

Sklopísek Střeleč, a. s.

Quality in every grain



Annual Report 2010

Sklopísek Střeleč, a. s.

Újezd pod Troskami,

Hrdoňovice 80,

507 45 Mladějov

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1 WHO WE ARE

Name of the Company:	Sklopísek Střeleč, a. s.
Registered office:	Újezd pod Troskami Hrdoňovice 80 507 45 Mladějov v Čechách
Legal status:	Joint-stock company
Principal business activities:	Extraction and processing of sand by wet and dry methods for glass, foundry, construction and other industries, production of silica flour and clay.
Date of establishment:	Joint-stock company was established on 5th December 1991 under the name EXIMOS, a. s. On 1st February 1994 the company bought nationalized company Sklopísek Střeleč from National Foundation Property of the Czech Republic.
Registration No.:	44795688
Tax Reg. No.:	CZ44795688

Sklopísek Střeleč, a. s. is a well known and distinguished company. It is a reliable supplier and serious partner.

In 2010, the company remembered the 35th anniversary of the start of the new plant construction.

The deposit of glass and foundry sand at Střeleč is 10 km northwest of Jičín

and is the largest deposit of prime quality glass sand within the Czech Republic. The deposit originated with the settling of sediments in a relatively shallow sea of the Mesozoic and Cretaceous periods. The main glass sand deposits are concentrated in the lower, white part of the formation, while foundry sand and glass sand of lesser quality are deposited in the upper, yellow zone. Both zones are separated by a red stratum comprising clayey sand with a considerable

amount of limonite and hematite, which is unsuitable for further processing and therefore has to be disposed of. The uppermost strata consist of Quaternary clay and loam layers with a maximum thickness of up to 16 m. This unique deposit, which is second to none in our country

In 2010, the company remembered the 35th anniversary of the start of the new plant construction.

in terms of quality, is located in the municipality of Hrdoňovice. The mining area of 1 km² is situated within the cadastral

communities of Střeleč, Mladějov and Újezd pod Troskami. The sand produced at Střeleč can be used as raw material for the production of crystal, hollow and flat glass, and glass fibres. It is also suitable for many purposes in the foundry industry. The chemical purity and favourable granularity of the sand are also valued in other industrial sectors such as the electrical, rubber and construction industry.

2 HISTORY OF MINING

- 1881 the first written mention of sandstone mining from Earl Šlik
- 1885 the opening of the sandstone quarry in Hrdoňovice by Countess Thurn-Taxis
- **1939 Prof. Dr. Ing. Stočes founds the company “The First Czech glass sands processing plant”**
- 1941 the mining take over by German company “Mining Metallurgical Company”
- 1946 sand quarry bears the name “Czech factories for the mining of kaolin, clay and shale
- 1948 sand quarry comes under Northern Czech Sand Quarries, plant Střeleč
- 1959 construction of multi-level facility “Rheax” (used until 1980)
- 1961 emergence of a new complex of mining companies based in Karlovy Vary
- 1965 negotiations on the construction of a new plant with Keramoprojekt Brno
- 1967 Ceramic and glass materials, n. c. Karlovy Vary - Sedlec
- 1972 plant Střeleč becomes factory 05 n. c. Karlovy Vary - Sedlec (KSNP)
- 1972 first use of electromagnetic separation
- **1975 construction of the new plant begins**
- 1980 launch of the new plant
- 1991 independence of Sklopísek Střeleč as a state-owned company
- 1994 privatization creates Sklopísek Střeleč - EXIMOS, a. s.
- 2002 company renamed Sklopísek Střeleč, a. s.



Prof. Dr. Ing. Bohuslav Stočes

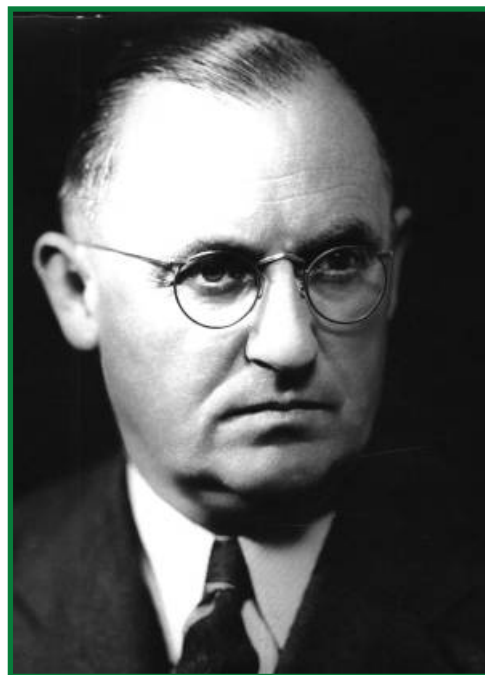
* 20. 8. 1890 Lhota u Příbrami,

+ 8. 6. 1969 Praha

The mineralogist, the petrologist, the mining engineer and the teacher. After graduation at the secondary school in Tábor he passed the second state exam in mining engineering at the Mining Academy in Příbram where he became assistant professor at the Department of Mineralogy, Geology, Palaeontology and Mineral Deposits. In 1917, he earned a Doctorate in Mining Science, and in 1919 he qualified as private associate professor in petrography. In 1920, he was appointed adjunct professor and in 1930 full professor at the Mining Academy in Příbram, where he worked till his premature retirement in 1948.

He issued a large number of expert opinions on ore, coal, and oil deposits, and also on deposits of industrial minerals and rocks, and ceramic materials. He studied the issue of undermining and its effects on surface objects. At the end of his teaching at the university he published two-volume monograph "Nerostné suroviny" (Mineral Resources, 1947). He studied the Central Bohemian Pluton and relationship between geology and mining. Later he concentrated on mining and published relevant books such as "Základy hornictví" (Essentials of Mining, published in 1945, 1950 a 1951), translated into English in 1951, and into Russian in 1957. In 1954 - 1959 he published altogether 8 volumes of "Atlas dobývacích metod" (Atlas of Mining Methods), where he depicted

He discovered the deposit of glass sand in Střeleč near Jičín.



and critically appraised the old and new mining methods, which were well received abroad and the author was invited to participate in the Committee for Mining Methods in Germany. The monograph "Wahl und Beurteilung der Abbauverfahren im Bergbau" (Stuttgart 1958) made him popular particularly in Germany.

He issued at least 150 expert opinions on engineering and economic geology. He discovered the deposit of glass sand in Střeleč near Jičín. He was an editor of a number of periodicals, undertook study journeys throughout Europe and Africa, and was a member of many scientific institutions. After the foundation of the Czechoslovak Republic he participated in the draft document for the government advocating the establishment of the State Geological Survey (now the Czech Geological Survey).

3 MAJOR ACHIEVEMENTS OF 2010

Trade Policy:

The company managed to maintain a full portfolio of major clients, who appreciate the combination of quality of our products and related services. Sklopísek Střeleč, a. s. has entered 2011 as a financially healthy company with strong capital and quality manpower.

Significant Investment Activities:

- Bagging of the sand in 25 kg bags
- Delivery conduit
- Reconstruction of the switchgear

The audit:

On 20th to 24th September a general audit conducted by ČBU Prague. The company successfully passed the inspection. Successful inspection is important not only for government administration authority but also recognizes the work that is carried out in safety and health at work protection.



5 COMPANY INTENTIONS FOR THE FUTURE

- In today's complex business world, it is more and more difficult to achieve a competitive advantage. The increasing intensity of global influences creates a new environment, where we have to adjust and try to find new ways to success.
- The company's leading strategic aim is to continue to strengthen the effective use of available resources to achieve sustained prosperity for the company, to keep its significance on the European level, and to maintain continuous growth of its value in the market.
- We will continue building business relationships with customers. We do not consider their satisfaction with our products a competitive advantage, but as a basic requirement.
- In the competitive battle for the contract, the main weapon for Sklopísek Střeleč, a. s. will be reputable pricing and responsiveness to the customer's requirements based on a total quality guarantee.
- The management will prepare for the coming years the new Vision, Mission and Strategy for further development of the company.



6 CHAIRMAN'S STATEMENT



Dear Business Partners,
Dear Employees,

I can evaluate the results of 2010 more positively than in 2009. The economic crisis may be slowly but surely receding. The result was some revival in the market, including among manufacturers of commercial glass. The company continued on its path from 2009, i.e. in permanent control of costs and thereby reducing costs of all kinds. 2010 proved itself a good year; our company has started again improving its economic performance and remains financially healthy.

I view the result of the general audits of the Czech Mining Authority, which took place in September 2010 very positively. The aim was to examine how the company ensures the efficient use of mineral deposits, safety and health protection at work, operational safety, verification of state workplaces the activities and operating technical

equipment. The Czech Mining Office, with the exception of some minor recommendations, noted that the areas under inspection and activities in society are adequately secured.

Allow me to thank to everyone for all achievements in 2010, and especially our business partners for good current and future cooperation. Also, congratulations to all employees on the results of the inspections of the Czech Mining Office.

Jaroslav Přerost
Chairman of the Board

7 REPORT ON BUSINESS ACTIVITIES

7.1 Trade Policy

The sales results in 2010 overcome the crisis in 2009. Thanks to the active trade policy, we have managed to maintain a full portfolio of major customers and gain new customers as well, especially by increasing the share of labor “in the field”.

A very important factor for us is that our customers perceive us as a reliable and serious partner.

We are also positively evaluating the winter season, when we succeeded, despite adverse weather conditions, to meet all orders. The negotiation of new acquisitions abroad is developing promisingly, especially in the German market. Our goal is to increase the proportion of sales in foreign markets.

In the fall of the year, audits of ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2008 were successfully conducted. Confirmation of the quality of the Integrated Management System supports business success and helps sales. Yet we continue to find new solutions that will lead to further increases of quality and timeliness of deliveries to customers.

In the composition of customers we recognize new fields of using quartz sand more distinctly: the production of glass in solar panels, special building materials, sealants, adhesives, fillers in plastics and sports surfaces.

Thanks to innovative ideas, we are developing new products and services which differentiate us from the competition. This means that we can support our customers and partners through a unique combination of technical knowledge and equipment.

The unique chemical composition and high-capacity of Střeleč sand stocks allows us, after adjustments of the production technology, to focus on the growing market of producers of highly porous glass for solar panels.

Excellent reviews received from our customers confirm the company’s ability to meet the growing demands for the quality of delivered products and related services. The increasing number of customers demonstrates our full reliability which is based on their own audits, by cancelling input control for our supplied products, which strengthens our credentials for the future.

7.2 Production

Sklopísek Střeleč, a. s. is a modern company. In the area of production capacity and volume of quartz sand sold, it is one of the largest suppliers in Central Europe. Technology modernization and proper raw material resources allow us to produce silica sand with a low content of iron oxide, which is necessary for the production of extremely pure glass. These are high quality glass sands containing Fe_2O_3 100 ppm or less.

2010 can be characterized in terms of the production process as a year focusing on increasing the efficiency of the potential utilization not only of manufacturing operations, but also of labour.

Based on the requirements of the representatives of the business unit, previously non-standard requirements of our existing and new customers were projected to the production process of wet and dry treatment to a different or very specific quality of our common products. For this purpose, we have successfully increased the flexibility of production lines, which in most cases resulted in the ability to offer customers tailor-made product.

Since we expect a similar development of the requirements in future periods, our main goals are investments in technology guaranteeing 100% product quality while developing new products with the aim of responding flexibly to the needs of customers.

(The Company does not carry out research and development at the level of the plant.)



7.3 Mining

In 2010 mining operations were focused on the benefits of selective logging, and the company was able to use all types of glass and foundry sands with minimal losses. The procedure of overburden positions continued in the on-going uncovering of overburden decks.

Raw Material Base

- During the mining of glass and foundry sands our attention was strictly paid to maximal utilization of their qualitative parameters. Mining was also focused on the thorough embedding of overburden positions on the internal dump. Unfinished benches were completed, and stability of individual levels was secured. Exploratory activity of the Skaříšov fault zone was supplemented with additional monitoring in 2010.
- Detailed knowledge of the break is an important factor for complying with the mining technology principle and health protection during mining of glass and foundry sands in the deposit.

Seismic and Noise Monitoring Programme

- Continuous monitoring of the seismic impact of blasting activity confirmed that the limits prescribed for monitored entities under Czech Standard ČSN 730040 were not exceeded. The seismic impacts measurement was carried out by a continuous device INSTANTEL MINIMATE + that enables transmission of measured values by mobile phone.
- Noise monitoring is carried out twice a year. The levels of outdoor noise are not increasing. This fulfils one of the conditions of the Mining Permit.

Dust Monitoring Programme

- Another condition of the Mining Permit is fulfilled through the regular cleaning and maintenance of roads and parking places around the plant and quarry areas. Continuous dust monitoring was carried out by an authorised company and did not identify any breach of the set limits.

Monitoring of Ground and Surface Water

- The subcontracted company continuously carries out monitoring of ground and surface water in the immediate and wider surroundings of the quarry. The intention is to forecast the development in the ground water level in the boreholes used for the public water supply.

Environment:

- The quality of wastewater discharged into the Žehrovka and the Libuňka Rivers did not exceed the limit prescribed by the Water Department of the Czech Ministry of Environment.

Activities were monitored by the following authorities:

- The District Mining Office in Trutnov carried out several inspections concentrated on the protection of health at work and observance of the Mining Permit conditions.
- The Czech Mining Authority in Prague checked the company's operations in September by general screening.
- The Czech Ministry of Environment together with the Czech Ministry of Industry and Trade and Geofond checked the stock records at the Střeleč deposit.



7.4 Company Development

The objective of our company is to offer products on the market that meet the demanding requirements of our customers and to ensure that production is in compliance with the quality policy of our company.

All activities and operation of Sklopísek Střeleč a. s. are conditioned on minimizing negative impacts on the surrounding countryside and its vicinity. Authorized companies regularly monitor noise levels and seismic activity; regular measurements of dust are also made. Protection of groundwater and surface water is consistently monitored as well. The ISO 14001 certificate is an indication of our friendly approach to environmental protection.

7.5 Human Resources

We pay active attention to all-round development of both employees professional and health aspects. We motivate employees to take advantage of the potential they hold. Their healthy development improves their quality of life and benefits company performance.

In the field of work safety we strive to provide consistent adherence to all related rules and regulations. Appropriate working conditions and health care are provided for employees. The statistics speak for our activities in the field of safety - three years without an accident at work.

The company actively supports the activity of the Sports Club, which organizes various events for active use of employees' leisure time. Actions are focused on cycling and exploring different places, relaxation, and also the participation of the members in sports competition including Jizerska 50, Krkonoše MTB Marathon and the like.

These activities help to develop healthy lifestyles and relationships between employees.



7.6 Awareness of responsibility

The company is fully aware that their activities change the face of the landscape.

Formulation: The concept of sustainable development sets out a framework for integrating environmental policies and development strategies in a broader sense, i.e. including ecological, economic and social development:

- We make an effort to meet the needs of the present without limiting opportunities to meet needs in the future.
- Care for the environment is an integral part of our policy.
- We harmonize current and future needs with the use of resources.

Through donations and advertisements we promote cultural and sporting life in the region. An integral part of this support is to help handicapped children and work with youth. These include:

- Association to help disabled children APROPO
- Outreach centre for children and youth
- Jičín the City of Fairytales – 20th year
- Scout movement
- Voluntary fire brigades
- Physical education associations



8 AUTHORITIES AND COMPANY MANAGEMENT

The Company Management



Managing Director
Petr Hübner



Production Manager
Jiří Krupička

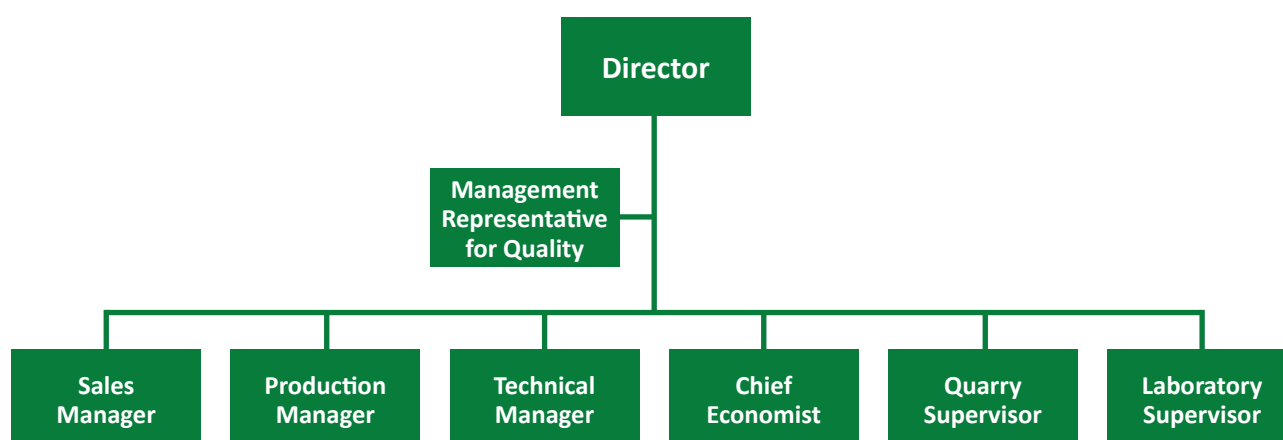


Sales Manager
Pavel Štochl



Technical Manager
Jaroslav Vitík

The Company Structure



Board of Directors

Chairman: Jaroslav Přerost
Member: Alain Speeckaert
Member: Thomas Charles Cutbush
Member: Otto Lorenz Hieber
Member: Michel Joseph Georges Grandjean

Supervisory Board

Chairman: Jiří Mašek
Member: Ladislav Vostárek
Member: Miloš Daňo

Names and surnames of members of authorities. (state as of 31th December 2010)
Sklopísek Střeleč, a. s. does not have an organizational unit abroad.

9 AUDITOR'S REPORT



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Česká republika

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Sklopísek Střeleč, a. s.

Financial statements

On the basis of our audit, on 16 February 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Sklopísek Střeleč, a. s., which comprise the balance sheet as of 31 December 2010, and the income statement and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Sklopísek Střeleč, a. s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Sklopísek Střeleč, a. s. as of 31 December 2010, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Sklopísek Střeleč, a. s. for the year ended 31 December 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Sklopísek Střeleč, a. s. for the year ended 31 December 2010 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague

15 March 2011

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.

Licence number 71

Eric Stelfox
Eric Stelfox
Partner

Otakar Hora
Partner/Senior Manager
Licence number 1197

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