



# 2014

## Annual Report

Lesy České republiky, s.p.

**LESYČR** 



# Contents

Introductory Remarks	2
Highlights of the Year	4
Corporate Profile	7
Organizational Structure	9
Corporate Governance	15
Trends in Core Indicators	18
Report on Company Business Activities	19
Contractual Relations in Forest Activities	24
Commercial Activity – Sales of Timber and Logging Residues	26
Forest Management	28
Working in the Public Interest	44
Capital Construction	49
Water Management	53
Restoration of Ownership and User Relations, Contractual Transfers	58
Human Resources	64
Communicating with the Public	66
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 2014	68
<b>Financial Section</b>	<b>69</b>



## Introductory Remarks

Dear colleagues, ladies and gentlemen,

It is my honour to be at the head of Lesy České republiky and reflect upon the past year of 2014. This was a year in which we achieved the best performance in the history of the company. This was due both to favourable market conditions and our collaborative work efforts. It is pleasing that we were able to achieve this result at standard harvesting volumes while at the same time providing a high level of care for forests, including investments into forestry infrastructure.

During the course of the year we devoted considerable attention to public communication, as well as communication within the company. Our goal was and remains to renew public confidence, and the confidence of rank and file employees and company management. We strive to promote a fair and constructive corporate culture, crowned by a shared common vision and a clear understanding of competencies and responsibilities. We strive to convince the public that we are managing the national wealth responsibly and efficiently as stewards of the environment. Our goal is sustainable development aimed at preserving the productive and non-productive function of our forests for future generations.

One major event last year which significantly impacted company operations was the ongoing process of church restitution. While this is an extraordinarily complicated and demanding process, we were able to make significant progress in resolving individual cases.

Throughout the entire year, we also focused on increasing company efficiency – for example, we introduced a number of cost-cutting measures, especially in our contracting of external services.

We not only implemented operative measures, but also made significant headway in carrying out conceptual changes to the way we do business. At the close of 2014, we introduced the company's "Strategic Development Plan for 2015-2019" which provides company employees and the public information about the philosophy and basic strategy of LCR for the coming period.

I believe that over the past year, LCR has significantly solidified its position and contributed greatly to the general public benefit. In addition to starting numerous community programs, for the second time we made a major contribution from our own funds to the state budget, this time for the amount of CZK 6.5 billion.

I firmly believe that in this manner, Lesy České republiky will build its reputation at home and throughout Europe as a strong, stable, open and continually growing company. A company which responsibly and efficiently manages national assets, increases their value, brings in steady revenue, is environmentally conscious and does its part to improve the social situation in the country.



In addition to making an additional payment to the state budget, a number of other tasks await us in 2015. We will certainly strive to maintain high standards of operation, including a high standard of care for forests and all assets that we manage. This year we would like to finally complete the process of property settlement with churches and religious groups, including certain necessary organizational changes. We also intend to draft other conceptual strategy plans (e.g. Forest Renewal Plan; Crisis Situation Resolution Plan, etc.). We are actively working on preparing and carrying out public tenders for forestry services, introducing the principles of company process management, developing social activities, preparing an ICT Technology Renewal Plan and more. Our goal is to become a confident, modern company based on the foundations of teamwork, efficiency and transparency. I firmly believe that we will be successful in this collective endeavour.

In closing, allow me to thank you all for your hard work and cooperation to date. May our collective success continue going forward.

Sincerely,

**Daniel Szórád**  
**Chief Executive Officer**

## Highlights of the Year

2014 was an exceptional year for the state-owned enterprise Lesy České republiky (Forests of the Czech Republic, "LCR"). On 14 April 2014 Daniel Szórád was named company CEO. Directly thereafter he began the open tender process to fill management positions. By early June, the company's top management positions had been filled. The new Production and Technical Director was Václav Lidický, the Administrative Director Igor Kalix, the Business Director Radovan Srba and the Chief Financial Officer Karel Buchta.

The company's new management instituted an open policy of transparency for orders and services with the goal of terminating all unfavourable contracts and cutting the inflated costs of external services, sometimes by 50 percent.

With respect to forest management and caring for small watercourses, it was a typical year. Despite the very short time under new management before the announcement of five-year tenders for forestry activities in 27 contracted territorial units, a number of fundamental changes were made. In particular, there was an increase in the number of territorial units under comprehensive contracts. In three other contracted territorial units, one-year pilot programs were instituted to separate cultivation and harvesting activity. Transparent hiring practices were incorporated into contracts. Contract partners now must regularly provide information about the persons carrying out contracts. Also new for contract partners is the requirement to sell a certain volume of spruce logs produced via the LCR electronic auction system.

In line with valid legislation and approved forest management plans, in 2014 the company continued to ensure all activities related to the proper care of forests. LCR was successfully audited as part of its forest certification in the PEFC system. The company thus demonstrated sustainable management of the forests under its care.

2014 may also be assessed as relatively favourable in terms of the low incidence of natural calamities. In May, strong winds and heavy rainfall damaged 250,000 m<sup>3</sup> of timber in the Moravian-Silesian and Zlín Regions. However, this was only a regional event which impacted 13.8% of total timber production. The volume of felling due to bark beetles was comparable to previous years. The highest incidence of bark beetles was found in northeast Moravia.

The second half of the year saw a significant increase in the speed of processing the claims of entitled subjects for the return of church property based on the Church Restitution Act. By the end of 2014, Lesy CR had returned 56,878 hectares of land and 163 buildings.



# What do you know about wood?

The wood of which conifer has no resin canals:

- a) spruce
- b) fir
- c) Douglas fir
- d) pine

**b) fir**

**Resin channels are created by groups of cells which secrete resin. They occur in most of our conifers with the exception of the firs, yew and juniper. They are not found in deciduous trees.**





## Highlights of the Year

In 2014, Lesy CR organized nearly 950 lectures, gatherings, walks and other events for the public dedicated to forests and forestry. 134,000 visitors attended such events all over the republic. During the course of the year, Lesy CR also participated in events of society-wide importance. In December of 2014, Lesy CR transferred part of its free financial funds amounting to CZK 6.5 billion to an account maintained with the Czech National Bank for the state budget.

LCR concluded the year of 2014 with a profit before tax of CZK 8 billion. This figure includes reserves for cultivation from past years of CZK 1.9 billion. Total timber production in state forests in 2014 was 7.975 million m<sup>3</sup>. The company also succeeded in regenerating 13,600 hectares of forest, with a share of soil-improving and strengthening tree species in the first regeneration of 42.8%. Urgent tending of timber stands under 40 years of age was carried out on 35,700 hectares of forests.



# Corporate Profile

## Basic Provisions

### 1. Legal Form

Lesy České republiky, s.p. (“Lesy CR”, “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

LCR 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 LCR's business activities and its organizational structure are constantly adapted to these basic principles.





# Organizational Structure

## 1. Chief Executive Officer

The company is headed by the Chief Executive Officer, who runs the company, is responsible for its 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 (Production and Technical Director, Administrative Director, Business Director, Chief Financial Officer), 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 2014

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

- Production and Technical Director
- Administrative Director
- Business Director
- Chief Financial Officer.

## 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 LCR

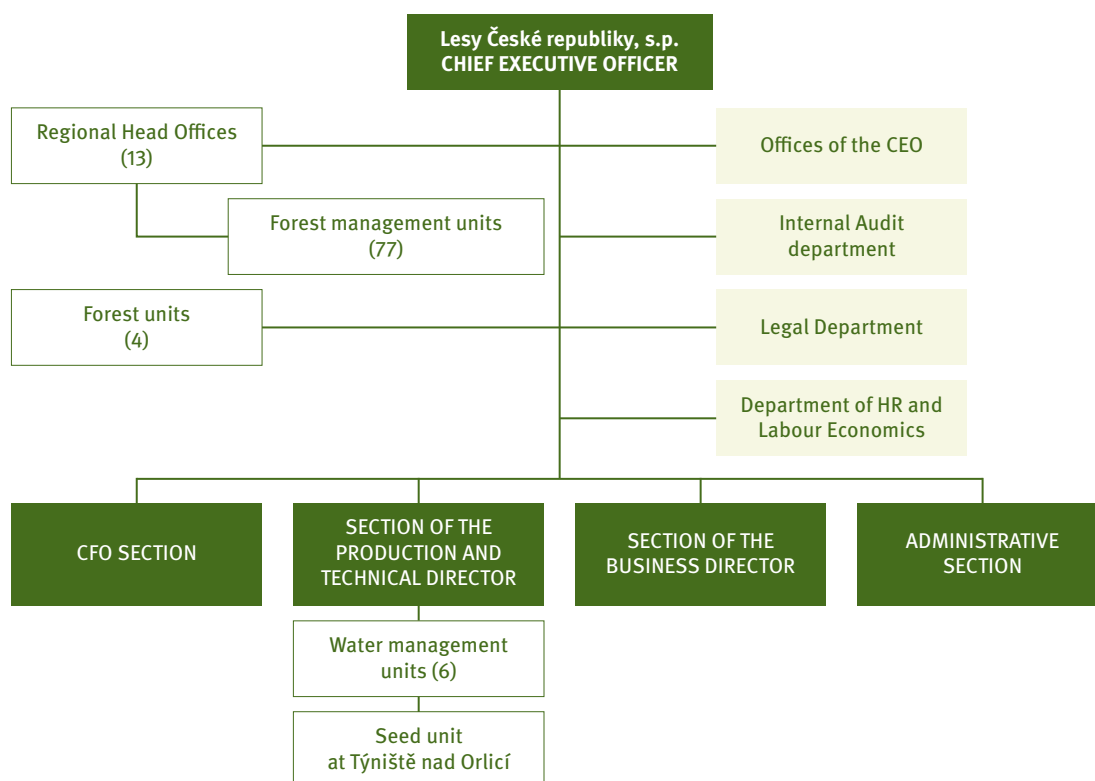
LCR is broken down into a Central Head Office and organizational units (forestry units, a seed unit, water management units and regional head offices). Regional head offices are in charge of forest management units.

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

Year	2010	2011	2012	2013	2014
RHO	13	13	13	13	13
FMU	77	77	77	77	77
LU, SU	6	6	6	6	5
WMU	6	6	6	6	6

# Organizational Structure

## Basic Organizational Structure as of 31 December 2014



## Status as of 31 December 2014

### Central Head Office

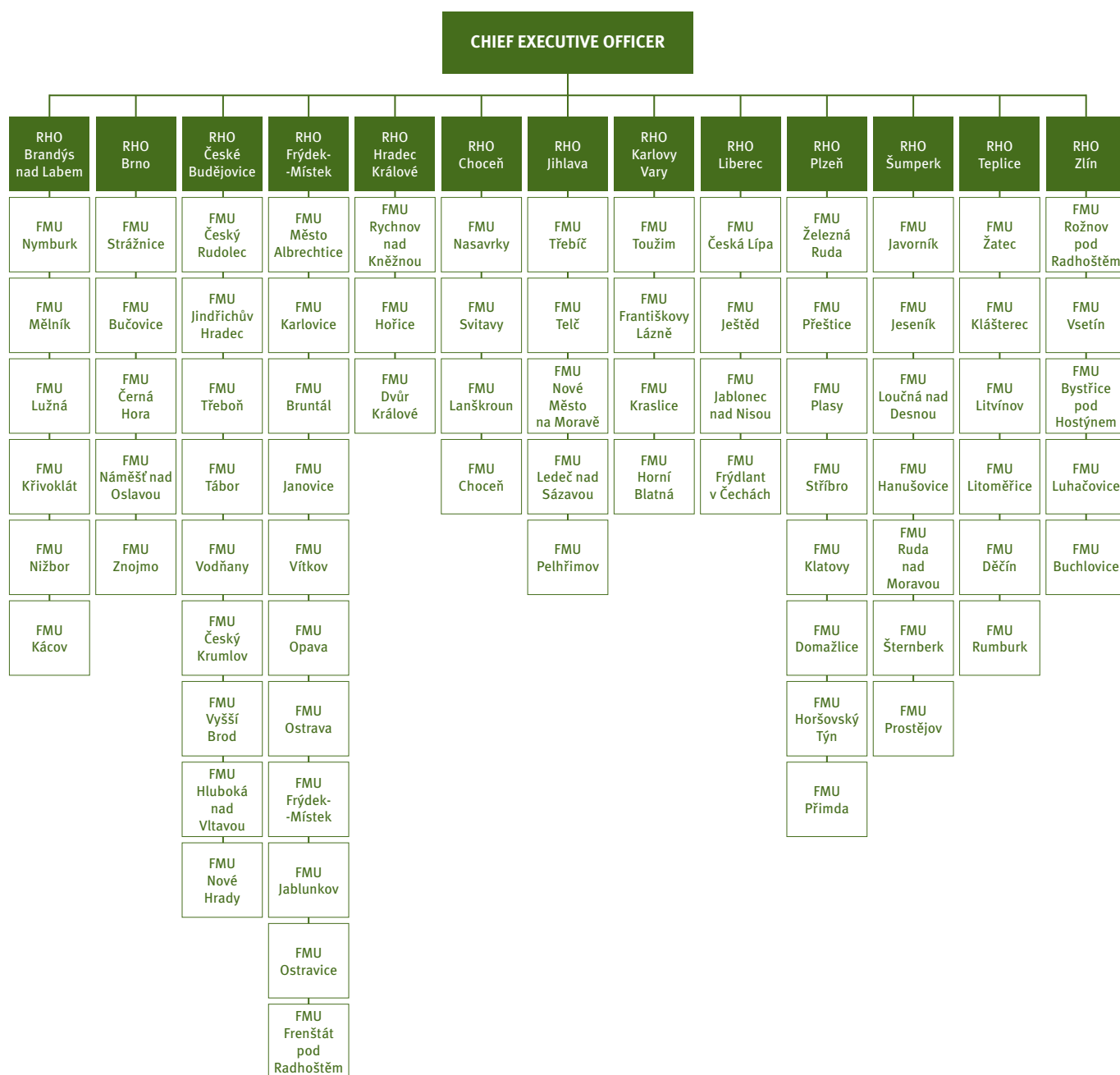
The Central Head Office oversees matters associated with the company's legal status and strategic management and is responsible for ensuring uniform forest, commercial, financial administrative and human resources management.

### 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 section of the Production and Technical Director, the administrative section and the section of the Business Director. 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.

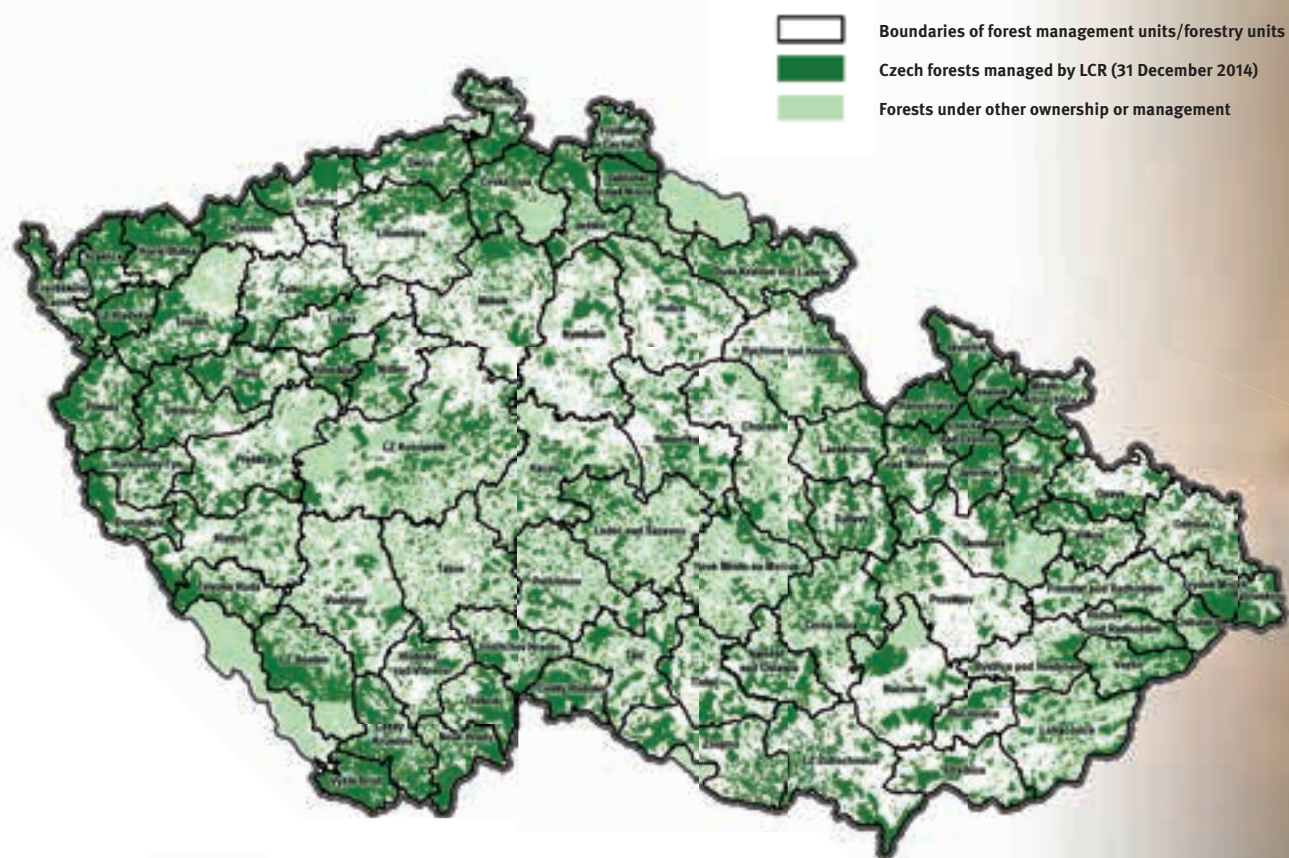
The Central Head Office directly manages 13 regional head offices, 4 forest units, 1 seed unit and 6 water management units. The regional head offices directly manage 77 forest management units. The sections and departments guide the organizational units within the spheres of their expertise.

## Organizational Structure of Regional Head Offices as of 31 December 2014



## Organizational Structure

### Overview of Assets Managed by LCR





The background of the entire image is a close-up photograph of autumn leaves in shades of brown, orange, and yellow. A large, semi-transparent grey question mark is positioned on the right side of the image, extending from the middle section down to the bottom section.

# How well do you know your forest?

Which part of  
the oak is used  
for medicinal  
purposes:

- a) bark
- b) acorn
- c) wood
- d) leaf

## **a) bark**

**People have used oak bark for its medicinal properties since time immemorial. This part of the tree contains the highest concentration of active substances and is a readily available remedy for many health problems.**

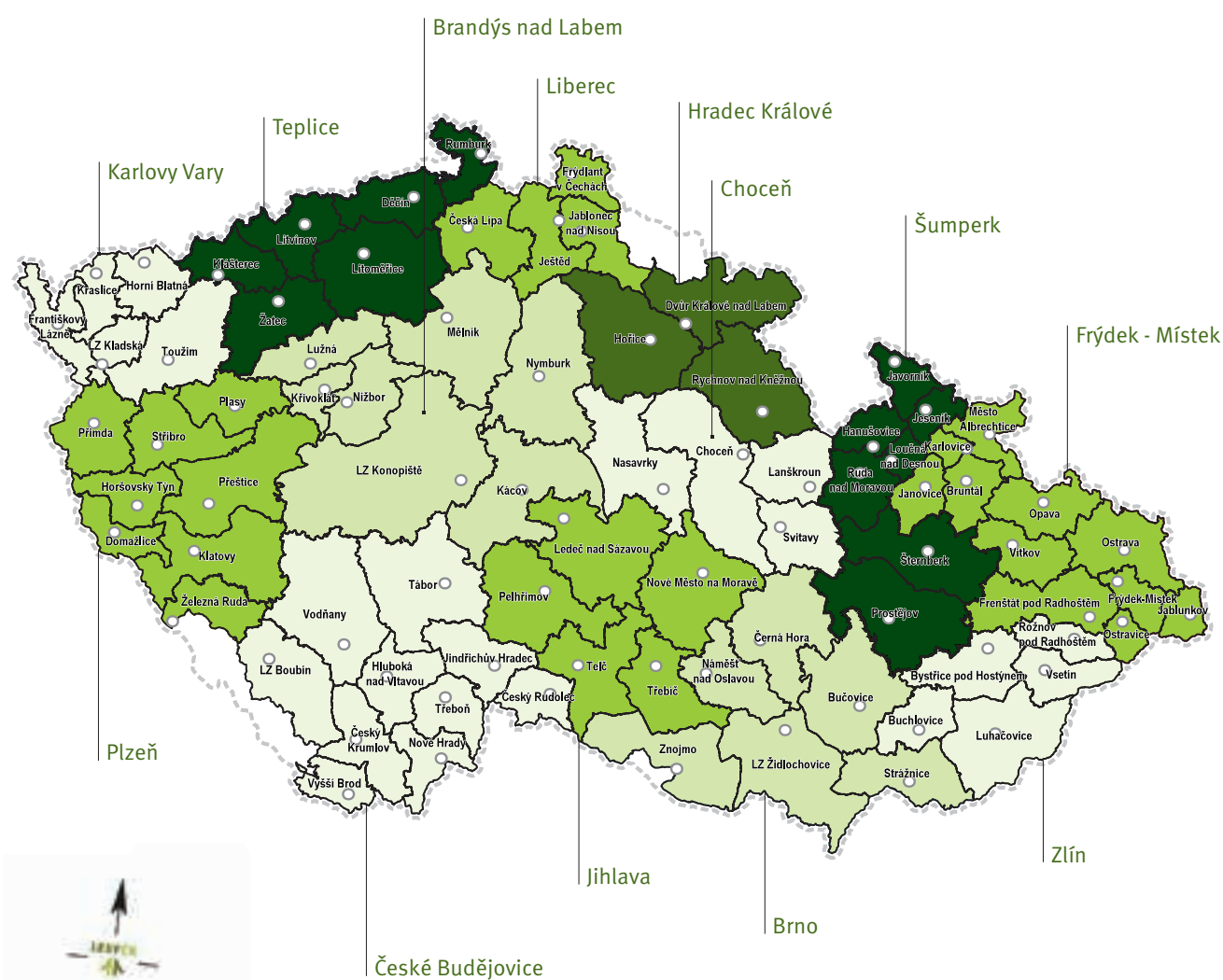






## Organizational Structure

## Organizational Map of LCR





# Corporate Governance

## Governing Body and its Representatives as of 31 December 2014

### **Daniel Szórád**

Chief Executive Officer

### **Václav Lidický**

Production and Technical Director

### **Igor Kalix**

Administrative Director

### **Radovan Srba**

Business Director

### **Karel Buchta**

Chief Financial Officer

### **Personnel changes from 1 January 2014 to 30 April 2015:**

On 11 April 2014 Michal Gaube stepped down as acting CEO and on 14 April 2014 Daniel Szórád was appointed new CEO (statutory body).

On 16 April 2014 the order of representatives of the statutory body was changed: 1. Director of Forest and Water Management – Pavel Indra, 2. Chief Financial Officer – Michal Gaube, 3. Administrative Director – Jiří Červenka, 4. Production Director – Zdeněk Sýkora.

Effective as of 30 April 2014 an agreement was concluded to end the employment of Administrative Director Jiří Červenka and Production Director Zdeněk Sýkora.

On 31 May Pavel Indra was withdrawn from the position of Director of Forest and Water Management and effective as of 1 June 2014 the Section of the Director of Forest and Water Management was renamed the Section of the Production and Technical Director, while the Section of the Production Director was renamed the Section of the Business Director.

As of 1 June 2014, Václav Lidický was appointed Production and Technical Director, Radovan Srba was appointed Business Director, and Igor Kalix appointed Administrative Director.

Effective as of 31 May 2014 an agreement was reached ending the employment of Chief Financial Officer Michal Gaube and on 11 June 2014 Karel Buchta was appointed new Chief Financial Officer.

On 1 July 2014 the order of representatives of the statutory body was changed: 1. Production and Technical Director – Václav Lidický, 2. Administrative Director – Igor Kalix, 3. Business Director – Radovan Srba, 4. Chief Financial Officer – Karel Buchta.

## Corporate Governance



from left:  
Igor Kalix  
Radovan Srba  
Daniel Szórád  
Karel Buchta  
Václav Lidický

### Management of Organizational Units as of 31 December 2014

#### Regional Head Offices

**Zdeněk Horák**, Regional Head Office Director in Frýdek-Místek

**Tomáš Pospíšil**, Regional Head Office Director in Šumperk

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

**Dalibor Šafařík**, Regional Head Office Director in Brno

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

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

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

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

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

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

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

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

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

#### Forest Units

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

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

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

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

#### Seed Unit

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

#### **Supervisory Board as of 31 December 2014:**

<b>Jaromír Vašíček</b>	- Chairman
<b>Jaromír Kříha</b>	- Vice-Chairman
<b>Miroslav Jankovský</b>	
<b>Jiří Jirsa</b>	
<b>Patrik Mlynář</b>	
<b>Petr Moravec</b>	
<b>Jiří Snášel</b>	
<b>Tomáš Vrba</b>	
<b>Jan Závěšický</b>	

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 2014 to 30 April 2015:**

On 18 February 2014 Jan Sixta was removed from the Supervisory Board and on 19 February 2014 Jiří Jirsa was appointed.

On 8 September 2014 Luděk Šišák and Miroslav Zámečník were removed from the Supervisory Board and Petr Moravec and Tomáš Vrba were appointed.

On 9 October 2014 Bohumír Lomský was removed from the Supervisory Board and on 10 October 2014 Jan Závěšický was appointed.

On 10 December 2014 Martin Žížka was removed from the Supervisory Board and on 11 December 2014 Patrik Mlynář was appointed.

On 8 April 2015 the terms for the following elected members of the Supervisory Board expired – Jaromír Kříha, Miroslav Jankovský and Jiří Snášel.

#### **Audit committee as of 31 December 2014:**

<b>Josef Jaroš</b>	- Chairman of the Audit Committee
<b>Jaromír Vašíček</b>	- Vice-Chairman of the Audit Committee
<b>Tomáš Vrba</b>	

#### **Personnel changes on the Audit Committee from 1 January 2014 to 30 April 2015:**

The Audit Committee was established by resolution of the Supervisory Board on 24 April 2014. Members appointed to the Audit Committee were Josef Jaroš, Miroslav Zámečník and Jaromír Vašíček.

On 16 April 2014 Josef Jaroš was appointed Chairman of the Audit Committee and Miroslav Zámečník Vice-Chairman.

As of 15 September 2014 Miroslav Zámečník was removed as Vice-Chairman and member of the Audit Committee and Tomáš Vrba was appointed a member.

On 28 November 2014 Jaromír Vašíček was appointed Vice-Chairman of the Audit Committee.

## Trends in Core Indicators

Year		2010	2011	2012	2013	2014
Area of forestland	in thousands of ha	1,343	1,342	1,338	1,337	1,287
Surface area of stands	in thousands of ha	1,306	1,306	1,300	1,300	1,253
Logging	in thousands of m <sup>3</sup>	8,052	8,024	7,844	8,040	7,977
Logging per ha of stand area	m <sup>3</sup>	6	6	6	6	6
Reforestation	ha	13,657	13,731	13,100	13,910	13,632
Tending of young forest stands	ha	43,792	45,823	40,152	40,072	40,367
Total revenue	in millions of CZK	11,288	13,261	13,138	14,031	13,578
Revenue from operations	in millions of CZK	10,818	12,832	12,281	12,144	12,513
Total costs	in millions of CZK	8,730	9,036	8,730	10,041	6,760
Operational costs	in millions of CZK	7,925	7,778	7,188	7,544	4,851
Staff costs	in millions of CZK	1,496	1,505	1,601	1,656	1,713
Value added	in millions of CZK	4,268	7,070	7,356	6,842	7,877
Profit (loss) after tax	in millions of CZK	2,558	4,225	4,408	3,990	6,818
Total assets	in millions of CZK	72,470	78,222	81,830	79,853	76,147
Fixed assets	in millions of CZK	62,984	65,597	69,352	67,680	64,369
Current assets	in millions of CZK	9,452	12,519	12,392	12,056	11,685
Equity	in millions of CZK	67,576	72,642	76,964	74,804	73,022
Liabilities (debt)	in millions of CZK	4,819	5,505	4,780	4,956	3,045
Cash flow from operations	in millions of CZK	840	4,106	1,712	7,529	7,740
Cash flow from investment	in millions of CZK	-472	-447	-1,048	-910	-925
Cash flow from financial operations	in millions of CZK	-25	-55	13	-6,010	-6,504
Number of employees	persons	3,242	3,177	3,213	3,271	3,335





# Report on Company Business Activities

## Property

As of 31 December 2014, the company had assets, including forestland, with a net worth of CZK 76.1 bil. Fixed assets amounted to CZK 64.4 bil., with the value of land, primarily forestland, accounting for CZK 51.3 bil. The value of all land declined by CZK 1.9 bil., and its share in the total assets increased to 67.4% as of 31 December 2014 (66.7% in 2013, 86.4% in 1995). The increase can be attributed to the additional reduction in financial assets due to the transfer of CZK 6.5 bil. to the state budget. The company's total assets declined by CZK 3.706 bil. (i.e. by 4.6%); total assets adjusted for the value of forestland in 2014 declined by CZK 1.789 bil., i.e. by 6.3%.

### Total Assets (in millions of CZK)

Year	2012	2013	2014
Total assets	81,830	79,853	76,147
Value of forestland	51,594	51,554	49,637
Total assets not including forestland	30,236	28,299	26,510

## Assets

During the course of 2014 there were changes in asset structure. There was a decline in the absolute value of financial assets of CZK 1.546 bil. (i.e. 10.5%), mostly long-term, due to the transfer of CZK 6.5 bil. to the state budget with relatively minor changes to other items. Receivables decreased by 20.1% to CZK 1.461 bil., inventory remained at the level of 2013, i.e. CZK 160 mil. There was a significant change in fixed assets, where the value of forestland declined by CZK 1.913 bil. (primarily due to church restitution).

### Asset Structure Not Including Forestland (in millions of CZK)

Year	2012	2013	2014
Total assets	30,236	28,299	26,510
Fixed assets	17,758	16,126	14,732
Inventories	194	160	160
Receivables	1,564	1,828	1,461
Short-term financial assets	10,634	10,068	10,064
Accruals	86	117	93



# Report on Company Business Activities

## Liabilities

Equity decreased by CZK 1.782 bil. There was a reduction in capital funds of CZK 1.971 mil. (church restitution) and a transfer of funds from past profit to the state budget. Registered capital was increased by CZK 189 mil., with CZK 304 mil. coming from the investment development fund, while at the same time assets were reduced by CZK 115 mil. due to church restitution. Provisions are lower by CZK 1.863 bil., due to the release of reserves for cultivation. Liabilities decreased by CZK 48 mil., mostly due to trade payables which were CZK 171 mil. lower due to lower work volume at the end of the year, liabilities to the state increased by CZK 114 mil. due to higher tax obligations. Year over year profits increased 70.9% (by CZK 2.828 bil.). The increased profit after tax is primarily due to the release of accounting provisions (for cultivation) and accruals totalling CZK 2.069 bil.

### Structure of Liabilities Not Including Forestland (in millions of CZK)

Year	2012	2013	2014
Total liabilities	30,236	28,299	26,510
Registered capital	11,705	11,970	12,159
Capital funds	-134	-233	-287
Funds created from profit, retained earnings	13,798	11,513	11,513
Provisions	3,432	3,571	1,708
Payables	1,348	1,385	1,337
Accruals	87	93	80

### Total Assets (in millions of CZK)

Year	2012	2013	2014	14-13	%
Total assets	81,830	79,853	76,147	-3,706	-4.6
Fixed assets	69,352	67,680	64,369	-3,311	-4.9
Intangible fixed assets – net	542	424	317	-107	-25.2
Tangible fixed assets – net	62,361	62,623	60,961	-1,662	-2.7
– of which land	53,242	53,232	51,319	-1,913	-3.6
Financial investments	6,449	4,633	3,091	-1,542	-33.3
Current assets	12,392	12,056	11,685	-371	-3.1
Inventories	194	160	160	0	0.0
Long-term receivables	6	0	0	0	0.0
Short-term receivables	1,558	1,828	1,461	-367	-20.1
Short-term financial assets	10,634	10,068	10,064	-4	0.0
Accruals	86	117	93	-24	-20.5

### Total Liabilities (in millions of CZK)

Year	2012	2013	2014	14-13	%
Total liabilities	81,830	79,853	76,147	-3,706	-4.6
Equity	76,964	74,804	73,022	-1,782	-2.4
Registered capital	11,705	11,970	12,159	189	1.6
Capital funds	51,460	51,321	49,350	-1,971	-3.8
Funds created from profit	5,187	4,957	4,668	-289	-5.8
Retained earnings	4,204	2,566	27	-2,539	-98.9
Profit for the year	4,408	3,990	6,818	2,828	70.9
Liabilities (debt)	4,780	4,956	3,045	-1,911	-38.6
Provisions	3,432	3,571	1,708	-1,863	-52.2
Payables	1,348	1,385	1,337	-48	-3.5
Accruals	86	93	80	-13	-14.0

### Costs

In 2014 there was a reduction in total costs (by 32.7%). The cost of sales decreased by CZK 437 mil. (9.3%), which was primarily due to a lower volume of building maintenance (by CZK 312 mil.). Another factor contributing to lower costs was the drop in depreciation by 4.3%, due mainly to the final depreciation of software purchased in previous years. 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 – fixed asset employees, adjuncts, additional workers in the Krušné hory Mountains. The year over year change in reserves and provisions and reserves was CZK - 2.249 bil. Costs from financial operations declined by CZK 767 mil. due to the lower volume of securities purchased and sold.

### Total Costs (in millions of CZK)

Year	2012	2013	2014	14-13	%
Total costs	8,730	10,041	6,760	-3,281	-32.7
Costs of operations	7,188	7,544	4,851	-2,693	-35.7
Costs of goods sold	3	3	2	-1	-33.3
Cost of sales	4,281	4,676	4,239	-437	-9.3
Staff costs	1,601	1,656	1,713	57	3.4
Taxes and charges	163	161	160	-1	-0.6
Depreciation	688	720	689	-31	-4.3
Net book value of fixed assets and raw material sold	45	55	27	-28	-50.9
Change in reserves and provisions	324	180	-2,069	-2,249	-1,249.4
Other operating expenses	83	93	91	-2	-2.2
Financing costs	472	1,530	763	-767	-50.1
Income tax	1,070	967	1,145	178	18.4

# Report on Company Business Activities

## Full Internal Costs

Year	Total in millions of CZK			CZK per 1 ha of Forestland		
	2012	2013	2014	2012	2013	2014
Logging costs	2,880	2,629	2,430	2,153	1,966	1,888
Cultivation	2,353	2,506	2,583	1,759	1,874	2,007
Road and slope-road repairs	854	1,106	837	638	827	650
Increase in provisions	-64	140	-1,863	-48	105	-1,448
Maintenance of fixed assets	316	393	306	236	294	238
Hunting	186	172	173	139	129	134
Government contracts	79	153	74	59	114	57
Seed production	65	72	65	49	54	51
Timber production	48	49	50	36	37	39
Timber purchases	3	2	1	2	1	1

## Direct Cultivation Costs

Year	Total in millions of CZK			CZK per 1 ha of Forestland		
	2012	2013	2014	2012	2013	2014
Total	1,629	1,810	1,856	1,218	1,354	1,442
Reforestation	593	656	648	443	491	503
Care of young plantations	623	701	736	466	524	572
Cleaning (juvenile thinning)	131	142	144	98	106	112
Forest protection	60	74	94	45	55	73
Fertilization and liming	5	5	6	4	4	5
Other cultivation care	217	232	228	162	174	177

## Revenue

In 2014 there was a decline in total revenue (by 3.2%). With respect to operating revenue, revenue from the sale of fixed assets declined by CZK 103 mil. There was an increase in production of 5.2% (CZK 597 mil.), while revenue from the sale of own products and services increased by CZK 564 mil. Revenue from financial activity dropped 43.6% from the previous year to CZK 1.065 bil. This decline was mainly due to a lower volume of securities sold.

## Total Revenue (in millions of CZK)

Year	2012	2013	2014	14-13	%
Total revenue	13,138	14,031	13,578	-453	-3.2
Revenue from operations	12,281	12,144	12,513	369	3.0
Sales of goods	4	4	3	-1	-25.0
Production	11,637	11,518	12,115	597	5.2
Revenue from the sale of fixed assets and material	236	265	162	-103	-38.9
Other operating revenue	404	357	233	-124	-34.7
Revenue from financial activity	857	1,887	1,065	-822	-43.6
Revenue from the sale of securities	422	1,444	755	-689	-47.7
Interest revenue	188	190	136	-54	-28.4
Other financial revenue	247	253	174	-79	-31.2



## Earnings

Profit after tax increased year over year by CZK 2.828 bil. The increase in profit after tax in 2013 was due to better an increase in profit of CZK 759 mil. and the release of accounting reserves (for cultivation) amounting to CZK 1.863 bil. and provisions of CZK 206 mil. The reserves for cultivation were dissolved in accordance with the “Strategic Development Plan for Lesy České republiky, s. p. for the 2015-2019 Period”, which does not consider this reserve to be a source of funding to cover cultivation costs.

After deducting the reserves and provisions, net profit was CZK 4.749 bil.

Operating profit in 2014 was CZK 7.662 bil., which represents an increase of 3.062 bil. compared to 2013.

Financial profit declined year over year by CZK 56 mil., totalling CZK 301 mil. in 2014.

### Earnings for the Accounting Period (in millions of CZK)

Year	2012	2013	2014	14-13	%
Net profit/loss for the period	4,408	3,990	6,818	2,828	70.9
Profit/loss before tax	5,478	4,957	7,963	3,006	60.6
Operating profit/loss	5,093	4,600	7,662	3,062	66.6
Financial profit/loss	385	357	301	-56	-15.7



## 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 ensured out by 4 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 2014 the company continued with the manner of awarding contracts from previous years, based on the Ministry of Agriculture's business policy for LCR from 2011 (hereinafter the "Concept").

On 8 July 2014, an open over-limit tender was announced to ensure forestry activities beginning on 1 January 2015 in which forestry companies competed for a total of 27 areas (contracted territorial units). This was a comprehensive contract encompassing cultivation, harvesting and timber sales for a period of five years, namely from 1 January 2015 to 31 December 2019. At the same time, the company announced public tenders for another three territorial units for separate one-year contracts for cultivation and harvesting. The public opening of bids took place on 10 October 2014.

There were a total of 33 companies participating in the comprehensive tender with a collective total of 235 bids submitted. The overall value of the comprehensive public contract was estimated at CZK 1.92 bil. without VAT.

Bidders in the tender filed objections to two parts of the public contract. LCR rejected these objections, the bidders then petitioned the Office for the Protection of Competition to investigate the actions of the contracting authority (LCR).

The only bidders asked to sign contracts by LCR were those finishing first in the tender.

Of a total of 33 contracts, only a single contract was not concluded. Contracts were generally concluded during December 2014. Contracts were signed with 13 subjects.

One part of the public contract (for the territorial unit of Buchlovice) was cancelled, because the top-rated bidder (UNILES a.s.), refused to conclude a contract. LCR then deposited the principal sum of CZK 2.76 mil. This public contract will be offered in a new open tender for a contract expected from 1 July 2015. Up until this time, activity in the territorial unit will continue to be conducted by a partner awarded a non-public contract.

In late January and early February 2014, a new comprehensive contract for the Ostravice territorial unit was concluded (to the end of 2014, to substitute for a prematurely terminated contract) and for the Luhačovice territorial unit (2014-2018, repeated tender).





In December 2014, 3 contracts with Lesy Pelhřimov, a.s. were terminated due to late payments. Non-public contracts are being negotiated for these territorial units, with an open tender planned for a contract beginning on 1 July 2015.

Recapitulation of LCR tenders for Comprehensive Forestry Contracts, Prepared Based upon the Concept for 2011 and 2012, 2013 and 2014:

Type of Tender	No. of Parts to the Public Contract	No. of Contracts Concluded
Restricted tenders in 2012 – contracts from 1 January 2012	117	94
Open tenders in 2012 – contracts from 1 July 2012	24	24
Restricted tenders in 2013 – contracts from 1 January 2013	31	30
Open tenders in 2013 – from 1 June 2013	32	31
Open tenders in 2014 – contracts from 1 January 2014	31	30
Open tenders in 2015 – contracts from 1 January 2015	30	29 (+3C+3L)

An overview of the course of contracts including future forecasts is depicted 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*)	(8*)	(5*)	
	RT 2013+ (30*)					
	CPC (32*)	OT 2013 (31*)	(22*)	(13*)	(4*)	
	OT 2013 Velká Chmelištná (1*)					
		CPC Račice (1*)	OT Račice (1*)			
	OT 2014+ (30*)					
	OT Luhačovice (1*)					
	OT Ostravice (2*)					
	OT 2015+ (29*)					
	CPC (4*) OT from July 2015 (10*) (2*)					
	OT2016+ (25*)					
Total CTU	122		129	141	144	

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

A current overview of territorial units and contractual partners is posted on the LCR website.  
<http://www.lesycr.cz/o-nas/prehled-suj-a-smluvnich-partneru/Stranky/default.aspx>.



## Commercial Activity – Sales of Timber and Logging Residues

### Sale of Timber

The bulk of the wood from forest management units was sold through comprehensive forestry contracts for standing timber (6,142,000 m<sup>3</sup>). A considerable amount of timber was also offered through auction (1,066,000 m<sup>3</sup>), with 55,000 m<sup>3</sup> being auctioned off in person and 1,011,000 m<sup>3</sup> through electronic auction. The success rate for electronic auctions was 78% while auctions in person had an 82% success rate.

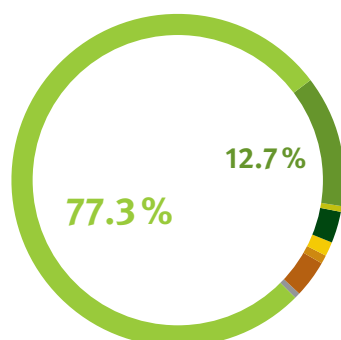
Wood from forest unit sources 430,000 m<sup>3</sup> was sold from roadside or warehouse and supplied to the market through the following sales channels:

- Commodity exchange 249,000 m<sup>3</sup>
- Electronic timber auctions 101,000 m<sup>3</sup>
- Regional sales 80,000 m<sup>3</sup>

### Logging Residues

During the course of 2014 total sales of logging residues (LR) were 1,281,000 m<sup>3</sup>. Logging residues were sold through three sales channels:

- Framework purchasing agreements (707,000 m<sup>3</sup>);
- Electronic auctions (481,000 m<sup>3</sup>);
- Other sales (93,000 m<sup>3</sup>).



Sales Channel	Volume (m³)	Volume%
Comprehensive contracts	6,142,208	77.3%
Electronic auctions	1,010,892	12.7%
Auctions in person	55,228	0.7%
Commodity exchange (LR)	248,704	3.1%
Electronic auction (LR)	101,363	1.3%
Regional sale (LR)	80,543	1.0%
Own production	283,286	3.6%
Own consumption	26,968	0.3%
Total	7,949,192	100.0%

# How well do you know your forest?

How much of the Czech Republic is forested:

- a) about 14%
- b) about 24%
- c) about 34%
- d) about 44%



**c) about 34%**

**In the Czech Republic the most important forest tree species by stand area are:**

**spruce (52.4%)**

**pine (17%)**

**beech (7%)**

**oak (6.8%)**

**larch (3.9%)**

**birch (2.8%)**

**fir (1%)**







# 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.

The current status of genetic resources managed by LCR in 2014 is given in the following table.

### Status of Genetic Resources Managed by LCR in 2014

Genetic Resources	Number (pcs)	Area (ha)
Genetic bases	104	49,525
Selected resources (A, B)		50,487
Identified resources (C)		62,734
Seed plantations	96	216
Clone mixes	11	8
Parent trees, clones	1,397	

### Operating Stock of Raw Materials and Seeds of LCR as of 31 December 2014

Tree Species	Raw Material	Seeds
	Amount (kg)	Amount (kg)
SM	28,312	2,074
BO	15,121	1,143
MD	12	114
JD		660
BK	63	7,686

The seed stock at the Gene Bank of Regional Tree Species was not replenished in 2014 and is given in the table.

### Seed Bank of Regional Populations – Stocks as of 31 December 2014

Tree Species	Number of Departments	Amount in kg
SM	47	237
BO	28	45
MD	1	2

In 2014, 156 tons of seed material was collected (95 tons of coniferous trees, 61 tons of deciduous trees), 56 tons of which were delivered for immediate planting (especially oak, and to a lesser degree beech and other deciduous trees).

At the Týnište nad Orlicí seed unit 2,422 kg of seed were stratified, especially beech, and more than 109 tons of seed material was processed (88 tons of pine cones and 2 tons of beech nuts and 14 tons of acorns).

In 2014 the harvest of certain tree species was affected by rain during flowering (elm and alder) and the amount and quality of harvest for beech and oak was affected by the dry summer resulting in the premature fall of nuts, especially beech nuts, while acorns were not sufficiently developed. The Carpathian region was most severely affected.

White firs and Douglas firs did not produce this year (following heavy production in 2013), while a heavy harvest was recorded for spruce, especially at higher elevations and in Hercynian areas. Pine produced sufficiently throughout the entire Czech Republic.

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, two second-generation seed orchards were registered according to the project titled “Establishing a Second Generation of Scotch Pine Seed Orchards Using Genetic Markers”. These orchards will be produce the “Třeboň” and “West Bohemian” ecotypes for Scotch pine.

### 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	2010	2011	2012	2013	2014
Area of timber land (thousands of ha)	1,306	1,306	1,300	1,300	1,253
Non-stocked land as of 31 December (ha)	13,697	13,224	13,631	13,001	12,149
Non-stocked land as of 31 December (%)	1.05	1.01	1.05	1.00	0.97

In a positive development, after several years the ratio of non-stocked land to timber land returned to below 1%.

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

Year	2010	2011	2012	2013	2014
Conifers (ha)	6,135	6,511	5,826	5,960	5,911
– fir trees (ha)	664	575	464	427	426
Fir trees – % artificial regeneration	6.11	5.26	4.72	4.14	4.22
Deciduous (ha)	4,724	4,422	4,002	4,349	4,181
Deciduous – % artificial regeneration	43.50	40.44	40.72	42.19	41.43
Deciduous and firs (%)	49.62	45.70	45.44	46.33	45.65

As in previous years, in 2014 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 2014, 42.8% of the trees LCR planted were soil-improving and strengthening species. In general, long-term monitoring showed the share of deciduous trees and firs in forest regeneration to be unchanged, even during the course of the restitution process. LCR has again significantly exceeded 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.



## Forest Management

In 2014, LCR planted a total of 59,031,000 seedlings, 5,344,000 of which were viable seedlings cultivated at LCR forest management units.

### Share of Natural Regeneration in Initial Regeneration

Year	2010	2011	2012	2013	2014
Total initial generation (natural and artificial) (ha)	11,981	11,996	11,364	11,786	11,255
Natural regeneration (ha)	2,798	2,797	3,201	3,601	3,540
Natural regeneration (%)	23.35	23.32	28.17	30.55	31.45

The share of natural regeneration in 2014 in overall initial regeneration was the highest in the past 5 years. As the undergrowth approach to forest management continues to increase, the share of natural regeneration from undergrowth is now nearly 1/3.

### Select Management Indicators

Year	2010	2011	2012	2013	2014
Non-stocked land as of 31 December (ha)	13,697	13,224	13,631	13,001	12,149
Clearings from logging (ha)	10,130	9,882	9,847	9,204	8,883
Artificial (first and repeated) regeneration (ha)	10,859	10,934	9,899	10,309	10,092
Natural regeneration (ha)	2,798	2,797	3,201	3,601	3,540
Total regeneration (ha)	13,657	13,731	13,100	13,910	13,632
Cleaning (ha)	21,057	22,458	20,670	20,997	20,792
Thinning (ha)	43,792	51,619	42,911	40,072	41,346
Logging (thousands of m <sup>3</sup> )	8,051	8,023	7,836	8,035	7,975
– of which: salvage (thousands of m <sup>3</sup> )	2,934	1,769	1,521	2,014	2,222
Share of salvage felling (%)	36.44	22.05	19.42	25.06	27.86
Logging (m <sup>3</sup> ) per ha of timber land	6.17	6.14	6.03	6.18	6.37

The annual plan to balance stands under and over 40 years old was maintained in 2014. There was logging on 41,300 hectares of young stands up to 40 years old, while 35,700 hectares of stands up to 40 years old were cleaned and thinned. In 2014 salvage felling accounted for 27.86% 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 32%. Total logging in 2014 did not reach the annual limits set by the forest management plans.

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

Year	2010	2011	2012	2013	2014
Non-stocked land as of 31 December (ha)	10.49	10.13	10.48	10.00	9.70
Clearings from logging (ha)	7.76	7.57	7.57	7.08	7.09
Artificial regeneration (ha)	8.31	8.37	7.56	7.93	8.06
Natural regeneration (ha)	2.14	2.14	2.46	2.77	2.83
Total regeneration (ha)	10.46	10.51	10.02	10.70	10.88
Failed restocking (ha)	1.28	1.33	1.34	1.63	1.96
Cleaning (ha)	16.12	17.20	15.90	16.15	16.60
Thinning (ha)	33.53	39.61	33.01	30.83	33.00
Logging (m³)	6,165	6,144	6,027	6,181	6,366
– of which: intermediate (m³)	1,130	1,469	1,414	1,356	1,494
principle (m³)	2,788	3,320	3,442	3,276	2,944
salvage (m³)	2,246	1,354	1,170	1,549	1,773
Principal felling (m³)/ha of non-stocked land	265	328	328	328	304

### Forest Certification

In 2014, the forests managed by LCR were recertified via the PEFC system (Programme for the Endorsement of Forest Certification Schemes). In total, LCR has certified 138 forest management facilities covering a total area of 1,306,963 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 arranged 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, especially the Helsinki Conference (1993).

### Professional Forest Management

As of 31 December 2014, LCR provided professional forest management to other owners over a total area of 284,345 ha, of which 276,353 ha were managed for 190,815 owners pursuant to Section 37 par. 6 of the Forest Act, while 11,188 ha were managed contractually for 292 owners according to Section 37, par. 3 of the Forest Act.

### 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. 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 2014, a total of CZK 53.7 mil. was collected as damage compensation.

# Forest Management

## Placing Timber and Timber Products on the Market

In accordance with Regulation (EU) No. 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, and pursuant to Act No. 226/2013 Coll. and Ministry of Agriculture Decree No. 285/2013 Coll., as a commercial subject LCR has instituted a system of proper care according to article 4 par. 2 of the cited decree. This concerns measures and procedures to ensure access to desired information pertaining to deliveries of timber and timber products placed on the market. The Institute of Forest Management ensures compliance with these regulations by selection organizational units of LCR.

Furthermore, in accordance with these regulations, on 31 March 2014 LCR furnished the relevant government forest management authorities desired information concerning the placement of timber on the market for the central records of proper care systems.

Internal risk assessment of the proper care system and the conclusions of inspections show that the risk of illegally harvested timber or timber products from the forests managed by LCR or from timber growing and harvested outside forests reaching internal EU markets is negligible. Therefore, it was not necessary to establish measures to reduce this risk.

## Forest Protection

With respect to climatic parameters, 2014 may generally be considered to be slightly warmer than normal with average rainfall. The beginning of the year was extremely atypical, with a shortage of precipitation and average temperatures in January and February which did not fall below freezing, meaning nearly a complete absence of snow cover, even in the higher elevations. Throughout March, the warm and dry weather continued, giving way at the end of the month to a strong cold front with a drop in temperature and high precipitation. This replenished moisture in at least the top layer of soil before the start of the main growing season. The rest of the year up to late October was characterized by quickly alternating short warm periods with cold episodes of rain; overall the growing season was marked by average temperatures and above average rainfall with the exception of June. There were no longer periods of high temperatures without rainfall, and with few exceptions soil moisture remained below critical levels. The most unfavourable conditions were atypically recorded in mid-June, when the warmest air temperatures of the entire year were also recorded. The autumn was again very warm and also dry from mid-October on. November and December were warmer than average with below-average precipitation. Classic winter weather with longer frosts and snow cover did not occur until the very end of the year, even in the mountains and higher elevations.

The greatest damage from non-biotic factors was caused by wind (810,800 m<sup>3</sup>), then drought (70,900 m<sup>3</sup>), frost (53,800 m<sup>3</sup>), snow (23,900 m<sup>3</sup>) and industrial emissions (10,300 m<sup>3</sup>). The share of natural random felling in total logging was only 12.8%. The regional distribution of such events was uneven, with the bulk of natural random felling occurring in the Beskydy and Jeseníky Mountains. Fires destroyed 8.8 ha of forest stands.

In 2014, a total of 466,400 m<sup>3</sup> of standing spruce trees infested with bark beetles were cleared, along with 8,200 m<sup>3</sup> secondarily infested following natural disasters, which represents an increase of approximately 112% from the previous year. Unlike 2013, most of this work was carried out in earlier months, followed by a period in which calamities affecting stands dropped to 70% of the preceding year. The increase in damage is located in the area of weakened spruce stands in north-eastern half of the country, where the situation is further complicated by the high volume of random fellings caused by acute attacks of the honey mushroom. The situation in the rest 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. Similar to last year, the share of stands infected with the northern bark beetle increased to approximately 33%, and in the hardest hit regions of Moravia-Silesia, Olomouc and South-Moravia, it may be the primary pest.

As preventative measures, 169,300 classic trap trees and 33,000 standing trap trees (a total mass of 242,100 m<sup>3</sup>) were set up, and 26,800 traps and 400 poison traps were deployed. 8,500 m<sup>3</sup> of infected trees were stripped of their bark and 15,100 m<sup>3</sup> were chemically treated. The rest were removed.

Pests found under the bark of other tree species did not cause significant damage; the greatest volume of random fellings were recorded for 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 3,600 m<sup>3</sup> of wood. Also worthy of mention was damage to larches caused by the larch bark beetle and larch longicorn bark beetle, which reached a total of 600 m<sup>3</sup>, and damage from pine bark beetles which totalled 400 m<sup>3</sup>.

In 2014, 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 2015.

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. Compared to last year, the extent of damage done by the horse-chestnut leaf miner declined (27 ha treated on the ground), in the Krušné hory region, there was a partial subsidence of the local outbreak of larch casebearer (45.0 ha). In 2014, the area of coniferous crops damaged by the pine weevil was slightly higher than recent years, with 522.8 ha of damage recorded. In the areas of Bzenecka and Hodonínska doubrava in FMU Strážnice, as expected, the damage caused by cockchafer grubs continued. New severe damage was recorded in 58.5 hectares. To resolve this local problem, it is essential to get approval for aerial treatment to combat swarming adults in 2015.

No aerial biotic pest control was carried out in 2014.

The mild winter compared to 2013 increased the damage caused by small rodents by several fold and significant damage to stands was recorded for 991.7 ha, which is far above the long-term average. Damage was relatively evenly distributed, primarily in all higher elevations of the Czech Republic, as well as the stands of substitute species in the Ore Mountains (Krušné hory) traditionally affected.



## Forest Management

The extent of damage caused by main fungal pathogens increased slightly 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 243,600 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 987.8 ha (especially in Central Bohemia and Hodonínsko) while oak mildew attacked 674.2 ha (especially in the Low Jeseníky Mountains and Southern Moravia). After a slight decline last year, 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, increased again slightly to 1,098 ha, representing a stagnation of this destructive process. 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 sharply increased to an area of 3,001.3 ha of primarily younger stands. The fast geographic spread of this dieback into previously unaffected regions was noted.

Stands remain susceptible to yellowing as a result of nutritional disorders. In 2014, significant signs of damage appeared over 24,800 ha, but no corrective measures such as lime or similar applications were taken. The only kind of stand fertilization in 2014 was the top-dressing of seedlings after planting with slow-release fertilizer tablets was used over a total area of 504.23 ha.

### Pollution

#### Air Pollution Hazard Zones as of 31 December 2014

Wooded Lands	A	B	C	D
1 247,846 ha	16,742	51,011	283,857	896,236
%	1.3	4.1	22.8	71.8

#### Air Pollution Damage Grades as of 31 December 2014

Wooded Lands	0	0/I	I	II	IIIA	IIIB	IV
1 272,876 ha	1 137,940	75,009	49,638	8,486	1,660	127	16
%	89.4	5.9	3.9	0.7	0.1	0	0

#### Quantified Air Pollution Damage in mil. CZK

Year	2009	2010	2011	2012	2013
Amount of damage	70	61	61	55	56

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	2014
Thousands of m <sup>3</sup>	17	11	7	8	11	10

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 2014/2015 hunting year, the company operated a total of 129 hunting grounds at its own expense in the areas of its organizational units as of 31 March 2015. In addition to this number, organizational units used an additional 100 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 115%.

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

Species of Game	2010/11	2011/12	2012/13	2013/14	2014/15	Index 2014/15
Red deer	1,813	1,859	1,732	3,025	2,561	0.847
Sika deer	364	301	341	955	1,052	1.102
Mouflon	991	976	906	1,333	961	0.721
Fallow deer	1,303	1,354	1,292	1,446	1,216	0.841
Roe deer	2,384	2,212	2,075	3,635	3,342	0.919
<b>Total</b>	<b>6,855</b>	<b>6,702</b>	<b>6,346</b>	<b>10,394</b>	<b>9,132</b>	<b>0.879</b>

**Actual Figures**

Species of Game	2010/11	2011/12	2012/13	2013/14	2014/15	Index 2014/15
Red deer	1,932	1,946	1,907	3,250	2,950	0.908
Sika deer	480	447	569	1,248	1,315	1.054
Mouflon	1,107	1,094	1,262	1,673	1,331	0.796
Fallow deer	1,490	1,472	1,507	1,687	1,576	0.934
Roe deer	2,503	2,325	2,283	3,750	3,368	0.898
<b>Total</b>	<b>7,512</b>	<b>7,284</b>	<b>7,528</b>	<b>11,608</b>	<b>10,540</b>	<b>0.908</b>

**Fulfilment of the Hunting Plan for Select Species of Hoofed Game**

2014/15	Red deer	Sika deer	Mouflon	Fallow deer	Roe deer	Total
Plan	2,561	1,052	961	1,216	3,342	9,132
Actual figures	2,950	1,315	1,331	1,576	3,368	10,540
%	115	125	139	130	101	115

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.

## Forest Management

### 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 decline of CZK 1.546 bil. in damage caused by game. Although there was an increase in damage from destruction of vegetation and browsing, as well as damage due to extraordinary measures, there was improvement in damage caused by bark scaling and gnawing which reduces the quality of stands. Here, compared to the previous years, damage decreased by CZK 3.479 bil.

Company-operated hunting grounds accounted for CZK 5.185 bil. of forest damage caused by game (a year-over-year increase of CZK 2.727 bil.), leased company hunting grounds accounted for CZK 8.9 bil. (a year-over-year decrease of CZK 2.982 bil.) and other hunting grounds (association-owned) accounted for CZK 5.497 bil. (a year-over-year decrease of CZK 1.291 bil.).

The year-over-year increase in damage to company-operated hunting grounds and the decrease in damage to the company's leased hunting grounds is essentially an organizational matter, since these lands are subject to Act No. 428/2012 Coll., on the settlement of property with the church and religious societies, and are treated as company-operated hunting grounds with respect to incurred damage.

Period from 1 July to 30 June	Total in millions of CZK	Destroyed	Browsing Damage	Bark Scaling and Gnawing	Extraordinary Measures
2013/14	19.582	4.996	7.953	6.094	539
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

### Grant Service

Since 2002 when the LCR Grant Service was established, by the end of 2014 49 research projects have been adopted with a total funding of CZK 58.485 mil. The research work under 44 projects has been completed, 4 projects are still underway, and one project was cancelled (in 2004) before it was completed.

In 2014, 4 new research projects were approved with a total funding of CZK 3.552 mil. and two projects were completed. The LCR Grant Service spent a total of CZK 3.946 mil. on projects in 2014 (including final and ongoing payments).

As a co-funder of research, LCR agreed to provide financial support in 2014 for one project entered into the competition titled "Comprehensive Sustainable Systems in Agriculture 2012-2015" and for two other projects in this program it decided to get involved as a project participant.

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 projects of the LCR Grant Service are published on the LCR website. In addition, project outputs are available on CD.

Overview of projects completed during 2014:

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

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, 2.836 mil. of which was disbursed in 2014.

No. 44) *Pilot survey project* “Examining Forest Protection from Cockchafer Grubs in the Bzenecka Doubrava Area (the “Moravian Sahara”)”. Researcher: Mendel University in Brno. Total funding: CZK 200,000 – paid in 2014.

Ongoing projects:

No. 44) “Strategies for Reducing Cockchafer Damage in the Strážnice FMU”. Researcher: Mendel University in Brno. Total funding: CZK 990,000 – (no payments made in 2014).

No. 45) “Select Aspects of the Bionomy of the Double-Spined Bark Beetle and its Significance for Forest Protection”. Researcher: Biology Centre of the Czech Academy of Science, v.v.i., České Budějovice. Total funding: CZK 999,000 – (no payments made in 2014).

No. 46) “Reproductive Characteristics of Female Sika Deer”. Researcher: Czech University of Agriculture in Prague. Total funding: CZK 678,000 – (no payments made in 2014).

No. 47) “Impact of Stand Age on Quality of DG Seeds in the CR”. Researcher: VÚLHM, v.v.i., Strnady. Total funding: CZK 885,000, 248,000 of which was paid in 2014.

*Amounts are listed without VAT.*

### **Support through European Union Funds – Use of Support**

LCR has used EU support from structural and other funds primarily for projects with high society-wide impact. EU funds from the new 2014–2020 programme period have not yet been drawn, therefore, all funding paid out in 2014 originates from the 2007–2013 programme period.

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 individual 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”).



# Forest Management

## 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" (it was possible to apply for funding up to the end of 2013).

In 2014, RDP paid out a total of CZK 24.829 mil. (21.973 mil. for Sub-measure II.2.4.1; CZK 2.523 mil. for Sub-measure II.2.4.2 and CZK 333,000 for Sub-measure II.2.1).

## Single Area Payment System

In 2014, an additional payment of CZK 5.870 mil. was 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 the summary request for 2013. No payment for a summary request for 2014 was made in this year.

## 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). The company was eligible to participate in Priority Axis 6 "Improving the State of Nature and the Landscape", Priority Axis 1 "Improving Water Infrastructure and Reducing Flood Risk" and Priority Axis 4 "Improving Waste Management and Eliminating Old Ecological Hazards".

There are eight areas in which LCR may draw EOP support:

6.2 "Biodiversity Support", 6.3 "Landscape Renewal", 6.4 "Optimization of Landscape Water Regime", 6.5 "Regeneration of Urbanized Landscapes", 6.6 "Prevention of Landslides and Rock Avalanches, Monitoring of Geo-factors and the Consequences of Mining Activities and Assessment of Non-renewable Natural Resources including Groundwater Resources" 1.3.2 "Elimination of Flooding with a System of Near-natural Flood Control Measures", 4.1 "Improvement of Waste Management" (removal of illegal landfills in specially protected areas, sites of European importance and bird sanctuaries) and 4.2 "Removal of Old Environmental Contamination" (carrying out survey work, risk analysis for specific locations and problematic areas containing more than one contaminated site).

Grants paid out in 2014 for axis 6 amounted to 199.335 mil. CZK (CZK 11.151 mil. for area 6.2, CZK 59.730 mil. for 6.3, CZK 27.728 mil. for 6.4, and CZK 726,000 for area 6.5).

## Cross-Border Cooperation Operational Programmes

LCR was involved in the following Cross-border Operational Programmes for 2007-2013, namely: the CCOP Czech Republic and Republic of Poland – support area 2.2 "Support for the Development of Tourism", CCOP Free State of Saxony and Czech Republic – Objective 3, Priority Axis 3 – "Improvement in the Environment", Priority Axis 2 "Measures in the Area of Flood Control, Water Management and Water Structures, Protection of Watercourses", CCOP Czech Republic and Austria – Priority Axis 1 – "Socioeconomic Development, Tourism and Transfer of Know-how" and CCOP Czech Republic and Slovakia – Priority Axis 1 "Support of Socio-cultural and Economic Development of the Cross-border Region and Cooperation". These European Union subsidy programmes are financed from the European Regional Development Fund (ERDF).

In 2014, ongoing payments totalling 203,472 EUR were made for CCOP Free State of Saxony and Czech Republic – Objective 3, CCOP Czech Republic and Slovakia, and CCOP Czech Republic and Austria.

#### **International Visegrad Fund**

Without direct subsidies, in 2014 LCR also cooperated with the Slovak Republic, Hungary and Poland in a project promoting “Education” (targeted at forestry educators) which was carried out under the auspices of the Visegrad Fund.

#### **Forest Management**

In 2014, the drafting of forest management plans (FMPs) was completed effective as of 1 January 2014. This encompassed a total of 20 forest management facilities (FMFs) at 11 organization units of LCR. As of 31 December 2014, the authority responsible for state forest management approved 19 FMPs. The only FMP not approved was for FMF Višňová.

The total area of land designated as forestland was 133,111 ha. All 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 the 19 approved FMPs was entered into the ÚHUL information database.

The company spent a total of CZK 33,012,902 without VAT on this year’s FMPs, which works out to CZK 248 per ha. As in 2013, in 2014 LCR was not eligible to request a subsidy for the preparation of FMPs. LCR covered the cost of drafting the FMPs from its own resources.

Yet to be approved is the FMP effective as of 1 January 2012 for FMF Research. LCR has objected to the failure to approve this FMP and is continuing with these proceedings.

On the other hand, the FMP effective as of 1 January 2012 for FMF Rájec and FMF Tišnov was finally approved in 2014, following a lengthy resolution of objections by LCR to the failure by government authority to approve the plan.

In 2014, outdoor work under FMPs was completed effective as of 1 January 2015. This concerned 12 FMPs at 8 LCR organizational units. The total area was 120,621 ha. The renewal of this year’s FMPs involved the return of property to entitled subjects according to Act No. 428/2012 Coll. While preparing the FMPs, at various stages a total of 14,000 ha were removed from LCR.

Since 1 January 1998, the task of renewing the FMPs at LCR has been placed in the hands of external businesses. In 2014, in accordance with the Public Procurement Act, LCR once again announced a public tender for the preparation of FMPs, effective as of 1 January 2016. As in previous years, the full scope of annual FMPs was included in a single public contract which was divided into 9 separate parts, each representing an organizational unit affected by FMP renewal. The tender thus encompassed 12 FMPs in 9 organizational units covering a preliminary area of 121,201 ha.

## Forest Management

A total of thirteen entities expressed interest in preparing FMPs effective as of 1 January 2016, 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 443 CZK/ha without VAT. The average price per ha from the previous year's FMPs effective as of 1 January 2015 was 234 CZK/ha. The price change index for FMPs effective as of 1 January 2016 was 189 compared to the previous year.

Total renewal of FMPs in various stages of completion took place in 2014 for 375,056 ha in 45 FMFs at 29 organizational units.

A detailed list of FMPs renewed in 2014 is shown by individual FMF in the table and in the illustrative map – see pg. 42.

### Overview of FMPs in Progress in 2014

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

Organizational Unit	Name of FMP	FMP Effective as of	Area of Designated Forestland (ha)
Strážnice	Research	1/1/2012	123
<b>FMPs as of 1 January 2012</b>			<b>123</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
Konopiště	Višňová	1/1/2014	2,868
Karlovice	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	7,624
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	10,979
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>133,111</b>

Boubín	Prachatice	1/1/2015	4,110
Boubín	Vimperk	1/1/2015	19,132
Ostravice	Ostravice	1/1/2015	6,411
Hanušovice	Hanušovice	1/1/2015	10,021
Hanušovice	Králíky	1/1/2015	9,275
Buchlovice	Buchlovice	1/1/2015	13,124
Telč	Telč	1/1/2015	9,288
Telč	Jemnice	1/1/2015	6,671
Křivoklát	Křivoklát	1/1/2015	13,768
Domažlice	Domažlice	1/1/2015	13,939
Děčín	Děčín	1/1/2015	5,651
Děčín	Sněžník	1/1/2015	9,231
<b>FMPs as of 1 January 2015</b>			<b>120,621</b>
Velké Karlovice	Velké Karlovice	1/1/2016	8,780
Loučná nad Desnou	Loučná nad Desnou	1/1/2016	14,980
Bučovice	Bučovice	1/1/2016	12,450
Bučovice	Račice	1/1/2016	10,269
Znojmo	Znojmo	1/1/2016	16,471
Rychnov nad Kněžnou	Opočno	1/1/2016	2,832
Nymburk	Nymburk	1/1/2016	10,722
Jindřichův Hradec	Jemčina	1/1/2016	7,175
Jindřichův Hradec	Dubovice	1/1/2016	7,152
Český Krumlov	Český Krumlov	1/1/2016	12,353
Rumburk	Rumburk	1/1/2016	9,322
Rumburk	Rybniště	1/1/2016	8,695
<b>FMPs as of 1 January 2016</b>			<b>121,201</b>
<b>Total</b>			<b>375,056</b>

In 2014, LCR registered 150 FMFs with valid FMPs. Compared to 2013, this represents an increase of FMFs with valid FMPs by 1.

During the renewal of FMP effective as of 1 January 2016, two original FMFs (J. Hradec, Rumburk) were reorganized into four new FMFs (Jemčina, Dubovice, Rumburk, Rybniště) due to varying natural conditions.

Of the 150 FMFs, 4 were listed as co-ownership with a certain share held by the state, 9 FMFs or their parts 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.

Based on its contract with LCR, in 2014 the Forest Management Institute (ÚHÚL) conducted external quality controls at six organizational units drafting FMPs effective as of 1 January 2015. The inspections did not find any serious systematic errors. External inspections will continue in 2015.



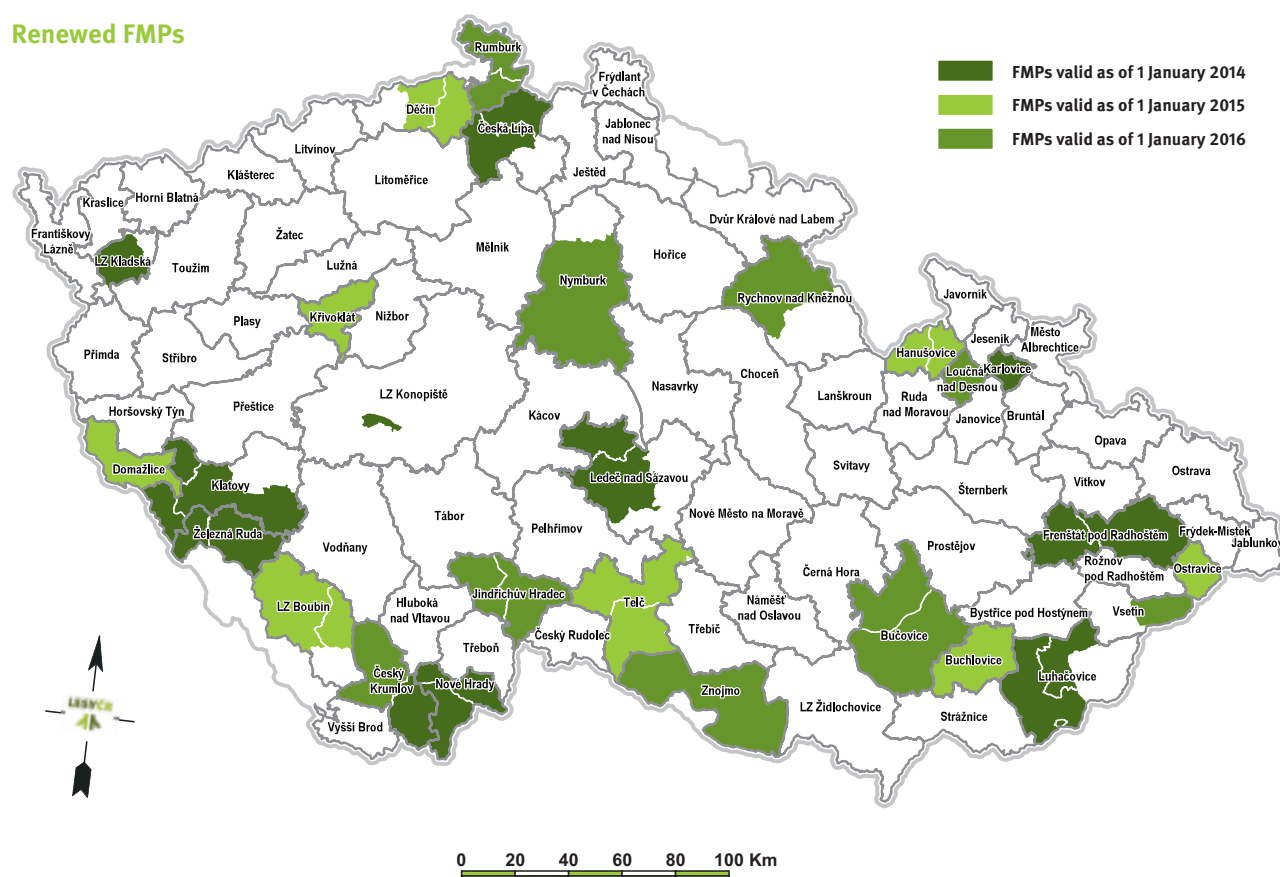
## Forest Management

As in previous years, the Forest Management Department has provided the company updated digital borders of organizational units. The result of this work is a clear map of organizational structure – see p. 14.

The Graphics Data Warehouse (GrDW) was used to create a map depicting the current status of property managed by LCR as of 31 December 2014 – see p. 12.

Based on a framework agreement, in 2014 LCR completed the purchase of 409 Digitech Professional callipers to measure standing inventory. The callipers are equipped with LCRTax software developed for this purpose. Following a training session the callipers were distributed to organizational units.

### 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 to the Production and Technical Director 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 2014, ten-year inspections were carried out in a total of 725 districts at 114 FMFs or their parts, i.e. 80% of the current total number of FMFs managed by LCR. Overall this involved 21,446 JPRLs. From 2013-2014, five-year field inspections were carried out in a total of 195 districts at 25 FMFs or their parts in 4,188 stand groups.

Detailed evaluation results are posted on the company's website.

#### Overview of Average Forestry Inspection Results by RHO 2007 – 2014

RHO No.	RHO Name	Average	Office	Outdoor	Number of Districts	Number of FMFs
913	Šumperk	1.58	1.56	1.60	61	7
915	Zlín	1.63	1.61	1.65	35	6
918	Jihlava	1.64	1.66	1.61	49	10
911	Frýdek-Místek	1.64	1.54	1.74	92	10
928	České Budějovice	1.79	1.80	1.77	73	12
919	Choceň	1.86	1.98	1.72	36	6
930	Pilsen	1.88	1.84	1.90	79	12
916	Brno	1.90	1.97	1.82	41	4
921	Brandýs nad L.	1.91	1.90	1.92	45	10
LZ		1.91	1.98	1.94	36	12
936	Liberec	1.92	1.96	1.88	44	7
937	Hradec Králové	1.94	2.06	1.80	36	4
932	Karlovy Vary	1.95	1.92	1.99	50	7
933	Teplice	2.28	2.53	1.96	48	7
		<b>1.83</b>	<b>1.86</b>	<b>1.80</b>	<b>725</b>	<b>114</b>

## Working in the Public Interest

The Lesy České republiky state enterprise (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 several planning documents which are gradually being carried out.

The Sustainable Forest Management programme (1997, 2000) primarily ensures the existence of forests and improves their condition.

The plan for the preservation and reproduction of forest tree genetic resources at LCR for the 2010-2019 period serves to protect the genetic resources of forest tree species.

Agenda 2020 - guaranteeing Public Interest at LCR

This programme addresses the non-productive function of forests and defines gradual steps to maintain and support these. The updated document is posted on the website. At the same time, the general public is encouraged to make specific suggestions to attain these goals.

### Agenda 2020

#### Costs for Carrying Out Agenda 2020 for 2010 – 2014

Year	2010	2011	2012	2013	2014
Total costs (thousands of CZK)	33,493	55,601	54,428	69,630	70,319

#### Costs for Carrying Out Agenda 2020 in 2014 by Individual Type of Activity

Type of Activity	Thousands of CZK	%
Forest arboretums and protected trees	589	0.8
Well building	969	1.4
Maintenance of protected buildings and structures	730	1.0
Recreational and sightseeing facilities for the public	27,787	39.5
Information systems for the public	2,580	3.7
Construction and repair of roads, trails and parking for the public	14,241	20.3
Aesthetic treatment of forests, parks and countryside	4,347	6.2
Management of water resources	7,359	10.5
Biodiversity management of forests and countryside	1,936	2.8
Management of minor structures for the public	3,303	4.7
Suppression of invasive plant species	1,921	2.7
Special programmes for the public	877	1.2
Other events for the public	3,680	5.2
<b>Agenda 2020 total</b>	<b>70,319</b>	<b>100</b>

In 2014 the company spent most funds on the construction and maintenance of recreational and sightseeing facilities for the public (CZK 27,787,000) and building and repairing roads, hiking trails and parking lots (CZK 14,241,000). Other considerable investment was made in managing water resources and wells (CZK 8,328,000).

Other major company activities carried out as part of the Agenda included aesthetic treatment of forests, parks and the countryside (CZK 4,347,000), biodiversity management of forests and countryside (CZK 3,857,000), care for minor structures for the public (CZK 3,303,000) and building information systems for the public (CZK 2,580,000).

In 2014, the company spent a record amount of CZK 70,319,000 on all types of activities carried out for the public under Agenda 2020.

### **Cooperation with NGOs**

#### **Czech Tourist Club**

LCR continued to enhance the recreational function of forests by working with the Czech Tourist Club to mark hiking trails.

#### **Czech Union for Nature Conservation**

Our long-term cooperation with the Czech Union for Nature Conservation (ČSOP) results in dozens of specific projects for the protection of biodiversity in forests carried out 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.

#### **Dolní Morava Biosphere Reserve**

In 2014, LCR also continued to support the activities of the Dolní Morava Biosphere Reserve, a public interest company which it founded.

#### **Křivoklátsko Forest Park**

The long-term cooperation between LCR and the Křivoklátsko Forest Park successfully continued in 2014.

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

#### **Non-Interference Zones and Monitoring Thereof**

In 2014, 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-interferences zones as of 31 December 2014 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.



## Working in the Public Interest

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.

### Damages Caused by Select Specially Protected Animal Species

In 2014, 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 3,723,418, and damages caused by the European salmon at CZK 147,029. However, the act and its implementation decree far from cover all types of damage.

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

In 2014, 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 1,463,892, in cooperation with the relevant LCR organizational units.

For measures in sites outside these zones, in 2014 the company received direct subsidies under the Landscape Management Programme totalling 118,760. For measures in sites outside these zones, in 2014 LCR received direct subsidies under the Ministry of the Environment's "Programme to Restore Natural Landscape Functions" totalling 9,696.

# How well do you know your forest?

How many km of watercourses are managed by Lesy ČR:

- a) 27,000 km
- b) 30,000 km
- c) 38,000 km
- d) 42,000 km

**c) 38,000 km**

**LCR currently manages over 38,000 km of designated watercourses and over 820 small reservoirs throughout the country.**









## Working in the Public Interest

### 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.

From 2010–2014 LCR actively participated in implementing Saxony-Czech project Objective 3 Revitalization of the Peat Bog between Mt. St. Sebastian and Satzung (<https://moorevital.sachsen.de/>). This project was nominated in 2015 for the final round of the prestigious European Natura 2000 Award, given for successful protection of European natural heritage in the Natura 2000 territory system.



## Capital Construction

### Investment Activities in 2014

The total volume of capital funds invested by LCR in 2014 came to CZK 1,081,972,000, which amounts to 64% of the planned volume of CZK 1.696 billion. Company funding amounted to CZK 958,817,000 (i.e. 88.6%), while public funding accounted for CZK 52,117,000 (i.e. 4.8%). Agenda 2020 projects received CZK 44,429,000 (4.1%) while other sources accounted for CZK 26,609,000 (i.e. 2.5%) of total funds invested.

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

Source of Financing	CZK mil.	%
Own sources	958.817	88.6
Subsidies, public budget	52.117	4.8
Own resources – Agenda 2020	44.429	4.1
Other resources	26.609	2.5
<b>Total</b>	<b>1,081.972</b>	<b>100</b>

#### Investments in Intangible and Tangible Assets

Overview by Asset Type	CZK mil.	%
Intangible assets	52.749	4.9
– FMP	35.456	3.3
– SW	14.906	1.4
– other intangibles	0	0
– area studies	2.387	0.2
Tangible assets	1,029.223	95.1
– construction work	864.531	79.9
– machinery and equipment	106.530	9.9
– land	57.773	5.3
– other	0.389	0
<b>Total</b>	<b>1,081.972</b>	<b>100</b>

Investments in intangible assets totalled CZK 52.749 mil. (i.e. 4.9% of total investments), most of which was invested in renewing forest management plans (CZK 35.456 mil.).

A total of CZK 1,029.223 mil. was invested in tangible assets (i.e. 95.1% of total investment volume). Of this, CZK 864.531 mil. was invested in construction work, CZK 106.919 mil. in machinery and equipment, while investment in land purchases and other matters related to capital construction or forestland consolidation amounted to CZK 57.773 mil.

# Capital Construction

## Capital Construction by Statistical Classification

Capital Construction Classification	CZK mil.	%
Torrent control project documentation	6.602	0.8
Other project documentation	3.113	0.4
Forest road project documentation	25.973	3.0
Forest nursery project documentation	0.315	0
Handling warehouse project documentation	0.096	0
Warehouse and workshop project documentation	0.325	0
Reservoir project documentation	2.427	0.3
Housing project documentation	0.452	0.1
AB project documentation	3.613	0.4
Flood damage project documentation – torrent control	1.921	0.2
Flood damage project documentation – other	0	0
Flood damage project documentation – forest roads	0.121	0
Flood damage project documentation – housing	0	0
Flood damage project documentation – AB	0.016	0
Project documentation – EU projects	0	0
Forest roads	548.332	63.3
Forest nurseries	0	0
Handling warehouses	5.986	0.7
Warehouses and workshops	4.986	0.6
Technical forest reclamation + torrent control ... torrent control	74.975	8.7
Technical forest reclamation + torrent control ... reclamation	0	0
Technical forest reclamation + torrent control ... gullies and sanitation	0.305	0
Reservoirs	12.483	1.5
Housing, districts	7.955	0.9
Administrative buildings	36.251	4.2
Other structures, including borrowed pits	25.939	3.0
Agenda 2020	44.429	5.1
Flood damage – torrent control	12.393	1.5
Flood damage – other structures	0.014	0
Flood damage – forest roads	0.600	0.1
Flood damage – housing	0	0
Flood damage – Administrative buildings	0	0
EU projects – implementation	44.909	5.2
<b>Total capital construction</b>	<b>864.531</b>	<b>100</b>

### Capital Construction by Type for Forest Management

Construction Work	CZK mil.	%
Forest roads, including documentation	575.027	66.5
Housing construction	8.407	1.0
Service buildings and structures	51.589	6.0
Water management	111.104	12.8
EU projects	44.909	5.2
Agenda 2020	44.429	5.1
Other structures	29.066	3.4
<b>Total</b>	<b>864.531</b>	<b>100</b>

CZK 864.531 mil. was invested in surface structures and utilities, most of which (CZK 575.027 mil., i.e. 66.5%) was invested in the construction and upgrading of forest roads. The second largest amount CZK 111.104 mil. (or 12.8%), was invested in hydraulic works to enhance flood protection and to prevent and eliminate flood damage. Nearly 80% 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	11.066	10.3
Trucks	8.304	7.8
Other vehicles (off-road)	0	0
Other vehicles (not off-road)	0	0
Special forestry machinery	16.006	15.0
Tractors, including forestry trucks	18.681	17.5
Trailers and semi-trailers	3.307	3.1
Farming and nursery machinery	9.179	8.6
Loaders	4.419	4.1
Computer technology, including printers	10.966	10.3
Copiers	0	0
Telecommunications equipment	0.033	0
Electronic security of structures	0.827	0.8
Metalworking machinery	0.641	0.6
Woodworking machinery	3.047	2.8
Cross-cutting and sorting lines, dispatch lines	0	0
Televisions and cameras	0.186	0.2
Freezer technology	3.112	2.9
Other machinery not listed elsewhere	16.756	15.7
<b>Total machinery</b>	<b>106.530</b>	<b>99.7</b>
<b>Other equipment and tangible fixed assets</b>	<b>0.389</b>	<b>0.3</b>
<b>Total machinery and equipment</b>	<b>106.919</b>	<b>100</b>

A total of CZK 106.919 mil. was spent on machinery and other equipment in 2014. The largest outlay of CZK 34.687 mil. (i.e. 32.5%) was invested to purchase special forest machinery and tractors.



## Capital Construction

### Agenda 2020 – Investment Projects

Types of Activity	CZK mil.	%
Forest arboretums	0.581	1.3
Protected, ornamental and other trees	0.008	0.0
Alterations to streams, reservoirs	4.178	9.4
Wells	0.969	2.2
Support for endangered species	0.117	0.3
Historical buildings and structures	0.731	1.7
Landscaping	0.178	0.4
Recreational and sightseeing facilities	23.158	52.1
Building of public campgrounds	0	0.0
Removal of invasive plants	0	0.0
Building of public information systems	1.568	3.5
Roads, trails, parking lots	9.466	21.3
Other not listed elsewhere	3.475	7.8
<b>Total</b>	<b>44.429</b>	<b>100</b>

In 2014, CZK 70.319 mil. was spent on public-interest forest projects under Agenda 2020, CZK 44.429 mil. of which was channelled into investment projects.

Capital construction in 2014 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. Considerable funds were also invested in the repair of wells, watercourses and reservoirs.

### Overview of Investment into Assets Managed by LCR by Region (in millions of CZK)

Region	Total	Machinery and Equipment	Buildings	Forest Roads
Moravia-Silesia	125.010	3.822	112.902	56.801
Olomouc	57.899	1.289	49.758	33.135
Zlín	87.718	0.874	77.846	41.799
South Moravia	83.667	17.260	62.911	31.484
Vysočina	41.278	1.332	33.884	25.954
Pardubice	50.275	1.157	45.972	35.554
Central Bohemia	90.903	12.823	73.055	50.188
South Bohemia	158.602	29.862	115.958	86.821
Pilsen	69.567	1.835	61.288	53.679
Karlovy Vary	67.569	25.256	41.465	36.616
Ústí nad Labem	81.260	1.266	70.840	47.724
Liberec	61.339	0.908	55.343	43.225
Hradec Králové	106.885	9.235	63.309	32.047
<b>Total</b>	<b>1,081.972</b>	<b>106.919</b>	<b>864.531</b>	<b>575.027</b>

## Water Management

LCR manages designated small streams and creeks as a non-productive forest function. As of 31 December 2014, it was managing more than 38,000 km of watercourses and over 828 small reservoirs.

Care for watercourses by LCR involves the management of watercourse-related assets valued at CZK 5.53 bil. (especially watercourse modification, torrent and gully control structures, flood control, and reservoirs). Watercourses are managed 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 2014, water management activities at LCR focused primarily on:

- eliminating flood damage from 2013 and 2014;
- carrying out investment projects aimed at flood protection, erosion control measures and public interest activities pursuant to Section 35 of the Forest Act;
- assets repairs and maintenance;
- preparation of documentation to implement projects within the Ministry of Agriculture's Stage III Flood Prevention programme;
- activities focused on care for riparian vegetation, restoration of watercourses unsuitably altered in the past, attention to the non-productive function of forests, support for endangered species, elimination of invasive non-native vegetation, 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, included funding from the national budget for the Ministry of Agriculture programme "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. The regions also made partial contributions to work on minor watercourses.

Through its organizational units, LCR spent nearly CZK 503.7 mil. on watercourse and waterworks management in 2014, with CZK 161.2 mil. going to investment. Of this capital expenditure, CZK 112.5 mil. came from the company's own funds. CZK 342.5 mil. went to the management, repair and maintenance of basic torrent control, CZK 332.4 mil. of which came from the company's own funds. CZK 47 mil. was spent on removing flood damage, with CZK 33.9 mil. coming from the company's own funds. These amounts include all costs associated with watercourse management. Revenue obtained from purchases of surface water totalled CZK 11.5 mil. and was used to cover watercourse management.

# Water Management

The water management financing structure in 2014 is given in the following table:

**Comprehensive Water Management Costs in 2014 in Millions of CZK**

LCR	Total	Own Sources	Subsidies	Flood damage	
		Total	Total	Own Sources	Subsidies
Investment	161.2	112.5	48.7	8.4	12.6
Non-investment	342.5	332.4	10.1	25.5	0.5
<b>Total</b>	<b>503.7</b>	<b>444.9</b>	<b>58.8</b>	<b>33.9</b>	<b>13.1</b>

## Geographical Scope of LCR's Watercourse Management



In 2014, 119 investment projects were carried out (included in investment), including 12 reservoirs, 18 large transverse structures, 42 longitudinal modifications of watercourses, 8 studies and 39 minor structures as part of the 2020 Agenda (pools, information boards, rest shelters, etc.).

Compared to previous years, in 2014 there was a reduction in investment expenditures, due to the completion of the Ministry of Agriculture “Stage II Flood Prevention” subsidy program and also to a change in legal regulations where property rights complicate the construction of linear structures.

### Measures Taken in Individual Catchment Basins:

**At watercourse management in the Odra Basin,** the main activity in 2014 was the elimination of flood damage from May 2014. These floods affected the Beskydy and Jeseníky regions and required immediate safety work on the Olešnice in Mikulovice, Ondřejovicý Stream in Ondřejovice, the Raduňka in Raduň, the Sedlinka in Nový Sedlice and other watercourses.

Subsequently, work was begun to eliminate flood damage. The most extensive work in the Beskydy area was carried out on the Jičínka in Nový Jičín, Životice, Mořkova and Veřovice, the Hluchová in Bystřice nad Olší, Bystrý Stream in the towns of Bašek, Stolovec v Čeladné and others. In the Jeseníky region flood damage was removed on the Javorná in Zlatý Hory and Lesní Stream in Mikulovice u Jeseníka. Work on certain more severe areas of damage was begun last year and continued into 2015. Such areas include the Olešnice in Mikulovice u Jeseníka, the Raduňka around Opava, or in the Beskydy region the Čeladenka in the town of Čeladná, the Satina in Malenovice and the Zrzávka in Bludovice u Nového Jičína.

Aside from this flood remediation, construction was completed on structures intended to stabilize riverbeds and provide flood protection to surrounding buildings, i.e. on the Prudník in the town of Zlaté Hory, the Valštejnka in Valštejn and Hynčice u Krnova, Rychtářský Stream in Stará Ves u Rýmařova. Walls were rebuilt on the Opavice in Heřmanovice while the riverbed of Račí Stream was fortified and stabilized around Javorník and Uhelná.

Public-interest construction pursuant to Section 35 of the Forest Act was carried out to stabilize transverse structures on Vysutý Stream in Morávká, Lánský Stream in Uhelná and the dam on Keprnický Stream in Bělá p. Pradědem. EU subsidies were used to complete the riverbed alteration of the Satina in Malenovice and restoration on Jelení Stream in the Bruntál area.

**At watercourse management in the Dyje (Thaya) Basin,** flood remediation included completion of the Besénky project in Brumova. LCR assets were also repaired and maintained on the Mouřínovský Stream by Brno, Barácký Stream around Třebíč and Zdravá Voda around Kyjov.

In these watercourse management areas, construction on public interest projects pursuant to Section 35 of the Forest Act was carried out, with the largest project being the construction of a retention dam on a tributary of the Zavadilka by Letovice.



## Water Management

In the Znojmo district, construction was completed of the Hostim I retention tank while in the town of Slatinka u Letovic the riverbed of Chlumský Stream was stabilized, both using EU subsidies. Funds from the EU Regional Development Programme were used to repair Slavonický Stream in the city of Slavonice.

LCR used its own resources to complete the repair of the Kralice reservoir between the towns of Újezd u Rosic and Hluboké, rebuild the Bojanovice – Hubert reservoir near Bojanovice na Znojemsku and introduce flood protection on Rohozenský Stream in Rohozná.

**At watercourse management in the Labe (Elbe) Basin**, measures were completed to remove flood damage from 2013 on the Jičínska in Studénka and in Dolní Javoř on the left bank of a tributary of the Javorka.

Local flash floods in 2014 most greatly affected Semilsko, Rychnovsko, Ústeckoorlicko and Hlinecko. Most damage was removed during remediation work right after the floods.

In the watercourse management area funds from the EU Regional Development Programme were used to restore watercourses poorly maintained in the past – the Hadinec in Bartošovice, the Barovka in Libice, the Ošerov in Sedloňova and Černý Stream around Liberec.

Public-interest construction pursuant to Section 35 of the Forest Act was carried out to stabilize the riverbed of the right bank of a tributary of Křížový Stream in Bílý Kostel nad Nisou.

LCR used its own resources to complete repairs on the Doubravický in Leština, the Novoveský in Nová Ves, the Olšanský in Třebešice, the Kunratický in Kunratice, the Kocbeřský in Choustníkovo Hradiště and the Veselka in Rovensko pod Troskami.

This year, measures were again carried out to reintroduce stream minnows and brown trout in PLA Jizerské hory, reintroduce steram crayfish and maintain fish refuges in PLA Broumovsko.

The most significant activity of **watercourse management in the Vltava Basin** in 2014 was the renovation of Maňavský Stream and its left bank tributary using EU Regional Development Programme funds.

Other major public-interest construction pursuant to Section 35 of the Forest Act included the reconstruction of the Kočičí retention tank by Tachov.

Elimination of flood damage from 2012 included completion of work on the Dobrovodský and Krásetínský Stream in South Bohemia. Removal of flood damage from 2013 was partially funded by the Ministry of Agriculture for four projects, with requests for additional funding submitted. Flood damage in the Vltava and Sázava basins was handled immediately during emergency work.

Another project co-financed from the EU Programme for Cross-Border Cooperation is the Schwarzenberg Shipping Canal.

In 2014, **watercourse management in the Ohře Basin** completed preparatory documentation to remove flood damage from 2013 to two tributaries of Struhařský Stream near Lubenec in the Louny district.

Public-interest construction pursuant to Section 35 of the Forest Act was begun – retention tank on the Lužnice above the town of Kalek near Chomutov and barrier fortification for Falcka Ravine by Nečemice near Žatec.

Funds from the EU Regional Development Programme were used to carry out Stage 1 restoration of Bynovecký Stream in Nová Oleška near Děčín. The company's own resources were used to complete dam construction on Studený Stream to protect the town of Studený u Kandratic na Děčínsku and to excavate retention space and repair the dam on Homolský Stream above the town of Velké Březno na Ústecku along with other maintenance and repairs for minor watercourses.

**At watercourse management for the Morava Basin** in 2014 flood damage occurred on Bratřejovský Stream near Vsetín. Minor safety work following floods was carried out in the basins of the Moravská Sázava, Beskids and White Carpathians.

Public-interest construction pursuant to Section 35 of the Forest Act included completion of the reconstruction of stone dams on Klepáčský and Jelení Streams in the Jeseníky and repairs to transverse and longitudinal fortification of Bukový Stream in the White Carpathians.

EU funds were used to complete projects to repair and expand containment of the Medůvka and Hornopasecký Streams around Vsetín, the Dražůvka near Šumperk and restoration of Borušovský Stream near Svitavy.

A number of projects were also carried out to remove silt from riverbeds, or maintain and repair water structures on Stříbrný Stream in Boršov near Moravská Třebová, the Syrovínka near Zlín, the Ratibořka and Rokytenka around Vsetín and repair of the Blatnička reservoir by Veselí nad Moravou.

Particularly in the Uherské Hradiště region as well as elsewhere, watercourse management had to repair damage caused by the European beaver to riparian vegetation and channel structures.

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

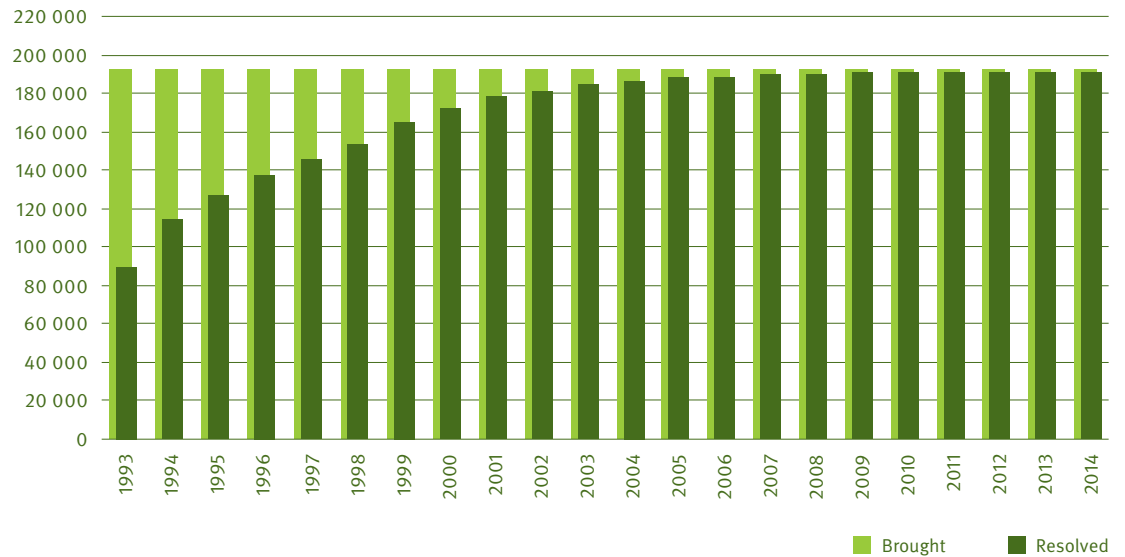
## Restoration of Ownership and User Relations, Contractual Transfers

### Progress in the Restoration of Ownership and User Relations as of 31 December 2014

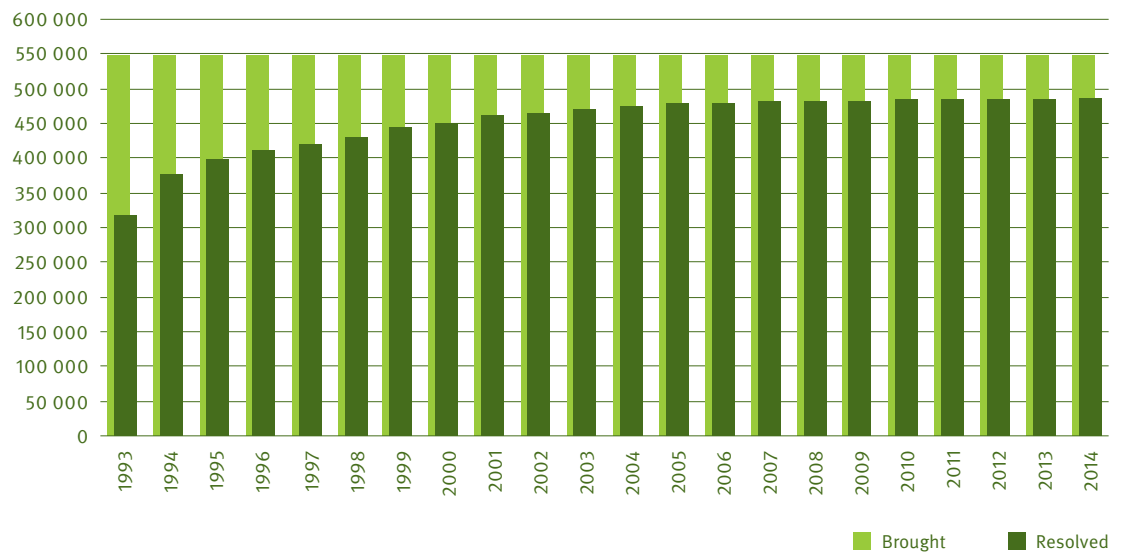
Year	Requests		Land Transferred (ha)
	Handled		
1993	89,230		318,395
1994	114,556		375,894
1995	126,886		397,673
1996	137,264		411,207
1997	145,073		421,082
1998	153,291		430,659
1999	165,217		444,259
2000	172,337		450,099
2001	178,378		461,344
2002	181,303		464,946
2003	184,484		469,960
2004	185,886		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
<b>2014</b>	<b>190,782</b>		<b>485,825</b>

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 both 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 2014 (number of cases)**



**Progress in the Restoration of Ownership and User Relations as of 31 December 2014 (area in ha)**





## Restoration of Ownership and User Relations, Contractual Transfers

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

In all cases, the handover of forest assets to municipalities in 2014 involved the resolution of lawsuits filed by municipalities to determine property rights which were filed before 31 March 2013 (statutory deadline for entering municipal property in land registries or filing lawsuits to determine ownership).

Year	2001	2002	2003	2004	2005	2006	2007
Cases	5,607	5,850	6,018	6,125	6,253	6,395	6,564
ha	379,843	390,981	397,400	399,471	402,151	404,361	406,760

Year	2008	2009	2010	2011	2012	2013	2014
Cases	6,717	6,814	6,923	6,998	7,108	7,331	7,385
ha	407,712	409,439	410,640	411,646	415,121	418,086	419,069

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

On 1 January 2013 Act No. 428/2012 Coll. on the Settlement of Property with the Church and Religious Societies took effect. Lesy České republiky, s.p. is one of the subjects required by law to return property to registered church and religious societies.

The law requires that agreements for the return of property be concluded within 6 months of receiving such request from entitled subjects. During the process of returning property originally belonging to registered church and religious societies, the law also makes a number of temporally challenging demands on both parties.

As of 31 December 2014, LCR had received a total of 2,195 requests for the transfer of property, in which entitled subjects claimed the transfer of 47,820 land parcels and 1,392 buildings (duplicate claims were made on approx. 30% of land parcels and 60% of buildings).

As of 31 December 2014, 1,286 agreements had been concluded with entitled subjects for the transfer of claimed property totalling 13,339 land parcels measuring 56,878 ha and 163 buildings.

As of 31 December 2014, LCR had received 41 rulings from the State Land Office pursuant to Section 9 par. 6 of Act No. 428/2012 Coll. stating that the entitled subjects are the rightful owners of 197 land parcels measuring a total of 8,459 ha and 4 buildings.

As of 31 December 2014, LCR had received 1 court ruling pursuant to Sections 9 and 10 of Act No. 428/2012 Coll. stating that the entitled subject is the rightful owner of 3 land parcels measuring a total of 0.38 ha.

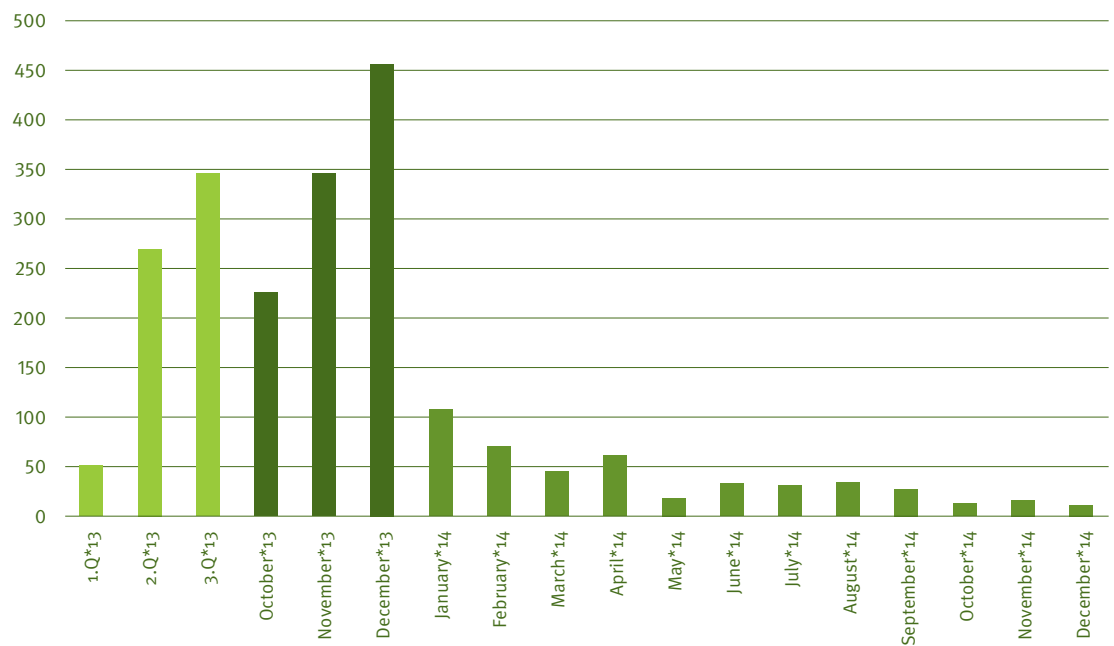
Also as of 31 December 2014, after verifying that conditions had been met pursuant to Act No. 428/2012 Coll., LCR transferred 377 land parcels measuring a total of 1,049 ha and 3 buildings to entitled subjects pursuant to Section 18 par. 2 of the Act.

## Graph of Number of Requests Filed in Individual Months in 2013-2014

### Status as of 31 December 2014

Period	1Q*13	2Q*13	3Q*13	October*13	November*13	December*13	January*14	February*14	March*14
Number of requests filed	51	275	353	230	352	465	109	71	45
Period	April*14	May*14	June*14	July*14	August*14	September*14	October*14	November*14	December*14
Number of requests filed	61	18	34	31	34	27	12	16	11
<b>Total</b>									<b>2 195</b>

### Number of Requests Filed



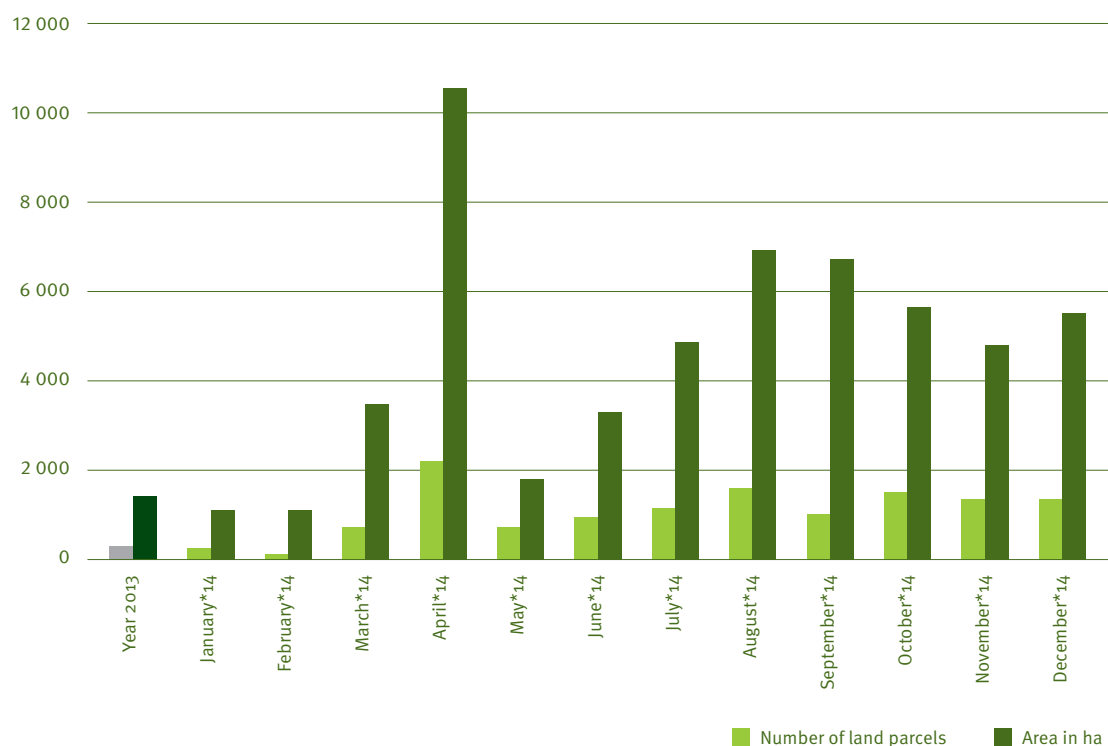
## Restoration of Ownership and User Relations, Contractual Transfers

### Graph of Number of Land Parcels Listed in Agreements pursuant to Sections 9 and 10 of Act No. 428/2012 Coll.

Status as of 31 December 2014

Period	Year 2013	January*14	February*14	March*14	April*14	May*14	June*14
Number of agreements	32	32	14	38	58	88	138
Number of land parcels	293	303	128	733	2,185	721	954
Area in ha	1,422	1,104	1,096	3,451	10,492	1,782	3,275

Period	July*14	August*14	September*14	October*14	November*14	December*14	Total
Number of agreements	101	149	144	156	176	160	<b>1,286</b>
Number of land parcels	1,175	1,579	1,046	1,518	1,355	1,349	<b>13,339</b>
Area in ha	4,833	6,899	6,674	5,605	4,768	5,477	<b>56,878</b>



## Property Transfers Carried Out in 2014

### Land Parcels (Purchase, Sale, Exchange)

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

	Total	Forest Lands
Area in ha	224.5262	168.6088
Purchase price in CZK	97,197,759	46,993,453

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

	Total	Forest Lands
Area in ha	230.2215	168.1231
Purchase price in CZK	56,034,836	33,096,032

### Buildings (Sale)

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

Number of buildings	53
Purchase price in CZK	47,709,203



## Human Resources

**In 2014, the following changes took place in senior staff positions:**

Organizational Unit	Function	Newly Appointed	Replacing	Date of Change
FMU Znojmo	forest manager	Ing. Lukášek Václav	Ing. Křivánek Roman	entrusted 1/1/2014 appointed 1/4/2014
FMU Litvínov	forest manager	Ing. Hovorková Anita	Ing. Hovorková Anita <i>- entrusted</i>	1/2/2014
FMU Klášterec nad Ohří	forest manager	Ing. Hrachovina Milan	Ing. Baláž Gabriel	entrusted 1/4/2014
RHO Hradec Králové	general director	Ing. Szórád Daniel, Ph.D.	Ing. Gaube Michal <i>- entrusted</i>	14/4/2014
RHO Hradec Králové	production director		Ing. Sýkora Zdeněk	30/4/2014
RHO Hradec Králové	technical production director	Ing. Lidický Václav	Ing. Indra Pavel	1/6/2014
RHO Hradec Králové	administrative director	Ing. Kalix Igor, MBA	Ing. Červenka Jiří	1/6/2014
RHO Hradec Králové	sales director	Ing. Srba Radovan		1/6/2014
FMU Přimda	forest manager	Ing. Jüthner Ludvík	Ing. Lidický Václav	entrusted 2/6/2014 appointed 1/8/2014
RHO Hradec Králové	economic director	Ing. Buchta Karel	Ing. Gaube Michal	11/6/2014
FMU Klášterec nad Ohří	forest manager	Ing. Liška Stanislav	Ing. Hrachovina Milan <i>- entrusted</i>	1/7/2014
RHO Frýdek Místek	RHO director	JUDr. Horák Zdeněk	Ing. Silvestr Jiří	1/7/2014
RHO Šumperk	RHO director	Ing. Pospíšil Tomáš	JUDr. Horák Zdeněk	entrusted 1/7/2014 appointed 1/8/2014
RHO Brno	RHO director	Ing. Bartuněk Jiří	Ing. Jandásek Vladimír	entrusted 1/7/2014
RHO Brno	RHO director	Ing. Šafařík Dalibor, Ph.D.	Ing. Bartuněk Jiří <i>- entrusted</i>	1/9/2014
FMU Frýdek Místek	forest manager	Ing. Silvestr Jiří	Ing. Stachová Sylvie <i>- entrusted</i>	1/7/2014
FMU Loučná nad Desnou	forest manager	Ing. Dvořák Ján	Ing. Jonák Pavel	entrusted 1/11/2014 appointed 1/1/2015
FMU Ledec nad Sázavou	forest manager	Ing. Chvalkovský Petr	Ing. Holenka František	3/11/2014



### Average Number of Employees

Year	2010	2011	2012	2013	2014
FMU,BM, RHO, CHO LCR	2,132	2,112	2,125	2,175	2,230
FU, SU	1,110	1,066	1,088	1,096	1,105
<b>Total</b>	<b>3,242</b>	<b>3,178</b>	<b>3,213</b>	<b>3,271</b>	<b>3,335</b>
<b>– white collar employees</b>					
Year	2010	2011	2012	2013	2014
FMU,BM, RHO, CHO LCR	2,036	2,037	2,041	2,080	2,119
FU, SU	331	309	309	302	301
<b>Total</b>	<b>2,367</b>	<b>2,346</b>	<b>2,350</b>	<b>2,382</b>	<b>2,420</b>
<b>– labourers</b>					
Year	2010	2011	2012	2013	2014
<b>NUMBER</b>	875	832	863	889	915

Compared to 2013, the average number of employees increased primarily due to the creation of new job positions.

### Average Wage

Year	2010	2011	2012	2013	2014
FMU,BM,RHO, CHO LCR	29,476	30,559	31,475	31,819	32,417
FU, SU	22,449	23,366	24,337	24,657	25,008
<b>Total</b>	<b>27,071</b>	<b>28,146</b>	<b>29,057</b>	<b>29,418</b>	<b>29,963</b>

Total average earnings increased by 1.85% compared to 2013. An annual increase of earnings of 1.48% (2.35% with bonuses) was applied to categories of employees without a contractual wage as stipulated by the company's collective agreement.

### Employee Education (in %)

Year	2010	2011	2012	2013	2014
University	43.3	42.2	45.6	48.8	49.0
Complete vocational secondary, graduate	55.5	56.3	53.1	47.0	47.4
Vocational + primary	1.2	1.5	1.3	4.2	3.6

### 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, Lesů České republiky, s.p. headquartered at 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

Communication with the general public and professional community focused on presenting the company as a profitable, stable, responsible and open organization in all areas of interest: economic areas, environmental protection, and social areas.

The company uses several avenues of communication with the public, the most flexible of which is the company website. In September 2014, LCR also unveiled its Facebook page, which has gained a great number of friends in just a few months.

The company presents itself to the public through printed informational materials, bulletin boards, and direct contact with the public during events. In the spring, LCR took part in the Silva Regina exhibition at the Brno exhibition grounds as well as the Natura Viva exhibition in Lysá nad Labem. Thanks to our educational sessions, the company's booth was among the most highly visited.

### 1. Communication with Journalists

The company's spokesperson is the contact person for all media representatives. The spokesperson handles all questions from journalists, organizes press conferences, and prepares press and news releases. In 2014, the company put out 133 press releases and held one press conference. In the second half of the year, company management introduced the media and its business partners to the "Strategic Development Plan of Lesy České republiky, s. p. for the 2015-2019 Period".

Press releases concerned regional and general topics such as:

- church restitution
- forestry tenders
- transfer of funds to the state budget
- calculation of damages caused by black ice
- forest management: silviculture, measures against bark beetles and cockchafer, new planting, harvesting of pine cones, etc.
- construction of forest pavilions and rest areas, restoration of hiking trails and more from Agenda 2020
- repair of reservoirs
- school education
- various events – Earth Day, Forest Week

### 2. Children and Youth

In today's world where environmental issues are increasingly important, great emphasis is placed on environmental education and awareness. Since 1999 environmental education has been a priority for the company's entire communication strategy.

These educational activities are carried out through a series of communication tools, including forest-based education, LCR Days, and the Křivoklátský Information and Education Centre. Through forest-based education classes, children and youth are introduced to the forest ecosystem and become more interested

in nature, the forest and protecting the environment. These activities are primarily targeted at elementary schoolchildren, teachers, the general public, high school and university students, handicapped persons and the socially disadvantaged. All over the country, forest educators teach educational programmes for children or other groups which are held right in the forest. Highly popular activities with the schools include walks in the forest with forest educators and foresters who have prepared diverse educational and interactive programs for students. Forest education also involves contests, lectures and trips. Visitors also enjoy forestry/hunting festivities such as Hubert's Mass.

Perhaps our most popular events are the various LCR Days, which combine sports with education and are a good opportunity to strengthen the relationship of the state company with the public on a regional level. At the organizational unit level, 110 LCR Days took place in 2014, which is 13 more than the previous year.

LCR worked with 245 trained forest educators in 2014, who held nearly 950 events attended by more than 134,000 people. A number of contests were also held throughout the year, enjoying great public response.

Year	Number of Event Participants	Number of Events	Number of Forest Educators
2010	78,021	689	174
2011	81,045	760	195
2012	98,385	827	211
2013	100,842	894	233
2014	134,147	949	245

### 3. Internal Communication within the Company

The most flexible and widely used tool for internal communication is the company intranet, along with our internet magazine, Lesu zdar. Formal as well as informal personal meetings between management and employees also strengthen company culture and employee loyalty (LCR Cup, LCR Ball).

### 4. Gift Giving

In the autumn of 2014, the company established its strategy for gift giving which it posted on its website. The company made donations totalling CZK 18.036 mil. These funds were available to non-profit organizations engaged in humanitarian work, 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 2014**

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 2012:

## **1. Number of requests for information:**

There were a total of 29 written requests for the provision of information according to the AFAI in 2014.

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

Six decisions were issued fully or partially rejecting requests for information under the AFAI in 2014.

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

No appeals were submitted against decisions under the AFAI in 2014.

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

In 2014 there were no court proceedings regarding review of the lawfulness of LCR's procedures in handling requests under the AFAI.

## **5. Overview of expenditures incurred by LCR in relation to court proceedings regarding rights and obligations according to AFAI:**

In 2014 LCR was not party to any court proceedings regarding rights and obligations according to AFAI.

## **6. Exclusive licenses provided:**

In 2014 LCR did not provide any exclusive licenses.

## **7. Complaints about the handling of information requests Section 16a AGAI), reasons for their submission and brief description of outcome:**

In 2014 there was 1 complaint regarding the manner in which LCR handled an information request pursuant to Section 16a AGAI.

The subject filing complaint no. 1 did not agree with the amount of compensation requested for the provision of information pursuant to Section 17 par. 1 AGAI, which was CZK 900. The business director acting as LCR General Director and governing body examined the matter and found the ruling of LCR to be legitimate.



## Financial Section

Independent Auditor's Report on the Financial Statements	70
Financial Statements	72
Notes to Annual Financial Statements	76
Management Statement	94
Auditor's Opinion on the Annual Report	95
Terms and Abbreviations	96
Die Hauptereignisse des Jahres	97
Los acontecimientos más importantes del año	98
Notes	99



## 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 31.12.2014 of the state-owned  
enterprise  
Lesy České republiky, s.p., with registered seat in Hradec Králové, company no. 42196151.

### Introduction

We have audited the accompanying financial statements to 31.12.2014 of the state-owned enterprise Lesy České republiky, s.p., comprised of the Balance Sheet to 31.12.2014, Profit & Loss Statement for the year ended on 31.12.2014 and Notes to the Financial Statements including a description of the relevant accounting policies used and other explanatory information. The particulars of the state-owned enterprise Lesy České republiky, s.p. are indicated in article 1 of the Notes to the Financial Statements.

The financial statements were drawn up in conformity with the Czech accounting regulations to the balance sheet date 31.12.2014, for the period from 1.1.2014 to 31.12.2014.

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

The statutory authority of the state-owned enterprise Lesy České republiky, s.p. is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations, and for an internal control system relevant to the preparation and fair presentation of financial statements that are free from significant (material) misstatements, whether due to fraud or error.

### 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 significant (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 significant (material) misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system 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.

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## UNQUALIFIED OPINION

In our opinion, the financial statements give a true and fair view of the assets and liabilities of the state-owned enterprise Lesy České republiky, s.p., to 31.12.2014, and likewise its costs, revenues and financial performance for the year then ended in conformity with the Czech accounting regulations.

As auditors we consider it necessary to draw attention to the facts that could be important for the assessment of the property and financial situation of the state-owned enterprise Lesy České republiky, s.p. referred to in section 10 to the Notes to Financial Statements 2014.

In Brno, 28 April 2015



Kreston A&CE Audit, s. r. o.  
Ptašnického 4, 602 00 Brno  
License of the Czech Chamber of Auditors no. 0017  
Ing. Libor Cabáň, Chief Executive




Ing. Pavel Stuchůčka  
Auditor, License no. 1702

Attachments: Balance Sheet to 31.12.2014, Profit & Loss Statement to 31.12.2014, Notes to Financial Statements 2014

# Financial Statements

## Balance Sheet as of 31 December 2014 (in thousands of CZK)

Designation	Item	Gross	Adjustment	Net current	Net previous
	<b>TOTAL ASSETS</b>	<b>91,891,185</b>	<b>-15,744,558</b>	<b>76,146,627</b>	<b>79,853,216</b>
B.	Fixed assets	79,226,981	-14,857,809	64,369,172	67,679,629
B.I.	Intangible fixed assets	1,104,639	-787,220	317,419	423,920
B.I. 3.	Software	608,333	-544,088	64,245	137,556
4.	Royalties	37,963	-37,047	916	3,367
6.	Other intangible fixed assets	417,379	-194,955	222,424	234,504
7.	Intangible fixed assets under construction	40,964	-11,130	29,834	48,493
B.II.	Tangible fixed assets	75,016,378	-14,055,659	60,960,719	62,622,908
B.II. 1.	Land	51,319,487	0	51,319,487	53,231,862
2.	Buildings	21,704,760	-12,665,970	9,038,790	8,846,389
3.	Separate tangible fixed assets and sets of tang. fixed assets	1,556,596	-1,389,606	166,990	138,677
4.	Perennial crops	30	-30	0	0
5.	Adults animals and their groups	53	-53	0	0
6.	Other tangible fixed assets	1,938	0	1,938	1,938
7.	Tangible fixed assets under construction	433,490	0	433,490	404,019
8.	Advance payments for tangible fixed assets	24	0	24	23
B.III.	Financial investments	3,105,964	-14,930	3,091,034	4,632,801
B.III. 2.	Investments in associated companies	91,670	-14,930	76,740	57,107
3.	Other securities and investments	1,014,294	0	1,014,294	1,475,694
5.	Other long-term investments	2,000,000	0	2,000,000	3,100,000
C.	Current assets	12,570,785	-886,749	11,684,036	12,056,202
C.I.	Inventory	161,037	-1,500	159,537	159,569
C.I. 1.	Raw material	52,715	0	52,715	52,593
2.	Work in progress and semi-finished goods	84,563	0	84,563	86,310
3.	Finished products	21,602	-1,446	20,156	18,251
4.	Young/other animals and their groups	217	0	217	238
5.	Goods	1,940	-54	1,886	2,177
C.II.	Long-term receivables	437	0	437	83
C.II. 5.	Long-term advances paid	437	0	437	83
C.III.	Short-term receivables	2,345,603	-885,249	1,460,354	1,828,250
C.III. 1.	Trade receivables	2,003,390	-634,083	1,369,307	1,603,498
4.	Receivables from shareholders	157	0	157	367
6.	State – tax receivables	91,439	-54,729	36,710	137,723
7.	Short-term advances paid	10,991	-390	10,601	31,078
8.	Estimated receivables	13,795	0	13,795	21,483
9.	Other receivables	225,831	-196,047	29,784	34,101
C.IV.	Financial assets	10,063,708	0	10,063,708	10,068,300
C.IV. 1.	Cash in hand	2,706	0	2,706	3,035
2.	Cash at bank	7,666,065	0	7,666,065	7,354,871
3.	Short-term securities and ownership shares	2,394,937	0	2,394,937	2,710,394
D.I.	Accruals	93,419	0	93,419	117,385
D.I. 1.	Pre-paid expenses	21,025	0	21,025	24,939
3.	Accrued revenues	39,229	0	39,229	55,124
3.	VAT to be applied in January 2015	33,165	0	33,165	37,322

		Current period	Previous period
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>76,146,627</b>	<b>79,853,216</b>
A.	Equity	73,022,133	74,804,000
A.I.	Registered capital	12,159,241	11,970,474
A.I. 1.	Registered capital	12,159,241	11,970,474
1.	Capital stock - registered	5,818,759	5,818,759
1.	Changes in capital stock – unregistered	6,340,482	6,151,715
A.II.	Capital funds	49,349,554	51,321,143
2.	Other capital funds	49,402,470	51,345,990
3.	Gain or loss on revaluation of assets and liabilities	-52,916	-24,847
A.III.	Funds created from profit	4,668,263	4,956,538
A.III. 1.	Reserve fund	1,251,283	1,251,283
2.	Statutory and other funds	3,416,980	3,705,255
A.IV.	Retained earnings/accumulated losses	26,958	2,566,303
A.IV. 1.	Retained earnings	26,958	2,566,303
A.V.	Profit (loss) for the current period (+/-)	6,818,117	3,989,542
B.	Liabilities (debt)	3,045,526	4,956,609
B.I.	Provisions	1,708,496	3,571,480
4.	Other provisions	1,708,496	3,571,480
B.II.	Long-term payables	165,815	156,301
10.	Deferred tax liability	165,815	156,301
B.III.	Short-term payables	1,171,215	1 228,828
B.III. 1.	Trade payables	684,610	855,210
4.	Payables to shareholders	200	45
5.	Payables to employees	100,513	82,650
6.	Payables to social security and health insurance	54,101	44,255
7.	State – tax liabilities and subsidies	213,983	99,490
8.	Short-term advances received	109,487	109,721
10.	Estimated payables	4,028	19,938
11.	Other payables	4,293	17,519
C.I.	Deferrals	78,968	92,607
C.I. 1.	Accrued expenses	18,318	33,232
2.	Deferred income	60,650	59,375



## Financial Statements

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

Designation	Item	Current period	Previous period
I.	Revenue from sales of goods	2,975	3,628
A.	Costs of goods sold	2,468	3,190
+	Gross margin	507	438
II.	Revenue from production	12,114,906	11,518,133
II. 1.	Revenue from own products and services	12,101,290	11,537,080
II. 2.	Change in inventory of own production	614	-31,605
II. 3.	Capitalization	13,002	12,658
B.	Cost of sales	4,238,582	4,676,514
B.1.	Raw materials and consumables	297,699	324,297
B.2.	Services	3,940,883	4,352,217
+	Value added	7,876,831	6,842,057
C.	Staff costs	1,712,646	1,656,230
C.1.	Wages and salaries	1,231,709	1,190,770
C.2.	Remuneration of board members	60	70
C.3.	Costs for social security and health insurance	417,666	402,219
C.4.	Social costs	63,211	63,171
D.	Taxes and charges	160,438	161,079
E.	Depreciation of intangible and tangible fixed assets	688,524	719,551
III.	Disposals of fixed assets and raw material	161,980	264,514
III.1.	Proceeds from disposals of fixed assets	156,971	260,492
III.2.	Proceeds from disposals of raw material	5,009	4,022
F.	Net book value of fixed assets and materials sold	27,146	54,844
F.1.	Net book value of fixed assets sold	23,670	51,698
F.2.	Raw materials sold	3,476	3,146
G.	Change in provisions and adjustments relating to operating activity	-2,069,190	179,697
G.1.	Changes in provisions for operating activity	-1,862,984	139,768
G.2.	Changes in adjustments for operating activity	-206,206	39,929
IV.	Other operating revenue	233,105	357,428
H.	Other operating costs	90,684	93,414
*	Operating profit (loss)	7,661,668	4,599,184

Designation	Item	Current period	Previous period
VI.	Proceeds from sale of securities and ownership shares	755,030	1,443,610
J.	Securities and ownership shares sold	753,249	1,478,618
VII.	Revenue from long-term investments	48,956	39,785
VII.1.	Revenue from investments in subsidiaries and associated companies	0	136
VII.2.	Revenue from other long-term securities and ownership interests	48,956	39,649
VIII.	Revenue from current financial assets	114,924	194,869
K.	Financial asset expense	3,909	2,103
IX.	Gain on revaluation of securities and derivatives	6,100	1,545
L.	Loss on revaluation of securities and derivatives	12,306	26,314
M.	Change in provisions and adjustments relating to financial activity	-29,115	0
X.	Interest revenue	136,494	190,109
N.	Interest expense	1	7
XI.	Other financial revenue	3,331	17,295
O.	Other financial expense	22,915	22,697
*	Financial profit (loss)	301,570	357,474
Q.	Income tax on ordinary activities	1,145,121	967,116
Q.1.	- due	1,135,606	952,032
Q.2.	- deferred	9,515	15,084
**	Profit (loss) on ordinary activities	6,818,117	3,989,542
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 (+/-)	6,818,117	3,989,542
****	Profit (loss) before tax	7,963,238	4,956,658

# 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 2013 and 2014 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. The complete wording of this memorandum was most recently updated on 9 January 2015 by Decision of the Ministry of Agriculture of the Czech Republic Ref. No. 263/2015-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 2014 was CZK 5,818,758,987.42. The annual accounts for 2014 were compiled as of 31 December 2014.

### **Statutory Body as of 31 December 2014**

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

### **Representatives of Statutory Body as of 31 December 2014:**

Ing. Václav Lidický	Production Technical Director
Ing. Igor Kalix, MBA	Administrative Director
Ing. Radovan Srba	Business Director
Ing. Karel Buchta, Ph.D.	Chief Financial Officer

**Changes in Statutory Bodies from 1 January 2014 to 27 April 2015:**

On 11 April 2014 Ing. Michal Gaube was removed from the position of Chief Executive Officer and on 14 April 2014 Ing. Daniel Szórád, Ph.D. was appointed Chief Executive Officer (statutory body). On 16 April 2014 the order of representatives of the statutory body was changed: 1. Director of Forest and Water Management – Ing. Pavel Indra, 2. Chief Financial Officer – Ing. Michal Gaube, MBA, 3. Administrative Director – Ing. Jiří Červenka, 4. Production Director – Ing. Zdeněk Sýkora.

On 31 May 2014 Ing. Pavel Indra was withdrawn from the position of Director of Forest and Water Management and as of 1 June 2014, Ing. Václav Lidický was appointed Production and Technical Director; Effective as of 30 April 2014 an agreement was concluded to end the employment of Administrative Director Ing. Jiří Červenka and effective as of 1 June 2014 Ing. Igor Kalix, MBA was appointed Administrative Director. Effective as of 30 April 2014 an agreement was concluded to end the employment of Business Director Ing. Zdeňek Sýkora and effective as of 1 June 2014 Ing. Radovan Srba was appointed Business Director; Effective as of 31 May 2014 an agreement was reached ending the employment of Chief Financial Officer Ing. Michal Gaube, MBA, and on 11 June 2014 Ing. Karel Buchta, Ph.D. was appointed new Chief Financial Officer.

On 1 July 2014 the order of representatives of the statutory body was changed: 1. Production and Technical Director Ing. Václav Lidický, 2. Administrative Director – Ing. Igor Kalix, MBA, 3. Business Director – Ing. Radovan Srba, 4. Chief Financial Officer – Ing. Karel Buchta, Ph.D.

**Supervisory Board as of 31 December 2014:**

Ing. Jaromír Vašíček, CSc.	- Chairman
Ing. Jaromír Kříha	- Vice-chairman
Ing. Miroslav Jankovský	
JUDr. Jiří Jirsa, MEPP, Ph.D.	
Mgr. Patrik Mlynář	
Petr Moravec	
Ing. Jiří Snášel	
Ing. Tomáš Vrba	
PhDr. Jan Závěšický	

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 2014 to 27 April 2015:**

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

On 8 September 2014 Prof. Ing. Luděk Šišák, CSc. and Ing. Miroslav Zámečník were removed from the Supervisory Board and Petr Moravec and Ing. Tomáš Vrba were appointed.

On 9 October 2014 doc. RNDr. Bohumír Lomský, CSc. was removed from the Supervisory Board and on 10 October 2014 PhDr. Jan Závěšický was appointed.

On 10 December 2014 Ing. Martin Žižka, Ph.D. was removed from the Supervisory Board and on 11 December 2014 Mgr. Patrik Mlynář was appointed.

## Notes to Annual Financial Statements

On 8 April 2015 the terms for the following elected members of the Supervisory Board expired – Ing. Jaromír Kříha, Ing. Miroslav Jankovský and Ing. Jiří Snášel.

### **Audit Committee as of 31 December 2014:**

Josef Jaroš, MBA - Chairman  
Ing. Jaromír Vašíček, CSc. - Vice-chairman  
Ing. Tomáš Vrba

### **Personnel Changes on the Audit Committee from 1 January 2014 to 27 April 2015:**

The Audit Committee was established by resolution of the Supervisory Board on 24 April 2014. Members appointed to the Audit Committee were Josef Jaroš, MBA, Ing. Miroslav Zámečník and Ing. Jaromír Vašíček, CSc.

On 16 June 2014 Josef Jaroš, MBA was appointed chairman and Ing. Miroslav Zámečník vice-chairman

As of 15 September 2014 Ing. Miroslav Zámečník was removed from the function of vice-chairman and member of the audit committee and Ing. Tomáš Vrba was appointed member.

On 28 November 2014 Ing. Jaromír Vašíček, CSc. was elected vice-chairman of the Audit Committee.

### **Organizational Structure of the Company as of 31 December 2014 (internal company 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 2014, Lesy České republiky, s.p. held shares and controlling influences in the following companies:**

### **• Hradecká lesní a dřevařská společnost a.s. (hereinafter HLDS)**

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

Equity: 2013: CZK +192,938,000; 2014: not known at the balance sheet date.

Profit (loss): 2013: CZK -3,075,000; 2014: 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.

During 2014 LCR had its share in HLDS appraised. Neither the appraisal nor the preliminary profit (loss) for 2014 indicate the need to adjust the value of the equity interest in this company.



• **H.F.C. a.s. (hereinafter HFC)**

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

Equity: 2013: CZK 101,156,000; 2014: not known at the financial statements date.

Profit (loss): 2013: CZK -3,371,000; 2014: 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 2014, LCR had its stake in HFC appraised. The appraisal established a significantly lower market value than the purchase price. Therefore, when compiling statements for 2014, provisions amounting to CZK 14,930,400 were created (Balance Sheet, assets, line B.III.2. adjustment), which adjusted the value of the stake in HFC to CZK 35,069,500, which corresponds to the minimal market value of the stake appraised.

As of 31 December 2014, LCR held *long-term equity securities* with an acquisition cost of CZK 91,670,000 (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	50,000	14,930

As of 31 December 2013 LCR held a share amounting to CZK 9,484,000 in KOMAS a.s., which was removed from the commercial register in 2014. KOMAS a.s. had been in liquidation since 1 January 2006 and an adjustment amounting to 100% of book value was created in 2006. The depreciation of this share in KOMAS a.s. appeared in 2014 as a reduction in both the purchase price of shares (Balance Sheet, assets, line B.III.2. gross) and adjustments (Balance Sheet, assets, line B.III.2. adjustment).

### 3.

	2013	2014
Average annual number of employees	3,271	3,335
Registered number of employees as of 31 December.	3,234	3,256
Wages and salaries (thou. CZK)	1,190,770	1,231,709
Social security costs (thou. CZK)	402,219	417,666
Social costs (thou. CZK)	63,171	63,211
Personnel expenses (thou. CZK)	1,656,160	1,712,586
Number of employees in decision-making bodies	19	18
Wages and salaries of employees in decision-making bodies (thou. CZK)	35,516	31,704
Social security costs of employees in decision-making bodies (thou. CZK)	12,374	11,046

## Notes to Annual Financial Statements

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 2014, Supervisory Board member remuneration totalling CZK 60,000 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.

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 6,134,000 as of 31 December 2014 (CZK 5,755,000 as of 31 December 2013). The amount for 2014 includes repayments of loans maturing in 2016 and beyond in the amount of CZK 2,831,000, 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 2013 and 2014, 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 a uniform book depreciation table 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 2013 and 2014.

*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 2013 and 2014, 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 2013 and 2014, 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 for intangible fixed assets under construction totalling CZK 11,130,000 were created for the full amount invested in the unfinished management information system where cooperation with the supplier has been ended and no decision regarding further use of the project has been made.

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

*An adjustment to goods* of CZK 134,000, created at Týniště nad Orlicí SU as the difference between the stock price and sales price of goods as of 31 December 2013, was lowered to CZK 54,000 on 31 December 2014. By the same principle, an *adjustment to finished products* of CZK 2,626,000 was created at Týniště nad Orlicí SU at 31 December 2013, and was reduced to CZK 1,446,000 as of 31 December 2014.

*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 receivab-

## Notes to Annual Financial Statements

les from the Agency for Nature Conservation and Landscape Protection of the Czech Republic 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 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 2013 and 2014.

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

Assets fair-valued in 2013 and 2014 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 2013 and 2014. These were the stock units of investment funds, debt securities and promissory notes. A change in the fair value of 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	Increase in Real	A.II.3. Balance
	Fair Value in Year	Value in Year	as of 31.12.
2013	16,120	--	-24,847
2014	28,069	--	-52,916

## 5.

### **Breakdown of Significant Balance Sheet Items**

(others are referred to in Notes 6 to 8)

#### *a) Breakdown of intangible fixed assets*

CZK thousand	2013		2014		Change in net Book Value 2014
	Aquisition Cost	Accumulated Smortization	Aquisition Cost	Accumulated Amortization	
Software	582,852	445,296	608,333	544,088	-73,311
Forest management plans	343,304	131,803	355,218	151,413	-7,696

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

<b>Acquisition cost in CZK thousand</b>	<b>2013</b>	<b>2014</b>
<b>Buildings and structures</b>	<b>925,399</b>	<b>864,531</b>
– of which: housing construction, lodges	4,119	8,407
administrative and service buildings	80,219	136,906
forest roads	571,842	575,027
torrent control and forestland draining	269,219	144,191
<b>Machinery and equipment</b>	<b>46,106</b>	<b>106,530</b>
– of which: forestry machinery	8,095	48,283
trucks	--	22,676
passenger cars	1,245	--
computers and other devices	36,766	35,571

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

<b>Acquisition cost in CZK thousand</b>	<b>2013</b>	<b>2014</b>
<b>Non-residential buildings and structures</b>	<b>49,913</b>	<b>544,007</b>
– of which: <b>structures</b>	<b>41,362</b>	<b>521,072</b>
– sold	36,822	8,771
– handed over (restitution)	179	460,528
– demolished due to wear or accident	4,361	51,773
<b>buildings</b>	<b>8,551</b>	<b>22,935</b>
– sold	8,375	4,479
– handed over (restitution)	0	17,525
– demolished due to wear or accident	176	931
<b>Machinery and equipment</b>	<b>8,949</b>	<b>14,593</b>
– of which: trucks	8,475	13,707
cars	474	886

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

<b>CZK thousand</b>	<b>2013</b>		<b>2014</b>		<b>Change in</b>
	<b>Acquisition</b>	<b>Accumulated</b>	<b>Acquisition</b>	<b>Accumulated</b>	<b>net Book</b>
	<b>Cost</b>	<b>Depreciation</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Value 2014</b>
Plant and equipment	1,367,630	1,232,386	1,415,077	1,259,213	+20,620
Low-value tangible assets	122,966	119,533	141,519	130,393	+7,693



## Notes to Annual Financial Statements

d) *Land was the largest and most important asset item.* The following changes occurred in 2014:

2014	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>
<b>Balance as of 1 January</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>
<b>Total additions</b>	<b>1,080,076</b>	<b>276,671</b>	<b>72,489</b>	<b>10,447</b>	<b>1,152,565</b>	<b>287,118</b>
– Transfer of management right	26,293	4,426	14,114	1,483	40,407	5,909
– Purchase (exchange)	33,096	1,681	20,927	529	54,023	2,210
– Other	1,020,687	270,564	37,448	8,435	1,058,135	278,999
<b>Total disposals</b>	<b>2,996,878</b>	<b>768,770</b>	<b>68,063</b>	<b>11,511</b>	<b>3,064,941</b>	<b>780,281</b>
– Church restitution	1,749,762	460,791	15,860	4,283	1,765,622	465,074
– Restitution	118,154	31,105	722	233	118,876	31,338
– Purchase (exchange)	6,100	1,686	9,180	550	15,280	2,236
– Other	1,122,862	275,188	42,301	6,445	1,165,163	281,633
<b>Balance as of 31 December</b>	<b>49,637,087</b>	<b>12,908,565</b>	<b>1,682,485</b>	<b>275,982</b>	<b>51,319,572</b>	<b>13,184,547</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 2013 is given in the following table:

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>
<b>Balance as of 1 January</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>
<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>

LCR 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. Quantification was carried out in 2014, while data for 2013 use the quantification from 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 millions of CZK	Price per m <sup>2</sup>	Price per m <sup>2</sup>	2013	2014
	in CZK – 2008	in CZK – 2014		
Market value according to LCR method	11.30	11.42	151,428	147,428
Official price under MoF Decree 3/2008 Coll.	25.52	26.56	341,985	342,855
Price under MoF Decree 500/2002 Coll.	57.00	57.00	763,838	735,788

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 2014, the total length of fencing was 17,168.86 km.

km	2013	2014
Fencing	16,836	17,169

*f) Other long-term investment titles*

As of 31 December 2014, two long-term time deposits were recorded in the accounts with a total value of CZK 2 bil. (reported in the Balance Sheet, assets, line B.III.5.).

g) LCR 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 2013 and 2014, 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, and therefore 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 65,230,000. Other temporary differences (e.g. accounting adjustments to receivables and inventories) were not used to ascertain deferred taxes.

*Calculation (breakdown) of deferred tax:*

CZK thousand	2013	2014
Difference between book and tax value of fixed assets	-822,634	-872,713
Basis for calculation of deferred tax	-822,634	-872,713
Tax rate in next period	19%	19%
Total deferred tax asset (liability)	-156,301	-165,815

## Notes to Annual Financial Statements

### c) Breakdown and description of provisions for 2013 and 2014

CZK thousand

	Provision for Silviculture	Provision for Price Indexation	Provision for ANCLP Payments
31 December 2014	1,179,102	529,394	0
Additions 2014	0	0	0
Released 2014	1,862,984	0	0
31 December 2013	3,042,086	529,394	0
Additions 2013	1,911,617	0	0
Released 2013	1,737,427	0	34,422
31 December 2012	2,867,896	529,394	34,422

The provision for silviculture was 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 was created (Balance Sheet, liabilities, B.I.4.). In 2014 the “Strategic Development Plan for LCR for the 2015-2019 Period” was created, which does not call for a provision to cover the cost of silviculture. The provision for silviculture has shown a steady long-term balance over the past 5 years around CZK 3 bil. (silviculture costs also did not change much year over year). When preparing the financial sections of the Development Plan, these reserves to cover future silviculture losses were not deemed necessary and the risk of losses from silviculture activity were considered to be very unlikely. Therefore, in 2014 no provisions for silviculture were created from 2014 harvesting revenue. The balance of silviculture provisions as of 31 December 2014 will cover silviculture costs from 2015 to 2018 and is created from harvesting revenue from 2010 to 2013.

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 2014, inventory was taken justifying the continued creation of these provisions for the given amounts.

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 thousands of CZK):

	2013	2014
	30,727	37,549

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 thousands of CZK):

	2013	2014
	13,528	16,552

f) As of 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.

<b>CZK thousand</b>	<b>2013</b>	<b>2014</b>
Subsidies for acquisition of forest management plans	5	0
Subsidies for acquisition of tangible fixed assets (total)	143,387	66,142
– compensation in public interest related to watercourse management (especially flood control measures)	128,171	47,171
Subsidies to cover operations costs (total)	235,008	131,344
– compensation under Section 24 of Act No. 289/1995 Coll., on Forests	11,323	11,669
– compensation under Section 35 of Act No. 289/1995 Coll., on Forests	6,290	3,033
– compensation under Section 46 of Act No. 289/1995 Coll., on Forests	3,652	2,426
– subsidies from Ministry of Agriculture for water management	31,322	500
– EU subsidies	100,139	62,612

*h) Information on statutory audit costs*

The costs of the statutory audit of the accounts in 2014 totalled CZK 1,469,000 (CZK 1,442,000 in 2013). 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:

<b>CZK thousand</b>	<b>2013</b>			<b>2014</b>		
	<b>Total Account Sold</b>	<b>Fixed Assets Exchanged</b>	<b>Fixed Assets</b>	<b>Total Account Sold</b>	<b>Fixed Assets Exchanged</b>	<b>Fixed Assets</b>
Item III.1. Proceeds from disposals of fixed assets	260,492	151,676	108,816	156,971	123,150	33,821
Item F.1. Net book value of fixed assets	51,698	32,547	19,151	23,670	18,870	4,800
Difference	208,794	119,129	89,665	133,301	104,280	29,021

j) Balance-sheet line “D.I.3. VAT to be applied in January 2015” shows the input VAT quantified in tax documents received in January 2015 and charged in 2014, for the amount of CZK 33,165,000 (in 2013 it was CZK 37,322,000). This VAT is claimed in full in the VAT return for January 2015.

## Notes to Annual Financial Statements

### 7.

#### a) Receivables as of 31 December

CZK thousand	2013	2014
Total short-term trade receivables (gross); Assets, line C.III.1	2,235,892	2,003,390
– total receivables due	1,552,820	1,331,352
– total receivables past due	683,072	672,038
– total receivables more than 180 days past due	635,738	641,162
– total receivables with maturity of more than 5 years	0	0
– receivables subject to enforcement	137,396	82,262
– claims in insolvency, bankruptcy and composition proceedings	474,164	522,647
Receivables denominated in foreign currencies	7,215	4,197

Receivables from companies within the group from ordinary trade totalled CZK 3,008,000 as of 31 December 2014. These are receivables from HLDS, a.s. As in previous years, all these receivables are not yet due.

CZK thousand	2013	2014
Intra-group trade receivables	2,168	3,008

#### b) Payables as of 31 December

CZK thousand	2013	2014
Payables more than 180 days past due	0	0
Payables with a maturity of more than 5 years	0	0
Payables tied to fulfilment of conditions by suppliers	10,451	8,366

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 2014, amounted to CZK 1,943,000 (CZK 3,226,000 in 2013). This amount was also recorded, in accordance with valid methodology, in account 385 – Accrued revenues, because no entry had been made in the land registry as of 31 December 2014 (or 2013). The amount of 1,943,000 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 2,914,000 (this was 3,203,000 in 2013). All these payables are to HLDS, a.s. and are not yet due.

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

In 2013 and 2014, 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 thousands of CZK:

CZK thousand	2013	2014
Leased fixed assets	13,987	14,605



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 (above ground 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 thousands of CZK:

<b>CZK thousand</b>	<b>2013</b>	<b>2014</b>
Low-value intangible assets not reported in balance sheet	85,869	85,869
Low-value tangible assets not reported in balance sheet	271,265	274,366

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

<b>CZK thousand</b>	<b>2013</b>	<b>2014</b>
Fixed assets acquired with 100% subsidies	175,154	174,756

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 2014.

## 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; a significant portion of assets returned are assets returned based on Act no. 428/2012 Coll. on property settlement with the church and religious societies (referred to herein as church restitution). 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 2014.

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 2014, the founder's fund was replenished to the full amount of CZK 6.5 billion. The entire 6.5 billion was transferred into the state budget in December 2014.

## Notes to Annual Financial Statements

Statement of *changes in equity* for 2013 and 2014 (the header contains the relevant Balance Sheet liability lines):

CZK thousand	Capital stock	Changes in Capital Stock	Capital Funds	Gain or Loss on Revaluation	Statutory Reserve Fund	Other Funds from Profit
	(A.I.1.)	(A.I.1.)	(A.II.2.)	(A.II.3.)	(A.III.1.)	(A.III.2.)
<b>31 December 2014</b>	<b>5,818,759</b>	<b>6,340,482</b>	<b>49,402,470</b>	<b>-52,916</b>	<b>1,251,283</b>	<b>3,416,980</b>
Balance of changes 2014	0	+188,767	-1,943,520	-28,069	0	-288,275
Increase 2014	0	+354,159	+1,031,993	0	0	+6,570,326
Reduction 2014	0	-165,392	-2,975,513	-28,069	0	-6,858,601
<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>

Breakdown of changes in *capital stock*:

CZK thousand	2013	2014
Balance of changes:	+265,804	+188,767
– delimitation changes	+16,050	+1,079
– church restitution-based disposals	-257	-94,856
– restitution-based disposals	-5,759	-21,092
– use of the Development Investment Fund	+255,770	+303,636

Breakdown of changes in *capital funds*:

CZK thousand	2013	2014
Balance of changes	-123,400	-1,943,520
– delimitation changes	-30,670	-103,081
– church restitution-based handover of forestland	-26,548	-1,749,762
– restitution-based handover of forestland	-79,969	-118,155
– gifts, awards, free transfers	+13,787	+27,478

Forestlands valued at CZK 1,749,762,000 and other assets (buildings, structures, FMPs etc.) amortized at CZK 94,856,000 were returned in 2014 as part of church restitution.

*Profit* from 2012 and 2013 was distributed at the discretion of the founder based on recommendation of the Supervisory Board:

CZK thousand	2013	2014
Profit of the reporting period:	4,408,010	3,989,542
Allocated to the welfare fund	22,405	28,001
Kept in retained profit account	4,385,605	50,938
Founder's fund	0	3,910,603

When distribution profit from 2013, the founder also decided to transfer retained earnings from previous years of CZK 2,589,397,000 to the founder's fund.

## 9.

### Revenues from Ordinary Activities

CZK thousand	2013	2014
Revenues from ordinary activities	14,030,916	13,577,800
– revenues from operations	12,143,703	12,512,965
– financial activities	1,887,213	1,064,835
Proceeds from sale of own products	9,185,086	9,673,305

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 2014 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 2014.

In 2004, CE WOOD, a.s. brought an action for damages and reasonable satisfaction for a total amount of more than CZK 3.7 bil. This action was rejected by a decision of the Regional Court in Hradec Králové dated 19 December 2013. CE WOOD appealed for the amount of CZK 229 mil. The Superior Court in Prague upheld the ruling of the lower court and rejected the suit. LCR appealed the decision as it did not award full coverage of court costs. The suit of CE WOOD, a.s. against LCR for the return of CZK 86.37 mil. offered for the performance of contracts from which LCR withdrew in 2009 was also rejected in the appeal. CE WOOD, a.s., then filed an appeal with the Supreme Court, to which LCR gave testimony in 2014. The court proceedings are still underway but LCR expects the suit to be dismissed.

With regard to the ongoing insolvency proceedings for LESS&FOREST s.r.o., on 26 February 2013, two suits were 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 2011 and 2012+, and to surrender unjust enrichment totalling CZK 6.36 billion, CZK 4.2 bil. for 2011 and CZK 2.16 bil. for 2012. The suits were then divided into suits to nullify legal acts (the 2011 and 2012+ contracts), which are currently in the procedural stage, and suits for the payment of CZK 6.36 bil., where the procedures are suspended until the validity of the legal acts is determined. LCR rejects these claims completely, considers them entirely unfounded and frivolous, and lacking any legal justification.

## Notes to Annual Financial Statements

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. Assets were returned during 2013 and 2014 (see appendix sections 5 d) and 8). The addition transfer of assets through church restitution has resulted in both a reduction in the value of assets managed and lower revenue from operations. In 2015, LCR expects to conclude agreements to hand over an additional 26,000 ha of forestland valued at approx. CZK 1 bil. and 150 buildings. LCR has rejected agreements for the handover of land parcels measuring 64,500 ha (book value of the disputed land is approx. CZK 2.5 bil.); the final ruling on the possible transfer of this land will be issued by a court of government authority.

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 2013 and 2014 (in CZK ths)

Item	Text	Row	2014	2013
P.	Cash and cash equivalents, beginning of year	01	7,357,906	6,748,840
<b>CASH FLOWS FROM MAIN EARNING ACTIVITY (ORDINARY ACTIVITIES)</b>				
Z.	Accounting profit (loss) from ordinary activities before tax	02	7,963,238	4,956,658
A.1.	Non-cash adjustments	03	-1,676,771	488,462
A.1.1.	Depreciation of fixed assets, less residual values of fixed assets sold, etc.	04	688,524	719,551
A.1.2.	Changes in adjustments and provisions	05	-2,098,305	179,697
A.1.3.	Gain (loss) on sale of fixed assets	06	-133,301	-208,794
A.1.4.	Proceeds from dividends and shares of profit (except investment companies and funds)	07	0	-136
A.1.5.	Interest expense (less capitalized interest) and income	08	-136,493	-190,102
A.1.6.	Adjustments for other non-cash transactions	09	2,804	-11,754
A. *	Net cash flow from ordinary activities before tax and changes	10	6,286,467	5,445,120
A.2.	Changes in non-cash items of working capital	11	2,452,549	2,845,482
A.2.1.	Change in receivables from operating activities and deferrals	12	2,076,399	1,729,963
A.2.2.	Change in payables, subsidies, deferrals and estimated items from operating activities	13	59,401	-93,089
A.2.3.	Change in inventories	14	1,292	33,492
A.2.4.	Change in short-term financial assets, other than cash and cash equivalents	15	315,457	1,175,116
A. **	Net cash flow from ordinary activities before tax and extraordinary items	16	8,739,016	8,290,602
A.3.	Interest paid, excluding amounts capitalized	17	-1	-7
A.4.	Interest received	18	136,494	190,109
A.5.	Income tax paid on ordinary activities and additional tax from previous periods	19	-1,135,606	-952,032
A.6.	Receipts and disbursements from extraordinary items – extraordinary profit (loss)	20	0	0
A.7.	Dividends and profit shares received	21	0	136
A. ***	Net cash flow from ordinary activities	22	7,739,903	7,528,808
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
B.1.	Acquisition of property, plant and equipment	23	-1,081,973	-1,170,473
B.2.	Proceeds from the sale of fixed assets	24	156,971	260,492
B.3.	Loans and credit to related entities	25		0
B. ***	Net cash flow from investing activities	26	-925,002	-909,981
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
C.1.	Effects of changes in long-term and current payables	27	9,515	15,084
C.2.	Effects of changes in equity on cash and cash equivalents	28	-6,513,551	-6,024,845
C.2.1.	Increase in cash and cash equivalents due to an increase in registered capital	29	-25	-4,976
C.2.2.	Equity paid to shareholders	30		0
C.2.3.	Other contributions by shareholders	31		0
C.2.4.	Loss settlement by shareholders	32		0
C.2.5.	Direct payments debited to equity funds	33	-13,526	-19,869
C.2.6.	Transfer of funds to state budget	34	-6,500,000	-6,000,000
C. ***	Net cash flow from financial activities	35	-6,504,036	-6,009,761
F.	Net increase/decrease in cash and cash equivalents	36	310,865	609,066
R.	Cash and cash equivalents, end of year	37	7,668,771	7,357,906
S.	Actual balance of cash and cash equivalents, end of year	38	7,668,771	7,357,906
R.-S.	Difference (calculated – actual)	39	0	0

Financial statements compiled on: 28 April 2015



## 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 ("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 (28 April 2015) and the preparation of the Annual Report (30 April 2015), 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



### INDEPENDENT AUDITOR'S REPORT

for the founder and Director General on an audit of the Annual Report to 31.12.2014  
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 31.12.2014 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 aspects, 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 31.12.2014 is consistent, in all material aspects, with the financial statements referred to above.

In Brno, date July 2, 2015

A handwritten signature in black ink, appearing to read 'Kozuborský'.

Kreston A&CE Audit, s. r. o.

Právníského 4, 602 00 Brno

License of the Czech Chamber of Auditors no. 007

Ing. Martin Kozuborský, Executive



A handwritten signature in black ink, appearing to read 'Petr Štárník'.

Ing. Petr Štárník

Auditor, license no. 1702

Attachments: Annual Report to 31.12.2014

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## Terms and Abbreviations

<b>BK</b>	beech	<b>OLH</b>	forest manager
<b>BO</b>	pine	<b>OMK</b>	Marketing and
<b>BRP</b>	downy birch		Communication Department
<b>CHO LCR</b>	Central Head Office of Lesy České republiky, s.p.	<b>OPC</b>	Office for the Protection of Competition
<b>ČMKBK</b>	Bohemian-Moravian Commodity Exchange, Kladno	<b>OPŠ</b>	flood damage removal
<b>ČSOP</b>	Czech Union for Nature Conservation	<b>OVS</b>	public tendering procedure
		<b>PEFC</b>	Programme for the Endorsement of Forest Certification schemes
<b>DB</b>	oak		
<b>DG</b>	Douglas fir	<b>PLA</b>	protected landscape area
<b>DR</b>	supervisory board	<b>PŠ</b>	flood damage
<b>DZ</b>	sessile oak	<b>PUPFL</b>	land designated as forestland
<b>EU</b>	European Union	<b>RHO</b>	regional head office
<b>FIR</b>	Development Investment Fund	<b>RŘS</b>	revitalization of river systems
<b>FMF</b>	forest management facility	<b>RS</b>	roadside
<b>FMI</b>	Forest Management Institute	<b>RT</b>	right tributary
<b>FMP</b>	forest management plans	<b>SLT</b>	set of forest types
<b>FMU</b>	forest management unit	<b>SM</b>	spruce
<b>FU</b>	forestry unit	<b>SU</b>	Seed Unit
<b>GA</b>	growing area	<b>WMU</b>	Water management unit
<b>GIS</b>	geographic information systems		
<b>GrDW</b>	Graphics data warehouse		
<b>HB</b>	torrent control		
<b>HLDS</b>	Hradecká lesní a dřevařská společnost a.s.		
<b>HÚL</b>	forest management arrangements		
<b>JD</b>	fir		
<b>KN</b>	land registry		
<b>LCR</b>	Lesy České republiky, s.p.		
<b>Lesy ČR</b>	Lesy České republiky, s.p.		
<b>LHE</b>	forest management register		
<b>LT</b>	left tributary		
<b>LTM</b>	technical forest reclamation		
<b>LVS</b>	forest altitudinal zoning		
<b>MD</b>	larch		
<b>MoA</b>	Ministry of Agriculture of the Czech Republic		
<b>MoE</b>	Ministry of the Environment of the Czech Republic		
<b>MZD</b>	soil improving and reinforcement species		
<b>NNR</b>	National nature reserve		
<b>NR</b>	nature reserve		

## Die Hauptereignisse des Jahres

Das Jahr 2014 war für Lesy ČR außerordentlich. Am 14. April 2014 wurde Daniel Szórád zum Generaldirektor von Lesy ČR ernannt. Gleich danach begann der Prozess offener Auswahlverfahren für leitende Positionen. Anfang Juni war das Top-Management komplett. Fertigungstechnischer Direktor wurde Václav Lidický, Verwaltungsdirektor Igor Kalix, Verwaltungsdirektor Radovan Srba und ökonomischer Direktor Karel Buchta. Das neue Management wählte den Weg der Offenheit und Transparenz bei öffentlichen Aufträgen und Dienstleistungen. Das ganze mit dem Ziel sämtliche ungünstige Verträge zu beenden und überteuerte externe Dienstleistungen zu verbilligen, und zwar bis zu 50% des ursprünglichen Preises.

Aus Sicht der Sicherstellung der Forstwirtschaft und der Pflege um kleine Wasserläufe war das Jahr handelsüblich. Obwohl die Zeit zwischen Antritt der neuen Leitung und Ausschreibung des fünfjährigen Tenderverfahren für Forstarbeiten auf 27 vertraglichen Raumeinheiten sehr kurz war, konnten einige grundsätzliche Änderungen realisiert werden. Vor allem wurde die Zahl der vertraglichen Raumeinheiten je komplexer Forstauftrag angehoben. Auf drei vertraglichen Raumeinheiten wurde für ein Jahr als Pilot der Waldbau und die Förderung getrennt. In die Verträge wurde neu der Aspekt transparenter Beschäftigung eingebaut. Die Vertragspartner haben somit neu die Pflicht, regelmäßig Informationen über Personen, die sich an dem Auftrag beteiligen, bereitzustellen. Weitere Neuigkeit für die Vertragspartner ist die Pflicht, festgesetztes Volumen am erzeugten Fichtenrundholz über das elektronische Versteigerungssystem von LČR zu verkaufen.

Im Einklag mit gültiger Legislative und verabschiedeten Waldwirtschaftsplänen wurden im Jahr 2014 kontinuierlich sämtliche Aktivitäten, die mit ordentlicher Waldpflege zusammenhängen, abgesichert. Lesy ČR wurden 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 2014 lässt sich als verhältnismäßig günstig auch hinsichtlich des minimalen Auftretens von Naturkatastrophen bezeichnen. Im Mai verursachten stärkerer Wind und ausgiebige Niederschläge in Mährisch-Schlesischer Region und Region Zlín Schäden auf 250 Tausend m<sup>3</sup> Holz. Es handelte sich jedoch lediglich um regionale Ereignisse, derer Anteil bei 13,8% der gesamten Holznutzung blieb. Das Volumen des verarbeiteten Borkenkäferholz gelang es auf dem Niveau des Vorjahres zu halten. Nur in Mährisch-Schlesischer Region tauchte der Borkenkäfer in größerem Ausmaß auf.

In der zweiten Jahreshälfte konnte wesentlich die Bearbeitung der Aufrufe von Personen, die zur Ausgabe des Kirchengrundbesitzes nach dem Kirchenrestitutionsgesetz befugt sind, beschleunigt werden. Lesy ČR haben somit bis Ende 2014 mit befugten Personen Abkommen über Herausgabe von Grundstücken in Gesamtgrundfläche 56 878 ha und von 163 Gebäuden abgeschlossen.

Das ganze Jahr 2014 durch organisierten Lesy ČR mehr als 950 kulturelle Veranstaltungen für breite Öffentlichkeit mit dem Thema Wald und Forstwirtschaft. Diese hatten u.a. die Form von Vorlesungen, Gesprächen, Wanderungen. Diese Veranstaltungen fanden schrittweise in allen Regionen statt und wurden von beinahe 134 Tausend Besuchern heimgesucht. Lesy ČR nahmen im Laufe des Jahres auch an Veranstaltungen gesamtgesellschaftlicher Bedeutung teil. Im Dezember 2014 haben Lesy ČR im Rahmen zweiter außerordentlichen Finanzabführung einen Teil ihrer freier Finanzmittel in Höhe von 6,5 Mrd. CZK dem Staatshaushalt überwiesen.

Lesy ČR beendeten das Jahr 2014 mit einem wirtschaftlichen Ergebnis vor Steuern in Höhe von 8 Mrd. CZK. In dieser Summe spiegelt sich die Reserve für den Waldbau aus den Vorjahren in Höhe von 1,9 Mrd. CZK ab. Der Gesamteinschlag an Holz aus den staatlichen Wäldern erreichte 7,975 Mio. m<sup>3</sup>. Es gelang auch 13,6 Tsd. ha Wald zu erneuern, davon betrug der Anteil an wasserregulierenden und verfestigenden Gehölzern bei der Ersterneuerung 42,8% und dringende Züchtung von Beständen bis zum Alter von 40 Jahren wurde auf 35,7 Tsd. ha Wald durchgeführt.

## Los acontecimientos más importantes del año

El año 2014 fue extraordinario para la empresa nacional Lesy ČR. El señor Daniel Szórád fue asignado al cargo de director general el 14 de abril de 2014. A partir de ese momento comenzó el proceso de concursos abiertos con el fin de ocupar cargos de gerentes. A principios del mes de junio, la dirección de la empresa estaba ya completa. Václav Lidický ocupó el cargo de director técnico y de producción, Igor Kalix el cargo de director administrativo, Radovan Srba director comercial, Karel Buchta director económico.

La nueva dirección de la empresa aplica el método de pedidos o servicios abiertos y transparentes, con el fin de cancelar todos los contratos no beneficiosos o reducir los precios exagerados de servicios subcontratados, hasta en 50 por cientos del precio inicial.

Respecto a la gestión de actividades económicas silvicultoras y del control de cursos de agua más menudos, ha sido un año estándar. El tiempo transcurrido desde que la nueva dirección comenzó sus actividades hasta que se declaró el concurso de cinco años para actividades silvicultoras en 27 unidades territoriales contractuales fue muy corto, no obstante a ello aumentó el número de unidades territoriales contractuales para un pedido íntegro en la esfera de silvicultura. En especial aumentó el número de unidades territoriales contractuales asignadas al pedido íntegro de silvicultura. En otras tres unidades territoriales contractuales la actividad de cultivo fue separada de la extracción, en calidad de prueba por el tiempo de un año. En los contratos se ha incorporado una novedad, el aspecto de un empleo transparente. Los socios contractuales, de este modo, tienen un nuevo deber - informar con regularidad sobre las personas que participan en la realización del pedido. Otra novedad para los socios contractuales es la obligación de vender un determinado volumen de madera redonda de pino por medio del sistema electrónico de subasta de la empresa Lesy ČR.

Conforme a la legislación vigente y a los planes económicos autorizados para la silvicultura, en 2014 también se han ido asegurando continuamente todas las actividades relacionadas con el cuidado correcto del bosque. La empresa Lesy ČR fue supervisada en los marcos de la certificación de bosques en el sistema PEFC y tuvo éxito en estas inspecciones. La empresa, de este modo, ha comprobado que su actividad económica realizada en los bosques administrados puede ser conservada continuamente.

El año 2014 se puede considerar bien favorable hasta del punto de vista de las calamidades naturales que eran mínimas. En el mes de mayo hubo un viento fuerte y precipitaciones intensas. Los daños causados por estos fenómenos afectaron 250 mil m<sup>3</sup> de madera en las provincias de Moravia y Silesia y Zlín. Eran tan solo unas cuantas calamidades regionales con el 13,8% de participación en el volumen total de extracción. La parte del volumen afectado por escarabajo de la corteza se ha mantenido en el nivel de los años anteriores. Se ha detectado la presencia de escarabajo de la corteza en Moravia de Nordeste más que en otras regiones. En el segundo semestre del año ha acelerado considerablemente la tramitación de solicitudes de entrega de bienes eclesiásticos, conforme a la ley sobre restituciones eclesiásticas. Al final del año, la empresa Lesy ČR formalizó con derechohabientes acuerdos sobre la entrega de terrenos cuya superficie total representa 56 878 ha y 163 obras.

En 2014 la empresa Lesy ČR organizó en torno de 950 lecciones, debates, excursiones y otros eventos para la población con el tema del bosque y la silvicultura. En estos eventos llegaron a participar en total 134 mil visitantes. La empresa Lesy ČR también participó, en el transcurso del año, en eventos a nivel nacional y en diciembre de 2014 transfirió a la cuenta del Banco Nacional Checo, en los marcos de la segunda cotización financiera al presupuesto nacional, un total de 6,5 mil millones de coronas como parte de sus recursos financieros libres.

La empresa nacional Lesy ČR finalizó el año 2014 con el resultado económico antes del impuesto de 8,0 mil millones de coronas. Esta suma refleja también la reserva para el cultivo creada en los años anteriores, de 1,9 mil millones de coronas. El volumen total extraído de los bosques nacionales en 2014 fue 7,975 millones de m<sup>3</sup> de madera. A la vez se ha logrado renovar 13,6 mil hectáreas de bosque, de ello la parte de maderables de bonificación y fortalecimiento, en el primer restablecimiento, formando el 42,8 por cientos. La educación intensa de vegetaciones hasta los 40 años de edad se refería a 35,7 mil hectáreas de bosque.



## Notes

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