



ELKO GRUPA AS

Unaudited Consolidated Financial Statements
For 9 months ended 30 September 2014 (USD)

Structure

	Page
Consolidated balance sheet	3
Consolidated income statement	4
Consolidated statement of changes in equity	5
Consolidated cash flow statement	6
Notes to the consolidated financial statements	7

Consolidated balance sheet

	Note	30.09.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment		1,114	1,216
Intangible assets		92	95
Long term loans		2,036	2,040
		<u>3,242</u>	<u>3,351</u>
Current assets			
Inventories		245,541	210,106
Current income tax receivable		661	651
Trade and other receivables		164,590	148,683
Cash deposits		475	475
Cash and cash equivalents		21,685	30,219
		<u>432,952</u>	<u>390,134</u>
Total assets		<u><u>436,194</u></u>	<u><u>393,485</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	3	11,114	11,114
Share premium		5,996	5,996
Translation reserve		(3,191)	1,796
Retained earnings		76,004	79,783
		<u>89,923</u>	<u>98,689</u>
Non-controlling interest in equity		9,848	9,522
Total equity		<u><u>99,771</u></u>	<u><u>108,211</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	4	1,132	1,145
		<u>1,132</u>	<u>1,145</u>
Current liabilities			
Trade and other payables		228,095	170,689
Current income tax liabilities		732	374
Borrowings	4	106,323	112,885
Provisions		142	181
		<u>335,292</u>	<u>284,129</u>
Total liabilities		336,424	285,274
Total equity and liabilities		<u><u>436,195</u></u>	<u><u>393,485</u></u>

The notes on pages 7 to 8 are an integral part of these consolidated financial statements.



Egons Mednis
President

Consolidated income statement

	Note	Jan-Sep 2014	Jan-Sep 2013
Revenue	2	860,204	778,849
Cost of sales		(831,866)	(749,676)
Gross profit		28,338	29,173
Distribution expenses		(3,630)	(3,274)
Administrative expenses		(14,267)	(12,807)
Other income		153	179
Other expenses		(2,649)	(258)
Operating profit		7,945	13,013
Finance income		56	53
Finance expenses		(5,033)	(3,352)
Finance income/ (expenses) – net		(4,977)	(3,299)
Profit before income tax		2,968	9,714
Income tax expense	5	(1,418)	(1,594)
Profit for the period		1,550	8,120
Attributable to:			
Equity holders of the Company		(681)	5,359
Non-controlling interest		2,232	2,761
		1,551	8,120
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	(0.10)	0.78

The notes on pages 7 to 8 are an integral part of these consolidated financial statements.



Egons Mednis
President

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	11,114	5,996	77,535	121	94,766	4,513	99,279
Currency translation differences	-	-	-	1,675	1,675	118	1,793
Profit for the period	-	-	12,248	-	12,248	4,965	17,213
Total recognized income and expense for 2013	-	-	12,248	1,675	13,923	5,083	19,006
Dividend relating to prior years	-	-	(10,000)	-	(10,000)	(74)	(10,074)
Balance at 31 December 2013	11,114	5,996	79,783	1,796	98,689	9,522	108,211
Balance at 1 January 2014	11,114	5,996	79,783	1,796	98,689	9,522	108,211
Currency translation differences	-	-	-	(4,987)	(4,987)	(381)	(5,368)
Profit for the period	-	-	(681)	-	(681)	2,232	1,551
Total recognized income and expense for 2014	-	-	(681)	(4,987)	(5,668)	1,851	(3,817)
Dividend relating to prior years	-	-	(3,098)	-	(3,098)	(1,525)	(4,623)
Balance at 30 September 2014	11,114	5,996	76,004	(3,191)	89,923	9,848	99,771

The notes on pages 7 to 8 are an integral part of these consolidated financial statements.

Consolidated cash flows statement

	Jan-Sep 2014	Jan-Sep 2013
Cash flows from operating activities		
Profit before tax	2,968	9,714
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization	455	429
Interest income	(56)	(53)
Interest expenses	5,033	3,352
Movements in provisions and allowances	(39)	(19)
Working capital adjustments:		
(Increase) in trade and other receivables	(15,907)	(13,510)
(Increase) in inventories	(35,435)	(26,426)
Increase in trade and other payables	51,539	30,426
Interest received	56	53
Income tax paid	(1,070)	(1,226)
Net cash flows used in operating activities	7,544	2,740
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3	18
Purchases of property, plant and equipment	(389)	(511)
Purchases of intangible assets	(29)	(22)
Proceeds from cash deposits	-	(95)
Loans issued	-	(1,963)
Net cash flows from / (used in) investing activities	(415)	(2,573)
Cash flows from financing activities		
Proceeds from bank overdrafts, net	(6,575)	12,672
Dividends paid to equity holders of the parent	(2,530)	(11,785)
Dividends paid to the Minority shareholders	(1,525)	(74)
Interest paid	(5,033)	(3,352)
Net cash flows (used in) / from financing activities	(15,663)	(2,539)
Net decrease in cash and cash equivalents	(8,534)	(2,372)
Cash and cash equivalents at beginning of the year	30,219	9,670
Cash and cash equivalents at end of the period	21,685	7,298

The notes on pages 7 to 8 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General principles

These interim consolidated financial statements for 9 months ended 30 September 2014 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 2013.

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 30 September 2014, 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 and Romania
- (3) The area of CIS and other countries primarily 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 9 months ended 30 September 2014 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	79,633	133,180	647,391	-	860,204
Inter-segment revenue	334,911	2,522	58,280	(395,713)	-
Revenue	414,544	135,702	705,671	(395,713)	860,204

The segment results for 9 months ended 30 September 2013 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	77,205	78,520	623,124	-	778,849
Inter-segment revenue	524,671	2,197	-	(526,868)	-
Revenue	601,876	80,717	623,124	(526,868)	778,849

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 30 September 2014 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	257,011	33,815	372,714	(227,346)	436,194

The segment assets as at 31 December 2013 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	245,802	30,262	325,311	(207,890)	393,485

Notes to the consolidated financial statements (continued)

3. Share capital

The total authorised and issued number of ordinary shares is 6,877 thousand shares (2013: 6,877 thousand shares) with a value of USD 1.616 per share (2013: USD 1.616 per share). All issued shares are fully paid. There are no share options in any of the years presented.

4. Borrowings

	30.09.2014	31.12.2013
Non-current		
Other borrowings	980	980
Finance lease liabilities	152	165
	1,132	1,145
Current		
Bank borrowings	106,297	112,793
Other borrowings	6	9
Finance lease liabilities	20	83
	106,323	112,885
Total borrowings	107,455	114,030

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 9 months ended 30 September 2014 is 47.8 % (the estimated tax rate for 9 months ended 30 September 2013 was 16.4%). 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 earning per share. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There were no treasury shares.

	Jan-Sep 2014	Jan-Sep 2013
Profit attributable to equity holders of the Company	(681)	5,359
Weighted average number of ordinary shares in issue (thousands)	6,877	6,877
Basic earnings per share (USD per share)	(0.10)	0.78

7. Related party transactions

The Company has entered into an agreement with related party AST BALTS for rent of warehousing and office space.

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 30 September 2014, 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 30 September 2014.