



ZKL GROUP

ZKL GROUP

ANNUAL REPORT

2019

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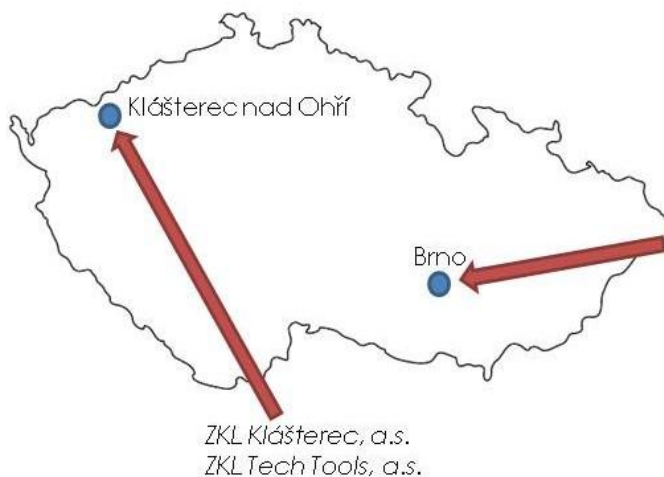
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About the company

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

ZKL Group integrates two manufacturing plants in Brno and Klášterec nad Ohří, and also specialized joint stock companies ZKL - Výzkum a vývoj, a.s. (ZKL - Research and Development), and business company ZKL Bearings CZ, a.s. Thanks to our own research and development, ZKL is able to 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.



ZKL Group - Brno

ZKL Bearings CZ, a.s.
ZKL Brno, a.s.
ZKL Výzkum a vývoj, a.s.
ZKL Tech Tools, a.s.
ZKL Reality, s.r.o.

Introductory word of CEO

Dear business partners,

I am glad to be able to talk to you on the occasion of the publication of the 2019 Annual Report of the ZKL Group. This period is usually associated with a pleasant time in the spring months and, from an economic point of view, with closing the previous calendar year, discussing annual implementation plans and setting management personal goals. However, at present we are all affected by the negative mood caused by the state of emergency declared by the Czech Government in response to the global SARS Covid-19 pandemic. For all companies and entrepreneurs, this is a very difficult period due to the impossibility of rational planning, because we do not know how the demand will develop in the future. Therefore, we need to stick to facts that can be relied on.



These are:

- audited results of 2019,
- development of a portfolio of bearings for environmental technologies and rail transport,
- expansion of the business strategy with leading customers in China, Russia and India,
- a qualified team of workers and technicians running modern technologies in manufacturing plants in Brno and Klášterec nad Ohří.

Following the above, we can present you with the economic results we achieved in 2019 and our current plan for 2020 compared to the previous periods of 2017 and 2018. Everything is summarized in the following table.

Indicator	2017	2018	2019	Index 2019/2018	2020 plan
Sales revenues (CZK thousand)	1 053 295	1 068 895	1 112 304	1,04	1 251 050
Operating result (CZK thousand)	383 400	406 353	439 329	1,08	481 255
EBITDA (CZK thousand)	122 948	131 715	158 642	1,20	163 831
Productivity (Added value / Personnel costs)	1,30	1,30	1,41	1,08	1,48

These relatively good economic results have been achieved through the successful development and management of the manufacturing of bearings for wind farms and rail transport, and the development of trade in ZKL bearings in China, Russia, India and, last but not least, Western Europe.

The plan for 2020 and near future is based on the following assumption:

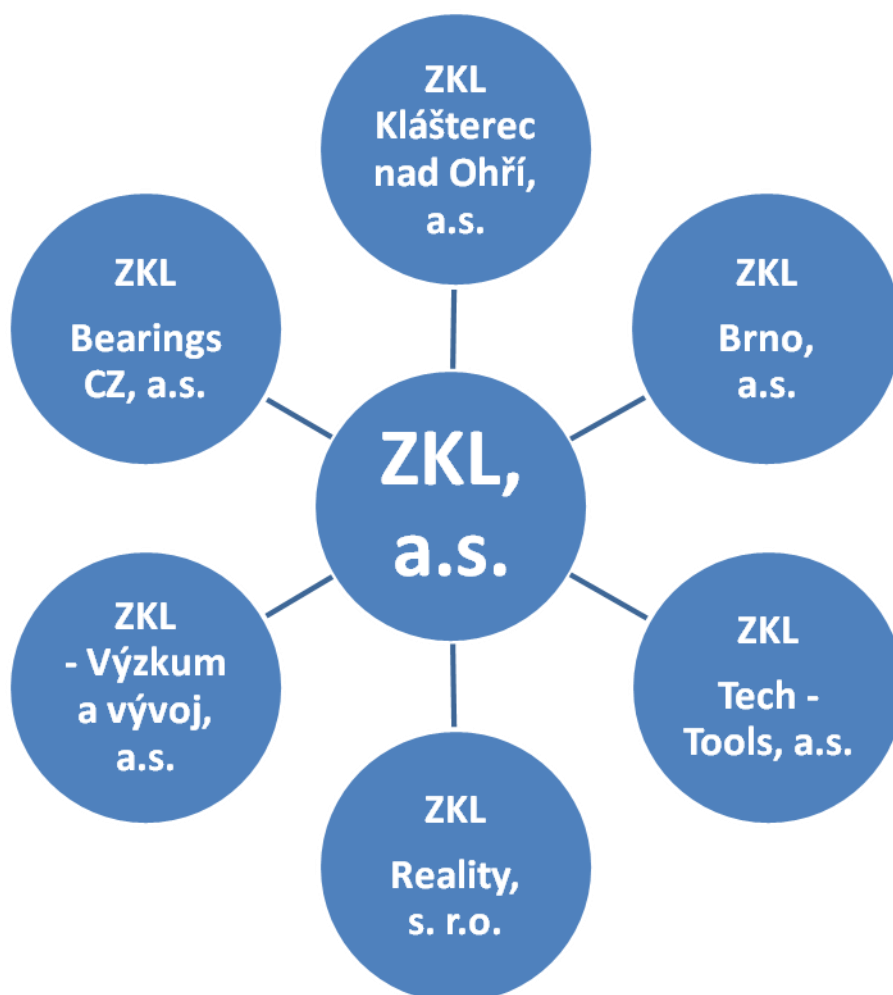
- the stable demand for large-scale bearings will continue, especially in China, India and partly in Western Europe,
- successful testing and certification of bearings for rail transport in Europe, i.e. bearings for Russia railways, etc.,
- maintaining demand from large industrial companies in Russia, China, India and of course in Europe.

Even if the above assumptions are fulfilled, we will certainly have a lot of hard work ahead of us in 2020 to meet the targets we have set.

In conclusion, I would like to thank to all our business partners, workers, technicians and managers for their work in 2019. I also wish that we could really meet the 2020 goals and thus maintain the tradition of the ZKL Group as a reliable and promising partner.

Ing. Jiri Prášil, CSc.
CEO ZKL, a.s.

Current organisational scheme



BOARD OF DIRECTORS

Chairman: Ing. Jiří Prášil, CSc.
Board of members: Ing. Jiří Prášil
Ing. Jan Otoupalík

ZKL, a.s.

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

Book value: CZK 1 086 523 thousand
Annual turnover: CZK 34 240 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 913 551 thousand
Annual turnover: CZK 525 693 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 465 984 thousand
Annual turnover: CZK 368 869 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 22 802 thousand
Annual turnover: CZK 17 486 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 606 018 thousand
Annual turnover: CZK 877 046 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 47 506 thousand
Annual turnover: CZK 47 989 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 553 869 thousand
Annual turnover: CZK 75 659 thousand

Significant investments

ZKL Group continues to invest in new machinery and technology and improves its manufacturing processes. Purchasing new machines in 2019 re-strengthened and supplemented the existing technologies and significantly increased the technology fleet of ZKL Brno, a.s., especially as concerns large-scale bearings for wind farms and power engineering.

The most significant investments of 2019 in the ZKL Brno, a.s. manufacturing plant included a purchase of a new machine for strengthening the manufacture of large-scale bearings **BASICTURN 1600 S2** from company TOSHULIN a.s. This complex lathe for technologically demanding machining of hardened bearing rings up to a diameter of 2,000 millimetres and a weight of 12 tonnes was installed in hall 5.



Another significant investment in ZKL Brno, a.s. in 2019 was the acquisition of a new centerless grinder **BB 400ST CNC** in the hall 4. This grinder, allowing grinding of elements within the diameter range of 50 to 250 millimetres, has significantly expanded the existing capacities for grinding rolling element casings in the segment of large-scale bearings.



In the 3rd quarter of 2019, we started the **reconstruction of part of the hardening plant** with shaft furnaces that are used for hardening the largest bearing rings, especially for the wind power plants programme. The hardening capacities help us increase the newly designed and manufactured technological equipment for heat treatment of bearing parts with a diameter of 1,800 to 2,000 millimetres. A new washing device was purchased for the proper cleaning of the turbid rings, and a new crane track with a load capacity of 3 tonnes was installed in the tempering room for handling of workpieces.



Significant investments in the ZKL plant in Klášterec nad Ohří included a new CNC machine for precision grinding of **BDLZ 120 CNC HP** arms/holes of bearing parts and components, which was acquired within the grant project INNOVATION - "Introduction of the manufacture of agricultural bearings". It is a machine for finishing outer and inner bearing rings and bearing ring raceways with an outer diameter from 20 to 150 mm. The purchased machine will enable the manufacture of special radial ball bearings based on the construction of higher-generation wheel ball bearings, intended for use in modern agricultural technology.



Significant events

As part of the accompanying events held during the International Engineering Fair in Brno, at which ZKL Group exhibits regularly, the prestigious competition for the best innovative exhibit Gold Medal 2019 took place. ZKL Group participated in the category of component innovation in mechanical engineering and received the highest award for its asymmetric spherical roller bearing.

The winning asymmetric spherical roller bearing with a cassette cage excels above all in its special design, which enables its use especially in the gearbox of a concrete mixer truck or in the main rotor of a wind power plant. Other advantages are increased tiltability, axial load capacity and the ability to work at low speeds without slipping. At the same time, the new design of the bearing extends its service life by up to 80 percent compared to existing solutions.

Winning this remarkable award is a testament to a well-chosen business strategy focused on projects for end customers and product innovation based on customer requirements. These innovations can be realized thanks to our own technical know-how, which is provided to the ZKL Group by its research and development company ZKL - Výzkum a vývoj, a.s. (ZKL - Research and Development).



Sales and Marketing

In 2019 we managed to increase the sales of bearings by CZK 6.9 %. We measure the past year positively, even though the company's business plan was not fulfilled. The main reasons were the slowdown in the economy in Western Europe, as well as the later commissioning of heat treatment technology for large-scale bearings. However, lower demand in Europe was offset by successful new orders from China and Russia, where we see an increase of tens of percent compared to previous years.

In 2018, the basis for more efficient management of the business company ZKL Bearings CZ, a.s. was established, therefore its business unit in Brno could be centralized in 2019. As of June 30, the branch in Prague was closed, which also led to a partial change of sales managers. Thanks to new collaborators with technical knowledge that we gained from other manufacturing companies, the transfer of work and business contacts was fast and seamless.



2019 Business activities

OS 41 - LATIN AMERICA

The main selling market is Argentina which shared about 65% percent in the total ZKL's exports to Latin America in 2019. Argentina thus remains dominant in Latin America. Unfortunately, it is still falling into bigger financial problems. In Quarter 3, 2019, the same situation was repeated as a year ago. The devaluation of the local ARS currency by another 50% slowed sales to Argentina. However, the development of sales in other Latin American countries can be assessed positively, which partially offset the decline in sales to Argentina in Quarter 3.

OS 42 - SOUTH ASIA

By announcing multi-channel sales in India, we have achieved higher sales efficiency in this area and at the same time we have managed to maintain the turnover. In 2019, we focused on direct (final) customers. The trend of sales to the OEM segment in India can be assessed positively, where it increased by 15% year-on-year.

OS 43 – NORTHERN EUROPE, MIDDLE EAST AND AFRICA

We have not been able to stabilize sales in Turkey for 2 years. We will strengthen the territory with an office in 2020 and we will work on customers in the OEM and EDU sectors. Sales to Northern Europe, especially in the Baltics, appear to be positive. There, we focus on the wood processing industry.

OS 44 - USA, CANADA, FAR EAST

We are thriving in that territory mainly thanks to the qualified work of our office in China. The sales in China increased by 50% year-on-year, and we plan further sales growth by 2020.

OS 45 – CZECH REPUBLIC AND SLOVAKIA

In the Czech Republic and Slovakia, we recorded lower sales than in 2018. This was mainly due to the failure of the tender for Czech Railways and the loss of some OEM projects. Another negative role here is also played by the lower solvency of companies. By 2020, however, we have already won tenders in the railway sector, and we therefore believe that sales will grow again in 2020.

OS 46 - SOUTHERN AND EASTERN EUROPE

In that business territory, sales were essentially the same as in 2018. In 2019, we managed to obtain orders from the Romanian Railways and new OEM projects from Austria.

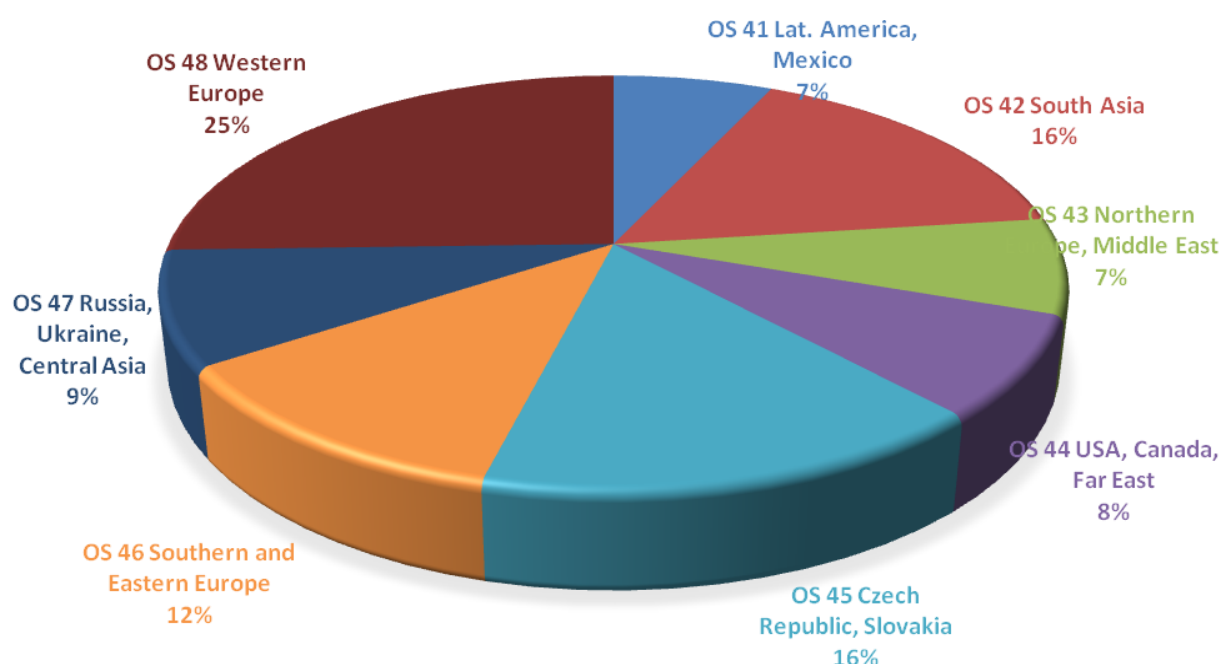
OS 47 – RUSSIA, UKRAINE, CENTRAL ASIA

Sales in the territory increased by 25% year-on-year. This was mainly due to the penetration into the Russian Railways and companies producing mining equipment. In 2020, we plan a further increase in sales by winning contracts for the steel industry. Thanks to a year-on-year increase in sales in approximately tenths of percent, we decided to establish a new office in Ukraine in 2019.

OS 48 - WESTERN EUROPE

We recorded the highest increase in sales in the territory of Western Europe, where we manage to increase orders for wind power plants. Further increase in sales is also evident in Germany, where our local office is successfully cooperating to acquire OEM and EDU clients.

The distribution of sales by business groups in 2019 is shown in the following chart:



Promoting the ZKL brand image's strength

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 PERUMIN trade fair for the mining industry in Latin America, and the agrarian industry trade fair EXPOAGRO, Hannover Messe, the largest industrial fair in Europe, the traditional MSV in Brno and the Czech Raildays in Ostrava. We have recently exhibited with an own stand in Ukraine. In Russia, Belarus and China we used the offer of our business partners for a joint presentation.

In 2019, we continued to develop activities towards professional public. We regularly informed them through online channels, such as websites and social networks (LinkedIn, Facebook and YouTube). In 2019, two issues of the ZKL News company magazine were published and distributed among our employees and business partners. The conference of

distributors was focused on new projects, as well as on research and development, which are the key area of the ZKL Group.

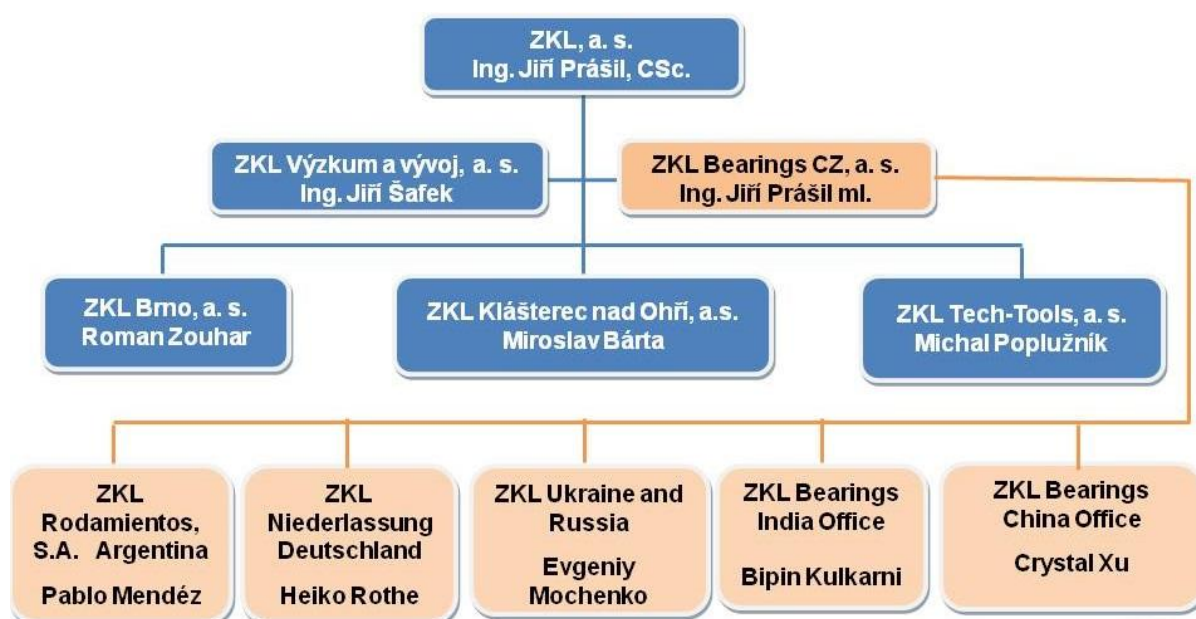


Regular customer satisfaction survey showed that besides the offered products, customers are increasingly looking for services related to professional consulting services. Flexible response to emerging customer needs is provided by the Technical Support Department, which provides technical solutions in choosing suitable bearings, attendance at assemblies of special large-size bearings or technical trainings for customers and distributors. Technical Support Department during 2019 trained some of our business partners in a newly built training room used to present various 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 OEMs.



Building branded sales network

ZKL has sales offices within five countries around the world: Argentina, China, India, Germany and Ukraine. 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

The positive economic development of the ZKL Group in 2019 is the result of the modernization of production units, the introduction of digitalisation of production and the continuing trend of investments in technical development and scientific research tasks. Increasing the competitiveness of ZKL products is significantly influenced on the one hand by the development and design of bearings as such, but on the other hand also by the development of new technological processes related to efficient and ecological manufacturing. Innovation management is implemented through a technical and production development plan of (TVR) that is integrated into the financial plan of the ZKL Group.



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019
ZKL Brno ¹⁾	57,850	59,442	35,116	33,095	13,551	4,549	28,612	54,555	44,486
ZKL Klášterec nad Ohří ¹⁾	3,508	11,142	10,254	8,116	8,866	12,270	12,576	11,517	11,159
ZKL – Výzkum a vývoj ¹⁾	24,051	31,780	26,462	21,438	21,223	17,638	20,583	21,481	21,601

ZKL Tech-Tools ²⁾	–	–	6,248	1,760	4,171	4,171	7,330	7,825	5,505
CELKEM	85,409	102,364	78,080	64,409	47,811	38,628	69,101	95,378	82,751
¹⁾ Costs of Research & Development, ²⁾ Special tool costs									

The ZKL Group has its own research and development base, the main bearer of which is ZKL - Výzkum a vývoj, a.s., (ZKL - Research and Development, JSC), which has a team of experienced design engineers and its own testing laboratory. In cooperation with highly professional and experienced workers from manufacturing facilities, the ZKL Group is able to develop bearings with high utility properties and optimize the manufacturing production processes, so that the manufactured bearings fully satisfy the needs of customers even in the most demanding applications.

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

In 2019, innovations continued both in the area of the common catalogue assortment and in the area of customer bearings. The innovations were mainly targeted to the following strategic areas:

- radial spherical roller bearings for main rotors of wind turbines,
- radial and axial spherical roller bearings for power engineering,
- bearings for rail vehicles (axles, drives, transmissions),
- customer solutions for OEMs of steelmaking machines,
- customer solutions for OEM manufacturers of agricultural machinery.

The result of the above activities for the year 2019 are innovations implemented in the manufacturing plants of the ZKL Group, the most significant innovations are listed in the following tables:

Innovations in ZKL Brno, a.s.

Tprm	Tprm	Tprm
294/850EM NF	294/900EM NF	29488EM
NNSL40/560CV TPF 11562-18	PLC 82-13-18.2	230/600EW33MH NF
230/950EW33MH TPF 11547-17	240/900EW33MH TPF 11547-17	PLC 62-09-11
PLC 59-10.5	29412EJ NF	29414EJ NF
P29420EJ (R)	P29422EJ (R)	P29424EJ (R)
P29426EJ (R)	P29320EJ (R)	P29326EJ (R)
P29328EJ (R)	Note: In addition, 15 TPRM custom bearing applications were developed.	

Innovations in ZKL Klášterec nad Ohří, a.s.

Tprm	Tprm	Tprm
B2-2210H-2RSN C2 TM (R)	PLC 410-34.2.6	

Innovations in ZKL Tech-Tools, a.s.

Tprm	Tprm	Tprm
PLC 32-09-03	PLC 32-09-04	

In 2019, the activities of research and development in ZKL Group focused, in addition to the catalogue products and customer bearing applications, also on long-term research and development projects of new types of bearings and bearing manufacturing technological processes. These are being addressed through the research and development support programme of the Ministry of Industry and Trade, the TACR Epsilon Programme and the Operational Programme Enterprise and Innovation for Competitiveness.

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

- of toroidal bearings,
- new generation of axial spherical roller bearings,
- railway bearings with extended service interval,
- sealed spherical roller bearings for heavy operations.

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

- Automation, measurement and monitoring of assembly processes.
- Automation of manufacturing of sheet metal cages for spherical roller bearings.
- Research and development of the influence of machining technology on surface layers.

Ing. Libor Nohál, Ph.D.
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 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/TS22163 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 2019

Company	Certificate
ZKL, a.s.	EN ISO 9001:2015
ZKL-Výzkum a vývoj, a.s.	EN ISO 9001:2015
	CTLA
	ISO/TS22163:2017
ZKL Bearings CZ, a.s.	EN ISO 9001:2015
	ISO/TS22163:2017
ZKL Brno, a.s.	EN ISO 9001:2015
ZKL Klášterec nad Ohří, a.s.	EN ISO 9001:2015
	EN ISO 14001:2015
	ISO/TS22163:2017
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 14001. 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.

Tomáš Hrozek
Quality Manager ZKL, a.s.

Human Resources

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

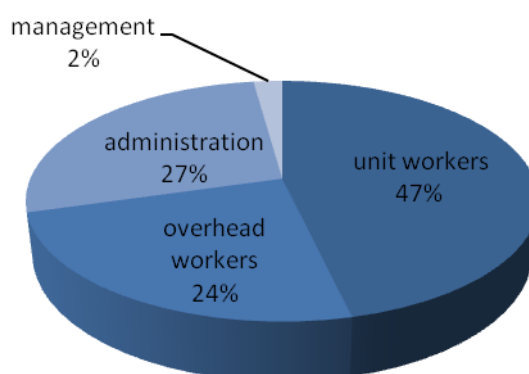
Personnel development

In HR terms, 2019 was a stabilizing 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.

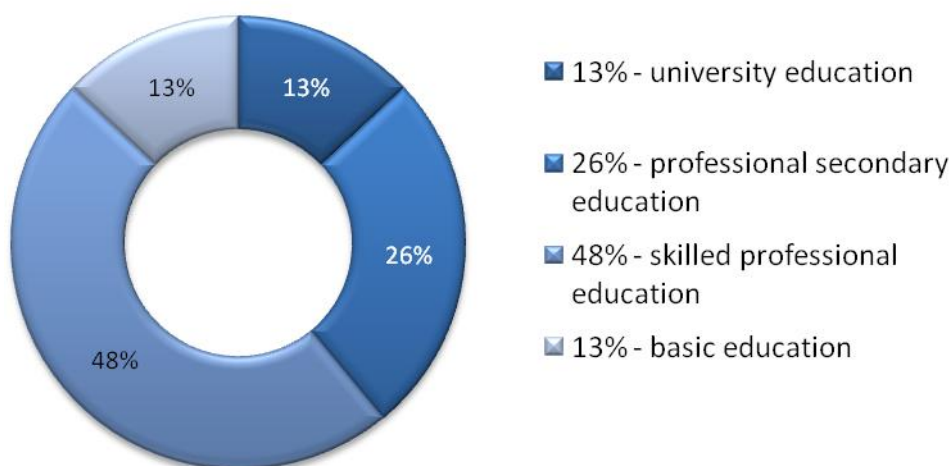
Recounted numbers of employees as of 31. 12. 2019						
Year	2014	2015	2016	2017	2018	2019
Total ZKL Group	827	802	749	633	578	579

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.

The ZKL Group employee structure in 2019



Qualification structure of regular ZKL Group employees in 2019

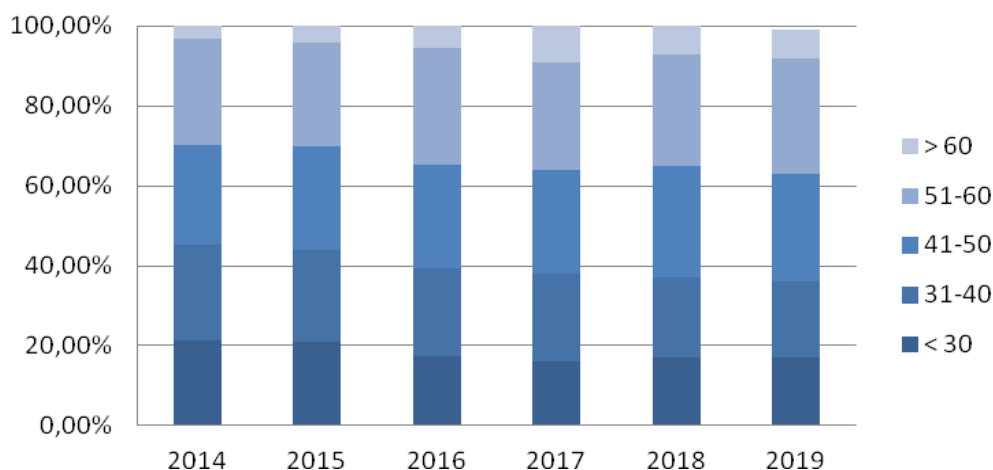


The trend of the previous periods continues, when the proportion of employees with higher education has yet been slightly growing. The share of employees with secondary education ended with leaving exam remains at the same level and there is a slight decrease in the proportion of employees who completed 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 - 2019 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.

Age structure of regular ZKL Group employees in 2019



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.

An important part of the development of education are regular language courses, which were taught in 2019 at 8 levels of proficiency, in English, Spanish and German, so that more employees can use language education. In 2019, 38 employees studied regularly.

ZKL recognizes the importance of technical education and its importance for the manufacturing 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 2019, we also facilitated internships for 5 students of the Secondary Engineering School and students of the Economic School in Brno directly in the manufacturing plant of ZKL Brno, a.s.



As part of employee care, ZKL organizes 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.



Bc. Štěpánka Rychetská

Head of HR Department ZKL, a.s.

Consolidated financial data

CONSOLIDATED BALANCE SHEET (Figures in CZK thousand)

date 31.12.2019

Year	Month	ID	Company name
2019	12	25568353	ZKL, a. s.

Item	ASSETS	Line No.	Current period	Previous period
a	b	c	Netto 3	Netto 4
	TOTAL ASSETS (02+03+40+77)	01	2 158 448	2 106 035
A.	Receivables for subscribed capital	02	0	
B.	Fixed assets (04+14+27+37+38+39)	03	1 184 727	1 155 800
B. I.	Intangible fixed assets (05+06+09+10+11)	04	11 213	13 804
B. I. 1.	Intangible results of research and development	05	0	
2.	Valuable rights (07+08)	06	10 457	12 685
2.1.	Software	07	10 415	12 490
2.2.	Other valuable rights	08	42	195
3.	Goodwill	09	0	
4.	Other intangible fixed assets	10	0	318
5.	Advances for intangible fixed assets and unfinished intangible assets under construction (12+13)	11	756	801
5.1.	Advances for intangible fixed assets	12	0	
5.2.	Intangible assets under construction	13	756	801
B. II.	Tangible fixed assets (15+18+19+20+24)	14	1 168 058	1 130 841
B. II. 1.	Lands and constructions (16+17)	15	707 729	701 744
1.1.	Lands	16	110 030	111 183
1.2.	Constructions	17	597 699	590 561
2.	Individual movables and groups of movables	18	344 382	366 633
3.	Valuation differences to acquired assets	19	0	
4.	Other tangible fixed assets (21+22+23)	20	136	66
4.1.	Perennial crops	21	0	
4.2.	Breeding herds and draught animals	22	0	
4.3.	Other tangible fixed assets	23	136	66
5.	Advances for tangible fixed asset and tangible fixed assets under construction (25+26)	24	115 811	62 398
5.1.	Advances for tangible fixed assets	25	43 981	30 838
5.2.	Tangible fixed assets under construction	26	71 830	31 560
B. III.	Long-term financial assets (28+29+30+31+32+33+34)	27	5 456	5 087
B. III. 1.	Investments in subsidiaries	28	5 456	5 087
2.	Loans and borrowings to subsidiaries	29	0	
3.	Investment in associates	30	0	
4.	Loans and borrowings to associates	31	0	
5.	Other securities and investments	32	0	
6.	Other loans and borrowings	33	0	
7.	Other financial assets	34	0	0
7.1.	Other financial assets	35	0	
7.2.	Advances for investments	36	0	

Item	ASSETS	Line No.	Current period	Previous period
a	b	c	Netto 3	Netto 4
B.IV	Positive consolidation difference	37	0	6 068
B.V	(-) Negative consolidation difference	38	0	0
B.VI	Securities in equivalence	39	0	
C.	Current assets (41+49+71+74)	40	963 080	944 840
C. I.	Inventories (42+43+44+47+48)	41	549 241	520 884
C. I. 1.	Raw material	42	101 560	75 596
	2. Work-in-progress and semi-finished products	43	76 742	80 424
	3. Finished products and goods	44	370 423	357 524
	3.1. Finished products	45	358 029	228 718
	3.2. Goods	46	12 394	128 806
	4. Animals	47	0	
	5. Prepayment on inventories	48	516	7 340
C. II.	Receivables (50+60)	49	388 323	396 769
C. II. 1.	Long-term receivables (51+52+53+54+55)	50	0	0
	1.1. Trade receivables	51	0	
	1.2. Receivables from controlling entities	52	0	
	1.3. Receivables from associates	53	0	
	1.4. Deferred tax receivable	54	0	
	1.5. Other receivables (56+57+58+59)	55	0	0
	1.5.1. Receivables from partners, cooperative member and association members	56	0	
	1.5.2. Long-term advances	57	0	
	1.5.3. Estimated receivables	58	0	
	1.5.4. Other receivables	59	0	
	2. Short-term receivables (61+62+63+64)	60	388 323	396 769
	2.1. Trade receivables	61	265 315	261 927
	2.2. Receivables from controlling entities	62	0	
	2.3. Receivables from associates	63	0	
	2.4. Other receivables (65+66+67+68+69+70)	64	123 008	134 842
	2.4.1. Receivables from partners, cooperative member and association members	65	0	
	2.4.2. Social security and health insurance	66	0	
	2.4.3. Government - tax receivables	67	25 071	23 864
	2.4.4. Short-term advances	68	20 255	16 710
	2.4.5. Estimated accrued revenues	69	8 823	10 804
	2.4.6. Other receivables	70	68 859	83 464
C. III.	Current financial assets (72+73)	71	0	0
C. III. 1.	Investments in subsidiaries	72	0	
	2. Other short-term financial assets	73	0	
C. IV.	Cash and bank accounts (75+76)	74	25 516	27 187
C. IV. 1.	Cash	75	229	402
	2. Bank accounts	76	25 287	26 785
D.	Prepayments and accrued income (78+79+80)	77	10 641	5 395
D. 1.	Prepaid expenses	78	8 200	4 942
	2. Complex prepaid expenses	79	0	
	3. Accrued income	80	2 441	453

Item	LIABILITIES	Line No.	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY (82+107+147+150)	81	2 158 448	2 106 035
A.	Equity (83+87+95+98+102+105+106)	82	992 168	952 558
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	0	
	3. Changes in subscribed capital	86	0	
A. II.	Share premium and capital reserves (88+89)	87	-30 409	-2 990
A. II. 1.	Share premium	88	1 236	1 236
	2. Capital reserves (90+91+92+93+94)	89	-31 645	-4 226
	2.1. Other capital reserves	90	0	
	2.2. Valuation differences from revaluation of assets and liabilities (+/-)	91	-31 645	-4 226
	2.3. Valuation differences from revaluation by transformation (+/-)	92	0	
	2.4. Differences in company transformation (+/-)	93	0	
	2.5. Differences from valuation company transformation by (+/-)	94	0	
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	0	
A. IV.	Retained earnings (+/-) (98+100+101)	98	259 741	224 946
A. IV. 1.	Retained earnings from previous years	99	259 741	224 946
	2. Accumulated losses of previous years (-)	100	0	
	3. Other retained earnings (+/-)	101	0	
A. V.	Profit/loss of current accounting period without minority shares (+/-)	102	22 851	-9 383
A. V. 1.	Profit/loss of current accounting period	103	22 851	-9 383
	2. Share in economic result in equivalence	104	0	0
A. VI.	Consolidation reserve fund	105	0	
A. VII.	Decided on advanced payment for dividends (-)	106	0	
B. + C.	Liabilities (108+113)	107	1 039 129	1 033 703
B.	Provisions (109+110+111+112)	108	2 262	12 093
B. 1.	Provisions for pensions and similar obligations	109	0	
	2. Provision for income tax	110	0	
	3. Provision according to special legal regulations	111	0	
	4. Other provisions	112	2 262	12 093
C.	Payables (114+120)	113	1 036 867	1 021 610
C. I.	Long-term liabilities (115+116+117+120+121+122+123+124+125)	114	199 053	192 570
C. I. 1.	Bonds issued (116+117)	115	0	0
	1.1. Exchangable bonds	116	0	
	1.2. Other bonds	117	0	
	2. Payables to banks	118	85 779	81 085
	3. Long-term advances received	119	0	
	4. Trade payables	120	0	0
	5. Long-term promissory notes payable	121	0	

Item	LIABILITIES	Line No.	Current period	Previous period
a	b	c	5	6
6.	Payables - controlling or controlled entity	122	0	
7.	Payables to associates	123	0	
8.	Deferred tax liabilities	124	38 925	37 380
9.	Other payables (126+127+128)	125	74 349	74 105
9.1.	Payables to partners	126	0	
9.2.	Estimated payables	127	0	
9.3.	Other payables	128	74 349	74 105
C. II.	SHORT-TERM LIABILITIES (130+133+134+135+136+137+138+139)	129	837 814	829 040
C. II. 1.	Bonds issued (131+132)	130	0	0
1.1.	Exchangable bonds	131	0	
1.2.	Other bonds	132	0	
2.	Payables to banks	133	296 277	292 328
3.	Short-term advances received	134	4 759	5 072
4.	Trade payables	135	303 690	273 484
5.	Short-term notes payable	136	0	
6.	Payables - controlling or controlled entity	137	0	0
7.	Payables to associates	138	0	
8.	Other payables (140+141+142+143+144+145+146)	139	233 088	258 156
8.1.	Payables to partners	140	17 159	15 840
8.2.	Short-term borrowings	141	0	
8.3.	Payables to employees	142	14 095	13 489
8.4.	Payables to social security and health insurance	143	7 965	12 975
8.5.	Government - tax payables and subsidies	144	10 392	23 540
8.6.	Estimated accrued items	145	6 921	24 903
8.7.	Other payables	146	176 556	167 409
D.	Accruals and deferred income (148+149)	147	912	1 234
D. 1.	Accrued expenses	148	274	1 180
2.	Deferred income	149	638	54
E.	Minority equity (151+152+153+154)	150	126 238	118 540
2.	Minority basic capital	151	49 528	49 528
3.	Minority capital funds	152	0	
4.	Minority profit funds incl. undistributed profit / unpaid loss of last years	153	67 638	59 732
5.	Minority economic result of current accounting period	154	9 073	9 280
			0	0

Issue on:

15.5.2020

Entity's legal form:

joint-stock company

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

Jan Maxa

Name and signature of the statutory body:

Ing. Jiří Prášil, CSc.

Chairman of the Board

FOR IDENTIFICATION PURPOSES
BDO Audit s.r.o.
IDN: 45314381
Auditor Certificate No. 018

PROFIT AND LOSS STATEMENT
(Figures in CZK thousand)

date 31.12.2019

Year	Month	ID	Company name
2019	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	1 075 890	889 879
II.	Sales of goods	02	36 414	179 016
A.	Consumption from production (04+05+06)	03	686 332	772 152
A. 1.	Costs of goods sold	04	22 723	131 675
2.	Consumption of material and energy	05	549 295	533 871
3.	Services	06	114 314	106 606
B.	Increase/decrease in finished goods and in work-in-progress (+/-)	07	-6 644	-100 668
C.	Own work capitalized (-)	08	-8 971	-5 391
D.	Staff costs (10+11)	09	312 247	312 064
D. 1.	Wages and salaries	10	229 276	228 369
2.	Social security and health insurance costs and other costs (12+13)	11	82 971	83 695
2.1.	Social security and health insurance costs	12	75 618	75 956
2.2.	Other social costs	13	7 353	7 739
E.	Adjustment of values in operating activities (15+18+19)	14	94 075	92 719
E. 1.	Adjustment of values of intangible and tangible assets (16+17)	15	83 030	89 848
1.1.	Adjustment of values of intangible and tangible assets - permanent	16	83 030	89 848
1.2.	Adjustment of values of intangible and tangible assets - temporary	17	0	
2.	Adjustment of values of inventories	18	1 213	242
3.	Adjustment of values of receivables	19	9 832	2 629
III.	Other operating income (21+22+23)	20	61 104	107 683
III. 1.	Proceeds on sale of fixed assets	21	2 407	5 243
2.	Proceeds on sale of material	22	10 381	11 364
3.	Other operating income	23	48 316	91 076
F.	Other operating expenses (25+26+27+28+29)	24	33 543	66 706
F. 1.	Net book value of fixed assets sold	25	2 268	2 274
2.	Net book value of material sold	26	10 212	10 893
3.	Taxes and fees relating to operating activities	27	4 597	4 829
4.	Provisions and adjustments relating to operating activities and complex deferred expenses	28	-68	88
5.	Other operating expenses	29	16 534	48 622
	Clearing (depreciation) of the negative consolidation difference	30	0	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	56 758	39 391

Item a	TEXT b	Line No. c	Values in accounting period	
			current period 1	previous period 2
IV.	Revenues from long-term investments (34+35)	33	0	0
IV. 1.	Revenues from investments in subsidiaries	34	0	
IV. 2.	Other revenues from investments	35	0	
G.	Expenses spend on investments sold	36	0	
V.	Revenues from other long-term investments (38+39)	37	0	0
V. 1.	Revenues from other long-term investments in subsidiaries	38	0	
V. 2.	Other revenues from long-term investments	39	0	
H.	Expenses related to other long-term financial assets	40	0	
VI.	Interest income and similar income (42+43)	41	5	360
VI. 1.	Interest income and similar income in subsidiaries	42	0	
2.	Other interest income and similar income	43	5	360
I.	Adjustment relating to financial activities	44	2	18
J.	Interest expense and similar expenses (46+47)	45	15 189	16 514
J. 1.	Interest expense and similar expenses in subsidiaries	46	0	0
2.	Other interest expense and similar expenses	47	15 189	16 514
VII.	Other financial revenues	48	24 705	25 030
K.	Other financial expenses	49	25 726	35 103
*	Profit/loss from financial activities (+/-) (33+37+41+48-36-40-44-45-49)	50	-16 207	-26 245
**	Profit/loss before tax (+/-) (32+50)	51	40 551	13 146
L.	Income tax (53+54)	52	8 627	13 249
L. 1.	- due	53	7 082	7 846
2.	- deferred (+/-)	54	1 545	5 403
**	Profit/loss after tax (51-52)	55	31 924	-103
M.	Transfer of profit to partners (+/-)	56	0	
	Profit/loss for the period without Equivalence	57	31 924	-103
	of it: - Economic result of current accounting period without minority shares	58	22 851	-9 383
	- Minority economic result of current accounting period	59	9 073	9 280
	Share in economic result in equivalence	60	0	
****	Profit/loss for the period (+/-) (57-56)	61	31 924	-103
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	62	1 198 118	1 201 968

Issued on:

15.5.2020

Entity's legal form:

joint-stock company

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

Jan Maxa

Name and signature of the statutory body:

Ing. Jiří Prášil, CSc.
Chairman of the Board



FOR IDENTIFICATION PURPOSES
BDO Audit s.r.o.
IDN: 45314381
Auditor Certificate No. 018

Auditor's report



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

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. 2019, the income statement for the period from 1. 1. 2019 to 31. 12. 2019 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. 2019 and of the costs, revenues and its profit or loss for the period from 1. 1. 2019 to 31. 12. 2019, 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.

Emphasis of matter

We draw attention to the fact stated in the consolidated annual report on page 36 in point 5. Significant events after the date of the consolidated financial statements, where the company states how it plans to respond to the situation that occurred in connection with the global pandemic related to COVID-19.

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 on the consolidated financial statements does not cover the other

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information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge of the company obtained from the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error,

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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.
- 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.

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

In Brno, 15 May 2020

Audit firm:

BDO Audit s.r.o.

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

Partner:



Oldřich Bartušek
Certificate No. 2256

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