

Full rating report

4 April 2022

EuroRating assigned 'A-' long-term issuer credit rating to the company ZKL Invest Ltd

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the company
Name of the rated entity	ZKL Invest Ltd (United Kingdom)
Type of the rated entity	corporation
Type of the credit rating	long-term, international scale
Date of rating assignment	4 April 2022
Rating level	A-
Rating outlook	stable

Key rating drivers

Positive:

Very conservative and safe financing: The liabilities and equity of ZKL Invest's balance sheet in the recent years consisted almost entirely of equity. The company did not have any interest-bearing liabilities.

High quality and liquidity of assets: The company's assets (total of £16.7 million) consist almost entirely of German treasury bonds (ie. issued by a country which can be assessed as financially very reliable), which can be sold on the market at any time, in case a payment of sureties would be required. The remaining ca. 2% of the total assets is cash.

Current low exposure to risk of granted sureties: The relation of the value of the portfolio of active sureties to the company equity (the actual capital multiplier) as of January 2022 was on a low and very safe level 0,63x.

Moderate potential capital multiplier: After including also surety bonds with the current "undertaking to issue" status (ie. which can be granted in the next months), the value of the potential capital multiplier would increase to 1,45x. According to EuroRating such level of the capital multiplier would still be moderate and relatively safe.

Additional security of granted sureties: ZKL Invest in most cases requires from its clients an additional collateral of the sureties granted, in a form of bank checks, ownership titles to assets and buildings, personal guarantees by shareholders, as well as a percentage of the surety value in the form of bank deposit. That measures can potentially limit the risk of losses on sureties.

Positive financial results: In the recent two financial years the company generated positive financial results, which in addition in the last year (2021/2022) increased significantly. The source of the generated profits are both sales income and financial income (interest on treasury bonds held).

Company managed by the owner: ZKL Invest is a family company. It is owned by Mr Agostino Raffaele Luongo, who is also the CEO of the company. The potential conflict of interest between owners and management does not exist.

Qualified management: The company is managed mostly by the Luongo family members, who are also qualified professionals. Mr Agostino Luongo (CEO) holds a PhD and an MBA and is a chartered accountant and chartered auditor. Mrs Anna Maria Calcagni (CFO) is a chartered accountant and chartered auditor. Mrs Valentina Luongo (CLO) is a p. lawyer and in charge to be a criminal judge. Mr Giuseppe Luongo (COO and CTO), is a graduate in economy and finance.

Long experience in tender guarantees market: Mr Agostino Luongo – the company's director – has 25 years of experience in the tender guarantees market, on which ZKL Invest operates. Additionally, the company serves a limited number of companies in the construction industry. These companies are well known to the company's management, which should further reduce credit risk.

No payment of sureties: According to the company's director, all surety bonds are issued only to companies that have been known to the company's management board for years, which have not recorded any financial losses in recent years and to which there was no payments by surety providers.

Negative:

Increased concentration of sureties portfolio: 3/4 of the granted sureties are issued for the benefit of only two entities. The largest single surety has a share of 17% in the whole sureties portfolio and it is the equivalent of 10% of the company's equity. EuroRating assesses the ZKL Invest's exposures to the risk of the largest sureties as increased. However, there are only three sureties which exceed the equivalent of 5% of the company's equity. Therefore, the overall sureties concentration can be assessed as moderate.

Risk of a loss of the treasury bonds value: As the company's assets are almost entirely long-term (maturity term in 2034) fixed rate German treasury bonds, in case of a significant increase of the interest rates by ECB, the current market value of the bonds may decline.

Short history of operations: Although the company exist since 2017, it conducts operating activities in the field of sureties granting only for two years.

Lack of formal internal procedures: ZKL Invest does not have any formal procedures describing the selection of customers and conditions of granting sureties.

Unaudited financial statements: The company is entitled to exemption from audit of its annual financial statements under section 477 of the Companies Act 2006 relating to small companies. The lack of an external independent financial audit however increases the uncertainty as to the correctness of the company's accounting records, in particular taking into account the fact that the accounting is kept by an external entity.

Strong competition: The company has to compete for customers with much larger banks and insurance companies. In reality it usually means that banks and insurance companies grant sureties to large, stable construction companies, and small sureties providers cooperate with smaller contractors, which can be characterised by a greater credit risk.

Stable rating outlook

The stable outlook attributed to the assigned credit rating means, that according to current estimates of the EuroRating credit rating agency the rating should most likely remain unchanged in the horizon of the next 12 months.

Factors that could lead to a rating change

Positive:

- maintaining a relatively low relation of sureties granted to equity (capital multiplier);
- greater customer diversification;
- further growth of sale revenues and net profit;
- increase of the company's equity value;
- longer history of successful operations;
- introduction of internal procedures describing the methods of selection of new clients and granting sureties.

Negative:

- a large increase of the relation of sureties to equity (the capital multiplier higher than the currently expected potential multiplier of 1,5x);
- generating net losses;
- payment of significant sureties and a decrease in equity;
- increasing the concentration of the customer's portfolio
- granting larger than the current ones biggest single sureties
- significant decline in the value of assets (ie. bonds, eg. as a result of interest rates increase).

Company profile

Registration data

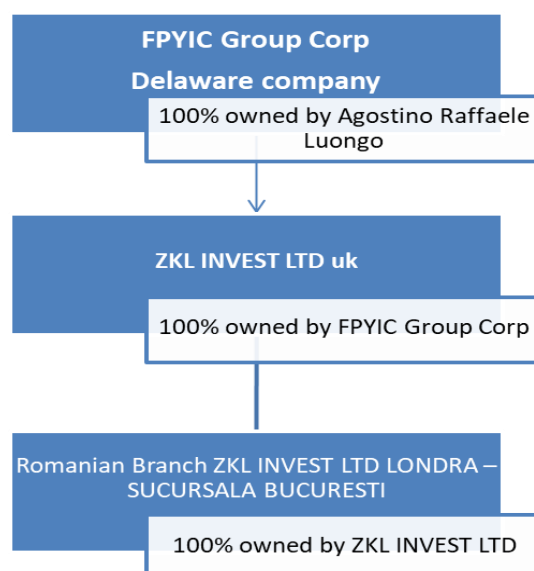
Company name: ZKL Invest Ltd. **Registered office:** 20-22 Wenlock Road, London, N1 7GU England.

Company registration number: 10894612. **Tax Reference Number:** 2461027930, **LEI code:** 635400PKHMKEUZMQE865.

ZKL Invest shareholder structure

ZKL Invest Ltd is wholly owned by FPYIC Group Corp (incorporated in January 2021; registered in Delaware, USA; company registration number: 4784542), whose sole owner and director is Mr. Agostino Raffaele Luongo.

Chart 1. ZKL Invest shareholder structure scheme



Source: ZKL Invest

Company management

- **Agostino Raffaele Luongo (CEO) PhD and MBA**, chartered accountant and chartered auditor;
- **Anna Maria Calcagni (CFO)**, chartered accountant and chartered auditor;
- **Valentina Luongo (CLO)**, p. lawyer and in charge to be a criminal judge;
- **Giuseppe Luongo (COO and CTO)**, graduate in economy and finance.

Business activity

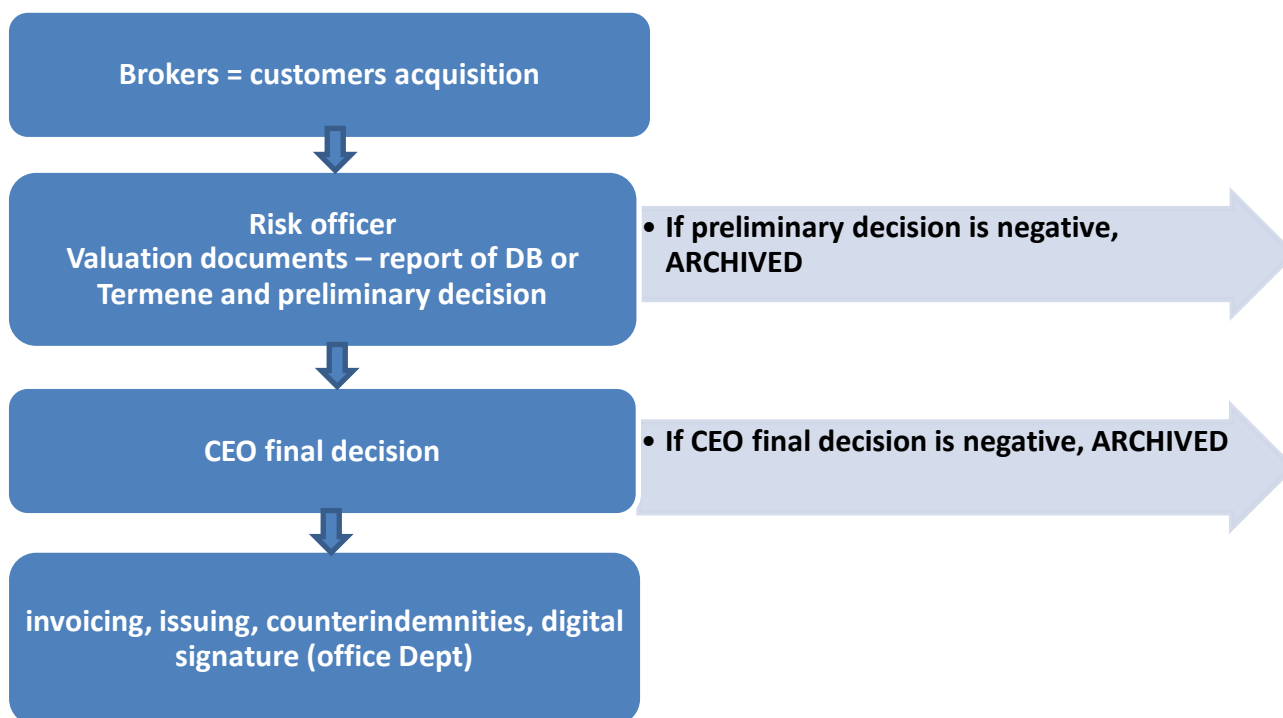
ZKL Invest Ltd was incorporated on August 2017 to provide its clients with specialist insurance service. The company is a bond specialist, regulated by the Financial Conduct Authority, arranging bonds and guarantees for all types of industries, with an emphasis on tender guarantee market in construction industry.

ZKL Invest is a family company, whose success is being built on understanding client's businesses and the sectors they operate in. The company has developed excellent relationships with its clients, and thus can offer the best risk solutions for them. ZKL Invest currently works with a limited number of companies in the construction sector, which enables better knowledge of these companies and thus reduces credit risk.

The company offers both bonds guarantee and letter of credit. The offer includes:

- performance bond
- bid bond
- advance payment bond
- retention bond
- development / infrastructure bond
- stand by letter of credit
- cargo and good in transit bond.

Chart 2. ZKL Invest business process scheme



Source: ZKL Invest

The security of the sureties granted by ZKL is assured by the company's liquid and high quality assets. Currently they consist almost entirely of German treasury bonds (maturity date 04/07/2034; issuance currency: EUR; coupon: 4.75%; ISIN code: DE0001135226; listed on the Frankfurt stock exchange), as of the end of January 2021 worth an equivalent of over £16 million.

Financial analysis

Until 2019 the company's financial year was ending on in August. Since September 2019 the end of the financial year was changed to 31 January (the transition financial year covered the period 01/09/2019-31/01/2021).

Profit and loss account

Chart 3. ZKL Invest – consolidated sales income and financial results (in £ thousand)

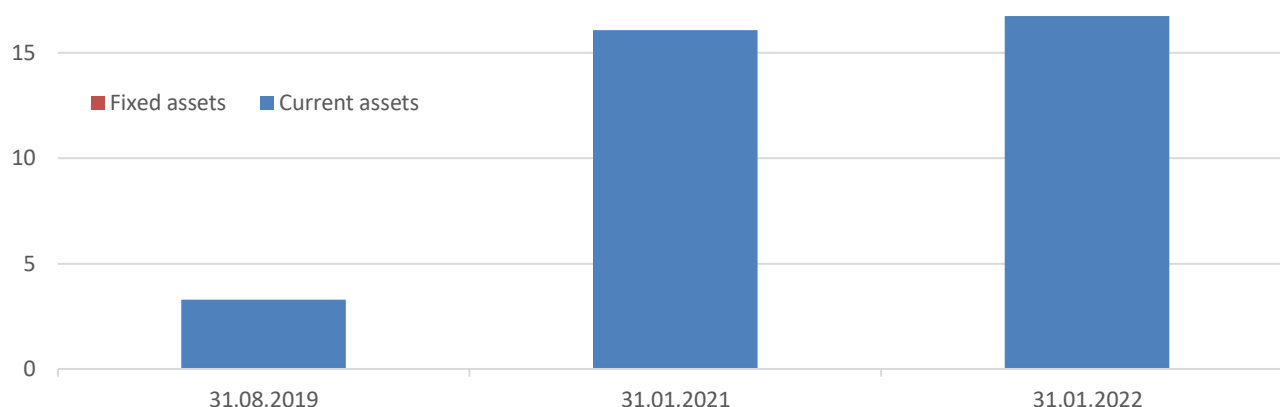


Source: ZKL Invest

Although ZKL Invest was incorporated in August 2017, the company didn't generated any revenues until the financial year 2019/2021. In that period the income on sale amounted to £94 thousand. Costs of sales were relatively low compared to the income on sale, resulting in a gross profit on sales of £77 thousand. During the above mentioned period, the company recorded administrative expenses of £49 thousand, which consisted primarily of directors' salaries and other legal and professional costs.

In the financial year 2021/2022 income on sale increased to £680 thousand. At the same time, costs of sales only increased by £47 thousand, which turned into a significant increase in gross profit on sales. Administrative expenses increased to £303 thousand, which was largely due to the increase of cost of management fees and salaries. In the financial year 2021/2022 the company recorded financial income from interest on bonds in the amount of £527 thousand, which contributed significantly to the increase in net profit to £777 thousand.

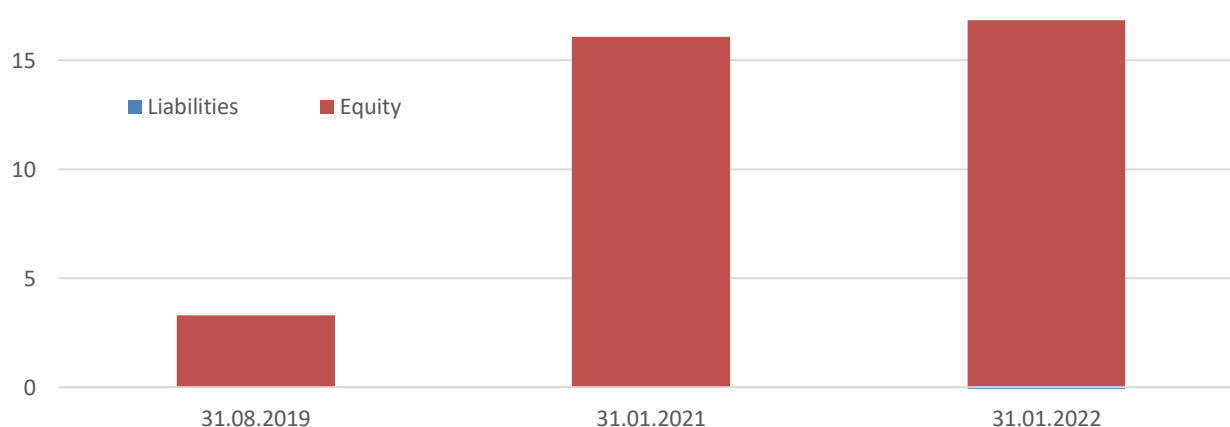
EuroRating positively assesses the significant increase in income on sale, as well as relatively low costs of sales. The agency also positively assesses the relatively high financial income on interest from treasury bonds held by the company from the end of the financial year 2019/2021. However, EuroRating points out that the company has been operationally active for only two financial years and therefore any trend of changes in revenues and results over the long term cannot be assessed.

Balance sheet – assets**Chart 4. ZKL Invest – consolidated balance sheet assets (in £ million)**

Source: ZKL Invest

The total assets increased between 31.08.2019 and 31.01.2022 from £3.3 million to 16.8 million. Over 98% of total assets as of the end of January 2022 was "other debtors" item of current assets, which consisted almost entirely of German treasury bonds. Despite the fact, that these bonds have a distant maturity term (2034), the company recognizes them as short-term assets, because they can be sold on the market at any time, in case a payment of sureties would be required. The remaining ca. 2% of the total assets is cash.

EuroRating assesses the structure, quality and liquidity of the ZKL Invest's assets in the balance sheet very positively, especially taking into consideration the type of the company's activities.

Balance sheet – liabilities**Chart 5. ZKL Invest – consolidated balance sheet liabilities (in £ millions)**

Source: ZKL Invest

The liabilities and equity of ZKL Invest's balance sheet in the recent years consisted almost entirely of equity. The company did not have any interest-bearing liabilities.

The ZKL Invest's share capital was substantially increased (from £3.3 million to over £16 million) at the end of the financial year 2019/2021, by a contribution of the sole shareholder in the form of German treasury bonds.

EuroRating assesses the company's balance sheet liabilities structure as very conservative and safe. However, it should be noted that in case of surety funds a very important part of the overall credit risk assessment is also an analysis of the off-balance sheet liabilities (see below in the report).

Ratio analysis

Profitability

Table 1. ZKL Invest – performance & margin ratios

Performance & margin ratios	01.09.2019- 31.01.2021	01.02.2021- 31.01.2022
Gross profit on sales margin	81.5%	90.6%
EBIT margin	29.6%	45.9%
Net margin	23.8%	66.2%
Return on assets (ROA)	0.2%	4.7%
Return on equity (ROE)	0.2%	4.7%

Source: EuroRating

ZKL Invest in the last two financial years had a very high gross profit on sales margin. It's worth to note, that this margin even increased further in the last financial year, when the sale revenues increased over six times. The same concerns the EBIT margin.

The net margin in the financial year 2020/2021 exceeded the EBIT margin, due to the additional relatively high financial income (interest receivables on bonds).

EuroRating assesses very positively the generally very high margins on all levels of profit and loss. However, it should be noted that so far they don't include any possible cost of credit risk connected with the sureties granted by ZKL Invest (which can occur only periodically, but in a potential large amounts).

Due to the fact that the company's equity almost equals to the value of total assets, the ROA and ROE ratios have identical values. In the financial year 2019/2021 both ROA and ROE were very low (although still positive). Nevertheless, in the next financial year (2021/2022) they increased to moderate levels.

Financing

Table 2. ZKL Invest – financing ratios

Financing	31.08.2019	31.01.2021	31.01.2022
Equity / Balance sheet total	1.0	1.0	1.0
Liabilities / Balance sheet total	0.0	0.0	0.0
Long term financing / Balance sheet total	1.0	1.0	1.0

Source: EuroRating

ZKL Invest finances its assets entirely by shareholder's equity (the company doesn't have any financial debt). Therefore the equity / balance sheet total ratio equals 1.0 and the relation of liabilities to the balance sheet total is at zero level. Consequently, the share of long term capital (equity and long term liabilities) in the balance sheet total equals 1.0.

Such financing policy should be assessed as very conservative and safe. However, it should be noted, that it is rather typical for surety funds, whose overall credit risk is heavily influenced by off-balance sheet liabilities. Nevertheless, EuroRating assesses the ZKL Invest's financing ratios very positively.

Liquidity

ZKL Invest either had no current liabilities or their values were insignificant. As the company's assets consist almost entirely of current assets, all the liquidity ratios are constantly at extremely high levels. That is also typical for surety funds, as they usually keep large amounts of cash and cash equivalents, which – in case if needed – can cover the potential liabilities that can arise in the future in connection with the sureties granted.

EuroRating assesses the liquidity position of ZKL Invest as very good, however with the proviso that it is assumed that the German treasury bonds held by the company are treated as a very liquid financial instruments and they may be sold at any time in the required amount.

Off-balance sheet data analysis

Exposure to the risk of granted sureties / Capital multiplier

The sureties granted by ZKL Invest are recognized as off-balance sheet liabilities. Granting credit guarantees involves the risk of making subsequent payments by the company providing the surety due to borrowers' failure to meet their obligations. Hence, the scale of the company's guarantee activity (measured by the size of the active surety portfolio) in relation to the value of the company's equity is one of the most important parameters determining the overall credit risk connected with the surety activities. This relation is called the capital multiplier. The higher the multiplier value, the higher the potential risk of a significant loss on the company's equity.

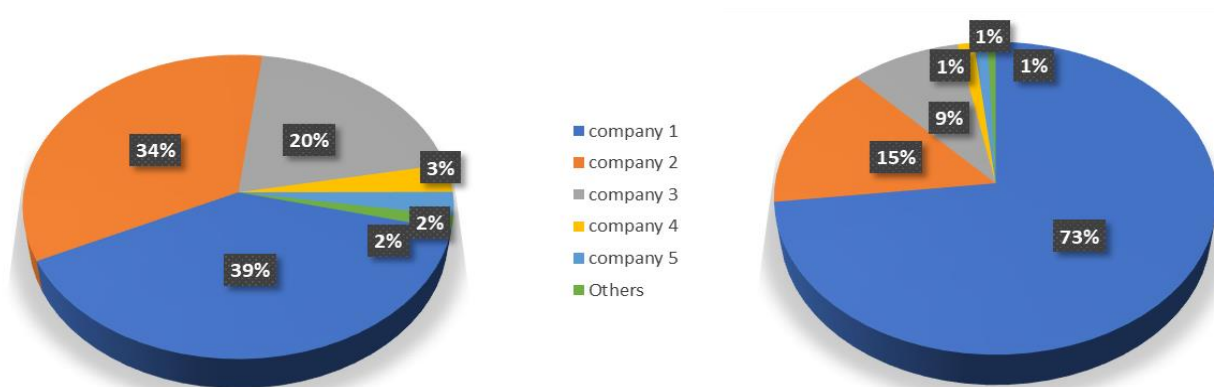
When analysing ZKL Invest, EuroRating takes into account two values of the multiplier: the actual multiplier and a potential multiplier. The actual multiplier is a relation of the total value of the

guarantee bonds that have been already granted (as of 31 January 2022 it was €12.1 million) to the company's equity (£16.8 million = approximately €19.1 million). The value of the actual multiplier is 0,63x. According to the rating methodology applied by EuroRating for credit risk assessment of surety funds, the current value of the actual multiplier is very low and safe, because the value of all active sureties granted so far is much lower than the company's equity.

For calculating the potential multiplier EuroRating takes into account the value of the guarantee bonds that have been already granted (€12.1 million), as well as bonds with "undertaking to issue" status (€15.5 million), because their status may change in the coming months to "granted". The value of the potential multiplier is 1,45 (€27.6 million/€19.1 million). According to the agency, such value of the capital multiplier would be still moderate and relatively safe. The company would still be able to secure approximately 70% of liabilities with its equity (it should be emphasized that any potential payments would possibly concern only a small part of granted sureties).

Analysis of bonds and guarantees structure

Chart 6. ZKL Invest - share of sureties for individual companies



Source: ZKL Invest, EuroRating

ZKL Invest as of the end of January 2022 was providing sureties to nine companies. The value of all granted guarantees was €12.1 million, of which the value of guarantees for the two largest companies amounted to €8.9 million (73% of the total sureties portfolio). The share of the largest client accounted for as much as 39% of the portfolio.

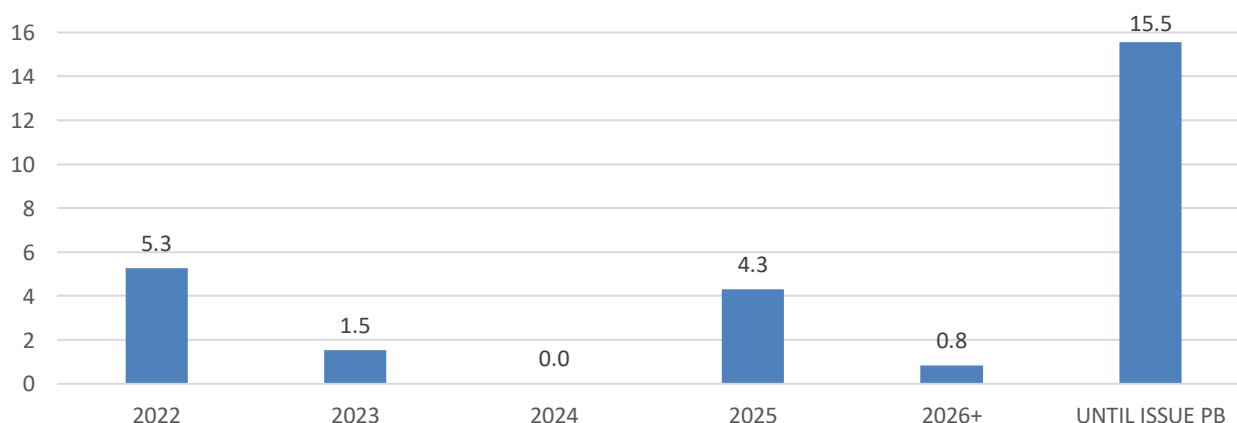
After including bonds with "undertaking to issue" status, the two largest companies account for almost 90% of all guarantees and the share of the largest accounts for 73%. In case if all the potential sureties would be actually granted in the coming months, the level of sureties portfolio concentration would be assessed by EuroRating as excessive, what would increase the overall risk level of the sureties portfolio.

The biggest surety beneficiary is among the top five Italian general contractors by size. It is a consortium of 100 construction companies with a total of 600 million euro of works carried out in 2019-2020 as aggregate income on sale. This company operates on the whole Italian territory and has over 30 years of experience in construction, property renovation, infrastructure and management of public and private facilities. The company is organised on two levels. Level 1 is a central structure of directional and managerial coordination, which also carries out activities on behalf of the commercial network. Level 2 is a production structure, made up of highly specialized companies and medium-small companies, whose activities complement each other. In 2021 that company generated revenues of €8 million with a significant profit for the period.

The second biggest surety beneficiary was created in 2009; the company's core business has been focused on research and distribution of systems and solutions for monitoring and treatment of chronic diseases such as diabetes. Their research seeks the highest quality and innovative standards. In this company has become a national distributor exclusive agent for a large Swiss multinational company that markets products and solutions for the monitoring of diabetes and arterial hypertension all over the world. The company has 4% market share on products related to blood glucose monitoring in Italy.

EuroRating does not have access to the latest financial data of the above companies and evaluation of both entities was based on general information available on their official websites and data delivered from ZKL Invest. The agency also has achieved information from the owner of ZKL Invest, that he has issued in the past over hundred guarantee bonds to the beneficial owner of the first above mentioned capital group, with zero claims. In case of the second biggest client, the company has also counter guarantees by the CEO (as individual), by the Suisse company and other shareholders. EuroRating was informed that this company has never had a claim in the past too.

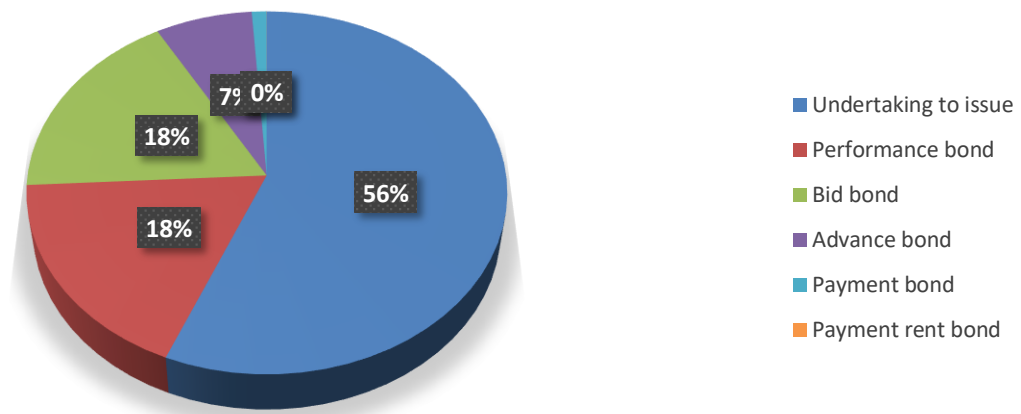
Chart 7. ZKL Invest – maturity of sureties



Source: ZKL Invest, EuroRating

The €5.3 million (19%) of all the guarantee bonds (together with the potential ones) will mature in 2022 and a total of €5.8 million (21%) of the bonds are expected to mature over the next three years (2023-2025). The maturity of over a half of all the guarantee bonds is unknown yet, as bonds of a value of €15,5 million have the status "until issue performance bond", which means that they are not issued yet but only available to issue (ZKL Invest will only give a guarantee if the client wins a tender).

Chart 8. ZKL Invest – type of sureties issued



Source: ZKL Invest, EuroRating

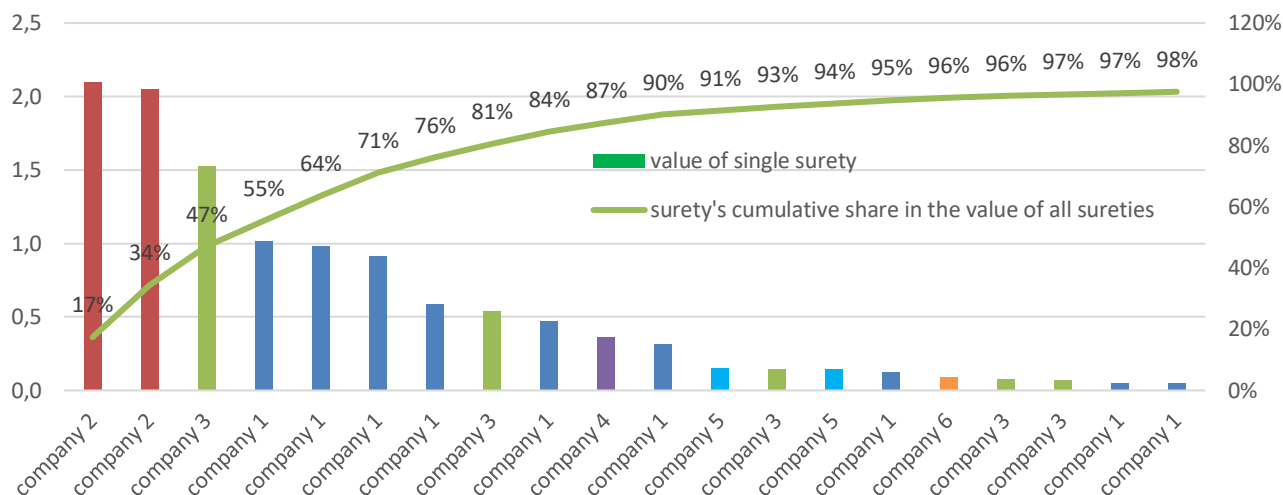
The company mainly provides guarantees in the form of performance bonds and bid bonds, as well as in the form of advance bonds.

Performance bonds and bid bonds are types of bonds that are used primarily in the construction industry. These bonds protect the owner from financial loss in the event when the contractor fails to fulfil the terms and conditions of his contract. The compensation from the bonds should enable the client to overcome difficulties that have been caused by non-performance of the contractor.

Advance payment bonds are also used very often for construction contracts and it is a guarantee given when the money is paid before goods or services are supplied.

When analysing the type of bonds, it should be taken into account that although the company grants mainly three types of sureties, they usually concern one sector.

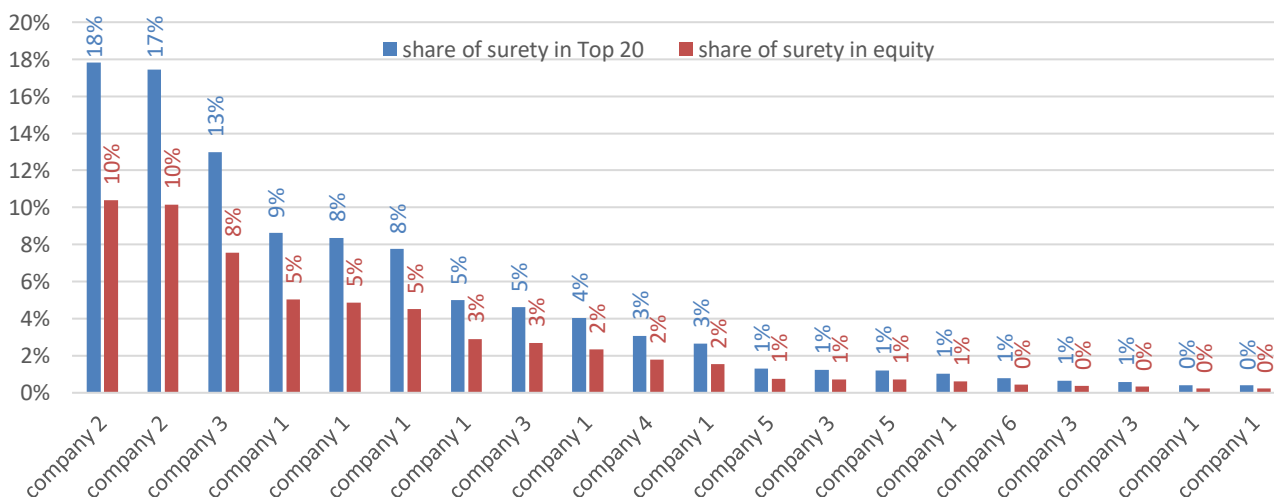
Chart 9. ZKL Invest – value of the largest sureties



Source: ZKL Invest, EuroRating

The total value of the 20 largest active sureties amounts to €11.8 million, which represents almost 98% of the total value of all active sureties granted by ZKL Invest. The largest company 2 account represents almost 38% of the total 20 largest sureties. However, when assessing the credit risk for this entity, EuroRating takes into account that company 2 is a consortium, which consists of approximately 100 smaller independent companies that work on projects for different clients, which significantly reduces the probability of insolvency for the entire company.

Chart 10. ZKL Invest – largest single sureties in relation to total portfolio and to equity value



Source: ZKL Invest, EuroRating

The largest single surety has a share of 17% in the whole sureties portfolio and it is the equivalent of 10% of the company's equity. EuroRating assesses the ZKL Invest's exposures to the risk of the largest sureties as increased. However, there are only three sureties which exceed the equivalent of 5% of the company's equity. Therefore, the overall sureties concentration can be assessed as moderate.

Market / industry

The sureties market is aligned with construction spending cycles as well as the overall economy. Contractor surety markets have continued to show strong results throughout the Covid-19 pandemic, primarily due to the construction industry's designated "essential" status.

Both public and private owners continue to pass significant risks to general contractors (who then transfer them to their subs, when applicable). These risks may include consequential damages, right of way/permitting acquisitions, delays out of the contractor's control (such as those related to an unforeseen pandemic or war), unknown site conditions and payment risk associated with change orders. Contractors and surety providers often seek to work together in order to negotiate more favourable terms by engaging early in the procurement phase. This is especially true in light of rising contract values and longer project durations.

Risk factors connected with the sureties market

Fraudulent bond call: ZKL Invest should take immediate steps to obtain any evidence they might need in the event that their bond call is challenged. Beneficiaries should be required, when making a call, to specify what breach has been made by the contractor and the grounds upon which they are making a call. If the call is challenged, evidence should be provided to show that the call was not fraudulent, beneficiaries should know what evidence they need to support their claim.

Wrong estimate of profits: A contractor's financials are largely based on its own estimates of future cost and profit. This can lead to an underestimation of costs, which will result in a financial loss for the project. A surety underwriter must also trust that the contractor is providing him with correct information – not just financial, but also job, management and continuity information. A surety underwriter must be able to rely on the contractor's word that jobs will only be bid within the contractor's expertise and capacity.

Significant differences between contractors: No two contractors and no two construction jobs are alike, and the surety team must be committed to creating solutions that are tailored to meet the demands of every different company and building project. This means that the team members must be very experienced in this type of analysis and the probability of underestimating the risk is quite high.

Table 3. ZKL Invest – income statement

(in £'000)	01.09.2019 - 31.01.2021	01.02.2021 - 31.01.2022
Sale revenues	94.2	680.0
Cost of sales	17.4	64.2
Gross profit	76.8	615.8
Administrative expenses	48.9	303.4
Wages and salaries	0.0	50.4
Directors' salaries	26.8	0.0
Management fees	0.0	120.3
Other legal and professional	14.2	51.7
Travel and subsistence	0.6	13.3
Entertaining	1.1	31.2
Other administrative expenses	6.3	36.4
Operating profit	27.9	312.4
Interest receivable	0.0	526.9
Profit on ordinary activities before taxation	27.9	839.3
Tax on profit on ordinary activities	-5.5	-62.7
Profit for the period	22.4	776.7
Retained earnings at the start of the year	-	22.4
Profit for the financial year	22.4	776.7
Retained earnings at the end of the year	22.4	799.1

Source: ZKL Invest

Table 4. ZKL Invest – balance sheet (assets)

(in £'000)	31.08.2019	31.01.2021	31.01.2022
Tangible assets	-	-	13.8
Total fixed assets	-	-	13.8
Debtors	3,300.0	15,976.5	16,446.6
Cash at bank and in hand	-	92.1	290.7
Total current assets	3,300.0	16,068.5	16,737.3
Total assets	3,300.0	16,068.5	16,751.1

Source: ZKL Invest

Table 5. ZKL Invest – balance sheet (liabilities)

(in £'000)	31.08.2019	31.01.2021	31.01.2022
Long term liabilities	-	-	-
Current liabilities	-	6.1	-88.0
Taxes and social security	-	5.5	68.2
Loans from directors	-	-	-156.5
Accruals	-	0.6	0.3
Total liabilities	0.0	6,1	-88,0
Capital and reserves			
Called up share capital	3,300.0	16,040.0	16,040.0
Profit and loss account	-	22.4	799.1
Shareholders' equity	3,300.0	16,062.4	16,839.1
Total liabilities and equity	3,300.0	16,068.5	16,751.1

Source: ZKL Invest

Rating scale applied by the EuroRating credit rating agency

Rating	Risk description
AAA	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
AA+ AA AA-	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
A+ A A-	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
BBB+ BBB BBB-	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
BB+ BB BB-	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
B+ B B-	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
CCC CC C	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
D	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external support the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: www.eurorating.com/en/ratings/rating-scale

Regulatory affairs

EuroRating Sp. z o.o. (with its registered office in Warsaw, Poland) is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). The credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA, without territorial or any other limitations.

Methodology

The presented credit rating for the issuer assigned to the company ZKL Invest Ltd is a general assessment of the creditworthiness of the rated entity and it concerns the credit risk of its unsecured and unsubordinated financial liabilities – including in particular those resulting from sureties granted.

The methodology used for the credit risk assessment of surety funds is available on the EuroRating's website at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default rates of the EuroRating credit rating agency can be viewed in the rating performance report at: <http://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <http://www.eurorating.com/en/ratings/methodology/definition-of-default>

Solicitation, key sources and quality of information

The presented credit rating was solicited by the rated entity. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The rated entity and/or its agents has participated in the rating process by providing the agency documents, information and explanations concerning its economic and financial situation.

The main sources of information used in the rating process were (unaudited) financial statements of ZKL Invest Ltd, data concerning sureties granted (and to be granted) and other data, information and explanation provided by the rated company.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

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