

# A 360° View at Real Business

2015 Consolidated  
Reports and Accounts

Welcome to  
**UniCredit**  
Factoring





# Domestic Factoring

Develop your business with domestic factoring and have your working capital under control! Take advantage of the flexible and modern financing of receivables prior to their due date, professional management and collection.

Domestic factoring is suitable for trading and manufacturing companies with customers seated in the Czech Republic or Slovakia. Domestic factoring is an effective financing based on purchase of domestic short-term trade receivables. The service includes financing of receivables prior to their due date as well as management and collection of receivables including standard recovery thereof.

UniCredit Factoring provides domestic factoring in both recourse and non-recourse forms. Non-recourse form of domestic factoring includes insurance of your receivables against customers' unwillingness or inability to pay (insolvency) up to 85% of the receivables' nominal value.

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# Introduction by the Chairman of the Board of Directors



## Dear Ladies and Gentlemen,

Let me recapitulate here what the important milestones of 2015 related to our Company were and inform you of our position on the Czech factoring market.

From the Company's perspective, 2015 was a breakthrough year. On 20 January, Transfinance, a.s. was acquired by the banking group UniCredit Bank Czech Republic and Slovakia, a.s., which became the 100% owner of our Company. The main aim of acquiring Transfinance was to extend the bank's product portfolio and improve the quality of corporate client services, namely in respect of SME financing and receivable administration in the Czech and Slovak Republics using one of the best systems for the administration of factoring products in the world – the Aquarius system.

During the weekend of 28-29 March, the Company was relocated to the Filadelfia building at BB Centrum in Prague 4, which is also where the Company's principal shareholder is based. This step has resulted in cost savings as well as optimisation and time savings in dealing with the every-day agenda between the bank and the factoring company.

Since 30 March, clients have thus been able to visit bank as well as factoring employees at one place.

In May, the Company was renamed to UniCredit Factoring Czech Republic and Slovakia, a.s., which aligned the Company's name with that of the shareholder.

2015 was also a year when the Company had to adapt to banking standards across all areas, namely commerce, human resources, risk management, compliance, security and others. Approval processes were set and the risk unit was transferred to the bank with a view to making the entire approval process more effective and efficient and enabling access to bank databases. Additionally, sales channels were established for factoring products, thanks to which the Company can rely, besides its internal sales unit, on 218 corporate advisers in both countries.

In addition to the synergistic effects referred to above, the Company started obtaining funds from cheaper bank sources, thereby achieving a substantial financial cost reduction.



The Company saw a marked decline in the development of the main financial indicators and the client portfolio – this was brought about by the acquisition as it did not apply to a defined part of clients. The number of clients thus gradually decreased and so did the indicators such as the monthly turnover, revenues, funds in use and others. The trend bottomed out in late Q3, when the client portfolio stabilised, revenues as well as funds in use increased, provisions decreased and revenues from interest and fees started to grow. In addition, some of the commercial cases dealt with by the bank were transferred to the factoring company with the aim of increasing the efficiency of case processing through the use of factoring software. We will continue in this trend in 2016 as well.

Despite a notable decline in the client portfolio, the Company managed to maintain a leading position in respect of the import factoring product, having a market share of over 83%. Compared to 2014, the Company retained fourth place among factoring companies in respect of turnover. Nevertheless, the overall market share declined from 15% to less than 11% and the turnover fell by CZK 9.5 billion, which was caused by the reduction in the original client portfolio of almost two thirds.

The turnover of the entire Czech factoring market decreased by almost 16.5%, with all of the monitored product segments seeing a decline: export, import as well as domestic factoring. Besides the Company's decreased turnover, the market was also significantly affected by two

large corporations ceasing to use factoring services. The decline was also undoubtedly exacerbated by the combination of the Czech Republic's fast GDP growth, the good condition of Czech companies and the cheap and sufficient liquidity of Czech banks, which resulted in easier access to bank funding.

In conclusion I would like to thank all my colleagues in the Company for the great effort they put into their work, which often exceeded the standard commercial and administrative activities as it was necessary to set up a working communication with the bank, design and align common processes and implement a series of regulations and standard banking instruments.

I will take the liberty of voicing my belief that following a year of stabilisation in 2015, the Company is now ready for healthy and dynamic growth in all the main financial indicators as well as in the number of clients, as is expected by the shareholder.

In Prague on 29 February 2016



**Jiří Flégl**  
Chairman of the Board of Directors

A silver laptop is open on a dark wooden desk. To the left of the laptop is a white coffee cup on a saucer. In front of the laptop, a set of keys with a black keychain lies on the desk. The background shows a window with horizontal blinds, through which some light is visible. The overall scene is dimly lit, suggesting an office environment.

# Export Factoring

Do not wait until foreign customers settle your invoices! With export factoring you have money available immediately and you can avoid problems concerning your customers' payment discipline.

Export factoring represents flexible financing based on purchase of export short-term trade receivables. It is suitable for trading and manufacturing companies whose business activities are focused on foreign markets. Within this service, UniCredit Factoring provides export receivables financing prior to their

maturity as well as receivables management and collection. In case of non-recourse export factoring, the service includes insurance against customers' unwillingness or inability to pay (insolvency).



# Independent Auditor's Report



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## **INDEPENDENT AUDITOR'S REPORT** To the Shareholder of UniCredit Factoring Czech Republic and Slovakia, a.s.

Having its registered office at: Želetavská 1525/1, Michle, 140 00 Praha 4  
Identification number: 152 72 028

We have audited the accompanying financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2015, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable 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 and the related application guidelines issued by 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 about 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 the 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 give a true and fair view of the financial position of UniCredit Factoring Czech Republic and Slovakia, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### Other Matters

The financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. for the year ended 31 December 2014 were audited by another auditor who issued an unqualified opinion on those financial statements on 10 March 2015.

### Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Deloitte označuje jednu či více společností Deloitte Touche Tohmatsu Limited, britské privátní společnosti s ručením omezeným zárukou, a jejich členských firem. Každá z těchto firem představuje samostatný a nezávislý právní subjekt. Podrobný popis právní struktury společnosti Deloitte Touche Tohmatsu Limited a jejich členských firem je uveden na adrese [www.deloitte.com/cz/onas](http://www.deloitte.com/cz/onas).

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 16 March 2016

Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Diana Rádlová  
registration no. 2045





# Separate Financial Statements

## Balance Sheet as of 31 December 2015

(CZK '000)		Gross	Adjustment	2015 Net	2014 Net
<b>ASSETS</b>					
<b>B.</b>	<b>Fixed assets</b>	<b>47 001</b>	<b>-33 096</b>	<b>13 905</b>	<b>19 143</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>41 205</b>	<b>-29 234</b>	<b>11 971</b>	<b>16 482</b>
B.I.	3. Software	41 205	-29 234	11 971	16 482
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>5 796</b>	<b>-3 862</b>	<b>1 934</b>	<b>2 661</b>
B.II.	2. Structures	642	-482	160	0
	3. Individual tangible movable assets and sets of tangible movable assets	4 509	-3 380	1 129	2 016
	6. Other tangible fixed assets	645	0	645	645
<b>C.</b>	<b>Current assets</b>	<b>1 926 070</b>	<b>-98 165</b>	<b>1 827 905</b>	<b>3 128 684</b>
<b>C. II.</b>	<b>Long-term receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 068</b>
C.II.	8. Deferred tax asset	0	0	0	1 068
<b>C. III.</b>	<b>Short-term receivables</b>	<b>1 925 316</b>	<b>-98 165</b>	<b>1 827 151</b>	<b>3 125 718</b>
C. III.	1. Trade receivables	1 925 272	-98 165	1 827 107	3 120 435
	6. State - tax receivables	8	0	8	5 230
	7. Short-term prepayments made	7	0	7	49
	8. Estimated receivables (unbilled revenues)	3	0	3	4
	9. Other receivables	26	0	26	0
<b>C. IV.</b>	<b>Current financial assets</b>	<b>754</b>	<b>0</b>	<b>754</b>	<b>1 898</b>
C. IV.	1. Cash on hand	141	0	141	119
	2. Cash at bank	613	0	613	1 779
<b>D.</b>	<b>Other assets</b>	<b>1 739</b>	<b>0</b>	<b>1 739</b>	<b>2 570</b>
D. I.	1. Deferred expenses	1 739	0	1 739	2 570
<b>TOTAL ASSETS</b>		<b>1 974 810</b>	<b>-131 261</b>	<b>1 843 549</b>	<b>3 150 397</b>

(CZK '000)		2015 Netto	2014 Netto
<b>LIABILITIES &amp; EQUITY</b>			
<b>A.</b>	<b>Equity</b>	<b>224 486</b>	<b>253 350</b>
<b>A. I.</b>	<b>Share capital</b>	<b>222 600</b>	<b>222 600</b>
A. I.	1. Share capital	222 600	222 600
<b>A. III.</b>	<b>Reserve fund</b>	<b>19 952</b>	<b>19 952</b>
A. III.	1. Reserve fund	19 952	19 952
<b>A. IV.</b>	<b>Accumulated profits brought forward</b>	<b>10 798</b>	<b>161 778</b>
A. IV.	1. Accumulated profits brought forward	10 798	161 778
<b>A. V.</b>	<b>Profit or loss for the current period (+ -)</b>	<b>-28 864</b>	<b>-150 980</b>
<b>B.</b>	<b>Liabilities</b>	<b>1 619 063</b>	<b>2 897 047</b>
<b>B. I.</b>	<b>Reserves</b>	<b>4 911</b>	<b>5 487</b>
	3. Income tax reserve	1 033	0
	4. Other reserves	3 878	5 487
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>1 028 570</b>	<b>1 269 170</b>
B. III.	1. Trade payables	1 022 294	1 260 821
	5. Payables to employees	619	858
	6. Social security and health insurance payables	339	576
	7. State - tax payables	697	1 817
	10. Estimated payables	4 621	5 098
<b>B. IV.</b>	<b>Bank loans and borrowings</b>	<b>585 582</b>	<b>1 622 390</b>
B. IV.	2. Short-term bank loans	585 582	1 622 390
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>1 843 549</b>	<b>3 150 397</b>

## Profit and Loss Statement for the Year Ended 31 December 2015

(CZK '000)	2015	2014
II. 1. Production - Sales of own products and services	48 977	80 306
B. Purchased consumables and services	14 413	21 823
B. 1. Consumed material and energy	799	1 226
2. Services	13 614	20 597
<b>+ Added value</b>	<b>34 564</b>	<b>58 483</b>
C. Staff costs	22 668	21 088
C. 1. Payroll costs	11 910	12 678
2. Remuneration to members of business corporation bodies and cooperatives	4 774	2 951
3. Social security and health insurance costs	5 606	5 063
4. Social costs	378	396
D. Taxes and charges	396	3 271
E. Depreciation of intangible and tangible fixed assets	5 385	5 419
III. 1. Sales of fixed assets	56	168
F. 1. Net book value of sold fixed assets	16	0
G. Change in reserves and provisions relating to operating activities	25 389	-252 252
IV. Other operating income	36	201 369
H. Other operating expenses	25 134	649 961
<b>* Operating profit or loss</b>	<b>-44 332</b>	<b>-167 467</b>
X. Interest income	29 131	62 101
N. Interest expenses	2 986	24 009
XI. Other financial income	134 279	69 071
O. Other financial expenses	139 008	69 973
<b>* Financial profit or loss</b>	<b>21 416</b>	<b>37 190</b>
Q. Income tax on ordinary activities	5 948	20 703
Q. 1. - due	4 880	554
2. - deferred	1 068	20 149
<b>*** Profit or loss from ordinary activities (+/-)</b>	<b>-28 864</b>	<b>-150 980</b>
<b>**** Profit or loss before tax</b>	<b>-22 916</b>	<b>-130 277</b>

## Statement of Changes in Equity for the Year Ended 31 December 2015

(CZK '000)	Share capital	Reserve fund	Accumulated profits	Total
<b>Balance at 1 January 2014</b>	<b>112 000</b>	<b>19 426</b>	<b>162 304</b>	<b>293 730</b>
Increase in the share capital	110 600	0	0	110 600
Allocation to the reserve funds	0	526	-526	0
Profit for the period	0	0	-150 980	-150 980
<b>Balance at 31 December 2014</b>	<b>222 600</b>	<b>19 952</b>	<b>10 798</b>	<b>253 350</b>
Allocation to the reserve funds	0	0	0	0
Profit for the period	0	0	-28 864	-28 864
<b>Balance at 31 December 2015</b>	<b>222 600</b>	<b>19 952</b>	<b>-18 066</b>	<b>224 486</b>

## Cash Flow Statement for the Year Ended 31 December 2015

(CZK '000)	2015	2014
<b>Cash flows from ordinary activities</b>		
Profit or loss from ordinary activities before tax (+/-)	-22 916	-130 277
<b>A.1 Adjustments for non-cash transactions:</b>	<b>-27 465</b>	<b>159 987</b>
A.1.1 Depreciation of fixed assets, write-offs of receivables	26 042	450 423
A.1.2 Change in provisions and reserves	-27 575	-252 176
A.1.3 (Profit)/loss on the sale of fixed assets	-40	-168
A.1.5 Interest expense and interest income	-25 892	-38 092
<b>A* Net operating cash flow before changes in working capital</b>	<b>-50 381</b>	<b>29 710</b>
<b>A.2 Changes in non-cash components of working capital:</b>	<b>1 058 878</b>	<b>244 044</b>
A.2.1 Change in trade receivables and other assets	1 306 807	1 011 567
A.2.2 Change in operating payables and other liabilities	-247 929	-767 523
<b>A** Net cash flow from operations before tax and extraordinary items</b>	<b>1 008 497</b>	<b>273 754</b>
A.3 Interest paid	-3 239	-24 077
A.4 Interest received	29 131	62 097
A.5 Income tax paid from ordinary operations	1 381	-6 722
<b>A*** Net operating cash flows</b>	<b>1 035 770</b>	<b>305 052</b>
<b>Cash flows from investing activities</b>		
B.1 Fixed assets expenditures	-163	-912
B.2 Proceeds from fixed assets sold	56	168
<b>B*** Net investment cash flows</b>	<b>-108</b>	<b>-744</b>
<b>Cash flow from financial activities</b>		
C.1 Change in payables from financing	-926 696	-494 737
C.2.1. Impact of changes in equity on cash	0	110 600
<b>C*** Net financial cash flows</b>	<b>-926 696</b>	<b>-384 137</b>
<b>Net increase or decrease in cash</b>	<b>108 966</b>	<b>-79 829</b>
<b>Opening balance of cash and cash equivalents</b>	<b>-184 776</b>	<b>-104 947</b>
<b>Closing balance of cash and cash equivalents</b>	<b>-75 809</b>	<b>-184 776</b>



# Notes to the Financial Statements for the Year Ended 31 December 2015

## 1. General information

### 1.1. Incorporation and Description of the Business

#### UniCredit Factoring Czech Republic and Slovakia, a.s.

(hereinafter the "Company") was formed by a Founder's Deed as a joint stock company on 21 January 1991 and was incorporated following its registration in the Register of Companies held by the Court in Prague on 5 April 1991. The principal activities of the Company include providing operating funds through the factoring of domestic and foreign receivables. The Company is engaged in the financing, collecting and securing of short-term receivables held by clients from various industries.

In 2015, the Company changed the shareholder as well as the business name. Until the end of May 2015, it operated on the Czech market under the name of TRANSFINANCE a.s. Until 20 January 2015, it was fully owned by mBank S.A., Warsaw, Poland; since 21 January 2015, the sole shareholder has been UniCredit Bank Czech Republic and Slovakia, a.s., Prague 4.

The Company's issued share capital is CZK 222,600 thousand.

The following table shows individuals and legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

Shareholder/Owner	Ownership percentage
UniCredit Bank Czech Republic and Slovakia, a.s.	100%

### 1.2. Year-on-Year Changes and Amendments to the Register of Companies

Since 21 January 2015, the Company's new shareholder has been UniCredit Bank Czech Republic and Slovakia, a.s. The original shareholder was mBank S.A., Poland.

Since 1 April 2015, the Company has had a new registered office at Želetavská 1525/1, 140 00 Prague 4 – Michle. The original registered office was at Křižíkova 237/36a, 186 00 Prague 8 – Karlín.

On 28 May 2015, the Company's name changed from the original name of TRANSFINANCE a.s. to UniCredit Factoring Czech Republic and Slovakia, a.s.

The Company's logo has been modified in relation to this change.

The changes in the composition of the Company's the Board of Directors and Supervisory Board are disclosed in Note 1.5.

### 1.3. Organisational Structure

The Company is organised into five departments, the heads of which report directly to the Company's Board of Directors.

<b>Board of Directors</b>
Jiří Flégl – Chairman of the Board of Directors
Tomáš Vogl – Member of the Board of Directors
<b>Finance and administration</b>
Olga Pavlíčková – Chief Financial Officer
<b>Sales</b>
<b>Client Management</b>
Petra Němcová – Head of Department
<b>Operations</b>
Renáta Šašková – Chief Operation Officer
<b>Receivables Administration Department</b>
Martina Ježková – Head of Department
<b>Data Administration Department</b>
Jana Hokšárová – Head of Department
<b>Work Out</b>

### 1.4. Group Identification

Following the completion of the acquisition on the part of UniCredit Bank Czech Republic and Slovakia, a.s. in 2015, the Company became part of the prominent UniCredit financial group.

The Company's financial statements are included in the consolidation group of UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office at Želetavská 1525/1, 140 92 Prague 4, and in the consolidation group of UniCredit S. p.A., having its registered office at Via Alessandro Specchi 16, 00186 Rome, Italy.

### 1.5. Board of Directors and Supervisory Board

	Position	Name
<b>Board of Directors</b>	Chairman	Jiří Flégl
	Member	Tomáš Vogl
<b>Supervisory Board</b>	Chairman	David Grund
	Vice Chairman	Gregor Peter Hofstätter-Pobst
	Member	Josef Vondrka
	Member	Roland Viskupič

During the year ended 31 December 2015, the following changes were made to the composition of the Company's Board of Directors and Supervisory Board:

Board of Directors:

Position	Original member	New member	Date of change	Date of Entry into the Register of Companies
Chairman	Jana Němečková		21 Jan 2015	5 Feb 2015
Chairman		Karel Nováček	21 Jan 2015	5 Feb 2015
Chairman	Karel Nováček		31 July 2015	12 Aug 2015
Chairman		Jiří Flégl	1 Aug 2015	12 Aug 2015
Member	Róbert Molnár		21 Jan 2015	05 Feb 2015

Supervisory Board:

Position	Original member	New member	Date of change	Date of Entry into the Register of Companies
Chairman	Jörg Hessenmüller		20 Jan 2015	05 Feb 2015
Chairman		David Grund	21 Jan 2015	05 Feb 2015
Vice Chairman		Gregor Peter, Hofstätter-Pobst	20 Jan 2015	05 Feb 2015
Member	Dariusz Adam Steč		20 Jan 2015	05 Feb 2015
Member	Ryszard Rychter		20 Jan 2015	05 Feb 2015
Member	Henryk Okrzeja		20 Jan 2015	05 Feb 2015
Member		Jiří Flégl	20 Jan 2015	05 Feb 2015
Member	Jiří Flégl		16 June 2015	12 Aug 2015
Member		Josef Vondrka	20 Jan 2015	05 Feb 2015
Member		Roland Viskupič	16 June 2015	12 Aug 2015

## 2. Basis of Accounting and General Accounting Principles

The Company's accounting books and records are maintained and the financial statements were prepared on the historical cost valuation basis in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

These financial statements are presented in thousands of Czech crowns ('CZK').

## 3. Summary of Significant Accounting Policies

### 3.1. Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are initially recognised at cost which includes the cost of acquisition and the costs related to the acquisition.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	Depreciation method	Number of years
Buildings	straight line	50
Machinery, devices and equipment	straight line	3 - 10
Vehicles	straight line	5

If the carrying amount of an asset is greater than the estimated recoverable amount, the carrying amount is written down to the recoverable amount through the recognition of a provision. The recoverable amount is determined on the basis of expected future cash flows generated from the relevant asset.

The Company does not hold any assets under finance leases.

Technical improvements on tangible fixed assets are depreciated on a straight line basis together with the original improved asset.

Technical improvements on tangible fixed assets held under a lease are depreciated on a straight line basis in accordance with the depreciation of the building performed by the owner.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

The costs of repairs and maintenance of tangible fixed assets are expensed as incurred.

### 3.2. Intangible fixed assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost which includes the cost of acquisition and the costs related to the acquisition.

The cost of fixed asset improvements exceeding an aggregate amount of CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset and is depreciated together with the original improved asset.

Amortisation of intangible fixed assets is recorded on a straight line basis over their estimated useful lives as follows:

	Amortisation method	Number of years
Software	straight line	3-8

If the carrying amount of an asset is greater than the estimated recoverable amount, the carrying amount is written down to the recoverable amount through the recognition of a provision.

### 3.3. Receivables

Factoring represents the purchase of short-term receivables at nominal values that originated on the basis of supplies of goods or services made by a supplier to a customer and are not past their due dates. The factoring company pays part of the purchase price ('prefinancing') to the supplier. Receivables from purchased receivables are reported in the Company's balance sheet as 'Trade receivables'. Payables from purchased receivables are reported in the Company's balance sheet as 'Trade payables'. Once the customer makes the payment, the remaining part of the purchase price is paid to the supplier.

In return for its services, the factoring company collects a fee for the provided prefinancing comprising two basic components – the risk component and the cost component. The risk component represents the Group's remuneration for taking on credit risk and is principally affected by the customers' financial health and payment discipline. In determining the cost component, other factors are taken into account, such as the costs incurred in keeping the records of receivables, the cost of conducting the dunning process, information services, assistance in the complaints handling procedure, other costs involved in blocking the funds required to finance the receivables. The current price is derived from the specific level of turnover, number and solvency of customers, etc.

In addition to the fee, the factoring company charges interest, the absolute amount of which depends on the amount of prefinancing made and the length of the time period between the provision of part of the purchase price and collection of the payment from the customer. The fee as well as interest are reported as 'Sales of own products and services'.

#### Provisioning

Tax deductible provisions against receivables are created in line with the current wording of the Provisioning Act.

In creating non-tax deductible provisions, the treatment applied by the Company involves quantifying the anticipated losses on the value of the funds provided to clients based on the testing of potential impairment while taking into account the ratings of the client and its customers, with the ratings assigned by UniCredit Bank Czech Republic and Slovakia, a.s.

The Company creates tax deductible provisions against:

- Receivables without the debtor's default
- Receivables with the debtor's default

Provisions against receivables without the debtor's default are recognised applying the portfolio approach based on the "incurred loss" concept using the IBNR calculation (Incurred But Not Reported).

With respect to receivables with the debtor's default, the Company creates specific provisions based on an individual assessment of each case.

The Company assesses whether the recognised provisions are sufficient and appropriate on a monthly basis and adjusts their level as and when needed.



### 3.4. Trade Payables

Trade payables are stated at their nominal value.

### 3.5. Loans

Loans are stated at their nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

Interest on short-term loans is due retroactively as of the last date of each interest period. The interest period for short-term loans is the same period as that for which the loans were obtained. If months overlap within the period, interest is accrued and recognised in the profit or loss for the period.

### 3.6. Reserves

Reserves are intended to cover future risks and expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The Company recognises a reserve when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 3.7. Foreign Currency Translation

Assets and liabilities acquired in foreign currencies are translated to Czech crowns using the fixed exchange rate set as of 1 January. At the balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

Realised as well as unrealised foreign currency translation gains and losses are reported in financial income or financial expenses for the current period.

Since a substantial part of receivables is in foreign currencies, provisions against receivables may also generate foreign exchange translation gains and losses.

### 3.8. Taxation

#### 3.8.1. Current Tax Payable

Management of the Company has recognised a tax payable and a tax charge based on its tax calculation which follows from its understanding of the interpretation of Czech tax legislation valid at the financial statements date and believes that the amount of tax is

correct in compliance with the effective Czech tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

#### 3.8.2. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

### 3.9. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Revenue is measured at the value of the consideration received or receivable and represents namely amounts receivable from clients for the receivable factoring service.

The Company's principal sources of revenue are:  
fee for the assignment of receivables and factoring interest.

The fee comprises two basic components – the risk component and the cost component. The risk component represents the factoring company's remuneration for taking on credit risk and is principally affected by the customers' financial health and payment discipline. In determining the cost component, other factors are taken into account, such as the costs incurred in keeping the records of receivables, the cost of conducting the dunning process, information services, assistance in the complaints handling procedure, other costs involved in blocking the funds required to finance the receivables. It is recognised in revenue as of the last day of the calendar month. It is reported as *'Sales of own products and services'*.

The factoring interest, the absolute amount of which depends on the amount of prefinancing made and the length of the time period between the provision of part of the purchase price and collection of the payment from the customer, is recognised in revenue as of the last day of the calendar month. It is reported as *'Sales of own products and services'*.

### 3.10. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

### 3.11. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance.

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

(CZK '000)	31 December 2015	31 December 2014
Cash on hand and cash in transit	12	42
Stamps and vouchers	129	77
Cash at bank	613	1 779
Overdraft balances of current accounts included in current bank loans	-76 563	-186 674
<b>Total cash and cash equivalents</b>	<b>-75 809</b>	<b>-184 776</b>

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

The Company maintains overdraft facilities with domestic bank institutions. The Company utilises loans to fund the requirements made its clients by means of tranches as well as operatively up to the total amount of the loan facility using the overdraft facilities which are reported in the balance sheet as part of bank loans.

## 4. Additional Information on the Balance Sheet and Profit and Loss Account

### 4.1. Fixed Assets

#### 4.1.1. Intangible Fixed Assets

Cost

(CZK '000)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Software	41 426	0	-89	41 337	0	-132	41 205
<b>Total</b>	<b>41 426</b>	<b>0</b>	<b>-89</b>	<b>41 337</b>	<b>0</b>	<b>-132</b>	<b>41 205</b>

Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Software	20 349	4 595	-89	24 855	4 511	-132	29 234
<b>Total</b>	<b>20 349</b>	<b>4 595</b>	<b>-89</b>	<b>24 855</b>	<b>4 511</b>	<b>-132</b>	<b>29 234</b>

## Net Book Value

(CZK '000)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Software	16 482	11 971
<b>Total</b>	<b>16 482</b>	<b>11 971</b>

The intangible FA balance comprises the Aquarius software. The disposal represents the removal of an antivirus programme following the expiry of its licence.

## 4.1.2. Tangible Fixed Assets

### Cost

(CZK '000)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Buildings	2 172	0	0	2 172	162	-1 692	642
Individual tangible movable assets	0	0	0	0	0	0	0
- Machinery and equipment	1 705	1		1 706	0	-505	1 201
- Vehicles	3 116	912	-928	3 100	0	0	3 100
- Furniture and fixtures	3 228	0	0	3 228	0	-3 019	209
Other tangible FA	840	0	-840	0	0	0	0
Works of art	645	0	0	645	0	0	645
<b>Total</b>	<b>11 706</b>	<b>913</b>	<b>-1 768</b>	<b>10 851</b>	<b>162</b>	<b>-5 216</b>	<b>5 797</b>

### Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Buildings	2 172	0	0	2 172	2	-1 692	482
Individual tangible movable assets	0	0	0	0	0	0	0
- Machinery and equipment	1 271	238	0	1 509	197	-506	1 200
- Vehicles	1 622	587	-928	1 281	690	0	1 971
- Furniture and fixtures	3 228	0	0	3 228	0	-3 019	209
Other tangible FA	840	0	-840	0	0	0	0
<b>Total</b>	<b>9 133</b>	<b>825</b>	<b>-1 768</b>	<b>8 190</b>	<b>889</b>	<b>-5 217</b>	<b>3 862</b>

### Net Book Value

(CZK '000)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Buildings	0	160
Individual tangible movable assets	0	0
- Machinery and equipment	197	0
- Vehicles	1 819	1 129
Works of art	645	645
<b>Total</b>	<b>2 661</b>	<b>1 934</b>

The furniture and fixtures disposal represents the situation whereby a set of furniture items and equipment was eliminated from tangible FA and recorded piece by piece off balance sheet. The building disposal represents the technical improvements eliminated from the original premises in Karlín and part of the dividing walls which were sold for being unused. In contrast, the addition represents the technical improvement of the new premises at the Filadelfia building. The machinery, devices and equipment disposal represents the removal of a server and air-conditioning again in relation to the Company's move.

In the years ended 31 December 2015 and 2014, the Company acquired tangible assets that were expensed as incurred in the amounts of CZK 235 thousand and CZK 299 thousand, respectively. The assets represent low value tangible assets comprising other movable assets



and sets of movable assets with an estimated useful life greater than one year not reported in fixed assets. The assets are recognised as inventory and charged on an individual basis directly to expenses.

## 4.2. Receivables

(CZK '000)		31 Dec 2015	31 Dec 2014
Trade receivables from operating activities	Before due date	0	0
Receivables from factoring activities and from the assignment of receivables	Before due date	1 659 932	2 713 441
	Past due date	265 340	478 161
<b>Total trade receivables</b>		<b>1 925 272</b>	<b>3 191 602</b>
Other receivables	Before due date	26	0
Estimated receivables		3	4
Short-term prepayments made		7	49
State - tax receivables		3 962	5 230
<b>Total other receivables</b>		<b>3 998</b>	<b>5 283</b>
Provisions against doubtful receivables		-98 165	-71 167
<b>Net book value of short-term receivables</b>		<b>1 831 105</b>	<b>3 125 718</b>
Deferred tax asset (Note 12)		0	1 068
<b>Net book value of long-term receivables</b>		<b>0</b>	<b>1 068</b>
<b>Total net book value of receivables</b>		<b>1 831 105</b>	<b>3 126 786</b>

In the years ended 31 December 2015 and 2014, the Company created provisions against receivables regarded as doubtful based on the estimate of individual cases in terms of risk and anticipated cash flows.

As in 2014, the outstanding trade receivables as of 31 December 2015 are not collateralised through bills of exchange.

As of 31 December 2015, the Company does not report any receivables with a maturity of more than 5 years.

In the year ended 31 December 2015, receivables in the amount of CZK 20,658 thousand (2014: CZK 646,355 thousand) were written off through expenses due to uncollectability, rejection of bankruptcy and settlement, and failure to recover receivables in the bankruptcy proceedings or sale. The amortisation is reported in the profit and loss account as 'Other operating expenses'.

Receivables from related parties are disclosed in Note 4.10.1.

Change in the provision against doubtful receivables:

(CZK '000)	Provisions against receivables – tax deductible	Provisions against receivables – other	Total
<b>Opening balance at 31 December 2013</b>	<b>44 395</b>	<b>284 435</b>	<b>328 830</b>
Provisions created	4 734	251 146	255 880
Provisions released	-31 480	-482 063	-513 543
<b>Closing balance at 31 December 2014</b>	<b>17 649</b>	<b>53 518</b>	<b>71 167</b>
Provisions created	4 423	42 880	47 303
Provisions released	-6 780	-13 525	-20 305
<b>Closing balance at 31 December 2015</b>	<b>15 292</b>	<b>82 873</b>	<b>98 165</b>

#### 4.2.1. Intercompany Receivables

(CZK '000)			
Name of the entity		Balance at 31 Dec 2015	Balance at 31 Dec 2014
Unicredit Bank Hungary zRt.		9 511	0
UniCredit Factoring S.p.A.		3 831	0
<b>Total intercompany receivables</b>		<b>13 342</b>	<b>0</b>

#### 4.3. Deferred Expenses

As of 31 December 2015, the most significant items of deferred expenses comprise the maintenance of the Aquarius system (CZK 987 thousand), the 2016 FCI membership fee (CZK 199 thousand) and, last but not least, MagnusWeb Cs and BlZguard CS – ie information costs (CZK 153 thousand). All of the items were invoiced in November 2015 with a one-year subscription. This represents approximately 80% of the deferred expenses.

#### 4.4. Equity

(CZK '000)	31 Dec 2015		31 Dec 2014	
	Number (pieces)	Carrying amount	Number (pieces)	Carrying amount
Common shares	3 975	222 600	3 975	222 600

Common shares amount to CZK 56 thousand per piece and are paid in full.

In the years ended 31 December 2015 and 2014, no dividends or directors' fees were paid out.

It had not been decided on the allocation of the loss for 2015 as of the financial statements approval date, which is why the Company does not disclose the decision.

As of 31 December 2015, the sole shareholder was UniCredit Bank Czech Republic and Slovakia, a.s., Prague. As of 31 December 2014, the sole shareholder was mBank S.A., Warsaw, Poland.

The reserve fund comprises the Company's profit as stipulated in its Articles of Association and cannot be distributed among shareholders. It may be used solely to settle losses.

On 26 November 2014, the Company's sole shareholder decided to increase the Company's share capital through the subscription of new shares of CZK 110,600 thousand, from the original amount of CZK 112,000 thousand to CZK 222,600 thousand.

On 29 April 2015, the General Meeting approved the Company's financial statements for the year ended 31 December 2014 and decided that the aggregate loss of CZK 150,980 thousand for the year ended 31 December 2014 would be offset against retained earnings. Refer to the Statement of Changes in Equity.

#### 4.5. Reserves

(CZK '000)			
Reserves		Balance at 31 Dec 2015	Balance at 31 Dec 2014
Rezerva na daň z příjmu		4 987	0
Ostatní rezervy		3 878	5 487
<b>Celkem</b>		<b>8 865</b>	<b>5 487</b>

## 4.6. Payables

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
<b>Payables</b>		
Trade payables from operating activities	242	1 920
Payables from factoring activities and the assignment of receivables	1 022 053	1 258 901
Other payables	6 275	8 349
<b>Total</b>	<b>1 028 570</b>	<b>1 269 170</b>

Short-term factoring payables represent payables arising from the cost of purchased receivables.

The above stated payables have not been collateralised by any of the Company's assets and do not have a maturity of more than 5 years.

Other short-term payables comprise namely estimated payables. As of 31 December 2015, estimated payables amounted to CZK 4,621 thousand (as of 31 December 2014: CZK 5,098 thousand) and include mainly unpaid bonuses and unbilled supplies and services.

The Company does not report any payables past their due dates from social security or health insurance contributions and neither does it report any other amounts past their due dates payable to tax authorities or other state institutions.

Payables to related parties are disclosed in Note 4.10.1.

## 4.7. Bank Loans

### 4.7.1. Long-Term Bank Loans

All bank loans mature within one year from the balance sheet date. Loans are collateralised through a bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. They are used namely through tranches up to 3 months at the maximum. The Company may draw funds for its operations up to the credit limit by means of overdraft facilities.

As of 31 December 2015, interest costs related to bank loans amounted to CZK 2,986 thousand (2014: CZK 24,009 thousand).

Bank loans may be divided as follows:

Bank	Dates / Terms	Credit limit úvěrového limitu as of 31 Dec 2015	Use of tranches as of 31 Dec 2015	Use of overdraft facilities as of 31 Dec 2015	Use of loans as of 31 Dec 2015 incl. overdraft facilities	Use of loans as of 31 Dec 2014 incl. overdraft facilities
(CZK '000)						
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan contract Maturing on 31 March	2 756 875	446 863	59 957	506 820	43 183
Komerční banka, a.s.	Loan contract Indefinite period	208 093	62 158	8 358	70 516	216 527
COMMERZBANK AG, Prague branch	Loan contract Terminated	0	0	0	0	77 730
Expobank CZ a.s.	Loan contract Terminated	0	0	0	0	17 735
mBank S.A., Polsko	Loan contract Terminated	0	0	0	0	1 062 650
Československá obchodní banka a.s.	Loan contract 15 February 2016	210 000	0	8 247	8 247	204 565
<b>Total</b>		<b>3 174 968</b>	<b>509 021</b>	<b>76 562</b>	<b>585 583</b>	<b>1 622 390</b>



As of 31 December 2015, the Company maintained off-balance sheet the bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. and credited to Komerční banka, a.s. in the amount of EUR 2,800 thousand (collateral for a loan contract payable), and a bank guarantee credited to PASSERINVEST BBC 1, s.r.o. in the amount of EUR 67 thousand (collateral for a lease contract payable).

## 4.8. Income Taxation

### 4.8.1. Deferred Taxation

The deferred tax asset/(liability) is analysed as follows:

Deferred Tax Arising from

(CZK '000)	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between tax and accounting net book values of fixed assets	0	2 204	0	2 668
Difference between tax and accounting values of provisions against receivables	12 840	0	3 736	0
<b>Net deferred tax asset</b>	<b>10 636</b>	<b>0</b>	<b>1 068</b>	<b>0</b>

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
<b>Deferred tax asset – breakdown</b>		
Recognised asset	0	1 068
Unrecognised asset	10 636	0
<b>Total</b>	<b>10 636</b>	<b>1 068</b>

The Company decided not to recognise the deferred tax asset on the grounds of prudence.

### 4.8.2. Income Tax Charge (Credit)

(CZK '000)	2015	2014
Profit before tax	-22 916	-130 278
Difference between depreciation for accounting and tax purposes	3 557	1 394
Non-tax revenue: Provisions released	0	-280 430
Non-deductible expense: Provisions created	0	0
Realised receivables	52 990	419 097
Other (eg representation costs, deficits and damage)	-7 947	-6 867
Taxable income	25 684	2 916
Income tax rate	19%	19%
<b>Tax</b>	<b>4 880</b>	<b>554</b>

## 4.9. Due Amounts arising from Social Security and Health Insurance Contributions and Tax Arrears

The due amounts arising from social security contributions and contributions to the State employment policy were CZK 223 thousand and CZK 381 thousand as of 31 December 2015 and 31 December 2014, respectively.

The due amounts arising from public health insurance contributions were CZK 116 thousand and CZK 195 thousand as of 31 December 2015 and 31 December 2014, respectively.

The Company did not report tax arrears to the local taxation authorities as of 31 December 2015 and 2014. The Company was not assessed a due income tax amount related to the previous reporting periods.

## 4.10. Details of Income by Principal Activity

Income from factoring activities was generated as follows:

(CZK '000)	2015	2014
<b>Foreign income</b>		
Import factoring	6 977	6 838
<b>Domestic income</b>		
Export factoring	22 392	36 946
Domestic factoring	19 608	36 522
<b>Other</b>	<b>0</b>	<b>0</b>
<b>Total sales of own services</b>	<b>48 977</b>	<b>80 306</b>
Income from the receivables assigned	0	201 351
Other income	36	18
<b>Total income from operating activities</b>	<b>49 013</b>	<b>281 675</b>
Interest income from factoring activities	29 131	62 101
<b>Total income from operating activities and interest income</b>	<b>78 144</b>	<b>343 776</b>

Income generated with related parties is disclosed in Note 4.10.1.

### 4.10.1. Related Party Transactions

(CZK '000)	2015	2014
<b>Expense</b>		
mBank S.A. (PL)	765	13 621
Commerzbank AG (CZ)	35	586
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	649	0
UniCredit Factoring EAD (BG)	5	0
Unicredit Bank Hungary zRt. (HU)	243	0
UniCredit Factoring S.p.A. (IT)	29	0
<b>Income</b>		
mBank S.A. (PL)	0	201 351
UniCredit Factoring EAD (BG)	225	0
UniCredit Factoring S.p.A. (IT)	3 266	0
<b>Loans</b>		
mBank S.A. (PL)	0	1 062 650
Commerzbank AG (CZ)	0	77 730
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	505 151	0

Expense related to mBank S.A. and Commerzbank AG comprises paid interest and dates to the period when mBank S.A. was the Company's shareholder, ie 20 January 2015.

#### 4.11. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Consumed material	524	783
Consumed energy	276	443
<b>Total consumed purchases</b>	<b>800</b>	<b>1 226</b>

#### 4.12. Services

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Repairs and maintenance	225	54
Travel expenses	336	642
Representation costs	247	328
Telephone, fax, internet	247	320
Low value intangible assets put to use	0	0
<b>Rental</b>	<b>3 213</b>	<b>3 747</b>
Leasing	0	0
Other services	9 347	15 506
<b>Total</b>	<b>13 615</b>	<b>20 597</b>

Other services comprise namely expenses incurred on the lease of business premises, consulting activities, legal and audit services and expenses incurred on the administration and maintenance of the Company's information technologies.

#### 4.13. Remuneration to the Statutory Audit Firm

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Obligatory audit of the financial statements	581	1 380
<b>Total</b>	<b>581</b>	<b>1 380</b>

#### 4.14. Depreciation of Intangible and Tangible Fixed Assets

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
<b>Depreciation of intangible and tangible fixed assets</b>		
Depreciation of intangible and tangible fixed assets	5 385	5 419
Extraordinary write-offs when fixed assets are taken out of service through liquidation	16	0
<b>Total depreciation</b>	<b>5 401</b>	<b>5 419</b>

#### 4.15. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Write-off of receivables	20 658	646 355
Sundry operating expenses	4 476	3 606
<b>Total</b>	<b>25 134</b>	<b>649 961</b>

Sundry expenses comprise namely expenses incurred on securing receivables, operating insurance and membership in professional associations.

## 4.16. Other Financial Income

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Foreign exchange rate gains	134 279	69 071
<b>Total</b>	<b>134 279</b>	<b>69 071</b>

## 4.17. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Foreign exchange rate losses	133 143	64 726
Banking fees	5 865	4 247
<b>Total</b>	<b>139 008</b>	<b>68 973</b>

# 5. Employees, Management and Statutory Bodies

## 5.1. Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and managers for the years ended 31 December 2015 and 2014:

2015

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	18	7 815	2 899	259	10 973
Managers	7	8 869	2 707	119	11 695
<b>Total</b>	<b>25</b>	<b>16 684</b>	<b>5 606</b>	<b>378</b>	<b>22 668</b>

2014

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	24	9 774	3 238	322	13 334
Managers	4	5 855	1 825	74	7 754
<b>Total</b>	<b>28</b>	<b>15 629</b>	<b>5 063</b>	<b>396</b>	<b>21 088</b>

The number of employees is based on the average recalculated headcount. The category of 'managers' includes members of the Board of Directors and management.

# 6. Research and Development Activities

In the year ended 31 December 2015, the Company did not perform any research and development activities.



## 7. Environmental Impacts of the Company's Activities

As the Company's activities comprise providing financial services, its actions do not directly affect the environment.

## 8. Organisational Branches Abroad

The Company does not have any foreign branches.

## 9. Post Balance Sheet Events

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

In Prague on 22nd February 2016



**Jiří Flégl**

Chairman of the Board of Directors



**Olga Pavličková**

Chief Financial Officer



**Tomáš Vogl**

Member of the Board of Directors



# Invoice Discounting

Release the potential of your receivables!

Invoice discounting enables you to transform capital tied up in receivables into immediate cash.

Invoice discounting is intended for creditworthy and reliable clients with portfolios entailing tens or hundreds of customers with good payment discipline. Management and collection of receivables are carried out by client and UniCredit Factoring

ensures an optimum pre-financing of receivables. With invoice discounting you eliminate issues caused by delay in maturity of receivables or seasonal fluctuations, and stabilise your operating financing.

# Report on Relations

## among the Controlling and Controlled Entities and among the Controlled Entity and Other Entities Controlled by the Same Controlling Entity

In accordance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, the Board of Directors of UniCredit Factoring Czech Republic and Slovakia, a.s., having its registered office at Želetavská 1525/1, 140 00 Prague 4 – Michle, incorporated in the Register of Companies maintained by the Municipal Court in Prague, File B, Insert 649, prepared this Report on Relations for the period from 1 January 2015 to 31 December 2015 (the “period”).

During the above-stated period, UniCredit Factoring Czech Republic and Slovakia, a.s. was controlled by UniCredit Bank Czech Republic and Slovakia, a.s., Želetavská 1525/1, 140 92 Prague 4 - Michle.

### 1. The Structure of Relations among UniCredit Factoring Czech Republic and Slovakia, a.s. and the Controlling Entity and Entities Controlled by the Same Controlling Entity

#### Controlled Entity:

UniCredit Factoring Czech Republic and Slovakia, a.s.  
Želetavská 1525/1, 140 00 Prague 4 - Michle  
Corporate ID No.: 15272028  
(hereinafter “UCF”)

#### Directly Controlling Entity:

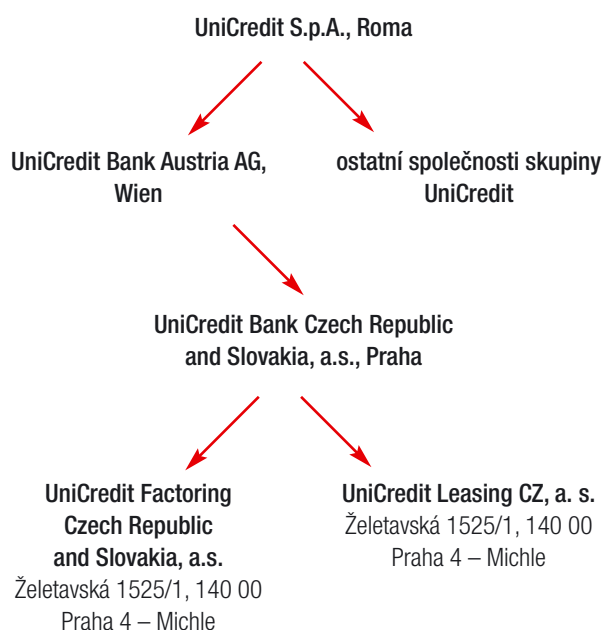
UniCredit Bank Czech Republic and Slovakia, a.s.  
Želetavská 1525/1, 140 92 Prague 4 - Michle  
Corporate ID No.: 649 48 242  
(hereinafter “UCB”)

#### Indirectly Controlling Entity:

UniCredit S.p.A.  
Via Alessandro Specchi 16  
00186 Rome, Republic of Italy

The structure of the UniCredit group is described in detail in the Appendix to this Report.

The following is a simplified structure of relations as of 31 December 2015 among UCF and the companies the relations of which are described below:



The parent company is UniCredit Bank Czech Republic and Slovakia, a.s. The company is part of its consolidation group. The parent company of UniCredit Bank Czech Republic and Slovakia, a.s. is UniCredit Bank Austria AG, having its registered office at Schottengasse 6–8, 1010 Vienna, Republic of Austria. In addition, UniCredit Bank Czech Republic and Slovakia, a.s. is indirectly controlled by UniCredit, S.p.A., having its registered office at Via Specchi 16, 00186 Rome, Italy, which is the ultimate controlling entity of UniCredit Factoring Czech Republic and Slovakia, a.s.

Further related entities comprise other companies in the UniCredit Bank Czech Republic and Slovakia, a.s. group.

## 2. The Role of UniCredit Factoring Czech Republic and Slovakia, a.s. in the Group

The role of UniCredit Factoring Czech Republic and Slovakia, a.s. in the UniCredit financial group involves the provision of receivable funding services on the Czech and Slovak markets, namely the factoring, collection and securing of trade receivables and invoice discounting. Another role of UniCredit Factoring Czech Republic and Slovakia, a.s. involves attending to the corporate clients of UniCredit on the Czech and Slovak markets and making use of the resulting synergistic effects. As part of the UniCredit Group, the Czech and Slovak Republics are among the four key markets in which the UniCredit Group intends to expand in the long term.

## 3. Method and Tools of Control

The method employed in controlling UniCredit Factoring Czech Republic and Slovakia, a.s. as a member of the UniCredit Group must be, with the exception of relevant legal regulations, in observance of the regulations issued by UniCredit Bank Austria AG as the subholding company of the UniCredit Group (the “subholding company”). The subholding company oversees that the guidelines (the “holding’s guidelines”) issued by UniCredit S.p.A. (the “holding company”) as part of the bank and all the companies controlled by it are observed and complied with. The holding’s guidelines constitute rules defining the management, organisational chart and responsibilities of managers within the key processes in the UniCredit Group. They are issued during the exercising of the holding company’s rights with respect to the supervision and coordination of the UniCredit Group in compliance with the instructions issued by the Italian supervisory authority with the aim of maintaining the stability of the UniCredit Group.

## 4. Summary of Contracts Concluded among UniCredit Factoring Czech Republic and Slovakia, a.s. and the Controlling Entity or among Controlled Entities

The Company has concluded the following types of contracts with the related entities:

Related Entity	Type of Contract and General Terms
UniCredit Bank Czech Republic and Slovakia, a.s	Contract on a loan and other banking services provided in the form of a multi-purpose loan facility dated 25 June 2010
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on the exchange of parking spaces dated 4 June 2015
UniCredit Bank Czech Republic and Slovakia, a.s.	Framework contract on financial market trading dated 21 January 2015
UniCredit Factoring EAD, BG	Interfactor Agreement dated 22 February 2010
UniCredit Bank Hungary zRt., HU	Interfactor Agreement dated 1 October 2011
UniCredit Factoring S.p.A., IT	FCI Interfactor Agreement dated 16 November 2015

The effective contracts concluded by the Company include long-term contracts on cooperation with the factoring companies UniCredit Factoring EAD, Bulgaria, Unicredit Bank Hungary zRt. and UniCredit Factoring S.p.A. These are standard contracts pursuant to the rules of FCI (Factors Chain International), ie the international association of factoring companies governing mutual relations arising from the performance of factoring among the companies.

The contract concluded between UniCredit Factoring Czech Republic and Slovakia, a.s. and UniCredit Bank Czech Republic and Slovakia, a.s. is a due loan contract providing funds for the financing of the Company's commercial and operating activities. The Company has concluded similar contracts under comparable business terms with other banking entities as well.

## 5. Assessment of whether the Controlled Entity Incurred any Detriment and Assessment of Detriment Settlement Pursuant to Section 71 and 72 of the Business Corporations Act

The Company's Board of Directors declares that UniCredit Factoring Czech Republic and Slovakia, a.s. incurred no detriment as a result of the concluded contracts.

## 6. Assessment of Advantages and Disadvantages Arising from Related Party Transactions According to Section 82 (1) of the Business Corporations Act

The advantages arising from the transactions between UniCredit Group entities principally include the following:

- An internationally-recognised brand and reputational benefit from the UniCredit Group being included among SIFIs (Strategically Important Financial Institution).
- Provision and sharing of the bank's know-how in trade finance.
- Provision of a more competitive source of refinancing for factoring transactions.

- Possibility of utilising synergistic effects with the bank in the business area. Operational synergy enabling to cut operating costs.
- Development of human resources associated with the sharing of the UniCredit Group's experience in European markets, an opportunity for employees to obtain hands-on experience in other banks or management structures of the Group, career opportunities in the UniCredit Group.
- Possibility of using the UniCredit Group's sponsoring and marketing at a European level in the local conditions.

Assessing the overall impact of including UniCredit Factoring Czech Republic and Slovakia, a.s. in the UniCredit Group indicates that the advantages arising from this position substantially prevail. UniCredit Factoring Czech Republic and Slovakia, a.s. actively prevents any potential disadvantages by undertaking operational measures in local management and communicating and building a strong brand at the local level.

In 2015, no legal acts were taken in the interest of the related parties and no measures were adopted or taken at the instigation or in the interest of the related parties.

Management of the Company believes that all related party transactions were conducted on an arm's length basis.

In Prague on 22 February 2016



Jiří Flégl

Chairman of the Board of Directors



Tomáš Vogl

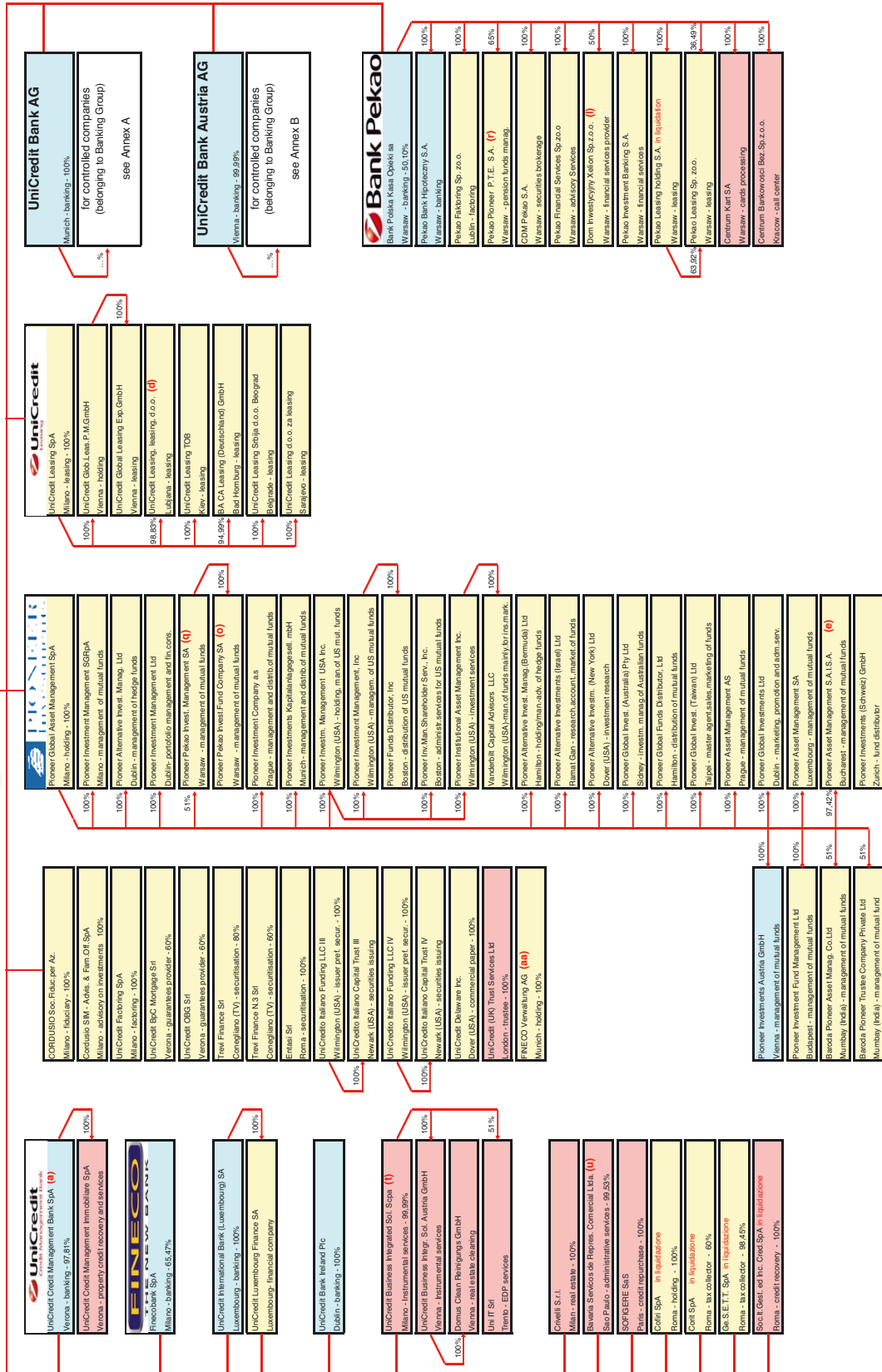
Member of the Board of Directors

Appendix: Organisational chart of UniCredit Group



# Organizational structure of UniCredit Group

Banking Group (cod. 2008.1)



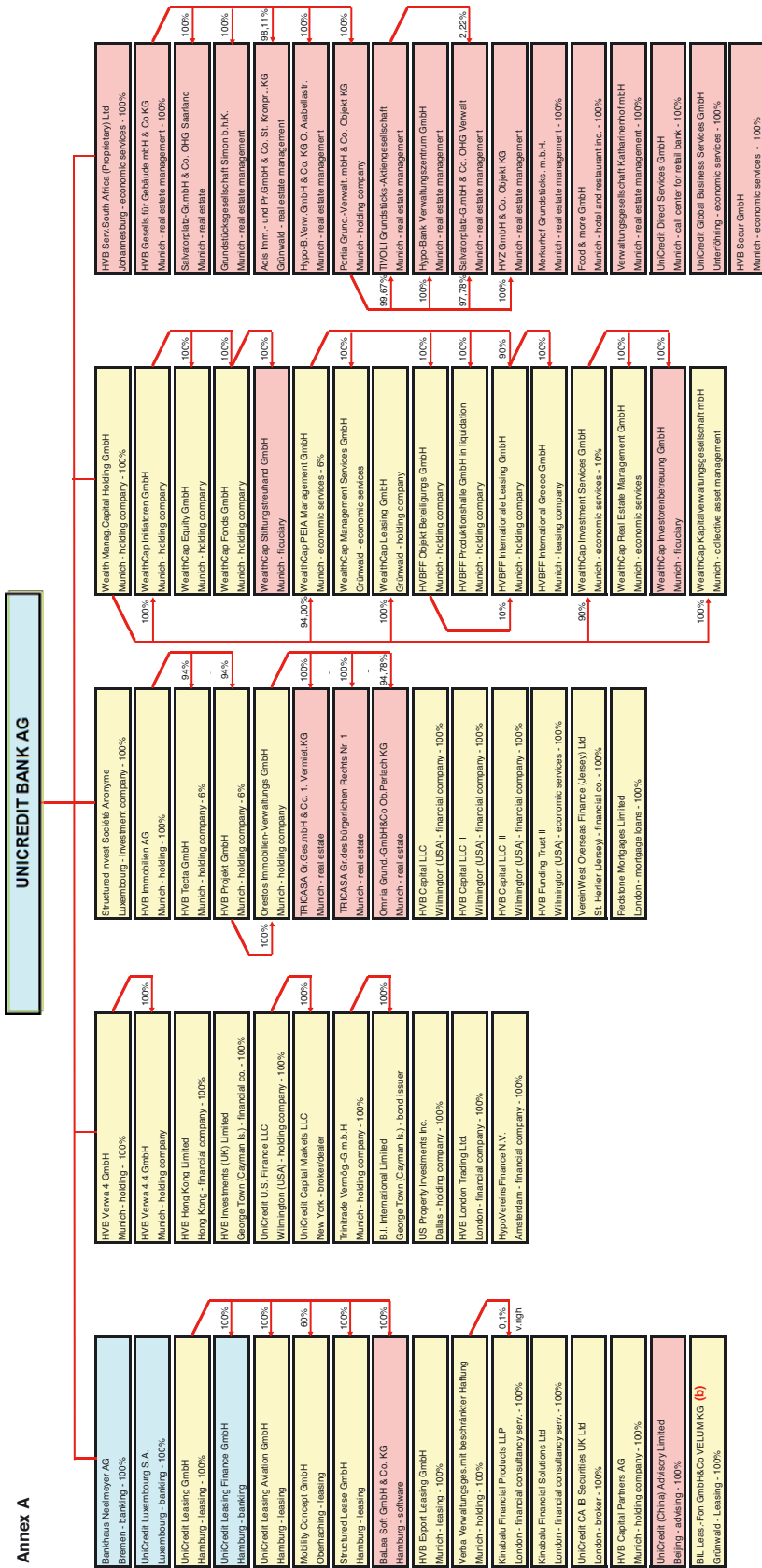
Companies belonging to the Banking Group

banking
financial
instrumental
Updated

July 10<sup>th</sup> 2015

(a) # 175,000 shares owned by UniCredit Credit Management Bank S.p.A. (a) 1.7% held by UniCredit Bank Slovenija DD (a) 2.575% held by UniCredit Trade Bank S.A. (b) 50% owned directly by UniCredit in Pioneer Global Asset Management S.p.A. (c) 49% held by Pioneer P.T.E. S.A. (d) 100% held by Pioneer P.T.E. S.A. (e) 0.42% held by UniCredit Belvedere Int. (a) under liquidation process (f) Requested to Bank of Italy the inclusion in the Banking Group

Annex A



Companies belonging to the Banking Group

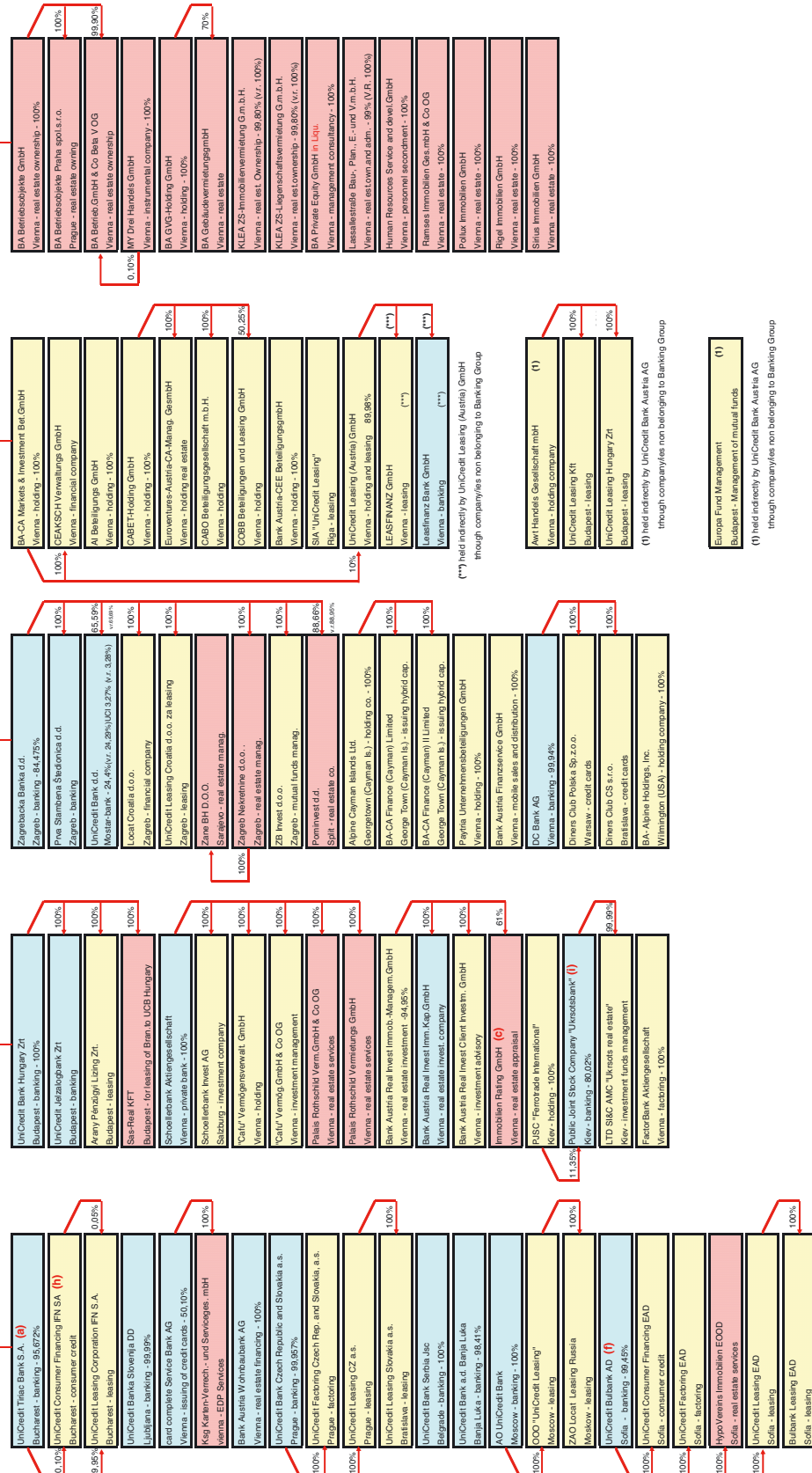
banking
financial
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Updated

July 10th 2015

(b) Voting rights held by UCB AG (33.33%) and by BL Leasing-Fonds Verwaltungs GmbH (33.33%) (c) 5.22% held by WealthCap Leasing GmbH (z) Requested to Bank of Italy the inclusion in the Banking Group

Annex B

UNICREDIT BANK AUSTRIA AG



Companies belonging to the Banking Group

banking
financial
instrumental

Updated July 10th 2015

(a) % considering shares held by other Companies controlled by BA (c) 19% held by BA and 19% held by UniCredit Leasing (Austria) GmbH (f) 0,004% held by UniCredit SpA (h) 49,9% held by UniCredit SpA (i) 8,44% held by UniCredit SpA (z) Requested to Bank of Italy the inclusion in the Banking Group

Life is full of ups and downs.  
We're there for both.



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