PROFIREAL GROUP SE

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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dated August 30, 2018

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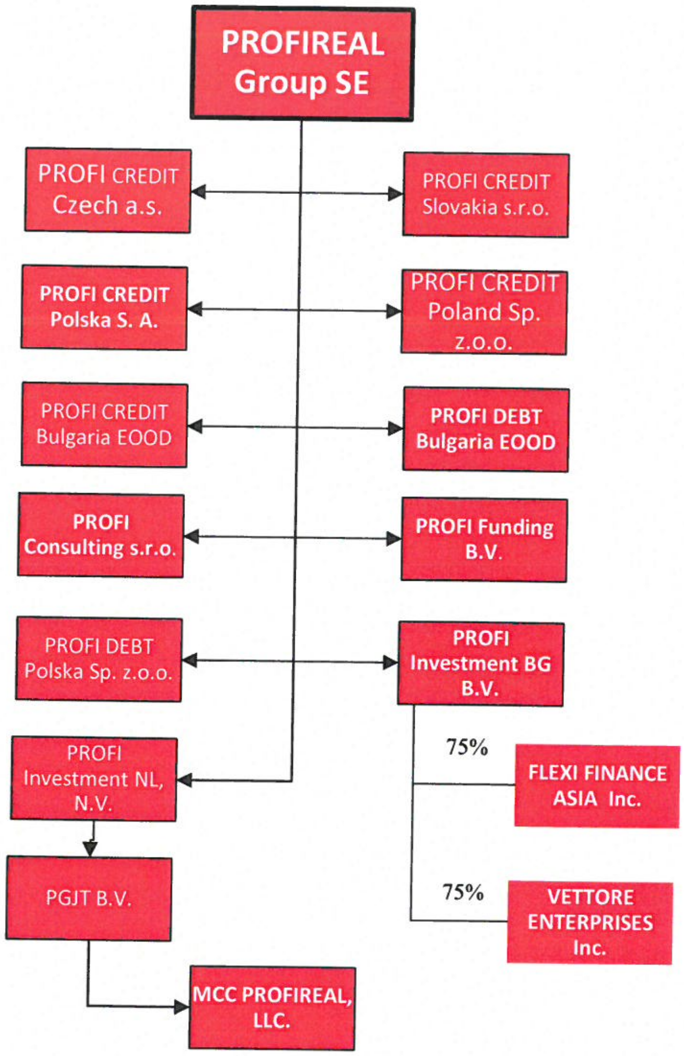
Profireal Group Structure



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PROFI CREDIT focuses on countries of Central/ Eastern Europe and newly Asia

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Company Body as of 31.12.2017

Board of Directors

David Chour	Chairman
Zdeněk Lhotský	Member
Joop Michel	Member
Gerben van den Berg	Member
Dennis Kramer	Member

There was no change in the Board of Directors in 2017.

Registered office

Martinus Nijhofflaan 2
17th floor
2624 ES Delft
the Netherlands

phone: + 31 15 789 0192
fax: + 31 15 789 0193

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Subsidiaries

PROFI CREDIT Czech, a.s.
Registered Office
Klimentská 1216/46, Nové Město
110 00 Praha 1

Offices:
Pardubice
Praha
Brno
Ostrava
Mladá Boleslav
České Budějovice

Executives:
David Chour
Jaromír Všetečka (till 11.08.2017)
Rudolf Cejnar
Jana Matičková (till 21.06.2017)
Marek Štejnar (from 21.06.2017)
Aleš Oborník (from 11.08.2017)

PROFI CREDIT Slovakia, s.r.o.
Registered Office
Pribinova 25
824 96 Bratislava

Offices:
Bratislava
Banská Bystrica
Košice
Nitra

Executives:
David Chour
Miroslav Jurenka
Richard Lörincz
Aleš Oborník

PROFI CREDIT Polska S.A.
Registered Office
ul. Browarna 2
43-300 Bielsko-Biała

Offices:
Bielsko-Biala
Wroclaw
Opole
Katowice
Krakow
Lodz
Warszawa
Poznan
Torun
Gdansk
Szcecin
Olsztyn
Bialystok
Kielce
Lublin
Rzerszów
Zielona Góra
Katowice Zachód
Bydgoszcz
Warszawa II.

Executives:
David Chour
Slawomir Pawlik
Agnieszka Berkan
Marek Štejnar

PROFI CREDIT Bulgaria Ltd.
Registered Office
49 Bulgaria Blvd., building 53E, entrance V, 7 th floor
1404 Sofia

Offices:
Pleven
Bourgas
Plovdiv
Blagoevgrad

Executives:
David Chour
Svetoslav Nikolov
Jaromír Všetečka (till 11.07.2017)
Ondřej Lokvenc (from 11.07.2017)
Irina Georgieva

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PROFI CREDIT Poland Sp. z o.o.
Registered Office
ul. Browarna 2
43-300 Bielsko-Biała

Executives:
Krzysztof Knapek

PROFIDEBT POLSKA Sp. z o.o.
Registered Office
ul. Browarna 2
43-300 Bielsko-Biała

Executives:
Sławomir Pawlik

PROFI Investment NL N.V.
Registered Office
Martinus Nijhofflaan 2
2624ES Delft
The Netherlands

Executives:
David Chour
Zdeněk Lhotský
Dennis Jacobus Marlies Kramer
Winchester Trust & Consultancy B.V.

PROFI Investment BG B.V.
Registered Office
Martinus Nijhofflaan 2
2624ES Delft
The Netherlands

Executives:
Panma B.V.
Dennis Jacobus Marlies Kramer
David Chour
Zdeněk Lhotský

MCC PROFIREAL, LLC.
Registered Office
Ligovsky prospect 196084,
266 lit.O, Saint-Petersburg
Russia

Executives:
Nikolay Binev Kolev (till 5.10.2017)
David Chour
Pavel Shelepin (till 10.07.2017)
Elena Hegerova (till 10.07.2017)
Kuznetsov Alexander (from 11.07.2017)
Irina Efimova (from 11.07.2017)
David Staněk (from 5.10.2017)

PROFIDEBT Bulgaria Ltd
Registered Office
49 Bulgaria Blvd., building 53E, entrance V, 7th floor
1404 Sofia

Executives:
Svetoslav Nikolov

PROFI Consulting, s. r. o.
Registered Office
Pernštýnské nám. 80
530 02 Pardubice

Executives:
David Chour
Václav Říha

PGJT B.V.
Registered Office
Martinus Nijhofflaan 2
2624ES Delft
The Netherlands

Executives:
Nicolaas Scholtens
Dennis Jacobus Marlies Kramer
Libor Marek
David Chour

PROFI Funding B.V.
Registered Office
Martinus Nijhofflaan 2
2624ES Delft
The Netherlands

Executives:
Panma B.V.
Dennis Jacobus Marlies Kramer
David Chour
Zdeněk Lhotský

FLEXI FINANCE ASIA INC.
Registered office
3rd Floor, Right Wing CIFC Tower, NRA, Cebu City,
Philippines 6000

Executives:
Jana Matickova (from 11. 8. 2017)
Ales Rozmanity (from 11. 8.2017)
Ronnie Katona
Dominik Szabo
Marketa Sramkova (from 11. 8. 2017)
Riza Lyn Ybanez (till 10. 8. 2017)
Miralie Olalo (till 10. 8. 2017)
Tadahide Tamala (till 10. 8. 2017)

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VETTORE ENTERPRISES INC.

Registered office
3rd Floor, Right Wing CIFC Tower, NRA,
Cebu City, Philippines 6000

Offices:
Cebu City
Metro Manila

Executives:

Jana Matickova (from 11. 8. 2017)
Ales Rozmanity (from 11. 8. 2017)
Ronnie Katona
Dominik Szabo
Marketa Sramkova (from 11. 8. 2017)
Riza Lyn Ybanez (till 10. 8. 2017)
Miralie Olalo (till 10. 8. 2017)
Tadahide Tamala (till 10. 8. 2017)

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Basic business indicators of PROFI CREDIT production companies:

PROFI CREDIT Czech	2017	2016
Total assets (EUR '000)	121 316	119 182
Total equity (EUR '000)	34 168	26 149
Total revenues (EUR '000)	48 134	50 953
Profit/Loss (EUR '000)	9 440	8 135
Number of employees	228	212
Volume of sales (EUR '000)	86 342	88 690

PROFI CREDIT Polska	2017	2016
Total assets (EUR '000)	198 437	174 809
Total equity (EUR '000)	27 907	27 388
Total revenues (EUR '000)	92 528	78 322
Profit/Loss (EUR '000)	6 565	1 207
Number of employees	380	345
Volume of sales (EUR '000)	185 262	155 546

PROFI CREDIT Bulgaria	2017	2016
Total assets (EUR '000)	36 751	34 079
Total equity (EUR '000)	778	-500
Total revenues (EUR '000)	15 863	16 755
Profit/Loss (EUR '000)	-3 722	-3 355
Number of employees	202	195
Volume of sales (EUR '000)	36 661	29 551

MCC PROFIREAL OOO	2017	2016*
Total assets (EUR '000)	9 256	
Total equity (EUR '000)	4 175	
Total revenues (EUR '000)	5 129	
Profit/Loss (EUR '000)	-5 382	
Number of employees	222	
Volume of sales (EUR '000)	16 782	

* Joint venture in 2016

FLEXI FINANCE Asia	2017	2016*
Total assets (EUR '000)	14 508	
Total equity (EUR '000)	183	
Total revenues (EUR '000)	2 492	
Profit/Loss (EUR '000)	-2 106	
Number of employees **	355	
Volume of sales (EUR '000)	14 371	

* Acquired in 2017

** Number of employees provided by VETTORE – 1017

PROFI CREDIT Slovakia	2017*	2016
Total assets (EUR '000)	50 802	68 443
Total equity (EUR '000)	-34 620	-18 100
Total revenues (EUR '000)	24 322	33 485
Profit/Loss (EUR '000)	-16 520	-6 339
Number of employees	67	90
Volume of sales (EUR '000)	32 279	40 178

* Discontinued (held for sale) operation

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Introduction of Profireal Group

Business Activities

PROFIREAL Group SE (the "Group") is a diversified financial services group which provides consumer loans and invests across Europe and Asia. The Group is active in Central and South European countries, Russian Federation and from 2017 also in Asia – the Philippines. The Group is organised into two divisions: PROFI CREDIT and PROFI INVESTMENT.

In previous years there was another separate division – PROFIDEBT. PROFIDEBT was a debt collection and recovery business focusing on retail receivables with market presence in the Czech Republic and Slovakia. In January 2014 Profireal Group sold the subsidiary Profidebt, s.r.o. (Czech Republic) and the receivables portfolio of Profidebt Slovakia, s.r.o. to Intrum Justitia, a European leader in credit management service.

In 2014 PROFI INVESTMENT division was established in order to support business activities. Its main activity consists in seeking out investment opportunities and interesting projects having an international overlap and local ambitions.

PROFI CREDIT primarily offers instalment credit, loans and other financial services such as payment protection insurance. Since 2003, PROFI CREDIT has also been providing loans to small and medium-sized enterprises and entrepreneurs. As of 31 December 2017, PROFI CREDIT's loan portfolio amounted to EUR 742 million (an increase of 15% compared to 2016). Historically, PROFI CREDIT has provided more than 1,373 thousand private individual loans (incl. newly acquired company in the Philippines since the year of acquisition) and more than 37 thousand business loans, respectively.

In 2017, the consolidated net result after tax of the financial group was EUR (12 740) thousand, out of which the consolidated profit of continuing activities amounted EUR 2 619 thousand. The result is influenced by taking full control over Russian subsidiary (joint-venture till 2016) as well as acquisition of the companies in the Philippines.

The PROFIREAL Group focuses on sustainable growth, hence investments namely into development of IT infrastructure has been realized and shall continue in further years. The Group does not intend to make any significant changes in the workforce.

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Report of the Board of Directors

There were two important milestones related to Group´s structure during 2017. The Group extended its activities to the Philippines by acquiring majority stake in a consumer loan provider FLEXI Finance. This first step to Asia signifies further geographical diversification of Group´s business activities to the region with huge potential. The second important change was the Group´s decision to take over the full control over a joint-venture operating in Russian Federation. This company, originally founded with Group´s partner J&T, is currently under control of the Group and shows hence the interest and trust of the Group in Russian market. The same year the Group decided to dispose (outplace) the Slovakian business that remains, however, still under control of Group´s founder.

In the area of consumer loan the Group launched an alternative distribution channel – on-line – supported with altered product offer. This project realized in majority of its subsidiaries aims to respond to market development with intention to serve better and more quickly to clients´ needs.

The Group continued developing the risk management in order to mitigate mainly credit and operational risks. The personnel belongs to key assets of the Group. In reaction to labour market development in most countries, the Group has developer its remuneration system for selected key positions.

In 2017, the Group´s operating companies provided their clients with loans amounting EUR 372 million (18 percent increase compared to 2016). The total consolidated assets of the financial group increased by 11 percent, from EUR 400 million at the end of 2016 to EUR 442 million. The total consolidated revenues including discontinued operations of the financial group increased by 8 percent between 2016 and 2017, amounting EUR 194 million.

The consolidated net loss of the Group in 2017 was EUR (12 740) thousand (in 2016, it was a profit of EUR 509 thousand). The aggregate consolidated accumulated loss in 2017 amounted to EUR 134.6 million, of which EUR 158 million represents a loss that arose from the elimination of the revaluation of transferred investments as part of the Group restructuring which took place in 2007.

As of 31 December 2017, the Group reported equity of EUR 10 million (as of 31 December 2016 it was EUR 23.4 million). The deficit on equity in the past was incurred due to the initial costs of forming foreign Group entities and initiating their business activities but also due to the limited financing over the last years as a result of the global crisis.

Risk management and financial instruments

Exposure to various risks arises in the normal course of the Group's business. These risks include:

a) Strategic risk,
b) Operational risk,
c) Financial risk,
    a. credit risk,
    b. interest rate risks,
    c. currency risk,
    d. liquidity risk,
    e. capital risk,
d) Financial reporting risk,
e) Legislation and regulations risk,
    a. ethical risk,
    b. new legislation risk,
    c. changes in taxation.

Principal financial assets of the Group include cash at bank and cash and loans and advances to customers which represent a maximum exposure of the Group to risk in relation to financial instruments.

A) Strategic risk

Our business is influenced by a large number of competitors on all markets where our subsidiaries operate. The competitive fight could bring the need for additional expenses towards developing new products and conducting marketing campaigns.

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When we enter new markets it takes a relatively long time to get into black numbers and in this period we are significantly sensitive to any market change or other type of risks described below.

Our business model counts with a relatively long lifecycle that may be impacted by legislative/market changes with a retroactive impact.

B) Operational risk

Operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Group assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks.

The Group places emphasis on the quality of information technology systems. Despite the measures that we have implemented, our systems could be breached or damaged by computer viruses and systems attacks, because there is no assurance that the measures we have implemented will be sufficient in every situation to prevent a system failure, accident or security breach from occurring. The group does regular backups of all important data.

The fraud risk is namely connected with the client (consumer/entrepreneur loans), cooperating third parties (sales agents, collection agents) and internal staff.

Fraud report related to clients and cooperating agents are produced and evaluated monthly by each lending company. Maximal fraud limits are to be set for the sale agents. When repeatedly exceeded a detailed control will be done or the cooperation can be terminated.

In case of other (internal) staff there shall be two key areas: prevention and identification. Prevention: definition of limited responsibilities for each position, applying control of the supervisor, defining corporate rules. Identification: through regular controls, use of internal audit, incorporation of whistleblowing rules.

C) Financial risk

a. Credit risk

Credit risks of the Group predominantly relate to loans and advances to customers. The balances presented in the consolidated statement of financial position are reported net of provisions for impaired receivables, which are charged, based on the estimate of the Group's management taking into account historical experience and impacts associated with existing economic conditions.

Debt Recovery
Companies in the Profireal Group use their own network of external collection specialists for the recovery of their own or purchased receivables.

Debt recovery activities show generally stable results. The Group's strategy in the field of debt recovery consists of a long recovery procedure (related to the terminated loan agreements) using field collectors as well as legal proceedings followed by bailiffs. Some countries are impacted by the phenomenon of the insolvency proceedings (personal bankruptcy) – e.g. the Czech Republic. The recent legislative initiatives may have led to the modification of legal proceedings in terms of limitation of legal fees, imposing a rule of territoriality for bailiff proceedings. Nevertheless all those changes are continuously evaluated and the respective measures are applied (e.g. searching for alternatives of in-house debt recovery).

Credit Risk Collateralisation
The principal limitation of the credit risk exposure relates to the fact that the Group has its credit risk diversified into a significant number of clients and geographically within the entire Group. Contracts for the provided loans are also collateralised by a guarantee, eventually by bills of exchange, or a security is required.

Collateral for Received Loans
The Group uses its assets as collateral for received bank and non-bank loans. These assets include real estate and receivables from provided loans. In terms of the collateral, it is important for companies to monitor the amount of the receivable from advanced loans, which are not impaired.

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The Group reports no significant concentration of credit risks as its exposure is distributed among a significant number of counterparties and customers.

b. Liquidity risk

The liquidity risk represents the risk that the Group will not have sufficient funds available to settle the amounts owed arising from financial contracts at the given moment of time.

Under its contracted limits of overdraft facilities, the Group can apply for the additional drawing of funds at any point in time and thus deals with the difficulties arising from a potential lack of funds.

c. Concentration Risks

The majority of funds in Profireal Group companies are provided by two main creditors, however one of them is a newly created intra-group company. Despite of the progress achieved in diversification if its creditors there is still a risk of insufficient funds in case the cooperation with key creditors is terminated. The management is aware of that risk and permanently is negotiating with other creditors.

d. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The companies in the Profireal Group have concluded long-term loan contracts which are renewed and adjusted on an annual basis. For these reasons, the interest rate risk is minimised. In addition, the Group has the possibility to change, as and when required, the interest rates attached to advanced loans.

e. Currency risk

Currency risk includes the risk of change in the value of a financial instrument as a result of a change in market foreign currency rates and the potential impact of these changes in profit and loss. The table in Note 30 d) to the financial statements shows the structure of assets and liabilities in the Group.

The Group is not significantly exposed to the currency risk. PROFI CREDIT Polska SA is the only exception. The company has drawn a credit in EUR and provides loans in PLN. Instalments to the creditor are paid in EUR. In 2012 PROFI CREDIT Polska SA changed the conditions of this loan contract and started to draw the credit in CZK that is less volatile than EUR in relation to PLN.

f. Capital Risks

The Group's policy is to achieve a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group manages its capital to ensure that entities in the Group are able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.
The Group, as a provider of loans and credits, is mainly influenced by leveraging its business through external financing. There are no real seasonality impacts on its financial position but a volatility of financial markets might positively or negatively influence the Group's financial position.

D) Financial reporting risk

The Group places emphasis on the quality of internal and external reporting system, including the safety of information technology systems. Despite the measures that we have implemented, our systems could be breached or damaged by computer viruses and systems attacks, because there is no assurance that measures we have implemented will be in any situation sufficient to prevent a system failure, accident or security breach from occurring.

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E) **Legislation and regulation risk**

a. Ethical risk

Because of positive public relations the Group companies need to comply with adequate ethical behaviour. Therefore internal procedures and training aimed at knowing the laws, regulations, Ethical code and whistle-blower code are implemented. This training is organised at least once a year. We use also procedures aimed at hiring ethical staff (including references).

b. New legislation risk

We are influenced by frequent changes in consumer credit law in numerous of our jurisdictions. While we were always able to adapt to all new regulations there is a risk that any new lay could have a material adverse effect on our business and financial condition.

c. Changes in taxation

We are subject to income taxes in the European Union, the Netherlands and numerous other jurisdictions. Changes in tax legislation could adversely influence our financial condition in the future.

Management considerations and appetite for key risks

The following risk elements from the list above are of the highest importance as per management´s opinion:

- Legislation and regulation risk
- Liquidity/funding risk (concentration)
- Market risk
- IT risk

Legislation and regulation risk

As per management's opinion it is difficult to quantify this kind of risk due to missing knowledge regarding possible scenarios of future development. Nevertheless, as per management's opinion this kind of risk belongs to those with a highly material impact.

The companies can mitigate this risk in two ways – in a "reactive" mode – changing their business models and developing new products and services in order to comply with new regulations and in a "proactive" mode – through active participation in market development and active communication with all stakeholders. Regulatory review is part of regular monthly reporting.

The Group has proven its ability to react to various legislative changes.

Liquidity/funding risk

The financial industry depends significantly on external funding. The Group's companies are exposed to liquidity risk connected with external funding and its conditions. In addition, except for one subsidiary there is relatively high concentration risk with regard to creditors. Management considers this risk as high.

In case of a lack of funds the companies would have to reduce their sales activities, which, in the long term, may result in lower loan receivables balances and turnover.

The management supervises regularly the financial position of all companies, analyses cash-flow and its forecasts as well as all covenants. In addition, new creditors have been invited to enlarge the list of co-operating partners in order to diversify funding.

The Group has not experienced any significant issues in the area of liquidity/funding risks. On the other hand, the Group succeeded to create an intra-group financing entity that supports particular businesses.

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Market risk

Two key elements of market risks – variations of interest rates and FX – are regularly followed by management. The first risk is mitigated through contractual conditions (on both sides – liabilities – received loans and assets – provided loans), hence this market risk is of low to mid importance.

Only one subsidiary is exposed to the second risk (FX) in connection with different currencies of received and provided loans. The impact of this risk is recognized through FX gains/losses in the company´s P/L. In the last two years net FX losses in Poland amounted EUR 1.0m (2017), 4.9m (2016).

Hedging instruments are regularly considered but not applied at this moment due to costs.

IT risk

The financial industry is significantly dependant on information technology and information systems, namely in the retail area with plenty of small individual receivables. There are several key elements required from IT/IS – reliable data serving for management as well as mandatory reporting and accounting & tax purposes; data security, i.e. in connection with personal data protection (GDPR EU Directive comes into force in May 2018). This area is considered of high importance by management.

The Group companies possess their own IT departments that cover most of the tasks (however, external vendors are used as well). There is regular monitoring of legislative changes (at both EU and local levels), while those that are evaluated as important for the Group are mostly reflected through particular projects. Data reliability is verified through various controls that should be strengthened (independent controls, different levels) through a new project that is being realized at the Group level.

Management approach towards risk appetite

In the area of credit risk the management accepts higher risk appetite that is connected with target segments the Group is focused on (medium-prime and sub-prime). The higher risk appetite is reflected in product parameters and processes adopted by the companies.

The Group pays high attention to legislative/regulatory risks aiming at the full compliance of all processes and products.

Regarding other risk areas management analyses the potential impact and level of measures to mitigate the risk for each particular case.

Description of legal changes and their impact on Group´s business activities in 2017

Business activities of the Group in the area of consumer/entrepreneur lending were impacted by several legal changes in all countries the Group has been operating. All of them generally tend to protect consumers' interests. They were partly imposed by the implementation of the amended EU directive on consumer credits; however additional requirements were introduced by the governments.

In reaction to those changes the subsidiaries modified their portfolio of products and services, as well as internal processes. The situation in particular countries is described hereinafter.

Czech Republic
An amendment to the Consumer Credit Act following the respective EU directive was implemented in 2016. The company filed its application for a license of (non-banking) consumer loan provider. New legislation has imposed changes in various processes.

Other legislative initiatives remain still under preparation. Those are e.g. a proposal of changes of the Act on Insolvency aiming at softening rules for the personal bankruptcies.

Slovak Republic
Most of the legal changes came into force in 2015. Since that time the regulatory body, Slovak National Bank, has introduced through own regulations additional rules related e.g. to creditworthiness calculation and consumer loan maturity limits.

Poland
An amendment to the Consumer Credit Act came into force in March 2016. Several limitations and duties were introduced through this amendment.

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There are new legislative initiatives proposed by governmental bodies – softening consumer bankruptcy procedure.

There were also several changes in tax-related acts introduced in 2017/early 2018. Some of them in connection with European BEPS/ATAD initiatives.

Bulgaria
Limitation of penalties applicable onto clients in delay came into force in January 2017 as consequence of legislative changes in 2016.

Some changes impacting distrain and prosecution proceedings against consumers were voted in the Parliament in autumn 2017.

Russian Federation
Russian supervisory bodies were modifying the rate cap limits with a quarterly frequency.

There are several legislative initiatives in various stages of approval. Those are limitations of penalties, rules of matching order of payments.

All entities in EU countries have been preparing their processes in order to comply with personal data protection directive (GDPR).

Business Outlook for the Coming Years

For the 2018 financial year, the Group expects strong growth in newly opened Asian region. Development of business followed improving financial performance in Russia (investments into higher penetration shall bring returns). The "older" markets (Czech, Polish, Bulgarian) shall steadily grow.

At Group level, further optimization and diversification of financial resources will be continued. The Group will also support selected subsidiaries through equity investments in order to maintain the required capital ratios.

In most of the markets, newly developed on-line distribution channel and product will be launched. 2018 will be then a year of testing and tuning this new tool.

Following European regulations (as well as changes in other countries – Russian Federation and the Philippines) new approach towards financial instruments and their valuation/impairment has to be implemented from January 2018 (IFRS 9). An increase of allowances is expected in this regard within the range EUR 79m – 123m. The consolidated equity would be decreased by the same amount (change of method) as consequence. The management has assessed a going concern resulting from expected negative consolidated equity (drop of equity resulted from change of allowances). The management is of the opinion that negative consolidated equity reported in consequence of new reporting approach (expected credit loss vs. previously used incurred loss) doesn´t harm going concern of the Group. The drop of equity should be compensated by lower dynamics of cost of risk recognized during the lifetime of each generation (hence better results in the future). This expectation has been confirmed by a simulation of the impact of earlier adoption of IFRS 9 in one of the entities.

The above impact should be also supported by improving performance namely in new markets (Russian Federation and the Philippines). Results of entities in the new markets have been impacted by start-up investments as well as rapid expansion that should turn into break-even in the forthcoming years contributing to positive consolidated net income (hence growth of consolidated equity).

This position is further supported by a cash-flow analysis. The changes in financial reporting shall not directly influence cash-flow that is crucial for both short- and long-term sustainability of the business. In connection with contractual duties towards key creditors, the management has approached them to share the impacts of new financial reporting standards with them and assure continuity of the relationships.

In addition, the recent changes of control over one of the most important creditors are perceived as an additional factor supporting stable position of the Group. The Group´s companies and their most important loan agreements provide sufficient flexibility to Group´s companies to mitigate potential negative impact.

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In 2017, companies in the Group managed to enter into new loan contracts with banking and non-banking entities. PROFI CREDIT Czech a.s. successfully continued with placing its corporate Debt securities to investors and so the aggregate amount of Debt securities.

This Report of the Board of Directors was prepared and approved on July 20, 2018.

Members of the Board of Directors A:

G. van den Berg

D. Kramer

Members of the Board of Directors B:

D. Chour

Z. Lhotský

Members of the Board of Directors C:

J. Michel

M. Štejnar

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Consolidated Financial Statements
Prepared in Accordance with International Financial Reporting Standards
as Adopted by the EU
for the Year Ended 31 December 2017

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Consolidated Statement of Comprehensive Income

	NOTE	Year ended 31 December 2017 EUR '000	Year ended 31 December 2016 EUR '000
Interest income	5	140 890	136 015
Interest expenses	5	-33 867	-34 210
Net interest income		**107 023**	**101 805**
Provisions for credit risks	6	-53 615	-50 644
Net interest income after provisions for credit risks		**53 408**	**51 161**
Net fees and commissions	7	-5 983	-7 043
General administrative expenses	8	-54 516	-39 543
Net insurance income	9	16 516	11 599
Other operating income/(expenses), net	10	-6 244	-8 438
Share of loss of a joint venture		0	-1 784
Profit before taxation		**3 181**	**5 952**
Income tax	11	-1 710	-1 111
Profit after taxation		**1 471**	**4 841**
Profit from continuing operations		1 471	4 841
- attributable to Owners of the Group		*2 252*	*4 841*
- attributable to Non-controlling interest		*-781*	*0*
Loss for the year from discontinued operations	13	-14 367	-4 332
Profit for the period		**-12 896**	**509**
Profit for the year attributable to:			
Owners of the Group		*-12 115*	*509*
Non-controlling interest		*-781*	*0*
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		517	-888
Total comprehensive income for the year		**-12 379**	**-379**
Total comprehensive income for the year attributable to:			
Owners of the Group		-11 747	-379
Non-controlling interests		-632	0
		-12 379	**-379**

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Consolidated Statement of Financial Position

	NOTE	31 December 2017 EUR '000	31 December 2016 EUR '000
Cash and balances with banks	16	17 652	5 752
Loans and advances to customers (net)	17	334 283	362 748
Deferred expenses and accrued income and other assets	18	15 747	8 803
Deferred tax asset	24	15 723	11 915
Income tax	11	0	3 295
Assets classified as held for sale	14	50 802	0
Intangible assets (net)	19	2 807	675
Property and equipment (net)	20	5 495	5 075
Investment in a joint venture	2	0	1 653
Goodwill from acquisition	3	7 675	0
Total assets		**450 184**	**399 916**
Amounts owed to loan advisors	21	8 732	5 383
Liabilities arising from finance leases	22	1 006	1 527
Bank loans and overdrafts	25	6 081	7 469
Other received loans	26	276 711	313 598
Debt securities	23	26 924	16 511
Tax liabilities	11	2 567	717
Deferred tax liabilities	24	17	0
Deferred income Bonus loans	28	21 562	19 069
Other liabilities	29	4 946	5 915
Provisions	27	5 432	6 365
Liabilities directly associated with assets classified as held for sale	14	85 223	0
Total liabilities		**439 201**	**376 554**
Share capital	31	9 000	9 000
Share premium		150 032	150 032
Foreign currency translation reserve	32	-327	-844
Accumulated loss		-134 638	-135 335
Profit or loss for the current period		-12 896	509
Attributable to the owners of parent company		11 804	23 362
Non-controlling interest		-821	0
Total equity		**10 983**	**23 362**
Total liabilities and equity		**450 184**	**399 916**

The consolidated statement of financial position is prepared according to the order of liquidity of assets and liabilities, as this presentation provides more reliable and accurate information on assets and liabilities.

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Consolidated Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Accumulated loss	Result of the period	Attributable to owners of the parent company	Non-controlling interest	Total
Balance at 1 January 2016	**9 000**	**150 032**	**44**	**-156 423**	**21 088**	**23 741**	**0**	**23 741**
Appropriation of net result	0	0	0	21 088	-21 088	0	0	**0**
Other movement in retained earnings related to previously non-consolidated subsidiaries	0	0	0	0	0	0	0	**0**
Foreign currency translation reserve	0	0	-888	0	0	-888	0	**-888**
Result for the period	0	0	0	0	509	509	0	**509**
Comprehensive income for the period	**0**	**0**	**-888**	**0**	**509**	**-379**	**0**	**-379**
Balance at 31 December 2016	**9 000**	**150 032**	**-844**	**-135 335**	**509**	**23 362**	**0**	**23 362**
Appropriation of net result	0	0	0	509	-509	0	0	**0**
Other movement in retained earnings related to previously non-consolidated subsidiaries	0	0	0	0	0	189	-189	**0**
Foreign currency translation reserve	0	0	-517	0	0	368	149	**-517**
Result for the period	0	0	0	0	-12 896	-12 115	- 781	**-12 896**
Comprehensive income for the period	**0**	**0**	**-517**	**0**	**-12 896**	**-11 747**	**-632**	**-13 379**
Balance at 31 December 2017	**9 000**	**150 032**	**-327**	**-134 826**	**-12 896**	**10 804**	**-821**	**10 983**

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Consolidated Statement of Cash Flows

	NOTE	2017 EUR '000	2016 EUR '000
OPERATING ACTIVITY			
Profit before tax		-11 183	1 623
Adjustments for non-cash transactions:			
Depreciation of property and equipment		1 471	1 336
Impairment of assets		0	0
Amortisation of intangible assets		428	251
Gain on the sale of property and equipment		-104	-55
Increase/(decrease) in provisions		72 912	67 362
Financial expenses		47 243	46 208
Unrealised FX (gains)/ losses		-1 046	4 619
Other non-cash changes		-5 633	-10 425
Cash flow from operating activities before changes in working capital		104 088	110 919
Increase in receivables		-86 126	-72 890
Increase in payables		-457	-3 826
Cash flow from operating activities		17 505	34 203
Income tax paid		-3 075	-3 767
Interest paid		-44 114	-45 240
NET CASH FLOW FROM OPERATING ACTIVITIES		**-29 684**	**-14 804**
INVESTING ACTIVITIES			
Sale of investment (net of cash)		104	55
Acquisition of new companies/non-consolidated entities		-11 101	-29
Purchases of property and equipment		-1 059	-381
NET CASH FLOW FROM INVESTING ACTIVITIES		**-12 056**	**-355**
FINANCING ACTIVITIES			
Payments of liabilities arising from finance leases		-599	-764
Net increase/(decrease) in bank loans		-1 388	-3 183
Net increase in other loans		45 546	16 130
Debt security issue		10 413	4 455
NET CASH FLOW FROM FINANCING ACTIVITIES		**53 972**	**16 638**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12 232**	**1 479**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**5 752**	**4 338**
Impact of exchange differences on cash and cash equivalents		318	-65
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**18 302**	**5 752**
Cash of continuing operations	**16**	**17 652**	**5 752**
Cash of discontinued operations – classified as held for sale	**15**	**650**	**0**

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1. General Information

PROFIREAL Group SE (hereinafter the "Company") is a European limited liability company formed under Dutch law.

The Company was formed on 9 August 2007 by a Deed of Association and registered in the Register of Companies maintained by the Chamber of Commerce in Amsterdam as PROFIREAL Group N.V. (naamloze vennootschap – limited liability company) based in Amsterdam, the Netherlands.

On 9 August 2007, the initial share capital of EUR 45,000 was paid in. On 8 October 2007, one of the owners of the Company invested 100 percent of the share capital of PROFI CREDIT Czech, a.s. in the Company and acquired 4,116,353 new shares with a nominal value of EUR 1 each.

On 8 October 2007, the new owner, Profireal Holding a.s., acquired 4,658,647 shares in the same nominal value in exchange for the equity investments in the following companies: PROFI CREDIT Slovakia, spol. s r.o. (100%), PROFI CREDIT Polska Sp. z o.o. (100%), PROFI CREDIT Bulgaria e.o.o.d (100%), Profidebt s.r.o. (100%), Profidebt Slovakia s.r.o. (100%), Profi Financial s.r.o. (10%), Profi Consulting s.r.o. (100%), Profidebt Polska Sp. z o.o. (100%), and Profiserwis Polska Sp. z o.o. (100%).

On 13 November 2007, 180,000 shares in the same nominal value were issued. These shares were paid from the Company's internal funds. Following these investments, the Company's paid-in share capital amounted to EUR 9,000 thousand.

On 21 December 2007, the Company (successor company) merged with Profireal Holding a.s. (dissolving company) and adopted the legal status of SE.

Until 8 February 2011 the registered office of the Company was located at Arlandaweg 12, 1043 EW Amsterdam, the Netherlands.

From 8 February 2011 the registered office of the Company was located at Saturn Building, Saturnsstraat 25 j, 2132 HB Hoofddorp, the Netherlands.

Since 1 July 2012 the registered office of the Company has been located at Martinus Nijhofflaan 2,17th floor, 2624 ES Delft, the Netherlands. The registered office of the Company was changed to Delft as most of the board members are based there and therefore most activities were carried out in Delft.

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2. Principal Activities

PROFIREAL Group SE (hereinafter the "Company" or "Parent") together with its subsidiaries that were founded by it, form the Profireal Group (hereinafter the "Group"). The principal activities of PROFIREAL Group SE involve the holding of equity investments and funding of the Group companies.

The principal activities of the Group are as follows:

1. Provision of loans and borrowings from own funds; and
2. Financial investments.

Other activities relate to entities that are not material to the Group.

Principal activities of companies as of 31 December 2017:

Name of the entity	Direct holding %	Consolidation Method	Principal activity	Registered office
PROFI CREDIT Czech, a.s.	100.0	Full	Provision of loans and borrowings	Praha, Czech Republic
PROFI CREDIT Slovakia, spol. s r. o.	100.0	Full	Provision of loans and borrowings	Bratislava, Slovakia
PROFI CREDIT Bulgaria EOOD	100.0	Full	Provision of loans and borrowings	Sofia, Bulgaria
PROFI CREDIT Poland Sp. z o. o.	100.0	None	Provision of loans and borrowings	Bielsko Biala, Poland
PROFI CREDIT Polska S.A.	100.0	Full	Provision of loans and borrowings	Bielsko Biala, Poland
Profidebt Polska Spolka Z O.O.	100.0	None	Trading with receivables and debts/dormant entity	Bielsko Biala, Poland
PROFI Consulting, s.r.o.	100.0	None	Provision of services	Pardubice, Czech Republic
Profidebt Bulgaria, EOOD	100.0	None	Trading with receivables and debts/dormant entity	Sofia, Bulgaria
Profi Investment, N.V.	100.0	Full	Financial investments	Delft, Netherlands
Profi Investment BG B.V.	100.0	Full	Financial holdings	Delft, Netherlands
Profi Funding B.V.	100.0	Full	Financial holdings	Delft, Netherlands
PGJT B.V.	100.0	Full	Holding company	Amsterdam, Netherlands
MCC Profireal OOO	100.0	Full	Provision of loans and borrowings	Saint Petersburg, Russia
FLEXI FINANCE ASIA INC.	75.0*	Full	Provision of loans and borrowings	Cebu City, Philippines
VETTORE ENTERPRISES INC.	75.0	Full	Provision of loans and borrowings	Cebu City, Philippines

* Subject to Security Exchange Commission approval - pending. Approved direct holding as of 31.12.2017 - 67%

During 2009, the Company transformed its registered shares to bearer shares. Management of the Company discloses the structure of shareholders on the basis of the information available at the moment of the share's transformation. Management is not aware of any subsequent changes in the ownership structure.

Mr David Beran is the ultimate controlling party of the Group.

Shareholder	Ownership percentage
David Beran	more than95 %
Others	up to 5 %

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3. Significant Changes in the Group in the Year Ended 31 December 2017

The Group acquired a majority stake in two entities operating in the Philippines.
In July 2017 the Group reached full control over its Russian subsidiary (before joint-venture).
In January 2018 the Group disposed stake in its Slovakian subsidiary.

Goodwill
The Group (Profi Investment BG B.V.) acquired 75% of shares in Philippine companies Flexi Finance Asia, Inc. and Vettore Enterprises Inc. The mentioned companies are closely related. Flexi performs the business activity and Vettore provides office space and similar services.
The goodwill is attributable to the acquisition of the business activity at Philippines as is represented by the company Flexi Finance Asia Inc.

Profireal Group acquired 50% stake of J&T Bank on the activities in the Russian Federation.
MCC Profireal OOO became fully consolidated in the Profireal Group consolidated financial statements (joint-venture in 2016).
The goodwill is attributable to the acquisition of the business activity in Russia.

4. Principal Accounting Policies

Going Concern Assumption

The Group has been hit by the global financial and economic crisis influencing the sector severely. The Group is exposed to increased risk mainly due to limited financing in the last years and increased underlying credit risk from its loans. As of the balance sheet date, the Group was not in breach of any financial covenants underlying the provision of the loans and was not in default on the repayment of the loans. Because the Group has been profitable in last years the equity continued being positive in 2017 and reached the amount of EUR 9,976 thousand.

The presented consolidated financial statements for the year ended 31 December 2017 are based on the current best estimates and the management of the Group believes that they give a true and fair view of the Group's financial results and financial position, using all relevant and available information at the reporting date.

The Group believes that, as of the balance sheet date, the Group has adequate resources to repay its liabilities on a timely basis or is negotiating extension with the necessary level of probability to succeed. This position is strengthened by established intra-group financing company that became creditor of the most important part of operating companies.

As such, management is not aware of any events or conditions that may indicate that the Group's continuance as a going concern may be questionable. A specific issue on going concern in connection with new financial reporting standard IFRS 9 introduced in 2018 is discussed in chapter 4 – part "Standards and Interpretations effective in the period starting 1.1.2018". The going concern assumptions used in the preparation of the consolidated financial statements appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Company including introduction of IFRS 9 in 2018.

Basis of the Preparation of the Consolidated Financial Statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements include a consolidated statement of financial position, a consolidated statement of comprehensive income, a consolidated statement of changes in shareholders' equity, a consolidated cash flow statement and notes to the consolidated financial statements containing accounting policies and explanatory disclosures.

The consolidated financial statements were prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption.

These consolidated financial statements have been prepared under the historical cost convention as modified by the re-measurement to fair value when required by IFRS.

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The presentation of consolidated financial statements in conformity with IFRS requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and their reported amounts of revenues and expenses during the reporting period (see below). Actual results could differ from those estimates.

These consolidated financial statements are presented in thousands of Euros ("EUR '000"), unless stated otherwise.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of Consolidation

The Company uses the full consolidation method only in respect of controlled companies (refer to the structure of the Group in Note 2).

The consolidated financial statements include the financial statements of companies in which the Group exercises controlling influence (subsidiary undertakings) and which are prepared as of 31 December 2017. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial information relating to Profireal Group SE is presented in the consolidated financial statements. Accordingly, in accordance with article 2:402 of the Netherlands Civil Code, the company financial statements only contain an abridged income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, related balances, income and expenses are eliminated from the consolidated statement of financial position and consolidated statement of comprehensive income upon consolidation.

The Group has no associates as of 31.12.2017. There was a joint-venture in company PGJT B.V. till July 2017.

The Group accounts for all business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values.
The Group recognises any adjustments to those provisional values within twelve months of the acquisition date, with effect from the acquisition date, i.e. retrospectively.

Income and Expense Recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the original effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Other related income/expenses from loans (e.g.

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contractual fines, fees) is accrued and discounted using the effective interest rate to the net carrying value of an asset over its expected useful life.
The fees paid by the debtor with respect to the provision of a loan to a customer are part of the effective interest rate and are reported in the consolidated statement of comprehensive income line item 'Interest income'. Other fees and commissions are recognised on an accruals basis in the period to which they relate.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Non-interest income is recognised on an accruals basis and is always measured at the fair value of the consideration received.

Interest expenses related to interest bearing instruments are reported in the consolidated statement of comprehensive income on an accruals basis using the effective interest rate method. Other expenses are reported in the consolidated statement of comprehensive income on an accruals basis.

Non-interest expenses are recognised on an accruals basis.

Insurance Services

Within the Group, PROFI CREDIT offers insurance services taking the form of the Bonus product (product with additional service pack). A customer pays an insurance premium for the provision of this insurance coverage in the contracted amount according to contractual terms stated in the contract. Insurance services provided within the Group are inseparably connected with provided loans and therefore are unregulated because their nature is only economic not legal.

This insurance covers the possible failure to repay the instalments made by a customer based on clearly defined conditions. For this reason, it is necessary to separate the recognition of the loan itself from the increase in the insurance.

The insurance contract itself is separated from the Bonus product and reported separately in accordance with the requirements arising under IFRS 4. Initial recognition of insurance premium is recorded as deferred income in the line 'Other liabilities' and released over the life of insurance to the income statement. Income and expenses relating to insurance services are disclosed in 'Net insurance income'.

Provision for insurance claims

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders.

The following method is used to determine the provision for outstanding claims:

The provision is calculated based on statistical methods. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Amounts received or receivable as an incentive for the conclusion of an operating lease contract are recognised on a straight-line basis over the lease term.

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Foreign Currency Translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), that is, the local currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated and expressed in EUR which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the ECB rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the consolidated statement of comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using the ECB's exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve, which is a legal reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

The final amount disclosed in the consolidated statement of comprehensive income includes the tax currently payable and change in the balance of deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax liabilities and assets are recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income, 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 when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax reported under IFRS differs from the deferred tax reported in the local financial statements. These differences result from a different method of the calculation of write-offs of receivables and depreciation of assets and a recognition of receivables arising from loans and repurchases in the consolidated statement of financial position..

Property and Equipment and Intangible Assets

Property and equipment and intangible assets are stated at cost less accumulated depreciation/amortisation charges and impairment provisions and increased by technical improvements.

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The cost of assets, except for land and assets under construction, is depreciated annually through the consolidated statement of comprehensive income line item 'General administrative expenses' over the expected useful lives of assets using the straight-line method as follows:

Cars	20 %
Computers, printers, servers, copy machines	20 %
Other office equipment (safe, projector)	20 %
Furniture	10 % – 20 %
Air-conditioning	10 %
Other low-value assets (mobile phones, calculators, etc.)	50 %
Marketing study	20 % – 25 %
Buildings	2 %
Software	10 % - 35 %

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The Group specifically does not depreciate land, works of art, tangible and intangible assets under construction and technical improvements, unless they are brought into a condition fit for use.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The test includes the comparison of the carrying value and the recoverable value of the assets.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the 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 reduced to its recoverable amount. An impairment loss is recognised immediately in expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets with normal delivery terms are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its provision (collection of cash).

Loans and Advances to Customers

Upon initial recognition, loans and advances to customers are carried at fair value adjusted by transaction costs, if any, and subsequently remeasured at amortised cost using the effective interest rate method.

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Provisions against impaired receivables are recognised in the consolidated statement of comprehensive income if there is objective evidence that an asset is impaired (deteriorating financial position of the debtor, delays in payments, etc). The recognised provision is determined as equal to the difference between the carrying value of an asset and the present value of the estimated future cash flows discounted using the effective interest rate calculated upon initial recognition. The provision is decreased or released if the objective reasons for the impairment of the receivable cease to exist or if the receivable is sold or written off. The provisions are utilised upon the sale or write-off of receivables.

The Group determines the level of provisions on an individual basis for individually significant loans and receivables. Loans and receivables which are not individually significant and which demonstrate similar characteristics in terms of credit risk exposure and where there is objective evidence of impairment, the Group determines provisions on a collective basis.

If the receivable from the customer is past its due date, it is possible to prepare an individual repayment schedule reflecting an additional credit risk exposure relating to the customer in default. In the event of a new calculated repayment schedule, the treatment is similar as is the case when a new receivable originates.

Purchased receivables are valued based on the anticipated cash flow (collection) arising from these receivables and using the effective interest rate for the calculation of interest income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and Other Loans

Interest-bearing bank and other loans and overdrafts are initially recognised at fair value adjusted for transaction costs, if any, and are subsequently remeasured at amortised cost using the original effective interest rate method.

Amounts Owed to Loan Advisors

At initial recognition, amounts owed to loan advisors are recognised at fair value adjusted for transaction costs, if any, and subsequently remeasured at amortised cost using the effective interest rate method.

Discontinued operations

The above mentioned bases and principles apply also for the valuation of financial instruments of discontinued operations.

Provisions

In accordance with IFRS, the Group recognises a provision when, and only when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that the settlement of the obligation will cause an outflow of resources embodying economic benefits; and
- A reliable estimate can be made of the amount of the obligation.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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The following are the key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provisions against Losses arising from Loans and Advances

Determining whether loans and advances are impaired requires an estimation of anticipated cash flows arising from these financial assets. This estimation is made by the Group's management on the basis of a professional judgment concerning the knowledge of the portfolio quality and individually significant loan receivables. In arriving at provisioning levels, the Group refers to its historical experience with the recovery of past due receivables.

Regarding the IAS 39 the impairment losses should be recognised when they are incurred, rather than as expected and they are regarded as incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition. Group companies consider the delayed credit instalments as such evidence of incurred losses.

For the most accurate assessment the delayed instalments are shared to following groups and for each group the future cash flow is expected separately based on historical experiences.

a) Receivables, which are not due, but there is a significant evidence that they become due in next quarter
b) Receivables, which are past due between 0 and 90 days
c) Receivables, which are past due between 90 and 180 days
d) Receivables, which are past due between 180 and 360 days
e) Receivables, which are past due over 360 days

Provisions against receivables arising from contractual fines, penalties, recognised court fees, fees for legal representation and agreements on the recognition of debt are recognised on the basis of the historical experience with the recovery of these receivables and anticipated cash-flow.

Group companies consider that all receivables jointly with late collection fulfil the condition of incurred losses immediately.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

The Group presents in the statement of comprehensive income a single amount comprising the total of the post-tax profit or loss of discontinued operations and or on the disposal of the assets or disposal group(s) constituting the discontinued operation for current year and comparative period.

The Group discloses in the notes an analysis of the single amount presented in the statement of comprehensive income into the revenue, expenses and pre-tax profit or loss of discontinued operations; the related income tax expense as required by paragraph 81(h) of IAS 12; and the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation and the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

The presented consolidated financial statements for the year ended 31 December 2016 are based on the current best estimates and management of the Group believes that they give the truest and fairest view of the Group's financial results and financial position using all relevant and available information at the consolidated financial statements date.

Changes in Accounting Policies in 2017

Standards and Interpretations effective in the current period

Initial application of new amendments to the existing Standards and Interpretation effective for the current financial period

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The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative, adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses, adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Standards and Interpretations effective in the period starting 1.1.2018

Initial application of new amendments to the existing Standards and Interpretation effective for the financial period starting 1.1.2018

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for financial period starting 1.1.2018:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018). During 2017, the Group started the IFRS 9 implementation project, engaging external consultants. For the classification and measurement stream, the Group considered definitions of the business models and other requirements of the IFRS 9 based on determined gaps and identified activities for bridging the gaps. For the impairment stream, the Group developed the methodology for calculating expected credit loss and modelling the risk parameters and considered the incorporation of necessary parameters for forward looking expectations.

On the adoption the major financial assets (Loans and advances to customers) were classified as measured at amortized costs in compliance with the SPPI test. The contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement.

The following table shows the original measurement categories in accordance with IAS 39 and management´s expectation of the new measurement categories under IFRS 9 for the Group's financial assets and liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	
				Minimum impact *	Maximum impact *
			EUR '000	EUR '000	EUR '000
Cash and balances with banks	Amortised cost	Amortised cost	17 652	17 652	17 652
Total loans and advances to customers (net)	**Loans and receivables**	**Amortised cost**	**334 283**	**254 799**	**211 313**

* The range of impact is driven by modelling of best and worst recovery scenarios of defaulted loans.

On initial recognition the Loans and advances to customers are measured at amortised cost:
- the assets (Loans and advances to customers) are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed:
- low individual significance of the majority product (small individual amount) in portfolio;
- although the impairment is calculated for the each particular loan the basic parameters has to be estimated based on the modelling of historical data;
- with respect to the main target group Group makes an assessment of the sensitivity of the business performace to the macroeconomic indicators.

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Quantitative impacts was identified for the period ending 31 December 2017. The methodology of calculating expected credit losses and risk parameters arising from them is being implemented into the respective policies of Group companies.

As shown in the table below, the introduction of IFRS 9 is supposed to significantly impact the consolidated equity and turn it into negative figures. Due to this fact management assessed going concern from two perspectives – continuity and sustainability of the business itself and in connection with the relations towards key stakeholders (namely creditors providing funds to Group´s operations).

	Minimum impact (rounded)	Maximum impact (rounded)
Impact of IFRS 9 on variation of consolidated equity as of 1/1/2018	EUR -79 mil	EUR -123 mil

Presented impact on group equity is before potential tax effects.

In terms of Group´s going concern, it has to be pointed out that IFRS 9 intends to change financial reporting view on setting correct value of financial instruments, in case of Group namely loan receivables. In comparison with previously used IAS 39 approach, there is a change towards accelerated recognition of credit losses/impairment (ex ante=expected credit loss vs. incurred risk). This change has resulted into one-off significant drop of equity on one hand, on the other hand it will be compensated by lower dynamics of impairment recognized in the future through P/L. A respective simulation has already been carried out. Hence, improved net income related to existing portfolio is to be expected in the future.

Management also expects improving performance namely in the new markets (Russian Federation and the Philippines). Operating entities in those markets (until now impacted by start-up investments and rapid expansion) should reach break-even in the forthcoming years that would positively contribute to consolidated net income and equity.

Group´s going concern is significantly related to cash-flow and ability of the Group to meet its duties towards creditors and assure continuity of the business. Introduction of IFRS 9 has no direct impact on cash-flows, namely those related to loan portfolio. Major loan facilities provide the Group with sufficient comfort to meet its duties towards creditors under various circumstances. (Stress) testing has been carried out and confirmed this position.

The second area impacting going concern are the relations with (key) creditors. As some loan agreements contain covenants related to financial reporting triggers that are subject to regular review. Those were met in 2017. Due to introduction of IFRS 9 with the impact as mentioned above, the Group has informed the creditors and has entered into negotiations with the goal to amend the respective agreements. In addition, the Group has been informed that the most important creditor of the Group´s companies is newly controlled by the same entity that controls the Group (ref. subsequent events). This change is supposed to provide more space to absorb potential impacts of IFRS 9 introduction.

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

With regard of the main business activity of Group, i.e. financial services provider, the Group is aware of limited significance of IFRS 15 Revenue from Contracts with Customers.
Mentioned standard applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments.

As part of a group project of Profireal Group with respect to the impact of IFRS 15, the Company has analysed the major aspects of IFRS 15, including:
- application of five-step recognition model;
- the impact of new guidance where pricing mechanisms include variable amounts;
- whether particular costs relating to obtaining a contracts must be capitalised;
- the extent to which distinct goods or services are supplied, which should be accounted for separately;
- when upfront fees should be recognised as revenue; and
- the appropriate accounting policies for credit card loyalty schemes.

The Group expects that the initial application of IFRS 15 will not have material impact on the financial results as the majority of revenue are part of the effective interest rate under IFRS 9 and are out of scope of IFRS 15.

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by the IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

Group assessed the impact of the adoption of the respective standard with following result:
- No change with former finance leasing of assets (car fleet)
- Measurement and recognition of right-of-use assets (former operating leasing). The proposed measurement and recognition of mentioned asset would be a sum of future lease payments + related cost i.e. neutral impact to equity

The Group is in process to assess the quantitative impact on assets and liabilities of IFRS 16 as of the date of its initial application.

New Standards and amendments to the existing Standards issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as of the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 17 "Insurance Contracts"** (effective for annual reporting periods begging on or after 1 January 2021),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation (effective from 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term Interests in Associates and Joint Ventures (effective for periods beginning on or after January 1, 2019),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards "Improvements to IFRS (cycle 2015 – 2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IAS 12 and IAS 23) primarily with a view to removing minor unintended consequences, conflicts or oversights and clarifying wording,

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax treatments"** (effective for annual periods beginning on or after 1 January 2019).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

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According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as of the balance sheet date.

5. Net Interest Income

	2017 EUR '000	2016 EUR '000
Interest income		
- from loans and advances to financial institutions	61	10
- from loans to customers	140 829	136 005
Total interest income	**140 890**	**136 015**
Interest expenses		
- from loans and advances from financial institutions	-639	-624
- from amounts owed to non-financial institutions	-33 228	-33 586
Total interest expenses	**-33 867**	**-34 210**
Total net interest income	**107 023**	**101 805**

Interest income from the loans to customers includes interest arising both from loans to customers and from debt recovery efforts.

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6. Provisions for Credit Risks

	2017 EUR '000	Discontinued operations	Total including discontinued operation	2016 EUR '000
Provisions for the loans and advances at 1 January	223 971	89 635	313 606	175 535
Charge for provisions for the period	53 615	14 516	68 131	50 644
Release of provisions for the period				
Net charge for provisions for the period	**53 615**	**14 516**	**68 131**	**50 644**
Use of provisions for the write-off and assignment of amounts due	-405	-5 827	-6 232	-480
Reclassification and foreign exchange gains or losses from foreign currency provisions	12 154	0	12 154	-1 728
Total provisions for credit risk	**289 335**	**98 324**	**387 659**	**223 971**

7. Net Fees and Commissions

Net fees and commissions include:

	2017 EUR '000	2016 EUR '000
Fee and commission expense for services and transactions	-9 285	-8 164
Fee and commission income from services and transactions	3 302	1 121
Total net fees and commissions expense	**-5 983**	**-7 043**

Fee and commission expense for services and transactions includes expenses relating to the operation of the network of salespersons and their bonuses for arranging loans.

8. General Administrative Expenses

Structure of general administrative expenses:

	2017 EUR '000	2016 EUR '000
Staff costs		
Payroll costs	-23 193	-15 803
Social security contributions	-4 650	-3 368
Other staff costs and payments made to the members of management	-1 524	-907
Total staff costs	**-29 367**	**-20 078**
Other administrative expenses		
Data processing expenses	-1 253	-1 425
Office lease expenses	-3 134	-2 220
Business transactions expenses	-1 925	-6
Advertising and marketing expenses	-5 587	-5 144
Advisory and legal services expenses	-4 233	-3 662
Telecommunication and postal expenses	-1 023	-662
Material consumption including fuel	-1 161	-787
Representation expenses	-360	-340
Travel expenses	-584	-300
Sundry administrative expenses	-4 458	-3 557
Insurance services	-122	-96
Total other administrative expenses	**-23 485**	**-18 184**
Depreciation of assets		
Amortisation of intangible assets (refer to Note 19)	-363	-263
Depreciation of property and equipment (refer to Note 20)	-946	-1 003
Total	**-1 309**	**-1 266**
Total general administrative expenses	**-54 516**	**-39 543**

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The Group had 2471 employees as of 31 December 2017 (2016 – 983), all employees are employed outside the Netherlands. Increase of the number of employees is caused by adoption of whole balance the company in Russia and the new acquisition at Philippines (see page 9)

Advisory and legal services expenses include the fee paid to the Group auditor. The total compensation (including discontinued operations) paid to the Group auditor is as follows.

EUR'000	**Deloitte Accountants B.V.**	**Other Deloitte firms ***	**Other audit firms ***	**Total 2017**	**Total 2016**
Audit fees	37	228	8	27¨3	356
Audit related fees	0	2	0	2	4
Tax advisory	0	31	0	31	58
Other non-audit fees	0	2	1	3	4
Total	**37**	**263**	**9**	**309**	**422**

* Services provided to subsidiaries located in other countries than the Netherlands

9. Net Insurance Income

	2017 EUR '000	**2016 EUR '000**
Net earned insurance	18 092	12 949
Costs of insurance claims	-1 576	-1 350
Total net insurance income	**16 516**	**11 599**

Insurance income relates to the BONUS product, which is offered by the Group companies. The deferral of instalments under predetermined conditions is possible and it is compensated for by a higher price of the product. Under IFRS 4, this product meets the definition of a 'hidden insurance contract', therefore the difference between the standard product and the BONUS product is recognised as insurance income.

10. Other Operating Income/ (Expenses), net

	2017 EUR '000	**2016 EUR '000**
FX Gains/(Losses)	1 050	-4 618
Release of provisions for non-credit amounts due	0	1 432
Other operating Income	1 744	414
Total other operating income	**2 794**	**-2 772**
Credit related fees	-1 454	-1 241
Sundry operating expenses	-2 194	-1 042
Other operating expenses	-5 390	-3 382
Total other operating expenses	**-9 038**	**-5 665**
Total other operating income/(expenses) net	**-6 244**	**-8 437**

11. Income Tax

	2017 EUR '000	**2016 EUR '000**
Income tax charge/(credit):		
Tax payable charged to expenses	-2 510	-432
Deferred tax recognised in income with respect to origination and recognition of temporary differences	800	-679
Total tax recognised in expenses	**-1 710**	**-1 111**

Income tax includes the amounts of taxes paid by individual companies from the taxable profit for the year and calculation of deferred tax.

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In the following table, the Company used the rate for the calculation of tax in the amount used in individual countries where the Company operates.
The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2017	2016
	EUR '000	**EUR '000**
Profit/(loss) before tax	3 181	5 952
Income tax on net profit at the statutory rate*	1 847	2 669
Differences between accounting and tax treatment (permanent differences)	663	-3 104
Income tax for the period	-2 510	-432
Recognised deferred tax	800	-679
Income tax for the period	**-1 710**	**-1 111**

**Tax rate in Netherlands 25% (2017), 25% (2016)*
Tax rate in Czech Republic 19% (2017), 19% (2016)
Tax rate in Slovak Republic 21% (2017), 22% (2016)
Tax rate in Poland 19% (2017), 19% (2016)
Tax rate in Bulgaria 10% (2017), 10% (2016)
Tax rate in Russia 20% (2017), 20% (2016)
Tax rate in Philippines 30% (2017), 30% (2016)

In the following table is presented the amount of consolidated tax asset and liability.

	2017	2016
	EUR '000	**EUR '000**
Income tax	0	3 295
Tax liabilities	2 567	717

12. Dividends

In 2017 and 2016, the General Meeting decided not to declare and pay out any dividends.

13. Discontinued Operations

In January 2014 the Profireal Group sold the subsidiary Profidebt, s.r.o. (Czech Republic) and the receivable portfolio of Profidebt Slovakia, s.r.o. to Intrum Justitia, a European leader in credit management service. The result of the Profidebt division is therefore presented as Discontinued operation.

In March 2013, a new subsidiary Profi Exploration was founded for the purposes of new future investment activities. Subsequently in March and July 2013 the subsidiaries GNG LLC and Profi Exploration Tyumen were founded for oil extraction activities in Russia. Nevertheless, in 2014 management decided to break off these activities. The result of oil extraction is therefore part of Discontinued operation (IFRS 5). The subsidiary Profi Exploration was sold in December 2015 to a third party.

In 2015, management of the group decided not to continue with business activities in the subsidiary Profidebt Slovakia, s. r. o. and therefore the process of liquidation was completed in 2016.

In 2017, management of the Group decided to sell the stake in PROFI Credit Slovakia outside the Group. This transaction was completed in January 2018.

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Profit for the year from discontinued operations

	Year ended 31 December 2017 EUR '000	Year ended 31 December 2016 EUR '000
Interest income	21 316	29 900
Interest expenses	-13 376	-11 998
Net interest income	**7 940**	**17 902**
Provisions for credit risks	-14 516	-14 128
Net interest income after provisions for credit risks	**-6 576**	**3 774**
Net fees and commissions	-2 686	-3 371
General administrative expenses	-5 139	-6 208
Net insurance income	2 047	2 098
Other operating income/(expenses), net	-2 010	-622
Loss before taxation	**-14 364**	**-4 329**
Income tax	-3	-3
Loss after taxation	**-14 367**	**-4 332**
Loss after taxation from discontinued operations attributable to owners of the Group	-14 367	-4 332
Loss after taxation from discontinued operations attributable to Non-controlling interests	0	0

14. Assets and liabilities classified as held for sale

	2017	2016
	EUR '000	**EUR '000**
Assets held for sale	50 802	0
Liabilities associated with assets held for sale	85 223	0

	2017	2016
	EUR '000	**EUR '000**
Cash	650	0
Loans and advances to customers net	48 393	0
Other assets	1 759	0
Assets held for sale	**50 802**	**0**
Bank loans	0	0
Other loans	82 433	0
Other liabilities	2 790	0
Liabilities associated with assets held for sale	**85 223**	**0**

15. Cash Flow from discontinued operations

	2017	2016
	EUR '000	**EUR '000**
Cash and cash equivalents at the beginning of the year	875	0
Operating activity	-9 576	0
Investing activity	-24	0
Financing activity	9 375	0
Impact of FX translation	0	0
Cash and cash equivalents at the end of the year	**650**	

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16. Cash and Cash at Bank

	2017 EUR '000	2016 EUR '000
Cash	13 093	3 673
Deposits at bank	4 559	2 079
Total cash and cash at bank	**17 652**	**5 752**

Cash at bank and cash include the Group's cash and short-term deposits with the original maturity of three months and less.

17. Loans and Advances to Customers (net)

a) Total loans and advances to customers (net)

	2017 EUR '000	2017 (incl. held for sale) EUR '000	2016 EUR '000
Loans to customers	569 165	713 892	618 800
Other advances to customers	26 460	28 451	28 571
Gross loans and advances to customers	**595 625**	**742 343**	**647 371**
Provisions for loans to customers	260 376	358 700	284 049
Provisions for other advances to customers	966	967	574
Total loans and advances to customers (net)	**334 283**	**382 676**	**362 748**

b) Structure of the loan portfolio

The loan portfolio of the Group as of 31 December 2017 includes the following allocation to categories:

	Gross EUR '000	Collateral used EUR '000	Exposure not secured by collateral EUR '000	Provisions EUR '000	Carrying amount EUR '000	Provisions %
Non-impaired	184 821	0	184 821	547	184 274	0%
Impaired	410 805	0	410 805	260 796	150 009	63%
Total	**595 626**	**0**	**595 626**	**261 343**	**334 283**	**44%**

	Gross EUR '000	Collateral used EUR '000	Exposure not secured by collateral EUR '000	Provisions EUR '000	Carrying amount EUR '000	Provisions %
Non-impaired (incl.held for sale)	224 965		224 965	6 106	218 860	3%
Impaired (incl.held for sale)	517 377		517 377	353 561	163 816	68%
Total (incl.held for sale)	**742 343**		**742 343**	**359 667**	**382 676**	**48%**

The loan portfolio of the Group as of 31 December 2016 includes the following allocation to categories:

	Gross EUR '000	Collateral used EUR '000	Exposure not secured by collateral EUR '000	Provisions EUR '000	Carrying amount EUR '000	Provisions %
Non-impaired	208 854	0	208 854	8 606	200 248	4 %
Impaired	438 517	0	438 517	276 017	162 500	63 %
Total	**647 371**	**0**	**647 371**	**284 623**	**362 748**	**44 %**

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The structure of loans by categories of customers is as follows:

	2017 EUR '000	2016 EUR '000
Loans to retail customers	318 277	335 131
Loans to corporate customers	16 006	27 617
Total	**334 283**	**362 748**

The structure of loans by geographical area is as follows:

	2017 EUR '000	2016 EUR '000
Czech Republic	109 590	109 788
Slovakia	0	63 709
Poland	178 130	156 148
Bulgaria	34 527	33 103
Russia	4 463	0
Philippines	7 573	0
Total	**334 283**	**362 748**

Aging analysis of loans:

	Before due dates EUR '000	0-90 days EUR '000	91-180 days EUR '000	181 days and more EUR '000	Total EUR '000
Loans at 31 Dec 2017	202 576	19 348	12 662	99 697	**334 283**
Loans at 31 Dec 2016	224 658	22 139	14 620	101 331	**362 748**

Given the focus of its activities, the Company monitors the aging analysis of individual repayments rather than individual loans.

c) Provisions for loans and advances

The charge for and use of provisions for loans and advances:

	2017 EUR '000	Discontinued operations	Total including discontinued operation	2016 EUR '000
Provisions for the loans and advances at 1st January	223 971	89 635	313 606	222 062
Charge for provisions for the period	53 615	14 516	68 131	64 772
Release of provisions for the period				
Net charge for provisions for the period	**53 615**	**14 516**	**68 131**	64 772
Use of provisions for the write-off and assignment of amounts due	-405	-5 827	-6 232	-480
Reclassification and foreign exchange gains or losses from foreign currency provisions	12 154	0	12 154	-1 727
Total provisions for credit risk	**289 335**	**98 324**	**387 659**	**284 627**

Provisions against loans and receivables from customers by categories:

	2017 EUR '000	2016 EUR '000
Individually impaired	112 134	69 420
Collectively impaired	177 201	215 207
Total	**289 335**	**284 627**

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18. Deferred Expenses and Accrued Income and Other Assets

	2017 EUR '000	2016 EUR '000
Deferred expenses	1 450	3 236
Accrued income	1 563	149
Estimated receivables	5	0
Trade receivables	1 455	460
Short-term prepayments made	2 566	1 568
Other non-current financial assets	7	7
Goods	43	13
Other loans in the Group	488	3 032
Others	8 170	338
Total	**15 747**	**8 803**

19. Intangible Assets

	Software EUR '000	Intangible assets under construction EUR '000	Other intangible assets EUR '000	Total EUR '000
Balance at 31 December 2015	**1 220**	**602**	**477**	**2 299**
Additions	31	148	102	281
Impact of translation to EUR	1	-11	-2	-12
Disposals	79	305	10	394
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2016	**1 173**	**434**	**567**	**2 174**
intagible fixed assets balance of discontinuing activities as of 31 December 2016	**229**	**0**	**246**	**475**
intagible fixed assets balance of new acquisitions as of 31 December 2016	**1 146**	**0**	**0**	**1 146**
Additions	**1 179**	561	3	1 743
Impact of translation to EUR	**-44**	24	17	-3
Disposals	**0**	14	15	29
Classified as held for sale - discontinued operations	**0**	0	**0**	**0**
Balance at 31 December 2017	**3 225**	**1 005**	**326**	**4 556**

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ACCUMULATED AMORTISATION

Balance at 31 December 2015	961	196	173	1 330
Amortisation for the period	81	55	127	263
Impact of translation to EUR	0	-8	0	-8
Eliminated on Disposal	-76	0	-10	-86
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2016	966	243	290	1 499
intagible fixed assets amortisation balance of discontinuing activities as of 31 December 2016	208	0	140	348
intagible fixed assets amortisation balance of new acquisitions as of 31 December 2016	181	0	0	181
Amortisation for the period	216	73	74	364
Impact of translation to EUR	44	17	8	69
Eliminated on Disposal	0	0	15	15
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2017	1 199	333	217	1 749

NET BOOK VALUE

Balance at 31 December 2015	259	406	304	969
Balance at 31 December 2016	207	191	277	675
Balance at 31 December 2017	2 026	672	109	2 807

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20. Property and Equipment

	Land and buildings EUR '000	Assets under construction EUR '000	Equipment, fixtures and fittings EUR '000	Total EUR '000
COST OR VALUATION				
Balance at 31 December 2015	1 909	235	9 089	11 233
Additions	5	257	1 252	1 514
Impact of translation to EUR	0	0	-83	-83
Disposals	0	-171	-861	-1 032
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2016	1 914	321	9 397	11 632
property and equipment balance of discontinuing activities as of 31 December 2016	0	4	1 462	1 466
property and equipment balance of new acquisitions as of 31 December 2016	0	0	428	428
Additions	66	126	1 287	1 479
Impact of translation to EUR	111	5	386	502
Disposals	0	97	1 049	1 146
Classified as held for sale – discontinued operations	0	0	0	0
Balance at 31 December 2017	2 091	352	8 987	11 430
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 31 December 2015	797	0	5 493	6 290
Depreciation for the year	40	0	963	1 003
Impact of translation to EUR	0	0	-45	-45
Eliminated on disposal	0	0	-691	-691
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2016	837	0	5 720	6 557
depreciation balance of discontinuing activities as of 31 December 2016	0	0	991	991
depreciation balance of new acquisitions as of 31 December 2016	0	0	110	110
Depreciation for the year	43	0	903	946
Impact of translation to EUR	48	0	187	235
Eliminated on disposal	0	0	922	922
Classified as held for sale - discontinued operations	0	0	0	0
Balance at 31 December 2017	928	0	5 007	5 771
NET BOOK VALUE				
Balance at 31 December 2015	1 112	235	3 596	4 943
Balance at 31 December 2016	1 077	321	3 677	5 075
Balance at 31 December 2017	1 163	352	3 980	5 495

Information on finance leases is disclosed in Note 22.

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21. Amounts Owed to Loan Advisors

	2017 EUR '000	2016 EUR '000
Accrued expenses	5 625	2 121
Payables arising from outstanding commissions	3 108	2 864
Other	-1	398
Total	**8 732**	**5 383**

22. Liabilities Arising from Finance Leases

	Minimum lease instalment		Present value of minimum lease instalment	
	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000
Liabilities from finance leases:				
Less than one year	590	764	550	703
From two to five years	479	870	456	824
	1 069	**1 634**	**1 006**	**1 527**
Less future finance charges	63	0	0	0
Present value of finance lease liabilities	**1 006**	**1 634**	**1 006**	**1 527**
Less payables maturing within 1 year (reported as short-term payables)	68	60	319	330
Payables after 1 year	80	100	456	794

It is the Group's policy to lease some of its fixtures and equipment under finance leases. The average lease term is 3 to 4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

23. Debt securities issued

In December 2012 PROFI CREDIT Czech, a.s. issued debt securities denominated in CZK in the book-entry form in the total value of CZK 3,000,000 thousand, i.e. EUR 109,381 thousand (with the nominal value of individual debt securities amounting to CZK 1) which will mature in ten years from the issuance date. The interest rate on the securities was initially 18.5 % p.a.

As of 31 December 2017, debt securities in the amount of EUR 26,924 thousand were placed, out of them EUR 11,262 thousand with the interest rate 7.5% and EUR 15 662 thousand with the interest rate 6.5% (as of 31 December 2016, debt securities in the amount of EUR 10,645 thousand with the interest rate of 7.5% p.a. and EUR 5,866 thousand with the interest rate of 6.5% p.a. were place). The interest rate was changed by an amendment before sale to third parties.

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24. Deferred Tax

The table below shows the principal deferred tax liabilities and assets recognised by the Group and their movements during the current and prior period:

	Fixed assets	Tax losses	Loans and other receivables	Other	Total	Discontinued operations	Total including discontinued operations
	EUR '000	EUR '000	EUR'000	EUR '000	EUR'000	EUR'000	EUR'000
As of 1 January 2016	114	-142	14 522	-1 561	12 933	0	12 933
Charged against profit or loss	-16	24	-5 848	5 160	-680	0	-680
from which Impact of changes in tax rates	0	0	0	0	0	0	0
Charged against equity	0	0	0	0	0	0	0
Impact of translation to EUR	0	0	-330	-8	-338	0	-338
As of 31 December 2016	98	-118	8 344	3 591	11 915	0	11 915
deferred tax balance of discontinuing companies as of 31 December 2016	30	-772	742	0	0	0	0
deferred tax balance of new acquisitions as of 31 December 2016	824	0	1 546	130	2 500	0	2 500
Charged against profit or loss	113	0	277	-27	363	0	363
from which Impact of changes in tax rates	0	0	0	0	0	0	0
Charged against equity	0	0	0	0	0	0	0
Impact of translation to EUR	-21	-18	353	631	945	0	945
As of 31 December 2017	1 044	-908	11 262	4 325	15 723	0	15 723

Deferred tax assets and liabilities were mutually offset within individual Group entities. The below table shows an analysis of deferred tax (after the offsetting of certain balances) for financial reporting purposes:

	2017	2016
	EUR '000	EUR '000
Deferred Tax Assets	26 767	18 251
Deferred tax liabilities	-11 044	-6 336
Net deferred tax asset/(liability)	15 723	11 915

The below table shows the movement in deferred tax assets and liabilities.

	2017	2016
	EUR '000	EUR '000
Beginning of year	11 915	12 933
Currency translation adjustments	945	-338
Charged to the statement of comprehensive income	363	-680
deferred tax balance of discontinuing companies as of 31 December 2016	0	
deferred tax balance of new acquisitions as of 31 December 2016	2 500	
End of the year	15 723	11 915

The deferred income tax asset is comprised of:

	2017	2016
	EUR '000	EUR '000
Fixed assets	1 044	98
Loans and advances	11 262	8 344
Fiscal loss carried forward	- 908	-118
Other	4 325	3 591
Deferred tax (asset)/ liability	15 723	11 915

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A deferred tax asset is recognised for the carry-forward tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Group companies anticipate income growth in the future, thereby assuming that most of the tax losses for the current period will be utilised in future periods. The amount of unused tax losses for which the deferred tax asset was not recognised amounted to EUR 698 thousand as of 31 December 2017 (EUR 627 thousand as of 31 December 2016).

25. Bank Loans and Overdrafts

	2017 EUR '000	2016 EUR '000
Bank loans	6 081	7 469
Total	**6 081**	**7 469**
Loans are repayable as follows:		
- on demand or within one year	4 175	5 052
- in the second year	1 886	1 852
- in the third to five year	20	565
Total	**6 081**	**7 469**

Other significant information on the Group's loans:

The Group was not in breach of any financial covenants underlying the provision of the loans and was not in default on the repayment of the loans during the years ended 31 December 2017 and 2016.

26. Other Received Loans

The Group has received loans from the following non-banking entities:

	2017 EUR '000	2016 EUR '000
Entity 1	0	215 337
Entity 2	67 783	80 218
Other	208 928	18 043
Total	**276 711**	**313 598**
Loans are repayable as follows:		
- on demand or within 1 year	47 300	50 540
- in the second year	206 758	33 570
- in the third to fifth year	22 003	229 488
- more than five years	650	0
Total	**276 711**	**313 598**

Loans by currency:

At 31 December 2017	Total EUR '000	CZK EUR '000	EUR EUR '000	Other
Entity 1	0	0	0	0
Entity 2	67 783	67 783	0	0
Other	208 928	3 211	204 482	1 235
Total	**276 711**	**70 994**	**204 482**	**1 235**

At 31 December 2016	Total EUR '000	CZK EUR '000	EUR EUR '000	Other
Entity 1	215 337	87 106	108 337	19 894
Entity 2	80 218	74 023	6 195	0
Other	18 043	3 034	14 994	15
Total	**313 598**	**164 163**	**129 526**	**19 909**

Row Other represents namely a new creditor of the intra-group financing entity.

The loans from Entity 2 are collateralised among others by a promissory note of the loan recipient and pledged receivables.

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The Group was not in breach of any financial covenants underlying the provision of the loans and was not in default on the repayment of the loans during the years ended 31 December 2017 and 2016.

27. Provisions

	Provision for insurance claims EUR '000	Provision tax EUR '000	Other EUR '000	Total EUR '000
At 1 January 2017	**3 978**	**213**	**2 174**	**6 365**
Discontinued operations	-1 198			-1 198
Additions to provisions for the period	1 052	490	-414	1 128
Use of provisions	-1 049	0	-96	-1 145
Impact of translation to EUR	157	7	118	282
At 31 December 2017	**2 941**	**710**	**1 782**	**5 432**

Provision for Insurance Claims

The adequacy of the provision for insurance claims is determined directly by the provision calculation technique. The provision is recognised when an insurance event occurs as equal to anticipated insurance claims. The Group reports net insurance income (refer to Note 9) and the use of provisions does not exceed the aggregate insurance income.

Provisions for tax and tax accessories are described in Note 35.

28. Deferred income Bonus loans

Deferred income relates to the BONUS product and represents the difference between the fee for the standard product and the fee for the BONUS product (resp. additional service pack) which is gradually released to income and reduced by the claimed insurance payments. The year-on-year increase in deferred income is attributable to the increased share of the BONUS product in the entire loan portfolio.

	2017 EUR '000	2016 EUR '000
Deferred income - Bonus loans	21 562	19 069

29. Other Liabilities

	2017 EUR '000	2016 EUR '000
Trade payables	-749	1 018
Accrued expenses	2 429	314
Estimated payables	1 100	399
Payables to employees, social security and health insurance	1 725	974
Untaken holiday	441	322
Other	0	2 888
Total	**4 946**	**5 915**

30. Equity

As of 31 December 2017, the Group reported positive equity in the amount of EUR 10,983 thousand (positive equity in the amount of EUR 23,362 thousand as of 31 December 2016).

The aggregate consolidated accumulated loss as of 31 December 2017 amounts to EUR 134,638 thousand, of which EUR 150,896 thousand represents a loss that arose from the elimination of revaluation as part of the Group restructuring which took place in 2007, and EUR 16,070 thousand represents an accumulated profit from the Group's operations.

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31. Share Capital

In 2017 and 2016 no change was made in the share capital.

The share capital is EUR 40,000 thousand divided into 40,000,000 shares of EUR 1 each. At the balance sheet date, a total of 9,000,012 shares were issued and fully paid. All shares are ordinary shares.

In 2017 and 2016, the General Meeting decided not to declare and pay out any dividends.

32. Foreign Currency Translation Reserve

	Total EUR '000
Balance at 31 December 2015	44
Movement for the period	-888
Balance at 31 December 2016	-844
Movement for the period	517
Balance at 31 December 2017	-327

33. Contingent Liabilities

The Group has no contingent liabilities other than those stated in Note 35.

34. Estimated fair value of assets and liabilities of the Group

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value estimates are made based on relevant market data, estimates, discounted cash flows or using other generally acknowledged valuation methods. The results of these methods are significantly impacted by used estimates, specifically discounted rates and estimates of future cash flows. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

a) Cash and Balances with Banks

The reported balances of cash and short-term instruments are generally deemed to approximate their fair value.

b) Loans and Advances to Customers

Loans and advances to customers are carried net of provisions. The fair value of loans is estimated on the basis of discounted cash flows using the market interest rate common in loans with similar conditions and terms and advanced to debtors with a similar risk assessment. The used interest rate depended on the type of the amount due as each type of the amount due carries a different interest rate which results from the value of money used for the funding of the relevant amount due and risk margin.

Loans and advances to customers are valued at fair value Level 3.

c) Amounts Owed to Banks and Customers

The estimated fair value of amounts owed to banks and customers with no stated maturity is equal to the amounts repayable on demand as of the consolidated financial statements date (i.e. their carrying amounts).
Carrying amounts of term loans with a variable interest rate principally equal their fair values as of the consolidated financial statements date.

Fair values of payables with a fixed interest rate are estimated as the present value of discounted future cash flows and applied discount factor is equal to the interest rates currently offered on the market for products with similar

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conditions. Amounts owed to banks and customers with interest rate fixed for middle or long term represent only an insignificant part of the total carrying amount.

For this reason, the fair value of total amounts owed to banks and customers does not significantly differ from the carrying amount as of the balance sheet date.

d) Other Received Loans

The fair values of other received loans with fixed interest rates are estimated on the basis of discounted cash flows using market interest rates.

e) Debt securities issued

The fair values of other Debt securities issued with fixed interest rates are estimated on the basis of discounted cash flows using the Debt securities' interest rates.

The following table shows the carrying values and fair values of selected financial assets and liabilities:

	2017 Carrying value EUR '000	2017 Fair value EUR '000	2016 Carrying value EUR '000	2016 Fair value EUR '000
Financial assets				
Cash and cash at bank	17 634	17 634	5 473	5 473
Loans and advances to customers (net)	337 119	361 750	363 358	386 470
Financial liabilities				
Amounts owed to loan advisors	8 527	8 527	5 324	5 324
Amounts owed to banks	7 102	7 102	9 026	9 026
Debt securities issued	26 924	26 924	16 511	16 511
Other received loans	262 227	262 227	330 955	330 955

Management considers the fair value of the financial liabilities to be equal to their carrying value.

Inputs to valuation models

When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation techniques and underlying assumptions concerning factors such as the amount and timing of cash flows, discount rates and credit risk. The principal inputs to these valuation techniques are as follows:

- Interest rates – these are principally benchmark interest rates derived from EURIBOR;
- Counterparty credit spreads – adjustments are made to market prices (or parameters) when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameters); and
- Recovery rates – there are used as an input to valuation models as an indicator of severity of losses on default. Recovery rates are estimated based on historical data of collections and estimated development on the market.

35. Risk Management and Financial Instruments

a) Credit Risk

Principal financial assets of the Group include cash at bank and cash (refer to Note 13) and loans and advances to customers (refer to Note 14) which represent a maximum exposure of the Group to credit risk in relation to financial assets.

Credit risks of the Group predominantly relate to loans and advances to customers. The balances presented in the consolidated statement of financial position are reported net of provisions for impaired receivables which are charged based on the estimate of the Company's management taking into account historical experience and impacts associated with existing economic conditions.

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Credit risks attached to liquid funds are limited as the counterparties are banks with high rating assessments determined by international rating agencies.

The Group reports no significant concentration of credit risks as its exposure is distributed among a significant number of counterparties and customers.

Debt Recovery

Companies in the Profireal Group use their own network of external collection specialists for the recovery of their own or purchased receivables.

Credit Risk Collateralisation

The principal limitation of the credit risk exposure relates to the fact that the Group has its credit risk diversified into a significant number of clients and geographically within the entire Group. Contracts for the provided loans are also collateralised by bills of exchange and a guarantee or a security is required.

Collateral for Received Loans

The Company uses its assets as collateral for received bank and non-bank loans. These assets include real estate, cash on bank accounts and receivables from provided loans. The following table shows the amount of receivables and cash on bank accounts used as collateral:

Carrying amount of financial assets used as collateral	**2017 EUR '000**	**2016 EUR '000**
Bank loans and overdrafts	7 884	7 469
Other received loans	291 653	309 416
Total	**299 537**	**316 885**

In terms of collateral, it is important for companies to monitor the amount of the receivable from advanced loans which are not impaired. The following table shows their balances:

Carrying amount of provided loans neither impaired nor past due	**2017 EUR '000**	**2016 EUR '000**
Employee loan	170 145	191 995
Business loan	1	1
Trade loan	4	5
Employees loan – "CZK 6 000"	18	25
Employees loan – "CZK 4 999"	1514	6
Simple business loan	1 094	948
PPS Loan	8 334	7 614
Total	**181 110**	**200 594**

The Group does not report receivables that would be past their due dates and were not impaired.

The real estate is not part of collateral in 2017 and 2016.

The employee loan is intended for clients (physical persons) that have regular income from employment (after trial period), from annuity, old-age pension or disability pension as well as income from maternity or parental benefits. The amount of these loans ranges from EUR 400 – 6,600, the repayment period is between 12 to 48 months and the loan is not tied to any specific purpose.

The business loan is designed for business entities (i.e. entrepreneurial persons and business entities). The basic criterion for loan approval is a quality piece of real estate. These loans are short to medium term loan maturity of 1–48 months. The amount of the loan is not limited, but it depends on the quality of the lien.

The trade loan is designed mainly for small entrepreneurs and traders who have regular income from business. The loans are short to medium term loans with a maturity of 1–48 months. Approval of such an application is subject to individual evaluation.

The employees loan – "CZK 6 000" is intended for physical persons with stable income. The loan is related to the fixed amount of CZK 6,000 for a short term period.

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The employees loan – "CZK 4 999" is related to the fixed payment amount CZK 4 999. The loan is offered to clients that earn stable income. This loan will address small financial needs or unexpected expenditures. Clients are asked to present only two identity documents.

The simple business loan is intended chiefly for small-scale business persons and self-employed persons (natural and legal persons) to address their immediate financial needs. This is a short-term loan of CZK 30,000, with the repayment period of 12 months. The basic criterion for determining if the applicant will be provided the loan is information from accessible registers.

The specific-purpose loan is the only loan for the client to give a specific description of the purpose of the loan to be provided. It is suitable for modernisation of establishments, procurement, equipment, machinery and various facilities for business activities. The amount to be provided ranges from CZK 30,000 to 110,000, with the repayment period of 12 to 48 months.

b) Liquidity Risk

The liquidity risk represents the risk that the Group will not have sufficient funds available to settle the amounts owed arising from financial contracts.

Under its contracted limits of overdraft facilities, the Company can apply for additional drawing of funds at any point of time and thus deal with the difficulties arising from a potential lack of funds.

The table below provides an analysis of non-discounted financial liabilities into relevant maturity groupings (residual maturity is the period from the balance sheet date to the maturity date and represents all cash flows).

Non-discounted financial liabilities as of 31 Dec 2017*	**Within 7 days EUR '000**	**From 7 days to 3 months EUR '000**	**From 3 months to 1 year EUR '000**	**From 1 year to 5 years EUR '000**	**More than 5 years EUR '000**	**Total EUR '000**
Amounts owed to customers	0	1 643	557	2 699	0	4 899
Liabilities arising from finance leases	0	178	408	475	0	1 061
Bank loans and overdrafts	0	887	3 793	1 931	0	6 611
Other received loans	0	250 893	34 104	38 488	127 988	451 473
Other liabilities	0	16 139	1	0	0	16 140
Total	**0**	**269 740**	**38 863**	**43 593**	**127 988**	**480 184**

* including "held for sale" companies

Non-discounted financial liabilities as of 31 Dec 2016	**Within 7 days EUR '000**	**From 7 days to 3 months EUR '000**	**From 3 months to 1 year EUR '000**	**From 1 year to 5 years EUR '000**	**More than 5 years EUR '000**	**Total EUR '000**
Amounts owed to customers	0	1 589	930	2 864	0	5 383
Liabilities arising from finance leases	0	189	569	875	0	1 633
Bank loans and overdrafts	0	1 715	3 649	2 654	0	8 018
Other received loans	0	23 710	55 404	269 986	0	349 100
Other liabilities	0	13 001	2 259	1 468	0	16 728
Total	**0**	**40 204**	**62 811**	**277 847**	**0**	**380 862**

c) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The companies in the Profireal Group have concluded long-term loan contracts which are renewed and adjusted on an annual basis. For these reasons, the interest rate risk is minimised. In addition, the Company has the possibility to change, as and when required, the interest rates attached to advanced loans.

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Currency Risk

Currency risk includes the risk of the change in the value of financial instrument as a result of a change in market foreign currency rates and potential impact of these changes in the profit and loss. The following table shows the structure of assets and liabilities in the Group.

The following table shows sensitivity analysis in the currency risk of received loans which represent the most significant currency risk for the Group:

Sensitivity analysis: CY risk at 31 Dec 2017	**Credit currency**	**LCY**	**Credit amount**	**Credit amount (at 1 % increase in the exchange rate)**	**Credit amount (at 1 % decrease in the exchange rate)**
PROFI CREDIT Poland	CZK	PLN	133 690	132 353	135 027
PROFI CREDIT Poland	EUR	PLN	29 129	28 838	29 420
PGJT	RUB	EUR	9 881	9 782	9 980
PROFI Funding	CZK	EUR	103 402	102 368	104 436
FLEXI FINANCE	EUR	PHP	10 860	10 751	10 969
PROFI INVESTMENT	RUB	EUR	16	16	16

Sensitivity analysis: CY risk at 31 Dec 2016	**Credit currency**	**LCY**	**Credit amount**	**Credit amount (at 1 % increase in the exchange rate)**	**Credit amount (at 1 % decrease in the exchange rate)**
PROFI CREDIT Poland	CZK	PLN	111 408	110 294	112 522
PROFI CREDIT Poland	EUR	PLN	28 930	28 641	29 219
PROFI INVESTMENT	RUB	EUR	15	15	15

Structure of assets and liabilities by original currency at 31 Dec 2017 EUR '000	**CZK**	**EUR**	**PLN**	**BGN**	**Other**	**Total**
Cash and cash at bank	1 847	7 237	6 043	845	1 680	17 652
Loans and advances to customers (net)	109 590	0	178 130	34 527	12 037	334 283
Deferred expenses and accrued income and other assets	1 856	2 586	1 552	556	1 595	8 145
Deferred tax asset	4 207	0	8 061	41	3 414	15 723
Income tax	0	0	0	0	0	0
Assets classified as held for sale	0	50 802	0	0	0	50 802
Intangible fixed assets (net)	384	0	288	262	1 873	2 807
Property and equipment (net)	2 849	0	1 528	302	816	5 495
Goodwill from acquisition	0	7 675	0	0	0	7 675
Total assets	**120 733**	**68 230**	**195 601**	**36 533**	**21 415**	**442 582**
Amounts owed to customers	3 622	711	339	0	4 060	8 732
Liabilities arising from finance lease	505	148	353	0	0	1 006
Bank loans and overdrafts	3 545	0	0	0	2 537	6 081
Other received loans	73 154	192 418	0	0	11 139	276 711
Debt securities issued	26 924	0	0	0	0	26 924
Tax liabilities	1 892		675	0	0	2 567
Deferred tax liabilities	0	0	0	0	17	17
Deferred income Bonus loans	8 540		2 610	10 412	0	21 562
Other liabilities	2 362	-3 943	-1 372	302	-5	-2 656
Provisions	3 399	0	2 020	13	0	5 433
Liabilities directly associated with assets classified as held for sale	0	85 223	0	0	0	85 223
Total liabilities	**123 943**	**274 557**	**4 625**	**10 727**	**17 747**	**431 599**
Net exposure	**-3 210**	**-206 257**	**190 977**	**25 805**	**3 668**	**10 983**

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Structure of assets and liabilities by original currency at 31 Dec 2016 EUR '000	**CZK**	**EUR**	**PLN**	**BGN**	**Other**	**Total**
Cash and cash at bank	1 137	1 177	3 356	79	3	5 752
Loans and advances to customers (net)	109 787	63 709	156 148	33 104	0	362 748
Deferred expenses and accrued income and other assets	2 014	4 524	1 787	478	0	8 803
Deferred tax asset	2 881	0	9 013	21	0	11 915
Income Tax	1813	1 482	0	0	0	3 295
Assets classified as held for sale	0	0	0	0	0	0
Intangible fixed assets (net)	366	128	169	12	0	675
Property and equipment (net)	2 724	474	1 501	376	0	5 075
Investment in a joint venture	0	1 653	0	0	0	1 653
Total assets	**120 722**	**73 147**	**171 974**	**34 070**	**3**	**399 916**
Amounts owed to customers	3 407	544	784	648	0	5 383
Liabilities arising from finance lease	691	268	568	0	0	1 527
Bank loans and overdrafts	7 469	0	0	0	0	7 469
Other received loans	164 163	129 526	19 909	0	0	313 598
Debt securities issued	16 511	0	0	0	0	16 511
Tax liabilities	0	3	714	0	0	717
Deferred tax liabilities	0	0	0	0	0	0
Deferred income Bonus loans	7 338	2 055	1 967	7 709	0	19069
Other liabilities	2 014	2 371	565	965	0	5915
Provisions	2748	1199	2387	31	0	6365
Liabilities directly associated with assets classified as held for sale	0	0	0	0	0	0
Total liabilities	**204 341**	**135 966**	**26 894**	**9 353**	**0**	**376 554**
Net exposure	**-83 619**	**-62 819**	**145 080**	**24 717**	**3**	**23 362**

d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged since 2010.

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 21 and 22 offset by cash and bank balances) and equity of the Group (Notes 25 and 26).

The Group is not subject to any externally imposed capital requirements.

36. Legal Disputes

In 2011, the court effectually put an end to a several years-long legal dispute with the disputed balance of hundreds of millions Czech crowns (approx. EUR 20 million) in favour of one of the companies in the Group, PROFI CREDIT Czech, a.s. No appeal was filed against this decision; therefore, the Group consider this dispute to be completed and will enforce the expenses of the legal dispute from the prosecuting party.

PROFI CREDIT Czech, a.s. participates as a plaintiff in the proceedings conducted before the Municipal Court in Prague as regards the tax liability related to previous accounting periods. The disputable amount was paid in full within the statutory period in 2014. The action has not been heard yet, and so far no order has been issued for the first hearing. Based on a legal analysis, the Company's management is of the opinion that the proceedings will be closed upon a judgement in favour of the Company. In connection with the aforementioned tax liability, interest and penalty on the overdue payment was assigned to the Company in 2015, which amounts to CZK 45 million (ca EUR 1.6 million), however, had been paid in full, and accordingly, an appeal has been lodged by the Company. In case the appeal is declined, the Company is ready to settle the matter in the court, and based on a legal analysis, the Company believes that the result of the proceedings will be favourable for the Company. The amount of the interest and penalty on the overdue payment linked to previous accounting periods is accounted for against other profit (loss) of previous years.

The penalty of overdue payment, paid by the Company in 2015, was paid back by the Tax Authority in August 2015. An appeal lodged by the Tax Authority in connection with penalty was accepted by the appeal court in November 2016. Consequently, a judgement was issued in 2018. The Company booked a provision.

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Poland's operations as conducted by PROFI CREDIT Poland Sp. z o.o. and PROFI CREDIT Polska SA. are under a regulatory supervision by the Competition Office.

PROFI CREDIT Poland Sp. z o.o. is subject to several proceedings initiated by the Competition Office for violating group consumer interests. The proceedings are at different phases of developments, including the court and appeal court phase. The company vigorously disputes the claims brought by the Competition Office. It is expected that final decisions and rulings may take a few years.

PROFI CREDIT Polska SA is subject to a single inquiry by the Competition Office. So far no charges have been made.

As of 31 December 2017, the Group was involved in no other passive legal dispute, the outcome of which would significantly impact the Group.

37. Related Party Transactions

Transactions between the Company and its subsidiaries which are related parties were eliminated upon consolidation and are not disclosed in this Note. Transactions between the Group and affiliates or companies that were not included in the consolidation are disclosed below.

Business Transactions

During the reporting period, the Group companies performed the following transactions with other related parties:

	Income		**Expenses**		**Receivables**		**Payables**	
	2017 EUR '000	**2016 EUR '000**	**2017 EUR '000**	**2016 EUR '000**	**2017 EUR '000**	**2016 EUR '000**	**2017 EUR '000**	**2016 EUR '000**
Ultimate shareholder	0	0	762	0	0	0	1 498	0
Other subsidiaries	0	810	0	33	0	1	0	3
Key management personnel	0	0	55	231	0	0	1	1
Other related parties	2	6	4 847	6	2	20	719	74
Total	**2**	**816**	**5 664**	**270**	**2**	**21**	**2 217**	**78**

Receivables from related parties were not provisioned.

The amounts presented in 'Key management personnel' represent transactions with the members of the company board. These amounts are related to the short-term remuneration (the outstanding payable is due within a year) and were stated on an arm's length basis. The Key management personnel did not provide or receive any guarantees. There are no receivables due from the key management and therefore there are no related provisions for doubtful debts nor there is any expense recognised in this respect.

The most important creditor of the Group has become related party in 2018 (ref. subsequent events).

38. Subsequent events

In January 2018, the stake in PROFI Credit Slovakia was sold to a company outside the Group.
In February 2018, new Director C was appointed.
In May 2018, the Czech National Bank granted to PROFI CREDIT Czech, a.s. a license Non-bank providers of consumer credit.
In May 2018, the company Profidebt Polska Sp. z o.o. was liquidated.
Since June 2018, one of the most important creditors of the Group´s companies has been controlled by the same controlling person that carries out control over the Group.
In June 2018, the legal address of the companies in the Netherlands has been changed. New address:
Prinses Margrietplantsoen 88, 2595 BR The Hague, the Netherlands

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Approval of the Consolidated Financial Statements

These consolidated financial statements were prepared and approved on July 20, 2018.

Members of the Board of Directors A:

G. van den Berg

D. Kramer

Members of the Board of Directors B:

D. Chour

Z. Lhotský

Members of the Board of Directors C:

J. Michel

M. Štejnar

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Company Financial Statements for the Year Ended 31 December 2017

All information presented in '000 EUR unless stated otherwise

Statement of Financial Position as of 31 December 2017
(before appropriation of results)

	Notes	31 Dec 2017	31 Dec 2016
ASSETS			
Fixed Assets			
Financial Fixed Assets			
Investments	4	63 459	50 730
Loans receivable	5	27 705	16 507
		91 164	67 237
Current Assets			
Receivables and prepaid expenses	6	4 641	1 715
Cash at banks	7	2 218	279
		6 859	1 994
TOTAL ASSETS		98 023	69 231
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity	8		
Issued and fully paid share capital		9 000	9 000
Share premium		150 032	150 032
Foreign currency translation reserve		-327	-844
Accumulated loss		-134 826	-135 335
Result of the year		-12 896	509
Attributable to owners of the entity		-11 892	509
Non-controlling interest		-1 004	0
		10 983	23 362
Non-Current Liabilities			
Provision to investments	4	57 040	25 280
Long term loans	9	30 000	20 000
		87 040	45 280
Current Liabilities			
Accounts payable and accrued expenses		0	589
		0	589
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**98 023**	**69 231**

The accompanying notes form part of these accounts.

Income statement
for the year ended 31 December 2017

	31 Dec 17	31 Dec 16
Company result	1 742	-23 000
Result from participations in Group companies	-14 638	23 509
Net result	-12 896	509

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Notes to the Company financial statements
31 December 2017

1. Group Affiliation and Principal Activities

The Company, incorporated on 9 August 2007, is a European private limited liability company with its statutory seat in Amsterdam, The Netherlands.
Registered office: Martinus Nijhofflaan 2, 17th floor, 2624 ES Delft, the Netherlands.
Registration number with Dutch Chamber of Commerce: 34280236.

The principal activities of the Company are to act as a finance and holding Company.

2. Basis of Presentation

The company financial statements of Profireal Group SE have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The accounting policies applied in the company financial statements are the same as those applied in the consolidated financial statements. Profireal Group SE applies the exemption as included in section 2:362 paragraph 8 of the Netherlands Civil Code. Participating interests in Group companies are valued at net asset value determined on the basis of IFRS as adopted by the EU. Reference is made to the accounting policies section in the consolidated financial statements.

As the financial data of Profireal Group SE (the parent company) are included in the consolidated financial statements, the income statement in the company financial statements is presented in abbreviated form (in accordance with article 402 of Book 2 of the Netherlands Civil Code)

3. Significant Accounting Policies

a) General

Assets and liabilities are stated at face value unless indicated otherwise.

b) Financial Fixed Assets

Participating interests in Group companies are valued at net asset value based on the accounting policies applied in consolidated financial statements. Investments with a negative value are presented as provisions.

c) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Euros at rates of exchange applicable at the closing date. Transactions in foreign currencies are translated at the rates in effect at the dates of transactions. The resulting exchanges differences are reflected in the income statement.

Exchange gains or losses are reflected in the income statement.

Exchange rates for EUR 1 used at period-end are:		*31-Dec-17*	*31-Dec-16*
	CZK	25.535	27.021
	PLN	4.177	4.363
	BGN	1.956	1.956
	RUB	69.392	64.300

d) Recognition of Income and Expense

Other expenses, including taxation, are recognised and reported on an accruals basis.

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4. Investments

	31-Dec-17	*31-Dec-16*
Balance 1 January	25 450	30 872
New acquisitions*	5 000	44
Share in income	-13 490	23 509
Dividend	-8 908	-1 850
Exchange rate differences	-1 333	-844
Disinvestments**	-	-24 805
Other changes	-300	-1 476
Balance 31 December	6 419	25 450
Investments with positive equity (presented as investments in assets)	63 457	50 730
Investments with negative equity (presented as provision in liabilities)***	-57 040	-25 280
Total	**6 419**	**25 450**

* Additional funding to existing companies: Increase of Share capital in PROFI CREDIT Bulgaria, Ltd.
** Disinvestment (2016: Profidebt Slovakia s.r.o.)
*** Contain PGJT B.V. (joint venture in 2016) and newly acquired 75% share in companies on Philippines (FLEXI FINANCE Asia INC., VETTORE ENTERPRISES INC.)
The Entity has committed to providing financial support to those Group entities that report negative equity balances. For this reason, a provision was recognised for these negative equity balances. In case of PROFI Credit Slovakia such commitment doesn´t exist due to its disposal in January 2018.

5. Loans Receivable

		31-Dec-17	*31-Dec-16*
PROFI Investments NL NV	EUR	24 899	9 223
Profi Exploration	EUR	25	25
PROFI CREDIT Czech, a.s.	CZK	0	1 851
PROFI CREDIT Bulgaria Ltd.	EUR	0	5 000
PROFI Investments BG BV	EUR	2 290	0
PROFI Funding BV	EUR	60	0
TK Sparta Praha	CZK	431	407
Total		**27 705**	**16 507**

6. Receivables and Prepaid Expenses

	31-Dec-17	*31-Dec-16*
Guarantee income receivable	270	288
Interest receivable	3 751	1 333
Other receivables	620	94
Total	**4 641**	**1 715**

7. Cash at Banks

		31-Dec-17	*31-Dec-16*
ING Bank, The Netherlands		310	24
ING Bank, The Netherlands	CZK	1 906	253
ING Bank, The Netherlands	RUB	1	1
J&T Bank, Russia	RUB	1	1
Total		**2 218**	**279**

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8. Shareholder's Equity

The authorised share capital is EUR 40,000 thousand divided into 40,000,000 shares of EUR 1 each. At the balance sheet date, a total of 9,000,012 shares were issued and fully paid.

Movements in the shareholder's equity accounts are as follows:

	Share capital	Share premium	Foreign currency translation reserve	Accumulated loss	Result of the year	Attributable to owners of the parent entity	Non-controlling interest	Total
Balance at 1 January 2016	**9 000**	**150 032**	**43**	**-156 423**	**21 088**	**23 741**	**0**	**23 741**
Appropriation of net result	0	0	0	21 088	-21 088	**0**	**0**	**0**
Other movement of Retained Earnings	0	0	0	0	0	**0**	**0**	**0**
Correction of net result	0	0	-888	0	0	**-888**	**0**	**-888**
Result for the period	0	0	0	0	509	**509**	**0**	**509**
Balance at 31 December 2016	**9 000**	**150 032**	**-844**	**-135 335**	**509**	**23 363**	**0**	**23 363**
Appropriation of net result	0	0	0	509	-509	0	**0**	**0**
Other movement of Retained Earnings	0	0	0	0	0	189	**-189**	**0**
Correction of net result	0	0	517	0	0	368	**149**	**517**
Result for the period	0	0	0	0	-12 896	-12 115	**-781**	**-12 896**
Balance at 31 December 2017	**9 000**	**150 032**	**-327**	**-134 826**	**-12 896**	**11 804**	**-821**	**10 983**

In 2017 and 2016, the General Meeting decided not to declare and pay out any dividends. The foreign currency reserve is a legal reserve.

9. Long-Terms Loans

		31-Dec-17	*31-Dec-16*
Solarex Investment B.V.	EUR		5 000
Solitera Investments Ltd.	EUR		15 000
Profi Funding B.V.	EUR	30 000	
Total		**30 000**	**20 000**

Long-term loans mentioned above are embodied in the received loans disclosed in the Note '26. Other received loans' in Consolidated Financial Statement.

10. Directors and Employees

The Company has no employees other than its directors (2016: 0). The Company has 5 directors (2016: 5). Two of the directors have received remuneration. Their remuneration is shown in the consolidated financial statements in Note 33 under key management personnel. Key management personnel in Note 37 only relates to the statutory directors. The Company has no supervisory director (2016: 0).

11. Contingent assets/liabilities

The Company does not have any material contingent assets and contingent liabilities at the balance sheet date.

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Approval of the Financial Statements

These financial statements were prepared and approved on July 20, 2018.

Members of the Board of Directors A:

G. van den Berg

D. Kramer

Members of the Board of Directors B:

D. Chour

Z. Lhotský

Members of the Board of Directors C:

J. Michel

M. Štejnar

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Supplementary Information
31 December 2017

Appropriation of result according to Articles of Association

In Article 18 of the Company's Articles of Association the following has been presented concerning the appropriation of result: Appropriation of the net result is at the disposal of the Shareholders' Body and any proposed distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity.

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Deloitte.

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
P.O.Box 58110
1040 HC Amsterdam
Netherlands

Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9737
www.deloitte.nl

Independent auditor's report

To the shareholders of PROFIREAL Group SE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2017 of PROFIREAL Group SE, based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of PROFIREAL Group SE as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of PROFIREAL Group SE as at December 31, 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2017.
2. The following statements for 2017: the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2017.
2. The company profit and loss account for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

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Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of PROFIREAL Group SE in accordance with the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

Introduction of IFRS 9 as at January 1, 2018, and effect on going concern assumption

We draw attention to the paragraph "going concern assumption" in the notes on page 25 of the consolidated financial statements and paragraph "changes in accounting polices in 2017" in the notes on page 34 which describes that management assessed the effect of the introduction of IFRS 9 as at January 1, 2018, and the fact that this effect would significantly impact equity of PROFIREAL Group SE. Management assessed the gong concern assumption and the notes describe in detail why management considers the going concern assumption appropriate. Our opinion is not modified in respect of this matter.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Introduction of PROFIREAL Group, with the report of the Board of Directors.
- Supplementary information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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Management is responsible for the preparation of the other information, including the introduction of PROFIREAL Group with the report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the supplementary information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's 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.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, August 30, 2018

Deloitte Accountants B.V.

Initials for identification purposes:

A.J. Kernkamp

Contacts

Company name:
Profireal Group SE

Visit address:
Martinus Nijhofflaan 2, 17th floor, 2624 ES Dlft, the Netherlands
Mailing Address:
Martinus Nijhofflaan 2, 17th floor, 2624 ES Delft, the Netherlands

phone: + 31 15 789 0192
fax: + 31 15 789 0193

e-mail: profirealgroup@profirealgroup.com
www.profirealgroup.com

Deloitte Accountants B.V.
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