



## **ELKO GRUPA AS**

Unaudited Consolidated Financial Statements  
For 12 months ended 31 December 2016

## **Structure**

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## **AS ELKO Grupa Management report on interim consolidated financial statements for the 12 month period ended 31 December 2016**

### **Business activities**

ELKO Grupa AS (hereinafter – the Company) is one of the largest distributors of IT products in the Baltic States, Central and Eastern Europe. The Company's core business activity is wholesale distribution of computer desktop components and peripherals, notebooks, monitors, multimedia and software products, server, network component and networking solutions, using the wide network of the ELKO Grupa AS subsidiaries and cooperation partners, representing a broad range of vendors of these products all over the world, including Lenovo, Apple, Intel, Acer, Asus, Seagate, Western Digital and others. The key to the success of ELKO Grupa AS as the parent company is the long-term strategy for cooperation with vendors developed over the years, centralized purchase system, functionality of business process and financial management.

### **Financial analysis**

ELKO Grupa AS turnover in the 12 months of 2016 has reached USD 1.460 m (EUR 1.319m) that constitutes 15.5% increase from the corresponding period in 2015. Gross profit reached USD 55.0m (EUR 49.7m) that is decrease by 5.1% comparing to prior year. The increase in turnover demonstrates the Company's ability to adjust to challenging market environment by shifting the focus to growing business segment.

### **Prospects**

The Company's performance is and will be influenced by macroeconomic, competition and political situation and developments of markets where the Company has cooperation partners. The key factors driving the Company's growth was the increase in demand in the markets where the Company operates. The growth was mainly stimulated by the increased demand of mobile devices.

There are certain indicators that market condition in CIS region stabilizing and indicate trend towards slow growth. That allows the Company to remain optimistic regarding reaching the same trade volumes in 2017.

In the light of given market risks the management has assigned priority towards continuous working capital management.

### **Significant events during reporting period**

In 2016 the Company has become the member of Global Technology Distribution Council. The Company has become official distributor of Lenovo notebooks in Russia.

### **ELKO Grupa AS structure**

ELKO Grupa AS has shareholding in following subsidiaries: ELKO Lietuva UAB, ELKOTEX d.o.o., ELKO Eesti OU, ELKOTech Romania SRL, WESTech spol.s.r.o., WESTech CZ s.r.o., ELKO Trading Switzerland A.G., Elko Marketing Ltd., ELKO Mobile Ltd., ELKO Ukraine LLC, Alma LLC and ELKO Kazakhstan LLP.

ELKO Grupa AS has majority shareholding in all of the subsidiaries.

### **Financial risk management**

#### ***Multi-currency risk***

ELKO Grupa AS operates internationally and is exposed to foreign exchange risk arising from primarily with respect to US dollar, euro and Russian rubles. Foreign exchange risk arises from future multi-currency transactions and recognition of assets, liabilities and long-term investments in various currencies.

The purchase of goods is predominantly in US dollars, but sales are conducted in different currencies. In the CIS region main currency is US dollar, but in the Baltic trade is conducted in Euros. CEE countries Slovakia and Slovenia trades in Euros, but Romania in national currency – Romanian lei(s).

The Company has shareholding in foreign currencies and is therefore exposed to foreign currency risk when financial assets and liabilities denominated in foreign currencies are translated into the presentation currency – US dollar.

The sales of the Company are mainly in US dollars accordingly to minimize the currency risk the financing is also in US dollars.

#### ***Interest rate risk***

ELKO Grupa AS uses short-term borrowing for the partial financing of its current assets. All of the borrowings are at floating rate thus exposing the Company to interest rate risk.

## **Management report (cont'd)**

### **Financial risk management (cont'd)**

#### ***Credit risk***

Credit risk arises from the credit exposure to outstanding trade receivables. AS ELKO Grupa has implemented procedures and control mechanisms to manage credit risk. Credit risk is partly minimized through credit risk insurance but mainly the risk is minimized by internally developed conservative credit monitoring policies. Individual risk limits are set based on internal or external ratings in accordance with the credit policy. The utilization of credit limits is regularly monitored.

#### ***Inventories***

ELKO Grupa AS determines the amount of inventories based on the expected future demand and market saturation. Any changes in the demand and/or rapid obsolescence of the products or technological changes will result in excess stock and accumulation of obsolete items. The Company makes centralized plans for purchase and sale of the products. Furthermore, the procedure for placing the orders has helped to decrease the inventory days. Weekly inventory analysis minimizes the need to establish provisions for obsolete items.


The risk related to product flow management is partially reduced through price protection arrangements under the cooperation agreements with major vendors. The agreements provide the rights to claim the compensation on preordered goods in the warehouse in case of price reduction or decline in the market prices.

#### ***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities. In future the Company's management plans to increase the liquidity reserve based on the expected cash flows by improving the management of working capital.

### **Events after balance sheet date**

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 2016.



Egons Mednis  
Chairman of the Board

## **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 December 31, 2016 and of its financial operations for the period ended 31 December 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	31.12.2016 USD'000	31.12.2015 USD'000	31.12.2016 EUR'000	31.12.2015 EUR'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		2,065	1,479	1,959	1,358
Intangible assets		510	438	484	402
Long term loans		3,611	3,730	3,426	3,426
		<b>6,186</b>	<b>5,647</b>	<b>5,869</b>	<b>5,186</b>
<b>Current assets</b>					
Inventories		265,106	222,146	251,500	204,047
Current income tax receivable		2,270	2,471	2,153	2,270
Trade and other receivables		216,047	116,569	204,960	107,072
Derivative financial instruments		4	2,666	3	2,449
Cash deposits		1,000	-	1,000	-
Cash and cash equivalents		13,467	31,958	12,724	29,354
		<b>497,894</b>	<b>375,810</b>	<b>472,340</b>	<b>345,192</b>
<b>Total assets</b>		<b>504,080</b>	<b>381,457</b>	<b>478,209</b>	<b>350,378</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Ordinary shares		11,114	11,114	9,785	9,785
Share premium		5,996	5,996	4,974	4,974
Translation reserve		(12,701)	(11,884)	4,159	2,281
Retained earnings		81,843	79,114	62,907	60,429
		<b>86,252</b>	<b>84,340</b>	<b>81,825</b>	<b>77,469</b>
<b>Non-controlling interest in equity</b>		<b>6,277</b>	<b>13,499</b>	<b>5,955</b>	<b>12,399</b>
<b>Total equity</b>	3	<b>92,529</b>	<b>97,839</b>	<b>87,780</b>	<b>89,868</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	4	8,452	8,778	8,018	8,063
		<b>8,452</b>	<b>8,778</b>	<b>8,018</b>	<b>8,063</b>
<b>Current liabilities</b>					
Trade and other payables		294,574	195,599	279,455	179,662
Interest-bearing loans and borrowings	4	106,871	76,840	101,386	70,580
Income tax payable		576	2,401	547	2,205
Derivative financial instruments		1,078	-	1,023	-
		<b>403,099</b>	<b>274,840</b>	<b>382,411</b>	<b>252,447</b>
<b>Total liabilities</b>		<b>411,551</b>	<b>283,618</b>	<b>390,429</b>	<b>260,510</b>
<b>Total equity and liabilities</b>		<b>504,080</b>	<b>381,457</b>	<b>478,209</b>	<b>350,378</b>

The notes on pages 10 to 12 are an integral part of these consolidated financial statements.



Egons Mednis  
Chairman of the Board

## Consolidated income statement

	Note	Jan-Dec 2016 USD'000	Jan-Dec 2015 USD'000	Jan-Dec 2016 EUR'000	Jan-Dec 2015 EUR'000
Revenue	2	1,459,995	1,264,020	1,319,235	1,139,256
Cost of sales		(1,404,897)	(1,205,935)	(1,269,449)	(1,086,904)
<b>Gross profit</b>		<b>55,098</b>	<b>58,085</b>	<b>49,786</b>	<b>52,352</b>
Distribution expenses		(6,661)	(4,427)	(6,019)	(3,990)
Administrative expenses		(23,067)	(19,609)	(20,842)	(17,673)
Other income		276	1,609	249	1,451
Other expenses		(3,596)	(725)	(3,249)	(653)
<b>Operating profit</b>		<b>22,050</b>	<b>34,933</b>	<b>19,925</b>	<b>31,487</b>
Finance income		518	549	468	494
Finance expenses		(11,669)	(9,148)	(10,544)	(8,245)
<b>Finance income/ (expenses) – net</b>		<b>(11,151)</b>	<b>(8,599)</b>	<b>(10,076)</b>	<b>(7,751)</b>
<b>Profit before income tax</b>		<b>10,899</b>	<b>26,334</b>	<b>9,849</b>	<b>23,736</b>
Income tax expense	5	(2,353)	(4,493)	(2,127)	(4,050)
<b>Profit for the period</b>		<b>8,546</b>	<b>21,841</b>	<b>7,722</b>	<b>19,686</b>
<b>Attributable to:</b>					
Equity holders of the Company		8,829	12,541	7,978	11,304
Non-controlling interest		(283)	9,300	(256)	8,382
		<b>8,546</b>	<b>21,841</b>	<b>7,722</b>	<b>19,686</b>
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company during the year (expressed in USD and EUR per share)	6	<b>0.90</b>	<b>1.28</b>	<b>0.82</b>	<b>1.16</b>
<b>Other comprehensive income to be reclassified to profit loss in subsequent periods</b>					
Exchange differences on translation of foreign operations		(993)	(7,317)	1,772	1,900
<b>Total comprehensive income to be reclassified to profit loss in subsequent periods for the year</b>		<b>7,553</b>	<b>14,524</b>	<b>9,494</b>	<b>21,586</b>
<b>Attributable to:</b>					
Equity holders of the Company		8,012	5,842	9,856	12,814
Non-controlling interest		(459)	8,682	(362)	8,772
		<b>7,553</b>	<b>14,524</b>	<b>9,494</b>	<b>21,586</b>

The notes on pages 10 to 12 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
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2015</b>	<b>11,114</b>	<b>5,996</b>	<b>66,573</b>	<b>(5,185)</b>	<b>78,498</b>	<b>8,593</b>	<b>87,091</b>
Currency translation differences	-	-	-	(6,699)	(6,699)	(618)	(7,317)
Profit for the period	-	-	12,541	-	12,541	9,300	21,841
<b>Total recognized income and expense for 2015</b>	<b>-</b>	<b>-</b>	<b>12,541</b>	<b>(6,699)</b>	<b>5,842</b>	<b>8,682</b>	<b>14,524</b>
Dividend relating to prior years	-	-	-	-	-	(3,776)	(3,776)
<b>Balance at 31 December 2015</b>	<b>11,114</b>	<b>5,996</b>	<b>79,114</b>	<b>(11,884)</b>	<b>84,340</b>	<b>13,499</b>	<b>97,839</b>
<b>Balance at 1 January 2016</b>	<b>11,114</b>	<b>5,996</b>	<b>79,114</b>	<b>(11,884)</b>	<b>84,340</b>	<b>13,499</b>	<b>97,839</b>
Currency translation differences	-	-	-	(817)	(817)	(176)	(993)
Profit for the period	-	-	8,829	-	8,829	(283)	8,546
<b>Total recognized income and expense for 2016</b>	<b>-</b>	<b>-</b>	<b>8,829</b>	<b>(817)</b>	<b>8,012</b>	<b>(459)</b>	<b>7,553</b>
Dividend relating to prior years	-	-	(6,100)	-	(6,100)	(6,763)	(12,863)
<b>Balance at 31 December 2016</b>	<b>11,114</b>	<b>5,996</b>	<b>81,843</b>	<b>(12,701)</b>	<b>86,252</b>	<b>6,277</b>	<b>92,529</b>

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Balance at 1 January 2015</b>	<b>9,785</b>	<b>4,974</b>	<b>49,125</b>	<b>771</b>	<b>64,655</b>	<b>7,078</b>	<b>71,733</b>
Currency translation differences	-	-	-	1,510	1,510	390	1,900
Profit for the period	-	-	11,304	-	11,304	8,382	19,686
<b>Total recognized income and expense for 2015</b>	<b>-</b>	<b>-</b>	<b>11,304</b>	<b>1,510</b>	<b>12,814</b>	<b>8,772</b>	<b>21,586</b>
Dividend relating to prior years	-	-	-	-	-	(3,451)	(3,451)
<b>Balance at 31 December 2015</b>	<b>9,785</b>	<b>4,974</b>	<b>60,429</b>	<b>2,281</b>	<b>77,469</b>	<b>12,399</b>	<b>89,868</b>
<b>Balance at 1 January 2016</b>	<b>9,785</b>	<b>4,974</b>	<b>60,429</b>	<b>2,281</b>	<b>77,469</b>	<b>12,399</b>	<b>89,868</b>
Currency translation differences	-	-	-	1,878	1,878	(106)	1,772
Profit for the period	-	-	7,978	-	7,978	(256)	7,722
<b>Total recognized income and expense for 2016</b>	<b>-</b>	<b>-</b>	<b>7,978</b>	<b>1,878</b>	<b>9,856</b>	<b>(362)</b>	<b>9,494</b>
Dividend relating to prior years	-	-	(5,500)	-	(5,500)	(6,082)	(11,582)
<b>Balance at 31 December 2016</b>	<b>9,785</b>	<b>4,974</b>	<b>62,907</b>	<b>4,159</b>	<b>81,825</b>	<b>5,955</b>	<b>87,780</b>

The notes on pages 10 to 12 are an integral part of these consolidated financial statements.



## Consolidated cash flows statement

	<b>Jan-Dec 2016 USD'000</b>	<b>Jan-Dec 2015 USD'000</b>	<b>Jan-Dec 2016 EUR'000</b>	<b>Jan-Dec 2015 EUR'000</b>
<b>Cash flows from operating activities</b>				
Profit before tax	10,899	26,334	9,849	23,736
Adjustment to reconcile profit before tax to net cash flows				
Depreciation and amortization	839	646	758	583
Interest income	(518)	(549)	(468)	(494)
Interest expenses	11,669	9,148	10,544	8,245
Fair value (gain)/losses on derivative financial instruments, net	3,740	(3,125)	3,686	(2,826)
Movements in provisions and allowances	-	(163)	-	(134)
Working capital adjustments:				
Decrease/(Increase) in trade and other receivables	(99,277)	(6,294)	(88,073)	(13,101)
Decrease/(Increase) in inventories	(42,960)	15,447	(29,354)	8,352
(Decrease) in trade and other payables	96,221	(38,582)	78,659	(4,992)
Interest received	518	549	468	494
Income tax paid	(2,353)	(4,493)	(2,127)	(4,127)
<b>Net cash flows used in operating activities</b>	<b>(21,222)</b>	<b>(1,082)</b>	<b>(16,058)</b>	<b>15,736</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	55	-	52	-
Purchases of property, plant and equipment and intangible assets	(1,497)	(1,291)	(1,284)	(1,295)
Proceeds from cash deposits	(1,000)	-	(1,000)	-
Loans repaid/(issued)	-	(1,730)	-	(1,779)
<b>Net cash flows from / (used in) investing activities</b>	<b>(2,442)</b>	<b>(3,021)</b>	<b>(2,232)</b>	<b>(3,074)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank overdrafts, net	29,705	10,764	23,786	16,990
Dividends paid to equity holders of the parent	(6,100)	(451)	(5,500)	(414)
Dividends paid to the Minority shareholders	(6,763)	(3,776)	(6,082)	(3,451)
Interest paid	(11,669)	(9,148)	(10,544)	(8,245)
<b>Net cash flows (used in) / from financing activities</b>	<b>5,173</b>	<b>(2,611)</b>	<b>1,660</b>	<b>4,880</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(18,491)</b>	<b>(6,714)</b>	<b>(16,630)</b>	<b>17,542</b>
Cash and cash equivalents at beginning of the year	31,958	38,672	29,354	31,462
<b>Cash and cash equivalents at end of the period</b>	<b>13,467</b>	<b>31,958</b>	<b>12,724</b>	<b>49,004</b>

The notes on pages 10 to 12 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 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 December 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 12 months ended 31 December 2016 are as follows for USD:

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Third-party revenue	108,472	495,697	855,826	-	1,459,995
Inter-segment revenue	310,004	1,870	110,064	(421,938)	-
<b>Revenue</b>	<b>418,477</b>	<b>497,566</b>	<b>965,890</b>	<b>(421,938)</b>	<b>1,459,995</b>

The segment results for 12 months ended 31 December 2015 are as follows for USD:

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Third-party revenue	106,328	385,093	772,599	-	1,264,020
Inter-segment revenue	271,693	-	113,532	(385,225)	-
<b>Revenue</b>	<b>378,021</b>	<b>385,093</b>	<b>886,131</b>	<b>(385,225)</b>	<b>1,264,020</b>

The segment results for 12 months ended 31 December 2016 are as follows for EUR :

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Third-party revenue	98,014	447,906	773,314	-	1,319,235
Inter-segment revenue	280,116	1,689	99,453	(381,258)	-
<b>Revenue</b>	<b>378,131</b>	<b>449,595</b>	<b>872,767</b>	<b>(381,258)</b>	<b>1,319,235</b>

The segment results for 12 months ended 31 December 2015 are as follows for EUR :

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Third-party revenue	95,833	347,083	696,340	-	1,139,256
Inter-segment revenue	244,876	-	102,326	(347,202)	-
<b>Revenue</b>	<b>340,709</b>	<b>347,083</b>	<b>798,666</b>	<b>(347,202)</b>	<b>1,139,256</b>

## Notes to the consolidated financial statements

### 2. Segment information (continued)

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 2016 are as follows:

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Assets	188,303	114,324	399,189	(197,736)	504,080

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

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Assets	182,163	95,610	299,393	(195,709)	381,457

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

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Assets	168,715	102,432	357,664	(150,602)	478,209

The segment assets as at 31 December are as follows:

	<b>The Baltic</b>	<b>Central and Eastern Europe and other countries</b>	<b>CIS</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Assets	167,321	87,820	275,000	(179,764)	350,378

## 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) and with 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

	31.12.2016 USD'000	31.12.2015 USD'000	31.12.2016 EUR'000	31.12.2015 EUR'000
<b>Non-current</b>				
Bonds	8,433	8,710	8,000	8,000
Finance lease liabilities	19	68	18	63
	<b>8,452</b>	<b>8,778</b>	<b>8,018</b>	<b>8,063</b>
<b>Current</b>				
Bank borrowings	106,836	76,786	101,353	70,531
Other borrowings	-	-	-	-
Finance lease liabilities	35	54	33	49
	<b>106,871</b>	<b>76,840</b>	<b>101,386</b>	<b>70,580</b>
<b>Total borrowings</b>	<b>115,323</b>	<b>85,618</b>	<b>109,404</b>	<b>78,643</b>

As at December 31, 2016 the undrawn credit facilities amount to **USD 27M**.

### 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 2016 is 21.6 % (the estimated tax rate for 12 months ended 31 December 2015 was 17.1 % ). 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-Dec 2016 USD'000	Jan-Dec 2015 USD'000	Jan-Dec 2016 EUR'000	Jan-Dec 2015 EUR'000
Profit attributable to equity holders of the Company	8,829	12,541	7,978	11,304
Weighted average number of ordinary shares in issue (thousands)	9,785	9,785	9,785	9,785
Basic earnings (USD and EUR per share)	0.90	1.28	0.82	1.16

### 7. Related party transactions

The Company has entered into an agreement with related party AST BALTS SIA for rent of warehousing and office space. ELKO Grupa AS issued a loan to AST BALTS SIA in amount of 3,426 million EUR on 26 November 2015. The interest rate is 5% and maturity date is 31 August 2020.

#### **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 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 December 2016.