



ČGS HOLDING a.s.  
Annual Report 2013

CGSO



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# Introduction

Dear business friends:

2013 was successful for CSG Group from several perspectives. Our strategy to focus exclusively on the production of rubber products proved to be correct and we achieved the best results in the history of the company in all areas of our business activities.

Despite the worldwide challenging conditions, the development of the prices of raw materials and the measures adopted to improve our efficiency resulted in increased sales and improved financial performance. The record volume of sales was also reflected in our excellent economic results. We paid special attention to the issue of social responsibility, which forms an integral part of our business culture and strategy.

Apart from the above mentioned facts, we continued investing. Undoubtedly the most important project was the construction of a new plant for radial agricultural tyre in Otrokovice. This plant, into which we invested almost one billion crowns, became the most modern and largest plant of the CSG Group. Similarly important was our investment into the expansion of the production of membranes in our Mexican production facility, which

resulted in doubling the size of its production area and increasing the number of presses by seventy percent.

In Ruma, Serbia, we have not only invested into our production devices but, most of all, we focused on the issues related to sustainable development. Some examples in this area include the introduction of a recycling system and the introduction of a new spraying cabin, thanks to which petrol solutions are used in significantly lower quantities than in the past.

We did not fall behind in the area of research and development either. At the Agritechnica Exposition, Mitas introduced its Mitas PneuTrac concept for the first time. This concept combines the best characteristics of traditional tyres and belts. In the Institute of Rubber Technology and Testing, the innovative project of the production of vulcanization molds for giant tyres, utilizing the technology of direct milling, was launched. Savatech won an award for its technological innovation of the Savagreen conveyor belts and Rubena was awarded a prize for its revolutionary solution of the Gaadi tubes.

Even though we have set ambitious goals for 2014, we firmly believe we will achieve or even surpass them thanks to the efforts of all our employees.

# Main Financial Indicators

## Key Indicators of ČGS from 2011–2013, consolidated data

Thousands CZK		2011	2012	2013
Sales	thousands	13,857,488	13,773,743	16,746,575
exports	thousands	11,790,347	11,502,675	14,986,099
Value added	thousands	3,501,466	4,282,736	5,921,459
Staff costs	thousands	2,253,086	2,097,383	2,903,500
Depreciation	thousands	467,912	461,364	628,566
Operating profit	thousands	446,216	1,415,384	2,249,839
Profit in the accounting period	thousands	448,140	1,159,046	1,697,640
Assets	thousands	10,417,278	10,865,624	14,054,148
Liabilities	thousands	5,792,214	5,162,718	6,827,855
Equity	thousands	4,543,696	5,628,289	7,044,738
Full-time employees	recalculated	5,885	5,331	6,233
Ratio indicators				
Sales/full-time employees	thousands	2,355	2,584	2,687
Value added/full-time employees	thousands	595	803	950
Profit/equity (ROE)	%	10	21	24
Liabilities/assets	%	56	48	49
Sales/equity	%	305	245	238

## Key Indicators of ČGS from 2011–2013, consolidated data

Thousands EUR		2011	2012	2013
CZK/EUR exchange rate		25.800	25.140	27.425
Total sales	thousands	537,112	547,882	610,632
exports	thousands	456,990	457,545	546,439
Value added	thousands	135,716	170,355	215,915
Operating profit	thousands	17,295	56,300	82,036
Profit in the accounting period	thousands	17,370	46,104	61,901
Assets	thousands	403,770	432,205	512,458
Liabilities	thousands	224,504	205,359	248,965
Equity	thousands	176,112	223,878	256,873

## Costs related to the acquisition of fixed assets – Investments (data from cash flow statement)

Thousands CZK	Total
MITAS a.s.	944,920
Mitas d.o.o. (Srbsko)	49,970
Mitas Tires North America, Inc.	176,127
IGTT a.s.	23,461
RUBENA a.s.	119,409
SICO RUBENA s.r.o.	31,055
RUBENA Mexico	24,550
SAVATECH d.o.o.	171,077
Total	1,540,569

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**ČGS HOLDING a.s. is a company with a broad portfolio of rubber production.**

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## Company Profile

ČGS HOLDING a.s. is a company with a broad portfolio of rubber production. The origins of the organisation date back to the mid-nineties, when it was known as BARUM Holding, a.s. joint-stock company. BARUM Holding gradually acquired additional rubber-making and engineering companies and in 1996 formed Česká gumárenská společnost a.s. The name of this company was changed in 2006 to ČGS a.s. In 2011, the organisation was restructured and ČGS HOLDING a.s. assumed an overarching role. Today, the organisation is structured in two divisions. The heart of the Tyre Division is MITAS a.s., which owns three manufacturing plants in the Czech Republic, one in Serbia, and one in the US. MITAS a.s. produces a wide assortment of off-road tyres. These are primarily tyres for construction machinery, excavators and loaders, trucks, agricultural and multi-purpose machinery. It also manufactures motorcycle tyres and rubber mixtures. This division also includes IGTT, which makes rubber manufacturing moulds and tests tyres. MITAS a.s. has its own sales offices in Great Britain, USA, Brazil, Germany, Holland, Austria, France, Italy, Spain, Mexico, Switzerland, Finland and Russia. The technical rubber division is represented by RUBENA a.s. and SAVATECH d.o.o. RUBENA a.s. which owns plants in Hradec Králové, Náchod, Zlín and Mexico, produces a number of diverse products from technical

rubber. These include rubber sleeves, wiper rings, various types of rubber gaskets, bushings, caps and covers, fasteners, v-belts, and other products for the automotive, construction and electronics industries. RUBENA a.s. also produces a wide range of rubber-metal products and is very successful in the field of rubber textile products such as sealing and lifting bags, separating barriers, flood barriers, aircraft tanks, various types of bellows, membranes and compensators. It is also a major producer of bicycle tyres and inner tubes. Additional products include rubber roller coatings and rubber mixtures. RUBENA a.s. has offices in Russia, Bulgaria, Slovakia and Mexico. The joint Czech-German company SICO RUBENA s.r.o. produces silicon rubber components. SAVATECH d.o.o. manufactures rubber compounds, conveyor belts, rubber profiles, motorcycle tyres (for mopeds, scooters and standard motorcycles), rubber-coated rollers, moulded products, environmental protection and rescue products. SAVATECH d.o.o. has its main manufacturing plant in Kranj and it also produces in Ptuj (Slovenia), Zagreb (Croatia) and Yaroslavl (Russia). This company has five sales offices. ČGS HOLDING a.s. is a progressive company with a transparent and clearly defined holding structure governed by strict ethical standards, including guidelines for responsible social and environmental corporate behaviour.

## ČGS Holding

Select consolidated data for the period of 2004–2013

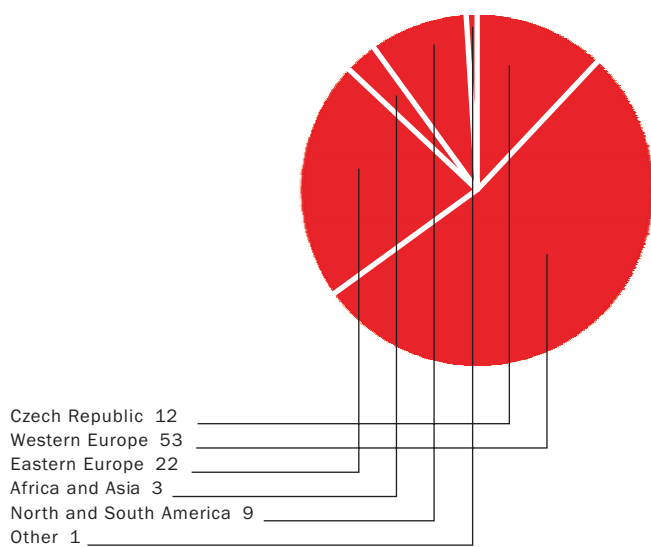
Thousand CZK	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total sales	7,895,966	10,805,114	11,048,717	10,913,312	11,488,807	8,682,829	10,783,811	13,857,489	13,773,743	16,746,575
Value added	2,886,256	3,156,992	3,398,221	3,454,789	3,737,110	3,253,602	3,585,318	3,501,466	4,282,736	5,921,459
Operating profit	589,874	346,111	607,668	724,453	719,894	390,169	579,848	446,216	1,415,384	2,249,839
Employees	6,167	6,534	6,187	6,021	5,858	5,430	5,457	5,885	5,331	6,233

### Treasury and risk management

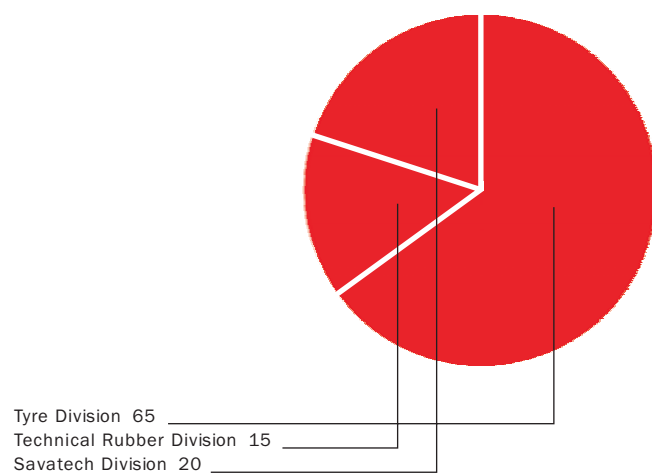
On a consolidated basis, ČGS HOLDING a.s. is exposed to financial risk primarily from the direct effects of exchange rate fluctuation in the import and export operations of individual companies of the concern. This risk is decreased by the natural levelling of exchange rates in costs and revenues. Likewise, this risk is reduced by the strategic diversification of manufacturing units. Residual open positions are secured using financial instruments with a timeframe of 12 to 24 months. Such hedging is carried out based on current and planned contracts in foreign currencies. The primary hedging instruments are currency forwards and currency options. ČGS is secured against interest rate risk by means

of derivative IRS transactions and interest options so that the entire concern has hedged the interest rates of about 85% of its loan portfolio. In 2013, ČGS also secured commodity risks, particularly gas and electricity prices. These operations were carried out for the manufacturing companies of the concern and are posted fully according to the hedge accounting procedures when the result from hedging goes into P/L in the same period as the cost of electricity. In the area of risk management, ČGS HOLDING provides central risk and treasury management services to the other companies within the group. These services include the negotiation and administration of insurance policies for operating risk (natural disasters, equipment, liability) and monitoring and management of credit risks.

2013 revenues by territory in %



2013 revenues by division in %



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

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# Statutory Bodies of the Core Companies as of 31 December 2013

## ČGS HOLDING a.s.

Board of Directors – Tomáš Němec (Chairman), Oldřich Šlemr (Vice-Chairman), Věra Bechyňová (Member)

Supervisory Board – Lubomír Svátek, Petr Čepek, Hana Černá

## Česká gumárenská společnost s.r.o.

Executives – Tomáš Němec, Oldřich Šlemr

## ČGS a.s.

Board of Directors – Tomáš Němec (Chairman), Oldřich Šlemr (Vice-Chairman), Věra Bechyňová (Member)

Supervisory Board – Lubomír Svátek, Petr Čepek, Hana Černá

## MITAS a.s.

Board of Directors – Jaroslav Čechura (Chairman), Josef Křemeček, Andrew Mabin (Vice-Chairmans)

Supervisory Board – Tomáš Němec, Oldřich Šlemr, Michaela Soukupová

## RUBENA a.s.

Board of Directors – Rudolf Peca (Chairman), Michal Kubeček (Vice-Chairman), Pavel Kment (Member)

Supervisory Board – Tomáš Němec, Oldřich Šlemr, Hana Hanousková

## IGTT a.s.

Board of Directors – Marek Brázda (Chairman), Eva Hamelová (Vice-Chairwoman), Leoš Zámoravec (Member)

Supervisory Board – Josef Křemeček, Marek Beran, Petr Sliž

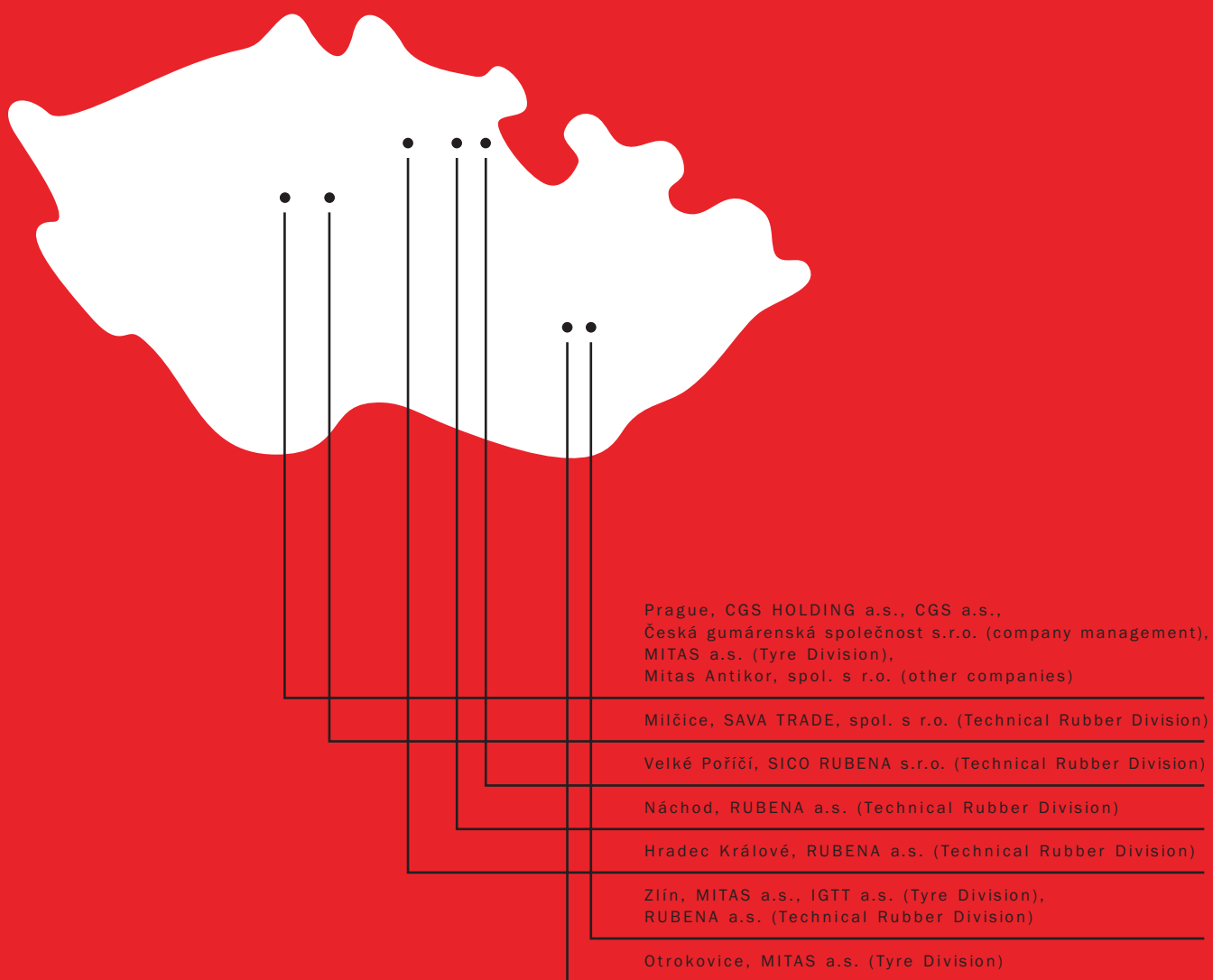
Confidential clerks – Tomáš Němec, Oldřich Šlemr

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

Executives – Olga Mužíková, Jindřich Burda

Confidential clerks – Tomáš Němec, Oldřich Šlemr

## Location of ČGS Companies





Germany, Hannover, Mitas GmbH (Tyre Division)  
Germany, Munich, Sava Trade GmbH (Technical Rubber Division)

Austria, Traiskirchen, Mitas GmbH (Tyre Division)

Italy, Saronno, MITAS S.R.L. (Tyre Division)

France, Dijon, Mitas SARL (Tyre Division)

Spain, Madrid, MITAS TYRES, S.L. (Tyre Division)

Great Britain, King's Lynn, MITAS TYRES LIMITED (Tyre Division)  
Great Britain, Surrey, SAVATECH TRADE LIMITED (Technical Rubber Division)

Switzerland, Flawil, Mitas GmbH (Tyre Division)

Malta, Ta'Xbiex, CGS AUTO LIMITED (Tyre Division),  
Sliema, CGS TYRES LIMITED (Tyre Division)

Jersey, St. Helier, CGS TYRES LIMITED (Tyre Division)

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

Bulgaria, Plovdiv, RUBENA Balkan, OOD (Technical Rubber Division)

Serbia, Ruma, Mitas d.o.o. (Tyre Division)

Russia, Moscow, Mitas OOO (Tyre Division)  
Russia, Yaroslavl, OOO Savarus (Technical Rubber Division)

Holland, Uden, MITAS Tyres B.V. (Tyre Division)  
Holland, Amsterdam, CGS Tyres Holding B.V. (Tyre Division)

Finland, Tampere, Mitas a.s. (Tyre Division)

Slovenia, Kranj, SAVATECH d.o.o., SAVAPRO, holding d.o.o.,  
SAVA MEDICAL IN STORITVE, d.o.o. (Technical Rubber Division)

Croatia, Zagreb, SAVA-ROL d.o.o. (Technical Rubber Division)

Poland, Miłanówek, SAVA TRADE sp. z.o.o. (Technical Rubber Division)

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

USA, Charlotte (NC), Mitas Tires North America, Inc.  
Charles City (IA) (Tyre Division)  
USA, Daytona Beach, SAVATECH CORP. (Technical Rubber Division)

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

***Mitas***

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**The key business activity of the tyre division within Mitas is the production and sale of tyres for agricultural and construction machinery, forklifts, off-road and sport motorcycles.**

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# Mitas

## 1. Basic description of the activity and organisation of the tyre division in Mitas

### Description of activity

The key business activity of this division is the production and sale of tyres for agricultural and construction machinery, forklifts, off-road and sport motorcycles.

### Organisational structure of

#### Production units

Prague (CZ) – manufacturing of agricultural and industrial tyres

Zlín (CZ) – manufacturing of agricultural, industrial and motorcycle tyres

Otrokovice (CZ) – manufacturing of agricultural tyres

Ruma (Serbia) – manufacturing of agricultural and industrial tyres

Charles City (Iowa) – manufacturing of radial agricultural tyres

### Test centre and curing mold manufacturing

Zlín (CZ) – IGTT a.s.

### MITAS a.s. provides management for the following companies:

MITAS d.o.o., Ruma, Serbia

CGS Tyres Holding B.V.

### Sales companies and branches

#### Europe

Austria, Germany, Finland, France, Italy, Netherlands, Russia, Spain, Switzerland, United Kingdom.

#### North and South America

Mexico, North America, Brazil

### Personnel

#### Senior management & Board of MITAS a.s. as of 31 December 2013

Chairman – Jaroslav Čechura

Deputy Chairman – Andrew Mabin

Deputy Chairman – Josef Křemeček

#### Supervisory Board as of 31 December 2013

Tomáš Němec, member of the Supervisory Board

Oldřich Šlemr, member of the Supervisory Board

Michaela Soukupová, member of the Supervisory Board

## 2. Development of the company in 2013

In 2013, profit and generation of positive cash flow of the tyre division were at a historically high level which enabled MITAS a.s. to continue with major investment projects. The 2013 total annual sales in agricultural and industrial tyre segments were at a comparable level with 2012.

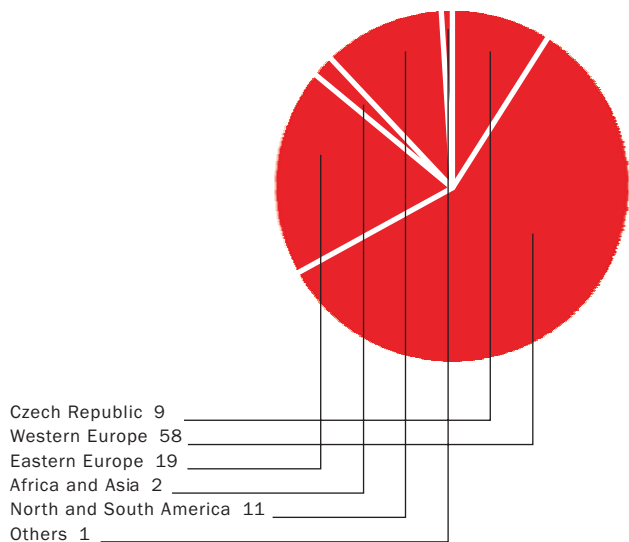
### Agricultural tyres

The agricultural tyre market in Europe after a decline at the beginning of the year saw a slight recovery in the second half; the recovery was noticeable both in Western and Central Europe. Tyre sales to Original Equipment Manufacturers (OEM) registered a slight decline throughout the year due to reduced machinery production. However, Mitas' market share position strengthened despite the stagnation of the overall market. In contrast, Russia and North America grew. Despite the negative market conditions in Europe, Mitas maintained a comparable level of sales in the agricultural segment in comparison with the record level of 2012.

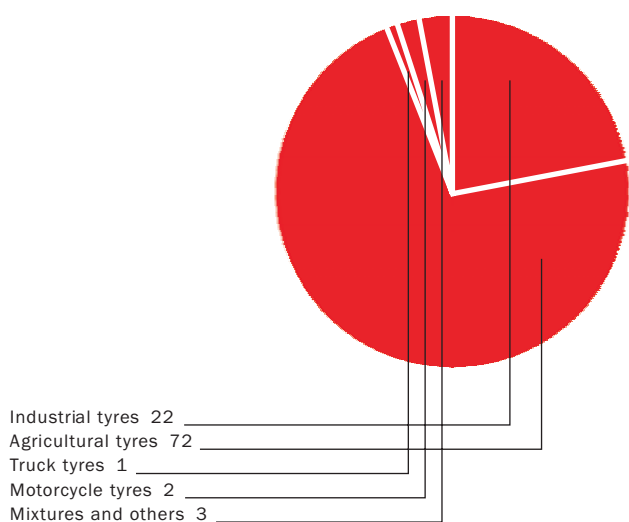
### Industrial tyres

The industrial tyre market is still waiting for a recovery similar to the agricultural market in the second half of the 2013. The Western European markets fell by almost 6 percent compared to 2012, and the Central and Eas-

Sales structure for 2013 based on individual territories (in %)



Sales structure for 2013 based on given product assortments (in %)



tern European markets including Russia fell as well. The overall sales of Mitas in this segment were on a similar level to 2012 also due to an increase of the OTR tyre portfolio.

Motorcycle tyres

We saw a slight recovery on the motorcycle tyre market and sales of motorcycles. The European market increased when compared to 2012 predominantly in Central Europe. Sales of motorcycle tyres were positively affected by the acquisition of Savatech, when Savatech’s and Mitas’ motorcycle tyres units were integrated into Mitas Motorcycle Business Unit.

**3. Sales and Marketing**

The opening of the new plant in Otrokovice, the Czech Republic, marked a significant step towards strengthening the position in the key segment of agricultural radial tyres. The grand opening of the plant, which produces only agricultural radial rear tyres was held on 19<sup>th</sup> November 2013. At Mitas factory in Charles City, Iowa which plays an important role in the global activities of Mitas, full production capacity was installed during 2013.

Whilst Europe remains the dominant market accounting for 80% of total sales, North and South America stabilised at 11% and Russia grew to 5%. Growth in Russia is reflecting Mitas’ stronger position and the buoyancy of this market.

Tyres under the Cultor brand started to be manufactured in North America during 2013. Since the start of production, Cultor-branded tyres have been supported and accepted in the Replacement markets. Since 2012, the premium product Mitas AC has been offered on the North American market as part of the product offer.

MITAS a.s. took part in the World’s Leading International Exhibition for Agricultural Machinery and Equipment, Agritechnica in Hannover, Germany. Through its innovations, it attracted the attention of visitors, clients and the media. Positive reactions were garnered by the revolutionary PneuTrac concept, as well as the new VF and SFT tyre range. Growth of influence on the North American market was confirmed at the largest trade show for agricultural technology in the United States, the “Farm Progress Show,” which was held in Boone, Iowa.

All markets participated very actively in local marketing shows and events.

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

Thousands CZK		2011	2012	2013
Sales share of the entyre Group	%	76.48	67.23	65.36
Total revenues	thousands	10,634,241	11,293,024	10,988,666
export revenues	thousands	9,282,294	9,704,259	9,960,278
Added value	thousands	2,423,024	3,350,723	3,807,286
Personal expenses	thousands	1,387,409	1,479,239	1,598,521
Depreciations	thousands	352,749	365,293	397,185
Operational economic result	thousands	446,534	1,307,787	1,646,568
Economic result for the accounting period	thousands	397,478	895,986	1,287,062
Assets	thousands	7,772,397	7,987,091	8,826,329
External resources	thousands	4,460,761	4,213,100	3,866,637
Company capital	thousands	3,252,824	3,709,166	4,792,712
Employees	recalculated	3,217	3,390	3,392
Proportional indicator				
Revenues/recalculated number of employees	thousands	3,306	3,331	3,240
Added value/recalculated number of employees	thousands	753	988	1,122
Economic result/company capital (ROE)	%	12	24	27
External resources/assets	%	57	53	44
Revenues/company capital	%	327	304	229

## Selected indicators of the Tyre Division

Thousands EUR		2011	2012	2013
CZK/EUR exchange rate		25.800	25.140	27.425
Total revenues	thousands	412,180	449,205	400,681
export revenues	thousands	359,779	386,009	363,182
Added value	thousands	93,916	133,283	138,825
Operational economic result	thousands	17,308	52,020	60,039
Economic result for the accounting period	thousands	15,406	35,640	46,930
Assets	thousands	301,256	317,704	321,835
External resources	thousands	172,898	167,586	140,989
Company capital	thousands	126,078	147,540	174,757

### 4. Product innovation

In 2013, MITAS a.s. introduced several innovations in the agricultural tyre segment. The most important are the range extension of SFT (Super Flexion Tyres), CHO (Cyclic Harvesting Operation) and VF (Very High Flexion). Mitas SFT are made for high-horsepower tractors with

over 180 hp and sold on the North American market. Five new sizes of CHO (Cyclic Harvesting Operation) tyres under the Mitas and Continental brands were exhibited at the Agritechnica trade fair in Hannover, Germany. After the development stage, Mitas introduced the VF 380/90R46 173D HC 1000 TL. These tyres allow for much larger loads than standard tyres. Mitas developed

the VF HC 1000 tyre to meet the demand of increased load and speed requirements of agricultural machinery. Last but not least, Mitas introduced its revolutionary concept PneuTrac, which combines the advantages of traditional tyres and rubber tracks.

In the industrial tyre segment, Mitas finished testing two new sizes of L-5. Product development continued developing tyres for large container cranes and mobile cranes. The testing of new tyres intended for compactors also started.

A major innovation in the motorcycle tyre segment was undoubtedly the Sport Force motorcycle radial tyre. The sport and touring motorcycle tyre line extended and improved the existing Mitas-branded cross-ply off-road motorcycle tyres. In the category of extreme enduro new tyre treads, EF-07 and C-19 in Super Light versions were introduced. These tyre treads successfully competed in several demanding races. The development of new treads C-22 and C-23 for winter motocross was successfully finished. The development of tyres 80/100-21 C-23 Super and 140/80-18 70R E-09 for rallies continued successfully. Last but not least, the race version of tread H-18 for Flattrack was introduced.

## 5. Investment and environmental protection

The investment activities of MITAS a.s. in 2013 were directed mainly at completing the AGRO project in Otrokovice (the Czech Republic). The investment included the transfer of radial agricultural tyre production and the installation of new curing presses, roller head, etc. In December 2013 MITAS a.s. received final building approval for the whole production facilities.

Based on a decision by the Board of Directors, the implementation of technology for manufacturing radial agricultural tyres with steel belts took effect in Otrokovice plant in the 2013. At the same time, at the Zlin plant, the second stage of preparation for manufacturing new sizes of OTR radial tyres started. Agreements for the supply of particular technology equipment were signed with deliveries of the machinery during 2014.

MITAS a.s. concluded the third and final stage of installing new production technology in its Charles City factory which manufactures radial tractor tyres. Three curing presses were installed and other technologies were fitted so that in November 2013 the plant reached its full production capacity.

Among on-going projects, investments were primarily directed towards the modernization of vulcanisation

presses, tyre building and production of rubber compounds.

In the environmental field, MITAS a.s. completed a major project to limit the emission of volatile organic compounds (VOC) at the Otrokovice plant. A water chemical treatment facility was opened at the Otrokovice plant as well. At the Prague and Ruma plants new water based spray booths were installed. Furthermore, MITAS a.s. evaluated various projects reducing electricity consumption (e.g. new lighting alternatives), reduced the amount of heating through improving the efficiency of steam generators.

MITAS a.s. complies with all environmental directives and legislation, including implementation of the REACH European legislation. The company continues to actively cooperate with ETRMA members in the Emissions Trading Scheme and in the negotiation and commenting procedure of new legislative proposals.

## 6. Financial results for 2013

In 2013 the gross margin of the Tyre Division rose by 5% in comparison with the previous year reaching a record level. In comparison with 2012 MITAS a.s. maintained similar levels of sales in both agricultural and industrial tyres. In particular the agricultural tyre segment contributed to the excellent business results. Positive development was apparent also in EM radial tyres, radial implements and off-road motorbike tyres.

Positive cash flow was also improved and it enabled a smooth continuation in important investment projects.

The consolidated revenue of the Tyre Division in 2013 exceeded 423 million Euro. The financial results for 2013 were affected by lower prices of raw materials for rubber production. Pricing was relatively stable during 2013, both for the OEM and replacement markets and the operating profit was improved by the optimisation of other cost groups and increased work productivity at all production plants. Operating profit was raised to a level of 47 million Euro.

## 7. Anticipated developments in 2014 and strategic goals from 2014 to 2016

### Anticipated development

In the coming year the company anticipates growth in the US economy, while the EU economy shows signs of

stability. In this regard, there will be some increase in production of construction and agricultural machinery. Similarly, the aftermarket should pick up. Further growth in demand is seen in the traditional farming areas of the US on the markets of the Commonwealth of Independent States (the former Soviet Union) and in South America.

At the same time, MITAS a.s. constantly invests in research and development. It offers new and innovative tyres and extends its product portfolio.

The long-term plan is to build up the image of the MITAS brand in all product sectors and to be everywhere where demand for radial tyres is increasing. Aside from Europe and North America, this trend may be expected in South America, Central Asia, the Far East, and eventually in China as well.

Another of the long term priorities is to focus on Sub-Saharan Africa.

#### Strategic goals

- Maintain the position of a major supplier of tyres for the agricultural and industrial sector in Europe and continue building our position on the American market.
- Increase our lines of modern radial tyres, especially in the area of the construction industry, innovate agricultural tyres and thus provide our customers with greater added value.
- Ensure profitable growth by increasing productivity and improving quality, adapting price policy, and making optimal use of our production capacity.
- Foster strategic partnerships with OEM clients, including cooperation in the development of new products and technologies, as well in the areas of logistics and customer service.



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**The main strategic activity of the Rubena division is the production and sale of products made of technical rubber, including rubber-metal parts for the automotive, construction and home appliance industries. A significant part of production is also devoted to bicycle tyres and tubes.**

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# Rubena

## 1. Basic description of activities and organization of Rubena

### Description of activities

The main strategic activity is the production and sale of products made of technical rubber, including rubber-metal parts for the automotive industry, construction and home appliance industries. A significant part of production is also devoted to bicycle tyres and tubes.

### Organizational structure

#### Production companies

RUBENA, a.s. – production plants in Náchod, Hradec Králové, Velké Poříčí and Zlín;  
SICO RUBENA, s.r.o. Velké Poříčí – production of silicone parts;  
CGS Automotive de Mexico – production facility for manufacturing parts for the automotive industry in Silao.

#### Sales companies

Rubena Balkan, OOD, Plovdiv;  
RUBENA Slovakia, a.s.

### Members of the company management as of 31 December 2013

General Manager – Rudolf Peca  
Economic Director – Pavel Kment  
Director of SBU SAS – Daniel Blažek  
Director of SBU Mixtures – 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. – Eric Fulka  
Director of Rubena Balkán, OOD – Christo Koparansky  
Director of CGS Automotive de Mexico – Emil Ulrych

### Members of the Board of Directors as of 31 December 2013

Chairman of the Board of Directors – Rudolf Peca  
Vice-chairman of the Board of Directors – Michal Kubeček  
Member of the Board of Directors – Pavel Kment

### Members of the Supervisory Board as of 31 December 2013

Members of the Supervisory Board – Tomáš Němec, Oldřich Šlemr, Hana Hanousková

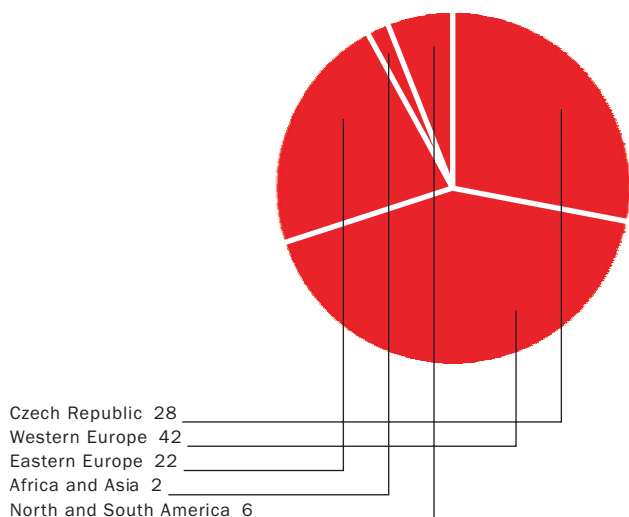
## 2. Development of the company in 2013

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

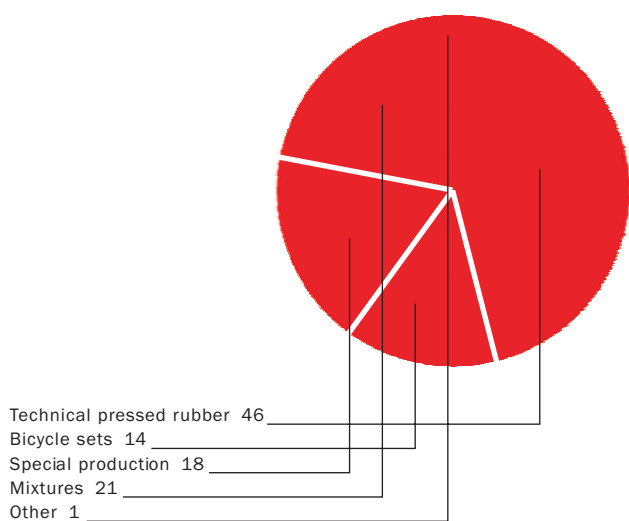
#### SAS

The SAS (Sealing and Antivibration Solutions) unit focuses on the automotive markets, markets of industrial applications and markets of manufacturers of white goods. It develops, manufactures and supplies rubber-metal parts designed for preventing vibrations, such as silent blocks, conical, cylindrical and diskette springs, shock absorbers, torsion dampers, joining components, various types of special placements, etc. Another product group consists of sealing elements in machines and aggregates filled with oils, lubricants, fuel and other industrial liquids. These are, for example, shaft sealing and bearing gaskets, CD rings, seals for dampers and pneumatic cylinders, O-rings and other sealing parts. The third important group in the product range consists of pressed rubber components that are especially used for protecting moving machine parts or damping shock, noise, or vibrations. These include cable wall ducts, dust seals, covers, stoppers, rubber springs or membranes for power brakes. The key part of this strategic business unit is its development center, which is fully equipped for “black-box” development, finite element analysis, production of parts and testing of required static, dynamic and lifespan product parameters. The laboratory of the development center is equipped with modern measuring and testing technology.

Sales structure for 2013 based on individual territories (in %)



Sales structure for 2013 based on given product assortments (in %)



In 2013, production of almost all commodities increased. This increase was also reflected in the sales, which amounted to a total of 1,095 million CZK – an increase of 4.7% in comparison to 2012. Year by year, the production volume of the personal vehicle sector grew by 2.5%, while the truck sector and the industrial use sector grew by 9% and 6% respectively. Export accounted for 81% of the overall sales.

VELO

The Velo Strategic Business Unit (SBU) specializes in the development, production and sale of bicycle tyres and tubes for original equipment manufacturers (OEM) as well as for after-market manufacturers (AFM). The basic and continuous task of the unit is to strengthen its position on the Eastern and Western European markets. The sales department not only focuses on the European market but it also develops its business activities in Africa, Australia, North and South America, Central Asia, Turkey and in Russian speaking countries. The consumer character of the assortment requires that products be both functional and aesthetically pleasing. All activities, including development, are conducted with this goal in mind. A complete assortment of bicycle tyres is offered for all tyre categories, such as MBT/Cross, City-Tour/Trek, Road and Reha (wheelchair program). Currently, the development, production and sale mostly focus on medium and high-end tyres with no sidewalls (so called skinwalls) of various designs as well as on tyres with special anti-puncture systems of various user levels. A separate group of tyres, the so-called Extreme tyres, is formed by special tyres designed for the most demanding environments and conditions – DownHill, FreeRide, Enduro, SlopeStyle. Yet another specific and very popular group is represented by BMX tyres. In 2013, RUBENA, a.s. participated in the development and production of special inner tubes for GAADI, for which it was awarded the 2013 Eurobike Award. Rubena is the only patent manufacturer and seller of the entire assortment of the GAADI tubes. Specially developed and produced mixtures made by SBU Compounds are used for manufacturing bicycle tyres and tubes. The development and testing of some of the types of bicycle tyres is conducted in collaboration with race teams from the Czech Republic and other countries and with successful racers from various sport disciplines.

The main objective is to increase the value of the company and the prestige of the Rubena brand on



## Selected indicators of the RUBENA Division – data consolidated within the division

Thousands CZK		2011	2012	2013
Sales share of the entyre Group	%	18.38	14.93	14.88
Total revenues	thousands	2,646,033	2,571,901	2,681,335
export revenues	thousands	1,868,166	1,798,416	1,925,244
Added value	thousands	692,223	851,695	933,965
Personal expenses	thousands	531,763	536,987	548,115
Depreciations	thousands	83,333	96,283	93,502
Operational economic result	thousands	39,686	183,607	222,937
Economic result for the accounting period	thousands	2,739	73,571	173,381
Assets	thousands	1,708,118	1,650,128	1,797,495
External resources	thousands	948,950	778,080	791,073
Company capital	thousands	756,264	864,471	1,002,205
Employees	recalculated	1,902	1,863	1,835
Proportional indicator				
Revenues/recalculated number of employees	thousands	1,391	1,381	1,461
Added value/recalculated number of employees	thousands	364	457	509
Economic result/company capital (ROE)	%	0	9	17
External resources/assets	%	56	47	44
Revenues/company capital	%	350	298	268

## Selected indicators of the RUBENA Division

Thousands EUR		2011	2012	2013
CZK/EUR exchange rate		25.800	25.140	27.425
Total revenues	thousands	102,559	102,303	97,770
export revenues	thousands	72,410	71,536	70,200
Added value	thousands	26,830	33,878	34,055
Operational economic result	thousands	1,538	7,303	8,129
Economic result for the accounting period	thousands	106	2,926	6,322
Assets	thousands	66,206	65,638	65,542
External resources	thousands	36,781	30,950	28,845
Company capital	thousands	29,313	34,386	36,543

the European and world markets. Partial goals of the company include acquiring a twenty percent share of the European market of bicycle tyres and tubes by the end of 2015 and increasing awareness of the Rubena brand in the USA, Canada and the countries of Central and South America. An integral part of the strategic development plans of SBU Velo is to enter

large markets, such as the markets of the countries of the former Soviet Union, Brazil, Turkey and the Benelux countries.

In 2013, 4.5 million bicycle tyres and 8.5 million bicycle tubes were produced and sold for a total of 500 million CZK, which represents a 5% year-on-year increase in sales.

## COMPOUNDS

The Compounds Strategic Business Unit (SBU) manufactures rubber master batches, final compounds, non-vulcanized and vulcanized foils and strips. Moreover, it also produces rubber-coated cables and prepares solutions for its own needs as well as for the needs of the entire ČGS Group. Available production capacity is used for external customers. From the technical perspective, as of 1 January 2014, SBU Compounds has four fully automated lines. Two of these are intermix lines and one of these is a tangential line, utilized exclusively for the production of EPDM compounds. The fourth line is a tangential mixer with a fully automated control system, used exclusively for mixing color mixtures. A cooling VMI line was also purchased. This line is equipped with a metal detector. In 2013, SBU Compounds recorded total revenues of 375 million CZK for its goods and products. Its overall production amounted to 921 million CZK.

Thanks to greater possibilities related to final modifications of compounds and to improved productivity, new customers were acquired especially from the areas of non-automotive industries. In 2013, the project of mixing color compounds continued, and so did subsequent sales of vulcanized rubber for the production of granulate for sport surfaces. The program for developing compounds for all divisions of the company continued as well. SBU SAS continued to be the biggest processor of the new types of compounds. Other activities included the development of new compounds types and optimization of the existing procedures for the other SBUs and for Savatech.

## SPECIAL PRODUCTION

The Special Production strategic business unit concentrates on the development, trade and comprehensive production of highly specialized commodities. These commodities are structured internally based on their respective production technologies and characters in the following manner:

Bellows – extensive assortment of antivibration components for industrial tyre systems and the automotive industry, where Rubena is among the largest European manufacturers. In 2013, deliveries were made to Asia and the USA. The assortment also includes flexible couplings, railway ties and compensators.

Bags and tanks – production and supplies of highly specialized bags and tanks, utilizing the manual assembly

method. This group also includes rubber dams, anti-flooding systems, aircraft fuel tanks, containers and insulating, pressing or food-processing bags. Rubena belongs among the world leaders especially in the area of flood prevention. In order to improve customer service efficiency, the production of sealing and lifting bags was terminated and transferred to Savatech in 2013.

Cylinder coats – traditional manufacturer of rubber-coated cylinders, from small to large, up to 12.5-ton cylinders for the metallurgical, mining, timber, paper, textile and printing industries. Majority of sales in this area is executed in the Czech Republic and in Central Europe.

Hockey pucks – Rubena is one of the four largest manufacturers of these sport accessories in the world. The target markets are located in Europe, North America and Russia.

V-belts – a wide assortment of coated and cut V-belts is made in the plants in Náchod and Zlín. Essential markets for these products are industrial, agricultural and automotive markets of European and North African countries. In 2013, an extensive investment into the renovation of all rotational press capacities for the production of coated V-belts was completed. All belts now comply with the strictest tolerance and quality parameters.

Service warehouse – this department services companies and non-strategic industrial clients from Central and Eastern Europe. The assortment of the goods (14 thousand sealing elements, silent blocks, moulded products, belts, foils, panels, silicone profiles and tubing) stored by the Service warehouse represents one of the largest wholesalers in Central and Eastern Europe. The department also has its own production capacities for medium and small-size orders.

In 2013, products valued at 554 million CZK were manufactured and sold. This amount represents an increase by 6% in comparison to 2012. Two fifths of the revenues came from domestic customers while the export share amounted to 60% of the overall revenues. Apart from the traditional Western and Eastern European partners, some of the revenues came from customers in Africa and North and South America. The best results were recorded for the commodity of V-belts and bellows and by the Service warehouse.

## Subsidiaries

### CGS Automotive de Mexico

CGS Automotive de Mexico in the city of Silao manufactures brake booster membranes, made for Continental, Bosch and TRW on the American continent. Thanks to the long-term good business relations with local customers and to the achieved high and stable production quality, the production volume as well as production assortment have been continuously expanding. During the year, massive resources were invested in its production capacity in order to be able to satisfy the ever growing customer demands. We expect that this trend will continue in 2014. In 2013, a total of 4.5 million membranes were sold. The sales grew by 15% in comparison to 2012. Revenues of the company in 2013 amounted to 108 million CZK.

### RUBENA Slovakia a.s.

RUBENA Slovakia a.s. provides sales representation with a focus on substitute consumption within the assortment of the SBU SV wholesale warehouse. In 2013, RUBENA Slovakia, a.s. oversaw sales for its mother company RUBENA, a.s. amounting to 24 million CZK. Sales revenues for the same period amounted to 1 million CZK.

## Joint companies

### SICO RUBENA s.r.o.

SICO RUBENA s.r.o. is a company with a production plant in Velké Poříčí, of which RUBENA, a.s. owns a fifty-percent share. The company produces and sells silicone rubber products. In 2013, its annual revenues increased by 9% and the overall income thus amounted to 330 million CZK.

### Rubena Balkán, OOD

Rubena Balkán, OOD (Plovdiv, Bulgaria) is a company that organizes distribution of Rubena products throughout Bulgaria, Turkey and Greece (bicycle tyres and tubes

for aftermarket and OEM, rubber and rubber-metal products for aftermarket and special products). RUBENA a.s. owns a 36% share of the capital of the company. Revenues from sold goods in 2013 amounted to 13.4 million CZK.

## 3. Investment and environmental protection

In 2013, long-term tangible and intangible assets valued at 67,040 million CZK were introduced and activated. This amount represents 2.62% of the overall revenues. Most of this money was invested into production technologies and machines, an extension and modernization of the SBU Velo production and purchasing molds for an extension of the production of bicycle tyres. Significant investments were made in order to purchase and modernize machinery for the production of V-belts, production of compounds and SBU SAS. Further investments were made with regard to testing technologies, renovation of handling technologies, information technologies and improvements of the work areas and the environment. Towards the end of the year, implementation of the Extension of Equipment for Development Support project commenced, utilizing a grant from the Potential Program. The share of investments into production machines and machinery, out of the total activated volume of investments, amounted to 69.2%.

## 4. Anticipated development in 2014

In 2014, the company expects a stable growth in the demand for products made of technical rubber. The company believes it will further strengthen its position on the market. The high technological level and potential of internal development capacities represent an advantage in the process of finding new business opportunities. Maintaining and strengthening its position of a strong and important supplier of products made of technical rubber on European and other markets, improving work productivity and maximizing the added value of the company remain the main strategic objectives of the company.

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**Savatech division with its head office in Kranj manufactures and markets industrial rubber products and tyres for scooters and motorcycles. A significant share of production is also devoted to printing offset rubber blankets and conveyor belts.**

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# Savatech

## 1. Basic description of the activity and organisation of Savatech company

Savatech division with its head office in Kranj manufactures and markets industrial rubber products and tyres for scooters and motorcycles. A significant share of production is also devoted to printing offset rubber blankets and conveyor belts.

### Organisational structure of Production and Sales units

SAVATECH d.o.o., Kranj (Slovenia) – industrial rubber products and tyres

### Programmes of SAVATECH d.o.o.

Mixing Plant, Kranj – manufacturing of rubber compounds  
Elastomers, Kranj – development and sales of rubber compounds

Conveyor Belts, Kranj – production and sales of conveyor belts

Profiles, Kranj – production and sales of solid and cellular rubber profiles

Print, Kranj – production and sales of printing offset rubber blankets

Eko, Kranj – production and sales of environmental protection and rescue products

Moto, Kranj – production and sales of tyres and tubes for scooters, motorcycles, small industrial and agricultural vehicles, go-karts, special-purpose tyres

GTI, Ptuj – production and sales of moulded products

SAVA-ROL d.o.o., Zagreb (Croatia) – manufacturing and sales of rubber-coated rollers

OOO Savarus, Yaroslavl (Russian Federation) – manufacturing and sales of rubber profiles on the Russian market

### Sales Companies and Branches

#### Europe

Sava Trade, GmbH, Germany

Sava Trade, spol.s.o.o., Czech Republic

Sava Trade, sp.z.o.o., Poland

Savatech Trade, Ltd., Great Britain

Representation office Moscow

#### North America

Savatech Corp., Florida, USA

SAVAPRO, holding, d.o.o., Kranj (Slovenia) – joint venture

### Company Management as of 31 December 2013

#### Company representatives of SAVATECH d.o.o.

Director – Igor Hafnar

Director – Vesna Čadež

Director – Rudolf Mačák (until 31 December 2013)

Worker Director – Zdenka Benedičič

## 2. Development of the company in 2013

The year 2013 was a turning point in Savatech's business. In October 2012, the take-over agreement was signed by the CGS concern, which was met by effecting payment of the purchase consideration at the beginning of January 2013. At this point, the SAVATECH d.o.o. became a member of the CGS concern.

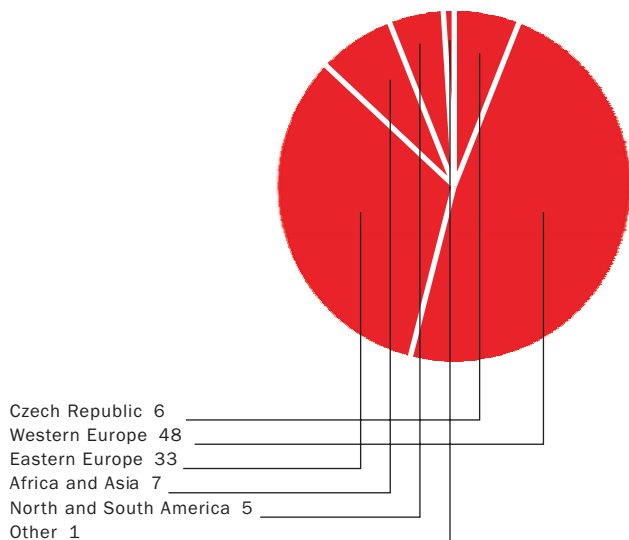
Under the auspices of the strategic partner, SAVATECH d.o.o. implemented all planned investments on the existing premises and integrated manufacturing capacity in Slovenia with that in the Czech Republic.

Despite the fact that sales remained at the 2012 level, the company significantly improved profitability as a result of the changed product structure and cost optimisation.

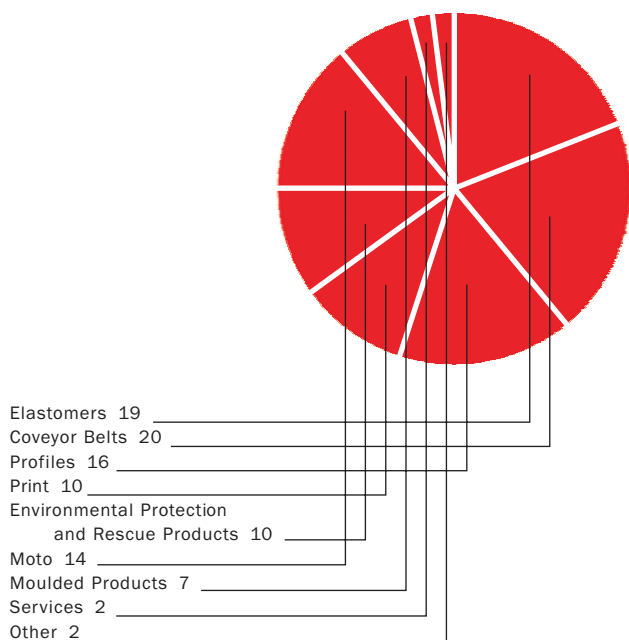
## 3. Sales and Marketing

As far as sales are concerned, 2013 was a very challenging year. Nevertheless, SAVATECH d.o.o. acquired 266 new customers and opened up new markets. The largest market in 2013 was Germany, with 27% of total sales. Second was Slovenia with 26%, then Italy, Czech Republic and the Russian Federation. As far as regions are concerned, 48% products was sold to Western European and 39% to East European countries (6% to Czech Republic), while 7% was sold to Africa and Asia and 5% to North and South America.

Sales structure for 2013 based on individual territories (in %)



Sales structure for 2013 based on given product assortments (in %)



The company exhibited its products at several trade fairs in Europe, Asia, the USA and the Middle East. The new products developed by Conveyor Belts were exhibited at BAUMA in Munich, Germany, on Expoliva – held in May in Jaen, Spain.

With the Eko programme, Savatech participated at the RO-KA-TECH trade fair in Kassel, Germany, and demonstrated its products for environmental protection and rescue interventions. Besides Eko displayed its products and new products at ISSE (Integrated Safety & Security Exhibition) and ECWATECH (one of the major sewage and water technology exhibitions), both in Russia.

The Print Programme participated at Gulf Print & Pack Dubai and at PRINTEK in Istanbul.

Moulded products made by the GTI Programme were displayed at Hannover Messe, Germany. At the Reha-care trade fair, Düsseldorf, Germany, the new medical products, anti-decubitus mattresses, were unveiled. Together with the company Mitas, the Moto Programme appeared at November EICMA in Milan.

#### 4. Product innovation

In 2013, four major projects were finished: development of a radial motorcycle tyre and cableway rings, conveyor belt with self-cleaning capacity and edge-welded profiles. Furthermore, the R & D Institute proceeded with the already started projects, of which rubber spacer and anti-decubitus mattresses are worth a special mention. The central laboratory modernised its facilities with new equipment and introduced new methods. Special compounds for drinking water installations, for renewable energy sources systems and special compounds for car industry requirements were developed. Conveyor Belts developed a heat resistant chevron conveyor belt, a SavaGreen smooth belt and a model belt for conveying plasterboards, the so-called Plasterboard Belt. Non-toxic elastomer-based Savagreen conveyor belt for conveying olives was custom-made and won first prize in Innovative Technology at the Expoliva trade fair in Spain. Profiles programme continued its product mix restructuring to re-orient to the manufacture of higher value-added profiles. New profiles with anti-friction agent application and profiles suited for use in solar energy applications were developed. For the Print Programme the focus was on rotary printing products and self-

## Selected indicators of the SAVATECH Division – data consolidated within the division

Thousands CZK		2013
Sales share of the entyre Group	%	19.64
Sales share of the entyre Group	thousands	3,305,519
export revenues	thousands	2,771,269
Added value	thousands	1,161,858
Personal expenses	thousands	671,977
Depreciations	thousands	137,778
Operational economic result	thousands	343,190
Economic result for the accounting period	thousands	288,010
Assets	thousands	3,979,937
External resources	thousands	1,893,852
Company capital	thousands	2,075,730
Employees	recalculated	921
Proportional indicator		
Revenues/recalculated number of employees	thousands	3,589
Added value/recalculated number of employees	thousands	1,262
Economic result/company capital (ROE)	%	14
External resources/assets	%	48
Revenues/company capital	%	159

## Selected indicators of the SAVATECH Division

Thousands EUR		2013
CZK/EUR exchange rate		27.425
Total revenues	thousands	120,529
export revenues	thousands	101,049
Added value	thousands	42,365
Operational economic result	thousands	12,514
Economic result for the accounting period	thousands	10,502
Assets	thousands	145,121
External resources	thousands	69,056
Company capital	thousands	75,688

adhesive rubber. SAVATECH d.o.o has also devoted considerable effort to the development of web printing. Development in the Eko programme resulted in numerous new products that complemented the product

mix, with high-pressure bags in several sizes at the forefront.

Moto Programme finished two larger development projects of significance: radial tyres and cableway rings.

GTI began to introduce two-component products (2K). Presently, these projects are undergoing various development phases and will be introduced to series production in the course of 2014.

## 5. Investment and environmental protection

Major investments were made primarily in manufacturing equipment for new and more complex products and the optimisation of current processes. Further investments were earmarked for improvement in working conditions and the energy supply system to enhance supply reliability and ensure a more efficient use of energy.

In 2013 the following significant investments were made. In Conveyor Belts, a new vulcanisation press S4 that will facilitate the manufacture of wider and more complex Chevron conveyor belts. A new calender line K-02 was set up for calendering rubber sheets and rubberising textiles. An investment in a grinding line which will be completed in 2014 is in progress. This line will enable grinding of special rubber conveyor belts for conveying plasterboards. In Profiles, an investment in the equipment for rubber profiles surface treatment is in progress, after the completion of which the programme will be able to enter the surface-treated profiles sector. In the Print, the existing Olbrich coating line is being upgraded to significantly increase the productivity and improve the quality of products. SAVA-TECH d.o.o invested in technology equipment and organisation of production area for the manufacture of medical products. Moto continued to make investments for the manufacture of new radial motorcycle tyre sizes. It also made an investment in technology equipment for the manufacture of cableway rings, which included equipment needed for build-up and vulcanisation of rings. The GTI Programme is purchasing a new horizontal injection press; the investment will be realised at the beginning of 2014.

The company introduced the environmental management system according to the the ISO 14001 standard already in 2002. Savatech regularly adapts its operations to the environmental legislation requirements and is striving for minimising the impacts of its operations on the environment.

The following priority goals have been defined: prevention of environment pollution, replacement of hazardous substances with less hazardous ones, rational

use of energy, raw materials and natural resources, separate waste collection and decrease in specific amount of rubber waste, employee education and environmental awareness raising.

Savatech pursues the impact of its operations on the environment based on regular environmental monitoring carried out by certified external institutions. In 2002, Savatech joined the international initiative by the chemical industry - Responsible Care. The initiative is a commitment to reporting frankly on activities in connection with continual improvements in employee health and safety, and on minimising the impact on the environment. Based on regular reports on these issues, Savatech obtained a certificate that entitles to use the Responsible Care logotype.

## 6. Financial results for 2013

In 2013 Savatech division generated 120,5 million Euro of consolidated sales and matched the previous years level. In 2013 the company recorded an operating profit at the amount of 12,4 million EUR. Compared to the previous year operating profit increased by 34 per cent. The primary reasons behind the increase is a flexible approach of central procurement, stable market prices, good product mix, good cost control and improved efficiency. All indicators shows improvement in business activities.

## 7. Anticipated developments in 2014 and strategic goals from 2014 to 2016

### Anticipated development

In the coming year the company anticipates stable growth of the worldwide industrial rubber products market. This growth is driven by prospects in the major original equipment manufacturing markets, especially automotive sector and by improvement in the global economy.

### Strategic goals

- Growth in the volume of business.
- Development of the location in Kranj as a main (but not a sole) production logistic center where the focus will be on higher value added products.



- Development of own foreign trade network.
- Relocating the manufacture of simple low value added products.
- Active engagement in development and introduction of new products and industries.
- Increase in service providing sector.



# Independent Auditor's Report on Verification of the Consolidated Annual Financial Statement

of ČGS HOLDING a.s. as of December 31, 2013

The verification of the consolidated annual financial statement of the company ČGS HOLDING a.s., at the address Švehlova 1900/3, 106 00 Praha 10-Záběhlce, identification No. 248 11 742 was undertaken by HAYEK, spol. s r. o., holding, Jindřišská 5, Prague 1, certificate No. 029. The auditor responsible for preparing the report is Ing. Konstantin Tafincev, Certificate No. 1972. The independent auditor's report is addressed to the shareholders of the company ČGS HOLDING a.s.

We have audited the accompanying consolidated financial statements of ČGS HOLDING a.s., which comprise the balance sheet as of 31 December 2013, the income statement for the period from 1 January 2013 to 31 December 2013 and a summary of significant accounting policies and other explanatory notes. Information about ČGS HOLDING a.s., is presented in Note 1 to these financial statements.

## Statutory Body's Responsibility for the Financial Statements

The statutory body of ČGS HOLDING a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of consolidated 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 related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assu-

rance 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 control relevant to the entity's preparation of the financial statements that give a true and fair view 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 control. 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 in all material respects, give a true and fair view of assets and liabilities of the ČGS HOLDING a.s. as of 31 December 2013 and of its expenses and revenues and operating for the period from 1 January 2013 to 31 December 2013, in accordance with Czech accounting regulations.

In Prague, March 21, 2014



HAYEK, spol. s r.o., holding, Certificate No. 029  
Ing. Konstantin Tafincev, Certificate No. 1972



# Independent Auditor's Report on the Verification of the Consolidated Annual Report

of ČGS HOLDING a.s. as of 31. 12. 2013

The verification of the annual report of the company ČGS HOLDING a.s., Švehlova 1900/3, 106 00 Praha 10-Záběhlice, identification No. 248 11 742, was undertaken by HAYEK, spol. s r. o., holding, Jindřišská 5/901, Prague 1, certificate No. 029. The auditor responsible for the compilation of the report is Ing. Konstantin Tafincev, certificate No. 1972.

The auditor's report is addressed to the shareholders of the company ČGS HOLDING a.s.

We have audited the consolidated annual report of Company ČGS HOLDING a.s. for consistency with the consolidated financial statements which are included in this Annual Report. The correctness of the consolidated annual report is the responsibility of Company ČGS HOLDING a.s. statutory body. Our responsibility is to express an opinion on the consistency of the consolidated annual report and the consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor

plan and perform the audit to obtain reasonable assurance about whether the information included in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the relevant consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the consolidated annual report of Company ČGS HOLDING a.s. for the year ended 31 December 2013 is consistent, in all material respects, with the consolidated financial statements referred to above.

In Prague, April 8, 2014



HAYEK, spol. s r.o., holding, Certificate No. 029  
Ing. Konstantin Tafincev, Certificate No. 1972

# Consolidated Balance Sheet

## as of 31 December 2013

### Assets

Thousands CZK	2013	2012
Total assets	14,054,148	10,865,624
A. Receivables from subscriptions	0	0
B. Fixed assets	7,717,639	5,615,388
B.I. Intangible fixed assets	49,344	45,516
B.I.1. Incorporation expenses	695	349
2. Research and development	0	0
3. Software	13,182	11,473
4. Royalties	0	0
5. Goodwill (+/-)	29,751	29,187
6. Other intangible fixed assets	3,098	3,855
7. Intangible fixed assets under construction	669	651
8. Advance payments for intangible fixed assets	1,949	0
B.II. Tangible fixed assets	6,511,544	4,331,896
B.II.1. Lands	964,075	467,359
2. Constructions	3,000,219	1,821,315
3. Equipment	2,309,923	1,687,561
4. Perennial crops	0	0
5. Breeding and draught animals	0	0
6. Other tangible fixed assets	1,199	3,846
7. Tangible fixed assets under construction	208,347	79,010
8. Advance payments for tangible fixed assets	29,657	275,737
9. Adjustment to acquired assets	-1,874	-2,931
B.III. Long-term financial assets	5,686	16,000
B.III.1. Shares in controlled and managed organisations	0	0
2. Shares in subjects under substantial influence	4,681	2,230
3. Other securities and shares	182	233
4. Loans to controlled and managed organizations and to subjects under substantial influence	0	0
5. Other financial investments	823	623
6. Financial investments acquired	0	12,914
7. Advance payments for long-term financial assets	0	0
B.IV. Active consolidation difference, (-) Passive consolidation difference	1,151,064	1,221,977
B.V. Securities in equivalence	0	0

Thousands CZK	2013	2012
C. Current assets	6,221,848	5,191,289
C.I. Inventory	2,625,895	2,025,222
C.I.1. Materials	966,194	573,464
2. Work in progress and semi-finished goods	329,717	251,597
3. Finished products	1,173,106	1,160,182
4. Animals	0	0
5. Merchandise	156,804	37,053
6. Advance payments for inventory	75	2,926
C.II. Long-term receivables	8,213	1,971
C.II.1. Trade receivables	4,833	0
2. Receivables from controlled and managed organizations	0	0
3. Receivables from subjects under substantial influence	0	0
4. Receivables from partners, cooperative members and association members	0	0
5. Estimated receivables	1,651	1,971
6. Other receivables	1,729	0
7. Deferred tax receivable	0	0
C.III. Short-term receivables	3,075,763	2,272,650
C.III.1. Trade receivables	2,630,640	1,911,511
2. Receivables from controlled and managed organizations	2	0
3. Receivables from subjects under substantial influence	0	0
4. Receivables from partners, cooperative members and association members	0	0
5. Receivables from social security and health insurance	91	9
6. Due from state – tax receivable	402,924	344,404
7. Short-term deposits given	5,947	8,201
8. Estimated receivables	34,994	3,212
9. Other receivables	1,166	5,314
C.IV. Short-term financial assets	511,977	891,445
C.IV.1. Cash	1,511	1,525
2. Bank accounts	458,074	883,868
3. Short-term securities and ownership interests	50,267	0
4. Short-term financial assets acquired	2,124	6,052
D.I. Accruals	114,661	58,947
D.I.1. Deferred expenses	105,616	56,446
2. Complex deferred costs	0	0
3. Deferred income	9,045	2,501

## Liabilities

Thousands CZK	2013	2012
Total liabilities	14,054,148	10,865,624
A. Equity	7,044,738	5,628,289
A.I. Registered capital	3,000,000	3,000,000
A.I.1. Registered capital	3,000,000	3,000,000
2. Company's own shares and ownership interests (-)	0	0
3. Changes of registered capital (+/-)	0	0
A.II. Capital funds	204,215	640,038
A.II.1. Share premium	0	0
2. Other capital funds	151,468	692,422
3. Differences from revaluation of assets and liabilities (+/-)	52,747	-52,384
4. Differences from revaluation in transformation (+/-)	0	0
A.III. Reserve funds, statutory reserve account for cooperatives, and other retained earnings	535,720	381,088
A.III.1. Legal reserve fund/indivisible fund	535,720	381,088
3. Statutory and other funds	0	0
A.IV. Profit/loss – previous years	1,607,163	448,117
A.IV.1. Retained earnings from previous years	1,607,163	448,117
2. Accumulated losses from previous years	0	0
A.V. Profit/loss of current period w/o minority share (+/-)	1,697,640	1,159,046
A.V.1. Profit/loss of current period (+/-)	1,697,640	1,159,046
A.V.2. Share of profit/loss in equivalence (+/-)	0	0
A. VI. Consolidation reserve fund	0	0
B. Other sources	6,827,855	5,162,717
B.I. Reserves	559,955	285,101
B.I.1. Reserves under special statutory regulations	0	0
2. Reserves for pension and similar payables	18,450	56,754
3. Income tax reserves	336,356	153,529
4. Other reserves	205,148	74,818
B.II. Long-term payables	487,914	267,213
B.II.1. Trade payables	0	3,709
2. Payables to controlled and managed organizations	0	0
3. Payables to subjects under substantial influence	0	0
4. Payables from partners, cooperative members and association members	426,268	185,508
5. Long-term advances received	0	0
6. Bond issues	0	0
7. Long-term notes payables	0	0
8. Estimated payables	0	0
9. Other payables	2,899	1,506
10. Deferred tax liability	58,747	76,489



Thousands CZK	2013	2012
B.III. Short-term payables	2,760,727	2,418,478
B.III.1. Trade payables	1,715,363	1,583,664
2. Payables to controlled and managed organizations	0	0
3. Payables to subjects under substantial influence	0	0
4. Payables from partners, cooperative members and association members	0	42,539
5. Payroll	71,589	73,145
6. Payables to social security and health insurance	48,887	49,191
7. Due from state – tax liabilities and subsidies	324,628	295,622
8. Short-term deposits received	16,193	10,045
9. Bond issues	0	0
10. Estimated payables	95,196	61,011
11. Other payables	488,869	303,263
B.IV. Bank loans and financial accommodations	3,019,260	2,191,925
B.IV.1. Long-term bank loans	2,081,688	766,191
2. Short-term bank loans	937,572	1,425,734
3. Short-term accommodations	0	0
C.I. Accruals	181,555	74,618
C.I.1. Accrued expenses	172,901	71,116
2. Deferred revenues	8,654	3,502
D. Minority equity	0	0
D.I. Minority Capital Stock	0	0
D.II. Minority Capital Funds	0	0
D.III. Minority Profit Funds incl. unretained income from previous years	0	0
D.IV. Minority profit/loss from current period	0	0

# Consolidated Profit and Loss Statement as of 31 December 2013

Thousands CZK	2013	2012
I. Revenues from goods sold	556,601	425,439
A. Expenses on goods sold	330,026	366,006
+ Sales margin	226,574	59,432
II. Production	16,084,773	13,586,838
II.1. Revenues from own products and services	16,189,974	13,348,304
2. Change in inventory of own products	-133,234	203,995
3. Capitalisation	28,032	34,540
B. Production consumption	10,389,888	9,363,535
B.1. Consumption of material and energy	8,162,923	7,783,731
2. Services	2,226,965	1,579,805
+ Value added	5,921,459	4,282,736
C. Personnel expenses	2,903,500	2,097,383
C.1. Wages and salaries	2,194,356	1,573,447
2. Remuneration of board members	0	0
3. Social security and health insurance expenses	584,862	466,533
4. Other social expenses	124,283	57,403
D. Taxes and fees	40,914	32,092
E. Depreciations of intangible and tangible assets	628,566	461,364
III. Revenues from disposals of fixed assets and materials	601,057	692,731
III.1. Revenues from disposals of fixed assets	9,520	41,400
2. Revenues from disposals of materials	591,537	651,331
F. Net book value of disposed fixed assets and materials	578,672	724,419
F.1. Net book value of sold fixed assets	9,211	52,958
2. Net book value of material sold	569,461	671,461
G. Change in operating reserves and adjustments and complex deferred costs (+/-)	43,950	49,179
IV. Other operating revenues	106,550	103,201
H. Other operating expenses	204,663	227,933
V. Transfer of operating revenues	0	0
I. Transfer of operating expenses	0	0
Accounting of positive consolidated difference	-21,037	70,913
* Consolidated profit/loss	2,249,839	1,415,384

Thousands CZK	2013	2012
Revenues from sales of securities and ownership interests	0	353,735
J. Sold securities and ownership interests	0	139,819
VII. Revenues from long-term financial assets	0	0
VII.1. Revenues from shares in controlled and managed organizations and in subjects under substantial influence	0	0
2. Revenues from other securities and ownership interests	0	0
3. Revenues from other long-term financial assets	0	0
VIII. Revenues from short-term financial assets	0	0
K. Expenses associated with financial assets	0	51,910
IX. Revenues from revaluation of securities and derivatives	69,880	258,587
L. Cost of revaluation of securities and derivatives	154,814	367,812
M. Change in financial reserves and adjustments (+/-)	0	0
X. Interest revenues	7,674	2,896
N. Interest expenses	110,240	65,636
XI. Other financial revenues	653,061	648,256
O. Other financial expenses	646,146	684,778
XII. Transfer of financial revenues	0	0
P. Transfer of financial expenses	0	0
* Consolidated profit/loss	-180,586	-46,481
Q. Income tax on ordinary income	355,634	209,238
Q.1. Tax due	355,792	202,505
2. Tax deferred	-158	6,733
** Consolidated profit/loss from ordinary activities	1,713,619	1,159,666
XIII. Extraordinary revenues (XVI)	1,969	540
R. Extraordinary expenses	17,774	1,160
Extraordinary expenses (S + T.1)	0	0
S. Income tax on extraordinary income	174	0
S.1. Due tax	174	0
2. Tax deferred	0	0
* Extraordinary consolidated profit/loss	-15,979	-620
T. Transfer of profit/loss to partners (+/-)	0	0
*** Consolidated profit/loss for accounting period w/o equivalence share	1,697,640	1,159,046
profit/loss from current period w/o minority share	1,697,640	1,159,046
Minority profit/loss from current period	0	0
Share of profit/loss in equivalence	0	0
**** Consolidated profit/loss for accounting period	1,697,640	1,159,046
Consolidated profit/loss before tax (+/-)	2,053,448	1,368,284

# Subsidiaries of ČGS HOLDING a.s.

as of 31 December 2013

## ČGS HOLDING a.s.

Registered capital (thousands CZK)	3,000,000
Sales of products, services and goods (thousands CZK)	0
Number of employees (averaged)	0
Business activity: holding company	

## Česká gumárenská společnost s.r.o.

Registered capital (thousands CZK)	816,000
Sales of products, services and goods (thousands CZK)	0
Number of employees (averaged)	0
Business activity: holding company	

## ČGS a.s.

Registered capital (thousands CZK)	2,000
Sales of products, services and goods (thousands CZK)	47,591
Number of employees (averaged)	25
Business activity: management services for subsidiaries	

## MITAS a.s.

Registered capital (thousands CZK)	1,460,384
Sales of products, services and goods (thousands CZK)	9,034,197
Number of employees (averaged)	2,425
Production programme: tyres for large construction machinery, excavators, rollers, small loaders, trucks, multi-purpose and agricultural tyres, rubber compounds, V-belts	

## IGTT a.s.

Registered capital (thousands CZK)	82,855
Sales of products, services and goods (thousands CZK)	255,013
Number of employees (averaged)	120
Production programme: development of new constructions and technology for the production of tyres, testing and development	

## RUBENA a.s.

Registered capital (thousands CZK)	257,322
Sales of products, services and goods (thousands CZK)	2,558,384
Number of employees (averaged)	1,616
Production programme: rubber products, sealing elements, roller coatings	

## SAVATECH d.o.o.

Registered capital (thousands EUR)	59,279
Sales of products, services and goods (thousands EUR)	111,078
Number of employees (averaged)	762
Production programme: rubber compounds, conveyor belts, moulded products, tyres for motorcycles, small industrial and agricultural vehicles, offset rubber blankets, rubber profiles, environmental protection and rescue products	

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

Registered capital (thousands CZK)	200
Sales of products, services and goods (thousands CZK)	19,834
Number of employees (averaged)	17
Production programme: Anti-corrosion and anti-abrasion protection, rubberising of galvanised vessels, pipes for the chemical industry, ion-exchange and vacuum filters	

# Contact Information

ČGS HOLDING a.s.

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