
CONSOLIDATED ANNUAL ACTIVITY REPORT
OF
ELMARK INVEST EAD
AS AT 31 DECEMBER 2022

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Foreword by the Management

The Board of Directors of Elmark Invest EAD has prepared this Consolidated Activity Report in pursuance of Article 39 of the Accountancy Act and Article 247 of the Commercial Act and herewith aims at presenting the conduct of the Group's business and the position thereof, as well as to provide certain clarifications as to the governance of the Group in 2022. The data contained in this Report appear in the Group's annual Consolidated Financial Statements respecting 2022, which were drawn up in line with the International Financial Reporting Standards.

The Annual Activity Report of the Elmark Invest EAD holding company's business also offers comments and analysis of the financial statements and other material information relevant to the financial position and results attained through the business of its subsidiaries. The Report elaborates on the position and development prospects of the Holding Company.

In their governance efforts, the members of the Board of Directors make use of the global best practices in corporate governance, all the while striving to lead in the integration on transparent practices in Bulgaria. The business model pursued by the Company is based on some core principles that operate to safeguard the rights of all shareholders and their equal treatment.

On December 8, 2022, Elmark Invest EAD acquired control over the holding Group of Elmark Holding ED. This leads to the presentation of the financial data in the consolidated financial statement for the two periods before the acquisition and after the acquisition as follows: the income from the business combination including the consolidated financial statement of Elmark Holding ED for the period from 01.01.2022 to 08.12.2022 and the consolidated revenues and expenses for the period after the acquisition of control from 09.12.2022 to 31.12.2022.

The company that actively participates in the management of subsidiaries in 2022 is Elmark Holding ED and aims to achieve higher economic efficiency by increasing and developing the market share, improving the organizational structure of the companies, improving the supply and sales process, the organization of work and increasing the qualification and skills of the human factor.

All the positive results attained by Elmark Invest EAD, Elmark Holding ED and its subsidiaries would have been unthinkable without our clients, partners and shareholders and we beg them to accept our gratitude for the support and trust they vest into the management team and all of our colleagues across the Group companies. Your contribution to the attainment of our common goals is truly appreciated!

Board of Directors of Elmark Invest EAD

3 July 2023

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

1. INFORMATION ABOUT THE COMPANY

Our History

1. History of the parent company **ELMARK INVEST EAD** (the "Parent")

ELMARK INVEST is a sole shareholder company limited by shares registered under company No. 207014937 and is the legal successor of **ELECTRIC EOOD** (company No. 103582553), duly registered with the Commercial Register of the Registry Agency under company case No. 3693/ 2000 which was transformed by having its legal form changed. The transformation was duly recorded with the Commercial Register of the Registry Agency on 14 July 2022.

The company's official mailing address is:

Registered office and business address: 10 Perla Str., Western Industrial Zone, Varna

Tel.: 052/575 502, e-mail: office@elmarkinvest.com

The Company is jointly and severally managed by the Executive Directors Jelez Georgiev Zhelyazkov and Kremena Georgieva Nedeva.

As at the end of the reporting period, the sole shareholder was Jelez Georgiev Zhelyazkov.

To date, the Company has not transferred or pledged its business, nor has gained or disposed of assets of significant value beyond the scope of its ordinary operations.

2. History of the intermediary parent company **Elmark Holding ED** (the "Intermediary Parent").

Elmark Holding ED is a holding company limited by shares incorporated on 29 November 2006, having its registered office and business address at 10 Perla Str., Western Industrial Zone, Varna.

The transformation of Elmark Holding from a company limited by shares into a European limited company (societas Europaea) as per the requirements of Chapter XIX of the Commercial Act and Article 37(6) or Regulation (EC) No 2157/2001, was duly registered with the Commercial Register of the Registry Agency on 4 February 2015. Therefore, the statements have been prepared using the new legal form.

Elmark Holding ED was struck off the Commercial Register of the Republic of Bulgaria on 11 May 2016 as the registered office of the company was moved to the United Kingdom. The new registered office was at 222 Regent Street, Liberty House, London, United Kingdom. The company was registered with the Companies House, England under reg. No. SE98.

As a result of Brexit, however, a procedure was launched in late 2018 to have the company's registered office moved back to Bulgaria. With effect from 1 April 2019, Elmark Holding ED has been registered in the Bulgarian Commercial Register under company No. 205596467 with registered office in 10 Perla Str., Western Industrial Zone of Varna.

To date, the Company has not transferred or pledged its business, nor has gained or disposed of assets of significant value beyond the scope of its ordinary operations. In 2022 the company was engaged in managing the subsidiaries, proceeds from the rent of property of the company, etc.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Capital

1. Capital of the Parent ELMARK INVEST EAD

As of 1 January 2022, ELECTRIC EOOD, which was transformed into ELMARK INVEST EAD, had registered and paid up capital of BGN 5,000 (EUR 3 thousand). An increase in the registered capital of Elmark Invest EAD of BGN 4,555,000 (EUR 2,328,935), as covered by the retained earnings, was registered with the Commercial Register on 21 April 2023.

As of 31 December 2022, the Group's core capital was presented at its nominal value that appears in the Court Decree authorising the company's registration. The registered capital of BGN 4,555,000 (EUR 2,328,935) was divided into 4,555,000 registered voting shares with nominal value of BGN 1 each (EUR 0.5 each). As of 31 December 2022 the majority shareholder was Jelez Georgiev Zhelyazkov.

An increase in the registered capital of Elmark Invest EAD from BGN 4,555,000 (EUR 2,329 thousand) to BGN 11,095,000 (EUR 5,673 thousand), as covered by the retained earnings, was registered with the Commercial Register on 22 June 2023, with the nominal value of 1 share being BGN 1 (EUR 0.5). As at the date of issue of this Report all shares have already been listed on the BEAM market organised by the Bulgarian Stock Exchange, with ISIN code BG1100012225 and stock symbol of ELM having been allocated to the issue.

2. Capital of the Intermediary Parent Elmark Holding ED

Initially, the registered capital of Elmark Holding ED was BGN 50,000 (fifty thousand) (EUR 25,565), divided into 500 (five hundred) registered shares with a nominal value of BGN 100 (one hundred) (EUR 51) each.

In 2007 the capital of the company was increased by issuing 8,494,600 ordinary, registered, voting shares with a nominal value of BGN 1 each. Said shares were subscribed by the shareholder Electric EOOD. The value thereof was covered by an in-kind contribution whose value was determined in pursuance of Article 72 of the Commercial Act and constituted a property, to wit: a land plot, along with a massive four-storey building constructed thereon and comprising office premises and an industrial goods store, the address thereof being: 10 Perla Str., Varna. Further capital increase took place by issuing 11,577,800 ordinary, registered, voting shares with a nominal value of BGN 1 each, whereby 2,716,300 thereof were subscribed by Electric EOOD against an in-kind contribution constituting the trade mark of ELMARK, whose value was determined in pursuance of Article 72 of the Commercial Act, and 8,861,500 new shares subscribed by the shareholder Jelez Georgiev Zhelyazkov, against an in-kind contribution whose value was determined in pursuance of Article 72 of the Commercial Act and constituting 100% of the ownership interests in Elmark Group EOOD - Bulgaria.

In November of 2008 the capital of the company was yet again increased by BGN 7,200 (EUR 3,681 thousand), constituting the value of the shares that Jelez Georgiev Zhelyazkov held in Elmark Industries AD, whereby he subscribed the newly issued 7,200,000 shares with a nominal value of BGN 1 (EUR 0.5) each.

Upon capital increase, the shareholding structure was as follows:

- Jelez Georgiev Zhelyazkov held 16 096 500 shares, or 58,91% of the capital;
- Electric EOOD held 11,225,900 shares or 41.09% of the capital;

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

By virtue of a resolution of the General Meeting of Shareholders held on 5 December 2008, it was resolved to designate two classes of shares: Class A to comprise all registered, voting shares subscribed theretofore; Class B comprising all non-voting shares to be issued thereafter in pursuance of subsequent resolutions of the General Meeting.

In February of 2009 the capital of the company was increased by the remaining retained earnings to the amount of BGN 7,688,211 (EUR 3,931). Voting shares with nominal value of BGN 1 (EUR 0.5) each were issued as follows: 4,529,125 shares to the shareholder Jelez Georgiev Zhelyazkov, and 3,159,086 to the shareholder Electric EOOD.

Following such increase, the total capital of the company amounted to BGN 35,010,611 (EUR 17,901) with the following shareholding structure:

- Jelez Georgiev Zhelyazkov held 20,625,625 shares, or 58.91% of the capital;
- Electric EOOD held 14,384,986 shares or 41.09% of the capital;

At the request of the shareholder Electric EOOD, the General Meeting of Shareholders passed a resolution on 8 November 2010 to repurchase 3,734,000 of the company's own shares.

Following such repurchase, as of 31 December 2012 the shareholding structure was as follows:

- Jelez Georgiev Zhelyazkov 58.91%
- Electric EOOD 30.42%
- Elmark Holding ED 10.67% (repurchased own shares)

By virtue of a resolution dated 19 April 2013 the Board of Directors authorised the acquisition by the shareholder Electric EOOD of 250,000 of the repurchased shares. Following that date and as of 31 December 2013, the shareholding structure was as follows:

- Jelez Georgiev Zhelyazkov 58.91%
- Electric EOOD 31.14%
- Elmark Holding ED 9.95% (repurchased own shares)

By virtue of a resolution of the General Meeting of Shareholders of Elmark Holding AD passed on 3 June 2014 the capital of the company was increased through an in-kind contribution of the shareholder Jelez Georgiev Zhelyazkov of an ownership interest held thereby in Electromarket OOD, which, as expertly valuated, amounted to BGN 771,700 (EUR 395 thousand). The nominal value per share was BGN 1 (EUR 0.5). Following that date and as of 31 December 2014, the shareholding structure was as follows:

- Jelez Georgiev Zhelyazkov 59.80%
- Electric EOOD 30.46%
- Elmark Holding ED 9.74% (repurchased own shares).

By virtue of a resolution of the General Meeting of Shareholders of Elmark Holding AD passed on 19 January 2015 the capital of the company was denominated from BGN to EUR and the company was transformed from a company limited by shares into an European limited company (societas Europaea). The company was renamed to ELMARK Holding ED. The nominal value per share was EUR 1 (one). The shareholding percentages of shareholders have remained unchanged.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

A new shareholder, Kremena Georgieva Nedeva, was admitted in 2018 and acquired shares out of the company's repurchased own shares in the amount of EUR 672,860. As of 31 December 2021, the shareholding structure was as follows:

- Jelez Georgiev Zhelyazkov 59.80%
- Electric EOOD 30.46%
- Kremena Georgieva Nedeva 3.68
- Elmark Holding ED 6.06% (repurchased own shares).

In 2022 the shareholder Electric EOOD was transformed into ELMARK INVEST EAD on 14 July 2022. The General Meeting of Shareholders of Elmark Holding ED passed a resolution on 19 July 2022 to issue one 1 preference, registered, voting share with a nominal value of EUR 1 carrying the right to a casting vote when passing resolutions on certain matters by the General Meeting of Shareholders. During said meeting it was also resolved that such preference registered share be sold to Elmark Invest EAD. On 8 December 2022 ELMARK INVEST EAD acquired control of Elmark Holding ED by means of the casting vote vested into the preference share when passing resolutions on certain matters by the General Meeting of Shareholders, such as amendments to the Articles of Association, distribution of dividends and the right to appoint two members of the Board of Directors. The shareholding percentages of shareholders have remained unchanged.

Management Bodies

Subject to the commercial laws in effect as of 31 December 2022, ELMARK INVEST is a sole shareholder company limited by shares with a one-tier board structure.

As of 31 December 2022, the Board of Directors comprised the following members:

- Jelez Georgiev Zhelyazkov
- Kremena Georgieva Nedeva
- Milen Hristov Vasilev

The Company is jointly and severally represented by the Executive Directors Jelez Georgiev Zhelyazkov and Kremena Georgieva Nedeva.

Certain members of the Board of Directors hold directly or indirectly 25% or more of the capital of the following business companies:

- **Jelez Georgiev Zhelyazkov** - Eltrans Logistics EOOD

The members of the Board of Directors of ELMARK INVEST EAD also participate in the management of the following business companies as executive officers or board members:

- **Jelez Georgiev Zhelyazkov:** General Manager of Electromarket EOOD – Bulgaria; General Manager of Elmark Group EOOD - Bulgaria; General Manager of Elmark Electric – Serbia; General Manager of Elmark Group – Hungary; General Manager of Elmark Group – Greece; General Manager of Elmark Trade EOOD; Member of the Board of Directors and Executive Director of Elmark Holding ED; Member of the Board of Directors and Executive Director of Elmark Industries AD; General Manager of Elmark Group - Bosnia and Herzegovina; General Manager of Elmark Group – Slovenia; General Manager of Eltrans Logistics EOOD – Bulgaria; General Manager of

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Elmark Group – Slovakia; General Manager of Elmark Group– United Kingdom; representative of Elmark Trading LTD - Dubai.

- **Kremena Georgieva Nedeva:** General Manager of Electromarket EOOD – Bulgaria; General Manager of Elmark Store – Romania; General Manager of Elmark Group – Republic of Croatia; Member of the Board of Directors and Executive Director of Elmark Holding ED; Member of the Board of Directors and Executive Director of Elmark Industries AD.
- **Milen Hristov Vasilev:** General Manager of Elmark Group EOOD – Bulgaria; General Manager of Elmark Trade EOOD – Bulgaria; General Manager of Elmark Cable EOOD; Member of the Board of Directors of Elmark Holding ED; Member of the Board of Directors and Executive Director of Elmark Industries AD.

The members of the Board of Directors have not received any non-monetary benefits, contingent or deferred remuneration. None of ELMARK INVEST EAD, Elmark Holding ED or any of its subsidiaries owe the members of the Board of Directors any amounts by way of pension benefits, retirement benefits or the like.

2. BUSINESS REVIEW

Subject of Activity

ELMARK INVEST EAD has been organised to engage in: investments in ownership interests and shares of companies, acquisition, management, valuation and sale of interests in Bulgarian and foreign companies, consultancy, corporate governance, capital and asset management, commissioning, marketing, as well as any other business not prohibited by law, provided that, should the conduct of any such business be conditional upon any permit, licence or registration, it shall only be done upon proper obtainment or completion of such permit, licence or registration.

The major purpose of all subsidiaries of the Group is the production of and trade in products of the ELMARK brand.

Creation and evolution of the trademark:

In 2002 Elmark Holding ED registered its brand of ELMARK that it applies to the goods and products it distributes on international markets.

In its early years, the company was successful in developing its portfolio of electrical equipment and electrical supplies.

In 2004 the company started investing in the production of low-voltage products: MCB, MCCB, RCD, contactors, electric motor control and operation equipment.

Driven by the significant demand for lighting solutions, in 2009 the company moved on to extend its portfolio by adding decorative, interior and exterior lighting solutions.

New categories of products were added to the portfolio in 2020 such as Smart devices, generators and solar systems.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

History of the Group Milestones:



2000: Incorporation of ELMARK

2004: Production of electrical equipment

2008: New logistics centre

2010: New product line of lighting solutions

2017: New product line of decorative lighting solutions

2018: Introduction of digital solutions

2021: A showroom opened in Dubai

2022: Extension of the logistics facility by 6,000 square metres

The Elmark Group of companies trades in low-voltage electrical products under their own trademark of ELMARK, with the products divided into 7 major business categories, to wit:

1. Electrical Equipment
2. Lighting Solutions
3. Smart Home
4. Solar Systems and Generators
5. Garden Tools and Maintenance
6. Heating, Ventilation and Air Conditioning
7. Household Electric Appliances

Detailed list of product categories:

1. Electrical Equipment

1.1. Breakers and Electrical Protection

- 1.1.1. Miniature Circuit Breakers (MCB) and accessories
- 1.1.2. Moulded Case and Air Circuit Breakers (MCCB and ACB)
- 1.1.3. Thermo-Magnetic Automatic Breakers
- 1.1.4. Residual Current Devices (RCD)
- 1.1.5. Surge Arrestors
- 1.1.6. Switch Disconnectors
- 1.1.7. Fuse Links, Bases and Switches
- 1.1.8. Lighting Protection
- 1.1.9. Ex-Proof Installation Systems

1.2. Automation & Control

- 1.2.1. Contactors, Thermal Overload Relays and Accessories
- 1.2.2. Frequency Inverters, Direct and Soft Starters

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

- 1.2.3. Electrical Measuring Devices, Timers Sensors and Relays
- 1.2.4. Control Switches, Pushbuttons and Indicator Lights
- 1.3. Distribution Boards & Boxes
 - 1.3.1. Plastic Distribution Boards and Boxes
 - 1.3.2. Metal Distribution Boards and Boxes
 - 1.3.3. Industrial Metal Distribution Modular Boards
 - 1.3.4. Junction and Console Boxes
- 1.4. Cables
 - 1.4.1. Power and Solar Power Cables
 - 1.4.2. Communication Cables
- 1.5. Electrical Materials
 - 1.5.1. Cable Support Systems
 - 1.5.2. Cable Fastening, Terminals and electrical Insulating Materials
 - 1.5.3. Industrial Plugs and Sockets
 - 1.5.4. Multiplugs and Cable reels
- 1.6. Switches and Sockets
 - 1.6.1. Electrical Switches and Sockets

2. Lighting Solutions

- 2.1. Decorative Lighting
 - 2.1.1. Chandeliers & Pendants Lighting
 - 2.1.2. Décor Ceiling and Wall Mounted Lights
 - 2.1.3. Floor, Table & Night Lamps
- 2.2. Indoor Lighting
 - 2.2.1. LED Panels
 - 2.2.2. Downlights
 - 2.2.3. Indoor Ceiling and Wall Mounted Lights
 - 2.2.4. LED Profiles and Acoustic Fixtures
 - 2.2.5. Lighting Fixtures with LED Tubes and LED Chips
 - 2.2.6. Magnetic and Traditional Track Lights
 - 2.2.7. Bathroom Lights
 - 2.2.8. LED Emergency Lights
- 2.3. Exterior Lighting
 - 2.3.1. Garden Lights
 - 2.3.2. Façade, Ground and Ceiling Lights
 - 2.3.3. Waterproof Lighting Fixtures with LED tubes and LED Chips
 - 2.3.4. LED Unerwater Fixtures, IP68
 - 2.3.5. Solar Lights
 - 2.3.6. LED Floodlights
 - 2.3.7. Industrial Lighting
 - 2.3.8. ex-Proof Lighting
- 2.4. Lamps and Accessories
 - 2.4.1. LED Bulbs and LED Tubes
 - 2.4.2. LED Strips and Neon Flex
 - 2.4.3. LED Strips Power Supply and Control
 - 2.4.4. Work Lamps, Flashlights & Christmas Lights
 - 2.4.5. Motion Sensors and Accessories

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

3. Smart Home - 2022

- 3.1. Smart Switches
 - 3.1.1. Smart Wall Switches and Sockets
 - 3.1.2. DIY Smart Sitches
- 3.2. Smart Lights
 - 3.2.1. Smart Lights
- 3.3. Smart & Security Cameras
 - 3.3.1. Smart & Security Cameras
- 3.4. Video and Door Bells
 - 3.4.1. Video Door Bell Systems
 - 3.4.2. Conventional Doorbells
- 3.5. Smart Door Locks and Access Control
 - 3.5.1. Smart Door Locks
 - 3.5.2. Access Control

3. Garden Tools and Maintenance

- 4.1. [Power Tools *](#), [**](#)
 - 4.1.1. [Electrical Power Tools *](#)
 - 4.1.2. [Cordless Power Tools *](#)
 - 4.1.3. [Welding Equipment **](#)
 - 4.1.4. [Air Compressors and Water Pumps **](#)
- 4.2. [Garden Maintenance **](#)
 - 4.2.1. Electrical Garden Tools
 - 4.2.2. Cordless Garden Tools
 - 4.2.3. Garden Micro-Drop Irrigation System
 - 4.2.4. Irrigation and Garden Watering
- 4.3. [Hand Tools & Tool Accessories *](#)
 - 4.3.1. Measurement Tools
 - 4.3.2. Hand Tools
 - 4.3.3. Electric Tool Accessories
- 4.4. [Fixings, Fasteners, Construction Chemicals **](#)
 - 4.4.1. Fixings & Fasteners
 - 4.4.2. Construction Chemicals
- 4.5. [Personal Protective Equipment **](#)
 - 4.5. Personal Protective Equipment

5. Solar Power Systems and Electrical Generators

- 5.1. Solar Power Systems
 - 5.1.1. Solar Panels
 - 5.1.2. Solar Inverters and Batteries
 - 5.1.3. Automation for Solar Systems
 - 5.1.5. Mounting Structures and Elements
 - 5.1.6. Solar Power System Sets
 - 5.1.7. Mounting Structure Sets with Panels
- 5.2. Charging Stations and Accessories
 - 5.2.1. Charging Stations
 - 5.2.2. Charging Cables and Accessories

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

- 5.3. Electrical Generators
 - 5.3.1. Gasoline Generators
 - 5.3.2. Diesel Generators

6. Heating, Ventilation & Air Conditioning **

- 6.1. Ventilation
 - 6.1.1. Home Ventilation Fans and Accessories
 - 6.1.2. Industrial Fans and Accessories
- 6.2. Air Conditioning
 - 6.2.1. Air Conditioners
- 6.3. Heating
 - 6.3.1. Heating Appliances

7. Household Appliances **

- 7.1. Refrigeration
 - 7.1.1. Refrigerators
 - 7.1.2. Wine Coolers
 - 7.1.3. Freezers
- 7.2. Cooking
 - 7.2.1. Ovens
 - 7.2.2. Cooker Hoods
 - 7.2.3. Gas and Electric Hobs
 - 7.2.4. Dishwashers
- 7.3. Laundry
 - 7.3.1. Washing Machines
 - 7.3.2. Dryer Machines
- 7.4. Electric Water Heaters
 - 7.4.1. Electric Water Heaters
- 7.5. Small Home Electric Appliances
 - 7.5.1. Small Home Electric Appliances

Products marked with an "*" shall be available for sale in the second half of 2023. Items have been selected and supply terms and conditions have been agreed with their respective producers.

Products marked with "**" shall be available for sale since early 2024. As at the date of this Report, a procedure has been launched for selection of producers and product samples, with supply terms and conditions expected to be agreed in the second half of 2023.

In 2022 the Group continued to pursue its policy of having experts at its companies be on the constant lookout for the latest developments in the production of lighting solutions and electrical products, which helps us offer customers the latest energy efficient and state-of-the-art lighting solutions, devices and electrical equipment.

The long-term objectives of our company have to do with integrating the latest digital solutions that will allow us to easily and quickly manage our supply chain and enhance customer satisfaction. We keep providing highly effective solutions to households and businesses.

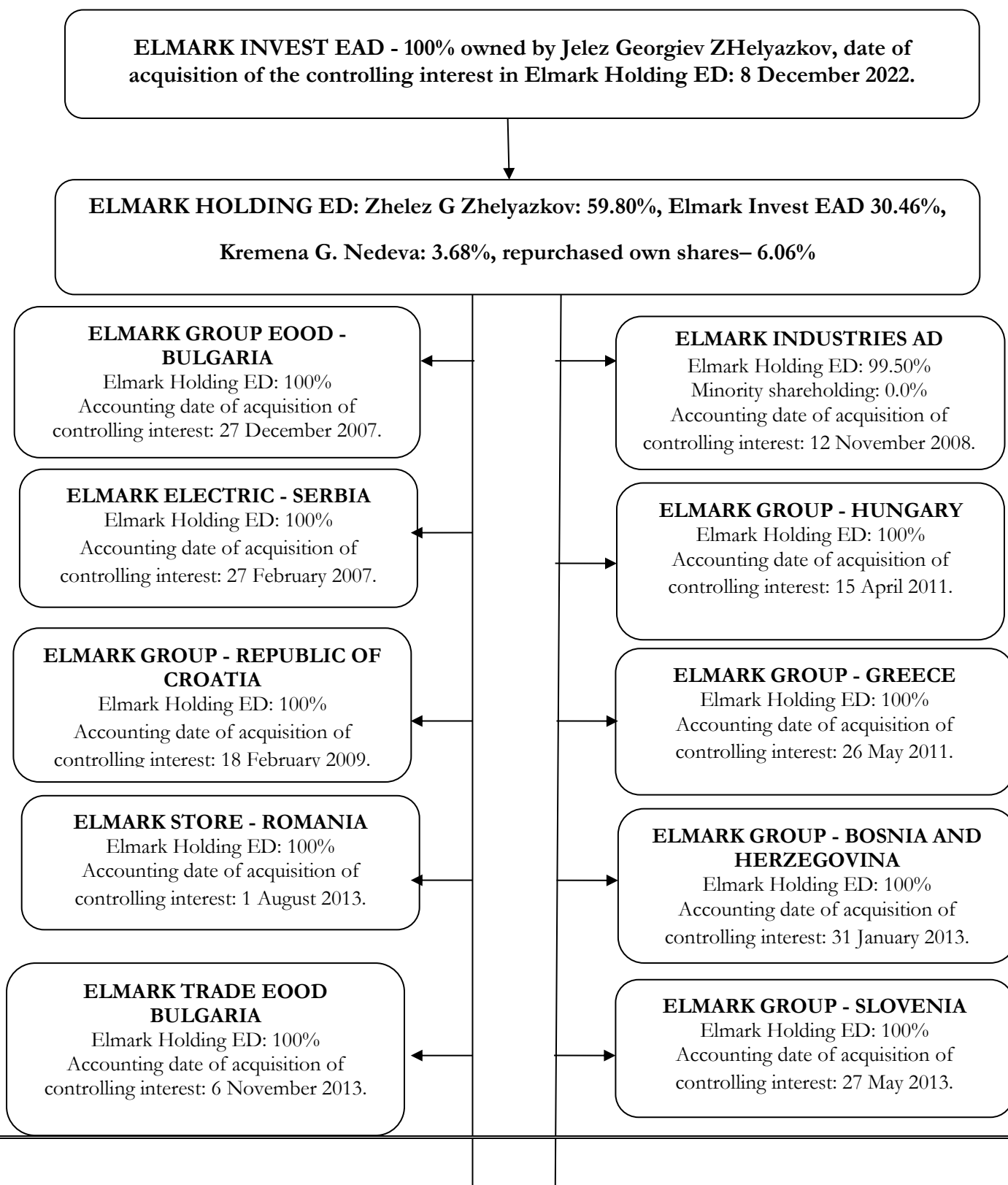
CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

To manage a successful business, one needs to develop a solid foundation capable of promoting business growth. The company's core values are: expert approach, high efficiency, security, trust, aspiration for improvement.

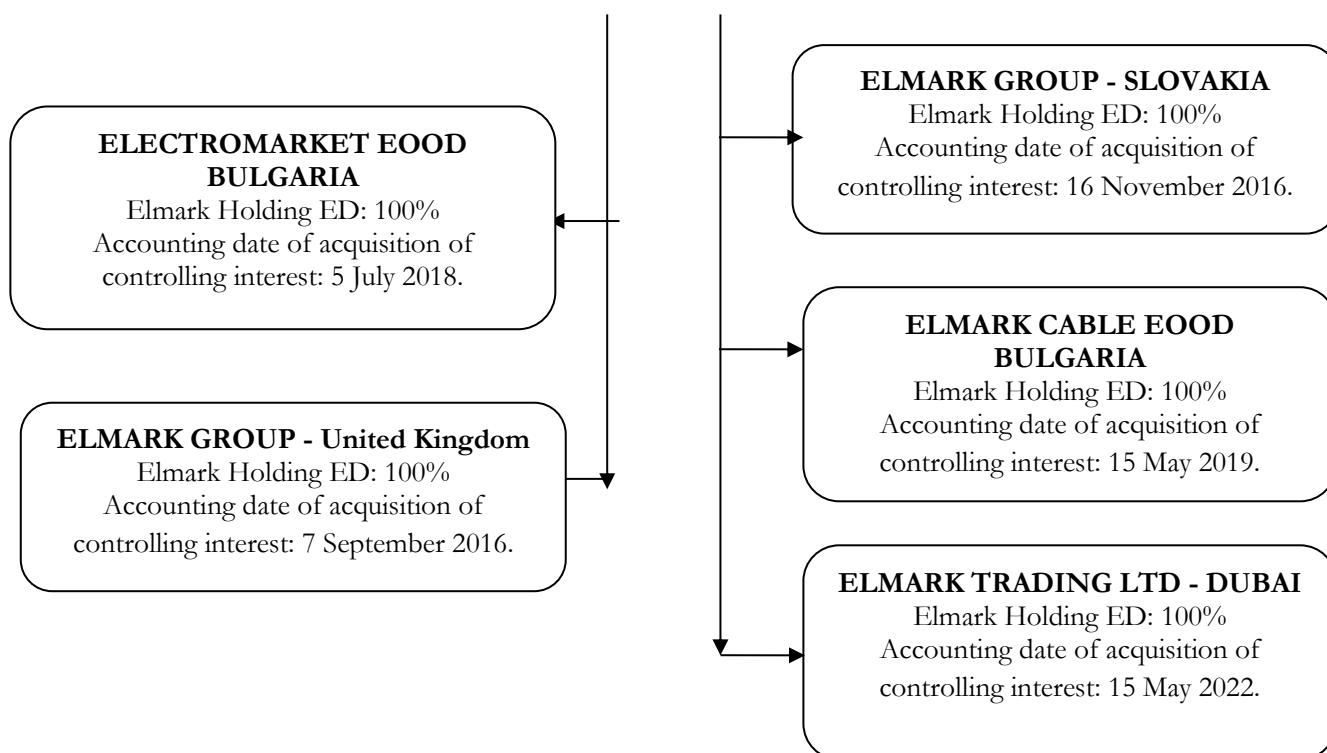
Structure of the Group

ELMARK INVEST EAD is the parent, and Elmark Holding ED is the intermediary parent, which is the majority owner of 15 separate companies.



CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022



As of 31 December 2022, the Group comprises the following subsidiaries as indirectly owned by ELMARK INVEST EAD:

- **Elmark Group EOOD - Bulgaria** is incorporated under the Bulgarian laws by virtue of Decree No. 2250 on 15 August 2003 by Varna District Court. Elmark Holding is the sole shareholder thereof. The company operates via storage facilities constructed in 5 Bulgarian towns and cities, to wit: Dobrich, Sofia, Plovdiv, Veliko Tarnovo, and Stara Zagora. Elmark Group EOOD is the largest company that trades in ELMARK branded products in the country. The company also procures the transportation of the goods within the business Group.
- The general representative of ELMARK branded products in the **Republic of Romania** is **Elmark Store SRL - Romania**. It has its registered office and business address in Bucharest. The company conducts its business via offices and storage facilities in Bucharest, Cluj, Oradea, and Timisoara that serve the entire country. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- The entity to import ELMARK branded products in the **Republic of Serbia** is **Elmark Electric - Serbia**. Since registered in 2005, the company has managed to develop a distribution network throughout Serbia to distribute ELMARK branded products. Some of the company's clients also come from the neighbouring countries of Bosnia and Herzegovina and the Republic of Montenegro. With greater efficiency in mind, the company operates offices and storage facilities in the northern and in the southern area of the country, located respectively in Belgrade and Kragujevac. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

- **Elmark Industries AD** is a public limited company incorporated by virtue of company case No. 721 of 22 July 2004 on file with Dobrich District Court, having its registered office and business address in 2 Dobrudzha Str., Dobrich. As of 31 December 2022, the shareholding pattern of the company was as follows: Elmark Holding ED - 99.91% and a non-controlling interest of the Group, Elmark Group EOOD (Bulgaria) - 0.09%. The company has a one-tier board structure. The members of the Board of Directors are Jelez Georgiev Zhelyazkov, Kremena Georgieva Nedeva and Milen Hristov Vasilev. The company is represented by its Executive Directors, whereby Jelez Georgiev Zhelyazkov is authorised to act severally, whereas Kremena Georgieva Nedeva and Milen Hristov Vasilev are authorised to act jointly. Elmark Industries AD is primarily engaged in production and quality control of the ELMARK branded goods, import, export and wholesale trade in products of the ELMARK brand intended for external markets.
- **Elmark Group – the Republic of Croatia** is a company engaged in the distribution of ELMARK products in the territory of the Republic of Croatia. It was registered on 18 February 2009 with Zagreb Commercial Court. The company conducts its business via offices and storage facilities in Zagreb and Split. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- **Elmark Group – Hungary** is a company engaged in the distribution of ELMARK products in the territory of Hungary. The company is based in Budapest where it rents offices and storage facilities allowing it to maintain stock of all products sold. Incorporated in 2011, as of 31 December 2022, it was wholly owned by Elmark Holding ED.
- **Elmark Group – Greece** is a company engaged in the distribution of ELMARK products in the territory of Greece. Registered in 2011, as of 31 December 2023 it was wholly owned by Elmark Holding ED. The company has its registered office in Thessaloniki, which was a strategic decision given its proximity to Bulgaria in view of securing quick supply of goods and transport cost efficiency. A representative office was opened in Athens in 2022.
- **Elmark Group – Bosnia and Herzegovina** are a company engaged in the distribution of ELMARK products in the territory of Bosnia and Herzegovina. The company conducts its business via rented offices and a storage facility in Sarajevo. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- **Elmark Group – Slovenia** is a company engaged in the promotion of ELMARK products in the territory of Slovenia. The company acts as an agent and interacts with a distribution network in Slovenia and another Group company - Elmark Trade EOOD. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- **Elmark Trade EOOD** is a Bulgarian business company engaged in international trade and distribution of Elmark products to clients in Europe and around the world. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- **ELECTROMARKET EOOD** is a Bulgarian business company engaged in the wholesale and retail trade of a wide range of electrotechnical goods for household and industrial installations, both ELMARK products and many other products constituting lighting solutions, handheld tools, switches, sockets, cables, etc. via its store by the name of ELECTROMARKET which is located in Varna. As at 31 December 2022, the company was 100% owned by Elmark Holding ED.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

- **Elmark Group – Slovakia** is a business company registered in 2016 and engaged in the distribution of ELMARK products in the territory of Slovakia. The company sells the goods of Elmark in the territory of Slovakia. As of 31 December 2022, the company was wholly owned by Elmark Holding ED.
- **Elmark Group – United Kingdom** is a business company registered in 2016 in the United Kingdom and engaged selling the goods of Elmark in the territory of the United Kingdom by early 2020. Following Brexit, the company has ceased operations and the clients thereof have been transferred for direct service by the Bulgarian company of the Group Elmark Trade EOOD.
- **Elmark Cable EOOD** is a Bulgarian business company engaged in distributing low-voltage cables and conductors within the Group, with such company being inactive in 2022.
- **Elmark Trading LTD – Dubai** is a company registered in Dubai of the United Arab Emirates (UAE) in 2021 with Jelez Georgiev holding 49% of the ownership interests in the company since the incorporation thereof. During the first half of 2022, Elmark Holding ED acquired 100% of the shares of the company. The company is engaged in selling ELMARK goods in the territory of the UAE and countries from the Middle East and Africa.

4. ANALYSIS OF BUSINESS RESULTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The prepared Consolidated Statement of Profit or Loss and Other Comprehensive Income aggregately presents both periods of 2022, i.e., prior to the acquisition of control on 8 December 2022, and thereafter until the end of 2022. The result from the business combination was reported in the period from 1 January to 8 December 2022, i.e., profit from a business combination in the amount of EUR 5,509 thousand. The consolidation in respect of the period 9 December - 31 December 2022 has been presented in line with the "full" consolidation method and comprises both the consolidated profit and loss for said period. The profit and loss of ELMARK INVEST EAD have also been individually consolidated in respect of the period 1 January - 31 December 2022.

Revenue

Operating Revenue

In 2022 the total consolidated sales revenue of the Group solely includes such consolidated revenue as falling within the period 1 January - 31 December 2022, that was generated after the date of the Group's acquisition of control over ELMARK INVEST EAD and amount to EUR 1,470 thousand. The comparable 2021 data have been derived from the individual financial statements of ELMARK INVEST EAD. The consolidated data in respect of the period 1 January – 8 December 2022 have been added to the result from the business combination that ELMARK INVEST EAD reported following the date of control acquisition (8 December 20220 i.e., EUR 5,509 thousand.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

The table below contains a breakdown of sales revenue, with 2021 data derived from the individual financial statements of ELMARK INVEST EAD:

	For the year ended 31 December 2022 Thousands of EUR	For the year ended 31 December 2021 Thousands of EUR
Revenue from sale of goods	1,190	-
Revenue from sale of production	90	-
Revenue from services	102	81
Other revenue	90	1
Total	1,472	82

As additional information, we have also included details of the consolidated sales revenue throughout 2022:

The consolidated revenue generated throughout 2022 by the intermediary holding Group of Elmark Holding ED amounts to EUR 23,597 thousand, whereas, for the sake of comparison, revenue amounted to EUR 20,711 thousand in 2021, which means a growth of 13.93 % in 2022 vs. 2021. The 2022 EBITDA amounted to EUR 4,386 thousand, whereas it was EUR 4,124 thousand in 2021.

The ELMARK Group is a leading producer and distributor of low voltage electrical equipment and lighting solutions with 20+ years of experience. The company's portfolio is made up of more than 12,000 ELMARK branded products intended to cater to household, business and industrial needs and so developed as to meet both the demand and expectations of customers. Products are manufactured in compliance with European quality and control standards and as a benefit of their reliability and high efficiency, ELMARK enjoys being positioned as a sought after and preferred brand. All products are sold with a European quality certificate and a guarantee of up to 7 years.

The successfully developed distribution channels see to ELMARK products being delivered to more than 60 countries around the world, with major clients being positioned in Central and Eastern Europe. Sales take place by means of a hybrid B2B/B2C offline and online business model. The Elmark Group manages 23 stores/showrooms in 10 countries in Central and Eastern Europe and Dubai, the latter being in charge of market development in the Middle East and Africa.

2022 has seen the continued pursuit of the business policy striving after market share increase and increase in the range of lighting fixtures, devices and materials intended for electrical installations and electrical equipment offered for sale, as well as of enhancing the quality of existing products.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Finance Income

The finance income of the Group has been presented as an aggregate of the consolidated amounts during the period from 9 December to 31 December 2022 and the individual values in respect of ELMARK INVEST EAD for the period 1 January - 31 December 2022. It comprises income from ownership interests, income arising from interest charged on loans granted and positive exchange differences. Currency gains measured by the domestic companies follow the trend of USD/BGN exchange rate, as the BGN is pegged to the EUR - the official EU currency. The results of foreign companies have been seriously impacted by the changes in the RON/EUR, SRD/EUR, HRK/EUR, HUF/EUR, AED/EUR exchange rate. The total finance income presented in the 2022 consolidated statements is shown in the table below, with the 2021 data having been obtained from the individual statements of ELMARK INVEST EAD:

	For the year ended 31 December 2022 Thousands of EUR	For the year ended 31 December 2021 Thousands of EUR
Income from ownership interests	159	338
Income arising from interest charged on loans granted	5	3
Positive exchange differences	52	-
Total	216	341

Operating Expenses

The operating expenses of the Group have been presented as an aggregate of the consolidated amounts during the period from 9 December to 31 December 2022 and the individual values in respect of ELMARK INVEST EAD for the period 1 January - 8 December 2022.

Cost of Materials

The cost of materials amounting to EUR 205 thousand and mostly comprise expenses incurred to cover fuels, technical maintenance of motor vehicles, basic materials used in production, tools, packaging materials, advertising materials, office supplies, commercial and warehouse fixtures, hygienic and cleaning materials, and assets falling below the materiality threshold.

Cost of External Services

The cost of external services amount to EUR 167 thousand and comprise expenses incurred to cover transportation, rent, consultants used, vehicle service, advertising services, electric power, heating, network connection, communications, security guards, insurance, etc.

Employee Benefits Expense

The employee benefits expense amounts to EUR 432 thousand and mostly comprise remuneration and social security contributions, any further allowances, unused holiday entitlements and retirement benefits.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Depreciation Costs

The depreciation costs amount to EUR 142 thousand. Depreciation of right-of-use assets was reported in 2022, having to do with long-term lease agreements regarding premises that host the stores and warehouses of the Group.

Other Operating Expenses

Other operating expenses amount to EUR 196 and are made up of business trip expenses, entertainment costs, social costs and the taxes levied thereon, unfit production and inventory losses.

Finance Costs

Finance costs amount to EUR 120 thousand and comprise interest costs, negative exchange differences, bank charges and commissions, lease interest. Interest charged on the bank borrowings of the Group is the result of market interest rates agreed with lending banks, which are subject to annual review.

Consolidated Balance Sheet

Comparable period data have been derived from ELMARK INVEST EAD's individual 2021 statements.

Assets	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR adjusted	1 January 2021 Thousands of EUR adjusted
Non-current assets			
Right-of-use asset	1,997	174	218
Property, plant and equipment	15,898	-	-
Costs incurred to acquire fixed assets	1,550	-	-
Intangible assets	1,631	-	-
Investments in associates	-	5,504	5,504
Non-current receivables	155	176	174
Deferred taxes	115	1	2
Goodwill	4,513	-	-
Total non-current assets	25,858	5,855	5,897
Current assets			
Inventories	19,846	-	-
Trade and other receivables	3,006	60	36
Cash and cash equivalents	1,593	14	27
Total current assets	24,445	74	63
TOTAL ASSETS	50,303	5,928	5,961

Scope and structure of property, plant and equipment

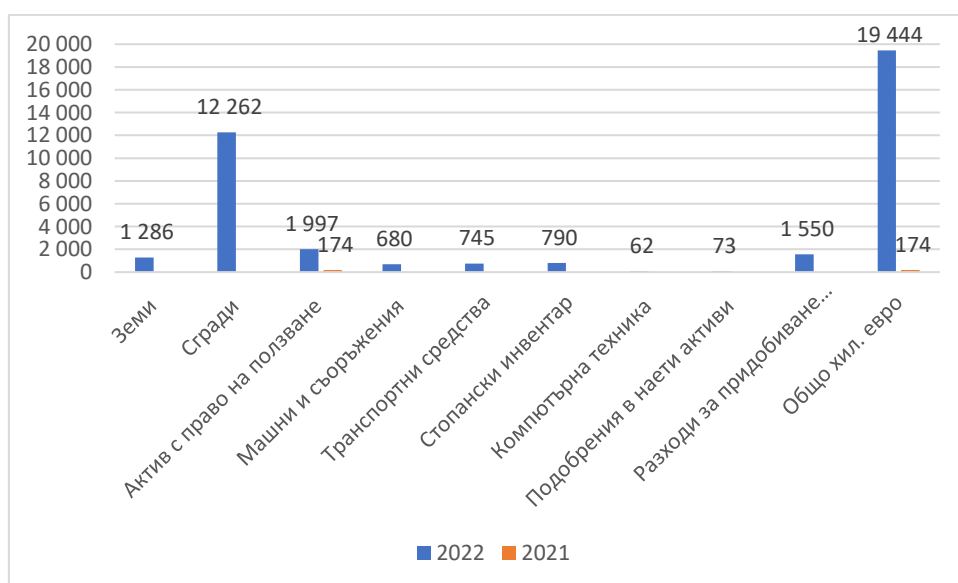
CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

The investments made in the ELMARK Group companies in 2022 were aimed at constructing new buildings, purchasing vehicles, machinery, equipment, fixtures and fittings, launching the integration of a new ERP software, to wit: SAP Hana. The Group follows a policy of maintaining advanced level of production, procuring excellent storage conditions in warehouses and seeing to the stores and offices being furnished and fitted in line with high level standards. The company keeps track of the latest developments in computer and software technology and is quick to implement them to enhance business efficiency and management, as well as to be able to offer all digital sales management solutions and extend the options to sell online.

The fixed assets that the Group owns constitute land, buildings, right-of use assets, machines, vehicles, computer equipment, fixtures and fittings and leasehold improvements. The table breaks down the structure of fixed tangible assets in thousands of euros.

<i>Thousands of EUR</i>	2022	2021
Land	1,286	-
Buildings	12,262	-
Right-of-use asset	1,997	174
Plant and equipment	680	-
Transport equipment	745	-
Fixtures and fittings	790	-
Computer equipment	62	-
Leasehold improvements	73	-
Costs incurred to acquire fixed assets	1,550	-
Total	19,444	174



Left to right: Land; Buildings; Right-of-use asset; Plant and equipment; Transport equipment; Fixtures and Fittings; Computer equipment; Leasehold improvements; Acquisition costs; Total (thousands of EUR)

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Some of the assets presented in this section of the balance have been provided as securities in connection with the external financing used by the Group companies to fund their business. The following assets stand out as being the most significant types of security:

- Eurobank Bulgaria AD - Elmark Holding ED has secured (taken out mortgage on) credit line facilities with an administrative building in Varna; Elmark Industries AD has secured (taken out mortgage on) credit line facilities with a land plot in Varna and a land plot in Burgas;
- UniCredit Bulbank AD - Elmark Industries AD has secured (taken out mortgage on) bank borrowings by way of a contractual mortgage taken out on a land plot in Burgas, land plots in Dobrich, along with the buildings constructed thereon - a workshop, storage facilities and an administrative building.

Fixed intangible assets

The Group's proprietary trademarks account for the largest portion of its intangible assets. The table below breaks down the structure of intangible assets as of 31 December 2022. No such assets existed in 2021, as ELMARK INVEST EAD individually holds no intangible assets.

<i>Thousands of EUR</i>	2022	2021
Trademarks	1,417	-
Software	170	-
Online shops	26	-
Franchise model Electromarket	17	-
Total	1,631	-

Inventories

As of 31 December 2022, the inventories of EUR 19,846 thousand break down as follows:

	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR
Basic materials	1,461	-
Basic dispatched materials	44	-
Finished goods and work in progress	590	-
Dispatched goods	1,739	-
Goods	15,927	-
Other	85	-
Total	19,846	-

Trade and other receivables

Receivables from clients account for the largest portion of EUR 2,322 thousand out of the total current receivables of EUR 3,006 thousand. The relevant data are presented in the tables, with the data

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

for the comparable period having been derived from the 2021 individual statements of ELMARK INVEST EAD.

Non-current receivables	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR
Eltrans Logistics EOOD - loan granted	101	-
Bolinger EOOD - loan granted	-	176
Deposits and other facilities granted	54	-
Total	155	176

Current receivables	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR
Receivables from clients	2,322	1
Receivables from associate clients	2	9
Loans granted to associates	173	50
Pre-payments	63	-
Receivables from the budget	235	-
Pre-paid services	96	-
Other receivables	115	-
Total	3,006	60

Equity and liabilities

	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR adjusted	1 January 2021 Thousands of EUR adjusted
Equity			
Equity attributable to owners of the parent	2,329	3	3
Equity attributable to the non-controlling interest	22,613	-	-
Reserves	3	-	-
Retained earnings from previous years	3,351	5,349	5,480
Total comprehensive income for the year	5,162	324	255
Attributable to the parent	5,496	-	-
Attributable to the non-controlling interest	(334)		
Total	33,792	5,676	5,738

Liabilities	31 December	31 December	1 January 2021
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CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

	2022 Thousands of EUR	2021 Thousands of EUR adjusted	Thousands of EUR adjusted
<i>Non-current liabilities</i>			
Interest-bearing liabilities	1,487	-	-
Finance lease liabilities	110	-	-
Lease liabilities	1,419	153	190
Deferred tax liabilities	66	-	-
Other provisions	75	-	-
Total non-current liabilities	3,157	153	190
<i>Current liabilities</i>			
Interest-bearing liabilities	10,965	-	-
Finance lease liabilities	61	-	-
Lease liabilities	634	38	15
Trade and other liabilities	1,694	61	18
Total current liabilities	13,354	99	33
Total liabilities	16,511	252	223
Total equity and liabilities	50,303	5,928	5,961

Breakdown of trade and other payables

Non-current payables

As of 31 December 2022, the Group reported provisions in the amount of EUR 75 thousand on account of retirement benefits and warranty service provisions.

Current payables

Indicators	31 December 2022 Thousands of EUR	31 December 2021 Thousands of EUR
Payables to suppliers	886	-
Payables to associates	6	54
Advances received	56	-
Employee benefits	339	6
Social security contributions	93	1
Tax liabilities	266	1
Other payables	41	-
Deferred income	7	-
Total	1,694	61

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

5. BUSINESS PERFORMANCE INDICATORS

This Report only presents the 2022 financial indicators owing to the fact that the data regarding the comparative period were obtained from the 2021 individual statements of ELMARK INVEST EAD.

		2022, Thousands of EUR
1. Equity		33,792
2. Liabilities		16,511
3. Current assets		24,445
4. Current liabilities		13,354
5. Current receivables		3,006
6. Cash		1,593
7. Revenue		7,197
8. Expenses		1,925
9. Earnings before taxes		5,373
10. Net profit for the period concerned		5,162
11. Amount of assets		50,303
12. Net amount of sales		1,472
13. Average headcount (number of employees)		125
14. Employee Benefits Expense		431
Financial indicators		2022
Financial autonomy ratio item 1/item 2	ratio	2.05
Debt ratio item 2/item 1	ratio	0.49
Overall liquidity ratio item 3/ item 4	ratio	1.83
Quick liquidity ratio item 5 + item 6 / item 4	ratio	0.34
Immediate liquidity ratio item 6 / item 4	ratio	0.12
Absolute liquidity ratio item 6 / item 4	ratio	0.12
Expense efficiency ratio item 7/item 8	ratio	3.74
Revenue efficiency ratio item 8/item 7	ratio	0.27
Gross return on expenses item 9/item 8*100	%	279.60
Gross return on revenue item 9/item 8*100	%	74.69
Net return on sales revenues item 10/item 12*100	%	351.08
Net return on equity item 10/item 1*100	%	15.28
Net return on liabilities item 10/item 2*100	%	31,27
Working capital item 3 - item 4	ratio	11,090

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

Financial indicators		2022
Relative share of employee benefits expense in total operating expenses item 14/item 8	ratio	0.22
Asset capitalisation item 10/item 11*100	%	10.26
Financial autonomy ratio item 1/ item 2	ratio	2.05
Debt ratio item 2/item 1	ratio	0.49
Financial independence ratio item 1/ (item 1 + item 2)	ratio	0.67

Key ratios

Profitability – This is one of the most important indicators that speaks of the financial position of the Group. It measures its potential to earn income. Profitability encompasses the effect of the business conducted by the Group companies, the return on capital and its ability to generate profit.

Liquidity – Liquidity ratios are quantitative characteristics that indicate the Group's ability to repay its debts.

Finance autonomy and debt – These denote the degree of financial independence of the company from its creditors, i.e., the degree of borrowed capital utilisation.

Inventory turnover – Shows the rate at which the Group companies sell their inventory stock.

Accounts receivable collection rate – Shows the rate at which the Group companies manage to collect their receivables.

Return on revenue – Shows the profit generated out of f unit of revenue.

Return on equity – Measures how effectively the company's management translates one unit of investment into income.

Return on assets – This measures a company's ability to earn from its assets and is indicative of how effectively the assets are managed.

6. ANALYSIS OF THE MARKET ENVIRONMENT, THE CURRENT TRENDS AND THE FUTURE PROSPECTS FOR THE COMPANY

In 2022 the management went on successfully implementing adequate measures suited to the competitive economic environment aimed at:

- expanding the already existing market positions and
- proactively seeking opportunities to gain new market share by introducing digital solutions enabling it to offer its full range of more than 12,000 products.

The management of the company has been successful in actively implementing its policy of maintaining its market positions and proactively expanding them by introducing new, cutting-edge, high-quality and competitively priced products.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

The entire structure of the company operates by a unified business management system (ERP system) that allows for a wonderful coordination among the functional departments and increased efficiency in conducting and managing the business. The ERP software makes it possible for all clients of the subsidiaries to personally manage their orders online by accessing the system, making this yet another benefit that adds up to the pursuit of offering better experience to existing customers and acquiring new ones. The subsidiaries operate an e-commerce platform to make online retail sales to final customers. Online sales are constantly on the rise which brings about greater outreach to a wider range of customers.

The Group companies kept on implementing in 2022 the innovative model of sample showrooms integrated into their stores, which combine samples and interactive dashboards with pictures and QR codes of products, as well as Elmark workstations that allow clients to individually gain full product information such as technical characteristics, availability, price, delivery term, and place online orders via the online store that offers more than 12,000 items. 2020 was the year when the process of order placement went fully digital for all - customers, distributors and partners, whereby distributors and partners also enjoy this benefit, since Elmark workstations have been provided for all their premises.

Russian invasion of Ukraine – Influence, Effects, Measures and Steps Taken

Russia commenced a full-scale invasion of Ukraine on 24 February 2022. As a result, the European Union, the U.S., the UK and other countries imposed sanctions on Russia and Belarus. The business of the company has experienced no direct effect from the invasion of Ukraine and the imposed sanctions, as the company has no direct clients and suppliers in Ukraine, Russia, or Belarus.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

7. INVESTMENTS

ELMARK INVEST EAD has, with effect from 8 December 2022, acquired control over ELMARK HOLDING ED. The effective date of acquisition of control over the Group is 8 December 2022, with the effect of said acquisition being accounted for as at that date. The ownership interest that corresponds to the non-controlling equity interest is 67.57%. As at the time of acquisition, fair values were as follows:

Thousands of EUR	Fair value
Assets	
Long-term assets	20,875
Goodwill	4,513
Non-current receivables	80
Other non-current receivables	48
Deferred taxes	24
Inventories	19,722
Current receivables	3,383
Cash and cash equivalents	1,156
Total assets	49,801
Liabilities	
Non-current payables	3,285
Deferred taxes	47
Other provisions and payables	73
Current payables	12,421
Financing	16
Total liabilities	15,842
Total net value of assets	33,959
Total identifiable net assets	33,959
Equity attributable to the non-controlling interest	(22,946)
Profit from a business combination	5,509
Transferred acquisition consideration	5,504

Investments in property, plant and equipment

The construction of a new, state-of-the-art warehouse of 5,500 square metres in Dobrich was completed in 2022. It was put into operation on 5 August 2022 and functions as Logistics Centre 2. The construction of the new Commercial Warehouse in Burgas went on in 2022 with expected completion and commissioning by the end of August 2023. The Commercial Warehouse in Burgas is an assembly of 5 separate business buildings of 380 square metres each, comprising a showroom with a storefront display window, internal storage area, sanitation and parking spaces. Investments have also been made in transportation vehicles, machinery and equipment, fittings and fixtures, the new ERP software SAP Hana pending integration by all Group companies to streamline all processes involving the management of the Group's assets and automate the generation of a number of reports and financial statements.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

8. MANAGEMENT OF FINANCIAL RISK

The Group entities are, when conducting their business, exposed to various financial risks: market risk, credit risk, liquidity risk and risk of change of future cash flows owing to changes in market interest rates. Financial risks are currently monitored, analysed and forecasted to mitigate their potential negative impact on the financial results and position of the company. The management of the company manages financial risks on an ongoing basis under the direct supervision of the Executive Director. It is the management's priority to adequately assess market circumstances and how free liquid funds are maintained, not allowing unreasonable concentration of any given risk.

(a) Market Risk

- Currency Risk

Currency risks occur as a result of commercial transactions, recognised assets and liabilities, and net investments in foreign operations. They aggregate any unexpected, sudden exchange rate fluctuations that carry a risk of serious translation losses.

Most of the traded goods are imported from foreign markets, which creates a risk related to probable sudden changes in the USD exchange rate. The company sells its goods on the domestic and foreign markets, with a large portion of the proceeds being in a foreign currency, i.e., EUR. The parent and domestic subsidiaries are not exposed to any significant currency risk arising from EUR exposures. Under the Currency Board, the BGN is pegged to the EUR, which provides security when it comes to deferred payments and predictability in terms of planned expenditure. The impact caused by the USD exchange rate and the depreciation of the EUR against the USD have exerted a significant effect owing to translation losses when purchasing USD, which is the currency used to settle the accounts with the main counterparties.

The bank loans used to fund the business of the Group entities are in different currencies, more specifically, EUR, USD, and BGN, to mitigate the impact of sudden exchange rate changes in respect of any of those currencies.

So far as the foreign companies are concerned, the currency risk ranges more widely owing to the fluctuations in the exchange rates of local currencies against the EUR.

- Price Risk

No sudden changes have occurred in 2022 in the transport of goods from China to Bulgaria, yet the Group is already exposed to a price risk owing to negative changes in the prices of both transport, and goods and the main materials used in production.

The prices of the main suppliers are also undergoing upward changes, although the practice so far has shown that price movement is smooth and predictable – it depends mostly on the launch of new or improved products, and it is consistent with the achieved market share. Inflation in China, if compared to that in Europe, is low, which allows manufacturers to compete with goods produced in Europe. The goods offered are subject to periodic analysis, revision and updates based on market changes. The Group periodically reviews the market prices at which it offers its goods in relation to general price levels, so as to be able to make smooth and gradual adjustments in these prices, if necessary.

To mitigate the impact of changes in transport prices, a framework contract was concluded with the main carrier of the Group's importing company, under which preferential prices 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 borrowings and deposits. As the agreed interest rate applicable to most borrowings is a fixed markup above USD Sofr and EURIBOR, the Group is potentially exposed to cash flow risk. The management considers that the interest rate risk connected with the cash flow as a result of the fluctuation in market interest rates has increased significantly in 2022, but nevertheless the Group companies do not use financial instruments to hedge it.

(b) Credit Risk

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

The financial assets that potentially expose the Group to credit risk are mostly trade receivables and loans granted. In general, the companies are exposed to credit risk in case their counterparties will not be able to pay in full the amounts due within the deadlines usually agreed. To limit this type of risk, the Group has taken out receivables' insurance, which allows an assessment of a customer's financial position, and the insurer uses this as a basis to determine a customer's credit limit. Factoring (without regression) applies to some payments with persons external to the Group. Distributors of goods in countries where no registered subsidiaries are available, procure letters of credit or bank guarantees in the amount of their allocated limit, or take the role of customers who have been granted an approved credit limit by insurers.

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

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 the matured ones. The Group is not exposed to any significant credit risk to any single counterparty or to a group of counterparties that have similar characteristics. To mitigate the credit risk from its trade receivable, the Group has purchased a master group insurance policy to cover the trade receivables of all Group entities.

Credit risk in respect of cash is considered non-significant as the counterparties are reputable banks with high external credit ratings.

(c) Liquidity Risk

Liquidity risk results from the unfavourable situation in which the company is unable to unconditionally meet all of its obligations when due. The management of the Group pursues a conservative liquidity management policy. This allows for the maintenance of an optimum level of liquid cash, proper ability to finance its business, which includes constant monitoring of actual and estimated cash flows by periods, and daily updates as to available cash and upcoming payments.

The Elmark Group companies regularly service their debts.

9. RESEARCH AND DEVELOPMENT ACTIVITIES

As a holding structure, the Elmark Group is in pursuit of innovations to enhance existing and offer new products and services to customers, thus increasing the competitiveness of the companies. The production company has employed qualified professionals that facilitate the enhancement of the production process and technology. Track is kept of the latest trends on the international market having to do with production of and trade in lighting solutions, electrical supplies and equipment, smart home systems and solar systems, to make us of the latest technological developments. The products are subject to international quality certification which caters to our customers' continued trust in ELMARK products.

The quality of the company's production and goods is ensured by means of industrial certification, product warranty and international insurance, to wit:

- ISO 9001:2008 quality management certificate;
- CE marking test certificate in compliance with Directive 2006/95/EC (LVD);
- CE marking test certificate in compliance with Directive 2004/108/EC (EMC);
- ROHS certificates (Restriction of Hazardous Substances);
- three-year full warranty in effect for all ELMARK products;

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

- international insurance that covers any damages that may occur

as a result of acts or omissions respecting the products.

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In respect of the parent Elmark Invest EAD:

The company's shares were listed on the **Bulgarian Stock Exchange's BEAM SME Growth Market on 22 February 2023. The resolution of the Bulgarian Stock Exchange to admit the shares for trading on the BEAM market is dated 22 February 2023. The shares have been assigned the ISIN code of BG1100012225, and the stock symbol of ELM.**

An increase in the registered capital of Elmark Invest EAD from BGN 4,555,000 (EUR 2,328,935) to BGN 11,095,000 (EUR 5,672,783) was registered with the Commercial Register on 22 June 2023.

In respect of Elmark Industries AD:

By virtue of a resolution of the Board of Directors dated **22 February 2023, Elmark Industries AD proceeded to enter into a new agreement with UniCredit Bulbank AD in respect of an investment loan of BGN 2,400,000 (EUR 1,227 thousand) intended to finance the purchase and refurbishment of a real property in 12 Perla Str., Varna. The draw down deadline is 20 December 2023. The loan should be repaid by 20 February 2033. Repayments shall take the form of 120 equal monthly instalments of BGN 20,000 (EUR 10 thousand). The Bulgarian companies of the group, i.e., Elmark Invest EAD, Elmark Holding ED, Elmark Group EOOD, Electromarket EOOD, and Elmark Trade EOOD are co-debtors and security providers under said agreement.**

The real property at issue was purchased on 24 February 2023 and procedures for its design and refurbishment, as well as for attainment of a permit to perform the latter have already commenced. Refurbishment is scheduled to end in December 2023.

A new real property was purchased by virtue of a resolution of the Board of Directors dated **11 May 2023, with such property being in 2 Dobrudzha Str., Dobrich, and neighbouring the other two properties owned by Elmark Industries AD that share the same administrative address. The real property concerned comprises a land plot of 8,801 square metres, along with the following structures thereon: a warehouse facility of 1,131 square metres and ancillary buildings with a total area of 354 square metres. As a part of its plans to extend the product range and boost sales, Elmark Industries AD intends to construct a third logistics centre of 6,000 square metres in 2004.**

In respect of Elmark Holding ED:

A resolution was passed at a meeting of the Board of Directors held on 14 December 2022, to incorporate and register a sole shareholder limited liability company in Italy by the name of ELMARK GRUPPO S.R.L. The capital of said company amounting to EUR 10 thousand, was paid up on 18 January 2023. The company was incorporated on 19 January 2023, and was registered with the Italian Business Register on 27 January 2023.

No adjusting events or other non-adjusting major events have occurred between the date of these financial statements and the date when authorised for publishing.

CONSOLIDATED ANNUAL ACTIVITY REPORT

for the year ended 31 December 2022

11. THE MANAGEMENT'S RESPONSIBILITY

Bulgarian laws mandate that the management shall prepare consolidated financial statements in respect of any financial years to faithfully and fairly present the financial position of the Group at the end of the year concerned.

The management hereby confirms that it has consistently applied adequate accounting policies when preparing the consolidated financial statements for the year ended 31 December 2022, and has made reasonable and cautious assumptions and estimates.

The management also confirms that it has adhered to the applicable international accounting standards and that the financial statements have been prepared under the going concern assumption.

The management is in charge of the proper keeping of the accounting books, appropriate asset management and the implementation of adequate steps to avoid and detect any abuses and other irregularities.

Jelez Georgiev: _____



Executive Director of Elmark Invest EAD