



PROFI CREDIT

Profireal Group

ANNUAL REPORT

2016

PROFI CREDIT Czech, a.s.

SELECTED INDICATORS OF PROFIT CREDIT CZECH, A.S.

Loans Provided (Production)	2016	2015	2014
Number of loans provided	24 945	26 821	27 483
Nominal value of loans provided (in CZK ths)*	2 396 481	2 142 782	2 148 106
Disbursed in total (in CZK ths)	961 918	904 272	906 328
Credit for employees – share in total production	83,32 %	84,36 %	82,94 %
Loans for business persons – share in total production	16,68 %	15,64 %	17,06 %
Human Resources**			
Number of external credit advisors	609	1 051	930
Number of external collectors	57	56	58
Number of employees**	211	206	196
Financial Indicators (in CZK ths)***			
Total assets	4 058 533	4 188 458	4 147 594
Total revenues	1 671 194	1 668 083	1 640 735
Total costs	1 497 261	1 514 283	1 537 166
Profit / Loss before taxation	171 276	178 963	170 844
Income tax****	-2 657	25 163	67 275
Profit / Loss after taxation	173 933	153 800	103 569

* Nominal value of a provided loan consists of the disbursed amount and future interest revenue. The value consists of the new production provided and revolving loans disbursed.

** Number at the end of the year

*** Results in accordance with Czech Accounting Standards

**** Payable, deferred tax

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1. FINANCIAL GROUP PROFIREAL GROUP

PROFIREAL Group is a multinational financial group actively operating on financial markets of Central and Eastern Europe. It ranks among significant providers of credits and loans in the Czech Republic, Slovakia, Poland, Bulgaria and Russia. PROFIREAL Group consists of two divisions. Companies of the PROFI CREDIT division operate in the world of financial credit and loans, and those of the PROFI INVESTMENT division are engaged in the development of new investment projects.

The parent company of the Group is PROFIREAL Group SE, having its registered office in the Netherlands. The Group has concerned itself with the providing of financial loans and credits since as early as 2000, when it launched the said project in the Czech Republic and Slovakia.

Over the period of pursuing its business activities, the PROFI CREDIT division has provided more than 1,203,000 loans and credits, including revolving loans. The division occupies its strongest position in the Czech Republic. Of the overall volume of loans and credits provided, the share in the Czech Republic stands at 38%. Currently, the most profitable division is the one in Poland.

The companies of the PROFI CREDIT division continued with a high volume of credit and loans provided in 2016, and the final amount represented 97% of last year's figures. This result was supported by an increase in production of PROFI CREDIT Czech by almost 12% and a repeat of last year's successful results of PROFI CREDIT Polska. In addition, the nominal value of loans and credits provided in 2016 by the PROFI CREDIT division exceeded the CZK 8.7 billion mark.

The priority of the companies of the PROFIREAL Group remains maintaining the quality of its client portfolio. The Group continues to respond to the economic situation in the individual countries in which it is active on an operative basis and to adapt its business, in particular its risk management, to the current situation and legislation changes.

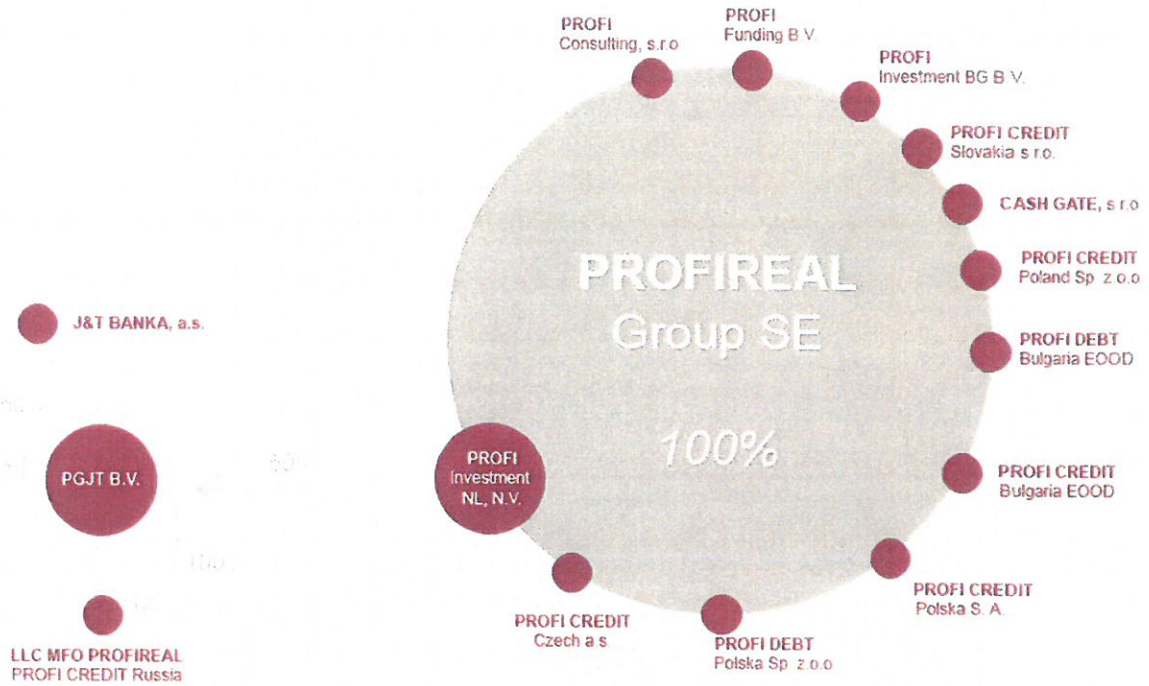
PROFIREAL Group focuses on countries of Central and Eastern Europe



The objective of the newly established PROFI INVESTMENT division is to support business activities. The main activity of PROFI INVESTMENT consists in identifying investment opportunities and interesting projects with an international overlap and also with local ambitions. Not only does the Company invest its capital in projects that have operated on the market for some time, are well established and which need a partner to provide a strong source of capital for their further development, but it also offers capital participation to new, emerging projects.

The aim of the PROFIREAL Group is to develop current activities and continually adapt them to the economic situation in individual countries. Particular emphasis is placed on quality risk management, optimising all processes within individual companies of the Group, cost savings and maintaining shares in the market segment.

Organisational structure of the PROFIREAL Group



Situation as at 31 December 2016.

2. A WORD OF INTRODUCTION FROM THE CHIEF EXECUTIVE

Ladies and gentlemen,

Allow me to take this opportunity to briefly introduce the main events and results of the Company for the year 2016.

As all economic sectors achieved good results in 2016, the market with consumer loans also grew at a quicker rate year-on-year. This had a visible impact on the actual growth of loans provided as well as the volume of loans repaid in a timely manner. Given these facts, our results can be evaluated as very successful, since our year-on-year growth was higher than market growth and we were able to maintain the quality of the portfolio of provided loans.

Specifically, the year 2016 in PROFIT CREDIT Czech, a.s. was characterised by the confirmation of correctness of the decisions made in 2015. The optimisation of the management structure of the sales network, including the construction of a backbone office network, helped us to several record months in the area of the volume of new loans provided. November became the record month in the entire history of the Company, with CZK 247.1 million. The volume of new production in that month amounted to CZK 226.8 million. The total for the year amounted to CZK 2.40 billion, of which the volume of new loans represented a nominal value of CZK 2.17 billion. In year-on-year terms, we are talking about a 14% increase in new production.

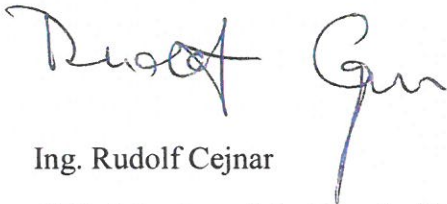
Another confirmation of a correct decision stemmed from the results achieved by the receivables call centre. The focus and concentration on clients who have repayment difficulties has proved to be a step in the right direction, especially in comparison with external entities. Not only does the internal call centre regularly achieve better efficiencies than external call centres, but it achieves these results at almost half the costs.

We were able to successfully pass on the baton of one of our main priorities – risk management and a responsible approach to indebteding our current clients or new prospective clients. We will continue our work in this area in 2017 as well. Given the legislative changes, we will be waiting to see what stance other market players will take.

Last but not least, I would like to mention our continued activities in the area of social responsibility. Following the model of 2015, we financially supported the children's home Markéta, Taťána Gregor Kuchařová's Foundation "Beauty of Help", the "Salty Children" – Club of Cystic Fibrosis Patients, and the international UNICEF Foundation. We added the logo "Children's Smile with PROFÍ CREDIT" to our identity, epitomising the primary idea of the kind of help we want to continue to provide going forward – supporting children.

Our major plan for the year 2017 is to acquire the licence from the Czech National Bank in line with new legislation. At the same time, we intend to maintain our products and services at high customer standards and confirm the results of 2016.

In conclusion, allow me to thank all business partners of our company for cooperation in the previous period, and let me extend my thanks to all employees of PROFÍ CREDIT Czech, a.s.



Ing. Rudolf Cejnar

CEO, Member of the Board of Directors of PROFÍ CREDIT Czech, a.s.

3. CHARACTERISTICS OF PROFI CREDIT Czech, a.s.

3.1 Bodies of the Company

Board of Directors



Ing. David Chour

Chairman of the Board of Directors

Mr Chour graduated from the Faculty of Economics and Administration, University of Pardubice. He joined the Company in 2000, when he began to work as a financial analyst while still a university student. He became the Head of the Debt Administration Section in 2001 and then the Economic Director at the Company. He became a member of the Board of Directors of the PROFI CREDIT Czech, a. s. in July 2001. He currently holds the position of General Manager and Chairman of the Board of Directors of PROFIREAL Group SE.



Ing. Rudolf Cejnar

Member of the Board of Directors

After graduating from the University of Economics in Prague, Faculty of Business Administration, he worked for Tesla, a.s., then joined PROFI CREDIT Czech, a.s. in 2007 as Operations Manager of the PROFI CREDIT division. He was appointed a member of the Board of Directors after working for the Company for four years, and he has occupied the position of Chief Executive since October 2012, a role in which he is responsible for coordinating the activities of all sections of PROFI CREDIT Czech, a.s.



Ing. Jana Matičková

Member of the Board of Directors

Ms Matičková graduated from the University of Economics in Prague, Faculty of Business Administration in Prague. She gained much experience in the financial sphere during her studies when she worked for Siemens Engineering as a financial analyst. Having completed her studies in 2007, she joined PROFIT CREDIT Czech as a financial analyst. She became the Financial Director in 2008. She is in charge of financial management and management of credit risks in the company. She was appointed a member of the Board of Directors of PROFIT CREDIT Czech, a.s. at the beginning of 2014.



Ing. Jaromír Všeťečka

Member of the Board of Directors

A graduate of the University of Pardubice - Jan Perner Transport Faculty, majoring in marketing, management and logistics. After graduation, he worked in the banking sector and for an international logistic company. He joined the credit division of PROFIT CREDIT in 2006. From 2013, he has held the office of Global Chief Operations Officer. He is responsible mainly for operations management and monitoring of legislation in the Czech Republic, Poland, Russia, Bulgaria and Slovakia. He has been a member of the Board of Directors of PROFIT CREDIT Czech, a.s. since 2015; he is also a member of the Board of Directors of PROFIT CREDIT Bulgaria and a member of the Supervisory Board of PROFIT CREDIT Polska.

SUPERVISORY BOARD PROFI CREDIT CZECH, A.S.

Ing. Zdeněk Lhotský, MBA - Chairman of Supervisory Board

Ing. Marek Štejnár, MBA - Member of the Supervisory Board

Ing. Miroslava Oravcová - Member of the Supervisory Board

Members of management of Advisory Unit PROFI CREDIT Czech, a.s.

Ing. Jaromír Všetěčka – Global Chief Operations Officer

– Global Chief IT Officer

Ing. Marek Štejnár, MBA – Global Chief Financial Officer

Ing. Aleš Oborník – Global Chief Collections Officer

Mgr. Erik Lorinc – Global Chief HR Officer

Ing. Ondřej Lokvenc – Global Chief Marketing Officer

David Staněk – Global Chief Sales Officer

Ing. Štěpán Onder – Global Chief Risk Officer

Ing. Zdeněk Lhotský, MBA – Strategic Development Manager

Ing. František Tesař – Special Project Manager

Members of management of Business Unit PROFI CREDIT Czech, a.s.

Ing. Jana Matičková – Head of Financial Department

Radim Kolek – Head of Sales Department

Ing. Dana Hakavcová – Head of Marketing Department

Ing. Martina Pechánková – Head of Audit Department

Bc. Jakub Dvořák – Head of Collections Department

Jan Matějka – Head of Operations Department

Ing. Lenka Luňáková – Head of HR Department

David Stránský – Head of IT Department

František Kolínský – Head of Risk Department

Situation as at 31 December 2016

3.2 Company profile

PROFI CREDIT Czech, a.s. was founded in 1994 under the trade name PROFIREAL, a. s. The Company's trade name and product brands were changed in February 2008.

Initially, the Company specialised in real estate and purchase and administration of debts. PROFI CREDIT Czech, a.s. has been involved in the non-banking financial sector since 2000, when it began providing loans to individuals - natural persons not conducting a business (employees, pensioners). The Company now has a broad portfolio of products intended for natural persons and legal persons alike and is a prominent provider of financial loan services.

PROFI CREDIT Czech, a.s. is part of the multinational PROFIREAL Group SE financial group, with its headquarters in the Netherlands. The Company began expanding into other European markets at the end of the year 2000 by moving into Slovakia. The subsidiary here, PROFI CREDIT Slovakia, s.r.o., used the know-how of the parent company and very quickly made a mark on the new market. Further expansion followed in 2004, when a subsidiary was set up in Poland. The Company then moved into the Bulgarian market in November 2006, and a new company was established in Russia in July 2013.

The basic philosophy at PROFI CREDIT is to provide a personal approach. Products are offered by way of direct sales through a network of loan advisors who help clients choose the right product according to their individual needs and financial situation. Since the environment where loans are negotiated plays an important role in customer care, the Company continued extending and modernising its offices in 2016. By taking this step, the Company intends to provide its customers with a pleasant environment to which they would like to return.

3.3 Product range

PROFI CREDIT provides loans to citizens, individuals and corporate entities. In 2016, the Company offered a consumer loan in the retail segment under the new marketing name of Personal Loan, formerly the Employee Loan. In the same year, the business loans that the Company has been offering since April 2012 were modified based on market demand and client needs. The Company launched a new product range for self-employed individuals and corporate entities, consisting of the ProFi MINI, ProFi MINI+ and ProFi BONUS loans.

The Personal Loan is a consumer product not tied to any specific purpose, the business loans do have a specific purpose. Loans are paid out without any fees for approval and set-up. Money from an approved loan is paid to the client's account by cashless transfer. Loan repayments are also made to the Company's account by cashless transfer. Our products boast of advantages in the form their accessibility and speed of provision.

The Personal Loan is intended not only for clients who have regular income, e.g. from employment (after trial period), from annuity, old-age pension or disability pension, but also for clients who receive maternity or parental benefits. The amount of these loans ranges from CZK 10,000 to CZK 166,000, the repayment period is between 12 and 48 months and the loan is not tied to any specific purpose. Clients can therefore use this loan for anything, for example for personal purposes – such as renovation or furnishing of their apartment, to buy a car, electronic appliances and the like. In 2015, we introduced a motivational bonus for orderly repayments of the Personal Loan, i.e. a reward for clients with good payment discipline, which was positively received and we continue to offer it. This year, the Personal Loan was enhanced by several seasonal special offers in order to satisfy the needs of our customers.

For clients from the business sphere, our Company offers a new product line for natural and legal persons in the territory of the Czech Republic.

The ProFi MINI and ProFi MINI+ loans are intended chiefly for small-scale businesses and self-employed individuals (natural persons and legal entities) to address their immediate financial needs. This is a short-term loan which was expanded in 2016 from a single amount of CZK 30,000, with the repayment period of 12 months to amounts ranging from CZK 15,000 to CZK 50,000 with the repayment period from 3 to 24 months. The basic criterion for determining if the applicant will be provided the loan is information from accessible registers (both public and paid registers) and the loan amount depends on the duration of the business and the applicant's age.

The ProFi BONUS loan is suitable for modernisation of establishments, procurement of equipment, machinery and various facilities for business activities. The amount provided was expanded this year and ranges from CZK 30,000 to CZK 200,000, with the repayment period extended to 12 – 60 months. In order to motivate businesses to maintain good payment discipline, we introduced a bonus for orderly repayments for this main business loan.

The Company is aware that it is necessary to take care of its loyal clients, and so it founded the **Good Client Club**. The clients that repay their loans properly receive a variety of advantages, such as cheaper loans and faster processing of their requests. We are delighted to see that the number of members increased in 2016.

Clients can use the consumer or business loans also for refinancing or consolidation of their existing loans provided by banking/non-banking institutions. By combining the client's liabilities into one loan, the total monthly expenditures on one instalment are reduced. Arrangement for repayment of a liability with another company is free of charge.

We assess solvency of clients by means of accessible registers administered by the public sector of the Czech Republic, SOLUS, CNCB registers and, as a result, our response to the financial and loan burden of citizens of the Czech Republic is more responsible.

The Company regularly receives feedback on its offered products and services from its customers and it has market research carried out. In line with customer and market needs, it prepares not only new products and services for the next period, but also new distribution options.

3.4 Commercial results

PROFI CREDIT Czech, a.s., which has provided non-banking loans and credits on the Czech market since 2000, provided loans and credits of a total value of nearly CZK 2.40 billion in 2016. The Personal Loan was our best-selling product like in previous years, but products for the business sector also represent a significant share of total production.

Prague (R 02) was the best region in 2016 for the sixth time in row, with loans provided in the Capital City of Prague and the Central Bohemia region in the total annual production of CZK 610,688 thousand. The second best was the Ostrava region (R 04) with production of CZK 398,530 thousand, which provides loans in the territory of the Moravian and Silesian region and the Olomouc region. On the third place we find the Mladá Boleslav region (R 05), providing loans in the Ústí and Liberec regions and partly in the Central Bohemia region. Its

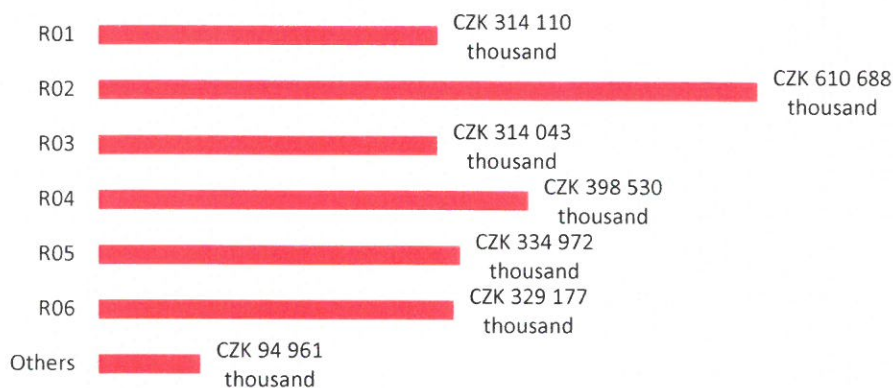
production stands at CZK 334,972 thousand. The fourth to sixth positions were held by the České Budějovice region (R 06), Pardubice (R 01) and Brno (R 03).

The record month was November 2016, when the Company provided loans of CZK 247,089 thousand in total. From a regional perspective, the strongest month was June 2016, when the Prague region arranged loans in a nominal value of CZK 60,530 thousand.

During its time on the Czech market, PROFÍ CREDIT Czech, a.s. has provided a nominal value of newly-provided loans of CZK 21.15 billion and the total historical production, including revolving loans, amounts to CZK 25.72 billion.

Total production for individual regions in 2016

Total CZK 2.40 billion



3.5 Commercial outlook

Based on the development of the financial market and regular monitoring focused on the non-banking sector, we expect only a slight increase in production in the next three years for our key product – the consumer loan, which we want to achieve by expanding the product portfolio in this segment and launching a new distribution channel.

We also plan a more significant growth in business loans, where we expect a gradual increase in the share of this segment in the overall portfolio due to the newly prepared sales model.

Our aim is to offer products that are more favourable, quicker and easier to obtain for our clients and loan advisors.

3.6 Commercial network

PROFI CREDIT Czech, a.s. offers its clients a genuine personal approach. Accordingly, it sells its products directly through a network of external colleagues – loan advisors and partner companies. A quality commercial network is the foundation on which the Company's success is built and PROFIT CREDIT therefore places great importance on the development of the commercial network. In 2016, the Company started to build a new ON-LINE education system with the aim of providing quality training for loan advisors not only at the beginning of their career, but also regularly maintaining their knowledge thanks to periodic training sessions and follow-up tests and providing its associates with up-to-date methodological support for their activities. In 2016, the Company also expanded its network of permanent sale points. It now has more than 70 offices across the Czech Republic, thus providing adequate capacities for commercial services and clients alike. The network of loan advisors ensures contact with the client and provides consistent client care, i.e. from the presentation of a full offering of services to the client, signing a loan contract, to the repayment of the loan.

In mid-2016, the Company also launched the pilot project "Telesales", under which part of the Company's clients are initially contacted by a trained specialist by phone. In future years, we plan further expanding this method of contacting clients and improving the quality of loan offering thanks to qualified specialists.

The commercial network in the Czech Republic is divided into six regions: Pardubice (R 01), Prague (R 02), Brno (R 03), Ostrava (R 04), Mladá Boleslav (R 05) and České Budějovice (R 06) regions. Each region has its own head office, which, in addition to providing the administrative background for commercial group managers and loan advisors, also serve as commercial and information points for our clients.

The relevant regional managers are responsible for the quality and volume of output and recruitment of new loan advisors in the region. Each region is further divided into several districts, where responsibility for these lie with the competent commercial group managers. During 2016, a total of 70 manager groups were active in the individual regions. We had 59 manager groups in six regions as of 31 December 2016.

Loan advisors work with PROFIT CREDIT based on cooperation contracts, the most important incentive element being the commission paid for loans arranged. Loan advisors are also offered marketing support and opportunities to attend business conferences and sports or relaxation events.

Total number of loan advisors by region as at 31 December 2016**Total of 609 advisors**

Due to legislative changes as of 1 December 2016, the number of loan advisors cooperating with our company decreased compared to 2015. This was caused by the legally required exclusivity of tied agents and the increased qualification requirements for loan advisors. Currently, loan advisors are divided into tied agents, business loan mediators and independent mediators (R07). As of 31 December 2016, the Company had 609 loan advisors in total.

Since we know well that a properly-motivated commercial network is the foundation of success, we will continue providing maximum support to the commercial network in 2017 to enable it to fully concentrate on commercial activities and so achieve the planned quantitative and qualitative results.

3.7 Employees

The development and support of IT technologies is an important element supporting the level of our business activities, so we launched a complete reorganisation of the entire IT department in 2016. Four newly-composed teams were created, consisting of one Senior Analyst, three Software Developers (or Development Leaders) and one Junior Analyst / Tester. Two completely new positions were created: Documentarist and System Architect. IT support is now organised in a new team managed by the Support Team Leader and three Support Specialists. All these changes brought along the start of recruitment for ten vacant positions; four remaining positions should be filled in early 2017.

Another important innovation of 2016 was undoubtedly the launch of the brand new “Telesales” department. This is the Company’s third Call Centre, with an entirely different focus than the two existing ones. The main task of our new colleagues working as operators is drafting applications over the phone with people interested in receiving a loan. The new department is managed by the Telesales Call Centre Teamleader. In late 2016, the department already had four members and it is expected to grow larger in 2017.

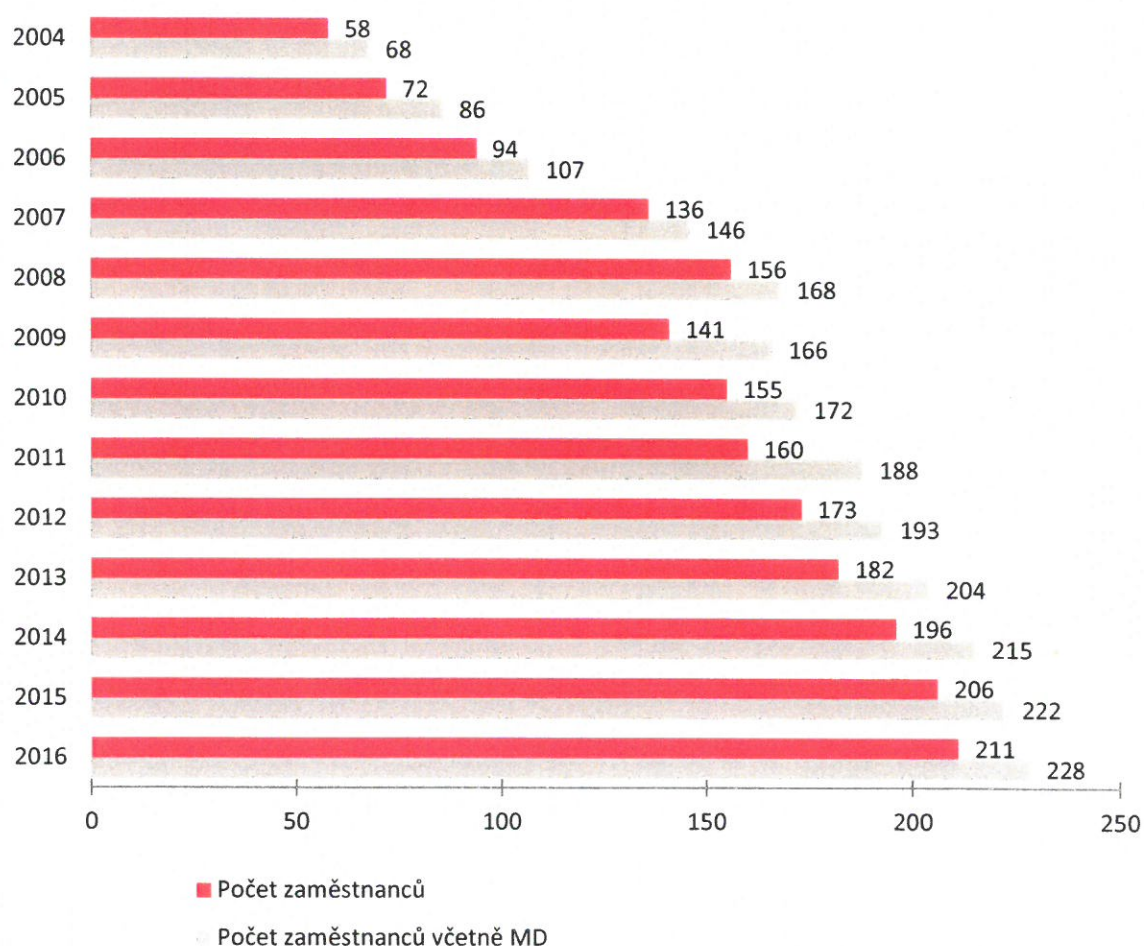
In June 2016, another new department was added to the organisational structure – the Risk Management department, which was previously part of the Finance department. It is currently composed of the Head of Risk Department and two other members.

The Junior Training Programme, a programme supporting young people on the labour market, designed as a multi-year cycle for university students, continued in 2016. Five students participated in the programme last year, and we expect to significantly increase this number in 2017 in order to always have ideally at least one Junior in each department.

In the area of personnel management, all analysed indicators were met in 2016. These indicators include HR costs, parameters of estimated stability, fluctuation, mobility, quality of adaptation and development activities.

The number of employees at PROFIT CREDIT Czech a.s. continued to increase in 2016.

The number of employees in 2016 reflected our increased business plans. Specifically, the increase was due primarily to the expansion of our two existing call centres (customer and collection), the opening of a third, brand new call centre focused on preparing a loan applications by phone (Telesales) and the above-mentioned reorganisation of the IT department, which significantly expanded our team of IT specialists. This expansion is planned to continue in 2017.



[Number of employees - Number of employees incl. employees on maternity leave]

3.8 Sponsorship

An integral part of PROFIT CREDIT Czech, a.s.'s philosophy is corporate social responsibility – CSR. The Company's aid focuses primarily on the social sphere, where it engages in help and support, both through financial support and material donations as well as on the personal level.

In order to apply the CSR philosophy, the Company created the Children's Smile with PROFIT CREDIT programme, which focuses on helping the most vulnerable population group, socially disadvantaged or disabled children, the elderly or athletes. The Company selects projects, organisations or individuals based on ethical and social aspects.

The Company's employees also actively engage in the support of people in need by co-organising events, participating with family members or as part of the new programme Baking for Good Cause, which uses sale proceeds to support individuals and selected organisations.

Primary projects continuously supported in 2016:

Private children's home Markéta

The private children's home Markéta is more than just an organisation we support, it is an integral part of PROFIT CREDIT Czech, a.s. It is a private establishment with strong family ties to the Ochs (husband and wife), who provide loving care to eight children. Their activities consists in an individual approach to the needs of each child. But even children who have reached majority find their place here, sometimes with their own families. The home is supported by the Company not only with financial donations (CZK 100,000 each year) but also active participation of our employees in children's day or collections, as needed by the home. They are also indispensable during company events, which are attended by the entire "family" of the private children's home Markéta.

Club of Cystic Fibrosis Patients

The Club of Cystic Fibrosis Patients aims to improve the quality of the patients' life and to simplify the provision of care for their families and loved ones. The Company has been supporting it since 2013. As part of this year's fundraiser softball match, the Company donated CZK 500,000 to the Club's representatives to fund the clubs operation and projects.

The Company's employees also take active part in various activities in this areas. As part of the nationwide event "Toy Windmill Day", they created toy windmills from various materials for the "salty" children together with their family members, and they joined the first annual walk through Prague aimed at raising awareness of those affected by this serious illness. This helps support the integrity of the Company and provides essential help to the Club in spreading awareness in the general public about this serious and incurable disease. We should also not forget about the joint collection for a member of the Club of Cystic Fibrosis Patients, little Elenka Teclová. Aside from being one of the "salty" children, Elenka is unfortunately also autistic. In order to simplify everyday treatment, the Company along with its employees helped her family to purchase a faster and more efficient inhaler, eFlow, of CZK 25,000.

Rebeka's Wings

Local aid is also provided to little Rebeka Čiháková, who is affected by epidermolysis bullosa ("butterfly wings' disease"). We tried to make every-day dressing changes, treatment and life in general easier for Rebeka's family by providing them with CZK 50,000, but our help also includes, for example, charity golf tournaments that the Company's management actively participates in.

UNICEF "Beauty of Help" Foundation

Aside from children, who always deserve PROFIT CREDIT Czech, a. s.'s help, we also do not forget about senior citizens. Through Taťána Gregor Kuchařová's foundation Beauty of Help, which focuses precisely on supporting the elderly and related services, we provided CZK 500,000 in late 2016 to support the construction project of a palliative day care centre in the hospice in Štěpánkova street, Chrudim, which will help solving the problematic situation of the elderly in the region.

Martin Zvolánek

In 2016, the Company could also take pride in supporting the Paralympian Martin Zvolánek, who represented the Czech Republic in club throw at the 2016 Paralympic Games in Rio de Janeiro. He has already participated in three Paralympics and won valuable medals: silver and bronze in table tennis in Sydney in 2000 and eight years later gold in disc throw at the Paralympics in Beijing. We wish him a lot of success in the future.

Velká pardubická

Activities of responsible companies no doubt include unique events. In October, we therefore sponsored the most important event of the horse-racing season – the 196th annual Velká pardubická race. The Popler Memorial of the Profireal Group was the 7th horse race immediately preceding Velká pardubická itself. The 3,300-metre long horse race was funded by Profireal Group in the amount of CZK 300,000. The race was won by the seven-year-old Irish stallion named Tarant.

Regional sponsorship

As part of the Children's Smile with PROFIT CREDIT programme, we divided another CZK 300,000 to entities, organisation, children and youth sports club or nursery schools. Or financial and non-financial donations help develop talent and leisure activities across the country.

4. REPORT OF THE BOARD OF DIRECTORS

Report of the Board of Directors on the balance of assets for 2016, annual financial statements for 2016 and proposal for distribution of profit of PROFIT CREDIT Czech, a.s. for 2016.

Dated: 25 April 2017

Prepared by: Ing. Rudolf Cejnar CEO BS, PROFIT CREDIT Czech, a.s.

This Report is submitted to the sole shareholder upon exercise of powers of the General Meeting by the Board of Directors of PROFIT CREDIT Czech, a.s., a company established on 5 December 1994, with its registered office at Klimentská 1216/46, 110 00 Prague 1. In 2016, the Company's main scope of business was the provision of credits and loans.

The total assets of the Company achieved the value of CZK 4,058,533 thousand for the reporting period of 2016. The share of current assets was 97.38% and their total volume reached CZK 3,952,041 thousand in 2016, while trade receivables amounted to CZK 3,839,862 thousand. The proportion of fixed assets to the Company's total assets stood at 1.23% and their total amount in 2016 was CZK 49,821 thousand.

In 2016, the Company's liabilities (external resource) reached CZK 2,508,726 thousand, of which long-term loans amounted to CZK 1,112,532 thousand.

The main components of the Company's total revenues, reaching the amount of CZK 1,671,194 thousand in 2016, were represented by financial revenues from provided loans and credits in the amount of CZK 1,143,085 thousand, contractual penalties, fines and interest on overdue payment of CZK 365,334 thousand, other operating revenues (court fees, fees for legal representation, etc.) of CZK 115,705 thousand.

Costs in 2016 reached the total amount of CZK 1 497 261 thousand, with the main cost items represented by value adjustments and creation of reserves in the operations area in the amount of CZK 399,832 thousand, interest on credits amounting to CZK 261,165 thousand, costs related to commissions paid to external loan and debt-collecting workers of CZK 159,653 thousand, receivables written-off due to fruitless execution and results of insolvency proceedings of CZK 156,723 thousand and wage costs of CZK 119,572 thousand.


As at 31 December 2016, the Company recognised the accounting economic result before tax in the amount of CZK 171,276 thousand. After including deferred tax (CZK 13,677 thousand) and tax liabilities, the Company earned a profit in 2016 in the amount of CZK 173,933 thousand. When taking into account the adjustments related to additional and deductible items, the income tax base for the relevant reporting period reached CZK 58,000 thousand. Tax liabilities for 2016, including the withholding tax, amount to CZK 11,020 thousand.

In accordance with the business plan, PROFIT CREDIT Czech, a.s. achieved accounting profit in 2016. The Company's net accounting profit in 2016 is CZK 173,933 thousand. In compliance with the Company's Articles of Association, it is proposed that the profit be distributed as follows:

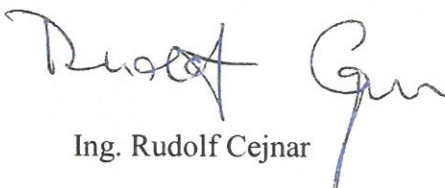
- The payment of dividend of CZK 75,000 thousand;
- The amount of CZK 98,933 thousand to be transferred to the retained profit account.

Economic results with a detailed break-down are contained in the statements attached herein below:

- Full balance sheet;
- Full profit and loss account;
- Statement of changes in equity;
- Cash flow statement;
- Notes to the complete financial statements; and
- Report on relations between related parties.



Ing. David Chour
Chairman of the Board of Directors



Ing. Rudolf Cejnar
Member of the Board of Directors

5. FINAL REPORT OF THE SUPERVISORY BOARD

Final Report of the Supervisory Board of PROFIT CREDIT CZECH, a.s. for consideration of the General Meeting of the Company.

At its session held on 27 April 2017, the Supervisory Board of PROFIT CREDIT Czech, a.s., discussed documents related to the Company's economic result submitted by the Board of Directors for the reporting period and tax period 2016, that is:

1. Financial statements of the Company for 2016;
2. Report of the Board of Directors on business activities of the Company for 2016;
3. Report of the Board of Directors on the Company's assets, financial statements and proposal for profit distribution for 2016;
4. Independent Auditor's Report on the financial statements as at 31 December 2016; and
5. Report on relations between related parties for 2016.


In accordance with the provisions of Section 447 of the Act on Business Corporations and Cooperatives, the Supervisory Board reviews, inter alia, the ordinary financial statements and the proposal of the Board of Directors for profit distribution or loss settlement and submits its opinion to the General Meeting. The ordinary financial statements of PROFIT CREDIT Czech, a.s. for 2016 were audited by the auditing company Deloitte Audit s.r.o. with its registered office in Karolinská 654/2, 186 00 Prague 8. The auditing company also reviewed the correctness of data specified in the Report on relations between related parties.

The Company's economic results for 2016 shows a profit in the amount of CZK 173,933 thousand. In compliance with the Articles of Association of the Company, the following distribution of the profit is proposed:

- The payment of dividend of CZK 75,000 thousand;
- The amount of CZK 98,933 thousand to be transferred to the retained profit account.

The Supervisory Board considered the economic result for 2016, acknowledged the content of the Auditor's Report on the ordinary financial statements, discussed and reviewed the ordinary financial statements for 2016, discussed and reviewed the proposal of the Board of Directors for distribution of the Company's profit and reviewed and granted its consent as regards the Report on relations between related parties according to **Section 82 of Act No. 90/2012**. The Supervisory Board states that the financial statements were prepared on grounds of a duly conducted bookkeeping and that the proposal of the Board of Directors on profit distribution complies with legal regulations.

The Supervisory Board recommends that the General Meeting approve the Company's ordinary financial statements for 2016, the aforementioned proposal of the Board of Directors for distribution of the Company's profit for 2016 and the Report on relations between related parties for 2016.

A handwritten signature in blue ink, appearing to read 'Zdeněk Lhotský', is written over a faint, circular official stamp.

Ing. Zdeněk Lhotský, MBA

Chairman of the Supervisory Board of PROFÍ CREDIT Czech, a.s.

6. INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT **To the Shareholder of PROFÍ CREDIT Czech, a.s.**

Having its registered office at: Klimentská 1216/46, Nové Město, 110 00 Praha 1

Opinion

We have audited the accompanying financial statements of PROFÍ CREDIT Czech, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2016, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PROFÍ CREDIT Czech, a.s. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

In Prague on 28 April 2017

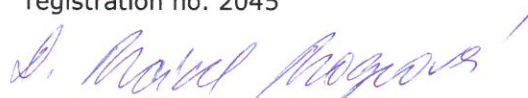
Audit firm:

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



Statutory auditor:

Diana RádĹ Rogerov
registration no. 2045



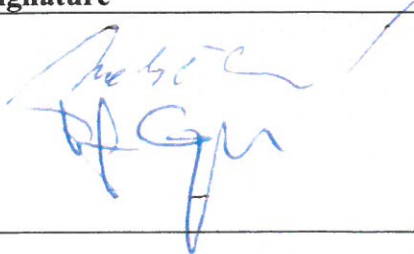
7. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Name of the Company: PROFI CREDIT Czech, a.s.
Registered Office: Klimentská 1216/46, Nové Město, 110 00 Praha 1
Legal Status: Joint Stock Company
Corporate ID: 618 60 069

Components of the Financial Statements:

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

These financial statements were prepared on 1 March 2017.

Statutory body of the reporting entity:	Signature
Ing. Jana Matičková Ing. Rudolf Cejnar	

7.1 Full Balance Sheet as at 31.12.2016 (in CZK thousand)

	31.12.2016			31.12.2015
	Gross	Adjustment	Net	Net
TOTAL ASSETS	9 522 318	5 463 785	4 058 533	4 188 458
B. Fixed assets	117 043	67 222	49 821	59 367
B.I. Intangible fixed assets	32 656	22 762	9 894	17 563
B.I.1. Research and development	4 492	2 153	2 339	3 527
B.I.2. Valuable rights	24 027	19 153	4 874	6 709
B.I.2.1. Software	24 027	19 153	4 874	6 709
B.I.4. Other intangible fixed assets	3 541	1 456	2 085	2 127
B.I.5. Prepayments for intangible fixed assets and intangible	596	0	596	5 200
B.I.5.2. Intangible fixed assets under construction	596	0	596	5 200
B.II. Tangible fixed assets	84 207	44 460	39 747	41 624
B.II.1. Land and structures	51 689	22 579	29 110	30 051
B.II.1.1. Land	2 635	0	2 635	2 635
B.II.1.2. Structures	49 054	22 579	26 475	27 416
B.II.2. Tangible movable assets and sets of tangible movable	29 718	21 881	7 837	10 096
B.II.5. Prepayments for tangible fixed assets and tangible	2 800	0	2 800	1 477
B.II.5.2. Tangible fixed assets under construction	2 800	0	2 800	1 477
B.III. Non-current financial assets	180	0	180	180
B.III.6. Loans and borrowings - other	180	0	180	180
C. Current assets	9 348 604	5 396 563	3 952 041	4 059 195
C.I. Inventories	320	0	320	463
C.I.3. Products and goods	320	0	320	463
C.I.3.2. Goods	320	0	320	463
C.II. Receivables	9 317 086	5 396 563	3 920 523	4 025 570
C.II.1. Long-term receivables	921 343	37 059	884 284	923 063
C.II.1.1. Trade receivables	921 343	37 059	884 284	923 063
C.II.2. Short-term receivables	8 395 743	5 359 504	3 036 239	3 102 507
C.II.2.1. Trade receivables	8 315 082	5 359 504	2 955 578	3 015 374
C.II.2.2. Receivables - controlled or controlling entity	8 527	0	8 527	8 364
C.II.2.4. Receivables - other	72 134	0	72 134	78 769
C.II.2.4. State - tax receivables	61 424	0	61 424	64 580
C.II.2.4. Short-term prepayments made	10 680	0	10 680	13 959
C.II.2.4. Estimated receivables	0	0	0	177
C.II.2.4. Sundry receivables	30	0	30	53
C.IV. Cash	31 198	0	31 198	33 162
C.IV.1. Cash on hand	598	0	598	348
C.IV.2. Cash at bank	30 600	0	30 600	32 814
D. Other assets	56 671	0	56 671	69 896
D.1. Deferred expenses	52 656	0	52 656	63 951
D.3. Accrued income	4 015	0	4 015	5 945

		31.12.2016	31.12.2015
	TOTAL LIABILITIES & EQUITY	4 058 533	4 188 458
A.	Equity	1 558 724	1 434 791
<i>A.I.</i>	<i>Share capital</i>	<i>232 650</i>	<i>232 650</i>
A.I.1.	Share capital	232 650	232 650
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>1 152 141</i>	<i>1 048 341</i>
A.IV.1.	Accumulated profits brought forward	1 152 141	1 006 013
A.IV.3.	Other profit or loss from prior years (+/-)	0	42 328
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	<i>173 933</i>	<i>153 800</i>
B.+C.	Liabilities	2 454 527	2 688 100
B.	Reserves	13 023	53 979
B.II.	Income tax reserve	10 718	51 961
B.IV.	Other reserves	2 305	2 018
C.	Payables	2 441 504	2 634 121
<i>C.I.</i>	<i>Long-term payables</i>	<i>1 783 025</i>	<i>1 773 823</i>
<i>C.I.1.</i>	<i>Bonds issued</i>	<i>446 150</i>	<i>325 800</i>
C.I.1.2.	Other bonds	446 150	325 800
<i>C.I.2.</i>	<i>Payables to credit institutions</i>	<i>65 329</i>	<i>83 042</i>
C.I.4.	Trade payables	72 911	79 428
<i>C.I.8.</i>	<i>Deferred tax liability</i>	<i>139 343</i>	<i>153 020</i>
<i>C.I.9.</i>	<i>Payables - other</i>	<i>1 059 292</i>	<i>1 132 533</i>
C.I.9.3.	Sundry payables	1 059 292	1 132 533
<i>C.II.</i>	<i>Short-term payables</i>	<i>658 479</i>	<i>860 298</i>
<i>C.II.2.</i>	<i>Payables to credit institutions</i>	<i>136 502</i>	<i>204 827</i>
C.II.3.	Short-term prepayments received	22	16
<i>C.II.4.</i>	<i>Trade payables</i>	<i>57 583</i>	<i>50 648</i>
C.II.5.	Short-term bills of exchange to be paid	0	24 155
<i>C.II.6.</i>	<i>Payables - controlled or controlling entity</i>	<i>53 762</i>	<i>146 599</i>
<i>C.II.8.</i>	<i>Other payables</i>	<i>410 610</i>	<i>434 053</i>
<i>C.II.8.2.</i>	<i>Short-term financial borrowings</i>	<i>80 000</i>	<i>80 000</i>
C.II.8.3.	Payables to employees	8 351	8 171
<i>C.II.8.4.</i>	<i>Social security and health insurance payables</i>	<i>4 642</i>	<i>4 417</i>
C.II.8.5.	State - tax payables and subsidies	1 693	1 772
<i>C.II.8.6.</i>	<i>Estimated payables</i>	<i>23 637</i>	<i>28 861</i>
C.II.8.7.	Sundry payables	292 287	310 832
D.	Other liabilities	45 282	65 567
D.1.	Accrued expenses	23 203	31 311
D.2.	Deferred income	22 079	34 256

7.2 Profit and loss account, according to the type of income and expenditures, period ending on 31.12.2016 (in CZK thousand)

	Year ended 31.12.2016	Year ended 31.12.2015
I. Sales of products and services	46 637	55 681
A. Purchased consumables and services	158 220	159 592
A.2. Consumed material and energy	14 589	16 895
A.3. Services	143 631	142 697
D. Staff costs	160 519	161 655
D.1. Payroll costs	119 572	121 820
D.2. Social security and health insurance costs and other charges	40 947	39 835
D.2.1. Social security and health insurance costs	38 921	37 835
D.2.2. Other charges	2 026	2 000
E. Adjustments to values in operating activities	407 779	423 229
E.1. Adjustments to values of intangible and tangible fixed assets	8 234	6 167
E.1.1. Adjustments to values of intangible and tangible fixed assets -	8 234	6 167
E.3. Adjustments to values of receivables	399 545	417 062
III. Other operating income	481 458	472 409
III.1. Sales of fixed assets	419	1 323
III.3. Sundry operating income	481 039	471 086
F. Other operating expenses	308 070	234 844
F.1. Net book value of sold fixed assets	414	1 923
F.3. Taxes and charges	13 767	14 625
F.4. Reserves relating to operating activities and complex deferred	287	144
F.5. Sundry operating expenses	293 602	218 152
* Operating profit or loss (+/-)	-506 493	-451 230
VI. Interest income and similar income	0	3
VI.2. Other interest income and similar income	0	3
J. Interest expenses and similar expenses	261 165	327 424
J.1. Interest expenses and similar expenses - controlled or controlling	10 972	26 359
J.2. Other interest expenses and similar expenses	250 193	301 065
VII. Other financial income	1 143 099	1 139 991
K. Other financial expenses	204 165	182 377
* Financial profit or loss (+/-)	677 769	630 193
** Profit or loss before tax (+/-)	171 276	178 963
L. Income tax	-2 657	25 163
L.1. Due income tax	11 020	52 353
L.2. Deferred income tax (+/-)	-13 677	-27 190
** Profit or loss net of tax (+/-)	173 933	153 800
*** Profit or loss for the current period (+/-)	173 933	153 800
* Net turnover for the current period	1 671 194	1 668 084

7.3 Statement of changes in equity as at 31.12.2016 (in CZK thousand)

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2014	232 650			927 444		103 569	1 263 663
Distribution of profit or loss				103 569		-103 569	
Change in share capital							
Profit shares paid				-25 000			-25 000
Profit share prepayments declared							
Payments from capital funds				42 328			42 328
Profit or loss for the current period						153 800	153 800
Balance at 31 December 2015	232 650			1 048 341		153 800	1 434 791
Distribution of profit or loss				103 800		-103 800	
Change in share capital							
Profit shares paid						-50 000	-50 000
Profit share prepayments declared							
Payments from capital funds							
Profit or loss for the current period						173 933	173 933
Balance at 31 December 2016	232 650			1 152 141		173 933	1 558 724

7.4 Cash flow statement as at 31.12.2016 (in CZK thousand)

	Year ended 31.12.2016	Year ended 31.12.2015	
P.	Opening balance of cash and cash equivalents	33 162	39 921
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	171 276	178 962
A.1.	Adjustments for non-cash transactions	362 006	616 149
A.1.1.	Depreciation of fixed assets	8 234	6 167
A.1.2.	Change in provisions and reserves	399 832	417 206
A.1.3.	Profit/(loss) on the sale of fixed assets	-5	600
A.1.5.	Interest expense and interest income	261 165	327 422
A.1.6.	Adjustments for other non-cash transactions	-307 220	-135 246
A.*	Net operating cash flow before changes in working capital	533 282	795 111
A.2.	Change in working capital	-16 744	-369 276
A.2.1.	Change in operating receivables and other assets	30 537	-220 403
A.2.2.	Change in operating payables and other liabilities	-47 424	-149 115
A.2.3.	Change in inventories	143	243
A.**	Net cash flow from operations before tax	516 538	425 835
A.3.	Interest paid	-264 617	-323 311
A.4.	Interest received	0	2
A.5.	Income tax paid from ordinary operations	-48 499	-80 044
A.***	Net operating cash flows	203 422	22 482
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-4 848	-18 406
B.2.	Proceeds from fixed assets sold	419	1 323
B.***	Net investment cash flows	-4 429	-17 083
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-150 957	12 842
C.2.	Impact of changes in equity	-50 000	-25 000
C.2.6.	Profit shares paid	-50 000	-25 000
C.***	Net financial cash flows	-200 957	-12 158
F.	Net increase or decrease in cash and cash equivalents	-1 964	-6 759
R.	Closing balance of cash and cash equivalents	31 198	33 162

7.5. Notes to the financial statements

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1. GENERAL FACTS

1.1. Establishment and characteristics of the Company

PROFI CREDIT Czech, a.s. (former trade name: Profireal, a.s.) (hereinafter the “Company”) was established by the Memorandum of Association as a joint-stock company on 21 November 1994 and was incorporated by its registration in the Register of Companies administered by the Court in Hradec Králové on 05 December 1994; currently, the Company is registered with the Municipal Court in Prague, Section B, Insert 2892.

The scope of business of the Company is:

- Production, trade and services not listed in Annexes 1 to 3 to the Trade Licensing Act;
- Provision or intermediation of consumer loans.

In 2016, the amount of registered capital remained unchanged and stands at CZK 232,650 thousand (40 shares in the nominal amount of CZK 5,500 thousand and 23 shares in the nominal amount of CZK 550 thousand).

The financial statements of the Company are prepared as at 31 December 2016.

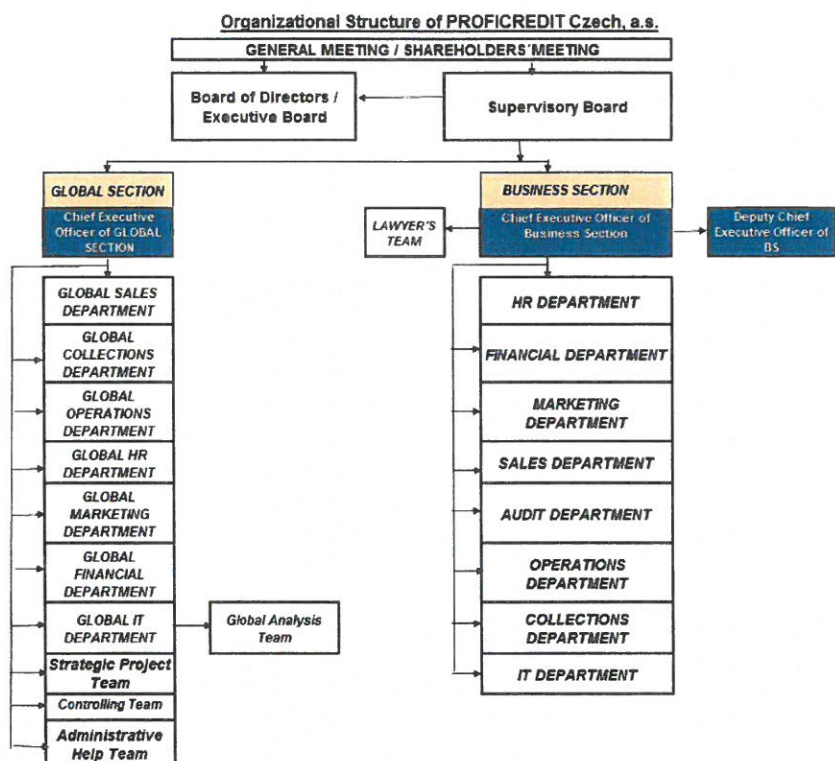
The reporting period corresponds to the calendar year – from 1 January 2016 to 31 December 2016.

The financial statements are general purpose financial statements and have not been prepared for any special purpose, transaction or user. Users should not rely exclusively on these financial statements in making decisions and should undertake other appropriate inquiries before making decisions.

Natural and legal persons with a share in the Company’s registered capital exceeding 20% and their respective shares are named in the following table:

Shareholder	% share in registered capital
PROFIREAL Group SE	100 %
Total	100 %

1.2. Organisational Structure of the Company



1.3. Identification of the Group

The Company is a member of the financial group PROFIREAL Group SE and falls within its consolidation group.

1.4. Board of Directors and Supervisory Board as of 31 December 2016

	Position	Name
Board of Directors	Chairman	David Chour
	Member	Jaromír Všečka
	Member	Rudolf Cejnar
	Member	Jana Matičková
Supervisory Board	Chairman	Zdeněk Lhotský
	Member	Marek Štejnár
	Member	Miroslava Oravcová

1.5. Changes and Amendments to the Register of Companies in the Reporting Period

In 2016, Tomáš Rosenberger was recalled from the position of a member of the Supervisory Board as of 29 February 2016 and replaced by Marek Štejnár as of 1 March 2016.

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

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

Data in these financial reports are shown in thousands Czech crowns (CZK thousand).

3. OVERVIEW OF SIGNIFICANT ACCOUNTING RULES AND PROCEDURES

3.1. Tangible fixed assets

Tangible fixed assets are understood as assets the useful life of which exceeds one year and whose value is higher than CZK 5 thousand in each individual case.

The depreciation schedule (accounting depreciation) is determined on the basis of determination of the period of use of an asset in the Company and the estimated residual cost. The residual cost is the price for which an asset can be sold after it was used.

Monthly depreciation is determined according to the following formula:

$$MO = \frac{PC - ZC}{D}$$

PC	acquisition cost
Z	Residual cost
D	period of use in months
MO	monthly depreciation

Purchased tangible fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses.

Valuation of tangible fixed assets generated internally includes direct costs, indirect costs causally related to the internal generation of the particular asset (production overheads) and related to the period of activity. Sale costs are not included.

Current replacement cost is used to evaluate tangible fixed assets acquired as a gift, fixed assets acquired free of charge based on a contract on purchase of a leased asset (recognised as a corresponding entry on the relevant accumulated depreciation account), fixed assets newly recorded on the accounts (recognised as a corresponding entry on the relevant accumulated depreciation account) and deposited tangible fixed assets.

Technical improvement of each asset exceeding CZK 5 thousand per one tax period increases the acquisition cost of tangible fixed assets.

Acquisition cost of tangible fixed assets, except for plots of land and uncompleted investments, is amortised during the estimated lifetime of the individual asset by the straight-line method.

Assets acquired in the form of a financial lease are depreciated by the lessor.

Technical improvement of leased tangible fixed assets is depreciated by the linear method for the term stipulated by the Act on Income Tax upon the classification of assets in groups.

Profit or loss from the sale or disposal of assets is determined as a difference between revenues from sales and the net book value of assets as at the date of sale and it is recognised in the profit and loss account.

Provisioning

Net book value of an asset is compared to its value in use. If the carrying amount is higher, provisions are created in the amount of the difference.

3.2. Intangible fixed assets

Intangible fixed assets are assets the useful life of which exceeds one year and whose value in case of start-up costs is higher than CZK 5 thousand in each individual case.

Intangible fixed assets are, inter alia, intangible results of research and development with the useful life exceeding one year, which are activated only in case of use for resale. Intangible results of research and development, SW and measurable rights generated internally for private consumption are not activated. Valuation is carried out at own cost or current replacement cost, if lower.

Purchased intangible fixed assets are valued at acquisition cost less accumulated depreciation and impairment losses.

Expenditures related to research and development are recognised as an expense in the year when they occurred.

Technical improvement of a particular asset exceeding in aggregate the amount of CZK 5 thousand within a single tax period increases the acquisition cost of intangible fixed assets.

Intangible fixed assets are amortised by the straight-line method on the basis of their estimated lifetime. Most intangible fixed assets are amortised over the period of 5 years.

Provisioning

The Company created no provisions for intangible assets.

3.3. Non-current financial assets

Non-current financial fixed assets are mainly loans with maturity exceeding one year, and participating interests. Upon their acquisition, participating interests are valued at acquisition cost.

Provisioning

Provisions are created on the basis of a depreciation analysis of loans and participating interests.

3.4. Inventory

Purchased inventory is stated at acquisition cost. The acquisition cost includes the purchase cost and incidental acquisition costs - mainly customs fees, freight and storage charges, commissions, insurance premium and discounts. The Company's inventory includes small advertising and promotional items only.

3.5. Receivables

When incurred, receivables are valued at their nominal value, subsequently reduced by the relevant provisions for doubtful and bad amounts. Receivables acquired for consideration or as a deposit are stated at acquisition cost less provisions for doubtful and bad amounts.

In accordance with the Memorandum, the nominal value of contracts paid out by 31 December 2010 also includes the amount of future proceeds that the Company recognises on the deferred income account (see Note 3.10.).

Provisioning

The Company recognises provisions against receivables arising from loan contracts and accrued interest attached to these receivables. The amount of provisions is determined based on an analysis of the recovery of receivables past their due dates in prior years.

The Company estimates future cash flows for individual types of receivables on the basis of historical data. The provision is then recognised as equal to the difference between the amount of the receivable and the made or anticipated payments

3.6. Trade payables

Trade payables are stated at their nominal value.

The Company writes off payables ensuing from unidentifiable received payments older than five years within other financial revenues.

3.7. Issued bonds

The Company recognises issued bonds as a liability from issued bonds in the amount of their nominal value increased by incurred interest expenses. The value of issued bonds is decreased by the value of own bonds.

3.8. Credits and loans

Credits and loans are recognised in their nominal value. Short-term credits/loans also include a part of long-term credits/loans payable within one year from the date of the financial statements. Interests are recorded on an accrual basis and are included in the profit (loss) for the given reporting period.

3.9. Reserves

Reserves are intended to cover payables and expenditure, the nature of which is clearly defined and which are, as of the balance sheet date, likely or certain to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The Company creates reserves for outstanding vacation days of employees and corporate income tax.

Reserves for outstanding vacation days are created on the basis of an analysis of the outstanding vacation days as of the date of the financial statements, and average wage costs including social security and health insurance costs of individual employees.

Reserves for corporate income tax return are constituted on grounds of the payable tax calculation.

3.10. Deferred income

The deferred income includes mainly the contractual remuneration from the loans provided until year 2010 including their subsequent rollovers, which is gradually released to income during the term of the loan.

3.11. Conversion of data in foreign currencies to the Czech currency

Accounting operations in foreign currencies carried out during the year are translated at daily exchange rate of the Czech National Bank (ČNB).

As of the date of the financial statements, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank prevailing on the date the financial statements are prepared.

3.12. Finance leasing

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, the ownership title to the asset transfers from the lessor to the lessee; pending the transfer of the title, the lessee makes lease payments to the lessor for the asset that are charged to expenses.

Aggregate amounts related to fixed assets acquired under finance leases are amortised and expensed over the lease period. Aggregate future lease payments are recorded as accounts payable and are reduced as the liability is relieved.

3.13. Taxes

3.13.1. Tax depreciation of fixed assets

The accelerated depreciation method is used for the calculation of tax depreciations.

3.13.2. Tax payable

Tax payable for the given reporting period is based on the adjusted tax base that takes into account the income or expense items that are not subject to tax or are taxable in other periods. The Company's liabilities ensuing from taxes payable are calculated using tax rates effective on the date of the financial statements. Tax payable was recognised in the form of a reserve for tax paid.

3.13.3. Deferred tax

Deferred tax is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

3.14. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is thus reduced to its recoverable amount.

3.15. Revenues

Contractual bonuses are accrued based on the amount of the outstanding portion of the principal and are reported in the line "Other financial revenues". Penalties and default interest are reported in the line "Other operating revenues".

3.16. Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. However, as evident from the nature of estimates, actual values in the future can differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include provisioning for receivables.

3.17. Related parties

A related party is a party related to a particular accounting unit, provided that such party, directly or indirectly, through one or more entities, controls the given accounting unit, is controlled by the accounting unit or is controlled jointly with the given accounting unit (this concerns parent companies, subsidiaries and fellow subsidiaries, or provided that the party is a member of the key management of the given accounting unit or its parent company).

Transactions between related parties represent a transfer of resources, services or liabilities between the related parties regardless of the fact whether prices are charged.

The Company management defined related parties specified in the financial statements and the transactions between them on grounds of the latest available data.

3.18. Year-on-year changes in valuation methods, depreciation procedures and accounting methods

No changes were made in valuation methods or depreciation procedures in 2016.

3.19. Cash flow statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent short-term liquid assets, which can be easily and readily transferred to a previously known amount in cash. Funds and cash equivalents can be analysed as follows:

	(Data in CZK thousands)	
	31.12.2016	31.12.2015
Cash balance and cash in transit + valuables	598	348
Accounts in banks	30 600	32 814
Funds and cash equivalents in total	31 198	33 162

Cash flows from operating, investment or financial activities are provided in the cash flow statement as uncompensated cash flows.

3.20. Year-on-Year Changes in Presentation

In 2016, the Company changed the presentation of the long-term and short-term portion of receivables within maturity. Due to this change, the distribution of amounts of long-term and short-term receivables within maturity in 2015 was adjusted on lines C.II.1.1. and C.II.2.1. of the financial statements.

3.21. Year-on-Year Changes in the Classification and Designation of Balance Sheet and Profit and Loss Account Items and their Substance

In preparing the financial statements the Company proceeded in line with Czech Accounting Standard No. 024 – Comparable Period for the Reporting Period Starting in 2016.

4. ADDITIONAL DATA REGARDING THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

4.1. Fixed assets

4.1.1. Intangible fixed assets

Acquisition cost

(Data in CZK thousand)

	Balance as at 31.12.2014			Balance as at 31.12.2015			Balance as at 31.12.2016		
Research and development	984	3 509	0	4 493	0	1	4 492		
Software	21 169	6 104	1 402	25 871	173	2 017	24 027		
Other intangible fixed assets	2 661	416	0	3 077	732	268	3 541		
Int. fixed assets under const.	51 509	14 968	61 277	5 200	1 205	5 809	596		
Total	76 323	24 997	62 679	38 641	2 110	8 095	32 656		

Accumulated amortisation

(Data in CZK thousand)

	Balance as at 31.12.2014			Balance as at 31.12.2015			Balance as at 31.12.2016		
Research and development	878	88	0	966	1 187	0	2 153		
Software	18 004	2 560	1 402	19 162	2 009	2 018	19 153		
Other intangible fixed assets	439	511	0	950	774	268	1 456		
Total	19 321	3 159	1 402	21 078	3 970	2 286	22 762		

Net book value

(Data in CZK thousand)

	Balance as at 31.12.2015	Balance as at 31.12.2016
Research and development	3 527	2 339
Software	6 709	4 874
Other intangible fixed assets	2 127	2 085
Int. fixed assets under const.	5 200	596
Total	17 563	9 894

Intangible fixed assets under construction were reduced by depreciation of a new management system unsuccessfully developed, in the amount of CZK 4,902 thousand in 2016.

4.1.2. Tangible fixed assetsAcquisition cost

(Data in CZK thousand)

	Balance as at 31.12.2014	Additions	Disposals	Balance as at 31.12.2015	Additions	Disposals	Balance as at 31.12.2016
Land	2 635	0	0	2 635	0	0	2 635
Structures	48 740	176	0	48 916	138	0	49 054
Tangible movable assets	34 644	3 075	2 997	34 722	1 400	6 404	29 718
- <i>Machinery and equipment</i>	8 270	215	715	7 770	458	796	7 432
- <i>Vehicles</i>	1 304	202	1 506	0	50	44	6
- <i>Furniture and fixtures</i>	25 070	2 658	776	26 952	892	5 564	22 280
Tan. fixed assets under constr.	2 221	2 595	3 339	1 477	2 913	1 590	2 800
Total	88 240	5 846	6 336	87 750	4 451	7 994	84 207

Accumulated depreciation and provisions

(Data in CZK thousand)

	Balance as at 31.12.2014	Additions	Disposals	Balance as at 31.12.2015	Additions	Disposals	Balance as at 31.12.2016
Structures	20 426	1 074	0	21 500	1 079	0	22 579
Tangible movable assets	23 727	3 896	2 997	24 626	3 658	6 403	21 881
- <i>Machinery and equipment</i>	5 246	1 195	715	5 726	1 066	797	5 995
- <i>Vehicles</i>	1 004	502	1 506	0	44	44	0
- <i>Furniture and fixtures</i>	17 477	2 199	776	18 900	2 548	5 562	15 886
Total	44 153	4 970	2 997	46 126	4 737	6 403	44 460

Net book value

(Data in CZK thousand)

	Balance as at 31.12.2015	Balance as at 31.12.2016
Land	2 635	2 635
Structures	27 416	26 475
Tangible movable assets	10 096	7 837
- <i>Machinery and equipment</i>	2 044	1 437
- <i>Vehicles</i>	0	6
- <i>Furniture and fixtures</i>	8 052	6 394
Tan. fixed assets under constr.	1 477	2 800
Total	41 624	39 747

In 2016, the Company procured low-value tangible assets at the acquisition cost amounting up to CZK 5 thousand, which were recognised directly on the expense account in the total amount of CZK 807 thousand, and in the total amount of CZK 3,531 thousand in 2015. Fixed assets under construction include costs for a planned reconstruction of the Company's real estate.

4.1.3. Pledged assets

Given that the Company has pledged no tangible or intangible assets since 2014, all information about pledged assets is given in Note 4.4.3 Pledged assets.

4.1.4. Assets acquired through financial leasingFinancial leasing with subsequent purchase of the leased asset

(Data in CZK thousands)

Description of item/group of items	Total leasing value	Instalments actually paid in 2015	Instalments actually paid in 2016	Payable in the following years
Passenger cars	41 539	7 397	6 079	12 114
HW equipment	15 604	2 406	2 765	8 161
Total	57 143	9 803	8 844	20 275

The data exclude value added tax provided that the tax can be claimed as a deduction at the input.

4.2. Receivables**4.2.1. Long-term receivables**

Long-term net receivables as of 31 December 2016 amounted to CZK 884,284 thousand (provision of CZK 37,059 thousand). As of 31 December 2015, long-term receivables amounted to CZK 923,063 thousand. These items include long-term receivables ensuing from credits and loans with maturity exceeding one year at the date of the preparation of financial statements.

4.3. Short-term receivables**4.3.1. Aging of trade receivables**

(Data in CZK thousands)

Year	Category	Unspecified	Due	Overdue	Total
2016	Gross	1 131 952	452 820	6 730 310	8 315 082
	Provisions.	854 337	18 273	4 486 894	5 359 504
	Net	277 615	434 547	2 243 416	2 955 578
2015	Gross	1 159 747	590 271	6 262 375	8 012 393
	Provisions	917 731	25 240	4 054 048	4 997 019
	Net	242 016	565 031	2 208 327	3 015 374

Interest on contractual penalties cannot be classified within the particular categories in the table as there is no effective date before the Court issues its decision (this interest is therefore included in the Unspecified category).

As of 31 December 2016, receivables (long-term and short-term) serving as collateral for accepted bank loans amounted to CZK 419,972 thousand, and for accepted non-bank loans to CZK 8,816,439 thousand CZK. As of 31 December 2015, receivables (long-term and short-term) serving as collateral for accepted bank loans amounted to CZK 398,256 thousand, and for accepted non-bank loans to CZK 8,537,200 thousand CZK.

Changes in provisions for receivables can be classified as follows:

(Data in CZK thousands)

	2016	2015
Opening balance as of 1 January	4 997 019	4 579 957
Creation	433 584	424 966
Use	-71 099	-7 904
Closing balance as of 31 December	5 359 504	4 997 019

4.3.2. Receivables from Group membersShort-term trade receivables

(Data in CZK thousands)

Company	Balance as at 31.12.2016	Balance as at 31.12.2015
Cash Gate, s.r.o.	5	11
PROFI CREDIT Bulgaria EOOD	946	852
PROFI CREDIT Polska S.A.	1 354	2 774
PROFI CREDIT Slovakia,s.r.o.	1 677	1 178
Profi Consulting s.r.o.	20	22
PROFIREAL Group SE	1 329	202
LLC MFO PROFIREAL	3 152	3 288
Silversouth, a.s.	9	9
Southstream, a.s.	9	9
Strongwest, a.s.	9	9
TH Real, a.s.	17	10
Total short-term receivables from Group members	8 527	8 364

The Company provided no loans to group members in 2015 and 2016.

4.3.3. Pledged assets2016

(Data in CZK thousands)

Description of assets	Gross value	Description, scope and purpose of pledge/ Easement	Value of liability secured
Receivables	6 669 580	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company.	744 000
Receivables	2 014 111	Set of selected receivables was pledged in favour of a creditor in order to secure a credit received by the Company.	586 605
Accounts	26 330	Balances on Collection and Blocked Accounts were pledged to secure a credit received by the Company	
Receivables	234 145	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	123 729
Receivables	132 762	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	80 000
Receivables	144 681	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	19 457
Receivables	41 146	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	25 323
Total	9 262 755		1 579 114

2015

(Data in CZK thousands)

Description of assets	Gross value	Description, scope and purpose of pledge/ Easement	Value of liability secured
Receivables	6 093 271	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company.	843 000
Receivables	2 311 617	Set of selected receivables was pledged in favour of a creditor in order to secure a credit received by the Company.	570 196
Accounts	29 221	Balances on Collection and Blocked Accounts were pledged to secure a credit received by the Company	
Receivables	217 905	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	118 497
Receivables	132 312	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	80 000
Receivables	180 351	Set of selected receivables was pledged in favour of a creditor to secure a credit received by the Company	98 392
Total	8 964 677		1 710 085

4.4. Tax receivables

Tax receivables of CZK 61,424 thousand primarily include prepayments made for corporate income tax.

4.5. Deferred expenses

As of 31 December 2016, total deferred costs amounted to CZK 52,656 thousand (CZK 63,951 thousand as of 31 December 2015).

The most significant item includes deferred expenses related to finance leasing of cars and IT technology, amounting to CZK 22,905 thousand as of 31 December 2016 (CZK 28,349 thousand as of 31 December 2015). Other significant deferred expenses include the fee for credit provision from non-banking entities amounting to CZK 22,282 thousand (2015: CZK 7,078 thousand).

4.6. Equity

As of 31 December 2016, equity amounts to CZK 1,558,724 thousand (CZK 1,434,791 thousand as of 31 December 2015). In compliance with the Articles of Association of the Company, the following distribution of the profit is proposed:

- The payment of dividend of CZK 75,000 thousand;
- The amount of CZK 98,933 thousand to be transferred to the retained profit account.

4.7. Reserves

	(Data in CZK thousands)		
	Reserves for untaken leave	Income tax reserve	Reserves in total
Balance as of 31.12.2015	2 018	51 961	53 979
Balance as of 31.12.2016	2 305	10 718	13 023

4.8. Liabilities**4.8.1. Long-term trade liabilities**

	(Data in CZK thousands)	
Type of liability	Balance as of 31.12.2016	Balance as of 31.12.2016
Commission to staff providing credits	72 911	79 428

4.8.2. Issued bonds

In December 2012, the Company issued book-entry bonds in the total amount of CZK 3,000,000 thousand (the nominal value of each particular bond is CZK 1).

In 2016, the Company placed a total of 132,700 thousand bonds, with the interest rate of 2,000 thousand bonds being 7.5% p.a., and that of 130,700 thousand bonds being 6.5% p.a. In addition, the Company prematurely redeemed 12,350 bonds with the interest rate of 7.5% p.a., by which amount it subsequently decreased the number of book-entry bonds issued.

In 2015, the Company placed a total of 181,600 thousand bonds, with the interest rate of 153,800 thousand bonds being 7.5% p.a., and that of 27,800 thousand bonds being 6.5% p.a.

4.8.3. Other long-term payables and long-term bills of exchange

Type of liability	Currency	(Data in CZK thousand)		Form of security 2016
		Balance as of 31.12.2016	Balance as of 31.12.2015	
Loan from non-banking entity	CZK	744 000	843 000	Bill of exchange and pledged receivables
Loan from non-banking entity	CZK	303 203	272 784	Bill of exchange and pledged receivables, pledge account and guarantee by the parent company
Payables from leasing	CZK	12 089	16 749	–
Total		1 059 292	1 132 533	–

Long-term payables include payables with maturity exceeding one year on the date of the financial statements.

4.9. Short-term trade and other payables

In other short-term payables, the Company recognises a short-term part of the credit obtained from a non-banking entity and amounting to CZK 283,402 thousand (CZK 297,413 thousand as of 31 December 2015) and a payable arising from leasing in the amount of CZK 8,186 thousand (CZK 7,861 thousand as of 31 December 2015) and other short-term payables in the amount of CZK 699 thousand (CZK 5,558 thousand as of 31 December 2015).

Aging of short-term trade payables

Year	Category	(Data in CZK thousand)		
		Due	Overdue	Total
2016	Short-term	50 856	6 727	57 583
2015	Short-term	42 818	7 830	50 648

Type of liability	Currency	Balance as of 31.12.2016	Balance as of 31.12.2015
Short-term bill of exchange	CZK	0	24 155

4.9.1. Short-term intercompany payables

Company	(Data in CZK thousand)	
	Balance as of 31.12.2016	Balance as of 31.12.2015
PROFIREAL Group SE	51 206	144 005
Profi Credit Slovakia, s.r.o.	487	465
Profi Credit Polska S.A.	0	3
Profi Consulting s.r.o.	69	126
Silversouth, a.s.	2 000	2 000
Total short-term intercompany payables	53 762	146 599

4.9.2. Loans and credits received – controlling party2016

Company	Interest rate (fixed or floating)	Security	Maturity date	(Data in CZK thousands)	
				Currency	Net book value
PROFIREAL Group SE	Fixed	Bill of exchange	Indeterminate period	CZK	50 000

2015

Company	Interest rate (fixed or floating)	Security	Maturity date	(Data in CZK thousands)	
				Currency	Net book value
PROFIREAL Group SE	Fixed	Bill of exchange	Indeterminate period	CZK	141 500

4.10. Payables to credit institutions**4.10.1. Long-term payables to credit institutions**

2016

(Data in CZK thousand)		
Bank	Balance as of 31.12.2016	Form of collateral
Banking entity	22 274	Bill of exchange
Banking entity	43 055	Bill of exchange
		Pledged receivables
Total	65 329	

2015

(Data in CZK thousand)		
Bank	Balance as of 31.12.2015	Form of collateral
Banking entity	32 764	Bill of exchange
Banking entity	50 278	Bill of exchange
		Pledged receivables
Total	83 042	

4.10.2. Short-term payables to credit institutions, short-term financial assistance

2016

(Data in CZK thousands)		
Creditor	Balance as of 31.12.2016	Form of collateral
Non-banking entity	80,000	Bill of exchange
		Pledged receivables

Bank	Balance as of 31.12.2016	Form of collateral
Banking entity	10 490	Bill of exchange
Banking entity	19 457	Bill of exchange
		Pledged receivables
Banking entity	558	Bill of exchange
Banking entity	80 674	Bill of exchange
		Pledged receivables
Banking entity	25 323	Bill of exchange
		Pledged receivables
Total	136 502	

2015

(Data in CZK thousands)		
Creditor	Balance as of 31.12.2015	Form of collateral
Non-banking entity	80 000	Bill of exchange
		Pledged receivables

Bank	Balance as of 31.12.2015	Form of collateral
Banking entity	14 672	Bill of exchange
Banking entity		Bill of exchange
	98 392	Pledged receivables
Banking entity	23 544	Bill of exchange
Banking entity		Bill of exchange
	68 219	Pledged receivables
Total	204 827	

4.11. Estimated payables - short-term

As of 31 December 2016, estimated payables – short-term amount to CZK 23,637 thousand (CZK 28,861 thousand as of k 31 December 2015) and predominantly include estimated interest expense.

4.12. Deferred income and accrued expenses

As of 31 December 2016, deferred income amounts to CZK 22,079 thousand (CZK 34,256 thousand as of 31 December 2015) and is represented by deferred contractual remuneration relating to consumer loans disbursed before 2011 which is gradually released to income.

Accrued expenses amount to CZK 23,203 thousand (CZK 31,311 thousand as of 31 December 2015) and are represented mainly by commissions paid to the staff providing credits at the amount of CZK 22,079 thousand (CZK 21,039 thousand as of 31 December 2015).

4.13. Income tax**4.13.1. Deferred tax**

The deferred tax liability can be analysed as follows:

	(Data in CZK thousand)	
	Balance as of 31.12.2016	Balance as of 31.12.2015
Tax liability		
Difference between accounting and tax residual value	24 308	23 939
Balance - customers – contractual fines	2 846 492	2 835 251
Balance - customers – default interest	979 909	1 028 567
Deferred tax liability - base in total	3 850 709	3 887 757
Tax asset		
Creation of provisions for client contractual fines	2 258 540	2 112 015
Creation of provisions for client default interest	807 945	868 483
Future creation of tax provisions	48 532	99 873
Reserve for unused vacation days	2 305	2 018
Deferred tax asset - base in total	3 117 322	3 082 389
Resultant base of deferred tax	733 387	805 370
Deferred tax - liability (2015: 19%, 2016: 19%)	139 343	153 020
Deferred tax already recognised	153 020	180 210
Deferred tax to be recognised in the profit and loss account	-13 677	-27 190

4.13.2. Tax charge

The amount of tax can be compared to the profit according to the profit and loss account as follows:

	(Data in CZK thousand)	
	Balance as of 31.12.2016	Balance as of 31.12.2015
Profit before tax	173 933	178 963
Income tax rate	19%	19%
Tax under local income tax rate	33 047	34 003
Tax impact of non-deductible costs/revenues	-21 722	18 631
Withholding tax for current reporting period	305	281
Tax payable for current reporting period	11 020	52 353
Changes in deferred tax liability	-13 677	-27 190
Total income tax for regular activities and for extraordinary activities	-2 657	25 163

4.14. Sales of services

	(Data in CZK thousands)					
	Period until 31.12.2016			Period until 31.12.2015		
	Domestic	Foreign	In total	Domestic	Foreign	In total
Revenues - sale of services (consulting services)	0	41 452	41 452	0	49 102	49 102
Revenues - provided trademarks	0	3 747	3 747	0	5 397	5 397
Revenues - renting of real estate	866	0	866	801	0	801
Revenues - other	454	118	572	376	5	381
Total sales of services	1 320	45 317	46 637	1 177	54 504	55 681

4.15. Transactions with related parties**4.15.1. Revenues from transactions with related parties**

2016

(Data in CZK thousand)

Entity	Other revenues	Services	Total
Cash Gate, s.r.o.	62	0	62
Profi Consulting s.r.o.	71	0	71
PROFI CREDIT Bulgaria, EOOD	577	6 008	6 585
PROFI CREDIT Polska S.A.	1 395	22 398	23 793
PROFI CREDIT Slovakia, s.r.o.	1 775	9 018	10 793
PROFI CREDIT Sp.z o.o.	0	0	0
PROFIREAL Group SE	0	1 323	1 323
LLC MFO PROFIREAL	0	2 821	2 821
Silversouth, a.s.	18	0	18
Southstream, a.s.	21	0	21
Strongwest, a.s.	18	0	18
TH Real, a.s.	94	0	94
Total	4 031	41 568	45 599

2015

(Data in CZK thousand)

Entity	Other revenues	Services	Total
Cash Gate, s.r.o.	63	0	63
Profi Consulting s.r.o.	71	0	71
PROFI CREDIT Bulgaria, EOOD	737	11 676	12 413
PROFI CREDIT Polska S.A.	1 600	16 226	17 826
PROFI CREDIT Slovakia, s.r.o.	3 053	14 098	17 151
PROFI CREDIT Sp.z o.o.	0	1 634	1 634
PROFIREAL Group SE	6	852	858
LLC MFO PROFIREAL	0	4 623	4 623
Silversouth, a.s.	18	0	18
Southstream, a.s.	22	0	22
Strongwest, a.s.	18	0	18
TH Real, a.s.	94	0	94
Total	5 682	49 109	54 791

All revenues from transactions with related parties were obtained at arm's length prices.

4.15.2. Purchases with related parties

2016

(Data in CZK thousand)

Entity	Services	Other expenses	Total
PROFIDEBT Slovakia, s. r. o.	0	2	2
Profi Consulting s.r.o.	899	0	899
PROFI CREDIT Slovakia, s.r.o.	1 887	305	2 192
PROFIREAL Group SE	0	24 553	24 553
LLC MFO PROFIREAL	1 586	0	1 586
Silversouth, a.s.	0	153	153
Total	4 372	25 013	29 385

2015

(Data in CZK thousand)

Entity	Services	Other expenses	Total
Profi Consulting s.r.o.	1 530	0	1 530
PROFI CREDIT Poland Sp.z.o.o.	4	1	5
PROFI CREDIT Slovakia, s.r.o.	1 566	280	1 846
PROFIREAL Group SE	0	37 807	37 807
Silversouth, a.s.	0	152	152
Total	3 100	38 240	41 340

4.15.3. Other transactions with related parties

The Company was provided with a loan by PROFIREAL Group SE in 2014. The loan was provided pursuant to General Credit Agreement no. PCT/PG/11/2011, executed on 16 November 2011, and the interest rate stood at 15.5% p.a., with the line of credit stipulated at CZK 50 million. By way of Amendment No. 1 to this Agreement, the line of credit was increased to CZK 250 million and the interest rate increased to 18% p.a. in 2014. In 2015, the interest rate was reduced to 13.25 p.a. according to Amendment No. 2. The Company owed the principal of CZK 50,000 thousand and CZK 141,500 thousand as of 31 December 2016 and 2015, respectively. The Company paid interest in the amount of CZK 10,820 thousand and CZK 28,057 thousand as of 31 December 2016 and 2015, respectively.

The Company was provided with a loan from Silversouth, a.s. in 2013. The loan was provided pursuant to General Credit Agreement No. 06/08/2009, signed on 07 August 2009, with the interest rate of 7.5 % p.a. and the line of credit was stipulated at CZK 2 million. The Company paid interest in the amount of CZK 152 thousand as of 31 December 2016 and 2015.

4.16. Consumed purchases

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Material consumption	9 522	12 814
Energy consumption	5 067	4 081
Total consumed purchases	14 589	16 895

4.17. Services

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Repairs and maintenance	2 714	2 596
Travel expenses	3 776	5 166
Costs of representation	6 909	6 434
Telephone, fax, Internet, postage	10 952	9 112
Consultancy services and audit	7 337	6 506
Rent	18 216	15 467
Leasing	10 057	9 475
Intermediation of employees	593	2 012
Notary and legal services	14 571	15 421
Advertisements, commercials	24 407	34 182
Language translations	143	190
Other services	43 956	36 136
Total	143 631	142 697

4.18. Other operating income

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Contractual penalties and interest on overdue payment	365 334	358 296
Other operating income	115 705	112 790
Total	481 039	471 086

In 2016, other operating income chiefly consists of income predominantly composed of costs of legal representation related to the collection of receivables from debtors, transferred by the Company to its debtors in the total amount of CZK 66,311 thousand.

In 2015, other operating income chiefly consisted of costs of legal representation related to the collection of receivables from debtors, transferred by the Company to its debtors in the total amount of CZK 70,723 thousand.

4.19. Other operating expenses

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Gifts	2 461	2 195
Other penalties and sanctions	26	224
Depreciation of receivables and assigned receivables	228 661	97 784
Deficits and damages in operation	20	240
Other operating costs	62 434	117 709
Total	293 602	218 152

In 2016, the Company wrote off receivables in the amount of CZK 30,624 thousand based on an ineffective result of execution proceedings and receivables in the amount of CZK 126,099 thousand based on verdicts of insolvency proceedings

In 2015, the Company wrote off receivables in the amount of CZK 7,957 thousand based on an ineffective result of execution proceedings, receivables in the amount of CZK 63,317 thousand based on verdicts of insolvency proceedings, and an investment in an unsuccessfully developed information system, in the amount of CZK 50,902 thousand.

4.20. Other financial revenues

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Exchange rate gains	14	23
Other financial revenues	1 143 085	1 139 968
Total	1 143 099	1 139 991

Other financial revenues include regular remunerations for the provision of credits or loans (main revenues of the Company).

4.21. Interest expenses

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Interest on bank credits	15 460	15 576
Other interest payable to other creditors	245 705	311 848
Total	261 165	327 424

4.22. Other financial expenses

	(Data in CZK thousand)	
	Period until 31.12.2016	Period until 31.12.2015
Exchange rate losses	464	324
Interest - promissory note	3 288	3 382
Fee for provision of a bank loan	11 534	13 580
Other financial expenses	188 879	165 091
Total	204 165	182 377

Other financial costs mainly include commissions for loan agents amounting to CZK 159,653 thousand (CZK 144,539 thousand in 2015).

5. EMPLOYEES, COMPANY MANAGEMENT AND STATUTORY BODIES**5.1. Staff costs and number of employees**

The average recalculated number of employees and Company management members in 2016 and 2015 is as follows:

2016

	Number	(Data in CZK thousand)
		Personnel costs in total
Employees	188	134 886
Company management	13	25 633
Total	204	160 519

2015

	Number	(Data in CZK thousand)
		Staff costs in total
Employees	184	122 561
Company management	15	39 094
Total	199	161 655

Total salary costs include remunerations paid to members of the Company's statutory bodies, including members of the Supervisory Board, in the amount of CZK 5,835 thousand and CZK 6,528 thousand in 2016 and 2015, respectively. The number of employees is based on the average recalculated headcount. The term "Company management" refers to the Company's top management.

5.2. Provided loans, credits or other performance

In 2016 and 2015, members of the Board of Directors and Supervisory Board received the following remuneration in addition to their basic salaries:

2016

	(Data in CZK thousand)	
	Board of Directors	Supervisory Board
Remuneration	5 655	1 510
Cars / other movable and immovable items that might be used for private purposes (amounts increasing the employees' tax base)	490	161
Total	6 145	1 671

2015

	(Data in CZK thousand)	
	Board of Directors	Supervisory Board
Remuneration	6 348	180
Cars / other movable and immovable items that might be used for private purposes (amounts increasing the employees' tax base)	412	0
Total	6 760	180

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

The Company reports no off balance sheet commitments and is not aware of any potential losses.

Collateral acceptances issued

The Company has issued blank bills of exchange in order to secure credits received from providers of bank and non-bank credits. An overview of secured liabilities is provided in Note 4.10.

Litigations

The Company is currently involved in no significant passive legal dispute.

7. POST BALANCE SHEET EVENTS

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

8. REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

for the reporting period from 1 January 2016 to 31 December 2016

(Report on Relations)

This Report on Relations was prepared pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Act on Business Corporations), as amended (the “Act on Business Corporations” henceforth).

PROFI CREDIT Czech, a.s., with registered office at Praha 1, Klimentská 1216/46, post code 110 00, Company ID: 61 86 00 69, registered on 05 December 1994 in the Register of Companies administered by the Municipal Court in Prague, Section B, Insert 2892 (hereinafter the “Company”), is a member the PROFIREAL Group and is engaged in the provision of consumer credits.

The company has a sole shareholder, i.e. **PROFIREAL Group SE, with registered office at Martinus Nijhofflaan 2, 2624 ES Delft**, which is the Company’s controlling entity having a decisive influence on managing the Company. In relation to this shareholder, the Company is an entity controlled through decisions made at the General Meeting.

Other parties directly controlled by the controlling entity are **PROFI CREDIT Slovakia, s.r.o.**, with registered office at Pribinova 25, 824 96 Bratislava, **PROFI CREDIT Bulgaria EOOD**, with registered office at 49 Bulgaria Blvd., 1404 Sofia, **PROFI CREDIT POLSKA S.A.**, with registered office at Browarna 2, 43-300 Bielsko-Biala, **PROFI CREDIT Poland Sp. z o.o.**, with registered office at Browarna 2, 43-300 Bielsko-Biala, **PROFIDEBT Polska Sp. z o.o.**, with registered office at Browarna 2, 43-300 Bielsko-Biala, **PROFIDEBT Bulgaria EOOD**, with registered office at 49 Bulgaria Blvd., 1404 Sofia, **PROFI Consulting s.r.o.**, with registered office at Pernštýnské nám. 80, 530 02 Pardubice - Staré Město, **PROFI Investment NL N.V.**, with registered office at Martinus Nijhofflaan 2, 2624 ES Delft, **PROFI Investment BG B.V.**, with registered office at Martinus Nijhofflaan 2, 2624 ES Delft,

PROFI Funding B.V., with registered office at Martinus Nijhofflaan 2, 2624 ES Delft, and **Cash Gate, s.r.o.**, with registered office at Klimentská 1216/46, 110 00 Praha 1.

Another party indirectly controlled by the controlling entity is **PGJT B.V.**, with registered office at Martinus Nijhofflaan 2, 2624 ES Delft. In addition, a party indirectly controlled and having external equity participation is **LLC MFO PROFIREAL**, with registered office at Ligovsky prospect Office 266, 196084 Saint-Petersburg.

Other parties related to the controlling entity are: Southstream, a.s., with registered office at Pernštýnské nám. 80, 530 02 Pardubice - Staré Město, Silversouth, a.s., with registered office at Pernštýnské nám. 80, 530 02 Pardubice - Staré Město, Strongwest, a.s., with registered office at Pernštýnské nám. 80, 530 02 Pardubice - Staré Město, and TH REAL, a.s. with registered office at Thunovská 192/27, 118 00 Praha 1 – Malá Strana.

During the reporting period concerned, i.e. from 1 January 2016 to 31 December 2016, no acts were performed at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity in relation to assets exceeding 10% of the Company's equity as determined according to the most recent set of financial statements.

Overview of agreements concluded between the Company and PROFIREAL Group SE or between entities controlled by the controlling entity:

In the reporting period 2016, the Company performed the following agreements concluded with **PROFIREAL Group SE** as an entity controlling the Company:

General agreement for consultancy services I. dated 21 Decmeber 2007

General agreement for consultancy services II. dated 21 April 2008

General credit agreement no. PCT/PG/11/2011 dated 16 November 2011, as amended by later amendments

Agreement on remuneration for guarantee Solarex dated 30 September 2010

Remuneration agreement for the guarantee Dairewa I. dated 23June .2011, as amended by later amendments

Remuneration agreement for the guarantee Dairewa II. dated 16 September 2013

Remuneration agreement for the guarantee Dairewa III. dated 24 October 2014

Remuneration agreement for the guarantee Dairewa IV dated 18 February 2016

The following agreements were concluded or performed by the Company and other parties controlled by the controlling entity until 31 December 2016:

with PROFI CREDIT Slovakia, s.r.o.

General agreement for consultancy services dated 15. January 2006

General agreement for consultancy services dated 31 December 2014

General agreement for services related to the operation and development of MIS dated 01 February 2010, as amended by later amendments

Licence agreement for use of a trademark dated 09 February 2009, as amended by later amendments

with PROFİ CREDIT Sp. z o.o., whose legal successor is Profi Credit Polska S.A. as of 26 February 2015

Licence agreement for use of a trademark dated 18 December 2008, as amended by later amendments

General agreement for consultancy services dated 15 January 2006, as amended by later amendments

General agreement for services related to the operation and development of MIS dated 01 August 2010 as amended by later amendments

with PROFİ CREDIT Bulgaria EOOD

Licence agreement for use of a trademark dated 22 December 2008, as amended by later amendments

General agreement for consultancy services dated 15 January 2006, as amended by later amendments

General agreement for services related to the operation and development of MIS dated 26 May 2010 as amended by later amendments

with Cash Gate, s.r.o.

Agreement of sublease dated 15 June 2013

with PROFİ Consulting, s.r.o.

Agreement of lease non-residential premises dated 04 September 2001

Agreement for services dated 04 September 2001, as amended by later amendments

Agreement for services dated 01 September 2006

with LLC MFO PROFIREAL

IT service agreement dated 31 March 2013

Master service agreement dated 01 January 2014

with Strongwest, a.s.

Agreement of lease non-residential premises dated 01 January 2009

with Silversouth, a.s.

Agreement of lease non-residential premises dated 01 January 2009

General credit agreement no. 06/08/2009 dated 06 August 2009

with Southstream, a.s.

Agreement of lease non-residential premises dated 01 January 2009

with TH Real, a. s.

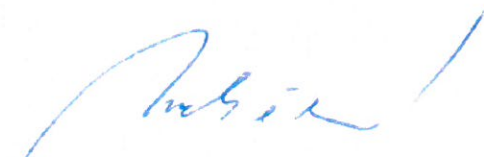
Agreement of lease of a transport vehicle dated 13 November 2013

The above-mentioned agreements were concluded in compliance with the applicable legal regulations. The agreements were concluded for prices and under conditions customary in business relations in the given place and time. The Company suffered no detriment as a result of the conclusion of the aforesaid agreements.

The Company has assumed a key role in PROFIREAL Group SE chiefly as a result of providing the other companies with the trademark PROFI CREDIT and consultancy services, along with the effective management of cash flows within the whole group.

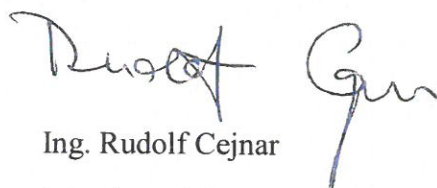
In the relations between the aforesaid parties, advantages prevail owing to the membership in the internationally operating PROFIREAL Group SE. The most important advantages include: unified conceptual management and unified policy designed for business activities, shared know-how, methodology, control mechanisms and collaboration between individual member companies. The long-term collaboration, thorough knowledge of the given sphere and quality of services provided by PROFIREAL Group SE all contribute to reaffirming the trust in the market of consumer credits. The Company suffered no detriment from the above relations.

In Prague on 1 March 2017



Ing. Jana Matičková

Member of the Board of Directors



Ing. Rudolf Cejnar

Member of the Board of Directors

9. CONTACTS

Trade name of the Company:

PROFI CREDIT Czech, a.s.

Registered office:

Klimentská 1216/46

post code 110 00 Praha 1

Mailing address:

nábřeží Závodu míru 2738-9

post code 530 02, Pardubice

Legal form:

joint-stock company [akciová společnost]

Company Identification Number:

61860069

Tax Identification Number:

CZ61860069

Tel.: +420 466 741 417

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