



ANNUAL REPORT 2014



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AN INTRODUCTORY WORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear shareholders,
Dear business partners,
Dear employees,

It is my pleasure to say that the results of 2014 again outperformed those of the previous year.

Thanks to the positive development in production of glass in the Czech Republic, the sales in tonnes, and obviously also the volume of extraction, increased. An optimistic recovery was also registered in other areas, e.g. in foundry industry.

Our company still keeps implementing the grant program called Operational programme for human resources and employment. We have also successfully implemented the new information system and modernized our wet preparation plant with the aid of the subsidy from EU funds.

Our company's management actively worked on production streamlining and cost optimisation. We were working on the development of new products. And last but not least, the company implemented many improvements of its work and working environment for its employees.

During the year the company also commemorated its 75th anniversary of its foundation. The company was visited by the guests of the „Jičín – the Town of Fairy Tales” festival untraditionally on rails in a historical train. For the inhabitants of the region the company prepared an exhibition on the firm's history.

I would also like to thank to the company's management and all our employees for their job well done. My thanks belong also to the company's shareholders for creation of good conditions for development of the company and for their assistance in some key areas. The greatest thanks belong to all our customers who appreciate the high quality of the sand supplied by us and use it in their production. I hope that our „quality in every grain” brings them a positive effect in the quality of their products.

A handwritten signature in blue ink, which appears to be "Přerost".

Jaroslav Přerost, Chairman of the Board of Directors

COMPANY PROFILE

The oldest written source of extraction in Střeleč dates back to 1901, in which blocks of sandstone were extracted there for stone-cutting industry. There, they extracted blocks of kaolinic sandstone that was used for socles, facing of buildings, facades of buildings, pavements, stairs, abrasive rings for machines, for glass grinding plants, monuments etc. The sandstone was used at the construction of the Ministry of Trade in Prague, the hospitals in Jilemnice and Jičín and the church in the suburbs of Hradec Králové. Extraction of sand in our current deposit of glass and foundry sands was launched before the 1st World War.

The exceptional qualities of the sands for wide industrial production were discovered by Ing. Dr. Bohuslav Stočes before the 2nd World War, who fully realized their value. Thus, in 1939 the company „První česká úpravna sklářského písku ve Střelči“ (First Czech plant for preparation of glass sand in Střeleč) was established.

Sklopísek Střeleč, a.s. is currently a significant company in the Czech and Central European area. In the area of production capacities and volume of sold silica sands it belongs among the leading suppliers in the Central Europe. It is a reliable supplier and respectable partner supplying sands of high-quality suitable for wide purposes.

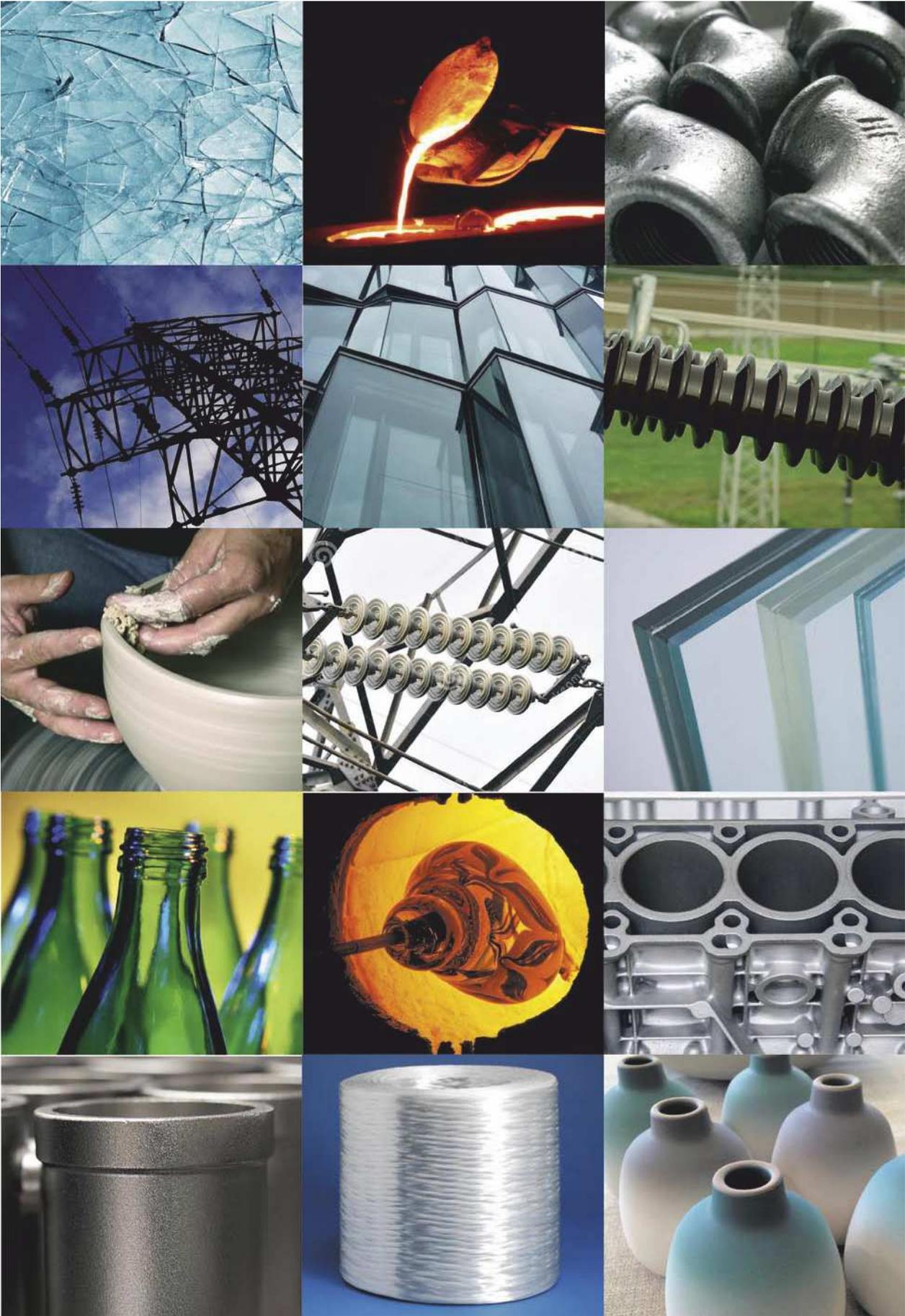
The company's premises are situated 10 km in the north-west direction from the town of Jičín. Its production plant has been built in the area of the municipality of Újezd pod Troskami in the village of Hrdoňovice and is equipped with state-of-the-art technologies. Modernisation of the technologies and suitable sources of raw materials allows the company to produce silica sands with low content of iron oxide, which is necessary for production of extremely pure glass. They are high-quality glass sands with the content of Fe_2O_3 that does not exceed 100 ppm.

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, packaging glass, 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 and building industries.



„The company gets ahead in all areas of industry thanks to its unique raw material base.“



Application of products

Automotive industry

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 create part of your lives.“

EVENTS 2014

2014 was a year under the sign of the 75th anniversary of establishment of the company První česká úprava na sklářského písku ve Střelči, which currently bears substantially shorter name „Sklopísek Střeleč, a.s.“.

In this jubilee year the company acquired the Zlatý Permon (Gold Gnome) award for occupational safety for the first time in its history, which was a nice gift to the company's anniversary.

However, this was not the end of all the significant events of the past year. At the occasion of „Jičín – the Town of Fairy Tales“ festival a historical steam train arrived in the area of the company bringing along 300 visitors.

■ MAY

CZECH Stability Award

In the CZECH TOP 100 declared by Bisnode and published in economic media, Sklopísek Střeleč, a.s. was awarded in the „Most stable company of the year“ category.

■ JUNE

Zlatý Permon Award

Sklopísek Střeleč, a. s. was given a significant award for occupational safety in mining in 3rd category (mining activities carried out by extraction – stone pit, sand extraction of gravel extraction – for companies with not less than 51 employees) by the Czech Mining Authority. The Zlatý Permon Award was received by Petr Hübner, the company's Managing Director, on 16th July 2014 in Valdštejnský zámek (Wallenstein Castle) in Jičín from the hands of Ing. Ivo Pěgřímek, the Chairman of the Czech Mining Authority. The award giving was attended by a representatives of the Czech Mining Authority, the Mayor of the town of Jičín, MVDr. Jiří Liška, mayors of surrounding localities, representatives of public administration and selected employees.

■ SEPTEMBER

Exhibition of the association České umění skla o.s. (The Czech Art of Glass, public organisation)

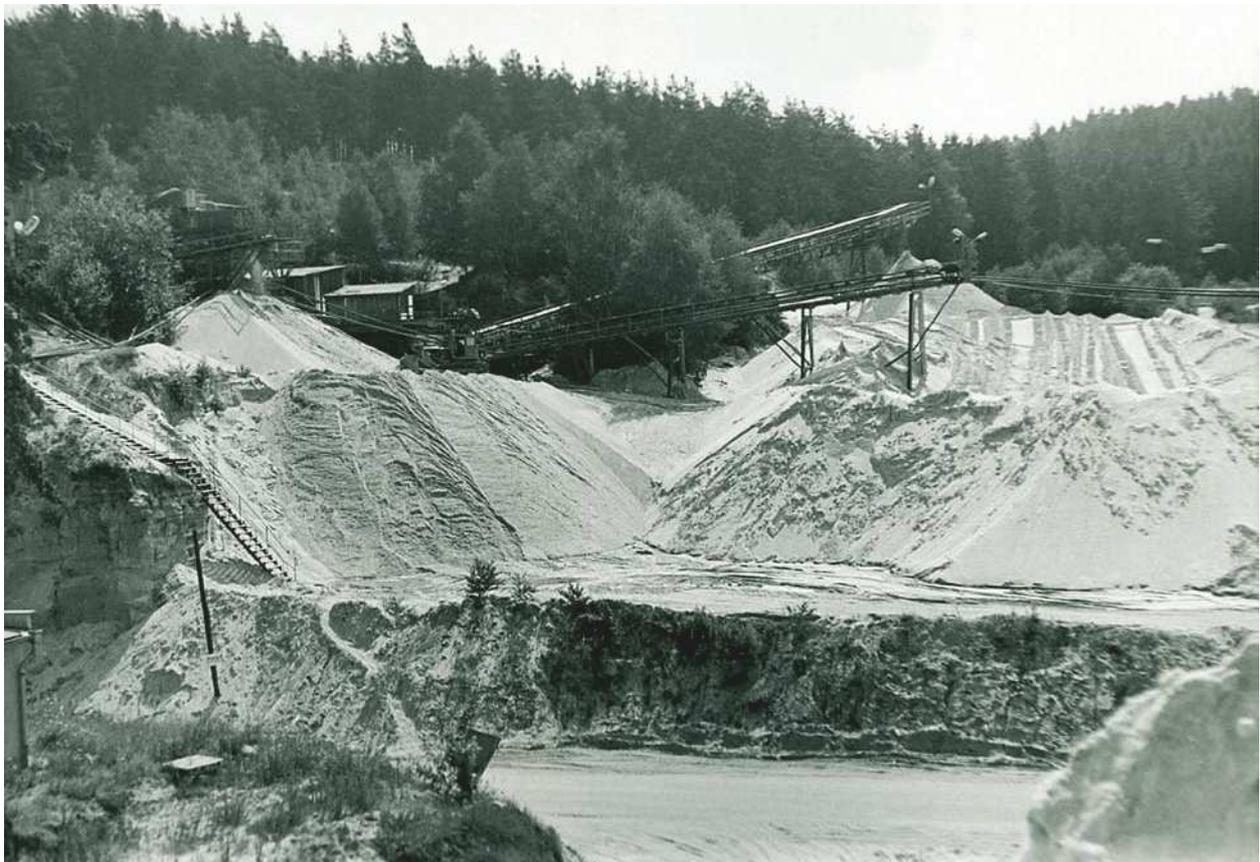
The association Concerto Glassico, which organized the exhibition, is a project supporting the Czech glass and jewellery industry and representation of the Czech Republic abroad.

The exhibition took place in September 2014 in Toskánský palác (Tuscany Palace) in Prague, and due to the fact that there would be no glass without sand, Sklopísek Střeleč, a.s. was among the companies involved (even though it is not its member) as a representative of the primary raw material that accompanies glass.

Fairy tale steam train in Sklopísek

Within the 24th year of „Jičín – the Town of Fairy Tales“ festival the company Sklopísek Střeleč was visited by a historical steam train on Sunday 14th September 2014. It brought some 300 passengers from Jičín to the area of the company that prepared for them a rich program both in the company's premises and on their trip back to their homes.

Together with the Production Manager they attended an excursion into the plant of the sand pit and they had an opportunity to see the extraction area of the sand pit from the lookout. Despite the unfavourable weather that prevailed at that day, the visitors were keen for this remarkable experience that they will remember also thanks to the souvenirs that they have been given.



■ SEPTEMBER/OCTOBER

Exhibition at the occasion of the company's 75th anniversary

The exhibition for commemorating the 75th anniversary of the company's foundation was started by a theatrical performance of the birth of the idea to start extracting sand in Střeleč. The opening took place on 30th September 2014 in the place of the exhibition, it is in the Three Emperors Lounge of the adjacent area of Valdštejnský zámek (Wallenstein Castle) in Jičín. The following day, the exhibition was opened for the pensioners who formerly worked in Sklopísek, so that they could recall the history and development of the company.

The visitors who didn't miss the exhibition had a chance to learn the details about the company's history by means of a set of information panels on the company's progress, historical photos and documentary films. The visitors could also see a visualisation of the sand pit by means of a 3D model. And the little ones could enjoy interactive playing with sand.

VISION, MISSION, STRATEGY

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.

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 preconditioned 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.

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.

„We know what we want.“

BUSINESS ACTIVITIES

Mining Activities

Mining works continued in 2014 with selective stripping and mining under the level of ground water. The company still utilizes the permission for mounting the internal dump with overburden soil, by which it reduced backfilling mineral resources located under the level of the ground water in the sand pit.

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. Exploratory activities in the deposit in Střeleč was supplemented with the monitoring of the main defective zone of Skaříšovský edge (east-west), where the extraction works will be carried out next year. The exploration of the dangerous area is very important in terms of safe operation.

Measuring of noise and seismology

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 still keeps using the constant INSTANTEL MINIMATE + meter that allows transmission of the values measured over a mobile phone and thus it helps the managers to have a good and up-to-date information on the situation in the deposit.

It was determined, thanks to the year-long measuring of noise values, that the noise level in the environment is not increasing. This way, one of the conditions of the mining activities permission is fulfilled.

Measuring of dustiness

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. The monitoring of 2014 again does not show decrease of water. To the contrary, the water level in the objects monitored are slightly increasing. The permission acquired for reduction of the level in the main pumping station in the sand pit to the dimension of 247.5 metres above sea level (up to the dimension 245.0 m. s. l. in the period December – March) was utilized for the extraction under the ground water level.

„We are considerate to our neighbours in our extraction works.“



Technical Support

The technical support creates part of the company's everyday life and cares for its easy and trouble-free operation. The following projects were crucial for the company in 2014:

Modernisation of the wet treatment plant

The implementation of the „Magnetic Separation“ investment project was unique both by its size and the fact that our company successfully drew the subsidy in 2015 from EU funds in the total value of 40% of the total cost of the whole project.

Restoration of in-house communications

In 2014 the company continued with the general restoration of the communications within the company's premises. Another phase consisted in laying of interlocking pavement in the area of distribution and beginning of repairs of the communication that will serve as a substitute circuit for silo tankers (ground and dried sand in tankers) for the period of restoration of the loading area or for case of an accident.

Taking employees of electrical maintenance

The employees of electrical maintenance of UNI ELEKTRO s.r.o., the external supplier, were taken over under the joint stock company Sklopísek Střeleč. By this step the company streamlines planning and reporting of the respective activities and the whole works within electrical maintenance. By this step the employees won, among others, a direct relationship with the company for which they work.

The investments in production help the company to stay in the lead in its branch. At the same time, we put great emphasis on optimisation of all processes and searching financial reserves. Numerous tenders and inquiry processes create an inseparable part of these processes. The priority is to preserve an adequate technical and technological quality of our facilities.

„We are incessantly trying to find a balance between our progress and 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.

Last year, increasingly more than in the previous year, searching the options for internal cost reduction have brought great results. Emphases were put mainly on optimisation of production processes, synchronisation of production times and elimination of idle times. The resulting asset was optimisation of production cost and increased productivity per head.

Investment projects together with small improvements helped to increase production of sand.

Based on the Sales Department's request, we continued in taking formerly non-standard requests of our existing and new customers for different or very specific quality of our common products into account in our production processes in wet and dry treatment plants. For this purpose we were successfully increasing the flexibility of individual production lines, which in absolute majority of cases resulted in our ability to provide the customers with the products according their requirements.

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.



„We increase flexibility of our production to be able to accommodate our customers' wishes.“

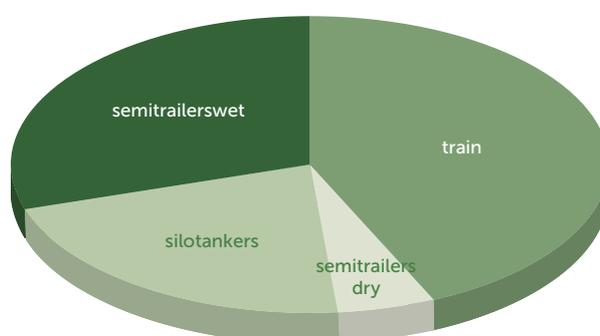


Business Policy

We have fulfilled the plan for 2014. The results achieved supported the high potential of the company. Thanks to its business policy focused on customers, high-quality products and positive development of the customers' economic situation the company achieved higher sales than in the previous year. 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.

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 packaging are improving and spreading to cover all requirements of the market. 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 was confirmed throughout the year, where we managed to 100% fulfil all customer orders.

Overview of transport in 2014



„Customers' satisfaction is important for us.“

Awareness of Responsibility

The company pursues sustainable development. The goal of this policy is minimisation of environmental impacts, cooperation with the municipalities in the region and accent put on occupational health and safety.

Thanks to financial supports we implement our long-term vision of interconnection of the company with the life in the region. The company supports cultural and sports life in the company's neighbourhoods and an inseparable part of this support is the aid provided to disabled children and non-profit organisations.

The company was able to fulfil its goals in the past year thanks to: the Zlatý Permon award for occupational safety in mining industry given by the Czech Mining Authority, arrival of the historical steam train in the area of the company with 300 visitors on board, and last but not least, there was an event that was topical during the whole previous year – the 75th anniversary of the company's foundation that culminated by the exhibition in the Valdštejnský zámek in Jičín.

For the improvement of the established quality management system, environmental management and occupational safety management the company created its Integrated Management System Policy. Fulfilment of the standards' requirements is supported by the certificates acquired.

Expected development

One of the main targets of our company is to focus on manufacturing high quality, low iron content sands. These products are increasingly popular among glass producers and give our customers a quality advantage on the market. Another important development is optimization of manufacturing and support processes with the aim of minimizing production costs.



„We set a good example in the approach to environment and an important partner for the organisations and municipalities in our region.“

COMPANY MANAGEMENT

Situation as of 31st December 2014:



Petr Hübner
Managing Director



Jiří Krupička
Production
Director



Zdeněk Novotný
Commercial
Director



Zdeněk Müller
Technical
Director



Jiří Veselka
Chief Financial
Manager

Board of Directors

Chairman: Jaroslav Přerost
Member: Otto Lorenz Hieber
Member: Thomas Charles Cutbush
(until 31 December 2014)
Member: Pavel Šedlbauer
Member: Birger Solberg

Advisory Board

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

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

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 2014.