

Joint stock company
Liepājas autobusu parks
Consolidated financial
statements
for the period ended on March 31, 2014

NONAUDITED

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 31 MARCH 2014

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Information on the Group

The Group's parent company

Name of the company	Liepājas autobusu parks
Legal status of the company	Joint stock company
Registration number, place and date	40003015652, Riga, 3 September 1991
Address	Cukura iela 8/16, Liepāja, LV 3402, Latvia
Full name and address of the shareholders	Liepāja City Council (34.85%), Rožu iela 6, Liepāja, LV – 3401, Latvia LAP1R SIA (49.99%), Vaļņu iela 4-5, Riga, LV – 1050, Latvia Other natural persons (15.16 %)
Given name, surname and position of the Board members	Māris Ārbergs - Chairman of the Board Laima Kutuzova - Member of the Board
Given name, surname and position of the Council members	Edgars Dupats - Chairman of the Council Ronalds Fricbergs - Deputy Chairman of the Council Madara Šķēle-Dupate - Member of the Council Mārtiņš Tīdens – Member of the Council Harijs Krongorns – Member of the Council
Reporting period	1 January 2014 - 31 March 2014

Consolidated subsidiaries

Parent company	Subsidiaries	Share of investment in the subsidiary as at 31.03.2014	Date of investment	Registered office of the subsidiaries	Type of operations of the subsidiary
AS Liepājas autobusu parks	LAP Serviss SIA	100%	14.10.2011	Cukura iela 8/16, Liepāja, LV 3402, Latvia	Real estate facility management and motor vehicle maintenance services
AS Liepājas Autobusu parks	SIA Rumba Tours	100%	28.09.2012	Cukura iela 8/16, Liepāja, LV 3402, Latvia	Transport services
AS Liepājas Autobusu parks	SIA Baltic Taxi	68.12%	20.09.2012	Šampētera iela 139A, Riga, LV 1046, Latvia	Taxi services
SIA Baltic Taxi	SIA Baltic Taxi Auto	100%	01.02.2012	Šampētera iela 139A, Riga, LV 1046, Latvia	Taxi services

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Management report of AS “Liepājas autobusu parks”

Type of operations

The joint stock company AS “Liepājas autobusu parks” is principally engaged in providing public passenger transportation services on urban, regional and regional inter-city routes. During the reporting period the Group's subsidiaries provided passenger transportation services to tour and sight-seeing operators, taxi services, bus station related services and real estate facility management services.

The operations of the joint stock company “Liepājas autobusu parks” are ISO 9001:2008 compliant.

The operations of the Group's companies in first three months of 2014

During the first three months of 2014, the Group's net revenue reached EUR 3 616 633, where of the revenue of AS “Liepājas autobusu parks” and the subsidiary companies of AS “Liepājas autobusu parks” accounted for EUR 2 619 982 and EUR 996 651, respectively.

By setting up and acquiring companies the Group seeks to expand its operations in the transport industry and has an aim to become a leading transport company in Latvia in the future. In 2014, the Group will continue implementing the strategy that was successfully commenced in 2012.

In first three months of 2014, the solvency ratio (equity/assets ratio) of the Group was 0.35 which suggests that the equity of the Group accounts constitutes 35% of their total assets.

In first three months of 2014, the Group's quick liquidity ratio (cash/short-term liabilities) is 0.31 which suggests that it is able to pay 30% of short term liabilities with funds.

In first three months of 2014, the overall liquidity ratio of the Group (current assets/short-term liabilities) is 0.84

The Group's solvency, quick liquidity and overall liquidity ratios concludes that the Group is capable of covering 84% of current liabilities within a short term and that the liabilities (including bank loans and leases) account for 65% of the Group's total assets; the remainder is represented by the Group's equity.

In first three months of 2014, the average number of the Group's employees was 695.

During the first three months of 2014, the highest and lowest price registered for the share of AS “Liepājas autobusu parks” at the Stock Exchange “NASDAQ OMX Riga” was EUR 2.60 and EUR 1.66 respectively, and last – EUR 2.60.

The Group's net earnings per share in first three months of 2014 was EUR 0.126, in 2013 EUR -0.172.

In 2014, the Group's parent company carried on work involving the upgrading of production facilities and equipment as well as improving the structure of production and human resource organisation focusing on the measures aimed at improving the company's position in tenders in which passenger transportation contracts are awarded. To develop and expand company's types of transportation services, Group's parent company has concluded the cooperation agreement with AS “Air Baltic Corporation” on provision of bus services for “airBaltic” passengers flying to and from the international airport “Riga.

SIA Baltic Taxi is performing business in Riga and Liepaja providing good quality taxi services on a 24-7 basis and progressively improving and developing range of services and its quality. SIA Baltic Taxi has new and modern motor vehicle fleet that is regularly restored to provide its high quality standards.

During the reporting period SIA Baltic Taxi carried on its economic operations and successfully delivered on the objectives set by its shareholders. At the end of the reporting period it had 155 motor vehicles, which generally are provided from partner companies.

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Management report of A/S Liepājas autobusu parks (continued)

The financial accounting, planning, motor vehicle fleet's management programm and control processes of SIA Baltic Taxi are being optimised and renewed.

SIA LAP service is primarily engaged in providing real estate facility management services and providing vehicle maintenance services, as well as the provision of transport services.

The main activities of SIA "Rumba Tours" represent bus and minivan rental for irregular passenger and tourism transportation, offering busses of various comfort levels in line with the client's requirements.

SIA „Baltic Taxi Auto” provides vehicle rental services to its parent company.

The Group's research and development activities

During the reporting period the Group's companies carried on the work involving the upgrading of production facilities and equipment as well as on improving the structure of production and human resource organisation.

The Group's exposure to risks

The Group's companies does not have a major foreign exchange exposure because its settlements occur principally in euro. The Group's companies has raised loans in prior years; the loans have a floating interest rate therefore the Group's companies are exposed to the floating interest rate risk.

Overseas branches and representative offices

The Group does not have overseas branches or representative offices.

There have been no other major changes in the business strategy.

AS LIEPĀJAS AUTOBUSU PARKS
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Statement of management`s responsibility

The management of AS Liepājas Autobusu Parks ("the joint stock company") is responsible for the preparation of the 3 months consolidated financial statements.

Based on the information available to the Board of the joint stock company, the consolidated financial statements are prepared on the basis of the relevant primary documents and in accordance with the requirements of the Consolidated Annual Accounts Act of the Republic of Latvia, the effective Latvian Accounting Standards and other requirements set out in the regulatory requirements and present a true and fair view of the Group's assets, liabilities and financial position as at 31 March 2014 and its profit and cash flows for 2014.

The management of the Group confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the Group confirms that the financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the Group confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the Group is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Group is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Group's business development and operational performance.

Chairman of the Board

M.Ārbergs

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Consolidated income statement for 1 January to 31 March 2014

	Notes	01.01.2014 – 31.03.2014	01.01.2013 – 31.03.2013
		EUR	EUR
Revenue	1	3 616 633	3 437 769
Cost of goods sold	2	(3 352 407)	(3 377 236)
Gross profit		264 226	60 533
Selling expense	3	(17 941)	(6 921)
Administrative expenses	4	(203 531)	(235 548)
Other operating income	5	122 863	80 535
Other operating expenses	6	(25 628)	(8 980)
Other interest and similar income	7	79	938
Interest and similar expenses	8	(50 966)	(21 642)
Profit before taxes		89 102	(131 085)
Profit for the reporting year		89 102	(131 085)
Minority share		(10 239)	22 888
Profit for the reporting year after minority share		78 863	(108 197)
Basic earnings per share		0.126	(0.172)

AS LIEPĀJAS AUTOBUSU PARKS
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Consolidated balance sheet as at 31 March 2014

	Notes	31.03.2014 EUR	31.03.2013 EUR
<u>Assets</u>			
Non-current investments			
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights		17 748	901
Goodwill		1 151 553	1 151 553
Total intangible assets		1 169 301	1 152 454
Property, plant and equipment:			
Land plots, buildings and perennial plantings		208 792	243 303
Plant and machinery		2 958 435	3 429 252
Other property, plant and equipment		3 178 493	542 689
Creation of property, plant and equipment		34 011	-
Advance payments for property, plant and equipment		30 433	127 148
Total property, plant and equipment:		6 410 164	4 342 392
Investment properties:		669 805	696 398
Non-current financial investments			
Investments in associated companies		-	1 423
Other securities and investments		1 357	1 357
Deferred tax asset		158 375	171 228
Total non-current financial investments		159 375	174 008
Total non-current assets:		8 408 645	6 365 252
Current assets			
Inventories:			
Raw materials, basic materials and consumables	9	205 139	165 946
Total inventories:		205 139	165 946
Trade and other receivables:			
Trade receivables	10	782 473	819 775
Other receivables	11	275 656	313 274
Prepayments	12	127 726	136 680
Accrued income	13	98 809	111 945
Receivables:		1 284 664	1 381 674
Cash:	14	893 939	1 193 339
Total current assets:		2 383 742	2 740 959
<u>Total assets</u>		<u>10 792 387</u>	<u>9 106 211</u>

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Consolidated balance sheet as at 31 March 2014

	Notes	31.03.2014 EUR	31.03.2013 EUR
<u>Equity and liabilities</u>			
Equity:			
Share capital	15	892 768	892 768
Share premium account		327	327
Retained earnings b/f		3 017 574	2 960 050
Profit for the reporting year		78 863	(108 197)
Minority interest		(178 243)	(233 471)
Total equity:		3 811 289	3 511 477
Provisions			
Other provisions	16	41 905	93 461
Liabilities:			
Non-current liabilities:			
Borrowings from credit institutions	17	420 538	752 515
Other borrowings	18	3 453 785	1 926 869
Deferred tax liabilities		217 244	223 749
Total non-current liabilities:		4 091 567	2 903 133
Current liabilities:			
Borrowings from credit institutions	17	331 977	351 918
Other borrowings	18	1 184 928	375 459
Trade payables		715 101	1 122 887
Taxes and mandatory national social insurance contributions		199 953	209 616
Other payables	19	180 203	175 006
Deferred income	20	26 126	148 437
Accrued liabilities	21	209 338	214 817
Total current payables:		2 847 626	2 598 140
<u>Total equity and liabilities</u>		<u>10 792 387</u>	<u>9 106 211</u>

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Consolidated statement of changes in equity year ended 31 March 2014

	Share capital	Share premium account	Long- term invest- ment revalua- tion reserve	Prior year retained earnings	Profit for the reporting year	Minority interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 March 2012	892 768	327	-	2 696 066	86 350	-	3 675 511
Retained earnings b/f	-	-	-	263 984	(263 984)	-	-
Minority interest takeover resulting from the acquisition of a subsidiary	-	-	-	-	-	(205 973)	(205 973)
Profit for the reporting year	-	-	-	-	69 437	(27 498)	41 939
As at 31 March 2013	892 768	327	-	2 960 050	(108 197)	(233 471)	3 511 477
Retained earnings b/f	-	-	-	57 524	(57 524)	-	-
Profit for the reporting year	-	-	-	-	244 584	55 228	299 812
As at 31 March 2014	892 768	327	-	3 017 574	78 863	(178 243)	3 811 289

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Consolidated cash flow statement for 1 January to 31 March 2014

	Note	01.01.2014 – 31.03.2014 EUR	01.01.2013 – 31.03.2013 EUR
<u>Cash flows from operating activities</u>			
Profit before taxes		92 913	(126 966)
Adjustments:			
depreciation		413 444	362 129
creation of provisions (except for provisions for doubtful debts)		(10 712)	-
other interest income and similar income		(79)	(938)
interest expenses and similar expenses		50 966	21 642
profit on the investment and disposal of property, plant and equipment		(54 331)	(27 628)
increase of receivables		(140 824)	(165 898)
(increase)/decrease of inventories		(13 128)	8 983
increase in trade and other payables		(61 600)	398 793
Corporate income tax expense		(9 422)	-
Other tax expenses		(3 811)	(4 119)
Net cash flows from operating activity		263 416	465 998
<u>Cash flows from investing activities</u>			
Purchase of property, plant and machinery and intangible assets		(50 673)	(366 695)
Proceeds from sale of fixed assets and intangible assets		107 243	74 388
Term deposits deployed		-	100 000
Interest received		81	938
Net cash flows from investing activities		56 651	(191 369)
<u>Cash flows from financing activities</u>			
Repayment of borrowings		(130 489)	(98 481)
Expenses related to the buyout of a leased asset		(221 628)	(149 140)
Interest paid		(43 971)	(21 642)
Net cash flows from financing activities		(396 088)	(269 263)
Net cash flows for the reporting year		(76 021)	5 366
Cash and cash equivalents at the beginning of the reporting year	14	969 960	1 187 973
Cash and cash equivalents at the end of the reporting year	14	893 939	1 193 339

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Notes

(1) Net revenue

Net revenue by type of revenue

	01.01.2014 – 31.03.2014	01.01.2013 – 31.03.2013
	EUR	EUR
Revenue from passenger transportation	1 859 644	1 937 357
Subsidies	760 066	579 809
Taxi services	966 031	893 258
Facility management and other services	30 892	27 345
	<u>3 616 633</u>	<u>3 437 769</u>

(2) Cost of goods sold

Cost of fuel and lubricants	939 686	1 053 282
Cost of spare parts, tools and tires	129 235	116 944
Salaries and wages	725 604	749 686
National social insurance mandatory contributions	167 944	175 335
Reduction in the provisions for unused annual leaves	(11 115)	-
Depreciation of property, plant and equipment	413 444	362 129
Cost of regular repairs of buses and materials	184 395	312 695
Public facilities and rent	79 883	78 104
Business trips and work-related travel costs	7 988	8 900
Services provided by business partners	111 425	159 464
Insurance of motor vehicles	68 943	61 888
Software licence lease	9 228	8 893
Transport lease	281 327	186 527
Real estate tax	3 811	4 119
Other operating expenses	240 609	99 270
	<u>3 352 407</u>	<u>3 377 236</u>

(3) Selling expense

Advertising	<u>17 941</u>	<u>6 921</u>
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Notes (continued)

(4) Administrative expenses

	01.01.2014 – 31.03.2014	01.01.2013 – 31.03.2013
	EUR	EUR
Salaries	98 474	104 062
National social insurance mandatory contributions	22 295	24 177
Communication	16 375	21 084
Business trips and work-related travel costs	2 093	4 560
Audit fee*	1 495	1 067
Legal services	12 199	25 135
Accounting services	16 714	20 902
Increase/(decrease) of provisions for unused annual leaves	403	-
Other administrative costs	33 483	34 561
	<u>203 531</u>	<u>235 548</u>

(5) Other operating income

Proceeds from insurance relating to the motor vehicles that were damaged in accidents	2 932	12 590
Bus ticket and bus station entry permit revenue	18 143	18 153
Revenue from advertisements placement	16 378	1 343
Revenue from sale of property, plant and equipment	54 331	27 628
Other income	31 079	20 821
	<u>122 863</u>	<u>80 535</u>

(6) Other operating expenses

Fines	8 595	6 189
Net losses on foreign exchange fluctuations	20	647
Other expenses	17 013	2 144
	<u>25 628</u>	<u>8 980</u>

(7) Other interest and similar income

Bank interest	<u>79</u>	<u>938</u>
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(8) Interest and similar expenses

Interest on the borrowings	<u>50 966</u>	<u>21 642</u>
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Notes (continued)

(9) Inventories

	31.03.2014	31.03.2013
	EUR	EUR
Fuel, lubricants	87 167	77 675
Spare parts	79 843	64 603
Materials	12 111	10 929
Bus tickets	26 018	10 127
Advances paid for goods	-	2 612
	<u>205 139</u>	<u>165 946</u>

(10) Trade receivables

The carrying value of trade receivables	828 600	834 598
Provisions for bad and doubtful trade receivables	(46 127)	(14 823)
	<u>782 473</u>	<u>819 775</u>

(11) Other receivables

Overpaid taxes	84 519	57 467
Guarantee collateral in accordance with the regulations on the awarding of the contract to provide public transport services	170 745	254 014
Other receivables	16 963	-
Amounts receivable in respect of advances to employees	3 429	1 793
	<u>275 656</u>	<u>313 274</u>

(12) Prepayments

Insurance	81 234	84 985
Passenger transportation licences	1 105	10 064
Bus station services	-	9 515
Lease of the bus	2 269	2 244
Other expensess	43 118	29 872
	<u>127 726</u>	<u>136 680</u>

(13) Deferred income

Kurzemes planning district	-	4 619
Reimbursement of costs	-	6 779
Ministry of Transport	98 729	100 452
Other deferred income	80	95
	<u>1 284 664</u>	<u>111 945</u>

(14) Cash on hand and in bank

Cash in transit	10 083	45 656
Term deposits	-	459 986
Cash in bank	855 831	685 782
Cash on hand	28 025	1 915
	<u>893 939</u>	<u>1 193 339</u>

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Notes (continued)

(15) Share capital

As at 31 March 2014 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of EUR 1.422872 each. Share capital ordinary share's value is determined using approved rate of exchange 1 EUR = 0.702804 LVL. The decision about share's capital value in euro's will be made in The Board meeting on June 3, 2014.

(16) Provisions

	31.03.2014 EUR	31.03.2013 EUR
Provisions for contingent liabilities	<u>41 905</u>	<u>93 461</u>

(17) Borrowings from credit institutions

Borrowing from AS Swedbank	420 538	685 015
Borrowing from AS NORDEA	-	67 500
<i>Total non-current liabilities:</i>	<u>420 538</u>	<u>752 515</u>
 Borrowing from AS Swedbank	 264 477	 261 919
Borrowing from AS NORDEA	67 500	89 999
<i>Total current borrowings:</i>	<u>331 977</u>	<u>351 918</u>
 Total borrowings from credit institutions	 <u>752 515</u>	 <u>1 104 433</u>

(18) Other borrowings

Borrowing from SIA Baltic Airlines	240 992	245 676
Borrowings with a maturity term of more than 5 years	<u>240 992</u>	<u>245 676</u>
 Borrowing from SIA JS Advisory	 -	 532 901
Borrowing from SIA Baltijas aviācijas sistēmas	467 210	443 781
Finance lease obligations with a term of 1 – 5 years	2 745 583	704 511
Borrowings with a maturity term of 1 than 5 years	<u>3 212 793</u>	<u>1 681 193</u>
 Borrowing from SIA JS Advisory	 100 000	
Finance lease obligations with a term of up to 1 year	1 084 928	375 459
<i>Total current borrowings:</i>	<u>1 184 928</u>	<u>375 459</u>
 Total non-current borrowings and finance lease obligations	 3 453 785	 1 926 869
Total current borrowings and finance lease obligations	1 184 928	375 459
 Total other borrowings	 <u>4 638 713</u>	 <u>2 302 328</u>

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Notes (continued)

(19) Other payables

	31.03.2014 EUR	31.03.2013 EUR
Salaries and wages	151 781	165 857
Withholdings from salaries and wages	2 463	2 018
Other payables	19 337	-
Revenue of bus stations	6 622	7 131
	180 203	175 006

(20) Deferred income

Revenue of monthly tickets	721	704
Offsetting of losses	25 405	147 733
	26 126	148 437

(21) Accrued liabilities

Provision for annual the leave costs	142 261	133 074
NSIMC - provision for the annual leave costs	33 576	32 057
Accrued liabilities for the audit costs	1 642	1 067
Other accrued liabilities	31 859	48 619
	209 338	214 817

(22) Information by segment and revenue

Based on the nature of the services the Group's operations can be divided as follows.

EUR, thousand	Passenger transportation		Taxi services		Facility management and other services		Total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Assets	6 096	4 527	3 454	3 284	1 242	1 295	10 792	9 106
Assets of the segment	(3 851)	(2 467)	(2 862)	(2 864)	(268)	(264)	(6 981)	(5 595)
Income	2 621	2 522	966	893	30	23	3 617	3 438
Net performance of the segment	50	(73)	32	(71)	7	13	89	(131)
Net financial income (expenses)	(20)	(6)	(30)	(14)	(1)	(1)	(51)	(21)
Profit/(loss) before taxes	50	(73)	32	(71)	11	17	93	(127)
Other information								
Purchases of property, plant and equipment and intangible assets (NBV)	4 195	2 675	1 712	1 153	1 191	1 212	7 098	5 040
Depreciation and amortisation during the reporting period	(217)	(179)	(177)	(165)	(19)	(18)	(413)	(362)

(23) Off-balance sheet assets and liabilities

On 24 January 2012 the subsidiary of the Group acquired, under an assignment transaction, a right to demand the payment of LVL 597,383 (EUR 850,000) against a legal person. Remuneration for the assignment is directly related to the recovered amount. The defendant is also one of the Company's creditors, the Company is therefore of the opinion that the rights to demand the payment will be realised profitably. During the reporting period the proceeds of the assignment remuneration is not received.

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Notes (continued)

(24) Litigations

The subsidiary of the group is involved in litigations, which connected with the claims of the former employees of the company against the company. The Company has submitted counterclaims. The total value of former employee claims amounts to EUR 280 thousand, counterclaims submitted – EUR 27 thousand. The current stage of litigation differs in each specific case. The Company has made a provision in amount of EUR 14 223 for potential litigation expenses as considers the claims to be ungrounded.

The subsidiary of the Group has submitted a claim against the State Revenue Service (SRS) in connection with SRS charge for additional tax liabilities. SRS rejected the application and determined to pay the estimated tax payments in the state budget. The Company has submitted an additional claim against the SRS for EUR 74 thousand additional tax charges. A provision of 100% for the charged amounts is made based on prudence principle.