

## ACTIVITY REPORT

# 2019







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# 01

## HIGHLIGHTS OF THE YEAR – INTRODUCTORY REMARK



Dear readers,

this document will briefly acquaint You with the activities of the state company Lesy České republiky in 2019.

The main forestry theme in this period has once more been a bark beetle calamity and for our company measures, that will slow it down

or stop it under suitable climatic conditions. At the same time the effects of the drought had to be mitigated.

Lesy ČR began to act according to the new management strategy valid from 1 September 2019 to 31 December 2024 which was created especially with the solution of the calamity in

mind. Thus changing significantly the business model of the company.

The company started independently trading wood in greater volume. In 2019 it was 1.6 million m<sup>3</sup> with a plan to gradually increase this volume. Forestry public contracts were divided according to the area affected by the calamity. The company has prepared



**Josef Voják**, Chief Executive Officer of Lesy České republiky

an extension of the area managed by forest units. Instead of 81 thousand hectares of forest land, they started managing 140 thousand hectares from January 2020. Within two to three years, after the gradual termination of contracts for the performance of forestry activities, the volume of cultivation and harvesting activities performed by forest units employees

will also increase and the stage of processed wood will almost double. We have also taken measures in our own wood production, specifically in commissioning the processing of wood, for which no contractual partner is interested and which fails to sell at auction. In this case, the economics of sales is not the main thing, the slowdown of calamity is crucial. Wood

is therefore harvested regardless of whether it has a buyer. In auctions, we also set price caps and introduced a minimum price list. We pay attention to its strict observance and behave in a commercial and responsible manner. As I have already mentioned, the only possible way to gradually manage the calamity and preserve the forests were and are interventions against

bark beetles. In relation to this, Lesy ČR in 2019 harvested the historically largest volume of wood, a total of 13.9 million m<sup>3</sup>, of which 9.7 million m<sup>3</sup> was affected by bark beetles and 1.99 million m<sup>3</sup> was damaged by wind, of which a million by a march hurricane Eberhard. The crowded timber market, which has been sold at significantly lower prices for several years than before the calamity, has affected all timber sellers, including Lesy ČR. The company thus ended up in a loss in the year, albeit temporary, and did not pay any money to the state budget. We have secured overdrafts and can use other instruments, such as bonds, various bank loans, leases and more. Of course, the economic situation forces us to save more and significantly reduce unnecessary activities. On the other hand, we try to find new income opportunities and make the most of available funds and programs to co-finance our actions.

We also continued with reforestation. In 2019, we afforested 9,938 hectares with 60.019 million seedlings and

another 2,884 hectares we restored naturally. Despite last year's crop failure, we collected 104,799 kilograms of seeds from deciduous and coniferous trees in the forests.

The total number of 3,450 employees of the company did not change much year-on-year. However, we have carried out a corporate restructuring, so the number of traders increased in forest management units, units and regional head offices, most were from our staff, and we hired hundreds of seasonal workers during the season for the search and clean-up of bark beetle-infested trees. The largest personnel reduction concerned the Central Head Office, it involved dozens of job positions.

As at 31 December 2019, the forests of the Czech Republic managed land with a total area 1,226,332 hectares, of which there were 1,198,963 hectares of forest land. In 2019, approximately the rights to manage 127 hectares of land were transferred from Lesy ČR through transfer against remuneration

or barter. In 2019, Lesy ČR acquired land with a total area of approximately 1,002 hectares through purchases and exchanges for consideration.

On the basis of calls from authorized persons pursuant to Act No. 428/2012 Coll., on property settlement with churches and religious societies, as amended, in 2019, Lesy ČR issued lands to eligible persons for a total of area of 2,951 hectares. In 2019 based on court decisions Lesy ČR was returned land with an area of 2,234 hectares, which were originally issued by decision of the State Land Office to the Cistercian Abbey of Vyšší Brod.

Lesy ČR is implementing a public contract for the acquisition of a unified information system that will connect production and economic data. We will equip the staff with mobile devices that will allow access to forest management records and forest management books anywhere. The data will be used by all related applications. Therefore, their error rate will be significantly reduced and work will be facilitated,

## Reforestation



In 2019 we afforested 9,938 hectares with more than 60 million seedlings, 2,884 hectares we restored naturally.

## Wide Scope



Lesy ČR manage land with an area of more than 1,226 thousand hectares.

## Wood sales



We started independently trading wood in greater volume - in 2019 it was 1.6 million m<sup>3</sup>

Despite last year's crop failure, we collected more than 100 tons of seeds from deciduous and coniferous trees.



 **we return water to the forest**

In the spring, we launched the largest water management program, which creates ponds, wetlands, retention reservoirs and meandering streams.

## Forest Renewal Day 2019



On 19 October 31 thousand people came to 14 places in the Czech Republic to support educational event Forest Renewal Day.



especially with maps and geographical materials. The company gained over CZK 200 million from the Integrated Regional Operational Program. The subsidy will cover more than two thirds of the costs.

The year 2019 was completely exceptional in communication with the public. In the spring, we launched a successful multi-year water management program [#wereturnwatertotheforest](#), the largest in the company's history, which creates ponds, wetlands, retention reservoirs and meandering streams. In the woods they also hold water in the landscape. Last year, we completed a hundred projects for almost a quarter of a billion crowns and we are preparing 150 more.

We have offered the public to buy a larger volume of wood, especially salvage felling, which people can process themselves in the forest, or buy it already processed in the warehouse. The aim is to respond to public demand and increase the

consumption of wood as a renewable raw material.

We have also established the New Forest Club for everyone who wants to know how the landscape is changing today, what forests are there being planted and want to take part in the renewal. For example, on 19 October, when on the Forest Renewal Day 31 thousand people came to 14 places in the country - there were families with children, scouts, students, Olympians, journalists, associations and clubs including tourists and seniors. We were also supported by a number of celebrities - for example by Jiří Bartoška, Dagmar Pecková, Martin Doktor, Šárka Kašpárková and by many others.

In 48 places in the country, in regions, where drought and bark beetle calamity wither and die woods during the year also met representatives of Lesy ČR with representatives of governments, private forest owners and the public and discussed with them the state of the forest and its future.

At the end of the year, we prepared a non-traditional calendar of the Lesy ČR called Out of Love for the Forest, in which twelve celebrities, including Arnošt Goldflam, Petr Čech, Kateřina Neumannová and Antonín Kratochvíl expressed their relationship to wood and thus to the current reforestation. Everyone gave up their fees. The pictures of the celebrities were taken by students of the University of Creative Communication Prague under the guidance of Tomáš Třeštík.

In conclusion, I would like to thank all colleagues and business partners for their patience, personal commitment and perseverance in solving everyday problems and exceptional situations - in 2019 and in the present time.

Sincerely



**Josef Vojáček**

Chief Executive Officer of a state company Lesy České republiky

# 02

## ABOUT OUR COMPANY AND SELECTED ECONOMICAL INDICATORS



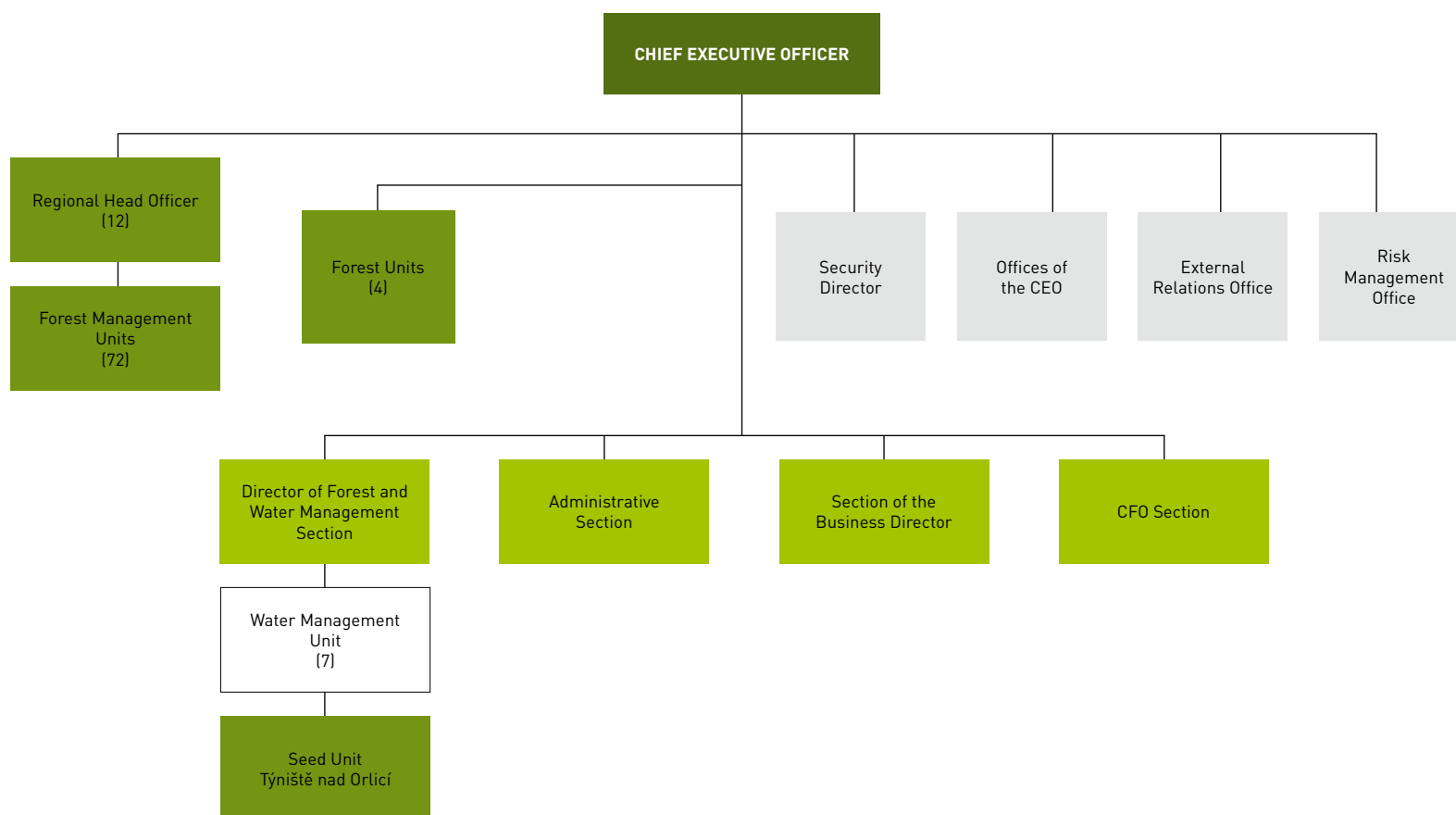
The state company Lesy České republiky manages more than 1.2 million ha of forest property owned by the state and takes care of more than 38 thousand kilometres of small watercourses and small water reservoirs.

The basis of the company's forestry strategy is sustainable management of forests based on the maximum use of the productive forces of nature. The aim is to create stable, high-quality, species, spatially and age-group mixed forests.

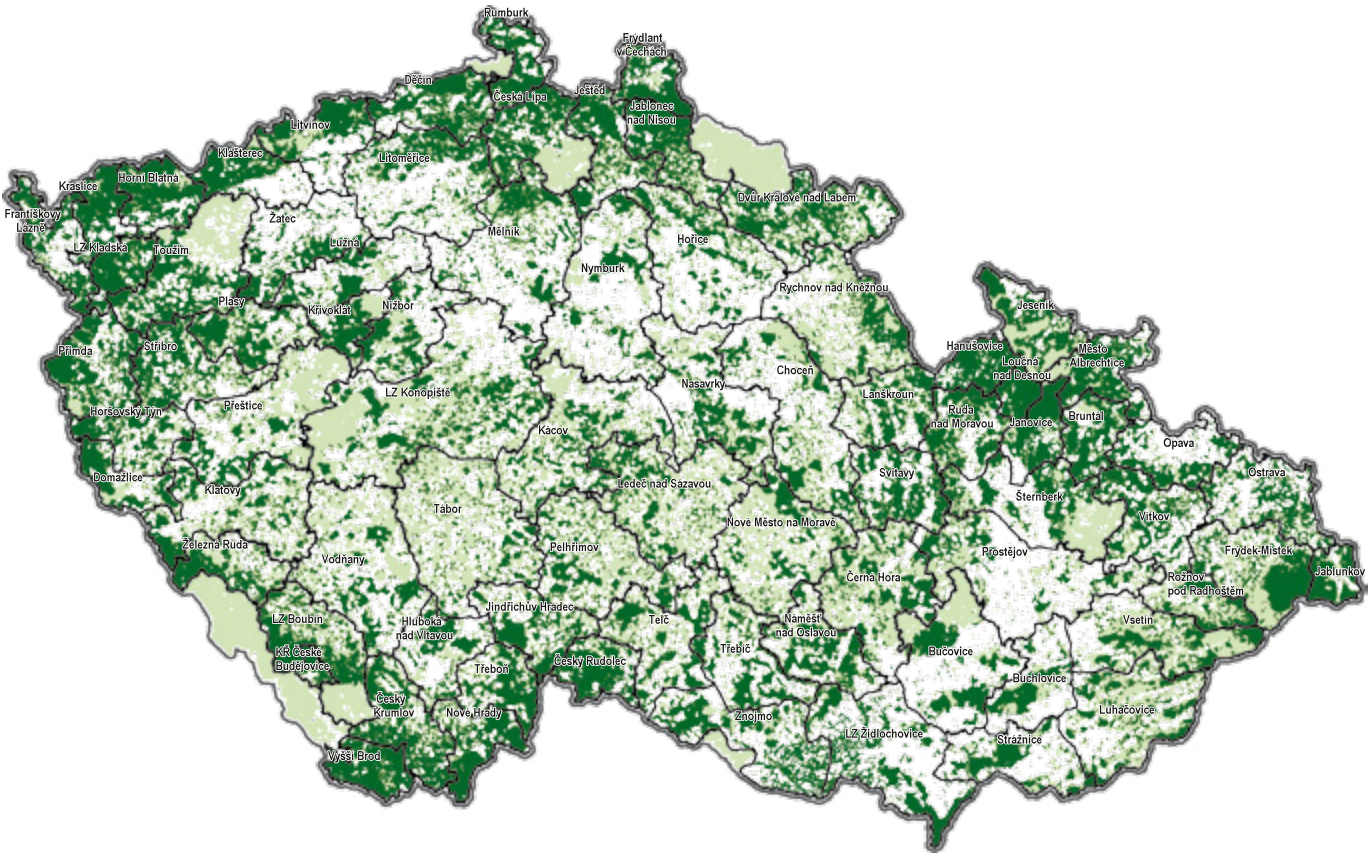
Chosen economic indicators  
(in millions of CZK)



## Basic Organizational Structure as of 31. 12. 2019



## Overview of Assets



- Boundaries of forest management units/forestry units
- Czech forests managed by LČR., s. p. (31 December 2019)
- Forests under other ownership or management

# 03

## FOREST MANAGEMENT



### **Gene pool of forest tree species – we think of the future**

Care for the gene pool of forest trees and ensuring a sufficient amount of quality reproductive material is one of the priorities of the Lesy ČR. Seed Unit Týniště nad Orlicí is dedicated to ensure a sufficient amount of quality seed.

In 2019, more than 100 tons of seed material were collected. Weather and pests negatively affected the seed yield, yet we managed to collect the necessary amount for the planned artificial reforestation.

## Research Support

**14/7**

In 2019, CZK 14 million was spent on completing current projects and 7 new projects were newly accepted.

## Certification



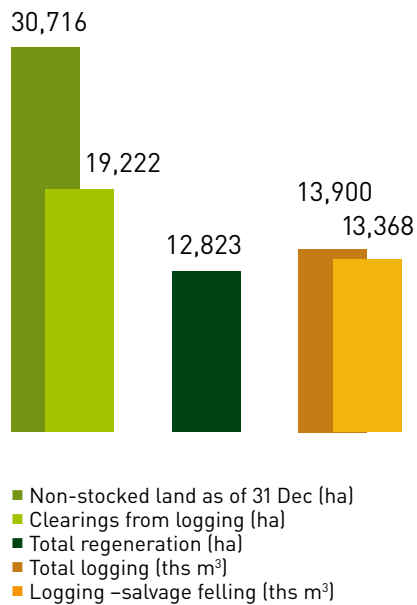
We participate in the forest certification by the PEFC system.

## Care of stands stability

**>61%**

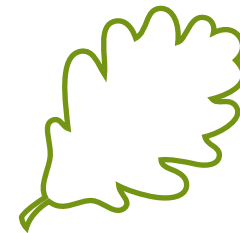
The share of improving and stabilizing species from the first artificial reforestation was more than 61%.

### Selected economic indicators



During the reforestation of approximately 13 thousand hectares, we planted more than 60 million forest tree seedlings, of which almost 2 million were grown in nursery facilities of LČR.

### Professional forest management



At the end of the year, the company's employees performed services for small forest owners on more than 281 ths ha.



## Forest cultivation

The cultivation of forests managed by the Lesy ČR is based on the principles of sustainable management in compliance with all legal provisions and the rules laid down for the certification of forests by the PEFC system.

The share of improving and stabilizing species from the first artificial reforestation was more than 61% - significantly more than required by law.

## Forest protection

From the climatic point of view, the year 2019 was extremely unfavourable - the temperature was above normal and the precipitation was below normal. Adverse conditions lasted throughout the whole growing season for forest trees, long-term water stress negatively affected their health.

The total amount of salvage felling was 13.4 million m<sup>3</sup>, the vast majority involved coniferous trees. The greatest damage was caused by wind (especially the hurricane Eberhard) and drought.

The spread of the calamity situation caused by bark beetles on spruce continued. 9.7 million m<sup>3</sup> of standing trees infested bark beetle was processed.

## Research support - Grant Service of the LČR

Forest research has long been supported through the LČR Grant Service. In 2019, CZK 14 million was spent on completing current projects and 7 new projects were newly accepted.

Making research results available, which is often of great importance to other forest owners and other institutions, is one form of public interest promotion.

Approximately 113 ths classic trap trees, 15 ths standing trap trees, 51 ths traps and 71 ths poison traps were used as defensive measures.

# 04

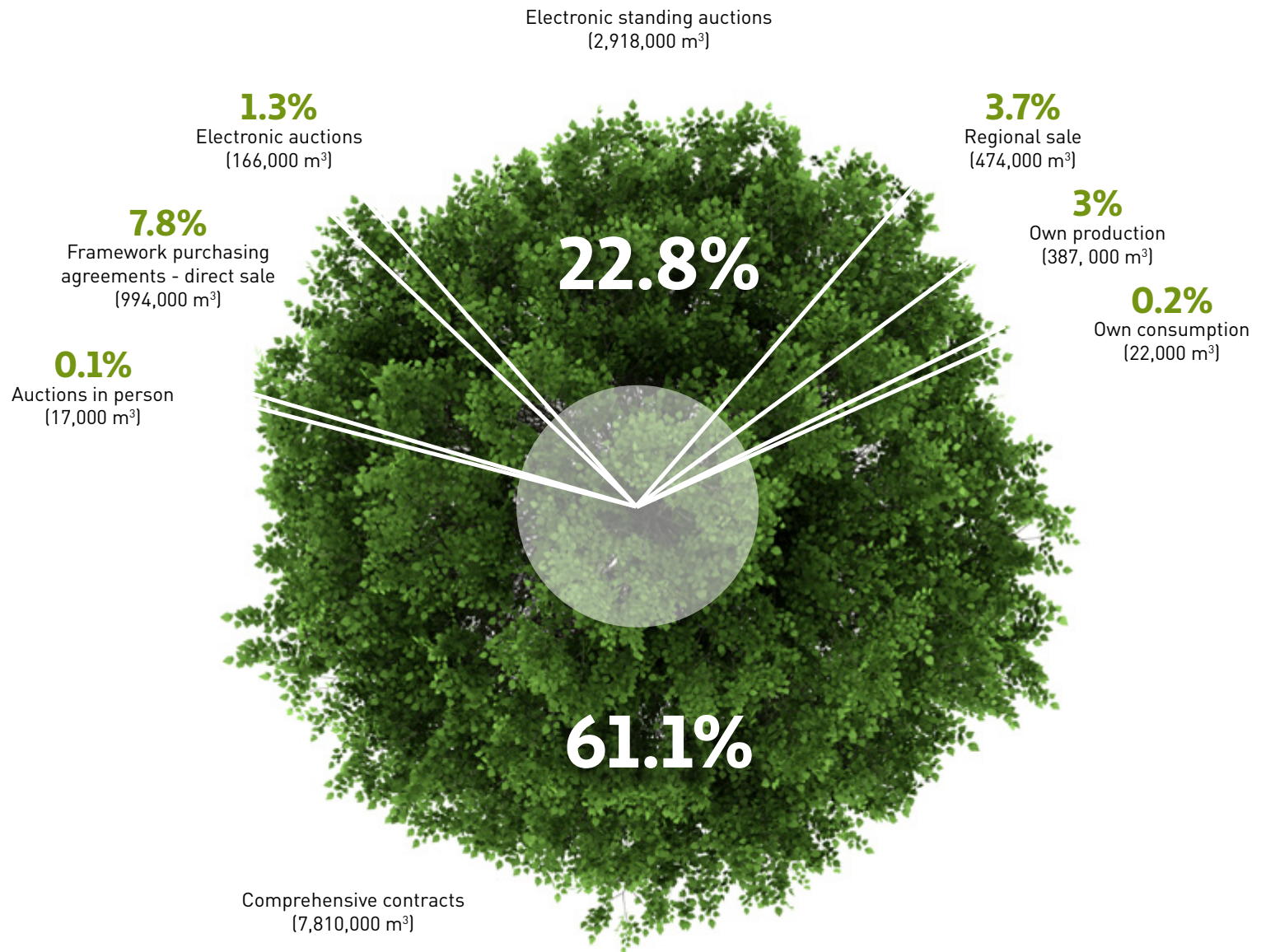
## CONTRACTUAL RELATIONS IN FORESTRY AND BUSINESS ACTIVITIES



In the second half of the year, the company changed the established method of awarding forestry contracts from previous years. The procurement procedure for contracts valid from 1 January 2020 took place in accordance with the new Development Strategy of Lesy ČR valid from 1 September 2019 to 31 January 2024.

The company started independently trading wood in greater (1.6 million m<sup>3</sup> in 2019) with a gradual increase in volume in the future.

## Volumes of Timber Sales by Individual Sales Channels in m<sup>3</sup>



## Selling logging residues

Logging residues were sold through three sales channels:





**>80**

## **Business Partners**

At the end of the year, contracts were concluded for the sale of wood with more than 80 business partners.

# 05

## WATER MANAGEMENT



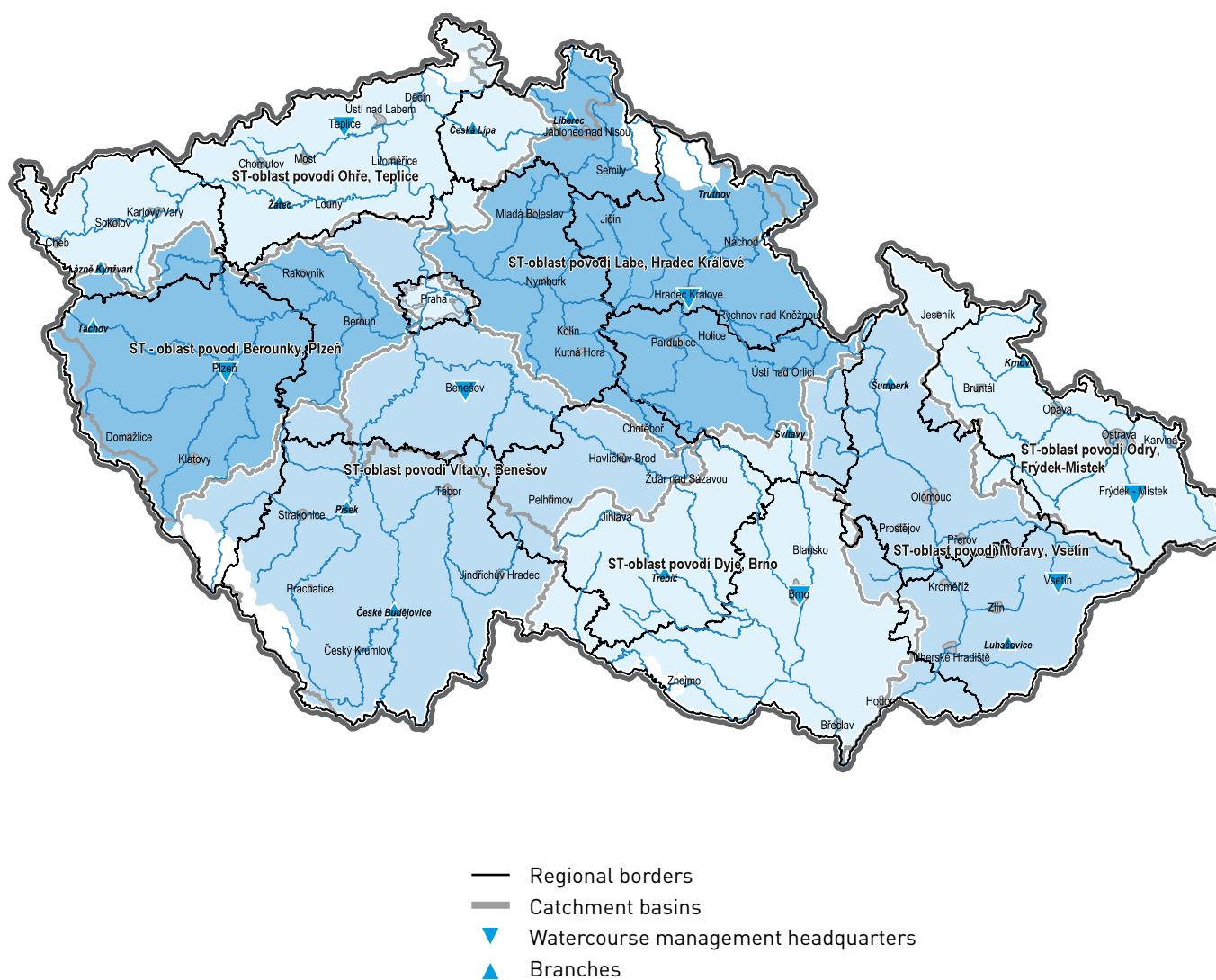
The management of small watercourses is another important role of the company. The activity is performed through seven Water Management Units (WMU) with geographical competence determined by the river basins. The main activities were the modification of watercourses, measures to retain water in the landscape, flood control

and anti-erosion measures or care of riparian vegetation.

To support water retention in the landscape, a multi-year project „We return water to the forest“ was announced. Within its framework, a number of ponds, wetlands, retention reservoirs or meandering streams are being created.

The management of watercourses and the implemented measures (repairs, reconstructions, new investments) are financed mainly from the company's own resources.

## Geographical Scope of LČR's Watercourse Management



**Within the project „We return the water of the forest“, over 100 constructions were implemented or started and almost a quarter of a billion crowns were invested.**



## Some completed projects:

- water reservoir Kančí obora (WMU Dyje) was evaluated by the Water Management Association of the Czech Republic as water management structure of 2019 (in the category up to CZK 50 million) /1
- revitalization of Zádolský stream (WMU Labe) /2
- reconstruction of the discharge device in a water reservoir Sedlinka (WMU Odra) /3
- revitalization of the peat extraction site Hrdlořezy (WMU Vltava) /4
- repair of the riverbed fortification Nedašovka (WMU Morava) /5
- reconstruction of historic water reservoirs Jordán u Přestic (WMU Berounka) /6
- water reservoir maintenance Býčkovice (WMU Ohře) /7

### Watercourse management

**38,400**  
**977**

**At the end of 2019, we managed 38.4 thousand km of watercourses and more than 977 small reservoirs.**

### Funds expended for watercourse management

**>620**

**The total funds spent amounted to more than CZK 620 million.**



1



2



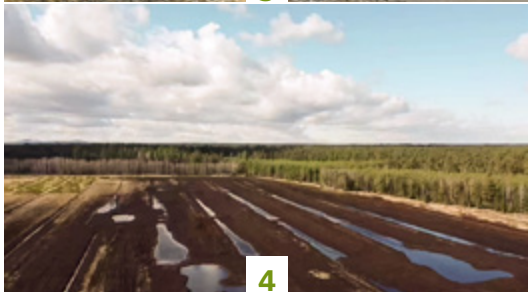
3



5



6



4



7

# 06

## SUPPORT OF NON-PRODUCTIVE FOREST FUNCTIONS



A number of tools are used to ensure public interest objectives, which are an important part of a company's activities. One of them is the Agenda 2020.

Most funds were invested in the care of water resources and wells, care for biodiversity, aesthetic landscaping and maintenance of buildings for the public.

**The costs for the implementation of the Agenda 2020 amounted to more than CZK 24 million.**



- newly built retention reservoir Pod Hůrkou (Forest Management Unit Frýdlant v Čechách) /7
- pond in the forest stand (Forest Management Unit Ještěd) /8



# 07

## NATURE AND LANDSCAPE PROTECTION AND COOPERATION WITH NON-GOVERNMENTAL ORGANIZATION



Within the framework of an agreement between Lesy ČR and the Nature Conservation Agency, we cooperate in defining non-interference zones and their monitoring.

A new non-interference zone was declared - Rašeliniště Jizery (Forest Management Unit Frýdlant v Čechách).

We have long-term cooperation with a number of non-governmental organizations. These include, for example, cooperation with the Czech Tourist Club in marking tourist routes, the Czech Union for Nature Conservation or the Lower Morava Biosphere Reserve, public benefit company.

### Protected sites



We are the most important administrator of protected sites in the Czech Republic.

### Lesy ČR

44%

The overall share of specially protected sites and Natura 2000 sites on the land which Lesy ČR is entitled to manage is 44%.

### Forest park



We participate in the establishment and activities of forest parks (Křivoklátsko, Bezděz, Podkomorské lesy).

# 08

## CAPITAL CONSTRUCTION



The most significant items were investments in construction work (more than CZK 545 million) and investments in land purchases and other matters related to capital construction or forestland consolidation, which exceeded CZK 192 million.

Of investments in intangible assets, investments in the renewal of forest management plans accounted for the largest share (over CZK 71 million).

**The volume of total invested funds reached CZK 911.6 million.**



Over 70% of the volume of funds was invested in constructions carried out primarily in the public interest.

**>70%**

■ forest road Švýcarská /9



# 09

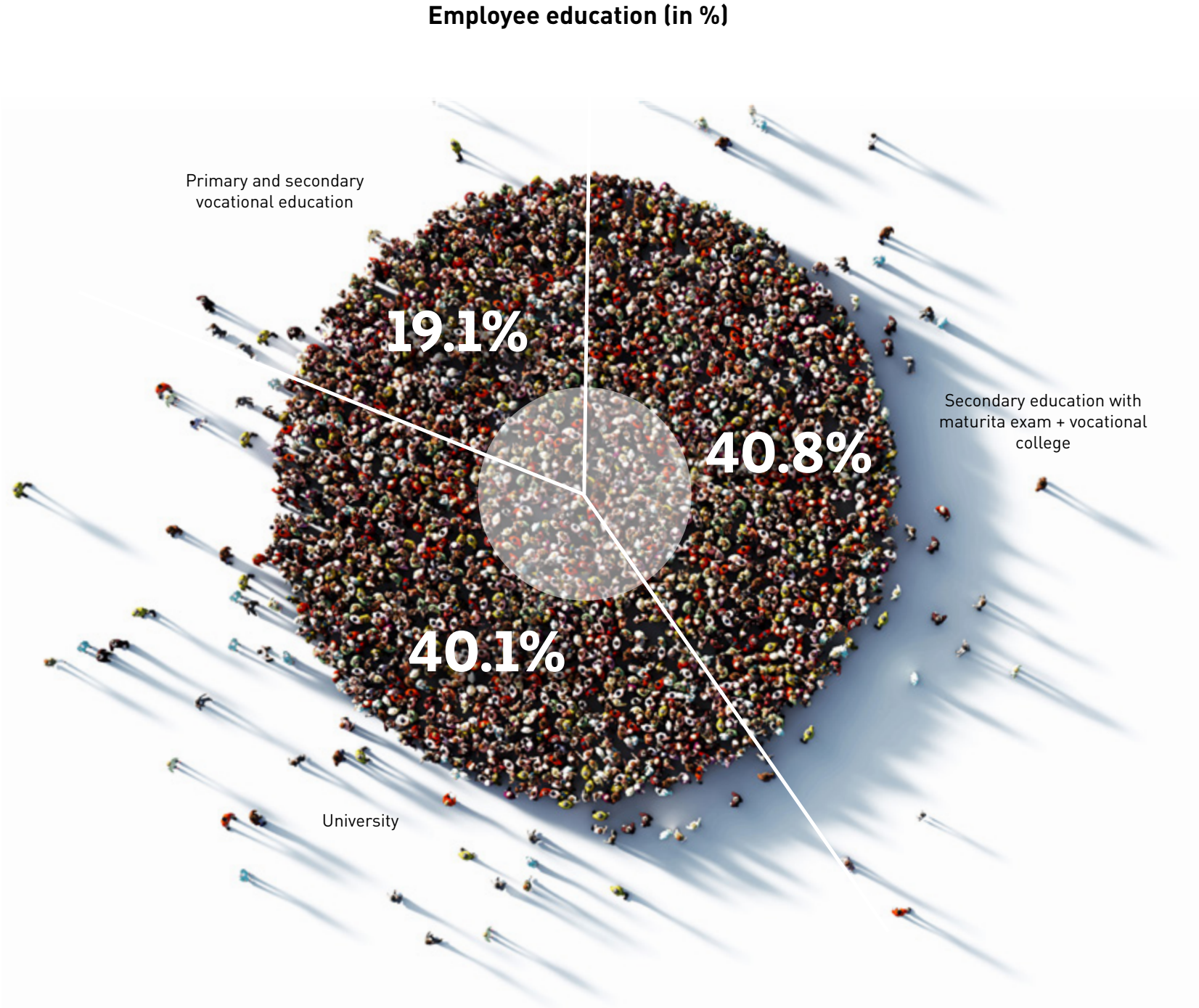
## THE MOST IMPORTANT EMPLOYER IN THE FIELD



We appreciate the high expertise of our employees, we provide opportunities for graduates, especially from schools with a forestry focus. We support further qualifications and take care of professional growth.

We are aware of the complexity of the tasks facing our employees and we appreciate their work, for which we try to provide the best possible facilities.

The company employs more than 3,400 employees. Average earnings exceeded CZK 38,000.



# 10

## PUBLIC RELATIONS



The main goal was to introduce to the general public the so-called forests of the new generation, which we plant and will be in many ways different from those that are dying in connection with drought and bark beetle calamity.

It was important to gain public support for the rapid restoration of forests.

We bet on a mix of modern communication tools with an emphasis on the use of social networks.

**The New Forest Club has become a new platform - a program for those who are regularly interested in restoration.**

„Create a landscape with us and plant forests for future generations.“



# **weplantforestsofnewgeneration**

The culmination of communication activities was the Forest Renewal Day, during which 31,000 participants planted up to 162,000 seedlings.



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