Annual Report 2016

APS

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13 Years Expertise on the Distressed Asset Market

Our mission at APS is to move constantly forward, and the path leading to our accomplishments is just as important as the results themselves. Wherever we operate, we make sure our efforts have a positive impact on local economies, communities, and also individuals.

The contemporary world keeps on accelerating, and economic cycles, previously stable over the long term, are increasingly tending to fluctuate, which many companies and individuals cannot handle. Unresolved distressed debts destroy potential on both the individual and community levels and even place excessive burdens on entire countries. We feel that in such cases it is our duty to bring solutions that allow debtors to liberate themselves from unhealthy debt and give creditors a chance to reclaim their assets.

Thanks to our international reach, we are able to mobilize investors' risk capital and redirect it to where it can transform old mistakes into new opportunities. Whether such an opportunity is refinancing and completing a shopping mall or setting a feasible payment schedule for a credit card debt, we cherish every achievement. Not only do we enable the debtor to take another breath of fresh air, the new investment also releases financial means tied to the distressed assets and creates space for faster economic growth throughout the community. Our effort is therefore beneficial to all, not only a few.

Also thanks to APS's achievements, distressed asset investment is becoming an increasingly important tool for resolving unfavourable situations. It plays a key role in healing both banks and individual companies. And we predict that the role of distressed investors will further strengthen.

Especially the south-eastern region of Europe is still contending with the aftermath of the recent economic crisis. Greece and also Cyprus have been carrying this heavy burden for several years. Croatia, Serbia, Montenegro, and Slovenia, which are opening their markets, have been dealing with the consequences of economic transition to market economies for more than 20 years. Albania and Macedonia will follow their lead. Romania, the most dynamic economy in the south-east, will face new challenges owing to its growth. According to all indicators, Bulgaria will follow Romania's path.

Considerable challenges also stand before the more stable region of Central Europe. Hungary is opening its niche market of distressed assets to foreign investors. The Czech Republic, Slovakia, Poland, and other highly stable countries are seeking ways to fight the overindebtedness of their poorest citizens.

The current situation in Ukraine has far reaching negative impact on whole economy and the recovery will take several years .Also the Turkish distressed asset market is set to open up with increasing investor interest from both regional and international names.

Not even old EU member states are immune to constant changes. The extent of distressed assets in Italy, Portugal, and Spain can, together with the anticipated Brexit, lead to many challenges.

The situation of each country in the region is very specific and requires a tailor-made approach not only at the country level, but also at the municipal and individual levels. It is APS's duty to bring new solutions which will deliver prosperity and profit to everyone involved.

Our approach, which builds on respect for and knowledge of local environments, brought excellent results in the past year. APS's total income increased by 38% to EUR 26.3 million. This is particularly due to exemplary performance in the Romanian market, where we succeeded in concluding two contracts with a nominal value of EUR 1.33 billion.

For us, 2016 was above all a year of investments and expansions into new, promising markets. In 2017, thanks to acquisitions, we are entering Croatia, Hungary, and Cyprus. These are all countries with growing economies and the will to resolve distressed assets, which promises extraordinary potential. This expansion would not have been possible without high investment expenses not only in individual countries, but throughout the company.

Considerable effort has been put into IT investments. The security of our systems and robust data protection are of critical importance to us. However, we consider outstanding reliability and fast accessibility of all records to be equally important. We have also made large investments into our team. Our highly qualified and motivated staff are what stands behind the 13 years of the company's success, and they are also crucial to its great accomplishments in future.
In 2016, in spite of high investments we achieved an operating profit of EUR 8.7 million and net profit in the amount of EUR 4.9 million. Net profit has increased in comparison to 2015 by 13%. Operating profit delivered very positive results and significant year-on-year growth of 36%.

During 2017, we will face several significant challenges. Expansions into new markets in Croatia, Hungary, and Cyprus pose an extraordinary opportunity. In all of these markets, we have gained a strong initial position and we believe that other opportunities to develop our abilities will follow. We will continue strengthening our investments into our newly founded subsidiaries and we will also assess the potential of gradual expansion into new markets. Just as in previous years, we will first build on the trust of our partners, an emphasis on the ethical dimension of our business, and the increasing expertise of our motivated team of professionals.

Clients whose distressed assets we help to resolve, investors for whom we help to increase the value of their capital, and also regulators for whom we help to enhance local economies rightly expect that we will continue to act responsibly, effectively, and above all transparently. Our accountability does not lie only in the responsibility for our company's results. We are liable to the communities we work for and, as a major player in the niche market of distressed asset investments, non-performing loans, and related recovery services, we bear co-responsibility for appropriate development of the entire industry.

In order to meet all these extraordinarily demanding responsibilities, not only must we place the utmost demands on our expertise, flexibility, and ability to innovate, but the awareness of social responsibility and transparency in every step we take must remain equally important to us. In the years to come, only this approach will secure excellent opportunities for us and our partners.

Sincerely,

Martin Machoň
Chairman of the Board of Directors, Chief Executive Officer

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Company Profile

APS is a distressed assets investment company and debt recovery platform with a prime position in Central and South-Eastern Europe and further expansion goals. Our business consists of acquiring, advising, and servicing non- performing loan (NPL) portfolios. 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 500 professionals in 11 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 4.9 billion, from tens of millions in our initial years. We have been expanding over our entire history, entering the Czech Republic, Slovakia, Poland, Romania, Serbia, Montenegro, Bulgaria, and Greece, and in 2016 we initialized further expansions into Cyprus, Hungary, and Croatia.

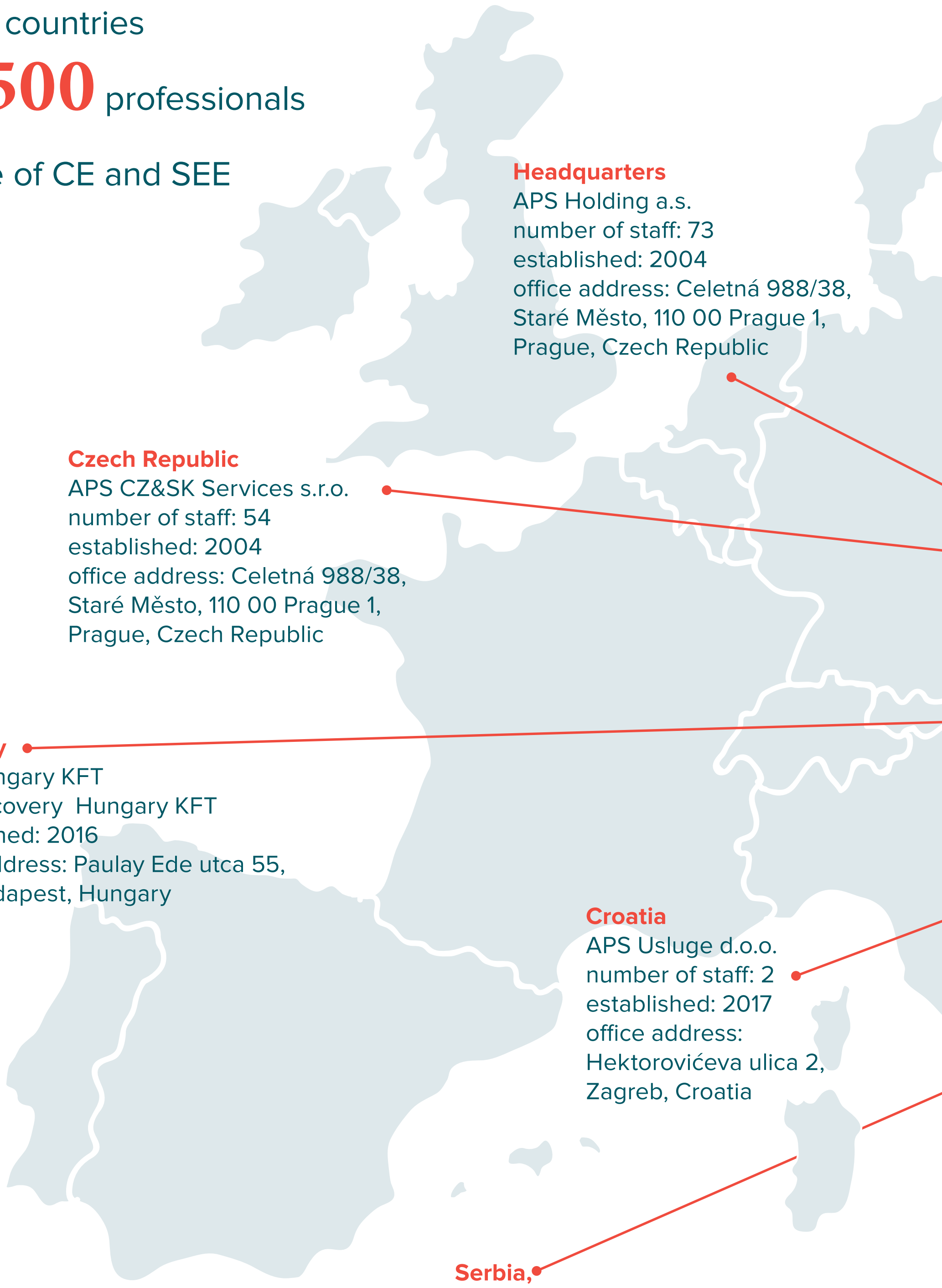
We successfully strive to profile, from a long-term perspective, as a stable investor with a clear business vision. In over 13 years of operations, we have demonstrated fast but well-founded growth from a company active on the Czech debt recovery market, quickly utilizing our growing know-how and gathering 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.

* as at 10 Apr 2017

Presence in **11** European countries

with more than **500** professionals

enables complete coverage of CE and SEE



Headquarters
APS Holding a.s.
number of staff: 73
established: 2004
office address: Celetná 988/38,
Staré Město, 110 00 Prague 1,
Prague, Czech Republic

Czech Republic
APS CZ&SK Services s.r.o.
number of staff: 54
established: 2004
office address: Celetná 988/38,
Staré Město, 110 00 Prague 1,
Prague, Czech Republic

Hungary
APS Hungary KFT
APS Recovery Hungary KFT
established: 2016
office address: Paulay Ede utca 55,
1061 Budapest, Hungary

Croatia
APS Usluge d.o.o.
number of staff: 2
established: 2017
office address:
Hektorovićeva ulica 2,
Zagreb, Croatia

Serbia,
Montenegro
APS d.o.o Beograd
number of staff: 3
established: 2005
office address: Kosovska 10,
Beograd-Stari Grad, Serbia

Poland
APS Poland S.A.
number of staff: 85
established: 2007
office address: Aleksandra Ostrowskiego 13D,
Wrocław, 53-238, Poland

Slovakia
APS Investment s.r.o.
APS SK Servicing s.r.o.
number of staff: 9
established: 2005
office address: Vajnorská 100/B,
Bratislava, Nové Mesto 831 04, Slovakia

Romania
Asset Portfolio Servicing Romania S.R.L.
number of staff: 297
established: 2007
office address: 246C Calea Floreasca,
SkyTower building, 014476 Bucharest,
Romania

Bulgaria
APS Bulgaria e.o.o.d.
number of staff: 48
established: 2012
office address: 81B, Bulgaria Boulevard, 1404
Sofia, district Triaditsa, Bulgaria

Greece
APS Recovery Greece EPE
established: 2014
office address: 24 Lagoumitzi str,
Athens, Municipality of Kallithea, Greece

Cyprus
APS Recovery Cyprus LTD
established: 2016
office address: Strovolou 236,
Strovolos 2048 Nicosia, Cyprus

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.

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 South-Eastern 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.

KEY BUSINESS LINES

In 2016, our key business lines comprised three main areas. The first is our strong **Investment** division 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 freshly activated at the end of 2015.

EUR 4.4 billion
NV of acquired assets under advisory

74 acquired
distressed-asset portfolios in the region

Advisor to **4 investment funds**
both non-regulated and regulated

Over **500,000** loans
under management

Highest ethical
and professional standards
of debt recovery

3

Through APS, non-productive capital returns to the market

In 2016, our main focus remained on improving recovery techniques on current investments and on expanding our NPL investment business. We managed to find and successfully acquire portfolios that represented breakthrough volumes within relatively young and small regional markets.

The market of Central and South-Eastern Europe has remained somewhat unattractive for large global investors who have nevertheless shown a great appetite to participate as partners in some co-investments with APS as a respected partner. The area of debt recovery continues to form the inseparable and valued core of our business. In 2016, we further explored and continued to establish our activities in the real estate investment market, successfully forming a strong division of real estate specialists and solid processes, ready for full deployment in 2017.

Due to our progressive expansion in the NPL investment sector in 2016, we successfully acquired portfolios with values representing new highs in our history.

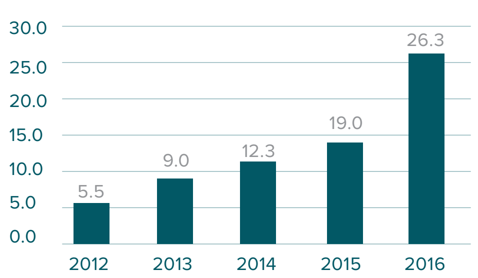
Through our subsidiaries, we are present in 11 European countries. Our expansion continued in 2016 to cover Croatia, Hungary, and Cyprus. In 2017, we are aiming to enter further countries, including several potential opportunities in the much larger market of Western Europe.

For the purpose of this annual report, prior year financial numbers (2012 – 2015) come from APS Holding SE consolidated figures, which are relevant and comparable to APS Holding a.s. figures at December 2016. However, as required by IFRS our audited group consolidated statements as of December 2016 necessitates that prior year comparatives be the consolidated figures of the APS Capital a.s. group at 31 December 2015. It must be emphasized that APS Capital a.s. acquired APS Holding SE and its subsidiaries during November 2015. For this reason, only one month of profit and loss activity is reported for 2015 and consequently the figures are not comparable.
APS Holding SE merged into APS Capital a.s. (a company established just for purpose of the management buyout) and APS Capital a.s. was renamed to APS Holding a.s. This change was effective from 1 June 2016. As a result, APS Holding SE ceased to exist and all its assets and liabilities passed onto APS Holding a.s. as its continuing entity.

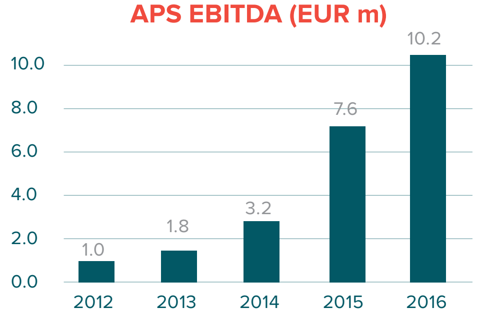
GROWING IN NUMBERS

In 2016, total income and operating profit delivered very positive results and significant growth year on year.

APS Total Income (EUR m)



APS EBITDA (EUR m)



APS's total income increased by 38% to EUR 26.3 million. We achieved EBITDA of EUR 10.2 million, an increase of 34%.

EUR '000	2012	2013	2014	2015	2016
Total income (incl other income)	5,518	8,961	12,311	18,979	26,259
EBITDA	1,064	1,821	3,240	7,562	10,165
Operating profit (EBIT)	724	1,201	3,045	6,367	8,741
Net Profit	530	1,612	2,552	4,349	4,931

Number of employees

As at 31 December 2016, our staff numbered 571 members throughout the region. APS Holding a.s. has 73 employees at its Prague headquarters. The remaining employees work for subsidiaries within the region.

● number of employees

Number of acquired portfolios

In 2016, the number of acquired NPL portfolios hit another peak, rising to 74 after the addition of 3 new portfolios.

● number of portfolios (incl sold portfolios)

Net value of acquired assets

The total volume of acquired assets in 2016 amounted to EUR 4.4 billion, another record year in a row for us.

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

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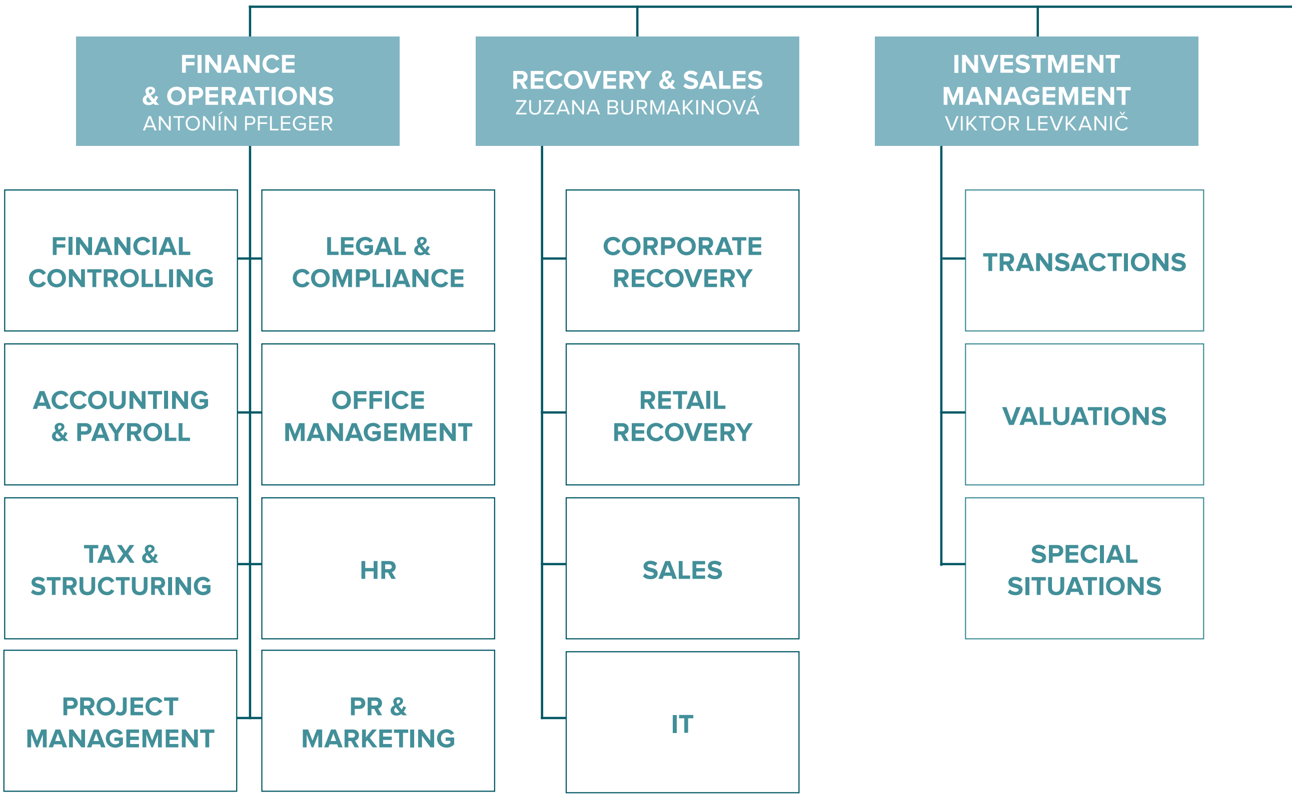
Company Structure

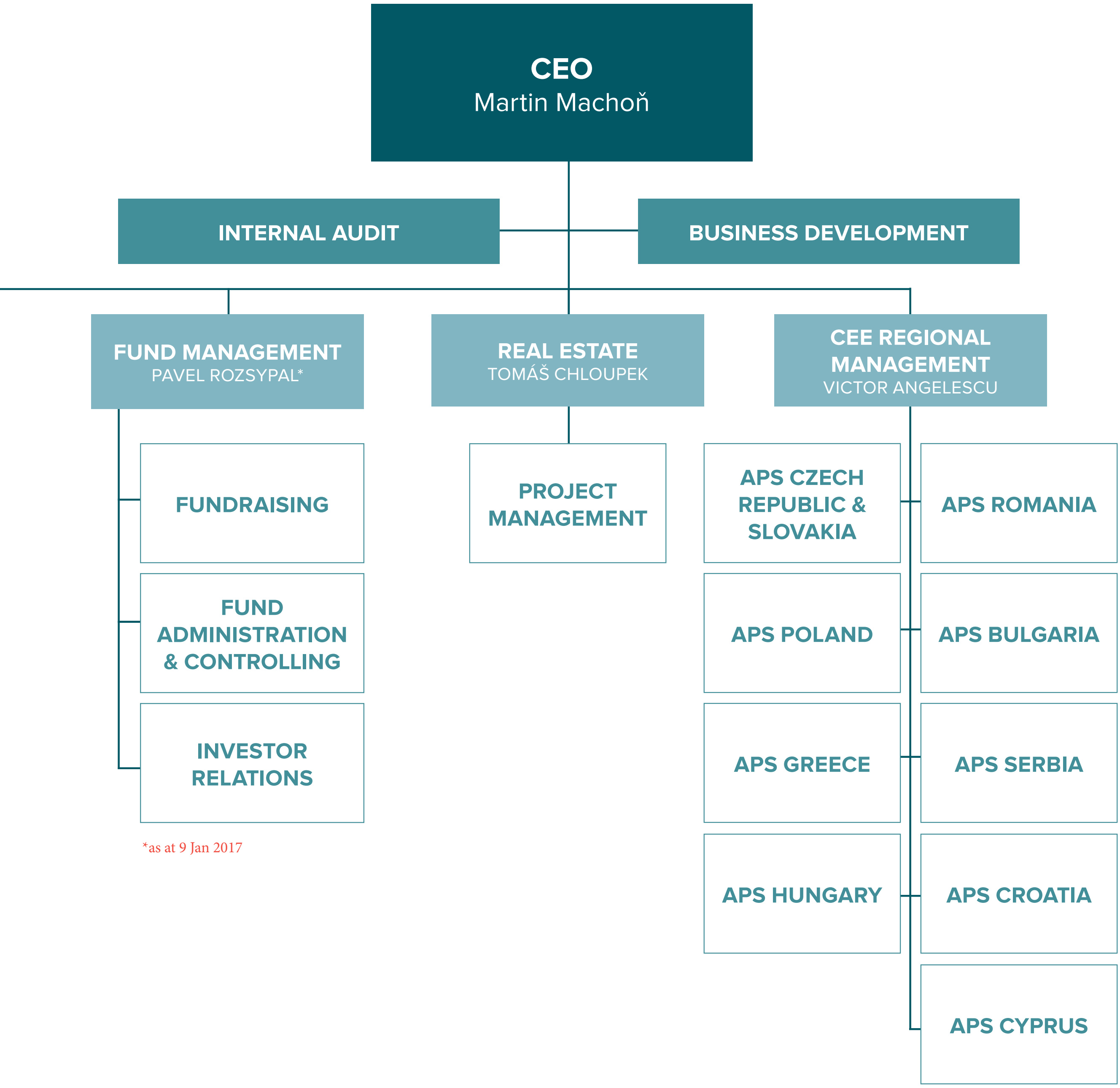
APS Holding a.s. is a company established under the laws of the Czech Republic as a joint-stock company with headquarters in Prague. Its registered capital amounts to EUR 81,000 distributed as 22 ordinary shares, all held by the sole shareholder APS Holding S.A., Luxembourg. APS Holding S.A. is owned by the sole shareholder Martin Machoň.

APS Holding a.s. is the legal successor to APS Holding SE, which was dissolved as a result of a merger by amalgamation effected on 1 June 2016. As a result of the merger, all of the assets, liabilities, and business activities of APS Holding SE passed onto APS Holding a.s.

APS Holding a.s. operates with a two-tier management structure consisting of a Board of Directors (BoD) and a Supervisory Board. The statutory body of APS Holding a.s. is the BoD with 3 members, comprising the Chairman of the BoD Martin Machoň and the two other members of the BoD Antonín Pfleger and Tomáš Chloupek. The BoD is responsible mainly for management of the company, its business conduct, and proper bookkeeping. The Supervisory Board has two members – Tereza Šimanovská and Viktor Levkanič.

For increased efficiency and in order to cover the growing complexity of our business tasks, in 2016 we established new divisions:
Fund Management, Business Development and CEE Regional Management.





*as at 9 Jan 2017

MARTIN MACHOŇ
Chairman of the Board of Directors, CEO, and Co-Founder

Martin has over 13 years of experience in distressed assets 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.

TOMÁŠ CHLOUPEK
Member of the Board of Directors

With over 15 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.

ANTONÍN PFLEGER
Member of the Board of Directors, COO / CFO

Antonín has 13 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 ACCA certification.

TEREZA ŠIMANOVSKÁ
Chairwoman of the Supervisory Board, Head of Legal & Compliance

Tereza is responsible for managing internal legal services across Europe and coordinating external legal advisors. She joined APS in 2015 after spending 5 years at Clifford Chance and 2 years at Allen and Overy Prague, where she focused on cross border M&A, corporate and anti-trust law. In 2013 she qualified as advocate registered with Czech Bar Association.

VIKTOR LEVKANIČ
Member of the Supervisory Board, Chief Investment Officer

Viktor has more than 15 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.

VICTOR ANGELESCU
CEE Regional Director

With over 9 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 8 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.

PAVEL ROZSYPAL
Fund Management Director

Pavel spent 15 years as a director managing private equity and M&A transactions in 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.

Together with its subsidiaries, APS Holding a.s. forms a group and is the parent company to individual entities through either direct ownership or investment through subsidiaries within the group. The group's parent company is APS Holding S.A., Luxembourg.

As at 31 December 2016, the group comprised the following subsidiaries:

CZECH REPUBLIC
- APS CZ&SK Services s.r.o.
- APS Real Estate s.r.o.
- APS Fund Beta UIF, a.s.
- APS Gamma s.r.o.
- APS Delta s.r.o.
- APS Savoy s.r.o.
- APS IP I, s.r.o.

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

HUNGARY
- APS Hungary KFT
- APS Recovery Hungary KFT

POLAND
- APS Poland S.A.

BULGARIA
- APS Bulgaria e.o.o.d.
- APS Beta Bulgaria e.o.o.d.

VIETNAM
- APS VN Limited LLC

CROATIA
- APS Usluge d.o.o.

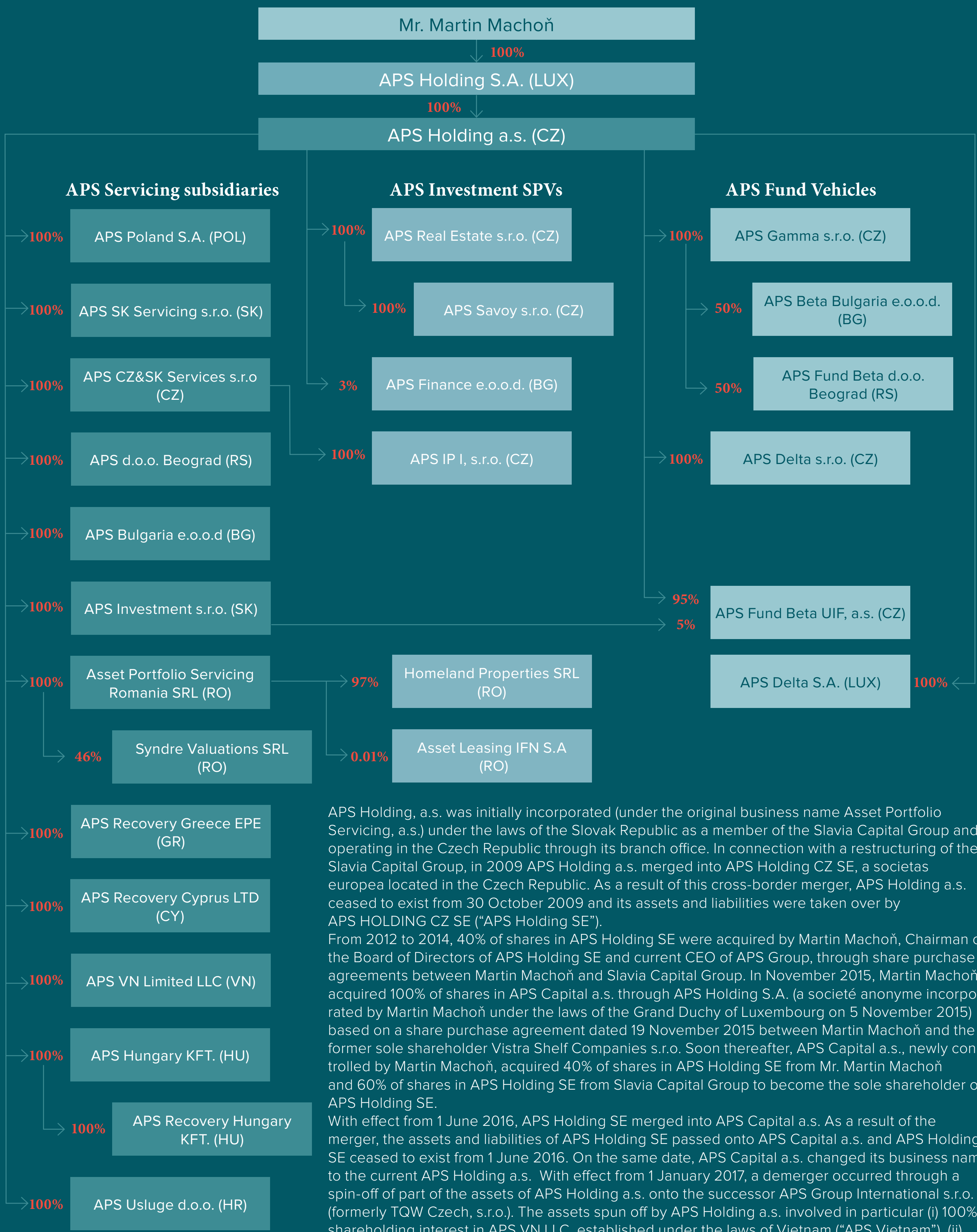
SERBIA
- APS d.o.o. Beograd
- APS FUND Beta d.o.o. Beograd

GREECE
- APS Recovery Greece EPE

ROMANIA
- Asset Portfolio Servicing Romania SRL
- Homeland properties SRL

CYPRUS
- APS Recovery Cyprus LTD

APS HOLDING OWNERSHIP STRUCTURE
as at 31 December 2016



APS Holding, a.s. was initially incorporated (under the original business name Asset Portfolio Servicing, a.s.) under the laws of the Slovak Republic as a member of the Slavia Capital Group and operating in the Czech Republic through its branch office. In connection with a restructuring of the Slavia Capital Group, in 2009 APS Holding a.s. merged into APS Holding CZ SE, a societas europea located in the Czech Republic. As a result of this cross-border merger, APS Holding a.s. ceased to exist from 30 October 2009 and its assets and liabilities were taken over by APS HOLDING CZ SE ("APS Holding SE").

From 2012 to 2014, 40% of shares in APS Holding SE were acquired by Martin Machoň, Chairman of the Board of Directors of APS Holding SE and current CEO of APS Group, through share purchase agreements between Martin Machoň and Slavia Capital Group. In November 2015, Martin Machoň acquired 100% of shares in APS Capital a.s. through APS Holding S.A. (a societé anonyme incorporated by Martin Machoň under the laws of the Grand Duchy of Luxembourg on 5 November 2015) based on a share purchase agreement dated 19 November 2015 between Martin Machoň and the former sole shareholder Vistra Shelf Companies s.r.o. Soon thereafter, APS Capital a.s., newly controlled by Martin Machoň, acquired 40% of shares in APS Holding SE from Mr. Martin Machoň and 60% of shares in APS Holding SE from Slavia Capital Group to become the sole shareholder of APS Holding SE.

With effect from 1 June 2016, APS Holding SE merged into APS Capital a.s. As a result of the merger, the assets and liabilities of APS Holding SE passed onto APS Capital a.s. and APS Holding SE ceased to exist from 1 June 2016. On the same date, APS Capital a.s. changed its business name to the current APS Holding a.s. With effect from 1 January 2017, a demerger occurred through a spin-off of part of the assets of APS Holding a.s. onto the successor APS Group International s.r.o. (formerly TQW Czech, s.r.o.). The assets spun off by APS Holding a.s. involved in particular (i) 100% shareholding interest in APS VN LLC, established under the laws of Vietnam ("APS Vietnam"), (ii) certain rights and obligations under shareholder's loans provided to APS Vietnam by APS Holding a.s. , and (iii) any other rights and obligations of APS Holding a.s. pertaining to APS Vietnam.

5

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

The history of our 13 year existence is marked by continuous success, growth, building and strengthening our position as leader on the Central and South-Eastern 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.

APS managed its first investment vehicle in 2009 – Serraghis Loan Management – 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. In 2013, a big milestone for our growth was the initiation of our highly valued partnership with the International Finance Corporation (a member of the World Bank Group). The prestigious International Finance Corporation partnered with us to tackle NPL markets in Eastern and Southern Europe.

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

— In 2015, share capital was concentrated into the hands of Martin Machoň, the CEO and thitherto a 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. We also grew globally to examine the Asian market by opening a branch in Vietnam.

APS was founded as a captive servicer in Prague

2004

Acquired, with JP Morgan, first portfolios sold by **Česká Spořitelna**

Greenfield expansion into **Serbia**

2005

Greenfield expansion into **Slovakia**

Greenfield expansion into **Romania**

2007

Acquired servicing platform in **Poland**

Managed first investment vehicle, **Serraghis Loan Management**

2009

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**

— 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 South-Eastern Europe. In addition, we launched the new investment vehicle APS Delta.

— For 2017, we have set our investment targets high, aiming to acquire another solid proportion of the increasing number of NPL bids in the region and to strengthen even further our leading position on the market. We will focus on further efficient debt recovery services, and we are set to start the full operations of our fresh Real Estate division.

2012

Greenfield expansion into **Bulgaria**

2013

APS launches 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 IFC, **APS Fund Beta**

2015

APS launches 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**

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Our Strengths

At APS, we consider our biggest strength to be our professionality connected with our ethics. This combination gives us our good name as a reliable partner for 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 13 years of expertise on the distressed asset market. We also have strong international infrastructure and a detailed understanding of local markets.

Our unrivalled team consists of top experts, and 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.

With flexible capital, full coverage of investments and the recovery process, as well as 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 assure 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 profit from steady, experienced management.

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 South-Eastern 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 characteristized by large investment volumes and are therefore suitable for global investors.

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.

We manage more than 500,000 corporate and retail debts across Central and South-Eastern Europe.

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.

At APS, we heal banks and help to resolve distressed asset situations. Through APS, non-productive capital returns to the market.

In 2016, we held acquired assets with a total nominal value of EUR 4.4 billion.

LONG-TERM VALUE

— We manage the entire investment process.

PRIORITY

— Our clients' success is our top priority.

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

7

We value our partners and bring them the best results on the market

Services

KEY BUSINESS LINES

In 2016, our key business lines comprised three main areas. The first is our strong **Investment** division 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 freshly activated at the end of 2015.

INVESTMENT MANAGEMENT

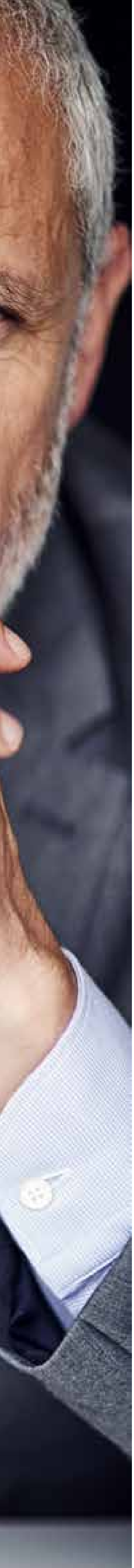
Our business line of investments together with fund management provide full service throughout the life cycle of investment into funds, covering all classes of distressed assets. The life cycle comprises origination and acquisition, fundraising, fund administration, reporting, performance management, and cash flow management. When processing the acquisition of the distressed asset, APS is also engaged in comprehensive investment advisory services such as portfolio valuation, collateral analyses, recovery strategy analysis, and due diligence support for various categories of investors – from individuals to global and supranational financial institutions. We place a strong emphasis on maintaining long-lasting investor relationships.

DEBT RECOVERY

APS has traditionally provided recovery services covering the full range of soft, field, and legal collection activities. We focus mainly on corporate collection as well as on retail recovery and car repossessions. Our clients include small and large banks, insurance companies, and telcos. APS employs hundreds of call centre and recovery specialists. APS put a great emphasis on connecting collection processes with technology. APS is continuously working on increasing recovery specialists' expertise. Moreover recovery expertise is shared across other countries as best practice what helps specialists to expand their horizons and find more effective processes or technological solutions.

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.



— Investment Management

NPL MARKET IN EUROPE

The IMF recommends classifying loans as NPLs when instalment payments of principal and interest are past due by at least 90 days. Nevertheless, the definition is not unified throughout European countries. The classification of loans is naturally strongly influenced by whether the loans are secured or unsecured. It is common for debt to banks to be secured, whereas debt to such service providers as telcos and energy suppliers are commonly unsecured. The latter comprises mainly consumer and household debt, although corporate debt represents up to one quarter of unsecured debt.

In the NPL market, there are generally two main categories of business. One consists of acquiring NPL portfolios, the other of management services for NPL portfolios owned and controlled by a third party. At APS, we are broadly active in both of these areas. Selling an NPL portfolio at an agreed price helps the seller – usually a bank – to improve its liquidity, capital standing and adequacy, and rating. Improved NPL management then leads to a higher rate of debt repayment. Alternatively, the partner can outsource only management of its NPL portfolio, or a part, for an agreed servicing fee.

GROWING MOMENTUM OF NPL SALES IN EUROPE

The volume of sold debts in Europe has been steadily growing over recent years. NPL transactions concluded in 2016 exceeded EUR 103 billion whereas there were 56 ongoing deals worth almost EUR 70 billion in value at the end of 2016[1]. It is estimated that this positive trend will continue in 2017. According to some sources, the volume may even double to reach some EUR 200 billion in total[2]. With an increasing tendency towards regulation of the entire banking sector triggered by the recent financial crisis, the legislation of the EU and its member states has a significant impact on banks, appetite to dispose of their NPL portfolios.

NPL portfolios offered for sale by consumer finance providers also represent an interesting investment opportunity since traditional companies are leaving the market . This is due to the fact that consumer protection legislation has introduced numerous changes influencing the recovery process, creating space for servicing companies and companies providing investment advisory servicing to investors trying to enter the market.

NPL sales within Central and South-Eastern Europe gained momentum in 2016 and brought greater interest from international players. With a total face value of ongoing and concluded deals of EUR 10.6 billion, 2016 (through October)[3] slightly surpassed 2015. In terms of asset classes, the most sizeable investments continued to be made into corporate portfolios.

Regarding the geographical distribution of completed transactions, the market is led by traditionally strong Romania with EUR 1.4 billion. Hungary (EUR 2.1 billion) and Croatia (EUR 0.5 billion) have recently attracted investors, showing the most significant increase in NPL portfolio disposal volumes in Central and South- Eastern Europe. Slovenia (EUR 0.5 billion) and Poland (EUR 0.4 billion) complete the list of top five most active NPL markets[4]. As for newly opened markets, Greece and Cyprus are drawing the biggest interest from, with several sizeable transactions ongoing in 2017.

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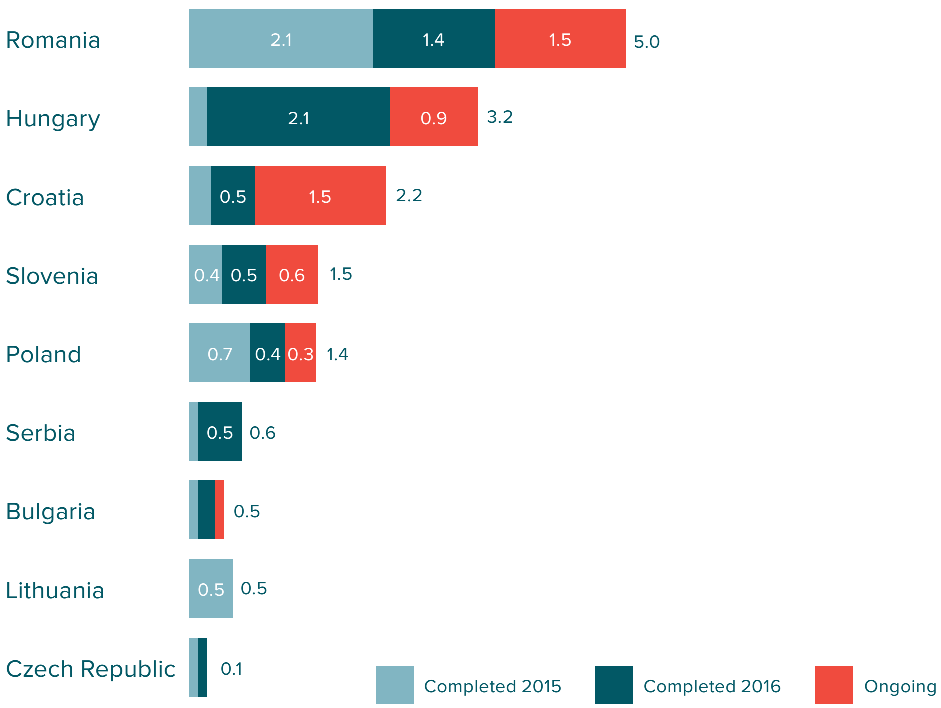
[1] Deloitte (2017): “Uncovering opportunities in 2017: Deloitte Deleveraging Europe 2016-2017” p. 1
[2] Financial Times (16.2.2017): “European NPL deals to surge under pressure from policymakers” by Thomas Hale
[3] Deloitte (2017): “CEE NPL markets in full swing: A record year in 2016”, p. 15
[4] Deloitte (2017): “CEE NPL markets in full swing: A record year in 2016”, p. 16

ACTIVITY BY COUNTRY - CEE, 2015 – 2016 (EUR bn)



Deloitte (2017): "CEE NPL markets in full swing: A record year in 2016", p. 6

APS IN THE LEAD FOR CENTRAL AND SOUTH-EASTERN EUROPE AN NPL INVESTMENTS

APS is a trusted partner for the world's top financial institutions and private investors. APS acts both as an investment advisor and investor and as an asset manager servicing the NPL portfolios of its partners. APS possess all the expertise, experience and resources to manage the entire investment process from identifying the most interesting investment opportunities, continuing through the due diligence and underwriting phase, and ending with professional and highly effective management and servicing of the acquired assets. Thanks to in-depth knowledge of local markets and expertise, APS can precisely value NPL portfolios and provide to-class underwriting and collection services to its business partners.

We cover the full process of bidding on NPL portfolios, preparing transaction documentation, and negotiating terms, all the way through signing and closing. In the vast majority of transactions, we are also a co-investor through funds or managed accounts advised by us. Regarding the optimal structure selected for a particular transaction,we consider not only regulation and tax implications but also many other factors having an impact on transaction feasibility and profit for investors. Once the transaction is closed, the acquired portfolio is standardly serviced by APS local offices.

In 2016, APS advised transactions that were successfully closed or are in the process of closing in 2017 with a total exposure of EUR 3.6 billion, out of which ca EUR 2.4 billion relates to a project in Cyprus, where APS is setting up a joint venture with Hellenic Bank to manage its NPLs. The remaining EUR 1.2 billion of exposure relates primarily to a project in Romania, involving the largest NPL transactions in Central and South-Eastern Europe in 2016. Other acquisition projects successfully underwritten by APS included projects in Romania, Hungary, Croatia (with Hrvatska Poštanska Banka) and elsewhere across the region. The total value of debts under management by APS, including deals won but pending signing or closing, reached ca EUR 7.2 billion at the end of 2016.

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 the 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.

2017 OUTLOOK

For 2017, we will focus on further investment opportunities in the still-growing distressed asset market. Several ongoing projects interest us in Serbia, Greece, Hungary, Croatia, the Czech Republic, Poland, Cyprus, and our traditionally strong territory of Romania. We are aiming for an ambitious share of our traditional market to maintain our leading position. In addition, we are analysing several offers to enter new market territories.

Investments Team

We manage private regulated and non-regulated funds for investments into NPLs and distressed asset scenarios and provide comprehensive related services. Such services include identification of investment opportunities, due diligence, acquired portfolio analysis, management, collections, and further supporting services for investors in the funds. The most recent funds are APS Fund Alpha and APS Fund Beta and a regulated alternative investment fund co-established with the International Finance Corporation (a member of the World Bank Group) and the investment vehicle APS Delta, with targeted investment capital of more than EUR 200 million.

By 2016, we were managing over 500,000 NPLs within our four regulated and non-regulated investment funds/vehicles. We have a fully staffed specialised Fund Administration team, dedicated solely to operating our investment funds/vehicles.

Fund management team is engaged in comprehensive investment advisory services with various categories of clients, from individual investors to global and supranational financial institutions, aligned in APS advised funds and investment vehicles in various jurisdictions. The Investments team provides full service throughout the investment life cycle: origination and acquisition, reporting, performance management, cash flow management, and maintaining investor relationships.

The specialists from our Fund administration, Fund and Investment management form an APS Investments team. Using a variety of collection and performance management tools, we are aligned with our investors in administering acquired portfolios and holding vehicles.

At the end of the portfolio life cycle, we help our investors to achieve a successful exit tailored to the local market's standards and legal requirements.

APS ADVISED FUNDS AND VEHICLES

APS advised funds are tailored to address institutional investors and family offices with diversified capital commitment. We choose the optimal targets and strategies for each investor, while still ensuring the diversification of risk. The structure of our advised funds/ vehicles accommodates investors seeking deal-by-deal discretionary decisions as well as investors who prefer decisions on the basis of commingled funds with optimised underlying structures.

In 2016, the APS Investments team focused on launching our first investment vehicle in Luxembourg – APS Delta S.A. APS Delta was established as a multi-compartment securitisation vehicle. This configuration allows investors to invest through bankruptcy-remote compartments into a projects that match their risk and return profiles. Once established, APS Delta S.A. played essential role as the acquisition and funding company for our transactions: it has acquired during the course of 2016 two major NPL transactions in Romania, followed by two transactions in Croatia and two in Hungary, the later four assumed to be closed within first half of 2017.

APS ADVISED FUNDS AND VEHICLES

Serraghis Loan Management

- Established in 2009
- Investment period 2010 – 2012
- Non-regulated investment vehicle domiciled in Cyprus
- The first APS investment vehicle for regional institutional investors and family offices

- Invested in 31 portfolios with total nominal value of EUR 590 million
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor
- At the end of 2016, the performance of Serraghis Loan Management reached ca 101%, proving the portfolios' potential of portfolios – expected IRR is 17–19% with an expected overall net cash multiple of over 2. Due to diversification, the performance oscillates around the target performance.

APS Fund Alpha

- Established in 2013
- Investment period 2013 – 2014
- Fully invested in December 2014
- Qualified Investor Fund regulated by the Czech National Bank
- Czech jurisdiction
- For local investors

- Invested in 14 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 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%.

APS Fund Beta

— Established in 2014

— 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 94%, with solid potential for overperformance in the early 2017 due to some large collaterals in pipeline.

APS Delta

— Established in 2016

— First investment in Q1/2016 with additional resources committed

— Open for investment

— Luxembourg unregulated securitisation vehicle for investors that prefer to invest on a deal-by-deal basis

— Target investors to commit EUR 10 – 30 million each

- Luxembourg non-regulated securitisation vehicle with an independent Luxembourg-based administrator
- 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 greatly overperformed – both portfolios deliver overperformance on the order of hundreds of percent. Overall, all projects held by APS Delta are very successful and exceed the expectations set in the valuation model. The outlook for 2017 remains very positive.

Focus in 2017

Our focus in 2017 is APS Epsilon, a Luxembourg-based regulated Reserved Alternative Investment Fund (RAIF) for large institutional investors focusing on distressed assets. The launch of APS Epsilon is scheduled for the end of Q3/2017, and it will be the first Luxembourg-based commingled discretionary fund advised by APS. Local APS servicing subsidiaries will manage the recovery process for portfolios acquired by APS Epsilon. In terms of territory, APS Epsilon will invest in the region of Central and SEE Europe. APS Epsilon targets approximately EUR 450 million from large institutional investors and IFIs.

APS Epsilon in progress

— Expected launch Q3/2017

— Luxembourg-based commingled fund for large investors with a preference for investing from EUR 50 million

— Targeted investment: EUR 450 million

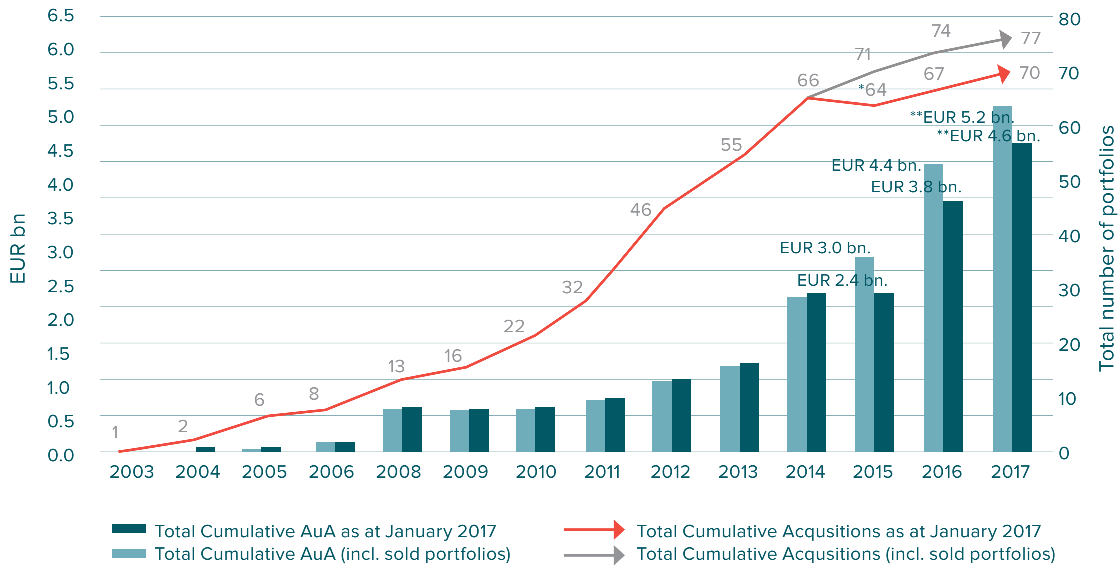
Potential investors:

- IFI investors, assumed investment of EUR 100–150 million
- Private investors, pension funds, family offices, and large debt investors; APS to act as general partner

APS IN SUMMARY AND NUMBERS

APS advises a number of investors, investment vehicles, and funds in various jurisdictions investing in all types of distressed assets.

APS - Illustrative assets under advisory (AuA), as at January 2017 and historical AuA (incl. sold portfolios)

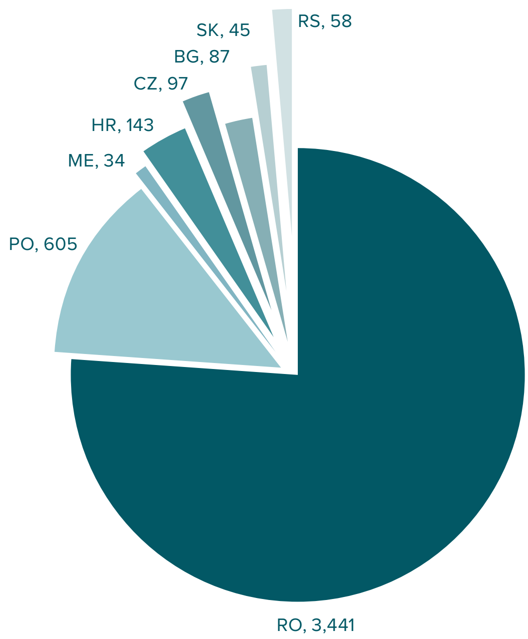


*decrease in 2015 portfolio due to sale of 7 portfolios with NV of EUR 0.58 bn
** the amount of EUR 0.72 bn is represents 2 portfolios currently in closing phase of acquisition

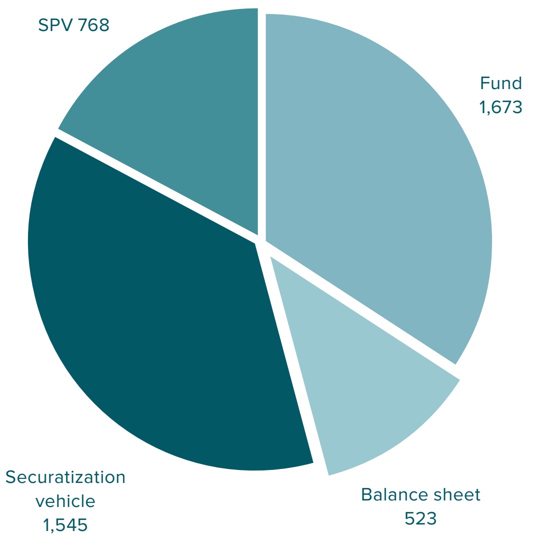
In 2016, assets under advisory by APS reached approximately EUR 3.8 billion in nominal value (NV), with an additional EUR 0.7 billion in the closing phase, which will bring assets under advisory in the first quarter of 2017 to approximately EUR 4.6 billion in nominal value.

APS has advised on acquisition of over 74 portfolios, and as the end of 2016 managed recovery for 67 portfolios with over 500,000 corporate and retail loans in the Central and South Eastern Europe.

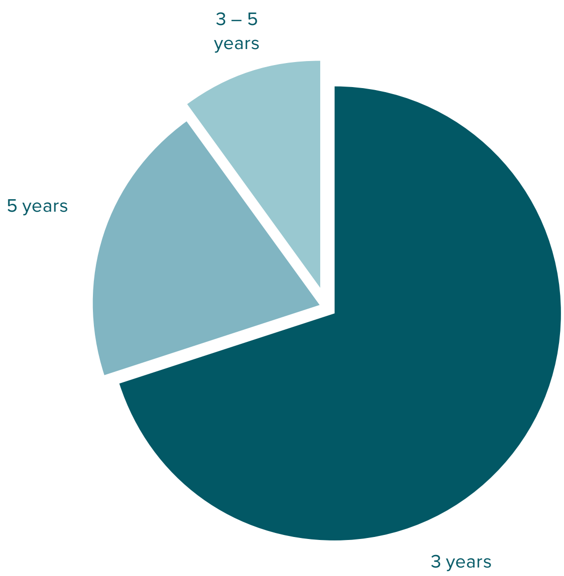
NOMINAL VALUE BY COUNTRY
- Grand Total (EUR m)

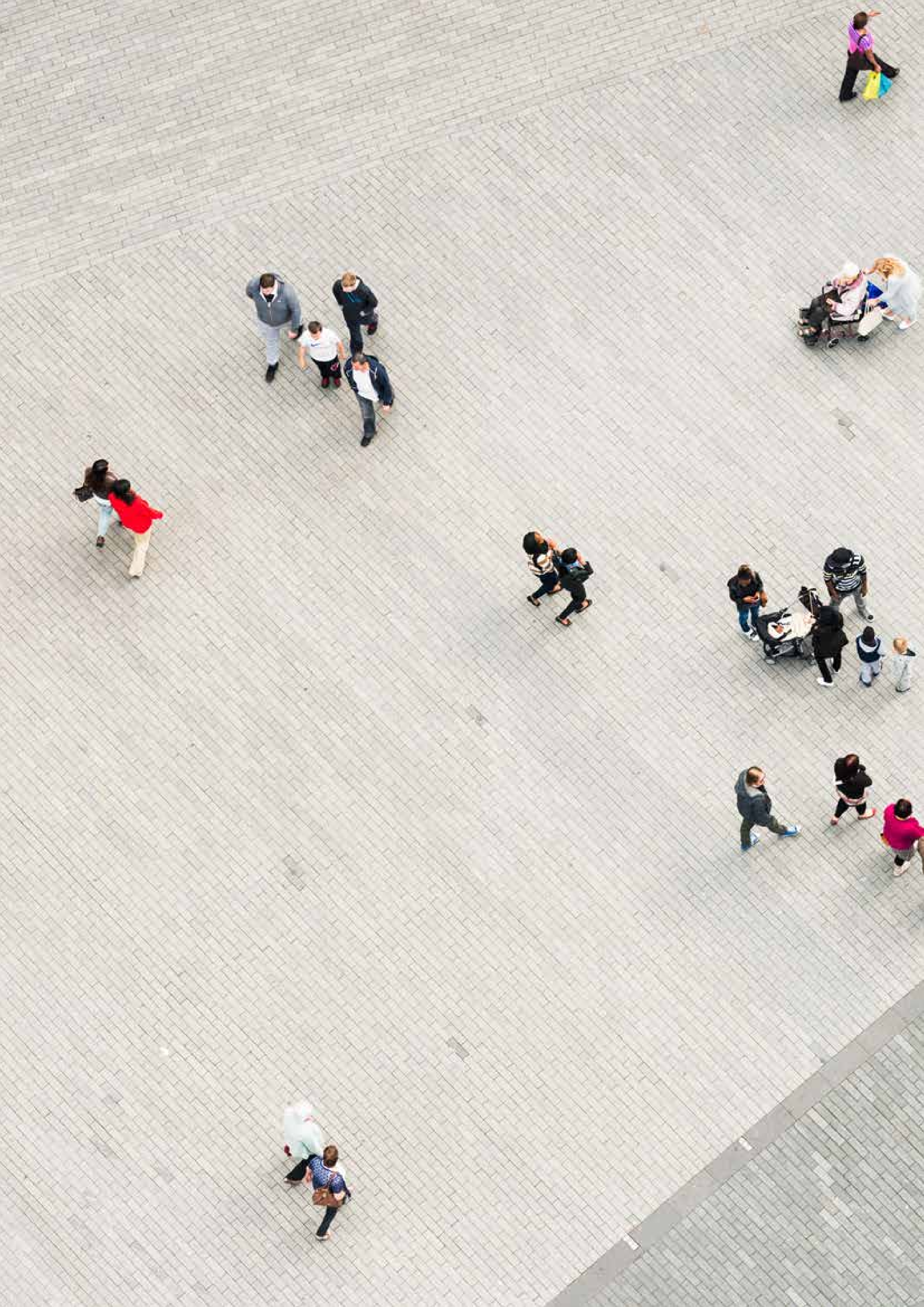


NOMINAL VALUE BY ENTITY
- Grand Total (EUR m)



NOMINAL VALUE BY AGE
- Grand Total (EUR m)





— Debt Recovery Team

APS is the leading distressed assets investment company and debt recovery platform in Central and South-Eastern Europe. We follow a strict set of corporate social responsibility principles and place the utmost importance on ethics, both when guiding debtors through repayment and when helping our clients to obtain repayment in a timely and professional manner.

We have over 500 professionals at our 11 European branches to handle fast, efficient, and ethical collection services. Our comprehensive infrastructure enables us to efficiently manage large volumes of corporate and retail debt. We service both secured and unsecured debt as well as both corporate and retail debt. At APS, we work from the foundation that the primary goal is to reach an agreement with the debtor and come to an acceptable solution. We engage in a highly professional approach including codes of ethics and professional conduct and strict data protection standards. For our partners, we bring increased collection rates at reduced expenses.

For debt recovery services, we have at our disposal comprehensive IT receivables systems, call centres, local negotiators for field collection, skip tracing teams to gather all available data for tracking debtors, and a wide network of specialised law firms for such legal processes as executions, bankruptcies, and insolvencies. We have the resources to execute car repossessions as well as to assist with restructuring and mortgage management and recovery in cooperation with local authorities.

We are also active in the field of collateral assets, such as residential and commercial properties, land plots, industrial buildings, and projects in development. As such, 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 reach judicial recovery procedures. As our first steps, we establish a dialogue with the debtor in order to settle the debt in the most efficient manner possible and reach a solution without having to start enforcement, deb-to-asset, or insolvency procedures.

Each case is analysed in terms of legal background and potential resolutions with probability and sensitivity scenarios, and our behavioural analyses of debtors and recovery procedures bring added value.

If amicable attempts to recover are not successful, we are immediately ready to start legal procedures as our work on file preparation runs in parallel. We then have the following options to start: a debt-to-asset swap, enforcement procedure, or insolvency procedure. The final goal is to cover the debt using the debtor's assets.

RECEIVABLE MANAGEMENT BASED ON

- B2C (business to consumer) sector
- B2B (business to business) sector

APS CLIENTS ARE REGULARLY INFORMED AND HAVE FULL CONTROL.

- Clients have online access to our collection system and thus full control.

- Based on client needs, we can set up various types of reports on a daily/weekly/monthly basis (e.g. portfolio performance, payments, actions, statistics).

RECOVERY TEAM – ROLES AND RESPONSIBILITIES:

1. RECOVERY DIRECTOR, HEAD OF CORPORATE RECOVERY, HEAD OF RETAIL RECOVERY (at APS Holding)

- Supervision of recovery departments and their portfolios and projects

2. HEAD OF CORPORATE RECOVERY, HEAD OF RETAIL RECOVERY (at APS subsidiary)

- Daily responsibility for direct supervision and management of project leaders

- Responsibility for project performance at a management level

3. PROJECT LEADER (at APS subsidiary)
— Primary responsibility for portfolio management and performance
— Management of the team of case managers

4. CASE MANAGERS (at APS subsidiary)
— Full responsibility for the performance of their own case queues and use of a specific collection strategy for each case
— Sole channel for communication and negotiation with debtors
— Use of call centres and field network to contact debtors
— Responsibility for preparing cases for successful legal and bailment proceedings
— Responsibility for voluntary sales
— Cooperation with and use of external partners to support execution of recovery strategy

5. PROJECT MANAGERS (at APS subsidiary)
— Primary responsibility for the management and performance of the portfolio/ contingency project
— Management of the team of collection agents
— Close cooperation with specialised legal advisors
— Preparation of documentation for the court following court proceedings, preparation of bailment cases, assisted by legal advisors

CAPONE COLLECTION SOFTWARE – ROBUST “ALL IN ONE” SOLUTION

All collection processes in one place with complete collection history (possible to view by case or debtor)

SERVICES

— Soft collection of debts for individuals and legal entities
— Legal collection, coordination, and supervision of forced execution proceedings
— Corporate collection – normal status, insolvency enforcement
— Field services – investigation of debtors
— Retail recovery for individuals and legal entities
  • Effective call centres
  • Automatic & predictive dialling and SMS messages
  • Statistics, reporting, and data export
  • Confidentiality of customer data

— Leasing and field recovery

- Investigation of debtors and repossession of goods
- Detailed written reports documenting each attempt, regardless of outcome

— Enforcement recovery

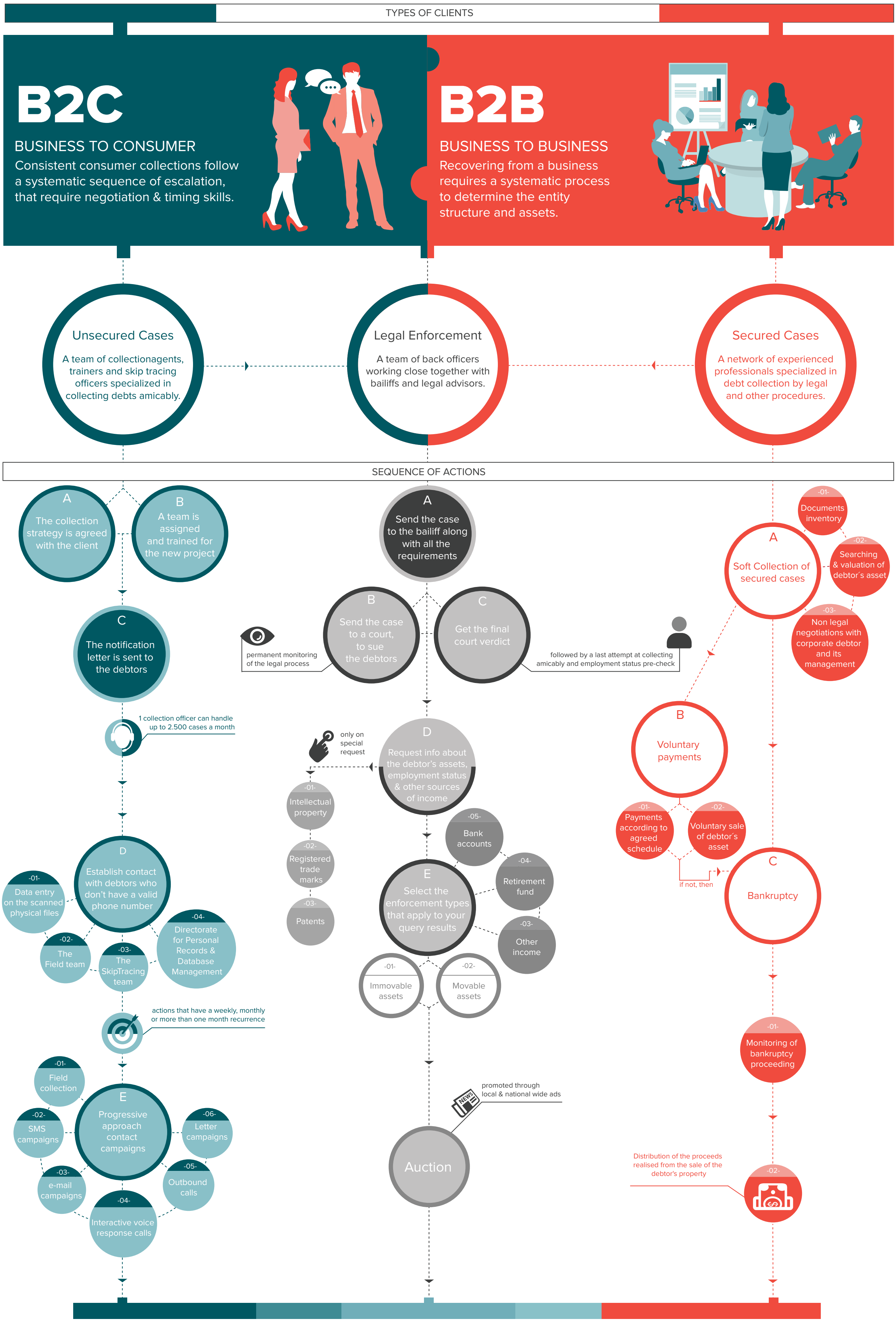
- Unique and highly effective procedure and network
- Highly qualified personnel specialised in providing all necessary tools in the forced execution procedure
- Monitoring in detail all forms of enforcement (salary garnishments, forced execution on movable or immovable assets)
- Coverage of a network of executors and lawyers
- Corporate recovery
- Execution, bankruptcy, insolvency, foreclosure proceedings

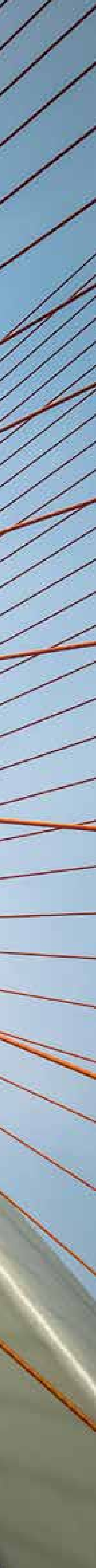
— References

- Banking institutions
- IFNs and leasing companies
- Telecommunications companies
- Utilities companies

— Restructuring of companies not properly functioning because of debt through:

- Debt/equity swaps – becoming a shareholder and putting the company back in to the economic cycle for better recovery over a longer period of time rather than selling some or all assets
- Debt/asset swaps – becoming the owner of the mortgage and finding ways to make better use of it alone or together with other investors


TYPES OF CLIENTS
B2C
BUSINESS TO CONSUMER
Consistent consumer collections follow a systematic sequence of escalation, that require negotiation & timing skills.
B2B
BUSINESS TO BUSINESS
Recovering from a business requires a systematic process to determine the entity structure and assets.
Unsecured Cases
A team of collectionagents, trainers and skip tracing officers specialized in collecting debts amicably.
Legal Enforcement
A team of back officers working close together with bailiffs and legal advisors.
Secured Cases
A network of experienced professionals specialized in debt collection by legal and other procedures.
SEQUENCE OF ACTIONS
A
The collection strategy is agreed with the client
B
A team is assigned and trained for the new project
C
The notification letter is sent to the debtors
1 collection officer can handle up to 2.500 cases a month
D
Establish contact with debtors who don't have a valid phone number
-01-
Data entry on the scanned physical files
-02-
The Field team
-03-
The SkipTracing team
-04-
Directorate for Personal Records & Database Management
actions that have a weekly, monthly or more than one month recurrence
E
Progressive approach contact campaigns
-01-
Field collection
-02-
SMS campaigns
-03-
e-mail campaigns
-04-
Interactive voice response calls
-05-
Outbound calls
-06-
Letter campaigns
A
Send the case to the bailiff along with all the requirements
B
Send the case to a court, to sue the debtors
permanent monitoring of the legal process
C
Get the final court verdict
followed by a last attempt at collecting amicably and employment status pre-check
D
Request info about the debtor's assets, employment status & other sources of income
only on special request
-01-
Intellectual property
-02-
Registered trade marks
-03-
Patents
E
Select the enforcement types that apply to your query results
-01-
Immovable assets
-02-
Movable assets
-03-
Other income
-04-
Retirement fund
-05-
Bank accounts
promoted through local & national wide ads
NEWS
Auction
A
Soft Collection of secured cases
-01-
Documents inventory
-02-
Searching & valuation of debtor's asset
-03-
Non legal negotiations with corporate debtor and its management
B
Voluntary payments
-01-
Payments according to agreed schedule
-02-
Voluntary sale of debtor's asset
if not, then
C
Bankruptcy
-01-
Monitoring of bankruptcy proceeding
Distribution of the proceeds realised from the sale of the debtor's property
-02-



— Real Estate Team

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, our recently established Real Estate division has been staffed with top specialists to provide advisory and transaction support in Central and South-Eastern Europe 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 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 team is highly qualified to assist in finding investment capital and establish the optimal planning strategy, including risk assessment. We seek out and take advantage of opportunities to invest in distressed real estate assets that can be acquired at a significant discount. By investing in distressed real estate assets, our investors obtain reasonable yields higher than core yields.

At APS, we pride ourselves on the ability to align with our clients' strategies to deliver the best results and lead projects through to the final stage. Our broad network of both local and international partners helps to streamline the process of finding the right buyer in the shortest amount of time. We also specialise in project management, project development, and viability assessment, and we are able to provide complete investment strategy analysis in all European countries where we are active. Our team is ready to assist at any phase of a real estate project. We provide valuation services as well as help with restructuring, property management, and the sale of real estate assets.

PORTFOLIO STRUCTURING AND OPTIMISATION

— By applying a proven and refined process for structuring and optimising 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 mobilise 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 13 years of experience in the distressed real estate industry, together with our strong relationships with local and international financiers, enable us to quickly mobilise 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.

IDENTIFYING OPPORTUNITY

With 74 distressed asset portfolios under our advisory in 2016, our team of international experts have the experience and know-how to establish realistic valuations, manage properties for maximum profit, and execute successful exit strategies.

8

Highlights 2016

For APS, 2016 was a year of further business growth, expansion, and breakthrough volumes. Much of the year was taken up by work on entering new markets. The intensive negotiations and higher costs associated with these investments will bring results in the following years.

Following on our expansion, we strengthened our team accordingly, bringing new top specialists on board as well as promoting high-performing staff members. Victor Angelescu, the former general manager of our subsidiary APS Romania, became the new CEE Regional Manager of APS Holding. His greatest achievements to date include the largest acquisition in our history with a nominal value of EUR 1,100 milion. His previous function was taken over by Robert Machidon, who already has 8 years of experience at APS Romania.

APS takes a great interest in everything that is happening, not merely business transactions, as can be seen in our principles of social responsibility. We received great feedback about our lead sponsorship of the Distressed Investments CEE & CIS Forum 2016, from which we took great pride in bringing together bankers, distressed investors, servicers, consultants, and lawyers at highly targeted and productive prescheduled one-on-one meetings. In May, our Investment Director Viktor Levkanič attended the fourth annual Workout & Restructuring conference in Vienna, where he moderated a panel discussion focused on the current situation in Romania, Bulgaria, and Hungary. In addition, Viktor and other APS directors are speakers in most of the relevant conferences in the region.

Our Business Development division, newly created in 2016 to handle the pace of our expansion, showed excellent results throughout the year. In particular, our entrances into new markets resulted in highly positive outcomes. Following up on these initial activities, our investment team did great work leading the projects into successful closings. This process represented countless hours of negotiations, analysis, and expertise spent on multiple projects, some of which achieved record values.

In 2016, we looked at opportunity in Spain and Italy and guided through the complex investment process the largest deals ever completed in the region.

— Romania

Exemplary performance was achieved in the Romanian market, where we succeeded in concluding two contracts with a combined nominal value of EUR 1.33 bilion. We successfully completed a landmark transaction and thereby improved our standing in the region. With the International Finance Corporation, a member of the World Bank Group, acting as a co-investor, we acquired a portfolio of secured and unsecured corporate and SME loans from a major international bank active in Romania. NPLs were secured primarily against residential, commercial, and industrial property. The portfolio's nominal value exceeded EUR 1,100 million, and it was the largest transaction of its type ever completed in South-Eastern Europe. Another important transaction realized in Romania, was the acquisition of the corporate and retail secured portfolio from leading Italian banking institution of some EUR 264 million nominal value.

— Cyprus

One of the Business Development division's greatest successes was, without a doubt, a joint venture project with Hellenic Bank Public Company Ltd in Cyprus. After intensive negotiations in 2016, we reached an agreement with Hellenic Bank on 10 January 2017 to establish a new joint venture company to manage the bank's entire portfolio of NPLs and distressed real estate assets, a portfolio with a nominal value of EUR 2,430 million. APS holds 51% in the joint venture, which will service the entire portfolio of the bank's non-performing exposures. The bank will retain ownership of the portfolio and transfer about 140 of its employees, including management, to the new company, which will become the largest real estate asset management and debt servicing platform in the Cypriot market.

— Croatia

Our first acquisition in Croatia was a portfolio with a nominal value of EUR 143 million. The portfolio included secured and unsecured corporate NPLs, with secured positions held primarily against residential, commercial, and industrial property. The portfolio was acquired from Hrvatska Postanska Banka with the approval of the Croatian National Bank.

— Hungary

Although the acquisition of our first portfolio in Hungary was finalized only in March 2017, we accomplished our goal to enter this promising market. An NPL portfolio of retail mortgages, worth EUR 139 million, was acquired with a co-investment from Balbec Capital LP from UniCredit Bank Hungary. We expect to employ a number of debt collection professionals, analysts, and other highly qualified personnel during the first half of 2017. The first employees are already on board. This acquisition freshly added to our credit funds under advisory.

— Czech Republic

We added to our administration the second largest NPL portfolio sold in the Czech Republic over the past 18 months. The seller of this NPL portfolio, which is formed of tens of thousands of unsecured consumer loans, was a major international financial institution, and the buyer was a subsidiary of the Swiss company DDM Holding AG. This substantial transaction strengthened our role within the Czech Republic as a major administrator and servicer of NPLs.

Our Business Development division also did great work in preparing to establish new subsidiaries (“APS Croatia” and “APS Hungary”) which will act as servicing platforms for our new deals. These will be fully operational in the middle of 2017. Preparations included searching for office premises, initiating the recruitment process, adjusting the relevant IT systems to 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 is expected to have over 30 employees.

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

Our Fund Management division was also very busy and very productive in 2016. In addition to our three advised funds of Serraghis Loan Management, Alpha, and Beta, we launched another securitisation vehicle, the non-regulated APS Delta. This investment vehicle, established in Luxembourg, is a multi-compartment securitisation 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 South-Eastern Europe. The first investment within APS Delta was a project in Romania.

In 2016, we closed 25 new servicing deals, representing a broad range of work for our experienced debt recovery teams across the region. Our teams once again performed very well. Thanks to remarkably successful servicing collaboration with APS Romania, we exceeded our 2016 target by 144%. Nevertheless, the servicing deal with the best results in 2016 was in Poland – a 360 degree customer care project which brought a complete focus to client needs and thus achieved the best performance.

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Our clients' success is our top priority

APS is a distressed assets investment company and debt recovery platform with a prime position in Central and South-Eastern Europe. Our services are comprehensive in the range of offered products as well as the depth of services. We rely on long-term relationships with clients, investors, and other business partners.

At APS, we believe in having a strong company culture and identity. 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.

We strive to be the best in the business and to shape the business for the better. It is our vision that the market is where we live, and so we must contribute to making it a good place with a long future ahead. We place great emphasis on win-win solutions, because satisfying all stakeholders is the only guarantee of effective long-term collaboration. We believe that quality is built through careful, meticulous work, and so we do not opt for easy, short-sighted solutions. We always make sure our new team members not only are top professionals but also share our values to preserve our company's integrity.

APS Values

We are market leaders in Central and South-Eastern Europe.

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

We provide opportunities for professional growth and internal promotion.

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

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

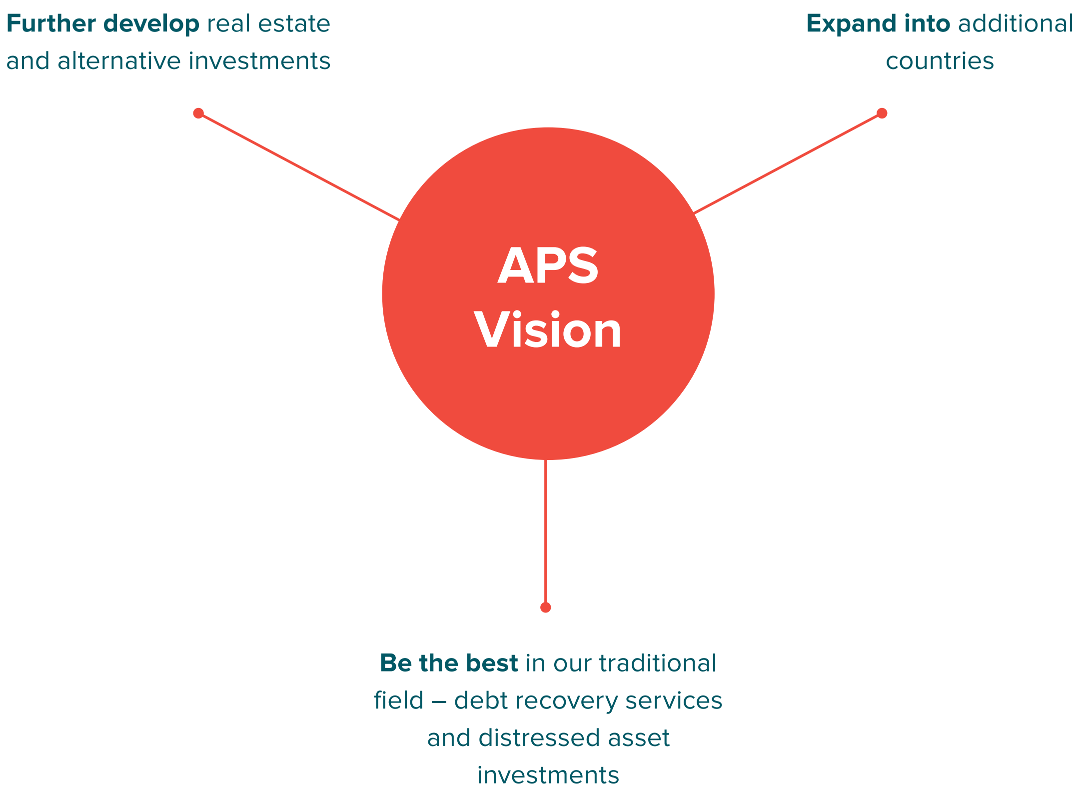
We value long-term relationships.

We value integrity. We keep our promises.

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

We follow best practice.

We act responsibly, effectively, and above all transparently.



Globally, the distressed asset market is distinguished by the enormous values being traded, while the market of Central and South-Eastern 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 South-Eastern Europe and also to grow and expand to new markets. In 2017, we will strongly focus on developing our real estate investment business.

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Directors' Report

MARKET SITUATION 2016

The distressed debt market in Europe in 2016 once again showed favourable growth trends. Banks and other institutions across the region are more widely acknowledging that using distressed debt specialists represents the most effective and efficient solution. The number of traded portfolios and their nominal values were increasing. Benefiting from our good reputation and excellent expertise, we kept up with the market and reconfirmed our leading position in Central and South-Eastern Europe.

As planned in our 2016 strategy, we further expanded through our newly established Business Development division, successfully entering the markets of three new countries. We exceeded our 2016 expectations by establishing our company in 3 new markets compared to our target of 2. APS now accounts for the largest deal ever completed in the region. Our joint venture project in Cyprus with Hellenic Bank was another historical deal after extensive negotiations throughout 2016.

STRATEGY

The main activities of our group remain debt recovery services, distressed asset investment management and services, and real estate investment services. 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 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 2017. 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 the Asian market, while we retain great interest in the European market with a focus on Western Europe.

Internally, we also paid great attention to fortifying our internal structure and processes. We established several new divisions to match our growth and expansion. We formalised our investment processes. Our strengthened Legal & Compliance department was improving our compliance standards. Finally, we were intensively working on setting up all necessary processes for our recently established Real Estate division in order to be able to deliver its first results soon.

Many thanks to all of our employees, who significantly contributed to this success.

FINANCIAL STATEMENT

We present the financial statements for the financial year 1 January–31 December 2016. 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 2016. The financial statements are presented in accordance with the International Financial Reporting Standards adopted by the European Union.

In 2016, our business delivered very positive results and continued to see significant income growth. Income has increased to more than EUR 26 million, which represents 38% growth over the prior year.

PROFIT AND LOSS

In 2016, we achieved an operating profit of EUR 8.7 million and net profit in the amount of EUR 4.9 million. Income and operating profits delivered very positive results and significant year-on-year growth.

This situation culminated in high costs in 2016, whereas the profit will be generated in future years. This is mainly due our investments into expansion into new markets. We believe the benefits of these investments are already being delivered in 2017 in the form of large revenues and will increase our company's profits in the following years.

CASH FLOWS

Operating activities were the key source of the group's cash flow for 2016 with a total net value of more than EUR 10 million.

BALANCE SHEET AND LIQUIDITY

With a current ratio above 2, the group boasts strong liquidity and a healthy balance between current assets and current liabilities. The majority of the group's long-term assets are concentrated in financial and intangible assets.

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. In 2016, EUR 648,000 was distributed in the form of dividends.

GROUP STRUCTURE CHANGES IN 2016

Following on our growth, we are continuously reviewing and shaping the group's structure to keep it dynamic and efficient. After consolidation in 2015 of all shares in the group into the hands of the current sole shareholder, Martin Machoň, we proceeded with further housekeeping, merging APS Holding SE with its sole shareholder APS Holding a.s. This change became effective as from 1 June 2016. As a result, APS Holding SE ceased to exist and all its assets and liabilities passed onto APS Holding a.s. as its continuing entity.

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.

Debtors are evaluated individually, taking into consideration mainly past experience with the debtor as well as the size and maturity of the loan. We internally monitor and analyse the borrower whose securities we hold. All applications for loans are discussed and approved by the Board of Directors. All investments into the borrower's securities are also submitted for approval from the Board of Directors.

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 organisation 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.

For better compliance management within our growing organisation, we introduced a new compliance department at the beginning of 2016. New compliance processes and checks were established during the year, reducing further potential risk regarding compliance issues.

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.

APS will continue to focus on its growth strategy in existing and new markets. We see a significant supply of promising investment opportunities in existing and new markets. The period of 2016 was active in portfolio acquisition, and we believe this trend will continue throughout 2017. The Board of Directors emphasises that every assessment of future conditions necessarily involves an element of uncertainty.

Martin Machoň
Chairman of the Board
of Directors, CEO

Antonín Pfleger
Member of the Board
of Directors, COO/CFO

Tomáš Chloupek
Member of the Board
of Directors

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Compliance

It is paramount for our business operations to comply with the highest ethical standards, laws, and regulations in addition to our internal policies. Compliance is covered centrally for the entire APS group. The Code of Conduct setting out our core ethical values as well as respective internal policies are implemented in all subsidiaries and updated regularly.

With regards to the specifics of our business, emphasis is placed on applying anti-money laundering and anti-corruption policies to dealings with all clients, partners, debtors, and investors. Regular practical training is provided to all APS staff, core ethical values are promoted, and compliance is monitored.

In addition to the strict observance of legal requirements, we abide by the standards of the International Finance Corporation, a member of the World Bank Group.

In order to implement our complex compliance programme, we use one of the top KYC tools on the market – World Check by Thomson Reuters.

In addition, a whistleblowing policy is in place in order to receive in a timely and confidential manner all internal compliance, and operational and reputational risk alerts and suspicions, for better risk mitigation and prevention.

One of our key projects for 2017 is implementing the General Data Protection Regulation (GDPR).

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Financial Statements

Consolidated Statement of Financial Position
(in thousands of euro)

Assets	Note	Year ended 31 Dec 16	Year ended 31 Dec 15
Non-current assets			
Property, plant and equipment	5.1	542	636
Intangible assets	5.1	11,986	1,109
Goodwill	5.1	6,814	5,679
Other intangible assets	5.1	5,172	5,430
Investments into associates (equity method)	5.2	160	126
Financial assets at fair value through profit or loss (excluding derivatives)	5.3	11,357	14,376
Trade and other receivables	5.4	333	272
Total non-current assets		24,378	26,519
Current assets			
Available-for-sale financial assets	5.3	4	1,753
Inventories	5.4.2	102	141
Current tax assets	5.6	-	7
Trade and other receivables	5.4	6,594	3,159
Other prepayments		273	474
Cash and cash equivalents	5.5	9,437	5,892
Total of assets classified as held for sale and assets included in disposal groups classified as held for sale	5.1.2	91	2,877
Total current assets		16,501	14,304
TOTAL ASSETS		**40,880**	**40,823**

Consolidated Statement of Financial Position

(in thousands of euro)

Equity and Liabilities	Note	Year ended 31 Dec 16	Year ended 31 Dec 15
Equity	6		
Paid-in share capital	6	81	74
Other reserves	6	2,298	(644)
Total equity attributable to owners of the parent		**2,379**	**(570)**
Non-controlling interests, presented within equity	1.2	596	279
Total equity		**2,976**	**(290)**
Non-current liabilities			
Bank loans	5.7	168	-
Other borrowings	5.7	28,760	28,695
Deferred tax liabilities	5.6	1,123	972
Trade and other payables	5.8	3	2
Total non-current liabilities		**30,054**	**29,670**
Current liabilities			
Bank loans	5.7	108	-
Bank loans - overdrafts	5.7	178	155
Other borrowings	5.7	351	3,617
Current tax payable		48	284
Trade and other payables	5.8	6,961	4,472
Provisions for other liabilities and charges		43	25
Deferred revenues		3	13
Liabilities included in disposal groups classified as held for sale	5.1.2.	157	2,877
Total current liabilities		**7,693**	**11,443**
Total liabilities		**37,904**	**41,113**
TOTAL LIABILITIES AND EQUITY		**40,880**	**40,823**

Consolidated Statement of Profit and Loss

(in thousands of euro)

	Note	2016	2015
Continuing operations			
Revenue	4.1	24,282	1,028
Cost of sales	4.1	(224)	(2)
Other income	4.2	1,977	94
Depreciation and amortisation	4.5	(1,423)	(79)
Other distribution and administrative expenses	4.4	(16,938)	(1,335)
Other (losses) gains – net	4.2	1,067	11
Operating profit/(loss)		**8,742**	**(283)**
Interest income	4.3	140	527
Interest expense	4.3	(3,166)	(691)
Other financial (losses) gains – net	4.2	**(28)**	**66**
Finance (costs) income – net	4.3	(3,054)	(98)
Sharein profit of associates and joint ventures		34	-
Profit before tax		**5,722**	**(381)**
Income tax expense	4.6	(638)	(490)
Profit/(loss) for the year from continuing operations		**5,084**	**(871)**
Profit/(loss) for the year from discontinued operations	4.7	(152)	271
PROFIT/(LOSS) FOR THE YEAR		**4,931**	**(600)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,931**	**(600)**
Profit/(loss) attributable to:			
Owners of the parent		4,588	(632)
Minority interest		344	32
		4,931	**(600)**
Total comprehensive income attributable to:			
Owners of the parent		4,588	**(632)**
Minority interest		344	32
		4,931	**(600)**

Consolidated Statement of Cash Flows

(in thousands of euro)

	2016	2015
Cash flows from operating activities		
Profit before taxation	5,721	(381)
Adjustments for:		
Depreciation	1,423	79
Deferred tax	(151)	124
Interest income and interest expense	3,026	164
Share in (loss)/profit from associates	(34)	
Foreign exchange gains/(losses)	237	106
Other adjustments	-	159
Total cash flow from operating activities	10,222	251
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
Inventories	39	(141)
Trade and other receivables	(1,485)	(3,559)
Trade and other payables	2,489	4,472
Cash generated from operations	**11,265**	**1,023**
Net cash flow from operating activities	**11,265**	**1,023**
Cash flows from investing activities		
Acquisition and proceeds of subsidiary net of cash acquired	-	(21,687)
Purchase of property, plant and equipment, intangible, and other long-term assets	(1,071)	(6,145)
Loans granted and repaid	62	274
Interest received	140	527
Interest paid	(2,965)	(566)
Net cash flow from investing activities	**(3,834)**	**(27,597)**
Cash flows from financing activities		
Bank loans, issued obligations and other borrowings	(3,135)	3,771
Proceeds from and repayment of borrowings	(103)	28,695
Dividends paid to company shareholders	(648)	-
Net cash flow from financing activities	**(3,886)**	**32,466**
Net change in cash and cash equivalents	**3,545**	**5,892**
Cash and cash equivalents at the beginning of the period	**5,892**	**-**
Cash and cash equivalents at the end of the period	**9,437**	**5,892**

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, 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	9,437	5,892
Cash and cash equivalents at the end of the period	**9,437**	**5,892**

Consolidated Statement of Changes in Equity
(in thousands of euro)

Equity	Share capital (excl. treasury shares)	Retained earnings (unpaid losses)	Profit or (loss) for the period	TOTAL	Minority interest	TOTAL EQUITY
Balance as at 31 December 2014	74	-	-	74	-	74
Changes in equity for 2015						
Profit or (loss) for the period	-	-	(632)	(632)	32	(600)
Total comprehensive income for the period	**-**	**-**	**(632)**	**(632)**	**32**	**(600)**
Dividends for shareholders	-	-	-	-	248	248
Transfers within equity	-	-		-	-	-
Exchange differences	-	(12)	-	(12)	-	(12)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-
Balance as at 31 December 2015	74	**(12)**	**(632)**	**(570)**	**280**	**(290)**
Changes in equity for 2016						
Profit or (loss) for the period	-	-	4,587	4,587	344	4,931
Share ind other comprehensive income of associates	-	-	34	34	-	34
Total comprehensive income for the period	**-**	**-**	**4,587**	**4,587**	**344**	**4,931**
Capital contributions	7			7	-	7
Dividends for shareholders	-	(648)		(648)	-	(648)
Transfers within equity	-	(632)	632	-	-	-
Exchange differences	-	(53)	-	(53)	(28)	(81)
Changes in interests and valuation of Solitera Investments Ltd.	-	(943)	-	(943)	-	(943)
Balance as at 31 December 2016	81	**(2,288)**	**4,587**	**2,380**	**596**	**2,976**

— Notes to the Consolidated Financial Statements for the year ended 31 December 2016

This document is based on the accounting period from 1 January 2016 to 31 December 2016.

1. Incorporation and Areas of Operation of the Company

1.1. Definition of the Consolidated Group and General Information

Together with 21 subsidiaries and 5 affiliates APS Holding a.s. (hereinafter referred to as the "Company") forms APS Holding a.s. Financial Group (hereinafter referred to only as the "Group"). The parent company of the Group is APS Holding S.A. (LUX).

The main subject of the Company's business activities is provision of services in the area of unpaid receivables, administration, collection of debt, and investments into recovery of distressed assets.

The Company is responsible for most of the Group's earnings and actively participates in the management of the Group's assets and liabilities.

- APS Holding S.A. owned 100% of the Company.
- As at 31 December 2016, Mr. Martin Machoň, Slezská 2141/116, 130 00 Prague 3 - Vinohrady, Czech Republic owns 100% of shares in APS Holding S.A., having acquired on 27 November 2015 the 60% shares previously held by Slavia Capital Group, a.s., Mostova 2, Bratislava 811 02. APS Holding S.A. owns 100% of the Company.
- The Company's central office is located at Celetná 988/38, Prague 1, 110 00, Czech Republic.

BOARD OF DIRECTORS

- **Ing. Martin Machoň, MBA – Chairman**

Slezská 2141/116, 130 00 Prague 3 Vinohrady Czech Republic
Date appointed: 20 August, 2009

- **Mgr. Tomáš Chloupek – Member**

Choceradská 3298/36
Záběhlice, 141 00 Prague 4, 142 00 Czech Republic
Date appointed: 14 June, 2010

- **Ing. Antonín Pfleger, FCCA – Member**

Poupětova 869/8 Prague 7, 170 00 Czech Republic
Date appointed: 14 June, 2010

SUPERVISORY BOARD

— **Mgr. Tereza Šimanovská – Chairwoman**
Na Petřinách 217/24, Prague 6 – Veleslavín, 162 00 Czech Republic
Date appointed as Chairwoman: 3 December, 2015
Date appointed to the board: 1 December, 2015

— **Ing. Viktor Levkanič – Member**
82106 Bratislava - Vrakuňa, Arménská 13827/10, Slovak Republic
Date appointed: 1 June, 2016

1.2. Identification of the Group

Together with its subsidiaries, the Company forms the Group, and it is the parent company to individual entities either through direct ownership or investment through subsidiary companies within the Group.

As at 31 December, 2016, the Group comprised the following companies:
- APS Holding a.s., Czech Republic
- APS Poland S.A., Poland
- APS SK Servicing, a.s., Slovakia
- APS CZ&SK Services, s.r.o., Czech Republic
- APS Investment, s.r.o., Slovakia
- APS Bulgaria e.o.o.d., Bulgaria
- S.C Asset Portfolio Servising Romania S.R.L., Romania
- APS d.o.o. Beograd, Serbia
- APS Recovery Greece EPE, Greece
- APS Hungary KFT, Hungary
- APS Recovery Hungary KFT, Hungary
- APS Usluge d.o.o., Croatia
- APS Recovery Cyprus LTD, Cyprus
- APS VN Limited LLC, Vietnam
- APS Real Estate s.r.o., Czech Republic
- APS Savoy s.r.o., Czech Republic
- Homeland properties S.R.L, Romania
- APS IP I. s.r.o., Czech Republic
- APS Fund Beta UIF, a.s., Czech Republic
- APS Gamma s.r.o., Czech Republic
- APS Beta Bulgaria o.o.d., Bulgaria
- APS Fund Beta d.o.o. Beograd, Serbia
- APS Delta s.r.o., Czech Republic

Newly established or acquired entities in 2016: APS Hungary KFT, APS Recovery Hungary KFT, APS Usluge d.o.o., APS Recovery Cyprus LTD. APS CZ Servicing has been merged with APS CZ&SK Services as at 1 September 2016. APS VN Limited LLC (Vietnam) was transferred out of the group as from 1 January 2017.

ORGANIZATION CHART OF APS HOLDING A.S. FINANCIAL GROUP AS AT 31 DEC 2016 (See Company Structure, on page 27):

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 South-Eastern Europe. The organization's main business activities entail services in such areas as unpaid receivables, administration, collection of debt, and investments into recovery of distressed assets.

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 stated otherwise.

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).

The Financial Statements are based on the accrual principle, wherein transactions and other facts are recognised at the time they occur and are entered into the Financial Statements during the period to which they relate, under the presumption that the Company will continue in its activities. The Financial Statements are composed of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the Accompanying Notes to the Financial Statements.
The Consolidated Financial Statements have been compiled from acquisition prices, while securities held for sale, 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 Group's management prepare estimates which have an effect on reported values of assets and liabilities as at the date on which the Financial Statements have been compiled as well as estimates of expenses and earnings in the relevant accounting period. These estimates are based on the information available at the time at which the Financial Statements were compiled and may vary from 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 Group is presenting are shown in thousands of EUR. Information in the Balance Sheet has used the exchange rate which was valid as at the date on which the Financial Statements were compiled, and information in the Statement of Comprehensive Income was compiled using the average annual exchange rate applicable to the given 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 relevant to the accounting period from 1 January 2016 to 31 December 2016. The immediately preceding period used for comparison captures the consolidation of APS Capital as at 31 December 2015 – APS Holding a.s. is effectively just a new name for APS Capital. Due to the acquisition of subsidiaries in November 2015 however, the figures in the

Consolidated Statement of Profit and Loss are not comparable. The reports comply with all standards and interpretations recognised and effective for the period beginning on or after 1 January 2016.

2.2.2. Early application of standards and Interpretations

The Group 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 2016 as adopted by the EU

AMENDMENTS

IFRS 11

As described by IAS Plus, the update: “Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

— “apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11

— “disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured)..” (iasplus.com)

IAS 16, IAS 38

As described by IAS Plus, the update: “Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

— “clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment

— “introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

— “add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.” (iasplus.com)

IFRS 10, IAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

As described by IAS Plus, the update: “Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

— “require full recognition in the investor’s financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)

— “require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture." (iasplus.com)

IAS 1

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

As described by IAS Plus, the update: "Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes::

— "clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

— "clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

— "additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1." (iasplus.com)

IFRS 10, IFRS 12, IAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

As described by IAS Plus, the update: "Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

— "The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

— "A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

— "When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

— "An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12." (iasplus.com)

IAS 12

As described by IAS Plus, the update: "Amends IAS 12 Income Taxes to clarify the following aspects:

— "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 utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.” (iasplus.com)

IAS 7

As described by IAS Plus, the update: “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.” (iasplus.com)

IFRS 15

As described by IAS Plus, the update: “Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.” (iasplus.com)

IFRS 2

As described by IAS Plus, the update: “Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.” (iasplus.com)

IFRS 4

As described by IAS Plus, the update: “Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

— “an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

— “an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.” (iasplus.com)

IAS 27

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

— “at cost,

— “in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or

— “using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2012–2014 CYCLE (IASPLUS.COM)

— IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

— IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

— IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

— IAS 34 — Clarify the meaning of "elsewhere in the interim report" and require a cross-reference

Pronouncements adopted by the EU with a mandatory application date later than the IASB effective date

IFRS 19

"Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.." (iasplus.com)

New and revised IFRSs in issue but not yet effective

— IFRS 9 Financial Instruments

— IFRS 15 Revenue from Contracts with Customers

— IFRS 14 Regulatory Deferral Accounts

— IFRS 16 Leases (issued in January 2016)

— Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

— Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

— Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its
Associate or Joint Venture

— Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers

— Amendments to IAS 7 Disclosure Initiative

— Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

— Amendments to IAS 40 Transfers of Investment Property

— Annual Improvements to IFRS Standards 2014–2016 Cycle

— IFRIC 22 Foreign Currency Transactions and Advance Consideration

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 Statement of Financial Position 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 Profit and Loss shows the Group's share in the profit reached by the companies under significant influence during the given period. The Group's share in the companies under significant influence is shown in the Statement of Financial Position with a value which takes into consideration the Group's share in the net capital of the company under significant influence and also includes any consolidation difference resulting from 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 changes in the respective interest in each subsidiary.

In the case a subsidiary is lost, the respective gain or loss is recognised 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 retained interest and the carrying amount of the 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 Profit and Loss for the accounting period to which these instruments in fact relate, using the 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 at the date the Financial Statements were complied. Thus, current tax is based on the taxable profit for the accounting period. The amount of taxable profit may differ from the profit before tax, which is in the Consolidated Statement of Profit and Loss 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 deductible.

2.5.2. Deferred tax

Deferred tax created in relation to temporary differences resulting from differences between the accounting value of assets and liabilities in the Financial Statements and the applicable tax base used to calculate taxable income has been calculated using the liability method.

All deferred tax liabilities have been presented with all temporary differences, while deferred tax assets have been presented to such an extent that allows for the possibility that taxable profit from which said temporary differences could be deducted will be available. These assets and liabilities are not posted so long as the temporary difference is a result of

the original posting of other assets 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 or liabilities will have been settled. Deferred tax has been posted in the Statement of Profit and Loss with the exception of situations when it is related to items which were accounted directly in equity, for which the deferred tax is included in 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

To account for 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 Profit and Loss 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 at the date on which of 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 the line 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 recognised 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 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 recognised 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 recognised as a loan granted. Such loans are stated at their net book value. This value comprises the amount for which the loan would have been granted net of instalments, increased/reduced by amortisation. The recognition of loans starts at the moment of their provision to the debtor. Loans are classified as long term if they are for periods longer than 12 months, otherwise as short term.

2.7.3. Loans received

Loans received comprises 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 amortised 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. The 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 posted 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 recognised in the Statement of Profit and Loss as they are incurred.
Losses from foreign exchange transactions are recognised in expenses upon origination – in cases of payment transactions and translation of foreign currencies, as at the balance sheet date.

2.9. Reserves

The Group reports 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 liabilities.

2.10. Share Capital

The Company's registered capital is composed of 22 units of ordinary shares with a total value of EUR 81,000.
The registered capital has been paid in full.
The Group does not have any type of ordinary shares which are not connected to a regular payment of dividends.
All other components of equity were transferred into other reserves on the grounds of IFRS standards and relevant classifications of equity.

2.11. Critical Accounting Estimates andJudgements

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 among various methods, the Company uses its own judgment and makes assumptions based in particular on the market conditions existing as at 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, the real values are established by estimates, discounted cash flows, or other generally accepted evaluaton methods. The 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, such 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.

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.

2.11.3. Debt portfolios

The Company uses significant judgment 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 and Loss as a whole.

3. Risk Management

3.1. Financial Risk Factors

The Group is exposed to a variety of financial risk factors such as market risks, currency fluctuation risks, credit risks, interest fluctuations risks, liquidity risks, and operating risks arising from the organisation'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 to 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 the 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 entities (banks, government, 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 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 fluctuation risks are related to the possibility of losses resulting from the fluctuation of interest rates. In view of the Company's portfolio of assets and liabilities, the risk of fluctuating interest rates is relatively minor. Term deposits at banks have been arranged for the short - term.

3.1.5. Liquidity risks

The Company defines liquidity risks as the possibility of losses on its revenues and its own resources resulting from the Company's inability to pay for its liabilities on time without causing unnecessary losses.

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 organisation 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

4.1. Operating Profit

Cash flow	2016
TOTAL INCOME	26,259
Rendering of services	24,282
Other income	1,977
TOTAL COST OF SERVICES & GOODS	(17,518)
Other operating expenses	(224)
Distribution and administrative expenses	(16,938)
Depreciation and amortisation	(1,423)
Other (lossess)/gains – net	1,067
Operating Profit	**8,741**

Revenues generated by the segment of services entities are derived from the servicing of assets under management (EUR 16.5 million), contingent business (EUR 2.2 million), and fees generated through underwriting activities (EUR 0.7 million). Revenues from all other (i.e. not in the service segment) entities are mostly generated from underlying assets, comprising investor portfolios (EUR 4.8 million).
Distribution and administrative expenses primarily comprise employee costs (EUR 6.8 million), expenses related to external services (EUR 2.6 million), and other operating expenses (EUR 8.2 million).
Depreciation and amortisation is primarily due to the amortisation of Fund Beta Bulgaria's portfolio (EUR 1.1 million).

4.2. Other Operating Income and Expenses

	Accounting period ending 31 Dec 16
Other operating income:	
Income from portfolio investments	11
Miscellaneous operating income	1,966
Total	**1,977**
Other operating gains or losses:	
(Gain) or loss on loss of control over subsidiary	(1,051)
(Loss) on disposal of non-current assets	(27)
Other gains or (losses)	9
Total	**(1,067)**

4.3. Financial and InterestIncome and Expenses

	2016
Financial income	
Interest income	140
Loans and receivables	46
Other financial income	79
Total financial income	**265**
Financial expenses	
Foreign exchanges	(115)
Interest expense	(3,166)
Other financial expenses	(39)
Total financial expenses	**(3,320)**

Interest expense of EUR 3.1 million primarily comprises interest on financing for the management buy-out (EUR 1.6 million), EUR 930,000 interest expenses from external financing for Fund Beta UIF (EUR 930,000), lease interest in APS Gamma (EUR 232,000), and interest expenses from external financing for Fund Beta Bulgaria (EUR 149,000).

4.4. Other Distribution and Administrative Expenses

Personnel expenses comprise wages, statutory health and social insurance, and other mandatory social expenses. Wages and salaries includes bonuses.
Number of people employed by the Group: 571

	In EUR '000
	2016
Wages and salaries	6,083
Financial and advisory services	885
Other consumed services	2,632
Legal, other consulting, and accounting	942
Other	6,396
Total distribution and administrative expenses	**16,938**

Other expenses include rent, utilities, insurance, hospitality, bank fees, sponsorships, and other miscellaneous costs. Other consumed services include mostly juridical services, notary costs, translation services, archiving, miscellaneous consulting, and other services.

4.5. Depreciation and Amortization

	In EUR '000
	2016
Depreciation of property, plant and equipment	242
Depreciation of investment property	13
Amortisation of intangible assets	1,168
Total depreciation and amortization expenses	**1,423**

Depreciation and amortisation is primarily due to the amortisation of Fund Beta Bulgaria's portfolio (EUR 1.1 million).

4.6. Taxation

	In EUR '000
	2016
Current tax	783
Deferred tax	(145)
Total tax expense	**638**

Current tax of EUR 78,000 is driven by the profits of APS Romania (EUR 793,000) and APS Beta Bulgaria (EUR 78,000) and reduced by losses incurred by other entities within the Group.

4.7. Profit or Loss from Discontinued Operations

	In EUR '000
	2016
Profit/(loss) from discontinued operations	(152)
Total profit/(loss) from discontinued operations	**(152)**

The loss of EUR 152,000 represents the discontinuation of APS Vietnam.

5. Notes to the Consolidated Statement of Financial Position

5.1. Non-current Sssets

5.1.1. Summary

	In EUR '000	In EUR '000
	2016	2015
Buildings – NBV	**6**	**5**
Buildings in use – at cost (IAS 17)	8	13
Buildings in use – fair value	2	2
Accumulated depreciation	(4)	(10)
Machinery – NBV	**9**	**14**
Machinery in use – at cost (IAS 17)	154	165
Machinery in use – fair value	(43)	
Accumulated depreciation	(102)	(151)
Motor vehicles – NBV	**435**	**543**
Motor vehicles in use – at cost (IAS 17)	563	622
Motor vehicles in use – fair value	168	173
Accumulated depreciation	(296)	(252)
Furniture, fixtures, office equipment – NBV	**92**	**74**
Furniture, fixtures, office equipment in use – at cost (IAS 17)	147	180
Furniture, fixtures, office equipment in use – fair value	14	11
Accumulated depreciation	(69)	(117)
Software & other intangible assets – NBV	**5,172**	**5,430**
Software - under acquisition (development)	115	0
Software & other intangible assets in use – at cost (IAS 17)	166	602
Software & other intangible assets in use – fair value	5,701	5,129
Accumulated depreciation	(810)	(301)
Total NBV	**5,714**	**6,066**

Biological assets are not applicable.
Goodwill of EUR 6.8 million (not shown) represents the fair value of the Group's acquisition following the owner buy-out in November 2015. Management has performed an impairment test as at 31 December 2016 and concluded that no indicators of impairment exist.

5.1.2. Assets and liabilities included in disposal groups and classified as held for sale and assets included in disposal groups

	In EUR '000	In EUR '000
	2016	2015
Property, plant and equipment	31	
Current assets	60	
Impairment (losses)/gains		2,877
Total assets held for sale	**91**	**2,877**

	In EUR '000	In EUR '000
	2016	2015
Liabilities included in disposal groups classified as held for sale	(157)	(2,877)
Total liabilities held for sale	**(157)**	**(2,877)**

Assets and liabilities held for sale in 2015 with the value of EUR 2,877,000 represent the sale of CRM (Corporate Recovery Management) during 2016 for a nominal fee.
Management had determined that APS Vietnam would be transferred outside of the Group, which resulted in a cost entry of EUR 152,000 on the profit and loss line 'Discontinued operations'.

5.2. Investment in Subsidiaries

Share capital represents the amount APS has contributed.

APS Real Estate	
Area of operation	Provision of services related to real estate portfolios and investments
Date of share acquisition	13 October 2015
Share capital	CZK 200,000 (EUR 7,400)
Ownership interest in %	**100%**

APS Savoy	
Area of operation	Provision of services related to real estate portfolios and investments
Date of share acquisition	4 February 2015
Share capital	CZK 24,000 (EUR 900)
Ownership interest in %	**100%**

APS Delta	
Area of operation	Fund/investment vehicle
Date of share acquisition	1 September 2015
Share capital	CZK 200,000 (EUR 7,400)
Ownership interest in %	**100%**

APS SK Servicing	
Area of operation	Servicing and debt recovery
Date of share acquisition	30 September 2015
Share capital	EUR 5,000
Ownership interest in %	**100%**

APS Beta Bulgaria	
Area of operation	Fund/investment vehicle
Date of share acquisition	6 March 2015
Share capital	BGN 500,000 (EUR 256,000)
Ownership interest in %	**50%**

APS Hungary KFT	
Area of operation	Debt servicing subsidiary
Date of share establishment	2 November 2016
Share capital	HUF 3,000,000 (EUR 10,000)
Ownership interest in %	**100%**

APS Recovery Hungary KFT	
Area of operation	Debt servicing subsidiary
Date of share establishment	2 December 2016
Share capital	HUF 3,000,000 (EUR 10,000)
Ownership interest in %	**100%**

APS Usluge d.o.o.	
Area of operation	Debt servicing subsidiary
Date of share establishment	13 December 2016
Share capital	EUR 20,000
Ownership interest in %	**100%**

APS APS Recovery Cyprus LTD	
Area of operation	Fund/investment vehicle
Date of share establishment	9 June 2016
Share capital	EUR 5,000
Ownership interest in %	**100%**

5.3. Financial Assets and Instruments

Financial assets and instruments	In EUR '000	In EUR '000
Long term	2016	2015
Loans & receivables	11,357	14,376
Total long-term financial assets	**11,357**	**14,376**

The value EUR 11,357,000 represents investor shares in portfolios (EUR 1,280,000 in Holding, EUR 5,792,000 in Beta UIF, EUR 3,639,000 in Beta Bulgaria, and EUR 633,000 in Fund Beograd).
These portfolios are valuated through future discounted cash flow using the effective interest rate method determinated by the date of acquisition.
Incoming collections from these portfolios are revenues, and changes in the portfolio's value are reported as amortisation for the accounting period with an impact on profit and loss.

Available-for-sale financial assets	In EUR '000	In EUR '000
Short term	2016	2015
Debt investments	4	1,753
Total short term financial assets	**4**	**1,753**

The value EUR 1,753,000 represents the fair value of investments into associates as measured by an external valuation exercise which was then incorporated into the Group's goodwill. The investment was sold during 2016.

5.4. Trade and Other Receivables

5.4.1. Short-long-term receivables

Financial assets and instruments	In EUR '000	In EUR '000
Short term	2016	2015
Trade accounts & notes receivable	4,498	3,663
Other receivables	2,329	599
Allowance for credit losses (negative)	(234)	(1,103)
Total short-term receivables	**6,593**	**3,159**

Financial Assets and Instruments	In EUR '000	In EUR '000
Long term	2016	2015
Other receivables	333	272
Total long-term receivables	**333**	**272**

The value for other short-term receivables of EUR 2,329,000 includes EUR 1,437,000 derived from the Company's investment into portfolios, accruals, and WHT. Other long-term receivables primarily comprise guarantees paid by the Company to external providers, the majority being rent for office premises.

	In EUR '000	In EUR '000
	2016	2015
Raw materials	102	141
Total	**102**	**141**

5.5. Cash and cash equivalents

	In EUR '000	In EUR '000
	2016	2015
Cash at hand	9	107
Bank balances	9,428	5,785
Total cash and bank balances	**9,437**	**5,892**

As at 31 December 2016, bank balances included monies that belonged to investors in the Company in amount EUR 2,667,000. As at 31 December 2015, the amount of monies held for investors amounted to EUR 1,030,000. In both years, the credit amount is included under trade and other payables.

5.6. Deferred tax liabilities

	In EUR '000	In EUR '000
	2016	2015
Deferred tax liability:	(972)	
Recognised as an increase in costs	(151)	(972)
Total deferred tax liability:	**(1,123)**	**(972)**

5.7. Financial liabilities

	In EUR '000	In EUR '000
Short term	2016	2015
Finance lease liability (lessee)	(77)	(103)
Bank loans	(108)	
Bank overdrafts	(178)	(155)
Other loans received	(274)	(3,451)
Others		(63)
Total short term financial liabilities	**637**	**(3,772)**

	In EUR '000	In EUR '000
Long term	2016	2015
Finance lease liability (lessee)	(25)	(79)
Bank loans	(168)	
Other loans received	(28,735)	(23,916)
Others	54	(4,700)
Total long - term financial liabilities	**(28,928)**	**(28,695)**

Other loans received incorporates external provision of loans (EUR 14 million), a loan from the ultimate owner (EUR 7 million), and funds due to investor portfolios (EUR 4,318,000 to Fund Beta UIF, EUR 1,164,000 to Gamma, EUR 1,986,000 to Beta Bulgaria, and EUR 738,000 to Beta Beograd).

5.8. Trade and other payables

	In EUR '000	In EUR '000
Short term	2016	2015
Trade accounts & notes payable	1,290	791
Refundable taxes – VAT liability	(211)	(99)
Settlement with government grants		(16)
Other payables – short term	5,460	(3,566)
Total short term trade and other payables	**6,961**	**(4,472)**

	In EUR '000	In EUR '000
Long term	2016	2015
Other payables – long term	3	(2)
Total long term trade and other payables	**3**	**(2)**

Other payables represent mostly monies owed to investors in addition to employee expenses due, taxes, and other payables.

6. Registered Capital

The Company's registered capital is composed of 22 pieces of ordinary registered shares in certificates, with a nominal value of EUR 3,682 per share. The registered capital of EUR 81,000 has been paid in full.

The Group does not have any type of ordinary shares which are not connected to a regular payment of dividends.

7. Related Parties

List of related parties for the accounting period ending 31 December 2016:

APS Holding a.s.
Identification no.: 03409422
Registered office: Celetná 988/38, Prague 1, 110 00, Czech Republic

APS Holding S.A.
Identification no.: B 201461
Registered office: 1, rue Jean Piret, L- 2350, Luxembourg

APS IP I, s.r.o.
Identification no.: 5548292
Registered office: Celetná 988/38, Staré Město, 110 00 Prague 1, Czech Republic

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

APS CZ Servicing s.r.o.
(merged into APS CZ & SK Services from 1 September 2016)
Identification no.: 29143683
Registered office: Celetná 988/38, Staré Město, 110 00 Prague 1, Czech Republic

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

APS SK Servicing, s.r.o.
Identification number: 48319813
Registered office: Vajnorská 100/B, 831 04 Bratislava, Slovakia

APS Investment, s.r.o.
Identification number: 47164786
Registered office: Vajnorská 100/B, 831 04 Bratislava, Slovakia

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

Asset Portfolio Servicing Romania S.R.L
Identification no.: J40/6247/2007
Registered office: Sky Tower, 246C Calea Floreasca, 12th floor, district 1, 014476 Bucharest, Romania

S.C. Syndre Valuations S.R.L.
Identification no.: RO30697075
Registered office: Bucharest, 246C Calea Floreasca, SkyTower building, 11th/12th floor, Romania

APS Bulgaria o.o.d.
Identification no.: 202159149
Registered office: 81V Bulgaria blvd., office 3, 01404 Sofia, Bulgaria

APS Hungary KFT
Identification no.: 01-09-289270
Registered office: Paulay Ede utca 55., 1061 Budapest, Hungary

APS Recovery Hungary KFT
Identification no.: 01-09-290573
Registered office: Paulay Ede utca 55., 1061 Budapest, Hungary

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

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

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

APS VN Limited LLC (transferred out of the Group since 01.01.2017)
Identification no.: 0313153491
Registered office: Level 19, Unit 1901, Saigon Trade Center 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

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

APS Savoy s.r.o.
Identification no.: 03770443
Registered office: Celetná 988/38, Staré Město, 110 00 Prague 1, Czech Republic

APS Finance o.o.d.
Identification no.: 202159149
Registered office: 81V, Bulgaria blvd., 1404 Sofia, Bulgaria

Homeland Properties S.R.L.
Identification no.: RO21458257
Registered office: Bucharest, 246C Calea Floreasca, SkyTower building, 11th/12th floor, Romania

APS Fund Beta UIF a.s.
Identification no.: 01788655
Registered office: Celetná 988/38, Staré Město, 110 00 Prague 1, Czech Republic

APS Gamma s.r.o.
Identification no.: 03523250
Registered office: Celetná 988/38, Staré Město, 110 00 Prague 1, Czech Republic

APS Beta Bulgaria o.o.d
Identification no.: 203374133
Registered office: 81V, Bulgaria blvd.,1404 Sofia, Bulgaria

APS Fund Beta d.o.o. Beograd
Identification no.: 21053007
Registered office: Bulevar Mihajla Pupina 6, 11070 Novi Beograd, Serbia

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

Corporate Recovery Management S.A.
Identification no.: RO22913453
Registered office: Bucharest, 246C Calea Floreasca, SkyTower building, 11th/12th floor, Romania

8. Court Disputes

As at the date on which the Financial Statements were compiled, the Company was not involved in any significant legal disputes that could materially influence the Company.

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

No significant subsequent events, requiring adjustment to the Financial Statements or disclosure have occurred between 31 December 2016 and the preparation of the Consolidated Financial Statements.

List of abbreviations	
AML	Anti-Money Laundering
APS	APS Holding a.s.
ACCA	Associate of the Chartered Association of Certified Accountants
BG	Bulgaria
BoD	Board of Directors
BGN	Bulgarian Lev
CIS	Commonwealth of Independent States
CE	Central Europe
CEE	Central – 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 Chartered Association of 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

List of abbreviations	
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	South-Eastern Europe
SK	Slovakia
SME	Small and Medium, Enterprise
USD	United States Dollars
VN	Vietnam

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Auditor's Report

ECOVIS®

Independent auditor's report for the shareholder of APS Holding a.s.

Having its registered office at: Celetná 988/38, Staré Město, 110 00 Praha 1
ID: 034 09 422

Opinion

We have audited the accompanying consolidated financial statements of APS Holding a.s., which comprise the consolidated statement of financial position as at 31.12.2016, and the consolidated statement of profit and loss, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of APS Holding a.s. and its subsidiaries as at 31.12.2016 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Emphasis of matter

We draw attention to Note 2.2.1 to the consolidated financial statements. APS Holding a.s. acquired the subsidiaries in November 2015. As a result of that fact, the figures concerning the current and previous periods, included in the presented consolidated financial statements, are not comparable. Our opinion is not qualified in respect of this matter.

ECOVIS blf s.r.o., V Celnici 1031/4, Praha 1, 110 00, provozovna: Na Veselou 962, Beroun, 266 01, IČ: 276 08 875.
Společnost je zapsána v obchodním rejstříku, vedeného Městským soudem v Praze, oddíl C, vložka 118619.

Other Information included in the consolidated Annual Report

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

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

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

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

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

Responsibilities of the Company's statutory body for the consolidated financial statements

The statutory body of the company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines 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 statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory bodys' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the statutory body 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.

Prague, 25.4.2017

Ecovis

ECOVIS blf s.r.o.
V Celnici 1031/4
110 00 Praha 1

registration no. of the certificate 471

Ing. Jan Bláha
Statutory auditor performing the audit in the name of the audit firm

registration no. of the certificate 1673

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