

Riga, 22nd April 2016

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Nasdaq Riga AS

1 Valnu Street, Riga LV-1050, Latvia

Statement of Corporate Governance for 2015

ELKO Grupa AS (hereinafter – the Company) Statement of Corporate Governance for 2015 has been prepared in compliance with the requirements of part three of Section 56.² of the Financial Instrument Market Law.

Internal Control and Accounting Policy

Internal control system is created with the aim to protect the Company and the Group from loss that may occur due to unauthorized use of the Company's and the Group's assets. Existing internal control system provides confidence, that unauthorized use of the Company's and the Group's assets is unlikely to happen and that the Company and the Group is protected from loss of this nature.

The Company has developed and implemented accounting policy which is based on International Financial Reporting Standards. Accounting policy of the Company ensures that information in financial reports of the Company and the Group is true, comparable, timely, relevant, understandable, proper, and complete.

Financial reports are audited by independent auditors, ensuring that financial reports give true and fair view of the Company's and the Group's financial standing and operating results.

Risk control and mitigation

The Company is exposed to currency, interest rate, liquidity, stock and credit risks.

Currency risk is due to the fact that stock is mainly ordered in US dollars, while goods are sold in euros and Russian rubles. The Company and the Group regularly monitors positions of named currencies and in case of necessity obtains financial instruments to mitigate currency risk.

The Company uses short-term borrowing for financing part of its current assets. Most of the borrowings are at floating rate that exposes the Company and the Group to interest rate risk.

The Company accurately plans its cash flow with aim to ensure availability of sufficient funds to maintain its operations and meet its liabilities in full and in timely manner. The Company uses short-term borrowing to mitigate liquidity risk.

The Company has developed and implemented procedures that outlines how stock is ordered and planned in order to ensure low risk associated with stock, fast stock turnover, old stock absence at the same time ensuring that stock is sufficient for the Company's and the Group's operations.

The Company's credit risk arises from the credit exposure to outstanding trade receivables. Mitigation of credit risk is ensured by development and implementation of credit policy, existence of Credit Control Unit and rigid customer credit risk analysis and monitoring. The Company and the Group use credit risk insurance provided by international credit risk insurers, to further mitigate credit risk.

The Group's consolidated and the Company's standalone financial report for the year 2015 as well as this Report is publicly available at the Company's premises at 4, Toma Street in Riga, as well as electronically – on the Company's web site www.elkogroup.com.

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Chairman of the Board



Egons Mednis

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2 (two) pages



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