The Brand of Electricity

ELMARK INVEST EAD

COMBINED FINANCIAL STATEMENTS

for the years ended on 31 December 2021, 2020

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COMBINED STATEMENTS FOR PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended on 31 December 2021

	Appendix:	The year ended on 31.12.2021, thousand EUR	The year ended on 31.12.2020 thousand EUR
Sales income	*4*	20 577	18 182
Other income/ (loss) from business activity	*5*	135	177
Expenses for materials	*6*	(2 169)	(2 046)
Expenses for external services	*7*	(1 782)	(1 961)
Expenses for employees	*8*	(3 220)	(3 026)
Impairment of receivables	*9*	(53)	(43)
Other expenses for the activity	*10*	(452)	(308)
Reported Accounting Value of goods sold (without production)		(8 912)	(8 652)
Increase/(decrease) in stocks of GP/TTI?		110	(46)
Depreciation expenses		(547)	(525)
Profit / (Loss) from operating activities		**3 687**	**1 751**
Financial income	*11*	119	447
Financial expenses	*12*	(521)	(693)
Profit /(Loss) before taxes		**3 286**	**1 504**
Income tax expense	*13*	(395)	(140)
Net Profit /(Loss) for the period		**2 891**	**1 364**
Other comprehensive income			
Total comprehensive income for the year		**2 891**	**1 364**
Related to:			
The equity holders of the parent company		**881**	**416**
Non-controlling interest		2 010	949

Profit EBITDA		
Profit /(Loss) before taxes	**3 286**	**1 504**
Expenses for/(Income from) interest, fees, currency revaluations as per loans (ne	255	72
Depreciation expenses	547	525
Net impairment of receivables and assets pursuant to concluded contracts v	53	43
EBITDA (profit before interest, taxes, depreciation and impairment)	**4 141**	**2 144**

The Combined statements of income should be considered together with the appendices presented on page 30 to page 47, presenting an integral part of the financial statements.

Executive Director: Jelez Georgiev   Prepared by: Kirilka Ivanova

Certified according to an audit report as of 28.07.2022: Certified auditor Mariela Spiridonova

ЕЛМАРК ИНВЕСТ ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

COMBINED STATEMENTS FOR THE FINANCIAL POSITION
as of 31 December 2021

	Appendix:	31.12.2021 thousand EUR	31.12.2020 thousand EUR
ASSETS			
Non-current assets			
Properties, plant and equipment	***14***	5 484	5 710
Expenses for acquisition of fixed tangible assets (FTA)	***14***	1 939	174
Intangible assets	***15***	683	764
Non-current receivables		409	377
Deferred taxes		46	36
Goodwill	***16***	4 295	4 295
		12 855	**11 355**
Current assets			
Inventories	***17***	15 166	12 645
Trade and other receivables	***18***	2 793	1 903
Cash and cash equivalents	***19***	2 070	1 948
		20 029	**16 495**
Total Assets		***32 884***	***27 850***

The Combined statements of financial status should be considered together with the appendices presented on page 30 to page 47, presenting an integral part of the financial statements.

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

Executive Director: Jelez Georgiev   Prepared by: Kirilka Ivanova

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COMBINED STATEMENTS FOR THE FINANCIAL POSITION
as of 31 December 2021

EQUITY AND LIABILITIES	Appendix:	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Equity	20		
Equity relating to the equity holders of the parent company		12 221	12 221
Reserves		1 333	1 195
Accumulated profit/(loss)		5 891	5 775
Total comprehensive income for the year		2 891	1 364
		22 336	20 555
Liabilities			
Non-current liabilities			
Interest Loan Liabilities	21	3 256	1 700
Financial leasing liabilities	22	57	94
Liabilities by virtue of leasing contracts	22	207	283
Deferred Tax Liabilities		56	49
Other provisions		64	52
		3 640	2 178
Current liabilities			
Interest Loan Liabilities	21	5 268	3 622
Financial leasing liabilities	22	33	32
Liabilities by virtue of leasing contracts	22	76	79
Trade and other liabilities	23	1 514	1 359
		6 891	5 092
Financing		**16**	**26**
Total Equity and Liabilities		***32 884***	***27 850***

The Combined balance should be considered together with the appendices presented on page 30 to page 47, presenting an integral part of the financial statements.

Executive Director: Jelez Georgiev

Prepared by: Kirilka Ivanova

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA „ELMARK INVEST" EAD

Certified according to an audit report as of 28.07.2022: Certified auditor Mariela Spiridonova

COMBINED STATEMENTS FOR CASH FLOWS
for the year ended on 31 December 2021

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Cash flows from operating activities		
1. Income from customers	26 084	23 575
2. Payments to suppliers	(18 857)	(15 180)
3. Payments for employees and social security	(3 146)	(3 016)
4. Corporate income taxes paid	(280)	(98)
5. Taxes paid (income taxes excluded)	(42)	(8)
6. Interest, fees and commissions paid	(199)	(223)
7. Dividends paid	-	-
Net cash flows from operating activities	**3 560**	**5 050**
Cash flow from investment activities		
1. Purchases of properties, plant and equipment, as well as Fixed Intangible Assets (FIA)	(1 924)	(399)
2. Receivables from property,	-	-
plant and equipment sales	-	14
3. Loans granted to third parties and loans repaid to third parties	(1 046)	(34)
4. Loans repaid and loans received by third parties	103	-
5. Interest received from loans granted to third parties	2	4
6. Dividends paid	(159)	(499)
Net cash flows from investing activities	**(3 024)**	**(914)**
Cash flows from financial activities		
1. Receivables from bank loans	12 224	10 006
2. Payments of bank loans	(12 576)	(13 085)
3. Payments of financial leasing liabilities	(48)	(105)
4. Payments of dividends	(28)	(231)
Net cash flows from financial activities	**(427)**	**(3 415)**
Net change in cash and cash equivalents	**109**	**721**
Cash in the beginning of the period	**1 948**	**1 281**
Net Effect of changes in exchange rates	**(14)**	**(55)**
Cash on the way	**28**	**-**
Cash in the end of the period	**2 070**	**1 948**

The Combined statements of cash flows present an integral part of the financial statements.

Executive Director: Jelez Georgiev Prepared by: Kirilka Ivanova

"ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

Certified according to an audit report as of 28.07.2022: Certified auditor Mariela Spiridonova

COMBINED STATEMENTS FOR CHANGES IN EQUITY

for the year ended on 31 December 2021

All amounts are presented in thousands EUR	Equity relating to the equity holders of the parent company						Non-controlling partnership participation	Total equity
	Fixed capital	Legal reserves	Effect of recalcul. in the currency of the presented and other reserves	Accumulated profit /(loss) from previous years	Current profit/(loss)	Total		
Balance as of 1 January 2020	**12 221**	**1 079**	**92**	**6 308**	**324**	**20 025**	-	**20 025**
Issue of share capital	-	-	-	-	-	-	-	-
Financial result for current period	-	-	-	-	1 364	1 364	948	415
Profit distribution, including:	-	24	-	(532)	(324)	(831)	-	(831)
a) Reserves		*24*	-	*(24)*	-	-	-	-
b) Dividends	-	-	-	*(508)*	-	*(508)*		*(508)*
c) minority share change	-	-	-	-	-	-	-	-
d) change for the group from the minority change	-	-	-	-	-	-	-	-
Accounting errors and events of past periods	-	-	-	(2)	-	(2)	-	(2)
Adjustment of reserves from consolidation	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as of 31 December 2020	**12 221**	**1 103**	**92**	**5 775**	**1 364**	**20 555**	**948**	**19 607**

Balance as of 1 January 2021	12 221	1 103	92	5 775	**1 364**	**20 555**	**948**	**19 607**
Issue of share capital	-	-	-	-	-	-	-	-
Repurchased own shares	-	-	-	-	-	-	-	-
Financial result for current period	-	-	-	-	2 891	2 891	2 010	880
Profit distribution, including:	-	151	-	112	(1 364)	(1 100)	-	(1 100)
a) Reserves	-	151	-	(151)	-	-	-	-
b) Dividends	-	-	-	(1 090)	-	(1 090)	-	(1 090)
c) minority share change	-	-	-	-	-	-	-	-
d) change for the group from the minority change	-	-	-	-	-	-	-	-
Accounting errors and events of past periods	-	-	-	-	-	-	-	-
Adjustment of reserves from consolidation	-	-	-	-	-	-	-	-
Other comprehensive income	-	(13)	-	4	-	(10)	-	(10)
Balance as of 31 December 2020	**12 221**	**1 241**	**92**	**5 891**	**2 891**	**22 336**	**2 959**	**19 378**

Combined statements for changes in equity present an integral part thereto.

Executive Director: Jelez Georgiev

Prepared by: Kirilka Ivanova

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

Certified according to an audit report as of 28.07.2022: Certified auditor Mariela Spiridonova

EXPLANATORY NOTES TO THE COMBINED FINANCIAL STATEMENTS

for the year ended on 31 December 2021

1. INFORMATION ABOUT THE ECONOMIC GROUP

1.1. General information and structure of Elmark Invest Group

Elmark Invest Group is composed of Elmark Invest EAD acquired the controlling interest participation in Elmark Holding ED on 26.07.2022, Elmark Holding ED (intermediate parent company) and subsidiaries in Eastern and Western Europe. The companies in the Group are specialized in production and distribution of electrical equipment and apparatus, electrical materials, tools and lighting, and transport business activity.

The business activities are carried out by Bulgarian and foreign subsidiaries. The Bulgarians are:

- Production and trade of electrotechnical equipment and lighting - Elmark Industries AD
- Import, export and trade of electrical equipment, electrical materials, tools and lighting - Elmark Industries AD, Elmark Group EOOD, Elmark Trade EOOD and Electromarket EOOD.
- Transport activity - Elmark Group EOOD.

The group has 9 foreign companies registered in Romania, Serbia, Croatia, Hungary, Greece, Bosnia and Herzegovina, Slovenia, Great Britain and Slovakia. Their line of business includes trading in electrical equipment, electrical materials, tools and lighting.

As of the balance sheet date, the majority owner of the capital of Elmark Invest EAD and of the capital (equity) of Elmark Holding ED is Zhelez Georgiev Zhelyazkov.

Electric EOOD (a shareholder in Elmark Holding ED since Elmark Holding ED establishment in 2007) was transformed into ELMARK INVEST EAD on 14.07.2022, and on 26.07.2022 acquired the controlling influence in Elmark Holding ED by acquiring one preferred registered share with the right to vote, giving the right to a decisive vote on certain decisions of the General Meeting of Shareholders and the appointment of two members of the Board of Directors, with a nominal value of EUR 1 (one), equal to EUR 1 (one).

As of 31.12.2021, Elmark Holding ED owns a controlling interest partnership participation in the subsidiaries as follows:

Subsidiary	%
1. Elmark Industries AD - Bulgaria	99.91
2. Elmark Group EOOD - Bulgaria	100
3. Elmark Trade EOOD - Bulgaria	100
4. Elmark Electric - Serbia	100
5. Elmark Group – Croatia	100
6. Elmark Store – Romania	100
7. Elmark Group – Hungary	100
8. Elmark Group – Greece	100

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

9. Elmark Group – Bosnia and Herzegovina	100
10. Elmark Group – Slovenia	100
11. Electromarket EOOD - Bulgaria	100
12. Elmark Group – the Great Britain	100
13. Elmark Group – Slovakia	100
14. Elmark Kabel EOOD - Bulgaria	100

The controlling interest partnership participation of Elmark Holding ED in the subsidiaries was acquired as follows:

1. Elmark Industries AD – 12 November 2008;
2. Elmark Group EOOD – Bulgaria – 27 December 2007;
3. Elmark Trade EOOD – Bulgaria – 6 November 2013;
4. Elmark Electric - Serbia – 7 March 2007;
5. Elmark Group - Croatia – 18 February 2009;
6. Elmark Storr – Romania – 1 August 2013;
7. Elmark Group - Hungary – 15 April 2011;
8. Elmark Group - Greece – 26 May 2011;
9. Elmark Group - Bosnia and Herzegovina - 30 January 2013;
10. Elmark Group – Slovenia – 27 May 2013;
11. Electromarket EOOD - Bulgaria - 3 June 2014 - 50% and 05.07.2018 up to 100%;
12. Elmark Group – Great Britain – 07.09.2016;
13. Elmark Group - Slovakia – 16 November 2016;
14. Elmark Kabel EOOD – Bulgaria – 15 May 2019

1.2. Ownership and Management

Elmark Invest EAD - sole owner of the capital 100% Zhelez Georgiev Zhelyazkov

Elmark Holding ED is not a public company, according to the Law on Public Offering of Securities.

As of 31.12.2021, the distribution of the share capital of Elmark Holding ED is as follows:

- Zhelez Georgiev Zhelyazkov – 59.80%
- Electric EOOD (transformed into ELMARK INVEST EAD on 14.07.2022) – 30.46%
- Kremena Georgieva Nedeva – 3.68%
- Elmark Holding ED – 6.06% (repurchased own shares).

The company has one-tier management system. The Chairman of the Board of Directors is Zhelez Georgiev Zhelyazkov. Members of the Board of Directors are Kremena Georgieva Nedeva and Milen Hristov Vasilev. The company is represented and managed by the Executive Directors Kremena Georgieva Nedeva and Zhelez Georgiev Zhelyazkov, jointly and severally.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

The subsidiaries are Single Member Private Limited Companies, and one of them is a joint-stock company with one-tier management system.

Upon preparing of the Combined Financial Statements for 2021, the average number of employees in the Group was 237 employees (for 2020: 235 employees).

2. SCOPE AND PURPOSE OF THE COMBINED FINANCIAL STATEMENTS

The Combined Financial Statements cover financial information on the activities of the following companies that existed during the covered period - Electric EOOD (transformed into ELMARK INVEST EAD on 14.07.2022); Elmark Holding ED; Elmark Industries AD; Elmark Group EOOD – Bulgaria; Elmark Trade EOOD – Bulgaria; Elmark Electric - Serbia; Elmark Group - Croatia; Elmark Storr – Romania; Elmark Group - Hungary; Elmark Group - Greece.; Elmark Group – Bosnia and Herzegovina; Elmark Group – Slovenia; Electromarket EOOD - Bulgaria; Elmark Group - Slovakia and Elmark Kabel EOOD - Bulgaria, which are considered as formed an association, representative for ELMARK INVEST EAD (the Group), during this period.

The purpose of the Combined Financial Statement is to provide historical financial information for the Group during the last two accounting years 2021 and 2020, which should be included when securities (bonds) are admitted to trading on the BEAM special market, organized by the Bulgarian Stock Exchange (BSE), which gives possibility of financing the activities of small and medium-sized enterprises in Bulgaria.

3. PRINCIPAL PROVISIONS OF THE GROUP ACCOUNTING POLICY

3.1. Basis for preparation of the Combined Financial Statements

Taking into account the specifics inherent in the preparation of combined financial statements described in this document, the combined financial statement of the Group has been prepared on the basis of consolidation in accordance with the International Financial Reporting Standards (IFRS), which consist of: Financial Reporting Standards and interpretations of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB) and International Accounting Standards (IAS), and International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASB) , effective as of 01 January 2021, and adopted by the Commission of the European Union. IFRS adopted by the EU is the generally accepted name of the framework with general purpose-accounting basis, equivalent to the framework introduced with the definition according to § 1, item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards". IFRS do not provide guidance on the preparation of combined financial statements that are subject to the rules given in IAS. This point requires consideration of recent decisions of other standard-setting bodies, other accounting literature and accepted industry practices.

For the current financial year, all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and resp. from the IFRS Interpretations Committee that were relevant to its work.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

New and/or amended standards and interpretations include:

Changes in IFRS (International Financial Reporting Standards) 16 Leasing (effective for annual periods from 01.06.2020, approved by the EC).

These changes introduce a practical expedient measure whereby any lessee can choose not to consider whether a lease discount (relief) that has arisen solely as a direct consequence of the COVID-19 pandemic is a lease amendment. This measure is also allowed to be applied when the following conditions are simultaneously met:

a) with the change in the lease payments, the lease consideration changes, and the changed consideration does not substantially exceed the lease consideration immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before June 30, 2021. (with a subsequent change of the standard from 01.04.2021, the deadline was extended to 30 June 2022); as well as

c) the other terms of the lease do not change significantly. A lessee applying the practical expedient measures any change in lease payments in the same way as it would be accounted for under IFRS 16 if it did not constitute an amendment to the lease. It is not valid for lessors. Earlier application is allowed.

Changes to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Disclosure, IFRS 7 Financial Instruments: Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases Related to Phase 2 of the Base Rate Reform (effective for annual periods from 01.01 .2021 adopted by the EC).

The changes in standards related to Phase 2 of the base rate reform provide mainly two practical reliefs:

a) determination and assessment of changes in agreed cash flows from financial assets and liabilities, and leasing obligations - reflecting changes in base interest rates by updating the effective interest rate; and

b) in accounting for hedging relationships - by allowing a change (revision) in the determination of the hedging relationship and the evaluation of the hedged object based on cash flows, due to and as a result of replacing the applied base interest rates with other alternatives. Changes are applied retrospectively. Earlier application is allowed.

Changes in IFRS 4 Insurance contracts (effective for annual periods from 01.01.2021, adopted by the EC).

The changes allow entities primarily engaged in insurance activities to postpone the effective date of IFRS 9 Financial Instruments from 1 January 2021 to 1 January 2023, instead these entities may continue to apply IAS 39 Financial Instruments: Recognition and evaluation. The purpose of the amendment is to harmonize the effective date of IFRS 9 with the new IFRS 17 in order to overcome the temporary accounting effects of the different effective dates of the two standards. The amendment also introduces a temporary exemption from specific requirements of IAS 28 Investments in Associates and Joint Ventures regarding the application of a single policy for entities using the equity method under IAS 28. Such entities for annual periods beginning before 1 January 2023 .have the right, but not the obligation, to maintain the relevant accounting policy applied by the associate or joint venture when using the equity method. The company does not carry out insurance business and this change does not affect its financial statements.

Changes in IFRS 16 Leasing (effective for annual periods from 01.04.2021, adopted by the EC).

With these changes:

(a) allows the practical expedient measure for COVID-19 relating to rent concessions to be applied by the lessee to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. (instead of only payments due on or before June 30, 2021);

b) requires the application of the change to be reflected by the lessee retrospectively, with the effects recognized cumulatively as an adjustment to the opening balance of retained earnings (or other component of equity, if appropriate) at the beginning of the annual accounting period in which the lessee applies for first time the change; and

c) specifies that the lessee is not required to disclose the information required by IAS 8, paragraph 28 (f) for the accounting period in which the lessee applies the change for the first time. Earlier application is permitted (including for financial statements that have not yet been approved for issue at the date of publication of the change).

Additionally, for the following new standards, amended standards and adopted interpretations that have been issued but are not yet effective for annual periods beginning on January 1, 2020, management has determined that the following would not have a potential and/or material effect for changes in the accounting policy and financial statements of the Company:

Changes in IFRS 3 Business Combinations (effective for annual periods from 01.01.2022, adopted by the EC).

These changes update IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with its latest version from 2018. They also add an exception to the recognition principle for liabilities and contingent liabilities that fall within the scope of IAS 37 Provisions, contingent liabilities and contingent assets and IFRIC 21 Liabilities for taxes and fees, as well as an explicit clarification that contingent assets are not recognized at the date of acquisition. The changes are applied prospectively.

Changes in IAS 16 Property, plant and equipment (effective for annual periods from 01.01.2022, adopted by the EC). These changes prohibit entities from deducting their "testing that the asset is functioning properly" costs, which are part of the direct costs of bringing the asset to the location and condition necessary to operate it in the manner intended by management, net income from sales of the manufactured items during the actual bringing of the asset to that location and condition. Instead, the entity recognizes such sales revenue for such items and the related costs related to them in profit and loss for the period in accordance with the rules of the other applicable standards. The changes specify that testing whether an asset is functioning properly is actually an assessment of whether the technical and physical status and demonstrated operational capabilities of the asset are such that it is capable of being used for its intended purpose in manufacturing, supplying goods or services, subletting or for administrative purposes. Additionally, businesses must disclose separately the amounts of income and expenses related to manufactured items that are not the result of the business's normal activities. The amendments are applied retrospectively, but only to property, plant and equipment that have been brought to the location and condition necessary for their operation on or after the beginning of the earliest period presented in the financial statements when the entity first applies the amendment.

Changes in IAS 37 Provisions, contingent liabilities and contingent assets (effective for annual periods from 01.01.2022, adopted by the EC). The changes specifically clarify that the costs of fulfilling obligations under an onerous contract are the costs that are directly related to it, including: a) direct cost of labor and direct cost of materials; and b) additional costs that are directly related to the performance of the contract by way of distribution - for example, distribution of costs for depreciation of property, machinery and equipment used for the performance of this contract. Administrative and other general costs are not included, unless they are expressly billable to the contractual counterparty. The changes also make a minor adjustment to the clarifications on the recognition of asset impairment charges before creating a separate provision for an onerous contract, emphasizing that these are assets used in the performance of the contract, rather than assets dedicated to the contract, as required until the change takes effect. The changes apply to changes to contracts for which the enterprise has not yet fulfilled all its obligations at the beginning of the annual period during which it first applies them.

Annual Improvements in IFRS 2018-2020 in IFRS 1 First-time Application of International Financial Reporting Standards, IFRS 9 Financial Instruments, Illustrative Example 13 to IFRS 16 Leasing and IAS 41 Agriculture (effective for annual periods from 01.01.2022, adopted by the EC). These enhancements make partial changes to the following standards:

(a) IFRS 1 provides relief in respect of a subsidiary applying IFRS for the first time at a later date than the parent. It values in its individual financial statements the assets and liabilities at the carrying amounts that would be included in the consolidated financial statements of the parent under which the parent acquired the subsidiary. It may measure in its financial statements the cumulative translation difference for all foreign operations at the carrying amount that would have been included in the parent's consolidated financial statements based on the date of the parent's transition to IFRS if they were not no adjustments made for the purposes of the consolidation procedures and for the effects of the business combination. This amendment will also apply to associates and joint ventures that have taken the same exemption under IFRS 1. An entity applies this amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.;

b) in IFRS 9, a clarification was made in relation to the fees that are included in the "10 percent test" to determine whether, when a given financial liability is amended, the conditions of the new or amended financial liability differ significantly from those of the originally recognized one. Under the changes in determining these fees, the entity includes only those paid or received between a borrower and a lender, including fees paid or received by the borrower and the lender on behalf of the other. The enterprise applies the changes to the financial liabilities that change at the beginning or after the beginning of the annual accounting period in which the enterprise initially applies them;

c) in illustrative example 13 to IFRS 16, the illustrative reporting of lessor-reimbursed leasehold improvement costs has been removed in order to eliminate any confusion regarding the treatment of lease incentives. Since the amendment refers to an illustrative example that accompanies the standard and is not part of it, no effective date is specified;

d) in IAS 41, the requirement that enterprises exclude cash flows for the payment of taxes when determining the fair value of biological assets and agricultural production has been removed.

Changes in IAS 1 Presentation of financial statements and Statement of Practice 2 (effective for annual periods from 01.01.2023, not adopted by the EC). The changes:

(a) require the disclosure of material information about accounting policies instead of the prescribed accounting policies.

b) explain how entities can identify material information about accounting policies and give examples of when information about accounting policies is likely to be material;

c) clarify that information about accounting policies may be material by nature even when the amounts involved are immaterial;

d) clarify that information about accounting policies is material if it is necessary for users of the entity's financial statements to understand other material information in the financial statements; and

e) clarify that if the enterprise discloses immaterial information about accounting policies, this should not lead to the concealment of material information about accounting policies. Earlier application is allowed.

Changes in IAS 1 Presentation of financial statements (effective for annual periods from 01.01.2023, not adopted by the EC). These changes are aimed at the criteria for classifying liabilities as current and non-current. According to them, the entity classifies its liabilities as current or non-current depending on the rights that exist at the end of the reporting period and is not affected by the probability of whether it will exercise its right to defer settlement of the liabilities. The amendments clarify that "settlement" of liabilities means the transfer to a third party of cash, equity instruments, other assets or services. The classification does not apply to derivatives in convertible liabilities, which are themselves equity instruments. Changes are applied retrospectively. The management is in the process of research and analysis to what extent the changes would have an impact on the accounting policy and on the classification of the company's liabilities.

Changes in IAS 8 Accounting policy, changes in accounting estimates and errors (effective for annual periods from 01.01.2023, not adopted by the EC). The changes are mainly aimed at the estimates and are related to:

(a) "definition of changes in estimates" is replaced by "definition of estimates". According to the new definition, estimates are values in the financial statements that are subject to uncertainty regarding their valuation;

b) the entity develops estimates if the accounting policies require items in the financial statements to be valued in a manner that involves uncertainty regarding their valuation;

(c) a note that a change in estimate that results from new information or new developments does not constitute a correction of an error; and

d) a change in an estimate may have an impact on profit or loss for the current period or on profit and loss for the current period and future periods. Earlier application is allowed.

IAS 12 Income Taxes (effective for annual periods from 01.01.2023, not adopted by the EC). Amendments to IAS 12 Income taxes – Deferred taxes relating to assets and liabilities arising from a single transaction. The amendments limit the scope of the exemption from recognition of deferred tax liabilities, as a result of which it does not apply to transactions in which, upon initial recognition, equal taxable and deductible temporary differences arise. Such transactions are the recognition of a "right-of-use" asset and lease obligations from the lessees on the date of commencement of the lease, as well as accrual of obligations for dismantling, relocation and restoration included in the cost of the relevant asset. On entry into force of the amendments, businesses should recognize each deferred tax asset (to the extent that it is probable that taxable profit will exist against which the deductible temporary differences can be utilised) and deferred tax liability and (for all taxable temporary differences) in accordance with the criteria of IAS 12 for transactions related to assets and liabilities arising from single transactions on or after the beginning of the earliest comparative period presented in the financial statements. Entities recognize the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings or another component of equity, if appropriate at that date. The amendments are effective for annual reporting periods beginning on or after January 1st , 2023, with earlier application permitted.

Improvements to IFRS 17 Insurance Contracts (effective for annual periods from 01.01.2023, not adopted by the EC). Amendments related to the initial application of IFRS 17 and IFRS 9 - comparative information. They add a transition option relating to comparative information about financial assets on initial application of IFRS 17 in order to reduce accounting inconsistencies arising between financial assets and liabilities under insurance contracts in comparative information on initial application of IFRS 17 and IFRS 9. The application of the changes is optional and relates only to the presentation of comparative information upon initial application of IFRS 17. The Company does not carry out insurance activities and the changes would not affect its financial statements.

IFRS 17 Insurance contracts (effective for annual periods from 01.01.2023, adopted by the EC). This standard is a completely new accounting standard for all types of insurance contracts, incl. for certain guarantees and financial instruments, including principles for their recognition, valuation, presentation and disclosure. The standard will replace the current standard for insurance contracts - IFRS 4. It establishes a new comprehensive model for the reporting of insurance contracts, covering all relevant accounting and reporting aspects. The company does not carry out insurance business and the changes would not affect its financial statements.

IFRS 10 (amended) – Consolidated financial statements and IAS 28 (amended) – Investments in associates and joint ventures – relating to sales or contributions of assets between an investor and its associates or joint ventures (with deferred effective date to be determined from IASB). These changes are aimed at addressing the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether or not the assets sold or the non-monetary assets contributed constitute a substantial "business" within the meaning of IFRS 3. If these assets as a whole do not meet the definition of a "business" the investor recognizes a gain or loss up to the percentage, corresponding to the share of the other unrelated investors in the associate or joint venture. In cases where assets are sold or non-monetary assets are contributed that collectively constitute a "business", the investor recognizes the full gain or loss on the transaction. These changes will be applied prospectively. The IASB postponed the start date of application of these changes indefinitely.

The companies in the group from Bulgaria keep their current accounting and prepare annual financial statements for their activities in accordance with the requirements of the Accounting Act and the International Financial Reporting Standards applicable as of 31 December 2021. The companies in the group registered in other countries in Europe keep their current accounting and prepare their financial statements, according to the requirements of their national legislations. For the purposes of consolidation, the companies in the group prepared financial statements also according to IFRS applicable as of 31 December 2021.

The data in the Combined Financial Statement and the appendices thereto are presented in thousands of EUR, unless explicitly stated otherwise.

3.2. Definitions

Subsidiaries - companies, including enterprises, non-legal entities, where the parent company, directly or indirectly, owns more than 50% of the voting rights in the General Meeting (in the share capital) or shall be entitled to appoint more than 50% of the Board of directors of the respective company and may exercise control over their financial and operational policy. Subsidiaries are consolidated from the date when effective control is acquired by the Group and cease to be consolidated from the date when the control is deemed to have ceased and transferred outside the Group.

3.3. Principles of consolidation – applied in the preparation of Combined Financial Statements

The Combined Financial Statements include the financial statements of Electric EOOD (transformed into Elmark Invest EAD), Elmark Holding ED as the parent company and of its subsidiaries in Bulgaria and abroad, prepared as of 31 December, which date is the reporting date (within the meaning of IAS 27) of the financial year of the Group.

In the Combined Financial Statements, the data of the included companies are consolidated on the basis of the 'full consolidation' method, line by line, by applying a unified accounting policy for the essential objects. The financial statements of the companies participating in the Combined Financial Statement are prepared for the same reporting period as the parent company and the controlling company. The parent company's investments are eliminated against the parent company's share of each subsidiary's equity. The controlling company's investment is eliminated against its equity interest in the intermediate parent company. Intra-group transactions and estimates were eliminated, including unrealized intra-group profit or loss.

Shares of third-party shareholders, other than the shareholders of the parent company, are shown separately in the Combined Statements of income and the Statements of changes in equity as a non-controlling interest participation.

Upon acquisition or other form of combination to the Group, a subsidiary is consolidated from the date of acquisition, with its assets and liabilities included for the first time at the values determined in the opening balance sheet at that date. Income and expenses are evaluated at the assets and liabilities value recognized in the opening balance sheet for consolidation. Each positive difference between the assets and liabilities value in the opening balance sheet and the consideration paid by the parent company has been defined as goodwill. In restructuring operations, the balance sheet values of the assets and liabilities from the respective company individual accounts are applied in the opening balance sheets for consolidation and goodwill has not been recognized.

Upon sale or other form of loss of control over a subsidiary:

- The assets and liabilities (including if there is associated goodwill) of the subsidiary are written-off at carrying amount on the date of loss of control;

- The minority interest in this subsidiary is written-off at carrying amount as of the date of loosing the control;
- The consideration received at fair value from the transaction, event or operation that led to the loss of control is recognized;
- All equity components representing unrealized income or losses are reclassified to profits or losses, or transferred directly to retained earnings - in compliance with the requirements of the relevant IFRS, by virtue of which rules these components shall fall;
- Any resulting difference is recognized as profit or loss in the income statements associated to the parent company.

3.4. Comparative data

The company presents comparative information in the financial statements for one previous year.

When necessary, comparative data shall be reclassified in order to achieve comparability against changes in performance for the current year.

3.5. Functional currency, presentation currency and foreign currency transfer

A functional currency is the currency of the primary economic environment in which an enterprise operates and in which cash is primarily generated and spent. It shows the main transactions, events and conditions significant for the enterprise.

The Combined Financial Statements have been prepared and presented in thousands of EUR.

Transactions denominated in foreign currency in the financial statements of Bulgarian companies are reported in BGN equivalent based on the official exchange rate of the BNB on the date of the transaction. Negative and positive foreign exchange differences on settlement are reported in the income statement. Monetary assets and liabilities in foreign currency are reported at the closing exchange rate of the Bulgarian National Bank (BNB) at the balance sheet date. Exchange rate differences arising from these operations are reported in the income statements. Non-monetary assets and liabilities denominated in foreign currency, reported at fair value, are revalued in BGN at the exchange rate of the day on which the transactions occurred.

The income and expenses of the foreign subsidiaries are translated in the financial statements of the Group at the average exchange rate for the year, and the assets and liabilities are translated at the closing rate at the end of the year. Items in the statement of cash flows are transferred at the annual average exchange rate. Goodwill resulting from the acquisition of a foreign subsidiary is expressed in the functional currency of the foreign operation and transferred at the closing exchange rate. All exchange rate differences arising as a result of the recalculation of the financial statements of foreign companies are classified as a separate component of the Group capital.

The functional currency of the overseas subsidiaries is as follows:

Subsidiary	Currency
Elmark Store – Romania	RON
Elmark Electric – Serbia	SRD

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Elmark Group – Croatia	HRK
Elmark Group – Hungary	HUF
Elmark Group – Greece	EUR
Elmark Group – Bosnia and Herzegovina	KM
Elmark Group – Slovenia	EUR
Elmark Group - Slovakia	EUR

For the preparation of the Combined financial statements of the Group, the financial statements of the foreign subsidiaries were recalculated in the reporting currency of the Group according to the closing exchange rate of the BNB as of 31 December 2021.

	2021	2020
Average exchange rate of the Serbian dinar against the EUR for the year	117.5736	117.578
Exchange rate of the Serbian dinar against the EUR at the end of the year	117.5821	117.5802
Average exchange rate of the Romanian lea against the EUR for the year	4.9204	4.8371
Exchange rate of the Romanian lea against the EUR at the end of the year	4.9481	4.8694
Average exchange rate of the Croatian kuna against the EUR for the year	7.502407	7.53115
Exchange rate of the Croatian kuna against the EUR at the end of the year	7.517174	7.536898
Average exchange rate of the the Hungarian forint against the EUR for the year	358.494	351.17
Exchange rate of the the Hungarian forint against the EUR at the end of the year	369.00	365.13
Exchange rate of the Bosnian mark to the EUR - fixed	1.95583	1.95583
Exchange rate of the US Dollar against the EUR at the end of the year	1.72685	1.59386
Fixed exchange rate of the EUR against the BGN	1.95583	1.95583

3.6. Accounting estimates and assumptions

As a result of the uncertainty inherent in business activity, many items of the Combined Financial Statement are not subject to precise valuation but only to approximate estimation and assumptions in determining the value of some assets, liabilities, income and expenses, contingent assets and liabilities. All of them are carried out on the basis of the best valuation that was made by the management as of the date of preparation of the Combined Financial Statements. When the Group accounting policies were applied by the management, it used its own assessment. Accounting estimates and valuations made by management are based on experience and other factors, including expectations of future events within existing circumstances. Accounting estimates and valuations made are periodically reviewed and it is a compulsory condition to be as of the balance sheet date. Actual results may differ from those presented in this financial statements.

3.7. Changes in Accounting Policy

The Group changes its accounting policy only when such a change is required by a particular Standard or Interpretation, or it results in the presentation in the Combined Financial Statements to more reliable or more relevant information about the effect of operations, other events or conditions on the financial position, results or money flow. A change in accounting policy resulting from the initial application of a new Standard or Explanation is reflected in accordance with the preceding or concluding provisions in the particular Standard or Explanation. When such are not available or changes are made voluntarily, they are applied retrospectively by adjusting the opening balances of each affected capital/equity item or other comparative amounts and by assuming the newly adopted policy has been always applied.

3.8. Income

Income in the Group is recognized on an accrual basis and to the extent that the economic benefits are acquired by the Group companies, and to the extent that the income can be measured reliably.

The types of income of the Group are presented in appendices 3 and 4.

Income from the sale of goods is measured at the fair value of the consideration or receivable, net of returns and value discounts, and trade discounts. Income from the sales of goods is recognized in the income statements when a significant portion of the risks and benefits of ownership are transferred to the buyer; the amount of income can be reliably estimated and it is probable that the economic benefits associated with the transaction will flow to the entity; the expenses incurred and the possible return of goods can be reliably estimated, and when no subsequent ongoing involvement in the management of the goods is available.

The transfer of all significant risks and rewards of ownership depends on the individual terms of the contract of sale.

Income shall not be recognized when significant doubt about the recovery of the amount due and related expenses is available, or when it is probable that the goods will be returned.

Upon the services provision, income shall be recognized by taking into consideration the stage of completion of the transaction at the balance sheet date, if this stage can be reliably measured, as well as the expenses incurred on the transaction and the expenses of its completion.

The profit (loss) from the sale of property, plant and equipment, intangible assets and materials is presented as other income (expenses).

Financial income is stated net of financial expenses in the income statement and includes:

- ✓ Interest on loans and term deposits, which are recognized in proportion to the time period based on the effective interest method;
- ✓ Positive exchange rate differences related to cash, trade receivables and payables denominated in foreign currency.

3.9. Expenses

Expenses in the Group are recognized at the time of their occurrence and based on the principles of accrual and comparability.

Expenses for future periods are deferred for recognition as a current expense for the period during which the contracts to which they relate are performed.

Financial expenses are included in the combined income statement, stated net of finance income, and consist of:

- Expenses for interest on loans and financial leasing contracts, including bank fees and other direct costs thereof;
- Negative exchange rate differences from revaluation of exchange rates related to cash, trade receivables and payables denominated in a foreign currency.

3.10. Properties, plant and equipment

- **Recognition and evaluation**

Each individual property, plant, facility or equipment is recognized as an asset according to the criteria of IAS 16 'Property, Plant and Equipment'.

Property, plant, and equipment are presented at prime cost (acquisition price), which includes delivery cost, all non-refundable taxes and fees, and all costs directly related to bringing the asset into the condition necessary for its operation in the manner intended by management.

The value of assets acquired in a business way includes the cost of materials, direct labour, other expenses associated with bringing into the ready for use asset, and the expenses of dismantling and moving and restoring the place where the asset is installed.

Interest expense on loans for the acquisition or reconstruction of assets has been recognized in the income statement.

Subsequent valuation is carried out on the basis of acquisition cost less accumulated depreciation and impairment losses, applying the acquisition cost model. Impairments made are accounted as an expense and recognized in the income statement for the relevant period.

Profit and losses on the property, plant and equipment write-off shall be determined by comparing the proceeds from the sale of the asset with the carrying amount of the asset and are recognized net in the income statement.

- **Subsequent expenses**

Subsequent expenses are added to the carrying amount of the the asset or accounted for as a separate asset only when it is expected that the Group company will receive future economic benefits related to the use of this asset and when their carrying amount can be reliably determined. The carrying amount of the replaced part is written-off. All other maintenance and repair expenses are shown in the income statements for the period in which they are incurred.

- **Depreciation**

Depreciation is charged on the basis of the determined useful life of each asset upon its acquisition, consistently applying the straight-line method.

In view of the expected future economic benefits paid into each asset and consumed by the enterprise in the process of its use, the useful life of each asset has been reviewed. Upon reviewing the useful life, the influence of the following factors was taken into consideration:

- expected use of the asset by the enterprise;
- expected physical wear and tear;
- technical and commercial obsolescence;

- legal and other similar restrictions on the use of the asset.

As a result of the assessment of the useful life of each asset of plant, facility and equipment, a useful life and a rate of depreciation relating to the entire period of use of the asset in the enterprise have been determined. The expected useful life is as follows:

Buildings	25 and 50 years
Machinery/Plant	7 -10 years
Means of transport	4 -6 years
Business inventory	4 -10 years
Office furniture	7 years
Computer technology	2 - 5 years

Improvements in leased assets - for the period of the asset use.

No depreciation shall be charged on the acquisition expenses of property, plant and equipment that have not been put into operation. Land and works of art are not depreciated because due the idea they have an indefinite useful economic life. Their useful lives are reviewed at the end of each period to determine whether events and circumstances continue to support the estimate of indefinite useful life. As of 31.12.2021 no indications of a deadline change were available.

3.11. Investment properties

❖ **Recognition and evaluation**

Investment property (land or building, or parts thereof) is held (by the owner or the lessee pursuant to a financial leasing primarily to obtain rental income and/or to increase capital value.

Each individual asset is recognized as an investment property in the Group only when it is probable that the future economic benefits resulting from its use will be received by an enterprise of the Group and the acquisition price can be estimated reliably.

Investment property should be valued initially at its acquisition cost. Transaction expenses should be included in the initial estimate. After the initial recognition of an investment property, it is accounted at its acquisition cost, less accumulated depreciation and impairment losses, applying the acquisition cost model. Impairments made are accounted for as an expense and recognized in the income statement for the relevant period.

❖ **Subsequent expenses**

The subsequent expenses incurred for supplementing, replacing a part or servicing the property are reflected as an increase in its carrying amount when they lead to an increase in the expected future benefits from its use. All other expenses are recognized in the income statement at the time they are incurred.

Investment property should be written-off on disposal or when it is permanently removed from use and no future economic benefits are expected from its disposal.

3.12. Intangible assets

✓ **Goodwill**

Goodwill represents the excess of the acquisition price over the Group share of the fair values of the acquired company identifiable assets, liabilities and potential liabilities at the date of the exchange transaction and is accounted for as an asset. In the event when the acquisition price is less than the Group net assets acquired, the acquirer should review the identification and measurement of the identifiable assets, liabilities and contingent liabilities acquired and the price of the business combination and to recognize immediately in the income statement any residual difference after the revision of the values is done.

After its initial recognition, in accordance with the requirements of IFRS 3, goodwill is not depreciated. An impairment review is performed at the end of each reporting period.

✓ **Other intangible assets**

❖ **Recognition and evaluation**

Each individual asset is recognized as intangible, according to the criteria of IAS 38 'Intangible assets' only if:
- it is probable that the entity will receive the expected future economic benefits that are associated with the asset;
- the value of the asset can be determined reliably.

Externally generated intangible assets are valued at acquisition cost, which includes the purchase price, including all non-refundable taxes and fees, and all expenses of preparing the asset for its expected use.

After initial recognition of an intangible asset, it is accounted at its acquisition cost, less accumulated amortization and impairment losses, applying the acquisition cost model. Impairments made are accounted as an expense and recognized in the income statement for the relevant period.

An intangible asset is written-off when it is removed from use or if no future economic benefits are expected from its use. Profit and losses on the write-off of an intangible asset are determined by comparing the proceeds from the sale of the asset to the carrying amount of the asset and are recognized net in the income statement.

❖ **Subsequent expenses**

Expenses related to the maintenance of intangible assets are recognized as an expense at the time of their occurrence, unless they form part of the value of an intangible asset that meets the criteria for recognition.

❖ **Depreciation**

Depreciation is accrued in the Statements of Income on a straight-line basis grounded on the estimated useful life of intangible assets. Depreciation starts when the asset is available for use, i.e. when it is in the location and condition necessary to operate in the manner intended by the management. Depreciation ends earlier of: the date the asset is classified as held for sale or the date the asset is written-off.

The useful life of existing intangible assets has been reviewed, taking into account the influence of many factors such as:

- expected use of the asset and its dependence on the useful life of other assets of the enterprise;
- public information on the estimated useful life of similar assets used in a similar way;
- moral aging;
- industry stability and competitive influence;

- level of maintenance costs necessary to obtain the expected future economic benefits of the asset;
- legal restrictions on the use of the asset.

As a result of the assessment of the useful life of each intangible asset, a useful life and amortization rate have been determined, referring to the entire period of use of the asset in the enterprise of the Group. The expected useful life is as follows:

Trademark	25 years
Software products	3 - 4 years

3.13. Impairment of assets

As of the date of preparation of the Combined Financial Statement, the Management assesses whether there are indications of impairment of properties, plant and equipment, intangible assets, investment properties, investments, inventories, receivables, goodwill. In the event that such signs are found to exist, an estimate of the recoverable amount of the relevant asset is prepared. When it is not possible to calculate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating entity to which the asset belongs.

Recoverable value is the higher of fair value less expenses to sell an asset and its value in use.

When the recoverable amount of an asset (or a cash generating entity) is lower than its carrying amount, the latter is reduced to the amount of the recoverable amount. An impairment loss is recognized immediately as an expense in the income statement.

In the event of a recovery of an impairment loss, the carrying amount of the asset (or cash-generating unit) is increased to its modified recoverable amount. This increase is up to the amount of the carrying amount, which would have been determined if no impairment loss had been recognized for the given asset in previous periods. The recovery of an impairment loss is recognized immediately as income in the income statement.

An impairment loss is recognized for a cash-generating unit to which goodwill is allocated only when the recoverable amount of the unit is less than its carrying amount. The impairment reduces the carrying amount of the assets in the cash-generating unit by first reducing the value of the goodwill and then the value of the assets included in the unit in proportion to their carrying amounts relative to the total value of the unit. A goodwill impairment loss is not recoverable.

After an analysis made by the management as of 31.12.2021, it was established that no indications requiring the impairment of current and non-current assets of the Group were available.

3.14. Inventory holdings

Inventory holdings are stated at the lower of cost and net realizable value. The acquisition price includes the purchase price, transport, customs and other similar expenses that can be directly attributed to the acquisition of the inventories. Trade discounts and other similar components were deducted in determining the purchase price.

Inventory processing expenses include those directly related to the units produced, as well as systematically accrued fixed and variable overhead expenses incurred in processing materials into finished goods. Fixed overhead costs are those indirect production costs that remain relatively constant regardless of the volume of production. Variable overhead costs are those indirect production costs that vary directly or almost directly with the volume of production. Variable overhead costs are allocated to each unit produced based on the actual utilisation of production facilities. The allocation of fixed overhead costs to processing costs is based on the normal capacity of the production facilities.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completing the production cycle and those necessary to make the sale.

Upon their consumption, the inventories in the Group are valued according to the 'first-in-first-out' (FIFO) method.

3.15. Financial instruments

A financial instrument is each contract that simultaneously gives rise to both a financial asset in one enterprise and a financial liability or equity instrument in another enterprise.

Financial assets and liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contractual terms of the instrument.

At initial recognition, financial assets/liabilities are measured at fair value. The expenses of the transaction, as a result of which the financial assets/liabilities arise, are included in their value, except when the financial assets/liabilities are reported at fair value through the income statement.

Financial assets are derecognized if the contractual rights to cash flows from the financial asset are no longer valid or the Group transfers the financial asset to third parties without retaining control or significant risks and rewards of the asset. Financial liabilities cease to be recognized if the Group liabilities specified in the contract are no longer valid, or are released or cancelled.

For the purposes of subsequent evaluation, during the current period the Group classifies financial assets and liabilities in the following categories: trade and other receivables and payables, cash, other financial liabilities (other than those at fair value through the income statement), financial assets/liabilities at fair value through the income statement. The classification in the relevant group depends on the purpose and term with which the relevant contract was concluded.

✓ Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable settlement terms and are not quoted in an active market. They arise when a Group company provides a cash resource, goods or services without intending to trade the resulting receivable. These receivables are presented at their amortized (depreciated) cost, except for short-term receivables, which are not depreciated.

The approximate estimate for losses from dishonoured and uncollectible receivables is made when there is high uncertainty about the collection of all or part of it. Uncollectible receivables are written-off when there are legal indications for this, or when a trade receivable is judged to be completely uncollectible. The write-off takes place at the expense of the formed adjustment and/or as an expense in the income statement.

Based on analysis, at the end of each reporting period, a review is performed for indications of impairment loss.

✓ Cash

Cash for the purpose of compiling the cash flow statement is cash in cash and in bank accounts, as well as cash equivalents provided by customers for payment - cheques, etc.

- ✓ **Trade and other liabilities**

Trade and other liabilities arising as a result of assets, services or cash received, not classified as financial liabilities at fair value through the income statement, are presented in the combined balance sheet at amortized (depreciated) cost. Current liabilities are not depreciated.

- ✓ **Loan interests**

Interest-bearing loans are recognized in the consolidated financial statements initially at fair value, formed by the cash proceeds received, less inherent transaction expenses. After their initial recognition, interest-bearing loans are measured at amortized (depreciated) cost, with any difference between the original cost and the maturity value recognized in the income statement over the period of use of the loan based on the contractual interest rate. Interest-bearing loans received for which no transaction-related expenses have been incurred are not depreciated. Received bank overdrafts and credit lines are treated in the same way, where the recipient has the right to repeatedly absorb or repay the loan within the pre-agreed limit.

Financial expenses, including direct borrowing costs, are included in the income statement using the accrual method, based on the effective interest rate, with the exception of transaction expenses on bank overdrafts and lines of credit, which are recognized in the statement of the income on a linear basis, for the period for which the overdraft is agreed.

Financial expenses such as premium payable on debt settlement or repurchase and direct transaction expenses are reported in the income statement on an accrual basis using the effective interest rate method and are added to the carrying amount of the financial liability to the extent, in which they are not settled at the end of the period in which they arose.

The bank loans are assigned for the purpose of financing the operational expenses of the Group, as well as for repeatedly issuing bank guarantees and opening letters of credit in favour of specific suppliers.

3.16. Leasing

- ✓ **Financial leasing**

As Lessee

Financial leasing is a contract that transfers substantially all the risks and benefits of ownership of the asset.

Assets acquired through finance leases are recognized at the lower of their fair value at the acquisition date or at the present value of the minimum lease payments. The existing liability to the lessor is included in the company balance sheet as a financial lease liability.

The minimum lease payments should be allocated between the finance charge and the reduction of the outstanding liabilities. The financial expenses should be spread over periods over the term of the lease so as to obtain a constant periodic interest rate on the remaining balance of the liability.

Financial leasing gives rise to a depreciation expense for the depreciable assets, as well as a finance expense for each reporting period. The depreciation policy regarding depreciable leased assets is consistent with that regarding own depreciable assets.

- ✓ **Operating Leasing**

As Lessor (In the capacity as Lessor)

Leasing where the lessor retains substantially all the risks and economic benefits of ownership on the asset are classified as operating leasing. Operating leasing income is recognized on a straight-line basis during the period of the relevant lease. Initially made direct costs incurred in connection with the negotiation and settlement of operating leasing are added to the carrying amount of the leased assets and are recognized on a straight-line basis during the lease period.

As Lessee (In the capacity as Lessee)

Payments related to operating leases are expensed in the income statement in equal instalments over the leasing contract term period.

3.17. Related parties

For the purpose of preparing these combined financial statements, persons who are members of key management personnel in the Group, as well as close members of their families, are treated as related parties. Detailed information on transactions with related parties and settlements with them at the end of the year is presented in the Appendix 24.

3.18. Income taxes

Current tax assets and/or liabilities represent those liabilities or receivables from the budget that relate to the current period and that have not been paid on the balance sheet date. They were calculated in accordance with the applicable tax rate and income tax rules for the period to which they relate, based on the taxable financial result for the period. Any changes in tax assets or liabilities are recognized as an element of tax expense in the income statement. In the combined statement, current taxes are determined by summing up the current tax of each company in the Group, based on the taxable profit for the period shown in the individual annual tax returns of the parent company and each of the subsidiaries. The effective tax rate in force under the tax legislation of each individual country at the balance sheet date is applied.

Deferred taxes are calculated using the passive method for all temporary differences. This includes a comparison between the carrying amounts of assets and liabilities and their respective tax bases. In accordance with the requirements of IAS 12, no deferred taxes are recognized in relation to goodwill, temporary differences related to shares in subsidiaries and jointly controlled entities, if the reversal of these differences can be controlled by the company and it is probable that the reversal of these differences will not happen in the near future. Existing tax losses are assessed against available recognition criteria in the financial statements before a deferred tax asset is recognised. It is recognized when it is probable that it will be realized through future taxable profits.

Liabilities for deferred temporary differences are recognized in full. Deferred temporary difference assets are recognized only to the extent that it is probable that they will be utilised through future taxable profits.

To determine the amount of deferred tax assets and liabilities, tax rates that are expected to be valid during the period of their realization shall be applied.

A significant portion of changes in deferred tax assets or liabilities are reflected as a component of tax expense in the income statement for the period, following an annual review of their carrying amounts.

Upon calculating the deferred tax assets and liabilities as of 31.12.2021, the Group used tax rates of 10%, 15%, 16%, 20% and 22%, applicable for 2022 were 10%, 15%, 16%, 20 % and 22% (as of 31.12.2020: 10%, 15%, 16%, 20% and 22%).

3.19. Equity

The share capital is the capital of the company holding the controlling interest, reflecting the nominal value of the issued shares.

The reserves include the legally required legal reserves of the parent company, as well as the owned share of the reserves of the subsidiaries formed after the date of acquisition.

The financial result includes the current financial result and retained earnings from previous years.

For the purposes of the consolidated financial statements, the foreign companies have recalculated their financial results and position in the presentation currency. The resulting exchange differences are recognized as a separate component of equity.

3.20. Pension and other liabilities to employees

The Group has not developed and does not implement post-employment or other long-term compensation and post-employment compensation plans either in the form of share-based or equity-based compensations.

The insurance and pension plans implemented by the companies in the Group in their capacity as an employer are based on the legal norms in the respective countries and are defined contribution plans. Under these plans, the employer pays monthly statutory contributions and has no other legal or constructive liability to pay.

At the date of each consolidated financial statement for the Bulgarian companies as part of the Group, an assessment is made on the expected expense amounts of the accumulated compensable leave, which is expected to be paid as a result of the unused right to accrued paid annual leave within 12 months after the date of the reporting period during which the employed persons performed the work related to these leaves. The estimate includes undiscounted estimate of the remuneration expenses and the expenses for compulsory social security contributions that the employer shall owe on these amounts.

3.21. Other provisions, contingent assets, contingent liabilities

Provisions representing current liabilities of the company arising from past events, which settlement is expected to occur the need for a cash outflow of resources, are recognized as liabilities of the company. Provisions are recognized when the following conditions shall be met:

- the company has current liabilities as a result of past events;
- it is probably that repayment of the liability shall require a flow of resources in order to its settlement;
- a reliable estimate of the amount of the liability can be made.

The amount recognized as a provision represents the best estimate of the cash outflows from resources required to settle the current liability at the balance sheet date. Upon determining the best estimate, the company takes into consideration the risks and the level of uncertainty concomitant many of the events and circumstances, as well as the effect of changes in the value of cash over time when they have a significant effect.

Compensation from third parties in relation with a certain liability of the company is recognized as a separate asset. However, this asset cannot exceed the value of the relevant provision. The provisions are reviewed at each balance sheet date and their value is adjusted to show the best estimate at the balance sheet date.

In cases where it is considered as hardly probable an outflow of resources to occur as a result of a current liability, such liability is not recognized unless it is a business combination matter.

The Company does not recognize contingent assets because their recognition may result in the recognition of income that may never be realized.

3.22. Events occurred after the balance sheet date

On 24 February 2022, Russia started an extensive invasion of Ukraine. As a result, the European Union, the USA, the Great Britain and other countries have imposed sanctions on Russia and Belarus. Currently no direct consequences for the activities of the companies in the Group as a result of the invasion of Ukraine and the imposed sanctions, since the companies in the Group do not have customers and suppliers from Ukraine, Russia and Belarus.

On 20 April 2022, Elmark Holding ED acquired 100% of the capital of Elmark Trading LTD - a company registered in Dubai in 2021. Until the date of Elmark Trading LTD acquisition, the owner of 49% of the company capital was Zhelez Georgiev Zhelyazkov, who is the majority owner of the shares of Elmark Holding ED.

On 14.07.2022, the shareholder Electric EOOD was transformed into ELMARK INVEST EAD. As of 26.07.2022, ELMARK INVEST EAD acquires a controlling interest participation in Elmark Holding ED by acquisition of one preferred registered share having the right to vote, entitles to have the right of a decisive vote on certain decisions of the General Meeting of Shareholders and the appointment of two members of the Board of Directors. No change in the share of the remaining shareholders is available.

No adjusting events or other non-adjusting significant events occurred between the balance sheet date and the financial statements date of approval for publication.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

4. SALES INCOME

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Income from sales of goods	18 243	15 994
Income from sales of production	2 248	2 103
Income from services	86	85
Total	**20 577**	**18 183**

Income from the sales of goods and production for 2021 by geographic markets:

Income from sales of goods and production	**2021 Thousand EUR**
Geographic markets	
Bulgaria	6 260
Other European countries	13 570
Countries outside Europe	661
	20 491

Geographical information for sales from goods and production is based on the customer's location.

Income from services includes:	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Income from transport services	75	83
Other income	11	2
Total	**86**	**85**

5. OTHER INCOME/(LOSS) FROM BUSINESS ACTIVITY

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Profit from sales of assets	12	-
Income from insurance benefits	2	26
Tax refunds from foreign countries	13	15
Impaired receivables recovered	13	5
Income from used leave	36	32

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Income from financing	22	10
Surpluses	5	1
Other income	32	88
	135	**176**

6. EXPENSES FOR MATERIALS	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Technical maintenance of motor vehicles (cars)	48	31
Fuel for the activity	262	204
Tools and spare parts	7	7
Office materials and consumables	17	21
Assets below value threshold	13	20
Packaging materials	35	27
Main materials	1 679	1 582
Sample of goods and industrial shelving	13	12
Maintenance expenses for goods	7	12
Work clothes	4	4
Advertising and promotional materials	14	36
Building materials	26	44
Commercial and warehouse fixtures and fittings	29	27
Hygienic and cleaning materials	12	15
Other materials	4	4
Total	**2 169**	**2 046**

7. EXPENSES FOR EXTERNAL SERVICES	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Subscription services	16	19
Administrative services	12	14
Tax motor vehicles and vignettes	17	16
Real estate taxes and fees	29	27
Electric energy	130	102
Translation services	5	6
Water Supply and Sewage services	6	5

Insurances	50	45
Internet services and communications	44	47
Advisory services	246	263
Courier services	4	25
Customs services	4	7
Rents	482	515
Security	39	52
Advertising and presentations	148	188
Repair services	33	76
Test and certification of products	2	3
Charges on packaging and products	53	59
Technical maintenance of motor vehicles	42	30
Transportation services for employees	0	1
Transport services of goods	406	444
Other services	13	18
Total	**1 782**	**1 961**

8. EXPENSES FOR EMPLOYEES

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Current remuneration	2 701	2 548
Social and health insurance contributions	461	435
Accruals on salaries for unused paid leave	41	31
Social and health insurance accruals for unused leave	8	7
Accrued income upon retirement	8	7
Total	**3 220**	**3 026**

9. IMPAIRMENT OF ASSETS

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Impairment of receivables	53	43

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Total	**53**	**43**

10. OTHER EXPENSES FOR THE ACTIVITY

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Fines	5	1
Entertainment expenses	28	21
Social expenses	14	11
Business trips	171	128
Road taxes	3	2
Tax on entertainment expenses	3	1
Other expenses for taxes and fees	16	13
Other expenses	17	9
Impairment of receivables	0	85
Waste rejects of non-current assets	137	9
Omissions of inventories	35	20
Unrecognised VAT	22	9
Total	**452**	**308**

11. FINANCIAL INCOME

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Interest income from commercial relationships	5	7
Interest income on loans granted	9	4
Interest income on bank deposits	1	-
Positive currency differences	105	436
Total	**119**	**447**

12. FINANCIAL EXPENSES

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Interest expenses	107	144
Negative currency differences	295	435

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Other financial expenses	119	115
Total	**521**	**693**

Interest expenses include:

- Interest on bank loans – EUR 79 thousand (2020: EUR 102 thousand);
- Interest on financial leasing – EUR 4 thousand (2020: EUR 3 thousand);
- Other interest on Letters of Credit - EUR 23 thousand. (2020: EUR 38 thousand);

Other financial expenses include:

- Bank fees and commissions – EUR 100 thousand (2020: EUR 87 thousand)
- Bank fees for Letters of Credit – EUR 19 thousand (2020: EUR 28 thousand)

13. INCOME TAX EXPENSE

Tax expense/income in the income statements include the amount of current income tax expense and deferred income tax expense as required by IAS 12 – Income Taxes. The main components of income tax expense for the years ended on 31 December are as follows:

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Current tax expense	397	128
Total change in deferred taxes	(3)	13
Total tax income (expense)	**395**	**141**

The applicable income tax rate for 2021 and 2020 is 10% in Bulgaria, 15% in Serbia, 16% in Romania, 20% in Croatia, 10% in Hungary, 22% in Greece, 10% in Bosnia.

14. PROPERTIES, PLANT AND EQUIPMENT

	Lands and buildings thousand EUR	Plant and equipment - thousand EUR	Means of transport thousand EUR	Business inventory thousand EUR	Computer technology - thousand EUR	Improvements to leased assets thousand EUR	Total thousand EUR
On 1 January 2020							
Reported value	**5 617**	**1 013**	**898**	**845**	**136**	**147**	**8 656**
Accumulated depreciation	(948)	(760)	(773)	(669)	(114)	(91)	(3 356)
Carrying amount	**4 668**	**253**	**125**	**176**	**22**	**56**	**5 301**
Movement during 2020							

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Opening balance	**4 668**	**253**	**125**	**176**	**22**	**56**	**5 301**
Newly acquired	430	44	179	190	5	23	871
Effect of IFRS 16 as of 01.01.2019	-	-	-	-	-	-	-
Written-off and impairment	-	(83)	(19)	(10)	(3)	1	(114)
Depreciation accrued	(212)	(76)	(44)	(72)	(12)	(26)	(442)
Depreciation written-off	-	83	5	2	3	-	93
End balance	**4 886**	**222**	**246**	**286**	**14**	**55**	**5 710**
On 1 January 2021							
Reported value	**6 047**	**974**	**1 059**	**1 025**	**138**	**171**	**9 414**
Accumulated depreciation	(1 161)	(752)	(812)	(739)	(124)	(117)	(3 704)
Carrying amount	**4 886**	**222**	**246**	**286**	**14**	**55**	**5 710**
Movement during 2021							
Opening balance	**4 886**	**222**	**246**	**286**	**14**	**55**	**5 710**
Newly acquired	4	166	82	24	16	-	290
Effect of IFRS 16 as of 01.01.2019	-	-	-	-	-	-	-
Written-off and impairment	(33)	(6)	(78)	(1)	(2)	-	(120)
Depreciation accrued	(221)	(70)	(59)	(78)	(13)	(26)	(467)
Depreciation written-off	-	6	62	1	1	-	70
End balance	**4 635**	**318**	**253**	**232**	**16**	**29**	**5 484**
On 31 December 2021							
Reported value	6 017	1 134	1 062	1 048	152	171	9 585
Accumulated depreciation	(1 382)	(816)	(809)	(816)	(136)	(142)	(4 101)
Carrying amount	**4 635**	**318**	**253**	**232**	**16**	**29**	**5 484**

As of 31.12.2021, as security for received bank loans, the Group companies provided their own assets:

- Property - land, together with the commercial and administrative building constructed on it, located in the city of Varna, West Industrial Zone, 10 Perla Str. with a carrying amount of EUR 314 thousand (land) and EUR 2 409 thousand (a building).
- Land property located in the town of Dobrich, together with the buildings constructed on it - a warehouse, a tool shop and an administrative building, with a carrying amount of EUR 13 thousand (land) and EUR 745 thousand (buildings)

- Land property located in the town of Dobrich with a carrying amount of EUR 114 thousand and the newly built warehouse on the site.
- Land properties located in the town of Burgas with a carrying amount of EUR 208 thousand together with the building constructed on the site with a carrying amount of EUR 551 thousand, as well as the newly constructed warehouse.

As of 31.12.2021, the expenses for the acquisition of Fixed assets are EUR 1 939 thousand, representing expenses incurred for the construction of two new warehouses in Dobrich and Busgas.

As of 31.12.2021, a review of tangible assets was made to determine whether impairment conditions occurred. The expert assessment of the market value of the buildings made by expert witnesses did not lead to conditions for the assets depreciation.

Leasing

The right-of-use (ROU) assets are as follows:

Reported value	*Buildings 2021 Thousand EUR*	*Total 2020 Thousand EUR*
Balance as of 1 January 2021	**511**	**228**
Acquired assets	1	283
Written-off	-	-
Balance as of 31 December 2021	**511**	**511**
Accumulated depreciation		
Balance on 1 January 2021	(152)	(79)
Depreciation accrued for the year	(81)	(73)
Depreciation written-off	-	-
Balance as of 31 December 2021	**(234)**	**(152)**
Carrying amount on 31.12.2021	**278**	**358**

The Right-of-use (ROU) assets are included on the same line where the corresponding assets would be presented if they were owned.

15. INTANGIBLE ASSETS

	Trademark thousand EUR	Software products thousand EUR	On-line shop thousand EUR	Franchise model Electromarket thousand EUR	Total thousand EUR
On 1 January 2020					
Reported value	**1 423**	**313**	**24**	**17**	**1 777**

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Accumulated depreciation	(675)	(237)	(13)	(4)	(929)
Carrying amount	**748**	**76**	**10**	**14**	**848**
Movement during 2020					
Opening balance	**748**	**76**	**10**	**14**	**848**
Newly acquired	-	1	-	-	1
Written-off assets	-	(2)	-	-	(2)
Depreciation accrued	(57)	(20)	(3)	(3)	(83)
End balance					
On 1 January 2021	**691**	**55**	**8**	**11**	**764**
Reported value	**1 423**	**312**	**24**	**17**	**1 776**
Accumulated depreciation	(732)	(257)	(16)	(7)	(1 012)
Carrying amount	**691**	**55**	**8**	**11**	**764**
Movement during 2021					
Opening balance	**691**	**55**	**8**	**11**	**764**
Newly acquired	-	-	-	-	-
Written-off	-	-	-	-	-
Depreciation accrued	(57)	(18)	(2)	(4)	(81)
End balance	**634**	**36**	**6**	**7**	**683**
On 31 December 2021					
Reported value	**1 423**	**312**	**24**	**17**	**1 776**
Accumulated depreciation	(789)	(276)	(18)	(10)	(1 093)
Carrying amount	**634**	**36**	**6**	**7**	**683**

As of 31.12.2021, the intangible assets were evaluated as part of the evaluations of entire enterprises of the Group. As a result, for intangible fixed assets no impairment conditions were found.

16. ASQUISITIONS

The goodwill from the acquisitions is in the amount of EUR 4 295 thousand.

17. INVENTORY HOLDINGS

As of 31.12.2021, internal specialists conducted an inventory of inventory holdings in order to assess whether the conditions for impairment to net realizable value for individual items were available. After the review, it was found that no conditions for impairment were existed and the inventory holdings as of 31.12.2021 did not include availability for which the net realizable value is lower than the carrying amount.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Main materials	1 580	1 190
Main materials on the road	16	42
Finished production and work in progress	574	521
Goods on road	1 519	998
Goods	11 379	9 768
Others	98	125
Total	**15 166**	**12 645**

Inventory stocks include the value of materials and goods available in the warehouses of the Group companies, in the warehouses under customs control and 'main materials and goods on the road' as of 31.12.2021. 'Fixed materials and goods on the road' are the inventory holdings that as of the date of financial statements preparation, are those travelling to Bulgaria. According to the agreed terms of delivery, the ownership of the materials and goods is transferred to the Group at the time of their loading. Their value is significant, since the technological time from the order to the arrival in the company warehouses has duration from 60 to 90 days.

18. TRADE AND OTHER RECEIVABLES

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Receivables from customers	2 078	1 521
Receivables from related parties	225	4
Advances provided	17	13
Receivables from the budget	310	138
Prepaid services	30	48
Other receivables	132	179
Total	**2 793**	**1 903**

Receivables from customers are interest-free and represent receivables from direct sales of goods and services, reduced by the bonuses granted to distributors and partners periodically according to realized deliveries.

On the grounds of their historical experience, the Group companies have adopted a policy of making approximate estimate for dishonoured and uncollectible receivables when high uncertainty about the collection of all or part of it is available, and the overdue period is more than 1 year. The discount is in the amount of 50% for such customers.

Receivables from related parties are announced in Appendix 24.

Prepaid services and subscriptions include insurance premiums, prepaid rents and fees.

Receivables from the budget in the amount of EUR 310 thousand are related to receivables for value added tax and overpaid income tax.

The Group does not hold pledged assets as security.

The management has reviewed the impairment of the receivables, and after the impairment for the remaining receivables has been made, the management considers that their current value does not differ significantly from their fair value as of 31.12.2021.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following elements:	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Money in cash	18	39
Money in bank accounts	1 993	1 873
Cash equivalents	5	4
Cheques for payment from customers	27	31
Cash in correspondent banks	28	-
Total	**2 070**	**1 948**

20. EQUITY

Equity of the Group is presented at its nominal value.

Pursuant to the court registration, the capital of Elmark Invest EAD is divided into 5,000 registered voting shares with a nominal value of BGN 1 each.

By virtue of a court decision on the registration of Elmark Holding ED, the registered capital is EUR 18,295,206, divided into 18,295,206 registered voting shares with a nominal value of EUR 1 each. The list of shareholders of the Company is presented as follows:

	2021		2020	
	No. of shares	**Ths. EUR**	**No. of shares**	**Ths. EUR**
Zhelez Georgiev Zhelyazkov	10 940 279	10 940	10 940 279	10 940
Electric EOOD /transformed into ELMARK INVEST EAD on 14.07.2022/	5 573 586	5 574	5 573 586	5 574
Kremena Georgieva Nedeva	672 860	673	672 860	673
Repurchased shares	1 108 481	606	1 108 481	606
Total	**18 295 206**	**17 792**	**18 295 206**	**17 792**
Total in Ths. BGN		**34 799**		**34 799**

After consolidation in the combined statement, the capital structure is as follows:

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

	2021		2020	
	No. of shares	**Ths. EUR**	**No. of shares**	**Ths. EUR**
Zhelez Georgiev Zhelyazkov	10 940 279	10 940	10 940 279	10 940
Kremena Georgieva Nedeva	672 860	673	672 860	673
Repurchased shares	1 108 481	606	1 108 481	606
Total	**18 295 206**	**12 219**	**18 295 206**	**12 219**
Total in Ths. BGN		**23 898**		**23 898**
	No. of shares	**Ths. EUR**	**No. of shares**	**Ths. EUR**
Elmark Invest EAD	5 000	5	5 000	5
Total consolidated Ths. BGN		**23 903**		**23 903**
Total consolidated Ths. EUR		**12 221**		**12 221**

In 2021, dividends were paid to shareholders.

21. INTEREST LOAN LIABILITIES

As of 31.12.2021, the Group signed contracts for bank loans as follows:

Elmark Group EOOD – Bulgaria:

- Contract for working capital in the amount of BGN 400,000, concluded with Eurobank Bulgaria AD. The term of the contract is until 30.09.2023.

Elmark Industries AD:

• Contract dated 02.04.2008 with Unicredit Bulbank AD for the provision of an overdraft credit in the amount of EUR 500,000 in order to make current payments. The term of the contract is until 20.12.2022.

• Contract dated 28.08.2009 with Unicredit Bulbank AD for undertaking credit liabilities in the form of bank guarantees and documentary letters of credit related to the main activity of the company in the amount of up to USD 250 thousand. The term of the contract is until 05.10.2023.

• Contract dated 09.10.2009 with Unicredit Bulbank AD for a credit card for business customers with an authorized credit limit of EUR 10,000. The term of the contract is until 20.12.2022.

• Contract dated 12.04.2012 with Unicredit Bulbank AD for a bank loan under the condition of undertaking credit liabilities in the form of bank guarantees and documentary letters of credit related to the company main business activity in the amount of EUR 800,000. The term of the contract is until 05.10.2023.

• Contract dated 22.10.2012 with Unicredit Bulbank AD for the provision of a revolving bank credit in the amount of EUR 800,000 for settlement with suppliers. The term of the contract is until 20.12.2022.

• Contract dated 14.10.2014 with Unicredit Bulbank AD for undertaking credit liabilities in the form of bank guarantees and documentary letters of credit related to the main activity of the company in the amount of up to USD 1 million. The term of the contract is until 05.10.2023.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

• Contract dated 19.09.2018 with Unicredit Bulbank AD for undertaking credit liabilities in the form of bank guarantees and documentary letters of credit related to the company main business activity in the amount of up to Euro 300,000. The term of the contract is until 05.10.2023.

• Contract dated 19.09.2021 with Unicredit Bulbank AD for undertaking credit liabilities pursuant to a revolving credit line (multipurpose revolving credit line) related to the company main activity in the amount of BGN 2,000,000. The term of the contract is until 05.10.2026.

Bank loans from Unicredit Bulbank AD are secured by a contractual mortgage on:

- land property with an area of 9,129 m^2, located in the town of Dobrich, No. 2 Dobrudzha Blvd., in one of the buildings built in it - a tool shop, a metal shed, an administrative building, a warehouse for electrical materials with an adjacent ramp;

- land property with an area of 3,318 m^2, located in the town of Burgas, Karach locality;

- pledge in accordance with the Law on Contracts for Financial Security on all receivables - current and future for the balances on all accounts of which the company is the holder at the bank and pledge in accordance with the Special Pledges Act of short-term tangible assets in the amount of EUR 1,789,522, owned by Elmark Industries AD.

• Contract dated 11.10.2010, concluded with Eurobank Bulgaria AD for the of a credit line granting within the framework of targeted financing for working capital. The loan is granted as per the Programme for the European Investment Bank (EIB) for lending of small and medium-sized enterprises. The amount of the loan is EUR2,023,000. Deadline to be pad off – 30.09.2023.

• Contract dated 08.08.2011, concluded with Eurobank Bulgaria AD for the provision of credit in the form of a credit limit for issuing bank guarantees and letters of credit. The maximum permitted credit limit is USD 700,000. Deadline to be pad off – 30.09.2023.

• Contract dated 05.12.2012, concluded with Eurobank Bulgaria AD for providing a credit line for working capital and opening of bank guarantees and letters of credit. The maximum amount of the loan is EUR 500,000. Deadline to be pad off – 30.09.2023.

• Contract dated 12.08.2016, concluded with Eurobank Bulgaria AD for providing a credit line for working capital and opening of bank guarantees and letters of credit. The maximum amount of the loan is BGN 3,600,000. Deadline to be pad off is by 30.09.2023.

• Contract dated 16.02.2021, concluded with Eurobank Bulgaria AD for granting an investment loan for the construction of a commercial warehouse centre in the town of Busgas. The maximum amount of the loan is BGN 1,000,000. Deadline to be pad off – 16.02.2031.

The facility credit contracts concluded with Eurobank Bulgaria AD have been secured by:

1. Mortgage on a land property located in the city of Varna, WIZ, 10 Perla St., owner of the property Elmark Industries AD;

2. Mortgage on a building located in the city of Varna, WIZ, 10 Perla Str., owner of the property Elmark Holding ED;

3. Mortgage on real estate in the town of Burgas, Karaach locality, owner of the property Elmark Industries AD;

4. securing the bank receivables by establishing a pledge on the receivables on the bank accounts of Elmark Industries AD, Elmark Holding ED, Elmark Group EOOD in Eurobank Bulgaria AD;

5. A pledge by virtue of the Special Pledges Act of short-term tangible assets in the amount of EUR 1,000,000, owned by Elmark Industries AD.

Bank and non-bank loan liabilities are analysed as follows:

	31.12.2021	31.12.2020
	thousand EUR	thousand EUR
Short-term part of bank loan liabilities	5 268	3 622
Total	**5 268**	**3 622**

	31.12.2021	31.12.2020
	thousand EUR	thousand EUR
Long-term part of bank loan liabilities	3 256	1 700
Total	**3 256**	**1 700**

The maturities of the bank loans are as follows:	31.12.2021	31.12.2020
	thousand EUR	thousand EUR
Liabilities with a maturity of up to 1 year	5 268	3 622
Liabilities with a maturity from 2 to 5 years	3 256	1 700
Total	**8 524**	**5 322**

Bank loan liabilities, analysed by type of currency, are as follows:

	31.12.2021		31.12.2020	
	original currency, Ths.	thousand EUR	original currency, Ths.	thousand EUR
EUR	3,989	3 989	3,172	3 172
USD	1,922	1 697	1,483	1 209
BGN	5,549	2 837	1,841	941
Total		**8 523**		**5 322**

22. FINANCIAL LEASING LIABILITIES

Liabilities by virtue of financial leasing, included in the balance sheet as of 31 December, are pursuant to the contracts for the acquisition of motor vehicles. They are presented in net interest due and are as follows:

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Short-term part of financial leasing liabilities	33	32
Long-term part of financial leasing liabilities	57	94
Total	**90**	**126**

Financial leasing liabilities are analysed as follows:

Gross investment from financial leasing:	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Up to 1 year	35	36
From 1 to 5 years	59	98
	95	**133**
Unrealized financial expense	**(4)**	**(8)**
Net investment from financial leasing	**90**	**126**

The concluded leasing contracts are with Elmark Group EOOD - Bulgaria.

23. TRADE AND OTHER LIABILITIES

Non-current liabilities

As of 31.12.2021, the Group companies reported provisions in the amount of EUR 64 thousand on the occasion of liabilities for compensations upon retirement EUR 43 thousand, and EUR 21 thousand provisions for warranty service.

Current liabilities	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Liabilities to suppliers	736	640
Liabilities to related parties	5	6
Advance amounts received	55	102
Liabilities to employees and social security	329	300
Tax liabilities	363	304
Other liabilities	27	8
Total	**1 514**	**1 359**

Liabilities to suppliers have arisen on the occasion of materials, goods and services supply related to the Group standard activity, and are interest-free.

Payments to suppliers are made by agreed advance payments upon placing the order and additional payment upon delivery. No interest by suppliers is charged. Bank letters of credit are used for part of the deliveries. The Group has not practised to provide securities in connection with commercial liabilities.

Liabilities to related parties are disclosed in Appendix 24.

Liabilities to employees and insurance companies consist of:

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Liabilities to employees	245	221
Liabilities to insurance enterprises	84	79
Total	**329**	**300**

The company tax liabilities are current and include:

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Value Added Tax	185	187
Employees income taxes	22	27
Tax on expenses	8	6
Tax profit	144	43
Other taxes	4	41
Total	**363**	**304**

24. RELATED PARTIES

The company related parties include: related companies, Eltrans Logistics EOOD, Elmark Trading LTD (Dubai), key management personnel and other related persons as described below.

Unless explicitly stated, related party transactions were not conducted in unusual conditions, neither in deviations from the average market prices.

1. Related party transactions:

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Sales	Type of deals	The year ended on 31.12.2021, thousand EUR	The year ended on 31.12.2020 thousand EUR
Eltrans Logistics	Sales of services	4	1
EOOD;	Loan interests	3	4
Elmark Trading LTD	sales of goods	51	-
	commercial loan	81	-
Total		**139**	**5**

Purchases	Type of deals	The year ended on 31.12.2021, thousand EUR	The year ended on 31.12.2020, thousand EUR
Eltrans Logistics	Services	51	54
EOOD;	debt asset	8	-
Total		**58**	**54**

2. Transactions with key management personnel

	The year ended on 31.12.2021 thousand EUR	The year ended on 31.12.2020 thousand EUR
Salaries and other remuneration (gross)	325	272
social security, health insurance and other expenses at the Employer's expense	33	33
Total	**358**	**305**

3. Balance at the end of the year

Short-term liabilities related to commercial relationships:

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Eltrans Logistics EOOD	5	7
Total	**5**	**7**

Liabilities to key management personnel:

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Salaries and other remuneration (gross)	28	48
Social security, health insurance and other expenses at the Employer's expense	3	2
Total:	**31**	**50**

Short-term receivables related to commercial relationships:

	31.12.2021 Thousand EUR	31.12.2020 thousand EUR
Eltrans Logistics EOOD	3	4
Elmark Trading LTD	173	-
Total	**175**	**4**

Receivables from granted loans (principal):

	31.12.2021 thousand EUR	31.12.2020 thousand EUR
Eltrans Logistics EOOD	152	203
Elmark Trading LTD	81	-
Key management personnel	50	-
Total	**283**	**203**

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Elmark Holding ED

As of 31.12.2021, Elmark Holding ED is a joint and several debtor by virtue of all bank credit contracts of Elmark Industries AD described in Explanatory note 20.

Elmark Group EOOD – Bulgaria

According to the contract with OMV Bulgaria AD for the purchase of fuel using OMV-cards, a secured loan in the amount of BGN 36 thousand, with a validity period by April 2025, was provided.

As of 31.12.2021, Elmark Group EOOD is a joint debtor by virtue of all bank credit contracts of Elmark Industries AD as described in Explanatory note 20.

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Elmark Trade EOOD is a joint debtor by virtue of the bank loan contract - credit line No. 100-1827/12.08.2016 between Elmark Group EOOD and Eurobank Bulgaria AD. The amount of the loan is BGN 400,000. Deadline to be pad off by 30.09.2023.

Elmark Industries AD

As of 31 December 2021, a pledge was established in favour of Unicredit Bulbank AD in accordance with the Law on Contracts for Financial Security on all receivables - current and future for the balances on all accounts held by the company in the bank.

As of 31 December 2021, a special pledge was established in favour of Unicredit Bulbank AD by virtue of the Special Pledges Act for goods, raw materials and materials in circulation and processing, owned by the company, in the amount of EUR 1,789,522 at delivery price.

As of 31 December 2021, a pledge was established in favour of Eurobank Bulgaria AD in accordance with the Law on Contracts for Financial Security on all receivables - current and future for the balances on all accounts in the bank held by the company.

As of 31 December 2021, a special pledge was established in favour of Eurobank Bulgaria AD by virtue of the Special Pledges Act for goods, raw materials and materials in circulation and processing, owned by the company, in the amount of EUR 1,000,000 at delivery price.

As of 31 December 2021, Eurobank Bulgaria AD has open letters of credit from Elmark Industries AD in favour of third parties in the amount of USD 618 thousand and EUR 146 thousand.

As of 31 December 2021, Unicredit Bulbank AD has open letters of credit from Elmark Industries AD in favour of third parties in the amount of USD 1,331 thousand; EUR 1,034 thousand and EUR 70 thousand. As of 31 December 2021, no open letters of credit in UniCredit Bulbank by third parties in favour of Elmark Industries AD were available.

No any pending lawsuits against Elmark Group companies are known.

26. ASSESSMENT AND MANAGEMENT OF THE FINANCIAL RISK

The Group companies of the Group are exposed to various financial risks upon its activities implementation: market risk, credit risk, liquidity risk and risk of changes in future cash flows as a result of changes in market interest rates. Financial risks are currently monitored, analysed and prognosticated in order to minimize their potential negative impact on the company financial results and condition. The management of financial risks is carried out on an ongoing basis by the company management under the direct control of the executive director. The management priority is to adequately assess the market circumstances and the forms of maintenance of free liquid funds, without allowing unjustified concentration of a given risk

(a) Market risk

- Currency risk

Currency risks arise as a result of commercial transactions, recognized assets, liabilities and from net investments in foreign operations. It summarizes unexpected, sudden changes in the exchange rate, carrying the risk of serious translation losses.

Much of the traded goods are imported from foreign markets, because of that, there is a risk associated with possible exploding changes in the exchange rate of the USD. The company sells its goods on the domestic and foreign markets, with a large part of the proceeds being in foreign currency - EUR. The parent company and subsidiaries in the country are not exposed to significant currency risk arising from exposures in Euro. The conditions of the Currency Board have fixed the exchange rate of the BGN against the EUR, thus providing certainty in deferred payments and predictability of the expenditure part of the plan. The impact of changes in the exchange rates of the USD and the depreciation of the EUR against the USD lead to a significant effect of translation losses on the purchase of USD with which payments are made to the main counterparties.

The bank loans used for the activities of the companies in the group are of different currencies, Euro, USD and BGN in order to minimize the impact of exploding changes in the exchange rates of one of the currencies.

For foreign companies, the currency risk varies within wider limits due to fluctuations in the exchange rates of local currencies against the EUR.

❖ Price risk

In 2021, exploding increase in the price of the international sea transport of goods from China to Bulgaria occurred, as a result of that the Group is already exposed to price risk from negative changes in the prices of both transport, and goods and the main materials used in production.

The prices of the main suppliers also undergo upward changes, although the practice shows that the price movement is smooth and predictable - it is determined primarily by the appearance of new or improved products, and it is consistent with the achieved market share. Inflation in China compared to that in Europe is low, thus allowing manufacturers to be competitive with goods produced in Europe. The goods offered are subject to periodic analysis, revision and updating according to market changes. The Group periodically reviews the market prices at which it offers its goods in relation to general price levels, in order to be able to make smooth and gradual adjustments to these prices if necessary.

In order to minimize the impact of changes in transport prices, a framework contract was concluded with the main carrier of the importing company in the group, under which preferential price conditions were agreed.

❖ Risk of changes in cash flows and fair values as a result of changes in interest rates

The financial instruments that potentially expose the Group to interest rate risk are bank loans and deposits. As on most loans the agreed interest rate is at a fixed premium over USD Sofr and EURIBOR, the Group is potentially exposed to cash flow risk. The management considers that the interest rate risk of the cash flow, as a result of the fluctuation in the market interest rates, increased significantly in 2021, but nevertheless the companies of the Group do not use financial instruments for its hedging.

(b) Credit risk

Financial assets that potentially expose the Group to credit risk are primarily trade receivables and loans granted. Basically, companies are exposed to credit risk in the event the counterparties will not be able to fully pay the amounts due and within the usual deadlines. In order to limit this type of risk, the Group has taken out receivables insurance, which allows an assessment of the customer's financial condition and a credit limit for the customers is accordingly approved by the insurer. For some payments with persons external to the Group, the factoring service is used (without regress).

ADDENDUM TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 (CONTINUED)

Distributors of goods in countries where no registered subsidiaries are available, letters of credit or bank guarantees are provided in the amount of their allocated limit, or they are customers who have received an approved credit limit from the insurer.

The Group exposure to credit risk is limited to the amount of the carrying amount of these financial assets.

The Group management considers that all assets that have not been impaired during the presented accounting periods, are assets with a high credit rating, including due and with maturity occurred. The Group is not exposed to significant credit risk to any single counterparty or to a group of counterparties that have similar characteristics.

Credit risk regarding cash is considered non-significant as the counterparties are banks with a good reputation and a high external credit rating.

(c) Liquidity risk

Liquidity risk arises from the negative situation of the company not being able to unconditionally meet all its obligations according to their maturity. The Group management maintains a conservative liquidity management policy. This allows an optimal liquid stock of cash, a good ability to finance business activity maintenance, and includes constant monitoring of actual and estimated cash flows by period, maintenance of daily information on available cash and upcoming payments.

Elmark Invest Group companies regularly service their liabilities.

Executive Director: Jelez Georgiev

Prepared by: Kirilka Ivanova

„ЕЛМАРК ИНВЕСТ" ЕАД
ВАРНА
BULGARIA
VARNA
"ELMARK INVEST" EAD