

Unlock your potential



2021

Annual Report

Empowering
Communities to Progress.





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CEO's message



”

UniCredit Factoring recorded an annual rise in purchased receivables by 21.9 % to CZK 35.2 billion and an annual increase in the volume of financing by 5.4 % to CZK 2.9 billion.“

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

Ladies and Gentlemen,

In many ways, 2021 can be evaluated as one of the most successful years in the history of our company. We have seen a record annual increase in the volume of purchased receivables, maintained a very low cost of risk, continued in product innovations and successfully completed the migration to a new accounting system. We have managed all of that in the environment of growing macroeconomic volatility and persistent COVID-19 pandemic.

The protection of the health of our employees, clients and business partners continued to be one of our core priorities in 2021. Despite the still relatively high rate of working from home and prevalent digital form of communication with clients and business partners, we managed to maintain high service standards and expand our client base.

The beginning of 2021 brought economic recovery, which, in the subsequent months, revealed the weaknesses of the global economy. High demand surprised companies that were waking up from the recession and the inadequate transport capacity, limited further by the lockdowns of the largest Chinese ports, led to a supply-demand imbalance, scarcity of many products and price increases. One of the most affected sectors was the automobile industry, where subcontractors were unable to deliver components for car production.

In these difficult conditions, UniCredit Factoring recorded an annual rise in purchased receivables by 21.9 % to CZK 35.2 billion and an annual increase in the volume of financing by 5.4 % to CZK 2.9 billion. It became clear that our business strategy that relies on creditworthy clients, for whom factoring is a full-fledged financial management tool, is successful. Apart from domestic factoring, where we remained at the same level of purchased receivables, we showed growth in export factoring (50.0 %), block factoring (21.0 %), and import factoring (47.8 %).

I am pleased that we managed to achieve business success while keeping the cost of risk very low. It indicates a healthy risk appetite when subscribing new business, a functioning portfolio monitoring and also a fruitful cooperation between commercial insurance companies.

Excellent business results, cost prudence and rating quality of client and customer portfolio helped us reach a net profit of CZK 51.1 million, which is equal to a net profit margin of 49.5% and risk-adjusted return on allocated capital of 13.4%.

Also in 2021, we continued in our efforts to build the reputation of factoring as a modern financial instrument and continuously improved our offer of liability financing products such as Supply Chain Finance and Payment agent. In the area of receivables financing products, we began offering a new product alternative of individual receivable financing alongside traditional financing at the level of assigned receivable packages. To keep up with the speed of global innovation and technology development, we entered into a dialogue about strategic partnership with some European technology companies active in the receivables financing market.

In 2021, we started project activities connected to the transfer to a new accounting system. The goal of this project was to simplify our IT architecture, decrease the number of outdated support applications, strengthen data protection and eliminate manual tasks. Thanks to the migration to a new accounting system, our IT environment is prepared for new investments into automation, digital interaction with clients, and development of new products that will bring better user comfort and stronger customer experience to our clients.

UniCredit Factoring has always been committed to the principles of social and environmental responsibility. We support our clients whose activities do not have a negative impact on the environment, create equal work opportunities and support diversity among our employees. As part of the UniCredit financial group, we have made donations to medical facilities, clients affected by the tornado, children in children's homes and other people in need this year.

Finally, let me thank all of our clients and business partners for their trust and loyalty. I also give thanks to our colleagues from the UniCredit financial group who significantly contributed to achieving our excellent results in 2021. I greatly appreciate the dedication of our employees and the exemplary quality of service they offer to our clients.



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

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 2021, 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 2021, 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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:

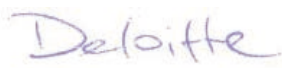
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 28 January 2022

Audit firm:

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



Statutory auditor:

Miroslav Mayer
registration no. 2529



Financial statements

for the Year Ended 31. 12. 2021

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 2021

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.



Zdeněk Bílý
Chairman of the Board of Directors



Adriana Tvrdohová
Member of the Board of Directors

Balance sheet full version as of 31. 12. 2021

(in CZK thousand)		31. 12. 2021	31. 12. 2021	31. 12. 2021	31. 12. 2020
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	5 312 564	73 114	5 239 449	5 019 035
B.	Fixed assets	43 793	38 035	5 758	4 359
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>41 973</i>	<i>36 333</i>	<i>5 641</i>	<i>3 989</i>
<i>B.I.2.</i>	<i>Valuable rights</i>	<i>39 220</i>	<i>36 333</i>	<i>2 888</i>	<i>3 637</i>
<i>B.I.2.1.</i>	Software	39 220	36 333	2 887	3 637
<i>B.I.5.</i>	„Prepayments for intangible fixed assets and intangible fixed assets under construction“	2 753		2 753	352
<i>B.I.5.2.</i>	Intangible fixed assets under construction	2 753		2 753	352
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>1 820</i>	<i>1 702</i>	<i>118</i>	<i>370</i>
<i>B.II.2.</i>	„Tangible movable assets and sets of tangible movable assets“	1 702	1 702	–	–
<i>B.II.4.</i>	<i>Other tangible fixed assets</i>	<i>118</i>		<i>118</i>	<i>370</i>
<i>B.II.4.3.</i>	Other tangible fixed assets	118		118	370
C.	Current assets	5 267 124	35 080	5 232 044	5 013 838
<i>C.II.</i>	<i>Receivables</i>	<i>5 262 281</i>	<i>35 080</i>	<i>5 227 201</i>	<i>5 007 919</i>
<i>C.II.1.</i>	Long-term receivables	7 492		7 492	6 987
<i>C.II.1.4.</i>	Deferred tax asset	7 492		7 492	6 987
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>5 254 788</i>	<i>35 080</i>	<i>5 219 708</i>	<i>5 000 933</i>
<i>C.II.2.1.</i>	Trade receivables	5 254 755	35 080	5 219 675	4 998 462
<i>C.II.2.4.</i>	<i>Receivables – other</i>	33		33	2 470
<i>C.II.2.4.3.</i>	State – tax receivables				2 430
<i>C.II.2.4.4.</i>	<i>Short-term prepayments made</i>	20		20	19
<i>C.II.2.4.5.</i>	Estimated receivables				1
<i>C.II.2.4.6.</i>	Sundry receivables	14		14	20
<i>C.IV.</i>	<i>Cash</i>	4 843		4 843	5 919
<i>C.IV.1.</i>	Cash on hand	14		14	14
<i>C.IV.2.</i>	Cash at bank	4 829		4 829	5 905
D.	Other assets	1 647		1 647	838
<i>D.1.</i>	Deferred expenses	1 633		1 633	838
<i>D.3.</i>	Accrued income	14		14	

Balance sheet full version as of 31. 12. 2021

(in CZK thousand)		31. 12. 2021	31. 12. 2020
	TOTAL LIABILITIES & EQUITY	5 239 449	5 019 035
A.	Equity	438 713	388 421
<i>A.I.</i>	<i>Share capital</i>	222 600	222 600
A.I.1.	Share capital	222 600	222 600
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	165 821	100 915
A.IV.1.	Accumulated profits brought forward	165 821	100 915
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	50 293	64 906
B.+C.	Liabilities	4 800 736	4 630 614
B.	Reserves	9 473	7 665
B.II.	Income tax reserve	2 361	
B.IV.	Other reserves	7 112	7 665
C.	Payables	4 791 263	4 622 949
<i>C.II.</i>	<i>Short-term payables</i>	4 791 263	4 622 949
C.II.2.	Payables to credit institutions	2 406 890	2 193 707
C.II.4.	Trade payables	2 374 678	2 419 419
<i>C.II.8.</i>	<i>Other payables</i>	9 694	9 824
C.II.8.3.	Payables to employees	1 143	894
C.II.8.4.	Social security and health insurance payables	586	491
C.II.8.5.	State – tax payables and subsidies	1 824	958
C.II.8.6.	Estimated payables	6 141	7 480

Profit and loss account structured by the nature of expense method year ended 31. 12. 2021

(in CZK thousand)		Year ended 31. 12. 2021	Year ended 31. 12. 2020
I.	Sales of products and services	54 735	46 103
A.	Purchased consumables and services	17 580	17 665
A.2.	Consumed material and energy	398	826
A.3.	Services	17 183	16 839
D.	Staff costs	23 770	22 647
D.1.	Payroll costs	11 802	13 286
D.2.	Social security and health insurance costs and other charges	11 968	9 361
D.2.1.	Social security and health insurance costs	5 547	4 916
D.2.2.	Other charges	6 421	4 445
E.	Adjustments to values in operating activities	2 736	-31 804
E.1.	<i>Adjustments to values of intangible and tangible fixed assets</i>	750	726
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	750	726
E.3.	Adjustments to values of receivables	1 987	-32 530
III.	Other operating income	11 291	4 227
III.1.	Sales of fixed assets	155	131
III.3.	Sundry operating income	11 136	4 096
F.	Other operating expenses	6 824	5 928
F.1.	Net book value of sold fixed assets	252	419
F.3.	Taxes and charges	27	24
F.4.	Reserves relating to operating activities and complex deferred expenses		-526
F.5.	Sundry operating expenses	6 545	6 011
*	Operating profit or loss (+/-)	15 115	35 894
VI.	Interest income and similar income	57 268	47 018
VI.2.	Other interest income and similar income	57 268	47 018
J.	Interest expenses and similar expenses	7 805	7 254
J.1.	Interest expenses and similar expenses – controlled or controlling entity	7 805	7 211
J.2.	Other interest expenses and similar expenses		43
VII.	Other financial income	203 795	145 924
K.	Other financial expenses	205 980	142 393
*	Financial profit or loss (+/-)	47 279	43 295
**	Profit or loss before tax (+/-)	62 394	79 189
L.	Income tax	12 101	14 283
L.1.	Due income tax	12 607	8 066
L.2.	Deferred income tax (+/-)	-506	6 217
**	Profit or loss net of tax (+/-)	50 293	64 906
***	Profit or loss for the current period (+/-)	50 293	64 906
*	Net turnover for the current period	327 090	243 272

Statement of changes in equity year ended 31. 12. 2021

	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
(in CZK thousand)								
Balance at 31 Dec 2019	222 600			74 309			26 606	323 515
Distribution of profit or loss				26 606			-26 606	
Profit or loss for the current period							64 906	64 906
Balance at 31 Dec 2020	222 600			100 915			64 906	388 421
Distribution of profit or loss				64 906			-64 906	
Profit or loss for the current period							50 293	50 293
Balance at 31 Dec 2021	222 600			165 821			50 293	438 714

Cash flow statement year ended 31. 12. 2021

(in CZK thousand)		Year ended 31. 12. 2021	Year ended 31. 12. 2020
P.	Opening balance of cash and cash equivalents	5 919	10 821
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss before tax	62 394	79 189
A.1.	Adjustments for non-cash transactions	-44 351	-71 281
A.1.1.	Depreciation of fixed assets	750	726
A.1.2.	Change in provisions and reserves	4 348	-32 531
A.1.3.	Profit/(loss) on the sale of fixed assets	97	288
A.1.5.	Interest expense and interest income	-49 546	-39 764
A.*	Net operating cash flow before changes in working capital	18 043	7 908
A.2.	Change in working capital	-271 786	197 704
A.2.1.	Change in operating receivables and other assets	-222 631	-238 132
A.2.2.	Change in operating payables and other liabilities	-49 155	435 836
A.**	Net cash flow from operations before tax	-253 743	205 612
A.3.	Interest paid	-7 722	-7 059
A.4.	Interest received	57 268	47 018
A.5.	Income tax paid from ordinary operations	-7 817	-10 495
A.***	Net operating cash flows	-212 014	235 076
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-2 401	-575
B.2.	Proceeds from fixed assets sold	155	131
B.***	Net investment cash flows	-2 246	-444
	Cash flow from financial activities		
C.1.	Change in payables from financing	213 184	-239 534
C.***	Net financial cash flows	213 184	-239 534
F.	Net increase or decrease in cash and cash equivalents	-1 076	-4 902
R.	Closing balance of cash and cash equivalents	4 843	5 919

Notes to the Financial Statements

for the Year Ended 31. 12. 2021

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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.

1.3. Board of Directors and Supervisory Board

	Position	Name
Board of Directors	Chairman	Zdeněk Bílý
	Member	Adriana Tvrdoňová
	Member	Dita Babincová Doleželová
Supervisory Board	Chairman	Slavomír Beňa
	Vice Chairman	Alen Dobrič
	Member	Jiří Flégl
	Member	Daniel Kopic

Changes in the Board of Directors:

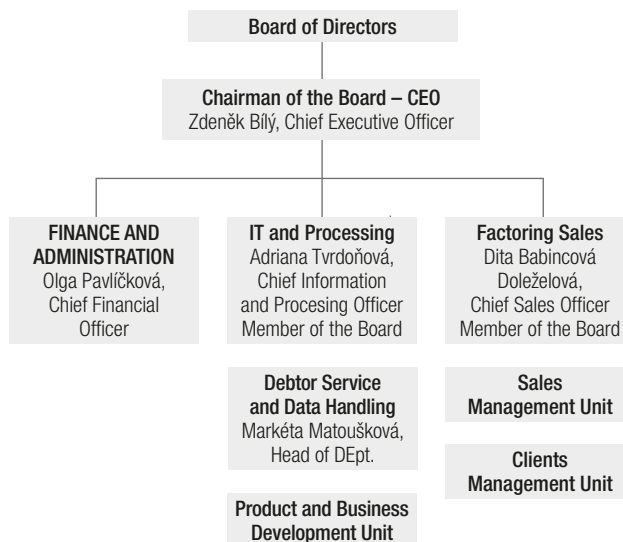
As of 1 April 2021, Zdeněk Bílý becomes the chairman of the Board of Directors, replacing Jiří Flégl. Also as of 1 April 2021, Adriana Tvrdoňová becomes a new member of the Board of Directors and on 1 June 2021, Dita Babincová Doleželová was appointed another member of the Board of Directors.

Changes in the Supervisory Board:

On 1 April 2021, Jiří Flégl was appointed new member of the Supervisory Board, replacing Roland Viskupič and on 25 October 2021 Daniel Kopic became a new member of the Supervisory Board, replacing Josef Vondrka.

1.4. Organisational Structure as of 31 December 2021

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 80 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 80 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 factoring fee is principally affected by the customers' payment discipline. In determining its value, various factors are taken into account, such as the costs connected with keeping the records of receivables, the cost of conducting the dunning process, providing the information, assistance in the complaints handling procedure and other costs involved in blocking the funds required to finance the receivables. The current value 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 reflects credit risk and is affected by payment discipline of suppliers and customers and its absolute amount depends on the amount of pre-financing 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. It 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.

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

(CZK '000)	31 December 2021	31 December 2020
Cash on hand	14	1
Stamps and vouchers	0	0
Cash at bank and cash in transit	4 829	5 905
Total cash and cash equivalents	4 843	5 919

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

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 2019	Additions	Disposals	Balance at 31 Dec 2020	Additions	Disposals	Balance at 31 Dec 2021
Software	38 997	223	0	39 220	0	0	39 220
Intangible fixed assets under construction	0	352	0	352	2 401	0	2 753
Total	38 997	575	0	39 572	2 401	0	41 973

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.

3.12. Changes in accounting policies during the period

In accordance with the change in the Income Tax Act, where the purchase price of tangible fixed assets was increased from CZK 40,000 to CZK 80,000 upon its acquisition, as well as during technical improvement, we have prospectively adjusted these limits. This measure had no impact on the company's financial results.

Since 2021, tangible fixed assets have been defined as assets with a useful life of more than one year and a value of more than CZK 80,000 in each case.

The change is reflected in paragraph "3.1. Tangible fixed assets".

Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020	Additions	Disposals	Balance at 31 Dec 2021
Software	34 889	694	0	35 583	750	0	36 333
Total	34 889	694	0	35 583	750	0	36 333

Net Book Value

(CZK '000)	Balance at 31 Dec 2020	Balance at 31 Dec 2021
Software	3 637	2 887
Intangible fixed assets under construction	352	2 753
Total	3 989	5 640

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

4.2. Tangible Fixed Assets

Cost

(CZK '000)	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020	Additions	Disposals	Balance at 31 Dec 2021
Buildings	642	0	-642	0	0	0	0
Individual tangible movable assets	0	0	0	0	0	0	0
– Machinery and equipment	1 808	0	-106	1 702	0	0	1 702
– Vehicles	0	0	0	0	0	0	0
– Furniture and fixtures	209	0	-209	0	0	0	0
Works of art	645	0	-275	370	0	-252	118
Total	3 304	0	-1 232	2 072	0	-252	1 820

Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020	Additions	Disposals	Balance at 31 Dec 2021
Buildings	497	145	-642	0	0	0	0
Individual tangible movable assets	0	0	0	0	0	0	0
– Machinery and equipment	1 777	32	-106	1 702	0	0	1 702
– Vehicles	0	0	0	0	0	0	0
– Furniture and fixtures	209	0	-209	0	0	0	0
Total	2 483	176	-958	1 702	0	0	1 702

Net Book Value

(CZK '000)	Balance at 31 Dec 2020	Balance at 31 Dec 2021
Buildings	0	0
Individual tangible movable assets	0	0
– Machinery and equipment	0	0
– Vehicles	0	0
Works of art	370	118
Total	370	118

In the years ended 31 December 2021 and 2020, the Company acquired tangible assets that were expensed as incurred in the amounts of CZK 226 thousand and CZK 327 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 2021	31 Dec 2020
Trade receivables from operating activities	Before due date	0	0
Receivables from factoring activities and from the assignment of receivables	Before due date	5 086 545	4 682 865
	Past due date	168 210	348 136
Total trade receivables		5 254 755	5 031 001
Other receivables	Before due date	14	20
Estimated receivables		0	1
Short-term prepayments made		20	19
State – tax receivables		0	2 430
Total other receivables		33	2 470
Provisions against doubtful receivables		–35 080	–32 539
Net book value of short-term receivables		5 219 709	5 000 932
Deferred tax asset (refer to Note 12)		7 492	6 987
Net book value of long-term receivables		7 492	6 987
Total net book value of receivables		5 227 201	5 007 919

In the years ended 31 December 2021 and 2020, 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 2021, the Company does not report any receivables with maturity of more than 5 years.

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 2019	0	66 121	66 121
Provisions created	0	59 002	59 002
Provisions released	0	–92 584	–92 584
Closing balance at 31 December 2020	0	32 539	32 539
Provisions created	0	84 941	84 941
Provisions released	0	–82 400	–82 400
Closing balance at 31 December 2021	0	35 080	35 080

4.3.1. Intercompany Receivables

(CZK '000)	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Name of the entity		
UniCredit Factoring S.p.A. (IT)	12 351	14 357
Total intercompany receivables	12 351	14 357

4.4. Equity

(CZK '000)	31 Dec 2021		31 Dec 2020	
	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 2021 and 2020, no dividends or directors' fees were paid out.

It was not decided on the allocation of the profit for 2021 as of the financial statement's approval date, which is why the Company does not present the decision.

As of 31 December 2021, the sole shareholder was UniCredit Bank Czech Republic and Slovakia, a.s., Prague.

On 9 February 2021, the Company's sole shareholder approved the Company's financial statements for the year ended 31 December 2020 and decided that the aggregate profit of CZK 64,906 thousand for the year ended 31 December 2020 would be transferred to retained earnings in full.

4.5. Reserves

(CZK '000) Reserves	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Income tax reserve	2 361	0
Other reserves	7 112	7 665
Total	9 473	7 665

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 12,607 thousand, decreasing the "State-tax receivables" amount by the anticipated tax, up to the amount of income tax prepayments made. The made prepayments are lower than the anticipated tax by CZK 2,361 thousand.

4.6. Payables

(CZK '000) Payables	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Trade payables from operating activities	511	1 379
Payables from factoring activities and the assignment of receivables	2 374 167	2 419 419
Other payables	9 694	9 824
Total	2 384 372	2 430 622

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 2021, estimated payables amounted to CZK 6,141 thousand (as of 31 December 2020: CZK 7,480 thousand) and include mainly unpaid bonuses and unbilled supplies and services.

As of 31 December 2021, the Company does not report any payables past their due dates.

4.6.1. Payables to Related Parties

(CZK '000) Company name	31 Dec 2021	31 Dec 2020
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	1 753	0
UniCredit Factoring S.p.A. (IT)	447 530	524 013
Total intercompany payables	479 283	524 013

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 2021, interest expenses related to bank loans amounted to CZK 7,805 thousand (2020: CZK 7,254 thousand).

Bank loans may be divided as follows:

(CZK '000)		Credit limit as of 31 Dec 2021	Use of overdraft facilities as of 31 Dec 2021	Use of facilities tranches as of 31 Dec 2021	Use of loans as of 31 Dec 2021 incl. overdraft facilities	Use of loans as of 31 Dec 2020 incl. overdraft facilities
Bank	Dates / Terms					
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan agreement Indefinite period	4 025 500	2 105 376	296 827	2 402 203	2 193 707
Total		4 025 500	2 105 376	296 827	2 402 203	2 193 707

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 2021 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 2021, 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 2021		31 Dec 2020	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Deferred tax items				
Difference between tax and accounting net book values of fixed assets	0	524	0	652
Difference between tax and accounting values of provisions against receivables	8 016	0	7 639	0
Net deferred tax asset	7 492		6 987	
			Balance at 31 Dec 2021	Balance at 31 Dec 2020
Deferred tax asset – breakdown				
Recognised asset			7 492	6 987
Unrecognised asset			0	0
Total			7 492	6 987

4.8.2. Income Tax Charge (Credit)

(CZK '000)	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Profit before tax	62 394	79 189
Difference between depreciation for accounting and tax purposes	675	673
Non-tax revenue:		
Provisions released	0	0
Non-deductible expenses:		
Provisions created	0	0
Realised receivables	7 676	5 483
Other (e.g. representation costs, deficits and damage)	-4 391	-36 523
Taxable income	66 354	48 822
Income tax rate	19%	19%
Tax	12 607	9 276
Additionally calculated tax for 2019	0	-1 210
Income tax due	12 607	8 066

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 389 thousand and CZK 325 thousand as of 31 December 2021 and 31 December 2020, respectively.

The due amounts arising from public health insurance contributions were CZK 197 thousand and CZK 166 thousand as of 31 December 2021 and 31 December 2020, respectively.

The Company has no tax arrears towards locally competent financial authorities for the year ended 31 December 2021 (2020: CZK 0 thousand).

In 2020, 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 2021	Year ended 31 Dec 2020
Commission income from factoring activities	54 735	46 103
Total sales of own services	11 136	4 096
Other income	65 871	50 199
Total income from operating activities	57 268	47 018
Interest income from factoring activities	123 139	97 217
Total income from operating activities and interest income	54 735	46 103

Income generated with related parties is disclosed in Note 4.10.1.

4.10.1. Related Party Transactions

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Expense		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	15 562	14 038
UniCredit Leasing CZ, a.s. (CZ)	654	533
UniCredit Factoring S.p.A. (IT)	162	96
Income		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	0	145
UniCredit Factoring S.p.A. (IT)	1 808	2 223
Loans		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	2 402 203	2 19

4.11. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Consumed material	348	526
Consumed energy	50	300
Total consumed purchases	398	826

4.12. Services

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Administration and maintenance of information technology	7 312	5 686
Rental	1 986	3 114
Consulting	3 681	3 723
Legal services	1 109	1 216
Mediation services	932	771
Audit services	610	605
Information on the financial position of entities	381	373
Services related to the lease of premises	62	344
Other services	1 110	1 007
Total	17 183	16 839

Other services predominantly comprise the costs of import factor commissions (CZK 259 thousand), services of the UniCredit Group (CZK 212 thousand), phone, internet and web services (CZK 164 thousand), tax advisory (CZK 116 thousand), translation and photocopying (CZK 55 thousand), annual report (CZK 49 thousand), lectures and courses (CZK 44 thousand) and the costs of cleaning (CZK 41 thousand).

4.13. Remuneration to the Statutory Audit Firm

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Obligatory audit of the financial statements	6	60
Total	6	60

4.14. Depreciation of Intangible and Tangible Fixed Assets

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Depreciation of intangible and tangible fixed assets	750	726
Carrying amount of fixed assets sold	0	419
Total depreciation	750	1 145

4.15. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Write-off of receivables	0	0
Sundry operating expenses	6 545	6 009
Total	6 545	6 009

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 2021	Year ended 31 Dec 2020
Foreign exchange rate gains	202 690	143 949
Other financial income	1 105	1 975
Total	203 795	145 924

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 2021	Year ended 31 Dec 2020
Foreign exchange rate losses	205 249	141 641
Banking fees	731	752
Total	205 980	142 393

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 2021 and 2020:

2021

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	17	9 410	2 683	855	12 948
Managers	5	2 392	2 864	5 566	10 822
Total	22	11 802	5 547	6 421	23 770

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
Total	20	13 286	4 916	4 445	22 647

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 2021, 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 2021, 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.

Zdeněk Bílý
Chairman of the Board of Directors

Adriana Tvrdoňová
Member of the Board of Directors

Dita Babincová Doleželová
Member of the Board of Directors

Olga Pavlíčková
Chief Financial Officer

Report on Relations

between the Controlling and Controlled Entities and between 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 2021 to 31 December 2021 (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:

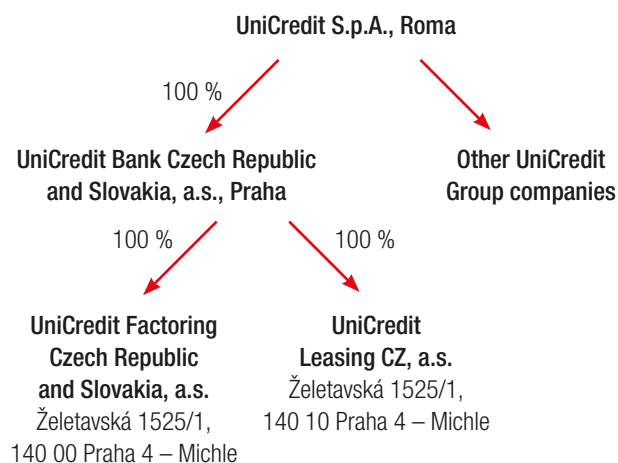
UniCredit S.p.A.

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 2021 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.
UniCredit Fleet Management, s.r.o.	Contract on the lease of a vehicle no. 6601900522 of 24 June 2019
UniCredit Factoring EAD, BG	Interfactor
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., the Italian Republic. 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 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 2021, 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 2022



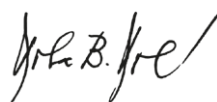
Zdeněk Bílý

Chairman of the Board of Directors



Adriana Tvrdoňová

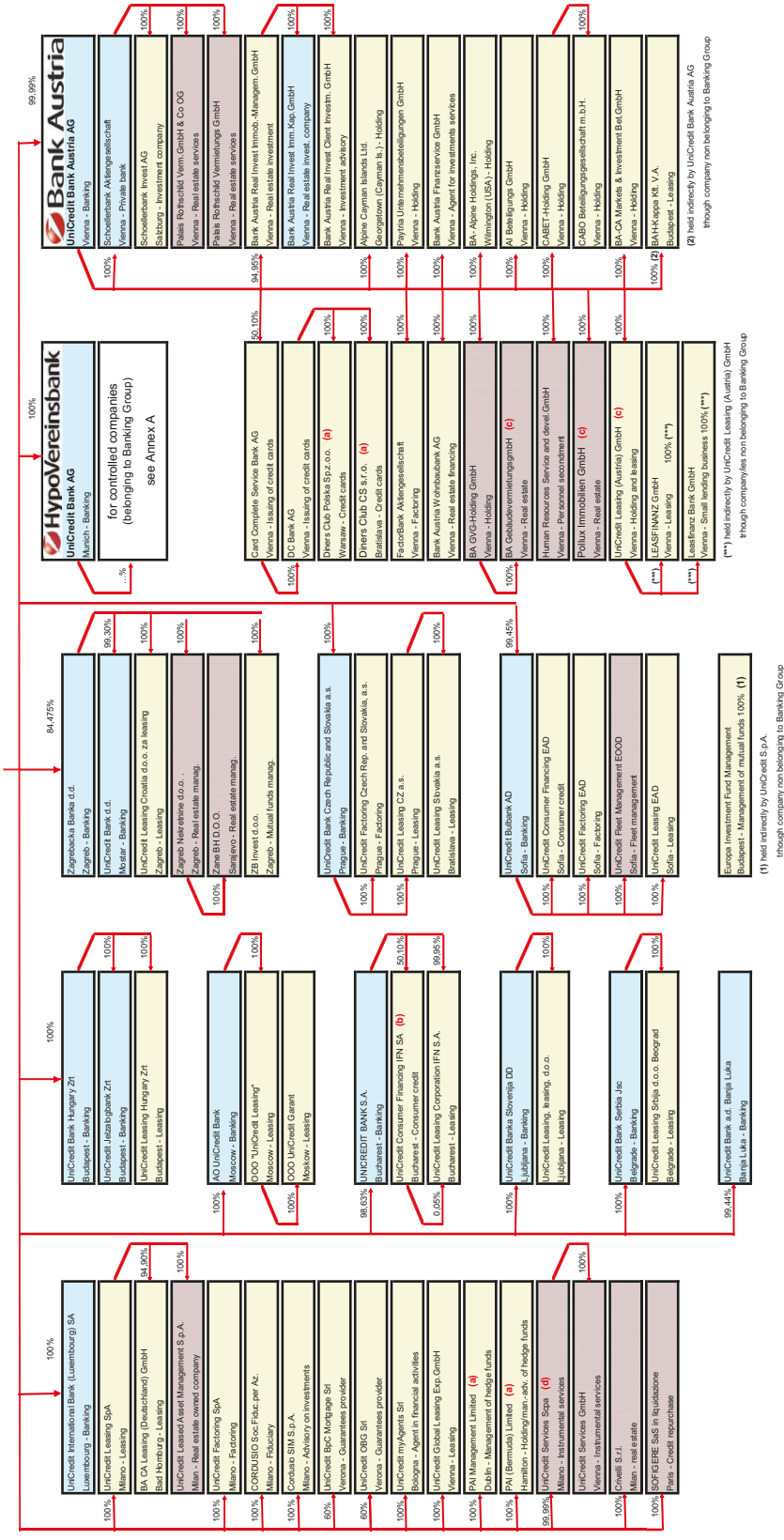
Member of the Board of Directors



Dita Babincová Doleželová
Member of the Board of Directors

Appendix: Organisational Chart of the UniCredit Group

Structure of UniCredit Group



Companies belonging to the Banking Group

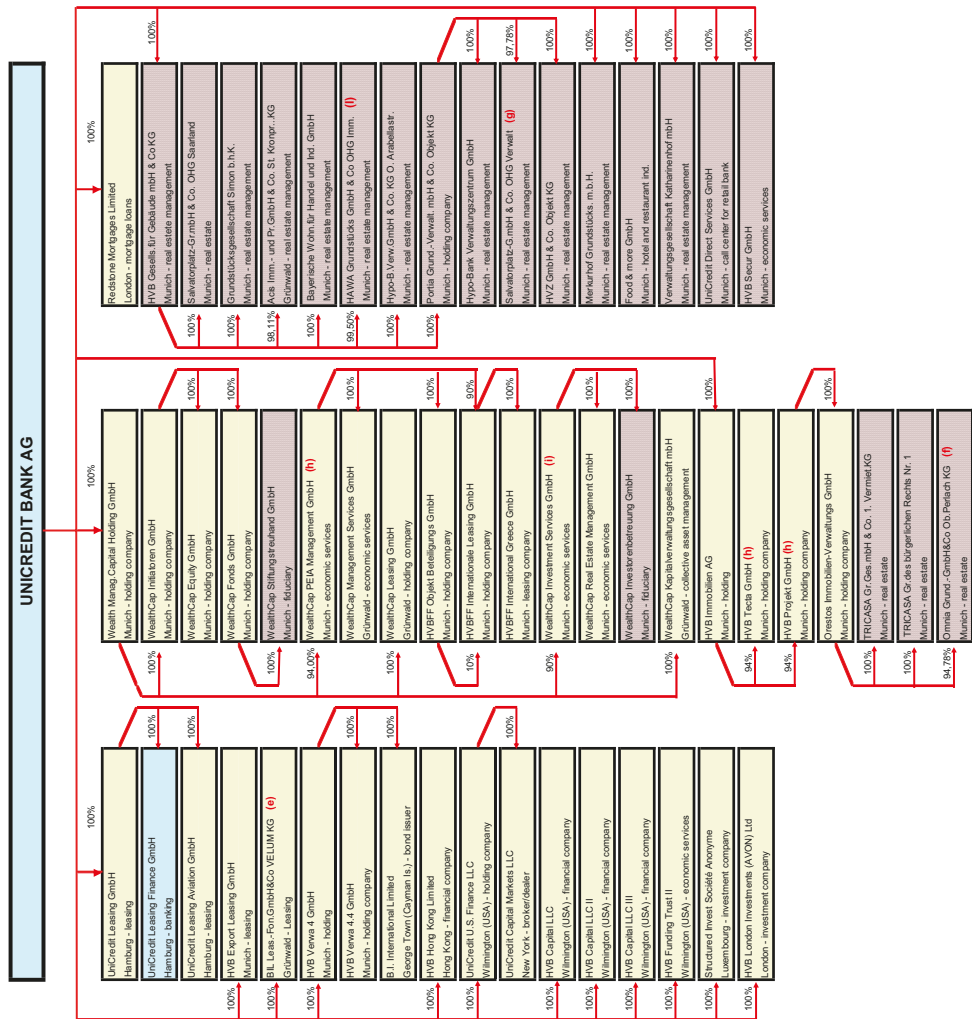


Updated 01st January 2022

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

(**) held indirectly by UniCredit Leasing (Austria) GmbH through companies non belonging to Banking Group
 (***) held indirectly by UniCredit SpA
 (1) held indirectly by UniCredit SpA through company non belonging to Banking Group

Annex A



(e) voting rights held by LCB AG (33.33%) and by BIL Leasing-Fonds Verwaltungs GmbH (33.33%) (f) 5.22% held by WealthCap Leasing GmbH (g) 2.22% held by Tivoli Grundstücks-Aktiengesellschaft (h) 6% held by Unicredit Bank AG (i) 10% held by Unicredit Bank AG (j) 10.50% held by Tivoli Grundstücks-Aktiengesellschaft

Companies belonging to the Banking Group

banking
financial
instrumental

Updated 01st January 2022

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