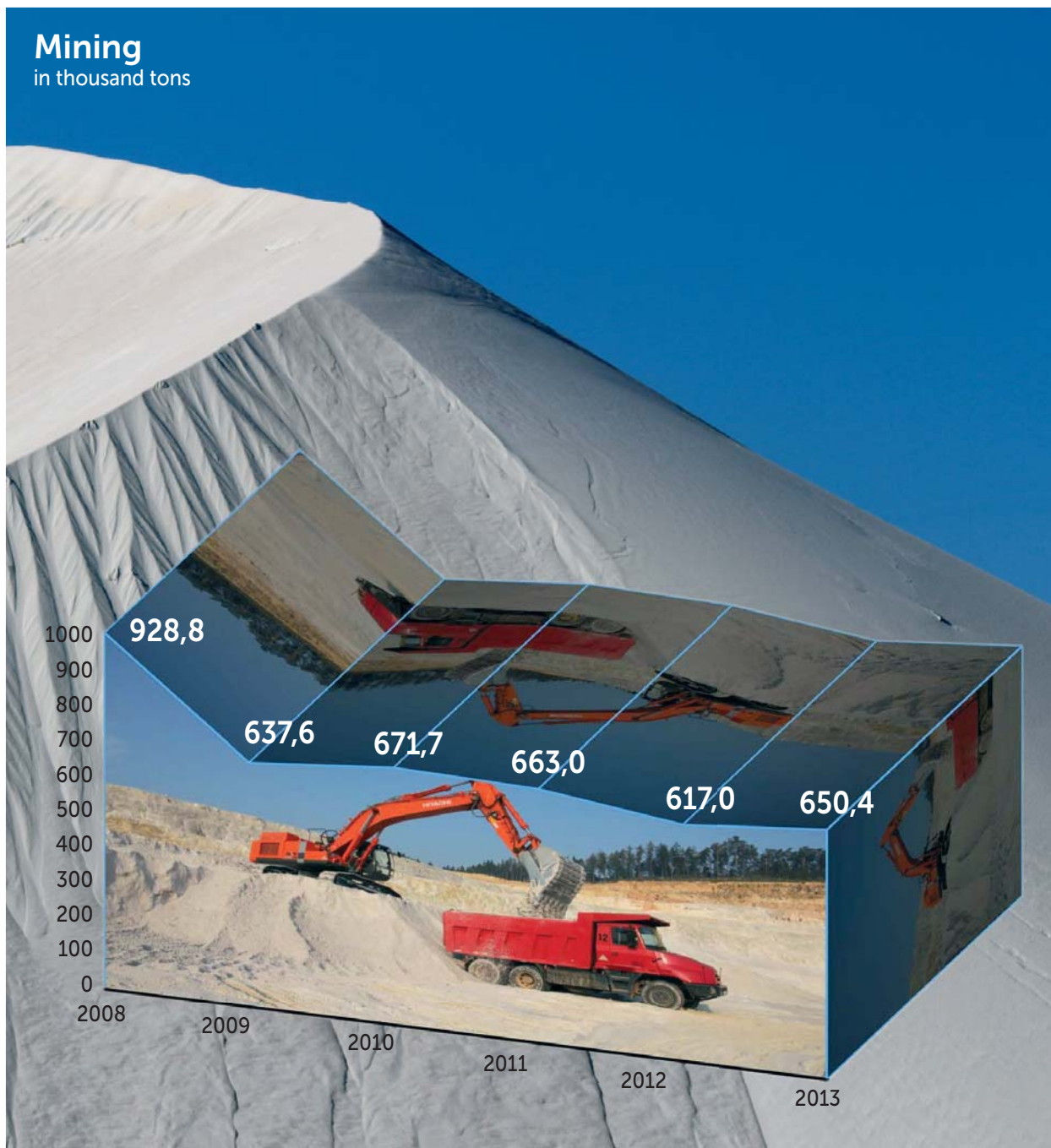




Annual Report 2013

www.sklopisek.cz

Key figures



Sklopísek Střeleč, a. s.
Hrdoňovice 80, 507 45 Újezd pod Troskami, Czech Republic
Identification number: 44795688

„We create values“

Contents



- 2 Profile**
- 3 Logo Development**
- 4 Application of products**
- 6 Year's Milestones**
- 7 A word of the Chairman of the Board of Directors**
- 8 Vision, Mission, Strategy**
- 10 Report on Business Activities**
- 16 Company Management**
- 17 Report on Relations**
- 19 Minutes of the meeting of the advisory board**
- 20 Auditor's opinion**
- 22 Annual financial statements**

Profile

Sklopísek Střeleč a. s. is an outstanding company in the Czech and Central European territory. It is a reliable supplier and respectable partner supplying high-quality sands suitable for wide purposes.



The company's premises are situated 10 km in the north-west direction from the town of Jičín. Its production plant has been built in the area of the municipality of Újezd pod Troskami in the village of Hrdoňovice and is equipped with state-of-the-art technologies. Its mining area of 1.7 km² is located in the territory of the village of Střeleč. The mining area is the largest in the Czech Republic with the best quality place for mining of high-quality sands.

The sands produced by the company are the basic raw material for production of crystal glass, glass packagings, plate glass and glass fibre. They are suitable for wide use in foundry industry. Their chemical purity and favourable graininess are also valued in other industrial areas, particularly in electrical, rubber, and building industries.

Seen historically, the deposit is divided to glass sands and foundry sands. This view is currently inconvenient for production and business, because it does not take into account the dynamic expansion of sands to all areas of modern industrial production. For the time being, this change has not penetrated into the Mining Act and the following description results from the historical view.

The deposit of sands originated by deposition of sediments in relatively shallow sea of Cretaceous formation of Mesozoic age. Glass sands are concentrated in white position, foundry sands appear predominantly in yellow upper position. Both positions are divided by the so-called red position created by strongly limonitised and hematitised clay sands that are not suitable for further processing and must be removed. The uppermost deposits represent quaternary soils and loesses with thickness achieving almost 16 m.

„We allow others to become unique.“

Logo Development

1967



1991



1994



2002



2013



Application of Products ...

Automotive sector

Glass panels, mirrors, plastics – abrasion resistance increase, light bulbs, sparking plugs, brake lining, casting moulds – foundry industry, searchlights (may also be plastic), exhaust pipes with DPF system;

Information technologies and imagine techniques

Semiconductor industry, display screens, components of cements, processors (100% purity is necessary), optical fibres – light signal;

Housing development

Glass panels – windows, doors, showcases etc., modern constructional material for cladding of buildings, constructional concrete, insulation, mined sand (not washed) for wide use, optical fibres – building components, mortar mixtures, floor mixtures, chandeliers, lighting fixtures, light bulbs, mirrors, pictures, glassware, crystal glass, spreads on cardboards, artistic decorations, coatings, filtering sand for swimming pools, door glass for automatic washing machines, top dressing of lawns, filling sands (excavations, pavements, winter spreading), solar panels, glazing of wall tiles, floor tiles, and roof tiles;

Personal use

Jewels, glass decorations, glasses, astronomic telescopes for professionals and amateurs as well, sighting optics of cameras and projectors, oven-ware glass, toothpastes, components for dental laboratories, and glass figures;

Sports fields – amusement

Beach volleyball, football pitches, golf courses, optic equipment of hunting weapons, tennis courts, playgrounds, arenas for horses, safety glass in enclosures for animals in ZOOs, terrariums, aquariums.

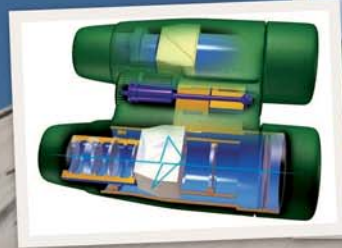
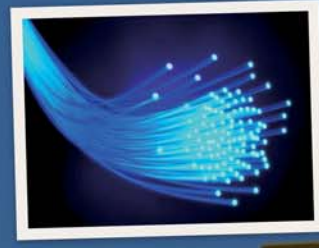
Foundry operations – moulding compounds

Rail transport, military technologies, fittings, structural elements, control elements – wheels, levers, heavy and light industry.

Industry – others

Blasting material, paints, glass industrial pipes, laboratory glass, mining industry – shale gas, protective and noise reducing barriers along roads, components for production of artificial stone, glass packagings, plugs for bottles.

„We are an integral part of life.“



Year's Milestones

1. In January 2013, the company started to use a new logo in connection with the change of the corporate identity.

January

Meeting with the representatives of state and local administration bodies.

May

Visit of the new member of the Board of Directors, Mr. Birger Solberg. During his visit, he saw the premises of the plant and acquainted himself with operation of the company.

September

Appointment of the new member of the Board of Directors, Ing. Pavel Šedlbauer, who replaced Michel Joseph George Grandjean on September 24.

October

Successful supervisory audit as per ISO 9001, ISO 14001 (environment) and OHSAS 18001 (occupational safety).

Significant investment projects

Palletizing and packaging line; Launch of the Magnetic separation investment project; Launch of implementation of new ERP system.

Supervisory activities of state administration bodies

Regular inspections took place - District Mining Bureau of Hradec Králové Region and Pardubice Region 8 check-up commissions were appointed, the purpose of which was to carry out a thorough check of determined objects focused on prescribed documentation and physical situation of workplaces.

Conclusion

The company manages to maintain full portfolio of important customers who appreciate the combination of high-quality products and related services.

Sklopísek Střeleč, a. s. enters 2014 as a financially healthy company with strong capital and high-quality human potential and plans for future development.

A Word of the Chairman of the Board of Directors



Dear Shareholders,
Dear Business Partners,
Dear Employees,

We assess the business year 2013 of our company as very positive. The economic crisis in some sectors has not ended yet and it still concerns some of our customers. It particularly relates to foundry industry. On the contrary, glass industry gradually enlarges its capacities and the customers turn to us with their requirements as to an important supplier of glass sands. This situation was helpful for the economic performance of the company, which increased again in 2013.

The company pays permanent attention to the quality of its production, new products and customers. The annual programs for reduction of all types of costs are of high importance. The company puts occupational safety, education of employees, and teamwork at the forefront.

At the end of 2013 and after a thorough preparation, the company succeeded in gradual launching of a new information system. It also prepares a significant modernisation of production capacities.

We would like to take this opportunity to thank to all our shareholders and business partners for their very good existing and future cooperation. Our thanks for good work go to the management and all employees.

A handwritten signature in blue ink, which appears to read 'Přerost', written in a cursive style.

Jaroslav Přerost
Chairman of the Board of Directors

Vision

With utilisation of its unique raw material base the company wants to break through with its high-quality sands in all industrial sectors in Central Europe and to meet demanding requirements of its customers. The company aims to set a good example in the attitude to environment and to be an important partner for the municipalities and organisations within its region.



Mission

The company implements in practice the ambition to utilise intensely the resources available to create a permanently prospering flourishing company of European significance. Utilisation of the mining area is monitored carefully. Premeditated investments in production constantly strengthen the opportunities for utilisation of raw materials during their processing. The company helps social and non-profit organisations and focuses on care for the excavated area.

**„Global challenges are not threats.
They are opportunities for further development.“**

Strategy

The company management's priority is searching for new business opportunities.

The main weapon of the joint stock company Sklopísek Střeleč in the competition for contracts will be its respectable price policy and accommodativeness in respect of customer's requirements based on full warranty of its quality and mutual respect. Satisfaction with products is not a competitive advantage, but a basic duty.

To meet its strategic target focused on education, the company became involved in the subsidy schemes of European Union.



All activities of Sklopísek Střeleč, a. s. and its impact on the surrounding environment are pre-conditioned by minimisation of negative impacts. Authorised companies regularly monitor noisiness and seismology. Regular measuring of dustiness is carried out as well. The sphere of ground and surface water is monitored no less consistently. ISO 14001 certificate is the proof of considerate environmental approach.

Development of cooperation takes place in wide spectrum of activities.

An inseparable part of the company's strategy is increasing efficiency by means of improvement of technologies and technological processes.

Safety is the company's priority and accompanies all decisions. Monitoring and safety control is externally supported by OHSAS 18001 standard and regular inspections carried out by the Mining Bureau.



„Our strategies ensure growth of a company's value“

Report on Business Activities

Human Resources

The company is actively involved in all-round development of its employees both in professional and health aspects. It motivates its employees for utilisation of their potential that they dispose of. Their health development increases quality of their lives and contributes to the company's performance.

An important last year's milestone is commencement of drawing of funds for education from the European Social Fund and State Budget.

The company pays attention to consistent observance of all related standards and regulations in the area of occupational safety. The company creates suitable working conditions for its employees and provides them with corresponding health care. The activities in the area of occupational safety are supported with statistics – nine years without a serious job-related injury.

The company actively supports the activities of a sports club that organizes various events for active use of free time of the employees.



„We do what strengthens us.“

Mining Activities

Mining works continued in 2013 with selective stripping and mining under the level of ground water. The procedure of stripping positions continued in accordance with valid plan of development, preparation and mining.

Raw material basis

At mining of glass and foundry sands, the company paid attention to optimum utilisation of raw materials according to content of Fe_2O_3 and size of medium grain. Suitably selected type of raw materials for the given production is the basic factor in the efforts to increase the period of life and use of all glass and foundry sands in deposit.



Measuring of noise, seismology and dustiness

Constant monitoring of seismic effects of blasting techniques does not show any exceeding of permissible hygienic regulations determined for the object monitored in accordance with CSN 730040. The company carries out a year-long measuring of noise and the values measured outdoor show no increasing tendency. Another precondition for permission of mining activities is fulfilled by regular washing and maintenance of the roads and parking areas in the premises of the plant and the sand pit. Continuous monitoring of dustiness carried out by an authorized agency shows no exceeding of determined limits.

Protection of surface and ground waters

A supplier's company ensures continuous monitoring of surface and underground water in close and wide surrounding of the deposit. The target is the ability to prognosticate the development of ground water in the structures supplying water to public.

„We think economically and are gentle to the landscape“

Technical Support



The area of technical support of production and optimisation of cycles of repairs and maintenance create an inseparable part of the company's everyday life. The priority is incessant searching for the methods of reduction of expenses for maintenance and repairs to preserve adequate technical and technological quality of the respective facilities.

Conservancy creates an integral part of the company's work.

Thanks to its investment, the company maintains its top position in its segment and constantly develops new opportunities for optimisation of production processes.

„We constantly think about cost reduction.“

Production Productivity

Sklopísek Střeleč, a. s. ranks among the most important suppliers in Central Europe in the sphere of production capacity and volumes of silica sand sold. Incessant modernisation allows producing silica sands with low content of iron oxide that create the basic element for production of extremely clear glass.

As in previous years, even in 2013 the company engaged in searching for new opportunities to increase efficiency of its production process, quality increase, highest utilisation of the raw material basis and compliance with all customers' requirements. It managed optimisation of sorting processes with success. It carried out small improvements and investment projects for this purpose last year.

The company keeps fulfilling the maximum volume not only of common, but also non-standard requirements of current and new customers for different or narrowly specified quality of common products. It managed to increase flexibility of individual production lines, so that it can offer the customers products with higher quality meeting their specific requirements.

The development became a standard for future. The company will continue investing time and money into technologies and optimisation of work procedures. The company's target is to be able to react quickly to changing needs of its customers.

The company does not perform any research or development on the plant level applicable in accordance with the tax advantages set by the Income Tax Act. It performs research and development in the scope of work of all involved employees focused on constant reduction of cost, increase of performance and optimisation of processes.



„Our modern production saves the resources of raw materials.“

Business Policy

The business year 2013 and its business results confirmed the company's high potential. In spite of the fact that it did not succeed in fulfilling the business plan for that year, it achieved better results than in the previous year thanks to its active business policy and development of the customers' economic situation. The result was significantly supported by increased sale of the products with higher added value and by the fact that the company was able to maintain full portfolio of important customers and win new customers across main industrial segments.

A significant factor for the assessment of the company's market position is the fact that the customers see Sklopísek Střeleč as a reliable and respectable partner, which proved for example in the winter period of the year, when it managed to fulfil all orders despite unfavourable climatic conditions.

Also new acquisitions in foreign countries, especially in Poland market, where the company won new customers in the glass sector, are valued positively. The structure of customers becomes to be enlarged by new and new segments that use silica sands: special building materials, cements, adhesives, fillers of plastics, precise casts, industrial floors, and sports surfaces. New custom-made products are being developed thanks to innovative thinking. Other variants of types of packagings are improving and spreading to cover all requirements of the market.



„We do everything to satisfy our customers.“

Awareness of Responsibility

The company strives for sustainable development carried out with sensitive approach to environment and countryside. It meets the customers' requirements in accordance with the respective legislation with the most considerate approach to environment and with maximum respect to the employees' health and safety.

It directs its efforts for sustainable development mainly in the following areas:

- most efficient utilisation of its unique raw material basis;
- reclamation of the area affected by mining in accordance with the respective plans;
- modernisation of operation focused on reduction of energy intensity;
- implementation of the measures for reduction of the noise from the plant;
- searching for new ways for cost reduction;
- building good partnerships with public of surrounding municipalities.

The company supports cultural and sports life in the region with gifts and promotion. A significant part of the support is the aid provided to disabled children and non-profit organisations cooperating with young.

There were no events as of the date of preparation of the annual report that could significantly affect the financial statements dated 31st of December 2013.



„Responsibility is the intersection of company activities“

Company Management

Valid as of 31st December 2013

Board of Directors

Chairman: Jaroslav Přerost
Member: Otto Lorenz Hieber
Member: Thomas Charles Cutbush
Member: Michel Joseph Georges Grandjean
(till 25th October 2013)
Member: Pavel Šedlbauer
(from 24th September 2013)
Member: Birger Solberg

Advisory Board

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

Management



Petr Hübner
Managing Director



Jiří Krupička
Production Director



Zdeněk Novotný
Commercial Director



Zdeněk Müller
Technical Director



Jiří Veselka
Chief Financial
Manager

Sklopísek Střeleč, a .s. has no organisational unit abroad.

