



ELKO GRUPA AS

Unaudited Consolidated Financial Statements
For 3 months ended 31 March 2016 (USD)

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Statement of Directors' responsibility

The Board of AS ELKO Grupa confirms that based on the information available at the time of the preparation of the financial statements, the consolidated interim financial statements give true and fair view in all material aspects of the financial position of the Group as of March 31, 2016 and of its financial operations for the period ended 31 March 2016. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. During the preparation of the financial statements the management has:

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

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



Egons Mednis

Chairman of the Board

Consolidated balance sheet

	Note	31.03.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment		1,619	1,479
Intangible assets		453	438
Long term loans		3,880	3,730
		5,952	5,647
Current assets			
Inventories		210,958	222,146
Current income tax receivable		2,853	2,471
Trade and other receivables		132,949	116,569
Derivative financial instruments		40	2,666
Cash and cash equivalents		8,619	31,958
		355,419	375,810
Total assets		361,371	381,457
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		11,114	11,114
Share premium		5,996	5,996
Translation reserve		(8,738)	(11,884)
Retained earnings		81,018	79,114
		89,390	84,340
Non-controlling interest in equity		9,927	13,499
Total equity	3	99,317	97,839
LIABILITIES			
Non-current liabilities			
Borrowings		9,175	8,778
	4	9,175	8,778
Current liabilities			
Trade and other payables		201,289	195,599
Interest-bearing loans and borrowings	4	48,357	76,840
Income tax payable		2,418	2,401
Derivative financial instruments		816	-
		252,880	274,840
Total liabilities		262,055	283,618
Total equity and liabilities		361,371	381,457

The notes on pages 8 to 9 are an integral part of these consolidated financial statements.



Egons Mednis
Chairman of the Board

Consolidated income statement

	Note	Jan-Mar 2016	Jan-Mar 2015
Revenue	2	251,959	212,819
Cost of sales		(239,991)	(196,601)
Gross profit		11,968	16,218
Distribution expenses		(1,023)	(1,170)
Administrative expenses		(5,054)	(4,330)
Other income		73	71
Other expenses		(1,336)	(2,423)
Operating profit		4,628	8,366
Finance income		102	98
Finance expenses		(3,155)	(2,664)
Finance income/ (expenses) – net		(3,053)	(2,566)
Profit before income tax		1,575	5,800
Income tax expense	5	(545)	(264)
Profit for the period		1,030	5,536
Attributable to:			
Equity holders of the Company		1,904	3,286
Non-controlling interest		(874)	2,250
		1,030	5,536
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company during the year (expressed in USD per share)	6	0.19	0.48
Other comprehensive income to be reclassified to profit loss in subsequent periods			
Exchange differences on translation of foreign operations		3,418	(7,294)
Total comprehensive income to be reclassified to profit loss in subsequent periods for the year		4,448	(1,758)
Attributable to:			
Equity holders of the Company		5,050	(3,363)
Non-controlling interest		(602)	1,605
		4,448	(1,758)

The notes on pages 8 to 9 are an integral part of these consolidated financial statements.



Egons Mednis
Chairman of the Board

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	11,114	5,996	66,573	(5,185)	78,498	8,593	87,091
Currency translation differences	-	-	-	(6,699)	(6,699)	(618)	(7,317)
Profit for the period	-	-	12,541	-	12,541	9,300	21,841
Total recognized income and expense for 2015	-	-	12,541	(6,699)	5,842	8,682	14,524
Dividend relating to prior years	-	-	-	-	-	(3,776)	(3,776)
Balance at 31 December 2015	11,114	5,996	79,114	(11,884)	84,340	13,499	97,839
Balance at 1 January 2016	11,114	5,996	79,114	(11,884)	84,340	13,499	97,839
Currency translation differences	-	-	-	3,146	3,146	272	3,418
Profit for the period	-	-	1,904	-	1,904	(874)	1,030
Total recognized income and expense for 2016	-	-	1,904	3,146	5,050	(602)	4,448
Dividend relating to prior years	-	-	-	-	-	(2,970)	(2,970)
Balance at 31 March 2016	11,114	5,996	81,018	(8,738)	89,390	9,927	99,317

The notes on pages 8 to 9 are an integral part of these consolidated financial statements.

Consolidated cash flows statement

	Jan-Mar 2016	Jan-Mar 2015
Cash flows from operating activities		
Profit before tax	1,575	5,800
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization	207	121
Interest income	(102)	(98)
Interest expenses	3,155	2,664
Fair value (gain)/losses on derivative financial instruments, net	3,442	-
Movements in provisions and allowances	-	(19)
Working capital adjustments:		
(Increase) in trade and other receivables	(16,762)	8,028
(Increase) in inventories	11,188	72,860
Increase in trade and other payables	9,124	(127,188)
Interest received	102	98
Income tax paid	(545)	(1,253)
Net cash flows used in operating activities	11,384	(38,987)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	19
Purchases of property, plant and equipment and intangible assets	(362)	(220)
Loans repaid/(issued)	(150)	-
Net cash flows from / (used in) investing activities	(512)	(201)
Cash flows from financing activities		
Proceeds from bank overdrafts, net	(28,086)	18,921
Proceeds from derivative financial instruments	-	(451)
Dividends paid to equity holders of the parent	-	-
Dividends paid to the Minority shareholders	(2,970)	-
Interest paid	(3,155)	(2,664)
Net cash flows (used in) / from financing activities	(34,211)	15,806
Net decrease in cash and cash equivalents	(23,339)	(23,382)
Cash and cash equivalents at beginning of the year	31,958	38,197
Cash and cash equivalents at end of the period	8,619	14,815

The notes on pages 8 to 9 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General principles

These interim consolidated financial statements for 3 months ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

2. Segment information

Geographical segments by location of customers

The Group considers geography as its only reporting segment. The range of products sold by the Group, classes of its customers and distribution channels do not represent separate business segments as they are not subject to different risks and returns. Accordingly, the Group has only one business segment.

At 31 March 2016, it is organized into three main geographical segments by location of customers:

- (1) The Baltic area relates to Latvia, Lithuania and Estonia
- (2) Central and Eastern Europe area relates to Slovakia, Slovenia, Romania, Czech Republic and other countries
- (3) The area of CIS relate to Russia, Ukraine and Kazakhstan.

The purchasing of inventory from vendors as well as financing is managed by the Company globally. Therefore, financing items like interest income and expense, as well as cash and borrowings are managed on a global basis at corporate level. This activity is further referred to as central operation.

Therefore, the Group measures geographical segment performance, including corporate performance, based on the segment's operating result. Unallocated remain operating expenses of the central operation.

The segment results for 3 months ended 31 March 2016 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	25,885	100,428	125,646	-	251,959
Inter-segment revenue	48,147	118	27,846	(76,111)	-
Revenue	74,032	100,546	153,492	(76,111)	251,959

The segment results for 3 months ended 31 March 2015 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	23,802	71,544	117,473	-	212,819
Inter-segment revenue	34,581	49	13,148	(47,778)	-
Revenue	58,383	71,593	130,621	(47,778)	212,819

Segment assets consist primarily of equipment, intangible assets, inventories, trade and other receivables, cash and cash equivalents. Unallocated assets comprise principally the central operations' equipment, inventory and other receivables from non-related parties.

The segment assets as at 31 March 2016 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	162,578	89,530	261,105	(151,842)	361,371

The segment assets as at 31 March 2015 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	165,503	77,026	219,252	(173,599)	288,182

Notes to the consolidated financial statements (continued)

3. Share capital

The total authorised and issued number of ordinary shares is 9,758 thousand shares (2015: 9,758 thousand shares) with a value of USD 1.1358 per share (2015: USD 1.1358 per share). All issued shares are fully paid. There are no share options in any of the years presented.

4. Borrowings

	31.03.2016	31.12.2015
Non-current		
Bonds	9,108	8,709
Finance lease liabilities	67	69
	9,175	8,778
Current		
Bank borrowings	48,308	76,784
Other borrowings	-	3
Finance lease liabilities	49	53
	48,357	76,840
Total borrowings	57,532	85,618

5. Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average tax rate for 3 months ended 31 March 2016 is 34.6 % (the estimated tax rate for 3 months ended 31 March 2015 was 4.5%). The difference is mainly due to differences in profitability in the Group's subsidiaries in the respective countries, as well as the Group's policy on recognizing deferred tax assets.

6. Earnings per share

The Company has no dilutive potential shares therefore diluted earnings per share are equal to basic earnings per share. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There were no treasury shares.

	Jan-Mar 2016	Jan-Mar 2015
Profit attributable to equity holders of the Company	1,904	3,286
Weighted average number of ordinary shares in issue (thousands)	9,785	6,877
Basic earnings per share (USD per share)	0.19	0.48

7. Related party transactions

The Company has entered into an agreement with related party AST BALTS for rent of warehousing and office space. Elko Group AS issued a loan to AST BALTS.

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the quarter ended 31 March 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

8. Issued guarantees and pledges

All assets on which the Company holds title have been pledged as security in favour of the banks.

9. Subsequent events

There are no subsequent events since the last date of the reporting period, which would have a significant effect on the financial position of the Group as at 31 March 2016.