

Full rating report

05 June 2023

## EuroRating affirms 'A-' long-term issuer credit rating assigned 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	05 June 2023
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 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 £17.2 million) consist almost entirely of German treasury bonds (i.e. issued by a country which can be assessed as financially very reliable), which can be sold on the market at any time, in case of a payment of sureties would be required.

**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 2023 was on a low and very safe level ca. 0.5x.

**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 three financial years, the company generated positive net results. The sources of the generated profits are both sales income and financial income (interest on treasury bonds held). The company has stable interest income from bonds that can cover the company's operating expenses.

**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.

**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 were no payments by surety providers.

**Good competitive position on Romanian market:** In November 2022 ZKL Invest Ltd opened a new company in Romania. National Bank in Romania as well as ASF (financial supervisory authority for insurance companies) have closed many local financial institutions that offered services competing with ZKL Invest Ltd, which may facilitate the company's entry into this market.

**Negative:**

**Increased concentration of sureties portfolio:** over 60% of the granted sureties are issued for the benefit of only two entities. The largest single surety has a share of 20% 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 exists since 2017, it conducts operating activities in the field of sureties granting only for three 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.

## 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;
- 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 granted to equity;
- 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 biggest single sureties
- significant decline in the value of assets (ie. bonds, eg. as a result of interest rates increase).

## Company profile

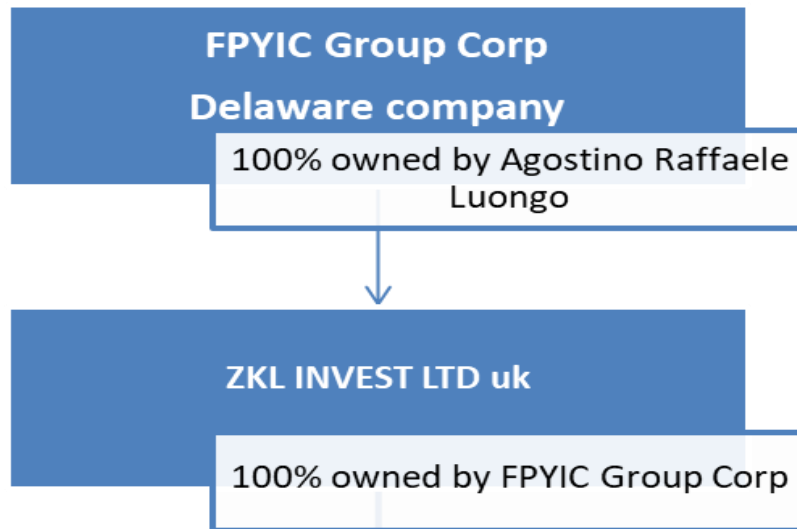
### *Registration data*

**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:** 635400PKHMKEUQM865.

### *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 is in course as criminal judge;
- **Giuseppe Luongo (COO and CTO)**, graduate in economy and finance, chartered accountant in practice.

### ***Business activity***

ZKL Invest Ltd was incorporated in 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.

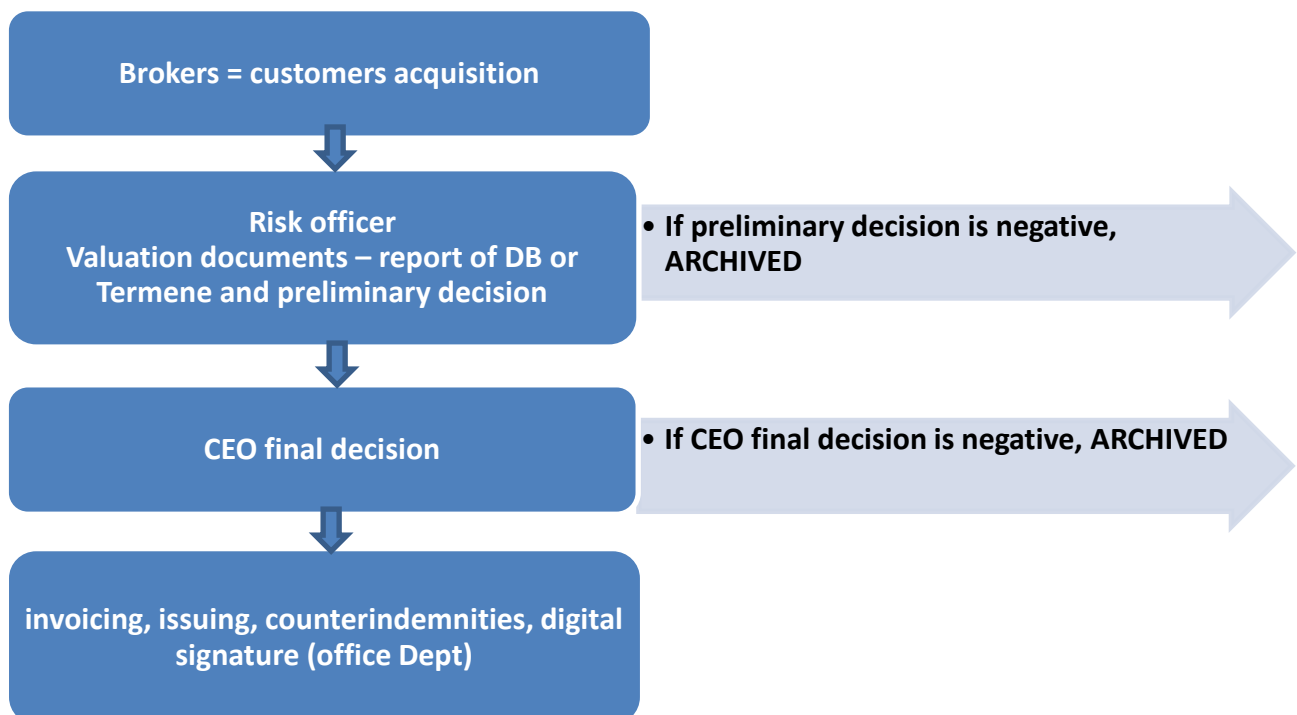
In November 2022 ZKL Invest Ltd opened a new company in Bucharest, which will manage only marketing side of the project. Romania at this moment is one of the biggest EU country for recovery and resilience plan and thousands of new tenders. ZKL Invest Ltd plans to enter the market based on previous relationships and build a new sales network.

Invest Ltd 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
- good execution bond
- good maintenance bond.

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. ZKL reports the value of the bonds based on facial value, which is €100 thousand. The bond value in May 2023 was more than 20% higher than the facial value. Conservative approach to bond valuation in EuroRating's opinion should be evaluated positively.

#### Chart 2. ZKL Invest business process scheme



Source: ZKL Invest

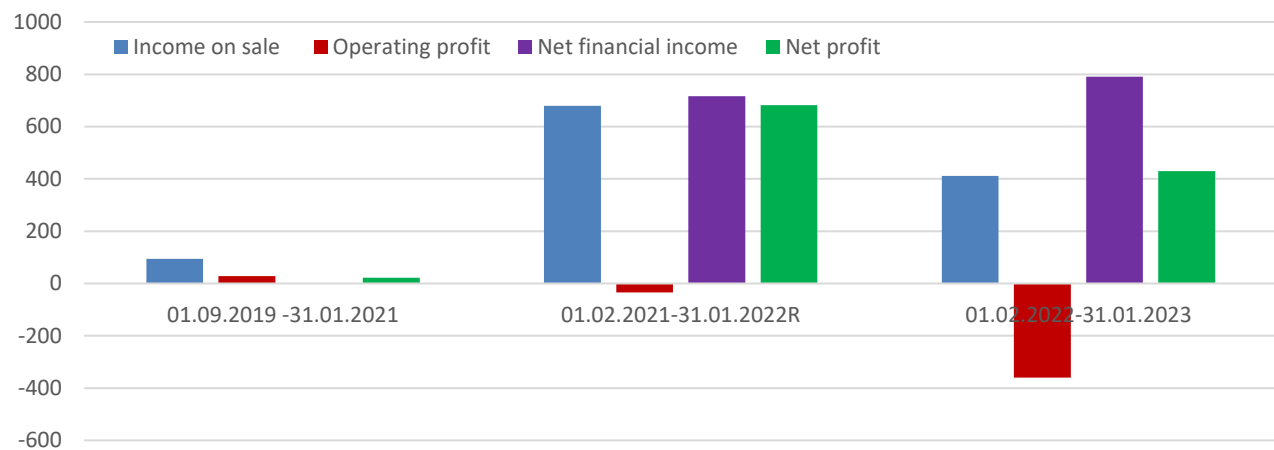
## Financial analysis

Until 2019 the company's financial year was ending in August. Since September 2019 the end of the financial year was changed to 31 January (the transition financial year covered the period 01/09/2019-31/01/2023).

The symbol R (restatement) next to the date means that it relates to restated data (taken from the financial statement of the next year due to significant differences), in order to maintain greater comparability.

## 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 generate any revenues until the financial year 2019/2021. In that period the income on sale amounted to £94 thousand. During this period, the company generated £66 thousand in administrative costs, which consisted primarily of directors' salaries and other legal and professional costs. In financial year 2019/2021 the company had no financial income or costs and net profit after deduction of tax amounted to £22 thousand.

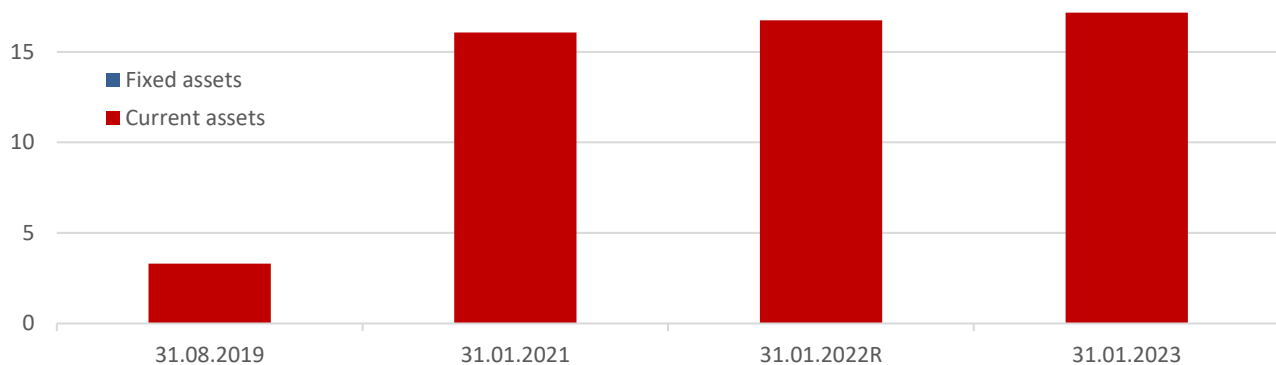
In the financial year 2021/2022 income on sales increased to £680 thousand. At the same time, administrative expenses increased to £714 thousand, which was largely due to the increase of cost in management fees and salaries, and other legal and professional costs. In the financial year 2021/2022 the company generated an operating loss of -£34 thousand. However, this financial year the company generated significant financial income, which consisted of interest on German treasury bonds, which resulted in an increase of the net profit to £680 thousand.

In the financial year 2022/2023 revenues fell to £411 thousand, despite the fact that the company began operations in the new Romanian market, ZKL ended cooperation with one of the biggest customers on the Italian market. Administrative expenses increased by 8% compared to the previous period (to £772 thousand). Significant decrease in revenues with rising costs resulted in an increase of operating loss to -£360 thousand. In the analysed period financial revenues amounted to almost £800 thousand and, as a result, the net profit amounted to £430 thousand.

EuroRating very positively assesses the company's revenues, despite their decline in the last financial year. A significant source of the company's revenue is the interest on German treasury bonds, which have been able to cover all operating costs of the company in the last two years. Interest income from bonds should be considered as very stable, the value of income guarantees that even with a small revenue from the main business, the company should not generate a net loss. The agency also positively assesses the fact, that the part of the interest is being reinvested in bonds.

### Balance sheet – assets

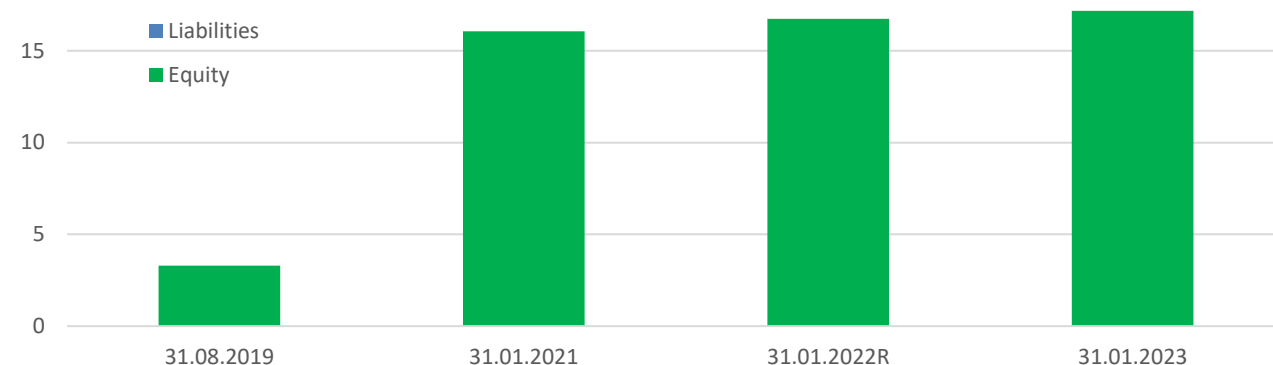
**Chart 4. ZKL Invest – consolidated balance sheet assets (in £ million)**



Source: ZKL Invest

The total assets increased between 31.08.2019 and 31.01.2023 from £3.3 million to £17.2 million. Over 99% of total assets as of the end of January 2023 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. 0.3% 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 recent years consisted almost entirely of equity. The company did not have any interest-bearing liabilities.

At the end of the financial year 2019/2021 the share capital of the company was substantially increased (from £3.3 million to over £16 million), by a contribution of the sole shareholder in the form of German treasury bonds. In the last 2 years the equity has increased slightly due to retained earnings of £704 thousand in 2021/2022 and £433 thousand in 2022/2023.

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	01.02.2022- 31.01.2023
EBIT margin	29.6%	-5.0%	-87.6%
Net margin	23.8%	48.7%	35.6%
Return on assets (ROA)	0.2%	4.2%	2.5%
Return on equity (ROE)	0.2%	4.2%	2.5%

Source: EuroRating

The EBIT margin has declined significantly in the past three years. In the financial year 2021/2022, the main reason for the decrease in EBIT margin was faster increase in administrative costs than the revenues. In the financial year 2022/2023 the increase in administrative costs was much smaller, but the company recorded a ca. 40% decrease in sales, which negatively affected the EBIT margin.



The net margin is constantly positive – thanks to the substantial financial income from the interest on German treasury bonds.

Since the assets are almost entirely financed by the equity, the ROA and ROE ratios are at the same, relatively low levels.

## Financing

**Table 2. ZKL Invest – financing ratios**

Financing	31.08.2019	31.01.2021	31.01.2022	31.01.2023
Equity / Balance sheet total	1.0	1.0	1.0	1.0
Liabilities / Balance sheet total	0.0	0.0	0.0	0.0
Long term financing / Balance sheet total	1.0	1.0	1.0	1.0

*Source: EuroRating*

ZKL Invest finances its assets entirely by shareholder's equity (the company doesn't have got 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.

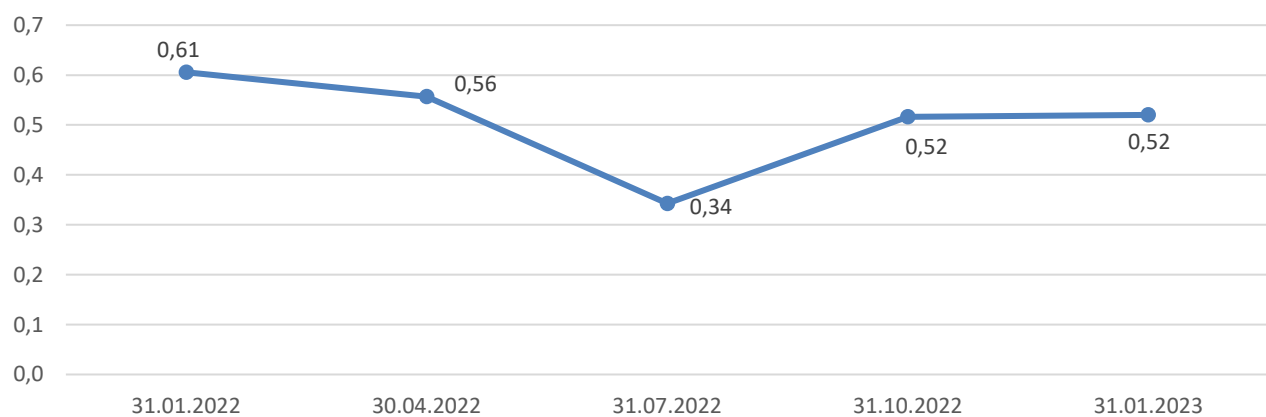
EuroRating assesses the liquidity position of ZKL Invest as very good, however with the proviso that it is assumed that the German treasury bonds held by the company are treated as a very liquid financial instruments and they may be sold at any time in the required amount.

## 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.

**Chart 6. ZKL Invest - capital multiplier**



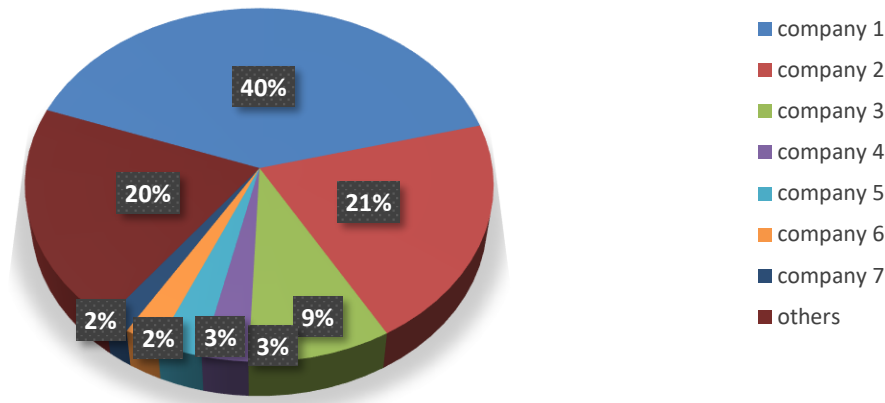
Source: ZKL Invest, EuroRating

When analysing ZKL Invest, EuroRating takes into account the value of the capital multiplier. The multiplier is a relation of the total value of the guarantee bonds that have been already granted (as of 31 January 2023 it was €10.3 million) to the company's equity (£17.2 million = approximately €19.8 million). The value of the capital multiplier is 0,52x. According to the rating methodology applied by EuroRating for credit risk assessment of surety funds, the current value of the capital multiplier is very low and safe, because the value of all active sureties granted so far is much lower than the company's equity.

The capital multiplier remained low and stable in recent quarters, which in EuroRating's opinion should be assessed positively from the point of view of the company's credit risk assessment.

## Analysis of bonds and guarantees structure

Chart 7. ZKL Invest - share of sureties for individual companies



Source: ZKL Invest, EuroRating

ZKL Invest as of the end of January 2023 was providing sureties to c.a. 60 companies. The value of all granted guarantees was €10.3 million, of which the value of guarantees for the two largest companies amounted to €6.3 million (61% of the total sureties portfolio). The share of the largest client accounted for as much as 40% of the portfolio.

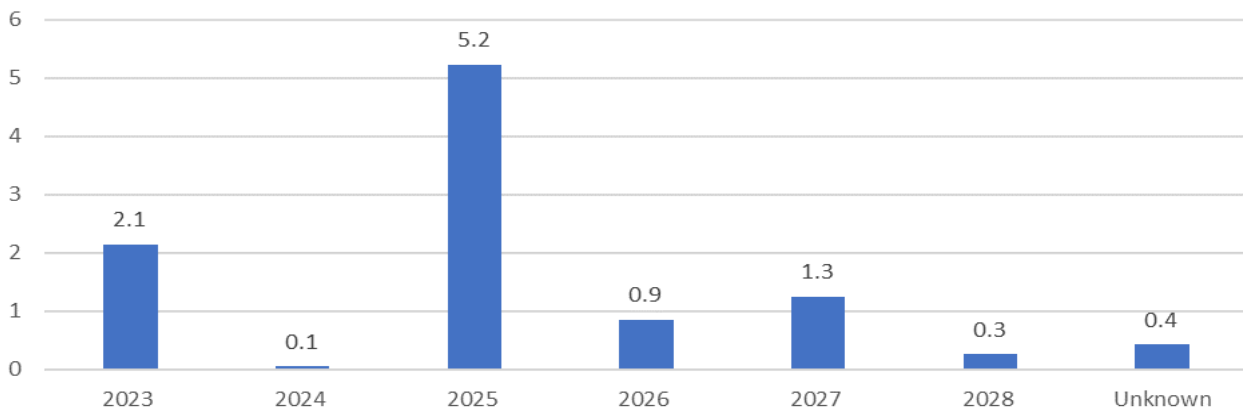
In case if all the potential sureties would be actually granted in the coming months, the level of sureties portfolio concentration would be assessed by EuroRating as excessive, what would increase the overall risk level of the sureties' portfolio. However, the portfolio is more diversified after entering the Romanian market. Between 2021/2022 and 2022/2023 ZKL ended cooperation with one of the biggest customers on the Italian market.

The 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.

The second biggest surety beneficiary is one of the Italian general contractors, operating since 1973. As regards the infrastructure sector, the company qualifies for networking works and special plants for road, rail or air mobility, including any major work or functional completion of railway tracks. Among the civil works it counts health care facilities, public buildings, school buildings, service buildings, office buildings, hotels, etc.

EuroRating does not have access to the latest financial data of the above mentioned companies, and evaluation of 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 in case of the 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.

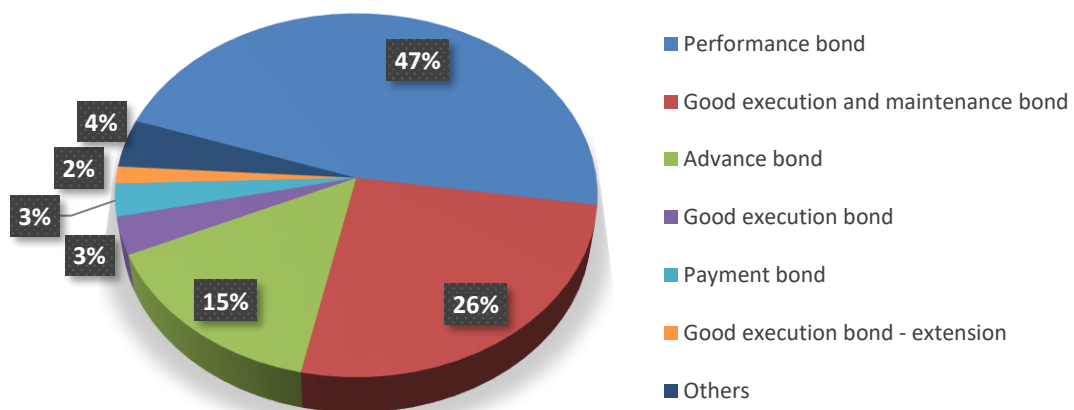
**Chart 7. ZKL Invest – maturity of sureties**



Source: ZKL Invest, EuroRating

The €2.1 million (21%) of all the guarantee bonds will mature in 2023 and a total of €6.2 million (60%) of the bonds are expected to mature over the next three years (2024-2026). In 2027-2028 will mature €1.6 million (15%) of the bonds. The maturity of c.a. €0.4 million (4%) of all the guarantee bonds is unknown yet.

**Chart 8. ZKL Invest – type of sureties issued**



Source: ZKL Invest, EuroRating

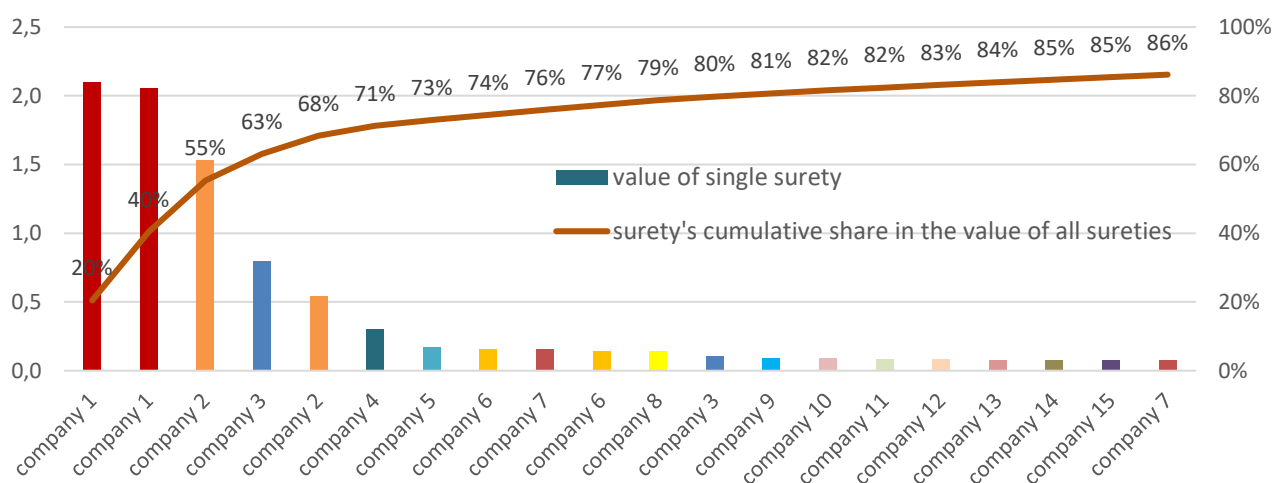
The company mainly provides guarantees in the form of performance bonds and good execution and maintenance bonds, as well as in the form of advance bonds.

Performance bonds and good execution and maintenance 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.

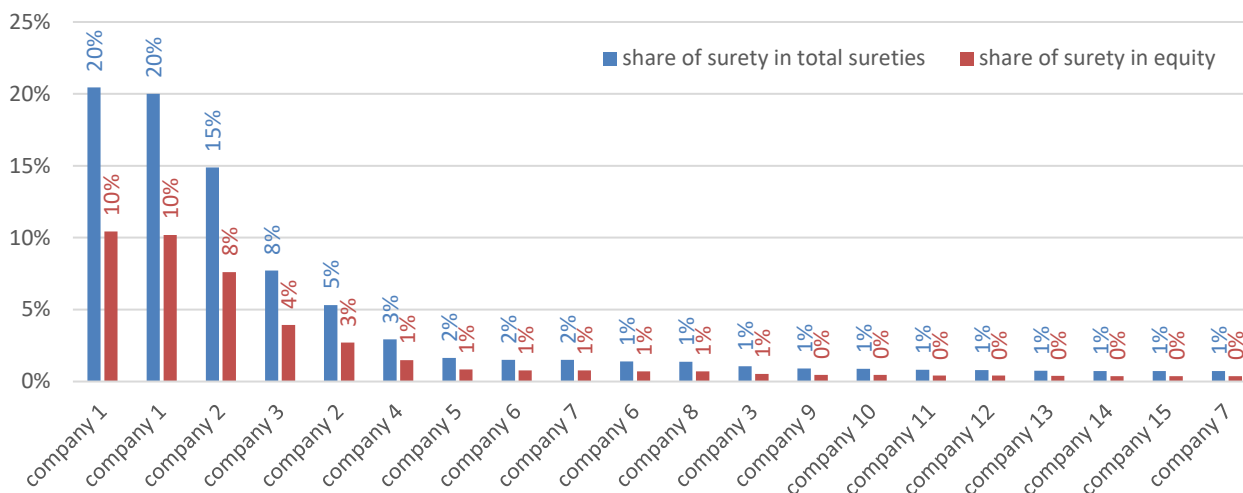
When analysing the type of bonds, it should be taken into account that although the company grants mainly three types of sureties, they usually concern one sector.

**Chart 9. ZKL Invest – value of the largest sureties**



Source: ZKL Invest, EuroRating

The total value of the 20 largest active sureties amounts to €8.8 million, which represents almost 86% of the total value of all active sureties granted by ZKL Invest. The largest company 1 account represents c.a. 40% of the total 20 largest sureties. However, when assessing the credit risk for this entity, EuroRating takes into account that company 1 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 20% 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

According to [businessmarketinsights.com](https://www.businessmarketinsights.com) the surety market in Europe is posed to surge over the years, owing to the fact, that several countries are showcasing promising outlook towards surety bonds. Italy and Germany has acquired the major market share. A recent trend in the European market is the growing cooperation between banks and surety companies to develop distribution and to offer cover for risks. Such cooperation is anticipated to develop prosperous opportunities for the surety market players. Although, surety market in the European region is propelled by banks, capital regulations are driving them to share some of their uncertainties with surety companies. This enables banks to mitigate their risks and achieve more cost-effective portfolio management.

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.

## ZKL Invest Ltd – financial statements

**Table 3. ZKL Invest – income statement**

(in £'000)	01.09.2019 - 31.01.2021	01.02.2021 - 31.01.2022R	01.02.2022 - 31.01.2023
Sale revenues	94.2	680.0	411.5
Cost of sales	0.0	0.0	0.0
<b>Gross profit</b>	<b>94.2</b>	<b>680.0</b>	<b>411.5</b>
Administrative expenses:	66.3	714.1	771.8
<i>Commissions Paid</i>	17.4	62.9	57.4
<i>Wages and salaries</i>	0.0	48.3	34.3
<i>Directors' salaries</i>	26.8	77.9	177.5
<i>Management fees</i>	0.0	120.3	120.3
<i>Other legal and professional</i>	0.0	0.0	1.0
<i>Travel and subsistence</i>	0.6	14.4	41.0
<i>Entertaining</i>	1.1	31.5	79.4
<i>Other administrative expenses</i>	20.5	358.7	261.0
<b>Operating profit</b>	<b>27.9</b>	<b>-34.1</b>	<b>-360.3</b>
Interest receivable	0.0	721.7	796.2
Exchange Gain or (Loss)	0.0	-5.6	-5.7
<b>Profit on ordinary activities before taxation</b>	<b>27.9</b>	<b>682.0</b>	<b>430.1</b>
Tax on profit on ordinary activities	-5.5	0.0	0.0
<b>Profit for the period</b>	<b>22.4</b>	<b>682.0</b>	<b>430.1</b>

Source: ZKL Invest; R-restated



**Table 4. ZKL Invest – balance sheet (assets)**

(in £'000)	31.08.2019	31.01.2021	31.01.2022R	31.01.2023
Tangible assets	-	-	13.8	9.5
<b>Total fixed assets</b>	-	-	<b>13.8</b>	<b>9.5</b>
Debtors	3,300.0	15,976.5	16,446.6	17,124.3
Cash at bank and in hand	-	92.1	285.1	37.8
<b>Total current assets</b>	<b>3,300.0</b>	<b>16,068.5</b>	<b>16,731.7</b>	<b>17,162.1</b>
<b>Total assets</b>	<b>3,300.0</b>	<b>16,068.5</b>	<b>16,745.5</b>	<b>17,171.6</b>

Source: ZKL Invest; R-restated

**Table 5. ZKL Invest – balance sheet (liabilities)**

(in £'000)	31.08.2019	31.01.2021	31.01.2022R	31.01.2023
<b>Long term liabilities</b>	-	-	-	-
<b>Current liabilities</b>	-	<b>6.1</b>	<b>1.1</b>	<b>-5.8</b>
Taxes and social security	-	5.5	4.0	4.0
Loans from directors	-	-	-3.1	-9.9
Accruals	-	0.6	0.3	0.0
<b>Total liabilities</b>	<b>0.0</b>	<b>6.1</b>	<b>1.1</b>	<b>-5.8</b>
Capital and reserves	-	-	-	-
Called up share capital	3,300.0	16,040.0	16,040.0	16,040.0
Profit and loss account	-	22.4	704.4	433.1
Retained Earnings	-	-	-	704.4
<b>Shareholders' equity</b>	<b>3,300.0</b>	<b>16,062.4</b>	<b>16,744.4</b>	<b>17,177.5</b>
<b>Total liabilities and equity</b>	<b>3,300.0</b>	<b>16,068.5</b>	<b>16,745.5</b>	<b>17,171.6</b>

Source: ZKL Invest; R-restated

**Rating scale applied by the EuroRating credit rating agency**

Rating	Risk description
<b>AAA</b>	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
<b>AA+</b> <b>AA</b> <b>AA-</b>	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
<b>A+</b> <b>A</b> <b>A-</b>	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	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.
<b>BB+</b> <b>BB</b> <b>BB-</b>	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> <b>B</b> <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.
<b>CCC</b> <b>CC</b> <b>C</b>	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.
<b>D</b>	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](http://www.eurorating.com/en/ratings/rating-scale)

## Regulatory affairs

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## 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 annual and quarterly 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.

**Disclaimer**

EuroRating considers the scope and quality of available information on the rated entity as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained information used in the rating process and/or presented in this report. In particular EuroRating does not conduct an audit of financial statements of the rated entities nor conducts a their full due diligence.

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