



ZKL GROUP ANNUAL REPORT

2022

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About the company

ZKL Group is a result of the integration of the Czech bearing industry with over hundred-year-old 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 Reality, s.r.o.

Introductory word of Chairman of the Board

Dear business partners,

We present to you the results of the entrepreneurial activities of ZKL Group achieved in 2022. From the perspective of business operations, it was a very challenging year, mainly due to the negative impacts caused by the war conflict in Ukraine and the related energy crisis. Increases in material and energy prices, as well as logistics costs, resulted in limitations in delivering to the wind program. Here, we recorded a 70 % decline compared to the previous year, and unfortunately, we already know that this project will continue to experience revenue decline in 2023 as well. The decrease in revenue was more than 10 %. However, we managed to offset this negative impact on revenue with new projects in the railway program and significant revenue growth in Turkey, where we acquired new customers in gearbox manufacturing and energy sectors.



The group's profitability, measured by the EBITDA indicator, was at approximately 99% in 2022 compared to the result of 191 million CZK in 2021. The EBITDA margin relative to revenues reached 14 %. We evaluate this result positively, considering the cost inflation and the situation in the European bearing market. It is important to mention that we have been successful in increasing labour productivity, improving the quality of manufactured bearings, and implementing a reasonable pricing strategy that is well-received by customers.

The achieved economic results are presented in the following table:

Parametres	2020 reality	2021 reality	2022 reality	Index 2022/2021	2023 plan
Sales (in thousand CZK)	1 183 304	1 352 867	1 306 423	0,97	1 559 791
Added value (in thousand CZK)	434 119	494 099	455 465	0,92	572 129
EBITDA (in thousand CZK)	159 388	190 860	188 576	0,99	235 565
Productivity (Added value / Personal cost)	1,40	1,51	1,35	0,89	1,50

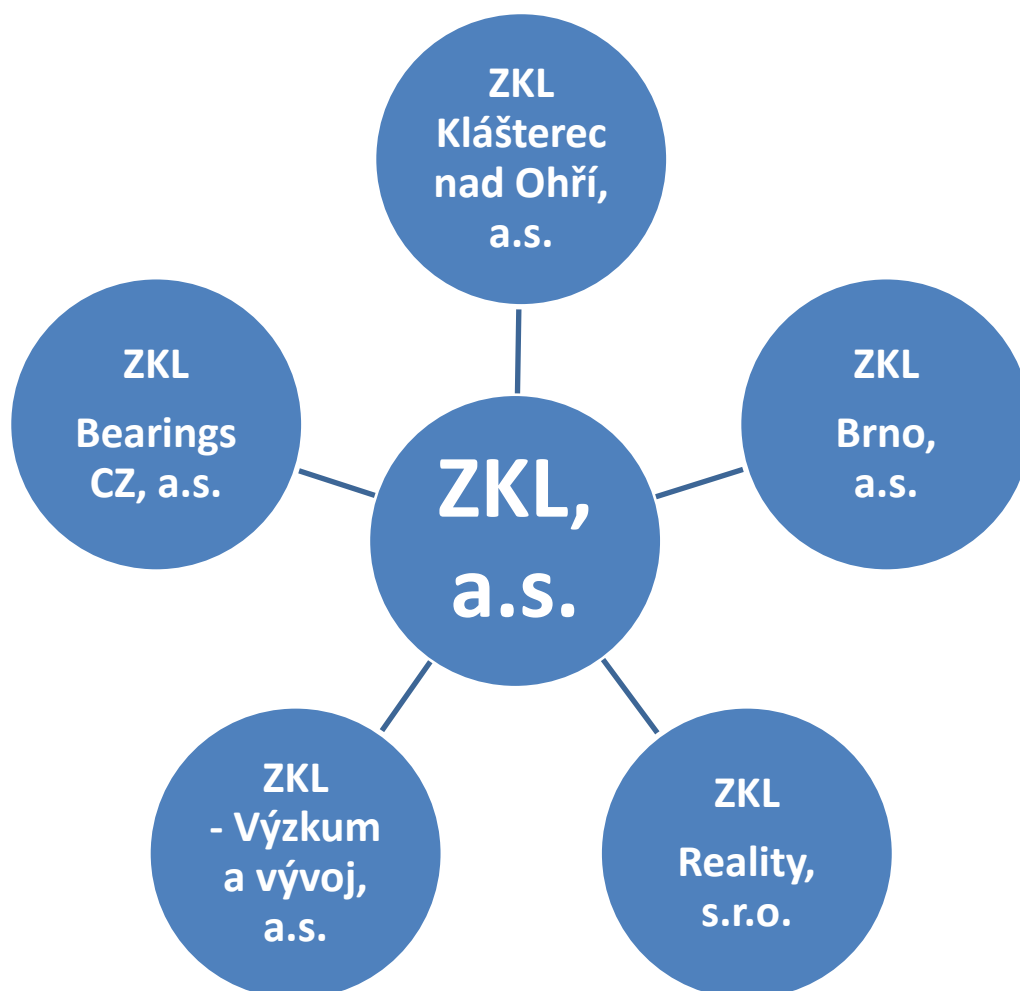
According to the data, the business plan of ZKL Group was fulfilled, and the planned economic results were achieved.

We are aware that in 2023, ZKL faces several challenges that may impact sustaining the long-term revenue growth trend. However, thanks to a stable and highly experienced team of employees, the company is prepared to face these challenges and do everything necessary to conclude 2023 on a positive note.

In conclusion, I would like to express my gratitude to all our business partners and employees for their hard work in 2022. I also wish for us to successfully achieve the goals of 2023 and maintain ZKL's tradition as a reliable and promising partner.

Ing. Jiří Prášil, CSc.
Chairman of the Board of ZKL, a.s.

Current organisational scheme



BOARD OF DIRECTORS

Chairman:
Board of members:

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

ZKL, a.s.

Jedovnická 8, Brno
ID No.: 25568353

Book value: CZK 1 411 983 thousand
Annual turnover: CZK 57 471 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 1 076 877 thousand
Annual turnover: CZK 653 719 thousand

ZKL Klášterec nad Ohří, 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 495 001 thousand
Annual turnover: CZK 592 530 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 32 750 thousand
Annual turnover: CZK 32 865 thousand

ZKL Bearings CZ, a.s.

Líšeňská 2828/45, Brno
ID No.: 25088637

Principal activity:

Purchase and sale of rolling bearings.
Book value: CZK 687 906 thousand
Annual turnover: CZK 1 052 585 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 730 342 thousand
Annual turnover: CZK 172 586 thousand

Significant investments

In 2022, further stages of planned investments to increase productivity, improve service infrastructure, insulate manufacturing buildings, and prepare for the installation of photovoltaic power plants took place at the production plants in Brno and Klášterec nad Ohří.

At the Brno production plant, the machine fleet was expanded, and the reconstruction of building no. 32 was carried out. The primary objective of these investments is to reduce the energy demand of production and buildings while modernizing manufacturing and technological processes. Some of these measures were co-financed by the European Union under the OP PIK - Energy Savings program.



As part of the investments in technology, new modern machines were installed, enabling automated production of bearing components with high precision. Two new CNC lathes, SPR 100 CNC and SPS 2/25 CNC, were acquired for the production of bearing rings and rolling elements, respectively. Additionally, two CNC-controlled centreless grinders, BB 10ST CNC, were acquired for grinding the surfaces of rolling elements, and an automatic double-sided flat grinder, BARA 80 CNC, was obtained for grinding the end faces of rolling elements. With the aim of continuous improvement, innovation, acceleration, and streamlining of the production of individual components, a new sorting machine for rolling elements was delivered to ZKL Brno at the beginning of 2022.



The reconstruction of building 32 and its modernization were designed for the entire building with the aim of reducing the carbon footprint. The newly created spaces were equipped with triple-glazed windows, and the floor was reinforced to withstand higher loads. A central hot water heating system was installed, with each radiator controlled separately by a computer system, allowing temperature optimization in different areas of the hall. The lighting is LED-based, divided into 5 sections. Above the entire area, an elevated office for the supervisor is located, providing them with a comprehensive overview of the ongoing production process.

With the aim of meeting the increasing demand, ZKL Group initiated investments in automation and optimization of axle bearing production in the fields of metrology and NDT at its manufacturing plants in Brno and Klášterec nad Ohří in 2022. The investments in the Brno plant include acquiring new precision CNC grinders and an automated inspection line for TBU and CRU units.

Sales and Marketing

The year 2022 was complicated due to events beyond our control. The company's business results were affected by negative factors caused by the energy crisis in Europe and the war conflict in Ukraine. In the first quarter of 2022, we found ourselves preparing for a reduction in business plans and production volumes by 30-40 % compared to 2021. However, this challenging period eventually brought new business opportunities, especially in the railway sector and increased demand for axial bearings. Therefore, we evaluate the past year positively.

Despite a 7 % decrease in revenue from the sale of own products and goods in 2022 compared to 2021, we achieved improvements in sales efficiency. Despite a significant decline in bearing supplies to wind power plants, we managed to compensate for the considerable revenue loss with sales from different product ranges and markets. The development of revenues in South America and the Middle East can be viewed positively.

Business activities in 2022

OS 41 – LATIN AMERICA A MEXICO

The main market is Argentina, which accounted for approximately 60 % of ZKL's total exports to Latin America in 2022. Argentina remains dominant within Latin America. Unfortunately, the economic situation in Latin America is not favourable, as observed in the development of the ARS exchange rate against import currencies. We view the slight increase in turnover compared to 2021 positively and plan to maintain revenue into 2023.

OS 42 – SOUTH ASIA

Within South Asia, where India is dominant, we continue our strategy of cooperation with selected importers covering the Indian market in locations with the highest demand for bearings. In 2022, we achieved similar revenue results as in previous years. We are successfully maintaining our position in the Maintenance, Repair, and Operations (MRO) sector, but we are losing ground in the Original Equipment Manufacturer (OEM) sector due to lower competitiveness compared to Japanese brands and the "Made in India" policy in public sector tenders. In the coming years, we will strive to focus more on the MRO segment.

OS 43 – NORTHERN EUROPE, THE MIDDLE EAST AND AFRICA

In the countries of the Middle East, Turkey stands as the dominant market where ZKL is mainly establishing itself in the Original Equipment Manufacturer (OEM) sector. We have been successful with manufacturers of gearboxes and heavy machinery for the mining and

steel industries. In 2023, we plan to further increase our presence in this group by acquiring additional customers, especially in the OEM sector. To support our business in Turkey, we established direct trade representation in the country in 2020, which has proven to be effective.

OS 44 – USA, CANADA, FAR EAST

The dominant territory within this business group is China. However, despite successful years in 2020 and 2021, we must acknowledge that the business ties were disrupted due to COVID-19 measures in China. Therefore, in 2023, we will strive to restore business opportunities. It is crucial to mention that ZKL has to compete with local brands within China. In this context, we aim to establish ourselves mainly in specific special bearings, such as large-size bearings for wind power plants or large-size axial bearings for thermal power plants.

OS 45 – CZECH REPUBLIC AND SLOVAKIA

In the Czech Republic and Slovakia, we recorded the highest revenues since 2018, and overall, we have met the business plan in this territory. An important aspect for achieving the business plan is success in the railway segment. In 2023, we expect a slight stagnation due to the slowdown in demand at the end of 2022.

OS 46 – SOUTHERN EUROPE

In 2022, we achieved significant growth, primarily due to Italy, where the demand has risen to pre-pandemic levels. We are also successful in the Balkan countries, where we strive to secure contracts in the railway sector.

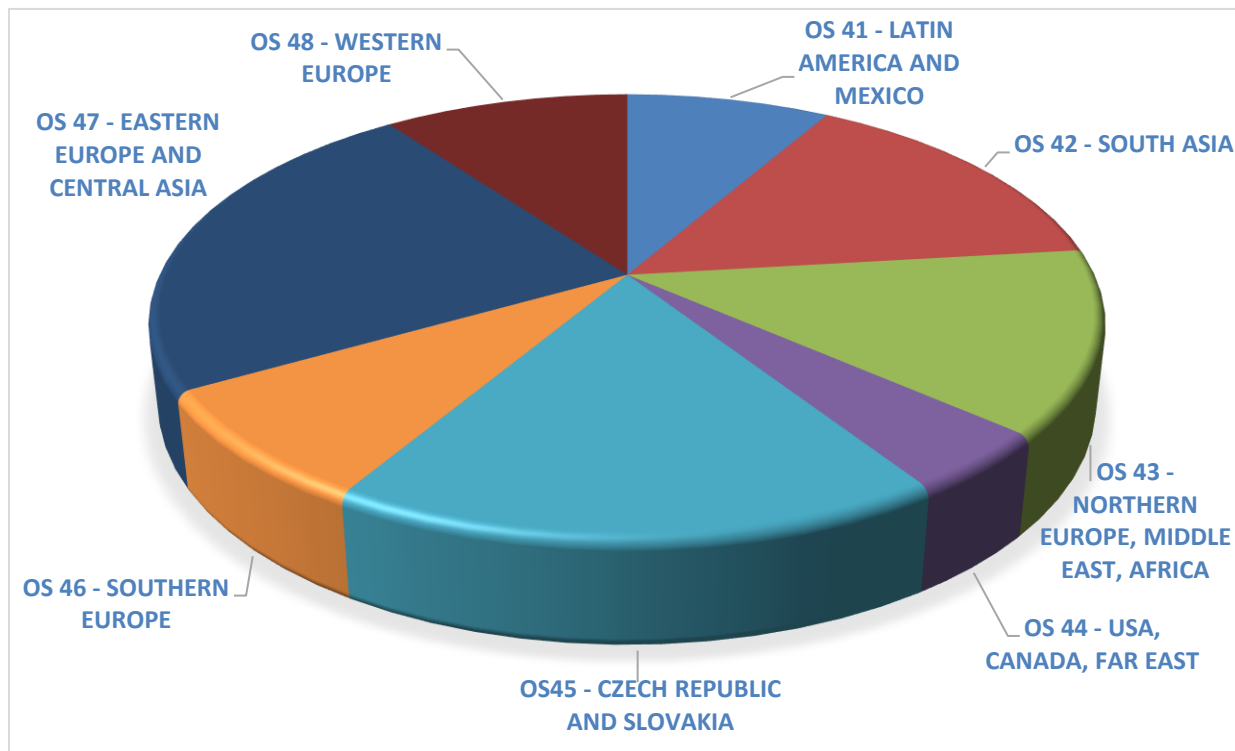
OS 47 – EASTERN EUROPE AND CENTRAL ASIA

The conflict in Ukraine resulted in high demand for bearings in 2022. One of the bearing manufacturers in Ukraine reduced its production, which provided an opportunity for ZKL to establish itself in the Ukrainian railway market. The demand also increased in other Central Asian countries, where the local railway industry shifted away from Russian manufacturers and opened up space for the ZKL brand.

OS 48 – WESTERN EUROPE

Due to reduced demand for "on-shore" wind turbines, the demand for these bearings decreased by 70 % year on year. So far, we have been unable to compensate for this impact. As a solution to consolidate revenues in Western Europe, we see an opportunity in the railway sector. In 2023, we anticipate contracting with a significant wheelset manufacturer in Germany. ZKL is also investing in TBU bearings, which allows us to expand our offerings for manufacturers of trains for passenger transportation.

The revenue distribution by business groups in 2022 is shown in the following graph:



Marketing activities in 2022

After two years of COVID restrictions, we were able to resume standard B2B marketing activities as part of our business initiatives. Building on our previous successful tradition, we organized a conference for authorized distributors in June. In the fall, we participated in the largest railway trade fair in Europe, the Berlin InnoTrans, with our own booth.

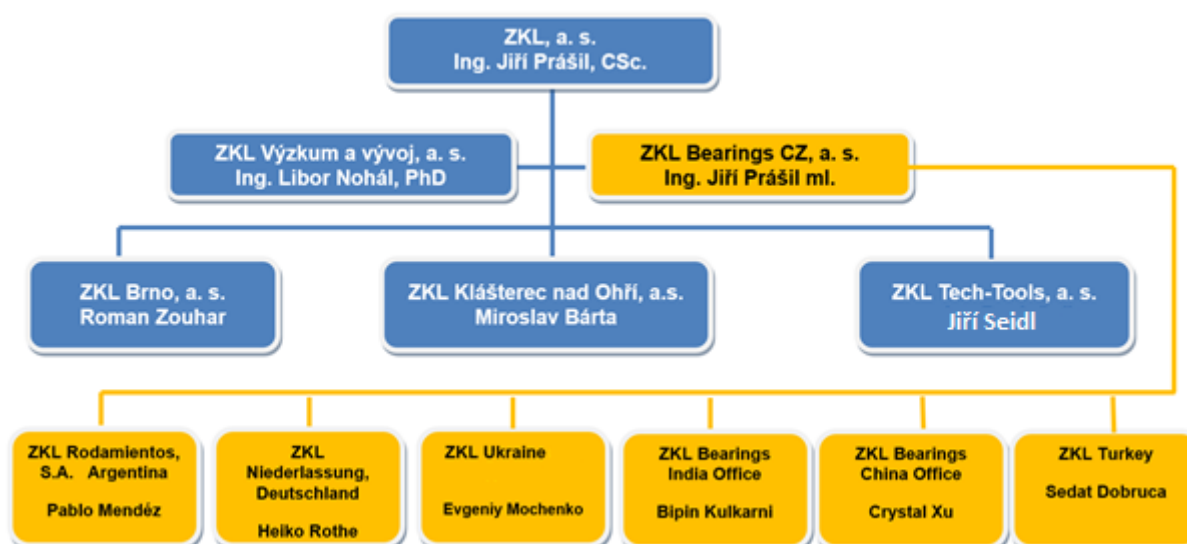


We continued to develop activities towards the professional audience through online channels. Regularly, we published information on our website and social media platforms (LinkedIn, Facebook, and YouTube). In 2022, we released and distributed one issue of our company magazine, ZKL News, among our employees and business partners.

Our efforts and investments also focused on HR marketing, particularly in internal communication. As a result, by the end of the year, we launched our new intranet pages, now serving as the main internal information channel. We are still working on expanding and improving them.

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 Group and
CEO – ZKL Bearings CZ, a.s.

Technological Development, Innovation, Research & Development

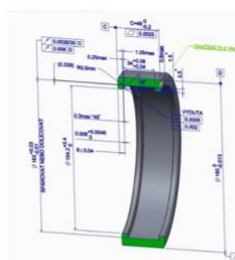
In 2022, despite the challenging market situation and economic crisis, the ZKL Group managed to achieve a positive economic performance. Building on previous years, investments, modernization of manufacturing facilities, and technical development continued in strategic manufacturing segments. These segments mainly include bearings for rail and railway transportation, energy with a focus on sustainable and ecological operations, large-size spherical roller bearings, axial spherical roller bearings in the NEW FORCE standard, and technologically demanding custom solutions.

Innovation management is implemented through the Technical and Manufacturing Development Plan, which is integrated into the financial plan of the Group.

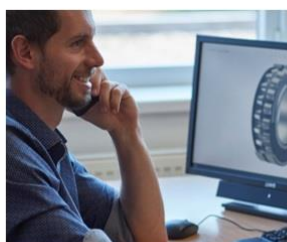
ZKL GROUP

WE ARE THE CHOICE WITH COMPLEX KNOW-HOW

ENGINEERING



TECHNICAL SUPPORT



LABORATORY



TECHNOLOGY



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):

	2014	2015	2016	2017	2018	2019	2020	2021	2022
ZKL Brno	33 095	13 551	4 549	28 612	54 555	44 486	37 361	30 066	40 048
ZKL Klášterec nad Ohří	8 116	8 866	12 270	12 576	11 517	11 159	6 816	7 616	8 344
ZKL – Výzkum a vývoj	21 438	21 223	17 638	20 583	21 481	21 601	22 410	23 472	32 863
TOTAL	64 409	47 811	38 628	69 101	95 378	82 751	69 961	66 889	81 255

In the development and design of new types of bearings, the ZKL Group utilizes a combination of long-standing company know-how, modern IT technologies, and collaboration with top institutions such as Brno University of Technology, CEITEC, COMTES-FHT, SVÚM, and others. The design and optimization of products are supported by MSC software products: PATRAN/MENTAT/MARC, APEX, and Adams for analysing complex structures, kinematic tasks, and co-simulations. Additional calculations are performed using MathCAD, MESYS software, or proprietary software based on company know-how.

The management of development processes and design data is carried out in the PTC Windchill system, and PTC Creo software is utilized for creating drawing documentation. To enhance its innovative potential, ZKL has become part of the National Centre of Competence for Mechatronics and Smart Technologies in Mechanical Engineering **NCC MESTEC 2**.

Selection of implemented innovation projects

Re-certification of axle bearings WJ/WJP 120x240TNG

In line with the ZKL Group's strategy to focus on the railway segment through a single product pillar, an innovation and recertification of WJ/WJP 120x240TNG (PLC 410-13/14.2.) bearings have been carried out. These bearings are designed for freight wagon axles operating at speeds of up to 120 km/h. After thorough product and manufacturing process evaluation, conformity certificates were issued, confirming compliance with relevant standards and technical specifications for interoperability. The production process of axle bearings meets the requirements of ISO 9001, ISO 14001, and ISO/TS 22163.



Expansion of the research and development base with new technologies



In ZKL, we are now using the semi-automatic system ATOS Q for comprehensive metrology, especially for complex-shaped components such as various types of bearing cages. This system is designed for industrial use and provides fully traceable measurement results even in challenging conditions. Its optics and electronics are protected against dust and splashing water, allowing the scanner to be used both in the laboratory and on the production floor for quality control purposes.

The result of development activities in 2022 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.

Bearing type	Bearing type	Bearing type
22309EMHD2 NF	22330EMHD2W NF	249/1060EW33MH NF

Innovations in ZKL Klášterec nad Ohří, a.s.

Bearing type	Bearing type	Bearing type
NJ330EM1 R185-210	WJ/WJP 120x240TNG	PLC 21-08-06
PLC 11-08-01	PLC 21-07-01	PLC 12-06-03

In 2022, the research and development activities within the ZKL Group were focused not only on innovations in customer applications of bearings but also on long-term research and development projects for new types of bearings and technological processes in bearing manufacturing. These projects are often addressed with the support of various grant programs that continue from previous years.

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 rail vehicle drives,
- bearings for electromobility and traction drives.

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

- automation of sheet metal cage production for spherical roller bearings,
- research and development of the influence of machining technology on surface layers,
- research and development of heat treatment for bearings made from nanostructured material.

Ing. Libor Nohál, Ph.D.

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 ZKL Group's strategy and the requirements of ISO 9001, ISO 14001, ISO 45001, and ISO/TS 22163 standards, the top management has adopted a policy for quality, product safety, environmental protection, and occupational health and safety.

To fulfil this policy, the ZKL Group companies have committed to implementing 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 2022

Company	Certificate
ZKL, a.s.	EN ISO 9001:2015
	ISO 14001:2015
	ISO 45001:2018
ZKL – Výzkum a vývoj, a.s.	EN ISO 9001:2015
	ISO 14001:2015
	ISO 45001:2018
	CTLA
	ISO/TS 22163:2017
ZKL Bearings CZ, a.s.	EN ISO 9001:2015
	ISO 14001:2015
	ISO 45001:2018
	ISO/TS 22163:2017
ZKL Brno, a.s.	EN ISO 9001:2015
ZKL Klášterec nad Ohří, a.s.	EN ISO 9001:2015
	EN ISO 14001:2015
	ISO/TS 22163:2017

Environmental Protection

Environmental protection is given considerable attention within the ZKL Group, with the criteria based on the requirements of the international standard ISO 14001 and legislative demands. The following companies, ZKL, a.s., ZKL Klášterec nad Ohří, a.s., ZKL Bearings CZ, a.s., and ZKL – Výzkum a vývoj, a.s., are certified according to the international standard ISO 14001:2015. Environmental management principles have become an integral part of all activities aimed at improving the environmental profile of the companies.

Strict compliance with legislative requirements to ensure environmental protection is a matter of course for us. The environmental profile encompasses all the impacts stemming from the business activities of the companies that affect the environment. These impacts involve not only pollution but also resource consumption – materials, energy, and water. All energy consumption, waste production, and packaging materials are carefully monitored and evaluated. The goal of improving the Environmental Management Systems (EMS) in ZKL companies is to conserve environmental resources and save overall financial costs, depending on the economic performance of the companies.

Regarding product innovations and the acquisition of new technologies, emphasis is placed on the efficient use of energy, environmental protection, and the conservation of natural resources.

Safety at work

The ZKL Group provides a safe and healthy workplace for its employees and contractual partners by implementing and enforcing a risk prevention system in all our activities. By respecting company regulations, procedures, and all relevant laws, ZKL creates a secure environment. In the development of the ZKL Group in the field of occupational health and safety, ZKL, a.s., ZKL Bearings CZ, a.s., and ZKL – Výzkum a vývoj, a.s. were certified according to the ČSN ISO 45001:2018 standard in 2022.

The ZKL Group allocates necessary resources for education, training, and monitoring with the aim of preserving the health and safety of its employees at work.

We plan, monitor, and evaluate the results of health and safety protection through internal occupational health and safety audits. Discrepancies identified during these audits are actively addressed, root causes analysed, and corrective measures are implemented to eliminate potential risks of hazardous situations.

Everyone working for ZKL is responsible for their own and others' safety and is encouraged to report possible risks and near-miss incidents. The managers hold the responsibility for fulfilling the requirements of occupational health and safety by clearly defining responsibilities and duties, providing adequate resources, and continuously improving occupational health and safety performance within the ZKL Group.

Tomáš Popek

Quality and EMS Manager of the ZKL Group

Human Resources

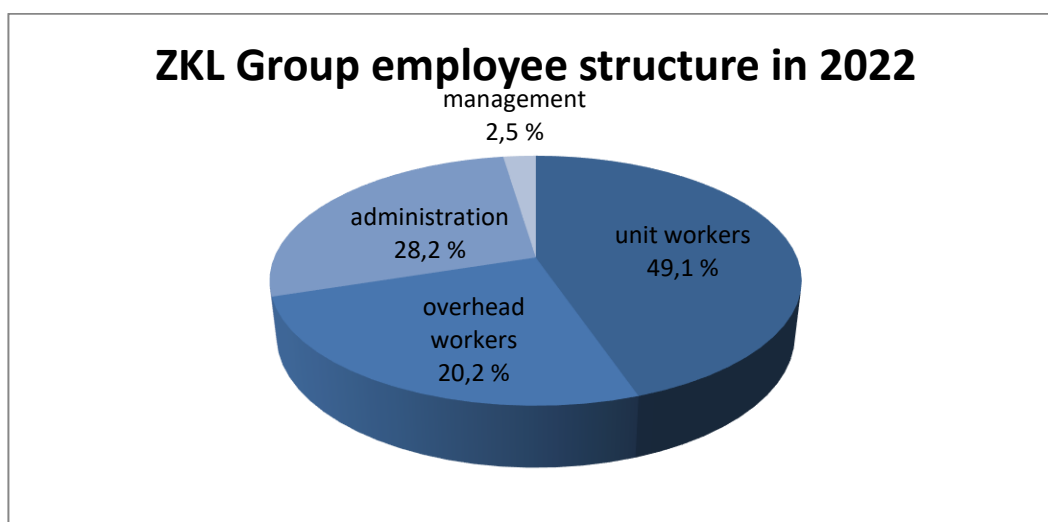
In the ZKL Group, we have been striving to create a motivating and pleasant working environment for our employees. Our goal is to support them in their personal development and motivate them to achieve excellent work results. As a company with a long-standing tradition, we rely on a wide range of experienced employees who pass on crucial experiences and knowledge to their younger colleagues.

Personnel development

Continuously, there has been further optimization of activities and the implementation of new technologies, resulting in increased work productivity and a gradual reduction in the number of employees.

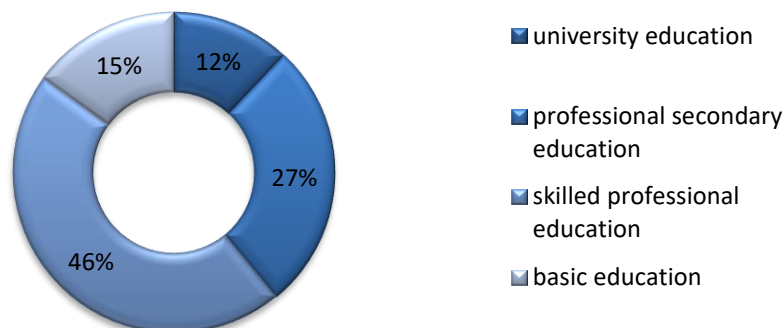
Recalculated number of employees as of 31 December 2022						
Year	2017	2018	2019	2020	2021	2022
Total ZKL Group	633	578	579	553	535	528

The employee structure remains almost identical to the previous period. Out of the total number of employees in the group, nearly three-quarters are directly working in production.

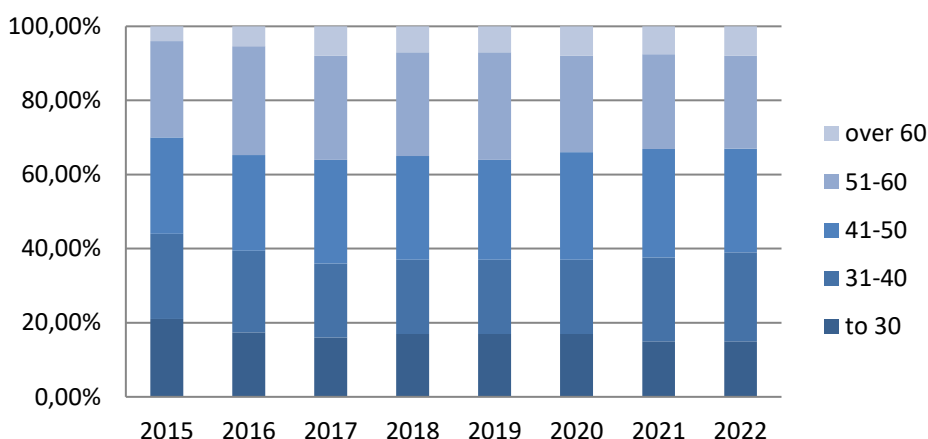


The educational structure of the employees in the group has remained very similar for several years. The age structure of the employees has shown little variation over the past 5 years. There is a continuous effort to stabilize the workforce, taking into account the increasing trend of employees over 50 years old due to natural aging. The aim is to have younger employees who join the ZKL Group gradually progress to the level of their current older and experienced colleagues. We also support development through HR tools and mapping individual employee needs.

Qualification structure of regular ZKL Group employees in 2022



Age structure of ZKL Group employees in 2022



Education and activities for employees

As part of the education concept, there are courses that motivate employees, reinforce their existing knowledge, or enable them to acquire entirely new skills and then apply them in practice.

An integral part of the employee education within the ZKL Group are language courses taught in English, Spanish, and German. After the previous pandemic year, it was possible to return to in-person mode, without the necessity of meeting online.

Family Day in Brno

In June 2022, after a long period of three years, the Family Day took place at ZKL Brno. Following all the government restrictions caused by Covid-19, employees and their families could once again experience a day in our manufacturing company. For some parents and their children, it was their first time visiting the factory, trying out the assembly of smaller bearings in serial production, and enjoying a variety of attractions prepared for them.

Whether it was a bouncing castle with a slide, face painting, airbrush tattoos, an entertaining clown with balloon tricks, or a competition for material prizes in drawing pictures, there was something for everyone to enjoy.



Family Day in Klášterec nad Ohří

The long-standing tradition and popularity of the Family Day in Brno inspired our colleagues to organize the first annual Family Day at the ZKL Klášterec nad Ohří plant. This event also took place in June 2022.

The program was designed to cater to all age groups, and the favourites included horse riding, face painting, and shooting with airsoft or air rifles at targets. There were also competitions related to bearings, painting on stones, and snail shells. In addition to the children's program, guided tours of the manufacturing roller production line were organized.



ZKL Cycling trip 2022



Traditionally, in June, the ZKL Group held a cycling trip. This time, participants had the opportunity to ride their bikes to the southern Moravia region, specifically to the Mlýn Sedlec guesthouse, located close to the Austrian border. The second group consisted of hikers who formed several smaller groups according to their chosen destinations. Some wanted to see Mikulov, while others preferred Valtice or Lednice.

In the end, everyone gathered at the Mlýn Sedlec premises, where a whole lamb was roasting since morning, and a rich buffet, drinks, and entertainment by a DJ were prepared.

In the fall, a team-building event with the theme "Gold Rush" took place. And in December, after the COVID break, we also had a Christmas party. We intend to continue organizing such events in the future because building strong relationships in the workplace and fostering a friendly working atmosphere are among the priorities in our personnel strategy.



JUDr. Lenka Povolná

Head of HR Department of ZKL, a.s.

CONSOLIDATED BALANCE SHEET

(Figures in CZK thousand)

as of 31.12.2022

Year	Month	ID No.	Company name and seat
2022	12	25568353	ZKL,a. s., Jedovnická 2346/8, 62800 Brno (CZ)

Item a	ASSETS b	Line No. c	Current period	Current period	Current period	Previous period
			Brutto 3	Adjustment	Netto	Netto 4
	TOTAL ASSETS (02+03+40+77)	01	4 276 844	1 694 999	2 581 845	2 328 442
B.	Fixed assets (04+14+27+37+38+39)	03	3 139 143	1 657 909	1 481 234	1 371 272
B. I.	Intangible fixed assets (05+06+09+10+11)	04	112 312	111 858	454	7 839
2.	Valuable rights (07+08)	06	116 181	110 814	5 367	6 990
2.1.	Software	07	88 555	83 188	5 367	6 990
2.2.	Other valuable rights	08	27 626	27 626	0	0
3.	Goodwill	09	-6 217	-1 244	-4 973	0
4.	Other intangible fixed assets	10	2 288	2 288	0	0
5.	Advances for intangible fixed assets and unfinished intangible assets under construction (12+13)	11	60	0	60	849
5.2.	Intangible assets under construction	13	60	0	60	849
B. II.	Tangible fixed assets (15+18+19+20+24)	14	2 867 531	1 421 651	1 445 880	1 361 256
B. II.	Lands and Constructions (16+17)	15	1 376 528	486 824	889 704	833 960
1.1.	Lands	16	110 836	0	110 836	109 133
1.2.	Constructions	17	1 265 692	486 824	778 868	724 827
2.	Individual movables and groups of movables	18	1 363 192	934 827	428 365	454 690
4.	Other tangible fixed assets (21+22+23)	20	136	0	136	136
4.3.	Other tangible fixed assets	23	136	0	136	136
5.	Advances for tangible fixed asset and tangible fixed assets under construction (25+26)	24	127 675	0	127 675	72 470
5.1.	Advances for tangible fixed assets	25	63 279	0	63 279	9 840
5.2.	Tangible fixed assets under construction	26	64 396	0	64 396	62 630
B. III.	Long-term financial assets (28+29+30+31+32+33+34)	27	159 300	124 400	34 900	2 177
B. III.	Shares in controlled entities	28	159 300	124 400	34 900	2 177
C.	Current assets (41+49+71+74)	40	1 127 783	37 090	1 090 693	944 288
C. I.	Inventories (42+43+44+47+48)	41	582 602	20 140	562 462	509 647
C. I.	Raw material	42	131 642	10 938	120 704	117 707
2.	Work-in-progress and semi-finished products	43	137 797	2 088	135 709	138 707
3.	Finished products and goods (45+46)	44	310 818	7 114	303 704	252 474
3.1.	Finished products	45	302 531	5 630	296 901	242 397
3.2.	Goods	46	8 287	1 484	6 803	10 077
5.	Prepayment on inventories	48	2 345	0	2 345	759
C. II.	Receivables (50+60)	49	524 978	16 950	508 028	401 599
C. II.	Long-term receivables (51+52+53+54+55)	50	90 152	0	90 152	10 027
1.1.	Trade receivables	51	10 409	0	10 409	3 021
1.4.	Deferred tax receivables	54	10 348	0	10 348	0
1.5.	Other receivables (56+57+58+59)	55	69 395	0	69 395	7 006
1.5.2.	Long-term advances	57	6 327	0	6 327	7 006
1.5.4.	Other receivables	59	63 068	0	63 068	0
2.	Short-term receivables (61+62+63+64)	60	434 826	16 950	417 876	391 572
2.1.	Trade receivables	61	309 390	5 037	304 353	242 563
2.2.	Receivables - controlled or controlling party	62	7 053	7 053	0	0
2.4.	Other receivables (65+66+67+68+69+70)	64	118 383	4 860	113 523	149 009
2.4.3.	Government - tax receivables	67	37 097	0	37 097	24 765
2.4.4.	Short-term advances	68	22 794	4 860	17 934	19 834
2.4.5.	Estimated accrued revenues	69	9 768	0	9 768	11 470
2.4.6.	Other receivables	70	48 724	0	48 724	92 940
C. IV.	Cash and bank accounts (75+76)	74	20 203	0	20 203	33 042
C. IV.	Cash	75	223	0	223	231
2.	Bank accounts	76	19 980	0	19 980	32 811
D.	Prepayments and accrued income (78+79+80)	77	9 918	0	9 918	12 882
D.	Prepaid expenses	78	7 469	0	7 469	5 346
3.	Accrued income	80	2 449	0	2 449	7 536

Item a	LIABILITIES b	Line No. c	Current period	Previous period
			5	6
	TOTAL LIABILITIES (82+107+147+150)	81	2 581 845	2 328 442
A.	Equity (83+87+95+98+102+105+106)	82	1 344 489	1 185 458
A. I.	Subscribed capital (84+85+86)	83	734 530	734 530
A. I.	Subscribed capital	84	734 530	734 530
A. II.	Share premium and capital reserves (88+89)	87	97 343	-14 876
A. II.	Share premium	88	1 237	1 236
2.	Capital reserves (90+91+92+93+94)	89	96 105	-16 112
2.1.	Other capital reserves	90	491	0
2.2.	Valuation differences from revaluation of assets and liabilities (+/-)	91	95 614	-16 112
A. III.	Revenue reserves (96+97)	95	5 454	5 455
A. III.	Other reserve fund	96	5 454	5 455
A. IV.	Retained earnings (+/-) (99+100+101)	98	424 837	361 198
A. IV.	Retained earnings from previous years	99	428 100	362 423
3.	Other retained earnings (+/-)	101	-3 263	-1 225
A. V.	Profit/loss of current accounting period without minority shares (+/-)	102	82 325	99 151
	Profit/loss of current accounting period	103	82 325	99 151
B. + C.	Liabilities (108+113)	107	1 236 680	1 142 527
B.	Provisions (109+110+111+112)	108	25 643	12 455
2.	Provision for income tax	110	3 467	1 028
3.	Provision according to special legal regulations	111	4 595	0
4.	Other provisions	112	17 581	11 427
C.	Payables (114+129)	113	1 211 037	1 130 072
C. I.	Long-term payables (115+118+119+120+121+122+123+124+125)	114	348 838	366 986
2.	Payables to banks	118	244 728	242 162
4.	Trade payables	120	2 777	0
6.	Payables - controlling or controlled entity	122	20 936	0
8.	Deferred tax liabilities	124	55 635	46 353
9.	Other payables (126+127+128)	125	24 762	78 471
9.3.	Other payables	128	24 762	78 471
C. II.	Short-term liabilities (130+133+134+135+136+137+138+139)	129	862 199	763 086
2.	Payables to banks	133	400 857	342 509
3.	Short-term advances received	134	21 326	20 328
4.	Trade payables	135	309 024	256 621
6.	Payables - controlling or controlled entity	137	15 542	0
8.	Other payables (140+141+142+143+144+145+146)	139	115 450	143 628
8.1.	Payables to partners	140	15 243	10 993
8.3.	Payables to employees	142	16 736	15 659
8.4.	Payables to social security and health insurance	143	8 923	8 422
8.5.	Government - tax payables and subsidies	144	8 284	11 379
8.6.	Estimated accrued expenses	145	3 811	17 493
8.7.	Other payables	146	62 453	79 682
D.	Accruals and deferred income (148+149)	147	676	457
D.	Accrued expenses	148	541	334
2.	Deferred income	149	135	123

PROFIT AND LOSS STATEMENT

(Figures in CZK thousand)

as of 31.12.2022

Year	Month	ID No.	Company name and seat
2022	12	25568353	ZKL,a. s., Jedovnická 2346/8, 62800 Brno (CZ)

Item	TEXT	Line No.	Current period	Previous period
a	b	c	1	2
I.	Sales of goods and services	01	1 278 836	1 327 429
II.	Sales of goods	02	27 587	25 438
A.	Consumption from production (04+05+06)	03	932 821	866 518
A.	Costs of goods sold	04	24 328	21 836
2.	Consumption of material and energy	05	788 562	726 652
3.	Services	06	119 931	118 030
B.	Increase/decrease in finished goods and in work-in-progress (+/-)	07	-81 483	-7 391
C.	Own work capitalized (-)	08	-380	-359
D.	Staff costs (10+11)	09	338 183	326 824
D.	Wages and salaries	10	248 281	240 002
2.	Social security and health insurance costs and other costs (12+13)	11	89 902	86 822
2.1.	Social security and health insurance costs	12	81 808	78 755
2.2.	Other social costs	13	8 094	8 067
E.	Adjustment of values in operating activities (15+18+19)	14	101 733	72 940
E.	Adjustment of values of intangible and tangible assets (16+17)	15	97 934	98 077
1.1.	Adjustment of values of intangible and tangible assets - permanent	16	97 934	98 077
2.	Adjustment of values of inventories	18	3 790	-1 263
3.	Adjustment of values of receivables	19	9	-23 874
III.	Other operating income (21+22+23)	20	144 068	72 089
III.	Proceeds on sale of fixed assets	21	13 153	2 813
2.	Proceeds on sale of material	22	12 155	12 048
3.	Other operating income	23	118 760	57 228
F.	Other operating expenses (25+26+27+28+29)	24	83 701	57 237
F.	Net book value of fixed assets sold	25	1 821	583
2.	Net book value of material sold	26	9 771	9 559
3.	Taxes and fees relating to operating activities	27	4 008	3 650
4.	Provisions and adjustments relating to operating activities and complex deferred expenses	28	-2 563	8 382
5.	Other operating expenses	29	70 664	35 063
*	Profit/loss from operating activities (+/-) (01+02+20-03-07-08-09-14-24+30-31)	32	75 916	109 187
VI.	Interest income and similar income (42+43)	41	231	104
2.	Other interest income and similar income	43	231	104
I.	Adjustment relating to financial activities	44	18	0
J.	Interest expense and similar expenses (46+47)	45	18 094	15 269
2.	Other interest expense and similar expenses	47	18 094	15 269
VII.	Other financial revenues	48	99 121	77 514
K.	Other financial expenses	49	65 186	58 498
*	Profit/loss from financial activities (+/-) (33+37+41+48-36-40-44-45-49)	50	16 054	3 851
**	Profit/loss before tax (+/-) (32+50)	51	91 970	113 038
L.	Income tax (53+54)	52	9 645	13 887
L.	Income tax due	53	16 618	9 121
2.	Income tax deferred (+/-)	54	-6 973	4 766
**	Profit/loss after tax (51-52)	55	82 325	99 151
	Profit/loss for the period without Equivalence	57	82 325	99 151
	of it: - Economic result of current accounting period without minority shares	58	82 325	99 151
****	Profit/loss for the period (+/-) (57-56)	61	82 325	99 151
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	62	1 549 843	1 502 574

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INDEPENDENT AUDITOR'S REPORT

to the Sole Owner 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 and its subsidiaries, (hereafter the Group) prepared in accordance with Czech accounting regulations, which comprise the consolidated balance sheet as at 31. 12. 2022, the consolidated income statement for the period from 1. 1. 2022 to 31. 12. 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. Details of the Group are set out in the Current organizational scheme section of the notes to these consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and equity of the Group as at 31. 12. 2022 and of the costs, revenues and its profit or loss for the period from 1. 1. 2022 to 31. 12. 2022, 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 Group 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 Group 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,

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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 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 Group 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 of ZKL,a.s. for the consolidated Financial Statements

Board of Directors of ZKL,a.s. 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 of ZKL,a.s. 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 of ZKL,a.s. is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of ZKL,a.s. is responsible for overseeing the Group'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.

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As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism 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 Group'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 Group'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 Group 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 of ZKL,a.s. 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 22 June 2023

Audit firm:

Partner:

 BDO Audit s.r.o.



BDO Audit s. r. o.

Oldřich Bartušek

Certificate No. 018

Certificate No. 2256