



ANNUAL REPORT 2014

A Message from the Chairman of the Board of Directors

Ladies and Gentlemen,

I would like to present a brief overview of the Annual Report prepared by TRANSFINANCE a.s. for 2014 – a year that has proven to be a turning point for our company in many respects.

Analysts characterise the 2014 developments in the Czech economy as an economic recovery following the decline suffered in 2012 and 2013.

The increased activity on the part of consumers and investors, who started to carry out their previously deferred spending activities, was the primary factor leading to the growth in the Czech Republic's economy. However, the intentional weakening of the crown through interventions also played a role. Consequently, GDP grew by 2% in 2014.

The economic growth and increased demand, both domestically as well as abroad, was also reflected on the Czech factoring market. According to the statistics published by the Association of Factoring Companies, the volume of receivables transferred to factoring companies increased by more than CZK 164 billion, which represents an increase of 13% as compared with 2013. The greatest share of the total achieved turnover – 70% – was recorded for domestic factoring, reflecting year-on-year growth of 15%. Import and export factoring grew at approximately half the rate of domestic factoring. The volume of funds provided to clients through factoring totalled nearly CZK 18 billion, which is approximately one billion more than the amount reported for the previous year (an increase of 5.2%).

According to the statistics published by Factors Chain International (FCI), factoring also fared well at the international level. The volume of transactions within the FCI network reached a level of EUR 29 billion in 2014, reflecting a 15% increase as compared with 2013 (the year-on-year growth for 2012 to 2013 was 9%). As in the preceding years, the highest turnover amongst exporters was reported in China, Turkey and Taiwan and, in the case of importers, in the USA and France.

The year 2014 marked a critical period in the history of Transfinance a.s. At the start of the year the sole shareholder announced their intent to sell the company. The due diligence process was subsequently carried out from March 2014 to the end of the year. This was not an easy time for the company or for its employees. Not only did the existing staff have to carry out standard operations in a way that guaranteed the ongoing quality of services, but, at the same time, they were also responsible for providing the information requested by potential purchasers. The company's acquisition activities were curtailed in order to ensure that there were no significant changes in its client portfolio. This was one of the reasons why the company's total turnover in 2014 was approximately CZK 800 million less than in 2013. This lower turnover, combined with the increasing cost of financing, made it impossible to achieve the planned revenue. On the other hand, in 2014 the company successfully maintained operating expenses at approximately the same level as in the previous year. The transfer of some high-risk assets to the original shareholder led to a higher than planned level of creation of provisions and, as a result, the company reported a loss for the year.

In December 2014, the company's share capital was increased and the existing shareholder reached an agreement with UniCredit Bank Czech Republic and Slovakia, a.s. regarding the sale of the company. This marked the successful culmination of the activities that had been carried out over the course of almost the entire year. Together with its new shareholder, Transfinance a.s. has acquired excellent potential for development, particularly as regards access to the bank's extensive sales network, financing sources, and experience in financing small and medium-sized enterprises.

At this point, the company's management wants to express its admiration and thank all of its employees for their extraordinary efforts and dedication in 2014. At the same time, it is necessary to thank our former shareholder, mBank S.A., and the entire Commerzbank AG Group for their assistance, professional approach, and effort to expand Transfinance a.s. even though it was possible to use the business synergy of both companies only to a limited degree.

We should also like to thank all of our business partners. The company's management greatly appreciates the cooperation they have provided and their loyalty.

In closing, in my position as the newly appointed Chairman of the Board of Directors, I want to wish us all much personal and professional success. Transfinance a.s. faces a number of challenging tasks in 2015. However, I firmly believe that, with the mutual cooperation of all of our employees, the company's management, our shareholders, our clients and all our other partners, we will successfully complete them all and our company will continue along the path to successful growth and prosperity.

Prague, 21 April 2015



Karel Nováček
Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of TRANSFINANCE a.s.:

- I. We have audited the financial statements of TRANSFINANCE a.s. ("the Company") as at 31 December 2014 presented in the annual report of the Company on pages 5 - 21 and our audit report dated 10 March 2015 stated the following:

"We have audited the accompanying financial statements of TRANSFINANCE a.s., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of TRANSFINANCE a.s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

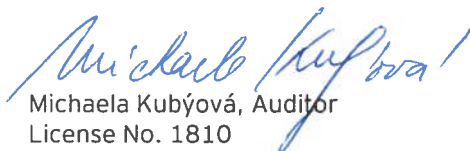
In our opinion, the financial statements present fairly, in all material respects, the financial position of TRANSFINANCE a.s. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

- II. We have also audited the consistency of the annual report with the financial statements described above. The management of TRANSFINANCE a.s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1 - 2 and 22 - 25 is consistent with that contained in the audited financial statements as at 31 December 2014. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

Ernst & Young Audit, s.r.o.
License No. 401



Michaela Kubýová, Auditor
License No. 1810

21 April 2015
Prague, Czech Republic

TRANSFINANCE a.s.

Registered office: Křižíkova 237/36a, Prague 8

Identification number: 15272028

Legal form: joint stock company

Scope of business: factoring

Date of financial statements: 31 December 2014

Balance Sheet
as at 31 December 2014

(TCZK)		Notes/ enclosures	Gross amount	Provision	2014 Net amount	2013 Net amount
ASSETS						
B.	Fixed assets		52 188	- 33 045	19 143	23 650
B. I.	Intangible fixed assets		3	41 337	- 24 855	16 482
B.I.	3.	Software	41 337	- 24 855	16 482	21 077
B. II.	Tangible fixed assets		4	10 851	- 8 190	2 661
B.II.	2.	Constructions	2 172	- 2 172	0	0
	3.	Separate movable items and groups of movable items	8 034	- 6 018	2 016	1 928
	6.	Other tangible assets	645	0	645	645
C.	Current assets		3 199 851	- 71 167	3 128 684	4 341 414
C. II.	Long-term receivables		5	1 068	0	1 068
C.II.	8.	Deferred tax asset	1 068	0	1 068	21 217
C. III.	Short-term receivables		5	3 196 885	- 71 167	3 125 718
C. III.	1.	Trade receivables	3 191 602	- 71 167	3 120 435	4 319 167
	6.	Due from government - tax receivables	5 230	0	5 230	6
	7.	Short-term advances granted	49	0	49	224
	8.	Estimated receivables (uninvoiced gains)	4	0	4	0
	9.	Other receivables	0	0	0	214
C. IV.	Short-term financial assets		1 898	0	1 898	586
C. IV.	1.	Cash	119	0	119	96
	2.	Bank accounts	1 779	0	1 779	490
D.	Accrued assets and deferred liabilities		2 570	0	2 570	2 351
D. I.	1.	Prepaid expenses	2 570	0	2 570	2 351
TOTAL ASSETS			3 254 609	- 104 212	3 150 397	4 367 415

(TCZK)		Notes/ enclosures	2014 Net amount	2013 Net amount
LIABILITIES & EQUITY				
A.	Equity		6	253 350
A. I.	1.	Basic capital	222 600	112 000
A. III.	1.	Reserve fund	19 952	19 426
A. IV.	1.	Retained earnings for the previous years	161 778	151 777
A. V.	Profit/Loss for the current period (+/-)		- 150 980	10 527
B.	Liabilities		2 897 047	4 073 685
B. I.	Reserves		5 487	0
	4.	Other reserves	7	5 487
B. III.	Current liabilities		8	1 269 170
B.III.	1.	Trade payables	1 260 821	2 028 002
	5.	Liabilities to employees	858	709
	6.	Liabilities arising from social security and health insurance	576	597
	7.	Due to government – taxes	1 817	3 280
	10.	Estimated payables	5 098	5 111
B. IV.	2.	Short-term bank loans	9	1 622 390
TOTAL EQUITY & LIABILITIES			3 150 397	4 367 415

Income statement
for the year ended 31 December 2014

(TCZK)		Notes/ enclosures	2014	2013	
II.	1.	Production - revenue from sale of finished products and services	12	80 306	86 445
B.		Production-related consumption	13	21 823	22 608
B.	1.	Consumption of material and energy		1 226	1 166
	2.	Services		20 597	21 442
+		Value added		58 483	63 837
C.		Personnel expenses	15	21 088	20 855
C.	1.	Wages and salaries		12 678	12 589
	2.	Bonuses to members of company or cooperation bodies		2 951	2 568
	3.	Social security and health insurance		5 063	5 275
	4.	Other social costs		396	423
D.		Taxes and charges		3 271	883
E.		Amortization and depreciation of intangible and tangible fixed assets	3, 4	5 419	5 181
III.	1.	Revenue from sale of intangible and tangible fixed assets		168	270
G.		Change in provisions and allowances relating to operations		- 252 252	- 32 396
IV.		Other operating revenues	12	201 369	11
H.		Other operating expenses	14	649 961	94 368
*		Profit or loss on operating activities		- 167 467	- 24 773
X.		Interest income		62 101	64 728
N.		Interest expense		24 009	21 080
XI.		Other finance income	16	69 071	385 903
O.		Other finance cost	17	69 973	384 723
*		Profit or loss on financial activities		37 190	44 828
Q.		Tax on profit or loss on ordinary activities	10	20 703	9 528
Q.	1.	- due		554	7 123
	2.	- deferred		20 149	2 405
***		Profit or loss for the year (+/-)		- 150 980	10 527
****		Profit or loss before taxation		- 130 277	20 055

Statement of changes in equity
for the year ended 31 December 2014

(TCZK)	Notes/ enclosures	Basic capital	Legal reserve fund	Retained earnings	Total
Balance as at 1 January 2013		112 000	18 889	152 313	283 202
Transfer to the reserve fund	6	0	537	- 536	1
Profit or loss for the current period	6	0	0	10 527	10 527
Balance as at 31 December 2013		112 000	19 426	162 304	293 730
Increase of basic capital		110 600	0	0	110 600
Transfer to the reserve fund	6	0	526	- 526	0
Profit or loss for the current period		0	0	- 150 980	- 150 980
Balance as at 31 December 2014		222 600	19 952	10 798	253 350

Cash flow statement
 for the year ended 31 December 2014

(TCZK)	Notes/ enclosures	2014	2013
Cash flows from operating activities			
		- 130 277	20 055
A.1		159 987	19 208
<i>Adjustments to reconcile profit or loss to net cash provided by or used in operating activities:</i>			
A.1.1	3, 4, 5	450 423	94 577
A.1.2	5	- 257 663	- 31 451
A.1.3		5 487	0
A.1.5		- 168	- 270
A.1.6	9, 12	- 38 092	- 43 648
A*		29 710	39 263
Net cash from operating activities before taxation, changes in working capital, interest paid and extraordinary items			
A.2		244 044	- 447 490
<i>Change in non-cash components of working capital :</i>			
A.2.2	5	1 011 391	- 708 019
A.2.3		176	5 014
A.2.4	8	-767 181	254 371
A.2.5		- 342	1 144
A**		273 754	- 408 227
Net cash from operating activities before taxation, interest paid and extraordinary items			
A.3.1		- 24 077	- 21 333
A.4.1		- 6 722	- 7 527
A***		242 955	- 437 087
Net cash provided by (used in) operating activities			
Cash flows from investing activities			
B.1.1	3, 4	- 912	- 1 152
B.2.1		168	270
B.4.1		62 097	64 728
B***		61 353	63 846
Net cash provided by (used in) investing activities			
Cash flows from financing activities			
C.1		- 494 737	445 893
C.2.1.		110 600	0
C***		-384 137	445 893
Net cash provided by (used in) financing activities			
Net increase (decrease) in cash			
		-79 829	72 652
Cash and cash equivalents at beginning of year			
	21	- 104 947	- 177 599
Cash and cash equivalents at end of year			
	21	- 184 776	- 104 947

1. General information

1.1. Basic information about the Company

TRANSFINANCE a.s. (hereinafter the "Company") is a legal entity, a joint stock company, which was incorporated by way of a Founder's Deed dated 21 January 1991 and was entered into the Commercial Register on 5 April 1991 and its registered office is Křižíkova 237/36a, 186 00, Prague 8, Czech Republic. The principal business activity of the Company is factoring. The Company has an identification number of 152 72 028.

As of 31 December 2014 the Company is wholly owned by mBank S.A., Poland. The final holding company is Commerzbank AG, Germany.

The members of the Board of Directors as of 31 December 2014 were as follows:

Name	Position	Note
Jana Němečková	Chairman	Appointed on 1 September 2012
Tomáš Vogl	Member	Appointed on 1 September 2012
Róbert Molnár	Member	Appointed on 1 September 2012

The members of the Supervisory Board as at 31 December 2014 were as follows:

Name	Position	Note
Jörg Hessenmüller	Chairman	Appointed on 17 September 2013
Dariusz Adam Steć	Member	Appointed on 3 August 2011
Ryszard Rychter	Member	Appointed on 7 October 2008
Henryk Okrzeja	Member	Appointed on 3 August 2011

The company is divided into six departments, the heads of which report directly to the Company's Board of Directors. The individual departments are as follows:

- Client management department
- Finance and administration
- Debtor service
- Risk management department
- Sales department
- Data handling department.

2. Accounting procedures

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.1. Basic principles of preparing the financial statements

The financial statements have been prepared in accordance with valid Czech accounting regulations and on the historic cost basis.

All data is presented in Czech crowns (CZK). The unit of measurement is thousands of CZK, except when indicated otherwise.

2.2. Intangible fixed assets

Intangible assets having a useful life longer than one year and a purchase price in excess of CZK 60 000 per item are treated as intangible fixed assets.

Intangible fixed assets are valued at cost, which includes the purchase price and purchase-related costs.

Intangible fixed assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Intangible fixed assets	Estimated useful life
Software	3 - 8 years

If the net book value of an asset exceeds its estimated recoverable value, its net book value shall be lowered to this value by way of an adjustment.

2.3. Tangible fixed assets

Tangible assets having a useful life longer than one year and a purchase price in excess of CZK 40 000 per item are treated as tangible fixed assets.

Acquired tangible fixed assets are initially reported at their purchase prices, which include the price of their acquisition and acquisition-related costs.

Tangible fixed assets are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Tangible fixed assets	Estimated useful life
Constructions – technical improvements	5 years
Machines, tools and equipment	3 – 10 years
Transport means	5 years
Inventory	1 year

If the net book value of an asset exceeds its estimated recoverable amount, its net book value is reduced to that amount through an adjustment. The recoverable amount is determined on the basis of expected future cash flows generated by the given asset.

The costs of repairs and maintenance of tangible fixed assets are charged to expenses as incurred. Technical improvements of tangible fixed assets are activated and subsequently depreciated together with originally capitalized assets.

2.4. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful receivables is created on the basis of the ageing structure of the receivables and an individual assessment of the creditworthiness of borrowers, including the estimated cash flows, and the riskiness of individual transactions. The company does not create provisions for receivables from related parties.

The purchase of a receivable is recorded simultaneously with the posting of the payable ensuing from the payment of the purchase price.

The pre-financing granted by the Company, which represents partial payment of the price of the acquired receivables, is reported as a reduction of the relevant payable ensuing from the purchase price. Recourse as well as non-recourse factoring is charged identically by the Company.

In order to refine the fair representation and improve the informative ability of the financial statements, the Company applies the balance sheet method to account for the assignment of receivables as it does not consider the purchase price of the assigned receivables to be Company's own revenue.

2.5. Cash and cash equivalents

Cash includes cash at hand, including valuables, and cash at bank, including overdrawing on the current or overdraft account.

Cash equivalents are understood to be short-term liquid financial assets that are easily and readily convertible to a cash amount known in advance, in that these assets are not expected to significantly change in value over time.

The Company has prepared a cash flow statement using the indirect method.

2.6. Foreign currency translation

Assets and liabilities acquired in foreign currencies are denominated in Czech crowns at the fixed rate set on 1 January. On the balance sheet date, the cash transactions were denominated at the rate set by the Czech National Bank on 31 December.

All exchange gains and losses are recorded in finance income or finance cost of the current year.

Since much of the receivables is in foreign currencies, exchange gains and losses also arise on adjustments to receivables.

2.7. Provisions

The Company creates provisions if it has a current payable, it is probable that it will need to incur its own funds to settle this payable and there is a reliable estimate of the amount of the payable.

2.8. Equity

The basic capital of the Company is reported in the amount recorded in the Commercial Register of the Municipal Court. Any possible increase or decrease in the basic capital according to a decision of the General Meeting that had not been recorded in the financial statements date is recorded as Changes in Basic Capital. Payments exceeding basic capital are recorded as Share Premium.

2.9. Liabilities

The Company creates legal provisions according to the Act on Provisions and provisions for loss and risk in cases when the title, amount and settlement date can be determined with high probability while keeping subject and time continuity.

Both long-term and current liabilities are reported in nominal values.

Both long-term and short-term loans are reported in nominal values. In addition, the portion of long-term loans payable within one year from the balance sheet date is considered to be a short-term loan.

2.10. Estimates

Preparation of the financial reports requires the Company's management to use estimates and assumptions that influence the reported assets and liabilities as of the financial statements date and the income and costs for the reported period. The Company's management has made such estimates and assumptions on the basis of all available and relevant information. Nevertheless, as the word "estimate" suggests, the actual values in the future can differ from those estimates.

2.11. Interest income and expenses

Interest income and expenses in respect of all interest-bearing instruments are reported on an accrual principle. Interest expenses associated with loans are charged to expenses. The Company's interest income is mainly composed of interest on the pre-financing granted.

2.12. Income tax

Income tax is calculated using the current tax rate from the book profit increased or decreased by permanently or temporarily unallowable costs and untaxable income (e.g. creation and charging other provisions and adjustments, entertainment expenses, difference between book and tax depreciation, etc.). Further, items decreasing the tax base (gifts), tax-deductible items (tax loss, research and development project costs) and income tax deductions are taken into account as well.

2.13. Deferred tax

Deferred tax is recognised on all temporary differences between the net book value of an asset or liability as stated in the balance sheet and their tax value. A deferred tax asset is recognised if it is likely that it will be possible to utilize it tax-wise in the future.

2.14. Related parties

The Company's related parties are considered to be the following:

- Shareholders who may, directly or indirectly, exercise significant or controlling influence over the Company, and companies in which these shareholders have a controlling influence;
- Members of the Company or parent company's statutory and supervisory bodies and management, and parties close to such members, including enterprises in which these members and persons have a significant or controlling influence.

Significant transactions and balances with related parties are disclosed in Notes 15 and 18.

2.15. Subsequent events

Impact of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

When significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

3. Intangible fixed assets

(TCZK)	1 January 2014	Additions	Write-offs / transfers	31 December 2014
Purchase price				
Software	41 426	0	- 89	41 337
Intangible fixed assets in progress	0	0	0	0
Total	41 426	0	- 89	41 337
Accumulated depreciation				
Software	20 349	4 595	- 89	24 855
Total	20 349	4 595	- 89	24 855
Net book value	21 077			16 482

(TCZK)	1 January 2013	Additions	Write-offs / transfers	31 December 2013
Purchase price				
Software	47 930	8 710	- 15 214	41 426
Intangible fixed assets in progress	8 560	0	- 8 560	0
Total	56 490	8 710	- 23 774	41 426
Accumulated depreciation				
Software	30 975	4 588	- 15 214	20 349
Total	30 975	4 588	-15 214	20 349
Net book value	25 515			21 077

In 2014 as well as in 2013, the Company wrote off into expenses no low value intangible fixed assets.

4. Tangible fixed assets

(TCZK)	1 January 2014	Additions / re-charging	Write-offs / transfers	31 December 2014
Purchase price				
Buildings and constructions	2 172	0	0	2 172
Machines, tools and equipment	1 705	1	0	1 706
Transport means	3 116	912	- 928	3 100
Inventory	3 228	0	0	3 228
Other tangible fixed assets	840	0	- 840	0
Works of art	645	0	0	645
Tangible fixed assets in progress	0	0	0	0
Total	11 706	913	- 1 768	10 851
Accumulated depreciation				
Buildings and constructions	2 172	0	0	2 172
Machines, tools and equipment	1 271	238	0	1 509
Transport means	1 622	587	- 928	1 281
Inventory	3 228	0	0	3 228
Other tangible fixed assets	840	0	-840	0
Total	9 133	825	-1 768	8 190
Net book value	2 573			2 661

(TCZK)	1 January 2013	Additions / re-charging	Write-offs / transfers	31 December 2013
Purchase price				
Buildings and constructions	2 172	0	0	2 172
Machines, tools and equipment	1 705	0	0	1 705
Transport means	3 295	1 169	- 1 348	3 116
Inventory	3 228	0	0	3 228
Other tangible fixed assets	840	0	0	840
Works of art	645	0	0	645
Tangible fixed assets in progress	167	0	- 167	0
Total	12 052	1 169	- 1 515	11 706
Accumulated depreciation				
Buildings and constructions	2 172	0	0	2 172
Machines, tools and equipment	1 033	238	0	1 271
Transport means	2 615	355	- 1 348	1 622
Inventory	3 228	0	0	3 228
Other tangible fixed assets	840	0	0	840
Total	9 888	593	- 1 348	9 133
Net book value	2 164			2 573

In 2014, the Company wrote off into expenses low value tangible fixed assets amounting to CZK 299 000 (2013: CZK 111 000).

As at 31 December 2014 and 2013, the Company did not report any assets acquired by way of financial leasing nor did it own any assets pledged as collateral.

5. Receivables

(TCZK)		31 December 2014	31 December 2013
Trade receivables	- current	0	4
Receivables from factoring activities and from the assignment of receivables	- current	2 713 441	3 169 302
	- overdue	478 161	1 478 691
Total trade receivables		3 191 602	4 647 997
Other receivables	- current	0	214
Estimated receivables		4	0
Short-term advances granted		49	224
Due from government - tax receivables		5 230	6
Total other receivables		5 283	444
Adjustment for doubtful receivables		- 71 167	- 328 830
Net book value of short-term receivables		3 125 718	4 319 611
Deferred tax receivable		1 068	21 217
Net book value of long-term receivables		1 068	21 217
Total net book value of receivables		3 126 786	4 340 828

Adjustments were created in 2014 and 2013 in respect of receivables that are considered doubtful based on an estimate of riskiness of the individual cases and expected cash flows.

As at 31 December 2014, outstanding trade receivables are not secured by promissory notes. As at 31 December 2013 they were secured by promissory notes totaling CZK 55 090 000 which were kept off the balance sheet.

As at 31 December 2014, the Company does not record any receivables with a maturity longer than 5 years.

Furthermore, the Company has, on account of irrecoverability, rejection of bankruptcy and settlement proceedings or the non-satisfaction of receivables in bankruptcy proceedings etc., written off into expenses receivables amounting to CZK 646 355 000 in 2014 (2013: CZK 89 396 000) out of which receivables related to the sale amounted to CZK 397 497 000 (2013: CZK 0). This depreciation is reported in other operating expenses in the income statement (Note 14).

Receivables against related parties are disclosed in Note 18.

Change in an adjustment to doubtful receivables:

(TCZK)	Adjustments to receivables – Tax-deductible	Adjustments to receivables – other	Total
Opening balance as at 1 January 2013	72 083	288 198	360 281
Allowance for impairment	0	57 000	57 000
Release of allowance for impairment	- 28 633	- 60 763	- 89 396
Exchange rate difference	945	0	945
Closing balance as at 31 December 2013	44 395	284 435	328 830
Allowance for impairment	4 734	251 146	255 880
Release of allowance for impairment	- 31 480	- 482 063	- 513 543
Closing balance as at 31 December 2014	17 649	53 518	71 167

6. Share capital

Approved and issued shares:

	31 December 2014		31 December 2013	
	Count (pcs)	Book value (TCZK)	Count (pcs)	Book value (TCZK)
Ordinary shares of a nominal value of CZK 56 000, fully paid up	3 975	222 600	2 000	112 000

No dividends or shares of profit to directors were paid in 2014 and 2013.

No decision on profit distribution for 2014 had been made as at the approval of the financial statements, and therefore it is not presented herein by the Company.

As at 31 December 2014 and 31 December 2013, the Company is fully owned by mBank S.A., registered in Poland.

The reserve fund is created from the profit generated by the Company in accordance with the law and may not be distributed among shareholders, but may be used solely to offset losses.

As at 26 November 2014, the sole Company shareholder decided to increase the Company's share capital from CZK 112 000 000 to CZK 222 600 000 through the release of new shares in the amount of CZK 110 600 000.

On 30 April 2014 the General Meeting approved the financial statements of the Company for 2013 and decided on settling the profit incurred in 2013 in the amount of CZK 10 527 000 (2012: profit CZK 10 722 000). The distribution to the reserve fund amounted to CZK 526 000 and the remaining part of the profit from 2013 in the amount of CZK 10 001 000 was transferred into retained earnings.

7. Reserves

(TCZK) Reserves	Balance as at 31 December 2013	Reserves creation	Reserves release	Balance as at 31 December 2014
Other reserves	0	5 487	0	5 487
Total	0	5 487	0	5 487

Other reserves are created for the purpose of covering potential losses from legal disputes.

8. Liabilities

(TCZK)	31 December 2014	31 December 2013
Trade payables from operating activities	1 920	675
Payables from factoring activities and from the assignment of receivables	1 258 901	2 027 327
Other payables	8 349	9 697
Total current and long-term liabilities	1 269 170	2 037 699

Current payables from factoring represent payables from the purchase price of acquired receivables.

The above payables were not secured by any of the Company's assets and do not have a maturity longer than 5 years.

Other current liabilities comprise mainly of estimated payables and a tax payable towards the state. As at 31 December 2014, the estimated payables amount to CZK 5 098 000 (as at 31 December 2013: CZK 5 111 000) and comprise mainly of unpaid bonuses and un-invoiced deliveries and services.

The Company has no overdue payables related to social or health insurance or any other overdue payables to tax authorities or other state institutions.

Payables towards related parties are disclosed in Note 18.

9. Bank loans

All bank loans are repayable within one year from the financial statements date. Loans are unsecured. Drawings occur mainly via tranches within one month. The company has the option of drawing funds for operations for up to the amount of the credit limit by means of an overdraft.

Interest expenses relating to bank loans amounted to CZK 24 009 000 for 2014 (2013: CZK 21 080 000).

Bank loans can be analyzed as follows:

(TCZK)	Deadlines/ conditions	Loan limit	Amount of drawing on tranche	Amount of drawing on overdraft	31.12.2014	31.12.2013
					Amount of drawing incl. overdraft	Amount of drawing incl. overdraft
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan contract for one year, payable on 31.01.2015	50 000	0	43 183	43 183	10 923
Česká exportní banka, a.s.	Loan contract terminated 30.09.2014	0	0	0	0	500 000
Komerční banka, a.s.	Loan contract for indefinite period	228 340	173 080	43 447	216 527	161 117
COMMERZBANK Aktiengesellschaft, pobočka Praha	Loan contract for indefinite period	80 000	0	77 730	77 730	52 828
Expobank CZ a.s.	Loan contract for one year, payable on 31.01.2015	100 000	0	17 735	17 735	198
mBank S.A.	Loan contract payable on 26.02.2015	1 663 500	1 062 650	0	1 062 650	1 151 850
Československá obchodní banka a.s.	Loan contract for one year, payable on 15.09.2015	210 000	199 986	4 579	204 565	159 070
Total		2 331 840	1 435 716	186 674	1 622 390	2 035 986

As at 31 December 2014, the Company reports in its off-balance sheet records a bank guarantee issued by COMMERZBANK AG in favour of Corso Karlín a.s. in the amount of EUR 32 000 (as at 31 December 2013: EUR 32 000). This guarantee secures the receivable ensuing from a rent contract.

10. Income tax

The tax expense can be analyzed as follows:

(TCZK)	2014	2013
Current tax expense	1 401	6 647
Adjustment of the tax expense of the prior year according to the tax return actually filed	- 847	476
Deferred tax expense	20 149	2 405
Total tax expense	20 703	9 528

Current tax expense was calculated as follows:

(TCZK)	2014	2013
Profit before tax	- 130 277	20 055
Differences between accounting and tax depreciation	1 394	- 105
Tax-free income:		
Release of allowance for impairment	- 280 430	-3 763
Non-deductible expenses:		
Creation of allowances for impairment and write-off of receivables	419 097	18 594
Other (e.g. costs of representation, short-falls and damages)	- 2 408	204
Taxable income	7 376	34 985
Income tax rate	19 %	19 %
Corporate income tax	1 401	6 647

The deferred tax receivable (+) / payable (-) can be analyzed as follows:

(TCZK)	31 December 2014	31 December 2013
Deferred tax payable ensuing from:		
Difference between the accounting and tax depreciated value of fixed assets	- 2 668	- 2 932
Total deferred tax payable	- 2 668	- 2 932
Deferred tax receivable ensuing from:		
Difference between the book and tax value of adjustments to receivables	3 736	24 149
Total deferred tax receivable	3 736	24 149
Net deferred tax receivable	1 068	21 217

11. Off-balance sheet assets

The Company also reports in its off-balance sheet records promissory notes, which serve as a form of security for unpaid receivables. More detailed information is disclosed in Note 5.

12. Breakdown of income by sector

Income from factoring activities was generated as follows:

(TCZK)	2014	2013
Foreign income		
- import factoring	6 838	6 659
Domestic income		
- export factoring	36 946	38 810
- domestic factoring	36 522	40 976
Total sales of own products and services	80 306	86 445
Income from assigned receivables	201 351	0
Other income	18	11
Total income from operating activities	281 675	86 456
Interest income from factoring activities	62 101	64 728
Total income from operating activities and interest income	343 776	151 184

In 2014, receivables were sold for a total book value of CZK 397 496 706 to mBank S.A., organisational unit. The Company received CZK 201 350 968 for these receivables. Client receivables were sold at an amortized cost in the amount of CZK 98 004 490 and customer receivables at an amortized cost of CZK 103 346 478. An adjustment in the amount of CZK 196 145 738 was dissolved.

13. Production-related consumption

(TCZK)	2014	2013
Consumption of material and energy	1 226	1 166
Services	20 597	21 442
Total production related consumption	21 823	22 608

Services comprise mainly of the costs of renting commercial premises, consulting activities, legal, audit services and the costs of administering and maintaining Company's information technology.

14. Other operating costs

(TCZK)	2014	2013
Write-off of receivable	646 355	89 396
Other costs	3 606	4 972
Total other operating costs	649 961	94 368

Other costs comprise mainly of the costs of securing receivables, operating insurance and membership in professional associations. Operating costs for related parties are disclosed in Note 18.

15. Employees

	2014	2013
Number of members of statutory bodies	3	3
Number of Supervisory Board members	4	4
Number of members of management bodies	4	4
Average number of other employees	24	23
Total	35	34

(TCZK)	Members of statutory bodies	Members of management bodies	Other employees	Total
2014				
Wages, salaries and bonuses	2 794	3 061	9 774	15 629
Social security costs	810	1 015	3 238	5 063
Other social costs	0	74	322	396
Total personnel costs	3 604	4 150	13 334	21 088
2013				
Wages, salaries and bonuses	2 568	2 773	9 816	15 157
Social security costs	852	942	3 481	5 275
Other social costs	0	126	297	423
Total personnel costs	3 420	3 841	13 594	20 855

Costs of and remuneration to the members of the Board of Directors are described in Note 18. Members of the Company's management bodies include managers who report directly to the Board of Directors of the Company. Members of the Supervisory Board were awarded a bonus of CZK 207 000 in 2014 (in 2013: CZK 133 000).

In 2014, employees were provided with automobiles for business purposes having a total purchase price of CZK 3 100 000 (2013: CZK 3 116 000).

Other transactions with the management of the Company are described in Note 18.

16. Other financial income

(TCZK)	2014	2013
Exchange gains	69 071	385 903
Total	69 071	385 903

17. Other financial cost

(TCZK)	2014	2013
Exchange losses	65 726	380 268
Bank fees	4 247	4 455
Total	69 973	384 723

18. Related party transactions

Overview of related party transactions in 2014 and 2013:

(TCZK)	2014	2013
Interest expenses		
mBank S.A.	13 621	1 632
Commerzbank AG	586	9 726
Operating revenues		
mFactoring S.A. (formerly BRE Faktoring S.A.)	0	4
mBank S.A., organizational unit (Czech Republic)	201 351	0
Operating expenses		
Board members	3 810	3 840
Loans		
mBank S.A.	1 062 650	1 151 850
Commerzbank AG	77 730	52 828

The Company has entered into a long-term co-operation agreement with mFactoring S.A. This is a standard agreement pursuant to the rules of the FCI (Factors Chain International), i.e. an international union associating factoring companies, which regulates the mutual relations resulting from the realisation of factoring operations among these companies.

In 2014 and 2013, members of statutory bodies did not receive any other loans, guarantees, advances, or other benefits and performance besides those mentioned above and in Note 15.

Loans granted and received are subject to market interest rates.

19. Fees paid to the auditor

The total fee paid to the auditing company Ernst & Young Audit, s.r.o. is as follows:

(TCZK)	2014
The fee for the statutory audit of the financial statements and audit of the consolidation packages	1 380
Total fee to the auditing company	1 380

20. Contingent liabilities

The management of the Company is not aware of any contingent liabilities of the Company as at 31 December 2014.

21. Cash flow statement

The Company has overdraft accounts at domestic banks. The Company draws on loans for the purpose of financing the needs of its clients both via tranches and also operatively up to a total credit limit via these overdraft accounts, which are reported as a part of bank loans in the balance.

Cash and cash equivalents disclosed in the cash flow statement include:

(TCZK)	31 December 2014	31 December 2013
Cash at hand and in transit	42	41
Valuables	77	55
Cash in bank	1 779	490
Debit balance of the current account included in current bank loans (Note 9)	- 186 674	- 105 533
Total cash and cash equivalents	- 184 776	- 104 947

22. Subsequent events

As at **20 January 2015**, **UniCredit Bank Czech Republic and Slovakia, a.s.**, with its seat at Želetavská 1525/1, 140 92 Prague 4 – Michle, Company ID No.: 64948242 became the new sole shareholder of TRANSFINANCE a.s.

In connection with the change of shareholder, all members of the Board of Supervisors of TRANSFINANCE a.s. were removed as at 21 January 2015. Mr. David Grund was elected the new chairman of the Board of Supervisors, Mr. Gregor Peter Hofstaetter-Pobst was elected as the vice-chairman, and Mr. Josef Vondrka and Mr. Jiří Flégl were elected as members of the Board of Supervisors.

In addition, on 21 January 2015, Mrs. Jana Němečková was removed from the position of chairman of the Board of Directors and Mr. Róbert Molnár from the position of member of the Board of Directors. Mr. Karel Nováček was elected as chairman of the Board of Directors.

10 March 2015



Karel Nováček
Chairman of the Board of Directors



Olga Pavlíčková
Chief Finance Officer



Tomáš Vogl
Member of the Board of Directors

TRANSFINANCE a.s.

**REPORT ON RELATIONS BETWEEN CONTROLLING AND CONTROLLED
PARTIES AND ON RELATIONS BETWEEN CONTROLLED PARTY AND
OTHER PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY**

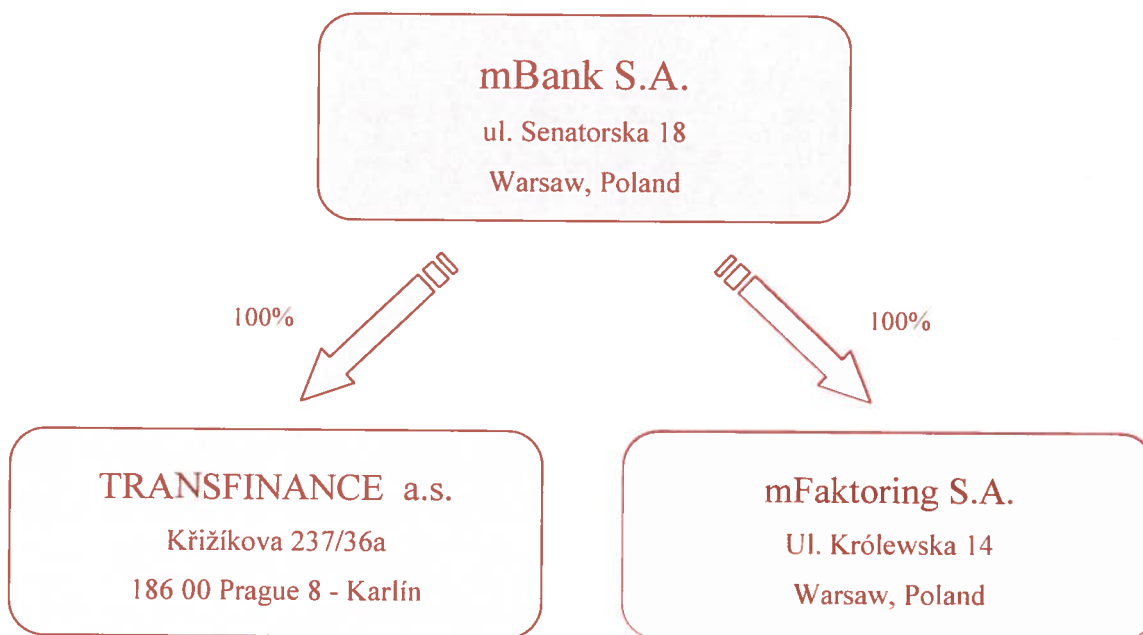
In accordance with Section 82 et seq. of Act No. 90/2012 Coll., on commercial corporations, the Board of Directors of TRANSFINANCE, with its registered address located at Křižíkova 237/36a, 186 00 Prague 8 - Karlín, Company ID No. 15272028, as recorded in the Commercial Register maintained by the Municipal Court in Prague under Section B, Entry 649, has prepared this Report on Relations for the period from 1 January 2014 to 31 December 2014 (hereafter, the "Period").

During the period stated above, TRANSFINANCE a.s. was controlled by mBank S.A., a company registered at ul. Senatorska 18, Warsaw, Poland.

1. THE RELATIONSHIP STRUCTURE BETWEEN TRANSFINANCE A.S. AND THE CONTROLLING PARTY AND PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY

Controlled party: TRANSFINANCE a.s.
186 00 Prague 8 - Karlín, Křižíkova 237 / 36a
Identification No .: 15272028

Controlling party: mBank S.A.
Poland, PL 00-950, Warsaw, ul. Senatorska 18



The parent company is mBank SA, Warsaw, Poland. The Company is a part of its consolidated group. The parent company of mBank SA is Commerzbank AG, Germany, which is the ultimate controlling party of TRANSFINANCE a.s.

Other related parties are other companies from the mBank S.A. group. TRANSFINANCE a.s. did not realise any transactions with these other related parties.

2. ROLE OF TRANSFINANCE A.S. IN THE GROUP

The role of Transfinance a.s., Prague in the financial group of the Polish company mBank SA, Warsaw, was to provide trade finance solutions to the Czech and Slovak markets, particularly factoring, forfaiting, collections, securing trade receivables, and invoice discounting. The Polish-based mBank S.A. focuses mainly on corporate clients in the Polish market and used Transfinance, a.s. to aid its expansion into Central Europe in this segment. Transfinance has also provided service to mBank's corporate clients on the Czech and Slovak markets and uses the resulting synergy.

3. WAYS AND MEANS OF CONTROL

The mBank S.A. Group conducted its control over Transfinance a.s. in two directions. Firstly, it was carried out through the Supervisory Board of Transfinance, whose member was also a representative of the sister company mFactoring S.A., Warsaw, which ensured control through recommending techniques, particularly for factoring transactions. The Supervisory Board also included direct representatives of mBank SA, which carried out control primarily through recommending to the Board of Directors the steps that should be taken in the area of risk management, particularly with regard to factoring transactions. The second control direction was a trading platform, whereby mBank S.A. secured the connection, use and management of mBank's business contacts for the benefit of Transfinance on the Czech and Slovak markets.

4. AN OVERVIEW OF MUTUAL AGREEMENTS BETWEEN TRANSFINANCE A.S. AND THE CONTROLLING PARTY OR BETWEEN CONTROLLED PARTIES

The Company has concluded the following types of agreements with the related parties:

Related party	Type of agreement and general terms and conditions
mFactoring S.A.	Interfactor Agreement of 01 April 1997
Commerzbank AG	Loan Agreement of 04 November 2009
mBank S.A.	Credit Agreement of 12 November 2013
mBank S.A., organisational unit	Account Receivables Assignment Agreement of 22 December 2014
mBank S.A., organisational unit	Account Receivables Assignment Agreement of 22 December 2014

The Company has entered into a long-term cooperation agreement with mFactoring S.A. This is a standard agreement pursuant to the rules of the FCI (Factors Chain International), i.e. an international union associating factoring companies, which regulates the mutual relations resulting from the realisation of factoring transactions among these companies.

TRANSFINANCE a.s. has duly entered into credit agreements with banking entities within the group, under which funds are provided for financing the Company's commercial and operational activities. The Company has also entered into similar agreements with other banking entities under comparable terms and conditions.

The Company entered into an Account Receivables Assignment with mBank S.A., organisational unit for the debt owed to the Company by its clients and other debtors.

5. AN ASSESSMENT OF WHETHER THE CONTROLLED PARTY WAS HARMED AND THE ASSESSMENT OF COMPENSATION UNDER §71 AND §72 OF THE LAW ON COMMERCIAL CORPORATIONS.

The Board of Directors declares that TRANSFINANCE a.s. has incurred no damage as a result of the contracts it has entered into and the measures it has taken.

6. EVALUATION OF THE ADVANTAGES AND DISADVANTAGES RESULTING FROM THE RELATIONS BETWEEN THE PARTIES PURSUANT TO SECTION 82 (1) OF THE ACT ON COMMERCIAL CORPORATIONS.

The benefits resulting from the relationship between the parties (see above) include ensuring and providing know-how in the field of trade finance products on the part of the bank, providing quality refinancing resources for factoring and forfaiting transactions, and also the possibility of using synergy with the bank in the commercial area. A disadvantage in this direction can be considered the fact that the bank identified certain types of factoring and forfeiting transactions to be risky and recommended that they not be implemented, thereby resulting in a reduction in revenue for Transfinance.

In 2014, there were no legal acts taken that would be in the interest of related parties, nor were any actions adopted or taken on the initiative of or in the interest of related parties.

The company management believes that all transactions with related parties have been carried out under standard commercial terms and conditions.

Prague, 21 April 2015



Karel Nováček
Chairman of the Board



Tomáš Vogl
Member of the Board