APS

ANNUAL REPORT

2022

APS

01

Letter from CEO

Letter from the CEO

Dear colleagues and business partners,

The state of APS Group is strong! We are aware of the boldness associated with paraphrasing American presidents, especially at a time when the spectre of a recession is haunting the global economy and Europe is suffering from relatively high inflation, impacting everyone indiscriminately.

My worldview is, however, intertwined with our business. When we founded APS in 2004, we dreamed of a stable European company. Nothing has changed, and even though recent years have been slightly challenging, we remain one of CEE's leading alternative asset managers, present in 15 countries and working on new markets with great business potential.

What was 2022 like? APS closed 16 deals with a nominal value exceeding EUR 1 billion. In unpredictable times, these are great numbers that confirm APS's role as a stable and reliable partner whose talent and experience enable us to prepare tailor-made solutions for each specific case.

The situation of each country in the region is very specific and requires an approach tailored to not only the country but also the municipality and individual. It is APS's duty to bring new solutions that will deliver prosperity and profit to everyone involved.

One unequivocal success was the APS SICAV – and its RHAPSODY fund. During the fundraising window, which ended in February 2022, we raised approximately EUR 32 million from investors, and we have already invested EUR 42 million (EUR 10.4 million reinvested) across 23 portfolios in 9 countries. The fund has had excellent results. From the beginning, it was designed to be countercyclical, meaning that it resists current market fluctuations and, thanks to our know-how in the field of problematic receivables and nearly 20 years of experience in investing in debt portfolios, has delivered above-average performance. But what does this mean exactly?

Markets and portfolios are diversified to minimize risk. In this case, we have invested in corporate and retail secured (ca 80%) and unsecured portfolios across several countries with a particular focus on real estate development in Romania.

Bolstered by the success of the first RHAPSODY fund, we opened the RHAPSODY II fund at the end of 2022 to strengthen our leading position in Central, Southern, and South-eastern Europe. Great news for all our investors and partners.

As in previous years, this past year there were more and more acquired receivables secured by real estate, an opportunity that we fully intend to capitalise on.

In terms of numbers, APS currently manages 116 portfolios, with a nominal value exceeding EUR 11 billion. This equates to 800,000 loans.

Numbers aside, we continue to maintain the high ethical standards that we have adhered to from the very beginning. Our focus on social commitments via our APS Seeding Knowledge Fund continues with corporate social responsibility. We have three solid pillars: helping senior citizens, conducting environmental activities, and supporting underprivileged groups.
The most important is support for educational and social activities for seniors. I want to emphasize the word educational. The fund supports an organization that teaches seniors how to deal with disinformation, helps them to navigate social media, and protects them from the many would-be scammers out there.

Dear colleagues, I would like to thank you for your work efforts and the team spirit that drives APS forward. My thanks for collaboration and support go also to our business and investment partners. I truly believe that this fruitful collaboration will continue into the coming years.

Sincerely,

Martin Machoň.
CEO and owner of APS

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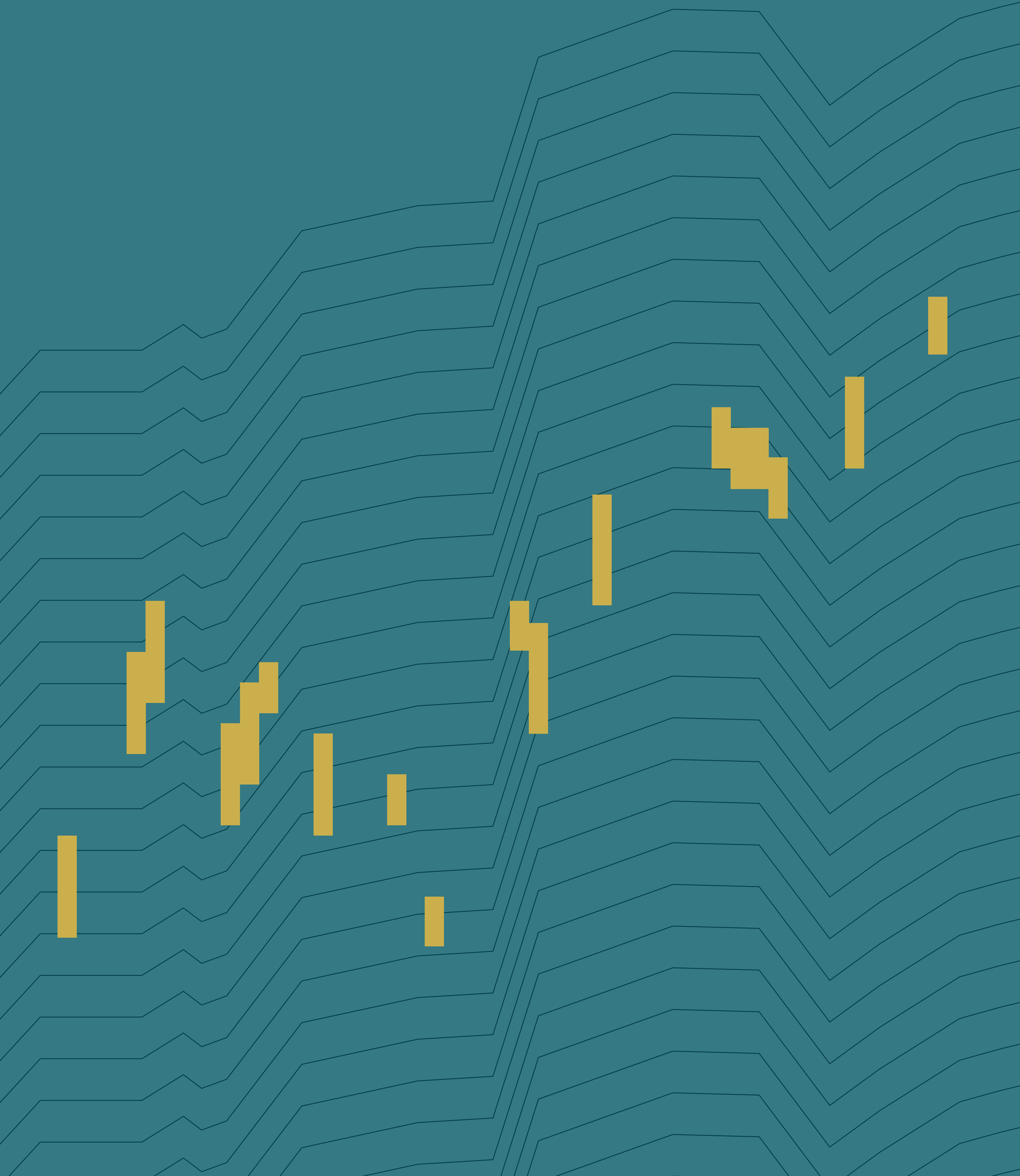
Company profile



Company profile

APS started in Prague (Czechia) in 2004 and has since grown and established a profile as a multinational asset management company. Our core competence lies in distressed debt investments. At the end of 2022, total assets under our advisement amounted to EUR 11.3 billion.

Asset size has not been our only growth – we have also grown in territorial range, expanding to cover other European markets. We are currently present in 15 European countries, especially in Eastern and South-eastern Europe. Keeping our eyes always open to new opportunities, we have extended beyond merely the old continent. We have also embraced the markets in Vietnam and Hong Kong.

APS has three business lines covering recovery services, investment services, and real estate services. Each of these lines finds success only through our dedicated team working together. We proudly employ more than 436 people across APS Group.

Given our origins, our specialists at **APS Recovery** have many years of experience to draw on in distressed-debt recovery, providing services in areas such as unsecured debt, mortgages, and secured corporate claims. This experience means we can offer fast, efficient, and ethical debt-collection servicing to benefit our clients.

As we conduct transactions across emerging markets in Central and Eastern Europe, our **APS Investments** experts manage trades in NPL portfolios. Through their hard work, we have gained a reputation as a trusted partner to the world's top financial institutions.

These investment activities are complemented by the activities of the professionals at **APS Real Estate**. Their work includes identifying, investing in, and managing real estate assets in Central-and South-eastern Europe.
We are proud to have built a strong, trustworthy team. Our core values include building collaborative relationships with fairness towards all stakeholders. Everyone, including our clients, debtors, business partners, and regulators, can rest assured knowing we will always follow strict ethical standards. With our understanding that debt recovery necessarily deals with human emotions, we accept no compromise regarding these standards. This approach has contributed to us remaining in markets as a reliable partner and eased our path to enter new countries.

Because we have committed to responsible collaboration, we will be around for the long-term. Given how essential our activities are for the smooth functioning of economies, we avoid quick fixes that could jeopardize our long-term goals. We have been around for 18 years and our approach is unwavering and uncompromised.

Who are we?

One of the market leaders in the CESEE region
We have **18 years** of experience in distressed debt investment and recovery
We have acquired **116 NPL portfolios**
We have **EUR 11.3 billion** assets under advisory
We manage over **800,000** loans
Our headquarters are in **Luxembourg**
We are proudly present in these countries: **Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Greece, Hungary, Italy, Luxembourg, Montenegro, Poland, Romania, Serbia, Slovakia, Ukraine.**
Adherence to the strictest ethical principles drives our activities.

History

Since its founding, the story of APS has been about expanding and pushing into new frontiers. This choice has proven to be correct over our 18 years of existence. Our dedicated efforts have enabled us to expand our presence into 15 countries. We have learned that we must never stop. New markets are always waiting for us to enter by building on our many existing successes.

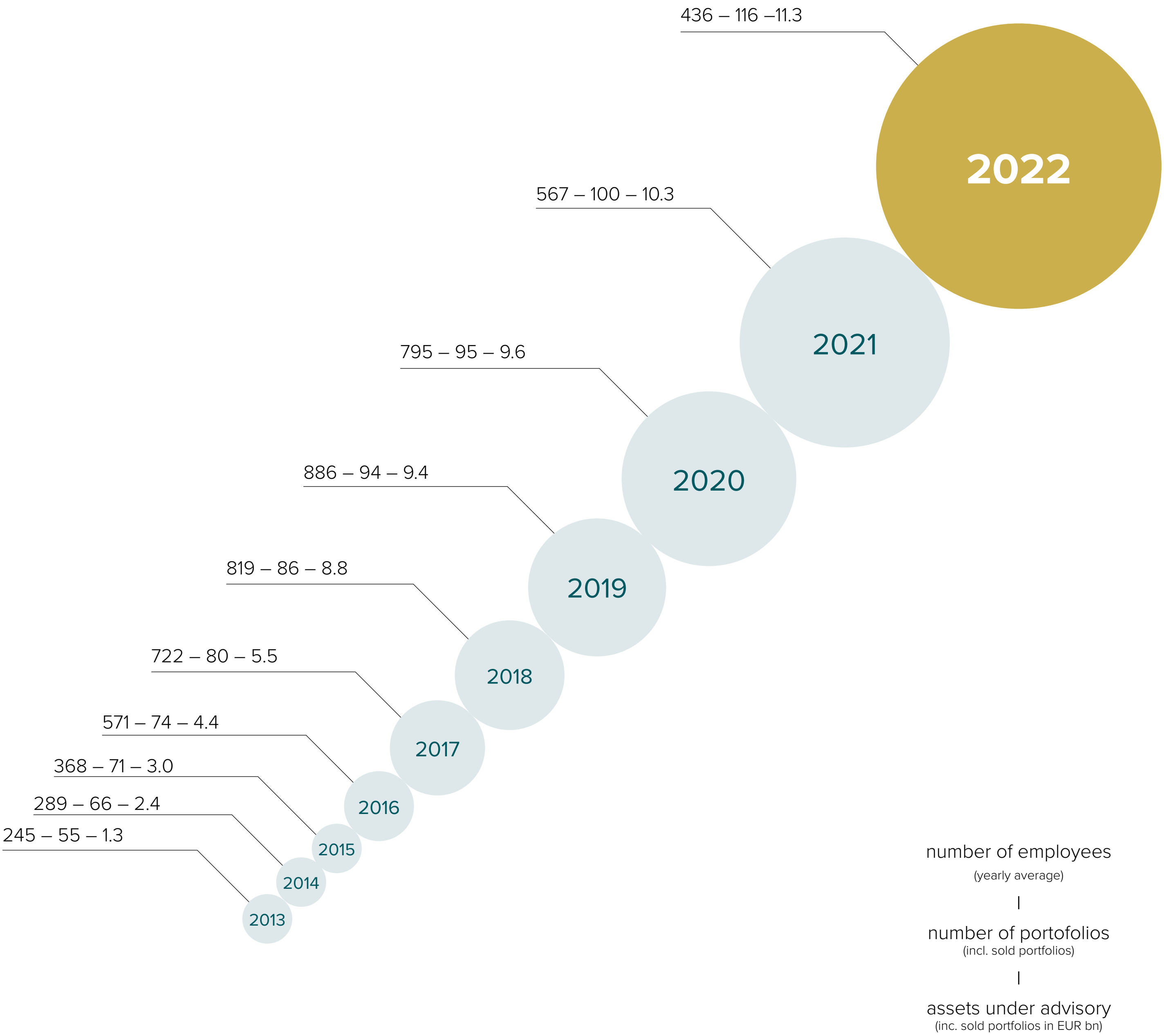
We have passed many milestones on our journey so far.

Our first success came in **2004** with the acquisition of a portfolio from Česká spořitelna (part of the Erste Group) amounting to EUR 25 million. That year also saw the current sole shareholder in APS, Martin Machoň, be tasked with developing greenfield projects under a Czech permit as a supervisor. He used this as the foundation to build a team with the best experts on the market.

As the team grew, their collective efforts bore fruit. Already the following year (**2005**) saw the opening of two new markets: Slovakia and Serbia. Other operations and services were also being added to expand in other directions.

Our expansion was once again territorial in **2007** with the launch of greenfield APS operations in Romania. With the help of London- and US-based investors, we established a new investment platform there and in Poland.

Our presence in Poland expanded in **2009** with the acquisition of a large securitization fund from Varde. Elsewhere, APS raised new capital for Loan Management, a Slovak–Cypriot investment structure.



We saw another greenfield expansion in **2012** when we entered Bulgaria and obtained our first corporate NPL portfolio marketed in this region.

Thanks to our diversified offer of services and products, in **2013** we were able to present our first closed-end investment fund (APS Fund Alpha). We also began a significant international partnership with the International Finance Corporation (a member of the World Bank Group).

Half a billion euro. That was the size of a secured retail portfolio we acquired from Volksbank Romania in **2014**.

In **2015**, a new real estate investment services division expanded our offer of services. As our services and products grew more comprehensive, we simplified the APS ownership structure with Martin Machoň becoming the only shareholder.

Our portfolio reached new heights a year later, in **2016**. Purchases in South-eastern Europe meant portfolios amounting to EUR 1.3 billion. We also launched APS Delta, a non-regulated securitization vehicle in Luxembourg, and expanded into other markets: Croatia, Hungary, and Cyprus.

As part of our efforts to help the Cypriot economic recovery in **2017**, our Real Estate division launched its full operation with two important purchases: Hellenic Bank's NPL portfolio and a real estate management business. This year also marked a decade of our success on the Romanian market!

We expanded in many areas in **2018**. This included our largest portfolio to date: EUR 2.3 billion in NPLs from Greece's Piraeus Bank. It also meant spreading in the Balkans, with new offices in Bosnia and Herzegovina and Montenegro. Within Central Europe, we strengthened our position by acquiring VB-Leasing, based in Vienna. This company, operating in Bosnia and Herzegovina, Croatia, Serbia, and Slovenia, administered nearly 20,000 cars. The Real Estate division also grew after partially taking over a commercial leasing portfolio previously managed by Immigon and so handling contracts with a total value of EUR 13 million.

The expansion in the Balkans continued in **2019** with the acquisition of two new NPL portfolios in Bosnia and Herzegovina and Montenegro. This purchase meant we became the leading debt investor and servicer in South-eastern Europe. Our Real Estate division introduced the Casazela and Syndre Valuation network operating in Croatia, Czechia, Hungary, Romania, and Serbia.

In **2020** APS advised with respect to non-performing loans to Loan Management Investment Fund. Fund got fully invested and allocated a total of EUR 87 million across sixteen well-diversified transactions.

Another momentous change came in **2021** with the launch of APS CREDIT FUND SICAV. This fund, which has collected over EUR 30 million, focuses on investments into distressed debt transactions and large corporate receivables secured by real estate assets. Examples of such collateral include logistics centers, hotels, office and residential buildings, and land. The fund set its investment strategy to reflect the economic situation of companies and consumers being burdened by the consequences of the global COVID 19 pandemic.

In **2022** APS has acquired a corporate and SME secured loan portfolio with a nominal value exceeding one billion euro in Greece. In September we launched the second subfund RHAPSODY II, which represents an investment opportunity with the expected above-standard return. The newly established fund aims to purchase problematic overdue receivables.

APS Global Position

Presence in **15** European countries
with more than **436** professionals
enables complete coverage of
Central Europe & South-Eastern Europe

1 . Czech Republic (CZ)
established: 2004
office address: Pobřežní 394/12,
Karlín, 186 00 Prague 8,
Czech Republic

2. Slovakia (SK)
established: 2005
office address: Vajnorská 100/A,
Bratislava, Nové Mesto 831 04, Slovakia

3. Poland (PL)
established: 2007
office address: Aleksandra Ostrowskiego 13D,
Wrocław, 53-238, Poland

4. Hungary (HU)
established: 2016
office address: Váci út 140,
1138 Budapest, Hungary

5. Croatia (HR)
established: 2016/2017
office address: Radnička cesta 43,
10000 Zagreb, Croatia

6. Bosnia and Herzegovina (BA)
established: 2018
office address: LIVA Business Center,
Trg međunarodnog prijateljstva bb,
71000 Sarajevo, Bosnia and Herzegovina

7. Montenegro (ME)
established: 2018
office address: Cetinjska 11,
The Capital Plaza 4th floor, 81 000 Podgorica,
Montenegro

8. Serbia (RS)
established: 2005
office address: Žorža Klemansoa 19,
III floor, Belgrade, Serbia

9. Romania (RO)
established: 2007
office address: 4B Ing. George Constantinescu
street and 2-4 George Constantinescu street,
Globalworth Campus Building C, 3rd floor,
Bucharest, 2nd district, Romania

10. Bulgaria (BG)
established: 2012
office address: 81B, Bulgaria Boulevard,
1404 Sofia, district Triaditsa, Bulgaria

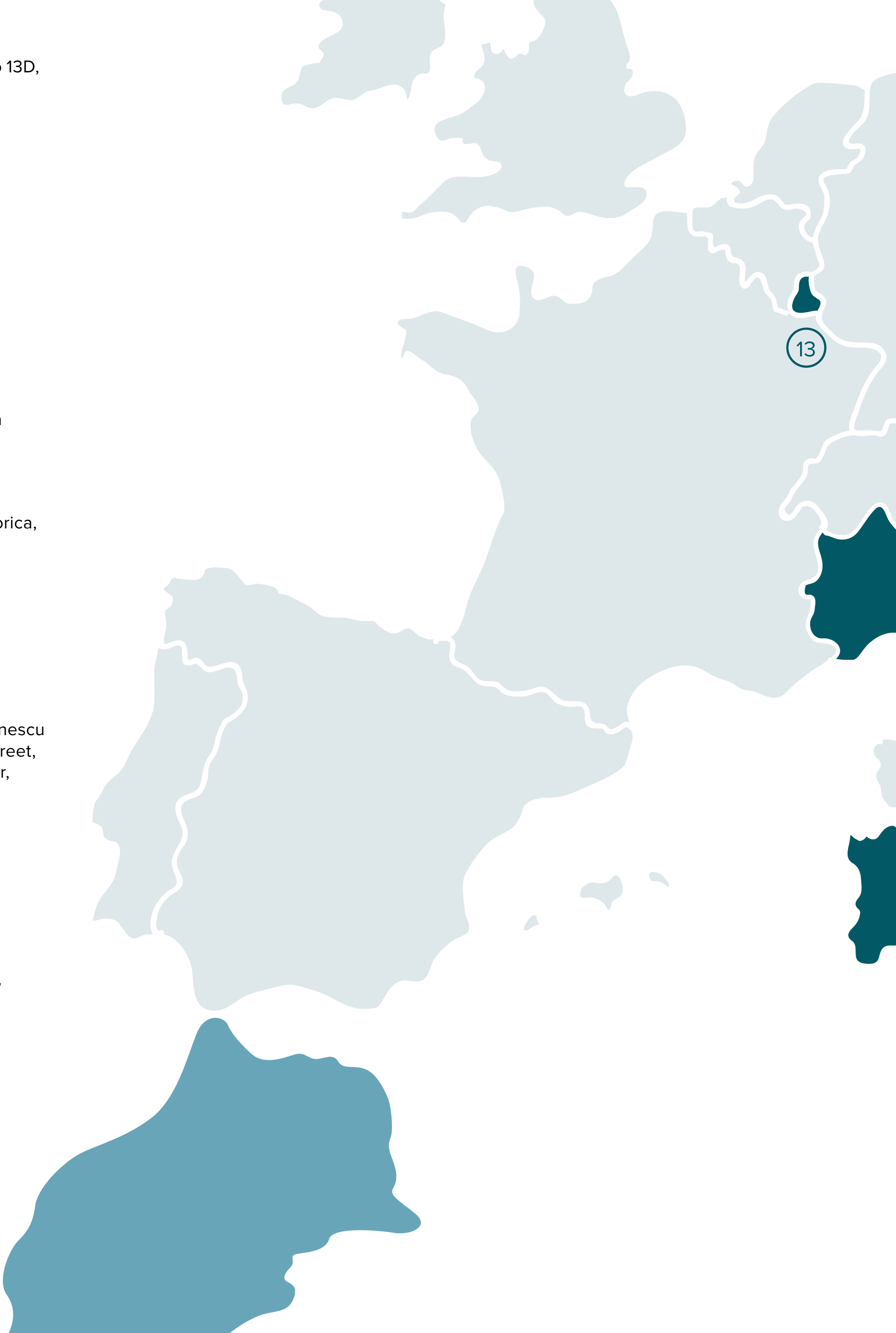
11. Greece (GR)
established: 2014
office address: 7 Paleologou St. Halandri,
152 32, Greece

12. Cyprus (CY)
established: 2016
office address: Strovolou 236,
Strovolos 2048 Nicosia, Cyprus

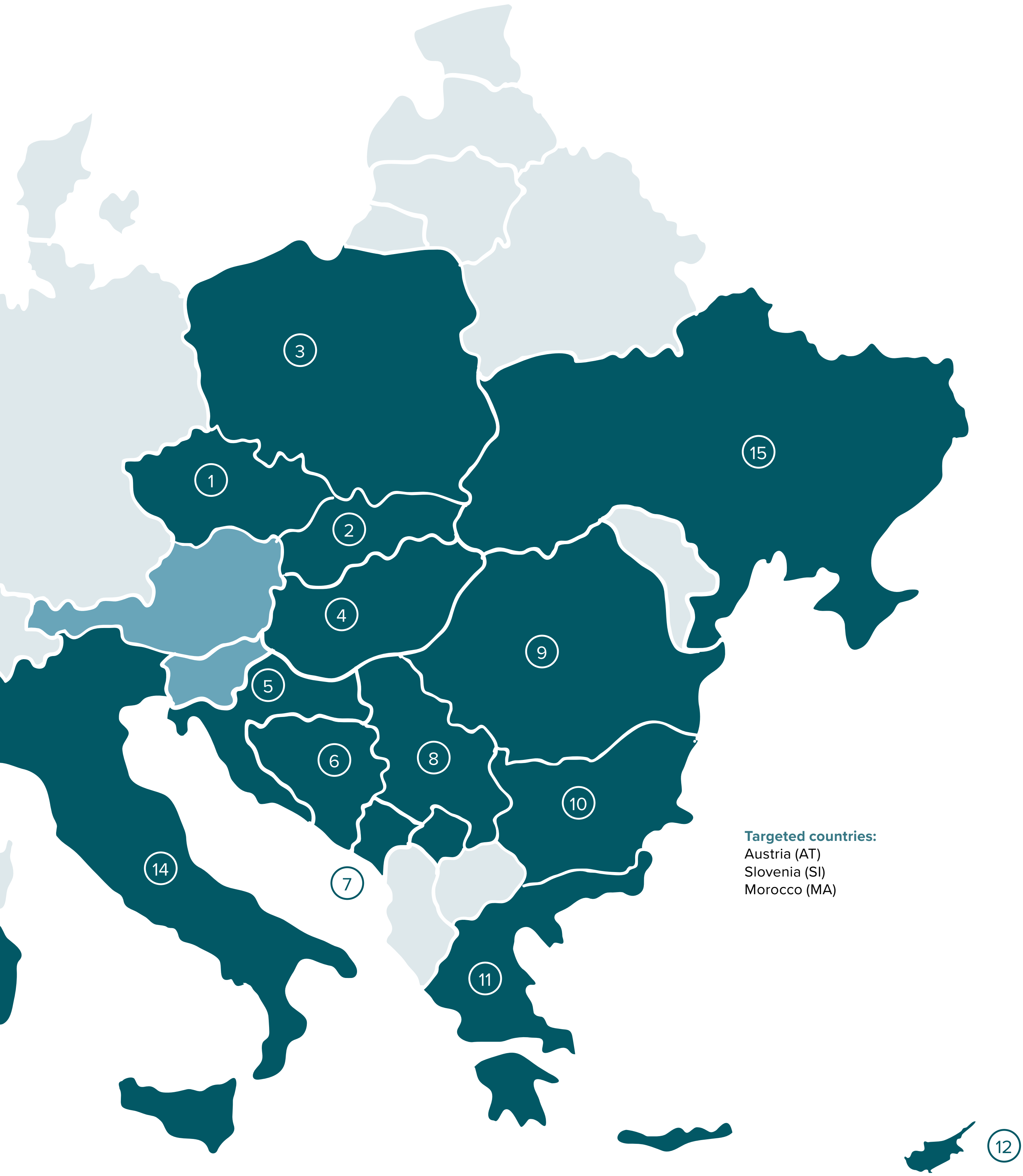
13. Luxembourg (LU)
established: 2015
office address: 6, rue Eugène Ruppert,
L-2453 Luxembourg

14. Italy (IT)
established: 2018
office address: Viale Abruzzi 94,
CAP 20131
Milano, Italy

15. Ukraine (UA)
established: 2019
office address: 15A, Kyrylivska St.,
4080 Kyiv, Ukraine



APS Global Position



Targeted countries:
Austria (AT)
Slovenia (SI)
Morocco (MA)

03

Company structure

Company structure

APS Holding S.A. (the "Company") was established as a private joint stock company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Company Register (Registre de Commerce et des Sociétés) under reg. No. B201461 on 16 November 2015.

In the course of 2023, the headquarters was changed to 46A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
The subscribed share capital of the Company is fixed at EUR 31,000. The Company is owned by the sole shareholder Martin Machoň.

As the holding company of APS Group, the Company holds 100% ownership interest and/or issued share capital in the following companies (as of 31 December 2022):

- APS Management Services s.r.o. (during the year 2023 the name was changed to APS Investments s.r.o.) and APS Recovery a.s., established and existing under the laws of the Czech Republic. The Company also held 100% ownership interest in APS Real Estate s.r.o. and APS Finance a.s. These companies were dissolved by merger with APS Recovery a.s., to which the assets of the companies were transferred. The decisive date was 1. January 2022, registration of the companies' dissolution in the Commercial registry was on 15 December 2022.
- APS Investment Funds S.à r.l., established and existing under the laws of the Grand Duchy of Luxembourg.

The Company is administered by the Board of Directors (Conseil d'administration) with five-year terms of office, comprising of Martin Machoň since 21 December 2018, Luca Gallinelli since 1 February 2022, and Petr Valenta who represented the company from 27 January 2020.

Company Structure

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

Organization chart of APS Group; as modified during 2022, the group comprised these main subsidiaries:

CZECH REPUBLIC
- APS Recovery a.s.
- APS CREDIT FUND SICAV, a.s.
- APS CZ&SK SERVICES s.r.o.
- APS MIP, s.r.o.
- APS BETA, a.s.
- APS GAMMA s.r.o.
- APS Management services s.r.o. (now: APS Investments s.r.o.)
- LOAN MANAGEMENT investiční fond, a.s.
- APS Investments S.à r.l., odštěpný závod

POLAND
- APS Poland S.A.
- APS Warsaw sp. z o.o.

SLOVAKIA
- APS Investment s. r. o.
- LOAN MANAGEMENT II, a.s.
- APS Investments S.à r.l., organizačná zložka

HUNGARY
- APS Hungary Kft.
- APS Recovery Hungary Kft.
- Casazela Kft.

ITALY
- APS Italy S.R.L.

MONTENEGRO
- APS Montenegro D.O.O. Podgorica

ROMANIA
- APS Consumer Finance S.R.L.
- APS REAL ESTATE DEVELOPMENTS S.R.L.
- APS RED II S.R.L.
- Asset Portfolio Servicing Romania S.R.L.
- Casazela Properties S.R.L.
- Serraghis Asset Management S.A.
- APS Management Services s.r.o. Praga Sucursala Bucuresti

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

CROATIA
- APS Croatia d.o.o.

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

GREECE
- APS Recovery Greece EPE
- APS Recovery Greece Credit and Loan Servicing Société Anonyme
- APS ETA REO SINGLE MEMBER S.A.

UKRAINE
- LLC "APS Ukraine"

SERBIA
- APS FUND BETA D.O.O. Beograd
- APS D.O.O. BEOGRAD
- CASAZELA DOO BELGRADE-STARI GRAD
- RE CLASS Solutions
- SYNDRE DOO BELGRADE-STARI GRAD

BOSNIA AND HERZEGOVINA
- APS BH d.o.o.

Martin Machoň
Owner and Group CEO

Martin has over 16 years of experience in distressed asset management and advisory and has been an integral part of APS from its inception. He has been involved in all phases of APS development since its founding in 2004. Prior to establishing APS, Martin held management positions at Société Générale and Lucent Technologies.

APS Group Management Team

as of 31 December 2022

Petr Kohout
Group Chief Financial Officer

Petr has more than 25 years of experience in financial services industry both in the Czech Republic and internationally. He spent 12 years in Société Générale Group and acted also as a CEO of its consumer finance subsidiary in Vietnam. Prior to joining APS, he acted as a Group CFO of Homecredit, the largest POS financing provider in the world and worked also for PriceWaterhouseCoopers and ING.

Viktor Toth
Chief Investment Officer

Viktor is leading the APS investment team in Bratislava and Bucharest and joined the Investment team in 2013. Viktor is managing acquisitions across all the markets where APS is active or expanding and has experience with the wide spectrum of distressed assets. Prior to joining APS, Viktor was working for more than seven years in private equity. Viktor served as the Head of Fund Administration at Munich Private Equity Partners, prior to that Viktor was working with Swiss Re Private Equity Partners.

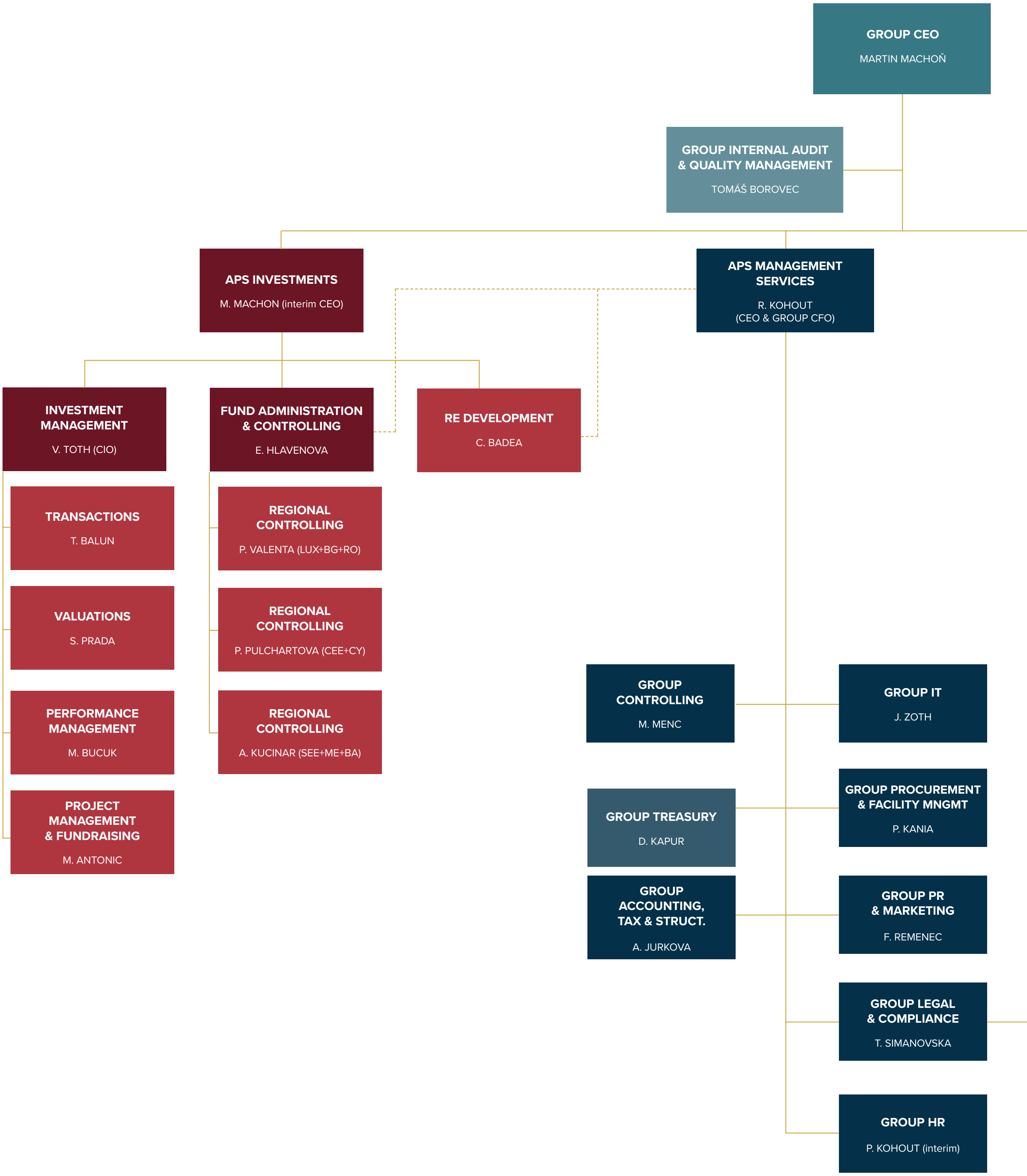
Roman Šedivý
CEO of APS Recovery

Roman has been working in APS for more than 8 years: initially as the Head of Recovery in APS CZ&SK, later in Business Development establishing new APS Recovery subsidiaries and since 2020 he took over also the responsibility for the teams covering 'Under 5' investment projects, HR, Reporting and Business systems. And then he acted as COO of APS Recovery. He graduated from University of Economics in Prague.

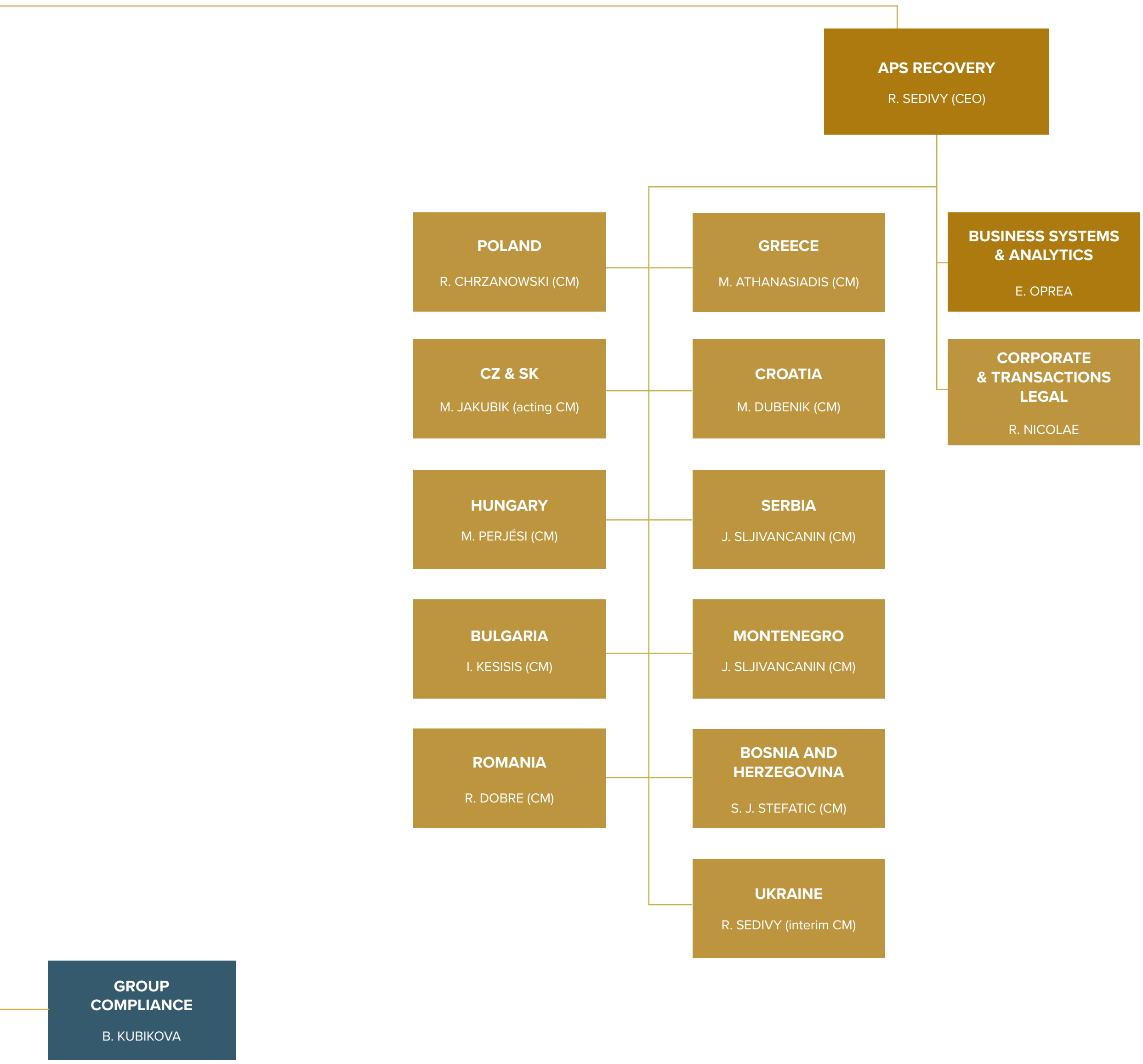
Eva Hlavenová
Head of Fund Administration & Controlling

Eva has been working at APS for eight years. She leads the Fund Administration team in controlling, reporting, audit, and cash flow management. She is responsible for the financial and operational management of 40 companies in central and southeastern Europe, including setting and implementing internal directives and regulations. Eva has an active role in fundraising and external relationship management. Prior to working at APS, Eva had worked at EY.

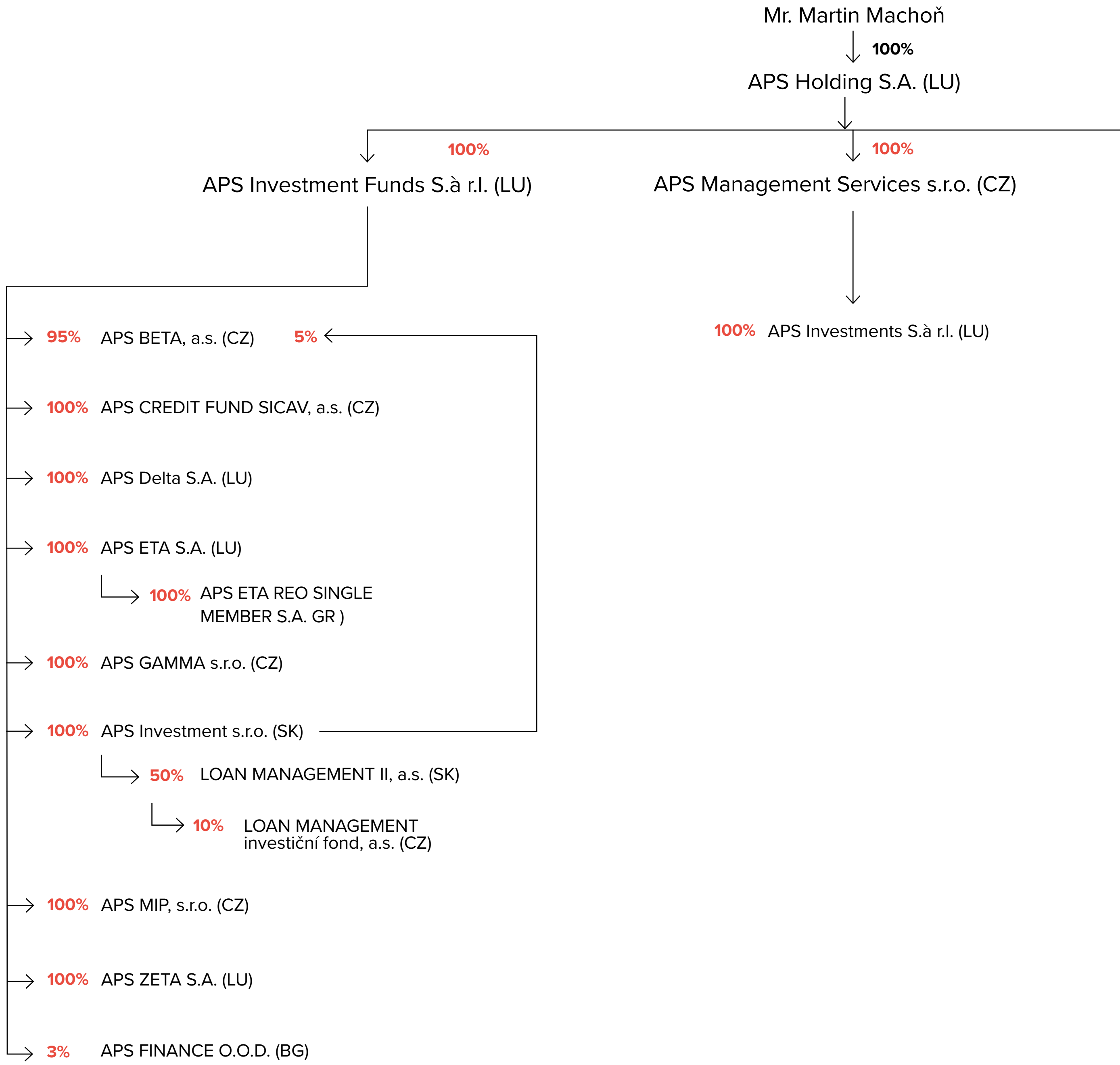
Organization Chart of APS Holding S.A.



Organization Chart of APS Holding S.A.



APS Holding S.A. Company Structure chart
as of 31 December 2022



APS Holding S.A. Company Structure chart
as of 31 December 2022

100%

APS Recovery a.s. (CZ)

- 100% APS BH d.o.o. (BA)
- 100% APS Bulgaria E.O.O.D. (BG)
- 100% APS Croatia d.o.o. (HR)
- 100% APS CZ&SK Services s.r.o. (CZ)
- 100% APS d.o.o. Beograd (RS)
  - 100% APS FUND BETA d.o.o. Beograd (RS)
  - 100% Casazela d.o.o. Beograd Stari Grad (RS)
  - 100% RE CLASS Solutions (RS)
- 100% APS Hungary Kft. (HU)
  - 80% APS Recovery Hungary Kft. (HU)
  - 100% Casazela Kft. (HU)
- 100% APS Italy S.R.L. (I)
- 100% APS Montenegro D.O.O. Podgorica (ME)
- 100% APS Poland S.A. (PL)
- 95% APS REAL ESTATE DEVELOPMENTS S.R.L. (RO)
- 100% APS RED II S.R.L. (RO)
- 97% Casazela Properties S.R.L. (RO)
- 100% Syndre d.o.o. Beograd Stari Grad (RS)
- 100% APS Recovery Greece EPE (GR)
  - 65.4% APS Recovery Greece Credit and Loan Servicing S.A. (GR)
- 100% APS Warsaw sp. z o.o. (PL)
- 100% Asset Portfolio Servicing Romania S.R.L. (RO)
  - 0.04% Serraghis Asset Management S. R L. (RO)
  - 0.037% APS Consumer Finance S. R.L. (RO)
- 100% LLC "APS Ukraine" (UA)

04

Vision and Values

Vision and Values

Since we got started in 2004, we have gained a lot of experience from entering 15 markets in Europe and more outside Europe. But it is not enough for us to live in the past. To continue as a market leader, we know that we need to look to the future.

We have set a vision of becoming the best alternative asset manager in distressed financial services. Our presence in various markets has given us the necessary experience to ensure we maintain our place among the top players.

Our reputation is already strong. Our customers in all our markets have appreciated how we have tailored innovative solutions to help them to achieve their goals. We have repeatedly seen that a one-size-fits-all approach does not work. That is why we work with the brightest people to find the best solution for each situation.

To reach our lofty vision, all we need is to continue with the few basic yet powerful principles that drive all our activities. We start by focusing on results and being **committed** to succeeding at the new opportunities we are always seeking. We work to ensure we are a **trustworthy** partner with high-quality solutions that stands ready to be held accountable for outcomes. And our efforts are always **collaborative** to make sure that we succeed together as a team. With these values as our guide, our team can keep pushing our limits in all that we do.

Our focus on our core competence of acquiring, advising, and servicing non-performing portfolios is key to achieving our ambitious goals. Non-performing assets burden the economy, limiting banks' ability to provide loans, companies' ability to meet targets, and people's ability to fulfil their dreams. By helping to recover non-productive capital, APS increases the welfare of local communities. Throughout the process, we treat debtors with the utmost respect, recognizing the devastating impact being unable to repay debt can have on their mindsets. Our commitment to finding the best solutions, even for the most complicated cases, remains unwavering.

Over our 18 years of existence, we have already gained invaluable knowledge. But we know the journey never stops. We will continue to learn and refine our discoveries. Through this approach, we bring value to our investors and partners.

05

Services

KEY BUSINESS LINES In 2022, our business lines comprised three main areas. The first is our strong Investments business line consisting of the Investment Management division and the 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. And the third is the Real Estate business line.

INVESTMENTS

Our investment and fund management teams provide comprehensive professional services related to investments into all classes of distressed assets. We serve as an investment advisor across the lifetime of the investment: starting with deal origination and acquisition and followed by performance management and administration related to the ownership and management of the transactions. We identify investment opportunities across the CEE and SEE region, targeting portfolio transactions as well as acquisitions of operating entities with portfolios on the books. When processing the acquisition of the distressed asset, APS is engaged in comprehensive investment advisory services such as portfolio valuation, collateral analyses, recovery strategies analysis, and due diligence support. Our team manages the transaction through financial closing and continues with fund administration, reporting, and performance and cash flow management. Our advised transactions are funded by funds and accounts advised by APS as well as institutional investors and family offices. On a deal-by-deal basis, we also co-invest alongside reputable institutional pan-European and global investors. We are a trusted partner to the world's top financial institutions and private investors as well as supranational institutions, including the IFC, a member of the World Bank, and the EBRD.

DEBT RECOVERY

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

REAL ESTATE

The real estate business line is focusing on investment and development projects. All real estate investment and development projects can benefit from our international team of experienced professionals.

Debt Recovery

With over 18 years of experience managing distressed debt across multiple jurisdictions, debt recovery helps to form the core of APS operations. We have built a reputation as a trusted and reputable servicer to institutional investors and banks based on our ability to handle a variety of exposures, including consumer loans, residential mortgages, corporate loans with real estate collateral, and REO assets.

As the servicing arm of APS Group, APS Recovery boasts multi-unit, cross-country infrastructure for all types of collection activities through locally based branches. We export our know-how and best practices to new locations and monitor the recovery process with continuous data analysis and reporting tailored to our clients' needs. Our emphasis on innovation and quality is reflected in our strong collection and recovery teams with extensive knowledge of KPI-driven soft collection and the most complex corporate cases at various stages of legal collections. With over 100 portfolios acquired and more than EUR 11.3 billion in assets under advisory, we have the expertise to deliver results.

Despite the external challenges faced in 2022, global post-COVID-19 environment and the war in Ukraine, we successfully met our gross collection targets. Although we have decided to exit the Ukrainian market by the end of 2023, the impact on the overall group will be immaterial as it was not one of our core markets. We remain committed to delivering the highest quality debt recovery services to our clients and investors, no matter what the external circumstances may be.

At APS, we are proud to invest in our people, who number over 400 professionals across 15 offices. We believe in developing and growing our own employees, with many success stories of career growth within the group, including reaching managerial and directorial positions. We encourage cross-border knowledge and best practice sharing through rotations among teams and countries. Our employees pay us back with great results, and we take good care of them by implementing retention measures, better induction plans, coaching and mentoring programmes, and rewards for creative thinking. We also recruit experienced experts from banks, advising companies, law firms, and other businesses to supplement our internal pool of talent. At APS, we value initiative and drive and encourage our employees to step up and raise the standard.

Systems

For 10 years already, APS has benefited from a state-of-the-art technological environment, a setup developed around some of the most advanced IT systems within the distressed debt management market: Capone and Mediatel.

Capone – One fits all

Capone is the core debt recovery management platform used within all APS branches.

Built on an Oracle database, Capone enables 100% stability, efficiency, and scalability.

Capone is a comprehensive system that combines within a single system all the necessary tools for a data-driven and auditable environment focused on process dynamics. With its comprehensible structure, Capone offers countless options for data analysis and decision-making components with a practically unlimited range of use for both APS itself and our clients and investors.

Capone is built on layers, which enables it to provide a high-level user experience through a 360° view of everything involved in a business process. Users can easily access designated system components through specific authorizations; feed the system with data; and plan their activities using features such as reminders, alerts, and tasks; and even activate predefined workflows set in accordance with a given legal framework.
The system is continuously evolving and accommodates the most recent and demanding distressed debt market strategies and regulations, while still making use of APS Group

know-how and common features. Flexibility is also one of Capone's strengths. The system can integrate with countless third-party interfaces such as clients' systems, telecom services, and public institution platforms. This enables a rapid two-way data exchange process to increase business efficiency and remove human error.

Mediatel – Out-of-the-box call centre solution

This is the call center system used within all APS branches.
Mediatel is fully integrated with Capone and equipped with a two-way communication channel that enables data transfer from Mediatel to Capone and vice versa in real-time.

A robust system built on a Microsoft Server database, Mediatel accommodates countless phone lines and agents. It incorporates multiple services that can be used either as stand-alone options or combined to accommodate even the most complex distressed debt market strategies: outbound and inbound campaigns, interactive voice responses, call recording, on-the-spot agent coaching, and monitoring. Mediatel can achieve outstanding efficiency thanks to its base of several complex call distribution algorithms. These embedded mechanisms automatically set up several processes for agents: lead links based on agent skill scoring, dialling rules and speed, and line overflow.

Investment Management

NPL Market 2022: What was completely unexpected in the not-so-distant past is now becoming a reality. Inflation is predicted to remain too high for too long. That is why the Governing Council decided in March to raise the ECB's three key interest rates by 50 basis points, in line with its determination to ensure a timely return of inflation to the medium-term objective of 2%. This is the sixth consecutive increase in the main refinancing rate, bringing it to 3.50%.

Tighter financing conditions together with increased risk premiums create additional presure on housholds and the corporate sector. The euro area economy stagnated in the fourth quarter of 2022, thus avoiding the previously expected contraction. Employment grew by 0.3% in the fourth quarter of 2022 leading to the unemployment rate remaining at its historical low of 6.6% in January 2023. However, private domestic demand fell sharply. High inflation, prevailing uncertainties, and tighter credit availbility dented private consumption and investment. Rising wages and falling energy prices partly offset the loss of purchasing power that many households are experiencing as a result of increasing prices. This, in turn, will support consumer spending. Moreover, the labour market remains strong, despite the weakening of economic activity.

The strong labour market is one of the reasons we have not seen an increase in NPL ratios in the banking sector. In fact, NPLs in many countries in Central, Eastern, and South-eastern Europe (CESEE) have continued on a downward trend, even declining to historical lows. As of 30 June 2022, the average share of NPLs in total loans (the NPL ratio) in CESEE stood at 2.6%, down by 0.5 percentage points from 30 June 2021. The ratio dropped to its lowest on record in recent years, indicating that the quality of bank assets has not deteriorated, at least for now, even after most government support measures were lifted. Although the region has remained resilient to the current geopolitical and economic environment, concerns remain, particularly regarding the significant trend of rising interest rates to contain rising inflation and the ongoing cost-of-living crisis. We must also take into account the fact that NPL statistics are not structured to reflect the immediate situation due to the time lag (of at least 90 days) in NPL realization. In the same period, the share of loans in Stage 2 according to International Financial Reporting Standard (IFRS) 9 grew, which points to an increased level of credit risk. The divergent movement of NPLs and Stage 2 loans may indicate that pressure on asset quality is increasing. The market witnessed a continuous decline in NPL transactions throughout the year. As of June 2022, the volume of NPLs in CESEE had decreased by almost 7% to EUR 32.2 billion. Although this number may seem enormous, it is one of the lower volumes in recent years. The decline was led by the Baltic countries, where it fell by an average of 25%. Poland has also seen decline in volume of 1.2 bilion, or 11.2%. Due to a high volume of NPL securitization deals under the Hercules Asset Protection Scheme in Greece, volumes fell by 15.8 bilion (45.7%) there. Only Hungary, North Macedonia, and Montenegro saw increases in NPL transactions, with their volumes rising by 13%, 3.5%, and 17.8%, respectively.

According to the Vienna Initiative, NPL ratios in the region fell by 0.5 percentage points. As of June 2022, the average NPL ratio (as the proportion of NPLs to total gross loans) in the region decreased to 2.6%. This is the lowest level recorded since the NPL Monitor was first published in 2016, 0.2 percentage points lower than the previous low recorded in the previous H1 2022 edition. Croatia saw the largest decline, posting a 1.6 percentage point drop during the period to reach 4.9%. Of the countries covered, the NPL ratio increased only in Montenegro, by 0.6 percentage points, reaching 6.9%. Ukraine (31.5%), Greece (8.8%), Montenegro (7%), Albania (5%), and Bulgaria (4%) still show significantly higher NPL ratios than the regional average. The majority of countries kept their NPL loans below 2% as a percentage of GDP. The volume of NPL loans in Greece is almost one tenth of Greek GDP.

In wider Europe, the EBA Risk Dashboard of Q2 2022 showed that NPLs in the EU/EEA reached 1.8% in Q2 2022, which is the lowest level since the global financial crisis. The decline was more significant in countries with higher ratios. The NPL ratio of the highest 5th percentile stood at 5.4% (5.7% in Q1). The NPL ratio declined to 2.2% for household exposures and to 3.4% for loans to non-financial corporations (2.3% and 3.6%, respectively, in Q1). The decline was more pronounced in commercial real estate (CRE) exposures (4.2% in Q2 from 4.7% in Q1) and small and medium-sized enterprises (SMEs; 4.4% in Q2 from 4.8% in Q1). EU/EEA banks reported EUR 335 billion in forborne loans, representing 1.7% of total loans (vs 1.9% in Q1 2022).

Despite positive NPL ratio development, there are early signs of asset quality deterioration. The share of loans allocated to IFRS 9 Stage 2 has continued to increase (9.5% in Q2 vs 9.1% in Q1) and is now standing above pandemic levels. Persistent inflation could have a significant impact on more vulnerable firms and households. A recovery in energy and commodity prices that may occur in the second half of 2023 due to China opening after COVID could seriously affect energy-intensive sectors. Significant calls for additional settlement in energy markets could raise liquidity concerns among energy firms. In the event of a recession, concerns about debt sustainability could be highlighted. Residential real estate prices, which in several countries still show signs of overvaluation, may suffer corrections in an environment of rising rates.

Many European countries have introduced measures since the beginning of the war in Ukraine, mainly to mitigate the effects of rising energy prices and inflation. Eurozone governments have spent around 1.4% of GDP on such discretionary measures, with many energy support measures extended until 2023. However, it is highly unlikely that households and businesses will benefit from the same level of government support to mitigate credit risks as they did during the pandemic (such as government guarantee schemes, moratoriums). Both the ECB and the IMF have urged fiscal authorities to refrain from introducing large, untargeted support schemes that could limit the effects of monetary tightening on taming inflation.

According to the ECB, CRE loans have been under scrutiny for some time. The current crisis, with growing concerns about the industry, is drawing attention. CRE already accounts for about 30% of Europe's bank NPLs, partly due to old loans left over from the global financial crisis. Higher interest rates and the expected downturn are expected to further weigh on the sector. The challenges facing the sector are now accentuated by the worsening macroeconomic environment, rising financing and construction costs, persistent bottlenecks in the supply of building materials, and structural trends affecting the overall demand for office space. This is likely to further affect the already low profitability of CRE investment projects in the EU, ultimately increasing the risk of default and potentially leading to an increase in NPLs in the sector.

Residential real estate (RRE) is also a growing area of concern for regulators as it represents a significant portion of European banks' lending and is beginning to show signs of stress. Loans and advances secured by real estate intended for housing represent EUR 4.1 trillion, which is one third of all loans granted to households and non-financial companies in the EU. The risks associated with this sector are therefore significant. One of the main risks identified is the possibility of downward corrections in RRE prices in some markets. Deteriorating financing conditions may also increase the risk of default by more indebted households. This risk is particularly pronounced for households with lower incomes, as the ECB has noted that high inflation has a particular impact on their disposable income and ability to repay debt.

APS transactions in 2022

In 2022, APS deployed over EUR 130 million in capital across the countries where APS is active.

The flagship deal of the year was the closing of the Greek project Frame. It is a portfolio of predominantly secured corporate and SME NPLs with a nominal value of more than EUR 1 billion that APS acquired from Bain Capital Special Situations. The portfolio includes claims secured by over 3,000 assets as collateral, mainly commercial, residential, and industrial properties; hotels; and plots of land.

APS Group widened its activities in Slovenia after it successfully acquired UNICREDIT LEASING, leasing, d.o.o. from UniCredit Banka Slovenija d.d. UNICREDIT LEASING, leasing, d.o.o. is a company with assets worth ca EUR 60 million, over 2,000 clients, and more than 3,500 leasing contracts. After the acquisition, the leasing company changed its name to APS Finance Adria, d.o.o.

APS closed the largest secured corporate NPL portflio in 2022 in Romania. It was sold by Bank of Cyprus and included NPLs with a nominal value of EUR 147 million and real estate.

In Croatia, APS acquired one secured corporate and two unsecured retail NPL portfolios from local banks.

In Bulgaria, we managed to close a number of unsecured retail non-performing portfolios.

In Latvia, we managed to close our first deal. The project represents a forward flow of unsecured retail NPLs.

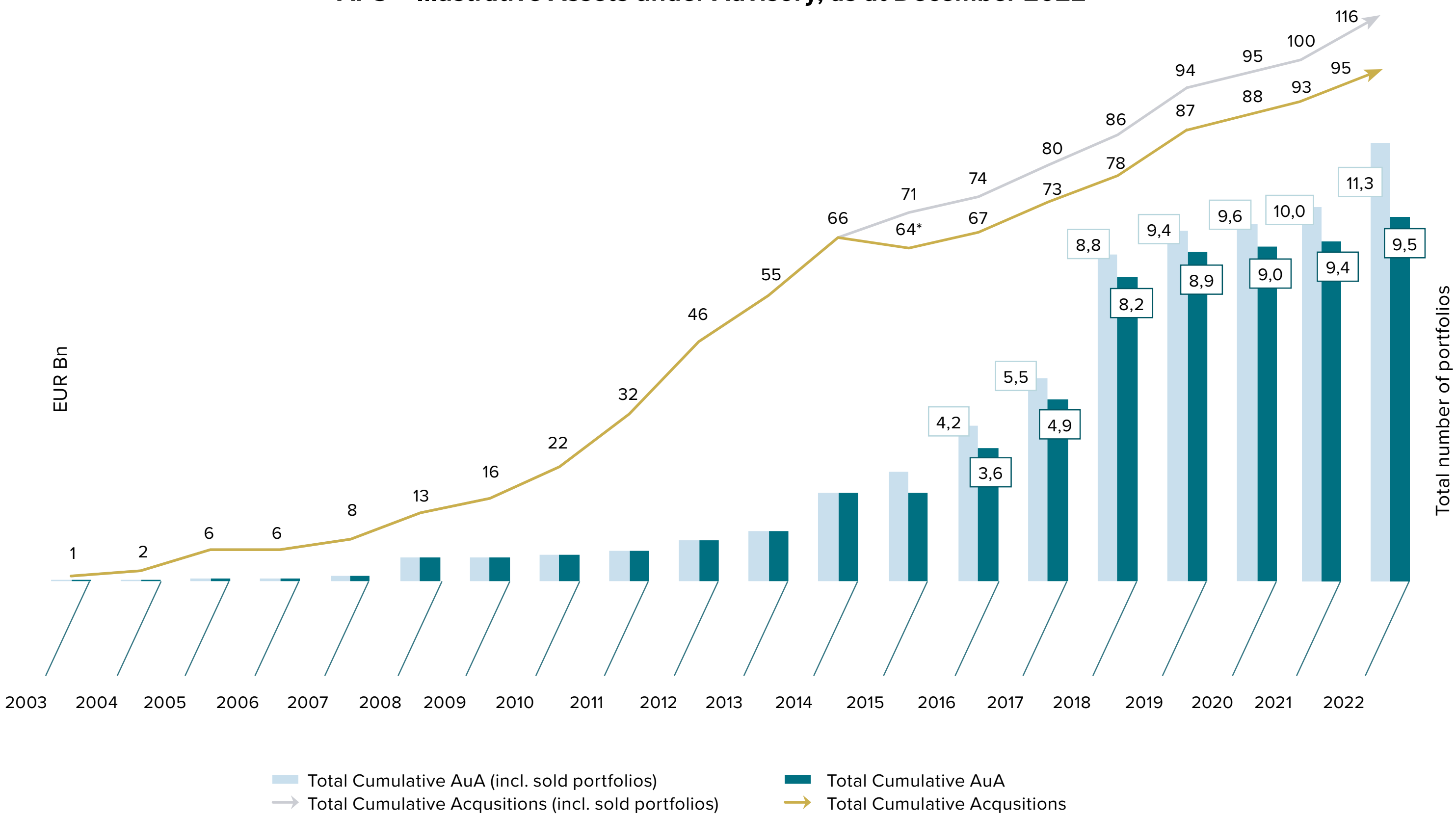
Over the course of the year, the eyes of the APS team analysed 222 potential transactions in 22 countries. Romania was the most active country with 38 projects. From a size perspective, Greece generated the highest volume with a nominal value of more than EUR 8 billion, followed by Poland (1.8 billion) and Romania (0.5 billion). A total of 77 projects were unsecured retail NPLs with a nominal value of EUR 4 billion, 43 were secured corporate NPLs with a nominal value of 4.8 billion and almost 2 billion in beginning market value. In addition to NPL deals, APS also considered 21 REO, 7 telco, 4 utility, and 3 leasing portfolios and 9 entity transactions.

Investment Management

APS in Summary and Numbers

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

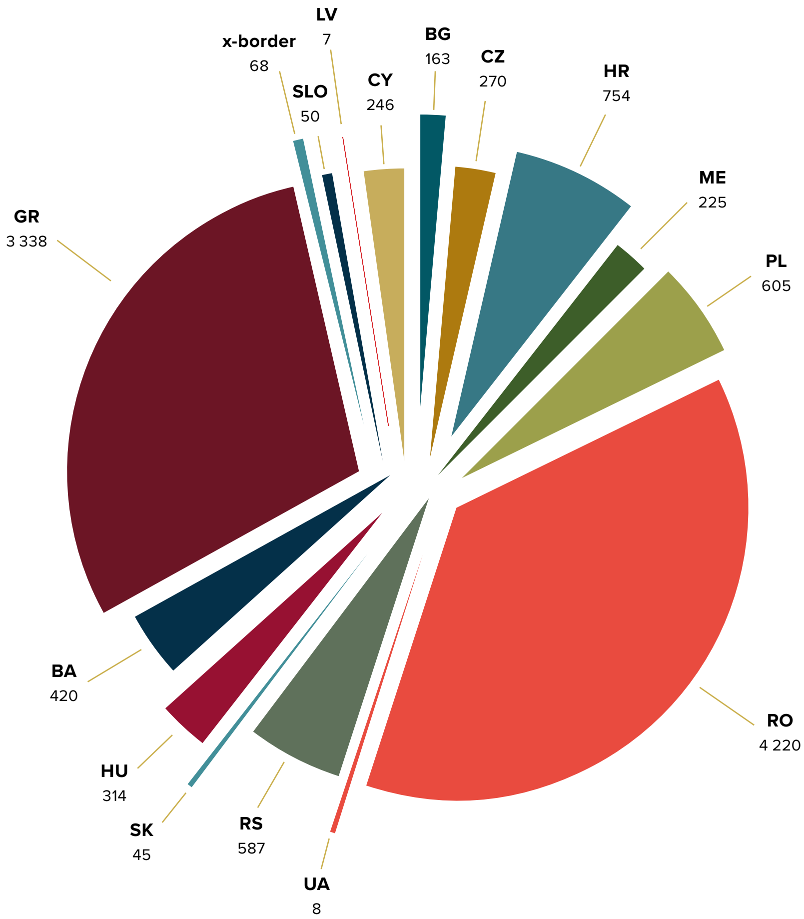
APS – Illustrative Assets under Advisory, as at December 2022



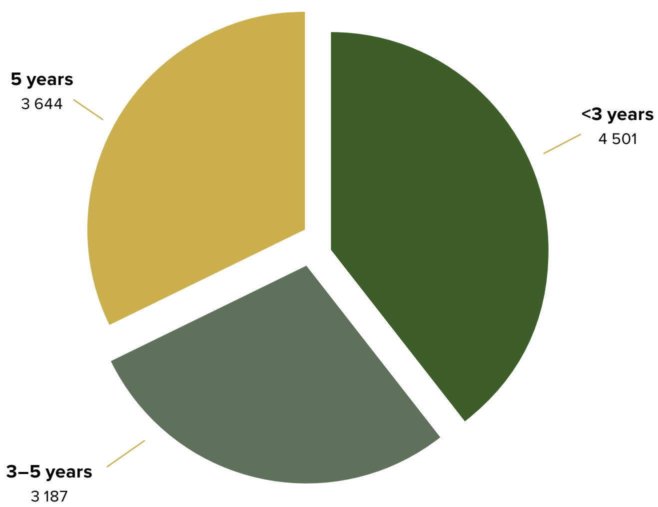
*decrease in 2015 portfolio number is due to sale of 7 tail portfolios with NV of EUR 0.58 bn. compensated by acquisition of 5 new portfolios

** Assets under Advisory figures are presented at historical value principle, representing nominal values as at acquisition date

NOMINAL VALUE BY COUNTRY
Grand Total (EUR m)



NOMINAL VALUE BY AGE
Grand Total (EUR m)



APS Funds

Serraghis Loan Management Ltd.

- Established in 2009
- Investment period 2010–2012; 2016–present
- Non-regulated investment vehicle from Cyprus
- The first APS investment vehicle for regional institutional investors and family offices
- Invested in 31 portfolios with a total nominal value of EUR 790 million
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor regarding NPL portfolios.
- At the end of 2022, the performance of Serraghis Loan Management was ca 111%, proving the portfolios' potential – expected IRR is 17–19% with an expected overall net cash multiple of over 2.73. Due to diversification, performance oscillates around the target performance. .

APS BETA, a.s. formerly APS FUND BETA uzavřený investiční fond, a.s.

- Established in 2013
- Investment period 2014–2018
- Non-regulated investment vehicle from Czechia (de-licencing from a regulated Qualified Investors Fund completed in early 2018)
- Special fund created by APS to partner with the IFC
- All types of NPLs and distressed assets
- Invested in 4 Romanian portfolios with a total nominal value of EUR 1.07 billion
- APS has been the exclusive investment advisor regarding NPL portfolios.
- The overall performance of APS BETA was ca 77% in 2022, compared to 77% in 2021. Further gradual improvements in overall performance are expected. Weakness has been caused by recovery time shifts and delayed cases (cases with debtor appeals).

APS Delta S.A. & APS Zeta S.A. & APS Eta S.A.

- Luxembourg unregulated securitization vehicles with an independent Luxembourg-based administrator
- Investors include credit funds and supranational institutions
- For investors that prefer to invest on a deal-by-deal basis
- Target investors to commit EUR 10–50 million each
- Assets held in dedicated bankruptcy-remote compartments
- Investors hold bonds issued by the compartment
- Investors receive distributions on a monthly basis

APS Delta S.A.

- Established in 2016
- Investment performance oscillates within the expected range. The outlook for 2023 remains positive. Some portfolios reached their tail phase and restructuring is in process.

APS Zeta S.A.

- Established in 2021
- Open for investment
- More than EUR 40 million invested in the CEE region
- Significant investment over-performance compared to the original targets. The outlook for 2023 remains very strong.

APS Eta S.A.

- Established in 2022
- Fully funded, single investment vehicle in cooperation with a banking institution
- The collection process started in 2023 with a positive forecast.
- Holding 100% in the subsidiary APS ETA REO SINGLE MEMBER S.A. serving as a REO strategy vehicle for selected real estates.

LOAN MANAGEMENT investiční fond, a.s.

- Established in 2016
- Qualified Investor Fund regulated by the Czech National Bank
- Licence for self-governance obtained in November 2018
- Investors operating under the jurisdiction of Slovakia
- As of 31 December 2022, 20 investments have been made
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor regarding NPL portfolios.
- Performance was ca 100% in 2022 vs 133% in 2021.

APS CREDIT FUND SICAV, a.s.

- In 2021, APS successfully launched APS CREDIT FUND SICAV, a commingled regulated fund domiciled in Czechia.
- The Fund raised more than EUR 31 million within the first fundraising period of its sub-fund RHAPSODY. In 2022, the fund launched the second sub-fund RHAPSODY II with ongoing fundraising.
- APS CREDIT FUND SICAV targets distressed opportunities in the post-COVID-19 environment. Due to impact of

COVID-19 on national economies, distressed markets are expected to be extremely active in the upcoming years. APS CREDIT FUND SICAV is designed to offer Czech and Slovak qualified investors participation in this substantial investment opportunity.

- The expected targeted return on investment is 12–15% p.a. (net of fees). The recovery process for portfolios acquired through APS CREDIT FUND SICAV will be managed by local APS servicing subsidiaries.
- The RHAPSODY sub-fund invested into more than 20 investment opportunities, with the investment period still in progress. RHAPSODY II has already participated in 4 investments, just a few months after the end of the first fundraising period. The second fundraising window will take place in June 2023.

Loan Management II, a.s.

- Established in 2014
- Investment vehicle based in Slovakia
- Investment period 2014 – present
- Focusing on NPL portfolios in CEE and SEE
- APS has been the exclusive investment advisor regarding NPL portfolios.
- Since its inception, 10 transactions completed (mainly in Romania, Serbia, Hungary, Croatia)
- More than EUR 3.6m invested
- The overall performance was 132 % in 2022, compared to 154 % in 2021. The outlook for 2023 remains very strong.

This business line focuses on real estate investment and development projects. We have found great success with distressed assets, with many of them secured by real estate. So we decided to leverage the knowledge we accumulated as part of these deals within the more “traditional” real estate investment sector. Dedicated specialists seek out and evaluate investment opportunities, manage transactions, structure deals, and provide property and asset management services.

Our business partners receive comprehensive services covering identifying investment opportunities, due diligence and valuation services, and managing the entire acquisition process. Our consistent and transparent asset management enables us to manage cash flows for stable income-producing real estate investments during the holding period and then handle the disposal process to conclude a successful and profitable transaction life cycle.

The Real Estate business line is based on two key pillars:

- Investment
- Development

Real Estate Investment & Development

Our Investment platform within the Real Estate business line focuses on opportunistic transactions that suit desires to balance risk and returns for a wide range of investors, including corporate and financial institutions, family offices, and high-net-worth individuals.

Our international team of experienced professionals are based in the given asset’s market and bring their talents to all of our investment and development projects. They provide first-hand knowledge of local markets and access to a network of local experts, including facilities managers and legal, financial, tax, technical, and design/marketing consultants. Given their proximity to the assets and tenants, they can offer invaluable current market information and insights into trends, challenges, and opportunities in their respective markets. With both development expertise and local market experience, we can respond fully to our clients’ needs in a cost-effective manner.

This business line covers a wide range of both sectors and geography. Working with both residential and commercial buildings, we offer such services as sales, asset administration and daily supervision, and database management. We are able to offer this on our own real estate platform and our group website, www.casazela.com, currently active in several jurisdictions, including Romania and Hungary.

Business Development

As part of our journey of growth and expansion, we rely on our Business Development team to identify and assess opportunities in emerging markets and potential business lines. Their vital work includes monitoring new markets, evaluating their viability for expansion, and, with management approval, establishing new APS subsidiaries. Additionally, they provide crucial support in implementing APS's comprehensive governance standards, policies, rules of work, and systems across the organization.

The year 2022 proved to be a period of stabilization for APS, characterized by the global post-COVID-19 environment and the outbreak of the war in Ukraine. In light of these circumstances, no new branch offices were opened. However, APS remained vigilant in its pursuit of growth, actively monitoring potential markets that presented promising prospects for future endeavors. Notably, two such markets were identified.

Italy: Unveiling Opportunities in the Thriving NPL Market

Italy remains one of Europe's largest NPL markets. It witnessed a remarkable recent decrease in its NPL ratio to 3.5% with Italian banks recording their lowest stock of non-performing exposures (NPEs) in 15 years, totaling EUR 68 billion. The first half of 2022 saw a 15% increase in default rates for corporate loans, while default rates for retail loans continued to decline. A projected EUR 50 billion or more of new loans in default is expected over the next 2–3 years, with a signification proportion of them being loans backed by public guarantees. Italian banks have strengthened their capital levels, positioning themselves well for potential downturns, and the NPE coverage ratio has shown substantial improvement. Notably, over EUR 300 billion of primary market NPE transactions have been conducted in Italy since 2015, contributing to the establishment of a robust debt-servicing industry.

Recognizing the immense potential within this market, APS is currently engaged in exploratory discussions with local partners to establish a strategic presence. At the same time, we are also evaluating the feasibility of entering the market independently. Throughout 2021 and 2022, APS actively participated in bidding for several portfolios, demonstrating our commitment to securing a strong foothold in Italy.

Morocco: Navigating a Path to Financial Advancement

Morocco has emerged as another market with tremendous opportunities for APS expansion, with a total NPL balance of over EUR 10 billion. The Moroccan central bank is aware that the current NPL volume in the banking sector needs a solution and is working closely with the IFC to put the required legal structure into place. This vibrant nation offers a favorable economic landscape and a burgeoning financial sector. APS has directed its attention toward understanding the intricacies of the Moroccan market and its unique regulatory framework. This insightful exploration is laying the foundation for potential future engagements, opening doors for strategic collaborations and investment endeavors.

The exploration of Italy and Morocco as potential avenues for growth underscores our dedication to extending our reach, leveraging our expertise, and creating value for our stakeholders. As we move forward, APS remains committed to proactive business development practices, driving our continued success and contributing to the evolution of the debt collection and alternative investment landscape.

06

Highlights

Bulgaria

2022

The year 2022 was quite busy for APS Bulgaria. We participated in more than 20 projects – mostly U5 – and won and successfully onboarded 9 of them. The total number of onboarded debtors was 27,000. Future goals include expanding our already-established collaboration with CITY CASH, a leading financial institution in consumer financing in Bulgaria: after signing the CITY CASH 1 and 2 projects, 3 and 4 were also successfully signed. APS Bulgaria is targeting to win the most attractive project to be launched in the market for this year – a UniCredit corporate portfolio with a total nominal value of EUR 80–10 million.

2023

Our plan for the next year is to maintain this pace of active participation and build new bridges of connections within the local market.

APS Bulgaria has also been actively involved in charitable causes. Its staff initiated a charitable project and made a donation to support new projects at the zoo in Sofia. Engaging in philanthropy and giving back to the community not only demonstrates social responsibility but also fosters a positive company culture and strengthens relationships within the team.

Every new year is a welcome challenge and adventure for us because we are sure effort and enough work put into a goal will undoubtedly bring a fulfilling result.

Bosnia and Herzegovina

2022

The business focus for APS BH during 2022 was servicing Bolero, a corporate secured portfolio in Bosnia and Herzegovina. In addition to successfully executing the agreed business plan within individual collections, APS BH has successfully concluded two package portfolio sales: the Greenwich and Stone projects. The buyer of the receivables and real estate for both projects was EOS Matrix. The collection amount was EUR 10 million for Stone and EUR 7.2 million for Greenwich. The business plan for collections for 2022 was EUR 18.9 million and actual collections, including these two projects, reached EUR 31 million, which is an extraordinary result. Moreover, APS BH met our financial targets and exceeded expectations for EBITDA and net profit. In all business aspects, 2022 represented the best result ever for APS BH.

APS BH kept our steady and high-performing team, which was dedicated to achieving our overall goals. Working very closely with portfolio investors, we scaled up the reporting system, recovery procedures, and supporting tools for the performance acceleration anticipated by the Bolero business plan for 2022.

2023

Bearing in mind the limitations of the NPL market in Bosnia, along with the situation of having significantly reduced the governed portfolio, APS BH will focus on cost optimization and run-down activities, taking care of the well-being of our employees and shareholders.

Croatia

2022

During 2022, APS Croatia managed to meet the expectations set out in Q3 due to the local restructuring process. We acquired 4 new portfolios, with 2 of them representing our very first unsecured ones.

Expanding the APS Croatia business with our first unsecured portfolios will strengthen our position on the Croatian market as we will finally get realistic benchmarks.

From a recovery perspective, it is worth mentioning the sale of real estate in the HANA portfolio, where we managed to increase the deal's profitability by fitting out the area for a new tenant, the discounter retailer Teddy, and selling it as an investment deal with a long-term lease contract with a turnover clause. Our investment was EUR 100,000 in capital expenditure and we managed the sale with a significant profit.

Another great accomplishment is the sale of claims in one of the longest pre-bankruptcy settlement proceedings, where we managed to recover EUR 550,000 in advance instead of waiting through another 7 years of unstable instalment payments.

2023

Looking into 2023, APS Croatia will be very focused on the stability of the company, bearing in mind the great political pressure on NPL companies, and trying to acquire new secured and unsecured portfolios.

Highlights

Czech Republic

2022

Thanks to successfully strategy setting and meeting our ambitious annual goals with the support of our highly motivated and professional team, we repeatedly achieved business and financial success. Our owners' basic expectations regarding the yearly financial result were met, and the company AGAIN ended up in the black. We also did well commercially. Five new NPL portfolios made their way onto our balance sheet, we began providing services to one of best-known banks in Czechia, and we successfully initiated a NPL recovery campaign in Slovakia. The high level of process automatization and electronization of document flows assured the high standard of service quality provided, which is repeatedly reflected in client satisfaction feedback we have received and increases our business ambitions.

The business focus on buying NPL portfolios continued, and the autumn brought third-party servicing: a long-expected public tender for providing service to one Czech bank, where motivation to succeed is extremely high. Of course, we also worked to preserve the high standard of services provided to current clients, which makes us more visible in the market and still very well established.

2023

We are looking forward to making 2023 great again, bearing in mind our long-term commitment to excellence in providing professional services to clients, meeting our planned goals, and again delivering a positive business result.

Greece

2022

The year 2022 was a year of strong growth for APS Greece in terms of both volume and business lines. Regarding the Arctos portfolio, the company successfully onboarded another 70,000 unique debtors and consolidated its role as the sole servicer of a retail unsecured portfolio with EUR 2.3 billion in nominal value, while outperforming the business plan despite the challenging macroenvironment.

In parallel, leads from the previous year led to the successful conclusion of a third-party servicing agreement with a prominent company from the energy sector as well as the onboarding of single-traded loans bought by third-party investors.

Yet the biggest achievement of the year was the conclusion of the master servicing agreement for the FRAME portfolio, with a nominal value exceeding EUR 1 billion comprising over 800 SME groups and over 2,500 assets of real estate collateral. FRAME is the first portfolio sold on the Greek secondary market. For most of 2022, teams from Prague and Athens worked hard on all of the commercial, legal, and technical aspects of this transaction to ensure a successful onboarding.

2023

APS Greece is committed to continue investing in systems and resources in pursuit of more business opportunities on the Greek market. APS Greece recognizes the potential for growth and development in the market and is willing to allocate the necessary resources to capitalize on those opportunities. This proactive stance can enhance the competitiveness and position as a reliable and forward-thinking player in the Greek market.

Hungary

2022

2022 was a very challenging year for APS Hungary as the economy had just started emerging after COVID-19 when the war in Ukraine erupted in a neighbouring country. A lot of uncertainty about energy loomed over the country, which resulted in a more challenging year than had been expected. During the year, we were able to close acquisition of the TAURUS portfolio with APS Capital Group as investor and also increase our business lines with broader real estate activities, which provides a growing revenue stream next to the niche collection activity. The local NPL market reached a turning point, forcing new strategies and adaptability from market participants. APS Hungary stood firm and built upon its previous track record to continue delivering results to its investors above expectations.

2023

In 2023, our aim is to further develop the additional business lines and services that add to our core business activities. APS Hungary will also focus on finding the balance between satisfied professionals and result maximization to further strengthen the company's brand and stability. APS Hungary will be at the starting line to compete when the economy stabilizes in the second half of 2023 for the sake of our investors and current and future business partners.

Montenegro

2022
APS Montenegro faced difficulties in 2022. The budget fell short due to the fact that the business environment was marked by considerable tension, resulting from unstable governmental and institutional conditions. These factors have deterred foreign investors and that was a reason why large cases did not have more opportunities beyond the local market. These issues may be gradually resolved in 2023.

To bolster operational performance, the team was expanded by an additional Case Manager in August 2022. This expansion should facilitate better outcomes for the company.

2023
The year 2023 is expected to be challenging to recover from the losses incurred in 2022 and pursue success. To this end, one of the key objectives is to secure a license that will enhance the company's market position, provide expanded opportunities for NPL acquisitions, and consequently foster growth.

Poland

2022
For APS Poland, 2022 meant re-entry into the NPL purchase market. As mortgage-secured receivables remain our priority, we actively participated in bank tenders, selling secured portfolios with a total nominal value of ca. EUR 800 million. We went through several proceedings and reached the binding offer stage and finally won one tender in December (finalized in March 2023). MONTON, a securitization fund set up in 2022 by APS Investments S.à r.l.and managed by APS Poland, bought a retail mortgage secured portfolio with a nominal value of ca. EUR 16 million.

The fact that the other securitization fund of the secured mortgage portfolio, VPF III, experienced record results in recovery and had a positive impact on your revenue is definitely worth mentioning. It reflects the effectiveness of our management and highlights the success of our efforts in maximizing recovery. We have maintained cooperation with the same clients in the service area: collections and telemarketing, focusing on optimizing processes and boosting effectiveness, which resulted in an extension of cooperation.

An increase in revenue with a simultaneous decrease in costs helped to improve the overall financial result of 53% in year-to-year comparison.

2023
Our hunger and determination to finalize purchases of NPL mortgage-secured portfolios is growing, so with APS Investments S.à r.l.cooperation we are going to continue active participation in bank tenders.

Moreover, we are going to sign long-term cooperation agreements with leading banks, enabling simplified access to tender participation.

We are committed to delivering planned recovery for the portfolios of both securitisation funds, MONTON and VPF III, to satisfy investor expectations.

And last but not least, we are going to continue our efforts to attract new clients to collections services, especially in non-banking. We are also going to actively explore opportunities that arise for NPLs for sale in this area, which still seems to be quite an interesting area in Poland. Finally, with a telemarketing business line, APS Poland needs to focus on creating and offering a complementary lines of sales, after-sales, and customer services.

Romania

2022
Following an outstanding 2021, APS Romania managed once again to exceed expectations, closing 2022 with a result nearly twice as good as projected in the annual budget. We kept looking at new opportunities in the market, trying to be creative and flexible and matching the market’s status quo.

Landmarks worth mentioning include our winning and successfully onboarding yet again a new corporate portfolio and, in the last quarter of the year, winning, after 7 years of drought, a new retail unsecured portfolio, affirming ourselves as genuine competitors on the Romanian market also within this segment. We kept scaling up our contact centre with yet another project and looked carefully at all servicing opportunities.

The year also meant a shift to a leaner management structure for APS Romania, with a more concentrated and accountable organizational chart.

The gratitude to APS Romania staff for their hard work this past year. Their dedication has helped APS Romania to reach and exceed our goals!

Highlights

2023

This year represents a turning point for APS Romania. With a very active tender market, we have started the year with involvement in several landmark deals that will prove at the end of the day what APS Romania is all about: skilled professional employees.

The fact that APS Romania is already engaged in multiple due diligence processes, for deals that ranging from single tickets to portfolios and mergers and acquisitions, demonstrates the company's agility and ability to handle diverse opportunities. This proactive approach and the collaboration with APS Investments indicate a strategic focus on maximizing potential deals.

Anticipating that this trend will continue for the foreseeable future, APS Romania's commitment to taking advantage of every opportunity showcases their ambition and determination to capitalize on the market's potential. This mindset positions the company well for further growth and success in the coming years.

APS Romania is also looking to utilize their expertise in the servicing department, trying to get some material deals across the line, mostly in the utilities segment that is now under stress from clients, in addition to keeping and scaling up the clients we are already servicing. In the corporate and retail secured divisions, we are focused on maintaining collections at the level of business plans and satisfying investor requirements, even if the current stock of collateral is slimmer and granular. We have already seen excellent results in the first quarter, with some landmark cases in line for the next quarters to be collected also.

Nevertheless, APS Romania's strategy is to aim for responsible and sustainable growth by exploring unique investment opportunities, purchasing new portfolios, securing new servicing deals, and being active and aggressive on the market.

Serbia

2022

The year 2022 presented significant challenges as all portfolios within the Serbian servicer neared completion. Despite a successful finish to several major cases, profitability remained elusive. Given this state, the foremost strategic imperative became downsizing the company until a new NPL portfolio is procured.
Scheduled mergers slated for 2022 will be finished in 2023, with attendant organizational complexities anticipated. Despite the reduction in staff, one employee has been promoted to Country Manager and two others selected to move to other group entities, underscoring their demonstrated quality and dedication to the company's mission.

2023

The objective for the upcoming period is to achieve success in 2023 through a concerted effort to cut expenditures, augment profitability, and, most importantly, acquire a new portfolio and attain a more advantageous position within the Serbian market.

07

Corporate Social Responsibility

Corporate Social Responsibility

APS has developed a comprehensive corporate social responsibility (CSR) strategy that focuses on three pillars: helping senior citizens, environmental activities, and supporting underprivileged groups. Last year, we joined forces with our employees and organized a grass-roots fundraising campaign for Ukraine. We operate in the heart of Europe and we are deeply worried about Ukraine.

APS believes that a sustainable and prosperous future can only be achieved through long-term projects and long-term cooperation with stable partners from the ranks of non-profit organizations and civic society. This approach ensures that our effort is maximized and that the positive change we seek is long lasting.

New educational options

One of the key areas of focus for APS is helping senior citizens as aging populations can pose a significant challenge to society. We prolonged our flagship cooperation with Elpida, that implements long-term projects to support the active life of seniors. Among other activities, they publish the monthly magazine Vital, which offers high-quality reading. In previous years, we supported its publication. Last year, we changed our focus and moved our support towards podcasts. This format is becoming increasingly trendy and accessible to a wider range of people in need.

Making sure they are not alone

APS is also committed to supporting education and equal opportunity. Financial background must not be an impediment to achieving greatness, and so we are committed to providing support to those who need it most. This includes women who find themselves in a difficult social situation. This is why we supported organisation called Metráž. Metráž runs workshops where design accessories and fashion are created by women at risk of social exclusion, violence, homelessness, poverty and other negative phenomena. They create quality fashion and design products that are largely handmade, made from Czech materials and are environmentally friendly. Sustainable and slow fashion, zero waste and the processing of materials that seemingly have no further use is key for Metráž.

Saving and investing wisely

The group is also committed to environmental activities and is working to decrease its environmental footprint. We are migrating to the concept of a paperless office, which prioritizes the use of digitalization over needless printing. We also focus on minimizing the use of disposable plastics, separating waste, preventing needless waste, and saving energy.

Another important area of focus for APS is our employees. Investment in our employees is critical, and we do so through training, workshops, and a novel approach to human resources. We also uphold the most stringent ethical and professional standards in the entire industry.

Lasting commitment

Overall, the CSR strategy developed by APS is comprehensive, focused, and impactful. We recognize that the challenges facing society today are complex and multifaceted, and we are committed to working with stable partners to bring about meaningful and lasting change. Anyone with an idea, initiative, or solution can approach us, and any meaningful offer to bring about positive change has a chance to succeed or win one of our periodically announced grants. The importance of CSR in today's business world cannot be overstated.

As a socially responsible company, we understand the importance of continuing our CSR activities and striving to make a positive impact on society. We remain committed to our three pillars of focus: helping senior citizens, supporting education and equal opportunities, and environmental activities.

08

Compliance

Compliance

The year 2022 started well with progress towards recovery from the pandemic and restrictions but everything was negatively affected by Russia's unjustified invasion of Ukraine. While the immediate impact of the war on APS operations was limited, consistent monitoring of the situation and deployment of additional measures have been essential.

The new EU Directive 2021/2167 on credit servicers and credit purchasers (also known as the "NPL Directive") took effect on 28 December 2021 with the deadline for implementation in all member states being 29 December 2023. It sets new rules for credit servicers and credit purchasers, all aimed at promoting NPL transactions and the NPL loan servicing market.

The new rules under the NPL Directive could be a factor in increased business for APS specialized recovery entities, supporting banks that lack the expertise to properly service NPLs or that are overloaded with NPLs.

Therefore, within APS Group we have taken the preparation for compliance with the new regulation and obtaining the license very seriously and we started these preparations already during 2022.

In 2022, APS Credit Fund SICAV (a regulated fund domiciled in Czechia) launched its second sub-fund Rhapsody II, which positively strengthened its structure. We performed the annual audit and improved compliance processes.

At APS, we always strive to follow best practice compliance standards and made efforts to do so in 2022. We implemented several improvements in our internal compliance policies to comply with the latest standards and also started focusing more on new challenging areas arising from the new NPL Directive, digitalization, and remote work.
We continue to build our practise on an audit of record-keeping to ensure that we maintain all required information and evidence and store it in compliance folders with restricted access. We have continued improving execution of requirements within transaction monitoring and implemented automated software to monitor suspicious transactions in more countries. The software automatically detects suspicious patterns; notifies our employees of suspicious, unusual, or complex transactions; and serves as a tool for managing alerts, through such features as case management, record keeping, and reporting.

In 2022, additional experts joined our Compliance team. The Compliance team's scope, processes, and organizational requirements and the regular reporting obligations of APS entities towards the group had already been clearly established within the group through the framework compliance policy, and in 2022 we strengthened connections within the Compliance team through regular calls, visits, and professional trainings. The Group Compliance Officer manages the work of Compliance employees, conducts risk monitoring, facilitates internal compliance control, and is responsible for reporting significant compliance matters to the relevant executive and supervisory corporate bodies to ensure effective oversight of compliance within the group. The Group Compliance Officer reports to the Board of Directors in compliance matters and to the Head of the Department in organizational and technical matters to ensure the independence of the compliance function within the group.

Not all APS entities are directly classified pursuant to the Anti-Money Laundering (AML) Directive as obliged entities. Nevertheless, in the course of pursuing the highest AML standards, all APS entities voluntarily submit to the rules in the Group's AML policy. This demonstrates the group's strong commitment to preventing any reputational risks, pursuing the best AML prac-

Compliance

tices, and facilitating the finest investor relations. All employees are required to complete adequate mandatory training on recognizing money-laundering risks, getting familiar with relevant AML and sanction laws, and understanding internal APS procedures to know what obligations they must comply with.

APS uses both manual and automatic KYC verification (World Check from Refinitiv) and complies with all international standards.

APS has long guaranteed protection for whistleblowers. In 2022, we internally established the Whistleblowing Committee with the aim of managing and monitoring whistleblowing metrics and retaliation reports, including consideration of potential whistleblowing trends that might emerge. All APS entities adjusted their internal whistleblowing processes according to national standards and regulations.

At APS, we place great emphasis on protecting personal data and regularly adjust our procedures and policies to meet the challenges brought by the challenges of digitization and remote work.

At the same time, we pay close attention to employee training and advanced professional training of our Compliance Officers and Data Protection Officers. In 2022, we carried out several Data Protection Impact Assessments and Legitimate Interest Testing on processing activities and tools used within APS Group to ensure that the impact on the rights of data subjects will not be disproportionately or unnecessarily high. Cybersecurity is equally important for APS and we understand that without appropriate cybersecurity protection it is not possible to ensure protection of personal data. We are committed to continuing this trend in 2023. Regarding other compliance areas, APS recognizes the importance of having effective and independent management of compliance risks, fraud prevention and deterrence, conflict of interest prevention, environmental and social risk monitoring, and claims and complaints about APS operations. APS ensures that the members of its corporate bodies, directors, executives, officers, employees, advisors, and contractors are aware of their rights and obligations. All APS activities are performed in compliance with the applicable regulations and follow the compliance program that is in effect within the entire group.

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Directors’ Report

MARKET SITUATION

Last year we experienced a turbulent macroeconomic environment across the globe. A myriad of companies in majority of industries had to overcome a mix of challenges, including an extremely high inflation, expressing itself by soaring energy prices and economic stagnation. On top of it, the ongoing conflict in Ukraine contributed to the uncertainty related to the global economic outlook.

These adverse conditions have laid the groundwork for a new wave of Non-Performing Loans (NPLs) in the financial sector. Such waves typically become visible with a time delay as it has been the case with a surge in NPLs post-Covid-19 pandemic. From APS perspective, we observed a positive trend in the second half of 2022, when larger NPL transactions hit the market, something rarely seen in preceding years.

STRATEGY & COMPETITION

In the face of fierce competition within the distressed asset management market, APS has been actively pursuing a strategic transformation. We have successfully continued in the transformation from advising investors on NPL portfolio acquisitions to taking direct responsibility for asset management. This shift materialized with the establishment of a new NPL fund focused on high-net-worth individuals in the Czech Republic.

The newly established NPL fund is targeting investments in NPL portfolios acquired within Central & Eastern Europe, a region offering compelling opportunities. Furthermore, we are in advanced discussions with strategic partners to create a larger fund catering also to institutional investors. This contemplated fund structure is likely to receive support from a multinational institution, bolstering our funding capabilities further.

Despite the persisting challenges in the market, we anticipate a positive outlook for 2023. Greece, in particular, is expected to witness a surge in secondary sales, presenting promising prospects for APS Group. Our continued focus on asset management and strategic partnerships positions us advantageously to navigate the competitive landscape and capitalize on high-yielding opportunities arising from increased interest rates in the economy.

As we reflect on the events of 2022 and the evolving dynamics of the distressed asset management sector, we remain steadfast in our commitment to excellence. The strategic shift towards managing assets under our discretion and the establishment of new funds underline our dedication to driving growth and value for all APS stakeholders.

FINANCIAL STATEMENTS

This document presents the financial statements for the financial year 1 January 2022–31 December 2022. The Board of Directors believes that the financial statements provide an accurate picture of the assets and financial situation of APS for the respective year. The financial statements are presented in accordance with the International Financial Reporting Standards adopted by the European Union and have been audited by Deloitte Audit S.à r.l.

PROFIT AND LOSS

In 2022, APS group achieved the total revenues of EUR 23.2 million which is a slight decrease compared to 2021. At the same time, the APS Group managed to keep operating costs at almost the same level as in the last year. Despite the inflationary environment all over the geographical segments of operations, focus on cost optimization and efficiency offset the increased salaries, rental and energy expenses. The cost optimization is focused on both salary expenses (headcount reduction) and external services, where the group minimized mostly usage of advisory and legal costs only to these, which are deemed necessary.

The slightly lower operating result was supported by the positive outcome from financial operations, which, driven by the revaluation of acquired portfolios, was almost 1 million higher compared to the prior year.
The financial result, together with a lower tax burden, contributed to the net profit of EUR 2.3 million, which is a 65% increase in comparison with the result generated in the previous year.

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.

EXPOSURE TO UKRAINE

Russia has been at war with Ukraine since the end of February 2022 (the "Russian–Ukrainian War"). We have assessed that the direct impact of the Russian–Ukrainian War will not be material as the APS Group has no operations on the Russian market and very limited operations on the Ukrainian market. The stand-alone investment in Ukraine has been fully impaired, but there is no impact on the Group's consolidated financial statements. APS has been constantly monitoring the effects of the Russian-Ukrainian War on the efficiency of its recovery activities and the appetite of investors for other markets where the Company operates.

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 performance. 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 successful player on the highly demanding and competitive distressed-asset market. We organize various non-working team activities for our employees throughout the year to build the team spirit. Moreover, we provide our employees with various workshops for both soft skills and increasing their professional 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 some irregularities occur eventually, we implement remedial plans immediately.

DIVERSITY

The Group ensures diversity through equal opportunities for all employees, regardless of religion, gender, sexual orientation, race, ethnics, age, etc. Employees have complete freedom to avow any of the aforementioned characteristics and not be discriminated against. This is ensured by internal rules such as our Code of Ethics, regular employee trainings, and the overall corporate culture promoted by the top management of APS. The company employs people from different countries around the world with different cultural heritages and backgrounds. A recent example of raising APS employee awareness is the support for educational activities on gender.

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 impacts on the environment. At APS, we follow very strict social and environmental standards set by the World Bank and its International Finance Corporation (IFC) subsidiary. 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.

RESEARCH AND DEVELOPMENT

APS did not perform any activities in the field of research and development during 2022.

MAJOR ACHIEVEMENTS

Throughout 2022, APS teams worked relentlessly towards the Company's goals. The effort resulted in the successful closure of 16 transactions in total and the deployment of over EUR 130 million in capital across the region. It is worth noting that the year ended with a landmark transaction completed in Greece - a corporate and SME secured loan portfolio with a nominal value surpassing EUR 1 billion ("FRAME"). This acquisition reinforces our strong presence in the southeastern region and stands out as a testament to our capabilities to navigate successfully through complex and challenging deals. The FRAME corporate and SME secured portfolio comprises over 3000 collaterals, encompassing diverse commercial, residential, and industrial properties, hotels and land plots.

In the Czech Republic, APS has successfully launched two subfunds of a fund for qualified investors and fundraised impressive amounts exceeding EUR 40 million in 2022. This success clearly underscores the confidence of our investors into our capabilities. The restructuring of our holding entities, including the group restructuring and simplification of head office operations, has proven to be yet another important milestone on our strategic journey. This strategic move shall increase transparency and lead to higher cost efficiency. By streamlining our operations and optimizing our resources, we are better equipped to navigate the intricacies of the NPL market and deliver exceptional value to our clients.

APS Group is primed to seize the opportunity arising from the management of NPLs for banks. As certain banks decide not to sell but rather outsource the management of loans in default to specialized servicing companies, we are well-positioned to cater to this growing demand. By leveraging our expertise and track record, we aim to deliver unparalleled quality of service and interesting investment returns, which shall further strengthen our position as a trusted partner in distressed asset management.

In conclusion, the year 2022 was marked by exceptional achievements and transformative developments for APS Group. We extend our heartfelt gratitude to our dedicated teams, esteemed shareholders, and other valued stakeholders, whose support and trust have been instrumental in propelling us towards even greater heights.

List of abbreviations

AML
anti-money laundering

AUM
assets under management

BD
Business Development division

B2B
business-to-business

B2C
business-to-customer

CCB
Cyprus Coopertive Bank

CE
Central Europe

CEE
Central and Eastern Europe

CEO
Chief Executive Officer

CESEE
Central, Eastern, and South-eastern Europe

CFO
Chief Financial Officer

CFT
countering the financing of terrorism

CIO
Chief Investment Officer

CIS
Commonwealth of Independent States

COO
Chief Operation Officer

COVID-19
Coronavirus disease 2019

CSR
corporate social responsibility

EBA
European Banking Authority

EBRD
European Bank for Reconstruction and Development

ECB
European Central Bank

EY
Ernst and Young

FCCA
Fellow Member of the Chartered Association of Certified Accountants

GDPR
General Data Protection Regulation

GDV
gross development value

HNWI
high-net-worth individual

IAS
International Accounting Standards

IFC
International Finance Corporation

IFRS
International Financial Reporting Standards

IPO
initial public offering

IRR
internal rate of return

IT
information technology

IVR
interactive voice response

MED
Mediterranean Sea region

NGO
non-governmental organization

NPL
non-performing loan

NV
nominal value

PR
public relations

RAIF
Reserved Alternative Investment Fund

REO
real estate owned

SEE
South-eastern Europe

SPL
sub-performing loan

AUT
Austria

BA
Bosnia and Herzegovina

BG
Bulgaria

CY
Cyprus

CZ
Czech Republic

ESP
Spain

GR
Greece

HR
Croatia

HU
Hungary

IT
Italy

LU
Luxembourg

ME
Montenegro

RO
Romania

RS
Serbia

SI
Slovenia

SK
Slovakia

UA
Ukraine

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Financial Statements

Consolidated statement of profit or loss and other comprehensive income

APS Holding S.A. - Consolidated statement of profit or loss and other comprehensive income as at 31 December 2022

In thousands of Euro

	notes	31.12.2022	31.12.2021
Revenue from NPL portfolio servicing	6.1	17 821	21 180
Other operating revenues	6.1	5 350	2 701
Operating revenue		**23 171**	**23 882**
Administrative expenses	6.2	-19 673	-19 392
Other operating expenses	6.2	-169	-412
Total operating expenses		**-19 842**	**-19 803**
Depreciation of tangible fixed assets	7.2	-192	-87
Amortisation of intangible assets	7.1	-754	-1 031
Depreciation of ROU Assets	7.3	-877	-965
Operating profit		**1 506**	**1 996**
Net exchange gains/(losses)	6.3	-445	25
Interest income	6.3	371	148
Interest expenses	6.3	-1 154	-1 037
Interest expense on lease liability	6.3	-173	-177
Other Finance Income/Costs net	6.3	2 549	1 233
Net financial result		**1 147**	**192**
Profit or loss for the year before tax		**2 653**	**2 188**
Current tax	6.4	-443	-874
Deferred tax	6.4	63	60
Profit or loss for the year after tax from continuing operations		**2 284**	**1 374**
TOTAL Profit/Loss for the period		**2 273**	**1 374**
Other comprehensive income, net of tax (susequently reclassified through P&L)	7.10	434	-776
Total comprehensive income for the year, net of tax		**2 707**	**599**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Parent company shareholders			
Profit for the period attributable to parent company shareholders		1 786	507
Non-controlling interests			
Profit for the period attributable to non-controlling interests		487	867
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Parent company shareholders			
Profit for the period attributable to parent company shareholders		2 207	-237
Non-controlling interests			
Profit for the period attributable to non-controlling interests		500	835

The accompanying notes on pages 57 to 103 form an integral part of these consolidated financial statements.

Financial Statements

Consolidated statement of financial position

APS Holding S.A. – Consolidated statement of financial position as at 31 December 2022

In thousands of Euro

	notes	31.12.2022	31.12.2021
Non-current assets			
Goodwill	7.1	6 824	6 824
Intangible assets	7.1	3 293	3 907
Property, Plant and equipment	7.2	274	231
Right of use Assets	7.3	2 939	2 158
Purchased loan portfolios	7.5	68 275	6 352
Loans and other receivables	7.5	1 376	1 608
Other long term financial assets	7.5	20	13
Total non-current assets		**83 002**	**21 092**
Current assets			
Loan receivables	7.5	399	753
Trade and other receivables	7.5	6 428	6 600
Other short term assets	7.5	9 094	2 093
Cash and short term deposits	7.5	18 818	16 928
Total current assets		**34 739**	**26 373**
Total assets		**117 741**	**47 465**
Equity			
Share capital	7.10	31	31
Other capital reserves	7.10	5 869	4 948
Retained earnings	7.10	7 791	6 005
Total equity attributable to parent company shareholders	7.10	13 691	10 984
Equity attributable to non-controlling interests	7.11	1 396	1 026
Total equity		**15 087**	**12 010**
Non-current liabilities			
Bank and other loans	7.6	40 077	13 156
Long term lease liability	7.3	2 365	1 490
Issued bonds	7.6	35 654	3 507
Deferred tax liabilities	7.7	155	212
Other long term liabilities	7.6	237	195
Total non-current liabilities		**78 487**	**18 560**
Current liabilities			
Short-term bank and other loans	7.6	9 379	5 090
Trade and other payables	7.8	8 746	6 732
Short term Lease liability	7.3	771	839
Current tax payables		45	336
Provisions and other short-term liabilities	7.9	5 226	3 898
Total current liabilities		**24 167**	**16 895**
Total equity & liabilities		**117 741**	**47 465**

The accompanying notes on pages 57 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

As of 31 December 2022

In thousands of Euro

	Share capital	Other capital contribu-tions	Retained earnings	Profit or loss for the period	Tran-slation reserve	TOTAL	Non-con-trolling interest	Total Equity
Balance at 1 January 2021	**31**	**7 167**	**5 498**	**-**	**(1 475)**	**11 220**	**368**	**11 587**
Changes in equity for period						**-**		-
Profit or (loss) for the period	-		-	507	-	**507**	867	**1 347**
Other comprehensive income for the year	-			-	(744)	**(744)**	(32)	**(776)**
Total comprehensive income for the year	-			**507**	**(744)**	**(237)**	**835**	**599**
Dividends for the shareholders	-			-	-	**-**	(402)	**(402)**
Profit distribution	-		507	(507)	-	**-**	-	-
Capital contributions						**-**	225	**225**
Balance at 31 December 2021	**31**	**7 167**	**6 005**	**-**	**(2 219)**	**10 984**	**1 026**	**12 010**
Changes in equity for period						**-**		**-**
Profit or (loss) for the period	-			1 786		**1 786**	487	**2 273**
Other comprehensive income for the year	-		-		421	**421**	13	**434**
Total comprehensive income for the year	**-**		**-**	**1 786**	**421**	**2 208**	**500**	**2 707**
Dividends for the shareholders	-		-			-	(402)	**(402)**
Profit distribution	-		1 786	(1 786)		-		**-**
Capital contributions		500				**500**	272	**772**
Balance at 31 December 2022	**31**	**7 667**	**7 791**	**-**	**(1 798)**	**13 691**	**1 396**	**15 087**

The accompanying notes on pages 57 to 103 form an integral part of these consolidated financial statements.

Financial Statements

Consolidated Cash Flow Statement

APS Holding S.A. Consolidated Cash Flow as at 31 December 2022

In thousands of Euro

	31.12.2022	31.12.2021
Cash flows from operating activities		
Profit before taxation from:	**2 653**	**2 188**
Continuing operations	2 653	2 188
Adjustments for non-cash items:		
Finance income	-371	-148
Finance cost	1 327	1 214
Gain/Loss on disposal of subsidiary	-314	0
Depreciation of intangible asset, property, plant and equipment	1 822	2 083
Increase/(decrease) in provisions	154	45
Other adjustments	-1 219	798
	4 053	**6 179**
Changes in working capital		
Decrease/(increase) in trade and other receivables	-7 358	-1 995
Increase/(decrease) in trade and other payables	2 279	5 097
Other adjustments	-282	1 141
Cash generated from operations	**-1 309**	**10 423**
Interest paid	-772	-919
Income taxes paid	-491	-784
Net cash from operating activities	**-2 572**	**8 720**
Cash flows from investing activities		
Interest received	36	41
Dividends received from associates	0	37
Impact of sale of subsidiary	143	-124
Purchase of property, plant and equipment	-327	-1 145
Purchases of Loan portfolios	-61 641	0
Acquisition of subsidiary	0	5
Loan granted to external party	-1 030	421
Repayment of loan granted to external party	1 990	2
Net cash (used in)/from investing activities	**-60 829**	**-764**
Cash flows from financing activities		
Dividends paid (NCI)	-200	-402
Proceeds from borrowings	34 891	14 043
Repayments of borrowings	-2 854	-3 305
Proceeds from issued bonds	34 620	3 440
Repayment of issued bonds	-1 030	-18 178
Net cash (used in)/from financing activities	**65 427**	**-4 402**
Net increase/(decrease) in cash and cash equivalents	**2 026**	**3 554**
Cash and cash equivalents at beginning of period	**16 928**	**13 422**
Foreign exchange gains and (losses) on cash and cash equivalents	-136	-48
Cash and cash equivalents at end of period	**18 818**	**16 928**

The accompanying notes on pages 57 to 103 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

1 General Information

1.1 Company and group information

APS Holding S.A. (the Company) is a Company limited by shares incorporated and registered in Luxembourg. Its controlling shareholder is Mr. Martin Machoň. The address of the Company's registered office is at 46A, Avenue J.F. Kennedy, L-1855 Luxembourg.

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

The reporting period is 1.1.2022 to 31.12.2022 and comparative period is 1.1.2021 to 31.12.2021.

APS Holding Group (the Group) is the Company and all its subsidiaries.

The principal activities of the Company and its subsidiaries are non-performing loans (NPL) recovery services, NPL portfolio underwriting services, asset management services and fund management services across Central and South-Eastern Europe. The Group's main business activities entail advising and servicing NPL portfolios, debt recovery services as well as distressed asset recovery investment services.

In 2022 the reorganisation took place on the head-office. The head office reorganisation went in following steps:

1. Merger of APS Real Estate s.r.o. and APS Finance a.s. into APS Recovery a.s. (Effective as of date 1 January 2022)
2. Transfer of APS Recovery Management s.r.o. from APS Recovery a.s. to APS Holding S.A.
3. Merger of APS Recovery Management s.r.o. into APS Management Services s.r.o. (Effective as of date 1 January 2022)
4. Transfer of APS Investments S.à r.l. from APS Holding S.A. to APS Management Services s.r.o.
5. Dissolution of APS Investments S.à r.l. (Effective as of date 31 December 2022)

These consolidated financial statements are presented in Euros (EUR) and are rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out in section 3.

The Consolidated Financial Statements have been prepared on ongoing concern basis.

2 Adoption of new and revised Standards

2.1 Initial application of the amendments to the existing standards effective for the current reporting period

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are effective for an annual period that begins on or after 1 January 2022. Their adoption did not materially impact on the disclosures or on the amounts reported in these consolidated financial statements.

- **Amendments to IFRS 3** *Business Combinations* – Reference to the Conceptual Framework with amendments to IFRS 3,
- **Amendments to IAS 16** *Property, Plant and Equipment* – Proceeds before Intended Use,
- **Amendments to IAS 37** *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts — Cost of Fulfilling a Contract,
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018-2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording.

2.2 New standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

Financial Statements

At the date of authorisation of these financial statements, the following new standard and amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **IFRS 17** I*nsurance Contracts* including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17** *Insurance contracts* – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1** *Presentation of Financial Statements* – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8** *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12** ***Income Taxes*** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

The Group anticipates that the adoption of these amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application. Standard IFRS 17 is not expected to apply to the Group's financial statements.

2.3 Amendments to the existing standards issued by IASB but not yet adopted by the EU

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

- **Amendments to IFRS 10** *Consolidated Financial Statements* and **IAS 28** *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 16** *Leases* – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)
- **Amendments to IAS 1** *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1** *Presentation of Financial Statements* – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7** *Statement of Cash Flows* and **IFRS 7** *Financial Instruments: Disclosures* – Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 12** *Income taxes* – International Tax Reform – Pillar Two Model Rules (effective for annual periods beginning on or after 1 January 2023).

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

3. Significant accounting policies

3.1 Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except for certain financial assets that are valued at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Groups presentation currency is Euro (EUR).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability market participants would take into account when pricing the asset or liability at the measurement date.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

The table below illustrates Group entities as of 31 December 2022.

List of entities in the Group and approach to their consolidation in current and prior reporting period:

Entity	% current period	% prior period	Country	Measurement method	Measurement method prior period
APS Holding S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS Recovery a.s.*	100	100	Czechia	full consolidation	full consolidation
APS Investments s.r.o.*	100	0	Czechia	full consolidation	n/a
APS Recovery Management s.r.o.*	0	100	Czechia	n/a	full consolidation
APS Management Services s.r.o.*	0	100	Czechia	n/a	full consolidation
APS Finance a.s.*	0	100	Czechia	n/a	full consolidation
APS Real Estate s.r.o.*	0	100	Czechia	n/a	full consolidation
APS Poland S.A.	100	100	Poland	full consolidation	full consolidation
APS Warsaw sp. z o.o.	100	100	Poland	full consolidation	full consolidation
APS Recovery Greece EPE	100	100	Greece	full consolidation	full consolidation
APS Recovery Greece Credit and Loan Servicing S.A.	65,4	60	Greece	full consolidation	full consolidation
APS Bulgaria E.O.O.D.	100	100	Bulgaria	full consolidation	full consolidation
APS d.o.o. Beograd	100	100	Serbia	full consolidation	full consolidation
APS CZ&SK Services s.r.o.	100	100	Czechia	full consolidation	full consolidation
Asset Portfolio Servicing Romania S.R.L.	100	100	Romania	full consolidation	full consolidation
Syndre Valuations S.R.L.**	0	46	Romania	n/a	equity
Casazela Properties S.R.L.	97	97	Romania	full consolidation	full consolidation
APS Croatia d.o.o.	100	100	Croatia	full consolidation	full consolidation
APS Holding Cyprus LTD**	0	100	Cyprus	full consolidation	full consolidation
APS Hungary Kft.	100	100	Hungary	full consolidation	full consolidation
APS Recovery Hungary Kft.	80	80	Hungary	full consolidation	full consolidation
APS BH d.o.o.	100	100	Bosnia and Herzegovina	full consolidation	full consolidation
APS Montenegro D.O.O. Podgorica	100	100	Montenegro	full consolidation	full consolidation
Casazela d.o.o Beograd-Stari Grad	100	100	Serbia	full consolidation	full consolidation
Casazela Kft.	100	100	Hungary	full consolidation	full consolidation
Casazela d.o.o.**	0	100	Croatia	full consolidation	full consolidation
Syndre d.o.o Beograd-Stari Grad	100	100	Serbia	full consolidation	full consolidation
Syndre d.o.o.**	0	100	Croatia	full consolidation	full consolidation

List of entities in the Group and approach to their consolidation in current and prior reporting period:

Entity	% current period	% prior period	Country	Measurement method	Measurement method prior period
APS REAL ESTATE DEVELOPMENTS S.R.L.	95	95	Romania	full consolidation	full consolidation
APS RED II S.R.L.	100	100	Romania	full consolidation	full consolidation
APS Investments S.a r.l.	100	100	Luxembourg	full consolidation	full consolidation
LLC "APS Ukraine"	100	100	Ukraine	full consolidation	full consolidation
APS Italy	100	100	Italy	full consolidation	full consolidation
APS Investment Funds S. a r.l.	100	100	Luxembourg	full consolidation	full consolidation
APS GAMMA s.r.o.	100	100	Czechia	full consolidation	full consolidation
APS ETA S.A. (LU)***	100	0	Luxembourg	full consolidation	n/a
APS ETA REO SINGLE MEMBER S.A.***	100	0	Greece	full consolidation	n/a
APS Delta S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS BETA, a.s.	100	100	Czechia	full consolidation	full consolidation
APS Investment s.r.o.	100	100	Slovakia	full consolidation	full consolidation
APS MIP s.r.o.	100	100	Czechia	full consolidation	full consolidation
LOAN MANAGEMENT II, a.s.	50	50	Slovakia	full consolidation	full consolidation
APS Zeta S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS CREDIT FUND SICAV, a.s.	100	100	Czechia	full consolidation	full consolidation

** The company APS Recovery a.s. is a successor company to the assets of the merged companies APS Finance a.s. and APS Real Estate s.r.o.*
*** APS Investments s.r.o is prior APS Management services (after the change of the name) and at it is the only successor company after merger of APS Management services and APS Recovery management s.r.o. dated January 1, 2022 and transfer of assets and liabilities of APS Investments S.à. r.l to APS Management Services s.r.o. dated December 31, 2022.*
**** Casazela d.o.o., Syndre d.o.o s.r.o. were sold during 2022.*
***** APS ETA S.A. (LU), APS ETA REO SINGLE MEMBER S.A. were newly established companies during financial year 2022*

The companies out of scope of the consolidation are companies without significant influence (minority interest less than 20%) and holding those investments does not meet any further definition of control according to IFRS 10.

3.3 Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held

for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

3.4 Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a subsidiary is described below in note 7.2

3.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (value in use) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.6 Revenue recognition

APS group provides mainly following services to our customers, which are typically negotiated as one package with the same economic objectives and are entered into near the same time and therefore the services are treated as a single contract, each service has capability of being distinct as they meet criteria of IFRS 15.22

3.6.1 Identification of revenue streams

Services related to Receivable's collection (Asset management fees) – this service is provided by separate collection entities (Recovery business line) and the price is set on market level. The market refers to the market with NPL portfolios offered usually by banks, where the price is set between external investors and NPL servicers on the other side. Investors buy the portfolio of NPL and make decision who will provide the servicing for them to get the collections. Some of the investors have already set up their own servicing platform so the Group is competing with other servicers and with investor's "internal option" as well.

The service includes recovery of multiple underlying assets (collaterals, debts, etc.), while activities related to recoveries of each single asset element are highly interrelated. Therefore, the asset management (recovery) activities related to one fund (Investor's asset)[1] constitute one performance that is performed over whole lifecycle of the fund. This service is distinct from other performance obligations meeting the conditions in IFRS 15.27. The transaction price for this separate performance obligation is challenged and agreed with the investor and is being compared to alternative collectors' prices by the Investor. The price is separately observable in the contract and corresponds with the stand-alone selling price of this performance obligation. Therefore, allocation of the total contract transaction price based on relative stand-alone selling price principle (see IFRS 15.74) will not imply any revenue adjustment for the respective service provided.

The service may include one-off fee charged for the services provided at the beginning of the project for the portfolio onboarding (taking over the database from the bank and uploading the data into the system, legal formalities for taking over the cases etc.).

Services related to Investment management (Underwriting fees) – this service is provided by Investment division in APS Investments S.à r.l. entity to the Investors involved in specific deal. It includes mainly negotiations with the seller, assessing the assets, preparation of valuation model and dealing with relevant authorities, the outcome being signed deal with the seller approved by relevant authorities so that the ownership is transferred to specific customer/fund. These services are provided by Investment division and are distinct as per IFRS 15.27 because:

- legal title over the asset is handed over to the customer who controls and is able to direct its further use and

- customer may benefit from the asset without rendering of ongoing Asset and Facility management services from APS (e.g. in case of hypothetical withdrawal from APS services, customer may manage the asset either using other asset manager or using its own resources).

The price for it covers the costs of Investment division and is challenged and agreed with the Investor as market price. As such is equal to stand-alone selling price and application of relative stand-alone selling price principle (see IFRS 15.74) for the respective services provided will not imply any revenue adjustment.

Services related to Fund management (Fund Management fees) – this service is provided by Fund Management division in APS Investments S.à r.l. entity to the Investors involved. It includes regular reporting on fund performance, ensuring statutory obligations, communication with relevant authorities, cash management. These services are provided by Fund Management division and are distinct as per IFRS 15.27. The price for it covers for the costs of Fund Management division and is challenged and agreed with the Investor as market price. As such it corresponds to the stand-alone selling price and allocation of total contract transaction price based on relative stand-alone selling price principle (refer to IFRS 15.74) for the respective services provided will not imply any adjustment.

3.6.2 Assessment of revenue streams

Asset management fees (AMFs) – are always directly linked (calculated from) cash collections during the lifecycle period of the fund. There is typically high number of collections over the lifecycle of the fund.

- Recognition method: The respective revenue shall be recognized over time as customers simultaneously receives and consumes benefits (when each separate collection from debtors is credited to customer's account) from asset management activities over the fund lifecycle and criteria of

[1] An Investor is a customer who receives services from APS. This term is used for the purpose of revenue recognition in this chapter and does not refer neither to parent entity nor to any other shareholders of APS.

IFRS 15.35a are met. The most suitable method of measurement progress towards complete satisfaction is an output method based on measurement of successful collections from debtor, i.e. as the cash is collected on collection accounts. Even in case of collateralized receivables when the collections are based on selling large assets which takes long list of time and cost consuming actions (removing legal obstacles, bankruptcy procedure, liquidation, selling the asset etc.) that may spread across several months or years, the control of assets (cash collections) transfers only when the collections are received (and therefore cost-based input method of measuring progress towards complete satisfaction does not seem to be suitable).

- Presentation implication: As the above selected revenue recognition method corresponds with payment from customer (APS remuneration is typically calculated as percentage of recovered asset, the percentage ratio is fixed), the invoiced AMF corresponds to recognized revenue (i.e. APS performance). Nor contract asset, neither contract liability shall be therefore recognized because of IFRS 15.105 requirement Variable Considerations: The total asset management fee is estimated during the underwriting period, when asset valuation model based on thorough due diligence screening process is executed. The total AMFs represent an amount to which APS estimates to be entitled in exchange for providing asset management services. The asset management fees are budgeted to recover related costs including margin. For selected contracts, APS is eligible for extra bonuses when meeting certain trigger points (see Commission fees based on SLA bellow) and/or improvement of AMFs percentage (if fund performance is higher that pre-agreed threshold). However, such triggers and above-expectation fund performance may not be reliably estimated at the contract inception so that it would be highly probable that significant reversal in the amount of cumulative revenue would not occur. These revenue items shall be therefore recognized when respective triggers or improvement of fund performance occurs.

- Onboarding fees (OFs) are not classified as a separate activity, as they are directly linked to the portfolio servicing and would not be cashed for the portfolios which are not subsequently serviced. Therefore, OFs are recognized over time and measured based on output method based on measurement of recognized AMF as a % of total AMF in the acquisition model.

- Underwriting fees (UFs) – fees are calculated as a percentage of transaction purchase price and are usually capped. The transactions go through several stages before the deal is finalized (Screening, Indicative bid, Binding bid, Signing, Closing). Before reaching closing stage the transactions can be easily scratched and no Underwriting fees are paid in such case. The control over underlying portfolio for the transaction is transferred at Closing date – i.e. after the deal is signed and all transaction preceding conditions are met. Chief Investment Officer can assess that the point of time for recognizing the revenue is earlier in time depending on the risk profile of the transaction and historical data of relevant deals (e.g. after antimonopoly approval). To sum up UFs are recognized at a point in time as the criteria set in IFRS 15.35 are not met:

- Customers (investors) do not (simultaneously) consume any benefit from ongoing phases of the deal (i.e. criteria in IFRS15.35 are not met)

- Customers (investors) do not control any assets (fund shares, IPRs, etc.) related to transaction preparation and are not able to prevent APS from controlling any asset related to transaction preparation (i.e. criteria in IFRS 15.35b are not met)

- The assets created within the transaction preparation has alternative use for APS (i.e. may be easily redirected to other possible investor) and APS has no right to any payment for performance completed to date until the Closing phase (i.e. criteria in IFRS 15.35c are not met)

Fund Management fees (FMFs) – fees are usually set as a monthly lump sum for Fund Management services provided continuously during the portfolio lifetime. The services are invoiced as provided and the FMFs are recognized over time as the criteria of IFRS 15.35a are met (customer receives the benefits simultaneously over the lifecycle of the fund), while progress towards complete satisfaction of this performance obligation is based on elapsed time as the elapsed time best depicts the entity's obligation to stand ready to perform any administrative task when needed.

Commission fees based on SLA - fees calculated based on % set in contract depending on meeting specific trigger points (cash collected, specific contract signed etc.). This performance is not capable of being distinct as it is highly integrated with AMFs. Further, revenues from Commissions fees based on SLA may not be reliably estimated at the contract inception (see discussion above). In this case the performance shall be accounted as part of AMF (not distinct performance obligation) and revenue is recognized when such specific trigger point occurs (not eligible to be included in transaction price consideration at the contract inception).

3.7 Leases

3.7.1 The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible and intangible assets excluding goodwill' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

The group uses the exception on low-value assets. The threshold was set to 5 thousands of Euro. The assets which initial net present value does not exceed this threshold are not recognised on the consolidated statement of financial position remain classified as services in the consolidated statement of profit or loss and other comprehensive income.

3.7.2 The Group as lessor

The Group does not present any material lease where it would be in the position of lessor.

3.8 Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the component's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

3.9 Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.10 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

3.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3.10.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill [IAS 12.15(a)].

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.11 Property, plant and equipment

Land and buildings held for administrative purposes are stated in the statement of financial position at their historical cost less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized in profit or loss.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Depreciation – tangible assets	Number of years
Building and structures	50
Office equipment	3
Transport facilities	5
Furniture	5

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.12 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Software is amortized over 10 years with a limited useful life using a straight-line method.

3.13 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.14 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The recoverable amount is set as value in use because there are no readily available market data to set the fair value. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.15.1 Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases for the group are purchases of NPL portfolios with the risks transferred to the Investor. These purchases or sales require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

No debt instruments meet the conditions to be subsequently measured at fair value through other comprehensive income (FVTOCI).

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Group does not elect any of its assets to be subsequently measured at fair value through other comprehensive income (FVTOCI).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item (note 6.3).

(ii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

(ii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

(iii) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For Trade receivables and loans the Group applies simplified approach classifying all receivables in stage 2 and always recognizing lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Bank accounts were classified according to Moody's rating and for each bank was set up the probability of default. Loss given default was 45% according to EU Capital Requirements Regulation, Article 161, point (a).

The following table summarizes the impairment approach for financial assets measured at amortised cost:

IFRS 9 Classification	Impairment Approach Stage 1	Stage 2	Stage 3
Unsecured purchased portfolios (debt financial assets valued at amortized costs)	No staging as these assets are treated as POCI with a lifetime impairment calculation		
Outstanding balances on bank accounts	Expert assesment of the significant increase in credit risk at each report ing date taking into consideration DPD, drop in rating, and publicly available negative information		
Trade receivables and loans	Simplified approach applied and classified in Stage 2 with a lifetime ECL calculation, unless it is credit impaired and classified in Stage 3		

(iv) Significant increase in credit risk

The Group so far does not evidence significant increases in credit risk. The group categorize the financial assets at initial recognition into the following three categories and does not evidence any movement between the categories:

Low risk financial assets – balances on bank accounts (stage 1)

Trade receivables – simplified approach to impairment calculation, all receivables categorized to stage 2

Unsecured portfolios - Purchased or Originated Credit-Impaired (POCI) Financial Assets categorized in stage 3

(v) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

(vi) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event (see (ii) above);

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(vii) Purchased or Originated Credit-Impaired Financial Assets (POCI)

Purchased or Originated Credit-Impaired Financial Assets (POCI) are those that meet both following criteria:

1. Categorized at initial recognition as Amortized costs (neither FVPL nor FVOCI)

2. Impaired (i.e. in default) at initial recognition.

Once the instrument is classified as POCI it always stays classified as POCI. The Group classifies unsecured portfolios in this category.

(viii) Initial Recognition POCI

To recognize POCI at initial recognition the following variables on the level of the financial instrument are determined:

1. **Contractual Cash Flows:** The contractual CF at initial recognition is represented by the whole outstanding balance of the instrument at initial recognition and it should be due immediately. We manage this information is in the CAPONE recovery system.

2. **Expected Cash Flows**: Expected CF consists of real expected CF in the future periods including the effect of expected credit losses. Further details related to the expected cash flows are addressed in the Impairment methodology.

3. Fair Value at initial recognition (FV): The sum of the FV allocated to the financial instruments within the same portfolio is the acquisition price paid by us. It is assumed that the acquisition price reflects the actual price of the instruments considering the risk-free rate, their market risk, credit risk, liquidity and other risks of the purchased portfolio/instruments.

4. Transaction costs (TC): The transaction costs are allocated to individual instruments on a pro-rata basis to their respective individual fair values.

(ix) Other Aspects of the initial recognition

For the recognition of POCI instrument, following is valid:

1. All the financial instruments identified as POCI have an allocated fair value above zero.

2. All the outstanding payments of the financial instruments are due immediately at the acquisition date

3. The sum of the FV allocated to the financial instruments within the same portfolio is the acquisition price paid by us for the given portfolio.

(x) Write-off policy

Non-performing loans (NPL) portfolios, which have monthly gross-collections under 2 thousand EUR on average for past 12months are written off unless overruled by the decision of group CFO (due to expected significant future gross-collections).

The reason for write-off is that the internal costs for revaluation are disproportionately higher than the information the Group gets for these costs.

Any post-write-off cash flows from afore-mentioned portfolios are recognized as Revenue in line with IFRS 15.35a in P&L against cash/bank account on Balance sheet.

(xi) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(xii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.15.2 Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

All financial liabilities with exception of Interest rate swap and non-deliverable forward are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Interest rate swap and non-deliverable forward are measured in FVPL with the valuation technique and key input data as follows:

Financial derivative	Valuation techniques and key input data	Significant non-observable inputs	Relationship and sensitivity between non-observable inputs a fair value
1) currency forwards and interest rate swaps	Discounted cash flows: Future cash flows are determined based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

(iv) Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in Finance costs or Finance Income line item in profit or loss (note 6.3).

3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4 Critical accounting judgements and key sources of estimation uncertainty

IIn the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

4.1.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3.16). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2 Derecognition of assets and liabilities related to portfolios

The Group analysed contractual conditions with investors to assess if risks and rewards related to the portfolio assets and liabilities are substantially transferred to investors. The assessment had material impact to numbers as presented in Consolidated statement of financial position and Consolidated statement of profit of loss.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Impairment testing of goodwill

Following the assessment of the recoverable amount of acquisition goodwill the directors consider the recoverable amounts of goodwill allocated to relevant cash generating unit (CGU) very sensitive to market conditions and are based on revenue forecasts, staff costs and overheads based on current and anticipated market conditions. Whilst the Group is able to manage most of the costs however the revenue projections are inherently uncertain due to uncertainty in new market opportunities and unstable market conditions.

4.2.2 Estimated cash flows related to valuation of purchased NPL portfolios

The Group presents the value of purchased NPL portfolios based on amortized costs taking into account expected future cash flows from unsecured portfolios. The cash flow estimates are made based on payment patterns from past and assume unchanged economic environment. Changes in debtors' behavior, in economic environment of legal environment can have significant impact on future cash flows and thus can impact the valuation.

4.2.3 Provisions for litigation and tax risks

Management's assessment of the amount of provisions for litigation and tax risks is based on management assumptions and on currently known facts and relate principally to the interpretation of tax legislation and arrangements entered into by the Group. Due to the uncertainty associated with such items, there is a possibility that the final outcome may differ significantly.

4.2.4 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement based on past experience.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2.5 Fair value measurements and valuation processes

Secured NPL portfolios are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation department to determine appropriate valuation techniques and inputs for fair value measurements.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Valuation team reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

4.2.6 Other areas of accounting judgement and sources of estimation

- impairment of property plant and equipment and intangible assets;
- underwriting fee revenues in case the investment deal is not closed yet;
- the amount of deferred tax assets resulting from tax losses available for carry-forward and deductible temporary differences;
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

4.2.7 Russian invasion to Ukraine

The Group assessed that the direct impact of Russa--Ukraine War will not be material, as the Group has no operations on the Russian market and very limited operations on Ukrainian market.

The group is constantly monitoring the situation and assessed that the war on Ukraine did not cause any significant increase of its credit risk, thus the Group decided not to change the calculation methodology related to the Loans and Receivables balances according to IFRS.

5 Risk Management

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

5.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Company is in process of setting up risk management committee, which will be responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities. The Group's risk management policies will be established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Group's activities. In 2021 risk management function was covered by Board of Directors activities on regular basis based on reports delivered by financial controlling department. Risk management was focused on management of liquidity risk, currency risk and decreasing of influence of credit risk. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.2 Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

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

5.3 Credit risks

As a result of its business and investment activities the Group is exposed to credit risks. Receivables are not classified in individual groups because various debtors are evaluated on an individual basis. The group endeavours to minimize its credit risk before it enters into any business relationships, as well as when such relationships already exist.

When evaluating the client's creditworthiness, the Group prepares financial and non-financial analysis. 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 Group 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.

5.4 Currency fluctuation risks

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

The currencies as of 31 December 2022 are represented in the Group financial liabilities of 102 027 thousands of Euro and financial assets of 103 393 thousands of Euro.

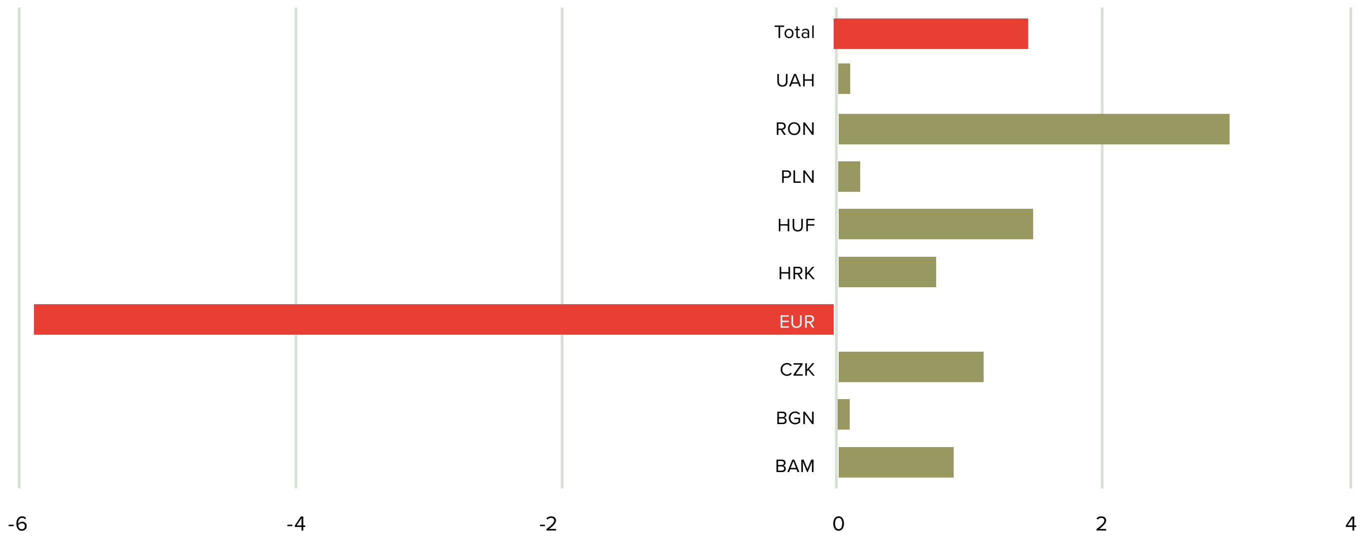
The most significant currencies in the Group are EUR, CZK, RON and HUF.

Financial Assets	*thousands of Euro*
BAM	991
BGN	98
CZK	7 597
EUR	86 094
HRK	944
HUF	1 870
PLN	299
RON	5 491
UAH	9
Total	103 393

Financial Liabilities	*thousands of Euro*
BAM	208
BGN	84
CZK	6 522
EUR	91 980
HRK	234
HUF	355
PLN	113
RON	2 528
UAH	1
Total	102 027

The net exposure (+receivable / -payable) per currency as of 31 December 2022 is shown in the graph below:

Net Position [mEUR]



The net position as of 31 December 2022 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousands of Euro

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
RON	2 963	-30	30
HUF	1 514	-15	15
CZK	1 075	-11	11

- In the case of 1% appreciation of EUR vs. RON, Profit for the year will decrease by 30 thousands of Euro
- In the case of 1% depreciation of EUR vs. RON, Profit for the year will increase by 30 thousands of Euro
- In the case of 1% appreciation of EUR vs. HUF, Profit for the year will decrease by 15 thousands of Euro
- In the case of 1% depreciation of EUR vs. HUF, Profit for the year will increase by 15 thousands of Euro

The net position as of 31 December 2021 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousands of Euro

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
RON	3 602	-36	36
HUF	2 011	-20	20
CZK	-24	0	0

- In the case of 1% appreciation of EUR vs. RON, Profit for the year will decrease by 36 thousands of Euro
- In the case of 1% depreciation of EUR vs. RON, Profit for the year will increase by 36 thousands of Euro
- In the case of 1% appreciation of EUR vs. HUF, Profit for the year will decrease by 20 thousands of Euro
- In the case of 1% depreciation of EUR vs. HUF, Profit for the year will increase by 20 thousands of Euro

For translations from local functional currency to group reporting currency, European Central Bank rates were used as follows:

Reporting currency	Transaction currency	Reporting Period Average ECB Rate	31.12.2022 ECB Rate
EUR	BGN	1.96	1.96
EUR	HUF	391.29	400.87
EUR	HRK	7.53	7.54
EUR	CZK	24.57	24.12
EUR	RON	4.93	4.95
EUR	PLN	4.69	4.68
EUR	RSD	117.46	117.29
EUR	BAM	1.96	1.96
EUR	UAH	34.25	39.24

5.5 Interest fluctuation risks

The group main financing facility is a bank loan, which bears an interest rate consisting of fixed and variable part. Fixed interest rate of 3.00 % p.a. (from February 2021 till June 2022 the fixed interest rate was 3.50 %) is supplemented by three-month Euribor rate. To eliminate the risk associated with possible fluctuations in the Euribor rate, half of the principal is secured by an interest rate swap of 0.24%.

Other part is the loan from EUROBANK PRIVATE BANK LUXEMBOURG S.A (hereinafter "Eurobank") which is financing facility for the secured corporate portfolio purchased in Greece. This loan bears an interest rate consisting of fixed part of 3.25 % which is supplemented by three-month Euribor rate. To eliminate the risk associated with possible fluctuations in the Euribor rate, half of the principal is secured by an interest rate swap of 2.82%.

Impact of Euribor rate fluctuation were calculated as follows:

In thousands of Euro

Year end	Bank loan	Risk exposure	% change	Impact on interest costs
31.12.2022	43 174	21 587	1%	216
31.12.2022	43 174	21 587	-1%	-216

- In case of increase of Euribor rate by 1%, interest costs will increase by 216 thousands of Euro
- In case of decrease of Euribor rate by 1%, interest costs will decrease by 216 thousands of Euro

In thousands of Euro

Year end	Bank loan	Risk exposure	% change	Impact on interest costs
31.12.2021	12 813	6 407	1%	64
31.12.2021	12 813	6 407	-1%	-64

- In case of increase of Euribor rate by 1%, interest costs will increase by 64 thousands of Euro
- In case of decrease of Euribor rate by 1%, interest costs will decrease by 64 thousands of Euro

5.6 Liquidity risks

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. It includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

In thousands of Euro

as of 31.12.2022	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Bank loans	490	490	4 480	38 935	0	44 395	43 174
Other loans	0	4 130	0	2 151	0	6 282	6 282
Issued Bonds	0	0	0	35 654	0	35 654	35 654
Trade and other payables	8 746	0	0	0	0	8 746	8 746
Total Financial Liabilities	**9 236**	**4 620**	**4 480**	**76 740**	**0**	**95 077**	**93 855**

as of 31.12.2021	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Bank loans	490	490	980	11 060	0	13 020	12 813
Other loans	0	3 130	0	2 303	0	5 433	5 433
Issued Bonds	0	0	0	3 507	0	3 507	3 507
Trade and other payables	6 732	0	0	0	0	6 732	6 732
Total Financial Liabilities	**7 222**	**3 620**	**980**	**16 870**	**0**	**28 692**	**28 485**

The table below shows the detail of the Group´s financial assets based on the latest date on which the Group can require the payment:

In thousands of Euro

as of 31.12.2022	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	0	399	418	0	817	817
Purchased loan portfolios	0	0	0	68 275	0	68 275	68 275
Trade and other receivables	6 428	0	0	0	0	6 428	6 428
Total Financial assets	**6 428**	**0**	**399**	**68 693**	**0**	**75 520**	**75 520**

as of 31.12.2021	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	0	753	1 142	0	1 895	1 895
Purchased loan portfolios	0	0	0	6 352	0	6 352	6 352
Trade and other receivables	6 600	0	0	0	0	6 600	6 600
Total Financial Assets	**6 600**	**0**	**753**	**7 495**	**0**	**14 847**	**14 847**

To quantify the liquidity risk, Group uses Current Ratio, the results are presented in table below. The ratio has increased slightly year to year, despite to decrease in cash position, all other current assets increased mainly in Trade receivables, and current liabilities decreased mainly due to repayment of Bonds. Group considers the results satisfying and is not considering any further steps to eliminate the liquidity risk.

In thousands of Euro

Current Ratio of the Group	31.12.2022	31.12.2021
Current Assets	34 739	26 373
Current Liabilities	24 167	16 895
Ratio	**1.4**	**1.6**

5.7 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged since 2017.

The capital structure of the Group consists of net debt (borrowings disclosed in note 7.6) after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in note 7.11).

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

5.8 Gearing ratio

The gearing ratio at the year-end is as follows:

In thousands of Euro

	31.12.2022	31.12.2021
Net Debt	83 836	18 527
Equity	15 087	12 010
Net Debt to Equity ratio	**5.6**	**1.5**

Significant increase of the gearing ratio, from 1.5 to 5.6 is caused by purchase of portfolio by the entity ETA S.A., which is financed partially by bank loan and partially by debt.

5.9 Operating risks

The Group defines operating risks as the possibility of losses incurred by inadequate or failed internal processes, people and systems, or from external events, including legal and compliance risks. 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. The Group has internal system of risk controls being revised on regular basis by the department of Internal Audit. The Internal Audit Department visits local subsidiaries within the group on regular basis, performing the standard internal audit procedures.

6 Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

6.1 Operating revenue

In thousands of Euro

	31.12.2022	31.12.2021
Revenue from NPL portfolio servicing	17 821	21 180
Other operating revenues	5 350	2 701
Total operating revenues	**23 171**	**23 882**

Major part of operating revenues is represented by Asset management fees, charged for the recovery activities by the servicing entities, aggregated on the row Revenue from NPL portfolio servicing and by fees from investment services, which are shown on other operating revenue line.

Overall decrease of operating revenues by 3 % is caused by the decrease of revenues related to Asset management fees, which is partially offset by notable increase of revenue from investment services (98 % increase comparing to prior year).

The decrease in NPL portfolio servicing category is driven mostly by the Hungarian subsidiary, where revenue is down by 40 % (1.2 mEUR) comparing to prior year and Croatian subsidiary, where revenue dropped from 2.2 mEUR in 2021 to 1.5 mEUR in 2022. Significant decrease is visible also in recovery activities in Serbia, from 1.1 mEUR in 2021 to 0.2 mEUR in 2022, which results in restructuring of the operations in Beograd.

On the other hand Romania, core pillar with more than 40 % share on Revenue from NPL portfolio servicing remains stable (7.2 mEUR 2022 comparing to 7.4 mEUR in 2021) and revenue streams from remaining subsidiaries in Bulgaria, Czech Republic, Poland, Bosnia and Herzegovina and Montenegro are stable in year to year comparison as well.

The Group elects to apply the admissible practical expedient in paragraph 121(b) of IFRS 15 and does not disclose the aggregated amount of unsatisfied transaction price, because the right to consideration from respective performance obligations (such as asset management and fund management) corresponds directly with the value transferred to the customer.

The split of the Operating revenue by the revenue stream:

In thousands of Euro

	31.12.2022	31.12.2021
Recovery services	16 253	20 443
Investment Management	5 112	2 257
Fund Management	1 572	1 090
Real Estate	234	91
Total	**23 171**	**23 882**

The group does not report geographical split of the revenue. As there is variety of ownership split and would be very hard to define the geographical identity of each revenue with minimal value added for the user of the financial statements.

6.2 Operating expenses

In thousands of Euro

	31.12.2022	31.12.2021
Administrative expenses	19 673	19 392
Other operating expenses	169	412
Total operating expenses	**19 842**	**19 803**

Operating expenses are represented by administrative expenses related to the running of the Group itself. Salaries and related expenses represent approximately 55% of total operating expenses. Another material part is related to the external services (e.g. audit fees, tax, legal and other advisory fees etc.).

The group have managed to keep operating expenses on almost the same level as in the last year. Despite the inflationary environment all over the geographical segments of operations, focus on cost optimizing and efficiency offset the increased salaries, rental and energy expenses. The cost optimization is focused on both salary expenses (headcount reduction) and external services, where the group minimized mostly usage of advisory and legal costs only to these, which are deemed necessary.

Detail of Administrative expenses

In thousands of Euro

	31.12.2022	31.12.2021
Salaries and related expenses	10 959	11 199
Costs of external services	8 714	8 180
Local taxes and fees	0	12
Total Distribution and administrative expenses	**19 673**	**19 392**

In the reporting period audit fees amounting to 373 thousands of Euro (prior year 372 thousands of Euro) are included in the external services category.

Average headcount divided into major segments in table below:

Segment Number of Employees	2022	2021
Head-office	39	54
Investment	21	28
Servicing	419	473
Real Estate	4	12
Fund vehicles	3	4
Total Employees	**486**	**571**

Decrease in number of employees is caused by personal costs optimization in the Group and restructuring of the head-office entities which took place during 2022.

6.3 Financial result

In thousands of Euro

	31.12.2022	31.12.2021
Net exchange gains or losses	-445	25
Interest income	371	148
Interest expenses	-1 154	-1 037
Interest expense on lease liability	-173	-177
Other Finance Income/Costs net	2 549	1 233
Net financial result	**1 147**	**192**

Group's Financial result consists of Interest expenses paid for loan from UniCreditBank loan are 496 thousands of Euro (434 thousands of Euro in 2021 for the period after refinancing), interest expenses paid for loan from Eurobank are 76 thousands of Euro and interest expenses paid for loan from IFC are 141 thousands of Euro (181 thousands of Euro in 2021).

Interest income is related to the loans provided to related parties from APS Recovery a.s.

Most important part of Other Finance income is represented by positive impact of Fair-value revaluation of portfolios owned by the individual entities within the group.

Net realized and unrealized Foreign Exchange losses of 445 thousands of Euro are related to the operations in RON, EUR and CZK as the most frequent currencies for the Group.

6.4 Income Tax

6.4.1 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 compiled. Thus, current tax is based on taxable profit for the accounting period. The amount of taxable profit may differ from the profit before tax, which is presented in the Consolidated Income Statement as it sometimes does not include items of income or expense that are taxable or tax deductible in other years or items that are never taxable or tax deductible.

In thousands of Euro

Current income tax	31.12.2022	31.12.2021
Profit or Loss before Income taxes continuing operations	2 653	2 188
Profit or Loss before Income taxes	**2 653**	**2 188**
Income Tax using the average tax rates	**-848**	**-163**
Tax losses for which no deferred tax is recognised	241	-782
Expenses not deductible for tax purposes	-361	-141
Income not subject to tax	525	212
Total Income tax expense	**-443**	**-874**
% of Income tax expense	16,7%	40,0%
% of Average Tax using the Company´s domestic tax rate	32,0%	7,5%

6.4.2 Deferred tax

Deferred tax has been calculated with the use of tax rates which are expected to be valid at the time when the assets have been implemented or when the liabilities have been settled. Deferred tax has been posted in the Statement of Comprehensive Income with exception of situations when it is related to the items which were accounted directly in the equity and the deferred tax is included in the equity.

Deferred tax of 63 thousands of Euro charged to P&L in current reporting period is related mainly to the decrease of deferred tax liability which was booked due to the variance in Tax and Accounting amortisation.

6.4.3 Effective tax rate and tax changes

Effective tax rate decreased from 40% to 16.7%.
Between 1 January 2022 and 31 December 2022 the following changes in Corporate Tax rates became effective in the countries where the Group is active:
No changes in Taxation legislation affecting our subsidiaries became effective as of 31 December 2022.

6.4.4 Unused tax losses

The Group does not recognise deferred tax asset for tax losses carried forward because the Group´s management considers not probable that sufficient future taxable profits in individual group companies will be available against which the tax losses could be utilised.

The Unused Tax for which no deferred tax is recognized is as follows:

In thousands of Euro

Entity	Total unused tax loss	Expiring 2023	Expiring 2024	Expiring 2025	Expiring 2026	Expiring 2027
APS Investments s.r.o.	2 568	0	328	1 284	956	0
APS Recovery a.s.	1 185	0	627	558	0	0
APS Poland	904	0	215	74	400	214
APS Warsaw	78	0	0	0	0	78
APS Italy	3	0	0	0	0	3
APS Ukraine	91	0	0	0	0	91
APS Montenegro d.o.o.	43	0	0	0	0	43
APS d.o.o. Beograd	257	0	0	0	0	257
APS Recovery Greece Credit and Loan Servicing S.A.	1 721	243	831	394	254	0
Casazela d.o.o. Beograd-Stari Grad	94	0	94	0	0	0
APS Investment s.r.o.	103	88	15	0	0	0
APS MIP s.r.o.	60	33	0	2	20	5
APS GAMMA, s.r.o.	67	0	0	54	2	11
APS CREDIT FUND SICAV, a.s.	106	0	30	12	54	10
APS BETA, a.s.	230	0	0	0	0	230
LOAN MANAGEMENT II, a.s.	140	0	0	0	91	49
APS Investment Funds S.a r.l	649	0	0	0	0	649
Total	**8 300**	**363**	**2 140**	**2 378**	**1 778**	**1 640**

6.5 Dividends

No dividend payment to shareholder of APS Holding S.A. was approved for the current and prior reporting periods. Dividend payments to minority shareholders are disclosed in note 7.11.

7. Notes to Consolidated Statement of Financial Position

7.1 Goodwill and intangible assets

In thousands of Euro

	Goodwill	Software	Other intangible assets	Total
At 1 January 2022				
At costs	6 824	5 058	1 838	**13 721**
Accumulated amortisation	0	-2 248	-741	**-2 990**
Net book amount	**6 824**	**2 810**	**1 097**	**10 731**
At 31 December 2022				
Additions	0	46	29	**75**
Disposals (gross value)	0	0	0	**0**
Exchange differences (gross value)	0	26	59	**85**
Disposed amortisation	0	0	0	**0**
Exchange differences (accumulated amortization)	0	6	-26	**-20**
Amortisation charge of the year	0	-567	-187	**-754**
Closing net book amount	**6 824**	**2 321**	**972**	**10 118**
At 31 December 2022				
Cost or fair value	6 824	5 130	1 927	**13 881**
Accumulated amortisation	0	-2 809	-955	**-3 763**
Net book amount	**6 824**	**2 321**	**972**	**10 118**

In thousands of Euro

	Goodwill	Software	Other intangible assets	Total
At 1 January 2021				
At costs	6 824	4 935	1 755	**13 514**
Accumulated amortisation	0	-1 555	-531	**-2 086**
Net book amount	**6 824**	**3 380**	**1 224**	**11 428**
At 31 December 2021				
Additions	0	231	3	**234**
Disposals (gross value)	0	-233	-5	**-238**
Disposed amortisation	0	163	0	**163**
Exchange differences	0	123	52	**175**
Amortisation charge of the year	0	-855	-176	**-1 031**
Closing net book amount	**6 824**	**2 810**	**1 097**	**10 731**
At 31 December 2021				
At Costs	6 824	5 058	1 838	**13 721**
Accumulated amortisation	0	-2 248	-741	**-2 990**
Net book amount	**6 824**	**2 810**	**1 097**	**10 731**

As of 31.12.2022 Group presents following Goodwill:

In thousands of Euro

	31.12.2022	31.12.2021
Upstream Merger Goodwill	6 824	6 824
Total Group Goodwill	**6 824**	**6 824**

7.2 Upstream Merger Goodwill

7.2.1 Impairment assessment

The Group tests whether goodwill has incurred any impairment on an annual basis irrespective of impairment indicators. The recoverable amount of the asset is determined based on value in use calculations which requires the use of assumptions. The calculations use cash flow projections based on business model approved by management of the Group covering a 5-year period. According to Management's forecasts, the predictability of the model significantly decreases with the time, therefore no projections beyond 5 years are considered, however terminal value was included in the calculations. For the purpose of impairment testing, goodwill acquired in upstream merger in 2015, is allocated to the Group as a single cash generating unit that is expected to benefit from the synergies of the merger.

As of 31 December 2022, the impairment assessment for goodwill was performed based on the same methodology as the initial estimation of the intangible asset and goodwill used for the business combination in 2015.

Revenues from servicing are based on recovery curves according to the data relating to the non-performing loans and real estate assets that are currently managed. The collateral market values were updated for single markets.

The recovery strategies were applied to each debtor depending on whether the strategy would be that of Restructuring, Settlement, Consensual Sale, Debt to Asset or Foreclosure. For secured debtors, recoveries were estimated starting from the market value of the underlying collaterals capped by the value of receivable.

Estimated level of new deals per annum, which is reflecting current level of new deals in 2022, expected growth in coming year, current level of net multiple for investment deals, current recovery curves and estimated level of asset management fees for servicing the portfolios.

The main costs were calculated as follows:

1) Direct and indirect costs at market level were calculated by taking into consideration the total direct cost in particular market in 2022 and the estimation for the rest of the life of the project.

2) For new deals weighted average level of contribution margin was applied, as the specific markets where the deals will be located cannot be predicted by management

For calculating the recoverable amount as at 31 December 2022, a pre-tax discount rate 9.41 % was used.

An effective tax rate of 14.3% was used to calculate the expected income tax expense.

The calculations use cash flow projections based on the 5-year strategic plan approved by the Board of Directors.

Based on the results of the above-described impairment tests, no impairment of goodwill and intangible was identified.

7.3 Property, plant, and equipment

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2022				
At Cost	18	539	448	**1 004**
Accumulated depreciation	-6	-501	-266	**-773**
Net book amount	11	38	181	**231**
At 31 December 2022				
Additions	87	61	104	**252**
Disposals (gross value)	0	-176	-65	**-241**
Exchange differences (gross value)	-4	0	-3	**-7**
Disposed depreciation	0	49	4	**53**
Exchange differences (accumulated depreciation)	0	8	4	**12**
Depreciation, Impairment	**-1**	**29**	**-54**	**-26**
Depreciation of non-disposed assets	-1	-87	-104	**-192**
Depreciation related to disposals	0	116	50	**166**
Closing net book amount	94	10	171	**274**
At 31 December 2022				
At Cost	101	424	483	**1 008**
Accumulated depreciation	-7	-415	-313	**-734**
Net book amount	94	10	171	**274**

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2021				
At costs	19	596	304	**919**
Accumulated amortisation	-7	-526	-220	**-753**
Net book amount	12	70	84	**166**
At 31 December 2021				
Additions	0	1	160	**161**
Disposals (gross value)	-1	-53	-18	**-72**
Disposed depreciation	1	53	0	**55**
Exchange differences	0	0	7	**7**
Depreciation charge of the period	-1	-33	-53	**-87**
Closing net book amount	11	38	181	**231**
At 31 December 2021				
At Costs	18	539	448	**1 004**
Accumulated depreciation	-6	-501	-266	**-773**
Net book amount	11	38	181	**231**

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 appreciation of long-term assets increase their acquisition cost.

7.4 Leases (Group as a lessee)

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2022				
At Cost	3 641	218	262	4 121
Accumulated depreciation	-1 691	-115	-157	-1 963
Net book amount	**1 950**	**103**	**105**	**2 158**
At 31 December 2022				
Additions	1 680	131	0	1 811
Disposals (gross value)	-1 261	-190	-83	-1 534
Disposed depreciation	1 187	131	83	1 401
Depreciation	-777	-44	-56	-877
Exchange differences	-15	-3	-2	-20
Closing net book amount	**2 764**	**128**	**47**	**2 939**
At 31 December 2022				
At Cost	4 045	156	177	4 378
Accumulated depreciation	-1 281	-28	-130	-1 439
Net book amount	**2 764**	**128**	**47**	**2 939**

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2021				
At Cost	3 909	262	203	4 374
Accumulated depreciation	-1 121	-142	-53	-1 316
Net book amount	2 788	120	150	**3 058**
At 31 December 2021				
Additions	218	47	105	370
Disposals (gross value)	-486	-91	-46	-623
Disposed depreciation	226	92	0	318
Depreciation	-796	-65	-104	-965
Closing net book amount	1 950	103	105	**2 158**
At 31 December 2021				
At Cost	3 641	218	262	4 121
Accumulated depreciation	-1 691	-115	-157	-1 963
Net book amount	1 950	103	105	**2 158**

The Group leases several assets including buildings, motor vehicles and IT equipment. The average lease term is 4.2 years (prior period: 4.06 years).

Approximately 1.1 million of Euros of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of 1.8 million of Euros in the reporting period. Disposals relates to expired lease contracts, where major part relates to expired rent contract in APS Investments s. r. o which were replaced by new rent contract. Rest additions mostly relates to indexation of rent fee due to high inflation rate. The maturity analysis of lease liabilities is presented in the liquidity risk section 5.6.

Amounts recognized in profit and loss:

In thousands of Euro

	31.12.2022	31.12.2021
Depreciation expense on right-of-use assets	877	965
Interest expense on lease liabilities	173	177
Expense relating to short-term leases	0	0
Expense relating to leases of low value assets	119	118
Total	**1 169**	**1 260**

Total cash outflows related to leases were 717 thousands of Euro (prior year 1 241 thousands of Euro) which includes all lease payments including these on assets classified as low value.

7.5 Associates

All Financial Assets are presented at amortized costs. Summary of financial assets and Group's impairment approach is shown in table below:

In thousands of Euro

		Impairment approach			Fair-value level
At 31.12.2022		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at amortized costs	Cash and Short-term deposits	18 818			n/a
	Loan receivables and other short--term assets		9 493		n/a
	Trade and other receivables		5 933	495	n/a
	Purchased unsecured loan portfolios			232	n/a
Financial assets valuated at fair-value	Purchased secured loan portfolios			68 043	3

In thousands of Euro

		Impairment approach			Fair-value level
At 31.12.2021		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at amortized costs	Cash and Short-term deposits	16 928			n/a
	Loan receivables and other short--term assets		2 845		n/a
	Trade and other receivables		5 936	664	n/a
	Purchased unsecured loan portfolios			360	n/a
Financial assets valuated at fair-value	Purchased secured loan portfolios			5 992	3

7.5.1 Loans receivables and other short-term assets

Loan receivables are short term parts of loans to APS Capital Group s.r.o. and Syndre d.o.o. , which both are classified as related parties.

7.5.2 Trade and other receivables

Trade receivables represent mainly receivables from Investors resulting from Asset Management Fees and receivables related to the Investors fees.

In thousands of Euro, as at 31 December 2022

	Not due yet	0-180 days	180-360 days	over 360 days	Total 31.12.2022
Trade accounts receivable	3 535	1 150	124	333	5 142
Other receivables	1 232	17	35	3	1 286
Total Trade and other receivables	**4 767**	**1 167**	**159**	**336**	**6 428**

In thousands of Euro, as at 31 December 2021

	Not due yet	0-180 days	180-360 days	over 360 days	Total 31.12.2021
Trade accounts receivable	3 530	1 148	405	50	5 134
Other receivables	1 220	39	28	181	1 467
Total Trade and other receivables	**4 749**	**1 187**	**433**	**231**	**6 600**

In thousands of Euro, as at 31 December 2022

	Gross amount	Impairment	Netto amount
Loans receivables	819	-2	817
Trade receivables	6 428	0	6 428
Other receivables	958	0	958
Impaired Cash Balance	**8 205**	**-2**	**8 203**

In thousands of Euro, as at 31 December 2021

	Gross amount	Impairment	Netto amount
Loans receivables	1 904	-9	1 895
Trade receivables	6 621	-21	6 600
Other receivables	467	-2	465
Impaired Cash Balance	**8 992**	**-32**	**8 960**

There is no material movement in lifetime ECL that has been recognized in the reporting period. Based on group impairment methodology considering for example the geographical region, segment of the customer and the days overdue of the receivables the impairment was charged in the period in total amount of 2 thousands of Euro according to IFRS 9 (charge of the period means technically release of impairment booked in prior year by 30 thousands of Euro).

The majority of receivables overdue is related directly to APS owned Investment Fund entities and other related parties. APS servicing companies are servicing the assets owned by funds and dispone by the cash collected for the investor. We consider the risk as very low, based on historical data no receivables remained unpaid and had to be written off and we do not expect such a situation in the future. These receivables are accumulated mostly in Romania.

In prior year category of other receivables overdue over 360 days were mainly receivables of Asset Portfolio Servicing Romania S.R.L, which were reimbursed during year 2022, current balance is close to zero.

7.5.3 Purchased loan portfolios

This category is represented by several portfolios purchased on balance sheet of group's subsidiaries.

First part represents older non-performing loans portfolios (investment in year 2011-2013), purchased by APS Recovery a.s. As these portfolios which are controlled by the Group are still generating important cashflows, according to the accounting standard the group recognizes it on is balance sheet.

The second part are portfolios purchased by Czech and Romanian subsidiaries. Majority of these portfolios are tails of secured portfolios, purchased during 2022 from the investors for whose we previously provided the recovery services.

Third part is represented by portfolio corporate secured portfolio Frame, purchased by ETA S.A. in December 2022, presented in fair-value in the amount of 61 607 thousands of euro.

7.5.4 Cash and Short-term deposits

Bank deposits were impaired according to Group's methodology described in note 3.

In thousands of Euro

	31.12.2022	31.12.2021
Bank deposits and Cash balances	18 825	16 938
Impairment calculated	-7	-10
Impaired Cash Balance	**18 818**	**16 928**

7.6 Financial Liabilities

Financial liabilities are reported at amortized costs except for interest rate swap and non-deliverable forward which are presented at fair value.

In thousands of Euro

	31.12.2022	31.12.2021
Financial liabilities at amortised cost		
Bank and other loans	49 456	18 246
Issued Bonds	35 654	3 507
Trade and other payables	8 746	6 732
Financial liabilities at fair value		
Interest rate swap	29	74
Financial liablities	**93 884**	**28 559**
Amount due for settlement within 12 months	18 125	11 822
Amount due for settlement after 12 months	75 759	16 737

All the borrowings are denominated in Euro.

Age structure of financial liabilities is available in section 5.6 liquidity risks.

7.6.1 Issued Bonds

Issued bonds were represented by bonds issued by the entity APS Recovery a.s. in the total anticipated nominal value of the issue of 25,122 thousands of Euro. The initial issue date was on 22 February 2018 and the second issue dated 22 February 2019. The bonds were publicly traded on the Regulated Market of the Prague Stock Exchange (PSE) from the 1 October 2018. Bond interest was 5% p.a.

The Bonds were early repaid and fully settled as of 22 February 2021.

Bonds with variable interest were issued by APS ETA S.A. with outstanding balance of 30 400 thousands of Euro. Bonds were issued as of 14 December 2022 and all the bonds are classified as long-term.

7.6.2 Bank and other loans

UniCredit Bank loan

The Group replaced bond financing by long term external loan provided by UniCredit Bank Czech Republic and Slovakia which was proceed in total amount of 14 million of Euros. Long term part of external loan is in amount of 8 937 thousands of Euro, short term part is in amount of 1 960 thousands of Euro.

Eurobank loan

The loan from Eurobank provided to APS ETA S.A. is a financing facility for purchased portfolio Frame (detail in note 7.5.3) with outstanding balance 32 277 thousands of Euro. Short-term part is in amount o 3 288 thousands of Euro.

Other loans received include outstanding interest from already repaid loan from Martin Machoň in amount of 28 thousands of Euro and loan from APS CREDIT FUND SICAV, a.s. in amount of 750 thousands of Euro provided to APS RED II.

Financial Covenants

Financial covenants are set up by conditions in Term facility agreement signed on 12 February 2021 with UniCredit Bank. Indicator is calculating as ratio of Gross Debt to earnings before interest tax and depreciation (EBITDA).

The Financial covenants are calculated based on consolidated financial statements of APS Holding – Servicing group, which represent different perimeter (The difference comes from the entity APS Investment Funds SarL and its subsidiaries which not consolidated but presented at cost) and are issued separately.

Financial covenants were fulfilled for financial year 2022, with the ratio 3.12 while the bottom ratio for the financial year 2022 is set-up to 3.6.

Moreover, the Group Gross Debt to EBITDA ratio of 3.12 leads to lower interest rate of UniCredit Bank loan of 2.70% starting with the third quarter 2023.

All the other loans are not subject to financial covenants.

7.7 Deferred tax

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances for financial reporting purposes:

In thousands of Euro

	31.12.2022	31.12.2021
Deferred tax liabilities	-155	-212
Deferred tax assets	0	0

Deferred tax assets and Liabilities charges during the period as follows:

In thousands of Euro

	Deferred tax liability	Deferred tax asset		
	Fixed assets depreciation	Fixed assets depreciation	Financial assets valuation	Total
01.01.2021	**-324**	**0**	**5**	**5**
Charge to profit or loss	65	0	-5	**-5**
Charge direct to equity	47	0	0	**0**
Effect of disposal of subsidiary	0	0	0	**0**
Exchange differences	0	0	0	**0**
01.01.2022	**-212**	**0**	**0**	**0**
Charge to profit or loss	63	0	0	**0**
Charge direct to equity	0	0	0	**0**
Effect of disposal of subsidiary	0	0	0	**0**
Exchange differences	-6	0	0	**0**
31.12.2022	**-155**	**0**	**0**	**0**

Deferred tax liability decreased to 155 thousands of Euro, no deferred tax asset recognized during financial year 2022. The change in deferred tax liability was charged to the Profit and loss statement. Deferred tax liabilities was booked mainly due to the variance in Tax and Accounting amortization. The Deferred tax relates to the entities APS Recovery a.s..

7.8 Trade and other payables

In thousands of Euro

	31.12.2022	31.12.2021
Trade and other payables	8 449	6 386
VAT liability	297	346
Total	**8 746**	**6 732**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Year over year increase is caused by the increase in the amount of external services used, due to the costs measured applied by the group. Part of VAT liability was settled during the year 2022.

The directors consider that the carrying amount of trade payables approximates to their fair value.

7.9 Provisions

In thousands of Euro, as of 31 December 2022

Description	Expected timing	01.01. 2022	additions	amount used	unused reversed	31.12. 2022
provision for annual bonuses	*first half 2023 – first half 2024*	100	342	105	23	314
provision for personnel dismissal	*first half 2023 – first half 2024*	18	26	4	0	40
provision for operating activities	*first half 2023*	9	0	0	0	9
provision for CIT	*first half 2023*	0	0	0	0	0
provision for unused holidays	*first half 2023*	44	19	0	14	49
	Total	**171**	**387**	**109**	**37**	**412**

In thousands of Euro, as of 31 December 2021

Description	Expected timing	01.01.2021	additions	amount used	unused reversed	31.12.2021
provision for annual bonuses	*first half 2022*	46	100	46	0	100
provision for personnel dismissal	*first half 2022*	18	18	0	18	18
provision for operating activities	*first half 2022*	0	9	0	0	9
provision for CIT	*first half 2022*	13	0	13	0	0
Provision for NWT	*first half 2022*	5	0	5	0	0
provision for unused holidays	*first half 2022*	44	45	26	19	44
	Total	**126**	**173**	**90**	**37**	**171**

Long-term provisions of 87 thousands of Euro are presented as a part of balance on the row Other Long term liabilities on consolidated statement of financial position.

Short term provisions in amount of 325 thousands of Euro are expected to be used in first half of year 2023. Most of the provisions are booked in entities APS Investments S.a.r.l, APS Poland S.A, Asset Portfolio Servicing Romania SRL, APS Recovery Greece and APS Investments s.r.o. The provisions are primarily related to unused holidays and annual bonuses.

7.10 Share capital

The Company's registered capital is composed of 62,000 ordinary shares entered in the books with the face value of 0.50 Euro (fifty cents) per one share. The registered capital has been paid in full. The Group does not have any type of ordinary shares which are connected to a regular payment of dividends. The Company has one class of ordinary shares which carry no right to fixed income.

There were no changes in share capital during the reporting period. Capital contribution from the sole shareholder of 500 thousands of Euro was made during the reporting. Profit of current year was transferred to the retained earnings where profits and losses brought forward are accumulated. Other comprehensive income is represented by the translation reserve, which is a result of the translation of financial statements denominated in a foreign currency into the Group's reporting currency.

7.11 Non-controlling interests

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intercompany eliminations.

The dividends paid to minority shareholders during 2022 consist of 202 thousands of Euro paid to minority shareholder of APS Recovery Hungary Kft. and 200 thousands of Euro paid to the minority shareholder of LOAN MANAGEMENT II a.s.

(i) APS Recovery Greece Credit and Loan Servicing S.A. (non-controlling interest 34.6%)

In thousands of Euro

APS Recovery Greece Credit and Loan Servicing S.A.	31.12.2022	31.12.2021
Current assets	500	261
Non-current assets	143	234
Total assets	**643**	**495**
Current liabilities	528	1 242
Non-current liabilities	0	0
Equity attributable to owners of the Company	69	-448
Equity attributable to non-controlling interests	46	-299
Total equity & liabilities	**643**	**495**
Operating revenue	1 704	1 492
Operating expenses	-1 746	-1 732
Total comprehensive income attributable to owners of the Company	-39	-159
Total comprehensive income attributable to the non-controlling interests	-25	-106
Total comprehensive income for the year	**-64**	**-265**

(ii) APS Recovery Hungary Kft. (non-controlling interest 20%)

In thousands of Euro

APS Recovery Hungary Kft.	31.12.2022	31.12.2021
Current assets	1 131	1 850
Non-current assets	8	11
Total assets	**1 139**	**1 861**
Current liabilities	396	398
Non-current liabilities	0	0
Equity attributable to owners of the Company	594	1170
Equity attributable to non-controlling interests	149	293
Total equity & liabilities	**1 139**	**1 861**
Operating revenue	1 807	3 070
Operating expenses	-1 094	-1 528
Total comprehensive income attributable to owners of the Company	525	1 098
Total comprehensive income attributable to the non-controlling interests	131	274
Total comprehensive income for the year	**656**	**1 372**
Dividends paid to non-controlling interests	202	112

(iii) Casazela Properties S.R.L. (non-controlling interest 3%)

In thousands of Euro

Casazela Properties S.R.L.	31.12.2022	31.12.2021
Current assets	83	73
Non-current assets	0	2
Total assets	**83**	**75**
Current liabilities	93	108
Non-current liabilities	75	0
Equity attributable to owners of the Company	-82	-32
Equity attributable to non-controlling interests	-3	-1
Total equity & liabilities	**83**	**75**
Operating revenue	60	199
Operating expenses	-104	-265
Total comprehensive income attributable to owners of the Company	-49	-70
Total comprehensive income attributable to the non-controlling interests	-2	-2
Total comprehensive income for the year	**-51**	**-72**

(iv) APS REAL ESTATE DEVELOPMENTS S.R.L. (non-controlling interest 5%)

In thousands of Euro

APS REAL ESTATE DEVELOPMENTS S.R.L.	31.12.2022	31.12.2021
Current assets	1	210
Non-current assets	0	0
Total assets	**1**	**210**
Current liabilities	2	14
Non-current liabilities	23	211
Equity attributable to owners of the Company	-23	-14
Equity attributable to non-controlling interests	-1	-1
Total equity & liabilities	**1**	**210**
Operating revenue	0	0
Operating expenses	-5	-14
Total comprehensive income attributable to owners of the Company	-8	-14
Total comprehensive income attributable to the non-controlling interests	-1	-1
Total comprehensive income for the year	**-9**	**-15**

(v) LOAN MANAGEMENT II a.s. (non-controlling interest 50%)

In thousands of Euro

LOAN MANAGEMENT II, a.s.	31.12.2022	31.12.2021
Current assets	8 986	4 461
Non-current assets	504	1 196
Total assets	**9 489**	**5 657**
Current liabilities	1 807	86
Non-current liabilities	5 260	3 508
Equity attributable to owners of the Company	1 210	1 031
Equity attributable to non-controlling interests	1 210	1 031
Total equity & liabilities	**9 489**	**5 657**
Operating revenue	0	3
Operating expenses	-202	-145
Total comprehensive income attributable to owners of the Company	379	696
Total comprehensive income attributable to the non-controlling interests	379	696
Total comprehensive income for the year	**759**	**1 393**
Dividends paid to non-controlling interests	**200**	**250**

7.12 Disposals of subsidiaries

As of 28.06.2022 APS Recovery a.s. disposed Casazela d.o.o. for selling price of 100 thousand Euros. There is a result of the transaction of 106 thousands Euros gain which was reflected in Consolidated statement of profit or loss and other comprehensive income.

As of 04.08.2022 APS Recovery a.s. disposed Syndre d.o.o. for selling price of 80 thousand Euros. There is a result of the transaction of 201 thousands Euros gain which was reflected in Consolidated statement of profit or loss and other comprehensive income.

As of 15.07.2022 APS Recovery a.s. disposed Syndre Valuations S.R.L. for selling price of 1 thousand Euros. There is a result of the transaction of 1 thousands Euros gain which was reflected in Consolidated statement of profit or loss and other comprehensive income.

As of 13.12.2022 APS Recovery a.s. disposed APS Holding Cyprus LTD for selling price of 35 thousand Euros. There is a result of the transaction of 6 thousands Euros gain which was reflected in Consolidated statement of profit or loss and other comprehensive income.

8. Notes to Consolidated Statement of Cash Flows

In thousands of Euro

	31.12.2022	31.12.2021
Bank deposits and Cash balances	18 749	16 924
Petty cash	69	4
Total	**18 818**	**16 928**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

9. Contingent liabilities

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

The Group does not identify any other contingent liability.

10. Events after the reporting period

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

11. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the notes. Transactions between the Group and its associates are disclosed below.

List of related entities for the accounting period ending 31 December 2022:

The below listed entities are related parties as they have the same ultimate business owner as the Group:

APS Capital Group s.r.o.
Serraghis Loan Management Ltd.
APS RE service d.d.
APS PHOBOS S.R.L.
APS REO Rosemary S.A.
APS DELTA s.r.o.
APS REO Sunrise d.d.
Project Market d.o.o.
APS SF LIMITED
APS Finance Adria, d.o.o.
Project one d.o.o. Beograd
APS FINANCE O.O.D.
Serraghis Asset Management S.A.
Momentum Credit Pénzügyi Zrt.
HoldCo Two d.o.o. Beograd Stari Grad
APS VN limited liability company
Momentum Ingatlan Kft.
Corporate Recovery Management S.R.L.

Omega Befektetési Kft.
APS Holding Asia Limited
"BORA" d.o.o. Za trgovinu i usluge Banja Luka
Syndre d.o.o.
Casazela s.r.o.
APS IBAR d.o.o. Beograd
APS Group International s.r.o.
APS ALPHA, s.r.o.
HYPO PARK DOBANOVCI d.o.o. BEOGRAD
APS BETA Bulgaria E. O. O. D.
APS ARCTOS CAPITAL s.r.o.
APS ONYX d.o.o. Beograd Stari Grad
APS Consumer Finance S.R.L. (RO)
APS MALL d.o.o.
APS Epsilon LTD
APS Capital Cyprus Ltd.
APS Loan Management LTD
Casazela Rapid Ltd

Summary of Group´s Transactions and outstanding balances with related parties and key management personnel in the table below:

In thousands of Euro

Transactions and balances	Other related parties	Key management personnel	Total
Revenues	1 760	0	**1 760**
Costs	757	0	**757**
Loan receivable	332	0	**332**
Other receivables	400	0	**400**
Other Payables	480	0	**480**
Loan Payable	496	0	**496**
Interests	0	28	**28**

Transactions and outstanding balances with other related parties consist of:

- Transactions between APS Recovery Hungary Kft. and Momentum Credit Pénzügyi Zrt. in amount of 1 760 thousands of Euro are related to asset management fees and financial advisory services.
- Transactions between APS BH s.r.o. and “Bora” d.o.o. Za trgovinu i usluge Banja Luka in amount of 757 thousands of Euro are related to Management fees and financial advisory services.
- Outstanding balance between Loan Management II, a.s. and Serraghis Loan Management Ltd. in amount of 332 thousands of Euro is related to loan receivable including accrued interest, with the rate of interest 6.5% per annum.
- Other receivables in amount of 400 thousands of Euro relate to promissory note between company Loan management II, a.s. and APS Capital Group s.r.o.
- Transactions between APS Investments S.a r.l. and Casazela Rapid LTD in amount of 480 thousands of Euro are related to Management fees and financial advisory services.
- Outstanding balance between APS Recovery a.s. and APS Capital Group s.r.o. in amount of 156 thousands of Euro are related to loan receivable including accrued interest, with the rate of interest 6.5% per annum. The loan is unsecured with no guarantees.
- Transaction between APS Investment s.r.o. and Serraghis Loan Management Ltd. in amount of 340 thousands of Euro is related to long term loan received. Final balances of these loans include accrued interest with the rate of interest 6.5% per annum.

Outstanding balance with related key management personnel consist of:

- Outstanding balance between the ultimate owner Martin Machoň and APS Recovery a.s. in amount of 28 thousands of Euro is related to interest of loan from sole shareholder which was fully repaid during 2022

List of related persons for the accounting period ended 31 December 2022

- Martin Machoň
- Barbora Kubíková
- Petr Kohout
- Jozef Martinák
- Roman Šedivý

Remuneration of key management personnel

Key management compensation, considering people above as being the key management was 633 thousands of Euro in the reporting period. Related social and health insurance was 152 thousands of Euro. There are no post-employment benefits, long-term benefits, termination benefits or share-base payments related to the key management identified in the reporting period.

12 Approval of the financial statements

The financial statements were approved by the board of directors and authorized for issue on 27 July 2023.

Signature of Board of Directors:

Martin Machoň

Chairman of the Board
of Directors

Barbora Kubíková

Member of the Board
of Directors

11

Auditor’s Report

Deloitte.

Deloitte Audit
Société à responsabilité limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

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To the Shareholder of
APS Holding S.A.
46A, avenue John F. Kennedy
L - 1855 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of APS Holding S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted in the European Union, and for such internal control as the Board of Directors 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 Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" 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 a report of the "*réviseur d'rntreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

Deloitte.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" 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 report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

The Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

Mael Garo

Maël Garo, *Réviseur d'entreprises agréé*
Partner

July 28, 2023