



# 13

## Annual Report 2013

Lesy České republiky, s.p.

European Beech





# Contents

Introductory Remarks	2
Highlights of the Year	3
Corporate Profile	4
Organizational Structure	8
Corporate Governance	16
Trends in Core Indicators	17
Report on Company Business Activities and Assets	18
Contractual Relations in Forest Activities	22
Commercial Activity – Sales of Timber and Logging Residues	24
Forest Management	28
Working in the Public Interest	40
Capital Construction	46
Water Management	49
Restoration of Ownership and User Relations, Contractual Transfers	56
Human Resources	61
Communicating with the Public	63
Annual Report of State Enterprise Lesy České republiky, s.p. on Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, for 2013	65

## Financial Section

Independent Auditor's Report on the Financial Statements	68
Financial Statements	70
Notes to Annual Financial Statements	74
Management Statement	89
Auditor's Opinion on the Annual Report	90
Terms and Abbreviations	91
Die hauptsächlichen Ereignisse des Jahres	93
Hechos destacados del año	94

## Introductory Remarks



The state-owned enterprise Lesy České republiky (Lesy CR) herewith presents the Annual Report for 2013 with a summary of information about its activities in the past year. As I have only joined the Company as its Chief Executive Officer on 14 April 2014, I cannot quite provide a comprehensive and objective assessment of the year 2013. However, what certainly deserves your attention are the good economic results achieved in 2013, as well as the fact that 2013 was the first year ever in the history of Lesy CR that the Company transferred to the state a significant portion of its freely available finances as required by the Amendment to the Act on State-Owned Enterprise. In 2013, Lesy CR also had to objectively prepare for and launch the surrendering of the property of the church as part of the church restitution process. I would like to take this opportunity to thank all our employees for their work, which I highly respect.

**Ing. Daniel Szórád, Ph.D.**  
Chief Executive Officer

## Highlights of the Year

2013 was an exceptional year for the state-owned enterprise Lesy České republiky (Forests of the Czech Republic, "LCR") in that it began accepting and processing requests of authorized entities for surrendering of the church property based on the Act on Church Restitutions.

Last year was a standard one in terms of forest management. In May, the Company announced a tender for forestry work on one-fifth of the managed area in a total of 31 contractual territorial units for 2014 through 2018. All contracts resulting from this tender were concluded by the end of the year. In June, an open tender was completed with respect to 29 contractual territorial units from LESS & FOREST s.r.o., with effect from 1 June 2013, for periods of time from 7 months up to 4 years.

In line with valid legislation and approved forest management plans, the Company has continued to provide for performance of all activities related to due care of forests. Throughout 2013, LCR was supervised as part of forest certification in the PEFC system and succeeded in the audits. This is proof of sustainable management of the forests administered by LCR.

2013 may also be viewed favourably with respect to the minimal impact of natural disasters, which remained under 12% of total timber production. The most significant regional episodes included the local windstorm on 18 June 2013, which hit the forests around the town of Krnov in the Moravia-Silesia region, causing windbreaks over the area of 18 hectares and damaging nearly 6,000 m<sup>3</sup> of timber.

In the area of protecting woods against bark beetles, the Company was able, owing to the very warm and dry summer weather, to increase the volume of felling due to bark beetles compared to the previous year, particularly in the north-east section of Moravia, where spruce forests declined due to droughts and honey-fungus.

Over the course of 2013, the Company organized nearly 900 awareness-raising events for the general public about forests and forestry, be they in the form of lectures, discussions, outings or, most frequently, events such as "A Day with LCR." These events took place gradually in all regions of the Czech Republic and attracted over 100,000 visitors.

In December 2013, LCR, for the first time in its history to date, transferred a part of its free financial funds in the amount of CZK 6 billion to an account maintained with the Czech National Bank for the state budget.

LCR concluded the year 2013 with a profit before tax in the amount of CZK 5 billion. Total timber production was 8.040 million m<sup>3</sup>; the Company succeeded in regenerating 13.9 thousand hectares of forests, with the share of soil-improving and strengthening tree species in the first regeneration being 43.2%, and urgent tending of timber stands under 40 years of age was carried out on 36.2 thousand hectares of forests.

# Corporate Profile

## Basic Provisions

### 1. Legal Form

Lesy České republiky, s.p. ("Lesy ČR", "LCR") was founded by Memorandum of Association of the Ministry of Agriculture of the Czech Republic No. 6677/91-100 of 11 December 1991 as a state enterprise under Act No 111/1990 on state enterprises. On 12 August 1997, this memorandum was adapted to Act No. 77/1997 on state enterprises, as amended, by Decision of the Ministry of Agriculture of the Czech Republic No 3217/97-1000.

Company management is also governed by a charter published by the Ministry of Agriculture of the Czech Republic under number 57493/2013-MZE-12141 on 10 September 2013. Lesy České republiky, s.p., a state enterprise, was incorporated on 1 January 1992 by entry in the Commercial Register kept by the Regional Court in Hradec Králové under Section A XII, Entry 540, with registration number 42196451 and VAT number CZ42196451.

### 2. Registered Office

Hradec Králové, Přemyslova 1106, PSČ 501 68

### 3. Primary Business Activity

- Direct management by the company or via select business partners ensuring the optimal performance and function of forests and Forest Activities;
- the exercise of all ownership rights attached to state assets which the company is entitled to manage, subject to the founder's consent to legal acts associated with specified property;
- exercise of the right to manage state-owned forests as granted to Lesy České republiky by the state;
- exercise of the right to manage other state-owned movable and immovable assets entrusted to the company to carry out its tasks, and the right to engage in non-business activities with state property in the company's own name at its own responsibility;
- the exercise of the rights and obligations of a forest owner under the Forest Act in relation to state-owned forests which the company is entitled to manage;
- professional forest management;
- protective forest services.

### 4. Other Areas of Business

The company's other business activities are listed in the Commercial Register kept by the Regional Court in Hradec Králové (a full list of the company's business activities can be found in Section A XII, Entry 540).

### 5. Business Principles

Lesy ČR plans and carries out forestry work with a view to optimizing all functions of the forests it manages with a view to the demands of the market.

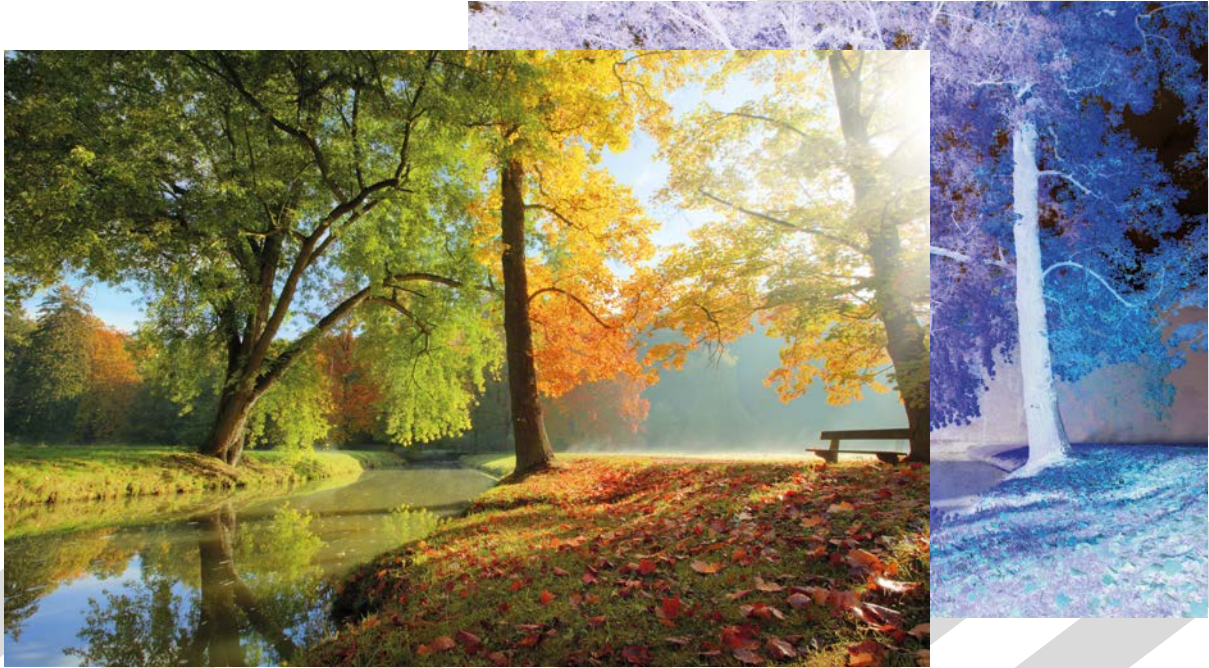
In pursuing this goal, the company applies principles of sustainable forest management, which is a prerequisite for the sustainable production of quality timber, while respecting and developing all other forest functions (especially the non-productive role of forests).

The aim of forestry work planning and implementation is to establish harmony between the need for, creation of and use of the company's own funds and to seek the most economical use of effective appropriations from the national budget and other sources. The specific elements of Lesy ČR's business activities and its organizational structure are constantly adapted to these basic principles.



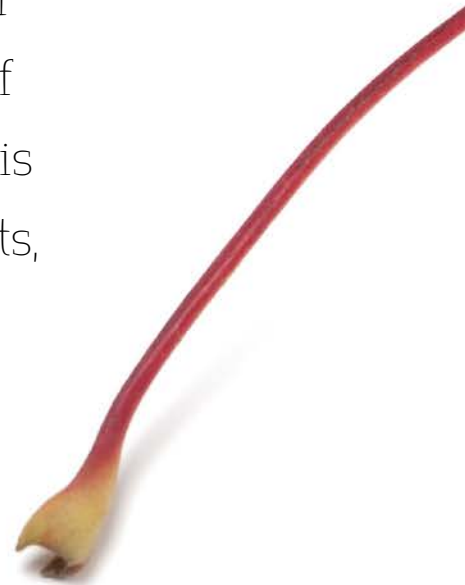


# Acer



## **Maple (*Acer*)**

A genus from the soapberry family (sapindaceae). These are deciduous trees, in rare cases shrubs, with palmate lobed leaves. In the CR there are three domestic species – sycamore, Norway maple and field maple. Maple wood is one of our lightest-coloured woods and is used to make musical instruments, furniture and kitchen utensils.







**Maple**

# Organizational Structure

## 1. Chief Executive Officer

The company is headed by the Chief Executive Officer, who is responsible for the company's activities and acts on its behalf in all matters. The Chief Executive Officer is the company's "governing body" and is described as such in the Commercial Registry.

The Chief Executive Officer is appointed and removed from office by the Minister for Agriculture. The Chief Executive Officer appoints and removes his deputies (Chief Financial Officer, director of forest and water management, administrative director, director of production), who, in his absence, represent him to the full extent of his rights and obligations. The heads of sections, as deputies and representatives of the governing body, are listed in the Commercial Register. The Chief Executive Officer sets the order in which his deputies represent him.

The Chief Executive Officer appoints and removes other senior staff as managers of the company's organizational units:

- unit manager,
- regional head office manager,
- forest manager,
- water manager.

## 2. Company Management as of 31 December 2013

The company's management consists of the Chief Executive Officer and the heads of various sections, which are:

- Chief Financial Officer,
- director of forest and water management,
- administrative director,
- production director.

## 3. Decision Making

The Chief Executive Officer decides on all matters not placed by law within the competence of the founder. The Chief Executive Officer makes decisions on matters defined by the State Enterprises Act and the company charter after the founder and the Supervisory Board have expressed their views or given consent.

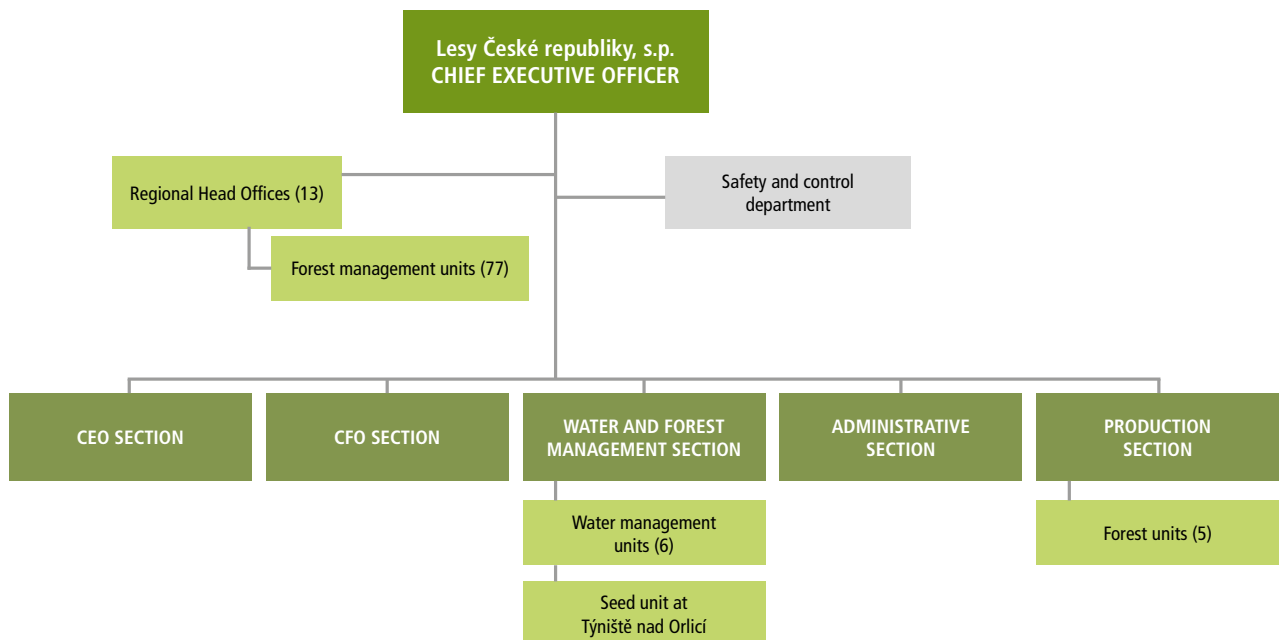
## 4. Structure of Lesy ČR

Lesy ČR is broken down into a Central Head Office and organizational units (forestry units, a seed unit, water management units and regional head offices). Regional head offices are in charge of forest management units.

### Overview of Number of Organizational Units as of 31 December of Each Year

Year	2009	2010	2011	2012	2013
RHO	13	13	13	13	13
FMU	77	77	77	77	77
FU, SU	6	6	6	6	6
WMU	6	6	6	6	6

## Basic Organizational Structure as of 31 December 2013



### Status as of 31 December 2013

#### Central Head Office

The Central Head Office oversees matters associated with the company's legal status and strategic management and is responsible for ensuring uniform forest, commercial, financial administrative and human resources management.

#### Sections and Departments at the Central Head Office

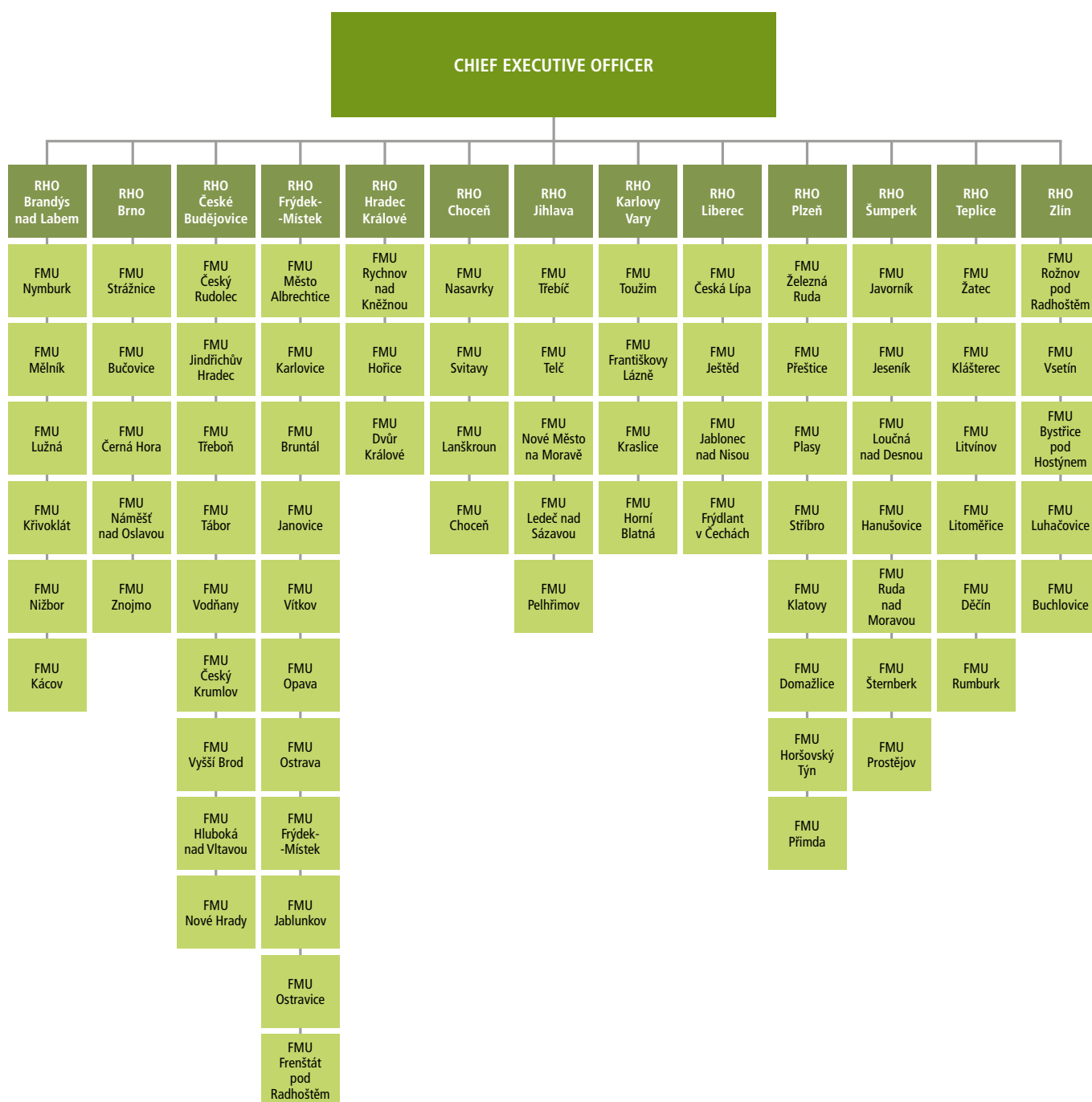
Specialized tasks at the Central Head Office are performed by individual sections, which are the CEO and CFO sections, the forest and water management section, the administrative section and production section. Sections are divided into departments, which may be further divided into units. All sections and departments, within the scope of their competence, work together to perform the company's tasks and pursue its mission.

The Central Head Office directly manages 13 regional head offices, 5 forest units, 1 seed unit and 6 water management units.

The regional head offices directly manage 77 forest management units. The sections and departments guide the organizational units within the spheres of their expertise.

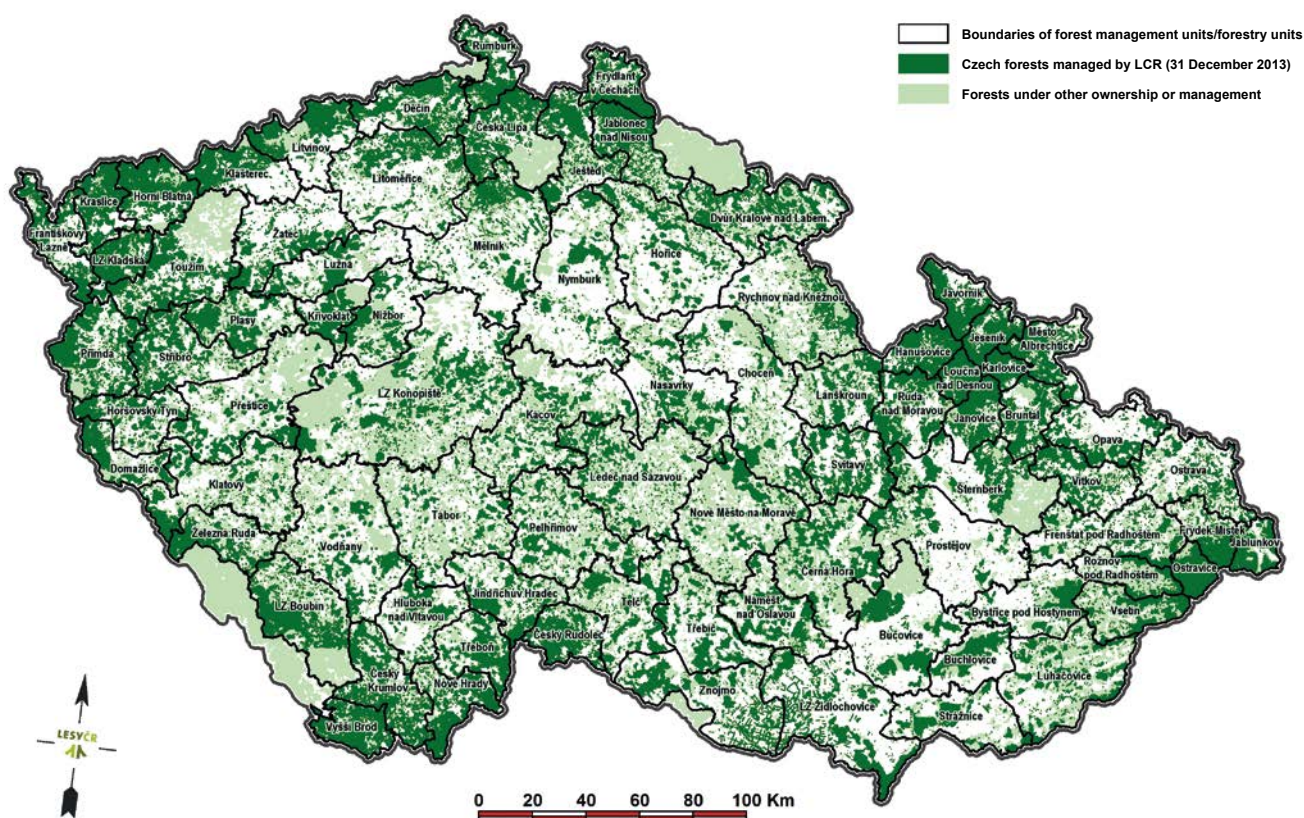
At the behest of the Ministry of Agriculture, the Krušné hory forest unit was created on 1 October 2013.

## Organizational Structure of Regional Head Offices as of 31 December 2013

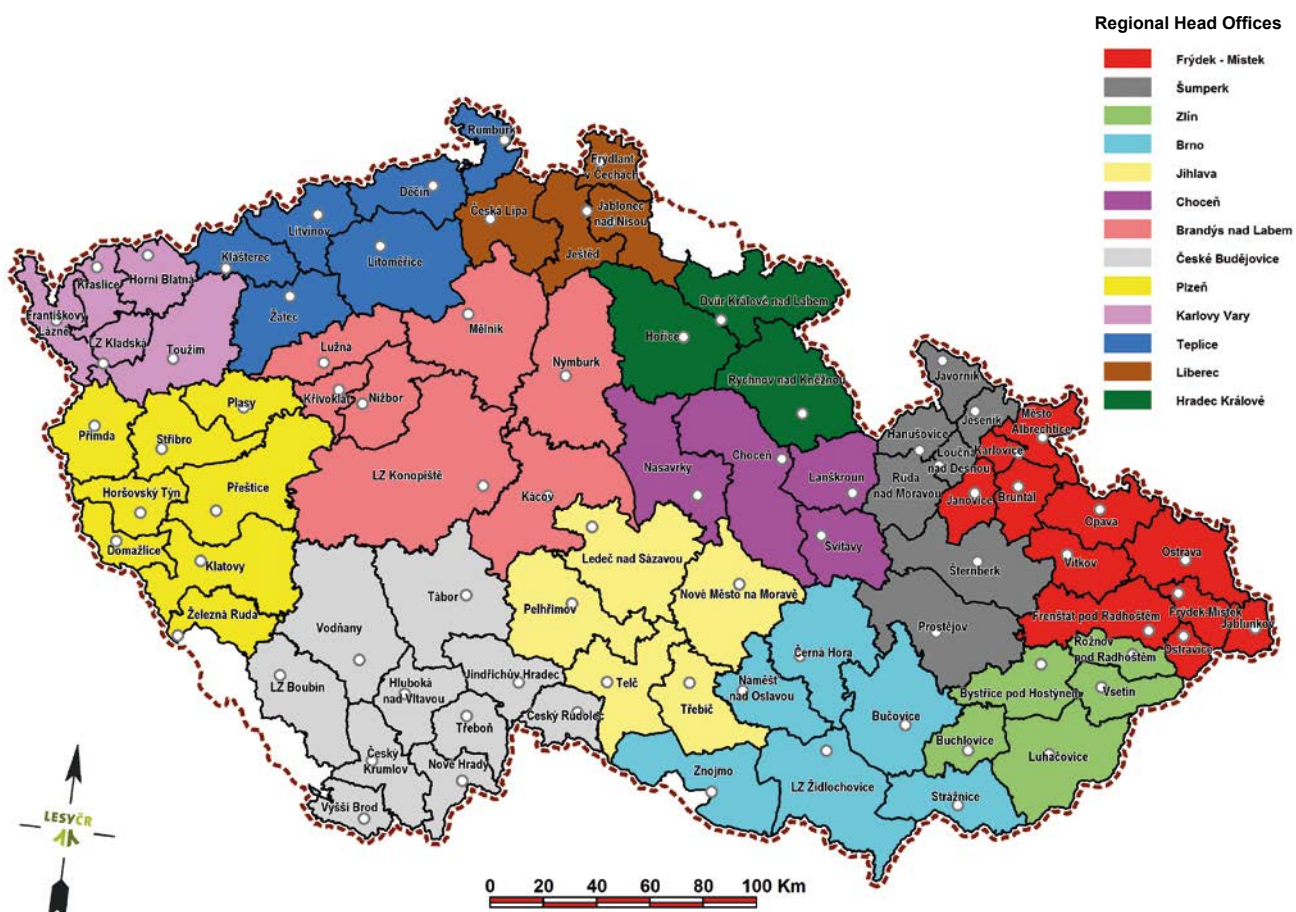




## Overview of Assets Managed by Lesy ČR









**Picea**





## **Spruce (*Picea*)**

A genus from the pine family (pinaceae). This is a coniferous tree growing to heights of 20-50m, with a conical crown of whorled branches. The spruce is the most widespread species of timber in the CR. Spruce wood is used in the paper and construction industries, furniture making, the chemical industry and the making of musical instruments.





**Spruce**

# Corporate Governance

## Governing Body and its Representatives as of 31 December 2013

### Michal Gaube

Chief Financial Officer, acting Chief Executive Officer

### Pavel Indra

Director of Forest and Water Management

### Jiří Červenka

Administrative Director

### Zdeněk Sýkora

Production Director

### Personnel Changes from 1 January 2013 to 30 April 2014:

On 1 April 2013 Pavel Indra was appointed to the newly created position of Director of Forest and Water Management, on 5 April 2013 Jiří Červenka was appointed to the newly created position of Administrative Director, on 31 March 2013 commercial section was dissolved and on 5 April 2013 Zdeněk Sýkora was effectively appointed to the newly created position of Production Director.

On 14 April 2014 Daniel Szórád, Ph.D. was appointed CEO.

## Management of Organizational Units as of 31 December 2013

### Regional Head Offices

**Jiří Makovec**, Regional Head Office Director in Brandýs nad Labem

**Vladimír Jandásek**, Regional Head Office Director in Brno

**Karel Trúbl**, Regional Head Office Director in České Budějovice

**Jiří Silvestr**, Regional Head Office Director in Frýdek – Místek

**Daniel Vlkánova**, Regional Head Office Director in Hradec Králové

**Roman Vohradský**, Regional Head Office Director in Choceň

**Jan Sovák**, Regional Head Office Director in Jihlava

**Vladimír Rozner**, Regional Head Office Director in Karlovy Vary

**Ludvík Řiřáček**, Regional Head Office Director in Liberec

**Ivan Klik**, Regional Head Office Director in Plzeň

**Zdeněk Horák**, Regional Head Office Director in Šumperk

**Zdeněk Růžek**, Regional Head Office Director in Teplice

**Martin Pavlíček**, Regional Head Office Director in Zlín

### Forest Units

**Jaromír Kříha**, Forest Unit Director in Boubín

**Jan Němický**, Forest Unit Director in Kladská

**Miroslav Jankovský**, Forest Unit Director in Konopiště

**Miroslav Svoboda**, Forest Unit Director in Židlochovice

**Zdeněk Sýkora**, was entrusted with the management of the Krušné Hory Forest Unit.

### Seed Unit

**Zuzana Neznajová**, Seed Unit Director at Týniště nad Orlicí

## Supervisory Board as of 31 December 2013:

**Miroslav Zámečník**

– Chairman

**Jaromír Kříha**

– Vice-Chairman

**Miroslav Jankovský**

**Bohumír Lomský, CSc.**

**Karel Trúbl**

**Jan Sixta**

**Luděk Šišák, CSc.**

**Jaromír Vašíček, CSc.**

**Martin Žižka, Ph.D.**

Six members of the Supervisory Board are appointed by the founder – The Ministry of Agriculture of the CR, while three are elected by company employees.

### Personnel Changes on the Supervisory Board from 1 January 2013 to 30 April 2014:

On 8 August 2013 Radek Braum was removed from the Supervisory Board and on 9 August 2013 Martin Žižka, Ph.D. was appointed.

On 10 October 2013 Libor Lukáš, Robert Knobloch, Jiří Liška and Radek Vonka were removed from the Supervisory Board and Bohumír Lomský, CSc., Jan Sixta, Luděk Šišák, CSc., and Jaromír Vašíček, CSc. were appointed.

On 18 February 2014 Jan Sixta resigned from the Supervisory Board and on 19 February 2014 Jiří Jirsa, MEPP, Ph.D. was appointed.

### Audit Committee

On 24 April 2014 the following members were appointed to the Audit Committee, which was established according to the Rules of Procedure of the Supervisory Board:

Josef Jaroš, MBA

Ing. Miroslav Zámečník

Ing. Jaromír Vašíček, CSc.



## Trends in Core Indicators

Year		2009	2010	2011	2012	2013
Area of forestland	in thousands of ha	1,345	1,343	1,342	1,338	1,337
Surface area of stands	in thousands of ha	1,308	1,306	1,306	1,300	1,300
Logging	in thousands of m <sup>3</sup>	7,723	8,052	8,024	7,844	8,040
Logging per ha of stand area	m <sup>3</sup>	6	6	6	6	6
Reforestation	ha	12,839	13,657	13,731	13,100	13,910
Tending of young forest stands	ha	41,562	43,792	45,823	40,152	40,072
Total revenue	in millions of CZK	9,135	11,288	13,261	13,138	14,031
Revenue from operations	in millions of CZK	8,437	10,818	12,832	12,281	12,144
Total costs	in millions of CZK	8,553	8,730	9,036	8,730	10,041
Operational costs	in millions of CZK	7,940	7,925	7,778	7,188	7,544
Staff costs	in millions of CZK	1,584	1,496	1,505	1,601	1,656
Value added	in millions of CZK	2,359	4,268	7,070	7,356	6,842
Profit (loss) after tax	in millions of CZK	582	2,558	4,225	4,408	3,990
Total assets	in millions of CZK	69,714	72,470	78,222	81,830	79,853
Fixed assets	in millions of CZK	62,117	62,984	65,597	69,352	67,680
Current assets	in millions of CZK	7,516	9,452	12,519	12,392	12,056
Equity	in millions of CZK	65,167	67,576	72,642	76,964	74,804
Liabilities (debt)	in millions of CZK	4,467	4,819	5,505	4,780	4,956
Cash flow from operations	in millions of CZK	1,725	840	4,106	1,712	7,529
Cash flow from investment	in millions of CZK	(490)	(472)	(447)	(1,048)	(910)
Cash flow financial operations	in millions of CZK	(51)	(25)	(55)	13	(6,010)
Number of employees	persons	3,547	3,242	3,177	3,213	3,271

# Report on Company Business Activities and Assets

## Property

As of 31 December 2013, the company had assets, including forestland, with a net worth of CZK 79.9 bil. Fixed assets amounted to CZK 67.7 bil., with the value of land, primarily forestland, accounting for CZK 53.2 bil. The value of all land declined by CZK 10 mil., and its share in the total assets increased to 66.7 % as of 31 December 2013 (65.1% in 2012, 86.4 % in 1995). The increase can be attributed to the reduction in financial assets due to the transfer of CZK 6 bil. to the state budget. The company's total assets declined by CZK 1.977 bil. (i.e. by 2.4%); total assets adjusted for the value of forestland in 2013 declined by CZK 1.937 bil., i.e. by 6.4 %.

### Total Assets (CZK mil.)

Year	2011	2012	2013
Total assets	78,222	81,830	79,853
Value of forestland	51,700	51,594	51,554
Total assets not including forestland	26,522	30,236	28,299

## Assets

During the course of 2013 there were changes in asset structure. There was a decline in the absolute value of financial assets, both long-term (a decline of CZK 1.816 bil.) and short-term (decline of CZK 566 mil.), due to the transfer of CZK 6 bil. to the state budget with relatively minor changes to other items. Total financial assets declined by CZK 2.382 bil. (i.e. 13.9 %). Receivables increased by 16.9% to CZK 1.828 bil. (thanks to higher standing timber sales at the end of 2013 compared to 2012), while inventories declined by 17.5% to CZK 160 mil.

### Asset Structure Not Including Forestland (CZK mil.)

Year	2011	2012	2013
Total assets	26,522	30,236	28,299
Fixed assets	13,897	17,758	16,126
Inventories	191	194	160
Receivables	2,076	1,564	1,828
Short-term financial assets	10,252	10,634	10,068
Accruals	106	86	117

## Liabilities

Equity decreased by CZK 2.160 bil. The main reason is the transfer of funds from past profit to the state budget. Capital funds were reduced by CZK 139 mil. Registered capital was increased by CZK 265 mil., with CZK 256 mil. coming from the investment development fund. Provisions are higher by CZK 139 mil., due to an increase in prices for ensuring plantations established by the valuation decree. Liabilities increased by CZK 37 mil., mostly due to trade payables which increased by CZK 191 mil., deposits received increased by CZK 47 mil., liabilities to the state decreased by CZK 219 mil. due to lower tax obligations. Year of year profits declined by 9.5% (by CZK 418 mil.).

### Structure of Liabilities Not Including Forestland (CZK mil.)

Year	2011	2012	2013
Total liabilities	26,522	30,236	28,299
Registered capital	11,373	11,705	11,970
Capital funds	(134)	(134)	(233)
Funds created from profit, retained earnings	9,703	13,798	11,513
Provisions	3,496	3,432	3,571
Payables	2,009	1,348	1,385
Accruals	75	87	93

### Total Assets (CZK mil.)

Year	2011	2012	2013	13-12	%
Total assets	78,222	81,830	79,853	(1,977)	(2.4)
Fixed assets	65,597	69,352	67,680	(1,672)	(2.4)
Intangible fixed assets – net	509	542	424	(118)	(21.8)
Tangible fixed assets – net	62,225	62,361	62,623	262	0.4
– of which land	53,331	53,242	53,232	(10)	0.0
Financial investments	2,863	6,449	4,633	(1,816)	(28.2)
Current assets	12,519	12,392	12,056	(336)	(2.7)
Inventories	191	194	160	(34)	(17.5)
Long-term receivables	7	6	0	(6)	(100.0)
Short-term receivables	2,069	1,558	1,828	270	17.3
Short-term financial assets	10,252	10,634	10,068	(566)	(5.3)
Accruals	106	86	117	31	36.0

### Total Liabilities (CZK mil.)

Year	2011	2012	2013	13-12	%
Total liabilities	78,222	81,830	79,853	(1,977)	(2.4)
Equity	72,642	76,964	74,804	(2,160)	(2.8)
Registered capital	11,373	11,705	11,970	265	2.3
Capital funds	51,566	51,460	51,321	(139)	(0.3)
Funds created from profit	5,478	5,187	4,957	(230)	(4.4)
Retained earnings	0	4,204	2,566	(1,638)	(39.0)
Profit for the current period	4,225	4,408	3,990	(418)	(9.5)
Liabilities (debt)	5,505	4,780	4,956	176	3.7
Provisions	3,496	3,432	3,571	139	4.1
Payables	2,009	1,348	1,385	37	2.7
Accruals	75	86	93	7	8.1

## Costs

In 2013 there was an increase in total costs by CZK 1.311 bil. (15.0 %). The cost of sales increased by CZK 395 mil. (9.2 %), which was primarily due to higher costs for planting activity (CZK 181 mil.) and a higher volume of building maintenance (CZK 237 mil.). Another factor contributing to increased costs was the rise of depreciation by 4.7%, due to new investments, especially in intangible fixed assets. Staff costs increased by 3.4%, mostly due to an increase in average wage resulting from the collective labour agreement and the increased number of employees required to administer the ongoing restitution of property to the church. Reserves and provisions declined by CZK 144 mil. New provisions were created primarily for planting activities due to the increase in costs for ensuring plantations established by the valuation decree. Costs for financial activities increased by CZK 1.058 bil. because of the greater volume of securities purchased and sold.

### Total Costs (CZK mil.)

Year	2011	2012	2013	13-12	%
Total costs	9,036	8,730	10,041	1,311	15.0
Costs of operations	7,778	7,188	7,544	356	5.0
Costs of goods sold	3	3	3	0	0.0
Cost of sales	4,645	4,281	4,676	395	9.2
Staff costs	1,505	1,601	1,656	55	3.4
Taxes and charges	161	163	161	(2)	(1.2)
Depreciation	662	688	720	32	4.7
Net book value of fixed assets and raw material sold	177	45	55	10	22.2
Change in reserves and provisions	505	324	180	(144)	(44.4)
Other operating expenses	120	83	93	10	12.0
Cost of financing activities	208	472	1,530	1,058	224.2
Income tax	1,050	1,070	967	(103)	(9.6)

### Full Internal Costs

Year	Total in CZK mil.			CZK per ha of Forestland		
	2011	2012	2013	2011	2012	2013
Logging costs	2,742	2,880	2,629	2,044	2,153	1,966
Cultivation	2,421	2,353	2,506	1,804	1,759	1,874
Road and slope-road repairs	829	854	1,106	618	638	827
Increase in provisions	385	(64)	140	287	(48)	105
Maintenance of fixed assets	341	316	393	254	236	294
Hunting	171	186	172	127	139	129
Government contracts	121	79	153	90	59	114
Seed production	98	65	72	73	49	54
Timber production	46	48	49	34	36	37
Timber purchases	3	3	2	2	2	1

### Direct Cultivation Costs

Year	Total in CZK mil.			CZK per ha of Forestland		
	2011	2012	2013	2011	2012	2013
Total	1,753	1,629	1,810	1,307	1,218	1,354
Reforestation	627	593	656	467	443	491
Care of young plantations	639	623	701	476	466	524
Cleaning (juvenile thinning)	139	131	142	104	98	106
Forest protection	59	60	74	44	45	55
Fertilization and liming	8	5	5	6	4	4
Other cultivation care	281	217	232	209	162	174

## Revenue

In 2013 there was an increase in total revenue (by 6.8 %). With respect to operating revenue, there was an increase in revenue from the sale of fixed assets by CZK 29 mil. There was a slight drop in production of 1.0% (CZK 119 mil.). Revenue from financial activity more than doubled over the previous year to CZK 1.887 bil. This growth was primarily due to a greater volume of securities sold.

### Total Revenue (CZK mil.)

Year	2011	2012	2013	13-12	%
Total revenue	13,261	13,138	14,031	893	6.8
Revenue from operations	12,832	12,281	12,144	(137)	(1.1)
Sales of goods	4	4	4	0	0.0
Production	11,714	11,637	11,518	(119)	(1.0)
Revenue from the sale of fixed assets and material	775	236	265	29	12.3
Other operating revenue	339	404	357	(47)	(11.6)
Revenue from financial activity	429	857	1,887	1,030	120.2
Revenue from the sale of securities	123	422	1,444	1,022	242.2
Interest revenue	102	188	190	2	1.1
Other financial revenue	204	247	253	6	2.4

## Earnings

Profit after tax declined year over year by CZK 418 mil.

The decline in profit was mainly due to a drop in operating revenue as well as revenue from financial operations.

Operating profit in 2013 was CZK 4.600 bil., which represents a decline of CZK 493 mil. compared to 2012. Higher annual lumber sales were affected by a drop in lumber sales, higher cultivation costs and greater building maintenance.

Financial profit declined year over year by CZK 28 mil. totalling CZK 357 mil. in 2013.

### Earnings for the Accounting Period (CZK mil.)

Year	2011	2012	2013	13-12	%
Net profit/loss for the period	4,225	4,408	3,990	(418)	(9.5)
Profit/loss before tax	5,275	5,478	4,957	(521)	(9.5)
Operating profit/loss	5,054	5,093	4,600	(493)	(9.7)
Financial profit/loss	221	385	357	(28)	(7.3)



## Contractual Relations in Forest Activities

Forest Activities comprise planting and harvesting operations and timber sales. Income from these activities is crucial to the economic standing of LCR.

In 8 % of the forests managed, Forest Activities are carried out by 5 directly managed forest units, while for the remaining 92 % of land (77 forest management units) private companies are contracted to carry out forestry work, with the contracts awarded through public tenders.

In 2013 the company continued with minor changes reflecting the conclusions of the "round table" meetings with representatives of the Ministry of Agriculture, LCR and forestry and timber organizations regarding the manner of awarding contracts from previous years, based on the Ministry of Agriculture's business policy of LCR (hereinafter the "Concept").

In May 2013 an open tender was announced for the award of public contracts titled "Conducting Forest Activities with standing timber sales – 2014+" for the period of 1 January 2014 to 31 December 2018. The public contract was divided into 31 parts based on contractual territorial units, with an anticipated total value of the public contract of CZK 2.8 bil. not including VAT.

In the tender, 29 candidates submitted a total of 232 bids for individual territorial units. There was an average of 8 bids submitted for each territorial unit.

During the tender, no complaints were filed by the candidates.

Contracts were concluded for 30 of the 31 total parts of the public contract, in each case with the top-rated bidder. Contracts were concluded during October 2013, sufficiently in advance of the deadline for commencing the contracted work.

One part of the public contract (for the territorial unit of Luhačovice) was cancelled, because the top-rated bidder refused to conclude a contract. This part of the public contract was placed into a new open tender. A contract was then signed effective as of 1 February 2014.

Another open tender was held in 2013, "Conducting Forest Activities with standing timber sales – from 1 June 2013", which was begun in December 2012. This public contract was divided into 32 parts based on contractual territorial units, with an anticipated total value of the public contract of CZK 1.3 bil. not including VAT.

31 of the 32 parts of the public contract involved the award of contracts made necessary by the commencement of insolvency proceedings against the assets of LESS&FOREST s.r.o. One part of the public contract (territorial unit Podještědí) was a repeat tender after this territorial unit was cancelled in the tender titled "Conducting Forest Activities with standing timber sales – 2013+".

*(Note: up until 31 May 2013 necessary work was carried out for these territorial units based on public contracts awarded through unpublicized tenders).*

In the tender, 27 candidates submitted a total of 198 bids for individual parts of the public contract (territorial units). There was an average of 7.3 bids submitted for each territorial unit.

During the tender, one of the participants submitted objections in 3 parts of the public contract.

Contracts were concluded for 31 of the 32 total parts of the public contract, 26 with the top-rated bidder, 4 with the second-ranked bidder, and 1 with the third-ranked bidder. Contracts were concluded during October 2013, sufficiently in advance of the deadline for commencing the contracted work.

One part of the public contract (for Račice) was cancelled, because the top-rated bidder refused to conclude a contract. This part of the public contract was awarded in a new open tender for work to be carried out from 1 December 2013. Up until 30 November 2013, necessary work at Račice was carried out based on public contracts awarded through unpublicized tenders.

In September 2013 the contract for the Ostravice territorial unit was cancelled. A new public contract for this territorial unit was awarded in an open tender for work beginning on 1 February 2014.

A current overview of territorial units and contractual partners is posted by LCR on its website:

<http://www.lesy.cz/o-nas/prehled-suj-a-smluvnich-partneru/Stranky/default.aspx>.

**Recapitulation of LCR tenders for Comprehensive Forestry Contracts, Prepared Based upon the Concept for 2011 and 2012 and 2013:**

Type of Tender	No. of Parts to the Public Contract	No. of Contracts Concluded
Restricted tender from 1 January 2012	117	94
Open tender from 1 July 2012	24	24
Restricted tender from 1 January 2013	31	30
Open tender from 1 June 2013	32	31
Open tender from 1 January 2014	31	30

An overview of the course of contracts including future forecasts is given in the following diagram:

Year	2013		2014	2015	2016	2017
Month	1-5	6-12				
	RT 2012 (43*)		(29*)	(24*)	(12*)	
	OT 2012 (16*)		(13*)	(9*)	(6*)	
	CPC (32*)	OT 2013 (31*)	(22*)	(15*)	(6*)	(1*)
	OT 2013 Velká Chmelištná (1*)					
	RT 2013+ (30*)					
		CPC Račice (1*)	OT Račice (1*)			
			OT 2014+ (30*)			
			OT Luhačovice (1*)			
			OT Ostravice (2*)			
				RT 2015+ (23*)		
Total CTU	122		129	134		

as of 22 April 2014

 Tendered contracts	 Ongoing tenders	(*) Number of CTU
 Before signature of contract	 Projected	

## Commercial Activity – Sales of Timber and Logging Residues

In 2013, the sale of timber continued in a manner similar to previous years.

The bulk of the wood from forest management units (FMU) was sold as standing timber (6,119,000 m<sup>3</sup>). At territorial units with comprehensive forestry contracts, there was an increase in electronic auction sales of standing timber (1,151,000 m<sup>3</sup>).

The roadside type model of sales was applied almost exclusively to forest unit land, with the exception of the sale of approx. 1,000 m<sup>3</sup> at five locations.

During 2013, wood from forest unit sources (477,000 m<sup>3</sup>) was supplied to the market through the following sales channels:

- Commodity exchange 291,000 m<sup>3</sup>
- Electronic auctions 110,000 m<sup>3</sup>
- Other sales (direct sales, own production, fuel, etc.) 76,000 m<sup>3</sup>

### Logging Residues

During the course of 2013 total sales of logging residues were 1,221,000 m<sup>3</sup>. Logging residues were sold through three sales channels:

- Framework purchasing agreements (743,000 m<sup>3</sup>),
- Electronic auctions of logging residues (375,000 m<sup>3</sup>),
- Other sales (103,000 m<sup>3</sup>).

LCR carried out public tenders for the sale of logging residues at three Regional Offices. From these tenders, a single general purchase agreement was concluded.

### Standing Timber Auctions

In 2013, LCR increased the sale of standing timber through public online auctions by 5% over the previous year. The success rate of this manner of sale was 66%. During the period more than 4,600 auctions were held offering 2,008,000 m<sup>3</sup> of standing timber. Sales were made in 2,677 auctions for 1,326,000 m<sup>3</sup> of timber, 1,151,000 m<sup>3</sup> of which was harvested in 2013.

In December 2013, LCR conducted a pilot programme at the Frýdek-Místek Regional Office for auction sales of wood. Over 5,000 m<sup>3</sup> of standing timber was offered at 15 sales units. During the project, 4,563 m<sup>3</sup> were sold.



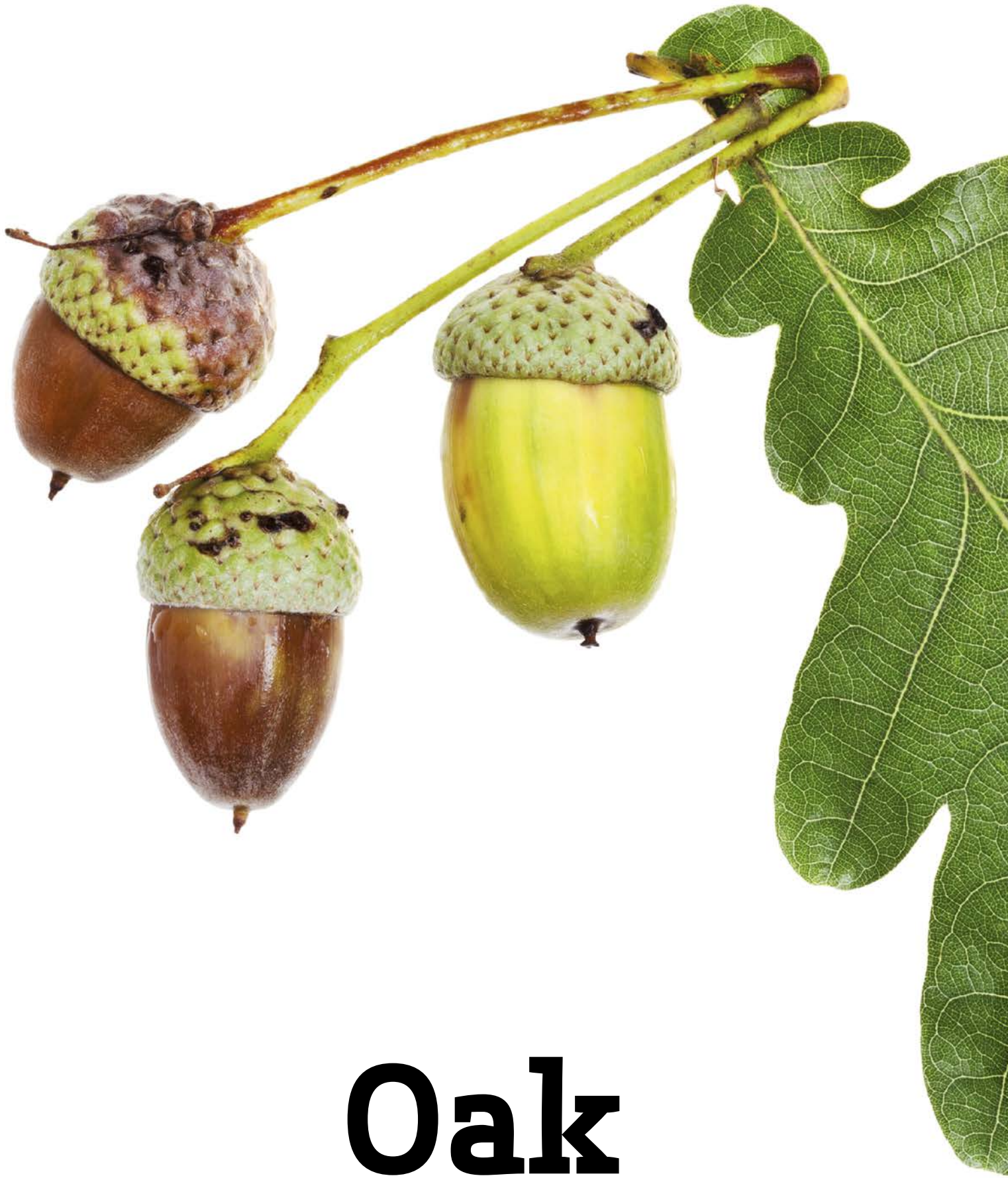
**Quercus**





## **Oak (*Quercus*)**

A genus from the beech family (Fagaceae). Oaks are evergreen or deciduous trees with simple alternate leaves and primarily lobed blades. The fruit is an achene (acorn) in a cup-shaped shell. Oaks account for 7% of total forested lands in the CR. Oak wood is hard and very durable.



**Oak**

# Forest Management

## Gene Pool of Forest Tree Species

The preservation and regeneration of the gene pool of forest tree species, combined with greater forest diversity are important priorities in the sustainable management policy of LCR.

### Status of Genetic Resources Managed by LCR in 2013

Genetic Resources	Number (pcs)	Area (ha)
Genetic bases	143	74,115
Selected resources (A, B)	–	56,187
Identified resources (C)	–	59,587
Seed plantations	92	215
Clone mixes	13	9
Parent trees, clones	3,478	--

### Operating Stock of Raw Materials and Seeds of LCR as of 31 December 2013

Tree Species	Raw Material Quantity (kg)	Seeds Quantity (kg)
SM	1,790	1,452
BO	769	1,205
MD	0	136
JD	7,588	191
DG	0	100
DB	0	485
BK	0	10,558

The seed stock at the Gene Bank of Regional Tree Species was not replenished in 2013 and is given in the table.

### Seed Bank of Regional Populations – Stocks as of 31 December 2013

Tree Species	Number of Departments	Amount in kg
SM	47	240
BO	28	45
MD	1	2

In 2013, 125t of seed material was collected (51t of coniferous trees, 74t of deciduous trees), 81t of which were delivered for immediate planting (especially beech, oak and fir seeds).

At the Týniště nad Orlicí seed unit 2,182 kg of seed were stratified, especially beech, and more than 44 tons of seed material was processed (29 tons of pine cones and 11 tons of beech nuts). Despite encouraging initial growth of spruce seedlings, the harvest throughout the CR was uneven and often damaged by insect pests. Likewise, the harvest of beech, oak and sessile oak was also uneven.

In accordance with the Concept for Preserving and Reproducing Genetic Resources of Forest Species at Lesy České republiky, s.p. for the period of 2010 – 2019, possession was taken in 2013 of the results of the project titled "Establishing a Second Generation of Scotch Pine Seed Orchards Using Genetic Markers". This project created documentation to establish second generation seed orchards for the "Třeboň" and "West Bohemian" ecotypes for Scotch pine, which will be used to request registration of these seed orchards.

In 2013 4,212,000 seedlings were produced at LCR forest units.



## Silviculture

The cultivation of LCR-managed forests was based on the principles of sustainable forest management coupled with respect for all statutory provisions and the rules laid down by the PEFC forest certification system.

### Non-Stocked Land Compared to Timber Land

Year	2009	2010	2011	2012	2013
Area of timber land (thousands of ha)	1,308	1,306	1,306	1,300	1,300
Non-stocked land as of 31 December (ha)	13,894	13,697	13,224	13,631	13,001
Non-stocked land as of 31 December (%)	1.06	1.05	1.01	1.05	1.00

### Share of Conifers and Deciduous Trees in Artificial Reforestation

Year	2009	2010	2011	2012	2013
Conifers (ha)	6,071	6,135	6,511	5,826	5,960
– fir trees (ha)	621	664	575	464	427
Fir trees – % artificial regeneration	6.03	6.11	5.26	4.72	4.14
Deciduous (ha)	4,226	4,724	4,422	4,002	4,349
Deciduous – % artificial regeneration	41.04	43.50	40.44	40.72	42.19
Deciduous and firs (%)	47.07	49.62	45.70	45.44	46.33

As in previous years, in 2013 the share of deciduous trees as firs (used as soil-improving and strengthening species in most habitats in accordance with the Forest Act) was significantly higher than required by law. In initial rounds of regeneration in 2013, 43.2 % of the trees LCR planted were soil-improving and strengthening species, which again significantly exceeds the annual requirement for soil-improving and strengthening trees according to current forest management plans. Gradual changes in the species composition of forest stands have made them more resistant in recent years to negative influences such as extreme temperature fluctuations, natural disasters, and pests.

In 2013, LCR planted a total of 59,933,000 seedlings.

### Share of Natural Regeneration in Initial Regeneration

Year	2009	2010	2011	2012	2013
Total initial generation (natural and artificial) (ha)	11,437	11,981	11,996	11,364	11,786
Natural regeneration (ha)	2,500	2,798	2,797	3,201	3,601
Natural regeneration (%)	21.85	23.35	23.32	28.17	30.55

The share of natural regeneration in 2013 was the highest in the past 5 years, particularly the share of natural regeneration where cover was 1/3.

### Select Management Indicators

Year	2009	2010	2011	2012	2013
Non-stocked land as of 31 December (ha)	13,894	13,697	13,224	13,631	13,001
Clearings from logging (ha)	9,047	10,130	9,882	9,847	9,204
Artificial (first and repeated) regeneration (ha)	10,339	10,859	10,934	9,899	10,309
Natural regeneration (ha)	2,500	2,798	2,797	3,201	3,601
Total regeneration (ha)	12,839	13,657	13,731	13,100	13,910
Cleaning (ha)	19,881	21,057	22,458	20,670	20,997
Thinning (ha)	42,662	43,792	51,619	42,911	40,072
Logging (thousands of m <sup>3</sup> )	7,723	8,052	8,024	7,836	8,035
– salvage felling (thousands of m <sup>3</sup> )	3,093	2,934	1,769	1,521	2,014
Share of salvage felling (%)	40.06	36.44	22.05	19.42	25.06
Logging (m <sup>3</sup> ) per ha of timber land	5.90	6.17	6.14	6.03	6.18



The annual plan to balance stands under and over 40 years old was maintained in 2013. There was logging on 40,000 hectares of young stands up to 40 years old, while 36,200 hectares of stands up to 40 years old were cleaned and thinned. In 2013 salvage felling accounted for 25% of total logging. This share was somewhat higher than the previous year, particularly due to the processing of bark beetle timber in areas of Northeast Moravia. Of this salvage felling, nearly 46% was necessitated by natural factors (mostly wind damage), while insect damage accounted for 31%. Total logging in 2013 did not reach the annual limits set by the forest management plans.

#### Select Management Indicators per 1,000 ha of Forest

Year	2009	2010	2011	2012	2013
Non-stocked land as of 31 December (ha)	10.62	10.49	10.13	10.48	10.00
Clearings from logging (ha)	6.94	7.76	7.57	7.57	7.08
Artificial regeneration (ha)	7.90	8.31	8.37	7.56	7.93
Natural regeneration (ha)	1.91	2.14	2.14	2.46	2.77
Total regeneration (ha)	9.81	10.46	10.51	10.02	10.70
Failed restocking (ha)	1.07	1.28	1.33	1.34	1.63
Cleaning (ha)	15.20	16.12	17.20	15.90	16.15
Thinning (ha)	32.62	33.53	39.61	33.01	30.83
Logging (m <sup>3</sup> )	5,904	6,165	6,144	6,027	6,181
– of which: intermediate (m <sup>3</sup> )	1,066	1,130	1,469	1,414	1,356
principle(m <sup>3</sup> )	2,473	2,788	3,320	3,442	3,276
salvage (m <sup>3</sup> )	2,365	2,246	1,354	1,170	1,549
Principal felling (m <sup>3</sup> )/ha of non-stocked land	232	265	328	328	328

## Forest Certification

In 2013, the forests managed by LCR were recertified via the PEFC system (Programme for the Endorsement of Forest Certification Schemes). In total, LCR has certified 132 forest management facilities covering a total area of 1,322,645 ha of forests. Throughout the year, the forest management quality of select LCR forest management facilities was verified through external audits carried out by 3EC International, s.r.o., an independent certification authority, as well as internal audits carried out by the Institute of Forest Management. All facilities passed these audits.

Certification of forests provides proof that the particular facilities managed by LCR are part of the certified region of the Czech Republic, and that they are being managed by LCR in accordance with approved standards of sustainable forest management established at ministerial conferences for the protection of forests (e.g. Helsinki 1993).

## Professional Forest Management

As of 31 December 2013, LCR provided professional forest management to other owners over a total area of 292,046 ha, of which 280,420 ha were managed for 225,535 owners pursuant to Section 37 par. 6 of the Forest Act, while 11,625 ha were managed contractually for 474 owners according to Section 37, par. 3 of the Forest Act.

## Forest Protection

With respect to climatic parameters, 2013 may generally be considered slightly more warm and wet than normal. Winter temperatures as a whole were normal. The end of winter was marked by a markedly cold March and very gradual thaw of the snow cover. Because of the excessive precipitation in January and February and normal precipitation in March, the level of soil moisture in the early spring was favourable. Temperatures were normal in the second quarter after the beginning of spring, in April there was initially a lack of precipitation, followed by a period of excessive rain lasting up to the end of June. Aside from the first half of April, there was no lack of precipitation in the spring. During July however, these favourable conditions suddenly gave way to a heat wave accompanied with drought, which resulted in significant physiological stress on stands of all ages, high losses in spring forestation, and an increase in biotically harmful agents, especially in the eastern part of the country. Higher rainfall in August along with lower temperatures ended the period of drought, bringing a period characterized by wet and cold snaps alternating with warm and dry periods. The physiological stress on stands gradually abated and the duration of individual stress episodes was no longer than a few days. During September and October, the climate was entirely normal with regard to temperature and total rainfall, and soil moisture reserves gradually returned to normal levels. The consequences of the stress load during the summer period continued to be evident in forest stands through continued increased salvage felling. November and December were then warmer and drier than usual, with no sign of classic winter weather, no extended cold snaps, and no continuous snow cover, even at higher elevations.

The greatest damage from non-biotic factors was caused by wind (796,700 m<sup>3</sup>), then snow (103,300 m<sup>3</sup>), drought (80,100 m<sup>3</sup>) and frost (16,000 m<sup>3</sup>). Fires destroyed 13.8 ha of forest stands.

In 2013, a total of 424,600 m<sup>3</sup> of standing spruce trees infested with bark beetles were cleared, along with 5,700 m<sup>3</sup> secondarily affected by natural disasters, which represents an increase of approximately 173% from the previous year. The increase in damage is located in the area of weakened spruce stands in north-eastern half of the country with a clear correlation to weather patterns. The situation in the western half of the country can be characterized as normal oscillations in the density of bark beetle populations. The most significant species remains the European spruce bark beetle, although similar to last year, the share of stands infected with the northern bark beetle increased to 33%, and in the hardest hit regions of Moravia-Silesia and South-Moravia, it may be the primary pest.

As preventative measures, 140,500 classic trap trees and 31,500 standing trap trees (a total mass of 204,300 m<sup>3</sup>) were set up, and 25,000 traps and 4,300 poison traps were deployed. 8,600 m<sup>3</sup> of infected trees were stripped of their bark and 54,600 m<sup>3</sup> were chemically treated. The rest were removed.

These values confirm a critical threat in 2014 to spruce stands from bark beetles in the eastern territories, both in areas with traditionally weakened spruce stands as well as areas yet to be hard hit by bark beetles.

Pests found under the bark of other tree species did not cause significant damage; the most common incidence of such pests was bark beetles on pine trees (the larger pine shoot beetle, the lesser pine shoot beetle, the large pine bark beetle, the engraver beetle, and the steel blue jewel beetle), which together infested 3,100 m<sup>3</sup> of wood. Also worthy of mention was damage caused by larch bark beetle, which totalled 1,000 m<sup>3</sup>.

In 2013, leaf-eating pests did not cause significant economic damage. Pests capable of mass outbreaks, such as the nun moth, the larch bud moth, and the false spruce webworm, were in low numbers; monitoring indicates that a similar situation is likely in 2014.

There was also no sign of damage by the gypsy moth or other oak defoliators (the winter moth, the mottled umber, or the oak leaf roller moth). Damage by the gregarious spruce sawfly was below detectable levels. The extent of damage done by the horse-chestnut leaf miner was average (72.0 ha treated on the ground), in the Krušné hory region, the local outbreak of larch casebearer continued (70.0 ha). In 2013, the area of coniferous crops damaged by the pine weevil was the lowest in recent years, with 380.4 ha of damage recorded. In areas of Bzenecka doubrava affected by the extensive fire in 2011, there was a sharp increase in damage caused by cockchafer grubs, 67 hectares were severely damaged.

No aerial biotic pest control was carried out in 2013.

Damage caused by small rodents continued to significantly decline compared to 2012, affecting 117.4 ha, which is below the long-term average. The outbreak recorded in 2011 is now clearly coming to an end. This is also indicated by the more even spread of damage, although there continue to be concentrated blight in stands of substitute species in the Ore Mountains (Krušné hory).

The extent of damage caused by main fungal pathogens continued to increase from last year. Most damage continues to be caused by acute attacks of the honey mushroom (*Armillaria ostoyae*) which occurred during stressful weather conditions for spruce stands and felling increased to 217,200 m<sup>3</sup>, which is one of the highest annual values recorded. As in past years, the area most affected was Moravia-Silesia. Damage caused by pine needle cast was recorded in 1067.2 ha (especially in the Třeboň Basin and Strážnicko) while oak mildew attacked 451 ha. The extent of damage caused by infectious *Curcubitaria piceae* in blue spruces, especially in stands of substitute tree species in the higher areas of the eastern Krušné hory area and accompanied by fungal pathogens, fell to 965 ha, which represents

a slowing in damage compared to past years. The prognosis is still unclear for further development of affected stands, which are regularly assigned to projects for the transformation of substitute tree stands. A major problem especially in the lowlands in the east of the Czech Republic (Břeclav, Přerov, Karviná, Ostrava, Frýdek-Místek, Kroměříž, Hodonín) continues to be ash dieback caused by the fungus *Chalara fraxinea*, which was recorded over an area of 854 ha of primarily younger stands.

Stands remain susceptible to yellowing as a result of nutritional disorders. In 2013, significant signs of damage appeared over 25,000 ha, but no corrective measures such as lime or similar applications were taken. The only kind of stand fertilization in 2013 was the top-dressing of seedlings after planting with slow-release fertilizer tablets used over a total area of 421.9 ha.

## Pollution

### Air Pollution Hazard Zones as of 31 December 2013

Surface Area of Stands	A	B	C	D
1,299,910 ha	16,817	52,246	289,919	940,928
%	1.3	4	22.3	72.4

### Air Pollution Damage Grades as of 31 December 2013

Wooded Land	0	0/I	I	II	IIIA	IIIB	IV
1,325,077 ha	1,182,329	78,087	53,586	9,265	1,663	131	16
%	89.2	5.9	4.1	0.7	0.1	0	0

### Quantified Air Pollution Damage in mil. CZK

Year	2008	2009	2010	2011	2012
Amount of damage	72	70	61	61	55

The level of air pollution is monitored and quantified in accordance with Ministry of Agriculture Decree no. 55/1999 Coll. on the means of calculating the extent of loss or damage caused to forests.

### Felling Due to Air Pollution in thousands of m<sup>3</sup>

Year	2009	2010	2011	2012	2013
Thousands of m <sup>3</sup>	17	11	7	8	11

The majority of air pollution continues to be found in those area where most harmful substances are emitted or deposited, i.e. the Ore Mountains (Krušné hory) and Jizera Mountains (Jizerské hory).

## Hunting

During the 2013/2014 hunting year, the company operated a total of 127 hunting grounds at its own expense in the areas of its organizational units as of 31 March 2014. In addition to this number, organizational units used an additional 96 hunting grounds which are used pursuant to Act no. 428/2012 Coll., on property settlement with the church and religious societies. The hunting plan for LCR hunting grounds for all types of hoofed animals was met in the monitored period, both in terms of total volume and according to individual types of hoofed animals so that the plan as a whole was met by 112%. A very positive development is the fact that the hunting plan was met while the number of hunting grounds was increased and the plan was carried out largely by LCR's own employees.

### Fulfilment of the Plan for the Hunting of Selected Species of Hoofed Game in LCR Hunting Grounds:

#### Plan

Species of Game	2009/10	2010/11	2011/12	2012/13	2013/14	Index 2013/14
Red deer	2,429	1,813	1,859	1,732	3,025	1.747
Sika deer	358	364	301	341	955	2.801
Mouflon	1,162	991	976	906	1,333	1.471
Fallow deer	1,377	1,303	1,354	1,292	1,446	1.119
Roe deer	2,648	2,384	2,212	2,075	3,635	1.752
<b>Total</b>	<b>7,974</b>	<b>6,855</b>	<b>6,702</b>	<b>6,346</b>	<b>10,394</b>	<b>1.638</b>

#### Actual Figures

Species of Game	2009/10	2010/11	2011/12	2012/13	2013/14	Index 2013/14
Red deer	2,539	1,932	1,946	1,907	3,250	1.704
Sika deer	472	480	447	569	1,248	2.193
Mouflon	1,272	1,107	1,094	1,262	1,673	1.326
Fallow deer	1,491	1,490	1,472	1,507	1,687	1.119
Roe deer	2,911	2,503	2,325	2,283	3,750	1.643
<b>Total</b>	<b>8,685</b>	<b>7,512</b>	<b>7,284</b>	<b>7,528</b>	<b>11,608</b>	<b>1.542</b>

#### Fulfilment of the Hunting Plan in Individual Select Species of Hoofed Game

2013/14	Red Deer	Sika Deer	Mouflon	Fallow Deer	Roe Deer	Total
Plan	3,025	955	1,333	1,446	3,635	10,394
Actual figures	3,250	1,248	1,673	1,687	3,750	11,608
%	107	131	126	117	103	112

Due to the negligible hunting numbers for the chamois and white-tailed deer, the plan and its fulfilment for these species are not assessed in the annual report. For the chamois in particular, this would involve reporting singular deaths.

### Damage Caused by Game

Forest damage caused by game is monitored and quantified for all forestland which LCR has the right to manage. In financial terms, there was a year-over-year increase of CZK 5,241,000 in damage caused by game. There was an increase in all types of damage, especially bark scaling and browsing (by CZK 4.063 bil.) that reduces the quality of forest stands. The 2012/2013 winter was not very long and compared to previous years the snow cover was not very high. For this reason, deer in particular were not forced to leave hunting grounds in higher elevations. This factor contributed primarily to damage in hunting grounds in the Ore Mountains (Krušné hory) as well as some hunting grounds in the Beskydy and Jeseníky mountains.

Company-operated hunting grounds accounted for CZK 2,458,000 of forest damage caused by game (a year-over-year increase of CZK 594,000), leased company hunting grounds accounted for CZK 11,882,000 (a year-over-year increase of CZK 2,542,000) and other hunting grounds (association-owned) accounted for CZK 6,788,000 (a year-over-year increase of CZK 2,105,000).

1 July to 30 June	Total (CZK mil.)	Destroyed	Browsing Damage	Bark Scaling and Browsing	Emergency Measures
2012/13	21,128	3,693	7,389	9,573	473
2011/12	15,887	2,993	7,009	5,510	375
2010/11	17,159	2,932	8,337	5,489	401
2009/10	16,390	3,404	7,718	4,824	444
2008/09	20,576	2,675	10,864	6,603	434



## Grant Service

Since 2002 when the LCR Grant Service was established, 44 research projects have been adopted with a total funding of CZK 54,793,000. The research work under 41 projects has been completed, 2 projects are still underway, and one project was cancelled. In 2013, no new research projects were taken on and none were completed.

LCR Grant Service projects received a total of CZK 661,000 of funding in 2013.

A limited number of final research reports are printed for the requirements of the organizational units concerned, forest owners and the company library. Summary results of all Grant Service projects are published on the LCR website. In addition, project outputs are available on CD.

### Ongoing Projects:

(number according to the project overview posted on the LCR website)

- no.41) "Diapause in the Spruce Bark Beetle – Possible Means of Increasing the Effectiveness of Preventative Measures". Research is being carried out by the Biology Centre, Academy of Science of the Czech Republic, České Budějovice. Total financial volume: CZK 2,249,000, CZK 248,000 of which was disbursed in 2013. *(This project will be concluded in early 2014).*
- no.43) "Forestry Adaptation Strategy for the Changing Environmental Conditions in the Moravian-Silesian Beskids". Research by IFER – Ústav pro výzkum lesních ekosystémů, s.r.o. (Institute of Forest Ecosystem Research), Strašice. Total financial volume CZK 8,260,000, CZK 413,000 of which was disbursed in 2013.

Amounts are listed without VAT.

## Support through European Union Funds – Use of Support

During the 2007–2013 programme period, LCR has used EU support from structural and other funds primarily for projects with high society-wide impact.

Aside from individual funds of the European Union, financing has also come from the public budget of the Czech Republic, while the company has also used its own resources to co-finance projects. The drawing of grants from European Union funds takes place based upon contracts and agreements with accredited agencies designated by the managing authorities of operational programmes. The actual drawdown takes place in two manners, either in an ongoing fashion following completion of project stages according to financial payment schedules, or after project completion. A list of projects financed and co-financed from EU funds can be found

on the company's website (the industry professionals section under "Financial Support from the EU").

### Rural Development Programme

The company is a potential applicant and beneficiary of aid from the European Agricultural Fund for Rural Development (EAFRD), via the Czech Republic's Rural Development Programme (RDP), Measure II.2.4 "Post-disaster restoration of forestry potential and support of public use of forests" and Measure II.2.1 "Initial forestation of agricultural land".

In 2013, RDP paid out CZK 16,016,000: CZK 12,857,000 for Sub-measure II.2.4.1 objective b) "Introduction of preventative measures in forests and elimination of flood damage", CZK 2,603,000 for Sub-measure II.2.4.2 "Non-productive forest investments" and CZK 556,000 for Sub-measure II.2.1 "Initial forestation of agricultural land".

### Single Area Payment System

In 2013, payments totalling CZK 16.193 bil. were made according to the Single Area Payment Scheme for agricultural land cultivated by the company listed in the Land Parcel Identification System (LPIS) based upon requests for 2012 and 2013.

### Environmental Operational Programme

A further vehicle that can be used in support of forestry, water management and landscape projects and projects that contribute to the improvement of waste management is the Environmental Operational Programme (EOP), which is financed from the Cohesion Fund (CF) and the European Regional Development Fund (ERDF).

There are eight areas in which LCR may draw EOP support. The company is eligible to participate in 5 grants under Priority Axis 6 "Improving the State of Nature and the Landscape", two under Priority Axis 4 "Improving Waste Management and Eliminating Old Ecological Hazards", and one under Priority Axis 1 "Improving Water Infrastructure and Reducing Flood Risk".

Grants received in 2013 and paid out for axis 4 amounted to CZK 424,000 (area 4.2) while a total of CZK 136.548 bil. was paid for axis 6 (CZK 5.766 bil. for area 6.2; CZK 37.566 bil. for area 6.3; CZK 90.627 bil. for area 6.4 and CZK 2.589 bil. for area 6.5).

### Cross-Border Cooperation Operational Programmes

In 2013, LCR was involved in three Cross-border Operational Programmes for 2007-2013, namely: the Free State of Saxony/ Czech Republic CCOP – Objective 3, Priority Axis 2 – Development of Economy and Tourism, CCOP Slovak Republic/Czech Republic (Microproject Fund, Priority Axis 1 – Support of socio-cultural and economic development of the cross-border region and cooperation) and CCOP Austria/Czech Republic (Priority Axis 1 – Socioeconomic development, tourism and transfer of know-how). These European Union subsidy programmes are financed from the European Regional Development Fund (ERDF).

In 2013, ongoing payments totalling EUR 7,825 were made for CCOP Austria/Czech Republic (Priority Axis 1 – Socioeconomic development, tourism and transfer of know-how, area of Tourism, culture, and leisure economy).

### Forest Management

In 2013, the drafting of forest management plans (FMPs) was completed effective as of 1 January 2013. This encompassed a total of 20 forest management facilities (FMFs) at 12 organization units of LCR. The Rájec, Tišnov and Research FMPs were not approved due to objections by environmental agencies. LCR has submitted objections to the failure to approve these FMPs. The authority responsible for state forest management approved all 20 FMPs. The total area of land designated as forestland was 134,100 ha. All 20 FMPs were drafted in accordance with applicable forest management information standards. Based upon an agreement concluded between LCR and Forest Management Institute (ÚHUL), the data of all 20 FMPs was entered into the ÚHUL information database in Brandýs nad Labem. The company spent a total of CZK 58,463,617 without VAT on this year's FMPs, which works out to CZK 436 per ha. As in 2012, in 2013 LCR was not eligible to request a subsidy for the preparation of FMPs due to a change in the rules for providing financial support for forestry in 2013. LCR covered the cost of drafting the FMPs from its own resources.

The FMPs for Rájec, Tišnov and Research effective as of 1 January 2012 still have not been approved, as LCR is continuing the proceedings regarding objections against the failure to approve these FMPs.

In 2013, outdoor work under FMPs was completed effective as of 1 January 2014. This concerned 20 FMPs at 11 LCR organizational units. The total area was 133,120 ha.

Since 1 January 1998, the task of renewing the FMPs at LCR has been placed in the hands of external businesses. In 2013, in accordance with the Public Procurement Act, LCR once again announced a tender for the preparation of FMPs, effective as of 1 January 2015. As in previous years, the full scope of annual FMPs was included in a single public contract which was divided into 8 separate parts, each representing an organizational unit affected by FMP renewal. The tender thus encompassed 12 FMPs in 8 organizational units covering a preliminary area of 136,792 ha.

Due to a lack of interest of candidates, the tender was cancelled and then held again. A total of eleven entities expressed interest in preparing FMPs effective as of 1 January 2015, 1 of which was a first-time candidate for preparing FMPs for LCR. The average price (the arithmetic mean weighted by the preliminary area of each FMF) under the concluded work contracts amounted to CZK 234/ha without VAT. The price change index for FMPs in 2013 compared to 2012 was 94.7. This represents the lowest average price ever since LCR began tendering the preparation of FMPs.

Total renewal of FMPs in various stages of completion took place in 2013 for 424,961 ha in 55 FMFs at 43 organizational units.

A detailed list of FMPs renewed in 2013 is shown by individual FMF in the table and in the illustrative map of FMPs renewed in 2013 – see pg. 38.

## Overview of FMPs in Progress in 2013

(preliminary areas of FMPs not yet approved are given in italics)

Organizational Unit	Name of FMP	FMP Valid as of	Area of Designated Forestland (ha)
Černá Hora	Rájec	1. 1. 2012	11,105
Černá Hora	Tišnov	1. 1. 2012	9,721
Strážnice	Research	1. 1. 2012	123
<b>FMPs as of 1 January 2012</b>			<b>20,949</b>
Choceň	Choceň	1. 1. 2013	8,521
Choceň	Polička	1. 1. 2013	5,947
Jablonec nad Nisou	Jablonec nad Nisou	1. 1. 2013	9,286
Jablonec nad Nisou	Tanvald	1. 1. 2013	9,462
Ještěd	Ještěd	1. 1. 2013	8,821
Ještěd	Podještědí	1. 1. 2013	2,662
Kladská	Brickyard	1. 1. 2013	1,585
Lužná	Lužná	1. 1. 2013	5,997
Lužná	Milý	1. 1. 2013	3,102
Náměšť nad Oslavou	Náměšť nad Oslavou	1. 1. 2013	8,346
Náměšť nad Oslavou	Rosice	1. 1. 2013	9,522
Přeštice	Přeštice	1. 1. 2013	7,168
Přeštice	Dobřany	1. 1. 2013	4,055
Ruda nad Moravou	Ruda nad Moravou	1. 1. 2013	9,038
Stříbro	Plzeň	1. 1. 2013	1,979
Třeboň	Třeboň	1. 1. 2013	9,713
Třeboň	Domanín	1. 1. 2013	6,515
Toužim	Žlutice	1. 1. 2013	5,049
Toužim	Bečov	1. 1. 2013	5,990
Vítkov	Vítkov	1. 1. 2013	11,342
<b>FMPs as of 1 January 2013</b>			<b>134,100</b>
Český Krumlov	Kaplice	1. 1. 2014	6,561
Česká Lípa	Česká Lípa	1. 1. 2014	8,456
Česká Lípa	Cvikov	1. 1. 2014	10,848
Frenštát pod Radhoštěm	Frenštát pod Radhoštěm	1. 1. 2014	9,369
Frenštát pod Radhoštěm	Hranice	1. 1. 2014	3,375
Dobříš	Višňová	1. 1. 2014	2,868
Karlovice ve Slezsku	Karlovice ve Slezsku	1. 1. 2014	12,384
Kladská	Kladská	1. 1. 2014	14,393
Klatovy	Klatovy	1. 1. 2014	2,051
Klatovy	Nýrsko	1. 1. 2014	7,627
Klatovy	Chudenice	1. 1. 2014	2,461
Ledeč nad Sázavou	Ledeč nad Sázavou	1. 1. 2014	5,282
Ledeč nad Sázavou	Humpolec	1. 1. 2014	5,176
Luhačovice	Luhačovice	1. 1. 2014	6,387
Luhačovice	Vizovice	1. 1. 2014	3,103
Luhačovice	Starý Hrozenkov	1. 1. 2014	429
Nové Hradky	Horní Hvozd	1. 1. 2014	10,985
Nové Hradky	Dolní Hvozd	1. 1. 2014	8,923
Železná Ruda	Železná Ruda	1. 1. 2014	7,749
Železná Ruda	Sušice	1. 1. 2014	4,693
<b>FMPs as of 1 January 2014</b>			<b>133,120</b>

Boubín	Prachatice	1. 1. 2015	4,103
Boubín	Vimperk	1. 1. 2015	19,404
Ostravice	Ostravice	1. 1. 2015	18,869
Hanušovice	Hanušovice	1. 1. 2015	10,139
Hanušovice	Králiky	1. 1. 2015	9,413
Buchlovice	Buchlovice	1. 1. 2015	15,408
Telč	Telč	1. 1. 2015	9,668
Telč	Jemnice	1. 1. 2015	6,925
Křivoklát	Křivoklát	1. 1. 2015	13,777
Domažlice	Domažlice	1. 1. 2015	13,963
Děčín	Děčín	1. 1. 2015	5,792
Děčín	Sněžník	1. 1. 2015	9,331
<b>FMPs as of 1 January 2015</b>			<b>136,792</b>
<b>Total</b>			<b>424,961</b>

In 2013, LCR registered 149 FMFs with valid FMPs. Compared to 2012, this represents an increase of 12 FMFs with valid FMPs.

During FMP renewal work, three original FMFs were reorganized into two new FMFs due to varying natural conditions.

Of the 149 FMFs, 5 were listed as co-ownership with a certain share held by the state, 10 were placed in the management of the company as part of asset purchases, and one was created over leased assets, with all activity provided by forestry units.

In 2013, the Forest Management Institute (ÚHÚL) conducted external quality controls of LCR FMPs at four organizational units concerned with FMPs effective as of 1 January 2014. The inspections did not find any serious systematic errors. External inspections will continue in 2014.

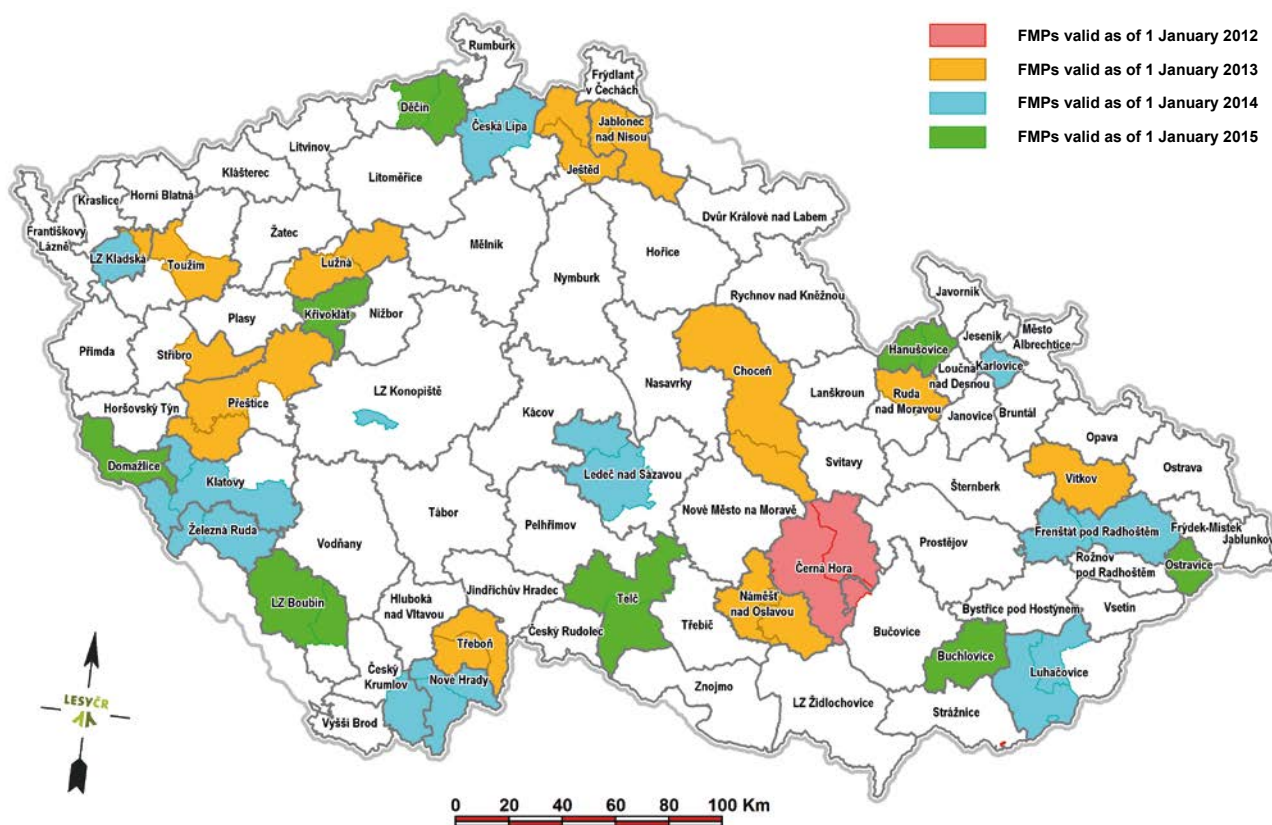
As in previous years, LCR arranged for the digitized boundaries of organizational units to be updated. This resulted in a clear map of the organizational structure – see pg. 12.

The Graphics Data Warehouse (GrDW) was used to create a map depicting the current status of property managed by LCR as of 31 December 2013 – see pg. 11.

Based upon a feasibility assessment of the use of GNSS/GPS technology given the conditions of LCR, in 2013 the company equipped all operational units with two GPS devices. This marked the commencement of operations for this technology at LCR.



## Map of Renewed FMPs



## Forestry Inspection

Since 2007, the company has conducted periodic surveys of forest conditions (forest ecosystems) and reviews of long-term operations.

Along with ten-year reviews, a system with subsequent five-year inspections was introduced in 2013, which will help correct the system between ten-year reviews and maintain the direction and quality of long-term forest management.

These activities are carried out by staff from the Forestry Inspection Department (FID).

These reviews have been successful, especially in mediating feedback on the effectiveness and results of management processes and providing direct information from regional head offices and the operations section regarding specific results of forest management by individual organizational units compared with LCR standards.

Reviews of the long-term results in the care of forestland, together with tests of professional forest management, are an important element in the system for maintaining the company's professional level of forest management.

The results of forestry inspections help prevent risks of non-compliance with legislative changes and contribute to uniform, standard procedures of LCR employees in relation to bodies of state forestry administration.

They also help maintain the prestige and good reputation of forest management in state forests.

During the period from 2007 to 2013, ten-year inspections were carried out in a total of 641 districts at 97 FMFs or their parts, i.e. 66% of the current total number of FMFs managed by LCR. Overall this involved 17,318 JPRLs. In 2013, five-year field inspections were carried out in a total of 96 districts at 12 FMFs or their parts in 1,603 stand groups.

The evaluation results are published on the company website.

### Overview of Average Forestry Inspection Results by RHO 2007 – 2013

RHO No.	Name of RHO	Average	Office	Outdoor	Number of Districts	Number of FMFs
911	Frydek-Místek	1.64	1.54	1.76	76	8
913	Šumperk	1.58	1.56	1.60	61	7
915	Zlín	1.68	1.72	1.63	26	4
916	Brno	1.90	1.97	1.82	41	4
918	Jihlava	1.63	1.68	1.59	40	8
919	Choceň	1.86	1.98	1.72	36	6
921	Brandýs nad L.	1.91	1.90	1.92	45	10
928	České Budějovice	1.83	1.89	1.76	58	9
930	Plzeň	1.95	1.95	1.92	60	9
932	Karlovy Vary	1.95	1.92	1.99	50	7
933	Teplice	2.28	2.53	1.96	48	7
936	Liberec	1.92	1.96	1.88	33	6
937	Hradec Králové	1.94	2.06	1.80	36	4
LZ		1.90	2.00	1.80	31	10
		<b>1.86</b>	<b>1.90</b>	<b>1.80</b>	<b>641</b>	<b>99</b>

# Working in the Public Interest

LCR was founded in accordance with Act no. 77/1997 Coll., on state enterprises, as currently amended, to “perform important social and strategic work in the public interest”.

For this purpose, the company has gradually drafted and approved the following conceptual documents, which are gradually being carried out.

- The Sustainable Forest Management programme (1997, 2000)
- Agenda 2020 - guaranteeing Public Interest at LCR

## Agenda 2020

### Costs for Carrying Out Agenda 2020 for 2009 – 2013

Year	2009	2010	2011	2012	2013
Total costs (thousands of CZK)	60,857	33,493	55,601	54,428	69,630

### Costs for Carrying Out Agenda 2020 in 2013 by Individual Type of Activity

Types of Activity	Thousands of CZK	%
Forest arboretums and protected trees	70	0.1
Well building	559	0.8
Maintenance of protected buildings and structures	491	0.7
Recreational and sightseeing facilities for the public	23,101	33.2
Information systems for the public	3,192	4.6
Construction and repair of roads, trails and parking for the public	17,133	24.6
Aesthetic treatment of forests, parks and countryside	3,234	4.6
Management of water resources	5,522	7.9
Biodiversity management of forests and countryside	1,765	2.5
Management of minor structures for the public	4,233	6.2
Suppression of invasive plant species	1,606	2.3
Special programmes for the public	584	0.8
Other events for the public	8,140	11.7
Agenda 2020 TOTAL	69,630	100

In 2013 the company spent most funds on the construction and maintenance of recreational and sightseeing facilities for the public (CZK 23,101,000) and building and repairing roads, hiking trails and parking lots (CZK 17,133,000). Other considerable investment was made in managing water resources and wells (CZK 6,081,000).

Other major company activities carried out as part of the Agenda included care for minor structures for the public (CZK 4,233,000), aesthetic treatment of forests, parks and the countryside (CZK 3,234,000), building information systems for the public (CZK 3,192,000) and biodiversity management of forests and countryside (CZK 1,765,000).

In 2013, the company spent a record amount of CZK 69,630,000 on all types of activities for the public under Agenda 2020.

## Cooperation with NGOs

### Czech Tourist Club

LCR and the Czech Tourist Club continued their contractual cooperation in marking hiking trails, which enhances the recreational function of forests.

### Czech Union for Nature Conservation

In cooperation with the Czech Union for Nature Conservation (ČSOP), dozens of specific projects for the protection of biodiversity in forests are implemented each year (e.g. measures to protect endangered species of forest trees, herbs, songbirds, predators and owls, bats, the mapping of valuable forest wetlands and watercourses), along with projects in support of rescue stations for injured and disabled animals and projects aimed at environmental awareness, education and training. In 2013, LCR contributed CZK 3.8 million to support ČSOP activities.

### Dolní Morava Biosphere Reserve

In 2013, LCR donated a total of CZK 200,000 to support the activities of the Dolní Morava Biosphere Reserve, a public interest company which it founded.

### Křivoklátsko Forest Park

In 2013, cooperation continued between LCR and the Křivoklátsko Forest Park.

## Cooperation with the Agency for Nature Conservation and Landscape Protection of the CR

### Slavkov Forest Nature Centre – Kladsko

On 14 June 2013 the Slavkov Forest Nature Centre in Kladsko was officially opened in cooperation with the Agency for Nature Conservation and Landscape Protection. The Nature Centre contains four exhibits which present the most important and valuable areas of Slavkov Forest – mineral springs, peat bogs, serpentinite deposits, wetlands and forests. The Centre is operated by LCR, which renovated a hunting lodge to house the facility. The Agency for Nature Conservation and Landscape Protection designed the indoor and outdoor exhibits, which were co-financed from EU funds.

### Non-Interference Zones and Monitoring Thereof

In 2013, cooperation continued between LCR and the Agency for Nature Conservation and Landscape Protection of the CR in establishing and monitoring non-interference zones in forests. A review of current locations was conducted. An overview of non-interference zones as of 31 December 2013 and the results of recent monitoring of individual locations are published on the LCR website.

## Nature and Landscape Protection at LCR

LCR is the largest manager of protected sites in the Czech Republic. The company manages sites with a high conservation interest with due regard for the individual categories of land protection, and particularly the presence of protected species, valuable habitats and other significant natural and cultural phenomena.

More than 30% of the land which the company is entitled to manage is incorporated into protected landscape areas (PLAs). Another 3% of the area is located in small specially protected sites, i.e. in national nature reserves, national natural monuments, nature reserves and natural monuments.

In the Natura 2000 system of significant European sites established in all EU Member States, 230,000 hectares of the company's land qualifies as bird sanctuaries (under the Birds Directive), while more than 260,000 hectares of land are areas of European significance (under the Habitats Directive). Although some of this land overlaps, **the overall share of specially protected sites and Natura 2000 sites on the land which Lesy ČR is entitled to manage is nearly 45%.**

Protective conditions for specially protected areas and special protection areas necessitate a permanent reduction in the productive role of forestland. Despite this, the company is not entitled to receive any management subsidies for such areas.

The company has also long been involved in the rescue and support of selected groups of organisms, especially rare species of trees, birds of prey and owls, grouse, forest songbirds, etc., both inside and outside specially protected areas.

## Damage Compensation

Since 2006 LCR has claimed compensation for damages hindering forestry operations from the relevant environmental protection agencies, pursuant to Section 58 of Act no. 114/1992 Coll., on nature and landscape conservation, as currently amended, and Decree no. 335/2006 Coll. The obligation of LCR to claim damage compensation was upheld by Czech Supreme Court ruling no. 25 Cdo 3837/2011 of 28 August 2013. For 2013, a total of CZK 65.671 mil. was paid as damage compensation.

## Damages Caused by Select Specially Protected Animal Species

In 2013, LCR claimed damage compensation pursuant to Act no. 115/2000 Coll., on the provision of compensation for damage caused by specially protected animals. Damages caused by the European beaver were estimated at CZK 13,289,924, and damages caused by the European salmon at CZK 66,994. However, the act and its implementation decree do not cover all types of damage.

## Support of Non-Productive Roles of Forests – External Resources

In 2013, the Ministry of the Environment released funds under the Landscape Management Programme for measures in specially protected areas, bird sanctuaries, and areas of European significance, to environmental protection groups which have concluded agreements with land owners to promote biodiversity in these areas. Measures on land which LCR is entitled to manage were granted a total of CZK 1,716,452, in cooperation with the relevant LCR organizational units. As part of the Ministry of the Environment's "Programme to Restore Natural Landscape Functions", a total of CZK 51,641 was drawn in 2013.

For measures in sites outside these zones, the company received subsidies under the Landscape Management Programme in 2013 totalling CZK 125,400 as well as subsidies under the Ministry of the Environment's Restoration of Natural Landscape Function Programme totalling CZK 126,000.

## Protection of Water Resources

Based on an analysis of geographic data concerning declared protected areas of natural water accumulation in accordance with Section 28 of Act No 254/2001 on water (Natural Water Accumulation Protected Areas, TGM WRI, 2010), buffer zones of water resources – except the buffer zones of reservoirs – according

to Section 30(1) of Act No 254/2001 on water (Water Resource Buffer Zones, TGM WRI, 2010), and the buffer zones of natural medicinal resources and mineral water sources in accordance with Act No 164/2001 (Ministry of Health, 2011) in relation to the data of forest management plans in the company's graphics data warehouse, it was found that the following forestland which LCR is entitled to manage was affected:

Protected areas of natural water accumulation – 500,156 ha, of which 480,360 ha is forestland.

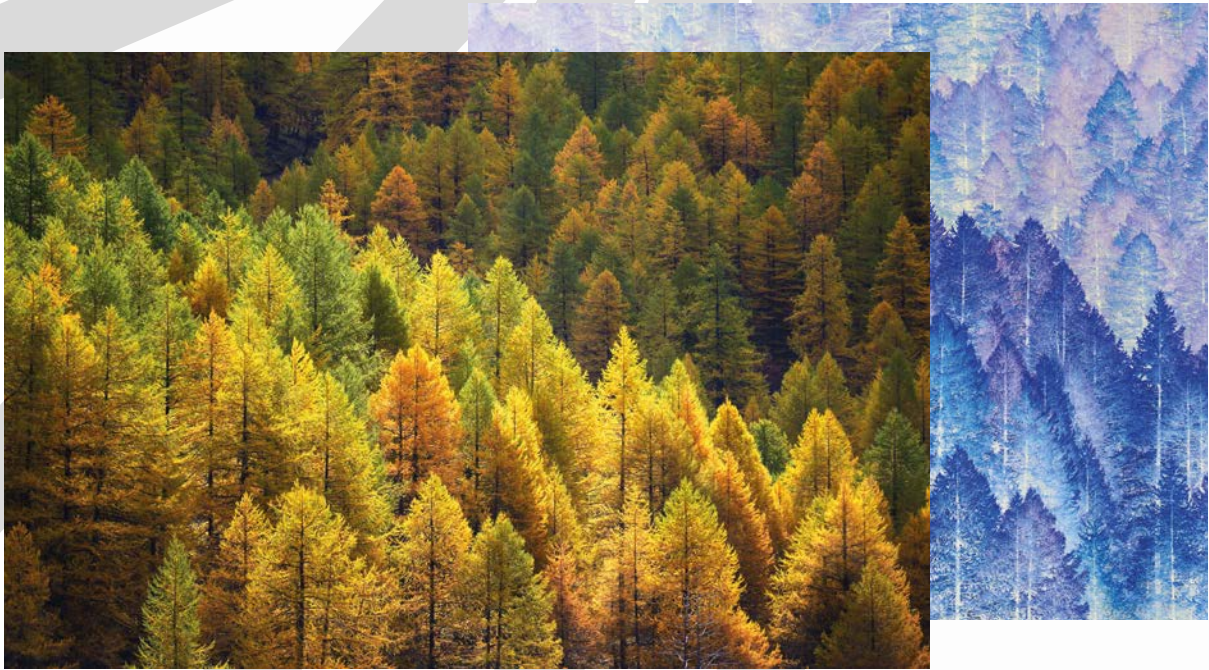
The buffer zones of water resources (without the buffer zones of reservoirs) measure a total of 144,000 hectares, which first-level buffer zones account for 5,800 hectares.

The buffer zones of natural medicinal resources and mineral water sources cover more than 63,000 hectares, of which first-level buffer zones account for 2,800 hectares.





# Larix



## **Larch (*Larix*)**

A genus from the pine (pinaceae) family. This is a stately deciduous conifer which grows to a height of 20 – 50m. The larch makes up 3.9% of the tree species growing on forest lands in the CR. Larch wood is resistant to moulds, pests and water. It is a valued construction material.





**Larch**

# Capital Construction

## Investment Activities in 2013

The total volume of capital funds invested by LCR in 2013 came to CZK 1,170,462,000, which amounts to 63 % of the planned volume of CZK 1.864 billion. Company funding amounted to CZK 906,729,000 (i.e. 77.5 %), while public funding accounted for CZK 143,392,000 (i.e. 12.2 %). Agenda 2020 projects received CZK 42,564,000 (3.7%) while other sources accounted for CZK 77,777,000 (i.e. 6.6 %) of total funds invested.

### Investments in 2013 by Source of Funding – Actual

Source of Financing	CZK mil.	%
Own resources	906.729	77.5
Subsidies, public budget	143.392	12.2
Own resources - Agenda 2020	42.564	3.7
Other resources	77.777	6.6
<b>Total</b>	<b>1,170.462</b>	<b>100</b>

### Investments in Intangible and Tangible Assets

Overview by Asset Type	CZK mil.	%
<b>Intangible assets</b>	<b>65.721</b>	<b>5.6</b>
– FMP	37.637	3.2
– SW	26.831	2.3
– other intangibles	0.049	0
– area studies	1.204	0.1
<b>Tangible assets</b>	<b>1,104.741</b>	<b>94.4</b>
– construction work	925.399	79.1
– machinery and equipment	43.322	3.7
– land	133.236	11.4
– other	2.784	0.2
<b>Total</b>	<b>1,170.462</b>	<b>100</b>

Investments in intangible assets totalled CZK 65.721 mil. (i.e. 5.6 % of total investments), most of which was invested in renewing forest management plans (CZK 37.637 mil.).

A total of CZK 1,104.741 mil. was invested in tangible assets (i.e. 94.4 % of total investment volume). Of this, CZK 925.399 mil. was invested in construction work, CZK 46.106 mil. in machinery and equipment, while investment in land purchases and other matters related to capital construction or forestland consolidation amounted to CZK 133.236 mil.

### Capital Construction by Statistical Classification

Capital Construction Classification	CZK mil.	%
Torrent control project documentation	5.427	0.6
Other project documentation	2.021	0.2
Forest road project documentation	29.749	3.2
Forest nursery project documentation	0.154	0
Handling warehouse project documentation	0.109	0
Warehouse and workshop project documentation	0.217	0
Reservoir project documentation	2.520	0.3
Housing project documentation	0.535	0.1
AB project documentation	0.881	0.1
Flood damage project documentation – torrent control	0.771	0.1
Flood damage project documentation – other	0	0
Flood damage project documentation – forest roads	0	0
Flood damage project documentation – housing	0	0
Flood damage project documentation – AB	0.048	0
Project documentation – EU projects	3.657	0.4
Forest roads	540.213	58.4
Forest nurseries	0.406	0
Handling warehouses	1.863	0.2
Warehouses and workshops	1.819	0.2
Technical forest reclamation	118.789	12.8
+ torrent control ... torrent control		
Technical forest reclamation	1.985	0.2
+ torrent control ... reclamation		
Technical forest reclamation	1.922	0.2
+ torrent control ... gullies and sanitation		
Reservoirs	21.938	2.4
Housing, districts	3.584	0.4
Administrative buildings	5.586	0.6
Other structures, including borrowed pits	15.251	1.7
2020 Agenda	42.564	4.6
Flood damage – torrent control	83.550	9.0
Flood damage – other structures	3.716	0.4
Flood damage – forest roads	1.881	0.2
Flood damage – housing	0	0
Flood damage – administrative buildings	0	0
EU projects – implementation	34.243	3.7
<b>Total capital construction</b>	<b>925.399</b>	<b>100</b>

### Capital Construction by Type for Forest Management

Construction Work	CZK mil.	%
Forest roads, including documentation	571.842	61.8
Housing construction	4.119	0.4
Service buildings and structures	11.083	1.2
Water management	240.618	26
EU projects	37.901	4.1
Agenda 2020	42.564	4.6
Other structures	17.272	1.9
<b>Total</b>	<b>925.399</b>	<b>100</b>

CZK 925.399 mil. was invested in surface structures and utilities, most of which (CZK 571.842 mil., i.e. 61.8%) was invested in the construction and upgrading of forest roads. The second largest volume of CZK 240.618 mil. (or 26.0%), was invested in hydraulic works to enhance flood protection and to prevent and eliminate flood damage. Nearly 88% of funding was therefore invested in structures constructed primarily in the public interest.

### Investments in Machinery and Equipment by Statistical Classification

Machinery and Equipment	CZK mil.	%
Logging truck-and-trailer units	0	0
Lorries	0	0
Other vehicles (off-road)	1.245	2.7
Other vehicles (not off-road)	0	0
Special forestry machinery	0.150	0.3
Tractors, including forestry trucks	0	0
Trailers and semi-trailers	0.983	2.1
Farming and nursery machinery	5.764	12.5
Loaders	1.197	2.6
Computer technology, including printers	19.300	41.9
Copiers	0	0
Telecommunications equipment	0.015	0
Electronic security of structures	0.262	0.6
Metalworking machinery	0	0
Woodworking machinery	0.025	0.1
Cross-cutting and sorting lines, dispatch lines	0	0
Televisions and cameras	0.080	0.2
Freezer technology	0.100	0.2
Other machinery not listed elsewhere	14.201	30.8
<b>Total machinery</b>	<b>43.322</b>	<b>94</b>
<b>Other equipment and tangible fixed assets</b>	<b>2.784</b>	<b>6</b>
<b>Total machinery and equipment</b>	<b>46.106</b>	<b>100.0</b>

A total of CZK 46.106 mil. was spent on machinery and other equipment in 2013. The largest outlay of CZK 19.300 mil. (i.e. 41.9%) was invested to purchase computer equipment including printers (HW).



**Agenda 2020 – Investment Projects**

<b>Types of Activity</b>	<b>CZK mil.</b>	<b>%</b>
Forest arboretums	0.025	0.1
Protected, ornamental and other trees	0.045	0.1
Alterations to streams, reservoirs	1.961	4.6
Wells	0.559	1.3
Support for endangered species	0	0
Historical buildings and structures	0.491	1.2
Landscaping	0	0
Recreational and sightseeing facilities	18.348	43.1
Building of public campgrounds	0	0
Removal of invasive plants	0	0
Building of public information systems	2.311	5.4
Roads, trails, parking lots	11.322	26.6
Other not listed elsewhere	7.502	17.6
<b>Total</b>	<b>42.564</b>	<b>100</b>

In 2013, CZK 69.630 mil. was spent on public-interest forest projects under Agenda 2020, CZK 42.564 mil. of which was channelled into investment projects.

Capital construction in 2013 included hiking trails and small structures to serve public visitors to forests managed by LCR. The largest volume of investment funds was used to construct recreational and sightseeing facilities, walking paths, trails, and parking lots, including the building of public information systems.

**Overview of Investment into Assets Managed by LCR by Region (CZK mil.)**

<b>Region</b>	<b>Total</b>	<b>Machines and Equipment</b>	<b>Buildings</b>	<b>Forest Roads</b>
Moravia-Silesia	192.669	2.559	173.776	87.914
Olomouc	49.440	1.577	42.948	35.252
Zlín	127.579	1.187	118.039	47.849
South Moravia	109.817	4.473	77.527	40.513
Vysočina	47.712	1.580	38.785	34.270
Pardubice	47.121	1.676	37.819	32.862
Central Bohemia	125.149	6.089	83.244	45.336
South Bohemia	139.226	5.312	99.636	92.538
Plzeň	75.804	2.020	58.493	42.673
Karlovy Vary	46.728	5.441	34.077	29.628
Ústí nad Labem	86.304	1.591	72.719	41.294
Liberec	65.332	1.286	39.067	26.710
Hradec Králové	57.581	11.315	49.269	15.003
<b>Total</b>	<b>1,170.462</b>	<b>46.106</b>	<b>925.399</b>	<b>571.842</b>

# Water Management

LCR manages designated small streams and creeks as a non-productive forest function. As of 31 December 2013, it was managing more than 38,000 km of watercourses and over 820 small reservoirs.

Care for watercourses by LCR involves the management of watercourse-related assets valued at CZK 5.54 bil. (especially watercourse modification, torrent and gully control structures, flood control, and reservoirs). Watercourse management was carried out by six water management units with geographical competence determined by the river basins methodically managed by the Water Management Department at the LCR Central Head Office.

In 2013, water management activities at LCR focused on:

- completing the removal of flood damage from 2010,
- eliminating flood damage from 2013,
- implementing investment and non-investment projects aimed at flood protection, erosion control measures and public interest activities pursuant to Section 35 of the Forest Act,
- other activities aimed at the construction and restoration of reservoirs, caring for riparian vegetation, the restoration of previously poorly controlled watercourses, non-productive forest functions, support of endangered species, the removal of invasive alien plant species, etc.,
- keeping Central Records of watercourses and reservoirs.

The management of watercourses and the measures taken (repairs, upgrading and investment) were mainly financed from the company's own resources and partially from subsidies. Grants were awarded for action taken in the public interest in accordance with Section 35 of the Forest Act, and included funding from the national budget for the Ministry of Agriculture programmes "Flood Prevention Support II" and "Support for the Elimination of Flood Damage to State Water Management Assets" in accordance with Section 102 of the Water Act. EU funds were also drawn from the Environmental Operational Programme and the Rural Development Programme. In certain specific cases, the regions also contributed to work on minor watercourses. Watercourse management is non-commercial and with respect to overall spending in this area generates virtually no profit.

Through its organizational units, LCR spent nearly CZK 680 mil. on watercourse and waterworks management, with CZK 272.5 mil. going to investment. Of this capital expenditure, CZK 138 mil. came from the company's own funds. CZK 407.4 mil. went to the management, repair and maintenance of basic torrent control, CZK 375.6 mil. of which came from the company's own funds. CZK 210 mil. was spent on removing flood damage, with CZK 143.3 mil. from the company's own funds. These amounts include all costs associated with watercourse management. Revenue obtained from purchases of surface water totalled CZK 12.2 mil. and was used to cover watercourse management.

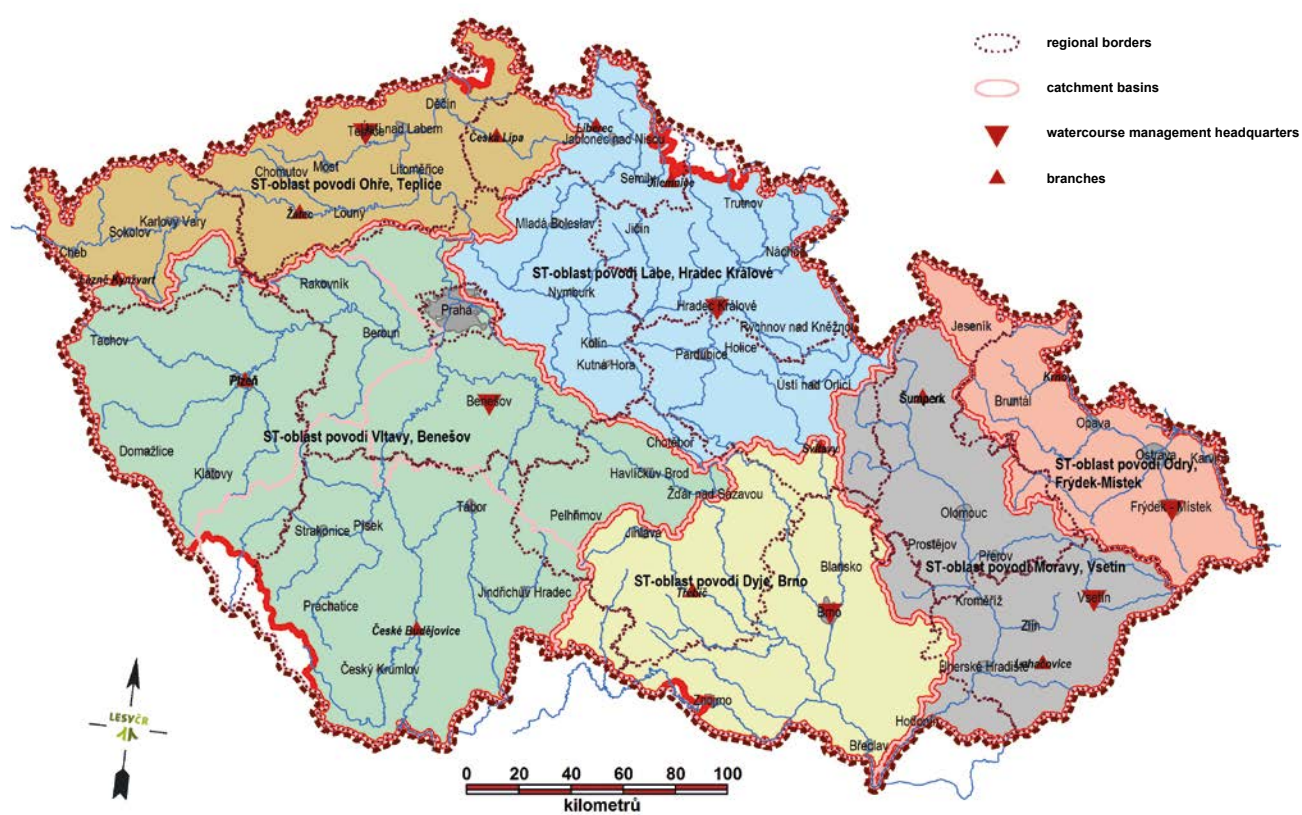
The water management financing structure in 2013 is given in the following table:

## Comprehensive Water Management Costs in 2013 in CZK mil.

Lesy ČR, s.p.	Total	Own Sources	Subsidies	Own Sources	Flood Damage Subsidies
		Total	Total		
Investment	272.5	138.0	134.5	50.2	42.6
Non-investment	407.4	375.6	31.8	93.1	24.1
<b>Total</b>	<b>679.9</b>	<b>513.6</b>	<b>166.3</b>	<b>143.3</b>	<b>66.7</b>

In 2013, 167 investment projects were carried out (included in investment), including 15 reservoirs, 32 large transverse structures, and 120 longitudinal modifications of watercourses.

## Geographical Scope of LCR's Watercourse Management



### Measures Taken in Individual Catchment Basins

**At watercourse management in the Odra Basin**, the main activity in 2013 was the completion of structures associated with elimination of flood damage from May 2010 in the Beskidy region. Some of the most extensive work completed with co-financing from the Ministry of Agriculture subsidies includes Čeladenka stage II work in the towns of Čeladná and Frýdlant n. O., which was a continuation of the stage I work to eliminate previous flood damage. Work on other watercourses included the Lomná in Frenštát pod Radhoštěm, Satina in Nová Ves u Frýdlantu n. O. and in Malenovice, Kyčerov - Klaus Klinská in Staré Hamry, Stříbrník in Ostravice and the dam on Vysutý potok in Morávka.

Other important flood protection work was completed on the Javornický potok in the Rychleby Mountains, Červený potok in Stará Červená Voda, Studená Voda in Vlčice u Javorníka, and in the Beskidy Mountains the Jasení in Náves and the dry reservoir in Bohumín on Antošovický potok. Also successfully completed was the extensive Mušlov II project in Třešná by the town of Albrechtice.

Public-interest construction pursuant to Section 35 of the Forest Act was completed on Vysutý potok in Morávka and the Jestřábí in Krásné p. Lysou horou.

**At watercourse management in the Dyje (Thaya) Basin**, as flood damage from 2010 continued to be removed, the company funded and completed the Hvězdlička project in Milonice in the district of Vyškov.

In 2013 there was isolated flooding in the South Moravian region. Increased flow rates caused major damage in Běleč and Křeptov, where safeguarding work was carried out.

Six projects co-financed under the FPS programme were completed, including increased flow capacity on the Luba in Skalička na Tišnovsku and the construction of the Pod Borovicí dry reservoir in Hvězdlice na Vyškovsku. Preparatory work continued for flood prevention projects taken over as part of the transformation of AWMA. The largest of these are the construction of a dry reservoir in the town of Čeložnice and increased flow capacity for the Hodonínka in the township of Olešnice.

Construction on public interest projects pursuant to Section 35 of the Forest Act was completed for the Valíšek reservoir in the Znojmo area and the Templář retention tank near Moravský Krumlov.

**At watercourse management in the Labe (Elbe) Basin**, measures were completed to remove flood damage from 2010 in the Liberec region. This involved Hájený potok in Bílý Potok p. Smrkem and the Jeřice tributaries in Oldřichov v Hájích.

In 2013, part of the Hradec Králové region was hard hit by floods (tributaries of the Čistá, Labe and Cidlina), lesser damage was recorded in the Liberec region (tributaries of the Smědá and Lužická Nisa) and Central Bohemian region (tributary of the Šembera). In June 2013, isolated flooding also affected part of the Pardubice region (tributaries of the Chrudimka, Doubrava, Novohradka and Loučná).

As part of the FPS programme, the Ležák structure was completed in Holetín and the dry reservoir in Svijanský Újezd.

Other public interest work completed in the administrative region according to the Forest Act included the retention tank on Knapovecký potok in Knapovec and the dam on Lubenský potok in Horní Újezd in the Ústí/Orlický area.

Measures to revitalize Koutský potok in Osečnice in the Orlický Mountains and Tichá říčka in Janov nad Nisou were carried out with financial support from the Environmental Operational Programme.

Measures intended to reintroduce stream minnows and brown trout and monitoring of fish migrations were carried out in PLA Jizerské hory. Reintroduction of stream crayfish was carried out in PLA Broumovsko.

The most significant activity of **watercourse management in the Vltava Basin** in 2013 was the elimination of flood damage from June 2013. The rise in water level affected minor watercourses in the Vltava, Berounka, Sázava, Lužnice, Blanice and Otava basins. Safeguarding work was carried out immediately along with preparations to remove damage in subsequent years.

Major FPS work included phase III of Stroupinský potok in Žebrák, Olešná in the Rokycany district and Farský potok in Záblatí u Prachatic. Modifications to watercourses included increases in channel capacity in the towns of Rpety, Potočná, Velká Hleďsebe, Radnice and Alberovice.

Projects carried out pursuant to Section 35 of the Forest Act and funded with EU subsidies included the reconstruction of retention tanks in the Plzeň region in Paadorfská Huť, Výtůň and Raška II.

EU funds from the Rural Development Programme were used to complete measures to repair the channel of Městecký potok in Městečko, district of Rakovník.

In 2013, **watercourse management in the Ohře Basin** completed work to remove flood damage from 2010. Repairs were made on Rychnovský potok in Těchlovice, Homolský potok in Velký Březno, Luční potok near Litoměřice and Zdislavský potok in the Liberec region.

Funds from the stage II FPS subsidy programme were used to construct a retention dam on Lideňský potok to protect the town of Zelená u Chomutova, a retention dam was completed on Donínský potok near Kadaň, a retention dam was built and channel capacity increased on Hradištský potok near Klášterec nad Ohří, a retention dam was built and channel capacity increased on Velenický potok near Česká lipa, and channel capacity was increased on Družcovský potok near Liberec.

EU funds were also used to revitalize Chodovský potok in the Karlový Vary region along with work to revitalize Býnovecký potok near Děčín.

**At watercourse management for the Morava Basin** in 2013, work was completed removing the flood damage from 2010. Major work included water flow modification on the Holomňa in Drslavice in the Uherské Hradiště district and water flow modification of the Kněhyně from km 0.250 – 3.900 in the district of Vsetín.

In 2013 construction work was completed for measures co-financed from stage II of the Ministry Agriculture FPS programme: construction on the Dražůvka in the Šumpersk region, the Romži in the Olomouc region and Kání potok in Rožnov pod Radhoštěm; projects taken over from AMWA: reconstruction of the dam for the Líšnice reservoir in the Šumperk district and increase in channel capacity of the Teplička in Újezd u Uničova.

Pursuant to Section 35 of the Forest Act, dams were constructed on the Dražůvka near Konice, and damage was repaired on the Pilávka near Uničov and the highly frequented tourist area of the "kyselka" mineral water springs in the town of Ochoz.

Projects completed which were financed from European funds: Repair of the barrier on Ptenka potok in the Prostějov district and the Sladský potok in the district of Vsetín.

In addition, a number of measures were taken to remove silt from streambeds, maintain and repair water works, including the repair of damage caused by the European beaver. A major project was the repair of the dam of the Všemina reservoir, where leaks in the dam were repaired.

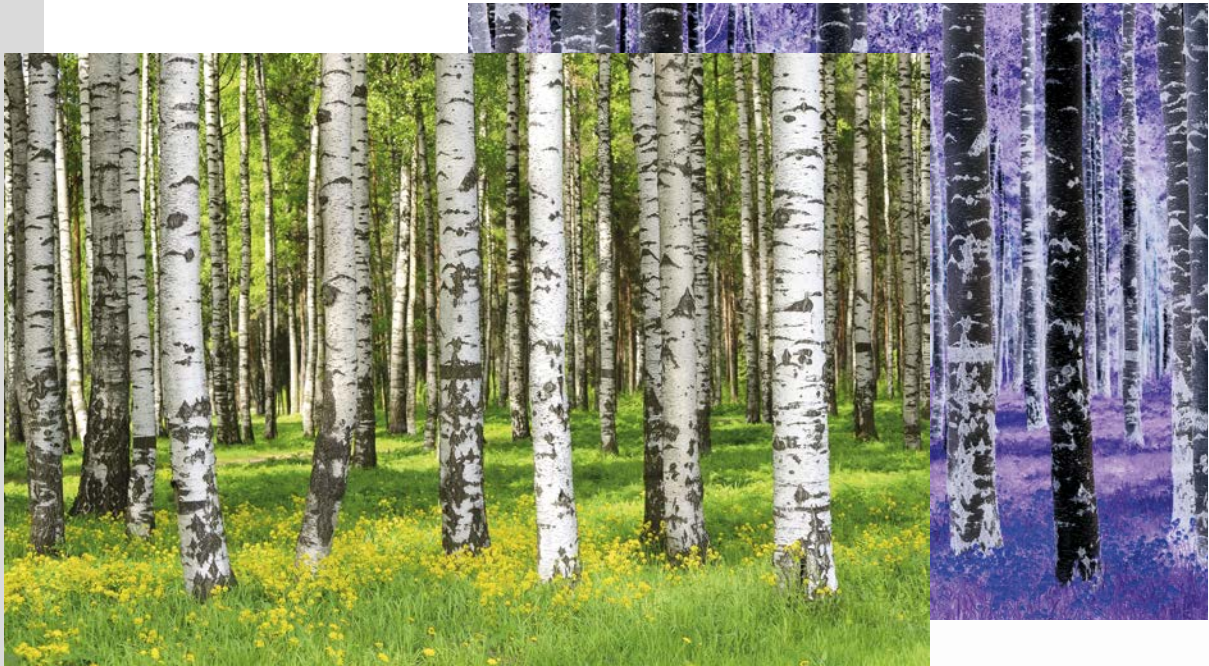
LCR regularly informs the public of completed projects through press releases.





**Betula**





## **Birch (*Betula*)**

A genus from the birch family (betulaceae), characterized by white to yellowish bark. This is a light-loving pioneer tree species widespread from the lowlands to the mountains.

It makes up 2.7% of the tree species growing on forest lands in the CR.







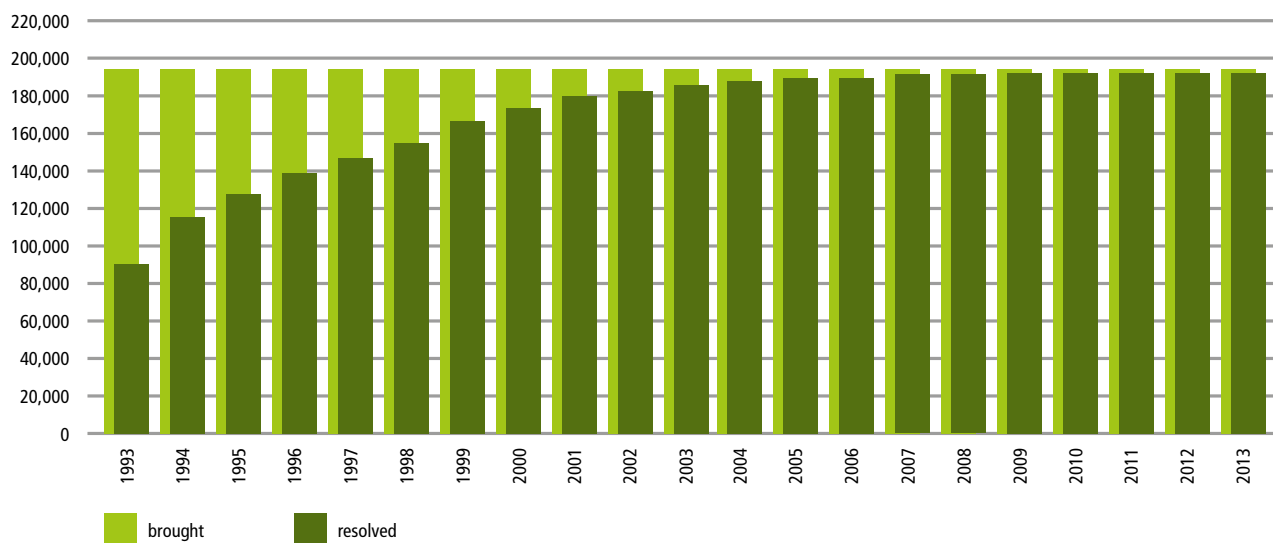
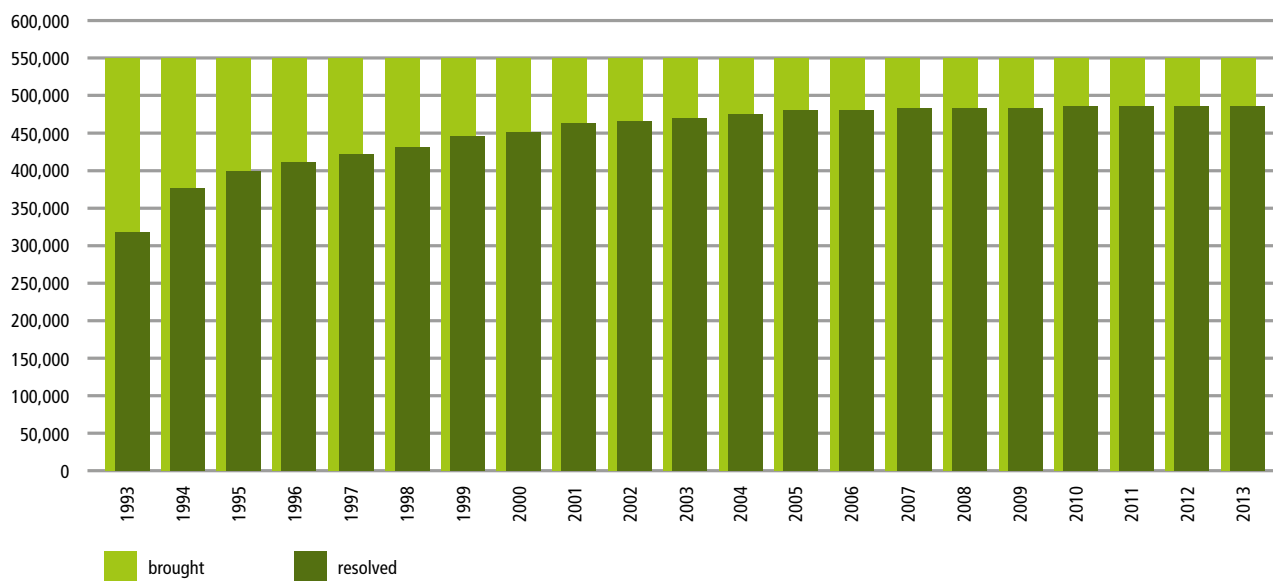
**Birch**

## Restoration of Ownership and User Relations, Contractual Transfers

### Progress in the Restoration of Ownership and User Relations as of 31 December 2013

Year	Requests Handled	Land Transferred (ha)
1993	89,230	318,395
1994	114,556	375,894
1995	126,886	397,673
1996	137,264	411,207
1997	145,073	421,082
1998	153,291	430,659
1999	165,217	444,259
2000	172,337	450,099
2001	178,378	461,344
2002	181,303	464,946
2003	184,484	469,960
2004	185,886	475,360
2005	187,799	479,434
2006	188,386	480,337
2007	189,888	481,700
2008	190,111	482,795
2009	190,295	483,102
2010	190,407	483,627
2011	190,570	483,736
2012	190,679	484,046
2013	190,753	484,119

The data used in the table are the sum of all cases handled in accordance with Act No 229/1991, as amended (the "Act"), i.e. they cover the restoration of ownership rights under Part Two of the Act and the restoration of user rights under Section 22 of the Act, as well as several cases involving declaratory actions to determine ownership on grounds of the invalidity or illegality of confiscation following the Second World War, brought outside statutory time limits.

**Progress in the Restoration of Ownership and User Relations as of 31 December 2013 (number of cases)****Progress in the Restoration of Ownership and User Relations as of 31 December 2013 (area in ha)**



### Progress in the Physical Handover of Forest Resources to Municipalities

Act no. 172/1991 Coll., on the transfer of certain assets of the Czech Republic to the ownership of municipalities, as amended, facilitated the renewal of local government through the return of assets.

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cases	5,298	5,607	5,850	6,018	6,125	6,253	6,395	6,564	6,717	6,814	6,923	6,998	7,108	7,331
ha	358,853	379,843	390,981	397,400	399,471	402,151	404,361	406,760	407,712	409,439	410,640	411,646	415,121	418,086

### Implementation of Act no. 428/2012 Coll., on the Settlement of Property with the Church and Religious Societies

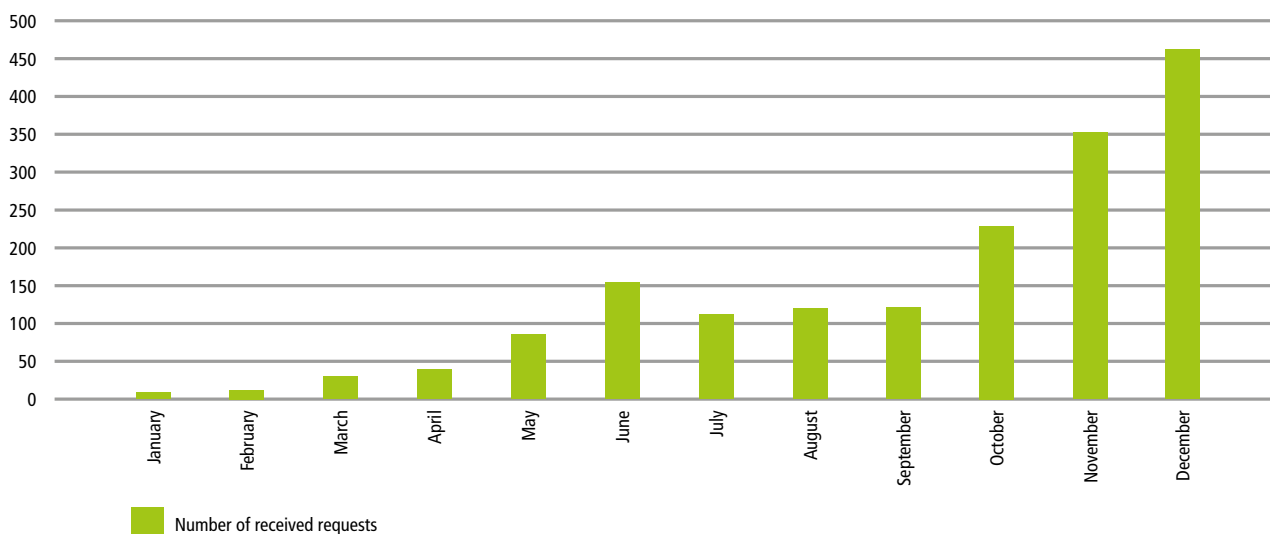
In 2013, the process of restoring property originally belong to the church began. As of 31 December 2013, entitled subjects submitted a total of 1726 requests to LCR, in which they requested the return of 46,247 original land parcels (measuring approx. 144,000 ha) and 1,389 buildings, although some of these claims by entitled subjects were duplicate. As of 31 December 2013, LCR concluded 32 agreements to return 293 land parcels measuring a total of 1,422 ha and 4 buildings. In 2013 there was also the physical handover of 135 land parcels measuring a total of 357 ha, which pursuant to Section 18 par. 2 of Act no. 428/2012 Coll. passed into the ownership as of 1 January 2013 of church subjects (cases where as of 1 January 2013 a church subject was entered in the land registry as the owner).

## Graph of Number of Requests Filed in Individual Months in 2013

Status as of 31 December 2013

Month	January	February	March	April	May	June	July	August	September	October	November	December	Total
Number of requests filed	9	12	30	39	85	154	112	120	121	229	353	462	1,726

### Number of Requests Filed

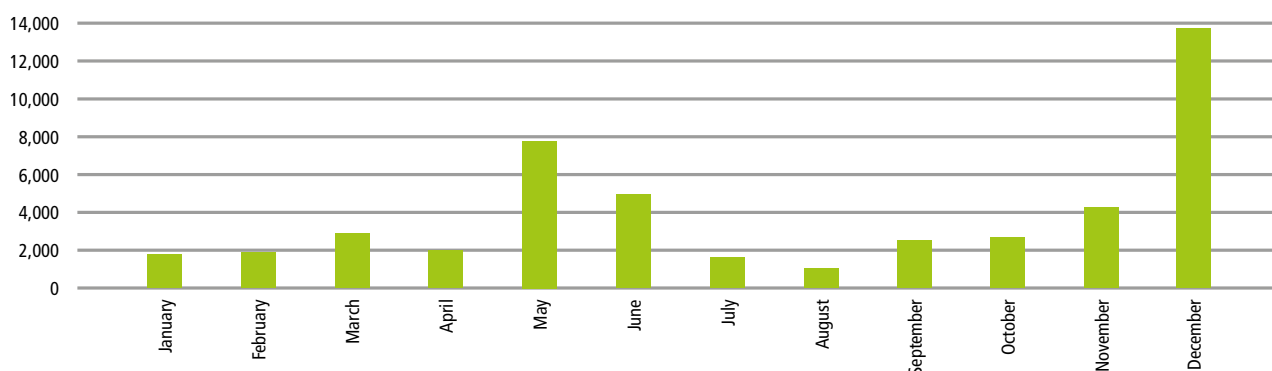


## Graph of the Number of Land Parcels Requested in Individual Months of 2013

Status as of 31 December 2013

Month	January	February	March	April	May	June	July	August	September	October	November	December	Total
Number of land parcels	179	1,921	2,937	2,018	7,908	5,051	1,619	1,027	2,565	2,715	4,348	13,959	46,247

Number of Land Parcels

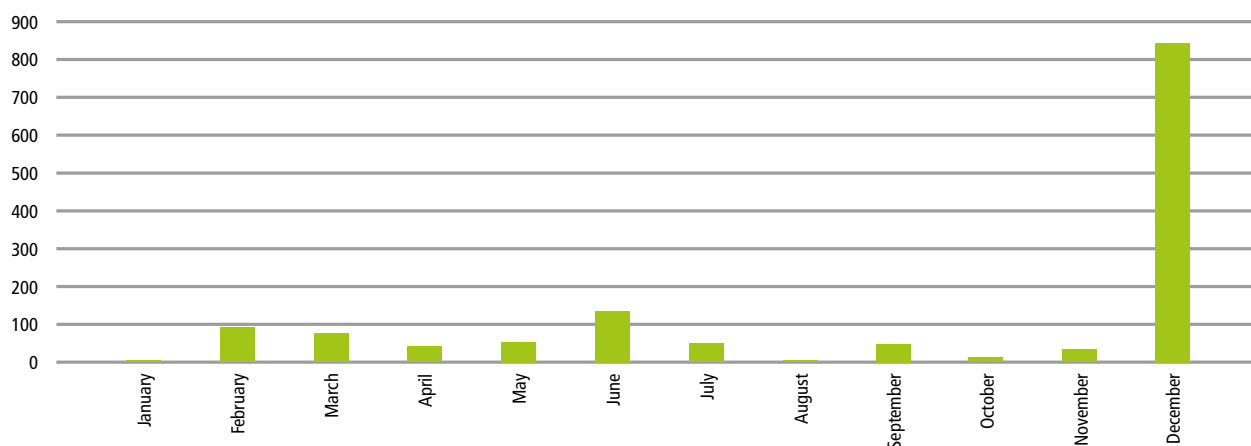


## Graph of the Number of Requests Filed for Buildings in Individual Months in 2013

Status as of 31 December 2013

Month	January	February	March	April	May	June	July	August	September	October	November	December	Total
Number of buildings	4	91	76	41	53	135	49	3	48	12	33	844	1,389

Number of Buildings



### Property Transfers Carried Out in 2013

Property transfers are carried out in strict compliance with all legal regulations governing the disposition of state property. A substantial part of the transfer of property is subject to consent granted by the Ministry of Agriculture of the CR, pursuant to Act no. 77/1997 Coll., on state enterprises, and Act no. 289/1995 Coll., on forests.

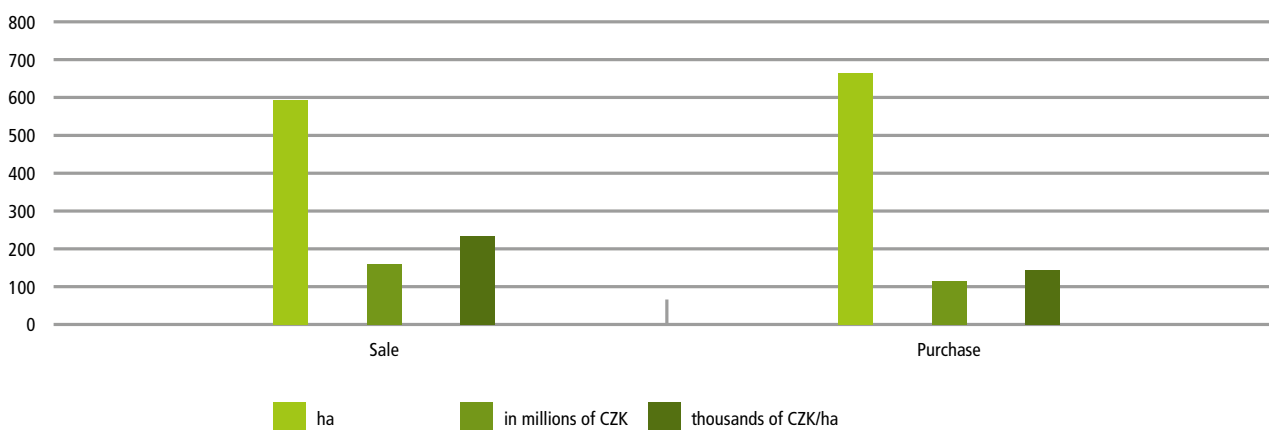
### Lands (Purchase, Sale, Exchange)

#### Sale (Including Valid Transfer of the Right to Conduct Commerce)

	Total	Forest Lands
Area in ha	689.8595	595.4486
Purchase price in CZK	187,352,435	122,396,551

#### Purchase (Including Valid Transfer of the Right to Conduct Commerce)

	Total	Forest Lands
Area in ha	777.3339	715.8390
Purchase price in CZK	133,195,654	106,063,703



### Buildings (Sale)

#### Sale (Including Valid Transfer of the Right to Conduct Commerce)

Number of buildings	59
Purchase price in CZK	55,553,880

## Human Resources

In 2013, the following changes took place in senior staff positions:

Organizational Unit	Function	Newly Appointed	Replacing	Date of Change
FMU Přeštice	lesní správce	Benetka Josef Ing.	Svoboda Tomáš Ing.	entrusted 1. 1. 2013–31. 3. 2013
FMU Strážnice	forest manager	Ondráček Karel Ing.	Pípal Bohumil Ing.	entrusted 1. 1. 2013 appointed 1. 4. 2013
FMU Ostrava	forest manager	Honsa Jan Ing.	Křemen Karel Ing.	entrusted 1. 1. 2013 appointed 1. 4. 2013
RHO Hradec Králové	technical production director		Indra Pavel Ing.	entrusted 31. 3. 2013
RHO Hradec Králové	director of forest and water management	Indra Pavel Ing.		1. 4. 2013
FMU Stříbro	forest manager	Benetka Josef Ing.	Bláha František Ing.	1. 4. 2013
FMU Přeštice	forest manager	Bláha František Ing.	Benetka Josef Ing.	1. 4. 2013
RHO Hradec Králové	sales director		Sýkora Zdeněk Ing.	4. 4. 2013
RHO Hradec Králové	production director	Sýkora Zdeněk Ing.		5. 4. 2013
RHO Hradec Králové	administrative director	Červenka Jiří Ing.		5. 4. 2013
FMU Křivoklát	forest manager	Adam Radek Ing.	Rus Pavel Ing.	entrusted 1. 5. 2013 appointed 1. 8. 2013
FMU Strážnice	forest manager	Pastyřík Jaroslav Ing.	Dostál Josef Ing.	9. 5. 2013
FMU Litvínov	forest manager	Hovorková Anita Ing.	Vacek Jaroslav Ing.	entrusted 1. 8. 2013 appointed 1. 2. 2014
FMU Frýdek Místek	forest manager	Stachová Sylvie Ing.	Rohan Jan Ing.	entrusted 1. 8. 2013
FU Krušné hory	director of forest unit	Sýkora Zdeněk Ing.		entrusted 1. 10. 2013

### Average Number of Employees

Year	2009	2010	2011	2012	2013
FMU, BM, RHO, CHO LCR	2,319	2,133	2,112	2,125	2,175
FU, SU	1,228	1,109	1,065	1,088	1,096
<b>Total</b>	<b>3,547</b>	<b>3,242</b>	<b>3,177</b>	<b>3,213</b>	<b>3,271</b>
– white collar employees					
FMU, BM, RHO, CHO LCR	2,146	2,036	2,037	2,041	2,080
FU, SU	345	331	309	309	302
<b>Total</b>	<b>2,491</b>	<b>2,367</b>	<b>2,346</b>	<b>2,350</b>	<b>2,382</b>
– labourers					
<b>Number</b>	<b>1,056</b>	<b>875</b>	<b>832</b>	<b>863</b>	<b>889</b>

The average number of white collar employees increased in 2013 compared to 2012 primarily due to activities related to implementing the law settling property with churches and religious societies.

**Average Wage**

Year	2009	2010	2011	2012	2013
FMU, BM, RHO, CHO LCR	27,732	29,476	30,559	31,475	31,819
FU, SU	21,524	22,449	23,366	24,337	24,657
<b>Total</b>	<b>25,582</b>	<b>27,071</b>	<b>28,147</b>	<b>29,057</b>	<b>29,418</b>

Total average earnings increased by 1.24% compared to 2012. An annual increase of earnings of 2.35% was applied to categories of employees without a contractual wage as stipulated by the company's collective agreement.

**Employee Education (in %)**

Year	2009	2010	2011	2012	2013
University	39.1	43.3	42.1	45.6	48.8
Complete vocational secondary. graduate	53.9	55.5	56.4	53.1	47.0
Vocational + primary	7.0	1.2	1.5	1.3	4.2

The employee education structure continued to show a positive trend compared to previous years with an increase in employees with higher education.

**Trade Unions**

There are 14 local trade union chapters active at LCR associated under the Woodworking, Forestry and Water Management Trade Union of the Czech Republic, Lesy České republiky, s.p. headquartered Přemyslova 1106, 501 68 Hradec Králové and one Independent Trade Union headquartered at Tyršova 1, 667 01 Židlochovice FU; These unions enter into Collective Agreements with the company. Under the company's Collective Agreement, employees receive benefits and other consideration in excess of generally applicable laws.



# Communication with the Public

In 2013 communication with the general public and professional community focused on presenting the company as a profitable, competitive and stable organization in all areas of interest: economic areas, environmental protection, and social areas. Among the primary tools is the company website, which is becoming more important as the number of visitors increases. At the same time, the website is a very flexible tool, able to quickly respond to new needs.

Another communication tool with great potential for both the general public and professional community are exhibitions focused on forestry and hunting. These include the tradition Natura Viva exhibition in Lysa nad Labem. This exhibition presented topics of hunting, nature conservation and forest education.

## 1. Journalists

Information for journalists is provided by the company's spokesperson, who, as in previous years, was also the contact person for representatives of the media.

Individual topics were explained in detail to journalists, mainly through press releases, press conferences, and responses to individual questions.

In 2013, Lesy ČR issued more than 170 press releases and held 1 press conference focusing on national issues. A dozen smaller press conferences were organized by the company through its regional offices, marking the completion of investment projects in the regions or explaining local matters of interest concerning forests, forestry or water management.

During the year, the company spokesperson responded to more than 800 individual questions from the media.

The company's media output in 2013 can be roughly divided into the following basic topics:

- tenders – forestry work,
- charity and good works
- the management of Lesy ČR
- press responses to current events
- Agenda 2020 – support and development of publicly beneficial functions of forests – nature trails, observation towers, gazebos, single tracks for mountain biking,
- forest management – growing activities, bark beetle control, new planting, the harvesting of the fruits of deciduous trees,
- water management – flood prevention measures, management of small watercourses
- ecology – nature conservation: joint press releases with the Czech Union for Nature Conservation (ČSOP), protected areas etc.
- awareness – forest-based education, Days with LCR.

## 2. Children and Youth

Environmental education and the awareness of the young generation is one of the priorities of the entire LCR communication strategy which has great significance with respect to non-productive forest functions.

These educational activities are carried out through a series of communication tools, including forest-based education, LCR Days, and the Information and Education Centres.

Through forest-based education, programme participants learn about the forest ecosystem from a trained forester and forest educator. Through various experiences and games, these educators pass on their knowledge to the public about the forest, its functions and forest management. These activities are aimed primarily at kindergarten and elementary school students, as well as teachers, the general public, high school and university students, seniors, handicapped and socially disadvantaged persons.

Forest educators organize educational programs for groups of children and other groups throughout the Czech Republic, and these are usually held right in the forest, because the motto of forest educators is "learn about the forest in the forest."

One of our most popular events are the various LCR Days, which combine sports with education and are primarily focused on families with children. These events are a good opportunity to strengthen the relationship of the state company with the public on a regional level.

At the organizational unit level, 97 LCR Days took place in 2013.

LCR worked with 233 trained forest educators in 2013, who held nearly 900 events attended by more than 100,000 people.

In 2013 a European-wide Forest Week was held in the second week of December (9-13 December 2013) coinciding with the meeting of the FAO Committee and the UNECE Timber Committee in Finland. As part of the celebrations, LCR took part in a large film festival of forest films, organized numerous walks with foresters, expert talks and announced an art competition. All of these events were very well received by the public. The 2013 European Forest Week was perceived by foresters as an opportunity to demonstrate the importance of forestry and forest management in its full breadth. The objective and purpose of all events was above all to highlight the benefits forests provide for society and acquaint the public with the task of forestry, which is to preserve forests for future generations.

### 3. Internal Communication within the Company

Due to the character of the company, its size and scope of activities, the basic foundation of internal communication is the company intranet and its internet magazine, Lesu zdar. The task of internal communication is above all to strengthen company culture and enhance employee loyalty.

### 4. Gift Giving

In 2013 the company made donations of CZK 19.37 mil. These funds were available to non-profit organizations engaged in charity work, environmental protection, health, culture, and education. Applicants submitted projects not only to the company's central head office, but also to the regional head offices and forest units, which had the opportunity within their own limits to support local entities in their area.

# Annual Report of State Enterprise Lesy České republiky, s.p. on Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, for 2013

State enterprise Lesy České republiky, s.p. (hereinafter also LCR), established by Memorandum of Association of the Ministry of Agriculture of the Czech Republic Ref. No. 6677/91-100 of 11 December 1991, with its registered office at Přemyslova 1106, Hradec Králové, Postal Code: 501 68, Identification No.: 42196451, incorporated in the Commercial Register maintained by the Regional Court in Hradec Králové in Section A XII, Entry 540, as an obligated party pursuant to Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter the "AFAI"), hereby, in accordance with Section 18 of the AFAI, issues this annual report on its activities regarding the provision of information according to the AFAI in 2013:

## 1. Number of requests for information:

There were a total of 42 written requests for the provision of information according to the AFAI in 2013.

## 2. Number of requests fully or partially rejected:

Eighteen decisions were issued fully or partially rejecting requests for information under the AFAI in 2013.

## 3. Number of appeals submitted against decisions rejecting requests:

Seven appeals were submitted against decisions under the AFAI in 2013.

## 4. Transcript of the relevant parts of court rulings regarding the lawfulness of LCR's decision to reject information requests:

There were two court proceedings regarding review of the lawfulness of LCR's procedures in handling requests under the AFAI in 2013 (one of these involved a cassation complaint to the Supreme Administrative Court of the Czech Republic).

In the first court proceedings, the applicant under the AFAI filed an action for protection against the failure to act pursuant to Section 79 of Act No. 150/2002 Coll., Administrative Procedure Code, as amended (hereinafter also "Code"). The applicant, as the plaintiff, maintained that LCR had failed to act when handling its request, i.e. did not provide the requested information while not issuing any decision on rejecting the application pursuant to Section 15 of AFAI. The competent regional court dismissed the action and awarded LCR the costs of the proceedings; in its reasoning, the regional court in concreto stated: "(...) The defendant provided its opinion in a letter dated 31 October 2012. Following a complaint and appeal by the plaintiff, the correctness of this procedure was then confirmed by a decision of Ing. Michal Gaube, Economic Director, entrusted with the duties of the Chief Executive Officer of Lesy České republiky, s.p. It unequivocally ensues from the above that a decision has undoubtedly been made about the request of the plaintiff, so the procedure of the defendant cannot be considered as failure to act. (...) Furthermore, the Regional Court maintains that the issued decision may be considered as a decision of the superior body, referring in this point to its judicature of 1 April 2008, Ref. No. 30 Ca 162/2007. In this, the court dealt with the issue of who was to decide about an appeal under

Section 16 of this regulation if a state enterprise was in the position of the entity obligated to provide information under the Act on Free Access to Information. The court has come to an identical conclusion in the case at hand, with the following legal opinion. Pursuant to Section 20 (5) of the Act on Free Access to Information, where it is impossible to determine the superior body pursuant to Section 178 of the Administrative Code, it shall be the head of the obligated subject who makes the decision in the appellate proceedings and the complaint procedure. Pursuant to Section 178 (1) of the Administrative Code, the superior administrative body is the administrative body as determined by a special act. Where a special act makes no such determination, it is the administrative body that, by law, decides about an appeal or carries out supervision. The provision of para 2 specifically provides which public administrative body is the superior administrative body in the specific given cases. From the above, it is apparent that the provision of Section 178 of the Administrative Code does not apply to the defendant, simply because the defendant is not an administrative body within the meaning of this provision, but rather a public institution. The opinion of the Regional Court is that the aforementioned Section 20 (5) of the Act on Free Access to Information, which envisages such a situation, needs to be applied in these cases. Consequently, the Chief Executive Officer of Lesy České republiky, s.p., as the head of the entity, is the person authorized, as well as obligated, to make the decision in the appellate proceedings regarding the given matter."

The other court proceedings concerned an action against the decision of LCR about a complaint by the applicant pursuant to Section 16a of the AFAI, where the procedure of LCR in handling the application was upheld.

The competent regional court ruled in this matter that the contested decision of LCR was reversed and the matter was returned to LCR for further proceedings; furthermore, LCR was obligated to provide the information as requested by the applicant within 15 days from legal force of the ruling and the plaintiff was awarded the costs of the proceedings.

In its ruling, the competent regional court stated the following: "When interpreting the respective provisions, the Regional Court thus, in accord with the opinion of the Supreme Administrative Court and the plaintiff, concluded that the defendant was obligated to accommodate the request of the plaintiff and provide the plaintiff with the requested copy of the contract. However, since the defendant did not do so, the court imposed this obligation upon it pursuant to Section 16 (4) of the Act on Free Access to Information and reversed the contested decision at the same time. In the newly opened proceedings regarding the complaint, the defendant will be bound to observe the above legal opinion and shall deal with the statement of Lesy České republiky, s.p. of 31 October 2012 within the intentions of that opinion. In conclusion, the Regional Court states that the objection of the defendant that the filed action does not have the necessary requisites, and thus is impossible to judge, cannot be considered as justified. In its submission, the plaintiff fully explained what it was seeking and why it considered the procedure of the defendant as unlawful, also stating its demand for relief in the conclusion..."

LCR disagreed with this decision as issued and reasoned by the Regional Court and challenged it by a cassation complaint. LCR stated as the cause of this complaint the fact that counts of action did not ensue from the action as required by Section 71 (1) (d) of the Code and that the statement of the decision requiring LCR to provide the information exceeded the jurisdiction of the court, since, pursuant to Section 16 (4) of the AFAI, such an order may only be given in proceedings reviewing a decision on appeal, whereas these were proceedings to review a decision on a complaint. With respect to the statement requiring LCR to provide the information, the cassation complaint included a request for suspensory effect, which request was granted by the Supreme Administrative Court of the Czech Republic and the cassation complaint thus has the suspensory effect. The suspensory effect was granted because, had it not been granted and LCR had to provide the information, any subsequent decision of the Supreme Administrative Court of the Czech Republic would have been purely academic in nature, as LCR correctly argued in its request.

The Supreme Administrative Court of the Czech Republic granted the cassation complaint in part; it upheld the reversal of the contested decision and returned the matter to LCR for further proceedings, but it cancelled the statement requiring LCR to provide the information. Given that each participant in the proceedings prevailed only partially, neither of them was awarded the costs of the proceedings. In its reasoning of the ruling, the Supreme Administrative Court of the Czech Republic stated the following: *"The Supreme Administrative Court has, in line with the above ruling of the extended tribunal, concluded that the action of 5 February 2013 contains a very fragmentary outline of a count of action, namely a reference to the ruling by the Supreme Administrative Court dated 7 May 2008, Ref. No. 1 As 17/2008 – 67. Given the circumstances of the case, where the complainant has only provided the plaintiff with selected data from the property auction contract, although the plaintiff requested to be provided with a copy thereof, and where the ruling of the Supreme Administrative Court as cited by the plaintiff dealt with a completely identical legal issue and arrived at relevant conclusions, it is possible to unequivocally determine what the legal arguments of the plaintiff were. The other question is whether an action conceived as the one dated 5 February 2013 provides for due protection of the plaintiff's rights and justified interests by its attorney-at-law pursuant to Section 16 et seq. of Act No. 85/1996 Coll., on Advocacy, as amended. Nevertheless, this issue is not the subject of these proceedings and could potentially influence the duty to reimburse the costs of the proceedings. The Supreme Administrative Court is convinced that a poorly drafted action, which, de facto, merely refers to a ruling of the Supreme Administrative Court without any detailed reasoning (which could have been drafted by anyone without any legal education), despite being capable of being considered by a court as indicated above, does not constitute grounds for such a submission to establish the right to reimbursement of the costs of proceedings, as it does not represent a reasonably incurred cost. In this respect, the Supreme Administrative Court notes that, had the plaintiff not been represented by an attorney-at-law and had it filed an action that would be completely identical in terms of its content, no costs of the proceedings would have been granted to it. The representation by an attorney-at-law cannot automatically*

*establish the right to reimbursement of the costs of proceedings, if such an attorney-at-law drafts a completely fragmentary submission, which merely refers to a ruling of the Supreme Administrative Court – cf. accordingly the award by the Constitutional Court dated 24 July 2013, Ref. No. I. ÚS 3344/12; the award by the Constitutional Court dated 17 April 2013, Ref. No. Pl. ÚS 25/12 (...). In accordance with the above-cited ruling of the Supreme Administrative Court, which recognized the application of Section 16 (4) of the Act on Free Access to Information as an exception to the rule (the cassation system of administrative justice), it is appropriate to infer that the provision of Section 16 (4) of the Act on Free Access to Information may only be applied to decisions by an obligated entity regarding an appeal, but not to any other decisions made by the obligated entity. Thus, if the complainant made the decision pursuant to Section 16a of the Act on Free Access to Information and the correctness of this procedure has not been challenged at court, so the Supreme Administrative Court cannot give its opinion regarding this, it is appropriate to conclude that the regional court could not require the complainant in Statement II of the contested decision to provide the plaintiff with a copy of the property auction contract, as the regional court did not have the jurisdiction to do so (...). Last but not least, the Supreme Administrative Court notes the inconsistency of Statement I and Statement II of the contested ruling. Statement I of the ruling cancelled the contested decision of the defendant and the matter was returned to it for further proceedings. Statement II of the ruling required the complainant to provide a copy of the property auction contract to the plaintiff. It is unclear to the Supreme Administrative Court how the complainant could possibly fulfill both of these requirements of the contested decision. If the complainant conducted further proceedings, this would challenge Statement II of the contested decision, whereby it was required to provide the information. If the complainant provided the information in line with Statement II of the contested decision, it would be meaningless to conduct any further proceedings, as there would be nothing to decide about...."*

#### **5. Overview of LCR's expenditures related to court proceedings on rights and obligations under AFAI:**

The expenditures of LCR in connection with all court proceedings regarding rights and obligations under the AFAI within the respective period totalled CZK 246,983.07.

#### **6. Exclusive licensing:**

LCR did not grant any exclusive licenses in 2013.

#### **7. Complaints about the procedure for handling information requests (Section 16a of AFAI), reasons for submitting complaints and a brief description of handling them:**

There were 3 complaints about LCR's process in handling information requests according to Section 16a of the AFAI in 2013.

In these complaints, the complaining party objected that LCR, as the obligated entity, handled the AFAI request incorrectly by only providing part of the requested information without rejecting the rest of the request. As the superior authority, the CEO of LCR reviewed this process and, having found no defects as contested, confirmed this to be lawful and legitimate.

# Financial Section



# Independent Auditor's Report on the Financial Statements

**A&CE**  
living for consulting

## INDEPENDENT AUDITOR'S REPORT

for the founder and Director General of the state-owned enterprise  
on an audit of the standard end-of-year financial statements to 31.12.2013 of the state-owned  
enterprise  
Lesy České republiky, s.p., with registered seat in Hradci Králové, company no. 42196451.

We have audited the accompanying financial statements to 31.12.2013 of the state-owned enterprise Lesy České republiky, s.p., namely Balance Sheet to 31.12.2013, Profit & Loss Statement from 1.1.2013 to 31.12.2013, and Notes to Financial Statements including a description of the relevant accounting policies used. The particulars of the state-owned enterprise Lesy České republiky, s.p. are indicated in article 1 of the Notes to Financial Statements.

### *Responsibility of the Statutory Body of the Accounting Unit for the Financial Statements*

The Director General of the state-owned enterprise is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

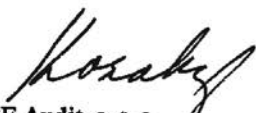
**A&CE**  
living for consulting

### UNQUALIFIED OPINION

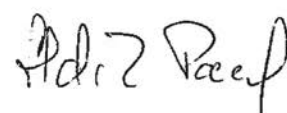
**In our opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the state-owned enterprise Lesy České republiky, s.p., to 31.12.2013, and likewise its costs, revenues and financial performance in 2013 in conformity with the Czech accounting regulations.**

As auditors we consider it necessary to draw attention to the fact that could be important for the assessment of property and financial situation of the state-owned Lesy České republiky, s.p. referred to in section 10 to Notes to Financial Statements 2013.

In Brno, on 25.4.2014

  
**A&CE Audit, s. r. o.**  
Ptašínského 4, 602 00 Brno  
License of the Czech Chamber of Auditors no. 007  
Ing. Martin Kozohorský, Chief Executive



  
Ing. Pavel Studnička  
Auditor, license no. 1702

**Attachments:** Balance Sheet to 31.12.2013, Profit & Loss Statement to 31.12.2013, Notes to Financial Statements 2013

# Financial Statements

## Balance Sheet as of 31 December 2013 (in thousands of CZK)

Item	Gross	Adjustment	Net Current	Net Previous
<b>TOTAL ASSETS</b>	<b>95,691,803</b>	<b>(15,838,587)</b>	<b>79,853,216</b>	<b>81,830,276</b>
B. Fixed assets	82,414,133	(14,734,504)	67,679,629	69,351,843
B.I. Intangible fixed assets	1,073,685	(649,765)	423,920	541,972
B.I. 3. Software	582,852	(445,296)	137,556	216,629
4. Royalties	37,963	(34,596)	3,367	8,986
6. Other intangible fixed assets	404,377	(169,873)	234,504	200,374
7. Intangible fixed assets under construction	48,493	0	48,493	115,983
B.II. Tangible fixed assets	76,663,601	(14,040,693)	62,622,908	62,360,854
B.II. 1. Land	53,231,862	0	53,231,862	53,241,719
2. Buildings	21,535,080	(12,688,691)	8,846,389	8,533,558
3. Plant and equipment	1,490,596	(1,351,919)	138,677	209,234
4. Perennial crops	30	(30)	0	0
5. Adult animals	53	(53)	0	0
6. Other tangible fixed assets	1,938	0	1,938	1,938
7. Tangible fixed assets under construction	404,019	0	404,019	374,393
8. Advance payments for tangible fixed assets	23	0	23	12
B.III. Financial investments	4,676,847	(44,046)	4,632,801	6,449,017
2. Investments in associated companies	101,153	(44,046)	57,107	57,107
3. Other securities and investments	1,475,694	0	1,475,694	1,391,910
5. Other long-term investments	3,100,000		3,100,000	5,000,000
C. Current assets	13,160,285	(1,104,083)	12,056,202	12,392,806
C.I. Inventories	162,329	(2,760)	159,569	194,042
C.I. 1. Raw materials	52,593	0	52,593	52,217
2. Work in progress and semi-finished goods	86,310	0	86,310	118,978
3. Finished products	20,877	(2,626)	18,251	20,805
4. Young animals	238	0	238	246
5. Goods	2,311	(134)	2,177	1,796
C.II. Long-term receivables	83	0	83	6,075
5. Long-term advances paid	83		83	6,075
C.III. Short-term receivables	2,929,573	(1,101,323)	1,828,250	1,558,339
C.III. 1. Trade receivables	2,235,892	(632,394)	1,603,498	1,418,878
3. Receivables – associated companies	0	0	0	213
4. Receivables from shareholders, co-op and association members	367	0	367	247
6. State – tax receivables	431,234	(293,511)	137,723	25,540
7. Short-term advances paid	31,442	(364)	31,078	16,133
8. Estimated receivables	21,483	0	21,483	39,892
9. Other receivables	209,155	(175,054)	34,101	57,436
C.IV. Financial assets	10,068,300	0	10,068,300	10,634,350
C.IV. 1. Cash in hand	3,035		3,035	2,889
2. Cash at bank	7,354,871		7,354,871	6,745,951
3. Short-term securities and ownership shares	2,710,394		2,710,394	3,885,510
D.I. Accruals	117,385	0	117,385	85,627
D.I. 1. Prepaid expenses	24,939		24,939	28,494
3. Accrued revenues	55,124		55,124	27,691
3. VAT to be applied in January 2014	37,322		37,322	29,442

	Current Period	Previous Period
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>79,853,216</b>	<b>81,830,276</b>
A. Equity	74,804,000	76,963,813
A.I. Registered capital	11,970,474	11,704,670
A.I. 1. Registered capital	11,970,474	11,704,670
1. Capital stock – registered	5,818,759	5,818,759
1. Changes in capital stock – unregistered	6,151,715	5,885,911
A.II. Capital funds	51,321,143	51,460,663
2. Other capital funds	51,345,990	51,469,390
3. Gain or loss on revaluation of assets and liabilities	(24,847)	(8,727)
A.III. Reserve funds and other funds created from profit	4,956,538	5,186,678
A.III. 1. Statutory reserve fund	1,251,283	1,251,283
2. Statutory and other funds	3,705,255	3,935,395
A.IV. Retained earnings/accumulated losses	2,566,303	4,203,792
A.IV. 1. Retained earnings	2,566,303	4,203,792
A.V. Profit (loss) for the current period (+/-)	3,989,542	4,408,010
B. Liabilities (debt)	4,956,609	4,779,778
B.I. Provisions	3,571,480	3,431,712
4. Other provisions	3,571,480	3,431,712
B.II. Long-term payables	156,301	141,216
10. Deferred tax liability	156,301	141,216
B.III. Short-term payables	1,228,828	1,206,850
B.III. 1. Trade payables	855,210	664,661
4. Payables to shareholders, co-op and association members	45	224
5. Payables to employees	82,650	91,915
6. Payables to social security and health insurance	44,255	49,834
7. State – tax liabilities and subsidies	99,490	318,122
8. Short-term advances received	109,721	62,352
10. Estimated payables	19,938	14,291
11. Other payables	17,519	5,451
C.I. Deferrals	92,607	86,685
C.I. 1. Accrued expenses	33,232	37,538
2. Deferred income	59,375	49,147

**Profit and Loss Statement as of 31 December 2013 (in thousands of CZK)**

Item	Current Period	Previous Period
I. Revenue from sales of goods	3,628	3,907
A. Costs of goods sold	3,190	3,289
+ Gross margin	438	618
II. Revenue from production	11,518,133	11,636,861
II.1. Revenue from own products and services	11,537,080	11,611,774
II.2. Change in inventory of own production	(31,605)	4,525
II.3. Capitalization	12,658	20,562
B. Cost of sales	4,676,514	4,281,207
B.1. Raw materials and consumables	324,297	309,296
B.2. Services	4,352,217	3,971,911
+ Value added	6,842,057	7,356,272
C. Staff costs	1,656,230	1,600,631
C.1. Wages and salaries	1,190,770	1,156,771
C.2. Remuneration of board members	70	110
C.3. Social security and health insurance costs	402,219	388,044
C.4. Social costs	63,171	55,706
D. Taxes and charges	161,079	162,481
E. Depreciation of intangible and tangible fixed assets	719,551	688,264
III. Disposals of fixed assets and raw material	264,514	235,916
III.1. Proceeds from disposals of fixed assets	260,492	231,869
III.2. Proceeds from disposals of raw material	4,022	4,047
F. Net book value of fixed assets and materials sold	54,844	44,766
F.1. Net book value of fixed assets sold	51,698	41,825
F.2. Raw materials sold	3,146	2,941
G. Change in provisions and adjustments relating to operating activity	179,697	324,217
G.1. Changes in provisions for operating activity	139,768	(64,037)
G.2. Changes in adjustments for operating activity	39,929	388,254
IV. Other operating revenue	357,428	404,300
H. Other operating expenses	93,414	82,726
* Operating profit (loss)	4,599,184	5,093,403



	Item	Current Period	Previous Period
VI.	Proceeds from sale of securities and ownership shares	1,443,610	422,181
J.	Securities and ownership shares sold	1,478,618	403,239
VII.	Revenue from long-term investments	39,785	7,520
VII.1.	Revenue from investments in subsidiaries and associated companies	136	276
VII.2.	Revenue from other long-term securities and ownership interests	39,649	7,244
VIII.	Revenue from current financial assets	194,869	203,079
K.	Financial asset expense	2,103	2,068
IX.	Gain on revaluation of securities and derivatives	1,545	33,302
L.	Loss on revaluation of securities and derivatives	26,314	8,676
M.	Change in provisions and adjustments relating to financial activity	0	34,562
X.	Interest revenue	190,109	187,767
N.	Interest expense	7	19
XI.	Other financial revenue	17,295	3,260
O.	Other financial expense	22,697	23,648
*	Financial profit (loss)	357,474	384,897
Q.	Income tax on ordinary activities	967,116	1,070,290
Q.1.	- due	952,032	1,055,006
Q.2.	- deferred	15,084	15,284
**	Profit (loss) on ordinary activities	3,989,542	4,408,010
XIII.	Extraordinary revenues	0	0
R.	Extraordinary expenses	0	0
S.	Tax on extraordinary profit (loss)	0	0
S.1.	- due	0	0
*	Extraordinary profit (loss)	0	0
***	Net profit (loss) for the period	3,989,542	4,408,010
****	Profit (loss) before tax	4,956,658	5,478,300

# Notes to Annual Financial Statements

## 1.

### **Lesy České republiky, s.p.**

Hradec Králové 8, Přemyslova 1106, Postal Code: 501 68

Registration Number: 42196451

**Legal Form:** state enterprise (státní podnik)

### **Principal Activities (according to the current Memorandum of Association)**

Activities conducted by itself or through select commercial subjects to ensure the optimal function of forests in all respects; exercise of all ownership rights to state assets which the company is entitled to manage, subject to the founder's consent to legal acts associated with specified property; exercise of the right to manage state-owned forests as granted to the company by the state; exercise of the right to manage other state-owned movable and immovable assets entrusted to the company to carry out its tasks, and the right to engage in non-business activities with state property in the company's own name and own responsibility; exercise of the rights and obligations of forest owner according to the Forest Act for forests owned by the state which it is entitled to manage; professional forest management; protective forest services.

Other business activities are listed in the publicly available Commercial Register on the website [www.justice.cz](http://www.justice.cz). Likewise, all changes and additions made during the 2012 and 2013 reporting periods can be found here.

### **Incorporation**

The company was established by Memorandum of Association of the Ministry of Agriculture of the Czech Republic Ref. No. 6677/91 100 of 11 December 1991 effective from 1 January 1992. On 28 August 2013, the complete wording of this memorandum was updated by Decision of the Ministry of Agriculture of the Czech Republic Ref. No. 53531/2013-MZE 12141.

The current wording of the Memorandum of Association, including all other changes, is publicly available in the Commercial Register. The company is incorporated in the Commercial Register kept by the Regional Court in Hradec Králové in Section A XII, Entry 540. The value of capital stock entered in the Commercial Register as at 31 December 2013 was CZK 5,818,758,987.42. The annual accounts for 2013 were compiled as of 31 December 2013.

### **Statutory Body as of 31 December 2013: not filled**

### **Representatives of Statutory Body as of 31 December 2013:**

Ing. Michal Gaube	Business Director, entrusted with the duties of Chief Executive Officer
Ing. Pavel Indra	- Forest and Water Management Director
Ing. Jiří Červenka	- Administrative Director
Ing. Zdeněk Sýkora	Production Director

### **Changes in Statutory Bodies from 1 January 2013 to 25 April 2014:**

On 1 April 2013, Ing. Pavel Indra was appointed to the newly created position of Forest and Water Management Director; on 5 April 2013, Ing. Jiří Červenka was appointed to the newly created position of Administrative Director; on 31 March 2013, the Commercial Director Division was eliminated and Ing. Zdeněk Sýkora was appointed to the newly created position of Production Director with the effect as of 5 April 2013.

On 14 April 2014, Ing. Daniel Szórád, Ph.D. was appointed as Chief Executive Officer (statutory body) and Ing. Michal Gaube was relieved of the duties of Chief Executive Officer.

On 16 April 2014, the order of representation of the statutory body changed to the following: 1. Forest and Water Management Director – Ing. Pavel Indra; 2. Business Director – Ing. Michal Gaube, MBA; 3. Administrative Director – Ing. Jiří Červenka; 4. Production Director – Ing. Zdeněk Sýkora.

**Supervisory Board as of 31 December 2013:**

Ing. Miroslav Zámečník - Chairman of SB  
Ing. Jaromír Kříha - Vice-Chairman of SB  
Ing. Miroslav Jankovský  
Doc. RNDr. Bohumír Lomský, CSc.  
Ing. Karel Trůbl  
Mgr. Jan Sixta  
Prof. Ing. Luděk Šišák, CSc.  
Ing. Jaromír Vašíček, CSc.  
Ing. Martin Žižka, Ph.D.

Six members of the Supervisory Board are appointed by the founder (the Czech Ministry of Agriculture); three are elected from among the company's employees.

**Personnel Changes in Supervisory Board from 1 January 2013 to 25 April 2014:**

On 8 August 2013, Ing. Radek Braum was removed from the office of a member of the Supervisory Board and Ing. Martin Žižka, Ph.D. was appointed to the office on 9 August 2013. On 10 October 2013, Libor Lukáš, PhDr. Robert Knobloch, MVDr. Jiří Liška and Ing. Radek Vonka were removed from the offices of members of the Supervisory Board and Doc. RNDr. Bohumír Lomský, CSc., Mgr. Jan Sixta, Prof. Ing. Luděk Šišák, CSc., and Ing. Jaromír Vašíček, CSc. were appointed to the offices. On 18 February 2014, Mgr. Jan Sixta resigned as member of the Supervisory Board and JUDr. Jiří Jirsa, MEPP, Ph.D., was appointed to the office.

**Organizational Structure of the Company as of 31 December 2013:****Internal Accounting Units:**

The company's Central Head Office manages five directly controlled units – the Boubín, Kladská, Konopiště, and Židlochovice Forestry Units and the Týniště nad Orlicí Seed Unit.

In addition, the company's Central Head Office directly manages 13 regional head offices, which in turn are in charge of 77 forest management units throughout the Czech Republic. Regional head offices are not autonomous internal accounting units.

The small watercourse and torrent management unit at the level of Dyje, Labe, Morava, Odra, Ohře and Vltava Basin Management is an autonomous internal accounting unit.

Client Asset Management is an autonomous internal accounting unit responsible for monitoring returns on disposable funds in separate portfolios.

**2.****As of 31 December 2013, Lesy České republiky, s.p. held shares and controlling influences in the following companies:****• Hradecká lesní a dřevařská společnost a.s.**

Registered office: Malé náměstí 111, 502 00 Hradec Králové, Registration Number: 60913827

Equity: 2012: CZK +196,447,000; 2013: not known at the balance sheet date.

Profit (loss): 2012: CZK +1,517,000; 2013: not known at the balance sheet date.

Stake held by LCR in the registered capital of the joint-stock company: 50% stock and influence; no controlling agreements or profit transfer agreements have been made.

The preliminary results for 2013 do not indicate the need to adjust the value of the equity interest in this company.

**• H.F.C. a.s.**

Registered office: Dřevařská 904, 500 03 Hradec Králové, Registration Number: 25939181

Equity: 2012: CZK +104,527,000; 2013: not known at the financial statements date.

Profit (loss): 2012: CZK -6,835,000; 2013: not known at the financial statements date.

Stake held by LCR in the registered capital of the joint-stock company: 50% stock and influence; no controlling agreements or profit transfer agreements have been made. During the course of 2012, LCR had its stake in H.F.C. a.s. appraised. The appraisal established a significantly lower market value than the purchase price. Therefore, when compiling statements for 2012, provisions amounting to CZK 34,562,000 were created (Balance Sheet, assets, line B.III.2. adjustment), which adjusted the value of the stake in H.F.C. a.s. to CZK 15,438,000, which corresponds to the minimal market value of the stake appraised; as of 31 December 2013, the grounds for creating this adjustment remained in place.

• **KOMAS a.s. (the company entered liquidation proceedings on 1 January 2006)**

Registered office: Horova 388, Štětí, Registration Number: 00380172

Stake held by LCR in the registered capital of the joint-stock company: 30.6% stock and influence; no controlling agreements or profit transfer agreements have been made. As of 31 December 2004, shares in KOMAS a.s. were considered unmarketable, and therefore an adjustment amounting to 100% of the book value was created; as of 31 December 2013, the grounds for creating the adjustment remained in place (Balance Sheet, assets, line B.III.2. adjustment).

As at 31 December 2013, LCR held *long-term equity securities with an acquisition cost* of CZK 101,153,000 (Balance Sheet, Assets, line B.III.2. gross).

Company	Number of Shares (pcs)	Nominal Value of Shares (CZK ths)	Purchase Price (CZK ths)	Provisions (CZK ths)
Hradecká dřevařská a lesní společnost, a.s.	552	40,500	41,670	--
H.F.C. a.s.	83	51,284	49,999	34,562
Komas a.s.	270	11,151	9,484	9,484

### 3.

	2012	2013
Average annual number of employees	3,213	3,271
Registered number of employees as of 31 December	3,185	3,234
Wages and salaries (CZK ths)	1,156,771	1,190,770
Social security costs (CZK ths)	388,044	402,219
Social costs (CZK ths)	55,706	63,171
Personnel expenses (CZK ths)	1,600,521	1,656,160
Number of employees in decision-making bodies	21	19
Wages and salaries of employees in decision-making bodies (CZK ths)	44,488	35,516
Social security costs of employees in decision-making bodies (CZK ths)	15,500	12,374

Employees in decision-making bodies are head office staff in positions of directors and heads of department. Persons who are a statutory body and members of statutory or other management and supervisory bodies received no benefits beyond the scope of generally applicable internal guidelines. In 2013, Supervisory Board member remuneration totalling CZK 70,000 was recognized. All members of staff in decision-making bodies, in accordance with applicable legal standards and internal guidelines, have the possibility of using a company car for their private needs.

Annual bonuses at LCR are tied not only to the company's economic performance, but also to other conditions precedent, such as a superior's approval and approval of the audited results of operations, and are charged to the period in which they are approved and paid. The contingent liability for unpaid annual bonuses for results reported in 2013 is CZK 13,188,000 (wages and salaries of CZK 9,781,000 and social security and health insurance costs of CZK 3,407,000); in 2012, these liabilities amounted to a total of CZK 13,333,000 (wages and salaries of CZK 9,888,000 and social security and health insurance costs of CZK 3,445,000).

Persons who are a statutory body and members of statutory or other management and supervisory bodies, including former members of these bodies, received no other consideration in cash or in kind.

Receivables from employees (Balance Sheet, assets, C.III.9) were CZK 5,755,000 as of 31 December 2013 (CZK 7,019,000 as of 31 December 2012).

The amount for 2013 includes repayments of loans maturing in 2015 and beyond in the amount of CZK 3,310,000, which are due with immediate effect if employment is terminated.

## 4.

### 4.1. Application of general accounting principles, accounting methods, methods of valuation and depreciation

In 2012 and 2013, LCR applied accounting practices, principles, methods and valuation methods in accordance with the current wording of Act No. 563/1991 Coll., on Accounting, and Decree No. 500/2002 Coll.

#### *a) Valuation of tangible and intangible fixed assets developed internally*

Work related to the acquisition of tangible and intangible assets is valued at the internal cost of production, i.e. actual direct costs and the budgeted share of production overheads. Construction investment and engineering production exceeding a construction period of one year is valued at full cost.

#### *b) Depreciation schedule for fixed assets*

The book depreciation of fixed assets is straight-line and charged per month, derived from annual rates set for each asset group by a general book depreciation table. The use of a different depreciation rate for specific fixed assets is possible only with the consent of the Chief Executive Officer. Tangible fixed assets are depreciated for tax purposes by means of accelerated depreciation in accordance with Section 32 of Act No. 586/1992 Coll., on Income Tax.

Openings of new quarries, sand pits, borrow pits, clay pits and temporary structures are depreciated monthly according to the principles laid down for tax depreciation. Annual tax depreciation is calculated as a proportion of the input price and the fixed duration. Useful life is derived from the building permit proceedings (the building permit or notification of a small structure).

Low-value tangible fixed assets are depreciated upon inclusion in the records of non-current assets maintained for fixed assets in the first year at 50% of the input price. The remaining 50% is depreciated in the next year of use.

The depreciation schedule is expressed by the book depreciation table TAB81M, used throughout the company for purposes of fixed assets, which is compiled according to the principles above. The fixed-asset depreciation schedule is designed to be a fixed constant and no changes were reported in 2012 and 2013.

#### *c) Valuation of securities and other equity participations*

Securities and equity investments are valued at cost on acquisition; as at the balance sheet date, securities and equity investments for which this valuation is set under Section 27 of the Accounting Act are fair-valued.

#### *d) Valuation of inventories purchased and developed internally*

Inventory purchases are valued in the accounts at cost, i.e. the purchase price and other costs attributable to the acquisition (shipping, customs duty, insurance, commission, etc.). During the reporting period, the components of the cost are charged directly to account 111 – Acquisition of materials, or account 131 – Acquisition of goods. The transfer to inventories in stock is carried out by members of staff responsible for inventories so that the stock prices are derived from the cost. Differences arising in accounts 111 and 131 are dissolved into the stock price at the budgeted amount by means of a fixed percentage.

Products developed internally are valued in the basic accounts at cost, i.e. direct costs and a proportion of production overheads at a level set in accordance with the operational calculation.

#### *e) Use of replacement cost*

The replacement cost of assets valued at that cost is determined by current price lists or on the basis of an expert opinion.

#### *f) Changes in valuation methods and use of accounting methods*

In 2012 and 2013, there was no change in valuation or depreciation methods and no other significant change in accounting practices.



#### 4.2. Deviations from accounting methods, method of determining adjustments and accumulated depreciation for assets, method for conversion of foreign currency, method of determining fair value and fair-value changes

##### a) Deviations from accounting methods

In 2012 and 2013, LCR reported no deviations from the methods prescribed by Act No. 563/1991 Coll., on Accounting.

##### b) Method for determining adjustments and accumulated depreciation of assets

*Adjustments to receivables* are created for claims where payment is more than six months past due; for these receivables, an adjustment at 100% of the nominal value is created on default. A 100% adjustment is created for receivables from debtors in insolvency proceedings, legally enforced receivables and receivables from the Agency for Nature Conservation and Landscape Protection of the Czech Republic (ANCLP and Note 6.c.) regardless of the length of the delay in payment. Tax-purpose adjustments to receivables are created in keeping with Act No. 593/1992 Coll., on Provisions to Determine Income Tax Base.

*Adjustments to long-term investments* are described in Part 2.

An *adjustment to goods* of CZK 221,000, created at Týniště nad Orlicí SU as the difference between the stock price and sales price of goods as of 31 December 2012, was lowered to CZK 134,000 on 31 December 2013. By the same principle, an *adjustment to finished products* of CZK 1,558,000 was created at Týniště nad Orlicí SU at 31 December 2012, and was increased to CZK 2,626,000 as of 31 December 2013. Adjustments and accumulated depreciation other than those above were not created.

##### c) Foreign currency translation

For the conversion of assets and liabilities denominated in foreign currencies, the foreign exchange market exchange rate announced by the Czech National Bank at the date of the transaction was applied. Other methods for the conversion of assets and liabilities denominated in foreign currencies were not used in 2012 and 2013.

##### d) Method for determining fair value

Assets fair-valued in 2012 and 2013 were valued at their market price determined on the public market or at their market price determined by the status of a security.

##### e) Change in fair value

Long-term investments and short-term financial assets were fair-valued in 2012 and 2013. These were the stock units of investment funds, debt securities and promissory notes. A change in the fair value of long-term stock units and long-term debt securities is charged against the Balance Sheet item "Liabilities, A.II.3 Gain or loss on revaluation of assets and liabilities." A change in the fair value of short-term shares and stock units is charged individually for each title held – an increase compared to the Profit and Loss Account item "IX. Gain on revaluation of securities and derivatives," and a reduction compared to "L. Loss on revaluation of securities and derivatives." A change in the fair value of bonds and notes is charged for each title held – an increase compared to the Profit and Loss Account item "VIII. Revenue from current financial assets," and a reduction compared to "K. Expenses of financial assets."

#### Changes in fair value in account 414 – Gain or loss on revaluation of assets (in thousands of CZK)

Balance Sheet, liabilities, line A.II.3.

Year	Reduction in Fair Value in Year	Increase in Fair Value in Year	A.II.3. Balance as of 31 December
2012	--	33,121	(8,727)
2013	16,120	--	(24,847)

## 5.

**Breakdown of Significant Balance Sheet Items**

(others are referred to in Notes 6 to 8)

**a) Breakdown of intangible fixed assets**

CZK ths	2012		2013		Change in Net Book Value 2013
	Acquisition Cost	Accumulated Amortization	Acquisition Cost	Accumulated Amortization	
Software	528,701	312,072	582,852	445,296	(79,073)
Forest management plans	285,350	112,003	343,304	131,803	38,154

**b) Breakdown of significant additions to tangible fixed assets in terms of funds invested:**

Acquisition Cost in CZK ths	2012	2013
<b>Buildings and structures</b>	<b>993,615</b>	<b>925,399</b>
– of that: housing construction, forester lodges	3,080	4,119
administrative and service buildings	78,430	80,219
forest roads	530,186	571,842
torrent control and forestland draining	381,919	269,219
<b>Machinery and equipment</b>	<b>66,089</b>	<b>46,106</b>
– of that: forestry machinery	8,699	8,095
trucks	8,258	--
passenger cars	30,006	1,245
computers and other devices	19,126	36,766

**Major disposals of tangible fixed assets were as follows:**

Acquisition Cost in CZK ths	2012	2013
<b>Non-residential buildings and structures</b>	<b>52,844</b>	<b>49,913</b>
– of that: <b>structures</b>	<b>37,421</b>	<b>41,362</b>
– sold	7,159	36,822
– handed over (restitution)	25,665	179
– demolished due to wear or accident	4,597	4,361
<b>buildings</b>	<b>15,423</b>	<b>8,551</b>
– sold	11,684	8,375
– handed over (restitution)	45	0
– demolished due to wear or accident	3,694	176
<b>Machinery and equipment</b>	<b>20,389</b>	<b>8,949</b>
– of that: trucks	8,369	8,475
passenger cars	12,020	474

**c) Breakdown of separate movables and sets of movable assets**

CZK ths	2012		2013		Change in Net Book Value 2013
	Acquisition Cost	Accumulated Depreciation	Acquisition Cost	Accumulated Depreciation	
Plant and equipment	1,375,150	1,170,928	1,367,630	1,232,386	(68,978)
Low-value tangible assets	122,806	117,794	122,966	119,533	(1,579)

d) *Land was the largest and most important asset item.* The following changes occurred in 2013:

2013	Forestland		Other Land		Total	
	CZK ths	ths m <sup>2</sup>	CZK ths	ths m <sup>2</sup>	CZK ths	ths m <sup>2</sup>
Balance as of 1 January	51,593,804	13,424,270	1,648,001	272,615	53,241,805	13,696,885
<b>Total additions</b>	<b>1,218,840</b>	<b>301,987</b>	<b>82,712</b>	<b>12,838</b>	<b>1,301,552</b>	<b>314,825</b>
– Transfer of management right	23,455	2,992	15,665	2,030	39,120	5,022
– Purchase (exchange)	94,693	6,200	26,930	601	121,623	6,801
– Other	1,100,692	292,795	40,117	10,207	1,140,809	303,002
<b>Total disposals</b>	<b>1,258,755</b>	<b>325,593</b>	<b>52,654</b>	<b>8,407</b>	<b>1,311,409</b>	<b>334,000</b>
– Church restitution	26,548	6,970	254	38	26,802	7,008
– Restitution	79,969	21,069	777	218	80,746	21,287
– Sale (exchange)	21,619	5,923	9,661	919	31,280	6,842
– Other	1,130,619	291,631	41,962	7,232	1,172,581	298,863
<b>Balance as of 31 December</b>	<b>51,553,889</b>	<b>13,400,664</b>	<b>1,678,059</b>	<b>277,046</b>	<b>53,231,948</b>	<b>13,677,710</b>

The tables also include other land acquired in 2000 in the amount of CZK 11,340 and forestland acquired in 2002 in the amount of CZK 74,252 with a 100% subsidy (this land is reported in the off-balance sheet).

Comparative data regarding changes in land in 2012 is given in the following table:

2012	Forestland		Other Land		Total	
	CZK ths	ths m <sup>2</sup>	CZK ths	ths m <sup>2</sup>	CZK ths	ths m <sup>2</sup>
Balance as of 1 January	51,699,896	13,457,361	1,630,906	270,505	53,330,802	13,727,866
<b>Total additions</b>	<b>693,945</b>	<b>174,223</b>	<b>74,760</b>	<b>12,138</b>	<b>768,705</b>	<b>186,361</b>
– Transfer of management right	25,948	5,823	21,531	2,210	47,479	8,033
– Purchase (exchange)	37,519	2,597	13,807	417	51,326	3,014
– Other	630,478	165,803	39,422	9,511	669,900	175,314
<b>Total disposals</b>	<b>800,037</b>	<b>207,314</b>	<b>57,665</b>	<b>10,028</b>	<b>857,702</b>	<b>217,342</b>
– Restitution	144,635	38,280	1,401	365	146,036	38,645
– Sale (exchange)	8,586	2,281	9,639	876	18,225	3,157
– Other	646,816	166,753	46,625	8,787	693,441	175,540
<b>Balance as of 31 December</b>	<b>51,593,804</b>	<b>13,424,270</b>	<b>1,648,001</b>	<b>272,615</b>	<b>53,241,805</b>	<b>13,696,885</b>

Lesy České republiky, s.p. *monitors forest stand valuations at market value* while quantifying the official price according to pricing rules. As this involves a complex, difficult conversion process, quantification is not carried out every year. The last quantification of forest land values was carried out in 2008. The official price was quantified in accordance with Decree of the Ministry of Finance No. 3/2008 Coll. The market price of forest stands is carried out by reference to the yield value in accordance with LCR methodology based on average linear surveys of forests managed by LCR.

The valuation of forest stands is expressed in the following table:

in CZK million	Price per 1 m <sup>2</sup> in CZK	2012	2013
Market value according to LCR method	11.30	151,694.3	151,427.5
Official price under MoF Decree 3/2008 Coll.	25.52	342,587.4	341,985.0
Price under MoF Decree 500/2002 Coll.	57.00	765,183.4	763,837.9

e) In accordance with Act No. 586/1992 Coll., on Income Tax, and the nature of production, *fencing for purposes of forest production and game-keeping* is funded from operating resources. As of 31 December 2013, the total length of fencing was 16,836 km.

km	2012	2013
Fencing	16,595	16,836

**f) Other long-term investment titles**

As of 31 December 2013, four long-term time deposits were recorded in the accounts with a total value of CZK 3,100,000,000 (reported in the Balance Sheet, assets, line B.III.5.).

g) Lesy České republiky, s.p. makes returns on a portion of available funds through the professional management of client assets (asset management). All these securities are measured at fair value and the market price of these securities is fully recognized in the accounts in the Balance Sheet, assets, lines B.III.3. – Long-term, and C.IV.3. – Short-term.

**6.****Additional Information on the Balance Sheet and Profit and Loss Account**

a) In 2012 and 2013, there were no significant *adjustments to current income tax* for previous reporting periods.

b) *Deferred tax* is measured only as the difference between the tax and book depreciation of fixed assets. The difference arising from the different accounting and tax perspective in relation to the accounting provision for cultivation activities at LCR is not regarded as realistic in the medium term, and therefore, in terms of prudence, a deferred tax asset in respect of this accounting provision has not been considered. Nor is deferred tax calculated for the possible tax impacts of accounting provisions on price indexation (for more details see Note 6.c.). The difference arising from the different accounting and tax perspective in respect of this LCR provision is not regarded as realistic in the medium term, mainly because the probability of final court rulings is uncertain in the medium term. As no return or release of such accounting provisions can be expected in the medium-term, for reasons of prudence LCR is inclined not to include these differences in the calculation of deferred taxes. The creation of deferred taxes in relation to the provision on indexation would be reflected as a deferred tax asset amounting to CZK 100,585,000, which would mean a reduction in the below-mentioned and reported deferred tax liability (and deferred tax) to CZK 55,716,000. Other temporary differences (e.g. accounting adjustments to receivables and inventories) were not used to ascertain deferred taxes.

**Calculation (breakdown) of deferred tax:**

in CZK ths	2012	2013
Difference between book and tax value of fixed assets	(743,245)	(822,634)
Basis for calculation of deferred tax	(743,245)	(822,634)
Tax rate in next period	19%	19%
Total deferred tax asset (liability)	(141,216)	(156,301)

**c) Breakdown and description of provisions for 2012 and 2013**

CZK ths	Provision for Growing Activity	Provision for Reconstruction of Stands in Krušné hory	Provision for Price Indexation	Provision for ANCLP Payments
<b>31 December 2013</b>	<b>3,042,086</b>	<b>0</b>	<b>529,394</b>	<b>0</b>
Additions 2013	1,911,617	0	0	0
Released 2013	1,737,427	0	0	34,422
<b>31 December 2012</b>	<b>2,867,896</b>	<b>0</b>	<b>529,394</b>	<b>34,422</b>
Additions 2012	1,720,041	0	0	0
Released 2012	1,722,557	61,521	0	0
<b>31 December 2011</b>	<b>2,870,412</b>	<b>61,521</b>	<b>529,394</b>	<b>34,422</b>

The provision for growing activity has been created to cover the cost of growing work over the period that the stand is secured. Until 2005, it was created in accordance with Sections 9 and 10a of Act No. 593/1992 Coll., on Provisions to Determine Income Tax Base, as amended (Balance Sheet, liabilities, B.I.1.); in 2005 to 2013, it was created according to the same rules as in previous years (the method and means of creating and releasing the provision did not change), but the creation of the provision is not reported as a tax-deductible expense and an accounting provision is created (Balance Sheet, liabilities, B.I.4.). As of 31 December 2013, only an accounting provision is established for growing activity.

The provision for the reconstruction of stands in Krušné hory was created in 2004 in accordance with Sections 9 and 10a of Act No. 593/1992 Coll. (point 15 of the Annex to Act No. 593/1992 Coll.) to cover costs related to the replacement of stands with inappropriate or substitute species composition in Krušné hory. The provision is intended to cover costs associated with the reconstruction of stands between 2006 and 2012 which are not included in the provision for growing activity. In 2012, provisions were drawn completely or cancelled. In 2011, a provision was created for the indexation of prices for timber sales in the second to fourth quarters of 2011 amounting to CZK 529,394,000. LCR identified the risk of actual and potential actions brought before a court against the process in the indexing of prices for timber sales in public procurement procedure in 2011. The value of the provision was calculated as the difference in prices between the indexed prices invoiced by LCR to contracting partners, and the prices claimed by contracting partners to be "correct," i.e. non-indexed prices based on the prices bid in tendering procedures. As of 31 December 2013, inventory was taken justifying the continued creation of these provisions for the given amounts.

In 2011, a provision for ANCLP payments was created in the amount of the action brought by ANCLP, which is suing LCR for the return of compensation paid, as ANCLP argues that LCR does not have the standing to claim an entitlement to financial compensation for loss arising from aggravated forest management. The provision applies to all non-statute-barred payments received by LCR from ANCLP. In accordance with the action and the risk of non-payment of existing receivables, LCR has also created a 100% adjustment to all receivables from ANCLP (see Note 4.2.b.). In 2013, the Supreme Court of the Czech Republic held in its final decision that LCR did have the standing to raise a claim for financial compensation for loss arising from aggravated forest management, which minimized the risk of a lost suit and the provision for ANCLP payments was therefore cancelled.

d) As of the balance-sheet date, LCR reported due liabilities of social security contributions and the state employment policy contribution resulting from salary payments in December of the current period (in CZK thousand):

	2012	2013
	34,736	30,727

e) As of the balance-sheet date, LCR reported the due liability of public health insurance contributions resulting from salary payments in December of the current period (in CZK thousand):

	2012	2013
	15,098	13,528

f) As at the balance-sheet date, LCR reported no tax arrears at the competent local tax authorities. Any tax adjustments are regularly paid by statutory deadlines.

g) LCR, in view of its wide range of business activities, receives various subsidies for capital and operating purposes. The table below provides an overview of the most significant subsidies. The term "subsidy" is used within the meaning of Section 47 (4) of Decree No. 500/2002 Coll.

CZK ths	2012	2013
Subsidies for acquisition of forest management plans	0	5
Subsidies for acquisition of tangible fixed assets (total)	257,735	143,387
– of that, compensation in public interest related to watercourse management (especially flood control measures)	224,099	128,171
Subsidies to cover operations costs (total)	175,316	235,008
– of that, compensation under Section 24 of Act No. 289/1995 Coll., on Forests	11,174	11,323
– of that, compensation under Section 35 of Act No. 289/1995 Coll., on Forests	6,323	6,290
– of that, compensation under Section 46 of Act No. 289/1995 Coll., on Forests	2,816	3,652
– of that, subsidies from Ministry of Agriculture for water management	43,772	31,322
– of that, EU subsidies	22,122	100,139

#### h) Information on statutory audit costs

The costs of the statutory audit of the accounts in 2013 totalled CZK 1,442,000 (CZK 1,572,000 in 2012). The statutory auditor provides no services other than the auditing of financial statements.



**i) Disposals of fixed assets and raw materials**

The Profit and Loss Account includes the items *III.1. Proceeds from disposals of fixed assets, and F.1. Net book value of fixed assets sold*. These items also show the values of assets exchanged because, according to Czech accounting and tax rules, exchanges are treated as buying and selling. In this respect, we clarify the "real" value of fixed assets sold as recognized in the Profit and Loss Account:

CZK ths	2012			2013		
	Total Account	Fixed Assets Sold	Fixed Assets Exchanged	Total Account	Fixed Assets Sold	Fixed Assets Exchanged
Item III.1. Proceeds from disposals of fixed assets	231,869	194,743	37,126	260,492	151,676	108,816
Item F.1. Net book value of fixed assets	41,825	33,544	8,281	51,698	32,547	19,151
Difference	190,044	161,199	28,845	208,794	119,129	89,665

j) Balance-sheet line "D.I.3. VAT to be applied in January 2014" shows the input VAT quantified in tax documents received in January 2014 and charged in 2013, for the amount of CZK 37,322,000 (in 2012 it was CZK 29,442,000). This VAT is claimed in full in the VAT return for January 2014.

**7.****a) Receivables as of 31 December**

CZK ths	2012	2013
Total short-term trade receivables (gross); Assets, line C.III.1	2,063,885	2,235,892
– of that, total receivables due	1,358,824	1,552,820
– of that, total receivables past due	705,061	683,072
– of that, total receivables more than 180 days past due	447,262	635,738
– of that, total receivables with maturity of more than 5 years	0	0
– of that, receivables subject to enforcement	136,759	137,396
– of that, claims in insolvency, bankruptcy and composition proceedings	479,678	474,164
Receivables denominated in foreign currencies	6,604	7,215

Receivables from companies within the group from ordinary trade totalled CZK 2,168,000 as of 31 December 2013. These are receivables from HLDS, a.s. As in previous years, all these receivables are not yet due.

CZK ths	2012	2013
Intra-group trade receivables	3,391	2,168

**b) Payables as of 31 December**

CZK ths	2012	2013
Payables more than 180 days past due	0	0
Payables with a maturity of more than 5 years	0	0
Payables tied to fulfillment of conditions by suppliers	8,937	10,451

Where liabilities are overdue, these are trade payables arising from relations with business partners which had not been offset as at the balance sheet date. All overdue liabilities are covered by receivables from business partners.

Advances received for property sales, where an application was submitted for entry in the property register in 2013, amounted to CZK 3,226,000 (CZK 10,911,000 in 2012). This amount was also recorded, in accordance with valid methodology, in account 385 – Accrued revenues, because no entry had been made in the property register as at 31 December 2013 (or 2012). The amount of CZK 3,226,000 is reported in the Balance Sheet in both line D.I.3. (assets) and line B.III.8. (liabilities).

Trade payables to group companies are CZK 3,203,000 (CZK 3,120,000 in 2012). All these payables are to HLDS, a.s. and are not yet due.

**c) Finance leases as of 31 December**

In 2012 and 2013, the company had no assets acquired under finance leases.

**d) Leased fixed assets monitored off balance sheet are valued as follows as of 31 December in CZK thousand:**

<b>CZK ths</b>	<b>2012</b>	<b>2013</b>
Leased fixed assets	671	13,987

e) The company has no tangible assets encumbered by liens. Easements are recorded in operational records for specific assets. The company has records of tens of thousands of easements, especially related to land (overground lines, underground utilities, permission to enter and transit land, structures, etc.). No easements are fixed assets by nature. The effect of easements on the management of company property as a whole is insignificant.

**f) Aggregate amount of low-value tangible assets not disclosed in the balance sheet as of 31 December in CZK thousand:**

<b>CZK ths</b>	<b>2012</b>	<b>2013</b>
Low-value intangible assets not reported in balance sheet	85,862	85,869
Low-value tangible assets not reported in balance sheet	270,088	271,265

**g) The aggregate amount of fixed assets acquired with 100% subsidies and kept off balance sheet as of 31 December was (in CZK thousand):**

<b>CZK ths</b>	<b>2012</b>	<b>2013</b>
Fixed assets acquired with 100% subsidies	175,154	175,154

h) The total amount of liabilities is disclosed in the balance sheet.

i) Between the balance sheet date and the date of preparation of the financial statements, there were no significant events, except those reported in Note 10 in particular, which could change the true and fair view of the annual financial statements for 2013.

**8.****Description of changes in equity during the reporting period**

Lesy České republiky, s.p., is a liable party in relation to restitution and in the return of assets in accordance with applicable statutory provisions. In addition, assets are received and relinquished in connection with the decisions by the Czech Government and the Ministry of Agriculture, or transferred under applicable laws. Therefore, in addition to normal movements, the distribution of profit and the disbursement of funds, there are constantly changes in equity.

The company reports changes in capital stock in the Balance Sheet, liabilities, line A.I.1. Registered capital. This item includes the amount of capital stock entered in the Commercial Register and the amount of capital stock not entered in the Commercial Register as of 31 December 2013.

The statutory reserve fund complies with the threshold established by the Decision of the Ministry of Agriculture on the adaptation of the founding memorandum of 12 August 1997, i.e. a compulsory minimum threshold of CZK 1.2 billion.

The company has created a Development Investment Fund (DIF) formed from profit for the acquisition of fixed assets where the value of the fixed assets acquired from LCR's own resources exceeds the resources generated by the depreciation of fixed assets and the net book value of fixed assets sold. Use of the DIF requires the allocation of profit-generated funds (profit distribution) to capital stock.

In 2013, the founder's fund was replenished to the full amount of CZK 6 billion. The entire CZK 6 billion was transferred into the state budget in December 2013.

Statement of *changes in equity* for 2012 and 2013 (the header contains the relevant Balance Sheet liability lines):

CZK ths	Capital Stock (A.I.1.)	Changes in Registered Capital (A.I.1.)	Capital Funds (A.II.2.)	Gain or Loss on Revaluation (A.II.3.)	Statutory Reserve Fund (A.III.1.)	Other Funds from Profit (A.III.2.)
<b>31 December 2013</b>	<b>5,818,759</b>	<b>6,151,715</b>	<b>51,345,990</b>	<b>(24,847)</b>	<b>1,251,283</b>	<b>3,705,255</b>
Balance of changes 2013	0	+265,804	(123,400)	(16,120)	0	(230,140)
Increase 2013	0	+307,050	+762,390	0	0	+6,060,424
Reduction 2013	0	(41,246)	(885,790)	(16,120)	0	(6,290,564)
<b>31 December 2012</b>	<b>5,818,759</b>	<b>5,885,911</b>	<b>51,469,390</b>	<b>(8,727)</b>	<b>1,251,283</b>	<b>3,935,395</b>
Balance of changes 2012	0	+332,057	(138,868)	+33,121	0	(291,732)
Increase 2012	0	+368,850	+520,481	+33,121	0	+63,078
Reduction 2012	0	(36,793)	(659,349)	0	0	(354,810)
<b>31 December 2011</b>	<b>5,818,759</b>	<b>5,553,854</b>	<b>51,608,258</b>	<b>(41,848)</b>	<b>1,251,283</b>	<b>4,227,127</b>

Breakdown of changes in *capital stock*:

CZK ths	2012	2013
Balance of changes – of that:	+332,057	+265,804
– delimitation changes	+13,066	+16,050
– church restitution-based disposals	0	(257)
– restitution-based disposals	(1,401)	(5,759)
– use of the Development Investment Fund	+312,898	+255,770
– transfer of assets from AWMA	+7,495	0

Breakdown of *changes in capital funds*:

CZK ths	2012	2013
Balance of changes – of that:	(138,868)	(123,400)
– delimitation changes	(19,920)	(30,670)
– church restitution-based handover of forestland	0	(26,548)
– restitution-based handover of forestland	(144,635)	(79,969)
– gifts, awards, free transfers	+25,687	+13,787

The *distribution of profit* from 2011 and 2012 was cleared in 2012 and 2013, always at the discretion of the founder, who approved a proposal by the Supervisory Board:

CZK ths	2012	2013
Profit for the period:	4,225,259	4,408,010
– allocated to the welfare fund	21,467	22,405
– retained in retained profit account	4,203,792	4,385,605

## 9.

*Revenues from ordinary activities*

CZK ths	2012	2013
Revenues from ordinary activities	13,138,094	14,030,916
– revenues from operations	12,280,985	12,143,703
– financial activities	857,109	1,887,213
Proceeds from disposal of internally developed products	9,579,599	9,185,086

Business activities with foreign countries are insignificant.

## 10.

*Other*

Suits have been brought against LCR for compensation of alleged damages due to the invalidity of contracts tendered by LCR in 2004 and 2005, caused by LCR as the contracting authority, where LCR was respecting the original opinion of the Office for the Protection of Competition (OPC) that LCR was not a contracting authority under Act No. 40/2004 Coll., on Public Procurement, as subsequently amended. However, the OPC then changed its position. These suits have been gradually filed by various subjects at the local courts of jurisdiction. As of the 2013 balance sheet date, these suits have gradually been dismissed, either directly or by rejection of an appeal to the Supreme Court or by being dropped by the plaintiffs themselves. At present, the only matters pending are those relating to the suspension of a court dispute with Jiří Pavelka – JIPA, or those where LCR has lodged appeals against the parts of the decision statements not awarding it the costs of the proceedings. Therefore, costs related to possible results of litigations did not need to be reflected in the balance as of 31 December 2013.

In 2004, CE WOOD, a.s. brought an action for damages and reasonable satisfaction for a total amount of more than CZK 3.7 billion. This action was rejected by a decision of the Regional Court in Hradec Králové dated 19 December 2013. CE WOOD only appealed for an amount of CZK 229 million; this appeal is yet to be decided. In 2008, the company received an invoice from CE WOOD, a.s. for approximately CZK 4.869 billion for alleged damage caused in the handling of forestry contracts. LCR considered this invoice to be entirely unsubstantiated and sent it back to the company as unwarranted. During the ongoing court proceedings in 2012, CE WOOD unsuccessfully attempted to suspend the proceedings stating the need to submit certain preliminary questions to the European Court of Justice. The court proceedings are still underway, but LCR expects the suit to be dismissed and LCR to prevail.

By ruling of the OPC on 10 December 2009, LCR was fined CZK 1,000,000 in relation to information and communication technology contracts and services concluded in 2007. Despite an appeal, this decision was upheld in 2010 and thus became final. This amount paid is currently the subject of a suit against the competent former employee. There are also criminal proceedings in this matter involving former employees. By ruling of the OPC on 21 October 2010 concerning the delivery of office supplies, LCR was fined CZK 300,000. An appeal was lodged against this decision, but was rejected in 2011, and the decision thus became final. The administrative proceedings concerning this matter are currently at stage II – a decision on the appeal. The OPC ruling on 24 September 2012 imposed a preliminary fine on LCR of CZK 1,000,000 concerning the issue of personal protective equipment. LCR appealed the decision and the OPC Chairman upheld the appeal and annulled the decision. Following a new decision of the OPC imposing a fine of CZK 500,000, LCR lodged another appeal to the OPC Chairman on 30 July 2013. In 2013, an OPC ruling imposed a fine on LCR of CZK 140,000 for an administrative delict involving the division of a public contract for the purchase of Audi N1 and for the purchase of Audi A 3.0 TDI M1. The fine was upheld by a decision of the OPC Chairman and then paid. An action was filed against the OPC Chairman's decision within the prescribed deadline, which is still pending.

With regard to the ongoing insolvency proceedings for LESS&FOREST s.r.o., on 26 February 2013 suits was filed against LCR by this debtor and the insolvency administrator to invalidate the Contracts for Providing Comprehensive Forestry Activities and related contracts for the period of 2012+, and to surrender unjust enrichment totalling CZK 6.36 billion. LCR rejects these claims completely, considers them entirely unfounded and frivolous, and lacking any legal justification. Both these suits were dismissed as premature by the first instance court. In the suit for CZK 4,202,760,738 with appurtenances, the Regional Court in Hradec Králové reversed the ruling of the first instance court on 9 April 2014 and returned the matter for further proceedings. The above ruling by the court of appeal is a procedural decision stating that the alleged claim for payment is not to be decided on merits, but the proceedings on this issue are to be suspended until a decision is made on the validity or effectiveness of the respective contracts.

In relation to the ongoing investigation of suspected criminal offense in the tendering of public contracts for the supply of IT services since 2008, LCR management has announced a public contract to prepare an expert assessment of select public tenders of LCR, s. p. in the ICT area. On 2 July 2013, LCR decided to cancel the public tender on the grounds of clear circumstances for which LCR could not be reasonably required to carry on with this tender. Based on the objections filed by one of the bidders, the OPC overruled LCR's decision to cancel the tender on 26 November 2013. LCR appealed against this decision to the OPC Chairman on 9 December 2013.

On 1 January 2013, the Church Restitution Act No. 428/2012 Coll., on Property Settlement with Churches and Religious Organizations and Change of Certain Laws, came into effect. According to the provisions of this Act, LCR is an entity which is obliged to hand over to entitled subjects property owned by the state which originally belonged to such entitled subjects and which constitutes a deprivation of property and injustice to these entitled subjects. According to the Act, LCR is planning on relinquishing 142,000 hectares of land. As of 31 December 2013, LCR received a total of 1,726 requests from entitled subjects to relinquish property. As of 31 December 2013, 32 settlement agreements were made with the entitled subjects on relinquishing of property; as of 18 April 2014, a total of 148 agreements were concluded on relinquishing of 2,238 plots of land with a total area of 10,897 hectares and 17 buildings.

On 28 August 2013, the Supreme Court of the Czech Republic ruled that LCR, as forest owner, was entitled to compensations from the state – ANCLP for increased costs incurred by LCR in connection with the application of the Act on Protection of Nature, which restricts its right to manage forests by imposing statutory logging limits. Based on this decision of the Supreme Court, LCR filed a petition with the Regional Court in Hradec Králové for continuation of proceedings regarding the action of the Czech Republic – ANCLP against LCR for payment of CZK 34,421,542.72, with the Regional Court in Hradec Králové being bound by the decision of the Supreme Court in this matter. This case is yet to be decided.

Besides the matters above, no other facts were identified which could lead to significant future potential losses, and no adjustments or provisions were made for them in the accounts. No other circumstances were discovered which could significantly influence the financial, property and income situation of the company between the balance sheet date and the date as at which the financial statements were prepared.

## 11.

### **Cash flow statement**

The cash flow statement is prepared in accordance with Decree No. 500/2002 Coll. The most liquid financial resources are regarded as cash or cash equivalents, i.e. cash in hand and cash deposited in current bank accounts – financial assets recognized in the Balance Sheet under assets on lines C.IV.1. and C.IV.2.



## Cash Flow Statement for 2012 and 2013 (in CZK ths)

Item	Text	Row	2013	2012
P.	Cash and cash equivalents, beginning of year	01	6,748,840	6,072,273
	<b>CASH FLOWS FROM MAIN EARNING ACTIVITY (ORDINARY ACTIVITIES)</b>			
Z.	Accounting profit (loss) from ordinary activities before tax	02	4,956,658	5,478,300
A.1.	Non-cash adjustments	03	488,462	659,915
A.1.1.	Depreciation of fixed assets, less residual values of fixed assets sold, etc.	04	719,551	688,264
A.1.2.	Changes in adjustments and provisions	05	179,697	358,780
A.1.3.	Gain (loss) on sale of fixed assets	06	(208,794)	(190,043)
A.1.4.	Proceeds from dividends and shares of profit (except investment companies and funds)	07	(136)	(276)
A.1.5.	Interest expense (less capitalized interest) and income	08	(190,102)	(187,748)
A.1.6.	Adjustments for other non-cash transactions	09	(11,754)	(9,062)
A. *	Net cash flow from ordinary activities before tax and changes	10	5,445,120	6,138,215
A.2.	Changes in non-cash items of working capital	11	2,845,482	(3,559,301)
A.2.1.	Change in receivables from operating activities and deferrals	12	1,729,963	(3,119,398)
A.2.2.	Change in payables, subsidies, deferrals and estimated items from operating activities	13	(93,089)	(731,932)
A.2.3.	Change in inventories	14	33,492	(2,328)
A.2.4.	Change in short-term financial assets, other than cash and cash equivalents	15	1,175,116	294,357
A. **	Net cash flow from ordinary activities before tax and extraordinary items	16	8,290,602	2,578,914
A.3.	Interest paid, excluding amounts capitalized	17	(7)	(19)
A.4.	Interest received	18	190,109	187,767
A.5.	Income tax paid on ordinary activities and additional tax from previous periods	19	(952,032)	(1,055,006)
A.6.	Receipts and disbursements from extraordinary items – extraordinary profit (loss)	20	0	0
A.7.	Dividends and profit shares received	21	136	276
A. ***	Net cash flow from ordinary activities	22	7,528,808	1,711,932
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B.1.	Acquisition of property, plant and equipment	23	(1,170,473)	(1,279,871)
B.2.	Proceeds from the sale of fixed assets	24	260,492	231,869
B.3.	Loans and credit to related entities	25	0	0
B. ***	Net cash flow from investing activities	26	(909,981)	(1,048,002)
	<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
C.1.	Effects of changes in long-term and current payables	27	15,084	15,284
C.2.	Effects of changes in equity on cash and cash equivalents	28	(6,024,845)	(2,647)
C.2.1.	Increase in cash and cash equivalents due to an increase in registered capital	29	(4,976)	(2,346)
C.2.2.	Equity paid to shareholders	30	0	0
C.2.3.	Other contributions by shareholders	31	0	0
C.2.4.	Loss settlement by shareholders	32	0	0
C.2.5.	Direct payments debited to equity funds	33	(19,869)	(301)
C.2.6.	Transfer of funds to state budget	34	(6,000,000)	0
C. ***	Net cash flow from financial activities	35	(6,009,761)	12,637
F.	Net increase/decrease in cash and cash equivalents	36	609,066	676,567
R.	Cash and cash equivalents, end of year	37	7,357,906	6,748,840
S.	Actual balance of cash and cash equivalents, end of year	38	7,357,906	6,748,840
R.-S.	Difference (calculated – actual)	39	0	0

In Hradec Králové on 25 April 2014

## Management Statement

The statutory body of Lesy České republiky, s.p., under Resolution No. 686/2004 adopted at its meeting on 27 January 2004, ruled that the company would not produce a report on relations between the controlling and controlled entities and relations between the controlled entity and other entities controlled by the same controlling entity (a "Report on Related Parties").

In the opinion of the statutory body of Lesy České republiky, s.p., if no controlling agreement is executed, the obligation to produce a Report on Related Parties within three months of the end of the reporting period applies only to the statutory bodies of controlled entities within a concern where relations are subjected to uniform management. The Report on Related Parties then encompasses all relations within the concern of which the controlled entity which is the subject of the report is member.

Where the Czech Republic has the status of a controlling entity, this is not a concern, because a concern consists of only the controlling entity and controlled entities, whose companies are concern companies. A company means a set of tangible, personnel and intangible components of business.

A company comprises items, rights and other assets which belong to an enterprise and are used to operate the company.

**In the period between the preparation of the financial statements (25 April 2014) and the preparation of the Annual Report (30 April 2014), there were no significant events having a bearing on the disclosures herein. The company has no organizational units abroad.**

# Auditor's Opinion on the Annual Report

**A&CE**  
living for consulting

## INDEPENDENT AUDITOR'S REPORT

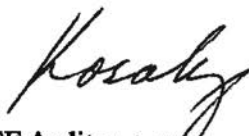
for the founder and Director General on an audit of the Annual Report to 31.12.2013  
state-owned enterprise Lesy České republiky, s.p., with registered seat in Hradec Králové,  
company no. 42196451.

We have audited the Annual Report of the state-owned enterprise Lesy České republiky, s.p. for consistency with the financial statements for the year ended 31.12.2013 which are included in this Annual Report. The correctness of the Annual Report is the responsibility of the statutory body of the state-owned enterprise Lesy České republiky, s.p. Our responsibility is to express an opinion on the consistency of the Annual Report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the Annual Report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

**In our opinion, the information included in the Annual Report of the state-owned enterprise Lesy České republiky, s.p. for the year ended 31.12.2013 is consistent, in all material respects, with the financial statements referred to above.**

In Brno, date July 2, 2014

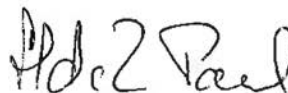


A&CE Audit, s. r. o.

Ptašínského 4, 602 00 Brno

License of the Czech Chamber of Auditors no. 007

Ing. Martin Kozohorský, Executive



Ing. Pavel Studnička

Auditor, license no. 1702

## Terms and Abbreviations

BK	beech
BO	pine
BRP	downy birch
CHO LCR	Central Head Office of Lesy České republiky, s.p.
ČMKBK	Bohemian-Moravian Commodity Exchange, Kladno
ČSOP	Czech Union for Nature Conservation
DB	oak
DG	Douglas fir
DR	supervisory board
DZ	sessile oak
EU	European Union
FIR	Development Investment Fund
FMF	forest management facility
FMI	Forest Management Institute
FMP	forest management plans
FMU	forest management unit
FU	forestry unit
GA	growing area
GIS	geographic information systems
GrDW	Graphics data warehouse
HB	torrent control
HLDS	Hradecká lesní a dřevařská společnost a.s.
HÚL	forest management arrangements
JD	fir
KN	land registry
LCR	Lesy České republiky, s.p.
Lesy ČR	Lesy České republiky, s.p.
LHE	forest management register
LT	left tributary
LTM	technical forest reclamation
LVS	forest altitudinal zoning
MD	larch
MoA	Ministry of Agriculture of the Czech Republic
MoE	Ministry of the Environment of the Czech Republic
MZD	soil improving and reinforcement species
NNR	National nature reserve
NR	nature reserve
OLH	forest manager
OMK	Marketing and Communication Department
OPC	Office for the Protection of Competition

OPŠ	flood damage removal
OVS	public tendering procedure
PEFC	Programme for the Endorsement of Forest Certification schemes
PLA	protected landscape area
PŠ	flood damage
PUPFL	land designated as forestland
RHO	regional head office
RŘS	revitalization of river systems
RS	roadside
RT	right tributary
SLT	set of forest types
SM	spruce
SU	Seed Unit
WMU	Water management unit



## Die hauptsächlichen Ereignisse des Jahres

Das Jahr 2013 war für Lesy ČR außerordentlich, da Aufnahme und Bearbeitung der Aufrufe von Personen, die zur Ausgabe des Kircheneigentums nach dem Kirchenrestitutionsgesetz befugt sind, begonnen hat.

Aus Sicht der Sicherstellung der Forstwirtschaft war das Jahr handelsüblich. Im Mai wurde das Tenderverfahren für Forstarbeiten für die Jahre 2014 - 2018 auf ein Fünftel des bewirtschafteten Gebietes ausgeschrieben. Sämtliche Verträge, die aus diesem Tender resultierten, wurden bis Ende des Jahres unterschrieben. Im Juni wurde das öffentliche Vergebungsverfahren auf 29 vertraglichen Raumeinheiten nach der Firma LESS & FOREST s.r.o. mit Wirkung vom 1. Juni 2013 für den Zeitraum von sieben Monaten bis zu vier Jahren abgeschlossen.

Im Einklang mit gültiger Legislative und verabschiedeten Waldwirtschaftsplänen wurden kontinuierlich sämtliche Aktivitäten, die mit ordentlicher Waldpflege zusammenhängen, abgesichert. Auch im Jahr 2013 wurden Lesy ČR im Rahmen der Waldzertifikation im System PEFC beaufsichtigt und diese Kontrollen wurden erfolgreich abgeschlossen. Damit konnten Lesy ČR eine dauerhaft nachhaltige Bewirtschaftung auf dem verwalteten Gebiet beweisen.

Das Jahr 2013 lässt sich als sehr günstig auch hinsichtlich des minimalen Auftretens von Naturkatastrophen, derer Anteil sich unter 12% der gesamten Holznutzung hielt, bezeichnen. Unter die wichtigsten Ereignisse gehört der lokale Sturm vom 18. Juni 2013, der die Wälder rund um die Stadt Krnov in Nordmähren heimsuchte und einen Bruch auf der Fläche von 18ha verursachte. Es wurden fast 6 000 m<sup>3</sup> Holz beschädigt.

Im Bereich des Waldschutzes gegen den Borkenkäfer gelang es dank dem warmen und trockenen Sommerwetter, das Volumen des verarbeiteten Borkenkäferholz im Vergleich mit dem Vorjahr zu erhöhen. Und das vor allem im Gebiet Nordostmährens, wo es zum Sterben der Fichtenwälder auf Grund von Trockenheit und des Honigpilzes kam.

Das ganze Jahr 2013 durch organisierten Lesy ČR mehr als 900 kulturelle Veranstaltungen für breite Öffentlichkeit mit dem Thema Wald und Forstwirtschaft. Diese hatten u.a. die Form von Vorlesungen, Gesprächen, Wanderungen, aber vor allem das Format „Ein Tag mit LČR“. Diese Veranstaltungen fanden schrittweise in allen Regionen statt und wurden von beinahe 100 Tausend Besuchern heimgesucht.

Im Dezember 2013 haben Lesy ČR zum ersten Mal in ihrer bisherigen Existenz einen Teil ihrer freier Finanzmittel in Höhe von 6 Mrd. CZK dem Staatshaushalt überwiesen.

Lesy ČR beendeten das Jahr 2013 mit einem wirtschaftlichen Ergebnis vor Steuern in Höhe von 5 Mrd. CZK. Der Gesamteinschlag an Holz erreichte 8,040 Mio. m<sup>3</sup>, es gelang 13,9 Tsd. ha Wald zu erneuern, davon betrug der Anteil an wasserregulierenden und verfestigenden Gehölzen bei der Ersterneuerung 43,2 % und dringende Züchtung von Beständen bis zum Alter von 40 Jahren wurde auf 36,2 Tsd. ha Wald durchgeführt.

## Hechos destacados del año

El año 2013 fue excepcional para la empresa Lesy ČR puesto que comenzó la aceptación y la tramitación de los requerimientos dirigidos a personas competentes con el fin de efectuar entregas del patrimonio eclesiástico a tenor de la ley sobre la restitución eclesiástica.

Desde el punto de vista de la actividad económica en la silvicultura ha sido un año ordinario. En el mes de mayo fue declarado el tender para la realización de actividades de silvicultura para el período de 2014 a 2018, para 1/5 parte del territorio administrado, en total en 31 unidades territoriales contractuales. Todos los contratos incluidos en este tender fueron formalizados antes del fin del año. En junio terminó el proceso abierto de asignación de encargos en 29 unidades territoriales contractuales de la empresa LESS & FOREST s.r.o., con efecto legal a partir del 1ro de junio de 2013, por un período de 7 meses a 4 años.

Todas las actividades relacionadas con el cuidado correcto del bosque se han ido desarrollando acorde con la legislación vigente y los planes económicos de silvicultura aprobados. La empresa Lesy ČR en 2013 también estaba bajo control, en los marcos de la certificación de los bosques conforme con el sistema PEFC y salió con éxito de estos controles. De este modo la empresa ha podido comprobar que su actividad económica desarrollada en los bosques que administra se mantiene permanentemente estable.

El año 2013 se puede evaluar como muy favorable también desde la perspectiva de catástrofes naturales cuya parte se ha podido mantener al nivel de 12% del total de la extracción. Entre los episodios locales de mayor envergadura pertenece el huracán local que se produjo el 18 de junio de 2013 y afectó la vegetación forestal en los alrededores de la ciudad Krnov, en la región de Moravia y Silesia, causando daños en una superficie de 18 ha y destruyendo casi 6 000 m<sup>3</sup> de madera.

Y en lo que respecta a la protección del bosque contra los escolitinos, gracias al verano caluroso y seco incrementó, en comparación con el año anterior, el volumen de la madera procesada que suele ser afectada por escolitinos, especialmente en la región de Moravia nordeste donde fueron destruidas vegetaciones enteras de pinos debido a la sequía y la seta miel.

Durante el año 2013 la empresa Lesy ČR organizó casi 900 eventos instructivos públicos dedicados al tema del bosque y la silvicultura, en forma de conferencias, tertulias, excursiones y en especial eran eventos tipo „Un día con LČR“. Estos eventos fueron asistidos por más de 100 mil visitantes y se efectuaron consecutivamente en todas las regiones de RCh.

En el mes de diciembre de 2013, la empresa Lesy ČR, por primera vez en toda su historia, transfirió una parte de sus medios monetarios disponibles (6 mil millones de coronas checas) al presupuesto de Estado, a la cuenta en el Banco Checo Nacional.

La empresa Lesy ČR terminó el año 2013 con el resultado económico de 5 mil millones de coronas checas antes del impuesto. La cifra total del volumen de madera extraída ascendió a 8,040 millones de metros cúbicos de madera, se logró restablecer 13,9 mil hectáreas de bosque, de ello la parte que representan los maderables destinados al mejoramiento y fortalecimiento, en la primera etapa de restablecimiento, representa 43,2 % y el cultivo intenso de vegetaciones hasta 40 años de edad se efectuó en 36,2 mil hectáreas de bosque.

## Notes

© 2014

Lesy České republiky, s.p.

Přemyslova 1106, Hradec Králové 8, 501 68

[www.lesy.cz](http://www.lesy.cz)

Design and production: KUKLIK.CZ

[www.kuklik.cz](http://www.kuklik.cz)