ČGS HOLDING a.s.
Annual Report 2011

Contents

Introductory Address

Dear business partners,

The ČGS concern, owned by ČGS HOLDING a.s. and registered in the Czech Republic, is a leading global producer of off-road tyres for agriculture, industry and sports motorcycles, bicycle tyres and tubes, technical rubber products, piston rings and rubber-making machines.
The Group is divided into three divisions. The Tyre Division, represented by MITAS a.s., successfully continued in its strategy to become a leading global producer of off-road tyres, significantly increased sales and launched major investment projects. The Technical Rubber Division, represented by RUBENA a.s., confirmed its status as a major technical rubber products supplier and strengthened its position on the bicycle tyre and tube market. The Machinery Division, BUZULUK a.s., held its position as a significant supplier of piston rings and rubber-making machinery.
Results achieved in 2011 were quite satisfactory, evident in total consolidated sales which increased considerably from 2010 and confirmed the sound financial condition of the group. Looking ahead to 2012, we stand before considerable challenges. We firmly believe that the employees of our concern will successfully meet these challenges and ČGS will enjoy another year of prosperity.

The Board of ČGS HOLDING a.s.

Main Financial Indexes

Selected indexes of the ČGS concern from 2009—2011, consolidated data

in thousand CZK		2009	2010	2011
Total sales	thousand	8,682,829	10,783,811	13,857,488
of which export	thousand	7,272,018	9,534,165	11,790,347
Value added	thousand	3,253,602	3,585,318	3,501,466
Staff costs	thousand	1,893,436	2,001,448	2,253,086
Depreciation	thousand	717,145	711,102	467,912
Operating profit	thousand	390,169	579,848	446,216
Profit in the accounting period	thousand	164,981	302,358	448,140
Assets	thousand	7,889,126	8,037,907	10,417,278
Other sources	thousand	4,430,566	4,092,136	5,792,214
Shareholder equity	thousand	3,409,876	3,894,461	4,543,696
Employees	current number	5,430	5,457	5,885
Ratio index				
Sales/current number of employees	thousand	1,599	1,976	2,355
Added value/current number of employees	thousand	599	657	595
Profit/equity (ROE)	%	5	8	10
Other sources/assets	%	56	51	56
Sales/shareholder equity	%	255	277	305

Selected indexes of the ČGS concern from 2009—2011, consolidated data

in thousand EUR		2009	2010	2011
Exchange rate CZK/EUR		26.465	25.060	25.800
Total sales	thousand	328,087	430,320	537,112
of which export	thousand	274,779	380,454	456,990
Added value	thousand	122,940	143,069	135,716
Operating profit	thousand	14,743	23,138	17,295
Profit in the accounting period	thousand	6,234	12,065	17,370
Assets	thousand	298,097	320,746	403,770
Other sources	thousand	167,412	163,294	224,504
Shareholder equity	thousand	128,845	155,405	176,112

Some internal changes in the ownership of the ČGS concern occurred in 2011. The structure however, remained unchanged and the year-to-year data is comparable.

Costs related to the acquisition of fixed assets — Investments (data from the cash flow report)

in thousand CZK	Total
ČGS a.s.	395,791
MITAS a.s.	349,027
Mitas d.o.o. (Serbia)	30,692
Mitas Tires North America, Inc.	513,785
IGTT a.s.	7,415
RUBENA a.s.	154,058
SICO RUBENA s.r.o.	80,786
BUZULUK a.s.	5,834
Total	1,537,388

Company Profile

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

ČGS HOLDING a.s. is a holding company with the most comprehensive portfolio of rubber production in the Czech Republic. The origins of the company can be traced back to the early 1990s, when it was known as BARUM Holding, a.s. BARUM Holding gradually acquired additional rubber-making and engineering companies and in 1996 formed Česká gumárenská společnost, a.s. This company was then officially renamed ČGS a.s. in 2006.

Today, the company is structured into three divisions. The core of the Tyre Division is MITAS a.s. which produces a wide assortment of off-road tyres in four plants located in Prague, Zlín, Otrokovice (Czech Republic) and in the Serbian city of Ruma. These tyres are intended mainly for construction vehicles of all types and sizes (diggers, loaders, vehicles, multi-purpose), agricultural vehicles, and motorcycles. The division includes IGTT a.s., which produces curing moulds and conducts tyre testing. MITAS a.s. maintains sales subsidiaries in the United Kingdom, the United States, Brazil, Germany, Austria, France, Italy, Spain, Mexico, Switzerland, Finland and Russia.

The core of the Technical Rubber Division is RUBENA a.s., which produces various technical rubber products in plants located in Hradec Králové, Náchod and Zlín. The products include rubber sleeves, wiper rings and other types of rubber sealing, expansion sleeves, dust seals and covers, joining parts, V-belts and other rubber products for the automotive, construction, engineering and electrotechnical industries. RUBENA a.s. also produces a wide range of rubber-metal products and is very successful in the area of rubber textile products, such as sealing and lifting bags, separating barriers, flood barriers, aircraft tanks, various types of bellows, couplings, membranes and compensators. Furthermore, Rubena produces rubber covers for cylinders, bicycle tyres, bicycle tubes and rubber compounds. The Czech-German joint-venture SICO RUBENA s.r.o. manufactures silicone products and in 2011 opened a new manufacturing hall, increasing its production capacity by 50 percent. RUBENA a.s. has subsidiaries in France, Russia, the Balkans, the Slovak Republic and Mexico.

The rubber production portfolio is complemented by the Machinery Division, BUZULUK Komárov, a.s., which develops and manufactures machinery and equipment for the rubber industry. In addition, BUZULUK Komárov a.s. offers piston rings of many types and sizes, car parts and products from grey cast iron.

ČGS HOLDING a.s. is a progressive company with a transparent and clearly defined holding structure which follows strict ethical standards, including guidelines for responsible social and environmental corporate behaviour.

The ČGS Concern
Selected consolidated data for 2001—2011

(in thousand CZK)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	8,682,829	10,783,811	13,857,489
Value added	2,486,071	2,635,962	2,615,999	2,886,256	3,156,992	3,398,221	3,454,789	3,737,110	3,253,602	3,585,318	3 501,466
Operating profit	217,315	333,542	432,778	589,874	346,111	607,668	724,453	719,894	390,169	579,848	446,216
Employees	6,527	6,538	6,295	6,167	6,534	6,187	6,021	5,858	5,430	5,457	5,885

Treasury and risk management

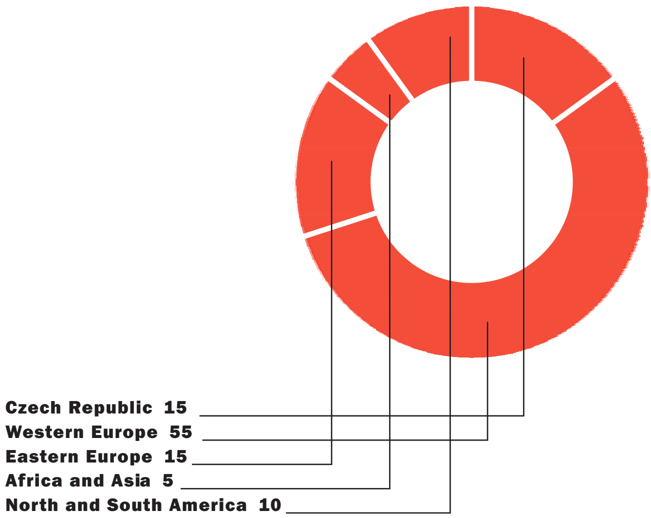
On a consolidated basis, the ČGS concern is primarily affected by exchange rate fluctuations due to the export and import activities of individual companies in the concern. This risk is decreased by the natural levelling of exchange rates in costs and revenues. The residual open foreign exchange position is offset by using financial tools with a time horizon of 12 to 24 months. Hedging is conducted continuously for existing and expected (planned) contracts in foreign currencies. The primary hedging tools 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 65% of its loan portfolio.

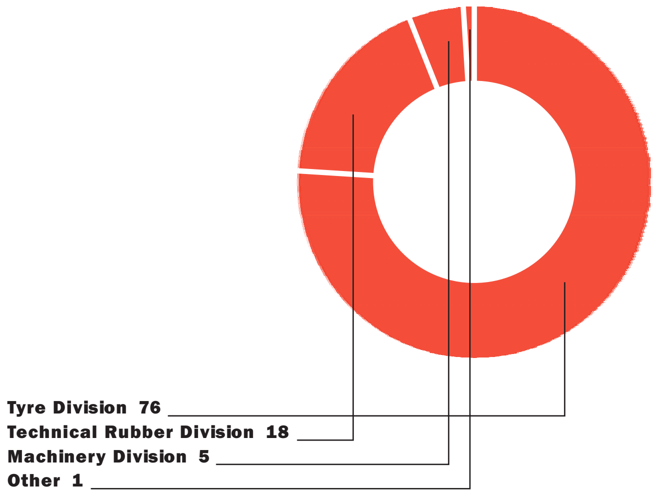
In 2011, ČGS secured commodity risks, particularly gas and electricity prices. These transactions are negotiated for the manufacturing companies of the concern.

In the area of risk management, ČGS acts as the control unit providing central risk management services within the group. These services include negotiation and management of insurance contracts for operating risks (natural disasters, equipment, liability), and monitoring and management of credit risks.

2011 revenues by territory in %



2011 revenues by division in %



Statutory Bodies of the Core Companies

as of 31 December 2011

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

ČGS HOLDING a.s.

Board of Directors

Chairman — Tomáš Němec
Deputy Chairman — Oldřich Šlemr
Member — Věra Bechyňová

Supervisory Board

Lubomír Svátek, Petr Čepek, Hana Černá

ČGS a.s.

Board of Directors

Chairman — Tomáš Němec
Deputy Chairman — Oldřich Šlemr
Member — Věra Bechyňová

Supervisory Board

Lubomír Svátek, Petr Čepek, Hana Černá

MITAS a.s.

Board of Directors

Chairman — Jaroslav Čechura
Deputy Chairmen — Josef Křemeček, Andrew Mabin

Supervisory Board

Tomáš Němec, Oldřich Šlemr, Michaela Soukupová

RUBENA a.s.

Board of Directors

Chairman — Rudolf Peca
Deputy Chairman — Michal Kubeček
Member — Pavel Kment

Supervisory Board

Tomáš Němec, Oldřich Šlemr, Hana Hanousková

BUZULUK a.s.

Board of Directors

Chairman — Petr Mašek
Deputy Chairman — Miloš Jedlička
Member — Vlastimil Founě

Supervisory Board

Věra Bechyňová, Lubomír Svátek, Milan Ernest

Confidential clerks

Tomáš Němec, Oldřich Šlemr

IGTT a.s.

Board of Directors

Chairman — Marek Brázda
Deputy Chairman — Eva Hamelová
Member — Leoš Zámoravec

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

BS Servis Centrum, s.r.o.

Executives

Věra Heřmanová

Confidential clerks

Tomáš Němec, Oldřich Šlemr

Germany, Hannover, Mitas GmbH (Tyre Division)

Austria, Traiskirchen, Mitas GmbH
(Tyre Division)

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

France, Dijon, Mitas SARL (Tyre Division),
Hoerdt, RUBENA FRANCE S.A.
(Technical Rubber Division)

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

Great Britain, King's Lynn, MITAS TYRES LIMITED
(Tyre Division)

Switzerland, Flawil, CGS Pneu Suisse 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, Nižnij Novgorod, CGS AVTO OOO
(Technical Rubber Division),
Moscow, Mitas OOO (Tyre Division)

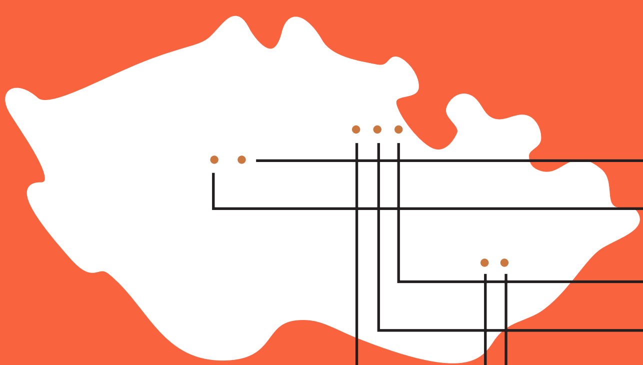
Netherlands, Uden, MITAS Tyres B.V.
(Tyre Division),
Amsterdam, CGS Tyres Holding B.V.
(Tyre Division)

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

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

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

USA, Charlotte (NC), Mitas Tires North America, Inc.
(Tyre Division)



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

Komárov, BUZULUK a.s. (Machinery Division)

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

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

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

Zlín, MITAS a.s., IGTT 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 key business activity of MITAS a.s. is the production and sale of tyres for agricultural and construction machinery, forklifts and sport motorcycles.

1. Basic description of the activity and organisation of MITAS a.s.

Description of activity

The key business activity of MITAS a.s. is the production and sale of tyres for agricultural and construction machinery, forklifts and sport 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 Otrokovice — production of agricultural tyres
MITAS d.o.o. manufacturing section Serbia — production of agricultural and industrial tyres

The company owns a majority share in:

IGTT a.s., Zlín — test centre and production of vulcanisation moulds
MITAS Tires North America, Inc., Charles City — production of agricultural tyres

The company provides management for the following companies:

MITAS d.o.o., Ruma, Serbia
CGS Tyres Holding B.V.

Sales companies and branches

Europe

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

North and South America

USA, Mexico, Brazil

Personnel composition of the senior management of MITAS a.s. as of 31 December 2011

General Manager — Jaroslav Čechura

Composition of the Board of Directors as of 31 December 2011

Chairman — Jaroslav Čechura
Deputy Chairman — Andrew Mabin
Deputy Chairman — Josef Křemeček

Composition of the Supervisory Board as of 31 December 2011

Tomáš Němec, member of the Supervisory Board
Oldřich Šlemr, member of the Supervisory Board
Michaela Soukupová, member of the Supervisory Board

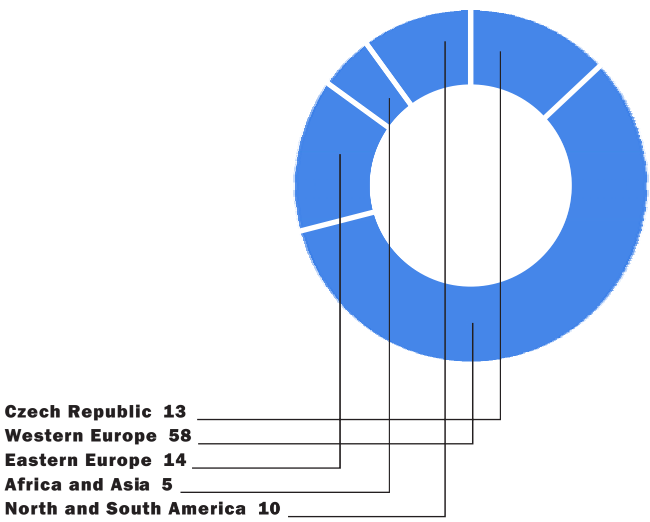
2. Development of the company in 2011

In 2011, there was significant growth in the agricultural and industrial tyre segments. The dramatic rise in the costs of raw materials in the first and second quarters of 2011 squeezed profits, and necessitated an increase in product prices to offset these costs.

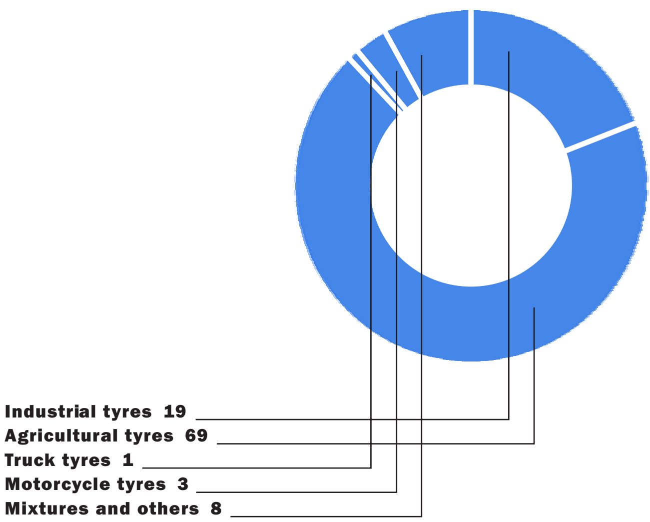
Agricultural tyres

2011 saw continued growth in sales in the agricultural sector, which was spurred on the high prices of agricultural commodities and increased demand from the manufacturers of agricultural machinery (original equipment manufacturers — OEM) for tyres. Sales volume in this period was up over 40 percent from 2010. Total annual sales in this segment were historically at their highest level. This positive trend was most marked in the area of OEM sales. In replacement sales (aftermarket), growth was not so pronounced. At the end of 2011, prices of agricultural commodities remained high and the sales volume of agricultural equipment was high, which contributed to sales growth in the OEM segment. Due to high demand, the concern operated at full production capacity for the entire year.

2011 revenues by territory in %



2011 revenues by assortment in %



Industrial tyres

Sales of industrial and construction tyres in 2011 increased more than 30% over 2010. Considering the positive trend in 2011, stable sales may be expected to continue in 2012. Both key market segments, the OEM and replacement markets, are experiencing rapid growth. The continued expansion of the EM radial line should contribute to further growth in this sector.

Motorcycle tyres

Compared with 2010, there was a significant increase of 25% in the motorcycle tyre segment.

3. Sales and marketing

The most important market remains Europe, which in 2011 accounted for 84.5% of total sales. The share of sales in North and South America increased to 10.8%. Increased sales in the US in 2011 indicate increasing MITAS sales through the sales distribution network which has been established, and the company expects to begin production at its own plant in the US in 2012. The consolidation of the distribution network continued in 2011. In December 2011, the company signed a purchase agreement with Dutch tyre manufacturer Tribatyre, with the aim of established a MITAS sales office and warehouse in the Dutch city of Uden. This branch will be responsible for expanding tyre sales in the Benelux region. MITAS a.s. took part in the largest trade show for agricultural technology in the US, the “Farm Progress Show” which was held in Decatur, Illinois. At another major international trade show in 2011, Agritechnica in Hannover, it introduced the SVT CHO, an innovative radial tyre (dimensions 800/70 R32 CHO 175A8) which was developed together with the CLAAS company.

Selected indexes of the Tyre Division — data consolidated within the division

in thousand CZK		2009	2010	2011
Turnover ratio of the group	%	75.06	73.88	76.48
Total sales	thousand	6,572,223	8,019,722	10,634,241
of which export	thousand	5,938,445	7,533,986	9,282,294
Value added	thousand	2,439,087	2,481,680	2,423,024
Staff cost	thousand	1,163,969	1,206,932	1,387,409
Depreciation	thousand	550,800	465,894	352,749
Operating profit	thousand	433,193	597,119	446,534
Profit in the accounting period	thousand	147,353	260,899	397,478
Assets	thousand	6,394,138	6,621,151	7,772,397
Other sources	thousand	3,856,505	3,725,675	4,460,761
Equity	thousand	2,495,756	2,846,428	3,252,824
Employees	current number	2,974	2,905	3,217
Ratio index				
Sales/current number of employees	thousand	2,210	2,761	3,306
Added value/current number of employees	thousand	820	854	753
Profit/equity (ROE)	%	6	9	12
Other sources/assets	%	60	56	57
Sales/Shareholder equity	%	263	282	327

Selected indexes of the Tyre Division

in thousand EUR		2009	2010	2011
Exchange rate CZK/EUR		26.465	25.060	25.800
Total sales	thousand	248,336	320,021	412,180
of which export	thousand	224,389	300,638	359,779
Value added	thousand	92,163	99,030	93,916
Operating profit	thousand	16,369	23,828	17,308
Profit in the accounting period	thousand	5,568	10,411	15,406
Assets	thousand	241,607	264,212	301,256
Other sources	thousand	145,721	148,670	172,898
Equity	thousand	94,304	113,585	126,078

After comprehensive testing, the 445/95 R 25 CR-01 radial tyre for mobile cranes was introduced on the market, meeting the needs of these cranes for operation both on and off the road. In 2011, these tyres were delivered to customers in the OEM segment.

4. Product innovation

In 2011, product development for agricultural tyres focused on supplementing the current assortment with the AC65 design (with a profile number of 65) and

expanding the assortment with other dimensions of the HC70 design.
Production began on additional AC85 series tyres, intended primarily for the North American market. Work continued on the production of new dimensions for the SVT series, and the new CHO tyre was introduced for combines. In the “row-crop” program, preparations were made to produce the largest R54" size yet.
In industrial tyres, production was begun of the L4 and E4 radial tyres with a deeper design, and the first all-steel radials for forklifts. Development continued on new L5 dimensions with the deepest design among OTR tyres on the market. The assortment of motorcycle tyres was expanded with new dimensions of the C-21 series for motocross, as well as the new C-22 and C-23 designs.

5. Investment and environmental protection

The investment activities of MITAS a.s. in 2011 were directed mainly in securing the first stage of the project for introducing the production of tractor radial tyres at the Charles City plant in the US, which involved reconstruction of the current hall, construction of an energy centre, and delivery of the first set of machinery with the goal of producing the first tyre in January 2012 and commencing production by the end of April, 2012.
At the MITAS d.o.o. plant in Serbia, first stage work was completed to expand production capacity. Plans were drawn up for the general expansion of the production of radial tractor tyres, including modernization of the current technology. Documentation for the land use ruling was prepared and the initial deliveries made of machinery for the production of giant radial tractor tyres.
Among current facilities, investments were primarily directed towards the modernization of vulcanisation presses, and partially to custom order equipment and the preparation of compounds.
With respect to the environment, a major investment was made to limit the emission of volatile organic compounds (VOC) at the Zlín plant, which should be completed in 2012. MITAS a.s. naturally 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 (emissions permits, preparation for the period after 2013) and in the negotiation and commenting procedure for new legislative proposals.

6. Financial results for 2011

2011 was a record year for the Tyre Division in terms of sales. Despite the enormous increase in the price of raw materials, we were able to increase sales and continue with major investment projects. Demand, especially during the first half of the year, was higher in both major segments, agricultural and industrial tyres.
The consolidated revenue of the Tyre Division in 2011 exceeded 412 mil. euros. The increase in sales volume was evident in the assortment of agricultural and industrial tyres. On the other hand, the financial results for 2011 were significantly affected by rising prices of the basic raw materials for rubber production (natural rubber, carbon black). The impact of rising prices was to a large degree offset by higher sales prices during 2011, both for the OEM and replacement markets, and by the optimization of other cost groups and increased work productivity at all production plants. In spite of the increase in material costs, operating profit was maintained at a level of 17.3 mil. euros. Positive cash flow enabled a smooth beginning to our investment in a new manufacturing plant for MITAS Tires North America Inc.

7. Anticipated developments in 2012 and strategic goals from 2012 to 2016

Anticipated development

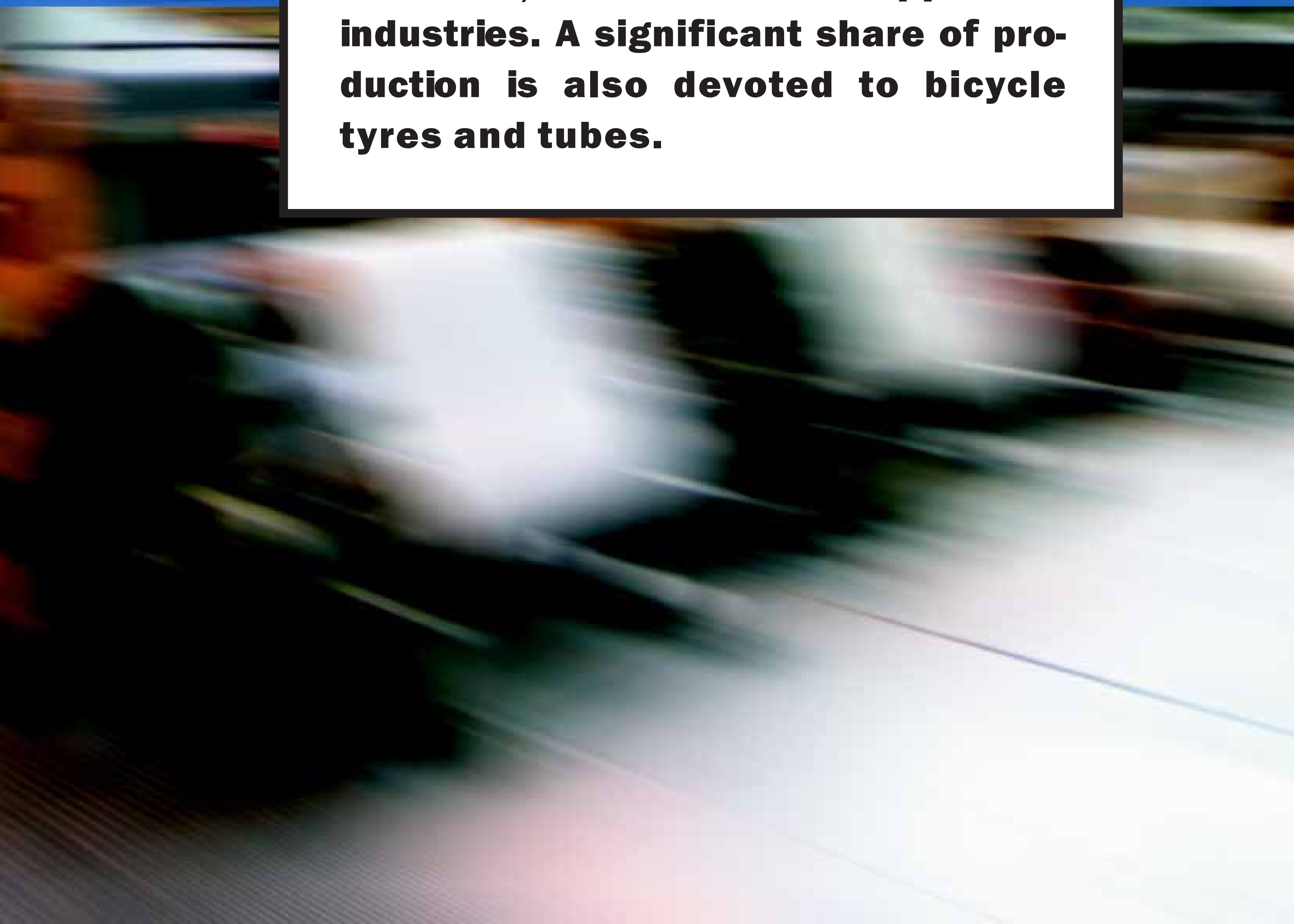
In the coming year the company anticipates growth in the US economy, while the EU economy shows signs of stabilization. In this regard, there will clearly be increased production of construction and agricultural machinery. Similarly, the aftermarket should pick up and higher prices for agricultural commodities will contribute to additional growth in the sales of agricultural machinery and agricultural tyres. Rising commodity prices will also improve sales on the markets of the

Commonwealth of Independent States (the former Soviet Union), in South America, and Turkey (i.e. countries with a high share of agricultural production). Further growth in demand is seen in the traditional farming areas of the US.
The long-term plan is to build up the image of the MITAS brand in all product segments and to be everywhere where demand for radial tyres is increasing. Aside from Europe and North America, this trend may be expected in Russia, Brazil, other South American countries, and eventually in China as well.

Strategic goals

- Maintain our leading position as a supplier of tyres for the agricultural and industrial sector in Europe, continue building our position on the American market.
- Strengthen relations with our business partners in the replacement market who provide service and consulting and who distribute and supply tyres produced by MITAS a.s.
- Improve our lines of strategic tyres, especially in the area of radial tyres, innovate agricultural tyres and thus provide our customers greater value added.
- Ensure profit growth by permanently increasing productivity and 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.
- Cooperate with OEM clients to improve the brand image of MITAS.

The core business of RUBENA a.s. is the production and sale of technical rubber products, including rubber-metal parts for the automotive, construction, and household appliance industries. A significant share of production is also devoted to bicycle tyres and tubes.



1. Basic description of the activity and organisation of RUBENA a.s.

The core business activity of RUBENA a.s. is the production and sale of technical rubber products, including rubber-metal parts for the automotive, construction and home appliance industries. A significant part of productionis also devoted to bicycle tyres and tubes.

Organisational structure

Manufacturing companies

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

Trade companies

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

Composition of the Company Management as of 31 December 2011

General Manager – Rudolf Peca
Economic Director – Pavel Kment
Director of SBU SAS – Daniel Blažek
Director of SBU Compounds – Robert Halama
Director of SBU Velo – Martin Schmidt
Director of SBU Special production – Michal Kubeček
Director of RUBENA Slovakia a.s. – Ján Slúka
Director of SICO RUBENA s.r.o. – Erik Fulka
Director of RUBENA France S.A. – Zdeňka Jílková
Director of CGS-AUTO, s.r.o. – Jan Cejnar
Director of RUBENA Balkan, s.r.o. – Christo Koparansky
Director CGS Automotive de México – Emil Ulrych

Composition of the Board of Directors as of 31 December 2011

Chairman of the Board of Directors – Rudolf Peca
Deputy Chairman of the Board of Directors – Michal Kubeček
Member – Pavel Kment

Composition of the Supervisory Board as of 31 December 2011

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

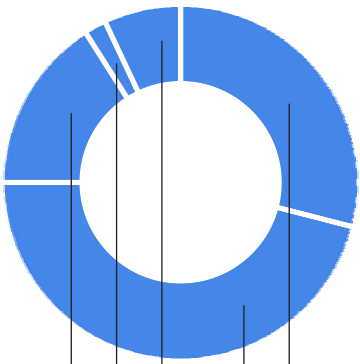
2. Company development in 2011

Strategic business units of RUBENA a.s.

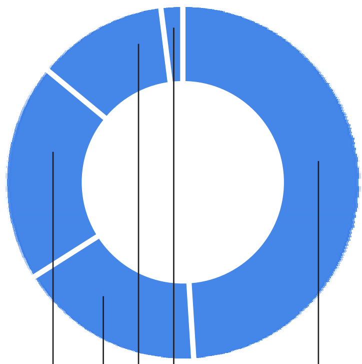
COMPOUNDS

The Compounds Strategic Business Unit (SBU) manufactures rubber products, final compounds, non-vulcanised and vulcanised foils, strips, rubberised cables and the mixing of solutions for own use and for use by the rest of the ČGS concern. The remaining free capacity of production lines is used for other customers. In 2011, the compounds SBU sold goods and products to external customers valued at 313 mil. CZK. Total production reached 866 mil. CZK. Due to increasing prices of raw materials, the price of compounds and components was increased three times during the year. Thanks to higher quality compounds and higher productivity, in spite of the price hike we were able to gain many new customers. In 2011, work continued successfully on the project for mixing coloured compounds of vulcanised rubber for the production of granulates, as well as the development of compounds for all RUBENA a.s. divisions. As in the past, the SBU SAS division was the largest processor of new types of compounds. Current compounds were also developed and modified for other SBU, such as the development of a grey ozone resistant compound for SBU Velo.

2011 revenues by territory in %



2011 revenues by assortment in %



SAS

SAS (Sealing and Anti-vibration Solutions) concerns automotive markets, industrial applications and producers of household appliances. The unit develops, produces and delivers rubber-metal parts preventing vibration, such as silent blocks, conical, cylindrical and diskette springs, shock absorbers, torsion dampers, joining components, or various types of special placements. Another product group consists of sealing elements in machines and aggregates filled with oils, lubricants, fuel and other industrial liquids. These are, for example, seals for shafts, seals for bearings, CD rings, seals for dampers and pneumatic cylinders, O-rings and other sealing parts. The third major group in the product range consists of pressed rubber components that are used mainly for protecting moving machine parts or damping shock, noise, or vibrations. These include cable wall ducts, dust seals, covers, stops, rubber springs or membranes for power brakes.

The key part of the SBU is the new product development centre. The development centre is equipped for “blackbox” development, finite element analysis, construction of parts, and testing of the static, dynamic and service parameters of products. The development centre laboratory is equipped with modern measuring and testing technology.
In 2011, there was another upswing in production. Total sales reached 1,180 mil. CZK, representing a 13% increase over 2010. The output of the automotive sector grew by 5%, lorries by 26% and industrial uses by 22%. Continuing growth in the sale of luxury vehicles helped the sale of sophisticated tyre springs. Exports accounted for 82% of sales.

SPECIAL PRODUCTION

The special production strategic business unit concentrates on the development, trade, and comprehensive production of highly specialised commodities. These commodities are broken down by production technology and character as follows:

Select indexes of the Technical Rubber Division — data consolidated within the division

in thousand CZK		2009	2010	2011
Share in group turnover	%	19.77	21.08	18.38
Total sales	thousand	1,764,140	2,348,311	2,646,033
of which export	thousand	1,061,373	1,571,410	1,868,166
Value added	thousand	485,483	712,848	692,223
Staff costs	thousand	464,991	509,057	531,763
Depreciation	thousand	122,851	109,995	83,333
Operating profit	thousand	-92,392	63,288	39,686
Profit in the accounting period	thousand	-115,191	3,147	2,739
Assets	thousand	1,611,761	1,586,334	1,708,118
Other sources	thousand	866,176	794,216	948,950
Equity	thousand	740,783	789,943	756,264
Employees	current number	1,776	1,868	1,902
Ratio index				
Sales/current number of employees	thousand	993	1,257	1,391
Value added/current number of employees	thousand	273	382	364
Profit/equity (ROE)	%	-16	0	0
Other sources/assets	%	54	50	56
Sales/Shareholder equity	%	238	297	350

Selected indexes of the Technical Rubber Division

in thousand EUR		2009	2010	2011
Exchange rate CZK/EUR		26.465	25.060	25.800
Total sales	thousand	66,659	93,708	102,559
of which export	thousand	40,105	62,706	72,410
Value added	thousand	18,344	28,446	26,830
Operating profit	thousand	-3,491	2,525	1,538
Profit in the accounting period	thousand	-4,353	126	106
Assets	thousand	60,902	63,301	66,206
Other sources	thousand	32,729	31,693	36,781
Equity	thousand	27,991	31,522	29,313

Bellows — wide assortment of anti-vibration components for industrial tyre systems and the automotive industry, where RUBENA a.s. is among the largest European manufacturers. The product line also includes flexible couplings, railway ties, and compensators. **Bags and tanks** — manufacture and delivery of highly specialised bags and tanks hand-made to order. This line also includes rubber dams, anti-flooding systems, sealing and lifting bags, fuel tanks for aircraft, containers, and insulating, pressing or food-processing bags. RUBENA a.s. is a world leader, especially in the area of flood prevention.

Cylinder coats – traditional manufacture of rubber-coated cylinders from small sizes up to 12.5 ton cylinders for the metallurgical, timber, mining, paper, textile and printing industries.

Hockey pucks – RUBENA a.s. is one of the four largest global producers of these sporting goods. The target markets are Europe and North America.

V-belts – plants in Náchod and Zlín produce a wide assortment of coated and cut V-belts. The largest markets are the industrial, agricultural and automotive sectors of individual European and North African countries.

Service Warehouse – this department serves trade companies and non-strategic industrial clients in Central and Eastern Europe. The range of the products in stock (seals, silent blocks, moulded products, belts, sheets, plates, silicone extruded profiles and tubing) make the Service Warehouse one of the largest wholesalers in Central and Eastern Europe. The department also has production capacity for medium and small-lot orders. In 2011, sales stabilized at 528 mil. CZK after steep growth in the previous year. In spite of considerable problems from rising natural rubber prices, we were able to significantly increase the profitability of most commodities. Excellent results were achieved in bags and tanks, seals, V-belts, and bellows. Exports accounted for over two-fifths of total special product sales; 33% was original equipment, 60% aftermarket, and the remaining share was off-take production.

VELO

The VELO Strategic Business Unit (SBU) specialises in the development, production and sale of cycle tyres, bicycle tubes for original equipment manufacturers (OEMs) and the aftermarket (AFM). The sales department focuses on the European market. At the same time it is developing trade in Africa, North and South America, Central Asia and in Russian-speaking countries. The consumer character of the VELO assortment requires that products be both functional and aesthetically pleasing.

The comprehensive VLP series have been developed and marketed in four categories: City-Tour/Trek, ATB, MBT/Cross and Road. Now, development, production and sales are primarily focused on tyres in the medium and higher categories. This includes skinwalls in various forms and also tyres with special anti-puncture systems at various user levels. A separate group of tyres, the Extreme line, is designed for the most demanding terrains and conditions – DownHill, FreeRide, and SlopeStyle. Another specialised line consists of tyres for BMX.

The special compounds used to construct bicycle tyres and tubes are developed by the Compounds SBU. Some of the tyres are developed in cooperation with racing teams in the Czech Republic and major celebrities in individual sporting categories. The main objective is to increase the value of the company and the prestige of the RUBENA brand on the European and global markets. Another objective is to achieve a market share of 20% by 2013 on the European market for bicycle tyres and tubes, and to promote the RUBENA brand in the United States, Canada and Central and South America. A key component of the SBU VELO development strategy includes expanding into new markets, such as the countries of the former Soviet Union and Turkey. During 2011, almost 4.6 million bicycle tyres and 8.6 million bicycle tubes were produced and sold for a total of 469.5 million CZK.

Subsidiaries

RUBENA Slovakia a. s.

SBU SAS is primarily represented in Slovakia by RUBENA Slovakia a.s. The company acts purely as a trade representative focusing mainly on technical rubber commodities. In 2011, it mediated sales of 34 mil. CZK for parent company RUBENA a.s. Revenue from the sale of goods amounted to 2 mil. CZK.

RUBENA France S.A.

After winding up all of its business operations, RUBENA France S.A. is in liquidation. The commercial activities of the technical rubber division for the French market are currently being successfully run by the parent company RUBENA a.s. in Hradec Králové.

CGS Automotive de México

The company produces and sells technically demanding products for the automotive industry. These are membranes for brake boosters for Continental, Bosch and TRW. Due to increased demand and consistent high quality, there was an expansion of sales and the product line. In 2011, a total of 3.47 mil. units were sold. Company sales in 2011 reached 61.5 mil. CZK.

Joint-ventures

SICO RUBENA s.r.o.

SICO RUBENA s.r.o. is a subsidiary with a manufacturing plant in Velké Poříčí. RUBENA a.s. holds a 50% share of the company. The company focuses on production and sale of silicon rubber products. Compared with 2010, sales of SICO RUBENA s.r.o. increased by 24.5 mil. CZK totalling 298 mil. CZK. Close cooperation with the SICO company is particularly beneficial in the area of silicon profiles.

CGS-AUTO, s.r.o.

CGS-AUTO, s.r.o., headquartered in Nizhny Novgorod, is the commercial and logistical centre for all of Russia for the operations of RUBENA a.s. and BUZULUK a.s., each of which holds a 50% share in the company. In 2011, sales of goods were 38.4 mil. CZK. At the end of the year, RUBENA a.s. bought out the share of BUZULUK a.s.

RUBENA BALKAN s.r.o.

RUBENA Balkan (Plovdiv, Bulgaria) is a trading company which distributes products on behalf of RUBENA and its subsidiaries in Bulgaria, Turkey and Greece (bicycle tyres and tubes for aftermarket and OEM, rubber and rubber-metal products for aftermarket and special production). RUBENA a.s. owns a 36% share in the company. In 2011, sales of goods were 8.5 mil. CZK.

3. Investments and environmental protection

Last year, we activated long-term tangible and intangible assets of 84.834 mil. CZK, which represents 3.35% of the total sales of RUBENA a.s. Most of the investment went into SBU SAS production technologies, specifically the production of rubber and rubber-metal products for the automotive industry, as well as demanding technical applications in other industrial fields. Substantial investment was also directed toward the purchase and modernization of machinery for the production of compounds, and modernization of production and machinery for SBU Velo. Additional investments were made in information technology and improvements in the workplace and environment. 7.9 mil. CZK was spent on energy conservation. There was also major investment in SBU Special Production, such as the purchase for 30.7 mil. CZK of continuous assembly lines for universal rubber dams. Here, it was possible to take advantage of subsidies provided by the Innovation program. In the past year, investments in manufacturing machinery and equipment totalled 87.4% of total investment.

4. Anticipated development in 2012

Stable growth in demand for technical rubber products is expected in 2012. High-tech products and the company's research and development potential will be key in attracting new business opportunities. Strategic goals include maintaining and strengthening our position as a major supplier of technical rubber products, increasing work productivity, and maximizing value added.

Buzuluk

The core business activity of BUZULUK a.s. is the production of piston rings and the sale of machinery and equipment for the rubber industry.

1. Basic description of the activity and organisation of BUZULUK a.s.

The key business activity of BUZULUK a.s. is the production and sale of piston rings and machinery and equipment for the rubber industry.

Personnel composition of the senior management of BUZULUK a.s. as of 31 December 2011

General Manager – Petr Mašek
Economic Manager – Martin Pleskač
SOJ GS Director – Josef Hlad
SOJ PK Director – Petr Mašek
Top Management Representative for Quality Assurance – Miloš Jedlička

Composition of the Board of Directors as of 31 December 2011

Chairman – Petr Mašek
Deputy Chairman – Miloš Jedlička
Member – Vlastimil Founě

Composition of the Supervisory Board as of 31 December 2011

Lubomír Svátek, member of the Supervisory Board
Věra Bechyňová, member of the Supervisory Board
Milan Ernest, member of the Supervisory Board

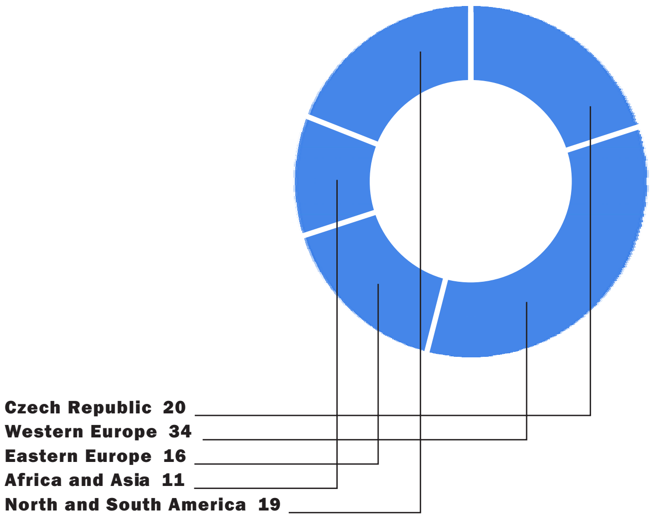
2. Development of the company in 2011

In 2011, production and sales volume in both main manufacturing divisions saw significant growth. Total sales were 794 mil. CZK, exceeding forecasts by 25%. Both separate business units shared equally in this result. The largest SOJ GS contracts were deliveries to Mitas Tires North America, Harburg Freudenberger, to India (JK Tyre) and Argentina (FATE). The largest SOJ PK contracts were as usual to Kolbenschmidt Pierburg and clients Wabco and Stihl and its replacement parts division, MSI. In 2011, BUZULUK a.s. became their largest supplier of piston rings. Major shipments also went to the Russian group Sollers, Stihl USA, and the VW and Fiat groups. Increased sales however, were not adequately reflected in operating profit. At the SOJ GS division, in addition to the rising prices of raw materials, this was primarily due to greater consumption of materials than planned because of changes in contracted orders. At the PK division, the main cause was deteriorating internal quality and costs for repairs. BUZULUK a.s. turned a profit of 5,438 mil. CZK. Because of its flexibility and ability to react to changing market conditions and new technical demands, the company confirmed and strengthened its position among customers both in the field of piston rings and manufacturing equipment for rubber production. The end of the year was marked by preparations to change the ownership structure in accordance with the strategic goal of CGS a.s. for the company to concentrate on its core activities, which are the production and sale of off-road tyres and technical rubber. We believe that this change, the entry of strategic investors in the beginning of 2012, will be a positive step in the future development of the company.

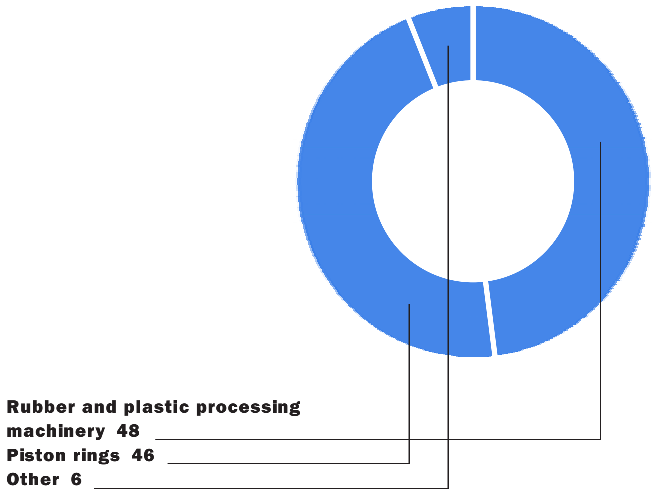
3. Sales and marketing

Sales of the Piston Ring Division (SOJ PK) in 2011 were in excess of 397 mil. CZK, or roughly 111% of the forecast. Customers ordered more than 25.4 mil. units of piston rings and machined castings and more than 1.5 mil. non-machined castings.
The main target territories for the sale of piston rings, car parts and castings in 2011 were markets in the European Union, the Russian Federation, the United States,

2011 revenues by territory in %



2011 revenues by assortment in %



Mexico and Brazil. As in previous years, the largest customers were subsidiaries of the Kolbenschmidt concern, particularly their Czech branch, KS Kolbenschmidt Czech Republic a.s., together with affiliations located around the world (Germany, Mexico, Brazil, Turkey, India). In 2011, Kolbenschmidt accounted for more than 34% of SOJ PK sales, Zavolžskij motornyj zavod more than 12%, Stihl 8.4%, Fiat Powertrain over 6%, and the VW concern including Audi and Bentley 5.7%.
Piston rings for KS Kolbenschmidt Czech Republic are mounted on pistons produced by this client and are delivered to two clients – the Wabco company, which is one of the largest global producers of vehicle compressors, and Stihl, the renowned global producer of chain saws and outdoor power equipment. Deliveries for VW and AUDI included sealing rings for variable timing of camshaft mechanisms and piston rings in diameters from 81 mm up to 85.5 mm with various axial heights for the second piston groove for 4-cylinder, 6-cylinder and 8-cylinder petrol engines. Other key customers for variable timing mechanisms included Kössler – AMG (Daimler) and the prestigious British firm Bentley.
The Russian, Ukrainian and Belarusian markets continue to play a key role in the sale of SOJ PK products, both for primary production where the most important clients were Zavolžskij motornyj zavod, Volžskij motornyj zavod, Zaporožskij avtomobilnyj zavod and Minskij motornyj zavod, as well as spare parts, which, considering the decline in primary production in this area, represented a larger share of sales. Spare parts were delivered to the Sollers network for ZMZ motors, the Diesel MTS network, and many other business partners. Sales continued to increase in the Italian market, especially due to increased orders for transmission levers for Fiat Powertrain (6 % of sales) and also better sales to Lombardini (3.2 %) and Gandini (3 %). In the assortment of non-machined castings, the most important clients were Richter Formteile, JK Prestige, Mikrona, Smalt and new client Brano a.s., which ordered more than 876,000 castings last year for more than 1.9 mil. CZK. In 2011, SOJ GS enjoyed the highest sales of the past

Select indexes of the Machinery Division — BUZULUK a.s.

in thousand CZK		2009	2010	2011
Share in group turnover	%	4.90	4.86	5.03
Total sales	thousand	492,542	598,159	800,090
of which export	thousand	272,201	428,769	639,888
Value added	thousand	199,476	270,528	300,469
Staff costs	thousand	181,539	223,137	255,500
Depreciation	thousand	43,696	39,758	31,915
Operating profit	thousand	-13,265	7,538	7,335
Profit in the accounting period	thousand	-19,022	6,725	5,438
Assets	thousand	416,622	464,680	408,381
Other sources	thousand	260,725	297,568	237,349
Equity	thousand	154,796	167,104	151,579
Employees	current number	511	601	683
Ratio index				
Sales/current number of employees	thousand	964	995	1,171
Value added/current number of employees	thousand	390	450	440
Profit/equity (ROE)	%	-12	4	4
Other sources/assets	%	63	64	58
Sales/Shareholder equity	%	318	358	528

Selected indexes of the Machinery Division — BUZULUK a.s.

in thousand EUR		2009	2010	2011
Exchange rate CZK/EUR		26.465	25.060	25.800
Total sales	thousand	18,611	23,869	31,011
of which export	thousand	10,285	17,110	24,802
Value added	thousand	7,537	10,795	11,646
Operating profit	thousand	-501	301	284
Profit in the accounting period	thousand	-719	268	211
Assets	thousand	15,742	18,543	15,829
Other sources	thousand	9,852	11,874	9,200
Equity	thousand	5,849	6,668	5,875

five years, posting a year-over-year increase of 81%. Record sales were due to the situation on the market for rubber production machinery, where, after two years of decline due to the global recession, there was considerable investment in new tire plants. Sales were also strengthened by the delivery of several assembly lines to the US and India.

In 2011, close cooperation with the Harburg Freudenberger (HF) company continued with deliveries of structural components for kneading machines. We also continued

to deliver rollers to Pomini, part of the HF group, and began providing maintenance and installation services to the Continental company in Romania, where BUZULUK technicians supervised the installation of four HF kneading lines.
In 2011, cooperation with Harburg Freudenberger represented 14% of total sales, an increase of 2% over 2010. Machine orders in 2011 constituted 82% of sales. Deliveries of spare parts accounted for the same share of sales as in 2010, or 2 percent. Replacement roller sales were up considerably and accounted for 11% of total sales. Cooperation with United Foundries continued in this area, and deliveries increased of brick rollers, which were the “primary fittings” for the given systems. This cooperation accounted for only 2% of total sales due to the high demands of our own machine orders. Commercial goods represented 1% of total sales.

4. Products

In 2011, the SOJ PK product line of spare piston rings was expanded, especially for customers KS-MSI, NE Europe and Gandini and Mahle. In terms of primary production, development projects continued for JaMZ (diesel engines) and Volvo (sealing rings for variable timing valves), Stihl, Audi and Wabco. These projects are expected to enter serial production in 2012—2013, depending on customer planning. With respect to castings, the project to introduce casting production for Hutchinson and ultimately Toyota is moving forward. New production of lamellas was begun for Brano a.s.
Development activities of SOJ GS have focused on the main production programme, i.e. the process of rolling, calendering and the main technological equipment — calender machines and components for production lines. In 2011, development was completed and production begun on a combined calendar line with a 4-roll calender. Development was also completed in 2011 of a new laboratory kneader, the production of which and delivery to the customer is planned for 2012. Other major events included the start up of two packaging lines for natural rubber. Following the successful delivery of these new types of packaging lines, additional contracts were concluded which today account for a sizable portion of total machinery deliveries. The basic development activities of the GS division may be summarized as follows:

a) 4-roll calendar 610 × 1,750 mm
b) structural modification of basic 2-roll models 660 × 2,100 mm
c) development and start-up of a new type of rubber packaging machine

The aim of SOJ GS development activities is to improve its current market position for the rubber industry and to expand to other markets.

5. Investment and environmental protection

In 2011, a total of 5,834 mil. CZK was invested into the renewal and modernisation of the production of piston rings. A certification company, SGS Czech Republic, s.r.o., audited the quality assurance and environmental management systems in November 2011, and validated certification according to EN ISO 9001 : 2008, ISO/TS 16949 : 2009 and EN ISO 14001 : 2004 without reservation. Each year, the company makes environmental protection one of its strategic goals going forward.

6. Anticipated development in 2012

Forecasted vehicle and engine production in 2012 is similar to figures for 2011, except with considerable differences in various regions. Economic indexes for SOJ PK are set so that in achieving sales comparable to 2011, the company will generate sufficient funds to finance investment.
The aim and strategy of SOJ PK for 2012 thus remains to:

- improve the efficiency of internal organization and processes and reduce losses from poor quality
- develop and optimise the current product assortment to strengthen our position among major customers
- develop piston and sealing rings for more demanding applications
- begin production of new types of machined castings and innovate a production portfolio of non-machined castings

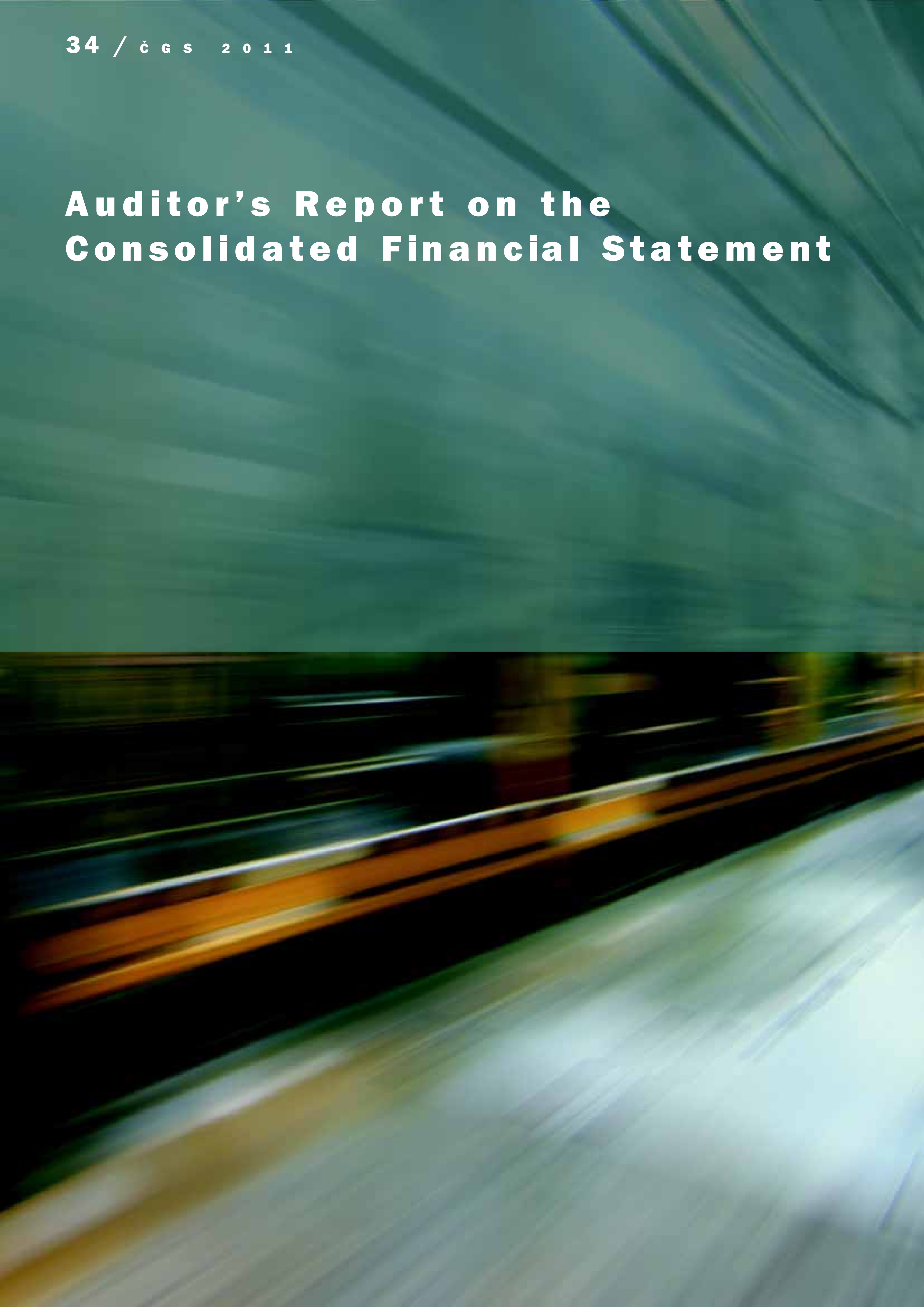
- expand capacity for heat treatment, renovate the one-ton smelting furnace, and purchase nitriding technology.

In 2012, there are plans for the partial restructuring of the company to more thoroughly focus on the measurement and monitoring of manufacturing and non-manufacturing processes tied to efficiency and long-term company development. These changes are part of the BUZULUK 2015 long-term strategy and will establish the conditions for implementing BSC (Balanced Score Card) concepts.

SOJ GS will continue to analyze individual processed with the goal of optimising key activities. Optimisation of costs is important considering the ever increasing market pressure on prices and the value added of systems. Planned changes will increase emphasis on manufacturing quality and its improvement over the long term. A second, no less important step is the optimisation of human resources, both in terms of maintaining and developing machine systems know-how, and in managing processes and projects.

In terms of product strategy, the GS division will attempt to limit the breadth of its product portfolio by purchasing auxiliary systems such as conveyor belts and other auxiliary components for production lines. Construction and production will focus mainly on technologically important systems such as calenders, two-roll, kneading or packaging lines. Research and development will concentrate on the rolling machine portfolio which is the main product of the GS division and where clients require continuous modifications. With respect to clients, further growth is expected with partners in the brick industry, as well as increased activities in traditional markets in Russia, India and China. Finally, the GS division intends to break into other market segments, such as industrial PVC and flooring. The investment plan for 2012 calls for 29,960 mil. CZK to be spent on construction software, trapezoidal grinders, new Rotokov machines, and a vacuum furnace. These investments are primarily planned to expand production capacity and replace old machinery. The plan also includes investment into the workplace health and safety of employees.

Auditor's Report on the Consolidated Financial Statement



on Verification of the Consolidated Annual Financial Statement of ČGS HOLDING a.s. as of December 31, 2011

The verification of the consolidated annual financial statement of the company ČGS HOLDING a.s., at the adress Švehlova 1900/3, 106 00 Praha 10-Záběhlice, 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 2011, the income statement for the period from 18 February 2011 to 31 December 2011 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 assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

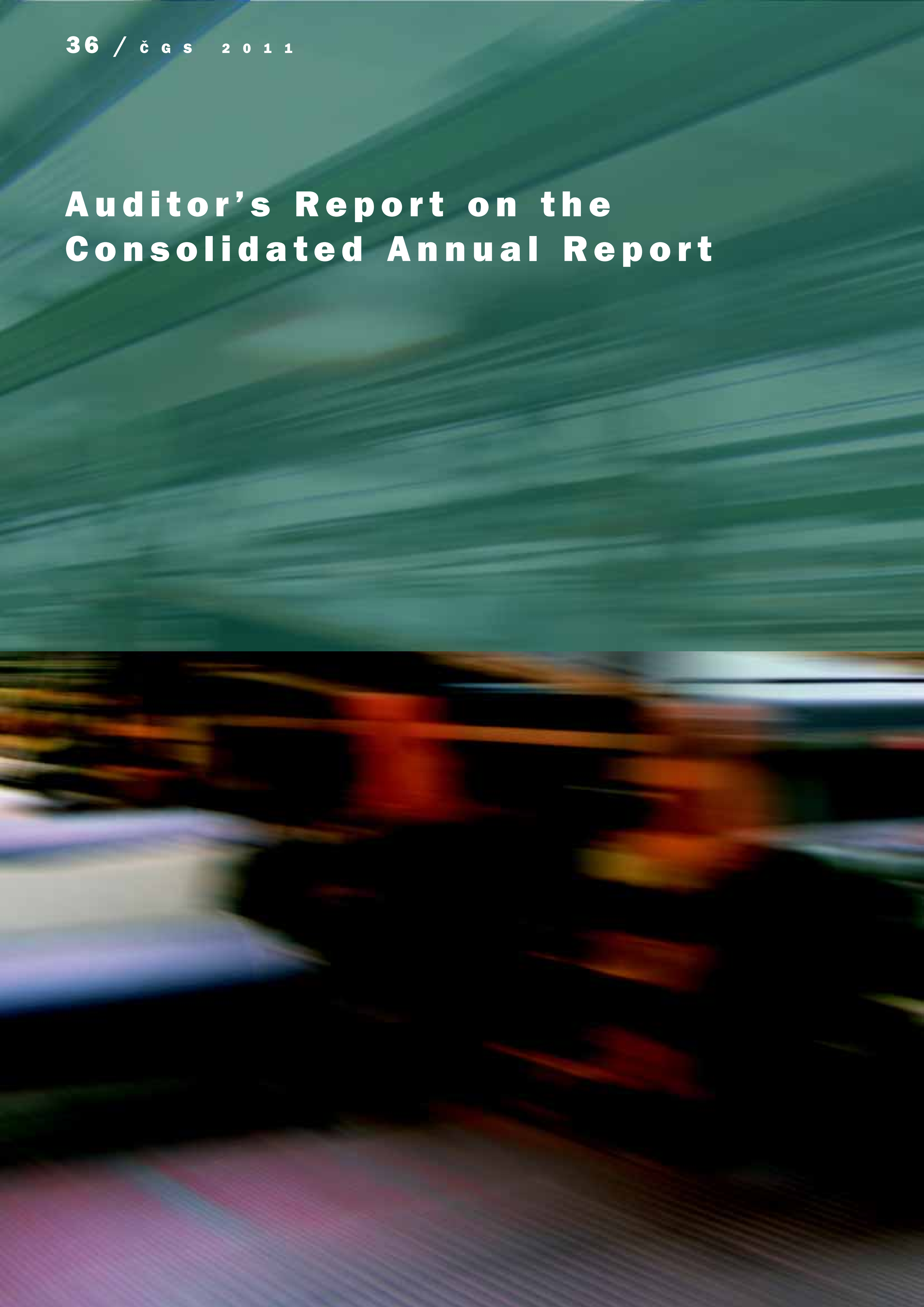
Opinion

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 2011 and of its expenses and revenues and operating for the period from 18 February 2011 to 31 December 2011, in accordance with Czech accounting regulations.

In Prague, April 4, 2012

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

Auditor's Report on the Consolidated Annual Report



on the verification of the Consolidated Annual Report of ČGS HOLDING a.s. as of 31. 12. 2011

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 on pages 38 to 49. 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 2011 is consistent, in all material respects, with the consolidated financial statements referred to above.

In Prague on 20. 4. 2012

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

Consolidated Balance Sheet

as of 31 December 2011

Assets

in thousand CZK		2011
	Total assets	10,417,278
A.	Receivables from subscriptions	0
B.	Fixed assets	5,086,396
B.I.	Intangible fixed assets	39,392
B. I.1.	Incorporation expenses	320
2.	Research and development	0
3.	Software	10,688
4.	Royalties	0
5.	Goodwill (+/-)	18,907
6.	Other intangible fixed assets	8,436
7.	Intangible fixed assets under construction	1,041
8.	Advance payments for intangible fixed assets	0
B.II.	Tangible fixed assets	3,792,559
B.II.1.	Lands	434,999
2.	Constructions	1,739,091
3.	Equipment	1,480,732
4.	Perennial crops	0
5.	Breeding and draught animals	0
6.	Other tangible fixed assets	2,423
7.	Tangible fixed assets under construction	122,726
8.	Advance payments for tangible fixed assets	16,577
9.	Adjustment to acquired assets	-3,989
B.III.	Long-term financial assets	4,028
B.III.1.	Shares in controlled and managed organisations	0
2.	Shares in subjects under substantial influence	2,082
3.	Other securities and shares	155
4.	Loans to controlled and managed organizations and to subjects under substantial influence	0
5.	Other financial investments	1,791
6.	Financial investments acquired	0
7.	Advance payments for long-term financial assets	0
B.IV.	Active consolidation difference, (-) Passive consolidation difference	1,250,416
B.V.	Securities in equivalence	0

in thousand CZK		2011
C.	Current assets	5,280,735
C.I.	Inventory	2,064,525
C.I.1.	Materials	610,404
2.	Work in progress and semi-finished goods	306,698
3.	Finished products	890,201
4.	Animals	0
5.	Merchandise	256,607
6.	Advance payments for inventory	616
C.II.	Long-term receivables	2,255
C.II.1.	Trade receivables	0
2.	Receivables from controlled and managed organizations	0
3.	Receivables from subjects under substantial influence	0
4.	Receivables from partners, cooperative members and association members	0
5.	Estimated receivables	2,255
6.	Other receivables	0
7.	Deferred tax receivable	0
C.III.	Short-term receivables	2,892,959
C.III.1.	Trade receivables	2,485,128
2.	Receivables from controlled and managed organizations	0
3.	Receivables from subjects under substantial influence	0
4.	Receivables from partners, cooperative members and association members	0
5.	Receivables from social security and health insurance	186
6.	Due from state — tax receivable	293,769
7.	Short-term deposits given	17,442
8.	Estimated receivables	3,953
9.	Other receivables	92,482
C.IV.	Short-term financial assets	320,995
C.IV.1.	Cash	3,838
2.	Bank accounts	301,822
3.	Short-term securities and ownership interests	0
4.	Short-term financial assets acquired	15,335
D.I.	Accruals	50,147
D.I.1.	Deferred expenses	48,652
2.	Complex deferred costs	0
3.	Deferred income	1,495

Liabilities

in thousand CZK		2011
	Total liabilities	10,417,278
A.	Equity	4,543,696
A.I.	Registered capital	2,000
A.I.1.	Registered capital	2,000
2.	Company's own shares and ownership interests (-)	0
3.	Changes of registered capital (+/-)	0
A.II.	Capital funds	3,648,920
A.II.1.	Share premium	0
2.	Other capital funds	3,845,293
3.	Differences from revaluation of assets and liabilities (+/-)	-196,373
4.	Differences from revaluation in transformation (+/-)	0
A.III.	Reserve funds, statutory reserve account for cooperatives, and other retained earnings	444,660
A.III.1.	Legal reserve fund/indivisible fund	444,660
3.	Statutory and other funds	0
A.IV.	Profit/loss — previous years	0
A.IV.1.	Retained earnings from previous years	0
2.	Accumulated losses from previous years	0
A.V.	Profit/loss of current period w/o minority share (+/-)	448,117
A.V.1.	Profit/loss of current period (+/-)	448,117
A.V.2.	Share of profit/loss in equivalence (+/-)	0
A.VI.	Consolidation reserve fund	0
B.	Other sources	5,792,214
B.I.	Reserves	99,456
B.I.1.	Reserves under special statutory regulations	889
2.	Reserves for pension and similar payables	54,972
3.	Income tax reserves	15,528
4.	Other reserves	28,067
B.II.	Long-term payables	703,746
B.II.1.	Trade payables	155,181
2.	Payables to controlled and managed organizations	0
3.	Payables to subjects under substantial influence	0
4.	Payables from partners, cooperative members and association members	385,508
5.	Long-term advances received	0
6.	Bond issues	0
7.	Long-term notes payables	0
8.	Estimated payables	2,238
9.	Other payables	84,192
10.	Deferred tax liability	76,628

in thousand CZK		2011
B.III.	Short-term payables	2,623,575
B.III.1.	Trade payables	1,669,685
2.	Payables to controlled and managed organizations	0
3.	Payables to subjects under substantial influence	0
4.	Payables from partners, cooperative members and association members	90,897
5.	Payroll	76,107
6.	Payables to social security and health insurance	62,394
7.	Due from state — tax liabilities and subsidies	227,270
8.	Short-term deposits received	50,616
9.	Bond issues	0
10.	Estimated payables	66,089
11.	Other payables	380,517
B.IV.	Bank loans and financial accommodations	2,365,437
B.IV.1.	Long-term bank loans	176,540
2.	Short-term bank loans	2,188,791
3.	Short-term accommodations	106
C.I.	Accruals	77,871
C I.1.	Accrued expenses	64,343
2.	Deferred revenues	13,528
D	Minority equity	3,497
D.I.	Minority Capital Stock	3,157
D.II.	Minority Capital Funds	-33
D.III.	Minority Profit Funds incl. unretained income from previous years	350
D.IV.	Minority profit/loss from current period	23

Consolidated Profit and Loss Statement as of 31 December 2011

	thousand CZK	2011
I.	Revenues from goods sold	298,909
A.	Expenses on goods sold	257,911
+	Sales margin	40,998
II.	Production	13,755,864
II.1.	Revenues from own products and services	13,558,579
2.	Change in inventory of own products	89,414
3.	Capitalisation	107,871
B.	Production consumption	10,295,396
B.1.	Consumption of material and energy	8,737,471
2.	Services	1,557,925
+	Value added	3,501,466
C.	Personnel expenses	2,253,086
C.1.	Wages and salaries	1,671,891
2.	Remuneration of board members	0
3.	Social security and health insurance expenses	518,988
4.	Other social expenses	62,206
D.	Taxes and fees	31,318
E.	Depreciations of intangible and tangible assets	467,912
III.	Revenues from disposals of fixed assets and materials	616,858
III.1.	Revenues from disposals of fixed assets	12,738
2.	Revenues from disposals of materials	604,120
F.	Net book value of disposed fixed assets and materials	665,556
F.1.	Net book value of sold fixed assets	4,673
2.	Net book value of material sold	660,883
G.	Change in operating reserves and adjustments and complex deferred costs (+/-)	9,259
IV.	Other operating revenues	333,294
H.	Other operating expenses	509,482
V.	Transfer of operating revenues	0
I.	Transfer of operating expenses	0
	Accounting of positive consolidated difference	68,789
*	Consolidated profit/loss	446,216

	thousand CZK	2011
	Revenues from sales of securities and ownership interests	150
J.	Sold securities and ownership interests	310
VII.	Revenues from long-term financial assets	0
VII.1.	Revenues from shares in controlled and managed organizations and in subjects under substantial influence	0
2.	Revenues from other securities and ownership interests	0
3.	Revenues from other long-term financial assets	0
VIII.	Revenues from short-term financial assets	0
K.	Expenses associated with financial assets	0
IX.	Revenues from revaluation of securities and derivatives	514,913
L.	Cost of revaluation of securities and derivatives	552,987
M.	Change in financial reserves and adjustments (+/-)	0
X.	Interest revenues	4,010
N.	Interest expenses	79,663
XI.	Other financial revenues	908,722
O.	Other financial expenses	783,463
XII.	Transfer of financial revenues	0
P.	Transfer of financial expenses	0
*	Consolidated profit/loss	11,372
Q.	Income tax on ordinary income	8,448
Q.1.	Tax due	40,406
2.	Tax deferred	-31,958
**	Consolidated profit/loss from ordinary activities	449,140
XIII.	Extraordinary revenues (XVI)	163
R.	Extraordinary expenses	1,163
	Extraordinary expenses (S + T.1)	0
S.	Income tax on extraordinary income	0
S.1.	Due tax	0
2.	Tax deferred	0
*	Extraordinary consolidated profit/loss	-1,000
T.	Transfer of profit/loss to partners (+/-)	0
***	Consolidated profit/loss for accounting period w/o equivalence share	448,140
	profit/loss from current period w/o minority share	448,117
	Minority profit/loss from current period	23
	Share of profit/loss in equivalence	0
****	Consolidated profit/loss for accounting period	448,140
	Consolidated profit/loss before tax (+/-)	456,588

Subsidiaries of ČGS HOLDING a.s.

as of 31. 12. 2011

ČGS HOLDING a.s

Registered capital (in thousand CZK)	2,000
Sales of products, services and goods (in thousand CZK)	0
Number of employees (averaged)	0

Business activity: management services for subsidiaries

ČGS a.s.

Registered capital (in thousand CZK)	2,000
Sales of products, services and goods (in thousand CZK)	3,463
Number of employees (averaged)	26

Business activity: management services for subsidiaries

MITAS a.s.

Registered capital (in thousand CZK)	1,460,384
Sales of products, services and goods (in thousand CZK)	9,791,988
Number of employees (averaged)	2,476

Production programme: tyres for large construction machinery, excavators, rollers, small loaders, lorries, multi-purpose and agricultural tyres, rubber compounds

IGTT a.s.

Registered capital (in thousand CZK)	82,855
Sales of products, services and goods (in thousand CZK)	159,341
Number of employees (averaged)	112

Production programme: development of new constructions and technology for the production of tyres, testing and development

RUBENA a.s.

Registered capital (in thousand CZK)	257,322
Sales of products, services and goods (in thousand CZK)	2,514,808
Number of employees (averaged)	1,703

Production programme: rubber products, sealing elements, roller coatings, V-belts

BUZULUK a.s.

Registered capital (in thousand CZK)	6,975
Sales of products, services and goods (in thousand CZK)	800,090
Number of employees (averaged)	683

Production programme: piston rings, automobile parts, custom ordered 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)	14,497
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

BS Servis Centrum, s.r.o.

Registered capital (in thousand CZK)	200
Sales of products, services and goods (in thousand CZK)	10,229
Number of employees (averaged)	4

Business activity: Accommodation services, residential property management, public catering

Contact Information

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