



ELKO GRUPA AS

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

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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		1,422	1,358
Intangible assets		398	402
Long term loans		3,408	3,426
		5,228	5,186
Current assets			
Inventories		185,294	204,047
Current income tax receivable		2,506	2,270
Trade and other receivables		116,777	107,072
Derivative financial instruments		35	2,449
Cash and cash equivalents		7,570	29,354
		312,182	345,192
Total assets		317,410	350,378
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		9,785	9,785
Share premium		4,974	4,974
Translation reserve		1,598	2,281
Retained earnings		62,157	60,429
		78,514	77,469
Non-controlling interest in equity		8,720	12,399
Total equity	3	87,234	89,868
LIABILITIES			
Non-current liabilities			
Borrowings		8,059	8,063
	4	8,059	8,063
Current liabilities			
Trade and other payables		176,802	179,662
Interest-bearing loans and borrowings	4	42,475	70,580
Income tax payable		2,124	2,205
Provisions		-	-
Derivative financial instruments		717	-
		222,118	252,447
Total liabilities		230,177	260,510
Total equity and liabilities		317,410	350,378

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	228,638	188,980
Cost of sales		(217,777)	(174,649)
Gross profit		10,861	14,331
Distribution expenses		(928)	(1,039)
Administrative expenses		(4,587)	(3,845)
Other income		67	63
Other expenses		(1,213)	(2,099)
Operating profit		4,200	7,411
Finance income		93	87
Finance expenses		(2,863)	(2,365)
Finance income/ (expenses) – net		(2,770)	(2,278)
Profit before income tax		1,430	5,133
Income tax expense	5	(495)	(235)
Profit for the period		935	4,898
Attributable to:			
Equity holders of the Company		1,728	2,901
Non-controlling interest		(793)	1,997
		935	4,898
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company during the year (expressed in EUR per share)	6	0.18	0.42
Other comprehensive income to be reclassified to profit loss in subsequent periods			
Exchange differences on translation of foreign operations		(914)	2,671
Total comprehensive income to be reclassified to profit loss in subsequent periods for the year		21	7,569
Attributable to:			
Equity holders of the Company		1,045	5,168
Non-controlling interest		(1,024)	2,401
		21	7,569

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	Transla- tion reserve	Total	Non- controlling interest	Total equity
Balance at 1 January 2015	9,785	4,974	49,125	771	64,655	7,078	71,733
Currency translation differences	-	-	-	1,510	1,510	390	1,900
Profit for the period	-	-	11,304	-	11,304	8,382	19,686
Total recognized income and expense for 2015	-	-	11,304	1,510	12,814	8,772	21,586
Dividend relating to prior years	-	-	-	-	-	(3,451)	(3,451)
Balance at 31 December 2015	9,785	4,974	60,429	2,281	77,469	12,399	89,868
Balance at 1 January 2016	9,785	4,974	60,429	2,281	77,469	12,399	89,868
Currency translation differences	-	-	-	(683)	(683)	(231)	(914)
Profit for the period	-	-	1,728	-	1,728	(793)	935
Total recognized income and expense for 2016	-	-	1,728	(683)	1,045	(1,024)	21
Dividend relating to prior years	-	-	-	-	-	(2,655)	(2,655)
Balance at 31 March 2016	9,785	4,974	62,157	1,598	78,514	8,720	87,234

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	1,430	5,133
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization	188	107
Interest income	(93)	(87)
Interest expenses	2,863	2,365
Fair value (gain)/losses on derivative financial instruments, net	3,131	(370)
Working capital adjustments:		
(Increase) in trade and other receivables	(9,469)	(4,343)
Decrease/(Increase) in inventories	18,753	42,589
Increase in trade and other payables	(4,328)	(85,077)
Interest received	93	87
Income tax paid	(495)	(1,116)
Net cash flows used in operating activities	12,073	(40,712)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	17
Purchases of property, plant and equipment and intangible assets	(248)	(205)
Loans repaid/issued	18	-
Net cash flows from / (used in) investing activities	(230)	(188)
Cash flows from financing activities		
Proceeds from bank overdrafts, net	(28,109)	25,506
Dividends paid to the Minority shareholders	(2,655)	-
Interest paid	(2,863)	(2,365)
Net cash flows (used in) / from financing activities	(33,627)	23,141
Net decrease in cash and cash equivalents	(21,784)	(17,759)
Cash and cash equivalents at beginning of the year	29,354	31,462
Cash and cash equivalents at end of the period	7,570	13,703

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	23,489	91,132	114,016	-	228,638
Inter-segment revenue	43,691	107	25,269	(69,066)	-
Revenue	67,180	91,240	139,285	(69,066)	228,638

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	21,136	63,530	104,314	-	188,980
Inter-segment revenue	30,707	44	11,675	(42,426)	-
Revenue	51,843	63,574	115,989	(42,426)	188,980

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	142,800	79,689	228,291	(138,598)	312,182

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	153,827	71,592	203,735	(161,425)	267,729

Notes to the consolidated financial statements (continued)

3. Share capital

The total authorised and issued number of ordinary shares is 9,785 thousand shares (2015: 9,785 thousand shares) with a value of EUR 1.00 per share (2015: EUR 1.00 per share). All issued shares are fully paid. There are no share options in any of the years presented.

4. Borrowings

Non-current

Other borrowings
Finance lease liabilities

31.03.2016 31.12.2015

8,000 8,000

59 63

8,059 8,063

Current

Bank borrowings
Other borrowings
Finance lease liabilities

42,432 70,528

- 3

43 49

42,475 70,580

Total borrowings

50,534 78,643

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 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-Mar 2016	Jan-Mar 2015
Profit attributable to equity holders of the Company	1,728	2,901
Weighted average number of ordinary shares in issue (thousands)	9,785	6,877
Basic earnings per share (EUR per share)	0.18	0.42

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.