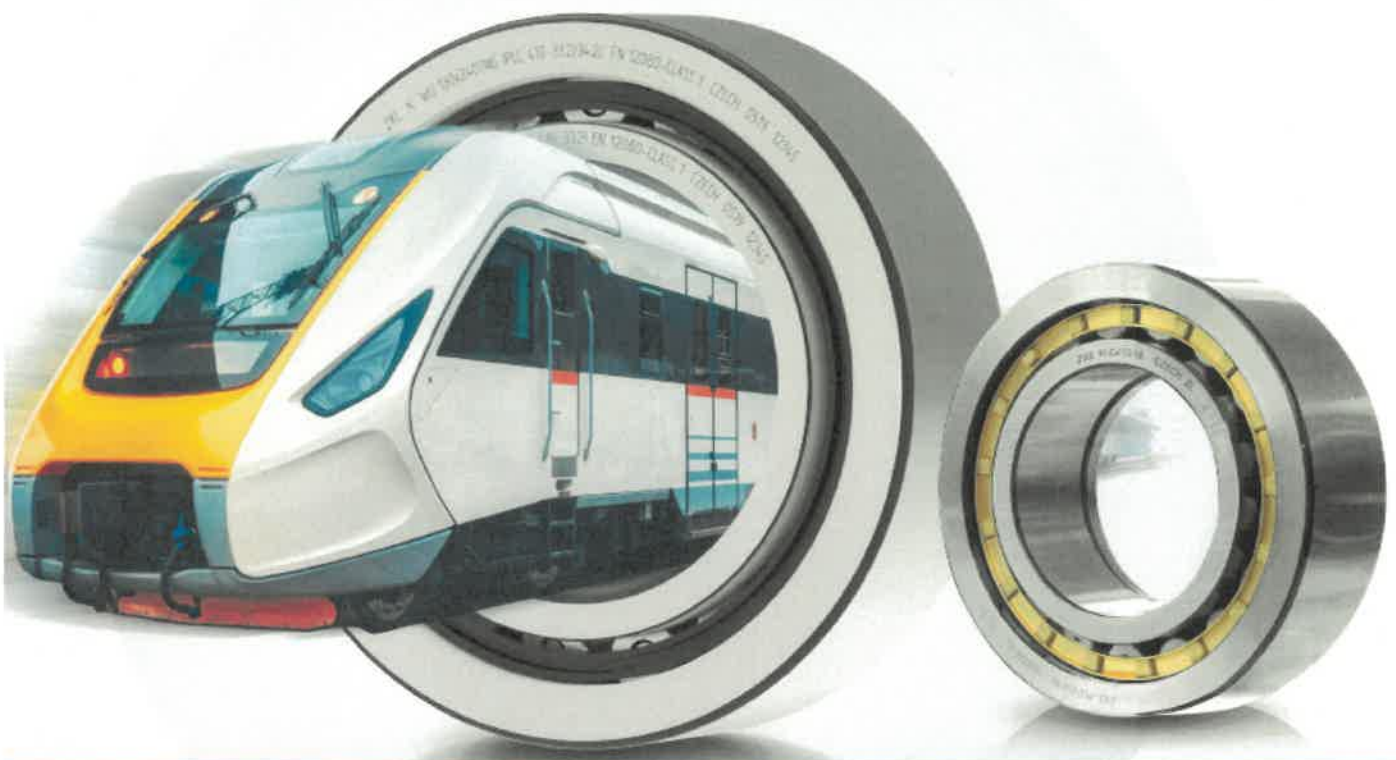




ZKL GROUP



ANNUAL REPORT

ZKL GROUP

2023

Contents

About the company	3
Introductory word of Chairman of the Board	4
Current organisational scheme.....	6
Significant investments.....	8
Sales and Marketing.....	10
Business activities in 2023.....	10
Processes.....	13
Marketing activities in 2023.....	14
Technological Development, Innovation, Research & Development.....	15
Quality Management System & Environmental Protection.....	18
Policy of quality, product safety, environment and work safety of the ZKL Group	18
Environmental Protection.....	20
Safety at work.....	21
Employee Support: Development, Well-being, and Success	22
Modernization of work processes and efficiency in personnel development.....	22
New employee benefits in 2023: MultiSport Card and other benefits	24
Education and activities for employees	24

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,

I am very pleased to greet you again after a year through the annual report of the ZKL Group and inform you about our economic results for 2023 and our plans for the coming years. What was the year 2023 like in our business?

In our assessment, numerical results are always crucial, and these are presented in the following table:



Parametres	2021 reality	2022 reality	2023 reality	Index 2023/2022	2024 plan
Sales (in thousand CZK)	1 352 867	1 306 423	1 294 215	0,99	1 550 697
Added value (in thousand CZK)	494 099	455 465	518 060	1,14	564 469
EBITDA (in thousand CZK)	190 860	188 576	233 051	1,24	251 831
Productivity (Added value / Personal cost)	1,51	1,35	1,43	1,06	1,53

The results can be viewed positively, even though they do not show substantial growth in the sales of manufactured bearings. Crucially, we succeeded in compensating for the reduction in bearing supplies to wind farms due to the decline in wind energy production, particularly "on-shore" wind farms in Europe. Through cost savings, we offset the increase in energy prices. We also prevented logistical issues in the supply of production materials by switching from unreliable sea transport to rail transport.

Business is not just about challenges and worries; it also brings new opportunities. One example is the issues in maritime transport, which have led to increased demand for rail transport and, consequently, the need for new types of bearings. Between 2019 and 2022, we developed, tested, and certified bearings for locomotive chassis, traction motors, and gearboxes. We supply these bearings to many Euro-Asian railway companies. The locomotives run on all corridors of the "Silk" railway route between China and Europe. Given the stable and slightly increasing demand, we are expanding production capacities at both plants ZKL Brno, and especially at ZKL Klášterec nad Ohří, which will be available in 2025. The investment value will reach nearly 250 million CZK. This investment should ensure sufficient capacity for the production of freight transport bearings, especially for the Polish Railways and the Ukrainian Railways, where in 2023 we successfully certified a bearing for a leading railcar manufacturer in Ukraine. After installing the necessary technologies, we expect an increase in sales of an additional 300 million CZK.

In developing our business in the field of rolling bearings, we pay attention to the implementation of European legislation within the framework of "Green Deal" strategy. The results include the following actions:

- Construction of a photovoltaic power plant (PVPP) at ZKL Klášterec nad Ohří with a capacity of 926 kWp,
- Construction of a PVPP at ZKL Brno with a capacity of 732 kWp,
- Construction of a PVPP as part of the roofing of the parking lot for the accommodation facilities of ZKL Reality with a capacity of 50 kWp,
- Modernization of the district heating system at ZKL Klášterec nad Ohří in 2025.

In accordance with the directives of the European Commission, we are implementing an ESG system focused on taking measures to reduce CO2 production in the manufacture of rolling bearings.

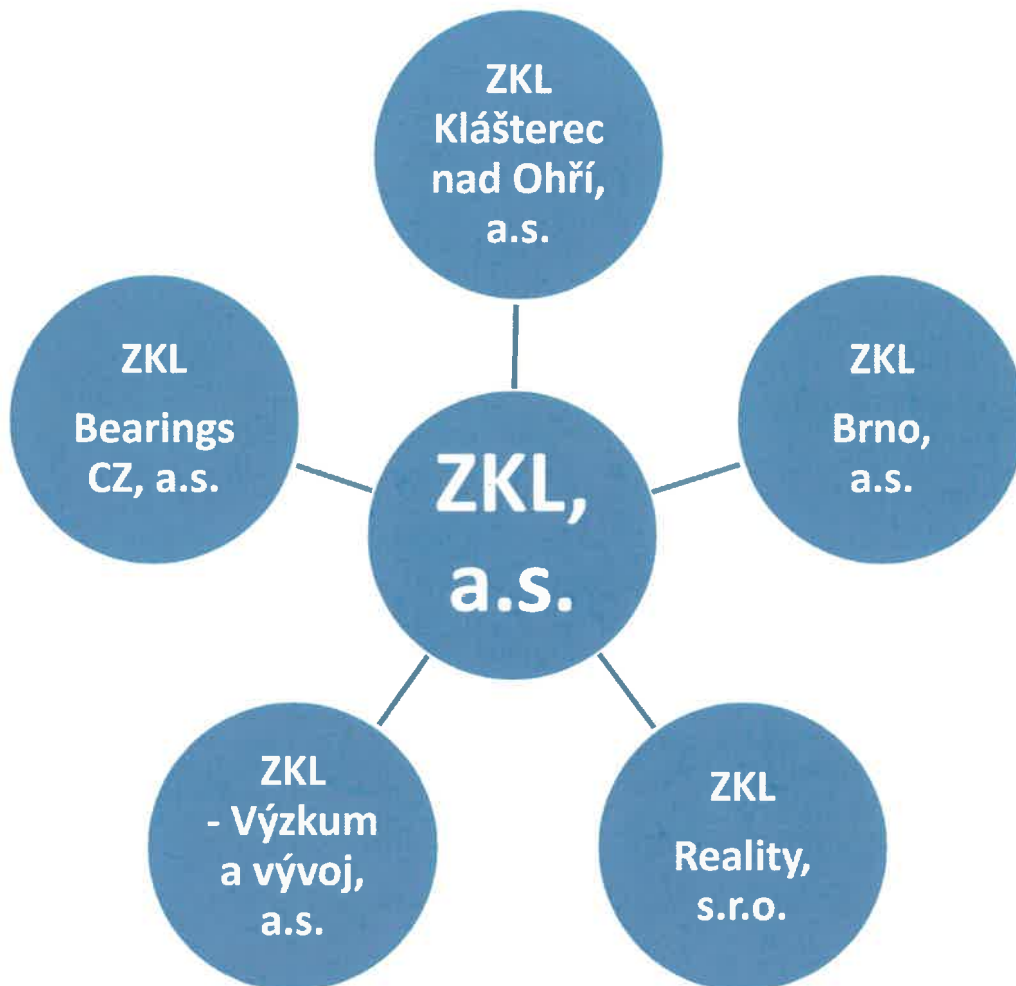
An important part of the ZKL Group's business is developing real estate activities within the ZKL Reality division. In 2024, we are preparing the construction of 50 apartments intended for rental housing, planning the construction of family houses in the Lepiny area in the cadastral territory of Podolí near Brno, and modernizing the ZKL campus in Klášterec nad Ohří.

Dear business partners, I would like to thank you for your cooperation in 2023, and by presenting our results and plans for 2024 and 2025, I hope to convince you of our prospects, wishing that you continue to collaborate with us.

Ing. Jiří Prášil, CSc.

Chairman of the Board of ZKL, a.s.

Current organisational scheme



BOARD OF DIRECTORS

Chairman: Ing. Jiří Prášil, CSc.
Board of members: Ing. Jiří Prášil
Ing. David Lob

ZKL, a.s.

Jedovnická 8, Brno
ID No.: 25568353

Book value: CZK 1 403 871 thousand
Annual turnover: CZK 58 784 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 1 108 879 thousand
Annual turnover: CZK 651 887 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 582 821 thousand
Annual turnover: CZK 579 720 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 43 677 thousand
Annual turnover: CZK 35 710 thousand

ZKL Bearings CZ, a.s.

Líšeňská 2828/45, Brno
ID No.: 25088637

Principal activity:
Purchase and sale of rolling bearings.
Book value: CZK 695 590 thousand
Annual turnover: CZK 1 054 824 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 747 288 thousand
Annual turnover: CZK 145 824 thousand

Significant investments

In 2023, further stages of planned investments took place at the production plants in Brno and Klášterec nad Ohří to increase production productivity, improve the service infrastructure, complete the insulation and modifications of production buildings, and prepare for the installation of photovoltaic power plants.

To meet the growing demand for axle bearings, the ZKL Group began investing in automation and production optimization in the areas of metrology and NDT at both production plants as early as 2022.

At the Brno production plant, the machinery was enhanced in the newly renovated building No. 32 with additional machines to expand the production of a new generation of tapered roller bearings. The installation of the new machinery proceeded as planned, and since the beginning of 2024, the production of CTBU (compact tapered bearing units) and single row tapered roller bearings for customers in the railway sector has been fully underway. These bearings are intended for installation in the traction chassis of rail vehicles, from the axle to the motor.



The new technologies in hall No. 32 also include equipment for non-destructive testing of axle bearing components. The surface quality of rollers and cones, and the presence of defects such as cracks, burns, and are checked in a robotic workstation using automated eddy current testing equipment.



The investments at the production plant in Klášterec nad Ohří focused on roller bearings for railway transportation. To enhance competitiveness in a demanding market, it was necessary to streamline the production and inspection processes. Therefore, a decision was made to introduce automation and autonomous control of inspection processes, which will reduce overall production times and increase productivity. Automating finishing operations eliminates human factors and their potential impact on the final quality of bearings for railway transportation, which are strictly monitored and subjected to high standards of quality and durability requirements.



By implementing an automated assembly line, we have created technological and economic conditions for finishing high-performance roller bearings designed for railway vehicles. Simultaneously, this has expanded the automated CNC-controlled production process of railway bearings, which have been manufactured on a modern production line since 2016, incorporating turning and grinding operations. This improvement enhances working conditions for operators. Automation of inspections reduces physically demanding tasks for operators and simultaneously enhances work quality and productivity.

Like other company buildings, the production hall in Klášterec nad Ohří has undergone measures aimed at conserving key energy resources—electricity and primary heat supplied through a central heating system. Further reductions in heat consumption were achieved by improving the thermal technical properties of the facility—replacing all openings with new thermally insulating features, insulating exterior walls including a new facade, and repairing and insulating the roof. Investments also focused on increasing production comfort and employee work environment through the overall reconstruction of social facilities.

Sales and Marketing

During 2023, after two challenging years, we successfully returned to growth. Entering 2024, we have achieved a record volume of customer orders, approximately 1.2 billion CZK, marking a historical peak for the company. This volume is expected to drive up to a 20% increase in revenue compared to 2023, providing us with opportunities to enhance sales efficiency and allowing time to prepare for future projects.

Regarding our product portfolio, we continue to face challenges from low sales of large-size bearings in the wind energy sector. However, we anticipate an increase in the utilization of production capacities for them from 10% to 30% in 2024. Additionally, we are in negotiations with other large-size bearings' customers, expecting investments to yield returns by 2025–2026, potentially utilizing capacities up to 80% once again.

More than 85% of our bearing sales revenue comes from exports. Currently, we see the highest potential in the Middle East, Central Asia, China, and the United States. Unfortunately, I must note that industrial development in the European Union is stagnant or declining. Demand is shifting massively to cheaper regions, and competitiveness is decreasing due to limited input supply. Let us hope that this situation improves in the future and production returns to Europe rather than moving away from it.

Business activities in 2023

OS 41 – LATIN AMERICA AND MEXICO

The main market is Argentina, which accounted for approximately 55% of ZKL's total exports to Latin America in 2023. Argentina remains dominant in the region. Unfortunately, the economic situation is not favourable there, as evidenced by the development of the ARS exchange rate against import currencies. Positively, we can note the growth in sales to other Latin American countries (Peru, Chile, and Colombia), where we are acquiring new distributors of bearings.

OS 42 – SOUTH ASIA

Within South Asia, where India is dominant, we continue our strategy of collaboration with selected importers covering the Indian market in areas with the highest demand for bearings. In 2023, we did not achieve similar revenue results as in previous years, primarily due to lower price competitiveness. India is a region where price is a determining factor, hence we plan to place stronger emphasis on direct sales to end customers in the future.

OS 43 – NORTHERN EUROPE, THE MIDDLE EAST AND AFRICA

In the Middle East, Turkey is dominant, where ZKL is establishing itself primarily in the OEM sector. We have been successful with manufacturers of transmissions and heavy equipment for the mining and steel industries. In 2024, we plan a slight increase in this customer group by acquiring additional OEM sector clients. To support our business in Turkey, we established direct commercial representation in the country in 2020, which has proven successful.

OS 44 – NORTH AMERICA AND FAR EAST

In this business group, our focus is on developing trade primarily in the USA and the Far East. In 2023, we successfully entered the market in Indonesia, expanded our distribution network in Vietnam and Malaysia. The business group was strengthened by a business manager with experience in research and development. We plan to increase revenue growth as early as 2024.

OS 45 – CZECH REPUBLIC AND SLOVAKIA

In the Czech Republic and Slovakia, we experienced a slight decline in revenue, but overall, we met our business plan in this territory. By 2023, we had already anticipated a decline due to several known reasons, such as a decrease in steel production and reduced coal mining. This puts pressure on heavy industry in the Czech Republic and Slovakia, leading to a decrease in overall consumption and distribution. A critical aspect for achieving our business plans is success in the railway segment and with selected key customers in manufacturing.

OS 46 – SOUTHERN EUROPE

In 2023, while we did not achieve revenue growth, our variance from the plan was limited to 5%. Looking ahead to 2024, we anticipate returning to growth. We are actively pursuing new customers in Italy and the Balkans, and we are experiencing substantial market growth in Hungary.

OS 47 – EASTERN EUROPE AND CENTRAL ASIA

Due to the conflict in Ukraine, there has been an increase in demand for bearings for railway applications. One of the Ukrainian bearing manufacturers reduced production, creating an opportunity for the ZKL brand to establish itself in the Ukrainian railway market. Demand has also increased in other Central Asian countries, where the local railway industry has shifted away from Russian manufacturers, providing space for the ZKL brand. In 2023, we successfully homologated bearings for traction motors and traction gearboxes.

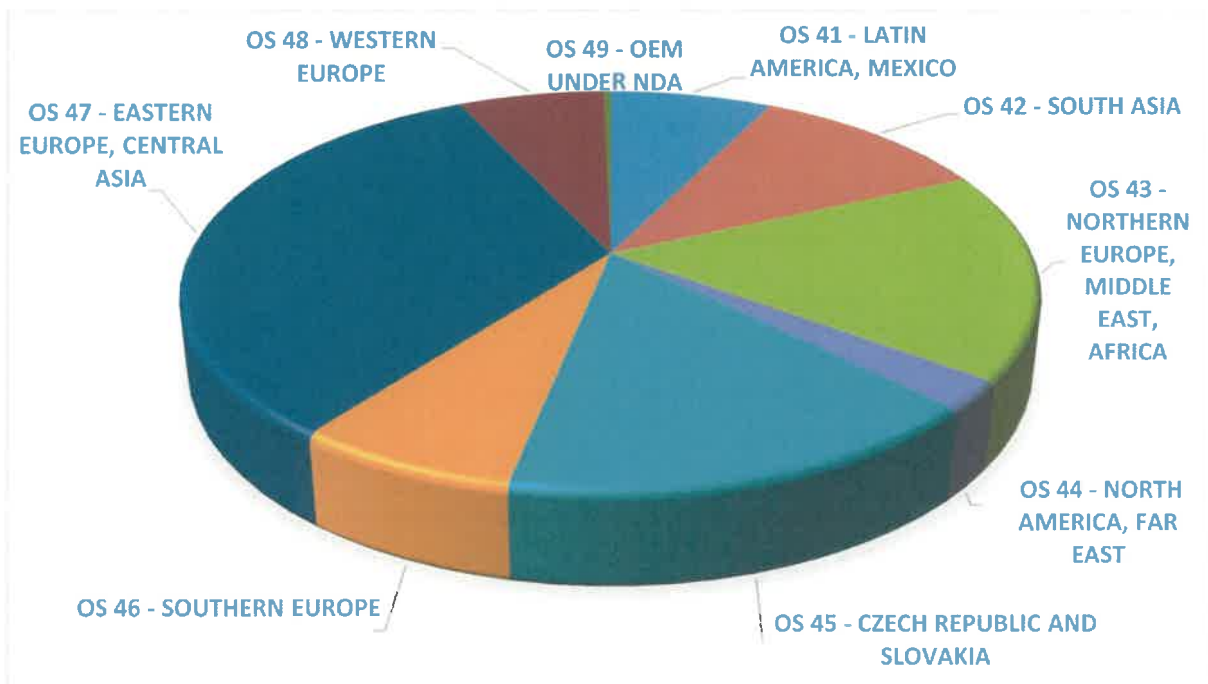
OS 48 – WESTERN EUROPE

Due to reduced demand for on-shore wind turbines, the year-on-year demand for these bearings decreased by 70%. We have not yet managed to offset this impact. As a strategy to consolidate revenues in Western Europe, we see an opportunity in the railway sector. In 2023, we began certification for Polish Railways, which we successfully completed in 2024. Currently, the group is preparing to increase capacities to meet the demand for bearings for rail vehicles. In 2024, we expect to secure contracts with a significant German wheelset manufacturer and begin supplying initial series to tram chassis manufacturers in Germany.

OS 49 – OEM CUSTOMERS UNDER NDA

This represents a new business unit specializing in supplying bearings to other bearing manufacturers. It emerged following the integration of business activities from ZKL Klášterec nad Ohří, a.s. into ZKL Bearings CZ, a.s. For 2024, we aim to achieve revenues of up to 150 million CZK for this group. Based on our current order pipeline, this goal seems feasible. We are also expanding our product range to include larger series of axial bearings and broadening our offering with tapered roller bearings.

The revenue distribution by business groups in 2023 is shown in the following graph:

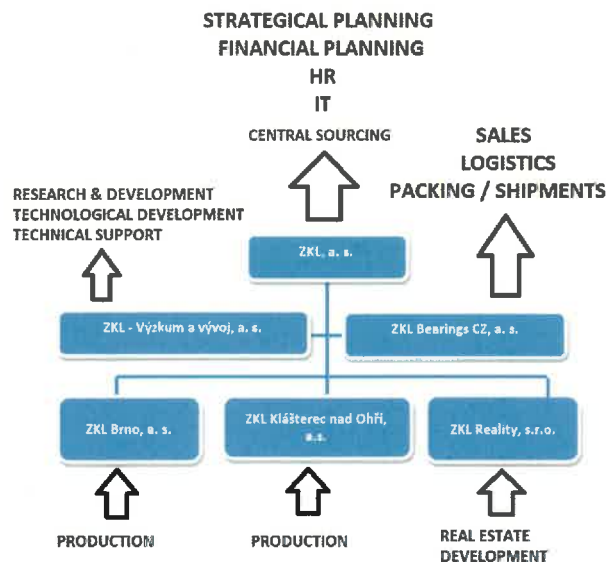


Processes

In 2023, the warehouse of finished products and orders was transferred from the ZKL Klášterec nad Ohří plant to the business entity ZKL Bearings CZ. This achieved the centralization of group activities under individual companies and completed the group-wide reorganization, which lasted nearly 5 years.

The activities are managed by these group companies:

- **ZKL, a.s.** (HR, finance, IT, central procurement, strategic management)
- **ZKL Brno, a.s.** (bearing production in Brno, management of production orders and technological procedures)
- **ZKL Klášterec nad Ohří, a.s.** (bearing production in Klášterec nad Ohří, management of production orders and technological procedures)
- **ZKL Bearings CZ, a.s.** (trade organisation, owner of finished product inventories, owner of sales branches)
- **ZKL – Výzkum a vývoj, a.s.** (Group technology centre, CAD and CAE data management)
- **ZKL Reality, s.r.o.** (real estate development)



Marketing activities in 2023

As part of our online marketing activities, we focused on expanding the 'partner section' on our website. We launched the option to order items not only from our stock but also for custom production. These steps have contributed to optimizing operations in our sales department and improving customer service.

Our activities and investments further extended into HR marketing within internal communication. We launched new intranet pages for our employees, expecting better staff awareness and simplification of internal processes through online document approval.

We continued to develop activities aimed at the professional community through online channels. Regularly, we published information on our website and social media platforms. In 2023, we released and distributed one issue of our company magazine "ZKL NEWS" among our employees and business partners. Articles about our company also appeared in several printed publications, and we supported significant business partners with our advertising.



In 2023, we updated the visual style of our corporate print materials to align with the website visuals. We released a new company profile in four language versions and updated the specialized brochure of services offered by our Technology Centre.

Building on our previous successful tradition, we organized a conference for authorized distributors in May. In June, we participated with our own booth at the Rail Business Days railway trade fair in Ostrava, as well as at other smaller industry conferences.



Ing. Jiří Prášil
CEO – ZKL Group and
CEO – ZKL Bearings CZ, a.s.

Technological Development, Innovation, Research & Development

From a technical perspective, our company faced many challenges in 2023. However, I dare say that considering the well-chosen strategy in previous years, we can evaluate the technological development of the ZKL Group positively.

In response to the crisis in the wind energy sector, the focus of our research and development shifted more towards transportation applications: rail vehicles, traction drives, and electromobility. Here, it was necessary to address new technical requirements intensively, particularly electro-insulation properties, mechatronic monitoring systems, and optimization of rolling contact properties to reduce frictional losses in bearings. We successfully developed and homologated a bearing for Ukrainian Railways and a leading local manufacturer of wagons. Thanks to our know-how, flexibility, and experienced colleges, we managed to implement specific Ukrainian standards requirements and develop a product with enhanced performance characteristics. Through these efforts, we are building long-term partnerships and contributing step-by-step to the technological advancement of the railway sector in Ukraine, aligning with European standards. To secure capacities and develop manufacturing facilities not only for the railway sector, an investment of approximately 250 million CZK is being prepared under the FLEXROLL project into modern robotic production cells with autonomous logistics using mobile collaborative robots.

ZKL GROUP

Where know-how meets experience



Innovation management is implemented through the Technical and Production Development Plan, which is integrated into the group's financial plan. The costs that the ZKL Group invests in technical development year-over-year are shown in the following table (values in thousand CZK):

	2015	2016	2017	2018	2019	2020	2021	2022	2023
ZKL Brno	13 551	4 549	28 612	54 555	44 486	37 361	30 066	40 048	22 816
ZKL Klášterec nad Ohří	8 866	12 270	12 576	11 517	11 159	6 816	7 616	8 344	13 403
ZKL – Výzkum a vývoj	21 223	17 638	20 583	21 481	21 601	22 410	23 472	32 863	35 710
TOTAL	47 811	38 628	69 101	95 378	82 751	69 961	66 889	81 255	71 929

As part of the group's long-term strategy and environmental policy, CO₂ emissions and energy consumption in production operations are gradually being reduced. Solar power plants are being installed on the roofs of both our manufacturing plants, and their commissioning in 2024 will significantly move us closer to carbon neutrality.



In the development and design of new types of bearings, ZKL Group utilizes a combination of long-standing corporate know-how, modern IT technologies, and collaboration with top-notch institutions such as VUT Brno, CEITEC, COMTES-FHT, SVÚM, among others. The design and optimization of products are supported by HEXAGON software products: PATRAN/MENTAT/MARC, APEX, and Adams for complex structural analyses, kinematic tasks, and co-simulations. Further calculations are conducted using software like MathCAD, MESYS, or proprietary software developed based on corporate expertise. The management of development processes and design data is handled within the PTC Windchill system, while PTC Creo software is employed for creating drawing documentation.

The results of the development activities for the year 2023 include innovations implemented in the manufacturing plants of the ZKL Group, with the most significant product innovations being the following:

Innovations in ZKL Brno, a.s.

- Expansion of production in the assortment of axle bearings – tapered bearing units using new technologies

TBU 130 × 230
TBU 130 × 210

TBU 7" × 12" (AAR CLASS G)
TBU 6" × 11" (AAR CLASS E)

Innovations in ZKL Klášterec nad Ohří, a.s.

- Expansion of production of optimized axial ball bearings and new axle bearings

51148M NF
51168M NF

PLC 410-17/18.2
51310 NF

In 2023, research and development activities at ZKL Group focused not only on innovating customer applications of bearings but also on long-term projects developing new types of bearings and manufacturing technologies. These initiatives often receive support from various research and development grant programs, building upon previous years' efforts.

Collaboration continued within the National Competence Centre for Mechatronics and Smart Technologies for Engineering **NCC MESTEC 2**.

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

- bearings for locomotive and wagon axles in both passenger and freight transport,
- mechatronics and bearings for drives of rail vehicles,
- bearings for electromobility and traction drives.

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

- research and development in the production of rolling elements with modified geometry of rolling surfaces,
- research and development of the design and manufacturing technology of forming tools for the production of precision rolling elements,
- research and development of heat treatment of bearings made from nanostructured materials.

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 2023

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. In 2023, an independent audit according to the ISO 45001:2018 standard confirmed the effective setup of the occupational safety system in the companies of the ZKL Group.

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

Employee Support: Development, Well-being, and Success

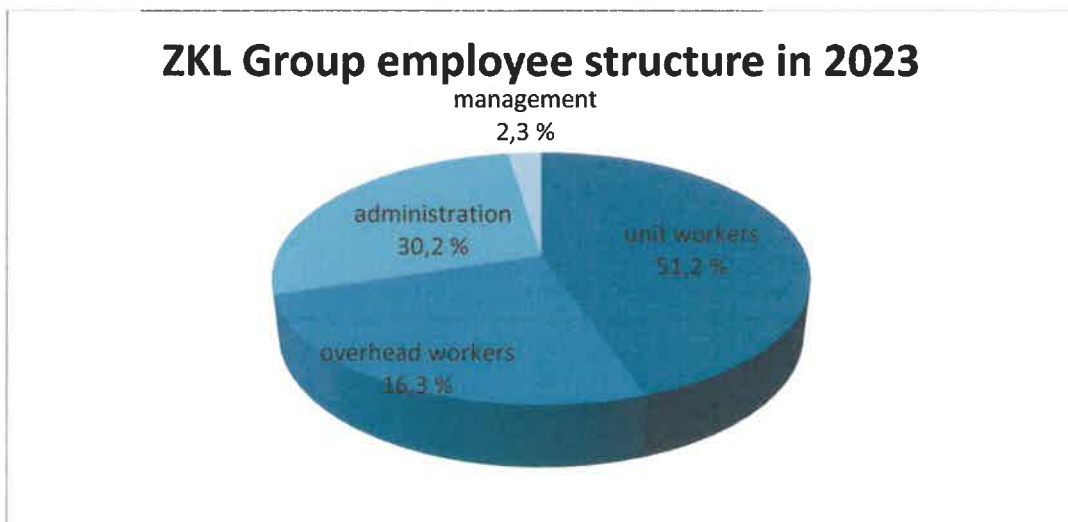
At ZKL Group, we are committed to ensuring that our employees feel comfortable and enjoy excellent working conditions. We aim for them to grow and achieve outstanding results. We care deeply about each team member's satisfaction and their sense of belonging within the company. We utilize the expertise of our long-standing employees, who share their valuable knowledge with younger colleagues. We emphasize personal development, encourage teamwork, and foster a friendly work environment.

Modernization of work processes and efficiency in personnel development

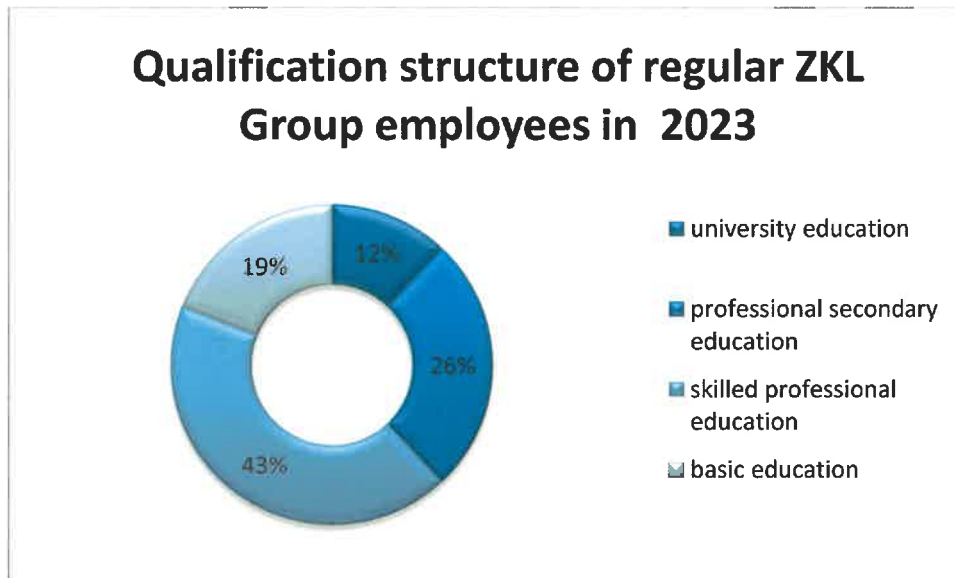
In 2023, at ZKL, we continued optimizing activities and implementing new technologies. These steps led to increased work productivity and a gradual reduction in the number of employees, contributing to the more efficient operation of the entire company.

Recalculated number of employees as of 31 December 2023						
Year	2018	2019	2020	2021	2022	2023
Total ZKL Group	578	579	553	535	528	521

The employee structure remains consistent with the previous period. Nearly three-quarters of the total number of employees in the group work directly in production.



The educational and age structure of employees at ZKL Group has remained stable for several years. We strive to maintain a balance between generations and support the development of younger employees so they can gradually match the experience of their senior colleagues. We continuously invest in their personal growth through modern HR tools and an individualized approach to their needs.



New employee benefits in 2023: MultiSport Card and other benefits



At ZKL Group, we ensure that our employees have access to a wide range of advantages and benefits that facilitate and enhance their work. In 2023, we introduced a new benefit - the MultiSport Card. This card enables our employees to access various sports and relaxation facilities.

The most popular and widely used benefit is the meal subsidy. Our employees can enjoy subsidized meals in the newly renovated dining areas at our manufacturing plants.

We also offer rewards for work and life milestones. Employees can access contributions towards life insurance and pension plans, and we provide flexible working hours and five weeks of annual vacation. Parents among our employees can apply for a contribution towards their children's recreational activities, and some employee groups, where job roles allow, have the option of occasional remote work.



Our benefits are designed to support our employees in both their professional and personal lives, aiming to create the most comfortable and pleasant work environment possible for them.

Education and activities for employees



As part of our educational program, we offer courses that enhance employee motivation, strengthen their current skills, and enable them to acquire new skills that they can then apply practically. This program also includes language courses in English, Spanish, and German, which we offer to our employees at ZKL Group throughout the year.

Family Day in Brno

Family members had the opportunity to visit the production facilities during guided tours. Children engaged in a game called "Treasure Hunt," where they used to collect clues to assemble a scale model of a newly manufactured bearing. Those who correctly solved the puzzle were rewarded with sweets at the end of the journey. The tour also included a visit to the newly renovated Hall No. 32, which is gradually being equipped with new technologies to expand the production of railway bearings at ZKL Brno, a.s.



For more adventurous visitors, there was also an opportunity to try assembling bearings in mass production. During Family Day, children enjoyed attractions such as castles with slides and various skill and coordination tasks. A major attraction was the "balloon" clown. Older children and their parents could participate in a bull riding competition, with valuable prizes awarded to the top performers.

Family Day in Klášterec

In September 2023, the Klášterec production plant hosted a Family Day for employees and their loved ones, this time themed around bidding farewell to summer. The weather was favourable, allowing children to enjoy all the prepared attractions and competitions to the fullest.

The event featured a massive inflatable castle with a slide, wooden medieval games, face painting, helium balloons, and horseback riding. Children also had the chance to practice horse-handling skills like the Spanish walk and positioning horses in different poses.

Activities included horseshoe throwing contests, bearing puzzles, and painting on snail shells. A new addition was the opportunity to operate remote-controlled car models on a track with challenging terrain.

Most attendees took a tour of the production hall guided by CEO Miroslav Bárta and Production Director Jiří Seidl.

To keep everyone energized, there was tasty refreshment available, and children received gifts at the end of the day. The highlight of the event was a raffle open to all employees.



ZKL Cycling trip 2023

For the pre-holiday teambuilding event of ZKL Group last year, Křivoklátsko was chosen. Over 70 employees from across the Group gathered at Hotel Berounka in Šlovíce, enjoying the event either as hikers or cyclists. Hikers explored the surroundings and Křivoklát Castle, while cyclists covered nearly 70 km visiting Krakovec Castle and Křivoklát. This event brought many new experiences.



JUDr. Lenka Povolná
Head of HR Department of ZKL, a.s.

Consolidated financial data

CONSOLIDATED BALANCE SHEET

(Figures in CZK thousand)

as of: 31.12.2023

Year	Month	ID No.	Company name and seat
2023	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	4 517 709	1 776 086	2 741 623	2 571 497
B.	Fixed assets (04+14+27+37+38+39)	03	3 353 873	1 733 626	1 620 247	1 481 234
B. I.	Intangible fixed assets (05+06+09+10+11)	04	108 385	108 141	244	454
2.	Valuable rights (07+08)	06	111 303	108 340	2 963	5 367
2.1.	Software	07	87 843	84 880	2 963	5 367
2.2.	Other valuable rights	08	23 460	23 460	0	0
3.	Goodwill	09	-6 217	-2 487	-3 730	-4 973
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	1 011	0	1 011	60
5.2.	Intangible assets under construction	13	1 011	0	1 011	60
B. II.	Tangible fixed assets (15+18+19+20+24)	14	3 107 002	1 501 089	1 605 913	1 445 880
B. II.	Lands and Constructions (16+17)	15	1 462 118	522 209	939 909	889 704
1.1.	Lands	16	110 837	0	110 837	110 836
1.2.	Constructions	17	1 351 281	522 209	829 072	778 868
2.	Individual movables and groups of movables	18	1 569 660	978 880	590 780	428 365
4.	Other tangible fixed assets (21+22+23)	20	1 387	0	1 387	136
4.3.	Other tangible fixed assets	23	1 387	0	1 387	136
5.	Advances for tangible fixed asset and tangible fixed assets under construction (25+26)	24	73 837	0	73 837	127 675
5.1.	Advances for tangible fixed assets	25	41 224	0	41 224	63 279
5.2.	Tangible fixed assets under construction	26	32 613	0	32 613	64 396
B. III.	Long-term financial assets (28+29+30+31+32+33+34)	27	138 486	124 396	14 090	34 900
B. III.	Shares in controlled entities	28	138 485	124 396	14 089	34 900
5.	Other long-term securities and shares	32	1	0	1	0
C.	Current assets (41+49+71+74)	40	1 153 488	42 460	1 111 028	1 080 345
C. I.	Inventories (42+43+44+47+48)	41	661 424	25 398	636 026	562 462
C. I.	Raw material	42	112 622	8 146	104 476	120 704
2.	Work-in-progress and semi-finished products	43	160 884	10 084	150 800	135 709
3.	Finished products and goods (45+46)	44	387 472	7 168	380 304	303 704
3.1.	Finished products	45	379 601	7 168	372 433	296 901
3.2.	Goods	46	7 871	0	7 871	6 803
5.	Prepayment on inventories	48	446	0	446	2 345
C. II.	Receivables (50+60)	49	463 923	17 062	446 861	497 680
C. II.	Long-term receivables (51+52+53+54+55)	50	40 009	0	40 009	79 804
1.1.	Trade receivables	51	0	0	0	10 409
1.4.	Deferred tax receivables	54	0	0	0	0
1.5.	Other receivables (56+57+58+59)	55	40 009	0	40 009	69 395
1.5.2.	Long-term advances	57	6 797	0	6 797	6 327
1.5.4.	Other receivables	59	33 212	0	33 212	63 068
2.	Short-term receivables (61+62+63+64)	60	423 914	17 062	406 852	417 876
2.1.	Trade receivables	61	289 645	5 189	284 456	304 353
2.2.	Receivables - controlled or controlling party	62	15 053	7 053	8 000	0
2.4.	Other receivables (65+66+67+68+69+70)	64	119 216	4 820	114 396	113 523
2.4.3.	Government - tax receivables	67	29 127	0	29 127	37 097
2.4.4.	Short-term advances	68	32 711	4 820	27 891	17 934
2.4.5.	Estimated accrued revenues	69	9 911	0	9 911	9 768
2.4.6.	Other receivables	70	47 467	0	47 467	48 724
C. IV.	Cash and bank accounts (75+76)	74	28 141	0	28 141	20 203
C. IV.	Cash	75	659	0	659	223
2.	Bank accounts	76	27 482	0	27 482	19 980
D.	Prepayments and accrued income (78+79+80)	77	10 348	0	10 348	9 918
D.	Prepaid expenses	78	7 589	0	7 589	7 469
2.	Comprehensive accrued expenses	79	451	0	451	0
3.	Accrued income	80	2 308	0	2 308	2 449

Item a	LIABILITIES b	Line No. c	Current period	Previous period
			e	6
	TOTAL LIABILITIES (82+107+147+150)	81	2 741 623	2 571 497
A.	Equity (83+87+95+98+102+105+106)	82	1 321 521	1 344 489
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	2 147	97 343
A. II.	Share premium	88	1 237	1 237
2.	Capital reserves (90+91+92+93+94)	89	909	96 105
2.1.	Other capital reserves	90	491	491
2.2.	Valuation differences from revaluation of assets and liabilities (+/-)	91	418	95 614
A. III.	Revenue reserves (96+97)	95	5 455	5 454
A. III.	Other reserve fund	96	5 455	5 454
A. IV.	Retained earnings (+/-) (99+100+101)	98	530 731	424 837
A. IV.	Retained earnings from previous years	99	630 758	428 100
2.	Unreimbursed loss of previous years	100	-93 883	0
3.	Other retained earnings (+/-)	101	-6 144	-3 263
A. V.	Profit/loss of current accounting period without minority shares (+/-)	102	48 658	82 325
	Profit/loss of current accounting period	103	48 658	82 325
B. + C.	Liabilities (108+113)	107	1 417 977	1 226 332
B.	Provisions (109+110+111+112)	108	22 214	25 643
2.	Provision for income tax	110	7 369	3 467
3.	Provision according to special legal regulations	111	0	4 595
4.	Other provisions	112	14 845	17 581
C.	Payables (114+129)	113	1 395 763	1 200 689
C. I.	Long-term payables (115+118+119+120+121+122+123+124+125)	114	483 034	338 490
2.	Payables to banks	118	427 167	244 728
4.	Trade payables	120	0	2 777
6.	Payables - controlling or controlled entity	122	0	20 936
8.	Deferred tax liabilities	124	35 326	45 287
9.	Other payables (126+127+128)	125	20 541	24 762
9.3.	Other payables	128	20 541	24 762
C. II.	Short-term liabilities (130+133+134+135+136+137+138+139)	129	912 729	862 199
2.	Payables to banks	133	458 007	400 857
3.	Short-term advances received	134	26 842	21 326
4.	Trade payables	135	312 224	309 024
6.	Payables - controlling or controlled entity	137	7 000	15 542
8.	Other payables (140+141+142+143+144+145+146)	139	108 656	115 450
8.1.	Payables to partners	140	12 286	15 243
8.3.	Payables to employees	142	16 356	16 736
8.4.	Payables to social security and health insurance	143	8 810	8 923
8.5.	Government - tax payables and subsidies	144	10 593	8 284
8.6.	Estimated accrued expenses	145	9 295	3 811
8.7.	Other payables	146	51 316	62 453
D.	Accruals and deferred income (148+149)	147	2 125	676
D. 1.	Accrued expenses	148	1 967	541
2.	Deferred income	149	158	135

Issued on: 23.07.2024

Entity's legal form: joint-stock company

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

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)

as of: 31.12.2023

Year	Month	ID No.	Company name and seat
2023	12	25568353	ZKL,a. s., Jedovnická 2346/8 62800 Brno (CZ)

Item a	TEXT b	Line No. c	Current period		Previous period	
			1	2	1	2
I.	Sales of goods and services	01	1 264 707		1 278 836	
II.	Sales of goods	02	29 508		27 587	
A.	Consumption from production (04+05+06)	03	908 102		932 821	
A.	1. Costs of goods sold	04	14 791		24 328	
	2. Consumption of material and energy	05	765 209		788 562	
	3. Services	06	128 102		119 931	
B.	Increase/decrease in finished goods and in work-in-progress (+/-)	07	-130 556		-81 483	
C.	Own work capitalized (-)	08	-1 391		-380	
D.	Staff costs (10+11)	09	362 478		338 183	
D.	1. Wages and salaries	10	263 879		248 281	
	2. Social security and health insurance costs and other costs (12+13)	11	98 599		89 902	
	2.1. Social security and health insurance costs	12	87 277		81 808	
	2.2. Other social costs	13	11 322		8 094	
E.	Adjustment of values in operating activities (15+18+19)	14	115 603		101 733	
E.	1. Adjustment of values of intangible and tangible assets (16+17)	15	110 231		97 934	
	1.1. Adjustment of values of intangible and tangible assets - permanent	16	110 231		97 934	
	2. Adjustment of values of inventories	18	5 259		3 790	
	3. Adjustment of values of receivables	19	113		9	
III.	Other operating income (21+22+23)	20	75 793		144 068	
III.	1. Proceeds on sale of fixed assets	21	6 701		13 153	
	2. Proceeds on sale of material	22	8 947		12 155	
	3. Other operating income	23	60 145		118 760	
F.	Other operating expenses (25+26+27+28+29)	24	30 236		83 701	
F.	1. Net book value of fixed assets sold	25	754		1 821	
	2. Net book value of material sold	26	9 967		9 771	
	3. Taxes and fees relating to operating activities	27	4 094		4 008	
	4. Provisions and adjustments relating to operating activities and complex deferred expenses	28	-3 186		-2 563	
	5. Other operating expenses	29	18 607		70 664	
*	Profit/loss from operating activities (+/-) (01+02+20-03-07-08-09-14-24+30-31)	32	85 536		75 916	
VI.	Interest income and similar income (42+43)	41	1 376		231	
VI.	1. Interest income and similar income - controlled / controlling person	42	607		0	
	2. Other interest income and similar income	43	769		231	
I.	Adjustment relating to financial activities	44	-4		18	
J.	Interest expense and similar expenses (46+47)	45	43 437		18 094	
J.	Interest expense and similar expenses - controlled / controlling person	46	241		0	
	2. Other interest expense and similar expenses	47	43 196		18 094	
VII.	Other financial revenues	48	104 796		99 121	
K.	Other financial expenses	49	84 272		65 186	
*	Profit/loss from financial activities (+/-) (33+37+41+48-36-40-44-45-49)	50	-21 533		16 054	
**	Profit/loss before tax (+/-) (32+50)	51	64 003		91 970	
L.	Income tax (53+54)	52	15 345		9 645	
L.	1. Income tax due	53	20 043		16 618	
	2. Income tax deferred (+/-)	54	-4 698		-6 973	
**	Profit/loss after tax (51-52)	55	48 658		82 325	
	Profit/loss for the period without Equivalence	57	48 658		82 325	
	of it. - Economic result of current accounting period without minority shares	58	48 658		82 325	
****	Profit/loss for the period (+/-) (57-56)	61	48 658		82 325	
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	62	1 476 180		1 549 843	

Issued on:

23.07.2024

Entity's legal form:

joint-stock company

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

Vladimíra Skřivánková

Name and signature of the statutory body:

Ing. Jiří Prašil, CSc.
Chairman of the Board

FOR IDENTIFICATION PURPOSES

BDO Audit s.r.o.

IDN: 45314381

Auditor Certificate No. 018

Translation of the original Czech version of the Independent Auditor's Report. Only the Czech version presented together with the accompanying audited consolidated financial statements is legally binding.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of ZKL, a.s.

Opinion

We have audited the accompanying consolidated financial statements of ZKL, a.s., with its headquarters at Jedovnická 2346/8, Brno, Czech Republic, IC (Registration Number) 255 68 353 and its subsidiaries, (hereafter the Group) prepared in accordance with Czech accounting regulations, which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement for the period from 1 January 2023 to 31 December 2023 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 assets, liabilities and equity of the Group as at 31 December 2023 and of the costs, revenues and its profit or loss for the period from 1 January 2023 to 31 December 2023, 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 consolidated 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 Consolidated Annual Report

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

Our opinion on the 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, 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 Company's Statutory Body and Supervisory Board for the Consolidated Financial Statements

The Company's Statutory Body 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 Statutory Body 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 Statutory Body 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 Statutory Body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board 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.

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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made **by the Statutory Body**.
- **Conclude on the appropriateness of the Statutory Body's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

In Brno, on 24. 7. 2024

Audit firm:

BDO Audit s.r.o.

BDO Audit s. r. o.

Certificate No. 018

Engagement Partner:



Oldřich Bartušek

Certificate No. 2256