

# ANNUAL REPORT 2009

LESY Slovenskej republiky, š. p. Banská Bystrica



## LIST OF USED ABBREVIATIONS

FSC	- Forest Stewardship Council – a scheme of worldwide recognized certification to assess management in forests; an efficient tool to monitor timber origin starting from timber harvesting through timber processing to the final product
HR	- hydraulická ruka (hydraulic arm)
HV	- hospodársky výsledok (profit or loss)
IS	- informačný systém (information system)
LC	- lesná cesta (forest road)
LDM	- Lesnícko-drevárske museum (Museum of Forestry and Wood Science and Technology)
LHP	- lesný hospodársky plán (forest management plan)
LKT	- lesný kolesový traktor (logging wheeled tractor)
LNCH	- lesný náučný chodník (forest nature trail)
LP	- lesná správa (forest authority)
LS	- lesná správa (forest authority)
MP SR	- Ministerstvo pôdohospodárstva Slovenskej republiky (Ministry of Agriculture of the Slovak Republic)
NLC Zvolen	- Národné lesnícke centrum Zvolen (National Forest Centre Zvolen)
OLH	- odborný lesný hospodár (authorised forest manager)
OZ	- odštepny závod (branch)
PCV	- práce celospoločenského významu (work of universal interest)
PČ	- pestovná činnosť (silvicultural operations)
PEFC	- Programme for the Endorsement of Forest Certification Schemes – a leading and largest worldwide forest certification programme which observes the opinions of international conferences and processes implemented worldwide in respect of sustainable forest management, sets a framework for mutual recognition of compatible certification schemes tailored to the types of forests, to individual and specific management of forests in the existing countries
PK	- Projekčná kancelária Žilina (Project Engineering Agency Žilina)
PN	- priame náklady (direct costs)
PP	- protipožiarne (fire-fighting)
SDV	- stredisko drevárskej výroby (centre for wood technology)
SO	- stupeň ochrany
SPF	- Slovenský pozemkový fond
š. p.	- štátny podnik (state-controlled undertaking)
ŠL	- štátne lesy (national forests)
ŠR	- Štátny rozpočet (State budget)
TU Zvolen	- Technická univerzita vo Zvolene (Technical University in Zvolen)
TUOL	- trvalo udržateľné obhospodarovanie lesov (sustainable forest management)
ŤČ	- ťažobná činnosť (logging operations)
VLM	- významné lesnícke miesto (important forest site)
VPD	- vnútropodnikové dodávky (intra-company supplies)
VPV	- vnútropodnikové výnosy (intra-company revenues)
VS	- vnútropodniková spotreba (intra-company consumption)
ZB	- zahrádzanie bystrín (torrent regulation)
ZLF	- zveľaďovanie lesného fondu – finančná kapitola MP SR (forest resources development – chapter: Finance, Ministry of Agriculture of the Slovak Republic)

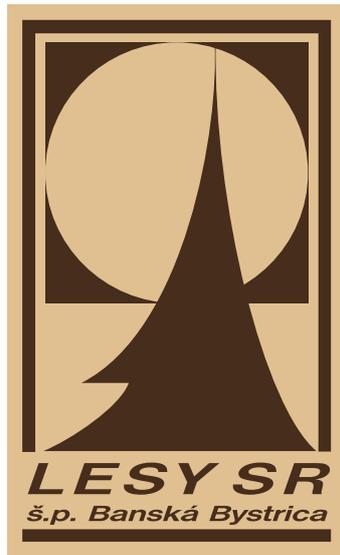
## ANNUAL REPORT 2009

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Materská starost a bedlivé pečování, které na rozmnožení naší přemilej krajiny a na pomahání obecného dobra máme, dobrotivou mysl našu napomenulo dať platné a užitečné lesům zachování v dobrém a kvetúcem stave, a naproti tomu, jestli se lesy bez miry vyrubuju takových snach zahubu učiniť. Pro tuto príčinu, za věc neomylně potrebnu býti sme našli, aby se v rubaní dreva a užitku hor i v tejto krajine dobrý a bez meškání porádek zavedel.

Porádek hor aneb lesuw zachování, 1769

Mária Terézia

## FOREWORD BY DIRECTOR GENERAL

Dear colleagues, friends of forest and readers,

The business name of the biggest forest manager and forestry entity in Slovakia – the state enterprise LESY Slovenskej republiky has been known nationally and abroad by the broad professional and general public for more than a decade. The state enterprise with its present name was established in 1999. From the viewpoint of forest growth and development this is rather a short period than a long period, however the state enterprise LESY SR proves annually its sense, position within the Slovak forestry and the reason of its establishment. Even if many things have changed during this ten years, the principles of sustainable forest management and strenuousness of the Slovak foresters for the maintenance of our biggest natural wealth - the Slovak forests had already been demonstrated by professional foresters for the decades.

The year 2009 as well as the previous periods were not simple. Due to the beginning of the economic crisis, the year 2008 ended at a difficult starting position. However, the state enterprise LESY SR and its employees have been already aware of this situation. We were among the first who was affected by the economic crisis and during the prevailing part of 2008 we fought against the crisis and learnt to live with it. The situation was the same in 2009..

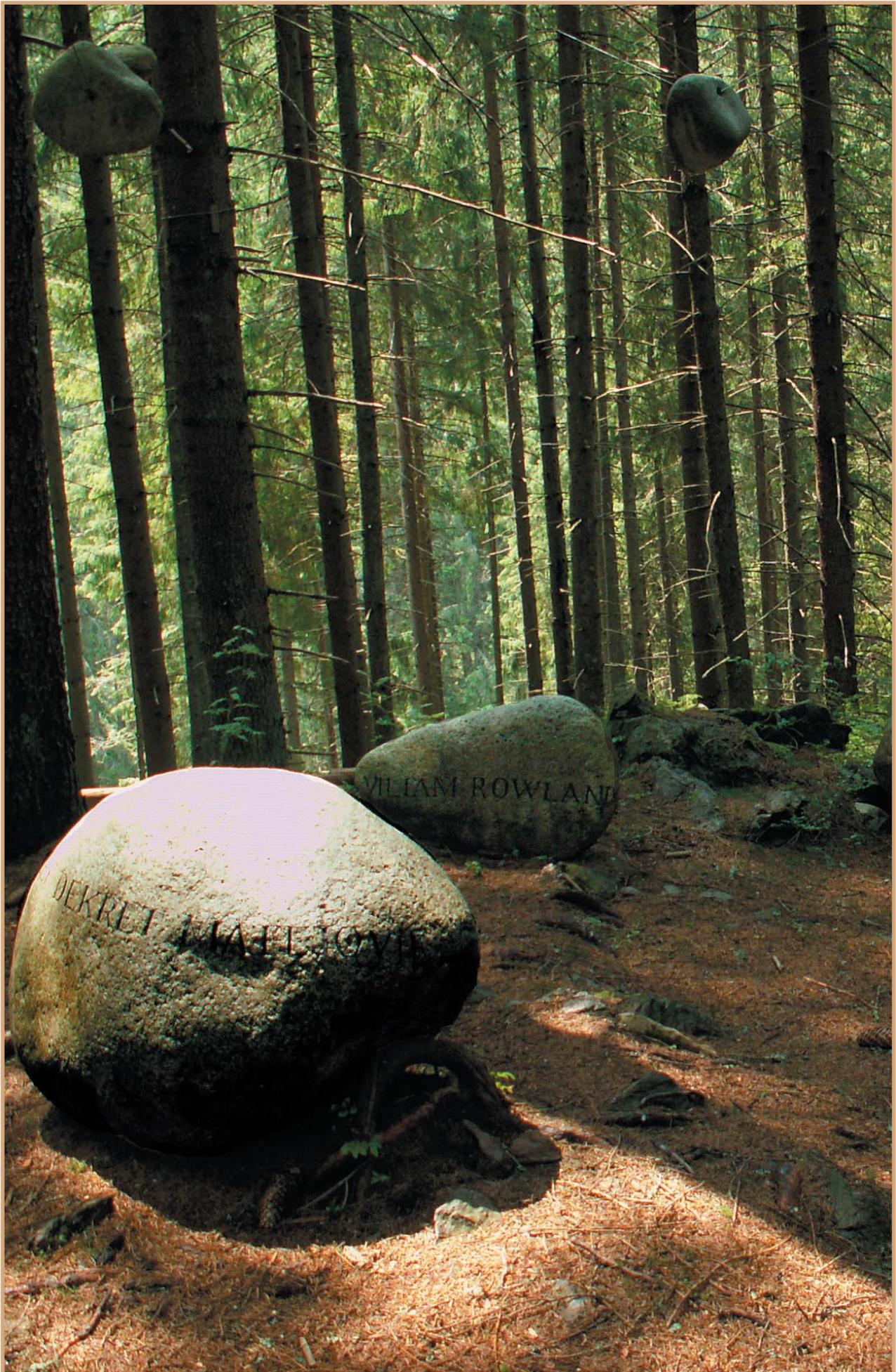


A significant drop in the average timber prices in 2008 continued also in 2009, as well as the decreasing and even stagnant demand for the most of timber assortments. The dramatic influence of the timber market crisis on the provisional results of LESY SR, š. p. has caused a further decrease in the cost of maintenance to the unavoidable minimum (emergency cases) and there were additional reserves sought in the fixed cost. With the aim to ensure the economic stability and employment, in February 2009 the top management decided to reduce personal cost by the adaptation of working hours of employees from 37.5 hours to 30 hours per week without compensation for the period from 1. 3. 2009 to 30. 6. 2009. This step demonstrated a loyalty of all employees to the enterprise. The crisis dictates to save and on a daily basis we were witnesses of adaptation of saving measures undertaken by the big transnational as well as the small companies. The top management of the state enterprise LESY SR has been seriously aware of the responsibility to keep the employment during the crisis, because the forests need foresters who ensure mainly their non-production functions important for the whole society – soil protection, water protection, retention, avalanche protection, recreation and other functions. In May, based on the development on the European timber market, where there were huge volumes of unsolved timber and the prices dropped as much as 10 € per cubic meter, the top management expected the final loss of 14 mil. €. In the second half of the year the situation in the enterprise started to improve as a result of the combination of production, trade and economic measures. In the end of the third quarter the enterprise paid off the loans and the current obligations started to be covered by own financial sources. The state enterprise LESY SR managed to reverse the unfavourable economic situation and made the profit 322 thousand € in 2009.

However, we, as foresters, also have other tasks and challenges. While meeting them, we have to mainly keep in mind the objective – to manage state property given to our hands in the best possible way. As we did last year, we will try to do our best in 2010 to stop dying of spruce forests, meet balanced harvesting, and sell felled timber at best possible prices so that we can consequently invest these sources back to the forest. Me and the whole top management of the enterprise will make our best effort to minimise unfavourable influences and consequences of the economic crisis and to meet the planned objectives, planned profit in favour of the employees and the forest.

Dear readers, in my opinion, the Annual Report 2009 and the information included confirm the fact that LESY Slovenskej republiky, š. p., as the biggest manager of the Slovak forests pays its attention mainly to the maintenance of forests as natural heritage while accepting sustainable development of all their functions and biological diversity of plant and animal species. I believe, that this Report will convince you that our care for managed forests is in right hands and that it will become a source of knowledge and information about our work.

Ing. Alojz Riško  
Director General of  
š. p. LESY SR



## BASIC INFORMATION, SCOPE OF ACTIVITIES AND COMPANY PROFILE

<b>Business name:</b>	<b>LESY Slovenskej republiky, štátny podnik</b>
<b>Seat:</b>	<b>Námestie SNP 8, 975 66 Banská Bystrica</b>
<b>Legal form:</b>	<b>state enterprise</b>
<b>Date of establishment:</b>	<b>01. 07. 1999</b>
<b>Identification number:</b>	<b>36038351</b>
<b>VAT number:</b>	<b>SK 2020087982</b>
<b>Registration:</b>	<b>registered with the Trade Register of the District Court in Banská Bystrica on 29 October, 1999, Section Pš, registration number 155/S</b>

The state enterprise LESY Slovenskej republiky, Banská Bystrica continues in rich and long-term forestry traditions in Slovakia. Based on the Decree of the Ministry of Agriculture the enterprise was established on July 1, 1999 by merging of the 6 former regional state forest enterprises.

The main scope of activities of the state enterprise LESY SR Banská Bystrica is to manage forests and other property in the ownership of the Slovak Republic. It provides a balanced fulfilment of all functions of forests and a sustainable use of tangible and intangible products and services provided by the forests.

The main objective of the state enterprise LESY SR is to provide sustainable management of forests in the ownership of state and other forest owners so that an increased functionality and maximal positive management effects can be achieved.

International acknowledged of these management activities is the fact that the total forest area managed by the 26 Forest enterprises is PEFC or FSC certified. Thus LESY SR, state enterprise has become a leader in the process of forest certification and gained a credible proof of the quality of work of foresters, which is needed for assuring the fulfilment of forest functions for the whole society.

From the viewpoint of market position, LESY SR managed 1,040,565 ha of forests in 2000. In 2009 this area decreased by 97,293 ha to 943,272 ha. The total forest area of the Slovak Republic is 2,009,000 ha out of which 46.95 % was managed by the state enterprise LESY SR in 2009. A share of LESY SR, š. p. on the relevant timber market is reduced in connection with the decreasing area of managed forests. While in 2008 the total timber deliveries from timber producers in Slovakia were 8.8 m<sup>3</sup>, out of which LESY SR, š. p. delivered 4,643,339 m<sup>3</sup> of timber, i.e. 52.76 %, in 2009 LESY SR, š. p. delivered 4,960,042 m<sup>3</sup> of timber, i.e. more by 316,703 m<sup>3</sup> compared to the previous year. Therefore, a higher market share can be also expected.

## COMPANY VISION AND MISSION

### Company vision

*„Our vision is the sustainable development of the state forests, which will provide a balanced fulfilment of the needs of society and optimal valuation of the state forest property.“*

### Company mission

*„Through our activities we want to assure sustainable development of forest and to work for the benefits of the whole society, while respecting the principles of the protection of the environment, forestry traditions and long-term prosperity of the company.“*

### Mission of Code of Ethics

*Code of Ethics is a unified standard of principles and benchmarks of behaviour of the state enterprise LESY SR and its employees; among the employees at internal level and in relations to the external environment – business partners, representatives of the state and public administration, non-government organizations, stakeholders and all inhabitants of the Slovak Republic. It also states responsibilities towards all entities regarding labour and business relations. At the present time, keeping the ethic rules is important for cultivation of economy system and it is useful for the whole society.*

## ORGANISATIONAL STRUCTURE AND COMPANY TOP MANAGEMENT

### Company bodies

LESY SR, š. p. has the following bodies:

#### Director General

- Ing. Alojz Riško

#### Supervisory Board

- JUDr. Juraj Procházka - chairman
- Doc. Ing. Ján Ilavský, CSc. – resigned from the Supervisory Board member on 10.12. 2009
- JUDr. Kamil Beresecký
- JUDr. Milan Chovanec
- Ing. Ján Malko, CSc.
- Ing. Ján Beňa
- Ing. Jozef Herud
- Ing. Dušan Krajniak
- Ing. František Suchanovský

### Organisational structure

LESY SR state enterprise consists of the 26 Forest enterprises and 4 specialised enterprises:

Number of organisational units	
Forest enterprises	26+4
Forest districts	151
Forest divisions	979
Forest management divisions	24
Timber yards	68
Specialised and other centres	36
Special purpose facilities	3

### Forest enterprises

Forest enterprises provide operational administration of the forest and other property aimed mainly at silvicultural activities, forest protection and biological works of the whole-society significance, planned timber harvesting and utilisation of other forest products.

### Specialised enterprises

#### Enterprise of Forest Technique

– is oriented on the internal services mainly in the field of harvesting operations, timber transport and maintenance of forest technique.

#### Semenoles

– provides services in the area of forest seed management and production of forest and ornamental trees. At the same time its mission is to maintain a gene pool of the forests in Slovakia.

#### Enterprise of Wood Processing

– processes timber to sawnwood and timber products and issues price lists for sawnwood sold to the market or for the internal consumption within the enterprise.

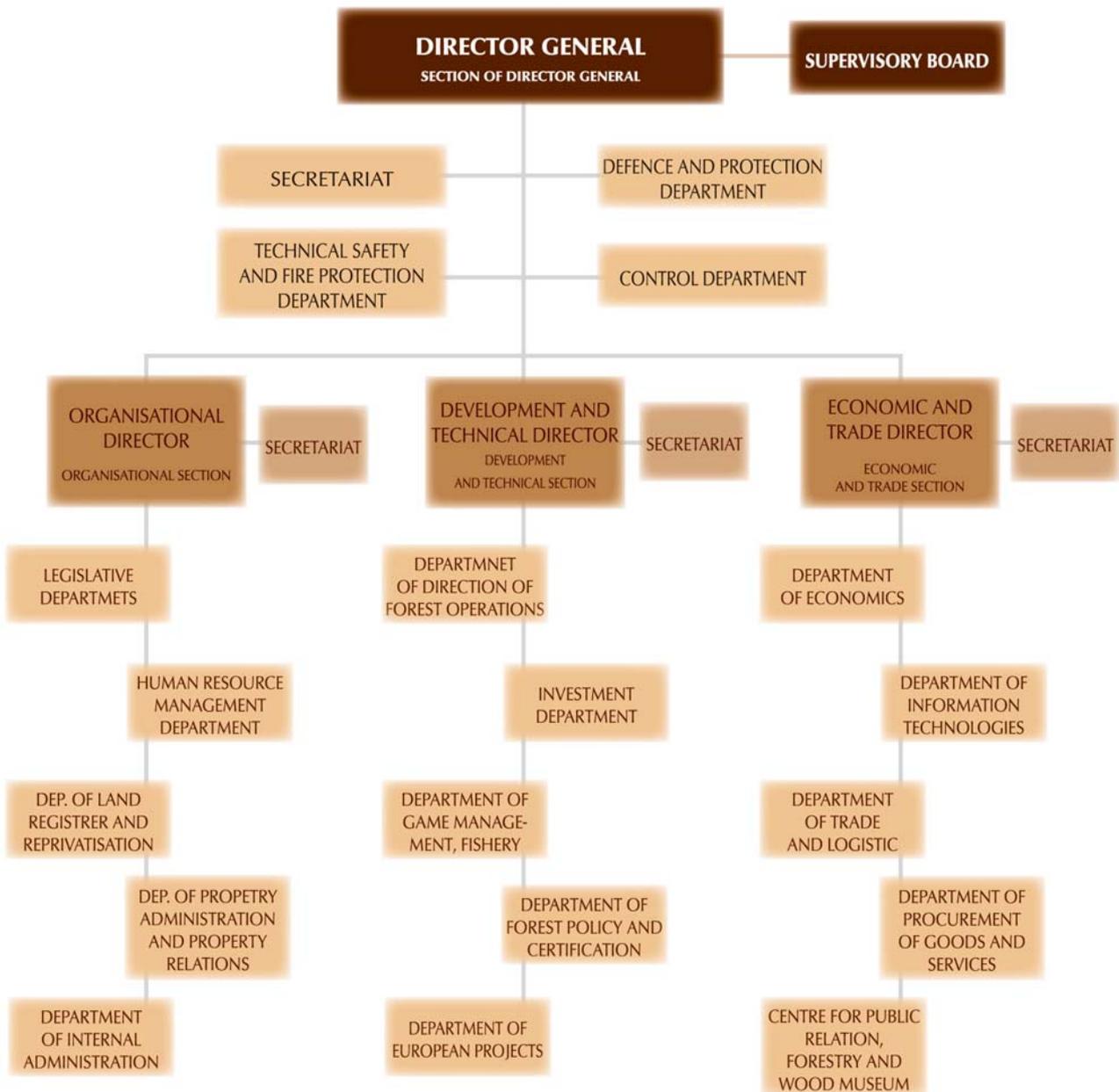
#### Biomass Enterprise

– provides processing of energy wood in order to produce and sell energy chips within the whole Slovak Republic.

## Organisation structure of the LESY SR, š. p. enables a flexible approach to the modification of number of organisational units at different management levels.

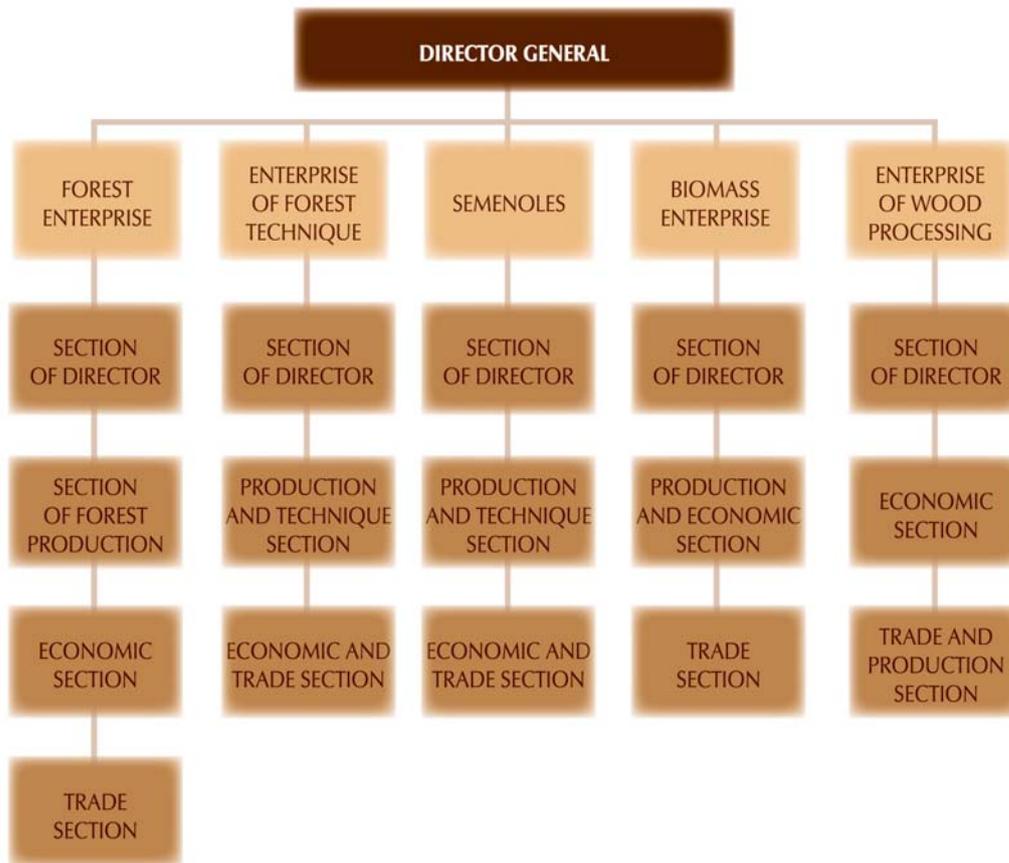
On 1. 1. 2009 the top management of LESY SR š. p. decided to adopt a two-level management system at two Forest enterprises and thus cancelled the first level of management (forest districts). The newly created forest management divisions were managed directly from the Forest enterprises.

### Organisational structure of General directorate as of 31. 12. 2009





## Organisational structure of Forest enterprises and specialised enterprises as of 31. 12. 2009



## Company top management



**Ing. Alojz Riško – Director General**  
**\*1964, Čadca**

- Statutory body of enterprise appointed by the Minister of Agriculture of the SR, subordinate to the Minister
- directly manages three section directors and 30 directors of Forest enterprises and through them the entire economic activities of the enterprise
- manages activities regarding the protection and defence, work health and safety and fire protection and control
- acts independently in accordance with the valid legislation and internal guidelines and regulations of the Minister of Agriculture of the SR
- decides on principal and key issues and delegates part of his responsibilities to the section directors and directors and Forest enterprises
- has one statutory deputy

doc. RNDr. Ing. Jozef Mindáš, PhD. had worked in this position until July 9 and Ing. Ján Beňa was commissioned to manage the enterprise from July 10 until September 30..



**Ing. Ľubomír Veselý – Organisational Director**  
**\*1973, Zvolen**

- 1. statutory deputy of Director general
- runs, coordinates and methodically directs organisational section
- administrates all materials regarding internal organisational structure, principles and system of management
- coordinates and directs activities of human resource management department, creates conditions for activities of legal service and is responsible for its efficiency
- directs provision of the state of land tenure and disposal of managed state forest property
- directs activities of internal administration at the General directorate
- cooperates with other sections of enterprise, directs Forest enterprises, cooperates with the founder and external bodies

Mgr. Ing. Edita Tomeková had worked in this position until July 8 and Ing. Arpád Kavečanky from July 14 until November 13.



**Mgr. Peter Morong – Development and Technical Director**  
**\*1970, Brezno**

- coordinates and methodically directs forest operations and organisation of management of forest operations in enterprise
- in accordance with the enterprise development he elaborates development strategies and conceptions, manages technical development and investment activities
- cooperates with the municipal and state administration bodies, National Forest Centre - ÚHUL, forest management plan elaborators and other institutions

Ing. Peter Chrúst had worked in this position until July 10.



**Ing. Vladimír Rigász – Economic and Trade Director**  
**\*1967, Michalovce**

- runs, coordinates and methodically directs the areas of economics, finances, taxes, prices, allowances, accounting, information system and the use of information technology
- in accordance with the enterprise development he organises elaboration of enterprise conception within the economic section
- negotiates with the founder, bank institutions, relevant tax offices with the aim to fulfil legislative requirements as well as to create optimal conditions for the existence and development of the enterprise in economic area
- manages areas of timber and other commodities trade in the state enterprise
- manages and provides sales of production of the state enterprise to the key domestic buyers and foreign buyers
- manages marketing in the areas of market research, conception of trade activities, monitoring of competitors, price survey, planning, promotion and advertisement
- methodically manages, directs and controls trade activities of subordinate components

Until July 10 Ing. Ľuboš Németh had worked in the position of Economic Director and Ing. Jaroslav Holiga in the position of Trade Director.

On July 17 the decision by the Director General cancelled the Economic Section and Trade Section and created the Economic and Trade Section.

Ing. Miloš Bílik worked in the position of the Economic and Trade Director from July 17 to August 7, Ing. Alojz Riško from August 10 to September 30, and Ing. Ján Beňa from October 1 to November 30.

## HUMAN RESOURCES MANAGEMENT AND EDUCATION OF EMPLOYEES

### Human resources

Within the strategic management of human resources LESY SR, š. p. pays an appropriate attention to care of employees and their professional and personal development. Through professional management we try to release and develop the inventive and working potential of employees in order to achieve company's objectives. Personal strategy of the enterprise clearly declares the importance of employees for meeting the strategic objectives. This is done with the help of company's culture supported by the Code of Ethics, which was approved in 2005 and is valid for all employees.

In the frame of transparent and constructive collaboration a collective labour agreement has been signed with the social partner for the period of one year, bringing positive changes to social and wage areas. Salaries, possibility of professional growth and the support to social activities are the supporting pillars for the satisfaction of employees. With regard to the unfavourable economic situation as an influence of the global economic crisis, the employer agreed with the representatives of employees as well as individually with all employees to reduce working time by 20 % during the period from 1. 3. 2009 to 30. 6. 2009 without compensations of wages. This step was considered by the employer as a significant demonstration of employees' loyalty to the enterprise.

Under the changing market, environmental and unfavourable economic conditions it is inevitable for the state enterprise LESY SR to maintain quality and educated human potential, which is able to work effectively.

We make efforts to provide appropriate working conditions for professional and personal growth of employees including the social benefits. Thanks to these activities we are maintaining a position of an attractive employer within the Slovak forestry environment in spite of negative effects of the global financial crisis..

**Average adjusted number  
of employees in 2009**

<b>Total</b>	<b>3,995</b>
out of which workers	1,438
out of which technical and managerial staff	2,557

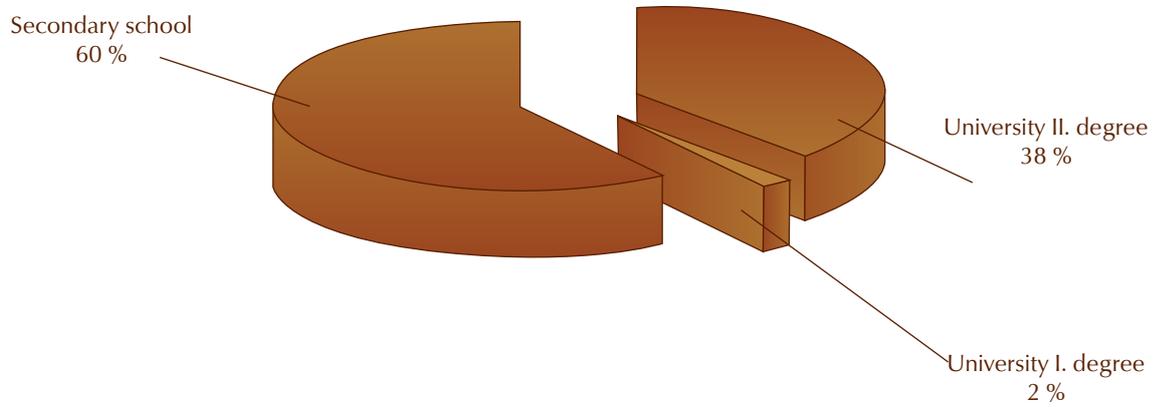
**Physical number of employees in 2009**

<b>Total</b>	<b>4,038</b>
out of which workers	1,477
out of which technical and managerial staff	2,561

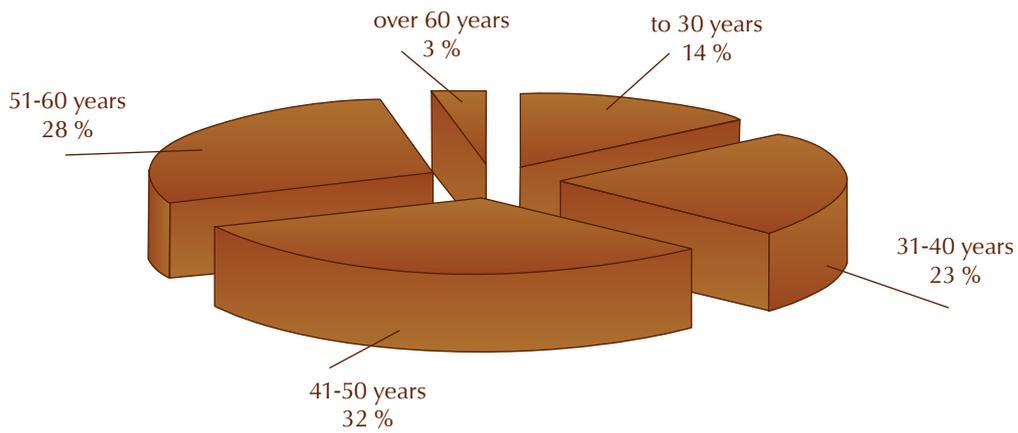
**Physical number of technical and managerial staff as of 31.12.2009**

<b>Total</b>	<b>2,561</b>
Forest enterprises	599
Forest districts, managerial districts, centres, timber yards	1,654
Specialise forest enterprises	157
General directorate and centres	151

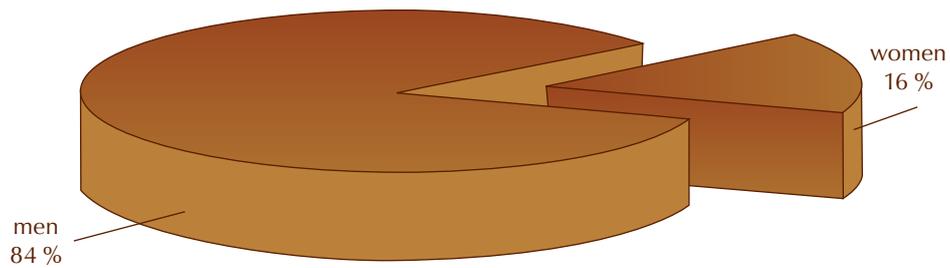
**Education structure of technical and managerial staff as of 31. 12. 2009**



**Age structure of technical and managerial staff as of 31. 12. 2009**



**Gender structure of technical and managerial staff**



## Education of employees

The quality of human potential represents an important competitive advantage that cannot be achieved without investments in skills and knowledge of people and without awareness that insufficient qualification and skills of own employees can threaten the future, prosperity and growth of the organisation.

To possess inventive working potential with professional specialisation in the improvement of professional skills and to reach permanent changes in skills and attitudes, which support and increase output of employees, is the philosophy of educational process following the strategy of our enterprise.

## Realisation of education

Due to the limited financial sources designated for education of the employees, the employer concentrated on the use of financial means from the sources of the European Social Fund through the National Office of Labour, Social Affairs and Family.

**Vocational education** – attention has been paid to the specialised vocational education of employees aimed at the performance of selected professions of the personnel of Forest enterprises and forest districts, training for exams of certified forest manager, periodic education for holders of forest manager certificates in accordance with the provisions of the Act on Forests, and training of the target group of forest districts managers in specialised modules IS KRPR).

**Basic managerial education** – development training program for top management, traders, accountants, economists and technicians. The objective of basic managerial – communication course for this target group was to increase competitiveness and adaptability of employees of the state enterprise LESY SR, š. p. and thus avoid collective redundancy in connection with the global financial and economic crisis.

**IT courses** – spreadsheet MS Excel for the work with the SAP information system application.

**Language education** – educational program oriented on language skills for elementary and upper mediate English and German, which started in 2008 was completed

**Realisation of education** – provided by the National Forest Centre Zvolen – Institute for Forest Consulting and Education and selected educational companies.

Apart from above mentioned educational activities, LESY SR š. p. supports the individual improvement of its employees qualification by the form of external study.



## HEALTH AND SAFETY AT WORK

Responsibilities of employer towards employees in the area of health and safety at work include mainly care for employees, their working environment, health in connection to work, protection from the influence of unfavourable factors, etc. The relocation of production operations to the external environment has significantly decreased the number of employees mainly in risky professions –harvesting and other operations, which had a significant influence on the statistic data in the area of accidents development. In 2009, at the workplaces of LESY SR, š. p., there were 69 accidents recorded, i.e. a decrease by 16 accidents compared to the year 2008. The most accidents, almost 30 % of all number of accidents, were recorded at the Enterprise of forest technique Banská Bystrica. Our contractors recorded 2 fatal accidents. There was no fatal accident recorded during self-production of wood.

### **The cost of care of health and safety of employees and working environment showed unfavourable trend in 2009:**

- improvement of working conditions – 159,861 €, decrease by 49 % compared to 2008
- recovery stays – 16,210 €, decrease by 67 %
- health care – 108,166 €, increase by 8.5 %
- revisions – 89,166 €, decrease by 9 %
- new technologies – 123,890 €, decrease by 96 %

## SUSTAINABLE DEVELOPMENT OF FOREST RESOURCES

**The strategic objective of the state enterprise LESY SR is to provide sustainable management of forests in the ownership of state and other forest owners so that an increased functionality and maximal positive management effects can be achieved while keeping all the principles of sustainable development. The objective of sustainable forest management is not only sustainable timber production but a broaden understanding of forest value in compliance with the EU forestry strategy and the EU Action Plan for Forests.**

**In this sense the conception aims and the objectives of enterprise policy of sustainable forest management is mainly oriented on:**

- maintenance and increment of the existing forest area and optimisation of standing volume to the level, which is required with regard to the economic, ecological and social forest functions,
- improvement of health of forests and reduction of risks of damages,
- sustainability and balance of supply of wood and non-wood forest products, always as a part of environmental forest function,
- support to biological diversity of forest ecosystems and maintenance of native forest stands,
- support to soil and water protection functions of forests,
- active cooperation in development of mountain and sub-mountain regions.

Assessment of the quality of sustainable forest management against requirements of certification schemes is carried out by independent certification bodies.

Forest enterprises Trenčín, Považská Bystrica and Prešov, managing 109,802 ha of forests, are holders of FSC certificates. The total area of FSC certified forests in Slovakia is 174,083 ha.

The total area of forests managed by the state enterprise LESY SR, i.e. 943,272 ha in all 26 Forest enterprises, is PEFC certified. PEFC certification is based on regional principle, where LESY SR represents the interests of other forest owners who opted for the verification of quality of sustainable forest management. Based on the results of certification audits in 2009 LESY SR, š. p. issued sustainable forestry certificate attestations to 45 new forest owners. The total area of PEFC certified forests in the Slovak Republic is 1,266,417 ha represented by 297 participants of certification process.



## MOST IMPORTANT EVENTS IN 2009

January	the year 2009 was identified as the crisis year during the first top management meeting with the Forest enterprise directors, representatives of the Ministry of Agriculture of SR and the Supervisory Board
	in relation with the energy crisis the biomass became a topic of the month and the state enterprise LESY SR – Biomass enterprise became a strategic producer of energy chips
February	41 <sup>st</sup> European ski competition in the sport centre Donovaly with the participation of sportsmen representing LESY SR, š. p.
	representatives of LESY SR š. p., OÚ Víglaš and SHMÚ Banská Bystrica unveiled a monument to the place of the lowest ever measured temperature in the territory of Slovakia in Víglaš-Pstruša (-41 °C)
March	presentation of the 3 <sup>rd</sup> common bulletin of LESY SR, š. p. and ZSD SR „More Wood for Life“
	opening of the XIV. year of „Hunting Days in Levice“
	LESY SR, š. p. co-organised the international conference „Perspective and support to the breeding of Muran Norik horse in Slovakia “
	organisation of the conference „Elimination of Consequences of the Global Crisis – Wood as Strategic Material “ – presentation by Director General of LESY SR
April	3 <sup>rd</sup> year of the national „Forestry days“
May	introduction of Special Forestry Sites „Ulica Pod lipami“ in Liptovský Hrádok and the breeding place of Muran Norik horse in Veľká lúka
	LESY SR, š. p. – Semenoles became a member of the International Seed Federation ISF
June	Supervisory Board met in Liptovský Hrádok to consider the situation at the local Forest enterprise and expressed concerns about the situation in the enterprise following from the open motions of individual employees supported by the position of the trade union ZZV OZ DLV
	Forest enterprise Sobrance, municipal office and primary school in Parchovany opened LNCH PARK Parchovany
July	appointment of the new top management of enterprise
	DAY OF TREE in Forestry open-air museum in Vydrovská dolina (record number of participants - 12 000 visitors)
	5 <sup>th</sup> year of the competition “NAJ HORÁR” held in the hotel Lesník nad Tajovom
	completion of the water facility Fire protection reservoir Vyšný Tajch constructed with the support of finances gained by foresters from the European Fund for Rural Development
	renovation of the commemorative stone of H. D. Wilckensa near Repište and its introduction as the Special forestry site
	Forest enterprise Vranov nad Topľou in cooperation with the local administration office opened LNCH KAMJANA near Medzilaborce
August	11 <sup>th</sup> national meeting of women - foresters from the Woman club of the Slovak Forest Chamber at Forest enterprise Topoľčianky
	presentation of Czech expositions in Forestry and wood museum and establishing relations with the National agricultural museum in Prague
September	publishing and presentation of the book Special Forestry Sites in Slovakia I. at the SNP square in Zvolen
	celebration of the 60 <sup>th</sup> anniversary of Forest enterprise Trenčín
October	appointment of new Director General – Ing. Alojz Riško
	LESY SR, š. p. participated at international traditional fair Drevo+Les in Nitra
	Introduction of Special Forestry Site - Arboretum in Liptovský Hrádok, including Forest educational path
November	6 <sup>th</sup> act of piety at the symbolic forestry cemetery in Vydrovská dolina
	celebration of the 10 <sup>th</sup> anniversary of the state enterprise LESY SR in Turčianske Teplice
December	Christmas exposition at Forestry and wood museum and at General directorate in Banská Bystrica
	Christmas tree as a present - Christmas trees for children in foster homes in Slovakia

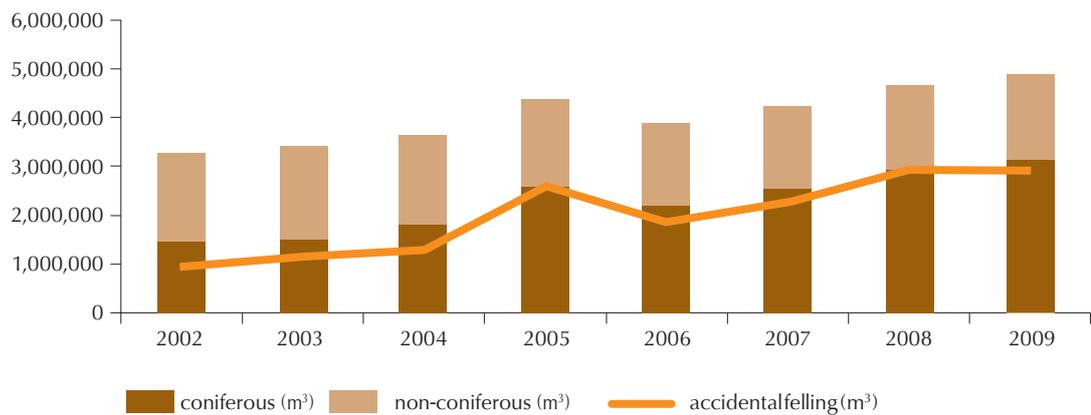
**Selected economic indicators  
in 2007-2009  
LESY SR, š. p. Banská Bystrica**

No.	Indicator	Unit	Actual value			Annual change	
			2007	2008	2009	2008-2007	2009-2008
1.	Forest regeneration	ha	7,630	8,520	8,131	+890	-389
2.	out of which natural regeneration	ha	3,367	3,853	4,450	+486	+597
3.	Clearing	ha	15,579	14,902	3,748	-677	-11,154
4.	Direct costs of silviculture operations	th. €	32,425,41	22,364,87	15,234,02	-10,060,55	-7,130,85
5.	out of which: creation of reserve	th. €	7,673,70	3,740,46	4,176,38	-3,933,25	+435,92
6.	clearing down reserve	th. €	2,821,48	13,624,41	3,740,46	+10,802,93	-9,883,95
<b>7.</b>	<b>Direct costs of silviculture operations without the influence of reserves</b>	<b>th. €</b>	<b>27,573,19</b>	<b>32,248,82</b>	<b>14,798,09</b>	<b>+4,675,63</b>	<b>-17,450,73</b>
8.	Direct costs of harvesting operations	th. €	109,223,77	120,047,27	105,377,44	+10,823,50	-14,669,83
<b>9.</b>	<b>Direct costs of harvesting operations per m<sup>3</sup></b>	<b>€.m<sup>-3</sup></b>	<b>25,97</b>	<b>25,90</b>	<b>22,58</b>	<b>-0,07</b>	<b>-3,32</b>
<b>10.</b>	<b>Overhead cost</b>	<b>th. €</b>	<b>72,414,43</b>	<b>72,436,96</b>	<b>58,870</b>	<b>+22,54</b>	<b>-13,566,73</b>
11.	Thinning up to 50 years	ha	14,193	13,041	11,332	-1,152	-1,709
<b>12.</b>	<b>Timber harvesting without self production</b>	<b>m<sup>3</sup></b>	<b>4,213,786</b>	<b>4,649,961</b>	<b>4,871,456</b>	<b>+436,175</b>	<b>+221,495</b>
13.	coniferous	m <sup>3</sup>	2,524,615	2,924,265	3,111,085	+399,650	+186,820
14.	non-coniferous	m <sup>3</sup>	1,689,171	1,725,696	1,760,371	+36,525	+34,675
15.	out of which windthrown timber	m <sup>3</sup>	2,275,048	2,933,795	2,915,367	+658,747	-18,428
<b>16.</b>	<b>Total timber supplies</b>	<b>m<sup>3</sup></b>	<b>3,911,777</b>	<b>4,438,544</b>	<b>4,771,160</b>	<b>+526,767</b>	<b>+332,616</b>
17.	out of which coniferous	m <sup>3</sup>	2,284,867	2,731,675	3,042,629	+446,808	+310,954
18.	non- coniferous	m <sup>3</sup>	1,626,910	1,706,869	1,728,531	+79,959	+21,662
<b>19.</b>	<b>Total timber export</b>	<b>m<sup>3</sup></b>	<b>58,255</b>	<b>101,673</b>	<b>271,034</b>	<b>+43,418</b>	<b>+169,361</b>
20.	out of which coniferous	m <sup>3</sup>	23,282	74,822	229,270	+51,540	+154,448
21.	non-coniferous	m <sup>3</sup>	34,973	26,851	41,764	-8,122	+14,913
22.	Total timber revenues	th. €	205,616,44	201,914,06	172,555,48	-3,702,38	-29,358,58
<b>23.</b>	<b>Average timber price (coniferous + non-coniferous)</b>	<b>€.m<sup>-3</sup></b>	<b>52,56</b>	<b>45,49</b>	<b>36,17</b>	<b>-7,07</b>	<b>-9,33</b>
24.	Average timber price - coniferous	€.m <sup>-3</sup>	54,02	44,86	35,34	-9,16	-9,53
25.	Average timber price - non-coniferous	€.m <sup>-3</sup>	50,51	46,49	37,63	-4,02	-8,87
<b>26.</b>	<b>Shareholder's equity</b>	<b>th. €</b>	<b>2,840,27</b>	<b>7,262,10</b>	<b>322,07</b>	<b>+4,421,83</b>	<b>-6,940,03</b>
<b>27.</b>	<b>Average number of employees</b>	<b>person</b>	<b>4,613</b>	<b>4,559</b>	<b>3,995</b>	<b>-54</b>	<b>-564</b>
28.	out of which workers	person	1,782	1,744	1,438	-38	-306
29.	technical and managerial staff	person	2,831	2,815	2,558	-16	-257
<b>30.</b>	<b>Labour productivity from added value</b>	<b>€</b>	<b>20,046,73</b>	<b>15,962,19</b>	<b>19,335,64</b>	<b>-4,084,54</b>	<b>+3,373,45</b>

## FINANCIAL AND TECHNICAL INDICATORS OF ECONOMY

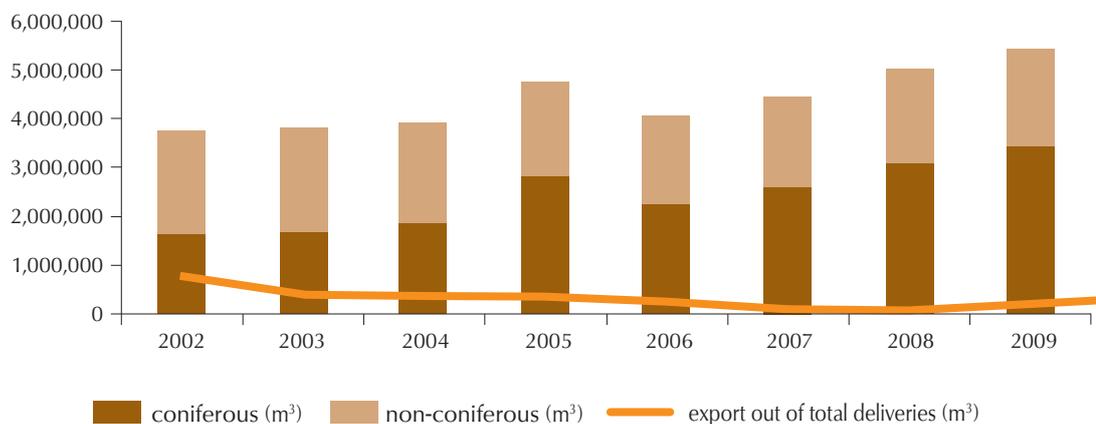
### Timber harvesting

	2002	2003	2004	2005	2006	2007	2008	2009
total timber harvesting (m <sup>3</sup> )	3,280,769	3,404,398	3,631,944	4,376,089	3,893,992	4,213,786	4,649,961	4,871,456
accidental felling (m <sup>3</sup> )	994,274	1,169,778	1,307,455	2,596,809	1,858,370	2,275,048	2,933,795	2,915,367
coniferous (m <sup>3</sup> )	1,463,745	1,512,982	1,788,693	2,578,207	2,180,387	2,524,615	2,924,265	3,111,085
non-coniferous (m <sup>3</sup> )	1,817,024	1,891,416	1,843,251	1,797,882	1,713,605	1,689,171	1,725,696	1,760,371



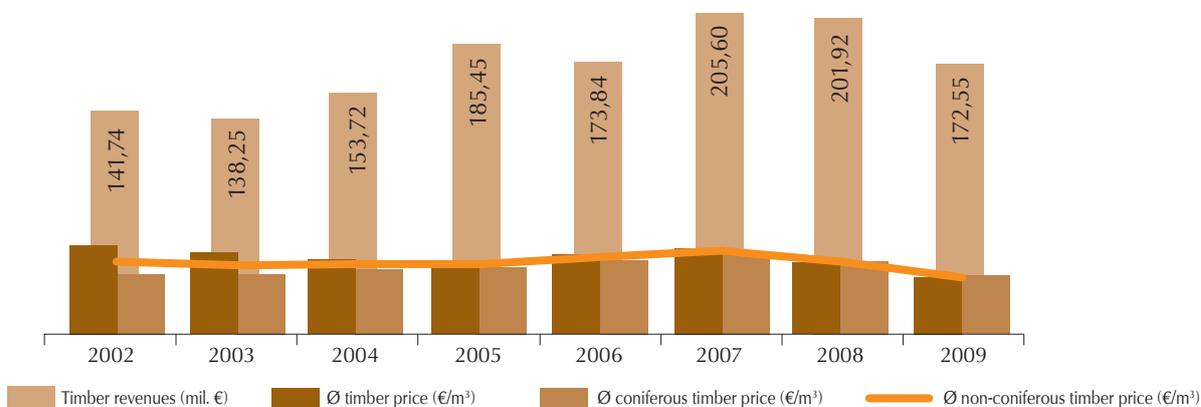
### Timber deliveries

	2002	2003	2004	2005	2006	2007	2008	2009
coniferous (m <sup>3</sup> )	1,431,537	1,473,107	1,636,731	2,456,783	1,960,690	2,284,867	2,731,675	3,042,629
non-coniferous (m <sup>3</sup> )	1,877,051	1,878,138	1,832,493	1,734,011	1,619,020	1,626,910	1,706,869	1,728,531
export out of total deliveries (m <sup>3</sup> )	667,542	348,667	339,566	352,728	163,499	58,255	101,673	271,034
export out of total deliveries (%)	20 %	10 %	10 %	8 %	5 %	1 %	2 %	6 %

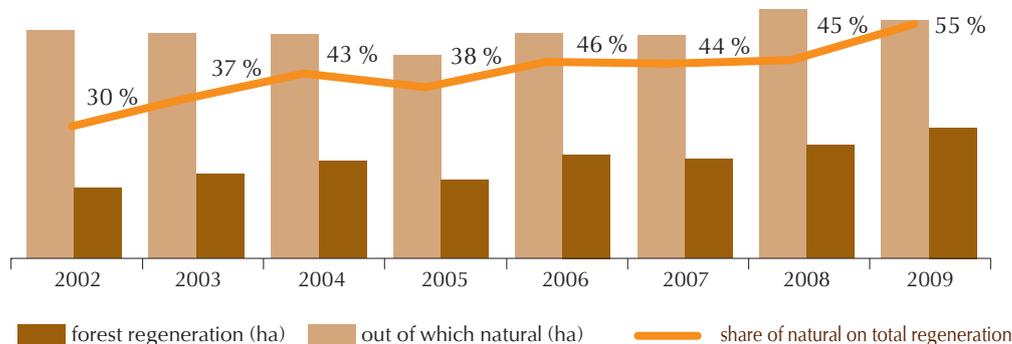


**Timber revenues and average timber price**

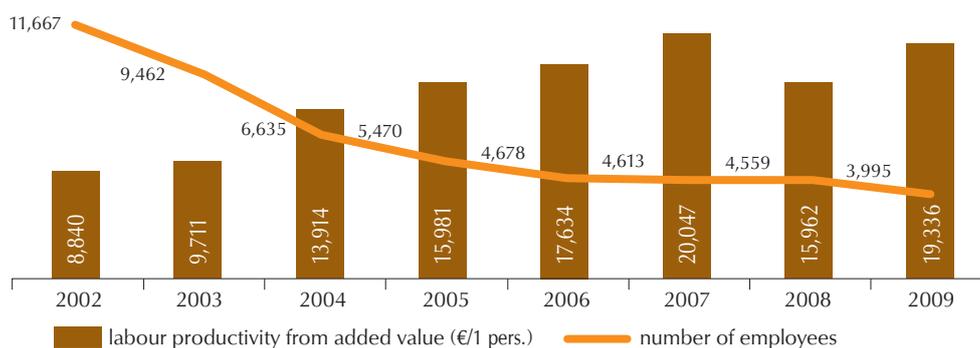
	2002	2003	2004	2005	2006	2007	2008	2009
Timber revenues (mil. €)	141,74	138,26	153,72	185,45	173,84	205,60	201,92	172,55
Ø timber price (€/m <sup>3</sup> )	45,34	43,60	44,31	44,25	48,56	52,56	45,49	36,17
Ø coniferous timber price (€/m <sup>3</sup> )	56,03	51,19	48,00	45,48	49,69	54,02	44,86	35,34
Ø non-coniferous timber price (€/m <sup>3</sup> )	37,94	38,11	40,99	42,49	47,20	50,51	46,49	37,63


**Forest regeneration**

	2002	2003	2004	2005	2006	2007	2008	2009
forest regeneration (ha)	7,782	7,697	7,703	6,962	7,729	7,629	8,520	8,131
out of which natural (ha)	2,355	2,866	3,307	2,671	3,530	3,367	3,853	4,450
share of natural on total regeneration	30 %	37 %	43 %	38 %	46 %	44 %	45 %	55 %


**Labour productivity from added value**

	2002	2003	2004	2005	2006	2007	2008	2009
labour productivity from added value (€/1 pers.)	8,840	9,711	13,914	15,981	17,634	20,047	15,962	19,336
number of employees	11,667	9,462	6,635	5,470	4,678	4,613	4,559	3,995



## FOREST LAND AND REPRIVATISATION

Since the beginning of reprivatization process, some 844,0489 ha of forest land were returned to the former owners. Out of this number 156,340 ha were returned to private forest owners, 437,566 ha to cooperatives, 176,478 ha to municipalities, 67,926 ha to the church and sensual communities and 5,738 ha to other owners. Comparing to the state on 31.12.2008, in 2009 some 5,174 requests were considered and 8,649 ha of forests were physically returned.

Out of the total 844,048 ha of returned forests, LESY SR is renting 28,737 ha and 815,311 ha are managed by their own owners.

**As of 31.12.2009 LESY SR, š. p. managed 943,272 ha of forests, out of which 672,164 ha on the basis of ownership, 28,737 ha were rented and 213,676 ha were managed on the basis of the Law on the land.**

Out of the total area of non-state and not returned forests (213,676 ha) some 37,337 requests were considered covering the area of 87,176 ha. Due to different objective reasons (small ownership proportions, area of unknown owners over 50 % in the common area, insufficient documentation, unmarked boundaries, unwillingness of owners to create an association) it was not possible to return physically this land. The area of 87,176 ha of forest land includes also the area of 9,106 ha managed (rented) forests, which were not physically returned.

**Data shown in the module 41, row 15, i.e. 125,759 ha in the ownership of non-state entities, who did not required land returning, comprise unknown owners or those who are registered in the Cadastre register, however, it is not possible to determine real owners as the area of forests cannot be specified due to ongoing inheritance procedures or incorrect residence numbers etc.**

Out of the area of governed land (943,272 ha) the Slovak Republic owns 672,164 ha, some 18,141 ha is disputable and some 10,554 ha are rented to other organisations (TU Zvolen, Forestry College Banská Štiavnica, Forestry College Prešov, Municipality of Dobšiná, etc.)

Overview of managed forest land

Ownership structure		l. r.	Actual state as of 31.12.2009	
			number of entities	area (ha)
a		b	1	2
<b>Total forest area r. 1 = r. (2+7)</b>		1	x	943,272
<b>SR ownership - total r. 2 = r. (3+6)</b>		2	x	700,859
out of which	a) state r. 3 = (4+5)	3	x	682,718
	out of which			
	managed	4	x	672,164
	rented	5	x	10,554
	b) disputable	6	x,	18,141
<b>Non-state - total r. 7 = r. (8+9+15)</b>		7	39,269	242,413
out of which	rented from non-state entities with returned forests	8	1,357	28,737
	in the ownership of non-state forests with request for returning - <b>total r. 7 = r. (8 to 12)</b>	9	37,912	87,917
	out of which			
	a) private	10	36,926	73,414
	b) collective ownership	11	490	10,479
	c) municipal	12	112	1221
	d) church	13	361	2,649
	e) other	14	23	154
	in ownership of non-state forests that has not requested land returning	15	x	125,759
<b>Control sum (r. 1 to 13)</b>		<b>99</b>	<b>116,450</b>	<b>3,600,451</b>

## Overview of returned and rented forests in ha since the beginning of reprivatisation process till 31. 12. 2009

**1. Organisation: Lesy SR, š. p. Banská Bystrica**

Private owners				Associations			
Not returned	Returned			Not returned	Returned		
	Total	Out of which			Total	Out of which	
		Individually managed	Rented by state forests			Individually managed	Rented by state forests
2	3	4	5	6	7	8	9
179,766	156,340	148,696	7,644	18,444	437,566	419,696	17,870

Municipalities				Church and sensual associations			
Not returned	Returned			Not returned	Returned		
	Total	Out of which			Total	Out of which	
		Individually managed	Rented by state forests			Individually managed	Rented by state forests
10	11	12	13	14	15	16	17
1,991	176,478	174,321	2,157	4,372	67,926	66,865	1,061

Other owners				Total				State forests	Managed by state forests 22+25+26, 28	Total forest area
Not returned	Returned			Not returned	Returned					
	Total	Out of which			Total	Out of which				
		Individually managed	Rented by state forests			Individually managed	Rented by state forests			
18	19	20	21	22	23	24	25	26	27	28
9,103	5,738	5,733	5	213,676	844,048	815,311	28,737	700,859	943,272	1,758,583

## OVERVIEW OF MANAGEMENT OF FOREST LAND AS OF 31.12.2009

Area of managed forest land in ha	Type of use						
	governance			rent		Law on the land	
	ownership of the SR	disputable	let to other entities	agreement		according to § 5	according to § 22
				from other entities	From SLF		
1	2	3	4	5	6	7	8
943,272	672,164	18,141	10,554	28,737	0	35,760	177,916
	700,859					213,676	

## Applications for returning forest land

Indicator		Unit	I. r.	Total since the beginning of reprivatisation process		
a		b	c	1		
Applications for returning ownership and usage rights to forest land		number	1	96,907		
		ha	2	931,965		
out of which private forest owners		number	3	91,103		
		ha	4	228,727		
Positively considered - physically returned forest land ( r. 1 and 2)		number	5	58,995		
		ha	6	844,048		
out of which ( r. 5 and 6)	private forest owners $r.7 \geq r.(9+11)$		number	7	54,597	
			ha	8	156,340	
	out of which ( r.7 and 8)	applications according § 6 a § 9		number	9	2,745
				ha	10	55,364
		of the law No. 229/91		number	11	18
				ha	12	1,414
	collective ownership		number	13	3,365	
			ha	14	437,566	
	municipalities		number	15	406	
			ha	16	176,478	
	church		number	17	590	
			ha	18	67,926	
	other owners		number	19	37	
			ha	20	5,738	
Positively considered - physically not returned forest land		number	21	37,373		
		ha	22	87,176		
managed by state forestry administration on contractual basis ( r. 1 and 2)		number	23	96,368		
		ha	24	931,224		
Applications positively considered - total Applications negatively considered - physically not returned forest land		number	25	539		
		ha	26	741		
<b>Control sum (r. 1 to 24)</b>		<b>x</b>	<b>99</b>	<b>4,367,750</b>		

## FOREST PRODUCTION

Forest production and benefits derived from forest stands have been studied for a long time and so far they have not become a completely assessed value of forests. During the entire history of mankind, forests have served not only as a shelter but as a continuously renewable source of all functions, starting from the production of wood and oxygen to the fulfilment of other human needs (recreation, rest, relax, as well as hunting, tourism, etc.).

Sustainable fulfilment of all forest functions is the basic requirement for forest management. A long time ago man has already realised that unlimited and uncoordinated exploitation claims, connected mainly to the production function of forests, can be accepted only to a certain extent. Different principles, regulations and legislation have gradually been created to guarantee the fulfilment of human needs to the extent, which would not be at the expense of sustainable fulfilment of all forest functions.

Timber harvesting is the most discussed and many times negatively considered production function of the forests. Everything in nature as well as in the forests once originates and, after a certain time, terminates to create space for new life, new forest. This process cannot be returned. Man has only two possibilities how to behave in relation to the forest. First one, very simple one, is to leave forest as it is and allow natural powers and self-regulative ability of nature not to use production function and thus not to manage the forests.

Other possibility is to carry out wisely, and on the basis of proved and legislatively covered principles of sustainability, management activities in a way that raw wood material is utilised before its natural destruction, while other whole-society functions of forests are continuously fulfilled.

Forestry with more than 300 years history, experiences, results as well as the state of the forests, guarantees that utilisation of all forest functions is correctly set. It is the matter of the whole society how it is able to assess the professional activities of foresters and devote resources to maintain and improve forests in Slovakia. The state enterprise LESY SR has given and still gives the guarantee for sustainable forest management in the sense of valid legislation and the respect for the principles of nature protection acknowledged in the EU countries.

### Silviculture

In 2009, silviculture operations cost 14,798 thousand EUR, which was only a half amount of cost of silviculture and protection of forests spent during the two previous years. However, due to the trend of continual rationalisation and increasing efficiency of silvicultural works, which has been adopted by LESY SR, š. p. in the long term, the radical decrease in cost did not have a negative influence on the qualitative development of the forests. Forest regeneration was carried out in the sufficient extent, modest forms of shelterwood system were applied more consistently as well as natural regeneration was completely utilised on the windthrown areas. This resulted in a 55% share of natural regeneration. Even if the prevailing part of planting was done at large areas the rate of rooted plants was high. A share of repeated planting on the total planting decreased to 6% due to increase rate of container plants use.

Activity	unit	2005	2006	2007	2008	2009
Balanced unstocked area	ha	7,308	7,406	8,052	9,772	<b>10,102</b>
Total forest regeneration	ha	6,962	7,729	7,619	8,520	<b>8,131</b>
out of which artificial	ha	4,291	4,199	4,263	4,667	<b>3,681</b>
natural regeneration	ha	2,671	3,530	3,356	3,853	<b>4,450</b>

In order to provide conditions for the consequent forest regeneration, all activities regarding cleaning of harvested areas were conducted and those, carried out on the windthrown sites, were even over fulfilled. Other activities linked to securing young forests growths and tending has been reduced to the most necessary interventions that needed to be carried out during the year.

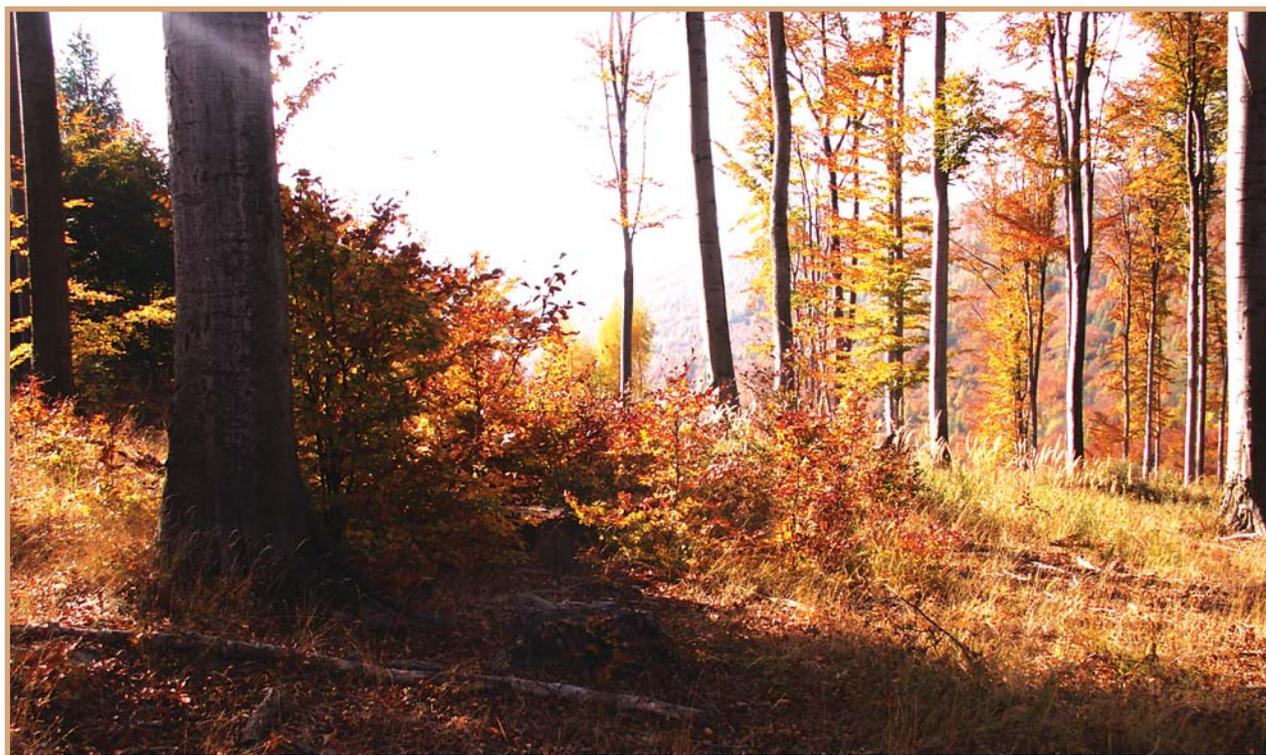
In accordance with the enterprise guideline for nature close forest management there have been activities carried out aiming at its practical application. There were 14 additional localities pronounced to be Pro Silva sites. So far there has already been 154 sites established on the area of 34,436 ha. Their management is carried out by the managers of the relevant forest divisions based on the special projects..

## Harvesting operations

The annual harvesting plan was built on the basis of balanced tasks following the provisions of forest management plans and adopted to the prior processing of accidental felling in Slovakia. The scheduled harvested volume was 3,834 thousand m<sup>3</sup>, however this was exceeded by 22.48% to 4,946 thousand m<sup>3</sup> in 2009. Provisions of the state forest administration affected the fulfilment of planned values by disturbing time schedule of tending and regeneration felling in relations with accidental felling as well as unsolved property rights in the category of state not yet returned forests.

The annual harvesting plan was met to 115.5%, when the plan of coniferous felling was over fulfilled by 667,591 m<sup>3</sup> and the plan of non-coniferous under fulfilled by 3,603 m<sup>3</sup>. The coniferous felling was over fulfilled due to the immediate harvesting of damaged spruce forests and this felling increased by 4.6% compared to 2008.

No.	Indicator	Unit	Plan 01.2009 12.2009	Reality 01.2009 12.2009	Difference real. - plan	Reality in previous year 01.2008 12.2008	Difference real. - previous year
a	b	c	2	3	4	5	6
1.	Total felling	m <sup>3</sup>	4,281,984	4,945,972	663,988	4,718,548	227,424
2.	Out of which coniferous	m <sup>3</sup>	2,457,244	3,124,835	667,591	2,938,138	186,697
3.	non-coniferous	m <sup>3</sup>	1,824,740	1,821,137	-3,603	1,780,410	40,727
4.	Total thinning	ha	24,239	21,892	-2,347	22,438	-546
5.	Thinning up to 50 years	ha	11,918	11,332	-585	13,041	-1,709
6.	Timber extraction	m <sup>3</sup>	4,129,837	4,663,505	533,668	4,625,282	38,223
7.	Timber transport	m <sup>3</sup>	3,634,777	3,755,368	120,590	4,023,915	-268,547

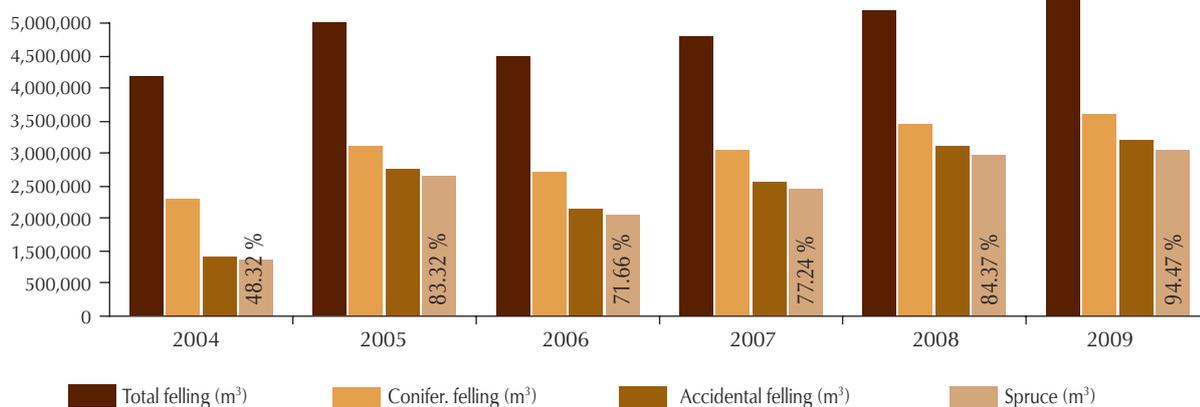


## FOREST PROTECTION

The efficiency of measures adopted during the previous years in the field of forest protection partially determines the increase in protection for the coming periods. Timing, complexity and optimal use of generally proven rules in elimination of forest pests are the basic preconditions for successful handling of the problems regarding the removal of windthrown timber.

The development in processing of accidental felling within the state enterprise LESY SR follows the general trend in the SR. Increasing volume of spruce damages (as illustrated below) has negatively resulted in the increase of total felling, which has been slightly over the balanced level since 2005.

**Total felling and accidental felling in LESY SR, š. p.**



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Development trends of individual pests can be seen from the annual summaries. The most important observation is that the volume of bark beetle damaged wood has exceeded the spontaneous calamity and dominated in the total volume of processed calamity during the last 2 years, even if the share of spontaneous calamity is the biggest during the years 2002-2009. Thus the well known fact can be proved, that any hesitation in processing spontaneous calamity, regardless the reason of its origin, is followed by the gradation of bark pests in such an extent that cannot be handled by common practices.

**Pests trapping in the years 2002 - 2009**

Year	2002		2003		2004		2005		2006		2007		2008		2009	
	IT	PC	IT	PC	IT	PC	IT	PC	IT	PC	IT	PC	IT	PC	IT	PC
mil. pcs	154	140	68	82	99	101	219	291	303	336	202	282	452	279	351	234
Ø per trap (thousand)	21		10		12		30		36		21		34		26	

## NATURE AND LANDSCAPE PROTECTION

In Slovakia, nature and landscape protection is mainly determined by protected areas. The category of protected areas in Slovakia includes:

### 1. Protected areas integrated in the national network

#### a) large-scale protected areas (national parks, protected landscape areas)

Overview of national parks and their area within LESY, š. p. B. Bystrica	
Name of NP	Area in ha
NP Malá Fatra	2,718
NP Muránska planina	15,050
NP Nízke Tatry	39,955
NP Poloniny	1,246
NP Slovenský kras	10,667
NP Slovenský raj	10,927
NP Veľká Fatra	24,815
TANAP	1
<b>Total LESY SR, š. p.</b>	<b>161,853</b>

Overview of protected landscape areas and their area within LESY, š. p. B. Bystrica	
Name of PLA	Area in ha
CHKO Biele Karpaty	16,405
CHKO Cerová vrchovina	6,220
CHKO Dunajské luhy	4,113
CHKO Horná Orava	18,261
CHKO Kysuce	20,010
CHKO Latorica	1,373
CHKO Malé Karpaty	42,486
CHKO Poľana	14,948
CHKO Pontrie	26,025
CHKO Strážovské vrchy	8,777
CHKO Štiavnické vrchy	27,955
CHKO Vihorlat	7,491
CHKO Východné Karpaty	7,963
CHKO Záhorie	9,692
<b>Total LESY SR, š. p.</b>	<b>211,720</b>

#### b) small-scale protected areas (national nature reserves, nature reserves, national nature monuments, nature monuments, protected sites)

Category	Number	Area in ha
National nature reserves	141	21,186
Nature reserves	188	6,061
National nature monuments	16	55
Nature monuments	78	684
Protected sites	35	521
<b>Total LESY SR, š. p.</b>	<b>458</b>	<b>28,507</b>

### 2. Protected areas integrated into the Network of protected sites (Natura 2000)

Independently from the national network of protected areas, the Slovak Republic as a EU member state develops a coherent European ecological network of protected areas NATURA 2000.

#### a) protected bird habitats

The national list of the proposed protected bird habitats (PBH) was adopted by the decision of the Slovak Government No. 636/2003 on July 9, 2003. There are 31 out of 38 nationally proposed PBH on the territory of LESY SR, š. p.

with the area of 386,197 ha (approximately 40 % of the total forest land of the enterprise). There is an overlap of 55.2 % of PBH with the existing network of protected areas. As of 31. 12. 2009 this regulation listed 26 PBH, out of which 21 is placed on the forest land of LESY SR, š. p. B. Bystrica with the area of 180,849 ha. There is 10 additionally proposed PBH in the national list which shall be proclaimed, covering the forest area of 205,348 ha.

In 2009, as a result of the pressure of the EK, which was strongly supported by the Slovak non-government organisations, SR obliged to pronounce additional 5 PBH with the area of 140,879 ha. So far, these have not been approved by the Slovak Government and thus they are not a part of the national list.

#### b) sites of Community importance

The national list of the proposed habitats of European interests was adopted by the decision of the Slovak Government No. 239/2004 on March 17, 2004. **By the Commission Decision 2008/26/EC of November 13, 2007 on the list of sites of Community importance for the Pannonian biogeographical region and the Commission Decision 2008/218/EC of January 25, 2008 the first updated list of sites of Community importance for the Alpine biogeographical region was adopted.** These Decisions list 381 SCI on the territory of the Slovak Republic with the total area of 573,690 ha. These should be proclaimed as protected areas within the national network of the SR. However, this obligation does not relate to 170 SCI, which are 100 % overlapped with the existing protected areas. In term of the area, there is overall 88 % overlap of SCI with the national network of protected areas.

There are 240 proposed SCI with the area of 228,907 ha in the forest land of LSR, š. p. B. Bystrica. None of those, which are placed off the national network of protected areas have not been assigned to this network so far.

**3. Apart from the national and European network of protected areas there are other protected sites** such as biospheric reservations, Ramsar localities and localities listed as UNESCO World Heritage sites.

#### a) biospheric reservations

There are 4 biospheric reservations in the forest land in the SR (Poľana, Slovenský kras, Tatry, Východné Karpaty) with the total area of 35,440 ha.

#### b) Ramsar localities

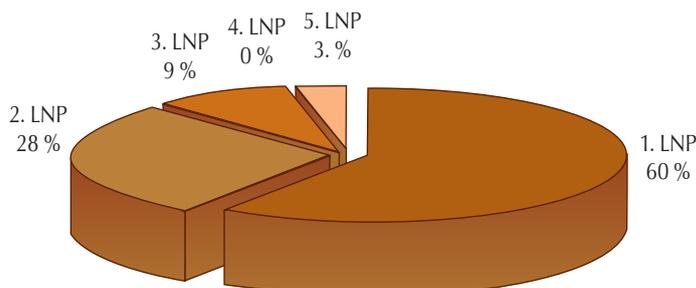
There are 12 Ramsar localities in the forest land of the LSR, š. p. B. Bystrica (Alúvium Moravy, Alúvium Rudavy, Alúvium Tisy, Domica, Dunajské luhy, Caves of Demänovská dolina, Latorica, Mokrade Oravskej kotliny, Mokrade Turca, Poiplie, Rieka Orava and its inflows, Šúr) with the total area of 7,519 ha.

#### c.) World Heritage UNESCO

Primeval beech forests of the Carpathian listed as UNESCO World Heritage are placed on the forest land of LSR, š. p. B. Bystrica

Apart from the protected birds habitats, there are limited human activities in all protected areas of the national and European network by the 2nd to 5th level of nature protection. In the 2nd to 4th level of nature protection, the forest manager can use chemicals, build forest roads and hunt in a limited extent; in the 4th level of nature protection clear cuts are limited. The 5th level of nature protection prohibits any forest management activities.

Levels of nature protection in LESY SR, š. p.



## TIMBER TRADE

Timber sales significantly influence revenues of the state enterprise. In 2009, the total timber deliveries were 4,960,042 m<sup>3</sup>. Out of the total deliveries some 4,771,160 m<sup>3</sup> represented direct deliveries, 7,290 m<sup>3</sup> own consumption, and 181,592 m<sup>3</sup> internal deliveries. A significant part of internal deliveries were represented by deliveries for the Enterprise Biomass (103,426 m<sup>3</sup>) and Enterprise of Wood Processing (78,166 m<sup>3</sup>).

Timber sale revenues were 172,555,481 € and thus fulfilled to 111.82 %. In 2009 the average price of timber was 36.17 €/m<sup>3</sup> (fulfilled to 95.31 %). Total timber deliveries increased by 316,703 m<sup>3</sup> and timber sale revenues decreased by 29 358 526 € compared to 2008. The average timber price decreased by 9.32 €/m<sup>3</sup> compared to 2008.

Unfavourable results in the development of the average timber price in this period were caused by several factors:

1. Even in the beginning of 2009, timber prices were decreasing due to the ongoing economic crisis. Drop in prices of wood products of big producers in wood processing and pulp and paper industry directly affected price development, which was extraordinary unfavourable in the state enterprise.
2. A decreasing yield of higher quality and thus of more expensive assortments of the III. quality class of coniferous and non-coniferous logs. The primary objective of buyers was to reduce input cost and therefore they were not willing to accept higher price for higher quality.

### Comparison of yield of logs

Coniferous logs	year	m <sup>3</sup>	%
Plan 2009	2009	1,616,890	65.19
Reality 2009	2009	1,785,505	55.90
Reality 2008	2008	1,817,263	66.42
Non-coniferous logs	rok	m <sup>3</sup>	%
Plan 2009	2009	670,991	38.07
Reality 2009	2009	644,739	36.50
Reality 2008	2008	702,595	40.02

3. Impossibility to meet the economic objective in selling non-coniferous, mainly beech logs for the year 2009. The sale of non-coniferous sawlogs was planned to 649,073 m<sup>3</sup>, the real volume sold was 614,022 m<sup>3</sup>, i.e. fulfilment to 94.60 %. The sale of these assortments was lower by 35,051 m<sup>3</sup> compared to the plan and by 54,906 m<sup>3</sup> compared to the year 2008.

The problems with the sale of classical beech logs is not the problem of LESY SR only, but also of other timber producers as there are no companies (previously BUČINA, A.N.B., BEKY, BUKÓZA,...) able to process the whole available volume of non-coniferous timber.

This situation must be solved in cooperation with a number of sectors because even the timber export cannot provide satisfactory solutions (no interest in Austria, Germany and limited interest in Poland) and cannot serve as a long-term strategy of timber sale. A share of export in the total deliveries was 271,034 m<sup>3</sup> (5.46%). This includes also timber sold at public timber auctions.

The plan for 2010 expects 4,471,236 m<sup>3</sup> of timber to be delivered. The average price should reach 39.44 €/m<sup>3</sup> for coniferous and 39.34 €/m<sup>3</sup> for non-coniferous timber.

Due to ongoing problems with placing wood products at the European and world markets as well as ongoing economic crisis a complicated development in timber sale can be also expected in 2010.

Sales, revenues and average coniferous timber prices in 2009

Assortment	Own consumption m <sup>3</sup>				Internal deliveries					Direct deliveries m <sup>3</sup>					Revenues €				Average price €/m <sup>3</sup>				
	plan- m <sup>3</sup>	rea- lity. m <sup>3</sup>	previo. year m <sup>3</sup>	2009- 2008	plan m <sup>3</sup>	reality m <sup>3</sup>	previo. year m <sup>3</sup>	real reven.	real reven. prev. year	plan m <sup>3</sup>	reality m <sup>3</sup>	differ +- m <sup>3</sup>	previo. year m <sup>3</sup>	2009- 2008	plan	reality	real prev. year	2009 - 2008	plan	reality	differ +- €/m <sup>3</sup>	real prev. year	
Venner logs I. and II. class	dom.			0						763	232	-531	1,355	-1,123	79,046	25,308	151,433	-126,125	103,60	109,09	5,49	111,76	
	exp.			0						137	29	-108	596	-567	11,698	2,870	70,584	-67,714	85,39	98,97	13,58	118,43	
Sawlogs III. class	dom.	487	317	394	-77	53,276	52,038	65,147	2,462,177	3,608,478	1,532,689	1,628,743	96,054	1,711,721	-82,978	69,630,202	73,506,610	91,847,295	-18,340,685	45,43	45,13	-0,30	53,66
	exp.			0							29,538	103,937	74,399	38,050	65,887	1,417,359	5,219,241	1,833,848	3,385,393	47,98	50,22	2,23	48,20
Poles	dom.			0							209	209		209		16,610		16,610	0,00	79,47	79,47	0,00	
	exp.			0								0		0				0	0,00	0,00	0,00	0,00	
Mining wood IV. class	dom.			0						2,771	1,541	-1,230	1,863	-322	100,627	52,440	76,746	-24,306	36,31	34,03	-2,28	41,19	
	exp.			0						3,000	2,943	-57	2,419	524	79,710	82,842	84,123	-1,281	26,57	28,15	1,58	34,78	
Thin poles IV. class	dom.	20	25	120	-95		3	51	90	1,258	1,725	1,840	115	6,589	-4,749	45,672	51,944	203,528	-151,584	26,48	28,23	1,75	30,89
	exp.			0									0	5	-5		182	-182	0,00	0,00	0,00	36,40	
Pulpwood and ungraded timber	dom.	48	79	200	-121	11,394	12,625	20,520	292,598	544,796	613,638	811,911	198,273	614,844	197,067	13,060,652	17,850,374	15,122,294	2,728,080	21,28	21,99	0,70	24,60
	exp.			0							10,861	92,749	81,888	23,319	69,430	278,736	2,475,354	665,038	1,810,316	25,66	26,69	1,02	28,52
Fuel wood	dom.	3,464	2,796	3,362	-566	800	12,633	1,468	138,455	23,686	66,839	88,728	21,889	73,727	15,001	1,048,163	1,426,565	1,209,221	217,344	15,68	16,08	0,40	16,40
House bote	dom.			0								1,487	1,487	3,151	-1,664		21,460	51,948	-30,488	0,00	14,43	14,43	16,49
Export fuel wood	exp.			0								2,741	2,741	290	2,451		30,533	2,483	28,050	0,00	11,14	11,14	8,56
Raw trunks	dom.		68	136	-68			2,700		142,000	18,851	86,233	67,382	231,702	-145,469	771,539	3,480,564	10,492,466	-7,011,902	40,93	40,36	-0,57	45,28
	exp.			0								26,871	26,871	10,144	16,727		1,111,118	526,865	584,253	0,00	41,35	41,35	51,94
Stumpage	dom.			0						68,555	180,331	111,776	11,890	168,441	809,604	2,036,215	214,606	1,821,609	11,81	11,29	-0,52	18,05	
Chipwood	dom.			0									0	3	-3		135	-135	0,00	0,00	0,00	45,00	
	exp.			0									0	0				0	0,00	0,00	0,00	0,00	
Chips	dom.			0									0	0				0	0,00	0,00	0,00	0,00	
Energy wood	dom.		130		130	61,501	70,522	61,802	755,431	663,486		12,104	12,104	8	12,096		127,874	84	127,790	0,00	10,56	10,56	10,50
Internal deliveries for sawmills	dom.			0	64,670	63,015	84,679	2,722,179	4,199,781				0	0				0	0,00	0,00	0,00	0,00	
CONIFEROUS TIMBER	dom.	4,019	3,415	4,212	-797	126,971	147,821	151,688	3,648,751	4,983,704	2,305,831	2,813,359	507,528	2,656,853	156,506	85,545,505	98,595,964	119,369,756	-20,773,792	37,10	35,05	-2,05	44,93
TOTAL	exp.	0	0	0	0	0	0	0	0	0	43,536	229,270	185,734	74,823	154,447	1,787,503	8,921,958	3,183,123	5,738,835	41,06	38,91	-2,14	42,54
TOTAL CONIFEROUS DOMEST+EXPORT		4,019	3,415	4,212	-797	126,971	147,821	151,688	3,648,751	4,983,704	2,349,367	3,042,629	693,262	2,731,676	310,953	87,333,008	107,517,922	122,552,879	-15,034,957	37,17	35,34	-1,84	44,86

Sales, revenues and average non-coniferous timber prices in 2009

Assortment	Own consumption				Internal deliveries					Direct deliveries m <sup>3</sup>					Revenues€				Average price €/m <sup>3</sup>				
	plan m <sup>3</sup>	reality m <sup>3</sup>	previo. year m <sup>3</sup>	2009-2008	plan m <sup>3</sup>	reality m <sup>3</sup>	previo. year m <sup>3</sup>	real reven. €	real reven. prev. year €	plan m <sup>3</sup>	reality m <sup>3</sup>	differ + -	previo. year m <sup>3</sup>	2009-2008	plan €	reality €	real prev. year €	2009-2008	plan €/m <sup>3</sup>	reality €/m <sup>3</sup>	differ + -	real prev. year €/m <sup>3</sup>	
Venner logs I. and II. class	dom.			0						5,653	4,029	-1,624	6,363	-2,334	1,047,651	589,505	1,026,987	-437,482	185,33	146,32	-39,01	161,40	
	exp.			0						940	3,462	2,522	5,034	-1,572	159,441	594,572	1,104,488	-509,916	169,62	171,74	2,12	219,41	
Sawlogs III. class	dom.	1,275	239	353	-114		46	100	2,306	5,105	649,073	614,022	-35,051	668,928	-54,906	31,590,735	28,004,098	38,911,538	-10,907,440	48,67	45,61	-3,06	58,17
	exp.			0							13,572	22,941	9,369	21,817	1,124	799,056	1,354,452	1,697,327	-342,875	58,88	59,04	0,17	77,80
Mining wood IV. class	dom.			0						400	275	-125	219	56	23,236	15,958	13,688	2,270	58,09	58,03	-0,06	62,50	
	exp.			0								0	0	0				0	0,00	0,00	0,00	0,00	
Thin poles IV. class	dom.	50	147	191	-44					100	24	-76	11	13	3,388	850	627	223	33,88	35,42	1,54	57,00	
	exp.			0								0	0	0				0	0,00	0,00	0,00	0,00	
Pulpwood and ungraded timber	dom.	67		866	-866		11	29	389	1,219	946,326	942,602	-3,724	920,112	22,490	30,050,993	30,119,713	33,897,844	-3,778,131	31,76	31,95	0,20	36,84
	exp.			0							6,872	15,096	8,224		15,096	238,523	570,565		570,565	34,71	37,80	3,09	0,00
Fuel wood	dom.	6,060	202	4,098	-3,896	500	810	270	19,671	9,825	88,452	93,421	4,969	74,680	18,741	3,010,021	3,239,496	2,482,151	757,345	34,03	34,68	0,65	33,24
House bote	dom.				0							5,740	5,740	5,124	616		215,167	165,472	49,695	0,00	37,49	37,49	32,29
Export fuel wood	exp.				0							108	108		108		3,373		3,373	0,00	31,23	31,23	0,00
Raw trunks	dom.		43	77	-34			1,655		38,708		1,967	1,967	11	1,956		71,539	543	70,996	0,00	36,37	36,37	49,36
	exp.											157	157		157		3,913		3,913		24,92		
Chips	dom.				0							0	0	0				0	0,00	0,00	0,00	0,00	
	exp.				0							0	0	0				0	0,00	0,00	0,00	0,00	
Stumpage	dom.				0						6,000	23,412	17,412	4,544	18,868	54,480	226,343	60,093	166,250	9,08	9,67	0,59	13,22
Energy wood	dom.		3,244		3,244	37,105	32,904	41,257	619,455	809,129		1,275	1,275	24	1,251		28,015	370	27,645	0,00	21,97	21,97	15,42
Internal deliveries for sawmills	dom.				0		49	75	2,205	3,950			0	0				0	0,00	0,00	0,00	0,00	
NON-CONIFEROUS TIMBER	dom.	7,452	3,875	5,585	-1,710	37,605	33,771	43,311	641,821	863,986	1,696,004	1,686,767	-9,237	1,680,016	6,751	65,780,504	62,510,684	76,559,313	-14,048,629	38,79	37,06	-1,73	45,57
TOTAL	exp.	0	0	0	0	0	0	0	0	0	21,384	41,764	20,380	26,851	14,913	1,197,020	2,526,875	2,801,815	-274,940	55,98	60,50	4,53	104,35
TOTAL NON-CONIFEROUS DOMEST+EXPORT	dom.	7,452	3,875	5,585	-1,710	37,605	33,771	43,311	641,821	863,986	1,717,388	1,728,531	11,143	1,706,867	21,664	66,977,524	65,037,559	79,361,128	-14,323,569	39,00	37,63	-1,37	46,50
TOTAL TIMBER	exp.	0	0	0	0	0	0	0	0	0	64,920	271,034	206,114	101,674	169,360	2,984,523	11,448,833	5,984,938	5,463,895	45,97	42,24	-3,73	58,86
TOTAL		11,471	7,290	9,797	-2,507	164,576	181,592	194,999	4,290,572	5,847,690	4,066,755	4,771,160	704,405	4,438,543	332,617	154,310,532	172,555,481	201,914,007	-29,358,526	37,94	36,17	-1,78	45,49



## FOREST TECHNIQUE

During 2009, the activities of the specialised Enterprise of Forest Technique (OZ LT) were influenced by the necessary rationalisation and transformation measures and organisational changes within the enterprise following the business objectives approved by the top management of the state enterprise and by the Supervisory Board of the state enterprise.

During 2009, the number of employees decreased by 90, out of which 79 workers and 11 technical and managerial staff. As of January 1, 2010 the organisational structure is as follows: 3199 Central office OZ LT, 3131 Regional office (RO LT) Banská Bystrica, 3133 RO LT Bánovce nad Bebravou, 3135 RO LT Vranou nad Topľou, 3137 Centre of mechanical engineering. OZ LT employs 52 technical and managerial staff and 317 workers.

In 2009, the main activities of the enterprise were: harvesting, timber extracting and manipulation (186,099 m<sup>3</sup>), timber transport (1,648,426 m<sup>3</sup>), maintenance of forest roads and extracting roads (1,011,528 €), and maintenance (963,967 €). The planned loss was -1,602,120 €, however reality was -1,914,416 € (decrease by 308 295 €). There was 331,401 € paid as compensations relating to the reduction of employees by 90 people, however these amount had not been planned in the labour costs.

The maintenance activities were repressed in the facility in Krásno nad Kysucou and closed down in the maintenance centre in Zvolen during the last year. An unevenly scheduled 7-days working week was implemented for the harvester technologies and multi-purpose cable crane Mounty. Almost all crews in timber transport work in number 1 plus 0. There is a planned increase in forest cables and harvester technologies use in 210 by processing 40,000 m<sup>3</sup> more than in the year 2009.

The objective of all rationalisation and organisational measures undertaken in 2009 was to prepare a basis for the equal and even positive economic intentions in 2010 (+6,679 €). The additional objective was to reach a comparable average price to the external environment for 1 m<sup>3</sup> of timber in harvesting, extracting, manipulation – complex operations at road site and transport of timber. This objective has been met.

In the end, we would like to express our confidence that the state enterprise LESY SR, even in this difficult economic time, have the intention to lead in the area of modern technologies used in harvesting, extraction, manipulation and transport of timber, and maintenance operations at the appropriate rate and with the use of internal, highly qualified employees and with the positive economic result.

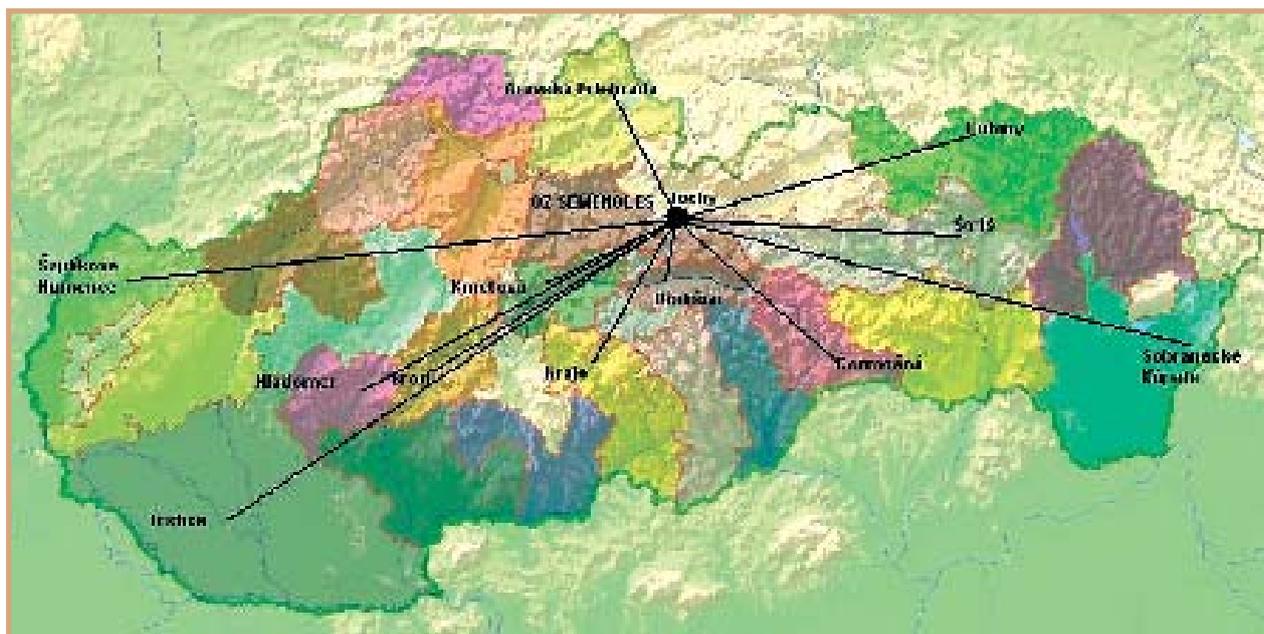


## FOREST NURSERY

In 2008 Forest enterprise Semenoles managed 195 ha of production areas in 13 nursery centres (Jochy, Šajdíkove Humence, Trstice, Hladomer, Oravská Priehrada, Drakšiar, Kmeťová, Brod, Kraje, Čeremošná, Šariš, Dubiny, Sobranecské Kúpele). A decrease in the production area by 43 ha was caused by the replacement of this area at Šajdíkove Humence by forest land.

These nursery centres set up the production of 83.101 mil. forest plants, which is approximately by 2.8 mil. pcs more comparing to the previous year. Out of this number the coniferous plants represented 50.330 mil. pcs, broadleaved 29.699 mil. pcs and container plants represented 3.072 mil. pcs.

Sale of plants accounted for 23.044 mil. pcs, out of which the state enterprise consumed 16.500 mil. pcs (72%) and 6.544 mil. pcs (28%) was sold to other organisations. Beech was the most sold tree species (6.842 mil. pcs) followed by spruce (4.747 mil. pcs). A share of container plants on the total sale was 11.4%.



### Seed management

Forest enterprise Semenoles provides seed collection, processing and storage for the needs of the state enterprise LESY SR, š. p. as well as for non-state organisations and creates reserves for bypassing infertile periods. In 2009 there was 97,475 kg of seeds collected (out of which 11 tons of beech, 33 tons of oak, 25 tons of spruce and 42 tons of fir). A weak and spread crop of beech seed did not allow to collect sufficient amount for the optimal supplementation of stock.

As of 31.12.2009 there is a seed stock of 20,960 kg (spruce 362 kg, fir 907 kg, pine 317 kg, larch 610 kg, beech 13,791 kg, oak 4,879 kg, other species 94 kg).

### Tree breeding and gene pool maintenance

Due to financial reasons, only limited treatment operations were carried in seed orchards compared to the previous year. There were 13.55 ha of seed orchards shaped and 1,642 plants engrafted to supplement or establish new seed orchards at Jochy and Šariš centres. OZ Semenoles prepared 5 thousand spruce plants regenerated from slices collected in the emission area of Forest enterprise Košice. These plants were also planted at this forest enterprise.

As of 31.12.2009 Semenoles managed 114 ha of seed orchards. The perspective seed collection orchards were cultivated by mowing, mulching and forming. In 2009 there was 4,504 kg of seed material collected from seed orchards.

## WOOD PROCESSING

The production plan for 2009 was elaborated for wood processing centres in P. Bystrica, Kláštor, L. Hrádok, Ružomberok, Michalová and Závadka. As compared to 2008, the number of wood processing centres decreased from 7 to 6 due to close down the mill in Zákamenné (damaged by fire). The economy of wood processing was negatively affected by the economic crisis at the sawnwood and wood products market. This was reflected in the decrease or termination of sales to the key buyers and in the severe decrease in average price of sawnwood and revenues for sawnwood and wood products. In 2009 the production volume was 62,466 m<sup>3</sup> that corresponds to the annual decrease in production by 13,784 m<sup>3</sup>, i.e. by 18.08 %.

### Wood processing production

Wood processing production in 2009 divided according to the main types is showed in the following table:

Overview of wood processing production in 2009

Product	m <sup>3</sup>
Sawnwood	34,081
Residues	17,585
Sawdust	10,800
<b>TOTAL</b>	<b>62,466</b>

### Joinery production

Joinery production was realised at facilities in Kláštor pod Znievom, Závadka and Ružomberok. The revenues in 2009 were as follows:

Joinery production in 2009 in €

Site	Revenues
Kláštor pod Znievom	65,353
Ružomberok	4,022
Závadka nad Hronom	21,300
<b>Total</b>	<b>90,675</b>

**Total revenues in 2009 were 4,989.46 thousand €.**

### Sawnwood trade

In 2009, sawnwood market development in the EU caused a decrease in the price of central sawnwood to 119 €/m<sup>3</sup> (the average price was 148 €/m<sup>3</sup> in 2008) and a massive pressure from the Slovak wood processing companies to prices comparable to the EU prices. Due to the oversupply of sawnwood the average price of sawnwood and residual products (sawdust, residues) as well as production decreased. Thus the economy of the Enterprise of Wood processing is in unfavourable conditions.

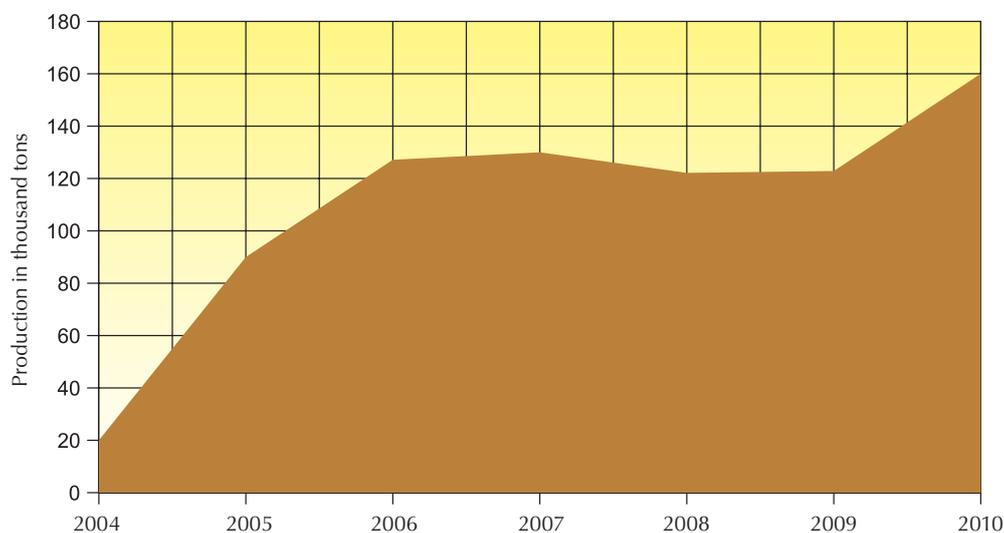
## FOREST BIOMASS

The year 2009 was the fifth year of the existence of a specialised production of forest biomass by a separated organisational unit - the Biomass enterprise. In 2009, there was 123,015 tons of energy wood chipped, thus creating revenues 5,679 thousand €.

The activities are aimed at processing of energy wood from thinning, regeneration felling, and mainly from windthrown harvests with the aim to use the production potential of forest land through the increase of average production per hectare and cutting cost for branches cleaning and protection of forest stands. The complex use of resources of the state forests creates new direct and indirect working opportunities at the rate - 1,000 tons/1 working opportunity.

The priority is to supply heat and power plants in domestic market; totally there are 30 buyers. Seasonal deliveries were improved by launching co-burning of forest chips and coal in EVO in the eastern Slovakia. Intentions for the increase in production to 160 thousand tons are based on the assumptions of supplying heat plant in Martin, mainly in the period off the main heating season. An increase in the proportion of energy production from sustainable sources - wooden biomass is a contribution to diversification of activities of LESY SR, š. p. and to the achievement of EU commitments.

Production of chips



## GAME MANAGEMENT

Game management connected to tourism is one of the main activities provided by the state enterprise LESY SR. Game management represents a separate production and economic cycle.

In 2009 the state enterprise managed 840 thousand ha of hunting grounds (19.2 % of the total hunting area in Slovakia). Hunting rights were performed in 81 acknowledged hunting grounds with the total area 324 thousand ha (annual decrease by 22 hunting grounds and 64 thousand ha of hunting area). Hunting rights were rented to 935 entities and organisations at the area of 570 thousand ha, which represents 68 % of hunting land administered by LESY SR, š. p.

Hunting plan for the hunting season 2009 was met to 82 % for red deer, 84 % for fallow deer, 70 % for mouflon, 62 % for roe deer and 92 % for wild boar. Overall fulfilment of the planned hoofed game hunting was 81 %. This is due to the fact that some tenancy contracts were terminated in some of the self-operated hunting in 2009 and consequently no further planned hunting was realised by LESY SR, š. p. As for rare species, four bear hunting licences were awarded to LESY SR, š. p. out of which three bears were shot within the regulatory shooting and 6 alpine chamois were shot out of 6 planned pieces.

Comparison of number of fee hunting of trophy game in 2008 and 2009

Species	2008	2009	Difference (2008 – 2009)
Red deer	117	94	-23
Fallow deer	120	95	-25
Mouflon	249	179	-70
Roe deer	337	268	-49
Wild boar	1,519	1,183	-336

There was a decrease in fee hunting for all main species recorded during the hunting season 2008 due to the reduction of area and number of self-operated hunting grounds. A number of fee-paying guests dropped from 3,330 in 2008 to 2,253 in 2009 (fall by 1,077).

There was 174 tons of venison produced in self-operated hunting grounds of the LESY SR, š. p. in 2008. There was 73 tons of venison supplied to the own processing facility at Forest enterprise Topoľčianky either from own production or from external sources. This represents an annual decline in supplies of venison by 37 tons.

### Basic economic indicators of LESY SR, š. p. under the operation „241 – game management“ in 2009:

Incomes.....	1,951,460 €	(annual decline by 811,535 €)
Total revenues.....	2,504,867 €	(annual decline by 1,379,983 €)
Direct cost .....	2,223,387 €	(annual decline by 1,541,699 €)
Profit from direct cost.....	281,480 €	(annual increase by 161,749 €)

**The original plan of revenues in hunting for 2009 was not met by 203,420 € and the planned profit was over fulfilled by 176,920 €.** The improvement of the planned profit was reached by the significant reduction in cost to game management in 2009.

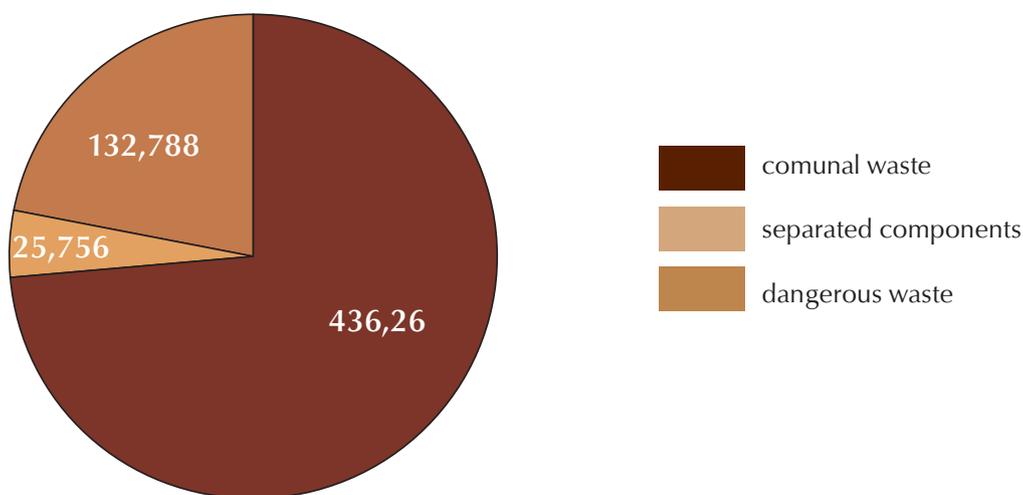
## ECOLOGY AND ENVIRONMENTAL POLICY

A part of the objectives of the environmental policy of the state enterprise is to support minimising waste production, its utilisation in a maximum extent and, only in limited cases, disposal of waste at legal facilities.

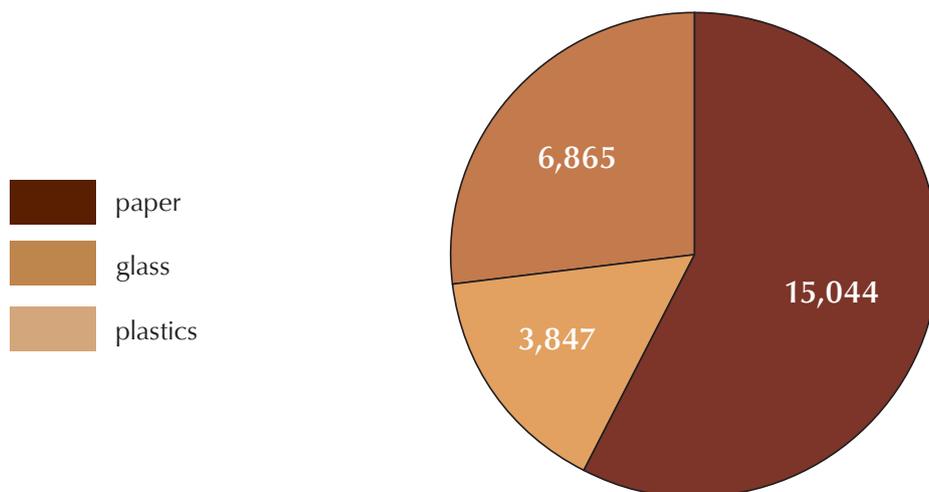
The correct and safe handling of dangerous substances including dangerous waste at technically eligible sites, objects and facilities of the enterprise is primary emphasised in relation to the protection of the environment.

It is a common practice for all organisational units of the state enterprise LESY SR Banská Bystrica that the usable components of municipal waste -paper, glass and plastics are fully separated. This definitely contributes to the higher level of overall utilisation of municipal waste in SR.

Waste production in tons



Categorisation of separated components



The trend of modernisation of manipulation lines and the use of ecological materials in timber manipulation at timber yards provide clear evidence of responsible approach of the state enterprise to the protection of the environment.

## INVESTMENT ACTIVITIES

### 1. Total investment (thousand €)

Year	2008		2009	
	Amount	%	Amount	%
Total investment	29,640.38	100.0	2,930.57	100.0
out of which tangible	28,906.36	97.5	2,786.59	95.1
intangible	734.02	2.5	143.98	4.9

### 2. Financial sources (thousand €)

Year	2008		2009	
	Amount	%	Amount	%
Total sources	29,640.38	100.0	2,930.57	100.0
out of which own	29,640.38	100.0	2,930.57	100.0
from state budget		0.0		0.0
other (Eur. funds)		0.0		0.0

### 3. Structure of procured tangible and intangible current property in 2009 (thousand €)

Indicator	Amount	%	%
Total investments	2,930.57	100.0	
out of which construction	2,492.71	85.1	100.0
out of which construction works	2,102.39		84.3
project works	183.54		7.4
other investments	206.78		8.3
machinery and current property	437.86	14.9	

In 2009 the accessibility of forest stands was the priority of the enterprise in the area of construction investments (1,230.76 thousand €, 49.4 %). There was 221.40 thousand € (3 projects) used for the construction and reconstruction of forest roads. There were 2 km of new forest roads built in order to increase the density of forest roads (1 project). The improvement of quality of forest roads (reconstruction) cost 967,55 thousand €.

The purchase of transport and mechanisation machines for timber manipulation and transport (114,85 thousand €, 26.3%), IT and office technologies (114.37 thousand €, 26.1 %) and software (96.94 thousand €, 22.1 %) was the priority in machinery and current property investments.

Depreciations as own source of financing renewal of investment property in 2009 were as follows:

Depreciations – reality in 2009: ..... 15,488.84 thousand €

Real volume of investments from own sources: ..... 2,930.57 thousand €

## PUBLIC RELATIONS

Realisation of public relations activities continued in the sense of the approved communication project of LESY SR – Forests for all for the period 2008-2010, which defines the basic objective to develop continuously, systematically and in a conception way relations of the public to forestry and forests with the emphasis on the work with young generation as its positive relation to the forest is a sign of healthy and functioning society.

### The most important tools of public relations in 2009

1. Forestry pedagogy as an important program of learning-by-experience aimed at children and youth,
  2. Special forestry sites linked to the Slovak forestry history and culture (there were 4 sites introduced in 2009)
  3. Forestry educational paths (there were 2 new paths opened in 2009)
  4. Forestry open museum in Vydrovská dolina near Čierny Balog as a unique open museum visited by 51,830 visitors
  5. Forestry and wood museum in Zvolen introducing and presenting the past and the present of forestry in Slovakia through its tangible evidence
  6. Enterprise magazine Lesník – for 10 years it has been creating space for presentation of activities of the enterprise and addressing not only professional public
  7. Issuing of own promotion and presentation materials – bilingual publication Special Forestry Sites in Slovakia I.
- forest information offices (workplaces of all organisational units as the first contact points, a map showing natural, historical and cultural monuments will be elaborated for each of 26 Forest enterprises – there were 5 maps printed in 2008),

### The most important events the public realised in 2009:

- Hunting days in Levice – XIV. year
- Forestry days 2009 – III. year of activities and events of foresters for the broad public connected with planting the Trees of knowledge and establishment of “mini arboretums” in kinder gardens, primary and secondary schools
- Day of tree – 8th year of the most visited event in the Forestry open museum
- Celebrations of the 60th anniversary of Forest enterprise Trenčín
- Wood studies 1999 – 2009 in the Forestry and wood museum; an open forum accompanied by the exposition and catalogue presentation in the occasion of the 10th anniversary of the Slovak competition in creation of wood objects
- Christmas tree as a present - Christmas trees for children in foster homes in Slovakia



**BALANCE SHEET**

<b>Assets</b>	<b>Line No.</b>	<b>Brutto</b>	<b>Correction</b>	<b>Netto</b>	<b>Previous Years</b>
<b>Total assets line 2+31+61</b>	<b>1</b>	<b>17,366,740,945</b>	<b>252,014,546</b>	<b>1,484,726,399</b>	<b>1,508,044,480</b>
<b>Non-current assets line 3+12+22</b>	<b>2</b>	<b>1,671,141,526</b>	<b>236,518,825</b>	<b>1,434,622,701</b>	<b>1,452,846,910</b>
<b>Long-term intangibles line 4 through 11</b>	<b>3</b>	<b>9,223,986</b>	<b>4,556,304</b>	<b>4,667,682</b>	<b>5,749,818</b>
Incorporation costs	4			0	
Capitalized costs of development	5	31,813	31,647	166	1,461
Software	6	6,390,090	3,673,211	2,716,879	3,510,622
Valuable rights	7	195,180	154,048	41,132	103,532
Goodwil	8			0	
Other long-term intangibles	9	2,588,408	697,398	1,891,010	2,046,007
Long-term intangibles, acquired	10	18,495		18,495	88,196
Advance for long-term intangibles, paid	11			0	
<b>Long-term tangibles, total (line13 through 21)</b>	<b>12</b>	<b>1,661,708,879</b>	<b>231,753,860</b>	<b>1,429,955,019</b>	<b>1,447,097,092</b>
Lands	13	1,187,973,816		1,187,973,816	1,192,291,410
Constructions	14	365,442,611	153,648,371	211,794,240	209,968,930
Separate tangibles and assemblies	15	103,707,506	77,135,227	26,572,279	34,498,174
Silvicultural units	16	35,810	23,581	12,229	15,236
Livestock and draught animals	17	285,605	215,107	70,498	73,159
Other long-term tangibles	18	406,567		406,567	408,551
Long-term tangibles, acquired	19	3,831,965	731,574	3,100,391	9,816,637
Advance for long-term tangibles, paid	20	24,999		24,999	24,995
Provisions for assets acquired	21			0	
<b>Long-term financial assets, total (line 23 through 30)</b>	<b>22</b>	<b>208,661</b>	<b>208,661</b>	<b>0</b>	<b>0</b>
Stock and ownership interests	23			0	
Stock and ownership interests	24	139,153	139,153	0	
Other long-term stock and ownership interests	25	69,508	69,508	0	
Borrowings in accounting entity	26			0	
Other long-term financial assets	27			0	
Loans payable within max. of 1 year	28			0	
Obstarávaný dlhodobý finančný majetok	29			0	
Long-term fin. assets, acquired	30			0	
<b>Current assets (line32+40+47+55)</b>	<b>31</b>	<b>64,893,403</b>	<b>15,495,721</b>	<b>49,397,682</b>	<b>54,324,271</b>
<b>Inventory, total (line 33 through 39)</b>	<b>32</b>	<b>17,914,606</b>	<b>748,583</b>	<b>17,166,023</b>	<b>21,056,131</b>
Material	33	860,922	2,516	858,406	1,039,467
Work-in-process and semiproducts	34	8,052,124	134,060	7,918,064	7,545,177
Custom-made production	35			0	
Produce	36	8,140,972	341,883	7,799,089	11,884,187
Livestock	37	745,864	270,124	475,740	474,076
Merchandise	38	16,232		16,232	17,128
Advance for inventory, paid	39	98,492		98,492	96,096
<b>Long-term receivables, total (line 41 through 46)</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,350</b>
Trade receivables	41			0	



Receivables from control. person	42			0	
Other receivables under consolidation	43			0	
Receivables from company members	44			0	
Other receivables	45			0	75,350
Deferred tax assets	46			0	
<b>Short-term receivables, total line 48 through 54</b>	<b>47</b>	<b>39,195,043</b>	<b>14,747,138</b>	<b>24,447,905</b>	<b>32,160,028</b>
Trade receivables	48	36,877,246	14,747,138	22,130,108	26,337,748
Receivables from control. person	49			0	
Other receivables under consolidation	50			0	
Receivables from company members	51			0	
Social security	52			0	
Tax assets	53	2,104,279		2,104,279	5,446,658
Other receivables	54	213,518		213,518	375,622
<b>Financial accounts, total (l.56 thr 60)</b>	<b>55</b>	<b>7,783,754</b>	<b>0</b>	<b>7,783,754</b>	<b>1,032,762</b>
Cash	56	122,374		122,374	101,739
Accounts with banks	57	7,661,380		7,661,380	931,023
Accounts with banks blocked for over 1 year	58			0	
Short-term fin. assets	59			0	
Short-term fin. assets, acquired	60			0	
<b>Accruals and deferrals (l.062 thr 065)</b>	<b>61</b>	<b>706,016</b>	<b>0</b>	<b>706,016</b>	<b>873,299</b>
Accrued costs, long-term	62			0	
Accrued costs, short-term	63	650,290		65,290	810,131
Deferred income, long-term	64			0	
Deferred income, short-term	65	55,726		55,726	63,168
<b>Check number</b>		<b>22,576,202,035</b>		<b>5,937,558,851</b>	<b>6,031,241,453</b>

Liabilities	Line No.			Netto	Previous Years
<b>Stockholder´s equity and liabilities, total l.67+88+119</b>	<b>66</b>	<b>1,484,726,399</b>			<b>1,508,044,480</b>
<b>Stockholder´s equity line 68+73+80+84+87</b>	<b>67</b>	<b>1,415,563,285</b>			<b>1,426,260,041</b>
<b>Registered capital line 69 through 72</b>	<b>68</b>	<b>1,410,740,181</b>			<b>1,415,910,542</b>
Registered capital	69	1,438,221,470			1,438,221,470
Equity shares and interests	70				
Change in registered capital	71	-27,481,289			-22,310,928
Receivables from equity subscriptions	72				
<b>Capital funds line 74 through 79)</b>	<b>73</b>	<b>353,161</b>			<b>353,150</b>
Capital surplus	74				
Other capital funds	75	353,161			353,150
Statutory reserve fund	76				
Gains or losses from revaluation	77				
Gains or losses from investments	78				
Gains or losses from revaluation	79				
<b>Funds from profit, total line 81 through 83</b>	<b>80</b>	<b>2,311,261</b>			<b>2,079,732</b>
Statutory reserve fund	81	1,092,080			726,947



Indivisible fund	82			
State and other funds	83	1,219,181		1,352,785
<b>Business results from previous years line 85+86</b>	<b>84</b>	<b>1,836,605</b>		<b>654,518</b>
Retained earnings from previous years	85	3,004,686		2,945,662
Accumulated loss from previous years	86	-1,168,081		-2,291,144
Business results for accounting period	87	322,077		7,262,099
<b>Liabilities line 89+94+105+115+116</b>	<b>88</b>	<b>39,365,481</b>		<b>63,156,941</b>
<b>Reserves, total line 90 through 93</b>	<b>89</b>	<b>13,944,455</b>		<b>14,508,962</b>
Long-term statutory reserves	90			
Short-term statutory reserves	91	9,662,894		9,822,493
Other long-term reserves	92	2,668,954		2,661,750
Other short-term reserves	93	1,612,607		2,024,719
<b>Long-term liabilities line 95 through 104</b>	<b>94</b>	<b>7,469,504</b>		<b>7,012,215</b>
Long-term trade payables	95			
Long-term non-invoiced deliveries	96			
Long-term payables to the control. person	97			
Other long-term payables under consolidation	98			
Long-term advance received	99			
Long-term notes payable	100			
Bonds issued	101			
Payables to social security fund	102	570,755		634,469
Other long-term liabilities	103			
Deferred tax liability	104	6,898,749		6,377,746
<b>Short-term liabilities, total l.106 thr 114</b>	<b>105</b>	<b>17,951,882</b>		<b>19,423,754</b>
Trade payables	106	11,066,757		17,311,425
Non-invoiced deliveries	107	480,829		67,616
Payables to the control. person	108			
Other payables under consolidation	109			
Payables to company members	110			-6,638,783
Payables to employees	111	3,111,849		4,504,846
Payables to social security	112	1,612,400		1,881,631
Tax liability and subsidies	113	1,450,679		1,937,728
Tax liability and subsidies	114	229,368		359,291
<b>Bank credits and loans</b>	<b>115</b>	<b>0</b>		
<b>Bank credits, long-term</b>	<b>116</b>			<b>22,212,010</b>
Current bank credits	117			22,212,010
Short-term loans	118			
<b>Accruals and deferrals, total (l.120 thr 123)</b>	<b>119</b>	<b>29,797,273</b>		<b>18,627,498</b>
Accrued expenses, long-term	120			
Accrued expenses, short-term	121	29,125		20,149
Deferred revenues, long-term	122	29,768,148		18,607,349
Deferred revenues, short-term	123			
<b>Check number</b>	<b>999</b>	<b>5,908,785,887</b>		<b>6,006,288,323</b>



## PROFIT AND LOSS ACCOUNT

Text	Line No.	Current accounting period	Previous period in €
Revenues from goods	1	74,267	210,383
Costs to acquire goods sold	2	39,970	144,028
<b>Margin line01- line 02</b>	<b>3</b>	<b>34,297</b>	<b>66,355</b>
<b>Production</b>	<b>4</b>	<b>193,523,452</b>	<b>230,833,865</b>
Revenues from own produce and services sold	5	195,658,787	227,227,146
Change in in-house inventories	6	-3,710,762	78,205
Capitalization (accounting class)	7	1,575,427	3,528,514
<b>Consumption of production lines 9+10</b>	<b>8</b>	<b>116,306,123</b>	<b>158,124,511</b>
Consumption of material, utilities and other unstored supplies	9	15,487,403	25,946,558
Services (accounting class)	10	100,818,720	132,177,953
<b>Added value line 3+line4 – line 8</b>	<b>11</b>	<b>77,251,626</b>	<b>72,775,709</b>
Personnel expenses, total (line13 through 16)	12	55,191,661	67,840,635
Wages and salaries	13	38,051,632	47,081,557
Remuneration of board members	14	24,311	15,369
Social security expenses	15	13,735,877	17,025,227
Social security expenses	16	3,379,841	3,718,482
Taxes and fees	17	5,984,883	6,052,878
Write-offs of long-term intangibles and tangibles	18	15,795,788	15,065,093
Revenues from long-term assets and material sold	19	8,154,638	8,477,395
Net book value of long-term assets and material sold	20	2,531,115	3,904,236
Addition to and accounting for provisions for receivables +/-	21	4,443,986	1,202,585
Other revenues from economic activity	22	3,148,883	14,366,825
Other costs of economic activity	23	3,330,170	-8,145,193
Other costs of economic activity	24		
Transfer of costs of economic activity	25		
Business results of economic activity	26	1,277,544	9,699,695
Revenues from stock and ownership interests sold	27		
Stock and ownership interests sold	28		
Revenues from long-term financial assets line30+line 31+line 32	29	0	1,261



Revenues from stock and ownership interests in control. person	30		
Revenues from other long-term stock and ownership interests	31		1,261
Revenues from other long-term financial assets	32		
Revenues from short-term financial assets	33		
Costs of short-term financial assets	34		
Revenues from revaluation of stock derivatives	35		
Costs of revaluation of stock derivatives	36		
Addition to and accounting for provisions for financial assets +/-	37		
Interests received	38	2,130	42,521
Interests paid	39	226,105	332,338
Exchange-rate gains	40	-12,688	103,831
Exchange-rate losses	41	8,647	241,386
Other revenues from financial activities	42		697
Other cost of financial activities	43	51,262	97,723
Transfer of financial revenues	44		
Transfer of financial expenses	45		
Business results of financial activities	46	-296,572	-523,137
Business results of ordinary activities before tax line 26 +line 46	47	980,972	9,176,558
<b>Tax on income from ordinary activities line 49 + line 50</b>	<b>48</b>	<b>732,422</b>	<b>1,993,062</b>
- due	49		
- deferred	50	732,422	1,993,062
Business results of ordinary activities after tax line 47-line 48	51	248,550	7,183,496
Extraordinary revenues	52	99,526	82,321
Extraordinary expenses	53	26,003	3,718
Business results of extraordinary activities before tax line 52- line 53	54	73,523	78,603
Tax on income from extraordinary activities line 56 + line 57	55	0	0
- due	56		
- deferred	57		
Business results of extraordinary activities after tax line 54-line55	58	73,523	78,603
Business results for accounting period before tax line 47+line 54	59	1 054 495	9,255,161
Transfer of interests in business results to company members	60		
<b>Business results for accounting period after tax line 51+line 58-line 60</b>	<b>61</b>	<b>322,073</b>	<b>7,262,099</b>



## NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

### A. BASIC INFORMATION

#### 1. Commercial Name and Registered Office of the Company:

LESY Slovenskej republiky, š. p.

Námestie SNP č.8, 975 66 Banská Bystrica

LESY Slovenskej republiky, š. p. (hereinafter referred to as "Company") was founded on 1 July 1999 and incorporated in the Companies Register on 29 October 1999 (the Companies Register of District Court Banská Bystrica, Section: Pš, Entry No.: 155/S).

#### 2. Corporate Core Business as Entered in the Companies Register:

- Administration of forest property and other property owned by the Slovak Republic
- Establishment, regeneration, silviculture, tending and protection of forest growth in compliance with the forest management plan pursuing the public and community functions.
- Timber harvesting in forest growth in compliance with the provisions of state administration, skidding, handling and transportation.
- Sale of green timber and other commodities of forest production and sideline operations.

#### 3. Unlimited Liability

The Company is a company member with unlimited liability in no other accounting entities.

#### 4. Average Employees Count

In 2009, the Company had 3,702 employees, on an average, including 4 top officials.

#### 5. Legal Ground for Preparation of Financial Statements

Financial statements of the Company as of 31 December 2009 are drawn up as regular financial statements pursuant to Section 17(6) of Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting (hereinafter referred to as "Accounting Act") for the accounting period 1 January 2009 – 31 December 2009.

#### 6. Date of Authorization of Financial Statements for Previous Accounting Period

On February 24, 2009, the Supervisory Board authorised the Company's financial statements for the previous accounting period.

### B. COMPANY BODIES

#### 1. Company Bodies

Director General	Ing. Alojz Riško
1 <sup>st</sup> deputy director general	Ing. Ľubomír Veselý
2 <sup>nd</sup> deputy director general	Mgr. Peter Morong
3 <sup>rd</sup> deputy director general	Ing. Vladimír Rigász

#### Supervisory Board

Chairman	JUDr. Juraj Procházka
member	JUDr. Kamil Beresecký
member	Ing. Ján Beňa
member	Ing. Jozef Herud
member	Ing. Dušan Krajniak
member	Ing. Ján Malko
member	Doc. Ing. Ján Ilavský
member	JUDr. Milan Chovanec
member	Ing. František Suchanovský

#### 2. Information on the Company's Incorporator

The Company is a state-controlled undertaking founded upon a decision of the Ministry of Agriculture of the Slovak Republic.

## C. CONSOLIDATED ENTITY

The Company is not included in the consolidated financial statements.

## D. METHODS OF ACCOUNTING AND GENERAL ACCOUNTING POLICIES

### Basis of Preparation of Financial Statements

Preparation of the financial statements was effected on the assumption that the Company continues to exist. The accounting entity has consistently applied the methods of accounting and general accounting principles.

In respect of the changed structure of the profit and loss account effective from 1 January 2009, data for the previous accounting period (January 1, 2008 - December 31, 2008) shown in the profit and loss account were adjusted accordingly, without effect on the business results. The 2008 figures were translated into the Euro currency.

In 2009, there were no changes in the accounting principles and methods of accounting applied in the accounting entity except for the altered Accounting procedures for addition and disposal of reserves - addition to reserve is recognized under the relevant general cost account (in the previous accounting period the addition was recognised under a special addition-to-reserve account), and disposal of reserves is recognised following a balance sheet method (debit under the reserve account and credit under the liability account). In the previous period, the use (disposal) of reserve was recognised under a special result income accounting-for-reserves account. The use of reserves in 2007, added in 2006, followed the accounting procedures based on a new (balance sheet) method for accounting.

### Long-Term Intangibles and Long-Term Tangibles

The valuation of the long-term assets acquired against payment is made at the acquisition cost comprising the cost of acquisition and the acquisition by-costs (customs duty, transport, assembly operations, insurance, etc.). Since January 1, 2003 neither interests on third-party resources nor exchange-rate difference realized have been part of the acquisition cost.

The valuation of the long-term assets generated by own activities of the enterprise is made at the (total) costs incurred. (Total) costs incurred denote all direct costs expended on the manufacturing or other activities, and all indirect costs relating to the manufacturing or other activities.

The valuation of the long-term assets acquired without payment is made at reproduction acquisition cost denoting the price at which the assets would be acquired at the time of the accounting for those assets.

Costs of research are not capitalized but are recognized under the costs of the accounting period when they incurred. Costs of development are recognized under the period when they incurred; yet such costs of development which are incurred in relation to the following: product or process concerned is clearly defined, enjoys provable technical feasibility and marketability, the Company possesses sufficient resources to complete, sell or internally use the outcomes of such projects, are capitalized, amounting to such a sum which is likely to be recovered from the future economic benefits.

Capitalized costs of development write off for max. of 5 years, particularly under the accounting periods when sale of the product or use of the processes concerned are expected. Where the value of such costs is lowered, the write-off is effected at such a sum which is likely to be recovered from the future economic benefits.

Long-term intangibles write off according to the amortisation plan made upon the anticipated lifetime of the assets concerned. The amortisation begins on the first day of the month following the introduction of the assets to use. Low-value intangibles whose acquisition cost (or total costs incurred) amounts to Eur 2,400 or less (before February 28, 2009: Eur 1,600 and less) write off by a single application when put to use.

The anticipated lifetime, method of amortisation, amortisation rates are shown in the following table:

	Anticipated lifetime, in years	Method of amortization	Annual amortization rate, in %
Incorporation costs	5	R	20
Capitalized costs of development	5	R	20
Software	5	R	20

Long-term tangibles write off according to the depreciation plan made upon the anticipated lifetime and course of wear and tear of the assets concerned. Depreciation begins on the first day of the month following the introduction of the assets to use. Amortisation of the SAP software takes 7 years. Low-value tangibles whose acquisition cost (or total costs incurred) amounts to Eur 1,700 and less (before February 28, 2009: Eur 996 and less) write off by a single application when put to use. The anticipated lifetime, method of depreciation and depreciation rate are shown in the following table.

	Anticipated lifetime, in years	Method of depreciation	Annual depreciation rate, in %
Construction	6 - 30	even	1.4 - 18.3
Property, plant and equipment	4 - 12	even	4.3 - 28.6
Rolling stock	4 - 12	even	4.3 - 28.6
Low-value long-term tangibles	1 and over	even	100

In the event of temporary reduction of the utility value of long-term assets as ascertained at the inventory check, which appears substantially lower than the asset valuation disclosed in the accounting records after deduction for adjustments, a deferred provision is made to add to the amount of the utility value of the assets ascertained.

### Stock and Ownership Interests

The valuation of stock and ownership interests when acquired is made at acquisition costs, i.e. including the acquisition by-costs (before December 31, 2002: at the cost of acquisition, i.e. exclusive of the acquisition by-costs).

As at the date on which the financial statements are prepared the valuation of stock and ownership interests is made at acquisition costs reduced by deferred provisions made for contingent temporary reduction of the values of the interests.

### Inventories

The valuation of the inventories acquired against payment is made at acquisition costs comprising the costs of acquisition and the acquisition by-costs (customs duty, transport, insurance, commissions, etc.). Interests on the third-party resources are not part of the acquisition cost. The Company uses the A method when accounting for inventories, and the method of the weighted arithmetic mean of acquisition costs with respect to the receipt into stock. The valuation of the issue from stock is made at the costs used at the valuation of inventories in stock.

Acquisition on-costs are reversed under the expenses as follows:

Gains or losses from valuation = actual consumption x % gains or losses from valuation, while % gains or losses from valuation is determined as a ratio of the costs related to the acquisition of the material inventories to the total volume of the inventories acquired.

The valuation of inventories resulted from own activities of the enterprise is made at (total) costs incurred. (Total) costs incurred denote direct costs (direct material, direct wages and other direct costs) and part of the indirect costs immediately related to the inventories resulted from the own activities of the enterprise (manufacturing overheads – overheads of forest management authorities). Manufacturing overheads are included in the (total) costs incurred depending of the stage of the work-in-process concerned.

In case of temporary reduction in the inventory utility value, a deferred provision is made for such inventories, namely to amount to the difference between the accounting valuation and the net realization value thereof.

### Valuation of forest plants

The valuation of the forest plant inventories is made at (total) costs incurred according to the specific wood species and age. Optimal age of plants good for planting is 4 years. In respect of the plant inventories over 4 years, a risk of waste at the planting occurs, which is allowed for by making a deferred provision for the plants older than 4 years.

(Total) costs incurred denote the direct costs need to produce forest plants (direct material, direct wages and other direct costs) and a part of the indirect costs immediately related to the production of forest plants (manufacturing overheads – overheads of forest management authorities). (Total) costs incurred do not include the costs of the forest plant collection.

### **Accounts receivables**

The valuation of receivables at their origination is made at their nominal values; valuation of assigned receivables and receivables for equity subscriptions is made at the acquisition cost, i.e. including the acquisition by-costs (before December 31, 2002: at the cost of acquisition, i.e. exclusive of acquisition by-costs). A provision is made for doubtful and irrecoverable receivables pursuant to Directive on creation of deferred provisions and reserves.

Where the term of maturity takes more than one year, a provision is made for 100 % of the nominal value of such receivable.

### **Accrued Costs and Deferred Income**

Deferred costs and accrued income are disclosed at the amounts required to observe the policy of subject-matter and time relations to the accounting period.

### **Reserves**

Reserves are liabilities representing an existing obligation which originated from previous events and is likely to reduce the economic benefits in the future; the exact amount of such liability is not known. Reserves are created in order to cover a risk or losses on doing business. The valuation of reserves is made at estimated amounts required to discharge the existing obligation as at the date of the financial statements.

Addition to reserves for silviculture is based on the annual silvicultural project endorsed by the authorised forest manager pursuant to Act No. 326/2005 Coll. on forest management and state administration of forest management. In 2009, reserves were added differently from the previous period. The Forest Activities Division classified the company Branches by the volume of salvage felling timber processed in order to determine which Branches will have reserves added for silvicultural activities. The authorised forest managers of the branches calculated both the costs of silvicultural services for afforestation, weed prevention and safeguard against wild animals as per individual types of growth hit by disaster, and the area to be planted with trees. The above methodology is more accurate and more directed than the procedure followed in the previous years.

Reserves for retirement benefits and employee´s anniversaries are created pursuant Act No. 311/2001 as amended and under the obligation accepted in the collective agreement made in 2001 stipulating that all current employees shall be paid (1) retirement benefits and increased retirement benefits which are granted upon the first termination of employment after they have become eligible to receive old-age pension, early old-age pension or disability pension, or (2) a remuneration of merit for work done at the expiration of 25 years at work from the commencement of their first employment, at the 50th birthday and at the first termination of employment after the occurrence of entitlement to the old-age pension, early old-age pension or disability pension. The remuneration concerned to the staff employed as at 31 December 2009.

The wage-earning pensioners were under consideration for the retirement benefits at the time of their retirement only if they had attained the age of retirement after the date of commencement of their employment. Under the collective agreement they are entitled to retirement benefits amounting to the average monthly earnings at the termination of employment on considering the average earnings received at the time of termination of employment. The remunerations granted at the old-age retirement and at the life or work anniversaries did not concerned the employees who had satisfied the requirements for the occurrence of entitlement to a specific benefit by the end of 2009.

Reserves for retirement benefits and anniversaries is calculated by an actuary.

### **Liabilities**

The valuation of liabilities at their origination is made at nominal values. The valuation of liabilities at their assumption is made at acquisition costs. When the inventory checks finds that the amount of liabilities differs from the one disclosed in the accounting records, the liabilities are reported in the accounting records and in the financial statements at the valuation as recognized.

### **Deferred Tax on Income**

Deferred income tax refers to:

- a) temporary differences between the book value of assets and book value of liabilities disclosed in the balance sheet, on one hand, and their tax base, on the other hand,
- b) resources to redeem a tax loss in the future reading that a tax loss may be deducted from the tax basis in the future,



- c) option to defer the unused tax deductions and other tax benefits to the future years

Before December 31, 2002 deferred tax only referred to temporary differences between the book write-offs and tax write-offs.

Deferred tax liability and deferred tax assets were as at 1 January 2003 recalculated using new procedures of accounting. Such part of the deferred tax which resulted from the use of the new procedures was disclosed under 428 Retained Earnings From Previous Years Account or under 429 Accumulated Loss From Previous Years Account

### **Accrued Expenses and Deferred Revenues**

Accrued expenses and deferred revenues are reported at the amounts required to observe the policy of subject-matter and time relations to the accounting period.

### **Foreign Currency**

Assets and liabilities given in foreign currencies are converted into the Slovak currency using the conversion rate announced by the National Bank of Slovakia which is in force (1) on the date of the accounting transaction, and (2) on the date of the financial statements. The incurred exchange-rate differences are recorded with effect on the business results (before December 31, 2002: unrealized exchange-rate gains were recorded with no effect on the business results and unrealized exchange-rate losses were recorded under financial costs after addition to reserves under the exchange-rate losses).

### **Revenues**

Revenues from own outputs and merchandise do not include a value added tax. The revenues are also reduced by discounts and deductions (trade discounts, bonus, cash discounts, credit notes, etc.). Revenues are recorded as at the date of deliverables.

Revenues are divided by individual outputs (commodities). Substantial part of revenues is made up of revenues from timber put to sale as products. This also includes lumber, leases, and wood-chips. Timber sells by the quality classes for the hardwood and softwood mass.

Revenues from own outputs (timber logging) at the lands of unknown owners are recorded under the accruals and deferrals as deferred revenues. Unless the unknown owner asserts his/her rights, in a three-year-time, these items are recorded under revenues since the rights become statute-barred. Where the unknown owner asserts his/her rights and proves his/her title to the forest land, the Company must reverse the land concerned or make replacement, and also must make compensation for the removals.

### **Subsidies**

Revenues from the state budget subsidies designed for the acquisition of long-term assets and evaluation are recorded during the write-off time for so acquired long-term assets and so observing the subject-matter and time relations to the recording of write-offs under the operating costs.

**Revenues from the state budget designed for economic activity are recorded so as to observe the subject-matter and time relations to the recording of the costs expended on the specific purpose for which the subsidies for economic activity were granted.**

## **E. ASSET SIDE OF THE BALANCE SHEET**

### **Long-Term Intangibles and Long-Term Tangible**

The breakdown of movements of long-term intangibles and long-term tangibles from January 1, 2009 to December 31, 2009 is given in the enclosed table.

No security interests were created in the long-term tangibles for the benefit of creditors.

The property is insured against damage caused by theft, natural disaster (and other events), the policy value amounts to Eur 348,349.

The Company also keeps records and uses such real estate where the title has not been yet entered in the land

register. The total value of the unsettled real estate amounts to Eur 301,891,107.

The Company keeps no accounting records for forest growth. Their value as assessed by the expert institution of National Forest Institute Zvolen, which was set up upon Decree of the Government of the Czechoslovak Republic No. 2 of February 22, 1956, amounted as at December 31, 2009 to SKK Eur 2,800,759,649.

### Long-term Financial Assets

The breakdown of movements of long-term financial assets from January 1, 2009 to December 31, 2009 is shown in the balance sheet. The balance and movements in financial assets are given here at the acquisition costs.

In 2008, there was no change in the volume of financial investment.

### Inventories

The following table shows the development of a deferred provision during the accounting period.

	As of Dec.31, 2008 €	Creation (addition) €	Reduction (disposal) €	Write-back (reversal) €	As of Dec. 31, 2009 €
Material and merchandise	33	2,483			2,516
Work-in-process	134,137	134,060		134,137	134,060
Livestock	313,351	270,124		313,351	270,124
Finished goods (timber)	880,468	469,883		1,008,468	341,883
<b>TOTAL</b>	<b>1,327,989</b>	<b>876,550</b>		<b>1,455,956</b>	<b>748,583</b>

Reduction of utility value of inventories was allowed for by creating of a deferred provision. The utility value of inventories was mainly reduced as a result of the reduced acquisition costs of material as compared to its present book value and the reduced sale price, i.e. as a difference between the valuation in the accounting records and the realisation value.

The Company has provided no security interest in inventories to any third parties.

### Accounts Receivable

The following table shows development of a deferred provision during the accounting period:

	As of Dec. 31, 2008 €	Creation (addition) €	Reduction (disposal) €	Write-back (reversal) €	As of Dec. 31, 2009 €
Trade receivables	12,160,692	11,887,112		9,910,676,	14,747,138
Other accounts receivable	0	0	0	0	0
<b>TOTAL</b>	<b>12,160,692</b>	<b>11,887,122</b>		<b>9,910,676,</b>	<b>14,137,138</b>

The age structure of receivables is shown in the following table:

	At Dec. 31, 2008 €	At Dec. 31, 2009 €
Receivables unmatured	26,675,828	21,910,376
Receivables overdue	17,720,242	17,284,666
<b>TOTAL</b>	<b>44,396,070</b>	<b>39,195,042</b>

The Company has provided no security interest in inventories to any third parties.

## Financial Accounts

Financial accounts report cash in hand, accounts with banks and securities. The Company can dispose of the bank accounts with the bank VÚB, a.s..

### Short-term financial assets

The Company possesses no short-term financial assets.

### Accruals and Deferrals

Individual accrued and deferred items are listed in the following table:

	At Dec. 31, 2008 €	At Dec31, 2009 €
Accrued costs:	810,131	650,290
- statutory insurance	72,363	28,640
- licences	117,108	56,849
- SEZ, SPP, Telephone	14,074	8,566
- NLC, SOFTWARE – services	57,857	47,756
- enclosure, game-preserve	515,634	416,640
- others	33,094	5,749
- toll-road fee	0	86,090
Deferred income:	63,168	55,727
Premium commission	59,981	50,570
- others	3,187	5,157
<b>TOTAL</b>	<b>873,299</b>	<b>706,017</b>

“Since January 1, 2009 the Slovak Republic has been a part of the Euro zone. Since the same date the Slovak Koruna has been replaced by the Euro currency, and hereby this accounting entity has kept its accounting records in the Euro currency. The financial statements as of December 31, 2009 are the financial statements prepared for the first accounting period after the launch of Euro. The data for current accounting period are reported in integral Euros. The comparable data for the preceding accounting period were converted from Slovak Koruna to Euro using a conversion rate Eur 1 = SKK 30. 1260 SKK, and rounded up to the integrals“.

## F. LIABILITY SIDE OF THE BALANCE SHEET

### 1. Stockholder´s Equity

	As of Dec. 31, . 2008 €	Distribution of profit from 2008	Others	Profit in 2009	Transfer	As of Dec. 31, 2009 €
Registered capital	1,415,910,541		-5,170,361			1,410,740,180
Registered capital	1,438,221,470					1,438,221,470
Change in registered capital	-22,310,929		-5,170,361			-27,481,290
Capital funds	353,161					353,161
Other capital funds	353,161					353,161

Gains of losses from investments					
Funds from profit	2,079,747	464,715	-233,201		2,311,261
Statutory reserve fund	726,947	365,133			1,092,080
Statutory funds and other funds	1,352,800	99,582	-233,201		1,219,181
Business results from previous years – retained earnings	654,541	59,016	1,123,048		1,836,605
Retained earnings from previous years	2,945,670	59,016			3,004,686
Accumulated losses from previous years	-2,291,129		1,123,048		-1,168,081
Income tax		6,738,366			6,738,366
Business results of current accounting period	7,262,097	-7,262,097		322,073	322,073
<b>TOTAL</b>	<b>1,426,260,087</b>	<b>0</b>	<b>-4,280,514</b>	<b>322,073</b>	<b>1,422,301,646</b>

Changes in the registered capital during 2009 in €:

**Reduction**

Sale of residential units.....	176,739
Revaluation of lands beyond inventory check.....	493,068
Restitutions .....	1,362,459
Inventory check variances in lands .....	2,275,991
Release of forest roads .....	1,951,732
Delimitation of lands and constructions.....	680

**TOTAL..... 6,260,669**

**Increase:**

Lands beyond inventory check.....	1,260,092
Delimitation of lands and constructions.....	71,632
Forest growth .....	- 2,357,650
Inventory check variances in lands .....	2,116,234

**TOTAL..... 1,090,308**

**Total difference refers to the reduction of assets by Eur 5,170,361.**

**a) Distribution of profit made in 2008 amounting to Eur 7,262,097 was reported as follows:**

**Allocation to:**

Reserve fund.....	365,133 €
Social security fund.....	99,582 €
Expense allowance .....	99,582 €
Income tax.....	6,638,784 €
Retained earnings from previous years .....	59,016 €

**Total:.....7,262,097 €**

**b) The book profit from 2009 amounting to Eur 322,073 is proposed to be distributed as follows:**

**Do:**

Reserve fund.....	16,573 €
Social security fund.....	65,000 €
Expense allowance .....	100,000 €
Employee fund.....	40,500 €
Development fund .....	100,000 €

## 2. Reserves

a) The breakdown of reserves is given in the following table:

	As of Dec. 31, 2008 €	Addition €	Reversal €	Reduction €	As of Dec. 31, 2009 €
Statutory reserves	3,740,457	4,176,384		3,740,457	4,176,384
<b>Long-term reserves</b>	<b>2,661,750</b>	<b>261,350</b>		<b>254,146</b>	<b>2,668,954</b>
Provision for retirement benefits	2,661,154			254,146	2,407,604
Passive lawsuits	0	260,549			260,549
Reserve, other	0	801	0		801
<b>Long-term reserves, total</b>	<b>6,402,207</b>	<b>4,437,734</b>		<b>3,994,603</b>	<b>6,845,338</b>
Short-term reserves					
Non-invoiced deliveries	430,587	499,624		434,410	495,801
Severance pay	163,957	76,496		163,957	76,496
Holiday	1,246,630	1,035,182		1,246,630	1,035,182
Bonus and remuneration, admin staff	2,880,658	2,573,274		2,944,759	2,509,173
Insurance	1,436,951	1,383,087		1,473,427	1,346,611
Special pay	0	0		0	0
Annual financial statements	87,206	99,743	87,206		99,743
Reserves, other	478,132	339,864		418,966	399,030
Credit notes	30	24,035		30	24,035
Remuneration of members of Superv. Board	2,875	1,807	2,875		1,807
Passive lawsuits	1,379,729	20,694		289,184	1,111,239
Short-term reserves, total	8,106,755	6,053,806	90,081	6,971,363	7,099,117
<b>RESERVES, TOTAL</b>	<b>14,508,962</b>	<b>10,491,540</b>	<b>90,081</b>	<b>10,965,966</b>	<b>13,944,455</b>

### b) Silviculture

Addition to reserves for silviculture is based on the annual silvicultural project endorsed by the authorised forest manager pursuant to Act No. 326/2005 Coll. on forest management and state administration of forest management. Addition to reserves is critically determined by the actual amount of removals as compared to the annual balance which is based on the forest management plan. A reserve is added when the annual balance of removals is exceeded, equalling a product of the following:

- actual timber volume logged, which is in excess of the annual balance, reduced to the cut-over area equivalent which is required to be planted with trees and nursed and
- average actual costs of the current period to spend on the forestation and nursing of a single hectare of the cut-over area.

A need to add to reserves occurred as a result of preparation and implementation of special protective and defensive measures providing for defence of forest growth against bark beetles and wood destroying pests, esp. at the sites of calamity branches at Liptovský Hrádok, Námestovo, Čadca and others.

### c) Provision for retirement benefits

Pursuant to the collective agreement and the labour Code the Company keeps records of payables to employees on account of retirement. Retirement benefits are calculated using the principles of insurance mathematics and the discount rate of 4.5% and the annual pay rise index of 2.5%.

Employee become eligible for:

- retirement benefits – upon the first termination of employment after they have become eligible to

receive the old-age pension, or disability pension in the amount equal to their average monthly earnings

- increased retirement benefits – providing they terminate the employment by agreement within 3 months after they become eligible to receive an old-age pension depending on duration of employment with the employer for:
  - more than 5 through 15 years
  - more than 15 through 30 years
  - more than 30 years

### Anticipated year of the reserve use

Short-term reserves will be used during the following year.

The use of long-term reserves is estimated by the weighted mean to last until 2024.

### 3. Liabilities

The structure of payables (except for bank credits) according to the residual payable period is listed in the following table:

	At Dec. 31, 2008 €	At Dec. 31, 2009 €
Payables unmatured	17,805,982	17,746,263
Payables overdue	1,617,772	215,620
<b>SHORT-TERM PAYABLES, TOTAL</b>	<b>19,423,754</b>	<b>17,961,883</b>
Payables of residual payable period under 1 year	0	0
Payables of residual payable period 1 - 5 years – social	634,449	570,755
<b>LONG-TERM PAYABLES, TOTAL</b>	<b>634,449</b>	<b>570,755</b>

### 4. Deferred Tax Liability

The calculation of deferred tax liability is shown in the following table:

	At Dec. 31, 2008 €	At Dec. 31, 2009 €
- temporary difference between book value of long-term assets and tax value thereof	68,674,113	64,007,010
- revenues from late charges only taxed after paid	773,980	532,682
- provisions for payables	-7,781,835	-10,823,449
- provisions for inventories	-1,327,995	-748,584
- difference between book value of payables and tax base thereof	-433,144	-407,879
- creation of reserves, tax non-deductible	-8,508,248	-7,643,281
- unredeemed tax loss	-17,829,612	-8,607,295
- temporary tax difference	35,880,834	28,230,487
	6,377,741	6,898,749

## 5. Social Security Fund

Additions to and drawings from the social security fund during the accounting period are listed in the following table:

	Dec.31, 2008 €	Dec. 31, 2009 €
As at Jan. 1	838,146	634,489
Additions debiting the costs	603,465	492,997
Additions from earnings	99,582	99,582
Other additions	3,585	50
Disposal	910,310	656,363
<b>As of Dec. 31</b>	<b>634,469</b>	<b>570,755</b>

## 6. Bank credits

In 2009, LESY SR š. p. had a bank overdraft and a short-term loan for operations amounting to Eur 23,235,743 and Eur 1,626,502, respectively. The term of the credit expired by January 31, 2009. The Company had no credit later in the year.

## 7. Accruals and deferrals

The structure of accruals and deferrals is shown in the following table:

	Dec. 31, 2008 €	Dec. 31, 2009 €
Accrued expenses:	20,149	29,125
Deferred revenues:	18,607,349	29,768,148
- Investment subsidies	13,116,643	12,849,467
- Revenues from non-national unreleased forests	5,340,902	5,656,860
- Revenues BO, easement	101,474	29,768,149
- Others	38,472	20,499
- Newly determined assets to write off	9,859	27,287
- Deferred revenues		11,117,060
	<b>18,627,498</b>	<b>29,797,273</b>

**G. REVENUES****1. Revenues from Own Outputs and Merchandise**

Revenues from own outputs and merchandise by individual segments, i.e. by types of products and services and by main territories are listed in the following table:

Revenues	2008	2009
	Type of revenues	
Timber	201,937,773	172,555,481
Other revenues from timber production	8,210,317	6,631,214
Forest seed management and nursery	1,366,109	1,312,214
Hunting	2,297,384	1,857,536
Low-value forest production	68,486	88,092
Sale of building material	8,632	19,802
Wood processing sideline operations	7,272,504	4,337,570
Mechanical engineering operations	200,694	57,477
Other sideline operations	466,851	283,348
Vegetable production	105,263	116,225
Livestock production	113,462	98,310
Services and operations for third parties	4,682,172	6,532,427
Engineering works	2,563	31,566
Other revenues from commercial activities	524,665	259,230
Housing management	1,238,921	1,088,068
Leisure amenities	275,676	218,431
Accommodation for hunting	238,617	213,998
Computer equipment	22,773	1,108
Other revenues from non-productive activities	36,530	22,166
Revenued from surface water consumption	23,925	8,792
<b>TOTAL</b>	<b>227,436,106</b>	<b>195,733,055</b>

**Main territories**

Type of revenues	Value of revenues	
	2008	2009
Slovakia	219,223,030	183,942,613
Austria	1,164,907	4,533,915
Czech Republic	2,482,274	4,376,818
Cyprus	409,414	315,412
Greece	290,746	172,245
Italy	349,997	279,662
Germany	126,668	
Hungary	789,517	479,810
Poland	2,548,729	1,632,580
Others	52,247	
<b>Total</b>	<b>227,437,529</b>	<b>195,733,055</b>

**2. Change in Inventories of Own Production**

Change in inventories of own production in the profit and loss account accounts for Eur – 3,710,762. The following table shows the change following the items of the balance sheet:

	As of Dec.			Change	
	Dec. 31, 2007 €	Dec. 31, 2008 €	Dec. 31, 2009 €	2008 €	2009 €
Inventories reported in brutto values, i.e. before provisions					
Work-in-process	7,546,372	7,545,177	8,052,124	132,942	372,896
Finished goods	12,483,967	12,764,655	8,140,972	280,688	-4,623,683
Livestock	687,778	787,426	745,864	99,648	-41,562
<b>TOTAL</b>	<b>20,718,117</b>	<b>21,231,395</b>	<b>16,938,960</b>	<b>513,278</b>	<b>-4,292,435</b>

	As of Dec.			Change	
	Dec. 31, 2007 €	Dec. 31, 2008 €	Dec. 31, 2009 €	2008 €	2009 €
Inventories reported in netto values					
Work-in-process	7,283,698	7,542,168	7,918,064	258,470	372,896
Finished goods	12,227,845	11,884,201	7,799,089	-343,644	-4,085,112
Livestock	310,923	474,286	475,740	163,363	1,454
<b>TOTAL</b>	<b>19,822,466</b>	<b>19,900,655</b>	<b>16,192,893</b>	<b>78,189</b>	<b>-3,710,762</b>

### 3. Capitalization

The breakdown of capitalization is given in the following table:

	2008 €	2009 €
Long-term tangibles generated by own activities of enterprise	2,796,588	1,380,176
Inventories acquired by own transport	394,775	77,959
Other capitalization	337,151	117,292
<b>TOTAL</b>	<b>3,528,514</b>	<b>1,575,427</b>

### 4. Other revenues from economic activity

The breakdown of other important revenues of the economic activity is given in the following table:

	2008 €	2009 €
Revenues from from subsidies received	617,805	871,458
Newly determined assets	871,473	0
Revenues from Euro funds	11,094,304	504,634
Subsidy write-offs against revenues	357,930	268,850
Revenues for shortages and losses	377,647	206,187
Factoring		568,494
Revenues from written-off debt		
Fines and penalties	165,936	150,296
Compensation for forest clearance	2,722	29,306
Compensation for air pollutants and restraints of operations	524,265	153,597
Others	354,743	396,061
<b>TOTAL</b>	<b>14,366,825</b>	<b>3,148,883</b>

### 5. Financial revenues

The breakdown of financial revenues is given in the following table:

	2008 €	2009 €
Interest received	42,521	2,130
Revenues from other long-term assets	0	0
Reversal of reserves for financial activities (exchange-rate losses)	0	0
Other revenues from financial activities	697	0
Exchange-rate gains	103,831	-12,688
Realized exchange-rate gains	103,831	-12,688
Unrealized exchange-rate gains		
<b>TOTAL</b>	<b>146,352</b>	<b>-10,558</b>

## 6. Extra revenues

The structure of extra revenues is given in the following table:

	2008 €	2009 €
Indemnification from insurance agency	82,321	99,526
<b>TOTAL</b>	<b>82,321</b>	<b>99,526</b>

## H. COSTS

### 1. Costs of services rendered

The breakdown of costs of the rendered services is given in the following table:

	2008 €	2009 €
Transport charges	13,821,483	12,586,533
Incl. timber hauling	11,892,983	11,006,180
Skidding	18,562,737	12,686,466
Euro funds	8,335,790	4,083,556
Rent	2,301,932	3,306,486
Services of communications	774,547	682,087
Costs of software	131,149	99,743
Services related to property settlement	1,566,023	178,178
Other services	78,721,702	62,265,208
Incl. silviculture	30,212,142	13,899,900
Timber harvesting	7,121,125	12,596,833
Total timber production	41,388,435	35,678,385
Costs per Branches		1,341,566
Incl. software		1,156,658
Others		184,908
Reserve for non-invoic.		99,368
Reserve for statement of finance		99,743
Relaxation convalescent stays		120,232
Legal services		391,474
Costs of goods sold	144,028	74,267
Repairs and maintenance	5,501,295	2,526,887
Travelling expenses	2,394,908	295,031
Others		21,866
<b>TOTAL</b>	<b>132,321,981</b>	<b>100,858,691</b>

## 2. Other costs of economic activity

The breakdown of other important costs of economic activity is given in the following table:

	2008 €	2009 €
Fines and penalties	199,761	50,692
Debt write-off	19,551	572,527
Property insurance	880,535	903,492
Shortages and losses	956,051	985,592
Indemnification	146,053	10,034
Others	235,112	245,995
Creation of reserves for silviculture	3,740,457	4,176,384
Creation of other reserves	-399,290	125,911
Reversal of reserves for silviculture	13,625,772	-3,740,457
<b>TOTAL</b>	<b>19,404,003</b>	<b>3,330,170</b>

## 3. Financial Costs

The breakdown of extra costs is reported in the following table:

	2008 €	2009 €
Interest paid	332,338	226,105
Bank charges	88,229	46,249
Others	9,493	5,013
Exchange-rate losses	241,386	8,647
<b>TOTAL</b>	<b>671,446</b>	<b>286,014</b>

## 4. Extra costs

The breakdown of extra costs is reported in the following table:

	2008 €	2009 €
Natural disasters	3,718	26,003
<b>TOTAL</b>	<b>3,718</b>	<b>26,003</b>

## I. INCOME TAXES

	€
Business results before tax (earnings)	1,054,494
Due tax for 2009	0
Deferred tax for 2009 - costs	732,491
Total tax recognised (liability)	521,008

Difference between the increased deferred tax liability amounting to Eur 521,008 and the costs entered on the account 592 001 amounting to Eur 732,421 is Eur 211,413, which is entered on the account 429 001 as a reduction of the accumulated loss from previous years. Accounting for the deferred tax against account 429 001 occurred due to the corrected accounting for the revenues from replaceable contracts for forest lands and forest growth in 2007 and 2008.

The tax return for 2009 disclosed a tax basis amounting to Eur 9,222,516; there was redemption of tax loss from 2004 and 2007 amounting to Eur 9,222,516. The balance of the non-redeemed loss from 2007 is Eur 8,607,294. On account 341-001 the Company recognized a receivable amounting to Eur 305, which is a withholding tax on bank interests. The income revenue authority will refund this amount as tax overpaid for 2009.

## J. OTHER ASSETS AN LIABILITIES

### 1. Other contingent liabilities

The Company has no other liabilities other than covered by the routine accounting or disclosed in the balance sheet.

Whereas many subbranches of the Slovak tax law have not been verified enough in practice, there is uncertainty about their application by tax authorities. The extent of such uncertainty cannot be quantified, and the uncertainty shall only disappear after all leading cases, or official interpretations of competent authorities become available. The management of LESY SR, š. p. is aware of no circumstances leading to future occurrence of any considerable costs.

The lands lacking settlement under law are of the total net book value Eur 301,891,107 and may become subject of the estate in reversion procedure.

Torrent regulation of total net book value Eur 4,249,000 will be delimited by the organizations of the state-controlled enterprises Povodie, š. p. as decided by the Ministry of Agriculture of the Slovak Republic in 1996.

The Company has no other liabilities other than covered by the routine accounting or disclosed in the balance sheet.

## K. INCOME AND BENEFITS OF MEMBERS OF THE COMPANY ´S STATUTORY, SUPERVISORY AND OTHER BODIES

The gross income of the members of statutory bodies of LESY SR, š. p. earned in the accounting year concerned amounted to Eur 103,911. The Supervisory Board ´s income amounted to Eur 24,311 in 2008.

## L. ECONOMIC RELATIONS AND RELATED PERSONS OF THE COMPANY

Transactions with related persons and personally related entities were carried out under condition that the persons and prices concerned remained independent as well as equal, and in place, respectively.

## N. FACTS AFTER AND BEFORE THE DATE OF FINANCIAL STATEMENTS

After 31 December 2009 no such events occurred as to have significant influence on true representation of the facts which constitute an object of accounting and would failed to be entered in the accounting records.

REPORT OF MOVEMENT OF NON-CURRENT ASSETS DECEMBER 31, 2009														
Title	Acquisition Cost						Adjustments /Provisions						Zostatková cena	
	31/12/2008 €	Přirastky €	Úbytky €	Presумы €	31/12/2009 €	31/12/2008 €	Přirastky €	Úbytky €	Presумы €	31/12/2009 €	31/12/2008 €	31/12/2009 €		
Incorporation costs	0	0	0	0	0	0	0	0	0	0	0	0		
Capitalized cost of development	31,813	0	0	0	31,813	30,334	1,313	0	0	31,647	1,479	166		
Software	6,267,782	78,447	86,683	130,544	6,390,090	2,757,152	931,961	86,683	70,782	3,673,211	3,510,630	2,716,879		
Valuable rights	159,995	35,186			195,180	56,457	97,591	0	0	154,048	103,537	41,132		
Other long-term intangibles	2,488,371	100,037	0	0	2,588,408	442,376	255,022	0	0	697,398	2,045,996	1,891,010		
Long-term intangibles, acquired	88,184	143,980	213,669	0	18,495	0	0	0	0	0	88,184	18,495		
Advance for long-term intangibles, paid	0	18	18	0	0	0	0	0	0	0	0	0		
<b>Long-term intangibles, total</b>	<b>9,036,146</b>	<b>357,668</b>	<b>300,371</b>	<b>130,544</b>	<b>9,223,987</b>	<b>3,286,319</b>	<b>1,265,887</b>	<b>86,683</b>	<b>70,782</b>	<b>4,556,305</b>	<b>5,749,826</b>	<b>4,667,682</b>		
Lands	1,192,291,402	5,631,631	9,949,217	0	1,187,973,816	2,291,129	0	2,291,129	0	0	1,190,000,273	1,187,973,816		
Works of art	408,559	0	1,992	0	406,567	0	0	0	0	0	408,559	406,567		
Constructions	362,121,858	9,467,967	7,320,778	1,173,564	365,442,610	149,861,783	10,893,039	7,644,317	537,865	153,648,371	212,260,074	211,794,240		
Separate movables and assemblies of movables	111,367,911	105,485	6,461,782	-1,304,108	103,707,506	76,869,751	7,444,279	6,570,155	-608,647	77,135,228	34,498,160	26,572,279		
Silvicultural units	37,647	0	1,838	0	35,810	22,391	3,028	1,838	0	23,581	15,256	12,228		
Animals	305,356	15,120	34,871	0	285,605	232,185	17,793	34,871	0	215,107	73,171	70,498		
Other long-term tangibles	0	0	0	0	0	0	0	0	0	0	0	0		
Long-term tangibles, acquired	10,548,196	3,301,374	10,017,604	0	3,831,965	731,574	0	0	0	731,574	9,816,622	3,100,392		
Advance for long-term tangibles, paid	24,998	0	0	0	24,998	0	0	0	0	0	24,998	24,998		
<b>Long-term tangibles, total</b>	<b>1,677,105,927</b>	<b>18,521,577</b>	<b>33,788,082</b>	<b>-130,544</b>	<b>1,661,708,878</b>	<b>230,008,814</b>	<b>18,358,139</b>	<b>16,542,310</b>	<b>-70,782</b>	<b>231,753,860</b>	<b>1,447,097,114</b>	<b>1,429,955,018</b>		
Stock and ownership interests in the controlled person	0	0	0	0	0	0	0	0	0	0	0	0		
Stock and ownership interests in the company with substantial influence	139,153	0	0	0	139,153	139,153	0	0	0	139,153	0	0		
Long-term financial assets, total	69,508	0	0	0	69,508	69,508	0	0	0	69,508	0	0		
<b>Long-term financial assets, total</b>	<b>208,661</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>208,661</b>	<b>208,661</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>208,661</b>	<b>0</b>	<b>0</b>		
<b>Non-current assets, total</b>	<b>1,686,350,733</b>	<b>18,879,245</b>	<b>34,088,453</b>	<b>0</b>	<b>1,671,141,525</b>	<b>233,503,794</b>	<b>19,644,025</b>	<b>16,628,994</b>	<b>0</b>	<b>236,518,825</b>	<b>1,452,846,940</b>	<b>1,434,622,700</b>		

## CASH FLOW STATEMENT

### Cash flows by using the modified direct method for 2009 (in Eur thousands)

Ind.	Item name	Line no.	Accounting period	
			current	previous
A.	Cash flows from core business activities (CBA)	x	x	x
A.1.	Costs of CBA	1	-181,113,64	-234,816,97
A.2.	Cost adjustment of CBA expenses	2	-24,531,78	25,654,78
A.3.	Costs of CBA adjusted	3	-205,645,42	-209,162,19
A.4.	Revenues from CBA	4	194,974,35	239,450,01
A.5.	Adjustment of sales and revenues against CBA	5	10,644,14	-5,930,26
A.6.	CBA sales and revenues adjusted against incomes	6	205,618,49	233,519,75
A.7.	Other income except for specific alternative items	7	237,29	-62,90
A.8.	Other expenses except for specific alternative items	8	-166,80	175,57
A*	Cash flows from operations	9	43,56	24,470,23
A.9.	Specific items	10	-156,96	-2,304,16
A**	Cash flows before alternative items	11	-113,40	22,166,07
A.10.	Alternative disclosed items	12	18,00	0,60
A.11.	Other items affecting cash flows from CBA	13	0,00	0,00
<b>A***</b>	<b>Cash flow from CBA, net</b>	14	-95,40	22,166,67
B.	Cash flows from investing activities (IA)	x	x	x
B.1.	Expense in acquisition of fixed assets	15	-7,347,06	-32,721,70
B.2.	Income on sale of fixed assets	16	9,515,17	9,085,54
B.3.	Cash flows from lease of assembly of funds and properties	17	4,662,22	2,981,68
B.4.	Cash flows from credits and lendings to related persons	18	0,00	0,00
B.5.	Specific items	19	0,00	0,00
B.6.	Alternative items disclosed	20	0,00	0,00
B.7.	Other items affecting cash flows from IA	21	0,00	0,00
<b>B***</b>	<b>Cash flow from investing activities, net</b>	22	6,830,33	-20,654,48

<b>C***</b>	<b>Cash flow after financing of investment, net</b>	23	6,734,93	1,512,19
D	Cash flows from financial activities (FA)	x	x	x
D.1.	Change in long-term accounts payable, incl. credits	24	0,00	0,00
D.2.	Cash flows resulting from stockholder´s equity	25	0,00	0,00
D.3.	Specific items	26	0,00	-6,638,77
D.4.	Alternative items disclosed	27	12,02	-1,228,39
D.5.	Other items affecting cash flows from FA	28	0,00	0,00
<b>D***</b>	<b>Cach flow from FA, net</b>	29	12,02	-7,867,16
<b>E</b>	<b>Result exchange-rate difference quantified as at Dec. 31</b>	30	4,04	-137,56
E.1.	Exchange-rate loss (account 563 AÚ) (-)	31	-8,65	-241,39
E.2.	Exchange-rate gains (account 663 AÚ) (+)	32	12,69	103,83
F	Change in cash and cash equivalents (total A***+B***+D***+E) = (H-G)	33	6,750,99	-6,492,53
G.	Cash and cash equivalents, beginning of accounting period (as at January 1)	34	1,032,76	7,525,29
H.	Balance of cash and cash equivalents, end of accounting period (as at March 31) (G-A***-B***-D***-E)	35	7,783,75	1,032,76



## INDEPENDENT AUDITOR'S REPORT



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*To the incorporator of the state-controlled undertaking LESY Slovenskej republiky Banská Bystrica*

We have audited the accompanied financial statements of the state-controlled undertaking LESY Slovenskej republiky Banská Bystrica (hereinafter referred-to as "Company") containing the balance sheet as of 31 December 2009, profit and loss account and respective notes to the year ended on the same date, and the summary of important accounting policies and methods of accounting and other explanatory notes.

*Financial statements are the responsibility of the Company's management*

Preparation and fair presentation of these financial statements in compliance with Act No. 431/2002 Coll. on Accounting as amended are the responsibility of the Company's managing director. This responsibility applies to the following: (1) proposing, implementing and observing internal controls relevant to the preparation and fair presentation of the financial statements to contain no material inaccuracies as a result of fraud or error, (2) selection and application of appropriate accounting policies, methods of accounting and (3) making accounting estimates in place under the given conditions.

*Responsibility of the auditor*

Our responsibility is to express an opinion on the above financial statements under authority of this audit. Except for the procedures which could not have been conducted for some limitations imposed on the scope of the conducted audit, as specified in the next paragraph herein, we have conducted the audit in compliance with the International Standards on Auditing. According to these Standards we are required to observe ethics requirements, plan and conduct audit in order to attain reasonable assurance that the financial statements in question contain no material inaccuracies. The audit also includes procedures to obtain audit-based evidence on the amounts and data reported in the financial statements. The selection of such procedures depends on a decision of the auditor who also assesses a risk of occurrence of material inaccuracies in the financial statements, either as a result of fraud or error. When assessing the risk the auditor takes into account internal controls relevant to the preparation and fair presentation of the financial statements of the accounting entity in order to put forward such accounting procedures which are in place under the given conditions, even though not in order to express an opinion concerning the efficiency of the internal controls of the accounting entity in question. Audit also covers evaluation of applicability of accounting policies and methods of accounting used, on one hand, and adequacy of accounting estimates made by the management of the company, on the other hand. Audit also evaluates the presentation of the statement of finance in its entirety. We are convinced that the audit evidence obtained constitute a sufficient and appropriate resource for this opinion.

Pending the audit the following limitations of scope of the audit work occurred in respect of long-term tangible assets:

- Pursuant to the Forests Act, 10% of the forest lands managed by the Company is annually affected by a renewed forest management plan. In carrying out the referred-to renewal, both the area and value of the lands are particularized under the registration system known as "Pozemkár". In some cases, the total area of land registered with the "Pozemkár" system differs from the figures entered in the Land Register, and it seems impossible to decide now which of the figures is correct. Due to

such particularization the Company increased the value of its forest lands by Eur 697,658 as at 31 December 2009, which is reflected in the amount of the capital stock. In consideration of various pending proceedings which are conducted by the State in order to accomplish the final particularization of the area of lands in the Slovak Republic (e.g. Register of Renewed Land Records, real-otment of land, decisions of the state administration bodies concerning correction of errors in the land register records, and others), the Company is now not in a position to submit all documents showing the overall changes in the area and value of individual lands. As of 31 December 2009, the lands of total area of 175,537 ha, worth Eur 301,891,107, in aggregate, are not registered on the certificate of title as Lots of Register C - Registered on Cadastral Map. The value of such lands cannot now be specified, and therefore it is possible that the property and stockholder´s equity of the Company is not reported correctly.

- As of 31 December 2009, the Company has no registration of the constructions worth Eur 231,561 entered on a certificate of title. As of 31 December 2009, the constructions and land of total area of 14,645 ha, worth Eur 50,794,914 are registered as contested assets. The referred-to constructions and lands are subjects of various legal proceedings, cadastral surveys, or administrative actions. The Company is now not in a position to quantify the exact value of the land subjected to restitution. The said facts may have effect on the amounts of the reported assets, capital stock, and liabilities of the Company, which, however, cannot be quantified.
- Since 1999 the Company has annually updated the value of the managed land on the date of inventory check. The last revaluation was carried out on 31 December 2006 by the organization known as Lesoprojekt and pursuant to Regulation No. 465/1991 on prices of constructions, lands and permanent plantations. This is in compliance with neither Accounting Act nor accounting procedures in force under which the value of land is to be assessed by acquisition costs. The Company disposes of neither necessary documents nor figures of the land revaluation before 2004. Therefore, the rate of overvaluation of the land compared to the original acquisition costs cannot be quantified in relation to the capital stock. The valuation of forest growth is further referred to in the section Without prejudice to the auditor´s opinion of this report
- As proved there was a failure of internal control system for the production process in Branch Lip-tovský Hrádok in 2009. As found there was non-compliance with Regulation No. 232/2006 of the Ministry of Agriculture of the Slovak Republic concerning the marking of timber for felling, labelling of logged timber and documents of timber origin. As a consequence, inter alia, stock shortage was found at the inventory check on the wood mass in the total amount of Eur 772,212. It was also proved that wood mass had been sold to unreliable customers, which made it necessary to create provisions for irrecoverable receivables in the amount of Eur 3,934,438. The quantified shortage and provisions for irrecoverable receivables had adversely affected the attained business results for the current period, and decreased the value of the company´s assets by Eur 4,706,650 causing so unrealized increase in the cash flows in the referred-to amount.

### *Opinion*

In our opinion, except for the contingent effects of adjustments, if any, to be made if the procedures mentioned above could have been exercised, the financial statements of the state-controlled undertaking LESY Slovenskej republiky Banská Bystrica do show impartially in all relevant relations the following: financial situation of the undertaking as of 31 December 2009, business results, and cash flows as of and for the year ended on the given date as per the Act on Accounting in force in the Slovak Republic and consequential accounting procedures.

Without prejudice to our opinion we point out the following facts:

- In the past, the company bookkeeping misapplied some price regulations which led to overestimated valuation of forest lands. To eliminate the problem the Ministry of Agriculture of the Slovak Republic adopted Decision No. MF/020728/2009-74 on August 24, 2009 to constitute a basis for drawing up details which should underlie accurate identification of forest lands in order to obtain uniform valuation by a replacement acquisition cost as per January 1, 2010. The valuation will be carried out in compliance with Regulation of the Ministry of Justice of the Slovak Republic No. 492/2004 on assessment of a general value of an undertaking. As a consequence of revaluation of the forest lands as applied pursuant to the above regulation, there will be a decline in the book value of the forest lands of the Company in the estimated amount of Eur 773,864,574. The value of the assets and capital stock will likely to decrease by the said amount as at the next balance sheet day.
- Since 2007 the Company has recorded a rather lot of replaceable contracts. In terms of accounting procedures, replaceable contracts were treated much like the events of sale and purchase as all were handled by the same accounting procedures till the fall of 2009. A guidance note of the Ministry of Finance of the Slovak Republic No. MF/008037/2010-74 of March 2, 2010 on accounting for forest lands put it more exactly how to account for replaceable contracts with respect to Section 38(2) of accounting procedures. Accounting for replaceable contracts on both forest lands and forest growth follows the same procedure as applicable for sale; forest lands are recorded in the balance sheet and the real values are accounted upon replacement. Difference between the book value of the forest land provided and real value of the land received is accounted for with an effect on the business results. The forest growth is recorded in the analytical records and a change in the records is registered upon replacement with no effect on the business results. The Company has decreased the value of its assets and capital stock by the value of forest growth obtained under replaceable contracts in 2007-2009 in the total amount of Eur 3,805,597. The business results from previous years (loss) were at the same time adjusted by Eur 1,131,079.

At Bratislava, this 22<sup>nd</sup> day of March, 2010

Audit Surveillance Authority  
UDVA Licence No. 283  
(illegible signature)  
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Slovak Chamber of Auditors  
SKAU, License no. 892  
Ing. Iveta Demčáková

Ing. Iveta Demčáková, CA  
executive auditor  
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# AUDIT REPORT ON CONFORMITY OF THE ANNUAL REPORT WITH THE FINANCIAL STATEMENTS



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## Audit Report on Conformity of the Annual Report with the Financial Statements pursuant to section 23(5) of Act No. 540/2007 Coll.

To the incorporator of the state-controlled undertaking LESY Slovenskej republiky Banská Bystrica

1. We have audited the financial statements of the state-controlled undertaking LESY Slovenskej republiky Banská Bystrica (hereinafter referred-to as "Company") as of December 31, 2009 shown on pages 40-65 for which we issued on March 22, 2010 an independent auditor's report enclosed on pages 66-68.
2. We have also audited the conformity of the annual report with the above financial statements. Our responsibility is to express an opinion on conformity of the annual report with the financial statements. The audit was conducted in compliance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information shown in the annual report and presented through the financial statements are in all material respects in conformity with the respective financial statements. The information shown in the annual report on pages 40-65 has been compared to the information shown in the financial statements as of December 31, 2009. No other data and information than the accounting data obtained from the financial statements and books of account have been audited. We are convinced that the conducted audit gives reasonable basis for the auditor's opinion to be expressed.

In our opinion, the accounting information shown in the annual report is in all material respects in conformity with the above financial statements.

At Bratislava, this 28<sup>th</sup> day of March, 2010

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## PROGRESS REPORT BY THE SUPERVISORY BOARD

### Dear colleagues and business partners,

last calendar year was for LESY SR, š. p. Banská Bystrica labelled with significant changes in the economy of this Company which resulted in a massive reshuffle in the business management.

The Supervisory Board was composed of the following members: Ing. Jozef Herud (Deputy Chairman), Ing. Ján Beňa, JUDr. Kamil Beresecký, JUDr. Milan Chovanec, doc. Ing. Ján Ilavský CSc, Ing. Dušan Krajniak, Ing. Ján Malko CSc., Ing. František Suchanovský (Secretary) and JUDr. Juraj Procházka (Chairman). The personnel turbulences also hit the composition of the Supervisory Board. Ing. Ján Beňa's membership was suspended from the beginning of June till the beginning of September for his assignment to hold the office of the general director of this Company. Doc. Ilavský terminated his board membership in December because of his appointment to the office of the general director of the Slovak Land Fund.



The economic crisis brought about an extreme drop in the timber prices as early as in the late 2008 which was followed by a sharply lowered demand for the entire timber assortment not later than in the first weeks of 2009.

Since its session in August 2008 the Supervisory Board could see the things getting worse in the economy of the Company. Unfortunately, the steps taken by the top executives not always proved that they were able to handle the impact of the global crisis or take action strong and effective enough to resolve the consequences of the wind-storm disaster and bark-beetle attack afflicting the Company. In the 2nd half-year of 2008, there was much heavier loan drawdown than what the Supervisory Board approved and the top management had first declared. The success in handling consequences of disasters at OZ Liptovský Hrádok as communicated to the Board eventually turned out to be a failure of the personnel in charge, both at the branch level and the company level. In response to the increasingly stronger signals indicating that there was a serious situation at OZ Liptovský Hrádok, the Board had a meeting in June held at the branch concerned. At the turn of June and July 2009 the Supervisory Board was facing an urgent task to complete and tackle the severe failure in the operating management of the most important silviculture company in the Slovak Republic.

The new top management led by Ing. Ján Beňa, the experienced expert at silviculture and a member of the Supervisory Board, did establish such conditions which enabled the Company to conquer its serious economic difficulties.

The Supervisory Board and the new top management paid consistent attention to relieve shortages in the business management and administration of the state property vested in this Company.

The economic crisis caused both large-scale economic problems and big social problems which were in the internal environment of the Company even multiplied by a need for taking strong economy measures, such as temporary wage freeze, cuts in the staffing levels and dramatic reduction in investment. The crisis hit us at the time when the pine groves in Slovakia suffered the poorest health conditions ever. Relying on the nature would be, undoubtedly, an offence against common sense and the practice of the previous generations of silvicultural workers.

The measures taken did, in turn, bring along stabilization of the economic conditions of this Company, break-even economy and even figures in black at the year-end, which all provided for sufficient liquidity of this Company. The new management led by Ing. Alojz Riško turned out well and accomplished what hardly anybody hoped for in January 2009.

The top priority both the company bodies and all employees are now facing is to work hard and outmanoeuvre the effects of crisis in order to preserve the beauty of the Slovak forests and keep the woodland in good shape for the generations to come.

JUDr. Juraj Procházka  
Chairman of the Supervisory Board

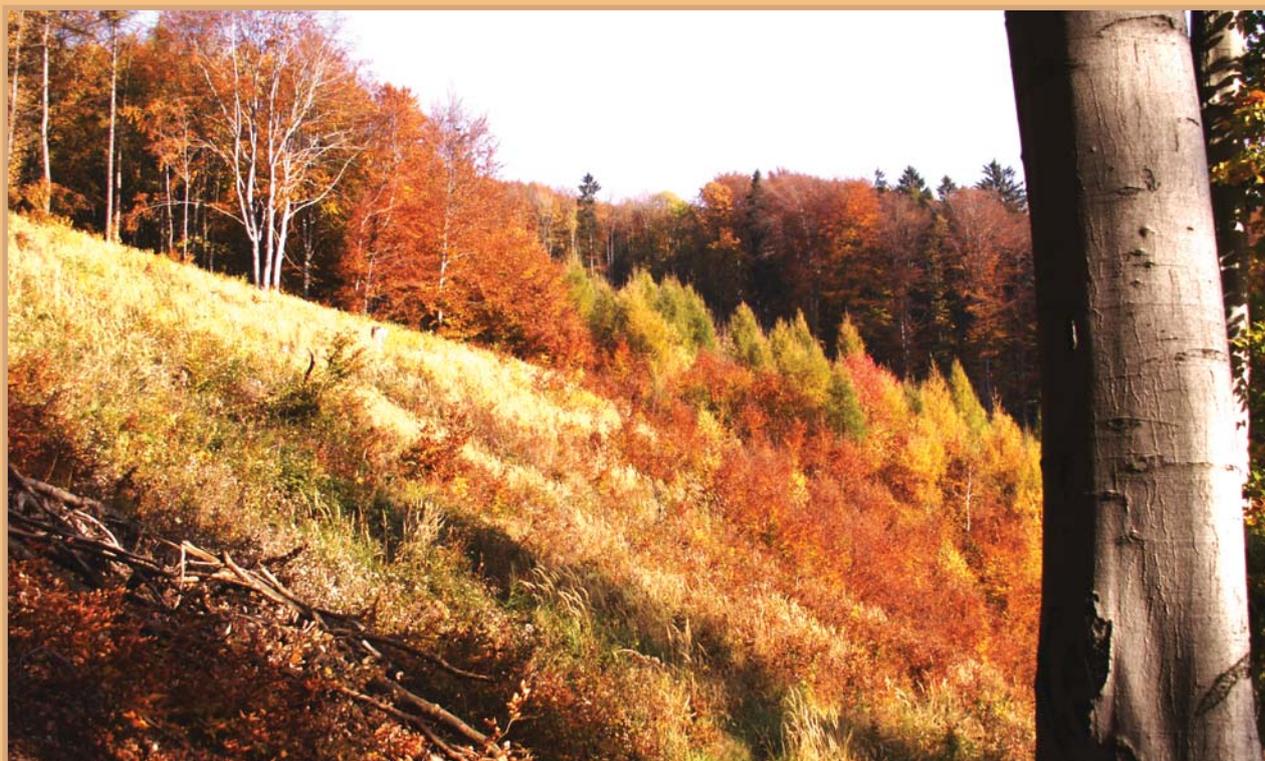
## MANAGEMENT'S COMMENTARY ON THE COMPANY'S FINANCIAL POSITION AND FUTURE EXPECTATIONS

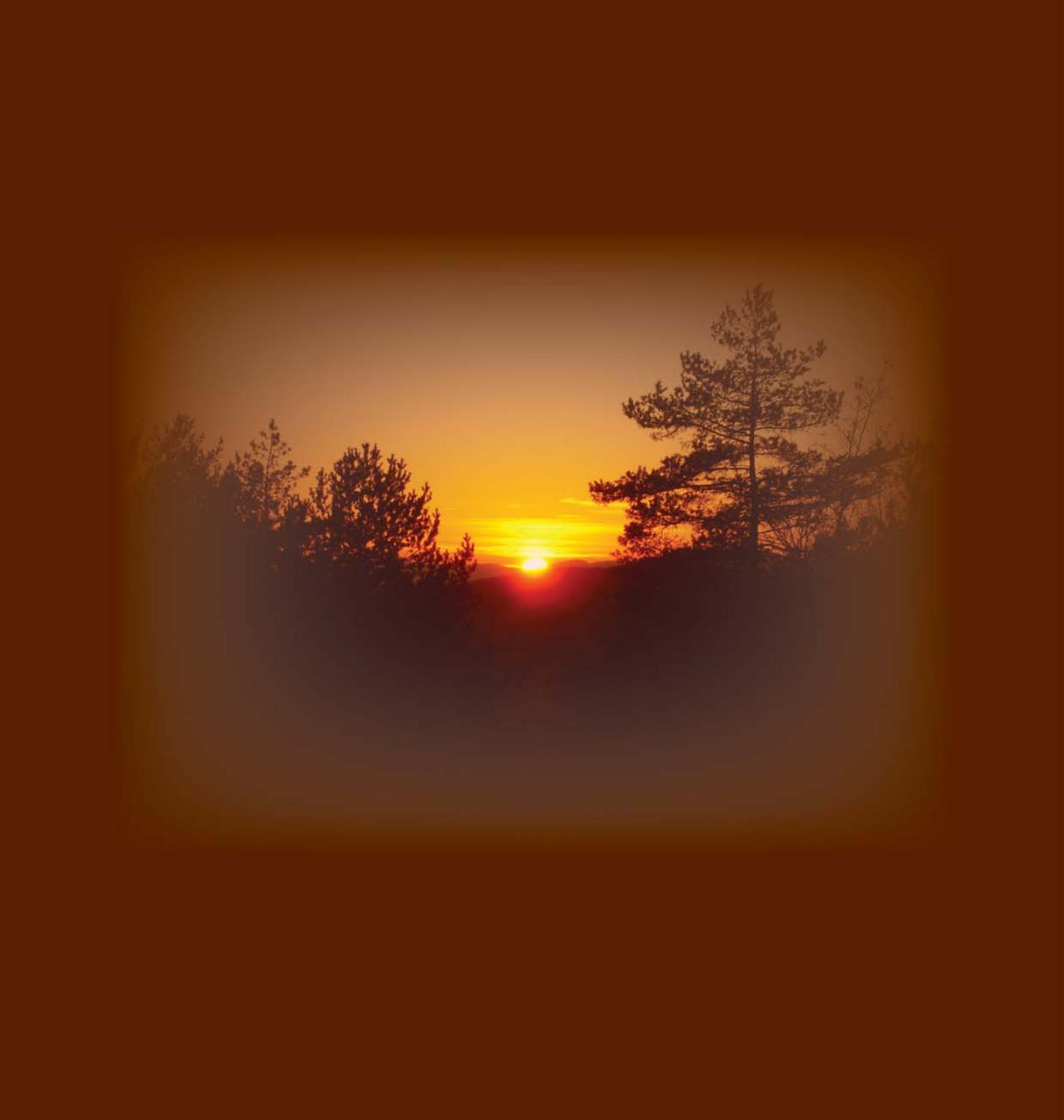
The year 2009 was still tinged with an ongoing crisis in the forest, wood-processing and paper and pulp industries, in addition to some lingering problems which occurred in the management of Branch Liptovský Hrádok and adversely affected an all-society view of LESY SR, š. p., still in place. Compared to the preceding year (2008), the realization of softwood and hardwood declined in 2009 by Eur 9.32 /m<sup>3</sup> at average and caused a year-over-year decrease in the revenues from timber by more than Eur 29.3m. This occurred despite of the increase in the production of LESY SR, š. p. in 2009 by more than 227,000 m<sup>3</sup> as compared to 2008, due to the increased processing of the salvage felling timber. Timber supplies went up by even more than 332,000 m<sup>3</sup>. The above are economic indicators which seem to be the most accurate to evidence the crisis of the timber market that began to strike upon the Company towards the end of the first quarter of 2008.

The first economy measures were imposed as early as in summer 2008 and LESY SR š. p. continued to introduce other economies throughout 2009 in order to cut down the costs to produce one cubic metre of timber by Eur 3.30 €. That helped to reduce the total cost of production by Eur 14.7m. In addition, costs of current silvicultural operations and forest protection without revitalization of pine groves and the overhead costs decreased by Eur 11.8m and Eur 13.6m, respectively. Besides the above saving of costs, temporarily decreased investment also helped to stabilize a financial position of the undertaking. This, in consequence, has had no material impact on the level of investment if viewed against a five-year summary which, in fact, shows an excess of the depreciable value of assets by Eur 22m. Important factors that materially contributed towards economic stabilization of LESY SR, š. p. involved harmonisation of the price policy on the timber market, primarily in relation with the large customers, improved discipline in the sorting of wood mass, and accentuated handling of the overdue receivables. Last but not least to mention, we received Eur 15.5m in refunds for the Euro projects implemented in 2008 under the Rural Development Program of the Slovak Republic 2007-2013, which also helped to handle the financial situation. All the above measures enabled the Company to remain in the black, repay debt, and, consequently, secure its liquidity by own financial resources in 2009.

In late 2009, the management of LESY SR, š. p. prepared such measures which might, once implemented, lead to making a profit as envisaged in the economic plan for 2010. The steps concerned shall include restructuring the central office of the general director, Branch Wood Processing Production, and Branch Forest Machinery, and solving the situation at Branch Liptovský Hrádok. Nevertheless, the cost economies will remain in force due to the lower timber prices on the market which still prevail. Compared to 2009, however, the costs of silvicultural operations and forest protection, on one hand, and the investment packages, on the other hand, will increase by Eur 2.6m, and Eur 5.3m, respectively.

The management intends to succeed in the post-crisis consolidation of the Company, dispose of the state trust property effectively and provide for sustainable forest management.





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