


2017

Annual report





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IDENTIFICATION DATA

Business Name

ZAT a. s.

Company Identification Number

45148431

Registered Office

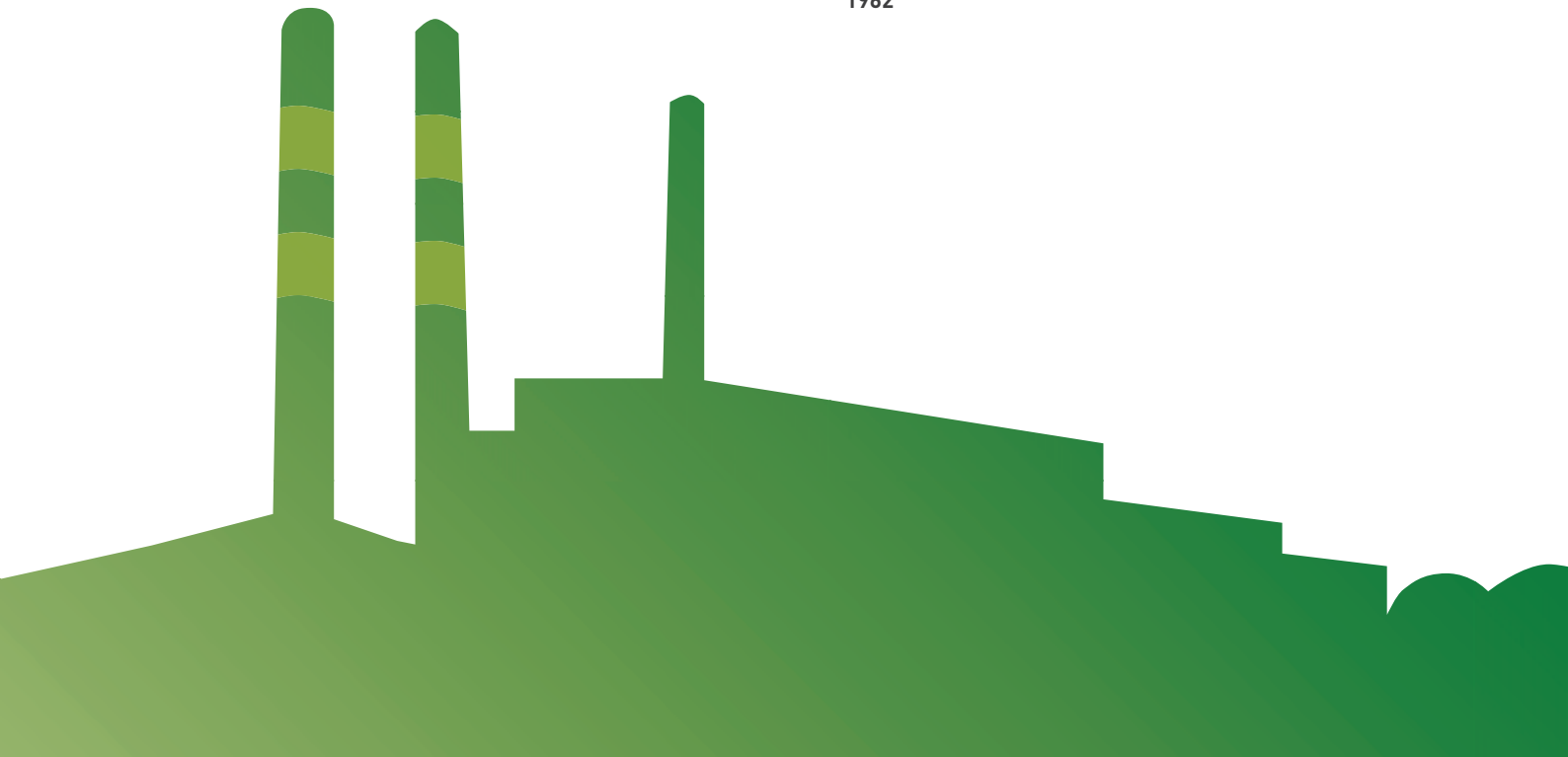
K Podlesí 541, 261 01 Příbram

Legal form

Joint Stock Company

Established

1962





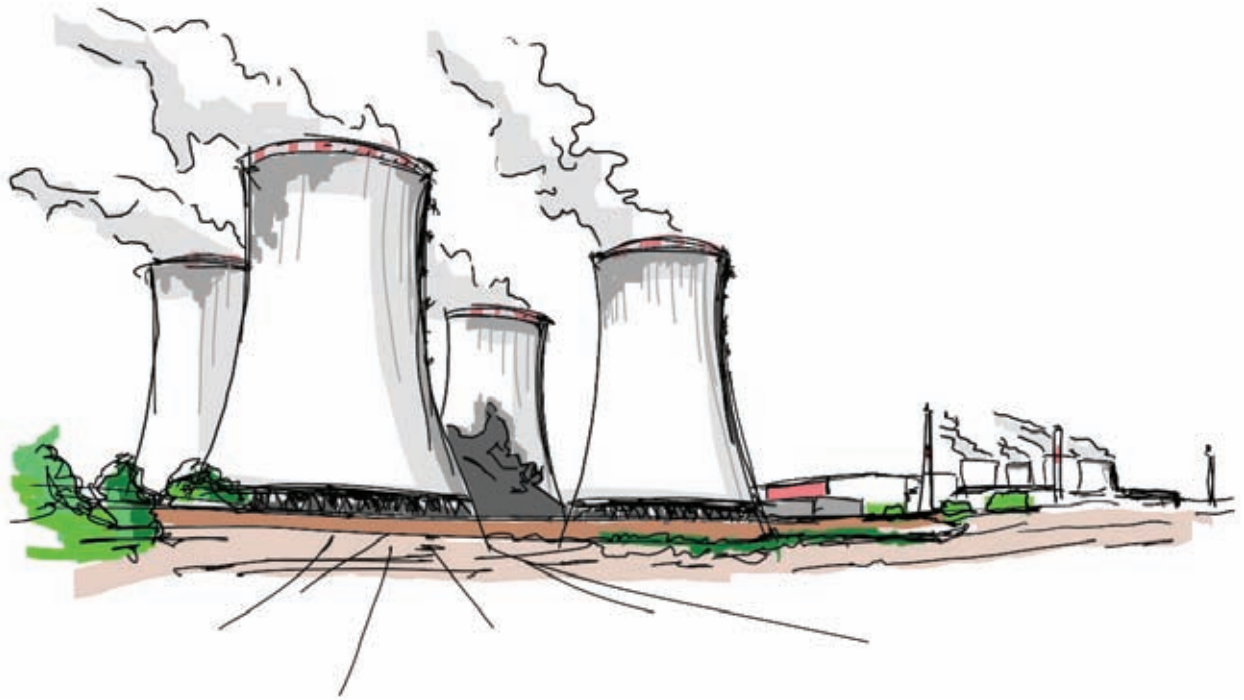
BOARD OF DIRECTORS INTRODUCTION

Dear business partners,

we are completing next year of ZAT activity again. 2017 was a milestone for us when we celebrated 55th anniversary of establishing our company. ZAT belongs to co-founders of the automation field and we are still at the top of development and production of control systems for power engineering and industry both at home and abroad. It is also thanks to continuous development and high investment in it. We purposefully enhance the field of cyber security, remote diagnostics and we aim at development of applications for Industry 4.0. As a reward for it there are increasing contracts in foreign countries, we keep penetrating new markets even at exotic destinations such as Indonesia, the Caribbean, Asia or Africa. We constantly strengthen our competences in the field of nuclear industry. We have won a new contract for a nuclear power plant in Armenia, there continue our supplies to nuclear power plants in Hungary, Slovakia, France and also in the Czech Republic. In the field of conventional power industry we successfully continue in supplies for Power Plant Melnik where in the course of last twenty years

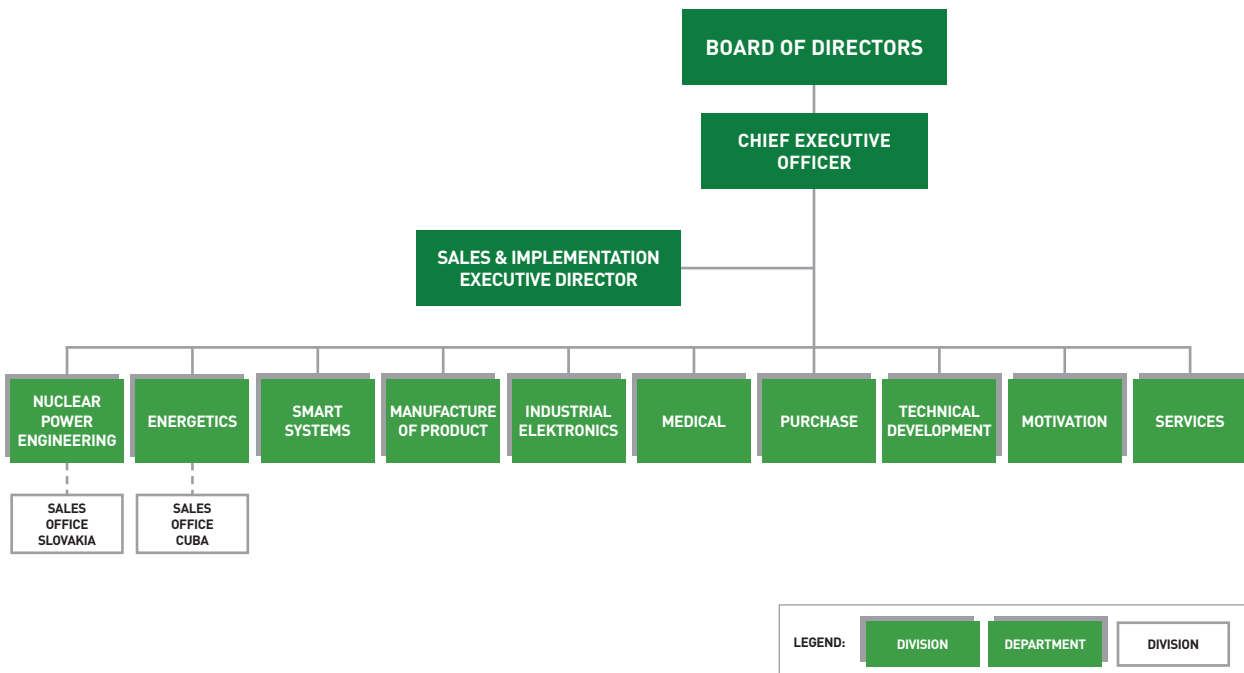
we have supplied control systems for most operated sets including control of units, we have enhanced our competences in hydropower engineering at Hydropower plant Lipno I, we succeed in applying our products on foreign markets. We also continue in supplies for České dráhy (Czech railway) in the field of gas industry too. We continuously invest in modernization of development, production and administration facilities and we would like to keep doing it in the following years. We get ready for development of 5th generation control systems already. We can assure you of the fact that we are well prepared for further 30 years of successful increase of our company. And we do believe that you will be with us then.

ZAT management



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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

Bohumil Maxa

Company Management

Vladislava Česáková – Executive Management Officer

Ivo Tichý – Sales and Implementation Executive Officer

Karel Stočes – Director of Nuclear Power Engineering Division

František Kural – Director of Power Engineering Division

Václav Janoch – Director of Smart Systems Division

Jiří Vopička – Director of Product Manufacturing Division

Bohumil Maxa – Director of Industrial Electronics Division

Alena Svátová – Director of Medical Division

Jakub Křesina – Director of Procurement Division

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



BOHUMIL MAXA

Director of Industrial
Electronics Division



KAREL STOČES

Director of Nuclear Power
Engineering Division



FRANTIŠEK KURAL

Director of Power
Engineering Division



VÁCLAV JANOCH

Director of Smart Systems Division



JIŘÍ VOPIČKA

Director of Product
Manufacturing Division



ALENA SVÁTOVÁ

Director of Medical Division



JAKUB KŘESINA

Director of Procurement Division



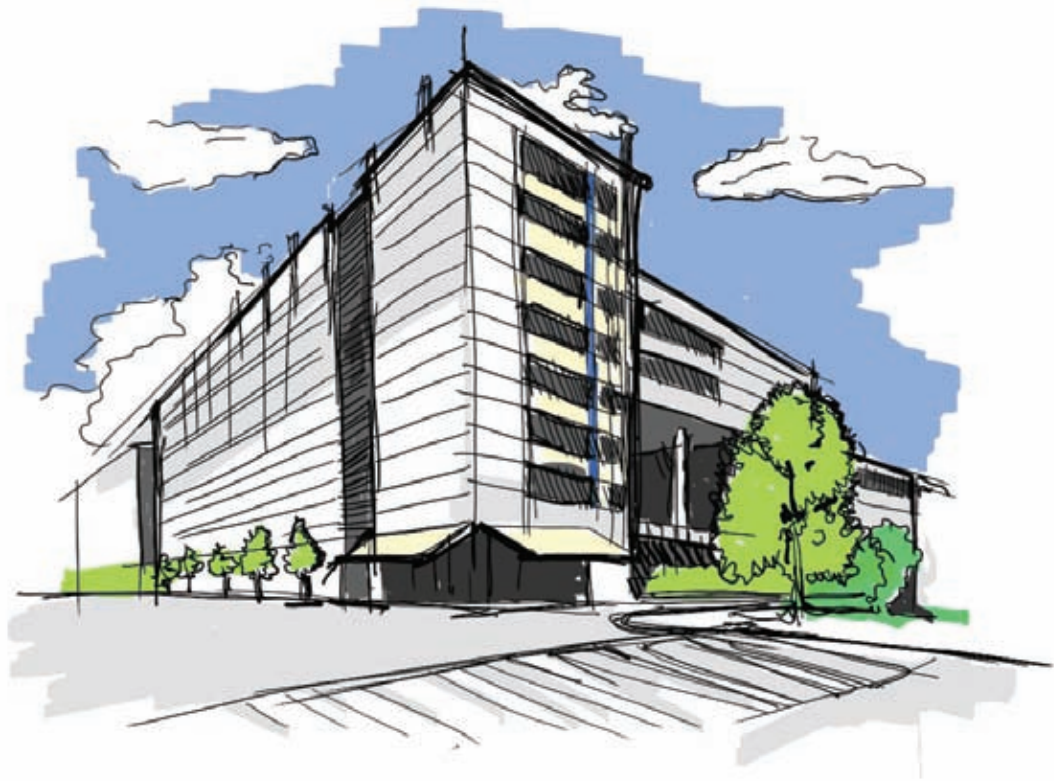
PAVEL KULÍK

Director of Technical
Development Department



IVANA BERGEROVÁ

Director of Services Department



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PERFORMANCE TRENDS, ACTIVITIES AND ECONOMIC SITUATION OF THE ACCOUNTING UNIT

ZAT a.s. is a stable and long-term supplier of complex automation solutions and products for the power industry and industrial processes; it is also a traditional manufacturer of industrial electronics and special medical devices.

Implementation times of power industry contract orders often exceed one year from the initial development phase until the completion and handover to the customer, and 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 622.884 thousand. Profit before tax reached CZK 41.528 thousand and EBITDA CZK 83.409 thousand.

Unfinished orders and orders that have not yet been invoiced are an important indicator reflecting the potential of the company future performance. This is an indication of a secure reserve of work and performance for the periods to come, as of 31st March 2018 the value reached CZK 883 mil.

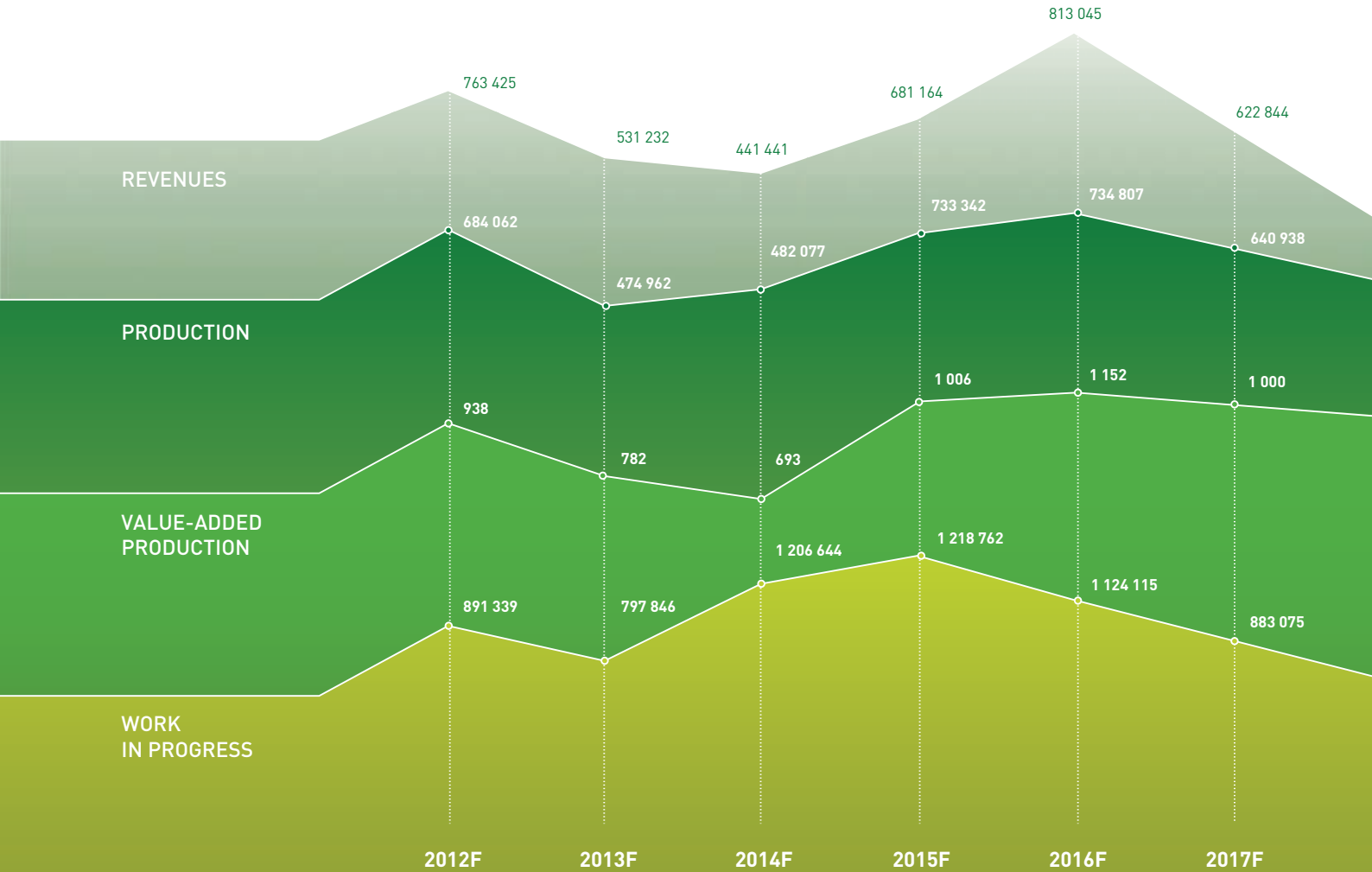
Due to the uneven distribution of revenues and costs resulting from the nature of contract orders, the company makes use of short-term bank loans including revolving loans as well as purpose-related loans to fund new major contracts. The company also makes use of long-term investment loans, in order to provide for its further development.

Company ZAT still more and more focuses on foreign markets, which also causes trading in foreign currencies, mainly in EUR. 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 2018, the registered capital of the company was CZK 215 000 thousand and equity CZK 426.508 thousand. The value of assets reached CZK 910.952 thousand at the end of the fiscal year 2017.

The most important business results delivered by the company in FY2017 are shown in the graph below along with results for the previous years to allow for comparison.

MAIN INDICATORS IN thousands CZK



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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 2017.

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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 Přebram, 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

In fiscal year 2017 our company continued in development of control system SandRA Z100 intended for realization of safety functions in nuclear power plants. It is the development of systems for reactors type VVER1200 but also special components for rod position control at nuclear power plant Metsamor in Armenia.

In accordance with up to date trends and clients' requirements high attention was also paid to cyber security of control system SandRA. In the Z200 control stations there has been implemented a tool Open VPN, thanks to which the equipment in network communicate through a coded protocol. Implementation of the protocol according to standard IEC 60870-5-104 belongs to the field of communication too. Last year the company set it up as a part of control system SandRA at hydropower plant Lipno I. Engineering tools for administration and designing of control system have been increased by a, from the application point of view independent system administration and visualisation of diagnostic incidents. The application called Hardware configurator also enhances quality of ZAT projects and is used mainly by designers for creating primary set of the control system stations.

A new opportunity for increasing the ZAT supply portfolio is represented by so-called SMART systems and internet of things (IoT). Therefore last year we also paid attention to mastering of these technologies and their use for data measuring and collection. They were mainly wireless transmission networks type LoRa, Sigfox, IQRF but also software for interpretation processing and visualisation of the data received this way. IoT together with increase of cyber security rank among significant topics that we will pay attention to in the following years.

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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 2017, the company had 350 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 340 in the fiscal year 2018.

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.



www.zat.cz