

Joint stock company
Liepājas autobusu parks
Consolidated financial
statements
for the period ended on June 30, 2014

NONAUDITED

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 JUNE 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, Rīga, 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 - 30 June 2014

Consolidated subsidiaries

Parent company	Subsidiaries	Share of investment in the subsidiary as at 30.06.2014	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, Rīga, LV 1046, Latvia	Taxi services
SIA Baltic Taxi	SIA Baltic Taxi Auto	100%	01.02.2012	Šampētera iela 139A, Rīga, 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 six months of 2014, the Group's net revenue reached EUR 7 442 180, where of the revenue of AS "Liepājas autobusu parks" and the subsidiary companies of AS "Liepājas autobusu parks" accounted for EUR 5 322 010 and EUR 2 120 170, 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 six 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 six months of 2014, the Group's quick liquidity ratio (cash/short-term liabilities) is 0.47 which suggests that it is able to pay almost 50% of short term liabilities with funds.

In first six months of 2014, the overall liquidity ratio of the Group (current assets/short-term liabilities) is 1.01

The Group's solvency, quick liquidity and overall liquidity ratios concludes that the Group is capable of covering all 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 six months of 2014, the average number of the Group's employees was 635.

During the first six 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, but first and last was EUR 1.66 and EUR 2.50, respectively.

The Group's net earnings per share in first six months of 2014 was EUR 0.377, in 2013 EUR 0.011.

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 providing good quality taxi services in Riga, territories near Riga and in Liepāja. SIA Baltic Taxi is progressively improving and developing range of services and its quality. SIA Baltic Taxi is maintaining its brand's recognisability and still determine quality of taxi services in Latvia. Customers approve opportunity to use new and modern motor vehicle fleet and pleasant service. The motor vehicle fleet 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. SIA Baltic Taxi is developing franchising to involve new partnership enterprises. At the end of the reporting period it had 153 motor vehicles, which generally are provided from partner companies.

Vehicle fleet's management program and control processes of SIA Baltic Taxi are being optimised and renewed to continue expanding market share – to increase quantity of customers, but don't decrease quality.

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

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
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 JUNE 2014**

Statement of management`s responsibility

The management of AS Liepājas Autobusu Parks ("the joint stock company") is responsible for the preparation of the 6 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 30 June 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 30 June 2014

	Notes	01.01.2014 – 30.06.2014	01.01.2013 – 30.06.2013
		EUR	EUR
Revenue	1	7 442 180	7 137 476
Cost of goods sold	2	<u>(6 832 674)</u>	<u>(6 755 129)</u>
Gross profit		609 506	382 347
Selling expense	3	(27 735)	(37 588)
Administrative expenses	4	(428 404)	(436 709)
Other operating income	5	227 995	202 127
Other operating expenses	6	(36 633)	(53 938)
Other interest and similar income	7	156	1 312
Interest and similar expenses	8	<u>(102 822)</u>	<u>(63 228)</u>
Profit before taxes		242 063	(5 677)
Profit for the reporting year		<u>242 063</u>	<u>(5 677)</u>
Minority share		(5 308)	12 752
Profit for the reporting year after minority share		<u>236 755</u>	<u>7 075</u>
Basic earnings per share		0.377	0.011

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 JUNE 2014

Consolidated balance sheet as at 30 june 2014

	Notes	30.06.2014 EUR	30.06.2013 EUR
Assets			
Non-current investments			
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights		21 645	790
Goodwill		1 151 553	1 151 553
Total intangible assets		1 173 198	1 152 343
Property, plant and equipment:			
Land plots, buildings and perennial plantings		220 802	205 161
Plant and machinery		2 805 835	4 177 207
Other property, plant and equipment		3 259 795	1 445 318
Advance payments for property, plant and equipment		1 893	83 801
Total property, plant and equipment:		6 288 325	5 911 487
Investment properties:		702 762	696 398
Non-current financial investments			
Investments in associated companies		-	1 423
Other securities and investments		1 357	1 357
Deferred tax asset		158 018	171 228
Total non-current financial investments		159 375	174 008
Total non-current assets:		8 323 660	7 934 236
Current assets			
Inventories:			
Raw materials, basic materials and consumables	9	176 766	195 134
Total inventories:		176 766	195 134
Trade and other receivables:			
Trade receivables	10	1 057 258	813 918
Other receivables	11	174 497	704 564
Prepayments	12	129 190	201 998
Accrued income	13	9 259	244 046
Receivables:		1 370 204	1 964 526
Cash:	14	1 347 133	249 912
Total current assets:		2 894 103	2 409 572
Total assets		11 217 763	10 343 808

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CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 JUNE 2014

Consolidated balance sheet as at 30 June 2014

	Notes	30.06.2014 EUR	30.06.2013 EUR
<u>Equity and liabilities</u>			
Equity:			
Share capital	15	878 417	892 768
Share premium account		327	327
Retained earnings b/f		3 031 925	2 960 050
Profit for the reporting year		236 755	7 075
Minority interest		(183 174)	(223 334)
Total equity:		3 964 250	3 636 886
Provisions			
Other provisions	16	41 905	93 461
Liabilities:			
Non-current liabilities:			
Borrowings from credit institutions	17	359 728	664 167
Other borrowings	18	3 760 290	3 176 675
Deferred tax liabilities		217 244	223 749
Total non-current liabilities:		4 337 262	4 064 591
Current liabilities:			
Borrowings from credit institutions	17	304 439	352 556
Other borrowings	18	972 097	437 764
Trade payables		974 743	1 013 589
Taxes and mandatory national social insurance contributions		189 258	165 395
Other payables	19	179 443	166 501
Deferred income	20	52 788	154 386
Accrued liabilities	21	201 578	258 679
Total current payables:		2 874 346	2 548 870
<u>Total equity and liabilities</u>		11 217 763	10 343 808

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Consolidated statement of changes in equity year ended 30 June 2014

	Share capital	Share premium account	Prior year retained earnings	Profit for the reporting year	Minority interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2012	892 768	327	2 696 066	185 915	-	3 775 076
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	-	-	-	85 144	(17 361)	67 783
As at 30 June 2013	892 768	327	2 960 050	7 075	(223 334)	3 636 886
Denomination of shares	(14 351)	-	14 351	-	-	-
Retained earnings b/f	-	-	57 524	(57 524)	-	-
Profit for the reporting year	-	-	-	287 204	40 160	327 364
As at 30 June 2014	878 417	327	3 031 925	236 755	(183 174)	3 964 250

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Consolidated cash flow statement for 1 January to 30 June 2014

	Note	01.01.2014 – 30.06.2014 EUR	01.01.2013 – 30.06.2013 EUR
<u>Cash flows from operating activities</u>			
Profit before taxes		242 063	(5 677)
<u>Adjustments:</u>			
depreciation		832 759	739 674
creation of provisions (except for provisions for doubtful debts)		(29 933)	-
other interest income and similar income		(156)	(1 312)
interest expenses and similar expenses		102 822	63 228
profit on the investment and disposal of property, plant and equipment		(129 100)	(96 081)
increase of receivables		(220 180)	(712 753)
(increase)/decrease of inventories		15 245	(20 205)
increase in trade and other payables		224 710	647 263
Corporate income tax expense		(15 702)	(16 756)
Net cash flows from operating activity		1 022 528	597 381
<u>Cash flows from investing activities</u>			
Purchase of property, plant and machinery and intangible assets		(78 439)	(555 427)
Proceeds from sale of fixed assets and intangible assets		240 180	139 632
Term deposits deployed		-	100 000
Interest received		254	1 312
Net cash flows from investing activities		161 995	(314 483)
<u>Cash flows from financing activities</u>			
Repayment of borrowings		(218 837)	(527 410)
Expenses related to the buyout of a leased asset		(499 800)	(630 321)
Interest paid		(88 713)	(63 228)
Net cash flows from financing activities		(807 350)	(1 220 959)
Net cash flows for the reporting year		377 173	(938 061)
Cash and cash equivalents at the beginning of the reporting year		969 960	1 187 973
Cash and cash equivalents at the end of the reporting year	14	1 347 133	249 912

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Notes

(1) Net revenue

Net revenue by type of revenue

	01.01.2014 – 30.06.2014	01.01.2013 – 30.06.2013
	EUR	EUR
Revenue from passenger transportation	3 958 173	4 039 551
Subsidies	1 362 768	1 209 932
Taxi services	2 021 860	1 821 144
Facility management and other services	99 379	66 849
	<u>7 442 180</u>	<u>7 137 476</u>

(2) Cost of goods sold

Cost of fuel and lubricants	(1 873 149)	(2 038 466)
Cost of spare parts, tools and tires	(247 436)	(425 530)
Salaries and wages	(1 437 783)	(1 526 286)
National social insurance mandatory contributions	(332 518)	(361 629)
Reduction in the provisions for unused annual leaves	30 898	-
Depreciation of property, plant and equipment	(832 759)	(739 674)
Cost of regular repairs of buses and materials	(327 802)	(334 339)
Public facilities and rent	(118 488)	(143 251)
Business trips and work-related travel costs	(22 460)	(16 401)
Services provided by business partners	(228 298)	(213 008)
Insurance of motor vehicles	(138 162)	(136 382)
Software licence lease	(18 050)	(18 122)
Transport lease	(656 636)	(371 870)
Real estate tax	(7 612)	(7 921)
Other operating expenses	(622 419)	(422 250)
	<u>(6 832 674)</u>	<u>(6 755 129)</u>

(3) Selling expense

Advertising	<u>(27 735)</u>	<u>(37 588)</u>
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Notes (continued)

(4) Administrative expenses

	01.01.2014 – 30.06.2014	01.01.2013 – 30.06.2013
	EUR	EUR
Salaries	(201 410)	(199 666)
National social insurance mandatory contributions	(45 639)	(46 250)
Communication	(53 967)	(42 723)
Business trips and work-related travel costs	(9 467)	(854)
Audit fee*	(3 438)	(8 677)
Legal services	(44 570)	(6 652)
Accounting services	(31 788)	(26 460)
Increase/(decrease) of provisions for unused annual leaves	(965)	-
Other administrative costs	(37 160)	(69 059)
	<u>(428 404)</u>	<u>(436 709)</u>

(5) Other operating income

Proceeds from insurance relating to the motor vehicles that were damaged in accidents	12 393	8 382
Bus ticket and bus station entry permit revenue	18 143	37 572
Revenue from advertisements placement	24 948	3 617
Revenue from sale of property, plant and equipment	129 100	96 081
Other income	43 411	56 475
	<u>227 995</u>	<u>202 127</u>

(6) Other operating expenses

Fines	(949)	(7 318)
Net losses on foreign exchange fluctuations	(52)	(1 977)
Other expenses	(35 632)	(44 643)
	<u>(36 633)</u>	<u>(53 938)</u>

(7) Other interest and similar income

Bank interest	<u>156</u>	<u>1 312</u>
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(8) Interest and similar expenses

Interest on the borrowings	<u>(102 822)</u>	<u>(63 228)</u>
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Notes (continued)

(9) Inventories

	30.06.2014	30.06.2013
	EUR	EUR
Fuel, lubricants	72 608	92 628
Spare parts	78 993	72 222
Materials	12 616	11 512
Bus tickets	12 549	8 243
Advances paid for goods	-	10 529
	<u>176 766</u>	<u>195 134</u>

(10) Trade receivables

The carrying value of trade receivables	1 104 367	832 461
Provisions for bad and doubtful trade receivables	(47 109)	(18 543)
	<u>1 057 258</u>	<u>813 918</u>

(11) Other receivables

Overpaid taxes	128 681	442 658
Guarantee collateral in accordance with the regulations on the awarding of the contract to provide public transport services	-	254 014
Other receivables	44 958	-
Amounts receivable in respect of advances to employees	858	7 892
	<u>174 497</u>	<u>704 564</u>

(12) Prepayments

Insurance	68 753	73 572
Passenger transportation licences	707	15 209
Lease of the bus	2 251	2 251
Other expensess	57 479	110 966
	<u>129 190</u>	<u>201 998</u>

(13) Deferred income

Kurzemes planning district	-	4 619
Reimbursement of costs	-	19 367
Ministry of Transport	8 421	195 902
Other deferred income	9 259	24 158
	<u>9 259</u>	<u>244 046</u>

(14) Cash on hand and in bank

Cash in transit	11 224	44 002
Cash in bank	1 323 975	202 551
Cash on hand	11 934	3 359
	<u>2 894 103</u>	<u>249 912</u>

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Notes (continued)

(15) Share capital

As at 30 June 2014 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of EUR 1.40.

(16) Provisions

	30.06.2014 EUR	30.06.2013 EUR
Provisions for contingent liabilities	<u>41 905</u>	<u>93 461</u>

(17) Borrowings from credit institutions

Borrowing from AS Swedbank	359 728	619 167
Borrowing from AS NORDEA	<u>-</u>	<u>45 000</u>
<i>Total non-current liabilities:</i>	359 728	664 167
Borrowing from AS Swedbank	259 439	262 555
Borrowing from AS NORDEA	<u>45 000</u>	<u>90 001</u>
<i>Total current borrowings:</i>	304 439	352 556
Total borrowings from credit institutions	<u>664 167</u>	<u>1 016 723</u>

(18) Other borrowings

Borrowing from SIA Baltic Airlines	<u>243 464</u>	<u>228 196</u>
Borrowings with a maturity term of more than 5 years	243 464	228 196
Borrowing from SIA JS Advisory	-	209 162
Borrowing from SIA Baltijas aviācijas sistēmas	471 852	443 781
Finance lease obligations with a term of 1 – 5 years	<u>3 044 974</u>	<u>2 295 536</u>
Borrowings with a maturity term of 1 than 5 years	3 516 826	2 948 479
Borrowing from SIA JS Advisory	100 000	-
Finance lease obligations with a term of up to 1 year	<u>872 097</u>	<u>437 764</u>
Total current borrowings:	972 097	437 764
Total non-current borrowings and finance lease obligations	3 760 290	3 176 675
Total current borrowings and finance lease obligations	972 097	437 764
Total other borrowings	<u>4 732 387</u>	<u>3 614 439</u>

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Notes (continued)

(19) Other payables

	30.06.2014	30.06.2013
	EUR	EUR
Salaries and wages	143 872	155 017
Withholdings from salaries and wages	2 698	4 784
Other payables	670	-
Revenue of bus stations	32 203	6 700
	<u>179 443</u>	<u>166 501</u>

(20) Deferred income

Revenue of monthly tickets	441	86 825
Offsetting of losses	52 347	67 561
	<u>52 788</u>	<u>154 386</u>

(21) Accrued liabilities

Provision for annual the leave costs	126 709	134 027
NSIMC - provision for the annual leave costs	29 907	31 104
Accrued liabilities for the audit costs	2 685	2 419
Other accrued liabilities	42 277	91 129
	<u>201 578</u>	<u>258 679</u>

(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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Assets	6 094	5 140	3 849	3 953	1 275	1 251	11 218	10 344
Assets of the segment	(3 719)	(2 941)	(3 272)	(3 501)	(263)	(265)	(7 254)	(6 707)
Income	5 366	5 268	2 022	1 821	54	48	7 443	7 137
Net performance of the segment	202	9	17	(40)	23	25	242	(6)
Net financial income (expenses)	(40)	(16)	(61)	(44)	(2)	(2)	(103)	(62)
Profit/(loss) before taxes	202	9	17	(40)	23	25	242	(6)
Other information								
Purchases of property, plant and equipment and intangible assets (NBV)	3 969	3 535	1 854	1 872	1 190	1 202	7 013	6 609
Depreciation and amortisation during the reporting period	(442)	(362)	(353)	(341)	(38)	(37)	(833)	(740)

(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 300 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.