



ZAT

ANNUAL REPORT



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IDENTIFICATION DATA

Business Name

ZAT a. s.

Company Identification Number

45148431

Registered Office

K Podlesí 541, 261 01 Příbram

Legal form

Joint-stock company

Established

1962

BOARD OF DIRECTORS INTRODUCTION

Dear business partners,

fiscal year 2018 was a milestone for company ZAT just for several reasons. At first, after sixteen years we have realized another acquisition when we incorporated a subsidiary company Definity Systems in our structure. One of strategic goals of our company is to develop and enhance software services related to data processing and presenting using modern platforms. And the Definity Systems competences meet these requirements. Our customers and partners can expect extension of products in the field of IoT technologies and superstructure applications of control systems SandRA through sophisticated data processing and their use for management of individual technologies as well as large technological units.

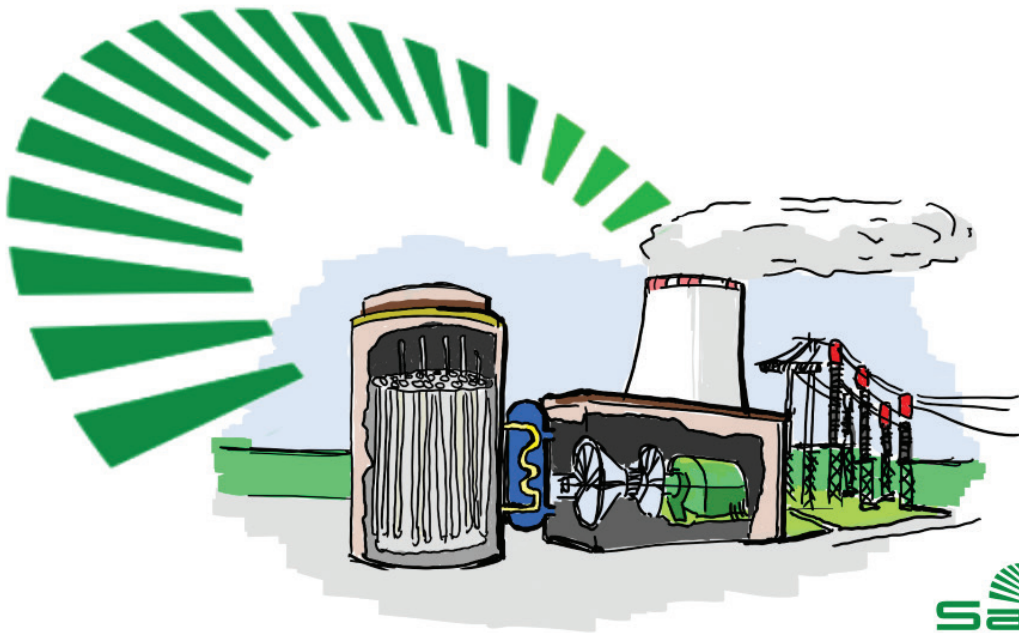
We have been engaged in development of control systems in context of Industry 4.0 for a long time. You can read more about it in the subsequent text. However, we would like to mention our new platform SimONet enabling wireless collection, transfer and processing of a large amount of data using IoT network. We launched it in 2018 and we have already performed first successful installations at our clients.

As you certainly know focusing on foreign markets is a long-term trend of our company. As a Czech company we are loyal to our local partners, you

can find our technologies at a lot of Czech and Slovak power plants, heating plants and gasworks, ZAT control system controls nuclear power plants in the Czech Republic as well as in Slovakia, to a large extent we are involved in control of railway systems. We are delighted to say that there is increase of interest in control system SandRA both at home and abroad, currently we are realizing contracts in almost 70 countries all over the world. Demand for company ZAT was also proven through high viewer ratings of our new virtual customers' day titled ZoomAtTechnology. Up to now it has been viewed by seven thousand experts from almost one hundred and fifty world countries. We would like to continue in the international concept of broadcasting in the following years.

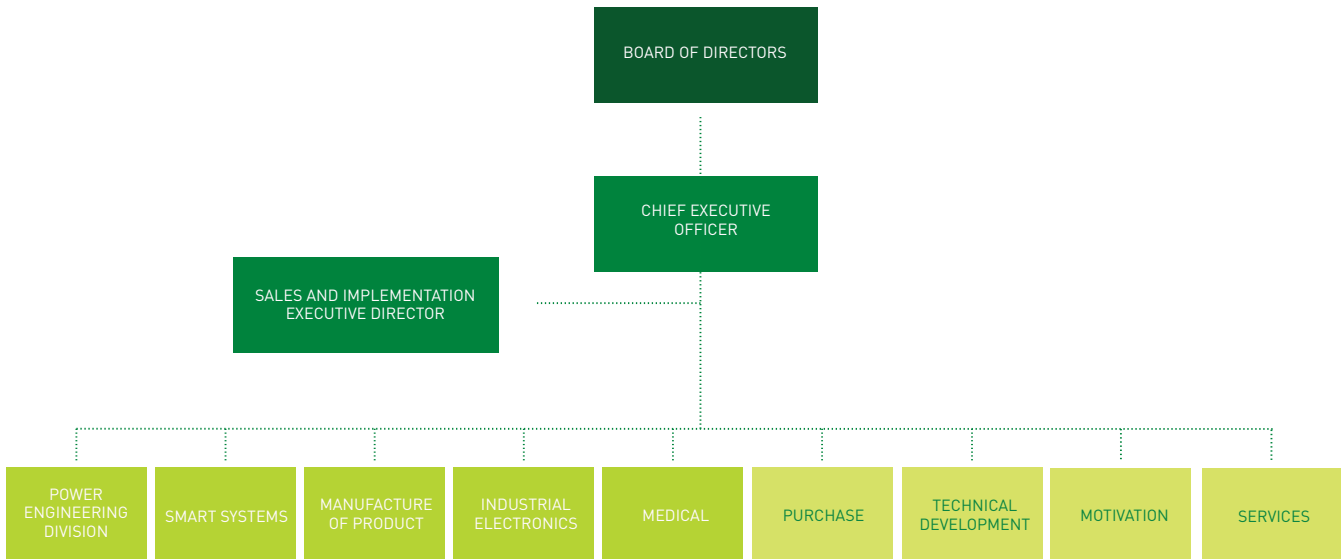
In the fiscal year 2019 we also prepare for you a lot of (not only) technical and technological innovations which we would like to inform you about in person, in the course of clients' events or on web and social network.

We care about your satisfaction and we believe that you are also satisfied with us.



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ZAT A.S. ORGANIZATION CHART





JAROSLAV SCHARF

Chairman of the Board of Directors

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MANAGEMENT OF THE COMPANY

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

Jiří Vopička

Company Management

Vladislava Česáková – Executive Management Officer

Ivo Tichý – Sales and Implementation Executive Officer

Karel Stočes – Director of Power Engineering Division

Václav Janoch – Director of Smart Systems Division

Martin Brašna – Director of Product Manufacturing Division

Vladimír Pikard – Director of Industrial Electronics Division

Roman Plavec – Director of Medical Division

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



VLADISLAVA ČESÁKOVÁ

Member of the Board of Directors



JIŘÍ VOPIČKA

Supervisory Board



KAREL STOČES

Director of Power Engineering Division



VÁCLAV JANOCH

Director of Smart Systems Division



MARTIN BRAŠNA

Director of Product Manufacturing Division



VLADIMÍR PIKARD

Director of Industrial Electronics Division



ROMAN PLAVEC

Director of Medical Division



JAKUB KŘESINA

Director of Purchase Department



PAVEL KULÍK

Director of Technical Development Department



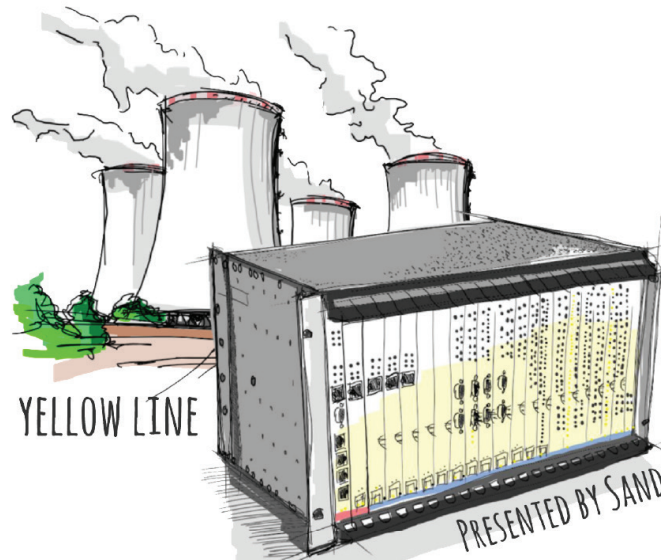
IVANA BERGEROVÁ

Director of Services Department



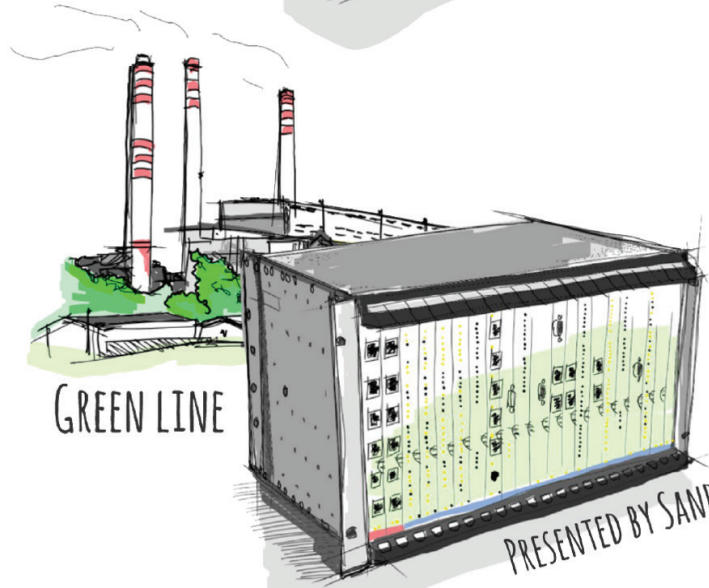
VLADISLAVA ČESÁKOVÁ

Director of Motivation Department



YELLOW LINE

PRESENTED BY SANDRA Z100



GREEN LINE

PRESENTED BY SANDRA Z200

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PERFORMANCE TRENDS, ACTIVITIES AND ECONOMIC SITUATION OF THE ACCOUNTING UNIT

ZAT a.s. belongs to co-founders of the automation branch and from a long-term point of view it is a stable partner in the field of supplies of complex solutions and products for power industry and industry both at home and abroad.

Implementation times of power industry contract orders often exceed one year from the initial development phase until the completion and handover to the customer. Solutions for nuclear power plants may even require several years to deliver. This long-term nature of contract solutions may be accompanied by significant year-over-year fluctuations in revenues and profit in individual fiscal years depending on the number and duration of shutdowns of individual power plants.

This year, the company generated revenues of CZK 700.727 thousand. Profit before tax reached CZK 47.119 thousand and EBITDA CZK 91.808 thousand.

The biggest share in company good results was provided by segment of nuclear power engineering where we succeeded to conclude contracts in the volume of almost 400 mil CZK, which is 57% of total volume of revenues. Segment of conventional power engineering achieved volume of revenues of 130 mil CZK and the youngest branch focusing on realization of intelligent control systems nearly doubled its last year production capacity and achieved the level of revenues amounted up to 75 mil CZK. Production of industrial electronics did not fall behind and increased its revenues to the amount of more than 90 mil CZK.

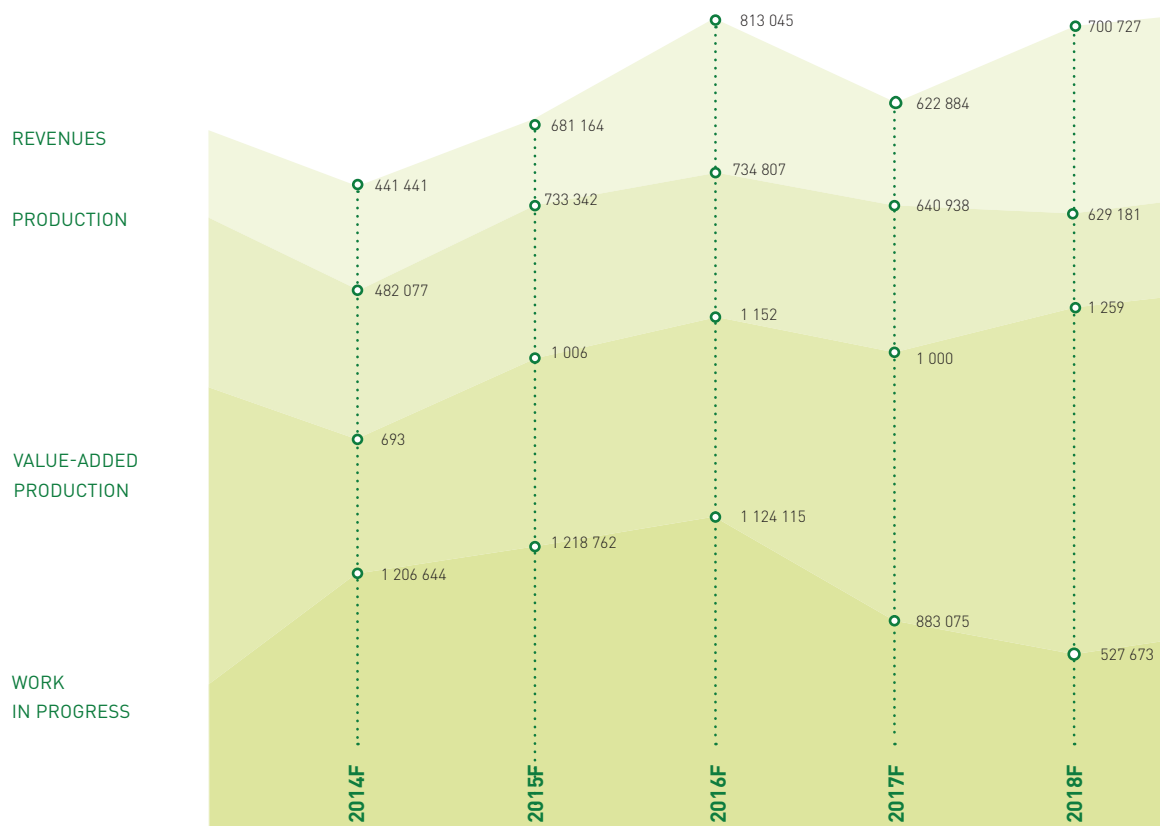
Unfinished orders are an important indicator reflecting the potential of the company future performance. Value of the unfinished factor representing some source of work and performance for the period to come, as of 31st March 2019 reached the value of CZK 528 mil.

Due to the above mentioned uneven financial revenues and costs the company made use of short-term bank loans including revolving loans as well as purpose-related loans to fund new major contracts. The company also made use of long-term investment loans, in order to provide for its further development.

Company ZAT still more and more focuses on foreign markets, which also causes trading in foreign currencies. This is also related to a great emphasis that we put on management of currency risks following from potential decrease of foreign currencies in relation to CZK. We apply standard monetary securing tools for their minimizing.

As of 31 March 2019, the registered capital of the company was CZK 215 000 thousand and equity CZK 425.687 thousand. The value of assets reached CZK 886.327 thousand at the end of the fiscal year 2018.

The most important business results delivered by the company in FY2018 are shown in the graph below along with results for the previous years to allow for comparison.



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INFORMATION ON AQUISITION OF TREASURY STOCK OR OWN SHARES

The company did not acquire any treasury stock or their own shares in 2018.

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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 solutions for the nuclear and conventional power engineering will remain the main focus of the business. In line with the global

trends, the company continues to focus on smart system solutions supporting various industrial and infrastructural applications.

In the next fiscal year, the key investments will continue to focus on increasing overall performance and efficiency of the company and development of existing as well as new products. We also allow for further modernization of the premises at company headquarters in Příbram, for purchase of new designing tools and increase of our ERP system.

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INFORMATION ON MAJOR EVENTS TAKING PLACE AFTER THE BALANCE SHEET DATE

No major events that would involve unusual changes in the company assets and liabilities that provide additional information concerning conditions or situations existing on the balance sheet date and facts associated with uncertain conditions and situations existing by the end of the balance sheet day took place between the end of the balance sheet day and the moment when this Annual Report was drawn up.

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INFORMATION ON ENVIRONMENTAL PROTECTION ACTIVITIES

ZAT a.s. has been protecting the environment and paying major attention to the occupational health and safety (OHS) of its employees in the long term. Since 2016 the company has been systematically developing safety culture in particular with regard to its nuclear business.

Every year, the conduct of the company as well as that of its employees is subject to audits conducted by independent audit firms as well as by the company numerous customers. No non-compliances were found in the fiscal year 2017 – neither in the environmental management system pursuant to EN ISO 14001:2004 (EMS), nor in the occupational health and safety management system according to ČSN OHSAS 18001:2007 (BOZP). Culture of nuclear safety and its further development was successfully audited by some of the company major customers.

The company has completed both register of environmental aspects and register of OHS risks. Both registers are continuously monitored and key items of the two registers are managed in a way to prevent

possible undesired situations. Resulting measures are set to minimise effects of such situations, should they occur.

The environmental protection and occupational health and safety constitute an integral part of the company management as well as employees' awareness and knowledge development. In the fiscal year 2017, the company successfully accomplished all EMS and OHS development and improvement targets and programmes defined by the management. Among the most important ones there rank e.g. wide modernization of vehicle fleet as well as major reconstruction of the premises for production of control systems. The nuclear safety culture is developed in a way for all employees in the company to know that they are working on a nuclear solution and need to exercise maximum caution.

Modernization of production technologies and other technical equipment facilitating delivery of ordered solutions is one of the long-term targets of the company. Renewal of production facilities involves benefits such as lower environmental impact as well as higher quality and safety of the company products. Products supplied by ZAT a.s. are often used in systems control technologies with an environmental impact. These technologies are designed to increase safety of their operation and reduce any potential adverse impacts on the environment.

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

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INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

Company ZAT was in the field of development of control systems for nuclear power engineering in the previous year focusing on development of electronic equipment for control of regulation mechanisms of small research with power capacity of 50 MW. This experience is going to be applied in the future in development of control systems for small energy modular reactors. For large reactors of type VVER 1200 was ZAT participating together with ŠKODA JS in development of a new system of position measurement of control rod motion. This cooperation was completed by granting a joint patent. Next important moment was qualification of control system SandRA Z100 for supplies to nuclear power plant Loviisa in Finland, which is a significant reference for supplies of control systems for nuclear power plants in western Europe.

In accordance with up to date trends of power engineering development high attention was also paid to development of control systems for smaller energy sources. Result of it is represented by a Compact turbine controller intended for control of all types of turbines, i.e. the steam, hydro and wind ones with power capacity of tens of MWs. The company aims to continue in development of compact devices, e.g. through innovation of existing product Excitation controller of synchronous generators.

In the previous year the company continued in the activities leading up to enhancement of cyber se-

curity of control system SandRA both in the field of securing system SW of control stations and in the field of design tool Pertinax intended for creation of application SW.

For expanding field of Internet of things (IoT) and so-called SMART systems the company developers prepared a new platform SimONet (Simply On Net) incorporating technical means for data measurement and collecting using battery unattended devices with the help of modern wireless network and also devices for processing, interpretation and visualization of these data on modern mobile devices. Several pilot projects for major clients were performed on platform SimONet in the previous year.

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INFORMATION ON EMPLOYMENT-RELATED ACTIVITIES

ZAT a.s. is a major employer with a long history in the regions of Přeborn and Plzeň. The objective of the HR management at ZAT a.s. is to employ the optimum number of qualified employees. To this end, the company set up a training system to ensure all the required qualifications for work being performed under demanding conditions at customer sites.

In the fiscal year 2018, the company had 328 employees in total. The number corresponds to the number of delivered contracts.

However, due to the current volume of unfinished contract orders the number of employees is expected to be approximately 315 in the fiscal year 2019.

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 present manufactured systems directly in customers' facilities to motivate young educated people to join the company.

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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.

Business activities of this unit comprise mediating services and trade.

FINANCIAL SECTION



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BALANCE SHEET

Unabridged report as of 31st of
March 2019Month:
12Year:
2018FCompany
reg. No.:
45148431Business 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 Podleší 541, 261 01 Příbram VI**

Ident.	ASSETS	Current period			Previous period
		Gross	Adjust.	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	1 346 085	- 459 758	886 327	903 347
B.	Non-current assets / Fixed assets	760 458	- 391 111	369 347	336 897
B. I.	Non-current intangible assets	175 811	- 136 327	39 484	25 979
B.I.1.	Intangible results of development	74 777	- 49 051	25 726	14 360
B.I.2.	Valuable rights	99 961	- 86 450	13 511	6 196
B.I.2.1.	Software	64 669	- 51 203	13 466	6 138
B.I.2.2.	Other valuable rights	35 292	- 35 247	45	58
B.I.4.	Other non-current intangible assets	1 028	- 826	202	168
B.I.5.	Advances paid for non-current intangible assets and non-current intangible assets in progress	45		45	5 255
B.I.5.2.	Non-current intangible assets in progress	45		45	5 255
B.II.	Non-current tangible assets	556 971	- 254 784	302 187	310 918
B.II.1.	Land and structures	378 268	- 115 371	262 897	271 100
B.II.1.1.	Land	34 685		34 685	34 225
B.II.1.2.	Structures	343 583	- 115 371	228 212	236 875
B.II.2.	Tangible movable things and their groups	172 827	- 139 385	33 442	33 930
B.II.4.	Other non-current tangible assets	365	- 28	337	350
B.II.4.3.	Miscellaneous non-current tangible assets	365	- 28	337	350
B.II.5.	Advances paid on non-current tangible assets and non-current tangible assets in progress	5 511		5 511	5 538
B.II.5.1.	Advances paid on non-current tangible assets				546
B.II.5.2.	Non-current tangible assets in progress	5 511		5 511	4 992
B.III.	Non-current financial assets	27 676		27 676	
B.III.1.	Equity interest - controlled or controlling entity	27 168		27 168	
B.III.7.	Other non-current financial assets	508		508	
B.III.7.2.	Advances paid on non-current financial assets	508		508	

C.	Current assets	578 270	- 68 647	509 623	560 794
C.I.	Inventories	126 938	- 1 343	125 595	222 476
C.I.1.	Raw materials	40 147	- 98	40 049	51 065
C.I.2.	Work-in-progress and semi-finished products	85 757	- 1 245	84 512	171 284
C.I.5.	Advances paid on inventory	1 034		1 034	127
C.II.	Receivables	425 870	- 67 304	358 566	321 030
C.II.1.	Non-current receivables	8 994		8 994	21 165
C.II.1.1.	Trade receivables	6 365		6 365	17 050
C.II.1.4.	Deferred tax asset	2 622		2 622	1 467
C.II.1.5.	Other receivables	7		7	2 648
C.II.1.5.2.	Non-current advance payments	7		7	7
C.II.1.5.4.	Other receivables				2 641
C.II.2.	Current receivables	416 876	- 67 304	349 572	299 865
C.II.2.1.	Trade receivables	392 183	- 67 304	324 879	246 819
C.II.2.4.	Receivables - other	24 693		24 693	53 046
C.II.2.4.3.	State - tax receivable	4 329		4 329	7 930
C.II.2.4.4.	Current advances paid	1 133		1 133	24 310
C.II.2.4.5.	Accrued assets (estimated amounts)	44		44	260
C.II.2.4.6.	Miscellaneous receivables	19 187		19 187	20 546
C.IV.	Cash	25 462		25 462	17 288
C.IV.1.	Petty cash (cash in hand)	446		446	657
C.IV.2.	Cash in bank (bank accounts)	25 016		25 016	16 631
D.	Accrued assets	7 357		7 357	5 656
D.1.	Pre-paid expenses	7 256		7 256	5 619
D.3.	Accrued revenue	101		101	37

Ident.	LIABILITIES AND EQUITY	Current period	Previous period
a	b	5	6
	TOTAL LIABILITIES	886 327	903 347
A.	Equity	425 687	426 508
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	43 857	41 909
A.III.1.	Other reserves	43 000	41 000
A.III.2.	Statutory and other reserves	857	909
A.IV.	Retained income from previous periods (+/-)	135 435	128 071
A.IV.1.	Retained profit or unpaid loss from previous periods (+/-)	135 435	128 071
A.V.	Current period income (+/-)	31 395	41 528
B. + C.	Liabilities (external resources)	457 657	472 847
B.	Provisions	40 933	25 458
B.2.	Provision for income tax	9 175	7 437
B.4.	Other provisions	31 758	18 021

C.	Liabilities	416 724	447 389
C.I.	Non-current liabilities	38 618	8 966
C.I.2.	Liabilities to loan institutions	35 811	8 750
C.I.4.	Trade payables	301	216
C.I.9.	Liabilities - other	2 506	
C.I.9.3.	Miscellaneous liabilities	2 506	
C.II.	Current liabilities	378 106	438 423
C.II.2.	Liabilities to loan institutions	236 868	258 258
C.II.3.	Current advances received	8 818	16 836
C.II.4.	Trade payables	75 911	57 213
C.II.8.	Liabilities - other	56 509	106 116
C.II.8.1.	Liabilities to equity holders	7 500	37 500
C.II.8.3.	Payroll payable	10 361	8 271
C.II.8.4.	Social security and health insurance payable	5 847	4 858
C.II.8.5.	State - tax payables, withholdings and subsidies	18 544	8 421
C.II.8.6.	Accrued liabilities (estimated amounts)	12 240	46 789
C.II.8.7.	Miscellaneous liabilities	2 017	277
D.	Accruals	2 983	3 992
D.1.	Accrued expenses	2 899	3 835
D.2.	Unearned and deferred revenue	84	157

Date, hour, minute:
3th June 2019 at 11:30 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:

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PROFIT AND LOSS ACCOUNT

Unabridged report as of 31st of
March 2019
(rounded to thousands CZK)

Month: **12**
Year: **2018F**

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 Podleší 541, 261 01 Příbram VI**

Ident.	ITEM	Accounting period	
		Current period	Previous period
a	b	1	2
I.	Merchandise and service revenue	696 431	621 826
II.	Merchandise revenue	4 296	1 058
A.	Production consumption	285 563	361 444
A.1.	Cost of merchandise sold	3 142	994
A.2.	Material and energy consumed	159 171	203 995
A.3.	Services	123 250	156 455
B.	Change in inventory from own activities (products)	85 881	- 12 035
C.	Activation (capitalized expenses)	- 18 631	- 7 077
D.	Personnel costs	196 416	177 042
D.1.	Wages and salaries	144 746	130 826
D.2.	Social security, health insurance and other expenses	51 670	46 216
D.2.1.	Social security and health insurance expenses	48 849	43 609
D.2.2.	Other expenses	2 821	2 607

E.	Valuation adjustments in operations	73 835	34 151
E.1.	Valuation adjustments to non-current tangible and intangible assets	28 329	31 132
E.1.1.	Valuation adjustments to non-current tangible and intangible assets - permanent	28 329	31 132
E.2.	Valuation adjustments to inventory	460	35
E.3.	Valuation adjustments to receivables	45 046	2 984
III.	Other operating income	9 152	42 779
III.1.	Revenue from the sale of non-current assets	922	1 706
III.2.	Revenue from the sale of material	127	51
III.3.	Other operating revenues	8 103	41 022
F.	Other operating expenses	23 336	59 861
F.1.	Carrying value of non-current assets sold	83	660
F.3.	Taxes and fees	924	4 108
F.4.	Provisions in operations and complex pre-paid expenses	13 738	4 445
F.5.	Other operating expenses	8 591	50 648
*	Operating income (+/-)	63 479	52 277
IV.	Revenue from non-current financial assets - equity interests		100
IV.1.	Revenue from equity interests - controlled or controlling entity		100
G.	Expenses expended on equity interests sold		207
VI.	Interest revenue and similar revenues		60
VI.1.	Interest revenue and similar revenues - controlled or controlling entity		60
I.	Adjustments to provisions in finances		- 207
J.	Interest expense and similar expenses	7 937	4 427
J.2.	Other interest expenses and similar expenses	7 937	4 427

VII.	Other financial revenues	5 159	20 594
K.	Other financial expenses	13 582	12 726
*	Financing net income (+/-)	- 16 360	3 601
**	Net income before taxes (+/-)	47 119	55 878
L.	Income taxes	15 724	14 350
L.1.	Income taxes payable	16 880	15 462
L.2.	Deferred income taxes (+/-)	- 1 156	- 1 112
**	Income after taxes (+/-)	31 395	41 528
***	Net income for the period (+/-)	31 395	41 528
*	Net turnover for the period = I. + II. + III. + IV. + V. + VI. + VII.	715 038	686 417

Date, hour, minute:
3th June 2019 at 11:30 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 7th June 2019

Ing. Jaroslav Scharf v.r.

Chairman of the Board



Ing. Vladislava Česáková v.r.

Member of the Board



