



ANNUAL REPORT 2011

Sklopísek Střeleč, a. s.

QUALITY IN EVERY GRAIN

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1 Who we are

Company name:	Sklopísek Střeleč, a. s.
Registered office:	Újezd pod Troskami, Hrdoňovice 80, 507 45 Mladějov v Čechách
Legal form:	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:	The joint-stock company was established on 5 December 1991 under the name EXIMOS, a. s. On 1 February 1994, this company purchased Sklopísek Střeleč, a state-owned company, from the National Property Fund of the CR.
Identification number:	44795688
Tax identification number:	CZ44795688

Sklopísek Střeleč, a. s. is a well known and distinguished company.

It is a reliable supplier and a reputable business partner.

The deposits of glass and foundry sand at Střeleč is 10km northwest of Jičín and is the largest deposit of prime quality glass sand in 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 low-grade glass sand are deposited in the upper, yellow zone. Both zones are separated by a red layer 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 16m. This unique deposit, unmatched in the country in terms of quality, is located in the municipality of Hrdoňovice. The mining area of 1.7km² is situated within the 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 Chairman's statement



Dear Business Partners,
Dear Employees,

The results for 2011 confirm that our company's economic performance continues to improve. The commercial glass market is showing signs of recovery, and all this for the benefit of our customers. Our goal is to provide them with high-quality sand and help them further develop their activities. In this way, Sklopísek Střeleč, a. s. is able to strengthen its position in the glass industry.

Importantly, however, the financial crisis is not yet over and the Company has significantly shifted its focus to new products and customers.

In 2011, the company continued with initiatives from previous years, such as the full review and optimisation of expenses. Some changes made in the organisation of maintenance and management also proved effective in 2011.

Allow me to thank our business partners for our mutual cooperation, which will hopefully bring advantages to both parties in the future. I would also like to express my thanks to our employees for their good performance.

A handwritten signature in blue ink, which appears to read 'Přerost'.

Jaroslav Přerost,
Chairman of the Board of Directors

12 April 2012

3 The Company's history



Prof. Dr. Ing. Bohuslav Stočes

* 20 August 1890 Lhota u Příbrami

† 8 June 1969 Praha

The mineralogist, the petrologist, the mining engineer and the teacher. After graduating from secondary school in Tábor he passed the second state exam in mining engineering at the Mining Academy in Příbram, where he went on to become assistant professor at the Department of Mineralogy, Geology, Paleontology and Mineral Deposits. In 1917, he earned a Doctorate in Mining Science, and in 1919 he qualified as a 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 until 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 university teaching career he published the two-volume treatise "Nerostné suroviny" (Mineral Resources, 1947). He studied the Central Bohemian Pluton and the 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 and 1951), translated into English in 1951, and into Russian in 1957. In 1954–59 he published a total of eight volumes of "Atlas dobývacích metod" (Atlas of Mining Methods), where he depicted and critically appraised old and new mining methods; the work was well received abroad and the author was invited to participate in the Committee for Mining Methods in Germany. The treatise "Wahl und Beurteilung der Abbauverfahren im Bergbau" (Stuttgart 1958) made him particularly popular 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 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).

4 Major achievements of 2011

Business policy

The Company managed to fully retain its portfolio of significant customers, who appreciate the quality of our products and related services.

State supervision activities

20–21 April 2011

The chief inspector of the fire brigade in the Hradec Králové region performed a comprehensive and detailed review of the fire safety regulations applied by the company, concluding that it was “without any serious faults or deficiencies”.

14 June 2011

The inspectors of the Trade Union of Employees Working in Glass, Ceramics, Fashion Jewellery and China Industries performed a review of the health and safety regulations applied by the company, stating that “no deficiencies have been identified; the employer meets its obligations arising from the labour-law relations including the regulations regarding health and safety protection at work.”

28 June 2011

The inspectors of the District Mining Authority performed a review to ascertain whether the company had fulfilled the measures adopted as a result of the general audits carried out by the District Mining Authority in the period from 20–24 September 2010. They stated that the appointed tasks had been carried out according to the agreed time schedule.

Significant investments

- expansion of the storage capacity of freely deposited dried sand
- cylindrical crusher
- X-ray spectrometer

Sklopísek Střeleč, a. s. has begun 2012 as a financially healthy and strong company in terms of its capital and human potential.



5 Significant events of 2011

8 September 2011

Our business division successfully organised the “Founders’ Meeting” of the Foundry Association, during which we presented our company and offered tours of our premises. Forty guests representing Czech foundries, which are usually our customers, accepted our invitation.

13 September 2011

An SSR meeting was held during which the representatives of S. C. R. Sibelco S. A.’s shareholders showed their interest in the company’s economic and technical situation, operational activities, investment plans, and project preparation. Participants expressed their satisfaction with the company’s current situation.

7 October 2011

The invitation to an unofficial meeting initiated by Mr. Alain Speeckaert (member of the board of directors) was accepted by some exceptional guests: Her Excellency, Ms. Renilde Loeckx-Drozdiak, the Ambassador of Belgium in the Czech Republic; His Excellency, Mr. Ferdinand Trauttmansdorff, the Ambassador of Austria in the Czech Republic; and Mr. Frederik De Potter, Economic and Commercial Attaché at the Belgian Embassy. Our unique guests visited the quarry and the sand processing plant and were surprised by the high technical quality maintained by our company. They left with a positive impression.

25 October 2011

The auditors of BUREAU VERITAS CZECH REPUBLIC, spol. s r. o. performed two supervisory audits, stating a result “without deficiencies”.



6 Plans 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 succeed.
- 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 at 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 rather a basic requirement.
- In the competitive battle for contracts, the main weapon for Sklopísek Střeleč, a. s. will be reputable pricing and responsiveness to the customer's requirements based on the promise of total quality.
- For the coming years the management will prepare the new Vision, Mission and Strategy for the further development of the company.

Current quality certificates:



7 Report on business activities

7.1 Business policy

Our business results for 2011 confirmed the company's potential. The 2011 business plan has been fulfilled while maintaining a full portfolio of major customers due to our active and systematic business policy and acquiring new customers from various industries. One of the most significant facts defining our position in the market is that Sklopísek Střeleč, a. s. is perceived by our customers as a reliable and respectable partner.

In 2011, we managed to acquire new foreign customers operating in the glass industry, primarily in Poland. We have also been intensively working on increasing our share in the Austrian and German markets.

Our customer portfolio has grown and now includes customers from new fields using quartz sand for the production of solar panels, special building materials, sealants, adhesives, fillers in plastics, precision casts, industrial floors, and sports surfaces.

We endeavour to build a competitive advantage on our innovative thinking and development of new products and services. We support our customers and partners through a unique combination of technical knowledge and equipment.

The unique chemical composition and high-capacity of the Střeleč sand deposits allow us, after adjusting 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. This strengthens our credentials for the future.

7.2 Production

Sklopísek Střeleč, a. s. is one of the largest suppliers in Central Europe in terms of production capacity and volume of quartz sand sold. Technology modernisation and a suitable raw material resource allow us to produce silica sand low in iron oxide, which is the essential element for the production of extremely pure glass. These are high quality glass sands containing 100ppm or less Fe_2O_3 .

As in previous years, the year 2011 focused on optimising manufacturing processes and cost savings. For cost saving, special attention was paid to reducing the volume of production relating to secondary products that are difficult to sell, and to saving costs incurred for purchased utilities. Pilot investment projects were carried out for this purpose in 2011.

In order to satisfy our most demanding customers, our production processes (both wet and dry treatment) have been modified to cope with non-standard requirements of our existing and new customers for a different or a very specific quality product. We have



thus increased the flexibility of our production lines, which in most cases resulted in the ability to offer customers tailor-made products.

Since we expect a similar development in the future, 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 Extraction

In 2011, mining operations focused on the benefits of selective extraction and on extraction below groundwater. The company could thus use all types of glass and foundry sands with minimum losses. It also continued with the on-going removal of overburden layers.

Raw material base

During the mining of glass and foundry sands we paid strict attention to maximum utilisation of the sand quality. Increased attention was also paid to extraction below groundwater. This helped us extract glass raw material for production of the highest-quality products and use the deposit more effectively. Additional monitoring was carried out in 2010 within the exploratory activities of the Skaříšov break fault zone. Detailed knowledge of the break is a vital factor for maintaining the principles of mining technology and health protection when extracting glass and foundry sands from the deposit.

Seismic and noise measurement

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. Seismic impacts were measured continuously using an INSTANTEL MINIMATE + device, which enables transmission of measurements 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 measurement

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.

Protection of underground and surface water

A subcontractor continuously monitors underground and surface water in the immediate and wider surroundings of the quarry. The intention is to forecast the development in the groundwater level in the boreholes used for the public water supply.

7.4 Future 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 our quality policy.

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

No events have occurred as at the date of preparing this annual report that would have any material impact on the financial statements as at 31 December 2011.



7.5 Human resources

We pay close attention to the 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 adhere consistently to all related rules and regulations. Appropriate working conditions and health care are provided for employees. In the field of safety, the statistics speak for themselves – three years without any serious accident at work.

The company actively supports the Sports Club, which organises various events to engage employees in their leisure time. Events are focused on cycling and adventure, relaxation, and also the participation of the members in sports competitions, including the Jizerska 50 and the Krkonoše MTB Marathon. These activities help to develop healthy lifestyles and relationships between employees.

7.6 Our responsibility

Our company strives for sustainable business development with a sensitive approach to the environment and nature, serving the needs of our customers and complying with relevant legislation and regulations regarding health protection and the safety of our employees.

Sustainable growth primarily relates to the following areas:

- efficient use of the unique raw material base
- redevelopment of territories affected by mining in compliance with the agreed plans
- modernisation of operations aimed at decreasing utility costs
- implementation of measures for reducing noise caused by our operations
- building good relationships with the community.

We support cultural and sports activities in the region through donations and promotion. We also provide support to children with various disabilities and to non-profit youth organisations. In 2011, we financially supported the following entities and activities:

- APROPO – association to help disabled children
- Outreach centre for children and youth
- Jičín, the City of Fairy Tales, festival
- scout movement
- voluntary fire brigades
- sports clubs.



8 Statutory bodies and management

(As at 31 December 2011)

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

Sklopísek Střeleč, a. s. does not have any foreign branch.

Company management:



Petr Hübner
Managing Director



Jiří Krupička
Production Manager



Pavel Štochl
Sales Manager



Zdeněk Müller
Technical Manager



Jiří Veselka
Chief Economist

9 Auditor's report



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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 10 February 2012 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 2011, 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 2011, 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 2011. 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 2011 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
13 April 2012


KPMG Česká republika Audit, s.r.o.
Licence number 71


Milan Bláha
Partner
Licence number 2007

10 Report on relations

A report on relations between the controlling entity and the controlled entity and on relations between the controlled entity and other entities controlled by the same controlling entity ("related parties") as at 31 December 2011

Description of the situation

The controlled entity – Sklopísek Střeleč, a. s.

The controlling entities are as follows:

AGC Flat Glass Czech a.s., člen AGC Group, and S. C. R. - Sibelco S. A., which own Ficarex, s.r.o. which holds a 65.1% share in the registered capital of the controlled entity.

In accordance with Section 66a and 66b of Act No. 513/1991 Coll., as amended, AGC Flat Glass Czech a.s., člen AGC Group, and S. C. R. – Sibelco S. A. are regarded as controlling entities if they act in concert regarding the controlled entity.

Related parties:

The controlling entities have ownership interests in other companies in which they exercise a controlling or substantial influence.

Business relations

a) Sklopísek Střeleč, a. s.

On 26 June 2006, Sklopísek Střeleč, a. s. concluded a framework agreement on mutual provision of cash with **Glaverbel Czech a.s.**, a member of the Glaverbel group, based on a decision of the board of directors dated 8 June 2006. The company name changed from

Glaverbel Czech a.s. to **AGC Flat Glass Czech a.s.**, člen AGC Group on 1 September 2007.

Interest rate:

i) drawing of funds O/N PRIBOR + 0.90%

(No funds were drawn in 2011.)

ii) provision of funds O/N PRIBID – 0.20%

Date of contract: 26 June 2006

Funds provided by Sklopísek Střeleč, a. s. as at 31/12/2011 CZK 143 582 823.46

Interest received by Sklopísek Střeleč, a. s. in 2011 CZK 311 665.10

b) Sklopísek Střeleč, a. s.

On 23 December 2009, Sklopísek Střeleč, a. s. concluded a contract for a short-term loan with **Silfin NV** based on a decision of the board of directors dated 29 September 2009.

Interest rate:

iii) provision of funds O/N PRIBOR + 0.50%

Date of contract: 23 December 2009

Funds provided by Sklopísek Střeleč, a. s. as at 31 December 2011 CZK 75 000 000.00

Interest received by Sklopísek Střeleč, a. s. in 2011 CZK 1 118 458.34

c) Business contracts**AGC Flat Glass Czech a.s., člen AGC Group**

A long-term contract for the 2008–14 period dated 28 May 2007 relating to a specific annual order.

Sand was delivered at an arm's length price under incoterms (DDU Řetenice).

d) Other

Based on a decision of the general meeting held on 26 May 2011, dividends totalling CZK 50 215 000 were paid to Ficarex, s.r.o. and Quarzwerke GmbH in proportion to their share in the registered capital of Sklopísek Střeleč, a. s.

No other business relations between the controlled entity and other controlled entities were reported in the accounting books of Sklopísek Střeleč, a. s. as at 31 December 2011.

In 2011, Ficarex, s.r.o. performed legal acts resulting from its position as a shareholder of the controlled entity in compliance with the Commercial Code. The controlled person did not generate any profits or incur any losses from this.

The company did not adopt or effect any other measures in the interest or at the initiative of the controlling entities or related parties in 2011.

Sklopísek Střeleč, a. s. declares that all existing relationships with related parties have been fully and truthfully described in this report and no damage has occurred to the company from the above transactions.

Ing. Petr Hübner
Director and Proxy Holder

31 December 2011

11 Minutes from the supervisory board meeting

Held on: 28 February 2012
Place: Prague
Present: Miloš Daňo,
JUDr. Ladislav Vostárek,
Ing. Jiří Mašek
Agenda: Financial statements for 2011

- notes to the annual financial statements for 2011
- auditor's report from KPMG Česká republika Audit, s. r. o.

The supervisory board also received from the board of directors a proposal of profit distribution and an annual report.

I.

The meeting was opened by Ing. Jiří Mašek.

He stated that all members of the supervisory board were present.

The supervisory board examined the documents constituting the annual financial statements and confirmed the accuracy of recording the individual items.

The supervisory board acquainted itself with the auditor's report, which confirmed the accuracy of the company's financial statements.

II.

When reviewing the annual financial statements, the supervisory board had at its disposal the following:

- balance sheet as at 31 December 2011
- profit and loss account for the period ended 31 December 2011

The supervisory board approved the annual financial statements and recommended that a general meeting approve the financial statements.

The supervisory board also recommends that a general meeting approve the distribution of profit as proposed by the board of directors.

Ing. Jiří Mašek
Chairman of the Supervisory Board