APS

ANNUAL REPORT 2023

APS

LETTER FROM THE CEO

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Dear Colleagues and Business Partners,

Next year it will be 20 years! Twenty years since APS proudly opened its first office in the heart of Prague, Czech Republic. Since then, APS has firmly established itself as a leader in the distressed debt market.

Celebrating two decades of success is no small feat, yet here we are – APS has marked its way to the top of the distressed debt world. Throughout these dynamic and eventful years, APS has navigated through turbulent waters, weathering crises such as the Lehman's collapse, real-estate bubbles, covid pandemics, periods of high inflation, and even geopolitical tensions. Amidst all these challenges, APS has not only shown resilience but has also strengthened its foundation, demonstrating our steadfast dedication to excellence and adaptability. In light of the anticyclical nature of non-performing loans as an asset class, APS has strategically capitalized on this characteristic and successfully conducted transactions across more than twenty countries resulting in the management of over one hundred and twenty portfolios totalling several billion euros in nominal terms.

Year 2023 proved to be another exceptional year for APS, characterized by successful execution of key initiatives. In the face of evolving market dynamics, APS remained agile and proactive, seizing opportunities within and beyond our core CEE market. Notably, the fundraising efforts made in 2023 for our second discretionary subfund, Rhapsody II, underscored our commitment to delivering value to our investors while staying ahead of the curve in identifying emerging trends and possibilities.

At APS Investments, we have evolved into a full-fledged fund management firm, boasting a formidable team of professionals dedicated to delivering outstanding investment outcomes. Under the visionary leadership of Petr Kohout, our investment, asset management, and risk management teams have set new benchmarks for excellence and innovation.

APS Recovery, under the proficient management of Roman Sedivy, continues to deliver exceptional recovery results, leveraging state-of-the-art technology and decades of cumulative experience to unlock value from distressed assets. Through meticulous due diligence and strategic execution, APS Recovery has reaffirmed our reputation for reliability and effectiveness in distressed debt recovery.

The above makes APS a leader in investing in distressed debt. Rhapsody I has now been fully invested with approximately 56% allocated to secured assets, while Rhapsody II has a 68% allocation to secured assets. These assets, often comprising various types of real estate at different stages of the life cycle or legal status, as underlying collaterals, create the bread-and-butter APS targets when it comes to origination, pricing, and management.

As we reflect on the journey of the past two decades, I extend my heartfelt gratitude to each business and investment partner, colleague, and friend for their unwavering support, trust, and companionship – a joyful ride filled with challenges, triumphs, and cherished memories.

In closing, let us reaffirm our commitment to being driven, humble, and professional as we continue to chart new horizons and create lasting value for our stakeholders. Together, we will build on the foundation of the past twenty years and write the next chapter of APS's remarkable success story.

Sincerely,

Martin Machoň

CEO and owner of APS

COMPANY PROFILE

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APS, founded in Prague (Czech Republic) in 2004, has evolved into a prominent multinational asset management firm with a specialization in distressed-debt investments. By the end of 2023, our total assets under advisement had reached EUR 11.6 billion.

Our growth extends beyond asset size, encompassing a broader territorial footprint across Europe. Presently, we operate in 13 European countries, with a strong focus on Eastern and South-Eastern Europe.

At APS, our operations are structured around three core business lines: recovery services, investment services, and real-estate services. Each of these lines thrives due to the collaboration and dedication of our team, which has grown to over 400 professionals across APS Group.

Originating from our beginnings, APS Recovery boasts specialists with extensive experience in distressed-debt recovery, covering areas such as unsecured debt, mortgages, and secured corporate claims. This depth of experience enables us to provide rapid, efficient, and ethical debt-collection services for the benefit of our clients.

In our ventures across emerging markets in Central and Eastern Europe, APS Investments manages trades in non-performing loan (NPL) portfolios. Through their diligence, we have earned a reputation as a trusted partner to some of the world's premier financial institutions.

Our success is built on a foundation of a robust, trustworthy team. Core to our values is the establishment of collaborative relationships founded on fairness towards all stakeholders. Clients, debtors, business partners, and regulators alike can trust in our commitment to upholding strict ethical standards. Recognizing that debt recovery involves complex human emotions, we hold firm in our commitment to these standards, which has solidified our standing as a reliable partner in existing markets and facilitated our entry into new territories.

Our dedication to responsible collaboration ensures our long-term presence. As stewards of critical economic functions, we steer clear of quick fixes that may compromise our overarching objectives. With 19 years of unwavering commitment, we continue to pursue our mission with resolute integrity.

History

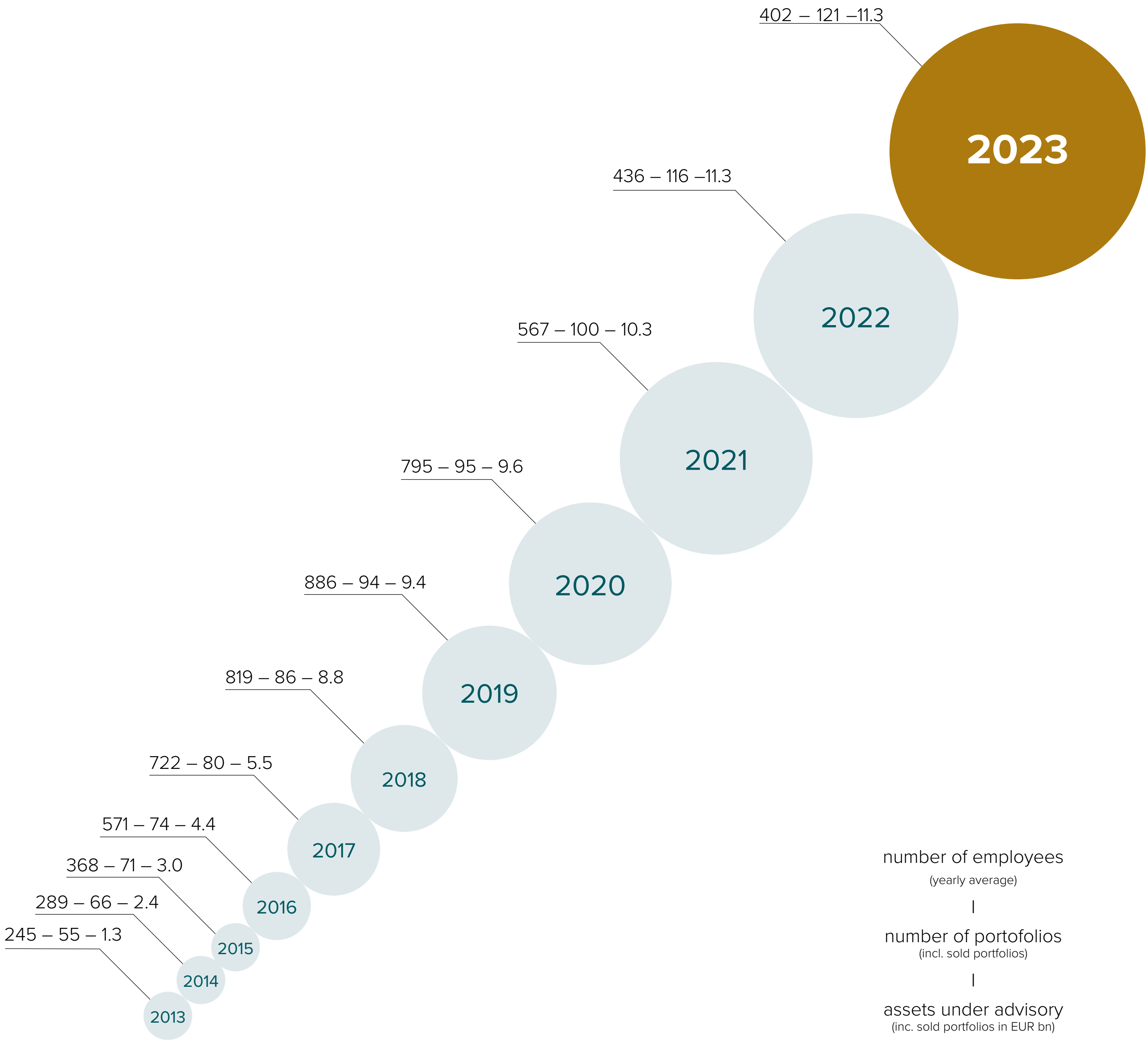
Since its founding, the story of APS has been about expanding and pushing into new frontiers. This choice has proven to be correct over our 19 years of existence, though the recent stabilisation of the existing geographical perimeter has been inevitable, given the market conditions. Our dedicated efforts have enabled us to maintain our presence into 13 countries with the need to re-focus on markets with high investment potential in the years to come...

Looking back, we have passed many milestones on our journey so far.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

In **2023**, we completed the fundraising of RHAPSODY II subfund while achieving the amount of EUR 28 million collected for investing. APS assisted in acquiring of a number of smaller portfolios in Poland, Croatia, Bulgaria and Romania and initiated another sizeable acquisition in Romania expected to be completed next year.

In the period of **2022-2023** APS completed 40 transactions with the purchase price exceeding EUR 200 million. APS currently works with more than 100 different clients (banks, insurance companies, investment funds, telcos and utilities), employs 400 professionals and has completed over 120 acquisitions with 700 thousand loans. Since the start of its activity APS acquired NPL portfolios in the nominal value in excess of EUR 11 billion and the aggregate purchase price of EUR 1bn.

APS Global Position

Presence in **13** European countries
with more than **400** professionals
enables complete coverage of
Central Europe & South-Eastern Europe

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

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

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

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

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

6. Bosnia and Herzegovina (BA)
established: 2018
office address: Hiseta 15, 71000 Sarajevo,
Bosnia and Herzegovina

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

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

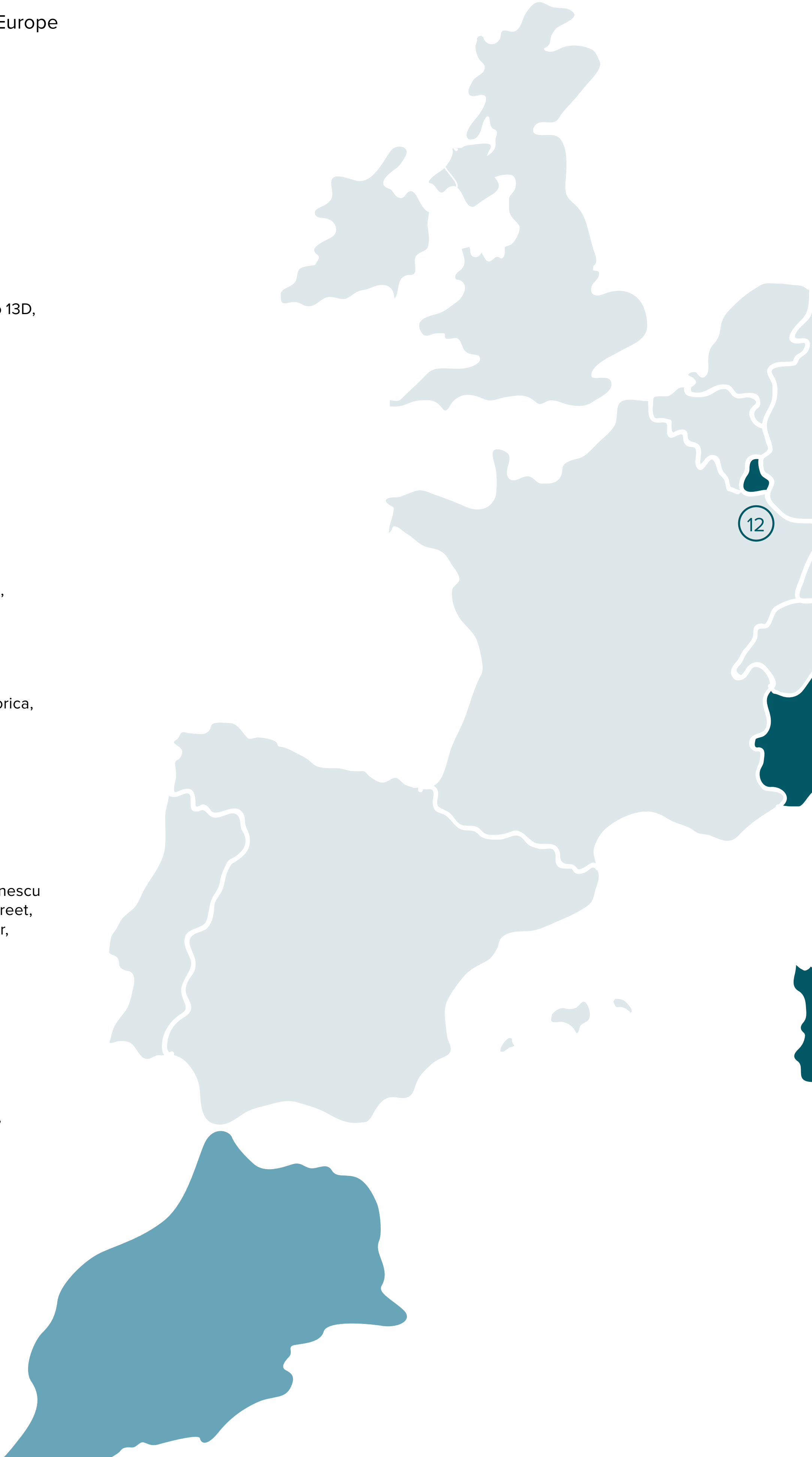
9. Romania (RO)
established: 2007
office address: 4B Ing. George Constantinescu
street and 2-4 George Constantinescu street,
Globalworth Campus Building C, 3rd floor,
Bucharest, 2nd district, Romania

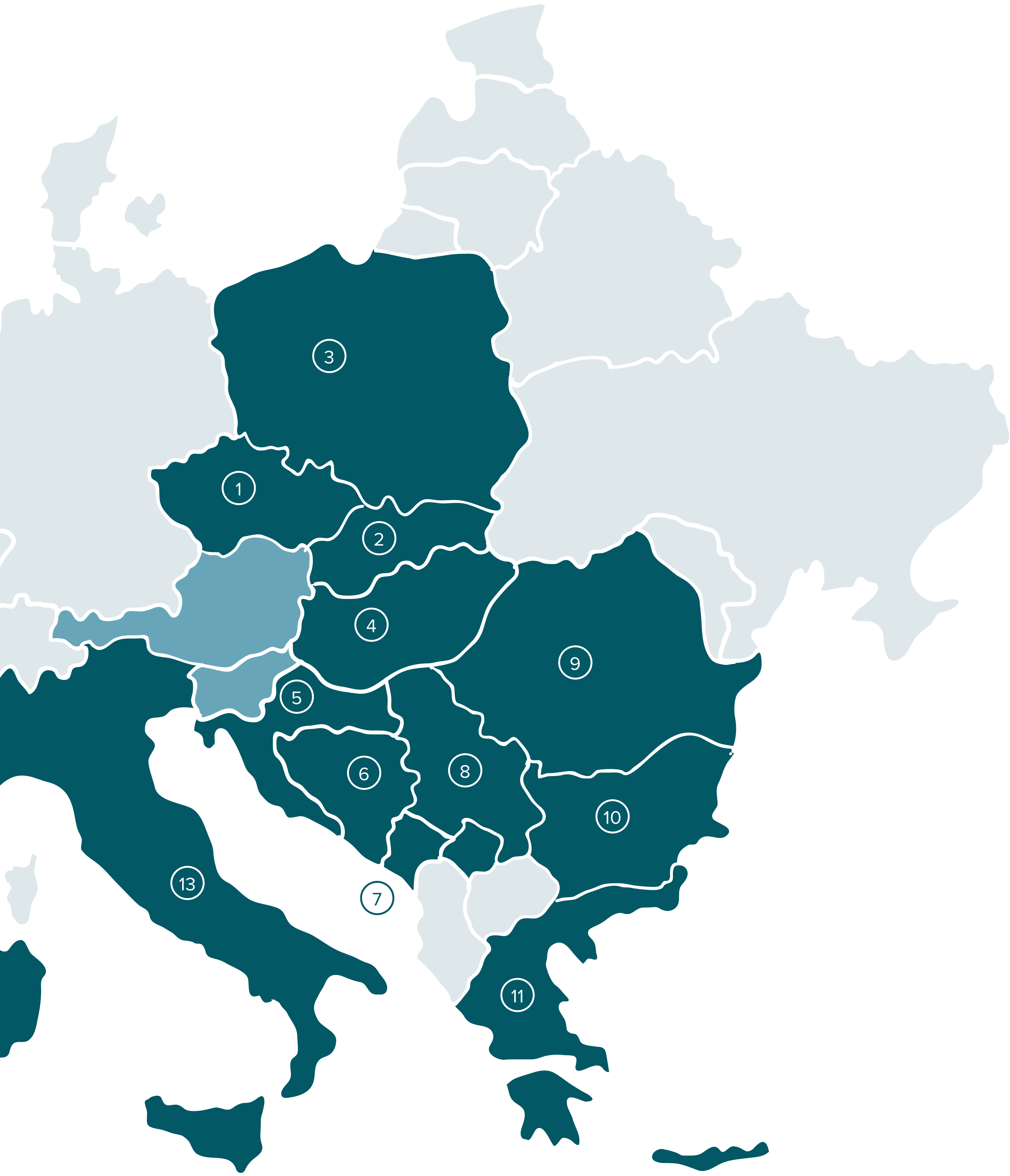
10. Bulgaria (BG)
established: 2012
office address: 81B, Bulgaria Boulevard,
1404 Sofia, district Triaditsa, Bulgaria

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

12. Luxembourg (LU)
established: 2015
office address: 46A, Avenue
John F. Kennedy, L-1855 Luxembourg,
Grand Duchy of Luxembourg

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

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COMPANY STRUCTURE

Company structure

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

The Company's registered office is 46A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
The subscribed share capital of the Company is fixed at EUR 31,000. The Company is owned by the sole shareholder Martin Machoň.

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

- APS Investments s.r.o. and APS Recovery a.s. both established and existing under the laws of the Czech Republic.
- APS Investment Funds S.à r.l., a company established and existing under the laws of the Grand Duchy of Luxembourg.

The Company is administered by the Board of Directors (Conseil d'administration) with five-year terms of office, comprising Martin Machoň since 21 December 2018, Barbora Kubíková replacing Petr Valenta since 1 January 2023, and Luca Galinelli acting in the role since 1 February 2022.

Company Structure

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

Organizational chart of APS Group at the end of 2023 comprised of these main subsidiaries:

CZECH REPUBLIC
- APS BETA, a.s.
- APS CREDIT FUND SICAV, a.s.
- APS CZ&SK SERVICES s.r.o.
- APS GAMMA s.r.o., v likvidaci
- APS Investments s.r.o.
- APS MIP, s.r.o.
- APS Recovery a.s.
- LOAN MANAGEMENT investiční fond, a.s.

POLAND
- APS Poland S.A.

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

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

ITALY
- APS Italy S.R.L.

MONTENEGRO
- APS Montenegro D.O.O. Podgorica

ROMANIA
- APS Consumer Finance S.R.L.
- APS INVESTMENTS S.R.O. PRAGA, SU-CURSALA BUCURESTI
- APS REAL ESTATE DEVELOPMENTS S.R.L.
- APS RED II S.R.L.
- Asset Portfolio Servicing Romania S.R.L.
- Casazela Properties S.R.L.
- Serraghis Asset Management S.R.L.

LUXEMBOURG
- APS Delta S.A.
- APS Eta S.A.
- APS Holding S.A.
- APS Investment Funds S.à r.l.
- APS Theta S.à r.l.
- APS Zeta S.A.

CROATIA
- APS Croatia d.o.o.
- APS REO Sunrise d.d.

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

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

SERBIA
- APS FUND BETA D.O.O. Beograd
- APS D.O.O. BEOGRAD

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

APS GROUP MANAGEMENT TEAM

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Martin Machoň
Owner and Group CEO

Martin has over 17 years of experience in distressed asset management and advisory and has been an integral part of APS from its inception. He has been involved in all phases of APS development since its founding in 2004. Prior to establishing APS, Martin held management positions at Société Générale and Lucent Technologies.

APS Group Management Team

as of 31 December 2023

Petr Kohout
Group Chief Financial Officer and CEO of APS Investments

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

Viktor Toth
Chief Investment Officer

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

APS Group Management Team

as of 31 December 2023

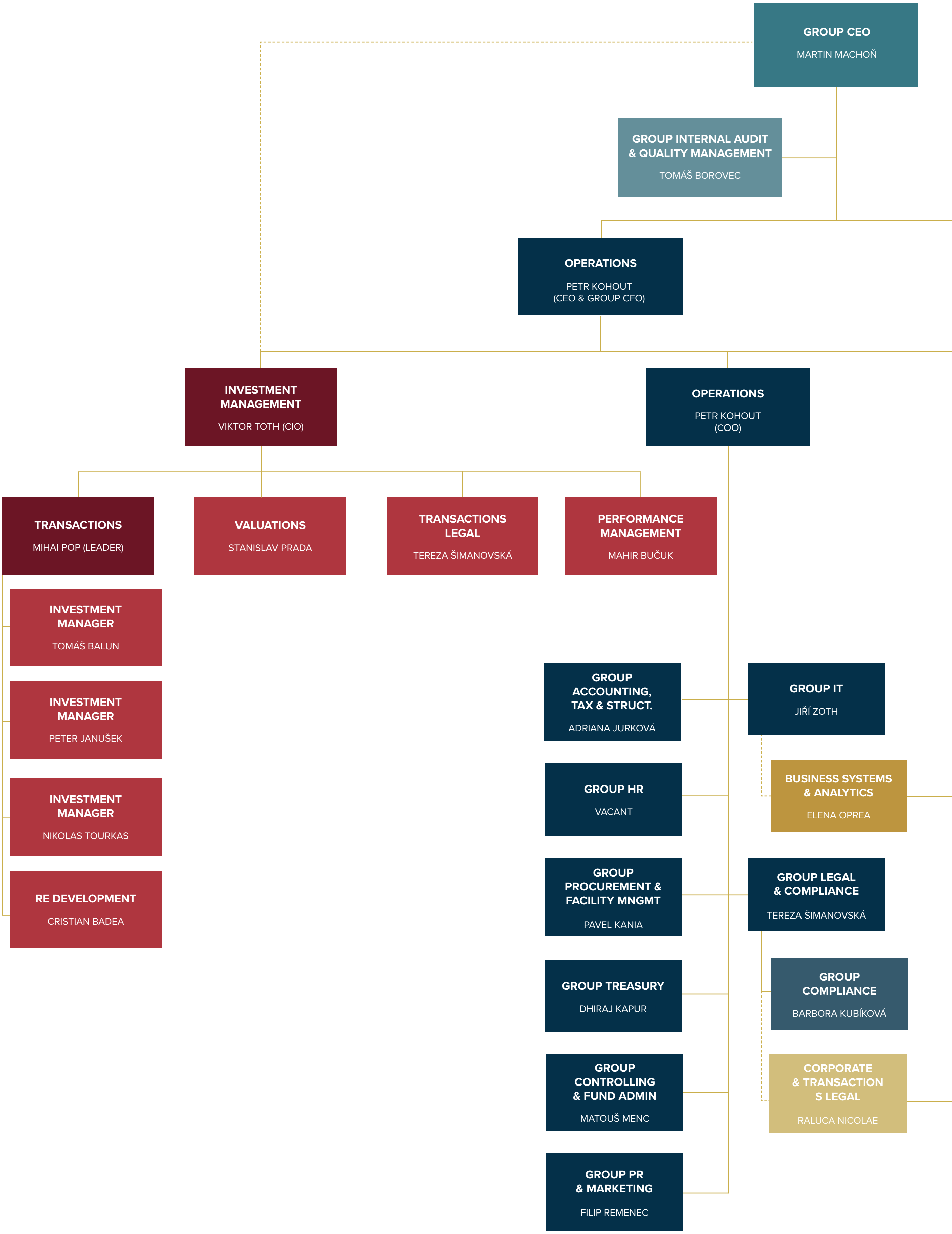
Roman Šedivý
CEO of APS Recovery

Roman has been working in APS for more than 9 years: initially as the Head of Recovery in APS CZ&SK, later in Business Development establishing new APS Recovery subsidiaries and since 2020 he took over also the responsibility for the teams covering 'Under 5' investment projects, HR, Reporting and Business systems. And then he acted as COO of APS Recovery. He graduated from University of Economics in Prague.

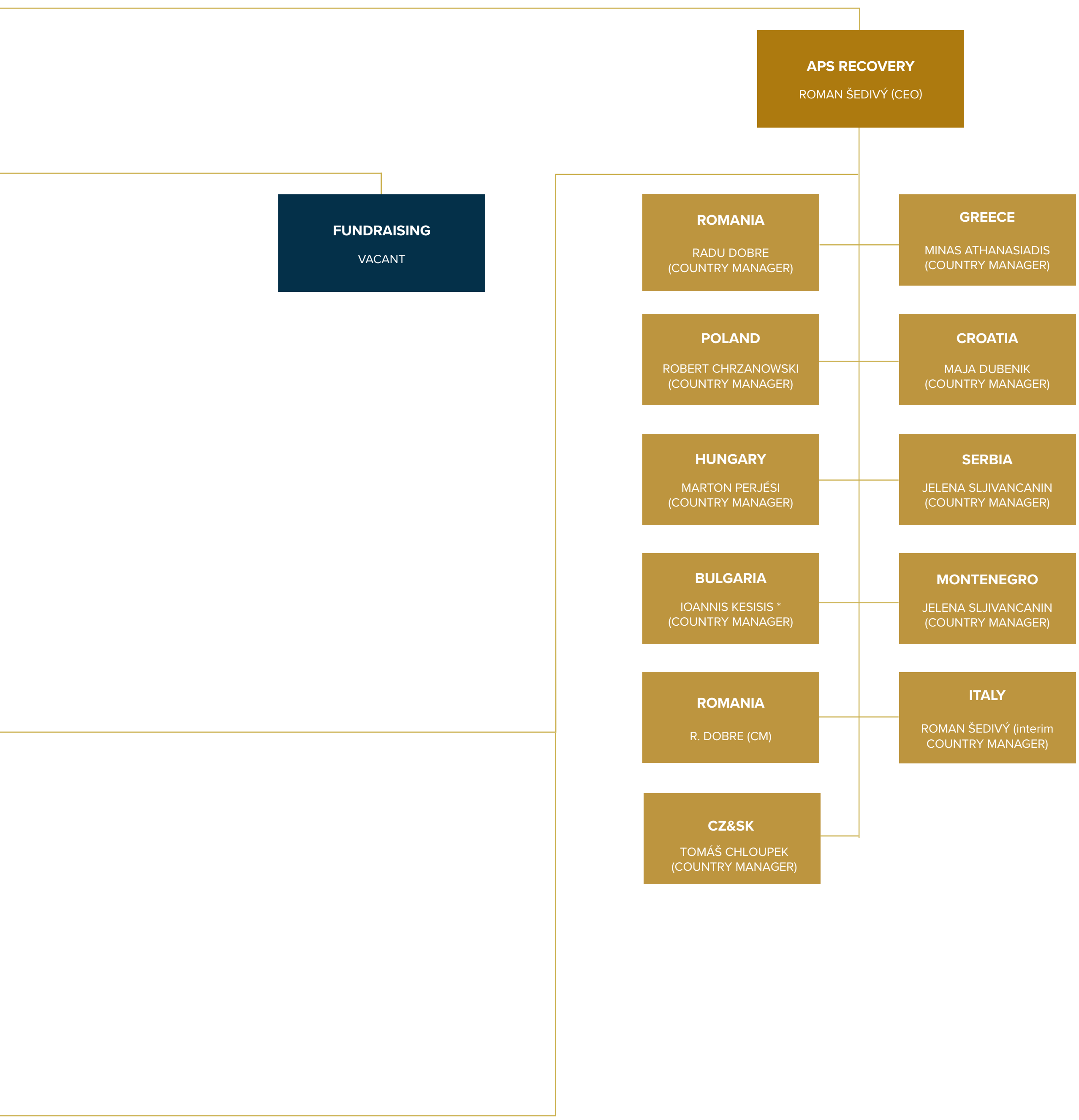
Barbora Kubíková
Group Compliance Officer

Barbora joined APS three years ago as Group Compliance Officer, bringing with her a wealth of experience and expertise in navigating regulatory landscapes within the finance sector. With a background in law, she transitioned into strengthened compliance roles, ensure compliance with all relevant laws and regulations, as well as with internal policies and industry best practices.

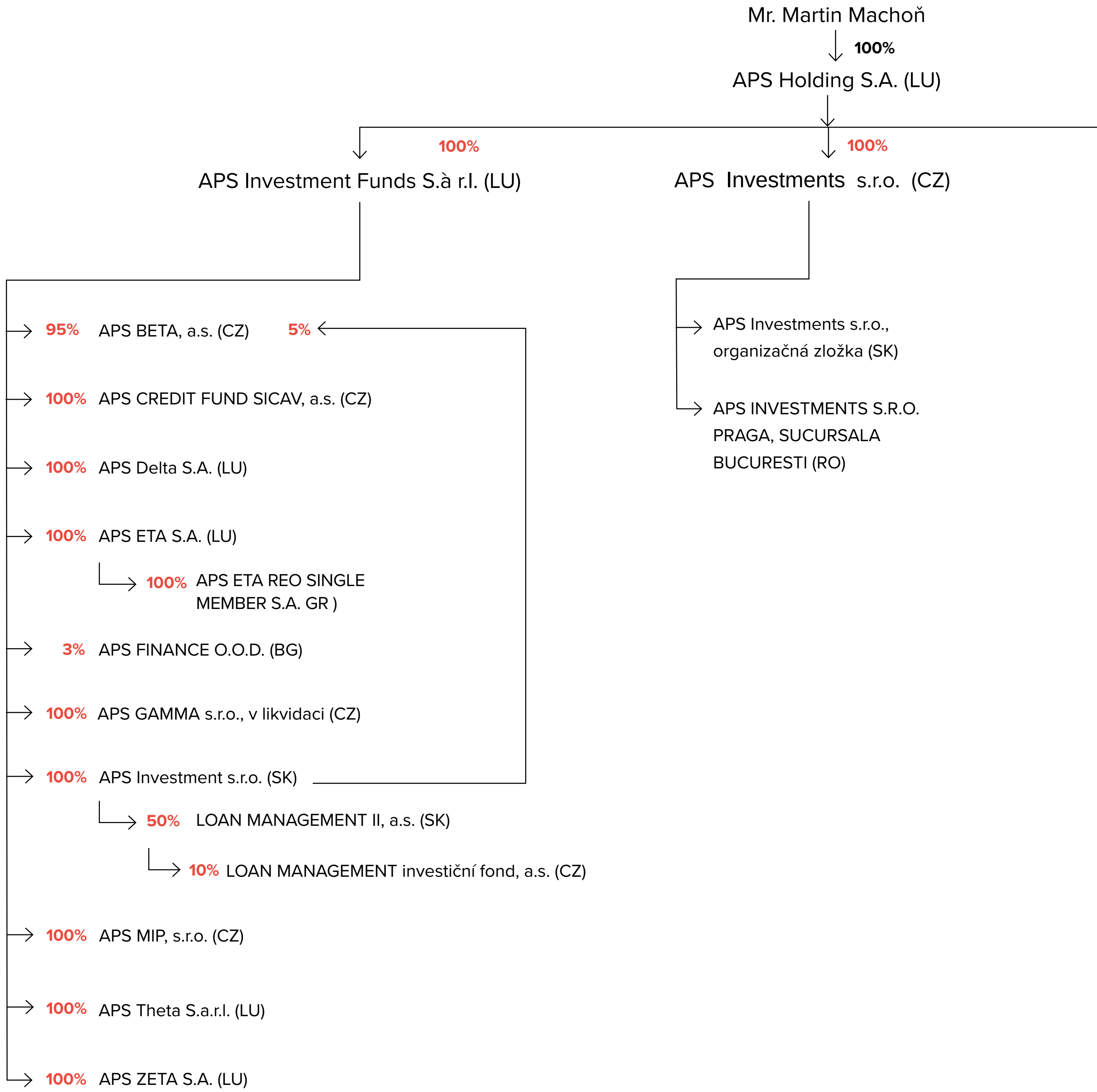
Organization Chart of APS Holding S.A.



Organization Chart of APS Holding S.A.



APS Holding S.A. Company Structure chart
as of 31 December 2023



APS Holding S.A. Company Structure chart
as of 31 December 2023

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

VISIONS AND VALUES

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Since our inception in 2004, we've garnered extensive experience from venturing into 15 European markets and numerous others beyond Europe. However, resting on our laurels is not part of our ethos. To maintain our position as a market leader, we understand the importance of looking forward.

We've charted a vision to become the premier alternative-asset manager in distressed financial services. Our broad market presence has endowed us with the requisite expertise to uphold our standing among the industry's elite.

Our reputation precedes us. Clients across all our markets have lauded our adeptness in tailoring innovative solutions to help them to achieve their objectives. We've learned firsthand that a one-size-fits-all approach falls short. So we collaborate with top talent to devise optimal solutions for every scenario.

To realize our lofty vision, we adhere to a set of fundamental yet potent principles that underpin all our endeavours. We prioritize results and remain resolute in seizing new opportunities. Our commitment to being a reliable partner with high-quality solutions emphasizes our readiness to be held accountable for outcomes. Furthermore, our endeavours are always collaborative, ensuring collective success as a cohesive team. Guided by these values, our team continuously pushes boundaries in all facets of our operations.

Our unwavering focus on our core competence of acquiring, advising, and servicing NPL portfolios is pivotal to realizing our ambitious objectives. Non-performing assets weigh down the economy, impeding banks' lending capabilities, companies' target achievements, and individuals' aspirations. By facilitating the recovery of unproductive capital, APS enhances the well-being of local communities. Throughout this process, we treat debtors with the utmost respect, acknowledging the profound impact of debt-repayment challenges on their psyche. Our dedication to finding optimal solutions, even in the most intricate cases, remains steadfast.

In our 19 years of existence, we've amassed invaluable knowledge. Still, we recognize that the journey is ongoing. We remain committed to learning and refining our insights, thereby delivering value to our investors and partners through this iterative approach.

SERVICES

Services

In 2023, we witnessed a significant enhancement of our Investment business line, along with the launch of a new sub-fund. Our traditional debt recovery operations, managing debts either serviced by us or on our books, primarily took place through our local branches.

INVESTMENTS

Our investment and fund management teams offer comprehensive professional services covering investments in all classes of distressed assets. We serve as investment advisors throughout the investment lifecycle, beginning with deal origination and acquisition, and continuing through performance management and administration related to ownership and management of the transactions.

We identify investment opportunities across Central and Eastern Europe (CEE) and South-eastern Europe (SEE), targeting portfolio transactions and acquisitions of operating entities with portfolios on their books. During the acquisition process of distressed assets, APS provides comprehensive investment advisory services, including portfolio valuation, collateral analysis, recovery strategy analysis, and due-diligence support.
Our team manages the transaction from financial closing onwards, overseeing fund administration, reporting, performance, and cash flow management. The transactions we advise on are funded by funds and accounts advised by APS and institutional investors and family offices. Additionally, on a deal-by-deal basis, we co-invest alongside reputable institutional pan-European and global investors.

We have earned the trust of the world's leading financial institutions, private investors, and supranational institutions, including the International Finance Corporation (a member of the World Bank) and the European Bank for Reconstruction and Development. As a trusted partner, we offer unparalleled expertise and support to our clients, ensuring successful investment outcomes and long-term growth.

DEBT RECOVERY

We have consistently offered recovery services encompassing a comprehensive range of soft, field, and legal collection activities. Our primary focus is on corporate collection, with a secondary emphasis on retail recovery. Our clientele includes both small and large banks, insurance companies, funds, telcos, and institutional partners.

With hundreds of call centres and recovery specialists in our employ, APS places significant emphasis on leveraging technology to support collection processes. We recognize the critical importance of the competency and expertise of our recovery specialists. By facilitating the sharing of best practices across countries, we enable our specialists to broaden their horizons and discover more effective processes and technological solutions.

CEE NPL MARKET UPDATE

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CEE NPL Market Update

In 2023, the European non-performing loan (NPL) securitization market showed a greater range of variety than before. However, it was a year marked by a relative respite in activity. None of the transactions that were temporarily halted following the European Central Bank's decision to raise interest rates resumed during the year.

The European market of NPLs has experienced notable shifts and developments, significantly impacting the management of distressed debt throughout the region. While economic uncertainties persisted, banks navigated through evolving market dynamics with a focus on compliance, data standardization, and risk management. Challenges such as potential asset-quality depreciation, rising default rates, and macroeconomic uncertainties posed ongoing risks to the European NPL market in 2023.

From the perspective of **market dynamics and performance,** the European NPL market has shown post-pandemic resilience, with a gradual decrease in legacy NPL levels in various jurisdictions. Despite economic challenges, most European countries have managed to avoid recession, contributing to a steady shrinkage in the NPL market. In addition, banks have continued their deleveraging activities, driven by supervisory pressure and the need for credible NPL strategies and plans.

Regarding **data standardization,** a new data standard has been introduced to encourage NPL transactions in the EU, aiming to reduce information asymmetry between sellers and buyers. The European Banking Authority published Implementing Technical Standards on NPL transaction data templates to enhance data disclosure and promote transparency in NPL transactions.

In 2022, the non-performing exposure of loans within the euro area and other EU nations, under the single supervisory mechanism, notably decreased compared to previous levels. By the second quarter of 2023, the total value of NPLs had reached EUR 343 billion. The exposure of banks within the region saw a slight increase in 2023, although it had significantly decreased in previous years. Larger banks, with assets exceeding EUR 200 billion, experienced a slower decline in their exposure than smaller banks did. Notably, some of the primary sellers of NPLs in Europe were banks headquartered in Greece.

According to the Vienna Initiative, the NPL ratio (which represents the ratio of NPLs to total debt) had decreased at the end of June 2023. This decline of 0.3 percentage points year over year resulted in an average NPL ratio of 2.2% in CESEE region. Since the inception of the EBRD-led *NPL Monitor,* a publication released biannually beginning in 2016, this ratio has consistently shown a downward trend.

The most significant reduction in NPL ratios at the end of June 2023 was observed in Bulgaria, with a decline of 1.5 percentage points, bringing the ratio down to 3.8% of total debt. On the other side, Ukraine was the only country that experienced a rise in its NPL ratio, which climbed by 9.2 percentage points to reach 38.9% of total debt. The overall NPL stock amounted to EUR 10.7 billion.

The regional decline marks a historic low across the 17 economies of Central, Eastern, and South-eastern Europe (CESEE) since 2016, when the regional average was at 7.2% of total loans. Furthermore, outside the CESEE region, Greece experienced a notable decline in its NPL ratio, dropping to 7.5% (from 9.4%) at the end of June 2023.

CEE NPL Market Update

Regarding NPL volume, there was an average decrease of 6.8%. As of the end of June 2023, NPL volumes across the CESEE region amounted to EUR 27.9 billion. Latvia experienced the most substantial relative decrease in NPL volume, with a reduction of 26.2% to EUR 0.4 billion, followed by Croatia with a decrease of 23.9% to EUR 0.2 billion and Bosnia and Herzegovina with a reduction of 17.7% to EUR 0.5 billion. In absolute terms, Poland had the largest reduction in NPL volume, amounting to EUR 700 million, equivalent to 7.1% of its total volume.

Only three countries saw an increase in NPL volumes: Albania (8.4%), Serbia (5.8%), and Kosovo (1.2%).

The average NPL coverage ratio experienced a slight and ongoing decrease of 0.2 percentage points between June 2022 and June 2023 to reach 64.3%. This maintenance of the average level has been consistent since the onset of the Covid-19 pandemic.

While a portion of the decrease in NPL volumes can be attributed to banks selling NPLs to third-party investors, this is believed to have contributed only minimally to the reduction, given the overall level of publicly reported transactions during the period. The decline is more likely due to loan write-offs and advancements in restructuring, enforcement, and internal recovery efforts by banks.

However, future expectations highlight persistent macroeconomic challenges such as increasing interest rates and ongoing inflation. There is a potential risk that assets will be affected by further shocks related to real-estate lending, unsecured consumer lending, assets reliant on pandemic-era support, and sectors susceptible to inflation and commodity-price fluctuations. It will be of great importance for regulators and banking supervisors to maintain vigilance for any indications of deteriorating asset quality or an uptick in NPLs within the financial sector. It is vital to emphasize that banks must be fully prepared for potential declines in asset quality, ensuring robust credit risk monitoring and management, appropriate loan classification, accurate loan staging in accordance with IFRS 9, and adequate loan loss provisioning.

INVESTMENT MANAGEMENT

The main focus of the transaction teams was a Romanian corporate and retail sub-performing loan (SPL) and NPL portfolio transaction, which is due to be completed in 2024. This transaction is set to increase exposure to Romanian NPLs and SPLs in nominal value by ca EUR 0.5 billion.

APS has been working on this transaction for more than a year. Collection reports and SPL visibility into future performance gives us confidence that the efforts of the entire APS team will be rewarded by the satisfaction of our investors. In addition to this transaction, we closed the acquisition of a sizeable unsecured retail NPL portfolio from a local bank at the beginning of 2023. Following that transaction, we managed to close a single ticket transaction, a claim towards a corporate debtor secured by a substantial commercial asset. Through this transaction, we consolidated full control over a syndicated loan sold by various banks.

Poland is one of our key markets alongside Romania and Greece. In Poland, we acquired two secured retail loan portfolios from to two different banks with a total nominal value of around EUR 30 million and exposure of up to 380 during 2023.

In Croatia, similar to 2022, we closed two deals at the end of the year. This time, both transactions were secured retail NPL portfolios. One portfolio comprises 30 NPLs with 25 assets as collateral. In the second transaction, we bought around 100 NPLs secured by 74 mainly residential properties in superior locations.

Private lending agreements are a growing activity for APS Credit Fund SICAV. APS closed the first financing agreement in Hungary. We provided a credit facility amounting to over EUR 2 million to finance the purchase of land near Budapest. This is the latest piece of land consolidation to begin development of a logistic centre for a significant market player.

In Bulgaria, APS assisted with acquiring several unsecured consumer financing NPL portfolios during 2023. Through these transactions, we strengthened our position on the debt acquisition market.

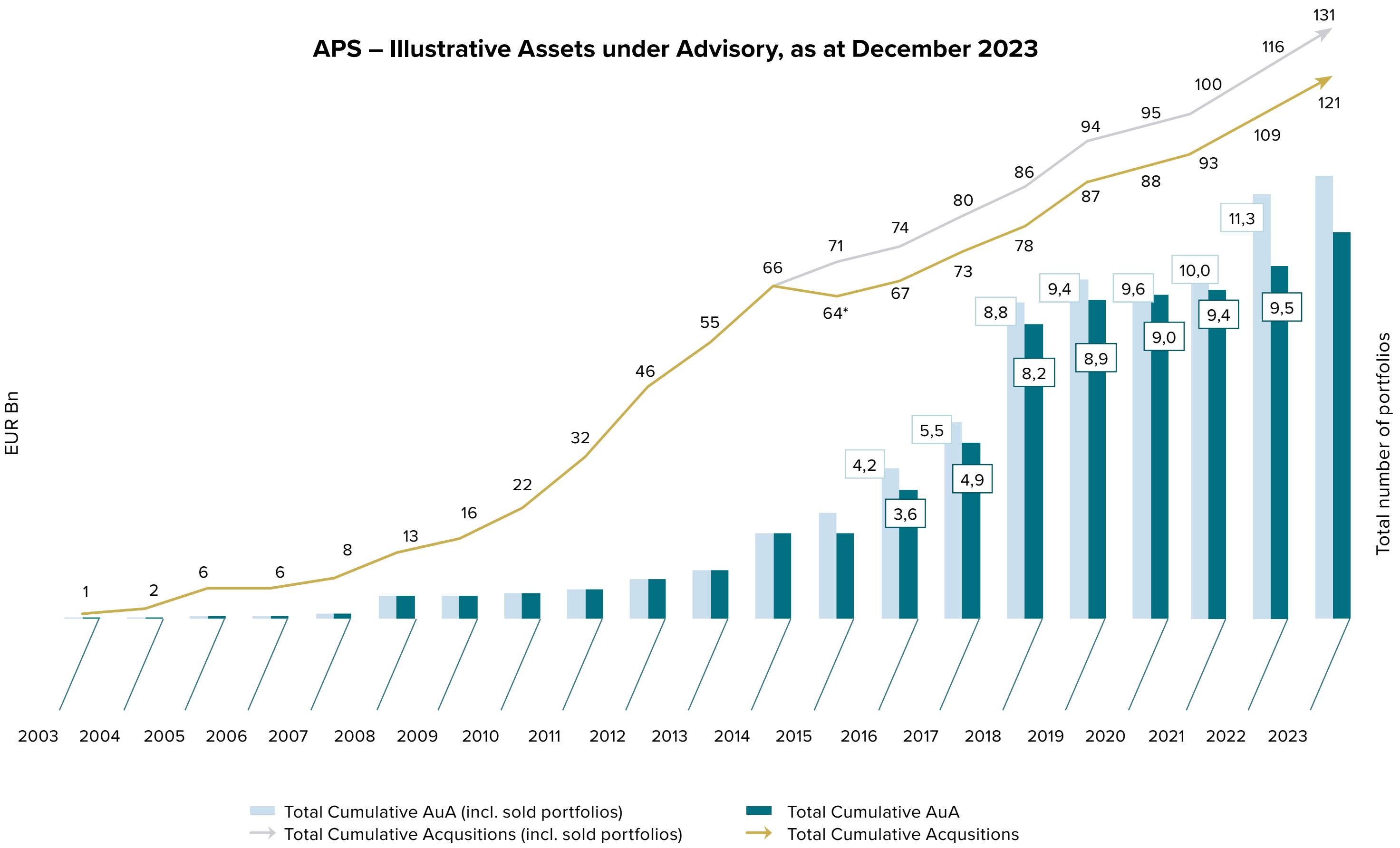
Lastly, in Latvia we continued cooperation with a local partner in which we prolonged a forward flow transaction where we were buying batches of unsecured retail claims on a monthly basis.

Investment Management

APS in Summary and Numbers

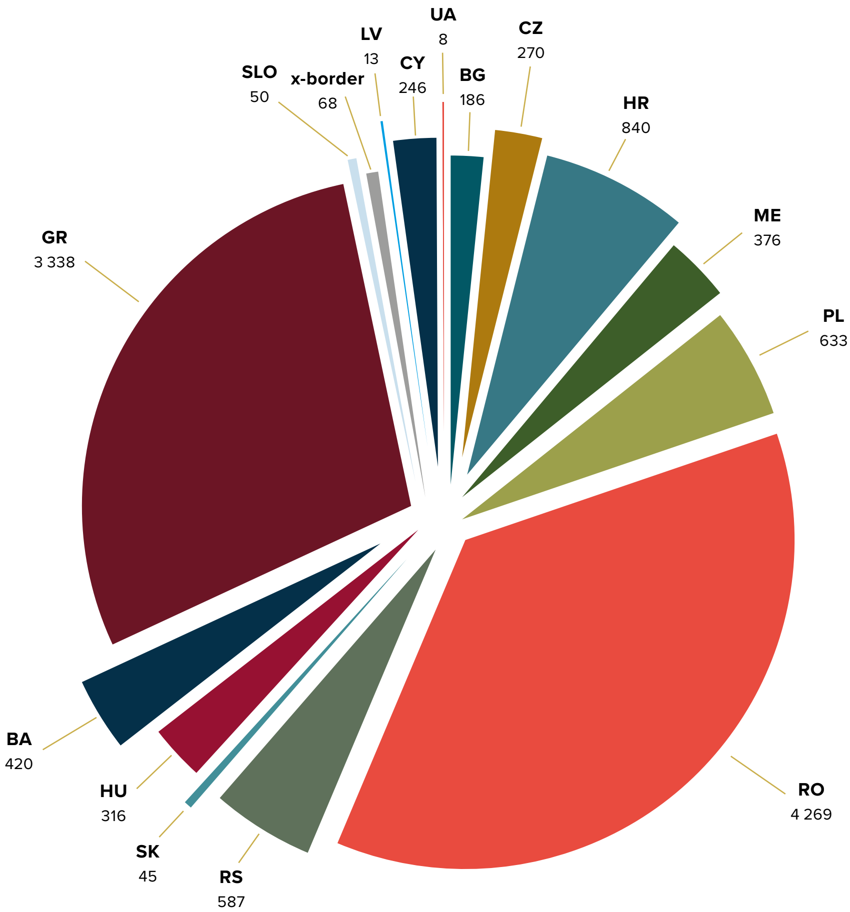
APS is an advisor to several investors, investment vehicles, and funds located in various jurisdictions that invest in all types of distressed assets.

APS – Illustrative Assets under Advisory, as at December 2023

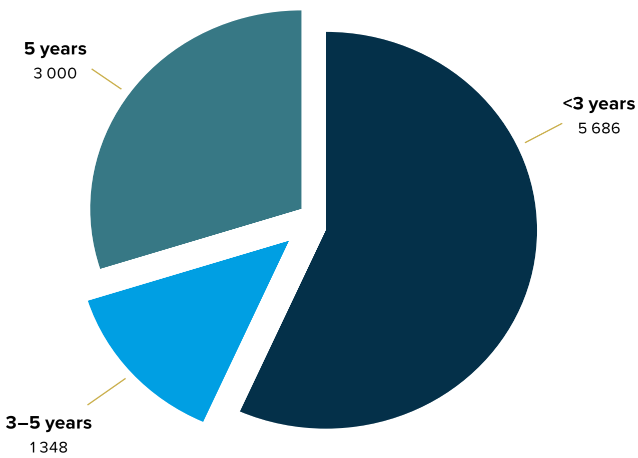


*decrease in 2015 portfolio number is due to sale of 7 tail portfolios with NV of EUR 0.58 bn. compensated by acquisition of 5 new portfolios
** Assets under Advisory figures are presented at historical value principle, representing nominal values as at acquisition date

NOMINAL VALUE BY COUNTRY
Grand Total (EUR m)



NOMINAL VALUE BY AGE
Grand Total (EUR m)



APS Funds

Serraghis Loan Management Ltd.

- Established in 2009.
- Investment period 2010–2012; 2016–present.
- Non-regulated investment vehicle from Cyprus.
- The first APS investment vehicle for regional institutional investors and family offices.
- Invested in 35 portfolios.
- All types of NPLs and distressed assets.
- CEE and SEE.
- APS has been the exclusive investment advisor regarding NPL portfolios.
- At the end of 2023, the performance of Serraghis Loan Management was roughly 125%, proving the portfolios' potential with an expected overall net cash multiple of over 3.25.

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

- Established in 2013.
- Investment period 2014–2018.
- Non-regulated investment vehicle from Czechia (de-licencing from a regulated Qualified Investors Fund completed in early 2018).
- Special fund created by APS to partner with IFC.
- All types of NPLs and distressed assets.
- Invested in 5 Romanian portfolios with a total nominal value of EUR 1.07 billion.
- APS has been the exclusive investment advisor regarding NPL portfolios.
- The overall performance of APS BETA was cca 78% in 2023. Performance improvements are expected once the last few bigger items are resolved.

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

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

APS Delta S.A.

- Established in 2016.
- Investment performance oscillates within the expected range. The outlook for 2024 remains positive. Some portfolios reached their tail phase and restructuring is in process.
- Currently invested in 8 portfolios with overall performance of 87%.

APS Zeta S.A.

- Established in 2021.
- More than EUR 40 million invested in the CEE region.
- Significant investment over-performance compared to the original targets.
- Currently invested in 4 portfolios with overall performance of 142 %

APS Eta S.A.

- Established in 2022.
- Fully funded, single investment vehicle in cooperation with a Greek banking institution.

APS Theta S.à r.l.

- Established in 2023.
- Single investment vehicle for a large Romanian NPL portfolio. Onboarding is expected in the beginning of 2024.

LOAN MANAGEMENT investiční fond, a.s.

- Established in 2016.
- Qualified Investor Fund regulated by the Czech National Bank.
- Licence for self-governance obtained in November 2018.
- As of 31 December 2023, 25 investments have been made, with 1.21 current net multiple.
- All types of NPLs and distressed assets.
- CEE and SEE.
- APS has been the exclusive investment advisor regarding NPL portfolios.

APS CREDIT FUND SICAV, a.s.

- In 2021, APS successfully launched APS CREDIT FUND SICAV, a commingled regulated fund domiciled in Czechia.
- The Fund raised more than EUR 31.6 million within the first fundraising period of its sub-fund RHAPSODY. In

2022, the Fund launched the second sub-fund RHAPSODY II, overall fundraising amounted to EUR 27.9 million.

- APS CREDIT FUND SICAV targets distressed opportunities in the post-COVID-19 environment. Due to impact of COVID-19 on national economies, distressed markets are expected to be more active in the upcoming years. APS CREDIT FUND SICAV is designed to offer Czech and Slovak qualified investors participation in this substantial investment opportunity.
- The expected targeted return on investment is 12% p.a. (net of fees). The recovery process for portfolios acquired through APS CREDIT FUND SICAV will be managed predominately by local APS servicing subsidiaries.

RHAPSODY

- Rhapsody has invested in 32 portfolios out of which five portfolios has already been closed. At the beginning of 2024 we were also near the closing of four portfolio acquisitions, out of which three are in Romania and one in Hungary. Investments are currently held in eight countries, diversifying the Rhapsody investments through multiple geographies - the Czech Republic, Poland, and Latvia. The largest investment exposure is to Greece, followed closely by Croatia, Romania, and Hungary.

RHAPSODY II

- Rhapsody II has invested in 13 portfolios. At the beginning of 2024 we have been preparing acquisitions of four portfolios, out of which two are in Romania, one in Montenegro and one in Cyprus. Investments are currently held in seven countries, diversifying the Rhapsody II investments through several markets including Poland, Greece, and Romania. The largest highest investment exposure is to Poland, Hungary, Greece, Romania and Croatia. Specifically, in Poland, Rhapsody II invested in a retail-secured portfolio, and in Romania, in corporate-secured and retail-unsecured portfolios.

DEBT RECOVERY

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For nearly two decades of experience managing distressed debt across various jurisdictions, debt retrieval constitutes the cornerstone of APS operations. We have earned a reputation as a reliable and esteemed service provider to institutional investors and banks, distinguished by our adept handling of diverse exposures, including consumer loans, residential mortgages, corporate loans backed by real estate, and real estate owned (REO) assets.

As the operational arm of APS Group, APS Recovery possesses a multi-unit, cross-national infrastructure for conducting collection activities through locally situated branches. We disseminate our expertise and best practices to new locales while overseeing the retrieval process through continuous data analysis and tailored reporting to meet client requirements. Our commitment to innovation and excellence is evident in our robust retrieval and recovery teams, equipped with extensive expertise in KPI-driven soft collection and navigating complex corporate cases across various stages of legal proceedings. With over 120 portfolios and assets under advisement exceeding EUR 11.3 billion, we possess the proficiency to deliver tangible outcomes.

Despite encountering external hurdles in 2023, such as the post-pandemic economic fallout from Covid-19 and the ongoing conflict in Ukraine, we achieved our collection objectives successfully. While we made the strategic decision to exit the Ukrainian market by the end of 2023, the overall impact on the group was negligible as it was not one of our primary markets. Additionally, operations in Bosnia and Herzegovina have ceased.

We remain steadfast in our commitment to delivering top-tier debt-retrieval services to our clients and investors, irrespective of external circumstances.

At APS Recovery, we take pride in investing in our workforce, which comprise 344 professionals across 13 European offices. We are dedicated to nurturing and advancing our employees' careers, with numerous success stories of internal growth, including advancements to managerial and directorial roles. We foster cross-border knowledge exchange and best practice sharing through team and country rotations. Our employees respond with exceptional results, and we reciprocate by implementing retention strategies, enhanced onboarding processes, coaching and mentoring initiatives, and incentives for innovative thinking. Furthermore, we enlist seasoned experts from banks, advisory firms, law practices, and other industries to complement our internal talent pool. At APS Recovery, we value initiative and ambition, encouraging our employees to elevate standards and seize opportunities for advancement.

BUSINESS DEVELOPMENT

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Morocco: Advancing Opportunities

Morocco presents significant opportunities for APS with a substantial NPL balance nearing EUR 9 billion. The central bank is addressing the banking sector's NPL volume, creating a favourable economic and financial landscape. APS is studying Morocco's regulatory framework, laying the groundwork for potential collaborations and investments. This exploration reflects our commitment to expanding our reach, utilizing our expertise, and delivering value to stakeholders. Moving forward, APS remains dedicated to proactive business development, driving success in debt collection and alternative investments.

HIGHLIGHTS

Bulgaria

2023

The year 2023 was quite busy for APS Bulgaria. The team participated in numerous projects – mostly smaller ones – and won and successfully onboarded three of them, which are performing cumulatively according to expectations. The total number of onboarded debtors was 8,000. The Company has developed successful collaborations with STIK CREDIT and CREDISIMMO, both leading financial institutions in digital consumer financing in Bulgaria. After signing the projects STIK CREDIT in 2023 and CREDISIMMO 3, we are currently working intensively with our partners to onboard new projects for 2024. APS Bulgaria will also focus on acquiring a new corporate portfolio, which will be added on top of the already-onboarded LION II.

2024

APS plan for 2024 is to maintain this pace of active participation and build new bridges of connections within the local market. We have had time to turn our attention to various charitable causes with full involvement of the Company's staff. On the current market every new year is a challenge for the team, but the management is certain the yearly targets will be met.

Croatia

2023

In 2023, the APS Croatia investment strategy was characterized by proactive measures to seize new market opportunities. The acquisition of APS REO Sunrise emerged as a standout achievement, significantly bolstering our asset portfolio and amplifying revenue streams. Remarkably, APS REO Sunrise exceeded initial forecasts, reaching breakeven ahead of schedule. Furthermore, we assisted in securing two new portfolios backed by 98 real-estate assets through a tender process. These portfolios showcased the ability to identify and capitalize on unique investment opportunities in the market. In addition to the investment endeavours, the new business development initiatives in 2023 made. A robust foundation for charting the path for 2024, with a focus on further expanding our portfolio, pursuing private lending opportunities, and strategically evaluating market dynamics to identify avenues for consolidation and growth.

2024

In 2024, APS Croatia remains dedicated to strategic growth and market leadership. In light of the evolving regulatory landscape post-NPL licensing, the team will conduct thorough market assessments to identify opportunities for potential consolidation, leveraging our expertise to optimize APS position in the market. Additionally, the company is poised to intensify its focus on REO strategy, capitalizing on market trends and opportunities to further enhance the asset portfolio and revenue streams. These initiatives reflect the commitment to adaptability, innovation, and sustained value creation as we continue to navigate and thrive in dynamic market conditions.

Czech Republic

2023

In 2023, APS managed to continue the trend of increasing the company's revenues. APS team of specialists was fully stabilized, the entity completed development and implementation of new software that allows it a full automative management of car repossession projects, the area where the company positions itself as one of the largest servicers for local financial companies. The company tested the market with bidding on NPL sales transactions, but prices achieved in the tenders did not allow to complete a new deal with sufficient returns. However, APS expanded successfully projects in the area of 3rd-party servicing and concluded new contracts in this segment of services.

2024

For APS, 2024 will represent a continuation of the trend of consolidating its position in the area of 3rd-party servicing, where the target is to become the largest car repossession manager. to the area of focus represents acquisitions of individual cases secured by real estate, projects resolved within the framework of insolvency proceedings and on possible acquisitions of NPL portfolios from the secondary market.

Greece

2023

In 2023 APS had a good year in Greece with its portfolios delivering collections at par compared to the business plan. The team encountered a number of odd factors, notably natural disasters and government-imposed bans on calling disaster-struck debtors or proceeding with enforcements for over 8 weeks. Furthermore, the repeated rounds of elections and strikes by lawyers and notaries slowed down progress with court actions.

In terms of upgrading business sophistication, we expanded our ecosystem of trusted business partners with an emphasis on real estate asset management services spanning onboarding, maturing, and selling.

Highlights

2024

The new year of 2024 starts with the relicensing process for all licensed servicers operating in Greece, arising from the increased regulatory requirements of the new law 5072/2023. The process is led by the Bank of Greece and supervised by the Directorate for Private Debt of the Ministry of Finance. APS, committed to high ESG standards, had already been preparing ahead of the process, with continuous investments in people, processes, and systems, with an emphasis on risk management and compliance. The Company's self-service portal for debtors featuring the same authentication standards as e-banking platforms will be ready for use after many months of development.

Furthermore, APS in-house legal execution teams shall be extended with the aim to selectively re-onshore assignments to external partners.

Following a successful conclusion to the relicensing process, APS plans to take advantage of its potential in playing an active role in the consolidation of the Greek servicer market.

Meanwhile APS business footprint in Greece will continue growing. The focus remains SME secured portfolios with additional loan portfolios, notably secondary carve outs, currently under discussion.

Hungary

2023

After 2022, APS faced new challenges in 2023 as inflation erupted all over Europe and in Hungary especially reaching 20+%, which pushed the local economy into a recession. The company successfully managed to open up new business lines in the bridge financing area and also managed to close several opportunistic real-estate acquisitions. APS participated in multiple tenders for the acquisition of new NPL portfolios, but did not bid aggressively to preserve our servicing and investment quality with respect toward our investors. The company's developed and well-tested strategies proved to be efficient and so helped it to maintain its profitability and stable operations.

2024

Based on the 2023 achievements, the team is planning to grow further and open up an unsecured collection business line for both acquisition and servicing building on APS international presence and niche expertise. The company also plans to keep an opportunistic approach toward finding profitable and secure investments. The NPL market will resurrect and provide further flows to APS core business activities.

Montenegro

2023

The second half of 2023 was marked by strong efforts to ensure the expected collection results even though the company experienced some pushback that affected our results. They were also affected by the fact that the business environment was marked by considerable tension, resulting from unstable governmental and institutional conditions. These factors have deterred foreign investors, which was a reason why large cases did not present more opportunities beyond the local market. These issues may be gradually resolved in 2024.

2024

The year 2024 is expected to be challenging in recovering from the losses incurred in 2023 and pursuing success. To this end, the team remains committed to meeting the recovery plans as the top priority, closing a new contemplated share deal in Montenegro, and maintaining a firm base for purchasing new portfolios by securing a license that will enhance the company's market position and provide expanded opportunities for NPL acquisitions, a task on which we have been working very hard and persistently.

Poland

2023

The year 2023 ended with assisting a Polish SPV winning tender for the purchase of secured NPLs from the largest Polish bank, PKO BP SA - a retail portfolio and an SME portfolio, both secured by real estate assets. A number of long-term cooperation agreements with Polish leading banks, has also been signed recently enabling the company a simplified access to tender participations. As a result, APS has again become visible on the local receivables market.

Concerning the company's recovery activities, APS has been delivering at par recoveries for the portfolios of both securitization funds, MONTON and VPF III, thus satisfying investors' expectations.

2024

The year 2024 will be equally intense in terms of bank tenders;

the company will take an active part in them and ultimately intends to purchase at least one additional mortgage portfolio.

Due to the portfolios APS already services and the prospects for further purchases, the company is constantly developing human resources to increase the efficiency of debt collection. The legal department will be expanded and an automation in the area of internal and external reporting is planned.

In 2024, the company will also focus on increasing its network of contacts, both banking and non-banking, and will focus on repossessing collateral and active participation in receivables trading.

Romania

2023

APS Romania finished 2023 surpassing expectations, closing at 130% versus bottom line budget. APS experienced an intense end of the year with revenues generated from some large corporate positions and the company managed to do so without depleting as many of the top cases as predicted, with great help from the company's contact sales, soft collection, and enforcement departments, who have managed to produce margins for APS Romania at a record level.

The company kept scaling up its contact centre. APS also continued the search for servicing deals that are well balanced in terms of revenue versus effort. We kept looking at new opportunities in the market, trying to be creative and flexible and matching the market's status quo.

On the new deals front, APS onboarded the Osiris retail unsecured portfolio.

In addition, 2023 was the first full year with a new management structure for APS Romania, leaner, with a more concentrated and accountable organizational chart.

2024

2024 is expected to be a year of consolidation. With a strong deal pipeline, diverse opportunities and a serious amount of drive, the company has now the chance to accumulate stock and new business for the years to come. All while bearing in mind the vision for responsible and sustainable growth.
The business is starting this year with several big deals on the table, alternating from portfolios, REO companies to share deals, with huge efforts put into due diligence work. A special mention is warranted for the fact that APS is very close to sealing the deal on the largest secured portfolio on the Romanian market in the past 5 years.

In the corporate and retail secured divisions, the teams are focused on maintaining collections at the level of business plans and satisfying investor requirements and also closing some of the large tickets that have seen delays from 2023. In the sales, soft collection, and enforcement departments, we are focused on delivering even better results than last year.

Serbia

2023

In 2023, the trend of downsizing the company continued. The merger of two companies into the service provider was completed, resulting in a reduced number of employees who successfully adapted to remote work. Despite all the challenges, the company found a way to generate revenue by collecting on three major cases within one portfolio and acquiring two claims that were then collected through further assignment and assets from bankruptcy.

2024

The year 2024 brings new challenges in completing status changes and further planning mergers, with the idea of maintaining three entities in Serbia. The number of employees was further downsized. Focus was placed on the smaller claims remaining in the portfolios and assessing the potential for collection. A potential portfolio acquisition in Serbia would help the company remain competitive in the market.

CORPORATE SOCIAL RESPONSIBILITY

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Corporate Social Responsibility

At APS, we view corporate social responsibility as a fundamental ethical duty to foster positive change in the communities across our European markets. Since our company DNA consists one of the highest ethical standards in the industry. We firmly believe that company should back up our words with direct action!

We don't live in a vacuum. Our awareness of the pressing issues of our times galvanized us into action. We prepared robust strategy aimed at making an impact. This strategy is anchored in three primary pillars: philanthropy, environmental stewardship, and support for non-governmental organizations focused on aiding the elderly. This is the core of our CSR activities on a company level. Furthermore, APS is a vibrant hub of employee-driven grassroots initiatives and fundraising efforts designed to back various causes, a culture that pervades all our offices globally. We back those activities with charitable competitions like Each Step Count, a team walking challenge. The winner gets to pick a charity and support it.

The grassroots charitable activities initiated by our employees take our philanthropic efforts to a new level. We believe in the ripple effect of change that starts from within, driven by the passion and dedication of our team members. This approach not only contributes to societal change but also cultivates a workplace culture steeped in compassion and proactive involvement.

Our philanthropic endeavours have been particularly channelled through our Seeding Knowledge Foundation, which is committed to uplifting social groups at risk of being overlooked. We cooperated with several organisations providing help to society.

For APS, aiding the elderly transcends corporate obligation, touching the very essence of our organizational ethos. Our collaboration with Elpida exemplifies this commitment. Elpida not only publishes Vital, a magazine tailored for seniors but also operates a centre offering a plethora of seminars and activities designed to enrich the lives of the elderly.

Moreover, APS champions education and equal opportunities, especially for women facing challenging social circumstances. This commitment is evidenced by our support for Metráž, an organization that advocates for sustainable fashion, zero waste, and the repurposing of materials deemed otherwise useless. Our partnership with Metráž is built on a foundation of mutual dedication to creating a continuum of care, respect, and joy across different strata of society.

Recognizing our responsibility towards the environment, APS is committed to minimizing our carbon footprint. This commitment led to relocating our company headquarters to a building that boasts higher energy efficiency and adopting practices that significantly reduce our reliance on paper. We also collaborated on tree-planting campaign in the Czech Republic. Our Greek team helped to clean the beach in the cooperation with the Hellenic Loan Servicers Association. They demonstrated dedication to environment preservation and community engagement as they made a positive impact on the local coastal wetland of Agios Nikolaos.

Our CSR activities are a testament to our belief that meaningful change can be done every day. We strive to lead by example, encouraging others in our industry and beyond to join us in making a positive impact on the world.

COMPLIANCE

In 2023, APS Compliance proceeded with its ongoing development and refinement of processes and systems, while concurrently realigning its focus to serve as the second and third lines of defence. This involved identifying relevant synergies and preparing to provide support for APS Group endeavours.

The function's priorities remained closely intertwined with the group's overarching corporate objectives, particularly in such areas as optimizing asset management and recovery practices, adhering to the requirements outlined in the NPL Directive, bolstering cybersecurity measures, advancing digitalization efforts, and fostering a compliance culture with an emphasis on environmental and social considerations. Additionally, efforts were directed towards streamlining critical processes and reinforcing the internal control framework.

In 2023, additional experts joined APS Compliance team. With geopolitical unrest, economic instability, banking failures, sustainability challenges, crypto-assets, and new technologies as the backdrop, APS Group needs to be able to rely on an effective and efficient compliance function to steer through the labyrinth of associated regulations.

The Group Compliance function conducts risk monitoring, facilitates internal compliance control, and is responsible for reporting significant compliance matters to the relevant executive and supervisory corporate bodies to ensure effective oversight of compliance within the group.

EU Directive 2021/2167 on credit servicers and credit purchasers (also known as the "NPL Directive") took effect on 28 December 2021, with the deadline for implementation in all member states being 29 December 2023. Of the countries where APS operates, only Croatia and Greece transposed the NPL Directive in a timely manner.

Within APS Group, we have made preparations for compliance with the new regulation and obtaining licenses as a priority starting at the beginning of the year, with continuous knowledge exchange within our operating countries.

APS Group has historically established robust regulatory compliance mechanisms, and so preparations for the transformation of recovery entities into fully regulated financial institutions represents an augmentation and formalization of existing principles and procedures.

For APS Credit Fund SICAV (a regulated fund domiciled in the Czech Republic), Compliance verified that the fund met its obligations regarding the identification and management of conflicts of interest. This involved evaluating potential adverse impacts from transactions with a potential conflict of interest and implementing measures to prevent such impacts, with documentation of these actions in written protocols. Throughout the reporting period, no transactions with adverse impacts due to conflicts of interest occurred. Additionally, Compliance focused on monitoring whether obligations were met upon investor entry, particularly emphasizing the completion of investment questionnaires. In this regard, Compliance found no deficiencies.

AML-CFT

Compliance continued its implementation of work streams dedicated to systems and data management, periodic reviews for Know Your Customer regulations, reviews of politically exposed persons, and the ongoing rollout of the risk-based approach. Additionally, we continued to bolster our practices through an audit of record-keeping to ensure the retention of all required information and evidence, stored within compliance folders with restricted access. Nevertheless, all employees were required to complete mandatory training aimed at recognizing money-laundering risks, becoming familiar with relevant anti-money laundering (AML) and sanction laws, and understanding internal APS procedures to meet their compliance obligations.

Compliance

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

At APS, we prioritize the protection of personal data and consistently adapt our procedures and policies to address the evolving challenges posed by digitization and remote work. Consequently, we are continually enhancing our policies, processes, and technical and organizational measures in this regard. To fortify our existing measures, an external GDPR and cybersecurity audit was concluded by year's end, with subsequent implementation of the recommendations provided.

Over the course of 2023, APS Group undertook an internal analysis of its perimeter and preparedness concerning compliance with the Digital Resilience Operational Act. We have delineated areas necessitating enhancement to ensure alignment with contemporary technological advancements and regulatory mandates in the forthcoming period. Within APS Group, we pay sufficient attention to each step in this process and ensure effective coordination between different departments and stakeholders.

ESG

APS Group remained steadfast in upholding environmental, social, and governance (ESG) principles while maintaining a commitment to responsible and ethical debt recovery practices. Recognizing our broader social responsibility, we actively engaged with debtors with empathy and understanding, ensuring fair treatment and offering support to those facing financial challenges. Our approach not only prioritized the financial recovery process but also aimed to positively impact the lives of debtors by providing resources and assistance tailored to their individual needs. By integrating ESG considerations, responsible debt recovery practices, and a commitment to fostering positive social impact on debtors, we demonstrated our dedication to ethical conduct and community welfare.

At the same time, the integration of ESG principles catalysed a transformative shift to the equally important asset-management business line, driving a comprehensive approach that prioritized environmental sustainability, social responsibility, and rigorous governance standards across all facets of our operations and investment strategies.

DIRECTORS' REPORT

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MARKET SITUATION

After the turbulent year of 2022 when the macroeconomic situation in Europe was heavily impacted by the Russian invasion into Ukraine, 2023 was a year of gradual normalization. The prices of energy inputs and raw materials in general declined closer to pre-war levels. The European Central Bank and other central banks in the region continued to pursue a restrictive monetary policy, helping to decrease inflation. Though pricing stability has returned, the disruption in market conditions and the prevailing high interest rates has put many businesses under financial stress. This may become even more visible when those businesses will be refinancing their existing debts, which will mean a major increase in their financing costs. The "higher for longer" market environment is likely to impact more companies than originally expected.

While the size of NPL portfolios offered to the market by the banks operating in the region decreased in recent years, banks still continue to clean up their balance sheets through series of smaller transactions featuring both retail and corporate portfolios. In addition, a major consolidation process has occurred amongst NPL players themselves. NPL servicers, who were originally buying portfolios on their balance sheets with cheap leverage, have been struggling to repay their commitments now that funding is significantly more expensive. Others just do not have critical mass within certain territories and are leaving specific geographies. In addition, secondary market transactions appear on markets where private investors have held large chunks of NPLs and are currently looking for liquidity.

STRATEGY AND COMPETITION

APS has continued in its journey from an NPL servicer and investment manager to a discretionary asset manager targeting distressed-debt assets. Its successful fundraising activities in the Czech Republic through retail SICAV funds have contributed positively to this strategy. The Group focuses mostly on acquisition of corporate secured claims, but depending on terms of specific transactions it can acquire also retail NPLs. Its servicing arm has been withdrawing from markets with limited investment potential (Serbia and Bosnia & Herzegovina) but fortifying its positions on its traditional markets with still high volumes of NPL receivables in the banking sector (Romania, Greece, and Poland). The company has also been opportunistically eying other players in the industry planning to exit certain markets within Central and Eastern Europe (CEE) to potentially acquire them. APS is also studying opportunities to enter new markets in Western Europe.

FINANCIAL STATEMENTS

This document presents the financial statements for the financial year of 1 January 2023–31 December 2023. The Board of Directors believes that the financial statements provide an accurate picture of the assets and financial situation of APS for the respective year. The financial statements are presented in accordance with the International Financial Reporting Standards adopted by the European Union and have been audited by Deloitte Audit S.à r.l.

PROFIT AND LOSS

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.

HUMAN RESOURCES

At APS, we strive to establish long-term relationships with our staff built on trust and mutual respect. We provide our employees with working conditions designed to motivate them to achieve their optimal performance. One of our primary focuses is on fostering a strong company culture characterized by friendliness, collaboration, and inclusivity. We believe that a positive work environment is essential for both employee satisfaction and organizational success. Furthermore, we are committed to providing opportunities for professional development and growth. At APS, we recognize that only our qualified and motivated employees enable us to succeed in the highly demanding and competitive distressed-asset market. Throughout the year, we organize various team-building activities for our employees to foster team spirit. Additionally, we offer workshops to enhance both soft skills and professional qualifications. By prioritizing a positive work culture, well-being, and professional development, we aim to create an environment where employees can thrive and contribute to the success of our organization. Moreover, at APS, we adhere to all applicable legal working regulations for employers. Compliance with both legal and internal regulations is subject to regular monitoring, and any irregularities are addressed promptly through the implementation of remedial plans.

ESG

In the contemporary corporate landscape, integrating environmental, social, and governance (ESG) principles into everyday business operations is not merely a matter of ethical obligation but a significant strategic advantage. At APS, our adherence to ESG standards is not only foundational to our operations but is also pivotal in bolstering our reputation across the global stage. This dedication is underpinned by our stringent adherence to the social and environmental standards set forth by the World Bank and its International Finance Corporation (IFC) subsidiary, ensuring our practices meet international benchmarks.

Human Capital and Social Responsibility

At APS, we believe in nurturing human capital and ensuring the well-being of our community. Through our partnership with Elpida, we extend comprehensive support to the elderly: publishing the magazine Vital and hosting various seminars that enrich their lives beyond the basic necessities. Similarly, our support for Metráž demonstrates our commitment to empowering women in difficult social situations, championing initiatives in sustainable fashion and zero waste that resonate with their needs and aspirations.

Responsible Collection and Community Engagement

Our collection practices are defined by a foundational commitment to ethics and responsibility, aligning with broader ESG goals that respect both individual circumstances and the larger community. Through the Seeding Knowledge Foundation, we channel our efforts into long-term projects aimed at empowering marginalized social groups, ensuring that our impact is both meaningful and enduring.

Environmental Stewardship

Environmental responsibility is a cornerstone of our operational ethos. By relocating to a more energy-efficient office and transitioning towards paperless processes, we have significantly reduced our carbon footprint. Our ongoing collaborations, such as with Újezdský strom for tree planting and the Hellenic Loan Servicers Association for beach clean-up initiatives, underscore our commitment to ecological preservation.

Local and Global Community Support

Our global community initiatives reflect a deep-seated commitment to making a positive impact. From food donations to animal shelters in Luxembourg to various local charity work, APS consistently seeks opportunities to contribute beneficially and substantially to societies worldwide.

Supporting Our Foundation

We provide stakeholders with opportunities to directly engage with and support our foundation's activities. This involvement not only extends the reach of our ESG efforts but also deepens the impact of our collaborative initiatives, creating lasting benefits for communities and environments alike.

Conclusion

APS's dedication to integrating ESG principles into every facet of our operations is demonstrative of our commitment to not just meeting but exceeding the rigorous social and environmental standards set by renowned institutions like the World Bank and its IFC subsidiary. As we continue to forge paths in ESG compliance, our focus remains steadfast on enhancing our corporate reputation and making a positive, measurable impact on the world.

RESEARCH AND DEVELOPMENT

APS did not perform any activities in the field of research and development during 2023.

MAJOR ACHIEVEMENTS

APS continued to be active on the CEE NPL markets in terms of both servicing and investments. Its market insights combined with operational experience contributed again to outstanding collection results. Our teams on the ground collected the aggregate amount of EUR 77 million last year. APS has already serviced a total of 121 portfolios.

In 2023, with support from APS, 17 new portfolios were acquired, amounting to a total purchase price exceeding EUR 50 million. A number of other transactions were in various stages of processing and are due to be completed in 2024. In terms of funding, the company also launched numerous initiatives to secure sufficient funding for future transactions. For example, the company launched the second sub-fund of APS Credit Fund Sicav: Rhapsody II, to which investors contributed the aggregate amount of EUR 28 million.

List of abbreviations

AML
anti-money laundering

AUM
assets under management

BD
Business Development division

B2B
business-to-business

B2C
business-to-customer

CCB
Cyprus Coopertive Bank

CE
Central Europe

CEE
Central and Eastern Europe

CEO
Chief Executive Officer

CESEE
Central, Eastern, and South-eastern Europe

CFO
Chief Financial Officer

CFT
countering the financing of terror-ism

CIO
Chief Investment Officer

CIS
Commonwealth of Independent States

COO
Chief Operation Officer

COVID-19
Coronavirus disease 2019

CSR
corporate social responsibility

EBA
European Banking Authority

EBRD
European Bank for Reconstruction and Development

ECB
European Central Bank

EY
Ernst and Young

FCCA
Fellow Member of the Chartered Association of Certified Accoun-tants

GDPR
General Data Protection Regulation

GDV
gross development value

HNWI
high-net-worth individual

IAS
International Accounting Standards

IFC
International Finance Corporation

IFRS
International Financial Reporting Standards

IPO
initial public offering

IRR
internal rate of return

IT
information technology

IVR
interactive voice response

MED
Mediterranean Sea region

NGO
non-governmental organization

NPL
non-performing loan

NV
nominal value

PR
public relations

RAIF
Reserved Alternative Investment Fund

REO
real estate owned

SEE
South-eastern Europe

SPL
sub-performing loan

AUT
Austria

BA
Bosnia and Herzegovina

BG
Bulgaria

CY
Cyprus

CZ
Czech Republic

ESP
Spain

GR
Greece

HR
Croatia

HU
Hungary

IT
Italy

LU
Luxembourg

ME
Montenegro

RO
Romania

RS
Serbia

SI
Slovenia

SK
Slovakia

UA
Ukraine

FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

APS Holding S.A. – Consolidated statement of profit or loss and other comprehensive income as at 31 December 2023

In thousands of Euro

Continuing operations	notes	31. 12. 2023	31. 12. 2022 (restated)[1]
Revenue from NPL portfolio servicing	6.1	15 467	17 629
Interest income on purchased loan portfolios	6.1	11 975	1 617
Other operating revenues	6.1	4 803	5 177
Operating revenue		**32 245**	**24 422**
Administrative expenses	6.2	-22 481	-18 770
Other operating expenses	6.2	-131	-169
Total operating expenses		**-22 613**	**-18 939**
Depreciation of tangible fixed assets	7.3	-111	-192
Amortisation of intangible assets	7.1	-761	-754
Depreciation of ROU Assets	7.4	-930	-877
Impairment gain/loss from POCI portfolios		2 672	-804
Operating profit		**10 503**	**2 857**
Net exchange gains/(losses)	6.3	-425	-445
Interest income	6.3	818	371
Interest expenses	6.3	-7 361	-1 154
Interest expense on lease liability	6.3	-189	-173
Other Finance Income/Costs net	6.3	-1 629	1 725
Net financial result		**-8 785**	**323**
Profit or loss for the year before tax		**1 718**	**3 180**
Current tax	6.4	-300	-443
Deferred tax	6.4	4	63
Profit or loss for the year after tax from continuing operations		**1 422**	**2 800**
TOTAL Profit/Loss for the period		**1 422**	**2 800**
Other comprehensive income, net of tax (susequently reclassified through P&L)	7.10	278	434
Total comprehensive income for the year, net of tax		**1 700**	**3 234**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Parent company shareholders		588	2 313
Non-controlling interests		834	487
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Parent company shareholders		855	2 735
Non-controlling interests		844	500

Note: The accompanying notes on pages 61 to 104 form an integral part of these consolidated financial statements

1 *The comparative information has been restated as disclosed in note 3.4 to the Consolidated Financial Statements*

Financial Statements

Consolidated statement of financial position

APS Holding S.A. – Consolidated statement of financial position as at 31 December 2023

In thousands of Euro

	notes	31.12.2023	31.12.2022 (restated)[1]
Non-current assets			
Goodwill	7.1	6 824	6 824
Intangible assets	7.1	2 795	3 293
Property, Plant and equipment	7.2	289	274
Right of use Assets	7.3	2 270	2 939
Purchased loan portfolios	7.5	68 432	67 824
Loans and other receivables	7.5	7 403	1 390
Other long term financial assets	7.5	68	20
Total non-current assets		**88 081**	**82 564**
Current assets			
Loan receivables	7.5	128	284
Trade and other receivables	7.5	5 740	6 428
Other short term assets	7.5	3 676	9 094
Cash and short term deposits	7.5	18 807	18 860
Total current assets		**28 351**	**34 666**
Assets classified as held for sale		67	0
Total assets		**116 499**	**117 230**
Equity			
Share capital	7.10	31	31
Other capital reserves	7.10	6 222	5 868
Retained earnings	7.10	8 673	8 085
Total equity attributable to parent company shareholders	7.10	14 926	13 984
Equity attributable to non-controlling interests	7.11	1 904	1 396
Total equity		**16 830**	**15 380**
Non-current liabilities			
Bank and other loans	7.6	18 537	40 077
Long term lease liability	7.3	1 745	2 365
Issued bonds	7.5	43 536	35 110
Deferred tax liabilities	7.7	147	155
Other long term liabilities	7.6	68	237
Total non-current liabilities		**64 033**	**77 944**
Current liabilities			
Short-term bank and other loans	7.6	18 837	9 419
Trade and other payables	7.8	15 013	8 445
Short term Lease liability	7.3	832	771
Current tax payables		139	45
Provisions and other short-term liabilities	7.9	802	5 226
Total current liabilities		**35 623**	**23 906**
Liabilities classified as Held for sale		13	0
Total equity & liabilities		**116 499**	**117 230**

The accompanying notes on pages 61 to 104 *form an integral part of these consolidated financial statements*

[1]The comparative information has been restated as disclosed in note 3.4 to the Consolidated Financial Statements

Consolidated statement of changes in equity

As of 31 December 2023

In thousands of Euro

	Share capital	Other capital contribu-tions	Retained earnings	Profit or loss for the period	Tran-slation reserve	TOTAL	Non-con-trolling interest	Total Equity
Balance at 1 January 2022	**31**	**7 167**	**6 005**	-	**(2 219)**	**10 984**	**1 026**	**12 010**
Correction of prior period[1]			(189)			(189)		(189)
Corrected balance at 1 January 2022	**31**	**7 167**	**5 816**	-	**(2 219)**	**10 795**	**1 026**	**11 821**
Changes in equity for period								
Profit or (loss) for the period	-	-		2 313		**2 313**	487	**2 800**
Other comprehensive income for the year	-	-	-		420	**420**	13	**433**
Total comprehensive income for the year	-	-	-	**2 313**	**420**	**2 734**	**500**	**3 233**
Dividends for the shareholders	-	-	-			-	(402)	**(402)**
Profit distribution	-	-	2 313	(2 313)		-		-
Capital contributions		500	(44)			**456**	272	**728**
Balance at 31 December 2022 (restated)[1]	**31**	**7 667**	**8 085**	**-**	**(1 799)**	**13 984**	**1 396**	**15 380**
Changes in equity for period								
Profit or (loss) for the period	-			588		**588**	834	**1 421**
Other comprehensive income for the year	-	-	-		268	**268**	11	**278**
Total comprehensive income for the year				**588**	**268**	**855**	**844**	**1 700**
Dividends for the shareholders	-					-	(337)	**(337)**
Profit distribution	-		588	(588)		-		**-**
Capital contributions		87				**87**		**87**
Balance at 31 December 2023	**31**	**7 753**	**8 673**	**-**	**(1 531)**	**14 926**	**1 904**	**16 830**

Note: The accompanying notes on pages 61 to 104 form an integral part of these consolidated financial statements

[1]The comparative information has been restated as disclosed in note 3.4 to the Consolidated Financial Statements

Financial Statements

Consolidated Cash Flow Statement

APS Holding S.A. Consolidated Cash Flow as at 31 December 2023

In thousands of Euro

	31.12.2023	31.12.2022 (restated)[1]
Cash flows from operating activities		
Profit before taxation from:	**1 718**	**3 180**
Continuing operations	1 718	3 180
Adjustments for non-cash items:		
Finance income	-818	-371
Finance cost, including lease liability	7 550	1 327
Gain/Loss on disposal of subsidiary	0	-314
Depreciation of intangible asset, property, plant and equipment	1 802	1 822
Impairment (gains)/losses, net of reversals, on financial assets	-2 672	804
Increase/(decrease) in provisions	439	154
Other adjustments	- 32	-2 644
	7 986	**3 958**
Changes in working capital		
Decrease/(increase) in trade and other receivables	7 382	-7 371
Increase/(decrease) in trade and other payables	3 083	1 978
Other adjustments	-252	168
Cash generated from operations	**18 199**	**-1 267**
Interest paid	-2 905	-772
Income taxes paid	-61	-491
Net cash from operating activities	**15 233**	**-2 530**
Cash flows from investing activities		
Interest received	72	36
Proceeds from sale of subsidiary	0	143
Acquisition and proceeds of subsidiary net of cash acquired	195	0
Purchase of property, plant and equipment	-442	-327
Purchase of loan portfolios	-19	-61 641
Loan granted to external party	-7 017	-1 030
Repayment of loan granted to external party	716	1 990
Net cash (used in)/from investing activities	**-6 495**	**-60 829**
Cash flows from financing activities		
Dividends paid to non-controlling interests	-337	-200
Proceeds from borrowings	1 349	34 891
Repayments of borrowings	-8 379	-2 854
Proceeds from issued bonds	2 500	34 620
Repayment of issued bonds	-3 768	-1 030
Net cash (used in)/from financing activities	**-8 635**	**65 427**
Net increase/(decrease) in cash and cash equivalents	**103**	**2 068**
Cash and cash equivalents at beginning of period	**18 860**	**16 928**
Foreign exchange gains and (losses) on cash and cash equivalents	-156	-136
Cash and cash equivalents at end of period	**18 807**	**18 860**

Note: The accompanying notes on pages 61 to 104 *form an integral part of these consolidated financial statements*

1 The comparative information has been restated as disclosed in note 3.4 to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2023

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 46A, Avenue J.F. Kennedy, L-1855 Luxembourg.

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

The reporting period is 1.1.2023 to 31.12.2023 and comparative period is 1.1.2022 to 31.12.2022.

APS Holding and its subsidiaries are the "Group".

The principal activities of the Group 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 consolidated financial statements are presented in thousands of 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 going concern basis.

2 Adoption of new and revised IFRS Accounting Standards

2.1 New and revised IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are effective for an annual period that begins on or after 1 January 2023. Their adoption did not materially impact the disclosures or the amounts reported in these consolidated financial statements.

- **New standard IFRS 17** *Insurance Contracts* including the June 2020 and December 2021 Amendments to IFRS 17
- **Amendments to IAS 1** *Disclosure of Accounting Policies*
- **Amendments to IAS 8** *Definition of Accounting Estimates*
- **Amendments to IAS 12** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- **Amendments to IAS 12** *International Tax Reform — Pillar Two Model Rules*

2.2 New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

- **Amendments to IFRS 16** *Lease Liability in a Sale and Leaseback* (effective 1 January 2024)
- **Amendments to IAS 1** *Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date* (effective 1 January 2024)
- **Amendments to IAS 1** *Non-current Liabilities with Covenants* (effective 1 January 2024)
- **Amendments to IAS 7 and IFRS 7** *Supplier Finance Arrangements* (effective 1 January 2024)

2.3 New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS accounting standards adopted by the International Accounting Standards Board (IASB) except for the following new standard and amendments to the existing standards, which were not adopted by the EU by the date of authorisation of these financial statements:

- **IFRS 18** *Presentation and Disclosures in Financial Statements* (IASB effective date: 1 January 2027)

- **IFRS 19** *Subsidiaries without Public Accountability: Disclosure* (IASB effective date: 1 January 2027)

- **Amendments to IFRS 9 and IFRS 7** *Amendments to the Classification and Measurement of Financial Instruments* (IASB effective date: 1 January 2026)

- **Amendments to IFRS 10 and IAS 28** *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments* (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded

- **Amendments to IAS 21** *Lack of Exchangeability* (IASB effective date: 1 January 2025)

The Group anticipates that the adoption of IFRS 18 will have an impact on the presentation of the Consolidated financial statements. The Group anticipates that the adoption of the other new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Significant accounting policies

3.1 Basis of accounting

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

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

The Groups presentation currency is Euro (EUR).

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year with the limitation described in section 3.1. Control is achieved when the Company:

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affects its returns.

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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 2023; for the Organization chart please refer to section 1.1.

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

Entity	% current period	% prior period	Country	Measurement method	Measurement method prior period
APS Holding S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS Recovery a.s.	100	100	Czechia	full consolidation	full consolidation
APS Investments s.r.o.	100	100	Czechia	full consolidation	full consolidation
APS Poland S.A.	100	100	Poland	full consolidation	full consolidation
APS Warsaw sp. z o.o.*	100	100	Poland	full consolidation	full consolidation
APS Recovery Greece EPE	100	100	Greece	full consolidation	full consolidation
APS Recovery Greece Credit and Loan Servicing S.A.	65,4	65,4	Greece	full consolidation	full consolidation

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

Entity	% current period	% prior period	Country	Measurement method	Measurement method prior period
APS 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
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 REO Sunrise d.d.	100	0	Croatia	full consolidation	n/a
APS Hungary Kft.	100	100	Hungary	full consolidation	full consolidation
APS Recovery Hungary Kft.	80	80	Hungary	full consolidation	full consolidation
APS BH d.o.o.	100	100	Bosnia and Herzegovina	presented at fair value (held for sale)	full consolidation
APS Montenegro D.O.O. Podgorica	100	100	Montenegro	full consolidation	full consolidation
Casazela d.o.o Beograd-Stari Grad**	n/a	100	Serbia	n/a	full consolidation
Casazela Kft.	100	100	Hungary	full consolidation	full consolidation
Syndre d.o.o Beograd-Stari Grad***	100	100	Serbia	full consolidation	full consolidation
APS REAL ESTATE DEVELOPMENTS S.R.L.	95	95	Romania	full consolidation	full consolidation
APS RED II S.R.L.	100	100	Romania	full consolidation	full consolidation
LLC "APS Ukraine"***	100	100	Ukraine	full consolidation	full consolidation
APS Italy S.R.L.	100	100	Italy	full consolidation	full consolidation
APS FUND BETA d.o.o. Beograd	100	100	Serbia	full consolidation	full consolidation
APS Investment Funds S. a r.l.	100	100	Luxembourg	full consolidation	full consolidation
APS GAMMA s.r.o., in liquidation	100	100	Czechia	full consolidation	full consolidation
APS ETA S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS ETA REO SINGLE MEMBER S.A.	100	100	Greece	full consolidation	full consolidation
APS Delta S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS BETA, a.s.	100	100	Czechia	full consolidation	full consolidation
APS Investment s.r.o.	100	100	Slovakia	full consolidation	full consolidation
APS MIP s.r.o.	100	100	Czechia	full consolidation	full consolidation
LOAN MANAGEMENT II, a.s.	50	50	Slovakia	full consolidation	full consolidation
APS Zeta S.A.	100	100	Luxembourg	full consolidation	full consolidation
APS CREDIT FUND SICAV, a.s.	100	100	Czechia	full consolidation	full consolidation
APS Theta S.à r.l.****	100	100	Luxembourg	full consolidation	n/a
APS Investment S.à r.l.*****	100	100	Luxembourg	n/a	full consolidation

** APS Warsaw sp. z o.o. was liquidated in January 2023*
*** Casazela d.o.o. Beograd-Stari Grad dissolved with legal successor APS d.o.o. Beograd in September 2023*
**** Syndre d.o.o. Beograd-Stari Grad, LLC Ukraine were sold during financial year 2023*
***** APS Theta S.à r.l. is a newly established company during financial year 2023*
****** APS Investments S.à r.l. was liquidated*

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

3.3 Business combinations

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payments* at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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

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

During 2023, the Group identified that some of its purchased NPL portfolios had been incorrectly classified as measured at fair value while they qualified for purchased or originated credit impaired assets (POCI) and as such should have been classified as measured at amortised cost. As a consequence, revenues, expenses and assets were impacted and the total assets and equity have been overstated.

During 2023, the Group discovered that in 2022 the companies APS FUND BETA d.o.o. Beograd and RE CLASS Solutions d.o.o. Beograd Stari-Grad (in 2023 merged in APS d.o.o. Beograd) were not consolidated. As a consequence, total assets and total equity and liabilities have been understated.

The errors have been corrected by restating each of the affected financial statement line item for prior periods. The following table summarise the impacts on the Group´s consolidated financial statements:

Affected positions of the consolidated statement of profit and loss and other comprehensive income

In thousands of Euro

	31.12.2022	31.12.2022 restated	difference
Revenue from NPL portfolio servicing	17 821	17 629	-192
Interest income on purchased loan portfolios	0	1 617	1 617
Other operating revenues	5 350	5 176	-173
Operating revenue	**23 171**	**24 422**	**1 251**
Distribution and administrative expenses	-19 673	-18 770	903
Total operating expenses	**-19 842**	**-18 939**	**903**
Impairment gain/loss from POCI portfolios	0	-804	-804
Operating profit	**1 506**	**2 857**	**1 351**
Other Finance Income/Costs net	2 549	1 725	-824
Net financial result	1 147	323	-824
Profit for the year before tax	2 653	3 180	527
Profit for the year after tax from continuing operation	**2 273**	**2 800**	**527**
TOTAL Profit/Loss for the period	**2 273**	**2 800**	**527**
Total comprehensive income for the year, net of tax	**2 707**	**3 234**	**527**
Profit for the year after tax attributable to:			
Parent company shareholders	1 786	2 313	527
Total comprehensive income for the year, net of tax attributable to:			
Parent company shareholders	2 208	2 735	527

Affected positions of the Consolidated statement of financial position

In thousands of Euro

	31.12.2022	31.12.2022 restated	difference
ASSETS			
Purchased loan portfolios	68 275	67 824	-451
Loans and other receivables	1 376	1 390	14
Total non-current assets	**83 002**	**82 565**	**-437**
Loan receivables	399	284	-115
Cash and short-term deposits	18 818	18 860	41
Total current assets	**34 739**	**34 666**	**-74**
Total assets	**117 741**	**117 230**	**-511**
EQUITY			
Other capital reserves	5 869	5 868	-1
Retained earnings	7 791	8 085	294
Total equity attributable to parent company shareholders	13 691	13 984	293
Total equity	**15 087**	**15 380**	**293**
LIABILITIES			
Issued Bonds	35 654	35 110	-544
Total non-current liabilities	**78 488**	**77 944**	**-544**
Short-term bank and other loans	9 379	9 419	40
Trade and other payables	8 746	8 446	-300
Total current liabilities	**24 167**	**23 907**	**-260**
Total equity & liabilities	**117 741**	**117 230**	**-511**

Affected positions of the consolidated statement of cash flows

In thousands of Euro

	31.12.2022	31.12.2022 restated	difference
Cash flows from operating activities			
Profit before taxation from:	**2 653**	**3 180**	**527**
Continuing operations	2 653	3 180	527
Adjustments for non-cash items:			
Impairment (gains)/losses, net of reversals, on financial assets	0	804	804
Other adjustments	-1 219	-2 644	-1425
	4 052	**3 958**	**-94**
Changes in working capital			
Decrease/(increase) in trade and other receivables	-7 358	-7 371	-13
Increase/(decrease) in trade and other payables	2 279	1 978	-301
Other adjustments	-282	168	450
Cash generated from operations	**-1309**	**-1 267**	**42**
Net cash from operating activities	**-2 572**	**-2 530**	**42**
Net increase in cash and cash equivalents	**2 026**	**2 068**	**42**
Cash and cash equivalents at the end of the year	**18 818**	**18 860**	**42**

The statement of changes in equity for the year 2022 has been updated accordingly.

3.5 Goodwill

Goodwill is initially recognized and measured as set out above.

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

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

The Group's policy for goodwill arising on the acquisition of a subsidiary is described below in note 3.15

3.6 Investments in associates

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

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

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

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

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

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

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

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

3.7 Revenue recognition

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

3.7.1 Identification of revenue streams

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

The service includes recovery of multiple underlying assets (collaterals, debts, etc.), while activities related to recoveries of each single asset element are highly interrelated. Therefore, the asset management (recovery) activities related to one fund (Investor's asset)[3] constitute one performance that is performed over whole lifecycle of the fund. This service is distinct from other performance obligations meeting the conditions in IFRS 15.27. The transaction price for this separate performance obligation is challenged and agreed with the investor and is being compared to alternative collectors' prices by the Investor. The price is separately observable in the contract and corresponds with the stand-alone selling price of this performance obligation. Therefore, allocation of the total contract transaction price based on relative stand-alone selling price principle (see IFRS 15.74) will not imply any revenue adjustment for the respective service provided.

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

Services related to Investment management (Underwriting fees) – this service is provided by Investment division in APS Investments s.r.o. 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).

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

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

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

3.7.2 Assessment of revenue streams

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

- Recognition method: The respective revenue shall be recognized over time as customers simultaneously receives and consumes benefits (when each separate collection from debtors is credited to customer's account) from asset management activities over the fund lifecycle and criteria of IFRS 15.35a are met. The most suitable method of measurement progress towards complete satisfaction is an output method based on measurement of successful collections from debtor, i.e. as the cash is collected on collection accounts. Even in case of collateralized receivables when the collections are based on selling large assets which takes long list of time and cost consuming actions (removing legal obstacles, bankruptcy procedure, liquidation, selling the asset etc.) that may spread across several months or years, the control of assets (cash collections) transfers only when the collections are received (and therefore cost-based input method of measuring progress towards complete satisfaction does not seem to be suitable).

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

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

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

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

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

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

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

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

3.8 Leases

3.8.1 The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8.2 The Group as lessor

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

3.9 Foreign currencies

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

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

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

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

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

3.10 Short-term employee benefits

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

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

3.11 Taxation

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

3.11.1 Current tax

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

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

3.11.2 Deferred tax

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

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

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

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

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

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

3.11.3 Current tax and deferred tax for the year

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

3.12 Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

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

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

3.13 Intangible assets acquired separately

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

3.14 Intangible assets acquired in a business combination

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

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

3.15 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

3.16 Financial instruments

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

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

3.16.1 Financial Assets

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

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

Classification of financial assets

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

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

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

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

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

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

(i) Amortized cost and effective interest method

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

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

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

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

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

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

(ii) Foreign exchange gains and losses

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

(iii) Impairment of financial assets

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

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

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

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

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

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

(iv) Significant increase in credit risk

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

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

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

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

(v) Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in

full (without taking into account any collateral held by the Group).

(vi) Credit-impaired financial assets

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

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

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

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

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

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

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

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

1. Categorized at initial recognition as Amortized costs (neither FVPL nor FVOCI) Impaired (i.e. in default) at initial recognition.

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

(viii) Initial Recognition POCI

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

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

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

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

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

(ix) Other Aspects of the initial recognition

For the recognition of POCI instrument, following is valid:

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

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

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

(x) Write-off policy

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

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

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

(xi) Measurement and recognition of expected credit losses

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

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

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

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

(xii) Derecognition of financial assets

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

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

3.16.2. Financial liabilities and equity

(i) Classification as debt or equity

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

(ii) Equity instruments

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

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

(iii) Financial liabilities

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

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

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

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

(iv) Foreign exchange gains and losses

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

3.17 Provisions

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying the Group's accounting policies

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

4.1.1 Business model assessment

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

4.1.2 Derecognition of assets and liabilities related to portfolios

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Impairment testing of goodwill

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

4.2.2 Estimated cash flows related to valuation of purchased NPL portfolios

The Group presents the value of purchased NPL portfolios based on amortized costs taking into account expected future cash flows from unsecured portfolios. The cash flow estimates are made based on payment patterns from past and assume unchanged economic environment. Changes in debtors behaviour, 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 Other areas of accounting judgement and sources of estimation

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

4.2.6 Macroeconomic conditions

The Group assessed that the broader macroeconomic environment has not had a significant direct impact on its operations, as the Group has minimal exposure to the affected regions. The Group continues to monitor global economic conditions and determined that there has been no material increase in credit risk that would require adjustments to its methodology for calculating Loans and Receivables balances under IFRS.

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 2023 risk management function was covered by Board of Directors activities on regular basis based on reports delivered by financial controlling department. Risk management was focused on management of liquidity risk, currency risk and decreasing of influence of credit risk. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.2 Market risks

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

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

5.3 Credit risks

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

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

Debtors are evaluated individually, while taking into consideration in particular the following factors:

- Past experience with the debtor,
- Size of the loan, and Maturity of the loan.

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

5.4 Currency fluctuation risks

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

The currencies as of 31 December 2023 are represented in the Group financial liabilities of 97 212 thousand of Euros and financial assets of 102 319 thousand of Euros.

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

Financial Assets	*thousands of Euro*
EUR	87 762
CZK	6 088
RON	5 870
HUF	1 239
Other	1 360
Total	102 319

Financial Liabilities	*thousands of Euro*
EUR	90 441
CZK	5 052
RON	2 504
HUF	132
Other	453
Total	98 582

The net position as of 31 December 2023 is impacted by the appreciation/depreciation of the main currencies as presented below:

In thousands of Euro

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
RON	3 366	-34	34
HUF	1 107	-11	11
CZK	1 037	-10	10

- In the case of 1% appreciation/depreciation of EUR vs. RON, Profit for the year will decrease/increase by 34 thousand of Euros
- In the case of 1% appreciation/depreciation of EUR vs. HUF, Profit for the year will decrease/increase by 11 thousand of Euros
- In the case of 1% appreciation/depreciation of EUR vs. CZK, Profit for the year will decrease/increase by 10 thousand of Euros

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

In thousands of Euro

Currency	Net position	1 % EUR appreciation	1 % EUR Depreciation
RON	2 963	-30	30
HUF	1 514	-15	15
CZK	522	-5	5

- In the case of 1% appreciation of EUR vs. RON, Profit for the year will decrease by 30 thousand of Euros
- In the case of 1% depreciation of EUR vs. RON, Profit for the year will increase by 30 thousand of Euros
- In the case of 1% appreciation of EUR vs. HUF, Profit for the year will decrease by 15 thousand of Euros
- In the case of 1% depreciation of EUR vs. HUF, Profit for the year will increase by 15 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	31.12.2023 ECB Rate
EUR	BGN	1.96	1.96
EUR	HUF	381.85	382.80
EUR	CZK	24.00	24.72
EUR	RON	4.94	4.97
EUR	PLN	4.54	4.33
EUR	RSD	117.25	117.17
EUR	BAM	1.96	1.96
EUR	UAH	37.08	39.96

5.5 Interest fluctuation risks

The group main financing facility is a bank loan, which bears an interest rate consisting of fixed and variable part. Fixed interest rate of 2.70 % p.a.(from July 2022, till July 2023 the fixed interest rate was 3.00 %) is supplemented by three-month Euribor rate. To eliminate the risk associated with possible fluctuations in the Euribor rate, half of the principal is hedged by an interest rate swap of 0.24%.

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

Impact of Euribor rate fluctuation were calculate as follows:

In thousands of Euro

Year end	Bank loan	Risk exposure	% change	Impact on interest costs
31.12.2023	33 085	16 543	1%	165
31.12.2023	33 085	16 543	-1%	-165

- In case of increase of Euribor rate by 1%, interest costs will increase by 165 thousand of Euros
- In case of decrease of Euribor rate by 1%, interest costs will decrease by 165 thousand of Euros

In thousands of Euro

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

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

5.6 Liquidity risks

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

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

In thousands of Euro

as of 31.12.2023	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Bank loans	490	490	3 247	31 861	0	36 088	33 085
Other loans	0	3 245	0	1 044	0	4 289	4 289
Issued Bonds	175	115	160	43 086	0	43 536	43 536
Trade and other payables	15 014	0	0	0	0	15 014	15 014
Total Financial Liabilities	**15 679**	**3 850**	**3 407**	**75 991**	**0**	**98 927**	**95 924**

31.12.2022 (restated)	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Bank loans	490	490	4 480	38 935	0	44 395	43 174
Other loans	0	4 171	0	2 151	0	6 322	6 322
Issued Bonds	0	115	160	34 835	0	35 110	35 110
Trade and other payables	8 446	0	0	0	0	8 446	8 446
Total Financial Liabilities	**8 936**	**4 776**	**4 640**	**75 921**	**0**	**94 273**	**93 052**

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

In thousands of Euro

as of 31.12.2023	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	0	128	7 006	0	7 133	7 133
Purchased loan portfolios	0	0	0	68 432	0	68 432	68 432
Trade and other receivables	5 740	0	0	0	0	5 740	5 740
Total Financial assets	**5 740**	**0**	**128**	**75 438**	**0**	**81 305**	**81 305**

as of 31.12.2022 (restated)	0-90 days	90-180 days	180-365 days	1-5 years	over 5 years	Total	Book value
Loan receivables	0	284	0	418	0	702	702
Purchased loan portfolios	0	0	0	67 824	0	67 824	67 824
Trade and other receivables	6 428	0	0	0	0	6 428	6 428
Total Financial Assets	**6 428**	**284**	**0**	**68 242**	**0**	**74 954**	**74 954**

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

In thousands of Euro

Current Ratio of the Group	31.12.2023	31.12.2022 (restated)
Current Assets	28 351	34 666
Current Liabilities	35 623	23 907
Ratio	**0,8**	**1,5**

5.7 Capital risk management

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

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

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

5.8 Gearing ratio

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

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Net Debt	80 849	82 990
Equity	16 830	15 380
Net Debt to Equity ratio	**4,8**	**5,4**

5.9 Operating risks

The Group defines operating risks as the possibility of losses incurred by inadequate or failed internal processes, people and systems, or from external events, including legal and compliance risks. This risk is a function of internal control mechanisms, information systems, lack of employee perfection and operational processes. This risk exists in all products, services and processes. It occurs daily in all companies which process transactions. The Group has internal system of risk controls being revised on regular basis by the department of Internal Audit. The Internal Audit Department visits local subsidiaries within the group on regular basis, performing the standard internal audit procedures.

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

6.1 Operating revenue

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Revenue from NPL portfolio servicing	15 467	17 629
Interest income on purchased loan portfolios	11 975	1 617
Other operating revenues	4 803	5 176
Operating revenue	**32 245**	**24 422**

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

Overall increase of operating revenue by 32 % is caused by the increase of revenue related to the Frame portfolio purchased in December 2022, which generated over 10 million EUR in interest income in 2023. Due to the late timing of the deal in 2022, the same portfolio did not produce any interest revenue in that period. The increase is partially offset by the lower performance in the area of portfolio servicing.

The Romanian market is primarily responsible for the decline in the NPL portfolio servicing category; revenue fell by more than 1.3 million euros from the previous year. Large secured portfolios from 2015 to 2018 make up the majority of the portfolios that APS Romania services, albeit they are currently getting smaller. Croatia has a similar trend, with a 0.5 million euro drop from the previous year. However, the portfolio frame that was onboarded at the end of 2022 is the reason for the noticeable revenue increase of 0.4 million euros in Greece.

The beneficial impact that the acquired portfolios have on each entity's balance sheet should not be overlooked. This revenue spiked up to 0.7 million EUR and is shown on the line Interest income on purchased loan portfolios.

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

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

6.2 Operating Expenses

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Administrative expenses	22 481	18 770
Other operating expenses	131	169
Total operating expenses	**22 613**	**18 939**

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

The group operating expenses increase by 19% comparing the last year, driven by items such as equalisation reserve in APS ETA S.A., which reached a total value of almost 2 mEUR, and write-offs of receivables. The increase has been partially offset by cost optimization focused on salary expenses (headcount reduction) and various categories of services, where the group minimized mostly usage of advisory and legal costs only to these, which are classified as necessary.

Detail of Administrative expenses:

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Salaries and related expenses	10 626	10 959
Costs of external services	11 856	7 811
Local taxes and fees	0	0
Total Distribution and administrative expenses	**22 481**	**18 770**

In the reporting period audit fees amounting to 383 thousand of Euros (prior year 373 thousand of Euros) are included in the external services category.

Average headcount divided into major segments in table below:

Segment Number of Employees	2023	2022
Head-office	33	39
Investment	20	21
Servicing	344	419
Real Estate	2	4
Fund vehicles	3	3
Total Employees	**402**	**486**

Decrease in number of employees is caused by personal costs optimization, focus on elimination of business with negative or low contribution margin among whole group and restructuring of the head-office entities which took place during 2022.

6.3 Financial result

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Net exchange gains or losses	-425	-445
Interest income	818	371
Interest expenses	-7 361	-1 154
Interest expense on lease liability	-189	-173
Other Finance Income/Costs net	-1 629	1 725
Net financial result	**-8 785**	**323**

Group's Financial result comes mainly from the interest expense on bonds issued by APS ETA S.A. with expense of 3 744 thousand of Euros in 2023 (0 thousand of Euros in 2022) and bonds and notes issued by Loan Management II, a.s. with expense of 516 thousand of Euros in 2023 (331 thousand of Euros in 2022).

Further, it consists of Interest expenses paid for loan from UniCreditBank loan of 459 thousand of Euros (496 thousand of Euros in 2022) and of interest paid for loan from EUROBANK of 2 347 thousand of Euros (75 thousand of Euros in 2022).

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

Most important part of Other Finance income is represented by the dividend received by Loan Management II, a.s. of 1 453 thousand of Euros.

Net realized and unrealized Foreign Exchange losses of 425 thousand of Euros are related to the operations in RON, EUR, HUF and CZK as the most frequent currencies for the Group.

6.4 Income Tax

6.4.1 Current tax

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

In thousands of Euro

Current income tax	31.12.2023	31.12.2022 (restated)
Profit or Loss before Income taxes	**1 718**	**3 180**
Income Tax using the average tax rates	**-628**	**-938**
Tax losses for which no deferred tax is recognised	209	331
Expenses not deductible for tax purposes	-106	-361
Income not subject to tax	225	525
Total Income tax expense	**-300**	**-443**
% of Income tax expense	17.5%	13.9%
% of Average Tax using the Company´s domestic tax rate	36.6%	29.5%

6.4.2 Deferred tax

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

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

6.4.3 Effective tax rate and tax changes

Effective tax rate increased from 13.9% to 17.5%, which is not significant change in effective income tax rate.

No changes in Taxation legislation affecting our subsidiaries became effective as of 31 December 2023.

6.4.4 Unused tax losses

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

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

In thousands of Euro

Entity	Total unused tax loss	Expiring 2024	Expiring 2025	Expiring 2026	Expiring 2027	Expiring 2028
Czechia	3 911	0	340	1 350	1 207	1 014
Greece	1 894	831	394	254	415	0
Poland	980	223	76	414	229	38
Luxembourg	649	0	0	0	0	0
Serbia	370	94	0	0	256	20
Slovakia	297	18	127	99	51	2
Montenegro	196	0	0	0	0	196
Romania	8	8	0	0	0	0
Italy	3	0	0	0	0	3

6.5 Dividends

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

7 Notes to Consolidated Statement of Financial Position

7.1 Goodwill and Intangible assets

In thousands of Euro

	Goodwill	Software	Other intangible assets	Total
At 1 January 2023				
At costs	6 824	5 130	1 927	**13 881**
Accumulated amortisation	0	-2 809	-955	**-3 764**
Net book amount	**6 824**	**2 321**	**972**	**10 117**
At 31 December 2023				
Additions	0	315	4	**319**
Disposals (gross value)	0	-134	-29	**-163**
Disposed amortisation	0	67	0	**67**
Exchange differences	0	60	-20	**40**
Amortisation charge of the period	0	-573	-188	**-761**
Closing net book amount	**6 824**	**2 056**	**739**	**9 619**
At 31 December 2023				
At costs	6 824	5 395	1 853	**14 072**
Accumulated amortisation	0	-3 339	-1 114	**-4 453**
Net book amount	**6 824**	**2 056**	**739**	**9 619**

In thousands of Euro

	Goodwill	Software	Other intangible assets	Total
At 1 January 2022				
At costs	6 824	5 058	1 838	**13 720**
Accumulated amortisation	0	-2 248	-741	**-2 989**
Net book amount	**6 824**	**2 810**	**1 097**	**10 731**
At 31 December 2022				
Additions	0	46	29	**75**
Disposals (gross value)	0	0	0	**0**
Disposed amortisation	0	0	0	**0**
Exchange differences	0	32	33	**65**
Amortisation charge of the period	0	-567	-187	**-754**
Closing net book amount	**6 824**	**2 321**	**972**	**10 117**
At 31 December 2022				
Cost or fair value	6 824	5 130	1 927	**13 881**
Accumulated amortisation	0	-2 809	-955	**-3 764**
Net book amount	**6 824**	**2 321**	**972**	**10 117**

7.2 Upstream Merger Goodwill

As of 31.12.2023 Group presents following Goodwill:

In thousands of Euro

	31.12.2023	31.12.2022
Upstream Merger Goodwill	6 824	6 824
Total Group Goodwill	**6 824**	**6 824**

7.2.1 Impairment assessment

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

As of 31 December 2023, 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 2023, expected growth in coming year, current level of net multiple for investment deals, current recovery curves and estimated level of asset management fees for servicing the portfolios.

The main costs were calculated as follows:

1) Direct and indirect costs at market level were calculated by taking into consideration the total direct cost in particular market in 2023 and the estimation for the rest of the life of the project.

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

For calculating the recoverable amount as at 31 December 2023, a pre-tax discount rate 7.59 % 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.

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

7.3 Property, plant, and equipment

In thousands of Euro

kEUR	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2023				
At Cost	101	424	483	**1 008**
Accumulated depreciation	-7	-415	-313	**-734**
Net book amount	94	9	171	**274**
At 31 December 2023				
Additions	86	0	45	**131**
Disposals (gross value)	-6	0	1	**-5**
Disposed depreciation	0	0	0	**0**
Exchange differences	-2	1	0	**-1**
Depreciation charge of the period	-6	-6	-99	**-111**
Closing net book amount	**166**	**5**	**119**	**289**
At 31 December 2023				
At Cost	179	426	529	**1 134**
Accumulated depreciation	-13	-422	-411	**-846**
Net book amount	**166**	**4**	**118**	**289**

In thousands of Euro

kEUR	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2022				
At costs	18	539	448	**1 005**
Accumulated amortisation	-6	-501	-266	**-773**
Net book amount	12	38	182	**232**
At 31 December 2022				
Additions	87	61	104	**252**
Disposals (gross value)	0	-176	-64	**-240**
Disposed depreciation	0	165	54	**219**
Exchange differences	-4	8	1	**5**
Depreciation charge of the period	-1	-87	-104	**-192**
Closing net book amount	**94**	**9**	**171**	**274**
At 31 December 2022				
At Costs	101	424	483	**1 008**
Accumulated depreciation	-7	-415	-313	**-734**
Net book amount	**94**	**9**	**171**	**274**

Long-term tangible assets have been presented at acquisition prices, which include the cost of acquisition, expenses for transportation, customs duties and other expenses related to acquisition. Expenses for the technical appreciation of long-term assets increase their acquisition cost.

7.4 Leases (Group as a lessee)

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2023				
At Cost	4 045	156	177	4 378
Accumulated depreciation	-1 281	-28	-130	-1 439
Net book amount	**2 764**	**128**	**47**	**2 939**
At 31 December 2023				
Additions	352	36	0	388
Disposals (gross value)	-211	-25	-8	-244
Disposed depreciation	118	25	8	151
Depreciation charge of the period	-826	-67	-37	-930
Exchange differences	-19	-14	-1	-34
Closing net book amount	**2 178**	**83**	**9**	**2 270**
At 31 December 2023				
At Cost	4 508	251	185	4 944
Accumulated depreciation	2330	-168	-176	- 2674
Net book amount	**2 178**	**83**	**9**	**2 270**

In thousands of Euro

	Buildings	Machinery and motor vehicles	Furniture, fixtures, office equipment	Total
At 1 January 2022				
At Cost	3 641	218	262	4 121
Accumulated depreciation	-1 691	-115	-157	-1 963
Net book amount	1950	103	105	**2 158**
At 31 December 2022				
Additions	1 680	131	0	1 811
Disposals (gross value)	-1 261	-190	-83	-1 534
Disposed depreciation	1 187	131	83	1 401
Depreciation charge of the period	-777	-44	-56	-877
Exchange differences	-15	-3	-2	-20
Exchange differences	2 764	128	47	**2 939**
At 31 December 2022				
At Cost	4 045	156	177	4 378
Accumulated depreciation	-1 281	-28	-130	-1 439
Net book amount	2 764	128	47	**2 939**

The Group leases several assets including buildings, motor vehicles and IT equipment. The average lease term is 3.9 years (prior period: 4.2 years).

Amounts recognized in profit and loss:

In thousands of Euro

	31.12.2023	31.12.2022 (re-stated)
Depreciation expense on right-of-use assets	930	877
Interest expense on lease liabilities	189	173
Expense relating to short-term leases	0	0
Expense relating to leases of low value assets	16	119
Total	**1 135**	**1 169**

Total cash outflows related to leases were 1 055 thousand of Euros (prior year 717 thousand of Euros) which includes all lease payments including these on assets classified as low value.

7.5 Financial Assets

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

In thousands of Euro

		Impairment approach		
At 31.12.2023		**Stage 1**	**Stage 2**	**Stage 3**
Financial assets valuated at amortized costs	Cash and Short-term deposits	18 807		
	Loan receivables and other short-term assets		3 804	
	Trade and other receivables		5 046	694
	Purchased unsecured loan portfolios			68 432

In thousands of Euro

		Impairment approach		
At 31.12.2022 (restated)		**Stage 1**	**Stage 2**	**Stage 3**
Financial assets valuated at amortized costs	Cash and Short-term deposits	18 860		
	Loan receivables and other short-term assets		9 378	
	Trade and other receivables		5 933	495
	Purchased unsecured loan portfolios			67 824

7.5.1 Loans receivables and other short-term assets

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

7.5.2 Trade and other receivables

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

As at 31 December 2023

	Not due yet	0-180 days	180-360 days	over 360 days	Total 31.12.2023
Trade accounts receivable	3 537	751	72	569	4 929
Other receivables	708	50	20	33	811
Total Trade and other receivables	**4 245**	**801**	**92**	**602**	**5 740**

As at 31 December 2022

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

Impairment of receivables as at 31 December 2023

In thousands of Euro	Gross amount	Impairment	Net amount
Loans receivables	7 143	-10	7 133
Trade receivables	5 740	0	5 740
Other receivables	398	0	398
Impaired Cash Balance	**13 281**	**-10**	**13 271**

Impairment of receivables as at 31 December 2022 (restated)

In thousands of Euro	Gross amount	Impairment	Net amount
Loans receivables	704	-2	702
Trade receivables	6 428	0	6 428
Other receivables	971	0	971
Impaired Cash Balance	**8 103**	**-2**	**8 101**

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 the impairment of 8 thousand of Euros was charged in the reporting period and total amount of impairment as of end of the reporting period is 10 thousand of Euros according to IFRS 9.

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

7.5.3 Purchased loan portfolios

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

First, and most significant part, is represented by corporate secured portfolio Frame, purchased by ETA S.A. in December 2022, presented at amortized cost in the amount of 63 302 thousand of euro (61 607 thousand of Euros as of December 31, 2022).

The other are portfolios purchased by Czech, Romanian and Croatian and Serbian subsidiary, which corresponds to 4 948 thousand of Euros as of December 31, 2023 (6 161 thousand of Euros as of December 31, 2022). Majority of these portfolios are tails of secured portfolios, purchased during 2022 and 2023 from the investors for whose we previously provided the recovery services.

Third part represents older non-performing loans portfolios (investment in year 2011-2013), purchased by APS Recovery a.s., which corresponds to 182 thousand of Euros as of December 31, 2023 (56 thousand of Euros as of December 31, 2022). As these portfolios which are controlled by the Group are still generating important cashflows, according to the accounting standard the group recognizes it on is balance sheet.

7.5.4 Cash and Short-term deposits

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

7.5.4 Cash and Short-term deposits

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

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Bank deposits and Cash balances	18 819	18 886
Impairment calculated	-12	-26
Impaired Cash Balance	**18 807**	**18 860**

7.6 Financial Liabilities

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

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Financial liabilities at amortised cost		
Bank and other loans	37 374	49 495
Issued Bonds	43 536	35 110
Trade and other payables	15 014	8 446
Financial liabilities at fair value		
Interest rate swap	181	29
Financial liablities	**96 105**	**93 080**
Amount due for settlement within 12 months	33 851	17 864
Amount due for settlement after 12 months	62 254	75 216

All the borrowings are denominated in Euro.

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

7.6.1 Issued Bonds

Bonds with variable interest were issued by APS ETA S.A. on 14 December 2022 with book value of 35 292 thousand of Euros and maturity in December 2037. Additionally, there are bonds issued by Loan Management II, a.s. with book value of 6 137 thousand of Euros. These bonds were issued in May 2021, August 2021, March 2023, with maturity dates being May 2025, August 2025 and March 2026, respectively. Coupon rates range between 7 % and 8 % p.a.

7.6.2 Bank and other loans

UniCredit Bank loan

In 2021 the Group was granted a long-term external loan in the sum of 14 million euros by UniCredit Bank Czech Republic and Slovakia.

As of December 31, 2023, long term part of the loan is in amount of 7 030 thousand of Euros and the amount payable within one year is in amount of 1 960 thousand of Euros.

Eurobank loan

The loan from Eurobank provided to APS ETA S.A. is a financing facility for purchased portfolio Frame (detail in note 7.5.3) with outstanding balance 26 209 thousand of Euros. Short-term part is in amount of 13 632 thousand of Euros. The maturity date of the debt is September 2025, with the interest rate being 5 % p.a.

Financial Covenants

Financial covenants are set up by conditions in Term facility agreement signed on 12 February 2021 with UniCredit Bank. Indicator is calculating as ratio of Gross Debt to earnings before interest tax and depreciation (EBITDA). Financial covenants were fulfilled for financial year 2023, with the ratio 2.99 while the bottom ratio for the financial year 2023 is set-up to 3.0.

7.7 Deferred tax

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

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

In thousands of Euro

	31.12.2023	31.12.2022
Deferred tax liabilities	-147	-155

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

In thousands of Euro

	Deferred tax liability Fixed assets depreciation
01.01.2022	**-212**
Charge to profit or loss	63
Charge direct to equity	-6
01.01.2023	**-155**
Charge to profit or loss	4
Exchange differences	4
31.12.2023	**-147**

Deferred tax liability decreased to 147 thousand of Euros, no deferred tax asset recognized during financial year 2023. The change in deferred tax liability was charged to the Profit and loss statement. Deferred tax liabilities were booked mainly due to the variance in Tax and Accounting amortization. The Deferred tax relates to the entities APS Recovery a.s.

7.8 Trade and other payables

In thousands of Euro

	31.12.2023	31.12.2022 (restated)
Trade and other payables	14 547	8 148
VAT liability	466	297
Total	**15 013**	**8 446**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Year over year increase is caused mainly by the payables to external investors related to the collections from the Frame portfolio, and also due to the liability representing payments received from investors of Rhapsody II, sub-fund APS CREDIT FUND a.s., under the Agreement on the Issue and Redemption of Investment Shares to whom investment shares have not yet been issued.

Part of VAT liability was settled during the year 2023.

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

7.9 Provisions

As of 31 December 2023 In thousands of Euro

Description	Expected timing	01.01.2023	additions	amount used	unused reversed	31.12.2023
provision for annual bonuses	*first half 2024*	314	209	160	23	340
provision for personnel dismissal	*first half 2024*	40	21	0	26	35
provision for operating activities	*first half 2024*	9	343	0	0	352
provision for unused holidays	*first half 2024*	49	1	3	0	47
	Total	**412**	**574**	**163**	**49**	**774**

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

As of 31 December 2022 In thousands of Euro

Description	Expected timing	01.01.2022	additions	amount used	unused reversed	31.12.2022
provision for annual bonuses	*first half 2023*	100	342	105	23	314
provision for personnel dismissal	*first half 2023*	18	26	4	0	40
provision for operating activities	*first half 2023*	9	0	0	0	9
provision for CIT	*first half 2023*	0	0	0	0	0
provision for unused holidays	*first half 2023*	44	19	0	14	49
	Total	**171**	**387**	**109**	**37**	**412**

All provisions are classified as short term, to be used in first half of year 2023. Most of the provisions are booked in entities APS Investments s.r.o., APS Poland S.A, Asset Portfolio Servicing Romania SRL and APS Recovery Greece. The provisions are primarily related to unused holidays and annual bonuses.

7.10 Share capital

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

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

7.11 Non-controlling interests

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

The dividends paid to non-controlling interests during 2023 consist of 110 thousand of Euros paid to the minority shareholder of APS Recovery Hungary Kft. And 200 thousand of Euros paid to the non-controlling interests of Loan Management II, a.s.

(i) APS Recovery Greece Credit and Loan Servicing S.A. (non-controlling interest 34,6%)

In thousands of Euro

APS Recovery Greece Credit and Loan Servicing S.A.	31.12.2023	31.12.2022
Current assets	608	500
Non-current assets	127	143
Total assets	**735**	**643**
Current liabilities	635	528
Non-current liabilities	0	0
Equity attributable to owners of the Company	65	69
Equity attributable to non-controlling interests	35	46
Total equity & liabilities	**735**	**643**
Operating revenue	2 165	1 704
Operating expenses	-2 172	-1 746
Total comprehensive income attributable to owners of the Company	-14	-39
Total comprehensive income attributable to the non-controlling interests	-7	-25
Total comprehensive income for the year	**-21**	**-64**

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

In thousands of Euro

APS Recovery Hungary Kft.	31.12.2023	31.12.2022
Current assets	775	1 131
Non-current assets	7	8
Total assets	**782**	**1 139**
Current liabilities	150	396
Non-current liabilities	0	0
Equity attributable to owners of the Company	505	594
Equity attributable to non-controlling interests	127	149
Total equity & liabilities	**782**	**1 139**
Operating revenue	1 738	1 807
Operating expenses	-1 136	-1 094
Total comprehensive income attributable to owners of the Company	430	525
Total comprehensive income attributable to the non-controlling interests	107	131
Total comprehensive income for the year	**537**	**656**
Dividends paid to non-controlling interests	110	202

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

In thousands of Euro

LOAN MANAGEMENT II, a.s.	31.12.2023	31.12.2022
Current assets	3 973	8 986
Non-current assets	7 066	504
Total assets	**11 039**	**9 490**
Current liabilities	1 411	1 807
Non-current liabilities	6 138	5 261
Equity attributable to owners of the Company	1745	1 211
Equity attributable to non-controlling interests	1745	1 211
Total equity & liabilities	**11 039**	**9 490**
Operating revenue	599	0
Operating expenses	-689	-202
Total comprehensive income attributable to owners of the Company	734	380
Total comprehensive income attributable to the non-controlling interests	734	380
Total comprehensive income for the year	**1 468**	**760**

7.12 Disposals of subsidiaries

As of September 13, 2023 APS Recovery a.s. disposed the entity LLC "APS Ukraine" for selling price 1 Euro. The result of the transaction is a loss of 41 thousand Euros and was reflected in Consolidated statement of profit or loss and other comprehensive income.

As of March 3, 2023 APS Recovery a.s. disposed the entity Syndre d.o.o. Beograd-Stari Grad for selling price 100 Euros. The result of the transaction is a loss of 4 thousand Euros and was reflected in Consolidated statement of profit or loss and other comprehensive income.

As of July 20, 2023 APS Recovery a.s. have finalized the liquidation of the entity APS Warsaw sp. z o.o. The result of the liquidation is a loss of 2 thousand Euros and was reflected in Consolidated statement of profit or loss and other comprehensive income.

8. Notes to Consolidated Statement of Cash Flows

In thousands of Euro

	31.12.2023	31.12.2022
Bank deposits and Cash balances	18 796	18 791
Petty cash	11	69
Total	**18 807**	**18 860**

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

9. Contingent liabilities

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

The Group does not identify any other contingent liability.

10. Events after the reporting period

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

11. Related party transactions

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

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

In thousands of Euro

Transactions and balances	Other related parties	Key management personnel	Total
Revenues	1 706	0	**1 706**
Loan Payable	83	0	**83**
Interests	0	28	**28**

Transactions and outstanding balances with other related parties consist of:

- transactions between APS Recovery Hungary Kft. and Momentum Credit Pénzügyi Zrt. in amount of 1 706 thousand of Euros are related to asset management fees and financial advisory services.

- outstanding balance between APS Recovery a.s. and APS Capital Group s.r.o. in amount of 83 thousand of Euros are related to loan receivable including accrued interest, with the rate of interest 6.5% per annum. The loan is unsecured with no guarantees.

Outstanding balance with related key management personnel consist of:

- Outstanding balance between the ultimate owner Martin Machoň and APS Recovery a.s. in amount of 28 thousand of Euros is related to interest of loan from sole shareholder which was fully repaid during 2023.

List of related persons for the accounting period ended 31 December 2023:

- Martin Machoň
- Petr Kohout
- Roman Šedivý
- Barbora Kubíková
- Viktor Tóth

Remuneration of key management personnel

Key management compensation, considering people above as being the key management was 619 thousand of Euros in the reporting period (633 thousand of Euros in 2022). Related social and health insurance was 129 thousand of Euros (152 thousand of Euros in 2022). There are no post-employment benefits, long-term benefits, termination benefits or share-base payments related to the key management identified in the reporting period.

12 Approval of the financial statements

The financial statements were approved by the board of directors and authorized for issue on 20 February 2025.

Signature of Board of Directors:

Martin Machoň

Chairman of the Board
of Directors

Barbora Kubíková

Member of the Board
of Directors

AUDITOR'S REPORT