

Buzuluk

A n n u a l R e p o r t

BUZULUK a.s.

as at 31/12 2021

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1. Introduction

1.1. Letter of the Director

Dear Shareholders, Customers, Business Partners, Friends,

After 2020, the year of deep decline, we consider 2021 as the year of dawn. Although the COVID-19 pandemic and the related restrictions and measures still affected the global economy and society, the economic situation started improving. This was reflected in the Company's year-on-year revenue growth of CZK 302 million in 2021. Importantly, the Company managed to secure orders for the following period, which gives our shareholders, employees and business partners some degree of certainty and stability.

The economy recovered and stabilised in 2021, which was reflected in greater investor activity in the rubber and plastics industry. These areas are crucial for BUZULUK in terms of customers. Thanks to modification, development and expansion of our product portfolio, BUZULUK managed to win orders, in addition to traditional segments, in new industries and customer segments, which provides us with opportunities for further development and reduces risks in case of stagnation in one of the segments.

Unfortunately, alongside with the economic recovery, anti-pandemic measures affecting production and supply chains across segments on a global level took their toll in 2021. They resulted in a gradual increase of commodity and component prices, with prices of some commodities growing by tens and even hundreds of percent. As warehouses in Europe were depleted, material lead times became extended and some components were scarce or totally unavailable in the second half of the year. The situation concerned, in particular, supply of electrical components and elements for control systems, which had impact on the economic result from order in 2021 due to higher than expected input costs and also affected delivery times, primarily due to unavailability of components for control systems. A similar trend can be expected to continue in 2022 and in the medium term. Input prices are likely to keep rising, but we do not expect a similar hike in prices as in 2021, the reason being relatively high inflation rate based on rising salary and energy costs and shortage of some goods on the market. Uncertainty concerning supply of components, especially electronics, will further prolong project implementation times, as projects will take up to twice as long to complete. Uncertainty linked with component supply and extension of delivery times will obviously have significant impact on the Company's operations, placing greater demands on project management, risk management, cash flow and will significantly impact the Company's revenues in 2022 as majority of new projects will be delivered after 2022 due to extended lead times.

BUZULUK is an export oriented company with most of its business transactions in EUR. Strong CZK against EUR is an important factor that will affect the Company's financial results and business in the short term. However, we expect that, similarly to the Czech National Bank having intervened with the aim of reducing inflation, the EU will start intervening to some degree during 2022, which should strengthen the EUR and bring CZK closer to 25 per EUR. Regardless of that, the Company tries to deal with exchange rate risks by means of financial instruments and natural hedging resulting from its business activities.

Given the very difficult situation on the labour market that does not offer enough qualified employees, the Company tries hard to retain and educate its current employees and to optimise internal processes. Process optimisation and reduction of costs are linked to planned investments in machinery renewal, reduction of energy consumption and energy dependence.

Last but not least, I would like to thank our employees and business partners for cooperation, wishing them good health and strength for the years to come.

Ing. Josef Hlad, MBA, General Director and Member of the Board

1.2. Statutory Bodies and Company Management

Board of Directors

Wang Yuanjiang
Chairman

Ing. Josef Hlad, MBA
Member of the Board

Mgr. Hailong Hao
Member of the Board

Ing. Květuše Křivánková,
MBA
Member of the Board

Ni Jun
Member of the Board

Management

Ing. Josef Hlad, MBA
General Director

Ing. Květuše Křivánková,
MBA
Financial Director

Bc. Petr Dlouhý, MSC
HR Manager

Mgr. Hailong Hao
Vice-President

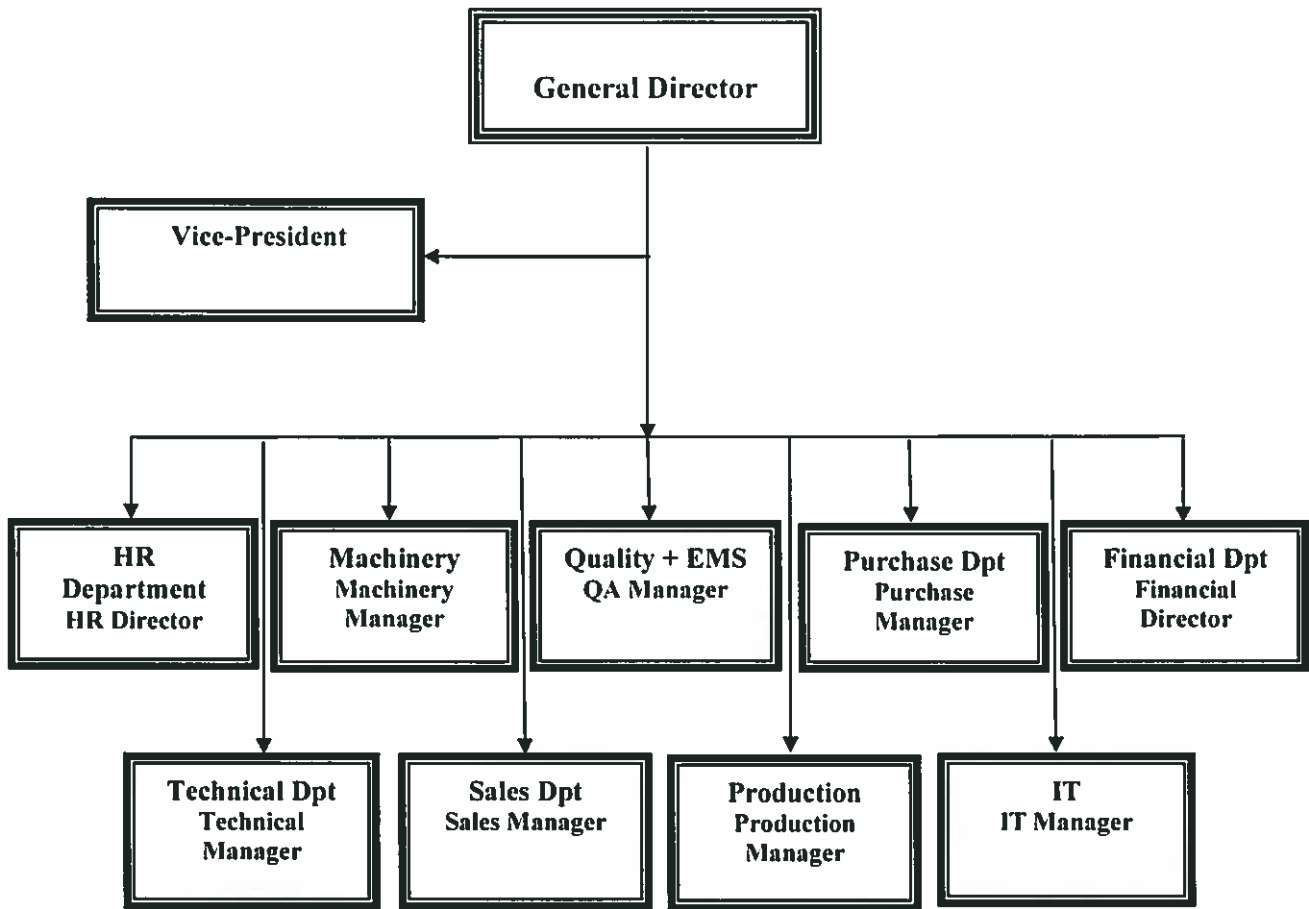
Supervisory Board

Sun Ling
Member of the Board

Chi Ming
Member of the Board

Milan Ernest
Member of the Board

1.3. Organizational Structure of the Company



2. Basic Information about the Company

| | |
|----------------------|---|
| Company name: | BUZULUK a. s. |
| Registered office: | 267 62 Komárov, Buzulucká 108 |
| Legal form: | joint stock company (a.s.) |
| Founded in: | 1996 |
| Commercial Register: | Municipal Court in Prague, Section B, Insert 4059, reg. on 31/05 1996 |
| Company ID No.: | 25056301 |
| VAT No.: | CZ25056301 |
| Banking account: | 115-2362780277/0100 (CZK) 2193000507/8150 (EUR) |
| Registered capital: | CZK 96,855,000 |

Indicators and commentary:

Types and volume of issued securities:

- 1 registered share with the nominal value of CZK 6,975,000
- 1 registered share with the nominal value of CZK 80,194,500
- 1 registered share with the nominal value of CZK 9,685,500

- the shares are issued as registered in paper form and are not publicly traded

Information about the Company's solvency: as at 31/12 2021 the Company is solvent

Publicly traded bonds: not issued

Publicly traded share certificates: not issued

Conclusion of contracts that affect significantly the annual result: -

Entry of the Company into bankruptcy proceedings: -

Persons / entities controlling the Company with at least a 10% share of the voting rights in the Company:

Dalian State-owned Assets Investment & Management (Group) Co., Ltd

Dalian Rubber & Plastics Machinery Co., Ltd

Tianjin Machinery Import & Export Corporation

DXS HongKong Investment Enterprise Ltd 90%

Xin Sheng Investments Limited 10%

Persons/entities whose business the Company participates in: -

Position in the group of assets-interconnected persons/entities: see the Company's organizational chart in the Report on Relationships with Affiliated Entities

Bodies of the Company: the Board of Directors is the statutory body

Bank loans as at 31/12 2021: CZK 111,843,338

3. Scope of Business

The Company's scope of business includes:

- road haulage – freight haulage operated by vehicles or articulated vehicles with capacity below 3.5 tonnes, if intended for the transport of animals or goods
- installation, repair, inspection, and testing of electrical equipment
- rental of property, apartments, and non-residential premises
- production, trade, and services not specified in Annexes 1 to 3 of the Trade Act
- casting and modelling
- machining
- galvanizing, enamelling
- data processing, database services, network management
- warehousing and cargo handling
- accounting, bookkeeping, tax accounting
- real estate activities
- research and development in natural and technical sciences or social sciences – research and development in piston rings, car parts, rubber-making, and plastics machinery

4. Report of the Board on the Company's Business and Assets

4.1. Sales

Sales in 2021 were significantly affected by two factors. The first factor was the fact that 2020 was affected by COVID-19 and business activity declined significantly due to the global measures.

A partial recovery of the market and a resumption of business activity only started to occur at the end of the third and during the fourth quarter of 2020. This was the reason why the volume of contracted projects in 2021 was relatively low compared to previous years.

In 2021, there was a gradual increase in business activities in the rubber machinery segment. However, the second factor that affected the market situation was gradually growing prices of commodities and components and subsequent postponement of their delivery dates. These reasons caused postponement of project implementation and postponement of investment plans on the part of several customers to future periods. The situation also negatively affected the volume of 2021 revenues.

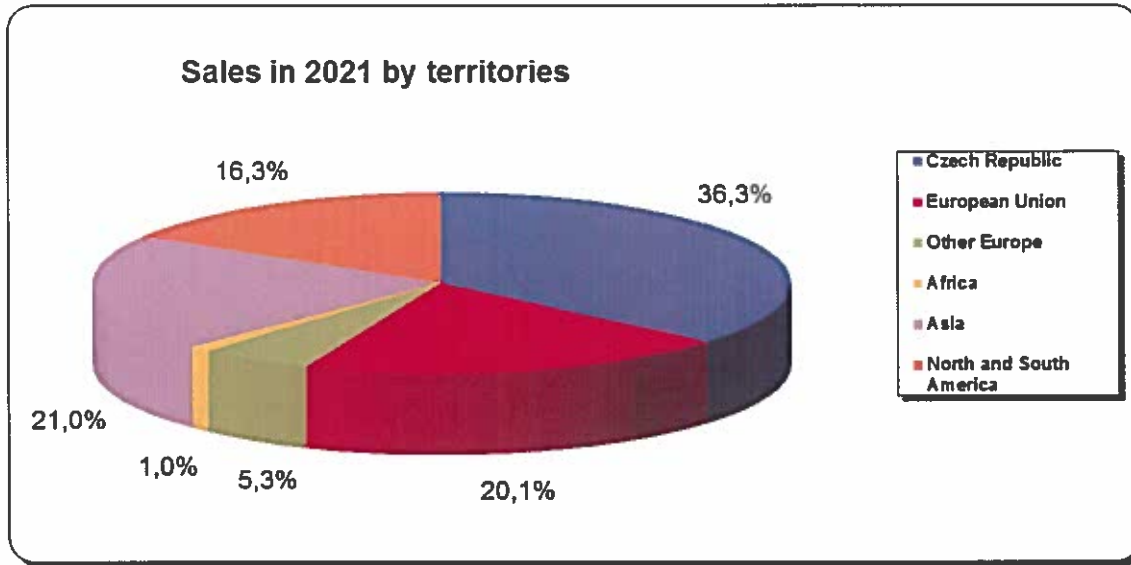
In spite of the abovementioned problems, revenues in 2021 increased by 23% compared to 2020.

Revenues of BUZULUK by assortment had the following share in 2021:

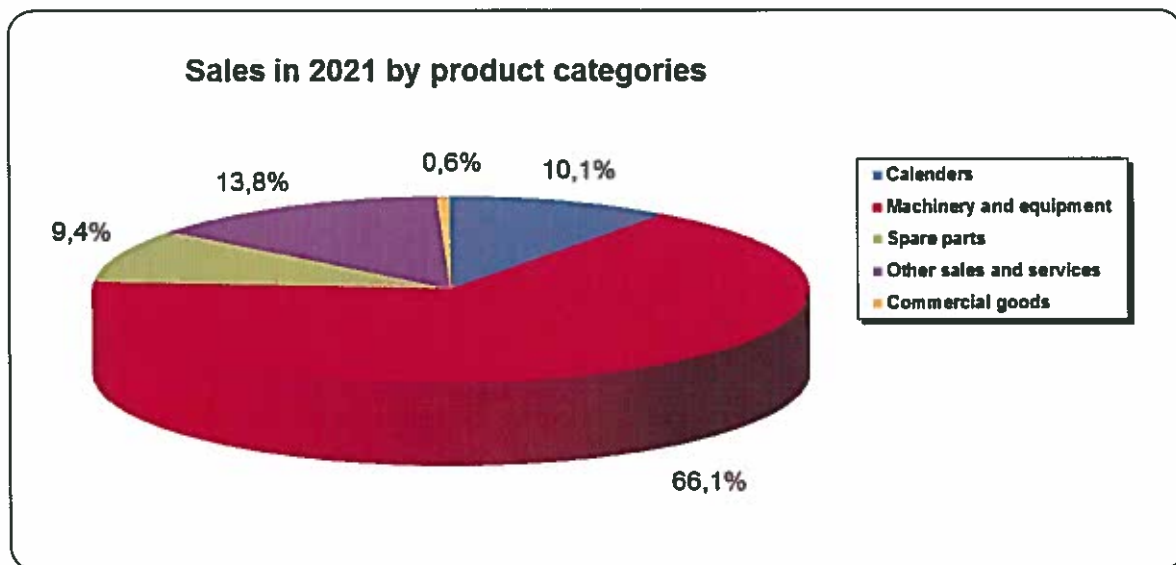
- orders concerning machines and assembly: 66.1%
- deliveries of replacement cylinders: 10.1%
- deliveries of spare parts: 9.4%
- cooperation, merchandise and services: 4.4%

Given the continued increase in component prices, longer delivery dates and uncertainty linked with supply of materials and components, project implementation times in 2022 are expected to increase up to two-fold when compared with common implementation time in 2021. In terms of contracted projects, it can be assumed that the volume in 2022 will be higher compared to 2021. Nevertheless, the implementation of contracted projects will be distributed over a longer period of time (2022-2023) due to the delays in supply of components.

Sales in 2021 by territories in %



Sales in 2021 by product categories in %



4.2. Products

BUZULUK is one of the world leading producers of rubber machines. Its products are result of its own research and development and know-how gathered over the years of its existence.

BUZULUK has in place EN ISO 9001 quality management system (since 1995) and EN ISO 14001 environment management system (since 2002). Since 2018, the Company has been certified for ISO 50001 Energy management systems.

The constant innovation cycle in the Company is ensured, to a great extent, by the Research and Development Department. Main inputs for development are market requirements, i.e. marketing

information from the Sales Department that processes customer feedback and requirements. In the recent years we have seen an increase in the number of customers requesting lower energy consumption of the machines and reducing the impact of manufacture on the environment. Besides development of new products and expanding existing product ranges, BUZULUK focuses on environment-friendly and energy saving solutions. One of the main objectives of the Company is to remain a high-quality and reliable manufacturer and launch products that will meet highest demands of a broad group of customers.

Specifically, BUZULUK focuses on development of products for high-capacity mixing of rubber compounds. For this reason, development tasks in this field were included in the R&D plan for 2021 and continue to be included in 2022. These products represent an extension of the Company's product portfolio and will enable it to enter new customer segments.

In 2021, BUZULUK responded flexibly to market requirements, using its design and manufacturing expertise in rolling mills and adapting it for other technologies beyond the rubber and plastics industry. In the future, the Company expects gradual growth in new industry segments.

The Company continued its cooperation with universities and other research organization focusing primarily on development of iron-casting technologies and cylinder heat treatment. Cooperation in the aforementioned tasks shall continue in 2022.

Summary of essential topics of BUZULUK's research and development activities:

- a) Decreasing economic and energy demand of the manufacture
- b) Decreasing energy consumption of the machines manufactured
- c) Expanding the product portfolio of main product ranges with focus on high-capacity mixing of rubber compounds
- d) Iron-casting technology optimization

A long-term objective of BUZULUK is to remain a top manufacturer of machines and devices for rubber technologies and keep pace with other top manufacturers in the industry.

Research and development activities are planned on the basis of outputs from previous processes, in particular processes concerning customers (a particular requirement of a customer or a group of customers, information from marketing activities that map and formulate market requirements, legislative requirements, customer satisfaction assessment). Such information influences development of new products and serves the purpose of optimizing internal processes so that such processes are customer-oriented.

4.3. Treasury, risk management and subsidy policy

BUZULUK has risk management (i.e. project and process management) in place. The process deals with detection, identification and assessment of risks linked with such projects and processes and their possible adverse impacts on operation and functioning of the Company. TOP management subsequently prepares risk management strategies and regularly monitors the risks. As the Company conducts financial activities that involve financial risks, it has a financial risk management process in place. The major financial risks include:

- Currency risk
- Credit risk
- Liquidity risk
- Bank loan risk
- Commodity price risk
- Operational risk

Given the fact that BUZULUK is export-oriented, it is exposed to effects of fluctuations in the EUR/CZK and USD/CZK exchange rates. Currency hedging is arranged continuously depending on existing and anticipated contracts in foreign currencies. The primary hedging instrument is currency forward contracts that cover exchange rate fluctuations. However, the Company could not execute forward

trades in 2021, which was due to late payments from customers and order delays given by the lack of certain input materials in the market, as the trade date could not have been met. Therefore, the Company opted for natural hedging and executed its purchases in collected pre-contracted currencies.

In order to hedge against credit risk, the Company uses documentary letters of credit and documentary collections and advance payments before delivery of finished products.

The Company performs financial planning on a weekly and monthly basis. The objective of such planning is to manage liquidity risk so that the Company is able to meet its financial obligations by their due date and is able to manage its financial assets. The Company regularly monitors and evaluates interest rates and repayment periods of its loans in order to protect itself from credit risk. It monitors and controls the limits of its loans and whether they are purposeful.

In 2021, BUZULUK was also affected by the global risk of increased prices of certain commodities such as energy, foundry raw materials, metals and metallurgical materials. The Company regularly monitors economic development and global trends in commodity markets. It seeks to incorporate increased input prices into selling prices. The next step is to time purchases correctly.

The Company also faces operational risk. It makes effort aimed at increasing internal control, eliminating mismanagement and human error, while focusing on regular employee training and upskilling.

The Company proactively seeks to make use of subsidy programmes. In 2019, the Company received a grant from the Operational Programme Enterprise and Innovation for Competitiveness ("OP EIC") – for its project "Reducing Energy Demand of Technological Equipment". With respect to deterioration of the financial situation and partial shutdowns of some departments due to the Government Resolution and spread of COVID-19, Annex No. 1 to the Decision of Grant Allocation was approved, postponing the deadline for project completion to 31/12 2022 (based on the Company's application). The project was not launched in 2021.

The Company received funds from the OP EIC – Application – Call VII for the project "Development of Film Drawing Technology" amounting to CZK 8 million in 2020. With respect to the deteriorated financial situation and partial shutdowns of some departments due to the Government Resolution and spread of COVID-19, Annex No. 1 to the Decision of Grant Allocation was approved, postponing the deadline for project completion to 31/10 2022. The project was launched in 2021.

BUZULUK cooperates with universities, e.g. with University of West Bohemia, Pilsen.

With respect to the drop in revenues by approx. CZK 21.2 million (when compared with the business plan) and production shutdowns in the spring due to quarantines, caregiver leaves, spread of COVID-19 in the Company and in suppliers/customers, the Company drew funds from the government programme for support of employment protection referred to as "Antivirus B" in spring 2021. The government programme thus contributed to maintaining the employment rate and operation of the company. The Company considers this subsidy to be one of the best supports offered.

Furthermore, the Company participated in the government programme titled COVID III Guarantee from which the Company received additional funds for covering its operations. The Company started repaying the loan in 2021.

4.4. Investments and protection of the environment

The value of the assets intended for use in 2021 was CZK 898 thousand. The sum included investments in air conditioning in the foundry shop, purchase of a briquette weighing machine, hardware and software and manufacture of an ingot mould.

In August 2021, the certification company SGS Czech Republic, s.r.o. audited the Quality Management and Environmental Management System in accordance with ISO 9001:2015 and ISO 14001:2015 and concluded that the systems were established and maintained. New certificates were issued on the basis of the audit results for another three years.

All legislative and legal requirements pertaining to environmental management were met under the environmental management system in 2021.

No accidents that could endanger or harm the environment occurred in 2021. Potential risks are identified and monitored within the Company's context and environmental aspect register. Their impact is minimized through employee training and emergency drills.

The objectives of the environmental management for 2021 were continuously fulfilled during the monitored period.

The Company's commitment to quality and the environment is defined in the Company's quality and environmental policy and is reflected in the Company's objectives for the following years.

4.5. Personnel policy

In 2021, the Company had an average recalculated number of 198 employees. Despite a decrease in manufacture, the Company succeeded in maintaining the number of employees at the same level as in 2020.

As at 31/12 2021, the total registered number of employees was 197, of which 87 manufacture workers, 25 operational workers and 85 technical workers.

As at 31/12 2021, BUZULUK had 21 employees (10.7%) with tertiary education, 2 employees (1%) with higher vocational education, 77 employees (39.1%) with secondary education, 91 employees (46.2%) with vocational education and 6 employees (3%) with basic education.

The coronavirus pandemic and the related government regulations continued to limit the Company's operation in all aspects even in 2021. All employees duly adhered to the imposed regulations with the view of protecting themselves, their families and their fellow workers.

The pandemic led to a decrease in the number of orders as compared to the plan. The Company decided to reduce working hours in spring 2021 and opted for temporary employment reduction and partial unemployment as a measure against dismissing employees on a large scale. These measures were supported by the trade union and more than 90% of the employees.

The Company appreciates the government programme "Antivirus B" under which it was possible to draw subsidies upon meeting certain conditions. As we saw a significant drop in demand for our goods and services and outages of material supply due to shutdown of several internal operating departments as well as suppliers, it was impossible for the Company to assign work to employees due to obstacles at work pursuant to Art. 207 and Art. 209 of Act. 262/2006 Coll., the Labour Code, as amended (the "Labour Code"). Thanks to these subsidies the Company succeeded in maintaining qualified and trained employees.

The economic situation started improving in June 2021 when the Company saw an increase in demand and could slowly return to full employment.

The Company faced a difficult task, which was to maintain the number of employees as well as their qualification standard. In spite of the difficult conditions, the task was accomplished through education and training. The partially limited training focused mainly on mandatory and statutory training. Nevertheless, the Company made use of an EU grant programme and trained employees of its financial, sales and IT departments.

BUZULUK continues to pay utmost attention to occupational safety and health. It systematically trains all its employees in terms of OSH and it regularly inspects workplaces and eliminates deficiencies with the aim of risk minimization.

Between 1 January 2021 and 31 December 2021 2 work accidents occurred in BUZULUK. No occupational disease was reported for the given period.

4.6. Goals and strategy for 2022

The Company is an important constituent of the Hořovice Region as it provides a significant number of various job opportunities. Being a European manufacturer, BUZULUK focuses on quality, safety and energy efficiency of its products. Its products subsequently represent not only the Company, but also the Hořovice Region as well as the Czech Republic in more than 40 countries where the Company sells its products. At the same time, the Company has traditionally been supporting local organizations, societies and cares for the environment.

The long-standing strategy of BUZULUK is to maintain its reputation of a manufacturer of high-quality and reliable machines with a high added value. This is enhanced by development of new products and expanding its product range in order to meet customer requirements and access new market segments. From the local and micro-economic perspective, the Company is set to expand cooperation with local companies in order to support local economy and thus contribute to the growth of small companies, improving quality of local people's lives and prosperity of the Hořovice Region.

After two "austerity" years affected by COVID-19, when the Company was forced to reduce spending, including investments, we are ready to focus on investments aimed at reducing energy intensity and dependence over the short and medium term. From the medium and long term perspective, investments will aim at restoring machinery needed for crucial operations. One of the Company's main tasks is to ensure sufficient staff capacity and to keep key employees, which is a challenge for the Company's HR strategy given the current low unemployment rate and situation in the labour market.

In order to achieve the objectives set, the Company has in place a business plan describing in detail specific steps and milestones. The business plan, which is regularly updated, is an internal document of the Company and is considered confidential. Long-term goals of the Company focus on constant improvement and increasing efficiency of internal processes while decreasing resource consumption.

The business plan consists of the following:

- Mission and vision of the Company
- Identification and elimination of risks
- Business and product strategy
- Purchase strategy
- Manufacture strategy
- HR strategy

Generally, the strategic goals of the Company can be defined as follows:

- Remaining a dominating supplier in the Czech Republic and Slovakia while focusing on strategic export markets in Europe, America and Asia.
- Improving and innovating products and servicing.
- Focusing on research and development of innovative technological solutions that are not evoked by a customer requirement and that can convey a competitive advantage to the Company in the future (e.g. finding environmental-friendly technical solutions).
- Complementing its product portfolio with products that will enable the Company to enter new customer segments
- Projecting customer requirements in the Company's processes and its product development.
- Reducing costs (financial and environmental) and improving efficiency of costs linked with manufacture and operation of the Company's products.
- Being an important local business partner and employer.
- Minimizing negative impact of the Company on the environment.

BUZULUK a.s.

Report on Relationships with Affiliated Entities in 2021

Authors: **BUZULUK a.s.**
Buzulucká 108, 267 62 Komárov
ID No.: 25056301

the "controlled entity"

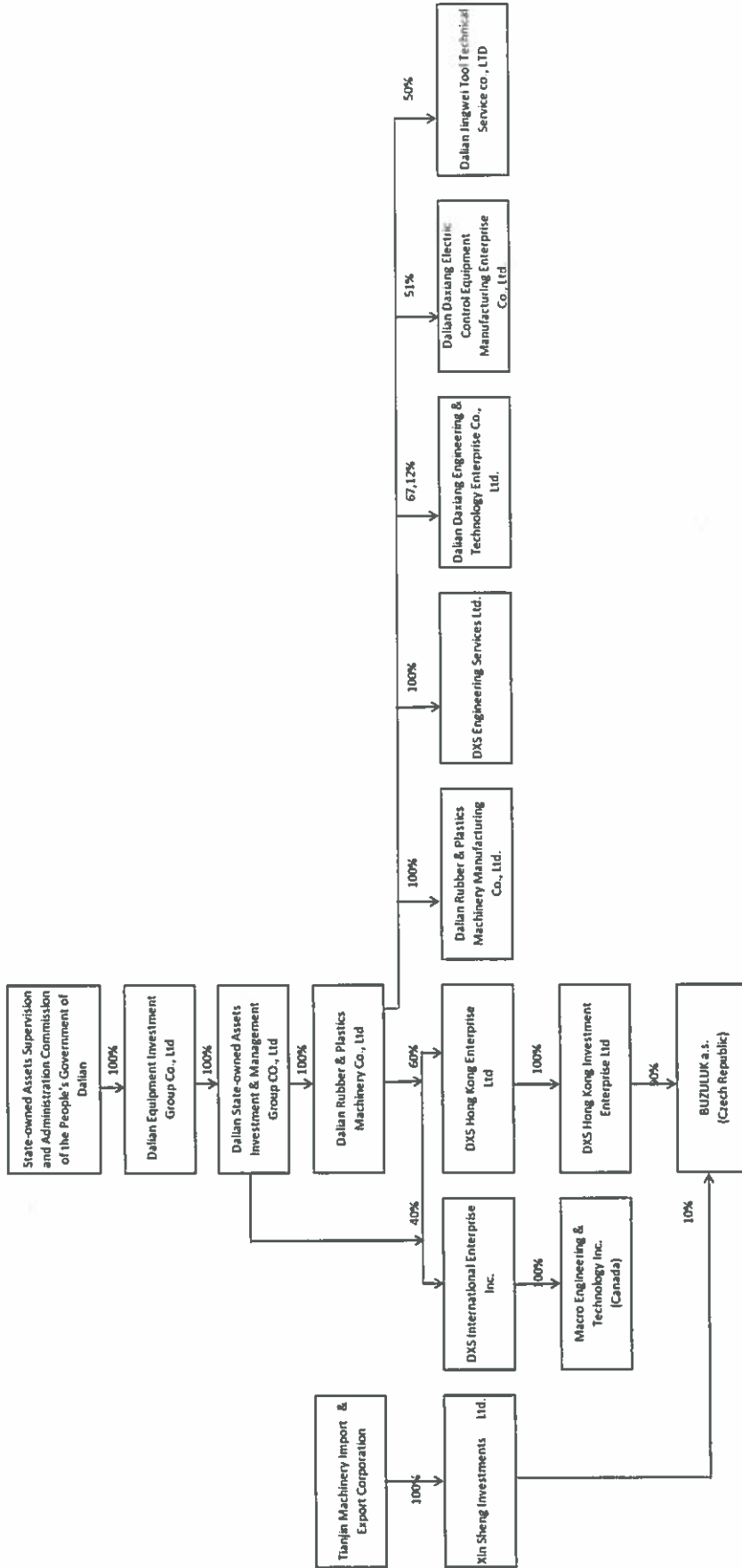
Controlling entities: **Dalian Rubber & Plastics Machinery Co., Ltd**
No. 18 Yinghui Road, Ganjingzi District, 116036 Dalian, Liaoning Province,
People's Republic of China

Tianjin Machinery Import & Export Corporation
No. 75 Jianshe Road, Heping District, 300040 Tianjin, Tianjin Municipality,
People's Republic of China

Dalian State-owned Assets Investment & Management (Group) Co., Ltd
No. 33 Huizhan Road, 16th floor, Global Finance Center, Shahekou District, Dalian
People's Republic of China

Affiliation between the controlling entities and the controlled entity is shown in the following chart:

Organizational structure of the companies from the Group as at 31/12 2021



Source: Dalian Rubber & Plastics Machinery Co., Ltd

Art. 82(2) a) See the organizational structure of companies in the Group.

- b) BUZULUK a.s. is directly controlled by DXS Hong Kong Investment Enterprise Ltd and Xin Sheng Investments Limited.
- c) In accordance with Articles of Association of BUZULUK a.s., decisions are made by Dalian Rubber & Plastics Machinery Co., Ltd; Tianjin Machinery Import & Export Corporation and Dalian State-owned Assets Investment & Management (Group) Co., Ltd, whose representatives are members of the Board of Directors of BUZULUK a.s. and whose representatives vote at the General Meeting of BUZULUK a.s. through shareholders DXS Hong Kong Investment Enterprise Ltd and Xin Sheng Investments Limited.
- d) In the 2021 accounting period, no negotiations about assets exceeding 10% of equity to the benefit of a controlling entity were held.
- e) Agreements between the controlled entity and controlling entities or between entities controlled by the same controlling entities:

- *Agreements between BUZULUK a.s. and other entities controlled by the same controlling entities where BUZULUK a.s. is the supplier:*

BUZULUK a.s. has no agreements with any company controlled by the same controlling entities where BUZULUK a.s. is the supplier.

- *Agreements between BUZULUK a.s. and controlling entities where BUZULUK a.s. is the supplier:*

Business agreements terminated upon delivery

| Buzuluk's customer | contract / agreement / order | invoice | date | invoiced amount in CZK |
|---|------------------------------|---------|------------|------------------------|
| Dalian Rubber & Plastics Machinery Co., Ltd | DXS-BK-2020-09 | 2150004 | 26.1.2021 | 1 661 642 |
| | DXS-BK-2020-11 | 2150020 | 25.2.2021 | 1 661 642 |
| | DXS-BK-2020-12 | 2150045 | 7.5.2021 | 1 661 642 |
| | DXS-BK-2021-03 | 2150085 | 28.7.2021 | 1 246 480 |
| | DXS-BK-2105-WD | 2150124 | 12.10.2021 | 59 664 |
| | DXS-BK-2105-WD | 2150125 | 12.10.2021 | 32 318 |
| | DXS-BK-2105-WD | 2150126 | 12.10.2021 | 941 945 |
| | DXS-BK-2107-TX | 2150127 | 12.10.2021 | 701 301 |
| | DXS-BK-2105-WD | 2150143 | 8.11.2021 | 855 681 |
| | DXS-BK-2107-TX | 2150144 | 8.11.2021 | 716 465 |
| | DXS-BK-2106-BKT | 2150145 | 8.11.2021 | 2 894 326 |
| | DXS-BK-2108-WX | 2150159 | 30.11.2021 | 1 850 703 |
| | | | | 14 283 810 |

- *Agreements between BUZULUK a.s. and other entities controlled by the same controlling entities where BUZULUK a.s. is the customer:*

BUZULUK a.s. has no agreements with other companies controlled by the same controlling entities where BUZULUK a.s. is the customer.

- *Agreements between BUZULUK a.s. and controlling entities where BUZULUK a.s. is the customer:*

BUZULUK a.s. has no agreements with controlling entities where BUZULUK a.s. is the customer.

- f) The General Meeting of BUZULUK a.s., held on 9 April 2019 decided about dividend payment for 2018 amounting to CZK 10,000,000 to the owners of the Company in three instalments. In the 2019 accounting period, CZK 3,450,000 was paid to shareholders. As at 31/12 2021, the Company registers liability against shareholders amounting to CZK 6,550,000 as retained dividends from 2018.
- g) BUZULUK a.s. incurred no harm resulting from agreements, contracts or any other legal matters contained in the Report on Relationships with Affiliated Entities.

Art. 82(4) Relationships between affiliated entities had neutral impact on the controlling entities as well as on the controlled entity and did not result in any unilateral benefits or disadvantages.

Komárov, 11 February 2022



Ing. Josef Hlad, MBA
Member of the Board of Directors



Mgr. Hailong Hao
Member of the Board of Directors

Buzuluk

BUZULUK a. s.

Buzulucká 108, 26762 Komárov

ID No.: 25056301

**Registered in the Commercial Register kept by the Municipal
Court in Prague, File No. B 4059**

Financial Statements compiled as at 31 December 2021

Balance sheet, profit and loss statement and cashflow statement form an inseparable part hereof.

HAYEK, spol. s r.o., holding
Jindřišská 5/901
110 00 Praha 1
DIČ: CZ43875092

INDEPENDENT AUDITOR'S REPORT

**on audit of the financial statements
of the BUZULUK a. s.
as at 31 December 2021**

To the Shareholders of BUZULUK a.s.

Opinion

We have audited the accompanying financial statements of BUZULUK a.s. (hereinafter also the "Company"), at the address Buzulucká 108, 267 62 Komárov, identification No. 250 56 301, prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of BUZULUK a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

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 this law and regulation 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure 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 financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in 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 Board of Directors and Supervisory Board

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

In preparing the 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 mentioned laws and 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the 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.

Audit of the accompanying financial statements conducted audit firm HAYEK, spol. s r.o., holding, Jindřišská 5/901, Prague 1, audit firm license numbers 029.

Statutory auditor responsible for the audit resulting in this independent auditor's report is Ing. Konstantin Tafincev, auditor license numbers 1972.

In Prague, February 4, 2022

HAYEK, spol. s r.o., holding
Jindřišská 5/901
110 00 Praha 1
DIČ: CZ43875092

HAYEK, spol. s r.o., holding
audit firm license No. 029



Ing. Konstantin Tafincev
auditor license No. 1972

BALANCE SHEET

Full scope

As at

31.12.2021

(in thousands of CZK)

Registration number

25056301

Reporting unit

BUZULUK a. s.

Registered seat of reporting
unit

Buzulucká 108

267 62 Komárov

Czech Republic

| Code a | ASSETS b | Line no. c | Current period | | | Previous period |
|------------|--|---------------|----------------|-----------------|----------|-----------------|
| | | | Gross 1 | Adjustment 2 | Net 3 | Net 4 |
| | TOTAL ASSETS (A. to D.) | 001 | 1 020 538 | -569 810 | 450 728 | 448 313 |
| A. | Receivables from subscribed capital | 002 | | | | |
| B. | Fixed assets (B.I. to B. III) | 003 | 664 237 | -568 573 | 95 664 | 109 679 |
| B.I. | Intangible fixed assets (I.1. to I.5.) | 004 | 8 605 | -8 440 | 165 | 234 |
| B.I.1. | Intangible results of research and development | 005 | 0 | 0 | 0 | |
| B.I.2. | Valuable rights | 006 | 8 528 | -8 440 | 88 | 234 |
| B.I.2.1. | Software | 007 | 8 528 | -8 440 | 88 | 234 |
| B.I.2.2. | Other valuable rights | 008 | | | | |
| B.I.3. | Goodwill | 009 | | | | |
| B.I.4. | Other intangible fixed assets | 010 | | | | |
| B.I.5. | Advance payments for intang. fixed assets and intang. fixed assets in progress | 011 | 77 | 0 | 77 | 0 |
| B.I.5.1. | Advance payments for intangible fixed assets | 012 | 0 | | 0 | |
| B.I.5.2. | Intangible fixed assets in progress | 013 | 77 | | 77 | |
| B.II. | Tangible fixed assets (II.1. to II.5.) | 014 | 655 632 | -560 133 | 95 499 | 109 445 |
| B.II.1. | Land and buildings | 015 | 306 781 | -267 014 | 39 767 | 46 754 |
| B.II.1.1. | Land | 016 | 7 452 | | 7 452 | 7 452 |
| B.II.1.2. | Buildings | 017 | 299 329 | -267 014 | 32 315 | 39 302 |
| B.II.2. | Machinery end equipment | 018 | 345 846 | -291 032 | 54 814 | 61 806 |
| B.II.3. | Valuation adjustment to acquired assets | 019 | | | | |
| B.II.4. | Other tangible fixed assets | 020 | 2 087 | -2 087 | 0 | 0 |
| B.II.4.1. | Perennial corps | 021 | | | | |
| B.II.4.2. | Full-grown animals and groups thereof | 022 | | | | |
| B.II.4.3. | Other tangible fixed assets | 023 | 2 087 | -2 087 | 0 | 0 |
| B.II.5. | Advance payments for tang. fixed assets and tang. fixed assets in progress | 024 | 918 | 0 | 918 | 885 |
| B.II.5.1. | Advance payments for tangible fixed assets | 025 | 0 | 0 | 0 | 0 |
| B.II.5.2. | Tangible fixed assets in progress | 026 | 918 | 0 | 918 | 885 |
| B.III. | Long-term financial assets (III.1. to III.7.) | 027 | 0 | 0 | 0 | 0 |
| B.III.1. | Shares - controlled or controlling entity | 028 | | | | |
| B.III.2. | Loans and credits - controlled or controlling person | 029 | | | | |
| B.III.3. | Shares - significant influence | 030 | | | | |
| B.III.4. | Loans and credits - significant influence | 031 | | | | |
| B.III.5. | Other long-term securities and shares | 032 | | | | |
| B.III.6. | Loans and credits - others | 033 | | | | |
| B.III.7. | Other long-term financial assets | 034 | 0 | 0 | 0 | 0 |
| B.III.7.1. | Another long-term financial assets | 035 | | | | |
| B.III.7.2. | Advance payments for long-term financial assets | 036 | | | | |

| Code a | ASSETS b | Line no. c | Current period | | | Previous period |
|-------------|--|---------------|----------------|-----------------|----------|-----------------|
| | | | Gross 1 | Adjustment 2 | Net 3 | Net 4 |
| C. | Current assets (C.I. to C.IV.) | 037 | 355 710 | -1 237 | 354 473 | 338 384 |
| C. I. | Inventory (I.1. to I.5.) | 038 | 229 702 | -1 018 | 228 684 | 240 256 |
| C.I.1. | Material | 039 | 14 598 | -296 | 14 302 | 11 141 |
| C.I.2. | Work in progress and semi-finished goods | 040 | 209 431 | -451 | 208 980 | 228 440 |
| C.I.3. | Finished products and merchandise | 041 | 670 | -271 | 399 | 675 |
| C.I.3.1. | Finished products | 042 | 627 | -271 | 356 | 611 |
| C.I.3.2. | Merchandise | 043 | 43 | 0 | 43 | 64 |
| C.I.4. | Young and other animals and groups thereof | 044 | | | | |
| C.I.5. | Advanced payments for inventory | 045 | 5 003 | 0 | 5 003 | 0 |
| C.II. | Receivables (II.1. to II.2.) | 046 | 78 594 | -219 | 78 375 | 62 195 |
| C.II.1. | Long-term receivables | 047 | 915 | 0 | 915 | 5 596 |
| C.II.1.1. | Trade receivables | 048 | | | | |
| C.II.1.2. | Receivables - controlled or controlling entity | 049 | | | | |
| C.II.1.3. | Receivables - significant influence | 050 | | | | |
| C.II.1.4. | Deferred tax receivable | 051 | 915 | | 915 | 5 596 |
| C.II.1.5. | Receivables - others | 052 | 0 | 0 | 0 | 0 |
| C.II.1.5.1. | Receivables from equity holders | 053 | | | | |
| C.II.1.5.2. | Long-term advanced payments | 054 | | | | |
| C.II.1.5.3. | Estimated receivables | 055 | | | | |
| C.II.1.5.4. | Other receivables | 056 | | | | |
| C.II.2. | Short-term receivables | 057 | 77 679 | -219 | 77 460 | 56 599 |
| C.II.2.1. | Trade receivables | 058 | 55 274 | -219 | 55 055 | 37 219 |
| C.II.2.2. | Receivables - controlled or controlling entity | 059 | | | | |
| C.II.2.3. | Receivables - significant influence | 060 | | | | |
| C.II.2.4. | Receivables - others | 061 | 22 405 | 0 | 22 405 | 19 380 |
| C.II.2.4.1. | Receivables from equity holders | 062 | | | | |
| C.II.2.4.2. | Social security and health insurance | 063 | | | | |
| C.II.2.4.3. | State - tax receivables | 064 | 2 236 | 0 | 2 236 | 0 |
| C.II.2.4.4. | Short-term advanced payments | 065 | 11 | 0 | 11 | 9 |
| C.II.2.4.5. | Estimated receivables | 066 | 5 292 | | 5 292 | 110 |
| C.II.2.4.6. | Other receivables | 067 | 14 866 | 0 | 14 866 | 19 261 |
| C.III. | Short-term financial assets (III.1. to III.2.) | 068 | 0 | 0 | 0 | 0 |
| C.III.1. | Shares - controlled or controlling entity | 069 | | | | |
| C.III.2. | Other short-term financial assets | 070 | | | | |
| C.IV. | Cash (IV.1. to IV.2.) | 071 | 47 414 | 0 | 47 414 | 35 933 |
| C.IV.1. | Cash in hand | 072 | 396 | 0 | 396 | 288 |
| C.IV.2. | Bank accounts | 073 | 47 018 | 0 | 47 018 | 35 645 |
| D. | Accrued assets (D.1. to D.3.) | 074 | 591 | 0 | 591 | 250 |
| D.1. | Deferred expenses, prepayments | 075 | 591 | 0 | 591 | 240 |
| D.2. | Complex prepaid expenses | 076 | | | | |
| D.3. | Accrued income | 077 | 0 | 0 | 0 | 10 |

| Code a | LIABILITIES AND EQUITY b | Line no. c | Current period 5 | Previous period 6 |
|-----------|---|---------------|---------------------|----------------------|
| | TOTAL LIABILITIES AND EQUITY (A. to D.) | 078 | 450 728 | 448 313 |
| A. | Equity (A.I. to A.VI.) | 079 | 233 908 | 231 690 |
| A. I. | Registered capital (I.1. to I.3.) | 080 | 96 855 | 96 855 |
| A.I.1. | Registered capital | 081 | 96 855 | 96 855 |
| A.I.2. | Treasury Stock (-) | 082 | | |
| A.I.3. | Changes of registered capital (+/-) | 083 | | |
| A.II. | Share premium and capital funds (II.1. to II.2.) | 084 | 7 | 7 |
| A.II.1. | Share premium | 085 | | |
| A.II.2. | Capital funds | 086 | 7 | 7 |
| A.II.2.1. | Other capital funds | 087 | 7 | 7 |
| A.II.2.2. | Gains and losses from revaluation of assets and liabilities (+/-) | 088 | | |
| A.II.2.3. | Gains and losses from revaluation in the course of transformations of business corporations (+/-) | 089 | | |
| A.II.2.4. | Differences resulting from transformations of business corporations (+/-) | 090 | | |
| A.II.2.5. | Differences from the valuation in the course of transformations of business corporations (+/-) | 091 | | |
| A.III. | Funds from profit (III.1. to III.2.) | 092 | 0 | 0 |
| A.III.1. | Other reserve funds | 093 | | |
| A.III.2. | Statutory and other funds | 094 | | |
| A.IV. | Net profit or loss from previous years (+/-) (IV.1. to IV.3.) | 095 | 134 828 | 157 443 |
| A.IV.1. | Retained earnings from previous years | 096 | 134 828 | 163 986 |
| A.IV.2. | Accumulated losses from previous years (-) | 097 | 0 | -6 543 |
| A.V. | Net profit or loss for the current period (+/-) | 099 | 2 218 | -22 615 |
| A.VI. | Approved advance payments of profit share (-) | 100 | | |
| B. + C. | Liabilities (B. + C.) | 101 | 212 091 | 214 415 |
| B. | Provisions (B.1. to B.4.) | 102 | 4 462 | 4 292 |
| B.1. | Provision for pension and similar payables | 103 | | |
| B.2. | Income tax provision | 104 | | |
| B.3. | Provisions under special legislation | 105 | | |
| B.4. | Other provisions | 106 | 4 462 | 4 292 |
| C. | Payables (C.I. to C.II.) | 107 | 207 629 | 210 123 |
| C.I. | Long-term payables (I.1. to I.9.) | 108 | 43 223 | 62 458 |
| C.I.1. | Bonds issued | 109 | | |
| C.I.1.1. | Exchangeable bonds | 110 | | |
| C.I.1.2. | Other bonds | 111 | | |
| C.I.2. | Payables to credit institutions | 112 | 36 673 | 55 908 |
| C.I.3. | Long-term advance payments received | 113 | | |
| C.I.4. | Trade payables | 114 | | |
| C.I.5. | Long-term bills of exchange to be paid | 115 | | |
| C.I.6. | Payables - controlled or controlling entity | 116 | | |
| C.I.7. | Payables - significant influence | 117 | | |
| C.I.8. | Deferred tax liability | 118 | | 0 |
| C.I.9. | Payables - others | 119 | 6 550 | 6 550 |
| C.I.9.1. | Payables to equity holders | 120 | 6 550 | 6 550 |
| C.I.9.2. | Estimated payables | 121 | | |
| C.I.9.3. | Other liabilities | 122 | | |

| Code a | LIABILITIES b | Line no. c | Current period 5 | Previous period 6 |
|-----------|---|------------|------------------|-------------------|
| C.II. | Short-term payables (II.1. to II.8.) | 123 | 164 406 | 147 665 |
| C.II.1. | Bonds issued | 124 | 0 | 0 |
| C.II.1.1. | Exchangeable bonds | 125 | | |
| C.II.1.2. | Other bonds | 126 | | |
| C.II.2. | Payables to credit institutions | 127 | 75 170 | 33 323 |
| C.II.3. | Short-term advances received | 128 | 18 076 | 48 879 |
| C.II.4. | Trade payables | 129 | 47 100 | 41 033 |
| C.II.5. | Short-term bills of exchange to be paid | 130 | | |
| C.II.6. | Payables - controlled or controlling entity | 131 | | |
| C.II.7. | Payables - significant influence | 132 | | |
| C.II.8. | Other payables | 133 | 24 060 | 24 430 |
| C.II.8.1. | Payables to equity holders | 134 | 0 | 0 |
| C.II.8.2. | Short-term financial assistance | 135 | | |
| C.II.8.3. | Payroll payables | 136 | 5 489 | 4 631 |
| C.II.8.4. | Payables - social security and health insurance | 137 | 2 887 | 2 568 |
| C.II.8.5. | State - tax liabilities and grants | 138 | 14 649 | 17 043 |
| C.II.8.6. | Estimated payables | 139 | 1 035 | 188 |
| C.II.8.7. | Other payables | 140 | 0 | 0 |
| D. | Accrued liabilities (D.1. to D.2.) | 141 | 4 729 | 2 208 |
| D.1. | Accrued expenses | 142 | 4 729 | 2 208 |
| D.2. | Deferred income | 143 | | 0 |

| | | |
|--|---|--|
| Date: 4.2.2022 | Person responsible for preparation of financial statements <i>Miroslav</i> | Signature of statutory representative(s) of the reporting unit <i>[Signature]</i> |
| Legal form of the reporting unit: joint - stock company | Scope of business: Rubber machineries | |

HAYEK, spol. s r.o., holding
Jindřišská 5/901
110 00 Praha 1
DIČ: CZ43875089



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compulsory
information under

INCOME STATEMENT

Full scope

For period
1.1.2021 - 31.12.2021
(in thousands of CZK)

Registration number
25056301

Reporting entity
BUZULUK a. s.

Registered seat of
reporting entity
Buzulucká 108
267 62 Komárov
Czech Republic

| Code a | DESCRIPTION b | Line no. c | Actuals | |
|-----------|---|---------------|----------------|----------------|
| | | | Current period | Last period |
| I. | Revenues from own products and services | 1 | 299 961 | 242 960 |
| II. | Revenues from merchandise | 2 | 1 785 | 3 245 |
| A. | Consumption for products (A.1. to A.3.) | 3 | 179 012 | 106 674 |
| A.1. | Costs of merchandise | 4 | 941 | 2 230 |
| A.2. | Material and utilities | 5 | 143 379 | 72 256 |
| | Material | 5a | 99 812 | 61 375 |
| | Utilities | 5b | 43 567 | 10 881 |
| A.3. | Services | 6 | 34 692 | 32 188 |
| | Repairs and maintenance | 6a | 7 952 | 4 433 |
| | Travel expense | 6b | 2 133 | 2 964 |
| | Other services | 6c | 24 607 | 24 791 |
| B. | Changes in inventory of own products | 7 | 21 156 | 78 846 |
| | Changes in inventory of work in progress | 7a | 20 936 | 79 157 |
| | Changes in inventory of own finished products | 7b | 220 | -311 |
| C. | Capitalization | 8 | -3 034 | -1 204 |
| D. | Personnel expenses (D.1. to D.2.) | 9 | 102 781 | 95 042 |
| D.1. | Wages and salaries | 10 | 73 991 | 68 797 |
| D.2. | Social security, health insurance and other pers. exp. | 11 | 28 790 | 26 245 |
| D.2.1. | Social security and health insurance | 12 | 25 231 | 23 436 |
| D.2.2. | Other personnel expenses | 13 | 3 559 | 2 809 |
| E. | Adjustments to operating profit (E.1. to E.3.) | 14 | 15 121 | 17 384 |
| E.1. | Intangible and tangible fixed assets adjustments | 15 | 15 021 | 17 412 |
| E.1.1. | Depreciation / Intangible and tangible fixed assets adjustments - permanent | 16 | 15 021 | 17 412 |
| E.1.2. | Intangible and tangible fixed assets adjustments - temporary | 17 | 0 | |
| E.2. | Provisions and inventories adjustments | 18 | 100 | 230 |
| E.3. | Provisions and receivables adjustments | 19 | 0 | -258 |
| III. | Other operating revenues (III.1. to III.3.) | 20 | 65 350 | 125 502 |
| III.1. | Revenues from sales of fixed assets | 21 | 0 | 18 |
| III.2. | Revenues from sales of material | 22 | 1 912 | 999 |
| III.3. | Other operating revenues | 23 | 63 438 | 124 485 |
| F. | Other operating expenses (F.1. to F.5.) | 24 | 47 362 | 94 739 |
| F.1. | Net book value of fixed assets sold | 25 | 0 | 5 061 |
| F.2. | Net book value of material sold | 26 | 635 | 321 |
| F.3. | Taxes and fees in operating part | 27 | 1 171 | 769 |
| F.4. | Provisions in operating part and complex prepaid expenses | 28 | 170 | -1 064 |
| F.5. | Other operating expenses | 29 | 45 386 | 89 652 |
| * | Operating profit / (loss) I. + II. - A. - B. - C. - D. - E + III. - F. | 30 | 4 698 | -19 774 |

HAYEK, spol. s r.o., holding
Jindřichská 5/901
110 00 Praha 1
DIČ: CZ43875002

| Code a | DESCRIPTION b | Line no. c | Actuals | |
|-----------|---|---------------|----------------|----------------|
| | | | Current period | Last period |
| IV. | Revenues from long-term financial assets - shares (IV.1. to IV.2.) | 31 | 0 | 0 |
| IV.1. | Revenues from shares - controlled or controlling entity | 32 | 0 | |
| IV.2. | Other revenues from shares | 33 | 0 | |
| G. | Costs of shares sold | 34 | 0 | |
| V. | Revenues from other long-term financial assets (V.1. to V.2.) | 35 | 0 | 0 |
| V.1. | Revenues from other long-term financial assets - controlled or controlling entity | 36 | 0 | |
| V.2. | Other revenues from other long-term financial assets | 37 | 0 | |
| H. | Costs related to other long-term financial assets | 38 | 0 | |
| VI. | Interest revenues and similar revenues (VI.1. to VI.2.) | 39 | 29 | 0 |
| VI.1. | Interest revenues and similar revenues - controlled or controlling entity | 40 | 0 | |
| VI.2. | Other interest expenses and similar expenses | 41 | 29 | 0 |
| I. | Adjustments and provisions in financial part | 42 | 0 | |
| J. | Interest expenses and similar expenses (J.1. to J.2.) | 43 | 1 709 | 1 072 |
| J.1. | Interest expenses and similar expenses - controlled or controlling entity | 44 | 0 | |
| J.2. | Other interest expenses and similar expenses | 45 | 1 709 | 1 072 |
| VII. | Other financial revenues | 46 | 6 169 | 6 888 |
| K. | Other financial costs | 47 | 6 392 | 14 080 |
| * | Profit / (loss) from financial operations IV. - G. + V. - H. + VI. - I. - J. + VII. - K. | 48 | -1 903 | -8 264 |
| ** | Profit / (loss) before tax *(I. 30) + * (I. 48) | 49 | 2 795 | -28 038 |
| L. | Income tax (L. 1 to L. 2) | 50 | 577 | -5 423 |
| L.1. | Income tax - due | 51 | -4 103 | 0 |
| L.2. | Income tax - deferred (+/-) | 52 | 4 680 | -5 423 |
| ** | Profit / (loss) after tax **(I. 49) - L. | 53 | 2 218 | -22 615 |
| M. | Transfer of share in profit to equity holders (+/-) | 54 | 0 | |
| *** | Profit / (loss) of accounting period **(I. 53) - M. | 55 | 2 218 | -22 615 |
| * | Net turnover of accounting period I. + II. + III. + IV. + V. + VI. + VII. | 56 | 373 294 | 378 595 |

Notes:

| | | |
|--|---|--|
| Date: 4.2.2022 | Person responsible for preparation of financial statements <i>miracp</i> | Signature of statutory representative(s) of the reporting unit <i>[Signature]</i> |
| Legal form of the reporting unit: joint - stock company | Scope of business: Rubber machineries | |

HAYEK, spol. s r.o., holding
Jindřichská 5/901
110 00 Praha 1
DIČ: CZ43875092



[Signature]

Cash Flow Statement

| BUZULUK a.s. | | 2020 | 2021 |
|--------------|---|----------|---------|
| P. | Cash and cash equivalents at beginning of period | 7 833 | 35 933 |
| Z. | Book profit or loss from current activities before tax | -28 038 | 2 795 |
| | Cash flow from primary earning activities (from operations) | | |
| A. 1. | Adjustments for non-cash operations | 17 915 | 16 971 |
| A. 1. 1 | Depreciation of long-term assets (+) | 17 412 | 15 021 |
| A. 1. 2. | Change in correction entries, reserves, and balances on intermediary accounts | -5 612 | 270 |
| A. 1. 3. | Profit or loss from sale of long-term assets (-/+) | 5 043 | 0 |
| A. 1. 4. | Revenues from dividends and profit shares | 0 | 0 |
| A. 1. 5. | Posted interest expenses (+) except capitalized interest, and posted interest revenues (-) | 1 072 | 1 680 |
| A.1.6. | Adjustments for other non-cash operations | 0 | 0 |
| A. * | Net cash flow from operations before tax, without changes in working capital and without extraordinary items | -10 123 | 19 766 |
| A. 2. | Change in need for working capital | -4 792 | 9 536 |
| A. 2. 1. | Change in accounts receivable from operations (-/+), in asset accounts for time differentiation, and in estimate accounts | 41 363 | -21 202 |
| A. 2. 1 .1. | Change in accounts receivable from operations (-/+) | 41 058 | -15 679 |
| A. 2. 1 .2. | Change in asset accounts for time differentiation and in estimated asset accounts | 305 | -5 523 |
| A. 2. 2. | Change in short-term liabilities from operations (+/-), in liability accounts for time differentiation, and in estimated liability accounts | -138 745 | 19 265 |
| A. 2. 2.1. | Change in short-term liabilities from operational activities (+/-) | -127 255 | 15 897 |
| A. 2. 2.2. | Change in liability accounts for time differentiation and in estimated liability accounts (+/-) | -11 490 | 3 368 |
| A. 2. 3. | Change in inventory (+/-) | 92 590 | 11 473 |
| A. 2. 4. | Change in short-term financial assets not falling under cash and cash equivalents (+/-) | 0 | 0 |
| A. ** | Net cash flow from operations before tax | -14 915 | 29 302 |
| A. 3. | Interest paid other than capitalized interest (-) | -1 072 | -1 709 |
| A. 4. | Interest received (+) | 0 | 29 |
| A. 5. | Tax paid on income from current activities and for past periods (-) | 4 116 | 4 103 |
| A. 6. | Revenues and expenditures associated with extraordinary accounting cases including tax paid for extraordinary activities | 0 | 0 |
| A. 7. | Přijaté dividendy a podíly na zisku (+) | 0 | 0 |
| A. *** | Net cash flow from operations before tax and without extraordinary items | -11 871 | 31 725 |

| Cash flow for investments | | | |
|---------------------------|--|--------|---------|
| B. 1. | Expenditures for acquisition of long-term assets | -2 826 | -1 008 |
| B. 2. | Revenue from sale of long-term assets | 18 | 0 |
| B. 3. | Loans to affiliates | 0 | 0 |
| B.*** | Net cash flow for investments | -2 808 | -1 008 |
| Cash flow from financing | | | |
| C. 1. | Impact of changes in long-term obligations and such short-term obligations as fall under the category of financing | 42 779 | -19 235 |
| C. 2. | Impact on cash of changes in owners' equity | 0 | 0 |
| C. 2. 1. | Increase in cash based on increase in basic capital (+) | 0 | 0 |
| C. 2. 2. | Payment of share in owners' equity to shareholders (-) | 0 | 0 |
| C. 2. 3. | Additional monetary investments in the company by shareholders and stockholders | 0 | 0 |
| C. 2. 4. | Compensation by shareholders for loss (+) | 0 | 0 |
| C. 2. 5. | Direct payments from funds (-) | 0 | 0 |
| C. 2. 6. | Dividends or profit shares paid out including tax withheld | 0 | 0 |
| C. 3. | Dividends and profit shares received except from businesses whose field of enterprise is investment (+) | 0 | 0 |
| C. *** | Net cash flow from financing activities | 42 779 | -19 235 |
| F. | Net increase or reduction in cash and cash equivalents | 28 100 | 11 482 |
| R. | Cash and cash equivalents at end of period | 35 933 | 47 415 |

Date: 4.2.2022

Signature of statutory authority:

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HAYEK, spol. s r.o., holding
 Jindřišské 5/901
 110 00 Praha 1
 DIČ: CZ43875022

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

1. DESCRIPTION OF THE COMPANY

BUZULUK a.s. (hereinafter also referred to as the "Company") is a joint-stock company registered in the Commercial Register kept by the Municipal Court in Prague, File No. B 4059. Date of incorporation and registration of the Company is 31/05 1996. The registered address of the Company is at: Komárov, Buzulucká 108, 267 62, Czech Republic, ID No. 25056301. Its main scope of business is production of plastic making and rubber making machines. As of 31 December 2020, Mr. DING YI, born on 22 January 1976, domiciled at 7-2-102 Tianjin, Nankai District, An Shan Xi Dao Xue Huli, People's Republic of China was released from the Board of Directors. As of 1 January 2021, a new member of the Board of Directors was registered – Mr. NI JUN, born on 30 July 1976, domiciled at 7-4-103 Tianjin, Nankai District, Xinyuancun, People's Republic of China.

Entities with more than a 10% share in the registered capital:

| | |
|--|-----|
| DXS HONGKONG INVESTMENT ENTERPRISE LIMITED | 90% |
| XIN SHENG INVESTMENTS LIMITED | 10% |

The parent company of the Company is DXS HONGKONG INVESTMENT ENTERPRISE LIMITED and the parent company of the Group is DALIAN EQUIPMENT INVESTMENT GROUP Co., Ltd.

The Company is not part of the consolidated group of the parent company.

Members of statutory, supervisory and managing bodies as at 31 December 2021:

| <u>Board of Directors</u> | |
|---------------------------|--------------------|
| Chairman: | WANG YUANJIANG |
| Member: | JOSEF HLAD |
| Member: | HAILONG HAO |
| Member: | KVĚTUŠE KŘIVÁNKOVÁ |
| Member: | NI JUN |

| <u>Supervisory Board</u> | |
|--------------------------|--------------|
| Member: | SUN LING |
| Member: | MILAN ERNEST |
| Member: | CHI MING |

Two members of the Board always act jointly on behalf of the Board, of which one must always be the Chairman of the Board of Directors or a Category B Member of the Board, while the other must be a Member of the Board of Directors.

2. BASIS FOR FINANCIAL STATEMENTS

The Financial Statements attached hereto were compiled in accordance with the Accounting Act and the relevant Implementing Decree amended for 2020 and 2021.

The Company's management considered possible impacts of COVID-19 on its business activities and came to a conclusion that the pandemic did not affect significantly the continuous operation of the Company. With respect of that, the Final Statements were prepared at 31 December 2021 presuming that the Company should be able to continue ceaselessly its operations in the future.

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

3. GENERAL ACCOUNTING PRINCIPLES, ACCOUNTING METHODS AND DEVIATIONS FROM THE METHODS

The Company did not change limits and valuation methods of intangible and tangible fixed assets. The accounting entity thus maintains the principle of permanence of the methods applied pursuant to Art. 7(4) of the Act on Accounting.

a) Intangible fixed assets

Intangible fixed assets of the Company are considered to be the following:

- software;
- valuable rights;
- intangible results of research and development;
- incorporation costs

Intangible fixed assets are valued in CZK in terms of their acquisition prices that include the purchase price and acquisition costs. Interests and other financial expenses linked with the acquisition are not included in the valuation: they are part of financial expenses in the period when actually expended.

In 2020 and 2021, intangible fixed assets exceeding the value of CZK 60,000 thousand were depreciated (i.e. charged as expenses) on the basis of their expected lifetime.

Revenue from sale of goods manufactured for the purpose of testing such goods before putting them into operation is credited as operational income.

Depreciation and adjusting entries

Depreciation is calculated on the basis of the acquisition price and expected lifetime of the given assets. The expected lifetime is determined as follows:

| | No. of years |
|-----------------------------------|--------------|
| Intangible results of development | 3 |
| Software | 3 |
| Other valuable rights | 3 |
| Goodwill | 6 |
| Other intangible fixed assets | 6 |

Costs of technological appreciation of intangible fixed assets increase its acquisition price. Technologic appreciation below CZK 40,000 and maintenance of intangible fixed assets is charged as expenses of the Company.

a) Tangible fixed assets

The value of tangible fixed assets is expressed as their acquisition price that includes the purchase price, transport costs, customs duty and other costs linked with the acquisition. Exchange rate differences, repairs and maintenance of purchased tangible fixed assets, contractual fines and default interests are not considered secondary acquisition costs.

The value of tangible fixed assets purchased through internal production is expressed as overall productions costs on the day when entered into accounts. Production costs are all direct and indirect costs linked with the creation of tangible fixed assets through internal operation (i.e. manufacturing and administrative overheads), or, alternatively, as indirect costs of administrative nature.

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Tangible fixed assets with value exceeding CZK 40,000 in 2020 and 2021 were charged as expenses (depreciation) with respect to their lifetime.

Tangible fixed asset valuation is decreased by the amount subsidies from the state budget.

Costs of technical appreciation of tangible fixed assets increase their acquisition price. Repairs and maintenance of tangible fixed assets are charged expenses.

Depreciation and adjusting entries

Depreciation is calculated on the basis of the acquisition price and their expected lifetime. The expected lifetime is determined as follows:

| | No. of years |
|--|--------------|
| Buildings – office buildings, industrial buildings | 30 |
| Light construction buildings, towers, masts | 20 |
| Tangible assets and their sets | |
| - Machines and equipment | 6 |
| - Vehicles | 2 |
| - Casting machines | 8 |
| - Air conditioning systems | 8 |
| - Computing technology, copy machines | 3 |
| Other tangible fixed assets: computing technology, office appliances/devices, machines, tools, measure devices | 4 |

b) Money and cash equivalents

Cash and cash equivalents include stamps, money in cash and in bank accounts.

c) Inventory

Purchased inventory is valued at its acquisition price applying the weighted-average method. The acquisition price includes its purchase price and costs linked with the purchase (transport costs, insurance, commissions, etc.). Unfinished production is valued through production costs. Production costs include wages and overheads as well as costs of material and other direct costs (cooperation).

d) Receivables

Receivables are valued at their nominal value. The value of doubtful receivables is reduced to their exercise price using adjusting entries. In accordance with Internal Rule OS 4/97, the Company reduces the exercise price of receivables using adjusting entries.

e) Derivatives

Derivatives are primarily valued at their acquisition prices. Derivatives in the Balance Sheet attached hereto are reported as part of other short-term and/or long-term receivables and/or liabilities.

The Company distinguishes between derivatives intended for trading and hedging derivatives. Hedging derivatives are contracted with the purpose of safeguarding the exercise price or ensuring cash flows. In order to classify a derivative as a hedging derivative, the changes in exercise prices or cash flows resulting from hedging derivatives need to compensate, at least partially, for the changes in the exercise price of the hedged asset or cash flows resulting from the hedged asset, while the Company has to register and document the existence of a hedging relation with a high degree efficiency of hedging. Other derivatives are automatically considered "trading derivatives".

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Financial Statements compiled as at 31/12 2021

At the balance sheet date, derivatives are revaluated according to their exercise price. Changes in exercise prices of derivatives intended for trading are entered into accounts as financial expenses/revenues. Changes in exercise prices of derivatives that are classified as hedging of exercise prices are also charged as financial expenses/revenues together with the relevant change in the exercise price of the hedged asset/liability linked with the hedged risk. Changes in exercise prices of derivatives classified as cash flow hedging are charged as equity and they are reported in the balance sheet as valuation difference resulting from recalculating assets and liabilities. Non-efficient parts of hedging are entered into accounts directly as financial expenses/revenues.

f) Equity

Equity of the Company is reported at the amount registered in the Commercial Register kept by the Municipal Court. Any increase or decrease to equity on the basis of a decision taken by the general meeting that had not been registered by the date of the financial statements is reported as a change to equity. Deposits exceeding equity are posted as *agio*.

Other capital funds consist of monetary and non-monetary deposits exceeding the value of the registered capital.

g) Third party sources

The Company creates legal reserves pursuant to the Act on Reserves for Loss and Risk in cases when the entitlement, amount and date of fulfilment can be determined with a high degree of probability while adhering to the factual and time context.

h) Foreign currency exchange operations

The value of assets and liabilities acquired in a foreign currency is expressed in CZK using the exchange rate on the day when acquired; at the balance sheet date, monetary items were valued using the exchange rate declared on 31/12 by the Czech National Bank.

Realized as well as possible exchange rate profits/losses are entered into accounts as financial revenues/expenses of the given calendar year.

i) Estimates

Compiling the financial statements requires that the Company uses estimates and presumptions that affect the reported value of the assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the given period. The management of the Company defined such estimates and presumptions on the basis of all available relevant information. Nevertheless, as the nature of estimates implies, exercise prices may differ from such estimates in the future.

j) Accounting principles for revenues and expenses

The Company has in place an internal rule titled "Accounting principles for expenses and revenues and their accruals, estimates, creation and use of reserves, creation and use of adjusting entries, exchange rate differences".

Revenues and expenses are charted/credited as accrued/deferred, i.e. for the period they are linked with in terms of facts and time.

k) Income tax

Income tax is an expense calculated from the accounting profit increased or decreased by permanently or temporarily non-eligible tax costs and non-taxable profit (e.g., creation and settlement of other

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

reserves and adjusting entries, representation costs, differences between accounted depreciation and tax depreciation, etc.) applying the tax rate valid in the given accounting period. Additionally, entries decreasing the income tax base are taken into account such as gifts, deductible items (tax loss, costs of implementing research and development projects) and income tax deduction.

Deferred tax duty reflects the impact of interim differences between residual values of assets and liabilities on tax from the perspective of accounting and determining the tax base with respect to the given period.

l) Subsidies/Incentives

The Company aspires to make use of grants. In 2019, the Company received a grant from the Operational Programme Enterprise and Innovation for Competitiveness ("OP EIC") – for its project "Reducing Energy Demand of Technological Equipment". With respect to deterioration of the financial situation and partial shutdowns of some departments due to the Government Resolution and spread of COVID-19, Annex No. 1 to the Decision of Grant Allocation was approved, postponing the deadline for project completion to 31/12 2022 (based on the Company's application). The project was partly implemented in 2021 and its implementation continues in 2022.

Furthermore, the Company received funds from the Operational Programme Enterprise and Innovation for Competitiveness – Application – Call VII for the project "Development of Film Drawing Technology" amounting to CZK 8,001 thousand in 2020. With respect to the deteriorated financial situation and partial shutdowns of some departments due to the Government Resolution and spread of COVID -19, Annex No. 1 to the Decision of Grant Allocation was approved, postponing the deadline for project completion to 31/10 2022. The project was not implemented in 2021.

The Company actively collaborates with universities.

With respect to a drop in revenues by approx. CZK 21.254 million (in relation to the business plan) and production shutdowns due to quarantine, caregiver leave, spread of COVID-19 in the Company and in suppliers/customers, the Company drew funds from the governmental programme for support of employment protection referred to as "Antivirus B" at the beginning of 2021, before the situation in the market improved. The governmental programme thus contributed to maintaining the employment rate and operation of the Company. The Company considers this subsidy to be one of the best supports.

Moreover, the Company drew funds from the governmental programme referred to as "COVID III Guarantee" when the Company received access to further funding for its operations.

m) Subsequent events

The impact of events that occurred between the balance sheet date and the date of the financial statements is reported in accounting documents as long as such events provided additional information about facts that existed on the balance sheet date.

In case that significant events occurred between the balance sheet date and the date of the financial statements, impacts of such events are described in the Notes to the Financial Statements, but they are not entered in any accounting documents given the fact they occurred after the balance sheet date.

n) Correction of prior period errors

In case of a change in the accounting methods or corrections of prior period errors (as long as the effects of such errors are significant), the Company applies a new accounting method and corrects such an error retroactively, meaning the Company adjusts the data presented for a prior period.

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

4. FIXED ASSETS

a) Intangible fixed assets (in thousands CZK)

PURCHASE PRICE

| | Opening balance | Increase | Decrease | Closing balance |
|------------------------------------|-----------------|-----------|------------|-----------------|
| Software | 8 666 | - | 138 | 8 528 |
| Unfinished intangible fixed assets | 0 | 77 | - | 77 |
| Total 2021 | 8 666 | 77 | 138 | 8 605 |
| Total 2020 | 8 585 | 81 | - | 8 666 |

ADJUSTING ENTRIES AND CORRECTIONS

| | Opening balance | Depreciation | Elimination | Closing balance | Account value |
|-------------------|-----------------|--------------|-------------|-----------------|---------------|
| Software | -8 432 | -146 | 138 | -8 440 | 165 |
| Total 2021 | -8 432 | -146 | 138 | -8 440 | 165 |
| Total 2020 | -8 292 | -140 | - | -8 432 | 234 |

b) Tangible fixed assets (in thousands CZK)

PURCHASE PRICE

| | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|--------------|---------------|-----------------|
| Land | 7 452 | - | - | 7 452 |
| Buildings | 299 329 | - | - | 299 329 |
| Tangible assets and their sets | 346 934 | 897 | 1 985 | 345 846 |
| Other tangible fixed assets | 2 087 | - | - | 2 087 |
| Advance payments for tangible fixed assets | - | - | - | - |
| Tangible fixed assets under construction | 885 | 931 | 898 | 918 |
| Total 2021 | 656 687 | 1 828 | 2 883 | 655 632 |
| Total 2020 | 664 715 | 8 891 | 16 919 | 656 687 |

ADJUSTING ENTRIES AND CORRECTIONS

| | Opening balance | Depreciation | Sales, liquidation | Elimination | Closing balance | Account value |
|--|-----------------|----------------|--------------------|---------------|-----------------|----------------|
| Land | - | - | - | - | - | 7 452 |
| Buildings | -260 027 | -6 987 | - | - | -267 014 | 32 315 |
| Tangible assets and their sets | -285 128 | -7 889 | - | 1 985 | -291 032 | 54 814 |
| Other tangible fixed assets | -2 087 | - | - | - | -2 087 | - |
| Tangible fixed assets under construction | - | - | - | - | - | 918 |
| Total 2021 | -547 242 | -14 876 | - | 1 985 | -560 133 | 95 499 |
| Total 2020 | -535 684 | -17 271 | - 5 061 | 10 774 | -547 242 | 109 445 |

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According to the Company's internal rule, records of small tangible assets are kept separately (not in accounts) and they are regularly inventoried. The Company defined the threshold value for keeping records of such assets between CZK 1 thousand and CZK 40 thousand. An exception concerns small tangible assets subject to electrical installation inspections. Such assets are kept starting from CZK 1.

The minimum threshold value for tangible fixed assets was CZK 40 thousand and CZK 60 thousand for intangible fixed assets in 2021.

The Company purchased a horizontal machining centre for CZK 44,381 thousand in 2017, its residual value being CZK 29,219 thousand at 31/12 2021; the centre was partially paid by subsidies amounting to CZK 10,891 thousand and used as collateral for securing a loan from Komerční banka, a.s.

In 2020 and 2021, the Company secured an operational loan from Komerční banka using receivables amounting to CZK 25,000 thousand as collateral. As the total amount of receivables was lower in 2020, the Company reduced the amount of the operational loan to CZK 9,447 thousand, the loan being secured by a blank promissory note.

In 2020, the Company used funds from the "COVID III Guarantee" Government Programme through which the Company gained access to further operational funding through a long-term loan. The Company started to repay the loan regularly in 2021.

In 2021, the Company used an operational loan from Komerční banka to fund the costs related to the contract for Trelleborg Wheel Systems Czech Republic a.s. The loan is secured by a lien on the receivables from the work contract (the contract financed from the loan) and a lien on real estate plot No. 778/4 and 778/6.

5. INVENTORY

Valuation of useless, obsolete and slow-selling inventory is reduced to the selling price using the adjusting entry account shown in the "correction" column in the attached Balance Sheet.

The Company has in place an internal rule called "Accounting principles for expenses and revenues and their accruals, estimates, creation and use of reserves, creation and use of adjusting entries, exchange rate differences".

Adjusting entries are created for material in stock, products and semi-finished production – inventory items under construction (see Section 7).

Adjusting entries are created for inventory with no turnover between 12 and 48 months ranging between 20% and 100% of the value, while each item is considered individually in terms of its usefulness for the Company.

6. RECEIVABLES

At 31/12 2020 and 31/12 2021, receivables after maturity amounted to CZK 18,014 thousand and CZK 6,764 respectively.

In 2020, the Company wrote off (as expenses) receivables amounting to CZK 423 thousand due to their uncollectibility, bankruptcy and/or settlement refusal or failure to satisfy a claim in bankruptcy proceedings, etc. Records of such receivables are then kept in off-balance accounts.

At 31/12 2021, the Company had long-term receivables amounting to CZK 915 thousand resulting from a deferred tax receivable. The Company has no receivables with maturity exceeding 5 years

Receivables from affiliate entities (see Section 19).

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

7. ADJUSTING ENTRIES

Adjusting entries express temporary decrease in asset value (assets from Section 4, 5 and 6).

Changes in adjusting entry accounts (in thousands CZK):

| Adjusting entries for: | Balance at 31/12 2019 (recalculated) | Adjusting entry creation | Adjusting entry accounted for | Balance at 31/12 2020 | Adjusting entry creation | Adjusting entry accounted for | Balance at 31/12 2021 |
|-------------------------------|--------------------------------------|--------------------------|-------------------------------|-----------------------|--------------------------|-------------------------------|-----------------------|
| Inventory | 687 | 236 | 5 | 918 | 245 | 145 | 1 018 |
| Receivables – required by law | 432 | 109 | 432 | 109 | 110 | 0 | 219 |
| Receivables - other | 4 564 | 109 | 4 564 | 109 | 0 | 109 | 0 |

The Company has a receivable linked with income tax from 2017. As the receivable became uncollectible in 2018, the Company decided to create an adjusting entry for the receivable amounting to 50% for 2018 and 50% for 2019. The adjusting entry was cancelled in 2020. In 2020, an adjusting entry of CZK 109 thousand was created for a receivable claimed in court. Additionally, the Company created an adjusting entry amounting to CZK 219 thousand in 2021.

Legal adjusting entries are created in accordance with the Act on Reserves and they are tax deductible.

8. ACCRUED ASSETS

Accrued costs include primarily invoices received by 31/12 2021 and they are charged as future expenses for periods to which they relate in terms of facts and time (rent).

Deferred revenues include primarily work and services that have not been settled (paid) and invoiced.

9. EQUITY

Changes in equity (in thousands CZK):

| | Balance at 31/12 2019 | Increase | Decrease | Balance at 31/12 2020 | Increase | Decrease | Balance at 31/12 2021 |
|--|-----------------------|----------|----------|-----------------------|----------|----------|-----------------------|
| No. of shares | 3 | - | - | 3 | - | - | 3 |
| Registered capital | 96 855 | - | - | 96 855 | - | - | 96 855 |
| Other capital funds | 7 | - | - | 7 | - | - | 7 |
| Undistributed profit / unsettled loss from prior periods | 150 331 | 13 655 | - | 163 986 | - | -29 158 | 134 828 |
| Other business result of prior periods | -6 543 | - | - | -6 543 | 6 543 | - | 0 |
| Result of the current accounting period | 13 655 | - | -36 270 | -22 615 | 24 833 | - | 2 218 |
| Total | 254 305 | 13 655 | -36 270 | 231 690 | 31 376 | -29 158 | 233 908 |

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

The Company's equity consists of 3 fully subscribed shares with a nominal value of CZK 96,855 thousand. The shares are registered in physical form and they are not publicly traded. Other capital funds consist of cash and cashless deposits exceeding the value of the registered capital.

Type and volume of issued securities:

- 1 pc of registered shares with the nominal value of CZK 6,975,000
- 1 pc of registered shares with the nominal value of CZK 80,194,500
- 1 pc of registered shares with the nominal value of CZK 9,685,500

The aforementioned profit distribution for 2019 and 2020 was approved by general meetings of the Company held on 29/06 2020 and 29/06 2021.

The Board of Directors of the Company shall propose transfer of the profit from 01/01 2021-31/12 2021 amounting to CZK 2,218 thousand to the account of undistributed profit from previous years.

As at 31 December 2020, the Company had "other economic result" amounting to CZK -6,543 thousand that was entered into accounts in 2019. This other economic result arose from the difference caused by changing accounting methods in 2017 and 2018 that concerned creation of accounting reserves for any warranty costs and accrued annual leave. The general meeting held on 29 June 2021 decided to transfer the other economic result amounting to CZK -6,543 thousand to the account of unsettled losses from previous years.

The general meeting of BUZULUK held on 9 April 2019 decided that the Company pays dividends for the 2018 accounting period amounting to CZK 10,000 thousand to the owners of the Company in three tranches. A total of CZK 3,450 thousand was paid in the 2019 accounting period.

The Company had an account payable to shareholders amounting to CZK 6,550 thousand (unpaid dividends for 2018) at the balance sheet date. The payable was transferred from short-term payables to shareholders to long-term payables to shareholders in 2020. The payable shall be paid depending on the Company's economic situation in 2022.

10. RESERVES

Changes in reserves (in thousands CZK):

| Reserves | Balance at 31/12 2019 | Reserve creation | Reserve settlement | Balance at 31/12 2020 | Reserve creation | Reserve settlement | Balance at 31/12 2021 |
|----------------|-----------------------|------------------|--------------------|-----------------------|------------------|--------------------|-----------------------|
| For income tax | - | - | - | - | - | - | - |
| Others | 5 357 | 4 292 | -5 357 | 4 292 | 4 462 | -4 292 | 4 462 |

The Company first created reserves for anticipated warranty costs and reserves for accrued annual leave in 2019; the reserves were also created retroactively for 2017 and 2018 and 2019.

11. SHORT-TERM PAYABLES

As at 31/12 2020 and 31/12 2021, the Company had short-term payables after maturity date amounting to CZK 20,802 thousand and CZK 6,554 thousand, respectively.

As at the balance sheet date, the Company had a short-term payable with Komerční banka amounting to CZK 39,279 thousand, for which a lien was established on receivables from a contract for work (a contract funded by a loan) and a lien on real estate plot No. 778/4 and 778/6.

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BUZULUK a.s.

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The Company had no outstanding payables to social security administration or health insurance companies as at 31/12 2021.

Estimated liabilities as at 31/12 2021 include transactions through which the Company incurred a debt relating to the given accounting period in terms of facts and time, while its exact amount is unknown. This concerns primarily uninvoiced supplies of material, energy and services.

Payables to affiliated entities (see Section 19).

12. PAYABLES TO CREDIT INSTITUTIONS

| Bank | Terms/ Conditions | Interest rate | Total limit | 2020 | | 2021 | |
|---------------------------------------|----------------------|---------------------|----------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | | | | Amount in foreign currency | Amount in thousands CZK | Amount in foreign currency | Amount in thousands CZK |
| Bank loans | 20.3.2023 | 1,69 % p.a. | 33 161 | - | 16 144 | - | 8 908 |
| | 24.2.2022 | 1M EURIBOR + 0,75 % | 10 000 | 380 | 9 973 | 380 | 9 447 |
| | 30.7.2021 | 0,95 % p.a. | 82 000 | 500 | 13 114 | 290 | 7 209 |
| | 20.11.2023 | 2,10 % p.a. | 50 000 | - | 50 000 | - | 47 000 |
| | 2.9.2022 | 1M EURIBOR + 1,54 % | 39 279 | - | - | 1 580 | 39 279 |
| Total | | | | 880 | 89 231 | 2 250 | 111 843 |
| Instalment in the following year | | | | 880 | 33 323 | 2 250 | 75 170 |
| Instalments in the following years | | | | - | 55 908 | - | 36 673 |

Interest costs linked with payables to credit institutions amounted to CZK 1,072 thousand in 2020 and CZK 1,709 in 2021.

Overview of bank loan and credit instalments in thousands CZK:

| | Bank loans |
|------|------------|
| 2021 | 33 323 |
| 2022 | 75 170 |
| 2023 | 36 673 |

13. ACCRUED LIABILITIES

Accrued expenses include primarily invoices received after 31/12 2021 and they are posted as expenses of the period they are linked with in terms of facts and time.

The Company had no deferred revenues as it received no payments in 2021 that would be linked with a future period in terms of facts and time.

14. DERIVATIVES

As at 31/12 2020 and 31/12 2021 the Company had no contracts concerning derivatives.

With respect to COVID-19 among customers, closed borders and customer's deteriorated payment morale due to the pandemic, the Company had no chance to receive terms and precise amounts of

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

currencies for entering into forward contracts. The Company was under risk of failing to adhere its obligations resulting from futures trading that would result in further fees and sanctions. For that reason, the Company could not hedge the exchange rate risk in 2020 and used only spot operation. The situation persisted in 2021. Exchange rates were very volatile throughout 2021.

15. INCOME TAX

The Company calculated preliminarily the income tax as follows (in thousands CZK):

| | 2020 | 2021 |
|---|---------|--------|
| Profit before tax | -28 038 | 2 795 |
| Non-tax revenue | -5 406 | -4 547 |
| Difference between accounting depreciation and tax depreciation | -6 273 | -6 313 |
| Non-deductible expenses | | |
| Creation of adjusting entries | 345 | 245 |
| Creation of reserves | 4 292 | 4 462 |
| Others (e.g. representation costs, deficit and damage) | 1 017 | 576 |
| Taxable income | -34 063 | -2 782 |
| Deduction for research and development | - | - |
| Tax base | -34 063 | -2 782 |
| Donation deduction | - | - |
| Rounded tax base | - | - |
| Income tax rate | 19 % | 19 % |
| Tax | - | - |
| Tax discounts | - | - |
| Total tax | - | - |

The Company has been under audit by the revenue office for income tax and value added tax for 2016 since November 2019. On 1 December 2021, the Company received a tax audit report with the result "The Tax Authority observes that the tax audit of the value added tax for the October to December 2016 tax periods did not reveal any discrepancies with the information provided in the tax reports filed for the tax periods under audit". The income tax audit was not completed by the balance sheet date.

The Company calculated deferred tax as follows (in thousands CZK):

| Deferred tax items | 2020 | | 2021 | |
|--|-------------------------|----------------------|-------------------------|----------------------|
| | Deferred tax receivable | Deferred tax payable | Deferred tax receivable | Deferred tax payable |
| Difference between accounting value and residual value of long-term assets | - | 4 721 | - | 5 920 |
| Other interim differences: | | | | |
| Adjusting entries to inventory | 175 | - | 193 | - |
| Reserves | 793 | - | 848 | - |
| Unclaimed deduction for research and development | 2 854 | - | 2 899 | - |
| Unclaimed tax loss | 6 495 | - | 2 895 | - |
| Total | 10 317 | 4 721 | 6 835 | 5 920 |
| Net | 5 596 | - | 915 | - |

BUZULUK a.s.

Financial Statements compiled as at 31/12 2021

The Company entered into accounts an accrued tax receivable amounting to CZK 915 thousand arising from unclaimed tax loss, unclaimed deduction for research and development and other reserves.

16. OFF-BALANCE ASSETS AND LIABILITIES

At 31/12 2020 and 31/12 2021, the Company had assets and liabilities amounting to CZK 139,183 and to CZK 39,269 thousand, respectively. This encompasses mainly bank collaterals, receivables and payables written off, payment cards and collateral. Furthermore, the Company keeps off-balance accounts recording other parties' assets received for processing or storing.

17. REVENUES

Breakdown of the Company's operating revenues (in thousands CZK):

| | 2020 | | 2021 | |
|--------------------------------|----------------|---------|----------------|---------|
| | Czech Republic | Abroad | Czech Republic | Abroad |
| Revenues from sale of goods | 1 325 | 1 920 | 626 | 1 159 |
| Revenues from sale of own land | 62 869 | 175 503 | 72 521 | 191 173 |
| Revenue from sale of services | 4 588 | - | 36 267 | - |
| Total revenues | 68 782 | 177 423 | 109 414 | 192 332 |

Detailed breakdown of revenues by territory and assortment as shown in the Company's Annual Report.

18. PERSONNEL EXPENSES

Breakdown of personnel expenses (in thousands CZK):

| | 2020 | | 2021 | |
|--------------------------------------|---------------------------|---|---------------------------|---|
| | Total number of employees | Members of statutory, supervisory and management bodies | Total number of employees | Members of statutory, supervisory and management bodies |
| Average number of employees | 208 | 4 | 198 | 4 |
| Wages | 68 797 | 6 192 | 73 991 | 5 782 |
| Social security and health insurance | 23 436 | 2 088 | 25 231 | 1 945 |
| Social expenses | 2 809 | 32 | 3 559 | 27 |
| Total personnel expenses | 95 042 | 8 312 | 102 781 | 7 754 |

In 2020 and 2021, members of statutory, supervisory and management bodies did not receive any rewards/bonuses due to their function.

19. INFORMATION ON AFFILIATE ENTITIES

In 2020 and 2021, members of statutory, supervisory and management bodies did not receive any advance payments, deposits, loans, guarantees or any other benefits and they do not share any shares of the Company.

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At the balance sheet date, the Company had a liability to its shareholders amounting to CZK 6,550 thousand; unpaid dividends for 2018.

The Company regularly sells products to affiliate entities. In 2020 and 2021 the sales amounted to CZK 4,737 thousand and CZK 14,659 thousand, respectively.

Short-term receivables from affiliate entities at 31/12 (in thousands CZK):

| Affiliate entity | Terms/Maturity | 2020 | 2021 |
|---|----------------|-------|-------|
| Dalian Rubber & Plastics Machinery Co., Ltd | 60 days | 2 784 | 1 851 |

The Company purchases products and uses services of affiliated entities for its common business operations. No purchases occurred in 2020 and 2021.

Short-term payables to affiliate entities at 31/12 (in thousands CZK):

| Affiliate entity | Terms/Maturity | 2020 | 2021 |
|---|----------------|--------|------|
| Dalian Rubber & Plastics Machinery Co., Ltd | 30 days | 14 850 | 0 |

Short-term payable at 31/12 2020 – a proforma invoice for the DXS-BK-2020-06 contract.

20. RESEARCH AND DEVELOPMENT EXPENSES

In 2020 and 2021, CZK 1,320 thousand and CZK 1,104 was expended, respectively, and posted as expenses.

The Company had Research and Development Projects approved for 2020 and 2021. The Company's research and development was restricted in 2020 due to COVID-19 and deteriorated economic situation that hindered implementation of the tasks planned.

The Company received a grant from the OP EIC for the Research and Development Project "Film Drawing Technology". The project shall be implemented in 2021 and 2022.

The relevant Tax Office was duly notified of the Company's intent to apply deduction for such research and development expenses. At the same time, the Company has in place design documentation for such Research and Development Projects.

21. SIGNIFICANT EVENTS FROM THE PROFIT AND LOSS STATEMENT

Services consist mainly of third parties' expenses incurred in connection with transport, installation, putting into operation and maintenance of the machines/devices supplied.

Other operating expenses include particularly factoring and employee insurance.

Other operating revenues include particularly factoring and subsidies from "Antivirus B" aimed at employment protection.

Other financial revenues and expenses include particularly realized and non-realized exchange rate profits and losses.

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Reward paid to the statutory auditor is reported in the Consolidated Annual Report of the Parent Company.

22. SIGNIFICANT EVENTS THAT OCCURRED AFTER THE DATE OF THE BALANCE SHEET

No significant changes occurred after the balance sheet date.

23. OVERVIEW OF CHANGES TO THE EQUITY (SEE SECTION 9)

| Compiled on: | Signature of the statutory body of the accounting unit: | Person responsible for the financial statements (name, signature): |
|-----------------|--|--|
| 4 February 2022 |  Ing. Josef Hlad, MBA |  Ing. Květuše Křivánková, MBA |
| |  Mgr. Hailong Hao | |

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