# EMMA ALPHA HOLDING LTD

## Auditors’ report
## and consolidated financial statements
## for the year ended 31 December 2020

# Contents

# Officers and Professional Advisors

| | |
|---|---|
| Board of Directors | Radka Blažková<br>Demetrios Aletraris<br>Andri Pangalou |
| Secretary | Cyproman Services Limited<br>5 Esperidon Street<br>4th floor<br>2001 Nicosia<br>Cyprus |
| Independent Auditors | KPMG Limited<br>Certified Public Accountants and Registered Auditors<br>14 Esperidon Street<br>1087 Nicosia<br>Cyprus |
| Bankers | PPF Banka a.s.<br>Hellenic Bank Public Company Ltd<br>BRD Groupe Société Générale<br>First Bank s.a. (ex-Piraeus Bank România)<br>Banca Comercială Română (BCR)<br>Air Bank a.s.<br>J&T Banka a.s.<br>Zagrebačka Banka D.D.<br>Erste & Steiermarkische Bank D.D. |
| Registered Office | 48 Themistokli Dervi<br>Athienitis Centennial Building, 3rd floor, Office 303<br>1066 Nicosia<br>Cyprus |
| Registration number | HE313347 |

# Consolidated Management report

The Board of Directors of EMMA ALPHA HOLDING LTD (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (together referred to as the "Group") for the year ended 31 December 2020.

**INCORPORATION**

The Company was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group are the holding of investments, trading of securities, sale and distribution of gas and electricity, the provision of betting activities and casino games, the provision of medical services and trading in pharmaceuticals.

**FINANCIAL RESULTS**

The Group's financial results for the year ended 31 December 2020 are set out on page 12 in the consolidated financial statements. The net loss for the year 2020 amounted to TEUR 34,724 (2019: restated profit of TEUR 659,335).

**EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP**

The Group's net loss attributable to equity holders of the Company for the year ended 31 December 2020 amounted to TEUR 54,203 (2019: restated profit of TEUR 604,461). The loss for the year reflects the negative impact of the COVID-19 pandemic on the Group's investment in its associate, HOME CREDIT GROUP B.V, from which a share of loss of TEUR 49,037 and an impairment loss of TEUR 54,695 were recognised. No other Group investment was significantly impacted by the pandemic during the year. Group management expects that as the Covid-19 pandemic recedes, the results of the Group will improve.

**REVENUE**

The Group's revenue (including finance income, gain from sale of investments and excluding gain on bargain purchase, dividend income and share of profit from associates) for the year ended 31 December 2020 amounted to TEUR 532,264 (2019: restated revenues of TEUR 822,245).

**DIVIDENDS**

During 2020, the Group distributed interim dividends to EMMA CAPITAL LIMITED in the total amount of TEUR 20,000 (2019: TEUR 59,500). Interim dividends in the total amount of TEUR 19,359 (2019: TEUR 8,862) were distributed to minority shareholders of subsidiaries.

**MAIN RISKS AND UNCERTAINTIES**

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Note 4 of the consolidated financial statements.

**FUTURE DEVELOPMENTS**

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

**SHARE CAPITAL**

There were no changes in the ordinary share capital of the Company during the year.

During 2020, MEF HOLDINGS LIMITED sold 183 redeemable preference shares to minority shareholders (2019: 3 redeemable preference shares).

# Consolidated Management report (continued)

## SHARE CAPITAL (continued)

In 2020, the Company's authorised and issued share capital were increased from EUR 10,055 divided into 10,055 redeemable preference shares of nominal value of EUR 1 each to EUR 10,225 divided into 10,225 redeemable preference shares of nominal value of EUR 1 each by the creation of 170 additional redeemable preference shares of nominal value of EUR 1 each.

During 2020, the Company redeemed 1,881 redeemable preference shares held by MEF HOLDINGS LIMITED (2019: 0 redeemable preference shares) for total redemption value of TEUR 165,280.

In December 2020, the Company transferred part of its share premium in total amount of TEUR 250,000 to retained earnings.

## BRANCHES

During the year ended 31 December 2020 and 31 December 2019, the Group did not operate any branches.

## BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 3. All of them were members of the Board of Directors during the year ended 31 December 2020.

In accordance with the Company's Articles of Association, all directors presently members of the Board continue in their office.

There were no significant changes in the composition, assignment of responsibilities and remuneration of the Board of Directors.

## ACCOUNTING RECORDS

The books of the Group for the year 2020 were maintained internally.

## RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

Any significant events that relate to the operating environment of the Group are described in Notes 5 and 6 of the consolidated financial statements.

## EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 32 of the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 31 of the consolidated financial statements.

## INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Demetrios Aletraris
Director

Nicosia, 31 May 2021

KPMG Limited
Chartered Accountants
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P.O. Box 21121, 1502 Nicosia, Cyprus
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Independent Auditors' report

to the Members of

**EMMA ALPHA HOLDING LTD**

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the accompanying consolidated financial statements of EMMA ALPHA HOLDING LTD (the "Company") and its subsidiaries (the "Group"), which are presented on pages 10 to 93 and comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113 ("Companies Law, Cap.113").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





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Independent Auditors' report

to the Members of

**EMMA ALPHA HOLDING LTD**

**Report on the audit of the consolidated financial statements *(continued)***

**Emphasis of Matter**

We draw attention to Note 2 (e) of the consolidated financial statements, which describes the reasons for the restatement of comparative financial information.

Effective 1 January 2020, the Group accounts for the concession contracts for natural gas distribution services in accordance with the International Financial Interpretations Committee (IFRIC) 12. The change in accounting policy was applied retrospectively from 1 January 2019.

In addition, the Group reassessed the acquisition accounting applied on the Moldovan entities acquired in 2019, since new information was available after finalizing the valuation process. This reassessment resulted in an increase in fair value of property, plant and equipment acquired by TEUR 33,185 and an increase in deferred tax liability assumed as at the acquisition date by TEUR 3,982. The change in fair value adjustments resulted in a restatement of the gain on bargain purchase by TEUR 29,203, bringing the final amount to TEUR 118,080.

As the effect of the above restatements is not material to the consolidated financial statements of the Company, our opinion is not modified in respect of the matters described above.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the consolidated Management report but does not include the consolidated financial statements and our auditors' report thereon.

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

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

**Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Independent Auditors' report

to the Members of

**EMMA ALPHA HOLDING LTD**

**Report on the audit of the consolidated financial statements *(continued)***

**Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists
- related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditors' report

to the Members of

**EMMA ALPHA HOLDING LTD**

**Report on the audit of the consolidated financial statements *(continued)***

**Report on other legal requirements**

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

**Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Haris A. Kakoullis, CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

31 May 2021

| | Note | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 7 | 491,294 | 480,093 |
| Intangible assets | 7 | 89,821 | 83,310 |
| Property, plant and equipment | 8 | 191,148 | 195,714 |
| Investments in associates | 15 | 298,346 | 432,894 |
| Loans receivable | 11 | 59,096 | 3,944 |
| Trade receivables | 12 | 435 | -- |
| Other assets | 14 | 664 | 127 |
| Financial assets at amortised cost – deposits | 10 | 1,381 | 1,827 |
| Financial assets at amortised cost – promissory notes | 10 | -- | 28,184 |
| Deferred tax assets | 21 | 969 | 340 |
| **Total non-current assets** | | **1,133,154** | **1,226,433** |
| | | | |
| **Current assets** | | | |
| Loans receivable | 11 | 28,420 | 163,092 |
| Current income tax assets | | 360 | 640 |
| Trade receivables | 12 | 89,060 | 57,338 |
| Inventories | 13 | 22,723 | 16,562 |
| Contract assets | 23 | 889 | 948 |
| Other assets | 14 | 14,765 | 37,235 |
| Financial assets at amortised cost – deposits | 10 | 1,399 | 131 |
| Financial assets at fair value through profit or loss | 10 | 9,288 | 551 |
| Financial assets at amortised cost – promissory notes | 10 | 29,693 | 89,068 |
| Cash and cash equivalents | 9 | 99,418 | 66,059 |
| **Total current assets** | | **296,015** | **431,624** |
| **Total assets** | | **1,429,169** | **1,658,057** |

| | Note | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 22 | 10 | 10 |
| Redeemable preference shares | 22 | 204,923 | 437,370 |
| Revaluation reserves | 22 | 6,067 | 5,801 |
| Translation reserve | 22 | (85,125) | (41,397) |
| Other reserves | 22 | (20,863) | (18,802) |
| Retained earnings | | 736,553 | 55,980 |
| (Loss)/profit for the year | | (54,203) | 604,461 |
| **Equity attributable to owners of the Company** | | **787,362** | **1,043,423** |
| **Non-controlling interests** | 22 | **44,854** | **87,284** |
| **Total equity** | | **832,216** | **1,130,707** |

| | Note | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provisions | | 1,360 | 849 |
| Due to non-banks | 16 | 188,543 | 136,543 |
| Due to banks and other financial institutions | 16 | 101,079 | 92,626 |
| Bonds issued | 17 | 88,673 | 88,285 |
| Financial liabilities at fair value through profit or loss (derivatives) | 18 | -- | 313 |
| Trade payables | 19 | 48 | -- |
| Lease liabilities | 8 | 6,543 | 6,644 |
| Other liabilities | 20 | 13,060 | 10,587 |
| Deferred tax liabilities | 21 | 21,843 | 21,268 |
| **Total non-current liabilities** | | **421,149** | **357,115** |
| | | | |
| **Current liabilities** | | | |
| Provisions | | 641 | 454 |
| Bank overdrafts | 16 | 19,118 | -- |
| Due to non-banks | 16 | 23,415 | 64,402 |
| Due to banks and other financial institutions | 16 | 54,446 | 46,083 |
| Bonds issued | 17 | 392 | 392 |
| Current income tax liabilities | | 3,962 | 4,892 |
| Trade payables | 19 | 38,737 | 22,111 |
| Contract liabilities | 23 | 4,238 | 4,613 |
| Lease liabilities | 8 | 2,983 | 2,632 |
| Other liabilities | 20 | 27,872 | 24,656 |
| **Total current liabilities** | | **175,804** | **170,235** |
| **Total liabilities** | | **596,953** | **527,350** |
| **Total liabilities and equity** | | **1,429,169** | **1,658,057** |

The Company has applied IFRIC 12 as at 1 January 2020. Furthermore, the Company reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. Consequently, comparative financial information as at 31 December 2019 has been restated.

On 31 May 2021, the Board of Directors of EMMA ALPHA HOLDING LTD authorised these consolidated financial statements for issue.

Radka Blažková
Director

Demetrios Aletraris
Director

The notes on pages 16 to 93 are an integral part of these consolidated financial statements.

| | Note | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|---|
| Sales revenues from core operations | 23 | 493,248 | 344,313 |
| Cost of goods sold / cost of services provided | 23 | (284,275) | (211,261) |
| Other income related to core operations | 23 | 17,820 | 14,908 |
| Services and material expenses | 24 | (66,270) | (43,527) |
| Personnel expenses | 25 | (37,605) | (20,997) |
| Net impairment of loans and receivables | 26 | (872) | (2,147) |
| Depreciation and amortisation | 7,8 | (14,307) | (8,208) |
| Gain on bargain purchase | 1 | 1,181 | 118,609 |
| Other operating income | 27 | 5,297 | 1,059 |
| Other operating expenses | 28 | (15,774) | (6) |
| **Profit from operations** | | **98,443** | **192,743** |
| Finance income | 29 | 15,918 | 15,180 |
| Finance expense | 29 | (26,283) | (36,197) |
| **Net finance expense** | | **(10,365)** | **(21,017)** |
| Dividends from financial instruments - FVTPL | 10 | 163 | -- |
| Net (loss)/gain from sale of investments in associates and subsidiaries | 1,15 | (19) | 446,785 |
| Associates - impairment loss | 15 | (54,695) | -- |
| Associates – share of (loss)/profit | 15 | (49,037) | 54,315 |
| **(Loss)/profit before tax** | | **(15,510)** | **672,826** |
| Income tax expense | 30 | (19,214) | (13,491) |
| **(Loss)/profit after tax from continuing operations** | | **(34,724)** | **659,335** |
| **Other comprehensive income / (expense):** | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Items reclassified from OCI to profit/(loss) - associates | | -- | (2,893) |
| Foreign currency translation differences | | (14,328) | 2,962 |
| Associates – share of OCI | 15 | (31,102) | 9,772 |
| **Other comprehensive (expense)/ income for the year** | | **(45,430)** | **9,841** |
| **Total comprehensive (expense)/ income for the year** | | **(80,154)** | **669,176** |
| Total (loss)/profit attributable to: | | | |
| Owners of the Company | | (54,203) | 604,461 |
| Non-controlling interests | 22 | 19,479 | 54,874 |
| | | **(34,724)** | **659,335** |
| **Total comprehensive (expense)/income attributable to:** | | | |
| Owners of the Company | | (98,162) | 613,165 |
| Non-controlling interests | 22 | 18,008 | 56,011 |
| | | **(80,154)** | **669,176** |

The Company has applied IFRIC 12 as at 1 January 2020. Furthermore, the Company reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. Consequently, comparative financial information as at 31 December 2019 has been restated.

The notes on pages 16 to 93 are an integral part of these consolidated financial statements.

| | Note | Share capital | Redeemable shares | Revaluation reserves | Translation reserve | Other reserves | Retained earnings | Total – Owners of the Company | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| **Balance as at 1 January 2019, as previously reported** | | **10** | **437,370** | **15,036** | **(53,174)** | **(20,016)** | **132,477** | **511,703** | **(6,784)** | **504,919** |
| Adjustments | | | | (9,324) | 238 | 492 | (7,236) | (15,830) | (3,751) | (19,581) |
| **Adjusted balance as at 1 January 2019** | | **10** | **437,370** | **5,712** | **(52,936)** | **(19,524)** | **125,241** | **495,873** | **(10,535)** | **485,338** |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | -- | -- | -- | -- | -- | 604,461 | **604,461** | 54,874 | **659,335** |
| Items reclassified from OCI to profit/(loss) | | -- | -- | -- | (356) | (2,537) | -- | **(2,893)** | -- | **(2,893)** |
| Translation reserve changes | | -- | -- | -- | 1,825 | -- | -- | **1,825** | 1,137 | **2,962** |
| Associates – share of OCI | | -- | -- | 89 | 10,070 | (387) | -- | **9,772** | -- | **9,772** |
| ***Total comprehensive income for the year*** | | -- | -- | **89** | **11,539** | **(2,924)** | **604,461** | **613,165** | **56,011** | **669,176** |
| **Transactions with owners recognised directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Dividends | 22 | -- | -- | -- | -- | -- | (59,500) | **(59,500)** | (8,862) | **(68,362)** |
| Transfers | | -- | -- | -- | -- | (12,249) | 12,249 | **--** | -- | **--** |
| Transactions with NCI without a change in control | | -- | -- | -- | -- | 178 | (21,756) | **(21,578)** | 15,933 | **(5,645)** |
| Effect from acquisitions through business combinations | | -- | -- | -- | -- | -- | -- | **--** | 34,737 | **34,737** |
| ***Total transactions with owners*** | | **--** | **--** | **--** | **--** | **(12,071)** | **(69,007)** | **(81,078)** | **41,808** | **(39,270)** |
| ***Other movements*** | | **--** | **--** | **--** | **--** | 15,717 | (254) | **15,463** | **--** | **15,463** |
| **Balance as at 31 December 2019** | | **10** | **437,370** | **5,801** | **(41,397)** | **(18,802)** | **660,441** | **1,043,423** | **87,284** | **1,130,707** |

| | Note | Share capital | Redeemable shares | Revaluation reserves | Translation reserve | Other reserves | Retained earnings | Total – Owners of the Company | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| **Balance as at 1 January 2020, as previously reported** | | **10** | **437,370** | **14,394** | **(42,124)** | **(19,295)** | **647,434** | **1,037,789** | **81,314** | **1,119,103** |
| Adjustments | | | | (8,593) | 727 | 493 | 13,007 | 5,634 | 5,970 | 11,604 |
| **Adjusted balance as at 1 January 2020** | | **10** | **437,370** | **5,801** | **(41,397)** | **(18,802)** | **660,441** | **1,043,423** | **87,284** | **1,130,707** |
| **Comprehensive income** | | | | | | | | | | |
| (Loss)/profit for the year | | -- | -- | -- | -- | -- | (54,203) | **(54,203)** | 19,479 | **(34,724)** |
| Translation reserve changes | | -- | -- | -- | (12,857) | -- | -- | **(12,857)** | (1,471) | (14,328) |
| Associates – share of OCI | | -- | -- | 266 | (31,368) | -- | -- | **(31,102)** | -- | (31,102) |
| ***Total comprehensive income for the year*** | | -- | -- | **266** | **(44,225)** | -- | **(54,203)** | **(98,162)** | **18,008** | **(80,154)** |
| **Transactions with owners recognised directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Issue of share capital | 22 | -- | 17,318 | -- | -- | -- | -- | **17,318** | -- | **17,318** |
| Redemption of redeemable shares | 22 | -- | -- | -- | -- | -- | (165,280) | **(165,280)** | -- | **(165,280)** |
| Capital contributions and distributions | | -- | -- | -- | -- | -- | -- | -- | 184 | **184** |
| Dividends | 22 | -- | -- | -- | -- | -- | (20,000) | **(20,000)** | (19,359) | **(39,359)** |
| Other distributions | 22 | -- | -- | -- | -- | -- | (587) | **(587)** | -- | **(587)** |
| Transfer of share premium to retained earnings | 22 | -- | (250,000) | -- | -- | -- | 250,000 | -- | -- | -- |
| Other transfers to/from retained earnings | 22 | -- | 235 | -- | -- | -- | 235 | -- | -- | -- |
| Net contribution to legal reserve | | -- | -- | -- | -- | (1,042) | 1,042 | -- | -- | -- |
| Transactions with NCI without a change in control | | -- | -- | -- | 497 | 277 | 10,675 | **11,449** | (45,912) | **(34,463)** |
| Effect from acquisitions through business combinations | | -- | -- | -- | -- | -- | -- | -- | 4,649 | **4,649** |
| ***Total transactions with owners*** | | -- | **(232,447)** | -- | **497** | **(765)** | **75,615** | **(157,100)** | **(60,438)** | **(217,538)** |
| ***Other movements*** | | -- | -- | -- | -- | (1,296) | 497 | (799) | -- | (799) |
| **Balance as at 31 December 2020** | | **10** | **204,923** | **6,067** | **(85,125)** | **(20,863)** | **682,350** | **787,362** | **44,854** | **832,216** |

The notes on pages 16 to 93 are an integral part of these consolidated financial statements.

| | Note | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit for the year after tax** | | **(34,724)** | **659,335** |
| **Adjustment for:** | | | |
| Depreciation and amortisation | 7,8 | 14,307 | 8,208 |
| Impairment losses/(reversal of losses) on PPE | 28 | 10 | (144) |
| Impairment losses on equity-accounted investees | 15 | 54,695 | -- |
| Impairment losses on trade and other receivables | 26,28 | 18,053 | 1,485 |
| (Reversal of)/impairment losses on loans and other financial assets | 26,28 | (1,561) | 662 |
| Revaluation of assets/liabilities at fair value through profit and loss | 10,18 | (542) | (186) |
| Revaluation of assets at fair value through profit and loss - equity instruments | 10 | (2,594) | -- |
| Share of loss/(profit) of associates, net of tax | 15 | 49,037 | (54,315) |
| Loss/(gain) on disposal of investment | 15 | 19 | (446,785) |
| Loss/(gain) on sale of PPE and intangibles assets | 27,28 | 143 | (30) |
| Gain from sale of financial instruments | 29 | (2,674) | -- |
| Dividend income | 10 | (163) | -- |
| Gain on bargain purchase | 1 | (1,181) | (118,609) |
| Net interest expense | 29 | 15,212 | 17,070 |
| Unrealised foreign exchange loss/(gains) | | 3,594 | (1,581) |
| Income tax expense | 30 | 19,214 | 13,491 |
| **Operating profit before changes in working capital and provisions** | | **130,845** | **78,601** |
| Decrease/(increase) in inventories | | 1,362 | (11,635) |
| Decrease/(increase) in contract assets | | 59 | (395) |
| Decrease in trade and other receivables | | 9,141 | 54,372 |
| Decrease in trade and other payables | | (4,466) | (112,029) |
| Decrease in contract liabilities | | (375) | (2,440) |
| Decrease in provisions | | (52) | (26) |
| **Cash from operating activities** | | **136,514** | **6,448** |
| Interest paid | | (21,945) | (21,221) |
| Interest received | | 9,524 | 9,389 |
| Income tax paid | | (19,571) | (13,763) |
| **Net cash from/(used in) operating activities** | | **104,522** | **(19,147)** |
| **Cash flows from investing activities** | | | |
| Proceeds from the sale of assets FVTPL | | 9,546 | -- |
| Proceeds from deposits | | 510 | 1,159 |
| Dividends received | | 130 | -- |
| Proceeds from sale of property, plant and equipment | | 384 | 506 |
| Proceeds from sale of associates | 15 | 90,000 | 560,001 |
| Net cash outflow from acquisition of subsidiaries, net of cash acquired | | (13,851) | (290,747) |
| Acquisitions of investments in associates | | (1,686) | -- |
| Net cash outflow from dissolution of subsidiaries | 15 | (23) | -- |
| Loans repaid/(provided) | | 79,326 | (30,981) |
| Acquisition of financial assets at amortised cost | 10 | (567) | (1,827) |
| Acquisition of financial assets at FVTPL | 10 | (12,854) | -- |
| Acquisitions of intangible assets | 7 | (5,774) | (1,411) |
| Acquisitions of property, plant and equipment | 8 | (19,001) | (8,670) |
| **Net cash generated from investing activities** | | **126,140** | **228,030** |
| **Cash flows from financing activities** | | | |
| Other changes in equity | | (16,701) | (6,077) |
| Repayment of interest-bearing loans and borrowings received | | (220) | (72,260) |
| Proceeds from interest-bearing loans and borrowings received | | 7,633 | 24,922 |
| Proceeds from lease liabilities | | (1,907) | (1,684) |
| Redemption of shares | 22 | (165,280) | -- |
| Bond repaid | 17 | -- | (120,000) |
| Bonds issued | 17 | -- | 90,000 |
| Dividends paid | 22 | (39,946) | (68,362) |
| **Net cash used in financing activities** | | **(216,421)** | **(153,461)** |
| **Net movement in cash and cash equivalents** | | **14,241** | **55,422** |
| **At the beginning of the year** | 9 | **66,059** | **10,637** |
| **At the end of the year** | 9 | **80,300** | **66,059** |

The notes on pages 16 to 93 are an integral part of these consolidated financial statements

# 1. Description of the Group

EMMA ALPHA HOLDING LTD (the "Company") was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 48 Themistokli Dervi Avenue, Athienitis Centennial Building, 3rd Floor, office 303, 1066 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise of the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

## Shareholders

The owners of the Company are as follows:

| Shareholders | Country of incorporation | Type of shares | Ownership interest (%) 2020 | 2019 |
|---|---|---|---|---|
| MEF HOLDINGS LIMITED | Cyprus | Redeemable preference shares | 94.63 | 99.06 |
| SPRINGROCK LIMITED | Cyprus | Redeemable preference shares | 1.23 | 0.34 |
| ALIMENTOR LIMITED | Cyprus | Redeemable preference shares | 1.19 | 0.27 |
| DOROMEA LIMITED | Cyprus | Redeemable preference shares | 0.43 | 0.14 |
| MENGENO LIMITED | Cyprus | Redeemable preference shares | 0.28 | 0.14 |
| ALEDENCO LIMITED | Cyprus | Redeemable preference shares | 0.18 | 0.04 |
| DAVID HAVLÍN | -- | Redeemable preference shares | 0.02 | 0.02 |
| JOSE GARZA | -- | Redeemable preference shares | 2.04 | -- |
| EMMA CAPITAL LIMITED | Cyprus | Ordinary shares | 100.00 | 100.00 |

## Principal activities

The principal activities of the Group are the holding of investments, trading of securities, sale and distribution of gas and electricity, the provision of betting activities and casino games, the provision of medical services and trading in pharmaceuticals.

## Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Cyprus, the Czech Republic, Slovakia, Romania, Croatia, Moldova and Greece. Subsidiary companies are controlled by the Company and they are fully consolidated, whereas the results of the associated companies are included in the consolidated financial statements using the equity method.

# 1. Description of the Group (continued)

| Consolidated subsidiaries | Country of incorporation | Effective ownership interest (%) 2020 | 2019 |
|---|---|---|---|
| BELLVILLE SERVICES LIMITED | Cyprus | 100.00 | 100.00 |
| TONALA LIMITED | Cyprus | 100.00 | 100.00 |
| MARJOLENDO LIMITED | Cyprus | 100.00 | 100.00 |
| RIXO a.s. | Czech Republic | 100.00 | -- |
| SERENITY RESOURCES LIMITED | The British Virgin Islands | -- | 100.00 |
| PREMIER ENERGY PLC (former CHAPALACO LIMITED)[1), 2)] | Cyprus | 100.00 | 100.00 |
| • LIGATNE LIMITED[1)] | Cyprus | 100.00 | 80.85 |
| • PREMIER ENERGY SRL [1)] | Romania | 99.97 | 80.83 |
| • PREMIER ENERGY TRADING S.R.L. [1)] | Romania | 99.97 | 80.83 |
| • LIGATNE GAS S.R.L. [1)] | Romania | 99.96 | 80.82 |
| • AMARAD DISTRIBUTIE S.R.L. [1)] | Romania | 99.97 | 80.82 |
| • B.E.R.G. SISTEM GAZ S.A. [1)] | Romania | 99.65 | -- |
| • JOSECO HOLDINGS CO. LIMITED[1)] | Cyprus | 92.74 | 68.57 |
| • NAVITAS ENERGY S.R.L.[1)] | Moldova | 92.74 | -- |
| • ICS PREMIER ENERGY S.R.L. [1)] | Moldova | 92.74 | 68.57 |
| • ICS PREMIER ENERGY DISTRIBUTION S.A. [1)] | Moldova | 92.74 | 68.57 |
| EMMA OMEGA LTD[3)] | Cyprus | 100.00 | 100.00 |
| • EMMA OMEGA FINANCE a.s. [3)] | Czech Republic | 100.00 | -- |
| EMMA GAMMA LIMITED[4)] | Cyprus | 100.00 | 100.00 |
| • EMMA GAMMA FINANCE a.s. [4)] | Slovakia | 100.00 | 100.00 |
| • EMMA GAMMA ADRIATIC d.o.o. (former SAZKA GROUP ADRIATIC d.o.o.)[4)] | Croatia | 100.00 | 100.00 |
| • SUPER SPORT d.o.o.[4) 5)] | Croatia | 65.45 | 65.45 |
| • MINUS5 d.o.o.[4)] | Croatia | 51.00 | 51.00 |
| • PUNI BROJ d.o.o. [4) 5)] | Croatia | 65.45 | 65.45 |
| EMMA KAPPA LIMITED[6)] | Cyprus | 100.00 | -- |
| • PROFARM S.A. [6)] | Greece | 60.00 | -- |
| • EL-PHARM A.E. [6)] | Greece | 60.00 | -- |
| • PER SE PHARMACEUTICALS A.E.[6), 7)] | Greece | 33.00 | -- |
| DANDELION HEALTHCARE, a.s. [8)] | Czech Republic | 80.00 | 70.00 |
| • EUROPE IVF INTERNATIONAL s.r.o. (former DANDELION IVF PRAGUE, s.r.o.) [8), 9)] | Czech Republic | 80.00 | 70.00 |
| • EUROPE IVF INTERNATIONAL s.r.o. [8), 9)] | Czech Republic | -- | 70.00 |

[1)] forms part of PREMIER ENERGY PLC
[2)] the name PREMIER ENERGY PLC is used in the consolidated financial statements despite the fact the entity CHAPALACO LIMITED was renamed to PREMIER ENERGY PLC in 2021
[3)] forms part of EMMA OMEGA LTD GROUP
[4)] forms part of EMMA GAMMA LIMITED GROUP
[5)] from a legal perspective, the current shareholding equals to 65.45%. For the reasons explained in Note 31, the Group consolidate an additional shareholding of 1.55% in SUPER SPORT d.o.o. and PUNI BROJ d.o.o.
[6)] forms part of EMMA KAPPA LIMITED GROUP
[7)] direct ownership interest of PROFARM S.A. in PER SE PHARMACEUTICALS A.E. equals 55.00%, therefore the entity is controlled by the Group and consolidated as a subsidiary
[8)] forms part of DANDELION HEALTHCARE GROUP
[9)] EUROPE IVF INTERNATIONAL s.r.o. was merged to DANDELION IVF PRAGUE, s.r.o. with effective date of 1 January 2020. Subsequently, DANDELION IVF PRAGUE, s.r.o. was renamed to EUROPE IVF INTERNATIONAL s.r.o.

| Equity-accounted investees (associates) | Country of incorporation | Ownership interest (%) 2020 | 2019 |
|---|---|---|---|
| HOME CREDIT GROUP B.V. | Netherlands | 8.88 | 8.88 |
| HUDDLE GAMING, INC | United States of America | 21.88 | -- |
| PHARMANET A.E. | Greece | 17.40 | -- |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2020

On 26 February 2020, the Group acquired 100% shareholding in Czech entity RIXO a.s. (formerly RIXO s.r.o.) for the aggregate consideration of TEUR 5,057 (TCZK 126,600).

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of RIXO a.s.

| | Note | TEUR |
|---|---|---|
| Intangible assets | 7 | 1,057 |
| Property, plant and equipment | 8 | 17 |
| Financial assets at amortized cost - deposits | 10 | 789 |
| Trade and other receivables | 12 | 141 |
| Income tax receivable | | 18 |
| Cash and cash equivalents | 9 | 257 |
| Trade and other payables | 19 | (181) |
| Provisions | | (293) |
| **Total identifiable net assets acquired** | | **1,805** |
| Consideration, paid in cash | | (5,057) |
| **Goodwill** | 7 | **(3,252)** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | (5,057) |
| Cash (acquired) | | 257 |
| **Net cash outflow** | | **(4,800)** |

On 3 April 2020, the consolidated subsidiary PREMIER ENERGY S.R.L. acquired 99.68% shareholding in Romanian company B.E.R.G. SISTEM GAZ S.A. for the aggregate consideration of TEUR 56.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of B.E.R.G SISTEM GAZ S.A.

| | Note | TEUR |
|---|---|---|
| Intangible assets | 7 | 2,405 |
| Property, plant and equipment | 8 | 7 |
| Trade and other receivables | 12 | 1,256 |
| Cash and cash equivalents | 9 | 147 |
| Trade and other payables | 19 | (1,795) |
| Interest bearing loans and borrowings – related parties | 16 | (562) |
| Current income tax liabilities | | (101) |
| Deferred tax liabilities | 21 | (116) |
| **Total identifiable net assets** | | **1,241** |
| Non-controlling interest (on fair value of net assets) | | (4) |
| **Total identifiable net assets acquired** | | **1,237** |
| | | |
| Consideration, paid in cash | | (56) |
| **Gain on bargain purchase** | | **1,181** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | (56) |
| Cash (acquired) | | 147 |
| **Net cash inflow** | | **91** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2020 (continued)

On 13 May 2020, the Group founded a new holding entity, EMMA KAPPA LIMITED.

On 10 November 2020, the consolidated subsidiary of the Group, EMMA KAPPA LIMITED, acquired 60.00% shareholding in the Greek company PROFARM S.A. (including its subsidiary PER SE PHARMACEUTICALS A.E.). The direct ownership interest held by PROFARM S.A. in PER SE PHARMACEUTICALS A.E. is 55.00%.

The acquisition was carried out by subscribing to a total of 224,999 ordinary shares of nominal value EUR 5.00 each and share premium EUR 30.00 per share, for a total subscription price of TEUR 7,875; out of which TEUR 3,150 was attributable to non-controlling interests of PROFARM S.A. Furthermore, EMMA KAPPA LIMITED is obliged to increase the share capital of PROFARM S.A. in 2021 by subscribing to 1 ordinary share of nominal value EUR 5.00 each and share premium EUR 4,125,035.00 per share, for a total subscription price of TEUR 4,125; out of which TEUR 1,650 is attributable to non-controlling interests of PROFARM S.A.

The capital contributions from subscriptions and resulting acquisition consideration could be summarized as follows:

| | TOTAL (TEUR) | Contributed cash attributable to the Group (TEUR) | Contributed cash attributable to former owners (NCI) = acquisition consideration (TEUR) |
|---|---|---|---|
| The first contribution (2020): | | | |
| Contribution to share capital | 1,125 | 675 | 450 |
| Contribution to share premium | 6,750 | 4,050 | 2,700 |
| **Total contribution in 2020** | **7,875** | **4,725** | **3,150** |
| The second contribution (2021): | | | |
| Contribution to share capital | -- | -- | -- |
| Contribution to share premium | 4,125 | 2,475 | 1,650 |
| **Total contribution in 2021** | **4,125** | **2,475** | **1,650** |
| **Total amount of capital contributions** | **12,000** | **7,200** | **4,800** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2020 (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of PROFARM S.A. Group:

| | Note | TEUR |
|---|---|---|
| Intangible assets | 7 | 24 |
| Property, plant and equipment | 8 | 1,808 |
| Investments in associates | 15 | 50 |
| Loans provided | 11 | 97 |
| Trade and other receivables | 12 | 23,673 |
| Inventories | 13 | 7,507 |
| Cash and cash equivalents | 9 | 2,561 |
| Deferred tax receivables | 21 | 751 |
| Trade and other payables | 19 | (15,736) |
| Bank overdraft | 16 | (5,662) |
| Interest bearing loans and borrowings – bank | 16 | (11,002) |
| Current income tax liabilities | | (157) |
| Provisions | | (287) |
| **Total identifiable net assets** | | **3,627** |
| Non-controlling interest acquired | | (75) |
| Non-controlling interest (on fair value of net assets) | | (1,421) |
| **Total identifiable net assets acquired** | | **2,131** |
| | | |
| Consideration, paid in cash | | -- |
| Consideration through capital contribution attributable to non-controlling interests in 2020 | | (3,150) |
| Deferred consideration through capital contribution attributable to non-controlling interests in 2021 | | (1,650) |
| **Consideration, total** | | **(4,800)** |
| | | |
| **Goodwill** | 7 | **(2,669)** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | -- |
| Cash (acquired) – including bank overdraft | | (3,101) |
| **Net cash outflow** | | **(3,101)** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2020 (continued)

On 18 November 2020, the consolidated subsidiary PROFARM S.A. acquired 100.00% shareholding in Greek company EL-PHARM A.E. for the aggregate consideration of TEUR 7,850.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of EL-PHARM A.E.

| | Note | TEUR |
|---|---|---|
| Intangible assets | 7 | 1 |
| Property, plant and equipment | 8 | 1,944 |
| Trade and other receivables | 12 | 12,129 |
| Cash and cash equivalents | 9 | 1,809 |
| Trade and other payables | 19 | (7,650) |
| Interest bearing loans and borrowings - bank | 16 | (5,885) |
| Current income tax liabilities | | (288) |
| Provisions | | (170) |
| Deferred tax liabilities | 21 | (79) |
| **Total identifiable net assets acquired** | | **1,811** |
| Consideration, paid in cash | | (7,850) |
| **Goodwill** | 7 | **(6,039)** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | (7,850) |
| Cash (acquired) | | 1,809 |
| **Net cash outflow** | | **(6,041)** |

On 18 November 2020, the Group entered into a Series A Preferred Stock Purchase Agreement, to acquire 20,000 shares of the Series A Preferred Stock in HUDDLE GAMING, INC with acquisition price of USD 100 per share. Under the terms of the agreement the total purchase price was TEUR 1,686. Principal activities of HUDDLE GAMING, INC are gaming, software development, product development, and sports betting.

On 30 December 2020, the Group sold 2,500 shares in HUDDLE GAMING, INC to an individual for a sales price of TEUR 211.

The following table provides the detail of the transactions:

| | Note | TEUR |
|---|---|---|
| **18 November 2020** | | |
| Purchase of 20,000 shares | 15 | 1,686 |
| **30 December 2020** | | |
| Sale of 2,500 shares to an individual – carrying value | 15 | (207) |
| Consideration, receivable | 15 | 211 |
| **Net gain from sale of 2,500 shares in HUDDLE GAMING, INC** | 15 | **4** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2020 (continued)

On 10 February, the Group founded new Czech entity EMMA OMEGA FINANCE, a.s.

On 19 February 2020, the Group acquired an additional 24.17% shareholding in JOSECO HOLDINGS CO. LIMITED for the consideration of TEUR 16,112, increasing its holding to 92.74%. The Company repaid the deferred consideration relating to acquisition in the whole amount.

On 11 August 2020, the Group increased its holding in DANDELION HEALTHCARE, a.s. to 80%.

On 27 March 2020, the entity SERENITY RESOURCES LIMITED was put into voluntary liquidation.

On 21 May 2020, the Group increased its holding in LIGATNE LIMITED to 100%.

On 7 December 2020, the Group founded new Moldovan entity NAVITAS ENERGY S.R.L.

On June 2020, EMMA OMEGA LTD's share premium was reduced by TEUR 50,000.

## Acquisitions and disposals in 2019

On 14 March 2019, the Group sold its entire holding in SAZKA GROUP a.s. for the total nominal consideration of TEUR 630,000 split in four variable instalments. On 13 August 2019, SAZKA GROUP PLC was dissolved.

The following table provides the detail of transaction at the date of sale of SAZKA GROUP a.s:

| | Note | TEUR |
|---|---|---|
| Consideration, received in cash | | 510,000 |
| Promissory note 1 | | 90,000 |
| Promissory note 2 | | 30,000 |
| Discount of the deferred payments | | (6,689) |
| **Proceeds from sale of associate** | | **623,311** |
| Carrying amount of SAZKA GROUP a.s. | 15 | (229,419) |
| Items reclassified from OCI to profit /(loss) | | 2,893 |
| **Gain from sale of associate** | | **396,785** |

On 2 May 2019, the Group acquired 100% of shareholding in the former SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020) for the aggregate consideration of TEUR 302,607 and subordinated debt due from the former SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020) for the aggregate consideration of TEUR 117,409.

The stake in SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020) was pledged as a collateral for the facility agreement dated 27 March 2018 between SAZKA GROUP ADRIATIC d.o.o. and Zagrebacka Banka d.d. for credit facilities up to TEUR 26,916 and THRK 595,432. The pledge over the one share in EMMA GAMMA ADRIATIC d.o.o. in favor of Zagrebacka Banka d.d. under the facility agreement dated 27 March 2018 was released since there was a refinancing of the whole amount of the syndicated bank loans to new secured bank loans. On 12 March 2020, one share owned in EMMA GAMMA ADRIATIC d.o.o. and SUPER SPORT d.o.o. were pledged as a collateral for the facility agreement dated 3 March 2020 between EMMA GAMMA ADRIATIC d.o.o. and Erste&Steiermarkische Bank d.d. and Zagrebacka Banka d.d. for credit facilities up to THRK 646,000.

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2019 (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of the former SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020).

| | Note | TEUR |
|---|---|---|
| Intangible assets | 7 | 59,545 |
| Property, plant and equipment | 8 | 10,434 |
| Financial assets at fair value through profit or loss | 10 | 23 |
| Trade and other receivables | 12 | 6,663 |
| Cash and cash equivalents | 9 | 30,210 |
| Trade and other payables | 19 | (6,644) |
| Lease liabilities | | (7,729) |
| Interest bearing loans and borrowings - bank | 16 | (84,926) |
| Interest bearing loans and borrowings – related parties | 16 | (117,409) |
| Financial liabilities at fair value through profit or loss | 18 | (489) |
| Current income tax liabilities | | (4,381) |
| Deferred tax liabilities | 21 | (10,699) |
| **Total identifiable net assets** | | **(125,402)** |
| Non-controlling interest (on fair value of net assets) | | (23,549) |
| **Total identifiable net assets acquired** | | **(148,951)** |
| | | |
| Consideration, paid in cash | | (302,607) |
| **Goodwill** | 7 | **(451,558)** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | (302,607) |
| Cash (acquired) | | 30,210 |
| **Net cash outflow** | | **(272,397)** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2019 (continued)

During the year 2019, CHAPALACO LIMITED (renamed to PREMIER ENERGY CYPRUS LTD in 2020) acquired 68.57% of shareholding in JOSECO HOLDINGS CO. LIMITED by subscribing to a total of 186.500 ordinary shares of EUR 1.00 each and share premium EUR 99.00 per share, for a total subscription price of TEUR 18,650. As a result of the subscription, the Group recognized also non-controlling interests in amount of TEUR 8,487 corresponding to the 31.43% of shareholding in JOSECO HOLDINGS CO. LIMITED.

On 31 July 2019, JOSECO HOLDINGS CO. LIMITED acquired 100% of ICS RED UNION FENOSA S.A. (after the acquisition renamed as I.C.S. "PREMIER ENERGY DISTRIBUTION" S.A.) - total cost of investment TEUR 16,293 and 100% of GAS NATURAL FENOSA FURNIZARE ENERGIE S.R.L. (after the acquisition renamed as I.C.S. "PREMIER ENERGY" S.R.L.) - total cost of investment was TEUR 6,770.

In 2020, in connection with the finalization of valuation procedures related to assets of acquired companies, the Group reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. This reassessment resulted in the increase in fair value of property, plant and equipment acquired by TEUR 33,185 and in the increase in deferred tax liability assumed as at the date of acquisition by TEUR 3,982. This change in fair value adjustments resulted in a restatement of gain on bargain purchase by TEUR 29,203 to TEUR 118,080. For further information, refer also to Note 2 (e) (ii) – Comparative financial information – Reassessment of acquisition of Moldovan entities.

The following table summarises the original and restated recognised amounts of assets acquired and liabilities assumed at the date of acquisition of I.C.S. "PREMIER ENERGY DISTRIBUTION" S.A. and I.C.S. "PREMIER ENERGY" S.R.L.:

| | Note | Amounts reported in 2019 TEUR | Restatement TEUR | Restated amounts TEUR |
|---|---|---|---|---|
| Intangible assets | 7 | 822 | -- | 822 |
| Property, plant and equipment | 8 | 141,740 | 33,185 | 174,925 |
| Loans provided | 11 | 242 | -- | 242 |
| Deferred tax assets | 21 | 351 | -- | 351 |
| Current income tax receivable | 14 | 40 | -- | 40 |
| Financial assets at fair value through profit or loss | 10 | 504 | -- | 504 |
| Trade receivables, inventories and other assets | 12,13 | 16,220 | -- | 16,220 |
| Cash and cash equivalents | 9 | 7,105 | -- | 7,105 |
| Trade and other payables | 19 | (23,650) | -- | (23,650) |
| Interest bearing loans and borrowings | 16 | (27,457) | -- | (27,457) |
| Provisions | | (702) | -- | (702) |
| Current income tax liabilities | | (654) | -- | (654) |
| Deferred tax liabilities | 21 | (2,621) | (3,982) | (6,603) |
| **Total identifiable net assets acquired** | | **111,940** | **29,203** | **141,143** |
| Consideration, paid in cash | | (9,800) | -- | (9,800) |
| Deferred consideration | | (13,263) | -- | (13,263) |
| **Gain on bargain purchase** | | **88,877** | **29,203** | **118,080** |
| | | | | |
| **Cash effect on acquisition** | | | | |
| Consideration, paid in cash | | (9,800) | -- | (9,800) |
| Cash (acquired) | | 7,105 | -- | 7,105 |
| **Net cash outflow** | | **(2,695)** | **--** | **(2,695)** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2019 (continued)

On 29 August 2019, EMMA ALPHA HOLDING LTD cofounded DANDELION HEALTHCARE, a.s. with 70% of shareholding. On 12 September 2019, DANDELION IVF PRAGUE, s.r.o. was founded by DANDELION HEALTHCARE, a.s.. On 30 September 2019, DANDELION IVF PRAGUE, s.r.o. acquired 100% of shareholding in EUROPE IVF INTERNATIONAL s.r.o. for consideration of TEUR 26,164.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of EUROPE IVF INTERNATIONAL s.r.o:

| | Note | TEUR |
|---|---|---|
| Property, plant and equipment | 8 | 743 |
| Loans provided | 11 | 3,724 |
| Current income tax receivable | 14 | 398 |
| Trade receivables, inventories and other assets | 12, 13 | 267 |
| Cash and cash equivalents | 9 | 254 |
| Trade and other payables | 19 | (767) |
| Interest bearing loans and borrowings | 16 | (59) |
| Provisions | | (81) |
| Current income tax liabilities | | (470) |
| Deferred tax liabilities | 21 | (27) |
| **Total identifiable net assets acquired** | | **3,982** |
| Consideration, paid in cash | | (26,164) |
| **Goodwill** | 7 | **(22,182)** |
| | | |
| **Cash effect on acquisition** | | |
| Consideration, paid in cash | | (26,164) |
| Cash (acquired) | | 254 |
| **Net cash outflow** | | **(25,910)** |

# 1. Description of the Group (continued)

## Acquisitions and disposals in 2019 (continued)

On 31 August 2019, LIGATNE GAS S.R.L. acquired 100% of shareholding in AMARAD DISTRIBUTIE S.R.L. for the aggregate consideration of TEUR 830.

The Group has applied IFRIC 12 as at 1 January 2020. Consequently, comparative financial information as at 31 December 2019 and 1 January 2019 have been restated. The application of IFRIC 12 affected also acquisition accounting of AMARAD DISTRIBUTIE S.R.L.

The following table summarises the original and restated recognised amounts of assets acquired and liabilities assumed at the date of acquisition of AMARAD DISTRIBUTIE S.R.L.:

| | Note | Amounts reported in 2019 TEUR | Restatement TEUR | Restated amounts TEUR |
|---|---|---|---|---|
| Intangible assets | 7 | 3 | 382 | 385 |
| Property, plant and equipment | 8 | 920 | (727) | 193 |
| Trade receivables, inventories and other assets | 12, 13 | 639 | 225 | 864 |
| Cash and cash equivalents | 9 | 32 | -- | 32 |
| Trade and other payables | 19 | (135) | 120 | (15) |
| Lease liabilities | | (74) | -- | (74) |
| Deferred tax liabilities | 21 | (26) | -- | (26) |
| **Total identifiable net assets acquired** | | **1,359** | **--** | **1,359** |
| Consideration, paid in cash | | (830) | -- | (830) |
| **Gain on bargain purchase** | | **529** | **--** | **529** |
| | | | | |
| **Cash effect on acquisition** | | | | |
| Consideration, paid in cash | | (830) | -- | (830) |
| Cash (acquired) | | 32 | -- | 32 |
| **Net cash outflow** | | **(798)** | **--** | **(798)** |

In 2019, the Group recognised a gain on bargain purchase in the total amount of TEUR 118,609, attributable to the acquisition of Moldovan subsidiaries PREMIER ENERGY SRL and PREMIER ENERGY DISTRIBUTION S.A. in the amount of TEUR 118,080 and Romanian subsidiary AMARAD DISTRIBUTIE S.R.L. in the amount of TEUR 529.

On October 2019, EMMA OMEGA LTD's share capital and share premium was reduced by EUR 1 and TEUR 50,000 respectively, after approval by the Cyprus Courts and was returned to the shareholder, EMMA ALPHA HOLDING LTD.

In November 2019, the former SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020) entered into share purchase agreements with key management employees of SUPER SPORT d.o.o. and sold 1.55% of shares in SUPER SPORT d.o.o. for the consideration of TEUR 6,566. Based on IAS 19 and based on the policies applied by the Group, the controlling interests remain unchanged. For the details see Note 31.

# 2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

## (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of IASB as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 as amended from time to time.

## (b) Basis of measurement

These consolidated financial statements have been prepared under the historic cost convention basis, except in the case of financial instruments at fair value through profit or loss, financial instruments at fair value through other comprehensive income, property, plant and equipment which are measured at fair value and investments in associates which are accounted for using the equity method. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

## (c) Presentation and functional currency

The consolidated financial statements are presented in Euro (EUR), which is the Company's functional currency and Group's presentation currency. The functional currency of the Company's Croatian subsidiaries is the Croatian Kuna, for the Romanian subsidiaries is the Romanian Leu, for the Moldovan subsidiaries is the Moldovan Leu and for the Czech subsidiaries is the Czech Crown. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

## (d) Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements made by management in preparing these consolidated financial statements in respect of impairment recognition is described in Note 3 (c) (vii) and Note 26.

Information about judgements whether the Group has significant influence over an investee is included in Note 15 "Investments in associates".

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes: - Note 21 "Deferred tax liability and asset": recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used. - Note 30 "Income tax expense/credit": to determine any provision for income taxes. - Note 4 "Financial risk management": measurement of ECL allowance for trade receivables - key assumptions in determining the weighted average loss rate. - Acquisition of a subsidiary: fair value measured on a provisional basis. – Note 7 "Intangible assets": the assessment whether the Group's service concession contracts are in scope of IFRIC 12 "Service Concession Arrangements", amortization of concession intangible assets, assessments made in relation to connection and extension to gas network paid by third parties, payments made under service concession agreements and gas sale-purchase contracts.

# 2. Basis of preparation (continued)

## (e) Comparative financial information

The Group has applied IFRIC 12 as at 1 January 2020. Furthermore, the Company reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. The Group has also amended presentation of certain transactions and balances as a result of changes within the Group. Consequently, comparative financial information as at 31 December 2019 and 1 January 2019 has been restated.

### *(i) Application of IFRIC 12 – Gas distribution networks*

Starting 1 January 2020, the Group accounts for the concession contracts for natural gas distribution services in accordance with IFRIC 12. The change in accounting policy was applied retrospectively from 1 January 2019. Distribution networks reflecting the concessions received by the governmental bodies to operate gas infrastructure for public services are recognized as intangible assets as they do not convey the right to control the use of the public service infrastructure to the operator (therefore, should not be recognized within Property, plant and equipment) but they represent the access to operate the infrastructure to provide public service on behalf of the governmental bodies. For description of the respective accounting policy, refer to Note 3 (d) Intangible assets – Gas distribution networks.

The effects resulting from retrospective application of IFRIC 12 as at 31 December 2019 and 1 January 2019 are summarized in the tables below.

### *(ii) Reassessment of acquisition of Moldovan entities*

On 31 July 2019, JOSECO HOLDINGS CO. LIMITED acquired 100% of ICS RED UNION FENOSA S.A. (after the acquisition renamed as I.C.S. “PREMIER ENERGY DISTRIBUTION” S.A.) - total cost of investment TEUR 16,293 and 100% of GAS NATURAL FENOSA FURNIZARE ENERGIE S.R.L. (after the acquisition renamed as I.C.S. “PREMIER ENERGY” S.R.L.) - total cost of investment was TEUR 6,770.

In 2020, in connection with finalization of valuation procedures related to assets of acquired companies, the Group reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. This reassessment resulted in an increase in fair value of property, plant and equipment acquired by TEUR 33,185 and an increase in deferred tax liability assumed as at the date of acquisition by TEUR (3,982). This change in fair value adjustments resulted in a restatement of gain on bargain purchase by TEUR 29,203 to TEUR 118,080. For more information about the restatement of fair values as at the acquisition date, refer also to Note 1 Description of the Group – Acquisition and disposals in 2019.The effect of the reassessment on financial information as at 31 December 2019 is summarized below.

### *(iii) Reclassifications*

As a result of changes in the Group, the structure of the Consolidated Statement of Profit or Loss and Other Comprehensive Income has been changed in order to maintain a high value of reported financial information for users of financial statements. The Group decided to:

- present Depreciation and amortisation (item presented previously under Other operating expenses) separately on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income;
- present Revenues from gas distribution and other gas related revenues (item presented previously under Other income related to core operations) within Revenues from core operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income;
- present Contract liabilities (item presented previously under Other liabilities) separately on the face of the Consolidated Statement of Financial Position;
- present Financial assets at amortised cost – deposits (item presented previously under Other assets) separately on the face of the Consolidated Statement of Financial Position.

To ensure consistency with the classification selected in the current period, reclassifications were made in the comparative financial information as at 31 December 2019.

As a result of the above changes in accounting policy, reassessment of acquisition in 2019 and reclassifications of the comparative values as at 31 December 2019 in these consolidated financial statements were changed as follows:

# 2. Basis of preparation (continued)

## (e) Comparative financial information (continued)

**Statement of financial position as at 31 December 2019**

| | As previously reported TEUR | IFRIC 12 TEUR | Reassess-ment of acquisition TEUR | Reclassi-fications TEUR | Restated TEUR |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 61,203 | 22,107 | -- | -- | 83,310 |
| Property, plant and equipment | 225,982 | (63,707) | 33,439 | -- | 195,714 |
| Other assets | 118 | 9 | -- | -- | 127 |
| Other non-current assets | 947,282 | -- | -- | -- | 947,282 |
| **Total non-current assets** | **1,234,585** | **(41,591)** | **33,439** | **--** | **1,226,433** |
| **Current assets** | | | | | |
| Other assets | 18,499 | 18,867 | -- | (131) | 37,235 |
| Financial assets at amortised cost - deposits | -- | -- | -- | 131 | 131 |
| Contract assets | -- | 948 | -- | -- | 948 |
| Other current assets | 393,310 | -- | -- | -- | 393,310 |
| **Total current assets** | **411,809** | **19,815** | **--** | **--** | **431,624** |
| **Total assets** | **1,646,394** | **(21,776)** | **33,439** | **--** | **1,658,057** |

| | As previously reported TEUR | IFRIC 12 TEUR | Reassess-ment of acquisition TEUR | Reclassi-fications TEUR | Restated TEUR |
|---|---|---|---|---|---|
| **EQUITY** | | | | | |
| Share capital | 10 | -- | -- | -- | 10 |
| Redeemable preference shares | 437,370 | -- | -- | -- | 437,370 |
| Revaluation reserve | 14,394 | (8,593) | -- | -- | 5,801 |
| Translation reserve | (42,124) | 164 | 563 | -- | (41,397) |
| Other reserves | (19,295) | 493 | -- | -- | (18,802) |
| Retained earnings | 62,881 | (6,901) | -- | -- | 55,980 |
| Profit for the year | 584,553 | 429 | 19,479 | -- | 604,461 |
| **Equity attributable to owners of the Company** | **1,037,789** | **(14,408)** | **20,042** | **--** | **1,043,423** |
| **Non-controlling interests** | **81,314** | **(3,414)** | **9,384** | **--** | **87,284** |
| **Total equity** | **1,119,103** | **(17,822)** | **29,426** | **--** | **1,130,707** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Other liabilities | 10,767 | (180) | -- | -- | 10,587 |
| Deferred tax liabilities | 21,029 | (3,774) | 4,013 | -- | 21,268 |
| Other non-current liabilities | 325,260 | -- | -- | -- | 325,260 |
| **Total non-current liabilities** | **357,056** | **(3,954)** | **4,013** | **--** | **357,115** |
| **Current liabilities** | | | | | |
| Contract liabilities | -- | -- | -- | 4,613 | 4,613 |
| Other liabilities | 29,269 | -- | -- | (4,613) | 24,656 |
| Other current liabilities | 140,966 | -- | -- | -- | 140,966 |
| **Total current liabilities** | **170,235** | **--** | **--** | **--** | **170,235** |
| **Total liabilities** | **527,291** | **(3,954)** | **4,013** | **--** | **527,350** |
| **Total liabilities and equity** | **1,646,394** | **(21,776)** | **33,439** | **--** | **1,658,057** |

# 2. Basis of preparation (continued)

## (e) Comparative financial information (continued)

**Statement of comprehensive income for the year ended 31 December 2019**

| | As previously reported TEUR | IFRIC 12 TEUR | Reassess-ment of acquisition TEUR | Reclassi-fications TEUR | Restated TEUR |
|---|---|---|---|---|---|
| Sales revenues from core operations | 320,687 | 3,007 | -- | 20,619 | 344,313 |
| Cost of goods sold / cost of services provided | (209,251) | (2,010) | -- | -- | (211,261) |
| Other income related to core operations | 36,522 | (995) | -- | (20,619) | 14,908 |
| Services and material expenses | (43,527) | -- | -- | -- | (43,527) |
| Personnel expenses | (20,997) | -- | -- | -- | (20,997) |
| Impairment of loans and receivables | (2,147) | -- | -- | -- | (2,147) |
| Depreciation and amortisation | -- | 3,391 | (679) | (10,920) | (8,208) |
| Gain on bargain purchase | 89,406 | -- | 29,203 | -- | 118,609 |
| Other operating income | 2,708 | (1,649) | -- | -- | 1,059 |
| Other operating expenses | (10,836) | (90) | -- | 10,920 | (6) |
| **Profit from operations** | **162,565** | **1,654** | **28,524** | **--** | **192,743** |
| **Net finance expense** | **(21,017)** | **--** | **--** | **--** | **(21,017)** |
| Gain related to associates | 501,100 | -- | -- | -- | 501,100 |
| **Profit before tax** | **642,648** | **1,654** | **28,524** | **--** | **672,826** |
| Income tax expense | (12,449) | (1,123) | 81 | -- | (13,491) |
| **Profit after tax from continuing operations** | **630,199** | **531** | **28,605** | **--** | **659,335** |
| **Other comprehensive income:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | | |
| Items reclassified from OCI to profit/(loss) - associates | (2,893) | -- | -- | -- | (2,893) |
| Foreign currency translation differences | 2,232 | (91) | 821 | -- | 2,962 |
| Associates – share of OCI | 9,772 | -- | -- | -- | 9,772 |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Revaluation of property, plant and equipment | (904) | 904 | -- | -- | -- |
| **Other comprehensive income for the year** | **8,207** | **813** | **821** | **--** | **9,841** |
| **Total comprehensive income for the year** | **638,406** | **1,344** | **29,426** | **--** | **669,176** |
| Total profit attributable to: | | | | | |
| Owners of the Company | 584,553 | 429 | 19,479 | -- | 604,461 |
| Non-controlling interests | 45,646 | 102 | 9,126 | -- | 54,874 |
| | **630,199** | **531** | **28,605** | **--** | **659,335** |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | 592,037 | 1,086 | 20,042 | -- | 613,165 |
| Non-controlling interests | 46,369 | 258 | 9,384 | -- | 56,011 |
| | **638,406** | **1,344** | **29,426** | **--** | **669,176** |

# 2. Basis of preparation (continued)

## (e) Comparative financial information (continued)

**Statement of financial position as at 1 January 2019**

| | As previously reported TEUR | IFRIC 12 TEUR | Reclassi-fications TEUR | Restated TEUR |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 643 | 22,438 | -- | 23,081 |
| Property, plant and equipment | 46,897 | (46,576) | -- | 321 |
| Other assets | -- | -- | -- | -- |
| Other non-current assets | 601,341 | -- | -- | 601,341 |
| **Total non-current assets** | **648,884** | **(24,138)** | **--** | **624,746** |
| | | | | |
| **Current assets** | | | | |
| Other assets | 83,485 | 3 | (1,313) | 82,175 |
| Financial assets at amortised cost – deposits | -- | -- | 1,313 | 1,313 |
| Contract assets | -- | 553 | -- | 553 |
| Other current assets | 180,422 | -- | -- | 180,422 |
| **Total current assets** | **263,907** | **556** | **--** | **264,463** |
| **Total assets** | **912,791** | **(23,582)** | **--** | **889,209** |

| | As previously reported TEUR | IFRIC 12 TEUR | Reclassi-fications TEUR | Restated TEUR |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Share capital | 10 | -- | -- | 10 |
| Redeemable preference shares | 437,370 | -- | -- | 437,370 |
| Revaluation reserve | 15,036 | (9,324) | -- | 5,712 |
| Translation reserve | (53,174) | 238 | -- | (52,936) |
| Other reserves | (20,016) | 492 | -- | (19,524) |
| Retained earnings | 44,357 | (8,220) | -- | 36,137 |
| Profit for the year | 88,120 | 984 | -- | 89,104 |
| **Equity attributable to owners of the Company** | **511,703** | **(15,830)** | **--** | **495,873** |
| **Non-controlling interests** | **(6,784)** | **(3,751)** | **--** | **(10,535)** |
| **Total equity** | **504,919** | **(19,581)** | **--** | **485,338** |
| | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Other liabilities | 879 | (19) | -- | 860 |
| Deferred tax liabilities | 7,105 | (3,982) | -- | 3,123 |
| Other non-current liabilities | 266,347 | -- | -- | 266,347 |
| **Total non-current liabilities** | **274,331** | **(4,001)** | **--** | **270,330** |
| | | | | |
| **Current liabilities** | | | | |
| Contract liabilities | -- | -- | 7,053 | 7,053 |
| Other liabilities | 18,153 | -- | (7,053) | 11,100 |
| Other current liabilities | 115,388 | -- | -- | 115,388 |
| **Total current liabilities** | **133,541** | **--** | **--** | 133,541 |
| **Total liabilities** | **407,872** | **(4,001)** | **--** | **403,871** |
| **Total liabilities and equity** | **912,791** | **(23,582)** | **--** | **889,209** |

# 2. Basis of preparation (continued)

## (f) Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company EMMA ALPHA HOLDING LTD and the financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

### *(ii) Associates*

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. Under equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

### *(iii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### *(iv) Changes in the Company's ownership interests in existing subsidiaries*

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

# 2. Basis of preparation (continued)

## (f) Basis of consolidation (continued)

### *(v) Business combinations*

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

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

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

# 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in stating the financial position of the Company. The accounting policies have been consistently applied by all Group entities.

## a) Foreign currency

### *(i) Foreign currency transactions*

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction. The exchange rate as published by the European Central Bank is used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of equity investments designed at FVOCI which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

### *(ii) Financial information of foreign operations*

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

## b) Cash and cash equivalents

The Group considers cash in hand, unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

# 3. Significant accounting policies (continued)

## c) Financial assets and liabilities

### *(i) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; debt investments measured as fair value through other comprehensive income (FVOCI), equity investments measured as FVOCI; or financial assets measured as fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment´s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised costs or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management´s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the asset;
- how the performance of the portfolio is evaluated and reported to the Group´s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for its purpose, consistent with the Group´s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

# 3. Significant accounting policies (continued)

## c) Financial assets and liabilities (continued)

### *(i) Classification (continued)*

### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ´principal´ is defined as the fair value of the financial asset on initial recognition. ´Interest´ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of the time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In assessment whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing of amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group´s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent which this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designed as such on initial recognition.

### *(ii) Recognition*

Trade receivables and debt securities issued are initially recognised in the statement of financial position when they are originated. All other financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### *(iii) Measurement*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividend are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

# 3. Significant accounting policies (continued)

## c) Financial assets and liabilities (continued)

### *(iii) Measurement (continued)*

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### *(iv) Fair value measurement*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

### *(v) Amortised cost measurement principles*

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

### *(vi) Gains and losses on subsequent measurement*

Gains and losses on financial instruments classified at fair value through profit or loss are recognised in profit or loss. Gains and losses on FVOCI financial assets are recognised in other comprehensive income (including for impairment losses but except foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

# 3. Significant accounting policies (continued)

## c) Financial assets and liabilities (continued)

### *(vii) Identification and measurement of impairment*

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group uses for the recognition and measurement of impairment losses of financial assets measured at amortised costs and debt investments measured at FVOCI the "expected credit loss" model (ECLs).

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to the lifetime ECLs.

The Group assesses on a regular basis whether there is objective evidence that financial assets carried at amortised costs and debt securities at FVOCI are credit impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of credit impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for credit impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial assets as at the reporting date compared with the risk as at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group´s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade or other receivable is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

# 3. Significant accounting policies (continued)

## c) Financial assets and liabilities (continued)

### *(vii) Identification and measurement of impairment (continued)*

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any credit impairment loss.

All impairment losses in respect of financial assets are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortisation, if no impairment loss had been recognised.

### *(viii) Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognised a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### *(ix) Offsetting*

Financial assets and liabilities are off set and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

## d) Intangible assets

## Software and other intangible assets

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss (as a part of "Other operating expenses") on a straight line basis over their estimated useful lives (1 - 3 years), from the date that they are available for use. Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

# 3. Significant accounting policies (continued)

## d) Intangible assets (continued)

## Intangible asset in service concession arrangements (gas distribution networks)

Effective 1 January 2020, the Group accounts for the concession contracts for natural gas distribution services in accordance with IFRIC 12. The change in accounting policy was applied retrospectively from 1 January 2019. For the restatement of comparative financial information, refer to Note 2 (e) (i). Distribution networks reflecting the concessions received by the governmental bodies to operate gas infrastructure for public services are recognized as intangible assets as they do not convey the right to control the use of the public service infrastructure to the operator (therefore, should not be recognized within property, plant and equipment), but they represent the access to operate the infrastructure to provide public service on behalf of the governmental bodies.

The consideration for the provision of construction of services are recognised in line with IFRS 15 (refer to Note 3 (k)). The consideration may represent the rights to:

- the intangible asset that is recognised to the extent that the Group receives a right (a licence) to charge users of the public service, a right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service;

- The financial assets that are recognized to the extent that the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the governmental bodies for the construction services, therefore, there is a little discretion to avoid payment.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account them separately. A level of judgement may be required in the process (refer to Note 6).

The contractual obligations to maintain the infrastructure to a specified level of serviceability or to restore the infrastructure to a specified condition before it is handed over to the governmental bodies are recognised and measured in accordance with IAS 37, ie at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

The borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred unless the Group has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case borrowing costs attributable to the arrangement are capitalised during the construction phase of the arrangement.

The distribution networks are reflected as intangible assets when the concession contract establishes a duration and a determined value for the concession. The amortization of the concession is to be recorded for the duration of its use, determined according to the contract.

**Recognition and measurement**

The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge the users for use of the infrastructure. An intangible asset received as consideration for providing construction or upgrade services is measured at fair value on initial recognition with reference to the actual construction costs incurred by the Group plus a margin considered as industry average. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

**Amortization**

The intangible asset is amortized from the date of its initial recognition until the end of the concession period using a straight-line method.

To the extent that a newly constructed distribution network are put into use in stages, or in cases where expenditures related to subsequent network asset construction are recognised as increases to the carrying value of the concession intangible at a later date (e.g. in case of network upgrades or extensions), each addition to the intangible asset is recognised as portion of the overall intangible asset with a different useful life, being the period from its initial recognition as an increase in the concession intangible asset until the end of the concession period.

In respect of network assets that are to be transferred to the grantor at the end of the concession in exchange for consideration, the Group determines the residual value of the intangible asset at the end of the concession, which is not amortized over the concession period.

# 3. Significant accounting policies (continued)

## e) Property, plant and equipment

The property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated economic useful lives, as follows:

| | **Years** |
|---|---|
| Electricity lines | 35 - 45 |
| Electro-energetic equipment | 15 - 25 |
| Meters | 18 |
| Other tangible assets | 1 - 16 |
| Vehicles | 3 - 8 |
| Land and buildings | 5 - 50 |

Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation and impairment losses are charged to profit or loss.

# 3. Significant accounting policies (continued)

## f) Leases – the entity acting as a lessee – policies effective from 1 January 2019

The Entity applies the international financial reporting standard IFRS 16 – Leases from 1 January 2019. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

IFRS 16 brought changes in the recognition and disclosures for lessees. The Entity acting as a lessee recognizes a right-of-use asset and the related lease liability in the balance sheet with exceptions where:

- the lease term does not exceed 12 months or;

- the underlying asset has a low value.

**Right-of-use asset**

At the commencement date, a right-of-use asset is measured at cost which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

A right-of-use asset is recognized in the statement of financial position in line Property, plant and equipment and is depreciated over the shorter of economic useful life of the underlying asset or the lease term. The related depreciation is recognized in the profit or loss in line Other operating expenses.

**Lease liability**

At the commencement date, a lease liability is initially measured at the present value of the lease payments which that are not paid at that date. The lease payments are discounted using an interest rate which a lessee would have to pay, if a lessee borrowed cash to acquire the underlying asset taking into consideration the terms relating to a lease (i.e. lease/loan term, amount of loans, etc.).

Subsequently, the lease liability is remeasured when there is change in future lease payment (e.g. due to a change in an assessment whether and when it will exercise extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is recognized in the statement of financial position and presented in line Lease liabilities.

Interest expense on lease liability are recognized in profit or loss and presented in line Finance expense using the effective interest rate.

## g) Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

# 3. Significant accounting policies (continued)

## g) Impairment for non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

## h) Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

Adjustments are made for impairment when there is evidence that the Group will not be able to collect receivables originally agreed maturity.

Special financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, failure to pay on time or delays in payments (more than 60 days maturity) are considered indicators of impairment claims. Also, it is a provision for doubtful debts total values older than 180 days. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

Uncollectible accounts receivable are recorded as expenses when they are identified.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

## i) Equity

### *i. Share capital*

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

### *ii. Dividends*

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

### *iii. Non-controlling interests*

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

### *iv. Translation reserve*

The translation reserve includes exchange differences relating to the translation of the results and net assets of the Group's foreign operations from functional to the Group's presentation currency. Exchange differences previously accumulated in the translation reserves are reclassified to profit or loss on the disposal of the foreign assets and operations.

### *v. Capital reserve*

The Capital reserve represents other capital contributions by shareholders of the Company out of the share capital (without issue of new shares).

# 3. Significant accounting policies (continued)

## i) Equity (continued)

### *vi. Redeemable preference shares*

The redeemable preference shares are classified as equity. Any dividends are discretionary only at the Company's option.

## j) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

## k) Revenues

In accordance with IFRS 15, the Group has adopted a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) the Group transfers control of goods or services
to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation - the promise to transfer a good or a service to a customer in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only);
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

**Revenues from sale of gas and related income**

Revenues comprise the value of the gas distributed and supplied to customers and revenues from workings executed by the Company (gas supply installations, connection workings, grid extensions and other similar workings) net of value-added tax, rebates and discounts.

Revenues from gas sales/distribution are recognised based on the monthly consumption (estimated/measured) and are valued using the tariffs published by ANRE for the gas sold/distributed on the regulated market.

# 3. Significant accounting policies (continued)

## k) Revenues (continued)

**Revenues from betting activities and casino games**

Revenues from betting activities represent amounts staked by the customers less betting payouts and betting taxes payable to the state. The amount paid by customers is deducted by 5% (transaction cost) and only remaining 95% of ticket amount is used to calculate the potential winning. Revenue is recognised when the result of the performance obligation is known, i.e. immediately after the bet event result occurs ("at a point in time").

Revenues from casino games represent net wins in respect of bets placed on casino games less gaming tax and amounts accrued for prize pools. Revenues from the online poker business reflect the net income (rake) earned from poker games completed by the year end. Revenue is recognised when the result of the performance obligation is known, i.e. immediately after the game result occurs ("at a point in time").

## l) Interest income and expense

Interest income and expense are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

## m) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

## n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# 3. Significant accounting policies (continued)

## o) Adoption of new and revised IFRS and Interpretations as adopted by the EU

Several new standards, amendments to standards and interpretations have not become effective at 31 December 2020 and have not been applied in the preparation of these consolidated financial statements. Listed below are those that may impact the Group's operations. The Group plans to introduce these provisions when they become effective.

### (i) Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2020

- Amendments to IFRS 3 "Definition of Business Combinations"
- Amendments to IAS 1 and IAS 8: "Definition of Material"
- Amendments to Reference to Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"

#### A. Amendments to IFRS 3: "Definition of Business Combinations"

The Group is required to adopt IFRS 3 (Amendments) from 1 January 2020. The amendments to IFRS 3 Business Combinations narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group does not expect that these amendments, when initially applied, will have material impact on the consolidated financial statements for the Group.

#### B. Amendments to IAS 1 and IAS 8: "Definition of Material"

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments include definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group does not expect that these amendments, when initially applied, will have material impact on the consolidated financial statements for the Group.

#### C. Amendments to Reference to Conceptual Framework in IFRS Standards

The aim of this project is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework.

The Group does not expect that these amendments, when initially applied, will have material impact on the consolidated financial statements for the Group.

#### D. Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

# 3. Significant accounting policies (continued)

## o) Adoption of new and revised IFRS and Interpretations as EU (continued)

The risk management committee monitors and manages the transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Company´s board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

The Group does not expect that these amendments, when initially applied, will have material impact on the consolidated financial statements for the Group.

### (ii) Standards and Interpretations not adopted by the EU

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2023).
- IFRS 3 "Business Combinations" (Amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2023).
- IFRS 10 "Consolidated Financial Statements" (Amendments) and IAS 28 "Investments in Associates and Joint Ventures" (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective date as at 1 January 2023).

#### A. IFRS 17 Insurance Contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied.

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Group does not expect that IFRS 17: Insurance contracts, when initially applied, will have material impact on the consolidated financial statements for the Group.

#### B. Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the consolidated financial statements for the Group.

# 3. Significant accounting policies (continued)

## o) Adoption of new and revised IFRS and Interpretations as adopted by the EU (continued)

### C. Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Amendments to IAS 1

On 23 January 2020, IASB issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The Group does not expect material impact on the consolidated financial statements for the Group.

# 4. Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity risk), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

- credit risk
- liquidity risk
- market risk
- operational risk
- legal risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and are responsible for developing and monitoring risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

## Risks related to pandemic COVID 19

Despite the fact, that the main impact resulting from COVID 19 has influenced the Group during the year 2020, there is still continuing uncertainty about potential future impact on the Group. In order to ensure its operations, the Group adopted a series of measures.

Since the Company's subsidiaries in Romania and Moldova operate in the regulated electricity distribution and supply sector, it has not been significantly affected by the outbreak of COVID-19 and the Company's subsidiaries realized relatively stable sales and their operations, including supplies, were uninterrupted. The main estimated impact relates to increase in expected credit losses, due to late payments and/ or defaults of some customers.

In addition, the Company's associate, HOME CREDIT GROUP B.V. belongs to a group, which the largest component is based in China. China was also affected during the year 2020, however, HOME CREDIT GROUP B.V. and HOME CREDIT CHINA took all the necessary steps to mitigate any short term impact from market situation and conditions. Due to the impact of COVID-19 during the year 2020, management assessed the recoverable amount of the associate and recorded an impairment loss. For further information, refer to Note 15.

**Risks related to business operations, results and liquidity:**

- Regarding potential Government preventive measures, such as complete lock-down of some of the premises in the countries where the Group operates, and general macroeconomic projections, there is a risk of a general decrease in the revenues from all sales channels;
- The Group was facing limited number of sport events in March, April and May of 2020, which has influenced its 2020 results. The risk of a decline in certain revenues, such as revenue from sport betting activities, continues to exist, however, after the first wave the sports environment become adapted to the new situation, which significantly limited this type of risk;
- The Group is prepared to apply certain measures in respect of operating expenses, should the government preventive measures are once again enforced;
- The Group is also monitoring the covenants related to the bonds issued by the Company and through effective cash management at the Group level, can ensure that the covenants are met.

# 4. Financial risk management (continued)

## Risks related to pandemic COVID 19 (continued)

**Risk related to operational activities:**

- To manage operational risk, the Group follows the business continuity protocols. The Group continues to run the operations using remote access where applicable and taking measures to protect the health of the employees working on-site;
- The Group regularly communicates with its business partners, who have also implemented the necessary measures while providing contractual services without currently identified limitations;
- The Group's operational safeguards mainly includes ensuring its operations within maximized restriction of the occurrence of employees in the workplace;
- The Company and the Group have identified its key processes that would be prioritized in the event of limited options, but at the time of preparation of these consolidated financial statements, the Company and the Group have not identified any significant constraints and expects to be able to continue to operate in the long term.

The Company and the Group have analyzed all the risks and severe but plausible scenarios and concluded that there is no material uncertainty related to going concern.

## Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provided loans and financial assets which is the Group's principal business. The remaining part of the Group's exposures to credit risk is related to due from banks and other financial institutions, financial assets available-for-sale and other assets.

Credit risk results from business transactions (receivables from counterparties) and from the transactions in financial markets (money market, currency exchange, derivatives transactions, etc.). Several criteria are applied when assessing the level of credit risk.

Credit terms for individual transactions are assessed by the Group's specialists, including middle and top management of the Group. Experts from both law firms and financial institutions were also consulted on the risks related to the transactions. Publicly available information and information from external agencies were used for ongoing monitoring of the credit quality of the counterparties.

The receivables are divided by counterparties and are allocated to the responsible person overseeing each case. The counterparties are allocated to category classes based on allocation criteria such that the first class included low risk counterparties and the third class included higher risk counterparties.

The Group has a credit limit policy including new credit terms and credit limits. The Group has continued in a process of monitoring counterparties and their payment morale on regular basis.

The Group also continuously monitors the performance of individual credit exposures using a number of criteria. The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.

As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

### Exposure to credit risk

The Group has provided loans in amount of TEUR 87,516 (2019: TEUR 167,036). The tables below provide a detailed analysis of the Group's exposure to credit risk.

# 4. Financial risk management (continued)

## Credit risk (continued)

| | Loans – due from non-banks | Loans – due from non-banks |
|---|---|---|
| | 2020 | 2019 |
| | TEUR | TEUR |
| Stage I – Carrying amount carrying amount | 87,503 | 167,036 |
| Stage III – Credit impaired – carrying amount | 13 | -- |
| **Total carrying amount** | **87,516** | **167,036** |

Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings of Moody's (if applicable):

| | **2020** | **2019** |
|---|---|---|
| **Cash at bank** | **TEUR** | **TEUR** |
| A1 | 669 | 449 |
| A2 | 28,101 | 29,635 |
| B3 | 6 | 4 |
| Baa1 | 6,708 | 121 |
| Baa3 | -- | 10,263 |
| Caa1 | 4,092 | -- |
| Caa2 | 2,841 | -- |
| Caa3 | -- | 185 |
| Non-rated | 55,847 | 22,790 |
| **Total cash at bank** | **98,264** | **63,447** |
| **Term bank deposits** | | |
| Non-rated | 2,780 | 1,958 |
| **Total term bank deposit** | **2,780** | **1,958** |
| **Total cash at bank and term bank deposits** | **101,044** | **65,405** |

## Classification of financial assets by credit risk

The following table presents an analysis of the credit quality of provided loans at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and if they were credit-impaired.

| **2020** | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross provided loans | 88,978 | - | 309 | 89,287 |
| Loss allowances | (1,475) | -- | (296) | (1,771) |
| **Net provided loans** | 87,503 | -- | 13 | 87,516 |

# 4. Financial risk management (continued)

## Credit risk (continued)

### Classification of financial assets by credit risk (continued)

| 2019 | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross provided loans | 167,576 | -- | 2,780 | 170,356 |
| Loss allowances | (540) | -- | (2,780) | (3,320) |
| **Net provided loans** | **167,036** | **--** | **--** | **167,036** |

An analysis of the credit quality of financial assets at amortised cost were as follows. It indicates whether assets measured at amortised cost were subject to a Stage I - III of lifetime ECL allowance and if they were credit-impaired.

| 2020 | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross financial assets at amortised cost - promissory notes | 29,696 | -- | -- | 29,696 |
| Gross financial assets at amortised cost - deposits | 2,780 | -- | -- | 2,780 |
| Loss allowances | (3) | -- | -- | (3) |
| **Net promissory notes and deposits** | **32,473** | **--** | **--** | **32,473** |

| 2019 (restated) | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross financial assets at amortised cost - promissory notes | 117,280 | -- | -- | 117,280 |
| Gross financial assets at amortised cost - deposits | 1,958 | -- | -- | 1,958 |
| Loss allowances | (28) | -- | -- | (28) |
| **Net promissory notes and deposits** | **119,210** | **--** | **--** | **119,210** |

# 4. Financial risk management (continued)

## Credit risk (continued)

### Classification of financial assets by credit risk (continued)

An analysis of the credit quality of trade receivables and other assets were as follows. It indicates whether assets measured at amortised cost were subject to a Stage I - III of lifetime ECL allowance and if they were credit-impaired.

| **2020** | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross trade receivables | 88,642 | -- | 14,499 | 103,141 |
| Gross contract assets | 889 | -- | -- | 889 |
| Gross other assets* | 4,039 | -- | 3,656 | 7,695 |
| Loss allowances | (397) | -- | (16,950) | (17,347) |
| **Net trade receivables, contract assets and other assets** | **93,173** | **--** | **1,205** | **94,378** |

* Other receivables include only financial assets, for the detail refer to Note 14.

| **2019 (restated)** | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| | (Stage I) | (Stage II) | (Stage III) | |
| | TEUR | TEUR | TEUR | TEUR |
| Gross trade receivables | 56,429 | -- | 10,478 | 66,907 |
| Gross contract assets | 948 | -- | -- | 948 |
| Gross other assets* | 6,904 | -- | 474 | 7,378 |
| Loss allowances | (130) | -- | (9,803) | (9,933) |
| **Net financial assets at amortised cost and trade and other receivables** | **64,151** | **--** | **1,149** | **65,300** |

* Other receivables include only financial assets, for the detail refer to Note 14.

The Group measures loss allowance to financial assets at an amount equal to lifetime ECLs, as described in Note 3 (c) (vii). As at 31 December 2020 and 31 December 2019, loss allowances were calculated based on a lifetime expected credit loss (ECL) corresponding to Stage 2 or 3. Loss allowances to trade receivables and other assets are calculated based on following principles:

- 180-360 days after due date – 37-50% impairment loss allowance;
- more than 360 days after due date – 87-100% impairment loss allowance.

For additional information about the Group´s accounting policies relating to financial instruments in accordance with IFRS 9 refer to Note 3 (c).

# 4. Financial risk management (continued)

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is managed by ensuring that there are sufficient financial resources to meet the obligations associated with financial liabilities. Cautious liquidity risk management assumes maintenance of a sufficient amount of cash and the availability of required external financing in terms of loans and borrowings.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's Treasury collects information regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

In order to monitor the current trends in liquidity and to manage other associated risks (exchange rate risk, interest rate risk, foreign exchange risk, payment conditions, tax legislation, etc.), a meeting is held on a monthly basis in attendance with representatives of the Finance Department and with specialists and managers from other departments, if needed. In regular meetings, the Finance Director then reports to the Group management on the liquidity status and its developments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing as at the reporting date. Foreign currency payments are translated using the spot exchange rate as at the balance sheet date.

# 4. Financial risk management (continued)

## Liquidity risk (continued)

**Contractual maturity analysis**

The following table shows financial assets and liabilities by remaining maturity dates.

**2020**

| TEUR | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | No maturity | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 99,418 | -- | -- | -- | -- | 99,418 |
| Financial assets - deposits | 1,399 | -- | 1,381 | -- | -- | 2,780 |
| Financial assets at fair value through profit or loss | 257 | 9,031 | -- | -- | -- | 9,288 |
| Financial assets at amortised cost | 29,693 | -- | -- | -- | -- | 29,693 |
| Loans - Due from non-banks | 15,199 | 13,221 | 57,051 | 2,045 | | 87,516 |
| Trade receivables | 82,779 | 5,788 | 370 | 65 | 493 | 89,495 |
| Other assets* | 1,256 | 1,814 | 544 | - | 380 | 3,994 |
| **Total financial assets** | **230,001** | **29,854** | **59,346** | **2,110** | **873** | **322,184** |
| Bank overdrafts | 19,118 | -- | -- | -- | -- | 19,118 |
| Due to non-banks | 1,112 | 22,303 | 188,543 | -- | -- | 211,958 |
| Due to banks and other financial institutions | 8,663 | 45,783 | 95,600 | 5,479 | -- | 155,525 |
| Lease liabilities | 830 | 2,153 | 6,133 | 410 | -- | 9,526 |
| Bonds issued | 392 | -- | 88,673 | -- | -- | 89,065 |
| Trade payables | 37,941 | 777 | 48 | -- | 19 | 38,785 |
| Other liabilities* | 6,001 | 3,090 | 1,498 | -- | 22 | 10,611 |
| **Total financial liabilities** | **74,057** | **74,106** | **380,495** | **5,889** | **41** | **534,588** |
| **Net position** | **155,944** | **(44,252)** | **(321,149)** | **(3,779)** | **832** | **(212,404)** |

**2019 (restated)**

| TEUR | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | No maturity | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 66,059 | -- | -- | -- | -- | 66,059 |
| Financial assets - deposits | -- | 131 | 1,827 | -- | -- | 1,958 |
| Financial assets at fair value through profit or loss | 33 | -- | -- | -- | 518 | 551 |
| Financial assets at amortised cost | 89,068 | -- | 28,184 | -- | -- | 117,252 |
| Loans - Due from non-banks | 1 | 163,091 | 2,088 | 1,856 | -- | 167,036 |
| Trade receivables | 52,673 | 4,665 | -- | -- | -- | 57,338 |
| Other assets* | 4,835 | 32 | 111 | -- | 2,036 | 7,014 |
| **Total financial assets** | **212,669** | **167,919** | **32,210** | **1,856** | **2,554** | **417,208** |
| Due to non-banks | -- | 64,402 | 136,543 | -- | -- | 200,945 |
| Due to banks and other financial institutions | 3,685 | 42,398 | 92,626 | -- | -- | 138,709 |
| Financial liabilities at fair value through profit or loss | -- | -- | 313 | -- | -- | 313 |
| Lease liabilities | 907 | 1,725 | 6,457 | 187 | -- | 9,276 |
| Bonds issued | 392 | -- | 88,285 | -- | -- | 88,677 |
| Trade payables | 22,099 | 12 | -- | -- | -- | 22,111 |
| Other liabilities* | 11,098 | 359 | 88 | -- | 104 | 11,649 |
| **Total financial liabilities** | **38,181** | **108,896** | **324,312** | **187** | **104** | **471,680** |
| **Net position** | **174,488** | **59,023** | **(292,102)** | **1,669** | **2,450** | **(54,472)** |

* Other assets include only financial assets, for the detail refer to Note 14. Other liabilities include only financial items, for the detail refer to Note 20.

# 4. Financial risk management (continued)

## Liquidity risk (continued)

**Contractual cash flows of financial liabilities (gross undiscounted cash flows)**
The following table shows gross undiscounted cash flows including estimated interest payments and therefore may not agree with the carrying amounts in the statement of financial position.

**2020**

| TEUR | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|
| Bank overdraft | 19,118 | -- | -- | -- | 19,118 | 19,118 |
| Due to non-banks | 2,005 | 24,983 | 197,478 | -- | 224,466 | 211,958 |
| Due to banks and other financial institutions | 9,299 | 47,148 | 98,012 | 5,479 | 159,938 | 155,525 |
| Lease liabilities | 830 | 2,153 | 6,133 | 6,133 | 15,249 | 9,526 |
| Bonds issued | 392 | 4,345 | 108,225 | -- | 112,962 | 89,065 |
| Trade and other payables | 37,960 | 777 | 48 | -- | 38,785 | 38,785 |
| Other liabilities* | 6,023 | 3,090 | 1,498 | -- | 10,611 | 10,611 |
| **Total** | **75,627** | **82,496** | **411,394** | **11,612** | **581,129** | **534,588** |

**2019 (restated)**

| TEUR | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|
| Due to non-banks | -- | 77,723 | 175,615 | -- | 253,338 | 200,945 |
| Due to banks and other financial institutions | 3,683 | 48,467 | 104,354 | 395 | 156,899 | 138,709 |
| Lease liabilities | 981 | 1,889 | 6,774 | -- | 9,644 | 9,276 |
| Bonds issued | 392 | 4,326 | 107,752 | -- | 112,470 | 88,677 |
| Trade and other payables | 22,099 | 12 | -- | -- | 22,111 | 22,111 |
| Other liabilities* | 11,202 | 359 | 88 | -- | 11,649 | 11,649 |
| **Total** | **38,357** | **132,776** | **394,583** | **395** | **566,111** | **471,367** |

* Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail of other liabilities, see Note 20

## Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies and to the extent the term structure of interest bearing assets differs from that of liabilities.

Market risk includes currency risk and interest rate risk. Management's objectives are to use natural hedging only. The borrowings are secured by the majority of the Group's receivables.

Interest rate risk

The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. As part of its management of this position, the Group may use interest rate derivatives.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

# 4. Financial risk management (continued)

## Market risk (continued)

Foreign currency risk

The Group has assets and liabilities denominated in several foreign currencies. It invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in EUR, USD, CZK, RON, HRK and MLD.

Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations.

Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive on movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

# 4. Financial risk management (continued)

## Market risk (continued)

**Interest rate gap position based on re-pricing dates**

**2020**

| TEUR | Effective interest rate | Floating interest rate: Less than 3 months | Floating interest rate: 3 months to 1 year | Floating interest rate: 1 to 5 years | Fixed interest rate or Non specified | Total |
|---|---|---|---|---|---|---|
| **Interest bearing financial assets** | | | | | | |
| Cash and cash equivalents | 0.00% | 99,418 | -- | -- | -- | 99,418 |
| Financial assets – deposits | 0.05% | -- | -- | -- | 2,780 | 2,780 |
| Financial assets at amortised cost | 5.15% | -- | -- | -- | 29,693 | 29,693 |
| Loans - Due from non-banks | 2.17% | -- | 32 | -- | 87,484 | 87,516 |
| **Total interest bearing financial assets** | | **99,418** | **32** | **--** | **119,957** | **219,407** |
| **Interest bearing financial liabilities** | | | | | | |
| Bank overdraft | 2.75% | 19,118 | -- | -- | -- | 19,118 |
| Due to non-banks | 6.09% | -- | 114,293 | -- | 97,665 | 211,958 |
| Due to banks and other financial institutions | 3.55% | 13,432 | 39,449 | -- | 102,644 | 155,525 |
| Lease liabilities | 3.77% | -- | -- | -- | 9,526 | 9,526 |
| Bonds issued | 4.90% | -- | -- | -- | 89,065 | 89,065 |
| **Total interest bearing financial liabilities** | | **32,550** | **153,742** | **--** | **298,900** | **485,192** |

**2019**

| TEUR | Effective interest rate | Floating interest rate: Less than 3 months | Floating interest rate: 3 months to 1 year | Floating interest rate: 1 to 5 years | Fixed interest rate or Non specified | Total |
|---|---|---|---|---|---|---|
| **Interest bearing financial assets** | | | | | | |
| Cash and cash equivalents | 0.00% | 66,059 | -- | -- | -- | **66,059** |
| Financial assets – deposits | 0.00% | -- | -- | -- | 1,958 | **1,958** |
| Financial assets at amortised cost | 5.15% | -- | -- | -- | 117,252 | **117,252** |
| Loans - Due from non-banks | 4.20% | -- | 31 | -- | 167,005 | **167,036** |
| **Total interest bearing financial assets** | **--** | **66,059** | **31** | **--** | **286,215** | **352,305** |
| **Interest bearing financial liabilities** | | | | | | |
| Due to non-banks | 6.52% | -- | 17,815 | -- | 183,130 | **200,945** |
| Due to banks and other financial institutions | 4.64% | -- | 40,407 | -- | 98,302 | **138,709** |
| Lease liabilities | 2.46% | -- | -- | -- | 9,276 | **9,276** |
| Bonds issued | 4.90% | -- | -- | -- | 88,677 | **88,677** |
| **Total interest bearing financial liabilities** | | -- | **58,222** | **--** | **379,385** | **437,607** |

# 4. Financial risk management (continued)

## Market risk (continued)

## Interest rate sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in interest rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 100bp change in interest rates is shown:

| | Total effect on equity 2020 TEUR | Total effect on equity 2019 TEUR |
|---|---|---|
| Effect of 100bp decrease in interest rate | 1,211 | 2,207 |
| Effect of 100bp increase in interest rate | (1,211) | (2,207) |

# 4. Financial risk management (continued)

## Market risk (continued)

**Foreign currency position**

**2020**

| TEUR | EUR | USD | CZK | RON | HRK | MDL | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 51,546 | 678 | 596 | 3,599 | 38,133 | 4,865 | 1 | 99,418 |
| Financial assets - deposits | -- | -- | 1,334 | 65 | 1,381 | -- | -- | 2,780 |
| Financial assets at fair value through profit or loss | 7,817 | 999 | -- | -- | -- | 472 | -- | 9,288 |
| Financial assets at amortised cost | 29,693 | -- | -- | -- | -- | -- | -- | 29,693 |
| Loans - Due from non-banks | 67,680 | -- | 19,527 | -- | 77 | 232 | -- | 87,516 |
| Trade and other receivables | 29,974 | -- | 21 | 39,015 | 4,793 | 15,692 | -- | 89,495 |
| Other assets* | 2,109 | 33 | 8 | 1,844 | -- | -- | -- | 3,994 |
| **Total financial assets** | **188,819** | **1,710** | **21,486** | **44,523** | **44,384** | **21,261** | **1** | **322,184** |
| Bank overdraft | 14,362 | -- | -- | 4,756 | -- | -- | -- | 19,118 |
| Due to non-banks | 176,383 | 35,546 | 29 | -- | -- | -- | -- | 211,958 |
| Due to banks and other financial institutions | 28,489 | 14,008 | -- | 33,076 | 79,952 | -- | -- | 155,525 |
| Lease liabilities | 755 | -- | 228 | 1,363 | 7,180 | -- | -- | 9,526 |
| Bonds issued | 89,065 | -- | -- | -- | -- | -- | -- | 89,065 |
| Trade and other payables | 21,235 | | 220 | 3,358 | 1,233 | 12,739 | -- | 38,785 |
| Other liabilities* | 3,555 | 25 | 23 | 4,045 | 2,817 | 107 | 39 | 10,611 |
| **Total financial liabilities** | **333,844** | **49,579** | **500** | **46,598** | **91,182** | **12,846** | **39** | **534,588** |
| **Net position** | **(145,025)** | **(47,869)** | **20,986** | **(2,075)** | **(46,798)** | **8,415** | **(38)** | **(212,404)** |

**2019**

| TEUR | EUR | USD | CZK | RON | HRK | MDL | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 9,754 | 1 | 136 | 1,813 | 44,995 | 9,360 | -- | 66,059 |
| Financial assets - deposits | -- | -- | -- | 131 | 1,827 | -- | -- | 1,958 |
| Financial assets at fair value through profit or loss | -- | -- | -- | -- | 33 | 518 | -- | 551 |
| Financial assets at amortised cost | 117,252 | -- | -- | -- | -- | -- | -- | 117,252 |
| Loans - Due from non-banks | 146,214 | 5,138 | 15,375 | -- | 79 | 230 | -- | 167,036 |
| Trade and other receivables | 8 | -- | 59 | 34,738 | 3,869 | 18,664 | -- | 57,338 |
| Other assets* | 1,823 | -- | -- | 5,191 | -- | -- | -- | 7,014 |
| **Total financial assets** | **275,051** | **5,139** | **15,570** | **41,873** | **50,803** | **28,772** | **--** | **417,208** |
| Due to non-banks | 164,755 | 36,119 | 71 | -- | -- | -- | -- | 200,945 |
| Due to banks and other financial institutions | 12,375 | -- | -- | 41,814 | 84,520 | -- | -- | 138,709 |
| Financial assets at fair value through profit or loss | 313 | -- | -- | -- | -- | -- | -- | 313 |
| Lease liabilities | -- | -- | 278 | 1,668 | 7,330 | -- | -- | 9,276 |
| Bonds issued | 88,677 | -- | -- | -- | -- | -- | -- | 88,677 |
| Trade and other payables | 16 | -- | 17 | 4,537 | 1,756 | 15,785 | -- | 22,111 |
| Other liabilities* | 1,120 | -- | 1,123 | 7,175 | 2,097 | 134 | -- | 11,649 |
| **Total financial liabilities** | **267,256** | **36,119** | **1,489** | **55,194** | **95,703** | **15,919** | **--** | **471,680** |
| **Net position** | **7,795** | **(30,980)** | **14,081** | **(13,321)** | **(44,900)** | **12,853** | **--** | **(54,472)** |

* Other assets include only financial assets, for the detail, see Note 14. Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail, see Note 20.

# 4. Financial risk management (continued)

## Market risk (continued)

### Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 5% change in USD, CZK, RON, HRK and MDL to EUR exchange rates is shown below:

| | Total effect on equity 2020 TEUR | Total effect on equity 2019 TEUR |
|---|---|---|
| Effect of 5% USD depreciation against EUR | 2,393 | 1,549 |
| Effect of 5% USD appreciation against EUR | (2,393) | (1,549) |
| Effect of 5% CZK depreciation against EUR | (1,049) | (704) |
| Effect of 5% CZK appreciation against EUR | 1,049 | 704 |
| Effect of 5% RON depreciation against EUR | (134) | 666 |
| Effect of 5% RON appreciation against EUR | 134 | (666) |
| Effect of 5% HRK depreciation against EUR | 2,340 | 2,245 |
| Effect of 5% HRK appreciation against EUR | (2,340) | (2,245) |
| Effect of 5% MDL depreciation against EUR | (421) | (643) |
| Effect of 5% MDL appreciation against EUR | 421 | 643 |

## Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure supporting the activities with financial instruments, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the limiting of financial losses and damage to the Group's reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

## Legal risk

Legal risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

# 4. Financial risk management (continued)

## Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through strive for improving the debt-to-equity ratio.

# 5. Operating environment

## Volatility in global financial markets

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

## Operating environment of the Group

The Company currently operates in Croatia, Romania, Moldavia, Greece, Slovakia and the Czech Republic through its investments in subsidiaries and associates. Consequently, the Company is exposed to risks that originate from the operating and economic environments in these jurisdictions.

The Group’s main source of revenue originates from its investments in the betting and casino games sector in Croatia, in the gas and electricity sector in Romania and Moldavia and in the consumer credit sector in emerging markets, including China.

Gambling industry in Croatia is fully regulated. The Croatian government has set clear and understandable rules and enacted relevant legislation. The gambling regulation allows both land-based gambling and online gambling and the individual operators are subject to strict regulatory limitations as well as taxation.

The supply and distribution of electricity and gas is a highly regulated activity by the National Energy Regulatory Authority (ANRE). Effective 1 July 2020, the natural gas market has been liberalized, which means that the prices for the supply of natural gas to household customers will no longer be regulated by ANRE. Thus, the supply of natural gas will be based on competition and on the contract concluded between the household customer and the supplier.

Moldova lacks domestic sources of fossil energy and must import substantial amounts of petroleum, coal, natural gas, and other energy resources. Renewable energy is used in the country, primarily for electricity generation or heating. The projected share of renewable energy in the gross final consumption of energy in 2020 is 20%. Currently, the consumption of electrical energy in Moldova is greater than the production of local suppliers. Due to the inability to meet electricity demand through domestic production, Moldova is a significant net importer of electricity.

The operations in the consumer credit sector are through the Group’s associate, which holds equity stakes in leading consumer finance companies in a number of countries. As a result, the group’s business is subject to the general economic conditions in each of the countries it operates. The operating entities are regulated companies, fully licensed by a national government regulatory body and compliant with respective local laws. In 2020, the group had to cope with a very challenging environment with the unprecedented ongoing COVID-19 global health crisis, lockdowns and regulatory measures, which affected all of their markets. However, during this period, the Group remained fully operational and adapted to the reality of the pandemic. During 2020, the world and all of their markets (except China) have had a significant GDP contraction due to the pandemic. In addition, consumption and retail patterns also influence the demand for their products. The lockdown measures imposed in their various countries directly impacted consumer demand by limiting access to brick-and mortar stores across their markets as well as creating spending constraints, but also impacted sentiment from their customer base during the year.

Within the EU, and in spite of the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues in some or all EU countries remain to be resolved, such as the high index of non-performing loans, unemployment, implementation of privatisation and reforms in the public services sector. The above could affect, among others, the Group’s ability to obtain new loans on favourable terms and conditions or/and its ability to achieve satisfactory turnover. The Group’s management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

# 6. Fair values of financial instruments

## Fair values of financial instruments

The Group has performed an assessment of fair values of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair value of financial instruments traded in active markets, such as publicly traded trading and equity investments at FVOCI is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Financial instruments recorded at fair value are valued as follows: Financial instruments whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates (Level 2), or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3).

# 7. Intangible assets

| 2019 (restated) | Goodwill | Software | Trademark | IFRIC 12 | Right-of-use-assets | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| **Acquisition cost** | | | | | | | |
| Balance as at 1 January 2019 | 6,054 | 971 | -- | 28,050 | -- | 204 | 35,279 |
| Acquisitions through business combinations | 473,740 | 912 | 59,436 | 382 | -- | 22 | 534,492 |
| Additions | -- | 916 | -- | 495 | -- | -- | 1,411 |
| Disposals | -- | -- | -- | -- | -- | (16) | (16) |
| Transfers | -- | 9 | -- | -- | -- | (9) | -- |
| Translation difference | 299 | 11 | (268) | (686) | -- | (17) | (661) |
| **Balance as at 31 December 2019** | **480,093** | **2,819** | **59,168** | **28,241** | **--** | **184** | **570,505** |
| **2020** | | | | | | | |
| Balance as at 1 January 2020 | 480,093 | 2,819 | 59,168 | 28,241 | -- | 184 | 570,505 |
| Acquisitions through business combinations | 11,960 | 1,046 | -- | 2,404 | 12 | 25 | 15,447 |
| Additions | -- | 4,595 | -- | 1,174 | 4 | 1 | 5,774 |
| Disposals | -- | (42) | -- | -- | -- | -- | (42) |
| Translation difference | (759) | (364) | (738) | (540) | -- | 7 | (2,394) |
| **Balance as at 31 December 2020** | **491,294** | **8,054** | **58,430** | **31,279** | **16** | **217** | **589,290** |
| **2019 (restated)** | | | | | | | |
| **Accumulated amortization** | | | | | | | |
| Balance as at 1 January 2019 | -- | (509) | -- | (5,612) | -- | (23) | (6,144) |
| Charge for the year | -- | (296) | -- | (644) | -- | (6) | (946) |
| Disposals | -- | -- | -- | -- | -- | 16 | 16 |
| Translation difference | -- | (162) | -- | 122 | -- | 12 | (28) |
| **Balance as at 31 December 2019** | **--** | **(967)** | **--** | **(6,134)** | **--** | **(1)** | **(7,102)** |
| **2020** | | | | | | | |
| Balance as at 1 January 2020 | -- | (967) | -- | (6,134) | -- | (1) | (7,102) |
| Charge for the year | -- | (697) | -- | (739) | (2) | (3) | (1,441) |
| Disposals | -- | 42 | -- | -- | -- | -- | 42 |
| Translation difference | -- | 206 | -- | 119 | (1) | 2 | 326 |
| **Balance as at 31 December 2020** | **--** | **(1,416)** | **--** | **(6,754)** | **(3)** | **(2)** | **(8,175)** |
| **Carrying amount** | | | | | | | |
| **As at 31 December 2019** | **480,093** | **1,852** | **59,168** | **22,107** | **--** | **183** | **563,403** |
| **As at 31 December 2020** | **491,294** | **6,638** | **58,430** | **24,525** | **13** | **215** | **581,115** |

# 7. Intangible assets (continued)

The goodwill of TEUR 11,960 recognised as a result of business combinations in 2020 comprised:

- Goodwill of TEUR 3,252 resulting from acquisition of RIXO a.s.
- Goodwill of TEUR 2,669 resulting from acquisition of PROFARM S.A.
- Goodwill of TEUR 6,039 resulting from acquisition of EL-PHARM A.E.

In 2020, acquisition through business combination of gas distribution networks amounting to TEUR 2,404 related to acquisition of B.E.R.G SISTEM GAZ S.A. described in Note 1. The acquired assets comprised mainly gas distribution network located in Romania and classified as intangible assets under IFRIC 12.

In 2019, as a result of the acquisition of SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020), the Group recognised a trademark of TEUR 59,436 and goodwill of TEUR 451,558 (refer to changes in the Group, described in Note 1).

Trademark is treated as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely.

As a result of the acquisition of EUROPE IVF INTERNATIONAL s.r.o. in 2019, the Group recognised goodwill of TEUR 22,182. Refer also to changes in the Group described in Note 1.

The Group carried out the impairment indicators analysis and concluded there were no impairment indicators as at 31 December 2020 and 31 December 2019.

# 8. Property, plant and equipment

| 2019 (restated) | Land and buildings | Distribution networks | Vehicles and Other tangible assets and equipment | Tangible assets under construction | Right-of-use assets | Advance payments | Total |
|---|---|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| **Acquisition cost** | | | | | | | |
| Balance as at 1 January 2019 | 22 | -- | 7,040 | 1,296 | -- | -- | 8,358 |
| Acquisitions through business combinations | 7,064 | 158,593 | 4,467 | 7,652 | 8,039 | 480 | 186,295 |
| Additions | 366 | 411 | 863 | 7,030 | 3,346 | -- | 12,016 |
| Disposals | (32) | (1,637) | (725) | (9) | (242) | (13) | (2,658) |
| Transfers | -- | 10,412 | 427 | (10,839) | -- | -- | -- |
| Translation differences | (869) | 4,625 | 949 | 76 | (44) | (120) | 4,617 |
| **Balance as at 31 December 2019** | **6,551** | **172,404** | **13,021** | **5,206** | **11,099** | **347** | **208,628** |
| **2020** | | | | | | | |
| Balance as at 1 January 2020 | 6,551 | 172,404 | 13,021 | 5,206 | 11,099 | 347 | 208,628 |
| Acquisitions through business combinations | 2,069 | -- | 250 | 3 | 1,452 | 2 | 3,776 |
| Additions | 353 | 2,242 | 1,406 | 14,743 | 2,771 | 257 | 21,772 |
| Disposals | (198) | (1,888) | (6,527) | (1,014) | (1,460) | (316) | (11,403) |
| Transfers | 588 | 13,671 | 854 | (15,242) | -- | - | (129) |
| Translation differences | 289 | (16,453) | (627) | (482) | (166) | 95 | (17,344) |
| **Balance as at 31 December 2020** | **9,652** | **169,976** | **8,377** | **3,214** | **13,696** | **385** | **205,300** |
| **2019** | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 January 2019 | -- | -- | (6,810) | (1,227) | -- | -- | (8,037) |
| Charge for the year | (4) | (3,425) | (1,857) | -- | (1,976) | -- | (7,262) |
| Reversal of impairment loss | -- | -- | -- | 144 | -- | -- | 144 |
| Disposals | -- | 1,571 | 369 | -- | 53 | -- | 1,993 |
| Translation difference | -- | 13 | 203 | 18 | 14 | -- | 248 |
| **Balance as at 31 December 2019** | **(4)** | **(1,841)** | **(8,095)** | **(1,065)** | **(1,909)** | **--** | **(12,914)** |
| **2020** | | | | | | | |
| Balance as at 1 January 2020 | (4) | (1,841) | (8,095) | (1,065) | (1,909) | -- | (12,914) |
| Charge for the year | (467) | (7,974) | (1,852) | -- | (2,573) | -- | (12,866) |
| Reversal of impairment loss | -- | -- | 49 | (59) | -- | -- | (10) |
| Disposals | 83 | 1,831 | 6,492 | 1,010 | 846 | -- | 10,262 |
| Transfers | -- | -- | 113 | -- | -- | -- | 113 |
| Translation difference | (44) | 846 | 309 | 114 | 38 | -- | 1,263 |
| **Balance as at 31 December 2020** | **(432)** | **(7,138)** | **(2,984)** | **--** | **(3,598)** | **--** | **(14,152)** |
| **Carrying amount** | | | | | | | |
| **As at 31 December 2019** | **6,547** | **170,563** | **4,926** | **4,141** | **9,190** | **347** | **195,714** |
| **As at 31 December 2020** | **9,220** | **162,838** | **5,393** | **3,214** | **10,098** | **385** | **191,148** |

# 8. Property, plant and equipment (continued)

In 2020, acquisitions through business combination of TEUR 3,776 relate to acquisitions of PROFARM S.A., EL-PHARM A.E., B.E.R.G SISTEM GAZ S.A. and RIXO a.s., described in Note 1.

In 2019, acquisitions through business combination of TEUR 186,295 relate mainly to acquisitions of I.C.S. "PREMIER ENERGY DISTRIBUTION" S.A. and I.C.S. "PREMIER ENERGY" S.R.L. and SAZKA GROUP ADRIATIC d.o.o. (renamed to EMMA GAMMA ADRIATIC d.o.o. in 2020), described in Note 1.

In 2020, in connection with the finalization of valuation procedures related to assets of acquired companies, the Group reassessed the acquisition accounting related to acquisition of Moldovan entities in 2019. This reassessment resulted in an increase in fair value of property, plant and equipment acquired by TEUR 33,185. For further information, refer also to Note 1 Description of the Group – Acquisition and disposals in 2019 and to Note 2 (e) (ii) – Comparative financial information – Reassessment of acquisition of Moldovan entities.

For pledges on property, refer to Note 16, Loans and borrowings.

## Leases

The right-of-use assets are recognised in accordance with IFRS 16 and are mainly represented by leased premises for betting shops in Croatia and by leased premises of Romanian offices. As at 31 December 2020, the Group disclosed lease liabilities related to right-of-use assets for the total amount of TEUR 9,526 (2019: TEUR 9,276). For more information refer to Note 3 (f). For effective interest rate used and undiscounted cash flows refer to Note 4. For reconciliation of movements of lease liabilities to cash flows arising from financing activities refer to Note 16. For interest on lease liabilities refer to Note 29.

These leases typically run for a period of 1 to 10 years.

Some leases provide for additional rent payments that are based on a development of inflation rate in the following years and some of them are defined in EUR, although payable in functional currencies of the entities (HRK or RON).

Some leases contain extension options exercisable by a lessee, typically up to 10 years before the end of lease term. The Group assesses at lease commencement whether it is reasonably certain to exercise the options and subsequently if there is a significant event or significant change in circumstances related to the shop performance.

# 9. Cash and cash equivalents

| | **2020 TEUR** | **2019 TEUR** |
|---|---|---|
| Current accounts | 98,264 | 63,447 |
| Cash on hand | 636 | 2,180 |
| Other cash equivalents | 518 | 432 |
| **Cash and cash equivalents in the statement of financial position** | **99,418** | **66,059** |
| Bank overdrafts (see note 16) | (19,118) | -- |
| **Cash and cash equivalents in the statement of cash flows** | **80,300** | **66,059** |

The exposure of the Group to credit risk, to interest rate risk and to foreign exchange risk in relation to cash and cash equivalents is described in Note 4.

# 10. Financial assets

## Financial assets at amortised cost – deposits

| | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|
| At 1st January | 1,958 | 1,313 |
| Acquisitions through business combinations | 789 | 1,827 |
| Additions | 567 | -- |
| Withdrawals | (510) | (1,159) |
| Translation differences | (24) | (23) |
| **Balance at 31st December** | **2,780** | **1,958** |
| Non-current position | 1,381 | 1,827 |
| Current position | 1,399 | 131 |
| **Balance at 31st December** | **2,780** | **1,958** |

Part of deposits is used as bank loan collateral (refer to Note 16).

The exposure of the Group to credit risk, to interest rate risk and to foreign exchange risk in relation to financial assets at amortised cost - deposits is described in Note 4. The fair value of deposits approximates to their carrying amounts as presented above.

## Financial assets at fair value through profit or loss - derivatives

As at 31 December 2020, the Group held derivative instruments at fair value through profit or loss of TEUR 257 (2019: TEUR 33).

The Group holds derivatives to manage future cash flows from the payments of principal and interest according to the loan agreements (cross currency interest rate swaps and interest rate floor swaps). The derivative instruments are not classified as hedging derivatives.

All financial derivatives were stated at fair value as at 31 December 2020 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| At 1st January | 33 | -- |
| Acquisitions through business combinations | -- | 23 |
| Settlement of derivatives | (5) | -- |
| Change in fair value of derivatives | 229 | 10 |
| **Balance at 31st December** | **257** | **33** |

## Financial assets at fair value through profit or loss – equity instruments

As at 31 December 2020, the Group held equity instruments at fair value through profit or loss of TEUR 9,031 (2019: TEUR 518).

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date. During the year, the Group received total dividends of TEUR 163 from equity securities.

# 10. Financial assets (continued)

## Financial assets at fair value through profit or loss – equity instruments (continued)

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| At 1st January | **518** | -- |
| Acquisitions through business combinations | -- | 504 |
| Additions | 12,854 | -- |
| Disposals | (6,867) | -- |
| Change in fair value of equity instruments | 2,594 | -- |
| Translation differences | (68) | 14 |
| **Balance at 31st December** | **9,031** | **518** |

## Financial assets at amortised cost – promissory notes

Financial assets held-to-maturity are represented by promissory note from KKCG AG related to the sale of SAZKA Group a.s., for the amounts of TEUR 30,000. The maturity date of the promissory note is 14 March 2021. The promissory note from KKCG AG with the maturity 14 March 2020 was repaid during the period.

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| At 1st January | 117,252 | -- |
| Additions | -- | 120,000 |
| Disposals | (90,000) | -- |
| Discount on promissory notes – initial recognition | -- | (6,689) |
| Unwinding discount on promissory notes (interest income) | 2,416 | 3,969 |
| Net remeasurement of loss allowance (IFRS 9) | 25 | (28) |
| **Balance at 31st December** | **29,693** | **117,252** |
| | | |
| Non-current portion | -- | 28,184 |
| Current portion | 29,693 | 89,068 |
| **Balance at 31st December** | **29,693** | **117,252** |

As at 31 December 2020 and 31 December 2019, the promissory notes are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month expected credit loss (ECL). As at 31 December 2020, loss allowances related to promissory notes amounted to TEUR 3 (2019: TEUR 28).

On 31 July 2019, the promissory notes were pledged to J&T Banka a.s., as a security for the Facility agreement date 16 December 2015, between J&T Banka a.s. and MEF HOLDINGS LIMITED.

The exposure of the Group to credit risk, to interest rate risk and to foreign exchange risk in relation to financial assets at amortised cost – promissory notes is described in Note 4. The fair value of financial assets at amortised cost approximates to their carrying amounts as presented above.

# 11. Loans receivable

The Group has provided loans receivable to its related parties of TEUR 18,587 (2019: TEUR 113,061) and third parties of TEUR 68,929 (2019: TEUR 53,975) which are repayable as follows:

| **2020** | **Average interest rate** | **Less than 3 months** | **3 months to 1 year** | **1 to 5 years** | **More than 5** | **Non-specified** | **Total TEUR** |
|---|---|---|---|---|---|---|---|
| Loans receivable | 2.17% | 15,199 | 13,221 | 57,051 | 2,045 | -- | **87,516** |

| **2019** | **Average interest rate** | **Less than 3 months** | **3 months to 1 year** | **1 to 5 years** | **More than 5** | **Non-specified** | **Total TEUR** |
|---|---|---|---|---|---|---|---|
| Loans receivable | 4.20% | 1 | 163,091 | 2,088 | 1,856 | -- | **167,036** |

As at 31 December 2020 and 31 December 2019, loans receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month or a lifetime expected credit loss (ECL). As at 31 December 2020, loss allowances related to loans receivable amounted to TEUR 1,771 (31 December 2019: TEUR 3,320).

As at 31 December 2020 and 31 December 2019, loan receivable balances from third parties of TEUR 2,045 and TEUR 1,856 were secured over shares held by minority shareholders in Joseco Holdings Co. Ltd in favour of Premier Energy Plc under the Deed of Pledge Agreements between the parent company and the minority shareholders of Joseco Holdings Co. Ltd.

As at 31 December 2020 and December 2019, loans receivables balances from third parties of TEUR 2,000 and TEUR 1,847 were secured over shares of Dandelion Healthcare, a.s. under the notarial deed under which third party acknowledges all debts and grants its consent with the direct enforceability of all its payment obligation under the loan agreement.

The exposure of the Group to credit risk, to interest rate risk and to foreign exchange risk in relation to loan receivables is described in Note 4. The fair value of loan receivables approximates to their carrying amounts as presented above.

# 12. Trade receivables

The trade receivables amounted to TEUR 89,495 as at 31 December 2020 (2019: TEUR 57,338).

The trade receivables refer mainly to distribution and sales of gas and electricity and workings performed (connections, utility installations and network extension partially financed by customers) by the Romanian and Moldovan companies and to receivable from credit card transactions performed by the Croatian companies.

The contractual maturity analysis of trade receivables is included in Note 4.

As at 31 December 2020 and 2019, all trade and other receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a lifetime expected credit loss (ECL), for detailed classification of financial assets by credit risk see Note 4.

The exposure of the Group to credit risk, to interest rate risk and to foreign exchange risk in relation to trade receivables is described in Note 4. The fair value of trade and other receivables approximates to their carrying amounts as presented above.

# 13. Inventories

Inventories of TEUR 22,723 (2019: TEUR 16,562) are mainly represented by goods and materials related to gas distribution of Romanian companies (including gas stored at third parties) and to pharmaceutical goods inventory of Greek entities.

## 13. Inventories (continued)

The Romanian entities pledged gas in storage as security for liabilities in amount TEUR 7,015 (2019: TEUR 12,910).

In 2020 and 2019, the operating activities of the Group in gas and electricity segments are performed according to license for distribution of energy. The Group fulfilled the ANRE obligations of gas stocked in underground storage in 2020 and 2019.

## 14. Other assets

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| **Financial assets** | | |
| Other assets | 3,994 | 7,014 |
| **Subtotal financial assets** | **3,994** | **7,014** |
| | | |
| **Non-financial assets** | | |
| Advances to suppliers | 1,056 | 18,951 |
| Other tax receivables | 1,376 | 2,158 |
| Deferred expenses and prepayments | 9,003 | 9,239 |
| **Subtotal non-financial assets** | **11,435** | **30,348** |
| | | |
| **Total** | **15,429** | **37,362** |
| | | |
| Current | 14,765 | 37,235 |
| Non-current | 664 | 127 |
| **Total** | **15,429** | **37,362** |

As at 31 December 2019, deferred expenses and prepayments comprised prepayment of TEUR 6,348 related to additional acquisition of shares in JOSECO HOLDINGS CO. LTD.

The exposure of the Group to credit risk and to foreign exchange risk in relation to other financial assets is described in Note 4. The fair value of other financial assets approximates to their carrying amounts as presented above.

## 15. Investments in associates

The Group has the following investments which were accounted for using the equity method:

| | Type of equity method investment | Country of incorporation | Ownership interest (%) | | Carrying amount TEUR | |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 |
| PHARMANET A.E. [1)] | Associate | Greece | 17.40 | -- | 50 | -- |
| HOME CREDIT GROUP B.V. | Associate | Netherlands | 8.88 | 8.88 | 296,858 | 432,894 |
| HUDDLE GAMING, INC [2)] | Associate | United States of America | 21.88 | -- | 1,438 | -- |
| | | | | | **298,346** | **432,894** |

1) entity acquired as a part of business combination – acquisition of PROFARM S.A: in 2020
2) entity acquired in 2020

# 15. Investment in associates (continued)

On 12 November 2020, the Group entered into a Series A Preferred Stock Purchase Agreement, to acquire 20,000 shares of the Series A Preferred Stock in HUDDLE GAMING, INC with acquisition price as USD 100 per share. Under the terms of the agreement total purchase price was TEUR 1,686.

On 30 December 2020, the Group sold 2,500 shares in HUDDLE GAMING, INC to an individual for a sales price of TEUR 211, realizing a profit from disposal of TEUR 4 (for further information refer to Note 1, Description of the Group – Acquisitions and disposals in 2020).

On 14 March 2019, the Group sold its entire holding in SAZKA GROUP a.s. for the total nominal consideration of TEUR 630,000, realizing a profit from disposal of TEUR 396,785 (for further information refer to Note 1).

On 29 April 2019, the Group signed an addendum to the initial agreement transferring 2.5% stake in HOME CREDIT GROUP B.V. (in total 4,385,964,912 shares of ownership interest were sold on 31 December 2018 for total consideration of TEUR 162,500 reducing the shareholding in HOME CREDIT GROUP B.V. from 11.376% to 8.876%). The addendum substituted the initially agreed third instalment with an increase in the second instalment by TEUR 50,000, therefore the total consideration for the acquired stake in HOME CREDIT GROUP B.V. amounted to TEUR 212,500. The maturity of the second instalment amounting to TEUR 130,000 was changed to May 2019. As the addendum was agreed in 2019, the respective increase in purchase price was recognised as a gain in profit and loss in 2019.

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Net gain from sale of investments in associates and subsidiaries* | (19) | 446,785 |
| Associates – impairment loss | (54,695) | -- |
| Associates – share of (loss)/profit | (49,037) | 54,315 |
| | **(103,751)** | **501,100** |

* In 2020 comprises gain from sale of 2,500 shares in Huddle Gaming, Inc in total amount of TEUR 4 and loss from dissolution of Serenity in total amount of TEUR 23. In 2019 comprises gain from sale of investment in SAZKA GROUP a.s. of TEUR 396,785 (see Note 1) and additional consideration from sale of stake in HOME CREDIT GROUP B.V. of TEUR 50,000.

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Balance as at 1st January | 432,894 | 582,346 |
| Additions | 1,686 | -- |
| Acquisitions through business combinations | 50 | -- |
| Disposal | (207) | (229,434) |
| Impairment loss on associates | (54,695) | -- |
| Group's share of profit | (49,037) | 54,315 |
| Group's share of Other comprehensive income – translation reserve | (31,368) | 10,071 |
| Group's share of Other comprehensive income – other components of OCI | 266 | (299) |
| Group's share of other net assets changes (other) | (1,243) | 15,895 |
| **At 31st December** | **298,346** | **432,894** |

Impairment loss on associates is related to HOME CREDIT GROUP B.V., non-bank financial institution specialized in provision of loans and related products. Due to the impact of COVID-19 during the year 2020, the management assessed the value of equity-accounted investee and recorded the impairment loss in total amount of TEUR 54,695. For further information refer to Note 4.

# 15. Investment in associates (continued)

The financial information relating to investments in associates is summarised below:

| TEUR | HOME CREDIT GROUP B.V. | | HUDDLE GAMING, INC | | PHARMANET A.E. | |
|---|---|---|---|---|---|---|
| | associate (8.88%) 2020 | associate (8.88%) 2019 | associate (21.88%) 2020 | associate -- 2019 | associate (17.40%) 2020 | associate -- 2019 |
| **Summarised balance sheet** | | | | | | |
| Non-current assets | 7,754,000 | 11,593,000 | -- | -- | 107 | -- |
| Current assets | 10,764,000 | 14,997,000 | 2,382 | -- | 4,975 | -- |
| Non-current liabilities | (2,490,000) | (6,615,000) | -- | -- | (2,233) | -- |
| Current liabilities | (14,092,000) | (17,102,000) | (7) | -- | (2,875) | -- |
| **Net assets (100%)** | **1,936,000** | **2,873,000** | **2,375** | **--** | **(26)** | **--** |
| **Summarised income statement** | | | | | | |
| Revenues | 4,642,000 | 6,003,000 | -- | -- | 9,598 | -- |
| Operating profit/(loss) | 3,199,000 | 4,249,000 | (77) | -- | 113 | -- |
| Profit/(loss) before tax | (719,000) | 613,000 | (77) | -- | 4 | -- |
| Income tax | 135,000 | (213,000) | -- | -- | (1) | -- |
| **Profit/(loss) for the year** | **(584,000)** | **400,000** | **(77)** | **--** | **3** | **--** |
| - *out of which profit attributable to equity holders* | **(552,000)** | **417,000** | **(77)** | **--** | **--** | **--** |
| **Other comprehensive income** | **(364,000)** | **112,000** | **--** | **--** | **--** | **--** |
| ***Total comprehensive income*** | **(948,000)** | **512,000** | **(77)** | **--** | **3** | **--** |

# 16. Loans and borrowings

## Liabilities due to non-banks

The contractual terms of the Group's non-bank loans are summarised below. For more information about the Group's exposure to liquidity risk, interest rate and foreign currency risk, please refer to Note 4.

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| Loans from associates and associated groups | 46,100 | 39,272 |
| Loans from other related parties | 165,831 | 152,858 |
| Loans from third parties | 27 | 8,815 |
| | **211,958** | **200,945** |

Non-bank loans are payable as follows:

| **TEUR** | **Amount as at 31 December 2020** | **Payable in 1 year** | **Payable in more than 1 year** |
|---|---|---|---|
| Loans from related and third parties | 211,958 | 23,415 | 188,543 |
| **Total** | **211,958** | **23,415** | **188,543** |

| **TEUR** | **Amount as at 31 December 2019** | **Payable in 1 year** | **Payable in more than 1 year** |
|---|---|---|---|
| Loans from related and third parties | 200,945 | 64,402 | 136,543 |
| **Total** | **200,945** | **64,402** | **136,543** |

As at 31 December 2020, the Group's non-bank loans were secured as follows:

- 3.590.751.919 shares of HOME CREDIT GROUP B.V. in favour of PPF Banka a.s.. On 30 July 2020, EMMA OMEGA LIMITED increased its loan with PPF Banka a.s. by TEUR 20,.000 in order to repay part of the loan with HOME CREDIT GROUP B.V. (TEUR 20,000). The additional loan proceeds from PPF Banka a.s. required an increase on the shares pledged in HOME CREDIT GROUP B.V. by 763.245.191 shares.
- 2.432.246.085 shares in favour of HOME CREDIT GROUP B.V. related to loan from AIR BANK a.s.

The 2.542.109.474 shares pledged in 2019 in favour of HOME CREDIT GROUP B.V., were released during the year 2020, since the loan was fully repaid.

As at 31 December 2019, the Group's non- bank loans were secured as follows:

- 2.827.506.728 shares of the associate company, HOME CREDIT GROUP B.V. in favour of PPF Banka a.s. On 21 January 2019, EMMA OMEGA LIMITED increased its loans with PPF Banka a.s. by TEUR 33,790 in order to repay its loan with Air Banka a.s. by TEUR 33,790. The additional loan proceeds from PPF Banka a.s. required an increase on the shares pledged in HOME CREDIT GROUP B.V. by 1.984.955.268 shares in favour of PPF Banka a.s.
- 2.542.109.474 shares of the associate company, HOME CREDIT GROUP B.V. in favour of HOME CREDIT GROUP B.V.
- JOSECO HOLDINGS CO. LIMITED shares and the shares of the Moldovan subsidiaries have been pledged in favour of third party Naturgy Inversiones Internacionales S.A. for the loan of TEUR 8,745. The pledge was released on 19 February 2020 as a result of the settlement of the underlying loan.

The fair value of liabilities due to non-banks approximates to their carrying amounts as presented above. The exposure of the Group to liquidity risk, to interest rate risk and to foreign exchange risk in relation to non-bank loans is described in Note 4.

# 16. Loans and borrowings (continued)

## Liabilities due to banks and other financial institutions

The Group's liabilities due to banks and other financial institutions as of 31 December 2020 amount to TEUR 155,525 (2019: TEUR 138,709). The details are described below.

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Non-current bank loans | 101,079 | 92,626 |
| Current bank loans | 54,446 | 46,083 |
| | **155,525** | **138,709** |

| 2020 | Currency | Maturity | Outstanding principal and interest TEUR |
|---|---|---|---|
| Secured bank loan (A) | RON | 2021 | 9,848 |
| Secured bank loan (B) | RON | 2021 | 9,796 |
| Secured bank loan (C) | RON | 2021 | 13,432 |
| Secured bank loan (D) | EUR | 2025 | 5,797 |
| Secured bank loan (E) | USD | 2025 | 14,008 |
| Secured bank loan (F) | HRK | 2025 | 59,730 |
| Secured bank loan (G) | HRK | 2025 | 20,222 |
| Secured bank loan (H) | EUR | 2027 | 12,023 |
| Secured bank loan (I) | EUR | 2027 | 10,669 |
| | | | **155,525** |

| 2019 | Currency | Maturity | Outstanding principal and interest TEUR |
|---|---|---|---|
| Secured bank loan (A) | RON | 2020 | 1,407 |
| Secured bank loan (B) | RON | 2020 | 19,996 |
| Secured bank loan (C) | RON | 2020 | 10,420 |
| Secured bank loan (D) | RON | 2021 | 9,991 |
| Secured bank loan (E) | HRK | 2023 | 21,312 |
| Secured bank loan (F) | HRK | 2024 | 63,208 |
| Secured bank loan (G) | EUR | 2027 | 12,375 |
| | | | **138,709** |

The interest rates on bank loans are variable or fixed, all interest rates are market based. The exposure of the Group to liquidity risk, to interest rate risk and to foreign exchange risk in relation to bank loans is described in Note 4.

As at 31 December 2020, the Group's liabilities due to banks and other financial institutions in RON amounting to TEUR 33,076 (2019: TEUR 41,814) are represented mostly by bank loans received by PREMIER ENERGY SRL.

# 16. Loans and borrowings (continued)

## Liabilities due to banks and other financial institutions (continued)

Bank loans in HRK of TEUR 79,951 (2019: TEUR 84,520) are drawn by EMMA GAMMA Adriatic d.o.o. In March 2020, the whole amount of syndicated bank loans was re-financed by new secured bank loans with final maturity in 2025.

Bank loans in EUR comprise bank loan facilities of TEUR 12,023 (2019: TEUR 12,375) attributable to DANDELION IVF PRAGUE, s.r.o. and bank loan facilities of TEUR 10,669 (2019: TEUR 0) drawn by PROFARM S.A.

There are covenants to be fulfilled related to secured bank loans. As at 31 December 2020 and 2019 there were no breaches of covenants conditions.

As at 31 December 2020, the Group's bank loans were secured by pledge on receivables, bank accounts and deposits, pledge on defined movable and immovable assets, pledge on part of shares of PREMIER ENERGY S.R.L., pledge on part of shares of PREMIER ENERGY S.R.L., pledge on gas in storage (refer to Note 12 Inventories), secured by the shareholding in SUPER SPORT d.o.o., by blank promissory note and by corporate guarantees provided by the parent company EMMA ALPHA HOLDING LTD.

As at 31 December 2019, the Group's bank loans were secured by pledge on bank accounts and deposits, by pledge on receivables, pledge on gas in storage (refer to Note 12 Inventories) and pledge on part of shares of PREMIER ENERGY S.R.L., pledge on defined movable and immovable assets, pledge on receivables due from defined customers, pledge on part of shares of PREMIER ENERGY S.R.L., secured by the shareholding in SUPER SPORT d.o.o., by blank promissory notes and by corporate guarantees provided by the parent company EMMA ALPHA HOLDING LTD and by LIGATNE LIMITED.

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above.

# 16. Loans and borrowings (continued)

## Reconciliation of movements of liabilities

Reconciliation of movements of liabilities to cash flows arising from financing activities in 2020 and 2019 is described below.

| | Bank overdraft | Loans and borrowings | Lease liabilities | Bonds issued | Equity | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **--** | **339,654** | **9,276** | **88,677** | **1,130,707** | **1,568,314** |
| ***Changes from financing cash flows*** | | | | | | |
| Other changes in equity | -- | -- | -- | -- | (16,701) | (16,701) |
| Dividends paid | -- | -- | -- | -- | (39,946) | (39,946) |
| Proceeds from interest-bearing loans and borrowings | -- | 7,633 | -- | -- | -- | 7,633 |
| Repayments of interest-bearing loans and borrowings | -- | (220) | -- | -- | -- | (220) |
| Payment of lease liabilities | -- | -- | (1,907) | -- | -- | (1,907) |
| Proceeds from bank overdraft | 13,456 | -- | -- | -- | -- | 13,456 |
| **Total changes from financing cash flows** | **13,456** | **7,413** | **(1,907)** | **--** | **(56,647)** | **(51,141)** |
| ***Changes arising from obtaining or losing control of subsidiaries or other businesses*** | **5,662** | **17,449** | **--** | **--** | **--** | **23,111** |
| ***The effect of changes in foreign exchange rates*** | **--** | **--** | **--** | **--** | **(14,328)** | **(14,328)** |
| ***Other changes*** | | | | | | |
| Interest expense | -- | 20,266 | 236 | 4,798 | -- | 25,300 |
| Interest paid | -- | (17,299) | (236) | (4,410) | -- | (21,945) |
| New lease agreements | -- | -- | 2,771 | -- | -- | 2,771 |
| Termination of lease agreements | -- | -- | (614) | -- | -- | (614) |
| **Total liability-related other changes** | **--** | **2,967** | **2,157** | **388** | **--** | **5,512** |
| **Total equity-related other changes** | **--** | **--** | **--** | **--** | **(227,516)** | **(227,516)** |
| **Balance at 31 December 2020** | **19,118** | **367,483** | **9,526** | **89,065** | **832,216** | **1,303,952** |

# 16. Loans and borrowings (continued)

## Reconciliation of movements of liabilities (continued)

| | Loans and borrowings | Lease liabilities | Bonds issued | Equity | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **252,909** | **--** | **118,674** | **485,338** | **856,921** |
| ***Changes from financing cash flows*** | | | | | |
| Other changes in equity | -- | -- | -- | (6,077) | (6,077) |
| Dividends paid | -- | -- | -- | (68,362) | (68,362) |
| Proceeds from interest-bearing loans and borrowings | 22,509 | -- | 2,413 | -- | 24,922 |
| Repayments of interest-bearing loans and borrowings | (72,260) | -- | -- | -- | (72,260) |
| Bonds repaid | -- | -- | (120,000) | -- | (120,000) |
| Bonds issued | -- | -- | 90,000 | -- | 90,000 |
| Payment of lease liabilities | -- | 1,684 | -- | -- | 1,684 |
| **Total changes from financing cash flows** | **(49,751)** | **1,684** | **(27,587)** | **(74,439)** | **(153,461)** |
| ***Changes arising from obtaining or losing control of subsidiaries or other businesses*** | **243,114** | **7,803** | **--** | **--** | **250,917** |
| ***The effect of changes in foreign exchange rates*** | **--** | **--** | **--** | **2,962** | **2,962** |
| ***Other changes*** | | | | | |
| Non-cash movement – assignment | (117,410) | -- | -- | -- | (117,410) |
| Interest expense | 22,511 | 157 | 6,935 | -- | 29,603 |
| Interest paid | (11,719) | (157) | (9,345) | -- | (21,221) |
| New lease agreements | -- | 3,346 | -- | -- | 3,346 |
| Termination of lease agreements | -- | (189) | -- | -- | (189) |
| **Total liability-related other changes** | **(106,618)** | **3,157** | **(2,410)** | **--** | **(108,871)** |
| **Total equity-related other changes** | **--** | **--** | **--** | **716,846** | **716,846** |
| **Balance at 31 December 2019** | **339,654** | **9,276** | **88,677** | **1,130,707** | **1,568,314** |

# 17. Bonds issued

| | **2020 TEUR** | **2019 TEUR** |
|---|---|---|
| Nominal value of bonds issued | 90,000 | 120,000 |
| Repayment of bonds | -- | (120,000) |
| Bonds issued on 29 May 2019 | -- | 90,000 |
| Expenses related to the issue of bonds - amortized | (1,327) | (1,715) |
| Accrued interest | 392 | 392 |
| **Total amount as at 31 December** | **89,065** | **88,677** |

On 21 July 2017, the Group issued bonds EMG 5.25/2022 (ISIN SK4120013012) of a total nominal value of TEUR 120,000 with maturity on 21 July 2022. The nominal value of each bond was EUR 1,000. Bonds bore fixed interest rate of 5.25% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange and secured by pledge of shares in SAZKA Group a.s. held by the Group.

On 23 April 2019, the Group voluntarily early repaid bonds EMG 5.25/2022 (ISIN SK4120013012) in its total nominal value plus repayment premium.

## 17. Bonds issued (continued)

On 29 May 2019, the Group issued bonds EMG 4.90/2024 (ISIN SK4000015210) in total nominal value of TEUR 90,000. The bonds will mature as at 29 May 2024. Bonds bear fixed interest rate of 4.90% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange. The Bonds are secured by a corporate guarantee provided by the consolidated entity EMMA GAMMA LIMITED, for the maximum amount of TEUR 115,000.

The interest expense related to bonds issued is TEUR 4,410 in 2020 (2019: TEUR 4,522) and the effective interest expense related to the issue of bonds is TEUR 388 in 2020 (2019: TEUR 2,413). For further information refer to Note 4.

The fair value of bonds issued approximates to their carrying amounts as presented above. The exposure of the Group to liquidity risk, to interest rate risk and to foreign exchange risk in relation to bonds issued is described in Note 4.

## 18. Financial liabilities at fair value through profit or loss

The Group holds derivatives to manage future cash flows from the payments of principal and interest according to the loan agreements (cross currency interest rate swaps).

All financial derivatives were stated at fair value as at 31 December 2020 and 2019 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

| | **2020** | **2019** |
|---|---|---|
| At 1st January | 313 | -- |
| Acquisitions through business combinations | -- | 489 |
| Change in fair value | (313) | (176) |
| **Balance at 31st December** | **--** | **313** |

## 19. Trade payables

The Group's trade payables as of 31 December 2020 amounting TEUR 38,785 (2019: TEUR 22,111) consist mainly of payables related to trading in pharmaceuticals, payables of gas supply of Romanian companies, distribution of electricity of Moldovan companies and payables related to betting and casino activities of Croatian companies.

The fair value of trade payables approximates to their carrying amounts as presented above. Information about the Group's exposure to currency and liquidity risks is included in Note 4.

## 20. Other liabilities

| | 2020<br>TEUR | 2019<br>TEUR<br>(restated) |
|---|---|---|
| **Financial liabilities** | | |
| Accrued expenses | 3,176 | 8,039 |
| Other liabilities | 7,435 | 3,610 |
| **Subtotal financial liabilities** | **10,611** | **11,649** |
| | | |
| **Non-financial liabilities** | | |
| Deferred income and prepayments | 11,338 | 6,691 |
| Other tax payable | 12,839 | 11,753 |
| Advances received | 1,751 | 1,627 |
| Wages and salaries | 2,237 | 2,817 |
| Social security and health insurance | 2,156 | 706 |
| **Subtotal non-financial liabilities** | **30,321** | **23,594** |
| | | |
| **Total** | **40,932** | **35,243** |
| | | |
| Current | 27,872 | 24,656 |
| Non-current | 13,060 | 10,587 |
| **Total** | **40,932** | **35,243** |

As at 31 December 2020, other liabilities include deferred consideration of TEUR 1,650 related to the acquisition of PROFARM S.A. (for further information refer to Note 1 Description of the Group – Acquisition and disposals in 2020).

As at 31 December 2020 and 2019, the balance of deferred income and prepayments is notably represented by liabilities related to sale of electricity by Moldovan subsidiaries. Accrued expenses and advances received are represented notably by liabilities related to sale of gas by Romanian subsidiaries. The remaining amount of other liabilities is represented by the liabilities borne mainly by the Romanian and Moldovan subsidiaries in respect to gas and electricity business and by Croatian subsidiaries in respect to deposits received for betting and casino games, liabilities for unpaid wins and jackpots and provided vouchers for gaming.

The fair value of other liabilities approximates to their carrying amounts as presented above. For more information about the Group's exposure to liquidity and foreign currency risk refer to Note 4.

## 21. Deferred tax liability and asset

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

| | 2020<br>TEUR | 2019<br>TEUR<br>(restated) |
|---|---|---|
| Deferred tax assets | 969 | 340 |
| Deferred tax liabilities | (21,843) | (21,268) |
| **Net deferred tax liabilities** | **(20,874)** | **(20,928)** |

The recognised deferred tax assets and liabilities are attributable mainly to property, plant and equipment and to intangible assets (gas distribution networks accounted for based on IFRIC 12).

## 21. Deferred tax liability and asset (continued)

Movements in temporary differences during the period were as follows:

| TEUR | Balance at 1 January | Recognized in profit or loss (Note 30) | Additions resulting from business combinations | Other movements in OCI | Recognized directly in equity | Effect of movements in foreign exchange rate | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| 2020 | (20,928) | (821) | 556 | -- | -- | 319 | (20,874) |
| 2019 (restated) | (3,120) | (1,180) | (17,004) | -- | -- | 376 | (20,928) |

## 22. Equity

### Share capital

Upon incorporation on 12 October 2012, the Company issued to the subscribers of its Memorandum of Association 10,000 ordinary shares of EUR 1 each at par.

At 31 December 2020, the share capital of the Group comprised 10,000 ordinary shares with nominal value of EUR 1 each, all of which were issued and fully paid.

The Company's ordinary shares are pledged by EMMA CAPITAL LIMITED, in favour of J&T Banka a.s.

The Ordinary Shares shall confer on their holders the following rights:

a) The right to receive notice, attend and vote at any proposed General Meeting and/or proposed resolution of the General Meeting and/or any proposed unanimous written resolution of the General Meeting.

b) The right to receive dividends in accordance with Regulations 112-114A.

c) On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive assets corresponding to (i) the nominal value of the Ordinary Shares and (ii) to the amount remaining payable as provided for in Regulation 114A (c).

### Redeemable shares

| | 2020 Number of shares | 2020 TEUR | 2019 Number of shares | 2019 TEUR |
|---|---|---|---|---|
| **Authorised** | | | | |
| Redeemable shares of EUR 1 each | 10,225 | 10 | 10,055 | 10 |
| **Issued and fully paid (Total)** | | | | |
| Opening balance | 10,055 | 437,370 | 10,055 | 437,370 |
| Newly issued redeemable shares | 170 | 17,318 | -- | -- |
| Redemptions of shares * | (1,881) | - | | |
| Transfer of share premium to retained earnings | | (250,000) | | |
| Other transfer to/from retained earnings | -- | 235 | -- | -- |
| **Balance as at 31 December** | **8,344** | **204,923** | **10,055** | **437,370** |

* redemption value of TEUR 165,280 was settled from retained earnings after transfer from redeemable preference shares reserve to retained earnings

# 22. Equity (continued)

## Redeemable shares (continued)

During 2020, MEF HOLDINGS LIMITED sold 183 redeemable preference shares to minority shareholders (2019: 3 redeemable preference shares).

During 2020, the Company redeemed 1,881 redeemable preference shares held by MEF HOLDINGS LIMITED (2019: 0 redeemable preference shares) for total redemption value of TEUR 165,280.

On 21 May 2020, the Company's authorised and issued share capital were increased from EUR 10,055 divided into 10.055 redeemable preference shares of nominal value of EUR 1 each to EUR 10,225 divided into 10,225 redeemable preference shares of nominal value of EUR 1 each by the creation of 170 additional redeemable preference shares of nominal value of EUR 1 each. The new shares were issued at a premium value of EUR 101.872,53 each, amounting to TEUR 17,318.

On 18 September 2020, 2,208 redeemable preference shares out of the 9,553 shares which were pledged during 2019, under the Deed of Pledge Agreement between MEF Holdings Limited and J&T Banka a.s., were released. As at 31 December 2020, 7,345 redeemable preference shares remain pledged.

In December 2020, the Company transferred part of its share premium in total amount of TEUR 250,000 to retained earnings.

The Redeemable Preference Shares shall confer on their holders the following rights:

a. The right to redeem such shares in accordance with the procedure set out in the present Regulations.
b. The right to receive dividends in accordance with Regulations 112- 114A.
c. On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive any surplus assets remaining after the distribution to the holders of Ordinary Shares as provided for in Regulation 5A (c).

## Translation reserve

The translation reserve balance as at 31 December 2020 of negative TEUR 85,125 (2019 restated: negative TEUR 41,397) represents notably foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT GROUP B.V.) is the parent company. In 2020, the negative change of TEUR 44,225 in the translation reserve is primarily caused by movements in equity of equity-accounted investees and by movements of foreign exchange rates in Moldova and Romania. In 2019, the restated positive change of TEUR 11,895 in the translation reserve was primarily caused by movements in equity of equity-accounted investees and by sale of shares in equity-accounted investee (refer to Note 15).

## Revaluation reserves

The revaluation reserve represents effects of revaluation gains/(losses) of the Group's share on revaluation gains/(losses) from associates.

| | Note | TEUR |
|---|---|---|
| On 1st January 2019 (restated) | | 5,712 |
| Current year share on revaluation gain from associates | 15 | 89 |
| **On 31st December 2019 (restated)** | | **5,801** |
| On 1st January 2020 | | 5,801 |
| Current year share on revaluation gain from associates | 15 | 266 |
| **On 31st December 2020** | | **6,067** |

## Other reserves

The balance of other reserves as at 31 December 2020 of TEUR negative 20,863 (2019 restated: TEUR negative 18,802) represents notably the Group's share on associate's HOME CREDIT GROUP B.V. changes in net assets other than associates' profit or loss or associates' other comprehensive income (refer to Note 15).

## 22. Equity (continued)

### Non-controlling interests

The following table summarises the information relating to each of the Group´s subsidiaries that has material NCI in 2020.

| **TEUR** | **SAZKA GROUP ADRIATIC Group[1)]** | **DANDELION HEALTH-CARE Group** | **PROFARM Group[2)]** | ***Subtotal*** | **Total** |
|---|---|---|---|---|---|
| **NCI percentage** | **33.00%** | **20.00%** | **40.00%** | | |
| Non-current assets | 58,357 | 23,301 | 10,496 | | |
| Current assets | 41,439 | 1,476 | 50,147 | | |
| Non-current liabilities | (4,940) | (10,813) | (9,195) | | |
| Current liabilities | (12,971) | (2,185) | (39,768) | | |
| **Net assets** | **81,885** | **11,779** | **11,680** | | |
| **Net assets attributable to NCI** | **27,022** | **2,220** | **4,720** | ***33,962*** | ***44,854*** |
| | | | | | |
| Revenue | 106,008 | 6,816 | 1,391 | | |
| Profit / (loss) | 50,753 | (1,030) | 171 | | |
| OCI | 15 | 648 | -- | | |
| **Total comprehensive income** | **50,768** | **(382)** | **171** | | |
| **Profit / (loss) allocated to NCI** | **16,748** | **(207)** | **74** | ***16,615*** | ***19,479*** |
| **OCI allocated to NCI** | **5** | **(128)** | **--** | ***(123)*** | ***(1,471)*** |

| **TEUR** | **LIGATNE LIMITED Group[3)]** | **JOSECO HOLDINGS Group** | **B.E.R.G SISTEM GAZ S.A.** | **LIGATNE GAS S.R.L.** | ***Subtotal*** |
|---|---|---|---|---|---|
| **NCI percentage** | **0.00%** | **7.26%** | **0.32%** | **0.04%** | |
| Non-current assets | -- | 177,095 | 2,349 | 624 | |
| Current assets | -- | 29,285 | 1,276 | 14 | |
| Non-current liabilities | -- | (26,620) | -- | (4,306) | |
| Current liabilities | -- | (29,853) | (219) | (49) | |
| **Net assets** | -- | **149,907** | **3,406** | **(3,717)** | |
| **Net assets attributable to NCI** | -- | **10,883** | **10** | **(1)** | ***10,892*** |
| | | | | | |
| Revenue | **--** | 224,485 | 1,101 | 207 | |
| Profit / (loss) | **--** | 38,453 | 539 | 435 | |
| OCI | **--** | (18,567) | -- | -- | |
| **Total comprehensive income** | **--** | **19,886** | **539** | **435** | |
| **Profit / (loss) allocated to NCI** | **(819)** | **3,683** | **--** | **--** | ***2,864*** |
| **OCI allocated to NCI** | **--** | **(1,348)** | **--** | **--** | ***(1,348)*** |

1) Only subsidiaries of SAZKA GROUP ADRIATIC included. NCI percentage of SUPER SPORT d.o.o. and PUNI BROJ d.o.o. is 33.00%, NCI percentage of MINUS5 d.o.o. is 49.00%.
2) NCI percentage of PROFARM S.A. and EL-PHARM A.E. is 40.00%, NCI percentage of PER SE PHARMACEUTICALS A.E. is 67.00%.
3) On 21 May 2020, the Group increased its holding in LIGATNE LIMITED to 100%. Therefore, the table above includes only loss allocated to non-controlling interests of LIGATNE LIMITED Group before this transaction.

# 22. Equity (continued)

## Non-controlling interests (continued)

The following table summarises the restated information relating to each of the Group´s subsidiaries that had material NCI in 2019.

| **TEUR** | **LIGATNE LIMITED Group (restated)** | **SAZKA GROUP ADRIATIC Group[1)]** | **DANDELION HEALTHCARE Group** | **JOSECO HOLDINGS Group (restated)** | **Total (re-stated)** |
|---|---|---|---|---|---|
| **NCI percentage** | **19.15%** | **33.00%** | **30.00%** | **31.43%** | |
| Non-current assets | 50,267 | 57,926 | 23,414 | 185,678 | |
| Current assets | 77,170 | 47,213 | 1,412 | 19,706 | |
| Non-current liabilities | (49,346) | (7,330) | (12,474) | (15,892) | |
| Current liabilities | (44,392) | (13,111) | (2,490) | (30,653) | |
| **Net assets** | **33,699** | **84,698** | **9,862** | **158,839** | |
| **Net assets attributable to NCI** | **6,452** | **27,950** | **2,959** | **49,923** | ***87,284*** |
| Revenue | 177,494 | 80,442 | 1,807 | 189,835 | |
| Profit | 6,385 | 40,565 | 413 | 127,715 | |
| OCI | (883) | (374) | 447 | 4,122 | |
| **Total comprehensive income** | **5,502** | **40,191** | **860** | **131,837** | |
| **Profit allocated to NCI** | **1,223** | **13,386** | **124** | **40,141** | ***54,874*** |
| **OCI allocated to NCI** | **(169)** | **(123)** | **134** | **1,295** | ***1,137*** |

[1)] Only subsidiaries of SAZKA GROUP ADRIATIC included. NCI percentage of SUPER SPORT d.o.o. and PUNI BROJ d.o.o. is 33.00%, NCI percentage of MINUS5 d.o.o. is 49%.

## Dividends paid and other distributions paid

During 2020, the Group distributed dividends to EMMA CAPITAL LIMITED in the total amount of TEUR 20,000 (2019: TEUR 59,500). Dividends in the amount of TEUR 19,359 were distributed to minority shareholders of subsidiaries (2019: TEUR 8,862). Furthermore, the Group distributed additional TEUR 587 to minority shareholders of subsidiaries.

## 23. Revenues and expenses related to core operations

### Revenue streams and related expenses

| | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|
| Sale of gas | 125,069 | 154,244 |
| Revenues from distribution of gas | 25,407 | 16,161 |
| Revenue from betting activities | 56,056 | 37,725 |
| Revenue from casino games | 29,829 | 27,913 |
| Revenues from electricity distribution service | 224,483 | 99,224 |
| Revenue from sale of pharmaceuticals | 3,358 | -- |
| Medical services | 20,463 | 1,552 |
| Other gas related revenues | 8,451 | 7,464 |
| Other revenues | 132 | 30 |
| **Revenues from core operations** | **493,248** | **344,313** |
| | | |
| Other income related to gaming | 17,820 | 14,804 |
| Other income | -- | 104 |
| **Other income related to core operations** | **17,820** | **14,908** |
| | | |
| Cost of gas sold | (105,744) | (136,525) |
| Cost of electricity sold | (135,611) | (63,858) |
| Transportation of electricity | (20,252) | (8,868) |
| Cost of pharmaceuticals sold | (19,092) | -- |
| Other cost | (3,576) | (2,010) |
| **Costs of goods sold** | **(284,275)** | **(211,261)** |

In 2020 and 2019, the revenue from sales and distribution of gas is generated by the Romanian companies. The selling price of gas sold on the regulated market as well as the distribution tariff are controlled by ANRE (Romanian Energy Regulatory Authority). The costs of gas sold comprise the acquisition price of the gas sold and the transportation tariffs charged by Transgaz.

In 2020 and 2019, the revenues from sale and distribution of electricity is generated by the Moldavan companies acquired in 2019.

Revenue from betting activities are generated by providing betting services via betting shops throughout Croatia as well as via betting machines and online betting. Casino revenues are generated by providing physical (land based) and online casino services. Betting and casino activities are provided by Croatian entities included in the subgroup SAZKA GROUP ADRIATIC d.o.o. acquired in 2019.

Revenue from medical services is generated in the Czech Republic and resulted from the acquisition of EUROPE IVF INTERNATIONAL s.r.o. in 2019.

In 2020, the Group acquired through business combination PROFARM S.A. and EL-PHARM A.E. operating in sales of pharmaceuticals in Greece.

# 23. Revenues and expenses related to core operations (continued)

## Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

| | **2020 TEUR** | **2019 TEUR (restated)** |
|---|---|---|
| Trade receivables | 89,495 | 57,338 |
| Contract assets | 889 | 948 |
| Contract liabilities | (4,238) | (4,613) |

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The exposure of the Group to credit risk in relation to contract assets is described in Note 4. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers. The amount of TEUR 4,613 included in contract liabilities as at 31 December 2019 has been recognised as revenue in 2020 (2019: TEUR 7,053).

## 24. Services and material expenses

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Professional services | (16,434) | (11,983) |
| Independent auditor's remuneration for statutory audit | (610) | (442) |
| Advertising and marketing | (4,404) | (2,525) |
| Taxes other than income tax | (4,673) | (3,723) |
| Rental, maintenance and repair expenses | (2,306) | (5,043) |
| Telecommunication and postage | (1,399) | (885) |
| Travel expenses | (527) | (489) |
| Information technologies | (3,759) | (1,701) |
| Distribution, transport and storage of goods | (20,203) | (8,709) |
| Material consumption | (3,228) | (2,885) |
| Energy consumption | (811) | (624) |
| Other | (7,916) | (4,518) |
| **Services and material expenses** | **(66,270)** | **(43,527)** |

Professional services expenses represent administration expense, accounting services expense, advisory expense, betting and casino concession charge, professional and management fees and incorporation expenses.

Amount paid for Audit services totals TEUR 610 (2019: TEUR 442) and other services provided by auditors TEUR 225 (2019: TEUR 252).

## 25. Personnel expenses

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Employee compensation | (32,376) | (18,474) |
| Payroll related taxes (including social and pension contribution) | (5,229) | (2,523) |
| **Personnel expenses** | **(37,605)** | **(20,997)** |

The average number of employees in the Group for the year 2020 was 2,498 employees (2019: 2,196 employees).

## 26. Impairment losses on loans and receivables

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| Net impairment losses on loans and other financial assets | (872) | (2,147) |
| | **(872)** | **(2,147)** |

In 2020, net impairment losses comprise also write-off of other financial assets held by TONALA LIMITED in total amount of TEUR 1,510.

Based on IFRS 9 requirements, net impairment losses on loans and receivables has been disclosed in separate line item in the statement of profit or loss and other comprehensive income.

## 27. Other operating income

| | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|
| Rental income (other than from Investment property) | 430 | 146 |
| Gain on disposal of property, plant, equipment, and intangible assets | 169 | 88 |
| Net foreign currency gains | 623 | 68 |
| Other income | 4,075 | 757 |
| | **5,297** | **1,059** |

In 2020, other operating income relates mainly to compensation received in connection with Covid-19 lockdown and to recognition of internally developed assets.

## 28. Other operating expenses

| | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|
| Net impairment losses on property, plant and equipment | (10) | 144 |
| Net impairment losses on advances to suppliers | (15,620) | -- |
| Net impairment losses on other non-financial assets | (1) | (2) |
| Loss on disposal of property, plant, equipment and intangible assets | (143) | (58) |
| Other expenses | -- | (90) |
| | **(15,774)** | **(6)** |

Net impairment losses on advances to suppliers were recognized by PREMIER ENERGY S.R.L. operating in the gas segment in Romania.

# 29. Net finance income/expense

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| **Finance income** | | |
| Interest income | 10,088 | 12,533 |
| Fee and commission income | -- | 2,250 |
| Net trading income from financial assets | 2,674 | -- |
| Revaluation of financial instruments at fair value through profit or loss (equity instruments) | 2,594 | -- |
| Gain on financial instruments at fair value through profit or loss (derivatives) | 542 | 181 |
| Other finance income | 20 | 216 |
| **Total finance income** | **15,918** | **15,180** |
| | | |
| **Finance expense** | | |
| Interest expense | (25,300) | (29,603) |
| Fee and commission expense | (961) | (519) |
| Loss on financial instruments (derivatives) | -- | (6,075) |
| Other finance expense | (22) | -- |
| **Total finance expense** | **(26,283)** | **(36,197)** |
| **Net finance expense** | **(10,365)** | **(21,017)** |

| | 2020 TEUR | 2019 TEUR |
|---|---|---|
| **Interest income** | | |
| Loans receivable | 7,574 | 8,306 |
| Due from banks, other financial institutions and holding companies | 94 | 258 |
| Financial instruments at amortised cost | 2,416 | 3,969 |
| Other interest income | 4 | -- |
| | **10,088** | **12,533** |
| | | |
| **Interest expense** | | |
| Due to non-banks | (12,103) | (17,807) |
| Due to banks and other financial institutions | (7,900) | (4,704) |
| Debt securities issued | (4,798) | (6,935) |
| Lease liabilities | (236) | (157) |
| Other interest expense | (263) | -- |
| | **(25,300)** | **(29,603)** |

## 30. Income tax expense

| | 2020 TEUR | 2019 TEUR (restated) |
|---|---|---|
| Current tax expense | (18,393) | (12,311) |
| Deferred tax expense (Note 21) | (821) | (1,180) |
| **Total income tax expense recognised in profit or loss** | **(19,214)** | **(13,491)** |

| **Reconciliation of effective tax rate** | **2020 %** | **2020 TEUR** | **2019 %** | **2019 TEUR (restated)** |
|---|---|---|---|---|
| **(Loss)/profit before tax** | | **(15,510)** | | **672,826** |
| Income tax using the domestic tax rate (see below) | (12.5) | 1,939 | (12.5) | (84,103) |
| Effect of tax rates in foreign jurisdictions | 17.8 | (2,757) | (0.4) | (2,620) |
| Non-deductible costs | 142.7 | (22,139) | (1.2) | (7,812) |
| Non-taxable income | (32.8) | 5,084 | 12.1 | 81,507 |
| Items taxed at different tax rate | (0.0) | 7 | -- | -- |
| Adjustment to prior years | (0.3) | 41 | -- | -- |
| Tax loss carried forward not recognised | 13.3 | (2,069) | (0.1) | (442) |
| Utilised tax loss not previously recognised | -- | -- | 0.0 | 158 |
| Other | (4.4) | 680 | (0.0) | (179) |
| **Total income tax expense** | **123.8** | **(19,214)** | **(2.1)** | **(13,491)** |

Corporate income tax rates for tax domiciles of entities in consolidated Group for fiscal years 2020 and 2019 can be summarized as follows:

| | **2020** | **2019** |
|---|---|---|
| Cyprus | 12.50% | 12.50% |
| Slovakia | 21.00% | 21.00% |
| The British Virgin Islands | -- | 0.00% |
| Croatia | 18.00% | 18.00% |
| Czech Republic | 19.00% | 19.00% |
| Romania | 16.00% | 16.00% |
| Moldova | 12.00% | 12.00% |
| Greece | 24.00% | -- |

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# 31. Related party transactions

The Group's parent company is MEF HOLDINGS LIMITED and the ultimate controlling party is Mr. Šmejc.

## (a) Transactions with the parent company and the ultimate owner

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| Loans received (principal payables) | (17,100) | (2,317) |
| Accrued interest (interest payable) | (25) | (2,165) |
| Loans provided (principal receivables) | 10,517 | 108,193 |
| Accrued interest (interest receivable) | 2,627 | 4,464 |
| Impairment allowance (IFRS 9) | (6) | (117) |
| **Total balances** | **(3,987)** | **108,058** |
| Interest income | 5,952 | 6,732 |
| Interest expense | (25) | (276) |
| **Total transactions** | **5,927** | **6,456** |

## (b) Transactions with associated groups

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| Loans received (principal payables) | (45,000) | (38,150) |
| Accrued interest (interest payable) | (1,100) | (1,122) |
| **Total balances** | **(46,100)** | **(39,272)** |
| Interest expense | (1,100) | (2,190) |
| **Total transactions** | **(1,100)** | **(2,190)** |

## (c) Transactions with other related parties

| | 2020<br>TEUR | 2019<br>TEUR |
|---|---|---|
| Loans received (principal payables) | (140,970) | (139,992) |
| Accrued interest (interest payable) | (7,736) | (8,384) |
| Loans provided (principal receivables) | 5,402 | 520 |
| Accrued interest (interest receivable) | 49 | 1 |
| Impairment allowance (IFRS 9) | (2) | -- |
| **Total balances** | **(143,257)** | **(147,855)** |
| Interest income | 47 | 1 |
| Interest expense | (9,809) | (9,544) |
| **Total transactions** | **(9,762)** | **(9,543)** |

## (d) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are benefits of TEUR 6 comprising directors' fees (2019: TEUR 6). The members of the Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

# 31. Related party transactions (continued)

## (d) Transactions with key management personnel (continued)

EMMA GAMMA Adriatic d.o.o. ("EGA"), a subsidiary of the Company has entered into agreements with key management of SUPER SPORT d.o.o. ("SS"), whereby EGA gave loans to them in the amount of HRK 48,434 thousand, while the management simultaneously acquired 1.55% of shares in SS for the same amount. EGA is contractually obliged to re-acquire the shares from key management after certain period of time, while the loans given to them are non-recourse. The substance of this share purchase arrangement is that it represents an equivalent of employee benefit as shares are used as a legal mechanism to pay the benefits in return of the increase of the SS investment value. Some of the agreements have additional call and put options, which carry an irrecoverable and unconditional unilateral right to sell or buy the shares at the exercise price which depends on the operating performance of SS and the year in which the right is exercised. The difference between the estimated exercise price and price at which the shares were sold, discounted at appropriate rate, represent the employee benefits, which will be recognised over the contracted service period as staff costs, while interest received on the loans will be deducted from staff costs.

## (e) Shareholder agreements

SGA has contractually agreed the future acquisition of 33% in SS from its non-controlling shareholder in 2022. The total purchase price for such acquisition is partially depending on SS performance in 2021 and based on the current assumptions and expectations it could reach approximately EUR 151 million. However, the non-controlling shareholder has the unilateral right to partially cancel the sale. Such cancellation has to be declared by 30 June 2021 and it is associated with simultaneous disproportionate decrease of the sale price. In case that the non-controlling shareholder would use the right to cancel the sale to the maximum extent, it could result, based on the current assumptions and expectations, in the sale of 9.4% of shares in SS for EUR 1, while the non-controlling shareholder would continue to keep 23.6 % in SS without any further commitments towards the Company. Both estimations - the maximum amount payable in case that the sale is not partially cancelled as well as the percentage of shares to be acquired for EUR 1 in case of the maximum possible cancellation of the sale are based on the current expectation of 2021 EBITDA and would change accordingly based on the actual 2021 performance.

# 32. Events after the reporting period

On 15 January 2021, the Company sold its 7,38% shareholding in RIXO s.r.o. to key management of RIXO s.r.o.. On the same date, the Company entered into loan agreements with key management of RIXO s.r.o. in order to provide financing for the acquisition of the shares.

On 25 February 2021, the Company redeemed 336 redeemable preference shares held by MEF HOLDINGS LIMITED for total redemption value of TEUR 26,524.

The promissory note from KKCG AG in the amount TEUR 30,000 related to the sale of SAZKA was repaid on 14 March 2021.

On 26 March 2021, dividends in the total amount of TEUR 10,432 were distributed to minority shareholders of subsidiaries.