

One Bank
One
 UniCredit

2017

Annual Report

Solutions that matter.





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Introduction by the Chairman of the Board of Directors

„UniCredit Factoring recorded a year-on-year turnover increase of 55% to CZK 22.606 billion in total.“

Jiří Flégl

Chairman of the Board
of Directors UniCredit Factoring
Czech Republic and Slovakia, a.s.

Dear Shareholders,
Ladies and Gentlemen,

We have completed another year of operation under the UniCredit brand and I believe that we can see this year as positive in terms of our factoring activities and the achieved results.

After 2015 and 2016, the years of transformation and stabilisation, we were able to start developing our business strategy based on the already implemented processes and rules. Under the leadership of the new business director, the Company completely changed and expanded its team of advisors focusing on active sale of the Company's products both in the Czech Republic and Slovakia. As part of our efforts to be closer to our clients in the regions, we decided to apply a decentralised model of our coverage, which increased the clients' comfort thanks to the territorial and time flexibility of our advisors.

A parallel step concerned the integration of the strengthened customer care department under the business section, since we perceive the development of relations, expansion of customer portfolios and the resulting increase of the necessary financing for our clients as an important part of our business direction.

It remains true that our primary sales channels are the advisors from the corporate division of UniCredit Bank. The achieved increase in the number of new clients then indicates that this close cooperation with the parent company works perfectly.

2017 was another economically strong year for the Czech Republic and Slovakia and it essentially continued the trend of excess of liquidity in the economy, with many companies not having to opt

for financing from external sources. And if they chose to take this step, thanks to their better financial position many companies had access to a simpler form of bank financing that had been out of their reach in the past. Despite this handicap, the Czech factoring market managed to increase the total turnover of receivables by 19% year-on-year after two years of a decline. UniCredit Factoring certainly contributed to this very good result, since it recorded a year-on-year turnover increase of 55% to CZK 22.606 billion in total. The best results in this area were achieved in the last quarter of 2017 with the average turnover of CZK 2.179 billion per month. Domestic factoring played as usual the most important role, with a volume of CZK 12.296 billion. It is gratifying that our import factoring product maintained its leading position on the market with a total share of more than 75%. Another positive fact is the increase of our market share on the overall turnover to 14.5% from the original 11.1% in 2016.

This result was naturally due to the expansion of the client portfolio, which grew by 65% compared to 2016. This had an impact on the total volume of financing provided to our clients, which increased during 2017 from CZK 1.488 billion to CZK 2.247 billion and the threshold of CZK 2.5 billion was passed shortly before the end of the year. The year-on-year increase is 51%.

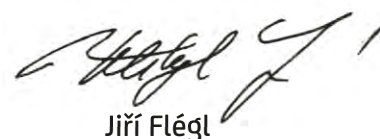
The strengthening of the client base, a higher volume of financing and the Company's turnover were also reflected in the dynamic increase of income, both from interest and from fees, of 55% year-on-year. The Company was able to maintain its operating expenses below the planned budget, which in conjunction with the achieved income and the lower creation of provisions compared to the expectations meant that the gross operating profit of 2017 amounted to CZK 41.052 million, which represents a 159% increase compared to 2016. The Company's resulting profit after tax for the period amounts to CZK 20.400 million, representing more than double the amount of 2016.

Aside from fulfilling the Company's business strategy, we devoted significant efforts and energy to the prepared project of construction of new IT infrastructure and implementation of the new version of our business system Aquarius. The complex and technically challenging project was completed in December 2017 with a positive result and with no negative impact on our clients. The current version of the system with new technology will additionally allow us to expand our product portfolio to include a module allowing automatic connection of the supplier chain with a significant customer, i.e. reverse factoring.

Going forward we would like to continue presenting the factoring product as a modern tool for financing, mitigation of the risk of customer default, collection and administration of receivables, while at the same time disproving the cliché that factoring is a financing tool only for the least creditworthy companies.

We would have been unable to achieve the very good results and meet our goals in 2017 without our employees, who contribute to the creation of the Company's value. I would like to thank them and express my hope that they will continue to do so in the following years.

In Prague on 2 February 2018



Jiří Flégl

Chairman of the Board
of Directors UniCredit
Factoring Czech Republic
and Slovakia, a.s.



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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

Opinion

We have audited the accompanying financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2017, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 2 March 2018

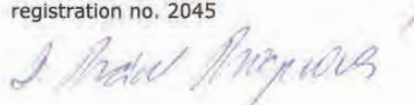
Audit firm:

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



Statutory auditor:

Diana Rádł Rogerová
registration no. 2045



Financial statements

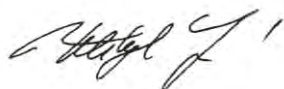
for the Year Ended 31 December 2017

Name of the Company: **UniCredit Factoring Czech Republic and Slovakia, a.s.**
Registered Office: **Želetavská 1525/1, 140 00 Prague 4 – Michle**
Legal Status: **Joint Stock Company**
Corporate ID: **152 72 028**

Components of the Financial Statements:

Balance Sheet
Profit and Loss Account
Statement of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements

These financial statements were prepared on 1 March 2018.



Jiří Flégl
Chairman of the Board of Directors



Zdeněk Bílý
Member of the Board of Directors

Balance sheet full version as of 31. 12. 17

(in CZK thousand)		Gross	Adjustment	31. 12. 17 Net	31. 12. 16 Net
	TOTAL ASSETS	3 463 670	136 293	3 327 378	2 517 191
B.	Fixed assets	45 551	37 798	7 753	9 210
B.I.	Intangible fixed assets	38 925	33 539	5 386	7 625
B.I.1.	Research and development				
B.I.2.	Valuable rights	38 925	33 539	5 386	7 625
B.I.2.1.	Software	38 925	33 539	5 386	7 625
B.II.	Tangible fixed assets	6 626	4 260	2 366	1 585
B.II.1.	Land and structures	642	491	151	157
B.II.1.2.	Structures	642	491	151	157
B.II.2.	Tangible movable assets and sets of tangible movable assets	5 338	3 768	1 570	783
B.II.3.	Valuation difference on acquired assets				
B.II.4.	Other tangible fixed assets	645		645	645
B.II.4.3.	Other tangible fixed assets	645		645	645
C.	Current assets	3 417 177	98 494	3 318 683	2 506 504
C.II.	Receivables	3 417 064	98 494	3 318 570	2 501 692
C.II.2.	Short-term receivables	3 417 064	98 494	3 318 570	2 501 692
C.II.2.1.	Trade receivables	3 417 044	98 494	3 318 550	2 501 678
C.II.2.4.	Receivables – other	19		19	14
C.II.2.4.4.	Short-term prepayments made	19		19	14
C.II.2.4.6.	Sundry receivables	1		1	
C.IV.	Cash	114		114	4 812
C.IV.1.	Cash on hand	114		114	130
C.IV.2.	Cash at bank				4 682
D.	Other assets	942		942	1 477
D.1.	Deferred expenses	942		942	1 477

Balance sheet full version as of 31. 12. 17

(in CZK thousand)		31. 12. 17	31. 12. 16
	TOTAL LIABILITIES & EQUITY	3 327 378	2 517 191
A.	Equity	254 987	234 588
A.I.	Share capital	222 600	222 600
A.I.1.	Share capital	222 600	222 600
A.III.	Funds from profit		19 952
A.III.1.	Other reserve funds		19 952
A.IV.	Retained earnings (+/-)	11 988	-18 066
A.IV.1.	Accumulated profits brought forward	11 988	
A.IV.2.	Accumulated losses brought forward (-)		-18 066
A.V.	Profit or loss for the current period (+/-)	20 400	10 101
B.+C.	Liabilities	3 072 391	2 282 603
B.	Reserves	3 206	4 715
B.II.	Income tax reserve	3 206	837
B.IV.	Other reserves		3 878
C.	Payables	3 069 184	2 277 888
C.II.	Short-term payables	3 069 184	2 277 888
C.II.2.	Payables to credit institutions	1 886 617	1 167 242
C.II.4.	Trade payables	1 177 454	1 101 252
C.II.8.	Other payables	5 114	9 394
C.II.8.3.	Payables to employees	724	636
C.II.8.4.	Social security and health insurance payables	480	349
C.II.8.5.	State - tax payables and subsidies	603	772
C.II.8.6.	Estimated payables	3 306	7 636

Profit and loss account structured by the nature of expense method year ended 31. 12. 17

(in CZK thousand)		Year ended 31. 12. 17	Year ended 31. 12. 16
I.	Sales of products and services	47 711	36 886
A.	Purchased consumables and services	13 809	15 993
A.2.	Consumed material and energy	764	672
A.3.	Services	13 045	15 320
D.	Staff costs	18 221	16 226
D.1.	Payroll costs	10 049	9 642
D.2.	Social security and health insurance costs and other charges	8 172	6 584
D.2.1.	Social security and health insurance costs	4 418	3 935
D.2.2.	Other charges	3 754	2 649
E.	Adjustments to values in operating activities	14 628	-5 532
E.1.	<i>Adjustments to values of intangible and tangible fixed assets</i>	3 940	4 827
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	3 940	4 827
E.3.	Adjustments to values of receivables	10 688	-10 359
III.	Other operating income	9	12
III.1.	Sales of fixed assets		12
III.3.	Sundry operating income	9	
F.	Other operating expenses	3 462	16 628
F.3.	Taxes and charges	-173	-189
F.4.	Reserves relating to operating activities and complex deferred expenses	-3 878	
F.5.	Sundry operating expenses	7 513	16 817
*	Operating profit or loss (+/-)	-2 400	-6 416
VI.	Interest income and similar income	33 955	24 281
VI.2.	Other interest income and similar income	33 955	24 281
J.	Interest expenses and similar expenses	2 193	1 228
J.1.	Interest expenses and similar expenses – controlled or controlling entity	1 413	455
J.2.	Other interest expenses and similar expenses	781	773
VII.	Other financial income	224 581	21 074
K.	Other financial expenses	225 810	23 543
*	Financial profit or loss (+/-)	30 533	20 584
**	Profit or loss before tax (+/-)	28 133	14 168
L.	Income tax	7 733	4 067
L.1.	Due income tax	7 733	4 067
**	Profit or loss net of tax (+/-)	20 400	10 101
***	Profit or loss for the current period (+/-)	20 400	10 101
*	Net turnover for the current period	306 256	82 254

Statement of changes in equity year ended 31. 12. 17

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	Total Equity
(in CZK thousand)							
Balance at 31 December 2015	222 600		19 952	10 798		-28 864	224 486
Distribution of profit or loss				-10 798	-18 066	28 864	
Profit or loss for the current period						10 101	10 101
Balance at 31 December 2016	222 600		19 952		-18 066	10 101	234 587
Distribution of profit or loss			-19 952	11 988	18 066	-10 101	1
Profit or loss for the current period						20 400	20 400
Balance at 31 December 2017	222 600			11 988		20 400	254 988

Cash flow statement year ended 31. 12. 17

(in CZK thousand)		Year ended 31. 12. 17	Year ended 31. 12. 16
P.	Opening balance of cash and cash equivalents	-150 114	-75 810
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	28 133	14 168
A.1.	Adjustments for non-cash transactions	-16 500	-16 791
A.1.1.	Depreciation of fixed assets	6 172	16 797
A.1.2.	Change in provisions and reserves	9 179	-10 554
A.1.3.	Profit/(loss) on the sale of fixed assets		-12
A.1.5.	Interest expense and interest income	-31 851	-23 022
A.*	Net operating cash flow before changes in working capital	11 633	-2 623
A.2.	Change in working capital	-757 147	-593 620
A.2.1.	Change in operating receivables and other assets	-829 262	-675 890
A.2.2.	Change in operating payables and other liabilities	72 115	82 270
A.**	Net cash flow from operations before tax	-745 514	-596 243
A.3.	Interest paid	-2 104	-1 259
A.4.	Interest received	33 955	24 281
A.5.	Income tax paid from ordinary operations	-7 927	-4 261
A.***	Net operating cash flows	-721 591	-577 482
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-2 483	-131
B.2.	Proceeds from fixed assets sold		12
B.***	Net investment cash flows	-2 483	-119
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	713 388	503 297
C.***	Net financial cash flows	713 388	503 297
F.	Net increase or decrease in cash and cash equivalents	-10 685	-74 304
R.	<i>Closing balance of cash and cash equivalents</i>	-160 799	-150 114

Notes to the Financial Statements

for the Year Ended 31. 12. 17

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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.

Until the end of May 2015, the Company operated on the Czech market under the name of **TRANSFINANCE a.s.** The sole shareholder is 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	Ownership percentage
UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID No.: 649 48 242 Želetavská 1525/1, 140 92 Prague 4 – Michle	100%

1.2. 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.

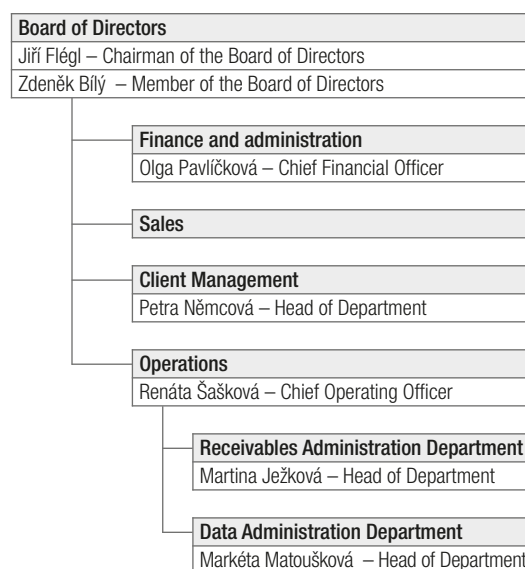
1.3. Board of Directors and Supervisory Board

	Position	Name
Board of Directors	Chairman	Jiří Flégl
	Member	Zdeněk Bílý
Supervisory Board	Chairman	David Grund
	Vice Chairman	Aleš Barabas
	Member	Josef Vondrka
	Member	Roland Viskupič

On 14 February 2017, Aleš Barabas was appointed a new member of the Supervisory Board, replacing Gregor Peter Hofstätter-Pobst. Subsequently, on 24 February 2017, Aleš Barabas was elected Vice-Chairman of the Supervisory Board.

1.4. Organisational Structure as of 31 December 2017

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



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 the supplier a part of the purchase price ("pre-financing"). 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 pre-financing and interest. See Note 3.9 Revenue Recognition for more details.

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

Accounting operations denominated in foreign currencies performed during the year are translated using a fixed exchange rate set as of 1 January valid for the entire reporting period. 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.

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. The current cost is based on the specific amount of turnover, number and creditworthiness of customers etc. 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 Dec 2017	31 Dec 2016
Cash on hand	24	8
Stamps and vouchers	90	122
Cash at bank and cash in transit	0	4 682
Overdraft balances of current accounts included in current bank loans	-160 913	-154 926
Total cash and cash equivalents	-160 799	-150 114

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 2015	Additions	Disposals	Balance at 31 Dec 2016	Additions	Disposals	Balance at 31 Dec 2017
Software	41 205	0	-2 567	38 638	886	-599	38 925
Total	41 205	0	-2 567	38 638	886	-599	38 925

Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016	Additions	Disposals	Balance at 31 Dec 2017
Software	29 234	4 346	-2 567	31 013	3 125	-599	33 539
Total	29 234	4 346	-2 567	31 013	3 125	-599	33 539

Net Book Value

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2017
Software	7 625	5 386
Total	7 625	5 386

The additions to intangible FA represent technical improvement on the Aquarius software. The disposals represent the disposal of software and licences to 2010 servers. The intangible FA balance comprises the Aquarius software.

4.2. Tangible Fixed Assets

Cost

(CZK '000)	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016	Additions	Disposals	Balance at 31 Dec 2017
Buildings	642	0	0	642	0	0	642
Individual tangible movable assets							
– Machinery and equipment	1 201	130	0	1 331	1 596	–898	2 029
– Vehicles	3 100	0	0	3 100	0	0	3 100
– Furniture and fixtures	209	0	0	209	0	0	209
Works of art	645	0	0	645	0	0	645
Total	5 798	130	0	5 928	1 596	–898	6 626

Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016	Additions	Disposals	Balance at 31 Dec 2017
Buildings	482	3	0	485	6	0	491
Individual tangible movable assets							
– Machinery and equipment	1 199	14	0	1 213	347	–898	662
– Vehicles	1 971	464	0	2 435	462	0	2 897
– Furniture and fixtures	209	0	0	209	0	0	209
Total	3 861	481	0	4 342	816	–898	4 260

Net Book Value

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2017
Buildings	157	151
Individual tangible movable assets		
– Machinery and equipment	117	1 367
– Vehicles	665	203
Works of art	645	645
Total	1 584	2 366

The addition to machinery and equipment represents the acquisition of the 2017 server solution. The disposal represents the disposal of the 2010 server solution.

In the years ended 31 December 2017 and 2016, the Company acquired tangible assets that were expensed as incurred in the amounts of CZK 234 thousand and CZK 173 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.

4.3. Receivables

(CZK '000)		31 Dec 2017	31 Dec 2016
Receivables from factoring activities and from the assignment of receivables	Before due date	2 940 995	2 274 937
	Past due date	476 049	314 548
Total trade receivables		3 417 044	2 589 485
Other receivables	Before due date	1	0
Short-term prepayments made		19	14
Total other receivables		20	14
Provisions against doubtful receivables		–98 494	–87 807
Total net book value of receivables		3 318 570	2 501 692

In the years ended 31 December 2017 and 2016, 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 2016, the outstanding trade receivables as of 31 December 2017 are not collateralised through bills of exchange.

As of 31 December 2017, the Company does not report any receivables with maturity of more than 5 years.

In the year ended 31 December 2017, receivables in the amount of CZK 2,231 thousand (2016: CZK 11,970 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 4.11.1.

Change in the provision against doubtful receivables:

(CZK '000)	Provisions against receivables – tax deductible	Provisions against receivables – other	Total
Opening balance at 31 December 2015	15 292	82 873	98 165
Provisions created	0	0	0
Provisions released	-5 595	-4 764	-10 359
Closing balance at 31 December 2016	9 697	78 110	87 807
Provisions created	0	10 687	10 687
Provisions released	0	0	0
Closing balance at 31 December 2017	9 697	88 797	98 494

4.3.1. Intercompany Receivables

(CZK '000)	Balance at 31 Dec 2017	Balance at 31 Dec 2016
Name of the entity		
Unicredit Bank Hungary zRt. (HU)	0	0
UniCredit Factoring S.p.A. (IT)	6 901	11 211
Total intercompany receivables	6 901	11 211

4.4. Deferred Expenses

As of 31 December 2017, the most significant items of deferred expenses comprise the maintenance of the Windows for PC licences (CZK 387 thousand) for 33 months, the 2018 FCI membership fee (CZK 203 thousand); MagnusWeb Cs and BIZguard CS – ie information costs (CZK 152 thousand) were invoiced in November 2017 with a one-year subscription, and last but not least, licences to new servers (CZK 142 thousand) were invoiced in January 2017. They amount approximately to 94% of deferred expenses.

4.5. Equity

(CZK '000)	31 Dec 2017		31 Dec 2016	
	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 2017 and 2016, no dividends or directors' fees were paid out.

It had not been decided on the allocation of the loss for 2017 as of the financial statements approval date, which is why the Company does not disclose the decision.

As of 31 December 2017 the sole shareholder was UniCredit Bank Czech Republic and Slovakia, a.s., Prague.

On 18 April 2017, the Company's sole shareholder approved the Company's financial statements for the year ended 31 December 2016 and decided that the aggregate profit of CZK 10,101 thousand for the year ended 31 December 2016 would be transferred to retained earnings in full.

In addition, the Company's sole shareholder decided to release the reserve fund of CZK 19,952 thousand as follows: the amount of CZK 18,066 thousand will be used to settle the accumulated loss brought forward and the amount of CZK 1,886 will be transferred to retained earnings brought forward. The reserve fund will thereby be fully released.

4.6. Reserves

(CZK '000)	Balance at	Balance at
Reserves	31 Dec 2017	31 Dec 2016
Income tax reserve	7 733	837
Other reserves	0	3 878
Total	7 733	4 715

4.7. Payables

(CZK '000)	Balance at	Balance at
Payables	31 Dec 2017	31 Dec 2016
Trade payables from operating activities	413	56
Payables from factoring activities and the assignment of receivables	1 177 041	1 101 196
Other payables	5 114	9 394
Total	1 182 568	1 110 646

Short-term payables from factoring activities 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 2017, estimated payables amounted to CZK 3,306 thousand (as of 31 December 2016: CZK 7,636 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.

4.7.1. Payables to Related Parties

(CZK '000)	31 Dec 2017	31 Dec 2016
Company name		
UniCredit Factoring EAD (BG)	1 084	1 810
UniCredit Factoring S.p.A. (IT)	537 941	649 969
Total intercompany payables	539 025	651 779

4.8. Bank Loans

4.8.1. 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 2017, interest costs related to bank loans amounted to CZK 2,193 thousand (2016: CZK 1,228 thousand).

Bank loans may be divided as follows:

(CZK '000) Bank	Dates / Terms	Credit limit as of 31 Dec 2017	Use of tranches as of 31 Dec 2017	Use of facilities overdraft as of 31 Dec 2017	Use of loans as of 31 Dec 2017 incl. overdraft facilities	Use of loans as of 31 Dec 2017 incl. overdraft facilities
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan contract Maturing on 28 February 2018	2 327 000	1 631 206	145 753	1 776 960	1 056 636
Komerční banka, a.s.	Loan contract Indefinite period	196 658	0	8 119	8 119	7 147
Československá obchodní banka a.s.	Loan contract Indefinite period	210 000	94 498	4 447	98 945	103 459
Total		2 733 658	1 725 704	158 320	1 884 024	1 167 242

As of 31 December 2017, the Company maintained off-balance sheet the bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. in favour of Komerční banka, a.s. in the amount of EUR 2,800 thousand (collateral for a loan contract payable), in favour of Československá obchodní banka, a.s. in the amount of EUR 3,700 thousand and CZK 10,000 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).

4.9. Income Taxation

4.9.1. Deferred Taxation

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

(CZK '000) Deferred tax items	31 Dec 2017		31 Dec 2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between tax and accounting net book values of fixed assets	0	818	0	1 380
Difference between tax and accounting values of provisions against receivables	2 031	0	12 998	0
Net deferred tax asset	1 213		11 618	

(CZK '000) Deferred tax asset – breakdown	Balance at 31 Dec 2017	Balance at 31 Dec 2016
Recognised asset	0	0
Unrecognised asset	1 212	11 618
Total	1 212	11 618

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

4.9.2. Income Tax Charge (Credit)

(CZK '000)	Balance at 31 Dec 2017	Balance at 31 Dec 2016
Profit before tax	28 133	14 168
Difference between depreciation for accounting and tax purposes	2 953	4 339
Non-tax revenue:		
Provisions released	0	0
Non-deductible expense:		
Provisions created	0	0
Realised receivables	22 889	10 224
Other (eg representation costs, deficits and damage)	-13 273	-7 637
Taxable income	40 702	21 094
Income tax rate	19%	19%
Tax	7 733	4 008

4.10. 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 319 thousand and CZK 230 thousand as of 31 December 2017 and 31 December 2016, respectively.

The due amounts arising from public health insurance contributions were CZK 161 thousand and CZK 119 thousand as of 31 December 2017 and 31 December 2016, respectively.

The Company did not report tax arrears to the local taxation authorities as of 31 December 2017 and 2016.

The Company was not assessed a due income tax amount related to the previous reporting periods.

4.11. Details of Income by Principal Activity

Income from factoring activities was generated as follows:

(CZK '000)	Balance at 31 Dec 2017	Balance at 31 Dec 2016
Foreign income		
Import factoring	4 877	5 020
Domestic income		
Export factoring	13 018	13 756
Domestic factoring	29 816	18 110
Other	0	0
Total sales of own services	47 711	36 886
Other income	9	0
Total income from operating activities	47 720	36 886
Interest income from factoring activities	33 955	24 281
Total income from operating activities and interest income	81 675	61 167

Income generated with related parties is disclosed in Note 4.11.1.

4.11.1. Related Party Transactions

(CZK '000)	Balance at 31 Dec 2017	Balance at 31 Dec 2016
Expense		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	6 209	1 529
UniCredit Factoring EAD (BG)	0	19
UniCredit Factoring S.p.A. (IT)	258	279
Income		
Unicredit Bank Hungary zRt. (HU)	74	121
UniCredit Factoring S.p.A. (IT)	3 472	3 125
Loans		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	1 776 960	1 056 636

4.12. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Consumed material	522	401
Consumed energy	242	271
Total consumed purchases	764	672

4.13. Services

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Repairs and maintenance	361	41
Travel expenses	254	160
Representation costs	127	93
Administration and maintenance of information technology	5 319	5 189
Rent	2 551	2 674
Consultation activities	397	2 506
Legal services	1 295	1 116
Import factor commissions	421	835
Mediation services	1 042	700
Audit services	243	502
Information about the financial situation of entities	338	350
Executions, insolvencies and preliminary measures	146	329
Services related to lease of premises	155	198
Telephone, fax, internet	140	181
Tax advisory	-14	96
Other services	270	350
Total	13 045	15 320

Other services comprise predominantly the costs of cleaning (CZK 79 thousand), postal fees (CZK 75 thousand), annual report (CZK 49 thousand), translation and photocopying (CZK 45 thousand).

4.14. Remuneration to the Statutory Audit Firm

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Obligatory audit of the financial statements	590	624
Total	590	624

4.15. Depreciation of Intangible and Tangible Fixed Assets

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Depreciation of intangible and tangible fixed assets		
Depreciation of intangible and tangible fixed assets	3 940	4 827
Extraordinary write-offs when fixed assets are taken out of service through liquidation	0	0
Total depreciation	3 940	4 827

4.16. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Write-off of receivables	2 231	11 970
Sundry operating expenses	5 282	4 847
Total	7 513	16 817

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

4.17. Other Financial Income

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Foreign exchange rate gains	221 373	20 767
Other financial income	3 208	307
Total	224 581	21 074

4.18. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Foreign exchange rate losses	222 428	20 500
Banking fees	3 382	3 043
Total	225 810	23 543

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 2017 and 2016:

2017

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	14	6 182	2 094	361	8 637
Managers	7	7 093	2 324	167	9 584
Total	21	13 275	4 418	528	18 221

2016

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	15	5 250	1 778	280	7 308
Managers	7	6 608	2 157	152	8 917
Total	22	11 858	3 935	432	16 225

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 2017, 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.

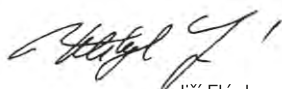
8. Organisational Branches Abroad

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.

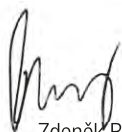
In Prague on 1 March 2018



Jiří Flégl
Chairman of the Board of Directors



Olga Pavličková
Chief Financial Officer



Zdeněk Bílý
Member of the Board of Directors

Report on Relations

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

Company Name:

UniCredit Factoring Czech Republic and Slovakia, a.s.

Registered Office: **Želetavská 1525/1, 140 00 Prague 4 – Michle**

Legal Status: **Joint Stock Company**

Corporate ID: **15272028**

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 2017 to 31 December 2017 (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:

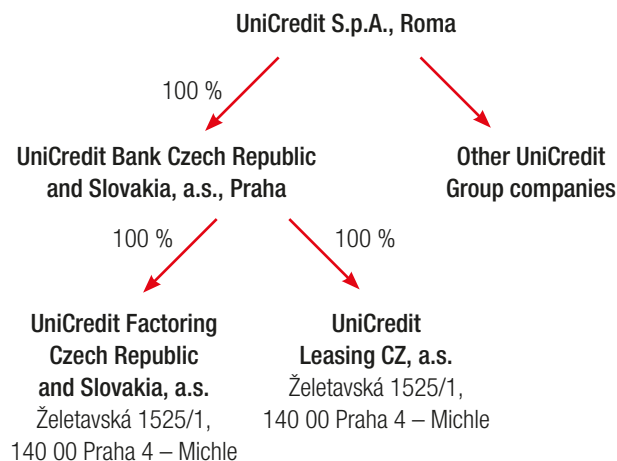
UniCredit S.p.A.

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 2017 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, S.p.A., having its registered office at Via Alessandro 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 S.p.A. within UCB and all the entities controlled by it.

4. Summary of Contracts Concluded between UniCredit Factoring Czech Republic and Slovakia, a.s. and the Controlling Entity or between 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 Bank Czech Republic and Slovakia, a.s.	Service contract and assignment contract dated 4 January 2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on mutual mediation of business cases dated 4 January 2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on the right for the position of the logo dated 21 January 2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on risk participation (participation contract) dated 29 March 2017
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. In addition, the Company has concluded a service contract supporting the Company's business activity. The contract on mutual mediation of business cases is also meant to support the business activities of both contractual parties.

5. Assessment of whether the Controlled Entity Incurred any Detriment and Assessment of Detriment Settlement Pursuant to Sections 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:

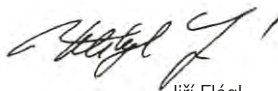
- An internationally-recognised brand and reputational benefit from the UniCredit Group being included among SIFIs (Strategically Important Financial Institution).
- Provision and sharing of the bank's know-how in trade finance.
- Provision of a more competitive source of refinancing for factoring transactions.
- 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 2017, 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 1 March 2018



Jiří Flégl

Chairman of the Board of Directors

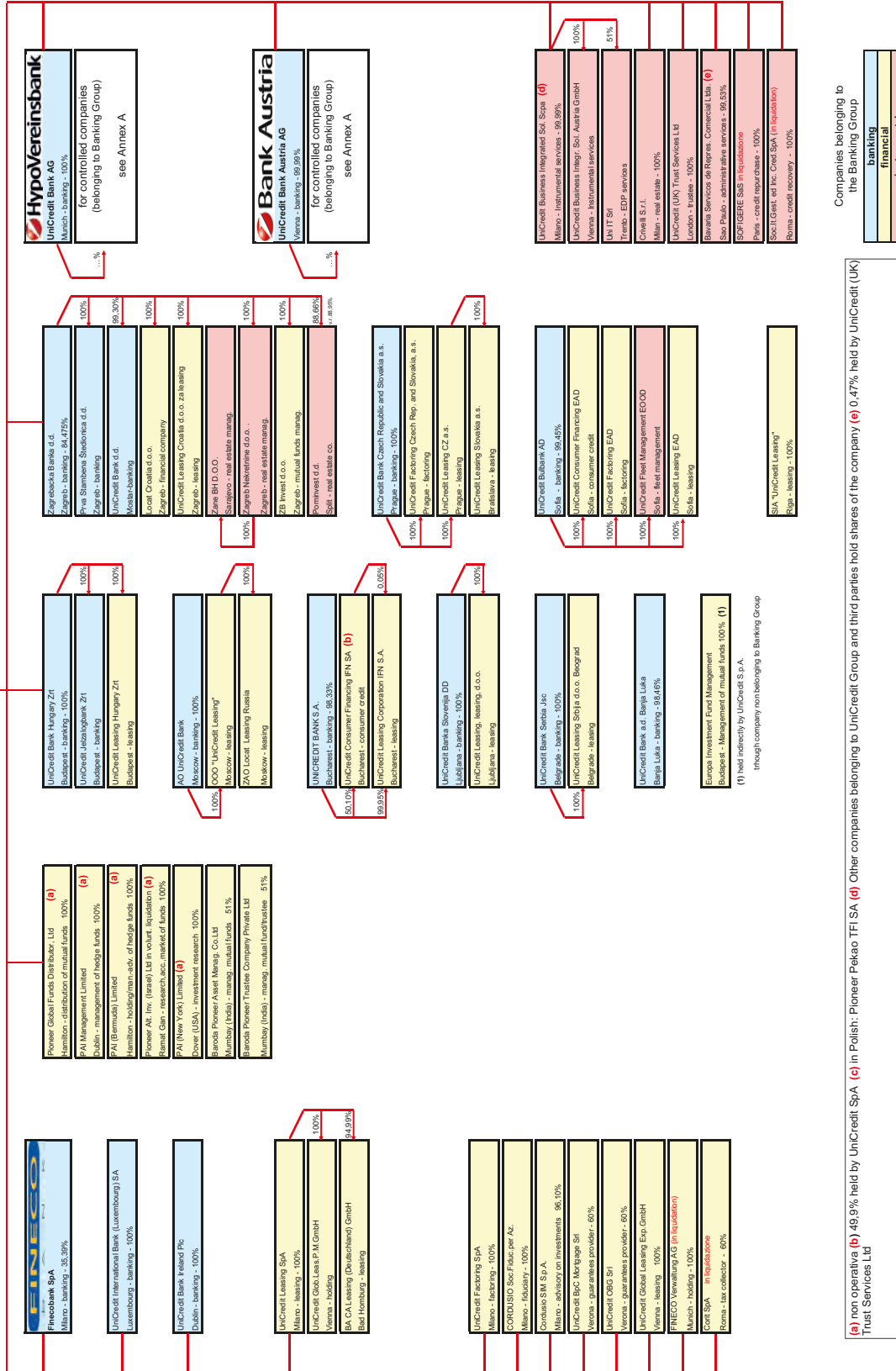


Zdeněk Bílý

Member of the Board of Directors

Appendix: Organisational chart of the UniCredit Group

Organisational chart of the UniCredit Group



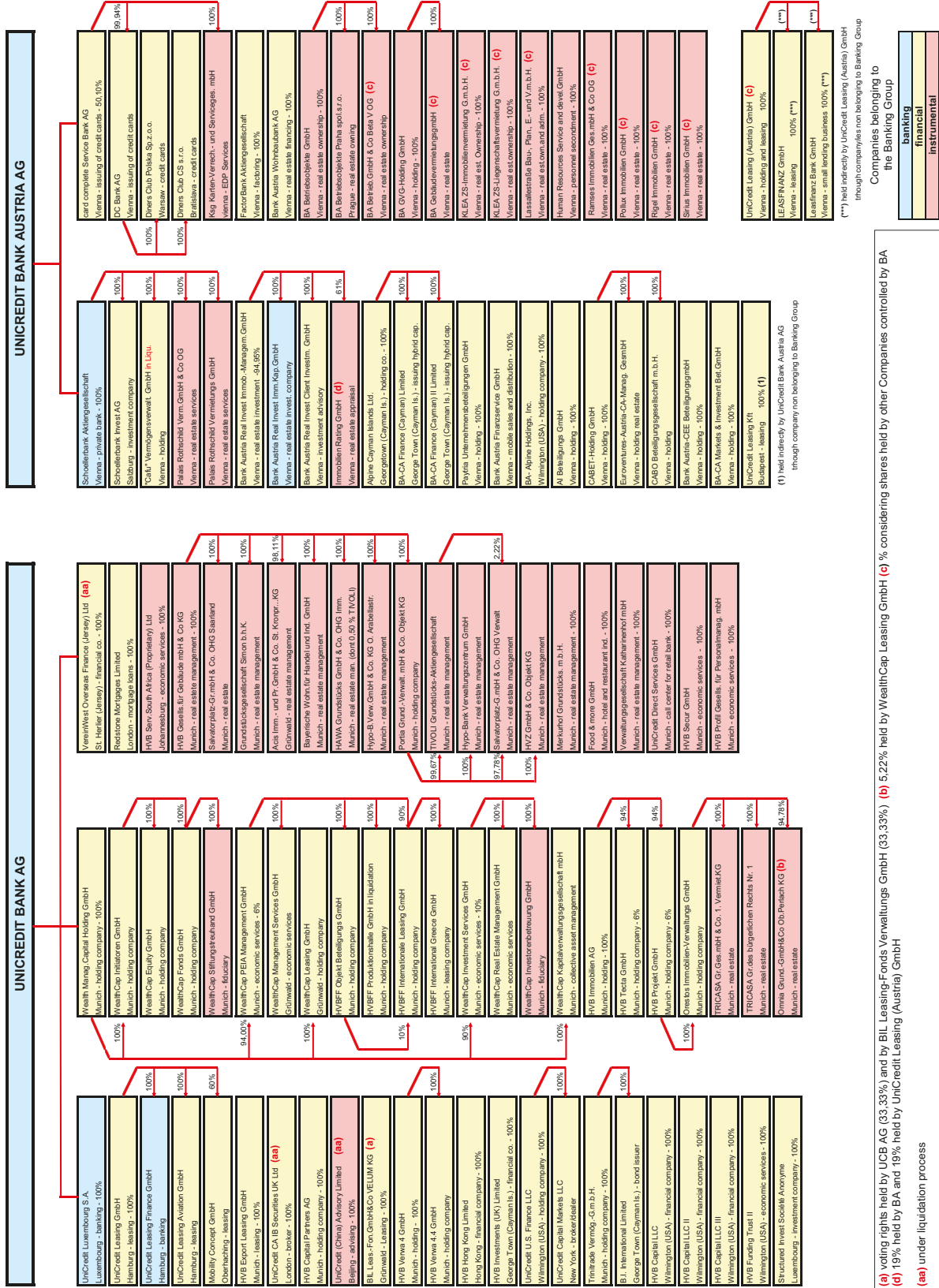
Companies belonging to the Banking Group

Companies belonging to the Banking Group and third parties hold shares of the company (e) 0.47% held by UniCredit (UK) Trust Services Ltd

(1) held indirectly by UniCredit SpA

(f) through company non belonging to Banking Group

Annex A



Solutions that matter. |  **UniCredit**
Factoring

www.unicreditfactoring.cz