



ZKL GROUP

ANNUAL REPORT

2021

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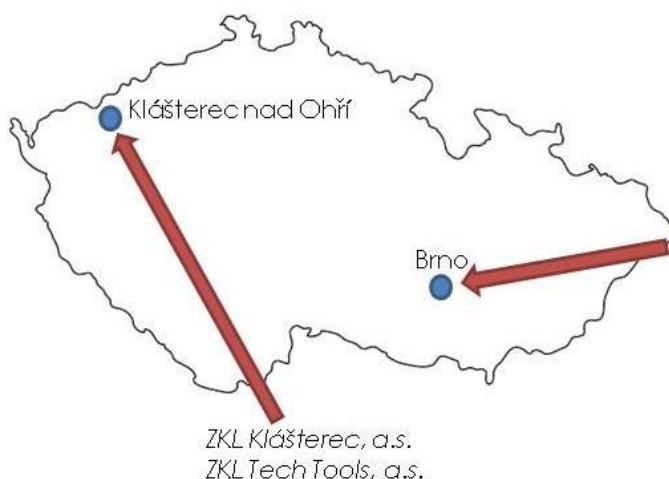
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About the company

ZKL Group is a result of the integration of the Czech bearing industry with over a seventy years' tradition providing research, development, manufacturing and sales of ZKL bearings. The establishment of the Group dates back to 1 July 1999. Today, ZKL Group is the biggest manufacturer of large-scale spherical-roller, special and split bearings in Central Europe.

ZKL Group integrates two manufacturing plants in Brno and Klášterec nad Ohří, and also specialized joint stock companies ZKL - Výzkum a vývoj, a.s. (ZKL - Research and Development), and business company ZKL Bearings CZ, a.s. Thanks to our own research and development, ZKL is able to analyse the internal geometry of roller bearings, perform calculations of contact stress and improve the parameters of roller bearings of all types. Research and development also address the innovation process technical development projects and the extension of the product range.

ZKL has been a well-proven and reliable supplier holding certifications for a number of industrial enterprises. The manufactured range of both standard and special bearings of the ZKL brand fulfils the most demanding customer requirements in a wide field of individual industries, such as metallurgy, power engineering, heavy engineering, mining and processing of raw materials, automotive, transport, agriculture and many others.



ZKL Group - Brno

ZKL Bearings CZ, a.s.

ZKL Brno, a.s.

ZKL Výzkum a vývoj, a.s.

ZKL Tech Tools, a.s.

ZKL Reality, s.r.o.

Introductory word of CEO

Dear business partners,

In 2021, we expected an economic recovery related to the release of restrictions and various measures of the Czech Government due to the effects of the COVID-19 pandemic.

As we all know, the new forms of the virus did not lead to eliminating of restrictions. In addition, in the second half of 2021 we faced problems due to illnesses, “lockdowns” abroad with the consequences of delays in the supply of production materials, the rising energy prices and the associated inflation. Taking into account these characteristics of the state of the Czech and world economy, the results for 2021 are ultimately extremely positive, as shown in the following table.



Parametres	2019 reality	2020 reality	2021 reality	Index 2021/2020	2022 plan
Sales (in thousand CZK)	1 112 304	1 183 304	1 352 867	1,14	1 359 161
Added value (in thousand CZK)	439 329	434 119	494 099	1,14	472 824
EBITDA (in thousand CZK)	158 642	159 388	190 860	1,20	163 991
Productivity (Added value / Personal costs)	1,41	1,40	1,51	1,08	1,36

The reason for this development is the fulfilment of our growth strategy of the company, both in the field of production of rolling bearings, especially large-scale ones, and in the field of real estate business, which is covered by our 100% owned subsidiary, ZKL Reality, s.r.o.

In the field of bearings, bearings for wind energy and rail transport have been an important growth factor. In the field of real estate, it was the construction of an apartment building with about 50 residential units in the city of Brno and about 25 apartments in Klášterec nad Ohří.

In 2022, we would like to follow up on the results of 2021. However, at the time of writing, Europe, and I think the whole world, has found itself in a crisis caused by the conflict between the Russian Federation and Ukraine. This situation has a direct impact on the

extraordinary rise in prices of energy, steel and other basic raw materials and materials for production, and results in double-digit inflation, together with other negative phenomena and risks.

Despite this difficult situation, in 2022, we plan:

- to produce prototypes of innovated bearings for wind power plants with a diameter of about 2,000 mm,
- to complete a multi-purpose industrial building in the premises of ZKL Brno, a.s., in budget costs 50 mil. CZK,
- to modernize technologies for the production of bearings at the companies ZKL Brno, a.s. and ZKL Klášterec nad Ohří, a.s., in budget costs approx. 150 mil. CZK,
- to complete the construction procedure for construction of stage II of an apartment building in Brno, etc.

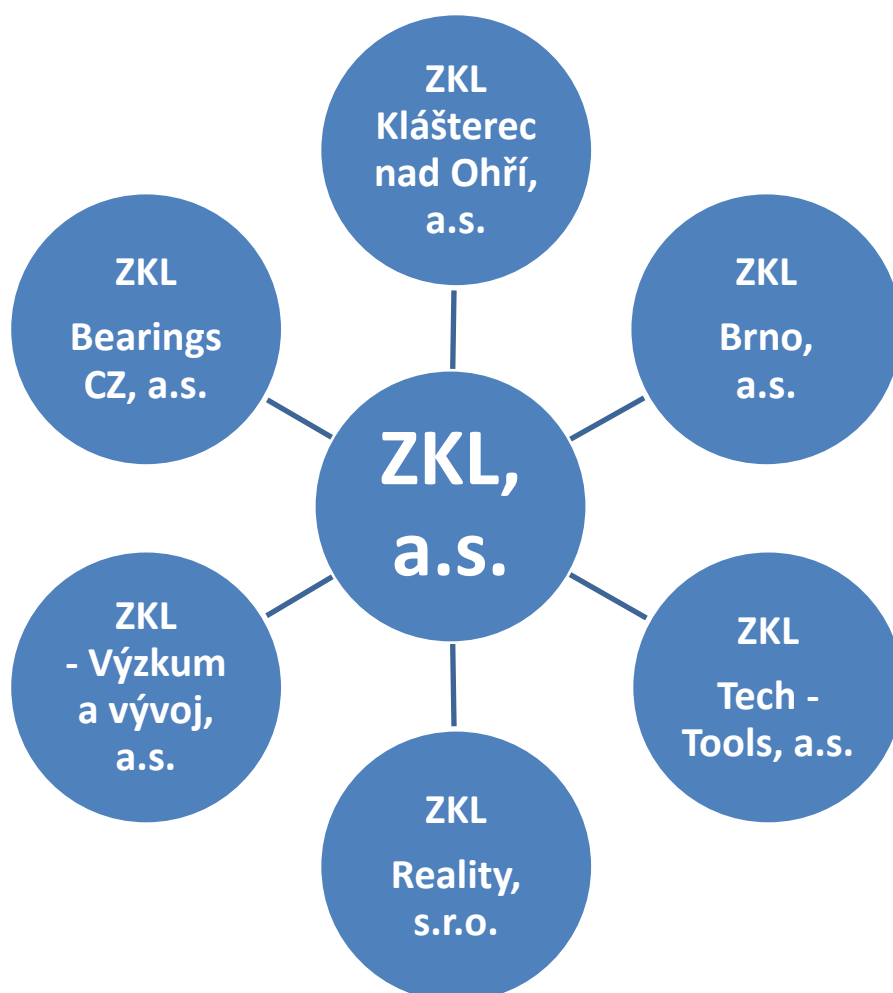
I consider these goals to be realistic, as their fulfilment will support the further development of the prosperity of companies within the ZKL Group.

I would like to thank everyone for their cooperation in 2021, with a view to resolving the crisis in Ukraine and returning to normal business and private life as soon as possible.



Ing. Jiří Prášil, CSc.
CEO ZKL, a.s.

Current organisational scheme



BOARD OF DIRECTORS

Chairman:
Board of members:

Ing. Jiří Prášil, CSc.
Ing. Jiri Prasil
Ing. Jan Otoupalík

ZKL, a.s.

Jedovnická 8, Brno
ID No.: 25568353

Book value: CZK 1 272 234 thousand
Annual turnover: CZK 26 842 thousand

ZKL Brno, a.s.

Trnkova 2969/123, Brno
ID No.: 25507851

Principal activity:
Manufacture of spherical roller, cylindrical roller, tapered and special bearings.
Book value: CZK 987 230 thousand
Annual turnover: CZK 631 502 thousand

ZKL Kladerec nad Ohri, a.s.

Nádražní 214, Klášterec nad Ohří
ID No.: 00152552

Principal activity:
Manufacture of ball, tapered and cylindrical roller bearings up to 400 mm diameter.
Book value: CZK 411 848 thousand
Annual turnover: CZK 430 751 thousand

ZKL-Výzkum a vývoj, a.s.

Jedovnická 8, Brno
ID No.: 25558480

Principal activity:
Development of rolling bearings and special rotary mountings of machines.
Book value: CZK 27 324 thousand
Annual turnover: CZK 21 698 thousand

ZKL Bearings CZ, a.s.

Líšeňská 2828/45, Brno
ID No.: 25088637

Principal activity:
Purchase and sale of rolling bearings.
Book value: CZK 501 868 thousand
Annual turnover: CZK 1 065 592 thousand

ZKL Tech-Tools, a.s.

Osvobozená 215, Klášterec nad Ohří
ID No.: 25400240

Principal activity:
Manufacture of utensils and tools.
Book value: CZK 24 539 thousand
Annual turnover: CZK 19 724 thousand

ZKL Reality, s.r.o.

Jedovnická 8, Brno
ID No.: 25507729

Principal activity:
Rentals and administrative of own or rented estate.
Book value: CZK 703 989 thousand
Annual turnover: CZK 89 831 thousand

Significant investments

In 2021, it was decided that the preparatory works would begin for the revitalization of the original part of Hall 5, the premises of which are no longer suitable for the further development of the technical level of such precise bearing components as rolling elements. The transfer of the grinding mill for the production of rolling elements took place in the already reconstructed Hall 4 and its premises offer everything that can be required from modern production.

As part of the relocation, new premises for a centralized workplace for storing, managing, setting up measuring machines for production were also created. The machines, which were located in areas intended for new production, were relocated to other areas of Hall 4 to maintain and improve the logistics flow of materials.

Subsequently, the actual moving of 54 machines to new premises in Hall 4 was finished. Their location was planned so that the entire technological and production flow was as efficient as possible and the logistics between individual operations were as short as possible. The individual technological operations thus follow up and increase the efficiency of the production process. At the same time, environmental and safety aspects were taken into account when planning new workplaces to increase the comfort and safety of employees and to minimize environmental risks and the burden on operations.



As part of the development of ZKL Brno, the possibilities of expanding the premises with additional production facilities were considered to satisfy the ever-growing demand of our customers for manufactured bearings of ZKL Group. For this reason, the reconstruction of Hall 32 started in 2021, which was not fully used and served only as offices and changing rooms. The modernization was designed for the entire building to reduce the carbon footprint. In 2021, the ground floor was reconstructed, and production facilities were built there. In 2022, the reconstruction of other floors is planned, including the replacement of windows and a new façade.

In the premises of ZKL - Klášterec nad Ohří, ZKL Reality continues to revitalize and modernize the unused buildings. In the second quarter of 2022, the reconstruction of the office part of the previously modernized production Hall 3 and the reconstruction of the garages will be completed. After the reconstruction, income from external entities is expected.

Sales

We evaluate the past year positively, because the company's business plan was fulfilled, despite the complicated situation associated with the COVID-19 pandemic and the worsened situation in international transport. In 2021, we managed to maintain sales growth from previous years, an increase of 10% compared to 2020. The development of sales to the territory of South America and Europe can be assessed positively. However, in 2022, the company faces a number of challenges that may affect the long-term trend of sales growth. Thanks to a stable and very experienced team of employees the company is ready to face these challenges and do everything necessary to enable us to evaluate the year 2022 positively at the end.

Business activities in 2021

OS 41 - LATIN AMERICA

In 2021, in terms of exporting products under ZKL brand, we achieved one of the best business results. In terms of market share, we moved to 4th place in Argentina ahead of the brands of Japanese bearing manufacturers. We also gained new customers in Brazil and Mexico.

OS 42 - SOUTH ASIA

In 2021, a small increase in sales to distribution can be assessed positively. Unfortunately, due to the announced "Make in India" policy, we were unable to maintain sales in the OEM sector which caused a small drop in exports of about 6%. We continue to consider Thailand, Sri Lanka and South Korea as development territories in this area.

OS 43 – NORTHERN EUROPE, THE MIDDLE EAST AND AFRICA

The area of Africa, the Near East and the Middle East is a promising territory for ZKL. After years of economic instability, we achieved excellent business results in 2021, and at the end of the year we also managed to win orders from one of the largest gearbox manufacturers in Turkey. In 2022, we plan to increase turnover in this territory to 120 mil. CZK.

OS 44 - USA, CANADA, FAR EAST

Due to the pandemic, it was not possible to make business trips to the USA and the Far East, and thus business activities were suspended. However, we still evaluate the year 2021 positively.

OS 45 – CZECH REPUBLIC AND SLOVAKIA

In the Czech Republic and Slovakia, we recorded higher sales than in 2020, by 17%. An important aspect for the fulfilment of business plans is the success in the railway segment and the OEM sector in the Czech Republic and Slovakia.

OS 46 – SOUTHERN AND EASTERN EUROPE

Southern and Eastern Europe managed to increase sales by 10%, thus fulfilling the business plan. We perceive the potential for further growth in the railway program and in the segment of special bearings for Automotive.

OS 47 – RUSSIA, UKRAINE, CENTRAL ASIA

Sales in the given territory increased year-on-year. The main driver of sales was Russia and Ukraine, where ZKL has direct representation. ZKL manages to supply both to the OEM sector and through the distribution network.

OS 48 – WESTERN EUROPE

We recorded the highest sales in Western Europe, where we are successful in contracting for the wind industry. Further increase is also evident in Germany, where our local office is successfully cooperating to acquire OEM and EDU customers.

Marketing activities in 2021

Promoting the ZKL brand image's strength

ZKL Group has been continuously working on the development and promotion of its image. Due to the ongoing COVID-19 pandemic, in 2021 we developed mainly activities towards the professional public through online channels. We

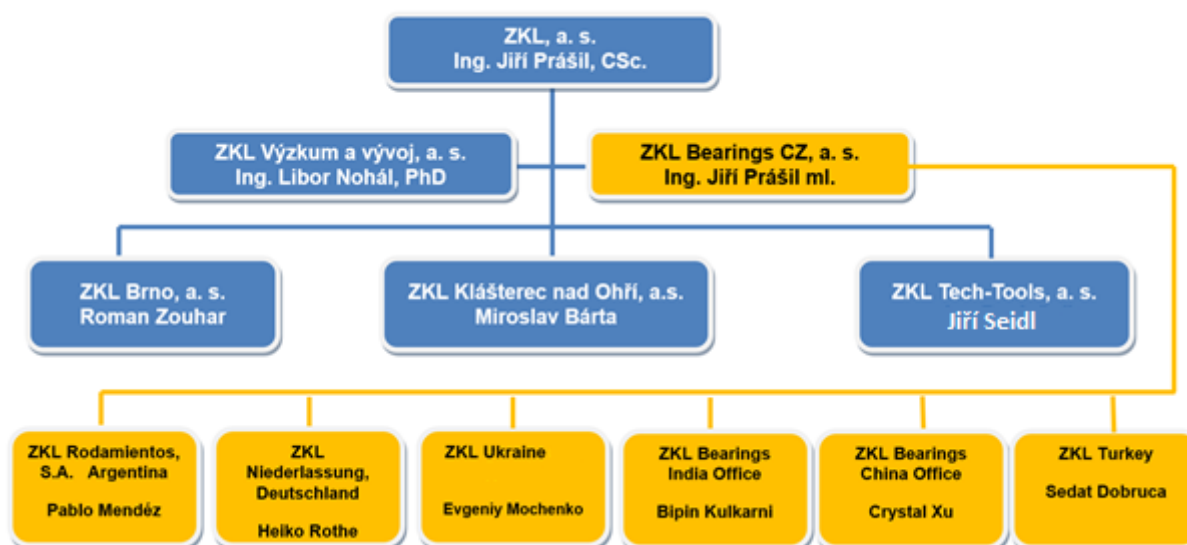


regularly published information on our websites and social networks (LinkedIn, Facebook and YouTube). In 2021, one issue of the company magazine Zetkalák was published and distributed among our employees and business partners. In 2021, our marketing investments were made mostly in the online environment. Thanks to this, we launched our new website at the end of the year, www.zkl.cz.

Regular customer satisfaction survey showed that besides the offered products, customers are increasingly looking for services related to professional consulting services. Flexible response to emerging customer needs is provided by the Technical Sales Support Department, which provides technical solutions in choosing suitable bearings, attendance at assemblies of special large-size bearings or technical trainings for customers and distributors.

Building a branded sales network

ZKL Group has sales offices within six countries around the world: Argentina, China, India, Germany, Ukraine and Turkey. The main activities of the sales offices include support of the distributors in technical issues, promotions, etc. dealing with complaints, and the like.



The ZKL Group's authorised distribution network expands every year and authorised distributors are the main sales channel. ZKL continues to focus on increasing the proportion of customers from primary production, especially in the European Union countries, as well as on increasing the sales to end customers.

Ing. Jiří Prášil
CEO - ZKL Bearings CZ, a.s.

Technological Development, Innovation, Research & Development

In 2021, despite the complicated market situation and logistics due to the disruption of global supply chains, the positive economic development of ZKL Group was achieved. As part of the medium-term plan, investments, modernization of production units and technical development in strategic production segments continued. These are mainly bearings for rail and railway transport, energy with an emphasis on sustainable and ecological operation, large spherical roller bearings, axial spherical roller bearings in the NEW FORCE standard and technologically demanding customer solutions. In 2021, the development of the role of the Technology Centre of ZKL Group, which is an independent subsidiary of ZKL - Výzkum a vývoj, a.s., continued.

The main focus of the company is the management of research and development activities, innovation and technical development in the group. The Technology Centre also oversees all key processes related to technology and quality: it represents a design organization for the entire group, performs the activities of the chief metallurgist and metrologist, provides supervision at the group level within the management of the integrated quality, safety and environment system. It performs tasks in the field of applied research and experimental development, validates new products and technologies, and provides application, expert and professional activities. In cooperation with highly professional and experienced workers from manufacturing facilities, the ZKL Group is able to develop bearings with high utility properties and optimize the manufacturing production processes, so that the manufactured bearings fully satisfy the needs of customers even in the most demanding applications.

Innovation management is implemented through a technical and production development plan of that is integrated into the financial plan of the ZKL Group.



Costs that the ZKL Group invests in the technological development in the year-to-year comparison are shown in the following table (values stated in thousands CZK):

	2013	2014	2015	2016	2017	2018	2019	2020	2021
ZKL Brno ¹⁾	35,116	33,095	13,551	4,549	28,612	54,555	44,486	37,361	30,066
ZKL Klášterec nad Ohří ¹⁾	10,254	8,116	8,866	12,270	12,576	11,517	11,159	6,816	7,616
ZKL – Výzkum a vývoj ¹⁾	26,462	21,438	21,223	17,638	20,583	21,481	21,601	22,410	23,472
ZKL Tech-Tools ²⁾	6,248	1,760	4,171	4,171	7,330	7,825	5,505	3,374	5,735
TOTAL	78,080	64,409	47,811	38,628	69,101	95,378	82,751	69,961	66,889
¹⁾ Costs of research and development, ²⁾ Costs of special tools									

In the development and construction of new types of bearings, the ZKL Group uses a combination of long-term company know-how, modern IT technologies and cooperation with top workplaces of VUT in Brno, CEITEC, COMTES-FHT, SVUM, etc. Product design and optimization is software supported by MSC products: PATRAN / MENTAT / MARC, APEX and Adams for analyses of complex structures, kinematic problems and co-simulations. Further calculations are performed with the support of MathCAD software, MESYS, or with the use of own software created on the basis of company know-how. Development process control and design data management takes place in the PTC Windchill system, and PTC Creo software is used to create drawing documentation.

Selection of implemented innovation projects

Bearings for the fan mill of a thermal power plant

As a traditional supplier of rolling bearings for power units, ZKL also participates in the modernization of existing thermal power plants. Although this technology is in decline under the Green Agreement for Europe, it still accounts for a significant share of electricity in the world. The introduction of modern combustion systems makes it possible to reduce emissions of solid pollutants, NO_x and SO₂ by half the original value. An example is the supply of innovated bearings 24180EW33MH TPF 11601-21 and 22264EW33MH TPF 11601-21 intended for a fan mill of a lignite power plant. The bearings must withstand demanding conditions at the limit working speed, loaded by both external loads and unbalanced mill wheels. Thanks to the ZKL development base and new production technologies, we managed to innovate the product according to all customer requirements in the required time.



Expansion of the range of railway axle bearings



This is a double-row tapered roller bearing PLC 810-13.D.2 which is used to store the wheel sets of railway vehicles. The bearing unit has polyamide cages and contains a special lubricant that guarantees lower friction in the bearing with a positive impact on heat generation during operation. The added value of the whole project is the fact that the bearing units are assembled in trains of a European manufacturer, which will be operated in the territory of the Czech Republic within the framework of regional transport.

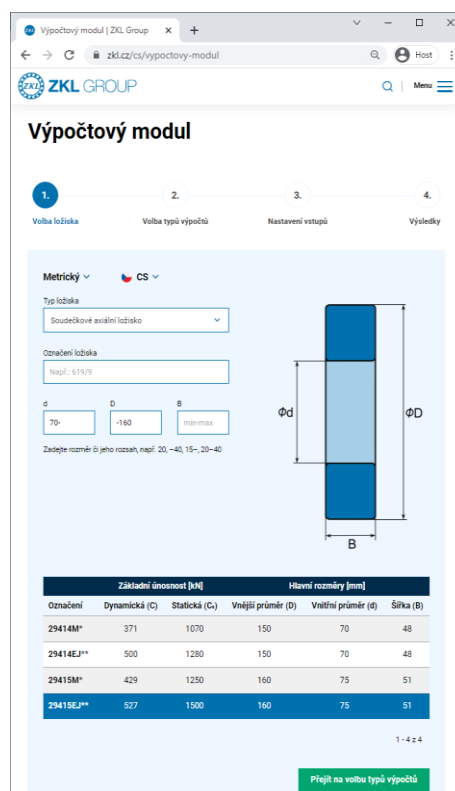
The maximum permissible operating speed of vehicles with these bearings is 160 km/h and the maximum permissible axle load is 18.5 t. The PLC 810-13.D.2 bearing unit meets the current requirements of the TSI and the EN 12080 standard and ensures maintenance-free operation of the train up to 900,000 km.

New web ANALYSIS MODULE for technical analysis of the EoL bearings

Multidisciplinary physical models are needed to understand and simulate events in the bearings. The commercially available software does not work with sufficiently sophisticated models and the development of new bearings required its own physical model of the bearing. That is why ZKL has been developing its own bearing analysis model for several years, the outputs of which the development staff uses to design modern rolling bearings.

As part of improving customer service, the public part of this internally developed and constantly improved computer program was launched on the new website in 2021.

The analysis module allows, for most types of bearings, to calculate the basic durability and basic modified durability according to ISO 281, static safety according to ISO 76, minimum load or error frequencies of parts. For selected bearings, it is possible to calculate the clearance after assembly and the operating clearance (taking into account temperatures).



Označení	Základní únosnost [kN]		Hlavní rozměry [mm]		
	Dynamická (C)	Statická (C ₀)	Vnější průměr (D)	Vnitřní průměr (d)	Šířka (B)
29414M*	371	1070	150	70	48
29414EJ**	500	1280	150	70	48
29415M*	429	1250	160	75	51
29415EJ**	527	1500	160	75	51

The result of development activities in 2021 are innovations implemented in the manufacturing plants of ZKL Group, the most significant product innovations are listed in the following tables:

Innovations in ZKL Brno, a.s.

Tprm	Tprm	Tprm
29420EJ NF	29422EJ NF	29424EJ NF
29428EJ NF	PLC 32-15-02.R3	240/900EW33MH NF
294/500EW631M	24180EW33MH TPF 11601-21	22264EW33MH TPF 11601-21
248/1120EW20MH C2 NF	248/1060EW20MH C2 NF	241/630EW33MH NF

Innovations in ZKL Klášterec nad Ohří, a.s.

Tprm	Tprm	Tprm
51315V TPF 11534-16	51324V TPF 11534-16	PLC 410-17.X
PLC 810-13.D.2	PLC 410-77/78	PLC 810-15.C.1
PLC 31-11-14	PLC 31-10-17	51140M NF
51132M NF	51138M NF	NUP417EMP TM01 TPF 11535-17

In 2021, the activities of research and development in ZKL Group focused, in addition to the catalogue products and customer bearing applications, also on long-term research and development projects of new types of bearings and bearing manufacturing technological processes. These are often addressed in support of research and development of various grant programs.

In the field of development of new types of bearings, e.g. research and development projects were implemented:

- new generation of axial spherical roller bearings,
- bearings for rolling stock drives,
- bearings for the main rotors of wind turbines.

In the field of technology and digitalization of manufacturing, the following projects were implemented, for example:

- automation of manufacturing of sheet metal cages for spherical roller bearings,
- research and development of the influence of machining technology on surface layers,
- research and development of heat treatment of bearings from nano-structured materials.

Ing. Libor Nohál, PhD

CTO and CEO of ZKL – Výzkum a vývoj, a.s.

Quality Management System & Environmental Protection

ZKL Group, profiling itself as a reliable supplier for the most demanding customers, including customers from the energy and railway industries, has been constantly improving and developing its quality management system certified according to EN ISO 9001, expanded by the elements of the ISO/TS 22163 international standard.

The Group management pays great attention to the quality management system and the related learning processes. The implementation of new projects, which aim to increase the level of the working environment and health and safety, increase the quality of workplaces and their high degree of cleanliness, as well as the installation of state-of-the-art production and measuring equipment, also increasing EMS, significantly shifts ZKL's capabilities and product quality. The system has been constantly improved on the basis of the principles formulated in the quality policy and verified by internal, certification and customer audits.

Policy of quality, product safety, environment and work safety of the ZKL Group

In accordance with the strategy of the ZKL Group and the requirements of the ISO 9001, ISO 14001, ISO 45001 and ISO/TS 22163 standards, the top management has adopted a policy of quality, product safety, environment and occupational safety.

To fulfil this policy, the companies of the ZKL Group have committed themselves to implement the following rules and principles:

1. Focus on the customer and other interested parties

- To plan, provide for and use resources to meet the requirements, needs and expectations of customers and other interested parties in the areas of quality, product safety, environment and occupational safety.
- To achieve stable quality, functional safety, operational reliability and environmental friendliness of products.
- To monitor and evaluate the level of customer satisfaction with products and services provided.
- To fulfil legislative obligations and customer requirements.
- To inform customers and relevant interested parties about the system of environmental management and health and safety management in the ZKL Group.
- In cooperation with suppliers, to develop and constantly improve the delivered products and services.
- To involve key suppliers in the process of continuous improvement.
- To initiate the application of environmental management principles by suppliers.

2. Leadership and employee involvement

- To develop the professional competence of employees and motivate them to use their knowledge, abilities and skills to ensure the quality, safety and reliability of produced products and services and to continuously improve the established processes.
- To improve the work and social environment, to reduce environmental impacts and health and safety risks, and to prevent injuries and damage to health.
- To fulfil the policy, to set SMART goals and to meet target values at all levels of the company.
- Through managers and their personal examples, to lead all employees to common goals, teamwork, to increase their awareness, ability and knowledge, and to support their ideas for improvement.
- To work responsibly and flawlessly with consistent self-control of the results of one's own work.

3. Process approach to management

- To implement and apply an effective and efficient system of quality, environment and occupational safety through process management with consideration and risk minimization.
- To determine the policy and goals of all systems in accordance with the strategic intentions of the ZKL Group
- To apply the policy at all levels of the ZKL Group, to specify and evaluate it annually on the basis of setting SMART goals.
- To support the introduction of the best possible technologies that will lead to improved process performance, increased customer satisfaction and reduced risks of environmental and occupational safety impacts.

4. Decision-making based on facts and continuous improvement

- To monitor, measure and analyse qualitative parameters and features of products and performance parameters of the ZKL Group processes. To use the results to set specific goals and measures to ensure continuous improvement of the established quality, environmental and occupational safety systems.
- The quality of the products is based on the awareness of the importance of quality work performed by each employee in the sense of the principle of - "Zero defects".
- To prevent the possibility of emergencies or accidents, the consequences of which could have a negative impact on the environment and the health of employees, by preventing and using relevant opportunities.
- To prioritize the use of materials and processes that contribute to minimizing, eliminating or mitigating the negative impacts on the environment and the work environment.

The state of the ZKL Group's quality management system in 2021

Company	Certificate
ZKL, a.s.	EN ISO 9001:2015
ZKL-Výzkum a vývoj, a.s.	EN ISO 9001:2015
	CTLA
	ISO/TS 22163:2017
ZKL Bearings CZ, a.s.	EN ISO 9001:2015
	ISO/TS 22163:2017
ZKL Brno, a.s.	EN ISO 9001:2015
ZKL Klasterec nad Ohří, a.s.	EN ISO 9001:2015
	EN ISO 14001:2015
	ISO/TS 22163:2017
ZKL Tech-Tools, a.s.	EN ISO 9001:2015

Environmental Protection

ZKL Group pays considerable attention to environmental protection, and the criteria are the requirements of the international standard ISO 14001. The company ZKL Klášterec nad Ohří, a.s. is certified according to the international standard ISO 14001. The principles of environmental management have already become a natural part of all activities aimed at improving the environmental profile of companies.

Strict compliance with the legislative requirements for safeguarding the environment is a matter of course for us. The environmental profile includes all effects arising from the business activities of the companies that have an impact on the environment. Environmental impacts relate not only to pollution but also to consumption of resources - materials, energies and water. The overall consumption of energy, production of waste and packaging materials are carefully monitored and evaluated. The aim of these continuous processes is saving the input resources and savings of the aggregate financial costs depending on the economic performance of the companies.

As part of the product innovations, and in the acquisition of new technologies, we strive for efficient use of energy, protection of the environment and preserving natural resources.

As part of the development of ZKL Group in the field of the environment, the Group's management decided on certification in accordance with EN ISO 14001:2015 for ZKL, a.s., ZKL Bearings CZ, a.s. a ZKL – Výzkum a vývoj, a.s.

Safety at work

ZKL Group provides a safe and healthy workplace for its employees and contractual partners by introducing and enforcing a risk prevention system in all our activities. By respecting company regulations and procedures as well as all relevant laws, ZKL creates a

safe environment. ZKL Group provides the necessary resources for teaching, training and control in order to maintain employees' health and safety at work.

We plan, control and evaluate results in health and safety within internal health and safety audits. Discrepancies from audits are actively eliminated, root causes are analysed and corrective measures are determined in order to eliminate the possible risk of a dangerous situation.

Everyone who works for ZKL is responsible for themselves and others for safe behaviour and reporting of possible risks and near misses. Managers are responsible for meeting OSH requirements by clearly defining responsibilities and obligations, providing appropriate resources and continuously improving OSH performance at ZKL.

As part of the development of ZKL Group in the field of occupational safety and health, the Group's management decided on certification in accordance with ČSN ISO 45001:2018 for ZKL, a.s., ZKL Bearings CZ, a.s. a ZKL – Výzkum a vývoj, a.s.

Tomáš Popek

Quality and EMS Manager of the ZKL Group

Human resources

In the area of human resources and personnel policy management, ZKL Group still places great emphasis on the long-term stabilization of qualified employees in the company. The key objective of the HR policy of ZKL Group is taking advantage of the knowledge and performance potential of own employees. The company strongly encourages all age groups of employees and their personal development and promotes the Group's attractiveness as a generational employer with a long tradition. We have been trying to fulfil this main motto of the ZKL Group's personnel policy for several years.

The year 2021 was a challenging year in the field of human resources and education. Filling jobs required considerable effort, given low unemployment. There were also personnel changes in the personnel department of the parent company. The epidemiological situation and the development of the COVID-19 epidemic have affected the lives of everyone, as well as employees and employers. This year led us to frequent work from home, distance learning and employers also had to adapt to this. It was necessary to use more digital tools needed for remote communication, as well as to use forms of online employee training. We will continue the trend of introducing electronic tools within individual processes (not only personnel) in ZKL Group.

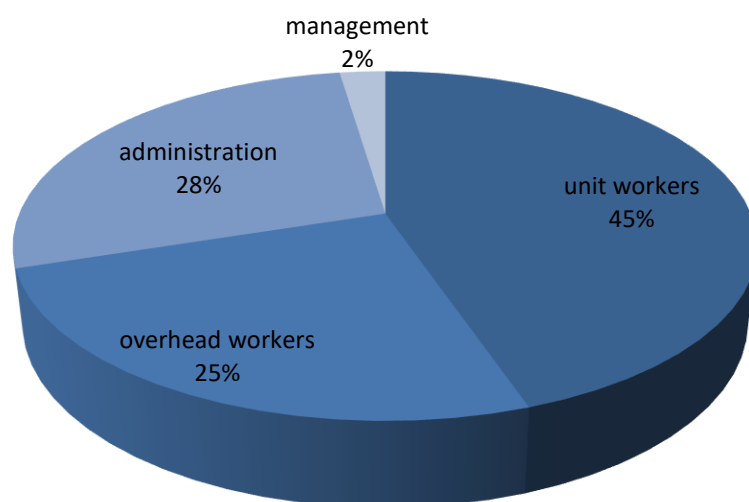
Personnel development

There is a constant optimization of activities, introduction of new technologies or multi-machine service, which increases work productivity with a gradual reduction in the number of employees.

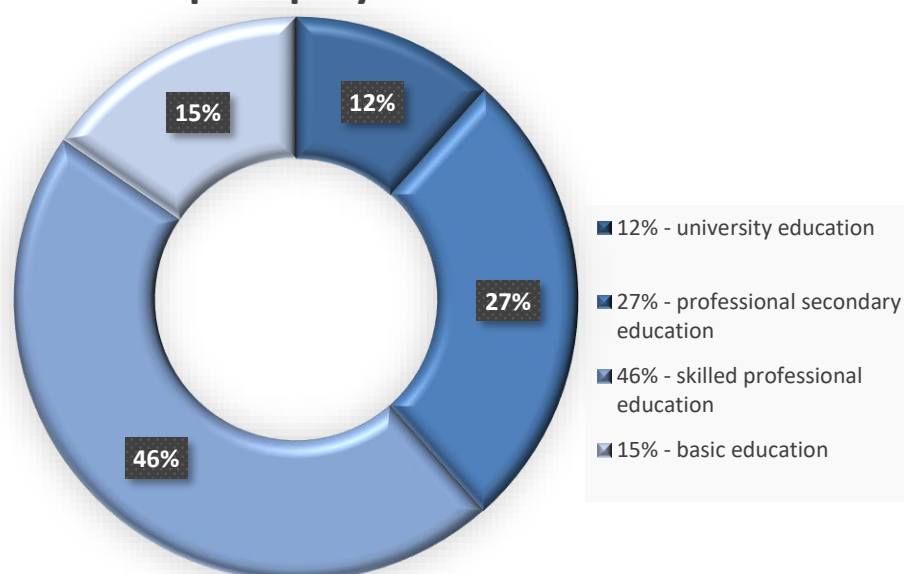
Recalculated number of employees as of 31 December 2021						
Year	2016	2017	2018	2019	2020	2021
Total ZKL Group	749	633	578	579	553	535

Employee structure remains almost identical to the previous period. The total number of employees in the Group accounts for almost 3/4 of employees working directly in the manufacturing.

ZKL Group employee structure in 2021



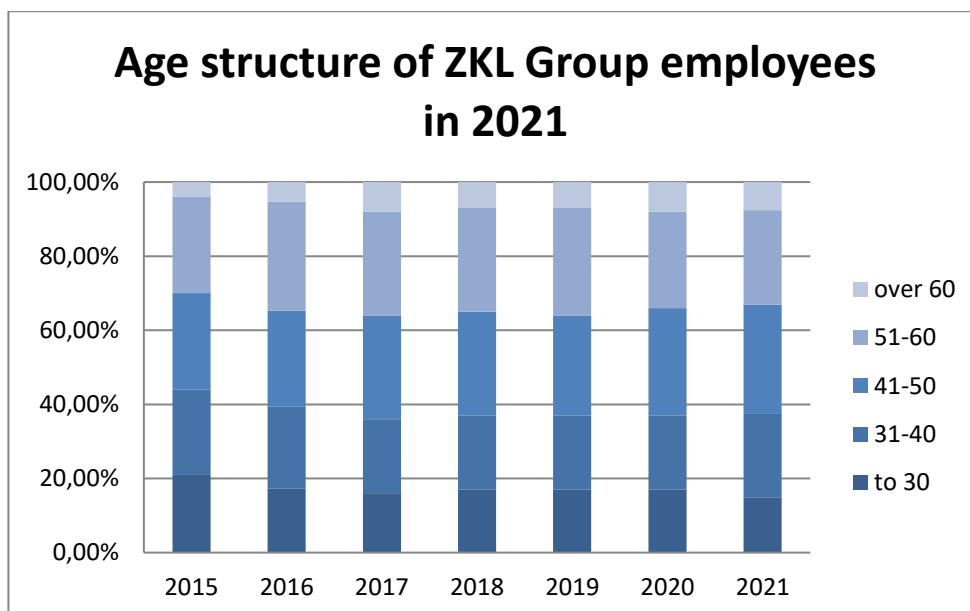
Qualification structure of regular ZKL Group employees in 2021



The educational structure of the Group's employees has remained very similar for several years.

ZKL Group is a traditional Czech generational employer that also builds on a number of experienced employees who share their experience to new young and promising employees. Long-term employees, on the other hand, are accompanied by colleagues that are several generations younger.

In the last 5 years, the age structure of employees has been without major deviations. There is a lasting effort to stabilise employees and it is therefore necessary to take into account the increasing trend in the proportion of employees over 50 years due to natural ageing. There is a lasting effort to stabilise employees and it is therefore necessary to take into account the increasing trend in the proportion of employees over 50 years due to natural ageing.



Education and development of the ZKL Group employees

As mentioned above, staff training and development has been largely influenced by measures related to the COVID-19 pandemic. Many educational courses were cancelled and traditional events such as Family Day or Christmas Party could not take place.

Language courses are an integral part of the training of the ZKL Group employees. In 2021, they were taught in English, Spanish and German. Most of these courses have switched to online teaching so that we do not have to interrupt the courses and education in foreign languages can continue in 2021.

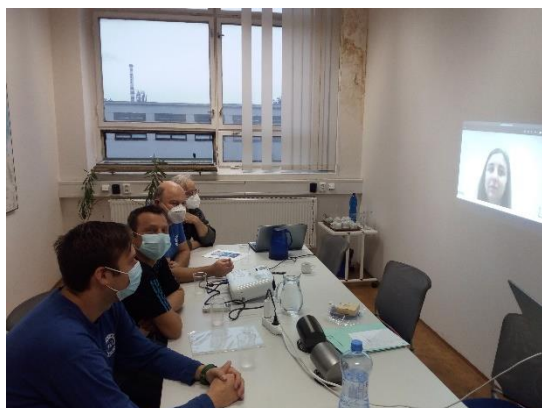


Evropská unie
Evropský sociální fond
Operační program Zaměstnanost

In 2021, the project entitled “Education for Development” continued under reg. no. CZ.03.1.52/0.0/0.0/19_097/0012837, which is co-financed by the European Union in the amount of 85% of the total eligible expenditure. The project focused on the education of regular employees of ZKL Brno, a.s. to improve the competitiveness of the company and increase the professional level of knowledge, skills and competencies of selected employees.

The training took place mainly in soft and managerial skills and technical knowledge. Furthermore, employees were trained in general IT management, accounting, economic and legal courses. The project also planned internal courses in which our employees trained others.

As part of this project, we organized 115 training days last year and 123 employees underwent training.



In June, thanks to the improvement of the epidemiological situation, a traditional cycling trip for the ZKL Group employees took place. This time, the place was chosen near Locket in the Karlovy Vary Region.

The pedestrian route led from Hotel Pupp along the colonnade in Karlovy Vary, through Svatošské skály to Locket. The cyclists drove in the opposite direction and reached the Sokolovsko Region. Despite light rain showers, everyone enjoyed the event and successfully reached the finish line - the hotel with a view of Locket Castle.



Bc. Tereza Ficová
Head of HR Department of ZKL, a.s.

Consolidated financial data

CONSOLIDATED BALANCE SHEET (Figures in CZK thousand) as of 31.12.2021

ID NUMBER
25568353

Business name or
other name of accounting unit

ZKL,a.s.
Registered office, residence or place of
business of the entity

**Jedovnická 2346/8
628 00 Brno - Líšeň**

Item a	ASSETS b	Line No. c	Current period 3	Previous period 4
	TOTAL ASSETS (02+03+41+78)	001	2 328 442	2 275 995
B.	Fixed assets	003	1 371 272	1 366 071
B. I.	Intangible fixed assets (05+06+09+10+11)	004	7 839	9 724
2.	Valuable rights (07+08)	006	6 990	9 724
2.1.	Software	007	6 990	9 724
2.2.	Other valuable rights	008		
5.	Advances for intangible fixed assets and unfinished intangible assets under construction (11+12+13)	011	849	
5.2.	Intangible assets under construction	013	849	
B. II.	Tangible fixed assets (15+18+19+20+24)	014	1 361 256	1 353 798
B. II. 1.	Lands and constructions (16+17)	015	833 960	731 774
1.1.	Lands	016	109 133	110 031
1.2.	Constructions	017	724 827	621 743
2.	Individual movables and groups of movables	018	454 690	526 809
4.	Other tangible fixed assets (21+22+23)	020	136	136
4.3.	Other tangible fixed assets	023	136	136
5.	Advances for tangible fixed asset and tangible fixed assets under construction (25+26)	024	72 470	95 079
5.1.	Advances for tangible fixed assets	025	9 840	290
5.2.	Tangible fixed assets under construction	026	62 630	94 789
B. III.	Long-term financial assets (28+29+30+31+32+33+34)	027	2 177	2 549
B. III. 1.	Investments in subsidiaries	028	2 177	2 549
C.	Current assets (42+50+72+75)	041	944 288	903 473
C. I.	Inventories (43+44+45+48+49)	042	509 647	496 127
C. I. 1.	Raw material	043	117 707	97 385
2.	Work-in-progress and semi-finished products	044	138 707	76 645
3.	Finished products and goods (46+47)	045	252 474	321 299
3.1.	Finished products	046	242 397	310 530
3.2.	Goods	047	10 077	10 769
5.	Prepayment on inventories	049	759	798
C. II.	Receivables (51+61)	050	401 599	368 778
C. II. 1.	Long-term receivables (52+53+54+55+56)	051	10 027	
1.1.	Trade receivables	052	3 021	
1.5.	Other receivables (57+58+59+60)	056	7 006	
1.5.2.	Long-term advances	058	7 006	
2.	Short-term receivables (62+63+64+65)	061	391 572	368 778
2.1.	Trade receivables	062	242 563	268 329
2.4.	Other receivables (66+67+68+69+70+71)	065	149 009	100 449
2.4.3.	Government - tax receivables	068	24 765	26 584
2.4.4.	Short-term advances	069	19 834	17 327
2.4.5.	Estimated accrued revenues	070	11 470	11 202
2.4.6.	Other receivables	071	92 940	45 336
C. IV.	Cash and bank accounts (76+77)	075	33 042	38 568
C. IV. 1.	Cash	076	231	262
2.	Bank accounts	077	32 811	38 306
D.	Prepayments and accrued income (79+80+81)	078	12 882	6 451
D. 1.	Prepaid expenses	079	5 346	6 206
3.	Accrued income	081	7 536	245

Item	LIABILITIES	Line No.	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES (83+108+148+151)	082	2 328 442	2 275 995
A.	Equity (84+88+96+99+102+103)	083	1 185 458	1 001 344
A. I.	Subscribed capital (85+86+87)	084	734 530	734 530
A. I. 1.	Subscribed capital	085	734 530	734 530
A. II.	Share premium and capital reserves (89+90)	088	-14 876	-42 067
A. II. 1.	Share premium	089	1 236	1 236
2.	Capital reserves (91+92+93+94+95)	090	-16 112	-43 303
2.2.	Valuation differences from revaluation of assets and liabilities (+/-)	092	-16 112	-43 303
A. III.	Revenue reserves (97+98)	096	5 455	5 455
A. III. 1.	Other reserve fund	097	5 455	5 455
A. IV.	Retained earnings (+/-) (100+101)	099	361 198	282 533
A. IV. 1.	Undistributed profit or unreimbursed loss of previous years	100	362 423	282 533
2.	Other result of previous years (+/-)	101	-1 225	
A. V.	Profit/loss of current accounting period (+/-)	102	99 151	20 893
B. + C.	LIABILITIES (109+114)	108	1 142 527	1 136 255
B.	Provisions (110+111+112+113)	109	12 455	4 302
2.	Provision for income tax	111	1 028	656
4.	Other provisions	113	11 427	3 646
C.	Payables (115+130)	114	1 130 072	1 131 953
C. I.	Long-term payables (116+119+120+121+122+123+124+125+126)	115	366 986	321 758
2.	Payables to banks	119	242 162	211 611
8.	Deferred tax liabilities	125	46 353	41 062
9.	Other payables (127+128+129)	126	78 471	69 085
9.3.	Other payables	129	78 471	69 085
C. II.	Short-term payables (131+134+135+136+137+138+139+140)	130	763 086	810 195
2.	Payables to banks	134	342 509	369 642
3.	Short-term advances received	135	20 328	4 275
4.	Trade payables	136	256 621	232 710
8.	Other payables (141+142+143+144+145+146+147)	140	143 628	203 568
8.1.	Payables to partners	141	10 993	19 306
8.3.	Payables to employees	143	15 659	13 460
8.4.	Payables to social security and health insurance	144	8 422	7 667
8.5.	Government - tax payables and subsidies	145	11 379	3 244
8.6.	Estimated accrued items	146	17 493	40 275
8.7.	Other payables	147	79 682	119 616
D.	Accruals and deferred (149+150)	148	457	3 675
D. 1.	Accrued expenses	149	334	3 601
2.	Deferred income	150	123	74
E.	Minority equity (102+103+104+105)	151		134 721
E. 1.	Minority basic equity	152		49 528
E. 2.	Minority capital funds	153		-925
E. 3.	Minority profit funds incl. undistributed profit / unpaid loss of last years	154		75 337
E. 4.	Minority economic result of current accounting period	155		10 781

Compiled on:

30.05.2022

Name and signature of the person responsible for the preparation of the financial statements:

Jan Maxa



Name and signature of the statutory body:

Ing. Jiří Prášil, CSc.



PROFIT AND LOSS STATEMENT
(Figures in CZK thousand)
accounting period 01.01.2021 - 31.12.2021

ID NUMBER
25568353

Business name or
other name of accounting unit
ZKL, a.s.
Registered office, residence or place
of business of the entity
Jedovnická 2346/8
628 00 Brno - Líšeň

Item a	TEXT b	Line No. c	Values in accounting period	
			current period 1	previous period 2
I.	Sales of goods and services	01	1 327 429	1 151 008
II.	Sales of goods	02	25 438	32 296
A.	Consumption from production (04+05+06)	03	866 518	726 989
A. 1.	Costs of goods sold	04	21 836	20 086
A. 2.	Consumption of material and energy	05	726 652	596 404
A. 3.	Services	06	118 030	110 499
B.	Increase/decrease in finished goods and in work-in-progress (+/-)	07	-7 391	26 596
C.	Own work capitalized (-)	08	-359	-4 400
D.	Staff costs (10+11)	09	326 824	309 987
D. 1.	Wages and salaries	10	240 002	229 569
D. 2.	Social security and health insurance costs and other costs (12+13)	11	86 822	80 418
D. 2.1.	Social security and health insurance costs	12	78 755	72 427
D. 2.2.	Other social costs	13	8 067	7 991
E.	Adjustment of values in operating activities (15+18+19)	14	72 940	99 069
E. 1.	Adjustment of values of intangible and tangible assets (16+17)	15	98 077	88 171
E. 1.1.	Adjustment of values of intangible and tangible assets - permanent	16	98 077	88 171
E. 2.	Adjustment of values of inventories	18	-1 263	7 663
E. 3.	Adjustment of values of receivables	19	-23 874	3 235
III.	Other operating income (21+22+23)	20	72 089	104 318
III. 1.	Proceeds on sale of fixed assets	21	2 813	26 780
III. 2.	Proceeds on sale of material	22	12 048	9 061
III. 3.	Other operating income	23	57 228	68 477
F.	Other operating expenses (25+26+27+28+29)	24	57 237	43 007
F. 1.	Net book value of fixed assets sold	25	583	
F. 2.	Net book value of material sold	26	9 559	8 826
F. 3.	Taxes and fees relating to operating activities	27	3 650	4 272
F. 4.	Provisions and adjustments relating to operating activities and complex deferred expenses	28	8 382	3 026
F. 5.	Other operating expenses	29	35 063	26 883
*	Profit/loss from operating activities (+/-) (01+02+20-03-07-08-09-14-24-30+31)	32	109 187	86 374
VI.	Interest income and similar income (42+43)	41	104	43
2.	Other interest income and similar income	43	104	43
I.	Adjustment relating to financial activities	44		-19
J.	Interest expense and similar expenses (46+47)	45	15 269	16 100
2.	Other interest expense and similar expenses	47	15 269	16 100
VII.	Other financial revenues	48	77 514	94 768
K.	Other financial expenses	49	58 498	121 110
*	Profit/loss from financial activities (+/-) (33+37+41+48-36-40-44-45-49)	50	3 851	-42 380
**	Profit/loss before tax (+/-) (32+50)	51	113 038	43 994
L.	Income tax (53+54)	52	13 887	12 321
L. 1.	Income tax due	53	9 121	9 395
L. 2.	Income tax deferred (+/-)	54	4 766	2 926
**	Profit/loss after tax (51-52)	55	99 151	31 673
	Profit/loss for the period without Equivalence	57	99 151	31 673
	Economic result of current accounting period without minority shares	58	99 151	20 893
	Minority economic result of current accounting period	59		10 781
	Výsledek hospodaření za účetní období (+/-)	61	99 151	31 673
****	Profit/loss for the period (+/-) (55-56)	62	99 151	31 673
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	63	1 502 574	1 382 433

Compiled on:

30.05.2022

Name and signature of the person responsible for the preparation of the financial statements:

Jan Maxa

Name and signature of the statutory body:

Ing. Jiří Prášil, CSc.

Auditor report



Tel: +420 241 046 111
www.bdo.cz

BDO Audit s. r. o.
V Parku 2316/12
Praha 4 - Chodov
148 00
Czech Republic

This document is an English translation of the Czech auditor's report. Only the Czech version of the report is legally binding.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of ZKL, a.s.

Opinion

We have audited the accompanying consolidated financial statements of ZKL, a.s., with its headquarters at Jedovnická 2346/8, Brno, Czech Republic, IC (Registration Number) 25568353, (hereafter the Company) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2021, the income statement for the period from 1. 1. 2021 to 31. 12. 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and equity of ZKL, a.s. as at 31. 12. 2021 and of the costs, revenues and its profit or loss for the period from 1. 1. 2021 to 31. 12. 2021, in accordance with Czech accounting regulations.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Annual Report

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for this other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge of the company obtained from the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of

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materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that

- the other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information is prepared in compliance with the applicable laws and regulations.

In addition, our responsibility is to report, based on our knowledge and understanding of the Company obtained from the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the consolidated Financial Statements

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Czech accounting regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Brno, on 31 May 2022

Audit firm:

Partner:

BDO Audit s.r.o.

BDO Audit s. r. o.
Certificate No. 018



Oldřich Bartušek
Certificate No. 2256

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