



## **ELKO GRUPA AS**

Unaudited Consolidated Financial Statements  
For 3 months ended 31 March 2015 (USD)

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## Consolidated balance sheet

	Note	31.03.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,043	1,133
Intangible assets		118	139
Long term loans		2,000	2,000
		<u>3,161</u>	<u>3,272</u>
<b>Current assets</b>			
Inventories		164,733	237,593
Current income tax receivable		849	706
Trade and other receivables		104,012	112,040
Derivative financial instruments		137	370
Cash deposits		475	475
Cash and cash equivalents		14,815	38,197
		<u>285,021</u>	<u>389,381</u>
<b>Total assets</b>		<u><b>288,182</b></u>	<u><b>392,653</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	3	11,114	11,114
Share premium		5,996	5,996
Translation reserve		(11,834)	(5,185)
Retained earnings		69,859	66,573
		<u>75,135</u>	<u>78,498</u>
<b>Non-controlling interest in equity</b>		<b>10,198</b>	<b>8,593</b>
<b>Total equity</b>		<u><b>85,333</b></u>	<u><b>87,091</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	4	63	71
		<u>63</u>	<u>71</u>
<b>Current liabilities</b>			
Trade and other payables		108,565	228,650
Current income tax liabilities		220	1,066
Borrowings	4	93,712	74,783
Provisions		144	163
Derivative financial instruments		145	829
		<u>202,786</u>	<u>305,491</u>
<b>Total liabilities</b>		<b>202,849</b>	<b>305,562</b>
<b>Total equity and liabilities</b>		<u><b>288,182</b></u>	<u><b>392,653</b></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-Mar 2015	Jan-Mar 2014
Revenue	2	212,819	256,017
Cost of sales		(196,601)	(244,228)
<b>Gross profit</b>		<b>16,218</b>	<b>11,789</b>
Distribution expenses		(1,170)	(1,150)
Administrative expenses		(4,330)	(4,793)
Other income		71	89
Other expenses		(2,423)	(1,539)
<b>Operating profit</b>		<b>8,366</b>	<b>4,396</b>
Finance income		98	26
Finance expenses		(2,664)	(1,437)
<b>Finance income/ (expenses) – net</b>		<b>(2,566)</b>	<b>(1,411)</b>
<b>Profit before income tax</b>		<b>5,800</b>	<b>2,985</b>
Income tax expense	5	(264)	(627)
<b>Profit for the period</b>		<b>5,536</b>	<b>2,358</b>
<b>Attributable to:</b>			
Equity holders of the Company		3,286	1,996
Non-controlling interest		2,250	362
		<b>5,536</b>	<b>2,358</b>
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	<b>0.48</b>	<b>0.29</b>

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Egons Mednis  
President

## Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2013</b>	<b>11,114</b>	<b>5,996</b>	<b>79,783</b>	<b>1,796</b>	<b>98,689</b>	<b>9,522</b>	<b>108,211</b>
Currency translation differences	-	-	-	(6,981)	(6,981)	(583)	(7,564)
Profit for the period	-	-	(8,270)	-	(8,270)	1,179	(7,091)
<b>Total recognized income and expense for 2013</b>	<b>-</b>	<b>-</b>	<b>(8,270)</b>	<b>(6,981)</b>	<b>(15,251)</b>	<b>596</b>	<b>(14,655)</b>
Dividend relating to prior years	-	-	(4,940)	-	(4,940)	(1,525)	(6,465)
<b>Balance at 31 December 2013</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>
<b>Balance at 1 January 2014</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	-	-	-	(6,649)	(6,649)	(645)	(7,294)
Profit for the period	-	-	3,286	-	3,286	2,250	5,536
<b>Total recognized income and expense for 2014</b>	<b>-</b>	<b>-</b>	<b>3,286</b>	<b>(6,649)</b>	<b>(3,363)</b>	<b>1,605</b>	<b>(1,758)</b>
Dividend relating to prior years	-	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>11,114</b>	<b>5,996</b>	<b>69,859</b>	<b>(11,834)</b>	<b>75,135</b>	<b>10,198</b>	<b>85,333</b>

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## Consolidated cash flows statement

	Jan-Mar 2015	Jan-Mar 2014
<b>Cash flows from operating activities</b>		
Profit before tax	5,800	2,985
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization	121	146
Interest income	(98)	(26)
Interest expenses	2,664	1,437
Movements in provisions and allowances	(19)	(26)
Working capital adjustments:		
Decrease in trade and other receivables	8,028	13,764
Decrease in inventories	72,860	1,273
Decrease in trade and other payables	(127,188)	(28,930)
Interest received	98	26
Income tax paid	(1,253)	(381)
<b>Net cash flows used in operating activities</b>	<b>(38,987)</b>	<b>(9,732)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	19	-
Purchases of property, plant and equipment	(220)	(107)
Purchases of intangible assets	-	(8)
<b>Net cash flows from / (used in) investing activities</b>	<b>(201)</b>	<b>(115)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank overdrafts, net	18,921	(2,960)
Proceeds from derivative financial instruments	(451)	-
Interest paid	(2,664)	(1,437)
<b>Net cash flows (used in) / from financing activities</b>	<b>15,806</b>	<b>(4,397)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(23,382)</b>	<b>(14,244)</b>
Cash and cash equivalents at beginning of the year	38,197	30,219
<b>Cash and cash equivalents at end of the period</b>	<b>14,815</b>	<b>15,975</b>

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 3 months ended 31 March 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 March 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 and Romania and Balkan states;
- (3) The area of CIS relates 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 2015 are as follows:

	<b>The Baltic</b>	<b>Central and Eastern Europe</b>	<b>CIS Adjustments and eliminations</b>		<b>Group</b>
Third-party revenue	23,802	71,544	117,473	-	212,819
Inter-segment revenue	34,581	49	13,148	(47,778)	-
<b>Revenue</b>	<b>58,383</b>	<b>71,593</b>	<b>130,621</b>	<b>(47,778)</b>	<b>212,819</b>

The segment results for 3 months ended 31 March 2014 are as follows:

	<b>The Baltic</b>	<b>Central and Eastern Europe</b>	<b>CIS Adjustments and eliminations</b>		<b>Group</b>
Third-party revenue	26,877	38,891	190,249	-	256,017
Inter-segment revenue	128,712	1,827	3,801	(134,340)	-
<b>Revenue</b>	<b>155,589</b>	<b>40,718</b>	<b>194,050</b>	<b>(134,340)</b>	<b>256,017</b>

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 2015 are as follows:

	<b>The Baltic</b>	<b>Central and Eastern Europe</b>	<b>CIS Adjustments and eliminations</b>		<b>Group</b>
Assets	165,503	77,026	219,252	(173,599)	288,182

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

	<b>The Baltic</b>	<b>Central and Eastern Europe</b>	<b>CIS Adjustments and eliminations</b>		<b>Group</b>
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

	31.03.2014	31.12.2014
<b>Non-current</b>		
Finance lease liabilities	63	71
	<b>63</b>	<b>71</b>
<b>Current</b>		
Bank borrowings	92,677	73,692
Other borrowings	985	985
Finance lease liabilities	50	106
	<b>93,712</b>	<b>74,783</b>
<b>Total borrowings</b>	<b>93,775</b>	<b>74,854</b>

### 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 2015 is 4.5% (the estimated tax rate for 3 months ended 31 March 2014 was 21%). The difference is mainly due to differences in profitability in the Group's entities, 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 2015	Jan-Mar 2014
Profit attributable to equity holders of the Company	3,286	1,996
Weighted average number of ordinary shares in issue (thousands)	6,877	6,877
Basic earnings per share (USD per share)	0.48	0.29

### 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 3 months ended 31 March 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 March 2015.