



ELKO GRUPA AS

Unaudited Consolidated Financial Statements
For 12 months ended 31 December 2015 (USD)

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Consolidated balance sheet

	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment		1,260	1,133
Intangible assets		616	139
Long term loans		3,759	2,000
		<u>5,635</u>	<u>3,272</u>
Current assets			
Inventories		222,155	237,593
Current income tax receivable		2,471	706
Trade and other receivables		145,151	112,040
Derivative financial instruments		2,666	370
Cash and cash equivalents		31,958	38,672
		<u>404,401</u>	<u>389,381</u>
Total assets		<u><u>410,036</u></u>	<u><u>392,653</u></u>
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		(11,797)	(5,185)
Retained earnings		79,033	66,573
		<u>84,346</u>	<u>78,498</u>
Non-controlling interest in equity		13,499	8,594
Total equity	3	<u><u>97,845</u></u>	<u><u>87,092</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		8,742	71
	4	<u>8,742</u>	<u>71</u>
Current liabilities			
Trade and other payables		224,172	228,649
Interest-bearing loans and borrowings	4	76,876	74,783
Income tax payable		2,401	1,066
Provisions		-	163
Derivative financial instruments		-	829
		<u>303,449</u>	<u>305,490</u>
Total liabilities		312,191	305,561
Total equity and liabilities		<u><u>410,036</u></u>	<u><u>392,653</u></u>

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



Egons Mednis
President

(All amounts in USD thousands unless otherwise stated)

Consolidated income statement

	Note	Jan-Dec 2015	Jan-Dec 2014
Revenue	2	1,251,808	1,292,204
Cost of sales		(1,191,290)	(1,251,912)
Gross profit		60,518	40,292
Distribution expenses		(6,517)	(5,685)
Administrative expenses		(20,363)	(20,136)
Other income		1,920	236
Other expenses		(831)	(12,190)
Operating profit		34,727	2,517
Finance income		542	481
Finance expenses		(9,017)	(8,035)
Finance income/ (expenses) – net		(8,475)	(7,554)
Profit before income tax		26,252	(5,037)
Income tax expense	5	(4,493)	(2,054)
Profit for the period		21,759	(7,091)
Attributable to:			
Equity holders of the Company		12,460	(8,270)
Non-controlling interest		9,299	1,179
		21,759	(7,091)
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	1.81	(1.20)
Other comprehensive income to be reclassified to profit loss in subsequent periods			
Exchange differences on translation of foreign operations		(7,229)	(7,564)
Total comprehensive income to be reclassified to profit loss in subsequent periods for the year		14,530	(14,655)
Attributable to:			
Equity holders of the Company		5,848	(15,251)
Non-controlling interest		8,682	596
		14,530	(14,655)

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Egons Mednis
President

(All amounts in USD thousands unless otherwise stated)

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
Balance at 1 January 2014	11,114	5,996	79,783	1,796	98,689	9,522	108,211
Currency translation differences	-	-	-	(6,981)	(6,981)	(583)	(7,564)
Profit for the period	-	-	(8,270)	-	(8,270)	1,179	(7,091)
Total recognized income and expense for 2014	-	-	(8,270)	(6,981)	(15,251)	596	(14,655)
Dividend relating to prior years	-	-	(4,940)	-	(4,940)	(1,525)	(6,465)
Balance at 31 December 2014	11,114	5,996	66,573	(5,185)	78,498	8,593	87,091
Balance at 1 January 2015	11,114	5,996	66,573	(5,185)	78,498	8,593	87,091
Currency translation differences	-	-	-	(6,612)	(6,612)	(617)	(7,229)
Profit for the period	-	-	12,460	-	12,460	9,299	21,759
Total recognized income and expense for 2015	-	-	12,460	(6,612)	5,848	8,682	14,530
Dividend relating to prior years	-	-	-	-	-	(3,776)	(3,776)
Balance at 31 December 2015	11,114	5,996	79,033	(11,797)	84,346	13,499	97,845

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

Consolidated cash flows statement

	Jan-Dec 2015	Jan-Dec 2014
Cash flows from operating activities		
Profit before tax	26,252	(5,037)
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization	698	574
Interest income	(542)	(481)
Interest expenses	9,017	8,035
Fair value (gain)/losses on derivative financial instruments, net	(3,125)	459
Movements in provisions and allowances	(163)	(18)
Working capital adjustments:		
(Increase) in trade and other receivables	(34,876)	37,296
(Increase) in inventories	15,438	(27,487)
Increase in trade and other payables	(9,921)	49,382
Interest received	542	481
Income tax paid	(4,493)	(1,417)
Net cash flows used in operating activities	(1,173)	61,787
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	33
Purchases of property, plant and equipment and intangible assets	(1,302)	(690)
Loans issued	(1,759)	-
Loans repaid	-	40
Net cash flows from / (used in) investing activities	(3,061)	(617)
Cash flows from financing activities		
Proceeds from bank overdrafts, net	10,764	(39,176)
Dividends paid to equity holders of the parent	(451)	(4,456)
Dividends paid to the Minority shareholders	(3,776)	(1,525)
Interest paid	(9,017)	(8,035)
Net cash flows (used in) / from financing activities	(2,480)	(53,192)
Net decrease in cash and cash equivalents	(6,714)	7,978
Cash and cash equivalents at beginning of the year	38,672	30,694
Cash and cash equivalents at end of the period	31,958	38,672

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 12 months ended 31 December 2015 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 2014.

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 December 2015, 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 12 months ended 31 December 2015 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	106,328	372,881	772,599	-	1,251,808
Inter-segment revenue	271,693		113,532	(385,225)	-
Revenue	378,021	372,881	886,131	(385,225)	1,251,808

The segment results for 12 months ended 31 December 2014 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Third-party revenue	112,731	280,578	898,895	-	1,292,204
Inter-segment revenue	494,831	7,348	107,634	(609,813)	-
Revenue	607,562	287,926	1,006,529	(609,813)	1,292,204

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 december 2015 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	182,104	47,567	375,845	(195,480)	410,036

The segment assets as at 31 December 2014 are as follows:

	The Baltic	Central and Eastern Europe	CIS and other countries	Adjustments and eliminations	Group
Assets	222,599	45,381	342,796	(218,123)	392,653

Notes to the consolidated financial statements (continued)

3. Share capital

The total authorised and issued number of ordinary shares is 6,877 thousand shares (2014: 6,877 thousand shares) with a value of USD 1.616 per share (2014: USD 1.616 per share). All issued shares are fully paid. There are no share options in any of the years presented.

4. Borrowings

	31.12.2015	31.12.2014
Non-current		
Other borrowings	8,710	-
Finance lease liabilities	32	71
	8,742	71
Current		
Bank borrowings	76,822	73,692
Other borrowings	-	985
Finance lease liabilities	54	106
	76,876	74,783
Total borrowings	85,618	74,854

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 12 months ended 31 December 2015 is 17.1 % (the estimated tax rate for 12 months ended 31 December 2014 was negative 40.9%). 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-Dec 2015	Jan-Dec 2014
Profit attributable to equity holders of the Company	5,848	(15,251)
Weighted average number of ordinary shares in issue (thousands)	6,877	6,877
Basic earnings per share (USD per share)	0.85	(2.22)

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 31 December 2015, 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 December 2015.