



ANNUAL REPORT

2021



FOREWORD

Dear friends,

The basic criteria for the development of the company are contained in the Strategy 2019-2023. In the introduction to the Annual Report 2020, I mentioned that 2021 will be a critical year from the point of view of the Strategy due to the negative effects of the pandemic. However, I must state that even under difficult conditions we have achieved very good results, which justify us to be optimistic in terms of the overall implementation of the Strategy until 2023. I already dare to say that the tasks of the Strategy for the field of surface treatment (Division of Surface Treatment, MEGA-TEC) will be fulfilled for the overall strategic period. The same applies to the Division of Ecological Services. In the field of membrane technology, we have become Europe's only industrial manufacturer of EDI (electrodeionization), and this year gives us the prerequisites for meeting the requirements of the Strategy for both the DMP (Division of Membrane Processes) and DVH (Division of Water Management) divisions.

In conclusion, I would like to say that meeting the objectives of the Strategy is a priority for us, and the experience with its implementation will be reflected in the preparation of the new Strategy for the period from 2024.

I thank all my colleagues for recognizing the importance of meeting the strategic objectives, and I believe that we will continue our teamwork.

Luboš Novák

VISION AND MISSION

VISION FOR MEMBRANE PROGRAM

To become a globally active and financially stable company that offers its customers the best technological solutions based on electromembrane and integrated membrane processes with maximum emphasis on reuse of raw materials through implementation of waste-free technologies and environmental protection.

VISION FOR SURFACE TREATMENT

To become the leader in cataphoresis and other modern electrocoating technologies of surface treatments in the Czech and Slovak Republic.

VISION FOR ENVIRONMENTAL SERVICES

To become a recognized company interconnecting business and academic spheres in advanced remediation technologies in the Czech Republic.

THE CORNERSTONES TO ACHIEVE THE VISION

TARGETED AND RAPID RESEARCH AND DEVELOPMENT (R & D)

The leader in innovation in the field of membrane processes.

STRONG ENGINEERING AND KNOW-HOW

The company delivering comprehensive solutions, not only processes.

GLOBAL PRESENCE

The company with a strong distribution network and support of strategic partners.

COMPANY PROFILE

COMPANY HISTORY

The history of the joint-stock company MEGA goes back to the mid-1970s when the ČSUP Central laboratories were established within the former Czechoslovak uranium industry, to address the issue of the impact of uranium mining and its subsequent processing on the environment.

Within this unit, a group was formed under the leadership of Luboš Novák, PhD., the current chairman of the company's board of directors which began to address the issue of water treatment and industrial solutions using membrane technologies. In 1985, the first heterogeneous membrane was produced as an essential component of its own technology. The laboratories were an independent state enterprise before the process of coupon privatisation.

Since 1992, MEGA has been operating on the market as a Czech, private, joint-stock company. Although it has been clear from the outset that the main strategic direction of the company development focused on the water treatment issue (especially by membrane processes), the company sought further application in other areas of environmental protection. This gradually led to broadening the portfolio of services offered. MEGA used its previous experience for its own production and according to the needs and wishes of its customers, it started to produce complete technological units.

In the long term, MEGA has been active in three areas, in which it provides complete supplies of quality technologies and comprehensive services. These are generally membrane processes (liquid separation), surface treatment of materials and environmental services.

MEMBRANE PROCESSES (SEPARATION OF LIQUIDS)

Within the Membrane Programme, the main business activity of the MEGA company is to supply its own products (ion-exchange membranes, distributors, membrane equipment manufactured within the manufacturing facilities of the company MEGA) and complete technologies for membrane separation processes (electro membrane or hybrid) based on its own know-how. In this field, MEGA belongs to world leaders. All products and technologies supplied by MEGA are the results of its own research and development base and reflect the latest knowledge and expertise.

SURFACE TREATMENT

In the field of surface treatment, we provide comprehensive technical and logistic services to customers of the segment, where we have been representing for a long time the established global manufacturer of coatings, the PPG Company, whose products GI (General Industry) are used in many paint shops in the Czech and Slovak Republic.

ENVIRONMENTAL SERVICES

In the area of environmental services, we have recently focused mainly on the interconnection of the commercial and academic sectors in the area of advanced remediation technologies.

The company aims to further develop its activities and the activities of its subsidiaries (MEGA-TEC, OOO MEGA ProfiLine, MemBrain, OOO MEGA Ukraine) in such a way as to maximize mutual synergies and strengthen the position of the whole group on both domestic and foreign markets. Special emphasis is placed on the direction of innovation and technological progress which in particular should contribute to further development of its subsidiary MemBrain. A team of highly qualified experts from the MEGA company is a long-term leader in membrane processes in the Czech Republic.

MEGA is a member of the European Membrane Society (EMS) and the International Desalination Association (IDA). Currently, we are becoming a highly respected company in the field of membrane processes in foreign markets. CEO of the MEGA company is the founder of electromembrane processes in the Czech Republic and at the same time the president of the Czech Membrane Platform (CZEMP). In 2007 he was awarded in a project which supports scientific and technical minds, Česká Hlava (Czech Head) Award, in the category of Inventions for research and development of ion-exchange membranes for membrane processes in environmental and process applications. So far, he has been effectively managing the company's operations and has been actively engaged in popularizing the field of membrane separation.

MEGA cooperates with many foreign institutions in the field of membrane processes, with which it participates in the solution of projects within the European Union. We have long-time cooperations with universities and professional institutions, namely the University of Chemical Technology in Prague, University of Pardubice, Institute of Macromolecular Chemistry, Technical University of Liberec, Technical University of Ostrava, Palacky University in Olomouc, with which we solve several projects together. We have rich experience in project management. We also cooperate with several major foreign companies as preferred partners.

Offering solutions to the problems of individual clients is a comprehensive set of all necessary steps and measures. These include condition monitoring, optimal solution offer, final technology delivery, process monitoring, guarantees and responsibility for the proposed solution. Our customers are large industrial domestic and foreign companies, small and medium-sized businesses, as well as cities and municipalities. It goes without saying that we also provide all customers with the necessary legislative advice. MEGA is in all respects a company that provides comprehensive services with a responsible approach to the customer. An important moment in the existence of MEGA is the decision to verify its own customer approach. This was a challenging requirement, after which the company was granted certificates according to standards ČSN EN ISO 9001, ČSN EN ISO 14001, ČSN OHSAS 18001, which were further steps to gradually build up the market position. MEGA processes and products have been successfully certified not only according to ISO standards but also according to GOST-R for the Russian Federation.

DETAILS OF THE SHARE CAPITAL

The registered capital of the company amounts to 62,328,000 CZK. Share capital consists of 62,328 shares with a nominal value of 1 000 CZK. Forms of company shares: registered shares. The shares are in book-entry form and are not registered.

The sole shareholder of the company is První pokratický holding with 100% of the share capital, it owns 62,328 shares with a nominal value of 1 000 CZK.

EQUITY INVESTMENTS

Company	Field of activity	%	Capital
MEGA-TEC s.r.o., Bystřice nad Pernštejnem	delivery of technologies in the field of water treatment and electrophoresis	51	100 000 CZK
OOO MEGA ProfiLine, Podolsk, Russia	supply of technological units based on membrane processes especially for food (dairy)	99	30 000 RUB
MemBrain s.r.o., Stráž pod Ralskem	solving research and development projects and efficient transfer research results into industrial practice	100	1 000 000 CZK
TOV MEGA-UKRAINA, Kyjev, Ukraine	supply of technological units based on membrane processes especially for food (dairy)	100	249 999,95 UAH

BANK LOANS AND BONDS

Creditor	Type of contract
UniCredit Bank CZ a.s.	Multi-purpose credit line, investment loan, Treasury line
ČSOB a.s.	Multi-purpose credit line, Treasury line
ERSTE a.s.	Multi-purpose credit line

2021 was again a year where there was no change with the cooperating banks. MEGA has agreements with banking financial institutions to cover operational financing, to issue bank guarantees and to cover the purchase of investment in machinery and equipment. Funds for operational financing are focused on short-term fluctuations in cash flow. MEGA does not take out any investment loans and finances any minor investments in production equipment (in the form of machinery and equipment) and R&D activities from its own resources.

In the future, we expect long-term loans only for strategic investments in our own research and development in connection with planned growth. For all types of financing provided, MEGA complies with the conditions set out. For 2022, we again do not expect any changes in the cooperation with banks due to satisfaction with the services provided by the banks, considering the long-term cooperation.

Due to the development of the geopolitical situation in the world, we expect increased attention when verifying new customers and partial securing of receivables with verification of the creditworthiness of customers. Due to lower financial demands, priority will be given to commercial insurance against reluctance - insurance companies EGAP, Credendo, Lloyds, etc. The main reason for this change in management is the optimization of fees for banking services and, in particular, simplicity and speed.

The aim of the cooperation with the banks is to ensure that any future changes in the financing structure are controlled by a structure that will increase the value of the company. The main banks with which the company cooperated in 2021 were ČSOB and UniCredit Bank Czech Republic and Slovakia. We will continue to hold credit lines for commitment limits due to the provision of bank guarantees (down payment, performance etc.), following the custom collateralization in the membrane program.

In 2021, cooperation with other banking institutions - in particular ERSTE bank and Raiffeisenbank - was discussed to find optimal conditions for financing projects abroad, not only in Europe but also in more complex territories such as Belarus, the Russian Federation and South Africa, where possible financing provides a competitive advantage for customers and supports exports of MEGA Group companies. For 2022 and the following years, we expect a downturn for these territories, again linked to the geopolitical situation in the world.

Furthermore, negotiations with other commercial banks are still ongoing to verify the conditions set by our main banks and to find an optimal solution for the companies in the group. In 2021, the financing of projects in Ukraine and Russia continued from our own resources - mainly due to the limitation of competition and the prevention of its entry into these market segments - these projects were for the most part regularly repaid in 2021, and there were no delays in payment.

Credit and financial policy are strictly followed within the group and its following is the principle for maintaining the financial stability of MEGA company and the entire Group. The approved long-term strategy allows MEGA to finance subsidiaries, if necessary, with both long-term investment and short-term loans. For companies in the group, we implement automated financing using banking tools - cash pooling - especially for the financing of R&D activities.

The set price conditions are under competitive but commercial conditions. It is the duty of all companies within the MEGA group to maintain good relations with the above-mentioned banking institutions, and to fulfil the terms and conditions of credit agreements and other agreements in a due and timely manner so that future financing is not endangered in case of need. MEGA strives to find an optimal financing structure that does not jeopardize stability and at the same time increases the efficiency and effectiveness of the business. For the above reasons, we are gradually centralizing financial management from the parent

company. In the coming period, we will focus more on foreign currency bank financing due to the higher rate differentiation between CZK - EUR and USD.



FINANCIAL INDICATORS

	2017	2018	2019	2020	2021
Total sales	629,536	721,727	789,232	798,876	708,133
Sales of own products and services	226,899	301,105	376,229	416,757	414,716
Sales of goods	402,637	420,622	413,003	382,120	293,417
ROA	3.96 %	8.45 %	8.09 %	13.18 %	3.75 %
ROE	5.58 %	9.58 %	9.17 %	15.09 %	4.10 %
EBITDA	41,209	84,498	81,592	119,477	45,119
EBIT	29,480	71,676	69,483	106,128	26,884
Liquidity common	4.28	2.90	3.25	3.39	3.03
Indebtedness	25.14 %	28.94 %	23.49 %	21.84 %	23.63 %
Number of employees (annual average)	134	139	150	177	170

Year-on-year comparison of financial indicators shows a decrease in total sales by more than 13% compared to 2020, which we consider a success given the ongoing situation (COVID-19 pandemic). In the area of goods, there was only a decrease of 0.5% year-on-year (partly due to the strengthening of CZK / EUR, but especially the shutdown due to the lock-down, which was achieved).

Revenues from own products and services decreased significantly compared to 2021, by more than 30%. The main reason for this decline was the postponement of companies' investments in the purchase of our

technologies at the end of 2020, with an impact until 2021, but also almost zero sales for the new Division of Water Management (DVH). However, a significant contract was signed at the end of 2021 with an impact on the sales of the year under review of only 50% with a transition to 2022. The DVH already has significant contracts registered in 2022. In all divisions, we record major orders with an impact until 2022 and the following period.

A further impact on 2021 revenues is the slower transfer of R&D into realized revenues. For this reason, the strategy for 2021 and 2022 has been partially reassessed, which should not significantly affect the overall strategy adopted for 2019-2023. A significant impact on future revenues is due to the large orders obtained for the supply of our core technologies towards European customers and the inclusion of revenues from the newly established Division of Water Management with the execution of a contract in the Czech Republic for a major customer and future collaborations with strategic partners.

There was a significant year-on-year decline in performance indicators (ROA, ROE). The reasons are given in the evaluation of sales - partially due to the shift of part of the implementation of larger contracts to 2022 = significant impact on profitability, but also more significant investments from R&D financed from own resources, which should be reflected in the re-strengthening of the indicators in 2022 and subsequent years.

Other effects on profitability indicators in the future are the implementation of core projects within the supply of MEGA's own products, the change in the sales ratio in favour of Aftersales and spare parts, and the supply to the Segment Water, including the implementation of an order in the new segment - all secured for 2022. For these reasons, we aim to continue to invest considerable resources in the area of research and development, and to maintain competitiveness in the future period in line with the newly defined Strategy 2019-2023. For 2021, we have invested more than 3% of the company's total sales in research and development from our own resources.

The financial stability of the company is expressed by the indicators of current liquidity and the level of indebtedness. In a year-on-year comparison, these values were stable at acceptable levels. The current liquidity is above the recommended level of 1,5 and, overall, it shows a year-on-year increase to the current value of 3,08 over the evaluated periods. However, we expect a gradual reduction in the liquidity ratio

following the next expected payment of retained dividends to the company's owner. Nevertheless, we are still trying to keep a high share of cash in part in order to reduce the risks in the event of a further decline in the economic cycle, despite the reduction in economic efficiency. This has proven to be the right strategy in the long term, ensuring long-term stability and the ability to invest in research and development.

Another risk mitigation was to keep the debt ratio at a low level of around 23%. The company has no significant problem in collecting its receivables, despite some long outstanding receivables, and this is also reflected positively in the company's positive cash flow. The company is only resolving a larger receivable with an Italian company. We expect it to be fully paid in 2022. For the time being, efforts are still being made to reach a joint resolution, following further cooperation.

The company fulfils all its obligations on time. The level of indebtedness has stabilized. In 2022, we expect a higher impact of financial costs on financial management due to the rapid rise in interest rates. There will be an effort to optimize foreign currency financing due to lower costs. Gradually, however, we expect the possibility of drawing long-term external resources in connection with the expected strategic investments. To support investments, we are also looking for subsidy support to reduce the use of our own and external financial resources.

The main reason for the use of external credit resources in 2021 and the following period (especially for operational financing) is the optimization of exchange rate changes balanced by natural hedging. Once again, a partial exchange rate hedge of approximately 30% of the company's annual sales for the period up to 2022.

We are monitoring the global situation with Covid-19 and its impact on the company's financial health. We are taking measures to mitigate any negative impacts (cost-saving measures, changes in the structure of operations, expansion of cooperation with holding companies, etc.).

SIGNIFICANT FACTS AFTER THE BALANCE SHEET DATE

A significant event was the decision at the end of 2021 to continue the development of the new Division of Water Management in the parent company MEGA. The division will focus on a new segment in the field of water treatment and will complement technologies related to membrane processes. The synergistic advantage of cooperation with DMP can be high efficiency in connection with the announced Europe-wide GREEN DEAL and NPO project. This is due to the implementation of larger and strategic projects and the entry into new segments, especially in the domestic market.

Another significant event was the decision of the sole shareholder První pokratický holding to pay another one-off dividend for 2021.

All the above facts have always been discussed with the banking institutions providing the financing and have also been agreed in advance.

INFORMATION ON ACQUISITION OF OWN SHARES

The company did not acquire any own shares in 2021 and has no own shares.

INFORMATION REQUIRED UNDER SPECIFIC REGULATIONS

The company is not obligated to disclose in accordance with special regulations any further information.

COMPANY MANAGEMENT

THE COMPANY'S MANAGEMENT SYSTEM IS ORGANIZED IN A DUALISTIC SYSTEM BASED ON THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

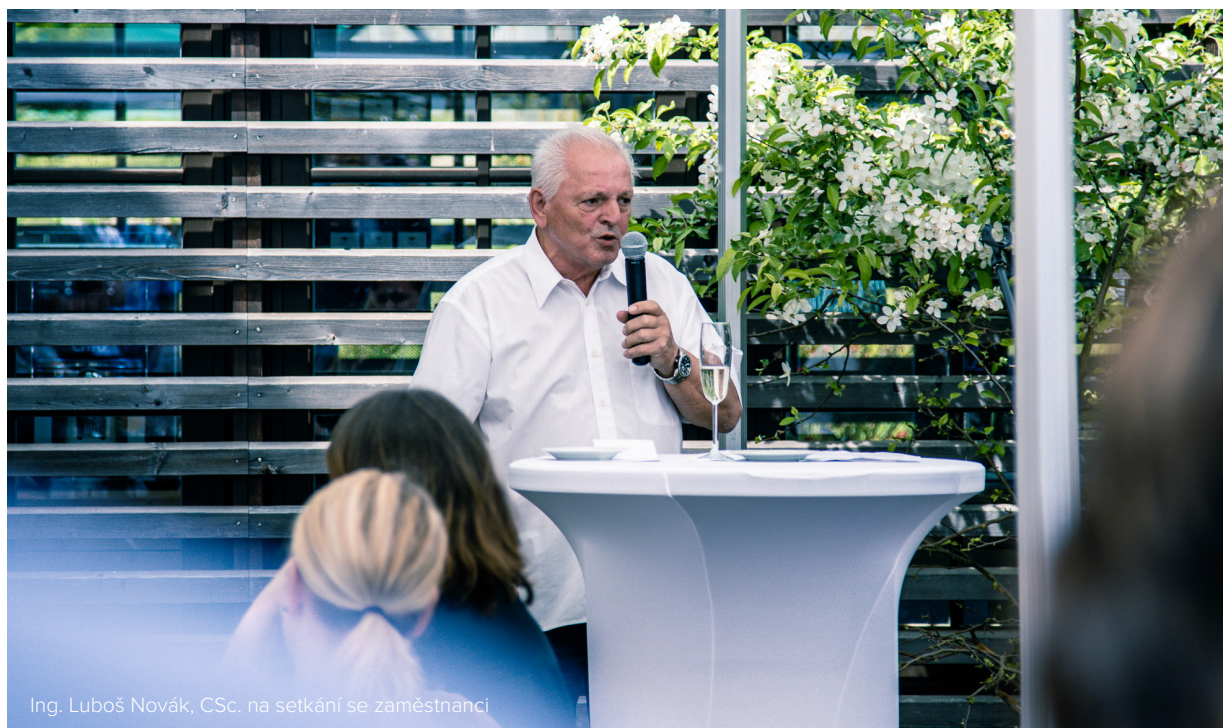
The internal structure of MEGA is based on the so-called dualistic system in the sense of the provisions of § 435 et seq. Act No. 90/2012 Coll., Act on Business Corporations. The company's statutory body is the Board of Directors. The number of members of the Board of Directors was increased from 4 to 5 with effect from 5 October 2021. Luboš Novák, is the Chairman of the Board of Directors, its other members are Marie Nováková, Jiří Truhlář, Miroslav Matuška and Zbyněk Petráš.

Since the beginning of the period under review, each member of the Board of Directors has been authorized to represent the company individually, unless the legal transaction was a transaction exceeding CZK 15 million. The Chairman of the Board of Directors represented the company in legal transactions whose subject matter exceeded CZK 15 million. The amendment to the company's articles of association effective as of 5 October 2021 further restricted the actions of the members of the board of directors in negotiating obligations to grant credit or loans by the company in any amount, which was also included among the exclusive powers of the chairman of the board of directors.

The company's supervisory body consists of a three-member Supervisory Board. The newly appointed member of the Supervisory Board as of 1 November 2021 is Petr Vanský. Other members of the Supervisory Board are Světlana Adamová and Michal Hejral.

CAPITAL STRUCTURE OF THE MEGA GROUP

There was no significant change in the capital structure of the MEGA Group during 2021. The shares of MEGA were already transferred in 2019 to the newly established company První pokratický holding, which is currently the sole shareholder of MEGA. The 100% owner of První pokratický holding is Luboš Novák.



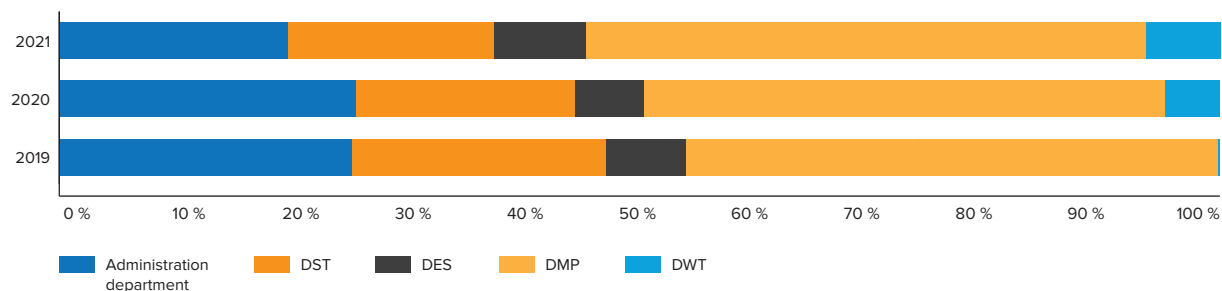
Ing. Luboš Novák, CSc. na setkání se zaměstnanci

DEVELOPMENT OF THE NUMBER OF EMPLOYEES

The share of divisions in the total number of employees reflects the company's strategy. The company aims to meet the strategic growth criteria: as of 1 January 2022, MEGA became a Large Enterprise following the assessment of the number of employees as one of the criteria for assessing companies for subsidy programs and other support.

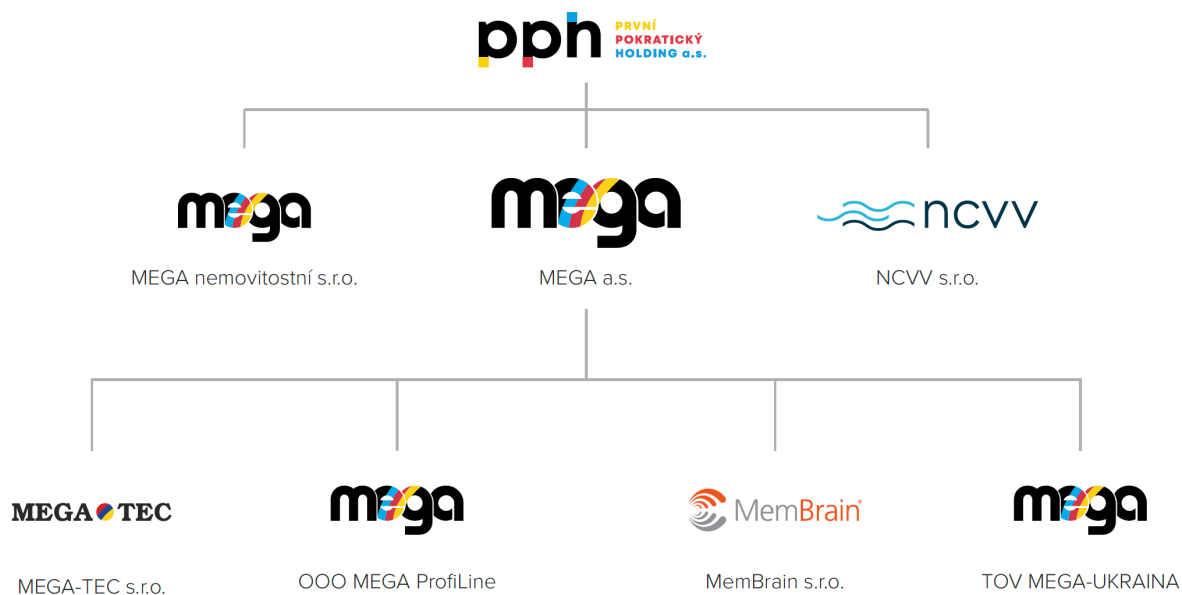
For this reason, the staff structure of the individual divisions is changing, with an increase in the number of employees in the membrane program division. The company is focusing more on increasing intensive rather than extensive growth in employees. In 2021, MEGA also faced the problem of high employment in the country, especially in the field of qualified employees. This naturally also translated into upward pressure on wages, even though the MEGA Group is one of the employers with a higher average wage than the standard in the Liberec region.

Positions in the Membrane Processes Division, in particular, have not been fully filled for a long time. In the context of the complexity of recruiting quality employees, we do not expect any changes in the unemployment situation in the whole country in 2022.



THE ORGANIZATIONAL STRUCTURE

DIVIDED BY COMPANY



DIVIDED BY PROGRAM

Membrane program	Surface treatment	Ecological services
<ul style="list-style-type: none">- MEGA a.s., Division of Membrane Processes.- MEGA a.s., Division of Water Management- MemBrain s.r.o.- OOO MEGA ProfiLine- TOV MEGA-UKRAINA- MEGA-TEC s.r.o.- NCVV s.r.o.	<ul style="list-style-type: none">- MEGA a.s., Division of Surface Treatment- MEGA-TEC s.r.o.	<ul style="list-style-type: none">- MEGA a.s., Division of Ecological Services

THE ORGANIZATIONAL STRUCTURE OF THE COMPANY MEGA

The system of the internal structure of the company is dualistic. The company has the following structure:

- General meeting
- Supervisory Board
- Board of Directors

COMPANY OBJECTIVES AND STRATEGY

Objectives of individual fields of activity are described in the following chapters.

The basic and long-term goal is to increase the efficiency of the business in all areas, further expand activities abroad, broaden the product portfolio, improve individual financial indicators through comparative analyzes with similar domestic and foreign companies and reduce financial dependence on banking institutions.

Great emphasis, as in the previous period, is dedicated towards HR policy and social program to stabilize employees. Efforts to supplement the motivational components for employees and gain the position of a sought-after employer in the region.

Implementing the approved new strategy for 2019-2023 with the goal to respond more flexibly to potential market developments, both positive and negative. A new strategy for 2019-2023 was completed and approved in 2018.



An industrial electrodesalination unit

DIVISION OF MEMBRANE PROCESSES (DMP)

The division's business activities are focused mainly on deliveries outside the Czech Republic. The Division of Membrane Processes provides customers with sophisticated solutions based on electromembrane processes, especially in the water and dairy segments and special applications. In recent years, the aftersales segment has also contributed significantly to the division's total sales. The division's business is global and is conducted through its own offices and through an agent network that continues to be progressively expanded. Furthermore, the division cooperates with strategic business partners to deliver combined technology solutions. Overall, the year 2021 was marked by the continuation of the COVID-19 disease pandemic and the cessation of virtually all face-to-face communication with customers, which carries business risks, particularly in the future.

The presentation of MEGA's products and technologies was transferred almost exclusively to the online environment.

WATER TREATMENT

Within the segment, several projects with a high potential are elaborated.

Implementation and acquisition of new projects in 2021

A total of 23 projects were obtained:

- » 21 projects for the production of ultrapure water using EDI
- » 2 projects for water treatment using membrane and electromembrane processes

Territorial distribution of acquired projects:

- » 13 projects in Europe
- » 10 projects outside Europe

DAIRY INDUSTRY

The dairy segment showed more or less stable prices for commodities where MEGA technologies are the main contributor during 2021, with a moderately stable price increase in the second half of the year. This was reflected in the investment activity of producers.

Implementation and acquisition of new projects in 2021

A total of 6 projects were obtained for the processing of various dairy streams using electromembrane processes.

Territorial distribution of acquired projects:

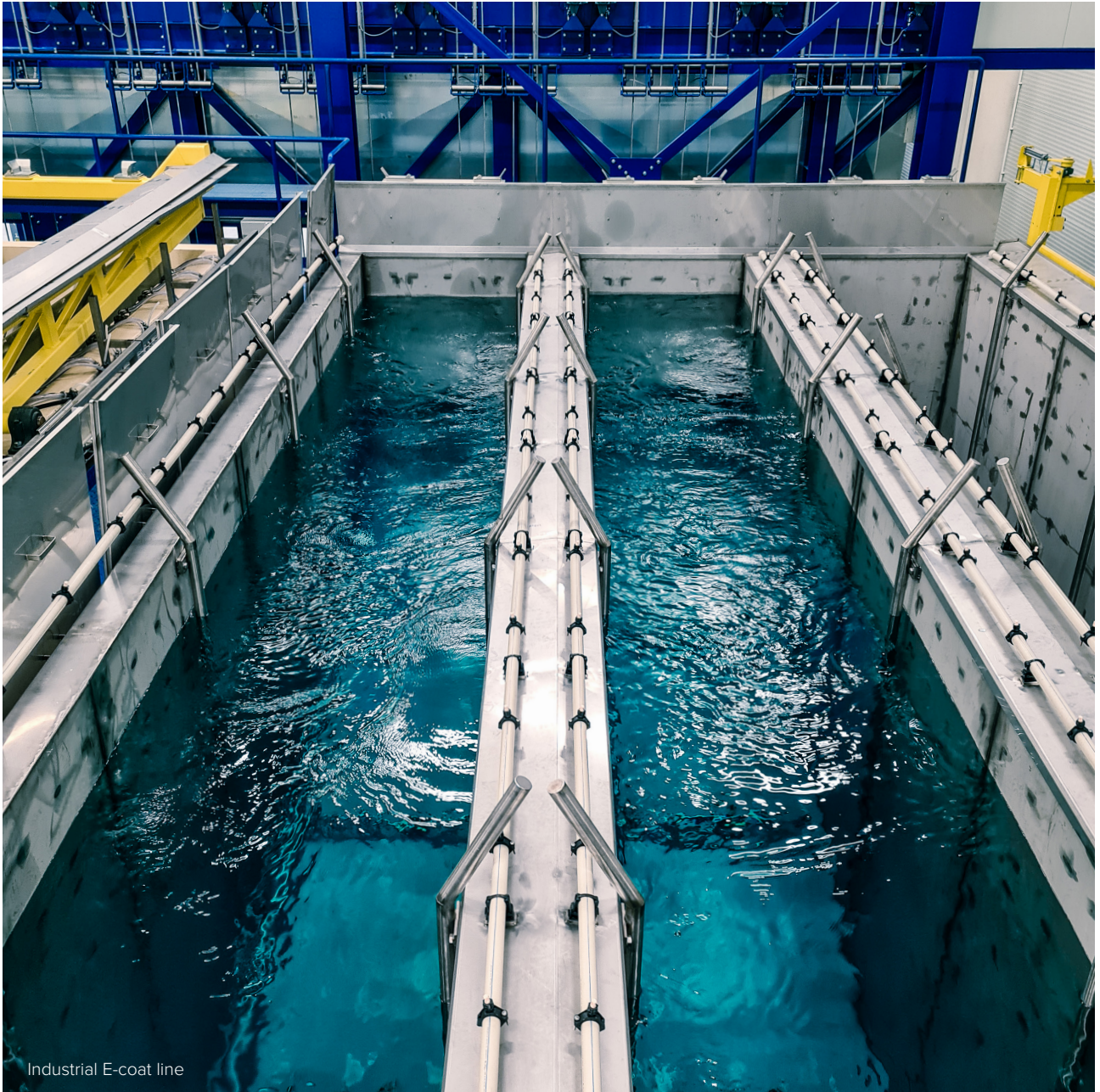
- » 3 projects in Europe
- » 3 projects outside Europe

SPECIAL APPLICATIONS

The business activities in this segment were mainly focused on using the knowledge acquired from the pilot and laboratory tests to offer specific products. Several interesting projects are being developed. In 2021, one project was acquired within this segment.

AFTERSALES

Business activity in the aftersales segment was stable throughout 2021, with sales in this segment gradually increasing.



Industrial E-coat line

DIVISION OF SURFACE TREATMENT (DST)

Comprehensive logistics and technical service for industrial partners in the Czech and Slovak Republic in the field of surface treatment has long been one of the most stable business activities of the company. In the past two years, the entire company and the economy have been significantly affected by unprecedented restrictions in connection with the coronavirus pandemic. This has been compounded in the past year by significant price increases in common basic materials, semi-finished products with secondary impacts on virtually all commodities in the market.

From our point of view, 2021 can be assessed without exaggeration as a period of permanent price negotiations on the side of our inputs and especially our outputs, in many cases accompanied by a change in the nature of relations with long-standing clients. Despite all the negative objective conditions, the Division of Surface Treatment generated a very good EBIT, exceeding the updated higher economic indicators. A significant contribution to this is due to the long-term building of a customer portfolio and comprehensive services targeted at manufacturers with high demands on surface protection and the quality of the coating systems used as well as the technical support of the supplier.

Thanks to the wide portfolio of manufactured paints and other products of our partner and global paint manufacturer, PPG, as well as many years of experience and know-how in the field, we can meet the requirements and maintain a demanding industrial clientele in the Czech and Slovak Republics even in such difficult times. A large part of this is also due to the similar level of experience and potential of our subsidiary MEGA-TEC, with which we can offer and implement a true „full package service“ in combination with the supply and service of the application equipment for cataphoresis coating plants to those interested in such complex cooperation. The same applies to the above-standard chemical-analytical services thanks to the very close cooperation with our second subsidiary MemBrain.

The synergy of positive influences, experience and purposefully created strong ties with all partners helped us to cope with another difficult year with honor, not only for our industry but for society and the national economy in general.

PLAN FOR 2021 AND ITS IMPLEMENTATION

Based on the practical experience of the impact of the restrictions on the economy, the expectation of further deepening of the complexity of securing basic production materials and semi-finished products, we have reduced the expected EBIT for the year under review, but still at a level above the value set by DST within the medium-term strategic vision of the company.

We did not expect a dramatic drop in industrial production and turnover of our customers, but neither did we expect a realistic possibility of their growth, which turned out to be a correct estimation. For most of our customers, production stagnation continued, in several cases there was a year-on-year decline in production, but not a dramatic one.

The main problem has become the pressure on prices, the general guarantee of availability of the necessary products from our suppliers and the necessity for us to find an agreement with our customers to pass on the price increase mainly to them, to maintain the necessary margin to cover internal costs and to generate the necessary profit for the further development of the company in personnel and technical equipment. This was not an easy task and cost us an inordinate amount of time and energy, but in most cases resulted in a solid agreement with our partners and the maintenance of relatively good relationships. Unfortunately, the situation described above has moved smoothly into the new period and the scope for a similar, relatively reasonably acceptable consensus has been considerably reduced.

Our largest customer, IVECO CR Vysoké Mýto, for whom we provide highly developed outsourcing of the entire set of paint shops and accompanying surface treatment operations, once again kept production figures close to record numbers. We managed to provide all the necessary paints and other materials at the same time as the service and technical support of the MEGA team directly in Vysoké Mýto. At the same time, we created the conditions for the extension of several supporting activities for the following years. ICR should remain our major customer for the next period as well.

Most of our other clients have maintained solid production volumes. This was equally true for the automotive sector and for the generally stable agro-machinery sector. Good indicators were met by the truck manufacturer F.X. Meiller Slaný, for which we also created the conditions for maintaining a full

portfolio of supplied materials even after changing part of the technology and switching to cataphoretic basing for most of their products. At the time of writing, a new large paint shop supplied by our subsidiary MEGA-TEC is in trial operation and all functional baths are filled with PPG materials with a direct delivery and services from our side.

We successfully continued to expand synergistic collaboration with our R&D subsidiary MemBrain for our core clientele and to address their internal challenges and objectives. The jointly developed and continuously optimized system of regular analytical control of cataphoresis baths, tests, and presentations of new advanced coating systems as well as the solution of specific requirements in the field of troubleshooting, is an important support for a good and mutually beneficial cooperation with the majority of our customers. It significantly strengthens the professional level and promptness of our crisis and preventive service.

The joint comprehensive service for the paint shop operations of selected clients was carried out well with our subsidiary MEGA-TEC with responsibility for the overall operation and quality of production and surface treatment on our side. This is a relatively unique system in our territory, which is the preferred level of cooperation for many operators and is our business advantage. The most important customers with this level of cooperation undoubtedly include the renowned manufacturer of heavy and special trucks, TATRA TRUCK Kopřivnice.

Among the negatives of the year under review, in addition to the above-mentioned facts on the subject of covid restrictions and price turbulence, is the long-term problematic situation on the job market, especially due to the lack of virtually any professional staff. The personnel situation in the division is relatively stable, but the average age of the team, especially in service activities outside IVECO, is increasing and we must gradually prepare to replace experienced staff. So far, we have managed to keep the situation under control, but staffing will be one of the important objectives for the coming periods.

OUTLOOK FOR 2022

Relatively optimistic visions with a significant reduction in the impact of coronavirus on our lives have come true, unfortunately, a more complicated situation has arisen in the form of a war between Russia and Ukraine. Not only is it not too far from our borders and brings unexpected humanitarian problems, but it has fundamentally disrupted established buyer-supplier relationships, basic energy prices and the availability of products and semi-finished goods for global European production.

Logically, our plan didn't account for that. It was made at the turn of the year and in predicting price increases of inputs and customers' willingness to accept them, we counted on a reduction in turnover and EBIT production of around 15-20% with the hope that we would achieve partial negotiation successes and the real value would be slightly better. The impact of the recent war is perhaps not even foreseeable. So far it is not fatal, but in many cases, there are already noticeable production declines coming for passenger cars, especially VW Group, similarly for trucks with Eastern European markets, not to mention limited fuel resources and other induced limits.

So far, we are still calculating with a relatively stable production in IVECO CR. Although our joint trade will not meet the figures of the last record years, it should not fall substantially, i.e. in the order of tens of percent. There will certainly be a reduction in the automotive sector, partly also in agricultural and construction machinery. Estimates of the overall decline in turnover may be close to the 10-25% indicated, depending on the individual customer. However, this is assuming that the situation in Ukraine will stabilize in the foreseeable future.

Price turbulence in some basic materials (organic resins, solvents, selected inorganic materials...), which everyone has been dealing with for a long time, could become critical. This development is completely unreadable and unpredictable.

We also feel the need to address wage conditions as real inflation is felt especially for the middle and lower wage categories, which will also impact the overall EBIT of the company and divisions.

Nevertheless, we believe that we will manage this, probably the most difficult year so far, and together with our customers we will create the conditions for resuming normal cooperation in the following periods.

NEW AND IMPORTANT REFERENCES

KV Final Kuřívody, CZ – automotive

TATRAVAGONKA Poprad, SK – freight wagons

AGROSTROJ Pelhřimov, CZ – agricultural machinery, parts of trucks and special machinery

ECOS V. Mýto, CZ – production of bus subassemblies

KEREX, Michalovce, SK – an important manufacturer of transport containers

MATADOR Vráble, SK – automotive parts

TATRA TRUCK a. s. Kopřivnice, CZ – heavy trucks

BENTELER I, II, III, Stráž n. Nisou, Chrastava, Rumburk, CZ – specialised drivetrain parts

KARSIT Jaroměř, CZ – car seat frames and other parts for the automotive industry

BRANO Group Hradec nad Moravicí, CZ – automotive parts VW GROUP, TOYOTA...

FRITZMEIER Vyškov, CZ – agriculture and construction machinery production

THERMAL-TREND Starovičky, CZ – Europe's fourth-largest bathroom radiator manufacturer

HITACHI Žatec, CZ – shock absorbers

BWI Cheb, CZ – production of shock absorbers

OUTSOURCING – KOMPLEXNÍ SERVIS

IVECO Czech Republic, Vysoké Mýto – production of buses

F. X. MEILLER Slaný, CZ – truck bodies, tippers

KYB Manufacturing Pardubice, CZ – shock absorbers for cars

FUTABA CZ Havlíčkův Brod, CZ – car parts TPCA, SUZUKI

KORADO Česká Třebová, CZ – radiators



Revitalization of elementary school garden in Česká Kamenice

DIVISION OF ECOLOGICAL SERVICES (DES)

The Division of Ecological Services has long been involved in several segments, particularly in exploration of contaminated sites, remediation of environmental burdens, supervision of remediation work, research and development projects, and ecological projects focused on landscape revitalization and reclamation. In 2021, the Division's operations were significantly affected by two major changes that occurred in 2020 and will have a long-term impact on its operations. The first change was the passing of the division's long-standing director, Jaroslav Hrabal, who left us after a long and severe illness, and the second change was caused by the measures associated with the global coronavirus pandemic, or its consequences in the form of rising prices and unavailability of materials and services. Despite these major changes, we are working to minimize the negative impact on our results and continue to meet the division's long-term strategic objectives.

The division's business activities are currently focused mainly on remediation of environmental burdens and on landscape revitalization and reclamation, while at the same time innovating and expanding our most used and patented technologies through subsidized research and development projects. The second major contract that was successfully completed this year is the National Inventory of Contaminated Sites, which has been ongoing since 2019. In addition, two other remediation contracts and smaller tasks in the form of special-purpose risk analyses, preparation of project documentation, expert opinions and monitoring were also completed. In all cases, these were technically demanding actions with a high proportion of expert work. We have also won several new contracts in 2021, which will commence in 2022.

In the Research and Development Projects segment, we worked on five subsidy projects in 2021. Two of these have been successfully completed and three are continuing into 2022.

In the segment of Ecological Projects - Revitalisation and Reclamation, contracts related to the possibility of drawing subsidies were mainly implemented in 2021. Among the significant contracts, we can mention, for example, the revitalization of road greenery in the alleys in Nový Bor, the construction of a sports playground in the municipality of Kotečnice or the reconstruction of the school garden at the Komenský Primary School in Česká Kamenice.



Ultrafiltration station in the Pruněřov II power plant

DIVISION OF WATER MANAGEMENT (DVH)

The Division of Water Management is the youngest division of the MEGA Group. Since its foundation, it has provided modern ecological solutions for the cost-effective use of water resources for municipalities, cities, and industries. As an engineering and supply division, DVH covers a comprehensive range of services and equipment in the field of water treatment. Choosing the appropriate technology reduces the costs of water treatment and at the same time the costs of waste disposal, while meeting strict environmental standards.

Using knowledge, experience, and the right technology, DVH treats boiler, process, ultrapure, drinking, waste, and cooling water. It recycles water and treats condensate. It delivers the total solution from the technology draft through the project (design) and engineering to its overall implementation, including the construction part, electrical part, and HVAC. DVH is engaged in two main activities, namely water treatment for any segment and wastewater treatment (industrial, municipal, etc.).

DVH's activities in 2021, as in 2020, have been affected by the COVID-19 pandemic. For this reason, communication with existing and potential customers has returned to online meetings and online communication. However, this situation did not have an impact on the acquisition of new orders in both 2020 and 2021.

WATER TREATMENT SEGMENT

In this segment, 4 projects were implemented, both in the form of implementation, feasibility studies and equipment designs.

Another 5 projects are in the preparatory phase for implementation or in the phase of participation in tenders, of which 3 are outside the Czech Republic.

WASTEWATER TREATMENT SEGMENT

In this segment, 2 projects were implemented within feasibility studies and within design.

There are 6 projects in the preparatory phase for implementation or in the phase of participation in a tender, one of which are outside the Czech Republic.

REPORT ON RELATIONS

REPORT ON RELATIONS BETWEEN THE CONTROLLING PERSON AND THE CONTROLLED PERSON AND BETWEEN THE CONTROLLED PERSON AND PERSONS CONTROLLED BY THE SAME CONTROLLING PERSON.

SECTION I – STRUCTURE RELATIONS

Controlled Person

MEGA

ID 44567146

Registered office: Drahobejlova 1452/54, 19000 Praha

Registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Entry 9113 represented by the members of the Board of Directors. Each member of the Board of Directors is authorized to represent the company individually, unless the legal action is a legal transaction whose subject matter exceeds the value of CZK 15 million.

The Chairman of the Board of Directors represents the company in legal negotiations involving transactions exceeding CZK 15 million. The amendment to the company's Articles of Association effective as of 5 October 2021 further restricted the actions of the members of the Board of Directors in negotiating commitments to grant loans or borrowings by the company in any amount, which was also included among the exclusive powers of the Chairman of the Board of Directors.

(Hereinafter the controlled person)

Controlling Person

From 1 January 2021 to 31 December 2021

První pokratický holding

ID: 07756895

Registered office: Drahobejlova 1452/54, Libeň, 190 00 Praha 9

Registered in the Commercial Register maintained by the Municipal Court in Prague under file No. B 24082

The sole shareholder of the controlling person:

Luboš Novák, PhD, born 6. 9. 1947, address: Českokamenická 3117, 470 01 Česká Lípa

(Hereinafter referred to as the controlling person)

Persons controlled by the same Controlling Person

MEGA-TEC s.r.o., ID 255 38 276, Registered office: Průmyslová 1415, 593 01 Bystřice nad Pernštejnem, registered in the Commercial Register kept by the Regional Court in Brno, Section C, File 30723, on 3 March 1998.

MEGA nemovitostní s.r.o., ID 07756933, Registered office: se sídlem Drahobejlova 1452/54, Libeň, 190 00 Praha 9, Registered in the Commercial Register kept by the Regional Court in Brno, Section C, File 307110.

OOO MEGA ProfiLine, Reg. number: 1072635016277, Registered office: Bolshaja Serpuhovskaja 202B, 142.181 Podolsk, Russian Federation.

MemBrain s.r.o., ID 286 76 092, Registered office: Pod Vinicí 87, 471 27 Stráž pod Ralskem, Registered at the Registration Court in Ústí nad Labem, Section C, File 26344, on 8 October 2008.

TOV MEGA-UKRAINA Registered office: Mechanizatorov 2, 03035 Kyiv, Ukraine, ID 38419553.

Národní centrum využití vod company, ID 09437282, Registered office Pod Vinicí 87, 471 27 Stráž pod Ralskem, registered in the Commercial Register maintained by the Regional Court in Ústí nad Labem, Section C, File 45784

STRUCTURE OF RELATIONS

The controlling person owns 100 % of the shares of the controlled person.

The controlled person owns a 51 % interest in MEGA-TEC.

The controlled person owns a 100 % interest in MEGA nemovitostní.

Luboš Novák, PhD owns a 1 % interest in OOO MEGA ProfiLine and the controlled person owns a 99 % interest in OOO MEGA ProfiLine.

The controlled person owns a 100 % interest in MemBrain.

The controlled person owns a 100 % interest in TOV MEGA-UKRAINA.

The controlling person owns a 51 % interest in Národní centrum využití vod company.

Control is carried out exclusively through decisions of general meetings or decisions of the sole shareholder/partner outside the general meeting in cases where it is the sole shareholder/partner. No shareholders' agreements or other ancillary agreements were concluded within the Group. The controlled person does not have a special role within the Group.

SECTION II. — THE REFERENCE PERIOD

This report covers the period from 1 January 2021 to 31 December 2021.

SECTION III. — OVERVIEW OF MEETINGS EXCEEDING 10 % OF THE OWN CAPITAL OF THE CONTROLLED PERSON

Such meetings were not held in the decisive period at the instigation or in the interest of controlling persons.

SECTION IV. — OVERVIEW OF MUTUAL CONTRACTS

An overview of contracts concluded between the controlled person and entities controlled by the same controlling person in the reference period is in Annex 1 to this Report.

SECTION V. — ASSESSMENT OF RELATIONSHIP BETWEEN CONTROLLED AND CONTROLLING PERSONS

In the reference period, the controlling person did not conduct any legal acts towards the controlled person and no contracts were concluded between them that would cause harm to the controlled person. All legal relations between the companies shall be conducted in accordance with the principles of standard commercial relations. It is therefore not appropriate to settle the damage under § 71 and 72 of the Business Corporations Act.

No particular disadvantages or risks arise for the controlled person from the relationship between the controlling person and the controlled person or between the controlled person and persons controlled by the same controlling person. An advantage arising from the relationship between the controlled person and persons controlled by the same controlling person is the possibility of sharing resources and capacities in accordance with applicable legislation and the persons' constitutional legal acts.

SECTION VI. — CONCLUSION

This report was prepared by the statutory body of the controlled person.

Given that the controlled person is obliged by law to prepare an annual report, this report will be accompanied by an annual report as its integral part.

Stráž pod Ralskem on 31 March 2022

Luboš Novák, PhD
Chairman of the Board of MEGA

CONTACT INFORMATION

Company Name	MEGA a.s.
Registration	in the Commercial Register at the Municipal Court in Prague, Section B, Entry 9113
Headquarters	Drahobejlova 1452/54, 190 00 Praha 9 – Vysočany
Statutory representative	Ing. Luboš Novák, CSc., Chairman of the Board
Phone	+420 487 888 111
Email	info@mega.cz
ID / VAT	44567146 / CZ699005394
Bankers	UniCredit Bank Czech Republic a.s., Na Příkopě 20, 111 21 Praha 1
Account number	318881-004/2700
ID databox	ui6cfzk
Website	www.mega.cz

DETACHED WORKPLACES, BRANCHES AND SUBSIDIARIES OF MEGA

Stráž pod Ralskem

Pod Vinicí 87, 471 27 Stráž pod Ralskem

tel.: +420 487 888 111, 100, fax: +420 478 888 102, e-mail: info@mega.cz

Bystřice nad Pernštejnem

Průmyslová 1415, 593 01 Bystřice nad Pernštejnem

tel: +420 566 550 925, fax: +420 566 550 898, e-mail: dpu@mega.cz

IVECO Czech Republic, a.s., (KAROSA) Vysoké Mýto

Dobrovského 74/II., 566 03 Vysoké Mýto

tel.: +420 465 452 960, fax: +420 465 452 961, e-mail: karosa@mega.cz

Hodonín

Velkomoravská 87, průmyslový areál č.p. 3543, 695 01 Hodonín tel./fax: 518 390 263,

e-mail: sklad.hodonin@mega.cz

Pardubice

Náměstí Čs. legií 565, 530 09 Pardubice, Zelené Předměstí

Trnava – kancelář pro SR

Pekárska 11, 917 01 Trnava, Slovenská republika

tel./fax: +421 910 913 298, e-mail: lackovic@mega.cz

Praha

Drahobejlova 1452/54, Praha 9 – Vysočany – company headquarters

Pikovská 2934/1, Praha 9 – Horní Počernice, 193 00 – DVH until March 2021

Ke Klíčovu 191/9, Praha 9 – Vysočany, 190 00 – DVH from April 2021

SUBSIDIARIES OF MEGA

MEGA-TEC s.r.o., Průmyslová 1415, 593 01 Bystřice nad Pernštejnem, kral@megatec.cz

ООО MEGA ProfiLine, ul. Bolshaja Serpuhovskaja 202B, 142.181 Podolsk, Russian Federation,
tel.: +7 495 739 82 02, e-mail: info@mpline.ru

MemBrain s.r.o., Pod Vinicí 87, 471 27 Stráž pod Ralskem, info.membrain@membrain.cz

TOV MEGA-UKRAINA, Kyjev, ul. Mekhanizatorov 2, tel.: +38 099 452 52 52,
e-mail: natalia.storozhilova@mega.cz

ANNEX 1

AN OVERVIEW OF CONTRACTS CONCLUDED BETWEEN THE CONTROLLED PERSON AND ENTITIES CONTROLLED BY THE SAME CONTROLLING PERSON

Číslo	Druhá smluvní strana	Datum uzavření	Předmět smlouvy
SI21004	MEGA nemovitostní s.r.o.	1/1/21	Smlouva o poskytnutí služeb
SO21003	MEGA nemovitostní s.r.o.	1/1/21	Smlouva o nájmu administrativní budovy na dobu neurčitou
SI20100	OOO MEGA ProfiLine	2/9/21	Smlouva o dodávce náhradních dílů
SI21024	OOO MEGA-UKRAINE	3/7/21	Smlouva o dodávce náhradních dílů
SO21020	OOO MEGA ProfiLine	3/17/21	Smlouva o dodávce náhradních dílů
SI21018	OOO MEGA ProfiLine	3/19/21	Smlouva o dodávce náhradních dílů
SI21020	OOO MEGA ProfiLine	3/26/21	Smlouva o dodávce náhradních dílů
SI21036	OOO MEGA ProfiLine	3/30/21	Smlouva o poskytnutí servisních prací
SI21026	OOO MEGA ProfiLine	4/6/21	Smlouva o dodávce náhradních dílů
SI21039	OOO MEGA ProfiLine	4/30/21	Smlouva o dodávce náhradních dílů
SJ21024	MemBrain s.r.o.	5/6/21	4 stranná dohoda o utajení
SI21044	OOO MEGA ProfiLine	6/22/21	Smlouva o dodávce náhradních dílů
SI21046	OOO MEGA ProfiLine	6/28/21	Smlouva o dodávce náhradních dílů

Číslo	Druhá smluvní strana	Datum uzavření	Předmět smlouvy
SO21043	MemBrain s.r.o.	8/18/21	Smlouva o společném postupu v zadávacím řízení na veřejnou zakázku
SI21053	OOO MEGA ProfiLine	8/27/21	Smlouva o dodávce náhradních dílů
SI21061	MemBrain s.r.o.	8/31/21	Smlouva o převodu dovolené zaměstnance
SO21030	MemBrain s.r.o.	10/16/21	Smlouva o účasti na řešení projektu
SI21060	OOO MEGA ProfiLine	10/20/21	Smlouva o dodávce zařízení
SI21070	OOO MEGA ProfiLine	10/26/21	Smlouva o dodávce náhradních dílů
SI21088	MemBrain s.r.o.	12/2/21	Smlouva o poskytování správních služeb
SO20109	MemBrain s.r.o.	12/3/21	Smlouva o převodu know-how
SO21084	OOO MEGA PROFIMIX	12/3/21	Smlouva o půjčce
SO21080	OOO MEGA ProfiLine	12/13/21	Dohoda o výpomoci s celním řízením
SO21088	MemBrain s.r.o.	12/15/21	Smlouva o převodu práv k technickému řešení (know-how)
SO21089	MemBrain s.r.o.	12/15/21	Smlouva o převodu práv k technickému řešení (know-how)
SO21090	MemBrain s.r.o.	12/15/21	Smlouva o převodu práv k technickému řešení (know-how)
SO21091	MemBrain s.r.o.	12/15/21	Smlouva o převodu práv k technickému řešení (know-how)
SI21086	OOO MEGA ProfiLine	12/21/21	Smlouva o dodávce zařízení
SI21090	OOO MEGA ProfiLine	12/21/21	Smlouva o dodávce marketingových materiálů
SO22005	MemBrain s.r.o.	12/21/21	Smlouva o provedení pilotních testů
SI21084	OOO MEGA ProfiLine	12/31/21	Smlouva o dodávce programátorských prací



Prunéřov II power plant



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