



RESBUD SE
Consolidated Financial Statements
for the year 2021
[not audited]

Consolidated Financial Statements for the year 2021 [not audited]

Company name: Resbud SE

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Financial year: 1 January 2021 - 31 December 2021

Reporting period: 1 January 2021 - 31 December 2021

Supervisory board: Anna Jõemets, Alexey Petrov, Adam Zaremba

Management Board: Krzysztof Włodzimierz Długosz, Joanna Maria Dyja

Auditor: KPMG Baltics OÜ

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Independent auditor's report

These Consolidated Financial Statements for 2021 have not yet received a statutory auditor's opinion. The opinion will be provided immediately after it is obtained by the Company.

Consolidated statement of financial position as at December 31, 2021

| '000 EUR | Note | December 31st 2021 | December 31st 2020 |
|---|------|-----------------------|-----------------------|
| Fortune | | | |
| Tangible fixed assets | 15 | 5196 | |
| Right to use assets | 36 | 207 | |
| Goodwill | 16 | 31279 | |
| Long-term receivables | 21 | 30 | |
| Investments accounted for using the equity method | 18 | | 1860 |
| Long-term loans | 26 | 35 | |
| Deferred tax assets | 13 | 68 | |
| Fixed assets | | 36815 | 1860 |
| | | | |
| Supplies | 20 | 2305 | |
| Trade receivables | 21 | 29995 | 26 |
| Prepayment | 21 | 15 | 36 |
| Cash and cash equivalents | 22 | 3548 | 4 |
| Assets classified as held for sale | 23 | 5530 | |
| Short-term loans | 26 | 411 | |
| Other receivables | 21 | 1948 | |
| Assets | | 43752 | 94 |
| Total assets | | 80567 | 1954 |

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated financial statements and forming part of these consolidated financial statements on pages 18 to 79.

| '000EUR | Note | December 31st 2021 | December 31st 2020 |
|-------------------------------------|------|-----------------------|-----------------------|
| | | | |
| Capital | | | |
| Share capital | 24 | 26028 | 1991 |
| Reserve capital | 24 | 14235 | 2092 |
| Reserve capital | 24 | 69 | 69 |
| Revaluation reserve(| 24 | (5783) | (498) |
| Capital from business combinations | 24 | (4) | (4) |
| Differences from conversion to EURO | 13 | (984) | (67) |
| Profit / loss for the current year | 24 | (825) | (347) |
| Retained earnings | 24 | 2444 | (1896) |
| Equity capital | | 35180 | 1340 |
| | | | |
| Liabilities and provisions | | | |
| Credits and loans | 6 | 18 | |
| | | | |
| Other provisions | | | |
| Deferred tax liabilities | 13 | 839 | |
| | | | |
| Leasing obligations | 37 | 202 | |
| Long-term liabilities | 26 | 1059 | |
| Credits and loans | 26 | 6507 | 365 |
| Trade and other sources of income | 29 | 32771 | 93 |
| Reserves | 27 | 8 | |
| Current tax liabilities | 13 | 362 | |
| Other liabilities | 30 | 4608 | 132 |
| Employee obligations | 11 | 72 | 24 |
| | | | |
| Current liabilities | | 44328 | |
| Total liabilities | 6 | 45387 | |
| Total liabilities | | 80567 | 1954 |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated financial statements and forming part of these consolidated financial statements on pages 18 to 79.

Consolidated statement of profit or loss and other comprehensive income for 2021

| '000 EUR | Note | 2021 | 2020 |
|---|---|--------|-------|
| Continuation of the operation | | | |
| Income | 8 | 61059 | |
| Sales cost | 9 | 54250 | |
| Profit / loss on core activities | | 6809 | |
| Depreciation | 9 | 564 | |
| Consumption of materials | Błąd! Nie można odnaleźć źródła odwołania. | 713 | |
| Services | 9 | 2129 | 235 |
| Expenses and fees | 9 | 38 | 1 |
| Salaries | 12 | 796 | 63 |
| Social security | 12 | 211 | 17 |
| Other costs | 9 | 163 | |
| Other operating income | 9 | 215 | |
| Other operating cost | 9 | 2088 | 8 |
| Profit (loss) from operations | | 322 | (324) |
| Financial income | 42 | 360 | 5 |
| Financial costs | 42 | 1134 | 28 |
| Profit (loss) Gross | | (1452) | (347) |
| Income tax | 16 | 373 | |
| Net profit / loss | | (825) | (347) |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated financial statements and forming part of these consolidated financial statements on pages 18 to 79.

| '000 EUR | Note | 2021 | 2020 |
|---|------|---------------|-------|
| | | | |
| Other comprehensive income | | | |
| <i>Items that will never be reclassified to the income statement</i> | | | |
| Revaluation of tangible fixed assets | 13 | 1153 | |
| | | | |
| Equity investments in FVOCI - net change in fair value | 13 | (6657) | (360) |
| Related income tax | 13 | | |
| Total | | (5504) | |
| | | | |
| <i>Items that are or may be reclassified to the income statement</i> | | | |
| Exchange differences on translating foreign units | 13 | (917) | (2) |
| Correction of the current result by the costs of previous years | 42 | 1010 | |
| Adjustment of the undistributed financial result by the costs of previous years | 42 | (1010) | |
| Total | | (917) | |
| | | | |
| Other comprehensive income excluding income tax | | (6421) | |
| Comprehensive income for the year | | (7246) | |
| | | | |
| Profit / (loss) attributable to: | | | |
| Company owners | | (7246) | |
| | | | |
| Comprehensive income attributable to: | | | |
| Company owners | | (7246) | |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated financial statements and forming part of these consolidated financial statements on pages 18 to 79.

| '000 EUR | Note | 2021 | 2020 |
|--|------|-------|-------|
| Earnings per share | | | |
| Basic earnings per share (EUR) | 10 | 0,004 | 0,015 |
| Diluted earnings per share (EUR) | 10 | 0,004 | 0,015 |
| Earnings per share - continued operations | | | |
| Basic earnings per share (EUR) | 10 | 0,004 | 0,015 |
| Diluted earnings per share (EUR) | 10 | 0,004 | 0,015 |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated financial statements and forming part of these consolidated financial statements on pages 18 to 79.

Consolidated statement of changes in equity for 2021

| '000EUR | | | | | | | | | |
|--|------|---------------|-----------------|-----------------|---------------------|--------------------------------|------------------------------------|-----------------|--------------|
| 2020 | Note | Share capital | Reserve capital | Reserve capital | Revaluation reserve | Conversion differences to EURO | Capital from business combinations | Retained profit | Total equity |
| Balance as at January 1, 2020 | 24 | 1991 | 69 | 2106 | 279 | (64) | (4) | (1910) | 2467 |
| Profit / (loss) for the year | 24 | | | | | | | (347) | (347) |
| Other comprehensive income | | | | | (777) | (3) | | | (780) |
| Reclassification | 24 | | | (14) | | | | 14 | |
| Balance as at December 31, 2020 | | 1991 | 69 | 2092 | (498) | (67) | (4) | (2243) | 1340 |

| '000EUR | | | | | | | | | |
|--|------|---------------|-----------------|-----------------|---------------------|--|------------------------------------|-----------------|--------------|
| 2021 | Note | Share capital | Reserve capital | Reserve capital | Revaluation reserve | The difference from conversion to EURO | Capital from business combinations | Retained profit | Total equity |
| Balance as of January 1, 2021 | 24 | 1991 | 69 | 2092 | (498) | (67) | (4) | (2243) | |
| Issue of shares | | 24037 | | 8020 | | | | | 32057 |
| Profit / (loss) for the year | 24 | | | | | | | (825) | (825) |
| Combine individuals into a group | 24 | | | 4123 | | | | 4906 | 9029 |
| Other comprehensive income | | | | | (5285) | (917) | | (219) | (6421) |
| Balance as at December 31, 2021 | | 26028 | 69 | 14235 | (5783) | (984) | (4) | 1619 | 35180 |

Consolidated cash flow statement for 2021

| '000EUR | Note | 2021 | 2020 |
|--|------|---------|-------|
| Cash flows from operating activities | | 9738 | (221) |
| Profit / (loss) for the year | 6 | (452) | (347) |
| <i>Corrections for:</i> | | 10190 | 126 |
| Income tax | 13 | 373 | |
| Depreciation | 9 | 564 | |
| Shares in profits and (dividends) | 24 | 403 | |
| Net financial expenses | 42 | 1134 | (23) |
| Change in inventories | 20 | 98 | |
| Change in receivables | 21 | (30082) | 39 |
| Change in short-term liabilities, except for credits and loans | 37 | 37372 | 110 |
| Income tax paid | 13 | (210) | |
| Profit / loss from exchange rate differences | 3 | 538 | |
| | | | |
| Net cash from operating activities | | 9738 | (221) |
| | | | |
| Cash flow from investing activities | | (2264) | 45 |
| Proceeds from the sale of property, plant and equipment | 23 | 130 | |
| Repayment of granted loans | 26 | 146 | 55 |
| Cash in subsidiaries | 32 | 333 | |
| Purchase of tangible fixed assets | 15 | (2132) | |
| Loans granted | 26 | (741) | (10) |
| | | | |
| Net cash from investing activities | | (2264) | 45 |
| | | | |
| Cash flows from financing activities | | (3930) | 147 |
| Proceeds from loans | 26 | 2610 | 147 |
| Loans repayment | 26 | (6130) | |

| '000EUR | Note | 2021 | 2020 |
|---|------|--------|------|
| Repayment of leasing liabilities | 26 | (7) | |
| Dividends paid | 24 | (403) | |
| Net cash from financing activities | | (3930) | 147 |
| | | | |
| Net increase / (decrease) in cash and cash equivalents | | 3544 | (29) |
| Cash and cash equivalents as at 1 January | 22 | 4 | 33 |
| Cash and cash equivalents as at December 31, 2021 | 22 | 3548 | 4 |

These Consolidated Annual Financial Statements were approved by the Management Board on July 15, 2021 and signed on its behalf by:

.....
Krzysztof Długosz
President of the Management Board
(signed)

.....
Joanna Dyja
Member of the Management Board
(signed)

Notes to the consolidated financial statements for the year 2021

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| Earnings per share | 24 | 34. Acquisition of non-controlling interests | 50 |
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| 11. Employee benefits | 25 | 36. Lease | 50 |
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1. Notifying entity

(a) Business environment

The Group's operations are mainly located in Estonia, Poland and the Russian Federation. The consolidated financial statements as at December 31, 2021 include the Company and its subsidiaries (collectively, the "Group").

The group mainly deals with:

- in Estonia, the management and administrative activities of the parent company (Resbud SE) concerned the management of subsidiaries,
- in Poland, activity in the construction industry related to construction and the production of bitumen-concrete mixtures,
- in the Russian Federation, he is engaged in the purchase and sale of materials and equipment for large construction companies and holdings.

Polish business environment

The Group operates in Poland in the construction industry related to road construction (Conpol Ltd.- production of concrete, construction of roads, communication junctions, bridges and viaducts) and the production of bituminous concrete mixtures (Uniwersim Ltd.).

According to the final estimate of the Central Statistical Office regarding the GDP dynamics in Poland, the gross domestic product in 2021 was higher by 5.9% in real terms compared to 2020, compared to a decrease by 2.2% in 2020 compared to 2019. This proves normalization consumption demand and the adjustment of the economy to the conditions of the pandemic despite the restrictions that were in force in 2021. The degree of restrictions was gradually limited due to the vaccination program. According to GUS data, domestic demand increased by 8.2% compared to 2020, total consumption increased by 4.8%, and gross fixed capital formation also increased by 8.0%, with a drop in 2020 by 9%. The investment rate in the national economy in 2021 remained at a similar level as in 2020, i.e. 16.6%.

During the year 2021, companies faced supply disruptions as a result of insufficient supply of components for production in the markets. The sharp increases in energy prices in European markets were significantly impacting on inflationary processes and the increase in costs. A very important factor influencing the uncertainty for future economic activity in the world and in Poland is the armed aggression of Russia against Ukraine. However, due to the small share of Polish exports to these countries, it can be assumed that the favorable economic conditions will continue in the following year.

In 2021, a weakening of the zloty against the dollar was recorded (an increase of 8% compared to 2020. The zloty exchange rate against the dollar in 2021 was influenced by low interest rates with a simultaneous increase in inflation, which according to the Central Statistical Office (GUS) amounted to 5.1% interim .

The process of increasing interest rates by the Monetary Policy Council was started only in the fourth quarter of 2021. The currencies of the Polish market were mainly affected by the uncertainty related to the pandemic, the strengthening of the dollar and the lack of funds from the EU Reconstruction Fund in the face of the conflict between the Polish government and the European Commission over the approval of the National Reconstruction Plan. The year-on-year change in EUR was not significant: the rate as of December 31, 2021 was 4.5994 with the exchange rate of 4.6148 at the end of 2020.

The weakening of the zloty exchange rate in the next period may be influenced by the continuing war over Poland's eastern border in Ukraine, causing investors' uncertainty. The announcements of the National Bank of Poland about the forecasts related to further interest rate increases may stabilize the level of the zloty exchange rate, however, the very low level of interest rates persisting in the first half of 2021 resulted in the undervaluation of the zloty. Inflation at the end of December 2021 was 8.6% and a quick rebound in demand hit a production capacity blockage. In the face of high commodity prices on domestic and world markets due to a shortage of raw materials, they consequently caused disruptions of supply. Parallel to the increase in demand, the prices of energy, fuels and labor increased, which the entrepreneurs were forced to pass on to the prices of final goods.

At the beginning of the year, the Polish government implemented the Anti-Inflation Shield in order to lower retail prices through lower indirect taxes in force until July 31, 2022 with the possibility of extending it until the end of 2022. The Shield activity affects the prices of fuels, energy and food. However, the labor market and the related wage and price pressure, increases in energy market prices at the beginning of 2022 will force the transfer of these factors to the prices of goods and services. In the first quarter of 2022, in the published forecasts, the National Bank of Poland took into account the Russian invasion of Ukraine, which increased market uncertainty as to the macroeconomic situation in Poland.

According to preliminary data of the Central Statistical Office of Poland (GUS), the average annual construction and assembly production (in constant prices) realized in Poland in 2021 increased by 3.2% y / y. The corresponding period a year earlier showed a decline by 2.2%, which was mainly caused by the impact of the Covid-19 pandemic.

The best situation was in specialist construction works, where the average annual increase amounted to 9.3%. Growth was also recorded in the civil engineering segment, where it was recorded at the level of 2.8%. On the other hand, construction and assembly production among entities

The Group continued the investment tasks started in 2020 and undertook new ones to maintain an appropriate level of sales despite difficulties in the shortage of supplies, human resources and price increases.

Russian business environment

In the Russian Federation (LLC Energokomplekt) it deals with the purchase and sale of materials and equipment for the maintenance of the supply of large construction companies and holding companies. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which have the characteristics of an emerging market. The legal, tax and regulatory framework is still developing, but is subject to different interpretations and frequent changes which, together with other legal and tax constraints, contribute to the challenges faced by entities operating in the Russian Federation.

Due to the gradual expansion of sanctions by the United States of America, the European Union and other countries against the Russian Federation, the uncertainty of the economic situation increases, including greater volatility of the stock markets, the depreciation of the Russian ruble, a reduction in the inflow of local and foreign direct investments and a significant reduction in the availability of credit.

It is difficult to define the long-term effects of the imposed and possible additional sanctions. The COVID-19 coronavirus pandemic has further increased uncertainty in the business community.

(b) Organization and activities

RESBUD SE ("Company") and its subsidiaries ("Group") operate in the territory of the European Union (Conpol Ltd., Uniwersim Ltd.) and the Russian Federation (LLC Energokomplekt) RESBUD SE was established as a result of numerous transformations of the Polish a state-owned enterprise established in 1950, and was registered as a European-type company in February 2018.

The Company's shares have been listed on the Warsaw Stock Exchange since September 2007.

The registered office of the Company is Järvevana tee 9-40, 11314, Tallinn, Estonia.

The core business of the Group is construction work related to the erection of concrete structures, construction of road and railway engineering facilities, production of mineral-asphalt mixtures and concrete, and the supply of materials and equipment for large infrastructure projects in the field of construction and modernization of energy installations. Deliveries are made in the territory of the Russian Federation. The company has one foreign branch registered in Poland.

The duration of the parent company and the Group companies is indefinite.

2. The basis of accounting

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union.

(b) Going on business

The group has adequate resources to continue as a going concern for at least the next 12 months and the going concern principle remains appropriate. The Group has not experienced any significant impact of COVID-19 on its current operations.

The implemented construction tasks and orders were carried out without major disruptions, there were no penalties for delays in implementation, and the additional costs caused by ensuring the safety of employees did not significantly affect the Group's results in 2021.

There were slight deviations in the maintenance of an adequate cash balance, however, not affecting the timely payment of liabilities or the recoverability of receivables without significant delays.

The outlook for the road construction market is good. Regardless of the macroeconomic situation, the number and value of GDDKiA's investments remains high. It is important for companies in the construction industry to prepare accurate cost estimates and maintain partner relations with investors, especially in conditions of rapidly changing prices affecting margins. High construction costs and rising interest rates are expected to cause many public and private investors to review their investment plans.

In 2022, road projects commissioned by GDDKiA are to enter the implementation phase.

As predicted by the Central Bank, the scale of the recovery in construction may largely depend on the efficient implementation of the investment package co-financed with new EU funds (this applies both to the new EU perspective for 2021-2027 and the Reconstruction Fund, which is delayed). In the case of effective use of funds from both sources, the construction market in Poland should return to the upward trend in the years 2022–2023.

It is expected that in the next two or three years the investments of GDDKiA and PKP PLK will be an important element stabilizing the economic situation in the engineering industry

The conflict in Ukraine, sanctions imposed on a number of Russian companies, industries, goods and natural persons did not affect the activities of the Russian segment of the Group. The group company is not dependent on changes in interest rates as it does not have bank loans.

Accordingly, management concluded that there is no significant uncertainty about the Group's ability to continue as a going concern.

These consolidated annual financial statements have been prepared on the going concern basis and do not contain any adjustments to the carrying amounts and classification of assets, liabilities and recognized expenses that might otherwise be required if the going concern was not appropriate.

3. Functional and presentation currency

These consolidated annual financial statements are presented in euro ("EUR"), however, the functional currency for Estonia is the euro ("EUR"), for Poland the Polish zloty ("PLN"), for the Russian Federation is the ruble ("RUB"). All amounts have been rounded to the nearest thousand unless otherwise indicated.

The results and financial position of subsidiaries with a different functional currency from the presentation currency are converted into the presentation currency using the following procedures:

- assets and liabilities for each presented statement of financial position are translated at the closing rate on the date of that statement of financial position;
- revenues and costs for each presented statement of comprehensive income are translated at the exchange rates as at the date of the transaction; and
- all the resulting exchange rate differences are recognized in other comprehensive income.

In preparing the consolidated annual financial statements, the following rates of exchange of national currencies into euro were used:

| Currency | Exchange rate December 31, 2021 | Weighted average exchange rate for 12 months of 2021 | Exchange rate December 31, 2020 |
|-----------------|--|---|--|
| PLN | 4,5969 | 4,5652 | 4,5597 |
| RUB | 85,3004 | 87,1527 | 91,4671 |

The exchange rate of the ruble against the euro was adopted according to the data of the European Central Bank for the relevant dates. The exchange rate of PLN to EUR is adopted according to the data of the National Bank of Poland.

4. Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted principles and the presented values of assets, liabilities, revenues and costs. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments of accounting estimates are recognized in the period in which the estimates are changed and in any future periods in which they affect.

Information on critical judgments in applying the accounting principles (policy) that have the most significant impact on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2(b)- going concern: are there material uncertainties that cast significant doubt on the entity's ability to continue as a going concern;
- Note 8 - commission income, determining whether the Group acts as an intermediary in the transaction and not as the principal;
- Note 16a- periods of use tangible fixed assets;
- Note 21- write-offs for trade receivables;
- Note 31- consolidation: does the Group actually exercise control over the investment entity.

Information on the assumptions and uncertainties of estimates that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8 and Note 30 - revenue recognition: estimating expected returns;
- Note 16b- intangible assets and goodwill impairment test: key assumptions regarding recoverable amounts.

Fair value measurement

A number of the Group's accounting policies and disclosures require fair value measurement of both financial and non-financial assets and liabilities.

The Group has an established control framework with regard to the measurement of fair values. This includes the valuation team, which has overall responsibility for overseeing all material fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

Management reviews material unobservable inputs and valuation adjustments on a regular basis. When third party information is used to measure fair value, management assesses the evidence obtained from third parties to support its conclusion that such measurements meet the requirements of IFRSs, including the level of the fair value hierarchy at which such measurements should be classified.

When determining the fair value of an asset or liability, the Group uses data that can be observed on the market as much as possible. The fair values are classified at different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: Inputs other than quoted prices included in Level 1 that can be observed for the asset or liability, directly (ie as prices) or indirectly (ie price derivatives).
- *Level 3*: Inputs for an asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of the asset or liability can be classified at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at the same level of the fair value hierarchy as the lowest level of inputs that are relevant to the overall measurement.

The Group recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period in which the change occurs.

5. Changes in significant accounting principles

The Group initially adopted the Definition of Business (Amendments to IFRS 3) and the Interest Rate Benchmarking Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from January 1, 2020. A number of other amendments to the existing standards also apply from January 1, 2020, but not have a significant impact on the Group's financial statements.

The Group applied the Definition of Enterprises (Amendments to IFRS 3) for business combinations with an acquisition date on or after February 4, 2021, when assessing whether it acquired a business or a group of assets. Details of the accounting policies are presented in the Note 43. See also the Note 32- detailed information on the Group's acquisition of subsidiaries during the year.

6. Operating segments

The Group has distinguished three operating segments. The segments are aggregated according to geographic criteria. The Russia segment includes supplies for construction sites.

Komponent Polska operates in the construction industry.

The Estonian component belongs to other companies.

The table below provides information on the revenues, costs, profits and losses of each segment. Inter-segment transactions related to interest income and expense have been eliminated. Comparable information for previous periods is not presented by segments, as the Group was established in 2021 and this is the first time that a consolidated financial statement is prepared.

| Completed in 12 months December 31, 2021 "Thousand EUR " | Russia | Poland | Estonia | Total |
|--|--------|--------|---------|-------|
| External revenues | 58290 | 2769 | | 61059 |
| Revenue between segments | | 91 | 11 | 102 |
| Segment profit (loss) before income tax | 1600 | (2025) | (27) | (452) |

The segments are independent and have no cross-segment revenues or expenses.

| December 31, 2021 "Thousand EUR " | Russia | Poland | Estonia | Total |
|---|--------|--------|---------|-------|
| Assets of the reporting segment | 46083 | 6354 | 34787 | 87224 |
| Liabilities of the reporting segment | 33076 | 10362 | 1949 | 45387 |

(i) **Reconciliation of information on reporting segments with IFRS measures**

| '000EUR | 2021 | 2020 |
|---|--------------|------|
| Revenue | | |
| Total revenues for reporting segments | 61161 | |
| Elimination of inter-segment revenues | (102) | |
| Consolidated income | 61059 | |
| | | |
| Profit or loss before tax | (452) | |
| Total profit / (loss) before tax for reporting segments | | |
| Consolidated gross profit / (loss) from continuing operations | (452) | |
| | | |
| Fortune | | |
| Total assets for reporting segments | 87224 | |
| Other unallocated amounts | (6657) | |
| Total Consolidated Assets | 80567 | |
| | | |
| Indebtedness | | |
| Total liabilities for reporting segments | 45387 | |
| | | |
| Total consolidated liabilities | 45387 | |

(ii) **Main customer**

In 2021, no customer accounted for more than 10% of the Group's total revenues.

7. Discontinued activities

There are no discontinued operations in the Group.

8. Income

The Group generates income mainly from commercial activities related to the sale of construction equipment and materials in the territory of the Russian Federation under contracts concluded with major construction contractors implementing significant infrastructure projects. Other sources of revenues include revenues from the sale of construction works and revenues from the sale of manufactured building materials. The Group's revenues come from contracts with customers.

Polish components are subject to seasonal fluctuations due to weather conditions. In particular, they are adversely affected by winter weather conditions that occur from January to March, with the first quarter of the year usually bringing lower revenues and results for this segment.

(a) Revenue sources

| <i>"Thousand EUR "</i> | In 12 months 2021 | In 12 months 2020 |
|---|-------------------|-------------------|
| Revenue from the sale of equipment and construction materials | 58290 | - |
| Income from construction works | 1512 | - |
| Revenue from the sale of finished products | 1257 | - |
| Total income | 61059 | - |

(b) Disaggregation of revenues from contracts with customers

In the table below, revenue from contracts with customers has been disaggregated by primary geographic market, major products and service lines, and revenue recognition time. The table also includes a reconciliation of disaggregated revenues with the Group's reporting segments.

| For the 12 months ended December 31, 2021 | Sale of construction equipment and materials | | Works | | Finished goods | | Total | |
|---|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 12 months 2021 | 12 months 2020 | 12 months 2021 | 12 months 2020 | 12 months 2021 | 12 months 2020 | 12 months 2021 | 12 months 2020 |
| <i>"Thousand EUR "</i> | | | | | | | | |
| Primary geographic markets | | | | | | | | |
| Russia | 58290 | | | | | | 58290 | |
| Poland | | | 1512 | | 1257 | | 2769 | |
| Total | 58290 | | 1512 | | 1257 | | 61059 | |

Revenues are recognized when goods are delivered and services are collected by customers within a specified period of time. Revenue comes from contracts with customers.

(c) Obligations to provide services and principles of revenue recognition

Revenue is measured on the basis of the payment specified in the contract with the customer. The Group recognizes revenues when the control over a good or service is transferred to the customer.

The table below provides information on the nature and timing of obligations under contracts with customers, including material payment terms, and the related revenue recognition policies. Accounting rules for onerous contracts, see Note 44.

| Type of product / service | Nature and timing of performance obligations, including material payment terms | Revenue Recognition Policy |
|---|--|--|
| Machines and construction materials, construction services, products | <p>Customers gain control of standard products as goods are delivered and received at their premises.</p> <p>Invoices are generated at this point. Invoices are normally payable within 30 days.</p> <p>There are no discounts on standard products.</p> | <p>Revenue is recognized when the goods are delivered and accepted by the customer at their premises.</p> <p>Revenues and related costs are recognized over time - ie before the goods are delivered to the customer's premises. Progress is determined on a cost-to-cost basis.</p> |
| Construction contracts | <p>The Group builds facilities for clients in the segment, based on their projects, and on their premises.</p> <p>Each project begins after signing the contract with the client, and its length depends on the complexity of the project.</p> | <p>Revenue is recognized over time using the cost-cost method. The related costs are recognized in the profit and loss account at the moment they are incurred.</p> <p>The received advances are recognized in contractual obligations.</p> |

9. Income and expenses

(a) Cost of products, goods and materials sold

| '000EUR | 2021 | 2020 |
|--------------------|--------------|------|
| Uniwersim Ltd. | 620 | |
| LLC Energokomplekt | 53630 | |
| Total | 54250 | |

(b) Other income

| '000EUR | 2021 | 2020 |
|---|------------|------|
| Profit on disposal of tangible fixed assets | 103 | |
| Government subsidies | 73 | |
| Other income | 39 | |
| Total | 215 | |

(c) Other expenses

| '000EUR | 2021 | 2020 |
|----------------|-------------|------|
| Other expenses | 2088 | |
| Total | 2088 | |

(d) Expenses by nature

| '000EUR | 2021 | 2020 |
|------------------------------|-------------|------|
| Depreciation | 564 | |
| Service material consumption | 713 | |
| Services | 2129 | |
| Taxes and fees | 38 | |
| Salaries | 796 | |
| Social security and overhead | 211 | |
| Other costs | 163 | |
| Total | 4614 | |

(e) Changes in the classification

In 2021, there were no changes in the classification of income and expenses in the Group.

10. Earnings per share

The calculation of the basic earnings per share as at December 31, 2021 was based on the loss attributable to ordinary shareholders in the amount of 825 thousand EUR (2020: 347 thousand EUR) and the weighted average number of ordinary shares outstanding of 215 666 265 (2020: 18 100 000), calculated as shown below.

An indicator reflecting the duration of a particular stock, it is the number of days that a certain number of stocks exist up to the total number of days in a given period.

| | December 31, 2021 | 31 December 2020 |
|--|--------------------------|--------------------------|
| Shares issued on January 1 | 18 100 000 | 18 100 000 |
| Number of shares issued in February | 218 520 263 | |
| Weighted average number of shares in the reporting period | 215 666 265 | 18 100 000 |
| EARN PER SHARE (EPS) | December 31, 2021 | December 31, 2020 |
| Weighted average number of shares | 215 666 265 | 18 100 000 |
| Net profit / loss for 12 months 2021 | (825) | (347) |
| Basic EPS (in Euro) | (0,004) | (0,02) |

11. Employee benefits

Due to the number of employees, the company does not create provisions for retirement and holiday benefits.

Liabilities due to employee benefits:

| '000EUR | 2021 | 2020 |
|--------------------|-------------|-------------|
| Delcfaft Ehitus OÜ | 6 | |
| LLC Energokomplekt | 68 | |
| Total | 72 | |

12. Expenses for employee benefits

| '000EUR | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| Salaries | 796 | |
| Social security contributions | 211 | |
| Total | 1007 | |

13. Income taxes

The obligatory burden on the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the value of assets and liabilities shown in the books of account and their tax value and tax loss possible to be deducted in the future, the Group, using the balance sheet method, creates: deferred income tax liabilities in relation to positive temporary differences and determines the assets from deferred income tax in relation to negative exchange differences and tax loss deductible using the prudence principle.

Liabilities and assets due to deferred income tax are not recognized in the case of temporary differences arising on the initial recognition of an asset or liability in a transaction not constituting a business combination and at the time of carrying out transactions that have no impact on the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legal title to offset tax receivables and current tax liabilities, and if the deferred tax relates to a tax imposed by the same tax authority on the same taxpayer. This means that deferred tax assets and liabilities are offset in the Group's financial statements.

The Group recognizes a tax asset only when the forecasts of future financial results indicate that a tax profit will be achieved that will allow the asset to be realized in a specific future.

The carrying amount of a deferred tax asset is verified as at each balance sheet date and is reduced accordingly by the amount that it is no longer probable that the taxable income will be sufficient to partially or fully realize the deferred tax asset. The elements of the judgment in the area of recoverability of deferred tax assets are the Group's projected future financial results and their impact on the recoverability of assets.

(a) Amounts included in the profit and loss account

The applicable tax rate of the Group is the income tax rate of 20% for Estonian and Russian companies, and 9% for Polish companies.

| '000 EUR | Note | 2021 | 2020 |
|---------------------------|------|------|------|
| Current tax burden | | | |
| Current year | | 373 | |
| Deferred tax | | 771 | |

(b) Amounts included in other comprehensive income

| '000 EUR | 2021 | | |
|---|---------------|----------------------------|---------------|
| | Before tax | Tax benefits (expenses) | Net |
| Items that will not be reclassified to the profit and loss account | | | |
| Revaluation of property, plant and equipment | 1153 | | 1153 |
| Additional depreciation on revaluation of property, plant and equipment | | | |
| Equity investments in FVOCI - net change in fair value | (6657) | | (6657) |
| Total | (5504) | | (5504) |
| Items that are or may later be reclassified to the income statement | | | |
| Foreign operations - exchange rate differences from translation | (917) | | (917) |
| Total | (917) | | (917) |

(c) Amounts recognized directly in equity

Agreeing on the effective tax rate:

| | 2021 | |
|--|------------|-----------|
| | '000 EUR | % |
| Gross profit / (loss) from continuing operations | (825) | |
| Tax at the Company's domestic tax rate | 0 | |
| The impact of tax rates in foreign jurisdictions | 373 | 23 |
| Income exempt from tax | 73 | |
| Tax charge for continuing operations | 373 | 23 |

(d) Deferred tax assets and liabilities recognized

Deferred tax assets and liabilities can be allocated to:

| '000 EUR | Fortune | |
|------------------------------------|---------|------|
| | 2021 | 2020 |
| Tangible fixed assets | (81) | |
| Trade and other receivables | (702) | |
| Accruals | (2) | |
| Liabilities and provisions | 14 | |
| Tax (assets) / liabilities | (771) | |
| Tax deduction | 0 | |
| Tax (assets) / net liabilities | (771) | |
| Tax (liabilities)/ tax liabilities | 362 | |

14. Adjusted profit before interest, tax, depreciation and amortization (adjusted EBITDA)

Management disclosed an adjusted EBITDA of results as it monitors the results on a consolidated basis and believes that this ratio is relevant to understanding the Group's financial performance.

Adjusted EBITDA is not a defined performance measure in IFRS. The definition of the Group's adjusted EBITDA may not be comparable to similarly named performance measures and third party disclosures.

Reconciliation of adjusted EBITDA with profit from continuing operations:

| '000 EUR | Note | 2021 | 2020 |
|--|------|--------------|------|
| Profit from continuing operations | | (825) | |
| Income tax | 13 | 373 | |
| Profit before tax | | (452) | |
| <i>Corrections for:</i> | | | |
| Net financial expenses | 42 | (774) | |
| Depreciation | 9 | 564 | |
| Adjusted EBITDA | | (662) | |

15. Tangible fixed assets

| '000EUR | Land and buildings | Machines and devices | Means of transport | Other | Measures together |
|--|--------------------|----------------------|--------------------|-----------|-------------------|
| Balance as of January 1, 2021 | 0 | 0 | 0 | 0 | 0 |
| Acquisitions through business combinations | 1566 | 1808 | 84 | 31 | 3489 |
| Acquisition | 594 | 1561 | 15 | 0 | 2170 |
| Disposal | 0 | (288) | (49) | (16) | (353) |
| Valuation update | 0 | 1372 | 0 | 0 | 1372 |
| Balance as at December 31, 2021 | 2160 | 2453 | 50 | 15 | 6678 |
| <i>Write-offs and write-downs</i> | | | | | |
| Balance as of January 1, 2021 | 0 | 0 | 0 | 0 | 0 |
| Acquisitions through business combinations | 93 | 1066 | 73 | 16 | 1248 |
| Redemptions | 25 | 307 | 11 | 4 | 347 |
| Disposal | 0 | (285) | (37) | (10) | (332) |
| Valuation update | 0 | 219 | 0 | 0 | 219 |
| Balance as at December 31, 2021 | 118 | 1307 | 47 | 10 | 1482 |
| <i>Balance sheet amounts</i> | | | | | |
| As of December 31, 2020 | 0 | 0 | 0 | 0 | 0 |
| As of December 31, 2021 | 2042 | 3146 | 3 | 5 | 5196 |

(a) Land revaluation

Absent.

(b) Revaluation of property, plant and equipment

The company updated the value of two fixed assets: WMB BENIGHOFFEN bitumen production plant and WMB BHS - TWIN MIX.

(c) Security

Not applicable.

(d) Leased equipment and machinery

In 2021, the Group leased a building that is the seat of Polish companies of the Group and premises for the Group's employees on a delegation.

For the purposes of the concluded contracts, an additional concrete batching plant is leased.

The Group has entered into lease agreements which give the possibility to purchase the leased asset after the termination of the agreement.

(e) Property, plant and equipment under construction

Do not occur.

(f) Change in estimates

Not applicable.

16. Intangible assets and goodwill

| 000 'EUR | Goodwill | Patents and trademarks | Development costs | Total |
|--|--------------|------------------------|-------------------|--------------|
| Balance as of January 1, 2021 | 0 | 0 | 0 | 0 |
| Acquisitions through business combinations | 31279 | 0 | 0 | 31279 |
| Balance as at December 31, 2021 | 31279 | 0 | 0 | 31279 |

(a) Depreciation

Goodwill acquired as a result of a business combination is the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities. Tangible fixed assets are recognized at cost less accumulated depreciation and any impairment losses.

Land is measured at fair value less any accumulated impairment.

The depreciation is based on the cost minus the estimated residual value. Property, plant and equipment are depreciated over their estimated useful lives. Right-of-use assets are depreciated over their estimated useful life or contract period, whichever is the shortest.

Machines and devices over 5-10 years

Buildings and structures over 10-50 years old

Land is considered to have an indefinite useful life. Computer equipment is amortized over 3-5 years. If an item of property, plant and equipment consists of elements with different useful lives, each such material element is depreciated separately. The depreciation methods and estimated residual values and useful lives are reviewed at the end of each year.

If the carrying amount of an asset is higher than its estimated recoverable amount, it is immediately written down to its recoverable amount. Gains and losses on disposal are determined by comparing the inflows with the carrying amount and are recognized in the operating profit or loss in an appropriate item. Subsequent costs are recognized respectively in the carrying amount of the asset or recognized as a separate asset only when it is probable that the future economic benefits related to the item will flow to the Group and the cost of the component can be reliably measured. All other repairs and maintenance are charged to the profit and loss account in the financial period in which they are incurred.

(b) Impairment test

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and an annual impairment test is carried out or when there are indications of impairment. Goodwill impairment losses are not reversed.

Any negative goodwill resulting from acquisitions is recognized directly in the profit and loss account.

| "Thousand EUR " | December 31st |
|---|---------------|
| | 2021 |
| Expense | |
| Balance at the beginning of the period | 0 |
| Acquisition by business combination (see Note 21 (a)) | 31279 |
| including the Poland component | 394 |
| including the Russian component | 30886 |
| Balance as at December 31, 2021 | 31279 |
| Impairment losses | 0 |

Russian component

The Russian component generated a profit in 12 months of 2021.

However, it operates in Russia in an unstable economic environment, and therefore an impairment test was carried out. The estimated recoverable amount of the CGU exceeded the book value of goodwill and as at December 31, 2021, there was no impairment.

The recoverable amount of the CGU was determined based on value in use.

- Cash flow has been estimated based on past experience, actual operating results and a five-year business plan. The cash flow for the next 5 years has been extrapolated using a constant growth rate of 3%, which does not exceed the long-term average growth rate for the industry.

- It was assumed that the sales volume will grow at a rate of 10-12% annually in the years 2022-2026, which is in line with the forecasts of the industry report.

- When determining the recoverable amount of the centers, a pre-tax discount rate of 18.57% was used. The discount rate has been estimated based on the historical weighted average cost of capital in the industry.

Polish ingredient

After the loss in the Polish component during the period ended December 31, 2021 (see Note **Błąd! Nie można odnaleźć źródła odwołania.**), The Group assessed the recoverable amount of the CGUs that make up this operating segment. As a result of this assessment, the carrying amount of the CGU was determined to be lower than its recoverable amount. As at December 31, 2021, there is no impairment of goodwill.

The recoverable amount of the CGU was based on its value in use.

- Cash flow was estimated based on experience, actual operating results and a five-year business plan. The cash flow for the next 12 years has been extrapolated using a constant growth rate of 2%, which does not exceed the long-term average growth rate for the industry.
- It was assumed that the sales volume would increase by 10% annually in the years 2022-2026, which is in line with the forecasts included in industry reports.
- A pre-tax discount rate of 7.3% was used to determine the recoverable amount of the units. The discount rate was estimated on the basis of the historical industry average weighted cost of capital.

(i) ***Impairment tests of cash generating units containing goodwill***

Management presented an adjusted EBITDA performance measure as it monitors the results on a consolidated basis and believes that this measure is relevant to understanding the Group's financial performance. The definition of adjusted EBITDA is the same as in the most recent annual financial statements.

Adjusted EBITDA is not a defined performance measure in IFRS. The definition of the Group's adjusted EBITDA may not be comparable to similarly named performance measures and third party disclosures.

| "Thousand euro" | 12 months ended December 31, 2021 | 12 months ended December 31, 2020 |
|----------------------------|--------------------------------------|--------------------------------------|
| Loss for the period | (825) | (260) |
| Income tax | 373 | |
| Profit before tax | (452) | (260) |
| <i>Corrections for:</i> | | |
| Net financial expenses | 774 | 17 |
| Depreciation | 564 | |
| Adjusted EBITDA | (662) | (243) |

(c) Development costs

Not applicable.

17. Investment Estates

Not applicable.

18. Investments accounted for using the equity method

Not applicable.

19. Other investments

Debt securities

The company has short-term financial assets with a balance sheet value of 464 thousand EUR in the form of a debt instrument of a Swiss company. The promissory note is secured with real estate the value of which exceeds the value of the financial instrument many times over.

20. Supplies

| "Thousand EUR " | in 12 months 31 December 2021 |
|-----------------------------|--------------------------------------|
| Raw materials and materials | 181 |
| Goods for resale | 2124 |
| Supplies | 2305 |

Supplies are not subject to revaluation write-offs and no provisions were created.

No inventory pledged.

21. Trade and other receivables

In the group's accounts, receivables are stated at fair value less impairment losses.

| "Thousand euro" | 12 months ended December 31, 2021 | December 31, 2020 |
|-------------------------------|--------------------------------------|-------------------|
| Long-term receivables | 30 | 0 |
| Trade receivables | 29995 | 26 |
| Prepayment | 0 | 36 |
| Other receivables | 1948 | 0 |
| Short-term receivables | 31943 | 62 |

22. Cash and cash equivalents

As at December 31, 2021, the Group had cash in the amount of 3548 thousand EUR. Cash is kept at banks and credit unions. Cash in hand as at December 31, 2021 amounted to 1094 thousand EUR. Cash in bank accounts amounted to 2454 thousand. EUR.

| '000EUR | 2021 | 2020 |
|---|-------------|----------|
| Cash on hand | 1094 | 0 |
| Bank balances | 2454 | 4 |
| Cash and cash equivalents in the statement of financial position | 3548 | 4 |
| | | |
| Cash and cash equivalents in the cash flow statement | 3548 | 4 |

The Group's exposure to interest rate risk and the sensitivity analysis of financial assets and liabilities are presented in Note 30.

23. Disposal group held for sale

The amount of EUR 5,530 thousand includes - short-term financial assets (promissory note, share in other entities), which the Group companies did not recognize as long-term financial assets.

24. Capital and reserves

(a) Share capital and additional paid-in capital

| <i>The number of actions, unless otherwise stated</i> | Ordinary shares | |
|---|-----------------|------------|
| | 2021 | 2020 |
| As of January 1 | 18 100 000 | 18 100 000 |
| Issue of shares | 218 520 263 | 0 |
| As of December 31 | 236 620 263 | 0 |
| Nominal value of shares | 0,11 | 0,11 |

All common stocks are of equal rank in relation to the remaining assets of the Company.

(b) Dividends

Throughout 2021, the company did not report or pay dividends (year ended December 31, 2020: zero).

(c) Exchange differences

The conversion capital covers all foreign exchange differences resulting from the translation of financial statements of foreign entities.

(d) Fair value reserve

Not applicable.

(e) Revaluation surplus

Revaluation surplus relates to the revaluation of property, plant and equipment.

(f) Profit / loss for the current year, retained earnings

| '000EUR | 2021 | 2020 | Corrections relating to previous years |
|-------------------|-------|--------|--|
| Profit / loss | (825) | (347) | 0 |
| Retained earnings | 2444 | (1896) | (1010) |

25. Capital management

The Group does not have a formal capital management policy, but the Management Board aims to maintain a sufficient capital base to meet the operational and strategic needs of the Group and to maintain the confidence of market participants. This is achieved through effective cash management, constant monitoring of the Group's revenues and profits, and long-term investment plans financed mainly from the Group's operating cash flows. Thanks to these activities, the Group aims at constant profit growth.

26. Credits and loans - debt repayment schedule

(a) Debt repayment terms and schedule

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings. For more information on the Group's exposure to interest rate, foreign currency and liquidity risk, see the Note 30.

| | Balance | Loan currency | Interest | Due date |
|------------------------|-------------|---------------|----------|----------|
| Loans received | 6549 | | | |
| Long-term loans | 18 | | | |

| | Balance | Loan currency | Interest | Due date |
|-----------------------------------|-------------|---------------|---------------|-------------------|
| Polish Development Fund | 18 | PLN | 0% | October 25, 2023 |
| Short-term loans | 6531 | | | |
| Related parties outside the group | 1613 | EUR | 4% - 8.5% | December 31, 2022 |
| | 26 | USD | 6% | December 31, 2022 |
| | 2747 | RUB | 10.6% | December 31, 2022 |
| Unrelated entities | 2121 | EUR | 4% - 8.5% | December 31, 2022 |
| Polish Development Fund | 24 | PLN | 0% | October 25, 2023 |
| | | | | |
| Loans granted | 446 | | | |
| Long-term loans | 35 | | | |
| Unrelated entities | 35 | RUB | 5.6% | March 19, 2024 |
| Short-term loans | 411 | | | |
| Related parties outside the group | 93 | RUB | 4.17 - 10.6% | December 31, 2022 |
| Unrelated entities | 39 | PLN | 4.6% - 6% | December 31, 2022 |
| | 279 | RUB | 4.17% - 10.6% | December 31, 2022 |

| '000 EUR | 2021 | 2020 |
|------------------------------|-------|------|
| Long-term liabilities | 1128 | 0 |
| A loan from related entities | 69 | 0 |
| Leasing obligations | 202 | 0 |
| PFR subsidies | 18 | 0 |
| Current liabilities | | |
| Loans from related entities | 10073 | 203 |
| Loans from other entities | 2107 | 162 |
| PFR subsidies | 24 | |

Government aid - Polish Development Fund (PFR)

In 2020, the Polish companies included in the Group received a government subsidy in the amount of PLN 121 thousand. EUR. The Polish Development Fund granted a financial subsidy to help companies survive in the COVID period, to cover the costs of economic activity (including employee labor costs, expenses for the purchase of goods and materials) or early loan repayment.

In 2021, Polish companies met certain conditions, and the subsidy was canceled in the amount of PLN 73 thousand. EUR and included in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income under Other Income.

Part of the subsidy in the amount of PLN 6,000 EUR was returned in 2021, the rest of the subsidy in the amount of 42 thousand. EUR will be returned in 2022 and 2023, in the amount of 24 thousand. EUR and 18 thousand. EUR.

27. Deferred income / income

| '000EUR | 2021 |
|---|------|
| Other short-term interperiod provisions | 8 |

The remaining short-term interperiod provisions appear in Conpol Ltd. and Uniwersim Ltd. and Resbud SE, they are booked costs related to 2021, which were invoiced by suppliers in January and February 2022. These costs relate to exchange fees, energy, property protection, services related to contract management.

28. Reserves

(a) Guarantees

LLC Energokomplekt issued guarantees for the liabilities of related companies as at December 31, 2021 for the total amount of 2277 thousand Euro and sureties for the total amount of 120121 thousand Euro.

29. Trade and other sources of income

Trade liabilities

| '000 EUR | 2021 | 2020 |
|------------------------------|-------|------|
| Other commercial obligations | 32771 | 26 |

Other obligations

| '000EUR | 2021 | 2020 |
|----------------------------------|-------------|------|
| Other current taxes | 2722 | |
| Payroll tax | 34 | |
| VAT tax | 1951 | |
| VAT to be deducted in the future | 678 | |
| Social benefits | 59 | |

| '000EUR | 2021 | 2020 |
|----------------------------|-------------|-------------|
| Other obligations | 1886 | |
| Deposits | 22 | |
| <i>Assignments</i> | 1535 | |
| <i>Payroll liabilities</i> | 328 | |
| <i>The remaining</i> | 1 | |
| Total | 4608 | |

30. Fair values and risk management

(a) Fair value measurement

Not applicable because the Company does not measure the fair value of financial instruments.

(b) Financial risk management

The Group is exposed to the following risks related to the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- currency risk
- interest rate risk

Risk management framework

The Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework.

The Group's risk management principles are aimed at identifying and analyzing the risks to which the Group is exposed, setting appropriate limits and risk controls, as well as monitoring the risk and compliance with the limits.

The Management Board supervises and monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks to which the Group is exposed.

(i) Credit risk

Credit risk is the risk of a financial loss incurred by the Group in the event of failure by a customer or counterparty of a financial instrument to fulfill its contractual obligations, which results mainly from the Group's receivables from customers and investments in debt securities.

Write-downs on trade receivables and contract assets recognized in the profit and loss account were as follows.

| Group of receivables | As at the beginning of the financial year | Change in write-offs during the year | | | As at the end of the financial year |
|-------------------------------|---|--------------------------------------|-----|-------------------------|-------------------------------------|
| | | increase | use | recognition unnecessary | |
| short-term receivables | 0 | 561 | 0 | 0 | 561 |
| a / for supplies and services | 0 | 482 | 0 | 0 | 482 |
| - up to 12 months | 0 | 482 | 0 | 0 | 482 |
| - over 12 months | 7 | 0 | 7 | 0 | 0 |
| b / other receivables | 0 | 79 | 0 | 0 | 79 |

In 2021, the Group created revaluation write-offs for receivables whose repayment is at risk and their collection is impossible or difficult. As at the balance sheet date, the Group assessed the feasibility and probability of settling the liabilities by debtors as well as the degree of risk and loss of future economic benefits.

The following receivables were 100% write-offs:

a / for supplies and services from contractors:

- Astaldi SpA in remedial proceedings - 430
- SFS Polska Sp. z o. o. Ukrainian company - 13
- VISTAL SA in composition proceedings - 7
- Europejski Holding Energetyczny Sp. z o. o. no contact with management board members living in Ukraine - 32

and terminated the write-off with Elitax Sp. z o. o. in the equivalent of the write-off created in 2020 as a result of payment;

b / due to accounting errors from previous years - 79.

Trade receivables and assets under construction contracts

In order to protect against credit risk resulting from receivables related to the implementation of construction contracts (i.e. receivables from deliveries and services, receivables from construction contracts - deposits and from the valuation of construction contracts), the Group has in place a policy

of assessing and verifying credit risk related to all contracts, both at the pre-bid stage and during implementation. Before signing the contract, each contractor is assessed in terms of the possibility of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, accession to the contract depends on the establishment of adequate financial or property security. In addition, contracts with investors include clauses providing for the right to suspend works, if there is a delay in the payment of payments for services rendered. If possible, contractual provisions are also created that condition payments to subcontractors from the inflow of funds from the investor.

There is no concentration of credit risk in the Group related to trade receivables and receivables from construction contracts - deposits and from the valuation of construction contracts.

Debt securities

The company has short-term financial assets with a balance sheet value of 464 thousand EUR in the form of a debt instrument of a Swiss company. The promissory note has security on real estate the value of which exceeds the value of the financial instrument many times over.

Cash and cash equivalents

As at December 31, 2021, the Group had cash in the amount of 3548 thousand EUR. Cash is kept at banks and credit unions. Cash in hand as at December 31, 2021 amounted to 1094 thousand EUR. Cash in bank accounts amounted to 2454 thousand EUR.

Guarantees

LLC Enegekompлект issued guarantees for the liabilities of related companies as at December 31, 2021 for the total amount of 2277 thousand EUR and sureties for the total amount of 120121 thousand EUR.

| Guarantees and sureties '000 EURO | 2021 |
|--|-------------|
| Guarantees | 2277 |
| Sureties | 120121 |
| Total | 122398 |

- Ural Power Engineering Construction Company AO (JSC) - 83 776 thousand EUR
- UralProjectEngineering OOO (Ltd.) - 12 370 thousand EUR
- Elektroual'montazh AO (JSC) - Company forelectricalinstallation of power stations and substations - 23 975 thousand EUR

(ii) Liquidity risk

The liquidity risk is the risk that the Group will encounter difficulties in meeting its obligations arising from its financial liabilities which are settled by delivering cash or another financial asset. The Group's approach to liquidity management is to ensure, to the extent possible, that it will always have sufficient liquidity to pay its liabilities in a timely manner, under both normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

| December 31, 2021 | Contractual cash flows | | | | | | | |
|--|------------------------|----------------------|---------|--------------------|-------------|-----------|-----------|--------------|
| '000EUR | Balance sheet value | Together obligations | Current | Less than 2 months | 2-12 months | 1-2 years | 2-5 years | Over 5 years |
| Financial liabilities other than derivative instruments | 37379 | 38434 | 37364 | 58 | 288 | 724 | 0 | 0 |
| Leasing obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade liabilities | 32771 | 32826 | 32498 | 56 | 260 | 12 | 0 | 0 |
| Other liabilities | 4608 | 5608 | 4866 | 2 | 28 | 712 | 0 | 0 |

Differences between the carrying amount and the total item of liabilities result from liabilities between related parties.

(iii) Market risk

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

The Group does not apply hedge accounting to manage the volatility of the financial result.

As part of its basic operating activities, the Group does not conclude construction contracts denominated in EUR. With regard to receivables and liabilities resulting from concluded contracts for the purchase of materials, for which payments will be made in EUR, and with regard to granted loans denominated in EUR, the Group determined that the risk was immaterial.

(iv) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and loans are denominated and the respective functional currencies of the Group's entities. The functional currencies of the Group companies are mainly Polish zloty (PLN), Russian ruble (RUB) and euro (EUR).

In 2021, a weakening of the zloty against the dollar was recorded (an increase of 8% compared to 2020). The zloty exchange rate against the dollar in 2021 was influenced by low interest rates with a simultaneous increase in inflation, which, according to the Central Statistical Office, amounted to 5.1% interim. The process of increasing interest rates by the Monetary Policy Council was started only in the fourth quarter of 2021. The currencies of the Polish market were mainly affected by the uncertainty related to the pandemic, the strengthening of the dollar and the lack of funds from the EU Reconstruction Fund in the face of the conflict between the Polish government and the European Commission over the approval of the National Reconstruction Plan.

The year-on-year change in the Euro currency was not significant. The rate at December 31, 2021 was 4,5994 compared to 4,6148 at the end of 2020.

(v) ***Interest rate risk***

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will change due to changes in market interest rates.

The Group is not exposed to interest rate risk as all loans bear interest at a fixed rate. The interest rate risk occurs mainly in connection with the use by the Group's companies of bank loans, borrowings and finance leases. Most of the exposure related to debt financing is short-term, which reduces the risk associated with rising interest rates.

The companies of the Group use fixed-rate instruments for which the movements of market interest rates have no impact on the interest costs incurred or the generated interest income.

Trade receivables and liabilities as well as other receivables and liabilities do not bear interest and have payment terms of up to one year.

Sensitivity analysis - stock price risk

Not applicable .

(c) **Framework agreements or similar agreements**

The Group may conclude sale and purchase agreements with the same counterparty in the ordinary course of its business. The related receivables and liabilities do not always meet the criteria for a set-off in the statement of financial position. This is because the Group may not currently have a legally enforceable right to set off the recognized amounts, as the right to set off may only be enforceable in the event of future events. In particular, according to civil law, an obligation may be settled by offsetting against a similar claim, if it is due or is payable on demand.

31. Significant subsidiaries and unconsolidated structured entities

Significant subsidiaries

| | | 2021 | 2020 |
|--------------------|----------------------|------------------|------------------|
| Subject | Country of residence | Ownership / vote | Ownership / vote |
| LLC Energokomplekt | Russia | 100% | 4.1% |
| Conpol Ltd. | Poland | 100% | 38.64% |
| Universim Ltd. | Poland | 100% | 0% |

32. Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

The company, as a minority shareholder, held the following shares as at December 31, 2020:

- 3,091 shares in the share capital of Conpol Ltd. with its seat in Modlniczka, Poland, constituting 38.64% of shares and votes at the shareholders' meeting in the amount of 38.64%;
- 4.1% of shares in LLC Energokomplekt with its seat in Ekaterinburg, Russia, which gives the right to vote at the shareholders' meeting in the amount of 4.1%.

At the beginning of 2021, RESBUD SE received as an in-kind contribution shares in the following companies:

- ✓ 83.7% of shares in LLC Energokomplekt (Russia)
- ✓ 100% of shares in Universim Ltd. (Poland)
- ✓ 61.36% of shares in Conpol Ltd. (Poland)

As at February 4, 2021, the Company has the following assets:

- 8,000 shares in the share capital of Conpol Ltd. with its registered office in Modlniczka, Poland, which constitutes 100% of the share capital and entitles to 100% of votes.
- direct share in the share capital of LLC Energokomplekt with its registered office in Ekaterinburg, Russia, which constitutes 87.80% of the share capital and entitles to 87.80% votes at the shareholders' meeting, while the company also indirectly holds 12.2% through Conpol Ltd. in the capital company LLC Energokomplekt, which gives 100% direct or indirect control
- 100 shares in the share capital of Universim Ltd. with its registered office in Modlniczka, Poland, which constitutes 100% of the shares and entitles to 100% of votes at the shareholders' meetings.
- indirectly through Conpol Ltd. 100% of shares in Delcraft Ehitus OÜ based in Tallinn, Estonia, entitling to 100% of votes at the shareholders' meeting.

As the acquisition of all companies took place simultaneously, the acquisition date is February 1, 2021. The Group decided to determine the goodwill based on the acquired companies with a subsequent division of the goodwill between the companies.

The following is a summary of the major classes of consideration transferred as well as the recognized amounts of assets assumed and liabilities assumed as of the acquisition date.

(i) **Payment transferred**

The following table summarizes the acquisition-date fair value of each major class of consideration transferred.

| | |
|--|--------------|
| Equity instruments (common stocks) | 218 520 263 |
| Price per share, EUR | 0,177 |
| Total payment transferred (in thousand EUR) | 38730 |

The fair value of the issued ordinary shares was determined based on the quoted share price of Resbud SE on February 1, 2021 of 0,177 EUR per share.

(ii) **Identifiable assets acquired and liabilities assumed**

The tables below summarize the recognized amounts of assets acquired and liabilities assumed as at the date of acquisition:

Conpol Ltd. and Delcraft Ehitus OÜ

It should be taken into account that Conpol Ltd. owned 100% of the shares of Delcraft Ehitus OÜ at the date of acquisition, therefore, when estimating the amounts of acquired assets and liabilities, the valuation was based on the consolidated reports of Conpol Ltd. and Delcraft Ehitus OÜ.

| "Thousand EUR " | Recognized fair values at the time of acquisition Conpol Ltd. with Delcraft |
|----------------------------------|---|
| Fixed assets | 338 |
| Ownership, factory and equipment | 49 |
| Long-term receivables | 90 |
| Long-term loans | 199 |
| Assets | 3124 |
| Short-term loans | 1297 |

| | |
|--|---------------|
| Current tax assets | 91 |
| Trade and other receivables | 625 |
| cash and cash equivalents | 24 |
| Other receivables | 1.083 |
| Short-term prepayments | 4 |
| Long-term liabilities | (3671) |
| Credits and loans | (3652) |
| Other long-term financial liabilities | (20) |
| Current liabilities | (859) |
| Liabilities due to employee benefits | (10) |
| Credits and loans | (5) |
| Current tax liabilities | (47) |
| Trade and other sources of income | (502) |
| Other obligations | (294) |
| Identifiable net assets, liabilities and contingent liabilities | (1068) |

Trade and other receivables include gross contractual receivables in the amount of 2 345 thousand EUR, of which 637 thousand EUR was to be uncollectible at the date of acquisition. For the remaining acquired assets and liabilities, the carrying amount is close to their fair value.

Acquisition of Conpol Ltd. is in line with the strategy of building a holding in the following industries: road construction, civil engineering and construction works. The acquisition is to increase the Group's share in the road construction market by providing access to the customer base of the acquired companies. The Group also expects to reduce costs thanks to the economies of scale.

From the date of acquisition to December 31, 2021, Conpol Ltd. contributed to the Group's results in the amount of 1530 thousand EUR and a loss of -1399 thousand EUR. The company's losses are due to the effects of the Covid-19 pandemic, namely a significant decrease in construction volumes in 2020 and 2021 at constant costs. The Group's management estimates that in 2022 the pandemic will not have a significant impact on the company's operations and expects an increase in revenues and profits from the conducted activity.

Universim Ltd.

| '000 EUR | Recognized fair values at the time of acquisition |
|----------------------------------|---|
| Fixed assets | 3507 |
| Ownership, factory and equipment | 3507 |
| Assets | 742 |
| Investments | 4 |
| Supplies | 155 |
| Current tax assets | 1 |

| | |
|--|----------------|
| Trade and other receivables | 40 |
| Cash and cash equivalents | 107 |
| Other receivables | 433 |
| Short-term prepayments | 2 |
| Long-term liabilities | (2 961) |
| Credits and loans | (2 944) |
| Deferred tax liabilities | (17) |
| Current liabilities | (314) |
| Credits and loans | (96) |
| Current tax liabilities | (9) |
| Trade and other sources of income | (161) |
| Other obligations | (48) |
| Identifiable net assets, liabilities and contingent liabilities | 974 |

When estimating the fair value of the identifiable acquired net assets, tangible fixed assets were increased to fair value for the total amount of 1372 thousand EUR. As a result, the fair value of identifiable net assets was established at 974 thousand EUR.

Trade and other receivables include gross contractual receivables in the amount of 530 thousand EUR, of which 58 thousand EUR was to be uncollectible at the date of acquisition. For the remaining acquired assets and liabilities, the carrying amount is close to their fair value.

Takeover of Universim Ltd. is in line with the strategy of building a holding in the road, engineering and construction sectors. The acquisition is expected to increase the Group's market share in the construction materials industry through access to the customer base of the acquired companies. The Group also expects to reduce costs thanks to the economies of scale.

From the acquisition date to December 31, 2021, Universim Ltd. contributed to the Group's results in the amount of 1333 thousand EUR and a loss of -1421 thousand EUR. The company's losses are the result of the Covid-19 pandemic, i.e. a significant decrease in construction works in 2020 and 2021, and thus a decrease in the production and sale of bitumen-concrete mixtures and concrete, at constant costs. Management

The group estimates that in 2022 the pandemic will not have a significant impact on the company's operations and expects an increase in revenues and profits from the operations of Universim Ltd.

LLC Energokomplekt

| '000€ | Recognized fair values at the time of acquisition |
|----------------------------------|---|
| Fixed assets | 193 |
| Ownership, factory and equipment | 8 |
| Directly to use | 11 |
| Loans | 35 |
| Deferred tax assets | 139 |

| | |
|--|----------------|
| Assets | 33706 |
| Supplies | 2247 |
| Current tax assets | 7 |
| Trade and other receivables | 28546 |
| Short-term loans granted | 336 |
| cash and cash equivalents | 202 |
| Short-term financial assets | 2368 |
| Long-term liabilities | (1043) |
| Credits and loans | |
| Deferred tax liabilities | (1041) |
| Other long-term liabilities | (2) |
| Current liabilities | (30124) |
| Credits and loans | (4969) |
| Trade and other sources of income | (22061) |
| Other obligations | (3037) |
| Liabilities due to employee benefits | (57) |
| Identifiable net assets, liabilities and contingent liabilities | 2732 |

Trade and other receivables include gross contractual receivables in the amount of 19 288 thousand EUR, neither of which was to be uncollectible at the date of acquisition. For the remaining acquired assets and liabilities, the carrying amount is close to their fair value.

At the end of the reporting period, short-term financial assets consist of goods and services tax on received advance payments, which was acquired through the purchase of LLC Energokomplekt. Other liabilities as at December 31, 2021 include: value added tax on advance payments made as a result of the acquisition of LLC Energokomplekt.

As a minority shareholder, the Group held 4.1% of shares in LLC Energokomplekt as at December 31, 2020. The fair value of the share as at December 31, 2020 was 1 598 thousand. EUR. On February 4, 2021, the Group took control of LLC Energokomplekt by acquiring 83.7% of shares with voting rights in the company. As a result, the Group's share in the capital of LLC Energokomplekt increased from 4.1% to 87.8%. On February 4, 2021, the Group also acquired 100% of shares in Conpol Ltd., which in turn owned 12.2% in LLC Energokomplekt, so the Group holds 100% of shares in LLC Energokomplekt.

Acquisition of control over a LLC Energokomplekt is part of the strategy of building a holding in the sector of trading in building materials and equipment. The acquisition is expected to increase the Group's market share in the construction materials industry through access to the customer base of the acquired companies. The Group also expects to reduce costs thanks to the economies of scale.

From the date of acquisition to December 31, 2021, LLC Energokomplekt contributed to the Group's results in the amount of 58 290 thousand EUR and profit of 1 231 thousand EUR.

Fair value measurement

The valuation techniques used to measure the fair value of the acquired significant assets are as follows.

| Acquired assets | Valuation technique |
|----------------------------------|--|
| Ownership, factory and equipment | <i>Technique of comparing markets and cost technique:</i> The valuation model takes into account quoted market prices for similar items, when available, and an amortized replacement cost, when appropriate. The amortized replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. |
| Intangible assets | <i>The method of exemption from royalties and the method of multi-period excess earnings:</i> The license fee waiver method takes into account discounted estimated license fees to be avoided as a result of owning patents or trademarks. The multi-period excess income method takes into account the present value of the net cash flows to be generated by customer relationships by excluding any cash flows related to contributing assets. |
| Supplies | <i>Technique of comparing markets:</i> The fair value is determined based on the estimated selling price in the ordinary course of business, less estimated costs of finishing and selling, and a reasonable profit margin based on the effort required to assemble and sell the inventory. |

(iii) Goodwill

Goodwill was recognized as a result of the acquisition as follows:

| '000EUR | 2021 |
|--|--------|
| Total payment transferred | 38 730 |
| Fair value of pre-existing interests in the acquiree | 1 860 |
| Fair value of identifiable net assets | (2638) |
| Goodwill adjustment | (6673) |
| Goodwill | 31279 |

Goodwill is tested for impairment at least once a year. Any impairment is recognized immediately as a reduction in goodwill and charged to the income statement, additionally it is not reversed in subsequent reporting periods.

In order to perform the impairment test, goodwill is allocated to cash-generating units. In the event of disposal of an activity included in a cash-generating unit to which goodwill has been allocated, the goodwill relating to the disposed of operations is included in the carrying amount when determining the profit or loss on disposal.

The goodwill impairment test, which was carried out as at December 31, 2021, did not show the need to recognize an impairment loss.

33. Non-controlling interests

Not applicable.

34. Acquisition of non-controlling interests

The Group did not acquire any additional shares in any company.

35. Waiver of a loan agreement

Not applicable.

36. Lease

(a) Leasing as a lessee

The Group has 6 vehicles (cars) covered by long-term operating lease.

(b) Right to use assets

Right-of-use assets related to rented real estate that do not meet the definition of investment real estate are presented as tangible fixed assets (see Note 15).

| '000EUR | Means of transport | Total |
|--|--------------------|------------|
| Balance as of January 1, 2021 | 0 | 0 |
| Depreciation write-off for the year | (7) | (7) |
| Increase in lease-use rights in connection with the formation of the Group | 214 | 214 |
| Balance as at December 31, 2021 | 207 | 207 |

(c) Amounts included in the income statement

| '000EUR | 2021 |
|---|------|
| Income from subletting right-of-use assets is presented in operating income | 56 |
| Profit | 56 |

(d) Amounts included in the statement of cash flows

| '000EUR | 2021 |
|----------------------------------|------|
| Total cash outflow for the lease | 7 |

37. Liability

Not applicable.

38. Unforeseen events

(a) Insurance

Companies based in Poland and Estonia have full insurance coverage, covering all areas of activity. The insurance industry in the Russian Federation is in a developing state. Many forms of insurance cover common to other parts of the world are not yet widely available. A company located in Russia does not have full protection of its activities.

(b) Dispute

As at the reporting date, a number of cases related to commercial disputes initiated by the Group's companies are still pending before the courts. In the opinion of the management, the claims losses are not significant from the point of view of the Group's financial standing.

(c) Unforeseen tax circumstances

- **Polish tax system**

The Polish tax system consists of eleven tax titles that are subject to substantive and specific tax law. These include: direct taxes, i.e. those that burden the taxpayer's income or property, including: personal income tax (PIT), corporate income tax (CIT), indirect taxes, i.e. those that are paid when purchasing goods, value added tax (VAT) and excise duty, tax on games.

In addition to the Polish Constitution, the issues of taxes and related obligations are also regulated by the Tax Ordinance of August 29, 1997.

The biggest problem of Polish tax law is its complexity. Particularly acute for Polish taxpayers is the issue of volatile regulations and uncertainty related to their adoption.

The volatility of tax regulations has no significant impact on the results of the activities conducted by Conpol Ltd. and Uniwersim Ltd.

- **Russian tax system**

The tax system in the Russian Federation is still evolving and is characterized by frequent changes in legislation, official and court decisions.

Since 2015, a number of changes have been introduced to regulate the tax consequences of transactions with foreign entities and their activities, such as the concept of favorable income, taxation of controlled foreign entities, tax residence rules, etc. These changes may potentially affect the tax situation of the Group and create additional future tax risks. This legislation and its application practice are still evolving and the impact of legislative changes must be considered on the basis of the actual circumstances.

All these circumstances can create a tax risk in the Russian Federation. The Management Board believes that it has properly settled its tax liabilities based on its interpretations of the applicable Russian tax law, official rulings and court rulings.

- **Estonian tax system**

Estonia is famous for its extremely favorable corporate taxation, completely different from taxes in Poland. The CIT in Estonia is 20%. It should be mentioned that the tax system in the country was structured in a very simple way to attract investors. In Estonia, there is no double taxation of the same amount. Also, income tax is only payable when the income is shared. This will mean that a company in Estonia does not pay tax as long as the money is kept in the company, for example for investment in its development, unlike most countries in this Poland, where the money is taxed when income is earned. The tax is therefore payable in the event of dividend payment to partners, i.e. in the distribution of income, as well as in the case of representation of the company or non-business expenses.

39. Related pages

(a) **Dominant and ultimate controlling party**

The direct parent company of the group is RESBUD SE based in Tallinn, Estonia.

(b) **Transactions with key management personnel**

(i) **Key management remuneration**

During the year, key management received remuneration:

| | 2021 |
|-------------------|------|
| Supervisoty Board | 25 |
| Remuneration | 19 |
| Social taxes | 6 |

| | |
|-------------------|------------|
| Management | 119 |
| Salaries | 98 |
| Social taxes | 21 |
| Total | 144 |

(ii) **Key management personnel transactions**

| | 2021 |
|-------------------------|-----------|
| Management Board | |
| Loans | 38 |
| Total | 38 |

The loans relate to the subsidiary LCC Energokomplekt.

(c) **Other related party transactions**

| <i>(i) Revenue</i> | |
|--|---|
| '000EUR | Transaction value for the twelve months ended December 31, 2021 |
| Sale of goods and services: | |
| Entities with significant influence on the Group | 136 |
| <i>(ii) Expenses</i> | |
| '000EUR | Transaction value for the twelve months ended December 31, 2021 |
| Services received: | |
| Entities with significant influence on the Group | 102 |
| Fixed assets : | |
| Entities with significant influence on the Group | 34 |

| <i>(iii) Balances with related parties</i> | |
|--|-------------------|
| Type of relationship | December 31, 2021 |
| Trade receivables | |
| Entities with significant influence on the Group | 17 944 |
| Other receivables | |

| | |
|--|-------|
| Entities with significant influence on the Group | 1000 |
| Trade liabilities | |
| Entities with significant influence on the Group | 10073 |
| Other obligations | |
| Entities with significant influence on the Group | 1023 |

(d) Transactions with the government

Not applicable to the Group.

40. Further events

(a) Restructuring

The Group is not restructuring.

41. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured alternatively at each reporting date.

| Items | Measurement bases |
|---|---|
| Derivative financial instruments in WGPWF | Good price |
| Non-derivative financial instruments in the WGPWF | Good price |
| Debt and equity securities in FVOCI | Good price |
| Contingent consideration accepted in a business combination | Good price |
| Biological resources | Fair value less selling costs |
| Investment Estates | Good price |
| Liabilities for shared cash-settled payment arrangements | Good price |
| Net defined benefit liability (asset) | The fair value of plan assets less the present value of the defined benefit obligation. |

42. Correction of errors

The errors were corrected by restating each of the affected financial statements for the previous periods. The tables below summarize the impact on the Group's consolidated financial statements.

Corrections of errors for previous years were classified as unsettled financial result from previous years.

(a) Consolidated statement of financial position

| '000 EUR | Effect of error correction | |
|--------------------------|----------------------------|-------------|
| | Corrections | How changed |
| January 1, 2021 | | |
| Total liabilities | 0 | |
| Profit - loss | 1010 | (825) |
| Retained earnings | (1010) | 2444 |

(b) Consolidated statement of profit or loss and other comprehensive income

| '000 EUR | Effect of error correction | |
|-------------------------|----------------------------|-------------|
| | Corrections | How changed |
| January 1, 2021 | | |
| Financial income | (35) | 360 |
| Financial costs | (0,45) | 1134 |

It has no material effect on the Group's basic or diluted earnings per share and does not affect total cash flows from operating, investing or financing activities for the year ended December 31, 2021.

43. Significant accounting principles

The accounting policies presented below have been consistently applied in all the periods presented in these consolidated financial statements and have been consistently applied by the Group's entities.

Certain comparative amounts have been adjusted to correct errors (see Note 42).

The following is an index of the most important accounting policies, details of which are available on the following pages:

| | |
|--------------------------------|----|
| (a) The basis of consolidation | 56 |
| (b) Discontinued activities | 58 |
| (c) Income | 58 |

| | | |
|-----|--------------------------------------|----|
| (d) | Financial income and financial costs | 58 |
| (e) | Foreign currency | 59 |
| (f) | Employee benefits | 60 |
| (g) | Income tax | 61 |
| (h) | Supplies | 63 |
| (i) | Assets held for sale or distribution | 63 |
| (j) | Tangible fixed assets | 63 |
| (k) | Intangible assets | 65 |
| (l) | Investment Estates | 66 |
| (m) | Financial instruments | 66 |
| (n) | Share capital | 72 |
| (o) | Reserves | 72 |
| (p) | Write-downs | 75 |
| (q) | Lease | 76 |
| (r) | Earnings per share | 76 |
| (s) | Segmental reporting | 77 |

(a) The basis of consolidation

(i) Business connections

The Group accounts for business combinations using the acquisition method when the acquired group of activities and assets meets the definition of a business and is transferred to the Group (see Note 44). When determining whether a specific set of activities and assets is a business, the Group assesses whether the acquired set of assets and activities includes at least the expenditure and substantive process, and whether the acquired set is capable of producing products.

The Group has the option of applying the "concentration test", which allows for a simplified assessment of whether the acquired set of activities and assets is not an enterprise. The optional test of concentration is met if substantially all of the fair value of the acquired gross assets is concentrated in one identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. the date control is transferred to the Group (see Note 44).

The Group measures goodwill as at the acquisition date as:

- The fair value of the payment made; plus
- The recognized amount of any non-controlling interest in the acquiree; plus
- Where the business combination is achieved in stages, the fair value of a pre-existing interest in the acquiree; less

- The net amount recognized (generally the fair value) of the identifiable assets acquired and liabilities assumed.

When the surplus is negative, the gain on a bargain purchase is recognized immediately in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the profit and loss account.

Transaction costs, other than those related to the issue of debt or equity securities, which the Group incurs in connection with the business combination are recognized as costs as incurred.

Contingent consideration is measured at the acquisition-date fair value. If a contingent consideration payment obligation that meets the definition of a financial instrument is classified as equity, it is not remeasured and the settlement is accounted for in equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

(ii) *Non-controlling interests*

Not applicable.

(iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns and has the ability to influence these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of commencement of the control until the date of termination of the control. Accounting principles of the subsidiaries have been changed as necessary to adjust them to the principles adopted by the Group. Losses related to non-controlling interests in a subsidiary are allocated to non-controlling interests even if this causes the non-controlling interests to have a deficit.

(iv) *Takeovers from entities under common control*

Business combinations resulting from the transfer of interests in entities controlled by the shareholder controlling the Group are accounted for as if the acquisition occurred at the beginning of the earliest comparative period presented or, if later, at the date on which joint control is established; for this purpose the comparisons are reviewed. The acquired assets and liabilities are recognized at the carrying amounts previously disclosed in the consolidated financial statements of the Group's parent shareholder. The components of the equity of the acquired entities are added to the same components within the Group's equity, except that the share capital of the acquired entities is recognized as part of the additional paid-in capital.

(v) *Loss of control*

Upon loss of control, the Group derecognises the subsidiary's assets and liabilities, all non-controlling interests and other components of equity related to the subsidiary. Any surpluses or deficiencies resulting from the loss of control are recognized in the profit and loss account. If the Group retains any shares in the former subsidiary, such shares are measured at fair value at the date control is lost. It is then accounted for as an equity-settled investment or measured at FVOCI financial assets depending on the level of retained impact.

(vi) **Shares in investments accounted for using the equity method**

Not applicable.

(vii) **Transactions eliminated on consolidation**

Intra-group balances and transactions as well as any unrealized gains and costs resulting from intra-group transactions are eliminated. Unrealized gains resulting from transactions with investment entities accounted for using the equity method are eliminated from the investment up to the amount of the Group's share in the investment. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there are no indications of impairment.

(b) **Discontinued activities**

Not applicable.

(c) **Income**

Information on the accounting policies applied by the Group relating to contracts with customers can be found in the Note 8.

(d) **Financial income and financial costs**

The Group's financial income and costs include:

- net interest income;
- interest cost;
- dividend income;
- dividend expenditure on issued preference shares classified as financial liabilities;
- net profit or loss on disposal of investments in debt securities valued at FVOCI;
- net profit or loss on financial assets in WGPWF;
- currency gain or loss on financial assets and financial liabilities;
- impairment (and reversals) of investments in debt securities measured at amortized cost or FVOCI;
- the gain on revaluation to fair value of any pre-existing interest in the acquiree in the business combination;
- loss of fair value due to contingent consideration classified as a financial liability.

Interest income or expense is recognized using the effective interest rate method. Dividend income is recognized in the profit and loss account on the date the Group's right to receive payment is established.

The 'effective interest rate' is the rate that accurately discounts estimated future cash payments or receipts over the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of a financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset is not impaired) or to the amortized cost of the liability. However, for financial assets that have lost their credit value after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer impaired, the interest income computation reverts to gross base.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are converted into the relevant functional currencies of the Group's entities according to the exchange rates as at the transaction date.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the exchange rate on that date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments in the period, and the amortized cost in foreign currency translated at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated into the functional currency at the exchange rate effective on the date of determining the fair value. Non-cash items in foreign currencies measured at historical cost are translated at the exchange rate as at the transaction date.

Exchange differences are generally recognized in the income statement.

However, exchange differences resulting from the translation of the following items are recognized in other comprehensive income:

- investment in equity securities designated as FVOCI (except for impairment, in which case the exchange differences that have been recognized in other comprehensive income are reclassified to the income statement).

(ii) Foreign operations

Assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on the acquisition, are translated into the presentation currency at the exchange rate at the reporting date. Foreign operations income and expenses are translated into the presentation currency at the exchange rates applicable at the date of the transaction.

The exchange rate differences are recognized in other comprehensive income and presented in the capital from the conversion of exchange differences in equity. However, if the business is a wholly-owned subsidiary, an appropriate proportionate share of the difference from the translation is allocated to the non-controlling interest.

When a foreign operation is disposed of in such a way that control, significant influence or joint control is lost, the cumulative amount of the translation provision related to that foreign operation is transferred to the income statement as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that obtains control, the relevant part of the cumulative amount is reallocated to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign entity while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to the income statement.

If the settlement of a monetary item due or payable to a foreign entity is not planned or probable in the foreseeable future, foreign exchange gains and losses resulting from such item constitute part of the net investment in the foreign operation and are recognized in other comprehensive income and presented in the translation capital. in equity.

(f) Employee benefits

(i) Short-term employee benefits

Liabilities for short-term employee benefits are measured without discount and recognized in costs as the related services are performed. The liability is recognized at the amount expected to be paid under short-term cash bonuses or profit sharing plans if the Group has a present legal or constructive obligation to pay that amount as a result of the employee's past service and the obligation can be reliably estimated.

To the extent that the Group's contributions to social programs benefit the community as a whole and are not limited to Group employees, they are recognized in profit or loss as incurred.

(ii) Defined Contribution Programs

A defined contribution plan is a post-employment benefit plan under which an entity pays constant contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Liabilities for contributions to defined contribution pension plans, including the Russian State Pension Fund, are recognized as an employee benefit expense in profit or loss in the periods in which employees render services. Prepaid premiums are recognized as assets to the extent that a cash return or reduction in future payments is available. Contributions to a defined contribution plan due 12 months after the end of the period in which the employees perform work are discounted to their present value.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liability under defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits employees received in return for their service in the current and prior periods, discounting this amount and deducting the fair value of any plan assets. The discount rate is the profit at the reporting date on government bonds with maturities similar to the terms of the Group's liabilities and denominated in the same currency in which payment of the benefits is expected.

The calculation is made annually by an authorized actuary using the projected unit credit method. If the calculation shows a potential asset for the Group, the recognized asset is limited to the present

value of the economic benefits available in the form of any future program returns or reductions in future plan contributions. For the purpose of calculating the present value of the economic benefits, any minimum funding requirements that apply to each program within the Group are taken into account. The group may derive an economic benefit if it is realizable during the term of the program or when the obligations of the program are settled.

The remeasurement of the net defined benefit liability, which includes actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) is recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (assets).) after taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

In the event of a change in the plan's benefits or its reduction, the resulting change in benefits, which relates to past employment or the curtailment gain or loss, is recognized immediately in the profit and loss account. The Group recognizes profits and losses from the settlement of the defined benefit plan at the time of settlement.

(iv) ***Other long-term employee benefits***

The Group's net liability for long-term employee benefits other than retirement plans is the amount of future benefits that employees have earned in return for their service in the current and previous periods; the benefit is discounted to determine its present value and the fair value of any related assets is subtracted. The discount rate is the profit at the reporting date on government bonds with maturities similar to the terms of the Group's liabilities and denominated in the same currency in which payment of the benefits is expected. The calculation is made using the projected unit credit method. Revaluations are recognized in the profit and loss account in the period in which they arise.

(v) ***Termination benefits***

Benefits due to termination of employment are recognized as costs at an earlier date, when the Group can no longer withdraw the offer of these benefits and when the Group recognizes the costs of restructuring. If benefits are not expected to be settled in full within 12 months from the end of the reporting period, they are discounted.

(g) **Income tax**

Income tax includes current and deferred tax. It is recognized in the profit and loss account, except when it relates to a business combination or items recognized directly in equity or in other comprehensive income.

(i) **Current tax**

The current tax covers the expected tax due or payable on the taxable income or loss for a given year, using the tax rates adopted or actually enacted as at the reporting date, and any adjustments of the tax due for previous years. The current tax payable also includes all tax liabilities on account of dividends.

(ii) **Deferred tax**

Deferred tax is recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the values used for tax purposes. Deferred tax is not recognized for:

- temporary differences in the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent to which the Group is able to control the moment of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences that arose on initial recognition of goodwill.

Deferred tax assets are recognized on unused tax losses, unused tax credits and negative temporary differences to the extent that it is probable that future taxable income will be available to enable them to be utilized. Future taxable income is determined based on the reversal of the relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize the entire deferred tax asset, future taxable income, adjusted for the reversal of the existing temporary differences, is taken into account based on the business plans of the individual Group subsidiaries. Deferred income tax assets are verified at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the likelihood of future taxable income improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that taxable income will be available in the future to enable them to be utilized.

Deferred tax is measured using the tax rates that, as expected, will be applied to temporary differences when they are reversed, in accordance with the law or actually in force at the reporting date.

The measurement of deferred tax reflects the tax consequences that will result from how the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred tax assets and liabilities are netted if there is a legally enforceable title to set off current tax assets and liabilities and they relate to income tax imposed by the same tax authority on the same taxpayer or on different tax entities, but they have the intention of current settlements tax liabilities and assets in the net amount or their assets and tax liabilities will be fulfilled simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of the Group companies may not be set off against the tax revenues and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities, and therefore tax losses and taxable profits related to the various activities cannot be offset.

When determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and possible additional taxes, penalties and late payment interest. Based on the assessment of many factors, including tax rulings and previous experience, the Group believes that accruals are appropriate for all open tax years. This judgment is based on estimates and assumptions and may include a range of judgments about future events. There may be new information that will change the Group's judgment as to the adequacy of existing tax liabilities; such changes in tax liabilities will affect the tax burden in the period in which the determination is made.

(h) Supplies

Inventories are valued at a price lower than their cost and net realizable value. The cost of inventories is based on the [first in, first out] principle and includes the expenditure incurred in acquiring the inventory, manufacturing or conversion costs, and other costs incurred in bringing them to their current location and condition. In the case of manufactured inventories and work in progress, the cost includes the appropriate proportion of production overheads based on normal operating capabilities.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion and selling expenses.

(i) Assets held for sale or distribution

Fixed assets or disposal groups consisting of assets and liabilities that are expected to be recovered principally through sale or distribution rather than further use, are classified as held for sale or distribution.

Such assets or disposal group are usually measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss for the disposal group is allocated to goodwill first and then to other assets and liabilities on a pro rata basis, except that the loss is not allocated to inventories, financial assets, deferred tax assets or employee benefits that are still measured in line with the Group's other accounting policies. Impairment losses on initial classification as held for sale or distribution, and subsequent valuation gains or losses are recognized in the profit and loss account. Profits do not exceed the accumulated impairment write-offs.

Intangible assets and tangible fixed assets classified as held for sale or distribution are not subject to depreciation or amortization. In addition, the equity accounting of investments accounted for using the equity method will cease to apply once they are classified as held for sale or distribution.

(j) Tangible fixed assets

(i) Recognition and measurement

Items of property, plant and equipment are valued at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of self-constructed fixed assets includes the costs of materials and direct labor, all other costs directly related to bringing the asset to a usable condition in accordance with its intended use, costs of disassembly and removal of items and restoration of the place where the costs of external financing are located

and capitalized. Purchased software that is an integral part of the functionality of the related hardware is capitalized as part of that hardware.

If significant parts of the items of property, plant and equipment have different useful lives, they are recognized as separate items (main components) of property, plant and equipment.

Any profits or losses on the sale of an item of tangible fixed assets are determined by comparing the proceeds from the sale with the carrying amount of the tangible fixed assets and are recognized net of other income / other costs in the profit and loss account. When revalued assets are sold, any related amounts recognized in the revaluation reserve as revaluation surplus are transferred to retained earnings.

(ii) Further expenses

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of current service of property, plant and equipment are recognized in the profit and loss account at the moment they are incurred.

(iii) Land revalorization

The land is valued at fair value on the basis of periodic valuations performed by independent external appraisers. The increase in the value of the land is recognized directly in the revaluation surplus item in other comprehensive income. However, that increase is recognized in profit or loss to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss.

The decrease in the value of the land due to revaluation is recognized in the profit and loss account. However, this decrease is recognized in other comprehensive income up to the amount of any credit outstanding in the revaluation surplus.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date they are installed and are ready for use, or in the case of internally built assets, from the date the asset is completed and ready for use. Depreciation is based on the cost of the asset less its estimated residual value.

Depreciation is generally recognized in the income statement on a straight-line basis over the estimated useful life of each portion of the item of property, plant and equipment because it most accurately reflects the expected pattern of consumption of the future economic benefits embodied in the advantage.

The estimated useful lives of material items of property, plant and equipment for the current and comparative period are as follows:

- Buildings 40years;
- installations and devices 5-12years;
- fittings and equipment 5-10years;
- main components 3-5 years.

The depreciation methods, useful lives and residual values are verified at each reporting date and adjusted if necessary. The estimates for some fixed asset items were updated in 2021.

(v) *Reclassification to investment real estate*

In the event of a change in the use of the property from owner-occupied to property investment property is re-measured to fair value and reclassified accordingly. All gains resulting from this revaluation are recognized in the profit and loss account to the extent to which they reverse the previous impairment loss for a given property, and all other gains are recognized in other comprehensive income and presented in the revaluation reserve. All losses are recognized in the profit and loss account. However, to the extent that the amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation surplus in equity.

(k) *Intangible assets*

(i) *Intangible assets*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) *Other intangible assets*

Other intangible assets acquired by the Group with a limited useful life are measured at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Further expenses*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the income statement when incurred.

(iv) *Depreciation*

Depreciation is based on the asset's price less its estimated residual value.

Amortization is generally recognized in the income statement using the straight-line method over the estimated useful lives of intangible assets other than goodwill from the date they are available for use as it most accurately reflects the resource's expected pattern of consumption of future economic benefits. The estimated useful lives for the current and comparable period are as follows:

- patents and trademarks 10-20 years;
- software 3-10years;
- capitalized development costs 5-7 years.

The depreciation methods, useful lives and residual values are verified at the end of each financial year and adjusted if necessary.

(l) Investment Estates

Investment property is initially measured at cost, and then at fair value, and any changes to it are recognized in the profit and loss account.

Any gains or losses on the sale of the investment property (calculated as the difference between the net proceeds from the sale and the carrying amount of the item) are recognized in the income statement. In the case of sale of investment property that was previously classified as property, plant and equipment, all related amounts are recognized in the revaluation reserve and are transferred to retained earnings.

(m) Financial instruments

(i) Recognition and initial measurement

Trade receivables and issued debt securities are initially recognized when they arise. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contract for this instrument.

A financial asset (unless it is a trade receivable without a significant financing element) or a financial liability is initially measured at fair value plus, in the case of an item not included in the FVTPL, transaction costs directly attributable to its acquisition or emissions. Trade receivables without a significant financing element are initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

Upon initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI - debt investment; FVOCI - capital investment; or FVTPL.

Financial assets are not reclassified after their initial recognition, unless the Group changes the financial asset management business model, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

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

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

A debt investment is measured in the FVOCI if it meets both of the following conditions and is not marked as WGPWF:

- takes place as part of a business model whose goal is achieved by both obtaining contractual cash flows and selling financial assets; and
- its contractual terms give rise to specified dates of cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to display subsequent changes in the fair value of the investment in other income. These choices are made on the basis of individual investments.

All financial assets that are not classified as measured at amortized cost or FVOCI, as described above, are measured at WGPWF. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the amortized cost or FVOCI requirements of the FVGPF, if such action eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The Group assesses the purpose of the business model in which the financial asset is held at the portfolio level as this best reflects the way the enterprise is managed and communicated to management. Information taken into account includes:

- the defined principles and objectives of the portfolio and the operation of these principles in practice. These include whether management's strategy focuses on obtaining a contractual interest income, maintaining a specific interest rate profile, matching the duration of a financial asset with the duration of any associated liability or expected cash outflow, or realizing cash flows by selling the assets;
- how the portfolio performance is assessed and reported to the Group management;
- risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the entity's management is remunerated - for example, whether the compensation is based on the fair value of the assets under management or on contractual cash flows; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales, and expectations about future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for this purpose, in line with the continued recognition of assets by the Group.

Financial assets held for trading or managed, the results of which are measured at fair value, are measured at the FVTPL.

Financial assets - Assess whether the contractual cash flows are purely principal and interest payments

For the purposes of this assessment, 'equity' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and the credit risk related to the principal amount outstanding during the period and other underlying credit risk and costs (eg liquidity risk and administrative costs) as well as profit margin.

When assessing whether contractual cash flows are only payments of principal and interest (SPPI criterion), the Group takes into account the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could alter the timing or amount of the contractual cash flows such that it would not satisfy that condition. In making this assessment, the Group takes into account:

- contingencies that would change the amount or timing of the cash flows;

- conditions that may adjust the notional coupon rate, including floating rate features;
- prepayment and extension functions; and
- conditions limiting the Group's claim to cash flows from specific assets (e.g. non-recourse features).

The prepayment function is consistent with the principal and interest only criterion if the prepayment amount essentially represents outstanding principal and interest amounts on outstanding principal, which may include reasonable additional early termination compensation. In addition, in the case of a financial asset purchased at a discount or premium to its notional notional amount, a feature that enables or requires a prepayment of an amount that essentially represents the notional notional amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional remuneration for early termination) shall be treated as complying with this criterion if the fair value of the prepayment component is immaterial at initial recognition.

| Financial assets - subsequent valuation and gains and losses: | |
|--|---|
| Financial assets in WGPWF | These assets are then measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the income statement. However, see note 44 (m) (vi) for derivative instruments designated as hedging instruments. |
| Financial assets at amortized cost | These assets are then measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment write-offs. Interest income, foreign exchange gains and losses and impairment are recognized in the profit and loss account. Any gains or losses on removal are recognized in the profit and loss account. |
| Debt investments in FVOCI | These assets are then measured at fair value. Interest income calculated using the effective interest rate method, positive and negative foreign exchange differences and impairment are recognized in the profit and loss account. Other net gains and losses are recognized in other comprehensive income. Upon removal from the balance sheet, profits and losses accumulated in other comprehensive income are reclassified to the profit and loss account. |
| Equity investments in FVOCI | These assets are then measured at fair value. Dividends are recognized as income in the income statement, unless the dividend specifically represents the recovery of a portion of the investment cost. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the income statement. |

Financial liabilities - Classification, subsequent valuation and gains and losses

Financial liabilities are classified as measured at amortized cost or WGPWF. A financial liability is classified as WGPWF if it is classified as held for trading, is a derivative or was designated as such upon initial recognition. Financial liabilities in WGPWF are measured at fair value, and net gains and losses, including any interest costs, are recognized in the income statement. Other financial liabilities are then measured at amortized cost using the effective interest method. Interest costs as well as foreign exchange gains and losses are recognized in the profit and loss account. Any profits or losses resulting from derecognition from the balance sheet are also recognized in the profit and loss account.

The Group has bank loans with a fixed interest rate, for which banks have the possibility to revise the interest rate after changing the key rate set by the CBR. The Group has the option of accepting the changed rate or repaying the loan at its nominal value without penalty. The group treats these loans essentially as floating rate loans.

(iii) **Modification of financial assets and financial liabilities**

Financial assets

When the terms of a financial asset change, the Group assesses whether the cash flows of the modified asset differ materially. If the cash flows differ materially (the "material modification"), the contractual rights to the cash flows on the original financial asset are deemed to have expired. In such a case, the original financial asset is derecognised and the new financial asset is recognized at fair value.

The Group performs a quantitative and qualitative assessment of whether the modification is significant, ie whether the cash flows from the original financial asset and the modified or replaced financial asset differ materially. The group assesses whether a change is significant on the basis of quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, the combined effect of qualitative and quantitative factors. If the cash flows are materially different, then the contractual rights to the cash flows on the original financial asset are deemed to have expired. In making this assessment, the Group makes an analogy to the guidelines for derecognition of financial liabilities.

The group concludes that the change is significant as a result of the following qualitative factors:

- change the currency of the financial asset;
- collateral change or other credit enhancement;
- a change in the terms of a financial asset resulting in non-compliance with the SPPI criterion (e.g. inclusion of a conversion feature).

If the cash flows of a modified asset at amortized cost do not differ significantly, the modification does not remove the financial asset from the balance sheet. In such a case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount resulting from the adjustment of the gross carrying amount as profit or loss on modification in the profit and loss account. The gross carrying amount of the financial asset is translated as the present value of the renegotiated or modified contractual cash flows that are discounted at the original effective interest rate of the financial asset. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining period of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms change and the cash flows of the modified liability are materially different. In such a case, the new financial liability based on the changed terms is recognized at fair value. The difference between the carrying amount of an expired financial liability and a new financial liability with changed terms is recognized in the profit and loss account.

If the modification (or replacement) does not remove the financial liability, the Group applies an accounting policy consistent with the requirements for adjusting the gross carrying amount of the financial asset, when the modification does not remove the financial asset from the balance sheet, i.e. the Group recognizes any adjustments to the amortized cost of the financial liability resulting from

from such modification (or replacement) in the profit and loss account at the date of modification (or conversion).

Changes in cash flows from existing financial liabilities are not considered a modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks as a result of a change in the key CBR rate, if the loan agreement authorizes the banks to do so and the Group is able to accept the amended rates or loan repayments at face value without penalty. Group treats modification of the interest rate to the current market rate using the guidelines for financial instruments with floating interest. It means that the effective interest rate is adjusted prospectively.

The group makes a quantitative and qualitative assessment of whether a modification is material, taking into account: qualitative factors, quantitative factors, and the combined influence of qualitative and quantitative factors. The group concludes that the change is significant as a result of the following qualitative factors:

- change the currency of the financial liability;
- collateral change or other credit enhancement;
- turning on the conversion option;
- change in the subordination of a financial liability.

For a quantitative assessment, the terms vary significantly if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the other the cash flows of the original financial liability. If an exchange of debt instruments or a change in terms and conditions is treated as an expiry, any costs or fees incurred are recognized as part of the gain or loss on expiry. If a replacement or modification is not treated as an expiry, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining period of the modified liability.

(iv) ***Removal of recognition***

Financial assets

The Group derecognises a financial asset from the balance sheet when the contractual rights to cash flows from the financial asset expire or when the rights to receive contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group does not transfers or retains substantially all of the risks and rewards of ownership, and does not retain control of the financial asset.

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

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are fulfilled, redeemed or expire. The Group also derecognises a financial liability from the balance sheet when its terms change and the cash flows of the modified liability are materially different, in which case the new financial liability based on the changed terms is recognized at fair value.

At the time of derecognition of a financial liability, the difference between the carrying amount that has been settled and the consideration paid (including all other items) - transferred cash assets or assumed liabilities) are recognized in the profit and loss account.

(v) **Shift**

Financial assets and liabilities are netted, and the net amount is presented in the statement of financial position if and only if the Group has the legal title to set off the amounts and intends to either settle them net or to settle the asset and settle the liability at the same time.

(vi) **Derivative financial instruments and hedge accounting**

The Group has derivative financial instruments to hedge its exposure to currency risk and interest rate risk. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. After initial recognition, derivative instruments are measured at fair value and their changes are usually recognized in the profit and loss account.

The Group designates certain derivative instruments as hedging instruments to hedge the volatility of cash flows related to highly probable forecast transactions resulting from changes in exchange rates and interest rates, and certain derivative instruments and non-derivative financial liabilities as hedges of the currency risk of a net investment in a foreign operation.

At the moment of establishing the designated hedging relationships, the Group documents the purpose of risk management and the strategy for establishing the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether it is expected that changes in cash flows from the hedged item and the hedging instrument will offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of the change in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedge reserve. The effective portion of changes in the fair value of a derivative recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined on the basis of the present value, from the moment the hedge is established. The ineffective part of the change in the fair value of the derivative is recognized immediately in the profit and loss account.

As a hedging instrument in hedging relationships, the Group designates only the change of the fair value of the spot element of currency forward contracts. The change in the fair value of the forward element of the forward foreign exchange contracts ("forward points") is accounted for separately as a hedge cost and recognized in the hedge's cost of equity under equity.

When a hedged forecast transaction then results in the recognition of a non-financial item such as inventories, the amount accumulated in the hedge reserve and the cost of the hedge reserve are recognized directly in the cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedge reserve and the cost of the hedge reserve are reclassified to profit or loss in the same period or periods in which the hedged expected future cash flows affect profit or loss.

If the hedge ceases to meet the criteria of hedge accounting or the hedging instrument is sold, expires, terminated or executed, then hedge accounting is interrupted prospectively. In the event that cash flow hedge accounting is discontinued, the amount accumulated in the hedge capital remains in equity until, in the case of a hedge of a transaction resulting in the recognition of a non-financial

item, it is recognized in the cost of the item at its initial recognition or, in the case of other cash flow hedges, is transferred to the profit and loss account in the same period or periods in which the hedged expected future cash flows affect the profit and loss account.

If it is no longer expected that the hedged future cash flows will not occur, the amounts held in the hedging reserve and the cost of the hedging reserve are immediately reclassified to the profit and loss account.

Net investment hedges

When a derivative or non-derivative financial liability is designated as a hedging instrument of a net investment in a foreign operation, the effective portion, in the case of a derivative, of the change in the fair value of the hedging instrument or, in the case of non-derivative foreign exchange gains and losses, are recognized in other comprehensive income and presented in capital from conversion in equity. The ineffective part of the changes in the fair value of the derivative or the gains and losses on exchange differences relating to the non-derivative instrument is recognized immediately in the profit and loss account.

(n) Share capital

Ordinary shares

Ordinary shares are classified as equity. Marginal costs directly related to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference shares

The Group's contractual preference shares are classified as financial liabilities because they involve non-discretionary dividends and are redeemed in cash by their holders. Non-discretionary dividends are recognized as interest expense in the profit and loss account as they accrue.

Non-mortgage preference shares are classified as equity because they involve discretionary dividends, do not contain commitments to deliver cash or other financial assets, and do not require settlement in a variable number of the Group's equity instruments. Dividends on this account are recognized as payments from equity upon approval by the Company's shareholders.

Purchase, sale and reissue of share capital (own shares)

In the event of the repurchase of shares recognized as equity, the amount of the consideration paid, which includes directly attributable costs, less any tax consequences, is recognized as a deduction from equity. The purchased shares are classified as own shares and are presented in the reserve capital of own shares. In the event of a subsequent sale or reissue of own shares, the received amount is recognized as an increase in equity, and the resulting surplus or shortage in the transaction is recognized in the additional paid-in capital.

(o) Reserves

(i) Financial assets that are not derivative instruments

Financial instruments and contract assets

The Group creates write-offs for losses due to expected credit losses due to:

- financial assets measured at amortized cost;

- debt investments valued at FVOCI; and
- contracted assets.

The Group measures provisions for losses at an amount equal to the lifetime expected impairment losses, except for the following which are measured by the 12-month expected impairment losses:

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to the expected lifetime impairment loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group takes into account reasonable and documentable information that is material and available without undue cost or effort. This includes both quantitative and qualitative information and analyzes, based on the Group's historical experience and informed credit assessment, as well as forward-looking information.

The Group assumes that the credit risk associated with a financial asset has increased significantly if it is more than 30 days past due.

The Group recognizes a financial asset as past due when:

- it is unlikely that the borrower will repay its credit obligations to the Group in full, without the Group taking actions such as realizing collateral (if any); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the expectation of losses arising from any possible default event over the expected life of the financial instrument.

The 12-month expected credit losses are part of the expected credit losses that arise from default events that are possible within 12 months of the reporting date (or for a shorter period if the expected useful life of the instrument is less than 12 months).

The maximum period taken into account when estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

ECL measurement

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the contractual cash flows of the entity and the cash flows expected to be received by the Group).

ECLs are discounted at the effective interest rate of the financial asset.

Financial assets with reduced credit value

At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt securities in FVOCI are impaired. A financial asset is 'impaired' when one or more events have occurred that would adversely affect the estimated future cash flows of the financial asset.

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

- significant financial difficulties of the borrower or issuer;

- breach of contract, such as default or being overdue by more than 90 days;
- restructuring of a credit or loan by the Group on terms which the Group would not have provided otherwise;
- it is probable that the borrower will file for bankruptcy or other financial reorganization; or
- the disappearance of an active stock market due to financial difficulties.

Presentation of the allowance for the ECL in the statement of financial position

Write-downs on financial assets measured at amortized cost reduce the gross carrying amount of the assets.

In the case of debt securities in FVOCI, an allowance for losses is charged to the profit and loss account and is recognized in other comprehensive income.

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The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation that it will recover the financial asset in whole or in part. In the case of individual customers, the Group applies a policy of writing off the gross carrying amount when a financial asset is 180 days past due, based on historical experience in recovering similar assets. In the case of corporate clients, the Group individually assesses the date and amount of the write-off based on the reasonable expectation of recovery. The Group does not expect a significant recovery of the amount written off. However, the written-off financial assets may still be subject to enforcement actions to complete the Group's recovery procedures.

Investments accounted for using the equity method

An impairment loss for investments accounted for using the equity method is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in the profit and loss account and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there are any indications of impairment. If such premises exist, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at the same time each year.

For the purpose of the impairment test, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continued use that are largely independent of the cash inflows of other assets or CGUs. Subject to the operating segment cap test, for the purposes of the goodwill impairment test, the CGUs to which goodwill has been allocated are aggregated in such a way that the level at which the impairment test is performed reflects the lowest level at which goodwill is monitored for the purposes of internal reporting. Goodwill acquired as a result of a business combination is allocated to the CGU groups that are expected to benefit from the synergy of the combination.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to the CGU in a rational and consistent manner and tested for impairment as part of the testing of the CGU to which the corporate assets are allocated.

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

An impairment loss is recognized if the carrying amount of an asset or a related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognized in the profit and loss account. Impairment losses recognized in relation to the CGU are allocated first to the reduction of the carrying amount of the goodwill assigned to the CGU (CGU group), and then to the reduction of the carrying amount of the remaining assets in the CGU (CGU group) on the basis of installment.

Goodwill impairment is not reversed. With regard to other assets, impairment losses recognized in previous periods are assessed at each reporting date in terms of premises indicating that the loss has decreased or ceased to exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that, less depreciation, would have been determined had the impairment loss not been recognized.

(p) Write-downs

The provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation which can be reliably estimated and it is probable that the fulfillment of this obligation will result in an outflow of economic benefits. Provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the liability specific risk. The unwinding of the discount is recognized as a financial cost.

(i) Guarantees

Provision for guarantees is created when the products or services underlying them are sold. The provision is based on historical guarantee data and weighting all possible outcomes against the associated probability.

(ii) Restructuring

Provision for onerous contracts is recognized when the benefits from the contract expected by the Group are lower than the unavoidable costs of meeting obligations under the contract. The provision is measured at the current value of the lower of the expected contract termination costs and the anticipated net costs of continuing the contract. Before creating the provision, the Group makes an impairment write-off for the assets related to this contract.

(iii) Burdensome contracts

Provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has already started or has been publicly announced. No future operating costs are anticipated.

(q) Lease

At the time of concluding the contract, the Group assesses whether the contract is a lease or includes a lease. If, in return for consideration, it gives the right to control the use of the identified asset over a specified period of time.

(i) As a lessee

The Group recognizes the right-of-use asset and the lease liability on the lease commencement date. A right-of-use asset is initially measured at cost, which includes the original amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and removing the underlying asset, assets or renewals of the underlying asset or site in which it is located, less any lease incentives received.

The right to use an asset is then depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers to the Group ownership of the underlying asset until the end of the lease term or the cost of the right to use the asset means that the Group will exercise the purchase option. In such a case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as for real estate and equipment. In addition, the right-of-use asset is periodically reduced by any impairment losses, and adjusted for some revaluation of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lease interest rate or, if that rate cannot be readily determined, the incremental Group interest rate. In general, the Group uses its marginal interest rate as the discount rate.

Lease fees included in the measurement of the lease liability include:

- fixed fees, including, in principle, fixed fees;
- variable lease payments that depend on an index or rate initially priced using the index or rate at the commencement date;
- the amounts to be due under the residual value guarantee; and
- the exercise price under the purchase option that the Group is reasonably sure will realize, the lease payments in the optional renewal period, if the Group is reasonably confident that it will exercise the extension option, and the penalties for early termination of the lease, unless the Group is reasonably confident, that it did not finish sooner.

The Group recognizes the lease payments related to these leases as an expense on a straight-line basis over the lease term.

(r) Earnings per share

The group presents basic and diluted earnings per share ("EPS") data for its common stock. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for the treasury shares held. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares

outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which include convertible bonds and share options granted to employees.

(s) Segmental reporting

An operating segment is a component of the Group that conducts business activities from which it may earn income and incur costs, including income and expenses related to transactions with any other component of the Group. The operating results of all operating segments are regularly monitored by the parent company's management board, making decisions about allocating resources to the segment and evaluating its results.

The results that are reported to the parent company include items that are directly allocated to the segment as well as those that can be reasonably allocated. Unallocated items mainly include HQ expenses and income tax assets and liabilities.

The segment's capital expenditure is the total cost incurred during the year for the acquisition of property, plant and equipment and intangible assets other than goodwill.

Inter-segment prices are set on an arm's length basis.

44. New standards and interpretations have not yet been adopted

A number of the new standards are effective for annual periods beginning after January 1, 2020 and early application is permitted; however, the Group did not apply the new or changed standards in the preparation of these consolidated financial statements.

(a) Onerous contracts - contract performance cost (Amendments to IAS 37)

The changes specify the costs that the entity takes into account when determining the cost of performing a contract in order to assess whether the contract is onerous. The amendments apply to annual reporting periods beginning on or after January 1, 2022, to contracts existing on the date of the first application of the amendments. As at the date of first application, the cumulative effect of the application of the amendments is recognized as an adjustment to the opening balance according to retained earnings or other components of equity. The comparative data is not transformed. The Group has determined that all contracts existing as at December 31, 2020 will be terminated before the amendments come into force.

(b) Interest rate benchmark reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments relate to issues that may have an impact on financial reporting as a result of the interest rate benchmark reform, including the effects of changes in contractual cash flows or hedging relationships resulting from the replacement of the interest rate benchmark with an alternative reference rate. The amendments provide a practical exemption from some of the requirements contained in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding:

- changes in the basis for determining contractual cash flows from financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

(i) ***Changing the basis for determining cash flows***

The amendments will require an entity to take into account the change in the basis for determining the contractual cash flows of the financial asset or financial liability required under the interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

As at December 31, 2020, the Group has LIBOR-secured bank loans in the amount of PLN xx thousand. RUB, which will be subject to the IBOR rate reform. The Group expects that the interest rate benchmark for these loans will be changed to SONIA in 2021 and that no significant gains or losses will arise from the modification as a result of applying the changes to these changes.

(ii) ***Hedge accounting***

The changes introduce exceptions to the requirements of hedge accounting in the following areas.

- Allow the designation of the hedging relationship to be changed to reflect the changes required by the reform.
- If the hedged item in the cash flow hedge is changed to reflect the changes required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative reference rate at which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and the items in the group are changed to reflect the changes required by the reform, the hedged items are allocated to subgroups based on the reference rates being hedged.
- If an entity reasonably expects that an alternative reference rate will be separately identifiable over a period of 24 months, it is not prohibited to designate that rate as a non-contractually specified risk if it is not separately identifiable at the date of designation.

Due to the lack of hedge accounting, the Group does not expect an effect of switching to IBOR.

(iii) ***Disclosure***

The changes will require the Group to disclose additional information about the entity's exposure to risk arising from the reform of the interest rate benchmark and related risk management activities.

(iv) ***Transformation***

The Group plans to apply the amendments from January 1, 2021. The application will not affect the amounts disclosed for 2020 or earlier periods.

(c) **Other standards**

It is expected that the following new and changed standards will not have a significant impact on the Group's consolidated financial statements.

- COVID-19 related rent concessions (amendment to IFRS 16).
- Property, plant and equipment: Receipts before allocation (Amendments to IAS 16).
- Reference to the Framework (Amendments to IFRS 3).

- Classification of liabilities as short-term or long-term (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

Although new or amended standards that will not have a material effect or will not have a material effect on the financial statements need not be presented, the Group took into account all new or amended standards and their possible impact on the consolidated financial statements for illustrative purposes only.