

ELEFANT ONLINE SA

CONSOLIDATED FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated Financial Statements for the year end 31 December 2018

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Consolidated Financial Statements for the year end 31 December 2018

Consolidated Statement of Financial Position

(stated in RON, unless otherwise indicated)

	Note	2018	2017 Restated*
Assets			
Non-current assets			
Intangible assets	13	16,891,900	14,738,546
Property, plant and equipment	12	1,169,827	1,589,250
Other non-current assets	15	643,288	594,991
Total non-current assets		18,705,015	16,922,787
Current assets			
Inventories	17	25,207,408	26,739,755
Trade and other receivables	18	2,763,451	6,683,574
Prepayments	16	1,809,649	1,767,128
Cash and cash equivalents	19	11,721,522	12,862,647
Total current assets		41,502,030	48,053,104
Total assets		60,207,045	64,975,891
Equity and liabilities			
Capital and reserves			
Ordinary shares	20	59,395,600	48,906,200
Share premium	20	21,206,948	21,206,948
Reserves		(12,822)	-
Retained losses	21	(90,440,442)	(67,576,848)
Total equity		(9,850,716)	2,536,300
Liabilities			
Non-current liabilities			
Loans and borrowings	23	8,136,215	531,303
Total non-current liabilities		8,136,215	531,303
Current liabilities			
Trade and other payables	23	45,461,641	42,807,330
Loans and borrowings	22	14,774,811	16,772,916
Current tax liabilities		44,617	10,941
Employee benefits	23	1,640,477	2,317,101
Total current liabilities		61,921,546	61,908,288
Total liabilities		70,057,761	62,439,591
Total equity and liabilities		60,207,045	64,975,891



The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes from pages 8 to 34.

Sergiu Chirca
Chief Executive Officer

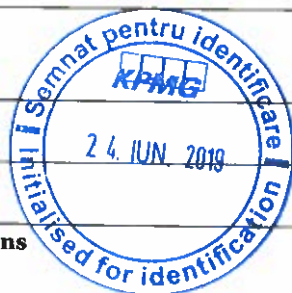
Alexandru Namasco
Chief Financial Officer

Consolidated Financial Statements for the year end 31 December 2018

Consolidated Statement of Profit or Loss and Other Comprehensive income

(stated in RON, unless otherwise indicated)

	Note	2018	2017 Restated*
Continuing operations			
Revenue	6	136,471,324	131,481,751
Other income	7	45,627	(20,038)
Total revenue		136,516,951	131,461,713
Cost of merchandise		107,864,155	102,387,218
Cost of transportation expenses		5,507,018	4,751,786
Employee related expenses	9	13,770,321	15,822,980
Marketing expenses		8,825,603	7,327,927
Rent expenses		3,367,512	4,112,911
Amortisation and depreciation		7,885,077	4,076,072
Other operational expenses	8	11,028,602	13,649,572
Operating Loss		(21,731,337)	(20,666,753)
Finance income	10	498,235	575,836
Finance costs	10	1,630,492	1,688,317
Finance costs (net)		(1,132,257)	(1,112,481)
Loss before income tax		(22,863,594)	(21,779,234)
Income tax expense		-	-
Loss for the year from continuing operations		(22,863,594)	(21,779,234)
Discontinued operations			
Profit for the year from discontinued operations		-	-
Loss for the year		(22,863,594)	(21,779,234)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign operations – foreign currency translation differences		(12,822)	-
Other comprehensive income for the period		(12,822)	-
Total comprehensive income for the period		(22,876,416)	(21,779,234)
Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)	11	(13,633,034)	(16,337,730)



The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes from pages 8 to 32.

Sergiu Chirca
Chief Executive Officer

Alexandru Namasco
Chief Financial Officer

Consolidated Financial Statements for the year end 31 December 2018

Consolidated Statement of Changes in Equity

(stated in RON, unless otherwise indicated)

<i>in RON</i>	Note	Share capital	Share premium	Reserves	Retained losses <i>Restated*</i>	Total equity
Balance at 1 January 2017		31,648,400	21,206,948	-	(45,797,614)	7,057,734
Issue of ordinary share	20	17,257,800	-	-	-	17,257,800
Loss	21	-	-	-	(21,779,234)	(21,779,234)
Balance at 31 December 2017		48,906,200	21,206,948	-	(67,576,848)	2,536,300
Balance at 1 January 2018		48,906,200	21,206,948	-	(67,576,848)	2,536,300
Issue of ordinary share	20	10,489,400	-	-	-	10,489,400
Loss	21	-	-	-	(22,863,594)	(22,863,594)
Translation reserve		-	-	(12,822)	-	(12,822)
Balance at 31 December 2018		59,395,600	21,206,948	(12,822)	(90,453,264)	(9,850,716)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes from pages 8 to 32.

Sergiu Chirca
Chief Executive Office

Alexandru Namasco
Chief Financial Officer



Consolidated Financial Statements for the year end 31 December 2018

Consolidated Statement of Cash Flows

(stated in RON, unless otherwise indicated)
in RON

	Note	2018	2017 Restated*
<i>Cash flows from operating activities</i>			
Loss before tax		(22,863,594)	(21,779,234)
<i>Adjustments for:</i>			
Depreciation		469,028	328,321
Amortisation		6,520,549	3,708,880
Intangible assets impairment charge		770,814	-
Allowances for obsolete stock		(34,714)	(407,388)
Translation reserve		(12,822)	-
Interest income		(229)	(2,784)
Interest expenses		1,001,141	744,765
Foreign exchange losses on operating activities		131,345	370,500
Cash from operations before change in working capital		(14,018,482)	(17,036,940)
<i>Changes in working capital</i>			
Inventories		1,532,347	3,390,283
Trade and other receivables		(670,934)	816,374
Trade and other payables		2,130,079	9,000,632
Other assets		(90,818)	258,789
Cash generated from operations		(11,117,808)	(3,570,862)
Interest paid		(818,136)	(744,765)
Net cash generated from operating activities		(11,935,944)	(4,315,627)
<i>Cash flows from investing activities</i>			
Purchases of property, plant and equipment		(49,605)	(1,051,070)
Proceeds from sale of property, plant and equipment		-	3,486
Purchases of intangible assets		(9,444,717)	(7,576,690)
Loans made to associated entities		(854,255)	-
Loans received from related parties		-	91,232
Interest received		-	6,130
Net cash used in investing activities		(10,348,577)	(8,526,912)
<i>Cash flows from financing activities</i>			
Proceeds from issue of ordinary shares		15,115,400	12,631,800
Proceeds from borrowings		60,484,212	53,998,557
Repayments of borrowings		(61,542,182)	(50,997,320)
Repayments of leasing liabilities		(318,694)	(540,048)
Proceeds from issue of corporate bonds		7,404,660	-
Net cash used in financing activities		21,143,396	15,092,989
Net (decrease)/increase in cash, cash equivalents		(1,141,125)	2,250,450
Cash, cash equivalents at beginning of the year		12,862,647	10,612,197
Cash, cash equivalents at end of the year		11,721,522	12,862,647



The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes from pages 8 to 32.

Sergiu Chirca
Chief Executive Officer

Alexandru Namasco
Chief Financial Officer

Consolidated Financial Statements for the year end 31 December 2018

Notes to the Consolidated Financial Statements

(stated in RON, unless otherwise indicated)

1. General information

These consolidated financial statements are presented in Romanian Leu ("RON"), as that is the currency in which the majority of the Group's transactions are denominated. They comprise the financial statements of the Company and its subsidiaries (together 'the Group') and the Group's interests in associated entities drawn up for the year ended 31 December 2018. Except where otherwise indicated, all financial information presented in RON.

The continuing activities of Elefant Online SA ('the Company') and its subsidiaries are operating owning the websites elefant.ro and elefant.md.

The Company is a limited liability company. It is both incorporated and domiciled in Romania. The address of its registered office is in 5-7 Dimitrie Pompeiu Boulevard, 5th floor, Sector 2, Bucharest.

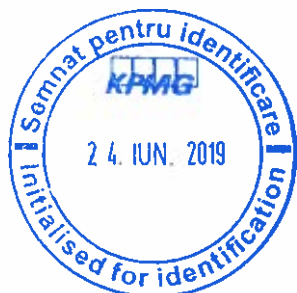
The Company is registered at the Commercial Registry under Nr. J40/6415/2010, sole registering number 26396066, and is represented by Mr. Chirca Sergiu as a Director.

2. Adoption of new and revised International Financial Reporting Standards

2.1. New and amended standards adopted by the Group

The Group has adopted the following amended IFRS as of 1 January 2018:

- a. IFRS 9, 'Financial Instruments', has an effective date for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 and deals with the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. A financial asset can only be measured at amortised cost when the Group has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. When the requirements for measuring the financial asset at amortised cost are met but the business model also includes the selling of those instruments then these financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss. The Group has considered its available-for-sale and held-to-maturity financial assets and does not believe that there will be a material adjustment arising from the classification changes of IFRS 9. Embedded derivatives within a host contract within the scope of IFRS 9 will no longer be separated and the whole contract will be measured at fair value through profit or loss. There will be no change to the treatment of embedded derivatives in a host contract that is not a financial instrument. The group has embedded derivatives within contracts that both are and are not financial instruments within the scope of IFRS 9. The Group does not expect a material change to arise to the carrying values of contracts as a result of the changes to the treatment of some embedded derivatives. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement', have been transferred to IFRS 9. There is unlikely to be an impact on the Group. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income with expected credit losses recognised on initial recognition based on 12 months expected credit losses, or if there has been a significant increase in the credit risk of the financial asset then the impairment is based on lifetime expected losses. The Group's financial assets mainly consist of trade receivables without a significant financing element, and the Group intends to take the option to apply an impairment model based on the life time expected losses for such instruments. The hedge accounting requirements have been liberalised from those previously in place. This is not expected to have any material effect on the accounting treatment applied for those hedges the Group already has in place.
- b. IFRS 15, 'Revenue from contracts with customers', is effective for periods beginning on or after 1 January 2018. The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:
 1. Identify the contract with the customer
 2. Identify the performance obligations in the contract
 3. Determine the transaction price
 4. Allocate the transaction price
 5. Recognise revenue when a performance obligation is satisfiedThe standard also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties.



Consolidated Financial Statements for the year end 31 December 2018

2. Adoption of new and revised International Financial Reporting Standards

2.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the Group beginning after 1 January 2018, but which have not been adopted early by the Group:

- a. IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, as long as IFRS 15 is also applied. The changes for lessors, and for lessees under current finance leases, will be limited, but the standard will significantly affect the treatment by lessees of what are currently treated as operating leases. With some exceptions, lessees under current operating leases will be required to record a liability for the payments under the lease, which remains discounted at the rate implicit in the lease (or if not known, the lessee's incremental borrowing rate), and record a corresponding right of use asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of lease, minus any lease incentives already received).

Impact of the adoption of IFRS 16

The Group will recognise new assets and liabilities for its operating leases of office, warehouse and pick up points. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-to-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of RON 7,157,858 as at 1 January 2019, and right of use asset. The lease liability and right-of-use asset will not have any impact net debt.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

3.1. Basis of preparation

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

The financial statements have been prepared on the historical cost basis. The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below.

Certain comparative amounts have been reclassified to conform with the current year presentation.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

3.2. Consolidation

The financial statements comprise those of the Company and its subsidiaries. Subsidiaries including special purpose entities which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.



Consolidated Financial Statements for the year end 31 December 2018

3. Significant accounting policies

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

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

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes. All companies in the Group have the same reporting date of 31 December.

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

3.3. Foreign currency translation

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

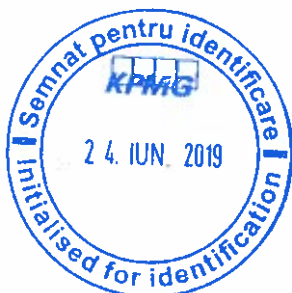
Transactions in currencies other than RON, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss. No Group entity has a functional currency of a hyper-inflationary economy.

In order to hedge its exposure to certain foreign exchange risks, predominantly between the RON and the Moldavian Leu, the Group does not enter into forward contracts and options.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, financial liabilities that are designated as hedges of the net investment in a foreign operation and qualifying cash flow hedges, each of which are recognised directly in equity within the translation reserve.

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

Foreign currency gains and losses are reported on a net basis.



Consolidated Financial Statements for the year end 31 December 2018

3.4. Revenue from contracts with customers

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

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. Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

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

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

Identification of the Performance Obligations

In a typical contract there are two performance obligations:

1. the goods or services ordered online by the customers;
2. the delivery of these goods or services to the customers at the scheduled time and to the agreed address.

The delivery of the goods or services is a separate performance obligation, as the customer has the option to pick up the ordered goods from one of the pick-up centres of the Group and therefore not pay for the service of goods delivery via transporter.

The Group is able to apply the practical expedient allowed in the standard to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar and the effects on the financial statements of doing so would not differ materially from applying the standard to individual contracts.

Determining the Transaction Price

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

Allocation of Transaction Price to the Performance Obligations

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

Timing of Recognition

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

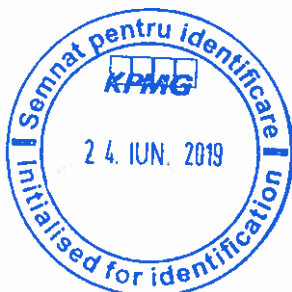
3.5. Taxation

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

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.



Consolidated Financial Statements for the year end 31 December 2018

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. For land and revalued investment property deferred tax is calculated on the presumption that recovery is through sale.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.6. Investments in associated entities

Investments in associates are those over which the Group has significant influence. These are accounted for using the equity method of accounting. Significant influence is considered to be participation in the financial and operating policy decisions of the investee and is usually evidenced when the Group owns between 20% and 50% of that company's voting rights.

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the associate after acquisition. At the date of acquisition any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate is recognised as goodwill and included in the carrying amount of the associate. The carrying amount of these investments is reduced to recognise any impairment of the value of the individual investment. If the Group's share of losses exceeds its interest in an associate the carrying value of that investment is reduced to nil and the recognition of any further losses is discontinued unless the Group has an obligation to make further funding contributions to that associate.

The Group's share of associates' post acquisition profits or losses is recognised in profit or loss and the share of post-acquisition movements in other comprehensive income is recognised within other comprehensive income.

Where a Group entity has transactions with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associated entity. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.7. Property, plant and equipment

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

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

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

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

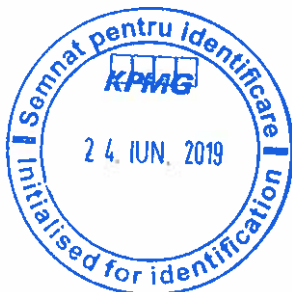
The useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable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

Land is not depreciated. Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss and if certain conditions are met as held for sale assets.



Consolidated Financial Statements for the year end 31 December 2018

3.8. Assets under construction

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

3.9. Intangible assets

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

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

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

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

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

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

It's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3.10. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11. Financial assets

General

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

Categories of financial instrument

Investments

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



Consolidated Financial Statements for the year end 31 December 2018

Financial assets at fair value through profit or loss

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

Reclassification of financial assets

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

3.12. Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

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

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

3.13. Financial liabilities and compound financial instruments

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

Financial liabilities

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

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

A financial liability may otherwise be designated at fair value through profit or loss upon initial recognition if such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a group of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Group's documented risk management and investment strategies; and (c) it forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.



Consolidated Financial Statements for the year end 31 December 2018

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income.

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

3.14. Inventories

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

3.15. Trade receivables

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

3.16. Cash and cash equivalents

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

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

3.17. Share capital

Ordinary shares

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

3.18. Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.19. Borrowings and borrowing costs

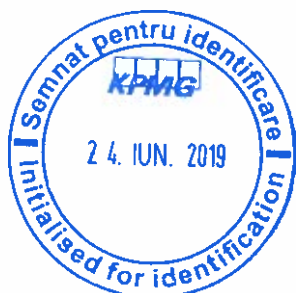
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

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



Consolidated Financial Statements for the year end 31 December 2018

3.20. Employee benefits

Termination benefits

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

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.21. Provisions

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

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

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

3.22. Leases

General

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

Activities as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's investment in the relevant leases. Income from finance leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the relevant leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Activities as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Group at the lower of the asset's fair value at the date of acquisition and the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.23. Dividend distributions

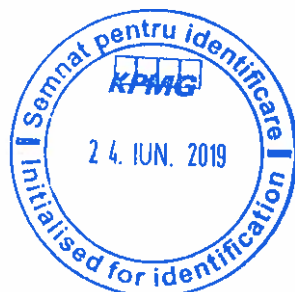
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.24. Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue on a going concern basis. To assess the applicability of the going concern assumption, management had examined the projections of future cash flows. Based on this analysis the management considers the Group will continue on a going concern basis.

During the year ended 31 December 2018 the Group has recognised a net loss of RON 22,863,594 (2017: RON 21,779,234), at 31 December 2018 the Group has a retained loss of RON 90,440,442 (2017: RON 67,576,848) as at that date, current liabilities exceed current assets by RON 20,419,516 (2017: RON 13,855,184). The equity as at 31 December 2018 is RON -9,850,716 (2017: RON 2,536,300).

The losses for the year ended 31 December 2018, are coming from operational activities in amount of RON 21,731,337 (2017: RON 20,666,753) and finance activities in amount of RON 1,132,257 (2017: RON 1,112,481).



Consolidated Financial Statements for the year end 31 December 2018

The losses are an investment by the shareholders, associated with the accelerated increase in sales, and diversity of products sold.

Management forecasts to make the business profitable in the medium term. For that purpose the Group is launching a technology platform optimisation process (by migrating to an international software as a service solution) also an optimisation of commercial and marketing strategies oriented to meet the specific customer needs, in a efficient mode for the company.

For the next 5 years (2019 to 2023) the Group forecasts to increase the annual revenue by 26% on average, or 21% annual compound growth rate over the same period. The main premise of the forecast is the migration of consumers from classic offline retail to online retail. Currently the number of internet users in Romania is 9 million persons, of which only 2.5 million make online purchases.

The expected increase in revenues is lower than historical increase (annual compound growth rate over the 2012-2017 years was 41%):

The Group is forecasting to reach breakeven EBITDA in 2021, and a positive EBITDA in 2022. The target involves optimisation of the following processes:

- a. Technology: replacing the current website. That involves moving to a new solution, software as a services (SAAS). As a result of this transformation, the costs related to the technological processes are estimated to decrease by RON 4-5 million, starting with the fourth quarter of 2019.
- b. Transportation to customers: will undergo the following changes in order to increase the profitability of this business line:
 - Reduction of costs due to the introduction of a new courier selection software based on several parameters (including address, volume, extra cost, etc.)
 - Increased revenue by changing the trade policy, namely: the increase of courier transport taxes, as well as delivery points; introducing processing fees
- c. Marketing effort - starting in 2019, Elefant Online is undergoing a change in marketing strategy (structure, digital channel effort, new site UI / UX, introduction of loyalty programs). As a result of these changes, the cost of marketing is estimated to decline (as a share of net turnover) from 6.1% in 2018 to 4.4% in 2022.

Following an internal efficiency improvement program (referred to above), in order to reduce operational costs, management proposes less accelerated revenue growth as compared to historical growth. But at the same time, the proposed increases are below or in line with the overall market growth and gains made by the rest of the big players in the online market in Romania.

For the year 2019, the Company budgeted a 24% increase in turnover to RON 167.5 million. The company also aims to achieve an EBITDA of -8.6 million, up 34% from 2018. This cost savings will be driven by the following cost optimizations planned for the year 2019:

- a. A less aggressive commercial policy, which will be manifested by increased prices up to the level applied by competitors, an improved gross margin;
- b. Reforming the site - these transformations will streamline and reduce the cost of maintaining and supporting the web platform;
- c. Introducing new marketing strategies by developing new concepts of marketing campaigns, and focusing on those with high returns;
- d. Efficiency and automation of operational processes related to the acquisition of goods and customer order processing

During 2019, the Company's shareholders are considering to finance operating activities and capital investments through capital increases and loans, funds which will be sufficient to cover the financing needs, including additional funding requirements resulting from stress tests carried out by the Company on the business plan.

Based on the current discussions the management of the Company has with the shareholders' representatives, during 2019 the shareholders consider the contribution of an additional amount of 1.2 - 3 mil. EUR to the share capital of the Company, as follows:

- On 14 June 2019, the Company received an amount of EUR 1.2 million from its shareholders, in form of a convertible loan;
- During June - July 2019, the Company's share capital could be increased by EUR 2 million (EUR 1 million by incorporating the aforementioned loan);
- Prior to the fourth quarter of 2019, the Company plans to attract approximately EUR 1 million in funding (through a share capital increase or a loan).

In the scenario in which the Group only achieves the minimum level of funding planned (attracting an amount of EUR 1.2 million from shareholders during 2019) and without attracting additional other types of financing, the estimated impact on financial performance and cash flows of the year 2019 would be the following:

- Reduced planned revenues by approximately EUR 4.1 million or 12% (from EUR 35.6 to EUR 31.5 million);
- The management of the Company estimates that it would compensate for the reduction of revenues by lowering both variable costs (by reducing the cost of sales and marketing and advertising expenses) and fixed costs;
- These cost reductions would achieve the same projected relative margin level of -5% (EBITDA margin);

While reducing sales, variable and fixed costs, net cash and cash equivalents estimated by the Company at the end of 2019 will drop from about EUR 1 million to EUR 500,000.



Consolidated Financial Statements for the year end 31 December 2018

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

4. Financial risk management

General

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

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

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

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

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

4.1. Interest rate risk management

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

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

<i>in RON</i>	2018	2017
<i>Fixed rate instruments:</i>		
<i>Bonds</i>	7,834,405	-
<i>Loans from related parties</i>	74,198	1,125,060
Financial liabilities	7,908,603	1,125,060
<i>Variable rate instruments:</i>		
<i>Secured bank loans</i>	14,479,480	15,339,078
<i>Finance lease liabilities</i>	522,943	840,081
Financial liabilities	15,002,423	16,179,159
Total	22,911,026	17,304,219

There have been no significant changes to the Group's sensitivity to interest rate changes during the year.

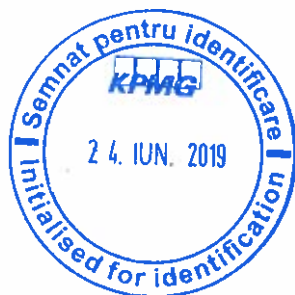
4.2. Liquidity risk management

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

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

The Group has not made any significant guarantees of third party or related party actual or potential obligations.

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



Consolidated Financial Statements for the year end 31 December 2018

4. Financial risk management

2018	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	More than five years
Financial liabilities						
Secured bank loans	14,479,480	14,943,094	14,653,775	289,319	-	-
Bonds	7,834,405	9,555,970	871,631	688,626	7,995,713	-
Finance lease liabilities	522,943	542,268	332,627	182,721	26,919	-
Loans due to related parties	74,198	74,198	74,198	-	-	-
Trade and other payables	47,146,735	47,146,735	47,146,735	-	-	-
Total financial liabilities	70,057,761	72,262,264	63,078,966	1,160,666	8,022,632	-
2017						
	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	More than five years
Financial liabilities						
Secured bank loans	15,339,078	16,078,916	8,171,097	7,907,820	-	-
Finance lease liabilities	840,081	893,528	351,260	332,627	209,640	-
Loans due to related parties	1,125,060	1,156,599	1,082,401	74,198	-	-
Trade and other payables	45,135,372	45,135,372	45,135,372	-	-	-
Total financial liabilities	62,439,591	63,264,415	54,740,130	8,314,645	209,640	-

4.3. Foreign currency risk management

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Romanian Leu (RON) and Moldovan Leu (MDL). The currencies in which transactions are primarily denominated are Euro and US dollars.

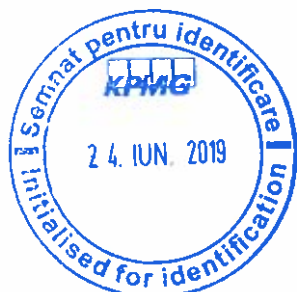
Exposure to currency risk

The group exposure to foreign currency risk at the end of the reporting period, expressed in Romania RON currency units, was as follows:

in RON	RON	31 December 2018			31 December 2017			
		EUR	USD	GBP	RON	EUR	USD	GBP
Trade and other receivables	2,763,451	-	-	-	6,683,574	-	-	-
Trade payables	(34,868,210)	(9,414,108)	(389,932)	(789,392)	(32,423,051)	(9,092,738)	(116,442)	(1,175,099)
Loans from related parties	-	(74,198)	-	-	-	(1,125,060)	-	-
Finance leasing liabilities	-	(522,943)	-	-	-	(840,081)	-	-
Secured bank loans	(13,042,697)	(1,436,783)	-	-	(15,339,078)	-	-	-
Net SOFP exposure	(45,147,456)	(11,448,032)	(389,932)	(789,392)	(41,078,555)	(11,057,879)	(116,442)	(1,175,099)

The following significant exchange rates have been applied:

in RON	Average rate		Year-end spot rate	
	2018	2017	2018	2017
EUR	4.6535	4.5681	4.6639	4.6597
USD	3.9416	4.0525	4.0736	3.8915
GBP	5.2598	5.2143	5.1931	5.2530
MDL	0.2346	0.2194	0.2389	0.2283



Consolidated Financial Statements for the year end 31 December 2018

4. Financial risk management

Sensitivity analysis

in RON	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2018				
EUR (10% movement)	1,144,803	(1,144,803)	1,144,803	(1,144,803)
USD (10% movement)	38,993	(38,993)	38,993	(38,993)
GBP (10% movement)	78,939	(78,939)	78,939	(78,939)
31 December 2017				
EUR (10% movement)	1,105,788	(1,105,788)	1,105,788	(1,105,788)
USD (10% movement)	11,644	(11,644)	11,644	(11,644)
GBP (10% movement)	117,510	(117,510)	117,510	(117,510)

4.4. Credit risk management

Potential material areas of credit risk consist of trade accounts receivable and short term investments.

Trade accounts receivable consist mainly of a widespread customer base. Group companies monitor the financial position of their customers on an on-going basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. An allowance is made for specific bad debts and at the reporting date management did not consider there to be any material credit risk exposure that was not adequately covered by the credit guarantee insurance. Certain goods are also sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

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

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

Exposure to credit risk

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

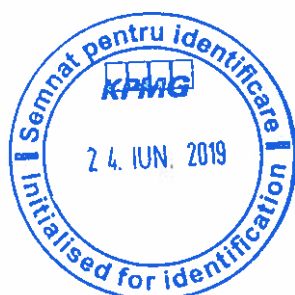
in RON	Note	Carrying amount	
		2018	2017
Trade and other receivables	18	2,580,294	6,683,574
Cash and cash equivalents	19	11,721,522	12,862,647
Other financial assets		643,288	594,991
Total financial assets		14,945,104	20,141,212

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

in RON	Carrying amount	
	2018	2017
Domestic – Romania	2,504,115	6,620,377
Republic of Moldova	76,179	63,197
Total trade and other receivables	2,580,294	6,683,574

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

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



Consolidated Financial Statements for the year end 31 December 2018

4. Financial risk management

4.5. Capital risk management

The board's policy is to maintain and develop a strong a flexible capital base in order to maintain investor and creditor confidence. Similar policies apply also to individual business segments so as to minimise demands for routine trading activities on finance obtained at Group level. This is seen as important for the sustenance of future developments in the business and the maintenance of flexibility of capital management strategies.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or realise assets in order to reduce debt.

Consistent with many other entities in the same industry, the Group monitors levels of capital by reference to gearing ratio, computed as net debt divided by total capital. Net debt is calculated as total borrowings, including both current and non-current borrowings as shown by the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

<i>in RON</i>	2018	2017
Total borrowings	22,911,026	17,304,219
Less: cash and cash equivalents	11,721,522	12,862,647
Net debt	11,189,504	4,441,572
Total equity	(9,850,716)	2,536,300
Total capital	1,338,788	6,977,872
Gearing ratio	n.m.	1.75

There were no changes to the Group's approach to capital management during the year.

4.6. Market price risk

The Group is exposed to market price risk, in order to reduce the impact of fluctuations in the price of goods, the Group maintains a short inventory days, and is purchasing the products which have a short period of delivery from supplier to the Group warehouse. Also the Group constantly monitoring the prices on the market and plans its short term strategy based on competitors.

5. Critical accounting estimates and judgements

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

5.1. Critical accounting estimates and assumptions

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following:

Revenue recognition: estimate of expected returns;

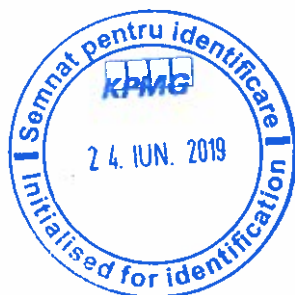
Impairment test of intangible assets: key assumptions underlying recoverable amounts, including the recoverability of development costs;

There are no other judgemental areas identified by management that could have a material effect on the provisions made at the reporting date.

5.2. Critical judgements in applying the entity's policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Leases: whether an arrangement contains a lease;



Consolidated Financial Statements for the year end 31 December 2018

5. Critical accounting estimates and judgements

5.3. Correction of errors

During the year, the Group discovered that the inter-company transactions between Elefant Online SA and Mammoth Software SRL have not been eliminated as for the year ended 31 December 2017. As a consequence, revenue and employee related benefits, and intangible assets have been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following table summarises the impacts on the Group's consolidated financial statements.

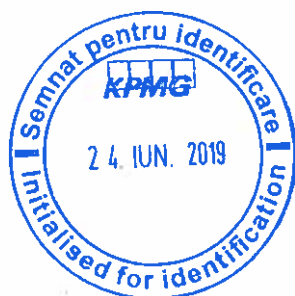
i. Consolidated Statement of Financial Position

31 December 2017 in RON	Impact of correction of error		
	As previously reported	Adjustments	As restated
Intangible assets	14,780,623	(42,077)	14,738,546
Property, plant and equipment	1,589,250	-	1,589,250
Financial assets	594,991	-	594,991
Total non-current assets	16,964,864	(42,077)	16,922,787
Total current assets	48,053,104	-	48,053,104
TOTAL ASSETS	65,017,968	(42,077)	64,975,891
Shared capital	48,906,200	-	48,906,200
Share premium	21,206,948	-	21,206,948
Retained losses	(67,534,771)	(42,077)	(67,576,848)
Total equity	2,578,377	(42,077)	2,536,300
Total non-current liabilities	531,303	-	531,303
Total current liabilities	61,908,288	-	61,908,288
TOTAL LIABILITIES	62,439,591	-	62,439,591
TOTAL EQUITY AND LIABILITIES	65,017,968	(42,077)	64,975,891

ii. Consolidated Statement of Profit or Loss and Other Comprehensive Income

31 December 2017 in RON	Impact of correction of error		
	As previously reported	Adjustments	As restated
Revenue	132,595,058	(1,113,307)	131,481,751
Other income	(20,038)	-	(20,038)
Cost of merchandise	102,387,218	-	102,387,218
Cost of transportation services	4,751,786	-	4,751,786
Employee related expenses	16,815,505	(992,525)	15,822,980
Marketing expenses	7,327,927	-	7,327,927
Rent expenses	4,144,303	(31,392)	4,112,911
Amortisation and depreciation	4,076,072	-	4,076,072
Other expenses	13,685,944	(36,372)	13,649,572
Finance income	575,836	-	575,836
Finance expense	1,688,317	-	1,688,317
Income tax expense	10,941	(10,941)	-
Net loss	(21,737,157)	(42,077)	(21,779,234)

There is no material impact on the Group's total operating, investing and financing cash flows for the year ended 31 December 2017.



Consolidated Financial Statements for the year end 31 December 2018

6. Revenue

The accounting policies of IFRS 15 on the Group's revenue from contracts with customers is described in Note 3.4.

Revenue streams

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

<i>in RON</i>	2018	2017
<i>Continuing operations:</i>		
Sale of goods	130,173,079	126,581,462
Sale of digital products	1,281,522	1,149,084
Sale of services	4,667,980	3,654,292
Other revenues	348,725	96,913
Total revenues	136,471,324	131,481,751

The Group generates revenue primarily from the sale of goods which includes: books, perfumes, cosmetics, electronics, eBooks, eyeglasses, watches, home and deco, kid toys. Other sources of income include revenue from delivery services and processing costs.

Disaggregation of revenue from contracts with customers

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

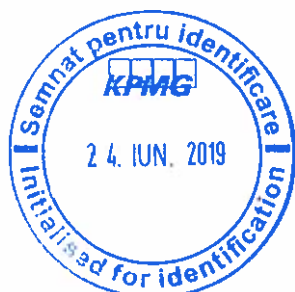
<i>in RON</i>	Year 2018	Year 2017
<i>Primary geographical markets</i>		
Romania	132,925,737	129,121,566
Moldova	3,545,587	2,360,185
Total	136,471,324	131,481,751

Sales of goods and digital products disaggregated by major products

Sale of home deco goods	1,583,615	600,031
Sale of foreign books	5,638,898	3,337,348
Sale of toys	7,414,035	5,723,257
Sale of books	43,110,822	38,690,081
Sale of perfumes	35,096,309	35,753,482
Sale of pet food products	42,748	9,921
Sale of nutrition products	130,965	10,424
Sale of cosmetics	12,708,989	16,083,852
Sale of kids and pampers products	960,005	54,328
Sale of electronics	2,204,711	1,898,912
Sale of clothing products	60,982	242,235
Sale of jewellery	446,374	379,259
Sale of bags and accessories	1,459,761	1,931,148
Sale of other goods	45,638	12,555
Sale of watches	18,286,863	19,957,847
Sale of footwear	127,524	600,510
Sale of eyeglasses	854,857	1,296,271
Sale of eBooks	1,281,522	1,149,084
Total	131,454,619	127,730,546

Performance obligations and revenue recognition policies

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



Consolidated Financial Statements for the year end 31 December 2018

7. Other income

in RON	2018	2017
Income from compensations	44,427	(22,967)
Income from sale of non-current assets	1,200	2,929
Total other income	45,627	(20,038)

8. Other operational expenses

The Group has identified a number of items which are material due to the significance of their nature and amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

in RON	2018	2017
Packaging materials	1,107,160	1,336,579
Utilities and maintenance	855,047	839,244
Bank charges	676,543	727,387
Cost of other services	7,222,183	8,030,498
Cost of consumables	337,787	1,034,537
Other expenses	829,882	1,681,327
Total other expenses	11,028,602	13,649,572

9. Employee related expenses

See accounting policies in Note 3.20.

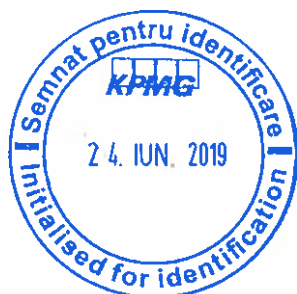
in RON	2018	2017
Employment costs comprise:		
Wages and salaries	13,146,706	12,379,560
Social and medical contributions	623,615	3,443,420
Total employee related expenses	13,770,321	15,822,980

The average number of employees during the year ended 31 December 2018 was 241 employees (2017 – 331 employees)

10. Finance income and costs

in RON	2018	2017
<i>Finance income</i>		
Interest from assets	229	2,784
Foreign exchange gains	498,006	573,052
Total finance income	498,235	575,836
<i>Finance costs</i>		
Interest on bank borrowings and loans	818,136	744,765
Interest on bonds	183,005	-
Foreign exchange losses	629,351	943,552
Total finance costs	1,630,492	1,688,317
Net finance losses	(1,132,257)	(1,112,481)

For accounting policies related to capitalisation of borrowings costs, see note 3.



Consolidated Financial Statements for the year end 31 December 2018

11. Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

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

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

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

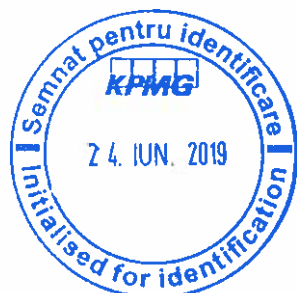
Reconciliation of adjusted EBITDA to profit from continuing operations in RON

	2018	2017
Loss from continuing operations	(22,863,594)	(21,779,234)
Income tax expenses	-	-
Loss before tax	(22,863,594)	(21,779,234)
Adjustments for:		
Net finance costs	1,132,257	1,112,481
Depreciation	453,338	362,278
Amortisation	6,660,925	3,713,794
Impairment losses of intangible assets	770,814	-
Provisions for current assets	213,226	252,951
EBITDA	(13,633,034)	(16,337,730)

12. Property, plant and equipment

The table below provides specific information about each type of Property, plant and equipment.
For accounting policy, see note 3.7.

in RON	Computer equipment	Motor vehicles	Fixtures and fittings	Other equipment	Total
Cost or valuation					
Balance as at 31 December 2016	515,891	325,861	744,998	173,383	1,760,133
Additions	675,398	101,917	447,138	-	1,224,453
Disposals	-	-	-	(173,383)	(173,383)
Balance as at 31 December 2017	1,191,289	427,778	1,192,136	-	2,811,203
Balance as at 1 January 2018	1,191,289	427,778	1,192,136	-	2,811,203
Additions	18,502	783	24,017	6,303	49,605
Balance as at 31 December 2018	1,209,791	428,561	1,216,153	6,303	2,860,808
Depreciation					
Balance as at 31 December 2016	358,359	114,395	370,940	49,938	893,632
Depreciation charge	146,692	1,680	179,949	-	328,321
Adjustments	-	-	49,938	(49,938)	-
Balance as at 31 December 2017	505,051	116,075	600,827	-	1,221,953
Balance as at 1 January 2018	505,051	116,075	600,827	-	1,221,953
Depreciation charge	253,339	87,114	128,575	-	469,028
Balance as at 31 December 2018	758,390	203,189	729,402	-	1,690,981



Consolidated Financial Statements for the year end 31 December 2018

12. Property, plant and equipment

Carrying amounts

Balance as at 31 December 2016	157,532	211,466	374,058	123,445	866,501
Balance as at 31 December 2017	686,238	311,703	591,309	-	1,589,250
Balance as at 31 December 2018	451,401	225,372	486,751	6,303	1,169,827

The carrying amount of assets held under finance leases at 31 December 2018 is RON 1,014,478 (2017: RON 1,057,761). Related lease obligations are secured on these assets.

At 31 December 2018, the property, plant and equipment of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses.

Refer to note 22 for information on non-current assets pledged as security by the Group.

13. Intangible assets

in RON	Software licences	Elefant website	Other intangible assets	Development costs	Prepayments	Total
<i>Cost or valuation</i>						
Balance as at 31 December 2016	687,865	14,985,124	484	-	108,780	15,782,253
Additions	1,616,241	5,960,449	-	-	-	7,576,690
Transfers	-	108,780	-	-	(108,780)	-
Balance as at 31 December 2017	2,304,106	21,054,353	484	-	-	23,358,943
Balance as at 1 January 2018	2,304,106	21,054,353	484	-	-	23,358,943
Additions	77,210	8,042	-	9,359,465	-	9,444,717
Transfers	-	1,258,891	-	(1,258,891)	-	-
Balance as at 31 December 2018	2,381,316	22,321,286	484	8,100,574	-	32,803,660
<i>Amortisation</i>						
Balance as at 31 December 2016	212,525	4,698,508	484	-	-	4,911,517
Amortisation charge	285,217	3,423,663	-	-	-	3,708,880
Balance as at 31 December 2017	497,742	8,122,171	484	-	-	8,620,397
Balance as at 1 January 2018	497,742	8,122,171	484	-	-	8,620,397
Amortisation charge	362,209	6,185,340	-	-	-	6,520,549
Impairment	426,470	-	-	344,344	-	770,814
Balance as at 31 December 2018	1,286,421	14,280,511	484	344,344	-	15,911,760
<i>Carrying amounts</i>						
Balance as at 31 December 2016	475,340	10,286,616	-	-	108,780	10,870,736
Balance as at 31 December 2017	1,806,364	12,974,259	-	-	-	14,738,546
Balance as at 31 December 2018	1,094,895	8,040,775	-	7,756,230	-	16,891,900

At 31 December 2018, the intangible assets of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses.

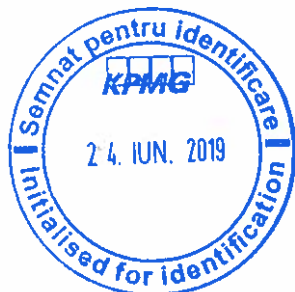
The Group has amortised the intangible assets according to straight line method.

The other intangible assets are formation expenses, and are completely amortised.

The Group has made investments in development of new web platform Intershop, in amount of RON 9,359,465. Intangible assets with a value of RON 1,258,891 have been put into exploitation, the remaining balance is the web platform under construction with a value of RON 8,100,574.

During the year the Group has revised the useful life of web platform to 21 months from April 2018. The amortisation costs have increased and current web platform will be completely amortised on the put in exploitation of the new Web Platform Intershop.

The Group also revised the intangible assets for impairment and identified licences which have a carrying amount greater than its fair value, the impairment loss have resulted in a cost of RON 770,814.



Consolidated Financial Statements for the year end 31 December 2018

14. Subsidiary entities

Details of the subsidiaries which have been consolidated in the group financial statements at 31 December 2018 are as follows:

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

The entire issued share capital of Mammoth Software SRL has been pledged to Alpha Bank Romania SA.

15. Other non-current assets

<i>in RON</i>	2018	2017
Guarantees for rent	643,288	549,991
Total other non-current assets	643,288	549,991

The line is composed of deposits and guarantees provided to landlords for renting of office space, warehouse and pick-up points.

16. Prepayments

<i>in RON</i>	2018	2017
Rent expenses	189,254	276,993
Insurance fees	7,978	3,000
Inventories	1,051,632	1,124,233
Services to be rendered	233,772	231,423
Maintenance	327,013	131,479
Total Prepayments	1,809,649	1,767,128

17. Inventories

For accounting policy, see note 3.14.

<i>in RON</i>	2018	2017
Merchandise	24,848,109	26,639,917
Allowance for estimated irrecoverable amounts of inventory	(213,226)	(237,772)
Merchandise, net	24,634,883	26,402,145
Packaging materials	258,262	246,974
Stock-in-transit	314,262	90,636
Other inventories	572,524	337,610
Total Inventories	25,207,407	26,739,755

Inventories have been pledged as security for certain of the Group's bank borrowings, see note 22.

Inventories recognised as an expense during the year ended 31 December 2018 amounted to RON 107,864,155 (2017 - RON 102,387,218). These were included in cost of sale and material costs.

Write-downs of inventories to net realisable value, amounted RON 213,226 (2017 - RON 237,772). These were recognised as an expense during the year ended 31 December 2018.

During the year the Group registered in Cost of Sale in Statement of Profit or Loss differences resulted from stock count. All inventories are expected to be recovered within twelve months of the reporting date.



Consolidated Financial Statements for the year end 31 December 2018

18. Trade and other receivables

See accounting policies in Note 3.15.

<i>in RON</i>	2018	2017
Trade receivables	1,812,432	1,579,351
Allowances for bad debts	-	(10,168)
Trade receivables, net	1,812,432	1,569,183
Receivables from related parties	429,718	95,724
Receivables from shareholders	-	4,626,000
Other receivables	1,057,997	929,363
Allowances for bad debts	(536,696)	(536,696)
Other receivables, net	951,019	5,114,391
Total Trade and Other Receivables	2,763,451	6,683,574

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

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

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.12.

Information about the impairment of trade receivables can be found in Note 3.12.

Receivables from related parties are detailed in note 24.

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

<i>in RON</i>	2018	2017
At 31 December 2017	546,864	997,762
Impairment loss utilised	(10,168)	(450,898)
At 31 December 2018	536,696	546,864

The Group's exposure to credit, currency and interest rate risks relating to trade and other receivables is detailed in note 4.

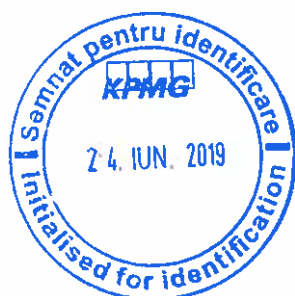
19. Cash and cash equivalents

For accounting policies, see note 3.16.

<i>in RON</i>	2018	2017
Balances with banks	11,219,539	12,146,782
Cash in transit	322,050	600,103
Cash in hand	179,933	115,762
Total cash and cash equivalents	11,721,522	12,862,647

The cash in transit represent bank transfers from customers which were not yet received in amount of RON 322,050.

The Group's exposure to credit, currency and interest rate risks relating to cash and cash equivalents, is detailed in note 4.



Consolidated Financial Statements for the year end 31 December 2018

20. Issued capital and premiums on issue

The table below provides the shareholders structure:
in RON

	2018		2017	
	Nr. of shares	%	Nr. of shares	%
<i>Authorised share capital:</i>				
Millennium Gold Resources Limited (Cyprus)	354,888	60%	264,574	60%
Catalyst Romania SCA SICAR (Luxembourg)	58,030	10%	43,262	10%
Olif BV (Netherlands)	181,038	30%	134,966	30%
Total shares capital	593,956	100%	442,802	100%

The Group's share capital, has a value of RON 59,395,600 as at 31 December 2018 (2017 – RON 48,906,200 which is formed or RON 44,280,200 ordinary share and RON 4,626,000 called-up share capital), which are composed of 593,956 ordinary shares (2017 – 442,802 ordinary shares). The nominal value of ordinary share is RON 100. The share capital is entirely paid and issued.

Following approval at a meeting of the shareholders held in 2018 have been decided to increase the share capital by RON 10,489,400.

No change have taken place in share premium.

All issued shares are fully paid.

21. Retained Losses

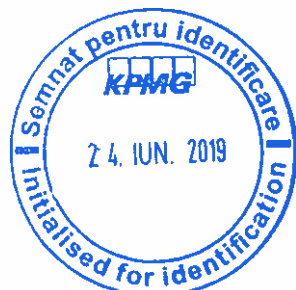
Movement in retained losses were as follows:
in RON

	2018	2017
Balance at 1 January	(67,576,848)	(45,797,614)
Loss for the period	(22,863,594)	(21,779,234)
Balance 31 December	(90,440,442)	(67,576,848)

22. Borrowings

in RON

	2018	2017
<i>Non-current loans and borrowings</i>		
Bank borrowings	271,661	531,303
Bonds	7,651,400	-
Finance leases	213,154	-
Total non-current loans and borrowings	8,136,215	531,303
<i>Current loans and borrowings</i>		
Bank borrowings	14,192,518	14,807,775
Interest on bank borrowings	15,301	-
Interest payable on bonds	183,005	-
Loans from related parties	183	1,051,112
Interest payable on loans from related parties	74,015	73,948
Finance leases	309,789	840,081
Total current loans and borrowings	14,774,811	16,772,916
Total loans and borrowings	22,911,026	18,738,057



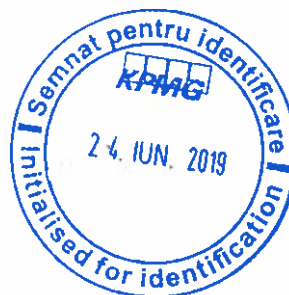
Consolidated Financial Statements for the year end 31 December 2018

22. Borrowings

Summary of borrowings

During the year the Group signed a loan agreement with Access Financial Services IFN SA in amount of RON 1.9 million and a balance as at 31 December 2018 of RON 1.27 million for working capital financing. Also, during the year the Group signed a loan agreement with Alpha Bank Romania SA in amount of EUR 1 million for financing of Intershop Web Platform.

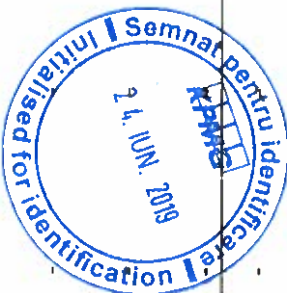
Finance lease liabilities are effectively secured as the rights to the relevant asset revert to the lessor in the event of default. There have been no breaches of these terms during the year or the comparative period.



Consolidated Financial Statements for the year end 31 December 2018

22. Borrowings

in RON	Type of loan	Date of agreement	Maturity	Interest rate	CCY	Contracted amount	Interest payable as at	Interest payable as at	Principal payable as at	Principal payable as at
							31 December 2018	31 December 2017	31 December 2018	31 December 2017
<i>Loans from related parties</i>										
Olif BV	Long term	28.11.2017	15.01.2019	5%	EUR	76,200	-	-	61	355,069
Fribourg Investments LTD	Long term	09.11.2017	15.01.2019	5%	EUR	149,375	74,015	73,948	122	696,043
Total loans from related parties							74,015	73,948	183	1,051,112
<i>Finance leases</i>										
Motorative IFN SA	Long term	10.10.2014	01.10.2019	EURIBOR+5.65%	EUR	24,600	-	-	7,642	35,877
BT Leasing Transilvania IFN SA	Long term	28.11.2016	01.03.2021	EURIBOR+3.9%	EUR	103,335	-	-	515,301	804,204
Total finance leases									522,943	840,081
<i>Bank borrowings</i>										
Banca Transilvania SA	Short term	Additional agreement Nr. 5 from 05.07.2018	30.09.2019	ROBOR+3.41%	RON	12,637,965	-	-	11,760,756	7,913,895
Banca Transilvania SA	Short term	Additional agreement Nr. 4 from 05.04.2018	12.03.2019	ROBOR+3.41%	RON	12,637,965	-	-	-	7,425,183
Access Financial Services IFN SA	Short term	27.06.2018	27.12.2019	ROBOR+0%	RON	1,900,000	15,301	-	1,266,640	-
Alpha Bank Romania SA	Long term	27.09.2018	25.03.2022	ROBOR+3.5%	EUR	1,000,000	-	-	1,436,783	-
Total bank borrowings							15,301	-	14,464,179	15,339,078
<i>Bonds</i>										
Entites & Physical persons	Long term		26.09.2021	9%	RON	7,651,400	183,005	-	7,651,400	-
Total bonds							183,005	-	7,651,400	-
Total loans and borrowings						272,321	73,948	22,638,705	17,230,271	-



Consolidated Financial Statements for the year end 31 December 2018

22. Borrowings

Pledges

The bank borrowings are secured by the following pledges:

Access Financial Services IFN SA:	-Pledges on securities; -Promissory notes "in white" given by the borrower
Banca Transilvania SA:	-Pledges on partial payments received from clients; -Non quantifiable pledges on currents receipts and balances; -Pledges on 25% of share capital of Elefant Online SA, issued and owned by Millennium Gold Resources Limited; -Pledges on current and future stock; -Pledges on right resulting from trademark "elefant.ro" registered with OSIM;
Alpha Bank Romania SA:	-Promissory note "in white", issued by Elefant Online; -Pledges on current and futures receivables, on online payments; -Pledges on current bank accounts; -Promissory note "in white", issued by Elefant Online; -Pledges on 4,500 shares owned by Elefant Online in Mammoth Software SRL;

Finance lease liabilities

The finance lease liabilities with BT Leasing Transilvania IFN SA are secured with promissory notes and lease assets recognized in the financial statements.

Bonds

The following bonds were issued during the year ended 31 December 2018:

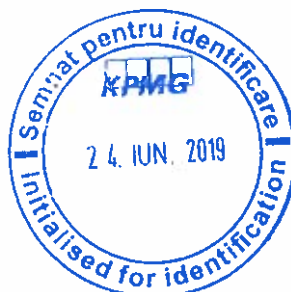
<i>in RON</i>	Year 2018	Year 2017
	<i>Number</i>	<i>Number</i>
Number of bonds issued	76,514	-
Nominal value	RON 100	RON -
Bond value	RON 7,651,400	RON -

During the year 2018 the Group issued 76,514 non-convertible, non-guaranteed bonds to the public, with a value per bond of RON 100, and a total balance value of RON 7,651,400. The maturity is in 26 September 2021. The coupon is payable quarterly with a rate of 9%.

23. Trade payables and employee benefits

For accounting policies, see note 3.

<i>in RON</i>	2018	2017
<i>Trade payables</i>		
Trade payables	33,189,495	30,309,048
Promissory notes	5,371,357	8,764,290
Payables to suppliers of non-current assets	289,806	465,116
Payables to related parties	5,064,602	1,637,743
Total trade payables	43,915,260	41,176,197
<i>Other liabilities</i>		
Salary liabilities	846,389	1,482,339
Liability for social security contributions	658,953	408,493
Liability for medical contributions	-	150,406
Liabilities for other employee related taxes	64,014	81,259
Employee benefits related income taxes	71,121	194,604
Total other liabilities	1,640,477	2,317,101
Total trade and other payables	46,963,578	45,135,372



Consolidated Financial Statements for the year end 31 December 2018

23. Trade payables and employee benefits

The average credit period on purchases of goods approximates 63 days (2017: 65 days). No interest is charged on overdue payables; the Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

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

Information about Group's exposure to currency and liquidity risks is included in Note 4.

24. Related parties

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

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

Entity	Type of relationship	Residence
Fribourg Capital SRL	Related party	Romania
Liberty Technology Park SA	Related party	Romania
Grup Editorial Litera SRL	Related party	Romania
Bunt Studio SRL	Related party	Romania
Ion Sturza	Related party	Romania
Fribourg Investments Limited	Related party	Cyprus
Catalyst Romania SCA SICAR	Shareholder	Luxembourg
DCS Digital SRL	Related party	Romania
Olif B.V.	Shareholder	Netherlands

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

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

Trading transactions and balances

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

in RON	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
Fribourg Capital SRL	-	-	-	10,976
Grup Editorial Litera SRL	353,539	650,546	5,291,536	2,370,494
Bunt Studio SRL	-	108	357,320	-
DCS Digital SRL	-	-	129,530	-
Total related party transactions	353,539	650,654	5,778,386	2,381,470



Consolidated Financial Statements for the year end 31 December 2018

24. Related parties

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

<i>in RON</i>	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
Liberty Technology Park SA	-	-	4,019	4,019
Grup Editorial Litera SRL	429,719	95,724	4,912,072	1,633,724
Bunt Studio SRL	-	-	106,526	-
DCS Digital SRL	-	-	41,985	-
Total related party balances	429,719	95,724	5,064,602	1,637,743

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

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

<i>Loans to related parties</i>	2018	2017
Fribourg Investments Limited	74,137	769,991
Olif BV	61	355,069
Total loans to related parties	74,198	1,125,060

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

Compensation of key management personnel

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

25. Business combinations

During the year ended 31 December 2018, the Group did not acquire any business.

26. Disposal of subsidiary entity

No disposal has taken place during the year ended 31 December 2018.

27. Commitments for expenditure

The Group has not entered into any commitments or contract of expenditures.

28. Contingent liabilities and contingent assets

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material unprovided liabilities will arise from the contingent liabilities.

29. Events after the end of the reporting period

On 14 June 2019, the Company received an amount of EUR 1.2 million from its shareholders, in form of a convertible loan. No other significant events have taken place after the end of the reporting period.

30. Approval of the Consolidated Financial Statements

The above Consolidated Financial Statements have been signed on 24th June 2019.

Sergiu Chirca
Chief Executive Officer

Alexandru Namasco
Chief Financial Officer





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Independent Auditors' Report

To the Shareholders of Elefant Online SA

Opinion

We have audited the consolidated financial statements of Elefant Online SA ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our opinion is not modified in respect of these matters.

Going concern basis of accounting	
Refer to note 3.26 Going concern to the accompanying consolidated financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The management of the Company prepared the consolidated financial statements based on going concern basis of accounting.</p> <p>The Group incurred a net loss of RON 22,863,594 for the financial year ended 31 December 2018 and its accumulated losses as at the above date amounted to RON 90,453,264, and its' shareholders equity was negative at RON 9,850,716.</p> <p>The above factors were identified as events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.</p> <p>The going concern assessment was based on cash flow forecasts for 2019. In management's view the forecasts support the conclusion that the Group will have sufficient resources to continue its activity for a period of at least 12 months from the reporting date.</p> <p>In preparing the forecast, management used a number of scenarios, assumptions and significant judgements. In addition, the Company obtained financial support letters from all of its shareholders.</p> <p>Management concluded that the range of possible outcomes of the above scenarios does not give rise to material uncertainties over the Group's ability to continue as a going concern. Note 3.26 Going concern further explains how the judgement was formed by management.</p> <p>The management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is a key audit matter due to the associated high level of judgment required in evaluating the management's complex cash flow forecasts for 2019.</p>	<p>Our procedures in the area included, among others:</p> <ul style="list-style-type: none"> ➤ We evaluated and challenged the key assumptions and judgements applied by management in preparing the cash flow forecasts for 2019 by reference to historical information and performance, seeking explanations for significant deviations between the forecast numbers and past results, and by obtaining a thorough understanding of the detailed plan of actions to be undertaken in 2019 ➤ We evaluated stress scenarios over revenue (number of orders and average order value), operational delivery costs, and gross margin. We also assessed the risk that a change in individual or collective assumptions would lead to a different going concern conclusion. ➤ In order to corroborate the management's forecasts with available public information on the Romanian e-commerce market and to identify potential disconfirming information, we analyzed comparatively the information about the main competitors, read the minutes of the Board of Directors and General Shareholders' meetings and made inquiries of the management of the Company. ➤ We evaluated the shareholders' intent and ability to support the Company with additional financing assumed in the management's forecast for 2019. ➤ We considered whether any additional facts or information have become available since the date when the management made its assessment; ➤ We evaluated whether, in view of the requirements of the applicable financial reporting framework, the consolidated financial statements provide adequate disclosures about the use of going concern.





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

Management is responsible for the preparation the consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 fair presentation;
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other matter

This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditors' report is Giurcaneanu Aura Stefana

A handwritten signature of the KPMG firm, written in blue ink.

KPMG Audit SRL
Bucharest, Romania
24 June 2019