2017

Annual Report

APS Holding S.A.

ANNUAL REPORT 2017

APS

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1 Letter from the CEO

IN 2017, AS IN PREVIOUS YEARS, WE AT APS FOCUSED ON STRENGTHENING OUR POSITIONS, BUILDING NEW STRATEGIC PARTNERSHIPS, AND COMPLETING BOTH PLANNED AND ONGOING EXPANSIONS INTO NEW MARKETS. THE RESULTS WE PRESENT IN OUR ANNUAL REPORT PROVE THAT 14 YEARS OF EXPERIENCE, A PROFESSIONAL APPROACH, AND THE ABILITY TO COME UP WITH INNOVATIVE SOLUTIONS TAILORED TO THE SPECIFICS OF THE RESPECTIVE MARKETS ARE A RECIPE FOR SUCCESS. THE TURNOVER OF OUR COMPANY FOR THE PAST CALENDAR YEAR WAS EUR 33.5 MILLION, WITH A NET PROFIT OF EUR 4.3 MILLION. THANKS TO THIS, APS HAS BECOME THE MOST SUCCESSFUL INVESTOR AND ADMINISTRATOR OF NON-PERFORMING RECEIVABLES IN THE REGIONS OF CENTRAL AND SOUTHEASTERN EUROPE.

Still, I do not regard the total value of closed deals to be the only measure of success. I above all appreciate the continually growing reputation of APS as a trusted, stable, and sought-out partner that successfully navigates the turbulence of volatile markets even in regions that require a specific approach. These are the actual abilities and assets which are priceless in our rapidly changing, dynamic world. And the importance of these attributes will continue to grow with the opening of markets in Southern and Eastern Europe previously closed and guarded by national authorities.

I am pleased to note that there are opportunities emerging before us in both current and new markets, including Austria, Greece, and Italy. These will naturally entail an array of seemingly unresolvable tasks. As these markets are strategic and crucial for our field of business, we have to deal with these challenges in a responsible and transparent way. Our priority is to adhere to the highest ethical and moral standards as well as the values of our firm that build on professionalism, responsibility, and trust. With each successful completion of a transaction in accordance with our values, our company grows and so does our international reach and our ability to mobilize our partners and investors.
With their help, we completed several significant transactions in 2017. At the beginning of the year, we successfully entered the Croatian market with the acquisition of a corporate NPL portfolio with a nominal

value above EUR 100 million. A genuine milestone for the year for our Croatian subsidiary can be seen in the purchase of a portfolio with a nominal value over EUR 448 million acquired from Zagrebačka Banka, the local unit of UniCredit. This deal has been nominated for the CEE Legal Matters Deal of the Year Award for Croatia.

Another highlight of 2017 belongs to our Cyprus branch, where we succeeded in the acquisition of a majority stake in ServiceCo along with an SLA for the management of an NPL portfolio with a total balance of EUR 2,525 million comprising 9,169 borrowers and 15,877 loans secured by real estate collateral with a market value of EUR 2,125 million.

In Serbia, we and our partners Balbec, IF, and Apollo-IFC managed to acquire 100% of shares in HETA Real Estate and the shareholder loans and the portfolio of HETA Asset Resolution, including an NPL portfolio of EUR 227 million secured by real estate worth EUR 133 million and real estate owned assets valued at EUR 22 million.

APS in Poland entered the customer services area and recorded our best figures in terms of revenues and profit over the past few years. We were able to take advantage of our know-how and establish ourselves as one of the top servicing companies in Poland.

I will finish this retrospective by mentioning the Czech market, where APS and our partners acquired two large NPL portfolios with a total nominal value of EUR 52 million – a transaction that moved us into the top companies in our field. Currently, we manage over 42,000 accounts with a total nominal value of EUR 94 million, and we have become the main collection agency for the fifth largest insurance company on the Czech market. In addition, we have commenced many other transactions that are no less important. Operating in 13 countries, APS managed 80 portfolios with a total nominal value of EUR 5.5 bilion.

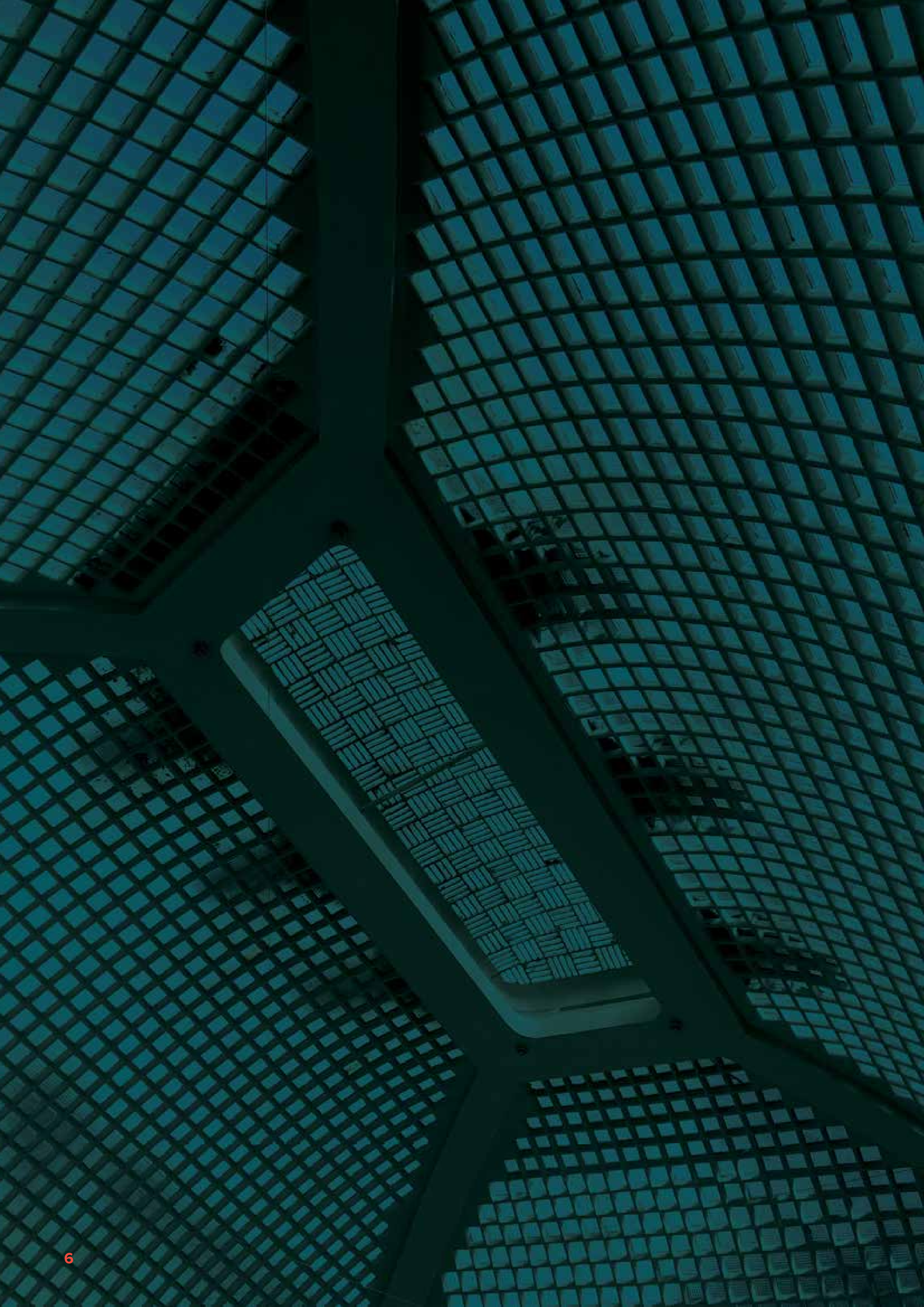
The dynamic growth our company has been undergoing in recent years necessitated implementation of a new corporate structure that would accurately correspond with the three main pillars of our business: investment, recovery services, and real estate. The newly established firms under the APS umbrella continue with the business processes and activities formerly executed by APS Holding a.s. headquartered in the Czech Republic.

In conclusion, allow me to shortly digress from the main pillars of our business. In the past year, we have become more involved in CSR activities, and we intend to further develop this area. Our goal is to help both communities and individuals unjustly deprived of certain opportunities. Therefore, our Prague office is joining the foundation initiative and establishing a Czech office of the Seeding Knowledge Foundation. This great initiative was established by our Romanian team, and I am really thankful for this idea of how to help others.

Dear colleagues, investors, and business partners, let me thank you for your cooperation, support, and effort dedicated to our projects. I am convinced that in the months and years to come we can seize all fitting opportunities.

Sincerely,

Martin Machoň
Chief Executive Officer and Owner



2 Company Profile

APS is an alternative asset management company focusing on distressed debt and real estate investment and debt recovery with a prime position in Central and South-eastern Europe and further expansion goals. Our business consists of activities leading to acquisition of non-performing loan (NPL) portfolios and their management and servicing. We provide the full spectrum of portfolio operations ranging from third-party servicing and management for institutional investors to purchasing entire portfolios.

We have over 700 professionals in 13 European countries to handle fast, efficient, and ethical collection services across countries with different languages, legislation, economic situations, and debtor behaviour. Our rapid rate of growth is set to continue over the coming years as we set our sights on new markets and opportunities. We have already made successful steps into investment management and real estate. With strong ties to major banks and investment companies such as Deutsche Bank, AnaCap Financial Partners, and the International Finance Corporation (a member of the World Bank Group), we are now also in a position to evaluate offers and opportunities in Western Europe.

At APS, we build on the high ethical standards, strong compliance, and extensive knowledge of our teams assembled from top market professionals.

Our strong team of highly qualified staff has proven for another year in a row its ability to evaluate and successfully realize the potential of markets in Central and Southern Europe and continued to establish a leading position with reliable investments in this region, increasing our portfolio's volume to its current* EUR 5.5 billion, from tens of millions in our initial years. We have been expanding over our entire history, entering the markets of Czechia, Slovakia, Poland, Romania, Serbia, Montenegro, Bulgaria, Greece, Cyprus, Hungary, and Croatia. We successfully strive to profile, from a long-term perspective, as a stable investor with a clear business vision. In over 14 years of operations, we have demonstrated fast but well-founded growth from a company active on the Czech debt recovery market, quickly utilizing our growing know-how and gathering leading market specialists to become a major NPL investor in the region. APS proved its abilities and great dedication during the highly challenging years after the credit crunch in 2008. Our expansion into markets in new countries was marked by impressive success. APS has now without a doubt established a position as a key player in the CE and SEE market, giving us increasing importance for the European-wide and global NPL markets. We have gained great recognition and respect from our global market partners, and we are widely trusted as having a solid base for long-term growth.

*as of 30 June 2018

MARKET INTRODUCTION

The NPL market in Europe is experiencing rapid growth after the credit crunch in 2008 which gave rise to an enormous number of distressed debts. NPL investors are becoming indispensable partners for banks as regulatory requirements, including capital adequacy rules, imposed upon them have increased dramatically since 2008. The debt-purchasing industry is therefore naturally becoming an integral part of banks' outsourcing models.

NPL investors not only help to increase the economy's capital efficiency, as they improve liquidity and risk management for banks, but at the same time they also provide better help to debtors by giving them additional chances for recovery. Debt purchasers are the best specialists to follow up on loans in default in a way that will minimize the negative impact on the overall economy, which banks do have not the resources to do. Moreover, current economic growth goes hand in hand with increased consumption, and the industry is already dealing with consumer loans with a high default rate.

All of these circumstances create very demanding but, if accompanied by a high level of professionalism, potentially very beneficial and profitable opportunities. APS has managed to crystallize together with this industry as the leading investor with reliable comprehensive services fitting the demands of the economy. APS has so far targeted the market of Central and Southeastern Europe, as this market has provided a good match in size not attractive enough for big investors from Western Europe. Nevertheless, the market's complexity and regulation still require meeting the highest available global standards.

CORPORATE SOCIAL RESPONSIBILITY

A key instrument to our giving back to the community is the Seeding Knowledge Foundation (SKF), established in Romania in 2015. "Our dream was to offer complete, customized education to children who have a thirst for knowledge but lack the necessary financial resources," says Arina Angelescu, SKF president. The foundation now focuses on providing educational and other support to disadvantaged children and their families. The

activities, ranging from psychological support through educational and practical courses to sports and cultural events, are carried out by SKF employees, volunteering professionals, and other collaborators. Ten children received scholarships from us last year. The initiative was funded with RON 245,000 (ca EUR 52,000) in 2017.

In 2018, SKF will extend its activities to Czechia, where another foundation office will be opened.

KEY BUSINESS LINES

In 2017, our key business lines comprised three main areas. The first is our strong Investments business line consisting of Investment Management division and with a special detached Fund Management division. The traditional Debt Recovery management of debts serviced by us or on our books was carried out mainly through our local branches. Finally, there is our expanding Real Estate division.

EUR 5.5 billion
NV of acquired assets under advisory

80 acquired
distressed-asset portfolios in the region

Advisor to **5 investment funds**
both non-regulated and regulated

Over **500,000** loans
under management

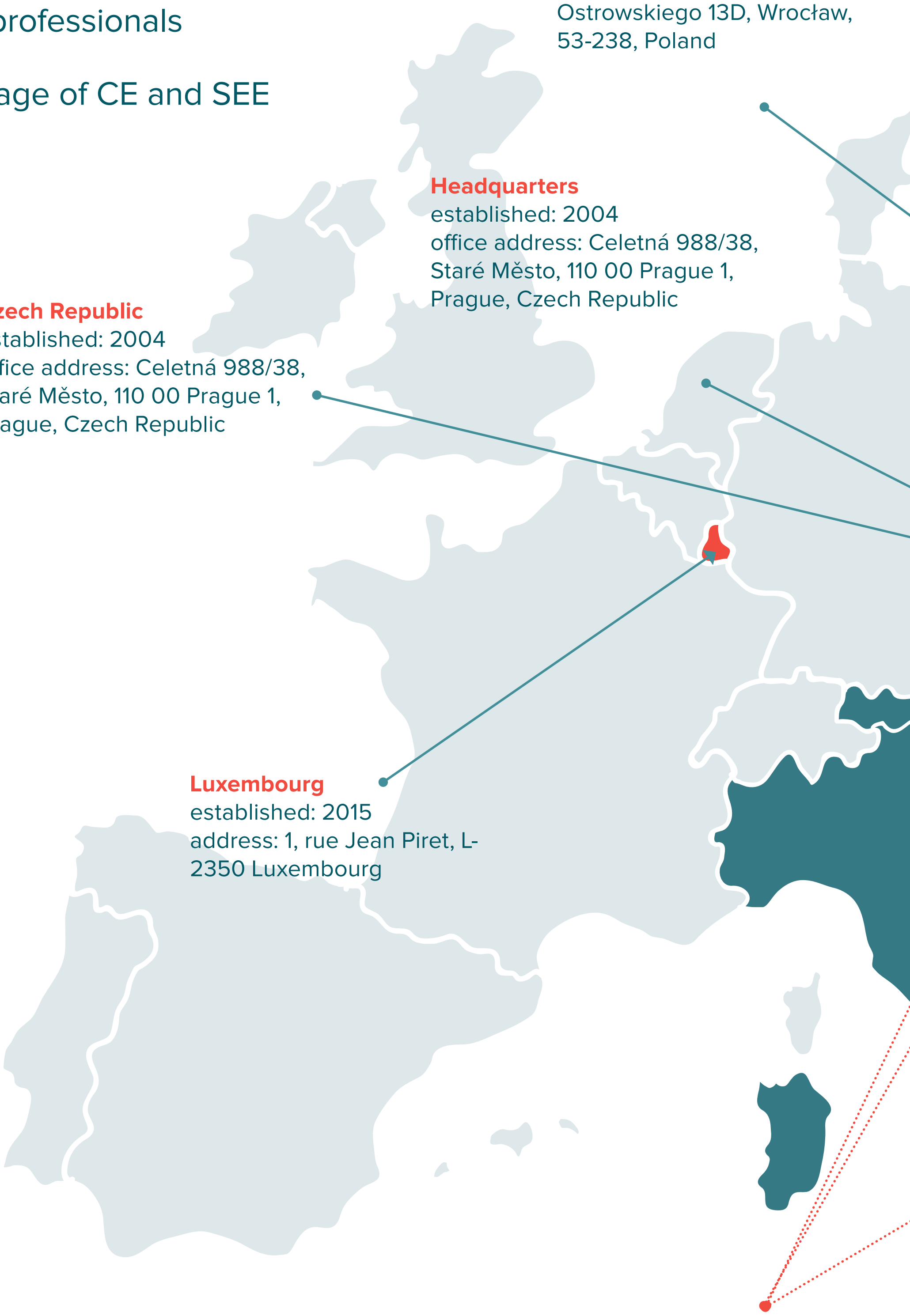
Highest ethical
and professional standards of debt recovery

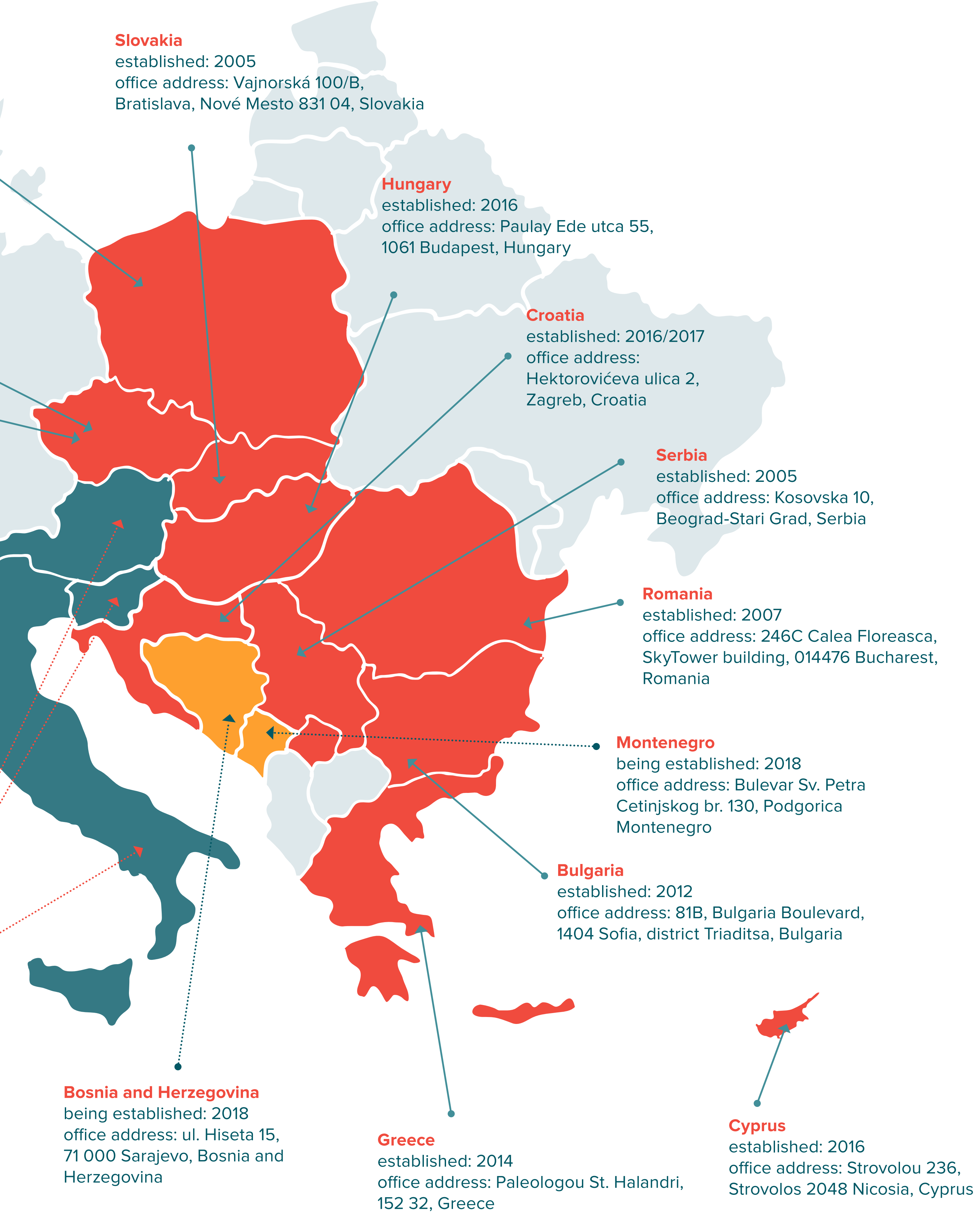
APS global coverage

Presence in **13** European countries

with more than **700** professionals

enables complete coverage of CE and SEE



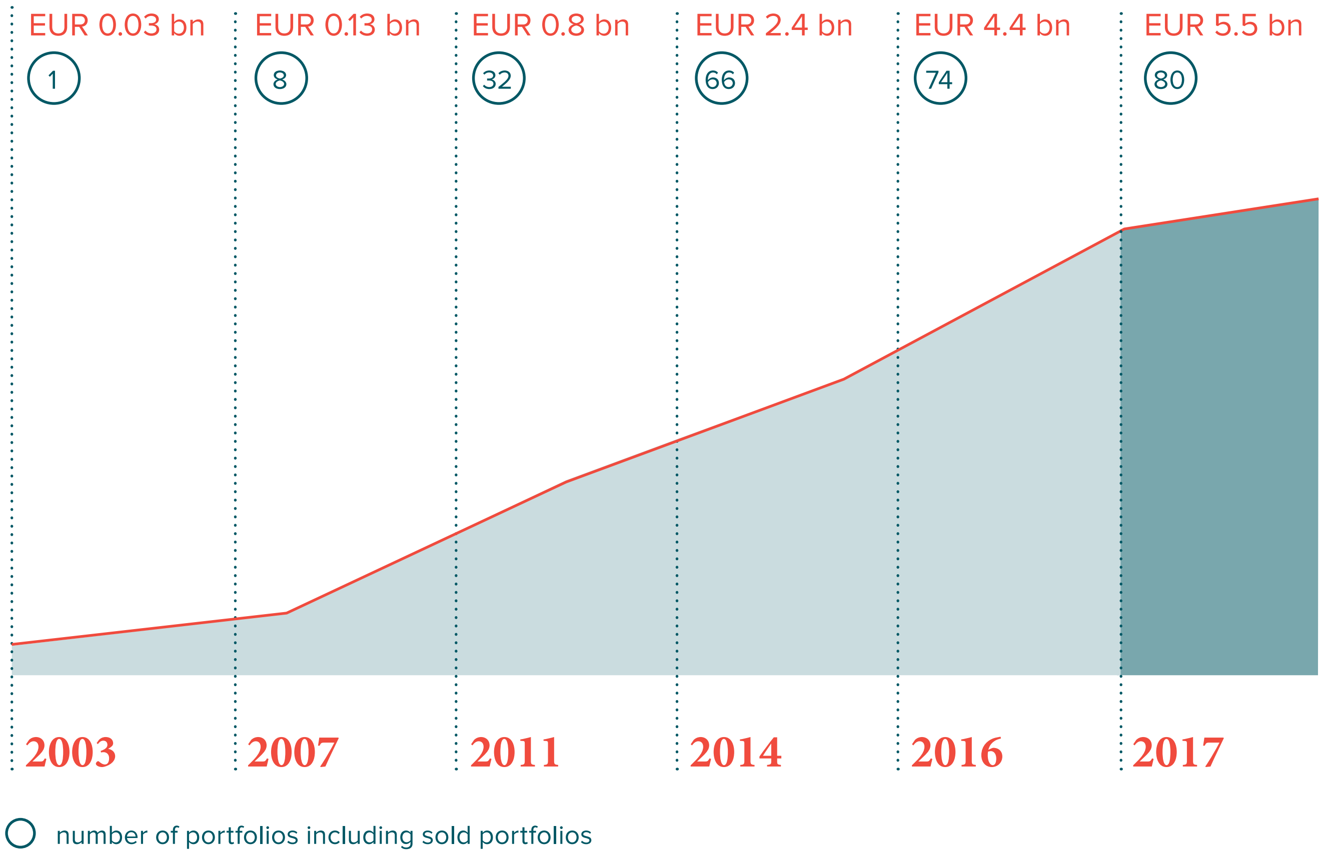

Slovakia
established: 2005
office address: Vajnorská 100/B,
Bratislava, Nové Mesto 831 04, Slovakia
Hungary
established: 2016
office address: Paulay Ede utca 55,
1061 Budapest, Hungary
Croatia
established: 2016/2017
office address:
Hektorovićeva ulica 2,
Zagreb, Croatia
Serbia
established: 2005
office address: Kosovska 10,
Beograd-Stari Grad, Serbia
Romania
established: 2007
office address: 246C Calea Floreasca,
SkyTower building, 014476 Bucharest,
Romania
Montenegro
being established: 2018
office address: Bulevar Sv. Petra
Cetinjskog br. 130, Podgorica
Montenegro
Bulgaria
established: 2012
office address: 81B, Bulgaria Boulevard,
1404 Sofia, district Triaditsa, Bulgaria
Bosnia and Herzegovina
being established: 2018
office address: ul. Hiseta 15,
71 000 Sarajevo, Bosnia and
Herzegovina
Greece
established: 2014
office address: Paleologou St. Halandri,
152 32, Greece
Cyprus
established: 2016
office address: Strovolou 236,
Strovolos 2048 Nicosia, Cyprus

APS = Asset Portfolio Servicing

Our story began in 2004, when APS – Asset Portfolio Servicing – was established as a captive servicer of Slavia Capital Group. Since then, we have evolved into an independent investment and recovery platform with over 700 highly skilled professionals, operating in 13 countries predominantly in the CE and SEE region. With our expertise and experience, we return non-productive capital to the market and help the financial sector mitigate the aftermath of the 2008 financial crisis. We build our business partnerships on professionalism, adherence to in the highest ethical standards, and commitment to delivering strong results.

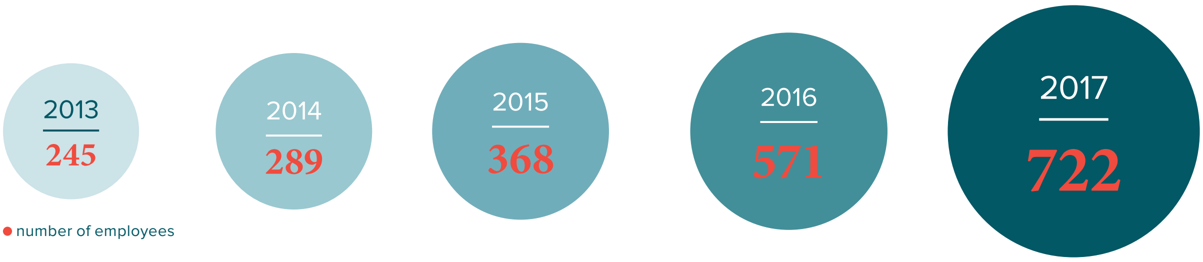
Leading NPL Investment and Debt Recovery Company in CE&SEE

Partner of the International Finance Corporation (a member of the World Bank Group), European Bank for Reconstruction and Development, and several major private investors



Number of employees

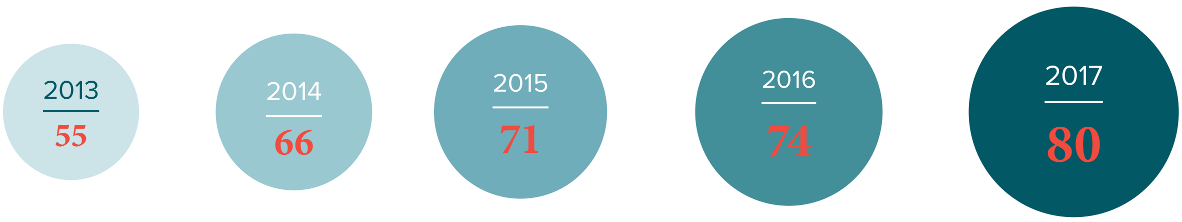
As of 31 December 2017, our staff numbered 722 members throughout the region. APS Holding S.A. has 86 employees at its Prague headquarters. The remaining employees work for subsidiaries within the region.



● number of employees

Number of acquired portfolios

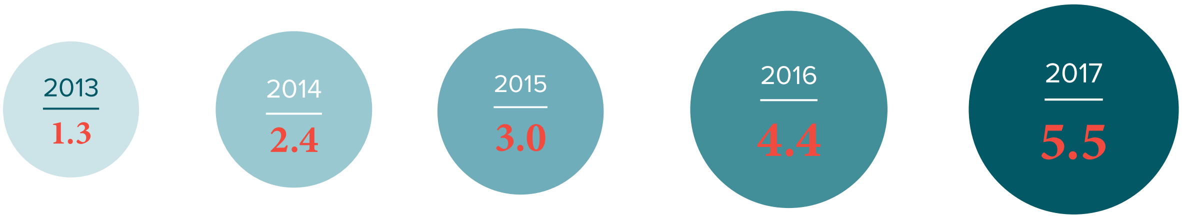
In 2017, the number of acquired NPL portfolios hit another peak, rising to 80 after the addition of 6 new portfolios.



● number of portfolios (incl. sold portfolios)

Net value of acquired assets

The total volume of acquired assets in 2017 amounted to EUR 5.5 billion, another record year in a row for us.



● assets under advisory (incl. sold portfolios) in EUR bil

3 Company Structure

APS Holding S.A. (the "**Company**") was established as a public limited company under the laws of the Grand Dutchy of Luxembourg and incorporated into the Commercial Register (Registre de Commerce et des Sociétés) under reg. No. B 201461 on 16 November 2015.

The registered office of the Company is at 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg.

The subscribed share capital of the Company is fixed at EUR 31,000. The Company is owned by the sole shareholder Martin Machoň.

As the parent of the APS Group, the Company holds 100% ownership interest and/or issued share capital in the following companies:

- APS Management Services s.r.o., AS Recovery a.s., and APS Finance a.s., all established and existing under the laws of the Czech Republic; and

- APS Investments S.à r.l. and APS Investment Funds S.à r.l., both established and existing under the laws of the Grand Dutchy of Luxembourg.

Group restructuring took place by the end of 2017 when on 1st January 2018 APS Holding a.s. became APS Recovery a.s.

The Company is administered by the members of the Board of Directors (the "BoD") with 3 members, comprising the Chairman of the BoD Phillipe Ponsard and the two other members of the BoD Pierre Lentz and Marc Albertus.

APS Holding S.A. is the parent company of individual APS Group entities through either direct or indirect ownership of shares or ownership interests in the group companies.

Organization chart of APS Group; as modified during 2018, the group comprised these main subsidiaries:

POLAND
- APS Poland S.A.

LUXEMBOURG
- APS Delta S.A.
- APS Holding S.A.
- APS Investments S.à r.l.
- APS Investment Funds S.à r.l.

CZECH REPUBLIC
- APS Recovery a.s.
- APS Real Estate s.r.o.
- APS CZ&SK Services s.r.o.
- APS Recovery Management s.r.o.
- APS MIP, s.r.o.
- APS GAMMA s.r.o.
- APS DELTA s.r.o.
- APS FUND BETA UIF, a.s.
- APS Management Services s.r.o.
- APS Finance a.s.

SLOVAKIA
- APS Investment s.r.o.
- APS SK Servicing s.r.o.

HUNGARY
- APS Hungary KFT
- APS Recovery Hungary KFT
- MARK Zrt.
- MARK Ingatlan Zrt.

CROATIA
- APS Croatia d.o.o.

SERBIA
- APS d.o.o. Beograd
- APS FUND BETA D.O.O. Beograd

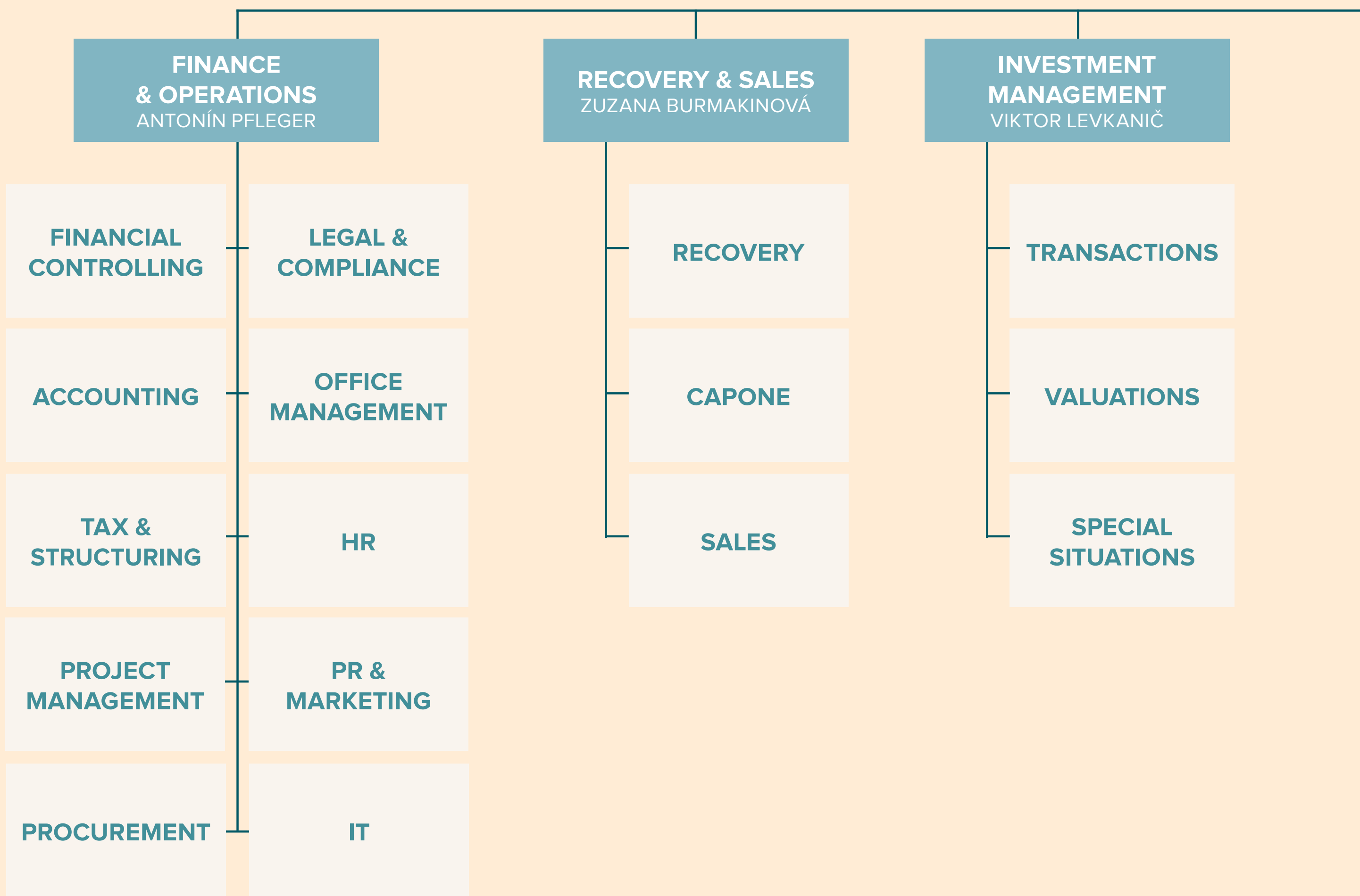
ROMANIA
- Asset Portfolio Servicicng Romania S.R.L.
- Syndre Valuation S.R.L.
- Homeland Properties S.R.L.
- Serraghis Asset Management S.A

GREECE
- APS Recovery Greece EPE
- APS Recovery Greece Credit and Loan Servicing S.A.

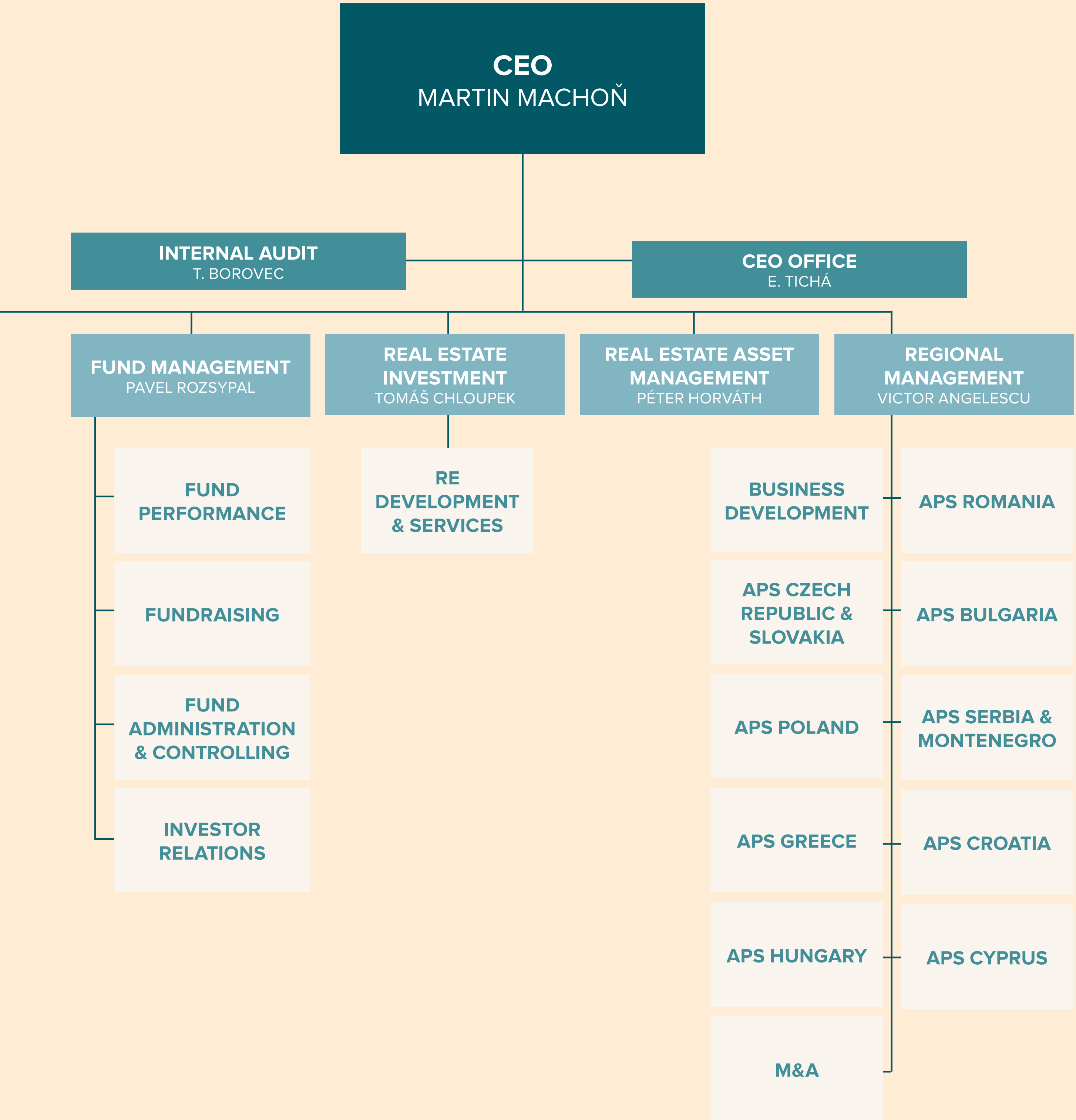
CYPRUS
- APS Holding Cyprus Ltd.
- APS Debt Servicing Cyprus Ltd.
- APS Homeland Properties Cyprus LTD

BULGARIA
- APS Bulgaria E.O.O.D.
- APS BETA Bulgaria E.O.O.D.
- APS Finance E.O.O.D.

Organization Chart of APS Holding S.A.



Organization Chart of APS Holding S.A.



APS Group Management Team

*Group restructuring took place at the end of 2017 when on 1 January, 2018 APS Holding a.s. became APS Recovery a.s.

MARTIN MACHOŇ
Owner and CEO

Martin has over 14 years of experience in distressed asset management and advisory and has been an integral part of APS from its inception. He has been involved in all phases of APS development since its founding in 2004. Prior to establishing APS, Martin held management positions at Société Générale and Lucent Technologies.

ANTONÍN PFLEGER
COO/CFO

Antonín has 14 years of experience in financial management, operations, internal and external auditing, consolidation, and treasury and project management. Prior to joining APS, Antonín worked for 5 years at EY. Antonín has internationally recognized FCCA certification.

TOMÁŠ CHLOUPEK
Member of APS Group Management Team

With over 16 years of experience in NPL collections and commercial banking, Tomáš has been responsible for developing and expanding APS's business from its inception. Prior to joining APS, Tomáš worked in the Collections Department of Komercni Banka.

APS Group Management Team

VIKTOR LEVKANIČ
Chief Investment Officer

Viktor has more than 16 years of experience in private equity, investment banking, and distressed assets within CEE and SEE. Viktor was previously head of Slavia Capital's investment banking and distressed asset activities in the region.

PAVEL ROZSYPAL
Fund Management Director

Pavel spent 15 years as a director managing private equity and M&A transactions in the CEE region. He was engaged with Lone Star Funds in the first large NPL transaction in the Czech Republic. Prior to joining APS, he served as Ambassador and Permanent Representative of the Czech Republic to the OECD in Paris. Pavel is responsible for fundraising, performance management, and investor relations.

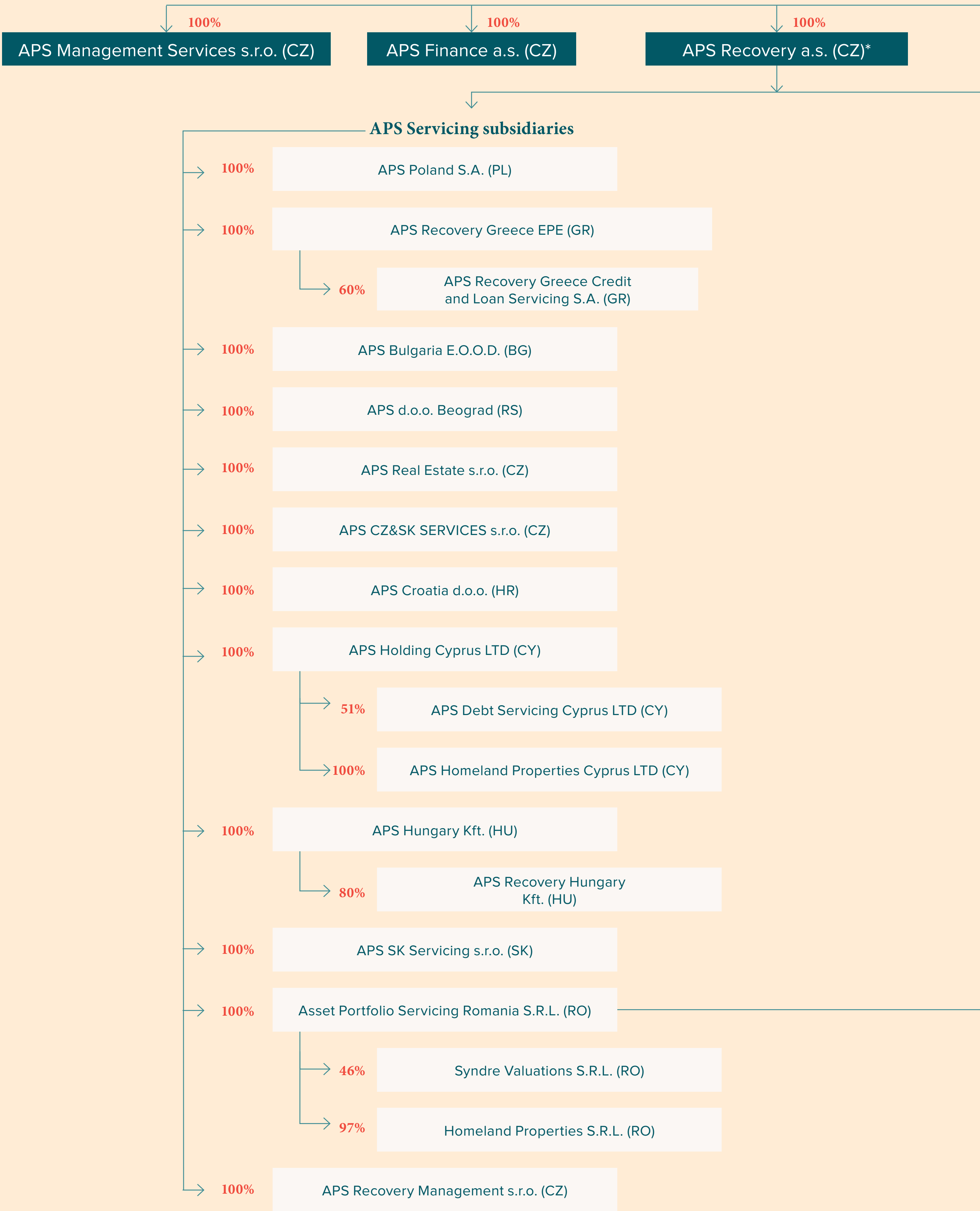
VICTOR ANGELESCU
SEE Regional Director

With over 10 years of experience in collecting receivables, Victor Angelescu is responsible for coordinating the activity of APS Romania and developing the APS Holding group in such SEE countries as Bulgaria, Serbia, and Greece. Prior to joining APS Romania, Victor held management positions at Eurobank EFG and ProfiCredit IFN.

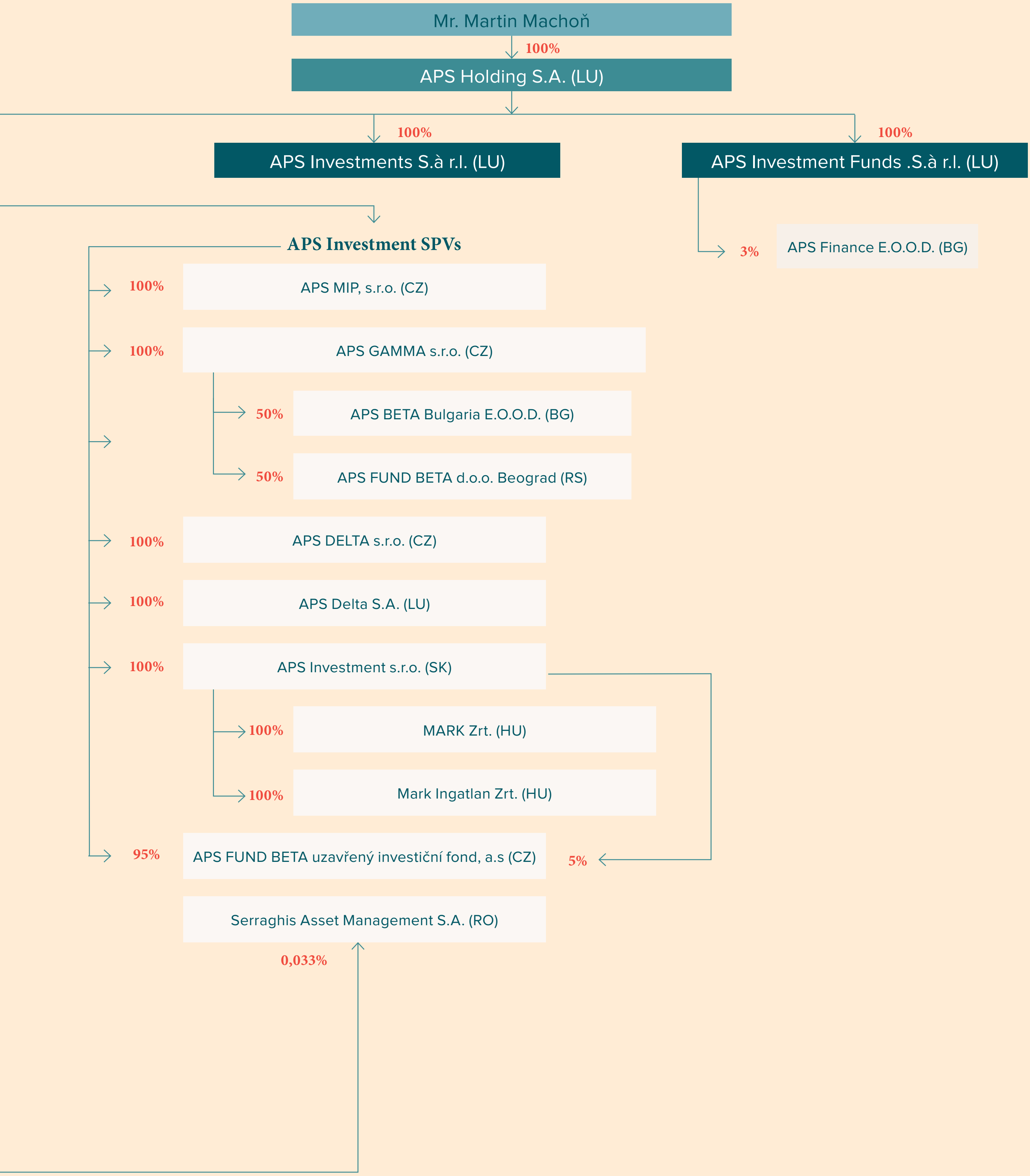
ZUZANA BURMAKINOVÁ
Recovery & Sales Director

Zuzana has more than 9 years of experience in financial services, including consumer finance and retail business. Prior to joining APS, Zuzana was COO at an international collections company with business in Russia and Ukraine.

APS Holding Ownership Structure
as of 31 December 2017



APS Holding Ownership Structure
as of 31 December 2017



*until the end of 2017, prior to restructuring, named APS Holding a.s.

4

History

The history of our 14-year existence is marked by continuous success, growth, building and strengthening our position as leader on the Central and Southeastern European market, and further expansion into new markets. We have managed to establish APS as a reliable and respected partner on a European-wide scale.

APS was established in 2004 as a member and captive servicer of Slavia Capital Group.

The current sole shareholder – Martin Machoň – was hired in the same year as a manager to build greenfield investments within the Czech Republic. He showed distinctive talents and business instincts, expanded the entrusted business at a rapid pace, selected the best specialists from across the market to join APS, and soon acquired a minority share in APS.

Over time, APS progressively expanded its operations and services starting with Serbia and Slovakia in 2005. This was followed in 2007 by a year of remarkable expansion. With the backing of London- and US-based investors, new investment platforms were established in Poland, Serbia, and Romania.

— **In 2009,** we saw another remarkable year in our successful history with many recorded milestones. APS acquired a considerable securitization fund from Varde in Poland. During the year, APS also began managing its first investment vehicle – Serraghis Loan Management – domiciled in Cyprus and acquired its first corporate NPL portfolio in Montenegro.

— **In 2012,** APS expanded into Bulgaria where it successfully acquired the first corporate NPL portfolio ever to be sold in that country.

— **In 2013,** APS marked another important step in its history by launching its first closed-end investment fund for qualified investors – APS Fund Alpha. A further big milestone for our growth in 2013 was the initiation of our highly valued partnership with the International Finance Corporation (IFC; a member of the World Bank Group). The prestigious IFC partnered with us to tackle NPL markets in Eastern and Southern Europe.

— **In 2014**, a closed-end investment fund for qualified investors – APS Fund Beta – was established as a vehicle for cooperation with the IFC.

— **In 2015,** share capital was concentrated into the hands of Martin Machoň, the CEO and until that time minority shareholder, when he purchased the remaining shares and became the sole APS shareholder. In the same year, we opened a new division for real estate investment services, thus extending our product portfolio.

— **In 2016,** we followed on our growth trend by entering the markets of three new countries – Croatia, Hungary, and Cyprus – where we successfully participated in NPL portfolio auctions. We acquired the largest ever NPL portfolio in Southeastern Europe. In addition, we launched the new investment vehicle APS Delta.

— **In 2017,** following NPL portfolio acquisitions in Croatia and Hungary, APS acquired the NPL portfolio and real estate management business of Hellenic Bank Public Company Ltd in Cyprus. The cooperation, based on a joint-venture model, aims to support the already commenced recovery process of the Cypriot economy.

History

2004

APS was founded as a captive servicer in Prague
Acquired, with JP Morgan, the first portfolios sold by **Česká Spořitelna**

2005

Greenfield expansion into **Serbia**
Greenfield expansion into **Slovakia**

2007

Greenfield expansion into **Romania**
Acquired servicing platform in **Poland**

2009

Managed first investment vehicle, **Serraghis Loan Management**
Acquired securitization fund from Varde in **Poland**

2010

Investing with **Serraghis Loan Management** and **London**-based investors in **Romania**, **Poland**, **Slovakia**, the **Czech Republic,** and **Serbia**.

2011

Acquired regulated **Consumer Finance** unit from **KBC** in **Romania**

2012

Greenfield expansion into **Bulgaria**

2013

Launched first sponsored fund, **APS Fund Aplha.**
Acquired first corporate portfolio sold in **Bulgaria**
Acquired regulated **M&E business** from **Banco Popolar**

2014

Launched investment into **Greece**
Created managed fund for the IFC, **APS Fund Beta**

2015

Launched investment SPV, **APS Gamma**

2016

Launched Luxemburg non-regulated securitization vehicle, **APS Delta.**
Acquired NPLs of EUR 1.3 billion in **Romania**, the largest transaction of its type in **Eastern** and **Southern Europe**.
Acquired portfolios in **Croatia, Hungary, Cyprus.**

2017

Acquired the non-perfoming loan and real estate management business of Hellenic Bank

5 Our Strengths

At APS, we consider our biggest strength to be our professionalism coupled with our ethics. This combination gives us our good name as a reliable partner to top international market players. It opens opportunities for us in new markets and sets the stage for stable growth. Our history is persuasive to our partners, with whom we strive to maintain relationships built on trust.

The growing distressed asset market brings business opportunities, but at the same time it is a challenging market where expertise and experience are vital.

We have 14 years of expertise on the distressed asset market. We also have a strong international infrastructure and a detailed understanding of local markets.

Our unrivalled team consists of top experts, so we always know what must be done and can stay one step ahead of our competitors. This knowledge of market-specific criteria has enabled us to bring our partners long-term value and renewed opportunities in the region.

LONG-TERM VALUE
We manage the entire investment process.

With flexible capital, full coverage of investments and the recovery process, and vast knowledge of the NPL market, our firm offers some of the best insights into the regions we cover. Our services are sought by the most demanding partners from the international elite, including the International Finance Corporation (a member of the World Bank Group), Deutsche Bank, AnaCap Financial Partners, and other well-known European and US banks, investment funds, and private investors.

Moreover, we manage to beat our competitors in accurately evaluating investment opportunities. Our solid processes ensure the smooth and efficient handling of all our activities, regardless of complex investment processes or debt recovery proceedings involving retail debtors. Furthermore, at APS we benefit from steady, experienced management.

OUR TOP PRIORITY
Our clients' success.

Another strength without a doubt lies in our well-managed expansion. Our simple strategy is to grow. We have gradually entered the markets of most countries in Central and Southeastern Europe and are currently launching businesses in the promising markets of Croatia and Hungary. We are now evaluating potential opportunities in Western European markets, which are characterized

Our Strengths

by large investment volumes and are therefore suitable for global investors.

We manage more than 500,000 corporate and retail debts across Central and Southeastern Europe.

We have successfully expanded from a debt recovery firm during our outset into a well-established NPL investor with a great reputation. We will continue to grow, and we have now set our sights on ensuring the real estate market with its vast opportunities will become another successful division contributing to our reputation.

In 2017, we held acquired assets with a total nominal value of EUR 5.5 billion.

At APS, we heal banks and help to resolve distressed asset situations.

Since 2004, we have been acquiring, advising, and servicing not only NPL but also sub-performing loan and performing loan portfolios as well as monetizing finance businesses.

Through APS, non-productive capital returns to the market.

We are continually expanding our market portfolio and looking for new markets and investment opportunities in Central and Southeastern Europe in order to create great long-term profits for investors, debtors, and local economies.

6

Services

KEY BUSINESS LINES

In 2017, our business lines comprised three main areas. The first is our strong Investments business line consisting of the Investment Management division with a Fund Management division. The traditional Debt Recovery management of debts serviced by us or on our books was carried out mainly through our local branches. Then there is also our expanding Real Estate division.

INVESTMENTS

Our investment and fund management teams provide complex professional services related to investments into all classes of distressed assets. We serve as an investment advisor across the lifetime of the investment: starting with deal origination and acquisition and followed by performance management and administration related to the ownership and management of the transactions. We identify investment opportunities across the CEE and SEE region, targeting portfolio transactions as well as acquisitions of operating entities with portfolios on the books. When processing the acquisition of the distressed asset, APS is engaged in comprehensive investment advisory services such as portfolio valuation, collateral analyses, recovery strategies analysis, and due diligence support. Our team manages the transaction through financial closing and continues with fund administration, reporting, and performance and cash flow management.

Our advised transactions are funded by funds and accounts advised by APS as well as institutional investors and family offices. On a deal-by-deal basis, we also co-invest alongside reputable institutional pan-European and global investors. We are a trusted partner to the world's top financial institutions and private investors as well as supranational institutions, including the IFC, a member of the World Bank, and EBRD.

DEBT RECOVERY

We have always provided recovery services covering the full range of soft, field, and legal collection activities. We focus mainly on corporate collection and also on retail recovery and car repossessions. Our clients are small and large banks, insurance companies, and telcos. The company employs hundreds of call centre and recovery specialists. APS puts a great emphasis on supporting collection processes with technology. Also the competency and expertise of the recovery specialists are vital to us. Also sharing best practices across countries helps our specialists to expand their horizons and find more effective processes and technological solutions.

REAL ESTATE

Recently we also started to develop a real estate platform – a business line focusing on advisory and transaction support to investors, commercial property developers, corporates, and homeowners for their personal and business property needs. We also offer valuation and management of real estate portfolio investments and financial real estate advisory for both commercial and personal properties.

Debt Recovery

Our Debt Recovery division provides full-scope recovery services from soft collection to legal collection to enforcement complemented by tailored customer-care solutions. Thanks to our modern unified CRM platform, we are able to create a tailored strategy and individual workflows and hit high KPI targets. We have the resources to execute car repossessions as well as assist with

restructuring and mortgage management or recover in cooperation with local authorities.

We are also active in the field of collateral assets, including residential and commercial properties, land plots, industrial buildings, and projects in development.

We have acted as an experienced partner to multiple banks and investors across Europe.

APS has strong infrastructure for all types of collection activities, starting from amicable recovery and continuing up to judicial recovery procedures.

Consequently, we always try to establish a dialogue with the debtor to recover amicably in the most efficient possible manner and reach a solution without having to start enforcement or insolvency procedures. However, if amicable attempts are not successful, we are ready to immediately commence legal procedures. Our highly developed internal legal department supported by local subsidiary partners is able to handle thousands of cases per year.

FINANCIAL REPORTS: GUARDING OUR CLIENTS' PROSPERITY

Having our clients' prosperity in mind, we are ready to support their decision-making process by assessing customer-related risks and thus protecting them from possible future difficulties in this aspect.

A client of ours, active in various fields of the financial sector, became concerned about one of their customers – a once reliable partner who suddenly ceased regular payments. We had, of course, performed a full verification of this customer in every possible area before the agreement between our client and their customer was signed, but at that moment we became aware of the fact that more would need to be done to avoid these situations in future and that we could also actively help with the current issue. We therefore closely, step by step, studied the history of the customer's company, and finally we found very extensive information about ingeniously managed assets he was trying to hide from our client and his creditor.

This experience led us to the idea of delivering regular financial reports to our clients as a part of the services offered by APS. Over the course of several years, the product has evolved and become one of the key tools desired by our clients. Today, we are able to tailor the reports according our clients' requirements and adjust our services to even the most untypical needs.

In order to constantly improve our services and help our clients to minimize risks pertaining to possibly unreliable customers, we regularly evaluate the effects of the information we provide.

We can proudly present references from:

- Banking institutions
- Leasing companies
- Insurance companies
- Telecommunications companies
- Utilities companies

At APS, we build our success on:

TEAM	• Management team with 10+ years of experience in the industry • Strong collection & recovery teams across regions • Skilled and motivated team • Cross boarder know-how sharing
INTERNATIONAL COVERAGE AND EXPANSION	• Vast experience in entering new markets – **3 new branches in 2017** • Covering **13 countries** with over **700 professionals**
INDEPENDENCE AND EXPERIENCE	• Strong focus on debt recovery, indepedent and flexible in decision-making • Complete coverage of **CEE** and **SEE** • Market leader in the region **since 2004** • **Service provider** to many banks and financial and other regulated institutions

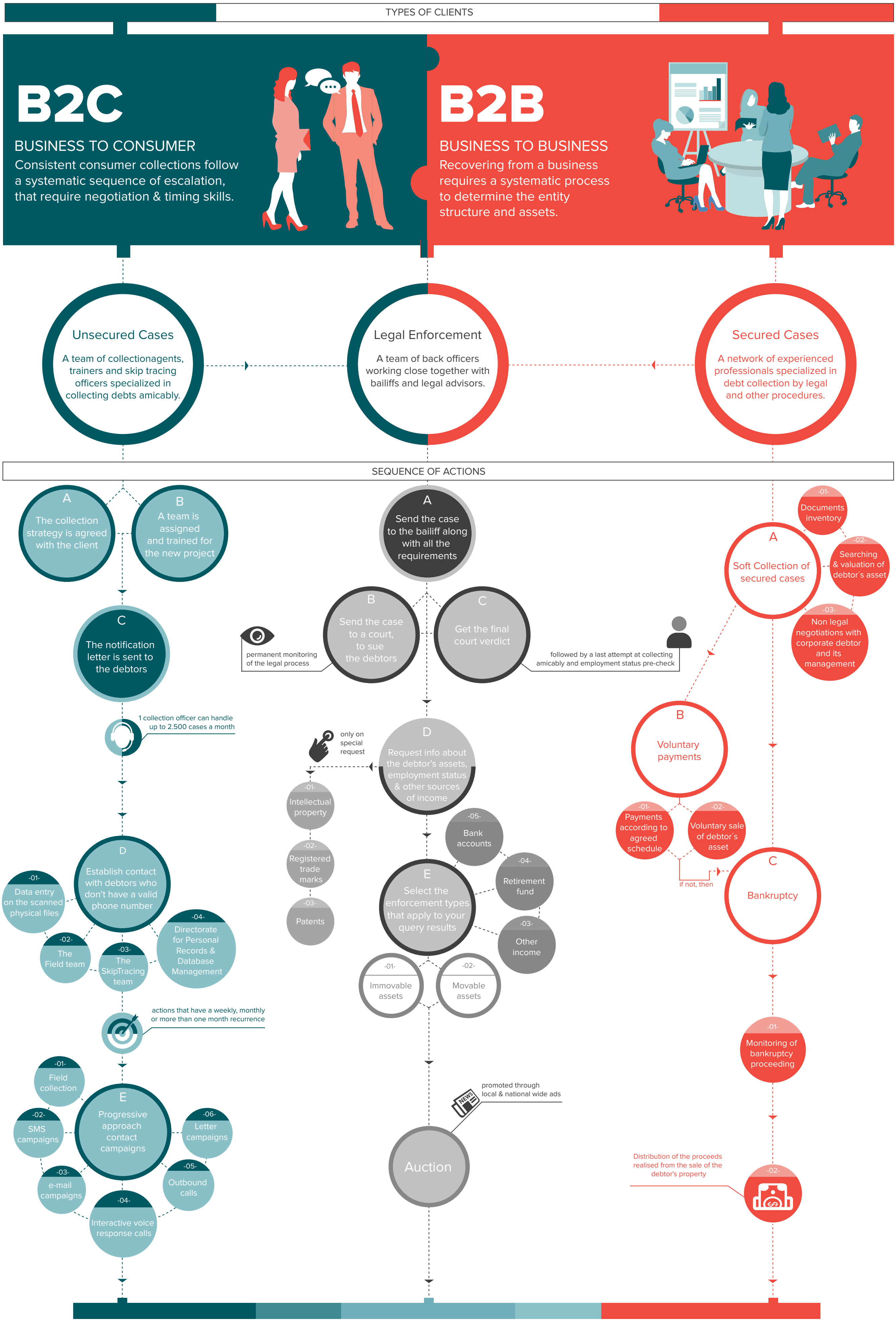
In 2017, reflecting the needs of the newly opened markets but also understanding the immense potential in all the countries where it is present, our department expanded its activities in third-party servicing. We acquired several new large clients and at the same time strengthened our activities within customer care. Thanks to this combination, we are today able to fully adjust to our clients' needs.

In 2017, we handled more than EUR 350,000 as a third-party servicer. In 2018, we plan to increase our market share in third-party servicing and at the same time further develop our potential as a customer care provider.

CUSTOMER CARE AS A NEW AREA OF SERVICES

Having determined the needs of the market, we have decided to comply with our clients' wishes and extend the area of customer care activities. In 2017, we successfully acquired a key European player within the utilities sector. Last year, we handled more than 75,000 cases for a total value of over EUR 15 million. With such a broad spectrum of activities, we are able to evolve with the needs of the market and provide effective services at the highest level.

Debt Recovery Scheme



INNOVATION IN CLIENT CARE: WHEN OLD EXPERIENCE LEADS TO BUILDING A NEW SERVICE

At APS, we believe in a strong pro-client approach as one of the main principles of joint success. We therefore always start by exploring our clients' actual needs and are ready to come with innovative and flexible solutions.

More than a year ago, we signed a contract with a water supply company. In the process of providing soft collection services for this client, we identified many cases where the customer service unit should be involved. While discussing the situation with the client, we were asked if we possibly could include full-scope customer care services in our operations. At that moment, the seed of the decision to launch customer care as a new area of APS activity was planted.

Immediately and with great enthusiasm, we started building a new department, using our vast experience with soft collection procedures as a starting point. After less than a month of intensive preparations, we were ready to start operations. Today, we run all of the services related to the client's customers from welcome calls and introducting the user guide for our client's system to after-sales offers of new products and services.

In the case of this client, two departments - customer care and soft collection - are involved. Although the KPIs for these two areas are completely different, we are able to meet them according to our client's expectations: Every day we perform more than 7,000 actions for this client in both departments. We send several thousand text messages and e-mails, make over 1,500 calls, and ensure a similar number of IVRs. We also offer our client fast and accurate analyses that contribute to further improvement of the client–customer relationship. Building a service in synergy with solutions has proved to be an effective strategy that enhances client satisfaction.

HOW WE ESTABLISH NEW SUBSIDIARIES

At APS, we have experience in setting up businesses in new countries. In 2017, we opened three new subsidiaries across Europe. All actions related to establishment and implementation processes are performed in accordance with internal rules and policies and managed and supervised by our Business Development team. During the initial phase, our top managers or selected employees are, in accordance with our best practices, reallocated from different APS subsidiaries to help with opening and development processes. These practices enable us to run major processes in parallel – from recruitment to the very operations.

RECOVERY TEAM – ROLES AND RESPONSIBILITIES:

At APS Holding

1. RECOVERY DIRECTOR
— Supervision of establishment process

2. HEAD OF RETAIL/CORPORATE RECOVERY
— Supervision of establishment process

3. PROJECT MANAGER
— Supervision of establishment process

At Subsidiary

1. HEAD OF RETAIL/CORPORATE RECOVERY
— Supervision of recovery departments
— Client relationships
— Results of purchased portfolios and third-party servicing cases

2. PROJECT LEADER
— Responsible for portfolio management
— Client relationships

3. FIELD COLLECTION/CALL CENTRE COLLECTION MANAGER
— Responsible for performance
— Management of the team and collection agents/field agents

4. CASE MANAGERS
— Full responsibility for performance of their own cases
— Creation of individual collection strategies
— Call centre and field network supervision
— Preparing cases for legal and bailiff proceedings
— Responsible for voluntary sales
— Cooperation with external partners for court and enforcement proceedings

Debt Recovery

Our Receivable Management is based on
• B2C (business to customer) sector
• B2B (business to business) sector

Regardless of the sector, we offer our clients an individual action plan tailored to their needs for all stages of the recovery process, from soft collection to enforcement. Thanks to the technical capabilities of our system, we are able to report to our clients on a daily basis, inform them about planned activities, and suggest further steps.

DESCRIPTION OF THE RECOVERY PROCESS

1. AMICABLE PHASE
   A.1 CRITERIA FOR THE DEVELOPMENT OF RECOVERY STRATEGY:
   — Number of cases
   — Value of cases and average balance
   — Number of days past due
   — Collection period
   — Other (project specific)

   A.2 COLLECTION PROCESS
   — Individual for each client

2. RESTRUCTURING

3. LEGAL PHASE
   A. ENFORCEMENT
   B. INSOLVENCY
   — Insolvency procedure – Reorganization
   — Insolvency procedure – Bankruptcy
   C. REO MANAGEMENT

COLLECTION SOFTWARE – CONSTANTLY DEVELOPING ITS POSSIBILITIES

As a leading NPL investor and servicer, APS has strong infrastructure for all types of collection activities and proven experience in delivering results using Capone, its state-of-the-art recovery software. Capone, which has been used by the company for several years, has proven itself to be an important tool in managing, tracking, and optimizing collection processes as well as a perfect source of data for reporting purposes. The system is always adjusted to the specifics of the local market so that it enables the use of both group know-how and features tailored to the local jurisdiction. In 2017, we managed to implement the Universal Version of Capone. Thanks to this, we are able to harness our experience, create individual strategies, and support the development of new subsidiaries. The system allows us to fully utilize its tools and adapt them to country specifics while maintaining the highest quality services.

Our CRM enables us to fully integrate with the systems of our customers, perform automatic data exchange, and interconnect with other tools used in the process of case servicing, which allows us to handle cases from even the most demanding clients. In 2017, we were able, for example, to fully automate the receivable management process for one of our clients.

In 2017, we also started the process of integration with a modern tool used in field collection. Moreover, the possibilities presented by this app and the ease to adapt and further develop it has given us a great tool applicable also in other areas. Currently, a module applicable to court stage processes is being developed.

The biggest advantages:

• 20–30% higher effectiveness of employees in the field thanks to decreased time spent on office work (reporting and other tasks) and increased time for field work.

• 10% labor savings for team managers thanks to improved workflow

• Online access to debtors' data

• Increased accuracy of data reported on task completion thanks to improved data verification and validation

AUTOMATIC SOLUTIONS: KEEPING UP WITH THE FOURTH INDUSTRIAL REVOLUTION

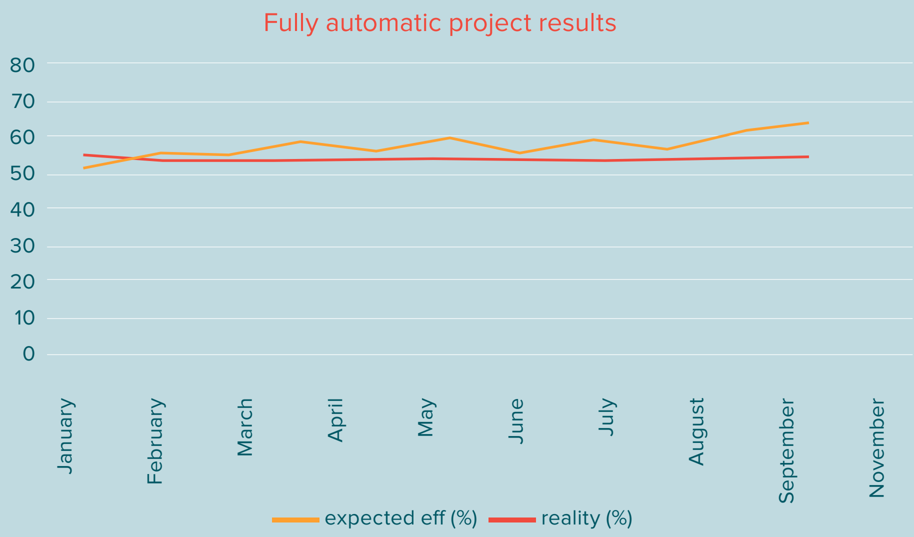
The rapid progress of automation brings technologies that were unthinkable only a few years ago. At APS, we believe that embracing them is vital for the delivery of top-level services at competitive costs to our clients.

Each client may be unique with respect to their business model, approach, and issues. All clients, on the other hand, expect service excellence at reasonable prices. Both can be reached with the help of carefully planned and executed automated processes. While machines can take over all repetitive actions, the potential of our employees can be used where the human factor is irreplaceable.

For one of our clients – one of the largest telecommunications companies with branches across almost all European countries – we decided to launch an automated customer service (CS) scheme with IVR (interactive voice response) campaigns supported by text (SMS) messages and e-mails. Moreover, the data exchange was also fully automated thanks to the use of SFTP servers and internal IT solutions, and at any time we are able to check the progress of cases and the number of sent IVR or SMS messages. All activities were planned in such a way that only the latest, current data provided by the client were used for evaluation.

The initial phase required a lot of thorough planning, but after the first few days from the start of case servicing the results were visible and the project started to bring measurable benefits to all involved parties.

At the beginning, we were not convinced that everything that we had planned would be enough to replace standard telephone calls – a large group of customers called us back saying that they would not talk to the robots. But over time, incoming calls represented practically 99% of pure debt collection calls, largely only as confirmation after the payment had been made. This pilot project has proved that an automated CS scheme allows us to offer appropriate rates to our clients while maintaining both excellence and high profitability for projects. The following results are the best evidence of this:



Investment Management

In 2017, deleveraging continued in the CESEE region accompanied by supranational regulatory efforts aimed not only at NPL resolution, but also facilitating NPL transactions. The European Council's "Action plan to tackle non-performing loans in Europe" announced in July 2017 represents an important milestone in the battle against the high levels of NPLs in the European banking system. One of the goals set in the action plan is the development of secondary NPL markets. In line with this effort, the Commission shall prepare, by summer 2018, a European approach to reach this objective, in particular a plan for removal of impediments to the transfer of NPLs by banks to non-banks and to their ownership by non-banks. Moreover, in October, the ECB published a draft addendum to the ECB Guidance on NPLs which clarifies ECB's supervisory expectations for a prudential provisioning backstop. One of the first results towards the aforementioned goals is the EBA's NPL templates published in December. The templates are aimed at reducing information asymmetry between counterparties in NPL transactions. Although not obligatory, if they become a market standard, potential buyers will be provided with comparable and standardized data on NPLs which should contribute to increasing transparency and market certainty.

Regarding the international regulatory initiatives aimed at preventing the next financial crisis, these brought fruits in form of improved capital positions in the European banking sector. Although European banks are still not open to massive lending, many CESEE countries show signs of a slight increase in loan origination volumes. Among these economies are Slovakia, Hungary, and the Czech Republic.

In terms of NPL volumes across European economies, the western part shows a declining tendency. Deleveraging tendencies continued also in Romania, Croatia, and Hungary as markets where major NPL transactions took place in 2017. In contrast to these deleveraging activities, CEE NPL volumes increased. Russia, Ukraine, and Turkey are attracting investor attention as they hold leading positions in NPL volumes in this region, but the approach of investors is still rather conservative and prudent as opposed to that in other European emerging markets.

Deal flows in Ukraine are not so lively yet, but there are some interesting opportunities in the pipeline that are drawing investor attention. Activity on the local NPL market is gradually increasing and Ukraine could be the next Croatia as recovery conditions improve. On the other hand, the country's political situation is discouraging investors as returns are difficult to predict in such an uncertain environment.

Turkey remains another interesting market, especially in terms of unsecured NPL transactions. Sizeable distressed asset volumes as well as such other factors as established servicing companies are attracting inves-

[1]CESEE – Central, Eastern and Southeastern European countries
[2]Non-performing loans in the Banking Union: state of play, March 2016, p. 5 (http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602072/IPOL_BRI(2017)602072_EN.pdf)
[3]Vienna Initiative, NPL Monitor for the CESEE region H2 2017, Nov 2017, p. 6
[4]EBA publishes its standardized data templates as a step to reduce NPLs (https://www.eba.europa.eu/-/eba-publishes-its-standardised-data-templates-as-a-step-to-reduce-npls)

tors from various countries. As a local peculiarity, state-owned banks are not allowed to sell their NPL portfolios, but a positive shift is expected in this respect in near future.

Deleveraging through write-offs and NPL disposals continues thanks to various supranational initiatives that aim towards more strict regulations of the banking sector in terms of capital adequacy and NPL ratios. Vibrant NPL markets, namely Romania, Bulgaria, Hungary, and Croatia, still have higher NPL ratios, but pending transactions tend to reverse the situation.

At the end of 2017, pending NPL transactions in the CEE region reached some EUR 6 billion GBV. During the second half of the year, there was a shift towards non-core deals. Among the key factors having an impact on investor activity were cheap money and regulatory changes (EBA's new default definition, ECB's NPL guideline, IFRS 9). In addition, several complex deals were concluded this year which increased the need for more efficient M&A processes from buyers.

Croatia, Hungary, Serbia, and Bosnia and Herzegovina as key NPL playgrounds in 2017

Croatia with its ongoing deleveraging became one of the top NPL markets in the past 2 years. As of the beginning of 2017, the majority of NPLs were held by Erste, UniCredit, and Intesa subsidiaries. In comparison to other countries, Croatian legislation does not require any special licensing, which has a positive impact on deal flow. However, some regulatory changes are expected in near future. With Project Sunrise and Project Aquarius, two major transactions closed in the first half of the year, APS in cooperation with its investors has become one of the major market players in this country.

The Hungarian market has been under going significant changes over the past two years. As the enforcement moratorium on private individuals was lifted, the NPL market revived. In the past year, some investors competed for several large transactions in the local market – however, the licensing required for NPL transactions remains an obstacle in the eyes of potential buyers. Despite the aforementioned hurdles, APS supported the closing of two major transactions in the country: Project Taurus, a secured mortgage portfolio acquisition, followed by Project Rosie, a transaction originated by Raiffeisen Bank within the same asset class.

As a country where several sizeable NPL portfolio disposals occurred over the past one and a half years, Serbia is constantly drawing attention from key NPL players. In accordance with the Serbian National Bank's Action Plan for the Implementation of the NPL Resolution Strategy and the Law on Real Estate Appraisers, there are significant changes ongoing in the regulatory environment that are expected to have positive impact on investors' appetite for local distressed-asset investments. In December 2017, we have strengthened our local presence with a successfully closed landmark transaction traded by the largest regional ex-banking resolution company.

In contrast to the past, Bosnia and Herzegovina, a small Balkan country with a considerably high volume of NPLs, does not lag behind its neighbours in terms of distressed-asset deals. With some pioneer transactions already closed, the first servicing platforms are being established, which, along with investor-friendly regulations being on the government agenda, should contribute to the growth of the local distressed-debt market.

Strong year for APS in its core markets

In 2017, APS primarily focused on NPL transactions in CEE and SEE. With our assistance at two major transactions closed in Croatia (Project Taurus and Project Sunrise), three in Hungary (projects Taurus, Rosie, and Roots), and one in Cyprus (Project Ellie), we have successfully entered three new markets in 2017. In Croatia, APS rolled out its operations by acquiring Project Sunrise from Hrvatska Postanska Banka early in 2017, complemented by Project Taurus in Q2. We have also added volume to our Serbian operations by acquiring a landmark corporate portfolio and a medium-sized corporate portfolio from Intesa Serbia (Project Savka). Among other APS targets, we also see Greece as a market with significant opportunities in terms of NPL transactions as high NPL ratios are forcing banks to gradually clean up their balance sheets in order to comply with EU requirements. The total NPL exposure in Greece is estimated to be over EUR 100 billion. In 2017, APS set up its operations in the Greek market via a joint vehicle with a reputable local partner.

As for new markets, the Spanish NPL market is one of the most mature markets in Europe, with a sizeable book of unresolved NPLs estimated at over EUR 200 billion. We see an opportunity to enter a segment of smaller-sized portfolios expected to be sold mainly as secondary/tail sales of portfolios previously acquired by larger players. Other countries on our radar include Ukraine and Turkey.

INVESTMENT PROCESS

Our unified and precisely defined investment process enables us to follow numerous transactions simultaneously while creating a synergic effect using internal and external resources. Regarding key internal resources participating in projects, our transactions department combines a team of experienced investment managers leading individual transactions with a team of dedicated analysts working on valuation models. Our projects usually engage as external sources local legal advisors, property appraisal advisors, and experts with experience in NPL recovery.

We engage the most reputable and highly experienced advisors in order to obtain quality inputs for our valuation models, which enables us to determine the real value of the portfolios assessed. The involvement of local APS recovery teams is crucial for defining recovery strategy and targets on a granular case-by-case basis.

Within the investment process, the most important phase is due diligence, which combines legal review, real estate collateral review, and financial due diligence for complex transactions. During the legal phase, a comprehensive legal review is conducted of receivables and documentation related to a portfolio. This is performed by local lawyers who have experience with similar portfolios in the region. Simultaneously, property appraisal advisors are engaged to assess the real estate collateral used to secure the receivables.

Based on the due diligence findings, internal and external experts on recovery strategy prepare tailor-made recovery strategies on a case-by-case basis. Outcomes of the due diligence process and conclusions from roll-up meetings are summarized for application in the valuation models prepared by our valuation department. Assumptions used in the valuation models are discussed not only with local managers responsible for the collection process but also with external lawyers and experts on recovery and the specifics of the local market.

Transaction structure is discussed simultaneously, experts on tax and financial transaction advisory are included, and the most suitable deal structuring solution is selected. As we have established an extensive servicing network, the transition between the signing and closing of a transaction and the management of the acquired portfolio is smooth.

Our Business Development divisions successfully prepared the launch of two new subsidiaries (APS Croatia and APS Hungary) that will act as servicing platforms for new deals the acquisition of which APS supported with underwriting and other activities. These became fully operational in the middle of 2017. Preparations included searching for office premises, initiating the recruitment process, adjusting relevant IT systems for the Croatian and Hungarian frameworks, and implementing APS corporate governance. Most of these activities took place during the first quarter of 2017. Each of the companies has been 30 employees.

APS has significantly strengthened its team with new Fund Management Director Pavel Rozsypal. Pavel Rozsypal, a former ambassador to the OECD, returned to the world of business after a successful mission in peak diplomacy, joining APS in January 2017.

In 2017, we were also very active in the field of fund management. In addition to our three advised funds (Serraghis Loan Management, Alpha, and Beta), we launched another securitization vehicle, the non-regulated APS Delta. This investment vehicle, established in Luxembourg, is a multi-compartment securitization vehicle for investors advised by APS. Distressed assets are held transparently through dedicated bankruptcy-remote compartments that issue bonds to their investors. APS Delta enables sophisticated investors to mix investments on a deal-by-deal basis. The vehicle targets investment capital of over EUR 200 million in Central and Southeastern Europe. The first investment within APS Delta was a project realized in Romania.

APS ADVISED FUNDS AND VEHICLES

Serraghis Loan Management

- Established in 2009
- Investment period 2010–2012
- Non-regulated investment vehicle from Cyprus
- The first APS investment vehicle for regional institutional investors and family offices
- Invested in 32 portfolios worth EUR 650 mil.
- All types of NPLs and distressed assets
- CEE and SEE
- APS the exclusive investment advisor
- At the end of 2017, the performance of Serraghis Loan Management reached ca 95%, proving the portfolios' potential – expected IRR is 17–19% with an expected overall net cash multiple of over 2. Due to diversification, performance oscillates around the target performance.

Fund Beta

- Established in 2013
- Investment period ongoing
- Qualified Investor Fund regulated by the Czech National Bank
- Special fund created by APS to partner with the IFC
- All types of NPLs and distressed assets
- Bulgaria, Montenegro, Romania, Serbia
- APS has been the exclusive investment advisor
- The performance of APS Fund Beta reached ca 82%. Previously expected solid performance failed to materialize due to time shifts in recoveries and delayed cases (cases with debtor appeals). Gradual and modest improvements in overall performance are expected for 2018.

APS Fund Alpha

- Established in 2013
- Investment period 2013–2014
- Fully invested in December 2014
- Qualified Investor Fund regulated by the Czech National Bank
- For investors operating under jurisdiction of Czechia, Slovakia, Hungary, Cyprus, Malta, USA, UK
- As of 31 December 2017, invested in 13 portfolios with total nominal value of EUR 1.2 billion
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive the investment advisor
- The performance of APS Fund Alpha reached ca 88% due to the shift of some key recoveries from the end of 2016 to 2017. The overall performance of APS Fund Alpha is within expected volatility. Expected IRR for the fund is 14%. For investors, the net break-even point was reached and exceeded in December 2017.

APS Delta

- Established in 2016
- First investment in Q1/2016 with additional resources committed
- Open for investment
- Luxembourg unregulated securitization vehicle with an independent Luxembourg-based administrator
- For investors that prefer to invest on a deal-by-deal basis
- Target investors to commit EUR 10–50 million each
- Assets held in dedicated bankruptcy-remote compartments
- Investors hold bonds issued by the compartment
- Investors receive distributions on a monthly basis
- The performance of APS Delta is different for each compartment. So far, the portfolios have performed in line with expectations or significantly overperformed in 2016/2017. In general, all projects held by APS Delta bring excellent results and exceed the expectations set in the valuation model. The outlook for 2018 remains very positive.

Investment Management

FOCUS IN 2018

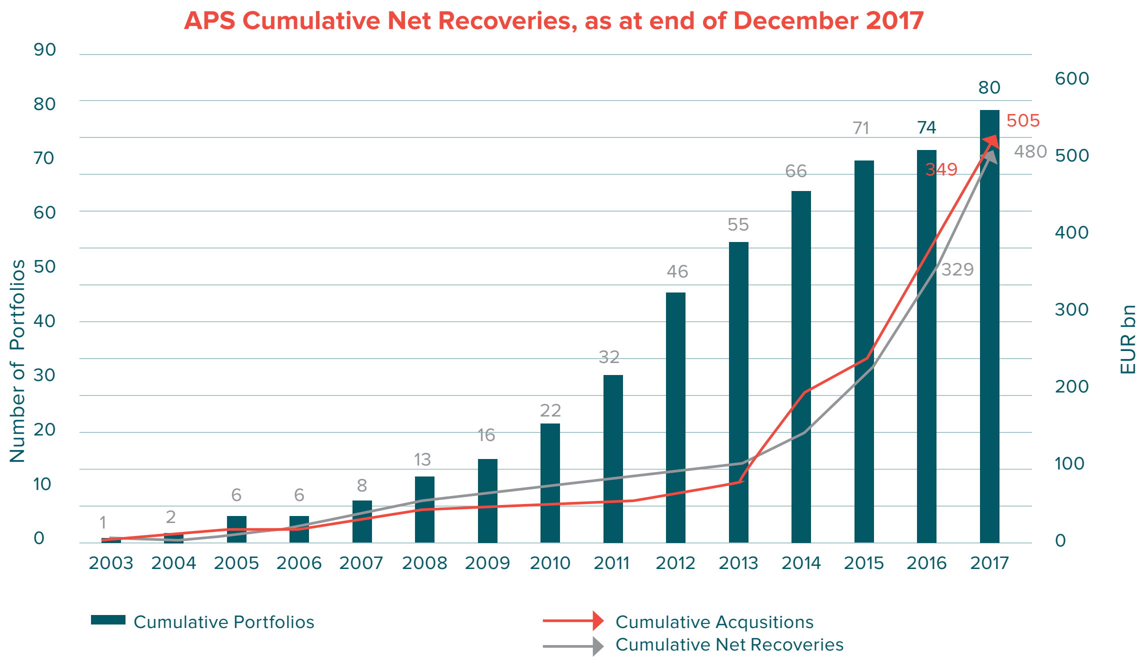
In 2018, our focus will remain on APS Epsilon, the first commingled Luxembourg-based regulated Reserved Alternative Investment Fund (RAIF) advised by APS, intended for large institutional investors focusing on distressed assets. The recovery process for portfolios acquired through APS Epsilon will be managed by local APS servicing subsidiaries. In terms of territory, APS Epsilon will invest in the region of Central and Southeastern Europe. APS Epsilon targets approximately EUR 300+ million from large institutional investors and IFIs.

APS Epsilon

— Luxembourg-based commingled fund for large investors with a preference for investing from EUR 50 million; APS to act as general partner
— Investment period: 3 years from first closing
— Targeted investment: EUR 300+ million
— Region: CESEE
— Expected break-even point in 1.5 years, proven by track record
— Target of 18–20% IRR (gross), with expected multiple of 1.5
— Favorable risk profile: portfolios are secured by real estate and inherently diversified.

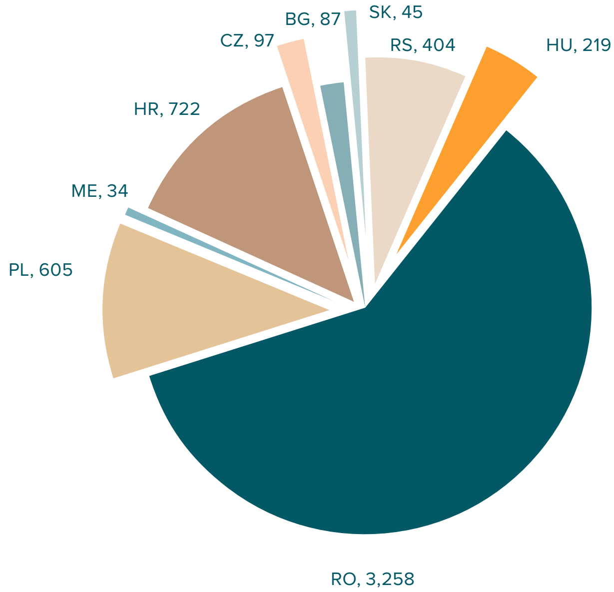
APS IN SUMMARY AND NUMBERS

APS is an advisor of several investors, investment vehicles and funds located in various jurisdictions that invest in all types of distressed assets.

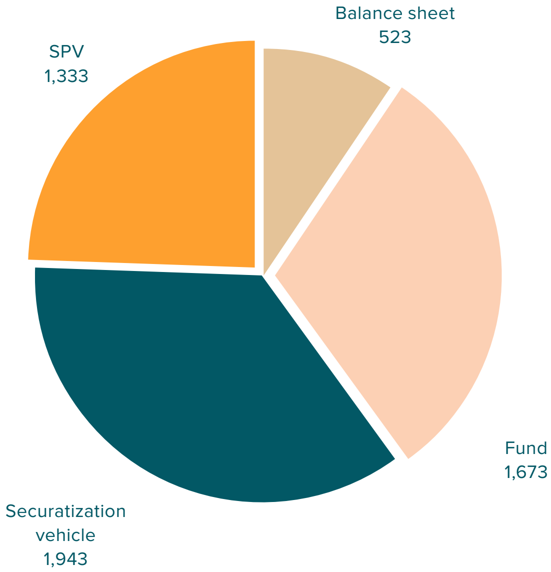


As of December 31, 2017, the assets under advisory by APS reached EUR 5.5 billion in nominal value. The cumulative acquisitions reached EUR 505 million, the cumulative net recoveries EUR 480 million.

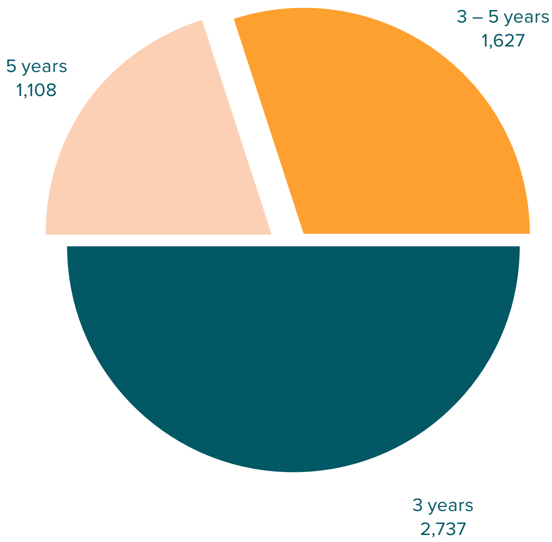
NOMINAL VALUE BY COUNTRY
- Grand Total (EUR m)



NOMINAL VALUE BY ENTITY
- Grand Total (EUR m)



NOMINAL VALUE BY AGE
- Grand Total (EUR m)



Real Estate

APS is developing a real estate platform – a business line focusing on advisory and transaction support to investors, commercial property developers, corporates, and homeowners for their personal and business property needs. As a complementary service, we offer valuation and management of real estate portfolio investments and financial real estate advisory for both commercial and personal properties.

Following our continued success in the area of distressed assets, we decided to make further use of our extensive accumulated knowledge of real estate market opportunities. Based in Prague and Vienna, our Real Estate division has been staffed with top specialists to provide advisory and transaction support in Central and Southeastern Europe to investors, commercial property developers, corporates, and homeowners.

Our Real Estate team specializes in asset and portfolio management services, providing full-scope management of real estate portfolios. We create value by identifying renting, refurbishing, and redeveloping real estate and increasing sales value through enhanced income and reduced operating costs. Our goal is to find the real demand on several markets and adjust our supply to the needs of prospective investors. To both owners and investors, we provide comprehensive services encompassing identification of opportunities, due diligence and valuation, and management of acquisition processes that result in successful transactions. We also provide stable cash flow to owners through transparent asset management and confidently manage disposal activities in order to close profitable transactions.

As a complementary service, we offer valuation and management of real estate portfolio investments with professional expertise and financial discipline. We provide consulting and financial advisory for both commercial and personal properties where our key advantage is the capability to obtain optimal financing even for projects burdened with debt.

Our highly qualified team is there to assist in finding investment capital and define the best planning strategy, including risk assessment. We seek out and use opportunities to invest in distressed and performing real estate assets which can be acquired. By investing in distressed real estate assets, our investors receive reasonable yields better than core yields.

We pride ourselves on the ability to align with our clients' strategies to deliver the best results and lead projects till the end. Our broad network of both local and international partners helps to streamline the process of finding the right buyer as quickly as possible. We also specialize in project management, project development and viability assessment. We are also able to deliver complete investment strategy analysis in all our European countries. We are also ready to assist at any stage of a real estate project.

REAL ESTATE TEAM

Our real estate team is headed by Péter Horváth MRICS. Involved in real estate asset and transaction management for over 20 years, he gained his experience working at several international real estate funds, developers, agencies, and banks and has participated in numerous major significant transactions in the fields of real estate and effective asset management. As an active member of the Royal Institution of Chartered Surveyors (RICS), he represents the highest professional and ethical values of this international organization. His technical and economic background provides excellent foundations for successful investment and asset management activities. His team is focused on transparent and high-quality services for clients.

PORTFOLIO STRUCTURING AND OPTIMIZATION

By applying a proven and refined process for structuring and optimizing portfolios, we help to increase efficiency in the process of obtaining the desired results.

ASSET MANAGEMENT, INCLUDING SERVICING, ADVISORY, AND CLIENT REPRESENTATION

Our asset management services include administration, operation, control, and oversight for real estate assets, including property and facility management.

DEVELOPMENT, VIABILITY ASSESSMENT, AND INVESTMENT STRATEGY ANALYSIS

We perform the necessary due diligence, valuation, and analysis services to identify risks and issues that need to be addressed before an investment decision is made. We are ready to analyse, plan, and manage services for such assets as land plots, offices, hotels, shopping centres, and residential complexes.

FINANCING ASSISTANCE

Our strong relationships with local and international financiers enable us to mobilize investment capital to launch projects for development.

We focus on the acquisition and management of attractive investment opportunities to achieve fair returns on balanced risk. In addition to valuation, legal and technical advisory, and other related services, we provide complete investment risk assessment and property management including servicing, advisory, and client representation.

We manage projects based on our understanding of the local market, type of property (e.g. residential, commercial, retail), and legal or other status (e.g. bankruptcy, loan in default, performing asset). Our aim is to create valuable and broadly attractive projects which offer reasonable profits. The investor defines the investment parameters, which we then implement in our valuation and financial models.

Our 14 years of experience in the distressed real estate industry, together with our strong relationships with local and international financiers, enable us to quickly mobilize investment capital to launch projects for development. Whether the project is a brownfield, office building, logistics centre, or residential project, our international team aims for quick and positive results.

Business Development

The Business Development division of APS was established in mid-2016 with the aim of centralizing our efforts to promote APS business as well as develop and implement growth opportunities in new markets.

Since then, the team managed by CEE and SEE Chief Regional Officer Victor Angelescu has been constantly growing, bringing together specialists with a mixture of experience in various domains capable of successful implementation of growth opportunities.

The team is involved in a wide array of activities, such as market entry analysis, greenfield setup of APS branches in new jurisdictions, M&A deals and further incorporation of acquired entities into standard APS structures, carrying out financial due diligence, and many others.

What we have achieved in 2017

The year 2017 brought expansion into three new markets. While our branches in Hungary and Croatia have been established on green fields, we entered the Cypriot market through a joint venture with a local bank.

— Hungary

APS Hungary was set up in March 2017, following a thorough analysis of market opportunities as well as an assessment of future expansion potential. The Business Development team was involved in both the business establishment and the necessary fine-tuning during the early stages of business setup, eventually handed over to the local Country Manager.

As of December 31, 2017, the Hungarian APS team comprised 22 employees, servicing more than 7,400 NPLs with a total balance of nearly EUR 0.22 billion.

Business Development

— Croatia

The Croatian office, established in Zagreb at the very end of 2016, started to be operational in January 2017 with the first employees joining the unit. Currently, APS Croatia with some 20 employees services more than 2,000 mostly corporate NPLs with a total balance of nearly EUR 0.75 billion. At the end of 2017, APS Croatia was taken over from the Business Development team by Elena Badescu, a former Corporate Recovery Director at APS Romania who is now performing the role of the local Country Manager.

Within its first year of existence, APS Croatia has already become an important contributor to the group's financial results and similar performance is expected also in 2018.

— Cyprus

In early 2017, APS entered into a strategic partnership with Hellenic Bank to manage its Arrears Management Division. The partnership owns a servicing company (named APS Debt Servicing Cyprus Ltd) of which APS Holding owns a 51% share. At the beginning of July 2017, a 10-year contract was signed between Hellenic Bank and APS Cyprus for servicing NPLs and REOs obtained through debt settlement and/or foreclosure by the bank. Roughly 140 employees have been transferred from Hellenic Bank to the newly formed entity.

Currently, the company is fully operational with all departments restructured in accordance with APS guidelines.

What we plan for 2018

In 2018, our aspiration to grow across the Central and Southeastern European regions will not diminish. APS is planning to open and develop several new subsidiaries, such as in Bosnia and Herzegovina and Greece, and to separate the operations in Montenegro from the Serbian office with a fully independent servicer in Podgorica.

— Greece

After the incorporation of a new entity through a joint venture with a local partner in 2017, our plan for 2018 is to obtain the necessary licence from the Bank of Greece and develop a fully operational servicer in Athens focused on recovery of retail and SME NPLs. Preparations are already in full swing.

— Bosnia and Herzegovina

The local branch is expected to be opened by mid-2018, with the company becoming fully operational by the end of summer. Our operations in Bosnia will be covered from offices located in Sarajevo and Banja Luka, with a total of approximately 15 employees.

— Montenegro

Our plans for 2018 also include opening a new office in Podgorica. The newly established APS Montenegro will take over servicing of Montenegrin receivables, and acquisition of new major portfolios is also intended. Even though the debt recovery processes will be managed locally, the multiple locations of APS across the region (Bosnia and Herzegovina, Croatia, Montenegro, and Serbia) will enable great synergy and sharing of certain business units.

7
Highlights 2017

IN 2017, APS FOCUSED ON OUR CORE BUSINESS AREAS – DISTRESSED DEBT INVESTMENT AND DEBT RECOVERY SERVICES – AS WELL AS DEVELOPING OUR REAL ESTATE DIVISION.

The firm was not only growing in numbers, but also expanding geographically. We have launched operations in three new markets: Cyprus, Croatia, and Hungary, where we successfully concluded pilot deals. At the same time, we secured our position in our more “traditional” markets and further built our reputation as an experienced and reliable business partner.

Highlights 2017

BULGARIA

As of December 31, 2017, APS Bulgaria was managing both corporate and retail NPL portfolios with a total nominal value of EUR 87 million.

In this dynamic year, APS Bulgaria was officially accepted as a full member of the Association of the Collection Agencies in Bulgaria (ACABG) and thereby also became a member of the Federation of European National Collection Associations (FENCA) and the Confederation of Employers and Industrialists in Bulgaria (KRIP).

In December 2017, APS Bulgaria supported one of the largest charity events in the country – the IWC Charity Bazaar.

CYPRUS

In 2017, our first transaction in Cyprus, a joint-venture project with Hellenic Bank Public Company Ltd., was successfully finalized. Based on this, a newly set-up servicer with APS as the majority owner is to manage the Hellenic Bank portfolio of NPLs and distressed real estate assets with a total nominal value over EUR 2 billion. The bank retained ownership of the portfolio but transferred its workout division with some 140 employees, including management, to this newly set-up servicing unit that instantly became the largest debt-servicing platform in Cyprus.

CROATIA

Successful expansion of APS operations continued also in Croatia, where several years of our active participation in Croatian NPL transactions have paid off. We entered the local market in January with the underwriting of a secured corporate NPL portfolio with a total exposure exceeding EUR 100 million sold by Postanska Hrvatska Banka. The portfolio has been purchased jointly by APS Delta and its investors. An APS office was opened in Zagreb and more than 20 highly qualified collections specialists, analysts, and mangers were hired to ensure professional portfolio management services. Another great opportunity came with Project Aquarius, an NPL portfolio with gross balance sheet exposure of EUR 448 million brought to the market by a local Unicredit branch. The portfolio comprises corporate distressed debt as well as retail unsecured and secured distressed debt. APS managed to successfully close this landmark transaction in May. By completing these two significant transactions this year, we have established a strong business presence on the Croatian market and paved the way for future transactions.

In 2017, APS Croatia concluded an SLA for two corporate and retail secured NPL portfolios with a total nominal value of EUR 700 million. The portfolios, consisting of approximately 3,280 claims, were secured primarily with residential, commercial, and industrial properties and land plots with a total nominal value of EUR 530 million.

One of these portfolios, with a gross balance sheet exposure of EUR 448 million as of 30 April 2017, was nominated for the CEE Legal Maters Deal of the Year Award for Croatia. By closing the largest NPL deal in Croatia, APS confirmed its prime position as the leading distressed debt investor and servicer across the CEE and SEE region.

HUNGARY

As for Hungary, APS entered the market as a servicer of a distressed debt portfolio originally owned by the Hungarian unit of Italy's largest bank, UniCredit, in March 2017. The NPL portfolio comprises retail mortgages worth EUR 139 million. The deal is considered to be one of the first residential mortgage portfolio sale and purchase transactions on the Hungarian market. Subsequently, APS opened a local branch in Budapest and the first employees with extensive knowledge of the Hungarian market were hired in the first half of the year. With our second transaction, the acquisition of Mark Zrt. from the Central Bank of Hungary, we strengthened our infrastructure on the local market as an NPL buyer as well as a servicing company focused on the segment of distressed corporate debt. Mark Zrt., established in 2014, has functional infrastructure for managing distressed debt portfolios with a focus on corporate loans. In 2017, we also complemented our managed volume with the servicing of a mortgage NPL portfolio with an outstanding amount of above EUR 80 million that was originally owned by Raiffeisen Bank.

Our Hungarian subsidiary was able to reach a remarkable financial result for 2017, not only breaking even just a few months after its establishment, but also reaching profitability by the end of the year.

As of 31 December 2017, the Hungarian APS team comprised 22 employees servicing more than 7,400 NLPs with a total balance of nearly EUR 222 million.

POLAND

In 2017, APS Poland witnessed a gross margin ratio increase from −9% to +14%, resulting from the consistent implementation of a new strategy based on expanding the range of offered services in combination with activities on markets outside of Poland.

Our activities in Poland were mainly focused on synergy of services provided to key clients. In 2017, we served a total of nearly 235,000 exposures with a total value of more than PLN 1,374 million.

CZECH REPUBLIC

In the Czech Republic, APS became the servicer for two large insolvency portfolios with a total nominal value of EUR 52 million. These portfolios are among the largest of this type in the country and, with the conclusion of the respective SLAs, APS has become – with more than 42,000 accounts of this type with a total nominal value over EUR 94 million – the largest servicer of insolvency cases in the region. In the area of third-party servicing, we have become one of the top two collection agencies for the fifth largest insurance company in the country.

SLOVAKIA

In 2017, we successfully stepped into the third-party servicing market specializing in car repossessions.

ROMANIA

The end of 2017 marked a new important milestone in the activity of APS on the Romanian market. A contract of corporate NPLs with a total nominal value of EUR 364 million, previously held by the Greek institution Alpha Bank, was finalized together with our long-term partners Deutsche Bank and AnaCap. In this transaction, APS Romania provided its partners with all supporting activities leading up to the portfolio purchase. Of the 980 NPLs, 77.5% are secured against residential, commercial, land, and industrial properties, primarily located in Bucharest (48.7%), but also Prahova (22.5%) and other counties (28.8%). By completing this transaction, APS has again strengthened its position as the leading debt recovery and investment platform in Central and Southeastern Europe.

SERBIA

At the end of 2017, APS Serbia with strong support from the entire APS Group closed the milestone deal for Project Onyx. Based on the contract, this subsidiary will provide recovery services for a portfolio with a nominal value of EUR 227.5 million.

In 2017, APS Serbia was also engaged in preparations for servicing Portfolio Savka. This portfolio, comprising corporate NPLs with a nominal value of EUR 118.2 million, was originally held by Banca Intesa. Both deals present an opportunity for APS Serbia to further grow and make a large contribution to the development of the entire firm.

8 Values and Vision

We are an alternative asset management company with focus on distressed debt and real estate investment and debt recovery with a leading position in Central and Southeastern Europe. Our services are comprehensive in the range and depth of offered services. With our business partners we prefer long-term relationships.

We believe in having a strong company culture. We shape our identity through our vision, our belief in our future, and our values. We have worked hard to be who we are. We make great efforts to be a partner who is respected in the business for our combination of excellent skills and ethical foundations.

APS strives to be the best in the business and to shape it for the better.

It is our vision that the market is where we live, and so we must contribute to making it a good and perspective place. We put great emphasis on winwin solutions, because satisfying all stakeholders is the only guarantee of effective long-term cooperation. We believe that quality is built through careful and patient work, and so we do not opt for easy, short-sighted solutions. We always make sure our new hires not only are top professionals but also share our values to keep our company's integrity.

From the global point of view, the distressed asset market is distinguished by the enormous values being traded, while the market of Central and Southeastern Europe is relatively small and young. It is our pride to have some global market leaders as our business partners, and we make sure to keep pace with them in providing services at top standards.

We are not afraid of challenges because we are not afraid of hard work. We believe challenges are what enable us to grow professionally. We appreciate and trust our employees, as we believe our team is the strongest in the region. We expect hard work from our employees, and in exchange we respect their needs and desire to balance their work with the rest of their lives. Our employees are happy to work for us because of the unique professional opportunities and adventures as well as our company culture and ethics.

Our goals for the coming years are to strengthen our position in our traditional market of Central and Southeastern Europe and also to further grow and expand. In the months to come, we will focus on developing the fund management and real estate parts of our business.

APS Values

We are market leaders in Central and Southeastern Europe.

We focus on employee needs and respecting their work–life balance.

We value integrity.

We apply the latest technology related in particular to automation and digitization.

We value long-term relationships.

We follow best practices.

We are committed to acting in good faith with honesty, trust, and respect.

We provide opportunities for professional growth and internal promotion.

Our company is a team of dynamic, professional, and loyal individuals.

We act responsibly, effectively, and above all transparently.

We are always improving our skills and developing ourselves in challenging environments.

APS Vision

01

Further develop **real estate and alternative investments**

02

Expand into **additional countries**

03

Be the best in **our traditional field** – debt recovery services and distressed asset investments

Globally, the distressed asset market is distinguished by the enormous values being traded, while the market of Central and Southeastern Europe is relatively small and young. It is our pride to have some global market leaders as our business partners, and we make sure to keep pace with them in providing services at top global standards.

We are not afraid of challenges because we are not afraid of hard work. We believe challenges are what enable us to grow professionally. We appreciate and trust our employees, as we believe our team is the strongest in the region. We expect hard work from our employees, and in exchange we respect their needs and desire to balance their work with the rest of their lives. Our employees are happy to work for us because of the unique professional opportunities and adventures as well as our company culture and ethics.

Our goals for the coming years are to strengthen our position in our traditional market of Central and Southeastern Europe and also to grow and expand to new markets. In 2018, we will strongly focus on developing the fund management and real estate parts of our business.

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Directors' Report

MARKET SITUATION 2017

The distressed debt market in emerging Europe in 2017 once again showed growing trends with respect to traded volumes, dominated by RE asset-backed portfolios, and more value-added products offered. Banks and other financial institutions are more widely acknowledging that deleveraging their balance sheets and co-operating with distressed debt specialists represents the most effective and efficient solution to NPLs. This idea is strongly supported also by European authorities, currently developing concepts and tools that could enhance secondary NPL markets across Europe.

The number of traded portfolios and their nominal values were increasing across emerging Europe. Benefiting from our good reputation, excellent expertise, and innovative approach, we kept up with the market and reconfirmed our leading position in Central and South-eastern Europe.

Similarly as in 2016, our results for 2017 surpassed our targets in both NPL portfolio acquisitions and NPL-servicing business-backed corporate and retail portfolios across our markets, including landmark transactions in Romania, Serbia, Croatia and Hungary. In addition, we have established three new branches (in Cyprus, Croatia, and Hungary), and, with major deals concluded in these countries, we successfully launched our operations with the aim of positively impacting local economies.

STRATEGY

The main activities of our group remain debt recovery services, distressed asset and special situation investment management, and real estate. These are the areas that continue to form the core of our business, with a special focus on our newly formed Real Estate division, which is currently in the process of establishing its position on the market.

Our strategy is to strengthen all of our business lines.

We strive to maintain our debt recovery services at the highest professional level with ethical standards and efficient collection guaranteed. We focus on all major NPL, PL, and RE portfolio auctions within our traditional markets, and we are expanding into new territories. Our strategy is tightly connected to our company values. We always look to the future and aim to establish long-lasting business with a solid network of reliable partnerships built on trust. This remains our main strategy also for 2018.

With hard work while following our ethical and professional standards, we will continue to strengthen our leading position on the market. We consider expansion to be the foundation for growth, and growth is our primary strategy. We are open to moving into other non-European markets, while we retain great interest in the European market with a focus on Southeastern Europe.

We are adapting our internal structure, processes, and systems to match our growth and expansion. Our corporate governance undergoes regular internal audits in order to improve the management system and adopt best practices and international standards.

FINANCIAL STATEMENTS

We present the financial statements for the financial year 1 January–31 December 2017. The Board of Directors is of the opinion that the financial statements provide a true picture of the assets and financial situation of APS for 2017. The financial statements are presented in accordance with the International Financial Reporting Standards adopted by the European Union.

In 2017, our business delivered very positive results and continued to see significant income growth. Income has increased to more than EUR 33,5 million, which represents almost 36% growth over the prior year.

PROFIT AND LOSS

In 2017, we achieved net profit of EUR 4.3 million, which

is 11% lower than in the prior year. The decrease in profit of EUR 0.6 million is driven by one-off costs related to establishing our presence on new markets for further expansion (Montenegro, Bosnia and Herzegovina and Greece) and also by one-off expenses for GDPR implementation (EUR 0.9 million).

CASH FLOWS

Operating activities were the key source of the group's cash flow for 2017, with a total net value of more than EUR 26 million.

EQUITY

The company's capital structure is composed of 22 pieces of ordinary registered shares with a total nominal value of EUR 81,000. The company does not have any type of ordinary shares which are not connected to regular payment of dividends.

GROUP STRUCTURE CHANGES IN 2017

Following on our growth, we are continuously reviewing and shaping the group's structure to keep it dynamic and efficient.

Throughout 2017, APS was preparing for implementation of an intragroup restructuring process (the "**Restructuring**") with the aim of dividing its main business activities, until that time performed solely within APS Recovery a.s. (formerly APS Holding a.s.), into five separate legal entities each directly owned by the holding company APS Holding S.A. with effect from 1 January 2018.

The corporate structure after the Restructuring provides for separation of fiduciary risks related to underwriting and recovery processes as well as improved corporate governance of the new divisions.

On the level of APS Holding S.A., the Restructuring comprised establishment and set up of APS Management Services s.r.o., APS Investments S.à r.l., and APS Investment Funds S.à r.l. Effective from 1 January 2018, APS Recovery a.s. (formerly APS Holding a.s.) divided its business activities as follows:

APS Recovery a.s.
- renamed from APS Holding a.s.
- to remain as a holding company for all local servicing subsidiaries

APS Investments S.à r.l.
- to provide underwriting, fund management, and other services to investment vehicles and funds

APS Management Services s.r.o.
- to provide management and other services to APS Group entities

APS Real Estate s.r.o.

— to carry out real-estate management and other related services

APS Investment Funds S.à r.l.

— to serve as a holding company for investment funds and vehicles

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to a variety of financial risk factors, including market risk, currency fluctuation risk, credit risk, interest fluctuation risk, liquidity risk, and operating risk arising from the organization's financial instruments. We have defined a set of guidelines for risk management to follow.

When evaluating a client's creditworthiness, we prepare thorough financial and non-financial analyses. The non-financial analysis takes into consideration qualitative indicators and publicly accessible information about the client as well as information obtained directly from the client.

Assets and liabilities in foreign currencies, including off-balance sheet items, represent a currency risk to which we are exposed. We conduct our business transactions in such currencies as EUR, USD, CZK, PLN, RSD, BGN, HRK, HUF, and RON.

Interest fluctuation risk relates to the possibility of losses arising from fluctuations in interest rates. Given our portfolio of assets and liabilities, our risk from fluctuating interest rates is relatively minor. Term deposits in banks have been arranged to cover the short-term.

We define liquidity risk as the possibility of losses on our revenues and our own resources resulting from the company's inability to cover its liabilities on time without incurring unnecessary losses.

We define operating risk as the possibility of losses on our revenues and our own resources resulting from shortcomings in the internal control system and the organization of the risk management system. This risk is a function of internal control mechanisms, information systems, lack of employee perfection, and operational processes. This risk exists in all products, services, and processes. It occurs daily in all companies which process transactions.

HUMAN RESOURCES

At APS, we aim to establish long-term relationships with our staff founded on trust and mutual respect. We provide our employees with working conditions to motivate them to achieve their optimal performances. We provide equal conditions for employees, a friendly environment, and possibilities for career growth and further education. At APS, we are well aware that only our qualified and motivated employees make it possible for us to be a success on the highly demanding and competitive distressed asset market.

We organise various non-working team activities for our employees throughout the year to build good relationships within the team. Moreover, we provide our employees with various workshops for both soft skills and increasing their qualifications.

At APS, we comply with all legal working regulations applicable to employers. Compliance with legal and internal regulation is subject to regular monitoring, and if there should happen to be any possible problems, we implement the remedy immediately.

ENVIRONMENT

We are aware of the need for the sustainable development of society. For this reason, we view all our activities from the perspective of their potential negative influence on the environment. At APS, we follow very strict social and environmental standards set by the World Bank and its International Finance Corporation. For this purpose, we introduced our own system to steer and reduce potential environmental and social risks during our daily activities. Following these standards excludes cooperation with clients or debtors whose activities are connected with excessive environmental burdens (see the IFC Exclusion List; examples include companies producing or trading in radioactive materials and companies conducting excessive fishing) or whose activities are unethical or violate human rights.

GOING CONCERN AND OUTLOOK

The annual financial statements have been prepared on a going concern basis, and it is the opinion of the Board of Directors that the financial statements provide a fair presentation of our business and financial results. We confirm that the going concern assumption has been satisfied.

The period of 2017 was active in both portfolio acquisition and servicing, and we believe this trend will continue throughout 2018.

The Board of Directors emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

With regard to the aforementioned, APS will continue to focus on its growth strategy in both existing and new markets, where we see a significant supply of promising investment opportunities. In Southeastern Europe, several landmark transactions worth EUR 100 million commenced in 2017 have already been awarded to us and are in the pre-completion phase, subject to regulatory approvals.

Recently, investors' attention has shifted southwards, with Greece and Italy being the most promising NPL markets with NPL amounts of over EUR 100 billion and EUR 300 billion, respectively. Numerous sizeable distressed asset portfolios are currently being traded and more are in the pipeline. Greece, where the first NPL transactions are being completed, represents a vast NPL market still relatively unknown to investors. APS has been closely monitoring the local market for several years, and as a consequence we entered the market in 2017 approaching several transactions with the aim of at least one deal to be completed in 2018. We consider the Greek market to be strategic for our further growth in SEE and expect the local banks to continue delivering the ambitious NPLs reduction targets resulting in over EUR 40 billion of NPLs supplied within the next 3–5 years across all NPL asset classes. With this in mind, we are building up fully fledged operations and are in the final stage of the licensing procedure with the Bank of Greece.

The Italian market is, compared to Greece, more saturated and competitive and also more geographically fragmented with more complexities. Following one of our major investors, we are establishing an operational presence in northern Italy, aiming to start providing collections services to its already acquired portfolios. We are also monitoring the local debt acquisition market: we have recently participated in several transaction processes and are looking to select an appropriate first transaction.

Another market with vast NPL stock is Spain, the most competitive market in Southern Europe, with all major investors and servicers present. With local banks selling portfolios as well as servicing operations, the Spanish market produces the largest transactions in the region. Aiming to establish a business presence there, we are targeting some of the medium-sized primary and secondary local transactions as well as reviewing opportunities to acquire operating servicing platforms. As for the other countries attracting investors' interest, Turkey, Ukraine, and Russia represent the markets worth looking at in near future.

The changing regulatory environment (the GDPR, NPL-related regulations, and other changes) has had a profound impact also on the European NPL market, resulting in more standardized procedures and requirements. While these measures have proved to be an effective way of reducing the asymmetries between potential buyers, they also make the entire process more cumbersome and time-consuming.

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Compliance

In the debt collection market, APS is distinguished by its unique business model, which also manifests in the area of Compliance, one of our fundamental values. High-standard know your customer (KYC) and data protection procedures apply to all our business activities. As a debt servicer and owner of NPL portfolios, APS has implemented Compliance best practices to ensure compliance with ethical standards, laws, and regulations as well as internal policies.

As of 2018, Regulation 2016/679 of the European Parliament on the protection of natural persons with regards to the processing of personal data (General Data Protection Regulation; GDPR) has been implemented in all APS activities. Our processes, policies, and practices have been reviewed and adjusted to ensure compliance with GDPR requirements. New policies such as a subject request procedure, data breach procedure, and privacy procedure have been prepared, and the security rights for IT systems properly set. Templates for new legal documents related to the GDPR were distributed to Data Protection Officers appointed in each country, and training was provided to all APS staff via a sophisticated e-learning platform.

APS is also involved in GDPR implementation for collection agencies at the EU level. APS Group Senior Compliance Officer Eva Heringová is an active member of the Czech Collection Agencies Association. She participates in the GDPR working group of the Federation of European National Collection Associations (FENCA) and assists with preparation of a GDPR codex for EU collection agencies.

An advanced system of KYC checks is in place, and that is why each portfolio of debtors, new clients, investors, and suppliers is screened by a Compliance Officer for compliance with anti-money laundering procedures and our environmental and social management system (ESMS). APS uses both manual and automatic KYC verification and employs the most sophisticated KYC tool on the market – the World-Check database from Thomson Reuters. APS is also compliant with the policies of the International Finance Corporation (IFC), a member of the World Bank Group and one of our long-term partners and investors. APS applies IFC policies (ESMS), as well as IFC Exclusion List screening as the IFC is one of our biggest investors and expects the highest Compliance standards from us.

By applying our Compliance programme across the APS Group, we ensure that directors, executives, officers, and employees comply with all legal regulations and policies and perform their activities in accordance with the company's internal rules and guidelines. Targeted training of all staff and awareness-raising prevent any misconduct or economic or reputational damage. Every APS employee knows that Compliance is paramount to our business.

11 Financial Statements

Consolidated Statement of Financial Position as of 31 December 2017

(in thousands of euro)

Assets	Note	Year ended 31 Dec 17	Year ended 31 Dec 16
Non-current assets			
Property, plant, and equipment		652	542
Intangible assets		27,271	11,986
Goodwill		9,951	6,814
Other intangible assets		17,320	5,172
Investments into associates (equity method)		37	160
Derivative financial instruments		3	
Financial assets at fair value through profit or loss (excluding derivatives)		83,447	9,589
Loans receivable		-	37,544
Trade and other receivables		1,431	343
Total non-current assets		**112,841**	**60,164**
Current assets			
Available-for-sale financial assets		4	4
Inventories		1	102
Current tax assets		-	1
Loans receivable		3,474	3,250
Trade and other receivables		16,298	6,397
Other prepayments		428	273
Cash and cash equivalents		26,470	9,875
Total of assets classified as held for sale and assets included in disposal groups classified as held for sale		-	90
Total current assets		46,675	19,992
TOTAL ASSETS		**159,516**	**80,156**

Consolidated Statement of Financial Position as of 31 December 2017

(in thousands of euro)

Equity and Liabilities	Note	Year ended 31 Dec 17	Year ended 31 Dec 16
Equity attributable to owners of the parent			
Paid-in share capital		31	31
Other reserves		5,888	2,189
Total equity attributable to owners of the parent		**5,919**	**2,220**
Non-controlling interests, presented within equity		4,687	597
Total equity		**10,606**	**2,817**
Non-current liabilities			
Bank loans		53	168
Issued obligations		43,516	23,484
Other borrowings		**26,136**	**28,760**
Deferred tax liabilities		1,079	1,123
Trade and other payables		4,251	131
Deferred revenues		1,030	119
Total non-current liabilities		**76,065**	**53,785**
Current liabilities			
Bank loans		115	108
Bank loans – overdrafts		161	178
Issued obligations		52,872	15,465
Other borrowings		1,088	351
Current tax payable		58	48
Trade and other payables		17,621	7,200
Provisions for other liabilities and charges		897	44
Deferred revenues		33	3
Liabilities included in disposal groups classified as held for sale		-	157
Total current liabilities		**72,845**	**23,554**
Total liabilities		**148,910**	**77,339**
TOTAL LIABILITIES AND EQUITY		**159,516**	**80,156**

Consolidated Statement of Profit and Loss

(in thousands of euro)

Profit and Loss	Note	2017	2016
Continuing operations			
Revenue		27,996	22,585
Other operating expenses		(271)	(224)
Other income		5,511	1,892
Depreciation and amortization expenses		(7,054)	(1,423)
Other distribution and administrative expenses		(22,769)	(17,142)
Other (losses)/gains – net		1,155	1,067
Operating profit/(loss)		**4,568**	**6,755**
Interest income		26,899	13,058
Interest expense		(28,141)	(14,177)
Other financial (losses)/gains – net		1,645	(72)
Finance (costs)/income – net		403	(1,191)
Share in profit of associates and joint vehicles		37	34
Profit before tax		**5,008**	**5,598**
Income tax expense		(793)	(639)
Profit/(loss) for the year from continuing operations		4,215	4,959
Profit/(loss) for the year from discontinued operations		66	(151)
PROFIT/(LOSS) FOR THE YEAR		**4,281**	**4,808**
Other comprehensive income:			
Exchange differences on translating foreign operations		(3)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,278**	**4,808**
Profit/(loss) attributable to:			
Owners of the parent		3,202	4,464
Minority interest		1,079	344
		4,281	4,808
Total comprehensive income attributable to:			
Owners of the parent		3,199	4,464
Minority interest		1,079	344
		4,278	4,808

APS Holding S.A. – Statement of Cash Flows for the year ended 31 December 2017
(in thousands of euro)

Cashflow	2017	2016
Cash flows from operating activities		
Profit before taxation	5,008	6,492
Adjustments for:		
Depreciation	7,054	1,423
Deferred tax	(44)	151
Interest income and interest expense	1,242	117
Foreign exchange gains/(losses)	(225)	357
Other adjustments		224
	13,035	8,764
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
Inventories	101	39
Trade and other receivables	(84,048)	(1,751)
Trade and other payables	16,178	190
Cash generated from operations	**(54,734)**	**7,242**
Net cash from operating activities	**(54,734)**	**7,242**
Cash flows from investing activities		
Purchase of property, plant, and equipment, intangible and other long-term assets	(19,312)	(1,071)
Loans granted and repaid	36,456	(37,615)
Interest received	26,899	14,731
Interest paid	(28,141)	(14,848)
Net cash used in investing activities	**15,902**	**(38,803)**
Cash flows from financing activities		
Bank loans, issued obligations, and other borrowings	57,314	39,355
Proceeds from and repayment of borrowings	(1,887)	(3,201)
Dividends paid to company shareholders	-	(621)
Net cash used in financing activities	**55,427**	**35,533**
Net change in cash and cash equivalents	**16,595**	**3,972**
Cash and cash equivalents at beginning of period (note below)	**9,875**	**5,903**
Cash and cash equivalents at end of period	**26,470**	**9,875**

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and balances with banks (including overdrafts) and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet statement:

Cash on hand and balances with banks	26,470	9,875
Cash and cash equivalents at end of period	26,470	9,875

Statement of Changes in Equity for the year ended 31 December 2017

(in thousands of euro)

Equity	Share capital (excl. treasury shares)	Other contributed capital	Retained earnings (unpaid losses)	Profit/(loss) for the period	Other comprehensive income	TOTAL	Minority interest	TOTAL EQUITY
Balance at 31 December 2015	**31**	**-**	**(12)**	**(653)**	**-**	**(634)**	**280**	**(354)**
Restated balance	31	-	(12)	(653)	-	(634)	280	(354)
Changes in equity for 2016								
Profit/(loss) for the period	-	-	-	5,358	-	5,358	344	5,702
Total comprehensive income for the period	**-**	**-**	**-**	**5,358**	**-**	**5,358**	**344**	**5,702**
Dividends for shareholders	-	-	(621)		-	(621)	-	(621)
Transfers within equity	-	-	(653)	653	-	-	-	-
Exchange differences	-	-	(45)	-	-	(45)	(27)	(72)
Changes in interests and evaluation of Solitera Investments Ltd.	-	-	(943)	-	-	(943)	-	(943)
Balance at 31 December 2016	**31**	**-**	**(2,274)**	**5,358**	**-**	**3,115**	**597**	**3,712**
Changes in accounting policy	-	-		(894)	-	(894)	-	(894)
Restated balance	**31**	**-**	**(2,274)**	**4,464**	**-**	**(894)**	**597**	**2,818**
Changes in equity for 2017								
Profit/(loss) for the period	-	-	-	3,202	-	3,202	1,079	4,281
Exchange differences – foreign operation	-	-	-		(3)	(3)	-	(3)
Other comprehensive income for the period	-	-	-	-	(3)	(3)	-	(3)
Total comprehensive income for the period	**-**	**-**	**-**	**3,202**	**(3)**	**3,199**	**1,079**	**4,278**
Capital contributions							3,011	3,011
Transfers within equity	-	-	4,464	(4,464)	-	-	-	-
Exchange differences	-	-	499	-	-	499		499
Others	-	-		-	-	-	-	-
Balance at 31 December 2017	**31**	**-**	**2,689**	**3,202**	**(3)**	**5,919**	**4,687**	**10,606**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

This document is based on the accounting period from 1 January 2017 to 31 December 2017.

1. General information

1.1. Company and group information

APS Holding S.A. (hereinafter referred to only as the "Company") was established as a public limited company under the laws of the Grand Dutchy of Luxembourg and incorporated into the Registre de Commerce et des Sociétés under reg. No. B 201.461 on 16 November 2015.

The subscribed share capital of the Company is fixed at EUR 31,000.

The registered office of the Company is at 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg.

As the parent of the APS Group, the Company holds 100% ownership interest and/or issued share capital in the following companies:

APS Management Services s.r.o., AS Recovery a.s., and APS Finance a.s., all established and existing under the laws of the Czech Republic, as well as APS Investments S.à r.l. and APS Investment Funds S.à r.l., both established and existing under the laws of the Grand Dutchy of Luxembourg.

The Company is administered by the members of the Board of Directors and is not further divided into any specific organizational parts or units.

BOARD OF DIRECTORS

— **Chairman: Phillipe PONSARD,** 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg
— **Pierre LENTZ**, 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg
— **Marc ALBERTUS**, 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg

THE SOLE SHAREHOLDER:

— **Ing. Martin Machoň, MBA**

1.2. Identification of the group

Organization chart of APS Holding S.A. group of companies as of 31 December 2017:
APS Holding S.A. (LU)
APS Poland S.A. (PL)
APS Bulgaria E.O.O.D. (BG)
APS d.o.o. Beograd (RS)
APS Real Estate s.r.o. (CZ)
APS Recovery Greece EPE (GR)
APS CZ&SK SERVICES s.r.o. (CZ)
APS Croatia d.o.o. (HR)
APS Holding Cyprus LTD (CY)
APS Hungary Kft. (HU)
APS Debt Servicing Cyprus LTD (CY)
APS Homeland Properties Cyprus LTD..(CY)
APS Recovery Hungary Kft. (HU)
APS SK Servicing s.r.o. (SK)
APS Investment SPVs 3
APS Investments S.à r.l. (LU)
APS Management Services s.r.o. (CZ)
APS Finance a.s. (CZ) APS Recovery a.s. (CZ)
APS Investment Funds .S.à r.l. (LU)
APS Finance E.O.O.D. (BG)
Asset Portfolio Servicing Romania S.R.L. (RO)
APS Recovery Greece Credit
and Loan Servicing S.A. (GR)
Syndre Valuations S.R.L. (RO)
Homeland Properties S.R.L. (RO)
APS Recovery Management s.r.o. (CZ)
APS MIP, s.r.o. (CZ)
APS FUND BETA d.o.o. Beograd (RS)
APS DELTA s.r.o. (CZ)
APS Delta S.A. (LU)
APS GAMMA s.r.o. (CZ)
Mark Ingatlan Zrt. (HU)
APS BETA Bulgaria E.O.O.D. (BG)
APS FUND BETA uzavřený investiční fond, a.s (CZ)
Serraghis Asset Management S.A. (RO)
APS Investment s.r.o. (SK)
MARK Zrt. (HU)

1.3. Major Areas of Operations

Asset Portfolio Servicing (APS) is a recognized financial group that provides servicing, underwriting, and asset management services across Central and Southeastern Europe. The organization's main business activities entail advising and servicing NPL portfolios, debt recovery services, and distressed asset recovery investment services .

2. Relevant Accounting Policies and Procedures

The basic accounting policies specified below have been applied during the preparation of the group's Financial Statements. They have been applied to all accounting periods reported herein, unless otherwise noted.

2.1. Basis of Preparation

The Consolidated Financial Statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

APS Holding S.A. acquired the subsidiary APS Capital a.s. which subsequently became APS Recovery a.s., which

forms part of the presented consolidated financial statements as of 31 December 2017, in November 2015.
The Financial Statements are based on the principle of accruals, wherein transactions and other facts are recognized at the time at which they occur and are entered into the Financial Statements during the period to which they are related, under the presumption that the Company will continue in its activities. The Financial Statements are composed of the Consolidated Balance Sheet, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Accompanying Notes to the Financial Statements.
The Consolidated Financial Statements have been compiled from acquisition prices, while securities which are to be sold, financial assets and liabilities from trading, and financial derivatives have been revalued to their real value.
In conformity with IFRS regulations, the presentation of the Financial Statements requires that the Company's management prepare estimates which have an effect on the reported values of assets and liabilities as of the date on which the Financial Statements have been compiled as well as estimates of expenses and earnings during the relevant accounting period. These estimates are based on information available at the time at which the Financial Statements are compiled and may vary from the actual results.
The basic accounting principles which have been applied during the preparation of these Financial Statements are listed below.
The Consolidated Financial Statements which the Company is presenting are shown in thousands of EUR. Information in the Balance Sheet has used the exchange rate which was valid as of the date on which the Financial Statements were compiled, and information in the Statement of Comprehensive Income was compiled with an average annual exchange rate applicable to that particular accounting period.

2.2. Application of New and Revised Standards

2.2.1. Standards and Interpretations Applicable in the Current Period

The group's Consolidated Financial Statements are in compliance with the IFRS as adopted by the EU and applicable to the accounting period from 1 January 2017 to 31 December 2017. The reports comply with all standards and interpretations recognized as effective for the period beginning on or after 1 January 2017.

2.2.2. Early Application of Standards and Interpretations

The Company did not apply IFRS standards or interpretations ahead of their effective dates.

2.2.3. IFRSs newly adopted, amended, or becoming effective on or after 1 January 2017 as adopted by the EU.

IAS 12:

The results of the update as described by IAS Plus:

— Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

— The carrying amount of an asset does not limit the estimation of probable future taxable profits.

— Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

— An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure Initiative (Amendments to IAS 7):

— Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual improvements to the 2012–2016 Cycle (iasplus.com)

Makes amendments to the following standards:

— IFRS 1 – Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose

— IFRS 12 – Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

— IAS 28 – Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

New and revised IFRSs in issue but not yet effective

— Annual improvements to IFRS Standards 2014–2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018)

— Annual improvements to IFRS Standards 2015–2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed for use in the EU)

— IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)

— IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed for use in the EU)

— IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)

— IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)

— IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed for use in the EU)

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

— Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)

— Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed for use in the EU)

— Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore endorsement for use in the EU has been postponed)

— Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed for use in the EU)

— Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

— Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed for use in the EU)

2.3. Basis of Consolidation

Subsidiaries (i.e. companies in which the Company directly or indirectly owns more than half of voting rights, or otherwise controls their activities) are fully consolidated. Subsidiaries are included in the consolidation from the moment they are controlled by the Company until the time at which the Company no longer has such control. Consolidation does not include any transactions among the companies in the group.

Ownership participation in non-consolidated companies is shown in the Consolidated Balance Sheet as acquisition costs modified by adjusting entries.

Ownership participation in companies under significant influence has been calculated by the equivalent method. These companies include those subjects in which the Company holds 20–50% of voting rights and in which the Company has significant but not controlling influence. In conformity with the equivalent method of consolidation, the Statement of Comprehensive Income shows the group's share in the profit reached by the companies under significant influence during the current period. The group's share in companies under significant influence is shown in the Balance Sheet with a value which takes into consideration the group's share in the net capital of the Company under significant influence and also includes consolidation difference resulting from the acquisition of said share.

2.3.1. Changes in the group's ownership interests

Any changes in the group's ownership interests in subsidiaries that do not result in a loss of control, are accounted for as equity transactions. The carrying amounts of both the controlling and non-controlling interests reflect the changes in the respective interest in each subsidiary. In the case a subsidiary is lost, the respective gain or loss is recognized in the Statement of Profit and Loss. The amount is calculated as the difference between: the aggregate fair value of the consideration received and the fair value of the retained interest and the carrying amount of entity's assets (with goodwill) and liabilities along with non-controlling interests.

2.4. Accounting for Earnings

The Group's earnings have been mostly achieved by the Group's main activity, which is administration and collection of receivables.

Interest earnings and expenses related to all interest-bearing instruments are shown in the Statement of Comprehensive Income for the accounting period to which these instruments are in fact related, using an effective rate of interest.

Dividends payable on investments are posted at the moment when shareholders are entitled to receive such dividends.

2.5. Taxes

The final amount of taxes shown in the Financial Statements includes tax payable for the accounting period and deferred tax.

2.5.1. Current tax

The amount of tax payable is based on the results of the current accounting period adjusted by those items which are not taxable or eligible and has been calculated in accordance with the tax rates valid as of the date the Financial Statements were compiled. Thus, current tax is based on taxable profit for the accounting period. The amount of taxable profit may differ from the profit before tax which is presented in the Consolidated Income Statement as it sometimes does not include items of income or expense that are taxable or tax deductible in other years or items that are never taxable or tax deductible.

2.5.2. Deferred tax

Deferred tax created in relation to temporary differences resulting from the differences between the accounting value of assets and liabilities in the Financial Statements and the applicable tax base which was used to calculate taxable income has been posted by the liability method.
All deferred tax liabilities have been posted with all temporary differences, while the deferred tax receivables have been posted in such an extent which allows for the possibility that the taxable profit from which the temporary differences could be deducted will be available. These receivables and liabilities are not posted as long as the temporary difference is a result of the original posting of other receivables and liabilities from the transactions which do not affect taxable or accounting profit.
Deferred tax has been calculated with the use of tax rates which are expected to be valid at the time when the assets have been implemented or when the liabilities have been settled. Deferred tax has been posted in the Statement of Comprehensive Income with the exception of situations when it is related to the items which were accounted directly in the equity and the deferred tax is included in the equity.

2.6. Property, Plant, and Equipment

Long-term tangible assets have been presented at acquisition prices, which include the cost of acquisition, expenses for transportation, customs duties, and other expenses related to acquisition.
Expenses for the technical evaluation of long-term assets increase their acquisition cost. Regular repairs and maintenance are included in such expenses.

2.6.1. Depreciation

For accounting depreciation, the group uses those rates which are valid for tax write-offs. The anticipated lifespan of assets has been defined as follows:

	NUMBER OF YEARS
Buildings and structures	50
Office equipment	3
Transport facilities	5
Furniture	5
Software	10

Profit or loss from the sale or disposal of assets presented in the Statement of Comprehensive Income has been defined as the difference between the proceeds from the sale and the accounting value of the assets.

2.6.2. Depreciation in value

As of the closing date on which each Financial Statement is compiled, the group evaluates the accounting value of its tangible and intangible assets and its participation in companies in which it has significant or controlling influence from the point of view of the possible depreciation of their value. If there are any indications that the accounting value of assets is higher than their estimated real value, the group will revalue the assets to their implementable value by means of a one-time write-off. If it is not possible to estimate the value of individual assets, the group will determine the implementable value of the earnings unit to which the asset belongs.
Losses resulting from the depreciation of assets are immediately posted in Increased/lowered adjusting entries and reserves.

2.7. Financial Instruments

The recognition of financial assets and liabilities is maintained off the balance sheet at the time at which the group has become a party to the contractual provisions of the respective instruments and their recognition in the Statement of Financial Position. The assets or liabilities are recognized after the group has assumed all respective risks, obligations, control, and rights over the financial instrument together with its ownership.
All financial instruments are measured at fair value at the time of recognition. Transaction costs that are directly attributable to the acquisition, or to the issuing of a financial asset or liability, are either added or deducted from the fair value of the financial instruments on initial recognition. Any transaction costs that are directly attributable to the acquisition of such instruments at fair value through profit or loss are recognized in the Statement of Profit and Loss.

2.7.1. Cash and cash equivalents

The main cash equivalents which the Company owns include the cash in its bank accounts, cash receipts, and trade receivables.
The Company's funds include cash on hand and cash in transit.
Cash and cash equivalents are short-term, highly liquid

investments which can be immediately negotiated for a previously known amount and which may be subject to a minor risk that their value will change. Cash equivalents are held for the purpose of converting them into cash within a short period of time and are not held for investment purposes. Cash and cash equivalents are represented by deposits at banks in regular term deposit accounts.

2.7.2. Loans granted

Any cash that is provided by the group directly to a debtor is recognized as a loan granted. Such loans are stated as at their net book value. This value comprises the amount for which the loan would have been granted net of instalments and increased/reduced amortization. The recognition of loans starts at the moment of their provision to the debtor. Loans for periods longer than 12 months are classified as long term, otherwise as short term.

2.7.3. Loans received

Loans received comprise bank loans with applicable interest, overdraft facilities, trade payables, and other obligations. The value of bank loans with applicable interest and overdraft facilities has been amortized through the use of current interest rates.

2.7.4. Trade receivables

Trade receivables are reported at their residual value.
If there is objective evidence that the value of receivables has decreased, the residual value of such receivables will be decreased by the adjusting entries to the current value of the estimated retroactively obtainable value. Creation, drawdown, and dissolution of adjusting entries is calculated on a monthly basis. Adjusting entries are lowered if the objective reasons for decreasing the value of the receivables to the specific extent no longer exist. In such case, the original amount is cancelled and the adjusting entry is reported in the required amount. The adjusting entry is used at the time the receivables are sold or written off or it is dissolved in the earnings, providing there is no longer any need for its existence, such as when the outstanding receivables have been paid.

2.8. Financial Expenses

Loan costs such as interest expenses are recognized in the Statement of Profit or Loss as they are incurred. Losses from foreign exchange transactions are recognized in the expenses upon origination – in cases of payment transactions and translation of foreign currencies as of the balance sheet date.

2.9. Reserves

The group shows its reserves only when:

- it has current liabilities (contractual or non-contractual), which are the result of specific events in the past,
- there is a likelihood that settlement of such liabilities will require the unavoidable use of funds which represent economic prosperity, and
- it is possible to prepare a reliable estimate of the amount of such liability.

2.10. Share Capital

The Company's registered capital is composed of 62,000 units of ordinary shares entered in the books with the face value of EUR 0.50 (fifty cents) per share.
The registered capital has been paid in full. The Company does not have any type of ordinary shares which are not connected to regular payment of dividends.

2.11. Critical Accounting Estimates and Judgements

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including anticipated future events, which are considered adequate to the particular circumstances. The Company makes future-oriented estimates and assumptions, based on which accounting estimates are made and which, due to their nature, are rarely identical with actual results and outcomes. Those estimates and assumptions associated with a substantial risk that significant modifications in the carrying amounts of assets and liabilities will occur within the next fiscal year are listed below:

2.11.1. Fair value of financial assets

The fair value of financial instruments which are not traded on an active market is determined using valuation methodologies. In selecting various methods, the Company uses its own judgement and makes assumptions based in particular on the market conditions existing as of each balance sheet date. The fair value of financial assets held for sale was estimated on the basis of the fair value of individual assets.

2.11.2. Information concerning the anticipated real value of assets and liabilities

The real value of financial instruments is the amount at which assets or liabilities could be converted in transactions between knowledgeable and willing parties under normal conditions. When possible, the real value is based on current market prices, but in many situations the market prices of the group's various financial instruments are not available. In such cases, real values are established by estimates, discounted cash flows, or other generally accepted evaluation methods. Results from these methods are significantly influenced by the use of assumptions, in particular by discount rates and estimates of future cash flows. In relation to this fact, these estimates of real values might not be used during immediate settlements of financial instruments. In the published estimates of the real value of its financial instruments, the group has used the following methods and estimates.

2.11.3. Receivables from banks

The real value of current accounts is equivalent to their accounting value. Considering the fact that term receivables are generally revalued after relatively short periods of time, it is reasonable to use their accounting value in order to estimate their real value.

2.11.4. Debt portfolios

The Company uses significant judgement in estimating future cash flows from purchased debt portfolios. The Company reconsiders the data supporting the value of debt portfolios at each anniversary of the portfolios' purchase, and the resulting gain or loss is immediately reported in the Statement of Profit or Loss as a whole.

3. Risk Management

3.1. Financial Risk Factors

The Company is exposed to a variety of financial risk factors such as market risks, currency fluctuation risks, credit risks, interest fluctuations risks, liquidity risk, and operating risks arising from the organization's financial instruments. The information below specifies the guidelines for risk management which the Company follows.

3.1.1. Market risks

As a result of its business activities, the Company is exposed to market risks, which are the result of its vulnerable position when operating with interest, securities, and currency instruments which are sensitive to changes in financial markets.

3.1.2. Credit risks

As a result of its business and investment activities, the Company is exposed to credit risks. Receivables are not classified in individual groups because various debtors are evaluated on an individual basis. The Company endeavours to minimize its credit risk before it enters into any business relationships as well as when such relationships already exist.
When evaluating a client's creditworthiness, the Company prepares financial and non-financial analyses. The non-financial analysis takes into consideration qualitative indicators and publicly accessible information about the client as well as information obtained directly from the client.

Debtors are evaluated individually, while taking into consideration in particular the following factors:

- Past experience with the debtor,
- Size of the loan and,
- Maturity of the loan.

The Company internally monitors and analyses the borrower whose securities it holds. All applications for loans are discussed and approved by the Company's Board of Directors. All investments into a borrower's securities are also submitted for approval to the Board of Directors.

The Company accepts the following types of collateral:

- Guarantees provided by other subjects (banks, governments, other legal entities);
- Real estate property;
- Machinery, instruments, equipment, or other tangible assets;
- Receivables and,
- Securities.

Adjusting entries to receivables are made for the unsecured part of the risk after deducting the acceptable value of collateral during situations when the accounting value of the collateral has temporarily decreased. When the reasons for adjustments to the value no longer exist, the adjusting entries are cancelled. Unpaid receivables are regularly revaluated and are subject to inspection as to the state of instalments in arrears and are resolved on an individual basis (personal discussions with the debtor and reminders sent to the debtor).

3.1.3. Currency fluctuation risks

Assets and liabilities in foreign currencies including off balance sheet items represent a currency risk to which the Company is exposed. The Company conducts its business transactions in the following currencies: EUR, USD, CZK, PLN, RSD, BGN, HUF, HRK, and RON.

3.1.4. Interest fluctuation risks

Interest rate risk is the risk resulting from changes in financial instruments due to changes in the market interest rates. The largest loan, from AnaCap, has a fixed interest rate. Our portfolios (classified as Financial assets at fair value through profit or loss) are financed by investors (current and non-current issued obligations) and the interest rate is determined by the performance of the underlying portfolios (amount of collections), and therefore we are not exposed to fluctuations in market interest rates.

3.1.5. Liquidity risks

Liquidity risk exists when the due dates of assets and liabilities are different. The non-cleared positions potentially increase profitability, but they may also increase the risk of loss. The Company has procedures in place to minimize such losses, such as maintaining a sufficient amount of cash and other highly liquid current assets, and having a sufficient amount of credit products available.

3.1.6. Operating risks

The Company defines operating risks as the possibility of losses on its revenues and its own resources resulting from shortcomings in the internal control system and the organization of the risk management system. This risk is a function of internal control mechanisms, information systems, lack of employee perfection, and operational processes. This risk exists in all products, services, and processes. It occurs daily in all companies which process transactions.

4. Notes to the Consolidated Statement of Profit and Loss

The profit and loss for the period ending 31 December 2017 include only post-acquisition amounts for the group.

4.1. Operating Profit (in thousands of euro)

	2017	2016
Continuing operations		
Revenue	27,996	22,585
Other operating expenses	(271)	(224)
Gross profit		
Other income	5,511	1,892
Depreciation and amortization expense	(7,054)	(1,423)
Other distribution and administrative expenses	(22,769)	(17,142)
Other (losses)/gains – net	1,155	1,067
Operating profit/(loss)	**4,568**	**6,755**

Revenue comprises asset management fees, onboarding fees, underwriting fees, etc. Increase in other income is driven by asset management fees related to the subsidiary Beta Bulgaria d.o.o.
Depreciation, amortization, and other distribution and administrative expenses are commented on in separate notes.

4.2. Financial and Interest Income and Expenses (in thousands of euro)

	2017	2016
Interest income	26,899	13,058
Interest expenses	(28,141)	(14,177)
Other financial (losses)/gains – net	1,645	(72)
Total financial	**403**	**(1,191)**

Interest income and expenses consist of revenue and expenses related to portfolios held by the investment funds Delta S.A. and Gama s.r.o. Other financial losses and gains consist mostly of foreign exchange gains and losses.

4.3. Other Distribution and Administrative Expenses (in thousands of euro)

	2017	2016
Wages and salaries	12,942	6,821
Other expenses	5,807	4,751
Other consumed services	2,822	5,197
Accounting for provisions	805	41
Administration of receivable portfolios	393	332
Total distribution and administrative expenses	**22,769**	**17,142**

The increase in wages and salaries is directly connected with growth in the total number of group employees, from 571 in 2016 to 700 in 2017. Expenses for accounting for provisions are related to the provision created to cover implementation of GDPR requirements.

4.4. Depreciation and Amortization Expenses (in thousands of euro)

	2017	2016
Depreciation of property, plant, and equipment	208	255
Amortization of intangible assets	6,846	1,168
Total depreciation and amortization expenses	**7,054**	**1,423**

The increase in amortization expenses is related to amortization of a portfolio in APS Beta UIF, a.s.

4.5. Taxes (in thousands of euro)

	2017	2016
Current tax	900	784
Deferred tax	(107)	(145)

5. Notes to the Consolidated Statement of Financial Position

5.1. Non-current Assets

5.1.1. Tangible Assets (in thousands of euro)

	2017	2016
Buildings NBV	**35**	**6**
Buildings – in use (at cost or IAS 17)	38	8
Buildings – in use (at fair value)	2	2
Accumulated depreciation	(5)	(4)
Machinery NBV	**4**	**9**
Machinery – in use (at cost or IAS 17)	116	154
Machinery – in use (at fair value)	-	(43)
Accumulated depreciation	(112)	(102)
Motor vehicles NBV	**405**	**436**
Motor vehicles – in use (at cost or IAS 17)	705	563
Motor vehicles – in use (at fair value)	173	168
Accumulated depreciation	(473)	(296)
Furniture, fixtures, office equipment NBV	**208**	**91**
Furniture, fixtures, office equipment – in use (at cost or IAS 17)	273	147
Furniture, fixtures, office equipment – in use (at fair value)	67	14
Accumulated depreciation	(132)	(69)
TOTAL NBV	**652**	**542**

5.1.2. Intangible Assets (in thousands of euro)

	2017	2016
Goodwill	9,951	6,814
Other intangible assets	17,320	5,172
Total intangible assets	**27,271**	**11,986**

The increase in goodwill is related to the acquisition of 51% of shares in APS Debt Servicing Cyprus from Hellenic Bank Public Company Ltd. The increase in other intangible assets is driven by the EUR 15.5 million value of the licence to provide debt services in APS Debt Servicing Cyprus.

5.2. Investment in Subsidiaries

APS Recovery a.s.	
Area of operation	Providing services related to NPL portfolios, real estate, valuatons, and investments
Date of establishment	27 November 2015
Paid-in share capital	74,000 EUR
Ownership interest in %	100%
APS Management Services s.r.o.	
Area of operation	Providing supporting services (accounting, controlling, tax advisory, IT, etc.) to local subsidiaries
Date of establishment	4 December 2017
Paid-in share capital	10,000 CZK
Ownership interest in %	100%
APS Investments S.à r.l.	
Area of operation	Providing underwriting, due diligence, and fund management services to investment vehicles
Date of establishment	4 December 2017
Paid-in share capital	12,000 EUR
Ownership interest in %	100%
APS Investment Funds S.à r.l.	
Area of operation	Holding company for all investment vehicles
Date of establishment	4 December 2017
Paid-in share capital	12,000 EUR
Ownership interest in %	100%
APS Finance a.s.	
Area of operation	Providing loans to all entites in APS Group
Date of establishment	4 December 2017
Paid-in share capital	2,000,000 CZK
Ownership interest in %	100%

The entities APS Finance a.s., APS Management services s.r.o., APS Investments S.à r.l., and APS Investment Funds S.à r.l had limited or no activities in 2017. For details, see Note 9.

5.3. Financial Assets and Instruments (in thousands of euro)

	2017	2016
Long-term financial assets at fair value through profit or loss (excluding derivatives)	83,447	9,589
Short-term loans receivable	3,474	3,250
Total financial assets	**86,921**	**12,839**

Long-term financial assets at fair value represent the portfolios purchased by investment vehicles.

5.4. Trade and Other Receivables (in thousands of euro)

	2017	2016
Trade accounts receivable and trade notes receivable – long-term	6	10
Other receivables – long-term	1,425	333
Total long-term receivables	**1,431**	**343**
Trade accounts receivable and trade notes receivable – long-term	14,868	4,076
Accumulated allowance account for credit losses	-3 506	-233
Other receivables – short-term	4,936	2,554
Total short-term receivables	**16,298**	**6,397**

Both short - and long-term receivables consist of receivables and portfolios held by servicing subsidiaries.

5.5. Cash and Cash Equivalents (in thousands of euro)

	2017	2016
Cash on hand	96	56
Bank balances	26,374	9,819
Total cash and bank balances	**26,470**	**9,875**

5.6. Deferred Tax Assets and Liabilities (in thousands of euro)

	2017	2016
Deferred income tax asset	-	-
Deferred income tax liability	(1,070)	(1,116)
Deferred tax charged to equity	(8)	(8)
Total deferred tax asset/(liability)	**(1,079)**	**(1,123)**

5.7. Financial liabilities (in thousands of euro)

	2017	2016
Long-term		
Bank loans	53	168
Issued obligations	43,516	23,484
Other borrowings	26,136	28,760
Total long-term financial liabilities	**69,705**	**52,412**
Current liabilities		
Bank loans	115	108
Bank loans – overdrafts	161	178
Issued obligations	52,872	15,465
Other borrowings	1,088	351
Total short-term financial liabilities	**54,236**	**16,102**

Issued obligations comprise bonds issued by Delta S.A. Other borrowings consist mostly of the loan from AnaCap Financial Partners.

5.8. Trade and Other Payables (in thousands of euro)

	2017	2016
Trade payables – short-term	51	12
Other payables – short-term	4,200	119
Total short-term trade and other payables	**4,251**	**131**
Trade payables – long-term	4,032	1,324
Other payables – long-term	13,589	5,876
Total long-term trade and other payables	**17,621**	**7,200**

Other long-term payables represent a long-term payable to APS Debt Servicing Cyprus. The short-term trade payables are mostly related to servicing subsidiaries, representing standard payables to suppliers.
Other short-term payables consist mostly of payables to the investors in older portfolios (APS Romania).

6. Changes in Accounting Methods

6.1. Change in Valuation of NPL Portfolios in Investment Vehicles (in thousands of euro)

	2017	2016	difference
Change in portfolio valuation method	Previous balance	Actual balance	
Financial assets at fair value through profit or loss (excluding derivatives)	10,591	9,589	-1,002
Interest income	14,731	13,058	-1,673
Interest expenses	14,848	14,177	-671
Other reserves	3,084	2,082	-895
Other income	1,748	1,892	108
Issued obligations long-term	23,591	23,484	-107

The Company decided to change its accounting policy related to the presentation of owned portfolios on its books. Previously, portfolio value had been based on discounted cash flow where cash flow was estimated gross collections. However, the Company came to conclusion that adjusting the gross collections for asset management fees (AMFs) expected to be paid in future would give a more precise and stable estimate of portfolio value. AMFs are directly attributable cost to gross collections, the calculation is linked to amounts of gross collections, and the percentage charged usually increases with portfolio performance. As a result, the new method smooths profits and losses over various years.

7. Related Parties

7.1. List of related parties for the accounting period ending 31 December 2017:

Name of entity: APS Recovery a.s.
Identification no.: 03409422
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS MIP, s.r.o.
Identification no.: 5548292
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS Poland Spólka Akcyjna
Identification no.: 0000069272
Registered office: Ostrowskiego 9,
53-238 Wroclaw

Name of entity: APS CZ & SK Services s.r.o.
Identification no.: 02087758
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS SK Servicing, s.r.o.
Identification no.: 48319813
Registered office: Vajnorská 100/B, 831 04 Bratislava

Name of entity: APS Investment, s.r.o.
Identification no.: 47164786
Registered office: Vajnorská 100/B, 831 04 Bratislava

Name of entity: APS d.o.o. Beograd
Identification no.: 20100311
Registered office: 6 Bulevar Mihaila Pupina,
Novi Beograd

Name of entity: Asset Portfolio Servicing Romania S.R.L
Identification no.: 21458257
Registered office: Bucharest, 246C Calea Floreasca,
SkyTower building, 11th/12th floor

Name of entity: APS Bulgaria E.O.O.D.
Identification no.: 202604987
Registered office: 81V Bulgaria blvd.,
office 3, 01404 Sofia

Name of entity: APS Hungary KFT
Identification no.: 01-09-289270
Registered office: 1055 Budapest,
Bajcsy-Zsilinszky út 78

Name of entity: APS Recovery Hungary KFT
Identification no.: 01-09-290573
Registered office: 1055 Budapest,
Bajcsy-Zsilinszky út 78

Name of entity: APS Holding Cyprus LTD.
Identification no.: HE 356594
Registered office: Strovolou 236,
Strovolos 2048 Nicosia

Name of entity: APS Croatia d.o.o.
Identification no.: 41275180055
Registered office: Gajeva ulica 7, Zagreb

Name of entity: APS Recovery Greece EPE
Identification no.: EL 800609597
Registered office: 24 Lagoumitzi Str.,
PC 17671, Kallithea, Attica

Name of entity: APS Real Estate s.r.o.
Identification no.: 04474686
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: Homeland Properties S.R.L.
Identification no.: 31417793
Registered office: Bucharest, 246C Calea Floreasca,
SkyTower building, 11th/12th floor

Name of entity: APS BETA a.s.
Identification no.: 01788655
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS GAMMA s.r.o.
Identification no.: 03523250
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS BETA Bulgaria E.O.O.D.
Identification no.: 203374133
Registered office: 81V, Bulgaria blvd.,1404 Sofia

Name of entity: APS FUND BETA d.o.o. Beograd
Identification no.: 21053007
Registered office: Bulevar Mihajla Pupina 6,
11070 Novi Beograd

Name of entity: APS Delta s.r.o.
Identification no.: 04363876
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS Recovery Greece Credit and Loan Servicing S.A.
Identification no.: 143893601000
Registered office: 7 Paleologou St. Halandri, 152 32

Name of entity: APS Debt Servicing Cyprus Ltd.
Identification no.: HE 363203
Registered office: Amfipoleos, 20,
Amfipoleos Building, 2025, Nicosia

Name of entity: APS Homeland Properties Cyprus Ltd.
Identification no.: HE 375588
Registered office: Amfipoleos, 20, Amfipoleos Building,
2025, Nicosia

Name of entity: APS Recovery Management s.r.o.
Identification no.: 06627285
Registered office: Celetná 988/38, Staré Město, 110 00
Prague 1

Name of entity: APS Delta S.A.
Identification no.: B204416
Registered office: 1 rue Jean Piret, 2350 Luxembourg

Name of entity: MARK Zrt.
Identification no.: 01-10-048253
Registered office: 1055 Budapest,
Bajcsy-Zsilinszky út 78.

Name of entity: MARK Ingatlan Zrt.
Identification no.: 01-10-048516
Registered office: 1055 Budapest,
Bajcsy-Zsilinszky út 78.

Name of entity: APS Management Services s.r.o.
Identification no.: 06648746
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS Finance a.s
Identification no.: 06648576
Registered office: Celetná 988/38,
Staré Město, 110 00 Prague 1

Name of entity: APS Investments S.à r.l.
Identification no.: B219890
Registered office: 1 rue Jean Piret, 2350 Luxembourg

Name of entity: APS Investment Funds S.à r.l.
Identification no.: B219886
Registered office: 1 rue Jean Piret, 2350 Luxembourg

8. Court Disputes

As of the Financial Statements closing date, the Company was not involved in any significant legal disputes that could have material impact on the business of the Company.

9. Information of Events to Occur between the Balance Sheet date and the Date of the Financial Statements Preparation

The following events that occurred after the balance sheet date deserve to be brought to your attention.

9.1. APS Group restructuring
APS Recovery a.s. together with its subsidiaries covered all of the activities of the entire APS Group before the end of 2017. These activities represented mainly the recovery division, NPL management, activities supporting investment management, consulting in NPL acquisitions, and starting the Real Estate division. APS Group decided to separate individual divisions and their commercial activities to achieve better risk management of individual divisions and also meet investor expectations. As of 1 January 2018, the following activities were transferred from APS Recovery a.s. to the following entities directly owned by APS Holding S.A:

- **APS Investments S.à r.l.** – investment management and consulting in NPL acquisitions
- **APS** Group companies owning NPL portfolios; this does not represent any significant activity, but only separates risks connected with NPL ownership from other activities
- **APS Real Estate s.r.o.** – real estate management and consulting in the area of RE investments
- **APS Management Services s.r.o.** – shared service centre providing back office services to APS Holding a.s. subsidiaries (e.g. internal audit, financial controlling, accounting, IT services, legal services, etc.)

9.2. AnaCap Financial Partners loan refinancing
The fixed interest rate loan from AnaCap Financial Partners was fully settled and refinanced by a J&T bond issue as of 22 February 2018. The bond issue amounted to CZK 500 million and was fully subscribed by J&T.

10. Segment of Service Provision

APS Holding S.A. – Statement of Financial Position for the Segment of Service Provision as of 31 December 2017

(in thousands of euro)

	Year ended 31 Dec 2017
Non-current assets	
Property, plant, and equipment	655
Intangible assets	27,272
Goodwill	9,951
Other intangible assets	17,320
Investments into associates (equity method)	104
Derivative financial instruments	3
Financial assets at fair value through profit or loss (excluding derivatives)	256
Trade and other receivables	1,418
Other financial assets	555
Other prepayments	1
Total non-current assets	**30,264**
Current assets	
Inventories	1
Loans receivable	34
Trade and other receivables	14,387
Available-for-sale financial assets	2
Other prepayments	424
Cash and cash equivalents	6,869
Total current assets	**21,717**
Total of assets classified as held for sale and assets included in disposal groups classified as held for sale	-
TOTAL ASSETS	**51,981**

APS Holding S.A. – Statement of Financial Position for the Segment of Service Provision as of 31 December 2017

(in thousands of euro)

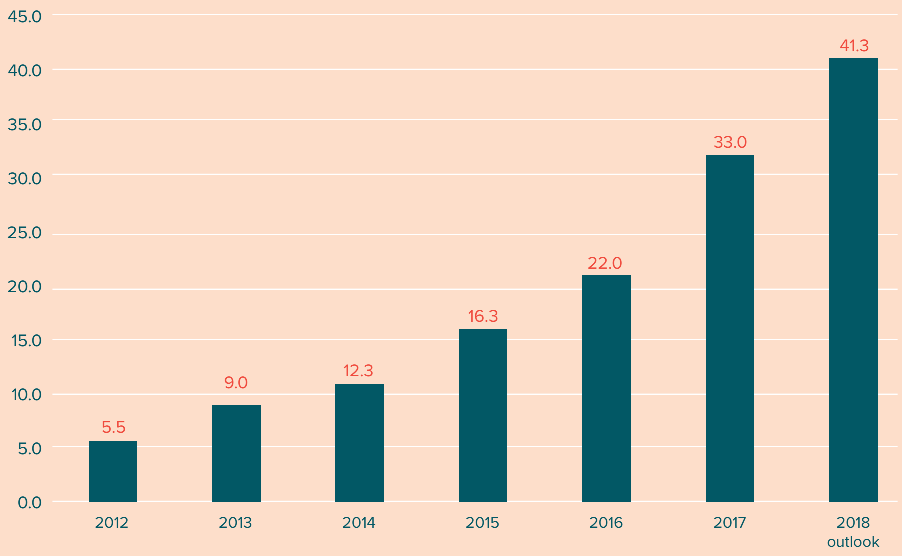
	Year ended 31 Dec 2017
Equity attributable to owners of the parent	
Paid-in share capital	31
Other reserves	3,192
Total equity attributable to owners of the parent	**3,223**
Non-controlling interests, presented within equity	4,164
Total equity	**7,387**
Non-current liabilities	
Bank loans	53
Other borrowings	24,273
Deferred tax liabilities	784
Trade and other payables	4,251
Total non-current liabilities	**29,361**
Current liabilities	
Bank loans	115
Bank loans – overdrafts	161
Other borrowings	626
Current tax payable	58
Trade and other payables	13,286
Provisions for other liabilities and charges	954
Deferred revenues	33
Total current liabilities	**15,233**
Liabilities included in disposal groups classified as held for sale	**-**
Total liabilities	**44,594**
TOTAL LIABILITIES AND EQUITY	**51,981**

APS Holding S.A. – Statement of Comprehensive Income for the Segment of Service Provision for the year ended 31 December 2017

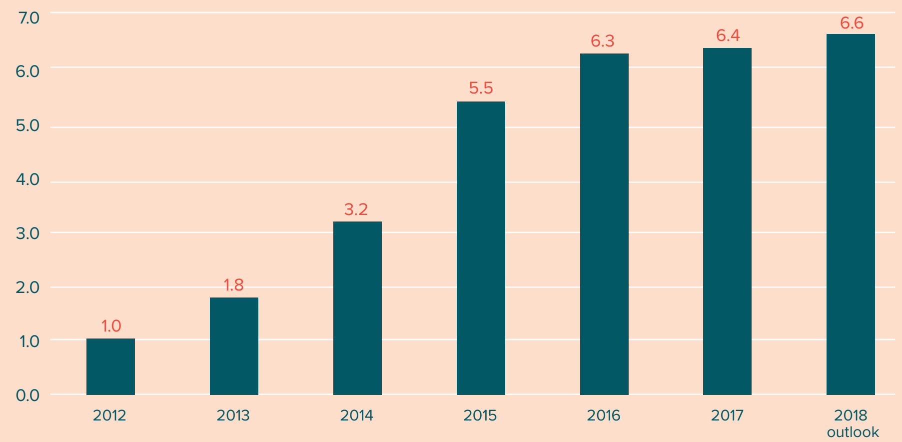
(in thousands of euro)

	2017
Continuing operations	
Revenue	30,919
Other operating expenses	(271)
Other income	2,102
Depreciation and amortization expenses	(1,802)
Other distribution and administrative expenses	(26,422)
Other (losses)/gains – net	38
Operating profit (loss)	**4,564**
Interest income	27
Interest expenses	(2,046)
Other financial (losses)/gains – net	1,530
Finance (costs)/income – net	(489)
Share in profit of associates and joint vehicles	37
Profit before tax	**4,112**
Income tax expenses	(731)
Profit/(loss) for the year from continuing operations	**3,381**
Profit/(loss) for the year from discontinued operations	-
PROFIT/(LOSS) FOR THE YEAR	**3,381**
Other comprehensive income:	
Exchange differences on translating foreign operations	(3)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(3)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,378**
Profit/(loss) attributable to:	
Owners of the parent	2,584
Minority interest	794
	3,378
Total comprehensive income attributable to:	
Owners of the parent	2,581
Minority interest	794
	3,375

APS Segment of Service Provision Total Income (EUR m)



APS Segment of Service Provision Total EBITDA (EUR m)



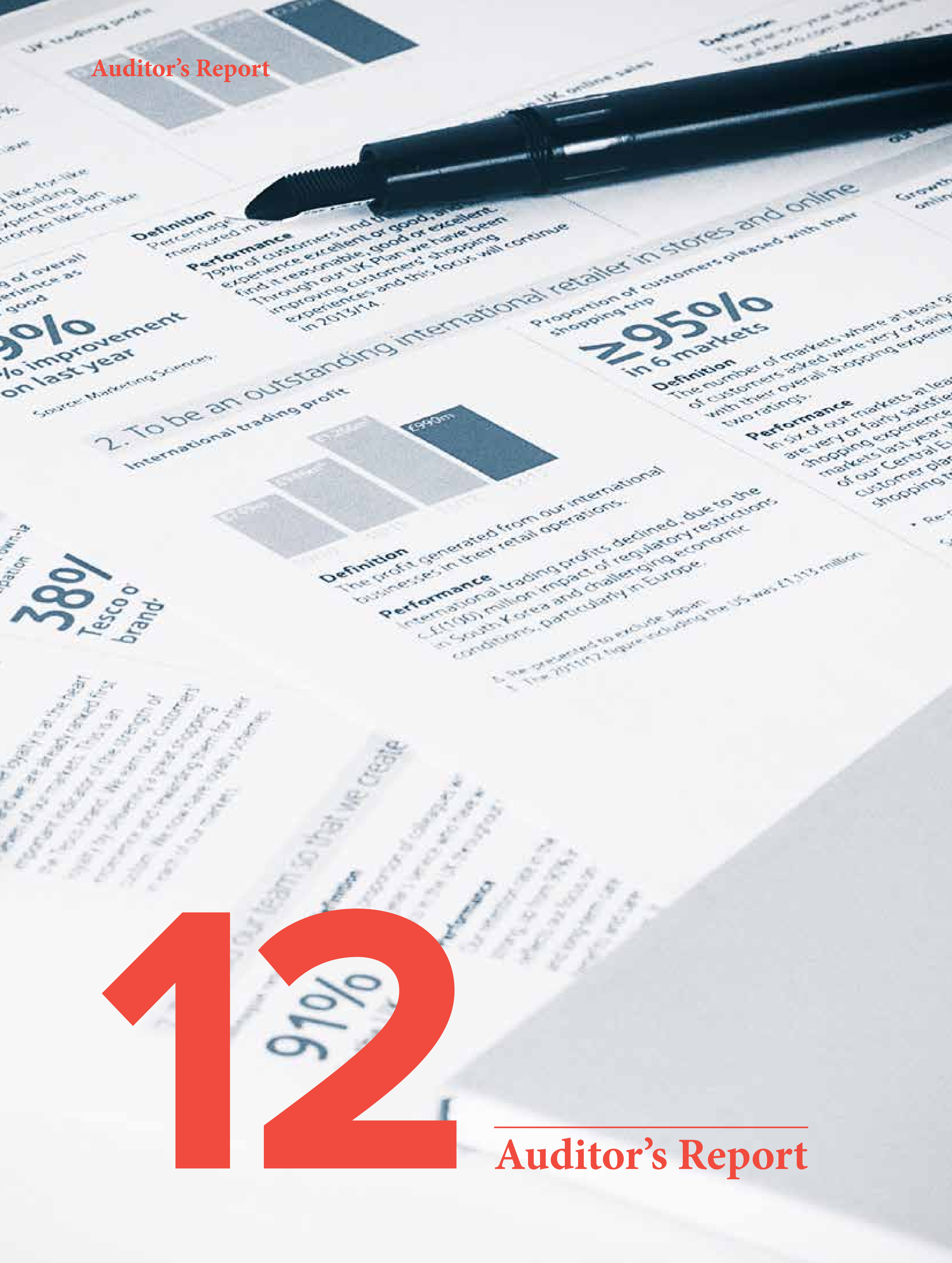
The segment of service provision represents the APS entities whose business is related to the servicing of NPLs. These activities represent the core business of the APS Group.

In the segment of service provision, we show constant year-over-year growth in total income for the past 6 years, and we expect more than 25% growth in total income based on the 2018 outlook. The growth is mostly driven by expansion in to new markets.

The fact that the total income in the segment of service provision is higher than the total income for the Group is caused by consolidation adjustments which include elimination of inter-company transactions.

Identically as with total income, we record year-over-year growth for the past 6 years in EBITDA. The growth in EBITDA is not as rapid as that in total income due to high administrative and legislative expenses related to entering new markets.

List of Abbreviations	
AML	Anti-money Llaundering
APS	APS Holding a.s.
ACCA	Association of Chartered Certified Accountants
BG	Bulgaria
BoD	Board of Directors
BGN	Bulgarian Lev
CIS	Commonwealth of Independent States
CE	Central Europe
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CY	Cyprus
CZ	Czech Republic
CZK	Czech koruna
EU	European Union
EUR	Euro
FCCA	Fellow of the Association of Chartered Certified Accountants
GR	Greece
GDPR	General Data Protection Regulation
HR	Croatia
HRK	Hrvatska kuna
HUF	Hungarian forint
HU	Hungary
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IFC	International Finance Corporation (a member of the World Bank Group)
IFI	International Financial Institution
k	Thousand
KYC	Know Your Customer
LUX	Luxemburg
m	Million
ME	Montenegro
NPL	Non-performing loan
NV	Nominal value
NBV	Net book value
P&L	Profit and loss
PO	Poland
PLN	Polish zloty
RAIF	Reserved Alternative Investment Fund
RO	Romania
RS	Serbia
RSD	Serbian dinar
RON	Romanian new leu
SEE	Southeastern Europe
SK	Slovakia
SME	Small and medium-sized enterprise
USD	United States dollar



12 Auditor's Report

ECOVIS®

To the Shareholders
APS Holding S.A.
1, rue Jean Piret
L-2350 Luxembourg

INDEPENDENT AUDITOR' S REPORT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of APS Holding S.A., which comprise consolidated Statement of Financial Position as at 31st December 2017, the consolidated statement of profit and Loss for the year ended 31st December 2017, consolidated statement of Changes in Equity and consolidated statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities that are relevant to our audit of the consolidated financial statements in Luxembourg, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with those charged with governance that, in our professional judgment, were of most significance in our audit of the financial statements, except for the matter described in the Basis for Opinion Para. We have determined that there are no such matters to report.

ECOVIS IFG Audit S.A., 44 rue de Wiltz, L-2734 Luxembourg, Luxembourg **Phone:** +352 2776 2529 **Bank account:** POST Finance **BIC-/SWIFT-Code:** CCPLLULL
IBAN: LU86 1111 7040 2091 0000 **E-Mail:** email@ifgaudit.com **Management:** **Yamalian Arnaud** **VAT-ID Number:** LU28181137 **Headquarter:** Luxembourg City
Registered in Luxembourg: RCS B202014

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards [IFRS] and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

Basis of Accounting and Restriction on Distribution and Use

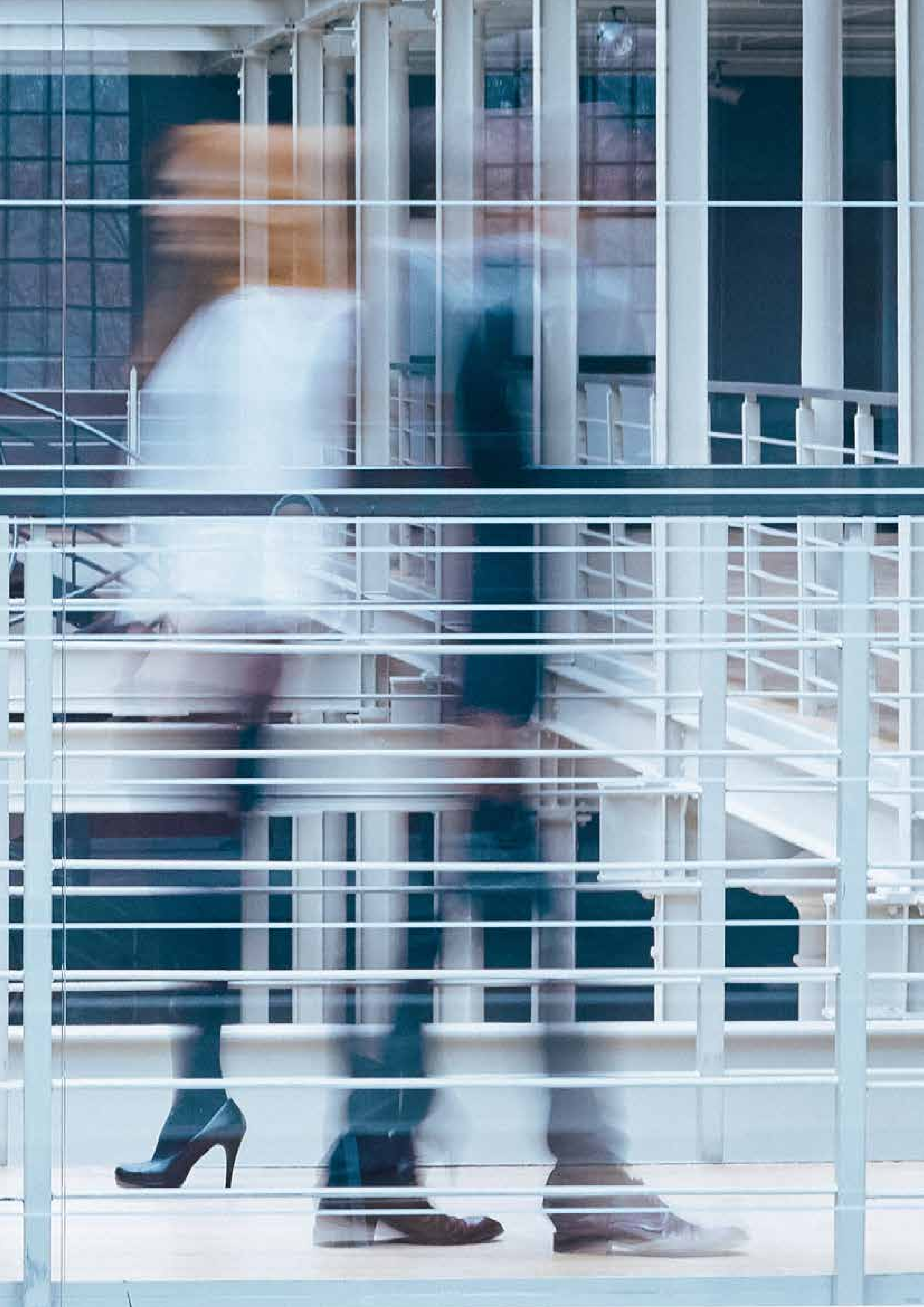
Without modifying our opinion, the consolidated financial statements are prepared for management purposes in accordance with the terms of reference. As a result, these financial statements may not be suitable for other purpose.

Luxembourg, June 29th, 2018

ECOVIS IFG Audit S.A.
Cabinet de révision agréé

Arnaud Yamalian

ECOVIS IFG Audit S.A., 44 rue de Wiltz, L-2734 Luxembourg, Luxembourg **Phone:** +352 2776 2529 **Bank account:** POST Finance **BIC-/SWIFT-Code:** CCPLLULL **IBAN:** LU86 1111 7040 2091 0000 **E-Mail:** email@ifgaudit.com **Management: Yamalian Arnaud VAT-ID Number:** LU28181137 **Headquarter:** Luxembourg City **Registered in Luxembourg:** RCS B202014



APS Holding S.A.

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