

Elefant Group

**Consolidated Financial Statements Prepared in Accordance with
International Financial Reporting Standards
for the Year Ended 31 December 2020**

ELEFANT GROUP

IFRS Consolidated Financial Statements for the year end 31 December 2020

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IFRS Consolidated Financial Statements for the year end 31 December 2020

Financial Highlights

(stated in thousand RON, unless otherwise indicated)



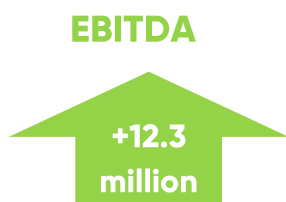
■ 2019 ■ 2020



■ 2019 ■ 2020

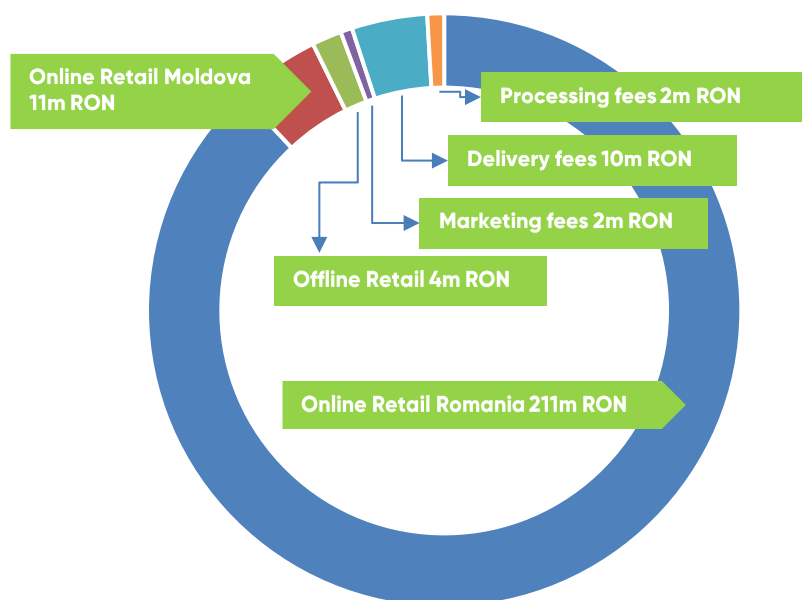


■ 2019 ■ 2020



■ 2019 ■ 2020

Revenue by channel



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IFRS Consolidated Financial Statements for the year end 31 December 2020

Consolidated Statement of Financial Position

(Stated in RON, unless otherwise indicated)	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	12	16,778,199	12,817,236
Property, plant and equipment	11	1,335,567	852,647
Other non-current assets	14	1,138,284	858,966
Right-of-use asset	24	9,974,873	5,340,430
Total non-current assets		29,226,923	19,869,279
Current assets			
Inventories	16	40,239,861	33,649,665
Trade and other receivables	17	4,053,551	2,420,494
Prepayments	15	1,893,948	1,700,629
Cash and cash equivalents	18	19,068,219	13,168,603
Total current assets		65,255,579	50,939,391
Total assets		94,482,502	70,808,670
Equity and liabilities			
Capital and reserves			
Ordinary shares	19	65,017,200	65,017,200
Share premium	19	23,588,258	23,588,258
Reserves		(32,118)	(22,399)
Retained losses	20	(111,746,608)	(109,671,196)
Total equity		(23,173,268)	(21,088,137)
Liabilities			
Non-current liabilities			
Loans and borrowings	21	17,022,442	14,375,240
Long-term lease liabilities	24	7,917,222	3,842,430
Total non-current liabilities		24,939,664	18,217,670
Current liabilities			
Trade and other payables	22	74,749,685	57,542,950
Loans and borrowings	21	9,675,437	12,508,663
Employee benefits	22	6,233,333	2,129,524
Short-term lease liabilities	24	2,057,651	1,498,000
Total current liabilities		92,716,106	73,679,137
Total liabilities		117,655,770	91,896,807
Total equity and liabilities		94,482,502	70,808,670

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Stated in RON, unless otherwise indicated)	Note	2020	2019
Continuing operations			
Revenue from sale of merchandise and services	5	239,516,931	171,562,726
Other income	6	208,694	309,478
Total revenue		239,725,625	171,872,204
Cost of merchandise		172,693,417	130,847,628
Cost of transportation expenses		12,888,881	7,244,530
Employee related expenses	8	16,132,742	13,864,740
Marketing expenses		16,812,952	12,324,729
Rent expenses		349,833	1,327,955
Amortisation and depreciation		5,124,625	10,359,453
Other operational expenses	7	14,579,205	12,816,339
Operating Profit/ (Loss)		1,143,970	(16,913,170)
Finance income	9	441,264	601,650
Finance costs	9	3,443,747	2,917,240
Finance costs (net)		(3,002,483)	(2,315,590)
Loss before income tax		(1,858,513)	(19,228,760)
Income tax expense		28,876	-
Loss for the year from continuing operations		(1,887,389)	(19,228,760)
Discontinued operations			
Profit for the year from discontinued operations		-	-
Loss for the year		(1,887,389)	(19,228,760)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(9,719)	(9,577)
Other comprehensive income for the period		(9,719)	(9,577)
Total comprehensive income for the period		(1,897,108)	(19,238,337)

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Consolidated Statement of Changes in Equity

(Stated in RON, unless otherwise indicated)	Note	Share capital	Share premium	Reserves	Retained losses	Total equity
Balance at 1 January 2019		59,395,600	21,206,948	(12,822)	(90,440,442)	(9,850,716)
Issue of ordinary share		5,621,600	-	-	-	5,621,600
Issue of share premium		-	2,381,310	-	-	2,381,310
Loss for the period	20	-	-	-	(19,228,760)	(19,228,760)
Translation reserve		-	-	(9,577)	-	(9,577)
Correction of prior years		-	-	-	(1,994)	(1,994)
Balance at 31 December 2019		65,017,200	23,588,258	(22,399)	(109,671,196)	(21,088,137)
Balance at 1 January 2020		65,017,200	23,588,258	(22,399)	(109,671,196)	(21,088,137)
Issue of ordinary share		-	-	-	-	-
Issue of share premium		-	-	-	-	-
Loss for the period	20	-	-	-	(1,887,389)	(1,887,389)
Translation reserve		-	-	(9,719)	-	(9,719)
Correction of prior years		-	-	-	(188,023)	(188,023)
Balance at 31 December 2020		65,017,200	23,588,258	(32,118)	(111,746,608)	(23,173,268)

The corrections of prior years recorded on retained losses during 2020 in amount of 188,023 RON are related to eBook expenses not accrued as at 31 December 2019. The correction of prior years recorded on retained losses during 2019 in amount of 1,994 RON represents VAT expenses related to prior periods.

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IFRS Consolidated Financial Statements for the year end 31 December 2020

Consolidated Statement of Cash Flows

(Stated in RON, unless otherwise indicated)	Note	2020	2019
Cash flows from operating activities			
Loss before tax		(1,858,513)	(19,228,760)
Adjustments for:			
Depreciation	11, 24	1,971,569	1,552,013
Amortisation	12	3,153,056	8,792,958
Allowances for current assets		79,404	327,841
Translation reserve		(9,719)	(9,577)
Interest expenses	9	2,309,970	2,010,806
Foreign exchange losses on operating activities, net	9	692,513	304,887
Cash from operations before change in working capital		6,338,280	(6,249,832)
Changes in working capital			
Inventories		(6,776,589)	(8,502,577)
Trade and other receivables		(1,526,068)	75,436
Trade and other payables		20,521,959	12,565,031
Other assets		(472,637)	(106,658)
Cash generated from / (used in) operations		18,084,945	(2,218,600)
Interest paid		(1,680,813)	(1,820,999)
Income tax paid		(1,057)	(77,465)
Net cash generated from/ (used for) operating activities		16,403,076	(4,117,064)
Cash flows from investing activities			
Purchases of property, plant and equipment		(863,600)	(372,605)
Purchases of intangible assets		(7,114,019)	(4,718,294)
Net cash (used in) / generated from investing activities		(7,977,619)	(5,090,899)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	8,002,910
Proceeds from borrowings		3,500,000	21,085,017
Repayments of borrowings		(9,129,732)	(23,256,994)
Repayments of leasing liabilities		(1,743,709)	(1,412,304)
Loans received from related parties		4,847,600	6,236,415
Net cash used in financing activities		(2,525,841)	10,655,044
Net increase in cash, cash equivalents		5,899,616	1,447,081
Cash, cash equivalents at beginning of the year	18	13,168,603	11,721,522
Cash, cash equivalents at end of the year	18	19,068,219	13,168,603

Notes to the Consolidated Financial Statements

(Stated in RON, unless otherwise indicated)

1. General information

Elefant Group ("the Group" or "Elefant Group") comprises Elefant Online SA and their subsidiaries Mall Online SRL and Mammoth Software SRL.

The parent Company of the Group is Elefant Online SA ("The Company"), a company incorporated in Romania with place of business and registered office in 5-7 Dimitrie Pompeiu Boulevard, 5th floor, Sector 2, Bucharest. The Company is registered at the Commercial Registry under Nr. J40/6415/2010, sole registering number 26396066, and is represented by Mr. Chirca Sergiu as a Director.

Details of the subsidiaries which have been consolidated in the group financial statements at 31 December 2020 are as follows:

Name of subsidiary	Country of incorporation	Ownership	Voting rights	Principal place of business	Starting date of ownership
		%	%		
Continuing operations					
Mall Online SRL	Republic of Moldova	100	100	Republic of Moldova	24 March 2016
Mammoth Software SRL	Romania	100	100	Romania	19 April 2017

Elefant Online SA had a 100% ownership in the two subsidiaries since their incorporation.

The activities of Elefant Group consist in operating the websites elefant.ro and elefant.md owned by the Group.

These consolidated financial statements are presented in Romanian Leu ("RON"), as that is the currency in which the majority of the Group's transactions are denominated. They comprise the financial statements of the Company and its subsidiaries (together 'the Group') drawn up for the year ended 31 December 2020. Except where otherwise indicated, all financial information is presented in RON.

2. Significant accounting policies

Application of the new and revised international financial reporting standards

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

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

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

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

- Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform – Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

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

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

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 –2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

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

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Financial Reporting Standards ('IFRS').

The financial statements have been prepared on the historical cost basis, except where stated otherwise in order to comply with the requirements of IFRS 9 "Financial Instruments". Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

2.2. Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

The consolidated financial statements incorporate the financial statements of Elefant Online S.A. and entities controlled by it (its subsidiaries: Mammoth Software SRL and Mall Online SRL) made up to 31 December each year. Control is achieved when the Parent 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 management of the Group reassesses periodically whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The acquisition method of accounting is used by the Group when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Group. Consideration can include cash, contingent consideration and options. Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case, they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The assets acquired and liabilities assumed are recognised at the acquisition date at their fair value. At the acquisition date any equity interest held prior to the acquisition date is recognised at fair value with a resulting gain or loss recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but which will be held for a period less than twelve months, are recorded as assets held for sale.

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the International Financial Reporting Standards as adopted by EU ("IFRS"). Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with IFRS for consolidation purposes. All companies in the Group have the same reporting date of 31 December.

All intra-group transactions and balances between Group entities are eliminated on consolidation. The Group applies a policy of treating transactions with a non-controlling interest as transactions with equity holders when control of the subsidiary is not lost. This is therefore reflected in equity.

2.3. Foreign currency translation

The Group has determined the RON as its functional currency, as this is the currency of the economic environment in which the Group predominantly operates.

Transactions in currencies other than RON, are recorded 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 on the reporting date. Non-monetary assets and liabilities 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. Gains and losses arising on exchange are included in profit or loss. No Group entity has a functional currency of a hyper-inflationary economy.

The Group did not enter into forward contracts and options contracts to hedge its exposure to foreign exchange risks (predominantly between the RON and the Moldavian Leu).

In the case of foreign entities the financial statements of the Group's overseas operations are translated as follows on consolidation: assets and liabilities, at exchange rates ruling on the reporting date, income and expense items at the average rate of exchange for the period and equity at exchange rates ruling on the dates of the transactions. Exchange differences arising are classified as equity and transferred to a separate translation reserve. Such translation differences are recognised in profit or loss in the period in which the operation is disposed of. Foreign exchange gains and losses arising from monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely within the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

2.4. IFRS 16: Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their Statement of financial position. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize in the statement of comprehensive income the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors continues to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The application of IFRS 16 has a material effect on components of the consolidated statements and the presentation of the financial position and results of operations. Statement of financial position: IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Assets must be recognized for the right of use received and liabilities must be recognized for the payment obligations entered into for all leases. For leases that have been classified at 1 January 2019 as operating leases in accordance with IAS 17, the lease liability is recognized at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate at the date of initial application of the new standard. The right-of-use asset was measured at the date of initial application at the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. The adoption had, as a result, a significant increase in lease liabilities and total assets. The Group's equity ratio declined and the Net debt rose accordingly, due to the material increase in lease liabilities. Statement of comprehensive income: In contrast to the previous presentation of operating lease expenses, depreciation charges on right of use assets and the interest expense from the unwinding of the discount on the lease liabilities are recognized. These changes improved the profit from operating activities (EBIT) but had a negative effect on net income in the first years of application. IFRS 16 also provides new guidance on the treatment of sale and leaseback transactions. The seller/lessee recognizes a right of use asset in the amount of the proportional original carrying amount that relates to the right of use retained. Accordingly, only the proportional amount of gain or loss from the sale must be recognized. During 2019 and 2020, no material sale and leaseback transaction occurred. Cash flow statement: The change in presentation of operating lease expenses results in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

The Group also has short-term leases treated based on the exemption provided by IFRS 16 and highlighted in note 2 (significant accounting policies). The decrease of rent expenses (from 1,327,955 in 2019 to RON 349,833) is generated by the decrease of number of pick-up points (retail stores) from 18 in 2019 to 9 in 2020. Those are contracts with an effect of less than 12 months.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets – The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities – At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

2.5. Revenue from contracts with customers

Revenue recognition

IFRS 15 "Revenue from contracts with customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to any revenue streams.

Revenue represents the transaction price that the Group expects to be entitled to in return for delivering the goods or services to its customers. The value recognised in any period is based on a judgement of when the customer is able to benefit from the goods or services and an assessment of the progress made towards completely satisfying each obligation. The following paragraphs provide additional information about the nature and timing of the satisfaction of performance obligations in the Group's contracts and the related revenue recognition policies:

Identification of the Performance Obligations

The goods and services promised by the Group (goods, delivery and returns with a return policy of up to 30 days) create a bundle that is distinct and represents the identified performance obligation. The Group is able to apply the practical expedient allowed in the standard to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar and the effects on the financial statements of doing so would not differ materially from applying the standard to individual contracts.

Determining the Transaction Price

Customers generally pay either online, at the time when the order is placed, or in cash, when the goods are delivered by the transporter. The retail transaction price is based on the aggregation of all order values shown net of any material adjustment for expected returns. The price for the goods and services sold is separate from the price for the goods delivery to the customers.

Allocation of Transaction Price to the Performance Obligations

Each contract has one performance obligation. At the end of each reporting period management reviews and adjusts for elements of variable consideration such as expected refunds. The Group generally offers customers the ability to return goods acquired within 30 calendar days from the date of receipt of goods by the customers.

Timing of Recognition

Revenue from online orders is recognised at a point in time when the customer obtains control of the goods, which occurs when the goods are delivered to and have been accepted at the customer's home / delivery address. These are shown net of returns, relevant marketing vouchers/offers and value added taxes.

Expected Returns

The Group presents the expected returns of goods on a gross basis in the statement of profit and loss and reduces revenue by the full amount of sales that it estimates will be returned. The dispatch of goods that is recorded in full upon dispatch of the goods is then corrected by the estimated amount of returns.

Trade receivables that have underlying transactions that are not expected to be concluded due to the goods being returned are derecognized.

2.6. Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The charge for current tax is based on the result for the year adjusted for non-deductible expenses, non-taxable income and elements similar to income. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in profit or loss unless the item to which the tax relates was recognised outside profit or loss, being reported in other comprehensive income or equity. The tax associated with such an item is also recognised in other comprehensive income or equity respectively.

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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries, 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.

The carrying amounts of deferred tax assets are 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 assets 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 realised.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws are recognised in profit and loss or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

Deferred tax assets and liabilities are offset 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 Group estimated the impact of temporary differences on deferred taxes for the year ended on 31 December 2020 and determined it to be immaterial for the consolidated financial statements. Most of the temporary differences would arise due to the application of IFRS 16 "Leases".

Currently the fiscal losses generated by the Group entities in Romania can be carried forward for 7 years, while for Moldova for 5 years.

2.7. Property, plant and equipment

Land and buildings are stated in the statement of consolidated financial position at their acquisition cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged to Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

The useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Buildings	25 years
Fixtures and equipment	4 to 6 years
Vehicles	3 to 5 years

Right-of-use assets recognised under IFRS 16 are depreciated over the term of the relevant lease.

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 recognised in profit or loss.

2.8. Assets under construction

Assets under construction are carried at cost less any identified impairment loss. Costs include supervision fees and related expenses, professional fees, finance costs and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready and are commissioned for their intended use.

2.9. Intangible assets

The costs of acquiring and developing software that is not integral to the related hardware is capitalized separately as an intangible asset. This does not include internal website maintenance costs which are expensed as incurred unless representing a technological advance leading to future economic benefit. Capitalized website costs are presented at historic cost less accumulated amortization. Amortization is calculated on a straight-line basis over the assets' expected useful lives, normally between three to five years. The website is amortized over a period of 5 years from the date of capitalization.

Software licences are software acquired from third parties and are amortised for a period of 3 years.

Elefant's Group website includes external direct costs of services and payroll related costs for employees who are directly associated with the website development project.

Software under development is held at cost less any recognized impairment loss. Acquired domain names and trademarks are recognized initially at cost.

The website expenditure incurred during the application and infrastructure development stage, the graphical design stage and the content development stage is capitalized if the Group is able to demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or to sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- It's ability to measure reliably the expenditure attributable to the intangible asset during its development.

All the above apply equally to both, internal and external costs. The costs of developing content for advertising or promotional purposes are expenses as incurred.

2.10. Impairment of non-financial assets

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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, 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 (except for goodwill), the carrying amount of the asset (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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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.

2.11. Financial assets

General

Financial instruments, other than derivative financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below.

Categories of financial assets

Investments

Investments in securities are recognised at trade date (the date the Group is committed to purchase or sell a financial instrument).

Financial assets at fair value through profit or loss

If a financial asset is held for trading, or is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than those held for trading are designated at fair value through profit or loss when the Group manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognised in profit or loss.

Reclassification of financial assets

Reclassification is permitted only in limited circumstances, particularly where a non-derivative financial asset is no longer held for the purpose of sale in the short term and can be applied only to debt instruments. Any reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Recognition and measurement of financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, aggregating all three aspects of accounting for financial instruments: classification and measurement; impairment and hedge accounting.

IFRS 9 makes significant changes to the recognition and measurement of financial assets, based on a business model and contractual cash flows, and implements a new model for the recognition of impairment allowances based on expected credit losses. Additionally, the standard brings changes in the accounting of hedging instruments, to better reflect the effect of risk management activities that a company adopts to manage exposures.

The standard allows the companies to adopt IFRS 9 as of January 1, 2018 using the modified retrospective method with the accumulated adjustments from the initial application recognized as at 1 January 2018 in equity and without altering the prior periods amounts. For the Group's financial assets, there are no significant differences between the IAS 39 initial valuation method and the new valuation categories under IFRS 9.

IFRS 9 presents three main classification categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

The Group classifies the financial assets into one of the categories presented below, depending on the purpose for which they were acquired:

- Measured at fair value through profit or loss - only for the categories of financial instruments held for sale. They are recognized in the balance sheet at fair value and the changes in value are recognized in profit or loss. The Group does not have financial instruments held for sale.
- Recognition of financial assets - this category includes those assets that have a fixed maturity, or which can be easily determined and are not quoted on an active market. They typically arise through provisioning of goods or services for the customer but can also incorporate other types of monetary assets related to contracts. They are recognized at amortized cost using the market interest method less any impairment adjustment. In this category, the Group has trade receivables, cash and cash equivalents, prepayments and other financial assets (total value as at 31 December 2020: RON 26,154,002; total value as at 31 December 2019: RON 18,148,692).

The new impairment model in IFRS 9 provides for impairment allowances to be recognized on the basis of expected credit losses and not on the basis of actual credit losses as set out in IAS 39. IFRS 9 requires the Group to record a provision for expected credit losses for all loans and other debt-related financial assets that are not held at fair value through profit or loss.

Financial assets measured at amortized cost will be subject to impairment allowances in accordance with IFRS 9. In general, applying the model of expected credit loss will require earlier recognition of loss on receivables and will lead to an increase in impairment allowances for relevant items.

For some financial instruments, such as trade receivables, impairment losses are estimated based on a simplified approach, with expected credit losses recognized over their lifetime. The Group has established a provision matrix based on the historical credit loss experience of the Group, adjusted for prospective debt-specific factors and the economic environment.

Accounting for foreign currency transactions is carried out both in the currency in which the transaction was carried out and in the national currency. The conversion to the national currency is made according to the accounting policies related to the conversion of foreign currency transactions presented above in these notes.

Starting 2018, the Group adopted IFRS 9 using the modified retrospective method. Normally, under this method, the accumulated adjustments from the original application are recognized at 1 January 2018 in equity without altering the prior periods amounts. Given that for the Group's financial assets, there were no significant differences between the IAS 39 initial valuation method and the new valuation categories under IFRS 9, no actual adjustment between the two treatments resulted.

2.12. Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- i Significant financial difficulty of the issuer or obligor;
- ii A breach of contract, such as a default or delinquency in interest or principal payments;
- iii The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- iv It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- v The disappearance of an active market for that financial asset because of financial difficulties; or
- vi Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (a) Adverse changes in the payment status of borrowers in the portfolio; and
 - (b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

As an initial step the Group assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced to the present value of estimated future cash flows and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

The Group analysed its trade receivables based on the IFRS 9 expected credit loss model. Looking at its historical data for a period of one year, the management determined that there were no credit losses for its trade receivables during the relevant timeframe of one year. In addition, the forward-looking conditions estimated by the management are optimistic, so the actual credit loss rate to be used within this model is estimated to be close to 0%. The one-year timeframe was chosen given the specifics of the Group (good efficiency ratios and sales mostly done in relation to natural persons). Therefore, the management of the Group determined the credit loss for its trade receivables to be immaterial for the purpose of the IFRS financial statements and booked no value adjustments in this regard.

2.13. Financial liabilities and compound financial instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the statement of comprehensive income.

Other financial liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income. The following liabilities of the Group are included in this category: trade and other payables, loans and borrowing, lease liabilities and employee benefits.

The Group derecognises financial liabilities when the obligations of the Group are discharged, cancelled or have expired.

2.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct acquisition cost and those overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Cost is calculated using the weighted average cost ('WAC') method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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2.15. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are stated at their amortised cost less any allowances for doubtful receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.16. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Cash is measured at book value, based on the relevant exchange rates at the reporting date. Cash equivalents are measured at fair value.

2.17. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or options in relation to ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

2.18. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (for long-term liabilities).

2.19. Borrowings and borrowing costs

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

2.20. Employee benefits

The Group makes contributions to the Government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost. The companies in the Group do not contribute to other pension plans (apart from the mandatory State pension plan) on behalf of their employees, therefore the Group assumes no other pension obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2.21. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The Group does not recognise any provisions for warranty costs, as warranties for products sold by the Group are provided only by the entities mentioned on the products certificates of warranty. The Group has no liability towards its customers for issues related to products under warranty.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22. Dividend distributions

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

2.23. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The management of the Group does not take the decisions by analysing the activity at product category level or based on geographical location of the clients. All decisions are made on a total basis as there is a very large number of products sold by the Group and the decision-making process is more efficient if considered at global level instead of individual product categories or geographical ones.

2.24. Contingent assets and liabilities

A contingent liability is

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events that is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements but disclosed when an inflow of economic benefits is probable.

2.25. Subsequent events

Events occurring after the reporting date 31 December 2020, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements.

2.26. Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue its activity normally, without entering liquidation or significantly reducing its activity.

To assess the applicability of the going concern assumption, management had examined the projections of future cash flows. Based on this analysis the management considers that the Group will continue on a going concern basis.

During the year ended 31 December 2020 the Group has recognised a net loss of RON 1,887,389 (2019: loss of RON 19,228,760), at 31 December 2020 the Group has a retained loss of 111,746,608 RON (2019: RON 109,671,196) and as at that date, current liabilities exceed current assets by RON 27,460,527 (2019: RON 22,739,746). The equity as at 31 December 2020 is RON -23,173,268 (2019: RON -21,088,137). The Group reported for 2020 a positive EBITDA of RON 6,347,999, compared to negative EBITDA of RON (6,027,132) reported in 2019.

As at 31 December 2020, the Company reported statutory negative net assets / total equity of RON (21,001,047), which are below ½ of the share capital of RON 65,017,200. In Romania, according to the Romanian Companies' Law no. 31/1990, in case the net assets of a Company fall below half of the share capital, the ruling bodies of the entity have to decide on the corrective measures, according to the Companies Law. Failure to take such measures could theoretically trigger legal consequences provided under the law. Considering the market experience (with no such cases being publicly available), this risk is considered however by the management relatively remote. Also, management is aware of the current situation and is taking active measures to ensure compliance of the Company with legal requirements and remedying the insufficient equity position up the level necessary to be observed.

The Company and the Group are currently in a development / growth stage and the Group reported a positive trend in the recent years (with positive EBITDA in 2020 and a significantly lower net loss reported in 2020 vs 2019). Also, it should be noted that the Group is launching a technology platform optimisation process (by migrating to an international software as a service solution) representing also an optimisation of commercial and marketing strategies with the objective of meeting the specific customer needs, in an efficient way for the Company.

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The management believes that the support obtained from shareholders and creditors will be enough to allow the activity and debt repayment to continue in the ordinary course of business, without the need for substantial sales of assets or forced disruptions caused by external factors to its operations or other similar actions.

COVID impact

The Group performed a comprehensive analysis and concluded that the COVID-19 pandemic did not have a significant influence over the Group's activities or over accounting policies as:

- The Group has concluded orders as usual without any significant delays; in fact, partly due to the nature of the consumer's behaviour during the pandemic, the sales increased in 2020 compared to 2019 (fuelled by people staying home and ordering online because of the pandemic);
- During 2021, the Group increased its exposure with banks by 11M RON, and refinanced the old loans (there was no breach of covenant, it was a management decision to consolidate its borrowings in one bank), in order to consolidate its cash flows, and provide more liquidity to its suppliers
- The deliveries run as usual without significant delays;
- There were no delays in supplier chain or in acquisition process;
- There were no issues in collection patterns, all receivables were collected on time; the Group did not incur any losses from receivables in 2020;
- There are no issues in payments of suppliers, salaries and other current liabilities;
- The Group profitability is expected to increase thanks to the implementation of cost-efficient processes.

In light of all the above information, the management considers that there are no reasons to consider that any of the companies in the Group will not continue as a going concern over the foreseeable future, therefore the consolidated financial statements of the Group have been prepared based on the going concern principle.

3. Financial risk management

General

The Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Foreign currency risk
- Credit risk
- Market risk
- Capital risk

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board is responsible for developing and monitoring the Group's risk management strategy and policies. There have been no changes to the Group's exposures to risk or the methods used to measure and manage these risks during the year.

The Group oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in the light of the risks faced by the Group.

The Group's financial instruments consist mainly of deposits with banks, corporate bonds, short term investments, accounts receivable and payable, loans to and from related parties and bank borrowings.

3.1. Interest rate risk management

As part of the process of managing the Group's fixed and floating rate borrowings mix, the interest rate characteristics of borrowings and the refinancing of existing borrowings are positioned according to movements in interest rates.

At the reporting date the carrying value of fixed and variable rate borrowings was as follows:

in RON	2020	2019
<i>Fixed rate instruments:</i>		
<i>Bonds</i>	7,834,404	7,832,518
<i>Loans from related parties</i>	12,138,787	6,508,115
Financial liabilities	19,973,191	14,340,633
<i>Variable rate instruments:</i>		
<i>Secured bank loans</i>	6,695,778	12,325,510
<i>Other borrowings</i>	28,910	217,760
Financial liabilities	6,724,688	12,543,270

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3. Financial risk management

Total financial liabilities	26,697,879	26,883,903
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There have been no significant changes to the Group's sensitivity to interest rate changes during the year.

Sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2020	1% increase	1% decrease
Secured bank loans	(106,928)	106,928
Financial liabilities interest sensitivity	(106,928)	106,928
31 December 2019	1% increase	1% decrease
Secured bank loans	(130,309)	130,309
Financial liabilities interest sensitivity	(130,309)	130,309

3.2. Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Groups revenues and costs from other activities are predictable contractually. This assists with monitoring cash flow requirements and optimising treasury strategies.

The Group does not have any significant guarantees in favour of third parties or related parties for actual or potential obligations.

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2020	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	More than five years
Financial liabilities						
Secured bank loans	6,695,778	7,141,045	4,424,458	2,716,586	-	-
Bonds	7,834,404	8,341,912	8,341,912	-	-	-
Other borrowings	28,910	29,098	29,098	-	-	-
Loans due to related parties	12,138,787	14,982,517	2,610,705	681,176	11,690,636	-
Trade and other payables	80,983,018	80,983,018	80,983,018	-	-	-
Lease liabilities	9,974,873	12,392,856	2,501,801	2,457,977	5,283,584	2,149,494
Total financial liabilities	117,655,770	123,870,446	98,890,992	5,855,739	16,974,220	2,149,494

Contractual cash flows of Secured bank loan are calculated taken into account the entire period of the loans according to the maturity of the loan agreements with Banca Transilvania and Alpha Bank valid as at 31 December 2020. During March 2021 both loans were repaid in advance following a management decision

2019	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	More than five years
Financial liabilities						
Secured bank loans	12,325,510	13,824,373	6,366,454	4,593,528	2,864,391	-
Bonds	7,832,518	8,858,900	690,000	8,168,900	-	-
Other borrowings	217,760	217,760	189,385	28,375	-	-
Loans due to related parties	6,508,115	6,735,899	6,735,899	-	-	-
Trade and other payables	59,672,474	59,672,474	59,672,474	-	-	-
Lease liabilities	5,340,430	6,406,387	1,796,980	1,796,980	2,812,428	-
Total financial liabilities	91,896,807	95,715,793	75,451,192	14,587,783	5,676,819	-

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3. Financial risk management

3.3. Foreign currency risk management

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Romanian Leu (RON) and Moldavian Leu (MDL). Most of the transactions performed by the Group companies (e.g.: acquisitions, sales, salaries etc.) are denominated in the functional currencies of those entities. Some transactions (e.g.: loans from related parties, trade payables, rent contracts Etc.) are expressed in, or linked to, foreign currencies, mostly EUR and, to a less extent, USD or GBP.

Exposure to currency risk

The group exposure to foreign currency risk at the end of the reporting period is presented in the table below. The amounts from the table are stated in RON and are presented by category of monetary assets/liabilities included in the statement of financial position and by currency of transaction (i.e.: the amounts presented under the EUR column are expressed in RON but relate to the balances for which the original transaction currency was EUR).

in RON	31 December 2020				31 December 2019			
	RON	EUR	USD	GBP	RON	EUR	USD	GBP
Trade and other receivables	4,053,551	-	-	-	2,420,494	-	-	-
Trade payables	(61,872,565)	(11,325,943)	(409,635)	(1,141,543)	(46,964,241)	(9,524,329)	(335,867)	(718,513)
Loans from related parties	-	(12,138,787)	-	-	-	(6,508,115)	-	-
Other borrowings	-	(28,910)	-	-	-	(217,760)	-	-
Secured bank loans	(6,695,778)	-	-	-	(14,498,312)	-	-	-
Net Statement of Financial Position exposure	(64,514,792)	(23,493,640)	(409,635)	(1,141,543)	(59,042,059)	(16,250,204)	(335,867)	(718,513)

The following significant exchange rates have been applied:

in RON	Average rate		Year-end spot rate	
	2020	2019	2020	2019
EUR	4.8371	4.7452	4.8694	4.7793
USD	4.2440	4.2379	3.9660	4.2608
GBP	5.4423	5.4113	5.4201	5.6088
MDL	0.2451	0.2413	0.2305	0.2481

Sensitivity analysis

in RON	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2020				
EUR (10% movement)	2,349,364	(2,349,364)	2,349,364	(2,349,364)
USD (10% movement)	40,963	(40,963)	40,963	(40,963)
GBP (10% movement)	114,154	(114,154)	114,154	(114,154)
31 December 2019				
EUR (10% movement)	1,165,020	(1,165,020)	1,165,020	(1,165,020)
USD (10% movement)	33,587	(33,587)	33,587	(33,587)
GBP (10% movement)	71,851	(71,851)	71,851	(71,851)

3.4. Credit risk management

Potential material areas of credit risk consist of trade accounts receivable and bank accounts.

Trade accounts receivable consist mainly of a widespread customer base. Most of the clients of the Group are represented by natural persons, therefore, credit risk is low for such clients who pay online when ordering the goods sold by the companies of the Group. Group companies monitor the financial position of their corporate customers

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3. Financial risk management

on an on-going basis. The granting of credit is controlled by application and account limits. An allowance is made for specific bad debts and at the reporting date management did not consider there would be any material credit risk exposure. Certain goods are also sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. It is Group policy to deposit short term cash investments with financial institutions.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Regarding the credit risk related to bank accounts (current accounts and short-term deposits), this risk is addressed by working with large banks with good reputation on the market and by having multiple accounts opened at more than one bank in order to diversify the portfolio of the Group.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, as follows:

in RON	Note	Carrying amount 2020	2019
Trade and other receivables	17	4,053,551	2,420,494
Cash and cash equivalents	18	19,068,219	13,168,603
Prepayments	15	1,893,948	1,700,629
Other financial assets		1,138,284	858,966
Total financial assets		26,154,002	18,148,692

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

in RON	Carrying amount 2020	2019
Domestic – Romania	3,791,886	2,050,803
Republic of Moldova	261,665	369,691
Total trade and other receivables	4,053,551	2,420,494

Based on historic default rates, the Group's policy is to record no impairment for amounts overdue up to three months as substantially all amounts have been recoverable in full, except in exceptional specific circumstances. Where amounts are overdue more than three months an allowance is made for credit losses, based on the specific circumstances of the customer and an estimate of the expected cash flows to be received based on past experience.

Once it has been established that an amount will prove irrecoverable it is released from the credit allowance account and written off against the balance of trade receivables.

3.5. Market price risk

The Group is exposed to market price risk. In order to reduce the impact of fluctuations in the price of goods, the Group maintains a policy of short inventory days, and is generally purchasing the products which have a short period of delivery from supplier to the Group warehouse (so that no buffer inventory is needed in order to satisfy the demand of the clients). Also the Group is constantly monitoring the prices on the market and plans its short term strategy considering as well the actions of its main competitors.

4. Critical accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

4.1. Critical accounting estimates and assumptions

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4. Critical accounting estimates and judgements

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following:

- Revenue recognition: estimate of expected returns;
- Impairment test of intangible assets: key assumptions underlying recoverable amounts, including the recoverability of development costs;

4.2. Critical judgements in applying the entity's policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the note 24 Leases (regarding whether an arrangement contains a lease or not, and the incremental borrowing rates used for IFRS 16 restatement purposes);

5. Revenue

The accounting policy of IFRS 15 on the Group's revenue from contracts with customers is described in Note 2.5.

Revenue streams

An analysis of the Group's revenue is as follows:
in RON

	2020	2019
Revenue from Online Retail Romania	210,678,661	154,429,388
Revenue from Offline Retail	3,890,950	5,119,369
Revenue from Online Retail Moldova	11,274,323	6,048,147
Revenue from Marketing	1,522,386	407,042
Revenue from Delivery Fees	9,970,274	4,407,679
Revenue from Processing Fees	2,180,337	1,151,101
Total revenues	239,516,931	171,562,726

The Group generates revenue primarily from the sale of goods which include mainly: books, perfumes, cosmetics, electronics, eyeglasses, watches, home and deco, kids products and toys. Other sources of income include revenue from delivery services and processing fees (standard fee at the level of each order).

From the total revenues related to Moldova during 2020, approximately 12% represent offline revenues (2019: the percentage was approximately 18%).

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines.

in RON	2020	2019
<i>Primary geographical markets</i>		
Romania	228,242,608	165,514,579
Moldova	11,274,323	6,048,147
Total	239,516,931	171,562,726

Revenue: Online Retail disaggregated by major products

Sale of Books	69,031,203	50,110,173
Sale of Perfumes	46,997,666	41,870,076
Sale of Toys	21,864,619	10,838,672
Sale of Watches	15,164,691	18,236,416
Sale of Cosmetics	14,795,182	13,011,860
Sale of Foreign Books	14,030,528	7,181,536
Sale of Home&Deco	11,501,700	3,205,972
Sale of Kids and Pampers	5,712,952	2,094,788
Sale of Electronics	4,911,661	2,848,674
Sale of Bags and accessories	2,418,203	2,212,568
Sale of Jewellery	1,389,903	853,950

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5. Revenue

Sale of Nutrition	1,252,061	244,796
Sale of Eyeglasses	1,010,489	937,656
Sale of eBooks	327,085	734,833
Sale of Others	270,718	47,418
Total Revenue from Online Retail Romania	210,678,661	154,429,388

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

6. Other income

in RON	2020	2019
Income from recharge of merchandise losses	208,694	308,206
Income from sale of non-current assets	-	1,272
Total other income	208,694	309,478

7. Other operational expenses

in RON	2020	2019
Packaging materials	2,227,880	1,513,931
Utilities and maintenance	829,626	926,526
Bank charges	454,419	721,079
Cost of other services	9,431,021	8,316,208
Cost of consumables	225,584	284,094
Other expenses	1,410,675	1,054,501
Total other expenses	14,579,205	12,816,339

Cost of other services includes: cash collection costs RON 1,889,254 (2019: RON 1,124,702), IT services – RON 2,175,907 (2019: RON 1,407,512), leasing of employees expenses – RON 3,043,073 (2019: RON 1,140,192), consulting services – RON 648,757 (2019: RON 1,661,673) and other services.

Other expenses comprise mainly the expenses with transportation of employees, taxes, penalties, commissions, entertainment expenses.

8. Employee related expenses

See accounting policies in Note 2.20.

in RON	2020	2019
Employment costs comprise:		
Wages and salaries	15,341,692	13,222,954
Social and medical contributions	791,050	641,786
Total employee related expenses	16,132,742	13,864,740

The average number of employees during the year ended 31 December 2020 was 240 employees (2019 – 238 employees)

9. Finance income and costs

in RON	2020	2019
<i>Finance income</i>		
Interest from assets	-	103
Foreign exchange gains	441,264	601,547
Total finance income	441,264	601,650

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9. Finance income and costs

Finance costs

Interest on bank borrowings and loans	1,619,457	1,324,065
Interest on bonds	690,513	686,741
Total interest	2,309,970	2,010,806

Foreign exchange losses	1,133,777	906,434
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Total finance costs	3,443,747	2,917,240
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Net finance losses	(3,002,483)	(2,315,590)
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10. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

Management has presented the performance measure EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to a better understanding of the Group's financial performance.

EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses.

EBITDA is not a defined performance measure in IFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to profit from continuing operations

in RON	2020	2019
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Loss from continuing operations	(1,887,389)	(19,228,760)
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Income tax expenses	28,876	-
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Loss before tax	(1,858,513)	(19,228,760)
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Adjustments for:

Net finance costs	3,002,483	2,315,590
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Depreciation	1,971,569	1,552,013
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Amortisation	3,153,056	8,792,958
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Allowances for current assets	79,404	541,067
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EBITDA	6,347,999	(6,027,132)
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11. Property, plant and equipment

The table below provides specific information about each type of Property, plant and equipment.

For accounting policy, see note 2.7.

in RON	Computer equipment	Motor vehicles	Fixtures and fittings	Other equipment	Total
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Cost or valuation

Balance as at 31 December 2018	1,209,791	428,561	1,216,153	6,303	2,860,808
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Additions	46,422	679	67,469	13,142	127,712
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Balance as at 31 December 2019	1,256,213	429,240	1,283,622	19,445	2,988,520
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Balance as at 1 January 2020	1,256,213	429,240	1,283,622	19,445	2,988,520
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Additions	551,667	115,090	301,483	-	968,240
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Disposals	-	-	-	(19,445)	(19,445)
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Balance as at 31 December 2020	1,807,880	544,330	1,585,105	-	3,937,315
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Depreciation

Balance as at 31 December 2018	758,390	203,189	729,402	-	1,690,981
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Depreciation charge	227,335	58,347	159,210	-	444,892
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Balance as at 31 December 2019	985,725	261,536	888,612	-	2,135,873
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11. Property, plant and equipment

Balance as at 1 January 2020	985,725	261,536	888,612	-	2,135,873
Depreciation charge	250,123	76,628	139,124	-	465,875
Balance as at 31 December 2020	1,235,848	338,164	1,027,736	-	2,601,748

Carrying amounts

Balance as at 31 December 2018	451,401	225,372	486,751	6,303	1,169,827
Balance as at 31 December 2019	270,488	167,704	395,010	19,445	852,647
Balance as at 31 December 2020	572,032	206,166	557,369	-	1,335,567

At 31 December 2020, the property, plant and equipment of the Group has been carried at historical cost less accumulated depreciation and accumulated impairment losses.

12. Intangible assets

in RON	Software licences	Elefant website	Other intangible assets	Development costs	Prepayments	Total
<i>Cost or valuation</i>						
Balance as at 31 December 2018	2,381,316	22,321,286	484	8,100,574	-	32,803,660
Additions	231,594	-	-	4,486,700	-	4,718,294
Transfers	-	12,068,608	-	(12,068,608)	-	-
Balance as at 31 December 2019	2,612,910	34,389,894	484	518,666	-	37,521,954
Balance as at 1 January 2020	2,612,910	34,389,894	484	518,666	-	37,521,954
Additions	2,254	-	-	7,111,765	-	7,114,019
Transfers	89,957	7,540,474	-	(7,630,431)	-	-
Balance as at 31 December 2020	2,705,121	41,930,368	484	-	-	44,635,973
<i>Amortisation</i>						
Balance as at 31 December 2018	1,286,421	14,280,511	484	344,344	-	15,911,760
Amortisation charge	318,385	8,474,573	-	-	-	8,792,958
Impairment	-	-	-	-	-	-
Balance as at 31 December 2019	1,604,806	22,755,084	484	344,344	-	24,704,718
Balance as at 1 January 2020	1,604,806	22,755,084	484	344,344	-	24,704,718
Amortisation charge	225,946	2,927,110	-	-	-	3,153,056
Transfers	344,344	-	-	(344,344)	-	-
Balance as at 31 December 2020	2,175,096	25,682,194	484	-	-	27,857,774
<i>Carrying amounts</i>						
Balance as at 31 December 2018	1,094,895	8,040,775	-	7,756,230	-	16,891,900
Balance as at 31 December 2019	1,008,104	11,634,810	-	174,322	-	12,817,236
Balance as at 31 December 2020	530,025	16,248,174	-	-	-	16,778,199

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12. Intangible assets

At 31 December 2020, the intangible assets of the Group have been carried at historical cost less accumulated depreciation and accumulated impairment losses.

The Group has amortised the intangible assets using the straight-line method of amortisation.

The other intangible assets are incorporation expenses and are completely amortised.

During 2020, The Group has made investments in the web platform "www.elephant.ro" in amount of RON 5,888,893 and in the software "ENTERSOFT BUSINESS SUITE" in amount of RON 1,149,274.

Given the specific of the Group as an online technology entity, the main investments are in IT developments.

Developments are only recognised as intangible assets if they meet the following three criteria:

- The cost of the project being developed can be measured with reliability;
- The development expenses render future economic benefits for the Group;
- The project is fully under the control of the Group and can be identified as an asset separately.

Intangible assets are reviewed annually for impairment. If any impairment indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable value means the highest of fair value minus selling costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

During the year 2020, the management of the Group did not identify any impairment indications.

13. Subsidiary entities

Details of the subsidiaries which have been consolidated in the Group's financial statements at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Country of incorporation (registration)	Ownership %	Voting rights %	Principal place of business	Principal activity
<i>Continuing activities</i>					
Mall Online SRL	Moldova	100	100	Moldova	Online and offline retail
Mammoth Software SRL	Romania	100	100	Romania	IT services

The entire issued share capital of Mammoth Software SRL has been pledged as collateral for a loan from Alpha Bank Romania SA. The loan contracted from Alpha Bank was fully reimbursed in the first quarter of 2021.

14. Other non-current assets

in RON	2020	2019
Guarantees for merchandise	445,874	283,985
Guarantees for rent of warehouse	485,310	287,747
Guarantees for rent of head office	142,238	142,238
Guarantees for rent of pick-up points	63,169	143,303
Other guarantees	1,693	1,693
Total other non-current assets	1,138,284	858,966

15. Prepayments

in RON	2020	2019
Rent expenses	547,358	175,018
Insurance fees	29,670	5,110
Inventories	802,774	385,702
Services to be rendered	396,225	416,411
Maintenance	117,921	718,388
Total Prepayments	1,893,948	1,700,629

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15. Prepayments

The Group included in prepayments advances paid to suppliers in amount of RON 1,097,362 (2019: RON 1,012,962) and prepaid expenses in amount of RON 796,586 (2019: RON 687,667).

16. Inventories

For accounting policy, see note 2.14.

in RON	2020	2019
Merchandise	39,652,279	33,352,814
Allowance for estimated irrecoverable amounts of inventory	(459,939)	(273,546)
Merchandise, net	39,192,340	33,079,268
Packaging materials	202,769	302,678
Stock-in-transit	844,752	267,719
Other inventories	1,047,521	570,397
Total Inventories	40,239,861	33,649,665

Inventories have been pledged as security for certain of the Group's bank borrowings, see note 21.

Inventories recognised as an expense during the year ended 31 December 2020 amounted to RON 172,693,417 (2019: RON 130,847,628). These were included as cost of merchandise under the operating expenses of the Group. Write-downs of inventories to their estimated net realisable value, amounted to RON 459,939 in 2020 (2019: RON 273,546). These were recognised as an expense during the year ended 31 December 2020.

During the year 2020, the Group recorded the differences resulted from the stock count performed as cost of merchandise in the Consolidated Statement of Profit or Loss.

17. Trade and other receivables

See accounting policies in Note 2.15.

in RON	2020	2019
Trade receivables	2,706,164	1,433,167
Allowances for bad debts	(160,532)	(160,532)
Trade receivables, net	2,545,632	1,272,635
Receivables from related parties	550,315	343,645
Receivables from shareholders	-	-
Other receivables	1,494,300	1,447,899
Allowances for bad debts	(536,696)	(643,685)
Other receivables, net	1,507,919	1,147,859
Total Trade and Other Receivables	4,053,551	2,420,494

Other receivables include mainly: VAT under settlement in amount of RON 461,810 (2019: 486,810), the amount to be recovered from the State for medical leave in amount of RON 323,783 (2019: 168,909) and other receivables.

The Group considers that the carrying amount of trade and other receivables approximates their fair value, due to their short-term nature. The allowance for estimated irrecoverable amounts of trade debtors has been determined by reference to past default experience and information on specific balances outside trade terms and is calculated by reference to the present value of anticipated future proceeds.

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17. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current assets. Trade receivables are initially recognised at the amount of the consideration to be received for the goods sold or for the services rendered.

The Group used the credit loss model based on a provision matrix. The management of the Group has analysed the characteristics of its receivables and concluded that they are similar with one another and that no split in several groups is necessary for the credit loss analysis. Given the fast cash collection of its receivables and the nature of the Group's business, the management determined the period over which reliable historical data can be obtained to be one year. Based on these assumptions and on the historical credit loss experience of the Group, the management estimated a credit loss rate which was subsequently adjusted for prospective debt-specific factors and the economic environment. This rate was applied to the trade receivables' balance and resulted in insignificant value adjustments. Considering the insignificant level of such amounts, no value adjustments were booked in the financial statements as at 31 December 2020.

Receivables from related parties are detailed in Note 23.

The movement in the allowance for impairment in respect of trade receivables during the year was:

in RON	2020	2019
At 31 December 2019	804,217	536,696
Impairment recorded during the year	(106,989)	267,521
At 31 December 2020	697,228	804,217

The Group's exposure to credit, currency and interest rate risks relating to trade and other receivables is detailed in Note 3.

18. Cash and cash equivalents

For accounting policies, see note 2.16.

in RON	2020	2019
Balances with banks	18,680,599	12,787,825
Cash in transit	250,174	156,733
Cash in hand	137,446	224,045
Total cash and cash equivalents	19,068,219	13,168,603

As at 31 December 2020 the cash in transit represents bank transfers from customers which were not yet received in amount of RON 24,066 (2019: RON 156,733), and cash from pick-up points cashiers, with settlement in the first day of January of the following year in amount of RON 226,107 (2019: RON 0).

The Group's exposure to credit, currency and interest rate risks relating to cash and cash equivalents, is detailed in note 3.

19. Issued capital and premiums on issue

The table below provides the shareholder's structure:

in RON	2020		2019	
	Nr. of shares	%	Nr. of shares	%
<i>Authorised share capital:</i>				
Millennium Gold Resources Limited (Cyprus)	394,516	61%	394,516	61%
Catalyst Romania SCA SICAR (Luxembourg)	64,510	10%	64,510	10%
Olif BV (Netherlands)	191,146	29%	191,146	29%
Total shares capital	650,172	100%	650,172	100%

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The Group's share capital has a value of RON 65,017,200 as at 31 December 2020 (2019: RON 65,017,200), corresponding to a number of 650,172 ordinary shares (2019: 650,172 ordinary shares). The nominal value of an ordinary share is RON 100. The share capital is entirely paid and issued.

During 2019, the Company issued 56,216 new shares with a nominal value of 100 RON/share. The issuing price was set at 142.35 RON/share thus resulting in an overall premium of RON 2,381,310 which is still in balance as at 31 December 2020.

20. Retained Losses

Movement in retained losses were as follows:

in RON	2020	2019
Balance at 1 January	(109,671,196)	(90,440,442)
Loss for the period	(1,887,389)	(19,228,760)
Corrections of prior years	(188,023)	(1,994)
Balance 31 December	(111,746,608)	(109,671,196)

The correction of prior years recorded on retained losses during 2020 in amount of 188,023 RON are related to eBook expenses not accrued as at 31 December 2019. The correction of prior years recorded on retained losses during 2019 in amount of 1,994 RON represents VAT expenses related to prior periods.

21. Borrowings

in RON	2020	2019
<i>Non-current loans and borrowings</i>		
Bank borrowings	6,695,778	6,695,465
Bonds	-	7,651,400
Loans from related parties	9,738,801	-
Interest on loans from related parties	587,863	-
Other borrowings	-	28,375
Total non-current loans and borrowings	17,022,442	14,375,240
<i>Current loans and borrowings</i>		
Bank borrowings	-	5,630,045
Bonds	7,651,400	-
Interest on bank borrowings	-	-
Interest payable on bonds	183,004	181,118
Loans from related parties	1,484,711	6,241,964
Interest payable on loans from related parties	327,412	266,151
Other borrowings	28,910	189,385
Total current loans and borrowings	9,675,437	12,508,663
Total loans and borrowings	26,697,879	26,883,903

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in RON	Type of loan	Date of agreement	Maturity	Interest rate	CCY	Contracted amount	Interest payable as at 31 December 2020	Interest payable as at 31 December 2019	Principal payable as at 31 December 2020	Principal payable as at 31 December 2019
Loans from related parties										
Olif BV	Short term	28.11.2017	15.01.2019	5%	EUR	76,200	5	496	-	5,424
Millennium Gold Resources Limited	Short term	22.04.2019	22.04.2019	6%	EUR	4,881	80,655	-	23,765	-
Fribourg Investments LTD	Short term	09.11.2017	15.01.2019	5%	EUR	149,375	76,628	75,847	127	125
Fribourg Investments LTD	Short term	22.04.2019	22.04.2020	6%	EUR	1,200,000	-	74,946	-	23,326
Fribourg Investments LTD	Short term	19.07.2019	31.12.2021	8%	EUR	300,000	161,158	43,367	1,460,820	1,433,791
Fribourg Investments LTD	Long term	14.10.2019	31.12.2024	7%	EUR	1,000,000	413,699	71,495	4,869,400	4,779,298
Fribourg Investments LTD	Long term	16.03.2020	31.12.2024	7%	EUR	150,000	40,763	-	730,410	-
Fribourg Investments LTD	Long term	19.03.2020	31.12.2024	7%	EUR	200,000	53,790	-	973,880	-
Fribourg Investments LTD	Long term	01.04.2020	31.12.2024	7%	EUR	150,000	38,522	-	730,410	-
Fribourg Investments LTD	Long term	01.10.2020	31.12.2024	7%	EUR	500,000	41,090	-	2,434,700	-
Fribourg Investments LTD	Short term	30.10.2020	30.11.2020	7%	EUR	400,000	8,965	-	-	-
Patria Bank	Short term	06.07.2020	31.01.2021	ROBOR + 3.4%	RON	3,500,000	-	-	-	-
Total loans from related parties							915,275	266,151	11,223,512	6,241,964
Other borrowings										
BT Leasing Transilvania IFN SA	Short term	28.11.2016	01.03.2021	EURIBOR+3.9%	EUR	208,353	-	-	28,910	217,760
Total other borrowings/ finance leases							-	-	28,910	217,760
Bank and other similar borrowings										
Banca Transilvania SA	Long term	27.03.2019	31.12.2022	ROBOR + 3.39%	RON	9,408,605	-	-	5,488,666	8,624,868
Access Financial Services IFN SA	Short term	27.06.2018	29.08.2020	ROBOR + 0%	RON	1,950,000	-	-	-	1,527,840
Alpha Bank Romania SA	Long term	27.09.2018	25.03.2022	ROBOR + 3.5%	EUR	1,000,000	-	-	1,207,112	2,172,802
Total bank other similar borrowings							-	-	6,695,778	12,325,510
Corporate Bonds										
Entities & Natural persons	Short term		26.09.2021	9%	RON	7,651,400	183,004	181,118	7,651,400	7,651,400
Total bonds							183,004	181,118	7,651,400	7,651,400
Total loans and borrowings							1,098,279	447,269	25,599,600	26,436,634

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During 2020 the Group contracted a loan from Patria Bank in amount of RON 3,500,000 which was fully repaid on 08.12.2020, and 5 loans from Fribourg Investments LTD with a cumulated balance of EUR 1,000,000 (RON equivalent 4,869,400) at 31 December 2020.

The loans from Banca Transilvania and Alpha Bank were fully repaid in the first quarter of 2021 (in advance of their scheduled repayment term).

Pledges

The bank borrowings were secured by the following collateral:

Banca Transilvania SA:	<ul style="list-style-type: none"> • Non quantifiable pledges on current receipts and balances; • Pledges on 25% of share capital of Elephant Online SA, issued and owned by Millennium Gold Resources Limited; • Pledges on current and future inventories; • Pledges on rights resulting from trademark "elefant.ro" registered with OSIM; • Promissory note "in white", issued by Elephant Online;
Alpha Bank Romania SA:	<ul style="list-style-type: none"> • Pledges on current and futures receivables, on online payments; • Pledges on current bank accounts; • Promissory note "in white", issued by Elephant Online; • Pledges on 4,500 shares owned by Elephant Online in Mammoth Software SRL;

Other borrowings

The other borrowings in relation with BT Leasing Transilvania IFN SA are secured with promissory notes and the relevant leased assets.

A promissory note is a financial instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) an indefinite sum of money, either on demand or at a specified future date.

Bonds

The following bonds were issued during the year ended 31 December 2018 and were still in balance at 31 December 2020:

in RON	Year 2020	Year 2019
	<i>Number</i>	<i>Number</i>
Number of bonds issued	76,514	76,514
	<i>RON</i>	<i>RON</i>
Nominal value	100	100
	<i>RON</i>	<i>RON</i>
Bond value	7,651,400	7,651,400

During the year 2018 the Group issued 76,514 non-convertible, non-guaranteed bonds, with a value per bond of RON 100, and a total balance value of RON 7,651,400. The bonds were issued and sold on AeRO, the alternative trading platform of the Bucharest Stock Exchange (BVB). The maturity is 26 September 2021. The coupon is payable quarterly with a rate of 9%.

22. Trade payables and employee benefits

For accounting policies, see notes 2.18 and 2.20.

in RON	2020	2019
<i>Trade payables</i>		
Trade and other payables	45,086,653	33,487,665
Bills of exchange payable	17,917,972	16,435,720
Payables to suppliers of non-current assets	130,108	44,913
Payables to related parties	3,846,877	5,262,494
Payables to State Budget	7,768,075	2,312,158
Total trade and other payables	74,749,685	57,542,950
<i>Employee benefits</i>		
Salary liabilities	1,002,325	1,325,698

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22. Trade payables and employee benefits

Liability for social security contributions	4,041,495	638,971
Liability for medical contributions	7,772	-
Liabilities for other employee related taxes	409,695	75,157
Employee benefits related income taxes	772,046	89,698
Total employee benefits	6,233,333	2,129,524
Total trade and other payables and employee benefits	80,983,018	59,672,474

The average credit period on purchases of goods approximates to 75 days (2019: 77 days). No interest is charged on overdue payables; the Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Information about Group's exposure to currency and liquidity risks is included in Notes 3.2 and 3.3.

23. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are given below.

Please find below a list of related parties of the Group:

Entity	Type of relationship	Residence
Ion Sturza	Related party	Romania
Millenium Gold Resources Limited	Shareholder	Cyprus
Olif B.V.	Shareholder	Netherlands
Catalyst Romania SCA SICAR	Shareholder	Luxembourg
EEAF Financial Services B.V.	Related party	Netherlands
Fribourg Capital SRL	Related party	Romania
Grup Editorial Litera SRL	Related party	Romania
Bunt Studio SRL	Related party	Romania
Fribourg Investments Limited	Related party	Cyprus
Patria Bank SA	Related party	Romania
DCS Digital SRL	Related party	Romania

The members of the Board of Directors were identified as related parties of the Group in accordance with the principles included in IAS 24 "Related Party Disclosures". The Board of Directors is made up as follows:

Board of Directors	Residence
Ion Sturza	Romania
Sergiu Chirca	Romania
Marius-Aurel Ghenea	Romania
Valentin Romeo Tabus	Romania
Dan Vidrascu	Romania

Trading transactions and balances

During the year, the Group entities entered into the following trading transactions with related parties that are not members of the Group:

in RON	Sale of goods		Purchase of goods / services	
	2020	2019	2020	2019
Fribourg Capital SRL	-	-	-	-
Grup Editorial Litera SRL	212,293	348,838	9,482,693	7,264,090
Bunt Studio SRL	130	-	507,401	487,017
DCS Digital SRL	-	1,500	493,001	542,224
Total related party transactions	212,423	350,338	10,483,095	8,293,331

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23. Related parties

The following balances were outstanding at the end of the reporting period:

in RON	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
Grup Editorial Litera SRL	550,315	343,645	3,544,396	4,594,492
Bunt Studio SRL	-	-	42,632	451,502
DCS Digital SRL	-	-	259,849	216,500
Total related party balances	550,315	343,645	3,846,877	5,262,494

Sales of goods to related parties were made at usual list prices. Purchases were made at negotiated prices reflecting quantities purchased, settlement terms and the relationships between the parties.

The amounts outstanding are unsecured for cash settlement in accordance with usual terms. No amounts are subject to guarantee or security.

Loans from related parties	2020	2019
Fribourg Investments Limited	12,034,362	6,502,195
Millennium Gold Resources Limited	104,420	-
Olif BV	5	5,920
Total loans from related parties	12,138,787	6,508,115

Loans from related parties are granted at rates of interest comparable with average commercial rates of interest.

Compensation of key management personnel

The remuneration of the Group's management and other members of key management personnel is determined by the Group remuneration committee after consideration of the performance of individuals against targets and market trends in levels of compensation.

24. Leases

This note provides information for leases where the Group entities act as lessees for transactions classified as leases in accordance with IFRS 16.

24.1. Amount recognised in balance sheet

Right-of-use assets

Cost	2020	2019
As at 1 January 2019 / 1 January 2020	6,447,551	-
Increases	6,130,582	6,447,551
Decreases	-	-
As at 31 December 2019 / 31 December 2020	12,578,133	6,447,551
Accumulated depreciation	2020	2019
As at 1 January 2019 / 1 January 2020	1,107,121	-
Increases	1,496,139	1,107,121
Decreases	-	-
As at 31 December 2019 / 31 December 2020	2,603,260	1,107,121
Net book value as at 31 December 2019/ 31 December 2020	9,974,873	5,340,430

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24. Leases

Lease liabilities
Long term liabilities

in RON	2020	2019
Warehouses	6,461,537	3,020,371
Head offices	895,101	822,059
Pick-up points	560,584	-
Total long-term liabilities	7,917,222	3,842,430

Short-term liabilities

in RON	2020	2019
Warehouses	1,265,473	1,169,176
Head offices	441,943	328,824
Pick-up points	350,235	-
Total short-term liabilities	2,057,651	1,498,000

24.2. Amount recognised in profit or loss

The statement of profit and loss shows the following amounts relating to leases:
Depreciation charge of right-of-use assets

in RON	2020	2019
Warehouses	703,961	997,513
Head offices	441,961	109,608
Pick-up points	350,235	-
Total	1,496,157	1,107,121

Interest expenses on lease liabilities total RON 289,165 for the financial year 2020 (2019: RON 239,711). They are recognised within the cash flow from operating activities.

24.3. The Group's leasing activities and how these are accounted for

The Group leases warehouses, head offices and pick-up points. Rental contracts are typically made for fixed periods of 12 months to 7 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g.: term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

24. Leases

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group has chosen not to revalue the right-of-use buildings held by the Group.

Payments associated with short-term leases of pick-up points, equipment's and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items.

25. Business combinations

During the year ended 31 December 2020, the Group did not acquire any new business.

26. Disposal of subsidiary entity

No disposal has taken place during the year ended 31 December 2020.

27. Commitments and contingencies

Contingent assets

The Group does not have any contingent assets as at 31 December 2020

Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material unprovided liabilities will arise from the contingent liabilities.

Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

In 2020, the interest value applied in Romania for late payment of State dues was 0.02% for each day of delay; the delay penalties were 0.01% for each day of delay.

The fiscal year stays open for verifications for 5 years. The management estimates that the tax liabilities included in these financial statements are adequate.

Transfer prices

The tax regulations regarding transfer pricing have been implemented in Romania starting with the year 2000. The current legal framework defines the concept of „market price” for transactions between related parties as well as the methods to establish transfer prices. As a result, it is possible that the fiscal authorities start detailed verifications of the transfer prices, to insure that the fiscal result and/or the customs value of the imported goods are not affected by the prices used in transactions with related parties. The Company cannot assess the result of this verification, but the management considers that the Company does not have a significant exposure from this point of view, as there are documentations for the price transfers for the previous period, that will be further updated.

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28. Events after the reporting period

In the first quarter of 2021 the Group contracted a long-term loan from Patria Bank SA in amount of RON 18,000,000, from which RON 7,000,000 were used for repayment of loans from Banca Transilvania Bank and Alpha Bank, and RON 11,000,000 for working capital needs. The interest of the loan from Patria Bank is 2.95% p.a. + ROBOR 3m.

The following covenants are included in the credit agreement signed with Patria Bank:

- Debt coverage (EBITDA/current loans + interest) of 115%;
- Minimum current liquidity (current assets/current liabilities less current Patria Bank liabilities) of 0.8;
- Equity level at minimum loss in amount of RON 21,000,000 and the intercompany loans will not fall below RON 9,700,000.

In case the financial covenants described above are breached, the Group has to present the bank with a mitigating plan in maximum 30 days from the breach date. The plan must contain the measures and deadline for implementation of those measures. The bank will then assess the plan submitted by the Group and decide the course of action to be taken which could result in reduction of credit limit, increase of the pledges required by the bank, suspension of the right to use the current credit facilities.

The Patria Bank SA borrowing is secured by the following pledges as defined in the loan agreement:

- pledges on current bank accounts;
- pledges on the inventories;
- pledges on the right resulting from trademark "Elefant.ro" registered at OSIM;
- transfer of all payments received by the Group from the insurance policies in relation to the loan agreement.

29. Approval of the Consolidated Financial Statements

The above Consolidated Financial Statements have been signed on June 4th 2021.

Sergiu Chirca

Chief Executive Officer



Gherasim Briceag

Chief Financial Officer

A large, stylized handwritten signature in blue ink, which appears to be 'G. Briceag', is written in the space next to the Chief Financial Officer's name.

Independent Auditor's Report

To the shareholders of Elefant Online SA

Opinion

1. We have audited the accompanying consolidated financial statements of **Elefant Online SA** ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies, presenting the following:
 - Net Negative Assets / Total equity and reserves: RON (23,173,268)
 - Net consolidated result of the year: RON (1,887,389), loss
2. In our opinion, the accompanying consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRS") and as described in the accounting policies presented in the notes to the consolidated financial statements.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of consolidated financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

4. As presented in Note 20 - Retained Losses and Note 2.26 - Going Concern to the consolidated financial statements, the Group incurred a net loss of RON (1,887,389) for the financial year ended 31 December 2020 and its accumulated losses as at the above date amounted to RON (111,746,608), while the total shareholders' equity as presented in the consolidated statement of financial position is negative, with a value of RON (23,173,268). Furthermore, the Company also reported a statutory negative equity at 31 December 2020, which means its total statutory equity was less than ½ of the Company's share capital at the reporting date. According to the Romanian Companies' Law 31/1990, in such case the Company's ruling bodies need to take corrective measures, according to the Companies Law. Failure to take such measures could theoretically trigger legal consequences provided under the law. Despite those aspects, as presented in Note

2.26 (Going concern), the consolidated financial statements were prepared based on the going concern basis. The Group's ability to continue as a going concern depends on its capacity to generate sufficient income and on its shareholders' financial support. These consolidated financial statements do not include adjustments arising from the outcome of such uncertainty related to the going concern. Our opinion is not qualified in this respect.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

5. The Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards and with the accounting policies presented in the notes to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
7. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Bucharest, 4 June 2021



Ella Chilea

On behalf of **MAZARS ROMANIA S.R.L.**

