

Activity Report



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www.lesy-cr.cz

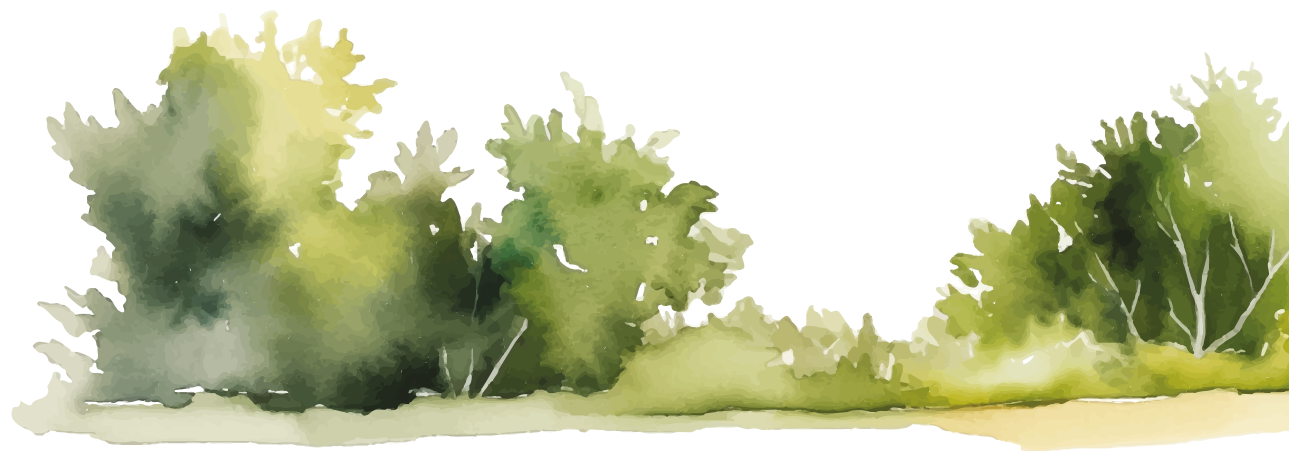


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Introductory Remarks



Dear readers,

2024 was a successful year for Lesy ČR thanks to strategic decisions and effective management, and important on the way to long-term stability.

The preparation of the Medium-Term Development Strategy of Lesy ČR for the period 2025 to 2029, and its December approval by the Supervisory Board, was essential.

With a slight increase in sales, the company achieved great economic results, after tax and without reserves influence, amounting to CZK 3.6 billion.

This is evidenced, among other things, by the responsible cost management. The volume of bark beetle infested wood felling was reduced to 49% of year 2023 and the restoration of forest stands continued, with the predominance of deciduous trees. We processed four percent more timber than in 2023, with intentional logging primarily related to our support for natural regeneration and species diversity in forest stands, as well as to cultivation of young forests planted after the calamity. A key focus was also on continuing to reduce wildlife damage. Less than two years in, the positive results of our decision to retain approximately 25% of our hunting grounds under direct management have become evident. Naturally regenerated trees are gradually growing, and we also incurred lower costs for protecting young forest stands from wildlife. I would especially like to thank the employees of Lesy ČR for their personal initiative and professional approach that made this possible. We will continue in this trend, adjusting both the number

of company-managed hunting grounds and the intensity of ungulate hunting, particularly with regard to forest conditions, while remaining aware that wildlife is an integral part of forest ecosystems.

The increased intensity of game hunting is closely linked to the sale of venison. In addition to the 60 distribution points we operate across all regions, we launched full operations at two high-capacity venison processing facilities in 2024 – one in Klíny in Krušné Hory and the other on the grounds of the Židlochovice chateau. The public can now purchase fresh, portioned venison from Lesy ČR for immediate consumption as well as meat products made from it.

After many years of an unchanged approach to game preserve management, we have newly developed a Concept for the Development and Administration of Our Game Preserves and Enclosed Breeding Grounds. This document not only defines the

principles of management but also sets out their specific purpose and objectives. Preserves with exceptional historical, breeding and landscape value will remain under the company's direct management.

A key annual topic is the contribution of Lesy ČR to the state budget. In 2024, it amounted to CZK 3.5 billion. Starting in 2025, we will follow the concept of "safe annuity" for determining a responsible level of payment to the Founder's Fund. This approach is part of the Medium-Term Development Strategy of Lesy ČR for 2025 – 2029. It ensures that the state can rely on a stable income while the company is protected from the risks of unplanned or excessively high financial outflows that can jeopardize its operations.

The importance of being prepared for calamities and unexpected events – and having reserve resources – became clear after the September floods last year. Flooding in forests, particularly

in the Moravian-Silesian and Olomouc regions, damaged watercourses, roads, and even forest stands. Lesy ČR calculated the damage at CZK 3.2 billion, and the restoration of forest infrastructure and water management structures is expected to continue at least until 2030.

The company is financing all of this mostly from its own resources. In response to the situation in the affected regions, we also decided – immediately after the floods – to donate and provide free transportation of 5,000 cubic meters of firewood to 680 households selected by mayors in the 35 hardest-hit municipalities. By Christmas, people were already heating their homes with this wood.

Regarding the company's financial management, it is worth mentioning that by the end of the year, majority of Lesy ČR's financial resources – except for the operational accounts of individual organizational units – were

transferred under the management of the Czech National Bank. This step was made in accordance with the amendment to the Budgetary Rules Act.

The year 2024 was also a successful one for Lesy ČR in terms of business. The timber market remained relatively stable as regards prices as well as supply and demand. We succeeded in fully meeting our planned timber delivery targets and were able to satisfy the consistently high demand for the most important tree species and assortment. We supplied more than 500,000 cubic meters of timber to domestic regional wood-processing enterprises.

Approximately one third of the timber sold by the company as roadside depots is processed using our own harvesting capacities, which are located at the forest enterprises. Their main advantage lies in their operational flexibility and ability to respond quickly in the event of calamities. A notable new

development, effective from January 2025, is also creation of a division form the former Forest Machinery Enterprise based at the Boubín Forest Enterprise. Our internal capacities are closely linked to the company's timber trade. During the calamity years, this direct trade proved to be more economically effective compared to comprehensive contracts or auction sales. Today, it is on the same level with those methods. I see it as an important preventive measure for potential future calamities and a strong stabilizing element in the domestic raw timber market. That is why it is essential to maintain a certain share of in-house production and direct sales. In terms of pricing policy for direct sales, we hold about a 20% share of the Czech market and we aim to remain in line with general market price levels. We are sending a clear message to our business partners that we are, and will remain, a 100% reliable supplier capable of meeting domestic demand. We would also like to continue maintaining positive and professional



DIGITALIZATION PROCESSES

Forest Manager application has simplified communication for 230,000 private and municipal forest owners and managers, for whom our foresters act as professional forest administrators.



500,000 m³

Timber Delivery

We met our planned timber delivery targets and satisfied high demands by supplying over 500,000 m³ of timber to domestic wood-processing companies.



RENEWABLE ENERGY

We signed a memorandum of cooperation with ČEZ focused on preparation, construction and operation of wind farms on lands managed by Lesy ČR.



relationships – not only with our contractual partners, but also with other institutions with whom we signed cooperation memoranda in 2024. These include, for example, the Dvůr Králové ZOO, the Czech Forestry Academy in Trutnov, the scout association Junák, the Masaryk Forest School in Křtiny and others. In the area of renewable energy, we signed a memorandum of cooperation with ČEZ focused on preparation, construction and operation of wind farms on lands managed by Lesy ČR. In 2024, we also concluded an agreement on procedures for property settlement with the Czech Road and Motorway Directorate and the Railway Administration. This will accelerate the development of transport infrastructure.

In 2024, the Office for Government Representation in Property Affairs transferred approximately 1,300 hectares of forest land to Lesy ČR based on a resolution by the Government of the Czech Republic. These are forests where ownership or co-ownership is unclear.

Isolated plots detached from larger forest complexes, which are difficult to manage and have no practical use for us, will be either sold or exchanged. As for land exchanges, we continued negotiations with major forest owners – particularly towns, municipalities and churches – building on the completion of most restitution processes. This led to extensive mutual land consolidation, helping to unify fragmented property holdings.

We also focused on digitizing all our operational processes. One example is the Forest Manager application, which has simplified communication for 230,000 private and municipal forest owners and managers, for whom our foresters act as professional forest administrators.

Lesy ČR also continued to support applied research. Within the Grant Service Programme, 27 projects were active, and we signed new contracts to fully fund an additional eight projects

with a total value of CZK 14.4 million. We also continued our successful educational programme Adjunct for the Summer and recognized students from forestry secondary schools through the first year of the “Řeš les” (Solve the Forest) competition.

One of the most important non-productive functions of forests is recreation. As interest in hiking – particularly long-distance trails – has increased in recent years, we announced, at the beginning of the year, our plan to build twenty emergency shelters along these routes. This goal was successfully achieved, and by December we published a map featuring as many as thirty-one wooden shelters located in forests across the Czech Republic. In addition to cooperating with the Czech Tourist Club, we also work with the creators of Stezka Českem and Via Czechia trails.

In 2024, we invested CZK 2 billion, primarily into forest roads and water

management projects – especially within the “Vracíme vodu lesu”(Bringing Water Back to the Forest) programme. Under another initiative, “Lesy pro život”(Forests for Life), we completed the reconstruction of several historical structures, such as the wooden St. Anne lookout tower on Anenský Vrch in Orlické Hory and the historic Červený most (Red Bridge) in Babiččino údolí. For this successful project, we received a special award from the Czech Association of Civil Engineers in the Building of the Year of the Hradec Králové Region competition. We also plan to use wood as a primary material in the construction of the new Lesy ČR headquarters in Hradec Králové.

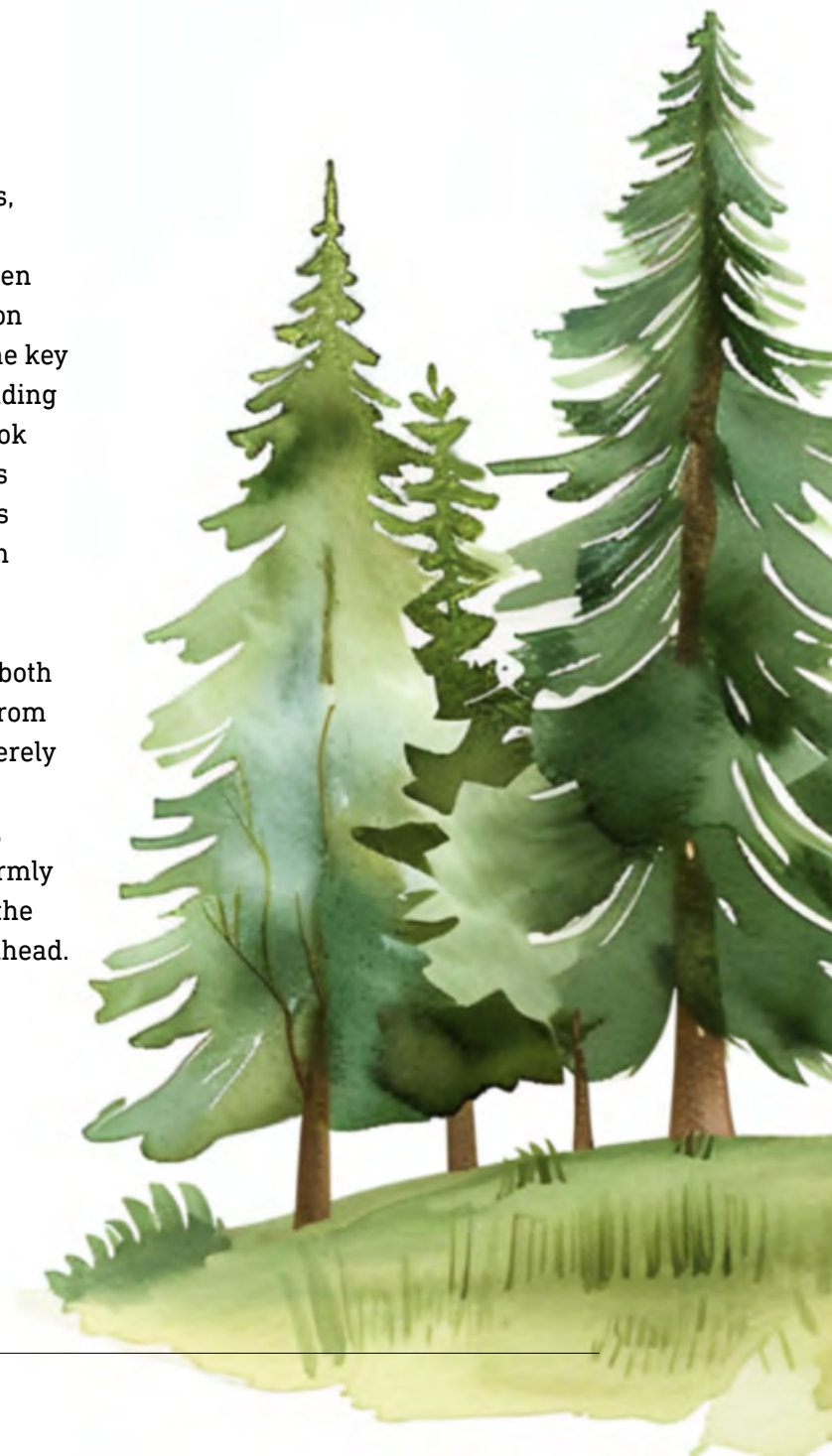
Therefore, we commissioned architects to update the project documentation. In 2024, the preparations advanced to structural design studies and building permit documentation. This revived the highly praised project of what will be the largest timber administrative building in the country.

We organized dozens of public and school events, including excursions, guided walks, forest education programmes in schools, and the “Den lesů nové generace”(New Generation Forest Day), where we presented the key current activities of foresters, including support for biodiversity. We also took part in producing 40 short episodes of the TV series “Kořeny lesa”(Roots of the Forest), which aired on Czech Television.

The strength of our organization – both internally and externally – comes from our employees. I would like to sincerely thank them for their year-round responsible and professional work, dedication and mutual support. I firmly believe that together we will meet the new tasks and challenges that lie ahead.

Long live forests!

Dalibor Šafařík
Chief Executive Officer
Lesy ČR, s.p.



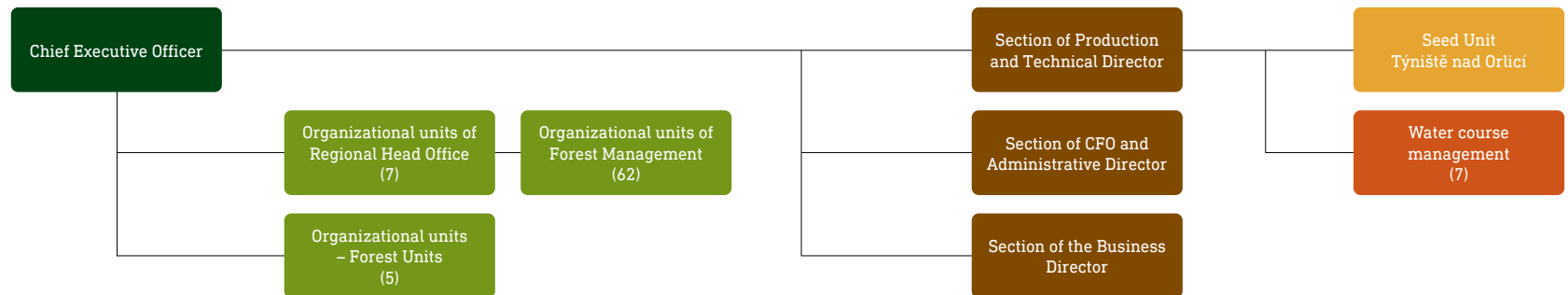
About our Company

The State Enterprise Lesy České republiky manages forest land with an area of 1,190 thousand ha and also manages over 38.5 thousand km of water sources and almost 1,100 small water reservoirs.

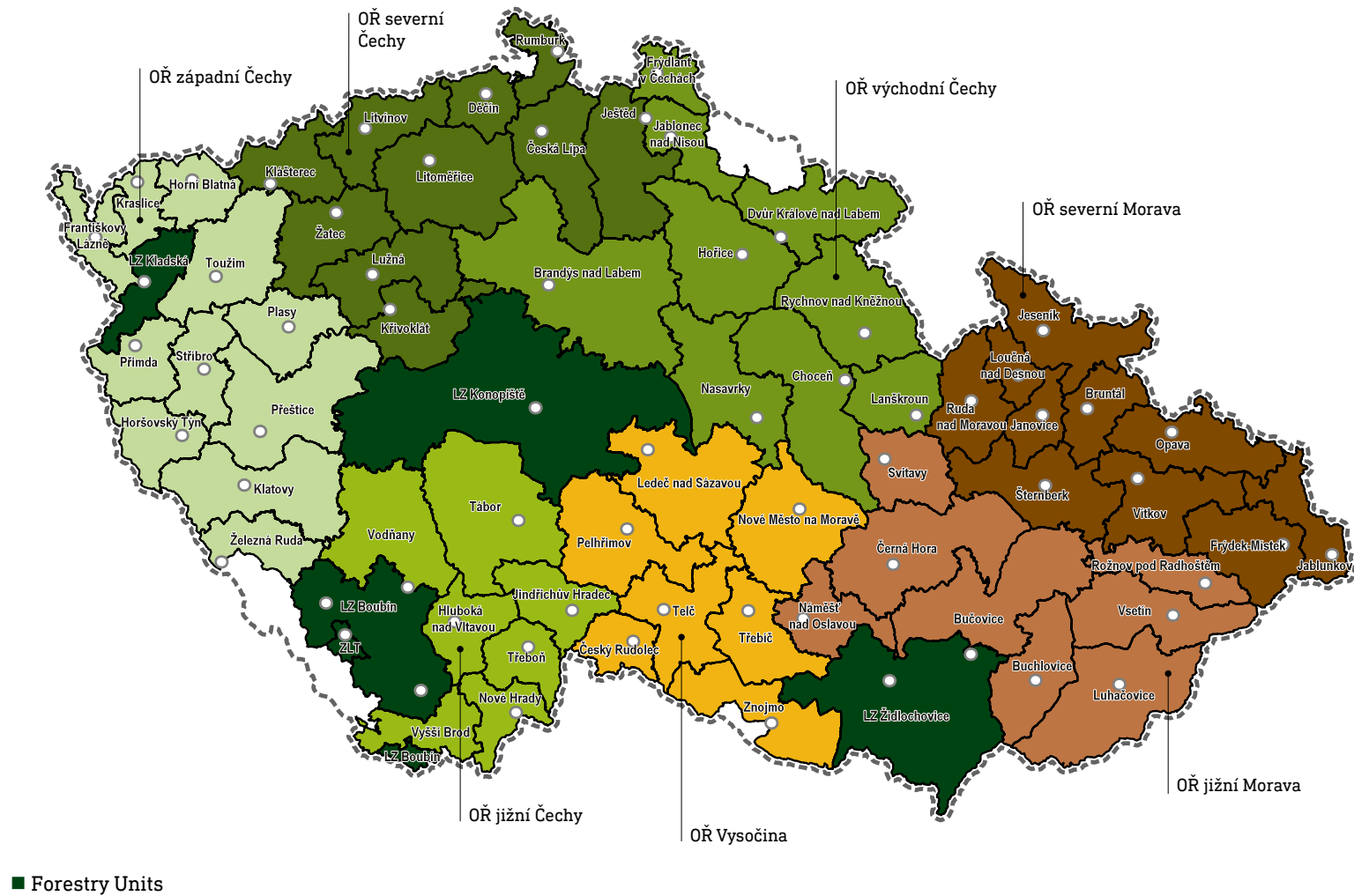
The company's basic forestry strategy is sustainable management with maximum use of creative forces of nature, cultivation of stable, high-quality diverse forests that are maximally resistant to climate changes. These principles are the prerequisite for sustained production of high-quality timber stock.

Forestry activities are directed in such a way as to create optimal balance between the fulfilment of all forest functions and the market economic environment.

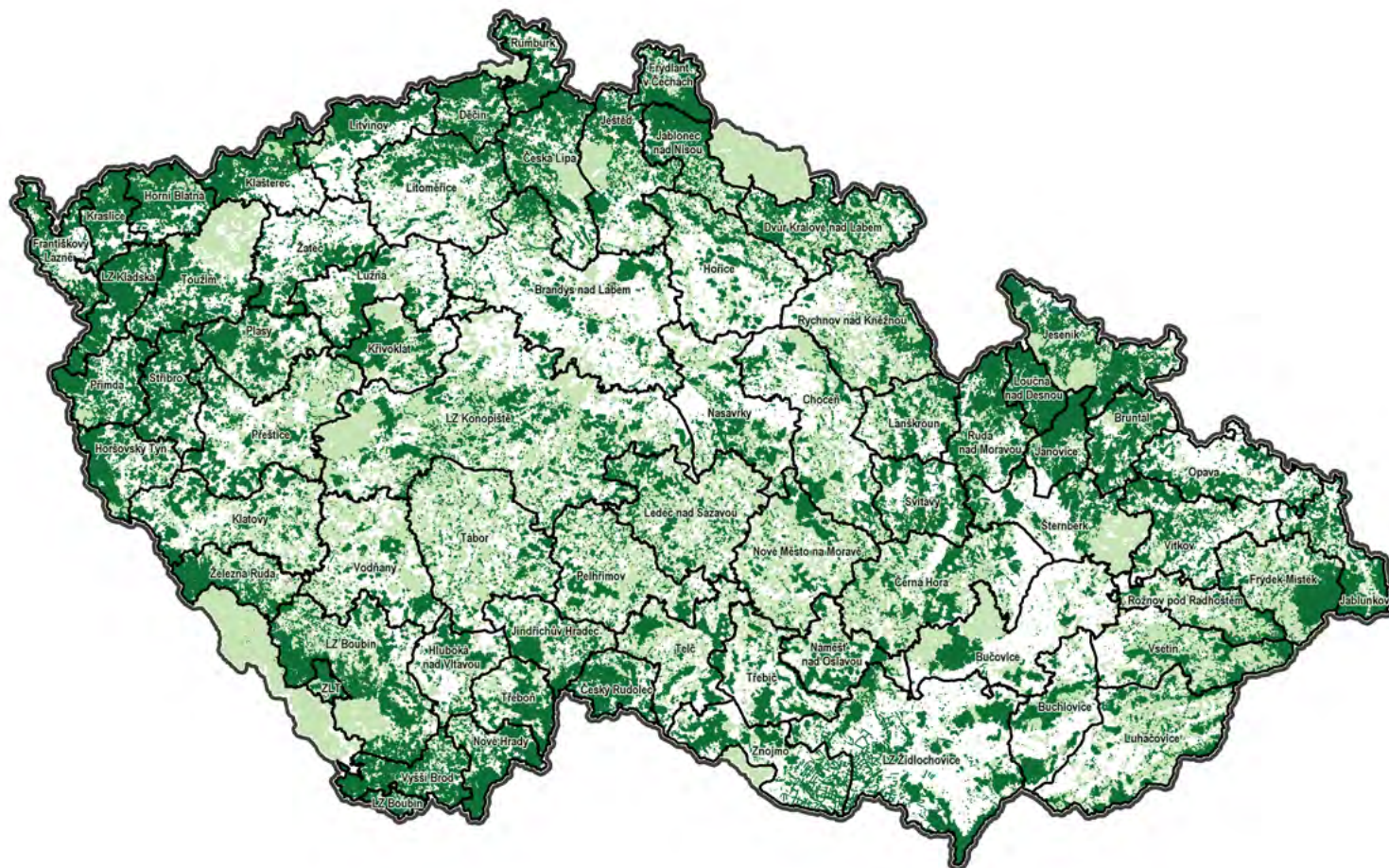
Basic Organisational Structure as of 31st December, 2024



Organizational Map of Lesy ČR



Overview of Assets



- Boundaries of forest management units/ forestry units
- Forests managed by Lesy ČR, s. p.
- Forests under other ownership and management

Selected Economic Indicators

16,210

Revenues from
operations
(million CZK)

11,192

Operational Cost
(million CZK)

**Profit/Loss
after tax
(million CZK)**

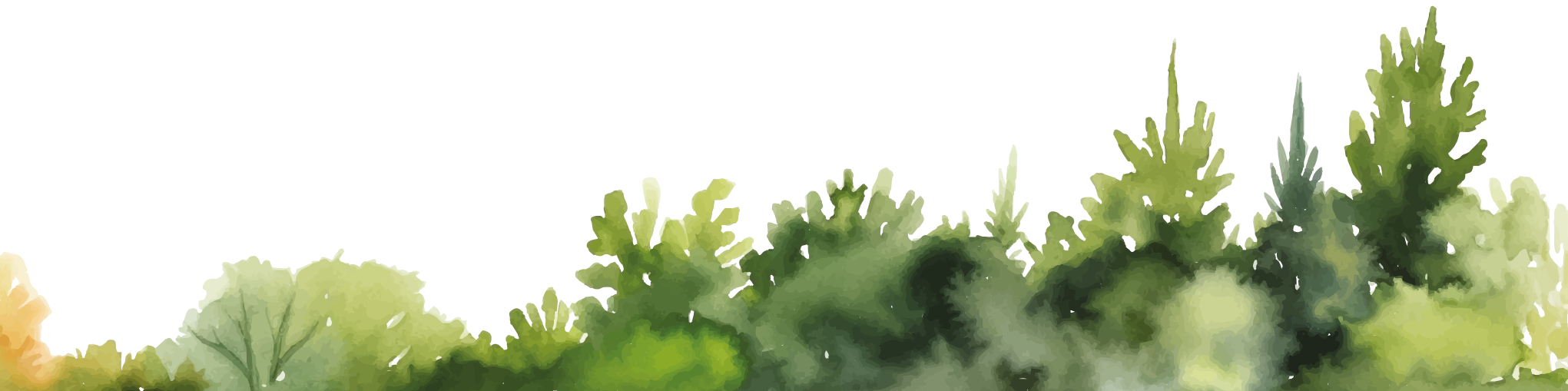
18,316

Total Revenues
(million CZK)


13,576

Total Cost
(million CZK)

4,740



Forest Management



The long-term forest cultivation practices under the management of Lesy ČR are based on the principles of sustainable forest management, in full compliance with all legal regulations and the standards set by the PEFC forest certification system.

Genepool of forest tree species

Thanks to our own Seed Unit in Týniště nad Orlicí, we manage to provide high quality seed material in sufficient amounts for artificial forest regeneration. Since 2024, the testing laboratory of the Seed Enterprise has

been an accredited testing facility specializing in quality testing of forest tree seed material.

Forest Cultivation

The acreage of the stand land amounted to 1,159 thousand ha in 2024. Forest renewal continued the long-term trend of converting monoculture into mixed species stands. During the artificial regeneration of the forests, the share of improving and stabilizing trees (deciduous trees, firs, Douglas firs and larch trees) in the first artificial restoration was 58%.

The share of natural regeneration in the first regeneration of the forest is constantly increasing, in 2024 it reached 44%.

311 t

In 2024, a total of 311 tonnes of seed material were collected within the company – 269 tonnes from broadleaf species and 42 tonnes from coniferous tree species.



165 t

Seed Unit

165 tonnes of seed material were processed at the Seed Unit.



Certification

Lesy ČR took part in PEFC forest certification system (Programme for the Endorsement of Forest Certification Schemes) also in year 2024.





PROFESSIONAL SERVICE

Lesy ČR perform the activities of professional forest managers for other owners on a total area of more than 276,000 ha.



SEEDLINGS PLANTING

As part of forest restoration of the forests, Lesy ČR planted almost 59,780 thousand saplings, of which 2,574 thousand plantable saplings were grown in our own nurseries.



13.7 million CZK

Research Support

Two biddings were announced in 2024 and the company supported 8 new projects. 13.7 million CZK were spent on implementation of 27 active projects.

Forest Protection

The total volume of salvage felling amounted to 2,900 thousand m³, majority of which were coniferous species. The worst damages by abiotic agents were caused by wind (processed 1,367 thousand m³). then draughts and other damages connected to draughts (almost 827 thousand m³).

Damages on spruces caused by bark beetle continued seeing decrease in processing. The total amount of processed spruce wood infested by bark beetle was 786.3 thousand m³ and over 10 thousand m³ of wood damaged by secondary infestations, which is a decrease of approximately 59% compared to the previous year

Research Support – Grant Service of Lesy ČR

The goal of supporting research is not only to improve efficiency and sustainability in forestry, water management and gamekeeping, but also to ensure that research results are practically applicable.

In 2024, the most actively supported projects focused on forest adaptation to climate change.

By publishing the final reports of research projects on Lesy ČR websites, in the Grant Service Section, the company fulfils the condition of public interest.

The year 2024 can be evaluated, from a climatic point of view, as above average in terms of temperature and precipitation.



Commercial Activity

Lesy ČR successfully implemented its plan to expand the customer base for hardwood sawlogs and pulpwood assortments.

The highest volumes of wood sold by Lesy ČR are realized from standing trees (55% share of wood

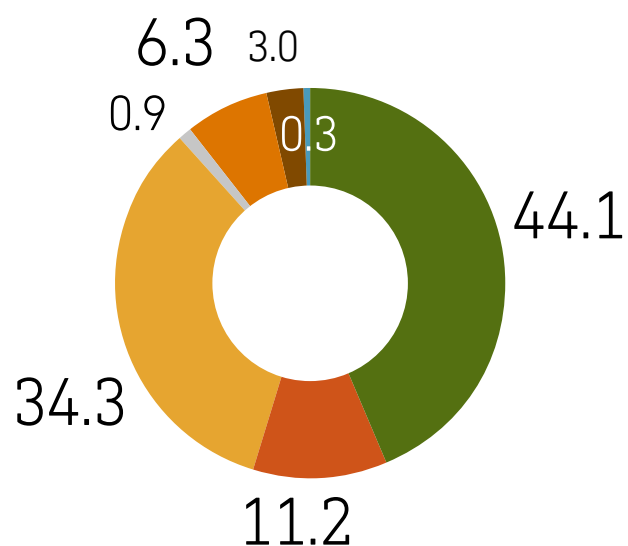
volume) generating 54% share of sales volume. The most significant share of sales was represented by comprehensive contracts with five-year terms. Sales under these long-term contracts accounted to 44% of the total volume of timber sold, while 11% of the volume was

sold through electronic auctions of standing timber.

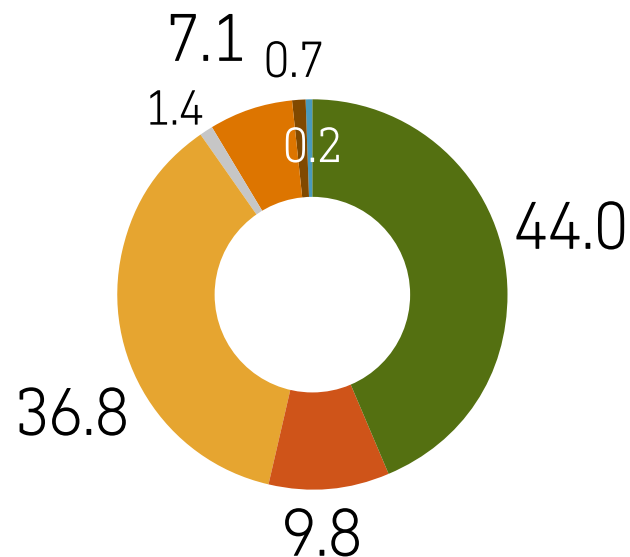
Another very important business channel is the sale of ready-made assortments. In this case, Lesy ČR independently ensure the production and sale of wood.

The year 2024 can be considered as a “normal” year in terms of timber trade – there were no major calamity-driven harvests, and the timber market in Central Europe effectively absorbed the processing of damaged wood from Germany and Slovakia.

Volumes of timber sales share by individual sales channels in %



Sales from sales revenue for timber by individual sales channels in %



	thousand m ³	% of m ³	% z CZK
■ Comprehensive Contract	3,574	44.1	44.0
■ Electronic standing auctions	911	11.2	9.8
■ OM-type framework purchasing agreements	2,771	34.3	36.8
■ Electronic auctions	72	0.9	1.4
■ FU/FMU OM regional sales	507	6.3	7.1
■ Own production	242	3.0	0.7
■ Own consumption	21	0.3	0.2
Total	8,098		

*Values rounded to 0.1%

Water Management

Lesy ČR manage designated small watercourses and streams as one of the non-production functions of the forest. As of 31st December, 2024, we managed 38.5 thousand km of watercourses and 1,086 small water reservoirs. The management of water courses and reservoirs was provided by seven organizational units – stream management with territorial jurisdiction according to the catchment areas.

The company has spent a total of CZK 929.3 million on the management of water courses and reservoirs in 2024.

Taking care of water courses represents the management of Water Management assets with a purchase value of CZK 9.2 billion.

In connection with ongoing climate change, the “Water Back to the Woods” Programme, which helps with retaining water in the landscape, continued. The total amount spent on this programme was CZK 320 million in 2024. 120 construction projects and 90 small-scale landscape measures have been completed this year.

Total costs in million CZK spent on water management in 2024

		Own resources	Subsidy	Out of which flood damage	
	Total	total	total	Own resources	Subsidy
Investment	387.0	214.4	172.6	12.2	2.6
Non-Investment	542.3	506.9	35.4	192.4	3.2
Total	929.3	721.3	208.0	204.6	5.8





180 mil CZK*

**Restoration of the Natural
Water Regime Soutok-Podluží
Revitalization System
(ST OP Dyje)**

This project involves building a flap weir on the Dyje River between Břeclav and its confluence with the Morava River, aiming to enable effective flooding of the Czech Republic's largest floodplain forest.

* Total costs of the project



20 mil CZK

**Rýžovník Reservoir
(ST OP Odra)**

The new Rýžovník reservoir has a total capacity of 70,000 m³ and a flooded area of 3.75 hectares. The construction costs, amounting to CZK 20 million, were financed as a public interest measure.



19.5 mil CZK

**Ponds in the Janovice Game
Preserve (ST OP Labe)**

This project involved the restoration of five flow-through reservoirs on two watercourses - Cítkovický stream and Bylanka. The total water retention capacity of the reservoirs is nearly 38,000 m³.



13 mil CZK

Stream Regulation – left tributary of the Oskava River (ST OP Morava)

The project stabilized the stream channel and the adjacent forest road in the Oskava area, both damaged by the 2020 floods, using nature-friendly methods like boulder chutes and stone reinforcements.



4.1 mil CZK

Revitalization of the Čankovský Stream (ST OP Berounka)

This revitalization involved reshaping a new streambed, adding ponds, and extending the watercourse by approximately 220m through re-meandering into its historical path.



3.1 mil CZK*

Revitalization of the Višňová Forest District (ST OP Vltava)

Revitalization of the floodplains of The Drásovský and Vápenický streams and their tributaries, including the creation of small water bodies created in areas previously drained by forestry drainage systems.

* Support from OPŽP (The Operational Programme Environment)

Watercourse Management Performance



In the Public Interest

The “Forests for Life” Programme supports the non-production functions of forests. As part of this Programme, in 2024 the company spent CZK 45.4 million on all types of activities for the public, which represents other significant increase in financial means compared to the previous year.

This Programme finances for example maintenance and construction of rest and lookout structures for the public, development and repair of trails and routes, maintenance of memorial buildings, aesthetic modifications of forests and landscape or care for biodiversity.

Lesy ČR was established in accordance with the State Enterprise Act to “satisfy significant nationwide, strategic, or publicly beneficial interests.”



19.8 mil CZK

Recreational and Viewing Facilities

The largest amount of investment funds was used for the maintenance and construction of recreational and viewing facilities.

Bukovec emergency shelter



45.4 mil CZK

The Forest for Life Programme

Compared to the previous year, there was another significant increase in funds for all activities for the public.



5 mil CZK

Forest Parking and Hiking Trails

Significant monetary volumes were invested in maintenance and construction of roads, forest parking and hiking trails.

Nature and Landscape Protection, Cooperation with Non-governmental Organizations

Lesy ČR is the most important manager of protected areas in the Czech Republic. In areas with greater interest in nature conservation we operate with consideration for individual spatial protection categories, distribution of particularly protected species, valuable habitats and other major natural and cultural phenomena. More than 30% of the area of land in the company's management was part of protected landscape areas. Outside of them, another 3% of the acreage is located in small specially protected areas (e.g. national nature preserves).

Total share of specially protected areas and habitats of Natura 2000 system that are located and on the Lesy ČR plots, and managed by the company, amounts to 44%.

Lesy ČR continues its cooperation with the Nature Conservation Agency of the Czech Republic in designating non-intervention zones in forests and in their monitoring.

Within our own "Biotope Trees" Programme we continue marking and registering trees with increased biological value for permanent retention in stands.

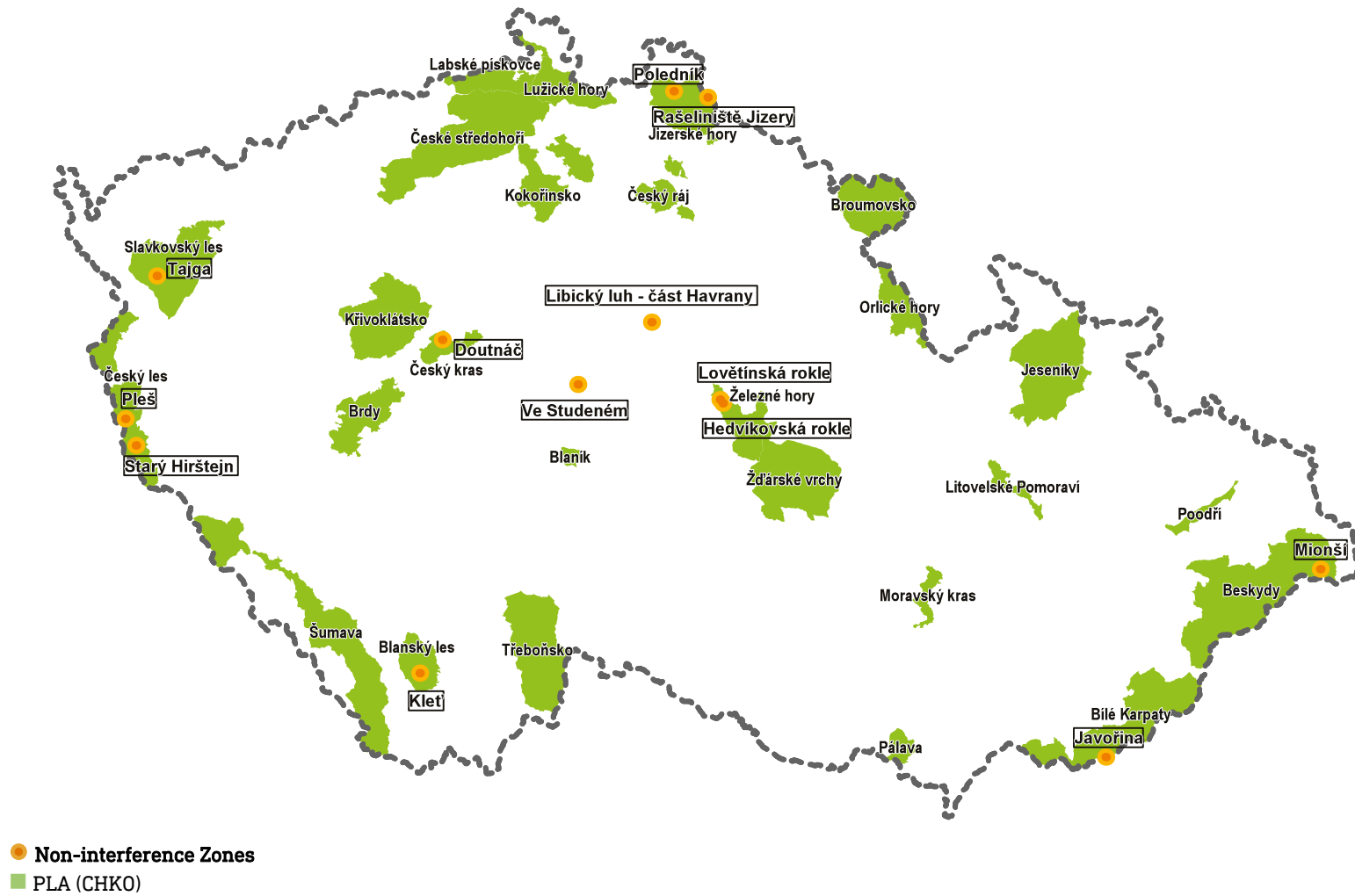
Lesy ČR is the founder of the Podkomorské lesy Forestry Park and a co-founder of the Křivoklátsko and Bezděz Forestry Parks.

Long-term cooperation continued with a number of organizations, such as the Czech Tourist Club, and the Czech Union for Nature Conservation.

Various tools are used to support education, especially forestry-related education, at all levels.



Non-interference Zones



Capital Construction

The total investment fund allocated by Lesy ČR in 2024 reached almost CZK 2,058 million. A total of CZK 1,186.948 million was invested in land and civil engineering structures. The largest portion, CZK 672.222 million, was invested in the construction, modernization and reconstruction of forest roads, mainly damaged

during the bark beetle calamity and the autumn flood. The second largest portion, CZK 246,571 million, was invested in the construction and reconstruction of water reservoirs, pond and small watercourses to increase water retention in the landscape, improve flood protection and prevent and repair flood damage.

Investments in Intangible and Tangible Assets

Asset Type	CZK in million	%
Intangible Assets	62.107	3.0
Of which: Forestry Management Plans	46.624	2.3
Software	13.964	0.6
Other Intangible Assets	0.300	0
Area Studies	1.219	0.1
Tangible Assets	1,995.757	97.0
Of which: Construction Works	1,186.948	57.7
Machinery and Equipment	407.920	19.8
Land	400.105	19.4
Other	0.784	0.1
Total	2,057.864	100

80%

Investments in the Public Interest

Nearly 80% of the total financial resources were invested in construction projects primarily carried out in the public interest.

**Forest Road Anglická
(LZ Židlochovice)**



246 mil CZK

Investment in construction and reconstruction of water reservoirs, ponds and small watercourses amounted to CZK 246 million.

**Velfík – drainage control
(ST OP Ohře)**

102 mil CZK

Machinery Investments

A significant amount of CZK 102.734 million was invested in the renewal of specialized forestry machinery, such as harvesters, forwarders and tractors with forestry modifications.

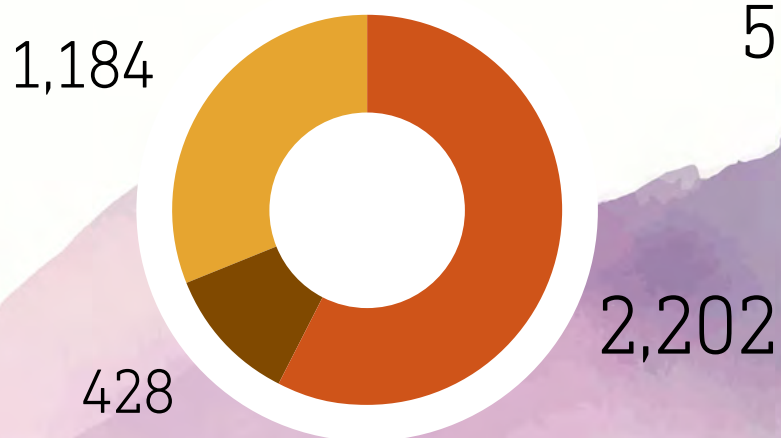


Human Resources

Lesy ČR are the most important employer in the field, cooperate with professional educational institutions and support further education of their staff.

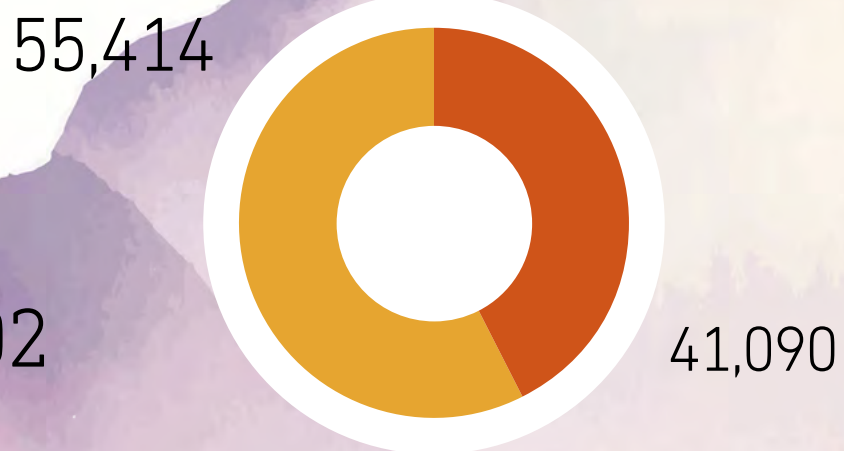
Compared to the previous year, the total average earnings of the company's employees increased by 8%.

Average Calculated
Number of Employees



- FMU white-collar workers, country Directorate incl. WMU, LCR
- FU, FTP, SU white-collar workers
- Workers (W)

Average
Earnings



- White-collar Categories (senior staff excluded)
 - Workers (W)
- | | |
|------------------------|------------------|
| Company Average | 53,514 Kč |
|------------------------|------------------|

Public Relations

Lesy ČR use many tools for public engagement, which they continue to develop further and further.

The largest project was the “Day of Forests of the New Generation”, which took place on the first Saturday in October at four locations across Bohemia and Moravia for those interested in forest-related activities.

There is, of course, active communication through social media, where the number of followers continues to increase. For example, the viewership on the You Tube channel

increased by 150%. The company’s own video production and the podcast series “Uchem v mechu”(ear on the Moss) are also attractive for the public. Traditional tools include the company website and the New Forest Club application.

Cooperation with the media is also an important part of communication.

We traditionally use exhibitions to communicate directly with the public (Silva Regina in Brno, Natura Viva in Lysá nad Labem and Agricultural Exhibition “Země živitelka” in České Budějovice).

Whether through direct interaction or social media, engaging with the public is a natural part of Lesy ČR mission, and year 2024 was once again marked by growth in this area.

1,124

Public Events

In 2024, Lesy ČR organized 1,124 events for the public, which were attended by nearly 132,000 people.



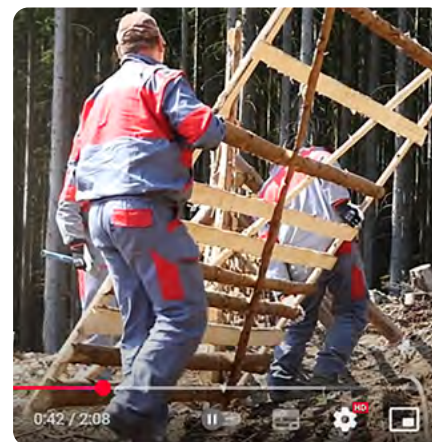
MEDIA

Lesy ČR published a total of 93 press releases and new updates, and held seven press conferences.



Social Media

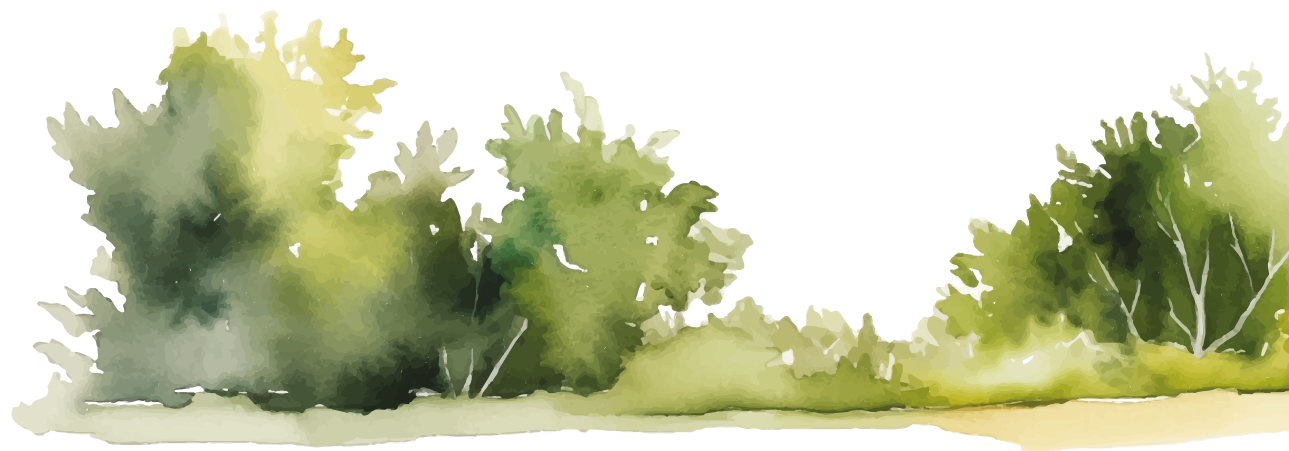
Lesy ČR reached 18.3 million views on the YouTube channel..



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