



**Annual Report
2022**

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2022

Contents

CONTENTS	4
FOREWORD	6
COMPANY PROFILE	8
MISSION, VISION, STRATEGY	10
SUSTAINABLE DEVELOPMENT	12
EVENTS OF THE YEAR	14
BUSINESS ACTIVITY	18
COMPANY MANAGEMENT	30
STATUTORY BODIES	32
SUMMARY OF ECONOMIC DEVELOPMENT AND SUBSEQUENT EVENTS	34
REPORT ON RELATIONSHIPS	36
ANNUAL FINANCIAL STATEMENTS	38
AUDITOR'S STATEMENT	54





Foreword

Dear Shareholders,
Dear Business Partners,
Dear Employees,

The year 2022 unfortunately brought many external problems that had a dramatic impact on our activities. After the restrictions caused by the Covid pandemic have abated, we had to, and unfortunately still have to, face unexpected changes after the outbreak of an aggressive war against Ukraine. It was very difficult to react to the unpredictable turbulence, especially in the prices of energy, materials and services, but also to frequent changes in requirements from our customers. In such a situation it was almost impossible to work systematically and follow the plan. Taking into account these facts beyond our control, it can be stated that very decent results that approach our goals have been achieved. This is the quantity sold in tons, slightly exceeding the planned sales, and above all a profit achieved almost at the planned level even taking into account the lower production margin logically affected by the enormous increase in costs.

We successfully continued the investment program, guaranteeing the Company's long-term perspective. The business policy responded flexibly to the current situation while maintaining correct relations with our customers. Our production lines are in very good technical condition and efficiently used. The Company's management was able to react immediately to the changing conditions and explain to all employees the reasons for the sudden changes.

All employees should be appreciated for their understanding and positive motivation, expressing high loyalty to the Company. Last but not least, I appreciate the excellent result

in the field of occupational safety, where we recorded only a few minor accidents. I appreciate open communication with the local community and state authorities, which I consider very important. All this creates good conditions for our activities in the coming year.

I would like to thank all the employees for the quality of the work they have done.

Pavel Šedlbauer
Chairman of the Board of Directors
4th April 2023

Company profile

Sklopísek Střeleč, a. s. is a Czech legal entity founded by the establishment of EXIMOS, a. s. on the 5 December 1991, which on the 1 February 1994 bought Sklopísek Střeleč, s. p. from the National Property Fund of the Czech Republic.

Its main activities are production, trade and services not listed in Appendixes 1 to 3 of the Trade Licensing Act – producing other non-metallic mineral products not listed elsewhere.

The company is authorized to mine exclusive deposits owned by the Czech Republic.

Company owners

The shareholders of the company on the 31 December 2022 are:

Ficarex, s. r. o.	65.1 %
Quarzwerke GmbH	34.9 %

The company is part of the consolidation group AGC Group, Belgium, which is controlled by Asahi Glass Company, Japan.

Headquarters

Sklopísek Střeleč, a. s.
 Hrdoňovice 80
 507 45 Újezd pod Troskami
 Czech Republic
 Identification number 44 79 56 88

The company's premises are located „halfway“ between Jičín and Turnov. The 1.7 km² mining area is the largest place for silica sands mining in the Czech Republic. Although the historical mention of mining in this locality is more than 140 years old, the company Sklopísek Střeleč lives with an active presence with several plans for the future. In production capacities and

annual volume of produced and sold sands, Sklopísek Střeleč is one of the largest producers and suppliers in Central Europe. Sklopísek Střeleč is fully aware of its position in the market and also the responsibility it has to its surroundings and business partners.



Mission, Vision, Strategy

MISSION

We produce and sell high-quality sands from our raw material, according to our customer's needs and with the maximum respect for the environment, energy savings and the safety of our employees

VISION

We will continue to build the good name of the company, both thanks to the excellent quality of our sands, as well as our approach to the environment, energy savings, occupational safety and impact on the environment.

STRATEGY

Continue to increase the level of customer care and build good relationships with customers and suppliers.

Ensure the maximum use of raw materials by modernizing production technologies while minimizing the impact on the environment and energy consumption.

Continuously improve the working environment and increase the professionalism and safety of our employees.

Actively communicate with the surrounding municipalities, as well as with interest groups and inhabitants and build strong partnerships with them.

Continue to take a responsible approach to the environment and strive to reduce energy intensity.

“We are here for you.”

Sustainable development

Sustainable development is an integral part of our company's culture and policy. We are committed to creating a healthy and safe work environment for employees and suppliers and strive for continuous development in the field of environmental protection. Health and safety and environmental protection are essential for us. Natural resources of glass and foundry sands form the basis of our company. We will only be able to meet our basic needs, as well as the needs of future generations if we save and use these resources economically.

Climate and biodiversity protection has been, is, and will be our main topic. We are constantly working on CO2 emissions reduction. We support biodiversity through reclamation and renewal of mining areas; we use waste heat from our production processes; we use solar collectors to heat hot water; of course, there are LED lights, sorted waste, and much more.

Our goal is to contribute to the protection of the environment by providing products and services that respect the principles of sustainable development.

We want to be a respected partner, and therefore we consistently develop relations with the public, surrounding municipalities, and state administration bodies on the principle of open communication, good neighborly relations, and cooperation. Examples of this are our regular social assistance to non-profit organizations as well as private individuals, a benefit program for employees, cooperation with a protected landscape area, etc.

Thanks to the continuous improvement of the indicators above, our company is the owner of four main certificates ISO 9001, ISO 14001, ČSN ISO 45001, and ČSN EN ISO 50001.

**„We care for environment,
we are part of it.“**



Events of the year



SEPTEMBER

JANUARY

On the January 12, a meeting of Sklopísek TOP MGMT with important suppliers took place, at which the actions of suppliers implemented in the previous year were evaluated.

FEBRUARY

During the month of February, a fundraiser was announced to help the Ukraine affected by the war, and we sent a non-negligible amount, which was donated by the employees and the Company itself, to the People in Need Foundation.

MARCH

At the beginning of March, KPMG Česká republika Audit, s. r. o. conducted a closure financial audit in Sklopísek. The Company's business performance was found to be in full compliance with Czech accounting regulations.

On the March 15, a presentation day was held, where members of TOP MGMT and selected workers gave their presentations to evaluate the previous year and familiarize the attendees with the tasks set for 2022. Ing. Pavel Šedlbauer (Chairman of the Board of Directors) and Ing. Jiří Iša (Chairman of the Supervisory Board) also accepted the invitation to this event.

APRIL

On the April 11, we were visited by students and the representatives of the Faculty of Mining and Geology of the Technical University in Ostrava.

An article about our Company as a long-term and reliable supplier of glass sand for the production of flat glass was published in the April edition of the internal magazine AGC AUTOMOTIVE CZECH entitled "Fragments".

MAY

After a three-year involuntary break caused by the coronavirus pandemic, the meeting of the Board of Directors and the General Meeting took place again in Sklopísek on the May 5.

On the May 31, a meeting was held with the General Director, where the employees were given up-to-date information about the course of the May meeting of the Board of Directors, the measures taken regarding energy price increases, and the Company's future prospects.

JUNE

On the June 14, the ceremonial opening of the mill No. 3 took place at the Company's premises. Despite the Covid pandemic and the ever-increasing cost of energy and materials, we managed to complete the third mill on schedule. The opening ceremony was attended by a number of special guests, including Bc. Martin Půta (Governor of the Liberec region), Ing. Martin Štemberka, Ph.D. (Chairman of the Czech Mining Authority), Mgr. Pavel Kavina, Ph.D. (Director of the Department of Raw Materials Policy of the Ministry of Industry and Trade), Pavel Šedlbauer (Chairman of the Board of Directors) and Ing. Jiří Iša (Chairman of the Supervisory Board).

On the June 18, the traditional "Employee Day" took place. In addition to the tour of the Company with expert presentations given by the guides, a demonstration of mining in the quarry, mining techniques, a glass furnace, horse rides, and rich catering were a big attraction. 400 people took part in that event.

JULY – AUGUST

During the summer months, the spot prices of electricity and gas climbed to unimaginable heights. The prices of these commodities were approximately 10 times higher than in the past. We were forced to react to this situation by raising sales prices.



JUNE

Events of the year

SEPTEMBER

As a general partner, we financially supported the Gala Concert held on the September 2 in the Church of St. John the Baptist in Újezd pod Troskami. The phenomenal singer Bára Basiková performed for us together with Karolína Cingrošová, accompanied by the piano.

On the September 13, we had an important visit consisting of geologists from EU countries. As part of the “Raw Materials Security of Europe” conference, which took place in Prague on the occasion of our presidency of the Council of the EU, a meeting and tour of our Company took place. The visit was met with great interest. The attendees appreciated our policy of sustainability and environmental protection.

OCTOBER

On the October 18, the Company held a meeting of the Board of Directors and an extraordinary General Meeting.

On the October 19 and 20, a supervisory audit was carried out by Bureau Veritas in Sklopísek.

NOVEMBER

On the November 12, we already supported the 21st fundraiser of APROPO o. p. s., which took place at the Masaryk Theater in Jičín.

On Wednesday, the November 30, the Company held a meeting with the mayors and deputy mayors of the surrounding municipalities. The representatives of the municipalities were introduced to our activities and plans for 2023, and the possibilities of mutual cooperation were discussed.

DECEMBER

On the December 16, after a two-year break, a Christmas party was held at the Masaryk Theater in Jičín, where, in addition to a rich cultural program, our employees were also awarded for their loyalty to the Company.



NOVEMBER



DECEMBER

Business activity

Occupational health and safety (OHS) and fire prevention

In year 2022, we were still struggling with Covid. Employees were limited in their work in the form of anti-Covid rules, and on the basis of extraordinary government regulations, we introduced a widespread company testing, which we supplemented with PCR testing in cooperation with nurses from the Jičín hospital. We actively participated in vaccination education, which we also supported in the form of benefits.

For the crisis solution of future epidemics, we have developed a Pandemic Plan, which sets out the procedures, organization and solution of a viral or other biological pandemic in the Company. The main objective of the Pandemic Plan is to mitigate the expected health, social and economic consequences in the event of a pandemic.

Our goal is to maintain a safe workplace and protect the health of employees, which is why we constantly strive to develop employees' education and awareness. In addition to a whole range of OHS and FP, IMS, EnMS and EMS training courses, we also train preventive health and fire wardens. Last year, we managed to train all employees in the correct procedures for performing resuscitation and using an automated external defibrillator.

Keeping a set, albeit high, level of a safe working environment is not enough, which is why we have introduced a safety superstructure, namely the LOTO system. Affected workers were equipped with personal locks and LOTO components needed to ensure their personal safety while repairing important machinery.

The fact that in 2022 there were only six minor work-related accidents not requiring medical treatment and only one light

work-related injury involving a sprained ankle resulted in incapacity for work testifies the responsibility of employees and a safe working environment.

Our goal is to increase safety standards and protect the health of employees, because:

„Occupational health & safety always come first!“

Business activity

Mining

The mining works carried out in 2022 continued in systematic selective mining of glass sand and foundry sand demanded by the customers. The carefully planned progress of mining of the deposit manifested itself during the year when we were able to respond flexibly to the needs of new market. At the same time, we were able to provide a sufficient amount of quality fine-grained products with a low content of Fe_2O_3 . During the mining of glass and foundry sand, emphasis was placed on the optimal use of the raw material according to the Fe_2O_3 content and grain size range. An appropriately chosen type of raw material for a given production is a fundamental element in increasing the lifespan of the mining deposit and optimal use of all glass and foundry sands. According to the plan of reclamation and remediation, overburden material was deposited on the inner dump, which consists of overburden and hard sandstone positions.

Noise, seismic and dust measurement

Constant monitoring of seismic effects of blasting works did not show exceeding the permissible hygienic regulations set for the monitored objects according to EN 730040. The results meet the required values and are twenty times lower than the set limit. Regular washing and maintenance of roads and parking places in the plant area and in the quarry met another of the conditions of the mining activity permit. A sweeping truck does the cleaning work, which greatly helps to reduce dust on the company's premises, and at the same time by a sprinkler truck, which is supplemented by permanent sprinkler points where there is a higher frequency of movement of machines.

Groundwater and surface water protection

A subcontracting company ensured continuous monitoring of surface and underground water in close and wide area around the deposit. The aim was to forecast the development of the groundwater level in objects to supply the population. In 2022, monitoring again did not show a decrease in water.

“Efficient and environmentally friendly mining – our priority.”

Business activity

Production and refining sands

In terms of production of silica sands, we are one of the largest suppliers in Central Europe. Even in 2022, we continued our efforts to improve the quality of our products and re-invest considerable funds in new technologies and equipment to increase work productivity.

Similar to all branches of industry, our Company was also hit by a sharp increase in energy prices, which directly enter into the costs of our production. However, we tried to cope even with such unfavourable impacts. The maximum emphasis was put primarily on the optimization of the production processes, the synchronization of production lines and their maximum flexibility with a stress laid on the greatest possible reduction of costs, especially targeted savings in energy consumption, which we succeeded in the final evaluation.

We put into operation the new mill No. 3, which confirmed our expectations with its performance and product quality and significantly increased the quality of the sand. With this step, we have placed ourselves among the top producers who are engaged in the production of ground quartz.

However, we did not only focus on projects that bring profit and productivity, but we also invested in the continuous improvement of the working environment. These included the installation of additional filtration equipment in the operation of dehycentre and the crushing technology.

This means, that the dust particles do not burden the environment, but on the contrary, we have found opportunities to use them for further processing.

“We improve the quality of production processes with a strong emphasis on the sustainability of our environment.”

Business activity

Technical support

Investments

The most significant event in 2022 was the investment project of the new mill No. 3. Thus, the 3-year construction of mill No. 3 was completed, which was preceded by the completion of two new containers for the ground product. Part of the project was the construction of new transport routes, which significantly shortened the time of crossing between individual products and thus greatly improved the economy of milling in all the Company's mills.

Another significant investment was the replacement of the sorters for the operation of the wet treatment plant. It was a simple replacement of the equipment at the end of its lifespan, which will allow the production department to increase the production of wet sand and will bring a reduction in maintenance costs to the technical department.

The new spectrometer that replaced the previous version and is able to measure low-iron sand helps us to achieve "Quality in every grain", as the motto of our Company says.

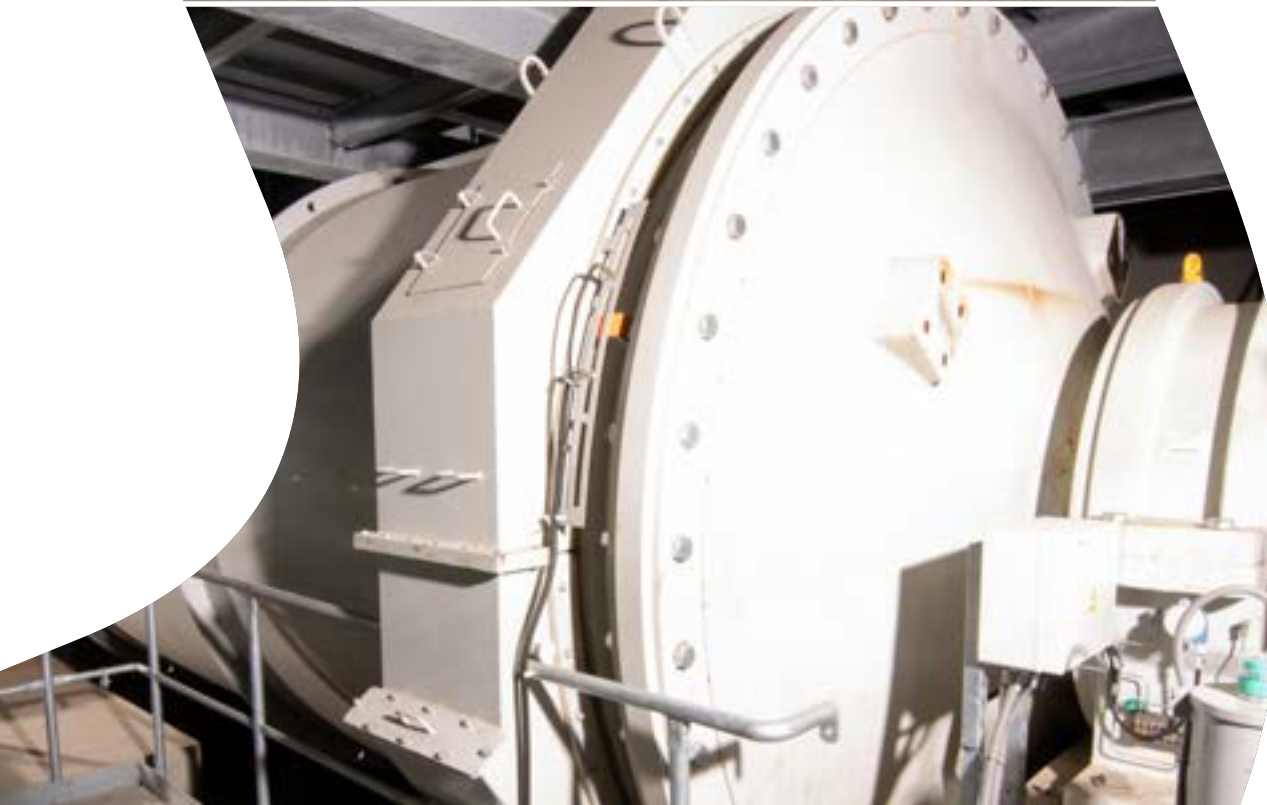
In connection with the unfavorable development of energy prices, the Company Board of Directors decided to implement two projects – the installation of a dual-fuel burner for drying sand that is a combination of extra light heating oil and natural gas and the construction of a photovoltaic power plant. The installation of the burner for the dryer was successfully completed at the end of 2022 and tested in trial operation with success. Thus, our customers are assured of supplies of dried and ground sand even in the event of outages or cessation of natural gas supplies. A photovoltaic power plant will be implemented in 2023.

Supporting Processes

The work of mechanical maintenance and electrical maintenance was planned from the point of view of important events of a larger scale, and its detailed report was kept in the information system. The prevention prescription, the management of service interventions and the report of activities of individual workers have become a common element of maintenance work.

The skyrocketing increase in energy prices has started new considerations about energy-saving projects, which, when compared to the past, obtain diametrically better return parameters than before. The EnMS team, which is in charge of monitoring and efficient consumption of all energy, dealt with, among other things, heat recovery during sand drying. During the supervisory audit, we successfully retained the ČSN EN ISO 50 001:2019 standard.

| **“Nothing will stop us.”**



Business activity

Trade

It looked like 2022 would be calmer than the previous two “Covid” years. Unfortunately, that did not happen. The year 2022, with its unexpected and turbulent changes, set a downright frantic pace in increasing input prices, which touched all areas of industry and everyday life. At the very beginning of the year, we were caught off guard by the war in Ukraine, which fundamentally affected commodity markets and raw material prices and disrupted already damaged supply chains.

Another big blow to the economy included the unexpectedly astronomical energy prices, especially in the second half of the year, accompanied by increasing inflation. Therefore, we were forced to take “unpopular” steps and increase the selling prices of sand. By the end of the year, the situation was more stable and we moved into the next year without significant trading losses.

We can evaluate the continuing sales of low-iron “PREMIUM SAND” as successful. The year-on-year increase in the share of rail transport was also positive, namely by a significant 50,000 t.

**“Even in a crisis,
you can count on us.”**

Business activity

Awareness of responsibility

Our Company is based on the principles of free and transparent business and social responsibility, which is reflected in all areas of the Company's life and its contact with business partners, the immediate environment, and the general public. In the immediate vicinity of our Company, we focused our support mainly on children, charity, schools, kindergartens, after-school activities and sports associations, cultural events and initiatives focused on social care and help with returning to life.

Shortly after the outbreak of the war in Ukraine, we donated a significant amount of money to the People in Need Foundation, which included a collection from our employees to help Ukraine. We helped ten Ukrainian children from Sobotka Primary School by paying for their lunches.

For example, the seniors in the Retirement Home in Libošovice greatly appreciated the new reclining beds, purchased thanks to our funds. We continued the "Seating for Tourists" project – construction of another lookout, this time in Újezd pod Troskami. We also supported the local War Museum, which is widely visited by tourists.

|"We help where needed."



Company management



Zdeněk Müller
Head of the technical department

Zdeněk Novotný
Head of the sales department

Lukáš Horák
Head of the mining department

Petr Hübner
Managing Director

Pavel Novák
Head of the production department

Jiří Veselka
Head of the finance department

Statutory bodies

As of 31 December 2022:

Board of Directors

Chairman: Pavel Šedlbauer
Member: Otto Lorenz Hieber
Member: Mark Christopher James until 31 October 2022
Member: Hugo Antoine R. Vandormael from 1 November 2022
Member: Eduardo Percebal Sainz until 31 October 2022
Member: Stefano Maccioni from 1 November 2022
Member: Jiří Mašek

Supervisory Board

Chairman: Jiří Iša
Member: Ladislav Vostárek
Member: Miroslava Marková

Sklopísek Střeleč, a. s. has no branch or other part of its business activities abroad.



Summary of Economic development and Subsequent Events

As a result of the difficult-to-predict development of the energy situation in the Czech Republic, the Company already in 2022 took fundamental measures regarding adaptability to the development of this economic recession with the aim to pass through this period with expected profitability. Thanks to these measures, the Company copes with difficult times still as a prosperous company, which can face all unpleasant circumstances, which often cannot be predicted. A clear example was the astronomical price of electricity and gas in the summer months, which also significantly increased the prices of our suppliers.

The use of the going concern assumption is still considered appropriate by the company management for the following reasons:

- The Company has set cost-saving measures, e.g. limited heating, careful monitoring of unnecessary expenses, energy savings, increasing work productivity.
- As an alternative to gas drying, the Company uses extra light heating oil.
- The Company has a photovoltaic project in progress covering placement of photovoltaic panels on buildings in our site.
- The company has sufficient supplies and human resources to ensure its operations.
- The company is able to respond appropriately to rising input prices by increasing sales prices adequately and reducing selected operating costs in a targeted manner.

- The company has sufficient funds to cover its liabilities, even if the current situation lasts for a longer period.

- The company has no loans received.

- The company has been profitable in the long term. The amount of capital is documented in the accompanying financial statements.

As a result, the financial statements as up to 31 December 2022 have been prepared on the assumption that the company will be able to pursue its business activities in the future.

There were no events as of the date of preparation of the annual report that could affect significantly the financial statements prepared as up to 31 December 2022.