APS

ANNUAL REPORT

MMXXI

Letter from the CEO

Letter from the CEO

Dear business friends, colleagues,

The twenty twenties have been extremely volatile. First the calm waters of global economic growth were ruffled by a pandemic, and now the global economy is under pressure from the conflict in Ukraine. This has been amplified by inflationary growth triggered by pandemic restrictions and moratoria.

Although these are difficult times for all of us, we are not indifferent to our surroundings. APS continues to honour its social commitments and supports communities and non-profit organizations that continue to help. In addition, funds have been sent directly to the Ukrainian Embassy for specific assistance.

Pandemics, inflation, and the geopolitical situation are also affecting our industry. Fortunately, experience from the global economic recession of 2008–2012 is embedded in our DNA. So, navigating through the wild twenty twenties is easier for us than for the competition. In addition, we have a great team of people working here who live and breathe for the company. As CEO and owner, I appreciate that immensely. Despite the difficulties, we have not given up on our values or our mission. We are still a company that creates tailor-made solutions for each individual case.

In the past year, we managed to close deals with a total nominal value of EUR 413 million, bringing the number of assets under management to 100. This is an important milestone that we have been working towards for the past few years. The nominal value of all managed portfolios exceeds EUR 10.03 billion. The largest acquisitions last year were three secured Romanian projects with a total nominal value of EUR 300 million, and we also saw another successful deal in a Serbian transaction with a nominal value of EUR 92 million at the time of closing.

In addition to these successful acquisitions, last year we launched a new investment fund, the APS CREDIT FUND SICAV, a.s. It invests in distressed debt in regions where APS is strong. This typically means countries in Central, Southern, and South-eastern Europe. In the first subscription period, investors invested a total of almost CZK 800 million in the fund. The fund focuses primarily on large corporate receivables secured by real estate and expects an average annual appreciation of 12%.

In recent years, we have been continuously strengthening our real estate division. This is due to the fact that our portfolios are increasingly secured by real estate. This is a trend that we also see in our competitors operating overseas. The second factor is the situation on the real estate market itself. Prices for real estate are rising steeply and there is a shortage. Almost all European capitals face this problem. Development, reconstruction, and management of property is thus another business opportunity that we want to continue to strengthen.

I started by saying that the twenties have been turbulent so far. This is undeniable. For the time being, however, I reject the idea that we should look at 2020, 2021, and 2022 as purely crisis years. The old order has been shattered and a new order is coming. Out of such turbulence always come new ideas, processes, inventions, and company settings. The pandemic has brought incredible advances in medicine, including online and digital, that have contributed to greater efficiency. International tensions have brought about a unification of the free world and an incredible degree of solidarity. As a person from the heart of Europe and a country that has plenty of historical experience, I am delighted.

Finally, let me wish you well. I trust that we will meet in better times. Stay optimistic, be curious, and look for opportunities. I look forward to continuing successful projects and launching new ones.

Sincerely

Martin Machon,
CEO and owner of APS

Company Profile

Company Profile

APS began its existence in Prague (Czechia) in 2004. Since that time, we have grown and established a profile as a multinational asset management company. Our core competence lies in distressed debt investments. At the end of 2021, total assets under our advisement amounted to EUR 10.03 billion.

In addition to growing in asset size, we have also grown in territorial range, having entered other European markets. Currently, we are present in 15 European countries, mainly in Eastern and South-eastern Europe. Our activities at APS cover three business lines: recovery services, investment services, and real estate services. In each of these areas, we could not be successful without our dedicated team. We proudly employ nearly 600 people across APS Group. Our origins mean that our specialists at APS Recovery have many years of experience to draw on in the distressed-debt recovery industry. This experience helps us provide services in areas such as unsecured debt, mortgages, and secured corporate claims. Our clients benefit from our fast, efficient, and ethical debt-collection servicing.

As we carry out transactions across emerging markets in Central and Eastern Europe, our experts at APS Investments take care of trades in NPL portfolios. Their hard work has earned us a reputation as a trusted partner to the world's top financial institutions.

These activities are complemented by our professionals at APS Real Estate. Their work includes identifying, investing in, and managing real estate assets in Central-and South-eastern Europe.

In addition to building a strong, trustworthy team, our core values include building collaborative relationships with fairness towards all stakeholders. Our clients, debtors, business partners, regulators, and others can always be certain we will follow strict ethical standards. Knowing that debt recovery necessarily deals with human emotions, we accept no compromise regarding these standards. This approach has helped us to remain in markets as a reliable partner and eased our way towards entering new countries.

This commitment to responsible collaboration means that we will be around for the long-term. Because our activities are essential for the smooth functioning of economies, we avoid quick fixes that could jeopardize our long-term goals. We have been around for 17 years and we will not compromise on our approach.

Who are we?

One of the market leaders in the CESEE region
We have **17 years** of experience in distressed debt investment and recovery
We have acquired **100 NPL portfolios**
We have **EUR 10.03 billion** assets under advisory
We manage over **500,000** 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

From our start, the story of APS has been about expansion and new frontiers. We have shown that this choice was the correct one through our 17 years of existence. Through our dedicated efforts, we have managed to expand our presence into 15 countries. We have learned that we must never stop. New markets are always waiting for us, and we will enter them by building on the many successes we have recorded.

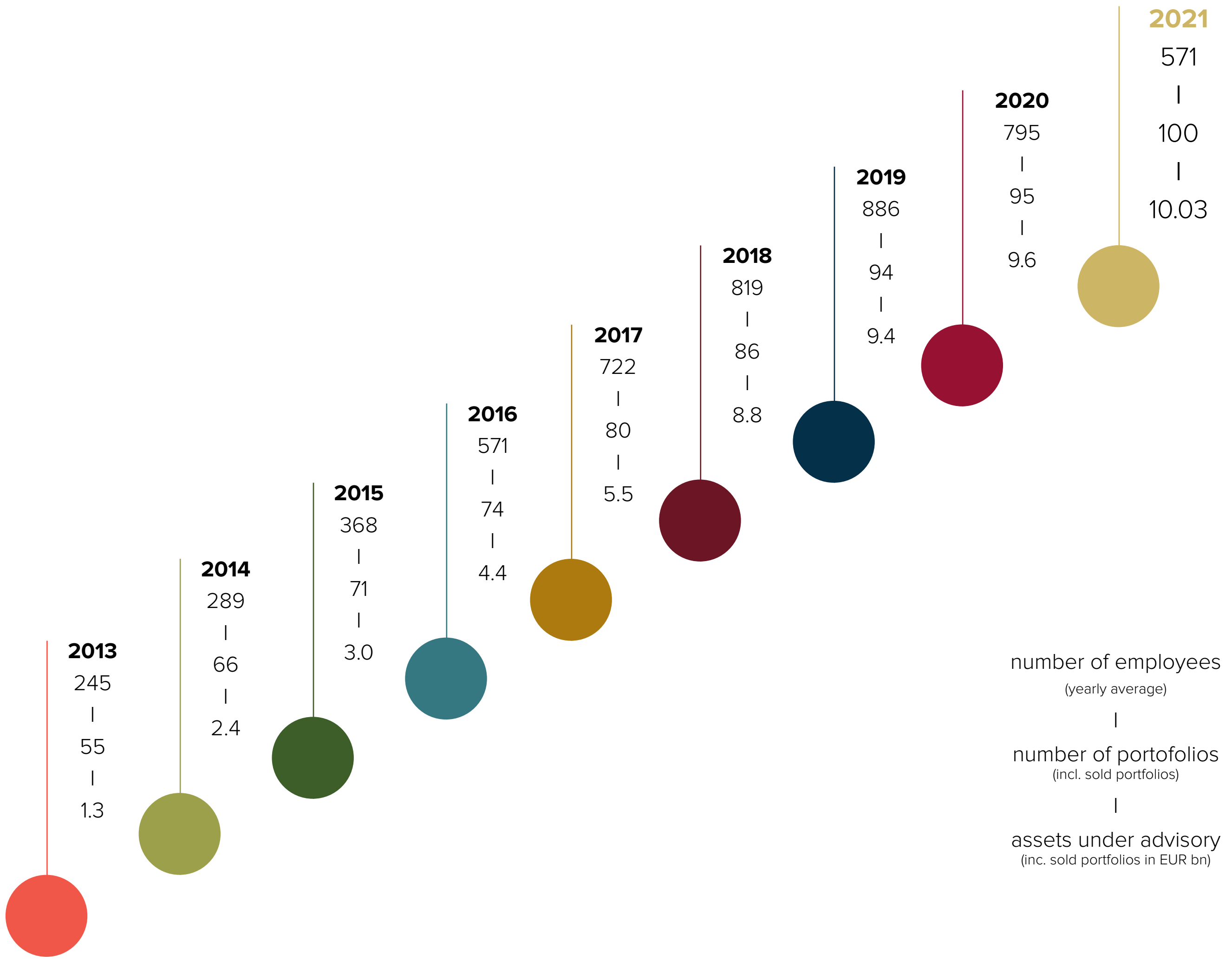
What milestones have marked our journey so far?

Our first success came in **2004** when we managed to acquire a portfolio from Česká spořitelna (part of the Erste Group) amounting to EUR 25 million. That was not all that happened that year, as the current sole shareholder in APS, Martin Machoň, was also tasked with developing greenfield projects under a Czech permit as a supervisor. With this foundation, he dedicated himself to building a team with the best experts on the market.

As the team started to grow, their combined efforts bore fruit. The following year **(2005)**, two new markets opened to us – Slovakia and Serbia. APS also saw expansion in other directions as it worked hard on adding other operations and services.

We returned to territorial expansion in **2007** when we launched greenfield APS operations in Romania. London- and US-based investors helped us to establish a new investment platform in that country and Poland.

That presence in Poland expanded in **2009** when we acquired a large securitization fund from Varde. Elsewhere, APS raised new capital for Loan Management, a Slovak–Cypriot investment structure.



History

In **2012,** we once again entered a new market with greenfield expansion into Bulgaria and our first corporate NPL portfolio marketed in this region.

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

Half a billion EUR. That was how high we pushed our limits with a secured retail portfolio we acquired from Volksbank Romania in **2014**.

The year **2015** saw expansion of our offer with a new real estate investment services division. As our services and products grew more comprehensive, APS simplified its ownership with Martin Machoň becoming the only shareholder.

A year later, in **2016**, our total portfolio reached new heights. With purchases in South-eastern Europe, we obtained portfolios amounting to EUR 1.3 billion. Elsewhere, we launched APS Delta, a non-regulated securitization vehicle in Luxembourg, and expanded into other markets – Croatia, Hungary, and Cyprus.

In **2017**, as part of our efforts to help the Cypriot economic recovery, APS launched the full operation of our Real Estate division with two important purchases: Hellenic Bank's NPL portfolio and a real estate management business. We also celebrated a decade on the Romanian market!

The year **2018** saw expansions in many areas. We acquired our largest portfolio to date: a EUR 2.3 billion NPL pack from Greece's Piraeus Bank. We also spread in the Balkans, with new offices in Bosnia and Herzegovina and Montenegro. In Central Europe, APS also strengthened its position by acquiring the Vienna-based VB-Leasing. This company administered nearly 20,000 cars and operated in Bosnia and Herzegovina, Croatia, Serbia, and Slovenia. And the Real Estate division grew in size, handling contracts with a total value of EUR 13 million after partially taking over a commercial leasing portfolio previously managed by Immigon.

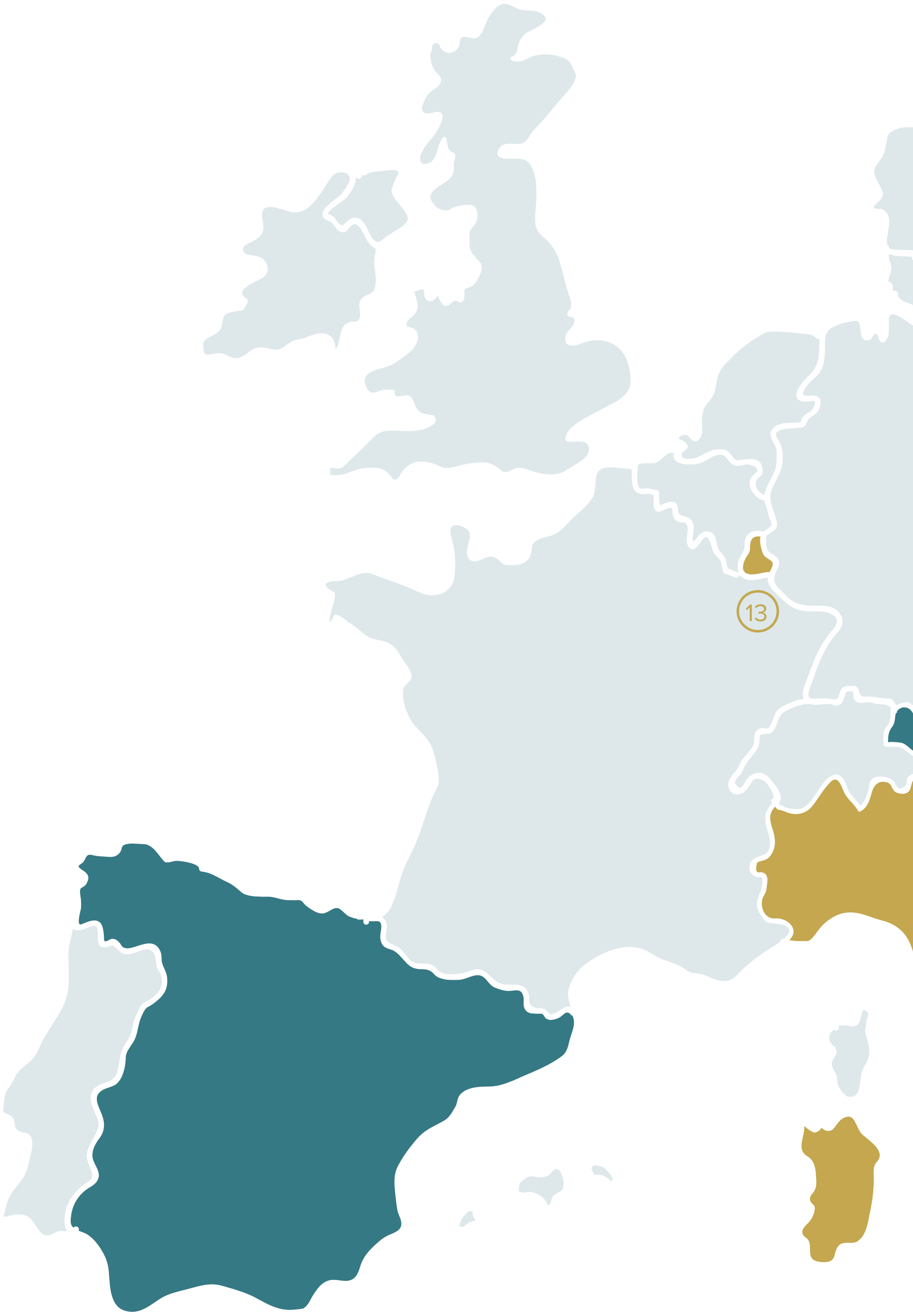
The expansion in the Balkans was not a one-time move for us. In **2019**, we took over two new NPL portfolios in Bosnia and Herzegovina and Montenegro. This led to us becoming the leading debt investor and servicer in South-eastern Europe. Our Real Estate division broadened its services offer with the 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.

In **2021**, we launched APS CREDIT FUND SICAV, a new fund that has collected over EUR 30 million. The fund focuses on investments into distressed debt transactions and large corporate receivables secured by real estate assets. Typical collaterals include logistics centers, hotels, office and residential buildings, and land. The fund's investment strategy reflects the current economic situation of companies and consumers, who are heavily affected by the consequences of the global pandemic.

APS Global Position

Presence in **15** European countries
with more than **600** professionals
enables complete coverage of
Central Europe & South-Eastern Europe



1 . Czech Republic (CZ)
established: 2004
office address: Celetná 988/38,
Staré Město, 110 00 Prague 1,
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

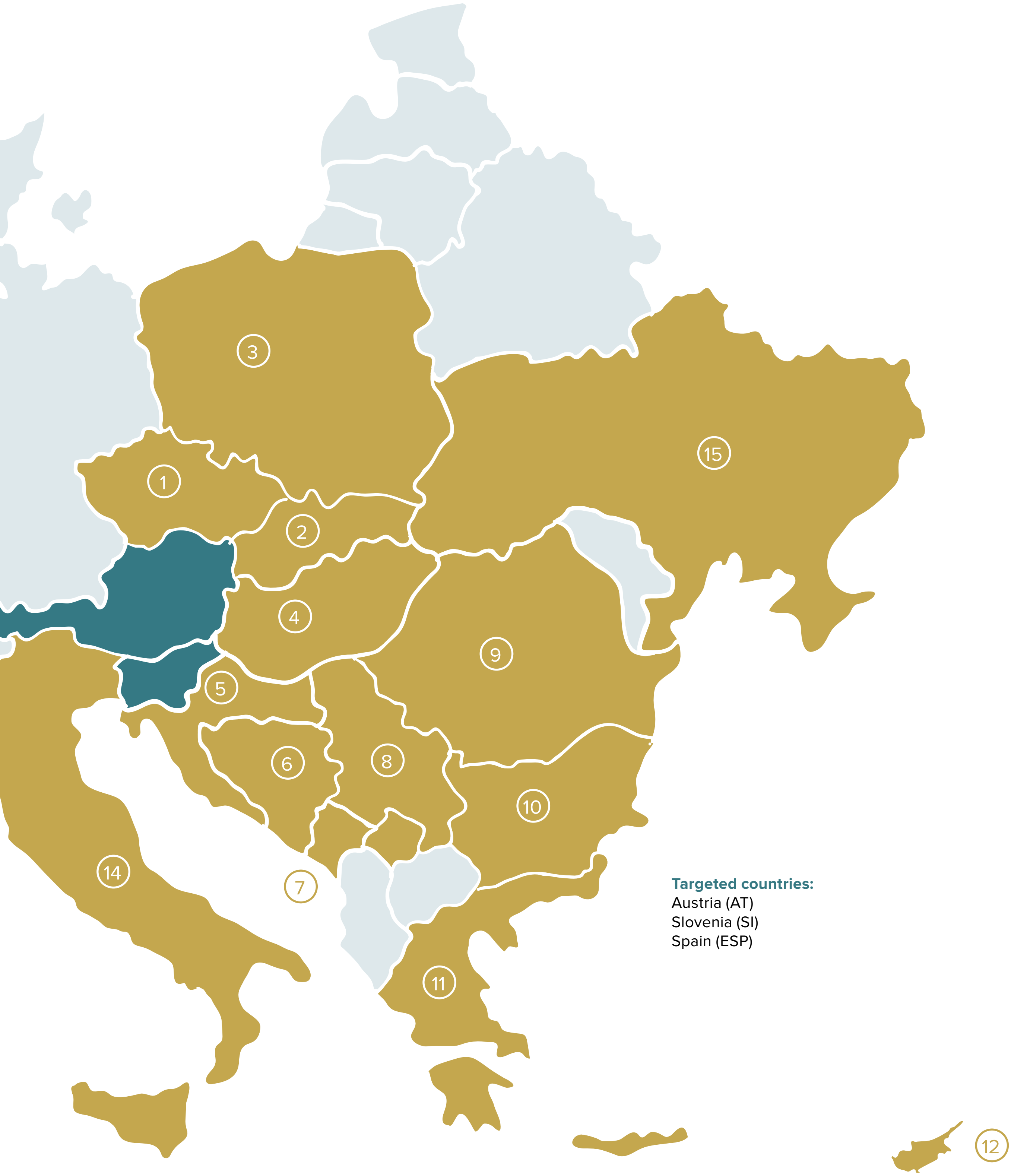
12. Cyprus (CY)
established: 2016
office address: Strovolou 236,
Strovolos 2048 Nicosia, Cyprus

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)
Spain (ESP)

Company Structure

Company Structure

APS Holding S.A. (the “Company”) was established as a public limited 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.

The Company‘s registered office is 6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

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

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

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

APS Investments S.à r.l. and APS Investment Funds S.à r.l., both 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 Martin Machoň since 21 December 2018, Petr Valenta since 27 January 2020, and Luca Galinelli since 1.2.2022 replacing Mr. William Gilson representing the company since 1 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 interested in the group companies.

Organization chart of APS Group; as modified during 2021, 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 Recovery Management s.r.o.
- APS MIP, s.r.o.
- APS Real Estate s.r.o.
- APS BETA, a.s.
- APS GAMMA s.r.o.
- APS Finance a.s.
- APS Management Services s.r.o.
- LOAN MANAGEMENT investiční fond, a.s.
- APS Investments S.à r.l., odštěpný závod (APSI branch office)

SLOVAKIA

- APS Investment s. r. o.
- LOAN MANAGEMENT II, a.s.

POLAND

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

HUNGARY

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

ITALY

- APS Italy S.R.L.

BOSNIA AND HERZEGOVINA

- APS BH d.o.o.

ROMANIA

- APS REAL ESTATE DEVELOPMENTS S.R.L.
- APS RED II S.R.L.
- Asset Portfolio Servicing Romania S.R.L.
- Syndre Valuation S.R.L.
- Casazela Properties S.R.L.
- Serraghis Asset Management S.A.
- APS Consumer Finance IFN S. A.

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.

SERBIA

- APS FUND BETA D.O.O. Beograd
- APS D.O.O. BEOGRAD
- CASAZELA DOO BELGRADE-STARI GRAD
- SYNDRE DOO BELGRADE-STARI GRAD

CYPRUS

- APS Holding Cyprus Ltd.

GREECE

- APS Recovery Greece EPE
- APS Recovery Greece Credit and Loan Servicing Société Anonyme

CROATIA

- APS Croatia d.o.o.
- Casazela d.o.o.
- Syndre d.o.o.

BULGARIA

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

MONTENEGRO

- APS Montenegro D.O.O. Podgorica

UKRAINE

- LLC “APS Ukraine”

Martin Machoň
Owner and Group CEO

Martin has over 20 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 2021

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.

Jiří Randus
Group Chief Operations Officer

Jiří has over 20 years of management experience in service management, IT, telecommunications, and software development. Prior to joining APS, Jiří built and managed a global customer support department for a major telco supplier, ran payment integration programs with mobile phone app store providers, and acted as a technical authority within a software development division.

Roman Binter
Chief Risk Officer

Roman oversees risk management for the APS Group. Roman has spent close to a decade in the City of London serving as a portfolio manager and a risk manager, managing investment pools in excess of USD 1 billion of AUM (assets under management), and overseeing risk across 20 investment funds with aggregate AUM totalling USD 4 billion. Roman joined APS in 2018 and brings robust experience with asset and risk management, broad knowledge of liquid and illiquid investments, and strong strategic thinking.

APS Group Management Team

as of 31 December 2021

Jozef Martinák
Chief Investment Officer

Jozef started his career at Slavia Capital focusing on distressed debt investments (executed via APS) from 2008 to 2011. Afterward, he worked at Petrus Advisers on the management of a special situations fund, an active long/short equity fund focused on listed companies in Europe. He rejoined APS Investments in 2013 and has since executed distressed debt transactions with aggregate volume exceeding EUR 500 million in investment value. Jozef has also overseen advisory and portfolio construction of a variety of investment vehicles under APS advisory.

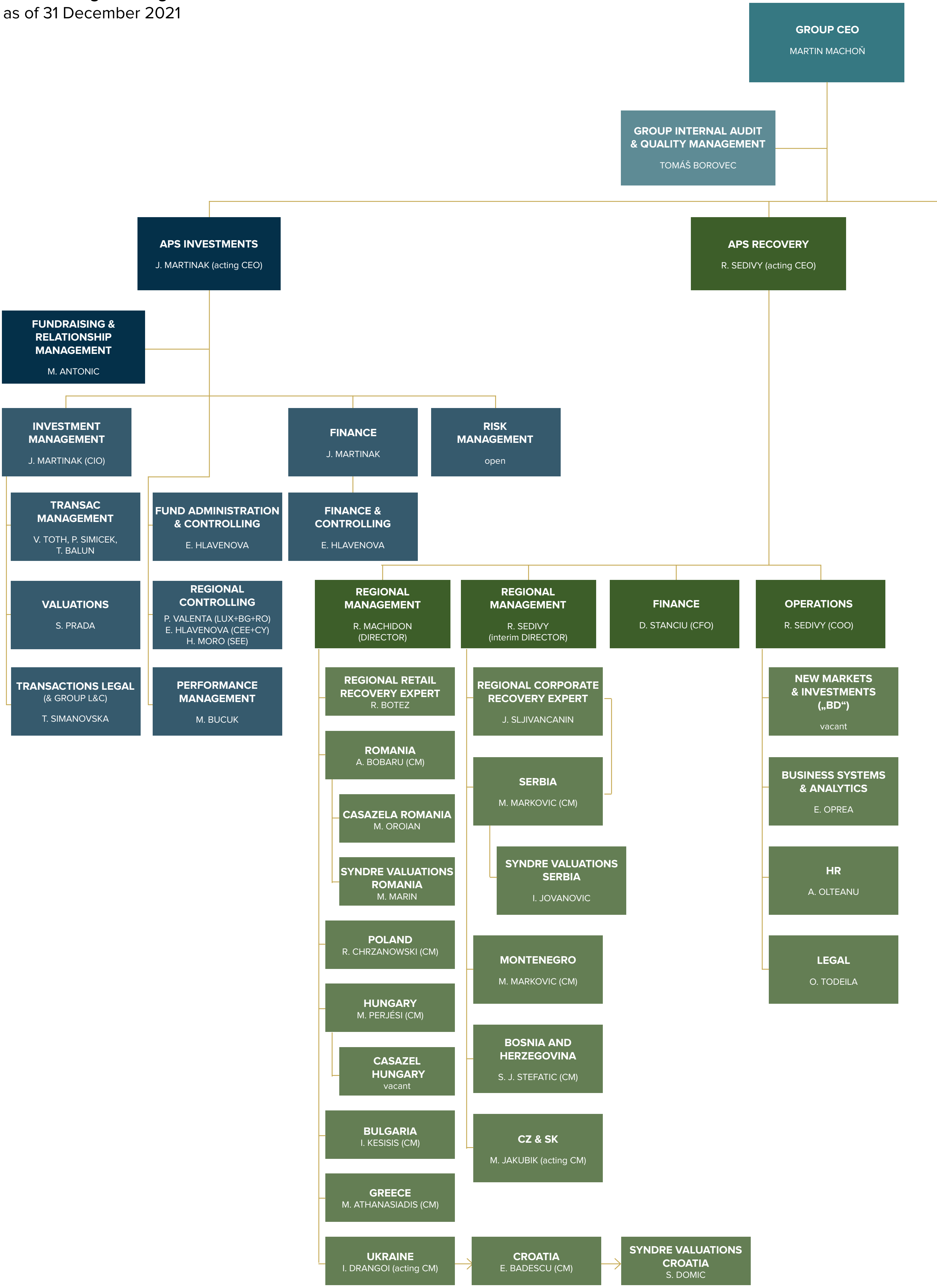
Victor Angelescu
CEO of APS Real Estate

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

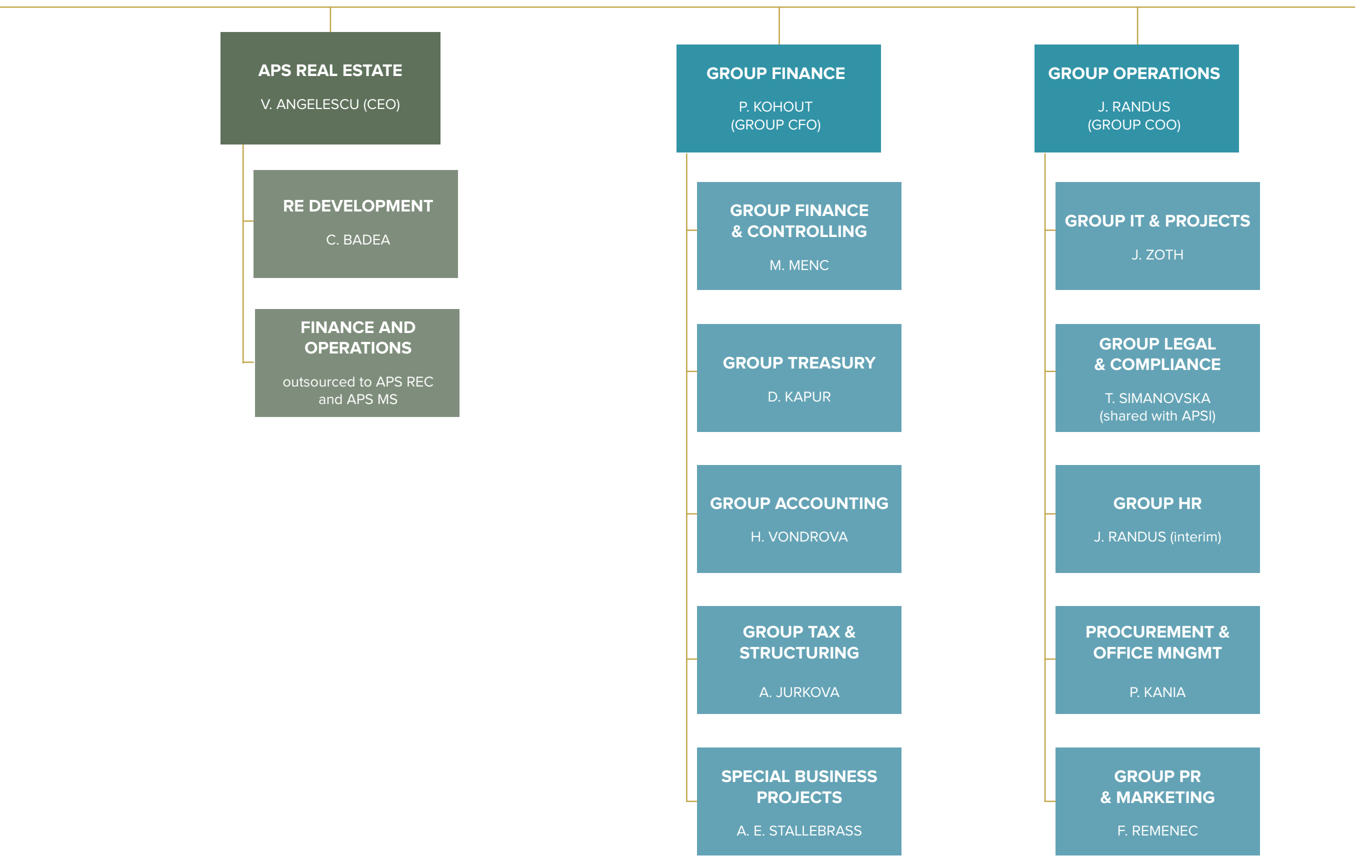
Roman Šedivý
CEO of APS Recovery

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. He graduated from University of Economics in Prague and prior to working at APS, Roman had worked for a competitor.

APS Holding S.A. Organizational Structure
as of 31 December 2021



APS Holding S.A. Organizational Structure
as of 31 December 2021

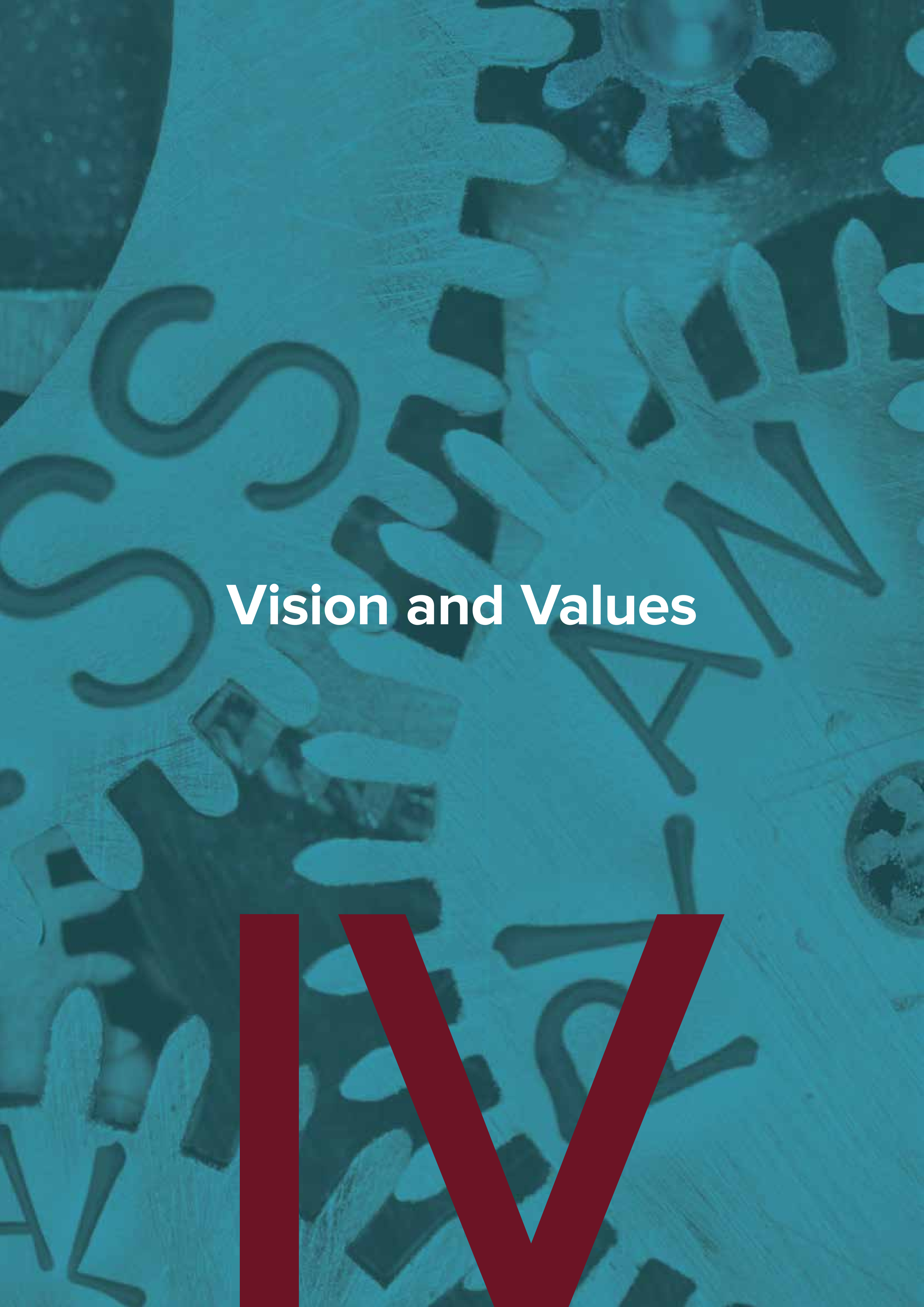


APS Holding S.A. Company Structure chart
as of 31 December 2021

- 100% APS Real Estate s.r.o. (CZ)
  - 95% APS REAL ESTATE DEVELOPMENTS S.R.L. (RO)
  - 100% APS RED II S.R.L. (RO)
  - 100% Casazela d.o.o. Beograd -Stari Grad (RS)
  - 100% Casazela d.o.o. (HR)
  - 97% Casazela Properties S.R.L. (RO)
  - 100% Syndre d.o.o. Beograd -Stari Grad (RS)
  - 100% Syndre d.o.o. (HR)
  - 46% Syndre Valuations S.R.L. (RO)
- 100% APS Investments S.à r.l. (LU)
- 100% APS Investment Funds S.à r.l. (LU)
  - 95% APS BETA, a.s. (CZ) 5%
  - 100% APS CREDIT FUND SICAV, a.s. (CZ)
  - 100% APS Delta S.A. (LU)
  - 3% APS FINANCE O.O.D. (BG)
  - 100% APS GAMMA s.r.o. (CZ)
    - 50% APS FUND BETA d.o.o. Beograd (RS) 50%
  - 100% APS Investment s.r.o. (SK)
    - 50% LOAN MANAGEMENT II, a.s. (SK)
      - 10% LOAN MANAGEMENT investiční fond, a.s. (CZ)
  - 100% APS MIP, s.r.o. (CZ)
  - 100% APS Zeta S.A. (LU)

APS Holding S.A. Company Structure chart
as of 31 December 2021

- Mr. Martin Machoň
  - 100% APS Holding S.A. (LU)
    - 100% APS Finance a.s. (CZ)
    - 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 Holding Cyprus LTD (CY)
      - 100% APS Hungary Kft. (HU)
        - 80% APS Recovery Hungary Kft. (HU)
        - 100% Casazela Kft. (HU)
      - 100% APS Italy S.R.L. (IT)
      - 100% APS Montenegro D.O.O. Podgorica (ME)
      - 100% APS Poland S.A. (PL)
      - 100% APS Recovery Greece EPE (GR)
        - 60% APS Recovery Greece Credit and Loan Servicing S.A.(GR)
      - 100% APS Recovery Management s.r.o. (CZ)
      - 100% APS Warsaw sp. z o.o. (PL)
      - 100% Asset Portfolio Servicing Romania S.R.L. (RO)
        - 0,033% Serraghis Asset Management S.A. (RO)
        - 0,037% APS Consumer Finance IFN S.A. (RO)
      - 100% LLC "APS Ukraine" (UA)
    - 100% APS Management Services s.r.o. (CZ)



Vision and Values

IV

Vision and Values

We have gained a lot of experience since we started in 2004. We have entered 15 markets in Europe and more outside Europe. But we do not want to be content with living in the past. As a market leader, we know that we need to look to the future.

Our vision is to become the best alternative asset manager in distressed financial services. We will leverage our unique experience from our presence in various markets to ensure we deserve our place in the top league.

We have already built a strong reputation. In all of the countries we have entered, our customers have appreciated our innovative solutions tailored to helping them to achieve their goals. Again and again, our experience has shown that a one-size-fits-all approach does not work. For this reason, we work with the brightest people to find the best solution for each situation.

The key to our future success is not complicated. In fact, we all adhere to a few basic yet powerful principles that drive all our activities. We are result-driven and committed to succeeding at the new opportunities we are always seeking. We are a trustworthy partner that offers high-quality solutions and is always accountable for outcomes. And we always work in collaborative ways by making sure that we succeed together as a respectful team. With these values guiding our way, we can focus on working hard as one team to keep pushing our limits in all that we do.

To reach our lofty goals, we focus on our core competence of acquiring, advising, and servicing non-performing portfolios. When non-performing assets burden the economy, banks cannot provide as many loans as they want, companies cannot achieve their goals, and people cannot fulfil their dreams. APS helps to recover non-productive capital and so increase the welfare of local communities. While doing all this, we always treat debtors with the utmost respect. The inability to repay debt can have a devastating impact on peoples' mindsets. For this reason, we always work hard to find the best solutions, even for the most complicated cases.

In our 17 years of existence, we have already learned what works best. But the journey never stops. We will keep learning new things and fine-tuning things we have already learned. This is the approach that brings value to our investors and partners.

Services

Our core activities are divided into these three lines:

- **Investments**
- **Debt Recovery**
- **Real Estate**

INVESTMENTS

Two units are responsible for our investment activities – the Investment Management division and the Fund Management division. Our experienced professionals manage our clients' investments into distressed assets. We continuously seek new investment opportunities in the CEE and SEE region. Our goal is to acquire either stand-alone portfolios or entities managing them. What do we offer? APS can help to manage investments in all their phases. From the initial deal origination/acquisition to later administration and performance management.

Our distressed-asset acquisition is preceded by a thorough process based on our long experience. We carefully proceed with portfolio valuation, collateral analyses, recovery strategies analysis, and due diligence support. Once the target is acquired, our professionals follow up with fund administration, reporting, and performance and cash flow management.

We use various resources to finance our transactions. Our funds and the accounts advised by us are essential in this part of the process. But we are also ready to co-invest together with outside global investors.

Our reputation is our greatest asset. Therefore, the world's top financial institutions, private investors, and supranational institutions, including the IFC (a member of the World Bank), and the EBRD count us among their trusted partners.

DEBT RECOVERY

Our clients – small and large banks, insurance companies, funds, telcos, and institutional partners – put their faith in us. We provide them with corporate collection and retail recovery using various techniques. Our employees are experienced professionals handling the full range of soft, field, and legal collection activities. APS also utilizes call-centre services to smooth the recovery process.

Technological solutions help to continuously improve debt recovery. For this reason, we make sure our experience from various markets is widely used within the entire group.

REAL ESTATE

Real estate is an inseparable part of our services. We identify, invest, and manage real estate assets that have the potential to create superior value for our investors. Our team of advisors and consultants makes use of its 17-year presence on the market. We are ready to help you with a wide range of real estate transactions, including investment and development projects.

Debt Recovery

Debt recovery is one of the core activities that APS group performs. With more than 17 years of experience with distressed debt management across multiple jurisdictions, APS is a trusted, reputable servicer to a large number of institutional investors and banks, having under management various exposures, such as: consumer loans, residential mortgages, corporate loans with Real Estate collaterals or REOs.

APS Recovery, the servicing arm of APS Group, can be described with the following:

- Multi-unit, cross-country infrastructure for all kinds of collection activities via locally based APS branches;
- The capability to export know-how and best practices to new locations;
- Continuous recovery process monitoring, data analysis and reporting according to APS' and partner's needs;
- An emphasis on innovation and quality;
- Strong collection and recovery teams;
- Extensive knowledge of a broad range of services, from KPI driven soft collection via call centres, to working with the most complex corporate cases in various stages of legal collections;
- more than 500,000 loans under management
- 100 portfolios acquired and more than EUR 10.03 billion loans under management

In 2021, the difficult COVID-19 situation continued. All markets were affected by government measures, moratoria in some countries remained or were re-implemented during the new waves of the virus outbreak. Also, many government institutions have been impacted by the measures, typically courts had periods with limited operations, which had an impact on expected collection timelines. The focus therefore remained on amicable and Days payable outstanding (DPO) solutions.

Overall, APS Recovery Business Unit has fulfilled its Gross Collection targets in 2021, which considering the specifics of the year, is considered a high success.

People

With more than 500 professionals across 15 offices, we rely on developing and growing our own employees. We have had many success stories of marvellous carrier paths within the group, including reaching managerial and directorial positions. APS also enjoys various rotations between teams and countries to ensure cross-border 'knowledge and best practice' sharing. We are proud to provide space and time to our talents who pay us back with great results. We always take good care of them by implementing new retention measures, better induction plans, coaching and mentoring programmes, and rewards for creative thinking. We praise initiative and drive and encourage our employees to step up and raise the standard. But of course, the internal pool of talents has to be also supplemented by specific skills and experience from outside of APS, hence experienced experts from banks, advising companies, law firms and other businesses are also recruited.

Systems

For several years, APS has been using some of the most advanced IT systems on the distressed debt management market: Capone and Mediatel. This is a highly automated, state-of-art.

Capone

The core recovery management platform used by all APS branches. A scalable system built on top of an Oracle database, Capone grants 100% stability and efficiency. Capone is a comprehensive system that gathers under a single umbrella all necessary features, data content, and process dynamics wise. With its straight-forward structure, Capone provides countless options for defining data exports in scope of reporting to APS itself and to its clients and investors

Capone is built on hierarchical levels, securing this way a high-level user experience through a 360° view of all parties involved in a business process. End users can easily access any hierarchy component (loan, person, asset, enforcement / insolvency files), and review, add or update its characteristics: settlements, contact data, assessments, auctions, wage garnishments. Also, the end user can set up reminders, add tasks and alerts, initiate new workflows. All these will be monitored afterwards through individual or team working queues, email notification and calendar ”To do” lists. The system is continuously evolving to accommodate the most recent and demanding distressed debt market strategies and regulations, while it also enables the use of group know-how and common features. The system Flexibility is also one of Capone’s strengths. The system is available for integration with several types of interfaces such as our clients’ systems, telecom services, and public institution platforms This leads to a swift 2-ways data exchange process that increases business efficiency and reduces human error.

Mediatel - Out-Of-The-Box Call Centre Solution
This is the call centre system used within all APS branches, with complete real-time integration with Capone. A scalable system built on top of an MS Server database, Mediatel accommodates countless phone lines and agents. As comprehensive dialler software, Mediatel incorporates such services as: outbound and inbound campaigns, IVR, call recording, on-the-spot agent coaching, and monitoring. Mediatel’s extensive efficiency is based on several complex call distribution algorithms. These embedded mechanisms automatically set up for the agent: lead links based on agent skills scoring, dialling rules and speed, and line overflow.

Investment Management

NPL market 2021

European NPL activity returned to pre-pandemic levels in 2021, led by deleveraging in Greece, Italy, and Spain. Data published by React News indicated EUR 114.2 billion in disposals during 2021. However, much of the activity related to pre-pandemic exposures. European banks still confounded expectations that pandemic disruption would materially deteriorate asset quality and trigger a new wave of COVID-19 era NPLs.

Banks' capital buffers, liquidity, and asset quality all improved last year, according to the 2021 risk assessment published by the European Banking Authority (EBA) in December, except on loans secured by pandemic-sensitive sectors. Sweeping fiscal and monetary support supported NPL ratios, while banks were resilient going into the pandemic. Measures including worker protection schemes, government-guaranteed loans, and repayment moratoria offset the disruption to borrowers' cash flows caused by the pandemic. The long reach of protective policies, which included the suspension of creditors' right to file for borrower insolvency, together with sustained low-interest rates and national NPL securitization schemes, saw European bank NPL ratios fall to 2.1% in 2021, according to the EBA. NPLs declined 23% to EUR 419 billion in 2021. While the sectors more vulnerable to COVID-19 related measures had higher NPL levels, there was also signs of improvement towards the end of last year. While the NPL ratio has dropped to levels last seen before the global financial crisis on account of further progress made in NPL sales, asset quality concerns may resurface as government support measures are gradually withdrawn, reinforcing the need for effective NPL solutions.

Household debt continues to grow at record-low debt service costs. Although the situation varies from country to country, aggregate household debt has been growing at the highest rate in a decade – almost 4% in annual terms in the second quarter of 2021, mainly due to robust mortgage lending. On the other hand, household income grew at a slower pace, increasing the debt-to-disposable income ratio to 97.9%. Record-low interest rates support households' ability to repay debts, as only about 2.2% of disposable income needs to be spent on interest payments. In addition, the increasing share of fixed-rate loans in new credit flows makes the household sector less vulnerable to interest rate shocks in future. Nevertheless, debt should continue to grow faster than income, and a vulnerability could be created in the household sector.

Almost all loan moratorium schemes in the euro area have expired with a limited immediate impact on the quality of bank assets, but the risks of loan losses, which are still subject to the moratoria, have increased. Approximately 88% of the moratoria on loans expired by June 2021, and active moratoria still account for a significant share (at least 5%) of total corporate lending for banks in two euro area countries alone. Although the expiry of the moratoria did not immediately translate into a deterioration in the quality of bank assets, the coverage ratio increased from 24% in June 2020 to 36% in June 2021, signalling a higher risk concentration in the portfolio. This development can be observed in most euro area countries and suggests that while stronger borrowers have gradually resumed payments, weaker borrowers – who usually require higher subsidies – still benefit from the measures. At the same time, the share of loans drawn under government guarantee schemes reached a stable level at the beginning of 2021 and represents 3.4% of total loans to the non-financial private sector.

The sharp rise in energy commodity prices associated with the Russian–Ukrainian war is contributing to inflationary pressures and poses broader risks to the recovery after COVID-19. Already the pre-war second half of 2021 saw a sharp rise in energy commodity prices due to insufficient supply combined with low stocks, especially in Europe. Sharp prices affect sectors that rely heavily on these commodities and can have a negative impact on growth and negatively affect market confidence. Unsecured exposures can lead to business failure. Carbon prices have risen in line with demand for energy commodities. Increased inflationary pressures will worsen real household incomes and lower the living standards of some vulnerable groups.

Corporate credit growth increased slightly, reflecting large liquidity buffers and improving economic activity. Demand for bank loans increased in the third quarter of 2021 due to slightly higher fixed investment, debt refinancing needs and inventory, and working capital financing needs. However, non-financial corporations created significant liquidity reserves, while gross debt remained elevated and net debt fell below pre-pandemic levels, which negatively contributed to demand for new loans. This largely reflects the position of large listed companies, while SMEs have been hit harder by the pandemic and are less likely to have access to market financing, leading to lower cash reserves. Finally, large companies have partially replaced bank loans with market debt in order to benefit from favorable market conditions. In future, banks expect a small net increase in demand for corporate loans.

According to Deloitte, Greece was the most active market in the region with closed trades and a continuing volume of NPLs worth EUR 45.9 billion. The transactions were managed by pre-pandemic debt reduction through the highly successful Hercules asset protection system in the country. Significant transactions included the Frontier project from the National Bank of Greece worth EUR 6 billion for Bain Capital Credit, Fortress Investment Group, and doValue Greece; Sunrise I from Piraeus Bank worth EUR 7.2 billion, which includes 205,000 NPLs; and the EUR 10.8 billion Alpha Bank Galaxy NPL project, with Davidson Kempner buying 51% of mezzanine and junior bills. In the wider Central, Eastern, and South-eastern Europe market, the impact from COVID-19 on new NPLs was limited. The reduced selling pressure was due to the high level of bank provisions and the completion of much of the crisis restructuring.

In Italy, government support measures have reduced credit deterioration and isolated Italian banks from increased NPL exposures. As a result, Italian banks have so far been only marginally affected. However, the pandemic has caused non-performing credit activity to fall to its lowest level since 2008. According to PwC, Italian NPL transactions are estimated to have been around EUR 32.2 billion in 2021. This amount includes EUR 20.2 billion in NPLs and non-performing transactions and includes ongoing transactions of up to EUR 12 billion. In a separate forecast, Banca Ifis estimated that outstanding loans of around EUR 34 billion were terminated last year. Compare that to around EUR 40 billion in 2019 and 2020, which was still less than half the market peak in 2018, when NPLs reached EUR 84.1 billion.
The activity of NPLs in Spain increased slightly during the year, albeit below market expectations. Significant transactions included CaixaBank's EUR 576 million residential NPL portfolio, which included 4,500 properties, and three NPL portfolios from Banco Santander: the EUR 600 million NPL Project Talos portfolio for Marathon Asset Management for a reported EUR 100 million and two Spanish hotel portfolios for EUR 136 million and EUR 70 million. Another portfolio, the EUR 600 million Titan NPL project for housing and loans for SMEs, continues.

Deals in 2021

Despite the anaemic flow of NPLs to the market in 2021, APS has underwritten 5 deals, out of which 4 are NPL portfolios and 1 is a REO portfolio, with an outstanding legal balance of debt of EUR 592 million.

Investment Management

The majority of this activity was in Romania, our core market, where we have advised on a secured portfolio of late-stage NPLs with a nominal value of EUR 209 million. The deal was partially funded from a fund advised by APS and after the acquisition also serviced by APS Romania. Another transaction advised by APS and serviced after closing by APS Romania was an unsecured retail portfolio with a nominal value of EUR 282 million.
In Bulgaria, we have completed a successful unsecured retail portfolio transaction by acquiring and servicing a smaller portfolio of 5,418 exposures with a total nominal value of EUR 7.6 million.

The last of the four NPL transactions completed in 2021 was a secondary transaction: purchase of a share in a portfolio managed by APS from our co-investor.

In Croatia and Slovenia, we have closed a transaction with PRIVREDNA BANKA ZAGREB D.D., PBZ-LEASING d.o.o., PBZ CARD d.o.o., and BANKA INTESA SANPAOLO D.D. to acquire a portfolio of real estate assets. The portfolio includes 125 real estate assets ranging from residential units to offices to development lands. The portfolio has a market value in excess of EUR 10 million. APS Croatia d.o.o. acts as the portfolio's asset manager.
Throughout 2021, we were working on 64 NPL transactions in a volume of ca EUR 25.8 billion of unpaid debt and dropped an additional 36 deals with a nominal value of EUR 1.1 billion. Fourteen deals were brought forward into 2022 in various stages of the process. Of all the screened deals, 53 were secured by real estate or other types of collateral, 24 were purely unsecured portfolios, and 23 were entity deals. The most active markets for us in terms of NPLs were Greece, Poland, Bulgaria, Romania, and Bosnia and Herzegovina.

A great success of APS in 2021 is also that we have set up and raised a fund in the Czech Republic called APS Credit Fund with a total funding raised at the close of ca. EUR 32 million. Funds will be deployed into NPL and REO deals in APS traditional markets with the goal of reaching net return to investors of 12% per annum (internal rate of return). We have already identified a pipeline of 11 suitable deals of more than EUR 20 million (in purchase price terms) with a high probability of signing and closing those transactions in 2022. APS Credit Fund has an investment period of 3 years and therefore any excess funds not deployed in 2022 together with cash inflows from investments placed will be used for re-investing in future periods over 2023 and 2024 to maximize the absolute return to investors. Any investments made by the fund are diligently processed in accordance with investment policy and deeply scrutinized by the Investment Committee to ensure that the fund seeks the best possible risk-adjusted returns considering the NPL market conditions and macroeconomic environment.

Looking ahead

In 2022, we see a significant pipeline of NPL transactions opening up in Greece, and so we are keen to capture this pipeline and strengthen our position in the market, especially in the space of granular secured NPL portfolios and REO portfolios. The Greek NPL market has been very active over recent years with several mega transactions happening via the securitization scheme dubbed the Hercules Asset Protection Scheme (also known as HAPS). These securitizations were built on ambitious business plans that most likely will lead to bulk sales of parts of these portfolios to the market over the coming years. On top of secondary trades, we expect that the four systemic banks will continue with disposals of distressed debt portfolios, both unsecured and secured, as well as leasing assets. These transactions are expected to be of smaller volume compared to the previous systemic deals and therefore represent more accessible and attractive opportunities for us, whilst acknowledging that the Greek NPL market is highly competitive and saturated with buyers.

In CEE, we expect major transactions to happen also in our core market, Romania, as a clean-up of the backlog of NPLs created prior to the COVID-19pandemic. APS aims to position itself very competitively in these tenders and secure its leading position in the segment of secured NPLs going forward. Sizeable pipelines of NPL and REO trades are also expected in Slovenia, Bulgaria, Serbia, and Croatia. APS is a traditional local player with deep knowledge of the local environment and the ability to properly price such assets and we will therefore seek to benefit from our expertise and acquire and manage these assets at attractive returns to the benefit of all our stakeholders.

In terms of business development, we are hoping to competitively bid and win our first NPL portfolios in Italy to build our presence on this market in cooperation with a local partner that would be entrusted with servicing these portfolios after acquisition, with APS Recovery acting as the master servicer.

We also look to gain market share and strengthen our presence in Poland, which seems to have now stabilized after the shock coming from the insolvency of GetBack. Poland has a significant backlog of NPLs and is especially interesting from the perspective of NPLs denominated in Swiss Francs, which represent a substantial portion of the total NPLs on the books of the banks. Resolution for the Swiss Franc denominated loans is far from clear at the moment and litigation on the part of debtors seeking conversion of their debt into Polish Zloty with retrospective adjustments is increasing exponentially. Provisioning levels vary greatly amongst the banks holding such CHF portfolios, and the banks are therefore also expected to have differing abilities to deal with such assets. We believe that this will create a significant pipeline of attractive opportunities for APS but also other players on the market in the coming years with perhaps the first portfolio trades already happening in 2022.

INVESTMENT PROCESS

Our unified and precisely defined investment process enables us to follow numerous transactions simultaneously while creating a synergic effect using internal and external resources. Our internal transactions department combines a team of experienced investment managers leading and managing discrete transactions with a team of dedicated analysts working on valuation models. In addition, we engage external local legal advisors, property appraisal advisors, and experts with experience in NPL recovery to assist us in navigating the specific features and challenges of the local markets.

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

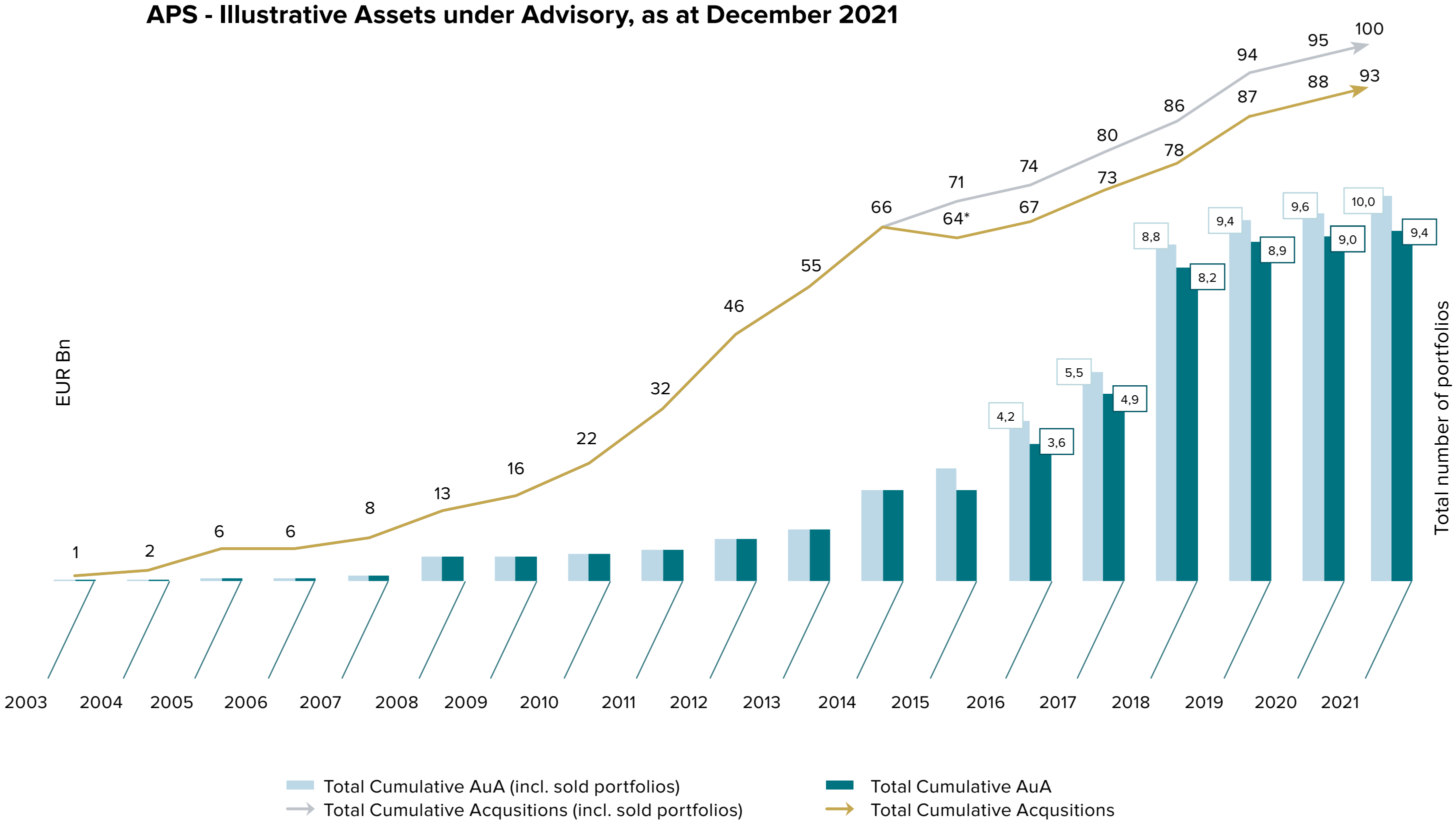
Within the investment process, the crucial phase is due diligence. It combines legal review, real estate collateral review, and financial due diligence for complex transactions. During legal due diligence, a comprehensive legal review of receivables, related documentation, and case files is conducted. This is performed by experienced local law firms with a proven track record and expertise in insolvencies and enforcements. Simultaneously, property appraisal advisors are engaged to assess the value of the real estate collateral that secures the receivables.

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

Investment Management

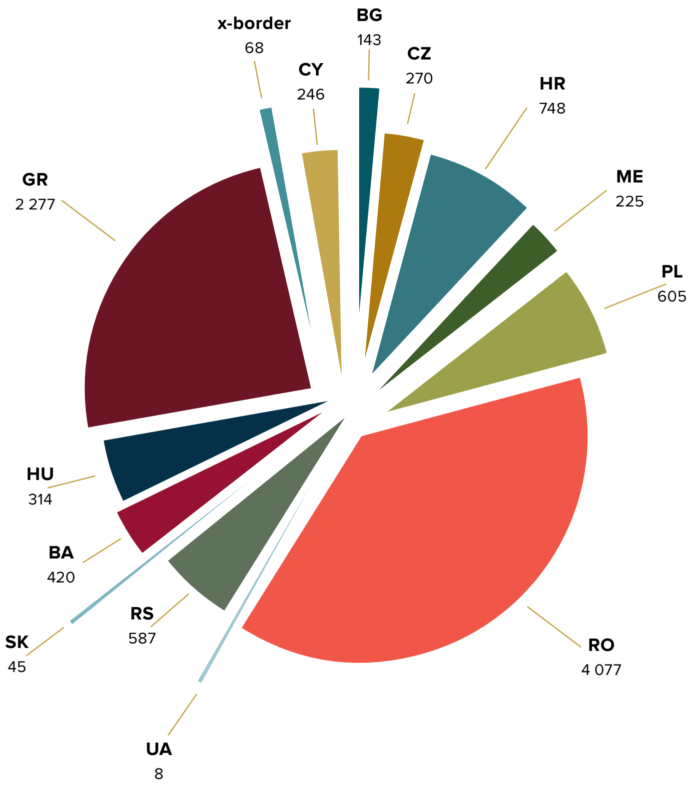
APS in Summary and Numbers
APS is an advisor to several investors, investment vehicles, and funds located in various jurisdictions that invest in specific types of distressed assets (NPLs, real estate assets).

APS - Illustrative Assets under Advisory, as at December 2021

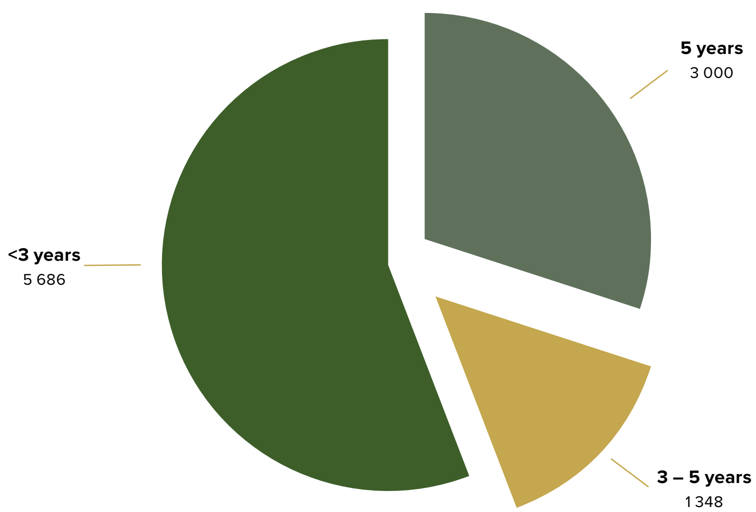


*decrease in 2015 portfolio number is due to sale of 7 tail portfolios with NV of EUR 0.58 bn. compensated by acquisition of 5 new portfolios
** Assets under Advisory figures are presented at historical value principle, representing nominal values as at acquisition date

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
- Non-regulated investment vehicle from Cyprus
- The first APS investment vehicle for regional institutional investors and family offices
- Invested in 32 portfolios with a total nominal value of EUR 650 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 2021, the performance of Serraghis Loan Management reached ca 132%, proving the portfolios' potential – expected IRR is 17–19% with an expected overall net cash multiple of over 2,6. Due to diversification, performance oscillates around the target performance.

APS ALPHA, a.s. former APS FUND ALPHA uzavřeny investični fond, a.s.

- Investment period 2013–2014
- Fully invested in December 2014
- Former Qualified Investor Fund domiciled in Czechia and regulated by the Czech National Bank until September 2019; since then, a regular joint-stock company
- Investors were family offices and HNWI operating under the jurisdictions of Czechia, Slovakia, Hungary, Cyprus, Malta, the USA, the UK
- Investments in 13 portfolios with a total nominal value of EUR 1.2 billion
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor regarding NPL portfolios during the full lifecycle of the project including a successful exit during 2020. For investors, the net break-even point was reached and exceeded in December 2017.
- Exit was executed at the request of investors in April 2020 at the net multiple level of ca 1.3 and an IRR of ca 13%.
- Since April 2020 APS has the absolute control of the APS ALPHA
- APS ALPHA, a.s. was sold out of the Group as of 21.4.2021

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 finished 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 reached ca 77% in 2021, compared to 71% in 2020. 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.

- Established in 2016
- First investment in Q1 2016 with additional resources committed
- Open for investment
- Luxembourg unregulated securitization vehicle with an independent Luxembourg-based administrator
- 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
- So far, investment performance oscillates within the expected range, with some assets lagging slightly behind their targets. In general, the outlook for 2022 remains positive with respect to the latest developments in relation to government measures and the general economic situation related to COVID-19. Some portfolios are reaching their tail phase and restructuring is being assessed with investors.

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 2021, 17 investments have been made
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor regarding NPL portfolios.
- The performance of LM IF reached ca 133% in 2021 vs 78% in 2020

LOAN MANAGEMENT II, a. s.

- Established in 2014
- Non-regulated investment vehicle from Slovakia
- All types of NPLs and distressed assets
- APS has been the exlusive investment advisor regarding NPL portfolios
- APS is 50% shareholder through APS Investment

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. 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% p.a. and more (net of fees).
- The recovery process for portfolios acquired through APS CREDIT FUND SICAV will be managed by local APSservicing subsidiaries.

APS Zeta S.A.

- Established in 2021
- First investment in Q2 2021 with additional resources committed for up-coming Q2 2022 deal.
- Open for investment
- Luxembourg unregulated securitization vehicle 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
- So far, investment performance significantly exceeds expectations and the outlook for 2022 remains positive.

Real Estate

APS Group established a Real Estate division in 2019 – a business line focusing on real estate investment into both income-producing assets and development projects. In addition, the division provides property and asset management services for both institutional and private equity investors.

Following our continuous success in the area of distressed assets, a great proportion of which was secured by real estate, the decision was made to leverage our accumulated knowledge within the more “traditional” real estate investment sector. Our specialists seek out and evaluate investment opportunities, manage transactions, structure deals, and provide property and asset management services.

For our business partners, we provide comprehensive services encompassing the identification of investment opportunities, due diligence and valuation services, and management of the entire acquisition process. For stable income-producing real estate investments, we are able to manage the cash flow for owners during the holding period through consistent and transparent asset management and finally manage the disposal process in order to achieve a successful and profitable transaction life cycle.

The APS Real Estate division is based on 3 key pillars:

(i) Investment;
(ii) Development;
(iii) Asset Management.

REAL ESTATE INVESTMENT & DEVELOPMENT

The Real Estate Investment platform focuses on opportunistic transactions suited to the risk/return profile of a wide pool of investors, including corporate and financial institutions, family offices, and high-net-worth individuals.

ASSET MANAGEMENT

The Asset Management platform supports activities in the real estate investment and development projects by offering a wide range of services. In particular, it specializes in the active property management of assets, brokerage services, and real estate valuations. We also underwrite support during the acquisition phase, provide property management, negotiate new and existing leases, optimize the tenant mix, produce service charge budget overviews to decrease any possible leakage from net operating income, create repositioning strategies for investment properties, and offer divestment advisory services. Our valuations service line offers tailored solutions to each of our clients with dynamic, well-researched real estate appraisal services for all segments of the real estate sector. These services include due diligence evaluations for secured NPL and/or REO portfolios and real estate valuations for tax and sales purposes.

Our valuations team goes beyond real estate appraisal services to offer valuation advisory services in other areas, including for audits, company restructuring, secured financing, loan applications, taxation, insurance, legal matters, internal management, and mergers and acquisitions.

All real estate investment and development projects can benefit from our international team of experienced professionals, who provide the APS Real Estate division with 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. Their proximity to assets and tenants offers invaluable current market information as well as insights into trends, challenges, and opportunities in their respective markets. This combination of the development expertise of our specialists and the local market experience of our service provider, Casazela, enables us to fully respond to our clients’ needs in a cost-effective manner.
Our team covers many areas, in terms of both sectors and geography. Our portfolio includes both residential and commercial buildings and we offer such services as sales, asset administration and daily supervision, advisory on effective marketing and leasing strategies for optimization of vacant space, and database management with our own real estate platform and our group website, www.casazela.com. The Asset Management platform is currently active in several jurisdictions, including Romania, Hungary, Croatia, and Serbia. Our Serbian team also covers the real estate markets in Bosnia and Herzegovina and Montenegro.

Business Development

The Business Development (BD) team of APS Recovery focuses on monitoring new markets and business lines for potential expansion and, if the management decides, also setting up new APS subsidiaries. The role of BD also includes subsequent support with implementing full APS governance standards, policies, rules of work, and systems.

The year 2021 remained as a stabilization year for APS, and due to the worldwide COVID-19 situation no new subsidiaries were opened. APS continues to opportunistically monitor new potential markets, among which the following can be mentioned:

Spain

The Spanish NPL ratio drop continued to some 4.3% at the end of 2021, although this was only a only small difference from the 2020 numbers. The overall volumes remain high and among the largest within Europe. It is expected that the volume will grow in coming years again due to the Covid-19 Pandemic, which should bring new opportunities for companies such as APS.

Italy

The Italian market is one of the largest NPL markets in Europe with an NPL ratio of around 4.9% (in September 2021). APS is currently exploring the possibility of entering the market together with a local partner or under its own means and has already bid on several portfolios in 2021. Similarly as with Spain, NPL volumes are expected to grow in coming years.

Other: Moldova and Slovenia

APS is also observing opportunities in smaller NPL markets that would be beneficial add-ons to our current geographical presence. These primarily include Slovenia (with the nearby presence of APS subsidiaries in Croatia, Serbia, and more) and Moldova (the APS Romania office in Iași is just about 10 km from the Moldovan border).

Highlights 2021

VI

BULGARIA

2021

Within the past year, APS Bulgaria explored new territories and established new partnerships. APS Bulgaria team was joined by dedicated, young professionals who have already achieved remarkable results with the assignments they have taken on. Despite the difficult times everybody was facing, APS Bulgaria work processes have not been interrupted and its drive for expansion has led to accomplish of many goals. APS Bulgaria welcomed the Credissimo and City Cash portfolios at the beginig and the end of this dynamic year. Other interesting ventures are still about to come. In 2022, APS Bulgaria plan to further expand its current projects and connect with new successful businesses across Bulgaria and trustworthy, loyal potential partners.

2022

APS Bulgaria managed to conclude the signing of a new collaboration: the first cession agreement with CITY CASH – a leading financial institution in consumer financing in Bulgaria. The Credissimmo 2 project was also signed, following successful implementation of Credisimmo 1. The CITY CASH 2 project signing followed successful implementation of CITY CASH 1. APS Bulgaria signed the local entity's first forward flow contract with the MFG group. The contract provides automatic transfer of receivables from MFG companies, specifically VIVA CREDIT, EASY ASSET MANAGEMENT, and ACCESS FINANCE, which will ensure the needed workload for the APS Bulgaria. The deal is for receivables with a nominal value of EUR 2.3 million per month.

BOSNIA AND HERZEGOVINA

2021

The business focus for APS BH during 2021 was servicing the Bolero portfolio, still the largest corporate secured portfolio in Bosnia and Herzegovina. In the third year of recovery activities, in 2021 APS BH achieved the excellent collection result of EUR 21 million, which was above the business plan for 2021.

Building on APS BH team's growing experience and solid collection performance, APS BH restructured its organization and expanded its team. Working very closely with portfolio investors, the reporting system, recovery procedures, and supporting tools were scaled up for the performance acceleration anticipated by the Bolero business plan for 2022 and beyond.

2022

Looking forward into 2022, the team will concentrate on managing post COVID-19 restoration and performance pick-up. Local sales activities will be dedicated to expanding the business by sourcing additional servicing and portfolio deals from the post--crisis NPL market.

We are currently conducting an analysis of the opening of a new business sector for retail soft and hard collections, given an announcement by commercial banks of a desire to resolve the large number of NPLs in the retail segment.

CROATIA

2021

During 2021, APS Croatia managed to achieve the expectations set at the beginning of the year, growing of the business with servicing for more clients. APS Croatia strong performance against the backdrop of continued disruption caused by the pandemic would not have been possible without the resilience and collaborative spirit shown by APS Croatia colleagues and partners.

APS Croatia achieved great performance in the Croatian market, where it succeeded in concluding two new important contracts with combined market values of ca EUR 40 million. APS Croatia first REO portfolio, a landmark transaction for APS Croatia, improved its standing in the region.

It is very worth mentioning the recovery strategy for two of the biggest cases, closed during 2021 with total collections exceeding EUR 15 million, transactions that proved the highly professional capacity of the Croatian recovery team.

2022

Looking into 2022, APS Croatia will be very focused on extending its business and operations, aiming to increase portfolio profitability, consolidate its position on the Croatian NPL market, acquire new secured and unsecured portfolios, and develop the real estate operations.

Highlights

CZECH REPUBLIC

2021

APS CZ&SK SERVICES s.r.o. („APS Czech Republic") successfully finished relocating from Prague to Pardubice despite the restrictions associated with COVID-19. During the year, APS Czech Republic reassessed its business activities, meaning a new business strategy was set with a concentration mainly on purchasing and managing distressed assets. Affiliated business activities run in line and with support from the holding strategy. APS Czech Republic also do not forget about its employees and support them to the maximum in their career growth, knowledge, and skills. Great attention is paid to digitalization and the electronic flow of documents, excellence in processes, and investment in software.

The company reached a positive financial result in 2021 mainly due to professional and sustainable NPL administration. Although 2021 did not bring more business opportunities on the NPL market, company succeeded in a tender with FairCredit and purchased an insolvency portfolio. Within third-party servicing, the focus is still on the automotive financial segment, where the company is harvesting success.

2022

For 2022, the NPL market and administration will play the most important role. APS Czech Republic is also targeting the purchase of new NPL portfolios and considering partial project overlaps with real estate. Regarding third-party servicing, APS Czech Republic expects two public tenders, looking for new servicers that the company want to be actively engaged in. The goal of all these efforts is to once again end the year with a positive financial result.

GREECE

2021

In 2021, APS Greece continued master servicing the Arctos portfolio, a retail NPL portfolio comprising 130,000 debtors and 200,000 tickets, which was acquired in 2018 from a Greek systemic bank by APS Delta S.A., an affiliated securitization vehicle based in Luxembourg.

The biggest part of the portfolio is serviced by the APS Greece in-house team, with a smaller perimeter assigned to a reputable collection agency. The legal cases are handled by one of the top law firms in the country with strong expertise and a track record in recoveries. Even though the measures to prevent the spread of COVID-19 continued to apply throughout the year, restricting our office presence to below 50%, the full year performance of APS Greece exceeded pre COVID-19 levels and collections targets, proving the efficiency of both its systems and the people on the task. Offer campaigns and the pursuit of targeted legal actions helped to increase the response rate of debtors and gain new payers. APS Greece management team was strengthened further with new additions, bringing solid banking and legal expertise on board, capable of handling recovery of both unsecured and secured loans.

During 2021, the team was involved in several new projects and identified new servicing business opportunities, which APS Greece will follow up upon in 2022. APS Greece goal remains the acquisition and servicing of additional portfolios.

2022

Greece remains a country with high business potential for APS Group. At the end of 2021, the legacy NPL stockpile of Greek banks reduced to EUR 16 billion, with additional post COVID-19 NPLs of EUR 8–9 billion forecasted to emerge over the coming 2–3 years. Finally, the first secondaries were introduced to the market during 2021, with a strong deal flow anticipated in 2022. APS is actively monitoring and thoroughly examining every new opportunity.

HUNGARY

2021

In 2021, APS Hungary continued its growth trend and further increased its profitability to eclipse the EUR 1 million mark in net profit for the first time in its existence. We reached this result due to our intuitive collection approaches in all different collection stages despite Covid-19 restrictions on collection activity. These results provided a steady basis for us to explore new fields of interest, which are expected to open up new business opportunities going forward.

2022

In 2022, our aim is to harvest the fruit of our past success and put our ideas into place to keep APS as one of the most successful collection agencies on the local market. Despite the depleting NPL market, APS Hungary is ready and eager for new challenges and opportunities with the professional support and broad experience of the rest of the group.

MONTENEGRO

2021

The year 2021 was a relatively good year for APS Montenegro with improvement in performance as opposed to 2020. For APS Montenegro in 2021 the market was more fluent for our REO stock. The main focus was strengthening our REO strategy. APS Montenegro managed to close a couple of significant NPL exposures successfully and a significant number of small-to-mid-value REOs.

2022

APS Montenegro had high expectations for 2022 as it initially saw significant pickup in demand on the market. Unfortunately, APS Montenegro expect that the Ukraine crisis and overall macroeconomic framework will have a very negative impact on Montenegro due to its significant exposure to Russian and Ukrainian tourism inflow. In the medium run, however, APS Montenegro expect these circumstances to result in increased stock of corporate NPLs and distressed hospitality assets, which APS Montenegro is well positioned to act on.

Highlights

POLAND

2021

For APS Poland the year 2021 meant a focus on increasing the efficiency of processes, developing the skills of the employees trough trainings and coaching, and setting up from scratch a new business line: telemarketing.

To strengthen the company, APS Poland went through a strategic change in leadership and also in other managerial positions. The year can be described in the following numbers:

• There were under our management:

—— a total portfolio of 100,000 debtors (average monthly size of 60,000 debtors) with clients from the banking sector, utilities, and securitization funds

—— debts valued at EUR 280 million

• APS Poland have collected:

—— EUR 14 million

• In telemarketing, APS Poland serviced 24,000 sellers, offering them sales through the e-marketplace

The company emerged from 2021 well prepared for further development, allowing for revenue diversification, and implementing business scalability and change management rules.

2022

In 2022, APS Poland is going to focus on attracting new clients to collections services, both, on the open market and through specialized Securitization Funds. In cooperation with APS Investments, APS Poland is going to actively explore arising opportunities for NPLs on sale on the Polish market. Finally, with a fully operational telemarketing business line, APS Poland need to focus on creating and offering on the market complementary lines of after-sales services.

The processes of deep changes at APS Poland which were initiated last year will continue, and together with the sales efforts described above, will hopefully bring the expected positive results for the company's performance.

ROMANIA

2021

After an unprecedented year 2020, for APS Romania the year 2021 was outstanding. It was a year in which the budget was exceeded nearly 2 times and APS Romania took advantage of all the opportunities that arose on the market. The contact center division was scaled up, APS Romania implemented two international projects, won first third-party servicing corporate deal after several years, won and successfully onboarded a new corporate portfolio. It must be added that it was all thanks to a great teamwork.

2022

The year 2022 just started great: APS Romania launched a new business line – turnaround management – and the servicing pipeline looks promising. APS Romania is persistent in capturing the market's attention with more and more robust servicing capabilities, very carefully customized for the corporate secured, retail, and customer care and telesales segments.

APS Romania strategy is to keep growing by exploring unique investment opportunities and purchasing new portfolios. In relation to current portfolios, by deploying cutting edge strategies, APS Romania will keep collections at the level of business plans and satisfy investor requirements.

SERBIA

2021

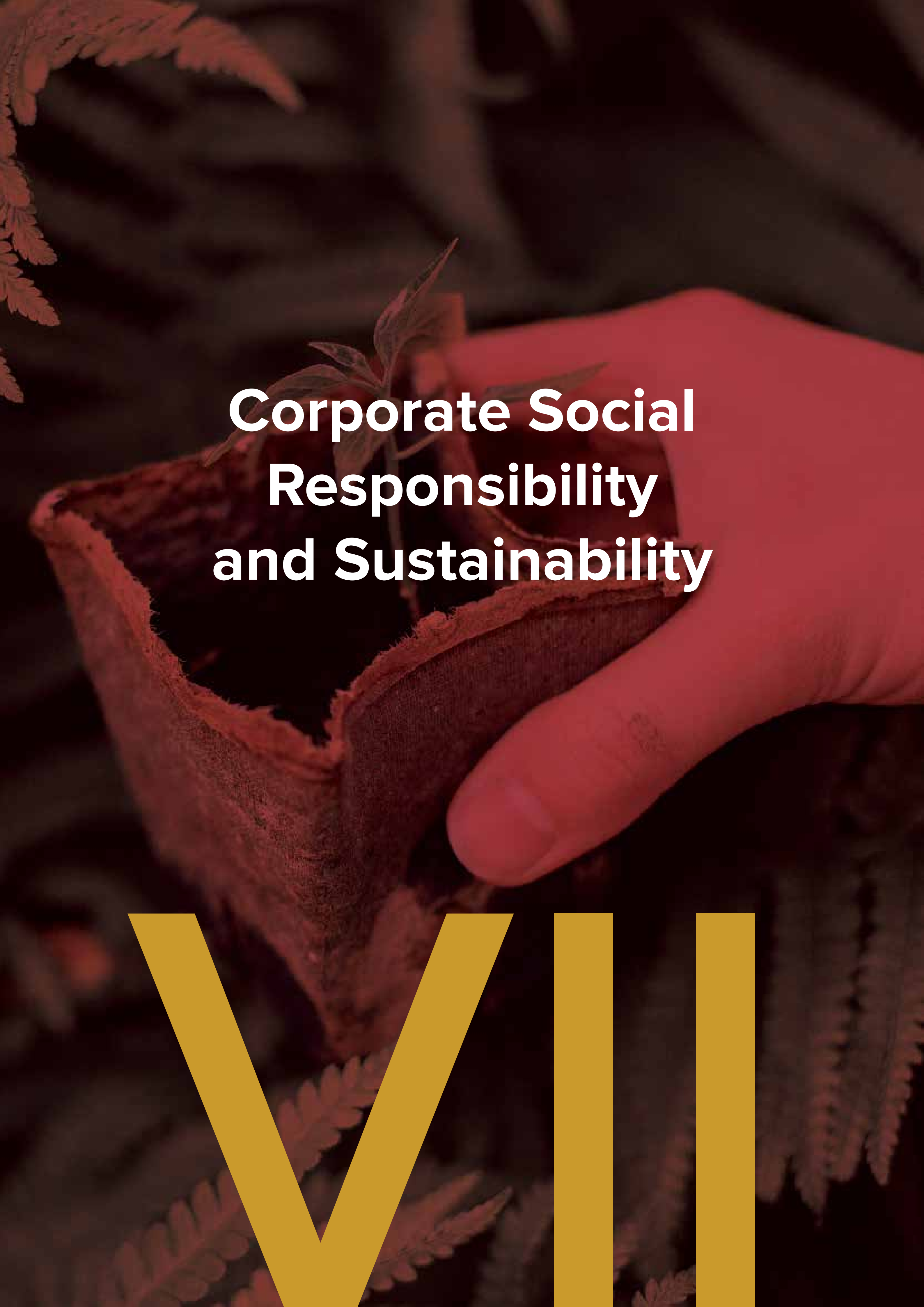
Even though 2021 brought a lot of uncertainty in the Serbian market, APS Serbia managed to significantly improve its overall results as compared to 2020. The overall market has recovered after the first COVID-19 year, and APS Serbia achieved its business plan. Revenues delayed in 2020 were successfully recovered in 2021.

2022

In 2022, the Serbian team will focus on acquisitions of new portfolios and single ticket projects while also considering some alternative business lines. APS Serbia expect at least three significant portfolios to be brought to the market in 2022 while also monitoring for the impact of recent developments on the economic cycle and NPL stock. APS Serbia will also devote special attention to internal and external education and training of its employees to maintain and improve knowledge and skill base for the incoming opportunities. APS Serbia is especially grateful to the APS Croatia team for facilitating an excellent knowledge in sharing Capone workshop.

Corporate Social Responsibility and Sustainability

VII



Corporate Social Responsibility and Sustainability

The ongoing pandemic of COVID-19 did not stop our mission of striving towards equality, sustainability, and better education. The Seeding Knowledge foundation supported key non-profit projects. The foundation made contributions to various social and environmental causes, thus improving the function of the society we live in. It was a challenge to fulfil our mission due to the pandemic restrictions and moratoria.

We continued our support for the elderly in these times. Cooperation with the LGBT+ organization Prague Pride continued with financial support of the education and courses about equality in the workplace. Next was support for Metráž community workshop for women at risk of social exclusion and poverty. Our partnership with the Romanian football club Rapid Bucharest was very visible in 2021 due to the fact, that the club was promoted back to the top flight.

Both 2020 and 2021 were challenging due to COVID-19. We could hear it from our partners, from the communities we support. The year 2022 brings a new humanitarian challenge. We will listen to our partners – a group of non-profit organizations that we have helped to train in fundraising, communication, and other useful skills.

So what was 2021 like at our foundation?

Firstly, we continued our cooperation with Elpida, an organization which helps elderly people. Seeding Knowledge donated money for their activities and supported establishment of their new day center. The center found a new home in Prague and the contribution was used for furnishings..

METRÁŽ

Metráž is a community workshop for women who have got into a burdensome social situation. Especially those who are facing poverty, domestic violence and abuse, and/or homelessness. The workshop specializes in design goods. The goal is to help to those women and provide them an opportunity for a fresh start and motivation for a positive change. All the work they do is paid.

EXPERTISE FOR NON-PROFIT ORGANIZATIONS

In the past four years, APS through the Seeding Knowledge foundation have organized three three-day workshops for non-profit organizations. The sessions focused on better fundraising and ways how to promote themselves and their work. Expertise was provided by expert organizations, nevertheless people from APS joined with their own expertise, such as communications, public relations, and legal advice on contracts. The contact with this non-profit organizations is constantly maintained and in case some interesting project is in place we try to support them or provide some help with networking skills again.

SUPPORT FOR THE LGBT+ COMMUNITY

Nobody should be judged based on their sexual orientation. APS therefore sympathizes with all initiatives helping the LGBT+ community to defend their rights. In 2021, there were strict pandemic restrictions and so APS could not participate in the Prague Pride festival. APS through the Seeding Knowledge foundation supported the organization and took part in trainings on a better and more diverse workplace.

OUR PARTNERSHIP WITH RAPID BUCHAREST

Sport is an excellent way how to learn discipline and teamwork. It helps in overcoming difficulties and keeping goals in mind. It also helps participants to lead a healthy life. For that reason, APS is an enthusiastic partner of the famous Romanian football club Rapid Bucharesti. During the four-year partnership, the club got promoted from the third league to the top Romanian league. This is only a glimpse of the beneficial activities that APS supports. We are convinced that supporting good causes is a duty that no successful company could avoid. For this reason, APS endorses environmental, social, sport, and other activities that make this world a better place to live in.

Compliance

VIII

Compliance

In 2021, we were focused on launching APS Credit Fund, a commingled SICAV-regulated fund domiciled in Czechia that brought challenges to the Compliance team, but at the same time positively strengthened its structure. Many effective compliance processes have been set up and transformed into all APS operations.

In addition, 2021 continued the challenges in all areas of our business operations, our work lives, and the compliance sector due COVID-19. However, the situation has become more stable, best practices have been established, and more recommendations and guidelines from regulators have published.

At APS, we strive to follow best practice compliance standards and this past year was no exception. We implemented several improvements in our internal policies to facilitate the safety of our employees and at the same time increase efficiency while they are working from home.

We have also focused thoroughly 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 focused on improved execution of requirements within transaction monitoring and implemented automated software to monitor suspicious transactions in pilot countries. The software provides an automated method of detecting suspicious patterns; notifies our employees of suspicious, unusual, or complex transactions; and serves as a tool to manage alerts, including such features as case management, record keeping, and reporting.

In 2021, our Compliance team has been enriched with additional compliance experts. One team member has been assigned a new regional role overseeing several countries to increase compliance status within the region. The Compliance team's scope, processes, and organizational requirements and the regular reporting obligations of APS entities towards the group have been clearly established within the group through the framework compliance policy. 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 the compliance function 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 that purchase NPLs and collect terminated loans and/or sell property that was repossessed during enforcement or bankruptcy proceedings. Nevertheless, all APS entities voluntarily submit to the rules in the Group AML Policy with the aim of pursuing the highest AML standards. APS is therefore highly committed to preventing any reputational risks, pursuing the best AML practices, 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 guaranteed the protection of whistleblowers in the past. During 2021, employees were re-trained and reminded of channels for reporting anti-social activities.

At APS, we recognize the importance of personal data protection and therefore in 2021 we have started a project to improve data security and implement the latest organizational and technical measures recommended by the European Data Protection Board.

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.

Directors' Report

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MARKET SITUATION 2021

The year 2021 continued to be turbulent. The Covid-19 pandemic impacted businesses everywhere substantially throughout the year. While the world started to learn how to live with the pandemic without erratic business closures, multiple industries were exposed to decreased demand, higher energy and commodity prices, and supply chain disruptions. With post-Covid demand recovering quickly, the mix of the new macroeconomic forces will steadily bring stagflationary pressures for 2022 and possibly beyond. High inflation driven by energy costs is going to hit hard those firms that are unable to transfer elevated costs onto final customers as they have worked with tight margins and without cash-flow cushions.

Though such an outlook might appear interesting to those entities operating in the NPL industry, growth in NPLs typically comes with a delay. In 2021, in fact, during the second year of the pandemic, banks, being a typical generator of NPLs, were not supplying the market with an excessive flow of impaired loans as had been expected when Covid-19 struck. To the contrary, they gradually released hefty cushions of credit provisions as gloomy scenarios did not materialize. In addition, credit moratoria on both repayment and recovery procedures in individual countries were only gradually phased out last year.

Market clean-up, however, seems to be inevitable, eventually. The geopolitical issues escalated recently by the war in the Ukraine will further contribute negatively to the worsening of the macroeconomic climate. Some industries and businesses have already been impacted so hard that there will be a need, one way or another, for restructuring. As a result, the number of recovery cases will grow

STRATEGY & COMPETITION

In 2021, the NPL market in Central Europe recovered somewhat from the Covid agony experienced the previous year. Larger transactions were missing, but APS faced fierce competition also when bidding for smaller deals. The amount of money circulating in economies put pressure on the yield requested by investors when competing for deals, pushing yearly returns down from the high teens into the low teens and sometimes even lower.

In such an environment, classic European debt collectors with regional coverage are best positioned to win NPL portfolios thanks to their optimal funding structures. These players were also the most aggressive with cut-throat pricing for multiple NPL transactions.

APS has been undergoing a gradual transformation from advising investors on acquisitions of NPL portfolios to managing assets under its discretion. The first tangible step manifesting this strategic change was the establishment of a new NPL fund targeting high net-worth individuals in the Czech Republic. The new fund is targeting investments into NPL portfolios acquired in Central & Eastern Europe. In addition, APS has been in discussions with several strategic partners related to the establishment of a similar fund for institutional investors. Such a fund is planned to be larger in size and is likely to have the backing of a multinational institution. Once in place, the fund is expected to enhance further APS funding capabilities for deals to come.

FINANCIAL STATEMENTS

We present the financial statements for the financial year 1 January 2021–31 December 2021. The Board of Directors is of the opinion that the financial statements provide a true picture of the assets and financial situation of APS for 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 2021, APS generated a 12% revenue increase year-on-year amounting to EUR 23.9 million. At the same time, the Company has managed to reduce operating costs by 1%. As a result, the Company reported net profit of EUR 1.4 million, which represents a significant improvement in comparison to the loss 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.

INFORMATION ON COVID-19 IMPACT

Similarly to the previous year, APS business operations were impacted by Covid-19. Repetitive lockdowns combined with debt repayment moratoria made debt collection less productive. In addition, the pandemic made the Central and Eastern European NPL market less buoyant, with both sellers and buyers less willing to engage. As a result, the number of sizeable NPL

Directors' Report

transactions was quite low. The APS Group has continued to run with its business continuity plan activated for most of the year. Teams were managed so as to minimize the spread of the disease and to reduce business continuity risks. The size of the business was further adjusted to manage smaller volumes of new investment placements. The Group also started to look for alternative business activities and launched a number of call centre projects on several territories. The overall expectation, however, is that there will be an increasing number of business opportunities in the NPL market and the business shall start to grow again.

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 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 the respective 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 success on the highly demanding and competitive distressed-asset market. We organize various non-working team activities for our employees throughout the year to build team spirit. Moreover, we provide our employees with various workshops for both soft skills and increasing their qualifications. At APS, we comply with all legal working regulations applicable to employers. Compliance with legal and internal regulation is subject to regular monitoring, and if there should happen to be any possible problems, we implement the remedy immediately.

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 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 influence 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 2021.

MAJOR ACHIEVEMENTS

In 2021 APS established a new SICAV investment fund domiciled in the Czech Republic with a sub-fund called RhAPSody. This fund has been designed for high net-worth individuals and represents a tangible step in APS strategy to become a discretionary fund manager. The fund has quickly raised over EUR 30 million and is likely to place all funds within 2022. The company has already started working on its successor, which is expected to be open early next year.

As a result of the pandemic, we expect to see a significant increase in distressed-debt portfolios coming to the market and trading at a deep discount on the potential recovery value, which will boost the growth of the APS investment and servicing business. Compared to the development after the 2008 Great Recession, the banks are now much better capitalized and therefore able to create proper levels of provisions against loans in default, but the payment moratoria across countries have delayed the recognition of such bad debts and therefore pushed in time also sales of these portfolios on the market. We expect that banks will initially aim for in-house restructuring and work-out of their loan portfolios but, given capacity limits on the operational side and also the negative impact on risk-weighted assets on the reporting side, they are expected to start offloading sizeable pools of these assets to the market mainly in the second half of 2021 and in the following years. APS is also well-positioned to capture the opportunity to service the new volumes of NPLs for the banks that will not decide to sell but rather outsource the management of loans in default to NPL servicing companies.

Historically, we have successfully acquired and managed several companies in the financial services sector, including leasing and consumer finance companies, with operations and performing, sub-performing, or non-performing exposures and we continue to be active in the M&A space in financial services with the goal of buying and restructuring operations and efficiently monetizing assets, and/or possibly also further developing the restructured business.

LIST OF ABBREVIATIONS

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

LGBTQ
lesbian, gay, bisexual, transgender, and queer or questioning

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

Consolidated Financial Statements

Financial Statements as at
and for the year ended 31 December 2021
and report of the Réviseur d‘Entreprise Agréé

APS Holding S.A. - Consolidated Statement of comprehensive income as at 31 December 2021

In thousand of Euros

Continuing operations	Notes	31. 12. 2021	Restated 31. 12. 2020
Revenue from NPL portfolio servicing	6.1	21 180	17 573
Other operating revenes	6.1	2 701	3 801
Operating revenue		**23 882**	**21 374**
Administrative expenses	6.2	-19 392	-19 191
Other operating expenses	6.2	-412	-728
Total operating expenses		**-19 803**	**-19 919**
Depreciation of tangible fixed assets	7.3	-87	-71
Amortisation of intangible assets	7.1	-1 031	-1 007
Depreciation of ROU Assets	7.4	-965	-1 247
Operating profit		**1 996**	**-870**
Net exchange gains/(losses)	6.3	25	-615
Interest income	6.3	148	76
Interest expenses	6.3	-1 037	-1 654
Interest expense on lease liability	6.3	-177	-108
Other Finance Income/(Costs) net	6.3	1 233	514
Net financial result		**192**	**-1 787**
Profit or Loss for the year before tax		**2 188**	**-2 657**
Current tax	6.4	-874	-383
Deferred tax	6.4	60	-61
Profit or Loss for the year after tax from continuing operations		**1 374**	**-3 101**
Discontinued operations			
Profit /(loss) for the year from discontinued operations		0	-355
TOTAL Profit or Loss for the period		**1 374**	**-3 456**
Other comprehensive income, net of tax (subsequently reclassified through P&L)			
Foreign exchange differences from translation of foreign operations		-776	-1 036
Total comprehensive income or loss for the year, net of tax		**599**	**-4 492**
Profit for the period from continuing/discontinued perations attributable to:			
Parent company shareholders			
Profit for the period from continuing operations		507	-3 105
Profit for the period from discontinued operations		0	-2 075
Profit for the period attributable to parent company shareholders		507	-5 180
Non-controlling interests			
Profit for the period from continuing operations		867	4
Profit for the period from discontinued operations		0	1 720
Profit for the period attributable to minority interest shareholders		867	1 724

Total comprehensive income for the period from continuing/discontinued operations attributable to:		
Parent company shareholders		
Total comprehensive income from continuing operations	-237	-4 131
Total comprehensive income from discontinued operations	0	-2 075
Total comprehensive income attributable to parent company shareholders	-237	-6 206
Non-controlling interests		
Total comprehensive income from continuing operations	835	-6
Total comprehensive income from discontinued operations	0	1 720
Total comprehensive income attributable to minority interest shareholders	835	1 714

APS Holding S.A. Consolidated Statement of financial position as at 31 December 2021

In thousand of Euros

	Notes	31. 12. 2021	Restated 31. 12. 2020
Non-current assets			
Goodwill	7.1	6 824	6 824
Intangible assets	7.1	3 907	4 604
Property, Plant and equipment	7.3	231	166
Right of use Assets	7.4	2 158	3 058
Purchased loan portfolios	7.6	6 352	7 253
Loans and other receivables	7.6	1 608	1 947
Deferred tax asset	7.8	0	5
Other long term financial assets	7.6	13	64
Total non-current assets		**21 092**	**23 921**
Current assets			
Loan receivables	7.5	753	1 469
Trade and other receivables	7.5	6 600	4 974
Other short term assets	7.5	2 093	964
Cash and short term deposits	7.5	16 928	13 422
Assets classified as held for sale	7.12	0	639
Total current assets		**26 373**	**21 468**
Total assets		**47 465**	**45 389**
Equity			
Share capital	7.11	31	31
Other capital reserves	7.11	10 953	11 190
Total equity attributable to parent company shareholders	7.11	10 984	11 220
Equity attributable to non-controlling interests	7.12	1 026	368
Total equity		**12 010**	**11 588**
Non-current liabilities			
Bank and other loans	7.7	13 156	1 176
Long term lease liability	7.4	1 490	2 262
Issued Bonds	7.7	3 507	9 286
Deferred tax liabilities	7.8	212	324
Other long term liabilities	7.7	195	108
Total non-current liabilities		**18 560**	**13 156**
Current liabilities			
Short-term bank and other loans	7.7	5 090	5 184
Issued Bonds	7.7	0	7 936
Trade and other payables	7.9	6 732	5 821
Short term Lease liability	7.4	839	984
Current tax payables	6.4	336	190
Provisions and other short-term liabilities	7.10	3 898	132
Liabilities classified as held for sale	7.12	0	398
Total current liabilities		**16 895**	**20 645**
Total equity & liabilities		**47 465**	**45 389**

APS Holding S.A. Consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2021

In thousand of Euros

	Share capital	Other capital contribu-tions	Retained earnings	Tran-slation reserve	Profit or loss for the period	Other comper-hasive income	TOTAL	Minority interest	Total Equity
Balance at 1 January 2020	**31**	**-**	**10 678**	**(449)**	**-**		**10 260**	**7 707**	**17 967**
Changes in equity for period	-					-			
Profit or (loss) for the period as restated	-	-	-	-	(5 180)	-	**(5 180)**	1 724	**(3 456)**
Other comprehensive income as restated	-	-	-	(1 026)	-	-	(1 026)	(10)	**(1 036)**
Total comprehensive income for the year	-	**-**	**-**	**(1 026)**	**(5 180)**	**-**	**(6 206)**	**1 714**	**(4 492)**
Equity related to new acquisitions	-	-	-	-	-	-	**-**	708	**708**
Dividends for the shareholders	-	-	-	-	-	-	**-**	(1 341)	**(1 341)**
Result allocation	-	-	(5 180)	-	5 180	-	**-**	-	**-**
Disposal of subsidiary	-		-	-	-	-	**-**	(8 420)	**(8 420)**
Capital contributions	-	7 167	-	-	-	-	**7 167**	-	**7 167**
Balance at 31 December 2020 as restated	**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	**1 374**
Other comprehensive income	-	-	-	(744)	-	-	(744)	(32)	**(776)**
Total comprehensive income for the year	**-**	**-**	**-**	**(744)**	**507**	**-**	**(237)**	**835**	**599**
Dividends for the shareholders	-	-	-	-	-	-	**-**	(402)	**(402)**
Result allocation	-	-	507	-	(507)	-	**-**	-	**-**
Capital contributions	-	-	-	-	-	-	**-**	225	**225**
Balance at 31 December 2021	**31**	**7 167**	**6 005**	**(2 219)**	**-**	**-**	**10 984**	**1 026**	**12 010**

The consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2021 has been restated to correct the presentation error of foreign exchange differences from translation of foreign operations. The nature of the correction is explained in section 3.4. The restatement had no impact on total equity.

APS Holding S.A. Consolidated Cash Flow as at 31 December 2021

In thousand of Euros

	31. 12. 2021	Restated 31. 12. 2020
Cash flows from operating activities		
Profit before taxation from:	**2 188**	**-2 684**
Continuing operations	2 188	-2 657
Discontinued operations	0	-27
Adjustments for non-cash items:		
Share of profit of associates	0	2
Finance income	-148	-76
Finance cost	1 214	2 092
Gain/Loss on disposal of subsidiary [Note 6.6]	0	4 032
Depreciation of intangible asset, property, plant and equipment	2 083	4 804
Gain on disposal of property, plant and equipment	0	0
Increase/(decrease) in provisions	45	-190
Other adjustments	798	-26
	6 179	**7 954**
Changes in working capital		
Decrease/(increase) in trade and other receivables	-1 995	11 211
Increase/(decrease) in trade and other payables	5 097	-946
Other adjustments	1 141	4 225
Cash generated from operations	**10 423**	**22 444**
Interest paid	-919	-1 741
Income taxes paid	-784	-1 213
Net cash from operating activities	**8 720**	**19 491**
Cash flows from investing activities		
Interest received	41	76
Dividends received from associates	37	-36
Impact of sale of subsidiary	-124	-4 790
Proceeds on disposal of property, plant and equipment	0	0
Purchase of property, plant and equipment	-1 145	-162
Purchases of Loan portfolios	0	2
Acquisition of subsidiary	5	20
Loan granted to external party	421	-2 199
Repayment of loan granted to external party	2	1 941
Net cash (used in)/from investing activities	**-764**	**-5 148**
Cash flows from financing activities		
Dividends paid (NCI)	-402	-1 341
Proceeds from borrowings	14 043	0
Repayments of borrowings	-3 305	-10 393
Proceeds from issued bonds*	3 440	1 972
Repayment of issued bonds*	-18 178	-5 614
Net cash (used in)/from financing activities	**-4 402**	**-15 375**
Net increase/(decrease) in cash and cash equivalents	**3 554**	**-1 033**
Cash and cash equivalents at beginning of period	**13 422**	**14 455**
Foreign exchange gains and (losses) on cash and cash equivalents	-48	0
Cash and cash equivalents at end of period	**16 928**	**13 422**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2021

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 shareholder is Mr. Martin Machoň. The Company's registered office is at 6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of 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 January 2021 to 31 December 2021 and comparative period is 1 January 2020 to 31 December 2020.

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

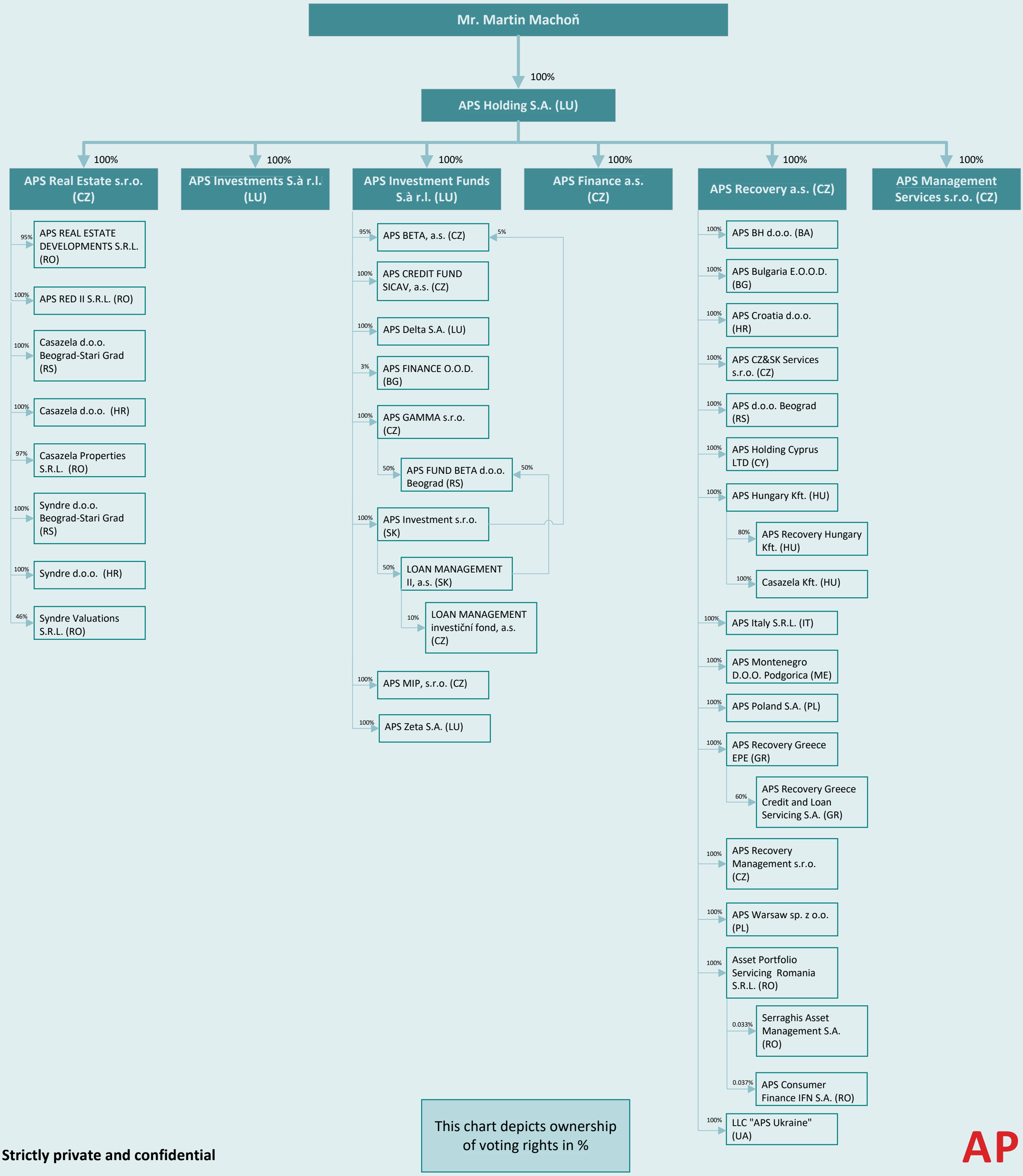
The principal activities of the Company and its subsidiaries are non-performing loans (NPL) recovery services, NPL portfolio underwriting services, asset management services and fund management services across Central and South-Eastern Europe. The Group's main business activities entail advising and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

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.

These consolidated financial statements have been prepared on an ongoing-concern basis.

The chart below illustrated APS Holding S.A. – as of 31 December 2021 as defined by the financing agreement (The Group):

APS Holding S.A. – Company structure chart as of 31 December 2021



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 2021. Their adoption did not materially impact on the disclosures or on the amounts reported in these consolidated financial statements.

- **Amendments to IFRS 4** *Insurance Contracts* – Extension of the Temporary Exemption from Applying IFRS 9,
- **Amendments to IFRS 9** *Financial Instruments,* **IAS 39** *Financial Instruments: Recognition and Measurement,* **IFRS 7** *Financial Instruments: Disclosures,* **IFRS 4** *Insurance Contracts* and **IFRS 16** *Leases* – Interest Rate Benchmark Reform — Phase 2,
- **Amendments to IFRS 16** *Leases* – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021).

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

At the date of authorisation of these financial statements, the following 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** *Insurance Contracts* including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3** *Business Combinations* – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16** *Property, Plant and Equipment* – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **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 37** *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **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. (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

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 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 17** *Insurance contracts* – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or af-

ter 1 January 2023),

- **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 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.

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 functional 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 with the limitation described in section 3.1. 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

Financial Statements

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 2021; for the Organization chart please refer to section 1.1.

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 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.	60	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.	46	46	Romania	equity	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	100	100	Cyprus	full consolidation	full consolidation
APS Hungary Kft.	100	100	Hungary	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 Recovery Hungary Kft.	80	80	Hungary	full consolidation	full consolidation
APS Recovery Management s.r.o.	100	100	Czechia	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
APS Management Services s.r.o.	100	100	Czechia	full consolidation	full consolidation
APS Real Estate s.r.o.	100	100	Czechia	full consolidation	full consolidation
Casazela Holding s.r.o. **	0	100	Czechia	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.	100	100	Croatia	full consolidation	full consolidation
Syndre Holding s.r.o. **	0	100	Czechia	full consolidation	full consolidation
Syndre d.o.o Beograd-Stari Grad	100	100	Serbia	full consolidation	full consolidation
Syndre Kft.***	0	100	Hungary	full consolidation	full consolidation
Syndre d.o.o.	100	100	Croatia	full consolidation	full consolidation
APS REAL ESTATE DEVELOPMENTS S.R.L. *	95	0	Romania	full consolidation	full consolidation
APS RED II S.R.L. *	100	0	Romania	full consolidation	full consolidation
APS Investments S.a r.l.	100	100	Luxembourg	full consolidation	full consolidation
APS Finance a.s.	100	100	Czechia	full consolidation	full consolidation
LLC "APS Ukraine" *	100	0	Ukraine	full consolidation	full consolidation
APS Italy *	100	0	Italy	full consolidation	full consolidation
Serraghis Asset Management S.A.	0	0,033	Romania	out of scope	out of scope
APS Consumer Finance IFN S.A.	0	0,05	Romania	out of scope	out of scope
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 Fund Beta d.o.o. Beograd	50	50	Serbia	not consolidated, pre-sented at fair value	not consolidated, presented at fair value
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
APS Finance E.O.O.D.	3	3	Bulgaria	not consolidated, pre-sented at fair value	not consolidated, presented at fair value
APS ALPHA, a. s ***	0	100	Czechia	full consolidation	presented at fair value (held for sale)
LOAN MANAGEMENT II, a.s.	50	50	Slovakia	full consolidation	full consolidation
LOAN MANAGEMENT investiční fond, a.s.	10	10	Czechia	not consolidated, pre-sented at fair value	not consolidated, presented at fair value
APS ALPHA Bulgaria E.O.O.D.	0	100	Bulgaria	out of scope	not consolidated, presented at fair value
APS Zeta S.A. *	100	0	Luxembourg	full consolidation	out of scope
APS CREDIT FUND SICAV, a.s. *	100	0	Czechia	full consolidation	out of scope

*APS Ukraine, APS Italy, APS REAL ESTATE DEVELOPMENTS S.R.L, APS RED II S.R.L., APS Zeta S.A. and APS CREDIT FUND SICAV, a.s. were newly acquired/established in 2021.
** Casazela Holding s.r.o. and Syndre Holding s.r.o. were merged to APS Real estate s.r.o as of 1.1.2021
***Syndre Kft. was liquidated as of 30.10.2021, APS ALPHA, a.s. was sold out of the Group as of 21.4.2021
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. The Group has no significant influence except Syndre Valuations S.R.L. and no joint venture.

3.3 Accounting policies, changes in accounting estimates and Errors (IAS8)

The Group restated its 2020 figures to enhance the quality of presentation of financial statements in order to ensure that the true and fair view criteria of the financial statement are met. The restatement has four parts. The first one is a matter of classification only of Exchange differences from translation of foreign operations to Other comprehensive income, with no impact to prior year on the Consolidated Statement of profit or loss and other comprehensive income nor on the Group consolidated statement of financial position.

The second part of reclassification is related to the sale of the subsidiary APS Alpha a.s. The entity APS MIP, s.r.o sold 100 % of ordinary shares to APS Capital Group s.r.o. as of 21.4.2021 in amount of 30 thousand of euros. This share represents 10 % of total shares and 100 % of voting rights. APS MIP, s.r.o. sold 100 % of preference shares to co-investors of APS Alpha deal in period 28.1. till 17.2.2021 in amount of 211 thousand of euros. This share represents 90 % of total shares and no voting rights.

In Financial statements FY 2020 the recognition of preference shares sale was misstated. Total Selling price was incorrectly determined as 30 thousand euros, which however represents only selling price of ordinary shares. The part of selling price represented by preference shares for 211 thousand euros was completely omitted in the consolidation. Total correct complete selling price of Alpha shares was 241 thousand of euros (preference plus ordinary shares), which implies that recognised selling price in consolidated FS was understated by 211 thousand of euros, as per tables below:

	FY 2020
Selling price	30
Net assets	0
Impairment	-472
Goodwill written-off	-79
Total loss in Consolidated statement of profit or loss and other comprehensive income	**-551**

Prior year misstatement has effect to Profit and Loss statement, which was understated by 211 thousand euros and to consolidated statement of financial position, where the line Assets classified as held for sale was understated by 211 thousand of euros.

	FY 2020	Restated FY 2020	Restatement
Selling price	30	241	
Net assets	502	502	
Impairment	-472	-261	**-211**
Goodwill written-off	-79	-79	
Total loss in Consolidated statement of profit or loss and other comprehensive income	**-551**	**-340**	**-211**

Prior year misstatement has effect to Consolidated statement of profit and loss statement and other comprehensive income, which was understated by 211 thousand euros and to consolidated statement of financial position, where the line Assets classified as held for sale was understated by 211 thousand of euros.

The next part is correction is related to the entity Loan Management II, a.s. The entity recognized interest income in incorrect amount, overstated by 41 thousand of Euros, loan receivables on the balance sheet were overstated by the same amount (accrued interest part of loan receivables).

Last part is related to IFRS 16, implemented by the group in 2019. The result recognized in Consolidated statement of profit or loss and other comprehensive income in 2019 was not correctly rolled to the retained earnings in year 2020 but was incorrectly recognized in Consolidated statement of profit or loss and other comprehensive income of 2020 again. The impact of this restatement for the year 2020 is 112 thousand of Euros. The amount was incorrectly recognized as operating expense, however, this amount was recognized in expenses already in 2019 and in 2020 it belongs to retained earnings. Therefore this amount is reclassified from operating expenses to retained earnings in amount of 112 thousand of euros, with positive impact on 2020 Consolidated statement of profit or loss and other comprehensive income and negative impact to 2020 retained earnings. This restatement has no impact on consolidated statement of financial position.

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The whole restatement is presented in table below:

APS Holding S.A. Consolidated statement of profit or loss and other comprehensive income

In thousand of Euros

Continuing operations	31. 12. 2020	Restated 31. 12. 2020	Restatement
Revenue from NPL portfolio servicing*	17 573	17 573	0
Other operating revenues	3 801	3 801	0
Operating revenue	**21 374**	**21 374**	**0**
Administrative expenses	-19 303	-19 191	112
Other operating expenses	-939	-728	211
Total operating expenses	**-20 242**	**-19 919**	**323**
Depreciation of tangible fixed assets	-71	-71	0
Amortisation of intangible assets	-1 007	-1 007	0
Depreciation of ROU Assets	-1 247	-1 247	0
Operating profit	**-1 193**	**-870**	**323**
Net exchange gains/(losses)	-615	-615	0
Profit from shares and participation in associated companies	0	0	0
Interest income	76	76	0
Interest expenses	-1 654	-1 654	0
Interest expense on lease liability	-108	-108	0
Other Finance Income/Costs net	555	514	-41
Net financial result	**-1 746**	**-1 787**	**-41**
Profit or Loss for the year before tax	**-2 939**	**-2 657**	**282**
Current tax	-383	-383	0
Deferred tax	-61	-61	0
Profit or Loss for the year after tax from continuing operations	**-3 383**	**-3 101**	**282**
Discontinued operations			
Profit /(loss) for the year from discontinued operations	-355	-355	0
TOTAL Profit or Loss for the period	**-3 738**	**-3 456**	**282**
Other comprehensive income, net of tax (susequently reclassified through P&L)	0	-1 036	-1036
Total comprehensive income or loss for the year, net of tax	**-3 738**	**-4 493**	**-755**
Profit for the period from continuing/discontinued operations attributable to:			
Parent company shareholders			
Profit for the period from continuing operations	-3 407	-3 104	304
Profit for the period from discontinued operations	-2 075	-2 075	0
Profit for the period attributable to parent company shareholders	-5 483	-5 179	305
Non-controlling interests			
Profit for the period from continuing operations	24	4	-21
Profit for the period from discontinued operations	1 720	1 720	0
Profit for the period attributable to non controlling interest shareholders	1 744	1 724	-21

APS Holding S.A. Consolidated statement of financial position

In thousand of Euros

	notes	31. 12. 2020	Restated 31. 12. 2020	Variance
Non-current assets				
Goodwill	7.1	6 824	6 824	0
Intangible assets	7.1	4 604	4 604	0
Property, Plant and equipment	7.3	166	166	0
Right of use Assets	7.4	3 058	3 058	0
Purchased loan portfolios	7.6	7 253	7 253	0
Loans and other receivables	7.6	1 987	1 947	-41
Deferred tax asset	7.8	5	5	0
Other long term financial assets	7.6	64	64	0
Total non-current assets		**23 962**	**23 921**	**-41**
Current assets				
Loan receivables	7.5	1 469	1 469	0
Trade and other receivables	7.5	4 974	4 974	0
Other short term assets	7.5	964	964	0
Cash and short term deposits	7.5	13 422	13 422	0
Assets classified as held for sale	7.12	428	639	211
Total current assets		**21 257**	**21 468**	**211**
Total assets		**45 218**	**45 389**	**171**
Equity				
Share capital	7.11	31	31	0
Other capital reserves	7.11	10 999	11 190	191
Total equity attributable to parent company shareholders	7.11	11 030	11 220	190
Equity attributable to non-controlling interests	7.12	388	367	-21
Total equity		**11 417**	**11 587**	**170**
Non-current liabilities				
Bank and other loans	7.7	1 176	1 176	0
Long term lease liability	7.4	2 262	2 262	0
Issued Bonds	7.7	9 286	9 286	0
Deferred tax liabilities	7.8	324	324	0
Other long term liabilities	7.7	108	108	0
Total non-current liabilities		**13 156**	**13 156**	**0**
Current liabilities				
Short-term bank and other loans	7.7	5 184	5 184	0
Issued Bonds	7.7	7 936	7 936	0
Trade and other payables	7.9	5 821	5 821	0
Short term Lease liability	7.4	984	984	0
Current tax payables	6.4	190	190	0
Provisions and other short-term liabilities	7.10	132	132	0
Liabilities classified as Held for sale	7.12	398	398	0
Total current liabilities		**20 645**	**20 645**	**0**
Total equity & liabilities		**45 218**	**45 388**	**170**

The statement of changes in equity for the year 2020 has been updated accordingly.

3.4 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.

3.5 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

3.6 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.

3.7 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

3.7.1 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).

[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.*

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.

3.7.2 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 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).

3.8 Leases

3.8.1 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.

3.8.2 The Group as lessor

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

3.9 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.

3.10 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.

3.11 Taxation

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

3.11.1 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.

3.11.2 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.

3.11.3 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.16.1 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 1.1).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (note 6.3). Fair value is determined in the manner described in table below:

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

<table>
<tr><th>Financial assets/ financial liabilities</th><th>Valuation technique(s) and key input(s)</th><th>Significant unobservable input(s)</th><th>Relationship and sensitivity of unobservable inputs to fair value</th></tr>
<tr><td rowspan="2">Purchased secured debt portfolios</td><td rowspan="2">Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these purchased debt portfolios</td><td>Expected cash flow calculated based on
1. Expected collections derived from collaterals
2. Timing of expected recovery
3. Probability of realization of unique recovery strategy for each case.

These inputs are provided by recovery managers responsible for each case and some valuation of real estate are done by real estate valuator.</td><td>1. The higher the value of collateral the higher the value of portfolio.
2. The earlier the recovery the higher value of portfolio

Sensitivity analysis is not performed as the calculation and assumptions are based on case by case basis i.e. per single collateral and the structure of collaterals in the portfolio is very diverse</td></tr>
<tr><td>Market discount rate calculation was based on data from Reuters.
Discount rate for 2021 was 15,62%, for 2020 14,11%, see below for the components of the discount rate:

<table>
<tr><th></th><th>2021*</th><th>2020</th></tr>
<tr><td>risk free rate - 20Y german government bond yield</td><td>0%</td><td>0%</td></tr>
<tr><td>equity risk premium/market risk premium</td><td>6.42%</td><td>6.85%</td></tr>
<tr><td>country risk premium</td><td>N/A</td><td>2.13%</td></tr>
<tr><td>default spread/premium</td><td>N/A</td><td>1.95%</td></tr>
<tr><td>GDP growth (forecast)</td><td>N/A</td><td>5.20%</td></tr>
<tr><td>NPL ratio</td><td>N/A</td><td>3.90%</td></tr>
<tr><td>NPL premium</td><td>N/A</td><td>0.20%</td></tr>
<tr><td>Size premium</td><td>4.99%</td><td>N/A</td></tr>
<tr><td>Industry risk premium</td><td>3.21%</td><td>N/A</td></tr>
<tr><td>Company-specific risk premium</td><td>1.00%</td><td>N/A</td></tr>
</table></td><td>The higher the discount rate the lower the value of purchased secured debt portfolio.
If the discount rate increases by 1% the value decreases by 57k EUR, if the discount rate decreases by 1% the value increases by 59k EUR.</td></tr>
</table>

*N/A is not applicable for financial year 2021 due to change of calculation method

(iii) 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.

(iv) 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:

	Impairment Approach		
IFRS 9 Classification	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		

(v) 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

(vi) 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).

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii)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.

3.16.2 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 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 is 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 1.1).

3.17 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

In 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 Effect of COVID 19 pandemic to the Group

The Group is constantly monitoring and assessing the situation in relation the COVID-19 pandemic and is prepared to adopt any necessary measures in relation to actual situation and actual measures applied by the local governments.

5. Risk Management

The 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. [IFRS 7. Appendix A]

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.

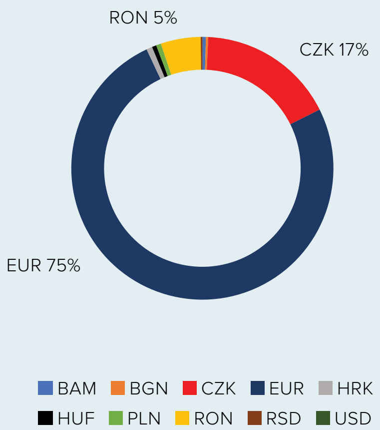
The Group internally monitors and analyses the borrower whose securities it holds. All applications for loans are discussed and approved by the Company's Board of Directors. All investments into the borrower's securities are also submitted for approval to the Board of Directors.

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, USD, CZK, PLN, RSD, BGN, HUF, HRK and BAM.

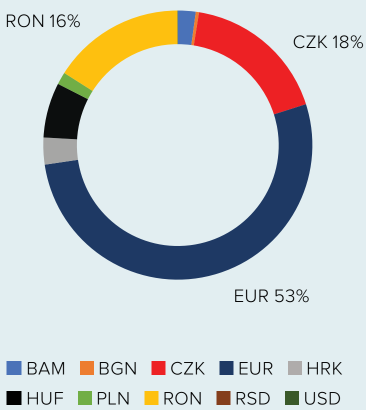
The currencies as of 31 December 2021 are represented in the Group payables and receivables as follows:

Payables (EUR)



Currency	%
EUR	75
CZK	17
RON	5
HRK	1
PLN	1
HUF	1
BAM	0
BGN	0
RSD	0
UAH	0
USD	0
Total	**100%**

Receivables(EUR)

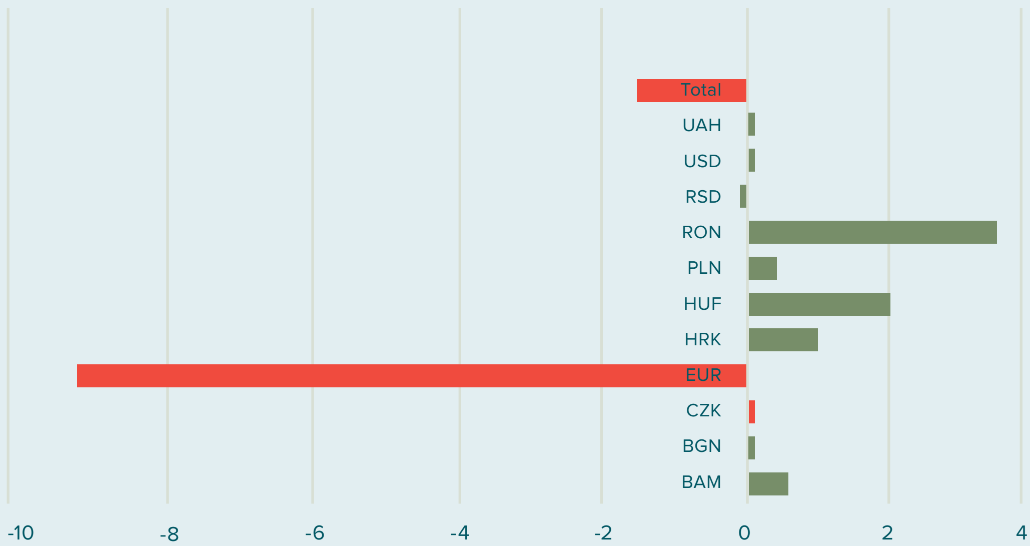


Currency	%
EUR	53
CZK	18
RON	16
HUF	7
HRK	3
BAM	1
PLN	1
BGN	0
UAH	0
USD	0
RSD	0
Total	**100%**

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

The net exposure (+receivable / -payable) per currency as of 31 December 2021 is shown in the graph below:

Net Position



Net position	T EUR
RON	3 602
HUF	2 011
HRK	827
BAM	563
PLN	289
BGN	31
UAH	18
USD	16
CZK	-24
RSD	-72
EUR	-8 640
Total	**-1 379**

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

In thousand of Euros

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

- In the case of 1% appreciation of EUR vs. RON, Profit for the year will decrease by 36 thousand of Euros
- In the case of 1% depreciation of EUR vs. RON, Profit for the year will increase by 36 thousand of Euros

The net position as of 31 December 2020 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousand of Euros

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
HUF	667	-7	7
RON	4 024	-40	40

- In the case of 1% appreciation of EUR vs. RON, Profit for the year will decrease by 40 thousand of Euros
- In the case of 1% depreciation of EUR vs. RON, Profit for the year will increase by 40 thousand of Euros

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. 2021 ECB Rate
EUR	BGN	1.96	1.96
EUR	HUF	358.52	369.19
EUR	HRK	7.53	7.52
EUR	CZK	25.64	24.86
EUR	RON	4.92	4.95
EUR	PLN	4.57	4.60
EUR	RSD	117.37	117.41
EUR	BAM	1.96	1.96
EUR	USD	1.18	1.13
EUR	UAH	31.41	30.57

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 3.5% p.a. 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%.

Impact of Euribor rate fluctuation were calculate as follows:

In thousand of Euros

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 rates will increase by 64 thousand of Euros
- In case of decrease of Euribor rate by 1%, interest rates will decrease by 64 thousand of Euros

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 thousand of Euros

as of 31. 12. 2021	0–90 days	90–180 days	180–365 days	1–5 years	Over 5 years	Total	Book value
Bank loan (Unicredit Bank)	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
Lease liability	252	227	393	1 594	161	2 627	2 329
Total Financial Liabilities	**7 474**	**3 847**	**1 373**	**18 464**	**161**	**31 319**	**30 815**
as of 31. 12. 2020							
Bank and other loans	0	0	5 184	1 176	0	6 360	6 360
Issued Bonds	0	2 913	4 958	9 680	0	17 552	17 222
Trade and other payables	5 821	0	0	0	0	5 821	5 821
Lease liability	274	261	482	2 360	338	3 714	3 246
Total Financial Liabilities	**6 095**	**3 174**	**10 624**	**13 216**	**338**	**33 447**	**32 648**

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 thousand of Euros

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**

as of 31. 12. 2020	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	237	1 232	875	0	2 344	2 303
Purchased loan portfolios	0	0	0	7 253	0	7 253	7 253
Trade and other receivables	4 974	0	0	0	0	4 974	4 974
Total Financial Assets	**4 974**	**237**	**1 232**	**8 128**	**0**	**14 571**	**14 530**

To quantify the liquidity risk, Group uses Current Ratio, the results are presented in table below. The ratio has increased 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 thousand of Euros

Current Ratio of the Group	31. 12. 2021	31. 12. 2020
Current Assets	26 373	21 468
Current Liabilities	16 895	20 645
Ratio	**1.6**	**1.0**

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 0 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in notes 7.11 and 7.12).

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 thousand of Euros

	31. 12. 2021	31. 12. 2020
Net Debt	18 527	20 379
Equity	12 010	11 588
Net Debt to Equity ratio	**1.5**	**1.8**

The gearing is slightly lower comparing to prior year, as the financing facilities are being repaid while equity have grown through the profit generated this year. Group expects further decrease of the ratio in the future.

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

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

6.1 Operating revenue

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Revenue from NPL portfolio servicing	21 180	17 573
Other operating revenues	2 701	3 801
Total operating revenues	**23 882**	**21 374**

Major part of operating revenue is represented by Asset management fees, charged for the recovery activities by the servicing entities. Revenues were negatively affected by the government restrictions related to the COVID-19 pandemic in 2020. Increase in revenues from NPL portfolio servicing by 21% is mostly caused by lifting of restrictions in 2021 which has positive impact to the revenues and more effective process of recovery than in prior year.

Increase of revenues is visible overall in recovery business unit, most significant increase is in Croatia, Hungary, Romania, Serbia and Bosnia which represent the core of the recovery units.

Other operating revenues consist mostly of Underwriting fee and Advisory fees which are core business of APS Investments S.à r.l. and Real Estate Advisory fees, where we can observe decrease by 29%, caused by limited investment activities.

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 thousand of Euros

	31. 12. 2021	31. 12. 2020
Recovery services	20 443	15 858
Investment Management	2 257	3 960
Fund Management	1 090	1 448
Real Estate	91	108
Total	**23 882**	**21 374**

The Group does not report the geographical split of the revenue. As there is variety of ownership, it would be very hard to define the geographical identity of each revenue source with minimal value added for the reader of the financial statements.

6.2 Operating expenses

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Administrative expenses	19 392	19 191
Other operating expenses	412	728
Total operating expenses	**19 803**	**19 919**

Operating expenses are represented by administrative expenses related to the running of the Group itself. Salaries and related expenses represent almost 60% of the operating expenses. Another part is related to the external services (e.g. audit fees, tax, legal and other advisory fees etc.).

Detail of Administrative expenses

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Salaries and related expenses	11 199	10 324
Costs of external services	8 180	8 839
Local taxes and fees	12	28
Total Distribution and administrative expenses	**19 392**	**19 191**

In the reporting period audit fees amounting to 372 thousand of Euros are included in the external services category.

Average headcount divided into major segments in table below:

Segment Number of Employees	2021	2020
Head-office	54	72
Investment	28	34
Servicing	473	679
Real Estate	12	10
Funds vehicles	4	0
Total Employees	**571**	**795**

Decrease in number of employees is caused by sale of the company APS Debt Servicing Cyprus Ltd. (which employed 162 people and was sold in November 2020) and overall personal costs reduction among whole group due to pandemic COVID 19, primarily in Romania and Czech Republic.

6.3 Financial result

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Net exchange gains or losses	25	-615
Interest income	148	76
Interest expenses	-1 037	-1 654
Interest expense on lease liability	-177	-108
Other Finance Income/Costs net	1 233	514
Net financial result	**192**	**-1 787**

Group's Financial result consists mostly of Interest expenses related to the bonds which were repaid and refinanced by UniCreditBank loan. Interest expenses paid for Bonds were 113 thousand of Euros. Interest expenses of UniCreditBank loan are 434 thousand of Euros in 2021. Interest expenses for 2020 related solely to bonds in amount of 870 thousand of Euros. Interest from other external bank loans is in amount of 490 thousand of Euros.

Other finance Income and costs line shows the net result of the other transactions classified as financial. Other finance income mainly consists Dividend income in amount of 1 million of Euros from Loan Management investiční fond, a.s. and 610 thousand of Euros from Serraghis Loan Management Ltd.

Net realized and unrealized Foreign Exchange gains and losses of 25 thousand of Euros 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 thousand of Euros

Reconciliation of income tax expense	31. 12. 2021	31. 12. 2020
Profit or Loss before Income taxes continuing operations	2 188	-2 657
Profit or Loss before Income taxes discontinued operations	0	4 005
Profit or Loss before Income taxes	**2 188**	**1 348**
Income Tax using the average tax rates	**-163**	**-444**
Tax losses for which no deferred tax is recognized	-782	0
Expenses not deductible for tax purposes	-141	-562
income not subject to tax	212	126
income tax related to Discontinued operations	0	497
Total Income tax expense	**-874**	**-383**
% of Income tax expense	40,0%	28,4%
% of Income Tax using the Group´s average tax rate	7,5%	32,9%

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 60 thousand of Euros 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 increased from 28,4%   to 40%.

Between 1 January 2021 and 31 December 2021 the following changes in Corporate Tax rates became effective in the countries where the Group is active:

Greece – change in Corporate Income Tax rate from single rate of 24% to 22%.

No further changes in Taxation legislation affecting our subsidiaries became effective as of 31 December 2021.

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 thousand of Euros

Entity	Total unused tax loss	Expiring 2022	Expiring 2023	Expiring 2024	Expiring 2025	Expiring 2026
APS Management Services s.r.o.	1 087	0	0	535	552	0
APS Finance a.s.	352	0	0	55	0	297
APS Investments S.a r.l.	1 301	0	0	0	0	1 301
APS Real Estate s .r.o.	1 010	151	270	331	258	0
APS Recovery a.s.	1 292	0	0	0	937	355
APS Recovery Management s.r.o.	261	0	0	0	0	261
APS Poland	708	0	0	0	0	708
APS Italy	3	0	0	0	0	3
APS Ukraine	109	0	0	0	0	109
APS Recovery Greece CLS S.A.	1 091	0	0	826	0	265
Casazela d.o.o. Beograd-Stari Grad	94	0	0	94	0	0
Casazela d.o.o.	102	0	0	102	0	0
APS CZ & SK SERVICES s.r.o.	226	60	50	116	0	0
APS Investment Funds S.a r.l	8	0	0	0	0	8
APS BETA a.s.	24	0	0	0	0	24
APS MIP s.r.o.	29	0	0	0	0	29
APS GAMMA s.r.o.	2	0	0	0	0	2
APS CREDIT FUND SICAV, a.s.	10	0	0	0	0	10
Total	**7 708**	**211**	**320**	**2 059**	**1 747**	**3 371**

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6.5 Dividends

No dividend payment to shareholder of APS Holding S.A. was approved for the current and prior reporting periods.

The company LOAN MANAGEMENT II, a.s. received a dividend payment totalling 1 610 thousands of Euro from its participation entities Loan Management investiční fond, a.s. (1 000 thousand of Euros) and Serraghis Loan Management Ltd. (610 thousand of Euros) Dividend payments to minority shareholders are disclosed in note 7.12

7. Notes to Consolidated Statement of Financial Position

7.1 Goodwill and intangible assets

In thousand of Euros

	Goodwill	Software	Rights of Servicing and 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 period	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**

In thousand of Euros

	Goodwill	Software	Rights of Servicing and other intangible assets	Total
At 1 January 2020				
At costs	9 933	4 545	17 630	**32 108**
Accumulated amortisation	0	-956	-5 907	**-6 864**
Net book amount	9 933	3 589	11 722	**25 245**
At 31 December 2020				
Additions	0	639	68	**707**
Disposals (gross value)	-3 109	-115	-15 658	**-18 882**
Disposed amortisation	0	21	5 729	**5 750**
Exchange differences	0	-108	-277	**-385**
Amortisation charge of the period	0	-646	-361	**-1 006**
Closing net book amount	6 824	3 380	1 224	**11 428**
At 31 December 2020				
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**

As of 31. 12. 2021 Group presents one part of Goodwill

In thousand of Euros

	31. 12. 2021	31. 12. 2020
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 and no terminal values were 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 2021, 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 2021, 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 2021 and the estimation for the rest of the life of the project.

2) Recovery management entity costs were calculated based on 2020 level of costs and were indexed for expected growth in future

3) 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 at 31 December 2021, a pre-tax discount rate 5.3% 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 thousand of Euros

	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**

In thousand of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2020				
At costs	78	652	385	**1 115**
Accumulated Depreciation	-15	-540	-227	**-782**
Net book amount	63	112	157	**333**
At 31 December 2020				
Additions	0	3	54	**57**
Disposals (gross value)	-59	-10	-130	**-199**
Disposed depreciation	9	10	43	**62**
Exchange differences	0	-6	-9	**-15**
Depreciation charge of the period	0	-39	-32	**-71**
Closing net book amount	12	70	84	**166**
At 31 December 2020				
At Costs	19	596	304	**919**
Accumulated depreciation	-7	-526	-220	**-753**
Net book amount	12	70	84	**166**

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 thousand of Euros

	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	2788	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**

In thousand of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2020				
At Cost	4 675	332	253	**5 260**
Accumulated depreciation	-1 709	-127	-47	**-1 883**
Net book amount	2 966	205	206	**3 376**
At 31 December 2020				
Additions	3 162	10	21	**3 193**
Depreciation	-1 053	-142	-53	**-1 247**
Disposals	-3 928	-80	-71	**-4 079**
Depreciation related to disposals	1 641	127	48	**1 816**
Closing net book amount	**2 788**	**120**	**150**	**3 058**
At 31 December 2020				
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**

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

Approximately 0.6 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 0.4 million of Euros in the reporting period. Disposals relates to expired lease contracts, where major part relates to expired rent contract in APS Romania. The maturity analysis of lease liabilities is presented in the liquidity risk section 5.6.

Amounts recognized in profit and loss:

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Depreciation expense on right-of-use assets	965	1 247
Interest expense on lease liabilities	177	108
Expense relating to short-term leases	0	0
Expense relating to leases of low value assets	118	222
Total	**1 260**	**1 577**

Total cash outflows related to leases were 1 241 thousand of Euros (prior year 1 511 thousand of Euros) which includes all lease payments including these on assets classified as low value.

7.5 Associates

7.5.1 Details of material associates as of 31 December 2021

Company Syndre Valuation s.r.l. is not controlled by the Group. APS Holding S.A. owns 46% shares and holds significant influence over the investee, thus this company is included in the consolidated financial statements using equity method.

No dividend was paid in the period of 1 January 2021 to 31 December 2021 to the Group.

In thousand of Euros

SYNDRE VALUATION SRL	31. 12. 2021	31. 12. 2020
Total operating revenue	89	61
Total operating expenses	-94	-108
Earnings Before Interest, tax, depreciation and amortisation	-5	-46
NET financial result	-13	0
Total profit/loss for the period	**-18**	**-46**
Total non-current assets	2	4
Total current assets	30	44
Total assets	**31**	**48**
Total equity	-80	-49
Total current liabilities	111	96
Total equity & liabilities	**31**	**48**

7.6 Financial Assets

Financial assets are presented at amortized costs, except for purchased secured loan portfolios which are presented at fair-value. Summary of financial assets and Group's impairment approach shown in table below:

In thousand of Euros

		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

In thousand of Euros

		Impairment approach			Fair-value level
At 31. 12. 2020		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated amortized costs	Cash and Short-term deposits	13 422			n/a
	Loan receivables and other short--term assets		2 433		n/a
	Trade and other receivables		4 794	180	n/a
	Purchased unsecured loan portfolios			474	n/a
Financial assets valuated at fair-value	Purchased secured loan portfolios			6 779	3

7.6.1 Loans receivables and other short-term assets

Loan receivables are short term parts of loans to Loan Management investiční fond, Project One d.o.o., APS Capital Group, Alpha Bulgaria, APS Fund Beta d.o.o. and Momentum Credit Zrt.

LOAN MANAGEMENT II, a.s. issued debt securities in amount of 750 thousand of Euros to external parties which is part of Other financial assets, the rest consists only current income tax in amount of 406 thousand of Euros.

7.6.2 Trade and other receivables

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

In thousand of Euros, as at 31 December 2021

	Not due yet	0-180 days	180-360 days	Over 360 days	Total
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 thousand of Euros, as at 31 December 2020

	Not due yet	0-180 days	180-360 days	Over 360 days	Total
Trade accounts receivable	2 368	1 137	10	35	3 548
Other receivables	1 074	216	19	117	1 426
Total Trade and other receivables	**3 442**	**1 352**	**29**	**151**	**4 974**

Impairment of receivables as at 31 December 2021

In thousand of Euros

	Gross amount	Impairment	Netto amount
Loans receivables	1 904	-9	1 895
Trade receivables	6 621	-21	6 600
Other receivables	467	-2	465
Total receivables	**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 32 thousand of Euros according to IFRS 9 (charge of the period is equal of total impairment, no impairment in prior year). 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. The balance as of end of 2021 increased comparing to 2020 mostly due to higher revenues from the core activities in 2021.

Other receivables in the amount of 181 thousand of Euros overdue over 360 days are mainly receivables of Asset Portfolio Servicing Romania S.R.L, 173 thousand of Euros to be reimbursed from the state budget regarding the medical and maternity leaves which takes 2 years to receive the cash.

The rest of Trade receivables overdue over 360 days are receivables to the creditors classified as related parties.

7.6.3 Purchased loan portfolios

The group owns two categories of purchased loan portfolios. The first one is represented by 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 one is represented by corporate secured portfolio owned by the subsidiary APS Beta a.s.

7.6.4 Cash and Short-term deposits

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

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Bank deposits and Cash balances	16 938	13 436
Impairment calculated	-10	-13
Impaired Cash Balance	**16 928**	**13 422**

7.7 Financial Liabilities

Financial liabilities are reported at amortized costs except for interest rate swap which is presented at fair value.

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Financial liabilities at amortised cost		
Bank and other loans	18 246	6 360
Issued Bonds	3 507	17 222
Trade and other payables	6 732	5 821
Financial liabilities at fair value		
Interest rate swap	74	0
Financial liablities	**28 559**	**29 403**
Amount due for settlement within 12 months	11 822	18 941
Amount due for settlement after 12 months	16 737	10 462

Split of borrowings by currency of denomination:

In thousand of Euros

	Currency EUR	Currency CZK	Total in EUR
31 December 2021			
Bank and other loans	18 246	0	**18 246**
Issued Bonds	3 507	0	**3 507**
Trade and other payables	6 732	0	**6 732**
Total borrowings	28 485	0	**28 485**
31 December 2020			
Bank and other loans	6 360	0	**6 360**
Issued Bonds	0	17 222	**17 222**
Trade and other payables	5 821	0	**5 821**
Total borrowings	12 182	17 222	**29 403**

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

7.7.1 Issued Bonds

Issued bonds were represented by bonds issued by the entity APS Finance a.s. in the total anticipated nominal value of the issue of 25,122 thousand of Euros. The initial issue date was on 22 February 2018 and the second issue dated 22 February 2019. The bonds are 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.

7.7.2 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 for a total amount of 14 million of Euros. Long term part of external loan is in amount of 10 853 thousand of Euros, short term part is in amount of 1 960 thousand of Euros.

Other loans received include loan from Martin Machoň in amount of 500 thousand of Euros and interest in amount 19 thousand of Euros, loan from Berillium Ltd. in amount of 36 thousand of Euros and loan from APS MIP, s.r.o. in amount of 13 thousand of Euros.

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). Financial covenants were fulfilled for financial year 2021, with the ratio 3.82 while the bottom ratio for the financial year 2021 is set-up to 4.5.

Moreover, the Group Gross Debt to EBITDA ratio of 3.82 leads to lower interest rate of UniCredit Bank loan of 3.00% starting with third quarter 2022.

Other loans
Other external loans consist mainly of loan received by Beta a.s. from IFC in total amount of 4.1 million of Euros, loan received by APS Investment Funds S.a.r.l from Serraghis Asset Managements S.A. in amount of 0.7 million of Euros (including accrued interest in amount of 101 thousand of Euros) which bears interest of 5% and 0.5 million of Euros loan received by APS Recovery a.s. from the sole shareholder Martin Machoň with interest 3.75% + 12 months EURIBOR p.a.

7.8 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 thousand of Euros

	31. 12. 2021	31. 12. 2020
Deferred tax liabilities	-212	-324
Deferred tax assets	0	5

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

In thousand of Euros

	Deferred tax liability			Deferred tax asset		
	Fixed assets depreciation	Financial assets valuation	Total	Fixed assets depreciation	Financial assets valuation	Total
01.01.2020	**-369**	**53**	**-316**	**255**	**14**	**269**
Charge to profit or loss	0	-53	**-53**	0	-9	**-9**
Charge direct to equity	46	0	**46**	0	0	**0**
Effect of disposal of subsidiary	0	0	**0**	-255	0	**-255**
Exchange differences	-1	0	**-1**	0	0	**0**
01.01.2021	**-324**	**0**	**-324**	**0**	**5**	**5**
Charge to profit or loss	60	0	**60**	0	-5	**-5**
Charge direct to equity	52	0	**52**	0	0	**0**
Effect of disposal of subsidiaryOs	0	0	**0**	0	0	**0**
Exchange differences	0	0	**0**	0	0	**0**
31. 12. 2021	**-212**	**0**	**-212**	**0**	**0**	**0**

Deferred tax liability decreased to 212 thousand of Euros, deferred tax asset decreased by 5 thousand of Euros to zero final balance. The changes were charged both to the Profit and loss statement and directly to the Equity. Deferred tax asset and liabilities were booked mainly due to the variance in Tax and Accounting amortization. The Deferred tax relates to the entities APS Recovery a.s., APS Poland.

7.9 Trade and other payables

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Trade and other payables	6 386	5 821
VAT liability	346	0
Total	**6 732**	**5 821**

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. VAT liability was settled during the year 2022.

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

7.10 Provisions

In thousand of Euros, 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**

In thousand of Euros, as of 31 December 2020

Description	Expected timing	01.01.2020	additions	amount used	unused reversed	31. 12. 2020
provision for annual bonuses	*used*	0	46	0	0	46
provision for personnel dismissal	*used*	0	18	0	0	18
provision for operating activities	*used*	163	0	163	0	0
provision for audit and accounting	*used*	79	0	79	0	0
provision for CIT	*used*	12	13	12	0	13
Provision for NWT	*used*	0	5	0	0	5
provision for unused holidays	*used*	35	44	0	35	44
	Total	**289**	**126**	**254**	**35**	**126**

All provisions are classified as short term, to be used in first half of year 2022. Most of the provisions are booked in entities APS Investments S.a.r.l, APS Poland S.A, Asset Portfolio Servicing Romania SRL and APS Management Services s.r.o. The provisions are primarily related to unused holidays and annual bonuses. The remaining part in the statement of financial position in total of 82 thousand of Euros is related to Deferred revenue and Financial liabilities.

7.11 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.

7.12 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 2021 consist of 112 thousand of Euros paid to minority shareholder of APS Recovery Hungary Kft. and 250 thousand of Euros paid to the minority shareholder of LOAN MANAGEMENT II a.s.

(i) APS Recovery Greece Credit and Loan Servicing S.A. (non-controlling interest 40%)

In thousand of Euros

APS Recovery Greece Credit and Loan Servicing S.A.	31. 12. 2021	31. 12. 2020
Current assets	261	248
Non-current assets	234	393
Total assets	**495**	**641**
Current liabilities	1 242	1 680
Non-current liabilities	0	0
Equity attributable to owners of the Company	-448	-623
Equity attributable to non-controlling interests	-299	-415
Total equity & liabilities	**495**	**642**
Operating revenue	1 492	1 239
Operating expenses	-1 732	-1 563
Total comprehensive income attributable to owners of the Company	-159	-230
Total comprehensive income attributable to the non-controlling interests	-106	-153
Total comprehensive income for the year	**-265**	**-383**

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

In thousand of Euros

APS Recovery Hungary Kft.	31. 12. 2021	31. 12. 2020
Current assets	1 850	1 164
Non-current assets	11	24
Total assets	**1 861**	**1 188**
Current liabilities	398	327
Non-current liabilities	0	0
Equity attributable to owners of the Company	1 170	689
Equity attributable to non-controlling interests	293	172
Total equity & liabilities	**1 861**	**1 188**
Operating revenue	3 070	2 284
Operating expenses	-1 528	-1 462
Total comprehensive income attributable to owners of the Company	1 098	617
Total comprehensive income attributable to the non-controlling interests	274	154
Total comprehensive income for the year	**1 372**	**771**
Dividends paid to non-controlling interests	112	114

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

In thousand of Euros

Casazela Properties S.R.L.	31. 12. 2021	31. 12. 2020
Current assets	73	140
Non-current assets	2	4
Total assets	**75**	**144**
Current liabilities	108	105
Non-current liabilities	0	0
Equity attributable to owners of the Company	-32	37
Equity attributable to non-controlling interests	-1	1
Total equity & liabilities	**75**	**144**
Operating revenue	199	267
Operating expenses	-265	-281
Total comprehensive income attributable to owners of the Company	-70	-20
Total comprehensive income attributable to the non-controlling interests	-2	-1
Total comprehensive income for the year	**-72**	**-21**

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

In thousand of Euros

APS REAL ESTATE DEVELOPMENTS S.R.L.	31. 12. 2021
Current assets	**210**
Non-current assets	**0**
Total assets	**210**
Current liabilities	**14**
Non-current liabilities	**211**
Equity attributable to owners of the Company	**-14**
Equity attributable to non-controlling interests	**-1**
Total equity & liabilities	**210**
Operating revenue	**0**
Operating expenses	**-14**
Total comprehensive income attributable to owners of the Company	**-14**
Total comprehensive income attributable to the non-controlling interests	**-1**
Total comprehensive income for the year	**-15**

Prior year the company was not in the structure, therefore the numbers for comparative period are not applicable.

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

In thousand of Euros

LOAN MANAGEMENT II, a.s.	31. 12. 2021	31. 12. 2020
Current assets	4 461	801
Non-current assets	1 196	821
Total assets	**5 657**	**1 622**
Current liabilities	86	453
Non-current liabilities	3 508	0
Equity attributable to owners of the Company	1 031	584
Equity attributable to non-controlling interests	1 031	584
Total equity & liabilities	**5 657**	**1 622**
Operating revenue	3	2
Operating expenses	-145	-77
Total comprehensive income attributable to owners of the Company	696	243
Total comprehensive income attributable to the non-controlling interests	696	243
Total comprehensive income for the year	**1 393**	**486**
Dividends paid to non-controlling interests	250	0

7.13 New acquisitions

As of 12 February 2021 APS Recovery a.s. acquired LLC “APS Ukraine” for purchase price of 50 thousand Euros. The fair value is determined by the agreed purchase price, based on the agreement signed on 12 February 2021. There is a result of purchase recognized in relation to the transaction of 24 thousands Euros which was reflected in Equity.

As of 10 February 2021 APS Recovery a.s. acquired APS Italy S.R.L. for purchase price of 25 thousand Euros. The fair value is determined by the agreed purchase price, based on the agreement signed on 28 January 2021. There is a result of purchase recognized in relation to the transaction of 24 thousands Euros which was reflected in Equity.

As of 30 September 2021 APS Investment Funds S.a r.l acquired APS CREDIT FUND SICAV, a.s. for purchase price of 196 thousand of Euros. The fair value is determined by the agreed purchase price, based on the agreement signed in May 2021. As the purchase price was equal to the net assets of the acquired company, no result from the purchase was recognized.

8. Notes to Consolidated Statement of Cash Flows

In thousand of Euros

	31. 12. 2021	31. 12. 2020
Bank deposits and Cash balances	16 924	13 418
Petty cash	4	5
Total	**16 928**	**13 422**

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

William Gilson resigned from his position of member of Board of directors as of 31 December 2021, new director Luca Gallinelli were appointed to the function as of 1 February 2022.

Russia has been in war with Ukraine since end of February 2022 (“Russia-Ukraine War”). The effects of the Russia-Ukraine War represent a subsequent event to the reporting period and therefore have no impact on the recognition and measurement of assets and liabilities as at the reporting date. 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 standalone investment on Ukrainian market was fully impaired, however, there is no impact to Group’s consolidated financial statements. The group is not yet able quantify the impact on European and global economy, which could have effect on the group’s operations as well.

The group is constantly monitoring the situation and will provide additional information when the situation is clearer, and impact can be predicted and evaluated.

The group 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 9.

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 2021:

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
RE CLASS Solutions
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 Capital s.r.o.
Momentum Ingatlan Kft.
APS Holding s.r.o.
Omega Befektetési Kft.
APS Holding Asia limited
„BORA“ d.o.o. Za trgovinu i usluge Banja Luka
APS Group International s.r.o.
LANDTRUST d.o.o. BEOGRAD
APS VN limited liability company
TERRA LAND d.o.o. BEOGRAD (RS)
APS Corporation s.r.o.
HYPO PARK DOBANOVCI d.o.o. BEOGRAD
Hotel Albert s.r.o.
APS ARCTOS CAPITAL s.r.o.
Corporate Recovery Management s.a.
APS Consumer Finance IFN S.A.
Casazela s.r.o.
APS Epsilon LTD
APS Capital Cyprus ltd.
APS Loan Management LTD
Casazela Rapid ltd
APS MALL d.o.o.
APS Savoy s.r.o.
APS ONYX d.o.o. Beograd Stari Grad
APS Consumer Finance IFN S.A.
APS BETA Bulgaria E. O. O. D.
APS ALPHA Bulgaria E.O.O.D.
APS ALPHA, a. s
APS Quattro Holding S. à r.l.

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

In thousand of Euros

Transactions and balances	Other related parties	Key management personnel	Total
Revenues	1 031	0	**1 031**
Interest income	24	0	**24**
Interest expense	0	19	**19**
Loan Receivable	473	0	**473**
Loan Payable	0	519	**519**
Loan Repayment	1 011	0	**1 011**

Transactions and outstanding balances with other related parties consist of:

- transactions between APS Investments S.a r.l and APS Quattro Holding S. à r.l. in amount of 331 thousand of Euros are related to Management fees and financial advisory services.
- transactions between Asset Portfolio Servicing Romania S.R.L. and Serraghis Asset Management S.A. in amount of 316 thousand of Euros are related to Management fees and financial advisory services.

- transactions between APS Recovery Hungary Kft. and Momentum Credit Pénzügyi Zrt. in amount of 384 thousand of Euros 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 473 thousand of Euros are related to loan receivable including accrued interest, with the rate of interest 6.5% per annum. The loan is unsecured with no guarantees. Interest income for 2021 is in amount of 24 thousand EUR.
- Transaction between APS Investment s.r.o. and APS Capital Group s.r.o. in amount 1 011 thousand of Euros are related to loan repayment. Final outstanding balance of this loan is in amount 52 thousand of Euros including 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 519 thousand of Euros is related to loan payable including accrued interest. The loan bears interest of 3.75% + 12 months EURIBOR p.a. and is repayable in November 2025. Interest expense for 2021 is in amount of 19 thousand of Euros.

List of related persons for the accounting period ended 31 December 2021

- Martin Machoň
- Petr Valenta
- Petr Kohout
- Jozef Martinák
- Roman Šedivý

Remuneration of key management personnel

Key management compensation, considering people above as being the key management was 617 thousand of Euros in the reporting period. Related social and health insurance was 150 thousand of Euros. 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 1 August 2022.

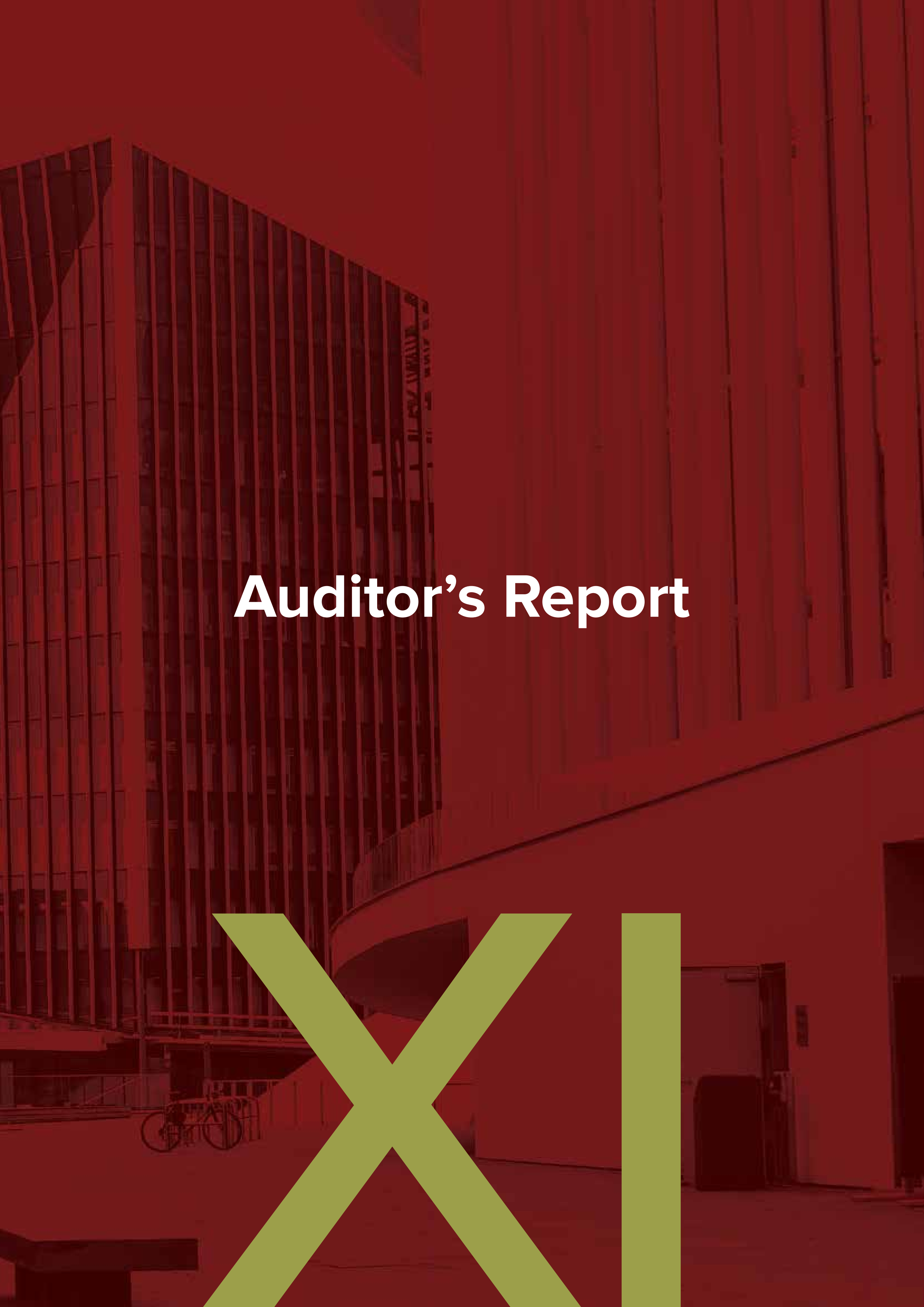
Signature of Board of Directors:

Martin Machoň

Chairman of the Board
of Directors

Petr Valenta

Member of the Board
of Directors



Auditor’s Report

XI

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To the Shareholders of

APS Holding S.A.

6, rue Eugène Ruppert

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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, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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. 2021, and of 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 the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.

Deloitte.

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 by 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'entreprises 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.

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*

Maël Garo, *Réviseur d’entreprises agréé*
Partner

August 1, 2022