



ZKL GROUP

ZKL GROUP

ANNUAL REPORT

2018

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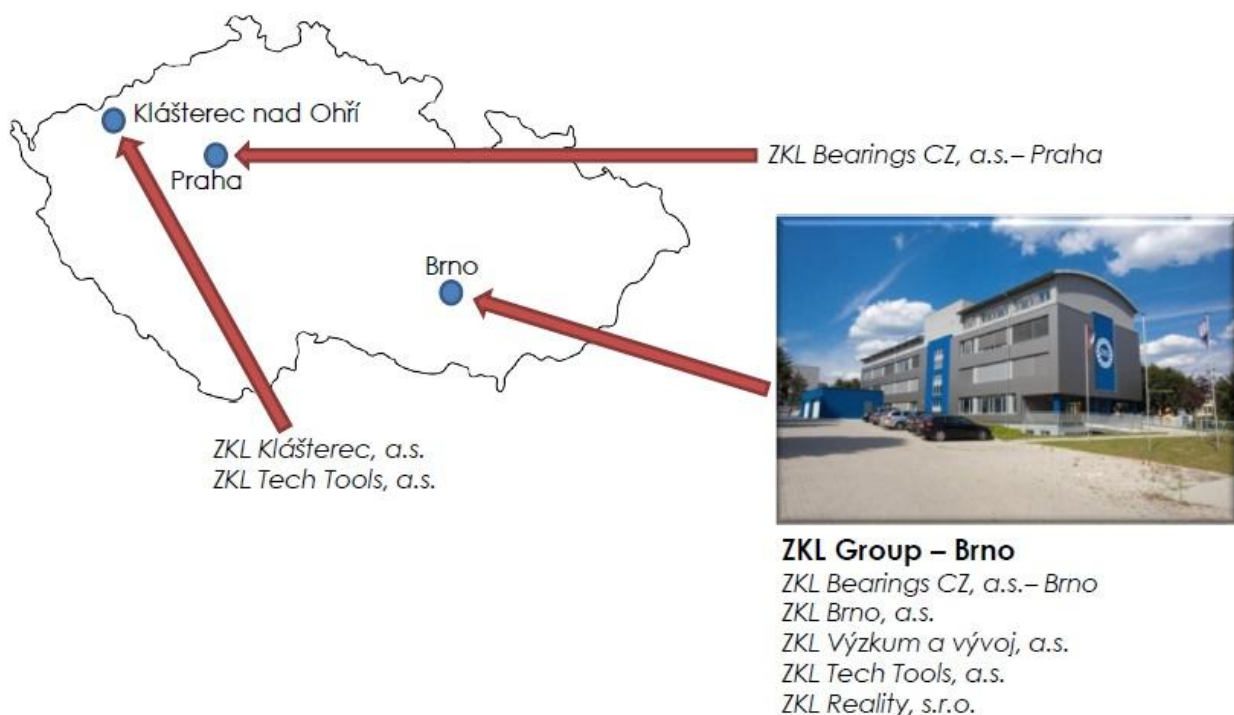
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About the company

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 & Development), and business company ZKL Bearings CZ, a.s. Thanks to our own research and development, ZKL is able to analyze 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 addresses 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.



Introductory word of CEO



Dear business partners,

I am very glad to have the opportunity to greet you at the early summer of 2019, which is associated not only with the preparation for holidays, but also with the release of the ZKL Annual Report for 2018 following the completion of the statutory audit of the annual accounts. The results we have achieved are clear from the review of the basic 2018 indicators compared to 2017.

Indicator	2016	2017	2018	Index 2018/2017	2019 plan
Sales revenues (CZK thousand)	1 068 643	1 053 295	1 068 895	1,01	1 176 997
Operating result (CZK thousand)	-9 393	6 204	39 391	6,35	75 600
EBITDA (CZK thousand)	96 194	122 948	128 333	1,04	164 600
Productivity (Added value / Personnel costs)	1,32	1,30	1,29	0,99	1,47

The comparison shows clearly that in 2018 we improved our results, especially in terms of labour productivity and efficient management of the manufacturing processes. Although labour productivity is by comparison more or less at the same level measured by the added value / personnel costs indicator, it should be noted that the improvement lies in reducing the number of employees, the need for stabilisation by increasing their hourly earnings and new forms of remuneration aimed at supporting the performance of employee. Increase of the earnings of labourer professions was in the order of 15-20% against 2017, both in the ZKL Brno factory and ZKL Klášterec nad Ohří, a.s. Working with employees, their stabilisation and motivation are currently the basis for the success in the engineering business.

In 2018, we created a number of new business opportunities that will impact positively our results in 2019. Among the successful 2018 projects are:

- the design and sale of bearings for concrete mixer truck gearboxes,
- bearings for wind power plants with an output of 5.2 MW,
- railway bearings for locomotives and wagons,
- extension of the range of axial ball bearings up to 400 mm diameter,
- sealed spherical roller bearings for dusty environments.

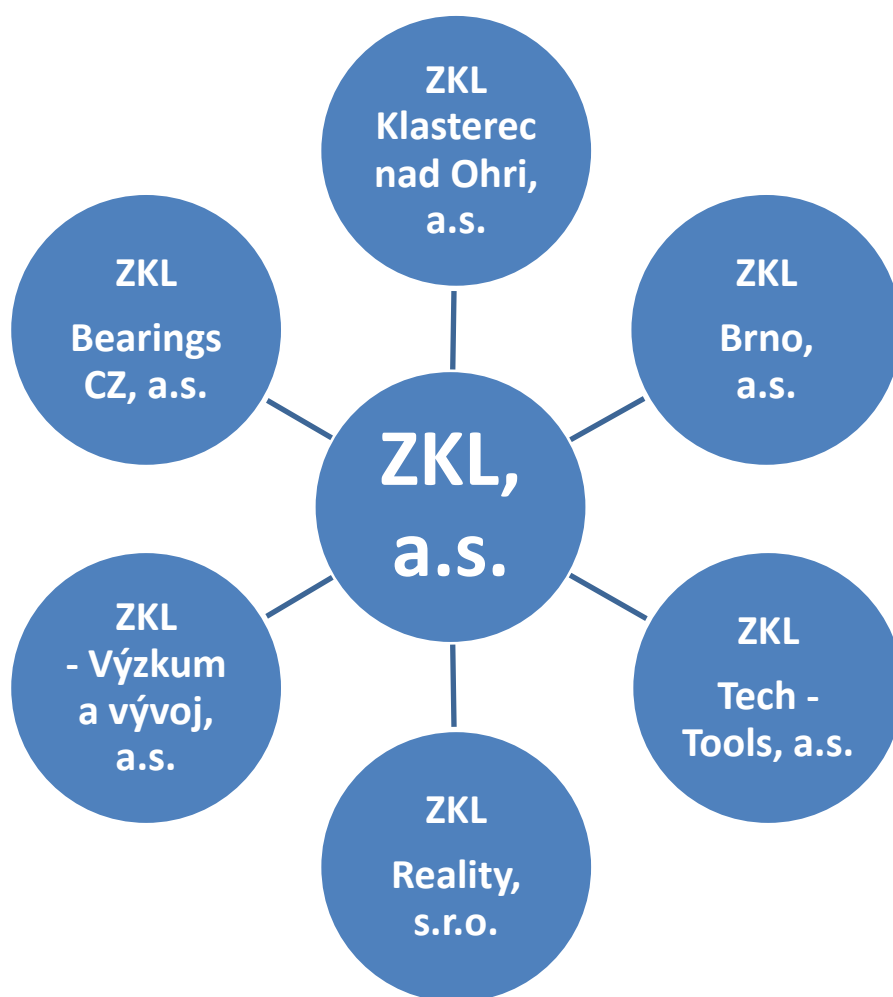
In addition to the development of new projects, it is necessary to mention the investments in new technologies which, apart from new production capacities, bring precision manufacturing and are the basis of growth in labour productivity. In cooperation with software

companies, such as SAP and AV Engineering, we are preparing an automation project involving remote control of machines. The principle is that the machine operator's eyes and surveillance will be replaced with sensors, scanners and other technical means that will watch over the operation of the machine and the process of machining or grinding as such. These proceedings have a common goal, which is to eliminate the shortage of qualified staff technically skilled for work in engineering enterprises, and also attract young technologists to manufacturing plants, thus ensuring the attractiveness of engineering jobs.

The above-mentioned objectives can however be achieved only in cooperation with our customers. Therefore, we appreciate your cooperation at most. We want to increasingly improve our services related to the sales of products, and supply the market with new innovative bearings. In this way, I would like to thank everyone for their cooperation in 2018 with the desire to even broader cooperation in the coming years.

Ing. Jiří Prášil, CSc.
CEO

Current Organisational Scheme



BOARD OF DIRECTORS

Chairman: Ing. Jiří Prášil, PhD.
Board members: Ing. Lada Serreli
Ing. Jan Otoupalík

ZKL, a.s.

Jedovnická 8, Brno
e-mail: head@zkl.cz
ID: 25568353

Book value: CZK 1 095 477 thousand
Annual turnover: CZK 33, 212 thousand

ZKL Brno, a.s.

Trnkova 2969/123, Brno
e-mail: chief@zkl.cz
IČ: 25507851

Principal activity:

Manufacture of spherical roller, cylindrical roller, tapered and special bearings.
Book value: CZK 844, 626 thousand
Annual turnover: CZK 371, 359 thousand

ZKL Klášterec nad Ohří, a.s.

Nádražní 214, Klášterec nad Ohří
e-mail: zkl@zklas.cz
IČ: 00152552

Principal activity:

Manufacture of ball, tapered and cylindrical roller bearings up to 400 mm diameter.
Book value: CZK 514, 525 thousand
Annual turnover: CZK 483, 158 thousand

ZKL-Výzkum a vývoj, a.s.

Jedovnická 8, Brno
e-mail: diroff@zkl.cz
IČ: 25558480

Principal activity:

Development of rolling bearings and special rotary mountings of machines.
Book value: CZK 24, 476 thousand
Annual turnover: CZK 16, 908 thousand

ZKL Bearings CZ, a.s.

Líšeňská 2828/45, Brno
e-mail: zkl@zkl.cz
IČ: 25088637

Principal activity:

Purchase and sale of rolling bearings
Book value: CZK 593, 306 thousand
Annual turnover: CZK 816, 528 thousand

ZKL Tech-Tools, a.s.

Osvobozená 215, Klášterec nad Ohří
e-mail: info@zklnaradi.cz
IČ: 25400240

Principal activity:

Manufacture of utensils and tools.
Book value: CZK 47, 197 thousand
Annual turnover: CZK 35, 059 thousand

ZKL Reality, s.r.o.

Jedovnická 8, Brno
e-mail: uzb@uzb.cz
IČ: 25507729

Principal activity:

Rentals and administrative of own or rented estate.
Book value: CZK 549, 653 thousand
Annual turnover: CZK 75, 453 thousand

Significant investments

The ZKL Group continues to invest in new machinery and technology, and improves its manufacturing processes. The most significant investment in 2018 was the purchase of a new machine for the manufacture of large-size bearings. In the mid of the year, a carousel grinder RVU 1250/125 was installed in ZKL Brno by the French manufacturer BERTHIEZ. This machine, which is designed for grinding bearing rings to a diameter of 1,300 mm, was purchased within the grant project CZ.01.1.02/0.0/0.0/15_014/0001097 Implementation of developed technology of the manufacturing of split and multi-component bearings. The machine configuration, including specially developed technologies, allows grinding of surfaces of bearing rings for spherical-roller, tapered, cylindrical and ball bearings in a high productivity and in compliance with all quality parameters that apply to various types of bearings. Purchasing the machine strengthened and supplemented the existing technologies and significantly increased the technology fleet of ZKL Brno, a.s.



The most significant investments in the ZKL Klášterec nad Ohří, a.s. factory include the acquisition of a new packaging line from IMANPACK. The packaging line consists of two basic technologies: a film wrapping machine MOONLIGHT and packaging in cardboard boxes on machine MCTN 2000. The machines follow the existing manufacturing technology flow, i.e. laser marking, preservation and, at the output then marking wrapped products and their shipping. The introduction of a new line reduces the time and technical difficulties of the operation, conversion and adjustment.



Sales & marketing

In 2018 we managed to increase the sales of bearings by CZK 1.1%. When comparing the billing currencies, the increase was even more significant, specifically by 5.2% in the Euro currency, and by 7.6% in USD. However the company business plan was not met, because it was strongly influenced by external factors. Those occurred in the third quarter, when there was a sharp weakening of foreign currencies (ARS, and TRY INR). Argentina, Turkey and India are the traditional terminal markets for the ZKL brand. In the third quarter of 2018, the exports to these countries slowed by 50%, or even stopped. Due to that situation we however consider the 2018 outcome positive.

2018 Business activities

OS 31 – LATIN AMERICA

The main terminal market is Argentina which in 2018 shared about 70 percent in the total ZKL's exports to Latin America. Argentina thus remains dominant within the Latin America, despite the fact that the imports into the country are still subject to state regulation in the form of import licences. The distributor network is very good and stable. The entire territory was in 2018 affected by an economic crisis in Argentina.

OS 32 – INDIA, SRI LANKA, NEPAL, SOUTH ASIA

There was reorganisation of trade in India when the single-channel sale was changed to multi-channel. In 2018, we managed to export goods worth over CZK 150 million to India despite the weakening of the exchange rate. The proof of a correctly chosen strategy is an increase in the annual sales by more than 30%.

OS 33 - EUROPE, CIS, AFRICA

A significant increase in the 2018 sales to England was realised. Furthermore, we have developed business in Russia, especially in the area of OEM (manufacture of rail vehicles). On the contrary, in the European territory we have currently been losing mostly due to cheap imports from China.

OS 34 - EAST ASIA, USA, CANADA

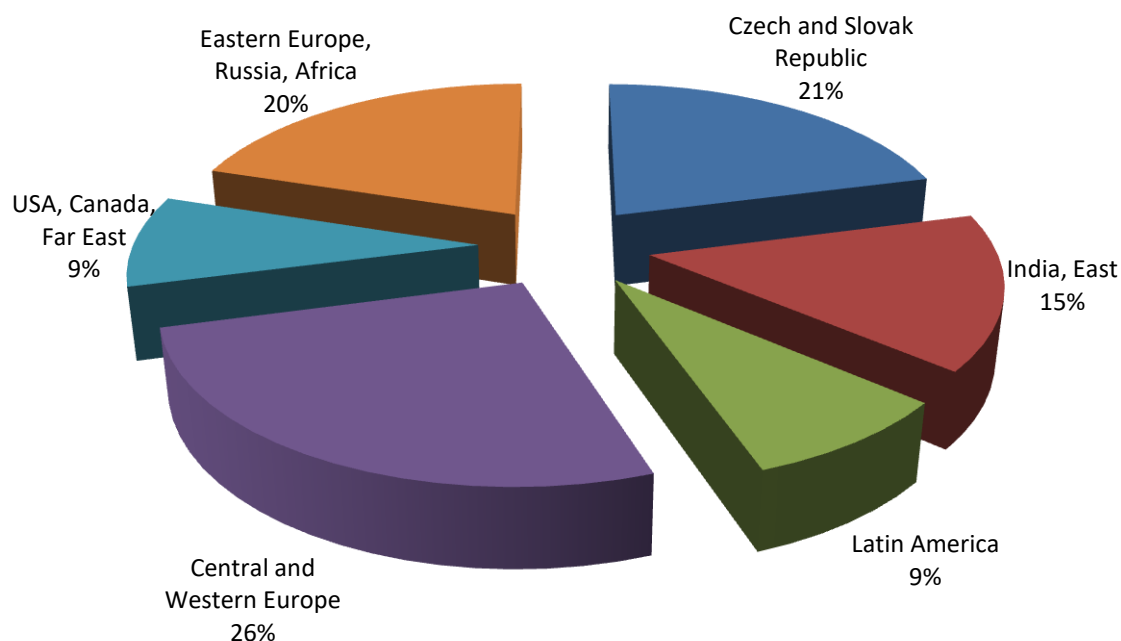
In East Asia, we managed to conclude contracts worth more than 4 million Euro, which provided the basis for 2019. There has also been a little change in the business model which now focuses rather on the end customers and primary producers.

OS 35, OS 36, OS 39 – EU COUNTRIES

Yet the domestic market remains the dominant for ZKL. Unfortunately, the financial situation of the traditional Czech heavy industrial companies, as well as the already

mentioned imports of Chinese merchandise, has negatively reflected in the sales. Positively can be evaluated meeting the business plan above the target in the territory OS 39 - Western Europe and OS 36 - Central Europe (except the Czech Republic and Slovakia), mainly thanks to the OEM wind energy projects.

Distribution of revenues by business groups in 2018 is shown in the following graph:



Promoting the ZKL brand image's strength

The ZKL Group has been continuously working on the development and promotion of its image. ZKL participated in several domestic and foreign fairs, e.g. The EXPOMIN trade fair for the mining industry in Latin America in Chile and EXPOMINA in Peru, the largest rail trade fair in Europe InnoTrans in Berlin, and the traditional MSV in Brno and Czech Raildays in Ostrava.

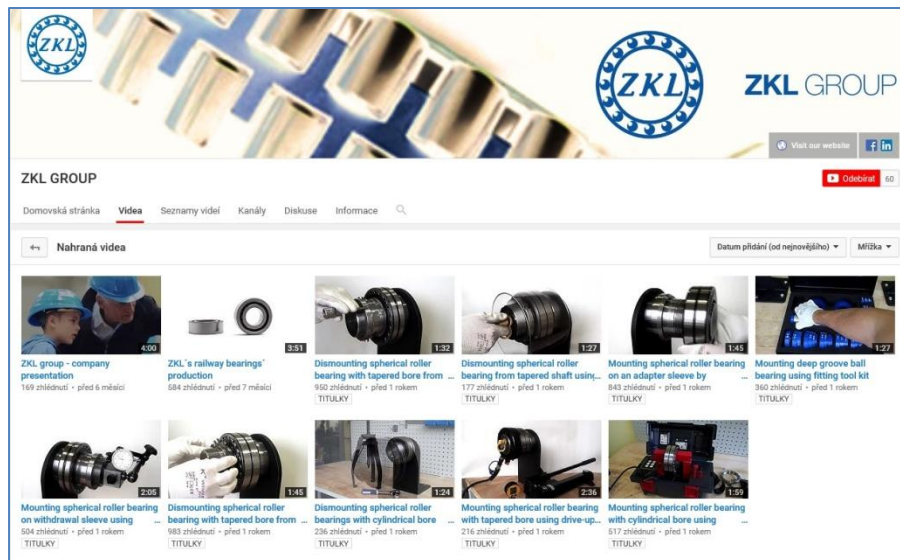


MSV Brno 2018



InnoTrans Berlin 2018

We have developed activities towards the professional community where we started to work more closely with the ZKL company's profile on LinkedIn and Facebook. At the distributors conference videos were presented focused on the appropriate assembly method, and a new video from the manufacture of rolling bearings for the railway programme. These videos are available on a newly created profile on YouTube, and serve as an on-line consultancy for our customers.



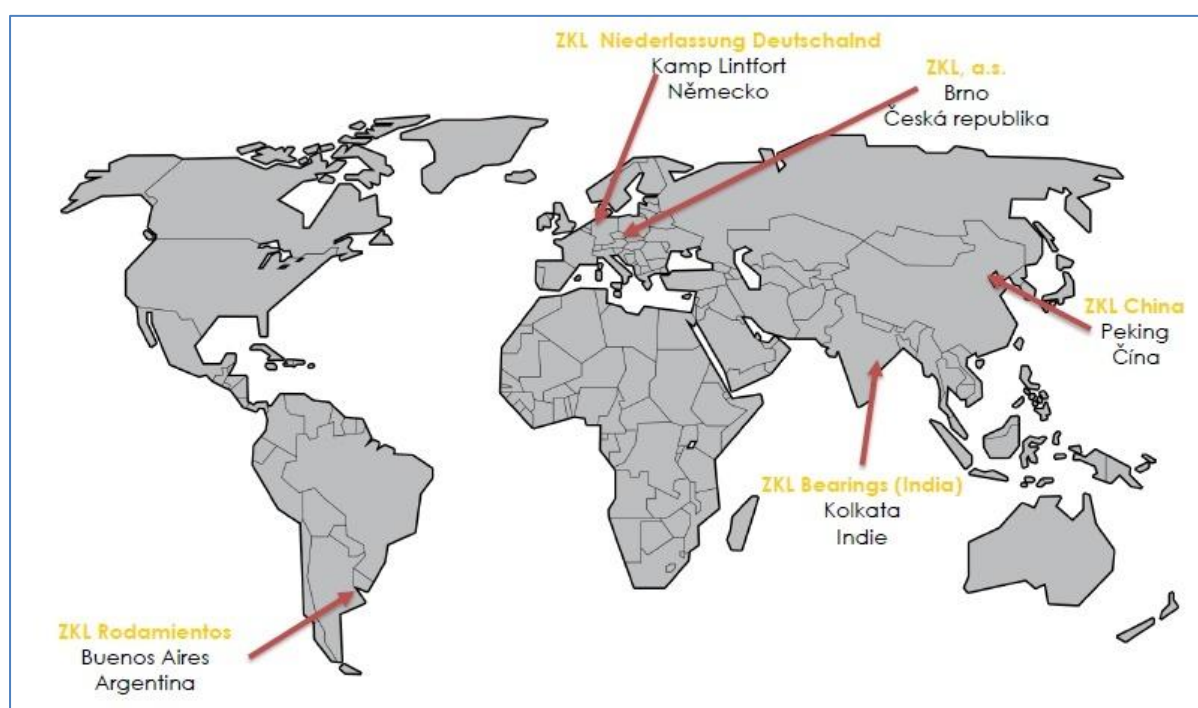
Regular customer satisfaction survey showed that besides the offered products, customers are increasingly looking for services related to professional consulting services. Flexible response to emerging customer needs is provided by the Technical support department, which provides technical solutions in choosing suitable bearings, attendance at assemblies of special large-size bearings or technical trainings for customers and distributors. In 2018, the Technical support department also opened a new training room to be used for training in different assembly methods. Those training courses create a better image of the brand, and increase awareness among the distributors, as well as the end customers or OEM.



Building a branded sales network

ZKL has sales offices in four countries worldwide: Argentina, China, India and Germany. 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

Increasing the competitiveness of the ZKL bearings is significantly affected by the development, designing and implementation of new innovative types of bearings into the production, on one side, and on the other side also by designing new technology processes relating to efficient manufacture of bearings. Innovation management is implemented through a technical and production development plan of (TVR) that is integrated into the financial plan of 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):

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ZKL Brno, a.s. Costs on Research & Development	52,676	63,947	57,850	59,442	35,116	33,095	13,551	4,549	28,612	54,555
ZKL Klasterec nad Ohří, a.s.	3,876	6,620	3,508	11,142	10,254	8,116	8,866	12,270	12,576	11,517
ZKL Výzkum a vývoj, a.s. Costs on Research & Development	18,228	21,449	24,051	31,780	26,462	21,438	21,223	17,638	20,583	21,481
ZKL Tech-Tools, a.s. Costs Special tooling	-	-	-	-	6,248	1,760	4,171	4,171	7,330	7,825
TOTAL	74,780	92,016	85,409	102,364	78,080	64,409	47,811	38,628	69,101	95,378

ZKL Group has its own research and development base, the main bearer of which is ZKL - Výzkum a vývoj, a.s., (Research and Development, jsc), which has a team of experienced design engineers and its own testing laboratory. In cooperation with highly professional and experienced staff of manufacturing facilities, the ZKL Group is able to develop bearings with high performance features, and optimise manufacturing processes so that the manufactured bearings fully satisfy the customers' needs.

In the development and design of new types of bearings, ZKL Group uses a combination of long-term corporate know-how and modern IT technologies. These are in particular the design and optimisation of the internal structure of bearings through FEM calculations using the PATRAN/MENTAT/MARC programme, or calculations made in MathCAD software with custom software created on the basis of the corporate know-how. For the creation of drawings ZKL uses Creo software and design data management is carried out in PTC Windchill system.

In 2018, innovations in the area of regular product range continued, as well as those in the sphere of customer bearings. In the current product range, those innovations involved the introduction of the manufacture of new types of bearings that are based on the existing concept and complement the active range of bearings according to current customer

requirements. Those mainly included radial spherical roller bearings of the performance class New Force, both in the open version and in the version with seals, as well as rail axle bearings.

In addition to the expansion of the existing range of the regular bearings, the ZKL Group also engaged in the area of special bearings that are developed and designed based on the requirements of customers, and are intended for specific projects. There, those included for example cross-split bearings and radial or axial spherical roller bearings of large dimensions, whose internal geometry is specially adapted, so that these bearings can meet the requirements defined by customers. Such bearings are used mainly in power engineering, iron and mining industries.

The outcome of the above activities in 2018 is innovations implemented in the ZKL Group's manufacturing plants listed in the following tables:

Innovations in ZKL Brno, a.s.

Tprm	Tprm	Tprm
22312EW33MH NF	29472EM NF	PLC 62-13-14.R
PLC 512-37.3	PLC 612-44	22228-2RSH TM NF
PLC 62-11-38	232/750CF C2 TPF 11548-17	232/750CF C2 TPF 11555-18
PLC 32-15-02.R	29468EM NF	22252-2RSH TM NF

Innovations in ZKL Klášterec nad Ohří, a.s.

Tprm	Tprm	Tprm
PLC 410-13.2.4	PLC 410-14.2.4	PLC 410-13 TPF 11510-14
PLC 31-10-17	PLC 31-11-14	PLC 411-20
PLC 411-21	B2-2206-2RSN_TM	

In 2018, the activities of research and development in ZKL Group also focused on research and development projects of new types of bearings and bearing production technological processes. In the area of designing new types of bearings, that for example involved development of toroidal roller bearings, a new generation of spherical roller thrust bearings, railway bearings with an extended service interval or sealed spherical roller bearings for heavy duty operations. In improving technological processes, a significant role played the research and development of a technology of splitting bearing rings, the research and development of horizontal pressing of rolling bearing elements, or the development of thermal processing of bearings. These are long-term projects that have been addressed through the research and development support programme of the Ministry of Industry and Trade, the TAČR Epsilon Programme and the Operational Programme Enterprise and Innovation for Competitiveness.

Ing. Jiří Šafek
CEO – 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 automotive 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 IRIS international standard.

The Group management pays great attention to the quality management system and the related learning processes. The implementation of new projects that aim to increase the level of work environment in terms of achieving the maximum thermal stability of the workplaces and their high degree of cleanliness, and the installation of the most modern production and measurement equipment, significantly moves forward the ZKL options, as well as the quality level of products. The system has been constantly improved on the basis of the principles formulated in the quality policy.

ZKL Group's quality policy

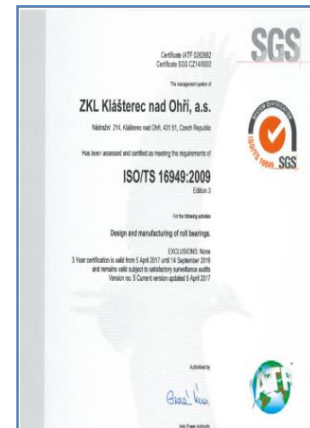
ZKL Group management is aware of its responsibility for the implementation, development and continual improvement of the quality system efficiency which is one of the decisive factors affecting the ZKL products' position on the market. Therefore the corporation management establishes the below quality policy:

- ZKL focuses on fulfilling customer requirements with the aim to increase customer satisfaction, taking into account other parties concerned in meeting legal and other requirements.
- The base of the customer-oriented relationship stands on fulfilling the declared parameters of the final product and providing qualified technical services.
- ZKL sensitively perceives the development of customer needs and requirements enabling them to respond efficiently to those.
- The company aims at permanent increasing of the product utility value and the efficiency of ZKL trademark production.
- In order to increase the parameters and the level of ZKL product quality, a Group structure has been created focusing on own research and development.
- The company strives for permanent improvement of the quality system efficiency, removes any found imperfections by means of adopting corrective measures, and takes preventative measures in order to prevent potential occurrence of nonconformities.
- Considering the utilisation of educational and performance potential of own employees/team members, the company promotes the principle of equal opportunities enabling all employees an equal access to further occupational education and possibly retraining in compliance with the training plans and expendable resources possibilities.
- Building partner relationships with the suppliers and their inclusion in the ZKL quality system results in significantly greater efficiency.

- ZKL product quality is based on the awareness of importance related to high quality work performed by every single employee – doing good job is the personal goal of every employee/team member.
- Motivation and reward for work results, development of employees and objective awareness create the prerequisites for the successful performance of work tasks with minimum errors.
- ZKL supports the achieved level of the quality system by the obtained certificates.

The state of the ZKL Group's quality management system in 2018

Company	Certificate
ZKL, a.s.	EN ISO 9001:2015
ZKL-Výzkum a vývoj, a.s.	EN ISO 9001:2015
	CTLA
	IRIS
ZKL Bearings CZ, a.s.	EN ISO 9001:2015
	IRIS
ZKL Brno, a.s.	EN ISO 9001:2015
ZKL Klášterec nad Ohří, a.s.	EN ISO 9001:2015
	EN ISO 14001:2015
	IRIS
ZKL Tech-Tools, a.s.	EN ISO 9001:2015



Environmental protection

ZKL pays considerable attention to the protection of environment with the criteria being the requirements of the international standard ISO 14 00. Certified according to the international standard ISO 14001 is ZKL Klášterec nad Ohří, a.s. The principles of environmental management have become a natural part of all activities aimed at improving the environmental performance of the company.

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.

Investments in testing of surfaces after grinding made as part of the upgrade of technologies and test methods the consumption of acids, and thereby the environmental burden in this area, has been reduced significantly.

Ing. Zuzana Fišerová
Quality & Processes Manager

Human Resources

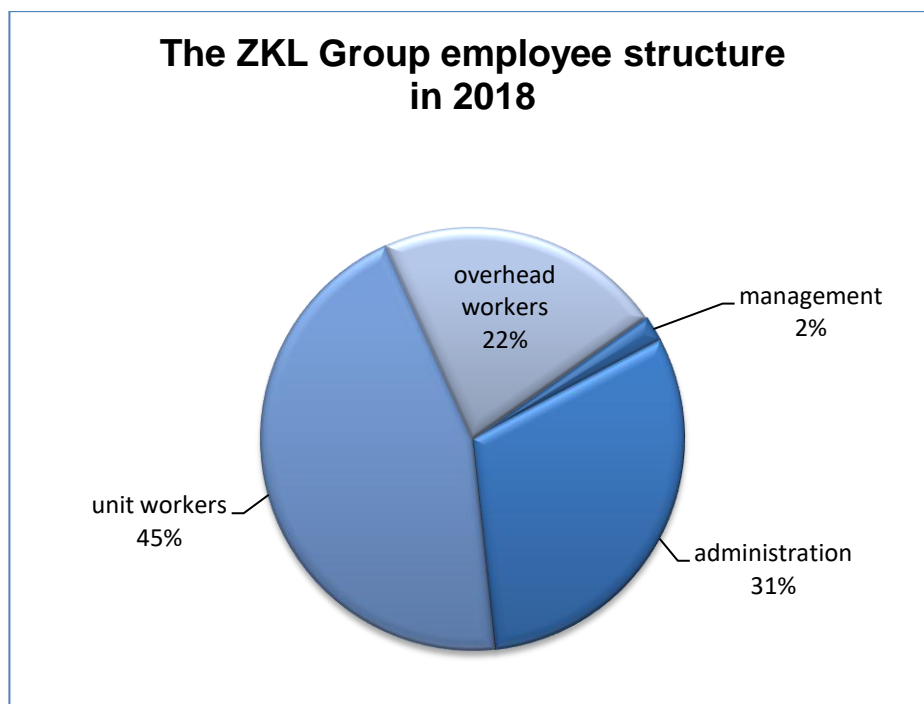
In the area of human resources and personnel policies management ZKL still puts great emphasis on the long-term stabilisation of qualified employees in the company. The key objective of the HR policy of ZKL Group is taking advantage of the knowledge and performance potential of own employees. The company strongly encourages all age groups of employees and their personal development, and promotes the Group's attractiveness as a generation employer with a long tradition.

Personnel Development

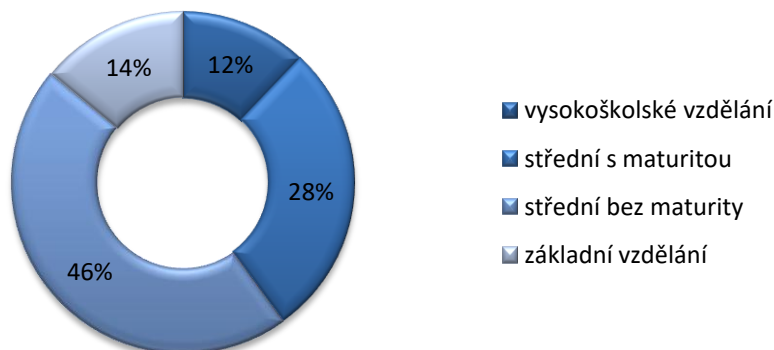
In HR terms, 2018 was a stabilising year. It involved gradual reduction in the number of employees in relation to the further introduction of new technologies and the related increase in labour productivity.

Recounted numbers of employees as of 31. 12. 2018						
Year	2013	2014	2015	2016	2017	2018
Total ZKL Group	761	827	802	749	633	578

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.



Qualification structure of regular ZKL Group employees in 2018



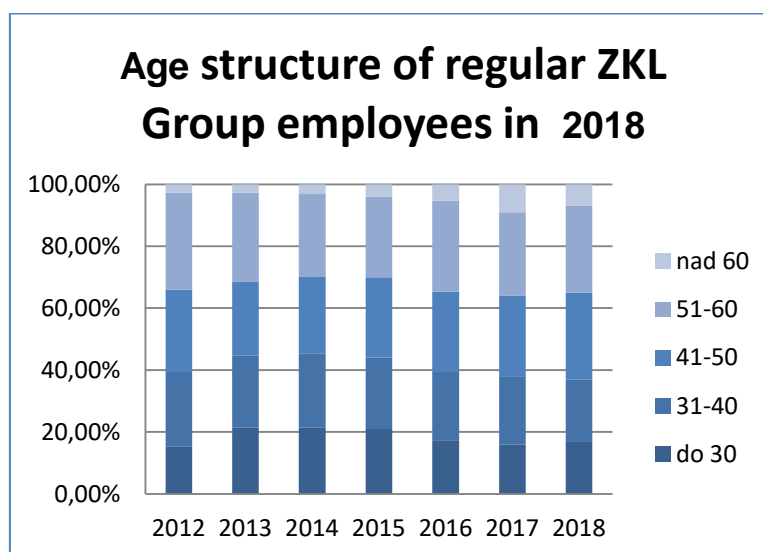
Explanatory notes:

Vysokoškolské vzdělání	University education
Střední s maturitou	Secondary with GCSE exam
Střední bez maturity	Secondary without GCSE exam
Základní vzdělání	Primary education

The trend of the previous periods continues, when the proportion of employees with higher education has yet been slightly growing. The share of employees with secondary education ended with leaving exam remains at the same level and there is a slight decrease in the proportion of employees who completed only primary education or are apprenticed in the field.

ZKL Group is a traditional Czech generational employer which also builds on a number of experienced employees who share their experience to new young and promising colleagues.

Given the situation in the labour market, where there is a real shortage of applicants under the age of 50 years, there has been a slight increase in employees over the age of 40, 50 and 60 years. The trend of the years 2010 - 2015 was increasing the proportion of employees of up to 30 years, in 2016 there was a slight decrease in the share of this group of employees, and in 2017 - 2018 this trend continued. 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. The effort remains that younger employees who joined ZKL Group subsequently and gradually move onto the level of today's senior experienced employees.



Comprehensive Corporate Education and ZKL Group's Employee Development

The education of employees and their professional development is an integral part of the ZKL's HR policy. One of the key tasks of the HR department is providing professional development of employees in order to ensure ideal up-to-date educational needs of ZKL and timely respond to the requirements of future performance needs and employment in the company.

In the early 2017, grant projects CZ.03.1.52/0.0/0.0/16_043/0004780 titled Comprehensive business education in the company ZKL Klášterec nad Ohří, and CZ.03.1.52/0.0/0.0/16_043/0004771 titled Education in ZKL Group related to the businesses ZKL, a.s., ZKL Výzkum a vývoj, a.s., ZKL Bearings CZ, a.s., ZKL Tech – Tools, a.s. and ZKL Reality, s.r.o., were approved by the MLSA (Ministry of Labour and Social Affairs). The projects are being implemented within the Operational Programme Employment and co-financed from the European Structural Funds. The implementation of the



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Operační program Zaměstnanost

project in Klášterec started in January 2017 and will continue until the end of 2018, in Brno then until the mid 2019. The training plan is designed for 24 to 36 months. The aim of the projects is to increase the level of knowledge and skills of employees to ensure the compliance of their qualifications and competencies with the requirements for the work activities performed.

Within the project both external and internal courses for our employees are organised. The resources have already been received for Soft and managerial training, General IT training, Technical and other vocational training and, last but not least, for a range of internal courses. Those are couched by experienced internal trainers who meet the qualification requirements and lecturing experience. There are training courses being held

within the frame of internal courses, that are focused on the manufacturing and review procedures, as well as on the requirements of the ISO 9001 and 14001 standards. During the course, issues of the real experience of the course participants are solved, and new opportunities sought to improve corporate processes. Finally, internal training is focused on training staff that serve the equipment such as grinders, lathes or cleaning technologies of bearing components.

The activity of the Technical and other training includes not only training courses intended for gaining, deepening and restoring knowledge in technical fields, but also periodic training to maintain or restore the qualification of employees. Those are courses for operation of industrial trucks, cranes and workers at heights. In the General IT activity were trained especially those using the company's SAP system and we will continue holding courses sophisticating the knowledge of work e.g. in Excel or Word.

Thanks to the implementation of the project, a comprehensive training system is set up in our company for its existing employees and also for all newcomers.

The programmes aim to contribute to the increase of the motivation of workers through investing in their development and education. It is one of the main pillars to stabilise the employment in our company.

An important part of the development of education are regular language courses, which were expanded in 2017 by 2 levels, so that learning languages could be used by more employees. In 2018, 36 employees studied regularly.

ZKL recognises the importance of technical education and its importance for the manufacture of bearings, and therefore supports the professional growth of the new generation of potential employees. The standard form of cooperation with secondary schools includes excursions in the manufacturing for senior students. In 2018, we also facilitated internships for 5 students of the SŠSE Brno directly in the manufacturing plant of ZKL Brno, a.s.

The manufacturing plant ZKL Brno, a.s. also participates in the Festival of Education and the 2018 XXIV Secondary School Fair at the Brno Exhibition Centre, and presented there as a partner of SŠSE Brno (*Secondary School of Mechanical and Electrical Engineering*) with which it has cooperated in the long term. The visitors to the fair were introduced to the possible application of the school graduates within the ZKL Group.



Festival of Education



Jobs Exchange

ZKL representatives also participated at a job opportunities exchange of SŠSE Brno and SŠTE Brno for students of the highest grade to support the graduates interested in the future career.

As part of employee care, ZKL organises several social events, including the annual Family Day. Company management prepared these events as acknowledgement of the year-long work of its employees and with the intention to introduce their responsible work to the members of the families of the company employees.



Family Day 2018



Jana Sekaninová
HR Specialist - **ZKL, a.s.**

Consolidated financial data

CONSOLIDATED BALANCE SHEET

(Figures in CZK thousand)

date 31.12.2018

Year	Month	ID	Company name
2018	12	25568353	ZKL, a. s.

Item a	ASSETS b	Line No. c	Current period	Previous period
			Netto 3	Netto 4
	TOTAL ASSETS (02+03+40+77)	01	2 106 035	2 119 522
A.	Receivables for subscribed capital	02		
B.	Fixed assets (04+14+27+37+38+39)	03	1 155 800	1 168 720
B. I.	Intangible fixed assets (05+06+09+10+11)	04	13 804	18 113
B. I. 1.	Intangible results of research and development	05		
2.	Valuable rights (07+08)	06	12 685	16 700
2.1.	Software	07	12 490	15 658
2.2.	Other valuable rights	08	195	1 042
3.	Goodwill	09		
4.	Other intangible fixed assets	10	318	699
5.	Advances for intangible fixed assets and unfinished intangible assets under construction (12+13)	11	801	714
5.1.	Advances for intangible fixed assets	12		
5.2.	Intangible assets under construction	13	801	714
B. II.	Tangible fixed assets (15+18+19+20+24)	14	1 130 841	1 134 538
B. II. 1.	Lands and constructions (16+17)	15	701 744	704 293
1.1.	Lands	16	111 183	99 137
1.2.	Constructions	17	590 561	605 156
2.	Individual movables and groups of movables	18	366 633	375 985
3.	Valuation differences to aquired assets	19		
4.	Other tangible fixed assets (21+22+23)	20	66	11 668
4.1.	Perennial crops	21		
4.2.	Breeding herds and draught animals	22		
4.3.	Other tangible fixed assets	23	66	11 668
5.	Advances for tangible fixed asset and tangible fixed assets under construction (25+26)	24	62 398	42 592
5.1.	Advances for tangible fixed assets	25	30 838	11 627

5.2.	Tangible fixed assets under construction	26	31 560	30 965
B. III.	Long-term financial assets (28+29+30+31+32+33+34)	27	5 087	10 397
B. III. 1.	Investments in subsidiaries	28	5 087	9 411
2.	Loans and borrowings to subsidiaries	29		986
3.	Investment in associates	30		
4.	Loans and borrowings to associates	31		
5.	Other securities and investments	32		
6.	Other loans and borrowings	33		
7.	Other financial assets	34	0	0
7.1.	Other financial assets	35		
7.2.	Advances for investments	36		
B.IV	Positive consolidation difference	37	6 068	12 135
B.V	(-) Negative consolidation difference	38	0	-6 463
B.VI	Securities in equivalence	39		
C.	Current assets (41+49+71+74)	40	944 840	944 743
C. I.	Inventories (42+43+44+47+48)	41	520 884	518 604
C. I. 1.	Raw material	42	75 596	62 480
2.	Work-in-progress and semi-finished products	43	80 424	76 532
3.	Finished products and goods	44	357 524	377 369
3.1.	Finished products	45	228 718	287 052
3.2.	Goods	46	128 806	90 317
4.	Animals	47		
5.	Prepayment on inventories	48	7 340	2 223
C. II.	Receivables (50+60)	49	396 769	385 357
C. II. 1.	Long-term receivables (51+52+53+54+55)	50	0	0
1.1.	Trade receivables	51		
1.2.	Receivables from controlling entities	52		
1.3.	Receivables from associates	53		
1.4.	Deferred tax receivable	54		
1.5.	Other receivables (56+57+58+59)	55	0	0
1.5.1.	Receivables from partners, cooperative member and association members	56		
1.5.2.	Long-term advances	57		
1.5.3.	Estimated receivables	58		
1.5.4.	Other receivables	59		
2.	Short-term receivables (61+62+63+64)	60	396 769	385 357
2.1.	Trade receivables	61	261 927	252 553
2.2.	Receivables from controlling entities	62		3 944
2.3.	Receivables from associates	63		
2.4.	Other receivables (65+66+67+68+69+70)	64	134 842	128 860

2.4.1.	Receivables from partners, cooperative member and association members	65		
2.4.2.	Social security and health insurance	66		
2.4.3.	Government - tax receivables	67	23 864	19 818
2.4.4.	Short-term advances	68	16 710	15 492
2.4.5.	Estimated accrued revenues	69	10 804	10 729
2.4.6.	Other receivables	70	83 464	82 821
C. III.	Current financial assets (72+73)	71	0	0
C. III. 1.	Investments in subsidiaries	72		
2.	Other short-term financial assets	73		
C. IV.	Cash and bank accounts (75+76)	74	27 187	40 782
C. IV. 1.	Cash	75	402	291
2.	Bank accounts	76	26 785	40 491
D.	Prepayments and accrued income (78+79+80)	77	5 395	6 059
D. 1.	Prepaid expenses	78	4 942	5 621
2.	Complex prepaid expenses	79		
3.	Accrued income	80	453	438

Item a	LIABILITIES b	Line No. c	Current period 5	Previous period 6
	TOTAL LIABILITIES AND EQUITY (82+107+147+150)	81	2 106 035	2 119 522
A.	Equity (83+87+95+98+102+105+106)	82	952 558	968 861
A. I.	Subscribed capital (84+85+86)	83	734 530	734 530
A. I. 1.	Subscribed capital	84	734 530	734 530
2.	Treasury shares	85		
3.	Changes in subscribed capital	86		
A. II.	Share premium and capital reserves (88+89)	87	-2 990	-3 006
A. II. 1.	Share premium	88	1 236	1 236
2.	Capital reserves (90+91+92+93+94)	89	-4 226	-4 242
2.1.	Other capital reserves	90		
2.2.	Valuation differences from revaluation of assets and liabilities (+/-)	91	-4 226	-4 242
2.3.	Valuation differences from revaluation by transformation (+/-)	92		
2.4.	Differences in company transformation (+/-)	93		
2.5.	Differences from valuation company transformation by (+/-)	94		
A. III.	Revenue reserves (96+97)	95	5 455	5 455
A. III. 1.	Other reserve fund	96	5 455	5 455
2.	Statutory and other reserve	97		
A. IV.	Retained earnings (+/-) (99+100+101)	98	224 946	253 028
A. IV. 1.	Retained earnings from previous years	99	224 946	253 028
2.	Accumulated losses of previous years (-)	100		
3.	Other retained earnings (+/-)	101		
A. V.	Profit/loss of current accounting period without minority shares (+/-)	102	-9 383	-21 146
1.	Profit/loss of current accounting period	103	-9 383	-21 146
2.	Share in economic result in equivalence	104	0	0
A. VI.	Consolidation reserve fund	105		
A. VII.	Decided on advanced payment for dividends (-)	106		
B. + C.	Liabilities (108+113)	107	1 033 703	1 036 068
B.	Provisions (109+110+111+112)	108	12 093	8 173
B. 1.	Provisions for pensions and similar obligations	109		
2.	Provision for income tax	110		
3.	Provision according to special legal regulations	111		
4.	Other provisions	112	12 093	8 173
C.	Payables (114+129)	113	1 021 610	1 027 895
C. I.	Long-term liabilities (115+118+119+120+121+122+123+124+125)	114	192 570	211 402
C. I. 1.	Bonds issued (116+117)	115	0	0

1.1.	Exchangable bonds	116		
1.2.	Other bonds	117		
2.	Payables to banks	118	81 085	105 140
3.	Long-term advances received	119		
4.	Trade payables	120	0	0
5.	Long-term promissory notes payable	121		
6.	Payables - controlling or controlled entity	122		
7.	Payables to associates	123		
8.	Deferred tax liabilities	124	37 380	31 978
9.	Other payables (126+127+128)	125	74 105	74 284
9.1.	Payables to partners	126		
9.2.	Estimated payables	127		
9.3.	Other payables	128	74 105	74 284
C. II.	SHORT-TERM LIABILITIES (130+133+134+135+136+137+138+139)	129	829 040	816 493
C. II. 1.	Bonds issued (131+132)	130	0	0
1.1.	Exchangable bonds	131		
1.2.	Other bonds	132		
2.	Payables to banks	133	292 328	296 191
3.	Short-term advances received	134	5 072	5 023
4.	Trade payables	135	273 484	269 849
5.	Short-term notes payable	136		
6.	Payables - controlling or controlled entity	137	0	0
7.	Payables to associates	138		
8.	Other payables (140+141+142+143+144+145+146)	139	258 156	245 430
8.1.	Payables to partners	140	15 840	13 726
8.2.	Short-term borrowings	141		
8.3.	Payables to employees	142	13 489	12 978
8.4.	Payables to social security and health insurance	143	12 975	7 281
8.5.	Government - tax payables and subsidies	144	23 540	14 009
8.6.	Estimated accrued items	145	24 903	7 007
8.7.	Other payables	146	167 409	190 429
D.	Accruals and deferred income (148+149)	147	1 234	3 958
D. 1.	Accrued expenses	148	1 180	3 880
2.	Deferred income	149	54	78
E. 1.	Minority equity (151+152+153+154)	150	118 540	110 635
2.	Minority basic capital	151	49 528	49 528
3.	Minority capital funds	152		
4.	Minority profit funds incl. undistributed profit / unpaid loss of last years	153	59 732	51 185
5.	Minority economic result of current accounting period	154	9 280	9 922

PROFIT AND LOSS STATEMENT

(Figures in CZK thousand)

date 31.12.2018

Year	Month	ID	Company name
2018	12	25568353	ZKL, a. s.

Item a	TEXT b	Line No. c	Values in accounting period	
			current period 1	previous period 2
I.	Sales of goods and services	01	889 879	806 830
II.	Sales of goods	02	179 016	246 465
A.	Consumption from production (04+05+06)	03	772 152	801 851
A.	1. Costs of goods sold	04	131 675	183 016
	2. Consumption of material and energy	05	533 871	514 316
	3. Services	06	106 606	104 519
B.	Increase/decrease in finished goods and in work-in-progress (+/-)	07	-100 668	-122 744
C.	Own work capitalized (-)	08	-5 391	-9 212
D.	Staff costs (10+11)	09	312 064	294 259
D.	1. Wages and salaries	10	228 369	215 917
	2. Social security and health insurance costs and other costs (12+13)	11	83 695	78 342
	2.1. Social security and health insurance costs	12	75 956	71 760
	2.2. Other social costs	13	7 739	6 582
E.	Adjustment of values in operating activities (15+18+19)	14	92 719	110 193
E.	1. Adjustment of values of intangible and tangible assets (16+17)	15	89 848	101 912
	1.1. Adjustment of values of intangible and tangible assets - permanent	16	89 848	101 912
	1.2. Adjustment of values of intangible and tangible assets - temporary	17		
	2. Adjustment of values of inventories	18	242	4 227
	3. Adjustment of values of receivables	19	2 629	4 054
III.	Other operating income (21+22+23)	20	107 683	113 617
III. 1.	Proceeds on sale of fixed assets	21	5 243	16 212
	2. Proceeds on sale of material	22	11 364	11 984
	3. Other operating income	23	91 076	85 421
F.	Other operating expenses (25+26+27+28+29)	24	66 706	86 756
F.	1. Net book value of fixed assets sold	25	2 274	18 831
	2. Net book value of material sold	26	10 893	12 927
	3. Taxes and fees relating to operating activities	27	4 829	4 178

4.	Provisions and adjustments relating to operating activities and complex deferred expenses	28	88	-46
5.	Other operating expenses	29	48 622	50 866
	Clearing (depreciation) of the negative consolidation difference	30	6 463	6 463
	Clearing (depreciation) of the positive consolidation difference	31	-6 068	-6 068
*	Profit/loss from operating activities (+/-) (+/- (01+02+20-03-07-08-09-14-24+30-31))	32	39 391	6 204
IV.	Revenues from long-term investments (34+35)	33	0	0
IV. 1.	Revenues from investments in subsidiaries	34		
IV. 2.	Other revenues from investments	35		
G.	Expenses spend on investments sold	36		
V.	Revenues from other long-term investments (38+39)	37	0	0
V. 1.	Revenues from other long-term investments in subsidiaries	38		
V. 2.	Other revenues from long-term investments	39		
H.	Expenses related to other long-term financial assets	40		
VI.	Interest income and similar income (42+43)	41	360	1 163
VI. 1.	Interest income and similar income in subsidiaries	42		799
2.	Other interest income and similar income	43	360	364
I.	Adjustment relating to financial activities	44	18	319
J.	Interest expense and similar expenses (46+47)	45	16 514	16 206
J. 1.	Interest expense and similar expenses in subsidiaries	46	0	0
2.	Other interest expense and similar expenses	47	16 514	16 206
VII.	Other financial revenues	48	25 030	33 991
K.	Other financial expenses	49	35 103	31 031
*	Profit/loss from financial activities (+/-) (33+37+41+48-36-40--44-45-49)	50	-26 245	-12 402
**	Profit/loss before tax (+/-) (32+50)	51	13 146	-6 198
L.	Income tax (53+54)	52	13 249	5 026
L. 1.	.- due	53	7 846	8 040
2.	.- deferred (+/-)	54	5 403	-3 014
**	Profit/loss after tax (51-52)	55	-103	-11 224
M.	Transfer of profit to partners (+/-)	56		
	Profit/loss for the period without Equivalence	57	-103	-11 224
	of it: .- Economic result of current accounting period without minority shares	58	-9 383	-21 146
	.- Minority economic result of current accounting period	59	9 280	9 922
	Share in economic result in equivalence	60		
****	Profit/loss for the period (+/-) (57-56)	61	-103	-11 224
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	62	1 201 968	1 202 066

Auditor's report



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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. 2018, the income statement for the period from 1. 1. 2018 to 31. 12. 2018 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. 2018 and of the costs, revenues and its profit or loss for the period from 1. 1. 2018 to 31. 12. 2018, 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 matters

The company ZKL, a.s. is not obliged, for the period ending 31. 12. 2018, to prepare the consolidated annual report and the company does not intend to issue this report. We have not obtained any other information up to the date of our report and for this reason we do not express an opinion on other information.

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.

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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 scepticism throughout the audit. We also:

- 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.

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- 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.

Brno, 14. 6. 2019

Audit firm:

BDO CA s. r. o.

BDO CA s. r. o.

Certificate No. 305

Partner:



Oldřich Bartušek

Certificate No. 2256

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