

**ČGS a.s.**  
**Annual Report 2009**



CGS 



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# Introductory Address



Dear Business Friends,

ČGS a.s. is a holding with its registered office in the Czech Republic, and is a leading producer and seller of off-road tyres for agriculture, industry and sports motorcycles, bicycle sets, technical rubber, piston rings and rubber-making machines.

The Group is divided into three divisions. The Tyre Division represented by MITAS a.s., despite the complicated economic situation, successfully continued with its strategy to become a leading global producer of off-road tyres. The Technical Rubber Division represented by RUBENA a.s., held its position as an important supplier to the automotive industry and was ranked among the largest European producers of cycle tyres and bicycle tubes.

The Machinery Division, the company BUZULUK, despite a large decrease in sales, kept its position as a significant supplier of piston rings and rubber-processing machines.

Despite the fact that 2009 was significantly influenced by the global economic crisis, the company managed to keep the financial result of the ČGS Group above the level of 2008, which again confirmed the correctness of our long-term strategy.

The Board of Directors of ČGS a.s.

# Main Financial Indexes

## Selected indexes of the ČGS Group in 2007–2009, consolidated data

thousand CZK		2007	2008	2009
Total sales	thousands	10,913,312	11,488,807	8,682,829
of which export	thousands	8,699,388	9,206,421	7,272,018
Added value	thousands	3,454,789	3,737,110	3,253,602
Staff costs	thousands	1,997,318	2,207,634	1,893,436
Depreciation	thousands	646,238	701,991	717,145
Operating profit	thousands	724,453	719,894	390,169
Profit in the accounting period	thousands	666,582	155,279	164,981
Assets	thousands	9,117,184	9,757,612	7,889,126
Other sources	thousands	5,614,879	6,457,217	4,430,566
Shareholder equity	thousands	3,379,542	3,213,612	3,409,876
Employees	recalculated status	6,021	5,858	5,430
<b>Ratio index</b>				
Sales/recalculated status of employees	thousands	1,813	1,961	1,599
Added value/recalculated status of employees	thousands	574	638	599
Profit/equity (ROE)	%	20	5	5
Other sources/assets	%	62	66	56
Sales/shareholder equity	%	323	358	255

## Selected indexes of the ČGS Group in 2007–2009, consolidated data

thousand EUR		2007	2008	2009
Exchange rate CZK/EUR		26,62	26,93	26,465
Total sales	thousands	409,967	426,617	328,087
of which export	thousands	326,799	341,865	274,779
Added value	thousands	129,782	138,771	122,940
Operating profit	thousands	27,215	26,732	14,743
Profit in the accounting period	thousands	25,041	5,766	6,234
Assets	thousands	342,494	362,332	298,097
Other sources	thousands	210,927	239,778	167,412
Shareholder equity	thousands	126,955	119,332	128,845

**Costs related to the acquisition of fixed assets – Investment (data from the cash flow report)**

thousand CZK

total

ČGS a.s.	945
MITAS a.s.	259,063
IGTT a.s.	3,219
KONTY G TRADE a.s.	7,132
RUBENA a.s.	37,636
BUZULUK a.s.	4,975
BS Servis Centrum, s.r.o.	467
<b>Total</b>	<b>313,437</b>

## Company Profile



**ČGS is a holding company with the most comprehensive rubber production portfolio in the Czech Republic.**

ČGS is a holding company with the most comprehensive portfolio of rubber production in the Czech Republic. The origins of the company can be traced back to the early 1990s, when it was known as BARUM Holding, a.s. Further rubber-making and engineering companies were purchased (Obnova Brno, a.s., BUZULUK Komárov, a.s., RUBENA, a.s., Gumokov, joint-stock company, IGTT, a.s., KONTY G TRADE a.s.) and added to the original subsidiaries of BARUM Holding, a.s. (e.g. MITAS, a.s), which was renamed in 1996 as Česká gumárenská společnost, a.s., then again in 2006 as ČGS a.s. Today, the company is structured into three divisions. The basis of the Tyre Division is MITAS, a.s. which in its four plants in Prague, Zlín, Otrokovice and Serbia produces a wide assortment of off-road tyres. These are mainly tyres for construction machinery of all types and sizes, diggers, loaders, vehicles, multi-purpose and agricultural machines, motorcycle tyres and rubber compounds. This Division includes IGTT a.s. (production of moulds for the rubber making industry, testing laboratory for tyres) and KONTY G TRADE a.s. (production of rubber compounds). MITAS a.s. has commercial representation in Great Britain, the USA, Brazil, Germany, Austria, France, Italy, Spain, Mexico, Switzerland, Finland and Russia.

The core of the Technical Rubber Division is RUBENA a.s., which in its operating units in Hradec Králové, Náchod and Zlín produces various technical rubber products. These include rubber products, rubber sleeves, wiper rings and further types of rubber sealing, expansion sleeves, dust seals and covers, joining parts, V-belts and other products for the automotive, building, civil engineering and electro-technical industries. The assortment is completed by rubber coats for cylinders. RUBENA a.s. has systematically increased production of rubber-textile products such as sealing and lifting bags, separating barriers, flood barriers, tanks for the aviation industry, various types of bellows, couplings, membranes and compensators. RUBENA a.s. is currently well ranked among the largest European producers of cycle tyres and cycle tubes. RUBENA a.s. also develops and produces rubber compounds for its own requirements and also for external clients. The Czech-German joint-venture SICO RUBENA s.r.o. produces many products from silicone rubber. RUBENA a.s. has foreign representations in the Balkans, the Slovak Republic and has a manufacturing plant in Mexico. Rubber production is completed by the Machinery Division, i.e. BUZULUK Komárov, a.s. which develops and produces a wide range of machines and equipment for the rubber industry. BUZULUK Komárov a.s. also offers piston rings of various types and sizes, car parts and products from grey and modular iron. ČGS a.s. is a progressive company with a transparent and clearly defined holding structure.

**Group ČGS a.s.**  
**Selected consolidated data for the period 2002–2009**

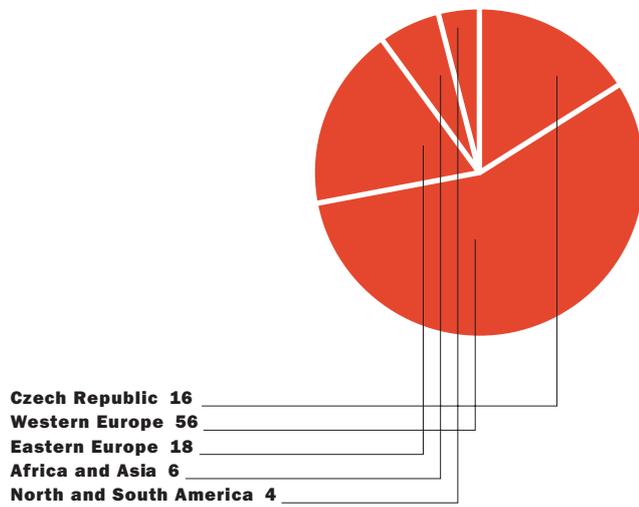
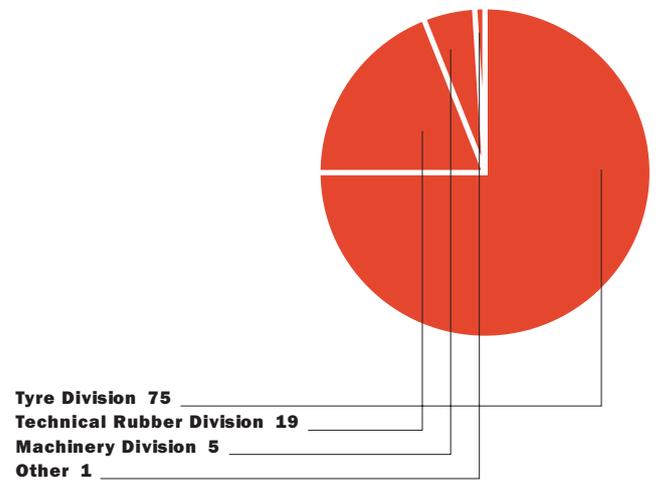
thousand CZK	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total sales</b>	7,438,507	7,219,021	7,895,966	10,805,114	11,048,717	10,913,312	11,488,807	8,682,829
<b>Added value</b>	2,635,962	2,615,999	2,886,256	3,156,992	3,398,221	3,454,789	3,737,110	3,253,602
<b>Operating profit</b>	333,542	432,778	589,874	346,111	607,668	724,453	719,894	390,169
<b>Consolidated operating profit in the accounting period</b>	286,714	198,962	542,186	191,601	242,769	666,582	155,279	164,981
<b>Employees</b>	6,538	6,295	6,167	6,534	6,187	6,021	5,858	5,430

### Treasury and risk management

On a consolidated basis in the area of financial risk, the ČGS Group primarily faces the variation of foreign currency (FC) exchange rates due to the export and import operations of individual companies in the Group. The natural levelling of FC exchange rates from cost and revenue items decreases these risks. The open balance position is ensured by using financial tools with a time horizon for the following 12 to 24 months. Securing is regularly agreed for existing and expected (planned) contracts in foreign currencies. The primary security tool is currency forwards, alternatively currency options are used.

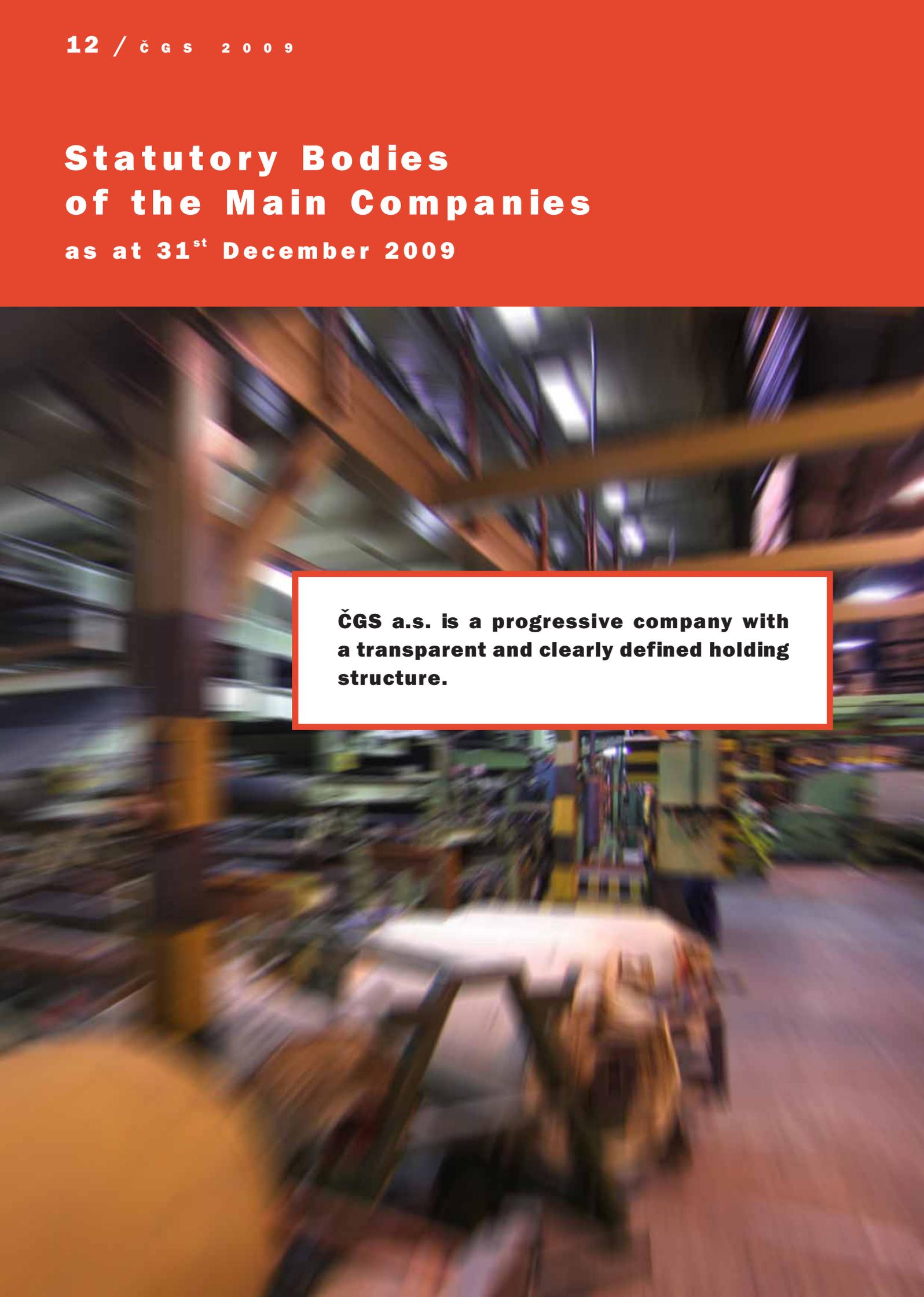
The ČGS Group is secured against interest rates by using IRS and interest options for derivative transactions in order that the whole Group can ensure the level of interest rates it will pay for about 50% of its credit portfolio. New for this year, ČGS has agreed securing transactions to restrict commodity risks, particularly in the area of prices of metal materials. These transactions are again negotiated for the operating companies in the Group.

In terms of risks, ČGS acts as control unit providing central risk management services to the other companies. These services include negotiation and management of insurance contracts for operating risks (natural disaster, machine, liability) and the monitoring and management of credit risks.

**Classification of revenues in 2009 by territory in %****Classification of revenues in 2009 by division in %**

# Statutory Bodies of the Main Companies

as at 31<sup>st</sup> December 2009



**ČGS a.s. is a progressive company with  
a transparent and clearly defined holding  
structure.**

**ČGS a.s.****Board of Directors**

Chairman – PhDr. Milan Zítko

Deputy Chairmen – Ing. Tomáš Němec, Ing. Oldřich Šlemr

**Supervisory Board**

JUDr. Lubomír Svátek, JUDr. Petr Čepek, Ing. Hana Černá

**MITAS a.s.****Board of Directors**

Chairman – JUDr. Jaroslav Čechura

Deputy Chairmen – Ing. Josef Křemeček, Andrew Mabin  
Members – Ing. Martin Hladík, Ing. Zdeněk Husták,  
Ing. Rudolf Mačák, Ing. Josef Kubáník, Ing. Karel Plaček,  
Ing. Jiří Příbyl

**Supervisory Board**

Ing. Tomáš Němec, Ing. Oldřich Šlemr, Miluše Minksová

**RUBENA a.s.****Board of Directors**

Chairman – Ing. Rudolf Peca

Deputy Chairman – Ing. Michal Kubeček

Members – Mgr. Jaroslava Slavíková, Milan Thér, Ing. Jan Albrecht

**Supervisory Board**

Ing. Tomáš Němec, Ing. Oldřich Šlemr, Hana Hanousková

**BUZULUK a.s.****Board of Directors**

Chairman – Ing. Pavel Charvát

Deputy Chairman – Ing. Jaroslava Štochlová (membership terminated by approval by the General Meeting on 7. 10. 2009)

Member – Ing. Petr Mašek

**Supervisory Board**

PhDr. Milan Zítko, JUDr. Lubomír Svátek, Milan Ernest

**Head Clerks**

Ing. Tomáš Němec, Ing. Oldřich Šlemr

## **IGTT a.s.**

### **Board of Directors**

Chairman – Ing. Marek Brázda  
Deputy Chairman – Ing. Eva Hamelová  
Member – Ing. Marian Lanc

### **Supervisory Board**

JUDr. Jaroslav Čechura, Ing. Zdeněk Husták, RNDr. Petr Sliž

### **Head Clerks**

Ing. Tomáš Němec, Ing. Oldřich Šlemr

## **Mitas Antikor, spol. s r.o.**

### **Executives**

Olga Mužíková, Petr Trojánek

### **Head Clerks**

Ing. Tomáš Němec, Ing. Oldřich Šlemr

## **BS Servis Centrum, s.r.o.**

### **Executives**

Věra Heřmanová

### **Head Clerks**

Ing. Tomáš Němec, Ing. Oldřich Šlemr

## **KONTY G TRADE a.s.**

### **Board of Directors**

Member – Ing. Eva Hamelová

### **Supervisory Board**

Ing. Tomáš Němec, Ing. Oldřich Šlemr, Milan Vybíral



Germany, Hannover, CGS Reifen Deutschland GmbH (Tyre Division)

Austria, Traiskirchen, CGS Reifenvertrieb GmbH (Tyre Division)

Italy, Saronno (VA), CGS Pneumatici Italia, S.r.l. (Tyre Division)

France, Dijon, CGS Pneus France SARL (Tyre Division)  
Hoerdts, RUBENA FRANCE S.A. (Technical Rubber Division)

Spain, Madrid, CGS Neumáticos Iberica, S.l. (Tyre Division)

Great Britain, King's Lynn, CGS Tyres UK, Ltd. (Tyre Division)

Switzerland, Luzern, CGS Pneus Suisse GmbH (Tyre Division)

Malta, CGS TYRES Limited Malta (Tyre Division)

Jersey, CGS Tyres Limited Jersey (Tyre Division)

Slovakia, Predmier, RUBENA Slovakia a.s. (Technical Rubber Division)

Bulgaria, Plovdiv, RUBENA Balkan s.r.o. (Technical Rubber Division)

Serbia, Ruma, Rumaguma (Tyre Division)

Russia, Moscow, ČGS-AVTO, s.r.o. (Technical Rubber Division),  
CGS Tyres branch (Tyre Division)

Finland, Tampere, CGS Tyres Nord.

Brasil, Vitória, MITAS do BRASIL Ltda. (Tyre Division)

Mexico, Aguascalientes, CGS Llantas de México, S. de R.L. de C.V. (Tyre Division),  
CGS Automotive de México, S. de R.L. de C.V., Silao (Technical Rubber Division)

USA, Charlotte (NC), CGS Tires US, Inc. (Tyre Division)

Komárov, BUZULUK, a.s. (Machinery Division)

Prague, ČGS (Company Headquarters), MITAS a.s. (Tyre Division), Mitas Antikor, spol. s r.o., (Other companies)

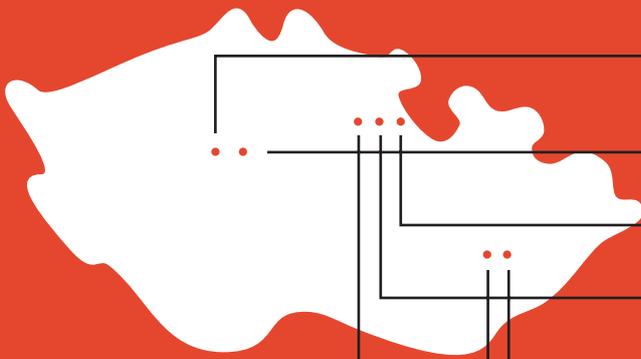
Velké Poříčí, SICO RUBENA s.r.o. (Technical Rubber Division)

Náchod, RUBENA a.s., (Technical Rubber Division)

Hradec Králové, RUBENA a.s., (Technical Rubber Division)

Zlín, MITAS a.s., IGTT a.s., KONTY G TRADE a.s. (Tyre Division) RUBENA a.s. (Technical Rubber Division)

Otrokovice, MITAS a.s. (Tyre Division) BS Servis Centrum, s.r.o. (Other companies)



**Mitas**

**The subject of business for MITAS a.s. is the production and sale of tyres for agricultural machines and construction equipment, forklifts and sports motor-cycles.**

## 1. Basic description of the activities and organisations of MITAS a.s.

The basic subject of business of MITAS a.s. is the production and sale of tyres for agricultural machines and construction equipment, forklifts and sports motorcycles.

### Organisational structure of MITAS a.s.

#### Production units:

MITAS a.s. manufacturing section Prague – production of agricultural and industrial tyres

MITAS a.s. manufacturing section Zlín – production of agricultural, industrial and motorcycle tyres

MITAS a.s. manufacturing section Agro Otrokovice – production of agricultural tyres

### The company owns the majority ratio in the company

IGTT a.s., Zlín – testing centre and production of vulcanisation moulds

The company ensures management functions in the following companies:

- Rumaguma d.o.o.
- CGS Tyres Holding B.V.

### Sales companies and branches

#### Europe

Germany, Austria, Italy, France, Spain, Great Britain, Switzerland, Finland, Russia

#### North and South America

USA, Mexico, Brazil

### Composition of the senior management of MITAS a.s. as at 31 December 2009

General Manager – Jaroslav Čechura

### Composition of the Board of Directors as at 31 December 2009

Chairman – Jaroslav Čechura

Deputy Chairman – Andrew Mabin

Deputy Chairman – Josef Křemeček

Member – Zdeněk Husták

Member – Martin Hladík

Member – Rudolf Mačák

Member – Karel Plaček

Member – Jiří Příbyl

Member – Josef Kubáník

### Composition of the Supervisory Board as at 31 December 2009

Tomáš Němec, member of the Supervisory Board

Oldřich Šlemr, member of the Supervisory Board

Miluše Minksová, member of the Supervisory Board

## 2. Development of the company in 2009

### Original Equipment Market (OEM)

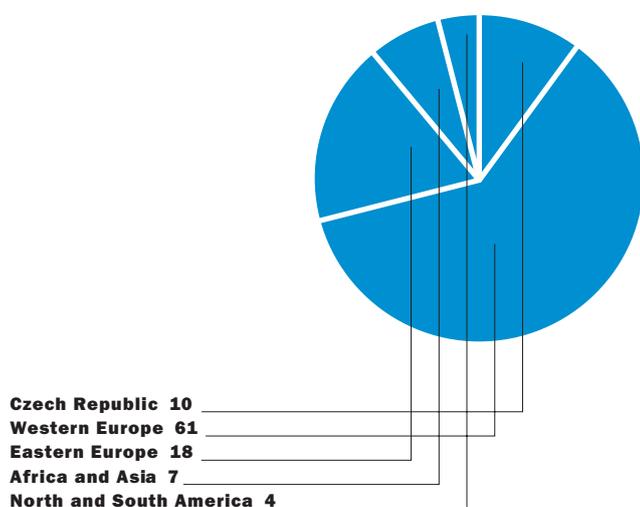
In the first quarter of 2009 there was a relatively strong OEM demand in the sector for the production of agricultural technology, particularly in the production of tractors and harvesters. Compared with the same period in 2008, sales decreased by 15%, which mainly affected smaller producers. In the sector for construction machines, in the first quarter there was a dramatic decrease in demand by up to 75%.

In the further period there was an even greater decrease in the sector for the production of agricultural technology and the total decrease compared to 2008 was approximately 25%. In the sector for the production of construction technology there was decrease in deliveries compared to 2008 by 57%, mainly due to the comparison with the whole of 2008 which included the decrease in production in the last quarter.

In response to the decrease in demand there was a gradual transfer to a three-shift operation in all production plants. After the Prague plant, which had already implemented the transfer in November 2008, this was followed by the Zlín and Rumaguma plants and then the Agro Otrokovice plant in mid 2009.

In terms of the collapse in demand, the overall stocks of all companies were decreased which created the precondition for the positive cash-flow despite that there were delays in payments on the part of some clients. The positive cash-flow situation meant the completion of all investments focused on developing capacities for radial and industrial tyres and the creation of preconditions for a timely response to the demands of the market after the economic crisis.

Classification of revenues in 2009 by territory in %



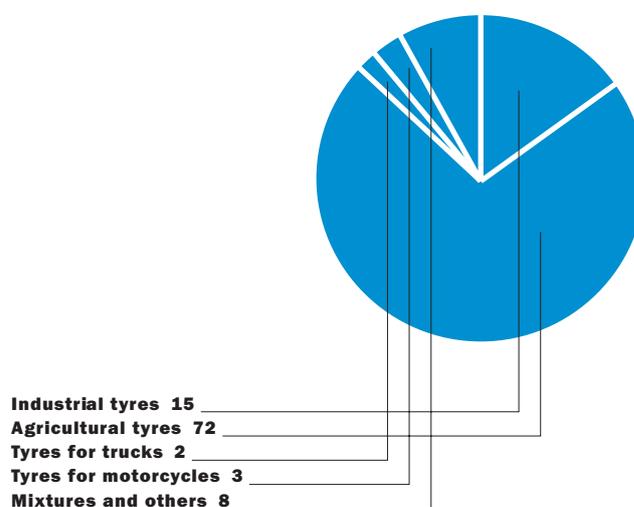
### Spare parts market (REM)

The spare parts market was characterized by a more stable level of sales. In the first quarter of 2009, sales of agricultural tyres were up by about 3% compared with the same period last year. However, compared with sales in 2008, there was a gradual decrease in demand. A similar situation occurred in the industrial tyre segment where the decrease in sales compared with 2009 exceeded 10%. Concerning territorial development, it is necessary to state that a decrease in sales was reported in all basic regions in Western and Eastern Europe and America. Despite the overall decrease, some countries reported an increase in sales, particularly Austria and Mexico.

### Motorcycle tyres

Sales of motorcycle tyres continued to decrease; compared with 2008 this segment reported a decrease of approximately 10%. At the end of 2009 a slight revival was reported due to starting the production of road tyres in the H and V category.

Classification of revenues in 2009 by assortment in %



### 3. Sales and marketing

Due to the crisis, 2009 was the first year since 2000 when total sales decreased by about 25% when compared with previous year. The construction sector suffered the most from the crisis and this was reflected in the decrease in sales of construction and industrial tyres. Agricultural tyres increased the ratio of total sales to 75%. In terms of territories, all regions were influenced by the crisis in the same way. The ratio of the key Western European region is approximately at the same level, i.e. 65%. The ratio of sales in North and South America reported a slight increase to 6%.

In the second half of 2009, a sales branch was opened in Russia; the project of a new distribution strategy for this territory was launched whose objective is to win a more significant share of this perspective market. On the USA and Canadian markets the construction of an independent distribution network for the Mitas brand continues in parallel to the existing network for Continental agricultural tyres. At the Agritechnika exhibition in Hannover, the new CULTOR brand for the agricultural and partially industrial tyre was presented. This brand, which is classified into higher budget segment, replaces the licensed Sempert brand and is primarily designated for European markets.

## Selected indexes of the Tyre Division – data consolidated within the division

thousand CZK		2007	2008	2009
Turnover ratio of the group	%	70,52	72,60	75,06
Total sales	thousands	7,772,421	8,423,341	6,572,223
of which export	thousands	6,663,780	7,107,182	5,938,445
Added value	thousands	2,014,727	2,318,954	2,439,087
Staff cost	thousands	1,069,583	1,256,137	1,163,969
Depreciation	thousands	455,014	516,902	550,800
Operating profit	thousands	332,410	376,066	433,193
Profit in the accounting period	thousands	141,860	167,931	147,353
Assets	thousands	6,376,774	7,646,207	6,394,138
Other sources	thousands	3,578,313	4,946,750	3,856,505
Equity	thousands	2,680,482	2,615,372	2,495,756
Employees	recalculated status	2,527	2,731	2,974
<b>Ratio index</b>				
Sales/recalculated status of employees	thousands	3,076	3,086	2,210
Added value/recalculated status of employees	thousands	797	849	820
Profit/equity (ROE)	%	5	6	6
Other sources/assets	%	56	65	60
Sales/Shareholder equity	%	290	322	263

## Selected indexes of the Tyre Division

thousand EUR		2007	2008	2009
Exchange rate CZK/EUR		26.62	26.93	26,465
Total sales	thousands	291,977	312,787	248,336
of which export	thousands	250,330	263,913	224,389
Added value	thousands	75,685	86,110	92,163
Operating profit	thousands	12,487	13,965	16,369
Profit in the accounting period	thousands	5,329	6,236	5,568
Assets	thousands	239,548	283,929	241,607
Other sources	thousands	134,422	183,689	145,721
Equity	thousands	100,694	97,117	94,304

#### 4. Products

In 2009 the development of agricultural tyres continued with the SVT series, designed for the highest class of harvesters and tractors with outputs over 180 HP. This concerned sizes such as 900/60R38, 750/55R30, 650/75R42.

At the same time, attempts by tractor producers to decrease

noise emissions when in operation, led MITAS a.s. to research ways of how to react to these requirements. The effort focused on decreasing tyre noise was successfully concluded by the design of the new SST pattern with a special tyre construction. Testing proved that the two newly developed 600/65R38 SST and 650/65R38 SST sizes have significantly lower noise emissions in the tractor than comparable standard tyres.

This step contributed to the improvement of drivers working conditions.

The development of new Continental agricultural tyres designed for tractors with outputs of 90 to 180 HP, which will gradually replace sizes with profile number 70, continued with the introduction of further sizes into series production. The termination of the entire AC 75 series is planned for 2010, replaced with the 70 series High Capacity Tyre.

The MITAS brand was completed by profile series 85 with the RD-01 pattern. The development of profile series 65 with the RD-03 pattern continued with the introduction of 7 new sizes.

In accordance with the objective to develop the assortment of high-flotation radial tyres, the development of the AGRITERRA pattern in the 26.5" and 30.5" series was developed. The introduction into series production is expected in mid 2010. Production of the new CULTOR brand has commenced including the product series of tractor radial dimensions with the 70 and 85 profiles, diagonal tractor sizes, front and rear, traction and non-traction implemented tyres.

In the radial tyre segment for loaders and dumpers used in the building industry and marked OTR, the development of sizes 17.5 R25 – 23.5 R25 was terminated with the introduction into series production. Work on sizes 26.5 R25 ERL-30 (ERD-30) and 750/65 R25 ERL-30 (ERD-30) was initiated and their introduction into production is expected next year. Sizes with the L4/E4 pattern indication are currently in the process of preparation.

For the 445/95 R25 CR-01 size, designed for highly demanding operating conditions on vehicle cranes, development continued via testing with very positive results.

Such was a similar situation with the development of the SRT pattern, where satisfactory results were achieved during operating tests for 275/90 R22.5 SRT tyres, designed for operation on roads and rails.

In the area of industrial tyres, there was the development of further diagonal tyres with the TI-05 pattern for use in the building industry on telescopic manipulators. The tractor radial series was completed by the 340/80R18 TI-20 size.

The assortment of tyres for forklifts was expanded by further sizes with the FL-08 pattern. The tyre has the advantage of a longer service life ensured by higher filling in the common area and a greater height of the figures compared with the original pattern.

The implementation of the new EM-22 pattern with the size 11.00-20 and the commencement of the development of 290/90-20 EM-22 tyres represents the further expansion of excavator products. The 290/90-20 tyre has special sizes which will ensure their use in double-assembly without necessary annular rings when both tyres make contact with their sides.

Development in the area of motorcycle tyres can be characterized by the preparation of the new H-16 and H-17 high-speed series pattern designed for a maximum speed of 210 km/hour.

Documentation for four new sizes has been prepared: 110/70-17 H-16, 130/70-17 H-17, 110/80-17 H-16, 130/80-17 H-17. There was also development in the area of travel euro sizes; the completely new E-10 pattern was developed and tested which is applicable for sizes 150/70 B17 and 110/80 B19. In the category of motorcycle tyres for children's motocross, the preparation of documentation continued for the 90/100-12 C-20 and 90/90-14 C-21 sizes. The development work focused on the expansion of the existing C-20 pattern series with the size 120/90-18 and pattern series C-21 with the size 90/100-20. Up to the end of 2009, in accordance with European legislation, the use of low-aromatic oils was introduced for the production of tyres.

## 5. Investment into environmental protection

Investment by MITAS a.s. was mainly into the implementation of the third stage of the radial production project in the Otrokovice plant and the gradual increase of the technological level of the Rumaguma plant in Serbia. In the Prague plant, majority ratios were represented by new forms and tools related to the modernisation of the assortment and the increase of capacities for the production of radial agricultural tyres. Part of the investment was into the modification of internal mixer lines for the use of low aromatic oils.

In the Zlin plant, the decisive ratio of investment was related to the completion of the project for the radial production of OTR and MPT tyres. The project for the production of radial tyres in Otrokovice was focused on increasing the production capacity of pattern equipment and vulcanization, in particular large tyres, so-called SVT and the implementation of new large tyre sizes.

In the Rumaguma plant investment was made into the modernisation of vulcanising presses, line 3V for rubberizing textile cord and pattern modernisation.

At the same time measures were implemented for improving the harmonization of production technology with actual legislation in the area of work safety and environmental protection. The final fulfilment of the investment plan was at the level of approximately CZK 180 million and the ratio of investment into strategic projects was approximately CZK 90 million. Equipment for the liquidation of odour emissions was transferred in the Prague production section from trial operation into permanent use. At the same time, equipment for the liquidation of emissions from fuel was commissioned.

In all three production sections we consistently monitor the volume of emissions set out by valid legislation. The gradual decrease of the consumption of organic solvents during the production of tyres remains an ongoing task.

MITAS a.s. ensured the implementation of European legislation in the area of the environment and fulfilled all conditions stated

by the REACH Regulation. In addition, the company ensured the conflict-free transfer of production to the use of new types of process oils (cancellation of high-aromatic oils) without any negative influence on the quality of products.

MITAS a.s. actively participates in the association of producers of ETRMA tyres and in cooperation with this organisation it participates in the fulfilment of tasks in the area of safety and the environmental policy.

## 6. Personnel policy

As at 31<sup>st</sup> December 2009 MITAS a.s. employed 2,253 personnel in Prague, Zlín and Otrokovice. In the foreign trade companies of MITAS a.s. 80 employees were employed.

On 1 May 2009, 80 employees were transferred from BS Servis Centrum s.r.o. and on 1 June 2009, 286 employees were transferred from the company KONTY G TRADE a.s. During the year these new employees were successfully integrated into the organisational structure and the system of work in the individual sections of the company.

2009 was a demanding year for the personnel management of the company due to the global economic crisis. Measures were taken to eliminate the consequences of optimising the number of employees during the transfer to a three-shift operation and the weekly working hours were restricted in relation to the production plant. In MITAS a.s. 5.3% of employees have university level education and 20% have secondary level education with the leaving examination. Employees up to 40 years of age represented 53% of the total recalculated status.

Employees continued in the improvement of their qualifications in a series of internal and external educational events. The programme to certify employees in manual professions continued. MITAS Praha continued with the implementation of the project for the development of a system of further professional education within ESF – Operating programme Prague – adaptability.

In April 2009 an application was submitted concerning a similar project for employees of MITAS a.s. in the Zlín region within the Human Resources and Employment Operating Programme by the name of "Assertiveness through Education". The project successfully passed tender proceedings and implementation commenced on 1 November 2009. The educational programmes in MITAS a.s. are co-financed from European social funds. Significant partners in the area of education include the Czech Society for Quality and Tomáš Baťa University.

Close cooperation with universities continues to serve as a source for recruiting young highly qualified employees. Some of the educational facilities with the closest ties are the Institute of Chemical Technology in Prague, the University of Economics in Prague and Tomáš Baťa University in Zlín.

## 7. Financial results for 2009

In 2009 sales of MITAS a.s. decreased in relation to the global crisis. The volume of sales in the main segments of agricultural and industrial tyres was negatively influenced; consolidated sales reached EUR 248 million. The results for 2009 were positively influenced by the development of basic rubber raw material prices. However, in the latter part of the year this advantage turned negative. The decrease in sales in 2009 placed severe pressure on maintaining the positive cash-flow development which had been achieved by the decrease in the demand for working capital and measures focused on savings in all cost groups. The EBITDA index reached EUR 26.1 million.

## 8. Forecast development in 2010 and strategic objectives for 2011 – 2015

The course of 2010 will be influenced by the global economic crisis. According to sales in the 4th quarter of 2009 and at the beginning of 2010, it is possible to predict that the collapse in sales will cease, in particular for OEM and there will be a slight increase in the area of deliveries for construction and agricultural technology producers. It can be expected that the drop in deliveries for OEM will start to compensate the increasing sales of spare parts in Europe in the area of tractor tyres and to certain extent also in the industrial sector.

### Strategic objectives

- To hold the position of leading tyre supplier for the agricultural and construction sector in Europe and to gradually build a global position on the American market. To use the Free Trade Agreement between Serbia and the Russian Federation and to increase capacities for this market segment in Rumaguma.
- To continue with the modernisation of the strategic assortment, particularly in the area of radial tyres for the construction sector and the innovative approach to the area of agricultural tyres with the aim of ensuring higher added value for clients.
- To ensure profitability through the permanent process of increasing productivity, price policy and optimal use of production capacities.
- To establish strategic partnerships with OEM clients, including cooperation during the development of products and technologies and a first class logistics and client service. To use the OEM cooperation to strengthen the image of the MITAS brand.



**The basic business plan of RUBE-NA a.s. is the production and sale of technical rubber products, including rubber-metal parts for the automotive, building, and white goods industries, as well as the industry of consumer appliances for households. A major area of production is the production of cycle tyres and bicycle tubes.**

## 1. Basic description and organisation of RUBENA a.s.

The basic business plan of RUBENA a.s. is the production and sale of products made from technical rubber, including rubber-metal parts for the automotive, building, and white goods industries, as well as the industry of consumer appliances for households. A major area of production is the production of cycle tyres and bicycle tubes.

### Organisational structure of RUBENA a.s.

#### Manufacturing companies

RUBENA a. s. — manufacturing plants in Náchod, Hradec Králové, Velké Poříčí and Zlín

SICO RUBENA s. r. o. Velké Poříčí — production of silicon parts  
CGS Automotive de México — production of parts for the automotive industry in Silao

#### Trade companies

RUBENA France S. A. Hoerd  
RUBENA Balkan s. r. o. Plovdiv  
CGS-AUTO, s. r. o. Moskva

### Personnel composition of the senior management of MITAS a.s. as at 31 December 2009

General Manager — Rudolf Peca  
Economic Director — Jan Albrecht  
Director of Projects, Strategy and SBU SAS — Rudolf Peca  
Director of SBU Compounds — Robert Halama  
Director of SBU Velo — Martin Schmidt  
Director of SBU Special production — Michal Kubeček  
Director of RUBENA Slovakia a.s. — Ján Slúka  
Director of SICO RUBENA s.r.o. — Erik Fulka  
Director of RUBENA France S.A. — Zdeňka Jílková  
Director of CGS-AUTO, s.r.o. — Libor Smejkal  
Director of RUBENA Balkan, s.r.o. — Christo Koparansky  
Director of CGS Automotive de México — Jan Paštika

### Personnel Composition of the Board of Directors as at 31<sup>st</sup> December 2009

Chairman of the Board of Directors — Ing. Rudolf Peca  
Deputy Chairman of the Board of Directors — Ing. Michal Kubeček  
Member of the Board of Directors — Jan Albrecht  
Members of the Board of Directors — Jaroslava Slavíková, Milan Thé, Ing. Jan Albrecht

### Personnel composition of the Supervisory Board as at 31<sup>st</sup> December 2009

Members of the Supervisory Board — Ing. Tomáš Němec, Ing. Oldřich Šlemr, Ing. Hana Hanousková

## 2. Development of the company in 2009

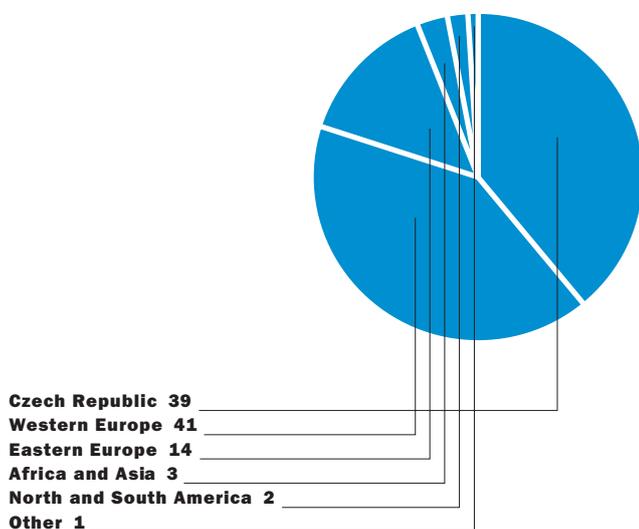
### Strategic business units of RUBENA a.s.

#### COMPOUNDS

The compounds strategic business unit (SBU) deals with the production of rubber products, compounds, foils, strips and rubberized cords and the mixing of solutions for the requirements of the ČGS group. It uses free capacities for deliveries of compounds to external customers. In 2009 SBU achieved sales of goods, products and services in the amount of CZK 153 million. SBU Compounds from Rubena, similar to other divisions, faced a decrease in production which was caused by the economic crisis. Compared with 2008 it was managed to increase sales to external clients and to partially compensate the breakdown of the mixing of compounds for the internal demands of the ČGS group. A further success was the commissioning of the new K7 intermix mixer after the overall general repair by the company BUZULUK Komárov. This increased not only the mixing capacity, but also the quality of the compounds. We also won a client for whom colour compounds were mixed on the unused BUZULUK tangential mixer in Náchod. The volume of mixed compounds exceeded 100,000 kg/month. This demanding project, which was successfully started in the summer, will continue in 2010. In the Compound Development Department new compounds on the basis of all types of processed resin were prepared for all divisions within RUBENA. The largest processing unit for the new types of compounds is SBU SAS, which produces the most demanding products, particularly for the automotive industry. Deliveries of compounds for further divisions included modified compounds in the assortment such as compounds for anti-breaking inserts into tyres for motorcycles, optimised compounds for the production of pucks and compounds with fibres for variators and multi crank belts.

#### SAS

SAS (Sealing and Anti-vibration Solutions) is concerned with the automotive markets, industrial applications and producers of white goods. It deals with the development, production and delivery of rubber metal parts designed for damping vibrations, such as silent blocks, conical, cylindrical and disk springs,

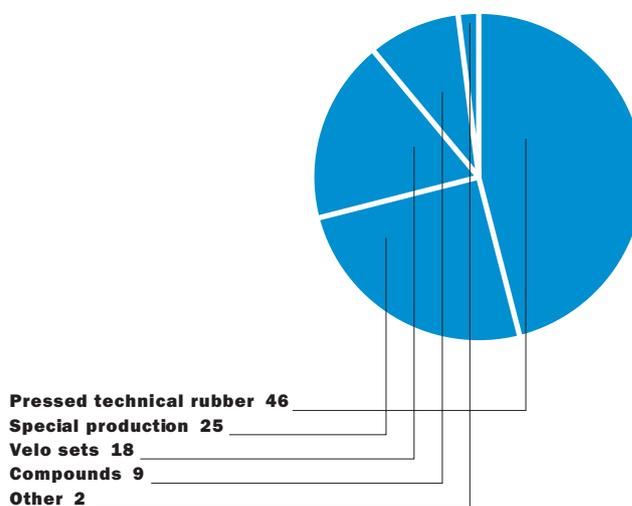
**Classification of sales in 2009 by territory in %**

shock absorbers, torsion dampers, joining components, and various types of special bedding, etc. Another group is the sealing elements, which are designed for sealing areas of machine parts and aggregates filled with oils, lubricants, fuel and other industrial liquids; examples are shift sealing, bearing sealing, CD rings, sealing for dampers and pneumatic cylinders, O-rings, and other sealing elements.

The third important group in the product range is rubber pressed parts, which are primarily used for the protection of moving machine parts, damping from shock, noise, reduction and vibrations, etc. Examples are: cable wall ducts, dust seals, covers, stops, rubber springs, membranes etc.

The key part of the strategic business unit is the development centre which results in new products being launched onto the market. The development centre is equipped for "black-box" development, the processing of calculations by finite element analysis and the construction of parts, ensuring the correct static, dynamic and service parameters of products, etc. The laboratory at the development centre is equipped with modern measuring and testing technology.

In 2009, due to the economic recession particularly due to a decrease in production in the automotive industry, there was a

**Classification of sales in 2009 by assortment in %**

decrease in sales by 32.3%. Exports accounted for 76% of achieved sales. With the aim to successfully face up to this situation, SBU SAS focused on reducing all costs, in particular material and wage demands. At the same time, it was decided to concentrate the whole production of SBU SAS into one locality. Almost the whole production of technical pressed rubber from Náchod and from RUBENA Slovakia was transferred to Hradec Králové. This measure should ensure a decrease in costs, an increase in competitiveness and create optimal conditions for winning new projects.

**Special production**

Special production ensures the development, production, sales and logistics of the following products:

- anti-vibration systems (bellows)
- V-belts
- bags and tanks
- coats for cylinders
- hockey pucks
- technical rubber (sale of products to non-strategic clients for alternative requirements, production of car carpets and technically pressed rubber).

## Selected indexes of the Technical Rubber Division – data consolidated within the division

thousand CZK		2007	2008	2009
Turnover ratio of the group	%	21.70	21.63	19.77
Total sales	thousands	2,749,971	2,625,551	1,764,140
of which export	thousands	1,420,707	1,646,619	1,061,373
Added value	thousands	766,291	723,299	485,483
Staff costs	thousands	573,608	581,729	464,991
Depreciation	thousands	133,928	132,757	122,851
Operating profit	thousands	36,007	14,957	-92,392
Profit in the accounting period	thousands	9,008	-7,505	-115,191
Assets	thousands	1,891,932	1,849,579	1,611,761
Other sources	thousands	1,050,506	1,107,242	866,176
Equity	thousands	839,046	740,058	740,783
Employees	recalculated status	2,306	2,139	1,776
<b>Ratio index</b>				
Sales/recalculated status of employees	thousands	1,193	1,227	993
Added value/recalculated status of employees	thousands	332	338	273
Profit/equity (ROE)	%	1	-1	-16
Other sources/assets	%	56	6	5
Sales/Shareholder equity	%	328	355	238

## Selected indexes in the Technical Rubber Division

thousand EUR		2007	2008	2009
Exchange rate CZK/EUR		26.62	26.93	26,465
Total sales	thousands	103,305	97,495	66,659
of which export	thousands	53,370	61,144	40,105
Added value	thousands	28,786	26,858	18,344
Operating profit	thousands	1,353	555	-3,491
Profit in the accounting period	thousands	338	-279	-4,353
Assets	thousands	71,072	68,681	60,902
Other sources	thousands	39,463	41,116	32,729
Equity	thousands	31,519	27,481	27,991

Due to the influence of the huge problems caused by the global economic crisis, total sales for special production decreased during 2009 to CZK 378 million, i.e. to the level of 71% of sales in the previous year. Only the departments for bags and hockey pucks had increased sales compared with the previous year (by 9% and 13% respectively); the other commodities decreased within the range of 25–40% compared with 2008. The export

ratio represented 44% of total sales, the OEM area represented 31%, for alternative consumption 61% while the remainder was off take production. A large decrease in sales was caused by the necessity to implement extensive restrictive measures in order to decrease costs. After centralization of the production of technical rubber by injection-press technologies into the plant in Hradec Králové, the complete production of coated

V-belts from Zlín was transferred to the released location and production in Zlín was terminated.

Due to filling the released production capacities, the project for the production of car carpets commenced in Náchod. Production of whole-rubber TPL products using traditional technology was transferred from Slovakia.

## **VELO**

The VELO Strategic Business Unit (SBU) is specialized in the development, production and sale of cycle tyres, bicycle tubes for primary production (OEM), as well as for the market of alternative demands (AFM). The sales and marketing strategy is focused on gradually winning markets in Western Europe and America in addition to holding and strengthening positions on the domestic and East European markets. The Sales Department is mainly concentrated on the European market; the basic criteria is the location of the final consumption of the product. There is a parallel positive development in the activities in non European markets in Africa, the US and Central Asia. The consuming character of the VELO assortment brings with it demands not only for utility, but also for the aesthetical level of the product and the creation of an overall positive perception of the Rubena brand. All activities, including development, are focused on the achievement of this objective. The self-contained VLP series have been developed and gradually introduced into production in the City-Tour/Trek, ATB, MBT/Cross and Road categories. Currently, development, production and sales are focused on tyres in the medium and high categories – this concerns a side-free variant (skinwall) in various forms. The “independent” group of tyres – “Extreme” – are special tyres which are for use in the most demanding terrains and conditions – DownHill, Free-Ride, extreme tourism, etc. A further specific group are tyres for “BMX” bicycles. This group includes many special sub-groups, such as Bicross, Flatland, Street, U-rampa. Very high requirements are stated for these tyres in terms of the construction and compounds.

For reconstructing bicycle tyres and inner tubes, special compounds are used which were developed and produced in SBU Compounds. Some types of bicycle tyres are developed in close cooperation with racing teams in the Czech Republic or with high profile personalities in individual sport categories.

In 2009 a total of 4 million bicycle tyres and 5.8 million cycle tubes were sold for a total amount of CZK 297 million. The prime objective is to achieve full client satisfaction, to increase the value of the company and the prestige of the RUBENA brand on the European and global markets. A partial objective is to achieve by 2011, a ratio of 20% of the European market for cycle tyres and cycle tubes and to promote the Rubena brand in the USA and Canada and other Central and South

American countries. The strategy for the development of SBU VELO is winning new markets, such as countries of former Soviet Union and Turkey.

## **Subsidiaries**

### **RUBENA Slovakia a. s.**

The Technical Rubber Division was represented in 2009 on the Slovak market by the RUBENA Slovakia a.s. In the first half of the year the company underwent a wide ranging transformation during which the production of sealing bearings, shaft sealing and other rubber-metal and rubber products was terminated. From the second half of the year the company has functioned exclusively as a trade company. The sales assortment is technical rubber from the production of the parent company RUBENA a.s. and an assortment of tyres from Mitas a.s. Sales of own products and services achieved CZK 13,627,000. Sales of goods achieved CZK 40,899,000.

### **RUBENA France S. A.**

In 2009 RUBENA France S.A. terminated its activity as a sales company and logistic centre on the French market for products from the Technical Rubber Division. This activity is now ensured directly by the parent company RUBENA a.s. The business activities of the company were gradually terminated during the first half of 2009 and the company consequently entered liquidation. In 2009 the remaining sales of the company achieved CZK 32,649,000.

### **CGS Automotive de México**

The company CGS Automotive de México produces and sells technically demanding products for the automotive industry. Due to global stagnation and the decrease of production in the automotive industry in 2009, 1.5 million membranes for brake boosters were sold in 2009 which is a decrease of almost 0.5 million pieces. Production has already been stabilized which is reflected by the high quality of production. Despite the overall decrease in production, in 2009 we prepared further projects for the expansion of production and for winning new customers. In 2009, sales of the company achieved CZK 26,031,000.

## **Joint-ventures**

### **SICO RUBENA s. r. o**

RUBENA a.s. holds a 50% share in the company SICO RUBENA s.r.o. The company is focused on the production and sale of

products from silicon rubber. In 2009, the sales of the company SICO RUBENA s.r.o. reached CZK 221 million. The cooperation with the German partner SICO has developed positively, particularly in the area of silicone profiles.

#### **CGS – AUTO, s. r. o.**

CGS – AUTO, s.r.o. with its registered office in Nižny Novgorod was founded as a sales and logistics centre for the Russian territory. RUBENA a.s. has a 50% ownership share in the company. In 2009, sales of goods achieved the equivalent of CZK 49 million.

#### **RUBENA BALKÁN s. r. o.**

RUBENA Balkán (Plovdiv, Bulgaria) is a business company ensuring the distribution of products of the joint-stock company RUBENA and its subsidiaries in the territories of Bulgaria, Turkey and Greece (cycle tyres and bicycle tubes for alternative and production demands, rubber and rubber-metal products for alternative demands and special products). RUBENA a.s. owns a 36% ratio in the equity of the company. In 2009, sales of goods achieved the equivalent of CZK 6.8 million.

### **3. Investment into environmental protection**

Last year we activated long-term tangible and intangible assets in the amount of CZK 195.6 million which represents 12.28% of total sales. Most of this amount was activated on the basis of the non-financial investment of buildings and land from the assets of BS Servis Centrum, s.r.o. Otrokovice. The remaining part was invested into production technologies, in particular into machine equipment for the production of compounds and into equipment for the production of bicycle tyres. High investment costs were used for technologies designated for the production of rubber and rubberized products used mainly in the automotive industry and for demanding technical applications in other industrial industries, including the production of V-belts. Further investment costs were invested into testing, information technology and the working environment.

Last year the ratio of investment into production machines and equipment represented 40.98% of the total activated volume.

### **4. Personnel policy**

In 2009 the number of employees decreased in all categories. The average recalculated status of employees in 2009 was 1,534 persons which represents a decrease compared with the previous year of 17.17%. The decrease in the number of employees took place during the year with the aim of increasing the efficiency of the work. The company pays close attention to the area of employee education and further qualification growth. The following events were successfully organized:

- courses for foremen to improve their qualifications (allocations)
- course for staff from the sales departments
- course for improving the qualifications of production employees (allocations),
- quality courses,
- periodical courses and training

In 2009 the company spent on these activities the amount of CZK 1.1 million from its own resources and an allocation from ESF was used for training employees in the "Educate!" project in the amount of CZK 1.4 million. The ratio of university level education slightly increased and reached 6.2%. In total 21.3% of employees have secondary education with the leaving examination. A growth of 2% was recorded in this category. The average age of employees is 41.7 years which slightly decreased compared with 2008.

### **5. Forecasted development in 2010**

2010 will bring for a slight revival for RUBENA a.s. in all significant sales segments. The high technological level and the potential of the development capacities will be a strong point when searching for new sales opportunities. Important changes in the organisation and the dislocation of production and sales activities will support the future market position and will increase competitiveness at existing and new clients. The strategic objective of the company is to maintain the position of a strong and important supplier of technical rubber products on European markets. This will contribute to the stabilisation of all important changes taking place in 2009. We will continue to decrease fixed costs and optimise the cash-flow of the company. At the same time, it can be expected that there will be growth in the prices of basic rubber raw materials, i.e. resin and black and, at the same time, a growth in prices of iron for metal parts of the SAS Division. Therefore, the main task will be to find ways to compensate this negative influence.

**Buzuluk**

**The basic subject of the activity of BUZULUK a.s. is the production and sale of rubber-processing machinery and piston rings.**

## 1. Basic description of the activity and organisations of BUZULUK a.s.

The basic business plan of BUZULUK a.s. is the production and sale of machines and equipment for rubber processing machinery and piston rings.

### Personnel constitution of the senior management of BUZULUK a.s. as at 31 December 2009

General Manager – Pavel Charvát  
 Economic Manager – Jaroslava Štochlová (up to 30. 9. 2009)  
 SOJ GS Director – Pavel Charvát  
 SOJ PK Director – Petr Mašek  
 Quality Senior Management Representative – Miloš Jedlička

### Constitution of the Board of Directors as at 31 December 2009

Chairman – Pavel Charvát  
 Deputy Chairwoman – Jaroslava Štochlová (membership terminated with the approval of the General Meeting on 7 October 2009)  
 Member – Petr Mašek

### Constitution of the Supervisory Board as at 31 December 2009

Lubomír Svátek, member of the Supervisory Board  
 Milan Zítko, member of the Supervisory Board  
 Milan Ernest, member of the Supervisory Board

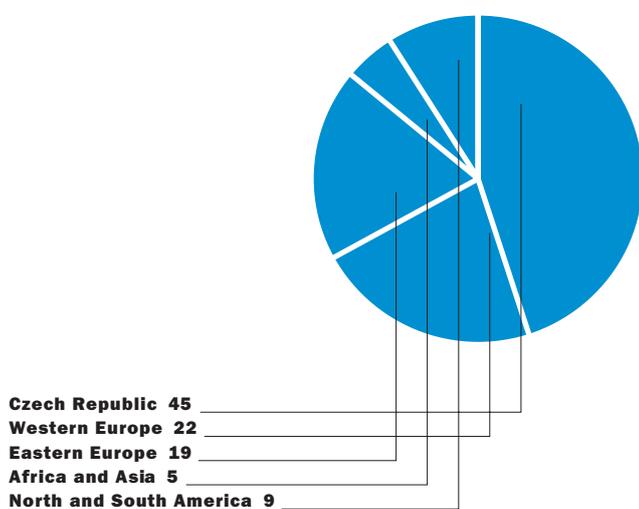
## 2. Company development in 2009

2009 was significantly influenced by the economic crisis which was reflected in the volume of orders. Year-on-year sales decreased by 30% compared with a difficult 2008, almost by CZK 230 million. This decrease was more significant in the piston rings segment where there is a direct relation to the automotive industry and the breakdown in sales was practically reflected on a day to day basis. In the case of rubber-making machines the ratio decrease of sales was lower which was characterized by the investment character of the agreed orders and the further time course. Other influences on management, such as exchange differences, energy prices and inputs were less significant compared to the decrease in sales. Similarly as in the previous year we continued to implement important saving measures with the aim of fully eliminating any unfavourable impact on the decrease of sales. There was a further decrease in the number of employees and from March, after agreement with employees, working hours were reduced to 30 hours per week. Irrespective of a huge effort, we could not compensate for the dramatic decrease in sales by the corresponding decrease in the creation of added value and the company finished with a loss after a long time. In addition to the aforementioned decrease in sales, the year-on-year creation of added value decreased by 26%, fully by CZK 71 million. The savings in the number of employees enables to reduce the decrease in the added value per employee to 5.1%. In this period a loss in the amount of CZK 19 million was reported.

## 3. Sales and marketing

The 2009 results for SOJ PK significantly reflected the global recession and the year-on-year decrease in sales had to be compensated by saving measures and searching for new sales opportunities. In 2009 the main target territories for the sales of piston rings, parts for cars and cast pieces were the European Union markets (Czech Republic, Germany, Italy, Slovak Republic, France), where almost 56% of production was exported. Further important export territories outside the European Union were the Russian Federation (together with Belorussia and Ukraine 25%), USA, Mexico and Brazil (total 12%), concerning the other territories (7%) then these are Turkey, India and South Korea. Some of the largest customers were the subsidiaries of the Kolbenschmidt concern, in particular the Czech branch KS Kolbenschmidt Czech Republic a.s., together with alliances located in various parts of the world (Germany, Mexico, Brazil, Turkey, India), VW, AUDI, Zavolžskij motornyj zavod, Stihl, Fiat powertrain, Záporožskij avtomobilnyj zavod, Lombardini and NPR of Europe.

### Classification of revenues in 2009 by territory in %

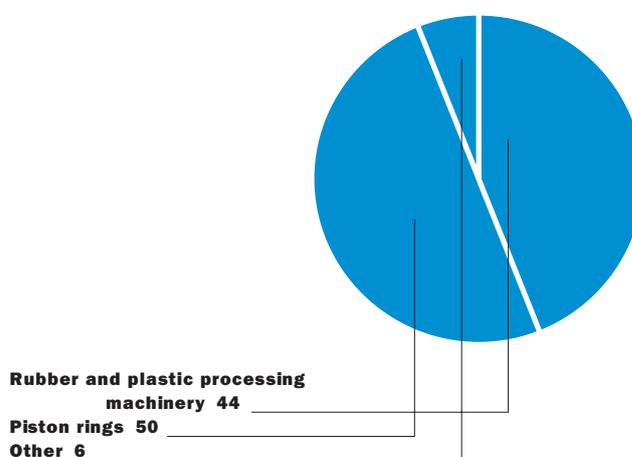


Piston rings for Kolbenschmidt Czech Republic are mounted on pistons produced by this client and are also delivered by two main clients, the company Wabco, which is one of the largest global producers of compressors for vehicles and the company Stihl, a global producer of garden mechanization.

Deliveries for the VW and AUDI concerns represented either sealing rings for variable timing mechanisms in engine camshafts, as well as piston rings from a diameter of 81 mm up to a diameter of 85.5 mm with various axial heights for the second groove of pistons for 4-cylinder, 6-cylinder and 8-cylinder petrol engines. The further important customers of sealing rings for variable timing mechanisms were the companies Kössler – end customer AMG (Daimler) and most recently, the prestigious British company, Bentley.

The Russian, Ukrainian and Belorussian markets play an important role in the sale of SOJ PK products for primary production where the most important clients were the companies Zavolžskij motornyj závod, Zaporožskij avtomobilnyj závod, Minskij motornyj závod and Kamaz, as well as for spare parts which were delivered through the subsidiary ČGS Avto for the ZMZ network and indirectly for other customers. The total ratio of deliveries into primary production decreased by approximately

### Classification of revenues in 2009 by assortment in %



60% as a result of the recession. In the assortment of unmachined cast pieces, the most important clients were ZMZ, Richter Formteile, JK Prestige, Mikrona, York and Smalt.

Sales of SOJ GS decreased by 32% compared with 2008. This decrease was mainly caused by the economic crisis which, due to the investment character of the orders was reflected by a delay, maximally in the second and third quarters of 2009. In this period previously concluded orders were finished although new orders were not finished due to the suspended investment plans of clients and the low demand for new equipment. Due to suspended investments there was the postponement of the delivery of the 5-cylinder calendar line for the company Barum Continental s.r.o., whose termination was postponed from the first quarter to the fourth quarter of 2009. This was still one of the most significant events in 2009. In 2009 cooperation with the Harburg Freudenberger company continued with several calendars delivered into the injection lines and, at the same time, there was expansion of the cooperation with the production of mixer components in accordance with the client documentation.

The GS Division also expanded its activities to segments in the building industry where it participated in the repair of the

## Selected indexes in the Machinery Division – BUZULUK a.s.

thousand CZK		2007	2008	2009
Turnover ratio of the group	%	7,05	5,23	4,90
Total sales	thousands	843,945	724,444	492,542
of which export	thousands	614,901	451,782	272,201
Added value	thousands	354,169	270,879	199,476
Staff costs	thousands	227,089	241,187	181,539
Depreciation	thousands	48,930	48,103	43,696
Operating profit	thousands	78,908	9,483	-13,265
Profit in the accounting period	thousands	72,992	32,002	-19,022
Assets	thousands	905,643	884,919	416,622
Other sources	thousands	325,256	404,716	260,725
Equity	thousands	580,203	480,202	154,796
Employees	recalculated status	707	659	511
<b>Ratio index</b>				
Sales/recalculated status of employees	thousands	1,194	1,099	964
Added value/recalculated status of employees	thousands	501	411	390
Profit/equity (ROE)	%	13	7	-12
Other sources/assets	%	36	4	6
Sales/Shareholder equity	%	145	151	318

## Selected indexes in the Machinery Division – BUZULUK a.s.

thousand EUR		2007	2008	2009
Exchange rate CZK/EUR		26,62	26,93	26,465
Total sales	thousands	31,703	26,901	18,611
of which export	thousands	23,099	16,776	10,285
Added value	thousands	13,305	10,059	7,537
Operating profit	thousands	2,964	352	-501
Profit in the accounting period	thousands	2,742	1,188	-719
Assets	thousands	34,021	32,860	15,742
Other sources	thousands	12,218	15,028	9,852
Equity	thousands	21,796	17,831	5,849

railway station at Mariánské Lázně. The second event in the building industry was the expansion of the Prague Letňany bus station.

Activities in the building industry segment participated in total sales by 11%. The ratio of machine orders in sales in 2009 reached 72%. A large part of this percentage of machine orders was ensured in the second half of 2008. The suspended

investments caused a lower volume of demand for new machines and an increase in demand for spare parts (ND), which in summary represented a 7% ratio of spare parts in sales. In the assortment of spare cylinders, cooperation continued with the company United Foundries. The volume of deliveries decreased compared with 2008. The 2009 results are comparable with 2006 and 2007. The assortment of spare cylinders

represented 15% of total sales. Cooperation which was also influenced by the economic crisis represented 6% of total sales.

#### 4. Products

Despite the necessary restriction to the budget for technical development, SOJ PK introduced several new products and technologies in 2009 into series production. Commercially, the most successful product is the part for the C635 gearbox for the Fiat powertrain. It is a machined work piece from especially developed modular iron with high strength tooling on CNC milling machines which is locally inductively hardened. The part is completely produced in BUZULUK a.s. Further important news is the introduction to series production of steel nitrided piston rings. In the first phase these rings are mounted for existing clients on the spare parts market and the technology is optimised with the aim to also start to deliver these types of rings for primary production. With the existing production volumes, the rings are nitrided according to the technical specification of the external supplier. Other newly launched products include steel sealing rings for sealing exhausts and the expansion of the sold piston ring portfolio with surface treatment by composite chromium and wiper piston rings with axial height. Close research and development cooperation with the companies Wabco, Stihl, Audi and Škoda continues in the area of optimising and developing piston and sealing rings and machined and unmachined cast pieces. The development activities of SOJ GS are oriented to machines and equipment derived from the main trends in the area for the development of rubber technologies. The development is concentrated as the main programme, i.e. the process of calendaring on its main equipment, i.e. calendaring machines and line components. In 2009 the implementation of a unique 5-cylinder calendar line continued for rubberizing textile and steel cord. The rubberized cord is a basic semi-product for further components for tyre production. In particular, the following equipment was developed:

- a) 5-cylinder calendar as completely unique technological equipment
- b) equipment for automatic unreeling and feeding of textile cord
- c) equipment for the exact cutting of the edges of rubberized steel cord
- d) automated system for cross cutting and winding rubberized cord

SOJ GS also focused its activity on closer cooperation with the company Harburg Freudenberger. This cooperation represented the development and modification of small calendars for extrusion

presses. A further form of cooperation represented production in accordance with client documentation. The objective of the development activities of SOJ GS is to keep and optimally strengthen the existing position on the market which should be supported by closer cooperation with a partner from the same area.

A total of CZK 4.975 million was invested in 2009, in particular into the renewal and modernisation of the production of piston rings. In November 2009, the certification company SGS Czech Republic, s.r.o., audited the quality management system and the system of environmental management via a re-certification audit and confirmed the validity of certificates according to EN ISO 9001: 2008, ISO/TS 16949: 2009 and EN ISO 14001: 2004 without deviations. The relation to quality and all our environmental elements is reflected each year into the objectives of the company for the forthcoming period.

#### 6. Personnel policy

In 2009 the company employed 511 employees in the average recalculated status. By 31 December 2009 the total recorded number of employees was 502, including 277 production employees, 83 overhead employees and 142 technical-economic employees. In the company BUZULUK a.s. there were 5% employees with university level education and 29% with secondary level education completed by the leaving examination. The qualification growth of employees was ensured by various forms of education and professional preparation. The professional preparation of employees via the "Educate!" project was financed from the European social fund. In this manner the financing of education was ensured in the amount of CZK 600,000.

Educational programmes were implemented in the following areas:

- training of welders, including taking of state exams
- IT knowledge
- enterprise Information system (MAX – capacity planning, MAX – logistics, accounting)
- programming of NC machines (SIMATIC S7 system)
- internal quality auditors
- AutoCAD2009, INVENTOR construction graphic systems
- training determined by regulations

To ensure trained employees in the area of engineering and technical personnel, there is cooperation with the Secondary Professional School and the Secondary Industrial School in Hořovice and the Faculty of Mechanical Engineering of the University of West Bohemia in Pilsen. In 2009 we provided scholarships for 17 pupils from Hořovice Secondary Professional

School and 3 pupils from Rokycany Secondary Professional School. These graduates from the secondary professional schools completed their studies and will start to work in the company in 2010 and 2011. Great attention was focussed on safety and hygiene of work, enterprise medical care and the fulfilment of social programmes in accordance with the collective agreement.

In 2009 the number of injuries decreased by 9 compared with the previous year and the amount of days lost to work due to work injuries also decreased by 330 calendar days. On the basis of the technical and organisational measures taken in risky workplaces, the number of such employees decreased, as well as the number of employees classified into risk categories (by 18 employees compared with 2008).

## 7. Forecasted development in 2010

The plan for 2010 increases added value by 9.3%. Profit after taxation should reach CZK 9.1 million. In the short-term outlook the objective of the company is to maintain production ability, balanced management and a level of cash flow sufficient for financing the necessary demands of the company. In the medium-term horizon the objective is to develop close cooperation with strategic partners and to simplify ensuring the future of the company. Due to the difficulty in estimating the development of the European and global economies, the economic indexes for SOJ PK in 2010 are set so that if sales are at the level of 2009 there will be no economic loss. The objective and the strategy of SOJ PK for 2010 is:

- to make internal processes more effective and reduce losses caused by low-quality production
- to develop and optimise existing products so as to prevent losing any important clients
- to develop piston and sealing rings for demanding applications

For the 2010–2012 horizon the objective is to expand the portfolio of machined cast pieces with high added value so that sales from this segment achieve 10% of sales of SOJ PK and to increase the ratio of technically demanding piston rings with higher added value and lower risk of replacement by another supplier. Due to lower sales caused by the situation on the market and the overall lower number of employees in SOJ GS, the basic strategic objective of the company is the optimising of internal processes, better use of production capacities and the related decrease in process and operating costs so they correspond to the total forecasted sales of the company. The improvement of internal processes particularly concerns the checking of the quality of work procedures, quality of products and the implementation of a system of evaluation criteria derived from the fulfilment of quality metrics. The important objective of SOJ GS is the development of cooperation with a strategic partner (Harburg Freudenberger), particularly in the area of deliveries of machines, services and purchases. One of the main strategic objectives of SOJ GS in the medium-term horizon, which started in 2007, is the gradual decrease in the assortment of machines produced which are orientated to products where SOJ GS is able to achieve the top level. Therefore, research and development projects are generally focused on rolling machines and components for calender lines and lines for drawing foils. An important project is the line with 5-cylinder calender, including competing equipment whose commissioning and trial operation at Barum Continental will take place in the second and third quarters of 2010. Further projects include vertical calenders which are required in implementation projects by the final technology supplier, e.g. at the company Harburg Freudenberger. Moreover, there are calender lines designed for end clients on the market in India. The planned investment for 2010 is CZK 20 million and includes further machines for the “Fiat lever” project and funds for the completion of events currently in progress. The plan also includes investment into the safety and protection of health of the employees of production operating units.

# **Audit Report of the Consolidated Financial Statement**



Audit Report of the independent auditor on the auditing of the Consolidated Financial Statement of the company ČGS a.s. as at 31 December 2009

The audit of the attached Consolidated Financial Statement as at 31 December 2009 of the company ČGS a.s., registered office: Prague 10, Švehlova 1900, Postcode 106 24, Company ID number (IČO): 274 10 072, was implemented by the company HAYEK, spol. s r.o. holding, Jindřišská 5/901, Prague 1, Licence Number 029. The auditor responsible for preparation of the report was Ing. Konstantin Tafintsev, Licence number 1972. The Audit Report is designated for the shareholders of the company ČGS a.s.

We audited the attached Consolidated Financial Statement of the company ČGS a.s., i.e. the Consolidated Balance Sheet as at 31<sup>st</sup> December 2009 and the Consolidated Profit and Loss Statement for the period from 1<sup>st</sup> January 2009 to 31<sup>st</sup> December 2009 and the Appendix to the Consolidated Financial Statement, including the description of the significant accounting methods used. Data regarding the company ČGS a.s. is stated in point 1.1 of the Appendix to the Financial Statement.

The statutory body of the company ČGS a.s. is responsible for the preparation of the Consolidated Financial Statement which provides a true and fair reflection in accordance with Czech accounting regulations. This responsibility includes the proposal, implementation and ensuring the internal audits of the Consolidated Financial Statement and the true reflection of the facts stated therein with the aim of not containing any important incorrect facts caused by fraud or error, to select and apply the correct accounting principles and to undertake adequate accounting estimates in respect of the respective situation.

Our task is to issue, on the basis of the audit, the statement regarding this Consolidated Financial Statement. We implemented the audit in accordance with the Auditor Act, the International Auditor Standards and the related application clauses of the Chamber of Auditors of the Czech Republic. These standards require the auditor to prepare, plan and implement the audit in such a manner that the auditor can be adequately certain that the Financial Statement does not contain any significant defects.

The audit includes implementing audit procedures with the objective of acquiring information on the amounts and facts stated in the Consolidated Financial Statement. The selection of the audit procedures depends on the consideration of the auditor, including how the auditor evaluates the risk that the Consolidated Financial Statement may contain important incorrect data caused by fraud or error. During the evaluation of these risks the auditor takes into consideration internal audits relevant to the preparation of the Consolidated Financial Statement and ensures that they are a true reflection of the facts contained therein. The objective of the evaluation of the internal audits is to propose suitable audit procedures, not to express an opinion about the efficiency of the internal audits. The audit also includes an assessment of the suitability of the accounting methods, of the adequacy of the accounting estimates used by the senior management of the company and an assessment the overall presentation of the Consolidated Financial Statement. We consider that the evidence gathered represents a sufficient and acceptable basis to issue of our statement. In our opinion the Consolidated Financial Statement provides a true and fair reflection of the assets and liabilities of the company ČGS a.s. at 31 December 2009 and the costs and revenues and management results for the period 1 January 2009 to 31 December 2009 are in accordance with the Czech accounting regulations.

Prague, 17. 3. 2010



HAYEK, spol. s r.o., holding, Certificate Number 029  
Ing. Konstantin Tafintsev, Certificate Number 1972

# Audit Report of the Consolidated Annual Report



Audit Report of the independent auditor on the auditing of the Annual Report of the company ČGS a.s. as at 31 December 2009.

The audit of the Annual Report of the company ČGS a.s., registered office: Prague 10, Švehlova 1900, Company ID number (ICO): 274 10 072, was implemented by the company HAYEK, spol. s r.o. holding, Jindřišská 5/901, Prague 1, Licence Number 029.

The auditor responsible for the preparation of the Audit Report is Ing. Konstantin Tafintsev, Certificate number 1972. The Audit Report is designated for the shareholders of the company.

We audited the accordance of the Annual Report with the Financial Statement which is contained in this Annual Report on pages 38 to 43. The statutory body of the company is responsible for the correctness of the Annual Report. Our task is to issue on the basis of the implemented audit, the standpoint for the accordance of the Annual Report with the Financial Statement. We implemented the audit in accordance with the International Auditor Standards and the related application clauses of the Chamber of Auditors of the Czech Republic. These standards require that the auditor plans and performs the audit so as to be adequately certain that the information

contained in the Annual Report describing facts which are the subject of reflection in the Financial Statement is in accordance with all important aspects of the respective Financial Statement. We are certain that that the implemented audit provides an adequate base for the expression of the statement of the auditor. In our opinion, the information contained in the Annual Report of the company ČGS a.s. as at 31<sup>st</sup> December 2009 is in terms of all important aspects, in accordance with the above-mentioned Financial Statement.

Prague, 18. 6. 2010

A circular stamp of the Auditor of the Czech Republic. The outer ring contains the text "AUDITOR ČESKÉ REPUBLIKY" at the top and "Ing. Konstantin Tafintsev" at the bottom. In the center, there is a coat of arms of the Czech Republic and the text "ev. č. 1972". To the right of the stamp is a handwritten signature in black ink.

HAYEK, spol. s r.o., holding, Certificate Number 029 Ing. Konstantin Tafintsev, Certificate number 1972

# Consolidated Balance Sheet

## as at 31 December 2009

### Assets

thousand CZK		2009	2008	
	<b>Total assets</b>	<b>.001</b>	<b>7,889,126</b>	<b>9,757,612</b>
<b>A.</b>	<b>Capital subscription receivables</b>	<b>.002</b>	<b>0</b>	<b>0</b>
<b>B.</b>	<b>Long-term assets</b>	<b>.003</b>	<b>4,230,543</b>	<b>4,814,035</b>
<b>B.I.</b>	<b>Long-term intangible fixed assets</b>	<b>.004</b>	<b>99,726</b>	<b>186,692</b>
<b>B.I.1.</b>	<b>Establishment costs</b>	<b>.005</b>	<b>356</b>	<b>740</b>
<b>B.I.2.</b>	<b>Research and development</b>	<b>.006</b>	<b>0</b>	<b>0</b>
<b>B.I.3.</b>	<b>Software</b>	<b>.007</b>	<b>16,792</b>	<b>17,015</b>
<b>B.I.4.</b>	<b>Royalties</b>	<b>.008</b>	<b>75,711</b>	<b>151,662</b>
<b>B.I.5.</b>	<b>Goodwill</b>		<b>4</b>	<b>0</b>
<b>B.I.6.</b>	<b>Other long-term intangible assets</b>	<b>.009</b>	<b>6,787</b>	<b>16,139</b>
<b>B.I.7.</b>	<b>Long-term intangible assets in the course of construction</b>	<b>.010</b>	<b>80</b>	<b>1,136</b>
<b>B.I.8.</b>	<b>Advances paid for intangible assets</b>	<b>.011</b>	<b>0</b>	<b>0</b>
<b>B.II</b>	<b>Tangible fixed assets</b>	<b>.012</b>	<b>3,785,558</b>	<b>4,260,946</b>
<b>B.II.1.</b>	<b>Land</b>	<b>.013</b>	<b>429,076</b>	<b>438,422</b>
<b>B.II.2.</b>	<b>Constructions</b>	<b>.014</b>	<b>1,310,458</b>	<b>1,372,567</b>
<b>B.II.3.</b>	<b>Equipment</b>	<b>.015</b>	<b>1,746,399</b>	<b>2,025,183</b>
<b>B.II.4.</b>	<b>Cultivated areas</b>	<b>.016</b>	<b>0</b>	<b>0</b>
<b>B.II.5.</b>	<b>Livestock</b>	<b>.017</b>	<b>0</b>	<b>0</b>
<b>B.I.6.</b>	<b>Other long-term intangible assets</b>	<b>.018</b>	<b>2,157</b>	<b>3,258</b>
<b>B.II.7.</b>	<b>Tangible assets in the course of construction</b>	<b>.019</b>	<b>119,886</b>	<b>204,566</b>
<b>B.II.8.</b>	<b>Advances paid for tangible fixed assets</b>	<b>.020</b>	<b>1,343</b>	<b>25,193</b>
<b>B.II.9.</b>	<b>Adjustment to acquired fixed assets</b>	<b>.021</b>	<b>176,239</b>	<b>191,757</b>
<b>B.III.</b>	<b>Long-term investment</b>	<b>.022</b>	<b>5,828</b>	<b>8,109</b>
<b>B.II.1.</b>	<b>Investment in controlled entities/subsidiaries</b>	<b>.023</b>	<b>0</b>	<b>0</b>
<b>B.III.2.</b>	<b>Investment in associates</b>	<b>.024</b>	<b>3,111</b>	<b>4,259</b>
<b>B.III.3.</b>	<b>Other long-term investment in securities</b>	<b>.025</b>	<b>871</b>	<b>830</b>
<b>B.III.4.</b>	<b>Intragroup loans – controlled entities</b>	<b>.026</b>	<b>0</b>	<b>0</b>
<b>B.III.6.</b>	<b>Other financial investment</b>	<b>.027</b>	<b>491</b>	<b>2,842</b>
<b>B.III.7.</b>	<b>Acquired long-term financial assets</b>		<b>1,309</b>	<b>50</b>
<b>B.III.7.</b>	<b>Advances provided for long-term financial assets</b>		<b>46</b>	<b>128</b>
<b>B.IV.</b>	<b>Active consolidated difference, (-) Negative consolidated difference</b>		<b>339,431</b>	<b>358,288</b>
<b>B.V.</b>	<b>Intragroup shareholders</b>		<b>0</b>	<b>0</b>

thousand CZK		2009	2008	
<b>C.</b>	<b>Current assets</b>	<b>.028</b>	<b>3,612,038</b>	<b>4,894,074</b>
<b>C.I.</b>	<b>Inventories</b>	<b>.029</b>	<b>1,796,653</b>	<b>2,205,234</b>
<b>C.I.1.</b>	<b>Material</b>	<b>.030</b>	<b>615,627</b>	<b>861,314</b>
<b>C.I.2.</b>	<b>Products and semi-products in progress</b>	<b>.031</b>	<b>249,237</b>	<b>275,428</b>
<b>C.I.3.</b>	<b>Products</b>	<b>.032</b>	<b>759,452</b>	<b>783,899</b>
<b>C.I.4.</b>	<b>Livestock</b>	<b>.033</b>	<b>0</b>	<b>0</b>
<b>C.I.5.</b>	<b>Goods</b>	<b>.034</b>	<b>153,384</b>	<b>279,137</b>
<b>C.I.6.</b>	<b>Prepayments for inventory</b>	<b>.035</b>	<b>18,952</b>	<b>5,456</b>
<b>C.II.</b>	<b>Long-term receivables</b>	<b>.036</b>	<b>26,127</b>	<b>5,585</b>
<b>C.II.1.</b>	<b>Trade receivables</b>	<b>.037</b>	<b>25,979</b>	<b>0</b>
<b>C.II.2.</b>	<b>Receivables — controlled entities/subsidiaries</b>	<b>.038</b>	<b>0</b>	<b>0</b>
<b>C.II.3.</b>	<b>Receivables from accounting units under substantial influence</b>	<b>.039</b>	<b>0</b>	<b>0</b>
<b>C.II.4.</b>	<b>Receivables from shareholders/owners</b>	<b>.040</b>	<b>0</b>	<b>192</b>
<b>C.II.5.</b>	<b>Anticipated assets</b>		<b>123</b>	<b>0</b>
<b>C.II.6.</b>	<b>Other receivables</b>		<b>25</b>	<b>13</b>
<b>C.II.7.</b>	<b>Deferred tax receivable</b>	<b>.041</b>	<b>0</b>	<b>5,380</b>
<b>C.III.</b>	<b>Short-term receivables</b>	<b>.042</b>	<b>1,650,159</b>	<b>2,383,401</b>
<b>C.III.1.</b>	<b>Trade receivables</b>	<b>.043</b>	<b>1,519,408</b>	<b>1,892,475</b>
<b>C.III.2.</b>	<b>Receivables — controlled entities/subsidiaries</b>	<b>.044</b>	<b>0</b>	<b>0</b>
<b>C.III.3.</b>	<b>Receivables from accounting units under substantial influence</b>	<b>.045</b>	<b>0</b>	<b>0</b>
<b>C.III.4.</b>	<b>Receivables from shareholders/owners</b>	<b>.046</b>	<b>0</b>	<b>0</b>
<b>C.III.5.</b>	<b>Social security and health insurance</b>		<b>68</b>	<b>69</b>
<b>C.III.6.</b>	<b>State — tax receivables</b>		<b>100,976</b>	<b>249,648</b>
<b>C.III.7.</b>	<b>Other advances provided</b>	<b>.048</b>	<b>7,482</b>	<b>13,411</b>
<b>C.III.8.</b>	<b>Anticipated assets</b>	<b>.049</b>	<b>4,853</b>	<b>162,456</b>
<b>C.III.9.</b>	<b>Other receivables</b>	<b>.050</b>	<b>17,373</b>	<b>65,342</b>
<b>C.IV.</b>	<b>Short-term financial assets</b>	<b>.051</b>	<b>139,099</b>	<b>299,854</b>
<b>C.IV.1.</b>	<b>Cash</b>	<b>.052</b>	<b>2,261</b>	<b>5,674</b>
<b>C.IV.2.</b>	<b>Bank accounts</b>	<b>.053</b>	<b>134,884</b>	<b>276,343</b>
<b>C.IV.3.</b>	<b>Short-term securities and ownership interest</b>	<b>.054</b>	<b>542</b>	<b>3,537</b>
<b>C.IV.4.</b>	<b>Acquired short-term financial assets</b>		<b>1,412</b>	<b>14,300</b>
<b>D.I.</b>	<b>Accruals and deferrals</b>	<b>.056</b>	<b>46,545</b>	<b>49,503</b>
<b>D.1.1.</b>	<b>Prepaid expenses</b>		<b>38,037</b>	<b>40,981</b>
<b>D.1.2.</b>	<b>Complex prepaid expenses</b>	<b>.057</b>	<b>4,650</b>	<b>5,142</b>
<b>D.1.3.</b>	<b>Accrued revenues</b>	<b>.058</b>	<b>3,858</b>	<b>3,380</b>

## Liabilities

thousand CZK		2009	2008	
	<b>Total liabilities</b>	<b>.061</b>	<b>7,889,126</b>	<b>9,757,612</b>
<b>A.</b>	<b>Equity</b>	<b>.062</b>	<b>3,409,876</b>	<b>3,213,612</b>
<b>A.I.</b>	<b>Registered capital</b>	<b>.063</b>	<b>2,000</b>	<b>2,000</b>
<b>A.I.1.</b>	<b>Registered capital</b>	<b>.064</b>	<b>2,000</b>	<b>2,000</b>
<b>A.I.2.</b>	<b>Own shares and ownership interest</b>	<b>.065</b>	<b>0</b>	<b>0</b>
<b>A.I.3.</b>	<b>Changes in registered capital</b>		<b>0</b>	<b>0</b>
<b>A.II.</b>	<b>Capital funds</b>	<b>.066</b>	<b>1,850,020</b>	<b>1,955,966</b>
<b>A.II.1.</b>	<b>Share premium</b>	<b>.067</b>	<b>0</b>	<b>0</b>
<b>A.II.2.</b>	<b>Other capital funds</b>	<b>.068</b>	<b>1,958,664</b>	<b>1,958,664</b>
<b>A.II.3.</b>	<b>Gains or losses from the evaluation of assets</b>	<b>.069</b>	<b>-108,644</b>	<b>-2,698</b>
<b>A.II.4.</b>	<b>Gains or losses from evaluation during changes</b>	<b>.070</b>	<b>0</b>	<b>0</b>
<b>A.III.</b>	<b>Reserve funds, undistributed profit and other funds from profit</b>	<b>.071</b>	<b>27,539</b>	<b>27,539</b>
<b>A.III.1.</b>	<b>Legal reserve fund</b>	<b>.072</b>	<b>27,539</b>	<b>27,539</b>
<b>A.III.3.</b>	<b>Statutory and other funds</b>	<b>.074</b>	<b>0</b>	<b>0</b>
<b>A.IV.</b>	<b>Profit/loss from previous years</b>	<b>.075</b>	<b>1,365,347</b>	<b>1,072,549</b>
<b>A.IV.1.</b>	<b>Undistributed profit from previous years</b>	<b>.076</b>	<b>1,365,347</b>	<b>1,072,549</b>
<b>A.IV.2.</b>	<b>Unpaid loss from previous years</b>	<b>.077</b>	<b>0</b>	<b>0</b>
<b>A.V.</b>	<b>Profit/loss in current accounting period without minor interest (+/-)</b>	<b>.078</b>	<b>164,969</b>	<b>155,558</b>
<b>A.V.1.</b>	<b>Profit in current accounting period (+/-)</b>		<b>164,969</b>	<b>155,558</b>
<b>A.V.2.</b>	<b>Ratio of result of management in equivalence (+/-)</b>		<b>0</b>	<b>0</b>
<b>A.VI.</b>	<b>Consolidation reserve fund</b>		<b>0</b>	<b>0</b>
<b>B.</b>	<b>Other sources</b>	<b>.079</b>	<b>4,430,566</b>	<b>6,457,217</b>
<b>B.I.</b>	<b>Provisions</b>	<b>.080</b>	<b>96,900</b>	<b>56,584</b>
<b>B.I.1.</b>	<b>Provisions according to special regulations</b>	<b>.081</b>	<b>1,018</b>	<b>42,724</b>
<b>B.I.2.</b>	<b>Reserve for pensions and similar payables</b>	<b>.082</b>	<b>53,208</b>	<b>0</b>
<b>B.I.3.</b>	<b>Reserve for income tax</b>	<b>.083</b>	<b>15,140</b>	<b>3,300</b>
<b>B.I.4.</b>	<b>Other reserves</b>		<b>27,534</b>	<b>10,560</b>
<b>B.II.</b>	<b>Long-term payables</b>	<b>.084</b>	<b>451,064</b>	<b>660,327</b>
<b>B.II.1.</b>	<b>Trade payables</b>	<b>.085</b>	<b>3,537</b>	<b>3,713</b>
<b>B.II.2.</b>	<b>Liabilities — controlled entities/subsidiaries</b>	<b>.086</b>	<b>0</b>	<b>0</b>
<b>B.II.3.</b>	<b>Liabilities — associates</b>	<b>.087</b>	<b>0</b>	<b>0</b>
<b>B.II.4.</b>	<b>Liabilities to shareholders/owners</b>	<b>.088</b>	<b>40,291</b>	<b>112,291</b>
<b>B.II.5.</b>	<b>Long-term advances received</b>	<b>.089</b>	<b>0</b>	<b>0</b>
<b>B.II.6.</b>	<b>Bond issues</b>		<b>0</b>	<b>0</b>
<b>B.II.7.</b>	<b>Bills of exchange payable</b>		<b>0</b>	<b>0</b>
<b>B.II.8.</b>	<b>Anticipated assets</b>		<b>280</b>	<b>625</b>
<b>B.II.9.</b>	<b>Other liabilities</b>		<b>221,555</b>	<b>315,660</b>
<b>B.II.10.</b>	<b>Deferred tax liability</b>	<b>.090</b>	<b>185,401</b>	<b>228,038</b>

thousand CZK		2009	2008
B.III. Short-term payables	.091	1,581,467	2,171,971
B.III.1. Trade payables	.092	1,184,452	1,166,546
B.III.2. Liabilities – controlled entities/subsidiaries	.093	0	0
B.III.3. Liabilities – associates	.094	0	0
B.III.4. Liabilities to shareholders/owners	.095	0	0
B.III.5. Payables to employees	.096	56,205	74,321
B.III.6. Payables to social security and health insurance	.098	50,374	143,003
B.III.7. State – tax payables and subsidies	.099	57,891	83,864
B.III.8. Short-term advances received		31,567	11,910
B.III.9. Bond issues		2,997	0
B.III.10. Anticipated assets		42,391	70,141
B.III.11. Other liabilities	100	155,590	622,186
B.IV. Bank loans and assistance	101	2,301,134	3,568,335
B.IV.1. Long-term bank loans	102	293,074	801,591
B.IV.2. Short-term bank loans	103	2,008,060	2,766,744
B.IV.3. Short-term financial assistance	104	0	0
C.I. Accruals and deferrals	106	45,257	83,241
C.I.1. Accrued expenses	107	45,110	82,874
C.I.2. Accrued revenues	108	147	367
D. Minority equity		3,427	3,542
D.I. Minority share capital		3,157	3,157
D.II. Minority capital funds		20	147
D.III. Minority revenue reserves and retained earnings		238	517
D.IV. Minority profit in current accounting period		12	-279

# Consolidated Profit and Loss Statement as of 31 December 2009

thousand CZK	2009	2008
I. Revenues from the sales of goods	341,402	480,017
A. Costs of goods sold	255,241	322,108
+ Trading profit margin	86,161	157,909
II. Production	8,245,803	11,238,480
II.1. Revenues from the sale of own products and services	8,341,427	11,008,790
II.2. Change in materials inventory	-198,049	127,542
II.3. Capitalisation	102,425	102,148
B. Intermediate consumption	5,078,361	7,659,279
B.1. Consumption of materials and energy	3,970,443	6,250,238
B.2. Services	1,107,919	1,409,041
+ Added value	3,253,602	3,737,110
C. Staff costs	1,893,436	2,207,634
C.1. Wage costs	1,425,673	1,626,507
C.2. Emoluments of board members	3,200	3,724
C.3. Costs for social security and health insurance	416,628	526,069
C.4. Social costs	47,935	51,334
D. Taxes and fees	24,071	18,035
E. Depreciation of tangible and intangible assets	717,145	701,991
III. Sales of long-term assets and material	521,091	1,459,043
III.1. Sales of long-term assets	89,319	115,718
III.2. Sales of materials	431,771	1,343,325
F. Net book value of long-term assets and materials	637,846	1,383,318
F.1. Net book value of long-term assets sold	82,332	40,381
F.2. Material sold	555,514	1,342,937
G. Change in reserves and adjusting entries in the operating area and total accrued expenses	-55,023	-26,215
IV. Other operating revenues	90,136	52,635
H. Other operating costs	248,358	225,274
V. Transfer of operating revenues	0	0
I. Transfer of operating costs	-10,030	0
Accounting for consolidated difference	18,857	18,857
* Consolidated operating income	390,169	719,894
Revenues from sale of securities	1,400	51
J. Securities and investments sold	667	51
VII. Revenues from long-term financial assets	159	529
VII.1. Revenues from investment in controlled and managed subjects and in accounting	159	529
VII.2. Revenues from other long-term securities and investments	0	0
VII.3. Revenues from other long-term financial assets	0	0
VIII. Revenues from short-term financial assets	771	0

thousands CZK		2009	2008
K.	Costs from financial assets	0	0
IX.	Revenues from re-assessed securities and derivatives	149,775	1,921,040
L.	Costs from re-assessment of securities and derivatives	13,769	2,256,207
M.	Change in balance of reserves and adjusting entries in financial area	0	0
X.	Revenue interest	3,375	18,261
N.	Cost interest	109,991	180,623
XI.	Other financial revenues	1,902,507	3,331,926
O.	Other financial costs	2,132,588	3,390,443
XIII.	Transfer of financial revenues	0	0
P.	Transfer of financial costs	0	0
*	Consolidated operating loss	-199,028	-555,417
Q.	Income tax on ordinary activity	15,460	6,138
Q.1.	— due	61,681	25,574
Q.2.	— deferred	-46,221	-19,436
**	Consolidated net profit/loss from ordinary activity	175,682	158,339
XIII.	Extraordinary revenues (XVI)	149	-2,035
R.	Extraordinary costs	10,850	1,025
S.	Income tax of extraordinary activity	0	0
S.1.	— due	0	0
S.2.	— deferred	0	0
	Deferred income tax (T.2)	0	0
*	Consolidated extraordinary loss	-10,701	-3,060
T.	Transfer of ratio in profit to partners	0	0
***	Consolidated profit in current accounting period excluding intragroup profit	164,981	155,279
	of which profit in current accounting period excluding minority interest	164,969	155,558
	Minority profit in current accounting ordinary accounting period	12	-279
	Ratio in intragroup profit	0	0
****	Consolidated profit in accounting period	164,981	155,279
	Profit or loss before taxation (+/-)	180,441	161,417

# Summary of Subsidiaries of ČGS a.s. as of 31 December 2009

## ČGS a.s.

Registered capital (in thousand CZK);	2,000
Sales of products, services and goods (in thousand CZK)	41,232
Number of employees (average recalculated status)	25
Subject of business – Management services for subsidiaries	

## MITAS a.s.

Registered capital (in thousand CZK)	1,460,384
Sales of products, services and goods (in thousand CZK)	5,758,485
Number of employees (average recalculated status)	2,177
Production programme – tyres for large construction machines, excavators, rollers, small loaders, trucks, multi-purpose and agricultural tyres, rubber compounds, V-belts	

## IGTT a.s.

Registered capital (in thousand CZK)	82,855
Sales of products, services and goods (in thousand CZK)	149,865
Number of employees (average recalculated status)	121
Production programme – Development of new constructions and technologies for production of tyres, testing and development	

## RUBENA a.s.

Registered capital (in thousand CZK)	257,322
Sales of products, services and goods (in thousand CZK)	1,592,836
Number of employees (average recalculated status)	1,534
Production programme – rubber products, sealing elements, roller coatings	

## BUZULUK a.s.

Registered capital (in thousand CZK)	6,975
Sales of products, services and goods (in thousand CZK)	492,542
Number of employees (average recalculated status)	511
Production programme – piston rings, automobile parts, made-to-order cast iron, metallurgical rollers, rubber and plastic-processing machines	

## Mitas Antikor, spol. s r.o.

Registered capital (in thousand CZK)	200
Sales of products, services and goods (in thousand CZK)	12,679
Number of employees (average recalculated status)	19
Production programme – anti-corrosion and anti-abrasion protection, rubberising of galvanised tubes, pipes for the chemical industry, ion-exchange and vacuum filters	

## BS Servis Centrum, s.r.o.

Registered capital (in thousand CZK)	142,287
Sales of products, services and goods (in thousand CZK)	44,567
Number of employees (average recalculated status)	930
Subject of business – accommodation services, housing management, public catering	

## KONTY G TRADE a.s.

Registered capital (in thousand CZK)	2,000
Sales of products, services and goods (in thousand CZK)	623,460
Number of employees (average recalculated status)	125
Subject of business – processing of rubber moulds	

# Contact Data

**ČGS a.s.**

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