



Do the right thing!



# Annual Report



Solutions that matter.



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.....  
“I am pleased that our company, as one of the few on the market, achieved annual turnover growth of 4.16% despite difficult macroeconomic conditions.”

## CEO's message



**Jiří Flégl**

CHAIRMAN OF THE BOARD  
OF DIRECTORS AND CEO  
UNICREDIT FACTORING  
CZECH REPUBLIC AND SLOVAKIA, A.S.

## Dear Shareholders, Ladies and Gentlemen,

Due to the global pandemic of COVID-19, 2020 can certainly be described as a unique and unprecedented year in many areas of our lives and business.

The protection of the health of our employees and clients came first for the entire UniCredit Group, and I believe that we have managed to achieve this essential goal thanks to adopting a number of hygiene and internal measures.

Working from home became an important phenomenon of 2020. Until the outbreak of the pandemic, working from home was referred to as an employee benefit. However, the situation affected by the pandemic brought remote work to the level of office work. Each of us had to learn new habits and deal with many technical problems, especially at the beginning, adjust our family environment, set a new daily rhythm and be more self-disciplined. In hindsight, I can say that our company has mastered the “forced” transition to this new style of work. At the same time, we were able to test the theory of “business continuity management” in practice, i.e. the management of our activities even in emergency circumstances.

I am very happy that despite the prevailing virtual or electronic interaction with clients, we still maintain a high standard of quality of our services, as confirmed by the feedback from our clients themselves. Over the entire year, there was not a single case of a technical or human error on the part of the Company causing a delay in sending a payment or providing another service. The overall modernization of our website also contributed to a more effective communication with existing and potential clients in 2020.

However, we do not see the pandemic only in a negative light; we try to adapt more quickly to new conditions, which means accelerating the transition to digitisation, more efficient archiving of documents and data, automation or further development of the “paperless” concept, i.e. the process of limiting printing and copying, thereby contributing, at least partially, to the reduction of paper consumption. For example, with an agile approach to several smaller projects, we managed to develop a new “payment agent” product whose characteristics include the optimisation of the liability side of cash flows of strong buyers of goods or services. We successfully managed to move to new premises within the concept of “smart office” and implement a number of procedural or regulatory requirements of the UniCredit Group focused on possible synergies, especially in the area of compliance, IT security or anti-fraud measures or greater protection against operational risks.

If we look back at 2020 from the point of view of the factoring market (companies that are part of the Association of Factoring Companies),

## Ethics & Respect

Do the right thing!

we can conclude that it is almost a miracle that 2020 can almost be compared to the previous year, despite the significant slowdown of all world economies, considerable disruption of trade and supply chains, a number of anti-epidemic measures with a direct impact on business, which was reflected in the smaller volume of receivables in the economy. The basic indicator of the factoring market – turnover – decreased only slightly, by 0.29% compared to 2019. The whole factoring market thus managed to finance CZK 183.456 billion worth of receivables, i.e. only CZK 525 million less than in 2019. The result is very surprising, as in the third quarter, the whole market showed a decrease of 3% compared to the same period of 2019, and there was no indication of such significant growth in turnover in the fourth quarter. However, it is clear that the easing of government measures in the summer months and the introduction of further restrictions only at the end of 2020, together with the traditionally strong last quarter of the calendar year, helped to almost offset the deficit reported in the third quarter. In the context of the above, the market result must be seen as excellent, despite the fact that this is the first decline in turnover in five years. I am pleased that our company, as one of the few on the market, achieved annual turnover growth of 4.16% despite difficult macroeconomic conditions. Like the entire market, our company reported the highest turnovers in the last quarter. In November, it recorded the highest turnover ever, at the level of almost CZK 3.1 billion.

On the other hand, the second market indicator – the volume of financing – saw a more marked decrease of 7.52%, representing a decline of almost CZK 2 billion. This was caused by a number of receivables that were not financed to clients due to the lack of customer limits cancelled by commercial insurance companies, which significantly reduced their limits across the market, or due to generally stricter risk management policies.

From the point of view of product development, our company surprisingly experienced an increase in the turnover of export factoring and invoice discounting; on the other hand, a decrease was recorded in import factoring, which is significantly influenced by relations with Italian suppliers, who were considerably affected in the first wave of the pandemic, and in domestic factoring, especially due to the termination of the contract with one of our biggest clients, for whom we had financed over forty companies that were economically connected with the client.

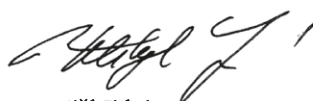
For 2020, we have set ourselves the task of increasing the number of clients using our supply chain financing product, i.e. financing a number of suppliers at the risk of a creditworthy customer, where the supplier, customer and our company are automatically connected via an electronic platform. The aim was to improve the risk profile of our customers and attract suppliers from the SME segment. I am glad that even in this area, we met the goal and expanded the customer portfolio by several companies from the category of multina-

ditional corporations, and signed contracts with dozens of suppliers. It was also gratifying to introduce the “payment agent” product, which was created by modifying the classic supply chain financing, with the difference that there is no assignment of receivables, therefore the supplier does not have to deal with administration and the payment settlement is managed directly by the customer, including possible extensions of maturity. It is also worth mentioning its very fast implementation – within half a year, we had fine-tuned not only the technical, but also the contractual, tax and accounting sides of the product.

In terms of performance parameters, 2020 was a particularly successful year. Although operating income decreased due to the pandemic as a result of the causes mentioned above, thanks to the significant release of provisions with an impact on the profit and loss account of CZK 33.1 million, we saw a rapid growth in profit after tax by 244%. Year-on-year, we also grew in terms of the volume of funding provided or return on allocated capital (RoAC). Consistent risk management also resulted in a reduction in the value of the NPE ratio below 1.5%. All this took place without any state aid, because factoring companies, despite the efforts within the Association of Factoring Companies or the Czech Leasing and Financing Association, were not included in any state-guaranteed support programme.

We could not have made it through this difficult year without our clients, partners, suppliers, shareholder and especially our employees, who deserve many thanks for their commitment.

In Prague on 20 January 2021



**Jiří Flégl**

Chairman of the Board of Directors  
and CEO



# 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

### 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 2020, 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 2020, 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 25 January 2021

Audit firm:

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



Statutory auditor:

David Batal  
registration no. 2147



# Financial statements

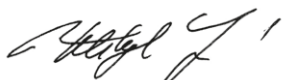
for the Year Ended 31. 12. 2020

**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  
**Balance Sheet Date:** 31 December 2020

## 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 24 January 2021.



Jiří Flégl

Chairman of the Board of Directors



Zdeněk Bílý

Member of the Board of Directors

## Balance sheet full version as of 31. 12. 2020

(in CZK thousand)		31. 12. 2020	31. 12. 2020	31. 12. 2020	31. 12. 2019
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>5 088 859</b>	<b>69 824</b>	<b>5 019 035</b>	<b>4 759 872</b>
<b>B.</b>	<b>Fixed assets</b>	<b>41 644</b>	<b>37 285</b>	<b>4 359</b>	<b>4 929</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>39 572</b>	<b>35 583</b>	<b>3 989</b>	<b>4 108</b>
B.I.2.	Valuable rights	39 220	35 583	3 637	4 108
B.I.2.1.	Software	39 220	35 583	3 637	4 108
B.I.5.	„Prepayments for intangible fixed assets and intangible fixed assets under construction“	352		352	
B.I.5.2.	Intangible fixed assets under construction	352		352	
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>2 072</b>	<b>1 702</b>	<b>370</b>	<b>821</b>
B.II.1.	Land and structures				145
B.II.1.2.	Structures				145
B.II.2.	„Tangible movable assets and sets of tangible movable assets“	1 702	1 702		31
B.II.4.	Other tangible fixed assets	370		370	645
B.II.4.3.	Other tangible fixed assets	370		370	645
<b>C.</b>	<b>Current assets</b>	<b>5 046 377</b>	<b>32 539</b>	<b>5 013 838</b>	<b>4 753 874</b>
<b>C.II.</b>	<b>Receivables</b>	<b>5 040 458</b>	<b>32 539</b>	<b>5 007 919</b>	<b>4 743 053</b>
C.II.1.	Long-term receivables	6 987		6 987	13 204
C.II.1.4.	Deferred tax asset	6 987		6 987	13 204
<b>C.II.2.</b>	<b>Short-term receivables</b>	<b>5 033 471</b>	<b>32 539</b>	<b>5 000 932</b>	<b>4 729 849</b>
C.II.2.1.	Trade receivables	5 031 001	32 539	4 998 462	4 729 823
C.II.2.4.	Receivables - other	2 470		2 470	26
C.II.2.4.3.	State – tax receivables	2 430		2 430	3
C.II.2.4.4.	Short-term prepayments made	19		19	23
C.II.2.4.5.	Estimated receivables	1		1	
C.II.2.4.6.	Sundry receivables	20		20	
<b>C.IV.</b>	<b>Cash</b>	<b>5 919</b>		<b>5 919</b>	<b>10 821</b>
C.IV.1.	Cash on hand	14		14	131
C.IV.2.	Cash at bank	5 905		5 905	10 690
<b>D.</b>	<b>Other assets</b>	<b>838</b>		<b>838</b>	<b>1 069</b>
D.1.	Deferred expenses	838		838	1 069

## Balance sheet full version as of 31. 12. 2020

(in CZK thousand)		31. 12. 2020	31. 12. 2019
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>5 019 035</b>	<b>4 759 872</b>
<b>A.</b>	<b>Equity</b>	<b>388 421</b>	<b>323 515</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.IV.</b>	<b>Retained earnings (+/-)</b>	<b>100 915</b>	<b>74 309</b>
A.IV.1.	Accumulated profits brought forward	100 915	74 309
<b>A.V.</b>	<b>Profit or loss for the current period (+/-)</b>	<b>64 906</b>	<b>26 606</b>
<b>B.+C.</b>	<b>Liabilities</b>	<b>4 630 614</b>	<b>4 436 357</b>
<b>B.</b>	<b>Reserves</b>	<b>7 665</b>	<b>9 905</b>
B.II.	Income tax reserve		2 765
B.IV.	Other reserves	7 665	7 140
<b>C.</b>	<b>Payables</b>	<b>4 622 949</b>	<b>4 426 452</b>
<b>C.II.</b>	<b>Short-term payables</b>	<b>4 622 949</b>	<b>4 426 452</b>
C.II.2.	Payables to credit institutions	2 193 707	2 433 241
C.II.4.	Trade payables	2 419 419	1 983 265
C.II.8.	Other payables	9 823	9 946
C.II.8.3.	Payables to employees	894	860
C.II.8.4.	Social security and health insurance payables	491	474
C.II.8.5.	State – tax payables and subsidies	958	1 526
C.II.8.6.	Estimated payables	7 480	7 086



## Profit and loss account structured by the nature of expense method year ended 31. 12. 2020

(in CZK thousand)		Year ended 31. 12. 2020	Year ended 31. 12. 2019
I.	Sales of products and services	46 103	52 481
A.	Purchased consumables and services	<b>17 665</b>	<b>18 158</b>
A.2.	Consumed material and energy	826	638
A.3.	Services	16 839	17 520
D.	Staff costs	<b>22 647</b>	<b>21 795</b>
D.1.	Payroll costs	13 286	12 280
D.2.	Social security and health insurance costs and other charges	9 361	9 515
D.2.1.	Social security and health insurance costs	4 916	5 060
D.2.2.	Other charges	4 445	4 455
E.	Adjustments to values in operating activities	<b>-31 804</b>	<b>-25 456</b>
E.1.	Adjustments to values of intangible and tangible fixed assets	726	1 339
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	726	1 339
E.3.	Adjustments to values of receivables	-32 530	-26 795
III.	Other operating income	<b>4 227</b>	<b>377</b>
III.1.	Sales of fixed assets	131	363
III.3.	Sundry operating income	4 096	14
F.	Other operating expenses	<b>5 928</b>	<b>56 644</b>
F.1.	Net book value of sold fixed assets	419	7
F.3.	Taxes and charges	24	317
F.4.	Reserves relating to operating activities and complex deferred expenses	-526	
F.5.	Sundry operating expenses	6 011	56 320
*	<b>Operating profit or loss (+/-)</b>	<b>35 894</b>	<b>-18 283</b>
VI.	Interest income and similar income	<b>47 018</b>	<b>61 943</b>
VI.2.	Other interest income and similar income	47 018	61 943
J.	Interest expenses and similar expenses	7 254	13 489
J.1.	Interest expenses and similar expenses – controlled or controlling entity	7 211	13 352
J.2.	Other interest expenses and similar expenses	43	137
VII.	Other financial income	145 924	60 836
K.	Other financial expenses	142 393	56 519
*	<b>Financial profit or loss (+/-)</b>	<b>43 295</b>	<b>52 771</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>79 189</b>	<b>34 488</b>
L.	Income tax	<b>14 283</b>	<b>7 882</b>
L.1.	Due income tax	8 066	12 446
L.2.	Deferred income tax (+/-)	6 217	-4 564
**	<b>Profit or loss net of tax (+/-)</b>	<b>64 906</b>	<b>26 606</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>64 906</b>	<b>26 606</b>
*	Net turnover for the current period	<b>243 272</b>	<b>175 637</b>

## Statement of changes in equity year ended 31. 12. 2020

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit share prepayments declared	Profit or loss for the current period	Total Equity
<b>(in CZK thousand)</b>								
<b>Balance at 31 Dec 2018</b>	<b>222 600</b>			<b>32 388</b>			<b>33 281</b>	<b>288 269</b>
Distribution of profit or loss				33 281			-33 281	
Creation of deferred tax				8 640				8 640
Profit or loss for the current period							26 606	26 606
<b>Balance at 31 Dec 2019</b>	<b>222 600</b>			<b>74 309</b>			<b>26 606</b>	<b>323 515</b>
Distribution of profit or loss				26 606			-26 606	
Profit or loss for the current period							64 906	64 906
<b>Balance at 31 Dec 2020</b>	<b>222 600</b>			<b>100 915</b>			<b>64 906</b>	<b>388 421</b>

## Cash flow statement year ended 31. 12. 2020

(in CZK thousand)		Year ended 31. 12. 2020	Year ended 31. 12. 2019
P.	Opening balance of cash and cash equivalents	10 821	5 449
	<b><i>Cash flows from ordinary activities (operating activities)</i></b>		
Z.	Profit or loss before tax	79 189	34 488
A.1.	Adjustments for non-cash transactions	-71 281	-26 977
A.1.1.	Depreciation of fixed assets	726	51 776
A.1.2.	Change in provisions and reserves	-32 531	-29 748
A.1.3.	Profit/(loss) on the sale of fixed assets	288	-356
A.1.5.	Interest expense and interest income	-39 764	-48 649
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>7 908</b>	<b>7 511</b>
A.2.	Change in working capital	197 704	-141 608
A.2.1.	Change in operating receivables and other assets	-238 132	-641 503
A.2.2.	Change in operating payables and other liabilities	435 836	499 895
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>205 612</b>	<b>-134 097</b>
A.3.	Interest paid	-7 059	-13 294
A.4.	Interest received	47 018	61 943
A.5.	Income tax paid from ordinary operations	-10 495	-8 076
<b>A.***</b>	<b>Net operating cash flows</b>	<b>235 076</b>	<b>-93 524</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures	-575	
B.2.	Proceeds from fixed assets sold	131	363
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-444</b>	<b>363</b>
	<b><i>Cash flow from financial activities</i></b>		
C.1.	Change in payables from financing	-239 534	98 533
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-239 534</b>	<b>98 533</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-4 902</b>	<b>5 372</b>
R.	Closing balance of cash and cash equivalents	5 919	10 821

# Notes to the Financial Statements

for the Year Ended 31. 12. 2020

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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 primarily engaged in the financing, collecting and securing of short-term receivables held by clients from various industries.

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

The Company is 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. (hereinafter “UCB”), 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.

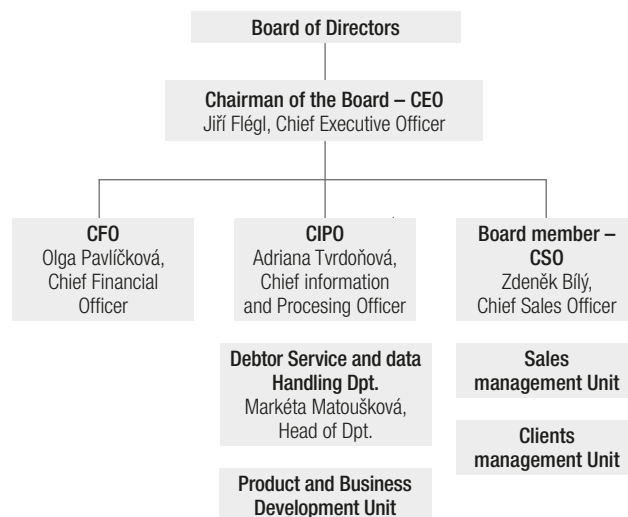
### 4. Board of Directors and Supervisory Board

	Position	Name
<b>Board of Directors</b>	Chairman	Jiří Flégl
	Member	Zdeněk Bílý
<b>Supervisory Board</b>	Chairman	Slavomír Beňa
	Vice Chairman	Alen Dobrić
	Member	Josef Vondrka
	Member	Roland Viskupič

On 1 January 2020, Zdeněk Bílý was re-elected as a member of the Board of Directors. On 11 February 2020, Josef Vondrka was re-elected as a member of the Supervisory Board. On 1 April 2020, Alen Dobrić was appointed as a new member of the Supervisory Board, replacing Aleš Barabas. On 22 April 2020, Alen Dobrić was elected Vice Chairman of the Supervisory Board. On 16 June 2020, Roland Viskupič was re-elected as a member of the Supervisory Board.

### 1.4. Organisational Structure as of 31 December 2020

The Company is organised into seven departments.



## 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.

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 prefinancing 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 non-tax deductible provisions against:

- Performing exposures (without the debtor's default); and
- Non-performing exposures (with the debtor's default).

For the purposes of the calculation of provisions against receivables without the debtor's default, the term "expected loss (EL)" is defined. Pursuant to the methodology, the following applies:

$$OP = LT \ ECL = EL * LTMQ$$

EL is calculated based on the following relations:

$$EL = \sum (EaD - \text{net realisable value of collateral}) * PD * LGD$$

Additionally, the following applies:

$$EaD = (\text{Exposure} + LEQ * \text{Unused\_line})$$

Using the following parameters:

- EL (Expected Loss);
- LT ECL (Lifetime Expected Credit Loss);
- LTMQ (Lifetime Maturity Factor) = lifetime credit factor that takes into consideration expected losses determined in relation to maturity;
- EaD (*Exposure at Default*) = expected exposure value at the time of the debtor's default;
- PD (Probability of Default)
- LGD (Loss Given Default) = proportion of the final loss on the relevant receivable; the parameter is calculated at the level of the client;

- **Exposure** = value of pre-financing provided;
- **LEQ** (limit equivalent factor) = probability with which the client's financing line will be drawn; and
- **Unused\_line** = value of the undrawn portion of the client's approved financing line.

In terms of receivables with the debtor's default, the Company applies two different approaches to calculate provisions. The primary criterion for applying the given approach is the total exposure value:

- For exposures lower than EUR 0.5 million, provisions are made in full; and
- For exposures greater than EUR 0.5 million, provisions are made pursuant to an **individual** assessment of receivables.

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

Since 1 January 2019, the provisions related to undrawn financing lines have been recognised separately in the accounting records. Currently, these items are reported under reserves on the liabilities side of the balance sheet. For more details, refer to Note 3.6 – "Reserves".

### 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.

Since 1 January 2019, based on the accounting policy, according to which reserves for expected losses related to undrawn portions

of approved financing lines of individual clients (calculated solely for exposures without the debtor's default) have also been reported under reserves. For more details on the calculation, refer to Note 3.3 – "Receivables".

### 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 the first workday of the year 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 pre-financing made and the length of the time period

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

(CZK '000)	31 Dec 2020	31 Dec 2019
Cash on hand	14	4
Stamps and vouchers	0	127
Cash at bank and cash in transit	5 905	10 690
<b>Total cash and cash equivalents</b>	<b>5 919</b>	<b>10 821</b>

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

Last year, overdraft accounts with UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter referred to as "overdraft") were reported as part of Cash and cash equivalents. This year, the Company's management decided to report overdrafts in Cash Flow statement within the line Change in payables from financing.

## 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 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Software	38 997	0	0	38 997	223	0	39 220
Intangible fixed assets under construction	0	0	0	0	352	0	352
<b>Total</b>	<b>38 997</b>	<b>0</b>	<b>0</b>	<b>38 997</b>	<b>575</b>	<b>0</b>	<b>39 572</b>

##### Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Software	34 214	675	0	34 889	694	0	35 583
<b>Total</b>	<b>34 214</b>	<b>675</b>	<b>0</b>	<b>34 889</b>	<b>694</b>	<b>0</b>	<b>35 583</b>

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.



#### Net Book Value

(CZK '000)	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Software	4 108	3 637
Intangible fixed assets under construction	0	352
<b>Total</b>	<b>4 108</b>	<b>3 989</b>

The intangible FA balance comprises the Aquarius software and a new website.

#### 4.2. Tangible Fixed Assets

##### Cost

(CZK '000)	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Buildings	642	0	0	642	0	-642	0
Individual tangible movable assets	0	0	0	0	0	0	0
– Machinery and equipment	2 029	0	-221	1 808	0	-106	1 702
– Vehicles	912	0	-912	0	0	0	0
– Furniture and fixtures	209	0	0	209	0	-209	0
Works of art	645	0	0	645	0	-275	370
<b>Total</b>	<b>4 437</b>	<b>0</b>	<b>-1 133</b>	<b>3 304</b>	<b>0</b>	<b>-1 232</b>	<b>2 072</b>

##### Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Buildings	494	3	0	497	145	-642	0
Individual tangible movable assets	0	0	0	0	0	0	0
– Machinery and equipment	1 330	668	-221	1 777	31	-106	1 702
– Vehicles	912	0	-912	0	0	0	0
– Furniture and fixtures	209	0	0	209	0	-209	0
<b>Total</b>	<b>2 945</b>	<b>671</b>	<b>-1 133</b>	<b>2 483</b>	<b>176</b>	<b>-957</b>	<b>1 702</b>

#### Net Book Value

(CZK '000)	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Buildings	145	0
Individual tangible movable assets	0	0
– Machinery and equipment	31	0
– Vehicles	0	0
Works of art	645	370
<b>Total</b>	<b>821</b>	<b>370</b>

In the years ended 31 December 2020 and 2019, the Company acquired tangible assets that were expensed as incurred in the amounts of CZK 327 thousand and CZK 239 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 directly to expenses on an individual basis.

### 4.3. Receivables

(CZK '000)		31 Dec 2020	31 Dec 2019
Trade receivables from operating activities	Before due date	0	0
Receivables from factoring activities and from the assignment of receivables	Before due date	4 682 865	4 168 707
	Past due date	348 136	627 237
<b>Total trade receivables</b>		<b>5 031 001</b>	<b>4 795 944</b>
Other receivables	Before due date	20	0
Estimated receivables		1	0
Short-term prepayments made		19	23
State – tax receivables		2 430	3
<b>Total other receivables</b>		<b>2 470</b>	<b>26</b>
Provisions against doubtful receivables		-32 539	-66 121
<b>Net book value of short-term receivables</b>		<b>5 000 932</b>	<b>4 729 849</b>
Deferred tax asset (refer to Note 12)		6 987	13 204
<b>Net book value of long-term receivables</b>		<b>6 987</b>	<b>13 204</b>
<b>Total net book value of receivables</b>		<b>5 007 919</b>	<b>4 743 053</b>

In the years ended 31 December 2020 and 2019, 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 of 31 December 2020, the Company does not report any receivables with maturity of more than 5 years.

In the year ended 31 December 2020, receivables in the amount of CZK 0 (2019: CZK 50,437 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 4.3.1.

Change in the provision against receivables:

(CZK '000)	Provisions against receivables – tax deductible	Provisions against receivables – other	Total
Opening balance at 31 December 2018	0	100 056	100 056
Provisions created	0	114 541	114 541
Provisions released	0	-148 476	-148 476
Closing balance at 31 December 2019	0	66 121	66 121
Provisions created	0	59 002	59 002
Provisions released	0	-92 584	-92 584
<b>Closing balance at 31 December 2020</b>	<b>0</b>	<b>32 539</b>	<b>32 539</b>

#### 4.3.1. Intercompany Receivables

(CZK '000)	Balance at 31 Dec 2020	Balance at 31 Dec 2019
<b>Name of the entity</b>		
UniCredit Factoring S.p.A. (IT)	14 357	0
<b>Total intercompany receivables</b>	<b>14 357</b>	<b>0</b>

### 4.4. Equity

(CZK '000)	31 Dec 2020		31 Dec 2019	
	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 2020 and 2019, no dividends or directors' fees were paid out.

It was not decided on the allocation of the profit for 2020 as of the financial statements approval date, which is why the Company does not present the decision.

As of 31 December 2020 the sole shareholder was UniCredit Bank Czech Republic and Slovakia, a.s., Prague.

On 11 February 2020, the Company's sole shareholder approved the Company's financial statements for the year ended 31 December 2019 and decided that the aggregate profit of CZK 26,606 thousand for the year ended 31 December 2019 would be transferred to retained earnings in full.

#### 4.5. Reserves

(CZK '000) Reserves	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Income tax reserve	0	2 765
Other reserves	7 665	7 140
<b>Total</b>	<b>7 665</b>	<b>9 905</b>

Since 1 January 2019, there has been a change in the accounting policy, according to which reserves for expected losses related to undrawn portions of approved financing lines of individual clients (calculated solely for exposures without the debtor's default) have also been reported under reserves.

The Company recognised an income tax reserve of CZK 9,276 thousand, decreasing the "State-tax receivables" amount by the anticipated tax, up to the amount of income tax prepayments made. The made prepayments exceed the anticipated tax by CZK 2,429 thousand.

#### 4.6. Payables

(CZK '000) Payables	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Trade payables from operating activities	1 379	1 025
Payables from factoring activities and the assignment of receivables	2 418 040	1 982 240
Other payables	9 823	9 946
<b>Total</b>	<b>2 429 242</b>	<b>1 993 211</b>

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

Other short-term payables comprise namely estimated payables. As of 31 December 2020, estimated payables amounted to CZK 7,480 thousand (as of 31 December 2019: CZK 7,086 thousand) and include mainly unpaid bonuses and unbilled supplies and services.

As of 31 December 2020, the Company does not report any payables past their due dates.

##### 4.6.1. Payables to Related Parties

(CZK '000) Company name	31 Dec 2020	31 Dec 2019
UniCredit Factoring S.p.A. (IT)	524 013	616 715
<b>Total intercompany payables</b>	<b>524 013</b>	<b>616 715</b>

#### 4.7. Bank Loans

##### 4.7.1. Bank Loans

All bank loans mature within one year from the balance sheet date. 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.

The Company maintains overdraft facilities with UniCredit Bank Czech Republic and Slovakia, a.s. 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.

As of 31 December 2020, interest expenses related to bank loans amounted to CZK 7,254 thousand (2019: CZK 13,489 thousand).

Bank loans may be divided as follows:

(CZK '000) Bank	Dates / Terms	Credit limit as of 31 Dec 2020	Use of overdraft facilities as of 31 Dec 2020	Use of facilities tranches as of 31 Dec 2020	Use of loans as of 31 Dec 2020 incl. overdraft facilities	Use of loans as of 31 Dec 2019 incl. overdraft facilities
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan agreement Indefinite period	3 328 360	262 438	1 931 269	2 193 707	2 419 035
Komerční banka, a.s.	Loan agreement Terminated on 30 June 2020	0	0	0	0	7 186
Československá obchodní banka a.s.	Loan agreement Terminated on 30 June 2020	0	0	0	0	7 020
<b>Total</b>		<b>3 328 360</b>	<b>262 438</b>	<b>1 931 269</b>	<b>2 193 707</b>	<b>2 433 241</b>

As of 30 June 2020, the Company terminated the Loan Agreements with Komerční banka, a.s. and Československá obchodní banka, a.s.

As of 31 December 2020, the Company maintained a bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. credited to PASSERINVEST BBC 1, s.r.o. in the amount of EUR 67 thousand (collateral for a lease agreement payable).

## 4.8. Income Taxation

### 4.8.1. Deferred Taxation

Deferred tax is calculated from all temporary differences using the balance sheet liability method and the relevant tax rate. In calculating net deferred tax assets and liabilities, the Company offsets deferred tax assets against deferred tax liabilities arising from income tax paid to the same tax authority in the same tax category. The Company's management believes that the Group will be able to recover its deferred tax asset reported as of 31 December 2020 in full with regard to the current and the anticipated future amount of taxable profit. On the grounds of prudence, in the year ended 31 December 2020, the Company reported the deferred tax asset based on the current and expected future level of taxable profit.

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

(CZK '000)	31 Dec 2020		31 Dec 2019	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
<b>Deferred tax items</b>				
Difference between tax and accounting net book values of fixed assets	0	652	0	716
Difference between tax and accounting values of provisions against receivables	7 639	0	13 920	0
<b>Net deferred tax asset</b>	<b>6 987</b>		<b>13 204</b>	
			<b>Balance at 31 Dec 2020</b>	<b>Balance at 31 Dec 2019</b>
<b>Deferred tax asset – breakdown</b>				
Recognised asset			6 987	13 204
Unrecognised asset			0	0
<b>Total</b>			<b>6 987</b>	<b>13 204</b>

#### 4.8.2. Income Tax Charge (Credit)

(CZK '000)	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Profit before tax	79 189	34 488
Difference between depreciation for accounting and tax purposes	673	367
<b>Non-tax revenue:</b>		
Provisions released	0	0
<b>Non-deductible expenses:</b>		
Provisions created	0	0
Realised receivables	5 483	60 750
Other (e.g. representation costs, deficits and damage)	-36 523	-30 100
Taxable income	48 822	65 505
Income tax rate	19%	19%
<b>Tax</b>	<b>9 276</b>	<b>12 446</b>
<b>Additionally calculated tax for 2019</b>	<b>-1 210</b>	<b>0</b>
<b>Income tax due</b>	<b>8 066</b>	<b>12 446</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 325 thousand and CZK 314 thousand as of 31 December 2020 and 31 December 2019, respectively.

The due amounts arising from public health insurance contributions were CZK 166 thousand and CZK 160 thousand as of 31 December 2020 and 31 December 2019, respectively.

The Company was assessed overpayment of due income tax for the year ended 31 December 2019 in the amount of CZK 1,210 thousand. The overpayment was returned on 18 November 2020.

#### 4.10. Details of Income by Principal Activity

Income from factoring activities was generated as follows:

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Commission income from factoring activities	46 103	52 481
<b>Total sales of own services</b>	<b>46 103</b>	<b>52 481</b>
Other income	4 096	14
<b>Total income from operating activities</b>	<b>50 199</b>	<b>52 495</b>
Interest income from factoring activities	47 018	61 943
<b>Total income from operating activities and interest income</b>	<b>97 217</b>	<b>114 438</b>

The reason for the decline in revenue is the economic slowdown caused by the COVID-19 pandemic. Commercial insurance companies also restricted their activities, which affected the acquisition of new clients as well as retaining the existing ones.

Income generated with related parties is disclosed in Note 4.10.1.

#### 4.10.1. Related Party Transactions

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
<b>Expense</b>		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	14 038	19 224
UniCredit Leasing CZ, a.s. (CZ)	533	481
UniCredit Factoring S.p.A. (IT)	96	140
<b>Income</b>		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	145	0
UniCredit Factoring EAD (BG)	0	1
UniCredit Factoring S.p.A. (IT)	2 223	3 098
<b>Loans</b>		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	2 193 707	2 419 035

#### 4.11. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Consumed material	526	425
Consumed energy	300	213
<b>Total consumed purchases</b>	<b>826</b>	<b>638</b>

#### 4.12. Services

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Administration and maintenance of information technology	5 686	7 008
Rental	3 114	3 063
Consulting	3 723	2 963
Legal services	1 216	1 144
Mediation services	771	451
Audit services	605	607
Information on the financial position of entities	373	365
Services related to the lease of premises	344	277
Other services	1 007	1 642
<b>Total</b>	<b>16 839</b>	<b>17 520</b>

Other services predominantly comprise the costs of lectures and courses (CZK 198 thousand), import factor commissions (CZK 173 thousand), tax advisory (CZK 142 thousand), representation costs (CZK 100 thousand), translation and photocopying (CZK 99 thousand) and the costs of cleaning (CZK 90 thousand).

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

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Obligatory audit of the financial statements	605	607
<b>Total</b>	<b>605</b>	<b>607</b>

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

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Depreciation of intangible and tangible fixed assets	726	1 339
Carrying amount of fixed assets sold	419	7
<b>Total depreciation</b>	<b>1 145</b>	<b>1 346</b>



#### 4.15. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Write-off of receivables	0	50 437
Sundry operating expenses	6 011	5 883
<b>Total</b>	<b>6 011</b>	<b>56 320</b>

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

#### 4.16. Other Financial Income

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Foreign exchange rate gains	143 950	53 263
Other financial income	1 974	7 573
<b>Total</b>	<b>145 924</b>	<b>60 836</b>

Other financial income primarily includes income from distrains and legal disputes, as well as a profit share received from an insurance company.

#### 4.17. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Foreign exchange rate losses	141 641	53 311
Banking fees	752	3 208
<b>Total</b>	<b>142 393</b>	<b>56 519</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 2020 and 2019:

2020

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	16	9 410	2 683	813	12 906
Managers	4	3 876	2 233	3 632	9 741
<b>Total</b>	<b>20</b>	<b>13 286</b>	<b>4 916</b>	<b>4 445</b>	<b>22 647</b>

2019

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	16	9 390	3 208	693	13 291
Managers	6	2 890	1 852	3 762	8 504
<b>Total</b>	<b>22</b>	<b>12 280</b>	<b>5 060</b>	<b>4 455</b>	<b>21 795</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. In the year ended 31 December 2020, the Company did not provide any loans to the members of managing, supervisory or administrative bodies.

## 6. Research and Development Activities

In the year ended 31 December 2020, the Company did not perform any research and development activities.

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

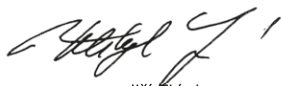
As the Company's activities comprise providing financial services, its actions do not directly affect the environment.

## 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.



Jiří Flégl  
Chairman of the Board of Directors



Olga Pavlíčková  
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: **152 72 028**

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 2020 to 31 December 2020 (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: 15272028

(hereinafter “UCF”)

Directly Controlling Entity:

UniCredit Bank Czech Republic and Slovakia, a.s.

Želetavská 1525/1, 140 92 Prague 4 – Michle

Corporate ID: 649 48 242

(hereinafter “UCB”)

Indirectly Controlling Entity:

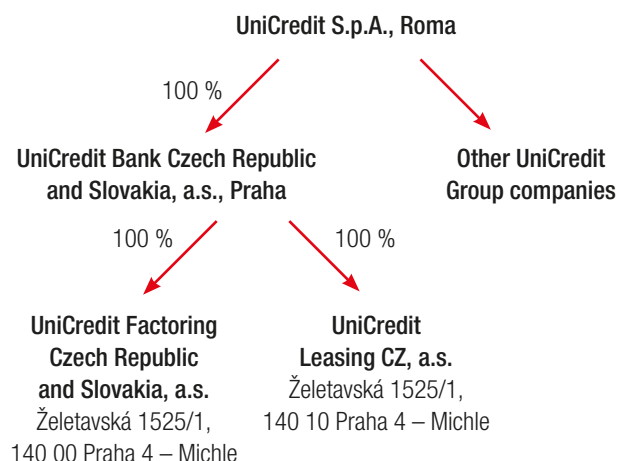
UniCredit S.p.A.

Via Alessandro Specchi 16

00100 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 2020 between 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, 00100 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, invoice discounting and supply chain financing. 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 key markets in which the UniCredit Group intends to expand in the long term.

### 3. Method and Tools of Control

The supreme body of UniCredit Factoring Czech Republic and Slovakia, a.s. is the General Meeting. UniCredit Bank Czech Republic and Slovakia, a.s. applies its will through exercising its shareholder rights by the decisions of the sole shareholder acting in the capacity of the General Meeting.

According to the Articles of Association of UniCredit Factoring Czech Republic and Slovakia, a.s., the capacity of the General Meeting also extends to the appointment of Supervisory Board members. The Supervisory Board then supervises the performance of business activities of UniCredit Factoring Czech Republic and Slovakia, a.s. and the exercise of authority of the General Meeting. Furthermore, the Supervisory Board appoints and dismisses members of the Board of Directors and recommends to the Board of Directors candidates for the office of Chairman and Vice-Chairman of the Board of Directors. However, members of the Board of Directors are not bound by this recommendation.

The controlling entity has its representatives in the Supervisory Board of UniCredit Factoring Czech Republic and Slovakia, a.s.

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.	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 Bank Czech Republic and Slovakia, a.s.	Sublease contract dated 13 November 2020
UniCredit Bank Czech Republic and Slovakia, a.s.	Zero Balancing Master Agreement dated 25 November 2020
UniCredit Bank Czech Republic and Slovakia, a.s.	Zero Balancing Participating Agreement dated 25 November 2020
UniCredit Leasing CZ a.s.	Contract on the provision of IT services of 1 December 2018
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601800138 of 28 August 2018
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601800139 of 28 August 2018
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601800140 of 28 August 2018
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601900503 of 1 September 2019
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601900522 of 24 June 2019
UniCredit Factoring EAD, BG	Interfactor Agreement dated 4 September 2020
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, 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. In 2020, UniCredit Factoring Czech Republic and Slovakia, a.s. and UniCredit Bank Czech Republic and Slovakia, a.s. concluded a sublease contract for the premises on the 12<sup>th</sup> floor of the Filadelfie building at Želetavská 1525/1, Prague 4 – Michle. In addition to the aforementioned contracts, other contracts concluded

between UniCredit Factoring Czech Republic and Slovakia, a.s. and UniCredit Bank Czech Republic and Slovakia, a.s. under arm's length conditions were effective in the past reporting period. These contracts relate to other bank products (payment cards, current accounts, deposit products, system of cash payment etc). 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.

UniCredit Factoring Czech Republic and Slovakia, a.s. concluded a legitimate contract on the provision of IT services with UniCredit Leasing CZ a.s., predominantly on the administration of the UCF information system and hosting services of the UCF servers.

## 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:

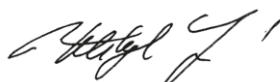
- An internationally-recognised brand and reputational benefit from the UniCredit Group being included among SIFIs (Systemically Important Financial Institution).
- Provision and sharing of the bank's know-how in trade finance.
- Provision of a more competitive source of refinancing for factoring transactions.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

In 2020, 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 25 January 2021



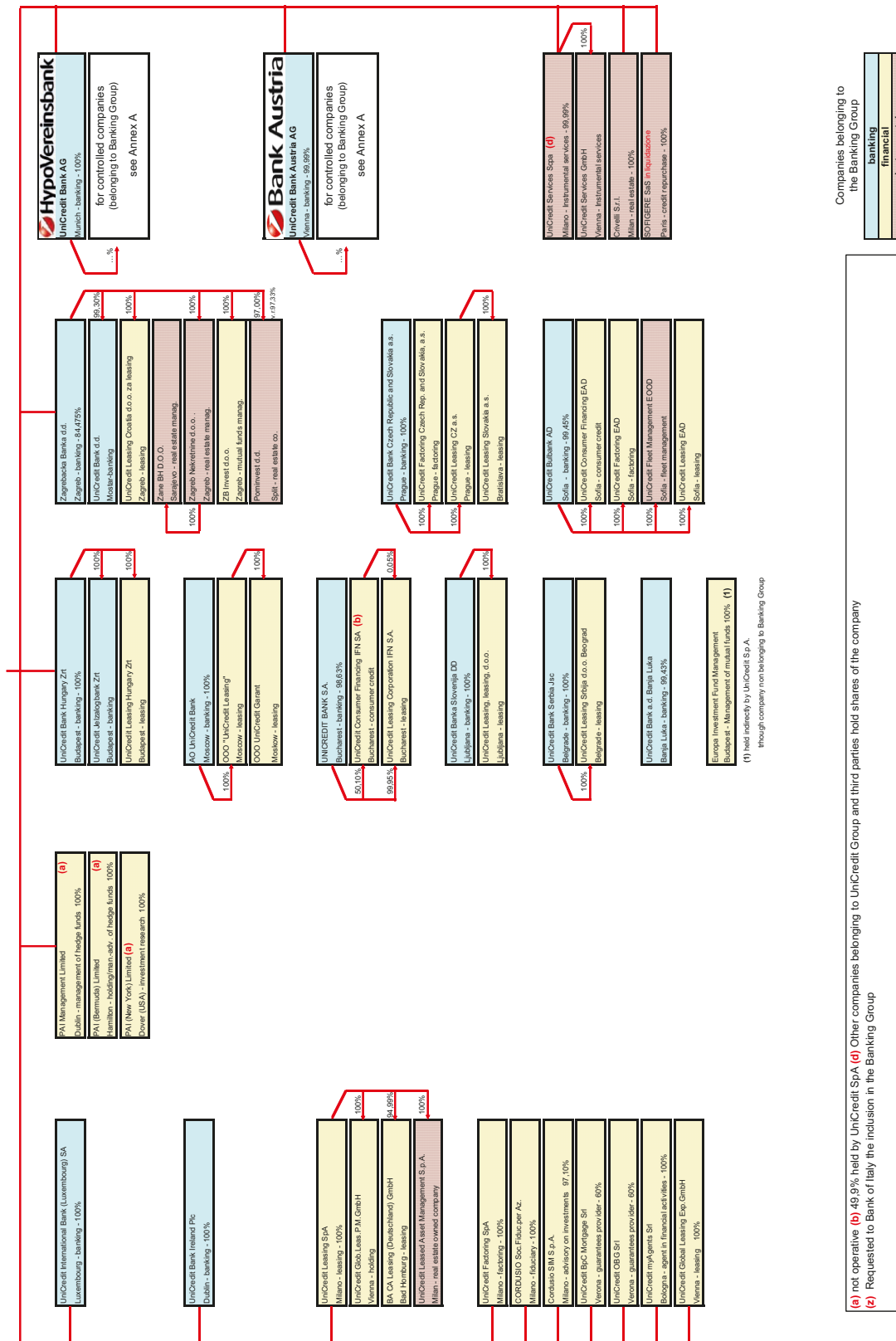
Jiří Flégl  
Chairman of the Board of Directors



Zdeněk Bílý  
Member of the Board of Directors

**Appendix:** Structure of the UniCredit Group

# Structure of UniCredit Group

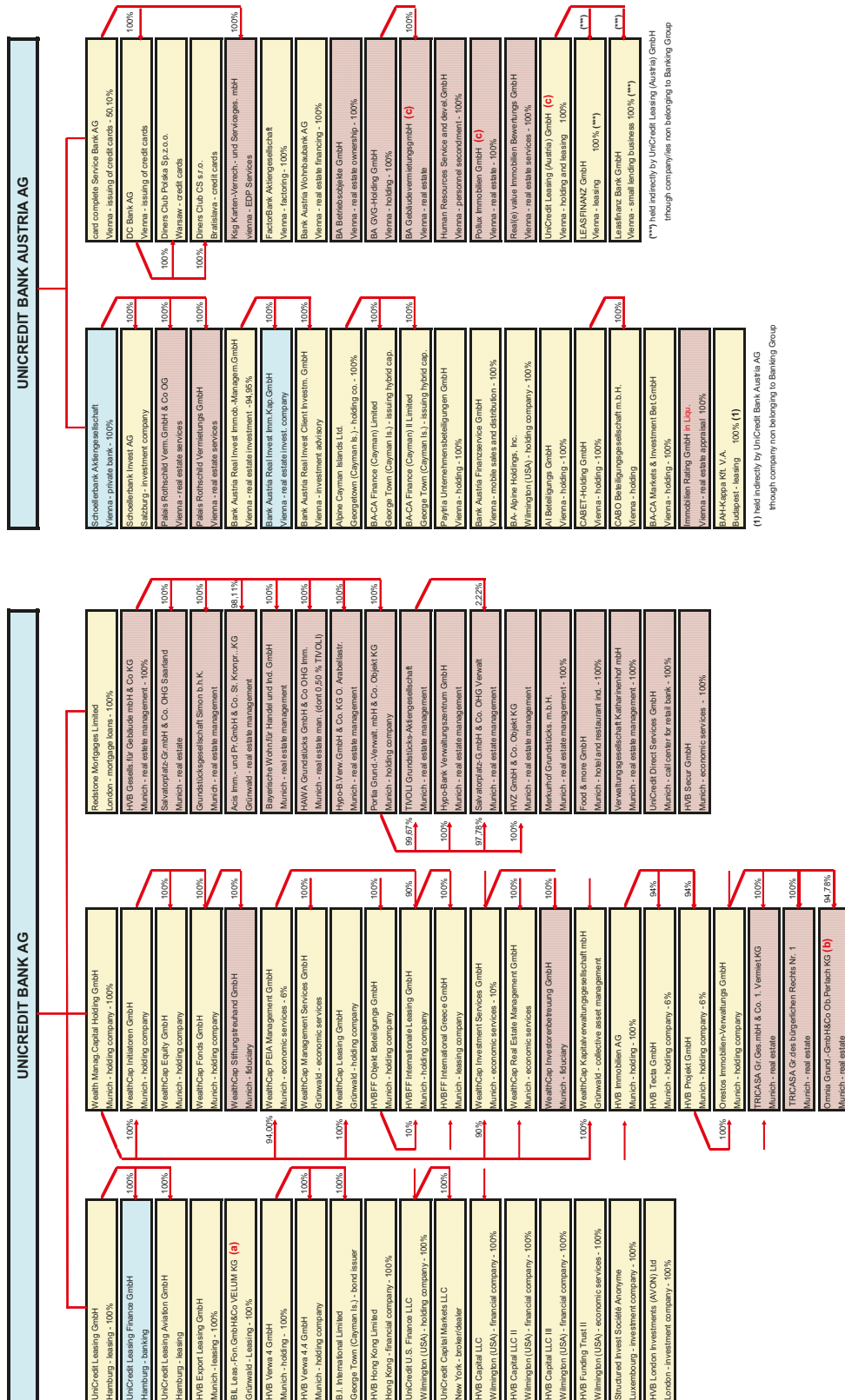


(a) not operative (b) 49.9% held by UniCredit SpA (d) Other companies belonging to UniCredit Group and third parties hold shares of the company

(e) Requested to Bank of Italy the inclusion in the Banking Group



Annex A



(a) voting rights held by UCB AG (33.33%) and by BIL Leasing-Fonds Verwaltungs GmbH (33.33%) (b) 5.22% held by WealthCap Leasing GmbH (c) % considering shares held by other Companies controlled by BA  
 (d) Requested to Bank of Italy the inclusion in the Banking Group

Companies belonging to the Banking Group

Updated January 14th 2021

(\*) held indirectly by UniCredit Bank Austria AG through company non belonging to Banking Group

Solutions that matter. |  **UniCredit**  
Factoring

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