




2025

Annual Report


Lesy České republiky, s.p.



I once promised a hymn to forests
How easy promising is when you're in love
I've promised it to trees, animals and florets
We made love, with dreamy skies above.

*My verses spring from joys and peace
From the bloom of sorrows overcome
I've escaped the city, leaving these
For a source of eternal bliss, never to be numb.*

Stanislav Kostka Neumann
from The Book of Woods, Waters and Hillsides



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Introductory remarks

Dear colleagues and readers,

it is my pleasure to comment on the performance of state enterprise Lesy České republiky in 2015. At the beginning of the year we set some challenging goals for ourselves such as building upon the high standard of economic performance and further promoting activities of society-wide importance while maintaining our traditionally high standards of forest management.

2015 can be viewed as a successful year. With respect to operating performance results were comparable to the previous year, despite logging 300,000 m³ less and with a record share of salvage felling, which accounted for 48% of all logging. This was primarily due to extreme weather, which resulted not only in an exceptional precipitation deficit, but combined with high temperatures, strong tree fructification, and fungal and insect infestations to cause a relatively significant decline in spruce stands in Central and Northern Moravia.

We were also not spared natural calamities. This time ridgelines were affected with strong windstorms at the beginning of summer. The battle also continued with Gemmamyces bud blight, ash dieback and the consequences of swarming beetles in the Moravian Sahara region. It often seems as if nature is literally playing with us and foresters can barely find suitable ways to manage the situation. To a certain degree that is true, nonetheless I am convinced that we will be able to respond responsibly with all the tools at our disposal and do the utmost to manage matters. And for that I would sincerely like to thank all of my colleagues!

2015 was the first year under the recent Company Strategic Development Concept approved by the Ministry of Agriculture. Accordingly, we launched our social program and modified the tender conditions for forest contracts. Roughly 170 workers registered with labour offices as unemployed found seasonal work. The number of entities bidding for state enterprise contracts also increased, including smaller regional companies.

The organizational structure of the company was altered to better correspond to managed assets following completion of the church restitution process, where we reached agreements to hand over 100,000 hectares of forestland. As a result of these organizational changes the number of forest management units was reduced. In the interest of balancing the production tasks of regional head offices, there were changes in some of their responsibilities.

The priority of company management is to create quality working conditions for employees to better perform their tasks. To this end the company upgraded its vehicle fleet, established a warehouse of quality work clothes that meet the demands of operations, and supported the use of company apartments or provided compensation for the use of employee premises for company offices.

Open communication is essential for us, which is why we sent out several employee surveys during the year. Before concluding the new collective agreement, we were interested in finding out employee satisfaction with their working conditions, new uniforms, and their views on corruption within the company. Employees also voted to choose performers for the 20th annual Forestry Ball. We thank all those who participated in the surveys.

With respect to human resources, when filling management positions we always tendered the positions but gave a clear preference to employees from within company. This is a key principle set forth in the new-



ly issued career guidelines. And for newcomers we also held “Adaptation Days”, where new employees received a great deal of important information that is particularly useful at the beginning of their careers.

Internationally, we represented the Czech Republic at the international EXPO trade show in Milan and actively worked in EUSTAFOR, the European state forest association. In the fall, we organized an international conference in Prague on the topic of “Level of Legislation of Czech Forestry and Need for Certification Tools”. This conference provided valuable information in demonstrating that Czech forestry is generally performing at a very high level and valid PEFC certification is sufficient guarantee of the sustainable management of state forests.

In addition to our social program mentioned above, our corporate social responsibility was also reflected in other socially valuable projects such as support for clearing the Boří Forest of World War II munitions, funding voluntary firefighters, mass interest groups such as Junák, as well as supporting environmentalists. We donated Christmas trees to children’s homes and approx. 250,000 notebooks to elementary schools. Also significant was the record transfer of 8.2 billion crowns to the state budget.

We were not able to resolve the ownership stakes of the company in other firms. We consider this a strategic matter and will attempt to conclude this process. Reserves remain allocated for IT, so in future years we must focus on describing and establishing processes to help increase work efficiency and ensure greater data security.

The primary goal of 2016 is to manage forest protection tasks while ensuring high standards of forest and asset management. All the while, we will not lose sight of performance goals, cost cutting measures and continual streamlining. One specific objective is to provide all game wardens and foresters company vehicles.

I would like to thank all colleagues who have had confidence in Lesy ČR throughout the year, and acted in a manner to also secure the public trust in our company.

Daniel Szórád, Chief Executive Officer



High amidst woods

*Through a lattice of trunks and boughs, right, left,
all around
I see a darkened sea of hills, woods snuggling log to log
Only a soaring bird of prey knows their proud surround
Only a fox barks out of their depths in the
morning fog*



Highlights of the Year

Each year the company devotes increased attention to certain tree species. In 2015 the company declared the year of the alder.

2015 was an eventful year for Lesy ČR. The company's operations were significantly influenced by the climate conditions during the course of the calendar year. Major climate extremes accompanied by long dry periods and a shortage of rainfall throughout the entire year had a much greater impact than in other years, resulting in the loss of seedlings of newly forested areas and assimilation color changes in most types of trees. The rainfall shortage of hundreds of millimeters throughout most of the CR resulted in a general weakening and increased susceptibility to numerous biotic pests. Stands were more vulnerable to attack by bark beetles, cockchafers, but also fungal diseases such as honey fungus or gemmamyces bud blight. The share of random production peaked at 48%, surging by more than 20%. Prolonged drought in the summer and autumn caused a threefold increase in forest fires over previous years. Despite these difficult conditions, the company has carried out all planned forestry activities, fulfilling the mandatory provisions of the forest management plans as specified by the Forest Act and other legislation.

2015 also saw its share of natural wind calamities. An April windstorm swept through Vyšebrod, Šumava, Liberec and Frýdlant, and the Beskid and Ore Mountains, causing 20 million crowns in damage to over 350,000 m³ of trees. The second strongest windstorm was recorded in early July in the Ústí nad Orlicí and Hanušovice area, where it caused damage to 190,000 m³ of trees.

A very important factor that influenced the management of Lesy ČR at the end of the year was the situation on the Czech lumber market. Due to the processing of all the timber affected by the bark beetle, in the last quarter the supply of spruce pulpwood outpaced demand, causing a drop in price on the Czech market. At the same time, there was a slight increase in the price of roundwood.

With respect to corporate strategy, the company pushed the LČR Concept of Strategic Development for 2015 – 2019 through the Government, Chamber of Deputies and Senate.

Tenders for comprehensive forestry contracts were held as scheduled for 10 contracted territorial units announced in April and 36 contracted units announced in June. In addition to comprehensive forestry contracts the company also tendered 4 contracted units for logging work and 17 contracted units for silviculture. As part of the public contracts tendered, the company began to replace its aging fleet of vehicles, the average age of which is nearly 7 years. The company gradually began purchasing lower and middle class cars and terrain vehicles for all levels of management. In addition, the company also tendered a public contract for the design of new forestry uniforms with the aim of gaining exclusive and unlimited license to the uniform design.

The company continued its planned activities for corporate social responsibility, especially the hiring of 170 job seekers from work offices. The company also starting clearing the Boří Forest in Southern Moravia of munitions from the Second World War.

In 2015 Lesy ČR transferred 8.2 billion crowns to the state budget account held at Czech National Bank. Lesy ČR finished 2015 with a pre-tax profit of 6.49 billion CZK. Total production was 7.7 mil. m³ of wood, 11,600 ha of forest land was recovered, of which the share of amelioration and stabilization tree species at the first restoration was 41.5%, and 28,900 ha of stands under 40 were cleaned and thinned.



*I*nto the May pool of larch trees
Into their emerald green bath
I have thrown my heart's worries
Leaving my mind's disciplined path

I felt a desire so wild and free
To submerge in it, taking no heed
Not like a man, quaver like a tree
Under the galloping of a windy steed

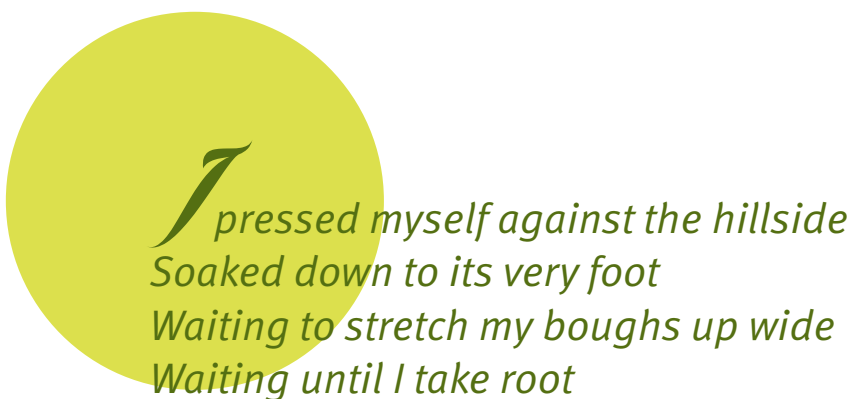
Basic Provisions

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 in 2015 was also governed by the charter published by the Ministry of Agriculture of the Czech Republic under number 57493/2013-MZE-12141 on 10 September 2013, and further effective as of 1 November 2015 by the statute issued on 9 October 2015 under number 49925/2015-MZE-13221. This document was subsequently replaced by the statute issued on 1 November 2016 under number 69603/2015-MZE-13221 and effective as of this date.

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



*The wavy plumes of larches overhead
Did their whispery dances
The wood slowly entered into me
And through all my senses.*

2. Registered office

Přemyslova 1106/19, Nový Hradec Králové, 500 08 Hradec Králové

3. Primary Business Activity

- Direct management by the company or via select business partners ensuring the optimal performance of all forest functions;
- 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.

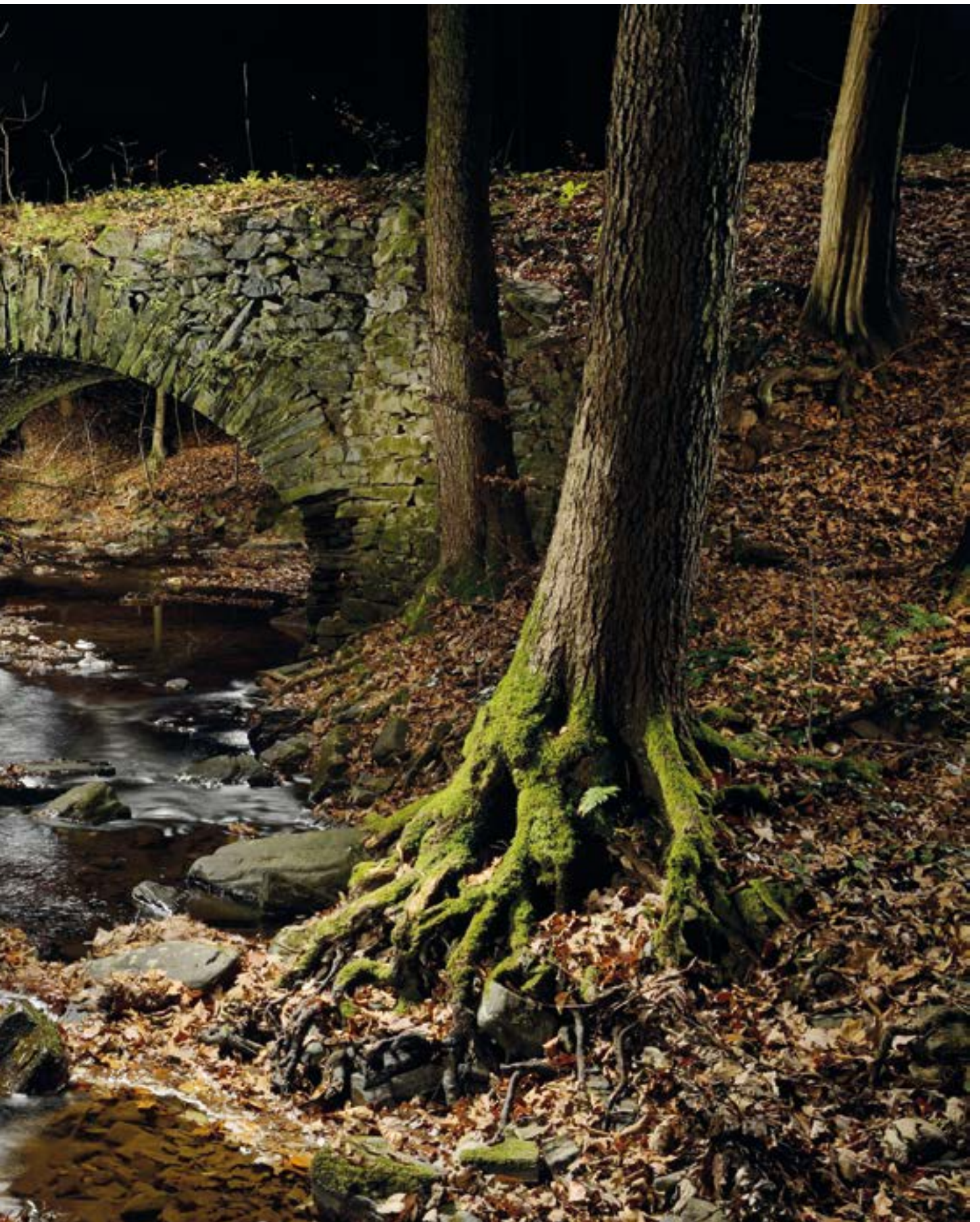
In pursuing this goal, the company applies principles of sustainable forest management, which is a prerequisite for the sustainable production of quality timber, while respecting and developing all other forest functions (especially the non-productive role of forests).

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.



November among beeches

*I'd much rather be a faun, hairy and brown
Barely visible in browny streams of leaves:
On a beech stump with a pipe I'd sit down
Accompaniment to deciduous trees.*



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 CEO 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 2015

The company's management consists of the CEO 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.

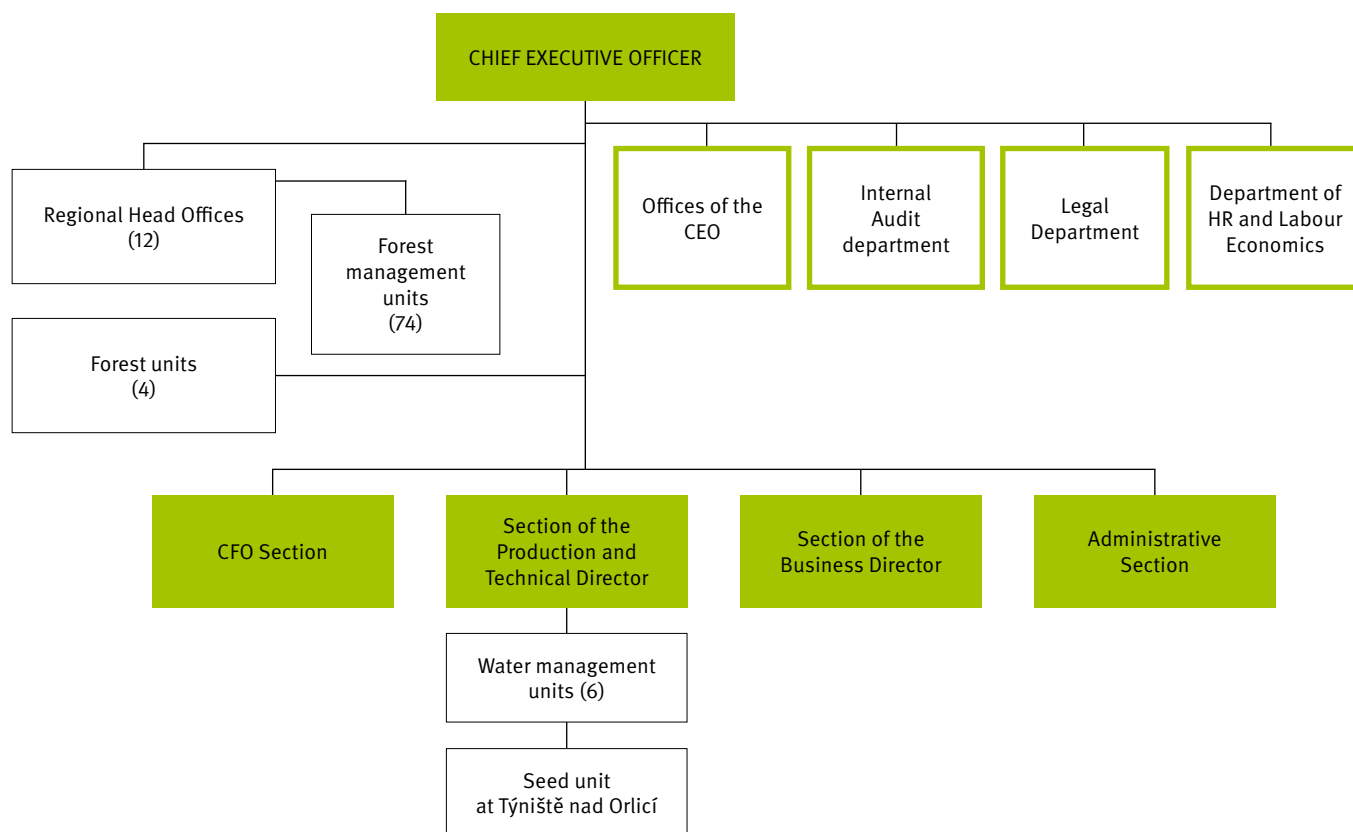
4. Structure of LCR

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	2015
RHO	13	13	13	13	13	12
FMU	77	77	77	77	77	74
LU, SU	6	6	6	6	5	5
WMU	6	6	6	6	6	6

Basic Organizational Structure as of 31 December 2015



Status as of 31 December 2015

Central Head Office

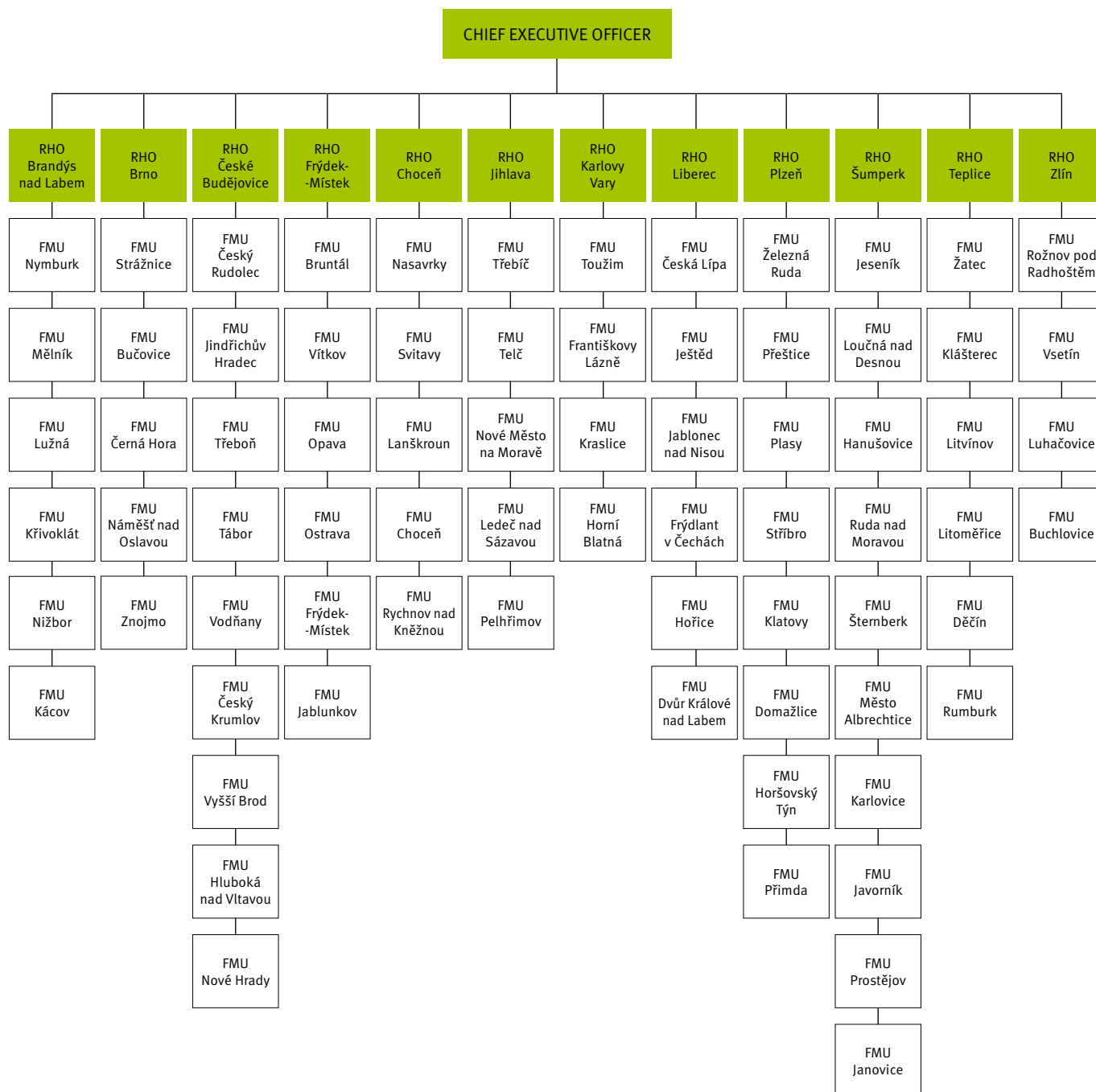
The Central Head Office oversees matters associated with the company's legal status and strategic management and is responsible for ensuring uniform forest, commercial, financial administrative and human resources management.

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 12 regional head offices, 4 forest units, 1 seed unit and 6 water management units. The regional head offices directly manage 74 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 2015






Overview of Assets Managed by LCR

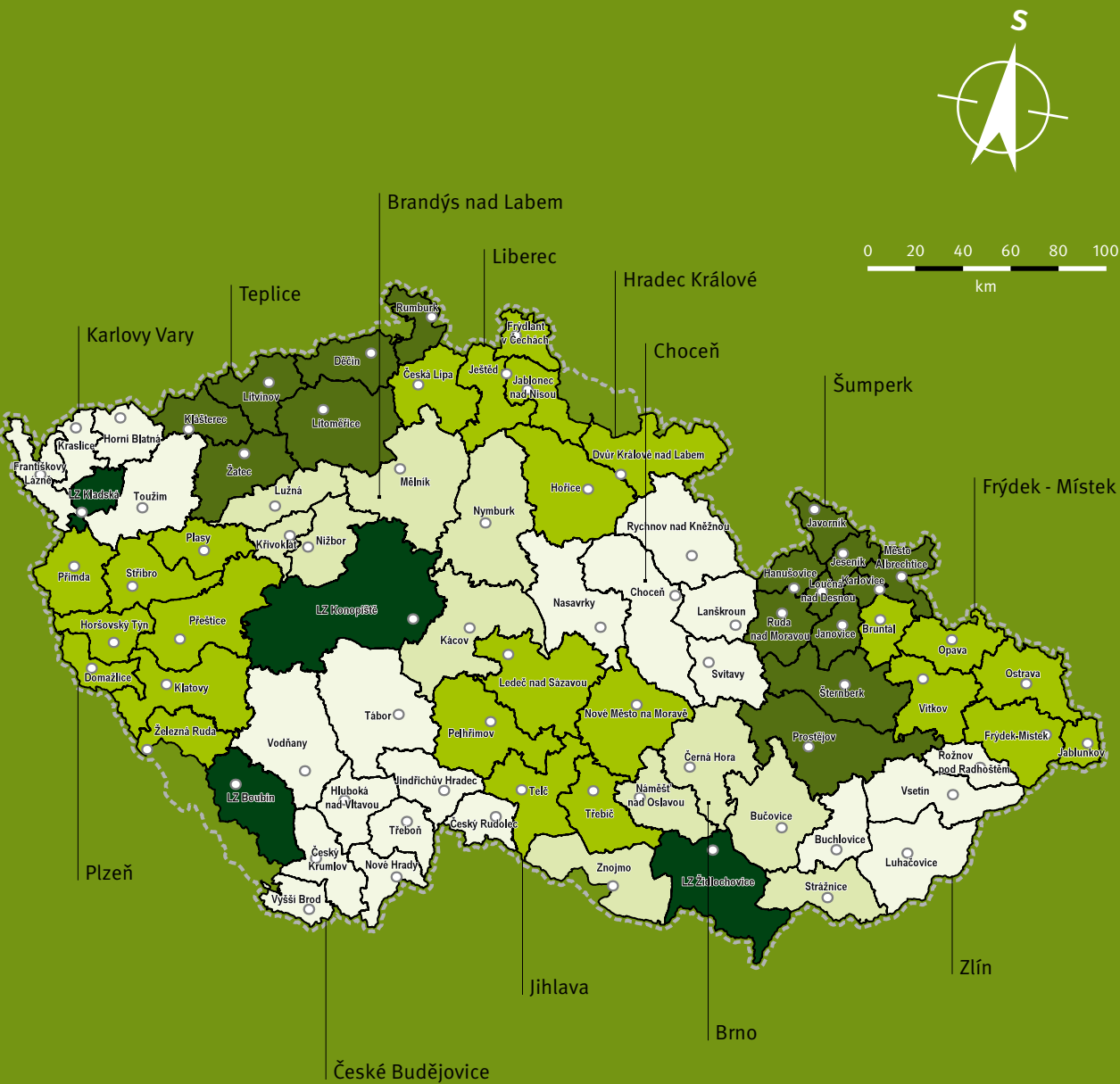


0 20 40 60 80 100
km



-  Boundaries of forest management units/forestry units
-  Czech forests managed by LCR (31 December 2014)
-  Forests under other ownership or management

Organizational Map of LCR



Governing Body and its Representatives as of 31 December 2015

Daniel Szórád, Ph.D.

Chief Executive Officer

Václav Lidický

Production and Technical Director

Igor Kalix

Administrative Director

Radovan Srba

Business Director

Karel Buchta, Ph.D.

Chief Financial Officer

Management of Organizational Units as of 31 December 2015

Regional Head Offices

Jan Ševčík, 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

Daniel Vlkano, Regional Head Office Director in Choceň

Jiří Makovec, Regional Head Office Director in Brandýs nad Labem

Radek Pomije, Regional Head Office Director in České Budějovice

Ivan Klik, Regional Head Office Director in Plzeň

Miroslav Rozner, Regional Head Office Director in Karlovy Vary

Zdeněk Růžek, Regional Head Office Director in Teplice

Ludvík Říčník, Regional Head Office Director in Liberec

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 2015

Jaromír Vašíček	- Chairman
Jaromír Kříha	- Vice-Chairman
Miroslav Jankovský	
Jiří Jirsa, MEPP, Ph.D.	
Patrik Mlynář	
Petr Moravec	
Miloš Pochobradský	
Tomáš Vrba	
Jan Závěšický	

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 as of 1 January to 25 April 2016:

On 1 January 2015 substitute Jiří Snášel became a member of the Supervisory Board as previous board member Karel Trůbl stepped down.

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

On 27 May 2015 the following members of the Supervisory Board became employee-elected representatives – Jaromír Kříha, Miroslav Jankovský and Miloš Pochobradský.

On 1 April 2016 Supervisory Board member Jiří Jirsa resigned his function. As of 11 April 2016 Zdeněk Adamec was appointed to the Supervisory Board.

Audit Committee as of 31 December 2015:

Josef Jaroš, MBA	- Chairman
Jaromír Vašíček	- Vice-Chairman
Tomáš Vrba	

Personnel Changes on the Audit Committee from 1 January 2015 to 25 April 2016:

There were no changes on the Audit Committee from 1 January 2015 to 25 April 2016.

Year		2011	2012	2013	2014	2015
Area of forestland	in thousands of ha	1,342	1,338	1,337	1,287	1,228
Surface area of stands	in thousands of ha	1,306	1,300	1,300	1,253	1,196
Logging including logging on non-company land	in thousands of m ³	8,024	7,844	8,040	7,977	7,703
Logging per ha of stand area	m ³	6	6	6	6	6
Reforestation	ha	13,731	13,100	13,910	13,632	11,612
Tending of young forest stands	ha	45,823	40,152	40,072	40,367	33,586
Total revenue	in millions of CZK	13,261	13,138	14,031	13,578	13,132
Revenue from operations	in millions of CZK	12,832	12,281	12,144	12,513	12,272
Total costs	in millions of CZK	9,036	8,730	10,041	6,760	7,737
Operational costs	in millions of CZK	7,778	7,188	7,544	4,851	5,915
Staff costs	in millions of CZK	1,505	1,601	1,656	1,713	1,735
Value added	in millions of CZK	7,070	7,356	6,842	7,877	7,832
Profit (loss) after tax	in millions of CZK	4,225	4,408	3,990	6,818	5,395
Total assets	in millions of CZK	78,222	81,830	79,853	76,147	70,338
Fixed assets	in millions of CZK	65,597	69,352	67,680	64,369	62,153
Current assets	in millions of CZK	12,519	12,392	12,056	11,685	8,123
Equity	in millions of CZK	72,642	76,964	74,804	73,022	67,906
Liabilities (debt)	in millions of CZK	5,505	4,780	4,956	3,045	2,295
Cash flow from operations	in millions of CZK	4,106	1,712	7,529	7,740	5,767
Cash flow from investment	in millions of	-447	-1,048	-910	-925	-1,173
Cash flow from financial operations	in millions of CZK	-55	13	-6,010	-6,504	-8,197
Number of employees	persons	3,177	3,213	3,271	3,335	3,376



Cuckoo's calling

*A cuckoo's calling in the woods when May arrives
Such a festive summons, such profession!
Of the thousands of whistles, peeps, songs and cries
An exulting prompt to make a love confession!
And if you, my love, went with me through thickets
And, like May, gave me a blossom to drink from in rapture
You'd hear in all that warbling and the sounds of crickets
The sweet love trochee that has had us captured.*



Report on Company Business Activities

Property

As of 31 December 2015 the company had assets, including forestland, with a net worth of CZK 70.3 bil. Fixed assets amounted to CZK 62.1 bil., with land, primarily forestland, accounting for CZK 49.2 bil. The value of all land declined by CZK 2.1 bil., and its share in total assets increased to 70% as of 31 December 2015 (in 2014: 67.4 %, in 1995: 86.4 %). The increase can be attributed to the reduction in financial assets due to the transfer of CZK 8.2 bil. to the state budget. The company's total assets declined by CZK 5.809 bil. (i.e. by 7.6 %); total assets adjusted for the value of forestland in 2015 declined by CZK 3.671 bil., i.e. by 13.8 %.

Total assets (in millions of CZK)

Year	2013	2014	2015
Total assets	79,853	76,147	70,338
Value of forestland	51,554	49,637	47,499
Total assets not including forestland	28,299	26,510	22,839

Assets

During the course of 2015 there were changes in asset structure. There was a decline in the absolute value of financial assets of CZK 3.897 bil. (i.e. 29.6 %), mostly short-term, due to the transfer of CZK 8.224 bil. to the state budget with relatively minor changes to other items. Receivables decreased by 12.1% to CZK 1.286 bil. inventory fell to CZK 152 mil. There was a significant change in fixed assets, where the value of forestland declined by CZK 2.117 bil. (primarily due to church restitution).

Total assets (in millions of CZK)

Year	2013	2014	2015	15-14	%
Total assets	79,853	76,147	70,338	-5,809	-7.6
Fixed assets	67,680	64,369	62,153	-2,216	-3.4
Intangible fixed assets – net	424	317	292	-25	-7.9
Tangible fixed assets – net	62,623	60,961	59,288	-1,673	-2.7
- land	53,232	51,319	49,202	-2,117	-4.1
Long-term investments	4,633	3,091	2,573	-518	-16.8
Current assets	12,056	11,685	8,123	-3,562	-30.5
Inventories	160	160	152	-8	-5.0
Long-term receivables	0	0	2	2	0.0
Short-term receivables	1,828	1,461	1,284	-177	-12.1
Short-term financial assets	10,068	10,064	6,685	-3,379	-33.6
Accruals	117	93	62	-31	-33.3

Liabilities

Equity decreased by CZK 5.116 bil. There was a reduction in capital funds of CZK 2.157 bil. (church restitution) and funds from past profit of 2.009 bil. (transfer of CZK 1.563 bil. from the investment development fund to the founder's fund to transfer funds to the state budget and a draw of CZK 645 mil. to cover expanded reproduction for 2015, which led to an increase in registered capital of CZK 500 mil.). Provisions are lower by CZK 732 mil., due to the planned release of reserves for cultivation (CZK 548 mil.) and reserves for timber price indexing of CZK 291 mil. due to the limitation of suits brought. On the other hand, reserves of CZK 107 mil. were created to profitably resolve disputed assets tied up in church restitution. Liabilities decreased by CZK 18 mil., mostly due to trade payables which were CZK 134 mil. higher, advance payments were lower by CZK 56 mil. and liabilities to the state decreased by CZK 99 mil. due to lower tax obligations. Year over year profit declined by 20.9 % (by CZK 1.423 bil.). The decreased profit after tax compared to 2014 was primarily due to annual change in reserves and adjustments amounting to CZK 1.275 bil. and lower logging volume with lower monetization of lumber due to an increase in salvage felling (sale of worse types of lumber).

Total liabilities (in millions of CZK)

Year	2013	2014	2015	15-14	%
Total liabilities	79,853	76 147	70 338	-5 809	-7.6
Equity	74,804	73 022	67 906	-5 116	-7.0
Registered capital	11,970	12 159	12 659	500	4.1
Capital funds	51,321	49,350	47 193	-2 157	-4.4
Funds created from profit	4,957	4 668	2 659	-2 009	-43.0
Retained earnings	2,566	27	0	-27	-100.0
Profit for the year	3,990	6,818	5 395	-1 423	-20.9
Liabilities (debt)	4,956	3 045	2 295	-750	-24.6
Provisions	3,571	1,708	976	-732	-42.9
Payables	1,385	1,337	1 319	-18	-1.3
Accruals	93	80	137	57	71.3

Costs

In 2015 there was a year over year increase in the value of total costs by CZK 977 mil. (14.5 %) due to the inclusion in costs of changes in provisions and adjustments, where there was a year over year decline in the draw of provisions and adjustments, which caused a year over year decline in costs of CZK 1.275 bil. Internal costs were lower. Power consumption declined by CZK 226 mil. (5.3 %), which was primarily due to lower service volume (by CZK 218 mil.). Another factor contributing to lower costs was the drop in depreciation by 4.5 %, due mainly to the final depreciation of software purchased in previous years. Staff costs increased by 1.3%, mostly due to an increase in average wage resulting from the collective bargaining agreement and an increase in number of employees – fixed asset employees, adjuncts, additional workers in the Ore Mountains (Krušné hory), and work crews. Costs for financial operations declined by CZK 40 mil.

Report on Company Business Activities

Total costs (in millions of CZK)

Year	2013	2014	2015	15-14	%
Total costs	10,041	6,760	7,737	977	14.5
Costs of operations	7,544	4,851	5,915	1,064	21.9
Costs of goods sold	3	2	3	1	50.0
Power consumption	4,676	4,239	4,013	-226	-5.3
Staff costs	1,656	1,713	1,735	22	1.3
Taxes and charges	161	160	155	-5	-3.1
Depreciation of fixed assets	720	689	658	-31	-4.5
Net book value of fixed assets and raw material sold	55	27	32	5	18.5
Change in provisions and adjustments	180	-2,069	-794	1,275	-61.6
Other operating expenses	93	91	113	22	24.2
Financing costs	1,530	763	723	-40	-5.2
Income tax	967	1,145	1,099	-46	-4.0

Full Internal Costs (in millions of CZK)

Year	Total			CZK per 1 ha of forestland		
	2013	2014	2015	2013	2014	2015
Logging costs	2,629	2,430	2,303	1,966	1,888	1,875
Cultivation	2,506	2,583	2,394	1,874	2,007	1,950
Road and slope-road repairs	1,106	837	876	827	650	713
Increase/decrease in provisions	140	-1,863	-732	105	-1,448	-596
Maintenance of fixed assets	393	306	325	294	238	265
Hunting	172	173	183	129	134	149
Government contracts	153	74	48	114	57	39
Seed production	72	65	55	54	51	45
Timber production	49	50	47	37	39	38
Timber purchases	2	1	1	1	1	1

Direct cultivation costs (in millions of CZK)

Year	Total			CZK per 1 ha of forestland		
	2013	2014	2015	2013	2014	2015
Total	1,810	1,856	1,717	1,354	1,442	1,398
Reforestation	656	648	603	491	503	491
Care of young plantations	701	736	682	524	572	555
Clearing (juvenile thinning)	142	144	129	106	112	105
Forest protection	74	94	98	55	73	80
Fertilization and liming	5	6	5	4	5	4
Other cultivation care	232	228	200	174	177	163

Revenue

In 2015 there was a decline in total revenue (by 3.3 %). Operating revenue fell by CZK 271 mil., while revenue from the sale of own products and services dropped by CZK 256 mil. Revenue from the sale of fixed assets increased by 39.5 % (by CZK 64 mil.). Revenue from financial activity dropped 19.2 % from the previous year to CZK 860 mil. This decline was mainly due to lower interest income.

Total Revenue (in millions of CZK)

Year	2013	2014	2015	15-14	%
Total revenue	14,031	13,578	13,132	-446	-3.3
Revenue from operations	12,144	12,513	12,272	-241	-1.9
Sales of goods	4	3	4	1	33.3
Production	11,518	12,115	11,844	-271	-2.2
Revenue from the sale of fixed assets and material	265	162	226	64	39.5
Other operating revenue	357	233	198	-35	-15.0
Revenue from financial activity	1,887	1,065	860	-205	-19.2
Revenue from the sale of securities	1,444	755	609	-146	-19.3
Interest revenue	190	136	59	-77	-56.6
Other financial	253	174	192	18	10.3

Earnings

Profit after tax declined year over year by CZK 1.423 bil. The decrease in profit after tax compared to 2014 was mainly due to the difference in provisions and adjustments, which was CZK 1.275 bil. and lower logging volume with a shift from intentional lucrative logging to salvage felling of lower quality timber.

Operating profit in 2015 was CZK 6.357 bil. which represents a decrease of CZK 1.305 bil. compared to 2014.

Financial profit declined year over year by CZK 164 mil., totalling CZK 137 in 2015. The drop was due to lower fund volume resulting from the transfer of CZK 8.224 bil. to the state budget.

Earnings for the Accounting Period (in millions of CZK)

Year	2013	2014	2015	15-14	%
Net profit/loss for the period	3,990	6,818	5,395	-1,423	-20.9
Profit/loss before tax	4,957	7,963	6,494	-1,469	-18.4
Operating profit/loss	4,600	7,662	6,357	-1,305	-17.0
Financial profit/loss	357	301	137	-164	-54.5

Contractual Relations in Forest Activities

Information on the status, course and assessment of contractual relations ensuing from the forestry obligations declared according to the Concept (Ministry of Agriculture's business policy for Lesy ČR, s.p.), and on the implementation of the control system to supervise forestry contracts for 2015 (En ensuing from Government Resolution no. 84 of 2 February 2011 according to section II.2.b.)

In 2015 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"). The modification of tenders for 2016 was discussed in sector working groups that made recommendations to change the conditions for awarded contracts. Working groups made up of representatives of LCR, the Ministry of Agriculture, universities and associations of forestry companies meet to discuss contract-related issues such as price adjustments, contract balance and social aspects. Modifications to conditions set forth in contracts from 1 January 2016 were presented to the professional community by company management on 21 May 2015.

On 19 June 2015, an open over-limit tender was announced to ensure forestry activities beginning on 1 January 2016 in which forestry companies competed for a total of 36 areas (contracted territorial units). This was a comprehensive contract encompassing cultivation, harvesting and timber sales generally for a period of five years (from 1 January 2016 to 31 December 2020). The annual volume of logging tendered was 1,033,000 m³. In addition, at the same time LCR also announced a logging contract (TČ 2016+) for four smaller CTUs with a total annual harvest of approx. 33,000 m³ and another 17 contracts for cultivation only (PČ 2016+) which are territorially incorporated in comprehensive or logging CTUs. As in 2015, this division made to enable the participation of smaller local companies that only process lumber or only provide cultivation services. In this way, LCR can assess the prospects for split contracts with respect to the suitability, interest and success of smaller companies. In current tenders, the year-long contracts for 2015 were extended to 4 or 5 years to provide our contract partners the security of longer-term cooperation. All tenders were conducted in accordance with the Public Procurement Act. A public ceremony was held on 10 September 2015 when the bid envelopes were opened and the total price of bids was announced.

33 companies took part in the comprehensive tender and submitted a total of 295 bids. The total anticipated value of the comprehensive public contract was CZK 2.36 bil. without VAT.

Summary overview of contracts for 2016 and number of bids submitted

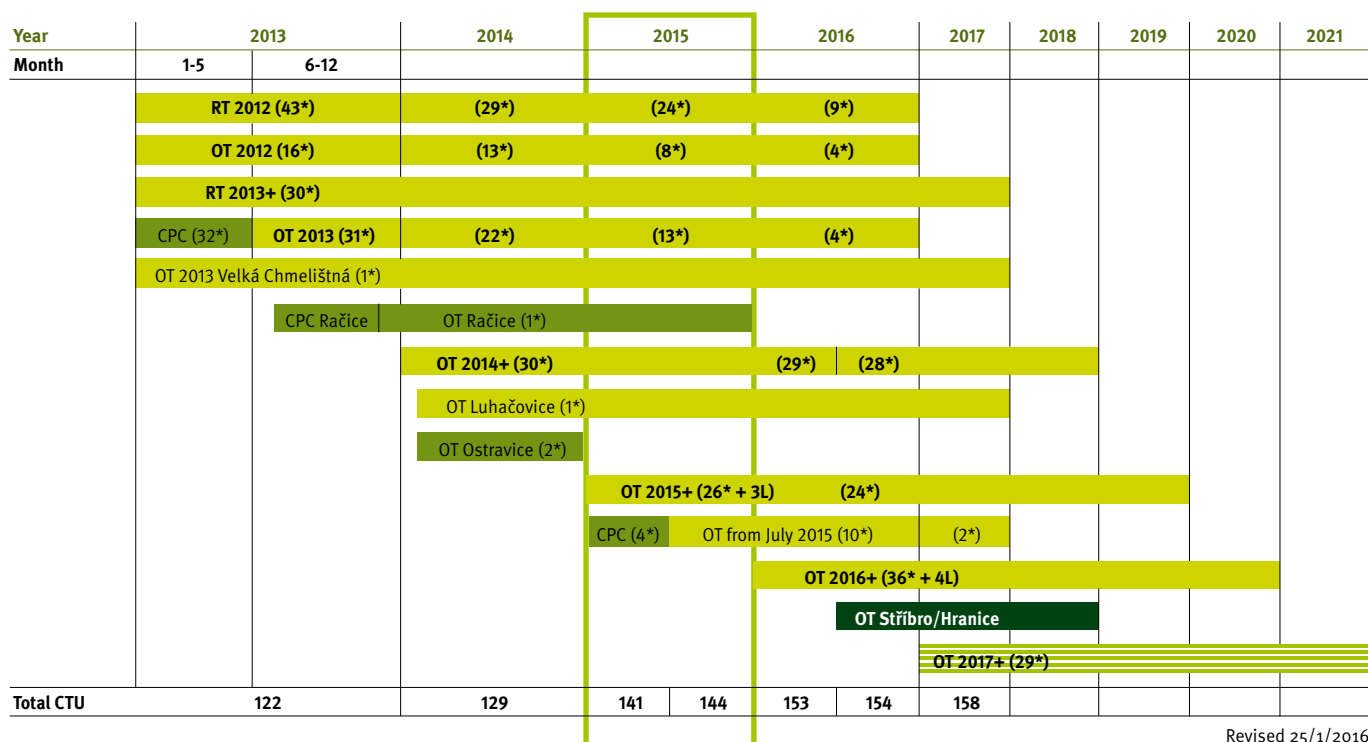
Contract	No. of parts	Anticipated duration (no. of months)	Anticipated logging (thou. m ³)	Anticipated value of services (mil. CZK)	No. of bidders	No. of bids	No. of bids per part
T 2016+	36	60 or 48	5,154	2,362	33	295	8.2
L 2016+	4	60 or 48	148	26	14	34	8.5
C 2016+	17	60 or 48	0	198	22	96	5.6
Total	57	60 or 48	5,302	2,586	39	425	7.5

The only bidders asked to sign contracts by LCR were those finishing first in the tender. All contracts were signed. The majority of contracts were signed during November 2015 with a total of 21 subjects.

Recapitulation of LCR tenders for comprehensive forestry contracts, prepared based on the Concept for 2011, 2012, 2013, 2014 and 2015:

Type of tender	Number 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 – contracts from 1 June 2013	32	31
Open tenders in 2014 – contracts from 1 June 2014	31	30
Open tenders in 2015 – contracts from 1 June 2015	30	29 (+3C+3L)
Open tenders in 2016 – contracts from 1 June 2016	36	36 (+17C+4L)

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




Revised 25/1/2016

Tendered contracts
 Ongoing tenders
 Projected
 Terminated contracts
 (*) Number of CTU

Some changes in tenders for 2016+

- One measure enabling the participation of smaller companies is the division of large contracted territorial units (CTUs) in newly tendered contracts, i.e. increasing the number of CTUs and decreasing the volume of work per CTU (the original 28 CTUs in the tenders for 2016+ were divided into 36 units). In addition, 17 CTUs were tendered separately for just cultivation work.
- The share of auctions for standing timber set aside from lumber sold through comprehensive contracts was increased to 25% of planned sales per CTU.
- Comprehensive contract partners are no longer required to sell a portion of softwood production (2015+ - 5% of lumber volume) through the LCR auction system.
- Lumber price adjustment now includes the lumber index for the NON-OWNER group of respondents, which should better express the statistical changes determined by the survey of the Czech Statistical Office.



*There are fogs in the valleys
and the skies are dull grey
Walking into the woods, a man hangs his head,
his thoughts sail.
Over the heads of hills locked into a red-haired array
Silence floats through chilly woods on a grey veil.*

*A woodpecker's knocking tolls
his hungry day aloft
He roams among purple pines.
A tit cheeps in his hornbeam berth
A melancholy joy and drowsy colors oh so soft
Under the closed sky, a friendly embrace with the earth.*

Commercial Activity – Sales of Timber and Logging Residues

Sale of Timber

In 2015, 91% of the wood sold by forest management units was standing timber, where the buyer covered the costs for all logging and transportation. The greatest volume (75%) was sold through five-year comprehensive public contracts. The remaining 16% was sold through auctions, either in person or online. Auctions offered one-time contracts for several hundred m³.

Wood from forest unit sources was sold in the form of cut lumber totalling 6% of total sales. Forest units cover the costs of all logging activities. Sales were made through commodity exchange, electronic auction or regional sale.

The remaining 3 % of wood sales were “cut-and-carry” and own internal consumption. Cut-and-carry sales are where the public is offered lower quality wood as fuel for personal consumption.

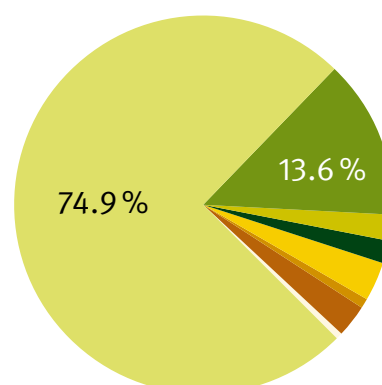
Logging Residues

During the course of 2015 total sales of logging residues were 1,072,000 m³. Logging residues were sold through three sales channels:

- Framework purchasing agreements 575,000 m³
- Electronic auction 363,000 m³
- Other sales 134,000 m³

Volumes of Timber Sales by Individual Sales Channels

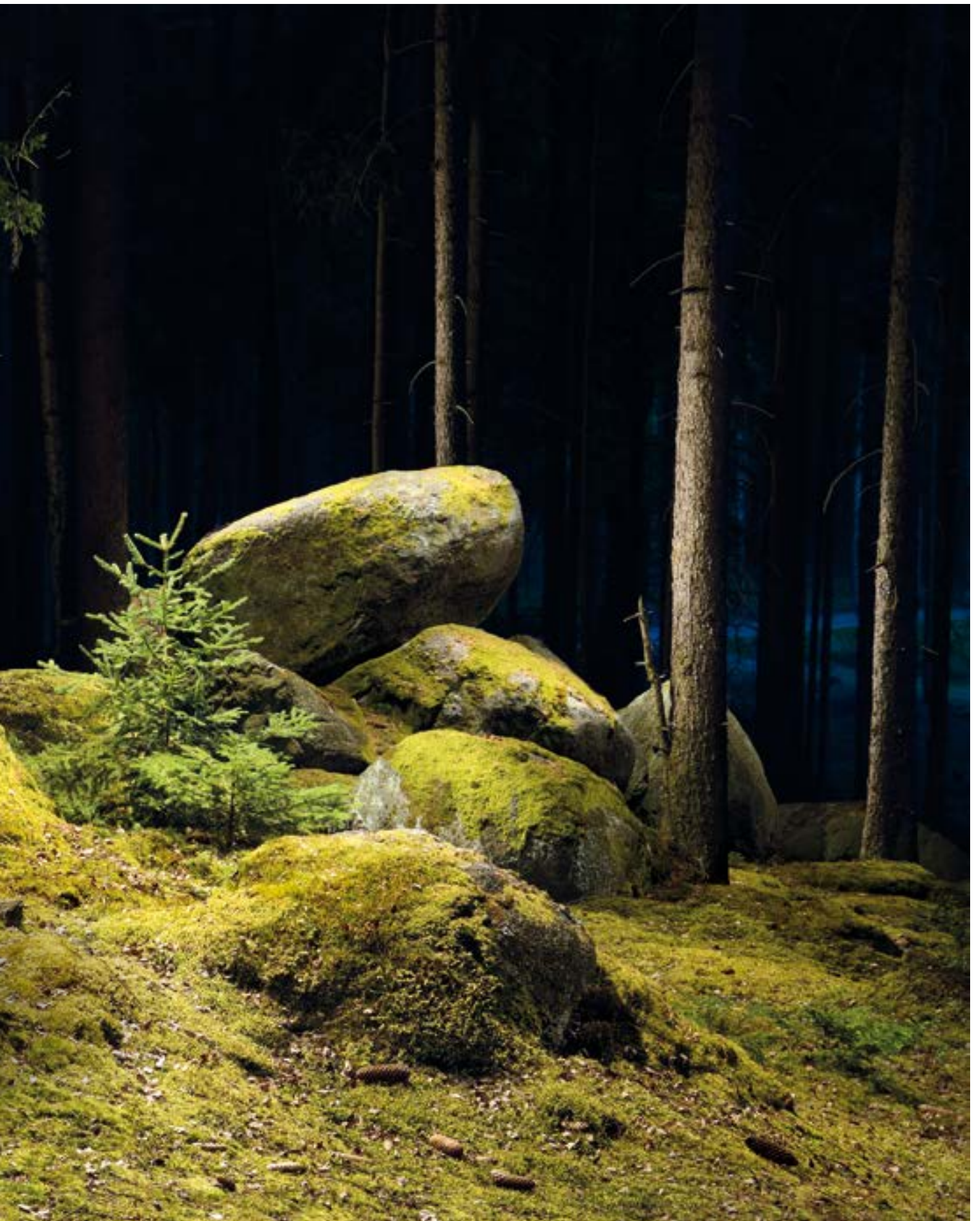
Sales Channel	Volume (m ³)	Volume %
Comprehensive contracts	5,768,798	74.9 %
Electronic auctions	1,044,394	13.6 %
Auctions in person	165,624	2.2 %
Commodity exchange (LR)	148,783	1.9 %
Electronic auction (LR)	263,723	3.4 %
Regional sale (LR)	52,853	0.7 %
Own production	229,697	3.0 %
Own consumption	24,751	0.3 %
Total	7,698,623	100.0 %



A photograph of a forest floor. In the center, a young evergreen tree stands on a mossy mound. To its left is a large, grey rock. The ground is covered in vibrant green moss. In the background, several tall, thin tree trunks rise vertically. The lighting is soft, creating a serene atmosphere.

Ground beetles

*Up through a narrow wood ravine,
washed by the rain yesterday
That cleaned the stones and shaped steps from the sand
I ascend through silvery air into the haze of green and grey
Higher and higher, kissing the trees and the wood stand
With my eyes, grateful for it all.*



Gene Pool of Forest Tree Species

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

Status of Genetic Resources Managed by LCR in 2015

Genetic Resources	Number (pcs)	Area (ha)
Genetic bases	106	54,015
Selected resources (A, B)		72,616
Identified resources (C)		115,344
Seed plantations	92	207
Clone mixes	11	8
Parent trees, clones	1,216	

Operating Stock of Raw Materials and Seeds of LCR as of 31 December 2015

Tree species	Raw Material (kg)	Seeds (kg)
SM	67,363	2,818
BO	21,599	1,008
MD	126	54
JD	705	709
BK		4,466

The seed stock at the Seed Bank of Regional Populations was not replenished in 2014 and is given in the table.

Seed Bank of Regional Populations – Stocks as of 31 December 2015

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

In 2015, 196 tons of seed material was collected (113 tons of coniferous trees, 83 tons of deciduous trees), 85 tons of which were delivered for immediate planting (especially oak, and to a lesser degree beech and other deciduous trees).

At the Týniště nad Orlicí seed unit 2,023 kg of seed were stratified, especially beech, and more than 94 tons of seed material was processed (86 tons of pine cones and 3.5 tons of acorns and 4.5 tons of other species).

Despite significant spring blooming and budding in 2015, beech nuts were affected by the dry summer that prompted the premature fall of beech nuts throughout the CR. Acorns were also affected, particularly

by diminished nut size in sporadic areas. Of the conifers, insect cone damage was particularly evident in spruce.

There was an excellent, high-quality white fir crop. Douglas firs had an average year which did not even meet domestic seed demand. There was no larch crop in 2015 while the pine harvest was average.

In 2015, LCR placed a major portion of its seed banks assets in the National Program for Preserving and Reproducing Genetic Resources of Forest Species for the period of 2014-2018 declared by the Ministry of Agriculture.

The national program classifies 59 gene bases, 83 seed orchards and 8 clone mixes (mother plants).

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	2011	2012	2013	2014	2015
Area of timberland (thou. ha)	1,306	1,300	1,300	1,253	1,196
Non-stocked land as of 31 December (ha)	13,224	13,631	13,001	12,149	11,490
Non-stocked land as of 31 December (%)	1.01	1.05	1.00	0.97	0.96

The ratio of non-stocked land to timberland maintained a positive level below 1%.

Share of Conifers and Deciduous Trees in Artificial Reforestation

Year	2011	2012	2013	2014	2015
Conifers (ha)	6,511	5,826	5,960	5,911	5,102
- fir trees (ha)	575	464	427	426	373
Fir trees - % artificial regeneration	5.26	4.72	4.14	4.22	4.18
Deciduous (ha)	4,422	4 002	4 349	4 181	3 812
Deciduous - % artificial regeneration	40.44	40.72	42.19	41.43	42.76
Deciduous and firs (%)	45.70	45.44	46.33	45.65	46.95

As in previous years, in 2015 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 2015, 41.5% of the trees LCR planted were soil-improving and strengthening species.

In 2014, LCR planted a total of 53,084,000 seedlings, 2,436,000 of which were viable seedlings cultivated at LCR forest management units.

Share of Natural Regeneration in Initial Regeneration

Year	2011	2012	2013	2014	2015
Total initial regeneration (natural and artificial) (ha)	11,996	11,364	11,786	11,255	9,199
Natural regeneration (ha)	2,797	3,201	3,601	3,540	2,698
Natural regeneration (%)	23.32	28.17	30.55	31.45	29.33

Select Management Indicators

Year	2011	2012	2013	2014	2015
Non-stocked land as of 31 December (ha)	13,224	13,631	13,001	12,149	11,490
Clearings from logging (ha)	9,882	9,847	9,204	8,883	6,796
Artificial (first and repeated) regeneration (ha)	10,934	9,899	10,309	10,092	8,914
Natural regeneration (ha)	2,797	3,201	3,601	3,540	2,698
Total regeneration (ha)	13,731	13,100	13,910	13,632	11,612
Cleaning (ha)	22,458	20,670	20,997	20,792	18,641
Thinning (ha)	51,619	42,911	40,072	41,346	30,023
Logging (thou. m ³)	8,023	7,836	8,035	7,975	7,700
- of which: salvage (thou. m ³)	1,769	1,521	2,014	2,222	3,706
Share of salvage felling (%)	22.05	19.42	25.06	27.86	48.13
Logging (m ³) per 1 ha of timberland	6.14	6.03	6.18	6.37	6.44

The annual plan to balance stands under and over 40 years old was maintained in 2015. 28,900 hectares of stands up to 40 years old were cleaned and thinned. In 2014 salvage felling accounted for 27.86% of total logging. The decline in thinning was due to the increasing share of salvage felling. Of this salvage felling, nearly 48% was necessitated by natural factors (mostly wind damage), while insect damage accounted for 32%. Total logging in 2015 did not exceed the annual limits set by the forest management plans.

Select Management Indicators per 1,000 ha of Forest

Year	2011	2012	2013	2014	2015
Non-stocked land as of 31 December (ha)	10.13	10.48	10.00	9.70	9.61
Clearings from logging (ha)	7.57	7.57	7.08	7.09	5.68
Artificial regeneration (ha)	8.37	7.56	7.93	8.06	7.45
Natural regeneration (ha)	2.14	2.46	2.77	2.83	2.26
Total regeneration (ha)	10.51	10.02	10.70	10.88	9.71
Failed restocking (ha)	1.33	1.34	1.63	1.96	1.89
Cleaning (ha)	17.20	15.90	16.15	16.60	15.59
Thinning (ha)	39.61	33.01	30.83	33.00	25.10
Logging (m ³)	6,144	6,027	6,181	6,366	6,438
- of which: intermediate (m ³)	1,469	1,414	1,356	1,494	1,170
principle felling (m ³)	3,320	3,442	3,276	2,944	2,169
salvage (m ³)	1,354	1,170	1,549	1,773	3,099
Principal felling (m ³)/ha on non-stocked land	328	328	328	304	226

Forest Certification

In 2015, the forests managed by LCR were recertified via the PEFC system (Programme for the Endorsement of Forest Certification Schemes) for an additional three-year period (2015-2018). In total, LCR has certified 144 forest management facilities covering a total area of 1,274,990 ha of forests. Throughout the year, audits of forest management quality were carried out at select LCR forest management facilities.

Professional Forest Management

As of 31 December 2015, LCR provided professional forest management to other owners over a total area of 285,690 ha, of which 276,353 ha were managed for 207,865 owners pursuant to Section 37 par. 6 of the Forest Act, while 11,838 ha were managed contractually for 207 owners according to Section 37, par. 3 of the Forest Act.

Damage Compensation

Since 2006 LCR has claimed damage compensation for damages hindering forestry operations. For 2015 a total of CZK 59.285 mil. was collected as damage compensation.

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., LCR has furnished the relevant government forest management authorities desired information as of 31 March 2016 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 reaching internal EU markets is negligible.

Pollution

Air Pollution Hazard Zones as of 31 December 2015

Wooded lands	A	B	C	D
1,195,635 ha	15,341	49,284	271,458	859,552
%	1.3	4.1	22.7	71.9

Air Pollution Damage Grades as of 31 December 2015

Wooded lands	0	0/I	I	II	IIIA	IIIB	IV
1,218,838 ha	1,092,698	72 496	44,542	7,557	1,413	117	15
%	89.7	5.9	3.6	0.7	0.1	0	0

Quantified Air Pollution Damage

Year	2010	2011	2012	2013	2014
Amount of damage (in mil. CZK)	61	61	55	56	55

Felling Due to Air Pollution

Year	2011	2012	2013	2014	2015
Volume (thou. of m ³)	7	8	11	10	9

Forest Protection

With respect to climatic parameters, 2015 may generally be considered a significantly warmer year with much lower rainfall than normal. Temperatures in the first quarter were much higher than normal and total precipitation was slightly above normal, although uneven with a major dry spell in February. Average temperatures in January did not fall below freezing, in February average temperature was just slightly below freezing, resulting in a major lack of snow cover even at higher elevations. During March, above average temperatures and precipitation replenished soil moisture to desirable levels before the start of the main growing season. The next few months up to mid-July were characterized by average temperatures with a slight lack of rainfall, but considering the conditions at the start of the growing season there was no major shortage of soil moisture. The situation changes in the second half of July with a record heat wave and critical lack of precipitation which quickly decreased levels of soil moisture throughout the entire country to the point of wilting and this state continued until practically the end of October. This long-lasting dry spell was interrupted by several short episodes of rainfall that only had a short-term effect. The health of forest stands deteriorated rapidly during this critical situation resulting in the premature fall of assimilation apparatus and a several-fold increase in salvage felling. In the western part of the country, above-average rainfall in the final third of the year gradually replenished soil moisture and despite the above-average temperatures the health of most stands gradually improved, but nevertheless, in certain parts of the country (southern parts of Vysočina Highlands, South Bohemia) extensive signs of withering persisted. In the eastern part of the country the lower total rainfall resulted in a persistent high degree of physiological stress due to lack of moisture and planted stands continued to wither and dying through the end of the year. November and December were much warmer than normal and classic winter weather with longer freezes and continuous snow cover did not appear even in higher elevations until right before the end of year.


The greatest damage from non-biotic factors was caused by wind (1,318,900 m³), then frost (314,000 m³), draught (284,000 m³), snow (40,900 m³) and industrial emissions (10,300 m³). The share of natural random felling in total logging was 23.3%. The regional distribution of such events was extremely uneven, with salvage felling accounting for over 50% of annual logging in the forest management units of Hanušovice, Toužim, Náměšť n. O. and Vyšší Brod. Fires destroyed 46.7 ha of forest stands

In 2015, a total of 1,011,400 m³ of standing spruce trees infested with bark beetles were cleared, along with 9,400 m³ secondarily infested following natural disasters, which represents an increase of approximately 215% from the previous year. Unlike most years, the majority of this work was carried out in later months, which negatively impacted the calamity indicator of future threat to stands, which increased by 370%

compared to the previous year. An increase in damage was observed practically throughout the CR. In absolute values, the most serious situation was the withering of spruce in the north-eastern part of the country, where the situation is further complicated by the high volume of random fellings caused by acute attacks of the honey mushroom. Along with salvage felling caused by bark beetles, there was an increase in salvage felling due to draught, particularly in the southern Vysočina and South Bohemia where it was the leading cause of salvage felling. The most significant species of bark beetle 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, 120,400 classic trap trees and 28,500 standing trap trees (a total mass of 181,400 m³) were set up, and 26,300 traps and 400 poison traps were deployed. 7,400 m³ of infected trees were stripped of their bark and 25,900 m³ 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 7,200 m³ 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 1,600 m³, and damage from pine bark beetles which totalled 900 m³.



*And then something moved.
Fog is sneaking uphill from the water's nest
Into the woods above, between the skies and us are
grey cloud fountains
An arch of light shadows stretches over the hills from
crest to crest
A tragic moment before a battle with the Sun just
rising behind the mountains.*

In 2015, 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 2016.

In the areas of Bzenecka and Hodonínska doubrava large swarms of forest cockchafer beetles continued to impact deciduous stands that very quickly recovered. Approval for aerial treatment was not given by conservation authorities so during the next four-year cycle this large beetle population will continue to be a limiting factor for successful forest regeneration.

There was 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 (6.5 ha treated on the ground), in the Krušné hory region, there was a partial subsidence of the local outbreak of larch casebearer (20 ha of damage was recorded). In 2015, the area of coniferous crops damaged by the pine weevil was below the average of recent years, and 4,707.1 ha received preventative or curative treatment.

The mild winter compared to 2014 further increased the damage caused by small rodents and significant damage to stands was recorded for 1,201.7 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.

The extent of damage caused by main fungal pathogens decreased from last year. Damage caused by pine needle cast was recorded in 805.8 ha (especially in South Bohemia and Central Moravia) while oak mildew attacked 477 ha (especially in the Low Jeseníky Mountains, Southern Moravia and South Bohemia). Damage caused by fungal pathogens in older stands remained at levels comparable to the unfavourable figures of 2014. The most economically significant damage remains acute attacks of the honey mushroom (*Armillaria solidipes*) which in 2015 resulted in logging of 253,600 m³, which is one of the highest annual values recorded. As in past years, the Moravia-Silesian region was most affected. After a slight increase last year, the extent of damage to blue spruce in stands of substitute tree species in the higher areas of the eastern Krušné hory area caused by infectious *Curcubitaria piceae* and accompanied by fungal pathogens again began to increase markedly up to 1,500 ha, which indicates a new resurgence of this destructive process.

The prognosis for further development of affected stands is still unclear. The most heavily impacted stands are regularly assigned to stand transformation projects. 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*. After setting records in 2014, the area affected by the fungus decreased slightly to 2,510.9 ha of primarily younger stands. While this reduction is particularly due to the gradual die off of the most heavily impacted stands, the dynamic of the pathogen itself remains high. Further fast geographic spread of this dieback into previously unaffected regions was noted.

Stands remain susceptible to yellowing as a result of nutritional disorders. In 2015, significant signs of damage appeared over 25,700 ha. Funds from the Ministry of Agriculture were used to apply lime from the air to 4,774 ha of stands, primarily in areas of the Ore Mountains; smaller applications were also carried out in areas of the Vysočina Highlands (Javořice) and the Beskid Mountains (Jablunkovsko). Serious nutritional deficits of stands were addressed in 2015 through the top-dressing of seedlings after planting with slow release fertilizer tablets used over a total area of 348.86 ha.

Hunting

During the 2015/2016 hunting year, the company operated a total of 204 hunting grounds at its own expense in the areas of its organizational units as of 31 March 2016. This number includes 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 122%.

Fulfilment of the Plan for the Hunting of Select Species of Hoofed Game in LCR Hunting Grounds

Plan

Species of Game	2011/12	2012/13	2013/14	2014/15	2015/16	index
Red deer	1,859	1,732	3,025	2,561	2,585	1.009
Sika deer	301	341	955	1,052	904	0.859
Mouflon	976	906	1,333	961	902	0.939
Fallow deer	1,354	1,292	1,446	1,216	1,318	1.084
Roe deer	2,212	2,075	3,635	3,342	3,150	0.943
Total	6,702	6,346	10,394	9,132	8,859	0.970

Skutečnost

Species of Game	2011/12	2012/13	2013/14	2014/15	2015/16	index
Red deer	1,946	1,907	3,250	2,950	2,987	1.013
Sika deer	447	569	1,248	1,315	1,477	1.123
Mouflon	1,094	1,262	1,673	1,331	1,255	0.943
Fallow deer	1,472	1,507	1,687	1,576	1,710	1.086
Roe deer	2,325	2,283	3,750	3,368	3,361	0.998
Total	7,284	7,528	11,608	10,540	10,790	1.024

Fulfilment of the Hunting Plan for Select Species of Hoofed Game

2015/16	Red deer	Sika deer	Mouflon	Fallow deer	Roe deer	Total
Plan	2,585	904	902	1,318	3,150	8,859
Actual figures	2,987	1,477	1,255	1,710	3,361	10,790
%	116	163	139	130	107	122

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.

Damage Caused by Game

Forest damage caused by game is monitored and quantified for all forestland which LCR has the right to manage. In financial terms, there was a year-over-year increase of CZK 3.883 mil. in damage caused by game. Compared to the past period, there was an increase in damage primarily from destruction of vegetation and damage caused by bark scaling and gnawing which reduces the quality of stands.

As far as damage to vegetation, there was an immense year-over-year increase at FMU Bučovice (CZK 2.256 mil.) and a significant rise in this type of damage at FMF Židlochovice (CZK 462,000). In both cases this was damage caused by wild boars that rooted up oak and beech seedlings. The cause of this local damage has not yet been fully explained. Also concerning is the increase in damage caused by bark scaling and gnawing, where there was a year-over-year increase of (of CZK 2.087 mil.) at multiple organizational units. The increase in this damage was mainly due to the irregular winter, where the absence of snow cover led game to remain outside of their natural wintering sites.

Of the total estimated forest damage caused by game, company-operated hunting grounds accounted for CZK 3.966 mil. (a year-over-year decrease of CZK 1.219 mil.), leased company hunting grounds accounted for CZK 12.607 mil. (a year-over-year increase of CZK 3.706 mil.) and other hunting grounds (association-owned) accounted for CZK 6.892 mil. (a year-over-year increase of CZK 1.396 mil.). The year-over-year decrease in damage to company-operated hunting grounds is a very positive development, since despite the ongoing process of property transfer according to Act No. 428/2012 Coll., on the settlement of property with the church and religious societies, hunting plans were met by LCR personnel under demanding conditions even for these hunting grounds.

Period from 1 July to 30 June	Total mil. of CZK	Destroyed	Browsing Damage	Bark Scaling and Gnawing	Extraordinary Measures
2014/15	23.466	6.987	7.799	8.181	0.499
2013/14	19.582	4.996	7.953	6.094	0.539
2012/13	21.128	3.693	7.389	9.573	0.473
2011/12	15.887	2.993	7.009	5.510	0.375
2010/11	17.159	2.932	8.337	5.489	0.401

LCR Grant Service

Since 2002 when the LCR Grant Service was established, by the end of 2015 62 research projects have been adopted with a total funding of CZK 74.132 mil. The research work under 45 projects has been completed, 16 projects are still underway, one project was cancelled (in 2004) before it was completed, while one project has completed only the first stage planned for 2015.

In 2014, 13 new research projects were approved with a total funding of CZK 15.647 mil. and three projects were completed. The LCR Grant Service spent a total of CZK 3.603 mil. on projects (including final and ongoing payments).

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.

Overview of research projects

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

Completed projects:

- no. 50) "Analysis of the Current State of Timber Processing in the CR and Proposed Methods of Increasing the Competitiveness of Wood Processing Companies". Researcher: Mendel University in Brno. Total funding: CZK 793,000, of which CZK 207,000 was paid in 2015.
During the course of 2015 the project was ended after completion of the 1st stage.

Ongoing projects:

- no. 44) "Strategies for Reducing Cockchafer Damage in the Strážnice FMU". Researcher: Mendel University in Brno. Total funding: CZK 990,000, CZK 165,000 of which was paid out in 2015.
- 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, CZK 198,000 of which was paid out in 2015.
- no. 46) "Reproductive Characteristics of Female Sika Deer". Researcher: Czech University of Agriculture in Prague. Total funding: CZK 678,000, CZK 430,000 of which was paid out in 2015.
- 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 (no payments were made in 2015).
- no. 48) "Finding and Verifying Operationally Feasible Methods for Assessing the Current Physiological Status of Planting Material." Researcher: VÚLHM, v.v.i., Strnady. Total funding: CZK 995,000, CZK 331,000 of which was paid out in 2015.
- no. 49) "Factors of Hare Mortality, Habitat Use and Population Support." Researcher: VÚLHM, v.v.i., Strnady. Total funding: CZK 696,000, CZK 207,000 of which was paid out in 2015.
- no. 51) "Optimizing Forest Management on Slopes Threatened by Landslides and Rockslide – Methodology of Silviculture Practices. Researcher: Mendel University in Brno. Total funding CZK 988,000, CZK 165,000 of which was paid out in 2015.
- no. 52) "The Road to Increasing Consumption of Lumber Produced in the CR in the Contemporary Central European Context". Researcher: Timber Research and Development Institute in Prague, s. p. Total funding CZK 975,000, CZK 661,000 of which was paid out in 2015.

- no. 53) "Cultivation Methods to Limit Ash Dieback Caused by *Hymenoscyphus fraxineus* (Chalara fraxinea)". Researcher: Mendel University in Brno. Total funding CZK 911,000, CZK 248,000 of which was paid out in 2015.
- no. 54) "Potential MVE on Minor Watercourses" Researcher: DHP Conservation, s.r.o. Total funding CZK 1,996,000 (no payments were made in 2015).
- no. 55) "Optimizing Protection Against Weed Overgrowth in Nutrient Rich and Alternating Wet and Dry Stands". Researcher: Mendel University in Brno. Total funding CZK 1,926,000 (no payments were made in 2015).
- no. 56) "Ecological Limits and Production Effects of Growing Norway Spruce at Lower Elevations – Analysis of Risks and Production Possibilities of Spruce Populations". Researcher: VÚLHM, v.v.i., Strnady. Total funding CZK 1,957,000 (no payments were made in 2015).
- no. 57) "Model for Timber Pricing Trends Based on Statistical Analysis of Available Data Obtained from Standing Timber Auctions Held in the Czech Republic". Researcher: FORESTA SG, a.s. Total funding CZK 1,340,000, CZK 579,000 of which was paid out in 2015.
- no. 58) "Evaluation of Current State of Watercourses Managed in FMUs Hanušovice, Loučná nad Desnou and Ruda nad Moravou and Proposed Measures to Increase Area Retention Capacity". Researcher: EKOTOXA, s.r.o. Total funding CZK 1,994,000, CZK 413,000 of which was paid out in 2015.
- no. 59) "Tools for Improving Accuracy of Logging Estimates Determined from Real Logging Data According to "Recommended Rules for Measuring and Sorting Timber in the CR". Researcher: IFER – Monitoring and Mapping Solutions, s.r.o. Total funding CZK 893,000 (no payments were made in 2015).
- no. 60) "Processing Potential of the CR". Researcher: APICON, s.r.o. Total funding CZK 183,000 (no payments were made in 2015).

Amounts are listed without VAT.

LCR also helped fund research for the project titled "Protection and Reproduction of Valuable Grey Poplar Populations (QJ 1520297), Researcher: VÚLHM, v.v.i. in the Comprehensive Sustainable Systems in Agriculture Programme for 2012-2015. Total funding CZK 994,000 without VAT (CZK 229,752 without VAT was paid out in 2015). In 2015 it also participated in the project titled "Use of the Douglas Fir in Czech Forestry Management" (KUS - QJ 1520299) with acknowledged costs of CZK 1,414,000 and support from the Ministry of Agriculture totalling CZK 283,000.

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").

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). In 2015, RDP paid out a total of CZK 27.057 mil. (25.454 mil. for Sub-measure II.2.4.1; CZK 1.603 mil. for Submeasure II.2.4.2).

Single Area Payment System

In 2015, a payment of CZK 13.402 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 2014. No payment for a summary request for 2015 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 took advantage of final funding from the Environment 2007-2013 Operation Programme that was part of Priority Axis 6 "Improving the State of Nature and the Landscape",

Grants paid out in 2015 amounted to CZK 34.122 mil. (CZK 19.031 mil. for area 6.2, CZK 12.939 mil. for 6.3, CZK 1.956 mil. for 6.4, and CZK 196,000 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 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).

82,442 euros of funding was disbursed in 2015, 73,869 EUR was received from CCOP Free State of Saxony and Czech Republic and 8,573 EUR from CCOP Czech Republic and Slovakia..

Forest Management

In 2015, the drafting of forest management plans (FMPs) was completed effective as of 1 January 2015. This encompassed a total of 12 forest management facilities (FMFs) at 8 organization units of LCR. All 12 FMPs were approved by the state forest management authority. The total area of land designated as forestland was 117,642 ha. All FMPs were drafted in accordance with applicable forest management information standards. Based upon an agreement concluded between LCR and the Forest Management Institute (ÚHUL), the data of approved FMPs was entered into the ÚHUL information database. The company spent a total of CZK 29,566,496 without VAT on this year's FMPs, which works out to CZK 249 per ha without VAT. This price includes additional work involved with the handover of church assets. The original price per 1 ha was CZK 234 without VAT. As in 2014, in 2015 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.

As of the date of issue of the Annual Report, LCR does not have any FMPs yet to be approved except for those effective as of 1 January 2016, which are undergoing standard approval.

In 2015, outdoor work was completed for FMPs effective as of 1 January 2016. This concerned 11 FMPs at 9 LCR organizational units. The total area was 113,841 ha.

Since 1 January 1998, the task of renewing the FMPs at LCR has been placed in the hands of external businesses. In 2015, in accordance with the Public Procurement Act, LCR once again announced a public tender for the preparation of FMPs, effective as of 1 January 2017. As in previous years, the full scope of annual FMPs was included in a single public contract which was divided into 8 separate parts, each representing an organizational unit affected by FMP renewal. The tender thus encompassed 9 FMPs in 8 organizational units covering a preliminary area of 100,924 ha.

A total of eight entities expressed interest in preparing FMPs effective as of 1 January 2017. The average price (the arithmetic mean weighted by the preliminary area of each FMF) under the concluded work contracts amounted to 511 CZK/ha without VAT. The average price per ha from the previous year's FMPs effective as of 1 January 2016 was 445 CZK/ha. The price change index for FMPs effective as of 1 January 2016 compared to the previous year was 115%. The average price thus reached levels for the year of FMPs effective as of 1 January 1999.

Total renewal of FMPs in various stages of completion took place in 2015 for 323,765 ha in 32 FMFs at 25 organizational units. A detailed list of FMPs renewed in 2015 is shown by individual FMF in the table and in the illustrative map on page 45.

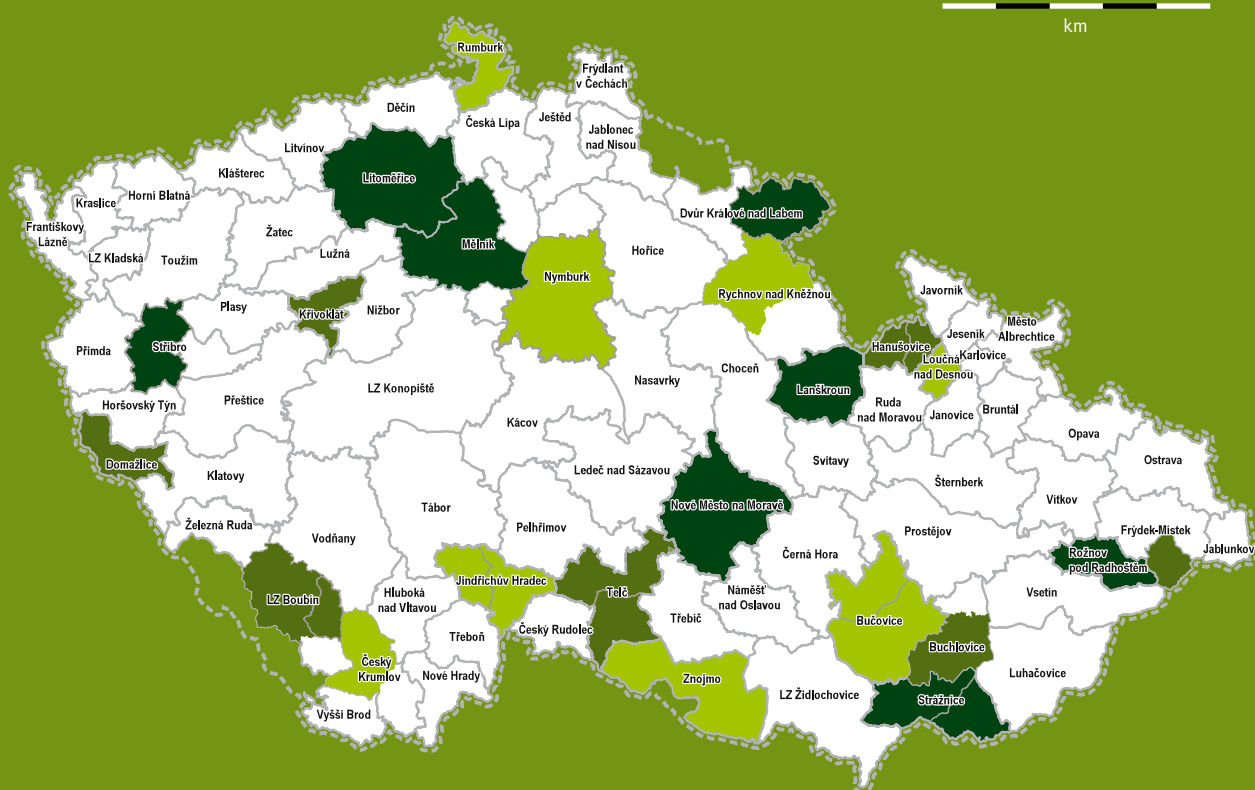
In 2015, LCR registered 150 FMFs with valid FMPs just as they did in 2014.

Of the 150 FMFs, 3 were listed as co-ownership with a certain share held by the state, 8 FMFs or their parts were placed in the management of the company as part of asset purchases, and one was created over

Renewed FMPs



0 20 40 60 80 100
km



- FMPs valid as of 1 January 2015
- FMPs valid as of 1 January 2016
- FMPs valid as of 1 January 2017


leased assets, with all activity provided by forestry units.

Based on its contract with LCR, in 2015 the Forest Management Institute (ÚHÚL) conducted external quality controls at 4 organizational units drafting FMPs effective as of 1 January 2016. The inspections did not find any serious systematic errors. External inspections will continue in 2016.

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. 16.

The Graphics Data Warehouse (GrDW) was used to create a map depicting the current status of property managed by LCR as of 31 December 2015 – see p. 15.

In 2015 LCR ordered another 94 Digitech Professional callipers to measure standing inventory. The callipers are equipped with LCR Tax software developed for this purpose.



*From grim limits of frantic cities
I have come to waters
and trees
I, who am only beginning to learn
About their being shy of man
I, who have come to understand
The slightest of their heaves
And am happy far from the crowds
Or, like them, placidly suffer any ban
I do not know my yesterdays
And I sing my tomorrows on hilltops
To the heaths.*

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 help maintain the prestige of forest management and the good reputation of state forestry.

During the period from 2007 to 2015, ten-year inspections were carried out in a total of 796 districts at 124 FMFs or their parts, i.e. 90% of the current total number of FMFs managed by LCR. Overall this involved 23,509 JPRLs. From 2013-2015, five-year field inspections were carried out in a total of 269 districts at 37 FMFs or their parts.

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

RHO No.	RHO Name	Average	Office	Outdoor	Number of Districts	Number of FMFs
913	Šumperk	1.6	1.57	1.64	73	8
918	Jihlava	1.62	1.62	1.61	61	11
915	Zlín	1.66	1.63	1.67	43	7
911	Frýdek-Místek	1.66	1.58	1.75	96	11
928	České Budějovice	1.79	1.8	1.77	73	12
LZ		1.85	1.86	1.84	44	15
930	Pilsen	1.86	1.8	1.9	89	13
919	Choceň	1.87	1.98	1.75	43	7
916	Brno	1.9	1.97	1.82	41	4
936	Liberec	1.93	2	1.84	73	10
921	Brandýs nad L.	1.93	1.94	1.93	54	11
932	Karlovy Vary	1.95	1.92	1.99	50	7
933	Teplice	2.22	2.42	1.96	56	8
Total		1.83	1.86	1.8	796	124

A photograph of a forest floor covered in tall, green grass. Several tree trunks are visible, some with moss growing on them. A small stream flows through the grass on the right side of the image. The lighting is soft, suggesting a dappled sunlight effect.

Praise of nakedness

*June glares over the woods and silence smells of passion
Look, a spout of water has gushed from a silent pond
Drops ring against the surface in a bell-like fashion
A clear silver stream has spilled into the woods beyond.*



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 drafted and approved several planning documents which are continually being carried out and updated.

The Sustainable Forest Management programme (1996, 2000, 2015) 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 and the general public is encouraged to make specific suggestions to attain these goals.

Program 2020

Costs for Carrying Out Agenda 2020 for 2011-2015

Year	2011	2012	2013	2014	2015
Total costs (thousands of CZK)	55,601	54,428	69,630	70,319	73,501

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

Type of Activity	Thousands of CZK	%
Forest arboreturns and protected trees	908	1.2
Well building	1,799	2.4
Maintenance of protected buildings and structures	1,520	2.1
Recreational and sightseeing facilities for the public	24,798	33.8
Information systems for the public	2,478	3.4
Construction and repair of roads, trails and parking for the public	12,924	17.6
Aesthetic treatment of forests, parks and countryside	4,517	6.1
Management of water resources	8,477	11.5
Biodiversity management of forests and countryside	2 210	3.1
Management of minor structures for the public	3,786	5.2
Suppression of invasive plant species	1,202	1.6
Special programmes for the public	1 278	1.7
Other events for the public	7,604	10.3
Agenda 2020 total	73,501	100

In 2015 the company spent most funds on the construction and maintenance of recreational and sightseeing facilities for the public (CZK 24,798,000) and building and repairing roads, hiking trails and parking lots (CZK 12,924,000). Other considerable investment was made in managing water resources and wells (CZK 10,276,000).

Other major company activities carried out as part of the Agenda included aesthetic treatment of forests, parks and the countryside (CZK 4,517,000), biodiversity management of forests and countryside (CZK 3,786,000), care for minor structures for the public (CZK 2,478,000) and building information systems for the public (CZK 2,210,000).

In 2015, the company spent a record amount of CZK 73,501,000 on all types of activities carried out for the public under Agenda 2020.

Cooperation with Non-Government Organizations

Czech Tourist Club

Support for trail marking in cooperation with the Czech Tourist Club is traditional and very positively received by the public.

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 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

Křivoklátsko Forest Park

Support continued for these entities founded or co-founded by LCR.

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

Non-interference Zones and Monitoring Thereof

In 2015, 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 2015 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.

Roughly 27% of the land which the company is entitled to manage is incorporated into protected landscape areas (PLAs). Another 3% of the area is located in small specially protected sites, i.e. in national nature reserves, national natural monuments, nature reserves and natural monuments.

In the Natura 2000 system of significant European sites established in all EU Member States, 235,000 hectares of the company's land qualifies as bird sanctuaries (under the Birds Directive), while more than 272,000 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.

From 2012–2014 LCR actively took part in Saxony-Czech Republic Priority Axis 3 project “Revitalization of Peat Bogs between Hora Sv. Šebestiána and Satzung (<https://moorevital.sachsen.de/>). This project was nominated in 2015 for the final round of the prestigious European Natura 2000 Award in the category of Cross-Border Cooperation and Networking. The award is given for success in protecting European natural heritage within Natura 2000 areas.

Damages Caused by Select Specially Protected Animal Species

In 2015, 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 2,120,813, and damages caused by the European salmon at CZK 5,905. However, the act and its implementation decree far from cover all types of damage.

Support of Non-Productive Roles of Forests – External Resources

In 2015, 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 1,399,090, in cooperation with the relevant LCR organizational units.

For measures in sites outside these zones, in 2015 the company received direct subsidies under the Landscape Management Programme totalling 129,324. For measures in sites outside these zones, in 2015 LCR received direct subsidies under the Ministry of the Environment's “Programme to Restore Natural Landscape Functions” totalling CZK 106,382.


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



*I*t's a long way from man to man,
and longer yet to reach your destination
I and the trees and boulders, grasses and rivers,
animals and insects are one
I want my days and moments to smell of pines,
meadows and precipitation
Here I am now, a sprout of the homeland,
the earth and I are one
For one another we've been born,
never apart to be torn...

Investment Activities in 2015

The total volume of capital funds invested by LCR in 2015 came to CZK 1,391,529,000, which amounts to 98% of the planned volume of CZK 1.427 billion. Company funding amounted to CZK 1,250,543,000 (i.e. 89.9%), while public funding accounted for CZK 42,522,000 (i.e. 3.1%). Agenda 2020 projects received CZK 39,478,000 (2.8%) while other sources accounted for CZK 58,986,000 (i.e. 4.2%) of total funds invested.

Investments in 2015 by source of financing – actual

Source of Financing	CZK mil.	%
Own sources	1,250.543	89.9
Subsidies, public budget	42.522	3.1
Own sources - Agenda 2020	39.478	2.8
Other resources	58.986	4.2
Total	1,391.529	100

Investments in Intangible and Tangible Assets

Overview by Asset Type	CZK mil.	%
Intangible assets	67.185	4.8
- FMP	46.669	3.4
SW	13.748	1.0
other intangibles	5.633	0.3
area studies	1.135	0.1
Tangible assets	1,324.344	95.2
- construction work	964.814	69.3
machinery and equipment	247.582	17.8
land	107.279	7.7
other	4.669	0.3
Total	1,391.529	100

Investments in intangible assets totalled CZK 67.185 mil. (i.e. 4.8% of total investments), most of which was invested in renewing forest management plans (CZK 46.669 mil.).

A total of CZK 1,324.344 mil. was invested in tangible assets (i.e. 95.2% of total investment volume). Of this, CZK 964.814 mil. was invested in construction work, CZK 252.251 mil. in machinery and equipment, while investment in land purchases and other matters related to capital construction or forestland consolidation amounted to CZK 107.279 mil.

Capital Construction by Statistical Classification

Capital Construction Classification	CZK mil.	%
Torrent control project documentation	8.357	0.9
Other project documentation	2.172	0.2
Forest road project documentation	50.186	5.2
Forest nursery project documentation	0.498	0.1
Handling warehouse project documentation	0	0
Warehouse and workshop project documentation	0.230	0
Reservoir project documentation	3.410	0.3
Housing project documentation	0.605	0.1
AB project documentation	1.984	0.2
Flood damage project documentation – torrent control	1.304	0.1
Flood damage project documentation - other	0	0
Flood damage project documentation – forest roads	0.037	0
Flood damage project documentation - housing	0.025	0
Flood damage project documentation - AB	0.177	0
Project documentation – EU projects	0.129	0
Forest roads	649.175	67.2
Forest nurseries	0	0
Handling warehouses	2.072	0.2
Warehouses and workshops	4.869	0.5
Technical forest reclamation + torrent control ... torrent control	46.198	4.8
Technical forest reclamation + torrent control ... reclamation	0.073	0
Technical forest reclamation + torrent control ... gullies and sanitation	8.013	0.8
Reservoirs	15.487	1.6
Housing, districts	14.196	1.5
Administrative buildings	40.863	4.2
Other buildings, including borrowed pits	41.326	4.2
Agenda 2020	39.478	4.1
Flood damage – torrent control	14.009	1.5
Flood damage – other structures	0	0.0
Flood damage – forest roads	1.784	0.2
Flood damage - housing	0	0.0
Flood damage – administrative buildings	0	0.0
EU projects – implementation	18.157	1.9
Total capital construction	964.814	100

Capital Construction

Capital Construction by Type for Forest Management

Construction work	CZK mil.	%
Forest roads, including documentation	701.182	72.7
Housing construction	14.827	1.5
Service buildings and structures	50.693	5.3
Water management	96.850	10.0
EU projects	18.286	1.9
Agenda 2020	39.478	4.1
Other structures	43.499	4.5
Total	964.814	100

CZK 964.814 mil. was invested in surface structures and utilities, most of which (CZK 701.182 mil., i.e. 72.7%) was invested in the construction and upgrading of forest roads. The second largest amount CZK 96.850 mil. (or 10.0%), 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	27.993	11.3
Trucks	24.822	10.0
Other vehicles (off-road)	36.752	14.8
Other vehicles (not off-road)	81.817	33.0
Special forestry machinery	14.293	5.8
Tractors including forestry trucks	12.046	4.9
Trailers and semi-trailers	2.731	1.1
Farming and nursery machinery	14.447	5.8
Loaders	3.160	1.3
Computer equipment, including printers	2.639	1.1
Copiers	0	0
Telecommunications equipment	0	0
Security systems for structures	0.527	0.2
Metalworking machinery	0	0
Woodworking machinery	0.047	0
Cross-cutting and sorting lines, dispatch lines	0	0
Televisions and cameras	0	0
Freezer technology	1.018	0.4
Other machinery not listed elsewhere	12.058	4.9
Total machinery	234.348	94.7
Other equipment + tangible fixed assets	13.233	5.3
Total machinery and equipment	247.582	100

A total of CZK 247.582 mil. was spent on machinery and other equipment in 2015. The largest outlay of CZK 118.569 mil. (i.e. 47.8%) was invested to purchase regular and off-road vehicles to modernize and supplement the company fleet.

Agenda 2020 – Investment Projects

Types of Activity	CZK mil.	%
Forest arboretums	0.623	1.6
Protected, ornamental and other trees	0.285	0.7
Alterations to streams, reservoirs	5.745	14.6
Wells	1.799	4.6
Support for endangered species	0	0.0
Historical buildings and structures	1.520	3.9
Landscaping	0	0
Recreational and sightseeing facilities	17.588	44.6
Building of public campgrounds	0	0
Removal of invasive plants	0	0
Building of public information systems	1.444	3.7
Roads, trails, parking lots	5.635	14.3
Other not listed elsewhere	4.839	12.3
Total	39.478	100

In 2015, CZK 73.501 mil. was spent on public-interest forest projects under Agenda 2020, CZK 39.478 mil. of which was channelled into investment projects. Capital construction in 2015 included hiking trails and small wooden structures to serve public visitors to forests managed by LCR. The largest volume of investment funds was used to construct recreational and sightseeing facilities and to repair watercourses, reservoirs and wells. Considerable funds were also invested in the construction of walking paths, trails, and parking lots.

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

Region	Total	Machinery and Equipment	Buildings	Forest Roads
Moravia-Silesia	136.080	12.594	106.101	55.204
Olomouc	74.002	3.949	53.333	38.579
Zlín	67.572	3.473	53.505	35.342
South Moravia	128.591	36.755	73.995	45.664
Vysočina	46.535	3.930	38.579	30.251
Pardubice	78.183	6.926	66.637	62.839
Central Bohemia	182.942	42.181	83.963	73.413
South Bohemia	160.990	26.832	125.519	94.805
Pilsen	61.451	7.909	47.620	34.986
Karlovy Vary	108.071	22.875	79.730	64.574
Ústí nad Labem	110.762	12.541	85.743	54.956
Liberec	101.379	9.137	80.127	69.204
Hradec Králové	134.970	58.480	69.962	41.365
Total	1,391.529	247.582	964.814	701.182



Murmur in the deep

*Winds blow into spruces and oaks among the heath
A long murmur down in the deep
Rains fall, hundreds of cold teeth
Gnawing on the hillside steep
I've set out into woods, my mind sore
Taking that way and this
To hear a wild song that the wind bore
To wear out my bitterness.*



Water Management

LCR manages designated small streams and creeks as a non-productive forest function. As of 31 December 2015, it managed more than 38,000 km of watercourses and over 829 small reservoirs.

Care for watercourses by LCR involves the management of watercourse-related assets valued at CZK 5.9 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 2015, 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.

Through its organizational units, LCR spent nearly CZK 484.9 mil. on watercourse and waterworks management in 2015, with CZK 134.5 mil. going to investment. Of this capital expenditure, CZK 106.1 mil. came from the company's own funds. CZK 350.4 mil. went to the management, repair and maintenance of basic torrent control, CZK 335.0 mil. of which came from the company's own funds. CZK 47.5 mil. was spent on removing flood damage, with CZK 40.3 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 10.7 mil. and was used to cover watercourse management.

Water Management Financing Structure in 2015 (in millions of CZK)

LCR	Total	Own Sources	Subsidies	Flood damage	
		Total	Total	Own Sources	Subsidies
Investment	134.5	106.1	28.4	12.9	2.4
Non-investment	350.4	335.0	15.4	27.4	4.8
Total	484.9	441.1	43.8	40.3	7.2

Geographical Scope of LCR's Watercourse Management



In 2014, 115 investment projects were carried out, including 7 reservoirs, 11 large transverse structures, 48 longitudinal modifications of watercourses, 7 studies and 42 minor structures as part of the 2020 Agenda (pools, information boards, rest shelters, etc.).

Measures Taken in Individual Catchment Basins:

At watercourse management in the Odra Basin construction was completed to stabilize and increase the capacity of riverbeds, especially work on the Čuvný and Hluchý streams in the town of Pražmo and alteration of the Jestřábí Stream in Dolní Lomná – all around Frýdek-Místek, and Volský Stream in Malá Morávka in the District of Bruntál.

Work continued to finish eliminating flood damage from May 2014. In the Beskids this included the Čeladenka in the town of Čeladná, the Zrzávka in Bludovice u Nového Jičína, the Raduňka in Raduň, the Satina in Malenovice and also Bystrý Stream in Janovice and in Lubna. In the Jeseníky Mountains work was completed on the Olešnice and the Kolnovický streams, both in Mikulovice.

In 2015 initial work was begun to provide flood protection under the Stage III Flood Protection Programme of the Ministry of Agriculture on the Kobylí Stream in Karlovice and the Děhylovský Stream in Děhylov u Ostravy.

Public-interest construction pursuant to Section 35 of the Forest Act was carried out to restore retention dams on the Ropičný and Blatný streams in the Beskids. In the Jeseníky Mountains repairs were carried out to restore the function of retention dams on the Komora in Holčovice and the Solný Stream in Město Albrechtice.

Watercourse management for the Odra Basin also received direct DVT funding for repairs and maintenance to improve the flow capacity of riverbeds. Projects were completed on the Podolský Stream in Rýmařov, a tributary of the Ondřejnice in Frýdlant nad Ostravicí, the Záviliší in Hradec nad Moravicí and the Celňák in Město Albrechtice.

At watercourse management in the Dyje Basin repairs and maintenance were carried out on LCR structures on the Markvartický and Příbyslavický streams near Třebíč, Křtinský Stream and Zemanův Žleb in the Blansko region and Dílský Stream near Brno.

Public-interest construction pursuant to Section 35 of the Forest Act was carried out to build two reservoirs in Pustý zámek near Znojmo.

EU Regional Development funds were used to repair and rebuild riverbeds in the Vysočina region – Slavonický Stream in Slavonice, the Besénka in the town of Brumov and Svatoslavský Stream in Svatoslav.

Direct DVT subsidies from the Ministry of Agriculture were used to maintain canals in Drnholec in the Břeclav region and maintain flow capacity of the Korejtká in the town of Vítějeves near Svitavy.

At watercourse management in the Labe Basin repairs were completed on the Vortovský Stream in Vortová u Chrudimi, the Chuchelenský Stream in Chuchelná u Semil and in the Eagle Mountains the Rybenský

Stream in Rybná, the Těchlovice reservoir in Těchlovice, Bačetínský Stream in Val u Dobrušky and the Bohdašínský Stream in Nové Město nad Metují.

Measures were completed to remove flood damage from May 2014 on the Brodec in Velká Skrovnice near Ústí nad Orlicí and on the Kundratický Stream in Kundratice. These projects were paid for using internal funding.

Public-interest work pursuant Section 35 of the Forest Act was completed for the Smědavská hora project – embankment stabilization in the Liberec Region.

Agenda 2020 public-interest work on LCR-managed watercourses included construction of bell posts in the Liberec Region, public recreation and information structures (gazebos, seating, information boards), creation of vernal pools for amphibians, etc. In 2015 measures were also undertaken to reintroduce river minnows and trout to the Jizerske Mountain PLA.

Major activities of the **watercourse management of the Vltava Basin** included elimination of flood damage from 2013 on the Svinařský Stream near Beroun, the Úžice Stream by Kutná Hora, the Zvolský and Ohrobecký streams near Vrané nad Vltavou, the Trnová in Černošice and the Hrachovka in Příbram. Flood damage was also repaired on the Kamenický Stream in Čakovice and the Zahořanský Stream in the Central Bohemian Region.

Other major work included completion of the revitalization of Maňavský Stream and tributary in the Český Krumlov area financed with EU subsidies (Environmental Operation Programme). Appropriate transverse structures were constructed from natural materials and suitable landscaping enhanced the revitalizing effects.

Also completed in 2015 was construction of barriers for the Sedlec, reconstruction of the Raška III Reservoir in West Bohemia and barriers for tributaries of the Jestřebický Stream funded by public-interest subsidies pursuant to Section 35 of the Forest Act.

As part of the “Schwarzenberg Canal – Living Cultural Heritage” project co-financed with EU funds, LCR Days were held in September 2015 under the auspices of the watercourse management of the Vltava Basin.

Among other projects, in 2015 **watercourse management of the Ohře Basin** completed the stage II revitalization of the tributary of Bynovecký Stream in Nová Oleška near Děčín, repair and reconstruction of the riverbed of Černocký Stream in Velká Černoc near Louny and repair of the retaining wall of Homolský Stream in Velké Březno near Ústí.

In 2015 watercourse management finished eliminating flood damaged from June 2013 on the left-bank tributary of Struhařský Stream near Lubenec in the District of Louny.

Two public-interest structures pursuant to Section 35 of the Forest Act were completed, additional barriers for the Falcké embankment on the Nečemice in the Žatec region and the retention reservoir on Bečovský Stream in the Karlovy Vary region.

Watercourse management of the Morava Basin carried out numerous projects to clear debris from riverbeds and repair waterworks, e.g. on the Loučka - Nasobůrka in Litovel, the Nemilka Reservoir near Šumpersk and repair of the retaining walls on the Rokytenka in Vsetín.


Pursuant to Section 35 of the Forest Act retention dams were completed on tributaries of Jelení Stream and retention reservoirs rebuilt on the Hájenka near Slavičín, District of Zlín.

As part of the new DVT subsidy programme of the Ministry of Agriculture for repairing and improving riverbed capacity flow, debris was removed from the Biskupický Stream in the Moravska Třebova region and from the Rokytenka in Rokytnice near Valašské Klobouky.

In 2015 preparatory design work was completed for the MA Stage III Flood Prevention Programme, specifically the Bzovský and Buchlovický streams in the Uherské Hradiště area and the Klášťov Retention Project near Valašské Klobouky.

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

Watercourse management offices were also involved in events for the public, especially forest education for children, and LCR regularly informs the public of its activities through press releases.



*A pathway runs high on a hill,
winding among trees
As if never walked by man,
it breathes silently with every straw
Each flower completes its days up here
and contentedly recedes
It all appears to be governed
by some hidden law.*

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.

2015 saw the conclusion of most agreements for the transfer of property; in 2015 alone 4,799 land parcels were transferred measuring 23,684 ha with 81 buildings. In the coming period we now expect a limited number of agreements and property will be transferred primarily based on court ruling or ruling of the State Land Office in administrative proceedings.

As of 31 December 2015, LCR had received a total of 2,265 requests for the transfer of property, in which entitled subjects claimed the transfer of 49,180 land parcels and 1,392 buildings (duplicate claims were made on approx. 10,564 land parcels and 60% of buildings).

As of 31 December 2015, 1,913 agreements had been concluded with entitled subjects for the transfer of claimed property totalling 17,679 land parcels measuring 77,789 ha and 250 buildings.

As of 31 December 2015, LCR had received 224 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 2,121 land parcels measuring a total of 25,120 ha and 55 buildings.

As of 31 December 2015, 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.

*The path goes up and down,
turning two, three, four times like a floss
It is soft with flowers, with insects hovering
against the sky's blue screen
It threads along an oak-tree wood,
where deer walk on the moss
And yellow, brown, grey mushrooms blend
in with the green.*

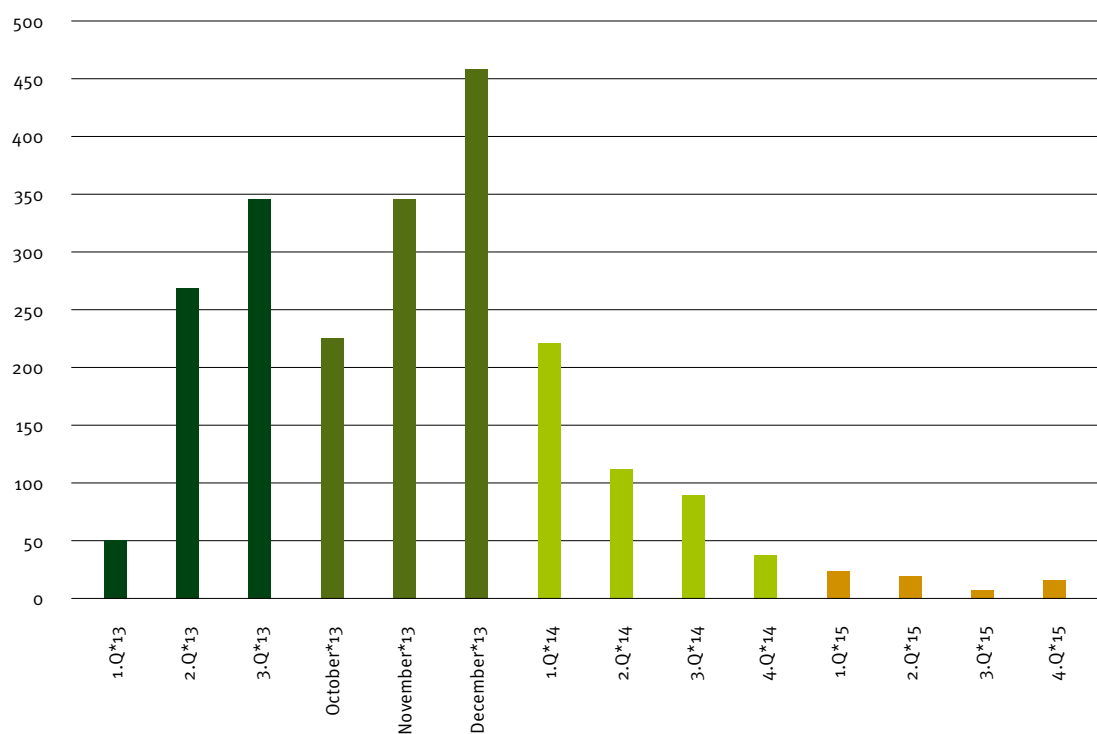
Restoration of Ownership and User Relations, Contractual Transfers

Graph of Number of Requests Filed in Individual Months from 2013-2015

Status as of 31 December 2015

Period	1.Q*13	2.Q*13	3.Q*13	October*13	November*13	December*13	1.Q*14
Number of requests filed	51	275	353	230	352	465	225
Period	2.Q*14	3.Q*14	4.Q*14	1.Q*15	2.Q*15	3.Q*15	4.Q*15
Number of requests filed	113	92	39	25	20	8	17
Total							2 265

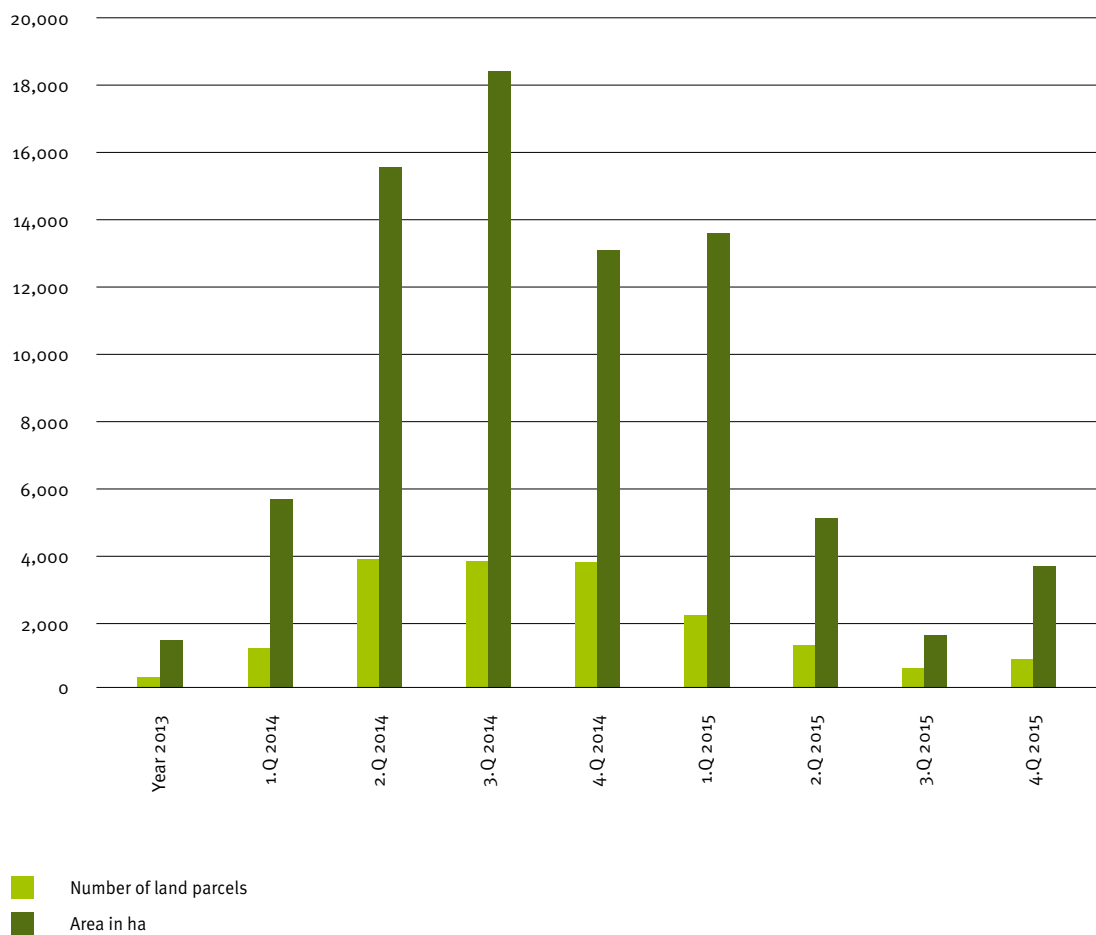
Number of Requests Filed



Graph of Number of Land Parcels Listed in Agreements pursuant to Sections 9 and 10 of Act No. 428/2012 Coll. from 2013-2015

Status as of 31 December 2015

Period	Year 2013	1.Q 2014	2.Q 2014	3.Q 2014	4.Q 2014	1.Q 2015	2.Q 2015	3.Q 2015	4.Q 2015	Total
Number of agreements	32	84	284	394	439	225	201	121	133	1,913
Number of land parcels	293	1,164	3,860	3,800	3,763	2,154	1,234	583	828	17,679
Area in ha	1,422	5,651	15,549	18,406	13,077	13,537	5,032	1,518	3,597	77,789



Restoration of Ownership and User Relations, Contractual Transfers

Other restitution

In other cases a total of 950.8075 ha of property was returned to original owners pursuant to Act no. 172/1991 Sb., on the transfer of certain property from the Czech Republic to municipalities, as subsequently amended (*in 2015 this exclusively involved the ending of lawsuits for ownership rights filed by municipalities before 31 March 2013*) and pursuant to Act no. 229/1991 Coll. on the ownership of land and other agricultural property, as subsequently amended.

Property Transfers Carried Out in 2015

Land Parcels (Purchase, Sale, Exchange)

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

	Total	Forest Lands
Area in ha	267,4089	178,7280
Purchase price in CZK	154,001,535	68,759,260

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

	Total	Forest Lands
Area in ha	442.6314	328.5254
Purchase price in CZK	106,490,698	61,877,530

Buildings (sale)

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

Number of buildings	45
Purchase price in CZK	47,523,939

In 2015, the following changes took place in senior staff positions

Org. unit	Function	Newly Appointed	Replacing	Date of Change
RHO Choceň	RHO director	Ing. Daniel Vlkánova, Ph.D.	Ing. Roman Vohradský	1. 1. 2015
RHO České Budějovice	RHO director	Ing. Radek Pomije	Ing. Karel Trůbl	1. 1. 2015
FMU Loučná nad Desnou	forest manager	Ing. Ján Dvořák	Ing. Pavel Jonák	1. 1. 2015
FMU Kraslice	forest manager	Ing. Alexandr Fous	Ing. Josef Kubát, Ph.D.	1. 1. 2015
FMU Litvínov	forest manager	Ing. Pavel Rus	Ing. Anita Hovorková	1. 2. 2015
RHO Frýdek-Místek	RHO director	Ing. Mgr. Jan Ševčík	JUDr. Zdeněk Horák, MBA	15. 5. 2015
FMU Frýdlant v Čechách	forest manager	Ing. Václav Vacek	Ing. Otto Kučera	1. 6. 2015
FMU Město Albrechtice	forest manager	Ing. Svatopluk Foltá	Ing. Vítězslav Závodný	1. 7. 2015
FMU Vsetín	forest manager	Ing. Jaroslav Pastyřík	Ing. Michal Vrážel	1. 7. 2015
FMU Hanušovice	forest manager	Ing. René Šebek	Ing. Jiří Eichler	1. 8. 2015
FMU Česká Lípa	forest manager	Ing. Jiří Hokr	Ing. Miloslav Slánský	1. 10. 2015
FMU Frýdek-Místek	interim manager	Ing. Petr Vrána	Ing. Jiří Silvestr	27. 11. 2015
FMU Ještěd	forest manager	Ing. Jiří Carda	Josef Rákosník	1. 12. 2015

Average Number of Employees

Year	2011	2012	2013	2014	2015
FMU, BM, RHO, CHO, LCR	2,112	2,125	2,175	2,230	2,278
FU, SU	1,066	1,088	1,096	1,105	1,098
Total	3,178	3,213	3,271	3,335	3,376
- white collar employees					
Year	2011	2012	2013	2014	2015
FMU, BM, RHO, CHO, LCR	2,037	2,041	2,080	2,119	2,118
FU, SU	309	309	302	301	297
Total	2,346	2,350	2,382	2,420	2,415
- labourers					
Year	2011	2012	2013	2014	2015
Number	832	863	889	915	961

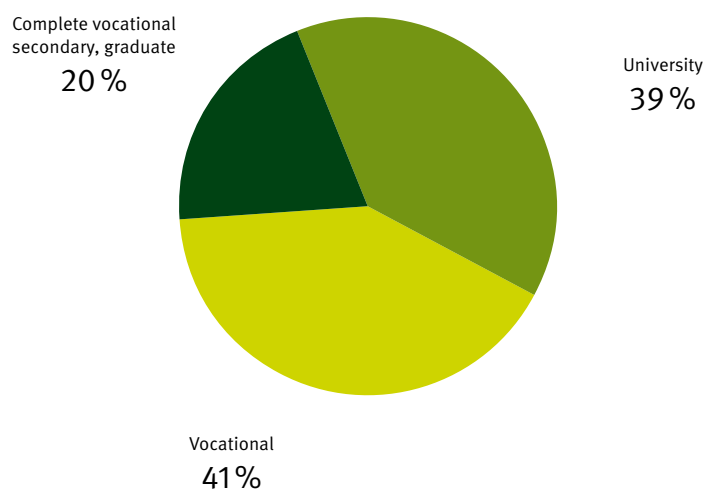
The average number of employees in the labourer category increased compared to 2014 primarily due to implementation of the Public Works social programme.

Average Wage

Year	2011	2012	2013	2014	2015
FMU, BM, RHO, CHO, LCR	30,559	31,475	31,819	32,417	32,505
FU, SU	23,366	24,337	24,657	25,008	25,067
Total	28,146	29,057	29,418	29,963	30,056

Total average earnings increased by 0.31% compared to 2014. An annual increase of earnings was applied to categories of employees without a contractual wage as stipulated by the company's collective bargaining agreement to 100.83%.

Employee Education (in %)



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 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 and Facebook page. Interest in modern communication technology continues to grow.

A new project, Notebooks for Schools, distributed approx. 250,000 notebooks to elementary schools and received tremendous public support. Before year's end, we also continued and expanded our program to donate Christmas trees to orphanages and social institutions.

Another manner of communicating with the public that shows great potential is exhibitions focusing on forestry and hunting. This includes the traditional Natura Viva Exhibition in Lysá nad Labem that primarily showcases hunting opportunities.

1. Communication with Journalists

The company's spokesperson, Eva Jouklová, 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 2015, the company put out 154 press releases and held 12 press conferences. The Company continued to openly communicate with the public and media.

Press releases concerned regional and general topics such as:

- church restitution
- forestry tenders
- transfer of funds to the state budget
- calculation of damaged caused by the windstorms in July 2015
- 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
- forest-based school education
- various events – Earth Day, Forest Week

2. Children and Youth

Since 1999 environmental education has been a priority for the company's entire communication strategy. These educational and awareness activities are carried out through a series of communication tools.

One method of promoting awareness of forestry and the environment is forest-based education, where students are taught about the forest, its function, natural relationships and forest management. Emphasis is placed on experiential learning, where participants learn to perceive the forest with all their senses,

Communication with the Public

naturally facilitating learning and memory. The target group includes elementary and middle school students, teachers, the broader public, university students, seniors, handicapped persons and the socially disadvantaged. Highly popular activities with the schools include walks in the forest with forest educators and foresters. During the year there were numerous art competitions and knowledge contests, trips, and the always popular forestry/hunting festivities such as Hubert's Mass

An opportunity for the state company to strengthen ties with the public on a regional level is afforded by the various LCR Days. These events combine sports with education and are extremely popular and well attended. In 2015, organizational units sponsored 126 LCR Days, which is 16 more than the previous year.

During 2015 trained forest educators held nearly 938 events attended by nearly 119,000 people.

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
2015	118,910	938	229

3. Internal Communication within the Company

Due to the size and character of the company and the scope of its activity, the company intranet is essential for internal communication. Our internet magazine Lesu zdar also remains a popular traditional tool.

The task of internal communication is primarily to strengthen company culture and promote employee loyalty. This objective is met in part by personal meetings between management and employees, both on a formal and informal level. In addition to traditional events such as the LCR Cup skeet shooting contest and the LCR Ball, 2015 also saw a new event – Sports Day – that enjoyed great response from a wide range of employees in its first year.

4. Gift Giving

The Company's strategy for gift giving established in the autumn of 2014 and posted on its website was continued in 2015. The company made donations totalling CZK 17.187 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 on Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, for 2015

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 (hereinafter also “LCR”) 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 55 written requests for the provision of information according to the AFAI in 2015.

2. Number of requests fully or partially rejected:

Six decisions were issued fully or partially rejecting requests for information under the AFAI in 2015.

3. Number of appeals submitted against decisions rejecting requests:

In 2015 3 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 2015 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 2015 there were no complaints filed regarding the manner in which LCR handled an information request pursuant to Section 16a AGAI.

LCR Anti-Corruption Program

As a state enterprise and legal entity authorized to manage state assets, LCR is committed to eliminating corrupt practices. In joining the fight against corruption and building upon efforts of the Government of the Czech Republic and the Ministry of Agriculture of the CR, the Company has created an anti-corruption programme aimed at ensuring transparent, standardized processes and roles to fight corruption within the state enterprise.

The goal of this programme is to entirely eliminate or limit as much as possible the pre-conditions leading to corrupt conduct by identifying risk areas, functions or activities that may lead to such conduct. Once corruption risks are identified, basic systemic procedures and measures are gradually defined to minimize and effectively suppress these risks.

In conjunction with eliminating corrupt conduct, the state enterprise is attempting to fortify the moral integrity of employees, strengthen and promote ethical conduct, and last but not least reduce employee motivation for corrupt conduct.

The aim of the Company and the Ethics Committee (which is made up of independent Company employees who do not hold an appointed office and were elected by all Company employees) is to continually improve and update the anti-corruption programme to ensure that its basic goals are met, namely the elimination of potential corrupt conduct within the state enterprise.

Members of the Ethics Committee:

Mgr. Renáta Jelínková, Chairwoman

Ing. Jiří Bartuněk, Vice-Chairman

Ing. Josef Hejtmánek

Ing. Jana Jirková

Ing. Tomáš Matýsek

Any suspected corrupt or unethical conduct of state enterprise employees can be reported to:

korupce@lesycr.cz or etickakomise@lesycr.cz

Any suspected corrupt or unethical conduct can also be reported in writing or in person directly to the department of internal auditing of the state enterprise or to the Ethics Committee at the following address:

Lesy České republiky, s.p.

Etická komise *nebo* Odbor interního auditu

Přemyslova 1106/19

Hradec Králové

You can learn more about our anti-corruption programme on our website:

<http://www.lesycr.cz/o-nas/profil-firmy/Stranky/protikorupcni-program.aspx>

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Independent Auditor's Report on the Financial Statements



INDEPENDENT AUDITOR'S REPORT

to the founder and CEO of the state-owned enterprise on an audit of standard financial statements as at 31st December 2015 for the state-owned enterprise Lesy České republiky, s.p., with registered seat at Přemyslova 1106/19, 500 08 Hradec Králové, ID no. 42196451.

We have audited the accompanying financial statements of the state-owned enterprise Lesy České republiky, s.p. prepared in accordance with the Czech accounting regulations as at 31st December 2015, for the period from 1st January 2015 to 31st December 2015, which comprise of the balance sheet as at 31st December 2015, income statement, overview of changes in equity and cash flow statement for the period from 1st January 2015 to 31st December 2015 and notes that contain a summary of the basic accounting policies used and some other explanatory information. The particulars of the state-owned enterprise Lesy České republiky, s.p. are indicated in article 1 of the notes to these financial statements.

Responsibility of the Accounting Unit's Statutory Body for Financial Statements

The statutory body of the state-owned enterprise Lesy České republiky, s.p. is responsible for the preparation and fair presentation of these financial statements in accordance with the Czech accounting regulations. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement 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 Auditors Act, International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 an assessment of the risk of material misstatement in respect of the data indicated in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the 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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AUDITOR'S 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. as at 31st December 2015, of the costs, revenues, the results of its operations and cash flows for the year ended as at 31st December 2015 in accordance with 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 of the Notes to financial statements 2015.


OTHER INFORMATION

Other information is considered information stated in the accompanying annual report but it does not refer to financial statements or our auditor's report. Other information is the responsibility of the statutory body of the company.


Our opinion on the financial statements does not apply to Other Information and we do not issue any specific opinion on it, either. Nonetheless, it is a part of our obligation, in respect of the audit of financial statements, for us to get acquainted with Other Information and to consider whether the Other Information stated in the annual report is not in any material incompatibility with the financial statements or our knowledge about the accounting unit obtained during our audit, whether the annual report was prepared in conformity with the applicable legal regulations or whether this information does not otherwise appear materially incorrect. If, based on the work we performed, we discover that it is not so we are required to indicate the facts found in our report.

Under those procedures, we have not found such Information stated in the Other information.

In Brno, on 25th April 2016


Kreston A&CE Audit, s. r. o.
Ptašínského 4, 602 00 Brno
Czech Chamber of Auditors licence no. 007
Ing. Libor Cabicar, CEO




Ing. Pavel Studnička
Auditor, license no. 1702

Attachments: Annual report for the year 2015 including financial statements 2015

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Balance Sheet as of 31 December 2015 (in thousands of CZK)

Designation	Item	Gross	Adjustment	Net current	Net previous
	TOTAL ASSETS	86,117,757	-15,779,889	70,337,868	76,146,627
B.	Fixed assets	77,097,013	-14,944,313	62,152,700	64,369,172
B.I.	Intangible fixed assets	1,127,895	-835,403	292,492	317,419
B.I. 3.	Software	616,141	-585,432	30,709	64,245
4.	Royalties	36,021	-35,327	694	916
6.	Other intangible fixed assets	420,519	-214,644	205,875	222,424
7.	Intangible fixed assets under construction	52,290	0	52,290	29,834
8.	Advance payments for intangible fixed assets	2,924	0	2,924	0
B.II.	Tangible fixed assets	73,381,282	-14,093,980	59,287,302	60,960,719
B.II. 1.	Land	49,202,164	0	49,202,164	51,319,487
2.	Buildings	21,855,381	-12,678,880	9,176,501	9,038,790
3.	Separate tangible fixed assets and sets of tang. fixed assets	1,739,217	-1,414,997	324,220	166,990
4.	Perennial crops	30	-30	0	0
5.	Adults animals and their groups	94	-73	21	0
6.	Other tangible fixed assets	1,938	0	1,938	1,938
7.	Tangible fixed assets under construction	582,436	0	582,436	433,490
8.	Advance payments for tangible fixed assets	22	0	22	24
B.III.	Financial investments	2,587,836	-14,930	2,572,906	3,091,034
B.III. 2.	Investments in associated companies	91,670	-14,930	76,740	76,740
3.	Other securities and investments	496,166	0	496,166	1,014,294
5.	Other long-term investments	2,000,000	0	2,000,000	2,000,000

Designation	Item	Gross	Adjustment	Net current	Net previous
C.	Current assets	8,958,085	-835,576	8,122,509	11,684,036
C.I.	Inventory	152,627	-651	151,976	159,537
C.I. 1.	Raw material	54,828	0	54,828	52,715
	2. Work in progress and semi-finished goods	70,679	0	70,679	84,563
	3. Finished products	24,978	-612	24,366	20,156
	4. Young/other animals and their groups	199	0	199	217
	5. Goods	1,943	-39	1,904	1,886
C.II.	Long-term receivables	2,332	0	2,332	437
	1. Trade receivables	70	0	70	0
	5. Long-term advances paid	2,262	0	2,262	437
C.III.	Short-term receivables	2,118,845	-834,925	1,283,920	1,460,354
C.III. 1.	Trade receivables	1,827,307	-634,033	1,193,274	1,369,307
	4. Receivables from shareholders	112	0	112	157
	6. State – tax receivables	26,969	-10,587	16,382	36,710
	7. Short-term advances paid	18,821	-364	18,457	10,601
	8. Estimated receivables	2,194	0	2,194	13,795
	9. Other receivables	243,442	-189,941	53,501	29,784
C.IV.	Financial assets	6,684,281	0	6,684,281	10,063,708
C.IV. 1.	Cash in hand	3,316	0	3,316	2,706
	2. Cash at bank	4,063,049	0	4,063,049	7,666,065
	3. Short-term securities and ownership shares	2,617,916	0	2,617,916	2,394,937
D.I.	Accruals	62,659	0	62,659	93,419
D.I. 1.	Pre-paid expenses	13,529	0	13,529	21,025
	3. Accrued revenues	9,032	0	9,032	39,229
	3. VAT to be applied in January 2016	40,098	0	40,098	33,165

Designation	Item	Current period	Previous period
	TOTAL LIABILITIES AND EQUITY	70,337,868	76,146,627
A.	Equity	67,905,791	73,022,133
A.I.	Registered capital	12,658,789	12,159,241
A.I. 1.	Registered capital	12,658,789	12,159,241
	1. Capital stock - registered	5,818,759	5,818,759
	1. Changes in capital stock – unregistered	6,840,030	6,340,482
A.II.	Capital funds	47,192,956	49,349,554
	2. Other capital funds	47,204,452	49,402,470
	3. Gain or loss on revaluation of assets and liabilities	-11,496	-52,916
A.III.	Funds created from profit	2,658,916	4,668,263
A.III. 1.	Reserve fund	1,251,283	1,251,283
	2. Statutory and other funds	1,407,633	3,416,980
A.IV.	Retained earnings/accumulated losses	0	26,958
A.IV. 1.	Retained earnings	0	26,958
A.V.	Profit (loss) for the current period (+/-)	5,395,130	6,818,117
B.	Liabilities (debt)	2,295,046	3,045,526
B.I.	Provisions	976,305	1,708,496
	4. Other provisions	976,305	1,708,496
B.II.	Long-term payables	180,643	165,815
10.	Deferred tax liability	180,643	165,815

Designation	Item	Current period	Previous period
B.III.	Short-term payables	1,138,098	1,171,215
B.III. 1.	Trade payables	818,125	684,610
4.	Payables to shareholders	471	200
5.	Payables to employees	92,747	100,513
6.	Payables to social security and health insurance	50,067	54,101
7.	State – tax liabilities and subsidies	114,559	213,983
8.	Short-term advances received	53,131	109,487
10.	Estimated payables	5,926	4,028
11.	Other payables	3,072	4,293
C.I.	Deferrals	137,031	78,968
C.I. 1.	Accrued expenses	74,023	18,318
2.	Deferred income	63,008	60,650

Profit and Loss Statement as of 31 December 2015 (in thousands of CZK)

Designation	Item	Current period	Previous period
I.	Revenue from sales of goods	3,643	2,975
A.	Costs of goods sold	3,069	2,468
+	Gross margin	574	507
II.	Revenue from production	11,844,244	12,114,906
II. 1.	Revenue from own products and services	11,845,105	12,101,290
II. 2.	Change in inventory of own production	-9407	614
II. 3.	Capitalization	8,546	13,002
B.	Cost of sales	4,012,881	4,238,582
B.1.	Raw materials and consumables	290,602	297,699
B.2.	Services	3,722,279	3,940,883
+	Value added	7,831,937	7,876,831
C.	Staff costs	1,735,286	1,712,646
C.1.	Wages and salaries	1,248,312	1,231,709
C.2.	Remuneration of board members	144	60
C.3.	Costs for social security and health insurance	424,209	417,666
C.4.	Social costs	62,621	63,211
D.	Taxes and charges	155,378	160,438
E.	Depreciation of intangible and tangible fixed assets	657,829	688,524
III.	Disposals of fixed assets and raw material	225,926	161,980
III.1.	Proceeds from disposals of fixed assets	222,083	156,971
III.2.	Proceeds from disposals of raw material	3,843	5,009
F.	Net book value of fixed assets and materials sold	32,335	27,146
F.1.	Net book value of fixed assets sold	30,023	23,670
F.2.	Raw materials sold	2,312	3,476
G.	Change in provisions and adjustments relating to operating activity	-794,493	-2,069,190
G.1.	Changes in provisions for operating activity	-732,191	-1,862,984
G.2.	Changes in adjustments for operating activity	-62,302	-206,206
IV.	Other operating revenue	198,193	233,105
H.	Other operating costs	112,994	90,684
*	Operating profit (loss)	6,356,727	7,661,668

Designation	Item	Current period	Previous period
VI.	Proceeds from sale of securities and ownership shares	609,235	755,030
J.	Securities and ownership shares sold	615,283	753,249
VII.	Revenue from long-term investments	42,926	48,956
VII.1.	Revenue from investments in subsidiaries and associated companies	1,931	0
VII.2.	Revenue from other long-term securities and ownership interests	40,995	48,956
VIII.	Revenue from current financial assets	143,878	114,924
K.	Financial asset expense	75,917	3,909
IX.	Gain on revaluation of securities and derivatives	3,908	6,100
L.	Loss on revaluation of securities and derivatives	10,786	12,306
M.	Change in provisions and adjustments relating to financial activity	0	-29,115
X.	Interest revenue	59,205	136,494
N.	Interest expense	0	1
XI.	Other financial revenue	1,174	3,331
O.	Other financial expense	21,316	22,915
*	Financial profit (loss)	137,024	301,570
Q.	Income tax on ordinary activities	1,098,621	1,145,121
Q.1.	- due	1,083,794	1,135,606
Q.2.	- deferred	14,827	9,515
**	Profit (loss) on ordinary activities	5,395,130	6,818,117
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 (+/-)	5,395,130	6,818,117
****	Profit (loss) before tax	6,493,751	7,963,238

1.

Lesy České republiky, s.p.

Přemyslova 1106/19, Nový Hradec Králové, PSČ 500 08 Hradec Králové

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. Likewise, all changes and additions made during the 2014 and 2015 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 27 January 2016 by Decision of the Ministry of Agriculture of the Czech Republic Ref. No. 2430/2016-MZE 13221. 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 2015 was CZK 5,818,758,987.42.

The annual accounts for 2015 were compiled as of 31 December 2015

Statutory Body as of 31 December 2015:

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

Representatives of Statutory Body as of 31 December 2015:

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 2015 to 25 April 2016:

There were no changes in statutory bodies in the period from 1 January 2015 to 25 April 2016.

Supervisory Board as of 31 December 2015:

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. Miloš Pochobratký	
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 2015 to 25 April 2016:

On 1 January 2015 Ing. Jiří Snášel was appointed to the Supervisory Board to replace Ing. Karel Trůbl who was removed.

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.

On 27 May 2015 the following were elected by employees to the Supervisory Board – Ing. Jaromír Kříha, Ing. Miroslav Jankovský and Ing. Miloš Pochobradský.

On 1 April 2016 JUDr. Jiří Jirsa, MEPP, Ph.D resigned as member of the Supervisory Board. On 11 April 2016 Ing. Zdeněk Adamec, CISM was appointed to the Supervisory Board.

Audit Committee as of 31 December 2015:

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

Personnel Changes on the Audit Committee from 1 January 2015 to 25 April 2016:

In the period from 1 January 2015 to 25 April 2016 there were no changes in the Audit Committee.

Organizational Structure of the Company as of 31 December 2015 (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 12 regional head offices, which in turn are in charge of 74 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 2015, 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: 2014: CZK +193,058,000; 2015: not known at the balance sheet date.

Profit (loss): 2014: CZK +402,000; 2015: 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 2015 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: 2014: CZK +74,929; 2015: not known at the financial statements date.

Profit (loss): 2014: CZK -26,227; 2015: 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.

The performance of HFC in 2015 is not yet known; it is known however that the amount of losses will not reduce the valuation of the company as of 31 December 2014 or as of 31 December 2015 by a significant amount, because the valuation as of 31 December 2014 is not corrected in 2015.

As of 31 December 2015, 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

3.

	2014	2015
Average annual number of employees	3,335	3,376
Registered number of employees as of 31 December	3,256	3,251
Wages and salaries (thou. CZK)	1,231,709	1,248,312
Social security costs (thou. CZK)	417,666	424,209
Social costs (thou. CZK)	63,211	62,621
Personnel expenses (thou. CZK)	1,712,586	1,735,286
Number of employees in decision-making bodies	18	22
Wages and salaries of employees in decision-making bodies (thou. CZK)	31,704	37,116
Social security costs of employees in decision-making bodies (thou. CZK)	11,046	12,931

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 2015, Supervisory Board member remuneration totalling CZK 144,000 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 4,380,000 as of 31 December 2015 (CZK 6,134,000 as of 31 December 2014). The amount for 2015 includes repayments of loans maturing in 2017 and beyond in the amount of CZK 2,210,000, 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 2014 and 2015, 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 2014 and 2015.

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 2014 and 2015, 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 2014 and 2015, 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

An adjustment for unfinished intangible assets amounting to CZK 11,130,000 was created as of 31 December 2014 for the full amount of funds invested in the management information system project that was not completed. Cooperation with the contractor was ended and as of 31 December 2014 a decision had not yet been made regarding further use of the project. During the course of 2015 it was decided not to use this project, which was written off and the adjustment was eliminated in full.

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

An adjustment to goods of CZK 54,000, created at Týniště nad Orlicí SU as the difference between the stock price and sales price of goods as of 31 December 2014, was lowered to CZK 39,000 on 31 December 2015. By the same principle, an adjustment to finished products of CZK 1,446,000 was created at Týniště nad Orlicí SU at 31 December 2014, and was reduced to CZK 612,000 as of 31 December 2015.

Adjustments to receivables are created for claims where payment is more than six months past due; for these receivables, an adjustment at 100% of the nominal value is created on default. A 100% adjustment is created for receivables from debtors in insolvency proceedings, legally enforced receivables and receivables from the Agency for Nature Conservation and Landscape Protection of the Czech Republic 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 2014 and 2015.

d) Method for determining fair value

Assets fair-valued in 2014 and 2015 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 2014 and 2015. 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	decrease in valuation item difference in year	increase in valuation item difference in year	status of line A.II.3. as of 31 December
2014	--	28,069	-52,916
2015	41,420	--	-11,496

5.

Breakdown of Significant Balance Sheet Items

(others are referred to in Notes 6 to 8)

a) Breakdown of intangible fixed assets

CZK thousand	2014		2015		Change in net Book Value 2015
	Acquisition Cost	Accumulated Amortization	Acquisition Cost	Accumulated Amortization	
Software	608,333	544,088	616,141	585,432	-33,536
Forest management plans	355,218	151,413	356,287	165,906	-13,424

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

Acquisition cost in CZK thousand	2014	2015
Buildings and structures	864,531	964,814
– of which: housing construction, lodges	8,407	14,827
administrative and service buildings	136,906	133,669
forest roads	575,027	701,182
torrent control and forestland draining	144,191	115,136
Machinery and equipment	106,530	234,348
– of which: forestry machinery	48,283	43,945
trucks	22,676	55,546
passenger cars	--	118,570
computers and other devices	35,571	16,287

Major disposals of tangible fixed assets were as follows:

Acquisition cost in CZK thousand	2014	2015
Non-residential buildings and structures	544,007	577,926
– of which: structures	521,072	540,805
– sold	8,771	21,801
– handed over (restitution)	460,528	465,571
– demolished due to wear or accident	51,773	53,433
buildings	22,935	37,121
– sold	4,479	16,950
– handed over (restitution)	17,525	19,464
– demolished due to wear or accident	931	707
Machinery and equipment	14,593	21,833
of which: trucks	13,707	14,770
cars	886	7,063

Notes to Annual Financial Statements

c) Breakdown of separate movables and sets of movable assets

CZK thousand	2014		2015		Change in net Book Value 2015
	Acquisition Cost	Accumulated Depreciation	Acquisition Cost	Accumulated Depreciation	
Plant and equipment	1,415,077	1,259,213	1,590,877	1,273,078	+161,935
Low-value tangible assets	141,519	130,393	148,340	141,919	-4,705

d) Land was the largest and most important asset item. The following changes occurred in 2015:

2015	Forestland		Other Land		Total	
	CZK ths	ths m ²	CZK ths	ths m ²	CZK ths	ths m ²
Balance as of 1 January	49,637,087	12,908,565	1,682,485	275,982	51,319,572	13,184,547
Total additions	835,533	208,392	103,095	11,912	938,628	220,304
– Transfer of management right	16,849	8,382	16,975	2,122	33,824	10,504
– Purchase (exchange)	61,734	3,240	44,326	1,112	106,060	4,352
– Other	756,950	196,770	41,794	8,678	798,744	205,448
Total disposals	2,973,477	774,537	82,473	14,184	3,055,950	788,721
– Church restitution	2,150,211	564,815	21,663	4,117	2,171,874	568,932
– Restitution	35,357	9,291	946	217	36,303	9,508
– Purchase (exchange)	6,264	1,600	7,026	848	13,290	2,448
– Other	781,645	198,831	52,838	9,002	834,483	207,833
Balance as of 31 December	47,449,143	12,342,420	1,703,107	273,710	49,202,250	12,616,130

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 2014 is given in the following table:

2014	Forestland		Other Land		Total	
	CZK ths	ths m ²	CZK ths	ths m ²	CZK ths	ths m ²
Balance as of 1 January	51,553,889	13,400,664	1,678,059	277,046	53,231,948	13,677,710
Total additions	1,080,076	276,671	72,489	10,447	1,152,565	287,118
– 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
Total disposals	2,996,878	768,770	68,063	11,511	3,064,941	780,281
– 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
Balance as of 31 December	49,637,087	12,908,565	1,682,485	275,982	51,319,572	13,184,547

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. The most recent valuation of forest stands was carried out in 2014. 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 mil. CZK	Price per m ² in CZK – 2014	2014	2015
Market value according to LCR method	11,42	147 428	140 950
Official price under MoF Decree 3/2008 Coll.	26,56	342 855	327 815
Price under MoF Decree 500/2002 Coll.	57,00	735 788	703 518

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 2015, the total length of fencing was 17,045.12 km.

km	2014	2015
Fencing	17,169	17,045

f) Other long-term investment titles

As of 31 December 2015, 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 2014 and 2015, 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 and accounting provisions for settlement with churches (for more details see Note 6.c.). In the medium term LCR does not consider the difference between the accounting and tax perspectives on these provisions to be realistic, primarily because the likelihood of a final legal ruling in the medium term is very uncertain, and therefore, LCR has opted for caution by not including these differences in the calculation of deferred tax. The possible creation of deferred tax for both provisions would then be reflected as a deferred tax asset amounting to CZK 65,616,000, which would mean a reduction of the recognized tax liability (and deferred tax) given below to CZK 115,027,000.

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	2014	2015
Difference between book and tax value of fixed assets	-872,713	-950,752
Basis for calculation of deferred tax	-872,713	-950,752
Tax rate in next period	19%	19%
Total deferred tax asset (liability)	-165,815	-180,643

c) Breakdown and description of provisions for 2014 and 2015

ths. CZK	Provision for Silviculture	Provision for Price Indexation	Provision for church settlement
31 December 2015	630,957	238,143	107,205
Additions 2015	0	0	107,205
Released 2015	548,145	291,251	0
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

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 and 2015 no provision was created for silviculture from revenue from logging activities in 2014 and 2015. The remaining provisions for silviculture as of 31 December 2015 are funds to cover silviculture costs for 2016 to 2018 created from logging revenue from 2011 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. The provision for indexing was created for all work performed in 2011. Throughout 2015 deadlines expired for certain entities to make claims amounting to CZK 291,251,000. As of 31 December 2015 there are 5 claims in court alleging improper procedures by LCR. These possible claims amount to CZK 238,143,000.

In 2015 a *provision for church settlements* was created for the amount of CZK 107,205,000. LCR has identified as a risk the outflow of funds upon financial settlement from operations on land not yet returned to the church for which a restitution request has been filed. Separate LCR accounting offices keep records of operations on property for which a restitution request has been filed but that LCR has identified as problematic and therefore decided not to transfer the property, leaving the validity of the request up to administrative bodies or possibly the courts. LCR manages this property with due diligence, emphasizing all principles of sustainability and environmental protection, while respect current forestry legislation, the principles of PEFC certification and current FMPs. Given a valid ruling to transfer the property in question, LCR is prepared to also transfer to the church entity the revenue from operations generated during the time the property was not transferred. The provision for church settlements has been created for 100% of returns per individual church entities.

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):

	2014	2015
	37,549	34,869

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):

	2014	2015
	16,552	15,198

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 (6) of Decree No. 500/2002 Coll.

CZK thousand	2014	2015
Subsidies for acquisition of forest management plans	0	0
Subsidies for acquisition of tangible fixed assets (total)	66,142	58,124
– compensation in public interest related to watercourse management (especially flood control measures)	47,171	39,747
Subsidies to cover operations costs (total)	131,344	86,871
– compensation under Section 24 of Act No. 289/1995 Coll., on Forests	11,669	8,936
– compensation under Section 35 of Act No. 289/1995 Coll., on Forests	3,033	3,440
– compensation under Section 46 of Act No. 289/1995 Coll., on Forests	2,426	2,448
– subsidies from Ministry of Agriculture for water management	500	7,911
– EU subsidies	62,612	17,924

h) Information on statutory audit costs

The costs of the statutory audit of the accounts in 2015 totalled CZK 1,478,000 (CZK 1,469,000 in 2014).

The statutory auditor provides no services other than the auditing of financial statements.

i) Disposals of fixed assets and raw materials

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

CZK thousand	2014			2015		
	Total Account Sold	Fixed Assets Exchanged	Fixed Assets	Total Account Sold	Fixed Assets Exchanged	Fixed Assets
Item III.1. Proceeds from disposals of fixed assets	156,971	123,150	33,821	222,083	158,592	63,491
Item F.1. Net book value of fixed assets	23,670	18,870	4,800	30,023	24,286	5,737
Difference	133,301	104,280	29,021	192,060	134,306	57,754

j) Balance-sheet line “D.I.3. VAT to be applied in January 2016” shows the input VAT quantified in tax documents received in January 2016 and charged in 2015, for the amount of CZK 40,098,000 (in 2014 it was CZK 33,165,000). This VAT is claimed in full in the VAT return for January 2016.

7.

a) Receivables as of 31 December

CZK thousand	2014	2015
Total short-term trade receivables (gross); Assets, line C.III.1	2,003,390	1,827,307
– total receivables due	1,331,352	1,160,102
– total receivables past due	672,038	667,205
– total receivables more than 180 days past due	641,162	636,269
– total receivables with maturity of more than 5 years	0	0
– receivables subject to enforcement	82,262	76,362
– claims in insolvency, bankruptcy and composition proceedings	522,647	527,895
Receivables denominated in foreign currencies	4,197	1,973

Receivables from companies within the group from ordinary trade totalled CZK 841,000 as of 31 December 2015. These are receivables from HLDS, a.s. As in previous years, all these receivables are not yet due.

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CZK thousand	2014	2015
Intra-group trade receivables	3,008	841

b) Payables as of 31 December

CZK thousand	2014	2015
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	8,366	6,149

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 2015, amounted to CZK 751,000 (CZK 1,943,000 in 2014). 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 2015 (or 2014). The amount of 751,000 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 85,000 (this was 2,914,000 in 2014). All these payables are to HLDS, a.s. and are not yet due.

c) Finance leases as of 31 December

In 2014 and 2015, 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	2014	2015
Leased fixed assets	14,605	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:

CZK thousand	2014	2015
Low-value intangible assets not reported in balance sheet	85,869	85,727
Low-value tangible assets not reported in balance sheet	274,366	284,934

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

CZK thousand	2014	2015
Fixed assets acquired with 100% subsidies	174,756	174,690

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 2015.

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 2015.

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.

Notes to Annual Financial Statements

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 2015 the Founder's Fund amounted to CZK 8,300,000,000. In December 2015 the amount of CZK 8,224,375,000 was transferred to the state budget (in 2014 CZK 6,500,000,000 was transferred to the state budget).

Statement of *changes in equity* for 2014 and 2015 (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.)
31 December 2015	5,818,759	6,840,030	47,204,452	-11,496	1,251,283	1,407,633
Balance of changes 2015	0	+499,548	-2,198,018	-41,420	0	-2,009,347
Increase 2015	0	+711,634	+764,589	0	0	+8,472,388
Reduction 2015	0	-212,086	-2,962,607	-41,420	0	-10,481,735
31 December 2014	5,818,759	6,340,482	49,402,470	-52,916	1,251,283	3,416,980
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
31 December 2013	5,818,759	6,151,715	51,345,990	-24,847	1,251,283	3,705,255

Breakdown of changes in *capital stock*:

CZK thousand	2014	2015
Balance of changes:	+188,767	+499,548
– delimitation changes	+1,079	+22,504
– church restitution-based disposals	-94,856	-163,390
– restitution-based disposals	-21,092	-4,972
– use of the Development Investment Fund	+303,636	+645,406

Breakdown of changes in *capital funds*:

CZK thousand	2014	2015
Balance of changes	-1,943,520	-2,198,018
- delimitation changes	-103,081	-31,765
- church restitution-based handover of forestland	-1,749,762	-2,150,211
- restitution-based handover of forestland	-118,155	-35,357
- gifts, awards, free transfers	+27,478	+19,315

Forestlands valued at CZK 2,150,211,000 and other assets (buildings, structures, FMPs etc.) amortized at CZK 163,390,000 were returned in 2015 as part of church restitution.

CZK thousand	2013	2014	2015
Total property transferred through church restitution	26,805	1,844,618	2,313,601
- forestland	26,548	1,749,762	2,150,211
- other property	257	94,856	163,390

Profit from 2013 and 2014 was allocated in 2014 and 2015 by decision of the founder, based on recommendations of the Supervisory Board:

CZK thousand	2014	2015
Profit of the reporting period:	3,989,542	6,818,117
Allocated to the welfare fund	28,001	31,881
Fund for renewal and development opportunities	--	100,000
Kept in retained profit account	50,938	--
Founder's fund	3,910,603	6,686,236

When allocating profit from 2013, the founder also decided to transfer unallocated profit from past years of CZK 2,589,397,000 to the Founder's Fund. When allocating profit from 2014, the founder also decided to transfer unallocated profit from past years of CZK 50,938,000 CZK and transfer funds from the Investment Development Fund of CZK 1,562,826,000 to the Founder's Fund.

9.

Revenues from Ordinary Activities

CZK thousand	2014	2015
Revenues from ordinary activities	13,577,800	13,132,332
– revenues from operations	12,512,965	12,272,006
– financial activities	1,064,835	860,326
Proceeds from sale of own products	9,673,305	9,435,956

Business activities with foreign countries are insignificant.

10.

Other

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. On 21 January 2016 in decision No. Cdo 3266/2015-1046, the Supreme Court of the CR rejected the appeal of CE WOOD, a.s., in this matter. Reimbursement of court costs amounting to CZK 10,763,031.07 was paid to LCR's account on 4 March 2016. Payment of court costs marked the end of this dispute.

With respect to the ongoing insolvency proceedings of LESS&FOREST, s.r.o., this debtor and insolvency administrator filed two suits on 26 February 2013 against LCR to find invalid Contracts for the Performance of Comprehensive Forestry Activities and contracts associated with the period of 2011 and 2012+ and the return of unjust enrichment totalling CZK 6.36 bil. as follows:

a) Suit for nullity of legal action, i.e. to invalidate 28 comprehensive contracts in 2011 and for payment of CZK 4,202,760,738 filed at the Prague Regional Court under ref. no. 33 ICm 244/2013. The High Court in Prague ruled to separate from this suit the suit for payment of CZK 4,202,760,738, which is presently being heard by the District Court in Hradec Králové under ref. no. 15 C 391/2013.

b) Suit for nullity of legal action, i.e. to invalidate 32 comprehensive contracts in 2012+ and for payment of CZK 2,153,665,618.40 filed at the Prague Regional Court under ref. no. 33 I'm 245/2013. The High Court in Prague ruled to separate from this suit the suit for payment of CZK 2,153,665,618.40, which is presently being heard by the District Court in Hradec Králové under ref. no. 14 C 440/2013.

The courts intend to first issue declaratory judgments regarding the validity or respective unenforceability of the comprehensive contracts of 2011 and 2012+. Only if these judgments are in favour of the debtor and insolvency administrator will proceedings take place in the District Court of Hradec Králové for the possible forfeiture of unjust enrichment and payment up CZK 6.3 bil. Court hearings have not yet been scheduled.

LCR does not acknowledge these claims in any way and considers them completely aggrandizing and fictitious with no basis in applicable law.

Taking effect on 1 January 2013 was Act No. 428/2012 Coll., on Property Settlement with Churches and Religious Societies and the Amendment of certain Acts (Church Restitution Act - CRA). LCR is an obliged entity required according to the CRA to return property owned by the state that originally belonged to entitled persons and was unjustly taken from such person. Property was returned over the course of 2013, 2014 and 2015 (see appendices 5 d) and 8). Additional return of property through church restitution will result in the decrease in value of managed assets and lower income. In 2016 we expect to return another 25,000 ha of forestland with a book value of approx. CZK 1 bil. along with 40 buildings. As of 31 December 2015 LCR questioned the validity and refused to conclude agreements for the transfer of a total of 26,100 ha (book value of disputed land is approx. CZK 1 bil.) and 51 buildings; the final ruling regarding the possible transfer of this property will be issued by an administrative body or court.

In addition to the aforementioned, no other circumstances were determined that could potentially result in future losses, and no other adjustments or provisions for such have been created. Likewise, no other circumstances have been determined between the time the financial statements were compiled and their effective date that could significantly affect the financial, asset or income situation of the Company.

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 2014 and 2015 (in CZK ths)

Item	Text	Row	2015	2014
P.	Cash and cash equivalents, beginning of year	01	7,668,771	7,357,906
CASH FLOWS FROM MAIN EARNING ACTIVITY (ORDINARY ACTIVITIES)				
Z.	Accounting profit (loss) from ordinary activities before tax	02	6,493,751	7,963,238
A.1.	Non-cash adjustments	03	-387,457	-1,676,771
A.1.1.	Depreciation of fixed assets, less residual values of fixed assets sold, etc.	04	657,829	688,524
A.1.2.	Changes in adjustments and provisions	05	-794,493	-2,098,305
A.1.3.	Gain (loss) on sale of fixed assets	06	-192,060	-133,301
A.1.4.	Proceeds from dividends and shares of profit (except investment companies and funds)	07	-1,931	0
A.1.5.	Interest expense (less capitalized interest) and income	08	-59,205	-136,493
A.1.6.	Adjustments for other non-cash transactions	09	2,403	2,804
A. *	Net cash flow from ordinary activities before tax and changes	10	6,106,294	6,286,467
A.2.	Changes in non-cash items of working capital	11	683,850	2,452,549
A.2.1.	Change in receivables from operating activities and deferrals	12	1,319,252	2,076,399
A.2.2.	Change in payables, subsidies, deferrals and estimated items from operating activities	13	21,229	59,401
A.2.3.	Change in inventories	14	8,410	1,292
A.2.4.	Change in short-term financial assets, other than cash and cash equivalents	15	-665,041	315,457
A. **	Net cash flow from ordinary activities before tax and extraordinary items	16	6,790,144	8,739,016
A.3.	Interest paid, excluding amounts capitalized	17	0	-1
A.4.	Interest received	18	59,205	136,494
A.5.	Income tax paid on ordinary activities and additional tax from previous periods	19	-1,083,794	-1,135,606
A.6.	Receipts and disbursements from extraordinary items – extraordinary profit (loss)	20	0	0
A.7.	Dividends and profit shares received	21	1,931	0
A. ***	Net cash flow from ordinary activities	22	5,767,486	7,739,903

CASH FLOWS FROM INVESTING ACTIVITIES				
B.1.	Acquisition of property, plant and equipment	23	-1,394,451	-1,081,973
B.2.	Proceeds from the sale of fixed assets	24	221,628	156,971
B.3.	Loans and credit to related entities	25	0	0
B. ***	Net cash flow from investing activities	26	-1,172,823	-925,002
CASH FLOWS FROM INVESTING ACTIVITIES				
C.1.	Effects of changes in long-term and current payables	27	14,827	9,515
C.2.	Effects of changes in equity on cash and cash equivalents	28	-8,211,896	-6,513,551
C.2.1.	Increase in cash and cash equivalents due to an increase in registered capital	29	-2,880	-25
C.2.2.	Equity paid to shareholders	30	0	0
C.2.3.	Other contributions by shareholders	31	0	0
C.2.4.	Loss settlement by shareholders	32	0	0
C.2.5.	Direct payments debited to equity funds	33	15,359	-13,526
C.2.6.	Transfer of funds to state budget	34	-8,224,375	-6,500,000
C. ***	Net cash flow from financial activities	35	-8,197,069	-6,504,036
F.	Net increase/decrease in cash and cash equivalents	36	-3,602,406	310,865
R.	Cash and cash equivalents, end of year	37	4,066,365	7,668,771
S.	Actual balance of cash and cash equivalents, end of year	38	4,066,365	7,668,771
R.-S.	Difference (calculated – actual)	39	0	0

Financial statements compiled on: 25 April 2016

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.

The enterprise has no branch abroad.

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

Die Hauptereignisse des Jahres

Jedes Jahr wird mit der Gesellschaft erhöhtes Interesse einer Holzart. Im Jahr 2015 war es die Erle.

Das Jahr 2015 war für Lesy ČR sehr ereignisreich. Die wirtschaftliche Lage wurde maßgebend durch klimatische Bedingungen im Laufe des Jahres beeinflusst. Markante klimatische Extreme, die durch langfristige Trockenheit und Niederschlagsdefizit im Laufe des ganzen Jahres begleitet wurden, wirkten sich mehr als in anderen Jahren auf höhere Verluste von Setzlingen in den neu bewaldeten Flächen und auf Farbänderungen der Assimilationsorgane der meisten Holzarten aus. Das Niederschlagsdefizit in den meisten Gebieten Tschechiens in Hunderten von Millimetern pro Jahr verursachte eine Gesamtschwächung und Steigerung der Anfälligkeit des Waldbestandes zu verschiedenen biotischen Schädlingen. Die Waldbestände waren anfälliger zum Schädlingsbefall (Borkenkäfer, Maikäfer) und zu Pilzkrankheiten (Blätterpilz, *Gemmamyces piceae*). Anteil der Zufallsförderung wuchs auf 48%, was im Vergleich zum Vorjahr einen Anwuchs von 20% bedeutet. Die langandauernde Trockenheit im Sommer und Herbst verursachte eine Verdreifachung von Waldbränden im Vergleich zu vorigen Jahren. Die Gesellschaft realisierte trotzdem alle geplanten Tätigkeiten, die zur Erfüllung aller verbindlichen Anordnungen der forstwirtschaftlichen Pläne führten. Das Ganze im Einklang mit dem Waldgesetz und weiteren Rechtsvorschriften.

Im Jahr 2015 kam es auch zu Naturkatastrophen. Im April züchte ein Windsturm über Böhmerwald, Beskiden und Erzgebirge und das Gebiet von Vyšší Brod, Liberec und Frýdlant. Die Schäden betrugen 20 Millionen CZK und es wurden mehr als 350 Tsd. m³ Holz beschädigt. Ein weiterer Windsturm suchte Anfang Juli das Gebiet von Ústí nad Orlicí und Hanušovice heim und verursachte Schäden auf mehr als 190 Tsd. m³ Holz.

Ein sehr wichtiger Faktor, der die Wirtschaft von Lesy ČR am Ende des Jahres beeinflusst hat, war die Situation auf dem tschechischen Holzmarkt. Im letzten Quartal erhöhte sich aufgrund der Verarbeitung des vom Borkenkäfer angefallenen Holzes der Überhang zwischen Nachfrage und Angebot bzgl. Fichtenstoff, was den Preisfall auf dem tschechischen Markt verursachte. Gleichzeitig sanken leicht auch die Preise von Rundholzsortimenten.

Es konnte auch ein konzeptioneller Schritt auf Regierungsebene, im Parlament und Senat durchgesetzt werden. Es handelt sich um das grundlegende Dokument Konzeption der strategischen Entwicklung von LČR in den Jahren 2015-2019.

Die Sicherstellung von Tendern auf komplexe forstliche Aufträge lief nach Harmonogram sowohl bei den 10 vertraglichen Raumeinheiten, die in April ausgeschrieben wurden, als auch bei den 36 vertraglichen Raumeinheiten, die in Juni ausgeschrieben wurden. Neben den komplexen forstlichen Aufträgen wurden Tender auch bei 4 vertraglichen Raumeinheiten auf Förderungsarbeiten und 17 vertraglichen Raumeinheiten auf Waldbauarbeiten ausgeschrieben. Der Gesellschaft ist es im Rahmen der ausgeschriebenen öffentlichen Aufträge gelungen, mit der Erneuerung des Wagenparkes, dessen Durchschnittsalter fast bei 7 Jahren liegt, zu beginnen. Schrittweise wurden neue PKWs und Geländewagen der niederen und Mittelklasse eingekauft. Lesy ČR schrieben auch einen öffentlichen Auftrag auf Entwurf einer neuen Uniform mit dem Ziel, eine unbeschränkte Lizenz zu erhalten.

Die Gesellschaft widmete sich auch ihrer gesellschaftlichen Rolle, und zwar vor allem indem sie 170 Arbeitslose anstellte. Ferner wurde die Dekontaminierung des Waldes Boř les von der Munition aus dem 2. Weltkrieg begonnen.

Im Jahr 2015 konnte Lesy ČR in den Staatshaushalt 8,2 Mrd. CZK abführen. Lesy ČR beendeten das Jahr 2015 mit einem wirtschaftlichen Ergebnis vor Steuern in Höhe von 6,49 Mrd. CZK. Der Gesamteinschlag an Holz erreichte 7,7 Mio. m³, es gelang 11,6 Tsd. ha Wald zu erneuern, davon betrug der Anteil an wasserregulierenden und verfestigenden Gehölzen bei der Ersterneuerung 41,5 % und dringende Züchtung von Beständen bis zum Alter von 40 Jahren wurde auf 28,9 Tsd. ha Wald durchgeführt.

Los acontecimientos más importantes del año

Cada año la empresa centra su atención en una determinada planta leñosa. El aliso fue proclamado por la empresa la planta del año 2015.

El año 2015 fue rico en eventos para la empresa Lesy ČR. En el transcurso del año natural, las condiciones climáticas han ido influyendo considerablemente en la actividad económica de la empresa. Situaciones climáticas extremas acompañadas por la sequía prolongada y un déficit de precipitaciones a lo largo del año entero se han reflejado, con mucha más intensidad que en otros años, en forma de grandes pérdidas de plantones de superficies recién enselvadas y modificaciones del color de los órganos de asimilación de la mayoría de tipos de plantas leñosas. El déficit de precipitaciones en la mayor parte del territorio de la República Checa (centenares de milímetros al año) fue causa del empeoramiento general y sensibilidad de las plantas leñosas respecto a diversas plagas bióticas. Las masas forestales han sido más sensibles a las plagas de escolitinos, abejorros, también enfermedades causadas por hongos, por ejemplo armilaria o cucurbitodthis piceae. La parte del volumen total de madera extraída de forma fortuita ha ascendido a 48% lo cual representa 20% más que en el año anterior. Las sequías continuas en las temporadas de verano y otoño han causado tres veces más incendios en las masas forestales que en los años anteriores. La empresa, a pesar de estas condiciones difíciles, efectuó todas las actividades forestales planeadas enfocadas al cumplimiento de todas las directivas obligatorias establecidas en los planes económicos forestales, de conformidad con la dicción de la ley forestal y otras normas legales.

En 2015 también había calamidades naturales por causa del viento. El torbellino de viento de abril atravesó las regiones de Vyšší Brod, Šumava, Liberec, Frýdlant, Beskydy y Krušné hory, causando un daño de 20 millones de coronas y dañando más de 350 mil m³ de madera. Otro fenómeno natural importante fue registrado a principios del mes de julio en la región de Ústí nad Orlicí y en la zona de Hanušovice donde se dañaron 190 mil m³ de madera.

Un factor muy importante que al final del año tuvo influencia en la vida económica de la empresa Lesy ČR fue la situación en el mercado checo de la madera. En el último trimestre, por haber procesado madera afectada por la plaga de bostrigo, aumentó la diferencia entre la oferta y demanda de fibra de pino lo cual causó también el descenso de su precio en el mercado checo. A la vez descendieron moderadamente los precios de surtidos de madera redonda.

Dentro de las acciones de concepción, la empresa logró implantar el documento principal de la Concepción de desarrollo estratégico de LČR, para el período 2015–2019, al nivel del Gobierno de RCh, Cámara de diputados y Senado.

La gestión de concursos para conseguir encargos forestales complejos se llevó a cabo conforme a los gráficos, en 10 unidades territoriales contractuales anunciadas en abril y también en 36 unidades contractuales anunciadas en junio. A parte de unos complejos encargos forestales, la empresa estaba compitiendo también en 4 unidades contractuales respecto a la explotación de madera y en 17 unidades contractuales respecto a las actividades de cultivo. En los marcos de los encargos públicos anunciados, la empresa logró iniciar la renovación del parque móvil anticuado cuya edad promedia representaba más

o menos 7 años. Poco a poco la empresa comenzó a comprar automóviles de turismo y de terreno, de clase media y baja, para todos los niveles de gestión de la empresa. A parte de ello, la empresa declaró un concurso público para seleccionar el nuevo uniforme forestal con el fin de obtener la licencia exclusiva e ilimitada para el uniforme modelo.

La empresa continuó también ejerciendo actividades de responsabilidad social, especialmente al emplear a 170 candidatos registrados en el Ministerio de Trabajo. La empresa también inició la descontaminación del bosque Bořilov en Moravia del Sur y la eliminación de municiones de la 2da guerra mundial.

En 2015 la empresa Lesy ČR aportó 8,2 mil millones de coronas al presupuesto estatal, a la cuenta del Banco Nacional Checo. La empresa Lesy ČR terminó el año 2015 con el resultado económico antes del impuesto de 6,49 mil millones de coronas checas. El volumen total de madera extraída ascendió a 7,7 millones de m³ de madera, logrando la renovación de 11,6 mil hectáreas de bosque. De ello la parte de plantas leñosas destinadas a melioración y refuerzo, en el primer restablecimiento, representa el 41,5% y la creación urgente de masas forestales con la edad de hasta 40 años se realizó en 28,9 mil hectáreas de bosque.

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