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ANNUAL REPORT

2019

2019 FINANCIAL PERFORMANCE REPORT

BALFIN
BALKAN FINANCE INVESTMENT GROUP

2019

CHAIRMAN'S LETTER

Dear readers,

This Annual Report is a compendium of challenges, efforts and achievements of Balkan Finance Investment Group's investments and companies. The annual report indicates how BALFIN Group has created value for the economies and societies in Western Balkans and some other European countries.

Withstanding 2019's challenging economic and business circumstances, BALFIN Group accomplished another profitable year. Conquering economic headwinds and an intensely competitive environment in all the industries we have invested, BALFIN Group endured to remain one of the most significant and successful investment groups in the Western Balkans region.

During our times gone by, BALFIN Group has built up its reputation on being present on behalf of customers, clients and societies appearing in the extremely indispensable periods. Our aim is to carry on supporting our clients, caring for our people, and managing our corporation according to our shareholders' interests.

Our key focus on growth, driven by strong and persistent innovative investments and enlightening our companies and market standards, once again paid back. We are committed in creating the necessary structures and implementing the best practices for BALFIN Group. The Group has created strong foundations and outlines for long-term success in all the countries and industries we are present.

We are devoted to doing business in a sustainable, respectful, and ethical manner. Our goal is to bond with humankinds and provide an optimistic impact for our customers, our people, shareholders, the economy and citizens as a whole.

I welcome you to browse through the Annual Report and find out more about our key achievements and developments throughout 2019.

Best regards,

Samir MANE
Chairman

GROWING TOGETHER

"Balkan Finance Investment Group", (BALFIN Group) is one of the most significant and successful investment groups in the Western Balkans area, with a non-consolidated gross revenue in 2019 of more than EUR 585 million.

BALFIN Group is a trustworthy partner, that has experience and capability in several industries, great financial capitals, proper human resources, rigorous focus being innovative and willing to implement the highest business standards and ethics.

The Group operate in various industries such as: real estate, retail, mining and smelting industry, banking, tourism, energy, logistics, etc. On the other hand, by applying the highest global business principles and speaking the local language, all group companies are unquestionable leaders in their respective enterprises, thus making BALFIN Group a commended and applauded partner for a large number of significant international companies and financial institutions.

BALFIN Group was founded in 1993 in Wien by Mr. Samir Mane and currently is operating and located in Austria, Albania, Kosovo, Bosnia and Herzegovina, North Macedonia, Montenegro and Netherlands. The Group has approximately 5,800 employees, whose dedication and passion remain key to BALFIN Group's success story.

"BALFIN Group" has made further progress in growing up constantly and being oriented towards sustainability and standard raising goals, contributing and having a positive impact toward the society, where it is actually present through economic development, employment opportunities, innovation, social involvement and fostering the highest standards.

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CEO'S STATEMENT

Dear readers,

On behalf of Balfin Group, I am delighted to present Balfin Group's Annual Report for the financial year 2019. These twelve months represent another significant year for BALFIN Group, while we continue to grow and create value, by **being innovative**, providing consistent and sustainable achievements, opening new paths in pursuit of our vision and being one of the key actors in the economic development of the Western Balkans region. This year has further boosted the Group's position, as one of the most viable, inventive, and considerable investment groups in the Western Balkans area, investing in new industries and enhancing the actual performance and standards in commodities and essential services.

EDLIRA MUKA

One of the most essential milestones of this year was the acquisition of "**Tirana Bank"**, the first private bank that operated in the Albanian market. This acquisition is particularly valuable in enriching the Group's investments portfolio and the range of services that we provide.

2019 was a highly competitive year for **Retail industry** and continued to expand towards a striking favourable trend. QTU, as one of the first shopping centre in Albania, concluded its expansion and reconstruction. Furthermore, the retail companies consolidated their presence in the existing markets and extended their network in Albania, Kosovo, North Macedonia, Bosnia & Herzegovina, Montenegro, etc. Throughout 2019, we have paid particular attention to our retail customers' demands in each of the countries, where we operate and we have introduced a better service and tailored deals.

Mining and Smelting industry plays a crucial role in the Group portfolio. Although the international markets did not perform well, we are very delighted that AlbChrome accomplished one of the most valuable and the largest investments ever in Bulqiza mine (Albania), investing up to 27.3 million USD, therefore increasing production and safety standards. In the course of 2019, Newco Ferronikeli approved the technology renewal investment plan and cost optimisation. These are fundamental for the business future.

Residential and touristic complexes positioned in the most attractive spots of Albania, remained the largest contributors in our **real estate investment** success. Green Coast is one of the most important projects that mingles real estate development and tourism in one of the most beautiful beaches of the Mediterranean Sea, named Palasa. Moreover, 2019 was of great consequence for our investments in Austria as well. We initiated the second real estate development project in Wien, where we intend to further expand our investments. The construction of Skopje East Gate, shopping and commercial centre and residences, located in North Macedonia, continues as per schedule. As a result, this investment of approximately EUR 350 million positions BALFIN Group as **one of the biggest foreign investors in North Macedonia**.

A company's success is based on people. The aforementioned achievements were enabled and supported from our most valuable assets, **our people** that are experienced and dedicated. I have been overwhelmed with our people's support and the hard work they put into their job on a daily basis. Every one of them have played a crucial role in BALFIN's transformation and success story that is why we show maximum accountability and esteem for them.

We do not appraise the success story and the Group achievement by business indicators alone. We are convinced and think that **being part of the society**, we must play a crucial role in their overall development and wellbeing. BALFIN Group has been one of the most valuable social contributors to neighbouring communities, from the time when the Group was founded. We have shown the resilience and demonstrated this, by the time when in November 2019, a terrible earthquake hit Albania. Consequently, BALFIN Group created the "Solidarity Fund", embracing all companies' donations, with a budget of more than EUR 1.2 million.

2019 was a year of difficult challenges that yielded great performance, along with pure revenue growth, new acquisition and expansions along with robust cash flow. The essence of our persistence is to brew and gather force for a better today and tomorrow. We are working day after day at BALFIN Group for a suitable and more sustainable future for everyone, our people, our customers, our partners and nearby communities.

I would like to express gratitude to **our business partners** for their cooperation and support, it was their trust that gave us courage to go ahead with our business ideas and successfully implement them. I must thank **our customers**, for continuously being confident in us and we will put our efforts to further improve our services for them, through dedication and diligence, even in challenging periods.

I look forward to succeeding along with them over the coming year, to generating sustainable long-term growth and improving performance for BALFIN Group.

Edlira Muka

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FACTS & FIGURES 2019

€1.3 BILLION
TOTAL GROUP ASSETS

€585 MILLION
NON-CONSOLIDATED GROSS REVENUE

€84 MILLION
GROUP EBITDA

5,800+
EMPLOYEES
IN OUR GROUP COMPANIES

€107 MILLION
(VAT INCLUDING)
TOTAL CAPITAL EXPENDITURES IN 2019

€59 MILLION
TAXES PAID

BALFIN GROUP BECAME THE MAJOR SHAREHOLDER OF
TIRANA BANK

HAPPY LOYALTY PROGRAM
LAUNCH OF THE ONLY MULTI-BRAND LOYALTY PROGRAM IN ALBANIA

6000+
HOURS OF TRAININGS IN A YEAR

€250 MILLION
STARTED THE CONSTRUCTION OF SKOPJE EAST GATE, AN INVESTMENT OF

INCREASED PRESENCE IN
RETAIL MARKET
IN ALBANIA, KOSOVO, NORTH MACEDONIA, BOSNIA & HERZEGOVINA AND MONTENEGRO

OUR PARTNERS

RAIFFEISEN BANK, INTESA SAN PAOLO, OTP ALBANIA, ALPHA BANK, KOMERCIJALNA BANKA, EBRD, NLB BANK, STOPANSKA BANKA, SPARKASSE BANK, SPAR, JUMBO, MANGO, INDITEX, MILSPED, MAERSK, SUMITOMO, ERNST & YOUNG, BEKO, SAMSUNG, LG, SONY

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OUR **JOURNEY**

1993
- NEPTUN INTERNATIONAL
- ALBA-TRADE Handelsgesellschaft m.b.H.

2002
- MANETCI TRADE • CONSTRUCTION • INVESTMENT

2005
- QTU
- fga FASHION GROUP ALBANIA
- EUROMAX

2007
- ACREM ALBANIAN COMMERCIAL REAL ESTATE MANAGEMENT

2008
- ELEKTRO-SERVIS
- ALCRED FOOD PORCESSING CO
- FOOD WAY RESTAURANTS & BARS

2009
- plus

2011
- TEG Be happy!
- JUMBO
- final

2012
- TIRANA LOGISTIC PARK
- Skopje City Mall

2013
- ALBCHROME
- MILSPED ALBANIA
- faleminderit.al ...të shpërblen gjithnjë!

2014
- TBU TIRANA BUSINESS UNIVERSITY
- VALA MAR RESIDENCES
- aes albanian energy supplier

2015
- GREEN COAST RESORT AND RESIDENCES
- Agrocon Albania
- Carrefour

2016
- SPAR

2017
- EAST GATE
- STELLA MARE AS AGENT OF MAERSK LINE
- smart point

2018
- BALFIN REAL ESTATE & HOSPITALITY
- VLLAHEN MINING
- TH&B Immo GmbH
- New Co Ferronikeli
- aladini

2019
- TIRANA BANK

CORPORATE **CULTURE**

OUR VISION

To become an international investor, providing new standards of excellence in all interest fields.

OUR MISSION

Operate as an unquestionable local and regional investor in the targeted marketplaces, by foreseeing customers' spending behaviours and offering a positive value suggestion, to work for those habits among outstanding service, whilst generating striking and desirable returns towards all shareholders. BALFIN's capability to convert challenges into value-creating business opportunities, remains the aim why we exist.

OUR VALUES

PARTNERSHIP
We are your Partner

We provide our intense support and contribution throughout co-operation and entrust correlations. Equipping with our capability, proficiency and investment, we afford compacted fundamentals to our partnerships and assure a success story. All BALFIN Group companies, employees and partners benefit from the synergy and mutual experiences' exchange, by reaching the greatest outcomes.

CONSIDERATION
We Care

We show consideration for our employees, our partners and our customers with regard, integrity and impartiality. We pay tribute to our business partners, our clients and our staff' opinions and involve them in the decision-making process. We foster diverse perspectives, promote and acknowledge high performance. We figure out and do our best to remain associated and involved all the way through viewpoints' exchange along our partners, employees and Group Companies. Having faith in our human resources and our collaborators, appreciating their feedback and support, accelerates our approach of growing further..

ACCOUNTABILITY
We Are Accountable

We accomplish whatever we say, demonstrating accountability and being ethical. We show the highest reliability and esteem on behalf of our employees, partners, customers and local communities wherever we invest. BALFIN Group improves the local neighbourhoods' conditions, through employment growth and endorsed projects, designed for economic and social development.

INNOVATION
We strive to diversify and be innovative

We show innovation and vision in every part of our business' aspects, amongst our diversity at BALFIN Group. We accomplish excessive outcomes, by getting ready for the upcoming future, by taking risks, by learning from our experience and discovering contemporary techniques to perform things in a high-quality. Being present across various industries, we are keen and enthusiastic, regarding constantly growing amongst new projects and partnerships, through our enthusiasm and consideration to details.

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Code of Ethics and Professional Conduct.

CORPORATE GOVERNANCE

BALFIN Group complies with reliable corporate governance procedures in accordance with laws and regulations applicable in all countries, where operates as well with its ***Code of Ethics and Professional Conduct***.

Governance for Balfin Group, is not simply about adherence to a set of recommendations and proposals. It is a way of doing business and we put the heart in everything that we do. Corporate Governance is about promoting corporate objectivity, transparency and accountability, in align with our values and vision.

CORPORATE GOVERNANCE FRAMEWORK

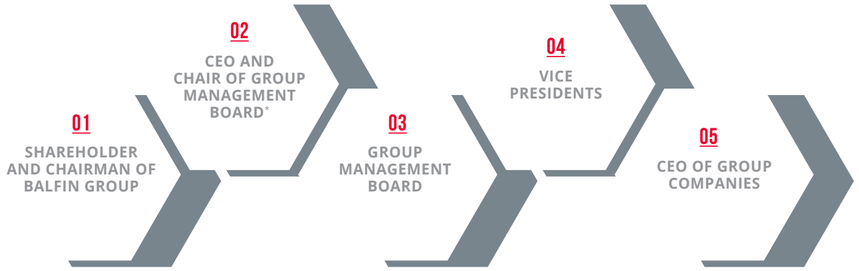
Corporate Governance Framework summarizes the concrete **principles** and guidelines designed for performance and behaviour towards business partners, with the aim of efficiently handle the Group and ensure active business management within the Group, along with the dedication to create and boost the shareholders' values and lower the risk, by relying on the following standards:

- **Comprehensive and Objective Business Ethics;**
- **Aligned Business Goals;**
- **Strategic Management;**
- **Efficient Administration;**
- **Disclosure, transparency and accountability;**
- **Innovation and continuous development;**
- **Compliance with laws and regulations in force and BALFIN's "Code of Ethics and Professional Conduct";**
- **Human resources management.**

All these principles and standards are implemented in conjunction with the existing programs support and managing techniques, in order to stand for accountable corporate management and control geared to long-term value creation in BALFIN Group.

The supreme governing body is the **Shareholder and Chairman of BALFIN Group**. The shareholder holds key decision-making authority in strategic activities of the Group and investment decisions of more than a required threshold. Additionally, BALFIN Group's Shareholder and Chairman is responsible and in charge for appointment of CEO and Chairman, as well as GMB's members. The Shareholder and Chairman delegates BALFIN Group's management to the Group CEO.

"BALFIN Group" has the following decision-making roles:



GROUP MANAGEMENT BOARD

Accountability and responsibility area

CEO, VP-s, and CFO are consequentially entitled to be appointed as Board members by the General Annual Meeting. Moreover, there are other individuals (internal or external) to the Group, that might be elected to be part of the Group Management Board, based on their background and upon their discretion, character, expertise, skills and experience. Consequently, they will certainly offer their contribution to the Board to conduct their responsibilities with competence and effectiveness.

The Board is in charge for authorising and approving major investments in new projects or business acquisitions, suggesting putting on sale/closure, or divestment from existing companies, subsidiaries, or joint ventures to the Shareholder. Additionally, it stipulates, improves and executes the Group Strategy, as well as reports regarding the progress to the Shareholder.

Furthermore, the Board is responsible for preparing and arranging the strategy implementation plan, sanctioning Group Policies and Procedures, the corresponding budgets for the Group Companies, along with the long-term approach.

The Board observes the Group Financial Performance and non-performing companies, therefore carry out the required measures to align in conjunction with the Group Strategy.

Internal organizational structure

By and large, GMB's meetings are organised in a regular basis, at least 9 (nine) times per year by its Chairperson, or should the person be absent, they will be chaired by the Vice-Chairperson. Additionally, any of the Board's members may submit a request for a meeting to be convened. In order to simplify and accelerate the oversight responsibilities of CEO and GMB, the Board have delegated several tasks and assignments linked to the support and operation of practical matters toward the committees, that have been established, such as: Human Resources Committee, IT Committee, Audit Committee, Marketing and Communication Committee and Project Management Committee.

Another important body is the Executive Leadership Team (ELT). ELT does not have executive functions and serves as a forum for sharing and discussing strategic objectives of the Group.

* Hereinafter "GMB" or "the Board"

COMPOSITION OF THE GROUP MANAGEMENT BOARD

As of 31 December 2019, the composition of Management Board was as follows:

EDLIRA MUKA
Chief Executive Officer and Chairwoman of GMB

STEVEN GRUNERUD
Vice President for Mergers and Acquisitions

JULIAN MANE
Vice President for Retail

ARDIANA SOKOLI
Vice President for Real Estate

ERVIN KAJNO
Vice President for Corporate Projects

MARTIN ROUSSEL
Vice President for International Business

BLERINA DAKA
Chief Financial Officer

ARSIM PAPRANIKU
Vice President for North Macedonia & Kosovo

CORPORATE GOVERNANCE

EXECUTIVE LEADERSHIP TEAM (ELT)

ELT is composed by the following members:

- **CEO of "BALFIN Group";**
- **Vice Presidents;**
- **CFO of "BALFIN Group";**
- **CEOs of all the Group's Companies.**
- **Head of Departments of Balfin Shpk**

The ELT gathers on quarterly basis, in meetings called and chaired by the CEO of BALFIN Group, pursuant to a pre-defined agenda.

ELT's main objectives is to afford and provide the Group's key management, through a conference or a roundtable, where they can reveal and discuss about strategic objectives of the Group and the Group's Companies, detect possible risks and deliberate on mitigating measures, talk about new initiatives and synergies within Companies and Group structures.

HUMAN RESOURCES COMMITTEE (HRC)

The main accountability and liability of HRC is the elaboration and implementation of Group HR approach, orders and guidelines. HRC is composed by the Group HR Director, which is chairman of the committee and HR managers of the largest group companies. The Chairman of HRC reports on ad-hoc basis to GMB, when requested by them.

MARKETING AND COMMUNICATIONS COMMITTEE (MCC)

The Marketing and Communication Committee (MCC) introduces, coordinates and supports joint consultations activities among BALFIN Group and/or Group's Companies to foster reputation and brand values. It provides for the Group CEO and GMB in aligning Group strategies, policies and certain procedures associated to marketing and communication.

The MCC is chaired by the Group Communications Director. Other committee's members are appointed by the Group Communications Director.

The committee gathers regularly on a bi-monthly basis, or whenever deemed as necessary by the chairperson of the committee.

IT COMMITTEE (IC)

The IT Committee (IC) is responsible for the IT investments' review on behalf of GMB.

The IC is composed of 3 (three) members, that are independent from the IT Group role, with a minimum of two members coming from GMB. The Chief Information Officer has a reporting role and a permanent place within Committee. All IT committee members are appointed from BALFIN CEO. The involvement of GMB's representatives within IC guarantees and ensures, that IT Governance is moreover addressed as part of the Corporate Governance. Furthermore, it confirms that IT Group role is supported as well with the Group strategic guidance.

The IC gathers on monthly basis, under the direction and guidance of the chairperson, who is accountable for leading and coordinating according to the meeting agenda.

AUDIT COMMITTEE (AC)

The purpose of the Audit Committee (AC) is the protection of shareholders interest. The Audit Committee will also support the Management Board on reviewing the accuracy of performance reports, assessment of compliance with legal and regulatory requirements, compliance with internal procedures and Group standard, evaluation and specification of the measures to be taken in cases of incompatibility identified from Internal Audit of the Group.

The AC shall as well be in charge for the performance and independence of the Balfin Group's Internal Audit department.

The committee gathers on quarterly basis pursuant to the yearly-approved agenda, as well as on ad-hoc basis, depending on the issues or circumstances presented.

PROJECT MANAGEMENT COMMITTEE (PMC)

The Project Management Committee (PMC) is composed of representatives from any group company and is accountable for introducing and managing projects. This Committee is led by the Vice President and the Director of Corporate Projects Department at BALFIN.

PMC is in charge of affording the necessary endorsements for solutions to any associated project matters, creating the project proposals register, setting project management standards, identifying the needs for support and coordination between the responsible projects departments, increasing efficiency for project drafting and implementation and identifying, analysing and providing recommendations for various business research and development opportunities.

SOCIAL CONTRIBUTION

CORPORATE SOCIAL RESPONSIBILITY

Throughout 2019, "BALFIN Group" has contributed with approximately EUR 1 million in support of a large number of social investments arrangements, making a valuable impact in various range of fields, such as: education, health, environment, children, etc.

BALFIN Group is committed to promote the highest social values and take care of the community and the environment. The Group and its companies want to engage positively with the neighbouring communities nearby all locations where we operate. BALFIN Group is a strong supporter and promoter of United Nations' Sustainable Development Goals.

By applying sustainable work models through economic integration, social and environmental factors into the company's decision, the Group creates mechanisms, with the purpose of creating lasting values in long-term. Balfin Group is focused on generating everlasting avail in all its work and in its future projects. Proactivity and sustainability are a goal-oriented conduct approach for all present and future activities.

BALFIN Group has offered **enormous support** to life-quality conditions improvement of the **communities** and **individuals**

We believe that business growth may favour the necessary conditions for better economic and social development of the community, in which it operates. Therefore, we always appreciate and take active care of social and environmental policies and application development projects throughout Group network structure.

Our CSR strategy ties in with overall Group business strategy and addresses real social necessities. Our core values, in terms of social responsibility convert into concrete actions throughout the organization, from strategies to everyday decision-making at-hand.

We make sure that our businesses perform, and assist at the same time as investment to improve working conditions and standards, infrastructure, healthcare and education.

Our most effective and charitable social contributions are reflected and echoed through strategic collaborations with prestigious organizations such as: UNDP, World Vision, Terre des Hommes, Down Syndrome Albania, Fundjave Ndryshe, Junior Achievement, Vizion OJF, Special Olympics Albania and many other public institutions.

BALFIN Group has offered enormous support to life-quality conditions improvement of the communities and individuals. Specific segments share of contribution, support and awareness from the Group`s side also encompass innovative ideas of young entrepreneurs; institutions and organizations that provide services for children with Down Syndrome, people with autistic spectrum disorders, the elderly and persons with terminal illnesses, environment protection, education, etc.

SCAN CODE

Corporate Social Responsibility Booklet 2019

KEY SOCIAL CONTRIBUTIONS

More than **1 million EUR**[1] for social investments	Contributed for 2 new **computer labs**	Financial support for the operation of **2 Vocational High Schools** in Elbasan & Bulqize, Albania	**2,500 new books** donated for the Library of Burrel, Albania
Organized two **environmental awareness campaigns** in Albania & North Macedonia	New development area for **380 pupils** in Elbasan, Albania	2 refurbished **kindergartens** in Dibër and Bulqize, Albania	Paid **medical treatment** and hospitality services for 3 children
Hired two young people with **Down syndrome**	Offered specialized service at their house for 48 **children with disabilities**	Financially supported the **Special Olympics Albanian** team	Built 3 new houses for **families in extreme poverty**
Financially supported two organizations for **children with Down syndrome** in Albania & Kosovo	Monthly **food donations** for 15 families in need	More than **70 activities** organized	Offered **5 scholarships**

[1] Including 480 thousand EUR donations for earthquake injured

SOCIAL CONTRIBUTION

CONTRIBUTION TO THE FAMILIES AFFECTED BY THE EARTHQUAKE

The devastating earthquake that affected Albania resulted in severe loss of life and material assets significantly put the affected communities at strains. As a business, but also society stakeholder, BALFIN Group feels/shared the responsibility to become part of the /resolving plan and alleviate the pain of the communities. BALFIN Group aligned its responsibility closer to the affected families, as a corporation that has been oriented toward social awareness and responsibility goals throughout years.

In this solidarity act, BALFIN Group has contributed with the amount of **EUR 1.2 million** to support the injured families. From this fund, until the end of 2019, approximately EUR 480,000 was disbursed as cash donations or material assistance from companies, like: Neptun North Macedonia, Neptun Kosovo, QTU, TEG, BALFIN, Jumbo, Spar Albania and Tirana Bank.

VOLUNTARY INITIATIVES

Well spent hours for beneficial causes

During 2019, over **2,000 BALFIN Group employees have volunteered** to contribute to various causes such as: children and young people with disabilities, orphaned children, children and young people with Down Syndrome, children with autism spectrum disorders, victims of domestic violence, families in need, elderly, environmental protection, etc. For BALFIN Group, volunteering is one of the way to contribute back to the society we are working with and within.

In 2019, we implemented an internal campaign, a project in volunteering to engage with local communities around us, offering our employees the opportunity to dedicate a day for voluntary work.

The campaign proved that volunteering contributes to the meaningfulness of work, as well as work satisfaction and motivation. After this campaign, many BALFIN employees said they felt proud to work for such action –initiatives concerned to social issues - encouraged by their employer. Those who took part in volunteering found it as truly inspiring. At BALFIN, our employees can choose where they want to commit and carry out voluntary work. As a consequence, voluntary work needs to be in line with our values.

SOCIAL CONTRIBUTION

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SUSTAINABLE DEVELOPMENT

BALFIN Group is actively supporting the United Nations Sustainable Development Goals. We consider the SDGs an important initiative for adapting to a sustainable future and improving people's quality of life through solving social and environmental issues.
In 2019, we further analysed the SDGs and concluded with the six SDGs we evaluate as having the greatest impact from our perspective:

Goal 1 End up poverty in all its forms everywhere

- Construction and furnishing of 3 new houses for three families in extreme poverty.
- Monthly pensions and in-kind donations for 15 families in extreme neediness.

Goal 2 Zero Hunger

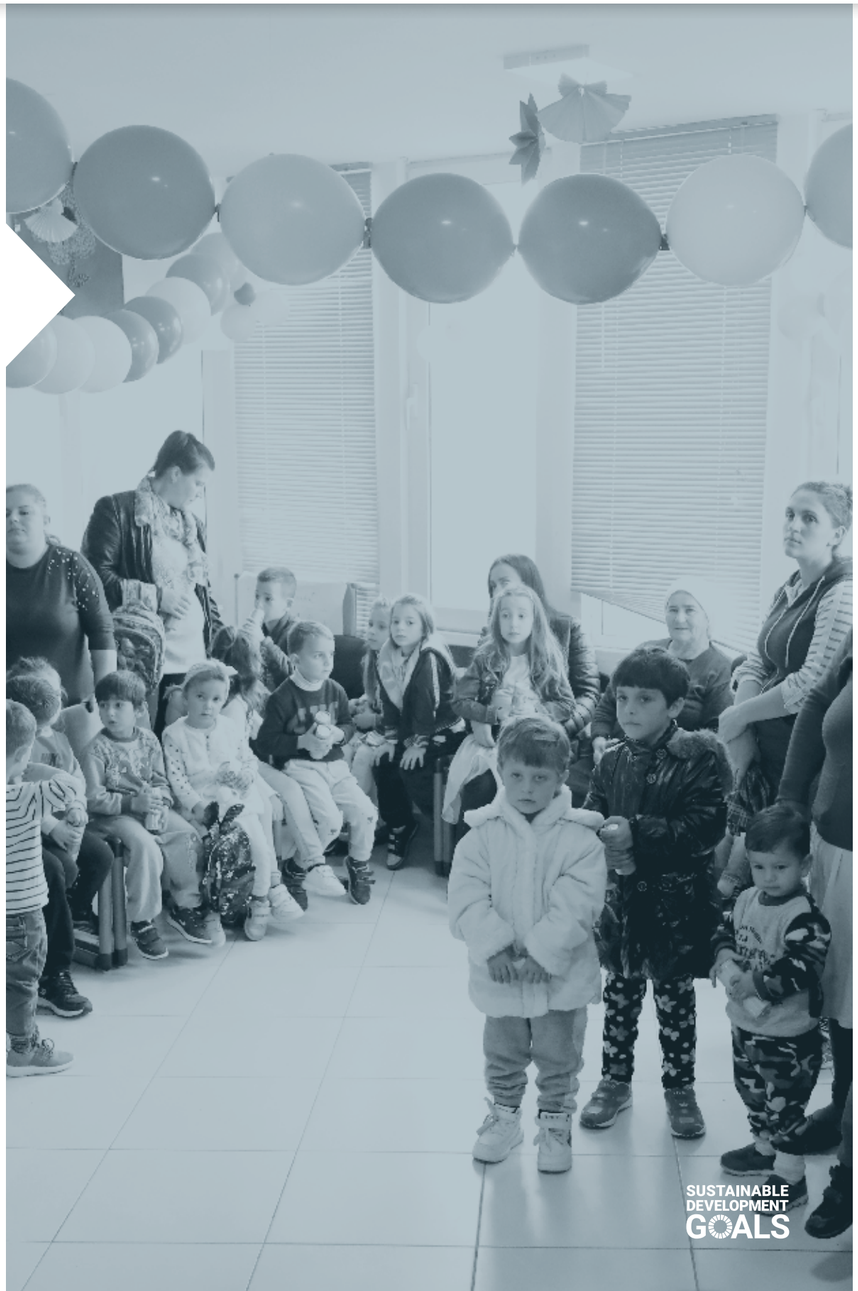
- Ensuring for children and families in vulnerable situations, to be safe and to have sufficient food all year round.

Goal 3 Ensure healthy lives and promote well-being for all at all ages

- Organizing of awareness campaign about the environment protection and healthy living.
- Access providing for 380 pupils to dedicated classes for integrated psychosocial, developmental, therapeutic treatment, especially for kids with special needs.
- Access to quality essential health-care services for children who visit Health Center N.7 in Durrës.

Goal 4 Quality education

- Increased youth number and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship, through the professional high school in Bulqiza.



- Equal access to all levels of education and vocational training for children in vulnerable situations by offering scholarships.
- Substantially expanded the number of scholarships available to 6 per year.
- Ensured quality to early childhood development, care and preprimary education for 35 children in Bulqiza.
- Upgrade of education facilities that provide safe, nonviolent, inclusive and effective learning environments for 350 students of "28 Nëntori" High School in Burrel, and thousands of students at the Faculty of Economy in University of Tirana, with two new labs.
- Internship programs aiming to support the development of various students.

Goal 5 Achieve gender equality and empower all women and girls

- Equal opportunities for women's full and effective participation and leadership positions at all levels of decision-making.
- Active contribution in stopping all forms of discrimination against women and girls.
- Adaption and strengthening of sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.

Goal 8 Promote inclusive and sustainable economic growth, employment and decent work for all

- Achievement of higher levels of economic productivity through diversification and innovation.
- Promotion of development-oriented policies that support entrepreneurship, creativity and innovation.
- Employment opportunities and decent work for women and men, including for young people and persons with disabilities, including two young people with Down syndrome, and offering equal pay for work of equal value as well.
- Your employment: employing more than 25 graduated students.
- Fair protection of labour rights and promotion of safe and secure working environments for all workers.

On these specific prioritized SDGs we engage our greatest part of contribution. We are working on with the company-specific targets, in order to respond to the global challenges addressed by the SDGs.

SOCIAL CONTRIBUTION

OUR PEOPLE

Our employees represent the key success factor of Balfin Group businesses. In BALFIN Group companies work approximately 5,800 people.

Balfin Group brings together experts in various fields by interlacing the experience, professionalism and energy to respond to any challenge. Challenge and commitment are key words in guiding employees constantly on the path to personal success but also to the business success where they belong.

Our employees represent the key success factor of Balfin Group businesses. With adherence to our Group values, they have proven to be high calibre professionals and leaders bearing a significant weight in the market.

The number of employees working at the Group (including minority companies) as at 31 December 2019, was 5,803 (2018: 5,116). Such increase was impacted by the acquisitions occurred during the year.

4 in 10 employees are females

476 promotions during the year

3 in 10 CEOs are females

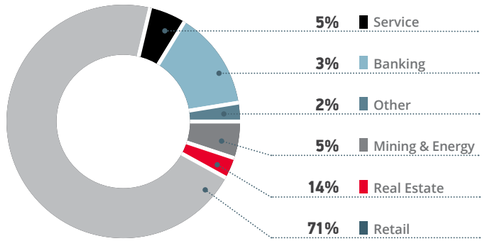
3 in 10 promotions are in managerial position

4 in 10 employees work in international market

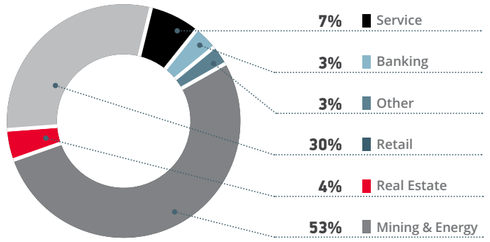
5 in 10 head of departments are females

Industry spread of females and males

Females per industry



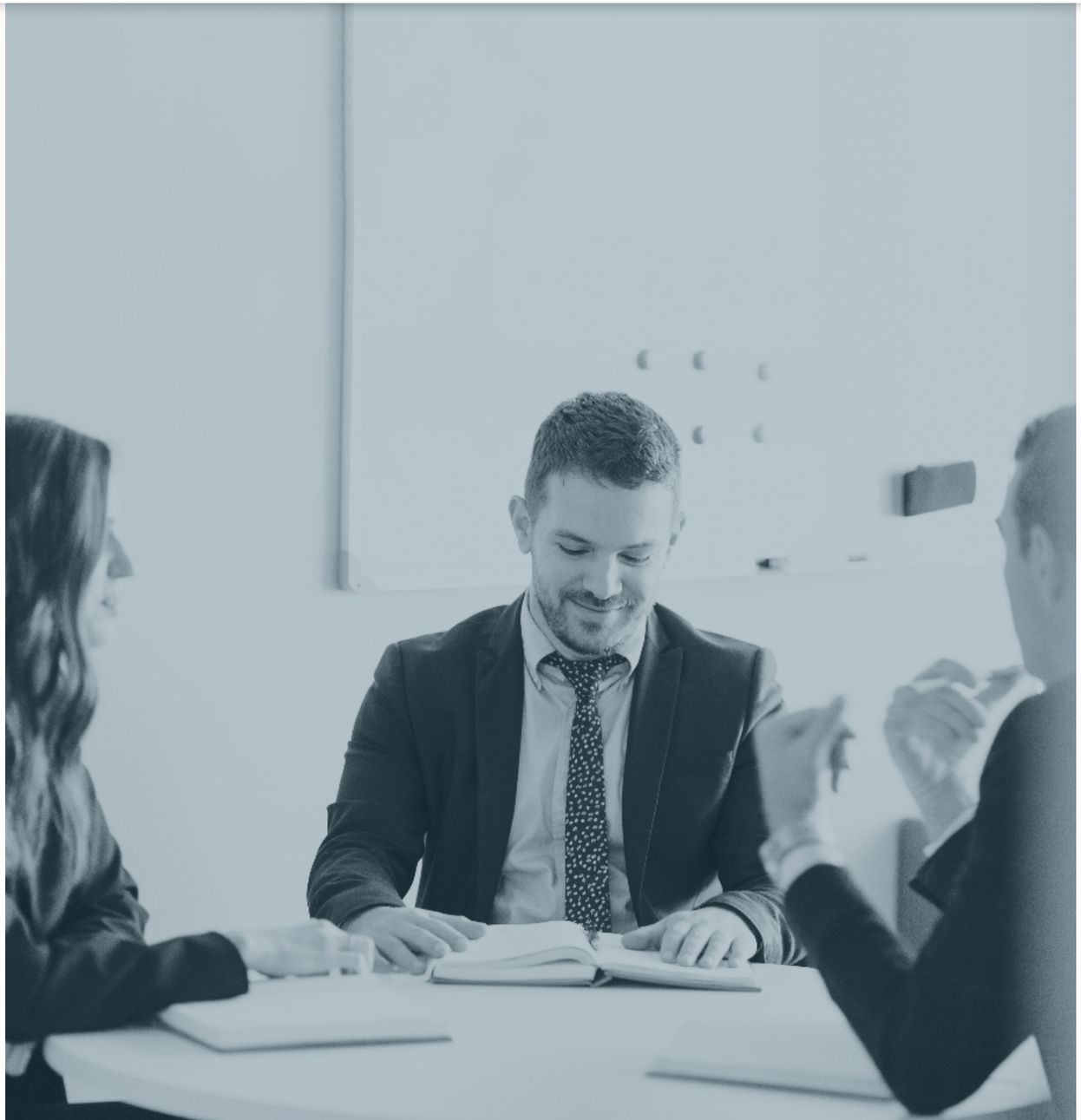
Males per industry



Industry segmentation

Employees' distribution as per industry on 2019 and 2018 are as follows:

Industry	2019	2018
Retail	49%	48%
Mining & Energy	33%	39%
Real Estate	4%	8%
Banking	8%	-
Service	4%	2%
Other	2%	3%



HR STRATEGIC PLAN

Our goal is to champion better working conditions and improve living standards for our employees. We are dedicated to collaborating with Balfin Group business units, to maximize the potential of our greatest asset—our employees. We embrace change and are open to benefit from any sort of opportunity created by continuous change. We are committed on reaching the best talented individuals' talents capacities, maximizing HR technology and are perpetrated to employee dedication, performance appraisal and acknowledgment of our people.

Key pillars of Balfin Group HR Strategy are:

- **Deploy new approaches** to talent sourcing and human capital stability, by implementing programs to better manage human capital, through designing strategies and procedures to attract, hire, deploy, develop and retain the best individuals in their respective fields.
- **Engage** our employees and retain them by operating as an excellent employer. Our objective is to build an environment of employee engagement, empowerment and involvement, where people can offer their best, equip managers with specific tools, resources and a policy framework that facilitates an effective operating environment.
- **Maximize HR technology** as we have acknowledged the critical role of technology and systems in various aspects of HR work. Next step is to move forward and develop with technology usefulness, systems and tools to drive data-focused decisions and solutions, in order to enable faster, more accurate, efficient processes, and reduced HR costs.
- **Performance appraisal aligns** compensation programs to our staff with relevant markets. This practice promotes understanding of compensation according to Balfin Group`s standards and recognizes compensation as a competitive tool to drive organizational and better performing results. On top of that, the aim of this practice is to equip the managers with the necessary tools for a fair, efficient and consistent way of programs management.

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Balfin Talent Pool is another very important development program which constitutes a leadership **academy** within Balfin Group with the purpose to build **future leaders**

BALFIN TRAINING ACADEMY

An enterprise in training and professional development of employees.

The Balfin Training Academy represents one of the key pillars of the Group`s strategy in further developing people. As a tailored procedure to reach our employee`s needs, the training activities are designed in such a way, to support their professional growth in current and future positions. Each year the academy training activities contain more than **6,000 training/ coaching hours** with more than 400 employees as participants.

Balfin Training Academy brings together experts from our companies, professors and technicians in the academic field, as well as professional trainers from home and abroad. This academy aims to create, maintain and develop valuable assets, competencies and professional employees, capable of growing and contributing professionally to their daily work responsibilities and environment, in order to be prepared and efficiently responding to any challenge.

BALFIN TALENT POOL

The development program of tomorrow`s Group leaders.

Balfin Talent Pool is still another extremely important breakthrough program, which represents a leadership academy within "Balfin Group". The aim of this program is to prepare and train future leaders, in order to be able to lead Group companies and businesses within Albania and abroad.

The second Talent Pool program was launched in early 2019, bringing together 8 top talented managers, distinguished within our companies. The program rolls out during 2019 and consisted in a tailored made managerial program, bringing together theoretical knowledge, shadow coaching and project assignments.

HEALTH AND SAFETY

"BALFIN Group" stands for a culture of directness to purposefully create good conditions for employees' safety and health. Key to this are common-sense rules and convincing processes by empowering our employees to take the right decisions in a daily work schedule. BALFIN Group strongly believes and considers that individual wellbeing, safety and healthcare culture is very important to business, including self-assured engineers, workplace safety in mining and smelting and real estate industry, in order to systematically eliminate unsafe conditions. By pooling and implementing improved ideas and monitoring the recommendations of the Group employees, Human Resources continuously monitor the targeted improvements and works to reach the best standards in this field

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BALFIN INNOVATION SUMMIT

In 2019, BALFIN Group organized for the very first time its Innovation Summit. The annual Innovation Summit is a key event of BALFIN Group, where innovative and creative ideas from different Group's Companies and Companies' employees are shared and interactively discussed. It is an "instrument" to promote and award the potential of our employees and bring the innovation culture of our Group to an upper level.

The Innovation Program consists in a competition between all Group Companies, which come with proposals on how to improve a specific work process within their existing structure. Each company must create their team/teams and each VP will mentor the companies that fall within the industry they represent.

Innovation is interwoven in the fabric of our business, by undeniably determining the winners and losers in the coming years or decade. Looking ahead, BALFIN Group is always looking for new brand ideas, to strike a balance between more dynamic business and operating models, more proactive design of customer experience, corporate strategies, improve processes, generate new business ideas and set market trends, in order to address the issues of sustainable development.

OUR PEOPLE

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GROUP COMPANIES

RETAIL

BALFIN Group is a pioneer for the creation of retail chains by proposing client's brands and quality products at the best prices. Retail activities are concentrated in electronics, clothing, groceries, food and industrial products, children's toys etc.

BALFIN Group has demonstrated how to manage and expand the networks of retail stores in the Albanian market and how to adapt to the region market, as its market expansion is now a reality through the activity of electronic devices, clothing and toys stores in Kosovo, North Macedonia, Montenegro and Bosnia Herzegovina.

NEPTUN NETWORK

Neptun International Network offers the best brands of household appliances and home entertainment devices in the Western Balkan countries. Currently, Neptun Network has agreements with international best leading market brands, offering products of high-tech electronics. It is the exclusive reseller of LG and Beko in the region and has a long and stable cooperation with many other world-famous brands such as Samsung, Apple, Sony, Bosch, Philips, Tefal, Rowenta, Huawei, Braun, etc.

Neptun Network operates in Albania (est. in 1993), North Macedonia (est. in 1998) and Kosovo (est. in 2007) and is the market leader in these countries, with respective market share of 54%, 43% and 50%.

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FASHION GROUP ALBANIA

Fashion Group Albania is the first organized fashion retail group established in 2005, with the aim of remodelling the Albanian retail market, which also introduced the novelty of franchise deals. Fashion Group Albania has introduced the well-known international brands and established a new standard of customer service.

Fashion Group manages 9 leading brands: Mango, Springfield, Geox, Parfois, Women Secret, Okaidi, Prenatal, Carpisa and Cortefiel. Fashion Group is always introducing new brands, that through favourable deals are specifically chosen to suit the market needs.

KIDZONE NETWORK

KidZone is the official franchise operator of Jumbo in Albania (est. in 2011), Kosovo (est. in 2014), Bosnia Herzegovina (est. in 2017) and Montenegro (est. in 2019). A vast variety of toys for all ages and preferences, of well-known brands, as well as imported baby care items, stationery, seasonal products, decoration and various home objects for grown-up children, are only a few of the treasures that customers discover in Jumbo store. Kid Zone continues its expansion in the Balkans area.

SPAR ALBANIA

SPAR Albania became part of "BALFIN Group" in June 2016. SPAR supermarket chain provides a wide variety of products at approximately 45,000 SKUs, divided in food and non-food category in the Albanian market. SPAR provides to its customers quality and innovation based on a wide range of products. SPAR is setting new market standards in Albania. It is the only grocery chain with 2 hypermarkets in Tirana and is part of "SPAR International".

GROUP COMPANIES

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MINING AND SMELTING

BALFIN Group is well positioned in this industry, owning two of the most important companies in the region, AlbChrome in Albania and NewCo Ferronikeli in Kosovo.

Through AlbChrome, the Group has been managing the chrome concession in Albania since 2013, including the mine in Bulqiza, the ferrochrome smelting plants in Burrel and Elbasan and Tranverbank in Klos. AlbChrome is a regional leader in the mining and smelting industry and one of the biggest chrome rich resource management companies in Europe.

Since 2018, the Group extended to Kosovo with the acquisition of the Ferronickel Complex in Drenas, revitalizing the industry through new investments and technology enhancement. NewCo Ferronikeli is the largest exporter of Kosovo and one of the largest producers of Nickel in Europe.

"Vllahen Mining", established in 2018, is the holder of the mining exploitation permit for the Vllahen chrome mining facility and is 50% owned by BALFIN Group.

ALBCHROME

AlbChrome is a leader in the mining and smelting industry in the region and one of the biggest chrome rich resource management companies in Europe. With a vast experience in production of high-quality ferrochrome, ore chrome enrichment and processing capabilities, AlbChrome is the only vertical integrated producer of High Carbon Ferrochrome in Europe.

The Metal Bulletin magazine has ranked AlbChrome among the 5 highest quality producers of High Carbon Ferrochrome worldwide.

AlbChrome is currently the second biggest exporter in Albania. The company has undergone a complete reinvigorating investment plan, aiming to increase production through accessing new chrome ore reserves, performing improvements to technological processes, and improvements/refining of general conditions, including health and safety conditions and parameters in all company's assets in Bulqiza, Klos, Burrel and Elbasan.

Part of AlbChrome assets are Bulqiza Mine, Ferrochrome Smelting Plant in Burrel and Elbasan and Klos Traverbank.

NEWCO FERRONIKEL COMPLEX

NewCo Ferronikel Complex (hereinafter as "NFC") is a significant strategic asset to the Republic of Kosovo, with great importance and impact in the macro economy. The complex includes a two-line nickel production plant, as well as potentially rich mineral deposits beneath the surrounding landscape. NFC was built in 1984 using largely Soviet technology, but with certain elements, such as the electric furnaces, rotary kilns and casting machines, based on Western designed framework.

As a certified company, with ISO 9001:2015 standards regarding the quality control and with ISO 14001:2015 standards regarding the environment, succeeded to pass convincingly the auditing procedure without encountering any non-conformity criterion. BALFIN Group plans to make additional investments in NFC, to be able to realize the full potential of the mining and smelting sectors in Albania and Kosovo and increase the nickel production over 10,000 MT per annum.

VLLAHEN MINING

"Vllahen Mining" Sh.p.k is established in 2018 and is the holder of the mining exploitation licence for the Vllahen chrome mining facility.

"Vllahen Mining" is owned 50% by BALFIN Group and 50% by "Ekin Maden Ticaret ve Sanay Anonim Sirketi".

The mine is one of the largest entities in the country, after the mines of Bulqizë and Kalimash. The exploitation mode of chromium ore within the mine is realised through underground development.

Total mineral production is foreseen to be **1.22 million tons chrome ore**. The average mineral production per year is foreseen to be 100,000.

GROUP COMPANIES

REAL ESTATE

Real Estate activities of BALFIN Group date since year 2000. Nowadays, BALFIN Group is among the most distinguished investors in real estate development realm in the Western Balkan countries. BALFIN Group is focused on the construction and management of residential facilities, shopping malls, touristic residences, business and commercial buildings and industrial spaces. Balfin Group is assiduously involved with its real estate activities in Albania, Austria and North Macedonia.

MANE TCI

"Mane TCI" is a one of the leader's company in the construction, investment and trade of developmental projects in Albania and the Balkan region. Mane TCI is founded in 2002 and is specialized in commercial and industrial constructions, such as shopping malls, residential buildings, social and cultural centres, industrial and civil engineering constructions.

Main projects finalized by "Mane TCI" are shopping malls ***QTU*** and ***TEG,*** residential buildings ***Ambasador 1, Ambasador 2, Ambasador 3, Vala Mar Residences, Rolling Hills Luxury Residences, Green Coast*** and ***Park Gate***.

Rolling Hills Luxury Residences, is a luxurious gated community, the best in terms of construction standards and the first of its kind in Albania. This community has a total construction area of 88,479 m² and a total investment value of EUR 92 million, as well as a Recreational Park. Due to high demand, the complex is undergoing an extension, that will add on a group of 11 villas in an area of 10,500 m² and EUR 4.3 million in investment value. "Rolling Hills Luxury Residences" is situated in the beautiful nature and hill landscape of Petrela, Tirana.

Vala Mar Residences, situated in the coast area of "Gjiri i Lalzit", is a residential and touristic resort and a recreational destination for individuals and families who wish to enjoy the nature, as well as demand security criteria, construction quality and infrastructure. The community has a total construction area of 33 thousand m² and a total value of investment of EUR 25 million. The project will reach final completion by 2021.

GROUP COMPANIES

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BALFIN REAL ESTATE & HOSPITALITY

Balfin Real Estate & Hospitality (hereinafter as BRE&H) is a marketing, sales, after-sales Service Company dedicated to all real estate projects developed by BALFIN Group. It also provides consulting services to all relevant real estate investor companies, at various stages of project's development. The portfolio of properties that BALFIN Real Estate currently sells, is around EUR 250 million.

The activity of BRE&H includes also other services such as: market research, preliminary consultancy for new projects, property management, etc. For the first time, in the Albanian market, it introduced new concepts in Real Estate management, such as Time Share, Renting Program, etc.

GREEN COAST RESORT & RESIDENCES

"Green Coast Resort and Residences" is one of the largest tourism investments in Albania, located in "Palasa" Beach. The resort contains a variety of house typologies, varying from elite villas to apartments and its total land surface is of 188,500 m². This project will inspire and affect in changing perceptions of tourism management and property in coastal areas, as a strategic investment, that exceeds EUR 100 million.

"Green Coast Resort and Residences" is applying new hospitality services, previously unknown in the Albanian market, such as Renting Program, Vacation Ownership and Property financing, by bringing innovation in management, offers to all customers, increase of the property value and as well as a quick return on investment deals.

TH&B IMMO

TH&B Immo was founded in 2018 and operates in the development of real estate sector in Austria. It focuses on the development of residential areas for housing, villas and resorts. The company has started an investment of several million EUR, which consists of a residential project of 1400 m², located in the Altmünster area in Austria.

ACREM

ACREM (Albanian Commercial & Real Estate Management) is the Albanian leading company in the real estate management. From the establishment in 2005, ACREM determined the highest standards and implemented the best practices in the real estate management. The company currently manages two shopping centres in Albania (TEG, QTU), residential buildings (apartments, villas) and offices. Consistently providing expertise and customized techniques, ACREM's management concept focuses on delivering professionalism, integrity, accountability and quality service, that guarantees maximum return on the investment by keeping the property at the highest standards. With a large network of professionals, ACREM provides a broad range of services to enhance the management of the property assets.

TEG - TIRANA EAST GATE

TEG is the largest shopping centre in Albania, with its grand opening in 2011. With 150 stores and 2000 parking lots, TEG is an attractive destination for customers from Tirana, Elbasan, and Kosovo as well. Settled in building surface of more than 95,700 m², this shopping centre represents a whole lifestyle journey. It is designed to be differentiated for the diversity of services and products, the introduction of exclusive brands, entertainment areas, restaurants, coffee shops and maximum comfort for customers.

TEG is the host of many well-known international brands such as Inditex Group with premium brands (Zara, Massimo Dutti, Bershka, Pull & Bear and Stradivarius), Cineplexx, SPAR, KFC, Adidas, 1A Classe, JYSK, Levis's, Original Marines, Swarovski etc.

GROUP COMPANIES

QTU - UNIVERS SHOPPING CENTER

QTU is the spanking first shopping center in the history of Albania and its opening set off a major turning point in the retail system of the country, by revolutionizing the way Albanians used to shop. BALFIN Group completed the construction of Univers Shopping Centre in 2005. During 2018, the shopping center was renovated and expanded, with an additional investment of EUR 11 million, with a completely new modern interior design, new brands and new services, including Cineplexx cinema and the children`s playground area. Additionally, QTU provides new gastronomy concepts indoors and outdoors with a spectacular terrace. The total GLA Area is 27,150 m².

TIRANA LOGISTIC PARK

Tirana Logistic Park is a high-end quality logistic and industrial park in Albania. Companies have the possibility to get various logistic services inside it, such as: storage, intra-logistics, inventory management, order management, local distribution, freight forwarding and value-added services (packing, pre-packing, processing, labelling, kitting).

Tirana Logistic Park is quickly becoming a hub, which connects businesses throughout Albania and those of the region, especially from Kosovo and Macedonia. By allocating their business activities into Tirana Logistic Park premises, businesses reduce their operational costs and improve their customer service levels.

SKOPJE EAST GATE

Skopje East Gate is an investment of about EUR 250 million. The company is developing the first mixed-used real-estate development project, estimated to be the largest private investment of this type in North Macedonia. SEG is planned to be located on a space-area of 143,000 m², in which will be developed around 458,000 m² of construction.

Situated just two kilometres from the city centre and close to main road arteries, the project includes a shopping mall, residential housing segment as well as a high-class office park. This investment is expected to bring a further impulse to the ongoing economic activity in Skopje, creating thousands of new jobs and opportunities.

BANKING

Since 2019, BALFIN Group is the majority shareholder of "Tirana Bank", operating as an independent bank, managed by experienced professionals. Led by an international board, "Tirana Bank" will continue to expand its activity in Albania.

TIRANA BANK

Tirana Bank is founded in 1996 and is the first private bank in Albania. Nowadays is a consolidated bank in the market, offering a wide range of products and services that respond properly to the customers' demands. Tirana Bank continues to grow and expand, but rigorously retains its philosophy of providing quality services and to be the frontrunner in providing new banking products in Albania.

"Tirana Bank" has 35 branches in most of the major cities, industrial zones and border crossings, and has a large network of ATMs throughout Albania. The high professional standard of its customer service enables clients to find solutions for every requirement or financial need.

"Tirana Bank" became part of BALFIN Group in February 2019, after acquiring all shares at that time from "Piraeus Bank" in Greece, in partnership with 'Komercijalna Banka' from North Macedonia.

GROUP COMPANIES

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SERVICES

Balfin Group activities in include a wide range, varying from immovable properties management to the giant spaces for the development of entrepreneurial activities. The services provided by "Balfin Group" include full professional systems, that provide easy access for the individual consumers, as well as the companies.

MILSPED ALBANIA

Milsped Albania is a joint venture company of BALFIN Group and Milsped Group, an international company with head-offices in Serbia, Croatia, Albania, Montenegro, Slovenia and Bosnia Herzegovina. The company provides its services in warehousing, distribution, customs agency, customs warehouses, organization of international road transport, air, ship and rail transport.

STELLA MARE

Stella Mare is a joint venture of Milsped and BALFIN Group. The establishment of this new company proceeds through the successful cooperation in the field of logistics and transport between the two companies. Stella Mare is the representative of Maersk Line and Seago Line, two of the largest groups of shipping containers in the world, providing to Albanian, Kosovo and Macedonian clients, container transportation from almost any place in Europe and the rest of the world. Stella Mare will continue the expansion of Maersk and Seago Line presence in the region. Stella Mare operates through weekly service in the Port of Durrës. Maersk provides the fastest service in Albania for refrigerated shipping containers from South America, as well as customized ports' services from all Asian and European ports to Albania.

ELEKTRO-SERVIS NETWORK

Elektro-Servis is the largest service provider of its kind in Albania (est. in 2008) and in the region of Kosovo (est. in 2014) and North Macedonia (est. in 2013), providing the best after sale repairs and services of electronic products. It is entitled to exclusivity rights from the most renowned brands of the world (such as Samsung, LG, Philips, Huawei, etc.) to offer such services.

ENERGY

"BALFIN Group" activities in the energy sector include trade and supply of energy to the eligible customers, as well as supporting the requirements for electricity demands within group companies.

ALBANIAN ENERGY SUPPLIER

Albania Energy Supplier (AES) is licensed from the Albanian Energy Regulatory Entity for trade and supply of energy to the eligible customers starting from March 2015. The total investment of the new substation in Elbasan is EUR 2.8 million. The energy trading company currently supplies the needs for electricity within the group companies, as well as other customers. Potential future expansion in the energy trading is foreseen for commercial centres, such as: TEG and QTU, Tirana Logistic Park, etc.

EDUCATION

TIRANA BUSINESS UNIVERSITY

Tirana Business University is a university dedicated to Business Administration and Business Law in Albania, which fulfills the demand that business and economy have today for professionals graduated in business administration or business law, equipped with contemporary knowledge and background best practical skills to respond the new emerging conditions of the highly competitive global market. It started its activity in 2010 and since then has grown to be a highly reputed university in the country. This university has been established according to the most advanced and successful models and practices of academic, education, and teaching values of the best European Universities.

GROUP COMPANIES

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The list of "BALFIN Group" consolidated companies is enlisted below:

No.	Name	Country of incorporation	Equity Interest 2019 (in %)
Retail			
1	**Neptun shpk**	Albania	90%
2	**Neptun Kosova**	Kosovo	60%
3	**Neptun Makedonija DOO**	North Macedonia	60% (indirekte)
4	**Nep Loyalty**	North Macedonia	60% (indirekte)
5	**Kid Zone Shpk**	Albania	90%
6	**Kid Zone Kosova Shpk**	Kosovo	55%
7	**Kid Zone d.o.o**	Bosnia & Hercegovina	90%
8	**Kid Zone d.o.o**	Montenegro	90%
9	**Spar Albania Shpk**	Albania	100%
10	**Fashion Group Albania Shpk**	Albania	100%
11	**Nettrade Shpk**	Albania	90%
Mining and Smelting			
12	**Albchrome Shpk**	Albania	100% (indirekte)
13	**BFI Trade Shpk**	Albania	100%
14	**NewCo Ferronikel**	Kosovo	93.5% (indirekte)
15	**Vllahen Mining**	Albania	50% (indirekte)
Banking			
16	**Tirana Bank Sha**	Albania	90%
Real Estate			
17	**Mane TCI Shpk**	Albania	100%
18	**Green Coast Shpk**	Albania	100%
19	**Green Coast 2 Shpk**	Albania	100%
20	**Green Coast Hotel**	Albania	100% (indirekte)
21	**SERE**	Albania	100% (indirekte)
22	**QTU Shpk**	Albania	100%
23	**Tirana East Gate Shpk**	Albania	88%
24	**Tirana Logistic Park Shpk**	Albania	100%
25	**Alcred Shpk**	Albania	100%
26	**Balfin Real Estate**	Albania	100%
27	**Skopje East Gate SEG DOO**	North Macedonia	60% (indirekte)
28	**East Gate Living**	North Macedonia	60% (indirekte)
29	**East Gate Mall**	North Macedonia	60% (indirekte)
30	**SACCTA**	North Macedonia	65% (indirekte)
31	**TH&B Immo Gmbh**	Austria	67% (indirekte)
Services			
32	**ACREM Shpk**	Albania	100%
33	**Elektro Service Shpk**	Albania	90%
34	**Elektro Service Kosova**	Kosovo	60% (indirekte)
35	**Service Makedonija DOO**	North Macedonia	60% (indirekte)
36	**Milsped Albania Shpk**	Albania	50%
37	**Stella Mare Shpk**	Albania	50%
Energy			
38	**Albania Energy Supplier Shpk**	Albania	100%
Education			
39	**Tirana Busines University Shpk**	Albania	30%
Other			
40	**Balfin Shpk**	Albania	100%
41	**ITD Shpk**	Albania	49%

The list excludes companies created for special purposes, such as holding entities or special purpose vehicles yet to be developed. These entities do not contribute to the overall consolidated performance of Balfin Group. The comprehensive list is presented in the published consolidated financial reports for the year 2019.

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KEY FINANCIAL **INDICATORS**

BALFIN Group operates in mining, real estate, energy, retail, banking, services and other sectors across 8 countries, progressing in business areas it operates in while ensuring sustainable growth.

	2019	2018*	2017
Consolidated Income Statement	**EUR '000**	**EUR '000**	**EUR '000**
Total revenue	480,178	397,737	315,815
Operating profit	25,780	39,713	45,466
EBITDA	84,002	143,193	46,832
Profit for the year	52,095	120,716	37,079
Profit attributable to Shareholder	**47,637**	**108,575**	**33,715**

	31.12.2019	31.12.2018	31.12.2017
Consolidated balance sheet	**EUR'000**	**EUR'000**	**EUR '000**
Total assets	1,276,256	654,854	373,654
Total liabilities	(901,233)	(317,350)	(174,001)
Total equity	(375,023)	(337,506)	(199,653)
Equity attributable to the parent	(337,939)	(315,310)	(186,487)

* Reclassified

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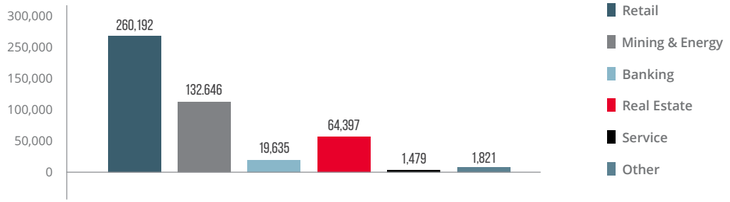
REVENUE PER INDUSTRY AND LOCATION

2019 Consolidated Revenue in '000EUR



There is an increase by 21% in total revenues, reaching EUR 480 million, thus reflecting the stable growth of BALFIN Group through the contribution of all Group's industries. All sectors saw positive revenue growth. The largest contribution came from Retail (approx. 54% of total growth amount), with consumer electronics in first place, followed by the Mining and Smelting Industry, which generates a 28% of the total revenues (2018: 28%).

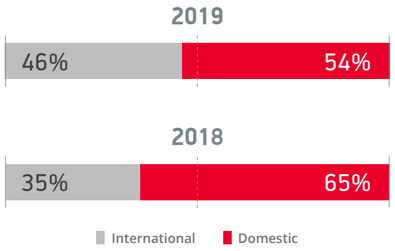
Retail revenue growth accelerated to 13% for 2019, which is supported by expansion both in new and existing markets and the sweeping increase of Neptun International sales. Despite the two earthquakes hitting Albania, Neptun International contributed in an increase of approx. EUR 10 million, 7% increase from year 2018. In Mining and Smelting, year-on-year revenue growth was driven by a strong performance in NewCo Ferronickel sales. BALFIN Group acquired NewCo Ferronickel on July 2018, who resumed production and revived the financial performance. The boost of NewCo Ferronickel's sales offset the decline of Albchrome sales. The acquisition of Tirana Bank provided a new addition in revenues for the year. The change in the Bank's shareholding structure was accompanied by a performance increase of key financial indicators and its development strategy. Real estate reached 22% increase in 2019 in terms of revenue, which was supported by new investments in real estate. Major investments that contributed to the revenue growth are sales of units in Green Coast Resort, Park Gate project and Austrian residences (TH&B Immo).

Increase in Revenues 2019/2018 (in %)

By Industry:	In EUR (%)[1]	In ALL (%)	In thousand EUR
Retail	**13%**	**9%**	**29,025**
Mining	18%	14%	20,377
Real Estate	22%	18%	11,611
Banking	100%	100%	19,635
Services	82%	75%	666
Other	**159%**	**150%**	**1,189**

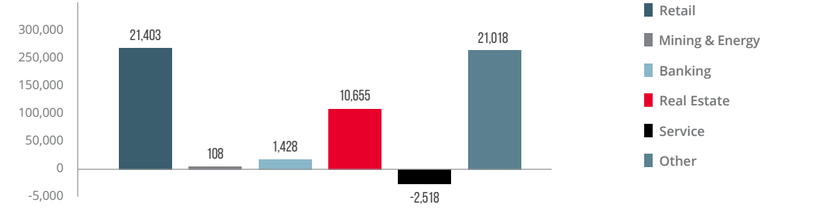
[1] In EUR (%) represents the increase in revenue 2019/2018 including the differences arising from the exchange rates used for translation of revenue from consolidated financial statements.

Revenue



NET PROFIT PER INDUSTRY

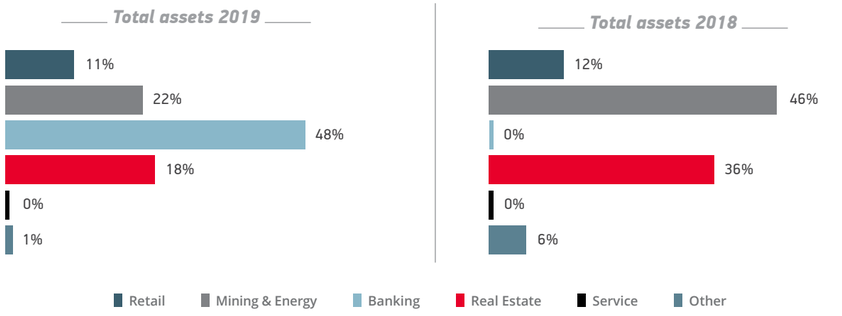
2019 Consolidated Net Profit in '000 EUR



With a consolidated net profit, reaching EUR 52.1 million in 2019, BALFIN Group intends to reinvest constant financial returns for the next few years, in order to increase further portfolio diversification and expansion in international markets.

Net profit decreased by 57%, which was partly impacted by the poor performance of mining and smelting sector in 2019, as a result of decline in demand and reduction in prices, and partly by gain on bargain purchase of NKL Limited in 2018. The acquisition of NewCo Ferronikeli through NKL Limited resulted in a gain in a bargain purchase of more than Eur 95 million.

ASSETS PER INDUSTRY



The assets of BALFIN Group grew by 95% reaching the sum of 1.3 billion euros, thus reflecting a further expansion of the Group. The main inputs of the total assets come from the acquisition of "Tirana Bank" in February 2019 and from investments in capital expenditures in several industries.

Total capital expenditures incurred in 2019 are more than EUR 107 million (VAT including), where the main investments are as follows:

- The finalization of USD 27.3 million investments in "Alb Chrome", consisting in the opening of No 9 Shaft, investment in Traverbank and investment in lifting machinery in shaft no 3. These investments are of considerable importance for "BALFIN Group", as they significantly increase the production capacity of the mine and reduce production costs. Additional investment in 2019 amounts to EUR 9 million.
- The investment made for the ongoing construction of "Skopje East Gate", as the largest real estate project in North Macedonia. The Group is currently in the first phase of construction, while the additional investments in 2019 amounted to EUR 45 million.
- The investment of EUR 13 million (VAT including) made for the expansion of "QTU" shopping centre, by an additional area of 14,000 m2.
- Additional investments of approximately EUR 19 million for the construction of the "Green Coast Resort" located in Palasa.
- The expansion of retail network of 10,200 square meters in Albania, Montenegro and Bosnia - Herzegovina.
- Investments made for "Rolling Hills" complex's expansion, of the amount of EUR 1.8 million.

NEW ACQUISITIONS 2019

"Tirana Bank" - In 2018, "BALFIN Group" and "Komercijalna Banka" signed an agreement for the purchase of "Tirana Bank" shares, where the transfer of control was subject to the approval of the competent authorities. This transfer was completed by the end of February 2019, with legal effect from 1 March 2019. The Group currently holds 100% of the shares with voting rights.

Hippo stores - SPAR Albania signed an agreement to purchase 8 stores from the Hippo group in the form of an asset acquisition during the year 2019. The transfer agreement included all the properties, plant and equipment on-site, including the inventory as of the acquisition date, employee contracts and some supplier contracts as the store site lease.

Incorporated Companies during 2019

"East Gate Mall" – Being located just 1.5 km from Skopje's city centre, East Gate Shopping Centre is a newly established company however, very well known as the largest real estate project in North Macedonia.

"East Gate Living" – This new company founded in North Macedonia consists of 10 residential buildings in the capital of North Macedonia, Skopje.

"Kid Zone MNE" – Kid Zone's retail network currently operates successfully in Albania, Kosovo and Bosnia and Herzegovina. During 2019 we have expanded the map with another country, that of Podgorica, Montenegro.

Liquidations and Sales during 2019

Nettrade – In June 2018, the Group acquired 90% of the voting shares of the company NetTrade Albania (recognized on the market as "Dyqan Taxi") in order to expand its online sales presence in the retail sector. However, by the end of 2019, the Group enters into an agreement for the sale of Nettrade Albania, a transaction finalized by February 2020.

"AgroCon Albania" has been part of the Group since 2016, operating in the field of agriculture with the largest greenhouse located in Kruje and Lushnje (Albania). In December 2019, the company signed an agreement for the sale of 100% of the company's shares.

The above sales were driven by the Group strategy to divest from less performing investment in its investment portfolio and focus on expansion into more lucrative markets and projects.

KEY FINANCIAL INDICATORS

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INDUSTRY **PERFORMANCE** OVERVIEW

The performance overview of operating industries.

RETAIL

Total Commercial Area:	103,300 m², out of which 10,200 m² added during 2019
No. of stores:	152
Employees:	2,748

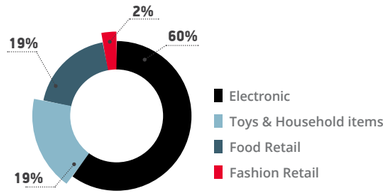
BALFIN Group is present in five countries: Albania, Kosovo, North Macedonia, Bosnia and Herzegovina and Montenegro, with its 152 stores, 67% of which are located in Albania. Approximately 50,000 customers per day visit its stores.

The total consolidated assets up to 31 December 2020 amount to EUR 134 million, approximately 68% more than the previous year (2018: EUR 80 million). The adoption of IFRS 16 and the opening of new stores in the same year remain, however, as the main contributors for the increase in 2019.

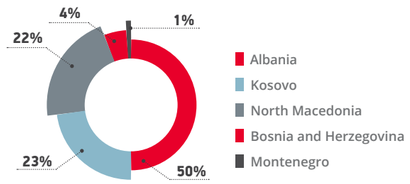
Consolidated revenues of the retail sector increased by 13%, compared to the previous year, equal to EUR 260 million (2018: EUR 231 million). "Neptun Network" stands as the main contributor, generating 60% of total retail sales, followed by Food Retail (Spar) and "Kid Zone Network" (respectively with 19% each) and the "Fashion Group".

As by location, the retail sales are divided 50-50, domestic and international market.

Retail sales



Sales by lacoation



Neptun Network

"Neptun" is present in three countries: Albania, Kosovo and North Macedonia, being a leader in their electronic and electrical markets. "Neptun Network" has a sweeping increase of 7% compared to the previous year; despite it was strongly affected by two consecutive earthquakes of September and November 2019 that hit Albania which caused the company with a reduction in net profit of EUR 400 thousand (or a lack of EUR 2.5 million revenue).

Nonetheless, "Neptun" owns the largest number of stores, in each participating market with more than 32,800 m² of retail chain stores, divided into 64 stores, depending on the complexity and number of citizens of the city, in which it is present.

	Consolidated Revenue 2019	Consolidated Revenue 2018	Deviance in %
Neptun Albania	EUR 54.8 million	EUR 53.9 million	+2%
Neptun North Macedonia	EUR 56.2 million	EUR 52.9 million	+6%
Neptun Kosovo	EUR 44.2 million	EUR 38.5 million	+15%
Total	**EUR 155.2 million**	**EUR 145.3 million**	**+7%**

Key figures

- Consolidated sales: EUR 155 million; 7% increase from Year 2018;
- 15,000 products;
- 32,800 m² commercial area;
- 63 stores (26 in Albania; 25 in North Macedonia; 12 in Kosovo).

Kid Zone Network

Kid Zone Network is present in four countries: Albania, Kosovo, Bosnia and Herzegovina and Montenegro with 17 stores, out of which 5 stores are in Albania.

"Kid Zone" differs from other sellers on the market, for the variety of products of different categories, where "Jumbo" stores stand out, including products for the whole family. The wide range of products (about 40 thousand), and their quality and low prices, make Kid Zone the main market leader in the children's toys category.

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The main investments in this sector during 2019, amount to EUR 2 million (VAT including) and are as follows:

- Jumbo opens the first store in Montenegro, managed by the Kid Zone Company, extending its presence in the fourth state in the Balkans;
- The opening of two new stores in Bosnia and Herzegovina, respectively in the city of Cazin and Bijeljina.

	Consolidated Revenue 2019	Consolidated Revenue 2018	Deviance in %
Kid Zone Albania	EUR 18.7 million	EUR 16.3 million	+15%
Kid Zone Kosovo	EUR 16.1 million	EUR 14.1 million	+14%
Kid Zone Bosnia	EUR 11.8 million	EUR 8.3 million	+43%
Kid Zone Montenegro	EUR 2.5 million	-	-
Total	**EUR 49.1 million**	**EUR 38.7 million**	**+27%**

Key figures

- Consolidated Sales: EUR 49 million; 27% increase from Year 2018;
- Number of visitors increased by 24% compared to 2018;
- 48,700 m² commercial area;
- 17 stores.

Food Retail

As supermarket chains are expanding and gaining market share from small grocery stores, the retail sector in Albania is being reshaped. Statistical data showed that, the number of food retail companies decreased by 2.5% compared to 2018 and this is mainly, due to the small entities exiting the market.

SPAR Albania's multi-format strategy includes hypermarkets, supermarkets, neighbourhood stores and convenience stores. Overall, the four retail formats provide the flexibility to meet the collective needs of more than 10 million customers, that "SPAR" welcomed into its stores during 2019. Currently, it has been a successful year for Spar which has seen a 22% increase in consolidated revenues and an expansion of its business. The main investment in 2019 was the purchase of the Hippo supermarket chain, located in key points of the capital. Through this purchase, the BALFIN Group expands its presence and activity in every district of Tirana, both in urban areas and in the suburbs.

In just 3 years of its operation activity, SPAR has conquered a considerable market share, being the second largest supermarket network in the country, SPAR intends to become rapidly the largest market in Albania.

Key figures

- Consolidated Sales: EUR 49 million; 22% increase from year 2018;
- EBITDA: EUR 2 million; 28% increase from year 2018;
- 26,000 m² commercial area (excluding franchises);
- 53 stores, out of which 26 are franchises

Fashion Retail

"Fashion Group Albania" (FGA) incorporated 15 years ago, constitutes the fashion retail sector. During 2019, FGA maintained stable sales and increased profit by 96% with a positive impact on the Group's profit. The positive performance is due to an improved gross profit margin, which was 39% in 2019 compared to 37% in 2018, and good management of operating expenses.

FGA is among the few companies in Albania to support the cause of "Down syndrome" and to employ people from this community.

Key figures

- Consolidated sales: EUR 7 million; approximately same as the year 2018;
- 9 international brands;
- 18 stores
- 9 international awards;

Happy Card

The Happy Loyalty Program was launched in August 2019, marking an absolute innovation in the Albanian market, as the only multi-brand loyalty program, that offers multiple benefits to its loyal members. With the main aim of rewarding customers, "BALFIN Group" has managed to bring innovation, by gathering four leading companies under the same loyalty program. Dedicated to the customer service staff, market participation of companies, personalized campaigns, special offers, high rewards, access to direct discounts, fast accumulation of points and multiple benefits, this makes "Happy" program one of the strongest competitive advantages in the market, with a high development potential, but never changing the fact that the customer is the conventional priority.

MINING AND SMELTING

Production:	80,000 ton - Chrome 49,100 ton - Ferrochrome 5,940-ton Ferronickel
Employees:	1,883

Industry Overview

The market price of ferrochrome and ferronickel had an unstable trend all over the world. It was an unfavourable year for the mining and smelting sector influenced by the trade crisis between the United States and China, since mid-2018. A strong US dollar pushed up the prices of metals in foreign currency, thus creating a negative impact on the prices of metals. The United States and China focused on alternative markets during this period; commodities produced in China were sold on the Asian and African markets, while the U.S. commodities were sold on the European market. Furthermore, the consolidation and withdrawal from the market of several South African producers in 2016 created a production deficit, caused the rapid increase in prices for the next two years, and at the same time stimulated the increase in production.

Until December 2019, the total consolidated revenues of the mining and smelting sector amounted to 133 million euros (compared to 2018: 112 million euros). The annual increase in revenues is entirely due to the increase in sales of NewCo Ferronikel during 2019, compared to 2018 during which the company remained inactive for 7 months. In July 2018, BALFIN Shpk acquires NewCo Ferronikel to relaunch its financial conditions and resume production.

Two main contributors in terms of revenue are AlbChrome and NewCo Ferronikeli, which represent 99% of the total revenue of this sector.

NewCo Ferronikel Complex

NFC is consistently the largest exporter to Kosovo, accounting for around 35-40% of total exports. The goal is to extend the life of local mines, from a period of 5-10 years to 20 years, by supplying its raw materials from all over the world, mainly from Albania and other countries.

Despite the global recession of this sector, NewCo Ferronikel has invested EUR 3 million during this year to improve the production facilities and protect the environment.

In 2020, the company launched an investment program of EUR 20 million to be implemented over two years, to significantly reduce production costs and increase production capacity at the plant. Among the most important investment projects is the renovation of the Electric Furnace #2, Electrical ladle heating, Ore Drying Project and Rotary Kiln upgrade.

Key Data

	2019	2018
	Tons	Tons
Production of Nickel	5,940	3,522
Sales of Nickel	5,874	3,496
Total Wet Ore consumed	759,176	455,191
% of own domestic ore	63%	68%
% of foreign ore	37%	32%

As of December 31, 2019, total revenues increased by 96% mainly due to the increase in sales volume compared to 2018 as well as the increase in the selling price of nickel on the market. In 2018 Ferronikel had stopped production and sales until July 2018 when it was acquired by BALFIN Group, who resumed the production in September 2018.

Furthermore, the demand for nickel took off incredibly on the market in 2019. The main importing countries in 2019 were India, Finland and Italy.

During 2019, the company experienced a low production cost per ton of nickel, due to the low cost of electricity and other consumables. In addition, the larger units due to the continuous operating months in 2019 absorbed fixed costs. The Company achieved a positive EBITDA of EUR 455 thousand in 2019 as opposed to a negative one of EUR 16 million in 2018. The overall positive effect of EBITDA was attributed to higher production volumes, higher sales volumes, better prices sales and lower production costs compared to 2018.

Key Figures:

- Production cost reduced by 20% compared to 2018.
- Nickel production increased by 69% in 2019.

AlbChrome

AlbChrome currently produces around 80,000 tons of chromium ore in one year and expects production to increase to 146,000 tons per year by 2025. Bulqiza contains the largest reserves of the highest quality chromium ore in Albania (39 - 52%). The Albanian Geology Service confirms that the total extractable reserves amount to 1.35 million tons in the Bulqiza mine and 0.76 million tons in the Qafe Buall mine.

The poor performance of the chromium industry in 2019 is the result of the decline in demand for ferrochrome and the reduction in prices that began in mid-2018, reaching the lowest prices in the last 6 years. As a result, AlbChrome decided to reduce its production activity by 50% in the second half of 2019. The reduction in productivity to 49,100 tons of Ferrochrome was followed by a further reduction in sales volume reaching the level of 55,600 tons.

Key Data

	2019	2018
	Tons	Tons
Production of Chrome Ore	80,800	83,600
Sales of Ferrochrome	55,600	60,700
Production of Ferrochrome	49,100	69,000
Total chrome ore consumed	135,700	195,399
% of Bulqiza Ore	59%	42%
% of Third Parties Ore	41%	58%

Rounded to nearest tens

Albchrome continued to invest further in 2019, and the major investments include:

Finalization of USD 5.2 million investment in Klos's Traverbank.

The state-owned mining construction company constructed TraverBank originally since 1985 by excavating a 5.4 km designed to connect the Bulqiza mine on its fifth level with the sorting plant in Klos. The work was stopped for 17 years due to lack of funds from investors until 2013, when BALFIN group took over the management of the mine and Traverbank as well.

The project scope consists of rehabilitating No 3 shaft by actualizing its activity and increasing the safety of the shaft's operations. In order to give longevity of the mine an investment of US $ 1.6 million was completed in 2019 for a new lifting machine.

Finalization of USD 20.5 million investment for the opening of Shaft No 9 in Bulqiza, including all modern technical and technological installations, investing up to USD 27.3 million.

The launching of No. 9 Shaft is one of the most important investments that will significantly increase the mine's productivity and reduce production costs and extend the life of the mine by at least 20 years. This investment will continue over the next few years until full utilization of mineral reserves at Level 23 is reached. The total amount of this investment is expected to reach USD 30.9 million by the end of 2024. During 2019, the well-known American company Predictive Safety, based at the Colorado Centennial in the United States, conducted an inspection of the chromium mine in Bulqiza, certifying the safety conditions of the AlbChrome mine workplace.

Key Figures:

- Total extractable reserves in Bulqiza and Qafe Buall Mine: 2.11 million tons;
- Average production cost of chromium ore reduced by 10% compared to 2018.

INDUSTRY PERFORMANCE OVERVIEW

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BANKING

Branches:	35
Employees:	450

Industry Overview

The year 2019 confirmed the stability of the Albanian banking system. All structural changes that began in 2018 were successfully completed in 2019, leading to the targeted consolidation of the banking system. The activity of the sector increased in terms of assets' volume by 2.32% and deposits' volume by 2.38% compared to 2018. Meanwhile, the quality of the loan portfolio was improved by 3% during 2019. This improvement is attributed to the action plan, taken by most banks to adjust the non-performing loan portfolio. This plan consists of loan repaying by clients, restructuring, executing the collateral, or forgiving the penalties. Aside from this, the action plan has also included the sale of non-performing loan portfolios.

On 28 February 2019, "Tirana Bank" became part of "BALFIN Group" and adopted a new development strategy, aiming to expand presence in the local market, by also exploiting commercial synergies at group level. The acquisition by "BALFIN Group" marked a return of the Bank's growth trend and positive performance of all indicators, in line with the clear vision and orientations of new shareholders to expand the Bank's activity.

In terms of new disbursements and portfolio maintenance, 2019 has been the most successful year for "Tirana Bank" in the last 5 years. Total new disbursements for SME-s in 2019 were nearly tripled compared to 2018, reaching the value of EUR 16 million (2018: EUR 6 million). The focus in this sector was on new financings in specific sectors, with potential growth, such as: tourism, trade, agro-tourism, production, etc. Despite the fact, in corporate sector new disbursements reached the highest value in the last years by EUR 94 million. Generally, the lending process during 2019 has been dynamical achieving the annual target, intended for increasing the performance portfolio by 114%. "Tirana Bank" has had a substantial loan portfolio growth, at the level of 50% on y/y basis, by extending businesses and individuals loans and by making use of the excess liquidity of the Bank.

In terms of deposits, the performance of the portfolio for the year 2019 has been in line with the bank's strategy, maintaining a high level of liquidity and realizing the annual target, by increasing balances to 106%. Clients' deposits have increased by 11% on y/y, reconfirming to customers trust in the Bank and its good reputation in the market. "Tirana Bank" has continued to develop strategies to increase cross selling to customers. Key focus of "Tirana Bank" is to boost customer satisfaction, by offering a full range of banking products and services, with swift and speedy processes and preferential terms.

2019 was characterized by a low level of interest-based on the accommodative monetary policy, pursued by the Central Bank. As regards, "Tirana Bank" has actively contributed to deposit balances management, aiming not merely solidity and stability, but also an increase in funds with a reasonably low cost. Treasury activities have given a considerable positive impact on the Bank's profit for 2019.

Key figures

- Consolidated Revenue in 2019: EUR 20 million;
- Consolidated Total Assets: EUR 614 million;
- Net loans: EUR 256 million;
- Total Deposits: EUR 520 million;
- Loan/ Deposit Ratio: 52.15%;
- Cost/ Revenue Ratio: 71.32%.

REAL ESTATE

Investments in 2019:	EUR 86 million (VAT including)
Employees:	212

Industry Overview

In 2019, the GDP of the Albanian construction sector contracted slightly for the first time since 2014, the period when its growth cycle began. The construction weight on GDP fell to 8.7%. With the exception of the first quarter, the construction contribution had a negative impact on economic growth, which culminated in the last quarter of 2019. This performance was mainly related to the slowdown in TAP's business activity and the devastating earthquake of 26 November.

Although growth rates have slowed compared to 2017 (the peak year for most companies), enterprises focused on the residential sector performed well in 2019. Total consolidated revenues as of 31 December 2019 in the real estate sector were € 64 million (2018: € 53 million). Over the previous year is noted an increase of 22%, where the main companies that contributed to this increase are SERE, Green Coast and TH&B Immo.

The larger contributors in terms of revenue are "Mane TCI" (with 25% of total consolidated revenue), "SERE" (24%) and "Green Coast" (20%). These companies contribute with 70% of revenue in this sector (2018: "Mane TCI" (58%) and "RFZ Building Project" (21%)).

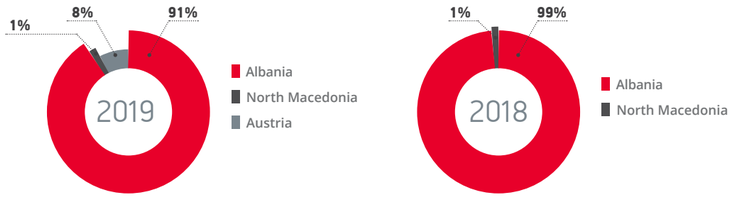
However, the real estate sector is heavily reliant on the sales of units sold under IFRS 15- the new revenue standard, that affects how real estate companies enter into contracts with clients- the construction revenues have large fluctuations in activities depending on the engineering projects involved, or on the sale cycle of real estate. Companies on the international market, such as EGM and SEG, are still under construction; the generation of revenues is foreseen after 2 years for the shopping centre and after 5-7 years for the residences and offices.

A performance of revenue by location, is as follows:

Key Figures:

- Total consolidated assets: EUR 234 million;
- More than 1 million m² building area (completed and in process).

Real estate revenue by location



Mane TCI

Mane TCI is a leader in real estate industry in Albania. Since its foundation, Mane TCI has brought another concept in civil and industrial construction that improves a company's living standards. The main projects carried out / supervised by Mane TCI are Univers Shopping Center (QTU), Tirana East Gate (TEG), Rolling Hills Luxury Residences, Green Coast Resort and Residences, considered innovative projects in the construction sector as well as on the impact in the style of life.

Sales in 2019 decreased from the previous year. The reason for this trend is that "Mane TCI" completed several projects during 2018. Additionally, this movement affected the net profit, which was 1.11% lower. The ongoing projects that are being developed by "Mane TCI" are "Vala Mar Residences" and "Green Coast Resort and Residences".

Key Figures:

- Total investment amount for projects invested and developed by Mane TCI: EUR 292 million, with total area of 435,306 m²;
- Construction area in 2019: 161,563 m², out of which 30% are already concluded projects.

SERE

SERE was implemented for the construction and sale of the "Park Gate" object. "Park Gate" is a unique architectural style building, which has a combined structure of 7 and 13 floors and integrates ecological terraces. The building is designed according to the European Eurocode 8 standards and is distinguished by its high-quality sound insulation, advanced thermal insulation, emergency generator, attractive finishes and an outstanding 3-color facade.

Construction of the building was completed in 2019, a period in which recognition of sales also begins.

Key Figures:

- Total investment value: EUR 11 million;
- Total area: 18,322 m²;
- Consolidated revenue in 2019: EUR 15 million.

Green Coast

Green Coast is a mega tourism investment in the Mediterranean that aims to place the Palasa region on the world tourism map. Green Coast expects to have an impact on the country's economic growth, as it has been defined as one of the most essential investments in Albanian tourism with a total value of 100 million euros. As a notable contribution to the country's tourism industry, Green Coast was recognized as a "*Strategic Investor with Special Procedure*" in July 2016.

Key Figures:

- Construction area: 100,246 m² excluding lungomare
- Sold Units in 2019: 144 or EUR 36 million

TEG and QTU Shopping Centres

Both malls recorded a 31% increase in revenue during the year 2019. The increase in revenue comes mainly from the QTU shopping centre, while TEG has had a fairly steady growth. At the beginning of 2019, QTU completed the investment for the expansion and renovation of the structure: an investment of approximately EUR 11 million and an additional area of 14,000 m².

	Consolidated Revenue 2019	Consolidated Revenue 2018	Deviance in %
TEG	EUR 7.4 million	EUR 7.1 million	+5%
QTU	EUR 4.2 million	EUR 1.8 million	+131%
Total	**EUR 11.6 million**	**EUR 8.9 million**	**+31%**

Key Figures:

TEG

- 95,700 m²
- 116 brands

QTU

- 47,000 m²
- 76 brands

Skopje East Gate

Skopje East Gate is an investment of about EUR 250 million, consisting of 10 blocks of residential complexes, 5 blocks for commercial purposes and a shopping centre with over 250 stores, with world-famous brands.

The construction work will be divided into three phases and the whole project is expected to be completed within a period, ranging from 5 (five) to 7 (seven) years.

The first phase provides the construction of the shopping centre and 4 residential buildings. The shopping centre will take 51,000 m². It will be the largest in the region between Macedonia, Kosovo and southern Serbia, and besides a large number of world-renowned brands, it will include a wide range of entertainment venues, fitness centres, as well as parking spaces for over 2,000 vehicles. The residential area will have 1,600 apartments, as well as parks, amusement areas, two amphitheatres, and a greenery space.

In the second phase, 6 other residential buildings will be completed.

While in the third and last phase, the construction of 5 blocks of buildings for business purposes will be realized in a total area of 67,000 m². It will be the first "Class A" park of offices in Macedonia.

Currently, the investment is in its first phase. Investments made during 2019 were EUR 45 million.

Key project figures:

EUR 250 million total investment

EG Mall

- 220 brands
- 5 floors
- 57,000 m² gross leasable area
- 115 million investment

EG Living

- 672 residential units
- 20 unique floorplans
- 25,000 m² green area
- 80 million investment

EG Business

- 5 Class-A Blocks
- 102,703 m² GBA
- 66,000 m² total leasable area
- 55 million investment

INDUSTRY PERFORMANCE OVERVIEW

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Balfin Real Estate & Hospitality

Twenty-nineteen was the second year of operation for BRE&H. One of the main achievements, was the performance improvement of the existing projects' portfolio. The biggest impact was "Green Coast" as the main project portfolio, that reached a turnover of EUR 15 million, or + 60% compared to 2018, with very good margins + 4% compared to 2018.

The main goal of BRE&H was to give a greater focus on the marketing and sale of various Group properties; therefore, most of its revenues are consolidated in the financial statements. Total unconsolidated revenues in 2019 amounts to EUR 857,000 (vs. 2018: EUR 721,000), while consolidated revenues to EUR 17,000 (2018: EUR 87,000).

In terms of sell-out, BRE&H achieved a turnover of EUR 24 million; commission income is increased by 18% compared to 2018.

During 2019, BRE&H sold 174 units for a total amount of 27 million euro and an increase of 77% compared to the previous year.

"BRE&H" has been selected by "Green Cost" as the manager and administrator of the resort properties, waterfront, lease program and all other related services, in addition to the marketing and sales that "BRE & H" already manages.

Key figures

- Realized sales in 2019: 174 units with total contract amount EUR 27 million;
- In terms of sold units is 106% higher compared with 2018 and in terms of contract value is 77% higher than 2018.

SERVICES

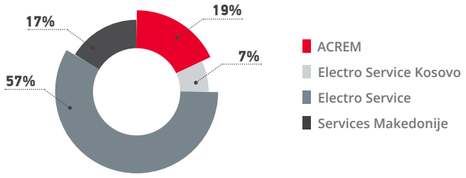
Employees: 356

Consolidated revenue from Service Sector is increased by 82% compared to the prior year, amounting to EUR 1.5 million (2018: EUR 0.8 million). The major contribution is from Electro service Network.

Key figures

- Total consolidated assets: EUR 2 million (2018: EUR 1 million)

Service industry by company



OTHER

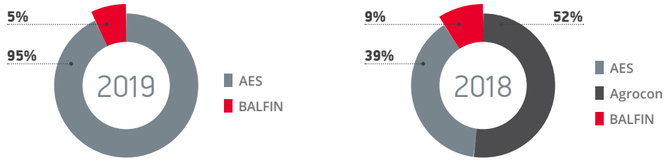
Employees: 154

The main contributor in terms of revenue is the Albanian Energy Supplier (AES). The annual growth of Other Sectors is reported by 150% over the previous year, equal to EUR 1.8 million (2018: EUR 0.7 million). The main contributor to this increase derives from AES.

Key figures

- Assets 2019: EUR 9 million
- Assets 2018: EUR 37 million

Other industry by company



TAX OVERVIEW

Paying tax into public finances is obviously part of how business contributes to society and as well is an aspect of economic dimension. Furthermore, the way companies contribute to the conception of prosperity and stability conveys the spirit of legality and transparency to all its employees.

Taxes provide essential public revenues for governments, to meet economic and social objectives. Other aspects of the economic dimension include creating jobs and employment and generating business for suppliers. It is simply about how the business adds value, now and in the future, for shareholders, but also for other stakeholders, including employees, customers, government and the wider community. A cornerstone in business is undoubtedly the transparency, accountability, and disclosure of a company's finances and this is no reason to be a taboo, nor secretive, as long as every business strictly adheres to all country laws, where it operates.

"BALFIN Group" as one of the most substantial and profitable investment groups in the Western Balkans region, is very rigorous in paying taxes appropriately, as one of the remarkable contributors in the state budget. The amount of taxes paid from "BALFIN Group" in 2019 was approximately EUR 59 million, out of this amount around EUR 12.8 million have been paid for payroll taxes and contributions.

This financial statement has taken into account such taxes as: Value Added Tax, Income Tax, Withholding Tax, Employer and Employee Social Security, Personal Income Tax, Local Tax, Advertising Tax, Customs Duties, Tax on infrastructure/ building permits, mining royalties, etc.

"BALFIN Group" takes into consideration and regularly pays these taxes in Albania or in any other country, where the Group operates.

Industry	%
Mining	17%
Retail	46%
Real Estate	19%
Services	4%
Other	6%
Banking	8%

National	**61%**
International	**39%**

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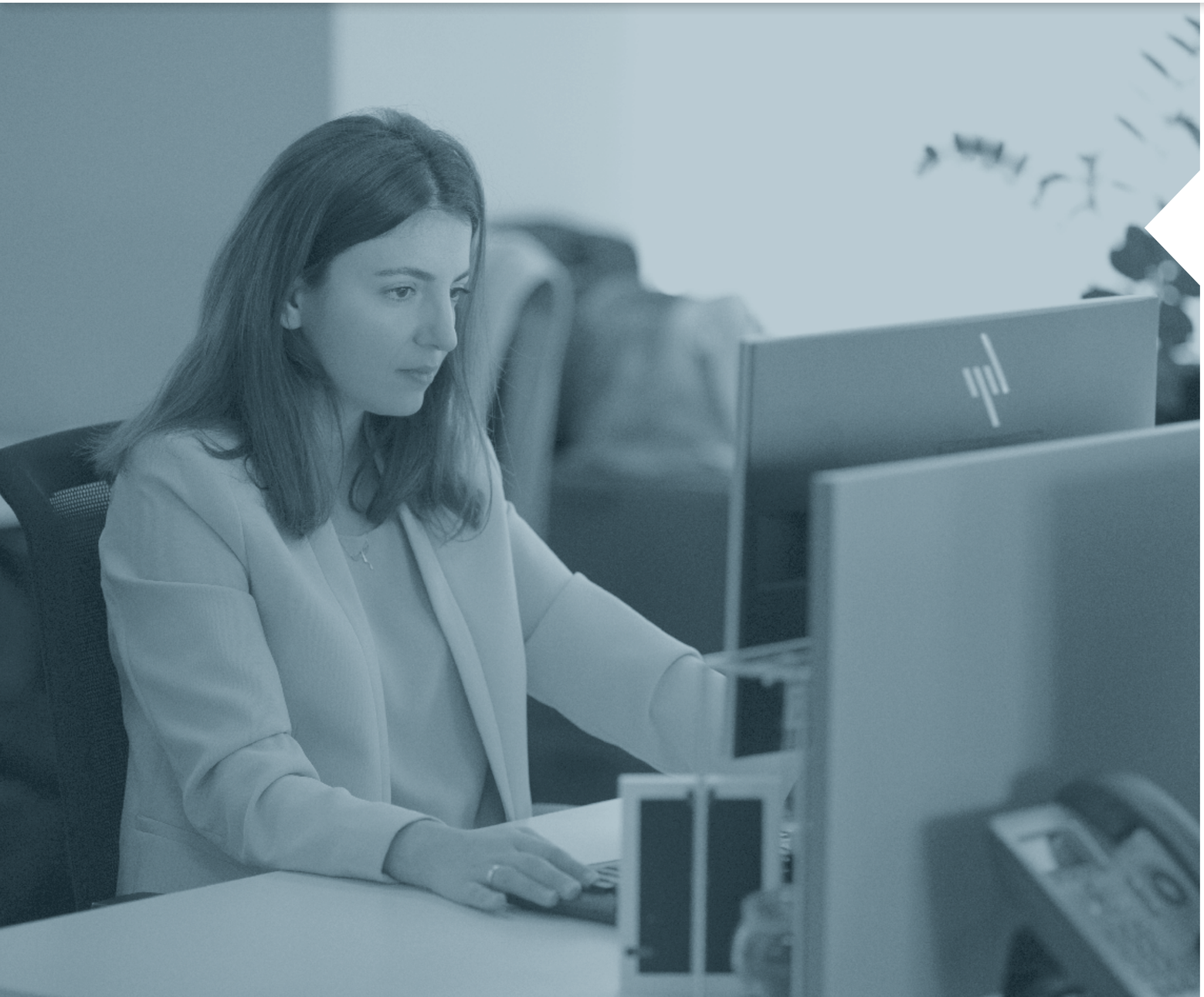

BALFIN GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

The consolidated financial statements are presented in Albanian Lek, which is also the functional currency.

INDEPENDENT **AUDITOR'S REPORT**

EY

Ernst & Young Certified Auditors
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Ibrahim Rugova Str, Sky Tower,6th floor
1001,Tirana,Albania

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Balfin sh.p.k.

Report on financial statements

Opinion

We have audited the consolidated financial statements of Balfin sh.p.k and its subsidiaries (the Balfin "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Other Matters

1. In our auditor's report dated January 27, 2020 on the Group's consolidated financial statements for the year 2018, our opinion on the 2018 consolidated financial statements was qualified in relation the cash flow statement and impairment of financial assets and related disclosures, which constituted limitations of scope of our audit. In 2019, as explained in Note 6, the cash flow statement for the year ended December 31, 2018 has been adjusted to correct elimination of intergroup transactions and additional disclosures in relation to financial instruments were provided in notes 36 and 48b, and the prior year figures have been restated.

2. The consolidated statement of financial position at December 31, 2017 is unaudited and we do not express any opinion on it.

Responsibilities of management for the consolidated financial statements

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

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

Management and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management and those charged with the governance of Balfin Shpk regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Information included in Balfin Group 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation of other information. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion regarding this information.

Regarding our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise, if they appear to contain material misstatements.

If, based on the work performed, we come to the conclusion that this information contains material misstatements, we are required to report on this matter to those charged with governance.

Ernst & Young - Ekspertë Kontabël të Autorizuar
Albanian Branch
Ernst & Young Certified Auditors
17 September 2020
Tirana, Albania

Mario Vangjel
Certified Auditor

EKSPERTE KONTABEL TE AUTORIZUAR · ERNST & YOUNG · NIPT: K61911012I · Tirane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ending December 31, 2019
(All amounts in '000 Lek, unless otherwise stated)

Balfin Group

Consolidated statement of profit or loss and other comprehensive income
for the year ending December 31, 2019
(All amounts in '000 Lek, unless otherwise stated)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from contracts with customers	55,840,392	49,714,665
Rental income	1,200,483	1,024,587
Cost of sales	(44,012,085)	(37,528,734)
Gross Profit from Non-Financial Operations	**13,028,790**	**13,210,518**
Interest income from banking activity	2,019,993	-
Interest expense from banking activity	(209,137)	-
Net interest income from Financial Operations	**1,810,856**	-
Gross profit	**14,839,646**	**13,210,518**
Other operating income	758,603	453,208
Selling and distribution expenses	(1,131,698)	(929,588)
Administrative expenses	(2,497,956)	(1,452,131)
Rent expenses	(50,687)	(641,350)
Employee expenses	(3,600,941)	(2,464,304)
Other operating expenses	(5,314,701)	(3,110,124)
Expected credit losses from Financial Operations	168,632	-
Operating profit	**3,170,898**	**5,066,229**
Gain in bargain purchase	5,086,181	11,739,378
Finance costs	(1,260,050)	(793,704)
Finance income	97,309	137,086
Share of profit in associate and joint ventures	75,026	103,584
Profit before tax	**7,169,364**	**16,252,573**
Income tax expense	(977,847)	(1,222,984)
Deferred tax income\(expense)	274,579	363,833
Profit for the year	**6,466,096**	**15,393,422**
Profit/(Loss) from discontinued operations	(58,518)	6,307
Profit for the year	**6,407,578**	**15,399,729**
Other comprehensive income	27,412	(98,561)
Total comprehensive income	**6,434,990**	**15,301,168**
Profit of the year attributable to:		
Owners of the parent	5,859,304	13,850,944
Non-Controlling interest	548,274	1,548,785
Non-controlling interests for profit of the year	548,274	374,316
Bargain Gain attributable to NCI	-	1,173,938
NCI % of Nettrade as proportionate share of net assets	-	531
Bargain Gain attributable to parent	5,086,181	10,565,440

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CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

For the year ending December 31, 2019 *(All amounts in '000 Lek, unless otherwise stated)*

Balfin Group

Consolidated statement of financial position
as at December 31, 2019
(All amounts in '000 Lek, unless otherwise stated)

	December 31, 2019	December 31, 2018	January 1, 2018 (Unaudited/Restated)
Assets			
Non-current assets			
Property, plant and equipment	33,166,056	36,154,292	13,011,436
Investment property	11,279,048	6,885,071	7,375,226
Right use of asset	4,932,606	-	-
Investments in associates and joint ventures	148,054	184,944	232,659
Intangible assets	1,908,579	1,811,714	214,959
Goodwill	103,630	28,235	-
Financial assets at fair value through OCI	15,105,148	-	-
Interest-bearing loans given	38,733	221,484	195,867
Loans to customers from financial operations	16,910,034	-	-
Inventory	8,029,731	3,261,987	1,991,024
Deferred expenses	311,205	306,989	335,317
Deferred tax assets	710,839	447,471	89,746
	92,643,663	**49,302,187**	**23,446,234**
Current assets			
Inventories	12,462,341	16,355,889	12,536,483
Trade receivables	3,199,229	3,323,060	2,788,869
Contract Asset	774,278	1,385,714	-
Other receivables	2,043,994	2,243,121	3,292,250
Interest-bearing loans given	647,023	1,726,595	586,421
Loans to customers from financial operations	13,564,519	-	-
Financial assets at fair value through OCI	15,760,140	-	-
Income tax receivable	366,337	158,890	162,801
Prepayments	753,271	559,880	320,586
Cash and due from banks	13,110,257	5,766,963	5,877,742
Total current assets	**62,681,389**	**31,520,112**	**25,565,152**
Asset held for sale	84,680	-	141,913
Total assets	**155,409,732**	**80,822,299**	**49,153,299**

The consolidated financial statements are approved by the management of the Company on 14 September 2020 and signed by:

Edlira Muka
Chief Executive Officer and Administrator

Blerina Daka
Chief Financial Officer

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Balfin Group

Consolidated statement of financial position
as at December 31, 2019
(All amounts in '000 Lek, unless otherwise stated)

	December 31, 2019	December 31, 2018	January 1, 2018 (Unaudited/Restated)
Capital and reserves			
Share capital	3,216,205	3,216,205	3,216,205
Other capital reserves	467,546	602,694	3,984,565
Retained earnings	30,999,294	19,763,332	17,620,269
Profit of the year	6,407,578	15,399,729	-
Foreign currency translation reserve	32,246	(66,362)	(27,544)
Fair value of reserves	27,996	-	-
Equity attributable to equity holders of the parent	**41,150,865**	**38,915,598**	**24,793,495**
Non-controlling interests	4,515,696	2,739,407	1,750,338
Total equity	**45,666,561**	**41,655,005**	**26,543,833**
Non-current liabilities			
Deferred tax liabilities	2,467,516	2,721,378	57,571
Other liabilities	98,842	185,067	1,615,384
Contract liabilities	2,938,186	3,804,782	2,299,422
Lease liabilities	4,087,353	-	-
Due to customers in finance operations	7,868,878	-	-
Interest-bearing borrowings	8,352,068	7,786,288	6,343,802
Provisions	621,667	460,097	-
Dividend payable	2,163,253	-	-
	28,597,763	**14,957,612**	**10,316,179**
Current liabilities			
Provisions	75,509	101,537	74,154
Contract liabilities	3,293,211	3,898,305	19,828
Interest-bearing borrowings	7,376,317	6,488,324	2,535,718
Lease liabilities	893,118	-	-
Income tax payable	129,372	479,228	222,802
Due to customers in finance operations	54,665,121	-	-
Due to banks in finance operations	2,017,025	-	-
Trade payables	10,590,563	12,065,538	7,891,212
Other liabilities	1,460,880	1,124,143	1,549,573
Dividends payable	590,400	52,607	-
	81,091,516	**24,209,682**	**12,293,287**
Liabilities directly associated with the assets held for sale	53,892	-	-
Total liabilities	**109,743,171**	**39,167,294**	**22,609,466**
Total equity and liabilities	**155,409,732**	**80,822,299**	**49,153,299**

The consolidated financial statements are approved by the management of the Company on 14 September 2020 and signed by:

Edlira Muka
Chief Executive Officer and Administrator

Blerina Daka
Chief Financial Officer

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CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

for the year ending December 31, 2019

(All amounts in '000 Lek, unless otherwise stated)

	Share capital	Other capital reserves	Foreign currency translation reserve	Fair value of reserves	Retained earnings	Total	Non-Controlling Interest	Total equity
Total equity as at 31 December 2017	**3,216,205**	**3,984,565**	**(27,544)**		**17,620,269**	**24,793,495**	**1,750,338**	**26,543,833**
Effect of adoption of IFRS 15	-	-	-	**-**	402,654	**402,654**	-	**402,654**
Effect of adoption IFRS 9	-	-	-	**-**	(22,755)	**(22,755)**	-	**(22,755)**
Correction of error adoption IFRS 15					(108,742)	**(108,742)**		**(108,742)**
Total equity as at 1 January 2018	**3,216,205**	**3,984,565**	**(27,544)**	**-**	**18,000,168**	**25,173,394**	**1,750,338**	**26,923,732**
Profit for the year	-	-	-	-	13,850,942	**13,850,942**	374,316	**14,225,258**
Other comprehensive income	-	-	(98,561)	-	98,561	**-**	-	**-**
Total comprehensive income	**-**	**-**	**(98,563)**	**-**	**13,949,503**	**13,850,942**	**374,316**	**14,225,258**
Acquisition of a subsidiary	-	-	-	-	-	**-**	1,174,469	**1,174,469**
Cash dividends	-	-	-	-	-	**-**	(528,359)	**(528,359)**
Change in share capital	-	-	-	-	-	**-**	(35,620)	**(35,620)**
Transactions with non-controlling interests	-	-	-	-	-	**-**	4,267	**4,267**
Change in Reserve	-	(3,381,871)	59,742	-	3,322,129	**-**	-	**-**
Total equity as at December 31, 2018 (restated)	**3,216,205**	**602,694**	**(66,365)**	**-**	**35,163,058**	**38,915,594**	**2,739,411**	**41,655,005**
Profit for the year	-	-	-	-	5,859,304	**5,859,304**	548,274	**6,407,578**
Other comprehensive income	-	-	(584)	27,996		**27,412**		**27,412**
Total comprehensive income	**-**	**-**	**(584)**	**27,996**	**5,859,304**	**5,886,716**	**548,274**	**6,434,990**
Acquisition of subsidiary	-	-	-	-		**-**	927,788	**927,788**
Dividend distributed	-	-	-	-	(3,696,720)	**(3,696,720)**	(423,569)	**(4,120,289)**
Change in share capital	-	-	-	-		**-**	769,067	**769,067**
Increase of Group's investment on NKL Limited		-			45,275	**45,275**	(45,275)	**-**
Change in reserve	-	(135,148)	99,195	-	35,955	**-**	-	**-**
Balance at December 31, 2019	**3,216,205**	**467,546**	**32,246**	**27,996**	**37,406,872**	**41,150,865**	**4,515,696**	**45,666,561**

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CONSOLIDATED STATEMENT **OF CASH FLOWS**

for the year ending December 31, 2019 *(All amounts in '000 Lek, unless otherwise stated)*

	For the year ending December 31, 2019	For the year ending December 31, 2018
Profit before tax from continuing operations	**7,169,364**	**16,252,573**
(Loss)/profit before tax from discontinued operations	(58,518)	6,307
Profit before tax	**7,110,846**	**16,258,880**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of PPE and RoU	3,860,145	1,494,299
Depreciation and impairment of investment property	577,564	368,537
Amortization and impairment of intangible assets	401,946	94,297
Allowances, provisions and write-offs	686,314	305,204
(Gain) / Loss on disposal of asset	(47,131)	21,866
Finance income	(2,117,302)	(137,086)
Finance costs	1,481,451	793,667
Bargain gain	(5,086,181)	(11,739,378)
Share of profit of an associate and a joint venture	(75,026)	(103,584)
Working capital adjustments	-	-
Change in trade and other receivables	1,054,641	180,083
Change in inventories	1,406,632	(1,875,321)
Change in trade and other payables	(3,801,953)	(3,095,972)
Change in compulsory reserve	1,395,600	-
Change in loans to customers	(10,200,182)	-
Change in due to customers	4,663,346	-
Change in due to banks	193,350	-
Income tax paid	(1,215,299)	(990,721)
Interest from non-financial operation		**-**
Interest received	*97,309*	*137,086*
Interest paid	*(1,130,558)*	*(793,667)*
Interest from financial operation		**-**
Interest received	*1,920,621*	-
Interest paid	*(94,830)*	-
Net cash flows from operating activities	**1,081,303**	**918,190**

	For the year ending December 31, 2019	For the year ending December 31, 2018
Investing activities		
Proceeds from sale of property, plant and equipment	1,245,296	198,996
Purchase of property, plant and equipment	(2,728,681)	(3,420,430)
Acquisition of subsidiary, net of cash acquired	11,340,311	89,022
Purchase of intangible assets	(140,538)	(89,070)
Proceeds from sale of investment property	-	235,827
Purchase of investment property	(1,894,357)	(114,210)
Decrease of investment in associates	725	151,299
Purchase of financial assets at FVOCI	(19,182,901)	-
Proceeds from financial assets at FVOCI	12,296,132	-
Acquisition/disposal of NCI	300,226	(507,108)
Dividend received	111,190	-
Net cash flows from/(used in) investing activities	**1,347,403**	**(3,455,674)**
Financing activities		
Proceeds from borrowings, net	2,728,393	2,426,705
Payment of principal portion of lease liabilities	(1,849,662)	-
Dividend paid	(995,674)	-
Net cash flows (used in)/from financing activities	**(116,943)**	**2,426,705**
Net increase/(decrease) in cash and cash equivalents	2,311,763	(110,779)
Net foreign exchange difference	(12,262)	-
Cash and cash equivalents at January 1	**5,766,963**	**5,877,742**
Cash and cash equivalents at December 31	**8,066,464**	**5,766,963**

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NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

as at and for the year ending December 31, 2019
(All amounts in '000 Lek, unless otherwise stated)

1. / CORPORATE INFORMATION

The consolidated financial statements of Balfin SHPK and its subsidiaries (collectively, "Balfin Group") for the year ended December 31, 2019 were authorized for issue on September 14, 2020. Balfin shpk ("the Group" or "the Parent") is a limited company incorporated on October 25, 2007 and it is registered in the National Business Centre and domiciled in Albania. The registered office is located at ABA Business Centre, 11th floor, Tirana, Albania.

2. / SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These consolidated financial statements of the Group are prepared in accordance with recognition, measurement, and presentation criteria of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow (compiled using the "indirect method") and the Notes to the consolidated accounts.

The consolidated financial statements have been prepared on a historical cost basis except for:

- FVOCI instruments in Banks
- Items measured at NRV
- Items measured at FV less C to S

Management prepared these consolidated financial statements on a going concern basis, which assumes that the Group will continue to operate in the foreseeable future. Such assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Group identifies no significant going concern regarding the ability of the group to meet its obligation as stated in the consolidated financial statements. The long-term strategy of the Group is to consolidate its presence in the current operating industries in national and international market going forward as well as potential new projects in real estate industry, abroad in Austria. There are no plans to terminate any material operations or entities of the Group, even considering the difficulties imposed by the Covid crises, and the group has the ability to support individual companies should the need arise.

2.2. BASIS OF CONSOLIDATION

2.2.1. Determination of control

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

2.2.2. Consolidation procedure

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

The cost of a business acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

b) Investment in associates and joint ventures

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under this method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

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- Expected to be realized within twelve months after the reporting year

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting year

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Revenue from contracts with customers

Balfin Group is a diversified group of companies which are however focused in 4 main business segments: retail, property development and management (Real Estate), mining and mineral processing and banking. Collectively these four segments are responsible for approximately 99% of the revenues of the Group. The Group also generates significant rental income from the property management segments, however this income is not accounted under contract from customers but as rental income from assets which are accounted as investment properties.

The nature, timing, and uncertainties of each main segments are as follows:

Retail Operations

The retail segment accounts for approximately 60% of the Groups revenues. The most significant businesses include electronics and consumer goods\toys retail, both being the most geographically diversified segments in the Balkan region. The segment also includes significant food and consumer goods revenues as well as fashion retail revenues, located in Albania.

All retail operations of the Group conduct their sales primarily in cash with payments executed at the point of sale. Some of the group companies, mainly in the electronics business also have wholesale sales to third party vendors, however wholesale revenue is typically not more than 13%-23% of total sales and in addition wholesale sales are also paid at the point of sale or in rare cases with limited credit terms.

Certain retail companies have a right of return policy, mainly in the fashion segment, which typically gives the customer the right to exchange the goods purchased with other goods of equivalent amount. As result the risk of any revenue reversal in the retail segment is negligible.

A number of companies within the group operate a loyalty program, either individually or in combination with other companies. The program provides material rights to customers which may be material to individual companies, however from the Group's perspective, the program is not significant.

Real Estate and Construction Operations

The Groups Real Estate and Construction of activities consist of the following operations:

a) Development of properties for sale, which are reported as inventories in the statement of financial position. Revenue from sale of development properties is recognized when the property is delivered to the customer.

b) Sale of development rights, acquired through IFRS 15 sale contracts. The Group usually acquires land development rights from the owners as a payment means for the future promise of delivering proportionate share on the whole developed property which is accounted for as contract liability and a right to develop. The Group has engaged in transferring these rights to third parties for a higher portion of the developed property therefore recognizing revenue as the promised service under the contract is the transfer of these rights and obligations.

c) Development of properties to be operated by the Group mainly with the purpose of earning rental income, which are classified as investment properties from the Group's perspective in the consolidated statement of financial position. Rental income is reported separately from revenues from contracts with customers.

d) The Group has within its structure a subsidiary performing construction works in generally typical construction contract for development of assets. However, construction works are generally provided within the Group and revenues are largely eliminated upon consolidation. Revenue from construction contracts with third parties is not significant and remains incidental.

Mining Operations

The Group includes two material operation in mining and metal processing sector, one in mining of chromium ore and processing of ferrochromium located in Albania and the other in mining of nickel ore and processing of ferronickel located in Kosovo. Revenues mainly consist of sale of processed ferrochromium and ferronickel while sale of mineral ore is rare and insignificant to the operations.

Revenue is generally recognized at the point in time when the product is shipped and arrives at the port of delivery.

Banking Operations

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Account servicing fees, card and E-banking maintenance fees.
- Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.
- Fees from payment and transfer orders of the customers, and other banking services offered.

These fees or components of fees that are linked to a certain performance and are recognised as the related services are performed.

Payment terms

Payment are generally received in advance, however credit terms between 5 to 30 days are extended in the business of providing retail products (electronics, appraisal goods, supermarket goods and other unspecialized goods), minerals and ore, real estate, services (construction, maintenance, management and consulting).

Revenue from sale of goods

Revenue from sale of goods includes all the sales of tangible goods in retail, real estate properties, development rights and processed mineral and ores and is recognized at the point in time when control of the good is transferred to the customer, which generally occurs at the physical delivery of the goods. The Group generates revenue from energy trading, which from the Group's perspective is not significant. This revenue is recognized over time as because the customer simultaneously receives and consumes the benefits provided and uses input method to measure progress towards complete satisfaction of the performance obligation.

i. Variable consideration

The Group does not presently have significant contracts with variable consideration. However, if the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

ii. Significant financing component

The Group has concluded that there is a significant financing component for those contracts where the customer prepaid for more than one year from the delivery date of the construction unit, thus applying the practical expedient of IFRS 15 without calculating the effect of the significant financing component for those contracts that are scheduled to be delivered within one year of the date of receipt of the advances.

The Group has determined that the significant financing component under IFRS 15 meets the recognition criteria of IAS 23 Borrowing Costs.

In determining the interest rate to be applied, the Company estimates that the incremental borrowing rate is appropriate because it is the rate at which this financing transaction would be reflected if it were separate.

iii. Non-cash consideration

The Group is engaged in contracts with customers for the sale of construction units in exchange for non-cash consideration, namely the land where the project will be developed. If the Group cannot reasonably estimate the fair value of non-cash consideration, it measures the non-cash consideration indirectly by reference to the stand-alone selling price of the promised goods or services.

Loyalty points programme

The Group has loyalty points programme on the retail segment, which allows to accumulate points that can be redeemed for free products. Revenue is recognized upon redemption of products by the customer. Reward points expire within 12 months.

Revenue from rendering of services

Revenue from rendering of services is mainly generated from marketing and franchise fees, maintenance and repairment services and service charge to tenants, which are typically recognized over time using output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract balances

Contract assets

If the Group performs by transferring goods, properties or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods, properties or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group classifies the costs of obtaining a contract as a contract asset for presentation separately from assets and other contract balances. These cost are agent fees for the sale of real estate and are charged to the Group at that time. The Group amortizes these costs in a manner that is consistent with the revenue recognition of the said real estate.

e) Interest income

Interest income non-finance operations

Interest income relates to time deposits and is recognized as interest accrues using the effective interest rate method. Interest income is included in finance income in the statement of comprehensive income.

Interest income finance operations

Interest and similar income include coupons earned on fixed income investments, any discount and premium on zero coupon treasury bills recognized using in profit or loss the effective interest rate method and interest income on loans and advances.

Interest income on modified financial asset

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

f) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

h) Royalties, resource rent tax and revenue-based taxes

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income — rather than physical quantities produced or as a percentage of revenue — after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales. The resource rent taxes payable by the Group meet the criteria to be treated as part of income taxes.

i) Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

j) Foreign currencies

The Group's consolidated financial statements are presented in Albanian Lek, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations with functional currencies different from that of the Group, are translated into Albanian Lek at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at prevailing at the dates of the transaction. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

k) Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Albania, a distribution is authorized when it is approved by the shareholders.

l) Assets held for sale and discontinued operations

Assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Assets (or disposal groups) are classified as assets held for sale and measured at the lower of carrying amount or fair value less cost to sell. If fair value is below the carrying value of asset, the related impairment is accounted for expense in the consolidated statement of profit or loss.

m) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

·	Buildings	12.5 - 36 years	· Plant and equipment	8 to 15 years
·	Machinery and equipment	1-37,5 years	· Vehicles	5 years
·	Mining development costs up to	8.5 years	· IT Equipment	4 years
·	Decommissioning assets	13 years	· Furniture & Fixtures	8 years

Property, plant and equipment are reviewed annually for indicators of impairment and if indicators are identified, and impairment test is performed.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

n) Mine development costs

There have been no exploration and evaluation activities in the reported periods and there are no such assets on the balance sheet.

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred are capitalized as part of the cost of constructing the mine and subsequently amortized over the life of the mine on a units-of-production basis.

o) Concession rights

The Group made upfront payments to obtain concession licenses in the form of BOT ("Build Operate Transfer") for 2 chromium mines, a mineral enrichment factory, a mineral selection site, and a Ferro-chromium factory in Albania. The concession licenses which is inclusive of the right to use these assets has been granted for a year of 30 years by the relevant government agency with the option of renewal at the end of the term. The upfront fee is amortized over the life of the concession license. These concession rights do not fulfill the criteria's specified in IFRIC 12 Service Concession Arrangements as the grantor of the concession cannot control or regulate to whom the services are provided and at what price.

p) Impairment of non-financial asset

The carrying amounts on non-financial asset is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets of groups of assets. Where the carrying amount of an asset exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial amount of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

r) Leases (Policy applicable from January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 2 to 5 years
- Motor vehicles and other equipment 2 to 5 years
- Buildings 2 to 20 years

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease incentives given to tenants are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

s) Investment properties

Investment properties of the group primarily consist of shopping malls and are mainly internally developed by the Group. Investment properties are measured initially at cost, which typically include the project design costs, construction costs, land, borrowing costs capitalized and other expense deemed that fulfill the capitalization requirements. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a reducing balance method using depreciation rates 3.33% - 5%.

t) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

u) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial Asset Subsequent measurement

i) ***Financial assets from non-finance operations***

The Group's non finance operations are composed only from financial assets held at amortized cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss model. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortized cost includes trade and other receivables, interest bearing loans given, other current and non-current financial assets.

ii) ***Financial assets from finance operations***

The Group's finance operations, classifies the financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)

The Group's finance operations financial assets measured at fair value through OCI includes investments in quoted debt instruments. All other financial assets are measured at amortized cost.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Write – off

Financial assets are derecognised, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write - off represents a derecognition event.

Impairment of financial assets from non-finance operations

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on its historical credit loss experience. Forward-looking factors specific to the debtors and the economic environment are assessed from the Group and do not have any material effect on the consolidated financial statements.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Impairment of financial assets from finance operations

The Group has been recording the allowance for expected credit losses for all loans and other financial assets not held at FVLP, together with loan commitments and financial guarantee contracts. This requires estimate over changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs depending on the assessment of the risk of default in comparison to the moment of initial recognition.

The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the following areas:

- Estimating the key inputs into ECL, being probability of default (PD), loss given default (LGD and exposure at default (EAD).
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Financial liabilities Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of trade and other payables and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest bearing borrowings given, financial guarantee contracts.

Financial liabilities subsequent measurement

Financial liabilities, other than loan commitments and financial guarantees, are all measured at amortized cost. Financial liabilities can be measured at FVPL when they are held for trading or the fair value designation is applied, however the Group does not have any such liabilities.

Financial liabilities from non-finance operations

Borrowings

This is the category most common to the Group's non-finance operations. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial guarantee contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Financial liabilities from finance operations

Deposits and other financial liabilities

Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Financial liability derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms,

or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

v) Determination of fair value

The Group has financial instruments measured at level 3, government bonds and T-bills. Level 3 financial instruments are those that include one or more unobservable input that is significant to the measurement as whole.

Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

w) Inventories

Inventories comprise trading goods and they are stated at the lower of cost and net realizable value. The cost of inventories comprises all direct costs of purchase, costs of conversion and other costs incurred upon bringing the inventories to their present location and condition. The cost of goods sold is determined by using the weighted average method. Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

x) Cash and due from banks

Cash and due from banks comprise cash balances and deposits with an original maturity of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand, cash at banks, short term deposits, current accounts with Central Bank and amounts due from other banks on demand and with an original maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. Cash equivalents and cash at banks are carried at amortised cost.

y) Provisions

General

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

If the effect of the time value of money is material, provisions are discounted using a current pre -tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restoration and decommissioning costs provision

Management estimate, and provide for, obligations to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the initial or ongoing development of primarily mining properties. Costs arising from establishing infrastructure at the start of a project are discounted to their net present value, and provided for when the obligation arises. These costs are charged against profits over the useful life of the related asset through the unwinding of the discount and depreciation charge. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

z) Employee benefits

The Group, in the normal course of its business, makes payments on its own behalf and on behalf of its employees to contribute to the mandatory pension plans according to the local legislation. The costs incurred on behalf of the Group for such defined contribution plans are charged to profit or loss as incurred.

2.4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

i. Definition of a lease

On transition to IFRS 16, the Group elected to apply the practical expedient to the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases.

ii. As a lessee

As a lessee, the Group leases some buildings, office premises, vehicles and equipment. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for leases of group companies– i.e. these leases are on-balance sheet.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months

of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and used hindsight when determining the lease term

iv. As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

v. Impact on financial statements

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.5%.

Impact on retained earnings as at 1 January 2019	**In thousand Lek**
Operating lease commitments at 31 December 2018	**3,994,436**
Short-term leases and leases of low-value assets	(303,762)
Effect of discounting the above amounts	(118,232)
Finance lease liabilities recognized under IAS 17 at 31 December 2018	1,339
Present value of the variable lease payments that depend on a rate or index	(11,273)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	365,343
Lease liabilities recognized at 1 January 2019	**3,927,851**

Amounts recognised in profit or loss 2019 – Leases under IFRS 16	**In thousand Lek**
Depreciation charge on right-of-use assets (see note 28)	(1,755,737)
Interest on lease liabilities	141,790
2019 – Operating leases under IAS 17	
Rent expense	50,687

The following amended standards became effective for the Group from January 1, 2019, but did not have any material impact on the Group:

» **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

» **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

» **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

» **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement** - accounting when a plan amendment, curtailment or settlement occurs during a reporting period (effective for annual periods beginning on or after 1 January 2019)

» **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

» **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS, which become effective for annual periods beginning on or after 1 January 2019, and including:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing costs.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

At the date of authorization of these financial statements, the following standards, revisions and interpretations were in issue but not yet effective: The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new and amended standards are not expected to have a significant impact on the Group's financial statements.

» **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

» **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

» **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),

» **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

» **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

» **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),

» **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

» **IFRS 16: Covid-19 Related Rent Concessions (Amendment)** (effective for interim or annual periods beginning on or after 1 June 2020)

3. / SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Asset Held for Sale

The Group classifies non-current assets and disposal groups as held for sale as their carrying amounts will be recovered principally through a sale transaction initiated in 2019, expected to be concluded within the year. Assets held for sales are measured with the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset from the group (see Note 9, for Discontinued Operations classified as Held for Sale).

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Identifying performance obligations in a bundled sale

The Group is engaged into sales contracts with customers in which promises the sale of construction units (villas, apartments, etc.) that can be sold either together or individually. The Group has considered a separate performance obligation each unit in the sale contract as the units are capable of being distinct and are distinct in the context of the contract.

Consequently, the Group has allocated the transaction price for each building unit on an individual basis.

The Group occasionally provides within its retail segment services that are either sold separately or bundled together with the sale of retail goods. The Group determined that both the sale of retail goods and services are capable of being distinct.

Consequently, the Group allocated a portion of the transaction price to the good and the service based on relative stand-alone selling prices.

All other contracts with customers the Group is involved do not hold any significant consideration on the determination of the performance obligation.

Principal versus agent considerations

The Group in all contracts is the Principal except in the contract of sale development rights for which, it has concluded that it meets the criteria of the Agent for the following reasons:

- The Group does not own control of the asset before it is transferred to the client (landowner). The transfer of the asset to the client (landowner) will be done directly by the builder and not by the Group.
- The group is not responsible for fulfilling the promise to deliver the specified asset, this responsibility lies with the builder, and he has an obligation to ensure that the asset is acceptable to the client(landowners)
- Risks and benefits in case of asset damage, non-compliance with quality criteria, are not in the responsibility of the Group. The Group has no risk to the inventory before the specified asset is transferred to the client. The Group does not acquire or commit itself to acquire the specified asset before signing a contract with a client, this may indicate that the Group does not have the capacity to direct the use and receive substantially all the remaining benefits of the asset before it transferred to the client;

The determination of the price that the client pays for the specified asset may indicate that the Group has the ability to direct the use of that asset and receive substantially all remaining benefits. Price of the asset is determined on a contract basis for each client.

From the above the Group recognizes the income in the form of income from commissions which is the net amount, often measured in construction units or area, between the amount that the Group had to pay to the landowners and the amount that the group takes from the developer.

Determining the timing of satisfaction of performance obligations

The Group has generally concluded that contracts relating to the sale of goods are recognised at a point in time when control transfers.

The Group concluded that revenue from marketing and franchise fees, service charge to tenants, maintenance and repairs and energy trading is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

Consideration of significant financing component in a contract

The Group sells real estate for which the delivery of the finished estate may be a few years after signing the contract and receiving the respective payments. The Group concluded that there is a significant financing component for those contracts, considering the length of time between the customer's payment and the transfer of real estate to the customer, as well as the prevailing interest rates in the market.

In determining the interest to be applied to the amount of consideration, the Group concluded that the incremental borrowing rate is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction at contract inception.

Measurement basis of non-cash consideration

The Group is engaged in contracts with customers for the sale of construction units in exchange for non-cash consideration, namely the land where the project will be developed. In assessing the consideration, the Group has considered the requirements of IFRS 15 and measurement of the transaction price through its fair value, whereby the fair value measurement under IFRS 13 is impossible because:

- The contract has been signed back when information on similar relevant market transactions is no longer available
- Available information of transactions (reference prices) do not reflect market prices
- The real estate market typically operates through barter transactions and land is infrequently sold in cash, consequently the prices of the real estate at the time of exchange or agreement best represent the fair value of the land.

In these circumstances, the Group has measured fair value by reference to the stand-alone selling price of the consideration given, therefore, the stand-alone selling price of the units to be delivered.

The Group measures this non-cash consideration at contract inception, therefore at the date of the exchange contract with the land owners land using average unit prices (villas and apartments separately) in the feasibility report for the project

Consideration of warranties

The Group provides two types of warranties to customers, assurance-type warranty and service-type warranty. The assurance-type warranty is accounted for under IAS 37 as it relates to quality guarantees.

The service-type warranty can be purchased by the customer for an additional consideration which is recognized over type as the performance obligation is satisfied. Revenue from service type warranties is not material to the Group.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The Group analysed financial asset considering categories and instrument types.

The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR,") and probability of default ("PD"), The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Impairment losses on loans and advances

- The Bank's internal credit grading model, which assigns PDs to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Classification of investment property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before, or on completion of, construction.
- Inventory property comprises of property that is leased to another entity under a finance lease.

Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Group is a part owner of two investments in which it has a 50% ownership interest. The Group has determined that it has joint control over the investee and the ownership is shared with the other 50% owner. These investments are joint arrangements. As a consequence, it accounts for its investments using the equity method.

Property lease classification - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Loss allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated when assessed to have a material impact.

Loss allowance for expected credit losses for loan to customers from financial operations

The Group ECL calculations arising from financial activities are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Groups financial activities internal credit grading model, which assigns PDs to the individual grades.
- The Groups financial activities criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Measurement of fair values

The fair value of short-term assets and short-term liabilities with third parties approximates the carrying values. The fair value of long-term loans does not materially differ from the carrying amount as they have a fixed interest rate.

Management is based on its judgment on concluding that the fair value of the Group's financial assets and liabilities approximates their carrying value. Consequently, all fair value judgments are categorized at Level 3 under IFRS 7.

Provision for decommissioning and restoration costs

Management estimate, and provide for, obligations to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the initial or ongoing development of a mining property. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. A corresponding asset is recognized in property, plant and equipment. The unwinding of the discount is expensed as incurred and recognized in the statement of comprehensive income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

Stripping costs

The stripping activity asset is depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. The carrying amount of the stripping cost as at reporting date is Lek 3,226,672 thousand (2018: Lek 2,883,429 thousand).

The Group estimates its ore reserves and stripping ratio based on information compiled by qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Potential change to estimates will not significantly affect the carrying value of stripping cost.

Development costs

In determining the amounts to be capitalized management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected year of benefits. At December 31, 2019, the best estimate of the carrying amount of capitalized development costs was Lek 33,166,056 (2018: Lek 33,446,820).

Estimating stand-alone selling price –loyalty program

The Group estimates the stand-alone selling price of the loyalty points awarded under the loyalty program. The stand-alone selling price of the loyalty points issued is measured at the portion of the nominal value of the sale that awards points. As at 31 December 2019, the estimated liability for unredeemed points was as below:

Estimating stand-alone selling price –loyalty program

	2019	2018
At 1 January	9,849	944
Deferred during the year	126,993	138,559
Recognized as revenue during the year	(94,642)	(79,649)
Expired during the year	(20,231)	(50,005)
At 31 December	**21,969**	**9,849**

Disaggregation of Revenue information

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product and service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments. For the purpose of presented revenue from contracts with customers the revenue generated from services and other sector have been aggregated as the revenue of these sectors is largely eliminated within the Group.

4. / CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy as described below remains unchanged from 2018.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder's value. For the last decade, the Group's aim was to reinvest the retained earnings in other potential projects.

There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current year as well as in the past.

For the year ended December 31, 2019 the EBITDA of the Group was Lek 10,332,117 thousand (December 31, 2018: Lek 18,359,012 thousand).

The Group managed its capital and liquidity separately from the banking operations, which is managed independently from the group.

The Group primarily monitors group-wide interest-bearing loans and borrowings net of cash and cash equivalents versus the equity of the group. Trade liabilities are typically managed at the subsidiary level. The leverage ratios monitored by the group are as follows:

	December 31, 2019	December 31, 2018
Interest-bearing loans	15,728,385	14,274,612
Less: cash and cash equivalents	(2,345,889)	(5,766,963)
Net debt	**13,382,496**	**8,507,649**
Net debt/ EBITDA	**1.3**	**0.46**
Equity	3,216,205	3,216,205
Total capital attributable to parent	37,706,284	35,699,393
Capital	**40,922,489**	**38,915,598**
Capital and net debt	**54,304,985**	**47,423,247**
Gearing ratio	**25%**	**18%**

5. / CORRECTION OF ERRORS

In preparing these consolidated financial statements, the Group has identified errors and has corrected these material misstatements in the period which the occurred by restating the opening balances of assets, liabilities and equity for the earliest practical year to January 1, 2018.

The following tables summarize the impacts on the Group's consolidated financial statements.

Impact on the consolidated statement of financial position as at 1 January 2018 (increase/(decrease)):

		Impact of restatement	
	In '000 ALL		In '000 ALL
	At 31 December 2017	Adjustments	At 1 January 2018
Assets			Restated
Current assets			
Inventories	16,367,214	(11,325)	16,355,889
Total current assets	**16,367,214**	**(11,325)**	**16,355,889**
Capital and reserves			
Retained earnings	19,872,074	(108,742)	19,763,332
Total equity	**19,872,074**	**(108,742)**	**19,763,332**
Current liabilities			
Contract liability	3,800,888	97,417	3,898,305
Total current liabilities	**3,800,888**	**97,417**	**3,898,305**

Impact on consolidated statement of cash flows (increase/(decrease)):

During the year 2019, the Group has booked all misstatements due to reclassifications for intercompany eliminations to the earliest period presented for both balance sheet and cash flow.

		Impact of restatement	
	in '000 ALL		in '000 ALL
	For the period ending 31 December 2018	Adjustments	For the period ending 31 December 2018
Operating activities			Restated
Change in trade and other receivables	704,128	(524,045)	180,083
Change in trade and other payables	(3,620,017)	524,045	(3,095,972)
Net cash flows from operating activities	**918,190**	**-**	**918,190**

The changes arise due to the following:

a) The consolidated statement of cash flow for the year ended on 31 December 2018 was misstated for the potential effect of the intercompany eliminations in the incorrect account as at 31 December 2017. The Group has booked all these misstatements identified by restating the opening balances of the statement of financial position at the earliest period presented, as at 1 January 2018 to account for these eliminations in the correct account.

b) During the year 2019 the Group has reassessed the IFRS 15 impact on the retail and other sector, namely electronics sale and repair service sector operating in Macedonia and found that the first-time adoption effect was wrongly calculated. The reassessment led to a total catch up adjustment in retained earnings of 108,742 thousand ALL with the counterparties in inventory (11,325 thousand ALL) and contract liability (97,417 thousand ALL) for the year ended on 31 December 2018

6. / BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions in 2019

Acquisition of Tirana Bank: The Group and Komercijalna Banka signed an agreement for the purchase the shares of Tirana Bank in 2018, where the transfer of control was conditional to the approval of the related authorities realized by the end of February 2019, effective on March 1, 2019.

Tirana Bank has always been a key bank in the financial development of Albania, and it was the first private bank to appear on the local market. Currently the Group has 90.117% of the voting shares. The Group believes that the expansion in the finance sector will create a synergy with the other companies and provide new opportunities of growth.

Acquisition of Hippo Stores: Spar Albania signed an agreement for the purchase of 8 stores from Hippo Group where it has concluded that the purchase is a business combination. The transfer agreement consisted of all property, plant and equipment's on site, inventory as at acquisition date, employee contracts, and some contracts with suppliers among which was the store site lease contract.

The Group has elected to measure the non-controlling interests in the acquirees at proportionate share of the acquiree's identifiable net assets.

Assets acquired and liabilities assumed

Tirana Bank

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

Figures in Lek ('000)	**February 28, 2019**
Cash and balances with central bank	6,670,540
Due from banks	14,648,989
Loans and advances to customers	20,564,449
Financial assets at fair value through other comprehensive income	23,753,789
Repossessed assets	2,483,039
Intangible assets	345,417
Property and equipment	550,224
Investment properties	79,105
Other assets	808,639
Deferred tax assets	43,974
Total assets	**69,948,165**
Due to banks	(1,823,369)
Due to customers	(57,756,652)
Other liabilities	(639,862)
Provisions	(328,635)
Deferred tax liabilities	(9,165)
Total liabilities	**(60,557,683)**
Total identifiable net assets at fair value	**9,390,482**
Fair value of consideration transferred by Balfin	(3,376,513)
NCI measured as proportionate interest (Komercijalna Banka)	(927,788)
Bargain from aquisition	**5,086,181**

The net cash flow of Tirana bank as at the date of acquisition were:

Cash consideration paid	**3,376,513**
Less:	
Cash and cash equivalents acquired	**(14,880,120)**
Net cash flow on acquisition	**(11,503,607)**

Gain realized in business combination

The Acquisition of Tirana Bank resulted in a gain in a bargain purchase of Lek 5,086,181 thousand for the Group as a result of the consideration transferred being lower than the fair value of net identifiable assets at the date of acquisition.

The previous owner of the Bank was seeking a potential buyer for a number of years in the market which was the main reason for a substantial gain from the acquisition transaction and the company had incurred losses for the last 3 years. Similar recent acquisitions in the Banking sector in Albania were concluded at multiples of below 1 of net asset value.

Acquisition of Hippo stores

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

Figures in Lek ('000)	**September 2019**
Property, plant and equipment	18,131
Right of use	246,641
Inventory	41,534
Total assets	**306,306**
Lease liability	246,641
Total liabilities	**246,641**
Total identifiable net assets at fair value	**59,665**
Fair value of consideration transferred	163,295
Goodwill from acquisition	**103,630**

The Group has acquired the stores from Hippo mainly due to their location and relatively low completion in the area where one of them has been acquired. The assets and liabilities have been acquired through 8 individual contracts for each store.

The goodwill of Lek 103,630 thousand comprises the value of expected synergies arising from the acquisition whereby the location of the stores is expected to increase the customer base of the retail sector. Goodwill is allocated entirely to the retail segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. / DISCONTINUED OPERATIONS

On 2019 the Group entered into a sale agreement to dispose of Net Trade Albania. The disposal was affected as the business was not generating the expected returns. The disposal is to be completed on 2020, on which the control of Net Trade Albania will be passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2019	2018
Revenue from contracts with customers	168,310	125,259
Other operating income	5,277	1,441
Cost of sale	(102,498)	(69,273)
Expenses	(110,213)	(51,159)
Operating (loss)\income	**(39,124)**	**6,268**
Finance costs	3,171	39
Impairment loss recognised on the remeasurement to fair value less costs to sell	(22,565)	-
Profit/(loss) before tax from discontinued operations	**(58,518)**	**6,307**
Tax benefit/(expense):	-	-
Related to pre-tax profit/(loss) from the ordinary activities for the period	-	-
Related to remeasurement to fair value less costs to sell	-	-
Profit/(loss) for the year from discontinued operations	**(58,518)**	**6,307**

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

Assets	**2019**
Intangible assets	8,660
Property, plant and equipment	12,738
Goodwill	5,839
Right of use	4,723
Inventories	43,634
Trade and other receivables	7,284
Cash and due from banks	1,802
Assets held for sale	**84,680**
Liabilities	

Assets	**2019**
Lease liabilities	4,854
Interest-bearing borrowings	11,652
Trade payables and other liabilities	37,386
Liabilities directly associated with assets held for sale	**53,892**
Net assets directly associated with disposal group	**30,788**

The net cash flows incurred by Net Trade Albania are as follows:

	2019	2018
Operating	(64,194)	(29,333)
Investing	10,172	(10,465)
Financing	-	-
Net cash (outflow)/inflow	**(54,022)**	**(39,798)**

8. / MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:
Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**2019**	**2018**
Neptun Kosova	Kosovo	40%	40%
Kid Zone KS	Kosovo	45%	45%
TEG	Albania	11.91%	11.91%
Neptun MK	Macedonia	40%	40%
NKL	United Kingdom	6.5%	10%
NFN	Kosovo	6.5%	10%
SEG	Macedonia	40%	40%
Tirana Bank	Albania	9.88%	-

Accumulated balances of material non-controlling interest:

	2019	2018
Neptun Kosova	143,666	134,274
Kid Zone KS	205,089	222,975
TEG	476,069	468,912
Neptun MK	355,951	333,324
NKL	1,238,688	1,173,999
NFN	(234,676)	(133,503)
SEG	995,298	318,818
Tirana Bank	942,991	-

Profit or loss allocated to material non-controlling interest:

	2019	2018
Neptun Kosova	141,231	131,806
Kid Zone KS	149,673	127,816
TEG	55,664	69,530
Neptun MK	125,264	133,786
NKL	1,204	1,173,999
NFN	(101,173)	(133,503)
SEG	39,709	(41,909)
Tirana Bank	15,203	-

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9. / INTEREST IN A JOINT VENTURE

The Group's interest in its joint ventures is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the material joint ventures of the Group, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

In thousand Lek	2019			2018	
Summarized statement of profit or loss:	**Stella Mare**	**Milsped**	**AS Construction**	**Stella Mare**	**Milsped**
Revenue from contracts with customers	208,196	472,855	-	177,785	356,714
Rental income	-	-	-	-	-
Cost of sales	(103,124)	(1,165)	-	(83,688)	(1,249)
Administrative expenses	(40,028)	(451,487)	(191)	(36,665)	(324,251)
Finance (cost)/ income, net	(2,599)	(9,182)	-	(3,525)	(1,919)
Share of profit of an associate and a joint venture	-	-	-	-	-
Profit before tax	**62,445**	**11,021**	**(191)**	**53,907**	**29,295**
Tax charge	(9,805)	(3,150)	-	(8,366)	(5,234)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**52,640**	**7,871**	**(191)**	**45,541**	**24,061**
Group's share of profit for the year	26,320	3,936	(96)	22,770	12,030

In thousand Lek	2019			2018	
Summarized statement of financial position:	**Stella Mare**	**Milsped**	**AS Construction**	**Stella Mare**	**Milsped**
Property plant and equipment	2,959	76,476	-	2,773	98,782
Other non-current assets	10,758	179,115	-	-	-
Inventory	-	117	-	-	893
Trade receivables	96,647	98,723	-	188,747	76,735
Cash and short-term deposits	56,351	6,048	50	38,307	23,478
Other current assets	11,978	2,509	-	13,778	1,257
Trade and other payables (current)	86,928	79,452	-	169,872	60,302
Interest-bearing borrowings	-	215,785	-	-	52,610
Other liabilities current and non-current	25,426	3,771	241	14,495	1,705
Total equity	**66,339**	**63,980**	**(191)**	**59,238**	**86,528**
Group's share in equity - Stella Mare 50% (2018: 50%) / Milsped 50% (2018 : 50%)	*33,170*	*31,990*	*(96)*	*29,093*	*43,264*

10. / INVESTMENT IN ASSOCIATE

The Group has the following interests in Tirana Business Park and ITD. The Group's interests are accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investments:

In thousand Lek :	2019		2018	
Summarised statement of financial position:	**TBU**	**ITD**	**TBU**	**ITD**
Current assets	97,264	752,378	88,136	698,866
Non-current assets	8,648	15,386	8,813	9,806
Current liabilities	83,880	282,419	75,658	194,645
Non-current liabilities	110,102	299,589	112,136	324,511
Equity	**(88,070)**	**185,756**	**(90,845)**	**189,516**
Group's share in equity - TBU 30% (2018: 30%) / ITD 49% (2018: 49%)	(26,421)	*91,020*	*(27,253)*	*92,863*

In thousand Lek	2019		2018	
Summarized statement of profit or loss	**TBU**	**ITD**	**TBU**	**ITD**
Revenue	73,160	2,901,588	61,602	2,697,099
Cost of sales	-	(2,581,374)	-	(2,374,322)
Administrative expenses	(67,157)	(127,027)	(58,943)	(113,267)
Finance costs/income	(2,165)	(25,738)	-	(34,705)
Profit before tax	**3,838**	**167,449**	**2,659**	**174,805**
Income tax expense	(1,064)	(21,692)	-	(25,288)
Profit for the year	**2,774**	**145,757**	**2,659**	**149,517**
Other comprehensive income	-	-	-	-
Total comprehensive income	**2,774**	**145,757**	**2,659**	**149,517**
Group's share of profit for the year - in %	30%	49%	30%	**49%**
Group's share of profit for the year	**832**	**71,421**	**798**	**73,263**

11. / SEGMENT INFORMATION

The Group does not fulfill the mandatory requirements to comply with IFRS 8, however management has elected to voluntary apply certain explanatory disclosures into these consolidated financial statements relating to the various industry and geographical segments it operates.

The Vice Presidents of the respective industry, monitors the performance of the companies focusing on strategic planning, goal-setting and is fully accountable for ensuring the organization of the Group.

Management Board monitors and examines the performance of the Group both from operating industry and geographic perspective by identifying six reportable segments: mining, retail, real estate, banking, services and others. Additionally, the Management Board monitors and examines the performance in national and international markets (North Macedonia, Kosovo, Bosnia and Herzegovina, Austria and Montenegro) by taking important decisions regarding the implementation of the Group's strategic goals and short and long term objectives. Information on reporting segments that contribute 10% or more than the Group total assets, earn 10% or more of the combined segments that did not report a loss or 10% of the combined segments that reported a loss, 10% or more of the combined assets of all operating segments, has been appropriately disclosed in accordance with the requirements of IFRS 8 "Operating segments".

Management Board schedules monthly meetings and all members have a right to vote.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

As at December 31, 2019 and 2018, adjustments and eliminations consist of intercompany eliminations and adjustments for unrealized profits between group companies.

As at December 31, 2019

	Mining	Retail	Real estate	Services	Banking	Other	IC elimination & Adjustments	Consolidated
Non-current assets	29,036,279	6,789,329	26,464,999	1,830,717	34,969,735	20,819,895	(27,267,291)	92,643,663
Current asset	6,041,649	10,094,115	8,153,965	214,980	40,930,343	3,064,199	(5,733,182)	62,766,069
Total assets	**35,077,928**	**16,883,444**	**34,618,964**	**2,045,697**	**75,900,078**	**23,884,094**	**(33,000,473)**	**155,409,732**
Non-current liabilities	9,059,190	4,979,946	6,332,600	62,036	8,915,067	2,457,696	(3,208,772)	28,597,763
Current liabilities	8,371,966	9,089,570	7,597,882	273,841	57,312,484	2,276,749	(3,777,084)	81,145,408
Total liabilities	**17,431,156**	**14,069,516**	**13,930,482**	**335,877**	**66,227,551**	**4,734,445**	**(6,985,856)**	**109,743,171**

As at December 31, 2018

	Mining	Retail	Real estate	Services	Other	Eliminations and adjustments	Consolidated
Assets							
Non-current assets	29,499,933	1,809,512	17,708,843	35,316	12,432,415	(12,183,832)	49,302,187
Current asset	9,629,645	9,943,699	11,146,417	202,824	5,662,553	(5,065,026)	31,520,112
Total assets	**39,129,578**	**11,753,211**	**28,855,260**	**238,140**	**18,094,968**	**(17,248,858)**	**80,822,299**
Non-current liabilities	6,483,802	600,400	6,837,527	20,902	399,813	615,168	14,957,612
Current liabilities	13,434,625	6,940,139	8,126,554	167,684	1,303,213	(5,762,533)	24,209,682
Total liabilities	**19,918,427**	**7,540,539**	**14,964,081**	**188,586**	**1,703,026**	**(5,147,365)**	**39,167,294**

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For the year ended December 31, 2019

	Mining	Retail	Real Estate	Services	Banking	Other	IC elimination & Adjustments	Consolidated
Revenue from contracts with customers	16,499,251	32,571,971	9,292,870	540,724	397,863	2,515,365	(5,977,652)	**55,840,392**
Rental income	36,185	16,293	1,481,404	558	-	-	(333,957)	**1,200,483**
Cost of sales	(15,064,464)	(24,744,636)	(6,559,664)	(70,620)	(19,733)	(2,083,320)	4,530,352	**(44,012,085)**
Gross Profit from Non-Financial Operations	**1,470,972**	**7,843,628**	**4,214,610**	**470,662**	**378,130**	**432,045**	**(1,781,257)**	**13,028,790**
Interest income from bank activity	-	-	-	-	1,968,217	-	51,776	**2,019,993**
Interest expense from bank activity	-	-	(29,651)	(63)	(144,495)	-	(34,928)	**(209,137)**
Gross Profit from Financial Operations	**-**	**-**	**(29,651)**	**(63)**	**1,823,722**	**-**	**16,848**	**1,810,856**
Gross Profit	**1,470,972**	**7,843,628**	**4,184,959**	**470,599**	**2,201,853**	**432,045**	**(1,764,410)**	**14,839,646**
Other operating income	143,490	424,314	579,860	41,623	59,222	5,645,576	(6,135,482)	**758,603**
Selling and distribution expenses	(423,983)	(439,712)	(233,986)	(9,715)	(66,563)	(7,563)	49,824	**(1,131,698)**
Administrative expenses	(378,960)	(1,255,708)	(793,267)	(122,724)	(488,159)	(248,521)	789,383	**(2,497,956)**
Rent expenses	(12,646)	(144,903)	(7,939)	(443)	-	(2,698)	117,942	**(50,687)**
Employee expenses	(344,191)	(1,894,618)	(397,229)	(255,883)	(555,447)	(357,480)	203,907	**(3,600,941)**
Other operating expenses	(2,005,696)	(1,845,225)	(989,889)	(67,080)	(831,330)	(76,313)	500,832	**(5,314,701)**
ECL from Financial Operations	-	3,676	(322)	(109)	192,131	(26,744)	-	**168,632**
Operating profit	**(1,551,014)**	**2,691,452**	**2,342,187**	**56,268**	**511,707**	**5,358,302**	**(6,238,004)**	**3,170,898**
Gain on bargain purchase	**-**	**-**	**-**	**-**	**-**	**-**	5,086,181	**5,086,181**
Finance costs	(761,934)	(359,998)	(175,878)	17,724	(171,024)	(48,435)	239,495	**(1,260,050)**
Finance income	168	41,548	108,525	33,015	-	189,694	(275,641)	**97,309**
Share of profit of an associate and a JV	-	-	-	-	-	75,026	-	**75,026**
Profit Before Tax	**(2,312,780)**	**2,373,002**	**2,274,834**	**107,007**	**340,683**	**5,574,587**	**(1,187,969)**	**7,169,364**
Income tax expense	(30,355)	(326,507)	(392,116)	(12,633)	(230,592)	(4,871)	19,227	**(977,847)**
Deferred tax expense	278,563	1,147	963	-	(3,030)	(5,570)	2,506	**274,579**
Profit for the year from continued op.	**(2,064,573)**	**2,047,642**	**1,883,681**	**94,374**	**107,061**	**5,564,147**	**(1,166,236)**	**6,466,096**
Profit for the year from discontinued op.	-	(77,168)	-	-	-	(22,565)	41,215	**(58,518)**
Profit for the year	**(2,064,573)**	**1,970,474**	**1,883,681**	**94,374**	**107,061**	**5,541,582**	**(1,125,021)**	**6,407,578**
Other comprehensive income	15,694	(14,423)	(1,066)	193	27,996	(2,040)	1,058	**27,412**
Total comprehensive income	**(2,048,879)**	**1,956,051**	**1,882,615**	**94,567**	**135,057**	**5,539,542**	**(1,123,963)**	**6,434,990**

For the year ended December 31, 2018

	Mining	Retail	Real Estate	Services	Other	IC elimination & Adjustments	Consolidated
Revenue from contracts with customers	15,085,448	30,265,906	8,324,748	450,643	2,575,490	(6,987,570)	**49,714,665**
Rental income	40,245	7,663	1,254,716	5,533	419	(283,989)	**1,024,587**
Revenue	**15,125,693**	**30,273,569**	**9,579,464**	**456,176**	**2,575,909**	**(7,271,559)**	**50,739,252**
Cost of sales	(12,508,220)	(23,033,104)	(5,432,571)	(87,280)	(2,218,908)	5,751,349	(37,528,734)
Gross profit	**2,617,473**	**7,240,465**	**4,146,893**	**368,896**	**357,001**	**(1,520,210)**	**13,210,518**
Other operating income	636,215	286,888	130,719	49,985	6,045,458	(6,696,057)	**453,208**
Selling and distribution expenses	(279,137)	(400,662)	(243,063)	(7,295)	(16,237)	16,806	**(929,588)**
Administrative expenses	(229,026)	(1,166,240)	(610,119)	(115,036)	(202,336)	870,626	**(1,452,131)**
Rent expenses	(21,866)	(942,286)	(12,949)	(20,934)	(33,364)	390,049	**(641,350)**
Employee expenses	(201,116)	(1,536,218)	(315,333)	(204,050)	(339,989)	132,402	**(2,464,304)**
Other operating expenses	(1,101,966)	(1,412,843)	(573,191)	(40,852)	(70,991)	89,719	**(3,110,124)**
Operating profit	**1,420,577**	**2,069,104**	**2,522,957**	**30,714**	**5,739,542**	**(6,716,665)**	**5,066,229**
Gain on bargain purchase	-	-	-	-	-	11,739,378	**11,739,378**
Finance costs	(563,655)	3,702	(164,418)	(53)	(165,555)	96,275	**(793,704)**
Finance income	50,173	26,452	32,606	-	941,050	(913,195)	**137,086**
Share of profit of an associate and a JV	-	-	-	-	103,584	-	**103,584**
Profit before tax	**907,095**	**2,099,258**	**2,391,145**	**30,661**	**6,618,621**	**4,205,793**	**16,252,573**
Income tax expense	(320,333)	(313,415)	(520,857)	(8,770)	(79,626)	20,017	**(1,222,984)**
Deferred tax expense	520,412	3,066	(1,008)	-	(6,767)	(151,870)	**363,833**
Profit for the year from continued operations	**1,107,174**	**1,788,909**	**1,869,280**	**21,891**	**6,532,228**	**4,073,940**	**15,393,422**
Profit for the year from discontinued operations	-	(22,365)	-	-	-	28,672	**6,307**
Profit for the year	**1,107,174**	**1,766,544**	**1,869,280**	**21,891**	**6,532,228**	**4,102,612**	**15,399,729**
Other comprehensive income	17,658	**(41,635)**	**3,669**	**535**	**(60,588)**	**(18,200)**	**(98,561)**
Total comprehensive income	**1,124,832**	**1,724,909**	**1,872,949**	**22,426**	**6,471,640**	**4,084,412**	**15,301,168**

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As at December 31, 2019 and 2018, the Group has disclosed information on domestic and foreign group companies, respectively domiciled in Albania and in foreign countries. Eliminations and adjustments consist of intercompany eliminations and adjustments for unrealized profits between group companies.

As at December 31, 2019

	Domestic	International	Elimination & Adjustments	Consolidated
Non-current assets	82,598,050	37,312,902	(27,267,289)	92,643,663
Current asset	59,921,880	8,577,370	(5,733,181)	62,766,069
Total assets	**142,519,930**	**45,890,272**	**(33,000,470)**	**155,409,731**
Non-current liabilities	20,136,821	11,669,714	(3,208,772)	28,597,763
Current liabilities	74,699,761	10,222,728	(3,777,081)	81,145,408
Total liabilities	**94,836,582**	**21,892,442**	**(6,985,853)**	**109,743,171**

As at December 31, 2018

	Domestic	International	Eliminations & Adjustments	Consolidated
Non-current assets	35,315,362	26,142,422	(12,155,597)	49,302,187
Current asset	29,712,937	6,872,201	(5,065,026)	31,520,112
Total assets	**65,028,299**	**33,014,623**	**(17,220,623)**	**80,822,299**
Non-current liabilities	7,914,696	6,427,749	615,167	14,957,612
Current liabilities	18,256,740	12,743,565	(6,790,623)	24,209,682
Total liabilities	**26,171,436**	**19,171,314**	**(6,175,456)**	**39,167,294**

12. / REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the period ending on 31 December 2019

ALL '000

Segments	Retail	Mining	Real Estate	Banking	Other	Total
Sale of processed metals and byproducts	-	16,280,501	-	-	-	**16,280,501**
Sale of consumer electronics retail	18,881,957	-	-	-	-	**18,881,957**
Sale of toy retails	6,073,188	-	-	-	-	**6,073,188**
Sale of consumer goods	6,163,237	-	-	-	-	**6,163,237**
Fashion & Online Retail	813,656	-	-	-	-	**813,656**
Sale of real estate	-	-	5,953,174	-	-	**5,953,174**
Energy trading	-	-	-	-	213,096	**213,096**
Other sales of goods	3,649	-	3,412	**-**	-	**7,061**
Total of sale of goods	**31,935,687**	**16,280,501**	**5,956,586**	**-**	**213,096**	**54,385,870**
Marketing income and franchise fees	230,229	-	96,592	-	-	**326,821**
Maintenance and repairment services	-	-	540,061	-	192,487	**732,548**
Fee and commission income	-	-	-	395,153	-	**395,153**
Total of services	**230,229**	**-**	**636,653**	**395,153**	**192,487**	**1,454,522**
Total revenue from contracts with customers	**32,165,916**	**16,280,501**	**6,593,239**	**395,153**	**405,583**	**55,840,392**
Geographic market						
International	15,834,463	8,623,383	520,226	395,153	120,833	25,494,058
Domestic	16,331,453	7,657,118	6,073,013	-	284,750	30,346,334
Total revenue from contracts with customers	**32,165,916**	**16,280,501**	**6,593,239**	**395,153**	**405,583**	**55,840,392**
Timing of revenue recognition						
Transferred at a point in time	31,935,687	16,280,501	5,956,586	90,174	-	54,262,948
Transferred over time	230,229	-	636,653	304,979	405,583	1,577,444
Total revenue from contracts with customers	**32,165,916**	**16,280,501**	**6,593,239**	**395,153**	**405,583**	**55,840,392**

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For the period ending on 31 December 2018

					ALL '000
Segments	**Retail**	**Mining**	**Real Estate**	**Other**	**Total**
Sale of processed metals and byproducts	-	14,283,091	-	-	**14,283,091**
Sale of consumer electronics retail	18,382,539	-	-	-	**18,382,539**
Sale of toy retails	4,810,012	-	-	-	**4,810,012**
Sale of consumer goods	4,992,647	-	-	34,847	**5,027,494**
Fashion & Online Retail	979,346	-	-	-	**979,346**
Sale of real estate	-	-	5,634,885	-	**5,634,885**
Energy trading	-	-	-	46,762	**46,762**
Other sales of goods	-	-	-	2,069	**2,069**
Total of sale of goods	**29,164,544**	**14,283,091**	**5,634,885**	**83,678**	**49,166,198**
Marketing income and franchise fees	331,878	-	56,983	-	**388,861**
Maintenance and repairment services	-	-	2,420	98,930	**101,350**
Other services	-	-	50,362	7,894	**58,256**
Total of services	**331,878**	**-**	**109,765**	**106,824**	**548,467**
Total revenue from contracts with customers	**29,496,422**	**14,283,091**	**5,744,650**	**190,502**	**49,714,665**
Geographic markets					
International	14,390,632	3,147,624	56,317	32,925	**17,627,498**
Domestic	15,105,780	11,135,467	5,688,333	157,587	**32,087,167**
Total revenue from contracts with customers	**29,496,412**	**14,283,091**	**5,744,650**	**190,512**	**49,714,665**
Timing of revenue recognition					
Transferred at a point in time	29,164,534	14,283,091	5,634,885	36,916	**49,119,426**
Transferred over time	331,878	-	109,765	153,596	**595,239**
Total revenue from contracts with customers	**29,496,412**	**14,283,091**	**5,744,650**	**190,512**	**49,714,665**

Sale of mining products

	For the period ending on 31 December 2019	For the period ending on 31 December 2018
Chrome and FerroChrome	7,522,138	11,135,467
FerroNickel	8,758,363	3,147,624
Total	**16,280,501**	**14,283,091**

Contract Balances

As at December 31, 2019

	Retail	Mining	Real Estate	Other	Total
Trade receivables	1,214,443	312,285	1,605,224	67,277	3,199,229
Contract assets	-	-	774,278	-	774,278
Contract liabilities	-	-	6,091,825	139,572	6,231,397

As at December 31, 2018

	Retail	Mining	Real Estate	Other	Total
Trade receivables	1,160,544	1,199,132	893,309	70,075	3,323,060
Contract assets	-	-	1,380,082	-	1,385,714
Contract liabilities	36,489	281,903	7,265,063	119,632	7,703,087

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

The decrease in contract assets in 2019 is mainly due to the collection of the real estate as a consideration for the sale of development rights recognized as a contract asset in prior year.

Contract liabilities includes long term and short-term advances for the delivery of real estate units which are under construction, loyalty point as well as provision for warranties and recognition of the right to develop these residential complexes on land which is acquired through the sale of residential units. The decrease in contract liabilities in 2019 was mainly due to the closing of Park Gate and Valamar project of Sere and Mane TCI respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2019	2018
Within one year	2,727,976	4,832,474
More than one year	10,356,807	14,722,989
	13,084,783	**19,555,463**

The remaining performance obligations expected to be recognized in more than one year relate to the sale of real estate properties which are largely contracted for sale early in the development phase. All the other remaining performance obligations are expected to be recognized within one year.

13. / INTEREST INCOME FROM BANK ACTIVITY

Major components of interest income from bank activity acquired during 2019 represent the results for the period since acquisition date on March 1, 2019 until December 31, 2019.

	For the year ended on December 31, 2019
Income from Loans to customers from financial operations	1,304,503
Income from financial assets at FVOCI	691,897
Income from balances with banks	23,593
Total interest income from bank activity	**2,019,993**

14. / INTEREST EXPENSE FROM BANK ACTIVITY

The major components of interest expense from bank activity acquired during 2019 represent the results for the period since acquisition date on March 1, 2019 until December 31, 2019.

	For the year ended on December 31, 2019
Interest expense on due to customers	164,192
Interest expense on due to banks	44,945
Total interest expense from bank activity	**209,137**

15. / COST OF SALES

The major components of cost of sale for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Cost of goods for resale	24,297,221	22,422,487
Cost of production of minerals	12,834,926	9,411,835
Cost of sale of real estate	4,706,903	3,394,340
Cost of providing bank services	19,733	-
Other cost of sale	2,153,302	2,300,072
Total	**44,012,085**	**37,528,734**

During 2019, purchase of goods has increased mainly from retail and mining sector which have had a considerable increase of revenues compared to prior year, namely Kid Zone Al, Kid Zone MNE (new entity during the year 2019) and NewCo Ferronikeli. Also, cost of sale of real estate is linked with the completion of Valamar project.

Other cost of sales are mainly derived from energy sector supplying the mining sector.

Cost of sale from finance operations represent the results for the period since acquisition date on March 1, 2019 until December 31, 2019 as a result of bank acquired during 2019

Major components of cost in cost of sales in the mining:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Ore extraction cost	10,542,106	6,581,312
Labor cost	1,221,574	1,336,485
Purchase of third part ore	566,573	818,219
Energy cost	173,034	330,881
Other	331,639	344,938
Total	**12,834,926**	**9,411,835**

16. / SELLING AND DISTRIBUTION EXPENSES

The major components of selling and distribution expenses for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Marketing expenses	729,266	561,513
Transport expenses	384,653	356,904
Other selling and distribution expenses	17,779	11,171
Total	**1,131,698**	**929,588**

Marketing expenses relate to seasonal campaigns performed from subsidiaries in the retail industry such as Balfin Real Estate , Fashion Group, Kis Zone entities, which has the significant part on the marketing expenses occurred during 2019. Additionally, during 2019, Tirana Bank purchases had also influenced the increase in marketing expenses.

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17. / ADMINISTRATIVE EXPENSES

The major components of administrative expenses for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Electricity expenses	456,813	322,766
Other services from third parties	478,846	335,499
Mining royalties and taxes other than income tax	188,256	82,503
Communication expenses	184,121	22,942
Bank charges	144,850	125,904
Travel and per diem expenses	141,067	111,283
Audit/consultancy services	131,948	41,848
Maintenance and repairs	136,833	121,898
Representative expenses	104,985	93,656
Office expenses	97,011	47,915
Legal services	90,139	15,160
Card related expenses	87,941	-
Penalties and fines	37,082	11,033
Bank resolution fund	33,221	-
Fees and other similar expenses	12,405	-
Other administrative expenses	172,438	119,724
Total	**2,497,956**	**1,452,131**

Other services from third parties are mainly related to IT and managerial services provided from suppliers.

Other administrative expenses relate to general training expenses, insurance for personnel, insurance for assets, fuel expenses, etc.

18. / OTHER OPERATING EXPENSES

The major components of other operating expenses for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Depreciation expense property, plant and equipment	2,096,310	1,297,559
Depreciation of right of use asset	829,976	-
Depreciation investment property	420,896	368,537
Amortization expense	401,945	176,505
Provisions and impairments	229,131	312,401
Write-offs	210,296	265,383
Expense/(release) of impairment of inventory property (repossessed collaterals)	171,544	-
Fees for deposits insurance (ASD)	168,894	-
Other banking operating expenses	78,336	-
Impairment of inventory (writte down)	48,589	54,356
Loss from sale of asset	47,131	(21,866)
Inventory writte offs	23,544	39,817
Franchise royalty expenses	130,870	205,988
Other operating expenses	457,239	411,444
Total	**5,314,701**	**3,110,124**

Other operating expenses are mainly comprised of repair and maintenance, concession fees and expenses, fuel and other items.

19. / OTHER OPERATING INCOME

The major components of other operating income for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Other revenue	583,810	443,493
Sale of assets	72,767	-
Dividend income	-	5,037
Reverse of provision	102,026	4,678
Total	**758,603**	**453,208**

As at December 31, 2019 and 2018, other revenues consists of income generated by the companies which do not fall in the scope of IFRS 15 Revenue from contracts with customers.

20. / FINANCE COSTS

The major components of finance cost for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Foreign exchange loss, net	183,827	62,574
Interest expenses	722,969	589,022
Financial expenses with related parties	2,226	-
Finance cost of lease liabilities under IFRS 16	141,790	-
Other financial expenses	209,238	142,108
Total	**1,260,050**	**793,704**

As at December 31, 2019 and 2018 other financial expenses are mainly comprised of commission expense for bank guarantees, letter of credits in the corporate lines of business, etc.

21. / FINANCE INCOME

The major components of finance income for the years ended December 31, 2019 and 2018 are:

	For the year ended on December 31, 2019	For the year ended on December 31, 2018
Interest income from third parties	46,315	56,425
Other finance income	50,994	80,661
Total	**97,309**	**137,086**

22. / INCOME TAX EXPENSE

The major components of income tax expense for the years ended December 31, 2019 and 2018 are:

Consolidated profit or loss	**For the year ended on December 31, 2019**	**For the year ended on December 31, 2018**
Current income tax:		
Current income tax charge	(977,847)	(1,222,984)
Deferred tax:		
Relating to origination and reversal of temporary differences	274,579	363,833
Income tax expense reported in the statement of profit or loss	**(703,268)**	**(859,151)**

The income tax rate applicable to the majority of the Group's 2019 income is 15% (2018: 15%). A reconciliation between the expected and the actual taxation charge is provided below:

	Tax rate	2019	Tax rate	2018
Accounting profit before tax		7,169,364		16,231,451
Tax calculated at the tax rate of 15%	15%	1,075,404	15%	2,434,718
Bargain on purchase gain	(11%)	(762,927)	(11%)	(1,760,907)
Tax effect of non-deductible expenses	1%	390,791	1%	185,340
Tax charge	**10%**	**703,268**	**5%**	**859,151**

Uncertain income tax positions

Current income tax liabilities do not include any amounts in respect of uncertainties relating to tax deductions taken for any expenses. Management estimates that will not be any material exposures to require settlement if challenged by the tax authorities. The income tax liabilities will be fully assessed when the tax audits with respect to the relevant tax returns are incurred.

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23. / PROPERTY, PLANT AND EQUIPMENT

	Building	Land	Machinery and technical installations	Vehicles	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Mining development/ Stripping Cost	Asset in progress	Total
Cost											
As at January 1, 2018	**1,695,417**	**3,819,573**	**5,216,355**	**729,418**	**319,239**	**958,022**	**985,643**	**119,158**	**2,967,131**	**1,885,653**	**18,695,609**
Additions	34,122	170,946	323,283	152,083	99,247	207,115	154,598	24,200	624,991	2,231,351	4,021,936
Acquisition of a subsidiary	4,529,924	2,805,112	13,314,543	3,446	9,705	6,308	273	155,342	125,485	92,047	21,042,185
Disposals	(845)	(68,393)	(85,443)	(72,161)	(41,623)	(74,900)	(8,478)	(6,482)	-	-	(358,325)
Transfers	(525,055)	-	1,322,654	(1,336)	(5,044)	(996)	(236)	(1,351)	-	(879,060)	(90,424)
Exchange difference	(76,617)	(107,291)	(1,215)	(8,624)	(3,149)	(9,238)	(1,630)	(2,377)	-	(24)	(210,165)
As at December 31, 2018	**5,656,946**	**6,619,947**	**20,090,177**	**802,826**	**378,375**	**1,086,311**	**1,130,170**	**288,490**	**3,717,607**	**3,329,967**	**43,100,816**
Additions	101,572	7,085	649,806	62,004	210,907	196,465	194,072	221,172	511,737	573,861	2,728,681
Acquisition of a subsidiary (note 8)	681,798	35,142	-	98,679	1,666,161	-	946,771	-	-	-	3,428,551
Disposals	(300,577)	-	(429,858)	(83,695)	(15,411)	(283,135)	(221,304)	(41,388)	-	(359,760)	(1,735,128)
Assets Held for Sale	-	-	-	(1,990)	(5,088)	(4,921)	(273)	(825)	-	-	(13,097)
Transfers	601,028	(369,310)	135,737	65,886	43,869	24,718	(19,932)	74,208	404,088	(2,619,634)	(1,659,342)
Exchange difference	(66,085)	(62,587)	(178,700)	(2,031)	(1,716)	(3,859)	(1,175)	(3,493)	(7,080)	(9,804)	(336,530)
As at December 31, 2019	**6,674,682**	**6,230,277**	**20,267,162**	**941,679**	**2,277,097**	**1,015,579**	**2,028,329**	**538,164**	**4,626,352**	**914,630**	**45,513,951**

	Building	Land	Machinery and technical installations	Vehicles	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improve-ments	Other tangible assets	Mining de-velopment/ Stripping Cost	Asset in progress	Total
Accumulated depreciation											
As at January 1, 2018	**(44,458)**	**-**	**(3,384,622)**	**(357,063)**	**(148,231)**	**(491,425)**	**(487,159)**	**(38,922)**	**(732,290)**	**-**	**(5,684,170)**
Depreciation charge for the year	(144,377)	-	(662,529)	(95,300)	(56,501)	(99,143)	(121,642)	(12,696)	(105,371)	-	(1,297,559)
Impairment	(36)	-	(70,944)	(180)	-	(42,471)	-	-	-	-	(113,631)
Disposals	11,452	-	38,430	51,603	12,408	(4,069)	(9,588)	2,281	-	-	102,517
Transfers	4,773	-	-	4,032	1,351	2,600	13,090	906	3,483	-	30,235
Exchange difference	907	-	876	4,509	1,558	7,141	969	124	-	-	16,084
As at December 31, 2018	**(171,739)**	**-**	**(4,078,789)**	**(392,399)**	**(189,415)**	**(627,367)**	**(604,330)**	**(48,307)**	**(834,178)**	**-**	**(6,946,524)**
Acquisition of a subsidiary charge of the year	(440,493)	-	-	(97,667)	(1,560,088)	-	(902,485)	-	-	-	(3,000,733)
Depreciation charge for the year	(248,808)	-	(1,286,504)	(106,278)	(89,193)	(175,555)	(93,950)	(42,434)	(53,588)	-	(2,096,310)
Impairment	(7,617)	-	(481)	-	-	-	-	-	-	-	(8,098)
Disposals	61,684	-	68,036	75,351	44,549	132,238	148,538	6,567	-	-	536,963
Assets held for sale	-	-	-	718	1,405	1,315	107	102	-	-	3,647
Transfers	(107,267)	-	(144,539)	(60,586)	(105,598)	122,354	25,783	(69,674)	(517,552)	-	(857,079)
Exchange difference	1,198	-	5,839	2,634	1,409	1,901	257	1,363	5,638	-	20,239
As at December 2019	**(913,042)**	**-**	**(5,436,438)**	**(578,227)**	**(1,896,931)**	**(545,114)**	**(1,426,080)**	**(152,383)**	**(1,399,680)**	**-**	**(12,347,895)**
Carrying amount											
As at December 31, 2018	**5,485,207**	**6,619,947**	**16,011,388**	**410,427**	**188,960**	**458,944**	**525,840**	**240,183**	**2,883,429**	**3,329,967**	**36,154,292**
As at December 31, 2019	**5,761,640**	**6,230,277**	**14,830,724**	**363,452**	**380,166**	**470,465**	**602,249**	**385,781**	**3,226,672**	**914,630**	**33,166,056**

During 2019, building and land have slightly increased as a result of the acquisition of Tirana Bank amounted to 248,593,314 Lek. Assets in progress have decrease mainly as a result of the work finished on QTU which under 2019, and the building of resorts in the south of Albania from Green Coast. This asset are capitalized under Investment in Properties during 2019. Moreover, during the year 2019 the Group has transferred the amount of 894,062 thousand Lek of land to inventory for the development of the mall in Skopje through a special purpose vehicle entity.

At 31 December 2019, property, plant and equipment pledged to third parties as collateral with respect to other borrowed funds are disclosed in Note 50.

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24. / INVESTMENT PROPERTY

	Land	Building	Building in progress	Total
Cost				
As at January 1, 2018	**44,572**	**9,433,438**	**-**	**9,478,010**
Additions	82,620	31,590	-	114,210
Disposals	(44,572)	(273,086)	-	(317,658)
At December 31, 2018	**82,620**	**9,191,942**	**-**	**9,274,562**
Additions	-	1,267,568	3,323,780	4,591,348
Acquisition of a subsidiary (note 8)	74,506	-	-	74,506
Disposals	-	(7,366)	-	(7,366)
Transfers for change of use	(74,506)	304,524	-	230,018
Exchange difference	-	(30)	-	(30)
At December 31, 2019	**82,620**	**10,756,638**	**3,323,780**	**14,163,038**
At January 1, 2018	**-**	**(2,102,784)**	**-**	**(2,102,784)**
Depreciation charge for the year	-	(368,537)	-	**(368,537)**
Disposals	-	81,830	-	**81,830**
As at December 31, 2018	**-**	**(2,389,491)**	**-**	**(2,389,491)**
Depreciation charge for the year	-	(420,896)	-	(420,896)
Impairment	-	(156,668)	-	(156,668)
Disposals	-	14,577	-	14,577
Transfers	-	68,488	-	68,488
Exchange difference	-	-	-	-
As at December 31, 2019	**-**	**(2,883,990)**	**-**	**(2,883,990)**
Carrying amount				
At December 31, 2018	**82,620**	**6,802,451**	**-**	**6,885,071**
At December 31, 2019	**82,620**	**7,872,648**	**3,323,780**	**11,279,048**

The Group's investment properties consist of commercial properties, mainly QTU, TEG, TLP and the recently shopping mall center being constructed, EGM. Management determined that the investment properties consist of two classes of assets – land and building– based on the nature, characteristics and risks of each property.

During the year 2019 the Group has reclassified a land of 74,506 thousand Lek from investment property to inventory from finance operations and 304,524 thousand Lek have been transferred from asset in progress previously classified as property, plant and equipment.

25. / RIGHT USE OF ASSET

	Point of sales	Office space	Buildings	Plant	Equipment and Vehicles	Total
Cost						
At January 1, 2019	**856,423**	**19,385**	**2,888,200**	**-**	**163,843**	**3,927,851**
Additions	1,211,261	105,295	924,246	78,399	441,292	**2,760,493**
At 31 December 2019	**2,067,684**	**124,680**	**3,812,446**	**78,399**	**605,135**	**6,688,344**
Accumulated depreciation						
At January 1, 2019						
Charge for the year	(397,288)	(16,455)	(1,154,640)	(2,927)	(184,428)	**(1,755,738)**
At December 31, 2019	**(397,288)**	**(16,455)**	**(1,154,640)**	**(2,927)**	**(184,428)**	**(1,755,738)**
Carrying amount						
At December 31, 2019	**1,670,396**	**108,225**	**2,657,806**	**75,472**	**420,707**	**4,932,606**

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26. / INTANGIBLE ASSET

	License	Software	Other intangible assets	Concession and mining rights	Development expenses	Intangible asset in progress	Goodwill	Total
Cost								
As at January 1, 2018	**13,239**	**21,213**	**49,825**	**416,000**	**383**	**-**	**-**	**500,660**
Additions	452	6,855	88,825	1,259	-	171	**-**	**97,562**
Acquisition of a subsidiary	80,308	3,918	-	1,509,951	-	-	**28,235**	**1,622,412**
Transfers	-	(41)	-	-	(57)	-	**-**	**(98)**
Exchange difference	-	(698)	-	-	-	-	**-**	**(698)**
As at December 31, 2018	**93,999**	**31,247**	**138,650**	**1,927,210**	**326**	**171**	**28,235**	**2,219,838**
Additions	11,731	44,147	5,046	77,628	1,465	1,162	103,630	**244,809**
Acquisition of a subsidiary (note 8)	118,086	242,518	-	-	-	-	-	**360,604**
Disposals	(451)	(1,410)	(137,670)	(1,259)	(326)	(171)	-	**(141,287)**
Transfers	-	408	(980)	-	84,624	-	(28,235)	**55,817**
Exchange difference	(1,074)	(246)	-	(25,148)	-	-	-	**(26,468)**
As at December 31, 2019	**222,291**	**316,664**	**5,046**	**1,978,431**	**86,089**	**1,162**	**103,630**	**2,713,313**
Amortization								
As at January 1, 2018	**(1)**	**(8,183)**	**(48,435)**	**(146,873)**	**-**	**-**	**-**	**(203,492)**
Amortization charge	(82)	(3,781)	-	(172,642)	-	-	**-**	**(176,505)**
Transfers	(180)	312	-	-	-	-	**-**	**132**
Exchange difference	(281)	257	-	-	-	-	-	**(24)**
As at December 31, 2018	**(544)**	**(11,395)**	**(48,435)**	**(319,515)**	**-**	**-**		**(379,889)**
Depreciation charge for the year	(2,792)	(103,558)	(187)	(192,518)	(113,464)	-	-	**(412,519)**
Disposals	377	1,736	48,546	4,103	113,464	-	-	**168,226**
Transfers	(79,151)	-	-	-	-	-	-	**(79,151)**
Exchange difference	1,059	132	-	1,038	-	-	-	**2,229**
As at 31 December 2019	**(81,051)**	**(113,085)**	**(76)**	**(506,892)**	**-**	**-**	**-**	**(701,104)**
Carrying amount								
At December 31, 2018	**93,455**	**19,852**	**90,215**	**1,607,695**	**326**	**171**	**28,235**	**1,839,949**
At December 31, 2019	**141,240**	**203,579**	**4,970**	**1,471,539**	**86,089**	**1,162**	**103,630**	**2,012,209**

As result of the acquisition of Tirana Bank on February 28, 2019 there is an increase of intangible assets in 2019 by 360,604 thousand Lek. Also, during 2019 goodwill recognized as part of the acquisition of Nettrade for the total amount of 28,235 thousand Lek has been reclassified to asset held for sale. Goodwill has been impaired for the total amount of 22,565 thousand Lek as part of the write down to fair value less cost to sell, for more detailed information see Note 9.

27. / INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The major components of investment in associates and joint ventures as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Investment in Joint Ventures cost	59,889	27,544
Investment in Associates cost	20,215	51,888
	80,104	**79,432**
Increase/(decrease) using equity method	67,950	105,512
Total	**148,054**	**184,944**

Reconciliation to Group's carrying amounts:

	2019	2018
Opening balance 1 January	184,944	232,659
Increase/(decrease) in share capital	(119)	(55,052)
Share of profits	74,421	103,585
Dividends received	(111,192)	(96,248)
Closing balance 31 December	**148,054**	**184,944**

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28. / INVENTORY

The major components of inventories as at December 31, 2019 and 2018 are disclosed as below:

	December 31, 2019	December 31, 2018
Consumer goods	871,643	587,707
Other mining materials	2,517,421	1,540,298
Real estate for sale	2,326,478	1,105,282
Mining and byproducts	1,703,706	3,063,661
Fashion and online retail inventory	176,841	227,246
Electronics and household devices	4,178,589	3,715,716
Toy retailer	1,087,951	970,014
Other materials	17	112,491
Impairment of finished goods	(561,233)	(110,933)
Inventory from non-finance operations	**12,301,413**	**11,211,482**
Properties in development	6,404,129	8,256,458
Mining and byproducts in process	160,928	161,261
Total in process inventory	**6,565,057**	**8,417,719**
Inventory from financial activity	1,797,146	-
Impairment from financial activity	(171,544)	-
Inventory from finance operations	**1,625,602**	**-**
Total inventory	**20,492,072**	**19,629,201**
Current portion	12,462,341	16,355,889
Non-current portion	8,029,731	3,261,987

Inventory from financial activity represent real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2 "Inventories".

29. / DEFERRED TAX ASSET / (LIABILITY)

	As at December 31, 2019	As at December 31, 2018
Deferred tax asset	710,839	447,471
Deferred tax liabilities	(2,467,516)	(2,721,378)
Deferred tax liabilities, net	**(1,756,677)**	**(2,273,907)**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The balance of deferred tax asset and liability in the current year is mainly from NFN and Tirana Bank. Movements in deferred tax assets and liabilities are presented as follows:

Deferred tax assets	**2019**	**2018**
As at January 1	447,471	89,746
Charge of the year	181,759	345,397
Unrealized profit adjustments	81,609	12,328
December 31	**710,839**	**447,471**
Deferred tax liabilities	**2019**	**2018**
As at January 1	2,721,378	57,571
Release of deferred tax liability	(253,862)	(22,442)
Effect from acquisition of subsidiary	-	2,682,242
Effect of foreign exchange rate	-	4,007
December 31	**2,467,516**	**2,721,378**

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30. / INTEREST-BEARING LOANS GIVEN

The major components of interest-bearing loans given as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Interest-bearing loans	668,935	1,750,901
Other financial assets	16,821	197,178
	685,756	**1,948,079**
Current	647,023	1,726,595
Non-current	38,733	221,484
Total	**685,756**	**1,948,079**

The net decrease in interest bearing loans given during 2019 is a result of proceeds of loans given for the year. No significant loans are given during the year. The balance in 2018 is mainly affected as a result of new loans in the amount of Lek 1,322,058 thousand to third parties with interest of 6%.

The financial assets are comprised of receivable amounts from the sale of assets of subsidiaries of the Group and other long-term receivables to third parties.

Interest-bearing loans given for the year ended on December 31, 2019 are detailed as follows:

December 31, 2019					
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Short term loans	0%	7%	2/13/2019	2/28/2020	647,023
Long term loans	0%	0%	5/1/2019	3/8/2021	21,912
				Total	**668,935**

Non-current financial assets for the year ended on December 31, 2018 are detailed as follows:

December 31, 2018					
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Short term loans	0%	6%	2/13/2018	2/28/2019	1,726,595
Long term loans	0%	0%	5/1/2018	3/8/2020	24,306
				Total	**1,750,901**

31. / FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OCI

Financial assets in the banking operations of the Group consist of the following:

	December 31, 2019
Financial assets at fair value through other comprehensive income	
Treasury bills	10,163,061
Government bonds	18,112,977
Total	**28,276,038**
Financial assets at amortized cost	2,589,250
Total	**30,865,288**
Financial assets current	15,105,148
Financial assets non-current	15,760,140
Total	**30,865,288**

Treasury bills at December 31, 2019 and 2018 include zero-coupon bills issued by the Government of Albania with contractual maturity of 12 months. While, coupon rates on Government Bonds issued by the Government of Albania are fixed and vary from 1.45% to 9.25%

32. / LOANS TO CUSTOMERS FROM FINANCIAL OPERATIONS

	As at December 31, 2019
SME lending	19,192,261
Mortgage	7,140,268
Corporate lending	2,936,358
Consumer lending	2,495,254
Overdrafts	257,159
Credit cards	200,876
Accrued interest	99,373
Loan commissions deferred using EIR	(75,596)
Gross loans and advances	**32,245,953**
Less: Allowance for impairment losses	(1,771,400)
Total	**30,474,553**
Loans to customers from financial operations short term	13,564,519
Loans to customers from financial operations long term	16,910,034
Total	**30,474,553**

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33. / TRADE RECEIVABLES

The major components of trade receivables as at December 31, 2019 and 2019 are:

	December 31, 2019	December 31, 2018
Trade receivables from third parties	3,355,473	3,445,647
Trade receivables from JVs and associates	23,240	4,155
Less: allowance for expected credit losses	(179,484)	(126,742)
Total trade receivables from third parties, net	**3,199,229**	**3,323,060**

Set out below is the movement in the allowance for expected credit losses of trade receivables from third parties:

	2019	2018
As at January 1	**126,742**	**126,793**
Provision for expected credit losses	65,020	23,999
Reverse of provision for doubtful accounts	(10,661)	(4,591)
Write-offs	(1,617)	(19,459)
As at December 31	**179,484**	**126,742**

The Group categorizes its trade receivables based on the ageing and recognizes lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables applying to the receivables held at year end.

Ageing bucket	December 31, 2019	December 31, 2018
0 - 30 days	1,233,648	1,954,862
31 - 60 days	513,744	172,333
61 - 90 days	89,261	282,695
91 - 180 days	571,369	264,677
Over 180 days	791,207	648,493
Total	**3,199,229**	**3,323,060**

The balances aged over 90 days are derived mainly from the real estate sector where the ownership of the property is transferred only when all payments are collected therefore these balances are indirectly secured and with lower credit risk. Moreover, the Group engages into relationships that are usually cleared at the end of the construction of the project despite categorizing the receivable in an age bucket of greater than 90 days, the receivable is not yet due. The effect of delays in payment are not material to the group, whereas the non-collection risk remains low.

34. / OTHER RECEIVABLES

The major components of other receivables as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Tax receivables	1,090,237	1,632,177
Other assets	356,519	-
Accruals and other receivables	202,716	427,067
Other receivables from customers	168,402	-
Advance payments	142,955	183,877
Other debtors, net	83,357	-
Dividend receivable	289	-
Allowance for ECL – other receivable	(481)	-
Total	**2,043,994**	**2,243,121**

Accruals and other receivables are mainly related to short term prepayments, interest and other accruals.
As at December 31, 2019 tax receivables, net are mainly comprised of VAT receivables in the amount of Lek 947,453 thousand (2018: Lek 1,467,891 thousand) and other taxes.

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35. / CASH AND DUE FROM BANKS

The major components of cash and short-term deposit as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Non-Financial Sector		
Cash at banks	1,957,228	4,731,040
Deposits	48,741	544,603
Cash on hand	251,395	399,746
Cash in transit	41,542	46,604
Restricted cash	46,983	44,970
	2,345,889	**5,766,963**
Financial Sector		
Cash and short-term deposits	1,578,517	-
Compulsory reserve with Central Bank	5,043,793	
Balances with Central Bank	244,721	-
Loans and advances to banks	3,897,337	-
	10,764,368	**-**
Total cash and cash equivalents	**13,110,257**	**5,766,963**

As at December 31, 2019 and 2018, the Group classified as cash and cash equivalents the current deposits with an intended maturity of less than 3 months.

Restricted cash relates to guarantees placed by a number of subsidiaries for operations in regulated industries like the energy and mining sectors.

For the purpose of Cash Flow Statement, cash and cash equivalent comprises as follows:

	December 31, 2019	December 31, 2018
Non-Financial Sector	2,345,889	5,766,963
Financial Sector (excluding compulsory reserve)	5,720,575	-
Total cash and cash equivalents	**8,066,464**	**5,766,963**

36 / SHARE CAPITAL AND OTHER RESERVES

The total number of ordinary shares at December 31, 2019 was 100 shares (2018: 100 shares) with a par value of Lek 32,162,050 per share. All issued shares are fully paid.

Other reserves as at December 31, 2019 and 2018 are comprised mainly of legal and other reserves as disclosed below:

	Legal reserve	Other reserves	Total
Total equity at 1 January 2018	**21,895**	**3,962,670**	**3,984,565**
Release of reserve to retained earnings	-	(3,381,871)	(3,381,871)
Balance as at 31 December 2018	**21,895**	**580,799**	**602,694**
Release of reserve to retained earnings	(18,014)	(580,799)	(598,813)
Transfer from retained earnings to other reserves		463,733	463,733
Other movements	(68)	-	(68)
Balance as at 31 December 2019	**3,813**	**463,733**	**467,546**

Other reserve are generally equity reserves created by individual subsidiaries, typically in line with respective local legislation, to allocate profit of the year to internal investment plans rather than held for dividend distribution. Other reserves are generally voluntary and unrestricted and can be directly distributed as dividends or transferred back to retained earnings.

The balance of reserves as at December 31, 2019 mainly relates to Mane TCI and is destined to fulfill the investments planned for development of real estate properties.

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37. / INTEREST-BEARING BORROWINGS

The major components of interest-bearing loans and borrowings as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Loans from financial institutions	9,403,972	8,218,341
Loans from third parties	3,196,632	4,066,327
Overdrafts	2,905,344	1,764,621
Loans from joint venture and associates	65,241	56,959
Other financial liabilities	131,023	129,894
Accrued interest	26,173	38,470
Total	**15,728,385**	**14,274,612**
Non-current	8,352,068	7,786,288
Current	7,376,317	6,488,324
Total	**15,728,385**	**14,274,612**

Other financial liabilities are mainly comprised of amounts due to previous shareholder of certain subsidiaries for liquidity purposes.

Loans from financial institutions for the year ended on December 31, 2019 are detailed as follows:

	December 31, 2019				
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Loans	1.00%	7.20%	June 13, 2019	October,3, 2029	9,403,972
Overdraft	4.00%	8.00%	August 8, 2019	July 31, 2021	2,905,344
				Current portion	**5,360,350**
				Non-current portion	**6,948,966**

Loans from financial institutions for the year ended on December 31, 2018 are detailed as follows:

	December 31, 2018				
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Loans	3.00%	7.20%	Sep 1, 2019	Oct 4, 2029	8,218,341
Overdrafts	1.90%	8.00%	Aug 8, 2019	Sep 30, 2020	1,764,621
				Current portion	**3,440,782**
				Non-current portion	**6,542,180**

38. / DUE TO CUSTOMERS IN FINANCIAL OPERATIONS

	As at December 31, 2019
Corporate customers	
Current accounts	6,981,325
Term deposits	677,947
Other deposits	1,814,448
	9,473,720
Retail customers	
Current / Savings accounts	21,058,554
Term deposits	31,228,935
Other deposits	642,350
	52,929,839
Accrued interest	114,001
Cheques payables and remittances	16,439
Total	**62,533,999**
Current portion	*7,868,878*
Non-current portion	*54,665,121*

The below interest rates are applied on Customer Deposits for the year 2019:

	Saving accounts:		Term deposits	
Currency	Minimum	Maximum	Minimum	Maximum
LEK	0.00%	0.26%	0.10%	2.50%
USD/EUR	0.00%	00.64%	0.00%	0.90%

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39. / LEASE LIABILITIES

Lease liabilities under IFRS 16 is detailed as at December 31, 2019 as below:

	31 December 2019
Lease liability	3,927,851
Addition in lease liabilities	2,760,494
Decrease in lease liability	(1,707,874)
Principal lease payments	*(1,849,664)*
Interest on lease liability	*141,790*
Total lease liability	**4,980,471**
Current portion	*893,118*
Non-current portion	*4,087,353*
Maturity analysis	
Year 1	1,039,444
Year 2	1,322,251
Year 3	487,169
Year 4	931,847
Year 5	462,437
Onwards	737,323
Total	**4,980,471**

40. / PROVISIONS

The major components of provisions as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Provision for restoration and decommissioning	355,812	424,968
Expected credit losses from off balance sheet items	103,707	-
Other benefits	75,741	69,362
Provision for tax audits and other legal cases	68,168	8,816
Post- employment benefits	54,520	58,488
Operational risk provisions	39,228	-
	697,176	**561,634**
Current	75,509	101,537
Non-current	621,667	460,097
Total	**697,176**	**561,634**

Expected credit loss and operational risk provisions relate to Tirana Bank acquired in the current year.

As at December 31, 2019 and 2018, movements in other provisions are set out below:

	2019	2018
As at January 1	561,634	74,154
Provision for off balance sheet items	103,707	-
Provision for tax audits and other legal cases	59,352	8,816
Operational risk provisions	39,228	-
Other benefits Provision	6,378	67,072
Provision (release)/built for restoration and decommissioning	(69,156)	342,230
Provision (release)/built for Employee benefits	(3,967)	69,362
Total	**697,176**	**561,634**

Provision for Restoration and decommissioning

Under current legislation, entities operating mining and related activities in Kosovo are required to undertake remedial action in areas specified in the license agreement in compliance with local environmental requirements. When ceasing mining operations, an entity is obliged to restore the mining area to its previous condition.

The calculation was reviewed and updated an independent professional firm. The expected current cash flow was projected over the useful life of the mining sites and discounted to the balance sheet date.

Employee benefits:

Employee benefits relate to post-employment benefits calculated by the companies that do apply these provisions. Other benefits related to Withholding tax and Royalty tax provision calculated respectively based on based on non-residents rendering services and ores extracted and transferred from the mines in the current year.

41. / DUE TO BANKS

Due to banks relate to the Banking operations of the group.

	As at December 31, 2019
Current accounts due to banks	119,487
Borrowings	1,897,232
Accrued interest	306
Total	**2,017,025**

Borrowings are interbank placements typically of maturities less than 1 month.

42. / TRADE PAYABLES

The major components of trade payables as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Trade payables third parties	10,468,863	12,053,776
Trade payables in joint ventures and associates	121,700	11,762
Total	**10,590,563**	**12,065,538**

Trade are usually settled within 30-60 days.

43. / OTHER PAYABLES AND LIABILITIES

The major components of other financial liabilities as at December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Non-current		
Residual guarantees from tenants	77,168	168,675
Prepayments received	20,301	-
Other financial liabilities from shareholders	969	797
Obligations under finance leases non-current	404	-
Government grants	-	15,595
	98,842	**185,067**
Current		
Tax liabilities	447,517	490,698
Accrued expenses	303,025	170,187
Payable to Ministry of Trade and Energy	256,297	228,376
Other liabilities from finance operations	196,080	-
Payable to employees	154,424	172,975
Other payables to related parties	42,772	1,350
Deferred revenue (other than contract liability)	33,825	-
Prepayments received	26,940	59,907
Government grants current	-	650
	1,460,880	**1,124,143**
Total	**1,559,722**	**1,309,210**

Other taxes payable are mainly comprised of taxes payable for employee contributions, VAT payable, custom taxes.
Accrued expenses relate to accruals for purposes of the result of previous tax audits.

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44. / FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management Board oversees the management of these risks. Every 6 months year end, each member of the Management Board performs a review of the risk management report, respective for each segment identified. The Management Board performs the review and advises on financial risks, mitigation plan and the appropriate financial risk governance framework for the Group. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Additionally, at the date of the issuance of these consolidated financial statements, the Group has entered into hedging agreements with second tier banks to monitor arising risks from commodity price fluctuations.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings and by considering cross border borrowings, being financed by countries that provide lower risk rates.

Interest rate sensitivity

As at December 31, 2019 and 2018 the sensitivity of variable loans and borrowings to a reasonably possible change of the interest rate by 1%, with other variables held constant, the Group's profit before tax is affected respectively by Lek thousand 276,878 (2018: Lek 234,129 thousand).

Foreign currency risk

The currency gap is closely monitored to strengthen the financial position of the Group and minimize the effect on the financial statements. In order to mitigate the effect of currency divergences, each financing is oriented towards attaining a minimization effect of the differences of payables vs receivables. To efficiently manage the currency risk, the main Group financing are driven towards the same currency that the sales are performed while taking in deep consideration the effective applicable interest rate and the main incurred cost.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before tax (Lek '000)	
		2019	2018
Euro	5% / (5%)	(716,176) / 716,175	(478,564) / 478,564
USD	5% / (5%)	(193,728) / 193,728	(276,766) / 276,766
MKD	5% / (5%)	(18,316) / 18,316	(124,537) / 124,537
BAM	5% / (5%)	(1,230) / 1,230	(1,196) /1,196

Commodity price risk

The Group is affected by the volatility of certain price commodities. Its operating activities require the ongoing purchase of nickel, ore and chrome and therefore require a continuous supply of nickel ore.

Commodity price sensitivity

The following table shows the effect of price changes in the commodity:

	Change in price	Effect on financial position	Effect on profit before tax
2019			
Nickel	5% / (5%)	2,298 / (2,298)	415,867 / (415,867)
Oil	5% / (5%)	1,087 / (1,087)	(19,423) / 19,423
Electricity	5% / (5%)	3,717 / (3,717)	128,746 / (128,746)
Chrome	5% / (5%)	213,220 / (213,220)	77,809 / (77,809)
2018			
Nickel	5% / (5%)	864 / (864)	227,840 / (227,840)
Oil	5% / (5%)	247 / (247)	10,333 / (10,333)
Chrome	5% / (5%)	10,505 / (10,505)	186,875 / (186,875)

b) Credit risk

i. Non-finance operations

Credit risk is managed by the Group by assessing parties' creditworthiness when entering into a contractual relationship and continuously monitoring the ageing of receivables and impairment indicators. The Group obtains monthly reports and follows up on their collection within normal collection year of 30-60 days.

ii. Financial Operations

Credit risk is the most material risk for the group requiring the major part of the minimum capital and it mainly derives from lending activities (loans and advances) to customers and investments in debt securities as presented in its structure of the balance sheet. On and off balance sheet exposures are analyzed in terms of the possible loss they can produce and provisioned accordingly as per the documented provisioning methodologies approved by the Board of Directors. The Group's Corporate Governance principles ensure proper allocation of responsibility and accountability based on the risk origination, aiming to align the risk-taking process with the risk appetite.

Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Maximum exposure to credit risk before collateral held or other credit enhancements in 2019

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross	Allowance for impairment	Carrying amount
Financial Sector						
Loans to customers from financial operations	25,752,552	3,241,991	3,251,410	32,245,953	(1,771,400)	**30,474,553**
Financial assets at fair value through OCI	28,397,482	-	-	28,397,482	(121,444)	**28,276,038**
Financial assets at amortized cost	2,761,661	-	-	2,761,661	(172,411)	**2,589,250**
Due from banks	3,897,337	-	-	3,897,337	(556)	**3,896,781**
Cash and balances with Central Bank	6,867,190	-	-	6,867,190	(159)	**6,867,031**
	67,676,222	**3,241,991**	**3,251,410**	**74,169,623**	**(2,065,970)**	**72,103,653**
Non-Financial Sector						
Trade receivables	733,124	1,283,013	1,362,576	3,378,713	(179,484)	**3,199,229**
Interest-bearing loans given	735,172	-	-	735,172	(49,416)	**685,756**
Contract assets	774,278	-	-	774,278	-	**774,278**
Cash and cash equivalents	2,094,494	-	-	2,094,494	-	**2,094,494**
	4,337,068	**1,283,013**	**1,362,576**	**6,982,657**	**(228,900)**	**6,753,757**
Total	**72,013,290**	**4,525,004**	**4,613,986**	**81,152,280**	**(2,294,870)**	**78,857,410**

	2019
Credit risk exposures relating to off-balance sheet items are as follows:	
Loans Commitment	3,703,042
Letters of Guarantees	844,660
Letters of Credit	296,100
At 31 December	**4,843,802**

The above table represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 89.64 % of the loans and advances portfolio is categorised in the top two grades of the internal rating system.
- Loans to SMEs, which represents the biggest group in the portfolio, are backed by collateral;
- 80.01 % of the loans and advances portfolio are considered to be neither past due nor impaired and
- The Bank has introduced a more stringent selection process upon granting loans and advances.

Maximum exposure to credit risk before collateral held or other credit enhancements in 2018:

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross	Allowance for impairment	Carrying amount
Non-Financial Sector						
Trade receivables	425,633	1,984,257	1,039,812	3,449,702	(126,642)	**3,323,060**
Interest-bearing loans given	1,665,991	-	418,278	2,084,269	(136,190)	**1,948,079**
Contract assets	1,385,714	-	-	1,385,714	-	**1,385,714**
Cash and cash equivalents	5,367,217	-	-	5,367,217	-	**5,367,217**
	8,844,555	**1,984,257**	**1,458,090**	**12,286,902**	**(262,832)**	**12,024,070**

c) Liquidity risk

Liquidity risk from non-finance operations

Management monitors monthly rolling forecasts of the Group's cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Following the high degree of concentration in the retail industry in the Group composition, short term liabilities are due to working capital operational needs. The Group has the ability to meet its short-term obligations with its most liquid assets. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

For the liquidity risk of non-finance operations of the Group please refer below:

As at December 31, 2019	Carrying amount less than 3 months	3 to 12 months	1 to 5 years	over 5 years
Interest-Bearing Borrowings	15,728,385	1,200,324	5,838,485	8,216,245	473,331
Trade payables	10,590,562	4,208,413	6,159,871	222,278	-
Other payables	1,460,880	1,316,151	144,499	230	-
Other Financial Liabilities	170,780	72,907	-	53,705	44,168
Dividend Payable	2,753,653	-	590,400	-	2,163,253
Total Liabilities	**30,704,260**	**6,797,795**	**12,733,255**	**8,492,458**	**2,680,752**

As at December 31, 2018	Carrying amount less than 3 months	3 to 12 months	1 to 5 years	over 5 years
Interest-Bearing Borrowings	14,144,718	414,795	6,474,337	4,943,114	2,312,472
Other financial liabilities	185,067	59,391	1,677	123,999	-
Trade payables	12,065,538	7,795,385	2,436,698	1,832,313	1,142
Other payables	1,124,143	700,948	389,995	24,219	8,981
Other Financial Liabilities	129,894	114	-	129,780	-
Dividend Payable to minority shareholders	52,607	52,607	-	-	-
Total Liabilities	**27,701,967**	**9,023,240**	**9,302,707**	**7,053,425**	**2,322,595**

Liquidity risk from finance operations

The liquidity risk of the Group's financial operations is managed separately from the rest of the Group's operations.

Funds are raised using a broad range of instruments. The management of Group's finance operations makes its best efforts to maintain a balance between continuity of funding and flexibility using liabilities with a range of maturity. In addition, the Group's finance operations holds a portfolio of liquid assets as part of its liquidity risk management strategy. The levels of these indicators are communicated on a daily basis to the persons in charge of the appropriate departments, and the comments, as well as the respective estimates, are included in the reporting package for the members of the Assets and Liabilities Management Committee ("ALCO").

Group's finance operations are regulated by Bank of Albania (BoA), for which the finance operations shall report periodically. The Group is not affected by such reports nor does it fall in the category where its activities shall be regulated by BoA. However, the Group is required to abide to restrictions imposed by BoA on credit risk concentration within the Group.

The liquidity risk note of finance operations of the Group please refer below:

As at December 31, 2019	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Years	Total
Assets liquidity						
Cash and balances with the Central Bank	6,867,031	-	-	-	-	**6,867,031**
Due from banks	3,897,337	-	-	-	-	**3,897,337**
Loans to customers from financial operations	1,277,622	1,550,185	10,627,667	5,251,300	11,767,779	**30,474,553**
Investment Securities at FVOCI	966,478	3,923,017	10,870,644	5,765,892	6,750,007	**28,276,038**
Financial assets at amortized cost	-	-	-	-	2,589,250	**2,589,250**
Total financial assets	**13,008,468**	**5,473,202**	**21,498,311**	**11,017,192**	**21,107,036**	**72,104,209**
Liabilities liquidity						
Due to banks	2,017,025	-	-	-	-	**2,017,025**
Due to customers	30,977,511	4,247,323	18,679,639	8,254,313	375,213	**62,533,999**
Loan commitments	1,968	176,290	3,279,909	32,476	212,399	**3,703,042**
Letters of Guarantees	17,047	60,840	766,773	-	-	**844,660**
Letters of Credit	-	-	296,100	-	-	**296,100**
Total financial liabilities	**33,013,551**	**4,484,453**	**23,022,421**	**8,286,789**	**587,612**	**69,394,826**
Net liquidity gap	**(20,005,083)**	**988,749**	**(1,524,110)**	**2,730,403**	**20,519,424**	**2,709,383**

All customer current accounts arising from Group's finance operations are included in liabilities maturing less than one month. Current accounts are classified as such due to their contractual terms, however these balances are measured by the bank management on a systematic basis based on prior history and expectations and the actual gap is far less than the shown as negative gap on tenors less than one month. Any issue arising from liquidity mismatch is managed through inter-bank activity (borrowing, lending) within the pre-approved credit lines.

The Bank manages its liquidity risk and position independently from the Group in line with the applicable regulatory framework and is compliant with liquidity ratios imposed by the regulators.

47. / COMMITMENTS AND CONTINGENCIES

Litigation and claims

On the reporting date, the Group is not involved in any material outstanding legal claims and litigations. On the basis of its own estimates and both internal and external professional advice, the Group's management is of the opinion that no material losses will be incurred in excess of provisions that have been made to these consolidated financial statement.

Operating lease commitments – Group as a lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31, are as follows:

		2019	2018
	Non-finance op.	**Finance op.**	**Non-finance op.**
Within one year	24,644	142,149	342,244
After one year but not more than five years	110,918	179,167	1,447,019
More than five years	131,804	15,749	587,950
Total	**267,366**	**337,065**	**2,377,213**

Operating lease commitments – Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and rental area in the shopping centers. These leases have terms of between 5 and 15 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The total contingent rents recognised as income during the year is Lek 1,020 thousand (2017: Lek 1,126 thousand).

Future minimum rentals receivable under non-cancellable operating leases as at December 31, are, as follows:

	2019	2018
Within one year	1,035,629	871,247
After one year but not more than five years	5,386,303	4,444,254
More than five years	-	3,048
Total	**6,421,932**	**5,318,549**

The Group has entered into collateral agreements with banks and guarantees with third parties during 2019 and 2018 as follows:

Collaterals:	**December 31, 2019**	**December 31, 2018**
Land and buildings	7,206,278	8,630,167
Property and equipment	4,601,973	5,630,213
Inventory	3,143,664	3,472,758
Trade receivables	71,719	278,976
Cash and cash equivalent	-	184,158
Total	**15,023,634**	**18,196,272**

The Group's finance operations grants letter of credits and guarantees to its customers, which would require the Group to make payments if the clients default in settling their liabilities toward third parties. Credit commitments comprise contractual commitments to grant loans and advances up to the set limit within certain time frames and repayment terms. These are recorded as Loans to customers from financial operations when committed funds are disbursed to the customers.

Contingencies and commitments as at December 31, 2019 are composed of the following:

	As at December 31, 2019
Granted	
Loan commitments	3,703,042
Letters of Guarantees	844,660
Letters of Credit Received	296,100
Received	
Guarantees received	-

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48. / EVENTS AFTER THE REPORTING YEAR

In December 2019 the news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globaly and its negative impact has gained momentum. Amid the worldwide situation and the spread of the virus in Albania, the Government of Albania imposed lockdown restrictions from March till May 2020 with considerable impact into businesses. In order to incentivize the economy and tackle the immediate lockdown impact, the Government of Albania introduced a number of actions to include, but not limited to, salary bonuses, moratorium on loans and leasehold payments, sovereign guarantee on new bank loans obtained by suffering business for salary payments and liquidity needs.

To alleviate the negative impact of the COVID-19 pandemic, Balfin Group Management assessed the impact on Group operations and implemented measures to preserve cash flows to maintain liquidity and continue to meet its obligations as they fall due as follows:

- Put in place business continuity and contingency plans that should allow the individual Companies of the Group to reasonably continue in operation to the extent possible;
- Renegotiated with financial institutions to defer repayments of loan instalments and interest;
- Increased the existing credit facilities with banks to optimize business operations and regain financial stability in the retail sector
- Adopted the policies issued by regulators in the respective countries and defer income tax payments;
- Profited from aid programs issued by governments in the respective countries to support businesses in difficulty;
- Decreased employee expenses by keeping employees as part time and paid 50% of the contractual salary for the period April-May. Despite the situation, Balfin Group did not lay off regular staff or full time personnel;
- Renegotiated with suppliers the payment terms of liabilities liabilities and obtaining credit extension and bonuses;
- Reduced by 10% operational expenses across the Group
- Put on hold or postponed planned current business extension, new real estate projects on pipeline and/or transferred the investment risk to third parties

Retail operations

Retail operations have been significantly affected due to Covid-19 forced lockdown where all stores were closed except for sale of consumer goods, which fell under the category of essential business and remained opened throughout the lockdown period. The operations within sector promoted online sales to recover parts of the lost revenue for those months which was achieved partly in some operations. Online sales combined with the above-mentioned measures and a new credit line of 4m Eur have made possible maintaining the required liquidity throughout the year 2020. Also the Group has postponed expansion plans mainly in toys sale operations to 2021. Despite the lockdown and the adverse effect on the turnover the Group's retail operations have been forecasted remain in profit across all lines of business and geographical locations for the year ending on 31 December 2020 and subsequently based on the latest budget reviews and trends observed until the date of these financial statements.

Real estate operations

Real estate operations and specifically the operation of shopping malls have been closed during the period March – May 2020 with the exception of essential stores. During this time the Group provided rent concessions to the tenants leading to the decrease in the turnover. The shopping malls remain fully rented following the lockdown period and no tenant drop out have occurred. The Group managed the liquidity through above mentioned measures and has managed to maintain appropriate liquidity to meet its liabilities. Shopping malls have largely repaid external debt and revenues are more than sufficient to meet operating cash outflows.

Meanwhile, the real estate development operations have not been affected significantly as the Group usually engages sale contracts well in advance of the completion of properties. As disclosed in Note 14, the Group has a total of 13,084,783 thousand Lek as unsatisfied performance obligation for completed contracts, which is expected to be recognized as revenue as soon as the unit is delivered during the upcoming periods. The Group has not received significant, (if there have been any) cancellation requests for contracts of sale of properties. During the lockdown period this operation postponed construction works on one of the main projects which led to the completion of certain units to be rescheduled for 2021. The Group's operations are forecasted to be profitable for the year ending on 31 December 2020 and subsequently based on the latest budget reviews.

Mining

Mining operations have been forecasted to incur a loss during the year 2020 which will be recovered partially in 2021 and onwards. These forecasts were not however were not related to the Covid crisis, which has also had some positive impact due to lower energy prices, one of the main elements of cost in these operations. In its nickel operations that were recently acquired, the Group has significantly increased capital investments to improve the capacity and efficiency of plants. In addition, the nickel price has significantly increased in 2020 and the operation has achieved positive EBITDA and Cash flows. Both key companies in this sector have decreased production due to lower ferrochrome and nickel price and have planned to undertake investments focused in reduction of cost of production and expansion of mining capacities. The mining operations are forecasted with positive net profit for the period 2021 and onwards led also by a nickel and ferrochrome price rebound.

Banking

The banking operation is managed largely independently of the other activities of the Group, in compliance of the regulated nature of the industry. Due to the general economic crises, banking activities are expected to be negatively impacted by potential increase in loan defaults or restructuring. The Bank does not invest in complex securities or other financial instruments that can have significant and sudden decrease in value. The Bank has good level of capital and liquidity buffers and the Group does not forecast that a need to increase capital or provide other forms of assistance will arise, and the Bank will be capable to overcome the crises independently.

There have been no other significant events after the reporting date that may require adjustment or disclosure in the financial statements.

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