



Akciju Sabiedrība ELKO GRUPA

Unaudited Consolidated Financial Statements
For 12 months ended 31 December 2024

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Akciju Sabiedrība ELKO Grupa Management report on operational consolidated financial statements for 12 months period ended 31 December 2024

Company profile

Akciju Sabiedrība ELKO Grupa and its subsidiaries (hereinafter – the Company or ELKO), is one of the region's largest distributors and wholesalers of IT and consumer electronics products and solutions with more than 30 years of experience. ELKO represents 350 IT manufacturers and provides a wide range of products and distribution services to more than 10,000 retailers, local computer manufacturers, system integrators and enterprises within various sectors in 13 countries in Central Eastern Europe and the Nordics.

Top product groups by turnover: mobile communication (smartphones and tablets); personal computing (notebooks and PCs); components; home and office electronics and peripherals; small domestic appliances; mobility, hobby and leisure products; solutions and value-added services; software; power solutions.

Top 20 manufacturers by turnover: Apple, Roborock, DJI, Samsung, Asus, Lenovo, Xiaomi, Dell Technologies, Dreame, MSI, Oppo, Acer, Gigabyte, LG, Seagate, HP, TP-Link, Ubiquiti, Hewlett-Packard Enterprise (HPE), Microsoft.

Currently, ELKO employs more than 1080 people and is headquartered in Riga, Latvia.

Financial analysis

Akciju Sabiedrība ELKO Grupa consolidated turnover during the 12 months of 2024 reached USD 1 139.8 (EUR 1 053.3m), which is a 0.66% decrease over the corresponding period in 2023. It is partly explained by the divestment of Ukrainian operations in February 2023, which affects the comparability of periods and the decision of Company management to stop sales to non-EU customers in order to ensure full compliance with existing trade regulations. In 2024, gross profit reached USD 87.8m (EUR 81.1m), an increase of 5.3% year-on-year despite the pressure in a market where the anticipated growth was limited to specific market segments and highly competitive. The net profit of the Company reached USD 12.6m (EUR 11.6m), which is almost the same as in the previous period. Despite the complicated tax environment in some geographies (Romanian tax of 1% of revenue), the Company maintained strong cost control, allowing it to achieve and slightly exceed the ELKO annual target.

From a market perspective, our Nordic and CEE regions performed best, driven by a focused strategy on small domestic appliances and consumer electronics. While customer sentiment remained subdued, adding new vendors and focusing on superior service in launching new brands & product lines allowed us to reach good results. Several vendors, for whom 2024 was the first full year, achieved ambitious growth targets, allowing them to achieve even triple-digit growth. Our core segments of personal computing and components remained flat or experienced a slight decline compared to 2023 despite the increasing share of new technology in the market, thus retaining higher growth anticipation for 2025. Mobile communications and mobility segments demonstrated strong growth due to strengthened partnerships with selected vendors. At the same time, several new product initiatives were launched during 2023 as exploration areas were consolidated at the end of 2024 to ensure clear focus and stronger profitability going forward. In order to further strengthen ELKO's offering to the market, several M&A initiatives were undertaken, which are likely to yield positive results in 2025.

Prospects

The Company's performance is and will be influenced by macroeconomic, competitive and political factors and the development of markets where the Company operates. The key factors driving the Company's growth in the future is strong vendor pipeline and initiatives in expanding cooperation with current top vendors. Given occasional divergence between vendor expectations and consumer sentiment cautious management of working capital remains among top priorities for the management team of ELKO.

Akciju Sabiedrība ELKO Grupa structure

Akciju Sabiedrība ELKO Grupa holds shareholdings in the following subsidiaries: ELKO Lietuva UAB, ELKOTEX d.o.o., ELKO Eesti OU, ELKO Polska Sp.z.o.o., ELKOTech Romania SRL, WESTech spol. s.r.o., WESTech CZ s.r.o., WESTech solutions s.r.o., ELKO Trading Switzerland A.G., ELKO Marketing Ltd. (till 26.09.2024), ELKO Mobile Ltd., Gandalf Distribution AB, Arašid spol. s.r.o., Logicworks s.r.o., Westech HU Kft. (previous name: Game Distribution Kft.), SWISS spol. s.r.o., SWISS CZ s.r.o., ELKO Trading Kazakhstan LLP, ELKO Nordics Shared Services AB and EDN Webshop AB.

Akciju Sabiedrība ELKO Grupa holds a majority shareholding in all of the above subsidiaries except ELKOTEX d.o.o. with 49% of shares, WESTech solutions s.r.o. with 25% of shares, SWISS spol. s.r.o. with 26% of shares, SWISS CZ s.r.o. with 26% of shares, and Arašid CZ spol. s.r.o. with 51% of shares (till 29.08.2024), Internet Patro CZ s.r.o with 10% of shares (starting 04.09.2024).

Management report (cont'd)**Financial risk management*****Multi-currency risk***

The Company operates internationally and is exposed to foreign exchange risks, primarily from the US dollar, euro, Romanian lei and Swedish krona. Foreign exchange risks arise from future multi-currency transactions and the recognition of assets, liabilities and long-term investments in various currencies.

The purchase of goods is predominantly in US dollars, but sales are conducted in different currencies. In the CIS region, the main currency is the US dollar, but in the Baltics, trade is conducted in euros. CEE countries Slovakia and Slovenia trade in euros, but Romania in its national currency – the Romanian lei. In the Nordic region, most sales are transacted in Swedish krona.

The Company has shareholdings in foreign currencies and is therefore exposed to foreign currency risk when financial assets and liabilities denominated in foreign currencies are translated into the presentation currency – the US dollar.

Currency risk is actively mitigated by using different tools. The Company has centrally developed and globally applied currency risk management policies and procedures.

Interest-rate risk

The Company utilises short-term borrowing for the partial financing of its current assets. All borrowings are at floating rates, thus exposing the Company to interest rate risks.

Credit risk

Credit risks arise from credit exposure to outstanding trade receivables. The Company has implemented procedures and control mechanisms to manage credit risks. Credit risk is partly minimised through credit risk insurance, but mainly, the risk is minimised by internally developed conservative credit-monitoring policies. Individual risk limits are set based on internal or external ratings in accordance with the credit policy. The utilisation of credit limits is regularly monitored.

Inventories

The Company determines the amount of inventories based on expected future demand and market saturation. Any changes in demand and/or rapid obsolescence of products or technological changes will result in excess stock and the accumulation of obsolete items. The Company makes centralised plans for the purchase and sale of products. Furthermore, upgrading the procedure for placing orders has helped decrease inventory days. Weekly inventory analysis minimises the need to establish provisions for obsolete items.

The risk related to product flow management is partially reduced through price-protection arrangements under the cooperation agreements with major vendors. The agreements provide the rights to claim compensation on pre-ordered goods in the warehouse in cases of a price reduction or decline in market prices.

Liquidity risk

Prudent liquidity-risk management includes maintaining sufficient cash and the availability of funding from a sufficient number of committed credit facilities. In the future, the Company's management plans to increase the liquidity reserve based on the expected cash flows by improving working capital management.

Events after the balance sheet date

There have been no subsequent events after the last date of the reporting period that would have a significant effect on the Company's financial position as of 31 December 2024.




Egons Mednis
Chairman of the Board

Consolidated income statement

	Note	Jan-Dec 2024 USD'000	Jan-Dec 2023 USD'000	Jan-Dec 2024 EUR'000	Jan-Dec 2023 EUR'000
Revenue		1,139,803	1,147,426	1,053,303	1,061,144
Cost of sales		(1,052,034)	(1,064,113)	(972,196)	(984,095)
Gross profit		87,769	83,313	81,107	77,049
Distribution expenses		(7,340)	(7,175)	(6,783)	(6,635)
Administrative expenses		(59,128)	(55,325)	(54,641)	(51,161)
Other income		4,632	6,589	4,281	6,008
Other expenses		(1,965)	(1,389)	(1,815)	(1,277)
Operating profit		23,968	26,013	22,149	23,984
Finance income		1,062	939	981	868
Finance expenses		(8,833)	(10,783)	(8,162)	(9,971)
Finance income/ (expenses) – net		(7,771)	(9,844)	(7,181)	(9,103)
Profit before income tax		16,197	16,169	14,968	14,881
Income tax expense	4	(3,647)	(3,209)	(3,370)	(2,967)
Profit for the period		12,550	12,960	11,598	11,914
Attributable to:					
Equity holders of the Company		10,319	11,198	9,536	10,285
Non-controlling interest		2,231	1,762	2,062	1,629
		12,550	12,960	11,598	11,914
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company during the year (expressed in USD and EUR per share)	5	1.04	1.13	0.96	1.04
Other comprehensive income to be reclassified to profit loss in subsequent periods					
Exchange differences on translation of foreign operations		(8,582)	5,083	(279)	(94)
Total comprehensive income to be reclassified to profit loss in subsequent periods for the year		3,968	18,043	11,319	11,820
Attributable to:					
Equity holders of the Company		3,950	15,097	10,196	9,745
Non-controlling interest		18	2,946	1,123	2,075
		3,968	18,043	11,319	11,820

The notes on page 10 are an integral part of these consolidated financial statements.



Egons Mednis
Chairman of the Board

Statement of Directors' responsibility

The Board of Akciju Sabiedrība ELKO Grupa confirms that based on the information available at the time of the preparation of the financial statements, the consolidated interim financial statements give a true and fair view in all material aspects of the financial position of the Company as of December 31, 2024, and of its financial operations for the period ended 31 December 2024. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. During the preparation of the financial statements the management has:

on consistent basis applied appropriate accounting methods;
has provided well-grounded and prudent conclusions and evaluations;
has followed the going concern principle.

The Board of Directors of Akciju Sabiedrība ELKO Grupa is responsible for the maintenance of proper accounting records so that at the appropriate moment the financial records would show a true and fair view of the financial position of the Company and would ensure the possibility for the management to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.



Egons Mednis
Chairman of the Board

Consolidated balance sheet

	Note	31.12.2024 USD'000	31.12.2023 USD'000	31.12.2024 EUR'000	31.12.2023 EUR'000
ASSETS					
Non-current assets					
Property, plant and equipment		6,448	6,886	6,206	6,232
Intangible assets		1,285	1,847	1,237	1,672
Right-of-use assets		20,706	21,344	19,931	19,316
Goodwill on acquisition of subsidiary		1,947	2,117	1,874	1,916
Investments in associates		3,862	3,683	3,718	3,333
Long term loans		-	670	-	606
		34,248	36,547	32,966	33,075
Current assets					
Inventories		143,430	128,235	138,056	116,049
Current income tax receivable		374	1,359	360	1,230
Short term loans		1,850	98	1,781	89
Other current financial investments		3,156	3,146	3,038	2,847
Trade and other receivables		169,887	168,411	163,528	152,408
Derivative financial instruments		221	-	213	-
Cash and cash equivalents		26,345	26,073	25,358	23,595
		345,263	327,322	332,334	296,218
Total assets		379,511	363,869	365,300	329,293
EQUITY					
Ordinary shares		11,251	11,251	9,901	9,901
Share premium		5,996	5,996	4,974	4,974
Translation reserve		(16,670)	(10,301)	7,638	6,978
Retained earnings		110,763	110,621	84,658	84,543
		111,340	117,567	107,171	106,396
Non-controlling interest in equity		16,960	20,678	16,325	18,713
Total equity	2	128,300	138,245	123,496	125,109
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings		20,790	22,154	20,011	20,048
Interest-bearing loans from related		2,507	3,771	2,413	3,413
Lease liabilities		16,775	16,775	15,181	15,181
	3	40,072	42,700	37,605	38,642
Current liabilities					
Trade and other payables		126,426	115,797	121,692	104,794
Interest-bearing loans and borrowings	3	74,418	55,899	72,882	50,588
Interest-bearing loans from related	3	-	1,029	-	931
Lease liabilities	3	4,923	4,923	4,455	4,455
Income tax payable		982	1,135	945	1,027
Provisions		4,390	4,005	4,225	3,624
Derivative financial instruments		-	136	-	123
		211,139	182,924	204,199	165,542
Total liabilities		251,211	225,624	241,804	204,184
Total equity and liabilities		379,511	363,869	365,300	329,293

The notes on page 10 are an integral part of these consolidated financial statements.



Egons Mednis
Chairman of the Board

Consolidated statement of changes in equity

	Issued capital	Share premium	Retained earnings	Transla-tion reserve	Total	Non-controlling interest	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2023	11,251	5,996	120,113	(14,200)	123,160	18,504	141,664
Balance at 1 January 2023 (restated)	11,251	5,996	120,113	(14,200)	123,160	18,504	141,664
Other comprehensive income	-	-	-	3,899	3,899	1,184	5,083
Profit for the period	-	-	11,198	-	11,198	1,762	12,960
Total recognized income and expense for 2023	11,251	5,996	131,311	(10,301)	138,257	21,450	159,707
Dividend relating to prior years	-	-	(20,690)	-	(20,690)	(772)	(21,462)
Balance at 31 December 2023	11,251	5,996	110,621	(10,301)	117,567	20,678	138,245
Balance at 1 January 2024	11,251	5,996	110,621	(10,301)	117,567	20,678	138,245
Other comprehensive income	-	-	-	(6,369)	(6,369)	(2,213)	(8,582)
Profit for the period	-	-	10,319	-	10,319	2,231	12,550
Total recognized income and expense for 2024	-	-	10,319	(6,369)	3,950	18	3,968
Dividend relating to prior years	-	-	(10,177)	-	(10,177)	(3,736)	(13,913)
Balance at 31 December 2024	11,251	5,996	110,763	(16,670)	111,340	16,960	128,300

	Share capital	Share premium	Retained earnings	Transla-tion reserve	Total	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 1 January 2023	9,901	4,974	93,106	7,518	115,499	17,348	132,847
Balance at 1 January 2023 (restated)	9,901	4,974	93,106	7,518	115,499	17,348	132,847
Other comprehensive income	-	-	-	(540)	(540)	446	(94)
Profit for the period	-	-	10,285	-	10,285	1,629	11,914
Total recognized income and expense for 2023	-	-	10,285	(540)	9,745	2,075	11,820
Dividend relating to prior years	-	-	(18,848)	-	(18,848)	(710)	(19,558)
Balance at 31 December 2023	9,901	4,974	84,543	6,978	106,396	18,713	125,109
Balance at 1 January 2024	9,901	4,974	84,543	6,978	106,396	18,713	125,109
Other comprehensive income	-	-	-	660	660	(939)	(279)
Profit for the period	-	-	9,536	-	9,536	2,062	11,598
Total recognized income and expense for 2024	-	-	9,536	660	10,196	1,123	11,319
Dividend relating to prior years	-	-	(9,421)	-	(9,421)	(3,511)	(12,932)
Balance at 31 December 2024	9,901	4,974	84,658	7,638	107,171	16,325	123,496

The notes on page 10 are an integral part of these consolidated financial statements.

Consolidated cash flows statement

	Jan-Dec 2024	Jan-Dec 2023	Jan-Dec 2024	Jan-Dec 2023
	USD'000	USD'000	EUR'000	EUR'000
Cash flows from operating activities				
Profit before tax	16,197	16,169	14,968	14,881
Adjustment to reconcile profit before tax to net cash flows				
Depreciation and amortization	2,887	2,551	2,668	2,359
Loss on disposal of property, plant and equipment	307		284	
Interest income	(1,062)	(939)	(981)	(868)
Interest expenses	8,833	10,783	8,162	9,971
Fair value (gain)/losses on derivative financial instruments, net	85	83	90	73
Movements in provisions and allowances	387	98	602	(36)
Share of net profit of associate and a joint venture	(399)	(717)	(369)	(663)
Loss/(Gain) on disposal of subsidiary	(1)	88	(1)	139
Gain on disposal of property, plant and equipment	-	(75)	-	(69)
Working capital adjustments:				
Decrease/(Increase) in trade and other receivables	(1,478)	28,227	(11,121)	33,433
Decrease/(Increase) in inventories	(15,195)	370	(22,007)	4,470
(Decrease)/ Increase in trade and other payables	2,782	(12,665)	15,100	(21,205)
Interest received	1,062	939	981	868
Interest paid	(8,833)	(10,783)	(8,162)	(9,971)
Income tax paid	(4,151)	(3,238)	(3,830)	(2,999)
Increase in other current financial investments	10	15	10	14
Net cash flows used in operating activities	1,431	30,906	(3,607)	30,396
Cash flows from investing activities				
Proceeds (loss) from sale of property, plant and equipment	(307)	75	(284)	69
Purchases of property, plant and equipment and intangible assets	(1,818)	(3,899)	(1,680)	(3,605)
Net cash outflow on disposal of subsidiary	-	(26)	-	(24)
Acquisition of a subsidiary	(35)	(252)	(34)	(236)
Net cash flows from / (used in) investing activities	(2,160)	(4,101)	(1,998)	(3,797)
Cash flows from financing activities				
Proceeds from bank overdrafts, net	9,315	(19,495)	15,059	(20,678)
Payment of principal portion of lease liabilities	-	(4,604)	-	(4,266)
Dividends paid to equity holders of the parent	(4,579)	(690)	(4,181)	(630)
Dividends paid to the Minority shareholders	(3,736)	(772)	(3,511)	(710)
Net cash flows (used in) / from financing activities	1,000	(25,562)	7,367	(26,284)
Net decrease in cash and cash equivalents	272	1,243	1,763	315
Cash and cash equivalents at beginning of the year	26,073	24,830	23,595	23,280
Cash and cash equivalents at end of the period	26,345	26,073	25,358	23,595

The notes on page 10 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General principles

These interim consolidated financial statements for 12 months ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

2. Share capital

The total authorised and issued number of ordinary shares is 9,785 thousand shares (2023: 9,785 thousand shares) with a value of USD 1.1358 per share (2022: USD 1.1358 per share) and with value of EUR 1.00 per share (2023: EUR 1.00 per share) and 115.99 thousand (2023: 115.99 shares) personal non voting shares with value of USD 1.1358 per share and with value of EUR 1.00 per share (2023: EUR 1.00 per share). All issued shares are fully paid. There are no share options in any of the years presented.

3. Borrowings

	31.12.2024 USD'000	31.12.2023 USD'000	31.12.2024 EUR'000	31.12.2023 EUR'000
Non-current				
Bonds*	20,778	22,100	20,000	20,000
Borrowings from shareholders	2,507	3,771	2,413	3,413
Lease liabilities IFRS16	16,775	16,775	15,181	15,181
Finance lease liabilities	12	54	11	48
	40,072	42,700	37,605	38,642
Current				
Bank borrowings	73,902	54,073	72,385	48,936
Lease liabilities IFRS16	4,923	4,923	4,455	4,455
Finance lease liabilities	516	1,826	497	1,652
	79,341	61,851	77,337	55,974
Total borrowings	119,413	104,551	114,942	94,616

*Financial covenants set by bond program i) Consolidated ratio of Equity (Total Equity increased by outstanding subordinated loans) to Assets (Total Assets decreased by IFRS 16 influence) is 37%. Minimal requirement is 16%. Covenant is fulfilled. ii) Consolidated Interest Coverage Ratio (Earnings before interest payments and taxes (EBIT) to Interest expenses) is 2.6 times. Minimal requirement is 1.5 times. Covenant is fulfilled.

4. Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average tax rate for 12 months ended 31 December 2024 is 22.5 % (the estimated tax rate for 12 months ended 31 December 2023 was 19.8%). The difference is mainly due to differences in profitability in the Group's subsidiaries in the respective countries, as well as the Group's policy on recognizing deferred tax assets.

5. Earnings per share

The Company has no dilutive potential shares therefore diluted earnings per share are equal to basic earning per share.

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There were no treasury shares.

	Jan-Dec 2024 USD'000	Jan-Dec 2023 USD'000	Jan-Dec 2024 EUR'000	Jan-Dec 2023 EUR'000
Profit attributable to equity holders of the Company	10,319	11,198	9,536	10,285
Weighted average number of ordinary shares/employee in issue (thousands)	9,901	9,901	9,901	9,901
Basic earnings (USD and EUR per share)	1.04	1.13	0.96	1.04

6. Related party transactions

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the quarter ended 31 December 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

7. Subsequent events

On the 21st of February, 2025, ELKO Grupa AS (ELKO Group) signed a Sales and Purchase Agreement for the purchase of 100 percent of the shares in Deltaco Baltic UAB, a Lithuanian subsidiary of Aurdal Sweden AB, a part of DistIT Group, as part of its strategic expansion into major domestic appliance distribution. The sale price amounts to 3 MEUR, and the transaction is subject to customary regulatory approvals. Otherwise, there have been no subsequent events after the last date of the reporting period that would have a significant effect on the Company's financial position as of 31 December 2024.