

Factoring České spořitelny, a.s.  
**Annual Report 2018**

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# Foreword by the Chairman of the Board of Directors



**Karel Nováček**

Chairman of the Board of Directors

**Dear Ladies and Gentlemen,**

I present to you the annual report of Factoring České spořitelny for 2018, in which we focused on the presentation and subsequent offer of significant product and technological innovations. The Company continued to be successful in the business and risk management area, which in turn had a positive effect on the Company's profitability.

Compared to the previous period, Factoring České spořitelny has further improved the year-on-year increase in the turnover of ceded and managed receivables by 6.6 % to CZK 35.9 billion. Significant influence on performance was mainly export factoring with the insurance of receivables. In addition, the number of new clients and their customers grew, which had a significant impact on the diversification of credit and operational risks. Thanks to above mentioned key attributes, Factoring České spořitelny remains one of the three largest factoring companies in the Czech Republic.

At the turn of 2017-18 Company added to its portfolio of classic factoring products new product in form of reverse factoring, which is a part of Supply Chain Financing. For clients using EDI (electronic documents exchange), we have launched, in cooperation with EDITEL,

a new *edi*Factoring service, which enables clients the paperless and automated financing through our innovative eFactoring internet platform. Throughout 2018 the Company supported by Česká spořitelna and in cooperation with the strategic partner EDITEL and various associations and clubs, focused on introducing new solutions primarily through specialized seminars, workshops and business breakfasts, in order to demonstrate to our clients the modern trends in financing receivables and liabilities. The culmination of communication activities was the presentation of the Supply Chain Financing solution for participants of the International Engineering Fair in Brno, which became one of the main topics of the Česká spořitelna Financial Group.

I have long appreciated cooperation with Česká spořitelna's parent bank in the area of business activities, support and joint access to existing and new clients using both classic and reverse factoring. Synergic effects with parent company also positively affected the risk management, where we were able to maintain the expenses arising from allowances for receivables significantly under the budgeted values due to our careful and coordinated approach.

I would like to thank to all our clients and other business partners for their trust and favour. I would also like to appreciate the fervour of our employees as well as our co-workers in the Česká spořitelna Financial Group and Erste Group, which was the base for our outstanding business results in 2018.

A handwritten signature in blue ink, appearing to be 'K. Nováček', written in a cursive style.

Karel Nováček

Chairman of the Board of Directors

# Company's Profile

## Company

Factoring České spořitelny, a.s.  
Business Identification Number: 25629352  
Incorporated in the Commercial Register,  
Section B, File No. 5075, maintained by  
the Municipal Court in Prague

## Registered Office

Budějovická 1518/13B, 140 00 Prague 4  
(since 8 March 2019: Budějovická 1912/64b,  
Krč, 140 00 Prague 4)

## Date of incorporation

4 December 1997

## Shareholders

Česká spořitelna, a.s. (100%)

## Members of the Board of Directors

Karel Nováček, chairman  
Pavel Chlumský, member

## Members of the Supervisory Board

Jan Seger, chairman  
Jan Jašek, vice-chairman  
Roman Pařil, member

## Business activity / Products

Domestic factoring  
Export factoring  
Import factoring  
Reverse factoring  
ediFactoring  
Administration, collection  
and monitoring of receivables

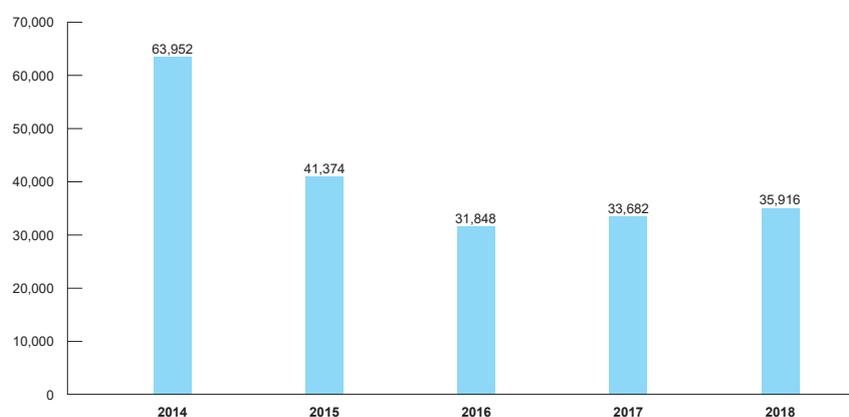
## Membership in associations

Czech Leasing and Finance Association (ČLFA)  
Association of Factoring Companies (AFC)  
Factors Chain International (FCI)

## Changes in key financial indicators

| CZK ths.   | 2014          | 2015         | 2016          | 2017          | 2018          |
|--|---------------|--------------|---------------|---------------|---------------|
| Assets from clients' accounts receivable financing<br>(Total net Current assets) | 9,342,576     | 7,436,287    | 7,484,683     | 7,575,543     | 8,039,813     |
| Share capital  | 114,000       | 114,000      | 114,000       | 114,000       | 114,000       |
| Share premium  | 80,000        | 80,000       | 80,000        | 80,000        | 80,000        |
| Capital funds  | 818,400       | 818,400      | 818,400       | 818,400       | 818,400       |
| Equity   | 1,142,047     | 1,120,206    | 1,145,547     | 1,201,330     | 1,198,788     |
| Added value  | 159,044       | 99,733       | 75,608        | 81,856        | 85,924        |
| Profit before taxation   | 81,226        | 25,522       | 33,524        | 75,266        | 66,612        |
| <b>Profit for the current period</b>   | <b>65,446</b> | <b>8,767</b> | <b>25,968</b> | <b>56,406</b> | <b>53,679</b> |

## Gross Turnover of Factoring České spořitelny (in CZK mil.)



# Management Report

The Czech economy performed well in 2018, although it did not reach the rate of growth of gross domestic product of the previous year. A further slowdown in growth is generally expected in 2019, given the growing volatility in world financial markets, fears of international trade constraints and, last but not least, the expected exit of the UK from the European Union.

The development of the economy was reflected by the factoring market in the Czech Republic represented by the Association of Factoring Companies. Its pace declined year-on-year from 19 % in 2017 to just 12 % in 2018, which is still a very decent result, with all affiliated factoring companies growing.

Factoring České spořitelny achieved a year-on-year growth of total factoring turnover by 6.6 % to CZK 35.9 billion, continuing to grow significantly in export factoring, i.e. financing of domestic companies' receivables from their foreign customers. Positive news is also a further increase in value of funds placed at clients by 6 % to CZK 5.6 billion and an increase in the number of new factoring clients using both classic and reversed factoring.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group since 2001. Membership in a strong financial group guarantees the Company with the long-term financial stability for continuing financing of mutual and other clients and delivers significant synergic effects particularly in the field of business, risk management policies and monitoring of receivables.

The trend of decreasing number of newly emerging credit and operational risks and insolvencies continued in 2018. This caused low volume of additional allowances and thus influenced positively the financial results of the Company.

The Company's management continued to pay close attention to the **development of the business activities and communication support for new products**. Innovative internet platform eFactoring with electronic debt assignment and other features enables clients to manage their financial flows and is the basis for smooth and automated real-time factoring process. The new Supply Chain Financing proposal, in the form of reverse factoring, enables us to meet the requirements of large corporate clients to optimize the use of working capital and further strengthen supplier-customer relations with their domestic and foreign suppliers. Thanks to our partnership with EDITEL, we have developed a modern digital *edi*Factoring service that links factoring finance and electronic data exchange (EDI) between supplier, customer and us. In this way, we streamline and accelerate the financing of our clients using EDI solutions. The year 2018 characterized the communication campaign in which we introduced above-mentioned innovations throughout

the year and actively offered them to individual client segments. We emphasised the personal communication in the form of seminars, business breakfasts, discussion forums and workshops, where we demonstrated the benefits of innovations on real-life examples. As part of other supportive marketing activities, the Company upgraded its website containing a new video illustrating to the clients the benefits of new solutions, publishing expert articles and interviews, and developed promotional materials in new design for business needs.

**The department of risk management** continued to use the compact concept of risk management developed in past years, which was built with emphasis to eliminate as many newly emerging credit and operational risks as possible. This concept was expanded by further and deeper integration of clients data into the information systems in Česká spořitelna resulting in even closer cooperation with the parent bank. This cooperation was reflected by the acquisition of clients, overviews of mutual clients, client's total exposures and of course in the risk management and reporting. Furthermore, the necessity of communication and consultations of business strategy considering mutual clients with Česká spořitelna, rather the whole Erste Bank Group, rose significantly. Continuous cooperation with commercial insurance companies on the Czech market is an important aspect of the strategic management of the Company. The aim of these processes is elimination and diversification of the Company's own risks and the effort to help clients with continuous evaluation of the quality of their portfolio of customers, prevention of negative impacts of non-standard situations and minimisation of financial losses. In 2018 the risk management department carefully prepared the requirements of the new reverse factoring product, for which several initial business cases were processed, approved and implemented over the course of the year. Further know-how necessary for this product has passed through the team within the framework of the "Supply Chain Financing" project and short seminars were prepared as a support to the sales arguments in the field of financial analysis for the entire Sales team of the Company.

Within the recovery department, we successfully enforced problematic receivables during the year, which greatly contributed to the Company's overall results. The share of Non Performing Loans (NPL) fell from 6.7 % at the end of 2017 to 5.0 % at the end of 2018.

**The operations department** concentrated on the continuous flow of current deals and on providing professional client service linked with the individual factoring products. High quality of the department's work with the portfolio of ceded receivables significantly reduces the Company's own credit risk and simultaneously enhances the liquidity management and stability of financing of the clients' working capital. In the 2018 the Company focused on development and implementation of an EDI data exchange system for clients using

this system with their customers. Simultaneously the specialized interface for reverse factoring developed further for both customers and suppliers.

**The financial department** focused on rigorous compliance with the Company's cost policy in 2018. The department continued to further optimize the financial management of the Company, particularly decreasing the operating expenses, cash flow management, decreasing the impacts of the foreign currency markets volatility and securing the Company's stable level of liquidity. Majority of these processes were successful thanks to pristine cooperation with Česká spořitelna.

**IT department** ensured stable workflow in the Company from technical and technological perspective and thus contributed not only to the quality and security of all activities, but also to the innovation process in both products and technologies. Last year, a new technology to manage and secure network traffic was added to the system improving security between computer networks with "sandbox" function and enabling inbound communications to be tested for real-time malware of "ransomware" type. We have also continued to develop our factoring system to reduce manual operations and operational risks in processing our clients' transactions.

In 2018 Factoring České spořitelny changed its brand and logo from Erste Factoring to Factoring České spořitelny. In February 2019, the company moved and has its new seat at the address Budějovická 1912/64b, Krč, Prague 4.

In 2018, Factoring České spořitelny completed the implementation of The General Data Protection Regulation (GDPR) so that all processes in the Company comply with the requirements of EU Regulation No. 2016/679.

One of the key requirements for success in the future is a continuous close cooperation with the parent bank – Česká spořitelna, quality and professional risk management, flexible reaction to the market's needs and maintaining high standard of services provided to the clients of the Company.

The main aim for 2019 lies in fulfilling the strategy of creating a modern company utilising the whole portfolio of factoring products tailored to fit the client's needs with the help of automation and digital services in the factoring process and communication with clients.

# Financial Statements

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## ***Independent auditor's report***

### **to the shareholder of Factoring České spořitelny, a.s.**

#### *Opinion*

We have audited the accompanying financial statements of Factoring České spořitelny, a.s., with its registered office at Budějovická 1518/13B, Praha 4 ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in shareholder's equity and cash flow statement for the year ended 31 December 2018 and notes to the financial statements, which include 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 the Company as at 31 December 2018, of its financial performance and its cash flows for the year ended 31 December 2018 in accordance with Czech accounting legislation.

#### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards 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 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

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 about the Company 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 and regulation, in particular, whether the other information complies with law and 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 and 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.

#### *Responsibilities of the Board of Directors and Supervisory Board of the Company for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation 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.

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## Independent auditor's report

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 of the Company is responsible for overseeing the 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 the above stated requirements 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 stated requirements, we exercise professional judgment and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 notes, 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 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.

26 March 2019

PricewaterhouseCoopers Audit, s. v. o.

represented by Director

Eva Loulová  
Statutory Auditor, Licence No. 1981

This report is addressed to the shareholder of Factoring České spořitelny, a.s.

#### Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

# Balance Sheet

at 31 December 2018

| CZK ths.  | Current year     |                  |                  | Prior year<br>2017 |
|---|------------------|------------------|------------------|--------------------|
|   | Gross            | Allowances       | Net              | Net                |
| <b>Total assets</b>                               | <b>8,411,962</b> | <b>(363,706)</b> | <b>8,048,256</b> | <b>7,582,224</b>   |
| <b>B. Fixed assets</b>                            | <b>28,925</b>    | <b>(22,150)</b>  | <b>6,775</b>     | <b>5,191</b>       |
| <b>B.I. Intangible fixed assets</b>               | <b>13,659</b>    | <b>(11,064)</b>  | <b>2,595</b>     | <b>1,495</b>       |
| B.I.2. Valuable rights                            | 13,659           | (11,064)         | 2,595            | 1,495              |
| B.I.2.1. Software                                 | 12,883           | (10,288)         | 2,595            | 1,495              |
| B.I.2.2. Other valuable rights                    | 776              | (776)            | 0                | 0                  |
| <b>B.II. Tangible fixed assets</b>                | <b>15,266</b>    | <b>(11,086)</b>  | <b>4,180</b>     | <b>3,696</b>       |
| B.II.2. Movable assets and sets of movable assets | 15,266           | (11,086)         | 4,180            | 3,696              |
| <b>C. Current assets</b>                          | <b>8,381,369</b> | <b>(341,556)</b> | <b>8,039,813</b> | <b>7,575,543</b>   |
| <b>C.II. Receivables</b>                          | <b>8,176,432</b> | <b>(341,556)</b> | <b>7,834,876</b> | <b>7,509,101</b>   |
| <b>C.II.1. Long-term receivables</b>              | <b>44,286</b>    | <b>0</b>         | <b>44,286</b>    | <b>42,699</b>      |
| C.II.1.4. Deferred tax asset                      | 44,166           | 0                | 44,166           | 42,479             |
| C.II.1.5. Other receivables                       | 120              | 0                | 120              | 220                |
| C.II.1.5.2. Long-term advances granted            | 120              | 0                | 120              | 220                |
| <b>C.II.2. Short-term receivables</b>             | <b>8,132,146</b> | <b>(341,556)</b> | <b>7,790,590</b> | <b>7,466,402</b>   |
| C.II.2.1. Trade receivables                       | 8,125,782        | (341,556)        | 7,784,226        | 7,464,856          |
| C.II.2.4. Other receivables                       | 6,364            | 0                | 6,364            | 1,546              |
| C.II.2.4.3. Due from government – tax receivables | 5,299            | 0                | 5,299            | 497                |
| C.II.2.4.4. Short-term advances granted           | 1,065            | 0                | 1,065            | 1,049              |
| <b>C.IV. Cash</b>                                 | <b>204,937</b>   | <b>0</b>         | <b>204,937</b>   | <b>66,442</b>      |
| C.IV.1. Cash in hand                              | 73               | 0                | 73               | 101                |
| C.IV.2. Cash at bank                              | 204,864          | 0                | 204,864          | 66,341             |
| <b>D.I. Prepaid expenses and accrued income</b>   | <b>1,668</b>     | <b>0</b>         | <b>1,668</b>     | <b>1,490</b>       |
| D.I.1. Prepaid expenses                           | 1,668            | 0                | 1,668            | 1,490              |

| CZK ths.  | 31. 12. 2018     | 31. 12. 2017     |
|---|------------------|------------------|
| <b>Total equity &amp; liabilities</b>                                   | <b>8,048,256</b> | <b>7,582,224</b> |
| <b>A. Equity</b>  | <b>1,198,788</b> | <b>1,201,330</b> |
| <b>A.I. Share capital</b>   | <b>114,000</b>   | <b>114,000</b>   |
| A.I.1. Registered capital   | 114,000          | 114,000          |
| <b>A.II. Share premium and revaluation reserve</b>                      | <b>898,400</b>   | <b>898,400</b>   |
| A.II.1. Share premium   | 80,000           | 80,000           |
| A.II.2. Capital funds   | 818,400          | 818,400          |
| A.II.2.1. Other capital funds   | 818,400          | 818,400          |
| <b>A.III. Reserves from profit</b>                                      | <b>9,037</b>     | <b>8,870</b>     |
| A.III.1. Other reserves   | 7,744            | 7,744            |
| A.III.2. Statutory and other reserves                                   | 1,293            | 1,126            |
| <b>A.IV. Profit (loss) brought forward (+/-)</b>                        | <b>123,672</b>   | <b>123,654</b>   |
| A.IV.1. Retained earnings   | 123,672          | 123,654          |
| <b>A.V.1. Profit (loss) for the year (+/-)</b>                          | <b>53,679</b>    | <b>56,406</b>    |
| <b>B.+C. Provisions and liabilities</b>                                 | <b>6,837,207</b> | <b>6,368,131</b> |
| <b>B.I.4 Other provisions</b>   | <b>5,932</b>     | <b>0</b>         |
| <b>C. Liabilities</b>   | <b>6,831,275</b> | <b>6,368,131</b> |
| <b>C.II. Current liabilities</b>  | <b>6,831,275</b> | <b>6,368,131</b> |
| C.II.2. Amounts owed to credit institutions                             | 4,222,056        | 3,860,548        |
| C.II.3. Short-term advances received                                    | 4,245            | 4,357            |
| C.II.4. Trade payables  | 2,580,306        | 2,480,139        |
| C.II.8. Other liabilities   | 24,668           | 23,087           |
| C.II.8.3. Liabilities to employees                                      | 1,909            | 1,948            |
| C.II.8.4. Liabilities arising from social security and health insurance | 794              | 771              |
| C.II.8.5. Due to government – taxes and subsidies                       | 1,729            | 2,450            |
| C.II.8.6. Unbilled deliveries   | 20,236           | 17,918           |
| <b>D.I. Accruals and deferred income</b>                                | <b>12,261</b>    | <b>12,763</b>    |
| D.I.2. Deferred income  | 12,261           | 12,763           |

Prepared on: 19 March 2019

Signature of entity's statutory body:

Person responsible  
for accounting:Person responsible  
for financial statements:



Karel Nováček

Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Income Statement

for the year ended 31 December 2018

| CZK ths.  | Current year    | Prior year<br>2017 |
|---|-----------------|--------------------|
| <b>I. Revenue from sale of finished products and services</b>                           | <b>107,656</b>  | <b>102,940</b>     |
| <b>A. Production-related consumption</b>  | <b>21,732</b>   | <b>21,084</b>      |
| A.2. Consumption of material and energy   | 1,091           | 710                |
| A.3. Services   | 20,641          | 20,374             |
| <b>D. Personnel expenses</b>  | <b>50,786</b>   | <b>44,573</b>      |
| D.1. Wages and salaries   | 38,291          | 33,105             |
| D.2. Social security and health insurance costs and other costs                         | 12,495          | 11,468             |
| D.2.1. Social security and health insurance costs                                       | 11,227          | 10,052             |
| D.2.2. Other costs  | 1,268           | 1,416              |
| <b>E. Value adjustments in respect of operating activities</b>                          | <b>(42,035)</b> | <b>(57,331)</b>    |
| E.1. Value adjustments in respect of intangible and tangible fixed assets               | 1,682           | 1,718              |
| E.1.1. Value adjustments in respect of intangible and tangible fixed assets – permanent | 1,682           | 1,718              |
| E.3. Value adjustments in respect of receivables  | (43,717)        | (59,049)           |
| <b>III. Other operating income</b>  | <b>968</b>      | <b>16,597</b>      |
| III.1. Income from sale of fixed assets   | 519             | 731                |
| III.3. Miscellaneous operating income   | 449             | 15,866             |
| <b>F. Other operating expenses</b>  | <b>80,902</b>   | <b>94,371</b>      |
| F.1. Net book value of fixed assets sold  | 333             | 268                |
| F.3. Taxes and charges relating to operations   | 73              | (430)              |
| F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses) | 5,932           | 0                  |
| F.5. Miscellaneous operating expenses   | 74,564          | 94,533             |
| <b>* Profit or loss on operating activities (+/-)</b>                                   | <b>(2,761)</b>  | <b>16,840</b>      |
| <b>VI. Interest income and similar income</b>   | <b>104,189</b>  | <b>74,290</b>      |
| VI.2. Other interest income and similar income  | 104,189         | 74,290             |
| <b>J. Interest expense and similar expenses</b>   | <b>31,452</b>   | <b>14,496</b>      |
| J.1. Interest expense and similar expenses – subsidiaries or parents                    | 31,452          | 14,496             |
| <b>VII. Other financial income</b>  | <b>787</b>      | <b>411</b>         |
| <b>K. Other financial expense</b>   | <b>4,151</b>    | <b>1,779</b>       |
| <b>* Profit or loss on financial activities (+/-)</b>                                   | <b>69,373</b>   | <b>58,426</b>      |
| <b>** Profit or loss before taxation (+/-)</b>  | <b>66,612</b>   | <b>75,266</b>      |
| <b>L. Income tax</b>  | <b>12,933</b>   | <b>18,860</b>      |
| L.1. Income tax due   | 14,620          | 16,854             |
| L.2. Income tax deferred (+/-)  | (1,687)         | 2,006              |
| <b>** Profit or loss after taxation (+/-)</b>   | <b>53,679</b>   | <b>56,406</b>      |
| <b>*** Profit or loss for the year (+/-)</b>  | <b>53,679</b>   | <b>56,406</b>      |
| <b>* Net turnover</b>   | <b>213,600</b>  | <b>194,238</b>     |

Prepared on: 19 March 2019

Signature of entity's statutory body:

Person responsible  
for accounting:

Person responsible  
for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Cash Flow Statement

for the year ended 31 December 2018

| CZK ths.  | Current year     | Prior year<br>2017 |
|---|------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                    |
| Z. Profit or loss on ordinary activities before taxation (+/-)  | 66,612           | 75,266             |
| A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities              | (60,935)         | (46,010)           |
| A.1.1. Depreciation and amortization of fixed assets and write-off of receivables                                 | 47,487           | 73,295             |
| A.1.2. Change in allowances   | (41,431)         | (59,048)           |
| A.1.3. Change in provisions   | 5,932            | 0                  |
| A.1.5. (Gain)/Loss on disposal of fixed assets  | (186)            | (463)              |
| A.1.6. Interest expense and interest income   | (72,737)         | (59,794)           |
| <b>A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items</b> | <b>5,677</b>     | <b>29,256</b>      |
| A.2. Change in non-cash components of working capital   | (223,406)        | (564,139)          |
| A.2.2. Change in trade receivables  | (323,744)        | (47,475)           |
| A.2.3. Change in other receivables and in prepaid expenses and unbilled revenue                                   | (94)             | (75)               |
| A.2.4. Change in trade payables   | 100,167          | (513,505)          |
| A.2.5. Change in other payables, and in accruals and deferred income  | 265              | (3,084)            |
| <b>A.** Net cash from operating activities before taxation, interest paid and extraordinary items</b>             | <b>(217,729)</b> | <b>(534,883)</b>   |
| A.3.1. Interest paid  | (31,452)         | 74,290             |
| A.4.1. Interest received  | 104,189          | (14,496)           |
| A.5.1. Income tax paid  | (18,720)         | (12,730)           |
| <b>A.*** Net cash provided by (used in) operating activities</b>  | <b>(163,712)</b> | <b>(487,819)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                    |
| B.1.1. Purchase of fixed assets   | (3,599)          | (3,566)            |
| B.2.1. Proceeds from sale of fixed assets   | 519              | 731                |
| <b>B.*** Net cash provided by (used in) investing activities</b>  | <b>(3,080)</b>   | <b>(2,835)</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                  |                    |
| C.1. Change in long-term liabilities, and long-term and short-term loans  | 361,508          | 554,048            |
| C.2.3. Effect of other changes in own capital on cash   | (56,221)         | (623)              |
| <b>C.*** Net cash provided by (used in) financing activities</b>  | <b>305,287</b>   | <b>553,425</b>     |
| F. Net increase (decrease) in cash  | 138,495          | 62,771             |
| P. Cash and cash equivalents at beginning of year   | 66,442           | 3,671              |
| R. Cash and cash equivalents at end of year   | 204,937          | 66,442             |

Prepared on: 19 March 2019

Signature of entity's statutory body:

Person responsible  
for accounting:

Person responsible  
for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Statement of Changes in Equity

for the year ended 31 December 2018

| CZK ths.                      | Share Capital  | Share Premium | Other Capital Funds | Reserve fund, indivisible fund, other funds from profit | Retained Earnings | Profit for the Period | Total            |
|-------------------------------|----------------|---------------|---------------------|---|-------------------|-----------------------|------------------|
| <b>As at 1 January 2017</b>   | <b>114,000</b> | <b>80,000</b> | <b>818,400</b>      | <b>8,602</b>  | <b>98,577</b>     | <b>25,968</b>         | <b>1,175,985</b> |
| Distribution of profit        | 0              | 0             | 0                   | 891   | 25,077            | (25,968)              | 0                |
| Distribution of funds         | 0              | 0             | 0                   | (623)   | 0                 | 0                     | (623)            |
| Net profit for the period     | 0              | 0             | 0                   | 0   | 0                 | 56,406                | 56,406           |
| <b>As at 31 December 2017</b> | <b>114,000</b> | <b>80,000</b> | <b>818,400</b>      | <b>8,870</b>  | <b>123,654</b>    | <b>56,406</b>         | <b>1,201,330</b> |
| <b>As at 1 January 2018</b>   | <b>114,000</b> | <b>80,000</b> | <b>818,400</b>      | <b>8,870</b>  | <b>123,654</b>    | <b>56,406</b>         | <b>1,201,330</b> |
| Distribution of profit        | 0              | 0             | 0                   | 828   | 55,578            | (56,406)              | 0                |
| Distribution of funds         | 0              | 0             | 0                   | (661)   | 0                 | 0                     | (661)            |
| Net profit for the period     | 0              | 0             | 0                   | 0   | 0                 | 53,679                | 53,679           |
| Dividend paid                 | 0              | 0             | 0                   | 0   | (55,560)          | 0                     | (55,560)         |
| <b>As at 31 December 2018</b> | <b>114,000</b> | <b>80,000</b> | <b>818,400</b>      | <b>9,037</b>  | <b>123,672</b>    | <b>53,679</b>         | <b>1,198,788</b> |

Prepared on: 19 March 2019

Signature of entity's statutory body:

Person responsible for accounting:

Person responsible for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Notes to the Financial Statements

for the year ended 31 December 2018

## 1. General information

### 1.1 Incorporation and Description of the Business

Factoring České spořitelny, a.s. (hereinafter "the Company") was incorporated as a joint stock company by a Founder's Deed on 30 May 1997 and was recorded in the Register of Companies held at the Prague Municipal Court on 4 December 1997 in Volume B, File 5075. The Company's primary business activities are: factoring and for-faiting services which account for most of the Company's revenues.

The Company's registered office is located at Budějovická 1518/13B, 140 00 Prague 4.

The Company's subscribed and paid-up share capital amounts to CZK 114,000 ths.

The accompanying financial statements have been prepared for the year ended 31 December 2018.

The sole shareholder of the Company is Česká spořitelna, a.s., with its registered office in Prague 4, Olbrachtova 1929/62, postal code 140 00, Business registration No. 45244782. The ultimate parent company is Erste Group Bank AG. The Company is included in the consolidated group of the parent company.

Consolidated financial statements prepared in accordance with IFRS for the nearest consolidated group in Erste Bank group (Česká spořitelna Financial Group), of which Company is a member, are prepared by parent company Česká spořitelna, a.s. and published on its website. Consolidated financial statements for the whole and most extensive Erste Group Bank are prepared by and published on website of Erste Group Bank AG, which resides in Austria.

### 1.2 Organisational Structure

At the end of 2018, the Company had 38 employees and two Board of Directors members by virtue of performing their duties. The Company is organized into four units as follows: Management including Secretariat, Sales and Marketing department, Risk Management department, Operations and Business development department.

In 2018 there was the following change in the Board of Directors; as at 30 June 2018 Karel Machytka was withdrawn and effective from 1 July 2018 Pavel Chlumský was elected.

At 4 September 2018 vice-chairman of the Supervisory board was changed.

At 31 December 2018, members of the Company's statutory and supervisory bodies were as follows:

|                    | Position      | Name             |
|--------------------|---------------|------------------|
| Board of Directors | Chairman      | Karel Nováček    |
|                    | Member        | Pavel Chlumský   |
| Proxy holders      |               | Michael Jehlička |
|                    |               | Alois Barthhuber |
| Supervisory board  | Chairman      | Jan Seger        |
|                    | Vice Chairman | Jan Jašek        |
|                    | Member        | Roman Pařil      |

The Company has no foreign branch.

On 8 March 2019 a change of the Company's seat was registered in Commercial Register. Newly registered seat is Prague 4, Budějovická 1912/64b, Krč, postal code 140 00.

## 2. Basis of Presentation of the Financial Statement

The accompanying financial statements (standalone) were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2018.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost basis, the accrual principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ("CZK"), unless stated otherwise.

## 3. Summary of Significant Accounting Policies

### 3.1 Tangible and Intangible Fixed Assets

#### Valuation

Tangible fixed assets include assets with an estimated useful life greater than 1 year and an acquisition cost higher than CZK 40 thousand on an individual basis.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life greater than 1 year and a cost higher than CZK 60 thousand.

Purchased tangible and intangible fixed assets are valued at cost which comprises the purchase price and incidental acquisition costs (assembly, freight, etc.).

Tangible assets with a cost lower than CZK 40 thousand, technical improvements with a cost below CZK 40 thousand and intangible assets with a cost below CZK 60 thousand are charged to expenses in the period in which they are acquired.

The cost of technical improvements exceeding CZK 40 thousand in aggregate for tangible and CZK 60 thousand for intangible assets, for the period increases the acquisition cost of the related fixed asset, if completed. Technical improvements are put into operation once a year in December and depreciation starts in the month the technical improvement is recognised.

### Depreciation and Amortization for Accounting Purposes

Depreciation and amortization of tangible and intangible fixed assets for accounting purposes commences in the month following the month when the assets were put into use. The assets are depreciated/amortized using the straight-line method over their estimated useful lives based on the depreciation/amortization plan.

The depreciation/amortization periods of the individual categories of assets are as follows:

| Category of assets                           | Period in years |
|--|-----------------|
| Software, licences a other intangible assets | 4               |
| Vehicles                                     | 4               |
| Machinery and equipment                      | 4–6             |
| Other equipment                              | 4–12            |
| Technical improvements to leased building    | 8               |

Depreciation and amortization periods are set according to estimated useful life of the related asset.

### 3.2 Receivables

Upon origination, receivables are stated at their nominal value. Doubtful and bad debts are subsequently reduced by the relevant allowances.

The Company accounts for factoring receivables on a „gross“ and „net“ basis depending on the product and specific terms of contracts. Gross method is used in cases where the Company provides financing as short-term financial borrowings to the client. Net method is used in cases where provided financing represents total or partial payment for the cession of receivables.

Factoring receivables accounted on a „gross“ basis are recognized in nominal amount as short-term trade receivables. The related payables to suppliers, the clients of the Company, are recognized as short-term trade payables. Short-term receivables represent mostly the nominal value of the Company's receivables from customers.

Factoring receivables accounted on a „net“ basis are recognized in nominal value as short-term receivables and also as short-term trade payables. The amount of the trade payable is subsequently lowered by the partial payment of the cost of the receivable.

The prefinancing provided for the recourse factoring is recorded as „short-term trade receivables“ line in the balance sheet.

### Allowances for impairment

The Company has created portfolio allowances for receivables on the expected loss basis, taking into account client and customer ratings to determine the probability of default used in the model.

Portfolio allowances are created on a monthly basis using the following formula:

$$\text{Expected Loss} = \text{Maximum exposure not covered by compensation} \times \text{probability of customer default} + (\text{Actual value of client liabilities} - \text{total value of collateral contractually agreed with the client}) \times \text{Probability of client default where the value (Maximum exposure not covered from compensation} \times \text{probability of customer default)}$$

corresponds to maximum of this multiplication in the customer portfolio of the respective client.

Specific allowances are created against workout receivables.

### 3.3 Equity

The share capital of the Company is stated at the amount recorded in the Commercial Register maintained by the Municipal Court. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the balance sheet date is recorded through changes in share capital. Contributions in excess of share capital are recognized as share premium. Other capital funds consist of monetary and non-monetary contributions in excess of share capital and contributions from profit after tax.

### 3.4 Loans

Loans are reported at their nominal value. Interest expenses on these loans are accrued and included in the profit or loss for the year they relate to.

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

### 3.5 Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reasonably reliable estimate can be made of the amount of the obligation. Provisions are used exclusively for the purposes they were

created for. Provisions balances are reviewed annually, and provisions are released or carried forward based on the review results.

### 3.6 Translation of Foreign Currencies

Foreign currencies transactions during the year are translated using a daily exchange rate announced by Czech National Bank („CNB“).

As at the balance sheet date, all foreign currency assets and liabilities are retranslated using the existing CNB foreign exchange rate as at that date and any resulting translation gains and losses are recorded through the current year's financial income or financial expense, as appropriate.

### 3.7 Taxation

#### 3.7.1 Current Tax Payable

The current tax expense is based on taxable profit. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The tax depreciation is calculated based on accelerated depreciation method. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

#### 3.7.2 Deferred Tax

Deferred taxation is calculated from all temporary differences between the accounting and tax values using the income tax rate that is expected to apply in the tax period when the deferred tax liability is settled or the deferred tax asset is realized. The deferred tax asset is recognized only if it is likely to be offset against taxable income.

### 3.8 Cash

Cash is defined as cash in hand, cash in bank or deposits payable on demand within 3 months.

### 3.9 Revenues

Factoring fees are presented within 'Sales of products and services'. In addition, this caption includes income from know-how and other income relating to re-invoicing of services.

Interest from provided financing is recognised as 'Interest income'.

Revenues are recognised on an accruals basis, that is, they are recognized in the periods in which the actual flow of the related revenues occurs, regardless of when the related monetary flow arises.

### 3.10 Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. Management of the Company made these estimates and assumptions based on all available relevant data. However since they are still estimates and actual results and outcome in the following reporting periods may be different.

### 3.11 Risk Management

Risks associated with the funding of ceded receivables are mitigated by using the services of insurance companies and by cooperating with partners within the international association of factoring companies (FCI). The Company places specific emphasis on the significance of diversifying the receivables portfolio which allows for the amounts recovered to sufficiently cover the partial payments made to clients and allow the Company to exercise a lien.

The Company observes measures and work procedures designed to constantly improve operational risk management over time and to eliminate fraudulent activities by clients.

The Company performs a regular assessment of the impact of exchange rate risks and takes appropriate steps on an ongoing basis to balance assets and liabilities denominated in foreign currencies. The lending method partially in the form of overdraft on foreign exchange accounts enables the Company to manage the balancing of foreign exchange assets and liabilities and significantly mitigates foreign exchange risks.

With regard to interest rate risk, the Company uses monthly rates both for assets and liabilities.

### 3.12 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements if these events provide additional evidence about conditions that existed at the balance sheet date.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Additional Information on the Balance Sheet and the Income Statement

### 4.1 Intangible Fixed Assets

#### Cost

| CZK ths.           | Balance as at<br>1. 1. 2017 | Additions  | Disposals | Balance at<br>31. 12. 2017 | Additions    | Disposals | Balance as at<br>31. 12. 2018 |
|--------------------|-----------------------------|------------|-----------|----------------------------|--------------|-----------|-------------------------------|
| Software           | 10,861                      | 430        | 0         | 11,291                     | 1,592        | 0         | 12,883                        |
| Licenses and other | 776                         | 0          | 0         | 776                        | 0            | 0         | 776                           |
| <b>Total</b>       | <b>11,637</b>               | <b>430</b> | <b>0</b>  | <b>12,067</b>              | <b>1,592</b> | <b>0</b>  | <b>13,659</b>                 |

#### Accumulated Amortisation and Allowances

| CZK ths.           | Balance as at<br>1. 1. 2017 | Additions  | Disposals | Balance at<br>31. 12. 2017 | Additions  | Disposals | Balance as at<br>31. 12. 2018 |
|--------------------|-----------------------------|------------|-----------|----------------------------|------------|-----------|-------------------------------|
| Software           | 9,211                       | 585        | 0         | 9,796                      | 492        | 0         | 10,288                        |
| Licenses and other | 776                         | 0          | 0         | 776                        | 0          | 0         | 776                           |
| <b>Total</b>       | <b>9,987</b>                | <b>585</b> | <b>0</b>  | <b>10,572</b>              | <b>492</b> | <b>0</b>  | <b>11,064</b>                 |

#### Net Book Value

| CZK ths.           | Balance at<br>k 31. 12. 2017 | Balance as at<br>31. 12. 2018 |
|--------------------|------------------------------|-------------------------------|
| Software           | 1,495                        | 2,595                         |
| Licenses and other | 0                            | 0                             |
| <b>Total</b>       | <b>1,495</b>                 | <b>2,595</b>                  |

In 2018 the Company charges fees from licenses directly to expenses (see note Expenses).

### 4.2 Tangible Fixed Assets

#### Cost

| CZK ths.                | Balance as at<br>1. 1. 2017 | Additions    | Disposals      | Balance at<br>31. 12. 2017 | Additions    | Disposals      | Balance as at<br>31. 12. 2018 |
|-------------------------|-----------------------------|--------------|----------------|----------------------------|--------------|----------------|-------------------------------|
| Machinery and equipment | 8,107                       | 1,343        | 0              | 9,450                      | 650          | 0              | 10,100                        |
| Vehicles                | 4,827                       | 1,792        | (1,305)        | 5,314                      | 1,357        | (1,505)        | 5,166                         |
| <b>Total</b>            | <b>12,934</b>               | <b>3,135</b> | <b>(1,305)</b> | <b>14,764</b>              | <b>2,007</b> | <b>(1,505)</b> | <b>15,266</b>                 |

#### Accumulated Depreciation

| CZK ths.                | Balance as at<br>1. 1. 2017 | Additions    | Disposals      | Balance at<br>31. 12. 2017 | Additions    | Disposals      | Balance as at<br>31. 12. 2018 |
|-------------------------|-----------------------------|--------------|----------------|----------------------------|--------------|----------------|-------------------------------|
| Machinery and equipment | 7,909                       | 223          | 0              | 8,132                      | 443          | 0              | 8,575                         |
| Vehicles                | 3,064                       | 909          | (1,037)        | 2,936                      | 748          | (1,173)        | 2,511                         |
| <b>Total</b>            | <b>10,973</b>               | <b>1,132</b> | <b>(1,037)</b> | <b>11,068</b>              | <b>1,191</b> | <b>(1,173)</b> | <b>11,086</b>                 |

#### Net Book Value

| CZK ths.                | Balance at<br>k 31. 12. 2017 | Balance as at<br>31. 12. 2018 |
|-------------------------|------------------------------|-------------------------------|
| Machinery and equipment | 1,318                        | 1,525                         |
| Vehicles                | 2,378                        | 2,655                         |
| <b>Total</b>            | <b>3,696</b>                 | <b>4,180</b>                  |

In 2018 and 2017 investments in tangible assets related to cars and equipment. In 2018 the Company acquired and directly expensed tangible assets of CZK 464 thousand (2017: CZK 150 thousand). These assets are low value tangible assets.

## 4.3 Receivables

### 4.3.1 Long-Term Receivables - Deferred Tax Assets

For detailed information about deferred tax assets refer to Note 4.16.

### 4.3.2 Short-Term Receivables

| CZK ths.  | Balance at<br>k 31. 12. 2017 | Balance as at<br>31. 12. 2018 |
|---|------------------------------|-------------------------------|
| Trade receivables                                       | 7,464,856                    | 7,784,226                     |
| – customers (factoring)                                 | 6,386,223                    | 6,667,791                     |
| – advances paid   | 1,461,620                    | 1,457,991                     |
| – allowances  | (382,987)                    | (341,556)                     |
| Due from government – tax (+) receivables /(-) payables | 497                          | 5,299                         |
| Short-term advances paid                                | 1,049                        | 1,065                         |
| <b>Total</b>  | <b>7,466,402</b>             | <b>7,790,590</b>              |

The above receivables represent mainly factoring receivables, which are reported in the balance sheet as 'Trade receivables'.

The 'customers' caption includes nominal values of factoring receivables and the 'advances paid' caption includes prepayments made for receivables under recourse factoring.

The Company doesn't recognize any off balance sheet receivables nor contingent assets.

### 4.3.3 Aging of Trade Receivables

| Year         | Category               | Not yet due | Overdue      |               |               |                |                | Total            |
|--------------|------------------------|-------------|--------------|---------------|---------------|----------------|----------------|------------------|
|              |                        |             | 1–30<br>days | 31–60<br>days | 61–90<br>days | 91–365<br>days | over<br>1 year |                  |
| 31. 12. 2018 | Trade receivables      | 6,487,932   | 899,195      | 191,049       | 10,600        | 19,568         | 517,438        | <b>8,125,782</b> |
|              | Allowances – specific  | 0           | (6,074)      | 0             | 0             | (12,983)       | (309,773)      | <b>(328,830)</b> |
|              | Allowances – portfolio | (12,727)    | 0            | 0             | 0             | 0              | 0              | <b>(12,727)</b>  |
| 31. 12. 2017 | Trade receivables      | 6,160,173   | 843,057      | 232,422       | 1,019         | 21,574         | 589,598        | <b>7,847,843</b> |
|              | Allowances – specific  | 0           | (248)        | (3,854)       | 0             | (15,662)       | (351,823)      | <b>(371,587)</b> |
|              | Allowances – portfolio | (11,400)    | 0            | 0             | 0             | 0              | 0              | <b>(11,400)</b>  |

The average maturity of receivables from customers of the Company's factoring clients in 2018 was 72 days (2017: 70 days).

In accordance with the method of creating of allowances for accounting purposes on the basis of calculation of expected loss (EL) from the financing placed with the clients – see note 3.2 – the Company created portfolio allowances of CZK 12,727 thousand as at 31 December 2018 (2017: 11,400 thousand CZK).

Specific accounting allowances have been created for workout receivables.

Accounting allowances have been created during the period in amount of CZK 218,551 thousand (2017: CZK 215,472 thousand).

Tax allowances have been created in amount of CZK 123,006 thousand in 2018 (2017: CZK 167,515 thousand). Tax deductible allowances are created against receivables from customers of the company's clients which have been ceded to the company as well as the Company's own receivables, in case of insolvency proceedings of these entities.

Allowances are created mainly for receivables that are more than 90 days overdue.

In 2018 the Company wrote-off irrecoverable receivables in amount of CZK 46,517 thousand (2017: CZK 73,147 thousand).

#### Changes in allowance accounts (in CZK thousand):

| CZK ths.                     | Balance as at 1. 1. 2017 | Allowance creation | Allowance used   | Release of allowance | Balance as at 31. 12. 2017 | Allowance creation | Allowance used  | Release of allowance | Balance as at 31. 12. 2018 |
|------------------------------|--------------------------|--------------------|------------------|----------------------|----------------------------|--------------------|-----------------|----------------------|----------------------------|
| Allowances against:          |                          |                    |                  |                      |                            |                    |                 |                      |                            |
| Receivables – tax deductible | 215,333                  | 37,780             | (37,231)         | (48,367)             | 167,515                    | 1,888              | (45,535)        | (862)                | 123,006                    |
| Receivables – other          | 226,702                  | 108,515            | (98,346)         | (21,399)             | 215,472                    | 16,769             | (321)           | (13,370)             | 218,550                    |
| <b>Total</b>                 | <b>442,035</b>           | <b>146,295</b>     | <b>(135,577)</b> | <b>(69,766)</b>      | <b>382,987</b>             | <b>18,657</b>      | <b>(45,856)</b> | <b>(14,232)</b>      | <b>341,556</b>             |

#### 4.4 Cash

Cash at bank includes balances on current accounts payable on demand.

#### 4.5 Accrued Income and Deferred Expense

Accrued assets primarily comprise of prepaid expenses mainly for charges for insurance and are recognised in the period to which they relate.

#### 4.6 Equity

##### 4.6.1 Share Capital

The subscribed, paid-up and registered share capital amounts to CZK 114,000 thousand and consists of 76 shares at a nominal value of CZK 1,500 thousand per share.

The shareholder provided the Company with a share premium of CZK 80,000 thousand and a contribution of CZK 818,400 thousand in excess of the share capital.

The shares are registered and carry voting rights, but are not publicly traded.

##### 4.6.2 Distribution of Profit for 2017

On 24 May 2018, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2017 profit totalling CZK 56,406 thousand and allocated CZK 828 thousand to the social fund and transferred CZK 18 thousand to retained earnings, that amounted to CZK 123,672 thousand as at 31 December 2018. The Company paid a profit share to the sole shareholder of CZK 55,560 thousand.

#### 4.7 Provisions

Company recognizes only provision for legal disputes in amount of CZK 5,932 thousand (2017: no provision created).

#### 4.8 Liabilities

##### 4.8.1 Current Liabilities

| CZK ths.   | Balance at 31. 12. 2017 | Balance at 31. 12. 2018 |
|--|-------------------------|-------------------------|
| Liabilities due to credit institutions                 | 3,860,548               | 4,222,056               |
| Trade payables (factoring)                             | 2,480,139               | 2,580,306               |
| Short-term advances received                           | 4,357                   | 4,245                   |
| Liabilities – other:                                   | 23,087                  | 24,668                  |
| – Liabilities to employees                             | 1,948                   | 1,909                   |
| – Liabilities for social security and health insurance | 771                     | 794                     |
| – Taxes and state subsidies payable                    | 2,450                   | 1,729                   |
| – Estimated payables                                   | 17,918                  | 20,236                  |
| <b>Total</b>   | <b>6,368,131</b>        | <b>6,831,275</b>        |

Amounts due to credit institutions represent in particular bank loans and overdrafts. For more details see Note 4.8.2.

Trade payables represent expected payments in respect of ceded receivables from the Company's clients under non-recourse factoring and the aggregate amount of ceded receivables under recourse factoring.

Unbilled deliveries consists mainly of estimates for payroll costs, social security and health insurance and estimates for operating services which have not yet been invoiced.

Due to the nature of factoring services, payables are paid after the client becomes entitled to the payment. The Company records no overdue payables.

There are no liabilities with material guarantees and with maturity over 5 years.

The Management of the Company is not aware of any contingent liabilities of the Company as at 31 December 2018.

#### 4.8.2 Bank Loans and Borrowings

##### 2018

| CZK ths.<br>Bank                     | Purpose                         | Balance as at<br>31. 12. 2018 | Interest rate             | Maturity    | Collateral form  |
|--------------------------------------|---------------------------------|-------------------------------|---------------------------|-------------|------------------|
| Česká spořitelna                     | operating – overdraft GBP       | 59,134                        | 1 M Libor + risk margin   | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – overdraft JPY       | 1,660                         | 1 M Libor + risk margin   | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – overdraft PLN       | 181,209                       | 1 M Wibor + risk margin   | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – current account CZK | 1,200,000                     | 1 M Pribor + risk margin  | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – overdraft USD       | 88,705                        | 1 M Libor + risk margin   | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – current account EUR | 2,623,950                     | 1 M Euribor + risk margin | 31. 8. 2019 | uncollateralised |
| Česká spořitelna                     | operating – current account USD | 67,398                        | 1 M Libor + risk margin   | 31. 8. 2019 | uncollateralised |
| <b>Total intercompany bank loans</b> |                                 | <b>4,222,056</b>              |                           |             |                  |
| <b>Total</b>                         |                                 | <b>4,222,056</b>              |                           |             |                  |

##### 2017

| CZK ths.<br>Bank                     | Purpose                         | Zůstatek<br>k 31. 12. 2017 | Interest rate             | Maturity    | Collateral form  |
|--------------------------------------|---------------------------------|----------------------------|---------------------------|-------------|------------------|
| Česká spořitelna                     | operating – overdraft GBP       | 75,687                     | 1 M Libor + risk margin   | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – overdraft JPY       | 3,978                      | 1 M Libor + risk margin   | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – overdraft PLN       | 77,198                     | 1 M Wibor + risk margin   | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – overdraft CZK       | 354,915                    | 1 M Pribor + risk margin  | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – current account CZK | 700,000                    | 1 M Pribor + risk margin  | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – overdraft USD       | 52,188                     | 1 M Libor + risk margin   | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – current account EUR | 2,554,000                  | 1 M Euribor + risk margin | 31. 8. 2018 | uncollateralised |
| Česká spořitelna                     | operating – current account USD | 42,582                     | 1 M Libor + risk margin   | 31. 8. 2018 | uncollateralised |
| <b>Total intercompany bank loans</b> |                                 | <b>3,860,548</b>           |                           |             |                  |
| <b>Total</b>                         |                                 | <b>3,860,548</b>           |                           |             |                  |

The Company paid interest from these loans in amount of CZK 31,452 thousand (2017: CZK 14,496 thousand).

#### 4.9 Accrued Expenses and Deferred Income

Deferred income includes mainly accrued loan interest and operating liabilities.

#### 4.10 Financial Assets and Liabilities Denominated in Foreign Currencies (Gross)

##### 2018

| CZK ths.                            | CZK              | USD            | EUR              | PLN            | GBP           | Other        | Total            |
|-------------------------------------|------------------|----------------|------------------|----------------|---------------|--------------|------------------|
| Short term receivables              | 4,177,442        | 204,106        | 3,481,606        | 199,189        | 68,073        | 1,730        | 8,132,146        |
| Short term investments              | 72,599           | 0              | 132,334          | 0              | 0             | 4            | 204,937          |
| Accrued income and deferred expense | 1,668            | 0              | 0                | 0              | 0             | 0            | 1,668            |
| <b>Total</b>                        | <b>4,251,709</b> | <b>204,106</b> | <b>3,613,940</b> | <b>199,189</b> | <b>68,073</b> | <b>1,734</b> | <b>8,338,751</b> |
| Current liabilities                 | 1,567,723        | 60,546         | 958,681          | 13,927         | 8,341         | 0            | 2,609,219        |
| Bank loans and borrowings           | 1,200,000        | 156,103        | 2,623,950        | 181,209        | 59,135        | 1,660        | 4,222,056        |
| Accrued expense and deferred income | 12,261           | 0              | 0                | 0              | 0             | 0            | 12,261           |
| <b>Total</b>                        | <b>2,779,984</b> | <b>216,649</b> | <b>3,582,631</b> | <b>195,136</b> | <b>67,476</b> | <b>1,660</b> | <b>6,843,536</b> |

##### 2017

| CZK ths.                            | CZK              | USD            | EUR              | PLN            | GBP           | Other        | Total            |
|-------------------------------------|------------------|----------------|------------------|----------------|---------------|--------------|------------------|
| Short term receivables              | 4,144,294        | 121,196        | 3,397,422        | 106,855        | 75,615        | 4,007        | 7,849,389        |
| Short term investments              | 2,356            | 0              | 64,086           | 0              | 0             | 0            | 66,442           |
| Accrued income and deferred expense | 1,490            | 0              | 0                | 0              | 0             | 0            | 1,490            |
| <b>Total</b>                        | <b>4,148,140</b> | <b>121,196</b> | <b>3,461,508</b> | <b>106,855</b> | <b>75,615</b> | <b>4,007</b> | <b>7,917,321</b> |
| Current liabilities                 | 1,520,659        | 26,573         | 930,534          | 28,812         | 1,005         | 0            | 2,507,583        |
| Bank loans and borrowings           | 1,054,915        | 94,770         | 2,554,000        | 77,198         | 75,687        | 3,978        | 3,860,548        |
| Accrued expense and deferred income | 12,763           | 0              | 0                | 0              | 0             | 0            | 12,763           |
| <b>Total</b>                        | <b>2,588,337</b> | <b>121,343</b> | <b>3,484,534</b> | <b>106,010</b> | <b>76,692</b> | <b>3,978</b> | <b>6,380,894</b> |

#### 4.11 Revenue from Principal Activity

| CZK ths.          | 2017          |              |                | 2018           |              |                |
|-------------------|---------------|--------------|----------------|----------------|--------------|----------------|
|                   | Domestic      | Foreign      | Total          | Domestic       | Foreign      | Total          |
| Income from fees  | 98,596        | 2,320        | 100,916        | 103,746        | 2,046        | 105,792        |
| Advisory services | 0             | 1,894        | 1,894          | 0              | 1,846        | 1,846          |
| Other income      | 130           | 0            | 130            | 18             | 0            | 18             |
| <b>Production</b> | <b>98,726</b> | <b>4,214</b> | <b>102,940</b> | <b>103,764</b> | <b>3,892</b> | <b>107,656</b> |

Fees represent factoring fee. Advisory services include income from the lease of the information system within the Group.

#### 4.12 Services

| CZK ths.  | 2017          | 2018          |
|---|---------------|---------------|
| Consumption of material                         | 271           | 635           |
| Consumption of energy                           | 439           | 456           |
| <b>Total consumption of material and energy</b> | <b>710</b>    | <b>1,091</b>  |
| Legal and notarial services                     | 1,774         | 1,426         |
| Factoring fee                                   | 3,577         | 3,852         |
| External audit                                  | 680           | 587           |
| Rent  | 3,803         | 3,958         |
| Outsourcing expenses                            | 2,370         | 2,379         |
| Marketing expenses                              | 219           | 454           |
| Repairs and maintenance                         | 3,080         | 3,549         |
| Travelling                                      | 299           | 249           |
| Training  | 219           | 224           |
| Other services                                  | 4,353         | 3,963         |
| <b>Total costs of services</b>                  | <b>20,374</b> | <b>20,641</b> |

#### 4.13 Staff cost

##### 4.13.1 Staff cost and Employee Count

The following tables summarize the average number of the Company's employees and managers and staff costs for the years 2018 and 2017:

##### 2018

| CZK ths.     | Count     | Wages         | Social security and health insurance | Other expenses | Personnel and related expenses |
|--------------|-----------|---------------|--------------------------------------|----------------|--------------------------------|
| Employees    | 36        | 24,360        | 8,178                                | 428            | 32,966                         |
| Management   | 4         | 13,931        | 3,049                                | 840            | 17,820                         |
| <b>Total</b> | <b>40</b> | <b>38,291</b> | <b>11,227</b>                        | <b>1,268</b>   | <b>50,786</b>                  |

##### 2017

| CZK ths.     | Count     | Wages         | Social security and health insurance | Other expenses | Personnel and related expenses |
|--------------|-----------|---------------|--------------------------------------|----------------|--------------------------------|
| Employees    | 36        | 24,072        | 8,071                                | 1,264          | 33,407                         |
| Management   | 3         | 9,002         | 1,981                                | 183            | 11,166                         |
| <b>Total</b> | <b>39</b> | <b>33,074</b> | <b>10,052</b>                        | <b>1,447</b>   | <b>44,573</b>                  |

The number of employees is based on the average re-calculated headcount. Wage costs include rewards for the members of statutory and supervisory bodies. Personnel expenses of management include expenses on members of the Board of Directors and executive directors of the Company, who are also Proxy holders. Wage costs of management for 2018 include also bonuses and severance payment to leaving Board of Directors' member.

##### 4.13.2 Loans, Borrowings, and Other Benefits Provided

In 2018 and 2017, Company's management received the following benefits in addition to their basic salaries and other personal funding, which are not recognized in financial statement, but are included in personnel expenses:

| Management, Members of BoD, Proxy holders   | CZK ths. | 2017 | 2018 |
|---|----------|------|------|
| Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees) |          | 543  | 263  |

#### 4.14 Other Operating Income and Expenses

| CZK ths.                                 | 2017          | 2018          |
|--|---------------|---------------|
| <b>Other operating income</b>            | <b>16,597</b> | <b>968</b>    |
| Income from sale of fixed assets         | 731           | 519           |
| Other operating income                   | 15,866        | 449           |
| <b>Other operating expenses</b>          | <b>94,371</b> | <b>80,902</b> |
| Net book value of fixed assets sold      | 268           | 333           |
| Taxes and charges relating to operations | (430)         | 73            |
| Other operating expenses                 | 94,533        | 74,564        |
| Operational provision                    | 0             | 5,932         |
| <b>Total other operating result</b>      | <b>77,774</b> | <b>79,934</b> |

Other operating expenses include, in particular, trade receivables written-off in amount of CZK 46,517 thousand (2017: CZK 73,146 thousand) and insurance premium paid in the amount of CZK 25,037 thousand (2017: CZK 19,524 thousand) for operating and commercial risk insurance.

#### 4. 15 Interest and Other Financial Income and Expenses

| CZK ths.                                     | 2017            | 2018            |
|--|-----------------|-----------------|
| <b>Interest income</b>                       | <b>74,290</b>   | <b>104,189</b>  |
| <b>Interest expense to related parties</b>   | <b>(14,496)</b> | <b>(31,452)</b> |
| Other financial income                       | 412             | 787             |
| Other financial expense                      | (1,155)         | (1,757)         |
| Net gain or loss from foreign exchange (+/-) | (625)           | (2,394)         |
| <b>Total other financial result</b>          | <b>(1,368)</b>  | <b>(3,364)</b>  |
| <b>Total result of financial activities</b>  | <b>58,426</b>   | <b>69,373</b>   |

Interest income includes interest from prepayments made under factoring arrangements. Interest expense is only to related parties.

#### 4. 16 Current and Deferred Income Tax

##### Current Tax

| CZK ths.                  | Balance as at<br>31. 12. 2017 | Balance as at<br>31. 12. 2018 |
|---------------------------|-------------------------------|-------------------------------|
| Current Tax               | 16,877                        | 14,645                        |
| Additional tax assessment | (23)                          | (25)                          |
| <b>Total</b>              | <b>16,854</b>                 | <b>14,620</b>                 |

The tax charge for 2018 and 2017 can be reconciled to the profit per the income statement as follows:

| CZK ths.  | 2017          | 2018          |
|---|---------------|---------------|
| <b>Profit before tax</b>                              | <b>75,266</b> | <b>66,612</b> |
| Tax at the local income tax rate of 19 % (2017: 19 %) | 14,301        | 12,656        |
| Tax effect of non-deductible expenses                 | 4,255         | 3,852         |
| Tax effect of non-taxable income                      | (1,679)       | (1,863)       |
| Additional payment of taxes for prior periods         | (23)          | (25)          |
| <b>Current tax payable</b>                            | <b>16,854</b> | <b>14,620</b> |
| Changes in the deferred tax                           | 2,006         | (1,687)       |
| <b>Total tax</b>                                      | <b>18,860</b> | <b>12,933</b> |

## Deferred Taxation

The deferred tax asset (liability) can be analysed as follows:

| CZK ths.<br>Deferred tax arising from                     | Balance as<br>at 31. 12. 2017 | Balance as<br>at 31. 12. 2018 |
|---|-------------------------------|-------------------------------|
| Depreciation and amortization of fixed assets             | (262)                         | (385)                         |
| Allowance for receivables                                 | 40,941                        | 41,525                        |
| Accrued expenses for social security and health insurance | 1,800                         | 1,899                         |
| Provisions  | 0                             | 1,127                         |
| <b>Total deferred tax asset</b>                           | <b>42,479</b>                 | <b>44,166</b>                 |

| CZK ths.<br>Analysis of the change in the balance    | Balance as<br>at 31. 12. 2017 | Balance as<br>at 31. 12. 2018 |
|--|-------------------------------|-------------------------------|
| Opening balance                                      | 44,485                        | 42,479                        |
| Current changes charged against the income statement | (2,006)                       | 1,687                         |
| <b>Total charges against the income statement</b>    | <b>(2,006)</b>                | <b>1,687</b>                  |
| <b>Total charges against the equity</b>              | <b>0</b>                      | <b>0</b>                      |
| <b>Total deferred tax asset</b>                      | <b>42,479</b>                 | <b>44,166</b>                 |

## 5. Related party information

As the Company is a member of the Česká spořitelna, a.s. Group, its cooperation with the parent company continued during 2018 and 2017, both with respect to acquisitions and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2018, receivables from Česká spořitelna, a.s. amounted to CZK 206,162 thousand (2017: CZK 67,656 thousand). The above consists mostly of receivables arising from current account balances and advances granted.

As at 31 December 2018, payables to the parent company amounted to CZK 4,223,220 thousand (2017: CZK 3,861,638 thousand). These amounts mainly represent regular bank loans and balances on overdraft accounts and uninvoiced deliveries.

For the year ended 31 December 2018, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 39,580 thousand (2017: CZK 18,313 thousand). These consisted mostly of interest on received loans, outsourcing and rental expenses. Revenues of CZK 2,832 thousand (2017: CZK 2,832 thousand) relate to interest and fees received from Česká spořitelna.

Receivables from Slovenská sporiteľňa, a.s. amounted to CZK 135 thousand (2017: CZK 90 thousand) and from Erste Factoring, d.o.o. amounted to CZK 64 thousand (2017: CZK 64 thousand). Payables to První certifikační autorita, a.s. in the form of unbilled delivery amounted to CZK 79 thousand (2017: CZK 35 thousand).

In respect to Slovenská sporiteľňa, a.s., the Company recognised revenues of CZK 1,077 thousand (2017: CZK 1,105 thousand), revenues from Erste Factoring d.o.o. of CZK 769 thousands (2017: CZK 789 thousand).

For the year 2018 the Company recorded expenses in relation to related party sAutoleasing, a.s. of CZK 9 thousand (2017: CZK 21 thousand). In relation to related party První certifikační autorita, a.s. recorded expenses of CZK 243 thousand (2017: CZK 189 thousand). And in relation to related party Procurement Services CZ, s.r.o. (Group procurement services) recorded expenses of CZK 67 thousand (2017: CZK 79 thousand).

## 6. Contingent liabilities and off balance sheet commitments

The Company has no contingent liabilities nor off-balance sheet commitments.

The Company is involved in no legal disputes, the outcome of which would significantly impact the Company's financial statements.

## 7. Subsequent events

There were no significant subsequent events that would have an impact on the information contained in the accompanying financial statements.

Prepared on 19. 3. 2019

Signature of accounting entity's statutory body:

  
Karel Nováček

  
Pavel Chlumský

# Report on Relations

between Related Parties prepared pursuant to § 82 of Act No. 90/2012 Coll., on Corporations For the accounting period from 1 January 2018 to 31 December 2018

**Factoring České spořitelny, a.s.**, with its registered office at Budějovická 1518/13B, Prague 4, postal code 140 00, Business Registration Number (IČO) 25629352, incorporated in the Commercial Register, Section B, File No. 5075, maintained by the Municipal Court in Prague (hereinafter also the "**Submitter**") is a member of a group (concern) in which the following relations exist between the Submitter and the controlling persons and between the Submitter and other persons controlled by the same controlling persons (hereinafter the "**Related Parties**").

This Report on relations between the parties listed below has been prepared pursuant to the provisions of § 82 of Act No. 90/2012 Coll. on Corporations, as amended, for the accounting period from 1 January 2018 to 31 December 2018 (hereinafter the "**fiscal year**").

The Submitter and the persons listed below entered into the following contracts and undertook or adopted the following legal actions and other measures during the period:

## A. Overview of the persons whose relations are described below



## B. Controlling parties

- **Česká spořitelna, a.s.**, with its registered office at Olbrachtova 1929/62, postal code 140 00, Prague 4, Czech Republic, Business Registration Number (IČO) 45244782  
Relation to the Company: directly controlling person  
Description of relations – see **Annex 1**
- **Erste Group Bank AG**, with its registered office at Am Belvedere 1, Vienna, Austria, VAT U15361506  
Relation to the Company: indirectly controlling person  
Description of relations – see **Annex 1**

## C. Other related parties

### Companies controlled by other members of the ERSTE Group

- **Erste & Steiermarkische Bank, d.d.**, with its registered office at Jadranski trg 3a, Rijeka, postal code 51 000, Croatia, VAT 23057039320  
Relation to the Company: related party directly controlled by Erste Group Bank  
Description of relations – **none**
- **Procurement Services GmbH**, with its registered office at Brehmstrasse 12, 1010 Vienna, Austria, VAT U38797307  
Relation to the Company: related party directly controlled by Erste Group Bank  
Description of relations – **none**
- **Slovenská sporiteľňa, a.s.**, with its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic, Business Registration Number (IČO) 00151653  
Relation to the Company: related party directly controlled by Erste Group Bank  
Description of relations – see **Annex 1**
- **Erste Factoring d.o.o.**, with its registered office at Ivana Lučičica 2, Zagreb, postal code 10 000, Croatia, VAT 10194059689  
Relation to the Company: related party directly controlled by Erste & Steiermarkische Bank  
Description of relations – see **Annex 1**
- **Procurement Services CZ, s.r.o.**, with its registered office at Budějovická 1912/64b, postal code 140 00, Prague 4, Business Registration Number (IČO) 27631621 ("Procurement Services CZ")  
Relation to the Company: related party directly controlled by Procurement Services GmbH  
Description of relations – see **Annex 1**

### Companies controlled or otherwise related with Česká spořitelna, a.s.

- **První certifikační autorita, a.s.**, with its registered office at Podvinný mlýn 2178/6, postal code 190 00, Prague 9 - Libeň, Business Registration Number (IČO) 26439395 („1.CA“),  
Relation to the Company: affiliated company Česká spořitelna  
Description of relations – see **Annex 1**

- **CNCB – Czech Non-Banking Credit Bureau, z.s.p.o.**, with its registered office at Štětškova 1638/18, postal code 140 00 Prague 4 - Nusle, Business Registration Number (IČO) 71236384 („CNCB“)
  - Relation to the Company: affiliated company Česká spořitelna
  - Description of relations – see **Annex 1**
- **Pojišťovna České spořitelny, a.s., Vienna Insurance Group**, with its registered office at náměstí Republiky 115, Zelené Předměstí, postal code 530 02 Pardubice, Business Registration Number (IČO) 47452820
  - Relation to the Company: affiliated company Česká spořitelna
  - Description of relations – see **Annex 1**

## Annex 1 Transactions with Related Parties

Factoring České spořitelny, a.s. identified the relations with the related parties listed in Sections B and C and summarized them in the following categories.

### Related party transactions on the debit side of Factoring ČS's balance sheet

#### Receivables from banks

Factoring České spořitelny, a.s. deposited cash totalling CZK 204.8 million in current and deposit accounts maintained by Česká spořitelna under contracts on a current account and loan agreements. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Other assets

Balance sheet caption Other assets includes other trade receivables and advance payments provided to related parties. In 2018, the Company recognizes receivables and advance payments in the total amount of CZK 1.34 million from Česká spořitelna (2017: CZK 1.33 million) and receivables of CZK 0.2 million from other related parties (2017: CZK 0.7 million).

### Related party transactions on the credit side of Factoring ČS's balance sheet

#### Liabilities to banks

Factoring České spořitelny, a.s. received funds from Česká spořitelna a.s. in the total amount of CZK 4,222.1 million particularly under loan agreements and bank overdraft contracts. Unbilled deliveries

and payables from Česká spořitelna, a.s. amounted to CZK 1.2 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

### Related party transactions with effect on Factoring ČS's income statement

#### Interest and similar income

Factoring České spořitelny, a.s. did not receive any interest income from abroad in the fiscal year from related parties.

#### Interest and similar expense

Factoring České spořitelny, a.s. incurred interest expense of CZK 31.5 million within the scope of related party transactions executed on an arm's-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Income from fees and commissions

Factoring České spořitelny, a.s. received income from fees and commissions within the scope of related party transactions executed on an arm's-length basis in the fiscal year, including particularly income from a cooperation agreement with Česká spořitelna, a.s., in the total amount of CZK 2.8 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### General administrative expenses

Factoring České spořitelny, a.s. spent CZK 8.1 million on general administrative expenses within the scope of related party transactions executed on an arm's-length basis in the fiscal year, particularly rent, advisory, professional consultancy and other services. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Other operating revenues and costs

Factoring České spořitelny, a.s. had a positive balance of other operating income and expenses of CZK 1.5 million within the scope of other related party transactions executed on an arm's-length basis in the period. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Contractual relations

In prior years, Factoring České spořitelny, a.s. entered into contracts with related parties listed in Sections B and C; the financial effects of the contracts are reflected in Annex 1. The list below includes major contracts with related parties that were in force during the period.

## Description of relations with Česká spořitelna, a.s.

| Contract   | Counterparty           | Description   | Year of contract | Detriment, if any |
|--|------------------------|---|------------------|-------------------|
| Current account agreement                              | Česká spořitelna, a.s. | Contract for current accounts (CZK, EUR, USD, GBP, CHF, PLN, NOK, HUF, RON, JPY, SEK, DKK, HRK) with amendments | 2001–2017        | None              |
| Service agreement                                      | Česká spořitelna, a.s. | Direct electronic banking agreement with amendments   | 2002             | None              |
| License agreement                                      | Česká spořitelna, a.s. | Usage of brand „Sparkassen“   | 2017             | None              |
| Lease agreement  | Česká spořitelna, a.s. | Lease of a safe deposit box   | 2009             | None              |
| Debit cards contract                                   | Česká spořitelna, a.s. | Debit cards contracts with amendments   | 2005–2018        | None              |
| Loan contract  | Česká spořitelna, a.s. | Loan contract with amendments   | 2003–2018        | None              |
| Sub-participation agreement                            | Česká spořitelna, a.s. | Participation on risk of selected customers with amendments   | 2005–2018        | None              |
| Sub-participation agreement                            | Česká spořitelna, a.s. | Sub-participation framework agreement for reverse factoring   | 2018             | None              |
| Lease agreement  | Česká spořitelna, a.s. | Lease of non-residential premises – Trianon with amendments   | 2014–2018        | None              |
| Lease agreement  | Česká spořitelna, a.s. | Lease of non-residential premises – Antala Staška Street  | 2014             | None              |
| Service agreement                                      | Česká spořitelna, a.s. | Agreement on authorization to exercise the right of use of company logo   | 2002–2006        | None              |
| Contract for contribution outside of the Share Capital | Česká spořitelna, a.s. | Contribution outside of the Share Capital   | 2014             | None              |
| Service agreement                                      | Česká spořitelna, a.s. | Outsourcing service agreement   | 2018             | None              |
| Service agreement                                      | Česká spořitelna, a.s. | Agreement for the use of the ISIR_CS application and its development, support and operation                     | 2009             | None              |
| Service agreement                                      | Česká spořitelna, a.s. | System environment for Linux server farm  | 2010             | None              |
| Service agreement                                      | Česká spořitelna, a.s. | IT services (IP Telefonie) with amendments (TEL Internet access)  | 2014–2016        | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Risky receivables management  | 2009             | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Agreement on Restructuring of Factoring Cooperation   | 2009             | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Exchange of information using the KLIENT application with amendments  | 2009–2018        | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Monitoring of receivables   | 2013–2017        | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Verification – verification of ceded invoices; Monitoring; of clients/pledges                                   | 2015             | None              |
| Cooperation agreement                                  | Česká spořitelna, a.s. | Cooperation in approval of factoring deals  | 2017             | None              |

## Description of relations with other related parties

| Contract                      | Counterparty                                     | Description   | Year of contract | Detriment, if any |
|-------------------------------|--|---|------------------|-------------------|
| Current account agreement     | Slovenská sporitelna, a.s.                       | Current account agreement (EUR)   | 2016             | None              |
| Service agreement             | Slovenská sporitelna, a.s.                       | Electronic banking including amendments                                   | 2016–2017        | None              |
| License agreement             | Erste Factoring d.o.o.                           | Implementation of information system HoC                                  | 2010             | None              |
| License agreement             | Slovenská sporitelna, a.s.                       | Agreement on transfer of rights and obligations of information system HoC | 2011             | None              |
| License agreement             | Slovenská sporitelna, a.s.                       | License agreement of implementation of information system Monitoring      | 2011             | None              |
| Cost Reimbursement Agreement  | Erste Group Bank AG                              | Reimbursement contract  | 2018             | None              |
| Service agreement I.CA        | První certifikační autorita, a.s.                | Issuing of qualified certificates   | 2006             | None              |
| Service agreement I.CA        | První certifikační autorita, a.s.                | Issuing of qualified time stamps  | 2007             | None              |
| Service agreement             | Procurement Services CZ, s.r.o.                  | Provision of services   | 2018             | None              |
| Participation on project NRKI | CNCB - Czech Non-Banking Credit Bureau, z.s.p.o. | Participation on project NRKI and its usage                               | 2018             | None              |
| Cooperation agreement         | Pojišťovna České spořitelny, a.s.                | Private life insurance with employer's contribution                       | 2005             | None              |

**D. Other legal actions**

In the fiscal year, the Submitter received or undertook no additional legal or other actions for the benefit or at the request of the Related Parties that would exceed 10 % of the Submitter's equity based on the latest financial statements.

**E. Other measures**

Factoring České spořitelny, a.s. is a party to group projects of the Erste Group Bank. Factoring České spořitelny, a.s. suffered no detriment from collaboration in the group projects. The Submitter assessed the relations between the Related Parties and has determined that they are favourable for Factoring České spořitelny, a.s. and bear low risk.

**F. Conclusion**

With regard to the relations between the Submitter and the Related Parties reviewed by us, the Submitter appears to have suffered no detriment as a result of the foregoing contracts, other legal actions or other measures entered into, undertaken or adopted by the Submitter for the benefit or at the request of the Related Parties in the fiscal year 2018.

This Report was discussed and approved by the Company's Board of Directors on 19 March 2019.

Prague, 19 March, 2019

Factoring České spořitelny, a.s.



Karel Nováček  
Chairman of the Board of Directors



Pavel Chlumský  
Member of the Board of Directors

## **Factoring České spořitelny, a.s.**

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