



Dear Customer,

The only registered owner of ZKL trademarks, which are listed in the Trademark Registry of the Industrial Property Office; the trademarks are a combined trademark under No. 152893, a wording trademark No. 151740 and the combined trademark ZKL CZ 224757, is the company ZKL Klášterec, s.r.o. The right to use the ZKL trademark is, based on a license contract.

Information about the Company:

The bearing group ZKL KINEX is not only the holder of 100+ years of tradition in the machinery sector, but is mainly an important producer of anti-friction bearings in Slovakia and the Czech Republic. In 2003, the bearing group ZKL KINEX united the power of the decisive producers of rolling bearings – KINEX, a.s, Bytča, KINEX, a.s., Skalica, KINEX-KLF, a.s., Kysucké Nové Mesto and ZKL Klášterec, s.r.o. situated in Klášterec nad Ohří. The product portfolio of the group covers the needs of most important industrial sectors. The largest share of sales of the bearing group is represented by bearings for the automotive industry, the second largest segment of sales are bearings for rail vehicle production, followed by bearings for textile machines, bicycle pedal axes, precise and special bearings for machine tools.

Bearings from the production of the ZKL KINEX bearing group comply with the most strict standards, as well as individual requirements of customers regarding quality and material, whether for bearings used in the automotive industry, where high reliability and lifetime are required, bearings for bedding of wagon axles, which must comply with the requirements of European Standard EN 12080, or bearings for the high-precision industrial sector, where accuracies are measured in μm . The development of bearings for the textile industry is closely related to the seating design of most important elements of textile machines. An example of connecting the requirements for a long lifetime and quality are the bearings for bicycle pedal axes produced by our group. Their maintenance-free feature and low passive resistance are significantly improving the driving properties of bicycles in which they have been applied.

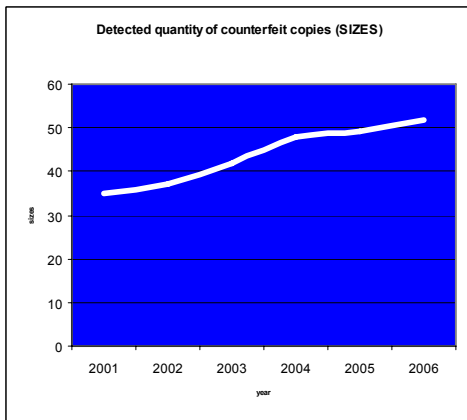
Counterfeit Bearings – a Cheap Way to High Costs

Disabling of regular machine equipment preventive maintenance systems, unexpected failures, production downtimes and, above all – increased costs for settlement of all these problems. These can be the consequences of an incorrectly focused effort for savings on purchase of production inputs.

Purchase of parts for the lowest possible prices – this is a goal which is well known to all manufacturers from all industrial areas. The effort to optimise costs is the alpha and omega of success in any business activity. However, experience with components which are only counterfeit spare parts prove that cheap purchases do not always represent a successful step in cost reduction. Their presence in European markets is increasing and unfortunately has also not stopped at ZKL KINEX GROUP products – single-row ball bearings. At the beginning of this year, counterfeit copies of ZKL brand bearings appeared in the Polish market but, since then, similar worrying information has also been received from other countries – Slovakia, Czech Republic, Italy, Bulgaria and Germany. Increased sales of counterfeit ZKL-bearings have not missed Latin America and India either.

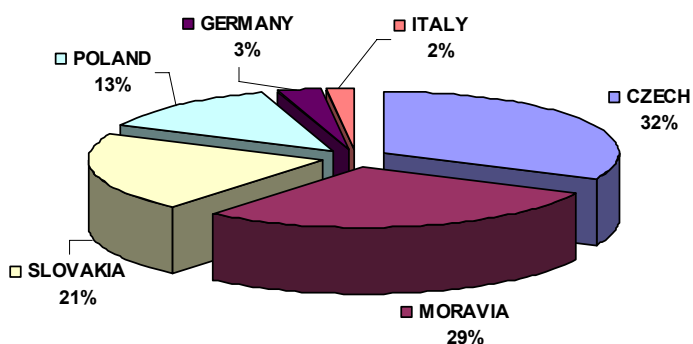
In the majority of cases, counterfeit copies are, at a glance, identical with original ZKL-bearings. Counterfeit bearings come primarily from low-cost countries and are mainly of Asian origin.

Production of counterfeit bearing has witnessed an alarming increase. We assume that 20 - 30% of brand-name bearings used in Europe are counterfeits and imitations, mainly of Asian origin.



The fact that counterfeit bearings have not missed the ZKL brand, is also proven by the increased quantity of detected sizes in various European countries.

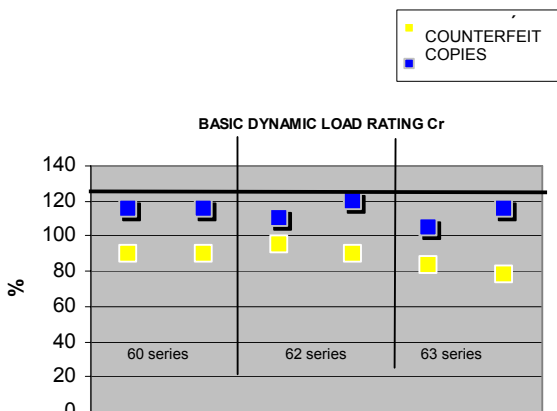
TERRITORY SHARE OF COUNTERFEIT BEARINGS IN 2006



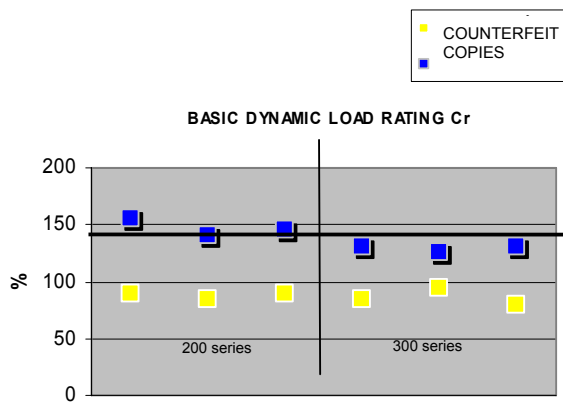
Hidden deficiencies ...

The problem is aggravated by the fact that during distribution of counterfeit copies, the price is lower, but their wrapping and packaging looks like the original. It is understandable that this considerably harms the producers, i.e. also the ZKL KINEX group. Also equally alarming is the information that the increased appearance of brand-name bearing imitations is a threat to clients, i.e. the manufacturers of machine equipment. Lacking reliability, such parts negatively influence the functioning of the final device, which can lead to unexpected increases in machine failures and subsequent numerous claims from end-users.

Results of quality measurements of the useful properties of counterfeits have proven that it is not only a hypothetical risk. They are alarming. Based on these, we can only recommend to producers that they avoid the assembly of such imitations of original parts into their devices, machine parts and other rotating equipment.

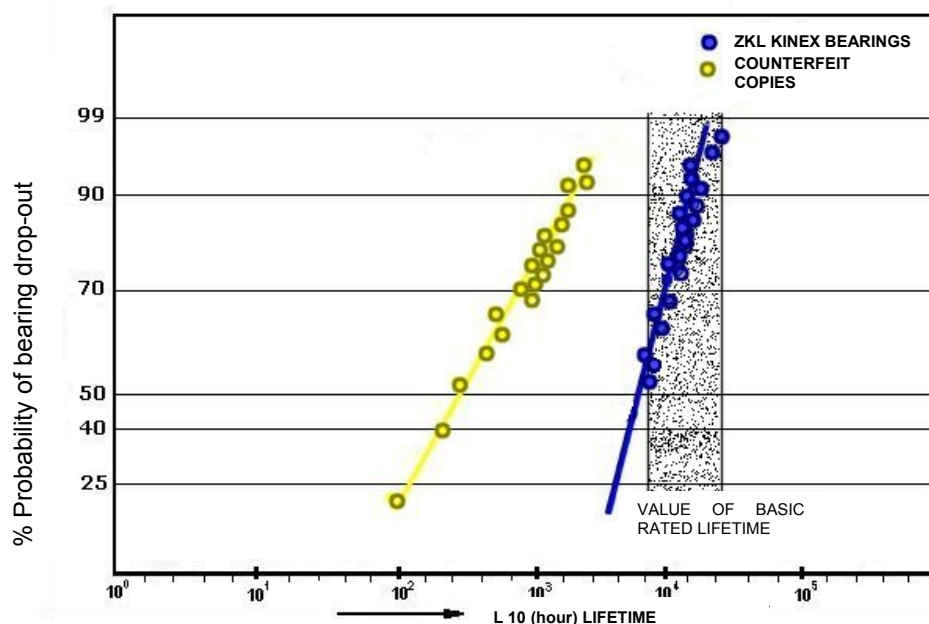


BALL BEARINGS



ROLLER BEARINGS

SMALL BALL BEARINGS



The provided diagrams disclose the fact that, by comparison of apparently the same types of bearings, the counterfeit copies do not achieve the standard values of basic lifetime in terms of operating hours **... they increase costs**

The real threat of the increasing occurrence of brand-name bearing imitations by far surpasses the technical point of view. The lower lifetime of counterfeit copies is namely the basic reason for operating cost increases related to the assembly and disassembly of machine parts, compensation for downtimes in the production using machines and equipment, and also in the process of purchasing bearings.

Specialists amongst producers of manufacturing devices, as well as their clients, can undoubtedly instantly imagine the economic consequences of such problems. Especially in these times, when the introduction of total maintenance systems appear to be the most powerful trend in manufacturing management, based on regular and preventive servicing activities. In the process of their planning, with help of modern managerial systems, the basis is precise and, first of all, credible data regarding the technical lifetime of replacement parts, amongst which bearings occupy their irreplaceable position.

The financial consequence of using counterfeit brand bearings, where the real technical lifetime often cannot be even estimated, is illustrated in a case study. Damage which is caused in extreme cases e.g. a seized machine, can best be financially expressed by the users of machine equipment alone.

CASE STUDY

The subject of the study is an analysis of real costs when utilising counterfeits and of ZKL KINEX bearings in machine tools in the standard value of basic bearing lifetime - 30 000 hours of operation

	FAKE COPIES	ZKL KINEX BEARINGS
BASIC LIFE (hour)	15000 to 20000	30000 to 35000
4 x SINGLE ROW ANGULAR BALL BEARING	8 x 20 EUR 160 EUR	4 x 40 EUR 160 EUR
SERVICING COSTS	2 x INTERRUPTION X 1 WORKER x 6 HOURSx 19 EUR/HOUR 228 EUR	-
RE-LUBRICATION COSTS	4 x RE-LUBRICATION x 1 WORKER x 1 HOUR x 76 EUR/HOUR 304EUR	3 x RE-LUBRICATION x 1 WORKER x 1 HOUR x 76 EUR/HOUR 228EUR
SETTING UP COSTS	1x INTERRUPTION x 6 HOURS x 490 EUR 490 EUR	-
TOTAL COSTS 30 000 HOURS OF OPERATION	1182 EUR	388 EUR

How to fight against it ?

There is only one effective defence in the fight against counterfeit copies of original components. Sufficient information regarding the origin and real properties of purchased parts. The fight against counterfeit copies of our bearings and protection of the ZKL brand name is a priority for the bearings group. For this reason, ZKL KINEX, like other world bearing producers, adopts numerous measures which aim to secure the protection of customers and of end-users.

ZKL KINEX therefore considers it necessary to bring the attention of its customers to the fact that a guarantee of the origin of purchased bearings is to only purchase brand name bearings from the company alone or its authorised distributors.

A list of authorised ZKL KINEX distributors is provided on the new company website www.zkl.com in section "Sales Partners".

In case of any suspected counterfeit copies of ZKL-brand bearings, customers can contact ZKL KINEX, a.s. at any time. Only systematic monitoring and information from markets regarding suspicious and unauthorised companies selling bearings is able to provide protection to customers and their products, whilst also taking legal steps. The help of our customers and other persons in the process of gathering information regarding suspect sources of counterfeit copies is welcome. It helps to safeguard the protection of our customers, as well as their products.