or former Czechoslovak furniture making was the offer on products which was too complex. Experience showed that it is more convenient to focus on just few products. Design and visual appearance were weak point of furniture products of that time.

Currently, only few major furniture producers are active in Slovakia. On the other hand, more than 11 thousand tradesmen are stating furniture making and joinery as their object of business.

The most important investment in the Slovak furniture segment was that of the company Swedwood which took over the Trnava furniture works in the mid-90’s. It produces almost half of the Slovak furniture products capacity.

The current economic crisis influenced most significantly the Danish producer Lind Mobler in Krupina who was supplying the IKEA network exclusively. After termination of the mutual contracts the number of employees fell down by 320 (4/5 of the total number of employees).

Source: Trend Top v priemysle 2009

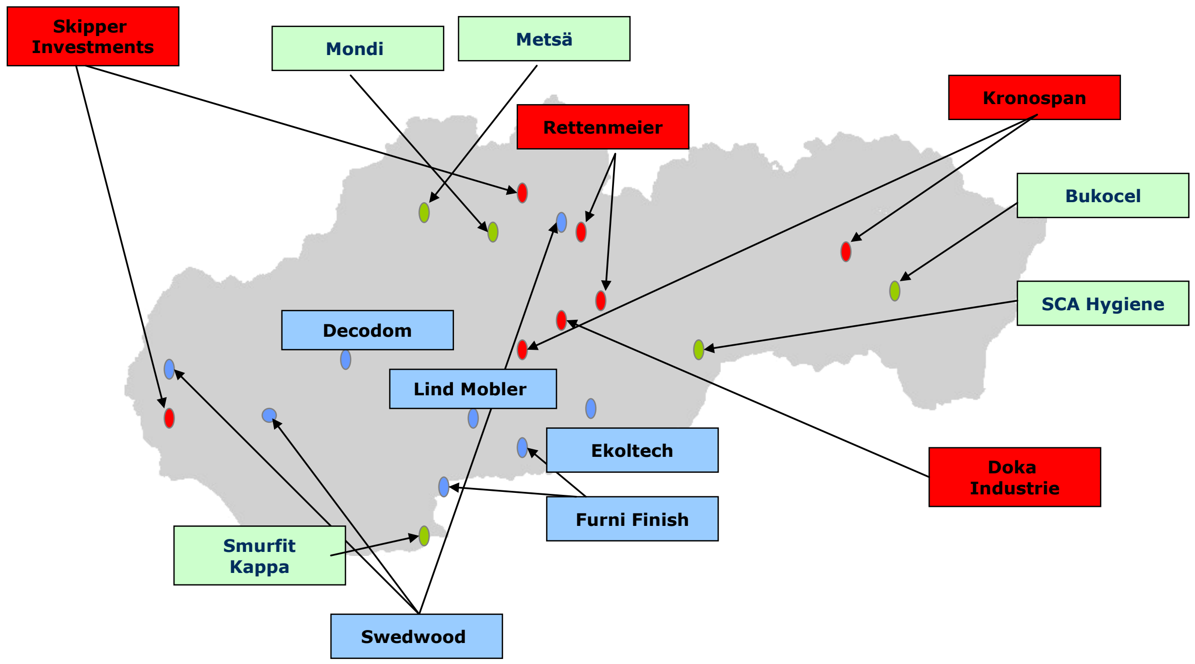
Major companies:

Swedwood	Sweden	Runs factories in Trnava, Závažná Poruba and Malacky. Daughter company of IKEA and the largest furniture producer in Slovakia.
Lind Mobler	Denmark	Produces upholstered furniture for IKEA and exports almost all of its production.
Furni Finish	Belgium	Produces in Tupá and Veľký Krtíš.

Decodom	Slovak Republic	Largest Slovak–owned company. Most of the production is sold to Germany.
Ekoltech	Slovak Republic	Constantly growing Slovak company producing for IKEA.

Source: Trend Analyses

Geographic overview



Furniture producers | Sawmills | Paper and pulp producers

Economic indicators of the development of the wood-processing industry:

Major companies of the wood, pulp and paper industry in Slovakia according to the revenues in 2008 (consolidated data):

No.	Company	Revenues total (in ths. EUR)	Change in % (2006/2005)
1	Mondi Business Paper SCP, a.s. Ružomberok	473 609	-3.9
2	Swedwood Slovakia, s.r.o.. Trnava [1]	234 122	1.1
3	Lesy SR, š.p., Banská Bystrica	227 438	-3.3
4	SCA Hygiene Products, s.r.o., Gemerská Hôrka[2]	162 008	-0.3
5	Kronospan SK, s.r.o., Prešov[3]	107 659	-0.5
6	SHP Harmanec, a.s., Harmanec	91 110	3.0

[1] Data per the economic year ending as of 31.8.2008.
[2] Including the data of SCA Hygiene Products Slovakia, s.r.o., that is the investing company
[3] Data per the economic year ending as of 30.9.2006, 2005 data cover only first 9 months.

7	Tento, a.s. Žilina [4]	90 209	-4.0
8	Grafobal, a.s., Skalica	80 881	-0.3
9	Smurfit Kappa Štúrovo, a.s., Štúrovo[5]	75 047	-41.0
10	Decodom, s.r.o., Topoľčany	58 018	1.3
11	Smurfit Kappa Obaly Štúrovo, Štúrovo	55 722	-5.0
12	Mondi Packaging Ružomberok, a.s., Ružomberok	54 551	8.9
13	Duropack Turpak Obaly, a.s., Martin	51 673	-2.9
14	Doka Drevo, s.r.o., Banská Bystrica	43 633	-1.2
15	Sanas, a.s., Sabinov	37 906	-4.2
16	Krošlák, s.r.o., Nitrianska Blatnica	36 561	-15.9
17	Vojenské lesy a majetky SR, š.p., Pliešovce	34 154	0.6
18	Wolfcraft SK, s.r.o., Malé Dvorníky	17 505	11.0
19	Štátne lesy TANAPu Tatra. Lomnica, š.p.o.	17 039	3.0
20	Fragicslov, s.r.o., Šahy	16 629	-1.1
21	Aluprint, s.r.o., Vrútky	14 624	45.8
22	Beky, a.s., Snina	13 823	-9.9
23	Drevomax, s.r.o., Liptovský Mikuláš	10 884	-19.0
24	Vital, a.s., Žilina	9 252	-5.4
25	PRP Plus, s.r.o., Veľký Krtíš	9 155	9.3

Source: Trend Analyses

Basic indicators:

(in ths. EUR / companies of more than 20 employees)[6]	2002	2003	2004	2005
Revenues total	1 592 871	1 832 546	1 965 903	2 174 308
Revenues for own products and services	1 477 410	1 687 566	1 807 884	2 000 726
Added value	339 766	337 351	346 975	422 508
Out of which: share on total gross added value in economy (%)	1.45	1.27	1.18	1.25
Export	929 130	1 023 775	1 162 796	1 395 631
Profit before taxation	51 961	35 393	43 307	67 332
Out of which: share on the gross profit of non-financial companies (%)	3.80	1.54	1.16	1.31
Depreciations	95 574	91 431	115 093	107 502
Assets	1 367 518	1 501 360	1 636 104	1 909 003
Fixed assets	431 351	440 326	454 825	504 941
Average no. of employees	29 820	28 795	27 727	29 454
Salary costs	115 931	122 283	133 554	155 135
Average monthly salary (EUR)	325	355	404	441
Labour productivity (added value of employees in EUR)[2]	11.41	11.74	13.03	14.41

[4] The company as of 30.9. 2008

[6] Companies with more than 20 employees gained more than 60% of all revenues in the sector and employ approximately two fifths of employees (as of 2006).

Source: Trend Analyses

Indicators according to the type of production:

	Total revenues (in ths. EUR / companies with more than 20 employees)			
Type of production	**2002**	**2003**	**2004**	**2005**
Wood and products of wood, cork and straw	298 364	319 635	376 586	452 200
wood, stock lumber, sawn, planed or impregnated	77 203	73 100	84 302	107 003
ply, plywood, sides	159 819	187 555	218 751	253 886
carpentry products, wooden houses	25 828	28 368	37 077	52 314
wooden packs	8 533	4 768	7 287	10 168
other products of wood, cork and straw	26 982	25 845	29 169	28 828
Pulp, paper and paper products	806 896	808 614	887 743	951 017
pulp, paper, cardboard	527 825	516 502	575 474	496 465
products from paper and cardboard	279 071	292 112	312 269	454 552
Furniture	487 611	704 296	701 574	771 091

Source: Trend Analyses

	Export (in ths. EUR / companies with more than 20 employees)			
Type of production	**2002**	**2003**	**2004**	**2005**
Wood and products of wood, cork and straw	149 993	169 299	200 471	298 735
wood, stock lumber, sawn, planed or impregnated	37 653	36 813	44 726	57 986
ply, plywood, sides	78 357	96 045	107 649	184 712
carpentry products, wooden houses	10 613	11 743	19 369	26 823
wooden packs	2 247	1 440	2301	2 865
other products of wood, cork and straw	21 122	23 257	26 426	26 349
Pulp, paper and paper products	482 591	512 163	615 226	675 807
pulp, paper, cardboard	328 143	344 953	427 269	387 949
products from paper and cardboard	154 449	167 210	187 957	287 858
Furniture	296 545	342 313	347 100	421 088

Source: Trend Analyses

	Average gross monthly salary (EUR)			
Type of production	**2002**	**2003**	**2004**	**2005**
Wood and products of wood, cork and straw	253	276	319	346
wood, stock lumber, sawn, planed or impregnated	234	252	294	316
ply, plywood, sides	273	302	370	420
carpentry products, wooden houses	231	256	283	310
wooden packs	383	267	296	314
other products of wood, cork and straw	249	291	306	314

Pulp, paper and paper products	431	445	504	570
pulp, paper, cardboard	480	507	543	637
products from paper and cardboard	368	373	460	521
Furniture	305	351	403	439

Source: Trend Analyses

	Average no. of employees			
Type of production	**2002**	**2003**	**2004**	**2005**
Wood and products of wood, cork and straw	10 413	9 270	8 984	9 856
wood, stock lumber, sawn, planed or impregnated	4 309	3 545	3 359	3 954
ply, plywood, sides	3 703	3 525	3 036	3 000
carpentry products, wooden houses	1 229	1 365	1 603	1 931
wooden packs	252	158	295	295
other products of wood, cork and straw	920	677	691	676
Pulp, paper and paper products	8 897	8 498	7 563	7 439
pulp, paper, cardboard	5 023	4 623	4 037	3 105
products from paper and cardboard	3 874	3 875	3 526	4 334
Furniture	10 510	11 027	11 180	12 159

Source: Trend Analyses

Investments

Development of Investments

Certain producers noticed the recovery of the industry already in spring 2009 taking into account the fact that they were looking for new customers also on the markets of Cyprus or Arabic countries.

Significant investments were made by Kronospan in their plant located in Zvolen. They have stopped the production of floorings in Presov but invested into the plant in Zvolen. During the year 2007 the investment reached 100 million EUR. The company is currently considering a 50 million EUR investment into a more environmental friendly production.

Also the largest Slovak sawmill PRP in Velky Krtis plans to invest into wood drying systems and into the production of semifinished materials for furniture producers.

The company Bukoza in Vranov nad Toplou has been facing significant financial difficulties for a long time. After the ownership structure change are the results improving. The new owner invested more than 30 million EUR into the pulp bleaching line and into the production of energy. Production of their wn energy is cheaper than the purchase from public suppliers.

Source: Trend Top v priemysle 2009

Development of investment activities in 2000 – 2006:

(in mill. EUR)	2000	2001	2002	2003	2004	2005	2006
Investments total	41.68	54.65	74.82	169.13	132.37	135.8	85.56
Out of which into tangible assets	40.52	53.84	73.47	167.05	131.23	134.98	81.88
Into intangible assets	1.16	1.01	1.35	2.08	1.14	0.82	3.68
Investments into technologies	29.78	43.07	54.83	145.60	108.43	113.46	74.62
Annual growth index (in %)	x	131.5	135.0	226.3	73.5	107.6	58.5

Source: Trend Analyses

Successful investments

Companies that have successfully established their production plants in Slovakia (with the assistance of SARIO):

Business name	Country of origin	Place in Slovakia	Year
Scottish Woodlands	UK	Humenné	2002
Nefab	Sweden	Levice	2004
Kronospan Holding	Austria	Zvolen, Prešov	2005
ONTE	Spain	Sobrance	2005
ARTEL SPA / Bivium B.V.	Italy/Belgium	Lisková, Ružomberok	2006
Doka Industrie GmbH	Austria	Banská Bystrica	2006
Rettenmeier Holding AG	Germany	Polomka	2006
Kvist Holding	Denmark	Moldava nad Bodvou	2007
Elastoform	Germany	Brezová pod Bradlom	2003
Compagnucci	Italy	Bánovce na Bebravou	2005
Swedwood	Sweden	Trnava	2005

Companies that were approved the state aid:

Business name	Year	Investment (in mill. EUR)	Aid intensity
Kappa a.s.	2003	17,71	6,8%
Rettenmeier Polomka Timber, s.r.o.	2006	18,12	18,6%
Doka Drevo s.r.o.	2006	12,67	21,32%

Research & Development

R&D is provided mostly under the guidance of the Ministry of Agriculture, the Faculty of Forestry of the Slovak Technical University in Zvolen and in the Institute of Ecology of the Slovak Academy of Sciences in Zvolen,

The particular R&D projects are executed mainly under the guidance of the Ministry of Agriculture, the Slovak Innovation and Energy Agency, Slovak Academy of Sciences and by the Scientific and Grant Agency by the Ministry of Education.

Education

University education:

Town	University	Faculty	Students (2009/2010)	Graduates (2008/2009)
Zvolen	Technická univerzita Zvolen	Faculty of Environmental and Manufacturing Technologies	622	145
		Faculty of Forestry	1 039	307
		Faculty of Wood Sciences and Technologies	1 745	558
		Faculty of Ecology and Environmental Sciences	587	219
		Total	3 993	1 229

Source: UIPŠ, including all forms of study

Useful contacts:

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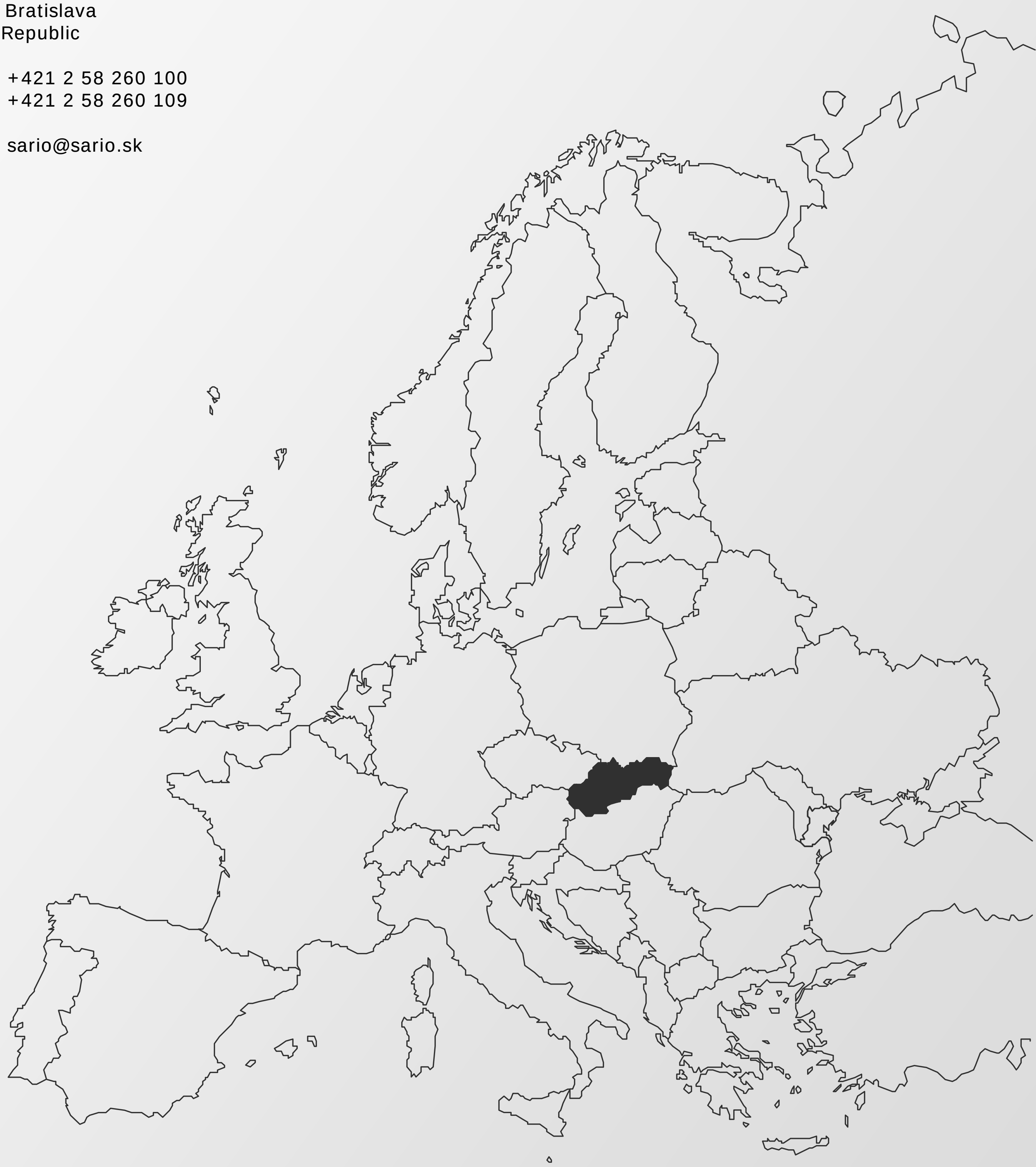

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