



ANNUAL REPORT 2022



FOREWORD

Dear friends,

despite the major problems caused by the pandemic, including the specific situation in the eastern markets, we can say that we are managing to implement the Strategy.

Considering the results achieved in 2022 and the assumptions of 2023, I am confident that we will fulfill the 2019-2023 Strategy and for that, I thank you all.

But we still need to look ahead. The year 2023 is more than important in terms of formulating the Strategy 2024-2028. This should further stabilize the companies in the MEGA Group and ensure a world-leading position in the field of electromembrane processes.

Once again, I thank my colleagues for understanding the importance of fulfilling the strategic tasks.

Together, we will certainly succeed.

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 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 are continuously and successfully certified according to current standards.

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.

MAJETKOVÉ ÚČASTI

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

2022 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 draw 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 in-house research and development in connection with planned growth. For all types of financing provided, MEGA complies with the conditions set out. For 2023, 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. As an alternative, due to lower financial demands, combinations of collateral with bank

guarantees and commercial insurance against insolvency will be used - 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.

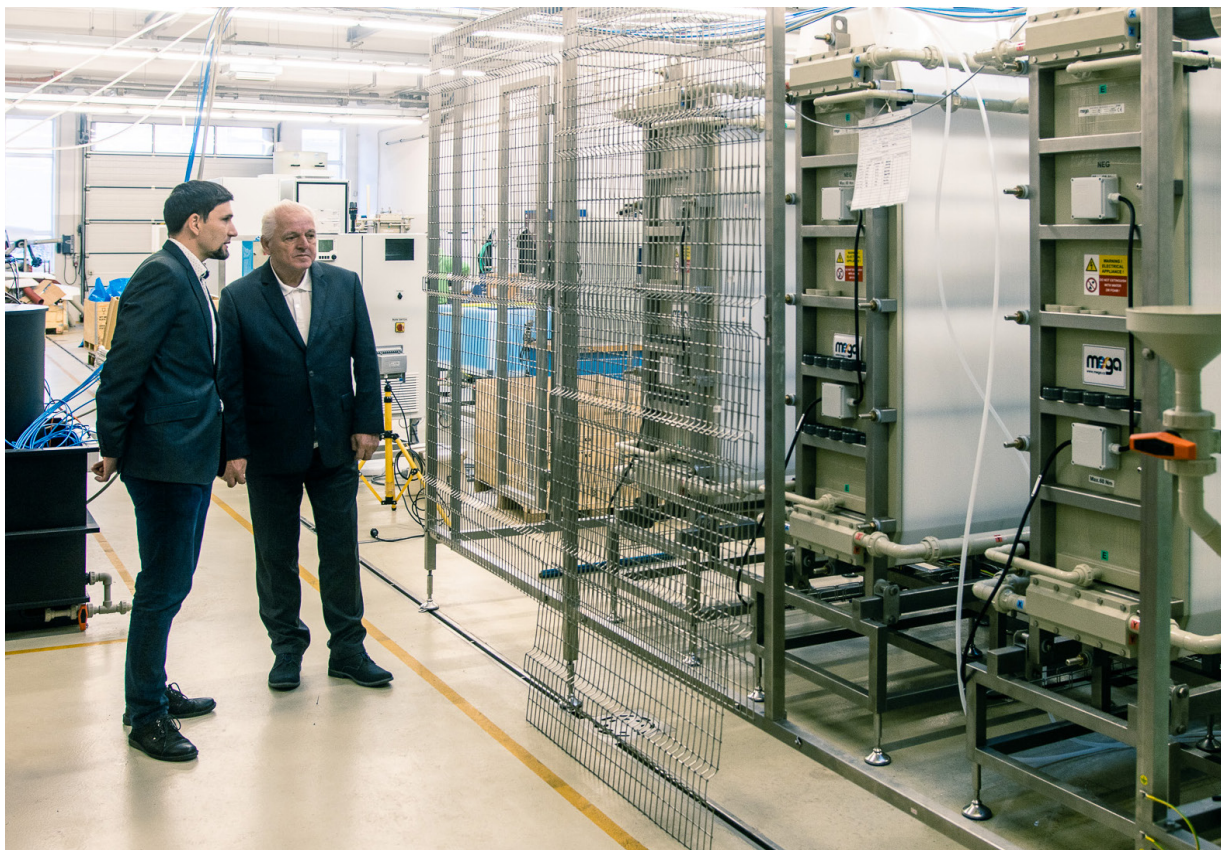
The aim of the cooperation with the banks is to ensure that any future changes in the financing structure are controlled by a structure that will increase the value of the company. The main banks with which the company cooperated in 2022 were ČSOB and UniCredit Bank Czech Republic and Slovakia. We will 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 2022, 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 Ukraine, South Africa, Argentina or Saudi Arabia, where possible financing provides a competitive advantage for customers and supports exports of the MEGA Group. In 2022 and the following period in the territories of Belarus and Russia, there was a decline in trade activity, again due 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 2022, the financing of individual projects 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 2022, and there were no delays in payment.

There is a clearly defined credit and financial policy within the Group, the observance of which is the basis 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. In 2023, this strategy will be reviewed and revised given the setting of the new Strategy 2024+.

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

	2020	2021	2022
Total sales	798,876	708,133	782,786
Sales of goods	382,120	414,716	426,189
Sales of own products and services	416,757	293,417	356,597
ROA	13.18 %	3.75 %	6.67 %
ROE	15.09 %	4.11 %	7.73 %
EBITDA	119,477	45,118	67,871
EBIT	106,128	26,883	48,369
Liquidity common	3.39	3.03	3.19
Indebtedness	21.84 %	23.63 %	24.54 %
Number of employees (annual average)	177	170	171

Year-on-year comparison of financial indicators shows an increase in total sales by more than 10% compared to 2021, which we consider a success given the partially ongoing, albeit gradually weakening, situation with the pandemic (COVID-19) and the beginning of the war between RUS and UKR, following the imposed sanctions and the necessary rapid changes in orientation to new markets. In the area of goods, there was growth by 3%, despite the impact of the strengthening of the CZK/EUR. The majority of sales of goods and services are made in EUR.

Revenues from own products and services grew by more than 18% compared to 2022. The impact on the growth of the above figure is due to a contract in the new division and increased sales in the Division of Membrane Processes. The overall 10% year-on-year growth was also due to the partial recovery of the market after the COVID-19 pandemic.

However, the biggest impact on the performance in the 2022 sales was the sanctions imposed as a result of the war between Russia and Ukraine, which have always been one of the important markets for the company. Nevertheless, our company has always fulfilled its obligations under the contracts it has entered into, and we have realized partial sales in these markets. In addition, we are not abandoning the Ukrainian market and continue to support our subsidiary. In the Division of Water Treatment, a significant contract was executed, signed already in 2021, but most of the execution took place in 2022. In the other divisions, we register more significant contracts with an impact on the following period.

In the period under review, the successful transfer of R&D also had an impact on realized sales. This R&D transfer (technology transfer) will also have a positive impact on sales in the future. Despite the reassessment of the strategy in 2020 (for the period 2021+2022), we are already seeing successes due to innovation with the expected significant impact in the next strategic period. This change will be reflected in the new Strategy 2024+. In addition, we expect to establish cooperation with strategic partners.

There was significant year-on-year growth in performance indicators (ROA, ROE). The reasons are given in the evaluation of sales - the impact of the increase in revenue, but in particular the impact of the revenue mix in 2022 on the DMP division = significant impact on profitability. This has also allowed for more significant investment from R&D financed from own resources, which are gradually being reflected in the entry into new segments with the expectation of a renewed strengthening of the indicators in 2023 and the following 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 favor of Aftersales and spare parts, and the supply to the Water Segment, including the implementation of the order in the new segment - all secured for 2023 and following years. For these reasons, we aim to continue to invest considerable resources in research and development, and to maintain competitiveness in the future period in line with

the newly defined Strategy 2024+. For 2022, 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, the above values were stable at acceptable levels despite the payment of dividends. 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 3.19 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 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 over 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 25%. The company has no significant problem in collecting its receivables, despite some unpaid receivables, and this is also reflected positively in the company's positive cash flow. The company is only resolving a larger receivable due to an incomplete handover of technology. In 2022, the receivable (from 2021) for the Italian company was settled and the receivable is no longer in an outstanding status.

The company fulfils all its obligations on time. The level of indebtedness is stable in the long term. In 2022, we do not expect a higher impact of financial costs on financial management due to the rapid rise in interest rates. There is still 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 2023+ 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 2023 and further. Additional reinsurance will need to be negotiated in 2023 to limit foreign exchange losses in 2024+.

We are monitoring the global situation related to war conflict and take measures to mitigate any potential 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

Purchase of several transfers from a MemBrain subsidiary, properly priced and purchased on commercial terms.

Support of the Division of Water Management, which will be complementary to the membrane technology processes. Its possible future collaborative links with the Division of Water Management may be a synergistic advantage to increase efficiency in relation to the announced pan-European GREEN DEAL and NPO project. This is due to the implementation of larger and strategic projects and entering 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 2022.

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

INFORMATION ON ACQUISITION OF OWN SHARES

The company did not acquire any own shares in 2022 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

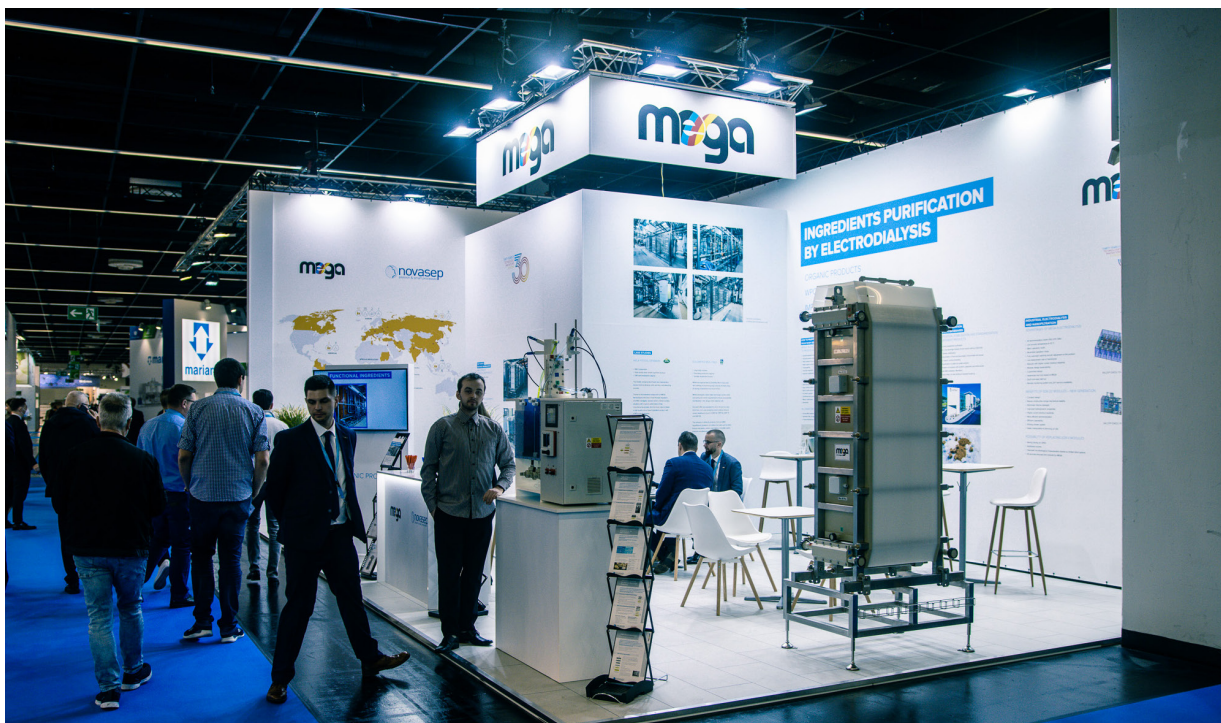
The internal structure of MEGA is based on the so-called dualistic system in the sense of the provisions of § 435 et seq. Act No. 90/2012 Coll., Act on Business Corporations. The company's statutory body is the Board of Directors. The number of members of the Board of Directors is set at 5. Luboš Novák,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

Each member of the Board of Directors has been authorized to represent the company individually unless it involves a legal transaction, the subject of which is a performance exceeding the value of CZK 15 million. The Chairman of the Board of Directors represented the company in legal transactions whose subject matter exceeded CZK 15 million. Special rules apply to the conclusion of credit or loan agreements of any amount, which is also established as the exclusive authority of the Chairman of the Board of Directors.

The company's supervisory body consists of a three-member Supervisory Board. Its members are Světlana Adamová, Petr Vanský and Michal Hejral.

CAPITAL STRUCTURE OF THE MEGA GROUP

There was no significant change in the capital structure of the MEGA Group during 2022. 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 shares of První pokratický holding are fully allocated to the Pokratický Private Trust Fund, the founder of which is Luboš Novák.



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 strategic growth criteria.

For this reason, the structure of employees in each division is changing with an increasing number of employees in the Division of Membrane Processes. The company is focusing more on increasing intensive rather than extensive growth in employees. However, the new strategy will also focus on automation and increasing productivity and efficiency, which will be one of the basic criteria for evaluating the divisions.

HR POLICY

MEGA's personnel policy is part of company management, and its correct setting affects the efficiency of the company and its results. It is linked to the company's strategy and significantly influences achieving set goals.

The main goal of the HR strategy is to define the company's medium-term objectives in the area of personnel and organizational development and the determination of measures leading to their achievement.

MEGA's human resources management is a continuation of the company's long-term programme, which includes working not only with its own employees but also with students.

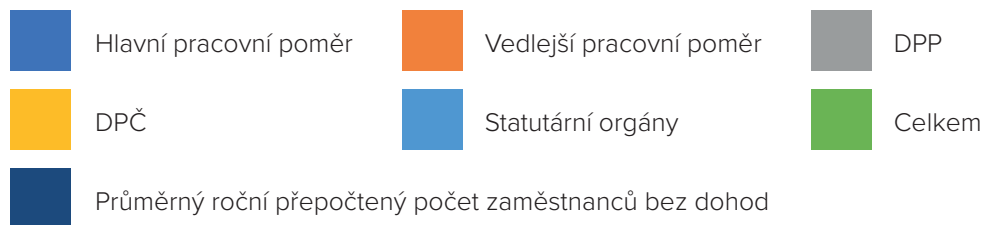
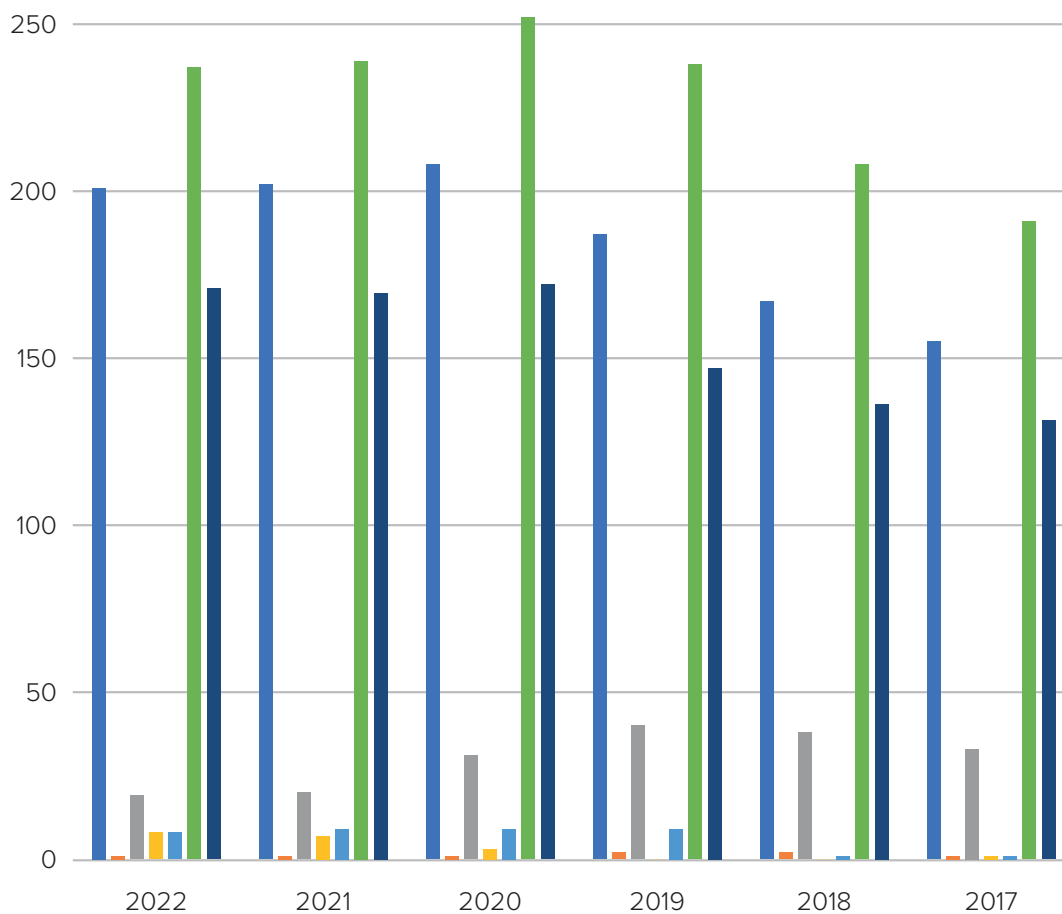
In MEGA, this area includes mainly the issues of personnel planning, human resources acquisition, work with budgets and HR controlling, the system of remuneration and motivation, personnel, individual and social development of employees, education and career development, talent management, management of organizational knowledge including its preservation, ensuring continuity, and working with knowledge during employee mobility.

We have a long-established student programme and we collaborate with universities to publish and raise awareness of EMP.

The company is committed to ethics in the workplace, towards business partners and the public. MEGA's Code of Ethics defines desirable behavior and thus promotes corporate trust, demonstrating high professionalism and expertise of its employees.

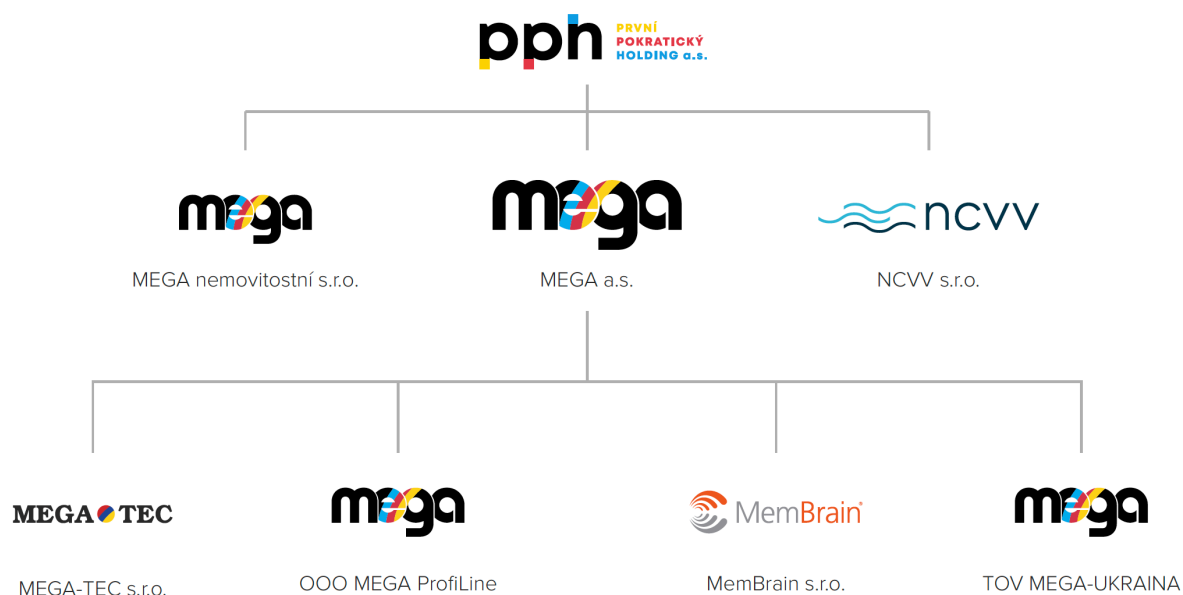
There is a strong focus on employee welfare, within which employees can use a rich benefit program, the aim of which is to recruit new employees, motivate and retain existing employees in the long term, and support their positive relationship with the employer and belonging in teams.

The MEGA benefit program includes: 5 days of vacation beyond the scope of the Labor Code, 1 free day, extra payments for afternoon shifts, support for education and career plans, cafeteria, rewards for work and life anniversaries, meal allowances, pension and life insurance contributions refer-a-friend program, recruitment allowances, tutor rewards, provision of discounted banking products at cooperating banking institutions, Vodafone employee program also for family members, support for coping with challenging life situations, support for leisure activities within the framework of work-life balance, home office, company events, etc.



THE ORGANIZATIONAL STRUCTURE

DIVIDED BY COMPANY



DIVIDED BY PROGRAM

Membrane program	Surface treatment	Ecological services
<ul style="list-style-type: none">- Division of MembraneProcesses MEGA- Division of Water Management MEGA- MemBrain- OOO MEGA ProfiLine- TOV MEGA-UKRAINA- MEGA-TEC- NVCC	<ul style="list-style-type: none">- Division of Surface Treatment MEGA- MEGA-TEC	<ul style="list-style-type: none">- Division of Ecological Services MEGA

THE ORGANIZATIONAL STRUCTURE OF THE COMPANY MEGA

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

- the General Meeting
- the Supervisory Board
- the 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.



Průmyslová instalace jednotky

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, 2022 was marked by the waning of the COVID-19 disease pandemic with limited face-to-face communication with customers. Further, 2022 was marked by geopolitical events.

Presentation of MEGA products and technologies continued in the online environment, however, acquisition routes and active participation in major global exhibitions related to the division's activities resumed in 2022.

WATER TREATMENT

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

Implementation and acquisition of new projects in 2022.

A total of 27 projects were obtained:

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

Territorial distribution of acquired projects:

- » 7 projects in Europe
- » 20 projects outside Europe

DAIRY INDUSTRY

The dairy segment has shown significant fluctuations in the prices of commodities in the production of which MEGA technologies have a major contribution during 2022. This was reflected in the investment activity of producers.

Implementation and acquisition of new projects in 2022.

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

Territorial distribution of acquired projects:

- » 2 projects in Europe
- » 2 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 2022, two projects were acquired within this segment.

AFTERSALES

Business activity in the aftersales segment was stable throughout 2022, with sales in this segment gradually increasing.



Průmyslová E-coat linka

DIVISION OF SURFACE TREATMENT (DST)

Despite a very difficult economic and political situation, the Division of Surface Treatment managed to maintain its turnover and profit parameters at a comparable level to previous peak years.

In 2021, the receding covid problems were compounded by a dramatic increase in the price of common basic materials, and semi-finished products, which also continued in the first period of 2022. The military attack on Ukraine by Russia at the end of February caused a devastating increase in the prices of energy, oil, gas, i.e., the basic production needs of our customers and partners, with a real risk of restricting or regulating their supplies.

Nevertheless, most producers in key industries, such as automotive, related transportation, construction equipment and agricultural machinery manufacturing, have managed to deal with these negative impacts in a solid manner and remain in good shape.

Unfortunately, the ongoing war conflict, the resulting shutdown of Russian, and partly Belarusian and Ukrainian plants, not only of global producers, and the increased sanctions, further complicate the situation of several industrial players, while the scope for reducing the negative impacts has logically been significantly reduced for them. This is rather unpleasant news for the period ahead.

However, 2022 can clearly be viewed very positively. Furthermore, it was possible to benefit from a good portfolio of stable customers, to use the synergies of the long-established complex logistics and technical service in the Czech and Slovak markets. Despite rather complicated negotiations, and frequent price demands of our supplier partner, PPG, their products with a wide range of applications and rich references across industries, combined with our long-term experience and know-how in the field, have again ensured very good turnover parameters with solid profitability and prospects even in such difficult period. The real

„full package service“ provided for PPG paints and chemistry, combined with the supply and servicing of cataphoresis and related paint shop equipment by our subsidiary MEGA-TEC, in addition to the superior chemical analysis services provided by our very close cooperation with our other subsidiary MemBrain, is a major contributor to this.

This essential synergy of experience, knowledge, and technical and human resources creates the conditions for consolidating relationships with our current and potential clients and justifies a positive outlook for the years to come, even though there is no doubt about their complexity!

PLAN FOR 2022 AND ITS IMPLEMENTATION

Despite the extremely unstable and objectively difficult situation, together with most of our essential clients, we managed to find viable ways to ensure their production despite changed conditions, adjustments to production regimes, etc. Although most of them continued to experience production stagnation, and in a few cases, there was even a year-on-year decline in production, given the objectively negative conditions, we could speak of a de facto positive situation. Agreements on a reasonable and sustainable distribution of negative impacts between our partners and us ensured the necessary level of economic indicators to secure the company's development and, finally, to maintain the personnel stability of the DST team. Business activities on new opportunities have resulted in the acquisition of new potential projects, some of which are already underway with the start of the new year.

Our major customer remains IVECO CR Vysoké Mýto, for whom we provide highly developed outsourcing of comprehensive logistic and technical service of the entire set of paint shops and accompanying surface treatment operations. Thanks to the specificity of the bus manufacturing industry, or rather the nature of the customer portfolio, the negative effects were minimal and annual production was again heading towards maximum volumes.

Most of our other clients have maintained solid production volumes. This was equally true for the automotive, and agro-machinery sector. Good indicators were met by the truck manufacturer F.X. Meiller Slaný, we maintained full delivery service despite a change in technology and a ramp-up of a new

cataphoresis paint shop in the first quarter of the year. In this case, it was the largest project yet for the subsidiary MEGA-TEC with full coordination of chemical and paint supply by DST.

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 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 again updated and is an important support for good and mutually beneficial cooperation with most of our customers. It significantly strengthens the professional level and promptness of our crisis and preventive service.

The steady, yet difficult to predict, price increases have, among other things, created a strong demand from our employees to compensate for inflation, which logically went against the need to save internally and create room to accept higher inputs without much possibility of adequate revenue growth. In the end, we managed to balance this contradiction quite well and stabilize the department and the entire company.

OUTLOOK FOR 2023

The persistently complicated political-economic situation in Europe, high inflation, and the collapse of the original raw material and component buyer-supplier relationships, together with substantially increased energy and wage costs, do not create much room for dealing with other negative influences. Most industrial producers have exhausted the possibilities of their savings; technological optimisation also has its limits and usually requires considerable investments, which, with the current rise in interest rates and the difficulty of forecasting production volumes, can be a limiting factor. It can be expected that many, especially smaller companies, will reduce production, some of them probably will not even survive this period. After all, most of our customer portfolio is made up of stronger companies. The automotive sector is probably facing a downturn but probably not a major crash. In the bus, agricultural, and construction machinery industries, we can expect stability in line with current production volumes. In the overall comparison of the year under review with the current year, we expect a drop in turnover of around 10%, but the generation of EBIT is likely to be down by as much as 15-20% due to the non-transferability of all increased costs to customers and in order to maintain further cooperation. On the other hand, we

are optimistic that we will win new projects with solid clients with a longer-term perspective. This could ultimately yield better results than the above assumption.

The field of surface treatment still has a promising future. As part of the personnel stabilisation in the company, including DST, has taken measures to stabilise our employees. In the upcoming period, a strategy for the next five-year period is to be prepared, while some currently apparent conditions for the next years will already be secured this year. In the case of the DST, this will include in particular the local rebalancing of logistics storage and loading of goods with greater flexibility and convenience for clients.

The next year will certainly not be an easy one, but functioning internal and supplier relationships should ensure that known and other common problems can be handled as expected.

NEW AND IMPORTANT REFERENCES

KV Final Kuřívody – automotive

TATRAVAGONKA Poprad, SK – freight wagons

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

ECOS V. Mýto – production of bus subassemblies

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

MATADOR Vráble, Slovensko – automotive parts

TATRA TRUCK a. s. Kopřivnice – heavy trucks

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

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

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

FRITZMEIER Vyškov – agriculture and construction machinery production

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

HITACHI Žatec – shock absorbers

BWI Cheb – production of shock absorbers

OUTSOURCING – KOMPLEXNÍ SERVIS

IVECO Czech Republic, Vysoké Mýto – production of buses

F. X. MEILLER Slaný – truck bodies, tippers

KYB Manufacturing Pardubice – shock absorbers for cars

FUTABA CZ Havlíčkův Brod – car parts TPCA, SUZUKI

KORADO Česká Třebová – radiators



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 2022, the division's activities were primarily focused on three of these segments, namely remediation work, R&D projects, and landscape revitalization. As in the previous two years, the division's work was significantly affected by the impact of both the coronavirus pandemic and, in addition, this year by the effects of the war in Ukraine. Despite these challenges, which could not have been predicted by the division's long-term strategy in 2018, the division was able to minimize the negative impact of the current market situation on our results and we successfully met all our targets for 2022.

In the Environmental Services segment, the division executed several significant contracts in 2022. The main contract was the remediation of old environmental burdens in the area contaminated by the historical wood impregnation plant in the village of Srní near the water source Česká Lípa - South, which runs from 2019 to 2023. In addition, three other remediation contracts and smaller projects in the form of expert risk analyses, preparation of project documentation, expert opinions and monitoring were carried out. It is worth highlighting the participation in the preparation and evaluation of the Risk Analysis at Ruzyne Airport in Prague, which was one of the first in the country to focus on the issue of PFAS in soils and groundwater. In all cases, these were technically demanding activities with a high degree of expert work.

In the Research and Development Projects segment, we worked on two subsidy projects in 2022. Both are focused on innovations in remediation practice, and we collaborate on them with experts from both the remediation and research fields.

In the segment of Ecological Projects - Revitalisation and Reclamation, in 2022, mainly contracts connected with the possibility of drawing subsidies were implemented. Important contracts include the extensive renovation of the central park in the village of Libiš.



Stanice ultrafiltrace v elektrárně Pruněřov II

DIVISION OF WATER MANAGEMENT (DVH)

The Division of Water Management has been a part of MEGA since 2020 and has provided modern, environmentally friendly solutions for the sustainable use of water resources for municipalities, cities, and industry since its foundation. As an engineering and supply division, DVH represents 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 have continued well after the COVID-19 pandemic. The division is currently engaged in designing equipment for ongoing projects, feasibility studies and working with its subsidiary MemBrain to design new equipment for new and existing customers.

WATER TREATMENT SEGMENT

In this segment, four new projects were implemented in 2022, both in the form of implementation, feasibility studies and facility designs. Another three projects are in the preparatory phase for implementation or in the phase of participation in tenders. All three projects are outside the Czech Republic. These are mainly projects in cooperation with the Division of Membrane Processes.

WASTEWATER TREATMENT SEGMENT

In this segment, one project was implemented within feasibility studies, two projects in the form of water audits.

Two new wastewater treatment projects are in the planning stage following the completion of the semi-operational tests.

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 a.s.

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.

(Hereinafter referred to as the controlled person)

Each member of the Board of Directors is authorized to represent the company independently, unless it is a legal act, the subject of which is a performance exceeding the value of CZK 15 million, or the conclusion of a loan agreement of any amount.

In legal negotiations involving transactions above CZK 15 million, the company shall be represented by the Chairman of the Board of Directors. In concluding credit and loan agreements, the company is represented by the Chairman of the Board of Directors.

Controlling Person

From 1 January 2022 to 31 December 2022

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:

All shares of První pokratický holding are allocated to the Pokratický Private Trust Fund, ID No.: 08581461, registered in the register of trusts under No. SF 2111, maintained by at the Regional Court in Ústí nad Labem.

(Hereinafter referred to as the controlling person)

Osoby ovládané stejnou ovládající osobou

MEGA-TEC, 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, 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, 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

NOSCO, ID 28328485, Registered office: Průmyslová 1415, 593 01 Bystřice nad Pernštejnem, registered in the Commercial Register maintained at the Regional Court in Brno, file number: C 61523.

TOO MEGA ProfiLine Kazakhstan, reg. number 220540048859, with registered office in Almaty, Kazakhstan, Kunayev Street 18/2.

STRUCTURE RELATIONS

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

The controlled person owns a 51 % interest in MEGA-TEC which owns a 100% interest in NOSCO.

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. OOO MEGA ProfiLine owns a 100% interest in TOO MEGA ProfiLine Kazakhstan.

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 2022 to 31 December 2022.

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

No legal transactions involving assets exceeding 10% of the equity capital of the controlled person, were made during the period at the instigation or in the interest of the controlling person or persons controlled by it.

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
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	Luboš Novák, PhD., Chairman of the Board
Phone	+420 487 888 111
Email	info@mega.cz
ID / VAT	44567146 / CZ699005394
Bankers	UniCredit Bank Czech Republic, 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

el.: +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 – office for Slovakia

Pekárska 11, 917 01 Trnava, Slovenská republika

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

Prague

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

Ke Klíčovu 191/9, Praha 9 – Vysočany, 190 00

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

PŘÍLOHA – PŘEHLED VZÁJEMNÝCH SMLUV

Číslo	Druhá smluvní strana	Datum uzavření	Předmět smlouvy
SI21004/01	MEGA nemovitostní s.r.o.	3/31/22	Dodatek k nájemní smlouvě
SO22009	MemBrain s.r.o.	3/16/22	Zápůjčka techniků Membrainu pro servisní skupinu DMP
SO22027	MemBrain s.r.o.	5/6/22	Nájemní smlouva
SO22072	MemBrain s.r.o.	11/23/22	Licenční smlouva
SO22078	MemBrain s.r.o.	12/6/22	Smlouva o převodu práv k know-how
SO22080	MemBrain s.r.o.	12/8/22	Smlouva o převodu práv k know-how
SI20083/01	MemBrain s.r.o.	1/1/22	Dodatek ke smlouvě o dodávce pitné vody a odvádění odpadních vod
SJ22007	MemBrain s.r.o.	1/31/22	Dohoda o utajení
SJ22008	MemBrain s.r.o.	2/3/22	Dohoda o utajení



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