APS

ANNUAL REPORT 2019

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APS

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LETTER FROM THE CEO

Dear esteemed investors, business partners, and colleagues,

A lot has happened since 2004, and even more has changed. We have expanded and have grown tremendously in numbers and experience. APS manages 94 portfolios valued at EUR 9.4 billion, and the turnover of the entire. Holding has reached EUR 46 million with a net profit of EUR 4.6 million – that is why I like to say that every year is a good year.

In our 15th anniversary year, we managed to strengthen our position as a regional leader in investment, management, and recovery for problematic portfolios; among other achievements, this was due to successful acqusitions in Bosnia and Herzegovina and in Montenegro. These acquisitions were a symbolic culmination of the effort that started with opening local offices in these countries in the second half of 2018.

Having established such a strong position, we now have sufficient energy, the requisite manpower, and a reliable enough network of stable and strong partners that we can think of opening new offices in Western Europe in the coming years and, more importantly, reach beyond the shores of the Old Continent. We are currently exploring opportunities in Commonwealth of Independent States (CIS) countries and selected Asia and Latin America markets. Of course, the transformation of APS into a global player will not happen overnight – it will have to be accomplished gradually in stages, much in the same manner in which APS expanded into Central, Eastern, and South-eastern Europe.

I already mentioned our successes in the Balkans during 2019. We acquired a Bosnian portfolio, secured predominantly by commercial property, with a nominal value of EUR 441 million; another acquisition of problematic debts after maturity is valued nominally at EUR 192 million.

We were also active in our traditional market in Cyprus where we acquired an NPL portfolio containing approximately 8,800 consumer loans and 900 loans to small and medium-sized businesses, valued nominally at EUR 245 million. This acquisition has underlined our commitment to investments into the Cypriot economy and to helping local banks with deleveraging. Together with our partners, we have completed acquisition of an NPL portfolio held by UniCredit BulBank; the nominal value of these NPL receivables is EUR 50 million.

Aside from these acquisitions, we gained several servicing deals in the recovery area: in Cyprus, we service a Hellenic Bank portfolio valued at EUR 160 million; in Romania, we facilitate servicing for our partners from the banking, telecommunication, business and leasing industries.

We have also been successful in Central Europe, namely in Poland and the Czech Republic. In Poland, we have entered into a service contract with Telemedycyna Polska; meanwhile, the Czech branch of APS is servicing more than 20,000 loans in collaboration with Generali Group and has been very successful in car repossession for its largest client, Volkswagen Financial Services.

Among the top news of the year is the establishment of a separate APS Real Estate division. The main motivation and driver for strengthening our real estate team was the number of successful acquisitions of real estate portfolios in the past two years: previously in Austria, and this year we acquired real estate assets in Hungary. With the new division up and running, we have started working in earnest on residential real estate development projects in the heart of Prague and in Bucharest.

In the last few paragraphs, I would like mention the activities of the APS charity foundation, Seeding Knowledge. At APS, we are well aware of the current social and environmental challenges. We do not ignore these challenges, but on the contrary take our share of responsibility by supporting charitable projects in three different ways: (a) donating funds raised among employees to a specific good cause; (b) APS branches supporting non-profit organizations or initiatives in their region; and (c) sponsoring the APS Seeding Knowledge foundation, which is active in Romania and the Czech Republic.

In Romania, the foundation focuses on, among other areas, supporting the education of talented children from socially disadvantaged families. APS also partners with the famous Rapid Bucharest football club and supports its junior academy.

In the Czech Republic, the foundation focuses on subsidizing education for elderly citizens, non-profit organization education, and support for environment protection and human rights initiatives that promote equal opportunities and a prejudice-free society. The foundation also includes employees in its activities, whether they're providing expertise or voting on specific projects.

In March 2020 APS Group was affected by the COVID-19 pandemic. APS is currently facing the necessary measures adopted by local governments to mitigate the social and economic impacts of the Covid-19 pandemic

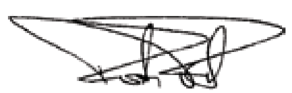
We expect that current situation caused by outbreak of COVID-19 pandemic will have short term negative impact on our revenues as a result of decline in repayment of loans caused by restrictive and protective measures adopted by national governments. Further we expect decrease in investment activity of our main investors as a result of elevated uncertainty on the market.

In a mid-term horizon we anticipate significant growth in volume of non-performing loans in all countries where the Group operates, and our main business activity is purchase and consequent asset management of these.

Therefore, we expect that APS will conduct, together with its foreign investors, remarkable acquisitions and follow-up management of big corporate NPL portfolios in the upcoming months and years which will lead to increase in revenues as well as profits of the group.

In closing, I would like to thank everyone who has invested their time, commitment, and energy into the APS brand during 2019. That includes not only our employees but also you, our investment and business partners. Without you, none of what we do would be possible.

Sincerely,



Martin Machoň
Chairman of the Board and CEO

02

Company profile and History

02

COMPANY PROFILE AND HISTORY

APS was founded in 2004 in Prague, Czechia, as a captive servicer of the Slavia Capital Group. Since then, it has become a multinational asset management company specialized in distressed debt investing that operates in 13 countries, located primarily in Central and South-eastern Europe, with a total of 886 employees. As of 31 December 2019, we managed 94 NPL portfolios with a total nominal value of more than EUR 9.4 billion.

The core of our activities comprises three key business lines – alternative asset management, debt recovery, and real estate investment. The APS Investment division carries out a full range of professional services related to investments into all classes of distressed assets and management of the entire investment process. Our Recovery teams cover all types of collection activities that lead to successful debt recovery of portfolios, either on our books or serviced by us. Our Real Estate organization serves as an investor and manager of real estate assets with the potential to create superior value.

Our operations would not be conceivable without a large pool of highly-skilled and knowledgeable professionals. Currently, there are more than 800 specialists working for the group. Thanks to their expertise, they are able to take into account the specificities and volatility of each market and prepare tailor-made solutions for our clients.

At APS, we strictly adhere to the highest ethical standards of business conduct. This value has been an essential and integral part of our corporate strategy from the very beginning and serves as a compass in all decisions we make – from large transactions to daily contact with our partners, clients and customers.

An equally important value for us is continuity. Long-term cooperation with national institutions and supranational regulators and banks makes APS a trusted, reliable and stable partner.

Distressed debt poses a burden for both creditors and debtors as well as a serious risk for entire economies. Our mission is to enter these adverse situations and bring as much benefit as possible to all parties involved. Distressed asset investment has proven to be the most effective tool for banks to improve their credit quality, achieve better liquidity, and become more resistant to sudden economic fluctuations. We also help defaulting debtors to find the best way to free themselves of bad debts. The results we deliver bring profit to the whole society.

APS AT A GLANCE

Headquarters in Luxembourg
Operating in Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Greece, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia, Luxembourg.

HISTORY

Ceaseless accomplishment, advancement, strengthening our position as a leader on the Central and South-eastern European market, and further expansion into new markets have marked the history of APS. Over the course of our 15-year presence on the market, we have succeeded in setting up APS as a sound and reliable partner on a European-wide scale.

APS started its activities in 2004 when it was founded as a member and captive servicer of Slavia Capital Group. The great dedication of its former team led to the first remarkable achievement: a portfolio purchased from Česká Spořitelna (a member of Erste Group) with a nominal value (NV) of EUR 25 million, which was met within the same year. The current sole shareholder, Martin Machoň, was hired to develop greenfield projects under a Czech permit as a supervisor. With his unique skills and a competitive approach, he rapidly enlarged the company while choosing the best experts on the market to join and received a minority share in APS.

In 2005, APS made its first cross border transactions in Serbia and Slovakia and gradually expanded its operations and services.

In 2007, APS saw a year of significant growth. New investment platforms were developed in Poland and Romania with the backing of London and US based investors.

In 2009, Slavia Capital consolidated its portfolio of NPLs and raised new capital for Loan Management, a Slovak-Cypriot investment structure. In addition, a large securitization fund was bought from Varde in Poland.

In 2012, greenfield expansion into Bulgaria took place and the first corporate NPL portfolio ever to be marketed in that region was successfully obtained.

In 2013, APS marked another important step in its history by introducing its first closed-end investment fund for eligible investors – APS Fund Alpha. Another turning point for our growth in 2013 was the start of our trusted relationship with the International Finance Corporation (IFC; a member of the World Bank Group).

In 2014, APS won its first secured retail portfolio from Volksbank Romania with a NV surpassing EUR 500 million.

In 2015, Martin Machoň, CEO and previously a minority shareholder, purchased the majority interest and became the sole shareholder. In the same year, we launched a brand-new real estate investment services division, thereby broadening our portfolio of products.

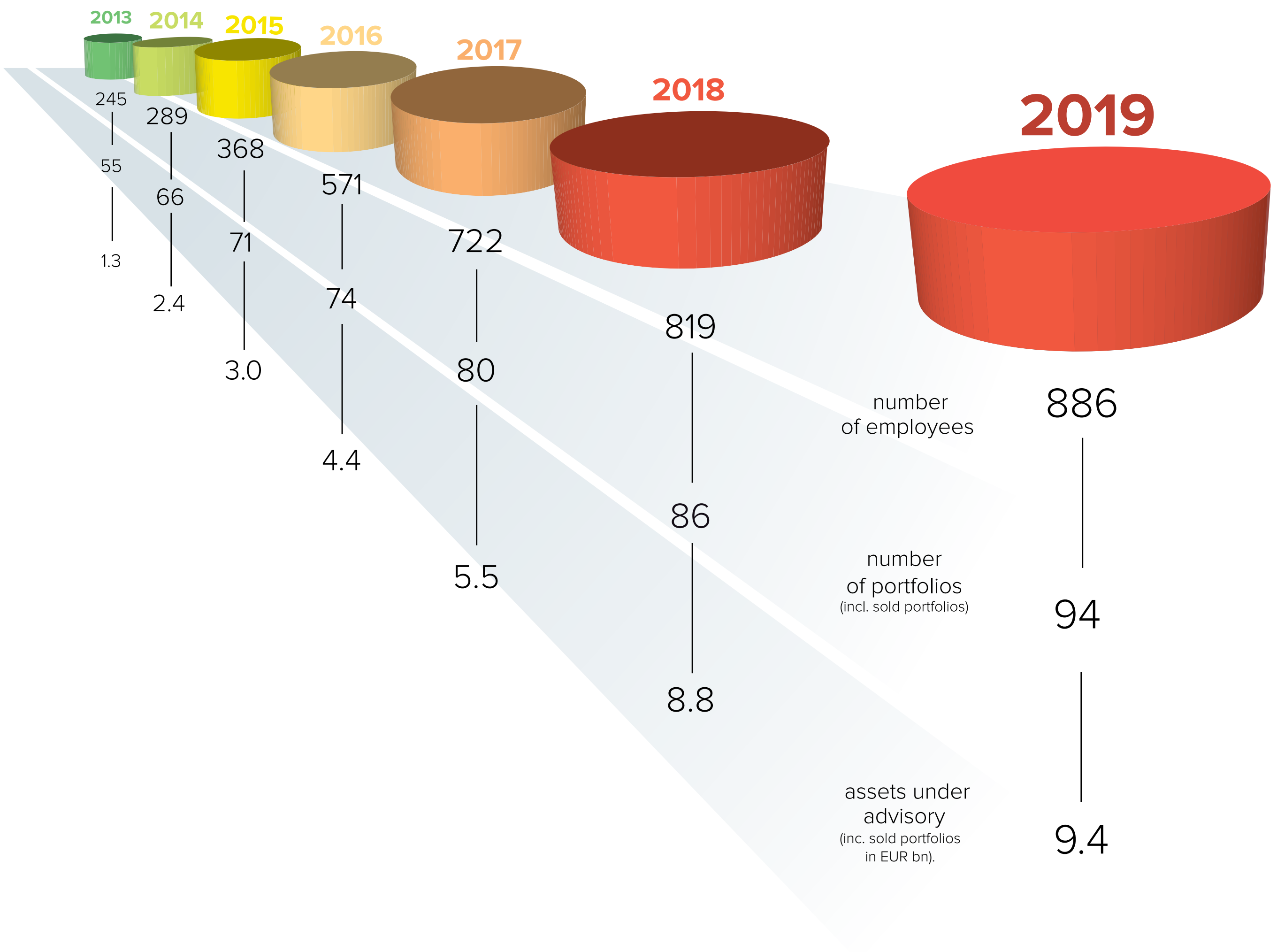
In 2016, we carried out the largest acquisition of its kind in Southeastern Europe and acquired portfolios totalling EUR 1.3 billion. We continued to grow and entered the markets in Croatia, Hungary and Cyprus. In addition, this year was marked by the launch of APS Delta, a non-regulated securitization vehicle in Luxembourg.

In 2017, APS purchased the NPL and real estate management company of Hellenic Bank Public Company Ltd in Cyprus, thereby facilitating the full operation of the new Real Estate division. The goal of the partnership was based on the concept of a joint venture in support of Cypriot economic recovery. In the same year, APS Romania celebrated the 10th anniversary of its presence on the market.

In 2018, our presence was significantly extended as we proceeded to set up offices in Bosnia and Herzegovina and Montenegro. We launched operations in Greece by securing the largest deal in our history

– Piraeus Bank's NPL portfolio with a NV exceeding EUR 2.3 billion. The APS Real Estate wing took over part of the commercial leasing portfolio originally held by the Real Estate Division of Immigon and started managing contracts with a total value of EUR 13 million.

In 2019, APS significantly strengthened its position in the region as we acquired two NPL portfolios in Bosnia and Herzegovina and Montenegro, thereby aspiring to the position of fastest growing distressed debt investor and servicer in Southeastern Europe. Moreover, APS's Real Estate business line strengthened while building the Casazela and Syndre Valuation network, which is currently functioning in five European countries (Croatia, Czech Republic, Hungary, Romania and Serbia).



2004
APS was established

2005
APS expanded in Serbia and Slovakia

2007
New branches in Romania and Poland

2009
Serraghis Loan Management was consolidated

2012
Greenfield expansion into Bulgaria

2013
Launching APS Fund Alpha

2014
APS won its first secured retail portfolio (NV more than EUR 500 mil)

2015
Martin Machoň became the sole shareholder of APS

2016
APS executed the largest transaction with a total value of EUR 1.3 billion

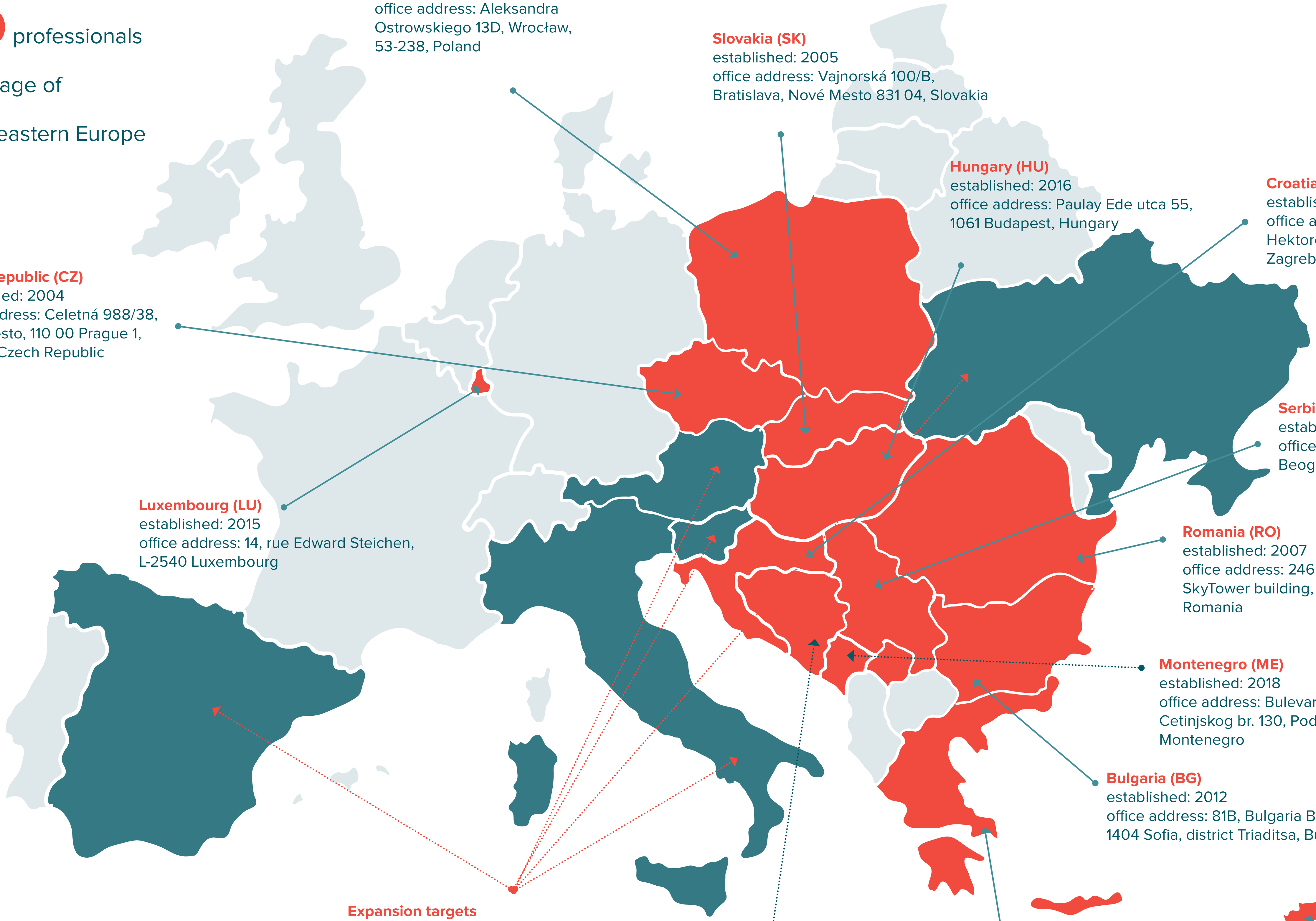
2017
APS Romania reached the milestone of 10 years on the market

2018
APS launched operations in Greece

2019
15th anniversary of APS and APS´s Real Estate business line strengthened while building the Casazela and Syndre Valuation network in five European countries

APS GLOBAL COVERAGE

Presence in **13** European countries with more than **800** professionals enables complete coverage of Central Europe & Southeastern Europe



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

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

Hungary (HU)
established: 2016
office address: Paulay Ede utca 55, 1061 Budapest, Hungary

Croatia (HR)
established: 2016/2017
office address: Hektorovićeva ulica 2, Zagreb, Croatia

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

Serbia (RS)
established: 2005
office address: Kosovska 10, Beograd-Stari Grad, Serbia

Luxembourg (LU)
established: 2015
office address: 14, rue Edward Steichen, L-2540 Luxembourg

Romania (RO)
established: 2007
office address: 246C Calea Floreasca, SkyTower building, 014476 Bucharest, Romania

Montenegro (ME)
established: 2018
office address: Bulevar Sv. Petra Cetinjskog br. 130, Podgorica Montenegro

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

Expansion targets
Austria (AUT)
Slovenia (SI)
Italy (IT)
Spain (ESP)
Ukraine (UA)

Bosnia and Herzegovina (BA)
established: 2018
office address: ul. Hiseta 15, 71 000 Sarajevo, Bosnia and Herzegovina

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

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

03

COMPANY STRUCTURE

03

COMPANY STRUCTURE

APS Holding S.A. (the **"Company"**) was established as a joint stock company (société anonyme) and existing under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés) under reg. No. B 201461 on 16 November 2015.

The registered office of the Company is 14, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg.

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

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

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

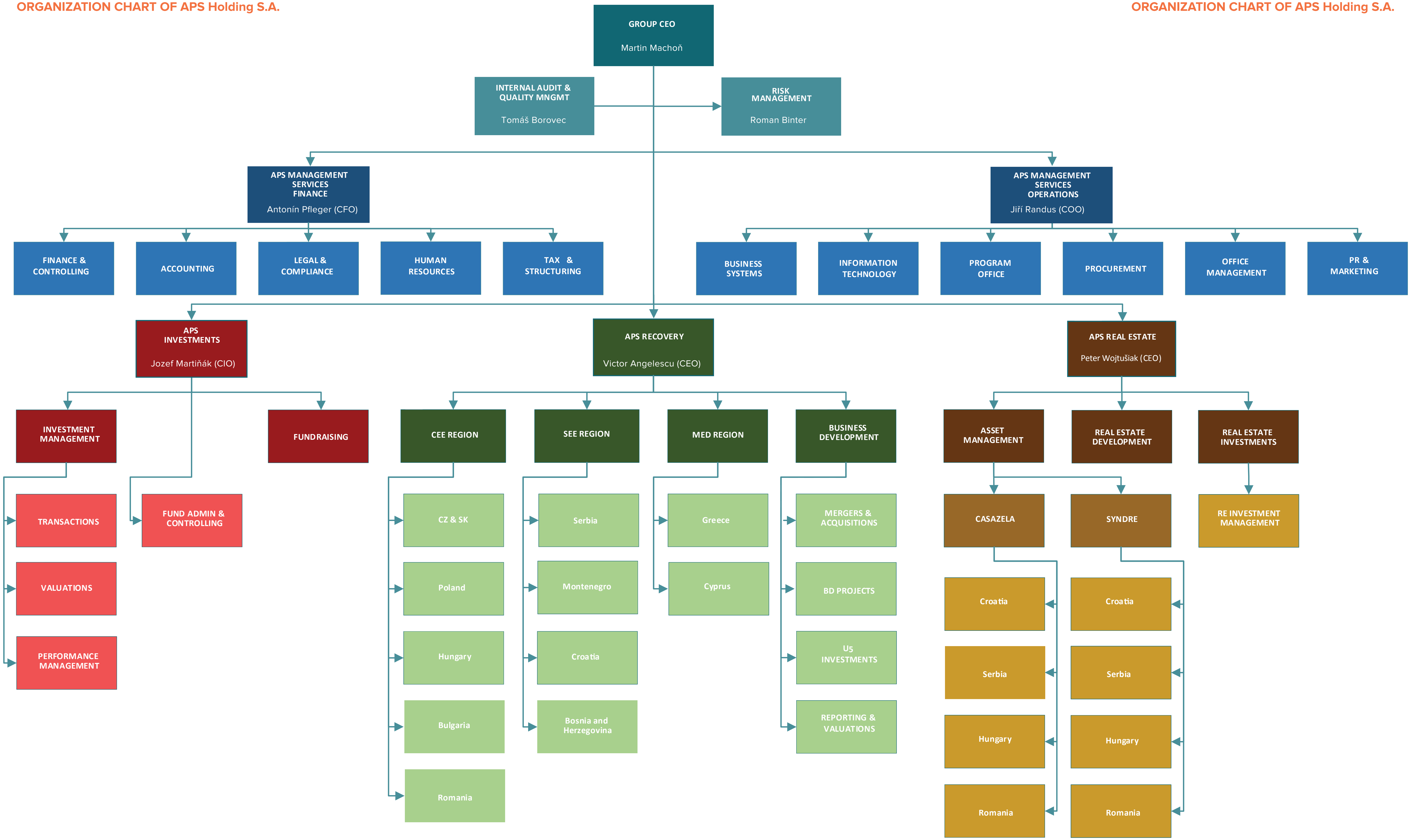
- APS Investments S.à r.l. and APS Investment Funds S.à r.l., both established and existing under the laws of the Grand Duchy of Luxembourg.

The Company is administered by the Board of Directors (Conseil d'administration) with three members, comprising Nicoletta Leone, Reeba Nachtegaele, and Martin Machoň.

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

Organization chart of APS Group; as modified during 2019, the group comprised these main subsidiaries:

ORGANIZATION CHART OF APS Holding S.A.



MARTIN MACHOŇ
Owner and 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.

Antonín has 15 years of experience in financial management, operations, internal and external auditing, consolidation, and treasury and project management. Prior to joining APS, Antonín worked for 5 years at EY. Antonín has internationally recognized Fellow Member of the Chartered Association of Certified Accountants (FCCA) certification.

ANTONÍN PFLEGER
Chief Financial 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.

JIŘÍ RANDUS
Chief Operations 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.

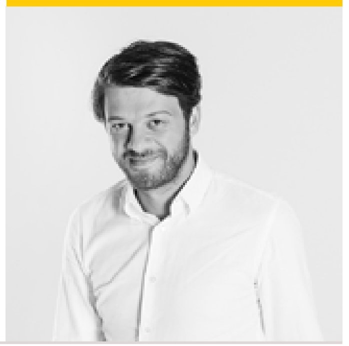
JOZEF MARTIŇÁK
Chief Investment Officer

Peter has over 20 years of experience in the fields of Design, Construction and Real Estate Investment, during which time he has developed a holistic industry perspective and in-depth knowledge and understanding of the Real Estate industry across the Residential, Retail, Office and Industrial sectors. Prior to joining APS, Peter held the position of Associate Director at CBRE Capital Markets, transacting over EUR 600m worth of real estate from Value-Add right through to Core prime assets. Peter is responsible for transaction origination and execution as well as overseeing the Asset Management and Valuations teams in the CE and SEE region.

PETER WOJTUSIAK
CEO of APS Real Estate

APS GROUP MANAGEMENT TEAM
as of 31 December 2019

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

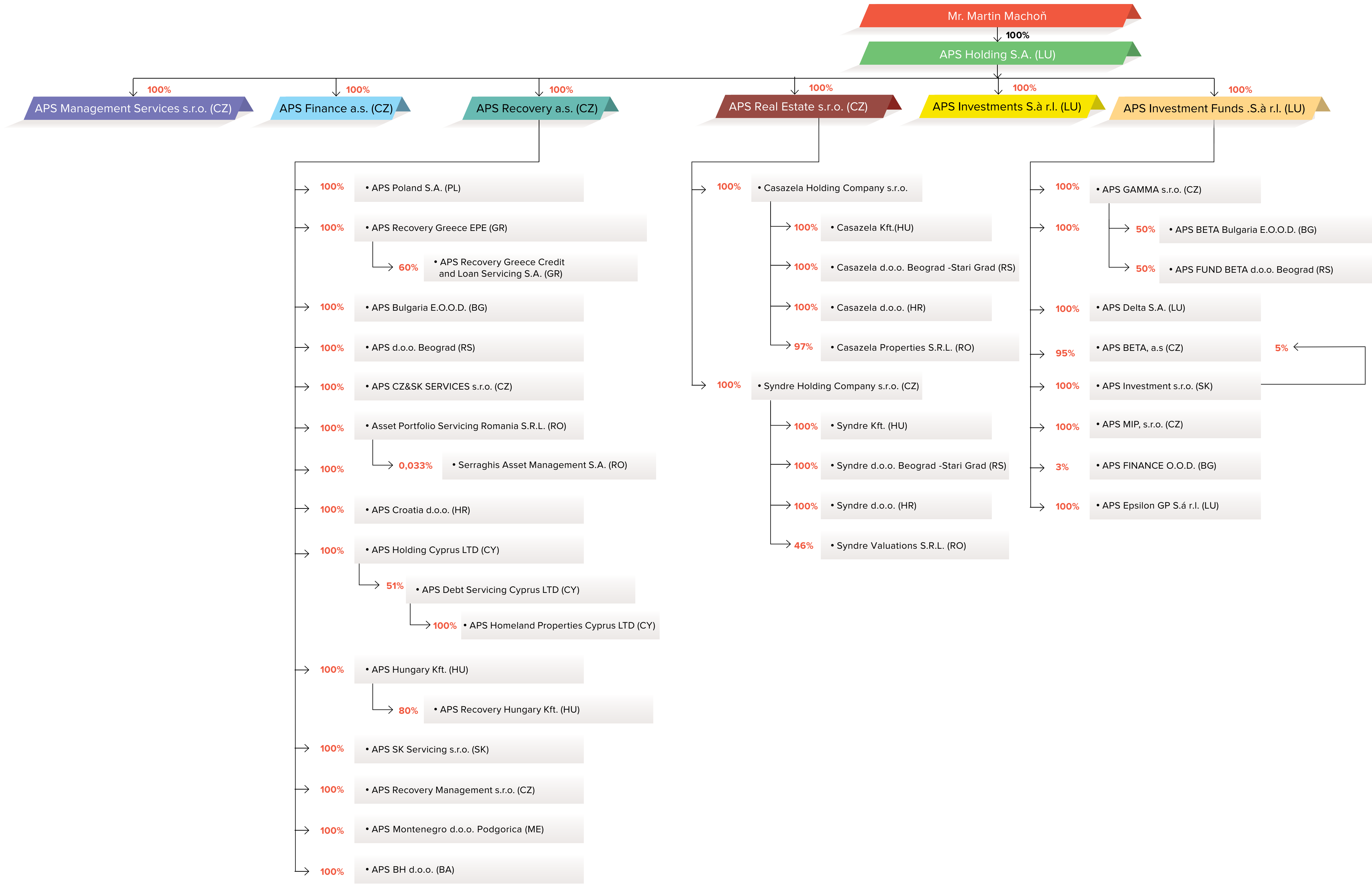


VICTOR ANGELESCU
CEO of APS Recovery

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

ROMAN BINTER
Chief Risk Officer

APS Holding Ownership Structure
as of 31 December 2019



04

Our Strengths

04

OUR STRENGTHS

APS is a company built on strong principles. Integrity, reliability and trustworthiness are not mere words for us but the very foundations of our operations. We are prepared to offer our profound expertise, long-time experience and customized solutions to a broad range of companies and institutions.

APS entered the distressed debt market in 2004 as a captive servicer of the Slavia Capital Group for Czechia. Since then, we have developed in a full-fledged multinational company that gradually entered 13 countries located predominantly in the CESEE region. In each country, we have created a robust infrastructure of experienced employees led by top experts with detailed knowledge of local market specifics and the competitive environment. Thanks to their expertise, the transactions we conclude prove to not only be profitable for our investors but also have a positive impact on local communities and economies.

Ready to meet the highest demands and provide innovative, customized solutions.

Distressed debt specialist with 15 years of experience.

We specialize in acquiring, advising, and servicing non-performing and also sub-performing and performing portfolios. Thanks to our commitment to providing excellent services and delivering strong results, we have become a valued and trusted partner to the world’s top institutions and firms, including the International Finance Corporation (a member of the World Bank Group), AnaCap Financial Partners, large financial houses from both Europe and the US, investment funds, and private investors.

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

Management of 91 portfolios totalling EUR 9.4 bn.

As a dynamic company, we continually expand our market portfolio and search for new markets and investment opportunities not only in CESEE, but also in Western Europe and outside the Old Continent, especially in so-called emerging markets. Every effort we make is aimed at reaching our objectives: creating great long-term profits for investors, helping debtors, and benefiting local economies.

A trusted and reliable partner to the world’s top companies and institutions, including the IFC and EBRD.

05

Services

05

SERVICES

KEY BUSINESS LINES

In 2019, our business lines comprised three main areas. The first is our strong Investments business line consisting of the Investment Management division and the Fund Management division. The traditional Debt Recovery management of debts serviced by us or on our books was carried out mainly through our local branches. And the third is our expanding Real Estate division.

INVESTMENTS

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

DEBT RECOVERY

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

REAL ESTATE

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

DEBT RECOVERY

Debt recovery is one of the core services that APS provides, and we have been doing so since our inception. With more than 15 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 a wide range of exposures including secured and unsecured retail and corporate debts.

We are recommended by our proven competitive advantages:

— 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 regions

— Continuous recovery process monitoring, data analysis, reporting

— An emphasis on innovation and quality in a way that challenges most leading debt collection agencies in the world

— Experience as the first company to start servicing corporate loans

— Strong collection and recovery teams; extensive knowledge of legal procedures (insolvency and enforcement) and the real estate market

— Case Managers recruited from insolvency companies in the banking sector with extensive experience in recovery (5–10 years of experience), some of whom are also qualified as insolvency practitioners

— Recovery services offered to over 100 clients and a habit of keeping them thoroughly informed and in control of the recovery process

— 94 portfolios managed and more than 500,000 loans under management

PEOPLE

With more than 800 professionals across 13 regional offices, APS has always relied significantly on developing and growing its own employees. We have had many success stories of booming career paths within the group, including reaching group – and country – management positions. We are proud to provide space and time to internal talents who pay us back with their great results. Dedication, motivation and talent combined with appropriate training and know-how sharing are the keystone of APS culture.

The internal pool of employees is then supplemented by specific skill sets from the market by recruiting experienced experts from banks, advising companies, law firms and other businesses.

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.

SYSTEMS

The core recovery system that APS uses is Collection Application One (Capone), state of the art recovery software that has been significantly tailored to the specific uses of APS. Capone, which has been used at APS for several years, has proven itself to be a great tool for managing, tracking, and optimizing collection strategies and processes. The system is also a very effective source of data for the purpose of reporting to APS itself and to its clients and investors.

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 integration that facilitates full range management of all Recovery business lines. With the advantage of such comprehensive technical tools, APS efficiently manages secured and unsecured portfolios, contingency projects and legal and pre-legal streams.

The advantage of the system is that it is constantly being developed and adjusted to the specifics of local markets, while it also enables the use of group know-how and common features. A high level of flexibility also enables full integration with the systems of our customers, leading to automatic and regular data exchanges. Capone can store and display complete and detailed data about every entity: loan contracts, guarantees, people, execution files, insolvency files, bankruptcy files and employers.

Capone allows the end user to fill in detailed data about all steps in the legal process, including assessments, auctions, insolvency, bankruptcy, execution, queries to government institutions, live links to insolvency gazettes and wage garnishments. End users can also set up reminders, terms, and tasks that can be monitored from the application's calendar or by accessing the queue statistics tab, thus making sure all legal proceedings are completed on time.

COLLECTION APPLICATION ONE (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. With its straight-forward structure, Capone provides countless options for defining data exports for the scope of reporting to APS itself and to its clients and investors.

Capone is built on hierarchical levels, which adds an extra point to the business user experience by offering a 360° view of all parties involved in a business process. The system is continuously evolving in order to accommodate the most recent and demanding distressed debt market strategies and regulations. Another advantage is its flexibility, with Capone being available for integration with several types of interfaces such as our clients' systems, telecom services, and public institution platforms.

MEDIATEL

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

In 2019, the steady sale of NPLs in the CESEE region continued. The NPL ratio of significant institutions in the euro area stood at 3.55% as of mid 2019, in contrast to 4.32% a year previously. It has more than halved since 2014. In absolute terms, the European Banking Authority estimates that the total stock of NPLs on commercial banks' balance sheets reduced by more than EUR 100 billion over the past year. This trend will most likely continue in 2020 as the "Action plan to tackle non-performing loans in Europe" will continue to maintain pressure on banks to reduce the stock of NPLs.

From 2010 until 2018, European loan sale activity was setting new records in volume every single year. The year 2019 was the first year after nearly a decade where the volume did not surpass the previous year's high. Although there were transactions involving more than 140 billion of non-performing exposures in 2019 on the European market, this lagged behind the 202 billion in 2018 and even the 153 billion in 2017. Deal flow remained robust, but competition has intensified, yields have been compressed, and sellers were more and more unwilling to sell at prices below their expectations.

In 2020, we expect a robust pipeline of deals and a higher volume of secondary portfolio sales. In addition, we expect to see a higher volume of REO portfolios as many banks aim to offload repossessed assets from previous years. This phenomenon has been especially visible in Spain. On the other hand, securitization will play a more significant role in countries where the government provides state guarantees on senior tranches.

In Romania, Croatia, Slovenia, and Hungary, NPL sale activity continued as in previous years, while in Greece, Italy, and Spain the activity even picked up, with major NPL transactions taking place in 2019. Although NPL activity has been significant across all European countries, the most notable reductions have been in Spain, Italy, and Greece. Although Greece and Cyprus saw robust deal flow, they remained at the top of the list of the highest NPL ratios in the region, with 39.2% and 21.5%, respectively, down from 45% and 34%, respectively, in 2018. In Spain, half of the volumes transacted were REO portfolios, while the Italian market is fragmented with transactions involving both large and small portfolios.

Deleveraging through write-offs and NPL disposals continued thanks to various supranational initiatives that aim towards more strict regulations of the banking sector in terms of capital adequacy and NPL ratios. In addition, the EBA, the ECB, and the European Commission continued their efforts to develop a well-functioning NPL transaction platform in order to create liquidity, reduce information asymmetry, reduce market failures of the past, and stimulate secondary NPL markets. Vibrant NPL markets, namely Greece, Cyprus, Portugal, Italy, Bulgaria, Slovenia, Hungary, Croatia, Ireland, Poland, Romania, and Spain, have above-average NPL ratios, but pending and future transactions may reverse the situation.

STRENGTHENING OUR CORE MARKETS AND ENTERING NEW ONES

In Hungary, we have been active in 2019 by advising on the acquisition of two NPL/REO portfolios. The first is a non-performing secured retail portfolio with a nominal value of EUR 75 million as of transaction closing. The deal was acquired by Momentum Credit Zrt., a licensed single-purpose vehicle for APS and

Balbec , our business partner and global investment company. For the second, we have advised our partner Balbec Capital on the acquisition of a pure REO portfolio formerly owned by a Hungarian commercial bank. The assets range from residential apartment units to development land, and the market value is close to EUR 10 million.

In Bulgaria, along with our partner Balbec Capital, we have acquired a non-performing corporate and retail portfolio with secured and unsecured exposures from UniCredit Bulbank. The portfolio with a nominal value of about EUR 50 million will be serviced by the local APS servicing branch.

In the Czech Republic, we have advised Balbec Capital on the acquisition of a sizeable unsecured retail portfolio that is now serviced by APS.

In Croatia, we have advised on the acquisition of a small non-performing secured retail portfolio.

In Serbia, we have acquired a small non-performing unsecured corporate portfolio.

In Greece, we submitted multiple offers on various transactions within 2019. Through various portfolio sales in 2019, the current NPL ratio stands at around 39% and remains the highest in Europe, while the total NPL stock has been reduced to about EUR 65 billion from its peak of EUR 105 billion in 2015. We expect a significant amount of that portion to be available for sale. As Greek banks face continued pressure from the ECB and the Bank of Greece to decrease their NPL ratios further, we expect more activity on the market in the coming year, which could establish Greece as the third-largest NPL market in 2020 in terms of volume.

In Cyprus, in the second quarter of 2019 APS has acquired, in a consortium with Balbec Capital, a EUR 245 million unsecured retail portfolio from the Bank of Cyprus, further establishing its position as one of the most important servicers on the island, as it also manages the NPL portfolio of Hellenic Bank. We continue to participate in many NPL portfolio sales that are taking place in Cyprus and are optimistic that another transaction might come in 2020.

LOOKING AHEAD

In 2019, APS primarily focused on NPL transactions in CEE and SEE. We managed to close several deals in our core markets, namely Hungary, Croatia, the Czech Republic, Bulgaria, Romania, Serbia, and Cyprus. In 2020, our focus will be to further strengthen our investment management capabilities and execute more deals within debt restructuring and special situations on existing markets as well as expand geographically into new markets.

The Spanish NPL market is one of the most active markets in Europe, having divested more than EUR 135 billion of non-core assets since the peak in 2013, but it has a sizeable book of unresolved NPLs remaining, estimated at over EUR 100 billion. The Spanish NPL market differs slightly from other markets in that most of the sales are REO portfolios. The new provisioning guidelines resulting in higher risk weighting for REO assets for banks has, to a great extent, shaped this trend. APS envisages entering the Spanish market through a smaller-sized REO portfolio or a secondary/tail sale portfolio previously acquired by a large player.

In Ukraine, deal flow has showed some signs of improvement but is still nowhere near its European counterparts, although the stock of NPLs is estimated to be around EUR 20 billion. Since the introduction of NPL e-auctions, activity on the market is picking up, and the country's political situation is slowly improving. With some interesting opportunities in the pipeline and a sizeable volume outstanding for sale, we expect a gradual increase in activity in the coming years.

INVESTMENT PROCESS

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

external sources local legal advisors, property appraisal advisors, and experts with experience in NPL recovery.

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

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

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

APS ADVISED FUNDS AND VEHICLES

Serraghis Loan Management

— Established in 2009
— Investment period 2010–2012
— Non-regulated investment vehicle from Cyprus
— The first APS investment vehicle for regional institutional investors and family offices
— Invested in 35 portfolios worth EUR 650 mil. All types of NPLs and distressed assets
— CEE and SEE
— APS the exclusive investment advisor
— At the end of 2019, the performance of Serraghis Loan Management reached ca 101%, 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 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 regular joint-stock company
— Investors are family offices and HNWI operating under jurisdiction of Czechia, Slovakia, Hungary, Cyprus, Malta, USA, UK
— Investments in 13 portfolios with total nominal value of EUR 1.2 billion
— All types of NPLs and distressed assets CEE and SEE
— APS has been the exclusive investment advisor
— The overall performance of APS Fund Alpha reached 97,3% due to the shift of some key recoveries from the end of 2019 to 2020. The performance of APS Alpha is within expected volatility. For investors, the net break-even point was reached and exceeded in December 2017.

APS BETA, former APS Fund Beta

— Established in 2013
— Investment period 2014 - 2018
— Non-regulated investment vehicle from Czechia. (delicencing from regulated Qualified Investors Fund was 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 nominal value EUR 1.07 billion.
— APS has been the exclusive investment advisor
— The overall performance of APS Beta reached ca 63,62% in 2019, compare to 88% in 2018. Further gradual improvements in overall performance are expected. Weakness is 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 distressed 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 expected range, with couple assets lagging slightly their target. In general the outlook for 2020 is positive however certain portfolios will be impacted by government measures and general economic situation related to COVID-19.

LM IF

— 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 jurisdiction of Slovakia
— As of 31 December 2019, 17 investments have been done
— All types of NPLs and distressed assets CEE and SEE
— APS has been the exclusive investment advisor
— The performance of LM IF reached ca 82% due to additional investment in two new portfolios in 2019. These portfolios had slow start comparing to the model, which resulted to decrease of overall performance. The overall performance of LM IF is within expected volatility.

LM II

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

FOCUS IN 2020

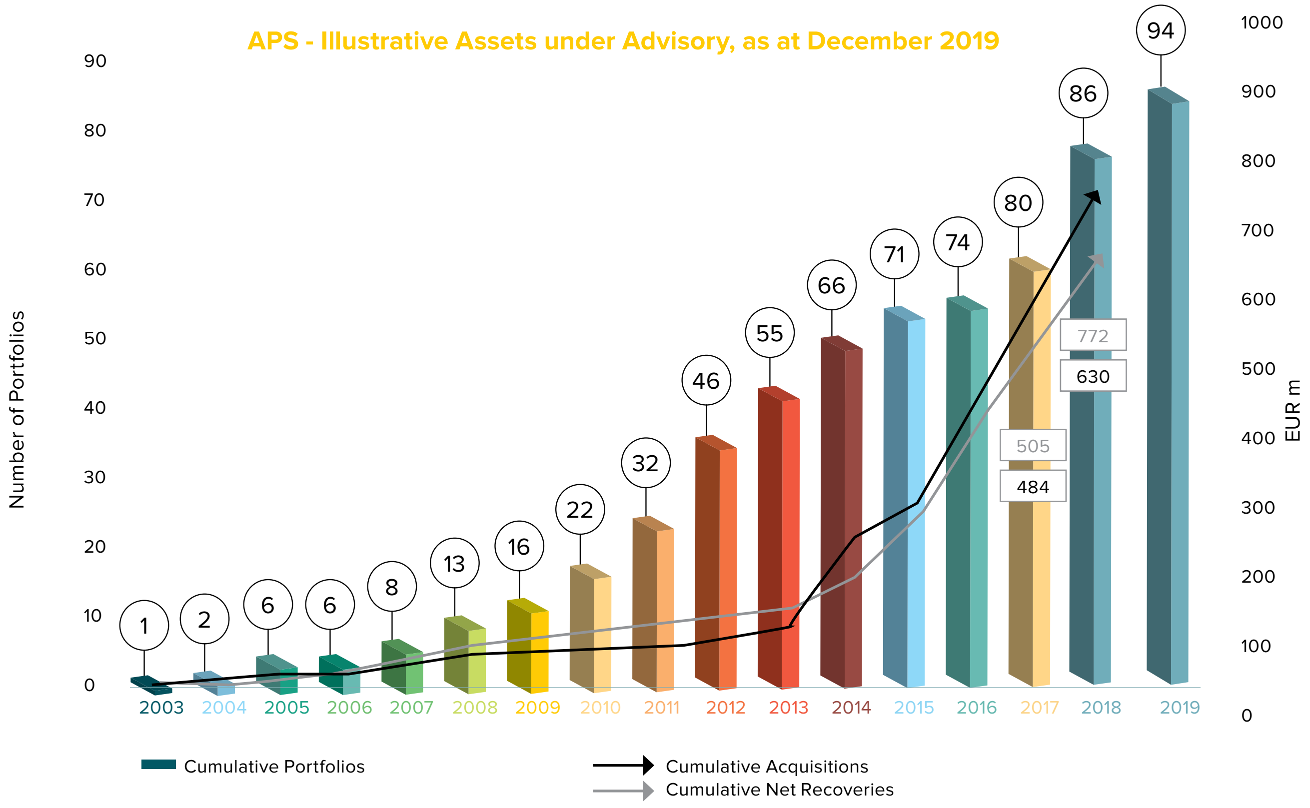
In 2020, our focus will remain on APS Epsilon, the first commingled Luxembourg-based regulated Reserved Alternative Investment Fund (RAIF) advised by APS, intended for large institutional investors focusing on distressed assets. The recovery process for portfolios acquired through APS Epsilon will be managed by local APS servicing subsidiaries. In terms of territory, APS Epsilon will invest in Central and Southeastern Europe.

APS EPSILON

— LUXEMBOURG-BASED COMMINGLED FUND FOR LARGE INVESTORS WITH A PREFERENCE FOR INVESTING FROM EUR 50 MILLION; APS TO ACT AS GENERAL PARTNER
— INVESTMENT PERIOD: 3 YEARS FROM FIRST CLOSING
— TARGETED INVESTMENT: EUR 100+ MILLION
— REGION: CESEE
— EXPECTED BREAK-EVEN POINT IN 1.5 YEARS, PROVEN BY TRACK RECORD
— TARGET OF 18–20% IRR (GROSS), WITH EXPECTED MULTIPLE OF 1.5
— FAVOURABLE RISK PROFILE: PORTFOLIOS ARE SECURED BY REAL ESTATE AND INHERENTLY DIVERSIFIED

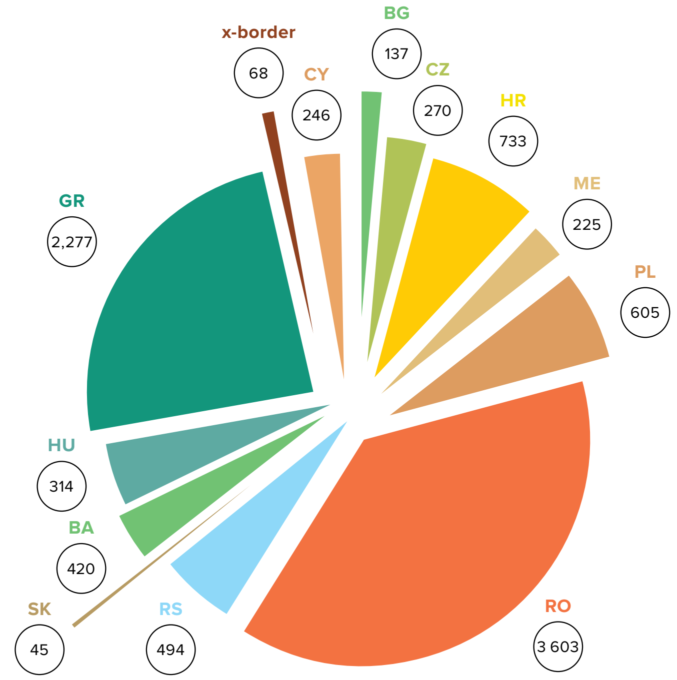
APS IN SUMMARY AND NUMBERS

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

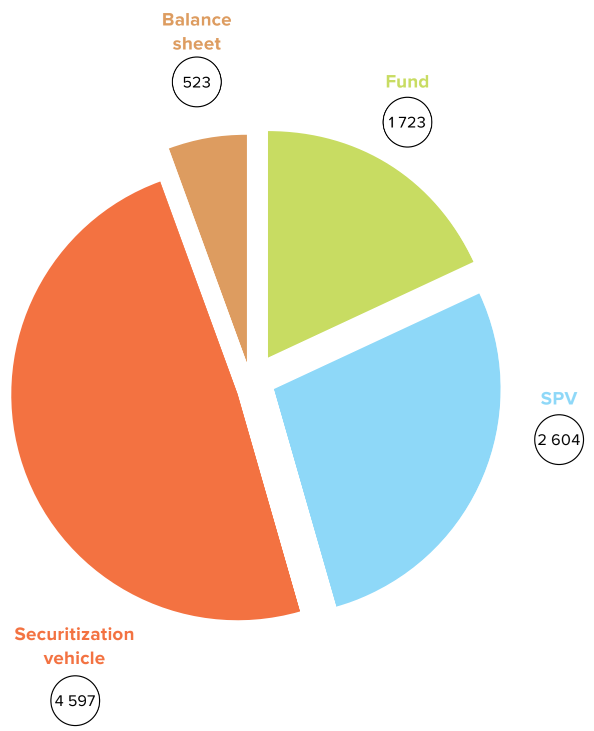


As of December 2019, assets under advisory by APS had reached EUR 9.4 billion in nominal value. Cumulative acquisitions had reached EUR 836 million, and cumulative net recoveries EUR 799 million.

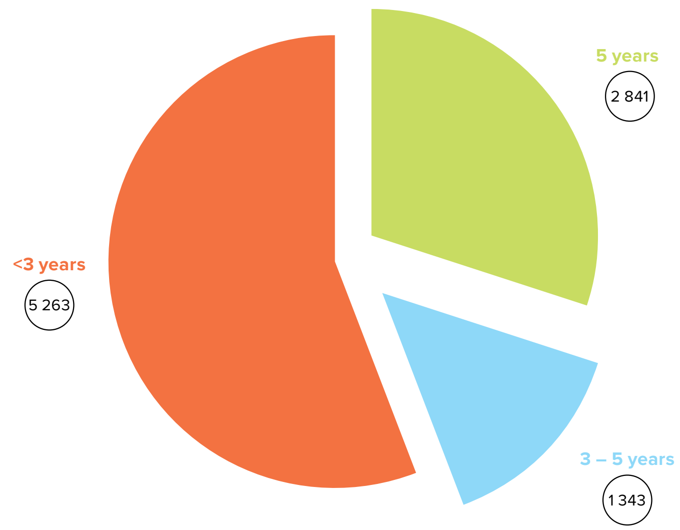
NOMINAL VALUE BY COUNTRY
Grand Total (EUR m)



NOMINAL VALUE BY ENTITY
Grand Total (EUR m)



NOMINAL VALUE BY AGE
Grand Total (EUR m)



05

REAL ESTATE

APS Group has established a Real Estate division – 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; and

(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) within the Office and Industrial & Logistics segments.

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 m^2 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 projects in the Residential and Retail Park segments with a gross development value (GDV) of up to EUR 25 million. During the second half of 2019, APS Real Estate was involved in two projects at different stages of the development process.

In Prague, APS Real Estate is the development manager for the Savoy Apartments project, which entails the complete reconstruction of the roof space of a historical building located in a prime city centre location that will ultimately comprise four exclusive apartments with a total floor area of over 550 m^2. The newly created apartments are intended for rental with the main aim of the project being to target long-term modest capital growth.

In Bucharest, APS Real Estate is evaluating an investment into a two-phase residential development consisting of 448 apartments with a gross built area of over 36,000 m^2. The GDV of this project exceeds EUR 60 million. While this is significantly in excess of the platform's project focus size, it was decided to pursue the project with co-investors on account of the attractive target returns that the project is expected to deliver upon completion, with contributions from the dynamic nature of the Bucharest residential market.

Broadly, our aim is to create attractive and valuable projects delivering superior risk-adjusted returns for investors with consideration to market cycles.

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.

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, IPOs, taxation, insurance, legal matters, internal management, and mergers and acquisitions.

Our Asset Management team, as an international team of experienced professionals, provide APS Real Estate 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.

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.

05

BUSINESS DEVELOPMENT 2019

The main responsibility of the Business Development Division ("BD") is to introduce APS and its standards, policies, and services to new markets and coordinate all APS units in supporting such set-ups. The BD also provides support to newly established entities during the first year of their operation to ensure full compliance with APS Group requirements and enable a smooth hand-over to the new management.

Within 2019, new tasks were given to the BD: (i) operational reporting for all APS Recovery subsidiaries, i.e. debt recovery platforms; and (ii) underwriting and valuation of NPL portfolios with purchase prices below EUR 5 million.

WHAT WAS ACHIEVED IN 2019

In 2019, APS fully entered Montenegro with the acquisition of a major portfolio of corporate secured NPLs with a gross book value of EUR 0.2 billion. The office in Podgorica, the capital of Montenegro, currently employs a team of professionals tightly cooperating with other subsidies in the region (Croatia, Serbia, and Bosnia and Hercegovina), especially in the areas of IT, reporting, system administration, and HR. We have proudly observed that the newly established office has surpassed its 2019 targets.

The BD also continued providing support to recently set up entities: APS Bosnia and Hercegovina, which has already become an important contributor to APS Group financial results and growth, and APS Recovery Greece.

EXPANSION TARGETS FOR 2020 AND ONWARDS

APS is constantly evaluating business opportunities in other countries, especially in the Mediterranean region, and future expansion may happen in 2020 or the following years. Among the monitored targets, the following markets are the most prominent.

Spain

Spain is a mature NPL market, both primary and secondary. Even though competition is high in both investment and servicing and the NPL ratio dropped below 5% at the end of 2019, it is still appealing as NPL volumes remain high and above EUR 55 billion.

Italy

With an NPL ratio of around 8% and a total NPL market of some EUR 155 billion, Italy remains among the largest European NPL markets. APS continues to observe ongoing transactions and awaits an opportunistic entry.

Ukraine

With probably the highest NPL ratio in Europe, at cca 50%, Ukraine hit the radar of APS and is currently being evaluated with a highly opportunistic approach. Market specifics, such as political, economic, and currency stability and the development of the anti-corruption movement, are being reviewed.

Moldova and Slovenia

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

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HIGHLIGHTS 2019

06

HIGHLIGHTS 2019

ROMANIA

APS Romania:
2019 achievements and 2020 foresight

2019 Achievements

For us, 2019 was a very long roller coaster ride, rushed by the positive feeling of new achievements and, at the same time, with both the pressure and the excitement of signing multi million euro transactions on corporate portfolios. With exceptional efforts we have managed to achieve a very challenging annual target.

At a glance, the biggest achievements were 6 new servicing projects onboarded and the overall contribution margin for third-party servicing raised from EUR 20,000 in 2018 to EUR 300,000 in 2019. We have also successfully set up the Avala project, corporate secured NPL portfolio sold by Alpha Bank, the first single ticket in the history of APS Group that brought us revenue of EUR 650,000. Regarding secured portfolios, we managed to close 13 transactions with a total value over EUR 1.5 million, and for our oldest portfolios, such as Tokyo, Rosemary, Orion, and Saturn, we managed to keep revenue at about the same level as the previous year while optimizing costs by approximately 8%.

2020 foresight

APS Romania is viewed as a trend–setter on the local market, and we plan on making use of this in coming months to increase the number of targeted industries. The pioneering initiative that began in 2019 with customer care, help desk, and telesales services is already paying off by contributing to the APS client portfolio and growing our business. Servicing for corporate cases is another new service promoted by APS and that had never been offered previously.

Despite lower NPL volumes, APS Romania's strategy is to keep growing by gaining new secured corporate portfolios. For now, we are the preferred bidder for two important portfolios (Danube 2 and Sinope, originating from the National Bank of Greece and Bank of Cyprus, respectively), but we plan to continue our expansion in servicing, raising our visibility as a service provider on the Romanian market. We are confident in our ability to do so because of our competitive advantages, high quality services, and coverage of both B2B and B2C.

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 76 million by the end of the year.

We place an emphasis on innovation especially in our employees' development by challenging them with creative contests to exceed their previous performance. The training programme for 2020 is finalized with the addition of new modules meant to emphasize care for our employees' skills.

We consider 2020 to be a year in which we will consolidate our business and further develop the new market opportunities identified by the courageous initiatives already started.

CROATIA

The year 2019 was challenging for APS Croatia. Not only did we want to keep performance standards high, but we were also focused on acquiring new NPL portfolios offered on the market as a result of a few large due diligence processes we were involved in from the start.

Last year's results can be synthesized as 97% recovered investment for a secured portfolio acquired in May 2017, with 45% of the total initial units of collateral sold, and 132% for a secured NPL portfolio from January 2017, with 63% of the total initial units of collateral sold.

In the first quarter, a EUR 5 million settlement was finalized after approximately 6 months of negotiations with the debtors, third-party buyer, and financing bank and EUR 1.1 million was cashed in from court after more than 9 months since the auction took place.

In second quarter, two large cases comprising one big industrial facility with 22,500 m^2 of land were closed and EUR 7.7 million was cashed in from the auction sale.

The biggest challenge in Croatia is to collect money from auction sales as the courts are often overloaded, improperly equipped, and lacking in auxiliary personnel. Our permanent goal is to shorten the timing between auction date and distribution date from 9–12 months or even more to a maximum of 6 months. In December 2019, we succeeded in bringing in EUR 4.1 million from auctions held in September 2019.

Looking ahead to 2020, APS Croatia's goal is always the same – to thrive! We have an amazing team of professionals and we are always moving forward, facing everything together. APS Croatia is always focused on consolidating our position on the NPL market and maintaining or increasing the profitability of current portfolios, and we have high hopes we will continue to bring great results in future.

BULGARIA

The year 2019 was dynamic and progressive for APS Bulgaria. We took on a significant role in a few due diligence processes and along with investors managed to acquire one of the top three NPL portfolios sold on local market, called Lion-2. The total nominal value of NPLs under APS management in Bulgaria reached EUR 138 million. Based on an optimized workflow for retail collection, our second biggest portfolio, TBI, continued its positive trend of overperforming. As a second business line, APS phone collection increased operations on the local market by attracting for services one of the largest local companies dealing with electricity.

CYPRUS

In 2019, APS Debt Servicing Cyprus Ltd. continued its successful run after the great results from 2018. 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. In the full year of 2019, performance was very solid with revenue and profit before tax of circa EUR 16.8 million and EUR 3.2 million, respectively.

The recovery and real estate departments continued their momentum of previous years and produced strong results. Several major cases have been resolved and all three recovery departments and the real estate department managed to get close to or, in many cases, beyond their financial targets, with constant support from centralized teams always functioning with enthusiasm and professionalism towards this common goal. On the business development front, APS Cyprus explored new opportunities on the local market. The main success was the commencement of the operation of a servicing contract for a portfolio of EUR 245 million of unsecured retail loans by APS Loan Management acquired from Bank of Cyprus. Another important development is the expansion of the relationship with Hellenic Bank, increasing the servicing contract by including former CCB cases amounting to more than EUR 400 million.

For the coming months, our target remains to continue delivering on all financial and recovery targets and to explore new business opportunities despite the highly competitive environment in Cyprus. We are optimistic that APS Cyprus will continue growing and attaining sound performance.

CZECH REPUBLIC

In the Czech Republic, APS has decided to relocate collection activities from Prague to Pardubice. The relocation project was launched in October 2019 and will be finalized in April 2020. The main driver of the relocation is the lack of appropriate labour sources in Prague to run collection activities effectively. During 2019, APS also started the Broker project. The common understanding and aim of the project is to connect the world of debt (receivables) with the world of financial service provision. The meeting point is financial education and the main sense is the expectation that an educated debtor who obtains information on how to behave responsibly on the financial market is a good source for providing financial services. We also expect this activity to strengthen the APS brand. The details of this project were finalized during the last quarter of 2019, and project launch is expected in January 2020 when the first group of debtors will be contacted.

SLOVAKIA

The Slovak market is very fragile due legislation in favour of debtors. During 2019, legislation was issued that ends perpetual enforcement proceedings and gives the bailiff authority to demand termination of proceedings if several conditions are not met (including cash in a given time period). That is why we do not act actively on the market and only keep or service assets that we have had under control in the past.

SERBIA

We consider 2019 a successful year for APS Serbia with robust collections across our five secured portfolios. In addition, we have managed to close our first deal under EUR 5 million, Grey 4, which, though not very significant in size, paves the way for future similar deals. Our team currently numbers 17 very motivated members, and with the strong pipeline expected in 2020 we hope to expand further. We are very proud that some of our interns have proven their dedication and skill and become full members of the APS family. The year 2020 will see us competing for 2 large state-owned secured NPL portfolios constituting the majority of the remaining corporate NPL exposures on the market. Also, we are constantly scanning the market for smaller portfolios or single-ticket transactions with attractive potential returns.

POLAND

In 2019, APS carried out its activities in accordance with the assumptions adopted in previous years. Throughout the year, we managed our clients' debt portfolios as a third-party servicer. We provided services to altogether 32 clients, mainly corporate clients from the banking sector but also clients from the utilities and fast-moving consumer goods sectors.

We managed to prepare almost 5,000 financial reports providing our clients with extremely precise information on the entities analysed. At the same time, this allowed us to conduct a market analysis of potential clients' needs and build the knowledge necessary to expand our services.

During 2019, we actively participated in almost 30 tenders for debt portfolios from various sectors, focusing on banking portfolios. Moreover, we participated in three bank tenders in third-party servicing organized by the largest banks in Poland. The year in numbers is as follows:

- 359,317 exposures (cases), and
- EUR 804 million total value.

GREECE

In 2019, APS Greece launched full operations and took over the servicing of 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 two subcontracted law firms that are among the most reputable on the local market. Preparations for the takeover began in late 2018 by recruiting new management for the company, but the majority of staff joined APS Group in the first quarter of 2020. Since then, work on optimizing all processes has begun and the recovery strategy is constantly being improved.

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 and APS is participating in the majority of such tenders. More than EUR 70 billion of NPLs are still reported by the Bank of Greece with an NPL rate above 40%.

HUNGARY

In 2019, APS in Hungary continued its growth and implemented useful efficiency measures on its operations. The biggest milestone was reaching the break-even point for the first portfolio under management, which increased the trust and appreciation of our investors. As a result, APS was successful in acquiring the last sizeable secured retail portfolio on the Hungarian market. The branch continued to expand and in parallel to the new acquisition also set its foot into the real estate market by acquiring substantial distressed real estate from a commercial bank.

In 2020, our aim is to strengthen the new business lines and to open up to new asset classes, focusing on secured loan portfolios and restructuring deals. Our main aim is to provide high-quality management and assessment services to our partners by building on our extensive experience in collection.

HIGHLIGHTS 2019

07

Values and Vision

07

VALUES AND VISION

APS is an asset management company active in the field of alternative assets: distressed debt, real estate investment, and debt recovery. Since our establishment in 2004, we have started operations in 13 countries within CESEE, becoming a market leader in the region. Thanks to our experience and expertise, we can offer our partners tailor-made comprehensive services based on a deep knowledge of both business procedures and market specifics.

We have built our reputation on excellent business knowledge, highly professional skills, and ethical integrity. We know that building trust is not something that happens instantly. Creating a solid business partnership takes time and requires daily commitment. Through the continuous harnessing of our skills and knowledge, we can crown our efforts with tangible results: bringing profit to our partners and benefits to local communities.

At APS, we know that every partner is unique. We are therefore prepared to carefully consider every aspect of a joint project and come up with a unique solution that best fits the purpose of our cooperation.

The values we cherish are also reflected in our hiring processes. From our employees, we expect hard work and compliance with our rules and principles. In exchange, we support their professional development and we strive to meet their needs for a work-life balance. We are not afraid of challenges and we see them as opportunities to grow professionally.

Working with global market leaders as business partners is both a big honour and an obligation for us, and we are doing our best to keep pace with them in providing excellent services.

In the near future, we wish to further strengthen our position in our traditional markets and explore both the large Western European distressed debt markets and some markets as yet uncharted by distressed debt investors. In order to be prepared for both local and global challenges, we will also focus on strengthening our personnel and technological infrastructure.

08

Corporate Social Responsibility and Sustainability

08

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

APS Seeding Knowledge foundation have continued to actively meet their commitments in the area of social responsibility and sustainability. The fund's strategy is built on three pillars – helping senior citizens, education and equal opportunity support, and environmental activities. Apart from this, there are also employee grassroots initiatives within APS as well as fundraising activities to support specific causes. These are commonly found in all of our offices. APS has also become a partner of the Rapid Bucharest football club, which, apart from its cup ambitions, has a well-developed trainee academy.

We don't live in a vacuum – we are well aware that today's society faces various challenges and issues. We also know that the vast majority of these, whether social inequality, the unavailability of education, issues arising from ageing populations, or climate change, have no simple solution. Simple solutions, though rhetorically attractive, won't bring any long-term effects in the form of a sustainable and prosperous future. We're also aware that our journey is going to be long. Therefore, in the spirit of social responsibility and sustainability, we focus on long-term projects and long-term cooperation with stable partners from the ranks of non-governmental organizations (NGOs) and civic society.

"WE'RE OPEN TO NEW IDEAS AND SOLUTIONS. ANYONE WITH AN IDEA, INITIATIVE, OR SOLUTION CAN APPROACH US. ANY MEANINGFUL OFFER TO BRING ABOUT POSITIVE CHANGE HAS A CHANCE TO SUCCEED OR WIN ONE OF OUR PERIODICALLY ANNOUNCED GRANTS."

An integral part of the APS CSR strategy is investment in our employees, which takes the form of training, workshops, and a novel approach to human resources, as well as upholding the most stringent ethical and professional standards in the entire industry. We are striving to decrease our environmental footprint. In our internal processes, the group is migrating to the concept of a "paperless office", which prioritizes the use of digitalization over needless printing. In all our offices, we are minimizing the use of disposable plastics, separating our waste, preventing needless waste, and saving energy.

INTERGENERATIONAL DIALOG AND HELPING SENIOR CITIZENS

In 2019, Seeding Knowledge Endowment Fund continued to support educational and therapeutic activities aimed at senior citizens. As a part of a nationwide initiative by Český rozhlas, we have funded garden therapy classes for clients of nursing homes. These classes are aimed at improving fine motor skills, increasing sensory perception, and including the clients within a long-term project to improve their mental state.

Another big project in this area is our recent cooperation with Elpida. This organization has won a Seeding Knowledge call for proposals that attracted ten organizations with varied projects. Our cooperation with Elpida began in autumn of 2019 and will last until the end of 2020. Elpida publishes the magazine Vital. This periodical is aimed primarily at senior citizens. It offers smart reading including interviews with opinion leaders, relevant tips, and articles concerning current affairs, such as finance, fake news, and others. The greatest benefit this magazine offers, however, is its attempt to offer reading that enables intergenerational dialog. This means that its articles are of the same high quality as articles in leading opinion-forming and mainstream media. APS will fund the distribution of Vital to more than 300 nursing homes and to those who can't afford a subscription.

EDUCATION AND HELPING THE HELPERS

This leads us to the second pillar of the fund – education and equal opportunity support. As stated above, APS invests in our employees in the form of various education activities under different departments and HR.

There is also an interest in information sharing and providing expert know-how to those who help. In cooperation with the management of the Nadace Neziskovky.cz foundation, the fund has organized two trainings aimed at management, fundraising, legal support, and communication. Both workshops were divided between Non-Governmental Organization experts and volunteers from the ranks of APS employees. The experts helped the NGOs with topics such as project management in the NGO sector, management, and fundraising. Meanwhile, APS employees gave lessons on topics such as legal support, the GDPR, and marketing. Feedback has shown that several of the attending organizations have subsequently succeeded in attracting sponsors.

Our Romanian Seeding Knowledge foundation is aimed at the development of children, parents, and teachers. The purpose of the fund is to provide talented children and children from socially disadvantaged backgrounds with education that respects their needs. The aim of the education is not only to provide knowledge but also to inspire a passion for exploration in the students. Simultaneously, the fund provides education scholarships. These scholarships will help talented children until the age of 18.

FINANCIAL BACKGROUND MUST NOT BE AN IMPEDIMENT TO ACHIEVING GREATNESS.

600+ hours of individual personal development

800+ hours of meditation

100+ hours of group personal development sessions

5 various sports being played over time"

This pillar also includes support for equal opportunities and the defense of human rights. The Prague office of APS and its employees participated in the Prague Pride march. This pride march, which is regularly held in the heart of the Czech capital city, increases awareness of the unequal rights of the LGBTQ community and discrimination against people. The aim of the pride march is to celebrate respect, love, and diversity. The fund has also invested in support for Prague Pride helplines. These helplines and chats are aimed at providing teenagers and young adults with guidance concerning bullying due to different sexual orientations.

PLANTING TREES

The most recent CSR pillar is support for environmental activities. APS is trying to decrease its environmental footprint. We have also begun to cooperate with the Újezdský strom organization in participating in a Czech tree-planting challenge. At the end of the year and during the next suitable growing season, approximately 100 trees will be planted thanks in part to our support.

RAPID BUCHAREST PARTNERSHIP

APS has partnered with Rapid Bucharest, which was once a great European football club. During the course of our partnership, the club has already progressed from the third league to the second league. This is a sport that is globally recognized and has proven to connect people. Not only as fans but also primarily as players. Rapid has an exceptional trainee academy and a history of extensive work with youths. Football, and sports in general, is a great preventive measure against negative social issues among young people in large cities.

This brief summary of APS CSR activities is by no means exhaustive and cannot include all of the activities, fundraising efforts, and initiatives in which the fund or individual employees have participated. Regardless, I would like to sincerely thank all the active and committed individuals for the work they have put into making our world a better place.

09

Directors' Report

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DIRECTORS' REPORT

MARKET SITUATION 2019

The distressed debt market in emerging Europe in 2019 once again showed growing trends with respect to traded volumes, dominated by RE asset-backed portfolios, and more value-added products offered.

Banks and other financial institutions are more widely acknowledging that deleveraging their balance sheets and cooperating with distressed debt specialists represent the most effective and efficient solution to NPLs. This idea is strongly supported also by European authorities, currently developing concepts and tools that could enhance secondary NPL markets across Europe. The number of traded portfolios and their nominal values were increasing across emerging Europe. Benefiting from our good reputation, excellent expertise, and innovative approach, we kept up with the market and reconfirmed our leading position in Central and South-eastern Europe.

In 2019 NPL servicing business backed corporate and retail portfolios across our markets, including landmark transactions in Romania, Serbia, Croatia and Hungary. We successfully launched our operations with the aim of positively impacting local economies.

STRATEGY

The main activities of our group remain debt recovery services, distressed asset and special situation investment management, and real estate. These are the areas that continue to form the core of our business, with a special focus on our newly formed Real Estate division, which during the course of 2020 will look to establish its position on the market.

We strive to maintain our debt recovery services at the highest professional level with ethical standards and

> Our strategy is to strengthen all of our business lines.

efficient collection guaranteed. We focus on all major NPL, PL, and RE portfolio auctions within our traditional markets, and we are expanding into new territories. Our strategy is tightly connected to our company values. We always look to the future and aim to establish long lasting business with a solid network of reliable partnerships built on trust. This remains our main strategy also for the year 2020.

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

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

FINANCIAL STATEMENTS

We present the financial statements for the financial year 1 January–31 December 2019. 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 2019. The financial statements are presented in accordance with the International Fi-

nancial Reporting Standards adopted by the European Union and are audited by Deloitte Audit S.à.r.l.

In 2019, our business delivered very positive results and confirmed slight revenue growth. Revenue has increased to more than EUR 46 million, which represents 1% growth over the prior year.

PROFIT AND LOSS

In the year 2019, we achieved net profit of EUR 4.6 million, which is lower than in the prior year. The decrease in profit is driven by increased costs due to implementation of strategic IT projects and higher salary costs in the European labour market.

CASH FLOWS

The key sources of group's cash flow were operating activities and issuance of bonds which are publicly traded on the Prague Stock Exchange.

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 ordinary 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 afore mentioned 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 equality and donation to the Pride Festival 2020 by our Seeding Knowledge charity.

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.

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 2019 the Group was active in portfolio acquisition, servicing and also real estate sector. We believe that goals settled for the year were fulfilled and new targets are defined.

Outlook for the NPL investments and servicing in Central and South Eastern Europe remains positive as banks continue disposal of these assets and focus their attention on new lending. 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 maximize 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 manage restructurings and thus we expect to benefit from the expected higher flow of these sub-performing loans to the market.

In 2019 we have acquired first real estate portfolios which were historically accumulated by the banks from on-going debt to asset swap programs. REO portfolios are a typical product in more mature NPL markets such as Spain or Portugal but we expect to see increased volume of such accumulated REO portfolios in CEE / SEE going forward. APS will in the future focus more on potential improvements to these properties which is in turn expected to improve liquidity and marketability of those properties but of course also lead to better selling prices.

Geographically the Southern economies such as Italy, Greece, Cyprus and Spain continue to dominate the NPL markets having highest stock of NPLs and being the most active NPL markets in Europe. In 2020 we are targeting to establish the presence in Spain. Even though Spanish NPL market is very mature and competitive we see attractive opportunities in secondary trades and smaller ticket size NPL and REO portfolios. Cyprus is set to have record volume of its NPLs traded in 2020 whereas APS will seek to grow its business in Cyprus via offering its servicing expertise and capacity to the new-coming investors whereas APS Debt Servicing Cyprus is currently the largest independent NPL servicer on the island. In Greece 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.

INFORMATION ON COVID-19 IMPACT

APS is currently facing the necessary measures adopted by local governments to mitigate the social and economic impacts of the Covid-19 pandemic.

We expect that current situation caused by outbreak of COVID-19 pandemic will have short term negative impact on our revenues as a result of decline in repayment of loans caused by restrictive and protective measures adopted by national governments. Further we expect decrease in investment activity of our main investors as a result of elevated uncertainty on the market.

In a mid-term horizon we anticipate significant growth in volume of non-performing loans in all countries where the Group operates, and our main business activity is purchase and consequent asset management of these.

Therefore, we expect that APS will conduct, together with its foreign investors, remarkable acquisitions and follow-up management of big corporate NPL portfolios in the upcoming months and years which will lead to increase in revenues as well as profits of the group.

In March 2020, APS Group adopted cost reducing measures to ensure that the group overcomes short-term drop in revenues and will be well prepared for expected business opportunities which will arise after loosening the restrictions connected to pandemic.

Based on groups budget revision, the cost reduction will lead to approximately 35 % cost savings in the Group as compared to original budget. It covers variety of measures including the headcount reduction, temporary decrease of working hours and related decrease in salaries (including additional measures for Board members and top management), temporary cancellation of benefits, travel freeze, hire freeze and non-crucial project were put on-hold.

To eliminate the impact on the liquidity, the procurement department also renegotiated the terms with our suppliers where possible.

DIRECTORS' REPORT

Negative impact on revenue is expected as delay in collection due to Covid measures in different countries (for example courts not working, impossibility to contact the debtor, limited working space for the collectors).

Based on our latest assessment the consolidated group Earnings before interest taxes depreciation and amortisation for the year 2020 will decrease approximately by 30 % comparing to 2019. The decrease is caused by drop in revenues from Asset management fees, expected mostly between April and July and minimal Investment activities budgeted.

In these months, per latest available information (the group is constantly evaluating and updating) the countries where APS Group operates put in place the strongest COVID19 measures, which also affects groups ability to run the business.

Considering groups latest cash-flow predictions, the liquidity of the Group will be adequate during the year 2020 and the Group should not have any issues with repayment of its liabilities, considering the repayment of public issued bonds as well.

The Group evaluates the impact in three different scenarios and the scenario mentioned above is the most pessimistic one. The most pessimistic scenario completely excludes investments into new portfolios and revenue generated from these. The other two scenarios consider different level of revenue generated from new investments.

Our human resources in co-operation with Internal audit department have implemented the policy on business continuity of statutory bodies and senior management. The policy was created to eliminate potential negative COVID-19 impact to the Board Members and senior management and provides the back-up guideline for the worst case scenarios.

We are going to continuously monitor and assess in detail the impact of Coronavirus outbreak to our Group however we strongly believe that the economic consequences of restrictive measures taken in single countries will increase our potential market in near future.

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

RESEARCH AND DEVELOPMENT

APS has not performed any activities in the field of research and development during 2019.

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Compliance

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COMPLIANCE

As our company grows, so does our Compliance team as a part of the Legal and Compliance department that plays an essential role in helping to preserve the integrity and reputation of the group. The scope of the Compliance team, its processes, organizational requirements, and 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 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.

(i) compliance risk management,

(ii) anti-money laundering (AML) and counter terrorist financing (CFT),

(iii) application of applicable sanctions and embargoes,

(iv) protecting and processing personal data,

(v) fraud prevention and deterrence,

(vi) prevention of conflicts of interest, and

(vii) handling claims and complaints about APS operations.

During 2019, amendments were made to the documentation, instructions, and forms used on a daily basis for anti-money laundering (AML) measures and investment fund management, incorporating the new 5th Anti-Money Laundering Directive, which introduces local registers of ultimate beneficial owners, as well as the new Alternative Investment Fund Managers Directive, which regulates the management, administration, and marketing of alternative investment funds in the EU.

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 AML risks, relevant AML and sanctions laws, and internal APS procedures to know what obligations they must comply with.

APS uses both manual and automatic know-your-client verification (World Check from Thomson Reuters) and complies with the policies of the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) – two of the biggest APS investors. Given that processing speed is essential for accepting parties and for detecting and reporting risk or suspicious transactions, excessive speed can lead to inaccurate risk assessments that are often impossible to verify, which can consequently allow money launderers to utilize legal channels for money laundering. In order to prevent these negative effects, companies are striving to create an intelligent automated AML system that can process large amounts of data, build predictive models to assess risks, and implement software learning that minimizes human error. This is related to the APS need to introduce automated methods of detecting suspicious behaviour, primarily in the area of transaction monitoring within the APS Group, that will notify our employees of suspicious, unusual, or complex transactions.

Regarding the other compliance areas, APS recognizes the importance of having effective and independent management of compliance risks, personal data protection, fraud prevention and deterrence, conflicts of interest prevention, environmental and social risks monitoring, and handling claims and complaints about APS operations. Through the compliance programme that is in effect within the entire group, APS ensures that 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
Bussines to Bussines

B2C
Bussines to Custmer

CCB
Cyprus Coopertive Bank

CE
Central Europe

CEE
Central and Eastern Europe

CEO
Chief Executive Officer

CESEE
Central, Eastern and Southeastern Europe

CFO
Chief Financial Officer

CFT
counter terrorist financing

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
The 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-Government Organization

NPL
Non-Performing Loans

NV
Nominal Value

PR
Public Relations

RAIF
Reserved Alternative Investment Fund

REO
Real Estate Owned

SEE
South East Europe

SPL
Sub-Performing Loans

AUT
Austia

BA
Bosnia and Herzegovina

BG
Bulgaria

CY
Cyprus

CZ
Czech Republic

ESP
Spain

GR
Greece

HR
Croatia

HU
Hungary

IT
Italy

LU
Luxembourg

ME
Montenegro

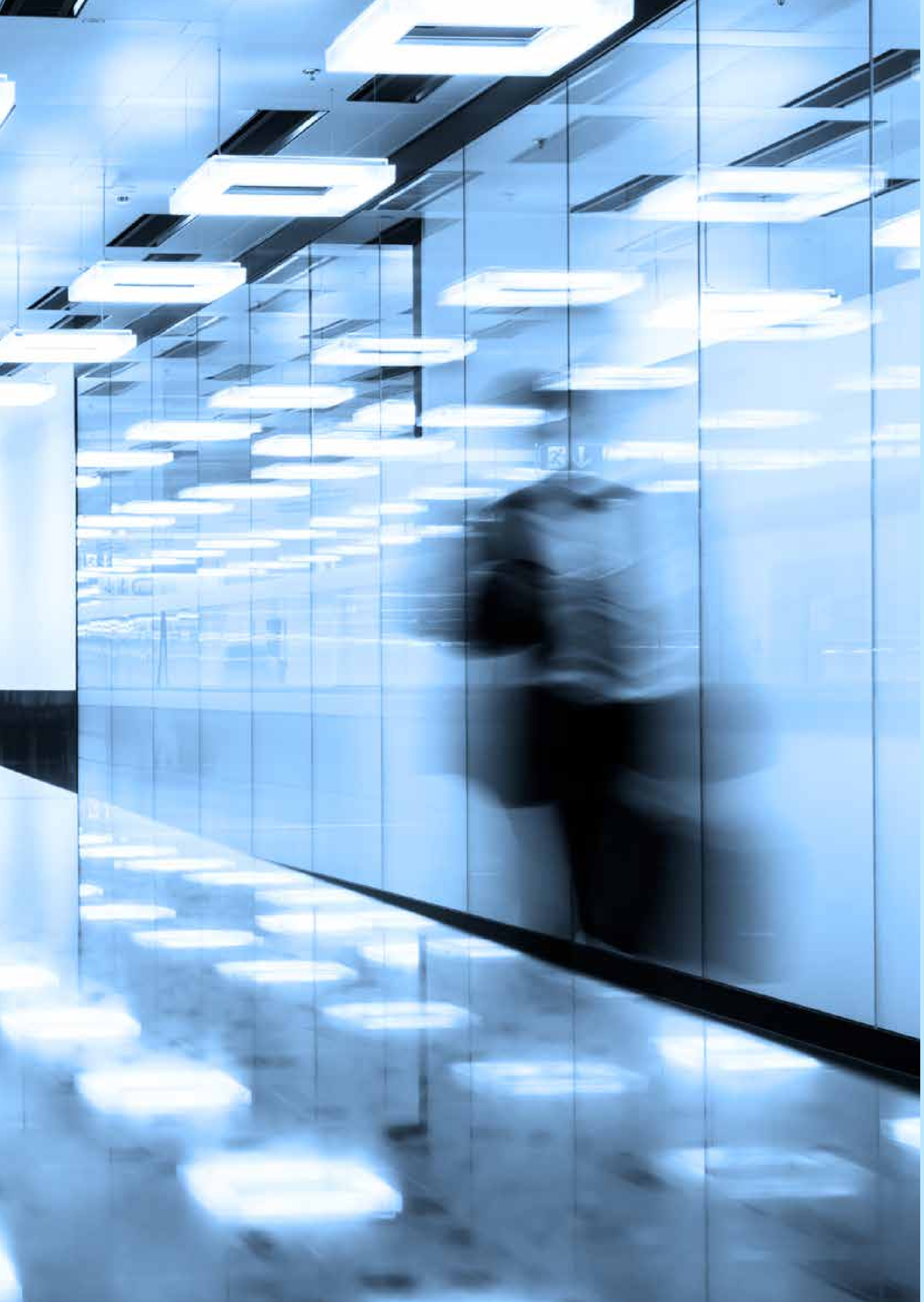
RO
Romania

RS
Serbia

SI
Slovenia

SK
Slovakia

UA
Ukraine



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Consolidated financial statements

as at and for the year ended 31 December 2019 and report of the Réviseur d'Entreprise Agréé

Consolidated statement of profit or loss and other comprehensive income for year 2019

In thousand of Euros

	Notes	31. 12. 2019	31. 12. 2018
Revenue from NPL portfolio servicing	6.1	37 558	36 982
Other operating revenues	6.1	8 566	8 664
Operating revenue		**46 123**	**45 645**
Administrative expenses	6.2	-34 334	-30 573
Other operating expenses	6.2	-770	-1 900
Total operating expenses		**-35 104**	**-32 473**
Depreciation of tangible fixed assets	7.2	-126	-189
Amortisation of intangible assets	7.1	-2 837	-2 910
Depreciation of ROU Assets	7.3	-1 883	0
Operating profit		**6 173**	**10 074**
Profit from shares and participation in associated companies	6.3	34	-1
Net realised and unrealised exchange gains/(losses)	6.3	-45	-272
Interest income	6.3	93	27
Interest expenses	6.3	-2 486	-2 200
Interest expense on lease liability	**6.3**	**-203**	**0**
Other Finance Income/Costs net	6.3	2 211	-444
Net financial result		**-397**	**-2 890**
Profit for the year before tax		**5 776**	**7 184**
Current tax	6.4	-1 387	-1 793
Deferred tax	6.4	158	729
Profit for the year after tax		**4 547**	**6 120**
Profit or loss for the year from discontinued operations		0	0
TOTAL Profit/Loss for the period		4 547	6 120
Other comprehensive income, net of tax (susequently reclassified through P&L)		0	-75
Total comprehensive income for the year, net of tax		**4 547**	**6 045**
Profit for the year after tax attributable to:			
Parent company shareholders		3 231	3 980
Non-controlling interests		1 316	2 141
Total comprehensive income for the year, net of tax attributable to:			
Parent company shareholders		3 231	3 904
Non-controlling interests		1 316	2 141

Consolidated statement of financial position as at 31 December 2019

In thousand of Euros

	Notes	31. 12. 2019	31. 12. 2018
Non-current assets			
Property, Plant and equipment	7.2	333	395
Intangible assets	7.1	15 312	17 003
Goodwill	7.1	9 933	9 933
Right of use Assets	7.3	3 376	0
Shares in associates based on equity method	7.4	12	7
Purchased loan portfolios	7.5	11 688	12 451
Loans and other receivables	7.5	1 257	136
Deferred tax asset	7.7	269	223
Other long term financial assets	7.5	11	0
Total non-current assets		**42 192**	**40 149**
Current assets			
Loan receivables	7.5	935	1 084
Trade and other receivables	7.5	17 304	17 046
Cash and short term deposits	7.5	14 455	13 326
Other short term assets	7.5	1 208	3 809
Total current assets		**33 902**	**35 265**
Assets classified as held for sale		0	497
Total assets		**76 095**	**75 910**
Equity	7.10	31	31
Share capital	7.10	10 229	7 735
Other capital reserves			
Total equity attributable to parent company shareholders	7.10	10 260	7 767
Equity attributable to non-controlling interests	7.11	7 707	9 064
Total equity		**17 967**	**16 831**
Non-current liabilities			
Bank and other loans	7.6	362	15 175
Long term lease liability	7.3	1 849	0
Issued Bonds	7.6	15 584	17 211
Deferred tax liabilities	7.7	316	389
Other long term liabilities	7.6	4 002	4 675
Total non-current liabilities		**22 114**	**37 451**
Current liabilities			
Short-term bank and other loans	7.6	10 035	4 671
Issued Bonds	7.6	5 916	2 572
Trade and other payables	7.8	17 389	13 711
Short term Lease liability	7.6	1 638	0
Current tax payables	6.4	741	564
Provisions and other short-term liabilities	7.9	295	92
Total current liabilities		**36 013**	**21 611**
Liabilities classified as Held for sale	5.2.3	0	18
Total equity & liabilities		76 095	75 910

Consolidated Statement of changes in equity for the year ended 31 December 2019

In thousand of Euros

	Share capital (excl. treasury shares)	Other capital reserves	Equity attributable to the major shareholders	Non-controlling interest	Total Equity
Balance at 1 January 2018	31	3 544	3 575	7 638	11 213
Changes in equity for 2018					
Profit or (loss) for the period	0	3 980	3 980	2 141	6 120
Other comprehensive income for the year	0	-75	-75	0	-75
Total comprehensive income for the year	0	**3 904**	**3 904**	**2 141**	**6 045**
Dividends for the shareholders	0	0	0	-774	-774
Exchange differences	0	289	289	60	349
Balance at 31 December 2018	31	7 736	7 767	9 064	16 831
Changes in equity for 2019					
Profit or (loss) for the period	0	3 231	3 231	1 316	4 547
Total comprehensive income for the year	0	**3 231**	**3 231**	**1 316**	**4 547**
Dividends for the shareholders	0	0	0	-2 695	-2 695
Exchange differences	0	-738	-738	21	-717
Balance at 31 December 2019	31	10 229	10 260	7 707	17 967

Consolidated cash flow statement for year 2019

In thousand of Euros

Cashflow	2019	2018
Cash flows from operating activities		
Profit before taxation	5 776	7 184
Adjustments for non-cash items:		
Share of profit of associates	-34	1
Share of profit of joint ventures	0	0
Finance income	-93	-27
Finance cost	2 689	2 432
Depreciation of intangible asset, property, plant and equipment	4 847	3 043
Impairment losses, net of reversals, on financial assets	0	56
Gain on disposal of property, plant and equipment	85	1 809
Increase/(decrease) in provisions	197	-805
Other adjustments	46	0
	13 513	**13 693**
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
Decrease/(increase) in trade and other receivables	2 207	-6 848
Increase/(decrease) in trade and other payables	3 843	1 136
Other adjustments	0	0
Cash generated from operations	19 563	7 981
Interest paid	-1 761	-2 172
Income taxes paid	-1 543	-1 342
Net cash from operating activities	**16 258**	**4 467**
Cash flows from investing activities		
Interest received	0	0
Dividends received from associates	39	40
Proceeds on disposal of property, plant and equipment	21	0
Purchase of property, plant and equipment	-1 331	-1 037
Purchases of Loan portfolios	-2	-8 264
Loan granted to external party	**-1 064**	**267**
Repayment of loan granted to external party	1 014	0
Net cash (used in)/from investing activities	-1 323	**-9 260**
Cash flows from financing activities		
Dividends paid (NCI)	-2 695	-774
Repayments of borrowings	-12 806	-7 882
Proceeds from issued bonds	-3 498	18 722
Repayment of issued bonds	5 215	0
Net cash (used in)/from financing activities	-13 784	10 066
Net increase/(decrease) in cash and cash equivalents	**1 151**	**5 271**
Cash and cash equivalents at beginning of period	**13 326**	**8 054**
Foreign exchange gains and (losses) on cash and cash equivalents	-23	0
Cash and cash equivalents at end of period	14 455	13 326

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2019

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 2019:

Martin Machoň,
Slezská 2141/116, 130 00 Prague 3, Czech Republic
Member of Board of Directors Nicoletta Leone, 14 rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg who was a Member of Board of Directors for the reporting period resigned 26th January 2020 and Petr Valenta, 2a, Rue des Capucins L-1313 Luxembourg, was appointed as the new member of Board of Directors effective as of 27th January 2020.
Member of Board of Directors Reeba Nachtegaele, 14 rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg who was a Member of Board of Directors for the reporting period resigned 31st December 2019 and William Gilson, 2 Op Eecherbruch, L-6868 Wecker, Luxembourg,was appointed as the new member of Board of Directors effective as of 1st January 2020

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

New and amended IFRS Standards that are effective for the current reporting period

2.1 Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3.8. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.
The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

• requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
• does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‚risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.
(b) Impact on Lessee Accounting
(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16.C8(b)(ii);
(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income;
(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.
Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.
• The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
• The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
• The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
• The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases
For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in of election to apply the low-value lease recognition exemption.

The Group does not present any former finance lease.
(c) Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.
However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.
Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

As of 31 December 2019, the group does not present any material lease contract where it would act in the position of lessor. Therefore, there is no impact to the statements. (d) Financial impact of initial application of IFRS 16
The weighted average lessees incremental borrowing

rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5,99%. The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

in Thousands of Euro	
Operating lease commitments as of 31. 12. 2018	4 643
Leases on low-value assets or those expiring in 2019	813
Other (free rent, etc.)	0
Lease liability before discounting as of 01.01.2019	4 008
Discounting	-259
Lease liability as of 01.01.2019	**3 749**

The Group has recognised EUR 3 749 of right-of-use assets and EUR 3 749 of lease liabilities upon transition to IFRS 16.

2.2 Amendments to IFRS Standards and Interpretations

In the current year, the Group has also applied a number of amendments to IFRS Standards and Interpretations 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 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

• Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" - On 7 February 2018, the IASB published ‚Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

• Amendments to IFRS 9 "Financial Instruments" - On 12 October 2017, the IASB published ‚Prepayment Features with Negative Compensation (Amendments to IFRS 9)' to address the concerns about how IFRS 9 ‚Financial Instruments' classifies particular pre-payable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019.

• Amendments to IAS 28 "Investments in Associates and Joint Ventures" - On 12 October 2017, the IASB published ‚Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' to clarify that an entity applies IFRS 9 ‚Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019.

• IFRIC 23 "Uncertainty over Income Tax Treatments" provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

• Amendments to various standards due to "Improvements to IFRSs (cycle 2015 - 2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording.

2.3 New and revised IFRS Standards in issue but not yet effective

At closing date of these financial statements, the Group has not applied the following amendments to the existing standards that have been issued by IASB and adopted by the EU but are not yet effective:

• Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

• 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"

• nterest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),

• Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

2.4 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 these financial statements (the effective dates stated below is for IFRS as issued by IASB):

• IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021),

• Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2022),

• Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

• Amendments to IAS 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 IFRS 3 "Business Combinations"

• Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

• Amendments to 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 (effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020),

• Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

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

3 Significant accounting policies

3.1 Basis of accounting

The Consolidated Financial Statements have been compiled 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 2019; for the chart of the Group structure please refer to page 25.

FINANCIAL STATEMENTS

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 Recovery Greece EPE	100	100	Greece	full consolidation	full consolidation
APS Recovery Greece Credit and Loan Servicing S.A.	60	60	Greece	full consolidation	full consolidation
APS Bulgaria E.O.O.D.	100	100	Bulgaria	full consolidation	full consolidation
APS d.o.o. Beograd	100	100	Serbia	full consolidation	full consolidation
APS CZ&SK Services s.r.o.	100	100	Czechia	full consolidation	full consolidation
Asset Portfolio Servicing Romania S.R.L.	100	100	Romania	full consolidation	full consolidation
Syndre Valuations S.R.L.	46	46	Romania	equity	equity
Casazela Properties S.R.L.	97	97	Romania	full consolidation	full consolidation
APS Croatia d.o.o.	100	100	Croatia	full consolidation	full consolidation
APS Holding Cyprus LTD	100	100	Cyprus	full consolidation	full consolidation
APS Debt Servicing Cyprus LTD	51	51	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 SK Servicing s.r.o.	100	100	Slovakia	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 d.o.o.	100	0	Croatia	full consolidation	founded in 2019
Casazela Kft.	100	100	Hungary	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 d.o.o.	100	0	Croatia	full consolidation	founded in 2019
Syndre Kft.	100	100	Hungary	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 with assets derecognition	full consolidation with assets derecognition
APS Beta Bulgaria E.O.O.D.	50	50	Bulgaria	out of scope	out of scope
APS Fund Beta d.o.o. Beograd	50	50	Serbia	out of scope	out of scope

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.

FINANCIAL STATEMENTS

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 Delta S.A.	100	100	Luxembourg	full consolidation with assets derecognition	full consolidation with assets derecognition
APS Beta, a.s.	100	100	Czechia	full consolidation	full consolidation
APS Investment s.r.o.	100	100	Slovakia	full consolidation	full consolidation
APS MIP s.r.o.	100	100	Czechia	full consolidation	full consolidation
APS Finance E.O.O.D.	3	3	Bulgaria	out of scope	out of scope
APS Epsilon GP S.a r.l.	100	0	Luxembourg	full consolidation	founded in 2019

3.3 Derecognition of assets and liabilities

Based on the detailed analysis of all portfolio assets and related liabilities the Group came to the conclusion that the following assets and related liabilities have to be derecognized as the Group has transferred substantially all related risks and rewards to investors.

• Investments in APS Beta Bulgaria E.O.O.D and APS Fund Beta d.o.o. Beograd subsidiaries
• Non-performing loan portfolios in APS Delta S.A.

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. The group offers the service usually competing on the deal with other servicers so the price for the service is set as a market price.

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.

The Group's policy for goodwill arising on the acquisition of a subsidiary is described below in note 7.1.

3.6 Investments in associates

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

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

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

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

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

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

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

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

3.7 Revenue recognition

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

3.7.1 Identification of revenue streams

• Services related to 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)[1] constitute one performance that is performed over whole lifecycle of the fund. This service is distinct from other performance obligations meeting the conditions in IFRS 15.27. The transaction price for this separate performance obligation is challenged and agreed with the investor and is being compared to alternative collectors' prices by the Investor. The price is separately observable in the contract and corresponds with the stand-alone selling price of this performance obligation. Therefore, allocation of the total contract transaction price based on relative stand-alone selling price principle (see IFRS 15.74) will not imply any revenue adjustment for the respective service provided.

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

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

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

The price for it covers 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 pay-

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

ment 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

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

(a) The Group as a lessee

Policies applicable from 1 January 2019

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises 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 under our internal threshold 5 000 EUR). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

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

• Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
• The amount expected to be payable by the lessee under residual value guarantees;
• The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
• Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised 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.

Policies applicable prior to 1 January 2019.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group had no finance lease.
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

(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 entity'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.

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

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

2. The earlier the recovery the higher value of portfolio

Sensitivity analysis is not performed as the calculation and assumptions are based on case by case basis i.e. per single collateral and the structure of collaterals in the portfolio is very diverse</td></tr>
<tr><td>Market discount rate calculation was based on data from Reuters.

Discount rate for 2019 was 15,98% for 2018:19,49%, see below for the components of the discount rate:

<table><tr><th></th><th>2019</th><th>2018</th></tr><tr><td>risk free rate - 10Y government bond yield</td><td>4.42%</td><td>4.73%</td></tr><tr><td>equity risk premium/market risk premium</td><td>7.37%</td><td>9.02%</td></tr><tr><td>country risk premium</td><td>2.17%</td><td>3.06%</td></tr><tr><td>default spread/premium</td><td>1.84%</td><td>2.48%</td></tr><tr><td>GDP growth (forecast)</td><td>4.10%</td><td>3.60%</td></tr><tr><td>NPL ratio</td><td>4.30%</td><td>5.56%</td></tr><tr><td>NPL premium</td><td>0.18%</td><td>0.20%</td></tr></table></td><td>The higher the discount rate the lower the value

of purchased secured debt portfolio. If the discount rate increases by 1% the value decreases by 101k EUR, if the discount rate decreases by 1% the value increases by 101k EUR.</td></tr>
</table>

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.

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).

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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 valuate at amortised costs)	no Staging at these assets are treated as POCI with lifetime impairment calculation		
Outstanding balance on bank accounts	Expert assesment of the significant Increase in Credit risk at each reporting 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 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 addressed in the Impairment methodology.
3. Fair Value at initial recognition (FV)

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

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

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

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

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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.

5 Risk Management

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

5.1 Risk management framework

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

The Company is in process of setting up risk management committee, which will be responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities. The Group's risk management policies will be established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Group's activities. In 2019 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.

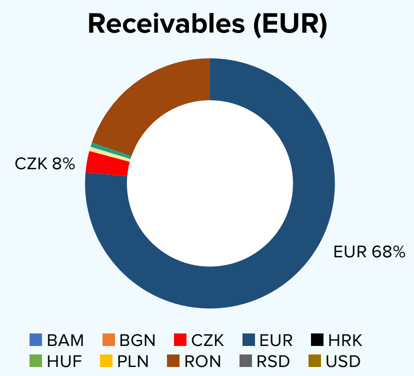
When evaluating the client's creditworthiness, the Group prepares financial and non-financial analysis. The non-financial analysis takes into consideration qualitative indicators and publicly accessible information about the client as well as information obtained directly from the client.

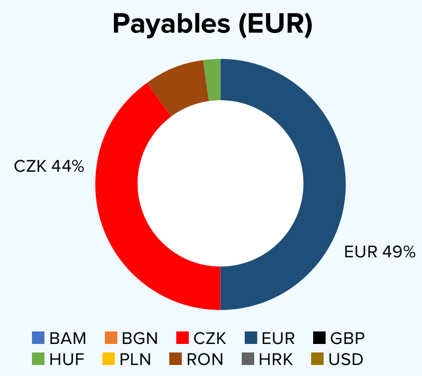
Debtors are evaluated individually, while taking into consideration in particular the following factors:
• Past experience with the debtor,
• Size of the loan, and Maturity of the loan.
The Group internally monitors and analyses the borrower whose securities it holds. All applications for loans are discussed 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.

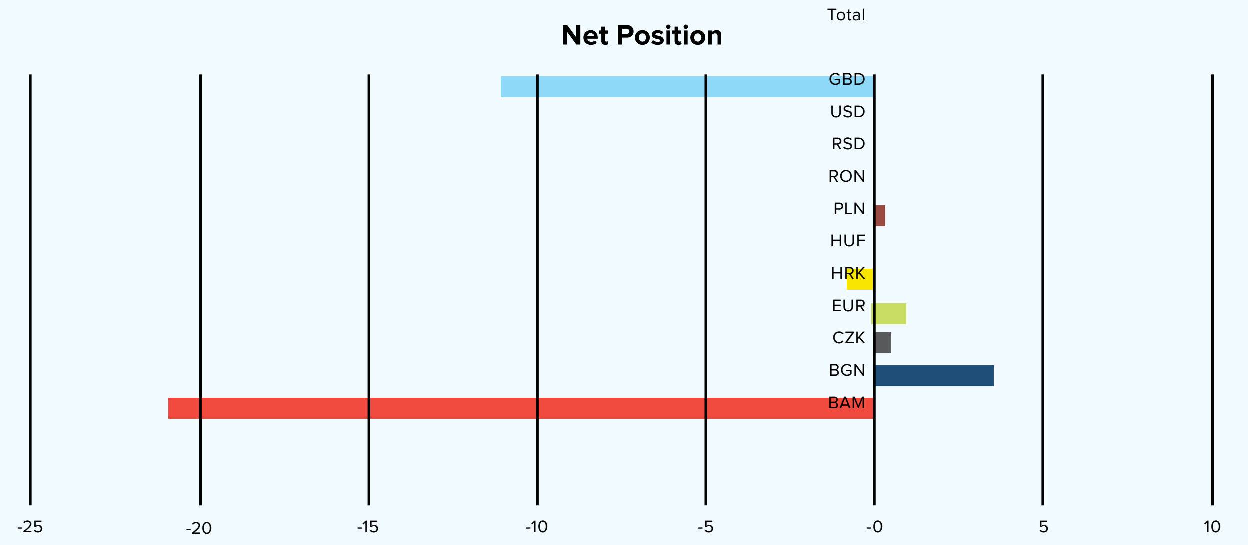
The currencies as of 31 December 2019 are represented in the Group payables and receivables as follows:





The most significant currencies in the Group are Euro, CZK and RON.
The net exposure (+receivable / -payable) per currency as of 31. 12. 2019 is shown in the graph below:

The net position as of 31. 12. 2019 is impacted by the appreciation/depreciation of the main currencies as presented below:



In thousand of Euros

Currency	Net position	1% EUR appreciation	1% EUR Depreciation
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

The net position as of 31. 12. 2018 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousand of Euros

Currency	Net position	1% EUR appreciation	1% EUR Depreciation
CZK	-27 891	279	-279
RON	6 033	-60	60

- In the case of 1% appreciation of EUR vs. CZK, Profit for the year will Increase by 279 thousand of Euros
- In the case of 1% depreciation of EUR vs. CZK, Profit for the year will decrease by 279 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. 2019 ECB Rate
EUR	BGN	1,96	1,96
EUR	HUF	325,30	330,53
EUR	HRK	7,42	7,44
EUR	CZK	25,67	25,41
EUR	RON	4,75	4,78
EUR	PLN	4,30	4,26
EUR	BAM	1,96	1,96

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 risks

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

The current liabilities of the company as of 31. 12. 2019 amount to 36 013 thousand of Euros with the following detail:

In thousand of Euros

Current liabilities	31. 12. 2019	31. 12. 2018
Short term Bank and Other loans	10 035	4 671
Issued Bonds	5 916	2 572
Trade and other payables	17 389	13 711
Short term Lease liability	1 638	0
Current tax payables	741	564
Provisions and other short-term liabilities	295	92
Total current liabilities	**36 013**	**21 611**

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

In thousand of Euros

as of 31. 12. 2019	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
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**
as of 31. 12. 2018							
Bank and other loans	0	0	4 671	15 810	0	20 481	19 846
Issued Bonds	0	0	2 572	17 211	0	19 783	19 783
Trade and other payables	13 711	0	0	0	0	13 711	13 711
Lease liability	0	0	0	0	0	0	0
Total Financial Liabilities	**13 711**	**0**	**7 243**	**33 021**	**0**	**53 975**	**53 340**

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

In thousand of Euros

as of 31. 12. 2019	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	935	0	1 257	0	2 192	2 192
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
Cash and short term deposits	14 455	0	0	0	0	14 455	14 455
Total Financial assets	**31 759**	**935**	**0**	**12 945**	**0**	**45 639**	**45 639**
as of 31. 12. 2018							
Loan receivables	0	0	1 084	136	0	1 220	1 220
Purchased Loan portfolios	0	0	0	12 451	0	12 451	12 451
Trade and other receivables	17 046	0	0	0	0	17 046	17 046
Cash and short term deposits	13 326	0	0	0	0	13 326	13 326
Total Financial assets	**30 372**	**0**	**1 084**	**12 587**	**0**	**44 043**	**44 043**

To quantify the liquidity risk, Group uses Current Ratio, the results are presented in table below. The change in ratio is driven by approaching payment day of trade payable to Martin Machoň amounting to 7.5m EUR. The payable will be either capitalized or replaced by loan, so that the payment will not be realized. Group considers the results satisfying and is not considering any further steps to eliminate the liquidity risk.

In thousand of Euros

Current Ratio of the Group	31. 12. 2019	31. 12. 2018
Current Assets	33 902	35 264
Current Liabilities	36 013	21 611
Ratio	**0,9**	**1,6**

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

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

	31. 12. 2019	31. 12. 2018
Net Debt	43 673	45 736
Equity	17 967	16 830
Net Debt to Equity ratio	**2,4**	**2,7**

5.8 Operating risks
The Group defines operating risks as the possibility of losses on its revenues and its own resources resulting from shortcomings in the internal control system and the organization of the risk management system. This risk is a function of internal control mechanisms, information systems, lack of employee perfection and operational processes. This risk exists in all products, services and processes. It occurs daily in all companies which process transactions. The Group has internal system of risk controls being revised on regular basis by the department of Internal Audit. The Internal Audit Departments visits local subsidiaries within the group on regular basis, performing the standard internal audit procedures.

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

6.1 Operating Revenue

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Revenue from NPL portfolio servicing	37 558	36 982
Other operating revenues	8 566	8 664
Operating revenue	**46 123**	**46 645**

The main driver for increase in operating revenues are Asset management fees which represent core business of Servicing subsidiaries. The strong results are driven by increasing activity in Bosnia, Montenegro, maintaining strong results in Romania and Cyprus. Very good results also in Croatia. Other operating revenues consist of Underwriting fees which is core business of APS Investments S.à r.l. and Real Estate Advisory fees representing new business line in Romania and Cyprus.

The Group elects to apply the admissible practical expedient in IFRS 15. 121b 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.

Below you can find split of the Operating revenue by the revenue stream:

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Recovery services	36 198	36 290
Investment Management	8 309	8 531
Fund Management	1 366	628
Real Estate	251	196
Total	**46 123**	**45 645**

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

6.2 Operating Expenses

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Administrative expenses	34 334	30 573
Other operating expenses	770	1 900
Total operating expenses	**35 104**	**32 473**

Operating expenses are represented by administrative expenses related to the running of the Group itself. Wages and salaries represent the most significant item. Decrease in other operating expenses is caused by different mapping approach, part of the expenses transferred to the line above. Therefore, the total operating expenses line is more relevant for year on year comparison. The growth of 8% is driven by growth of salaries and increase in number of employees.

Detail of Administrative expenses

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Salaries and related expenses	21 721	18 264
Costs of external services	12 589	10 979
Leasing	22	617
Local taxes and fees	2	713
Total Administrative expenses	**34 334**	**30 573**

The main drivers for year on year increase are increasing headcount due to new markets (Greece, Bosnia and Herzegovina, Montenegro) and increase of base salaries driven by highly competitive labor market.
In year 2019 costs of external services include audit fees paid to Deloitte company amounting to 213 thousand Euros.

Average headcount divided into major segments in table below:

Segment Number of Employees	31. 12. 2019	31. 12. 2018
Head-office	81	66
Investment	37	35
Servicing	757	715
Real Estate	11	3
Total employees	**886**	**819**

6.3 Financial result

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Profit from shares and participation in associated companies and joint ventures	34	-1
Net realised and unrealised exchange gains/(losses)	-45	-272
Interest income	93	27
Interest expenses	-2 486	-2 200
Interest expense on lease liabilities	-203	0
Other Finance Income/Costs net	2 211	-444
Net financial result	**-397**	**-2 889**

Group's Financial result consists mostly of Interest expenses related to Issued Bonds, realized and unrealized Foreign Exchange gains and losses which are related to the operations with RON, EUR and CZK as the most frequent currencies for the Group.
Other Finance Income and costs is represented mainly by revaluation gains from portfolios held by Beta a.s.

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 thousand of Euros

Current income tax	31. 12. 2019	31. 12. 2018
Profit for the year	4 547	6 120
Deferred Tax	158	729
Current Income tax expense (including income tax on Associate, joint venture and discontinued operation)	-1 387	-1 793
Profit before Income taxes	**5 776**	**7 184**

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Income Tax using the average tax rates	-1 538	-1 768
Expenses not deductible for tax purposes	-142	
Other (income not subject to tax and others)	293	-25
Deferred tax	158	729
Total Income tax expense	**-1 229**	**-1 064**
% of Income tax expense	24,0%	25,0%
% of Income Tax using the average tax rates	26,6%	24,6%

Deferred tax

Deferred tax has been calculated with the use of tax rates which are expected to be valid at the time when the assets have been implemented or when the liabilities have been settled. Deferred tax has been posted in the Statement of Comprehensive Income with the exception of situations when it is related to the items which were accounted directly in the equity and the deferred tax is included in the equity.
Deferred tax of 158 thousand Euro charged to P&L in current reporting period is related to the increase of deferred tax asset which was booked due to the variance in Tax and Accounting amortization.

Effective tax rate and tax changes

Effective tax rate decreased by 1% to 24% mostly due to application unused tax losses from 2013 and 2014 on APS Beta a.s.

As of 31. 12. 2019 the Group has no unused tax losses for deferred tax purposes. Tax losses occur only in newly established subsidiaries where it is not sufficiently certain that these losses will be used as tax deductible in the future.

The Unused Tax losses not used for deferred tax calculation are as follows:
- APS Recovery Greece Credit and Loan Servicing S.A. 826 thousand Euros with expiry date 31. 12. 2024
- Casazela d.o.o. Beograd-Stari Grad 94 thousand Euros with expiry date 31. 12. 2024
- Casazela d.o.o. 102 thousand Euros with expiry date 31. 12. 2024

Between 31. 12. 2018 and 31. 12. 2019 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 29% to 28%.
Luxembourg – change in Corporate Income Tax rate from 26.01% to 24.94%.
Poland – change in Corporate Income tax rate from 19% to two levels – 19% tax rate applicable to the companies with revenue exceeding 1.2 million of Euros and 9% rate to the companies with revenue under 1.2 million of Euros
No further changes in Taxation legislation affecting our subsidiaries became effective as of 31. 12. 2019.

6.5 Dividends

No dividend payment to shareholder was approved for the current and prior reporting periods.

FINANCIAL STATEMENTS

7 Notes to Consolidated Statement of Financial Position

7.1 Goodwill and Intangible assets

In thousand of Euros

	Goodwill	Software	Rights of Servicing	Total
At 1st January 2019				
At costs	9 933	3 869	17 374	31 175
Accumulated depreciation, Impairment	0	-526	-3 506	-4 032
Net book amount	9 933	3 343	13 868	27 144
Year ended 31 December 2019				
Additions	0	682	259	942
Disposals	0	-1	-3	-4
Exchange differences	0	-5	0	-5
Depreciation, Impairment	**0**	**-430**	**-2 402**	**-2 832**
Depreciation of non-disposed assets	0	-432	-2 405	-2 837
Depreciation related to disposals	0	2	3	5
Closing net book amount	**9 933**	**3 589**	**11 722**	**25 244**
At 31 December 2019				
At Costs	9 933	4 545	17 630	32 108
Accumulated depreciation, impairment	0	-956	-5 907	-6 864
Net book amount	**9 933**	**3 589**	**11 722**	**25 245**

1) As of 31. 12. 2019 Group presents two parts of Goodwill:

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Upstream Merger Goodwill	6 824	6 824
APS Debt Servicing Cyprus Acquisition Goodwill	3 109	3 109
Total Group Goodwill	**9 933**	**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 2019, 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 2019, 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 2019 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 2019, a discount rate of 6,5% 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.

APS Debt Servicing Cyprus (DSC) Acquisition Goodwill

Impairment assessment

The DSC 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 require the use of assumptions. The calculations use cash flow projections based on business model approved by management of the DSC covering a 7-year period. According to Management's forecasts, the perimeter of Assets under Management ("AuM") reduces to nil by the end of year 7, therefore no projections beyond this period and no terminal value were included in the calculations.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the DSC's single cash generating unit that is expected to benefit from the synergies of the combination. The DSC's goodwill is allocated to the exclusive right of servicing intangible asset.

As of 31 December 2019, 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 2017 and the 31 December 2017 year-end impairment assessment with all the relevant assumptions revised to reflect the DSC's performance for the year ended 31 December 2019.

Revenues from servicing and success fees are based on:

Recovery curves according to the data relating to the non-performing loans and real estate assets that will be managed. The collateral market values were updated as of completion date by using the relative market value indexation rates. The indexation was applied based on year of the latest valuation, collateral type and city.

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.

A haircut of 10% was applied to all future success fees arising from the main servicing contract with JV partner (Hellenic Bank).

The main costs were calculated as follows:

• Personnel costs were calculated by taking into consideration the total employees' payroll cost as per the actual number of employees in the first half of 2019 and the estimation for the rest of the life of the project.

• Real estate related advisory costs were estimated by considering the empirical evidence of the first year of operations and considering the projected needs for advisory services from real estate external professional experts in combination with the internal expertise to be developed during the life of the project.

• Receivership costs were estimated as 1% of all onboarding fees generated from Debt to Asset and Foreclosure strategies and 3% of all success fees generated from Debt to Asset, Foreclosure and Consensual Sale strategies.

For calculating the net present value at 31 December 2019, a discount rate of 8,91% (2018: 10,53%) p.a. was used.

Local Cypriot tax rate of 12,5% was used to calculate the expected income tax expense.

The calculations use cash flow projections based on the business plan approved by the Board of Directors of the DSC in 2017 covering a seven-year period, with all assumption updates approved by the management in 2019. A seven-year period is used based on the timing of the projected cash flows of the contracts over their estimated useful economic lives.

Total revenue and costs included in the cash flow projections prepared at 31 December 2019 are generally lower than those included in the cash flow projections prepared at acquisition date to reflect the change in assumption curves as well as reflecting amendments and clarifications to the original agreement between the DSC and Hellenic Bank. Also, during the initial period of the contract, the costs were redefined to reflect a more calculated expectation about the level of business.

Based on the results of the above described impairment tests, no impairment of goodwill was identified and there were no triggering events for impairment of intangibles.

Sensitivity analysis was performed as follows:

• An increase by +100bp in the discount rate used, bringing the discount rate at the level of 9,91% (keeping all other variables unaffected) would result in the recoverable amount of the cash generating unit to be still higher than its carrying amount.

2) Software

Software represents mainly Capone, which is core tool for managing and executing recovery strategy in single countries. Software is amortized over 10 years with a limited useful life using a straight-line method.

3) Rights of servicing

Rights of servicing represent exclusive right of servicing that was acquired as part of the business combination. Rights of servicing acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The rights of servicing are amortized with a limited useful life using a straight-line method over 7 years.

7.2 Property, plant and equipment

In thousand of Euros

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1st January 2019				
At Costs	65	715	382	1 162
Accumulated depreciation, Impairment	-9	-538	-219	-767
Net book amount	**56**	**176**	**163**	**395**
Year ended 31 December 2019				
Additions	13	49	3	66
Disposals at cost	0	-102	0	-102
FX losses	0	-10	-3	-12
Depreciation, Impairment	-6	-2	-8	-16
Depreciation of non-disposed assets	-6	-59	-61	-126
Depreciation related to disposals (add back)	0	58	53	111
Closing net book amount	**63**	**112**	**157**	**333**
At 31 December 2019				
At Costs	78	652	385	1 115
Accumulated depreciation, impairment	-15	-540	-227	-782
Net book amount	**63**	**112**	**157**	**333**

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. Regular repairs and maintenance are included in such expenses.

7.3 Leases (Group as a lessee)

Right of use assets:

In thousand 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	-1 709	-127	-47	-1 883
Closing net book amount	**2 966**	**204**	**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 (2018: 3.9 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 1.5 million of Euros in 2019. The maturity analysis of lease liabilities is presented in the liquidity risk section 5.6.

Amounts recognized in profit and loss:

In thousand of Euros	31. 12. 2019
Depreciation expense on right-of-use assets	1 883
Interest expense on lease liabilities	203
Expense relating to short-term leases	0
Expense relating to leases of low value assets	234

Disclosure required by IAS 17:

In thousand of Euros	31. 12. 2018
Minimum lease payments under operating leases recognised as an expense in the year	1 161
Contingent rentals	0
Sub-lease payments received	0
Total	**1 161**

Disclosure required by IAS 17:

In thousand of Euros	31. 12. 2018
Within one year	1 948
In the second to fifth years inclusive	2 695
After five years	0
Total	**4 643**

7.4 Associates

Details of material associates as of 31. 12. 2019

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.

Dividend of 38 kEUR was paid in 2019 to the group. As the result of 2019 is lower than the dividend received, the Equity investment is currently with zero value in the Group consolidated financial statements.

SYNDRE VALUATION SRL	
In thousands of Euros	
Total operating revenue	140
Total operating expenses	-135
EBITDA*	5
Other result result	-3
Total profit/loss for the period	**2**
Total non-current assets	6
Total currect assets	60
Total assets	**66**
Total equity	2
Total non-current liabilities	64
Total equity & liabilities	**66**

*Earnings Before Interest, tax, depreciation and amortisation

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 thousand of Euros

		Impairment approach			Fair-Value level
At 31. 12. 2019		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at amortised costs	Cash and Short-term deposits	14 455	0	0	n/a
	Loan receivables and other short--term assets	0	2 141	0	n/a
	Trade and other receivables	0	16 873	432	n/a
	Purchased unsecured loan portfolios	0	0	560	n/a
Financial assets valuated at Fair-value	Purchased secured loan portfolios	0	0	11 129	3

In thousand of Euros

		Impairment approach			Fair-Value level
At 31. 12. 2018		**Stage 1**	**Stage 2**	**Stage 3**	
Financial assets valuated at amortised costs	Cash and Short-term deposits	13 326	0	0	n/a
	Loan receivables and other short--term assets	0	5 029	0	n/a
	Trade and other receivables	0	17 046	0	n/a
	Purchased unsecured loan portfolios	0	0	611	0
Financial assets valuated at Fair-value	Purchased secured loan portfolios	0	0	11 840	3

Loans receivables and other short-term assets

Short-term assets consist mostly of advance payments provided by APS MIP s.r.o. related to various projects where APS MIP participates as co-investor. These short-term assets will be derecognized once APS MIP issues investment certificates to employees.

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 thousand of Euros, as at 31. 12. 2019

	Not yet due	0-180 days overdue	180-360 days overdue	Over 360 days overdue	Total 31. 12. 2019
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**

In thousand of Euros, as at 31. 12. 2018

	Not yet due	0-180 days overdue	180-360 days overdue	Over 360 days overdue	Total 31. 12. 2018
Trade accounts receivable	12 384	989	89	124	13 586
Other receivables	2 001	574	451	434	3 461
Total Trade and other receivables	**14 385**	**1 563**	**540**	**558**	**17 046**

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 2019. The majority of receivables overdue is related directly to APS owned Investment Fund entities. 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.

Cash and Short-term deposits

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

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Bank deposits and Cash balances	14 498	13 402
Impairment calculated	-43	-76
Impaired Cash Balance	**14 455**	**13 326**

7.6 Financial Liabilities

All financial liabilities are reported at amortized costs.

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Financial liabilities at amortized cost		
Bank and other loans	10 397	12 605
Payables to related parties	7 461	7 241
Trade and other payables	9 928	13 711
Issued Bonds	21 500	19 783
Lease liabilities	3 487	0
Total Financial liabilities	**52 773**	**53 340**

Amount due for settlement within 12 months	34 977	20 954
Amount due for settlement after 12 months	17 796	32 386

Split of borrowings by currency of denomination:

In thousand of Euros

	Currency EUR	Currency CZK	Total in EUR
Analysis of borrowings by currency:			
31 December 2019			
Payables to related parties	7 461	0	7 461
Bank and other loans	10 213	185	10 397
Issued Bonds	0	21 500	21 500
Total	**17 674**	**21 685**	**39 358**

31 December 2018			
Payables to related parties	7 241	0	7 241
Bank and other loans	12 399	206	12 605
Issued Bonds	0	19 783	19 783
Total	**19 640**	**19 989**	**39 629**

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

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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. The bonds will be fully repaid by 2023. Short term part of bond liability representing 5 916 thousand Euro is due in February 2020 and August 2020. Bond interest is 5% p.a. The price at PSE is quoted at 100% of nominal price. There are no volumes traded recently therefore the PSE price does not give a proper indication of the bond stock price. So far, the volumes indicate that the bonds are held until maturity by the bondholders there fore we presume that nominal value is a reasonable approximation of fair-value of the bonds.

Payables related parties

Short term payables to related parties is represented by payable to the sole shareholder Martin Machoň related to upstream merger. The loan is presented at amortized costs in amount of 7 461 thousand Euro. Repayment of this payable is possible only after full repayment of the issued bonds, the due date of Loan from Martin Machoň is in November 2020. Therefore, there will be an amendment to the loan prolonging the maturity signed during the year 2020.

Other borrowings

Other liabilities are represented by deferred Purchased price arising from acquisition of APS Debt Servicing Cyprus ltd.

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 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 thousand of Euros

	31. 12. 2019	31. 12. 2018
Deferred tax liabilities	316	389
Deferred tax assets	269	223

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

In thousand of Euros

	Accelerated tax depreciation	Other	Total
At 1 January 2018	**-918**	**35**	**-883**
Charge to profit or loss	529	188	729
Charge to other comprehensive income	0	0	0
Charge direct to equity	0	0	0
Exchange differences			
At 1 January 2019	**-389**	**223**	**-166**
Charge to profit or loss	73	84	158
Charge to other comprehensive income	0	0	0
Charge direct to equity	0	-36	-36
Exchange differences	0	-2	-2
At 31 December 2019	**-316**	**269**	**-48**

Deferred tax of 158 thousand Euro charged to P&L as a revenue in the reporting period is related to the decrease in deferred tax liability and increase of deferred tax asset which was booked due to the variance in Tax and Accounting amortization.

7.8 Trade and other payables

In thousand of Euros

	31. 12. 2019	31. 12. 2018
Other payables	16 257	13 711
VAT liability	1 132	564
Total	**17 389**	**14 276**

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 increase in short-term Trade and other payables balances is caused by reclassification of payable to Mr. Martin Machoň to the short-term other payables from long-term payables as the due date is in 2020. For detail refer to note 11 Related party transactions.

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

7.9 Provisions

In thousand of Euros

Description	Expected timing	01. 01. 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 2020. Most provisions are booked in entities APS Investments S.a.r.l and APS Holding S.A. The provision are related to the operating activities, audit and accounting.

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.

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1) Debt Servicing Cyprus LTD. (non-controlling interest 49%)

In thousand of Euros

	31. 12. 2019
Current assets	9 212
Non-current assets	14 369
Total assets	**23 581**
Current liabilities	4 168
Non-current liabilities	3 441
Equity attributable to owners of the Company	8 146
Equity attributable to non-controlling interests	7 826
Total equity & liabilities	**23 581**
Operating revenue	16 928
Operating expenses	-10 447
Total comprehensive income attributable to owners of the Company	1 586
Total comprehensive income attributable to the non-controlling interests	1 524
Total comprehensive income for the year	**3 110**
Dividends paid to non-controlling interests	2 695

Interim dividend amounting to 2 695 thousand Euro was paid to the owners of non-controlling interest in Debt Servicing Cyprus LTD.

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

In thousand of Euros

	31. 12. 2019
Current assets	414
Non-current assets	24
Total assets	**439**
Current liabilities	1 090
Non-current liabilities	0
Equity attributable to owners of the Company	-391
Equity attributable to non-controlling interests	-261
Total equity & liabilities	**439**
Operating revenue	1 156
Operating expenses	-1 955
Total comprehensive income attributable to owners of the Company	-496
Total comprehensive income attributable to the non-controlling interests	-331
Total comprehensive income for the year	**-826**

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

In thousand of Euros	31. 12. 2019
Current assets	1 225
Non-current assets	29
Total assets	**1 254**
Current liabilities	550
Non-current liabilities	0
Equity attributable to owners of the Company	563
Equity attributable to non-controlling interests	141
Total equity & liabilities	**1 254**
Operating revenue	2 451
Operating expenses	-1 757
Total comprehensive income attributable to owners of the Company	490
Total comprehensive income attributable to the non-controlling interests	123
Total comprehensive income for the year	**613**

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

In thousand of Euros	31. 12. 2019
Current assets	6
Non-current assets	194
Total assets	**200**
Current liabilities	140
Non-current liabilities	0
Equity attributable to owners of the Company	58
Equity attributable to non-controlling interests	2
Total equity & liabilities	**200**
Operating revenue	305
Operating expenses	-239
Total comprehensive income attributable to owners of the Company	58
Total comprehensive income attributable to the non-controlling interests	2
Total comprehensive income for the year	**60**

8 Notes to Consolidated Statement of Cash Flows

In thousand of Euros	31. 12. 2019	31. 12. 2018
Bank deposits and Cash balances	14 448	13 091
Petty cash	6	235
Total	**14 455**	**13 326**

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.

The Group does not identify any contingent liability.

10 Events after the reporting period

Considering the dynamics and uncertainty in pandemic development we are not able to fully assess all impacts it may have on our business.

However, the Group is leader of NPL recovery business and we assume that current situation driven by COVID-19 pandemic outbreak will negatively influence our revenues in short term, as the restrictive measures taken by governments in single countries will lead on one side to increased uncertainty on the investment market forcing our main investors to reduce their investment activities and on the other side to decreased recoveries as a result of economic crisis.

In mid-term horizon however we expect 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, we expect the Group 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.

The Group has taken cost reduction measures in March 2020 that will ensure the Group overcome short term dropdown in sales and make the Group ready for business opportunities coming after global pandemic. More information about the measures taken by the group and expected impact on the results included in section 9 Directors report.

As of 1st April 2020 the seat of the parent company APS Holding S.A. moved from 14, rue Edward Steichen, L-2540 Luxembourg, Grand Dutchy of Luxembourg to 6, rue Eugène Ruppert, L-2453, Luxembourg Grand Dutchy of Luxembourg.

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 2019:

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

APS Capital s.r.o.
APS Italy s.r.l.
APS Holding s.r.o.
APS Holding Asia limited
APS Group International s.r.o.
APS VN limited liability company
APS Corporation s.r.o.
Aragonite Investment a.s.
Corporate Recovery Management s.a.
Casazela s.r.o.
APS Capital Cyprus ltd.
Hotel Albert s.r.o.
Casazela Rapid ltd
APS Savoy s.r.o.
APS Capital Group s.r.o.
Momentum Credit Penzugyi zrt
APS Consumer finance IFN S.A.
APS Onyx d.o.o.
HoldCo Two d.o.o.
Emerald Management s.r.l.
APS REO Sunrise d.d.
APS REO Rosemary S.A.
APS RE service d.d.
APS Quatro Holding S.á. r l.
VB-Leasing International Holding gmbh
VB Leasing Beograd d.o.o.
VBL Services d.o.o. Beograd
VBS Leasing d.o.o.
VB Leasing d.o.o.
VB Leasing d.o.o. Sarajevo
VBL POSREDNIK d.o.o.
Bora HOLDCO d.o.o.
Project One d.o.o.
Terra LAND d.o.o. Beograd
LANDTRUST d.o.o. Beograd
HYPO PARK DOBANOVA d.o.o. Beograd
HGS BKP d.o.o. Beograd
LUX 011 D.o.o. Beograd - Novi Beograd
APS Epsilon ltd
APS DELTA s.r.o.
APS SF ltd
APS Arctos Capital s.r.o.
APS Mall d.o.o.
APS PHOBOS S.R.L
Omega Befektetési Kft.
Project Market
APS Loan Management Ltd

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

In thousand of Euros	
Transactions	
Trade and other receivables	264
Revenues	6 344

Trade receivable balances between companies Asset Portfolio Servicing Romania S.R.L. and APS Consumer finance IFN S.A. in the amount of 264 thousand Euros are concerning Asset management fees for NPL Loan portfolios and administrative expenses.

Revenues from related parties consist of:

a) transactions between Asset Portfolio Servicing Romania S.R.L and entities APS Consumer Finance IFN S.A. in amount of 357 thousand Euros are related to Asset management fees and administrative expenses.

b) transactions between APS Investments S.á. r l. and APS Quatro Holding S.á. r l. in amount of 982 thousand Euro are related to Fund Management fees and underwriting fees.

c) transactions between APS BH d.o.o.. and Bora HOLDCO d.o.o. in amount of 1 114 thousand Euro are related to Fund Management fees and underwriting fees.

d) Transactions between APS Investments S.á. r.l. and Bora HOLDCO d.o.o. in total amount of 913 thousand Euros are related to Fund Management fees and underwriting fees

e) Transactions between APS Beograd and Project One d.o.o. in total amount of 903 thousand Euros are related to asset management fees.

f) Transactions between APS Recovery Hungary Kft. And Momentum Credit Penzugyi zrt in total amount of 1 836 thousand Euros are related to asset management fees.

List of related persons for the accounting period ended 31 December 2019:

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

APS Group has in its consolidated financial statements non-interest long term payable to the related person in the total book value of 7 461 thousand Euro with due date 30. 11. 2020. This is expected to be amended during 2020 with due date no later than end of 2023.

Remuneration of key management personnel

Key management compensation, considering people above as being the key management was 710 thousand Euro in the reporting period. Related social and health insurance was 155 thousand Euro. There are no post-employment benefits, long-term benefits, termination benefits or share-base payments related to the key management identified in 2019.

12 Approval of the financial statements

The financial statements were approved by the board of directors and authorized for issue on 18.06.2020.

FINANCIAL STATEMENTS

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AUDITOR'S REPORT

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

Tel: +352 451 451
www.deloitte.lu

To the Shareholder of
APS Holding S.A.
6, rue Eugène Ruppert
L - 2453 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of APS Holding S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

Deloitte.

Other information

The Board of Directors is responsible for the other information. The other information is included in the annual report under pages 1-59 and 66-73 and comprises the information stated in the Directors report but does not include the consolidated financial statements and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted in the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'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.

AUDITOR'S REPORT

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

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

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

Deloitte.

Report on Other Legal and Regulatory Requirements

The Directors report on pages 60-65 of the annual accounts is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de Révision Agréé*

p.p.

Eddy Termaten, *Réviseur d'Entreprises Agréé*
Partner

June 19, 2020