

ČGS a.s.
Annual Report

2008





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Introductory Address



Dear Business Friends,

ČGS a.s. is a holding with its registered office in the Czech Republic, conducting business in rubber and engineering production. The ČGS Group is a leading producer and retailer of off-road tyres for agriculture, industry and sports motorcycles, bicycle tyres, technical rubber, piston rings and rubber-making machines.

In 2004 the Group was divided into three divisions. The Tyre Division represented by the company MITAS a.s., continues to successfully implement the strategy to become a leading global producer of off-road tyres and has been solidly supported by the representation of Rumaguma d.o.o. in Serbia. The Technical Rubber Division represented by RUBENA a.s., has successfully developed its strategy to become an important development supplier to the automotive industry and industrial white technology. The Machinery Division, the company BUZULUK, strengthened its position as a significant supplier of highly sought after rubber-processing machines and piston rings.

Due to the management results of the whole ČGS Group, it is possible to state that 2008 proved 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 2005–2007, Consolidated Data

thousand CZK		2006	2007	2008
Total sales	thousand CZK	11,048,717	10,913,312	11,488,807
of which export	thousand CZK	8,783,119	8,699,388	9,206,421
Added value	thousand CZK	3,398,221	3,454,789	3,737,110
Staff costs	thousand CZK	2,028,009	1,997,318	2,207,634
Depreciation	thousand CZK	630,629	646,238	701,991
Operating profit	thousand CZK	607,668	724,453	719,894
Profit in the accounting period	thousand CZK	242,769	666,582	155,279
Assets	thousand CZK	9,511,645	9,117,184	9,757,612
Other sources	thousand CZK	6,093,810	5,614,879	6,457,217
Shareholder equity	thousand CZK	3,360,776	3,379,542	3,213,612
Employees	recalculated status	6,187	6,021	5,858
Ratio index				
Sales/recalculated status of employees	thousand CZK	1,786	1,813	1,961
Added value/recalculated status of employees	thousand CZK	549	574	638
Profit/equity (ROE)	%	7	20	5
Other sources/assets	%	64	62	66
Sales/shareholder equity	%	329	323	358

Selected Indexes of the ČGS Group in 2005–2007, Consolidated Data

Thousand EUR		2006	2007	2008
Exchange rate CZK/EUR		27.50	26.62	26.93
Total sales	thousand	401,845	409,967	426,617
of which export	thousand	319,444	326,799	341,865
Added value	thousand	123,594	129,782	138,771
Operating profit	thousand	22,101	27,215	26,732
Profit in the accounting period	thousand	8,830	25,041	5,766
Assets	thousand	345,941	342,494	362,332
Other sources	thousand	221,633	210,927	239,778
Shareholder equity	thousand	122,232	126,955	119,332

Costs Related to the Acquisition of Fixed Assets — Investment (Data from the Cash Flow Report)

thousand CZK	Total
ČGS	3,218
MITAS a.s.	248,186
IGTT a.s.	16,562
KONTY G a.s.	34,983
RUBENA a.s.	99,291
BUZULUK a.s.	30,238
Mitas Antikor, spol. s r.o.	334
BS Servis Centrum, s.r.o.	1,480
Total	434,292

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 rubber production portfolio in the Czech Republic. The origin of the company can be traced back to the early 1990s, when it was known as BARUM Holding, a.s. The original subsidiaries of BARUM Holding, a.s. (e.g. the company MITAS a.s.), which were renamed in 1996 as Česká gumárenská společnost, a.s., and in 2006 ČGS a.s., were added to by the purchase of further rubber-making and engineering companies (Obnova Brno, a.s., BUZULUK Komárov, a.s., RUBENA a.s., Gumokov, joint-stock company, IGTT a.s., KONTY G TRADE a.s.).

Today, the company is structured into three divisions. The basis of the Tyre Division is the company MITAS a.s. which in its plants in Prague, Zlín and Otrokovice and Serbia produces a wide assortment of off-road tyres. These are mainly tyres for building machines of all types and sizes, diggers, loaders, vehicles, multi-purpose and agricultural machines, motorcycle tyres and rubber mixtures. The Division includes IGTT a.s. (production of tyre curing moulds for the rubber making industry, testing laboratory for tyres) and KONTY G TRADE a.s. (production of rubber mixtures). MITAS a.s. has commercial representation in Great Britain, the USA, Brazil, Germany, Austria, France, Italy, Spain, Mexico and Switzerland and Finland.

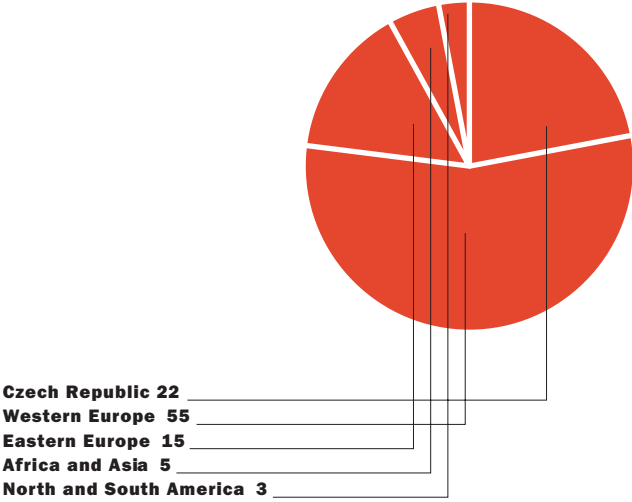
The core of the Technical Rubber Division is RUBENA a.s., which in its operating units in Hradec Králové, Náchod and Zlín produces various products from technical rubber. These include, for example, rubber sleeves, wiper rings and other types of rubber sealing, expansion sleeves, dust seals and covers, joining parts, V-belts and other products for the automotive, building and electro-technical industries. RUBENA a.s. also produces a wide range of rubber products for various uses, in particular, in the automotive and engineering industries. RUBENA a.s. has systematically increased its production of rubber-textile products, for example, sealing and lifting bags, separating barriers, flood barriers, air tanks, various types of bellows, couplings, membranes and compensators. The assortment is completed by rubber covers for cylinders, cycle tyres, bicycle tubes and rubber mixtures. The Czech-German joint-venture SICO RUBENA s.r.o. produces many products from silicone. RUBENA a.s. has foreign representations in France, the Balkans and the Slovak Republic and Mexico.

Rubber production is completed by the Machinery Division, where the company BUZULUK Komárov, a.s. develops and produces a wide palette of machines and equipment for the rubber industry. BUZULUK Komárov a.s. also offers piston rings of various types and sizes, parts for cars and products from grey and modular iron. ČGS, a.s. is a progressive company with a transparent and clearly defined holding structure.

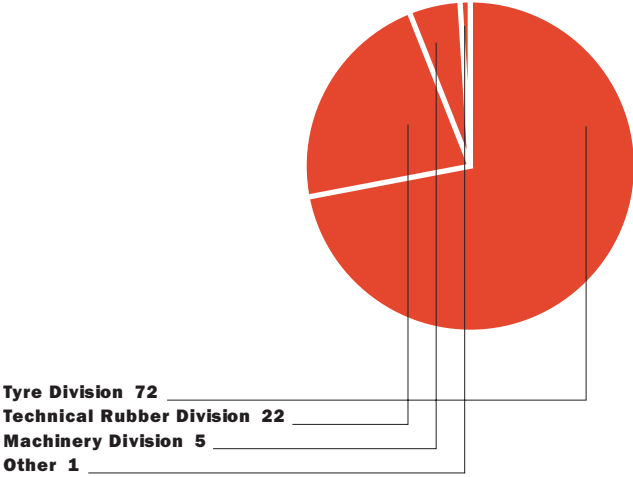
Group ČGS a.s.
Selected Consolidated Data for the Period 2000—2007

in thousand CZK	2001	2002	2003	2004	2005	2006	2007	2008	
Total sales	7,564,858	7,438,507	7,219,021	7,895,966	10,805,114	11,048,717	10,913,312	11,488,807	
Added value	2,486,071	2,635,962	2,615,999	2,886,256	3,156,992	3,398,221	3,454,789	3,737,110	
Operating profit	217,315	333,542	432,778	589,874	346,111	607,668	724,453	719,894	
Consolidated operating profit in the account- ing period	311,689	286,714	198,962	542,186	191,601	242,769	666,582	155,279	
Employees	6,527	6,538	6,295	6,167	6,534	6,187	6,021	5,858	

Classification of Revenues in 2008 by Territory in %



Classification of Revenues in 2008 by Division in %



Statutory Bodies of the Main Companies

as of 31st December 2008



**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, Petr Kábrt

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

Chairman — Ing. Pavel Charvát

Deputy Chairman — Ing. Jaroslava Štochlová

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, Ing. Miroslav Chlud

Head Clerks

Ing. Tomáš Němec, Ing. Oldřich Šlemr

KONTY G TRADE a.s.

Board of Directors

Chairman — Ing. Josef Kubáník
Deputy Chairman — Ing. Eva Hamelová
Member — JUDr. Petr Čepek

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 EURL
(Tyre division)
Hoerdts, RUBENA FRANCE S.A.
(Technical rubber division)

Spain, Madrid, CGS Neumáticos
Ibérica, S.I. (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)

Slovak Republic, Predmier, RUBENA Slovakia a.s.
(Technical rubber division)

Bulgaria, Plovdiv, RUBENA Balkan s.r.o.
(Technical rubber division)

Russia, Moscow, CGS-AUTO, s.r.o.
(Technical rubber division)

Finland

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

Mexico, Aguascalientes, CGS Llantas de México, S. de R.L. de C.V.
(Tyre division), CGS-AUTO Mexico (Technical Rubber Division)

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

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

Prague, ČGS (Corporate 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)



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

1. Basic Description of the Business 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 tyres 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.
- KONTY G TRADE a.s.
- CGS Tyres Holding B.V.

Sale Companies and Branches

Europe

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

North and South America

USA, Mexico, Brazil

Composition of the Senior Management of MITAS a.s. as of 31 December 2008

General Manager — Jaroslav Čechura

Composition of the Board of Directors as of 31 December 2008

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

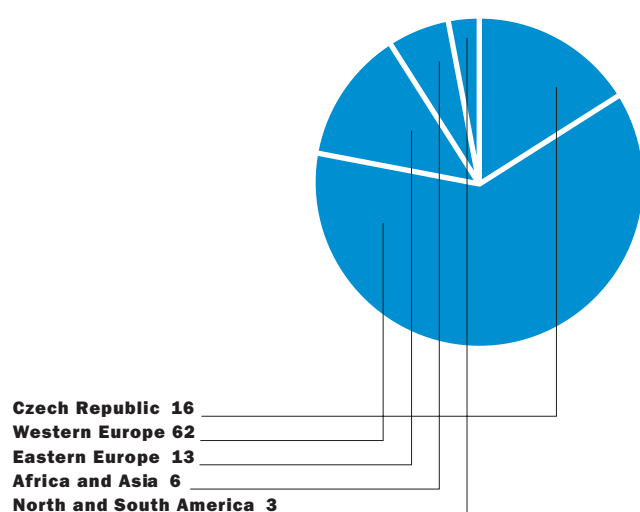
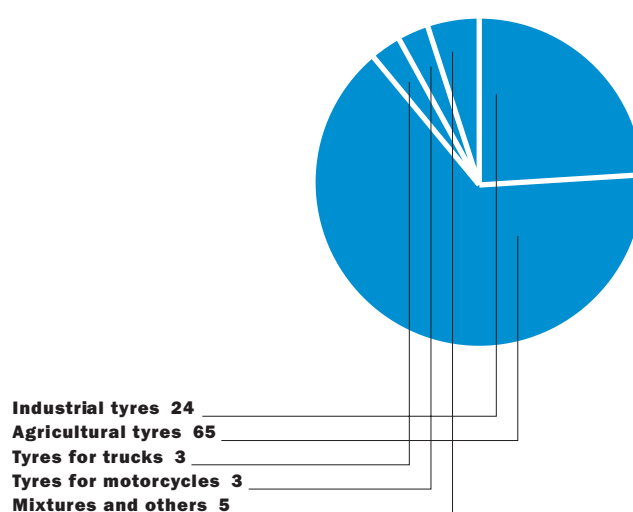
Member — Josef Kubáník

Composition of the Supervisory Board as of 31 December 2008

Tomáš Němec, member of the Supervisory Board

Oldřich Šlemr, member of the Supervisory Board

Miluše Minksová, member of the Supervisory Board

Classification of Revenues in 2008 by Territory in %**Classification of Revenues in 2008 by Assortment in %**

2. Development of the Company in 2008

Original Equipment Market (OEM)

The start of 2008 was characterized by the continued demand from the OEM in the sector for the production of construction machines, as well as in the sector for the production of agricultural technology, in particular for the production of tractors and harvesters. In the 1st half of 2008 deliveries of the company exceeded deliveries for the same 2007 period in the industrial sector by 17% and in the agricultural sector by 26%. Concerning deliveries for the production of tractors and harvesters, it was not possible to cover the increased demand for OE. For this reason, it was decided to increase the number of planned working days in the year by free days representing holidays and to shorten the enterprise-wide vacation in the production section Agro Otrokovice by one week.

The main focus of the high demand for tractors and harvesters was the market in the Russian Federation and partially the East European market (influence of EU allocations). This caused an increase in production of approximately 10%,

which transferred to the tractor and harvester radial tyres was beyond the capacity capabilities of not only MITAS a.s., but all European producers.

On the basis of the efforts to fulfil the increased demand on the part of OEM and the increased marked share on the market for spare parts, the senior management decided in favour of further investment for the expansion of the capacities of radial tractor tyres in the Prague and Agro Otrokovice plants. The implementation of this investment created new long-term contractual relations with the prime OEM partners for which the company undertook to guarantee deliveries within the period of 3–5 years. In the area of industrial tyres the company continued with the implementation of the investment program aimed at building up the capacity for radial OTR and mobile cranes and for the expansion of the capacity for the production of radial MPT tyres in the Zlín production section.

The second half of 2008 was significantly influenced by the start of the economic crisis which firstly affected the building industry. Deliveries for the agricultural technology sector continued to report an increase compared with the same period in 2007 although deliveries for the building

Selected Indexes of the Tyre Division — Data Consolidated within the Division

Thousand CZK		2006	2007	2008
Turnover ratio of the group	%	71.32	70.52	72.62
Total sales	thousands	8,107,947	7,772,421	8,423,341
of which export	thousands	6,571,737	6,663,780	7,107,182
Added value	thousands	2,087,803	2,014,727	2,318,954
Staff cost	thousands	1,094,933	1,069,583	1,256,137
Depreciations	thousands	437,844	455,014	516,902
Operating profit	thousands	331,340	332,410	376,066
Profit in the accounting period	thousands	57,470	141,860	167,931
Assets	thousands	6,979,573	6,376,774	7,646,207
Other sources	thousands	3,935,226	3,578,313	4,946,750
Equity	thousands	2,990,637	2,680,482	2,615,372
Employees	recalculated status	2,634	2,527	2,731
Ratio index				
Sales/recalculated status of employees	thousands	3,078	3,076	3,085
Added value/recalculated status of employees	thousands	793	797	849
Profit/equity (ROE)	%	2	5	6
Other sources/assets	%	56	56	65
Sales/Shareholder equity	%	271	290	322

Selected Indexes of the Tyre Division

thousand EUR		2006	2007	2008
Exchange rate CZK/EUR		27.50	26.62	26.93
Total sales	thousands	294,888	291,977	312,787
of which export	thousands	239,016	250,330	263,913
Added value	thousands	75,934	75,685	86,110
Operating profit	thousands	12,051	12,487	13,965
Profit in the accounting period	thousands	2,090	5,329	6,236
Assets	thousands	253,849	239,548	283,929
Other sources	thousands	143,125	134,422	183,689
Equity	thousands	108,770	100,694	97,117

industry decreased by more than 30% and this sharp drop began to further deepen from September 2008. The most affected area was the deliveries of tyres for excavators and the MPT tyre group. Therefore the senior management of the company decided to cancel operations in the Prague production section and to transfer to a three-shift operation from 1 November 2008.

Spare Parts Market (REM)

The spare parts market in the area of agricultural tyres was characterized by a similar development as for OEM. In the first half, sales of all agricultural tyres increased by 16% compared with the same period in 2007. The tractor radial tyre group increased by 25% and the group for other agricultural tyres increased by 5%. In all groups the market ratio of the company increased more than the overall market of these tyres on the European scale.

However, the industrial tyre segment reported a decrease in sales in the first half of the year compared with the same period in 2007 by 23%. This decrease was mainly caused by high sales of new technology and a lower demand for the replacement of tyres for old technology, as well as cheap competition from East Asia.

Concerning territorial development, the Western European market reported very strong growth in this period which, together with the domestic market of the Czech Republic, increased by 15%, unlike Eastern Europe where sales decreased by 20%. The decreasing capacity for the production of diagonal tractors and tyres reported large decreases in sales in Eastern Europe. The effort to enable the further procedure for the radiation of Czech plants, with the aim of not exiting the market for tractor diagonal tyres which continued to be dominant in Eastern Europe, Middle East and North America, led the Board of Directors to decide to commence negotiations with the company GPX regarding the purchase of the plant Rumaguma d.o.o. in Serbia. These negotiations resulted in signing the contract in August 2008 and the incorporation of the company in September 2008 into the ČGS Tyre Division. In addition to the capacity for the production of diagonal tyres, the plant will be strategically developed in order to cover the market requirements of the Russian Federation and the Middle East.

In the second half of the year, the strong demand for radial tractor tyres continued which exceeded sales in 2007 by more than 50%, at the same time, in the area of other agricultural tyres (implement, MPT etc.) a decrease was recorded compared with 2007. Therefore, the main production

capacity for these tyres, production section Zlín, was transferred to three-shift operation from 1 January 2009.

3. Sales and Marketing

From the sales viewpoint, 2008 was a successful year, irrespective of the start of the crisis in the second half of the year which affected sales of construction and industrial tyres – this fact and the strong CZK caused the total sales, when expressed in crowns, to exceed the level of 2007 by only about 1%, however, the efficiency was significantly improved. The ratio of the strategic agricultural tyre segment increased by 5% (to 68%), the ratio of the key Western European region increased by 3% (to 65.3%), and, most importantly, the ratio of sales through our own subsidiaries increased by 3.4%. The ratio of sales of direct distribution from our own warehouse in the Czech Republic achieved more than 23% in 2008 (from zero in the half of 2007 when this project commenced).

In the second half of 2008 the project commenced which concerns the preparation of a new distribution strategy whose objective is a more intensive sales approach to selected key markets, such as Germany, France, USA, Czech Republic, Russia, Slovakia. This approach will be implemented through our own sales network on the following markets; from this viewpoint, the foundation of our own branches in Russia and the Slovak Republic is in progress, in the other mentioned countries we already have our own branches. In relation to the acquisition of the plant for the production of tyres in Ruma in Serbia it is necessary to add that we have established a sales team servicing the territories of the former Yugoslavia. The commencement of the new distribution project is currently being implemented in Germany.

On the other markets, the method of distribution will be considered according to individual states with the aim to keep the distribution through the existing trade linkage reporting increases in the turnover and the desired market coverage so that with the use of a new branding strategy, the opportunity for working with so-called “home brands” will be created and, at the same time, preconditions for a wider client base will be mainly created for (and in the future globally and as the most important) the MITAS brand.

The situation in the EU in the area of competition reports a higher flow of cheap off-road and agricultural tyres from the area of South-East Asia, in particular China and India. The pressure on this cheap competition will increase after taking anti-dumping measures in some countries, such as USA, Brazil or Turkey which significantly reduced the

Chinese import. Consequently, this meant greater pressure on the European markets which, for the time being, have not decided in regard to taking similar measures.

As previously stated, at the end of 2008 a new production capacity in Serbia was incorporated into the ČGS enterprise group. The contract for the purchase of shares of the Serbian producer Rumaguma d.o.o. was signed on 15 August 2008 and the final take over of Rumaguma d.o.o. took place on 18 September 2008. The company is located in Serbia in the region of Vojvodina in the town of Ruma. Rumaguma d.o.o. was founded in 1981 and is the prime agricultural and industrial tyre producer in Serbia, whose production assortment is significantly similar to the production assortment of MITAS a.s. The prime strategic objective of the company is the maximum use of existing production capacity, optimising and consolidation of assortment in relation to the other production sections of MITAS a.s. and the building of a distribution point for both the domestic market and all countries of the former Yugoslavia.

Sales of motorcycle tyres in the first half of 2008 were stable and varied at the level of 2007. In this segment in the second half of the year there was a significant decrease in sales by 30% compared with the same period in the previous year. At the same time, in the production section Zlín investment was made into the area of road tyres in the H and V category.

4. Products

In 2008 there was the development of a new series of AC 75 Continental agricultural tyres, designed for tractors with an output 90 to 180 HP, which would gradually replace sizes with the profile number 70. The advantage of the new series of AC 75 sizes is a higher load-bearing capacity with the comparable inflating pressure. The development of AC 75 tyres is a reaction to the acute trend in the increase of outputs of agricultural technology together with efforts to be more agriculturally soil friendly. Completion of sizes with the SVT pattern continued for top class tractors with outputs above 180 HP.

Requirements for tyres with higher load-bearing capacity are implemented for the developed size 540/65 R30. For the MITAS brand, profile series 65 was completed with the RD-03 pattern; designed for tractors with outputs 90 to 200 HP. At the same time, profile series 85 with the pattern RD-01 was developed.

In accordance with the objective of the radialisation of tyres for construction machines, radial OTR tyres with the

size 25" were developed. During the year, together with the commissioning of much new equipment for the production of OTR, there was the dimensioning of the first size 17.5 R25 in two pattern variants ERL-20 and ERL-30, with a different filling to the common area. The production of both designs commenced at the end of the year. Dimensioning of 23.5 R25 and 20.5 R25 for loaders and dumpers continued. The development of new size 445/95 R25 CR-01 continued to be designed for demanding operating conditions on auto-cranes.

In the area of industrial tyres, there was the development of further sizes with the TI-05 pattern which are used in the building industry on telescopic manipulators.

The assortment of tyres for forklifts was expanded by sizes with the FL-08 pattern. Its advantage is a higher service life ensured by higher a filling of the common area and a greater height of figures compared with the original patterns. On the basis of many years experience in the production of tyres for planes, the size 5.00-5 M1 was developed and consequently certified according to the European standard EASA which will be used for medium class planes, personal or freight transport with the possibility of global sales.

In the motorcycle tyre segment, development in 2008 focussed on the expansion of the dimension series with the C-18 pattern. Further sizes of road tyres with the modern H-14 and H-15 patterns were implemented into production. In the category of motorcycle tyres for children's motocross, the development of further sizes with the C-20 pattern for rear wheels and C-19 for front wheels continued. The development and production of road tyres commenced in the H and V speed categories (up to a maximum speed of 240 km/hour) and the MITAS brand with new H-16 and H-17 patterns. Construction work related to the preparation of a new E-10 pattern for enduro travel commenced.

5. Investment into Environmental Protection

The investment activity of MITAS a.s., in addition to the acquisition of the company Rumaguma, was primarily aimed at the completion of the 1st stage of the programme for the implementation of the production of 25" radial whole-steel OTR tyres in the plant in Zlín and on the implementation of the Radialisation I–II project, i.e. the increase of the capacity for the production of large tractor radial tyres in the Otrokovice plant and radial tractor tyres in the

Prague plant. Up to the end of the year all equipment in the Zlín plant was installed and commissioned and the first test tyres were produced, for cranes as well as EM radial. Concerning the aforementioned projects, MITAS a.s. achieved an investment incentive and in 2008 it exceeded the limit of 200 million newly implemented assets which enables the adequate implementation of benefits resulting from the investment incentives. In addition to the main investments, measures were implemented for the improvement of the harmonisation of the production technology with actual legislation in the area of work safety and in the area of environmental protection, such as installation of equipment for the liquidation of fuel vapours from production by boiler combustion. A further important event was the SAP upgrade.

The final fulfilment of the investment plan was at the level of approximately CZK 260 million and the ratio of investment into strategic projects was approximately CZK 150 million.

The operation of new equipment for the decrease of scent emissions in the Prague production section was positively reflected in the elimination of claims, including the positive response of the surroundings on a significantly decreased scent load in the Prague agglomeration. In all three production sections we consistently monitor the volume of emissions. Each year we perform regular measurements of all outlets from the production, by which we check the fulfilment of the limits stated by valid legislation.

MITAS a.s. ensured the implementation of new legislation in the area of environment — so-called REACH, i.e. it has the pre-registration of selected chemical substances or confirmation of pre-registration by another subject (mostly by the producer) by the issue of the pre-registration number. In addition, the company ensured the fulfilment of legislation in the area of the prohibition to use high-aromatic oils. MITAS a.s. became a member of the association of producers of ETRMA tyres and in cooperation with this organisation it participated in the fulfilment of tasks in the area of safety and environmental policy.

6. HR Policy

As of 31st December 2008 MITAS a.s. employed 2,125 people in Prague, Zlín and Otrokovice.

In the subsidiaries of MITAS a.s. 80 abroad people were employed.

In MITAS a.s. 6.2% of employees have university level education and 16.4% have secondary level education.

Employees up to 40 years of age represented 57.2% of the workforce demographic.

In the area of Safety and Protection of Health During Work (BOZP) sick rate indexes were stated and indexes for the whole of MITAS a.s. were fulfilled. At the same time, we modified internal safety standards in accordance with new legislative regulations.

The social program stated by the collective agreements was implemented.

Employees participated in a series of internal and external training events with the aim of further strengthening their qualifications. The “Certified Tyre Builder” programme successfully continued and was expanded by further professions in the worker categories.

In 2008 the project for the use of subsidies from European funds was prepared — Operating Programme Prague — Adaptability. The project entitled “Development of the System for Further Professional Education in MITAS a.s.” was successfully tendered and approved; implementation will commence in 2009. The project is designated for employees with their place of work in Prague.

The close cooperation with universities continues and serves as a source for the recruitment of young highly-qualified employees. Some of educational facilities with the closest cooperation are the Chemical and Technological University in Prague, the School of Economics in Prague and Tomas Baťa University in Zlín.

7. Expected Development in 2009 and Strategic Objectives for 2010–2014

The course of 2009 will be under the influence of the economic crisis which began in the second half of 2008. If sales of OEM construction technology will decrease in the second half of the year by 30%, it is possible to expect that the decrease will continue up to the level of -40%. In addition, deliveries for producers of agricultural technology which increased by the end of 2008, will probably decrease. 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 a certain extent, also in the industrial sector. An opportunity lies in the US market which is under the protection of anti-dumping customs duties against Chinese agriculture and industrial tyres and is reporting increased demand.

The decrease of sales in the area of motorcycle tyres can be covered by searching for new opportunities because the ratio in some markets does not correspond to the capabilities of the company.

Strategic Objectives

- to keep the position of the leading tyre supplier for the agricultural and construction sector in Europe and to gradually build up a global position on the American and Russian markets. to use the Free Trade Agreement between Serbia and the Russian Federation and to build up the 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 in the innovative approach to the area of agricultural tyres with the aim to ensure higher added value for customers.
- to steadily improve profitability with the permanent process of increasing productivity, price policy and the optimal use of production capacities.
- to keep a strong engagement in OEM clients, including cooperation during the development of new products and technologies and an outstanding logistics and client service and to use this cooperation with OEM to strengthen the MITAS brand image.



The main subject of activity of RUBENA 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 household consumer appliance industry. A significant part of the 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 technical rubber products, including rubber-metal parts for the automotive, building and white goods industries, as well as the household consumer appliance industry. A significant part of the 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
RUBENA Slovakia a. s. — manufacturing plant Predmier Slovensko

CGS Automotive de México — production of parts for the automotive industry in Silao

Trade Companies

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

Personnel Composition of the Senior Management of MITAS a.s. as of 31st December 2008

General Manager — Rudolf Peca
Economic Director — Jan Albrecht
Director for 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. — Libor Pernica
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 of 31st December 2008

Chairman of the Board of Directors — Rudolf Peca
Deputy Chairman of the Board of Directors — Michal Kubeček

Member of the Board of Directors — Jan Albrecht
Member of the Board of Directors — Jaroslava Slavíková
Member of the Board of Directors — Milan Thér

Personnel Composition of the Supervisory Board as of 31st December 2008

Member of the Supervisory Board — Oldřich Šlemr
Member of the Supervisory Board — Tomáš Němec
Member of the Supervisory Board — Petr Kábrt

2. Development of the Company in 2008

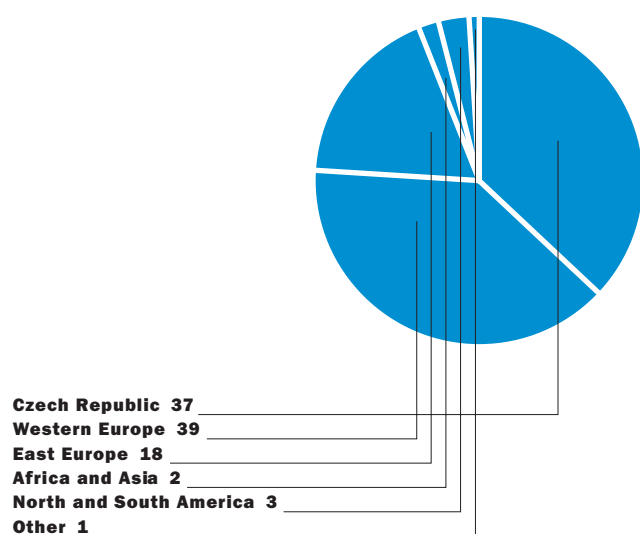
Strategic Business Units of RUBENA a.s.

Compounds

The compounds strategic business unit is concerned with the development and production of rubber products, compounds, foils, strips and rubberized cables for the requirements of the ČGS group. It utilises free capacities for deliveries of compounds for external customers. In 2008, SBU achieved sales of goods, products and services in the amount of CZK 249 million.

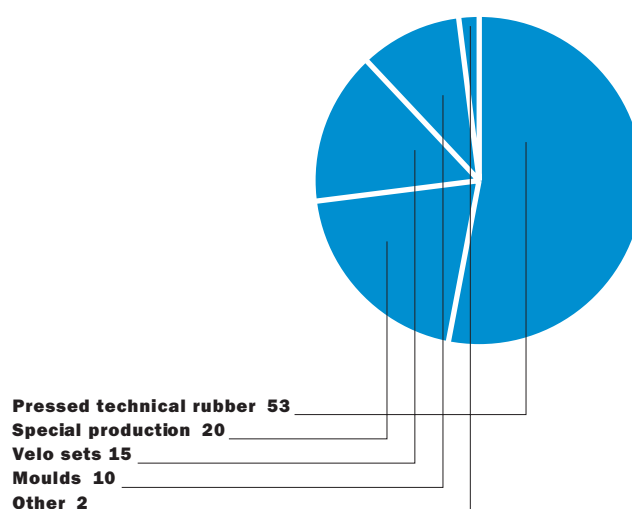
In the area of the development of compounds for new products, SBU SAS developed moulds for membranes into braking systems on the basis of SBR and EPDM India rubber. These are compounds with increased resistance against ageing and better mechanical properties. Development of SBR and EPDM moulds designated for the American market was completed. In addition, compounds were developed for a new generation of exhaust pipe hangers with improved dynamic damping properties and compounds ensuring use within a wider range of temperatures which are recommended for use in the engine area of passenger cars and vehicles. For damping beds and products for flexible mounting, a series of compounds was prepared on the basis of natural India resin with dynamic damping according to client requirements. The development of NBR and HNBR compounds was in progress and designated for the production of O-rings with high resistance to frost. The client approved the HNBR and NBR compounds with a hardness of 70 ShA, and the development of the NBR compound with the hardness of 80 ShA is before completion.

For SBU Velo, a special compound with low specific gravity was developed which results in lighter inner tubes for bicycles and compounds with a special type of black which also ensures good adhesion of the tyre between the bicycle

Classification of Revenues in 2008 by Territory in %

and the terrain. There was the development of the compound for the anti-penetration insert for tyres for bicycles and the development of colouring and non-colouring laying compound. The development is also focused on the optimization of the vulcanizing process to ensure productivity of the production of tyres for bicycles and bicycle tyre tubes. For SBU Special production we prepared new compounds with a higher resistance to atmospheric conditions and chemicals. The development was aimed at special compounds for the production of cylinder coatings and compounds made from carboxylene nitride for various industrial applications requiring high resistance to wearing.

For the production of bellows we developed a compound which by its higher adhesive power decreases the use of organic solvents in production. In addition, the development of ECO compounds commenced. The required completion of the development, including testing on final products is due in the first half of 2009. Concerning the production of V-belts, there is the development of a new generation of compounds with fibres for ballast tubes and multi-V-belts and electrically conductive compounds for the production of cut V-belts.

Classification of Revenues in 2008 by Assortment in %

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 which are designed for the regulation of vibrations as silent blocks, conical, cylindrical and diskette springs, shock absorbers, torsion dampers, joining components, and various types of special placements, etc. Another group is sealing elements, which are designed for the sealing areas of machine parts and aggregates filled with oils, lubricants, fuel and other industrial liquids, examples of these are shift sealing, sealing of bearings, CD rings, sealing of dampers and pneumatic cylinders, O-rings, and other sealing elements. The third important group in the product portfolio 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.

Selected Indexes of the Technical Rubber Division — Data Consolidated within the Division

thousand CZK		2006	2007	2008
Turnover ratio of the group	%	20.29	21.70	21.63
Total sales	thousands	2,958,705	2,749,971	2,625,551
of which export	thousands	1,547,787	1,420,707	1,646,619
Added value	thousands	813,540	766,291	723,299
Staff costs	thousands	582,619	573,608	581,729
Depreciation	thousands	132,670	133,928	132,757
Operating profit	thousands	139,195	36,007	14,957
Profit in the accounting period	thousands	102,089	9,008	-7,505
Assets	thousands	2,031,948	1,891,932	1,849,579
Other sources	thousands	1,078,031	1,050,506	1,107,242
Equity	thousands	952,010	839,046	740,058
Employees	recalculated status	2,358	2,306	2,139
Ratio index				
Sales/recalculated status of employees	thousands	1,255	1,193	1,227
Added value/recalculated status of employees	thousands	345	332	338
Profit/equity (ROE)	%	11	1	-1
Other sources/assets	%	53	56	60
Sales/Shareholder equity	%	311	328	355

Selected Indexes in the Technical Rubber Division

thousand EUR		2006	2007	2008
Exchange rate CZK/EUR		27.50	26.62	26.93
Total sales	thousands	107,609	103,305	97,495
of which export	thousands	56,293	53,370	61,144
Added value	thousands	29,589	28,786	26,858
Operating profit	thousands	5,063	1,353	555
Profit in the accounting period	thousands	3,713	338	-279
Assets	thousands	73,902	71,072	68,681
Other sources	thousands	39,208	39,463	41,116
Equity	thousands	34,625	31,519	27,481

The key part of the strategic business unit is the development centre and the results of its activity are the new products introduced 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 of the correct static, dynamic and service parameters of products, etc. The development centre laboratory is equipped with modern measuring and testing technology.

In the first nine months of 2008, compared with the same period in 2007, sales increased by 3,7%, however, a gradual decrease in production in the area of the automotive industry over the following months resulted in the total value of sales of CZK 1,075 million achieved in 2008 was lower by 2% than in the previous year. Exports comprised 82% of sales.

VELO

The VELO Strategic Business Unit (SBU) is specialised in the development, production and sale of bicycle tyres, inner tubes for primary production (OEM), as well as for the after-market (AFM). The trade and marketing strategy is aimed at gradually winning markets not only in Western Europe but also in America, and maintaining and strengthening positions on the domestic and Eastern European markets. The Sales Department is concentrated on the European market; the basic criterion is the location of the final consumption of the product. There is a parallel positive development of activities from the European markets, as well as from Africa, the US, and areas of 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 for the creation of the overall positive opinion of the RUBENA brand. All activities, including development, are directed towards 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 directed towards tyres of the medium and higher category – this concerns a side-free variant (skinwall) in various forms. The "independent" group of tyres is special tyres which are used for the most demanding terrains and conditions – DownHill, FreeRide, extreme tourism, etc and a further specific group are tyres for "BMX" bicycles. This group includes many special sub-groups, such as Bicross, Flatland, Street and U-rampa. Very high requirements are stated for these tyres in the area of construction and compounds.

For the reconstruction of bicycle tyres and inner tubes, special compounds are used which were developed and produced in SBU Compounds and the development of some types of bicycle tyres is implemented in close cooperation with the racing teams in the Czech Republic or with important personalities in individual sports categories.

During 2008 almost 4.3 million cycle tyres and 6.3 million inner tubes were sold in the total amount of CZK 362 million.

Special Production

Special production ensures the development, production, trade and logistics of the following product groups:

- anti-vibration systems (bellows)
- bags and tanks (ECO program)
- coats for cylinders
- hockey pucks (sport)
- V-belts
- alternative consumption (service warehouse – sale of spare parts)

The total sales of special production achieved CZK 521 million. More than half the products (55%) have clients on the domestic Czech market and the remaining is predominately exported to Germany, France, Poland and Slovakia. Some other services territories are the countries of the former Soviet Union and the countries of North America and the USA. The most frequently exported products are V-belts, bellows and hockey pucks. The sales structure remained almost identical to the previous year; one third of products was delivered for the first equipment, 60% for spare parts and the remainder is off take production.

Subsidiaries

RUBENA Slovakia a. s.

The Technical Rubber Division of the Slovak Republic is strongly represented by the RUBENA Slovakia a.s. The company is concerned with the production of sealing bearings, shaft sealing and other rubber-metal and rubber products. Sales of goods, own products and services achieved SKK 197 million. Since 1 January 2009 the company has used the EUR as domestic currency and during 2009 it will be transformed from a production-trade company to a full trade company.

RUBENA France S. A.

RUBENA France S.A. fulfils its task as a business company and logistics centre for products from the Technical Rubber Division on the French market. In 2008, sales in the amount of EUR 4,026 thousand were achieved.

CGS Automotive de México

The company CGS Automotive de México produces and sells technically demanding products for the automotive industry. In 2008 almost two million membranes for brake boosters were sold. The production has been gradually expanded by products for further customers on the North American markets.

Joint-ventures

SICO RUBENA s. r. o

The company in which RUBENA a.s. holds a 50% share is concerned with the production and sales of products made from silicon rubber. In 2008, sales by SICO RUBENA s.r.o. reached the amount of CZK 336 million. The cooperation with a German partner called SICO has also 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 trade and logistics centre for the Russian territory. RUBENA a.s. has a 50% ownership share in the company. In 2008, sales of goods achieved the equivalent of CZK 51 million.

RUBENA BALKAN 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 territory 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 2008, sales of goods achieved the equivalent of CZK 10 million.

3. Investment into Environmental Protection

Last year we activated long-term tangible and intangible assets in the amount of CZK 91.2 million which represents 4.0% of total sales. The majority of these assets represented production technology, in particular the new injection-presses used for the production of rubber and rubber-metal products for the automotive industry and demanding technological applications in other industrial fields. High investment costs were used for the purchase and modernisation of machinery for the production of compounds and for modernisation of machinery for the production of tyres for bicycles and for the production of V-belts. Further investment costs were invested into testing, information technology and the workplace, including liquidation of harmful emissions.

Last year the ratio of investment into production machines and equipment represented 78.59% of the total activated volume.

4. Personnel Policy

In 2008 the number of employees decreased in all categories. The average recalculated status of employees in 2008 was 1,852 persons which represents a decrease compared with the previous year of 7.63%. The decrease of the number of employees took place during the year with the aim of achieving an increase in the efficiency of work.

The company pays close attention to the area of employee education and further qualification growth. In 2008 the company spent the amount of CZK 1.7 million on education and educational events for foremen, trade department staff, internal auditors and others who passed successfully. The ratio of staff with university level education achieved 5.85%. 19.8% of staff have education completed with the leaving examination. The average age of staff is 42.1 years which is slightly increased when compared with 2007.

5. Expected Development in 2009

2009 will be characterized for RUBENA a.s. by searching for new opportunities, a decrease of fixed costs and the optimising of the cash flow. Changes taking place in the business environment in 2008 which will continue in 2009 have a principal character and the manner in which the company manages them will decide its future position on the traditional markets and for opportunities for further development and to win new business.

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 intention 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 of 31st December 2008

General Manager — Pavel Charvát
 Economic Manager — Jaroslava Štochlová
 SOJ GS Director — Pavel Charvát
 SOJ PK Director — Petr Mašek
 Quality Senior Management Representative — Miloš Jedlička

Constitution of the Board of Directors as of 31st December 2008

Chairman — Pavel Charvát
 Deputy Chairwoman — Jaroslava Štochlová
 Member — Petr Mašek

Constitution of the Supervisory Board as of 31st December 2008

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

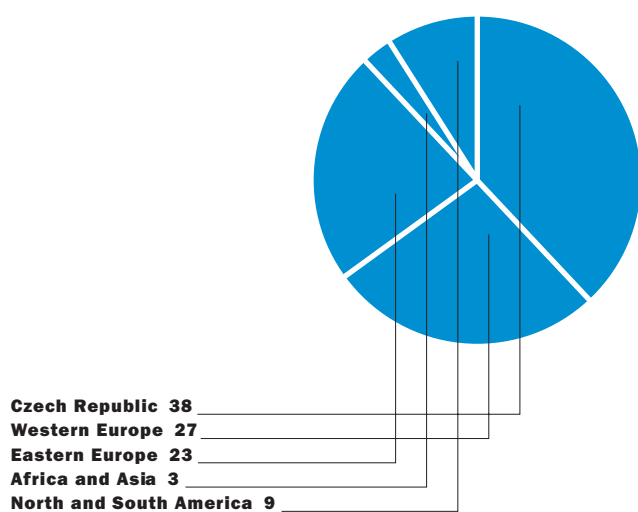
2. Company Development in 2008

2008, or more specifically the latter part of 2008, was characterized by the entrance of the automotive industry into the period for the decrease of the production which was reflected in the volume of orders of the company. Sales reported year-on-year have decreased by almost 15%, absolutely by CZK 120 million. The decrease was caused by the strengthening of the CZK, particularly towards the EUR, by the amount of CZK 21 million. The price increase of inputs, in particular energies, also negatively affected. With the absolute saving of natural gas by 2.2% the unit price increased by 26.9%, with the absolute saving of electric energy in the volume of 10.6% the growth of the unit price was 9.7%. Purchase prices for raw iron increased differentially depending on the composition by 32–52%. In these conditions, when it was not possible to reflect the growth of the prices of inputs into sales prices, the year-on-year creation of added value decreased by 23.5%, in absolute expression CZK 83 million. Savings on employees reduced the decrease of the added value per employee to 17.6%. With the sale of unused assets at the price exceeding the accounting value and by the allocation of reserves, we achieved an operating profit of CZK 9.5 million. The total economic result mainly represents the positive financial result in the amount of CZK 28.5 million. Profit after taxation achieved CZK 32 million.

3. Sales and Marketing

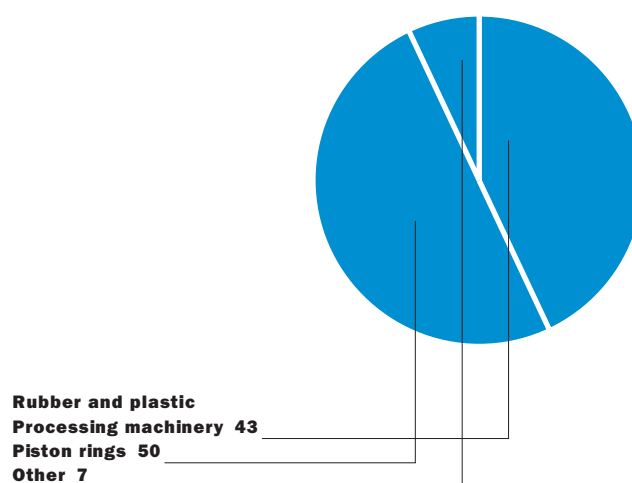
In 2008 the main target territories for the sale of piston rings were the EU markets (Germany, Italy, Czech Republic, Slovak Republic, Lithuania), where more than 48% of the production was directed; further important export territories outside the EU were the Russian Federation, Mexico, India, USA, Ukraine, Turkey, Byelorussia and Brazil. Some of the largest customers were subsidiaries of the Kolbenschmidt concern, in particular the Czech branch KS Kolbenschmidt Czech Republic a.s., together with alliances located throughout various parts of the world (Germany, Mexico, Brazil, Turkey, India), then VW, AUDI, Zavoržskij motor plant, Záporožskij car plant, Stihl, Lombardini, Gilardoni, Kössler, NPR of Europe and Scho-ettle Motorenteile.

More than 71% of products were directed to the primary production. Deliveries for the VW and AUDI concerns represented either sealing rings for the mechanism for the variable timing of camshafts, as well as piston rings from the diameter 81 mm up to the diameter 84.5 mm with

Classification of Revenues in 2008 by Territory in %

various axial heights for the second groove of pistons for 4-cylinder, 6-cylinder and 8-cylinder petrol engines. Further important customers of sealing rings for mechanisms of variable timing were the companies Kössler — end customer AMG (Daimler) and Porsche.

The important end customers for piston rings delivered to KS Kolbenschmidt Czech Republic are the Wabco and Stihl companies. Deliveries of piston rings on the Russian market continued for the primary production, where the most important client remains the company Zavolžskij bar plant, as well as for spare parts which were delivered through the warehouse of the affiliation ČGS Avto for the ZMZ network and also indirectly for other customers. During the 3rd and the 4th quarters of 2008, due to the recession in the automotive industry, there was a decrease in sales for all main customers. On the contrary, the positive information was the first pre-series deliveries of parts for the new Fiat gearbox. Series deliveries forecast up to mid 2009 will expand the portfolio of delivered products by the tooled and thermally treated cast.

Classification of Revenues in 2008 by Assortment in %

The results of SOJ Guma in 2008 are comparable with 2007. In 2008 we made a financial settlement for the formerly implemented large event concerning the delivery of three mixing lines for the Sibur company. In 2008 we recorded a growth of 26% in the area of delivery of cylinders, in particular within the developing cooperation with the Harburg Freudenberg, United Foundries and Kobelco companies.

The assortment of deliveries of spare parts shared in the results with the standard volume of about CZK 18 million. The most important deliveries in the area of machines were the general repair of Intermix K7 mixer, production and general repair of seven chambers for various types of mixers, vertical calendars for Konštrukta Trenčín and Menetu Dánsko tyre builder units for Nokian and MITAS Praha. Finally, we managed to fill capacities with engineering production according to the client documentation with equipment for the automotive industry through the Chropyně engineering plant by ensuring the assembly of cogeneration units for Tedom Hořovice.

Selected Indexes in the Machinery Division – BUZULUK a.s.

thousand CZK		2006	2007	2008
Turnover ratio of the group	%	7.73	7.05	5.23
Total sales	thousands	869,160	843,945	724,444
of which export	thousands	661,261	614,901	451,782
Added value	thousands	354,935	354,169	270,879
Staff costs	thousands	235,669	227,089	241,187
Depreciation	thousands	52,610	48,930	48,103
Operating profit	thousands	61,393	78,908	9,483
Profit in the accounting period	thousands	41,168	72,992	32,002
Assets	thousands	863,335	905,643	884,919
Other sources	thousands	288,467	325,256	404,716
Equity	thousands	574,673	580,203	480,202
Employees	recalculated status	777	707	659
Ratio index				
Sales/recalculated status of employees	thousands	1,119	1,194	1,099
Added value/recalculated status of employees	thousands	457	501	411
Profit/equity (ROE)	%	7	13	7
Other sources/assets	%	33	36	46
Sales/Shareholder equity	%	151	145	151

Selected Indexes in the Machinery Division – BUZULUK a.s.

thousand EUR		2006	2007	2008
Exchange rate CZK/EUR		27.50	26.62	26.93
Total sales	thousands	31,612	31,703	26,901
of which export	thousands	24,050	23,099	16,776
Added value	thousands	12,909	13,305	10,059
Operating profit	thousands	2,233	2,964	352
Profit in the accounting period	thousands	1,497	2,742	1,188
Assets	thousands	31,400	34,021	32,860
Other sources	thousands	10,492	12,218	15,028
Equity	thousands	20,901	21,796	17,831

4. Products

In 2008 SOJ PK particularly concentrated its activities on the strengthening of its market position in market segments for petrol engines, small and medium-sized diesel engines, compressors, hydraulic systems and engines for small garden mechanization.

In the petrol engine segment we completed the project and commenced the series production of a set of piston rings for ZMZ EURO 3 engines. The research task of steel nitrided piston rings, for which we obtained the support of the Ministry of Industry and Trade in the form of a subsidy, was completed to the stage of technological samples and on the basis of its results, the commercial application of these piston rings is expected from the second half of 2009. In addition, the SOJ directed its development and optimising of oil control cast rings with axial heights of 2 mm and 1.5 mm designed for engines with reduced inside friction. On the basis of close development cooperation with the Wabco and Kolbenschmidt companies we successfully introduced into the series the optimising piston group of Wabco compressors which helped to decrease and stabilize the consumption of oil for these compressors.

In the engines for small garden mechanization segment, the series production of piston rings was implemented for two new projects for the company Stihl and close development cooperation continued on further projects for new engines from Stihl with decreased emissions of exhaust gases. These rings will enter series production from 2009. The portfolio of clients in this market segment was expanded by Briggs&Stratton, where the first part of the tests on samples was successfully passed and during 2009, the tests in the USA should be completed.

An important expansion of the assortment parts is the lever for the Fiat C635 gearbox. At the end of 2008 we delivered the first pre-series parts for the assembly of gearboxes and the start of series production is prepared for June 2009. For this part we have newly developed materials with increased strength, CNC tooling technology and surface hardening. The development activities of SOJ GS were oriented to machines and equipment derived from the defined main trends in the area of the development of rubber, mainly tyre technologies. These were concentrated on the main programme, i.e. the calender process, its main technological equipment, units and components. In 2008 there was also the globally unique preparation and partial implementation of progressive equipment which is a technological line for the rubberizing of textile and steel cord. The rubberized cord is a basic semi-product for further components for the

production of tyres. In particular, the following rubber-making equipment was developed:

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

5. Investment into Environmental Protection

In 2008 the total amount of CZK 30.2 million was invested, in particular into the renewal and modernisation of the production of piston rings. This includes investment into ecology in the amount of CZK 0.5 million for exhaustion in the chrome-plating plant. The certification company for the quality and environmental control system, SGS Czech Republic, s.r.o., performed the control audits in October and confirmed the validity of the certificates according to standards EN ISO 90001 : 2000, and ISO/TS 16949 : 2002 and EN ISO 14001 : 2004 without deviations. The relation to all our elements of the environment is reflected each year into the objectives of the company for the forthcoming period.

6. Personnel Policy

In 2008 the company employed 659 personnel in the average recalculated status. By 31 December 2008 the total recorded number of personnel was 644, including 359 production staff, 100 overhead staff and 185 technical-economic staff. In 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. Educational programmes were especially implemented in the following areas:

- Training of SOJ PK fitters
- Presentation and communication skills
- Slim production
- Training for CNC machines
- Rubber technologies
- Rationalisation

- Quality
- Environmental system
- Training determined by regulations
- Language courses

To ensure trained staff 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 West Bohemian University in Pilsen.

In 2008 we provided scholarships for 17 pupils from the Secondary Professional School Hořovice and 2 pupils from the Secondary Professional School SOU Rokycany. The scholarships are provided depending on the results and the behaviour of the pupil. These graduates of the Secondary Professional Schools, after graduation, will start to work in the company in 2010 and 2011.

Increased attention has been paid to safety and hygiene of work, enterprise health preventive medical care and the fulfilment of the social programme in accordance with the Collective Agreement. In 2008 the number of injuries decreased by 13 compared with the previous year and the period of disability to work due to working injury also decreased by 159 calendar days. On the basis of the technical and organisational measures undertaken in workplaces at risk, the number of such employees decreased, as well as the number of employees classified into risk categories.

7. Expected Development in 2009

The plan for 2009 forecasts an increase of the turnover by 7.8% and the added value by 21%. The profit after taxation should achieve CZK 43 million. Due to serious worsening of global economic conditions, a series of measures were taken in the area of costs, in particular in the personnel area. In the short-term outlook the objective of the company is to keep the production ability, balanced management and such a level of cash flow which will be sufficient for financing necessary company requirements.

Due to the recession in the automotive industry and the consequent decrease in taking the services for main clients (KS Kolbenschmidt, AUDI, VW and ZMZ) the main objective of SOJ PK is to decrease operating costs to the level corresponding to sales. In addition, the unit will be directed to the increase of the market share in the segment of piston rings for spare parts — in particular for technologically

demanding types — and for smooth implementation of projects in progress into series production. Marketing and development activities will be directed towards strengthening cooperation with important existing clients. The objective is to strengthen the position at the costs of other suppliers and to win new clients in the assortment of processed and unprocessed casts, including products for the non-automotive industry.

One of the main strategic objectives of SOJ GS in the medium-term horizon was started in 2007 for the gradual decrease of the assortment of produced machines with orientation to products where SOJ GS is able to achieve the top level. Therefore, research and development projects are mainly oriented towards machines and components for calender lines and lines for the drawing of foils. The main project is the line with a 5-cylinder calender, including completing equipment. The objective of SOJ GS is to introduce a calender line which by its parameters will technically be the best solution on a global scale. The individual parts of the line will be, at the same time, universal and will also be used for lines with other types of calenders.

Further projects are vertical calenders which can be applied in implementation projects by the final technology suppliers, e.g. for the company Harburg Freudenberg. With the technically and price competitive project for the storage tank for the line for the production of flooring in 2009, we will penetrate the global producer of flooring covers, the French company GERFLOR. In addition, we are continue in innovations for tyre builders with the aim to keep their competitiveness and to continue with deliveries for the companies Nokian Heavy Tyres and ČGS and Apex smaller machines for Continental and to India. The internal task remains the further reorganisation of SOJ GS with the aim of creating conditions for the better use of all production capacities, mainly actual foundries and the machine shop for cylinders. This will be done by the successful implementation of steps in the area of brick cylinders where the quality of cylinders and the technical and production know-how opens the door for the company BUZULUK to important users of cylinders and for diems dealing with brick making machines.

The investment planned for 2009 is CZK 26.6 million. This mainly includes machines for the Fiat project and the financial means for the completion of events in progress. The plan also includes investment into the safety and protection of the health of the staff of the production operating units.

Audit Report of the Consolidated Financial Statement



The Audit Report of the independent auditor on the auditing of the Consolidated Financial Statement of the company ČGS, a.s. as of 31 December 2006

The audit of the attached Consolidated Financial Statement as of 31 December 2008 of the company ČGS a.s., registered office: Prague 10, Švehlova 1900, Company ID number (IČO): 274 10 072, was carried out 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. Jan Řehák, Reg. No. 1692.

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 Balance Sheet as of 31 December 2008 and the Profit and Loss Statement for the period from 1 January 2008 to 31 December 2008 and the Appendix to the Consolidated Financial Statement, including the description of the important accounting methods used. Data regarding the company ČGS a.s. is stated in point 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 in accordance with Czech accounting regulations and for the true reflection of the facts stated therein. This responsibility includes the proposal, implementation and the ensuring of the internal audits of the Financial Statement and the true reflection of the facts stated therein with the aim of not to contain any important incorrect facts caused by fraud or error, to select and apply the correct accounting principles and to undertake accounting estimates which are adequate in respect of the respective situation.

Our task is to issue, on the basis of the audit, a statement regarding this Consolidated Financial Statement. We carried out the audit in accordance with the Act for Auditors, the International Auditor Standards and the related application clauses of the Chamber of Auditors of the Czech Republic. In accordance with these regulations we are obliged to comply with ethical standards and to plan and carry out the audit in such a manner

that the auditor has an adequate certainty that the Financial Statement does not contain any important defects. The audit includes carrying out audit procedures whose objective is to gather information concerning the amounts and facts stated in the Financial Statement. The selection of the audit procedures depends on the consideration of the auditor, including how the auditor evaluates the risk that the Financial Statement may contain some important incorrect data caused by fraud or error. During the evaluation of these risks the auditor takes into consideration the internal audits which are relevant for the preparation of the Financial Statement and 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 regarding the efficiency of internal audits. The audit also includes an assessment of the suitability of the accounting methods, of the adequacy of accounting estimates performed by the senior management of the company and an assessment of the overall presentation of the Consolidated Financial Statement.

We consider that the ascertained evidential information is sufficient and is an adequate basis for the expression of the auditor's statement.

In our opinion, the Consolidated Financial Statement provides in all important aspects, a true and faithful picture of the assets, liabilities, equity and financial standing of the company ČGS, a.s. as of 31 December 2008 and the management results in 2008 in accordance with the accounting regulations valid in the Czech Republic.

Prague, 20 March 2009



HAYEK, spol. s r.o., holding, Certificate Number 029
Ing. Jan Řehák, Certificate Number 1692

Audit Report of the Consolidated Annual Report



The Audit Report of the independent auditor on the auditing of the Financial Statement of the company ČGS, a.s. as of 31 December 2006

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 carried out 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. Jan Řehák, Certificate Number 1692.

The Audit report is prepared 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 40 to 45. 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 performed 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 Repub-

lic. These standards require that the auditor plans and performs the audit so as to achieve an adequate certainty 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 the performed 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 of 31st December 2008 is in all important aspects, in accordance with the above-mentioned Financial Statement.

Prague, 25 June 09



HAYEK, spol. s r.o., holding, Certificate Number 029
Ing. Jan Řehák, Certificate Number 1692

Consolidated Balance Sheet

as of 31 December 2008

Assets

in thousand CZK	2008	2007
Total assets	9,757,612	9,117,184
A. Capital subscription receivables	0	0
B. Long-term assets	4,814,035	4,444,380
B.I. Long-term intangible fixed assets	186,692	253,836
B.I.1. Establishment costs	740	9,278
B.I.2. Research and development	0	0
B.I.3. Software	17,015	5,014
B.I.4. Royalties	151,662	227,319
B.I.5. Goodwill	0	0
B.I.6. Other long-term intangible assets	16,139	9,258
B.I.7. Long-term intangible assets in the course of construction	1,136	2,967
B.I.8. Advances paid for intangible assets	0	0
B.II. Tangible fixed assets	4,260,946	4,182,800
B.II.1. Land	438,422	449,848
B.II.2. Constructions	1,372,567	1,361,613
B.II.3. Equipment	2,025,183	1,940,181
B.II.4. Cultivated areas	0	0
B.II.5. Livestock	0	0
B.I.6. Other long-term intangible assets	3,258	7,035
B.II.7. Tangible assets in the course of construction	204,566	191,087
B.II.8. Advances paid for tangible fixed assets	25,193	25,761
B.II.9. Adjustment to acquired fixed assets	191,757	207,275
B.III. Long-term investment	8,109	7,744
B.II.1. Investment in controlled entities/subsidiaries	0	50
B.III.2. Investment in associates	4,259	3,823
B.III.3. Other long-term investment in securities	830	919
B.III.4. Intragroup loans – controlled entities	0	0
B.III.6. Other financial investment	2,842	2,093
B.III.7. Acquired long-term financial assets	50	737
B.III.7. Advances provided for long-term financial assets	128	122
B.IV. Active consolidated difference, (-) Negative consolidated difference	358,288	0
B.V. Intragroup shareholders	0	0

in thousand CZK		2008	2007
C.	Current assets	4,894,074	4,622,210
C.I.	Inventories	2,205,234	1,721,915
C.I.1.	Material	861,314	570,373
C.1.2.	Products and semi-products in progress	275,428	285,061
3.	Products	783,899	591,756
C.I.4.	Livestock	0	0
C.I.5.	Goods	279,137	269,042
C.I.6.	Prepayments for inventory	5,456	5,683
C.II.	Long-term receivables	5,585	4,308
C.II.1.	Trade receivables	0	0
C.II.2.	Receivables — controlled entities/subsidiaries	0	2
C.II.3.	Receivables from accounting units under substantial influence	0	0
C.II.4.	Receivables from shareholders/owners	192	0
C.II.5.	Anticipated assets	0	0
C.II.6.	Other receivables	13	142
C.II.7.	Deferred tax receivable	5,380	4,164
C.III.	Short-term receivables	2,383,401	2,520,518
C.III.1.	Trade receivables	1,892,475	2,038,364
C.III.2.	Receivables — controlled entities/subsidiaries	0	0
C.III.3.	Receivables from accounting units under substantial influence	0	0
C.III.4.	Receivables from shareholders/owners	0	1,500
C.III.5.	Social security and health insurance	69	31
C.III.6.	State — tax receivables	249,648	99,680
C.III.7.	Other advances provided	13,411	21,515
C.III.8.	Anticipated assets	162,456	74,434
C.III.9.	Other receivables	65,342	284,994
C.IV.	Short-term financial assets	299,854	375,469
C.IV.1.	Cash	5,674	9,220
C.IV.2.	Bank accounts	276,343	366,154
C.IV.3.	Short-term securities and ownership interest	3,537	95
C.IV.4.	Acquired short-term financial assets	14,300	0
D.I.	Accruals and deferrals	49,503	50,594
D.1.1.	Prepaid expenses	40,981	44,913
D.1.2.	Complex prepaid expenses	5,142	0
D.1.3.	Accrued revenues	3,380	5,681

Liabilities

in thousand CZK		2008	2007
	Total liabilities	9,757,612	9,117,184
A.	Equity	3,213,612	3,379,542
A.I.	Registered capital	2,000	2,000
A.I.1.	Registered capital	2,000	2,000
A.I.2.	Own shares and ownership interest	0	0
A.I.3.	Changes in registered capital	0	0
A.II.	Capital funds	505,064	732,991
A.II.1.	Share premium	0	0
A.II.2.	Other capital funds	1,926,702	1,974,039
A.II.3.	Gains or losses from the evaluation of assets	-1,421,638	-1,241,048
A.II.4.	Gains or losses from evaluation during changes	0	0
A.III.	Reserve funds, undistributed profit and other funds from profit	26,497	27,539
A.III.1.	Legal reserve fund	26,497	27,539
A.III.3.	Statutory and other funds	0	0
A.IV.	Profit/loss from previous years	2,524,493	1,950,433
A.IV.1.	Undistributed profit from previous years	2,524,493	1,950,433
A.IV.2.	Unpaid loss from previous years	0	0
A.V.	Profit/loss in current accounting period without minor interest (+/-)	155,558	666,579
A.V.1.	Profit in current accounting period (+/-)	155,558	666,579
A.V.2.	Ratio of result of management in equivalence (+/-)	0	0
A.VI.	Consolidation reserve fund	0	0
B.	Other sources	6,457,217	5,614,879
B.I.	Provisions	56,584	149,857
B.I.1.	Provisions according to special regulations	42,724	69,065
B.I.2.	Reserve for pensions and similar payables	0	40,110
B.I.3.	Reserve for income tax	3,300	20,914
B.I.4.	Other reserves	10,560	19,768
B.II.	Long-term payables	660,327	624,297
B.II.1.	Trade payables	3,713	12,468
2.	Liabilities — controlled entities/subsidiaries	0	0
3.	Liabilities — associates	0	0
4.	Liabilities to shareholders/owners	112,291	355,198
5.	Long-term advances received	0	0
6.	Bond issues	0	0
7.	Bills of exchange payable	0	0
8.	Anticipated assets	625	688
9.	Other liabilities	315,660	2,540
10.	Deferred tax liability	228,038	253,403

in thousand CZK		2008	2009
B.III.	Short-term payables	2,171,971	1,337,956
B.II.1.	Trade payables	1,166,546	971,094
2.	Liabilities — controlled entities/subsidiaries	0	0
3.	Liabilities — associates	0	0
4.	Liabilities to shareholders/owners	0	0
5.	Payables to employees	74,321	66,296
6.	Payables to social security and health insurance	143,003	47,424
7.	State — tax payables and subsidies	83,864	162,710
8.	Short-term advances received	11,910	25,673
9.	Bond issues	0	0
10.	Anticipated assets	70,141	56,461
11.	Other liabilities	622,186	8,298
B.IV.	Bank loans and assistance	3,568,335	3,502,769
B.IV.1.	Long-term bank loans	801,591	2,812,500
2.	Short-term bank loans	2,766,744	690,269
3.	Short-term financial assistance	0	0
C.I.	Accruals and deferrals	83,241	119,975
C.I.1.	Accrued expenses	82,874	118,751
2.	Accrued revenues	367	1,224
D.	Minority equity	3,542	2,788
D.I.	Minority share capital	3,157	3,157
D.II.	Minority capital funds	147	70
D.III.	Minority revenue reserves and retained earnings	517	-442
D.IV.	Minority profit in current accounting period	-279	3

Consolidated Profit and Loss Statement as of 31 December 2008

in thousand CZK		2008	2009
I.	Revenues from the sale of goods	480,017	466,150
A.	Costs of goods sold	322,108	288,338
+	Trading profit margin	157,909	177,812
II.	Production	11,238,480	10,641,300
II.1.	Revenues from the sale of own products and services	11,008,790	10,447,162
2.	Change in materials inventory	127,542	-11,084
3.	Capitalisation	102,148	205,222
B.	Intermediate consumption	7,659,279	7,364,323
B.1.	Consumption of materials and energy	6,250,238	6,041,781
2.	Services	1,409,041	1,322,542
+	Added value	3,737,110	3,454,789
C.	Staff costs	2,207,634	1,997,318
C.1.	Wage costs	1,626,507	1,468,197
2.	Emoluments of board members	3,724	4,148
3.	Costs for social security and health insurance	526,069	477,531
4.	Social costs	51,334	47,442
D.	Taxes and fees	18,035	14,107
E.	Depreciation of tangible and intangible assets	701,991	646,238
III.	Sales of long-term assets and material	1,459,043	2,474,107
III.1.	Sales of long-term assets	115,718	46,932
2.	Sales of materials	1,343,325	2,427,175
F.	Net book value of long-term assets and materials	1,383,318	2,450,550
F.1.	Net book value of long-term assets sold	40,381	18,347
2.	Material sold	1,342,937	2,432,203
G.	Change in reserves and adjusting entries in the operating area and total accrued expenses	-26,215	-8,741
IV.	Other operating revenues	52,635	49,925
H.	Other operating costs	225,274	228,748
	Accounting for consolidated difference	18,857	-73,852
*	Consolidated operating income	719,894	724,453

in thousands CZK		2008	2007
	Revenues from sale of securities	51	738
J.	Securities and investments sold	51	533
VII.	Revenues from long-term financial assets	529	69,293
VII.1.	Revenues from investment in controlled and managed subjects and in accounting	529	69,272
2.	Revenues from other long-term securities and investments	0	21
3.	Revenues from other long-term financial assets	0	0
VIII.	Revenues from short-term financial assets	0	0
K.	Costs from financial assets	0	474
IX.	Revenues from re-assessed securities and derivatives	1,921,040	260,947
L.	Costs from re-assessment of securities and derivatives	2,256,207	78,231
M.	Change in balance of reserves and adjusting entries in financial area	0	0
X.	Revenue interest	18,361	30,994
N.	Cost interest	180,623	172,373
XI.	Other financial revenues	2,098,060	903,750
O.	Other financial costs	2,156,577	978,330
*	Consolidated operating loss	-555,417	35,781
Q.	Income tax on ordinary activity	6,138	88,660
Q.1.	— due	25,574	114,627
2.	— deferred	-19,436	-25,967
**	Consolidated net profit/loss from ordinary activity	158,339	671,574
XIII.	Extraordinary revenues (XVI)	-2,035	6,385
R.	Extraordinary costs	1,025	11,377
*	Consolidated extraordinary loss	-3,060	-4,992
T.	Transfer of ratio in profit to partners	0	0
***	Consolidated profit in current accounting period excluding intragroup profit of which profit in current accounting period excluding minority interest	155,279 155,558	666,582 666,579
	Minority profit in current accounting ordinary accounting period	-279	3
	Ratio in intragroup profit	0	0
****	Consolidated profit in accounting period	155,279	666,582
	Profit or loss before taxation (+/-)	161,417	755,242

Summary of Subsidiaries of ČGS, a.s. as of 31 December 2008

ČGS a.s.

Registered capital (in thousand CZK)	2,000
Sales of products, services and goods (in thousand CZK)	38,172
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)	7,389,706
Number of employees (average recalculated status)	2,124
Production programme — tyres for large construction machines, excavators, rollers, small loaders, lorries, 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)	157,802
Number of employees (average recalculated status)	118
Production programme — Development of new constructions and technologies for production of tyres, testing and development	

RUBENA a.s.

Registered capital (in thousand CZK)	148,495
Sales of products, services and goods (in thousand CZK)	2,252,672
Number of employees (average recalculated status)	1,852
Production programme — rubber products, sealing elements, roller coatings	

BUZULUK a.s.

Registered capital (in thousand CZK)	346,975
Sales of products, services and goods (in thousand CZK)	724,444
Number of employees (average recalculated status)	659
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)	18,771
Number of employees (average recalculated status)	22
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)	128,914
Number of employees (average recalculated status)	250
Subject of business — accommodation services, house management, public catering	

KONTY G TRADE a.s.

Registered capital (in thousand CZK)	2,000
Sales of products, services and goods (in thousand CZK)	2,482,130
Number of employees (average recalculated status)	282
Subject of business — processing of rubber mixtures	

Contact Data

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