

19



ANNUAL REPORT



ZAT

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Dear business partners,

As every year, it pertains to us to give a foreword and present briefly the goals and successes we achieved in the previous year as well as the plans our company is preparing for you. In terms of supplies of control systems for demanding industry sectors, ZAT is a strategic company with its nearly 60-year tradition.

As far as orders are concerned, we maintain a stable position both in the local and foreign market. In the last year, we executed foreign projects, for instance, at the Metsamor nuclear power plant in Armenia, Hanabanilla and Felton power plants in Cuba, small hydro-electric power plant Velké Kozmálovce in Slovakia and many others. In the Czech Republic, we are performing long-term work at the Mělník power plant as well as at gas regulation and distribution stations of significant Czech companies, we also carry on railway corridor modernization projects, etc. Important to mention is also the accomplishment of a nearly 5-year selection procedure for the supply of the control rods instrumentation and control system for the primary circuit of the Finnish Hanhikivi nuclear power plant, which we concluded successfully at the turn of fiscal year 2019.

Obtaining the above-mentioned contract represents just one of many commercial successes of the company over the last year. In context of the actual course of events, we would however like to emphasize the last fiscal quarter, i.e. the first quarter of 2020. Same as for most companies, the covid-19 related situation was absolutely unpredictable for ZAT. The beginning of the quarter was highly promising as we were finalizing a number of projects with effect on the revenues as well as plans for the next year and continuous acceptance tests under an important project for another European nuclear power plant were going on in the test shop in Plzeň. We also held the second virtual conference Zoom At Technology where we presented our news and visions in the field of control systems, IoT technologies as well as big data processing for company use to experts from tens of countries from all over the world.

We already noticed the first signs of the upcoming situation in mid-February. As we perform a number of contracts abroad, we were one of the first companies in the Czech Republic to establish a crisis task force yet at

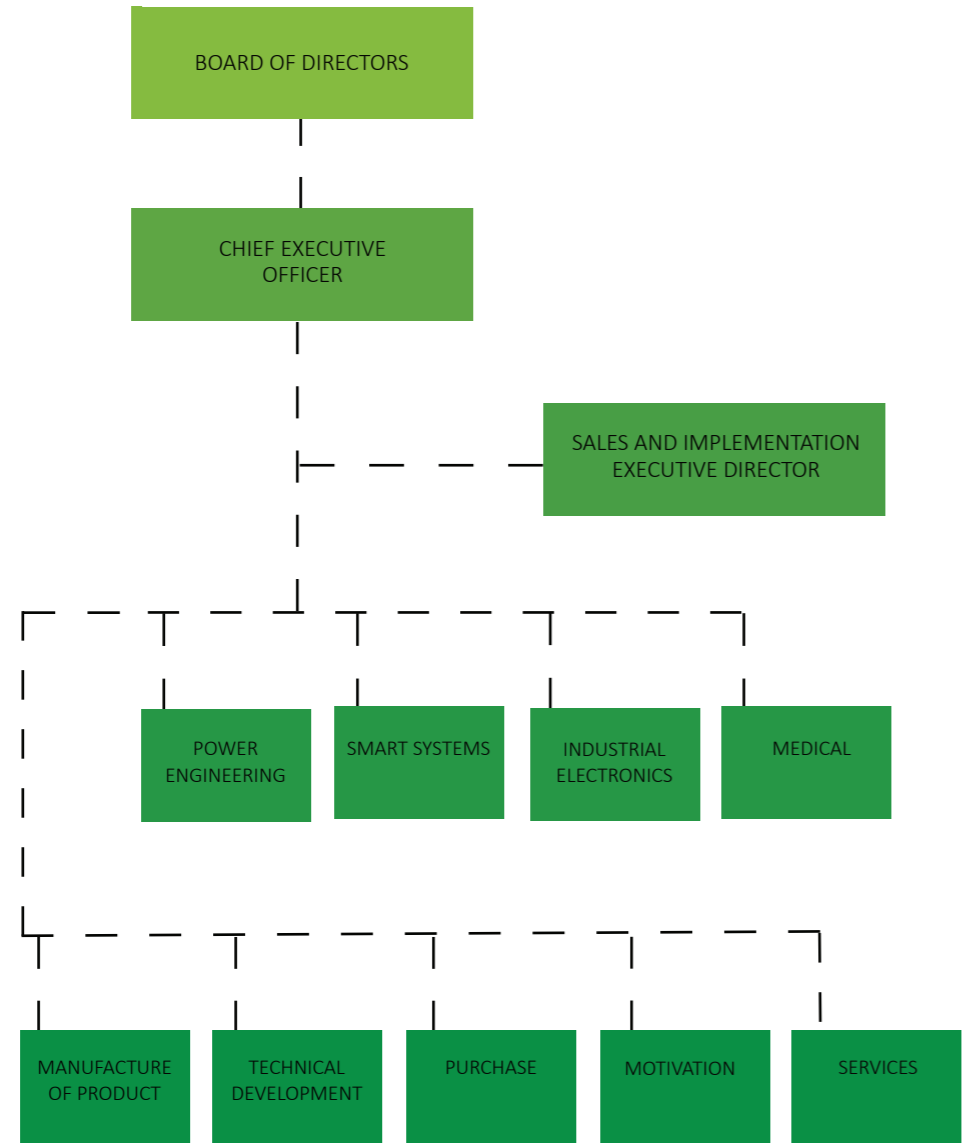
the end of February 2020. We set all measures in order to ensure smooth run of the company and production, as well as to guarantee supplies, service and execution of projects in specified deadlines.

The steps taken by the crisis task force of our company were also appreciated by the international certification authority DNV GL that ranked ZAT, based on a currently performed audit, among the best prepared companies in the market handling well the coronavirus crisis. The auditors mainly appreciated the prepared crisis scenarios, timely introduced and efficient measures for the protection of employees not only health wise but also in terms of maintaining all positions within the company as well as efficient use of electronic documentation and communication within ZAT teams. Why are we mentioning this? Strategic management is asserted in the long-term not only in the management of our company but also particularly in the management of your projects. We believe stable background of your business partner is of a great importance to you as well. Furthermore, ZAT guarantees you leading-edge know-how of its employees, state-of-the-art control system as well as technical and technological background of production, testing and service, including custom development.

We have come out strengthened from the crisis passed. Also, the investments into the development of our control systems remain, same as over the last twenty years, unchanged. You may primarily expect enhancement of our products in the field of IoT technologies and SandRA (Safe and Reliable Automation) control system superstructure applications by sophisticated data processing and its use for management control of individual technologies and large-scale technological units of a power unit type. In relation to the accomplishment of acquisition and integration of our subsidiary Definity Systems into the business structure of ZAT, executed at 1 April, 2020, we would also like to remind and recommend to you our complex services in the field of custom software and independent enterprise information system superstructure development.

We are jointly entering a new era. We are glad we could be a stable and reliable partner to you during the precarious period and we look forward to our further fruitful cooperation.

ZAT A.S. ORGANIZATION CHART



JAROSLAV SCHARF
Chairman of the Board of Directors

Board of Directors

Jaroslav Scharf - Chairman of the Board of Directors

Vladislava Česáková - Member of the Board of Directors

Ivo Tichý - Member of the Board of Directors

Supervisory Board

Ivana Bergerová

Company Management

Vladislava Česáková - Executive Management Officer

Ivo Tichý - Sales and Implementation Executive Officer

Ivo Tichý - Director of Power Engineering Division

Václav Janoch - Director of Smart Systems Division

Vladimír Pikard - Director of Industrial Electronics Division

Roman Plavec - Director of Medical Division

Martin Brašna - Director of Product Manufacturing Department

Jakub Křesina - Director of Purchase Department

Pavel Kulík - Director of Technical Development Department

Vladislava Česáková - Director of Motivation Department

Ivana Bergerová - Director of Services Department

**IVO TICHÝ**

Member of the Board of Directors
Director of Power Engineering Division

VLADISLAVA ČESÁKOVÁ

Member of the Board of Directors
Director of Motivation Department



VÁCLAV JANOCH
Director of Smart Systems Division



JAKUB KŘESINA
Director of Purchase Department



MARTIN BRAŠNA
Director of Product Manufacturing Department



PAVEL KULÍK
Director of Technical Development Department

VLADIMÍR PIKARD
Director of Industrial Electronics Division



IVANA BERGEROVÁ
Director of Services Department
Supervisory Board



ROMAN PLAVEC
Director of Medical Division



ZAT a.s. belongs to the founders of automation and, in the long term, it is a stable supplier of comprehensive solutions and products for the power industry and industrial processes both locally and abroad.

Supplies for the power industry are complex, long-term projects whose implementation period, starting from development initiation up to final work handover to the customer, usually exceeds one year. As far as large-scale projects in the field nuclear power industry are concerned, the implementation period even reaches several years. This long-term nature of contracts may therefore have impact on fluctuations in the volume of revenues and work-in-progress as well as on the level of profit in individual accounting periods.

This year, the company generated revenues in the amount of CZK 447.308 thousand. Profit before tax reached CZK 25.431 thousand and the EBITDA indicators amounted to CZK 66.162 thousand.

Within the segment of nuclear power engineering, contracts amounting to CZK 150 million were successfully implemented. The revenues of the conventional power engineering segment reached CZK 76 million and the growing branch focusing on the implementation of smart control systems exceeded its last year's production by nearly 40%, thereby reaching CZK 103 million in revenues. The production of industrial electronics did no way fall behind and increased its revenues by nearly 30% to CZK 116 million.

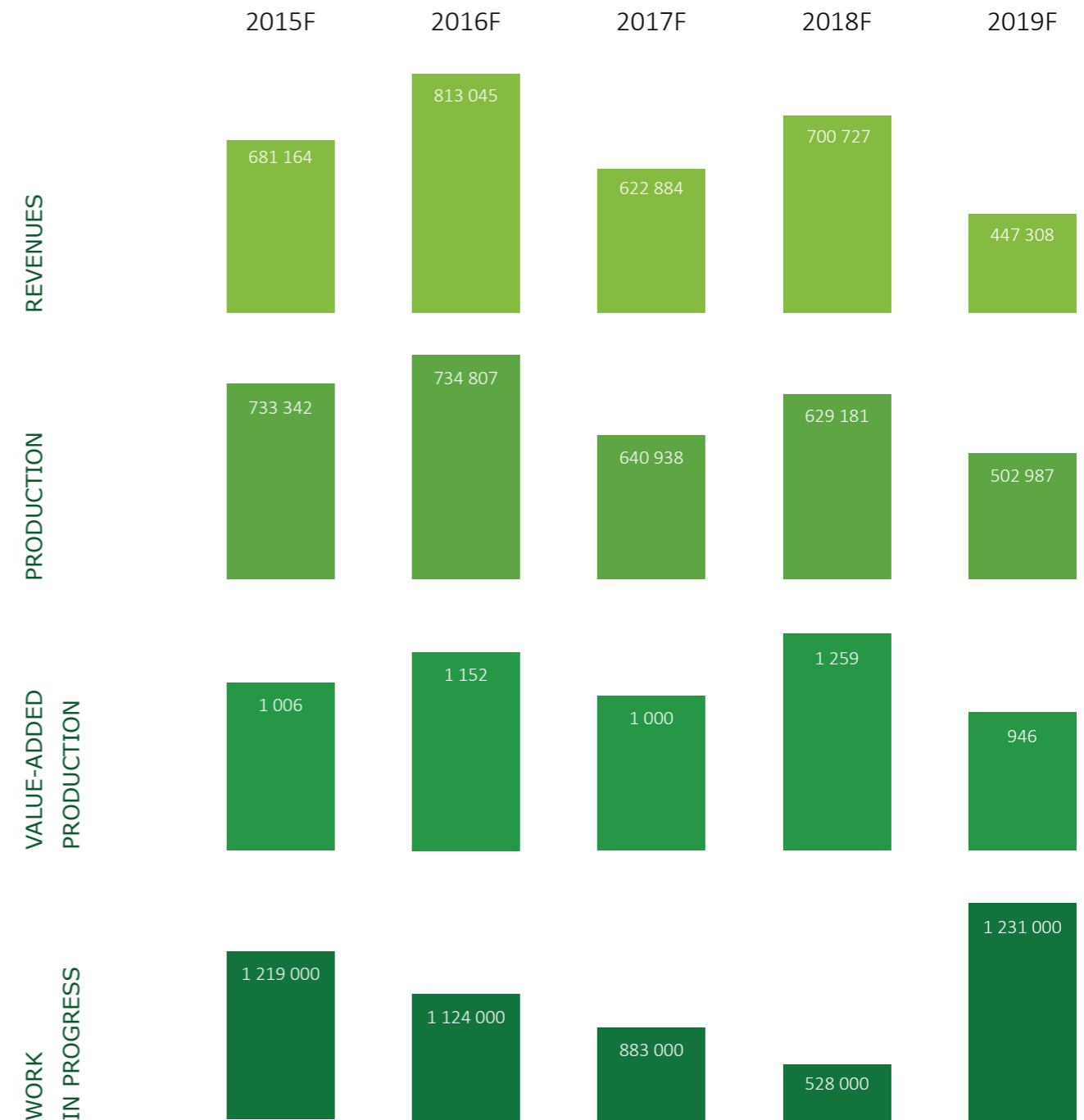
Contracted orders, representing a certain source of work, production, revenues and profit for the years to come, are an important indicator reflecting the potential of the company's future performance. Their volume amounts to CZK 1.23 billion.

Due to uneven distribution of income and expenditure resulting from the long-term nature of contracts, the company used short-term bank loans, including revolving loans as well as purpose-related loans, to fund large-scale contracts. For ensuring the company's development, long-term investment-type loans were used.

Ongoing expansion of the company's activities to foreign markets implies trading in foreign currencies. This relates to the strong emphasis we put on the management of currency risks resulting from a potential drop in the value of foreign currencies against CZK. We apply standard monetary securing tools to minimize such risks.

As of 31 March 2019, the registered capital of the company was CZK 215.000 thousand and its equity amounted to CZK 419.962 thousand. At the end of fiscal year 2019, the value of assets reached CZK 766.037 thousand.

The most important economic results delivered by the company in fiscal year 2019 are shown in the graph below along with results for the previous years to allow for comparison.



06 INFORMATION ON ANTICIPATED DEVELOPMENT OF THE ACCOUNTING UNIT

In the upcoming accounting period, ZAT a.s. expects to remain involved in the activities relevant to its area of business as specified in the Commercial Register.

Supplies of products and custom solutions for both the nuclear and conventional power engineering as well as for the branch of industrial processes remain the main business of the company, along with the supplies of products in the field of IoT technologies and production of industrial electronics.

In the next fiscal year, key investments will be directed towards development of existing as well as new products, designing tools and optimization of activities aimed at increasing overall efficiency of the company and, finally, towards development of competences of our employees. As far as production equipment is concerned, significant resources will be invested into purchasing a new production line.

07 INFORMATION ON MAJOR EVENTS TAKING PLACE AFTER THE BALANCE SHEET DATE

A significant event occurred between the end of the balance sheet date and the moment of drawing up the present Annual Report as April 1, 2020 was set to be the Record Date for the acquisition of trading company Definity Systems, s.r.o., the acquired company, by trading company ZAT a.s., the acquiring company. Definity Systems, s.r.o. has been acting within the structure of ZAT a.s. since January 1, 2019 as its subsidiary.

In the period between the balance sheet date and the date the final statement is issued, certain measures introduced by the company against viral disease COVID-19 caused by coronavirus SARS-CoV-2 persist.

The adopted measures have no direct or indirect impact on the future economic situation of the company and a related assessment of the assets and liabilities.

Except for the above-mentioned significant events, neither significant events providing additional information on the conditions or situations existing by the end of the balance sheet date, nor significant facts existing as uncertain conditions and situations by the end of the balance sheet date with a significant effect on the company's financial situation have occurred in the company.

08 INFORMATION ON ENVIRONMENTAL PROTECTION ACTIVITIES

ZAT a.s. has long been protecting the environment and paying major attention to the occupational health and safety (OHS) of its employees. The company has also been systematically developing safety culture in the long term, particularly in relation to its nuclear business.

The conduct of the company and its employees is monitored and assessed on a regular basis by independent audit firms as well as by the external auditors on the part of our customers. In fiscal year 2019, the company successfully passed a recertification audit to the revised standard ISO 14001:2015 (EMS) and, also, migrated successfully from the cancelled standard OHSAS 18001 to the new standard ISO 45001:2018 for occupational health and safety management. Moreover, nuclear safety culture and its further development was checked and audited by several important customers of our company.

The company disposes of an established register of environmental aspects as well as of an OHS risk register. Both registers are continuously monitored, and key aspects and risks are managed in a way to prevent possible undesired situations. Appropriate measures are adopted in advance to minimize effects of such situations, should they still occur.

Environmental protection and occupational health and safety constitute an integral part of the management of ZAT a.s. as well as an integral part of employees' awareness and knowledge development. In fiscal year 2019, the company accomplished successfully all EMS and OHS development and improvement goals and programs declared by the management. The most

important ones include, among others, continuous renewal of the vehicle fleet, refurbishment of the public lighting within the company's premises in Píbram as well as preparation of both the production and non-production facilities for further planned refurbishment and modernization. The quantity of chemical agents used in the company was also reduced significantly. Nuclear safety culture is developed in such a way that each employee is aware of the fact s/he is working on a nuclear project and therefore needs to exercise maximum caution in carrying out her/his work.

Modernization of production technologies and other technical equipment facilitating the implementation of our contracts represents one of the long-term goals of the company. Apart from increased production efficiency as well as quality and safety of our products, the above-mentioned renewal of the technological equipment and tools also results in a lower adverse environmental impact. It is often the case that our products are used for controlling technologies with an environmental impact. Consequently, such products contribute to their operational safety and reduction of their potential adverse impact on the environment.

Certificates and awards are available for download at www.zat.cz.

09 INFORMATION ON EMPLOYMENT RELATED ACTIVITIES

ZAT a.s. is a major employer with a long history in the regions of Příbram and Plzeň. The goal of the strategic HR management at ZAT a.s. is to employ the optimum number of appropriately qualified employees. To this end, the company set up a comprehensive training system to assure all required qualifications for work being performed under demanding conditions at our customers.

In fiscal year 2019, the average number of employees reached 315 which corresponded to the volume of contracts implemented. However, considering the growing volume of contracted

orders and work-in-progress for the upcoming period, the number of employees is expected to increase to 340 in 2020.

In the long term, the company fosters cooperation with secondary schools and universities in the region by offering practical training to secondary school students, organizing job fairs and student excursions to, among others, motivate young educated people to join the company.

10 INFORMATION ON ACQUISITION OF TREASURY STOCK OR OWN SHARES

The company did not acquire any treasury stock or their own shares in 2019.

11 INFORMATION ON ORGANIZATION UNIT ABROAD

In 2009, the company established its business and technical office in Slovakia – “ZAT a.s., organizačná zložka”, company reg. No. 44739125, based in Trnava-Modranka, Slovakia. The unit’s business comprises intermediation of trade and services.

Furthermore, the company established its representative office in Havana, Cuba in 2015.

12 INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

In the past year, successful completion of the eight-year Center for Advanced Nuclear Technologies (CANUT) Project, where our company primarily contributed to the development of nuclear power reactor output regulation and development of control electronics for a small research reactor control rod drive mechanism, represented a significant milestone in the development of control systems for nuclear power industry. The experience gained has been subsequently applied in the development of control systems for new types of large power units as well as for small modular reactors. Following many years of successful supplies of our SandRA Z100 control system designed for modernization of VVER 440 type reactors, we initiated the development of a control system intended for VVER 1200 type reactors. We aim to supply the above-mentioned control system to newly constructed nuclear power units.

ZAT a.s. also engaged in the projects of the National Center for Power Engineering (NCE) and National Competence Center – Cybernetics and Artificial Intelligence (NCK KUI). Within the framework of the above-mentioned centers we have cooperated with universities on projects concerning rotating machinery diagnostics, development of wireless sensors (IoT) and development of mathematical models of controlled technologies. The results of the projects shall contribute to enhancing technical maturity of our solutions for power engineering and internet of things.

Same as in the previous years, we continued increasing cyber security of the SandRA control system, as it is an essential precondition for its assertion in the fields of our interest.

Thanks to our newly acquired competences in the field of software development, we aim to focus on the development of tools for sophisticated data analysis and multiplatform presentation of information. Assertion of such tools may be expected in all business segments where ZAT a.s. is active.

Our development activities were targeted not only at increasing technical maturity of our products and solutions but also at supporting quality assurance of our products. We developed tools for automated testing of our software products and initiated a project of automation of testing workplaces where our control system components are produced with the aim of increasing efficiency and quality of the tests implemented.

FINANCIAL SECTION



13 BALANCE SHEET

Unabridged report as of 31st of March 2020 (rounded to thousands CZK)

Month: 12 Year: 2019F Company reg. No.: 45148431

Business name or another name of accounting unit: ZAT, a. s.
Address or place of residence and place of business of the accounting unit, if different from the permanent address: **K Podlesí 541, 261 01 Příbram VI**

Ident.	ASSETS	Current period			Previous period
		Gross	Adjust.	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	1 253 918	- 487 881	766 037	886 327
B.	Non-current assets / Fixed assets	792 969	- 414 911	378 058	369 347
B. I.	Non-current intangible assets	193 705	- 145 182	48 523	39 484
B.I.1.	Intangible results of development	92 721	- 56 992	35 729	25 726
B.I.2.	Valuable rights	99 871	- 87 287	12 584	13 511
B.I.2.1.	Software	64 579	- 52 027	12 552	13 466
B.I.2.2.	Other valuable rights	35 292	- 35 260	32	45
B.I.4.	Other non-current intangible assets	1 113	- 903	210	202
B.I.5.	Advances paid for non-current intangible assets and non-current intangible assets in progress				45
B.I.5.2.	Non-current intangible assets in progress				45
B.II.	Non-current tangible assets	562 805	- 269 729	293 076	302 187
B.II.1.	Land and structures	379 988	- 126 394	253 594	262 897
B.II.1.1.	Land	34 685		34 685	34 685
B.II.1.2.	Structures	345 303	- 126 394	218 909	228 212
B.II.2.	Tangible movable things and their groups	175 489	- 143 295	32 194	33 442
B.II.4.	Other non-current tangible assets	365	- 40	325	337
B.II.4.3.	Miscellaneous non-current tangible assets	365	- 40	325	337
B.II.5.	Advances paid on non-current tangible assets and non-current tangible assets in progress	6 963		6 963	5 511
B.II.5.2.	Non-current tangible assets in progress	6 963		6 963	5 511
B.III.	Non-current financial assets	36 459		36 459	27 676
B.III.1.	Equity interest - controlled or controlling entity	36 459		36 459	27 168
B.III.7.	Other non-current financial assets				508
B.III.7.2.	Advances paid on non-current financial assets				508

C.	Current assets	454 741	- 72 970	381 771	509 623
C.I.	Inventories	173 303	- 1 437	171 866	125 595
C.I.1.	Raw materials	49 552	- 33	49 519	40 049
C.I.2.	Work-in-progress and semi-finished products	123 106	- 1 404	121 702	84 512
C.I.5.	Advances paid on inventory	645		645	1 034
C.II.	Receivables	268 360	- 71 533	196 827	358 566
C.II.1.	Non-current receivables	6 230		6 230	8 994
C.II.1.1.	Trade receivables	5 832		5 832	6 365
C.II.1.4.	Deferred tax asset	391		391	2 622
C.II.1.5.	Other receivables	7		7	7
C.II.1.5.2.	Non-current advance payments	7		7	7
C.II.2.	Current receivables	262 130	- 71 533	190 597	349 572
C.II.2.1.	Trade receivables	236 247	- 71 533	164 714	324 879
C.II.2.4.	Receivables - other	25 883		25 883	24 693
C.II.2.4.3.	State - tax receivable	17 302		17 302	4 329
C.II.2.4.4.	Current advances paid	816		816	1 133
C.II.2.4.5.	Accrued assets (estimated amounts)	7		7	44
C.II.2.4.6.	Miscellaneous receivables	7 758		7 758	19 187
C.IV.	Cash	13 078		13 078	25 462
C.IV.1.	Petty cash (cash in hand)	277		277	446
C.IV.2.	Cash in bank (bank accounts)	12 801		12 801	25 016
D.	Accrued assets	6 208		6 208	7 357
D.1.	Pre-paid expenses	6 118		6 118	7 256
D.3.	Accrued revenue	90		90	101

Ident.	LIABILITIES AND EQUITY	Current period		Previous period	
		5	6	5	6
a	b				
	TOTAL LIABILITIES	766 037		886 327	
A.	Equity	419 962		425 687	
A.I.	Legal capital (paid-in equity)	215 000		215 000	
A.I.1.	Legal capital (paid-in equity)	215 000		215 000	
A.III.	Reserves	43 653		43 857	
A.III.1.	Other reserves	43 000		43 000	
A.III.2.	Statutory and other reserves	653		857	
A.IV.	Retained income from previous periods (+/-)	135 878		135 435	
A.IV.1.	Retained profit or unpaid loss from previous periods (+/-)	135 878		135 435	
A.V.	Current period income (+/-)	25 431		31 395	
B. + C.	Liabilities (external resources)	342 430		457 657	
B.	Provisions	11 843		40 933	
B.2.	Provision for income tax			9 175	
B.4.	Other provisions	11 843		31 758	

C.	Liabilities	330 587	416 724
C.I.	Non-current liabilities	35 625	38 618
C.I.2.	Liabilities to loan institutions	33 410	35 811
C.I.4.	Trade payables	367	301
C.I.9.	Liabilities - other	1 848	2 506
C.I.9.3.	Miscellaneous liabilities	1 848	2 506
C.II.	Current liabilities	294 962	378 106
C.II.2.	Liabilities to loan institutions	196 860	236 868
C.II.3.	Current advances received	13 177	8 818
C.II.4.	Trade payables	43 307	75 911
C.II.8.	Liabilities - other	41 618	56 509
C.II.8.1.	Liabilities to equity holders	7 800	7 500
C.II.8.3.	Payroll payable	9 168	10 361
C.II.8.4.	Social security and health insurance payable	4 982	5 847
C.II.8.5.	State - tax payables, withholdings and subsidies	8 429	18 544
C.II.8.6.	Accrued liabilities (estimated amounts)	5 970	12 240
C.II.8.7.	Miscellaneous liabilities	5 269	2 017
D.	Accruals	3 645	2 983
D.1.	Accrued expenses	3 561	2 899
D.2.	Unearned and deferred revenue	84	84

Date, hour, minute:
5th June 2020 at 10:00 a.m.

Signature of authorized representative or natural person representing
an accounting unit

	Ing. Jaroslav Scharf Chairman of the Board	Ing. Vladislava Česáková Member of the Board
Legal form of accounting unit: Joint stock company	Business activities: Delivery of electronics devices and cotrol systems	Note:

Unabridged report as of
31st of March 2020
(rounded to thousands CZK)

Month: Year: Company
12 2019F reg. No.:
45148431

Business name or another name of accounting unit: ZAT, a. s.
Address or place of residence and place of business of the accounting unit,
if different from the permanent address: **K Podlesí 541, 261 01 Příbram VI**

Ident.	ITEM	Accounting period	
		Current period	Previous period
a	b	1	2
I.	Merchandise and service revenue	445 185	696 431
II.	Merchandise revenue	2 123	4 296
A.	Production consumption	266 736	285 563
A.1.	Cost of merchandise sold	1 449	3 142
A.2.	Material and energy consumed	145 211	159 171
A.3.	Services	120 076	123 250
B.	Change in inventory from own activities (products)	- 37 485	85 881
C.	Activation (capitalized expenses)	- 18 194	- 18 631
D.	Personnel costs	186 944	196 416
D.1.	Wages and salaries	137 353	144 746
D.2.	Social security, health insurance and other expenses	49 591	51 670
D.2.1.	Social security and health insurance expenses	45 292	48 849
D.2.2.	Other expenses	4 299	2 821
E.	Valuation adjustments in operations	36 526	73 835
E.1.	Valuation adjustments to non-current tangible and intangible assets	32 204	28 329
E.1.1.	Valuation adjustments to non-current tangible and intangible assets - permanent	32 204	28 329
E.2.	Valuation adjustments to inventory	93	460
E.3.	Valuation adjustments to receivables	4 229	45 046
III.	Other operating income	8 053	9 152
III.1.	Revenue from the sale of non-current assets	1 917	922
III.2.	Revenue from the sale of material	45	127
III.3.	Other operating revenues	6 091	8 103
F.	Other operating expenses	- 13 124	23 336
F.1.	Carrying value of non-current assets sold	1 395	83
F.3.	Taxes and fees	2 204	924
F.4.	Provisions in operations and complex pre-paid expenses	- 19 915	13 738
F.5.	Other operating expenses	3 192	8 591
*	Operating income (+/-)	33 958	63 479

IV.	Revenue from non-current financial assets - equity interests	2 000	
IV.1.	Revenue from equity interests - controlled or controlling entity	2 000	
J.	Interest expense and similar expenses	7 913	7 937
J.2.	Other interest expenses and similar expenses	7 913	7 937
VII.	Other financial revenues	15 356	5 159
K.	Other financial expenses	15 807	13 582
*	Financing net income (+/-)	- 6 364	- 16 360
**	Net income before taxes (+/-)	27 594	47 119
L.	Income taxes	2 163	15 724
L.1.	Income taxes payable	- 68	16 880
L.2.	Deferred income taxes (+/-)	2 231	- 1 156
**	Income after taxes (+/-)	25 431	31 395
***	Net income for the period (+/-)	25 431	31 395
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	472 717	715 038

Date, hour, minute:
5th June 2020 at 10:00 a.m.

Signature of authorized representative or natural person representing
an accounting unit

	Ing. Jaroslav Scharf Chairman of the Board	Ing. Vladislava Česáková Member of the Board
Legal form of accounting unit: Joint stock company	Business activities: Delivery of electronics devices and control systems	Note:

PREPARATION OF THE ANNUAL REPORT

The annual report was prepared:
In Příbram on 5th June 2020

Ing. Jaroslav Scharf v.r.
Chairman of the Board

Ing. Vladislava Česáková v.r.
Member of the Board

BUSINESS NAME

ZAT a. s.

COMPANY IDENTIFICATION NUMBER

45148431

REGISTERED OFFICE

K Podlesí 541, 261 01 Příbram

LEGAL FORM

Joint-stock company

ESTABLISHED

1962



ZAT