



Akciju Sabiedrība ELKO GRUPA

Unaudited Consolidated Financial Statements

For 9 months ended 30 September 2024

Structure

	Page
Management report	3
Statement of Directors' responsibility	5
Consolidated balance sheet	6
Consolidated income statement	7
Consolidated statement of changes in equity	8
Consolidated cash flow statement	9
Notes to the consolidated financial statements	10

Akciju Sabiedrība ELKO Grupa Management report on operational consolidated financial statements for 9 months period ended 30 September 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 14 countries in Europe and Central Asia.

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

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

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

Financial analysis

Akciju Sabiedrība ELKO Grupa consolidated turnover during the 9 months of 2024 reached USD 772.5m (EUR 710.6m), which is a 8.96% decrease over the corresponding period in 2023, which is largely explained by the suboptimal performance of Q1 2024: divesting of Ukrainian operations in February 2023, stoppage of sales to almost all non-EU customers in order to minimize risks associated with potential breach of international sanctions as well as overall slowdown of market. Gross profit reached USD 57.7m (EUR 53.1m) which is practically the same as during 9 months period in 2023.

Q3 was in line with our expectations, achieving moderate growth year on year overall with some positive outliers. Nordic region continued strong performance responding to focused investment in recent partnerships with leading vendors in consumer electronics space, and there is even stronger growth potential ahead. Personal computing and component business remained stable in revenue, with increasing inventory buildup in anticipation of market recovery through the 4th quarter. There was also solid increase in solutions business in several geographies and notable recovery in power segment. For remaining 2024 the key focus is on personal computing segment to ensure the balance between high vendor expectations and actual change in consumer sentiment.

Prospects

The Company's performance is and will be influenced by macroeconomic, competitive and political factors and the development of markets where the Company has cooperation partners. The key factors driving the Company's growth were a significant product portfolio expansion and adding new distribution areas to existing distribution agreements during the year.

In light of given market risks, management has assigned priority to the continuous management of working capital.

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 Shoppin Nordics 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), Patro CZ SRO 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 30 September 2024.



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 September 30, 2024, and of its financial operations for the period ended 30 September 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 income statement

	Note	Jan-Sept 2024 USD'000	Jan-Sept 2023 USD'000	Jan-Sept 2024 EUR'000	Jan-Sept 2023 EUR'000
Revenue		772,511	845,354	710,625	780,550
Cost of sales		(714,799)	(787,166)	(657,537)	(726,821)
Gross profit		57,712	58,188	53,088	53,729
Distribution expenses		(5,054)	(5,085)	(4,649)	(4,695)
Administrative expenses		(42,852)	(40,349)	(39,418)	(37,251)
Other income		2,143	6,122	1,971	5,637
Other expenses		(569)	(3,058)	(523)	(2,889)
Operating profit		11,380	15,818	10,469	14,531
Finance income		814	552	748	510
Finance expenses		(6,390)	(7,071)	(5,878)	(6,528)
Finance income/ (expenses) – net		(5,576)	(6,519)	(5,130)	(6,018)
Profit before income tax		5,804	9,299	5,339	8,513
Income tax expense	4	(1,827)	(1,130)	(1,681)	(1,043)
Profit for the period		3,977	8,169	3,658	7,470
Attributable to:					
Equity holders of the Company		3,683	7,462	3,388	6,817
Non-controlling interest		294	707	270	653
		3,977	8,169	3,658	7,470
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	0.37	0.75	0.34	0.69
Other comprehensive income to be reclassified to profit loss in subsequent periods					
Exchange differences on translation of foreign operations		1,273	(2,003)	(242)	(1,441)
Total comprehensive income to be reclassified to profit loss in subsequent periods for the year		5,250	6,166	3,416	6,029
Attributable to:					
Equity holders of the Company		4,712	5,632	3,151	5,407
Non-controlling interest		538	534	265	622
		5,250	6,166	3,416	6,029

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



Egons Mednis
 Chairman of the Board

Consolidated balance sheet

	Note	30.09.2024 USD'000	31.12.2023 USD'000	30.09.2024 EUR'000	31.12.2023 EUR'000
ASSETS					
Non-current assets					
Property, plant and equipment		7,730	6,886	6,904	6,232
Intangible assets		1,532	1,847	1,368	1,672
Right-of-use assets		21,448	21,344	19,157	19,316
Goodwill on acquisition of subsidiary		2,118	2,117	1,892	1,916
Investments in associates		4,072	3,683	3,637	3,333
Long term loans		563	670	503	606
		37,463	36,547	33,461	33,075
Current assets					
Inventories		174,454	128,235	155,818	116,049
Current income tax receivable		2,763	1,359	2,468	1,230
Short term loans		1,021	98	912	89
Other current financial investments		3,188	3,146	2,857	2,847
Trade and other receivables		156,491	168,411	139,775	152,408
Derivative financial instruments		-	-	-	-
Cash deposits		-	-	-	-
Cash and cash equivalents		11,825	26,073	10,552	23,595
		349,742	327,322	312,382	296,218
Total assets		387,205	363,869	345,843	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		(9,272)	(10,301)	6,741	6,978
Retained earnings		104,127	110,621	78,510	84,543
		112,102	117,567	100,126	106,396
Non-controlling interest in equity		18,504	20,678	16,528	18,713
Total equity	2	130,606	138,245	116,654	125,109
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings		22,332	22,154	20,015	20,048
Interest-bearing loans from related		2,507	3,771	2,247	3,413
Lease liabilities		16,775	16,775	15,181	15,181
	3	41,614	42,700	37,443	38,642
Current liabilities					
Trade and other payables		129,238	115,797	115,434	104,794
Interest-bearing loans and borrowings	3	75,258	55,899	66,886	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		1,500	1,135	1,340	1,027
Provisions		3,985	4,005	3,559	3,624
Derivative financial instruments		81	136	72	123
		214,985	182,924	191,746	165,542
Total liabilities		256,599	225,624	229,189	204,184
Total equity and liabilities		387,205	363,869	345,843	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	Translation 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
Effect of adoption of new accounting standards	-	-	-	-	-	-	-
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	-	-	-	1,029	1,029	244	1,273
Profit for the period	-	-	3,683	-	3,683	294	3,977
Total recognized income and expense for 2024	-	-	3,683	1,029	4,712	538	5,250
Dividend relating to prior years	-	-	(10,177)	-	(10,177)	(2,712)	(12,889)
Disposal of subsidiary	-	-	-	-	-	-	-
Balance at 30 September 2024	11,251	5,996	104,127	(9,272)	112,102	18,504	130,606

	Share capital	Share premium	Retained earnings	Translation 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
Effect of adoption of new accounting standards	-	-	-	-	-	-	-
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	-	-	-	(237)	(237)	(5)	(242)
Profit for the period	-	-	3,388	-	3,388	270	3,658
Total recognized income and expense for 2024	-	-	3,388	(237)	3,151	265	3,416
Dividend relating to prior years	-	-	(9,421)	-	(9,421)	(2,450)	(11,871)
Balance at 30 September 2024	9,901	4,974	78,510	6,741	100,126	16,528	116,654

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

Consolidated cash flows statement

	Jan-Sept 2024	Jan-Sept 2023	Jan-Sept 2024	Jan-Sept 2023
	USD'000	USD'000	EUR'000	EUR'000
Cash flows from operating activities				
Profit before tax	5,804	9,299	5,339	8,513
Adjustment to reconcile profit before tax to net cash flows				
Depreciation and amortization	2,156	2,065	1,984	1,907
Loss on disposal of property, plant and equipment	215	-	198	-
Interest income	(814)	(552)	(748)	(510)
Interest expenses	6,390	7,071	5,878	6,528
Fair value (gain)/losses on derivative financial instruments, net	(55)	164	(51)	154
Movements in provisions and allowances	(73)	(486)	(114)	(437)
Share of net profit of associate and a joint venture	(353)	(648)	(324)	(598)
Loss/(Gain) on disposal of subsidiary	(1)	51	(1)	106
Gain on disposal of property, plant and equipment	-	(49)	-	(45)
Working capital adjustments:				
Decrease/(Increase) in trade and other receivables	11,973	42,723	12,682	38,620
Decrease/(Increase) in inventories	(46,219)	(23,195)	(39,769)	(22,771)
(Decrease)/ Increase in trade and other payables	14,460	(23,987)	10,743	(20,718)
Interest received	814	552	748	510
Interest paid	(6,390)	(7,071)	(5,878)	(6,528)
Income tax paid	(3,272)	(2,042)	(3,017)	(1,895)
Increase in other current financial investments	42	-	38	-
Net cash flows used in operating activities	(15,322)	3,895	(12,293)	2,835
Cash flows from investing activities				
Proceeds (loss) from sale of property, plant and equipment	(215)	49	(198)	45
Purchases of property, plant and equipment and intangible assets	(2,846)	(2,368)	(2,618)	(2,186)
Net cash outflow on disposal of subsidiary	-	(26)	-	(24)
Acquisition of a subsidiary	(5)	(252)	(4)	(236)
Net cash flows from / (used in) investing activities	(3,066)	(2,600)	(2,820)	(2,404)
Cash flows from financing activities				
Proceeds from bank overdrafts, net	11,431	(10,023)	8,701	(8,533)
Dividends paid to equity holders of the parent	(4,579)	(690)	(4,181)	(630)
Dividends paid to the Minority shareholders	(2,712)	-	(2,450)	-
Net cash flows (used in) / from financing activities	4,140	(10,714)	2,070	(9,163)
Net decrease in cash and cash equivalents	(14,248)	(9,418)	(13,043)	(8,732)
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	11,825	15,412	10,552	14,548

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 9 months ended 30 September 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 30 September 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

	30.09.2024 USD'000	31.12.2023 USD'000	30.09.2024 EUR'000	31.12.2023 EUR'000
Non-current				
Bonds*	22,316	22,100	20,000	20,000
Borrowings from shareholders	2,507	3,771	2,247	3,413
Lease liabilities IFRS16	16,775	16,775	15,181	15,181
Finance lease liabilities	16	54	15	48
	41,614	42,700	37,443	38,642
Current				
Bank borrowings	75,236	54,073	66,867	48,936
Lease liabilities IFRS16	4,923	4,923	4,455	4,455
Finance lease liabilities	22	1,826	19	1,652
	80,181	61,851	71,341	55,974
Total borrowings	121,795	104,551	108,784	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 36%. Minimal requirement is 16%. Covenant is fulfilled. ii) Consolidated Interest Coverage Ratio (Earnings before interest payments and taxes (EBIT) to Interest expenses) is 2.1 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 9 months ended 30 September 2024 is 31.5 % (the estimated tax rate for 9 months ended 30 September 2023 was 12.2%). 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-Sept2024 USD'000	Jan-Sept 2023 USD'000	Jan-Sept2024 EUR'000	Jan-Sept 2023 EUR'000
Profit attributable to equity holders of the Company	3,683	7,462	3,388	6,817
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)	0.37	0.75	0.34	0.69

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 30 September 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

There have been no subsequent events after the last date of the reporting period that would have a significant effect on Company's financial position as of 30 September 2024.