APS

ANNUAL REPORT 2020

APS

01

Letter from the CEO

The year 2020 was a year like no other. The global pandemic shocked the world in a way previously unseen for decades. The COVID-19 affected almost everyone, be it directly or indirectly, and the same applies for businesses and companies. APS was no exception – we had to adapt to the new reality which constantly evolved, driven mostly by COVID-19 spread rates, moratoriums, and lockdowns.

Despite having to adopt unpopular measures I believe we coped successfully as a company. Relying on our adaptability, flexibility, and the experience gained during the crisis of 2008 (which followed largely similar dynamics of investors becoming more cautious as recovery rates dropped) we maintained a clear sense of purpose, priority and plan. Most importantly, the APS spirit proved once more to be APS's greatest strength, as the company navigated the darkest lockdowns through dedicated efforts of all APS teams.

The challenge did not end with 2020; 2021 is also shaping up to be challenging from a business standpoint. Some market impacts will be short-term, some are structural – in response, we adjust our investment strategies and valuation assumptions. Yet we also see the crisis as an opportunity – volumes of NPLs traded on European markets are expected to rise significantly at the end of 2021 and in early 2022, opening up new business opportunities for the company.

Despite the odds, the 2020 year had positive highlights too. The pinnacle of the year was a successful completion of the Vantage Quattro project, a complex deal beyond the traditional NPL sector, in which APS had managed 20,000 vehicles across 4 Balkan countries.

In Romania, we actively advised Bain Capital Credit during a corporate NPL portfolio acquisition from the National Bank of Greece, with the total gross book value of EUR 174 million. The transaction is currently closing and once completed the portfolio will be serviced locally by APS Romania.

In Cyprus, we advised Bain Capital Credit on the acquisition of a Cypriot credit acquiring company also from the National Bank of Greece. The entity containing corporate, SME, and consumer and mortgage loans had a gross book value of EUR 325 million .

In Croatia and Slovenia, we signed 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 with a market value of over EUR 10 million includes 125 real estate assets, ranging from residential units to offices to development land. APS Croatia d.o.o. is currently acting as an asset manager of the portfolio.

In Romania, the year was exceptional for our Real Estate project Casazela. Casazela Romania represented a total of 450 assets under a brokerage services mandate for large corporate portfolios.

Casazela was active in Hungary, a landmark Hungarian deal was the disposal of a 46 ha development site in the Budapest suburbs to a major Hungarian property developer.

We also focused on fund management projects. With a clear vision and strong execution, the APS-advised Loan Management III fund became fully invested; the fund allocated a total of EUR 87 million across 16 well-diversified transactions. The portfolio is expected to reach a ROI milestone over the course of 2021.

I would like to end this overview with our CSR activities. While we had to scale down the ambitions we kept on our promises and commitments – through our charity foundation we supported educational projects for children, production of a great magazine for seniors, and several equality projects. APS Seeding Knowledge will continue down this path in 2021.

Everyone keeps telling me that 2020 will always be remembered as the COVID-19 year. Indeed, COVID-19 shifted the paradigm and caused significant losses, business and personal. But it should also be remembered as the year of great effort from innovators, researchers, scientists, and frontline workers who pushed through, fought, and defeated the virus.

Martin Machon,
CEO and owner of APS

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Company Profile

Slavia Capital Group established APS as its captive servicer in Prague (Czechia) in 2004. Since that time, we have managed to profile ourselves as a multinational asset management company.

Our core competence lies in distressed debt investments. Always looking for new opportunities, we have also entered other European markets. Currently, we are present in 13 European countries, mainly in Eastern and South-eastern Europe. The old continent is not our sole domain. As of the end of 2020, total assets under our advisement amounted to EUR 9.6 billion.

APS activities span three business lines: recovery services, investment services, and real estate services. Our specialists at APS Recovery make use of our long-term experience in the distressed-debt recovery industry. APS provides its services in areas such as unsecured debt, mortgages, and secured corporate claims. APS clients benefit from our fast, efficient, and ethical debt-collection servicing.

Experts at APS Investments take care of trades in NPL portfolios across European emerging markets. Their hard work has earned us a reputation as a trusted partner to the world's top financial institutions. APS Real Estate complements the scope of our services. This includes identifying, investing in, and managing real estate assets in Central-and South-eastern Europe. No enterprise could succeed without a dedicated team. APS is a proud employer of more than 700 people working for APS Group. Their deep expertise and strong efforts have helped to develop our clients' business even during the difficult year of 2020.

Fairness towards all stakeholders is among the core values of APS. APS adheres to strict ethical standards towards clients, debtors, business partners, regulators, and others. APS is very well aware that debt recovery necessarily deals with human emotions. For this reason, accepts no compromise regarding our high ethical standards. This approach has ensured long presence in the relevant markets and also makes it easier to enter new countries.

For this reason, APS also avoids short-lived and temporary solutions. APS activities are essential for the smooth functioning of economies. This makes APS takes actions while keeping an eye on long-term goals. Our 16 years of existence proves that we are going the right way. In our effort to help society, we will not compromise on this approach.

Who are we?

One of the market leaders in the CESEE region
We have 16 years of experience in distressed debt investment and recovery
We have acquired 95 NPL portfolios
We have EUR 9.6 billion assets under advisory
We manage over 500,000 loans
Our headquarters are located in Luxembourg
We are proudly present in these countries: Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Greece, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia, Luxembourg
Adherence to the strictest ethical principles drives our activities

History

Since the very beginning, the story of APS is about pushing the frontiers. The sixteen years of our existence proved this approach right. Thanks to our relentless effort, we were able to expand our presence to **13 countries**. Our history taught us to never stop. We will continue discovering new markets, building on the best practices acquired during our existence.

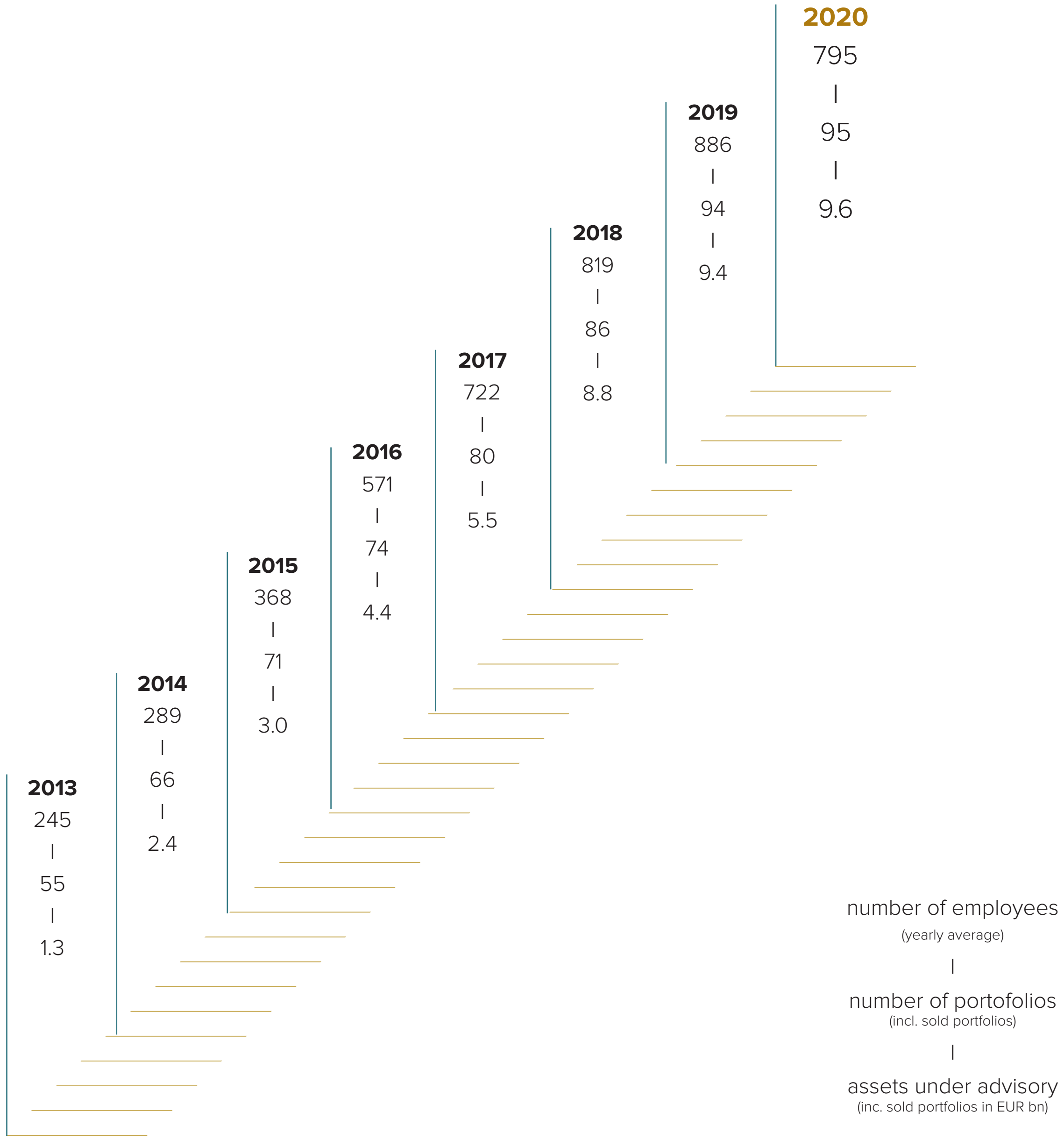
What are our milestones?

In **2004**, APS was born as a captive servicer of Slavia Capital Group. The company recorded its first success this year – APS managed to acquire Česká spořitelna's (a part of the Erste Group) portfolio amounting to EUR 25 million. In the same year, APS's current sole shareholder Martin Machoň was also tasked with developing greenfield projects under a Czech permit as a supervisor. Martin also dedicated his effort to seek the best experts on the market for his startup.

And that effort quickly paid off. In the next year – **2005** – APS entered another two markets – Slovakia and Serbia. The regional expansion was not the only one. The company also worked hard on adding other operations and services.

We also expanded territorially in **2007** when we launched our greenfield operations in Romania. With the backing of London- and US-based investors, we established a new investments platform there and in Poland.

In **2009**, we deepened our presence in Poland, where we bought a large securitization fund from Varde. In the same year, our shareholder at the time, Slavia Capital, consolidated its portfolio of NPLs and raised new capital for the Loan Management, a Slovak-Cypriot investment structure.



History

We expanded our activities in **2012** regionally again. In that year, APS recorded a greenfield expansion to Bulgaria. Also, we successfully obtained our first corporate NPL portfolio that was marketed in this region.

As we widened our services and products, we could present our first closed-end investment fund – APS Fund Alpha – in **2013**. In the same year, we gained significant international recognition – the International Finance Corporation (a member of the World Bank Group) partnered with us.

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

In **2015**, APS simplified its ownership. Martin Machoň bought Slavia Capital's share and became the only shareholder.

A year later, in **2016**, we managed to increase our portfolio. Via operations in South-Eastern Europe, we obtained portfolios amounting to EUR 1.3 billion. We also launched APS Delta, a non-regulated securitization vehicle in Luxembourg. Besides that, we expanded our presence in other markets - Croatia, Hungary, and Cyprus.

2017 – we were helping Cyprus with economic recovery. APS made two important purchases: Hellenic Bank's NPL portfolio and real estate management business in Cyprus, thus launching the full operation of our Real Estate division. Also, we celebrated a decade on the Romanian market!

We acquired our largest portfolio so far – a EUR 2.3 billion NPL pack from Greece's Piraeus Bank in **2018**.

We kept exploring the Balkan countries too. This year, we opened offices in Bosnia and Herzegovina and Montenegro.

APS also strengthened its position in central Europe, territorially and commercially. We acquired Vienna-based VB-Leasing. This company administered nearly 20,000 cars and operated in Bosnia and Herzegovina, Croatia, Serbia, and Slovenia.

APS Real Estate partially took over the commercial leasing portfolio previously managed by the company Immigon. Our real-estate division also began to handle contracts with a total value of EUR 13 million.

The Balkan Peninsula is essential for us. For that reason, in 2019, we took over two new NPL portfolios in Bosnia and Herzegovina and Montenegro. This step strengthened our position in the region. We became the leading debt investor and servicer in South-Eastern Europe.

Also, our real-estate division built the Casazela and Syndre Valuation network. It operates in Croatia, Czechia, Hungary, Romania, and Serbia.

2020

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.

Presence in **13** European countries with more than **700** 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:
Hektorovićeva ulica 2, 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

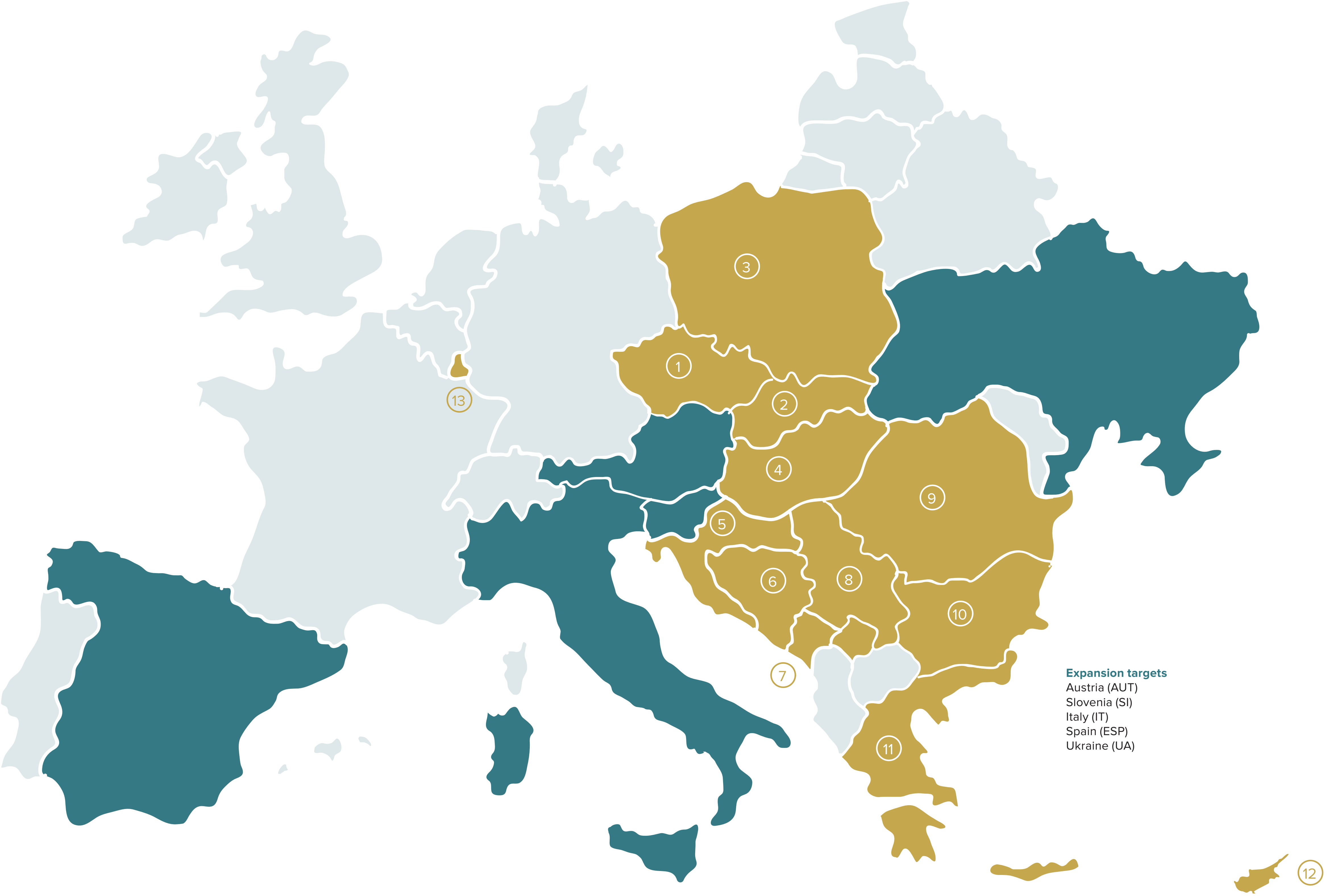
10. Bulgaria (BG)
established: 2012
office address: 81B, Bulgaria Boulevard,
1404 Sofia, district Triaditsa, Bulgaria

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

APS Global Position



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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., 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 three members, comprising Martin Machoň since 21 December 2018, Petr Valenta since 27 January 2020, and William Gilson since 1 January 2020, with five-year terms of office.

Company Structure

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

Organization chart of APS Group; as modified during 2020, the group comprised these main subsidiaries:

CZECH REPUBLIC
- APS Recovery 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.
- Syndre Holding Company s.r.o.
- Casazela Holding Company s.r.o.
- APS BETA, a.s.
- APS GAMMA s.r.o.
- APS Finance a.s.
- APS Management Services s.r.o.
- APS ALPHA a.s.
- LOAN MANAGEMENT investiční fond, a.s.
- APS Investments S.à r.l., odštěpný závod

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

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

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

AUSTRIA
- APS Investments S.à r.l., Niederlassung Österreich

MONTENEGRO
- APS Montenegro D.O.O. Podgorica

ROMANIA
- Asset Portfolio Servicicng 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.
- APS Recovery Management s.r.o. Praga Sucursala Bucuresti

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

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

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

GREECE
- APS Recovery Greece EPE
- APS Recovery Greece Credit and Loan Servicig Société Anonyme

CYPRUS
- APS Holding Cyprus Ltd.

SERBIA
- APS FUND BETA D.O.O. Beograd
- APS D.O.O. BEOGRAD
- CASAZELA DOO BELGRADE -STARI GRAD
- SYNDRE DOO BELGRADE -STARI GRAD
- Ogranak APS Recovery Management s.r.o. Beograd – Stari Grad

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

APS Group Management Team

as of 31 December 2020

Martin Machoň
Owner and Group CEO

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

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.

Jozef Martiňák
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 Recovery

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.

Organization Chart of APS Holding S.A.

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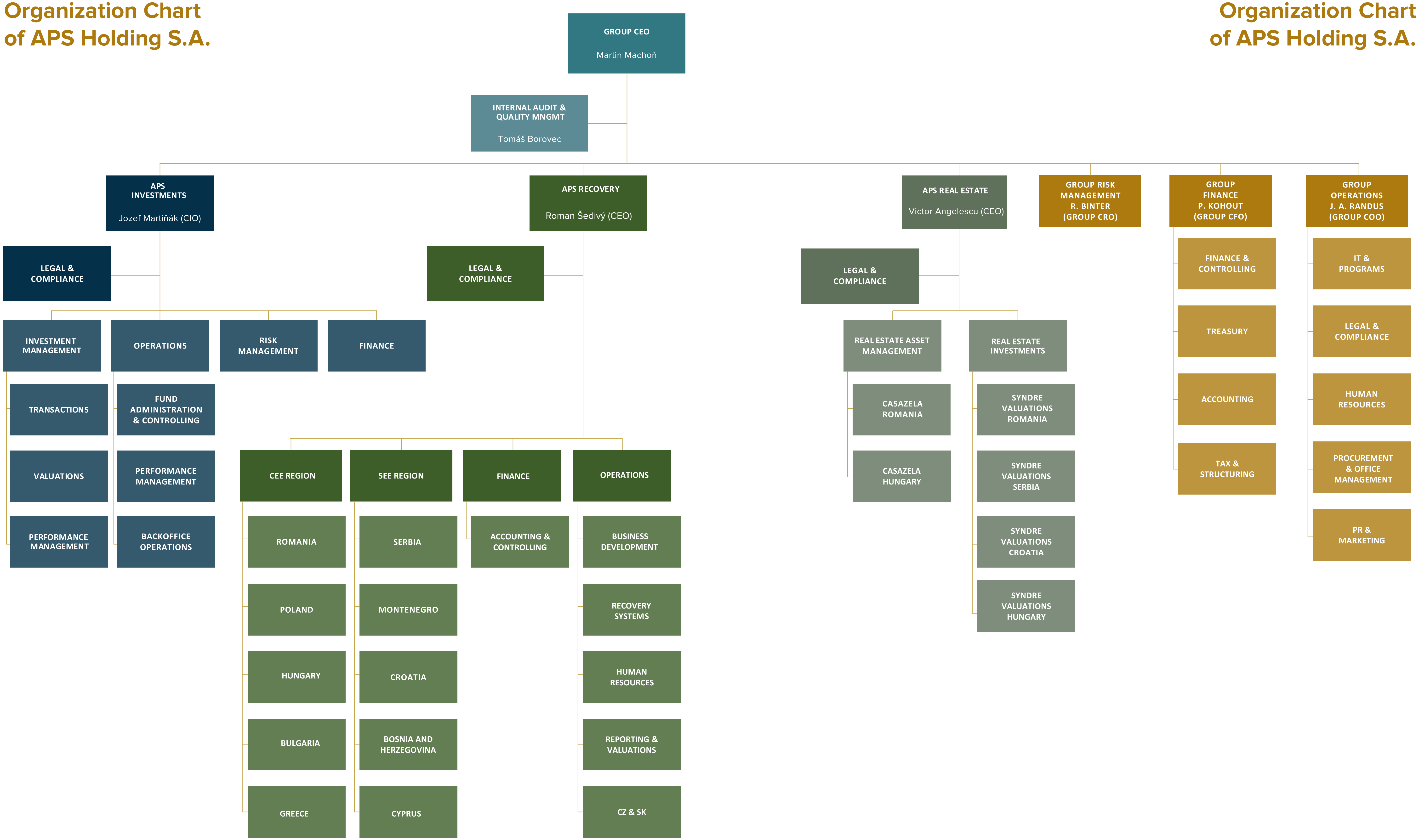


APS Holding Ownership Structure
as of 31 December 2020

- Mr. Martin Machoň
  - 100% APS Holding S.A. (LU)
    - 100% APS Real Estate s.r.o. (CZ)
      - 100% Casazela Holding Company s.r.o.
        - 100% Casazela Kft.(HU)
        - 100% Casazela d.o.o. Beograd -Stari Grad (RS)
        - 100% Casazela d.o.o. (HR)
        - 97% Casazela Properties S.R.L. (RO)
      - 100% Syndre Holding Company s.r.o. (CZ)
        - 100% Syndre Kft. (HU)
        - 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% (held by APS Investment s.r.o. (SK))
      - 100% APS Delta S.A. (LU)
      - 100% APS GAMMA s.r.o. (CZ)
        - 50% APS FUND BETA d.o.o. Beograd (RS) 50% (held by LOAN MANAGEMENT investiční fond, a.s. (CZ))
      - 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 ALPHA, a.s. (CZ)
          - 100% APS ALPHA Bulgaria E.O.O.D. (BG)
      - 3% APS FINANCE O.O.D. (BG)
    - 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% 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)
        - 0,05% APS Consumer Finance IFN S.A. (RO)
    - 100% APS Management Services s.r.o. (CZ)

04

Our Strengths

Integrity. Reliability. Trustworthiness.

These words are not just a phrase or a cliché for us. They are the core principles of how we think, operate, and treat our customers, business partners, shareholders, and other stakeholders.

Since our foundation in 2004, these values have functioned as a lighthouse for all our activities. Together, we work hard as one team to keep pushing our limits in all that we do.

And our results prove we do the right thing. In all the countries we have entered, our customers have appreciated our innovative solutions tailored to each market. Again and again, our experience validates that the one-size-fits-all approach never works. For this reason, we work with the brightest people to find the best solution for each situation. This unique mindset has made us the leading CEE/SEE alternative investment investor and manager.

Our core competence consists in acquiring, advising, and servicing non-performing and also sub-performing and performing portfolios. Non-performing assets inhibit the smooth functioning of economies. Banks are not able to provide as many loans as they want. On the other side, companies cannot achieve their goals and people cannot fulfil their dreams. APS helps to recover non-productive capital and thus increases 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' minds. For this reason, we always work hard to find the best solutions, even for the most complicated cases.

APS's partners greatly appreciate that approach. Large financial houses from Europe and the US, investment funds, and private investors are a few examples of entities cooperating with us. Maintaining their trust is a serious commitment that we will keep honouring.

Sixteen years is quite a long time. In comparison to the human lifespan, we are going to be adults soon. We have already learned what works best. But the journey never stops. We will keep learning new things and fine-tuning things already learned. This is the approach that brings value to our investors and partners.

Ready to exceed even the highest expectations

A distressed-debt specialist with 16 years of experience

A respected and sought-after partner with deep knowledge of local specifics

We make capital productive again

The total value of our portfolio amounts to EUR 9.6 billion and keeps growing

05

Services

Our core activities are divided into these three lines:
- **Debt Recovery**
- **Investments**
- **Real Estate**

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-center services to smooth the recovery process. Technological solutions help continuously improve debt recovery. For this reason, we make sure our experience from various markets is widely used within the whole group.

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 in distressed assets. We continuously seek new investment opportunities in the CEE and SEE region. Our goal is to acquire either standalone portfolios or entities managing them. What do we offer? APS can help manage investments in all its phases. From the initial deal origination/acquisition, later ensuing in 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 on with fund administration, reporting, and performance, and cash flow management. We use various resources to finance our transactions. Our funds and advised accounts are essential in this part of the process. But we are also ready to co-invest together with third party. 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.

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 sixteen-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 16 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;
- 95 portfolios acquired and more than 500,000 loans under management

During 2020, APS Recovery teams, in the majority of the jurisdictions where APS operates, had to accommodate the new environment caused by the COVID-19 pandemic outbreak and show a high degree of flexibility and commitment. In many countries, various forms of moratoria were announced, and the protection of debtors was, temporarily, increased. APS teams had to redefine the collection strategy, focus on either amicable solutions or preparation work to comply with their recovery targets. It can be said that even though the pandemic took much longer than originally anticipated in March 2020, the overall 2020 results have been better than the forecasts made in that month.

People

With more than 700 professionals across 13 regional 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 have to 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

The Year 2020

In 2020, most European governments rushed to impose strict measures including lockdowns as a response to the spread of COVID-19, which caused disruptive changes in lives and businesses across the globe. This caused significant uncertainty with regards to the pricing of assets and the general direction of the macroeconomy globally, and therefore many of the deals which were in progress or in the pipeline were dropped or put on hold, while those that continued walked a fine line. The first quarter of 2020 saw the least activity in our business since 2015, with a total volume of loan sales of EUR 3.8 billion.

The unprecedented fiscal and monetary intervention combined with repayment holidays for banking retail clients and, in some jurisdictions, also corporate clients together with the finalization of selected NPL portfolio disposals had a temporary impact on reductions in the NPL ratios reported by banks. Due to this massive intervention, no NPL increase has yet significantly materialized, but as the stimulus measures gradually expire, we expect to see more NPLs coming into the market in the following two to three years.

Preparing For a New Wave of NPLs

Despite the COVID-19 crisis, the NPL ratio in significant euro area institutions stood at 2.82% in the third quarter of 2020 versus 3.41% a year earlier. A stark contrast to the decreasing NPL ratios, which were mainly affected by NPL sales, is the provisions at some of the largest banking institutions in Europe in nine months of 2020. These provisions amounted to EUR 187 billion, more than double the previous year's amount. The huge increase in provisioning by banks is only the first indication of the next big wave of NPLs that are expected to hit the market the next couple of years.

In terms of absolute volume, NPLs in the European banking system at the end of the third quarter of 2020 stood at EUR 544 billion. In the second quarter of 2020, they rose quarter over quarter by around EUR 9 billion to EUR 562 billion for the first time after falling continuously for years. European loan sale activity inched further down in 2020 and is estimated by Debtwire at EUR 67.7 billion across 81 deals. That is down 34% compared to the EUR 102.8 billion transacted in 2019 and only one third of the record-high EUR 208.2 billion transacted in 2018. This was caused not only by the pandemic but also increasing difficulties for banks to offload loans that were not fully provisioned in previous years. What cushioned the pandemic's impact from a potentially even lower volume was governments' guarantee schemes. Italy's Garanzia Cartolarizzazione Sofferenze and Greece's Hercules Asset Protection Scheme made up one third of the total deals closed in 2020 across the market according to Debtwire's NPL Database. Italy had the largest transacted volume by far, followed by Greece and Spain, while our core market of CEE had one of lowest volumes in years.

Deals in 2020

In Romania, APS was active in 2020 by advising Bain Capital Credit on the acquisition of a corporate NPL portfolio with a total gross book value of EUR 174 million from the National Bank of Greece. The transaction closing is subject to a standard condition precedent, and once completed the portfolio will be serviced locally by APS Romania.

In Cyprus, we advised Bain Capital Credit on the acquisition of a Cypriot credit acquiring company from the National Bank of Greece. The entity contains corporate, SME, and consumer and mortgage loans with a gross book value of EUR 325 million. The transaction closing is subject to a standard condition precedent.

Throughout 2020, we were working on 44 NPL transactions in a volume of ca. EUR 3.6 billion and dropped an additional 23 deals with a nominal value of EUR 8.2 billion. Seventeen deals were brought forward into 2021 in various stages of the process. Of all the screened deals, 47 were secured by real estate or other types of collateral, 11 were purely unsecured portfolios, and 9 were entity deals. The most active markets for us in terms of NPLs were Greece, Croatia, Romania, Serbia, and Poland. The transactions we were working on were on average smaller than in previous years, which is connected to the fact that banks in our region have dealt with or disposed of the bulk of NPLs created during the global financial crisis over the mid-term of the last macroeconomic cycle, mainly during 2013–2018.

Looking Ahead

In 2020, APS primarily focused on NPL transactions in CEE and SEE. Three deals we worked on were signed in our core markets, namely Croatia, Romania, and Cyprus. In 2021, our focus will be to further strengthen our Investment Management capabilities and to execute more deals in the space of debt restructuring and special situations in our existing markets as well as to expand geographically into new markets such as Italy, Spain, and Lithuania.

The Italian NPL market was the most active market in Europe in 2020. Italian banks have halved the total stock of NPLs from EUR 341 billion in 2015 to 99 billion in Q3 2020. When the currently imposed moratoriums end, it is estimated that the net new inflows will be in the range of EUR 50–70 billion, along with ca EUR 350 billion of primary and secondary NPL stock currently on the market. In addition, the Italian NPL transactions market has shown deterioration since 2019 as more than half of NPL transactions seem to be underperforming according to Fitch Ratings. The average performance is 15% below the initial expected recoveries, while some deals show a cumulative recovery rate of 70–75% of initial projections. In Italy, APS is looking to enter the market in cooperation with another experienced servicer that has a good track record.

Although the Spanish NPL market was the third most active market in Europe in 2020, it hit a five-year low and closed only EUR 6.8 billion of deals. That is less than half of the EUR 16.1 billion sold in 2019. The volumes transacted in 2020 were lower for the third year in row, remaining behind Italy and Greece. Having divested more than EUR 140 billion of non-core assets since its peak in 2013, the Spanish market is showing signs of maturity, as the NPL book of the six largest Spanish banks has been reduced to EUR 70.5 billion. Despite the efforts made by Spanish banks, which targeted SMEs and mid-caps affected by COVID-19 in order to keep firms liquid, an increase in NPLs is expected once the enacted moratoriums and public guarantee schemes expire. The new wave of NPLs is expected to increase transaction volume in the secondary trades, too. A smaller-sized REO portfolio or a secondary/tail sale portfolio previously acquired by a larger player is the way that APS envisages entering the Spanish market.

In Lithuania, a smaller country in terms of the size of its economy, the NPL ratio recently hit a decade low. Lithuanian banks have decreased the NPL ratio to only 1.5% in the third quarter of 2020 versus 1.9% a year earlier after hitting an all-time high of 20.4% in June 2010. Cooperation with another servicer is the way APS is looking to enter the Lithuanian market in 2021.

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.

Focus in 2021

In 2021, our focus is on making further technological and process improvements to be ready to process the large volume of NPLs expected to come to the market in the second half of 2021 and onwards.

Alongside to this, we intend to establish a new fund with a mandate to invest into NPLs. The fund will be advised by APS, which in combination with traditional co-investments from the side of institutional APS partners shall ensure that we have enough firepower to address the big wave of NPLs expected to be sold by banks and other sellers.

APS Funds

Serraghis Loan Management

- Established in 2009
- Investment period 2010–2012
- Non-regulated investment vehicle from Cyprus
- The first APS investment vehicle for regional institutional investors and family offices
- Invested in 32 portfolios with a nominal value of EUR 650 million
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor.
- At the end of 2020, the performance of Serraghis Loan Management reached ca 102%, proving the portfolios' potential – expected IRR is 17–19% with an expected overall net cash multiple of over 2. Due to diversification, performance oscillates around the target performance.

APS Alpha, former APS Fund ALPHA

- Investment period 2013–2014
- Fully invested in December 2014
- Former Qualified Investor Fund domiciled in CZ 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 jurisdiction 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 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%.

APS Beta

- 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 nominal value of EUR 1.07 billion.
- APS has been the exclusive investment advisor.
- The performance of APS Fund Beta reached ca. 71% in 2020, compared to 63% in 2019. Further gradual improvements in overall performance are expected. Weakness has been caused by recoveries time shifts and delayed cases (cases with debtor appeals).

APS Delta

- Established in 2016
- First investment in Q1 2016 with additional resources committed
- Open for investment
- Luxembourg unregulated securitization vehicle with an independent Luxembourg-based administrator
- 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 2021 remains positive with respect to the latest developments in relation to government measures and the general economic situation related to COVID-19.

Loan Management Investment Fund

- Established in 2016
- Investment period 2016-–2018
- 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 2020, 17 investments have been made
- All types of NPLs and distressed assets
- CEE and SEE
- APS has been the exclusive investment advisor
- The performance of LM IF reached ca. 78% in 2020 vs 82% in 2019.

APS Credit Fund

- In 2021, we are focused on launching APS Credit Fund, a commingled SICAV-regulated fund domiciled in Czechia. APS Credit Fund targets distressed opportunities in the post-COVID environment. Due to impact of COVID on national economies, distressed markets are expected to be extremely active in the upcoming years. APS Credit Fund is designed to offer Czech and Slovak qualified investors participation in this substantial investment opportunity. The recovery process for portfolios acquired through APS Credit Fund will be managed by local APS servicing subsidiaries.

LM II

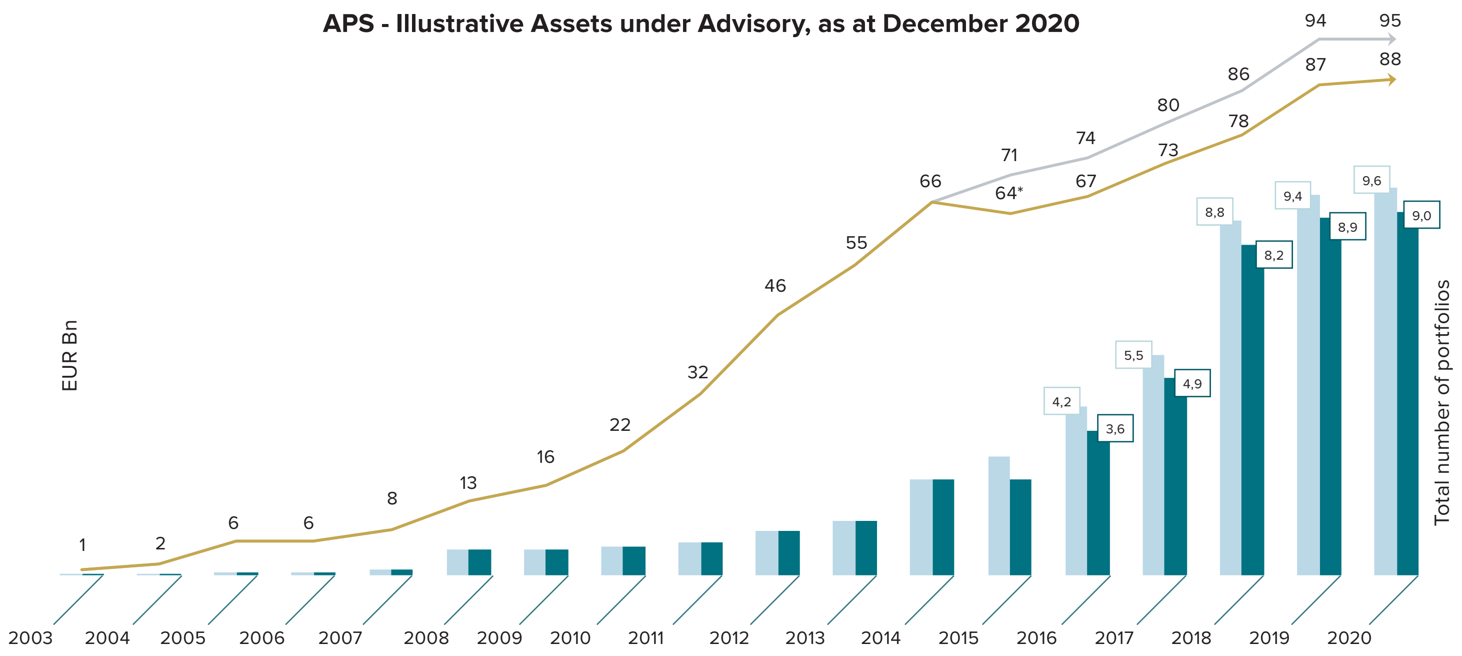
- Established in 2014
- Non-regulated investment vehicle from Slovakia
- All types of NPLs and distressed assets
- APS has been the exlusive investment advisor

Investment Management

APS in Summary and Numbers

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

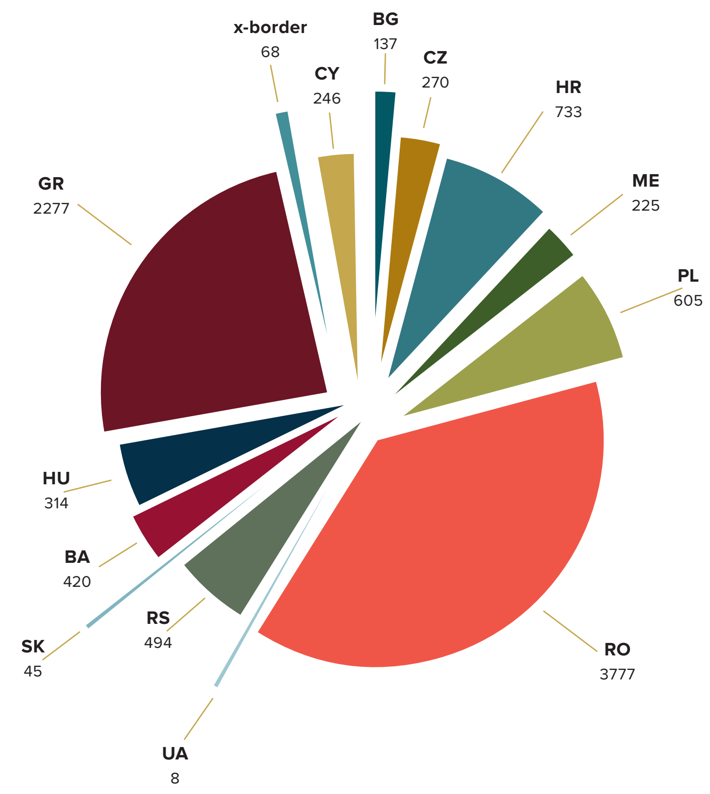
APS - Illustrative Assets under Advisory, as at December 2020



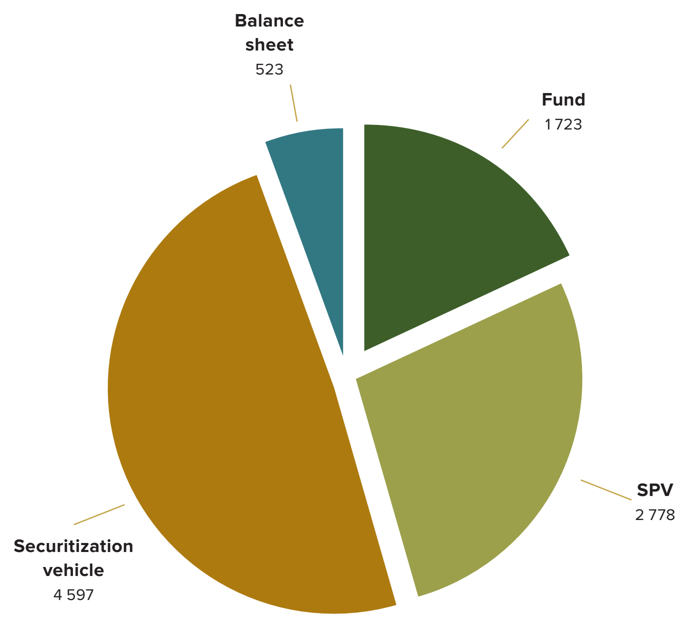
*decrease in 2015 portfolio number is due to sale of 7 tail portfolios with NV of EUR 0.58 bn. compensated by acquisition of 5 new portfolios

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

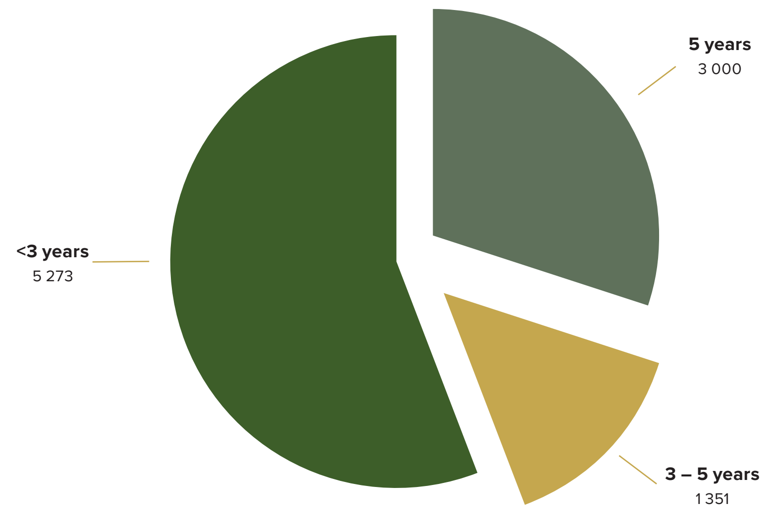
NOMINAL VALUE BY COUNTRY
Grand Total (EUR m)



NOMINAL VALUE BY ENTITY
Grand Total (EUR m)



NOMINAL VALUE BY AGE
Grand Total (EUR m)



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. Headquartered in Prague, our Real Estate division is staffed by specialists who seek out and evaluate investment opportunities, manage transactions, structure deals, and provide property and asset management services.

The division primarily aims to identify value-add and opportunistic investments, although core+ fixed-income opportunities are also considered for clients seeking lower risk-adjusted returns. The value-add segment entails implementing asset management strategies that maximize the value of assets which are underutilized. Examples of this include building refurbishment, change of use (e.g. conversion of a B-class office building into a higher-value residential scheme), expansion of a retail or logistics park, and the repositioning of an asset by implementing a capital expenditure plan. Investments into the value-add segment aim to provide returns within a period of three to five years. The opportunistic strategy typically involves the complete reconstruction of an existing building or a new ground-up "greenfield" land development or construction project where little or no income is received during the course of the development project.

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

The Real Estate Investment platform focuses mainly on mid- to large-scale real estate (income-producing) investments with a total acquisition value of between EUR 5 and 20 million for individual assets (or small portfolios).

The company has flexible investment platforms, accommodating the risk/return profile of a wide pool of investors, including corporate and financial institutions, family offices, and high-net-worth individuals.
Investment deal structuring is based on single asset (or portfolio) club deals, i.e. joint ventures with pre-qualified institutional and private equity investors from Western Europe, the CEE region, and the Balkans seeking attractive risk-adjusted returns. The strategy for income-producing investments is to leverage the assets with debt financing up to a maximum loan-to-value ratio of 65%, depending on the assets.

In addition to the above, in 2018 the APS Real Estate division acquired and took under management a portfolio originally held by the Austrian VB Real Estate Services GmbH. This performing leasing portfolio is secured by several commercial properties in Central Europe, including a Viennese hotel and a 22,000 m² football stadium located in Tyrol. The total value of the managed contracts amounts to EUR 13 million.

The main target is value-add and opportunistic assets within an investment period ranging between three and five years.

Real Estate Development

The Real Estate Development platform focuses mainly on residential projects with a gross development value of up to EUR 25 million.

In Prague, APS Real Estate was the development manager for the Savoy Apartments project, which has been successfully completed. The project included the complete reconstruction of the roof space of a historical building located in a prime city centre location that ultimately comprised four exclusive apartments with a total floor area of over 550 m2. The newly built apartments are intended for long-term rental.

Asset Management

The Asset Management platform is a key element of the APS Real Estate service offer that specializes in the active property management of assets, brokerage services, and real estate valuations and provides a comprehensive scope of services for real estate investment and development projects.

Our services for real estate investment and development projects include underwriting support during the acquisition phase, property management, new and existing lease negotiations, tenant mix optimization, service charge budget overviews to decrease any possible leakage from net operating income, repositioning strategies for investment properties, and divestment advisory services.

Through our established networks of local service providers, including facilities managers and legal, financial, tax, technical, and design/marketing consultants, the Asset Management team is in position to provide invaluable assistance in all aspects of real estate investment and development projects.

Our valuations service line offers dynamic, well-researched real estate appraisal services for all segments of the real estate sector, tailored to the needs of each of our clients, including owners, purchasers, lenders, and investors.

Real Estate

The extensive range of real estate valuation services includes due diligence evaluations for secured NPL and/or REO portfolios as well as real estate valuations for tax and sales purposes. In addition to real estate appraisal services, the valuations team is also equipped to provide other valuation advisory services, including for audits, company restructuring, secured financing, loan applications, taxation, insurance, legal matters, internal management, and mergers and acquisitions.

Our Asset Management team, as an international team of experienced professionals, provide the APS Real Estate division with first-hand knowledge of local markets and access to a network of local experts. Their proximity to assets and tenants provides APS Real Estate with invaluable current market information as well as insights into trends, challenges, and opportunities in their respective markets.

By combining CEE specialists' development expertise and the local market experience of our service provider, Casazela, we believe that we can fully respond to our clients' needs in a cost-effective manner. Our portfolio includes both residential and commercial buildings and our services include 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 in case the Management decides, also on 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 2020 was a year of stabilization for APS, due to the world-wide COVID-19 situation, hence no new subsidiaries were opened. On the contrary the BD team was supporting reorganization of specific business lines in several APS branches, to adapt to the new environment. Among the monitored new potential markets, the following can be mentioned:

Spain

The Spanish NPL ratio drop continued to from nearly 5% to some 4.5% at the end of 2020. But the overall volumes remain high and among the largest within Europe. It is expected that the volume should grow in the next 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 around 6.5% (09/2020). APS is currently exploring the possibility to enter the market together with a local partner or by its own means. Similarly to Spain, the NPL volumes are expected to grow in the next few months and years as the economy was hit significantly in 2020 (forecasted GDP decrease by the European Commission 11/2020 was 9.9% for the whole year 2020).

06

Highlights 2020

Romania

Achievements of 2020:

The year 2020, the “Corona year” or how to deal with unprecedented times and keep the business up, had a very harsh start putting us in the position to face the biggest fast-response challenge. It was not easy, it was not pleasant, but with a very able management team, with open mindedness and significant efforts by all means, we have managed to put the things together in the best possible way. Despite the COVID-19 situation, in 2020 we had very good results, the budget was not only achieved but surpassed, the collections were kept on a very good track, nine new third party servicing deals were won, out of which five were onboarded. We are also very proud that during the lockdown restrictions we have finalized the most complex Due Dilligence process for Danube 2 portfolio and the signing took place later on, at the end of the year 2020.
Special thanks belong to all the crew members, once again they showed how capable, driven and results oriented they are.

The Year 2021 Outlook:

After a very challenging year 2020, the 2021 cannot be otherwise than a big hit. We are persistent in calling the market’s attention with more and more robust servicing capabilities, very carefully customized for corporate secured, retail and customer care and telesales segments. With increasing NPL volumes, APS Romania’s strategy is to keep growing by purchasing together with the strategic partners new portfolios.

In relation to our current portfolios, by deploying cutting edge strategies, we will keep collections at the level of business plans and estimate that we will bring into our accounts more than EUR 65 million by the end of the year 2021. A very special attention will be dedicated to the successful onboarding of Danube 2 portfolio, for which we are expecting the closing at the end of June.

Last but not least, we will be taking care of our most valuable asset, our employees, by implementing talent management programs along with creative contests meant to overpass their limits and training modules. Hopefully the COVID-19 situation will allow us to organize a well-deserved annual team building.

Bulgaria

The year 2020 was a year for business restructuring of all APS Bulgaria business lines, which finally resulted in growth with improved efficiency and service capacities.

The Corporate Recovery team successfully onboarded in a short time the LION II portfolio valued at EUR 50 million, a mix of secured and unsecured exposures.

The Retail Recovery team was enhanced with new professionals and improved workflows, maintaining high performance for the serviced portfolios and third-party services. So at the end of 2020, APS Bulgaria and Credissimo JSC, the largest and fastest-growing non-banking FinTech lender, agreed on a deal wherein Credissimo Group Companies sold an unsecured retail portfolio to APS.

In parallel, the Corporate Recovery team participated in a binding offer for an REO portfolio valued at EUR 8.7 million, the first deal of that kind for APS Bulgaria and the largest portfolio offered on the Bulgarian market in history valued at EUR 434 million, with an expected outcome in Q1 2021. APS has a real chance to win that deal, which would further require an additional level of business capabilities and digitalization to support business growth in 2021.

Cyprus

In 2020, APS Debt Servicing Cyprus Ltd (APS Cyprus) continued its successful run after great results in 2018/19. The year 2020 was a very challenging year as the implications of the COVID-19 pandemic were apparent in the operations of the business, impacting performance. However, building on our expertise as the first fully functional servicing platform on the island, we continued to focus on delivery of the company’s goals and targets. At the same time, local management adopted all the right measures to fight the challenges resulting from the pandemic, safeguarding the smooth operation of APS Cyprus and creating decent performance in a very challenging year. Until November 2020, performance was very solid, with revenue and profit before tax of ca EUR 13 million and EUR 3.8 million, respectively.

Highlights

The recovery and real estate departments continued their momentum of previous years and produced decent results, considering the obstacles faced in the year due to the pandemic, which affected not only normal operations at APS Cyprus but also confidence among investors and debt holders, making all deals more difficult to implement.
The most significant development in 2020 was the deal completed at the shareholders level on 30 November 2020 based on which the control of Board of Directors voting passed from APS Group to Hellenic Bank, and therefore as of that date APS Group has relinquished control of APS Cyprus.

Greece

In 2020, 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 portfolio is currently serviced by the APS Greece in-house team and one subcontracted law firm, which is the largest and among the most reputable on the local market. Collaboration with another law firm that had been one of the sub-servicers for part of Arctos has been terminated – following the respective business decision – as from the end of June 2020. After the pandemic crisis emerged in Greece in February, there was complete adjustment to the new conditions, in terms of capacity, implementing all appropriate steps to switch to working from home when deemed necessary, creating new offers for specific segments of the portfolio, and so on. There have also been changes in the management team.
APS Greece is an entity duly licensed by the Bank of Greece for the full spectrum of NPLs, and Greece remains in the long-term plans for the growth of APS Group. New opportunities for further portfolio acquisitions or potential third-party servicing arrangements are regularly monitored. More than EUR 60 billion of NPLs are still reported by the Bank of Greece with an NPL rate above 35%.

Hungary

The year 2020 was a challenging year for Hungary. Despite sailing into the unknown, the core of the Hungarian branch was kept intact and continued to perform very well. After a short break in Q2, collections reached the pre-pandemic levels, and by implementing new projects to increase operational performance the lockdown period was also fruitful for the long-term goals of the company. Along with the recovery activity, the recently opened Real Estate business line was able to close its first landmark deal, with a EUR 3.3 million return to its investor.
In 2021, our aim is to further build on the strong foundations of the past year's successes and open new business lines for corporate collections and third-party real estate servicing. In addition to our new goals, our main aim is still to provide high-quality management and assessment services to our partners.

Czech Republic

The company successfully finished relocation from Prague to Pardubice despite the restrictions associated with COVID-19. During the year, business activities were reassessed, which implied setting a new business strategy to be concentrated on mainly purchasing and managing distressed assets. Affiliated business activities run in line and with support from the holding strategy. We also do not forget about our employees, who we support 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.

Slovakia

The Slovak market does not offer many business opportunities, especially due to legislation which favours debtors over creditors. There was a massive termination of distraint, which raised many questions from investors about future business activities. This is the main reason the company is not currently active on the market and only manages assets from the past. In December 2020 we sold the APS SK servicing s.r.o.

Poland

Our plans for 2020 included a continuation of APS Poland's existing strategy, considering our intention to purchase a mortgage-secured portfolio. However, the COVID-19 pandemic forced a review of our assumptions. It became necessary to focus on maintaining the continuity of the business and implement the modified plans for continuity from the entire APS Group – lockdown was a fact. Within a few days, we used the full potential of APS IT and telecommunication solutions and switched to remote work.
Each customer of APS Poland agreed to this change in strategy and confirmed the conditions of secure access to IT resources. Our employees have been deployed in their homes with appropriate equipment for many months. This has been successfully implemented.
In parallel, to improve the profitability of the business, a restructuring of the company was undertaken, both in the internal management and to adjust the profile of activities in debt-collection projects according to the formal conditions (credit holidays, special actions for selected customers and payers of our clients). All to improve cash flow in such a difficult time for everyone.

During 2020, we serviced a portfolio with a total value of PLN 1,866,360,380.85. In numbers:

- 2,079,178 collection phone calls to 286,890 debtors.
- 375,382 e-mail payment reminders.
- 63,960 letters sent to debtors by mail.
- 276,169 interactive voice responses sent on behalf of creditors we represent.
- 1,231,908 text messages sent in collection cases.
- 22,211 payment declarations from debtors, resulting in payments from debtors in the total amount of PLN 20,860,117.51.
- 13,637 field collection visits.

The company emerged from this year stronger. Ready for more challenges and the further restructuring needed to match current demands and opportunities.

Serbia

The course of 2020 has tested the economy in ways few anticipated. It also tested the resilience of our business – our people and our operations – and straightened our ability to sense and respond.
Despite the inevitable and widespread disturbance, APS Serbia responded with admirable agility, delivering a good set of results in very challenging circumstances.
The Serbian reporting team became regional with the possibility to expand further in 2021.
APS Serbia has started negotiations for another smaller portfolio, and 2021 will see growth through NPL portfolio acquisitions. Our goals remain the same – increased portfolio profitability and consolidation of our position on the Serbian NPL market.

Montenegro

The year 2020 was extremely challenging for APS Montenegro as it was confronted with the economic crisis caused by the COVID-19 pandemic, which caused additional threats given that APS Montenegro was in the second year from its establishment. Despite the global challenges and the merger of special-purpose vehicles in Q3, which required extra diligence attention for all cases and assets, the APS Montenegro team has responded with admirable effectiveness and adaptability to aggravating circumstances, delivering outstanding results in collection in Q3 and Q4 2020.
In order to follow the success of the Recovery team, the Real Estate team welcomed a new member in August 2020 to strengthen the team and its results.
The year 2020 has not been an easy year, but it has made us better prepared for fast-changing circumstances and more dedicated to exploring potential new business lines.

Bosnia and Herzegovina

The main focus for APS Bosnia and Herzegovina during 2020 was servicing the Bolero portfolio, the largest corporate secured portfolio in Bosnia and Herzegovina. Bolero is currently the sole portfolio serviced by the company.

Running into its second year of recovery activities, the Bolero project underperformed but delivered a decent result overall, considering COVID-19 impacts, governmental restrictions, and numerous delays in legal procedures and court proceedings caused by the pandemic. The rate of collections prior to the COVID-19 crisis had exceeded the planned performance profile, and it remained well above the pessimistic COVID-19 projections for Q2–Q4 2020.

Building on the growing experience of the team and solid collection performance, the organization was changed and the team expanded during 2020 (and into early 2021) to provide for a dedicated focus on large, complex cases. 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 2021 and beyond.

Looking forward into 2021, 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. This will eventually provide greater service variety and a long-term pipeline of work for the recovery team.

07

Values and Vision

We have had a long journey since our foundation in 2004. We have entered 13 markets in Europe and more outside Europe. We have acquired a lot of experience and are looking forward to developing more. But we do not want to live 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 have already gotten profound experience from our presence in various markets. But this is no reason to become complacent. Self-satisfaction is, in fact, the fastest way to obsolescence. Therefore, we will never falter in our effort to seek new business opportunities. This will ensure we deserve our place in the top league.

We have already built a strong reputation. Our activities help improve lenders' asset quality. Our partners appreciate that we do not rely on generic solutions already applied everywhere else. On the contrary, we provide them with smart and tailored measures to help them to achieve their goals. And we will keep delivering exceptional results based on advanced analytics, reliability, and trustworthiness.

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. We do not dodge responsibility; our partners expect high-quality outputs based on our integrity. And we excel at collaboration. Teamwork and mutual honesty are inseparable parts of our DNA.

But nothing would happen without our employees. The year 2020 was one of the most complicated in our history. The pandemic severely affected how we operate. People lived in constant fear about their loved ones. Many companies had to make painful decisions, and many of them did not survive. Despite these uncertain times, our specialists worked hard to exceed our clients' expectations. They proved they care about our common future. Thanks to them, we became stronger, and together, as a team, we will succeed in the future.

Values and Vision

Values and Vision

- We follow best practices.
- We provide opportunities for professional growth and internal promotion.
- We are market leaders in Central and South-eastern Europe.
- We act responsibly, effectively, and above all transparently.
- We are always improving our skills and developing ourselves in challenging environments.
- Our company is a team of dynamic, professional, and loyal individuals.
- We value long-term relationships.
- We apply the latest technology related in particular to automation and digitization.
- We value integrity.
- We focus on employee needs and respecting their work-life balance.
- We are committed to acting in good faith with honesty, trust, and respect.

08

Corporate Social Responsibility and Sustainability

Corporate Social Responsibility and Sustainability

Social responsibility and sustainability are part of our mission. Our Seeding Knowledge foundation continued to support several socially important projects to improve the lives of communities. We contributed to various social, sporting, and environmental causes, thus improving the function of the society we live in. We took part in tree planting, improved children´s financial knowledge, and also helped the elderly in these difficult times. The voice of the LGBT minority was heard via our support for the Prague Pride event. We also continued with our partnership with the Romanian football club Rapid Bucharest.

APS has always endorsed social groups whose voices could easily fade into the background in today's hectic times. The pandemic that started in 2020 makes our support even more essential. People were forced to leave their offices, reduce contact with their relatives and friends, and face the risk of losing their jobs. Illnesses and deaths affected broad groups of society. The need for our social activities has never been greater.

Even our activities were affected by the novel coronavirus. Cooperation among our employees suddenly took a different shape. Instead of working together in an office, we were forced to communicate in the team via online tools. But not even this stopped our efforts to expand our employees' knowledge and competences.

This hardship clearly showed our previous investment into our employees' core competence. An ethical and professional approach is firmly entrenched in our DNA. Our continuous educational activities aimed at strengthening our people in their responsible handling of difficult situations paid off. Even facing this extraordinary crisis, we did not forget who we are and what values we stand for.

We Bring Joy To Seniors

APS Seeding Knowledge joined forces with the organization Elpida – its goal is to help elderly people. Seeding Knowledge donated money to distribute Elpida's magazine Vital throughout 2020 to all retirement homes in Czechia.

What is Vital? Not boring stuff aimed only at seniors. On the contrary, its goal is to entertain all generations. Thanks to our donation, Czech pensioners could read interviews with the former general Petr Pavel, the architect David Vávra, and more. To sum up, not cheap journalism but quality articles and beautiful photos.

Education Kids Is Essential

We believe that valuable education broadens horizons and helps to achieve dreams. For that purpose, APS Seeding Knowledge established a partnership with a non-profit organization from the Labyrint publishing company. The outcome was a special issue in Raketa magazine. Raketa targets kids aged 6–12 years, and we created an issue related to financial literacy. The earlier children understand money, the better for their future.

Planting Trees

We always strive to protect the environment. Our goal is to reduce our carbon footprint and thus limit the impact of our company on climate change. Therefore, we are proud that we managed to plant 100 new trees. Healthy forests are essential for offsetting carbon released into the atmosphere.

The planting took place in cooperation with the Czech organization Újezdský strom. But the effort does not stop there. We are looking forward to the next planting season!

We Support The LGBT Commmunity

Nobody should be judged based on their sexual orientation. APS therefore supports with all initiatives helping the LGBTQ community to defend their rights.

One of the activities that we have supported in the past is the Prague Pride festival. In 2020, the 10th anniversary took place. It took a different form than in previous years due to the pandemic. Its usual march through the Prague city centre was replaced by floating down the Vltava River. Online activities took

Corporate Social Responsibility and Sustainability

greater prominence. But the message from the organizers was clear – fully recognizable marriage for all people. Already more than 140,000 have endorsed this request online and offline. APS supports it, too.

Our Partnership With Rapid Bucharest Is Alive And Kicking!

Sport is an excellent way 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, we are an enthusiastic partner of the famous Romanian football club Rapid Bucharesti. Rapid's players showed great heart, only narrowly missing promotion to the top Romanian league in the season 2019/2020. In the season 2020/2021 FC Rapid showed excellent results and was promoted to the 1st 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, sporting, and other activities that make this world a better place to live in.

09

Directors' Report

Market Situation 2020

In general, the non-performing loan market was surprisingly quiet in 2020 despite the unprecedented financial crisis caused by the COVID-19 pandemic. The long-lasting economic recovery starting after the financial crisis of 2008-2009 was in progress for most of the last decade. The new Basel regulation forcing financial institutions to optimise the use of their capital combined with a lower number of individual and corporate defaults made distressed-debt investment opportunities scarcer, the situation visible already in late 2019. The Central and South-eastern European markets were no exceptions to this trend. With the arrival of global pandemic, the expectations on the revival of the bad debt supply have been high. To the surprise of market pundits, however, such influx has not happened, undoubtedly due to a plethora of government measures to soften the impacts of the pandemic. Fiscal measures combined with a relaxed approach towards the payment discipline of debtors have been used in a scale unseen before. With the gradual unwinding of those schemes in the context of the pandemic dissipation, it is almost certain that the NPL segment will increase in value, most likely already in the second half of 2021. APS is ready to benefit from the expected market developments.

Strategy

The Group has continued to focus on the core business activities, which are debt recovery services, distressed asset and special situation investment management, and real estate. APS operated its business on the geographical perimeter established in previous years, without any significant business acquisition and/or a new market entry. In effect, at the end of 2020 APS sold its servicing platform in Cyprus, where it created a joint-venture with Hellenic Bank in 2018. The divestiture represented an opportunistic sale, but the transaction substantially reduced the volume of servicing fees, which are to be captured by APS in the subsequent years. While APS shall benefit from its strong geographical presence in the Central European region and remain strong in the area of NPLs servicing, its investment arm has been gradually transformed from an NPL investment advisor to the asset manager. Such transformation will enable the company to allocate discretionary funds amongst investment opportunities carefully identified and analysed and shall bring higher margins to APS eventually. APS Real estate business will have to be further reshaped in 2021.

Financial Statements

We present the financial statements for the financial year January 1, 2020 – December 31, 2020. 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 year 2020. The financial statements are presented in accordance with the International Financial Reporting Standards adopted by the European Union and are audited by Deloitte Audit S.à r.l.

In 2020, our business recorded a decrease in revenues and delivered a negative net results. Revenues has decreased to EUR 21,4 million.

Profit and Loss

In the year 2020, we generated a net loss of EUR 3,7 million. The negative result is driven by increased costs due to implementation of strategic IT projects and the impacts COVID-19 pandemic.

Cash Flows

The key sources of group's cash flow were operating activities and bonds issued by the subsidiary APS Finance a.s. which were publicly traded on the Prague Stock Exchange. Bonds were delisted from trading on the PSE and refinanced on February 22, 2021.

Equity

The company's capital structure is EUR 31,000 divided into 62,000 shares with nominal value of 0,50 EUR. The company does not have any type of shares which are not connected to regular payment of dividends.

Group Structure

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

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

APS Investments S.à r.l.
- to serve as a holding company for underwriting, fund management, and other services to investment vehicles and funds

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

APS Real Estate s.r.o.
- to carry out investment and asset management activities in the real estate sector and provide advisory services to the NPL division in relation to selected real estate assets

APS Investment Funds S.à r.l.
- to serve as a holding company for investment funds and vehicles

Risk Management and Internal Control

We are exposed to a variety of financial risk factors, including market risk, currency fluctuation risk, credit risk, interest fluctuation risk, liquidity risk, and operating risk arising from the organization's financial instruments. We have defined a set of guidelines for risk management to follow. When evaluating a client's creditworthiness, we prepare thorough financial and non-financial analyses. The non-financial analysis takes into consideration qualitative indicators and publicly accessible information about the client as well as information obtained directly from the client. Assets and liabilities in foreign currencies, including off-balance sheet items, represent a currency risk which we are exposed to. We conduct our business transactions in such currencies as EUR, USD, CZK, PLN, RSD, BGN, HRK, HUF, BAM, and RON. Interest fluctuation risk relates to the possibility of losses arising from fluctuations in interest rates. Given our portfolio of assets and liabilities, our risk from fluctuating interest rates is relatively minor. Term deposits in banks have been arranged to cover the short-term. We define liquidity risk as the possibility of losses on our revenues and our own resources resulting from the company's inability to cover its liabilities on time without incurring unnecessary losses. We define operating risk as the possibility of losses on our revenues and our own resources resulting from shortcomings in the internal control system and the organization of the risk management system. This risk is a function of internal control mechanisms, information systems, lack of employee perfection, and operational processes. This risk exists in all products, services, and processes. It occurs daily in all companies which process transactions.

Human Resources

At APS, we aim to establish long-term relationships with our staff founded on trust and mutual respect. We provide our employees with working conditions to motivate them to achieve their optimal performances. We provide equal conditions for employees, a friendly environment, and possibilities for career growth and further education. At APS, we are well aware that only our qualified and motivated employees make it possible for us to be a success on the highly demanding and competitive distressed asset market. We organise various non-working team activities for our employees throughout the year to build 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 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 culture heritages and backgrounds. A recent example of raising APS employee awareness is a support for educational activities of 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 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 2020.

Going Concern and Outlook

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

The Period of the Year 2020 the Group was Active in Portfolio Servicing and Tracking.

Outlook for the NPL investments and servicing in Central and South Eastern Europe remains positive as banks are expected to dispose high volumes of non-performing assets impaired during the pandemic. In general, recent implementation of IFRS 9 and pressure from the side of regulators further push the banks to not only dispose of late stage NPL portfolios but also create provisions on a forward-looking basis which in combination with a potential slow-down of the economy is expected to generate a bigger flow of early stage NPLs / SPLs over the coming years. Shift towards earlier recognition of the problematic loans will demand on the side of the investors and servicers the ability to address restructuring situations in a holistic manner and bringing in tailor-made solutions in order to optimize the recovery. This may also on a case-by-case basis mean providing new capital to the business in order to stabilize it. APS has proven over the last years to be able to tackle complex situations and thus we expect to benefit from the expected higher flow of these sub-performing loans to the market.

Geographically, the key focus in terms of new acquisitions will be on APS core markets in Central Europe where we have the longest track record with pipeline expected to build up significantly in second half of 2021 because of new defaults of loans coming out of the COVID pandemic. Southern economies such as Italy, Greece, Cyprus and Spain continue to dominate the NPL markets having highest stock of NPLs build up post 2008 global recession. In Greece, where APS has a local presence, we continue to actively pursue NPL opportunities and selectively bid for small to mid-size unsecured and secured portfolios. Paying regard to the fact that the Greek NPL market is relatively young and relatively competitive we have a prudent approach to the new Greek investment opportunities but expect attractive market in secondary opportunities coming out of the securitisation transactions. In our view the relatively aggressive business plans of these securitisations will put pressure on investors and servicers to monetise the assets via secondary sales alongside the traditional collections methods which will create new opportunities for acquisitions for APS and its competitors.

Information on COVID-19 Impact

As many others during 2020, the APS Group has encountered countless challenges triggered by COVID-19 pandemic turbulences – market uncertainties, drops in debt recovery and collection rates, legal obstacles and regulations, and a general investment activity slow-down. However, the outlook of the Group remains strong and the general economic cooldown is expected to bring a surge in profitable business to APS operations as soon as in 2021.

The COVID-19 pandemic presents an unprecedented challenge to markets in which APS is active. In response to the medical situation, governments around the world imposed strict citizen lockdowns and business restrictions that had a significant impact on the world economy. Travel, hospitality, accommodation, event management, aviation, renting connected with business buildings, business connected with business suites and accessories, automotive and public services immediately suffered the most, be it from mandated closures or from the sudden absence of buyers. To mitigate the economic shock affecting the aggregate demand, governments resorted to moratoria on loan payments, provided payment holidays to debtors, suspended litigation and enforcement processes, and promoted spending across the services sector.

The combined effect of mandated closures, restriction of movement, legal moratoria, and diversion of cash into the consumption, further amplified by uncertainty and media panic fuelled by the disease, weakened the position of creditors with respect to debt collectors, resulting in reduced income streams, dropping recovery rates, and negative client behaviours – in such times of insecurity, most companies and individuals alike chose to limit their cash outflow rather than honor their debt payment schedules.

APS Response to the COVID-19 Threat

The APS Group has not been passive in waiting for the situation to evolve. A business continuity plan was activated in early March, initially with 'Stand-by Measures' but quickly elevating to the highest 'Extended Duration Measures (Medical)' level by mid March. Early into the medical crisis, the Group underwent a restructuring exercise, cutting on central overheads and implementing a number of business efficiency measures to ensure that the Group will be well prepared for the slow-down in CEE/SEE economies in which the Group is present. Several key business processes were digitized and turned into automated or semi-automated processing.

Local APS subsidiaries operated on war-footing during the first half of 2020, employing reduced teams working from home and ensuring business continuity and ongoing collections throughout the critical months. Some offices took use of mitigation measures provided by local governments, suspending part of their workforce through technical unemployment, short-time working schemes and similar. Most APS offices were restored to full operations in May, ensuring high degree of health safety and disease spread prevention in their day-to-day business functioning.

Major Achievements

APS advised with respect to non-performing loans to Loan Management III. Fund got fully invested and allocated a total of EUR 87 million across sixteen well-diversified transactions. The investments in the fund are expected to reach a break even milestone in the course of this year.

The APS Cypriot operations proved extraordinarily successful.

Since January 2017 when the joint venture between APS and Hellenic Bank came into being, the amount of non-performing loans at Hellenic Bank was reduced by half.

- Hellenic Bank and APS signed an agreement in July 2020 allowing
- Hellenic Bank to obtain control over the Board of Directors of
- APS Debt Servicing Cyprus Ltd. APS transferred the legal title of the shares to a trustee in the favor of Hellenic bank,
- APS provided ongoing transitional services and signed franchise fee agreement related to using of Brand and software to the servicing company.
- Both Hellenic Bank and APS see this transaction as a favorable step benefiting both parties.
- The overall transaction was valued at EUR 4,75 million.

Looking back at 2020, APS seems to be going in the right direction, strengthening its position as a regional leader in CEE/SEE. The number of managed portfolios increased by 1 to 95 in total, with the total sum of assets under management at EUR 9.6 billion.

2021 Prospects

APS sees the current economic slowdown as an opportunity that can unlock exciting future opportunities in APS lines of business, i.e. NPLs Investment Advisory, Special Situations and Single Credits, NPLs and Distressed Real Estate. As observed during the previous major economic crisis between 2008-2010, behaviours of banks change during the crisis – as bad debts and defaults accumulate on their books, they would start releasing to the market first single-ticket special situations, and later on bundles of sub-performing and non-performing loans and other bad debt.

The APS business strategy is built on the back of a strong and solid on-going NPL portfolio business coupled with opportunistic deals in single tickets, restructurings and special situations in distressed credit.

As a result of the pandemic we expect to see a significant increase of distressed debt portfolios to come to the market and trade at a deep discount to the potential recovery value which shall boost the growth of APS investment and servicing business. Compared to the development post 2008 Great Recession the banks are now much better capitalised and therefore able to create proper levels of provisions against the defaulted loans, however the payment moratoria across the countries have delayed the recognition of such bad debts and therefore pushed in time also sales of these portfolios to the market. We expect that the 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 negative impact on risk weighted assets on the reporting side they are expected to start off-loading sizeable pools of these assets to the market mainly in the second half of 2021 and in the following ears. APS is also well positioned to capture the opportunity of servicing the new volumes of NPLs for the banks that will not decide to sell but rather outsource the management of the defaulted loans to the NPL servicing companies.

Historically we have successfully acquired and managed several companies in 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 the operations and efficiently monetise the assets, and / or possibly also develop the restructurred business further.

In Closing

COVID-19 has brought economic instability, however, with the right handling, APS can turn it into the opportunity. With a clear vision, strong execution and inspiring management, supported by the efficiency brought about in the restructuring and digitization efforts of 2020, the company will emerge from the economic crisis stronger and on even sounder footings.

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Compliance

The year 2020 brought challenges to many areas of our business operations and our work lives and also the compliance sector. At APS, we strive to follow best practice compliance standards and this past year was no exception.

Since March 2020, we have been continuously analysing the implications of COVID-19 for our business and compliance activities with the aim of assessing newly emerging risks, among others, in line with the recommendations of the Financial Action Task Force (FATF). Since spring 2020, the FATF has been focusing on analysing the impact of COVID-19, which has resulted in reports on COVID-19-related risks of money-laundering and financing of terrorism. As the FATF highlighted therein and in its president's remarks at the October G20 meeting, the COVID- 19 crisis has increased the urgency of the adoption of FATF recommendations as criminals have quickly found innovative ways to benefit from the new circumstances.

During 2020, bearing in mind the need for ongoing adaptation to evolving compliance challenges and strengthening legislation, we have reviewed and made improvements to our internal know-your-customer (KYC) and anti-money laundering (AML) policies in order for them (i) to provide more tailored guidance to APS staff across the group, and (ii) to be complemented by tools that enable the AML procedures to be applied in a more effective and consistent manner. This has been achieved through more visual flow charts and forms that allow for more efficient collection of data and risk analysis. We have also focused thoroughly on record-keeping aspects to ensure that we maintain all required information and evidence and store them in compliance folders with restricted access. Through a series of tailored face-to-face trainings (on top of our regular online training programme), we have achieved deeper awareness and understanding of AML principles among APS staff while ensuring management commitment. Additionally, we have focused on improved execution of requirements within transaction monitoring and prepared a project aiming at implementing automated software to monitor suspicious transactions. The software will provide an automated method of detecting suspicious patterns; notify our employees of suspicious, unusual, or complex transactions; and serve as a tool to manage alerts, including such features as case management, record keeping, and reporting.

Compliance

Over the past year, our Compliance team has been enriched by several compliance experts while one of them has been assigned a new regional role overseeing several countries in order to increase compliance status in the relevant region. The scope of the Compliance team, its processes, organizational requirements, and the regular reporting obligations of APS entities towards the group are 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 in order to ensure the independence of the compliance function within the group.

Some APS entities are directly classified as obliged entities pursuant to the AML Directive, including APS affiliates that purchase NPLs and collect terminated loans and/or sell property that was repossessed in the course of enforcement or bankruptcy proceedings. Even though APS is not always classified as an obliged entity, 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, relevant AML and sanction laws, and 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 the policies of the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).

Regarding other compliance areas, APS recognizes the importance of having effective and independent management of compliance risks, personal data protection, fraud prevention and deterrence, conflict of interest prevention, environmental and social risk monitoring, and claims and complaints about APS operations. Through the compliance programme that is in effect within the entire group, APS ensures that the members of its corporate bodies, directors, executives, officers, employees, and advisors and contractors are aware of their rights and obligations. All APS activities are performed in compliance with the applicable regulations.

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

11

Consolidated Financial Statements

as at and for the year ended
31 December 2020 and report of the Réviseur
d'Entreprise Agréé

Consolidated Statement of profit or loss and other comprehensive income as at 31th December 2020

In thousands of Euro

Continuing operations	Notes	31. 12. 2020	31. 12. 2019
Revenue from NPL portfolio servicing*	6.1	17 573	20 990
Other operating revenues	6.1	3 801	8 217
Operating revenue		**21 374**	**29 206**
Administrative expenses	6.2	-19 303	-24 469
Other operating expenses	6.2	-939	-769
Total operating expenses		**-20 242**	**-25 238**
Depreciation of tangible fixed assets	7.2	-71	-92
Amortisation of intangible assets	7.1	-1 007	-609
Depreciation of ROU Assets	7.3	-1 247	-1 457
Operating profit		**-1 193**	**1 809**
Net exchange gains/(losses)	6.3	-615	-46
Interest income	6.3	76	93
Interest expenses	6.3	-1 654	-2 118
Interest expense on lease liability	6.3	-108	-162
Other Finance Income/Costs net	6.3	555	2 245
Net financial result		**-1 746**	**12**
Profit or Loss for the year before tax		**-2 939**	**1 821**
Current tax	6.4	-383	-906
Deferred tax	6.4	-61	-49
Profit or Loss for the year after tax from continuing operations		**-3 383**	**866**
Discontinued operations			
Profit /(loss) for the year from discontinued operations	6.6	-355	3 680
TOTAL Profit or Loss for the period		**-3 738**	**4 546**
Total comprehensive income or loss for the year, net of tax		**-3 738**	**4 546**
Profit for the period from continuing/discontinued perations attributable to:			
Parent company shareholders			
Profit for the period from continuing operations		-3 407	1 074
Profit for the period from discontinued operations		-2 075	2 156
Profit for the period attributable to parent company shareholders		-5 483	3 231
Non-controlling interests			
Profit for the period from continuing operations		24	-208
Profit for the period from discontinued operations		1 720	1 524
Profit for the period attributable to parent company shareholders		1 744	1 316

*NPL – Nonperforming Loan

Consolidated Statement of financial position as at 31st December 2020

In thousands of Euro

	Notes	31. 12. 2020	31. 12. 2019
Non-current assets			
Property, Plant and equipment	7.2	166	333
Intangible assets	7.1	4 604	15 312
Goodwill	7.1	6 824	9 933
Right of use Assets	7.3	3 058	3 376
Purchased loan portfolios	7.5	7 253	11 688
Loans and other receivables	7.5	1 987	1 257
Deferred tax asset	7.7	5	269
Other long term financial assets	7.5	64	23
Total non-current assets		**23 962**	**42 192**
Current assets			
Loan receivables	7.5	1 469	935
Trade and other receivables	7.5	4 974	17 304
Other short term assets	7.5	964	1 208
Cash and short term deposits	7.5	13 422	14 455
Assets classified as held for sale	7.12	428	0
Total current assets		**21 257**	**33 902**
Total assets		**45 218**	**76 094**
Equity			
Share capital	7.10	31	31
Other capital reserves	7.10	10 999	10 229
Total equity attributable to parent company shareholders	7.10	11 030	10 260
Equity attributable to non-controlling interests	7.11	388	7 707
Total equity		**11 417**	**17 967**
Non-current liabilities			
Bank and other loans	7.6	1 176	362
Long term lease liability	7.3	2 262	1 849
Issued Bonds	7.6	9 286	15 584
Deferred tax liabilities	7.7	324	316
Other long term liabilities	7.6	108	4 002
Total non-current liabilities		**13 156**	**22 114**
Current liabilities			
Short-term bank and other loans	7.6	5 184	10 035
Issued Bonds	7.6	7 936	5 916
Trade and other payables	7.8	5 821	17 389
Short term Lease liability	7.3	984	1 638
Current tax payables		190	741
Provisions and other short-term liabilities	7.9	132	295
Liabilities classified as Held for sale	7.12	398	0
Total current liabilities		**20 645**	**36 013**
Total equity & liabilities		**45 218**	**76 094**

Consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2020

In thousands of Euro

	Share capital	Other capital contribu-tions	Retained earnings	Tran-slation reserve	Profit or loss for the period	TOTAL	Minority interest	Total Equity
Balance at 1 January 2019	**31**	**-**	**7 447**	**289**	**-**	**7 767**	**9 064**	**16 831**
Changes in equity for period								
Profit or (loss) for the period	-	-	-	-	3 231	**3 231**	1 316	**4 547**
Other comprehensive income	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	**-**	**-**	**-**	**3 231**	**3 231**	**1 316**	**4 547**
Dividends for the shareholders	-	-	-	-	-	**-**	-2 695	**-2 695**
Transfers within equity	-	-	3 231	-	-3 231	**-**	-	**-**
Exchange differences	-	-	-	-738	-	**-738**	21	**-717**
Balance at 31 December 2019	**31**	**-**	**10 678**	**-449**	**-**	**10 260**	**7 707**	**17 967**
Changes in equity for period								
Profit or (loss) for the period	-	-	-	-	-5 483	**-5 483**	1 744	**-3 738**
Other comprehensive income	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-5 483**	**-5 483**	**1 744**	**-3 738**
Equity related to new acquisitions	-	-	-	-	-	**-**	708	**708**
Dividends for the shareholders	-	-	-	-	-	**-**	-1 341	**-1 341**
Transfers within equity	-	-	-5 483	-	5 483	**-**	-	**-**
Disposal of subsidiary	-	-	-	-	-	**-**	-8 420	**-8 420**
Capital contributions	-	7 167	-	-	-	**7 167**	-	**7 167**
Exchange differences	-	-	-	-914	-	**-914**	-10	**-924**
Balance at 31 December 2020	**31**	**7 167**	**5 195**	**-1 363**	**-**	**11 030**	**388**	**11 417**

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Consolidated Cash Flow as at 31st December 2020

In thousands of Euro

	31. 12. 2020	31. 12. 2019
Cash flows from operating activities		
Profit before taxation from:	**-2 967**	**5 776**
Continuing operations	-2 939	1 821
Discontinued operations	-27	3 954
Adjustments for non-cash items:		
Share of profit of associates	2	-34
Finance income	-76	-93
Finance cost	2092	2689
Gain/Loss on disposal of subsidiary [Note 6.6]	4 032	0
Depreciation of intangible asset, property, plant and equipment	4804	4847
Gain on disposal of property, plant and equipment	0	85
Increase/(decrease) in provisions	-190	197
Other adjustments	-26	46
	7672	**13 513**
Changes in working capital		
Decrease/(increase) in trade and other receivables	11 211	2 207
Increase/(decrease) in trade and other payables	-946	3 843
Other adjustments	4 436	0
Cash generated from operations	**22 373**	**19 563**
Interest paid	-1 741	-1 761
Income taxes paid	-1 213	-1 543
Net cash from operating activities	**19 419**	**16 258**
Cash flows from investing activities		
Interest received	76	0
Dividends received from associates	-36	39
Impact of sale of subsidiary	-4 790	0
Proceeds on disposal of property, plant and equipment	0	21
Purchase of property, plant and equipment	-160	-1 333
Acquisition of subsidiary	20	0
Loan granted to external party	-2 240	-1 064
Repayment of loan granted to external party	1 941	1 014
Net cash (used in)/from investing activities	**-5 189**	**-1 323**
Cash flows from financing activities		
Dividends paid (NCI)	-1 341	-2 695
Repayments of borrowings	-10 281	-12 806
Proceeds from issued bonds	1 972	5 215
Repayment of issued bonds	-5 614	-3 498
Net cash (used in)/from financing activities	**-15 263**	**-13 784**
Net increase/(decrease) in cash and cash equivalents	**-1 033**	**1 151**
Cash and cash equivalents at beginning of period	**14 455**	**13 326**
Foreign exchange gains and (losses) on cash and cash equivalents	0	-23
Cash and cash equivalents at end of period	**13 422**	**14 455**

* prior year the row names had been accidentally swapped. This was corrected this year and there is no impact than the swap in the line naming prior year.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

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 address of the Company's registered office is at 14, rue Edward Steichen, L- 2540 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.

Additional information:
Board of Directors as of 31st December 2020:

Martin Machoň,
Slezská 2141/116, 130 00 Prague 3, Czech Republic

Petr Valenta,
6 rue des Capucins, L-1313 Luxembourg, Grand Duchy of Luxembourg

William Gilson,
2Op Eecherbruch, L-6868 Luxembourg, Grand Duchy of Luxembourg

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

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

These 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.

Financial Statements have been prepared on a going concern basis.

2 Adoption of new and revised Standards

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

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are effective for an annual period that begins on or after 1 January 2020. Their adoption did not materially impact on the disclosures or on the amounts reported in these consolidated financial statements.

- **Amendments to IFRS 3** Business Combinations – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IFRS 9** Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform,

- **Amendments to IFRS 16** Leases – Covid-19-Related Rent Concessions (effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),

- **Amendments to IAS 1** Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material,

- Amendments to References to the Conceptual Framework in IFRS Standards.

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

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

- **Amendments to IFRS 4** Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),

- **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 – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

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.

2.3 New standards and 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 new standards and 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):

- **IFRS 17** Insurance Contracts, including amendments to IFRS 17 from June 2020 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 3** Business Combinations – Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 10** Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 16** Leases – Covid-19-Related Rent Concessions s beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021),

- **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 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 16** Property, Plant and Equipment – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

- **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 (effective for annual periods beginning on or after 1 January 2022).

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.

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.

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

3.2 Basis of consolidation

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

Company:

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

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

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

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

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

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

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

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

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

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

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

The table below illustrates Group entities as of 31 December 2020; for the chart of the Organization chart

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	0	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
APS SK Servicing s.r.o. *	0	100	Slovakia	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 Debt Servicing Cyprus LTD *	0	51	Cyprus	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 Holding Cyprus LTD	100	100	Cyprus	full consolidation	full consolidation
APS Homeland Properties Cyprus LTD	100	100	Cyprus	full consolidation	full consolidation
APS Hungary Kft.	100	100	Hungary	full consolidation	full consolidation
APS Recovery Hungary Kft.	80	80	Hungary	full consolidation	full consolidation
APS 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 Company s.r.o.	100	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 Company s.r.o.	100	100	Czechia	full consolidation	full consolidation
Syndre d.o.o Beograd-Stari Grad	100	100	Serbia	full consolidation	full consolidation
Syndre Kft.	100	100	Hungary	full consolidation	full consolidation
Syndre d.o.o.	100	100	Croatia	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
Serraghis Asset Management S.A.	0,033	0,033	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, presented 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 Epsilon GP S.á r.l.	0	100	Luxembourg	not applicable	full consolidation
APS Consumer Finance IFN S.A.	0,05	0	Romania	not consolidated, presented at fair value	not consolidated, presented at fair value
APS Finance E.O.O.D.	3	3	Bulgaria	not consolidated, presented at fair value	not consolidated, presented at fair value
APS ALPHA, a. s	100	0	Czechia	presented at fair value (held for sale)	out of scope
LOAN MANAGEMENT II, a.s.	50	0	Slovakia	full consolidation	out of scope
LOAN MANAGEMENT investiční fond, a.s.	10	0	Czechia	not consolidated, presented at fair value	not consolidated, presented at fair value
APS ALPHA Bulgaria E.O.O.D.	100	0	Bulgaria	not consolidated, presented at fair value	not consolidated, presented at fair value

* Share of disposed entities as of 31. 12. 2020 was 0 % but APS Debt Servicing Cyprus LTD was owned by the Group in share of 51 % till 30. 11. 2020 and APS SK Servicing s.r.o. was owned by the Group in share of 100 % till 4. 12. 2020.

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 Recognition of portfolio assets and liabilities

Based on the detailed analysis of all portfolio assets and related liabilities, management concluded on that over the following assets and related liabilities the Group does not have a control over, as the Group has transferred substantially all related risks and rewards to investors:

- Investments in APS Fund Beta d.o.o. Beograd
- Non-performing loan portfolios in APS Delta S.A.
- Non-performing loan portfolios in APS Gamma s.r.o.

As the servicing fee for non-performing loans recovery related to the above-mentioned portfolios is set at market level, the Group does not account for servicing assets nor servicing liabilities. The market level means that the terms are agreed on the market (with non-performing loans related services) with external investors and their investment committees.

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 the 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.

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.

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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 Receivables 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) 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.

• 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:

o legal title over the asset is handed over to the customer who controls and is able to direct its further use and o customer may benefit from the asset without rendering of ongoing Asset and Facility management services from APS (e.g. in case of hypothetical withdrawal from APS services, customer may manage the asset either using other asset manager or using its own resources).

The price for it covers for 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 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 is 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) – fees 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.

• 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

(a) 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

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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 Euros. 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.

(b) 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.

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.

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.

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
Buildings 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).

Subsequent to 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.

Exclusive right for servicing acquired in a business combination are amortized with a limited useful life using a straight-line method over 7 years.

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 6.3).

(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. Specifically:

• 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 summarizes the impairment approach for financial assets measured at amortized cost:

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Purchased secured debt portfolios	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	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.	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
		Market discount rate calculation was based on data from Reuters. Discount rate for 2020 was 14,11% for 2019:15,98 %, see below for the components of the discount rate:	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 71k EUR, if the discount rate decreases by 1% the value increases by 73k EUR.

	2020	2019
risk free rate - 10Y government bond yield	2,98%	4,42%
equity risk premium/market risk premium	6,85%	7,37%
country risk premium	2,13%	2,17%
default spread/premium	1,95%	1,84%
GDP growth (forecast)	5,20%	4,10%
NPL ratio	3,90%	4,30%
NPL premium	0,20%	0,18%

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.

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.

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Bank accounts were classified according to Moody s rating, according which was for each bank 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		

(i) 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

(ii) 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).

(iii) 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.

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.

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 adressed 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.

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.

(iv) 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.

(v) 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.

(vi) 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

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.

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.

Financial liabilities

All financial liabilities 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.

Foreign exchange gains and losses

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

3.17 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 analyzed 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.

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

2. 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).

3. 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.

4.3 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.

4.4 Effect of COVID 19 pandemic to the Group

In March 2020 APS Group was affected by the COVID-19 pandemic. In many countries among the world local governments declared the state of emergency and put in place massive restrictions to eliminate the impact of COVID-19 pandemic to both social and economic spheres.

The Group immediately acted as well. During March 2020 the Group introduced large restrictive measures leading to the massive cost reduction all within the Group. On the revenue side, the Group created a crisis scenario which considers both the revenue outage due to the restrictive measures applied by local governments (courts outage, etc.) and the cost savings on the other hand. According to this scenario, the Group does not have problems with meeting the requirement related to covenant ratio as of 31. 12. 2020 and the repayment of bonds as of 22.2.2021. Furthermore monthly results are closely monitored, analyzed and compared to the updated budget figures. Therefore the Group is able to flexibly react to any further outages by reduction on the cost side.

As the result of the cost measures implemented and positive outlook in individual entities, from early June the restrictive measures were partially mitigated. The majority of remaining cost measures are ended as of 1 October. From October Group operates in normal course, but still staying very focused on the cost side, eliminating all unnecessary expenditures.

In fourth quarter of 2020 the Groups revenue numbers got back to normal trend, the end of the year was very strong. Expectations reflected in already approved budget for the year 2021 shows positive trend, significant improvement across all the countries accompanied by very strong investment pipeline.

The Group is constantly monitoring and assessing the situation in relation the COVID-19 pandemic, as it has significant effect on the market situation in the countries where the Group operates.

The Company's budget for 2021 was prepared in a conservative way, while reflecting possible impacts of pandemic on the valuations of portfolios, ability to collect and related asset management fee decrease. Still, the Group expects to generate a sufficient profitability and repay the loan as per the payment calendar without liquidity constraints.

The Group's management strongly believes that the economic consequences of restrictive measures applied in individual countries will increase Group's market potential for business development in the future. The Board of Directors emphasizes that every assessment of future conditions necessarily involves an element of uncertainty, but it will keep on monitoring the situation and is ready to take further steps if considered as necessary.

In mid-term horizon we expect a significant growth of the Group as the market of not performing corporate loans in all countries relevant for the Group will grow significantly fueled by the economic crisis. As a result, Group expects to invest heavily the capital of foreign investors into acquisition of new NPL portfolios, which will be managed by the Group and will lead to considerable growth in sales and profit.

Due to the aforementioned facts, the group assessed that the COVID 19 pandemic 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.

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 analyze 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 2020 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 endeavors 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,

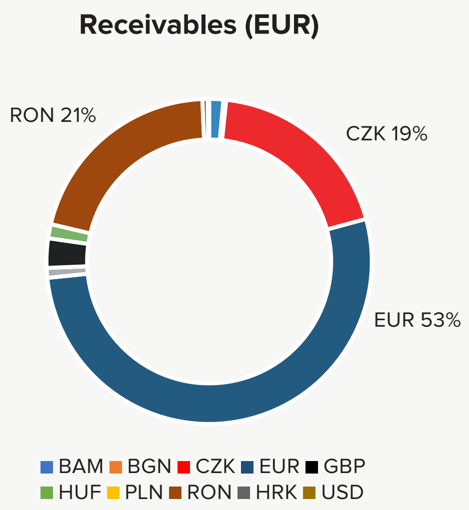
• Size of the loan, and Maturity of the loan.

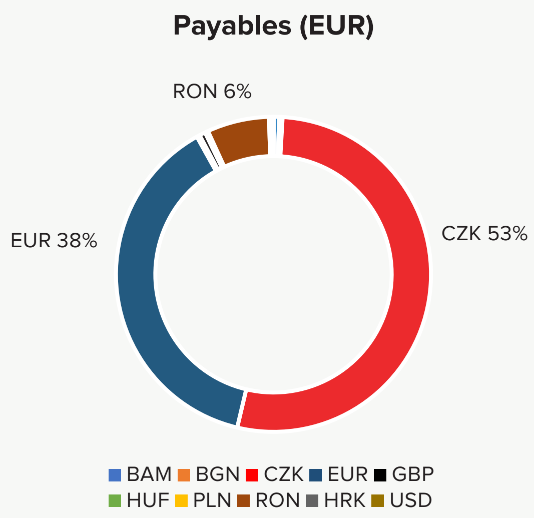
The Group internally monitors and analyses the borrower whose securities it holds. All applications for loans are discussed and approved by the Company's Board of Directors. All investments into the borrower's securities are also submitted for approval to the Board of Directors.

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

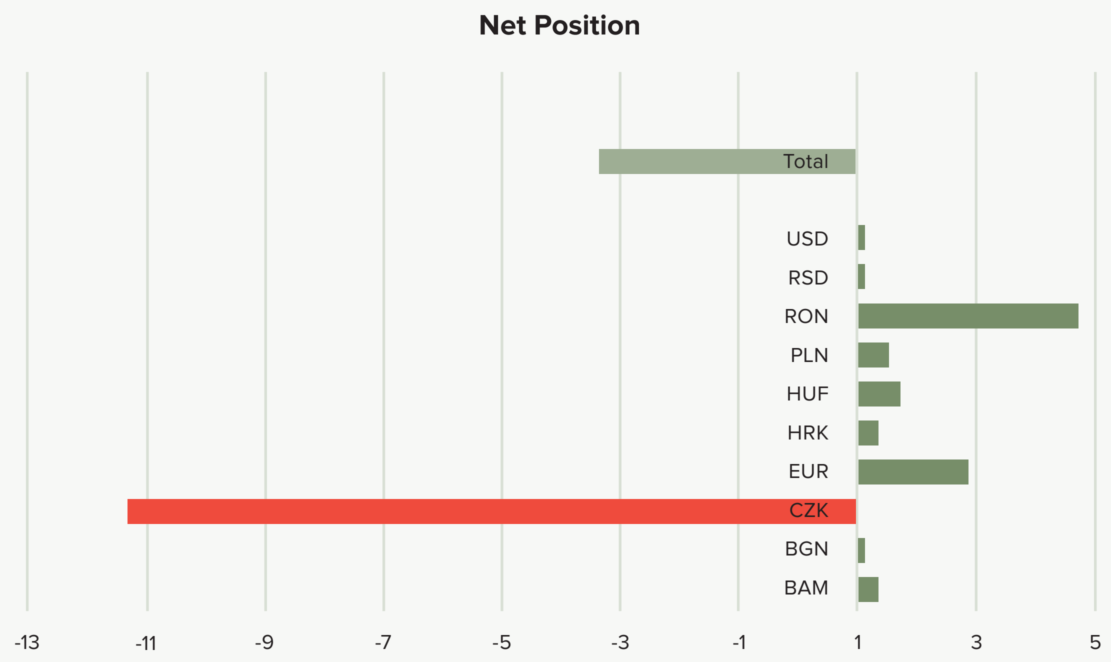
The currencies as of 31 December 2020 are represented in the Group payables and receivables as follows:





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

The net exposure (+receivable / -payable) per currency as of 31 December 2020 is shown in the graph below:



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

In thousands of Euros

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
CZK	-11 806	118	-118
RON	4 024	-40	40

- In the case of 1 % appreciation of EUR vs. CZK, Profit for the year will increase by 118 thousand of Euros
- In the case of 1 % depreciation of EUR vs. CZK, Profit for the year will decrease by 118 thousand of Euros

The net position as of 31 December 2019 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousands of Euros

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
CZK	-21 057	211	-211
RON	6 349	-63	63

- In the case of 1 % appreciation of EUR vs. CZK, Profit for the year will Increase by 211 thousand of Euros
- In the case of 1 % depreciation of EUR vs. CZK, Profit for the year will decrease by 211 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. 2020 ECB Rate
EUR	BGN	1,96	1,96
EUR	HUF	337,5	356,58
EUR	HRK	7,54	7,55
EUR	CZK	26,46	26,24
EUR	RON	4,84	4,87
EUR	PLN	4,44	4,56
EUR	BAM	1,96	1,96
EUR	USD	1,14	1,23

5.5 Interest fluctuation risks

Interest rate risk is the risk resulting from changes in financial instruments value due to changes in the market interest rates. As the Group is currently financed by Bonds with fixed interest rate of 5 % p.a., the Group is not directly exposed to the interest risk.

5.6 Liquidity risk

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

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

In thousands of Euros

as of 31. 12. 2020	0–90 days	90–180 days	180–365 days	1–5 years	Over 5 years	Total	Book value
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**
as of 31. 12. 2019							
Bank and other loans	0	0	10 035	362	0	10 397	10 397
Issued Bonds	2 862	0	3 054	16 196	0	22 112	21 500
Trade and other payables	9 928	0	7 669	0	0	17 597	17 389
Lease liability	521	517	701	2 211	312	4 262	3 487
Total Financial Liabilities	**13 310**	**517**	**21 458**	**18 770**	**312**	**54 368**	**52 773**

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

In thousands of Euros

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	2 344
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**	**14 571**
as of 31. 12. 2019							
Loan receivables	0	935	0	334	0	1 269	1 269
Purchased loan portfolios	0	0	0	11 688	0	11 688	11 688
Trade and other receivables	17 304	0	0	0	0	17 304	17 304
Total Financial Assets	**17 304**	**935**	**0**	**12 023**	**0**	**30 262**	**30 262**

To quantify the liquidity risk, Group uses Current Ratio, the results are presented in table below. The ratio has increased slightly year to year, mostly due to just small decrease in cash position, whilst all other current assets and liabilities have decreased significantly, especially trade payables and trade receivables, related to decreased turnover and cost reduction. Group considers the results satisfying and is not considering any further steps to eliminate the liquidity risk.

In thousands of Euros

Current Ratio 1.0 of the Group	31. 12. 2020	31. 12. 2019
Current Assets	21 257	33 902
Current Liabilities	20 645	36 013
Ratio	**1**	**0,9**

5.7 Capital risk management

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

The capital structure of the Group consists of net debt (borrowings disclosed in note 7.6 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in notes 7.10 and 7.11).

The Group is not subject to any externally imposed capital requirements

Gearing ratio

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Net Debt	19 981	43 673
Equity	11 417	17 967
Net Debt to Equity ratio	**1,8**	**2,4**

5.8 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 thousands of Euros

	31. 12. 2020	31. 12. 2019
Revenue from NPL portfolio servicing	17 573	20 990
Other operating revenues	3 801	8 217
Total operating revenues	**21 374**	**29 206**

Major part of operating revenue is represented by Asset management fees, charged for the recovery activities by the servicing entities. Decrease by 16 % is mostly caused by the government restrictions related to the COVID-19 pandemic. The restrictions made the recovery units completely unable to collect for several months of the year 2020, or, in best cases slowed down the process of collections and made it less effective.

The regulatory restrictions were generally applicable for the period from late March till end of May, and then again, in softer versions from October till end of the year 2020. Despite the “second wave” of COVID-19 pandemic related to the regulations at the end of the year, the Group showed very good results in the fourth quarter, which proves that the entities among the Europe adapted themselves to the slightly different conditions in very short time period.

Most significant decrease of revenues is visible in Romania, Bosnia, Montenegro and Serbia, which represent the core of the recovery units.

Other operating revenues consist of Underwriting fees which is core business of APS Investments S.à r.l. and Real Estate Advisory fees, where we can observe even more significant decrease by 64 %, 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 thousands of Euros

	31. 12. 2020	31. 12. 2019
Recovery services	15 858	19 281
Investment Management	3 960	8 309
Fund Management	1 448	1 366
Real Estate	108	251
Total	**21 374**	**29 206**

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 thousands of Euros

	31. 12. 2020	31. 12. 2019
Administrative expenses	19 303	24 469
Other operating expenses	939	769
Total operating expenses	**20 242**	**25 238**

Operating expenses are represented by administrative expenses related to the running of the Group itself. Salaries and related expenses represent slightly over 50 % of the operating expenses. Another part is related to the external services (e.g. audit fees, tax, legal and other advisory fees etc.).

There is a significant decrease in administrative expenses mainly in Salaries and related expenses. This is caused by the measures applied from April till September and partially even till the end of the year. The group reacted swiftly after the pandemic outbreak in Europe. The group applied a hire freeze, travel freeze, elimination of usage of non-core services, put all unnecessary on hold, and reduced the headcount to eliminate the impact of gap on the revenue side on the group results. Operating expenses decreased by 20 % comparing to the prior year which itself shows how strong the focus on the costs side is.

Detail of Administrative expenses

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Salaries and related expenses	10 324	13 961
Costs of external services	8 951	10 506
Local taxes and fees	28	2
Total Distribution and administrative expenses	**19 303**	**24 469**

In the reporting period audit fees amounting to 266 thousand Euros are included in the external services category.

Average headcount divided into major segments in table below:

Segment Number of Employees	2020	2019
Head-office	72	81
Investment	34	37
Servicing	679	757
Real Estate	10	11
Total employees	**795**	**886**

6.3 Financial result

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Net exchange gains or losses	-615	-46
Interest income	76	93
Interest expenses	-1 654	-2 118
Interest expense on lease liability	-108	-162
Other Finance Income/Costs net	555	2 245
Net financial result	**-1 746**	**12**

Group's Financial result consists mostly of Interest expenses related to Issued Bonds, whose nominal value decreased through the amortisation of principal. Other finance Income and costs line shows the net result of the other transactions classified as financial. The most important part relates to the APS Gamma s.r.o. subsidiary.

Another significant items are realized and unrealized Foreign Exchange gains and losses which are related to the operations in RON, EUR and CZK as the most frequent currencies for the Group.

6.4 Income Tax

Current tax

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

In thousands of Euros

Reconciliation of income tax expense	31. 12. 2020	31. 12. 2019
Profit or Loss before Income taxes continuing operations	-2 939	1 821
Profit or Loss before Income taxes discontinued operations	4 005	3 954
Profit or Loss before Income taxes	**1 066**	**5 776**
Income Tax using the average tax rates	**-444**	**-1 538**

Deferred tax

Expenses not deductible for tax purposes	-562	-142
income not subject to tax	126	293
income tax related to Discontinued operations	497	481
Total Income tax expense	**-383**	**-906**
% of Income tax expense	37,30%	15,70%
% of Income Tax using the Group´s average tax rate	43,30%	26,60%

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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 an 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 9 thousand Euro charged to P&L in current reporting period is related mainly to the increase of deferred tax asset which was booked due to the variance in Tax and Accounting amortisation.

Effective tax rate and tax changes

Effective tax rate increased by 15.7 % to 37.3 % due to the effect of discontinued operations.

Between 1 January 2020 and 31 December 2020 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 28% to 24%.

No further changes in Taxation legislation affecting our subsidiaries became effective as of 31 December 2020.

Unused tax losses

As of 31 December 2020 the Group has no unused tax losses for which deferred tax is recognised. Tax losses occur only in recently established subsidiaries where it is not sufficiently certain that these losses will be used as tax deductible in the future.

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

In thousands of Euros

Entity	Total unused tax loss	Expiring 2022	Expiring 2023	Expiring 2024
APS Recovery Greece Credit and Loan Servicing S.A.	826	-	-	826
Casazela d.o.o. Beograd-Stari Grad	94	-	-	94
Casazela d.o.o.	102	-	-	102
APS Finance a.s.	53	-	-	53
APS CZ & SK SERVICES s.r.o.	226	60	50	116

6.5 Dividends

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

6.6 Discontinued operations

On 1.8 2020, the Group entered into a sale agreement to dispose of APS Debt Servicing Cyprus Ltd., which carried out significant part of the Group's receivable collection operations. The disposal was effected in order to generate cash flows for the repayment of Bonds and the expansion of the Group's other businesses. The disposal was completed on 30. 11. 2020, on which date control of APS Debt Servicing Cyprus Ltd. passed to the acquirer.

On 4. 12. 2020, the Group entered into a sale agreement to dispose of APS Servicing s.r.o., which carried out very minor part of the Group's receivable collection activities. The Group decided to dispose the entity because the opportunities on the Slovak market was considered as not viable. The disposal was completed at the same day when a sale agreement was signed.

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 7.13.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

The result of the discontinued operations, which have been included in the profit for the year, were as follows:

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Revenue	12 869	16 917
Expenses	-8 864	-12 963
Profit before tax	**4 005**	**3 954**
Attributable tax expense	-328	-274
Net profit	**3 677**	**3 680**
Loss on disposal of discontinued operations	-4 032	-
Attributable tax expense	-	-
Net loss attributable to discontinued operations (attriutable to owners of the Company)	**-355**	**3 680**

The net result from the sale of APS Debt Servicing Cyprus Ltd. is the loss of 4 032 thousand Euros.

During the year 2020 the disposed entity recognized the net profit of 3 677 thousand Euros, which was recognized in the Consolidated Statement of Profit and Loss.

The effect of discontinued operations to Cash Flow statements was as follows:

APS Holding S.A. Consolidated Cash Flow as at 31st December 2020 – discontinued operations

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In thousands of Euros

	31. 12. 2020	31. 12. 2019
Cash flows from operating activities	**19 419**	**16 258**
continuing activities	11 712	9 998
discontinued activities	7 708	6 260
Cash flows from investing activities	**-5 189**	**-1 323**
continuing activities	13 722	-1 691
discontinued activities	-18 911	368
Cash flows from financing activities	**-15 263**	**-13 784**
continuing activities	-26 439	-5 780
discontinued activities	11 176	-8 004
Net increase/(decrease) in cash and cash equivalents	**-1 033**	**1 151**
Cash and cash equivalents at beginning of period	**14 455**	**13 326**
Foreign exchange gains and (losses) on cash and cash equivalents	0	-23
Cash and cash equivalents at end of period	**13 422**	**14 455**

7 Notes to the Consolidated Statement of Financial Position

7.1 Goodwill and intangible assets

In thousands of Euros

	Goodwill	Software	Rights of Servicing and other intangible assets	Total
At 31st December 2019				
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 periodm	0	-646	-361	**-1 006**
Closing net book amount	6 824	3 380	1 224	**11 428**
At 31 December 2020				
At Costs ors	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**

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In thousands of Euros

	Goodwill	Software	Rights of Servicing and other intangible assets	Total
At 31st December 2018				
At costs	9 933	3 869	17 374	**31 175**
Accumulated amortisation	0	-526	-3 506	**-4 032**
Net book amount	9 933	3 343	13 868	**27 144**
At 31 December 2019				
Additions	0	682	259	**942**
Disposals (gross value)	0	-1	-3	**-4**
Disposed amortisation	0	2	3	**5**
Exchange differences	0	-5	0	**-5**
Amortisation charge of the period	0	-411	-198	**-609**
Amortisation reclassified to Discontinued operations	0	-21	-2 207	**-2 228**
Closing net book amount	9 933	3 589	11 722	**25 245**
At 31 December 2019				
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**

As of 30. 11. 2020 Intangible assets of APS Debt Servicing Cyprus were disposed

Disposed Goodwill and Intangible assets of APS Debt Servicing Cyprus were as follows:

In thousands of Euros

	Goodwill	Software	Rights of Servicing	Total
At 31st December 2019				
At costs	3 109	115	15 446	**18 670**
Accumulated amortisation	0	-21	-5 517	**-5 538**
Net book amount	3 109	94	9 929	**13 132**
At 31 December 2020				
Disposals (gross value)	-3 109	-115	-15 446	**-18 670**
Disposal of amortisation	0	21	5 517	**5 538**
Closing net book amount	0	0	0	**0**
At 31 December 2020				
At Costs	0	0	0	**0**
Accumulated amortisation	0	0	0	**0**
Net book amount	**0**	**0**	**0**	**0**

As of 31. 12. 2020 Group presents one part of Goodwill:

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Upstream Merger Goodwill	6 824	9 933
Total Group Goodwill	**6 824**	**9 933**

Upstream merger goodwill

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 2020, 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 2020, 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:

– Direct and indirect costs at market level were calculated by taking into consideration the total direct cost in particular market in 2020 and the estimation for the rest of the life of the project.

– Recovery management entity costs were calculated based on 2019 level of costs and were indexed for expected growth in future

– 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 2020, a pre-tax discount rate of 10,06 % 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.

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7.2 Property, plant, and equipment

In thousands of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 31st December 2019				
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**

In thousands of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 31st December 2018				
At costs	65	715	382	**1 162**
Accumulated Depreciation	-9	-538	-219	**-767**
Net book amount	56	176	163	**395**
At 31 December 2019				
Additions	13	49	3	**66**
Disposals (gross value)	0	-102	0	**-102**
Disposed depreciation	0	58	53	**111**
Exchange differences	0	-10	-3	**-12**
Depreciation charge of the period	0	-57	-35	**-92**
Depreciation reclassified to Discontinued operations	-6	-2	-26	**-34**
Closing net book amount	63	112	157	**333**
At 31 December 2019				
At Costs	78	652	385	**1 115**
Accumulated Depreciation	-15	-540	-227	**-782**
Net book amount	63	112	157	**333**

As of 30.11.2020 Tangible assets of APS Debt Servicing Cyprus were disposed.

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.

7.3 Leases (the Group as lessee)

In thousands of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1st 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**
Year ended 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**

In thousands of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1st January 2019				
At Cost	3 408	256	85	**3 749**
Accumulated depreciation	0	0	0	**0**
Net book amount	3 408	256	85	**3 749**
Year ended 31 December 2019				
Additions	1 267	76	168	**1 511**
Depreciation	-1 283	-127	-47	**-1 457**
Depreciation reclassified to discontinued operations	-426	0	0	**-426**
Closing net book amount	2 966	205	206	**3 376**
At 31 December 2019				
At costs	4 675	332	253	**5 260**
Accumulated depreciation	-1 709	-127	-47	**-1 883**
Carrying amount	2 966	204	206	**3 376**

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

Approximately one fourth 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 3.1 million of Euros in the reporting period. Disposals relates to both expired lease contracts and the sale of the entity APS Debt Servicing Cyprus Ltd. (see note 6.6 and 7.13). The maturity analysis of lease liabilities is presented in the liquidity risk section 5.6.

Amounts recognized in profit and loss

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Depreciation expense on right-of-use assets	1 247	1 457
Interest expense on lease liabilities	108	162
Expense relating to short-term leases	0	0
Expense relating to leases of low value assets	222	234

Total cash outflows related to leases were 1 511 thousand Euros (prior year 1 738 thousand Euros) which includes all lease payments including these on assets classified as low value.

7.4 Associates

Details of material associates as of 31. 12. 2020

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 1.1.2020 to 31. 12. 2020 to the Group.

In thousands of Euros

SYNDRE VALUATION SRL	31. 12. 2020	31. 12. 2019
Total operating revenue	61	140
Total operating expenses	-108	-135
Earnings Before Interest, tax, depreciation and amortisation	-46	5
NET financial result	0	-3
Total profit/loss for the period	**-46**	**2**
Total non-current assets	4	6
Total currect assets	44	60
Total assets	**48**	**66**
Total equity	49	2
Total current liabilities	-96	64
Total equity & liabilities	**-48**	**66**

7.5 Financial Assets

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

In thousands of Euros

		Impairment approach			Fair-value level
At 31. 12. 2020		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at 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

In thousands of Euros

		Impairment approach			Fair-value level
As of 31. 12. 2019		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at amortized costs	Cash and Short-term deposits	14 455			n/a
	Loan receivables and other short-term assets		2 141		n/a
	Trade and other receivables		16 873	432	n/a
	Purchased unsecured loan portfolios			560	n/a
Financial assets valuated at fair-value	Purchased secured loan portfolios			11 129	3

Loans receivables and other short-term assets

Loan receivables are short term parts of loans to APS Capital Group and Loan Management Investiční fond a.s. and APS Fund Beta d.o.o Beograd. Also disclosed in section 11 Related party transactions.

Trade and other receivables

Trade receivables represent mainly receivables from Investors resulting from Asset Management Fees and receivables related to the Investors fees. Average credit period is 30 days and no interest is charged on outstanding trade receivables.

In thousands of Euros, as at 31. 12. 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**

In thousands of Euros, as at 31. 12. 2019

	Not due yet	0-180 days	180-360 days	Over 360 days	Total
Trade accounts receivable	11 660	2 482	102	158	14 402
Other receivables	2 577	153	45	126	2 901
Total Trade and other receivables	**14 236**	**2 635**	**148**	**284**	**17 304**

We have 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 no impairment was charged in the period. 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 2020 decreased significantly comparing to 2019 mostly due to disposal of APS Debt Servicing Cyprus LTD. (detail in note 7.13) and secondly due to the lower revenues from the core activities.

Other receivables in the amount of 117 thousand of Euros overdue over 360 days are mainly receivables of Asset Portfolio Servicing Romania S.R.L, 110 thousand of Euros to be reimbursed from the state budget regarding the medical and maternity leaves which takes 2 years to receive the cash. Trade receivables in the amount of 35 thousand of Euros overdue over 360 days are receivables to APS Capital Group which is the related party.

Purchased loan portfolios

In this category the group has two major parts. Part one 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 the accounting standard the group recognizes it on is balance sheet. The second part are the corporate secured portfolios owned by the subsidiary APS Beta a.s.

Cash and Short-term deposits

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Bank deposits and Cash balances	13 436	14 498
Impairment calculated	-13	-43
Impaired Cash Balance	**13 422**	**14 455**

7.6 Financial Liabilities

All financial liabilities are reported at amortized costs.

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Financial liabilities at amortised cost		
Bank and other loans	6 360	10 397
Issued Bonds	17 222	21 500
Trade and other payables	5 821	17 389
Financial liablities	**29 403**	**49 286**
Amount due for settlement within 12 months	18 941	33 340
Amount due for settlement after 12 months	10 462	15 946

Split of borrowings by currency of denomination:

In thousands of Euros

	Currency EUR	Currency CZK	Total in EUR
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**
31 December 2019			
Bank and other loans	10 397	0	**10 397**
Issued Bonds	0	21 500	**21 500**
Trade and other payables	17 389	0	**17 389**
Total borrowings	27 786	21 500	**49 286**

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

Issued Bonds

Issued bonds are represented by bonds issued by the entity APS Finance a.s. in the total anticipated nominal value of the issue of 25 122 thousand Euro. The initial issue date was on 22nd February 2018 and the second issue dated 22nd February 2019. The bonds are publicly traded on the Regulated Market of the Prague Stock Exchange (PSE) from the 1st of October 2018. Short term part of bond liability representing amount of 5 899 thousand Euro is due in February 2021 and August 2021. Bond interest is 5 % p.a.

The price at PSE is quoted at 100% of nominal price. There are no volumes traded and therefore the PSE is not considered to be an active market and therefore does not give a proper indication of the bond stock price. As of 31.12.2020 the bondholders intended to hold the bonds until maturity. We therefore conclude that the fair value as disclosed in the financial statements is a reasonable approximation of fair-value of the bonds quoted on Regulated Market of the Prague Stock Exchange.

The remaining amount are the bridge bonds issued by APS Investment s.r.o., which are classified as short-term in full amount as these bonds are due in August 2021.

The refinancing of bonds is described in section 10. Events after the reporting period.

Considering the early repayment and refinancing, the Group assessed the classification of the bonds. The conclusion is that despite the early repayment the classification remains partially long-term, as the group expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility.

Bank and other loans

Bank and other loans include loan from International Finance Corporation in amount of 4 650 thousand Euro, promissory notes from Serraghis Assets Management S.A. in amount of 671 thousand Euro and loan from Martin Machoň in amount of 500 thousand Euro.

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Payables related parties

In the prior year, most of short-term payables to related parties were represented by payable to sole shareholder Mr. Machoň established by purchase of the shares of the APS by management buyout in 2015 in total amount of 7.5 million of Euros. Repayment date was set up in five years, in November 2020. In December 2020, this payable was partially capitalized in other capital funds in the amount of 7.16 million of Euros and partially was switched in to the long-term loan with maturity day in five years.

Other transactions with related parties are described below in note 11.

7.7 Deferred tax

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

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Deferred tax liabilities	-324	-316
Deferred tax assets	5	269

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

In thousands of Euros

	Deferred tax liability			**Deferred tax asset**		
	Fixed assets depreciation	Financial assets valuation	Total	Fixed assets depreciation	Financial assets valuation	Total
01.01.2019	**-442**	**53**	**-389**	**209**	**14**	**223**
Charge to profit or loss	73	0	**73**	84	0	**84**
Charge direct to equity	0	0	**0**	-36	0	**-36**
Exchange differences	0	0	**0**	-2	0	**-2**
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**
31. 12. 2020	**-324**	**0**	**-324**	**0**	**5**	**5**

Deferred tax liability increased to the 324 thousands of Euros, deferred tax asset decreased to the 5 thousands of Euros. 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, APS Management Services and APS BETA, a.s.

Other changes include reclassification of prior year changes from deferred tax liability to deferred tax asset.

7.8 Trade and other payables

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Trade and other payables	5 821	16 257
VAT liability	0	1 132
Total	**5 821**	**17 389**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. 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 decrease is caused by two reasons. The first is the partial reclassification from trade payables to the loans and partial settlement of the payable to Mr. Martin Machoň. Prior year this payable was recognized on trade and other payables line in the amount 7.5 millions of eur. Second reason is the decrease in the amount of external services used, due to the costs measured applied by the group. VAT liability was settled during the year 2020.

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

7.9 Provisions

In thousands of Euros, as of 31. 12. 2019

Description	Expected timing	1. 1. 2020	Additions	Amount used	Unused reversed	31. 12. 2020
provision for annual bonuses	first half 2021	0	46	0	0	46
provision for personnel dismissal	first half 2021	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	first half 2021	12	13	12	0	13
provision for NWT	first half 2021	0	5	0	0	5
provision for unused holidays	first half 2021	35	44	0	35	44
	Total	**289**	**126**	**254**	**35**	**126**

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In thousands of Euros, as of 31. 12. 2019

Description	Expected timing	1. 1. 2019	Additions	Amount used	Unused reversed	31. 12. 2019
provision for CIT	first half 2020	0	12	0	0	12
provision operating activities	first half 2020	0	277	114	0	163
provision for audit and accounting	first half 2020	0	79	0	0	79
provision for unused holidays	used	54	0	2	17	35
GDPR provision	used	38	0	0	38	0
	Total	**92**	**368**	**116**	**55**	**289**

All provisions are classified as short term, to be used in first half of year 2021. Most of the provisions are booked in entities APS Investments S.a.r.l, APS Holding S.A., APS Poland S.A, Asset Portfolio Servicing Romania SRL, APS Management Services s.r.o., Loan Management II a.s. and APS Investment Funds S.a.r.l. The provisions are related to the operating activities, unused holidays audit and accounting. The remaining part in the statement of financial position in total of 6 thousand Euros is related to Deferred revenue.

7.10 Share capital

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

There were no changes in share capital during the reporting period.

7.11 Non-controlling interests

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

The dividends paid to minority shareholders during 2020 consist of 114 thousands of Euros paid to minority shareholder of APS Recovery Hungary Kft. and 1 127 thousands of Euros paid to minority shareholder of APS Debt Servicing Cyprus Limited, paid before the disposal, and 100 thousands of Euros paid to minority shareholder to LOAN MANAGEMENT II, a.s.

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Current assets	248	414
Non-current assets	393	24
Total assets	**642**	**439**
Current liabilities	1 680	1090
Non-current liabilities	0	0
Equity attributable to owners of the Company	-623	-391
Equity attributable to non-controlling interests	-415	-261
Total equity & liabilities	**642**	**439**
Operating revenue	1 239	1 156
Operating expenses	-1 563	-1 955
Total comprehensive income attributable to owners of the Company	-230	-496
Total comprehensive income attributable to the non-controlling interests	-153	-331
Total comprehensive income for the year	**-383**	**-826**

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Current assets	1 164	1225
Non-current assets	24	29
Total assets	**1 188**	**1 254**
Current liabilities	327	550
Non-current liabilities	0	0
Equity attributable to owners of the Company	689	563
Equity attributable to non-controlling interests	172	141
Total equity & liabilities	**1 188**	**1 254**
Operating revenue	2 284	2 451
Operating expenses	-1 462	-1 757
Total comprehensive income attributable to owners of the Company	617	490
Total comprehensive income attributable to the non-controlling interests	154	123
Total comprehensive income for the year	**771**	**613**
Dividends paid to non-controlling interests	114	0

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

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Current assets	140	6
Non-current assets	4	194
Total assets	**144**	**200**
Current liabilities	105	140
Non-current liabilities	0	0
Equity attributable to owners of the Company	37	58
Equity attributable to non-controlling interests	1	2
Total equity & liabilities	**144**	**200**
Operating revenue	267	305
Operating expenses	-281	-239
Total comprehensive income attributable to owners of the Company	-20	58
Total comprehensive income attributable to the non-controlling interests	-1	2
Total comprehensive income for the year	**-21**	**60**

4) Loan Management II a.s. (non-controlling interest 50%)

In thousands of Euros

	31. 12. 2020
Current assets	**801**
Non-current assets	**821**
Total assets	**1 622**
Current liabilities	**453**
Non-current liabilities	**0**
Equity attributable to owners of the Company	**584**
Equity attributable to non-controlling interests	**584**
Total equity & liabilities	**1 622**
Operating revenue	**2**
Operating expenses	**-77**
Total comprehensive income attributable to owners of the Company	**243**
Total comprehensive income attributable to the non-controlling interests	**243**
Total comprehensive income for the year	**486**
Dividends paid to non-controlling interests	**0**

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

7.12 Assets and liabilities classified as held for sale

As of 31.12.2020 the Group reports assets of 428 thousands of Euros of Assets classified as held for sale and 398 thousands of Euros of Liabilities classified as held for sale. These balances represent the fair value of the entity APS ALPHA, a.s. The fair value is determined by the agreed selling price, based on the agreement on the future sale with the buyer signed on 21.12.2020. The future sale was dated on 30.4.2021 in the agreement. More detailed of the transaction is described in section 10 Events after the reporting period.

In thousands of Euros

APS ALPHA, a.s.	31. 12. 2020
Non-current assets	
Loan receivables	424
Other receivables	-20
Total non-current assets	**405**
Current assets	
Trade and other receivables	60
Cash and short term deposits	435
Total current assets	**495**
Impairment*	**-472**
Total assets	**428**
Non-current liabilities	
Total non-current liabilities	**0**
Current liabilities	
Trade and other payables	371
Current tax payables	27
Total non-current liabilities	**398**

* measurement according the Selling price from agreement on the future sale

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7.13 Disposal of subsidiary

As referred to in note 6.6, on 30. 11. 2020 the Group disposed of its interest in APS Debt Servicing Cyprus Ltd. and on 4.12.2020 the Group disposed of its interest in APS SK Servicing s.r.o. The net assets of APS Debt Servicing Cyprus Ltd. and APS SK Servicing s.r.o. at the date of disposal were as follows:

In thousands of Euros

APS Debt Servicing Cyprus Limited	30. 11. 2020
Non-current assets	
Property, Plant and equipment	94
Intangible assets	7 965
Goodwill	3 109
Right of use Assets	475
Deferred tax asset	424
Total non-current assets	**12 067**
Current assets	
Trade and other receivables	1 147
Other short term assets	76
Other Financial assets	83
Cash and short term deposits	9 509
Total current assets	**10 815**
Total assets	**22 882**
Non-current liabilities	
Long term lease liability	431
Other long term liabilities	2 326
Total non-current liabilities	**2 757**
Current liabilities	
Trade and other payables	2 663
Short term Lease liability	-2
Current tax payables	279
Total non-current liabilities	**2 940**
Net assets of disposal group	**17 185**

In thousands of Euros

APS SK Servicing s.r.o.	04. 12. 2020
Non-current assets	
Total non-current assets	**0**
Current assets	
Trade and other receivables	15
Cash and short term deposits	32
Total current assets	**47**
Total assets	**47**
Non-current liabilities	
Total non-current liabilities	**0**
Current liabilities	
Trade and other payables	29
Total non-current liabilities	**29**
Net assets of disposal group	**18**

The net results from the disposal transactions were as follows:

In thousands of Euros

	APS Debt Servicing Cyprus LTD.	APS SK Servicing s.r.o.
Sale price – cash recieved	4 750	1
Carrying amount of Net assets	-17 185	-18
Non-controlling interest	8 420	-
Net loss attributable to discontinued operations	**-4 015**	**-17**

There were no disposals of subsidiaries made in 2019.

The impact of Debt Servicing Cyprus Ltd. and APS SK Servicing disposals on the Group's results in the current and prior years is disclosed in note 6.6.

8 Notes to the Consolidated Statement of Cash Flows

In thousands of Euros

	31. 12. 2020	31. 12. 2019
Bank deposits and Cash balances	13 418	14 448
Petty cash	5	6
Total	**13 422**	**14 455**

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 significant legal disputes that could have material impact on the business of the Company, except the case mentioned below.

The entity APS BH provides NPL portfolio recovery and collection services to SETA Securitization S.a r.l. and Bora d.o.o., based on an SLA contract entered into in 2018. In November 2020, APS BH entered an agreement with SETA Securitization S.a r.l. and Bora d.o.o. regarding release of collaterals linked to Bora assets (ID Bolero-GoB260), in which APS BH took up the responsibility for collecting an amount of 920 000 Euros (1 000,000 Euros minus the APS BH service fee) from the said Bora asset during 2021. Failure to reach the agreed collection target by December 31st 2021 would trigger an obligation of APS BH to top up the Net Cash Flow realized on the asset to the agreed total of 920 000 Euros.

The current collection plan sees the one million Euros collection target as achievable in 2021: a settlement agreement has been pre-agreed with an investor, case investment documents are being finalized as of the time of writing (April 2021), the value of underlying collateral exceeds the amount of expected collections. We therefore do not see material risk of the payment trigger to occur.

The Group does not identify any other contingent liability.

10 Events after the reporting period

APS Finance, a.s. announced an early repayment of its bonds listed on the Prague Stock Exchange on December 23rd 2020. The loan from UniCredit Bank Czech Republic and Slovakia, a.s.. totaling 14 millions of Euros was used for reimbursement of the bonds in total amount 15.58 millions of Euros and the transaction was settled on February 22nd 2021. The 5-year loan is structured on a floating EURIBOR-based interest rate and a balloon payment of the residual principal at maturity. New financing facility will significantly improve the cash-flow of the Group and reduce the financing costs.

In 2013 APS group entered into a contract investment advisory to investment fund APS ALPHA a.s. in the area of purchase, preformance, sale of receivables portfolios (NPL, PL, SPL), valuations, revaluations of individual portfolios. As a result of a change in tax legislation, ALPHA no longer fits in the definition of the Basic Investment Fund, therefore, it returned the fund license and withdrew its shares from the Prague Stock Exchange.

The COVID 19 pandemic and various government measures to protect debtors have raised major concerns among shareholders of APS ALPHA a.s., and they offered to buy ALPHA shares to APS. APS, as an expert in the recovery and subsequent sale of residual portfolios, saw an opportunity in the investment. However, as part of APS's liquidity management, especially in connection with the repayment of bonds in August 2022, it did not allow APS to fully finance the investment. APS turned to its employees and associates with the possibility to invest to APS ALPHA a.s. through the company APS MIP s.r.o., and APS group itself provided only short-term financing for the purchase of the shares.

Within the given project the parameters changed, ALPHA reduced the share capital to cover losses from previous periods, shares were changed to ordinary and preferential. Subsequently, ALPHA reduced its share capital by another ordinary shares against APS MIP s.r.o., from this reduction APS MIP s.r.o. repaid the short-term financing provided by APS group. It was agreed that the preference shares will be sold from APS MIP s.r.o. to APS employees and collaborators who have invested in the aforementioned project. In the last step APS MIP s.r.o. will transfer the particular shares to APS Capital Group s.r.o. The transaction of sale of APS ALPHA, a.s. was settled according Share Purchase Agreement on April 21st 2021.

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 2020:

The entities listed below are related parties as they have the same ultimate business owner, namely 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
Vantage Leasing d.o.o. Beograd
Bora HoldCo d.o.o.
Lunez one s.r.o.
Project one d.o.o. Beograd
PS FINANCE O.O.D.
Emerald Management S.R.L.
Serraghis Asset Management S.A.
HoldCo Two d.o.o. Beograd Stari Grad
APS Capital s.r.o.
Momentum Credit Pénzügyi Zrt.
APS Italy s.r.l.
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 Aragonite Investment a.s.
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 Quattro Holding S. à r.l.
Hotel Albert s.r.o.
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

Summary of Group´s transactions with related parties in the table below:

In thousands of Euros

Transactions	
Loan and trade receivables	3 568
Revenues	1 480

Loan and trade receivables from related parties consist of:

a) The loan balance between APS Recovery a.s. and APS Capital Group s.r.o. in amount of 1936 thousand Euro is related to loan and accrued interest.

b) The loan balance between APS Investment s.r.o. and APS Capital Group s.r.o. in amount of 1 232 thousand Euro is related to loan and interest

c) Receivable balance between Loan Management II a.s. and APS Capital Group s.r.o. in amount 400 thousand Euro is related to promissory notes

Revenues from related parties consist of:

a) transactions between APS BH d.o.o. and „BORA“ d.o.o. Za trgovinu i usluge Banja Luka in amount of 1 149 thousand Euros are related to Asset management fees and financial advisory services.

b) transactions between APS Investments S.á. r l. and APS Quatro Holding S.á. r l. in amount of 331 thousand Euro are related to Fund Management fees and intermediation fees.

List of related persons for the accounting period ended 31 December 2020

- Martin Machoň
- Antonín Pfleger
- Roman Šedivý
- Victor Dan Angelescu
- Jiří Randus
- Robert Mihai Machidon

APS Group has in its consolidated financial statements loan payable to the related person in amount of 500 Thousand of Euro. The loan bears interest of 3.75 % + 12 months EURIBOR p.a. and is repayable in November 2025.

Remuneration of key management personnel

Key management compensation, considering people above as being the key management was 445 thousand Euro in the reporting period. Related social and health insurance was 82 thousand Euro. There are no post-employment benefits, long-term benefits, termination benefits or share-base payments related to the key management identified in the reporting period.

12 Approval of the financial statements

The financial statements were approved by the board of directors and authorized for issue on 16. 7. 2021.

Signature of Board of Directors:

Martin Machoň

Chairman of the Board of Directors

Petr Valenta

Member of the Board of Directors

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Auditor’s Report

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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, 2020, and the consolidated statement of profit or loss and other 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under 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.

Auditor's Report

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report under pages 4-59 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 and Those Charged with Governance 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.

Deloitte.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

Report on Other Legal and Regulatory Requirements

The consolidated management 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*

PP

Marco Crosetto

Ludovic Mosca, *Réviseur d'entreprises agréé*
Partner

July 16, 2021