

NA PARTNERSTVÍ ZÁLEŽÍ



# Annual Report 2013

Factoring KB, a.s.

## **Factoring KB, a.s. provides a range of factoring services comprising purchase, administration, collection and financing of accounts receivable, including to assume risk related to the insolvency or recalcitrance of domestic or foreign debtors.**

- Company turnover reached CZK 26,540.2 million in 2013, which represents a 36% gain year on year.
- Profit after tax for 2013 was CZK 63.1 million.
- The Company's market share in the Czech Republic expanded to 18.3% in 2013.



### **Contacts**

#### **Factoring KB, a.s.**

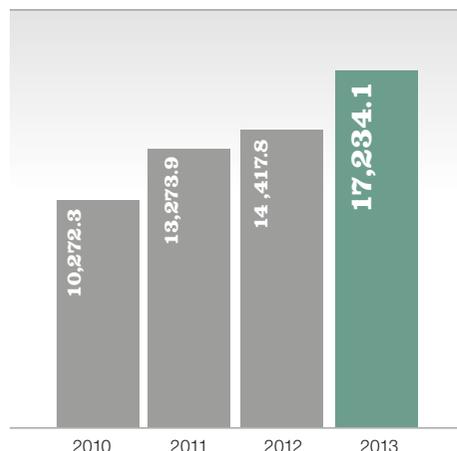
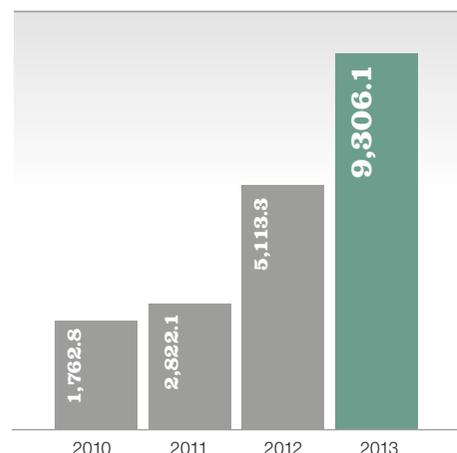
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#### **Komerční banka, a.s.**

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### **Additional Information**

Information on products and services of Factoring KB, a.s. are available at [www.factoringkb.cz](http://www.factoringkb.cz).

**Turnover of domestic factoring (CZK mil.)****Turnover of international factoring (CZK mil.)**

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	Unit	2013	2012	2011	2010
Total assets	CZK million	9,456.3	7,747.7	7,150.3	5,464.5
Registered capital	CZK million	1,184.0	1,184.0	1,184.0	1,184.0
Equity	CZK million	1,628.8	1,590.4	1,489.9	1,507.0
Profit/loss before taxes	CZK million	73.7	29.7	77.6	6.3
Profit after tax	CZK million	63.1	16.7	69.7	9.4
Market share	%	18.3	15.0	12.6	10.8
Total turnover*	CZK million	26,540.2	19,531.1	16,096.0	12,035.1
Turnover of domestic factoring	CZK million	17,234.1	14,417.8	13,273.9	10,272.3
Turnover of international factoring	CZK million	9,306.1	5,113.3	2,822.1	1,762.8
Level of provisions	CZK million	165.5	182.4	175.5	176.7
Total revenues*	CZK million	430.1	280.6	332.4	232.6
Total costs**	CZK million	356.4	250.9	254.8	226.3
Average number of employees	number	42	40	38	39

\* The amount does not include revenues associated with the sale of re-assignment of account receivables.

\*\* The amount does not include costs associated with the sale of re-assignment of account receivables.



**239**

number of new contracts in 2013



Since its founding, Factoring KB has been part of Komerční banka Financial Group, and since 2002 also part of Soci t  G n rale Group. The Company's membership in this group is important for its development and co-operation with other group members both in the Czech Republic and abroad. Factoring KB works closely with KB in acquisitions and risk management.

# Company Profile

## Business name

Factoring KB, a.s.

## Legal form

Joint-stock company

## Business Registration No. (IČ)

25148290

## Registered office

náměstní Junkových 2772/1,  
155 00 Praha 5

## Date of incorporation

4 August 1997

## Registered capital

CZK 1,184,000,000

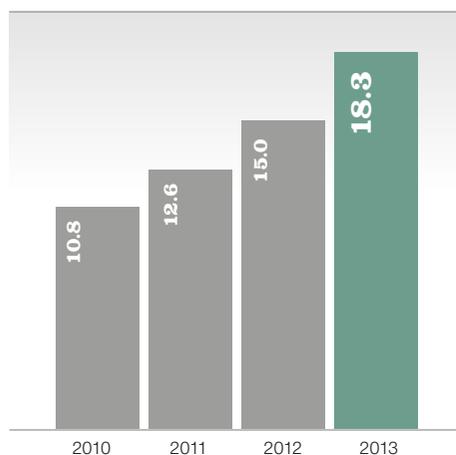
**Factoring KB, a.s. was established with the aim to provide a range of factoring services comprising purchase, administration, collection and financing of accounts receivable, including to assume risk related to the insolvency or recalcitrance of domestic or foreign debtors. The Company offers its services predominantly to Czech businesses, and, through its membership in Factors Chain International (the largest network of factoring organisations in the world), it also provides selected services to other members of this international coalition.**

Factoring KB, a.s., was founded as a fully owned subsidiary of Komerční banka, a.s. It has been a member of the Komerční banka Financial Group since its foundation and an active member of the Société Générale Banque financial group (hereinafter "Société Générale") since 2002. Membership in both financial groups has significantly influenced the Company's overall development and has brought new impetus for developing co-operation with other members of the group at home and abroad.

## Membership of associations

- Factors Chain International (hereinafter "FCI") since 30 June 2000
- Asociace faktoringových společností ČR (hereinafter "AFS") since November 2000
- Česká leasingová a finanční asociace (hereinafter "ČLFA") since June 2005

## Share in turnover of Factoring KB, a.s. on the Czech factoring market (%)



# Statement of the Chairman of the Board of Directors



**Miloslav Kukla**  
Chairman of the Board of Directors and CEO

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**I expect to see modest growth in our company's income and expenses during the year 2014.**

Dear ladies and gentlemen, dear business partners,

Allow me to present to you the annual report of Factoring KB, a.s. for 2013.

For our company, 2013 was characterised by continuation of growth that began in late 2010. This was in fact one of the most successful years in our history. We recorded significant gains in the turnover and volume of client financing. This was achieved despite stagnating GDP in the Czech economy, which resumed modest growth only at the close of 2013. The final results were again positively influenced by very good co-operation and support from our parent company Komerční banka, a.s. and from Société Générale. I would like to highlight especially the area of new client acquisition and again very good co-operation with Komerční banka, a.s. in managing our credit risk. Our company attained dynamic growth especially in international factoring. In 2013, the company mirrored the development of the Czech economy with its weakening domestic demand and growth in exports. We achieved growth this year exceeding the average growth on the Czech factoring market, which saw factoring turnover expand by more than +11% year on year (information provided by the Czech Association of Factoring Companies). The increase in the turnover and volume of client financing was positively influenced by our offering a line of products which accord with clients' specific requirements. A positive effect can

be seen also in the implementation of fully electronic factoring for selected clients. The good results were further influenced by our colleagues' strong motivation to develop and synergistically support our company. I consider as very important the successful transfer from our parent company to Factoring KB, a.s. of activities formerly provided by the Forfaiting and Receivables Discounting Unit, which further enhanced our product base. I would also like to emphasise our continuing very good co-operation with the insurance companies Coface and Atradius and, of course, with other partners as well.

During 2014, I expect modest growth in the Czech Republic's GDP and, very importantly to us, the continuation of GDP growth in especially Germany, which constitutes the Czech Republic's most important export area. The largest Czech banks' high liquidity and low level of allowances for loan losses will contribute to growing competition in financing of receivables from supplier-customer relationships. Banks are the main providers of receivables financing in the Czech Republic, although they do not usually provide clients with receivables administration and securing. This year, we will continue to expand our client portfolio using fully electronic factoring, which certainly contributes to simplifying our co-operation. We would also like to maintain our significant share on the Czech factoring market and the strong share of international factoring in our company's overall turnover. In addition to our present collaboration with the insurance companies Coface and Atradius, we will further support international factoring by extending our collaboration in this area to include Exportní a garanční pojišťovací společnost, a.s. The ability to provide large clients with individual solutions in the financing, administration and securing

of their receivables is very important in maintaining our position. We would like in 2014 to offer our clients purchase of receivables with medium- and long-term maturity, and especially in financing projects concerning energy performance contracting (EPC). I expect to see modest growth in our company's income and expenses during this year.

In closing, I would like to thank all my colleagues, our clients and our partners for their co-operation during 2013, and I wish to everyone much satisfaction and success in the months ahead. Our long-term goal remains to satisfy our clients, employees and owner.

Sincerely,



**MILOSLAV KUKLA**

Chairman of the Board of Directors and CEO

# Report of the Board of Directors

The Czech Republic's factoring market grew by 11% in 2013, pointing to a certain recovery in comparison to the previous year. This development is in accordance with the gradual improvement in the Czech economy. The country's GDP recorded modest growth in the fourth quarter, reflecting the gradual economic recovery in countries importing Czech products. Contributing to improvement in the Czech economy were primarily exports of machinery, transportation equipment and industrial goods. These exports go mainly to countries with developed economies.

Despite modest growth in the Czech economy, Factoring KB, a.s. achieved the highest turnover in its history, as factoring transactions reached a volume of CZK 26,540 million. It also had the highest year-on-year growth rate in its history. Turnover grew by 36% in comparison to 2012, which was also the highest rate of growth among members of the Czech Association of Factoring Companies in both percentage terms and the absolute amount of CZK 7,009 million. This marked increase resulted primarily from fundamental changes initiated during 2011–2012 in co-operation with Komerční banka, a.s. involving business acquisition, marketing, risk management and IT. In accordance with economic developments, the volume of export transactions generated mainly by current clients contributed significantly to the growth in factoring transaction volumes. This increasing trend was also influenced by a rise in domestic transactions associated with the transfer from Komerční banka, a.s. to the Company of certain transactions involving the purchase of receivables. There also was greater interest in factoring among new clients, mainly large corporations. Contributing significantly to the growth in turnover, too, were adjustments to the broad line of products and services in order to better meet clients' specific requirements.

The Company has continued to use the services of commercial insurers Atradius and Coface. Through these partnerships, Factoring KB, a.s. was able to provide its clients with so-called non-recourse factoring, which enabled it to offer its clients not only financing but also insurance against insolvency of their customers. Not only did the business volumes acquired in co-operation with insurance companies grow generally during 2013, we also managed to extend this collaboration in accordance with the specific needs of certain prominent clients.

In addition to insuring against insolvency of foreign debtors, the Company has been ever more actively securing against these risks together with partner factoring companies in the Factors Chain International (FCI) network. Such security provides another alternative to non-recourse export factoring while also broadening the offer of factoring services. Factoring KB, a.s. continued to deepen its active co-operation with partner factoring companies and established new and active collaboration with several additional partners within FCI. This collaboration is important not only in providing export factoring but also for so-called import factoring through which the Company provides security for Czech importers when purchasing goods from abroad.

Owing to its mutually advantageous co-operation with Komerční banka, a.s., the Company's active business acquisition policy during 2013, and the wide range of services it provides, a good basis was created for further growth in turnover during 2014. Nevertheless, the development of factoring transactions, and therefore also of the Company's turnover, will continue to be affected by the course of the Czech economy and, in particular, that of industrial production and trade.

## Strategic Targets for 2014

**Our activities during 2014 will focus on achieving the following strategic goals:**

- Continue to offer high-quality services in conformity with international standards under the Ambition 2015 project.
- Seek out and fully utilise opportunities for synergy within Komerční banka Financial Group and Société Générale Financial Group.
- Reinforce and further develop co-operation with the Top Corporations segment at KB while fully utilising the electronic factoring model based on IT support from the high-quality eFactoring information system.
- Stimulate the development of transactions based on products for purchase of receivables.
- Focus on new opportunities in the automotive, engineering, health and energy performance contracting segments.
- Pursue new opportunities in export financing while expanding the range and volume of import factoring.

As in previous years, the Company will focus on increasing the quality of services it provides, endeavour to broaden the range of those services, and establish all preconditions for further boosting the efficiency with which it processes factoring transactions.

The focus on new opportunities in the aforementioned sectors of the Czech economy and pursuit of new opportunities in export and import factoring reflect continuation of priorities and activities that Factoring KB, a.s. initiated already in 2013.

### Most Significant Events of 2013

In 2013, Factoring KB, a.s. successfully completed and implemented the project for taking over activities related to providing products for purchase of receivables. This project relates to implementing synergies within KB Financial Group. In order to enhance the efficiency of executing these transactions, the Company has implemented a number of adjustments to its information system.

As in the previous year, 2013 was marked by development and improvement of standard factoring products. A number of measures were implemented and work was initiated

to further boost the efficiency of internal processes. Examples include a project for analysing and designing adjustments to certain processes and a contracts generator to be implemented in 2014 which will permit simplifying the work related to preparing documentation for contracts concluded with clients.

In 2013, the Company inked a contract initiating legal advisory with the Glatzová & Co. law office. This co-operation was important for the preparation of new contractual documentation and making adjustments relating to transition to the new Civil Code valid from 2014.

### Market Development and the Company's Market Position

The factoring market in the Czech Republic comprises the turnover of factoring companies which are members of the Czech Association of Factoring Companies. The total turnover achieved by those members for 2013 expanded by 11% as compared to 2012. This indicates a certain recovery in comparison to the previous year, when growth had been just 2%. The factoring market's development reflected the gradual, modest improvement in the Czech economy. With its own growth of 36%, Factoring KB, a.s. was among those association members significantly strengthening and reinforcing



their positions within the factoring market. The Company succeeded in enlarging its share of the factoring market from 15% to 18.3%. Factoring KB, a.s. will be challenged in 2014 to boost its market share even further.

### Sales and Marketing Activities

The sales activities of Factoring KB, a.s. are predominantly implemented in connection with its parent company Komerční banka, a.s., thereby achieving maximum synergy and offering its clients a comprehensive line of operational financing that includes receivables management and securing

against customer risk. In 2013, co-operation took place across KB segments, as the Company's product base already includes solutions for small and medium-size clients as well as for large corporations. The largest increase in sales activities was achieved among clients in the Top Corporations segment, and the Company would like to continue to develop on this trend. The successful development of co-operation will undoubtedly see a positive influence from the professionally accomplished process of transferring products for purchase of receivables from Komerční banka, a.s. to Factoring KB, a.s. This process included

the transfer not only of processes related to providing these products but also of human resources, which rounded off the synergy. At the close of the year, business relationships with current clients, partners and brokers were strengthened with the Company's traditional informal gathering at the Divadlo ABC theatre for a performance of Saturnin. Factoring KB, a.s. continued to support sport activities through sponsorships and provided a charity contribution to the Komerční banka Jistota Foundation.



### Helping children with disabilities

Our help focused on renovating the Smíšek Integrative Nursery in Prague – Vysočany, operated by the civic association of the same name. Its main mission and objective is to help socially excluded children and youth to re-integrate into society through activities out of school.

The nursery focuses its care not only on children of pre-school age with physical disabilities but also on those from socially disadvantaged or dysfunctional families.

It is a great pleasure for us to be able to contribute with our donation to improving the environment that helps these children to better integrate with their peers and, consequently, to achieve better educational conditions with more positive prospects for their futures.

## Information Technology

The trend of integrating the computer network infrastructure of Factoring KB, a.s. into its parent company's structures continued in 2013. As a part of regularly renewing hardware components in the Company's computer network ensuing from the planned termination of equipment reaching the end of its life cycle, Factoring KB's shareholder decided to pursue a model based on providing key infrastructure components through the services of IT Komerční Banka, a.s. As a part of this decision, all systems will therefore operate on the parent company's hardware after the planned migration.

In 2013, printing, document digitalisation support, and telecommunication solutions were partially renewed. The equipment was acquired in collaboration with the sourcing team at Komerční banka, a.s.

Faktor, the main information system providing back-office processing of client receivables, was upgraded to version 13.0. Of particular significance, it now provides support of products for purchase of receivables. In 2013, a large number of small adjustments to this system's user interface were also implemented with the objective of boosting internal users' work efficiency.

The eFactoring main electronic communication channel was upgraded to version 2.9, incorporating especially improvements in client reports, enhanced user-friendliness of the user interface, and extended remote communication possibilities.

Joint work with Komerční banka's Project Organisation & Management Department continued in 2013. The aim is to standardise the regulatory basis in accordance with the parent company's methodology.

## Human Resources

Starting from January 2013, human resources activities within Factoring KB, a.s. were carried out by the Human Resources department of Komerční banka, a.s. The main reason for this change was to boost the efficiency of services for employees and to utilise synergies in human resources management and development.

There were no material changes in the composition of the Company's management during 2013, and Factoring KB, a.s. has a stable and successful team. One organisational change did occur during the year, as the Forfeiting and Receivables Discounting Unit at Komerční banka, a.s. was dissolved and its activities were transferred to the Sales and Marketing Department. This will increase work efficiency and productivity in accordance with the Company's strategic objectives. As at 31 December 2013, the total number of employees was 42.

Factoring KB, a.s. provided its employees during 2013 a total 390 hours of training, including both specialised and management courses. The E-Learning portal contributed significantly to mandatory training with a continuously expanding offer of various courses for employees.

The Company also provides a number of benefits for its employees, such as advantageous meal prices, bank advantages resulting from affiliation with the KB Group, paid vacation, universal vouchers, and contributions to employees' supplementary pension savings.

Factoring KB, a.s. will continue in this same spirit also into the future, as the employees are its greatest asset.

An important project in the human resources area during 2013 was the SG Barometer 2013 internal satisfaction survey. Factoring KB's results from the survey were excellent, indicating high employee satisfaction with management, excellent team co-operation across the Company, a high level of communication, and a clear company vision.

## The Financial Situation and Results Commentary

In comparison with the previous year Factoring KB, a.s. realized significant improvement in financial results.

The profit of the company increased from CZK 16,714 thousands in 2012 to CZK 63,096 thousand in 2013. In 2013 the company continued in consistent cost control.

# Corporate Governance

as at 31 December 2013

## Board of Directors

### MILOSLAV KUKLA

Chairman of the Board of Directors and CEO

### MARCELA CHALUŠOVÁ

Member of the Board of Directors

### VĚRA JAHNOVÁ

Member of the Board of Directors

## Supervisory Board

### IVETA OCÁSKOVÁ

Chairwoman of the Supervisory Board

### ADAM FIEDLER

Member of the Supervisory Board

### LIBOR LÖFLER

Member of the Supervisory Board

## Board of Directors



**MILOSLAV KUKLA**  
Chairman of the Board  
of Directors and CEO

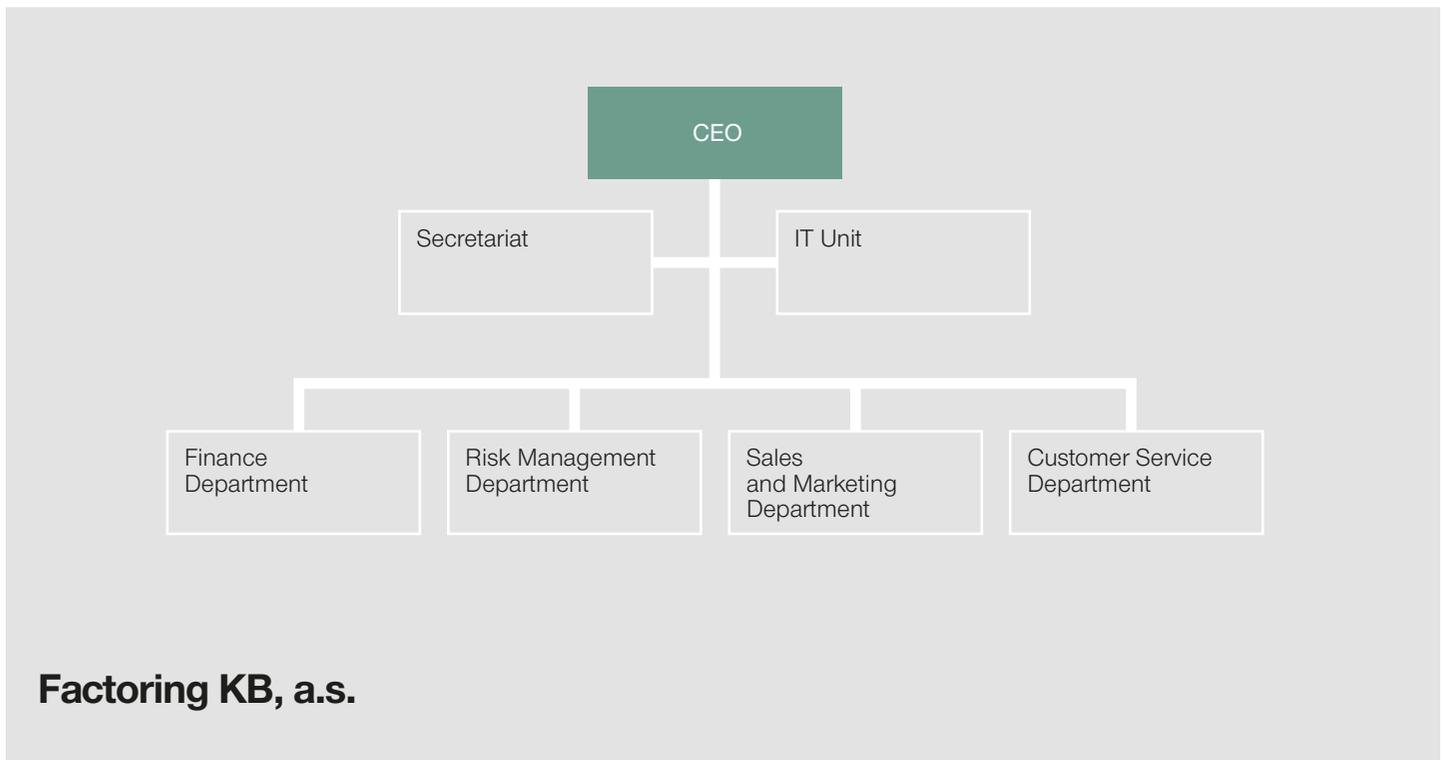


**MARCELA CHALUŠOVÁ**  
Member of the Board of Directors



**VĚRA JAHNOVÁ**  
Member of the Board of Directors

# Organizational Chart



# Ownership Structure

The annual general meeting was held on 16 April 2013. The general meeting approved the Report of the Board of Directors on its Business Activities and the State of its Assets for 2012 as well as the Financial Statements for 2012. It also decided on distribution of the company's earnings from 2012, and the Report of the Supervisory Board and Report on Relations among Related Entities were taken into consideration. The company appointed Ernst & Young, s.r.o. as its external auditor for 2013.

## Shareholder

Komerční banka, a.s.  
100% ownership interest

# Sworn Declaration

Factoring KB, a.s. hereby confirms that all information and data included in this Annual Report is accurate and complete. The Company also confirms that the document comprises all events that might have a material impact on investors' decisions. Furthermore, Factoring KB, a.s. confirms that no subsequent events have occurred that might adversely affect the Company's financial position, or other changes that might influence a fair and accurate assessment of the financial position of Factoring KB, a.s.

Prague, 13 May 2014

Signed on behalf of the Board of Directors:



**MILOSLAV KUKLA**  
Chairman of the Board of Directors  
and Chief Executive Officer



**MARCELA CHALUŠOVÁ**  
Member of the Board of Directors



**VĚRA JAHNOVÁ**  
Member of the Board of Directors

# 2013 Supervisory Board's Report

The Supervisory Board of Factoring KB, a.s. carried out on ongoing basis tasks assigned to it by the Commercial Code and the Company's Article of Association. The Supervisory Board performed regular supervision of the Company's activities, approved strategic plans of the Company and presented its proposals and suggestions to the Board of Directors in order to improve the Company's operations.

Having examined the Company's annual financial statements for the period from 1 January to 31 December 2013, considering the external auditor's report on the annual financial statements, the Supervisory Board states that the accounting records and evidence were maintained in a conclusive manner and in accordance with the generally applicable rules regulating accounting of non-financial institutions. The accounting records express truly in all material respects the Company's financial situation as at 31 December 2013.

The Supervisory Board further reviewed the Report on Related Parties for the period from 1 January to 31 December 2013 prepared by the Company as the controlled entity under Section 66a, Subsection 9 of the Commercial Code. The Supervisory Board states that on the basis of its review it has not found any materially incorrect information disclosed in that Report and that the Board of Directors of the Company has not identified, based on its evaluation of the relationships, any damages caused to the Company in its relations with controlling entity.

Having reviewed the proposal of the Board of Directors for the profit appropriations, the Supervisory Board recommends to the sole shareholder approving of the BoD proposal for the profit appropriations as follows:

After tax profit	63,095,821.55 CZK
Dividend payout	63,095,821.55 CZK

The Supervisory Board recommends to the General Meeting to approve the Company's annual financial statements for 2013.

Prague, 3 April 2014



**IVETA OCÁSKOVÁ**  
Chairwoman of the Supervisory Board

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# Independent Auditor's Report

## To the Shareholder of Factoring KB, a.s.:

I. We have audited the financial statements of Factoring KB, a.s. ("the Company") as at 31 December 2013 presented in the annual report of the Company on pages 18 – 34 and our audit report dated 18 March 2014 stated the following:

"To the Shareholder of Factoring KB, a. s.:

We have audited the accompanying financial statements of Factoring KB, a. s., which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Factoring KB, a. s., see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Factoring KB, a. s. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."

II. We have also audited the consistency of the annual report with the financial statements described above. The management of Factoring KB, a.s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 18 – 34 is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

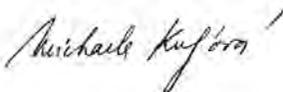
III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Factoring KB, a.s. for the year ended 31 December 2013 presented in the annual report of the Company on pages 35 – 39. As described in the report on related parties, the Company prepared this report in accordance with Commercial Code. The management of Factoring KB, a.s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Factoring KB, a.s. for the year ended 31 December 2013 is materially misstated.



Ernst & Young Audit, s.r.o.  
License No. 401  
Represented by Partner



Michaela Kubýová  
Auditor, License No. 1810

27 June 2014  
Prague, Czech Republic

## Balance Sheet as of 31 December 2013

in thousands of Czech crowns		Current year			Prior year 2012
		Gross	Allowances	Net	Net
<b>TOTAL ASSETS</b>		9,705,039	(248,752)	9,456,287	7,747,704
<b>B.</b>	<b>FIXED ASSETS</b>	<b>1,512,978</b>	<b>(83,248)</b>	<b>1,429,730</b>	<b>1,455,877</b>
B. I.	Intangible assets	76,073	(72,992)	3,081	4,206
3	Software	76,073	(72,992)	3,081	4,206
B. II.	Tangible assets	11,594	(10,256)	1,338	2,538
3	Separate movable items and groups of movable items	10,711	(10,256)	455	1,826
6	Other tangible assets	712	0	712	712
7	Tangible assets in progress	171	0	171	0
B. III.	Financial investments	1,425,311	0	1,425,311	1,449,133
3	Other long-term securities and interests	1,425,311	0	1,425,311	1,449,133
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>8,191,142</b>	<b>(165,504)</b>	<b>8,025,638</b>	<b>6,290,070</b>
C. II.	Long-term receivables	160,339	0	160,339	4,297
C. II. 1	Trade receivables	157,996	0	157,996	0
5	Long-term advances granted	0	0	0	100
8	Deferred tax asset	2,343	0	2,343	4,197
C. III.	Short-term receivables	8,030,413	(165,504)	7,864,909	6,282,705
C. III. 1	Trade receivables	5,294,322	(114,948)	5,179,374	3,753,500
7	Short-term advances granted	2,736,084	(50,556)	2,685,528	2,528,796
8	Unbilled revenue	0	0	0	105
9	Other receivables	7	0	7	304
C. IV.	Short-term financial assets	390	0	390	3,068
C. IV. 1	Cash	52	0	52	17
2	Bank accounts	338	0	338	3,051
<b>D.</b>	<b>OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS</b>	<b>919</b>	<b>0</b>	<b>919</b>	<b>1,757</b>
D. I.	Accrued assets and deferred liabilities	919	0	919	1,757
D. I. 1	Prepaid expenses	897	0	897	1,496
3	Unbilled revenue	22	0	22	261

in thousands of Czech crowns			Current year	Prior year 2012
<b>TOTAL EQUITY &amp; LIABILITIES</b>			<b>9,456,287</b>	<b>7,747,704</b>
<b>A.</b>	<b>EQUITY</b>		<b>1,628,845</b>	<b>1,590,378</b>
A. I.	Basic capital		1,184,000	1,184,000
A. I.	1	Registered capital	1,184,000	1,184,000
A. II.	Capital funds		133,205	157,027
A. II.	1	Share premium (agio)	6,000	6,000
	3	Gain or loss on revaluation of assets and liabilities	127,205	151,027
A. III.	Reserve funds and other funds created from profit		17,076	16,044
A. III.	1	Legal reserve fund	15,791	14,955
	2	Statutory and other funds	1,285	1,089
A. IV.	Profit (loss) for the previous years		231,468	216,593
	IV.	1 Retained earnings for the previous years	231,468	216,593
A. V.	Profit (loss) for the year (+/-)		63,096	16,714
<b>B.</b>	<b>LIABILITIES</b>		<b>7,817,253</b>	<b>6,157,225</b>
B. I.	Provisions		6,258	4,357
	4	Other provisions	6,258	4,357
B. III.	Current liabilities		4,177,538	3,732,309
B. III.	1	Trade payables	4,123,911	3,710,150
	5	Liabilities to employees	1,426	2,241
	6	Liabilities arising from social security and health insurance	748	909
	7	Due to government – taxes and subsidies	5,258	5,681
	10	Unbilled deliveries	7,419	6,345
	11	Other liabilities	38,776	6,983
B. IV.	Bank loans and borrowings		3,633,457	2,420,559
B. IV.	1	Long-term bank loans	148,238	286,900
	2	Short-term bank loans	3,485,219	2,133,659
<b>C.</b>	<b>OTHER LIABILITIES – TEMPORARY ACCOUNTS OF LIABILITIES</b>		<b>10,189</b>	<b>101</b>
C. I.	Accrued liabilities and deferred assets		10,189	101
C. I.	1	Accruals	425	101
	2	Deferred income	9,764	0

# Profit and Loss Account for the Year Ended 31 December 2013

in thousands of Czech crowns			Current year	Prior year 2012
+		<b>Gross margin</b>	<b>0</b>	<b>0</b>
II.		Production	95,550	84,515
II.	1	Revenue from sale of finished products and services	95,550	84,515
B.		Production related consumption	33,049	42,598
B.	1	Consumption of material and energy	3,697	3,986
B.	2	Services	29,352	38,612
+		<b>Value added</b>	<b>62,501</b>	<b>41,917</b>
C.		Personnel expenses	38,563	39,745
C.	1	Wages and salaries	27,506	28,259
C.	2	Bonuses to members of company or cooperation bodies	384	384
C.	3	Social security and health insurance	9,727	10,167
C.	4	Social cost	946	935
D.	1	Taxes and charges	102	99
E.	1	Amortization and depreciation of intangible and tangible fixed assets	7,940	8,565
III.		Revenue from sale of intangible and tangible fixed assets and materials	0	488
III.	1	Revenues from sale of intangible and tangible fixed assets	0	488
F.		Net book value of intangible and tangible fixed assets and materials sold	0	170
F.	1	Net book value of intangible and tangible fixed assets sold	0	170
G.	1	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	(14,968)	5,834
IV.	2	Other operating revenues	408,547	367,620
H.	1	Other operating expenses	433,784	365,320
*		<b>Profit or loss on operating activities</b>	<b>5,627</b>	<b>(9,708)</b>
VII.		Income from financial investments	29,161	0
	2	Income from other long-term securities and interests	29,161	0
X.	1	Interest income	73,245	74,897
N.	2	Interest expense	21,031	21,268
XI.	1	Other finance income	217,822	110,935
O.	2	Other finance cost	231,097	124,896
*		<b>Profit or loss on financial activities</b>	<b>68,100</b>	<b>39,668</b>
Q.		Tax on profit or loss on ordinary activities	10,631	13,012
Q.	1	– due	8,776	6,484
Q.	2	– deferred	1,855	6,528
**		<b>Profit or loss on ordinary activities after taxation</b>	<b>63,096</b>	<b>16,948</b>
XIII.	1	Extraordinary gains	3	4
R.	2	Extraordinary losses	3	238
*		<b>Extraordinary profit or loss</b>	<b>0</b>	<b>(234)</b>
***		<b>Profit or loss for the year (+/-)</b>	<b>63,096</b>	<b>16,714</b>
****		<b>Profit or loss before taxation</b>	<b>73,727</b>	<b>29,726</b>

# Cash Flow Statement for the Year Ended 31 December 2013

in thousands of Czech crowns			Current year	Prior year 2012
<b>Cash flows from operating activities</b>				
<b>Z.</b>		<b>Profit or loss on ordinary activities before taxation (+/-)</b>	<b>73,727</b>	<b>29,960</b>
A.	1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(92,050)	(32,197)
A.	1.	1. Depreciation and amortization of fixed assets and write-off of receivables	42,140	15,916
A.	1.	2. Change in allowances	(16,869)	6,920
A.	1.	3. Change in provisions	1,901	(1,085)
A.	1.	4. Foreign exchange differences	(37,847)	0
A.	1.	5. (Gain)/Loss on disposal of fixed assets	0	(319)
A.	1.	6. Interest expense and interest income	(52,214)	(53,629)
A.	1.	7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(29,161)	0
<b>A</b>	<b>*</b>	<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>(18,323)</b>	<b>(2,237)</b>
A.	2.	Change in non-cash components of working capital	(1,262,663)	(284,884)
A.	2.	2. Change in trade receivables	(1,563,354)	(326,450)
A.	2.	3. Change in other receivables and in prepaid expenses and unbilled revenue	(155,392)	(209,367)
A.	2.	4. Change in trade payables	413,761	249,278
A.	2.	5. Change in other payables, short-term loans and in accruals and deferred income	42,322	1,655
<b>A</b>	<b>**</b>	<b>Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>(1,280,986)</b>	<b>(287,121)</b>
A.	3.	1. Interest paid	(20,706)	(21,268)
A.	4.	1. Tax paid	(9,868)	(8,701)
A.	5.	1. Gains and losses on extraordinary items	0	(234)
<b>A</b>	<b>***</b>	<b>Net cash provided by (used in) operating activities</b>	<b>(1,311,560)</b>	<b>(317,324)</b>
<b>Cash flows from investing activities</b>				
B.	1.	1. Purchase of fixed assets	(5,615)	(4,372)
B.	2.	1. Proceeds from sale of fixed assets	0	488
B.	4.	1. Interest received	73,245	74,897
B.	5.	1. Dividends received	29,161	0
<b>B</b>	<b>***</b>	<b>Net cash provided by (used in) investing activities</b>	<b>96,791</b>	<b>71,013</b>
<b>Cash flows from financing activities</b>				
C.	1.	1. Change in long-term liabilities and long-term, resp. short-term, loans	1,212,898	249,288
C.	2.	3. Effect of other changes in basic capital on cash	(807)	(850)
<b>C</b>	<b>***</b>	<b>Net cash provided by (used in) financing activities</b>	<b>1,212,091</b>	<b>248,438</b>
<b>F.</b>		<b>Net increase (decrease) in cash</b>	<b>(2,678)</b>	<b>2,127</b>
<b>P.</b>		<b>Cash and cash equivalents at beginning of year</b>	<b>3,068</b>	<b>941</b>
<b>R.</b>		<b>Cash and cash equivalents at end of year</b>	<b>390</b>	<b>3,068</b>

# Financial Statements for the Year Ended 31 December 2013

## 1. Corporate information

Factoring KB, a.s. (hereinafter the “Company”) is a joint stock company incorporated on 4 August 1997; its registered office is in Prague 5, náměstí Junkových 2772/1, Czech Republic, business registration number (IČ) 25148290. The Company’s core business comprises the provision of factoring and forfaiting services.

Entities holding at least 20% interests in share capital:

Komerční banka, a.s. 100%

Factoring KB, a.s. is a member of the financial group of Komerční banka, a.s. and the international financial group of Sociétés Générale. Sociétés Générale S.A. is an ultimate parent company of the Company.

Members of statutory bodies as at 31 December 2013:

### Board of Directors

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Chairman:	Miloslav Kukla
Member:	Marcela Chalušová
Member:	Věra Jahnová

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### Supervisory Board

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Member:	Libor Löffler
Member:	Iveta Ocásková
Member:	Adam Fiedler

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The company has no foreign affiliate.

## 2. Basis of preparation of the financial statements

The Company's accounting books and records have been maintained and the attached financial statements have been prepared pursuant to Act No. 563/1991 Coll., on Accounting, as amended; Decree No. 500/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on Accounting, for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

Explanation added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Summary of significant accounting policies

The accounting books and records have been maintained in accordance with general accounting principles, in particular the historical cost valuation convention, the accruals principle, the prudence concept, and the going concern assumption.

When preparing the financial statements for 2013 and 2012, the Company used the following valuation methods:

### a) Intangible fixed assets

Intangible fixed assets are recorded at cost, comprising acquisition cost and acquisition-related costs.

Intangible fixed assets with an acquisition cost of more than CZK 60 thousand are amortised on a straight-line basis over their estimated useful life.

Amortisation

Amortisation is calculated on the basis of the acquisition cost and estimated useful life. The estimated useful life is determined as follows:

	Years
Software	3

### b) Tangible fixed assets

Tangible fixed assets are recorded at cost, comprising acquisition cost, transport, customs and other acquisition-related costs.

Tangible fixed assets with an acquisition cost of more than CZK 40 thousand are depreciated for the period of their useful lives.

The cost of improvements of tangible fixed assets increases the initial acquisition cost. Repairs and maintenance are expenses as incurred.

Depreciation

Depreciation of tangible fixed assets is calculated on the basis of the acquisition cost and estimated useful life. The estimated useful life is determined as follows:

	Years
Machinery and equipment	3–10
Fixtures and fittings	5

### c) Financial assets

Current financial assets comprise stamps and vouchers, cash on hand and cash in bank.

Non-current financial assets comprise available-for-sale securities and equity investments.

Upon acquisition, securities and equity investments are valued at acquisition cost. The acquisition cost of securities and equity investments comprises the purchase price and direct acquisition-related costs, such as fees and commissions paid to brokers, advisors and stock exchanges.

Available-for-sale securities and equity investments are carried at fair value at the balance sheet date. Any change in the fair value of available-for-sale securities and equity investments is recognised as gains or losses on revaluation of assets and liabilities within equity.

The Company applies as fair value the market value of the securities as at the balance sheet date.

#### **d) Receivables**

Upon origination, receivables are carried at their nominal value. Receivables are reported at carrying amounts less respective allowances for doubtful and uncollectable amounts.

Factoring involves purchasing receivables at their nominal values before their due dates, arising from the supply of goods or services to several regular customers. The factor pays the supplier an advance – pre-financing, which represents a partial payment for the assignment of the receivable and may account for up to 100 percent of the nominal value of the receivable. Amounts due from the purchased receivables are recognised as Trade receivables in the Company's balance sheet, and advances paid are recognised as Advances granted. Amounts payable arising from the purchased receivables are recognised as Trade payables in the balance sheet. Following payment by the customer, the remaining balance of the receivable is paid to the supplier. The Company offers discounted purchase of receivables since 2013, which are recognised in balance sheet in net way – in balance sheet is recognised only nominal amount of unsettled receivable, which was purchased.

Reassignment of receivables is recognised in the Income statement.

#### **e) Method of determining allowances and provisions**

Additions to allowances are charged to income statement based on inventorying to the extent that the valuation of assets does not correspond with the actual balance. Allowances are created on the basis of the number of days after the due date and/or an assessment of the risk level of the respective receivable.

#### **f) Equity**

The Company's share capital is stated at the amount recorded in the Commercial Register maintained by the Municipal Court. Any increase or decrease in share capital based on the decision of the General Meeting that has not been recorded as at the reporting date, is recognised as changes in equity. Deposits exceeding share capital are recognised as share premium.

The Company allocates a part of annual profits to the reserve fund created from profit, pursuant to the Commercial Code.

A joint stock company is required to create a legal reserve fund in the year when it first turns profit, in the amount of 20% of net profits, but no more than 10% of share capital. In the subsequent years, the Company allocates 5% of annual net profit to the reserve fund until the balance reaches 20% of share capital. These funds can only be used to offset losses.

#### **g) Provisions and liabilities**

The Company creates legal provisions pursuant to the Act on Provisions, and provisions for losses and risks if the related purpose, amount and timing can be a reliable estimate and the accrual and matching principles are observed.

Long-term and current liabilities are recognised at nominal values.

Long-term and short-term loans are recognised at nominal values. Any portion of long-term loans due within one year from the balance sheet date is deemed a short-term loan.

**h) Financial leases**

The Company has not entered into any financial lease agreement with a subsequent purchase of the leased item.

**i) Foreign currency translation**

Transactions denominated in foreign currencies that are executed in the reporting period are translated using the exchange rates of the Czech National Bank (ČNB) prevailing at the transaction date.

At the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the exchange rates published by ČNB as at this date, and foreign exchange gains and losses are credited to financial revenue or charged to financial expense for the year.

**j) Revenue and expense recognition**

Revenues and expenses are recognised on an accrual basis, i.e. in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company realises its revenues primarily from remuneration (commissions) for each purchased receivable, and from interest on advances granted for payment of the purchase price. Other revenues comprise charges for changes in contractual terms and conditions, applications for factoring services, and other fees.

The Company reports factoring commissions in revenues from the sale of goods and services; interest received from provided financing is recognized in interest income. Price for the discounted purchase is recognised in revenues from the sale of goods and services and is accrued through deferred income.

**k) Income taxes**

Income tax expense is computed using the approved tax rate from the book value of profit less or plus permanently or temporarily tax non-deductible expenses and non-taxable revenues (e.g. creation and recognition of other provisions and allowances, entertainment expenses, difference between write-offs for accounting and tax purposes, etc.).

Deferred income tax reflects the impact on taxation of temporary differences between carrying amounts of assets and liabilities in the balance sheet and determining the income tax base with regard to the period of realisation.

**l) Use of estimates**

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management believe that the estimates and assumptions employed will not differ significantly from the actual results achieved in future periods.

**m) 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 provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

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. Fixed assets

##### a) Intangible fixed assets (in CZK thousand)

###### Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	70,635	0	(6)	5,444	76,073
Intangible fixed assets in progress	0	5,444	0	(5,444)	0
<b>Total in 2013</b>	<b>70,635</b>	<b>5,444</b>	<b>(6)</b>	<b>0</b>	<b>76,073</b>
Total in 2012	66,883	3,752	0	0	70,635

###### Accumulated amortisation

	Opening balance	Amortisation charge	Sales, liquidations	Disposals	Transfers	Closing balance	Allowances	Net book value
Software	(66,429)	(6,569)	0	6	0	(72,992)	0	3,081
Intangible fixed assets in progress	0	0	0	0	0	0	0	0
<b>Total in 2013</b>	<b>(66,429)</b>	<b>(6,569)</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>(72,992)</b>	<b>0</b>	<b>3,081</b>
Total in 2012	(60,025)	(6,404)	0	0	0	(66,429)	0	4,206

Total low-value intangible assets not included in the balance sheet amounted to CZK 40 thousand as at 31 December 2013 and CZK 10 thousand as at 31 December 2012 at cost.

##### b) Tangible fixed assets (in CZK thousand)

###### Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Machinery and equipment	10,661	0	0	0	10,661
Fixtures and fittings	30	0	0	0	30
Low-value tangible assets	23	0	(3)	0	20
Works of art	712	0	0	0	712
Tangible fixed assets in progress	0	171	0	0	171
<b>Total in 2013</b>	<b>11,426</b>	<b>171</b>	<b>(3)</b>	<b>0</b>	<b>11,594</b>
Total in 2012	16,398	471	(5,443)	0	11,426

###### Accumulated depreciation

	Opening balance	Depreciation charge	Disposals	Transfers	Closing balance	Allowances	Net book value
Machinery and equipment	(8,835)	(1,371)	0	0	(10,206)	0	455
Fixtures and fittings	(30)	0	0	0	(30)	0	0
Low-value tangible assets	(23)	0	3	0	(20)	0	0
Works of art	0	0	0	0	0	0	712
Tangible fixed assets in progress	0	0	0	0	0	0	171
<b>Total in 2013</b>	<b>(8,888)</b>	<b>(1,371)</b>	<b>3</b>	<b>0</b>	<b>(10,256)</b>	<b>0</b>	<b>1,338</b>
Total in 2012	(11,915)	(2,161)	5,188	0	(8,888)	0	2,538

Total low-value tangible assets not included in the balance sheet amounted to CZK 1,234 thousand as at 31 December 2013 and CZK 1,579 thousand as at 31 December 2012 at cost.

### c) Financial investments (in CZK thousand)

On the basis of a Contract for the transfer of securities for consideration, concluded between Factoring KB, a.s. and Komerční banka, a.s., in 2007, Factoring KB, a.s. purchased non-current financial assets in the amount of CZK 1,298,106 thousand. The financial asset in this case is 10% share in closed unit-linked fund, Protos, uzavřený investiční fond, a.s. (hereinafter "Protos"), registered office Prague, Dlouhá 34. Protos is a subsidiary of Komerční banka, a.s.

Movement of non-current financial assets:

	Balance as at 31 December 2011	Additions	Disposals	Revaluation	Balance as at 31 December 2012	Additions	Disposals	Revaluation	Balance as at 31 December 2013
Other long-term securities and equity investments	1,364,514	0	0	84,619	1,449,133	0	0	(23,822)	1,425,311
<b>Total</b>	<b>1,364,514</b>	<b>0</b>	<b>0</b>	<b>84,619</b>	<b>1,449,133</b>	<b>0</b>	<b>0</b>	<b>(23,822)</b>	<b>1,425,311</b>

## 5. Receivables

### Long-term receivables

As at 31 December 2013, the Company had long-term receivables amounting to CZK 160,339 thousand (2012: CZK 4,297 thousand), comprising a deferred tax asset of CZK 2,343 thousand and long-term trade receivables in the amount of CZK 157 996 thousand. The Company had receivables with maturity longer than 5 years in the amount CZK 6,202 thousand (2012: CZK 0 thousand). No long-term receivables are overdue.

### Short-term receivables (in CZK thousand)

	As at 31 December 2013	Out of which overdue*)	As at 31 December 2012	Out of which overdue
<b>Trade receivables (gross), out of which:</b>	<b>5,294,322</b>		<b>3,893,016</b>	
– purchased receivables	5,143,535	139,427	3,745,129	112,685
– commissions from purchased receivables	6,099	1,266	4,634	1,170
– interest on pre-financing	11,968	4,277	11,925	4,578
– reassignments	124,392	119,065	119,407	101,583
– receivables from accession to debts	6,446	6,446	10,761	10,761
Allowances for trade receivables	(114,948)		(139,516)	
<b>Trade receivables (net)</b>	<b>5,179,374</b>		<b>3,753,500</b>	
State – tax receivables	0		0	
Receivables from pre-financing	2,735,435		2,571,492	
Operating advances	649		161	
Allowances for advances granted	(50,556)		(42,857)	
<b>Total advances granted net</b>	<b>2,685,528</b>		<b>2,528,796</b>	
Estimated receivables	0		105	
Other short-term receivables	7		304	
<b>Total short-term receivables</b>	<b>7,864,909</b>		<b>6,282,705</b>	

\*) purchased receivable is overdue in case it is 90 days after its contractual maturity

Amounts due arising from purchased receivables, where the Company also records a liability to the supplier, represent nominal values of receivables purchased within the scope of factoring services provided.

Maturity of receivables from pre-financing is determined on the basis of specific factoring agreement with respective client. The standard maturity period is 90 days.

The standard due date for commission invoices, interest invoices, and reassignments is 30 days.

The Company records no receivables from related parties.

Due to uncollectability, rejection of bankruptcy proceedings, and settlement or non-settlement of receivables in bankruptcy proceedings, etc., the Company amortized in 2013: CZK 39,235 thousand (2012: CZK 7,136 thousand).

## 6. Allowances

Allowances reflect a temporary diminution if the value of assets (listed under Article 5).

Changes in allowances (in CZK thousand):

Allowances for:	Balance as at 31 December 2011	Creation of allowances	Recognition of allowances	Balance as at 31 December 2012	Creation of allowances	Recognition of allowances	Balance as at 31 December 2013
receivables – statutory	58,566	5,616	3,282	60,900	26,479	23,188	64,191
receivables – other	116,887	121,473	116,887	121,473	22,188	42,348	101,313

Statutory allowances are created pursuant to the Act on Reserves.

## 7. Other assets

Prepaid expenses in the amount of CZK 897 thousand (2012: CZK 1,496 thousand) represent primarily items related to operational services. Unbilled revenue in the amount CZK 22 thousand (2012: CZK 261 thousand) represents commission income. The Company recognizes these assets on an accrual basis.

## 8. Equity

The Company's share capital consists of 400 shares with a nominal value of CZK 100,000 per share, 4,400 ordinary shares with a nominal value of CZK 10,000, and 1,100 ordinary shares with a nominal value of CZK 1,000,000. There was no change in the amount of the Company's share capital in 2013.

The shares of Factoring KB, a.s. are not publicly tradeable; they are fully transferable bearer and carry voting rights.

The share premium in the amount of CZK 6,000 thousand represents the difference between the issue and nominal values of the shares.

Changes in equity in 2013 and 2012 (in CZK thousand):

	Balance as at 31 December 2011	Increase	Decrease	Balance as at 31 December 2012	Increase	Decrease	Balance as at 31 December 2013
Number of shares	5,900	0	0	5,900	0	0	5,900
Share capital	1,184,000	0	0	1,184,000	0	0	1,184,000
Share premium	6,000	0	0	6,000	0	0	6,000
Gains and losses on revaluation of assets and liabilities	66,409	84,618		151,027		23,822	127,205
Legal reserve fund	11,470	3,485	0	14,955	835	0	15,790
Other funds	1,103	836	850	1,089	1,003	807	1,285
Profit/loss for prior years	151,215	65,378	0	216,593	14,875	0	231,468

Based on the decision of the General Meeting held on 16 April 2013 and 6 April 2012, the following distribution of profits for 2013 and 2012 was approved (in CZK thousand):

2011 profit	69,699	2012 profit	16,714
Allocation to –		Allocation to –	
reserve fund	3,485	reserve fund	835
other funds	836	other funds	1,003
Dividend payments and profit shares	0	Dividend payments and profit shares	0
Other (rounding difference)	0	Other (rounding difference)	0
Transfer of retained earnings	(65,378)	Transfer of retained earnings	(14,875)
Retained earnings as at 31 December 2012	216,593	Retained earnings as at 31 December 2013	231,468

## 9. Provisions

Movements in provisions (in CZK thousand):

Provisions	Balance as at 31 December 2011	Creation of reserves	Recognition of reserves	Balance as at 31 December 2012	Creation of reserves	Recognition of reserves	Balance as at 31 December 2013
Other	5,442	5,382	6,467	4,357	5,720	3,819	6,258

The Company creates provisions for unutilised vacation, social and health insurance, and for bonuses distributed amongst management members.

## 10. Current liabilities

As of 31 December 2013 the Company had the following current receivables (in CZK thousand):

	As at 31 December 2013	As at 31 December 2012
Trade payables		
– suppliers	1,392	1,876
– purchased receivables	4,122,519	3,708,274
Other liabilities		
– liabilities to employees	1,426	2,241
– liabilities arising from social security and health insurance	748	909
– due to government – taxes and subsidies	5,258	5,681
– unbilled deliveries	7,419	6,345
– other liabilities	38,776	6,983
<b>Total</b>	<b>4,177,538</b>	<b>3,732,309</b>

Liabilities to Company suppliers are before their due dates.

Current liabilities mostly arise from receivables purchased by the Company within the scope of factoring services provided; they represent 'recourse factoring'.

## 11. Bank loans and borrowings

Bank	Interest rate	2013		2012	
		Amount in foreign currency	Amount in CZK thousand	Amount in foreign currency	Amount in CZK thousand
KB (CZK)	PRIBOR ON ACTUAL + f.v.	1,775,450	1,775,450	1,257,068	1,257,068
KB (USD)	ON LIBOR USD ACTUAL + f.v.	5,669	112,772	3,532	67,303
KB (EUR)	ON LIBOR EUR ACTUAL + f.v.	55,878	1,532,446	31,814	799,793
KB (GBP)	ON LIBOR GBP ACTUAL + f.v.	293	9,644	202	6,235
KB (PLN)	ON WIBOR PLN ACTUAL + f.v.	1,188	7,846	528	3,260
KB (CZK)	Fixed interest rate	195,299	195,299	286,900	286,900
<b>Total</b>			<b>3,633,457</b>		<b>2,420,559</b>

Note: f.v. – fixed variance

Short-term loans amounted as of 31 December 2013 and 31 December 2012 to CZK 3,485,219 thousand and CZK 2,420,559 thousand respectively. The Company had long-term loans as of 31 December 2013 in the amount of CZK 148,238 thousand (CZK 0 thousand as of 31 December 2012).

Interest expense related to bank loans amounted to CZK 21,031 thousand in 2013 and to CZK 21,268 thousand in 2012.

## 12. Other liabilities

Other liabilities comprise accruals in the amount of CZK 425 thousand (2012: CZK 101 thousand) and deferred income in the amount of CZK 9,754 thousand (2012: CZK 0 thousand).

### 13. Income taxes

	2013 in CZK thousand	2012 in CZK thousand
Profit before taxes	73,727	29,726
Non-taxable revenue	(49,321)	(123,387)
Difference between write-offs for accounting and tax purposes	601	(211)
Non-deductible costs	21,261	128,888
– allowances	0	121,473
– provisions	246	5,382
– written off receivables	15,002	0
– other (e.g. entertainment expenses, deficits and damage)	6,013	2,033
Taxable income	46,268	35,016
Income tax rate	19%	19%
Tax	8,791	6,653
Adjustment in respect of income tax of previous years	(15)	(109)
Tax relief	0	(60)
Tax due	8,776	6,484

The Company has calculated deferred tax as follows (in CZK thousand):

Deferred tax items	2013		2012	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes		291		351
Other temporary differences:				
Allowances for receivables	731		3,306	
Provisions	1,903		1,242	
<b>Total</b>	<b>2,634</b>	<b>291</b>	<b>4,548</b>	<b>351</b>
<b>Net</b>	<b>2,343</b>		<b>4,197</b>	

### 14. Leases

Assets in the form of operating leases as at 31 December 2013 and 31 December 2012 (in CZK thousand):

Description	Lease period in months	Lease amount in 2013	Lease amount in 2012	Owner's acquisition cost
13 passenger cars	48	1,996	2,055	7,540

### 15. Commitments and contingencies

The Company recorded commitments from import factoring in the amount of CZK 22,786 thousand (2012: CZK 11,474 thousand).

## 16. Other operating expenses and income

Other operating expenses of the Company totaled CZK 433,784 thousand as at 31 December 2013 (2012: CZK 365,320 thousand). The most significant items of Other operating expenses comprise the expense arising from reassignment of receivables in the amount of CZK 394,205 thousand (2012: CZK 357,880 thousand) and the write-off of receivables in the amount of CZK 39,235 thousand (2012: CZK 7,136 thousand), in addition to a fee paid for the auditor's services, amounting to CZK 673 thousand (2012: CZK 656 thousand).

Other operating income totaled CZK 408,547 thousand as at 31 December 2013 (2012: CZK 367,620 thousand). The most significant items comprise revenues from reassigned receivables in the amount of CZK 394,205 thousand (2012: CZK 357,880 thousand), income from contractual penalties in the amount of CZK 150 thousand (2012: CZK 348 thousand), charges pertaining to changes in contractual terms and applications for provision of factoring services, and entry and monitoring fees totaling CZK 9,146 thousand (2012: CZK 9,373 thousand).

## 17. Financial expenses and income

Financial expenses primarily comprise the following items (in CZK thousand):

	As at 31 December 2013	As at 31 December 2012
Interest expense from loan facilities	21,031	21,268
Other financial expenses	231,097	124,896
– Exchange rate losses	217,928	111,267
– ATRADIUS, COFACE, ČESCOB and other insurance premiums	9,738	9,648
– Banking expenses	3,097	3,160
– Other charges	334	821
<b>Total financial expenses</b>	<b>252,128</b>	<b>146,164</b>

Financial income primarily comprises the following items (in CZK thousand):

	As at 31 December 2013	As at 31 December 2012
Interest on pre-financed purchased receivables	73,245	74,897
Exchange rate gains	217,822	110,935
Income from financial investments (Protos – dividend)	29,161	0
<b>Total financial income</b>	<b>320,228</b>	<b>185,832</b>

## 18. Personnel expenses

The average headcount, management members and personnel expenses for 2013 and 2012 (excl. remuneration paid to statutory bodies' members) are as follows:

Overview of personnel expenses (in CZK thousand):

	2013		2012	
	Total headcount	Management	Total headcount	Management
Average headcount	42	3	40	3
Wages and salaries	27,506	4,880	28,259	6,209
Social security and health insurance	9,727	1,671	10,167	1,674
Other social costs	946	458	935	70
<b>Total personnel expenses</b>	<b>38,179</b>	<b>7,009</b>	<b>39,361</b>	<b>7,953</b>

The headcount is based on the average adjusted number of employees.

In 2013, members of the Board of Directors and the Supervisory Board received a total of CZK 384 thousand in remuneration, in addition to their basic salaries (2012: CZK 384 thousand). Based on an agreement made with the Company, Board of Directors members may use company cars.

## 19. Transactions with related parties

The Company realised financial revenue from Komerční banka, a.s. in the amount of CZK 0.3 thousand for 2013 (2012: CZK 3 thousand).

The services rendered by Komerční banka, a.s. to the Company in 2013 primarily comprised (in CZK thousand):

	As at 31 December 2013	As at 31 December 2012
Financial expenses	24,382	24,583
Fee for using KB's distribution network	4,822	12,969
Trademark use	2,892	2,917
Other services provided by Komerční banka, a.s.	6,705	3,309

Financial expenses comprise primarily the interest on loans provided in the amount of CZK 21,031 thousand (2012: CZK 21,268 thousand), banking fees in the amount of CZK 3,097 thousand (2012: CZK 3,157 thousand), and other services provided by Komerční banka, a.s. in the amount of CZK 255 thousand (2012: CZK 158 thousand).

Other Komerční banka, a.s. services comprise mainly expenses related to leases of premises for regional offices, such as energy, water supply, heating, telephone charges and lease payments, and expenses related to advisory services, training and IT services.

The Company realised no fixed asset purchase from, nor a sale to Komerční banka, a.s. in either 2013 or 2012.

The Company reported expenses in the amount of CZK 0 thousand for 2013 (2012: CZK 3,007 thousand), ensuing from a lease agreement with Penzijní společnost Komerční banky, a.s. (successor of Penzijní fond Komerční banky, a.s.).

The Company reported revenue in the form of dividends paid by the Protos fund in 2013, totalling CZK 29,161 thousand. There were no revenues in the form of dividends in 2012.

## 20. Post balance sheet events

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

## 21. Cash flow statement

The cash flow statement was prepared by indirect method.

## 22. Statement of changes in equity (see point 8.)

Prepared on:  
18 March 2014

Signature of the reporting entity's  
statutory body



MILOSLAV KUKLA

Person responsible for bookkeeping



EVA BŘEZINOVÁ

Person responsible for preparation  
of the financial statements



EVA BŘEZINOVÁ



VĚRA JAHNOVÁ

# Report on Relations among the Interconnected Persons for the 2013 Accounting Period

(hereinafter referred to as the 'Report on Relations')

Factoring KB, a.s., a company having its place of business at náměstí Junkových 2772/1, Prague 5, ID No.: 25148290, entered in the Companies Register kept with the Municipal Court at Prague, Section B, Insert 4861 (hereinafter referred to as the 'Company') is a part of a business group (holding company), in which the below described relations between the Company and its controlling person exist, as well as other relations between the Company and other persons controlled by the same controlling person (hereinafter collectively referred to as the 'Interconnected Persons').

This Report on Relations among the below-specified persons has been prepared in accordance with the provisions of Section 66a (9) of Act 513/1991 Coll. (the Commercial Code), as amended later, for the period of the 2013 year, i.e. the period starting on 1 January 2013 and ending on 31 December 2013 (hereinafter referred to as the 'Accounting Period').

## I. Introduction

In the period from 1 January 2013 to 31 December 2013, the Company was a part of Société Générale S.A., a holding company having its place of business at 29, BLD Hausmann, 75009 Paris, France, registered in the French Companies Register under: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter referred to as 'SG' or 'SG Paris').

In the 2013 Accounting Period, the Company had relations with the following Interconnected Persons:

Company	Place of business	SG share on voting rights in the Company
Komerční banka, a.s.	Prague 1, Na Příkopě 33/969, postcode: 114 07	60.73%*
Modrá pyramida stavební spořitelna, a.s. (building society)	Prague 2, Bělehradská 128/222, postcode: 120 21	100%
ALD Automotive s.r.o.	Prague 10, U Stavoservisu 527/1, postcode: 100 40	100%
Protos, uzavřený investiční fond, a.s. (closed-end investment fund)	Prague 1, Dlouhá 34, postcode: 110 15	100%

\*) As at 31. 12. 2013

## II. Relations with the interconnected persons

### A. Contracts and agreements with the Controlling Person and other Interconnected Persons

#### I. Contracts and agreements entered into during the Accounting Period

Contract/agreement type (or the contract subject matter – if not specified in its title)	Contractual party	Performance by the Company	Counter-performance	Losses incurred to the Company
Agreement – outsourcing of HR services (excluding Payroll) KB Agr. No. 0000020596/0000	Komerční banka, a.s.	Price according to the Contract	Processing of the HR routine works	None occurred
Contract on sub-lease of parking places (2 parking slots)	Komerční banka, a.s.	Price according to the Contract	Providing of sub-lease of parking places	None occurred
Amendment No. 1 to the DISTRIBUTION AGREEMENT dated December 1, 2008	Komerční banka, a.s.	Price according to the Contract	Product distribution	None occurred
Annexes to the Framework Agreement Reg. No. 9900005137000 (2)	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Rendering of financial services	None occurred
Annex to the Contract on opening and keeping of current accounts in CZK	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Annex to the Contract on opening and keeping of current accounts in USD	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on termination of the contract opening and keeping of current accounts in CZK	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and keeping of current accounts in CHF with Komerční banka, a.s.	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on issue and use of a payment card (1)	Komerční banka, a.s.	Charges as per the Tariff	Issue and use of payment cards	None occurred
Framework Contract on Rendering of Financial Services Reg. No. 9900017002000, incl. its Annex (1)	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Rendering of financial services	None occurred
Agreement - services: data transfer – current accounts	Komerční banka, a.s.	Price according to the Contract	Data transmission services	None occurred
Amendment No.1 to the Agreement – Outsourcing of HR services	Komerční banka, a.s.	Price according to the Contract	Processing of the HR routine works	None occurred
Contract for the provision of services	Komerční banka, a.s.	Price according to the Contract	Providing of mail services and services of disposal of duplicate documents	None occurred
Lease contract for movable property (1)	ALD Automotive s.r.o.	Price according to the Contract	Providing of lease of movable property	None occurred
Contract for the provision of preferential conditions for the employees of KB Factoring, a.s. – participants in the housing savings scheme (in the MPSS)	Modrá pyramida stavební spořitelna, a.s.	Acceptance of preferential conditions	Providing of preferential conditions	None occurred

#### II. Performance accepted and provided from the contracts/agreements entered into in the past accounting periods

Contract/agreement type (or the contract subject matter – if not specified in its title)	Contractual party	Performance by the Company	Counter-performance	Losses incurred to the Company
Contract on sub-lease of non-residential premises, movables and payments for services connected with their use	Komerční banka, a.s.	Price according to the Contract	Providing of non-residential premises	None occurred
Contract on sub-lease of parking places (4 parking slots)	Komerční banka, a.s.	Price according to the Contract	Providing of sub-lease of parking places	None occurred

Contract/agreement type (or the contract subject matter – if not specified in its title)	Contractual party	Performance by the Company	Counter-performance	Losses incurred to the Company
Contract on sub-lease of parking places (6 parking slots)	Komerční banka, a.s.	Price according to the Contract	Providing of sub-lease of parking places	None occurred
Contract on individual pricing, incl. Annex (1)	Komerční banka, a.s.	Price according to the Contract	Individual prices invoiced for services on the client's current accounts	None occurred
Contract on cooperation in the implementation of the Contract on group risk insurance for employees No. 3280000000, as amended by Annex No. 1 of 29. 6. 2012	Komerční banka, a.s.	Payment of insurance premium to the insurer	Conclusion of risk insurance for the company's employees	None occurred
Contract for the provision of services – BI	Komerční banka, a.s.	Price according to the Contract	Providing of the BI Services ("Business Intelligence")	None occurred
Framework contract for the provision of services	Komerční banka, a.s.	Prices agreed by sub-contracts	IT infrastructure services	None occurred
Subcontract No. 1 (IT process Procedure)	Komerční banka, a.s.	Price according to the Contract	Providing of the connectivity services	None occurred
Subcontract No. 2 (IT process Procedure)	Komerční banka, a.s.	Price according to the Contract	Preparations and putting into service of the technical infrastructure	None occurred
Subcontract No. 3 (IT process Procedure)	Komerční banka, a.s.	Price according to the Contract	Putting into service and operations of the virtual environment	None occurred
Subcontract No. 4 (IT process Procedure)	Komerční banka, a.s.	Price according to the Contract	VoIP service operations	None occurred
Cooperation agreement No. 0000020447/0000	Komerční banka, a.s.	Price according to the Contract	Product distribution, marketing, human resources, taxes, budgeting, reporting, internal audit, IT	None occurred
Framework Contract on Rendering of Financial Services Reg. No 9900005137000, incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Rendering of financial services	None occurred
Contract on opening and maintaining of current accounts in CZK with Komerční banka, a.s. (5), incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and maintaining of current accounts in USD with Komerční banka, a.s. (2), incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and maintaining of current accounts in EUR with Komerční banka, a.s. (3), incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and maintaining of current accounts in CHF with Komerční banka, a.s., incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and maintaining of current accounts in GBP with Komerční banka, a.s., incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Contract on opening and maintaining of current accounts in PLN with Komerční banka, a.s., incl. Annexes	Komerční banka, a.s.	Interests and charges as per the Tariff, individual prices	Account keeping	None occurred
Framework contract for dealing on the financial market	Komerční banka, a.s.	Interests and charges as per the Tariff	Conclusions of deals on the financial market	None occurred
Contract on custody of securities, incl. handover certificate	Komerční banka, a.s.	Charges according to the Contract	Custody of securities	None occurred
Contracts of safe-deposit box use (9)	Komerční banka, a.s.	Charges as per the Tariff	Providing of safe-deposit boxes	None occurred

Contract/agreement type (or the contract subject matter – if not specified in its title)	Contractual party	Performance by the Company	Counter-performance	Losses incurred to the Company
Contract on using the direct banking services, incl. the Annex (1)	Komerční banka, a.s.	Charges as per the Tariff	Providing of direct banking services	None occurred
Contract on issue and use of a payment cards (5), incl. Annex (1)	Komerční banka, a.s.	Charges as per the Tariff	Issue and use of payment cards	None occurred
Contract on rendering of auxiliary services Profi Merlin – PO	Komerční banka, a.s.	Charges as per the Tariff	Insurance policy covering payment card misuse cases	None occurred
Contracts on lease of non-residential premises and payments for services connected with their use (3), incl. Annex (1)	Komerční banka, a.s.	Price according to the Contract	Renting of non-residential premises and movable property	None occurred
Distribution Agreement	Komerční banka, a.s.	Price according to the Contract	Product distribution	None occurred
Framework contracts on personal data processing (2)	Komerční banka, a.s.	Charges according to the Contract	Processing of client personal data	None occurred
Licence agreement	Komerční banka, a.s.	Charges as per the agreement	Providing of trademark	None occurred
Contract on insurance premium payment	Komerční banka, a.s.	Payment of insurance premium to the insurer	Entering into the insurance policy for the Company risks	None occurred
Contract on mutual cooperation, incl. the Annex (1)	Komerční banka, a.s.	Providing of services according to the Contract	Providing of banking services to the FKB employees	None occurred
Contract on rendering of services – outsourcing (HR services)	Komerční banka, a.s.	Price according to the Contract	Providing of services in the sphere of bookkeeping for the Human Resources (HR)	None occurred
Agreement on cooperation – job opportunities	Komerční banka, a.s.	Compensation for costs	Publication of advertisements on the web portal of the KB partner	None occurred
Non-disclosure Agreement (NDA)	Komerční banka, a.s.	Maintaining confidentiality in the sphere of the "Confidential Information"	Maintaining confidentiality in the sphere of the "Confidential Information"	None occurred
Rules for cooperation among KB and members of the Group in the field of sourcing and purchasing	Komerční banka, a.s.	Rules for cooperation among KB and members of the Group in the field of sourcing and purchasing	Rules for cooperation between KB and members of the Group in the field of sourcing and purchasing	None occurred
Licence agreement on using the database	Komerční banka, a.s.	Price according to the Contract (contracting parties bear the costs incurred in the connection with this Contract)	Providing of data for the management accounts	None occurred
Agreement on the organisation of periodic inspections, Amendment (1)	Komerční banka, a.s.	Price according to the Contract	Internal audit organisation	None occurred
Contract on rendering of services – access to the C4M, incl. Annex (1)	Komerční banka, a.s.	Price according to the Contract	Access to the KB application	None occurred
Framework contract	ALD Automotive s.r.o.	Price according to the Contract	Renting of movable property	None occurred
Contracts on renting of movable property (12)	ALD Automotive s.r.o.	Price according to the Contract	Renting of movable property	None occurred
Contract of providing of preferential conditions and terms for the employees of Factoring KB, a.s. – participants in the housing savings scheme in MPSS	Modrá pyramida stavební spořitelna, a.s.	Acceptance of preferential conditions	Provision of preferential conditions	None occurred

**B. Other legal acts made by the Company in the interest of the Controlling Person and other Interconnected Persons**

Based on the resolution of the General Meeting of Shareholders of PROTOS, uzavřený investiční fond, a.s. (closed-end investment fund) held on 18.4.2013, the motion of the Board of Directors for the profit appropriations has been approved and the Company has obtained the dividend in the amount of CZK 29,161,036.60.

**C. Measures adopted and/or implemented by the Company in the interest of the Controlling Person and other Interconnected Persons**

In the course of the 2013 year, no measures have been adopted and/or made by the Company in the interest of the Controlling Person and other Interconnected Persons or upon their initiative.

**III. Conclusions**

Having reviewed all the relations among the Company and the Interconnected Persons for the 2013 Accounting Period, the Company's Board of Directors claims that no injury has occurred to the Company from any of the concluded contracts, agreements or other legal acts and/or other measures adopted and/or implemented by the Company within the relevant Accounting Period.

Made in Prague, on 18 March, 2014

Factoring KB, a.s.



**MILOSLAV KUKLA**  
Chairman of the Board



**MARCELA CHALUŠOVÁ**  
Board Member



**VĚRA JAHNOVÁ**  
Board Member

# Notes



NA PARTNERSTVÍ ZÁLEŽÍ

