



ČGS HOLDING a.s.
Annual Report 2014

CGSO



Contents

| | |
|--|----|
| Introduction | 5 |
| Main Financial Indicators | 6 |
| Company Profile | 9 |
| Statutory Bodies of the Core Companies | 13 |
| Location of ČGS Companies | 14 |
| Mitas | 16 |
| Rubena | 22 |
| Savatech | 28 |
| Independent Auditor's Report on Verification of the Consolidated Annual Financial Statement | 34 |
| Independent Auditor's Report on the Verification of the Consolidated Annual Report | 35 |
| Consolidated Balance Sheet | 36 |
| Consolidated Profit and Loss Statement | 40 |
| Subsidiaries of ČGS HOLDING a.s. | 42 |
| Contact Information | 43 |



Introduction

Dear Business Partners:

ČGS HOLDING had a successful year. We continued to strengthen our position on the market of off-road tyres and rubber-metal parts for the automotive industry and special products made of technical rubber. We continued to make extensive investments into the development of new products, technological equipment, and improving the organisation of production and sales. In the past year, we also undertook certain cost-saving measures. All this had a positive impact on the group's financial results.

The most important investment project was the construction of a new logistics centre with a warehouse area of 4,300 m² in Ruma, Serbia, the first phase of which required an investment of EUR 1.55 million. We also decided to invest in excess of EUR 5.5 million, to expand the production of polygraphic blankets, and an additional almost EUR 2 million, to increase the production capacity of our bicycle tyre range.

Our investment programme traditionally includes expenditures aimed at improving working conditions and minimising the impact of production processes on our employees.

We also devote considerable attention to the environment. In addition to optimising energy consumption, we have

invested into the liquidation of organic solvent emissions and have installed new technologies that are highly efficient and environmentally friendly.

We pay special attention to product innovations. For the first time ever, MITAS a.s. publicly presented the prototype of a tyre designated for tractor pulling, aptly named Powerpull. Further success was noted with the PneuTrac concept, which combines the best features of traditional tyres and belts; it was chosen as a "technical innovation" at the EIMA expo in Bologna last November. RUBENA a.s. did just as well, having introduced the new Gripper ICE series of spiked bicycle tyres for operation in extreme conditions, such as snow and icy asphalt. SAVATECH d.o.o. developed the revolutionary Advantage offset printing blankets, the special construction of which significantly reduces wear and offers thirty-percent savings compared to standard blankets.

We will not be altering our strategy of further developing the holding company through natural growth and the suitable exploitation of acquisition opportunities in the coming period. We believe the financial results achieved in 2013 and 2014, and those predicted in 2015, serve as proof of the company's financial stability.

Main Financial Indicators

Key Indicators of ČGS from 2012–2014, consolidated data

| Thousands CZK | | 2012 | 2013 | 2014 |
|---------------------------------|--------------|------------|------------|------------|
| Sales | thousands | 13,773,743 | 16,746,575 | 16,803,442 |
| exports | thousands | 11,502,675 | 14,986,099 | 15,339,810 |
| Value added | thousands | 4,282,736 | 5,921,459 | 6,506,901 |
| Staff costs | thousands | 2,097,383 | 2,903,500 | 3,083,062 |
| Depreciation | thousands | 461,364 | 628,566 | 632,400 |
| Operating profit | thousands | 1,415,384 | 2,249,839 | 2,689,076 |
| Profit in the accounting period | thousands | 1,159,046 | 1,697,640 | 2,108,601 |
| Assets | thousands | 10,865,624 | 14,054,148 | 14,092,895 |
| Liabilities | thousands | 5,162,718 | 6,827,855 | 4,673,236 |
| Equity | thousands | 5,628,289 | 7,044,738 | 9,204,089 |
| Full-time employees | recalculated | 5,331 | 6,233 | 6,352 |
| Ratio indicators | | | | |
| Sales/full-time employees | thousands | 2,584 | 2,687 | 2,645 |
| Value added/full-time employees | thousands | 803 | 950 | 1,024 |
| Profit/equity (ROE) | % | 21 | 24 | 23 |
| Liabilities/assets | % | 48 | 49 | 33 |
| Sales/equity | % | 245 | 238 | 183 |

Key Indicators of ČGS from 2012–2014, consolidated data

| Thousands EUR | | 2012 | 2013 | 2014 |
|---------------------------------|-----------|---------|---------|---------|
| CZK/EUR exchange rate | | 25.140 | 27.425 | 27.725 |
| Total sales | thousands | 547,882 | 610,632 | 606,075 |
| exports | thousands | 457,545 | 546,439 | 553,284 |
| Value added | thousands | 170,355 | 215,915 | 234,694 |
| Operating profit | thousands | 56,300 | 82,036 | 96,991 |
| Profit in the accounting period | thousands | 46,104 | 61,901 | 76,054 |
| Assets | thousands | 432,205 | 512,458 | 508,310 |
| Liabilities | thousands | 205,359 | 248,965 | 168,557 |
| Equity | thousands | 223,878 | 256,873 | 331,978 |

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

| Thousands CZK | Total |
|---------------------------------|---------|
| MITAS a.s. | 320,811 |
| Mitas d.o.o. (Serbia) | 36,517 |
| Mitas Tires North America, Inc. | 31,942 |
| IGTT a.s. | 13,924 |
| RUBENA a.s. | 156,489 |
| SICO RUBENA s.r.o. | 22,991 |
| RUBENA Mexico | 33,645 |
| SAVATECH d.o.o. | 92,990 |
| Total | 709,309 |



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

Company Profile

ČGS HOLDING a.s. is a dynamically developing holding company with a wide portfolio of rubber products. The beginning of the concern dates back to the first half of the nineties, when it was known as BARUM Holding, a.s. The joint-stock company BARUM HOLDING gradually purchased shares in other rubber production and engineering companies and in 1996 these formed Česká gumárenská společnost a.s. In 2006 this company changed its name to ČGS a.s. In 2011 the concern was restructured and the umbrella company is currently called ČSG HOLDING a.s.

Today the concern is structured into two divisions. The core of the tyre division is MITAS a.s., which operates three production plants in the Czech Republic, one in Serbia and one in the US and maintains a global retail and distribution network. MITAS a.s. is one of the largest global manufacturers of agricultural tyres. In addition it also produces and distributes a wide range of industrial and motorcycle tyres and specializes in production of rubber compounds. This division also includes the joint-stock company IGTT, which produces moulds for the rubber industry and specializes in certification tests of tyre casings. MITAS a.s. has a network of dealerships in Austria, Brazil, Finland, France, Germany, Great Britain, Italy, Mexico, Netherlands, Russia, Spain, Switzerland and US.

The technical rubber division is represented by RUBENA a.s. and SAVATECH d.o.o. RUBENA a.s. operates in Hradec Králové, Náchod, Zlín and in Mexico and produces a wide range of various products from technical rubber. These include for instance scraper

rings, cuffs, different types of rubber sealing, bushing, dusters, covers, connecting elements, wedge belts and other products for the auto industry, construction and electrical industries. RUBENA a.s. also produces a wide portfolio of rubber-metal products and excels in the field of rubber-textile products, such as sealing and lifting bags, blocking weirs, flood protection walls, air tanks, different types of bellows, couplings and membranes. Another important segment is represented by the production of large casings and tubes. The offer is completed by rubber coating for rollers, rubber compounds and pucks. RUBENA a.s. has representation in Bulgaria, Slovakia and in Mexico. The joint Czech-German company SICO RUBENA s.r.o. produces components from silicon rubber.

SAVATECH d.o.o. specializes in production of rubber compounds, conveyor belts, rubber profiles, printing technology, products for environmental protection, tyres for motorcycles and scooters and pressed rubber parts. SAVATECH d.o.o. manufactures most of its products in Kranj. Technical pressed rubber is produced in Ptuj in Slovenia, rollers are rubber-coated in Zagreb in Croatia and some rubber profiles are made in Jaroslavl in Russia. The company has five retail branches.

ČGS HOLDING a.s. adheres to the principle of sustainable development, supports new technologies and responsible management of resources. It always puts emphasis on occupational health and safety of its employees. The company complies with strict code of conduct including responsible behaviour towards employees, customers, business partners and the public.

ČGS Holding

Select consolidated data for the period of 2005–2014

| Thousand CZK | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------|------------|------------|------------|------------|-----------|------------|------------|------------|------------|------------|
| Total sales | 10,805,114 | 11,048,717 | 10,913,312 | 11,488,807 | 8,682,829 | 10,783,811 | 13,857,489 | 13,773,743 | 16,746,575 | 16,803,442 |
| Value added | 3,156,992 | 3,398,221 | 3,454,789 | 3,737,110 | 3,253,602 | 3,585,318 | 3,501,466 | 4,282,736 | 5,921,459 | 6,506,901 |
| Operating profit | 346,111 | 607,668 | 724,453 | 719,894 | 390,169 | 579,848 | 446,216 | 1,415,384 | 2,249,839 | 2,689,076 |
| Employees | 6,534 | 6,187 | 6,021 | 5,858 | 5,430 | 5,457 | 5,885 | 5,331 | 6,233 | 6,352 |

Treasury and risk management

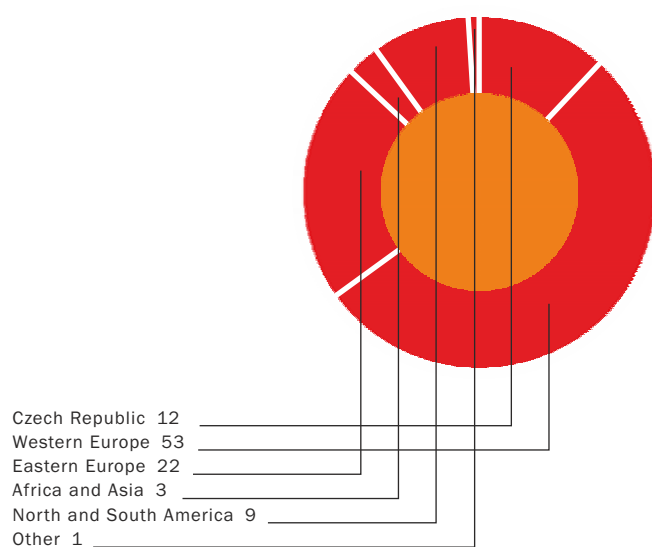
On a consolidated basis, in terms of financial risks, ČGS HOLDING is subject primarily to fluctuation of exchange rates due to export and import operations of individual companies of the concern. Natural balancing of exchange rate differences from expenses or revenues decreases these risks. This risk is also decreased by the strategic diversification of production units. The outstanding open position is secured using financial tools with a time horizon for the following 12 to 24 months. The securing is arranged gradually for the existing and planned contracts in foreign currencies. The primary securing tools are currency forwards, alternatively currency options. Towards the end 2013 it was decided that hedge accounting will no longer be used for most transactions and during 2014 derivatives were 100% classified as trading transactions with revaluation entered into the profit and loss account. The ČGS concern secures the risk of exchange rate changes using IRS derivative operations and interest

options, whereas the whole concern has secured interest rates for approximately 95% of its credit portfolio. Due to the complexity of hedge accounting for securing of interest rates, its use was discontinued and changes of the market value are entered to profits and losses.

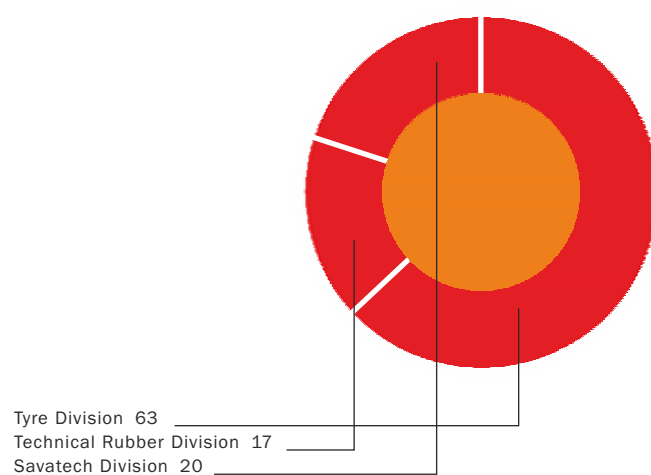
During 2014 securing operations to limit commodity risks were also negotiated, namely for prices of electricity and gas. These operations were negotiated for operating companies in the concern and starting in 2014 together with other derivatives they are accounted as profit or loss as of the balance day and after settlement they are accounted as expense of the realization period of the corresponding expense for energies (2015 and following).

In terms of risk management, ČGS plays the role of a control unit and provides services of central risk and treasury management to the other companies. These services include negotiation and management of insurance contracts for operational risks (natural, machine, liability) and monitoring and management of credit risks.

2014 revenues by territory in %



2014 revenues by division in %





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

Statutory Bodies of the Core Companies as of 31 December 2014

ČGS HOLDING a.s.

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

Supervisory Board — Lubomír Svátek, Petr Čepek, Hana Černá

Česká gumárenská společnost s.r.o.

Executives — Tomáš Němec, Oldřich Šlemr

ČGS a.s.

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

Supervisory Board — Lubomír Svátek, Petr Čepek, Hana Černá

MITAS a.s.

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

Supervisory Board — Tomáš Němec, Oldřich Šlemr, Michaela Soukupová

RUBENA a.s.

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

Supervisory Board — Tomáš Němec, Oldřich Šlemr, Hana Hanousková

IGTT a.s.

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

Supervisory Board — Josef Křemeček, Vladimír Rada, Petr Sliž

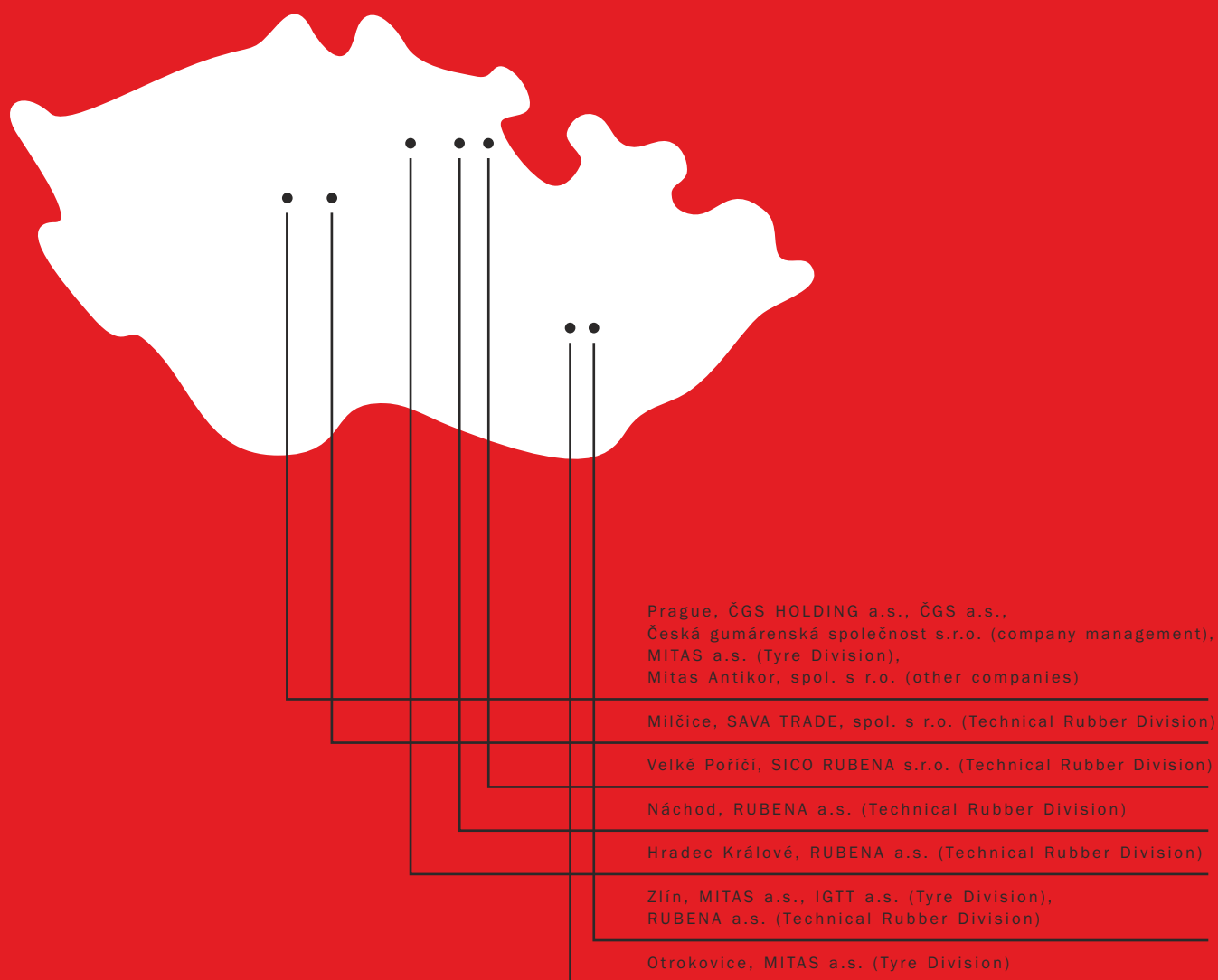
Confidential clerks — Tomáš Němec, Oldřich Šlemr

Mitas Antikor, spol. s r.o.

Executives — Olga Mužíková, Jindřich Burda, Miloš Šimůnek

Confidential clerks — Tomáš Němec, Oldřich Šlemr

Location of ČGS Companies





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

Austria, Traiskirchen, Mitas GmbH (Tyre Division)

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

France, Dijon, Mitas SARL (Tyre Division)

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

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

Switzerland, Flawil, Mitas GmbH (Tyre Division)

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Mitas

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

Mitas

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

Description of activity

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

Organisational structure

Production units

Prague (CZ) — manufacturing of agricultural and industrial tyres

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

Otrokovice (CZ) — manufacturing of agricultural tyres

Ruma (Serbia) — manufacturing of agricultural and industrial tyres

Charles City (Iowa) — manufacturing of radial agricultural tyres

Test centre and curing-mould manufacturing

Zlín (CZ) — IGTT a.s.

MITAS a.s. provides management for the following companies

MITAS d.o.o., Ruma, Serbia

CGS Tyres Holding B.V.

Sales companies and branches

Europe

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

North and South America

Mexico, North America

Personnel

Composition of the senior management & the Board of Directors of MITAS a.s. as at 31 December 2014

Chairman — Jaroslav Čechura

Vice-Chairman — Andrew Mabin

Vice-Chairman — Josef Křemeček

Composition of the Supervisory Board as at 31 December 2014

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 2014

In 2014 the tyre division reached a positive business result despite the fact that the total annual sales for 2014 in the segment of agricultural and industrial tyres were lower than in 2013. Positive cash flow enabled the continuation of major investment projects.

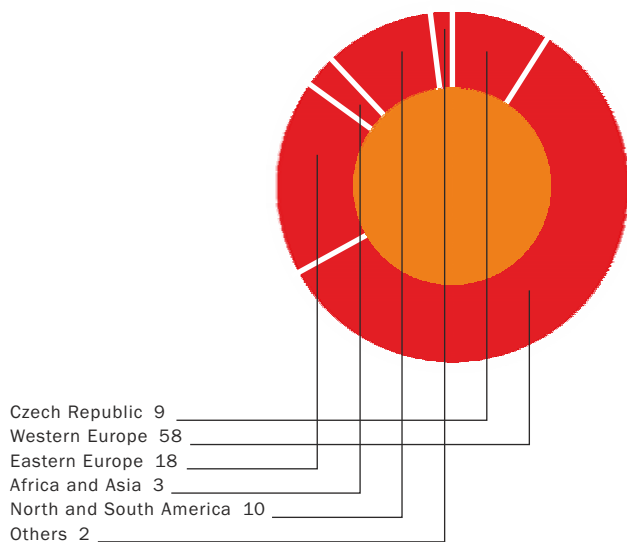
Agricultural tyres

After a solid start to the year, the agricultural tyre market in Europe saw a slight decrease in the second half of the year. Tyre sales to original equipment manufacturers (OEMs) registered a small decline throughout the year due to reduced machinery sales and production. Unlike North America and Russia, where we saw a stagnation in machinery production, Europe saw modest growth. Despite the stagnation of the agricultural tyre market generally, the market share position of MITAS a.s. remained stable.

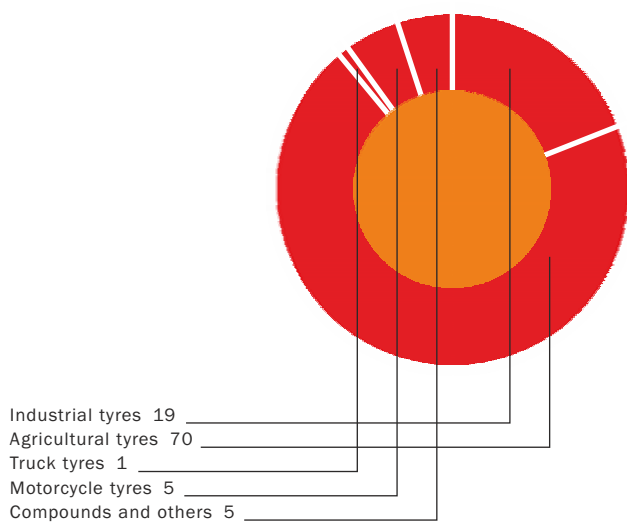
Industrial tyres

The industrial tyre market development in 2014 was better than in 2013. West European markets grew almost 3 percent compared with 2013, and Central and East European markets, except Russia grew even stronger. The overall sales of MITAS a.s. in this segment were on a level similar to those in 2013 also due to an increase of the OTR tyre portfolio.

Sales structure for 2014 based
on individual territories (in %)



Sales structure for 2014 based on given
product assortments (in %)



Motorcycle tyres

We saw a very positive growth on the motorcycle tyre market and in sales of motorcycles. The European market increased compared with 2013, both in Western and Central Europe.

3. Sales and marketing

While Europe remains the dominant market, accounting for 80% of total sales, North and South America are at 10%, Russia stabilised at 5%, and ROW (Rest of the World) at 5%.

2014 can be symbolised by the preparation of the launch of the Mitas Premium tyre range in Original Equipment. Mitas Premium tyres are replacing all Continental-branded tyres on new machinery produced by original equipment manufacturers (OEMs) as of January 2015. MITAS a.s. has negotiated deliveries of Mitas Premium tyres to all key agriculture machinery manufacturers throughout 2014.

The MITAS a.s. strategy is to build equity within a single brand, namely Mitas. The Mitas Premium tyre line consists of rebranded Continental tyres and new high technology products developed solely under the Mitas brand. Mitas Premium tyres bear the same premium quality and technical specifications as Continental tyres. MITAS a.s. has produced Continental-branded tyres under licence since 2004 and will be producing agricultural tyres under the Continental brand till the expiration of the licence agreement in 2019.

In 2014, MITAS a.s. also signed a sponsorship agreement with the European Tractor Pulling Committee (ETPC) and entered the dynamic world of tractor-pulling. Sport roots of MITAS a.s. go back to 1947, when it first started manufacturing motorcycle tyres for speedway. With the growing production of agricultural tyres, entering tractor-pulling was a logical step. The sponsorship agreement ensured that the Mitas brand and products were promoted at international ETPC tractor-pulling events. The agreement goes hand-in-hand with the development of the special Mitas Powerpull tyre.

MITAS a.s. took part in one of the world's leading international exhibition for agricultural machinery and equipment, EIMA, in Bologna, Italy. Through its innovations, it attracted the attention of visitors, clients and media. The revolutionary PneuTrac concept, as well

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

| Thousands CZK | | 2012 | 2013 | 2014 |
|--|--------------|------------|------------|------------|
| Sales share of the entire Group | % | 67.23 | 65.36 | 62.90 |
| Total revenues | thousands | 11,293,024 | 10,988,666 | 10,679,423 |
| export revenues | thousands | 9,704,259 | 9,960,278 | 9,758,201 |
| Added value | thousands | 3,350,723 | 3,807,286 | 4,144,202 |
| Personal expenses | thousands | 1,479,239 | 1,598,521 | 1,693,980 |
| Depreciations | thousands | 365,293 | 397,185 | 392,027 |
| Operational economic result | thousands | 1,307,787 | 1,646,568 | 1,997,239 |
| Economic result for the accounting period | thousands | 895,986 | 1,287,062 | 1,605,698 |
| Assets | thousands | 7,987,091 | 8,826,329 | 8,206,665 |
| External resources | thousands | 4,213,100 | 3,866,637 | 2,444,912 |
| Company capital | thousands | 3,709,166 | 4,792,712 | 5,578,697 |
| Employees | recalculated | 3,390 | 3,392 | 3,390 |
| Proportional indicator | | | | |
| Revenues/recalculated number of employees | thousands | 3,331 | 3,240 | 3,150 |
| Added value/recalculated number of employees | thousands | 988 | 1,122 | 1,222 |
| Economic result/company capital (ROE) | % | 24 | 27 | 29 |
| External resources/assets | % | 53 | 44 | 30 |
| Revenues/company capital | % | 304 | 229 | 191 |

Selected indicators of the Tyre Division

| Thousands EUR | | 2012 | 2013 | 2014 |
|---|-----------|---------|---------|---------|
| CZK/EUR exchange rate | | 25.140 | 27.425 | 27.725 |
| Total revenues | thousands | 449,205 | 400,681 | 385,191 |
| export revenues | thousands | 386,009 | 363,182 | 351,964 |
| Added value | thousands | 133,283 | 138,825 | 149,475 |
| Operational economic result | thousands | 52,020 | 60,039 | 72,037 |
| Economic result for the accounting period | thousands | 35,640 | 46,930 | 57,915 |
| Assets | thousands | 317,704 | 321,835 | 296,002 |
| External resources | thousands | 167,586 | 140,989 | 88,184 |
| Company capital | thousands | 147,540 | 174,757 | 201,215 |

as the new Agriterra, VF and SFT tyre range, elicited a positive response. The growth of influence on the North American market was confirmed at the largest trade show for agricultural technology in the United States, the Farm Progress Show, which was held in Boone, Iowa.

All markets participated in local marketing shows and events. MITAS a.s. actively supported local activities through the purchase and displaying a new truck and trailer combination to increase brand awareness on European markets.

4. Investment and environmental protection

In 2014, MITAS a.s. launched several large investment projects. The investment activity of MITAS a.s. in 2014 was directed mainly toward building a new logistics centre at its Ruma plant in Serbia. MITAS a.s. invested about 1.55 million EUR into building and equipping the new logistics centre. The total area of the facility is 4,350 m². The planned storage capacity is 760 tonnes of agricultural tyres. Ruma is the third-largest factory of MITAS a.s. with a production capacity of 16,000 tonnes/year. The construction of the new facility started on 7 July 2014. By the end of October 2014, the construction of the logistics centre was complete. The first tyres were stocked in November 2014.

MITAS a.s. also invested in the modernisation of radial OTR tyres production equipment installed at the Zlín plant. OTR tyres manufactured using this technology will be introduced on the market in 2015. At the same plant, measures were taken to start the preparatory work for the production of forestry tyres.

Among ongoing projects, investments were primarily directed toward the modernisation of vulcanisation presses, tyre-building and the production of rubber compounds.

With regard to the environment, besides non-investment measures such as optimisation of electricity consumption, MITAS a.s. focused on the elimination of organic solvents emissions at its Otrokovice, Prague and Ruma plants. MITAS a.s. also focused on fulfilling the future emissions limits of steam generators. New low emissions burners were installed at the Ruma plant. At the Prague plant, thanks to optimised combustion, the effectivity of earth gas combustion was radically improved. Investments into light energy savings took effect at the Prague plant, and the same project was prepared for realisation in Zlín.

MITAS a.s. complies with all environmental directives and legislation, including implementation of the REACH European legislation. The company continues to actively cooperate with ETRMA members and in the Emissions Trading Scheme. MITAS a.s. also actively took part in the negotiations and commenting procedures of new legislative proposals regarding recycling used tyres.

5. Financial results for 2014

In 2014, the gross margin of the tyre division rose 5.5% in comparison with the previous year. The Mitas

tyre division maintained sales through increased sales activity in the replacement market in spite of reduced sales to OEM customers. From a product point of view, the agricultural tyre segment, in particular, contributed to the excellent business results. Positive developments were apparent also in earth-mover radial tyres, radial implements and off-road motorbike tyres.

In 2014 MITAS a.s. also improved its positive cash flow, which enabled the further continuation of key investment projects. During 2014, MITAS a.s. invested mainly in production facilities and the development of new products. Within its factories, MITAS a.s. also focused on warehousing and optimisation of product-line layout.

The consolidated revenue of the tyre division in 2014 exceeded 385 million euros. The financial results for 2014 were affected by lower prices of raw materials for rubber production (natural rubber, carbon black) and by relatively stable pricing during 2014 for both key segments, i.e. for the OEM and replacement markets. Operating profit was improved by the optimisation of other cost groups and increased work productivity at all production plants by applying active steps and with a quick response to the current market situation. Operating profit exceeds the level of 62 million euros and profit after tax exceeds the level of 45 million euros.

6. Anticipated developments in 2015 and strategic goals from 2015 to 2017

Anticipated development

In the coming year, the company anticipates growth of the U.S. economy, while the EU economy shows signs of stability. In this regard, there will be some increase in the production of construction and agricultural machinery. Similarly, the aftermarket should pick up. Further growth in demand is seen in the traditional farming areas of the United States. Developments in the Russian Federation are difficult to forecast. MITAS a.s. expects the economic and political situation will not have an impact on sales due to the long-term relationship with customers on the market. Positive developments in Australia and South America are anticipated.

The mid to long-term plan is to build up the image of the Mitas brand in all product segments and to be present everywhere where the demand for radial tyres is

increasing. Aside from Europe and North America, this trend may be expected in South America, Central Asia, the Far East and eventually in China, as well. A longer-term priority is to focus on Sub-Saharan Africa.

At the same time, MITAS a.s. is constantly investing in research and development. It offers new and innovative tyres and extends its product portfolio. One example is the PneuTrac concept, which was presented in 2013 at the Agritechnica fair in Hannover, Germany, and since then MITAS a.s. has made considerable developments to this concept.

From an IT point of view, the company has started switching from its current IT model by creating its own Competence Centre for SAP applications with long-term development for internal purposes. This will help streamline IT costs as much as possible. The Competence Centre will also provide MITAS a.s. with better governance over the development of various processes.

Strategic goals

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



The main strategic orientation of the Rubena Division is the production and sale of technical rubber products, including rubber-metal parts for the automotive industry, construction industry and household appliances industry. A significant part of the production is the manufacture of bicycle tubes and tyres.

Rubena

1. Basic description of the activities and organization of the Rubena Division

Activity description

The main strategic orientation is the production and sale of technical rubber products, including rubber-metal parts for the automotive industry, construction industry and household appliances industry. A significant part of the production is the manufacture of bicycle tubes and tyres.

Organizational structure

Production company

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

Business companies

RUBENA Slovakia a.s., Predmier, Slovakia
RUBENA Balkán s.r.o., Plovdiv, Bulgaria

Personnel composition of the Board of Directors as at 31 December 2014

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

Personnel composition of the Supervisory Board as at 31 December 2014

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

2. Company development in 2014

Strategic business units of RUBENA, a.s.

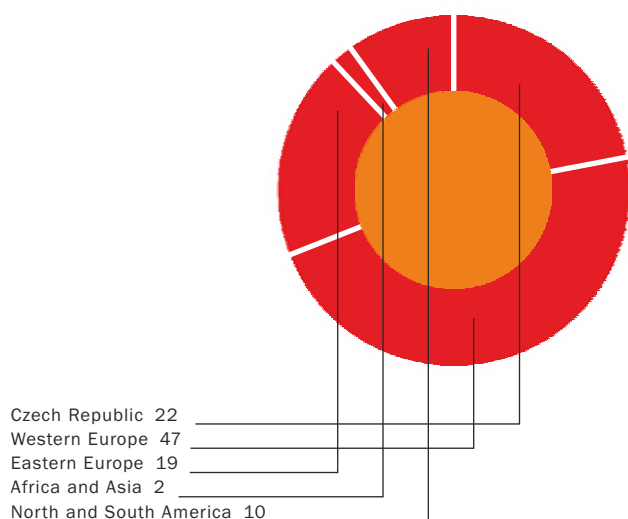
SAS

The strategic business unit SAS (Sealing and Anti-vibration Solutions) focuses on the automotive industry markets and markets of industrial applications and manufacturers of white goods. It is involved in the development, production and deliveries of rubber-metal parts designed for absorbing vibrations, such as silent blocks, conical, cylindrical and disk springs, thrust silencers, torsion silencers, connection components, various types of special mounting, etc. Yet another group is formed by sealing elements for sealing mechanical parts and aggregates filled with oils, lubricants, fuels and other industrial liquids. These include, for example, shaft gaskets, gaskets for bearings, CR rings, gaskets for silencers and pneumatic cylinders, O-rings and other sealing elements. The third important group of the product assortment is the group of rubber pressed parts, used especially for the protection of movable mechanical parts, silencing thrusts and noise, reducing vibrations, etc. These parts include cable bushing, dust protectors, caps, stops, rubber springs, membranes for brake boosters, etc. A key part of the strategic business unit is its development center, which develops new products that are subsequently introduced on the market. The development center is fully equipped for the “black-box” development, processing calculations using the method of final elements, construction of individual parts, testing the required static, dynamic and lifespan product parameters. In 2014, a production increase was recorded for almost all commodities. This increase was also projected in the revenues, which reached 45.5 million EUR, which represents a 15% increase in comparison with 2013. Performance of the personal car sector increased by 15% annually, while the truck sector increased by 21%. Industrial utilization recorded a slight increase. 82.5% of the revenues came from export.

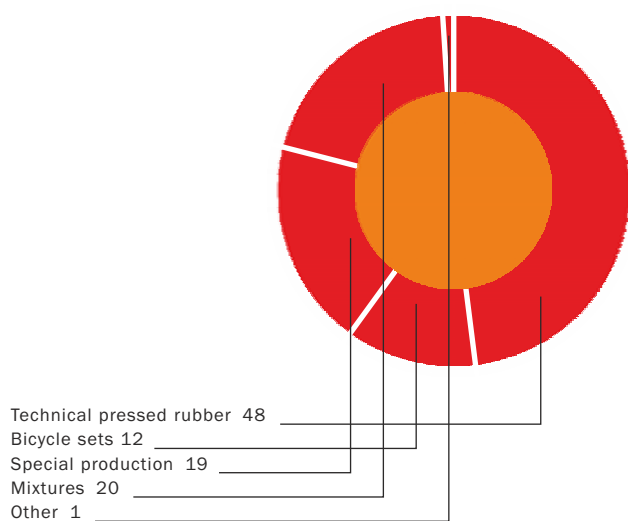
VELO

The Velo strategic business unit specializes in the development, production and sale of bicycle tyres and

Sales structure for 2014 based on individual territories (in %)



Sales structure for 2014 based on given product assortments (in %)



tubes as the initial equipment as well as for the needs of spare parts. The sales department does not focus only on the European market. It also develops its activities in Africa, Australia, North and South America, Central Asia, Turkey and Russian-speaking countries. The consumer character of the assortment is related to demands on the utility and aesthetic levels of the products and on the development of the overall image of the Rubena brand. All activities, including development, are executed with the objective to achieve this goal. A complex assortment of bicycle tyres is offered in all categories, such as MBT/Cross, City-Tour/Trek, Road and Reha (disability program for non-motorized wheelchairs). Our development, production and sales currently focus the most on tyres of the medium and high categories of the so-called skin-wall design in various forms and on special anti-puncture tyres of various user levels. An independent group of the tyres, the so-called Extreme, is formed by tyres designed for the most demanding terrains and conditions – Downhill, Freeride, Enduro, Enduro Race and Slopestyle. Yet another specific and very popular group is formed by BMX tyres. In 2014, RUBENA a.s. participated in the development, production and sale of special, non-enclosed tubes for GAADI. RUBENA a.s. is currently the only patent manufacturer and seller of the entire assortment of the GAADI tubes.

Special compounds developed and produced by the Compounds SBU are used for the production of the tyres and tubes. Development and testing of some types of bicycle tyres are conducted in cooperation with racing teams from the Czech Republic and abroad and with leading athletes from individual sport categories. In 2014, more than 5 million bicycle tyres and 8.5 million tubes were sold for a total amount of 20.4 million EUR, which represents an increase by approximately 13% year on year.

COMPOUNDS

The Compounds strategic business unit produces rubber master batches, final compounds, non-vulcanized and vulcanized foils and tapes. Additionally, the unit also produces rubberized cords and prepares solutions for its own needs as well as for the needs of ČGS. Free production capacity of the division is used for external customers. From the technical point of view, the division has had 4 fully automated line since 2014. Two of them are intermixing lines and one is tangential (used for the production of EPDM compounds). The fourth line is a tangential kneader with a fully automated

Selected indicators of the RUBENA Division — data consolidated within the division

| Thousands CZK | | 2012 | 2013 | 2014 |
|--|--------------|-----------|-----------|-----------|
| Sales share of the entire Group | % | 14.93 | 14.88 | 17.34 |
| Total revenues | thousands | 2,571,901 | 2,681,335 | 3,114,851 |
| export revenues | thousands | 1,798,416 | 1,925,244 | 2,414,535 |
| Added value | thousands | 851,695 | 933,965 | 1,170,778 |
| Personal expenses | thousands | 536,987 | 548,115 | 594,076 |
| Depreciations | thousands | 96,283 | 93,502 | 98,319 |
| Operational economic result | thousands | 183,607 | 222,937 | 452,828 |
| Economic result for the accounting period | thousands | 73,571 | 173,381 | 357,459 |
| Assets | thousands | 1,650,128 | 1,797,495 | 1,975,484 |
| External resources | thousands | 778,080 | 791,073 | 687,936 |
| Company capital | thousands | 864,471 | 1,002,205 | 1,283,481 |
| Employees | recalculated | 1,863 | 1,835 | 1,933 |
| Proportional indicator | | | | |
| Revenues/recalculated number of employees | thousands | 1,381 | 1,461 | 1,611 |
| Added value/recalculated number of employees | thousands | 457 | 509 | 606 |
| Economic result/company capital (ROE) | % | 9 | 17 | 28 |
| External resources/assets | % | 47 | 44 | 35 |
| Revenues/company capital | % | 298 | 268 | 243 |

Selected indicators of the RUBENA Division

| Thousands EUR | | 2012 | 2013 | 2014 |
|---|-----------|---------|--------|---------|
| CZK/EUR exchange rate | | 25.140 | 27.425 | 27.725 |
| Total revenues | thousands | 102,303 | 97,770 | 112,348 |
| export revenues | thousands | 71,536 | 70,200 | 87,089 |
| Added value | thousands | 33,878 | 34,055 | 42,228 |
| Operational economic result | thousands | 7,303 | 8,129 | 16,333 |
| Economic result for the accounting period | thousands | 2,926 | 6,322 | 12,893 |
| Assets | thousands | 65,638 | 65,542 | 71,253 |
| External resources | thousands | 30,950 | 28,845 | 24,813 |
| Company capital | thousands | 34,386 | 36,543 | 46,293 |

control system, which secures the highest quality of the prepared compounds. In 2014, SBU Compounds recorded total sales for goods and products amounting to 13.7 million EUR. The value of overall production reached 35.3 million EUR.

Thanks to more extensive options related to the final preparation of individual compounds and to a higher

productivity, we managed to win new customers, especially from non-automotive industries. In 2014, we continued with the color compounds mixing project and, subsequently, with the sale of vulcanized rubber for the production of granulates for sport surfaces. We also continued with the development of compounds for all divisions of the company. The biggest processor

of new mixture types in 2014 continued to be the SBU SAS division. The development of new mixture types and optimization of the existing recipes was taking place for the needs of the other SBUs and the Savatech division.

SPECIAL PRODUCTION

The Special production strategic business unit focuses on development, trade and complete production of highly specialized commodities. These commodities are internally structured pursuant to the given production technology and character in the following manner:

Bellows – wide assortment of anti-vibration and regulation elements for industrial pneumatic and hydraulic systems and the automotive industry, where RUBENA a.s. is one of the biggest European manufacturers. In 2014, deliveries were even made to Asia and the USA. The assortment also includes flexible connections, railway pads and compensators.

Bags and reservoirs – production and deliveries of highly specialized bags and reservoirs using the manual confection method. This group also includes partition weirs, flood-protection systems, fuel tanks for aircraft, containers and insulation, press and food bags. RUBENA a.s. belongs among the world leaders especially in the area of partition bags.

Cylinder covers – traditional manufacturer of rubberized cylinders, from small to 12.5-ton cylinders for metallurgical, timber, mining, paper, textile and polygraphic industries. The main markets for these products are in the Czech republic and Central Europe.

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

V-belts – a wide assortment of coated and cut V-belts is manufactured in the plants in Náchod and Zlín. The most important customers are industrial, agricultural and automotive markets of individual European and North African countries. Thanks to an extensive investment into the reconstruction of all rotational press capacities for the production of coated V-belts, all the belts now comply with the strictest and most demanding quality parameters.

Service warehouse – this department focuses on servicing individual commercial companies and non-strategic industrial clients from Central and Eastern Europe. The Service warehouse, with its wide inventory assortment (15 thousand items, sealing components, silent blocks, pressed products, belts, foils, panels, silicon extruded profiles and hoses) is among the largest wholesale establishments in Central and Eastern Europe. The department also has capacity for medium and small-series orders.

In 2014, production increased and sales amounting to 21.3 million EUR were realized, representing an increase of 7% in comparison with 2013. Two-fifths of the turnover were attributable to domestic customers. The export share was 60%. Apart from the traditional Western European and Eastern European partners, a part of the revenues came from customers in Africa, Asia and America. The best results were mainly recorded in the areas of bellows, the service warehouse, cylinder coating and hockey pucks.

Subsidiaries

CGS Automotive de Mexico

CGS Automotive de Mexico manufactures membranes for brake boosters for Continental, Bosch and TRW and for the American continent. In 2014, the size of the production facilities in the Mexican plant was doubled and other important investments were implemented with regard to an expansion of the capacities of individual production technologies. These measures will allow us to satisfy the ever growing demands of our customers. Pursuant to the latest forecasts, the significantly growing trend should continue in 2015. In 2014, a total of 6.5 million membranes were sold. In comparison with 2013, the sales grew by 44 percent. The sales of the company reached 5.9 million EUR in 2014.

RUBENA Slovakia a.s.

RUBENA Slovakia a.s. is our business representation that mainly focuses on spare parts from the assortment of the wholesale warehouse of the Special production SBU. In 2014, the subsidiary mediated production sales for its parent company RUBENA a.s. amounting (after conversion) to 938 thousand EUR and its turnover for the sale of goods achieved 14 thousand EUR.

Joint ventures

SICO RUBENA s.r.o.

SICO RUBENA s.r.o. is a subsidiary with a production facility in Velké Poříčí, in which RUBENA a.s. owns a fifty-percent share. The company focuses on the production and sale of silicon rubber products. In 2014, its turnover increased by 14% year-on-year and its total sales thus amounted to 13.6 million EUR.

RUBENA BALKÁN s. r. o.

RUBENA Balkán s.r.o. (Plovdiv, Bulgaria) is a commercial company that distributes Rubena products in Bulgaria, Turkey and Greece (bicycle tyres and bicycle tubes for the production needs and for the needs of spare parts, rubber and rubber-metal products for the needs of spare parts and special products). RUBENA a.s. is the owner of a 36% share of the basic capital of the company. The sales for goods sold in 2014 amounted to 433 thousand EUR.

3. Investments and protection of the environment

In 2014, long-term tangible and intangible assets worth 5.8 million EUR were introduced and activated. That represents 5.5% of the total turnover. Almost 3.6 million EUR were invested in production technologies and especially in modernization of the SBU Velo production and in purchasing forms for an extension of

the assortment of bicycle tyres. Significant investment amounts were spent for purchasing injection presses for SBU SAS. Other sizeable investments were used for purchasing and modernizing the machines at SBU Compounds. Implementation of the Equipment extension project with the objective to support development was completed. For this project, a grant from the Potential program was utilized. Towards the end of the year, implementation of the Subsequent equipment extension project with the objective to support development commenced. For this project, once again, a grant from the Potential program was utilized. Other investments were implemented with the purpose to renovate information technologies and to modernize them and also to improve the work settings and the environment. Last year, the share of investments into production machines and machinery amounted to 83% of the total activated volume.

4. Expected development in 2015

The company expects that the demand for products made of technical rubber will continue to grow in 2015 and that it will further reinforce its position on the market. Its high technological level, long-term production quality and the potential of its own development capacities are strengths for the company in seeking new business opportunities. The strategic objectives of the company remain the same, i.e. sustaining and strengthening its position of an important supplier of technical rubber products on the European and other markets, improving its work productivity and maximizing the added value of the company.



SAVATECH d.o.o.

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

Savatech

1. Basic Description of the Activity and Organisation of the Savatech Division

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

Organisational structure of Production and Sales units

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

Sava Medical in storitve, d.o.o., Kranj (Slovenia) — company for training and employing disabled people

SAVA-ROL, d.o.o., Zagreb (Croatia) — manufacture and sale of rubber-coated rollers

OOO Savarus, Jaroslavl — manufacture and sale of rubber profiles

Programmes of SAVATECH d.o.o.

Mixing Plant, Kranj — manufacture of rubber compounds
Elastomers, Kranj — development and sale of rubber compounds

Conveyor Belts, Kranj — manufacture and sale of conveyor belts

Profiles, Kranj — manufacture and sale of solid and cellular rubber profiles

Print, Kranj — manufacture and sale of offset printing blankets

Eko, Kranj — manufacture and sale of environmental protection and rescue products

Moto, Kranj — manufacture and sale of tyres and tubes for scooters, motorcycles, small industrial and agricultural vehicles, go-karts, special-purpose tyres

GTI, Ptuj — manufacture and sale of moulded products

Sales companies and branches

Europe

Sava Trade, GmbH, Germany

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

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

Savatech Trade, Ltd., Great Britain

North America

Savatech Corp., Florida, USA

Company representatives of SAVATECH d.o.o.

General Director, Chairman – Rudolf Peca

Financial Director, Member – Vesna Čadež

2. Development of the Company in 2014

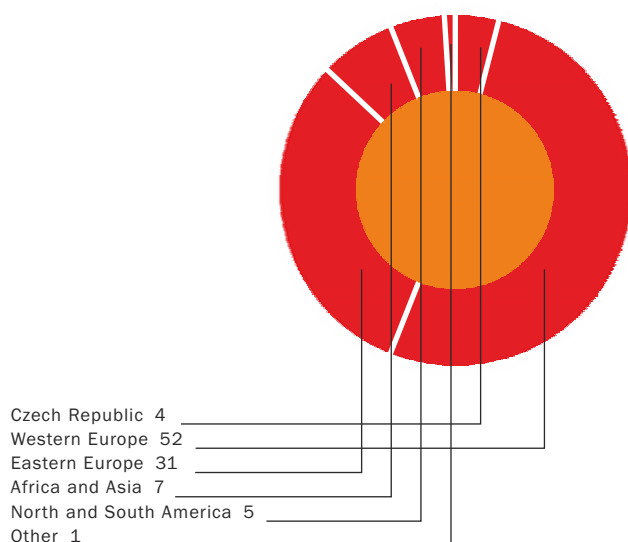
In 2014, total volume of sales for Savatech Division reached 120.7 million EUR, whereas sales revenues generated by SAVATECH d.o.o. totalled 112.6 million EUR, representing the best sales result since the company has been established. In 2014, numerous new products were developed and the product mix was expanded. Investments pursued the strategy implementation as formulated by the Savatech Division, thereby providing suitable technology-related conditions for the manufacture of higher value-added products.

3. Sales and Marketing

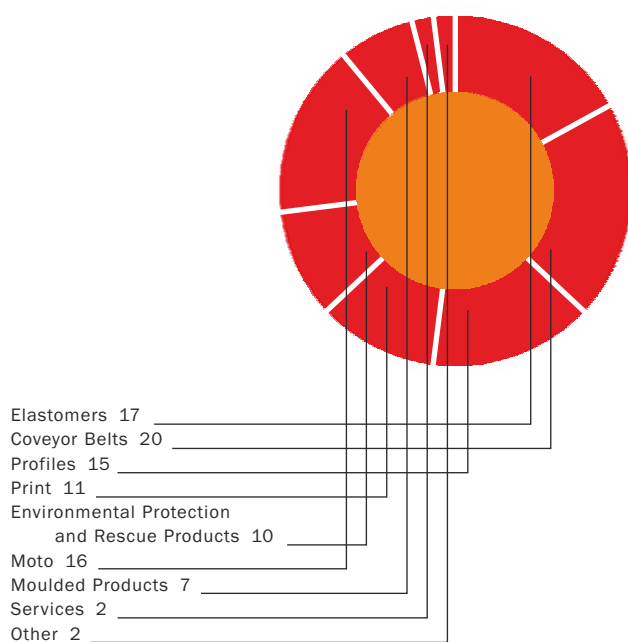
The Savatech Division surpassed sales result of the previous year, in spite of the fact that 2014 was a very challenging year. Despite a slight economic recovery, instability of sales still continued. The Ukrainian situation and a drop in the Russian currency's value posed another obstacle and had a negative impact on sales in Russia. This was particularly the case with the product groups facing the local competitors (conveyor belts, rubber profiles, etc.); still, the aggravated economic situation affected other products groups, too. We focused primarily on seeking new market opportunities and customers and we thus managed to almost double the number of new customers compared to the previous year.

The Savatech Division sells products and services in more than 100 countries in all five continents. The biggest market is traditionally Germany, representing

Sales structure for 2014 based on individual territories (in %)



Sales structure for 2014 based on given product assortments (in %)



24% of total sales. The second largest market is Slovenia with 16% and third comes Italy with 9%. In 2014, SAVATECH d.o.o. sold products and services to more than 400 new customers, thereby generating sales revenues in excess of 4.5 million EUR.

The company exhibited its products at several trade fairs in Europe, Asia, the USA, Russian Federation, South America and the Middle East. The Eko Programme – protection and rescue products, participated in major trade fairs in the Argentina, Cambodia, Denmark, Finland, Germany, Great Britain, Russian Federation, USA and others. Also the Moto, Conveyor Belts and Elastomers Programmes exhibited their range of products at certain major trade fairs. The new medical product, anti-decubitus mattress, was unveiled at Integra fair in Austria.

4. Product Innovation

In 2014, SAVATECH d.o.o. developed several new products. The majority of activities referred to optimising and improving of technologies and seeking new solutions for developing new products and technologies. Mixing Plant introduced new materials. Conveyor Belts developed new products such as a heat resistant chevron conveyor belt for special applications, the SavaGreen smooth belt, and a model belt for conveying plasterboards, the so called Plasterboard Belt. Profiles continued with restructuring its product mix to re-orient to the manufacture of higher value-added profiles. Print focused on the development of self-adhesive printing blanket, dry technology, compression layer, EPDM offset printing blanket and printing blankets for plastic packaging printing. Eko renewed its range of high-pressure bags and successfully tested the new Cone Plug at the end of 2014. Moto continued to develop radial and scooter tyres; in cooperation with R&D department in the Czech Republic, it further developed its range of off-road tyres. Moto also continued developing of cableway sheaves and machinery equipment. GTI successfully finished the development of two-component products; new components used in braking systems for the automotive industry, as well as two connectors and a new seal type for the construction industry were developed. The GTI's R&D department optimised compounds and upgraded its technology equipment.

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

| Thousands CZK | | 2013 | 2014 |
|--|--------------|-----------|-----------|
| Sales share of the entire Group | % | 19.64 | 19.58 |
| Sales share of the entire Group | thousands | 3,305,519 | 3,309,375 |
| export revenues | thousands | 2,771,269 | 2,820,326 |
| Added value | thousands | 1,161,858 | 1,172,688 |
| Personal expenses | thousands | 671,977 | 707,659 |
| Depreciations | thousands | 137,778 | 140,557 |
| Operational economic result | thousands | 343,190 | 327,956 |
| Economic result for the accounting period | thousands | 288,010 | 271,682 |
| Assets | thousands | 3,979,937 | 3,998,873 |
| External resources | thousands | 1,893,852 | 1,613,991 |
| Company capital | thousands | 2,075,730 | 2,356,570 |
| Employees | recalculated | 921 | 943 |
| Proportional indicator | | | |
| Revenues/recalculated number of employees | thousands | 3,589 | 3,509 |
| Added value/recalculated number of employees | thousands | 1,262 | 1,244 |
| Economic result/company capital (ROE) | % | 14 | 12 |
| External resources/assets | % | 48 | 40 |
| Revenues/company capital | % | 159 | 140 |

Selected indicators of the SAVATECH Division

| Thousands EUR | | 2013 | 2014 |
|---|-----------|---------|---------|
| CZK/EUR exchange rate | | 27.425 | 27.725 |
| Total revenues | thousands | 120,529 | 119,364 |
| export revenues | thousands | 101,049 | 101,725 |
| Added value | thousands | 42,365 | 42,297 |
| Operational economic result | thousands | 12,514 | 11,829 |
| Economic result for the accounting period | thousands | 10,502 | 9,799 |
| Assets | thousands | 145,121 | 144,233 |
| External resources | thousands | 69,056 | 58,214 |
| Company capital | thousands | 75,688 | 84,998 |

5. Investment and Environmental Protection

In 2014, the Savatech Division made investments worth 3.3 million EUR. The major part of investments was earmarked for modernisation and upgrading technology equipment and improvements in the working

environment in all of the Savatech's programmes. In Mixing Plant, the investments and equipment optimisation assure good availability and efficient utilisation of production equipment. In Conveyor Belts, the investment in the grinding line for the manufacture of special-purpose conveyor belts (e.g. plasterboards)

was realised. Major investments in the Profiles Programme were earmarked for finishing of rubber profiles to enter the segment of a higher value-added finishing business. The reconstruction of AUMA line in the Print Programme, resulted in the increased production capacities. In 2014, a new investment cycle was initiated that will double the production of offset printing blankets. The Eko Programme optimised the existing equipment and introduced a device for regular product testing. The Moto Programme made further investments in additional tools for the manufacture of new radial motorcycle tyres sizes and secured good availability of the existing equipment. The GTI Programme invested in a new horizontal press for rubber products. The major acquisition was the new equipment for robotised manufacture of two-components (2K) products. The equipment for the manufacture of plastic products as well as robotic manipulation with the existing rubber injection presses was introduced. Energy efficiency was enhanced owing to a renewal of fixed and automatic systems for reactive energy compensation, while the heat station was overhauled.

Investments always incorporate improvements in the working conditions. Besides improvements carried out as part of investments in technology equipment and optimisation processes, also a complete renewal of general and emergency lighting in the GTI production hall, a renewal of a low-voltage switching facility in TP3 transformer station, and installation of a lifting platform for adjusting the working height in the Eko production, took place in 2014.

The company introduced the environmental management system according to the ISO 14001 standard already in 2002. SAVATECH d.o.o. regularly adapts its operations to the environmental legislation requirements and is striving for minimising the impacts of its operations on the environment. The following priority goals have been defined: prevention of environmental pollution, replacement of hazardous substances with less hazardous ones, rational use of energy, raw materials and natural resources, separate waste collection and decrease in specific amount of rubber waste, raising employee education and environmental awareness. Savatech d.o.o. pursues the impact of its operations on the environment based on regular environmental monitoring carried out by certified external institutions. Already in 2000, SAVATECH d.o.o. joined the international initiative by the chemical industry, the so-called Responsible Care. The initiative represents

a commitment to reporting on activities associated with continual improvement in employee health and safety, as well as on minimising the impact on the environment. Based on regular reporting on these issues, Savatech d.o.o. obtained a Certificate, which entitles to use the Responsible Care logotype.

6. Financial Results in 2014

The Savatech Division generated total sales revenues of 120 million EUR, meaning a 2% year-on-year increase with regard to the comparable volume of operations. The Profiles, Print, Moto and GTI Programmes significantly enhanced last year's sales results. The sale by the Foreign Trade Network companies in Germany, Poland and the USA increased considerably, too.

The Savatech Division generated a net profit of 9.4 million EUR, which also equalled the net profit generated by SAVATECH d.o.o. The Print, Profiles and GTI Programmes showed the biggest rise in profits if compared to the previous year. Considering the generated net profit, the return on capital of the Savatech Division amounted to 12.6% and that of SAVATECH d.o.o. to 13.2%. Capital had a 59.0% share in the liabilities of the Savatech Division.

7. Anticipated Developments in 2015 and Strategic Goals from 2015 to 2017

Anticipated development

In 2015, we expect a stable sales growth in all product groups. As far as sales and marketing are concerned, we will continue to swiftly react to changes that continually take place in the market and gain new customers and new markets. Development partnerships will play an increasingly important role in planning of new products. New investments will boost productivity and increase production capacity. The key internal elements of success in 2015 are based on the advanced knowledge, corporate feeling and our orientation to continued progress.

Strategic goals

- Growth in the volume of business.
- Development of the location in Kranj as a main

(but not a sole) production logistic centre where the focus will be on higher value added products.

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

Independent Auditor's Report

on Verification of the Consolidated Annual Financial Statement

of ČGS HOLDING a.s. as of December 31, 2014

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

We have audited the accompanying consolidated financial statements of ČGS HOLDING a.s., which comprise the balance sheet as of 31 December 2014, the income statement for the period from 1 January 2014 to 31 December 2014 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 2014 and of its expenses and revenues and operating for the period from 1 January 2014 to 31 December 2014, in accordance with Czech accounting regulations.

In Prague, March 17, 2015



Hayek, spol. s r.o., holding, Certificate No. 029

Ing. Konstantin Tafincev, Certificate No. 1972

Independent Auditor's Report

on the verification of the Consolidated Annual Report

of ČGS HOLDING a.s. as of 31. 12. 2014

The verification of the annual report of the company ČGS HOLDING a.s., Švehlova 1900/3, 106 00 Praha 10-Záběhlce, 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. as of 31. 12. 2014 for consistency with the consolidated financial statements which are included in this Annual Report. The correctness of the consolidated annual report is the responsibility of Company ČGS HOLDING a.s. statutory body. Our responsibility is to express an opinion on the consistency of the consolidated annual report and the consolidated financial statements based on our audit.

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

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

In our opinion, the information included in the consolidated annual report of Company ČGS HOLDING a.s. for the year ended 31 December 2014 is consistent, in all material respects, with the consolidated financial statements referred to above.

In Prague, April 10, 2015


 A circular stamp of the Chamber of Auditors of the Czech Republic (KA ČR) is shown. The text around the circle reads "AUDITOR - Č. OSVĚD. 1972" and "ING. KONSTANTIN TAFINCEV". In the center, "KA" is above "ČR". To the right of the stamp is a handwritten signature.

HAYEK, spol. s r.o., holding, Certificate No. 029

Ing. Konstantin Tafincev, Certificate No. 1972

Consolidated Balance Sheet

as of 31 December 2014

Assets

| Thousands CZK | 2014 | 2013 |
|--|------------|------------|
| Total assets | 14,092,895 | 14,054,148 |
| A. Receivables from subscriptions | 0 | 0 |
| B. Fixed assets | 7,931,961 | 7,717,639 |
| B.I. Intangible fixed assets | 71,487 | 49,344 |
| B.I.1. Incorporation expenses | 314 | 695 |
| 2. Research and development | 0 | 0 |
| 3. Software | 12,971 | 13,182 |
| 4. Royalties | 2,613 | 0 |
| 5. Goodwill (+/-) | 28,857 | 29,751 |
| 6. Other intangible fixed assets | 7,851 | 3,098 |
| 7. Intangible fixed assets under construction | 18,881 | 669 |
| 8. Advance payments for intangible fixed assets | 0 | 1,949 |
| B.II. Tangible fixed assets | 6,776,375 | 6,511,544 |
| B.II.1. Lands | 1,039,512 | 964,075 |
| 2. Constructions | 2,928,765 | 3,000,219 |
| 3. Equipment | 2,515,267 | 2,309,923 |
| 4. Perennial crops | 0 | 0 |
| 5. Breeding and draught animals | 0 | 0 |
| 6. Other tangible fixed assets | 25,449 | 1,199 |
| 7. Tangible fixed assets under construction | 228,259 | 208,347 |
| 8. Advance payments for tangible fixed assets | 39,927 | 29,657 |
| 9. Adjustment to acquired assets | -804 | -1,874 |
| B.III. Long-term financial assets | 3,947 | 5,686 |
| B.III.1. Shares in controlled and managed organizations | 0 | 0 |
| 2. Shares in subjects under substantial influence | 2,832 | 4,681 |
| 3. Other securities and shares | 150 | 182 |
| 4. Loans to controlled and managed organizations and to subjects under substantial influence | 0 | 0 |
| 5. Other financial investments | 965 | 823 |
| 6. Financial investments acquired | 0 | 0 |
| 7. Advance payments for long-term financial assets | 0 | 0 |
| B.IV. Active consolidation difference, (-) Passive consolidation difference | 1,080,151 | 1,151,064 |
| B.V. Securities in equivalence | 0 | 0 |

| Thousands CZK | 2014 | 2013 |
|---|-----------|-----------|
| C. Current assets | 6,076,962 | 6,221,848 |
| C.I. Inventory | 2,759,040 | 2,625,895 |
| C.I.1. Materials | 1,035,565 | 966,194 |
| 2. Work in progress and semi-finished goods | 329,899 | 329,717 |
| 3. Finished products | 1,311,405 | 1,173,106 |
| 4. Animals | 0 | 0 |
| 5. Merchandise | 82,140 | 156,804 |
| 6. Advance payments for inventory | 31 | 75 |
| C.II. Long-term receivables | 5,356 | 8,213 |
| C.II.1. Trade receivables | 0 | 4,833 |
| 2. Receivables from controlled and managed organizations | 0 | 0 |
| 3. Receivables from subjects under substantial influence | 0 | 0 |
| 4. Receivables from partners, cooperative members and association members | 0 | 0 |
| 5. Estimated receivable | 0 | 1,651 |
| 6. Other receivables | 5,356 | 1,729 |
| 7. Deferred tax receivable | 0 | 0 |
| C.III. Short-term receivables | 2,684,383 | 3,075,763 |
| C.III.1. Trade receivables | 2,370,487 | 2,630,640 |
| 2. Receivables from controlled and managed organizations | 0 | 2 |
| 3. Receivables from subjects under substantial influence | 0 | 0 |
| 4. Receivables from partners, cooperative members and association members | 0 | 0 |
| 5. Receivables from social security and health insurance | 27,272 | 91 |
| 6. Due from state — tax receivable | 252,152 | 402,924 |
| 7. Short-term deposits given | 9,108 | 5,947 |
| 8. Estimated receivable | 5,591 | 34,994 |
| 9. Other receivables | 19,773 | 1,166 |
| C.IV. Short-term financial assets | 628,183 | 511,977 |
| C.IV.1. Cash | 3,654 | 1,511 |
| 2. Bank accounts | 624,529 | 458,074 |
| 3. Short-term securities and ownership interests | 0 | 50,267 |
| 4. Short-term financial assets acquired | 0 | 2,124 |
| D.I. Accruals | 83,973 | 114,661 |
| D.I.1. Deferred expenses | 81,122 | 105,616 |
| 2. Complex deferred costs | 0 | 0 |
| 3. Deferred income | 2,851 | 9,045 |

Liabilities

| Thousands CZK | 2014 | 2013 |
|---|------------|------------|
| Total liabilities | 14,092,895 | 14,054,148 |
| A. Equity | 9,204,089 | 7,044,738 |
| A.I. Registered capital | 3,000,000 | 3,000,000 |
| A.I.1. Registered capital | 3,000,000 | 3,000,000 |
| 2. Company's own shares and ownership interests (-) | 0 | 0 |
| 3. Changes of registered capital (+/-) | 0 | 0 |
| A.II. Capital funds | 393,032 | 204,215 |
| A.II.1. Share premium | 0 | 0 |
| 2. Other capital funds | 54,315 | 151,468 |
| 3. Differences from revaluation of assets and liabilities (+/-) | 338,717 | 52,747 |
| 4. Differences from revaluation in tranformation (+/-) | 0 | 0 |
| A.III. Reserve funds, statutory reserve account for cooperatives, and other retained earnings | 397,653 | 535,720 |
| A.III.1. Legal reserve fund indivisible fund | 397,653 | 535,720 |
| 3. Statutory and other funds | 0 | 0 |
| A.IV. Profit/loss — previous year | 3,304,803 | 1,607,163 |
| A.IV.1. Retained earnings from previous years | 3,304,803 | 1,607,163 |
| 2. Accumulated losses from previous years | 0 | 0 |
| A.V. Profit/loss of current period w/o minority share (+/-) | 2,108,601 | 1,697,640 |
| A.V.1. Profit/loss of current period (+/-) | 2,108,601 | 1,697,640 |
| A.V.2. Share of profit/loss in equivalence (+/-) | 0 | 0 |
| A.VI. Consolidation reserve fund | 0 | 0 |
| B. Other sources | 4,673,236 | 6,827,855 |
| B.I. Reserves | 404,458 | 559,955 |
| B.I.1. Reserves under special statutory regulations | 0 | 0 |
| 2. Reserves for pension and similar payables | 92,888 | 18,450 |
| 3. Income tax reserves | 150,719 | 336,356 |
| 4. Other reserves | 160,851 | 205,148 |
| B.II. Long-term payables | 30,551 | 487,914 |
| B.II.1. Trade payables | 0 | 0 |
| 2. Payables to controlled and managed organizations | 0 | 0 |
| 3. Payables to subjects under substantial influence | 0 | 0 |
| 4. Payables from partners, cooperative members and association members | 0 | 426,268 |
| 5. Long-term advances received | 0 | 0 |
| 6. Bond issues | 0 | 0 |
| 7. Long-term notes payables | 0 | 0 |
| 8. Estimated payables | 0 | 0 |
| 9. Other payables | 0 | 2 899 |
| 10. Deffered tax liability | 30,551 | 58,747 |

| Thousands CZK | 2014 | 2013 |
|--|-----------|-----------|
| B.III. Short-term payables | 2,230,184 | 2,760,727 |
| B.III.1. Trade payables | 1,505,133 | 1,715,363 |
| 2. Payables to controlled and managed organizations | 0 | 0 |
| 3. Payables to subjects under substantial influence | 0 | 0 |
| 4. Payables from partners, cooperative members and association members | 0 | 0 |
| 5. Payroll | 151,093 | 71,589 |
| 6. Payables to social securities and health insurance | 53,903 | 48,887 |
| 7. Due from state — tax liabilities and subsidies | 219,191 | 324,628 |
| 8. Short-term deposits received | 13,170 | 16,193 |
| 9. Bond issues | 0 | 0 |
| 10. Estimated payables | 66,577 | 95,196 |
| 11. Other payables | 221,117 | 488,869 |
| B.IV. Bank loans and financial accommodations | 2,008,043 | 3,019,260 |
| B.IV.1. Long-term bank loans | 1,706,011 | 2,081,688 |
| 2. Short-term bank loans | 301,893 | 937,572 |
| 3. Short-term accommodations | 139 | 0 |
| C.I. Accruals | 215,570 | 181,555 |
| C.I.1. Accrued expenses | 180,115 | 172,901 |
| 2. Deferred revenues | 35,455 | 8,654 |
| D. Minority equity | 0 | 0 |
| D.I. Minority Capital Stock | 0 | 0 |
| D.II. Minority Capital Funds | 0 | 0 |
| D.III. Minority Profit Funds incl. unretained income from previous years | 0 | 0 |
| D.IV. Minority profit/loss from current period | 0 | 0 |
| D.V. Minor share on economical result in equivalence | 0 | 0 |
| D.VI. Minor consolidated reserve fund | 0 | 0 |

Consolidated Profit and Loss Statement as of 31 December 2014

Thousand CZK

2014

2013

| | | |
|--|------------|------------|
| I. Revenues from goods sold | 500,620 | 556,601 |
| A. Expenses on goods sold | 359,396 | 330,026 |
| + Sale margin | 141,224 | 226,574 |
| II. Production | 16,224,085 | 16,084,773 |
| II.1. Revenues from own products and services | 16,302,822 | 16,189,974 |
| 2. Change in inventory of own products | -114,699 | -133,234 |
| 3. Capitalisation | 35,962 | 28,032 |
| B. Production consumption | 9,858,408 | 10,389,888 |
| B.1. Consumption of material and energy | 7,819,438 | 8,162,923 |
| 2. Services | 2,038,970 | 2,226,965 |
| + Added value | 6,506,901 | 5,921,459 |
| C. Personnel expenses | 3,083,062 | 2,903,500 |
| C.1. Wages and salaries | 2,314,125 | 2,194,356 |
| 2. Remuneration of board members | 0 | 0 |
| 3. Social security expenses and health insurance expenses | 627,332 | 584,862 |
| 4. Other social expenses | 141,605 | 124,283 |
| D. Taxes and fees | 53,047 | 40,914 |
| E. Depreciations of intangible and tangible assets | 632,400 | 628,566 |
| III. Revenues from disposals of fixed assets and materials | 106,552 | 601,057 |
| III.1. Revenues from disposals of fixed assets | 23,317 | 9,520 |
| 2. Revenues from disposals of materials | 83,235 | 591,537 |
| F. Net book value of disposed fixed assets and materials | 53,839 | 578,672 |
| F.1. Net book value of sold fixed assets | 8,629 | 9,211 |
| 2. Net book value of sold material | 45,210 | 569,461 |
| G. Change in operating reserves and adjustments and complex deferred costs (+/-) | 13,072 | 43,950 |
| IV. Other operating revenues | 166,251 | 106,550 |
| H. Other operating expenses | 184,297 | 204,663 |
| V. Transfer of operating revenues | 0 | 0 |
| I. Transfer of operating expenses | 0 | 0 |
| Accounting of possitive consolidated difference | 70,913 | -21,037 |
| Zúčtování rezerv, opr. položek a čas. rozl. prov. výnosů (IV + V) | — | — |
| Tvorba rezerv, opr. položek a čas. rozl. prov. nákladů (G + H) | — | — |
| Další provozní výnosy (III + VI - VII) | — | — |
| Další provozní náklady (D + F + I - J) | — | — |
| * Consolidated profit/loss | 2,689,076 | 2,249,839 |

| Thousand CZK | 2014 | 2013 |
|---|-----------|-----------|
| Revenues from sales of securities and ownership interests | 0 | 0 |
| J. Sold securities and ownership interests | 0 | 0 |
| VII. Revenues from long-term financial assets | 41 | 0 |
| VII.1. Revenues from shares in controlled and managed organizations and in subjects under substantial influence | 0 | 0 |
| 2. Revenues from others securities and ownership interests | 41 | 0 |
| 3. Revenues from other long-term financial assets | 0 | 0 |
| VIII. Revenues from short-term financial assets | 0 | 0 |
| K. Expenses associated with financial assets | 0 | 0 |
| IX. Revenues from revaluation of securities and derivatives | 198,896 | 69,880 |
| L. Cost of revaluation of securities and derivatives | 94,763 | 154,814 |
| M. Change in financial reserves and adjustments (+/-) | 0 | 0 |
| | 0 | 0 |
| | -21,408 | 7,674 |
| | 62,185 | 110,240 |
| X. Interest revenues | 2,406 | 7,674 |
| N. Interest expenses | 85,999 | 110,240 |
| XI. Other financial revenues | 233,534 | 653,061 |
| O. Other financial expenses | 394,368 | 646,146 |
| XII. Transfer of financial revenues | 0 | 0 |
| P. Transfer of financial expenses | 0 | 0 |
| ** Finanční výnosy (VIII + IX + X + XI + XII + XIII + XIV - XV) | — | — |
| Finanční náklady (K + L + M + N + O + R.1 - P) | — | — |
| * Consolidated profit/loss from financial operations | -140,253 | -180,586 |
| Q. Income tax on ordinary income | 424,746 | 355,634 |
| Q.1. Tax due | 441,771 | 355,792 |
| 2. Tax deferred | -17,025 | -158 |
| ** Consolidated profit/loss from ordinary activity | 2,124,076 | 1,713,619 |
| XIII. Extraordinary revenues | 1,098 | 1,969 |
| R. Extraordinary expenses | 16,076 | 17,774 |
| S. Income tax on extraordinary income | 497 | 174 |
| S.1. Tax due | 497 | 174 |
| 2. Tax deferred | 0 | 0 |
| * Extraordinary consolidated profit/loss | -15,475 | -15,979 |
| T. Trasfer profit/loss to partners (+/-) | 0 | 0 |
| *** Consolidated profit/loss for accounting period w/o equivalence share | 2,108,601 | 1,697,640 |
| profir/loss from current period w/o minority share | 2,108,601 | 1 697 640 |
| Minority profit/loss from current period | 0 | 0 |
| Share on profit/loss in equivalence | 0 | 0 |
| **** Consolidated profit/loss for accounting period | 2,108,601 | 1,697,640 |
| Consolidated profit/loss before tax (+/-) | 2,533,844 | 2,053,448 |

Subsidiaries of ČGS HOLDING a.s.

as of 31 December 2014

ČGS HOLDING a.s.

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

Česká gumárenská společnost s.r.o.

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

ČGS a.s.

| | |
|--|--------|
| Registered capital (thousands CZK) | 2,000 |
| Sales of products, services and goods (thousands CZK) | 36,641 |
| Number of employees (averaged) | 24 |
| Business activity: management services for subsidiaries | |

MITAS a.s.

| | |
|---|-----------|
| Registered capital (thousands CZK) | 1,460,384 |
| Sales of products, services and goods (thousands CZK) | 8,741,954 |
| Number of employees (averaged) | 2,432 |
| Production programme: tyres for large construction machinery, excavators, rollers, small loaders, trucks, multi-purpose and agricultural tyres, rubber compounds, V-belts | |

IGTT a.s.

| | |
|--|---------|
| Registered capital (thousands CZK) | 82,855 |
| Sales of products, services and goods (thousands CZK) | 205,716 |
| Number of employees (averaged) | 123 |
| Production programme: development of new constructions and technology for the production of tyres, testing and development | |

RUBENA a.s.

| | |
|--|-----------|
| Registered capital (thousands CZK) | 257,322 |
| Sales of products, services and goods (thousands CZK) | 2,933,287 |
| Number of employees (averaged) | 1,692 |
| Production programme: rubber products, sealing elements, roller coatings | |

SAVATECH d.o.o.

| | |
|--|---------|
| Registered capital (thousands EUR) | 59,279 |
| Sales of products, services and goods (thousands EUR) | 111,078 |
| Number of employees (averaged) | 796 |
| Production programme: rubber compounds, conveyor belts, moulded products, tyres for motorcycles, small industrial and agricultural vehicles, offset rubber blankets, rubber profiles, environmental protection and rescue products | |

Mitas Antikor, spol. s r.o.

| | |
|--|--------|
| Registered capital (thousands CZK) | 200 |
| Sales of products, services and goods (thousands CZK) | 30,080 |
| Number of employees (averaged) | 17 |
| Production programme: Anti-corrosion and anti-abrasion protection, rubberising of galvanised vessels, pipes for the chemical industry, ion-exchange and vacuum filters | |

Contact Information

ČGS HOLDING a.s.

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