



AS AMBER LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for year 2022

**prepared in accordance with
International Financial Reporting Standards as adopted by the EU**

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2022

INFORMATION ON THE COMPANY

Name of the Company	Amber Latvijas balzams (until 30.04.2022 – Latvijas balzams)
Legal status of the Company	Joint Stock Company
Number, place and date of registration	Companies register No. 40003031873 Riga, 2 October 1991 Re-registered on 20 October 1998 Commercial Register Riga, 19 June 2014
Address	Aleksandra Caka Street 160 Riga, LV-1012 Latvia
Main business activities	Production of alcoholic beverages NACE2 11.01
Major shareholder	Amber Beverage Group Holding S.à r.l. (89.99%)
Names and positions of the Council Members	Rolands Gulbis – Chairman of the Council Valizhan Abidov – Vice Chairman of the Council Velga Celmiņa – Member of the Council Boriss Nešatajevs - Member of the Council Guntars Reidzāns - Member of the Council
Names and positions of the Board Members	Intars Geidāns – Chairman of the Board Guntars Betlers – Member of the Board

REPORT OF THE MANAGEMENT

Type of operations

AS Amber Latvijas balzams (hereinafter also - the Company) is a leading producer of alcoholic beverages in the Baltic states. The Company was established in 1900 as Riga's 1st state alcohol warehouse; for many years since 1970 it has been operating under the name AS Latvijas balzams. To strengthen the Company's global recognition as part of the parent company Amber Beverage Group the decision of the Company's shareholders' meeting to change the name to AS "Amber Latvijas balzams" came into force on May 1, 2022. Amber Beverage Group Holding S.à r.l., which owns 89.99% of the Company's share capital, has been the major shareholder of the Company.

Nowadays the Company is operating two production units of alcoholic drinks in Riga: a factory for the production of strong alcoholic beverages and a factory for the production of sparkling wines and light alcoholic beverages. These factories produce most types of alcoholic beverages, such as sparkling wines, fortified wines, ciders, RTDs (ready-to-drink beverages), vodka, liqueurs, brandy, strong alcoholic beverages, gin, etc. The recipes for some of AS Amber Latvijas balzams products date back hundreds of years; for example, the formula of Riga Black Balsam® was officially written down in 1752. The mission of AS Amber Latvijas balzams is "Excellence in everything we do".

Overall, the Company produces more than 100 different brands. Products produced by AS Amber Latvijas balzams are sold almost in all regions of the world mediated by Amber Beverage Group and Stoli Group and via direct export route.

The Company cooperates with the largest suppliers of raw materials and consumables in the European Union. One of key resources is water and it is derived from artesian wells located in territories of the Company. Ethyl spirt for the production of most of the products is supplied by to the Company by producers working in the European Union.

Logistics services represent a small, but still significant part of the Company's business. Logistic services are mainly rendered to related companies, however the volume of services, such as transit assurance, bonded warehouse services, value-added services, picking and other logistic services provided to other partners of the spirits industry are growing. These activities allow to improve the utilisation of resources.

The Company as a socially responsible and sustainable enterprise has developed and complies with core principles of corporate social responsibility. These have been harmonized with the United Nations Sustainable Development Goals for 2030, Guidelines of OECD and Nasdaq Riga Cooperate governance principles and are available in the section Corporate Social Responsibility on the Company's website.

For compliance with these guidelines, the Company has drafted and adheres to the following procedures: the Corporate Social Responsibility Policy, the Company Procurement Procedure, the Collective Bargaining Agreement, the Quality Management Handbook, the Ethical Marketing Communications Code, the Anti-Corruption Policy, the Data Protection Policy, the Risk Management Policy, the Remote Work Policy and other internal documents. These documents, policies and procedures contained therein are reviewed regularly in accordance with the Quality Management System. The results of reviews and planned corrective measures are considered at the Company's management meetings.

Performance of the Company during the reporting period

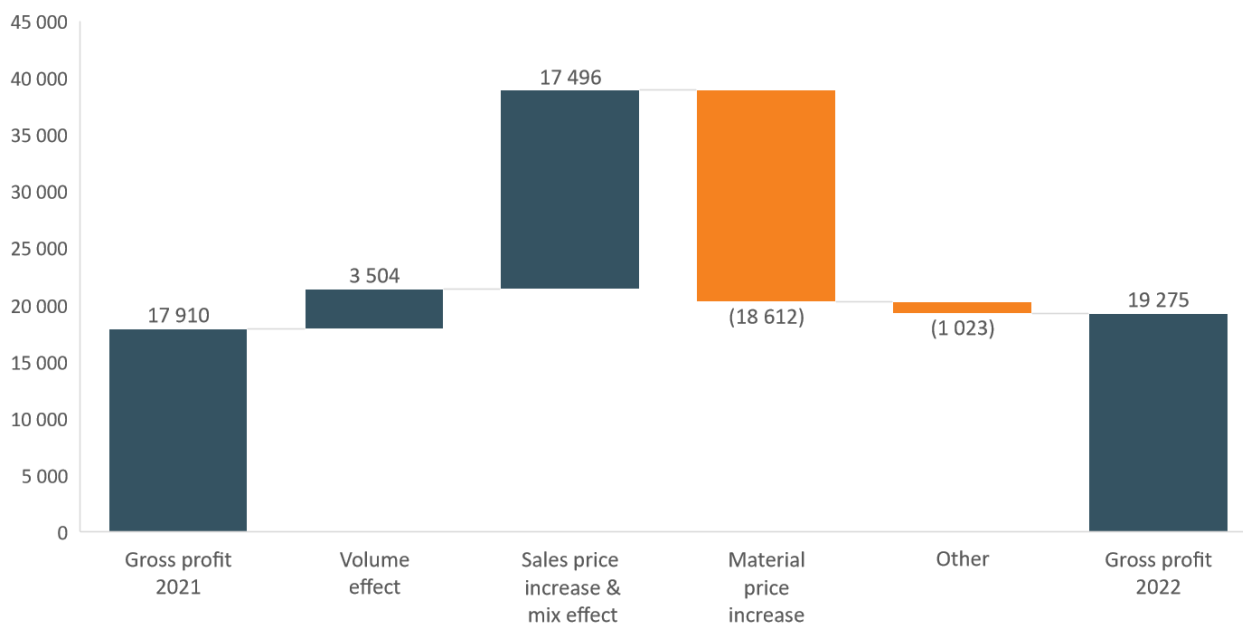
Financial performance

The unaudited net revenue of the Company for the year 2022 reached EUR 108.1 million euros, an increase of 37.7% against the respective period in 2021. The increase in turnover compared to 2021 mainly is related to improvements in the economic situation and the result of lifting the Covid-19 restrictions imposed by national governments that has resulted in a sales volume increase. Also, the Company continues to develop cooperation with clients in Sweden and Germany by increasing the sales volume in respective markets.

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REPORT OF THE MANAGEMENT (continued)

The gross profit for the reporting year is 19.3 million euros (an increase of 1.4 million euros or 7.6% vs 2021). The change in gross profit compared to 2021 was impacted by the increase in production volume (+15.4%), however, the increase in the price of the main raw materials, the shortage of glass in Europe, and the increase in its cost due to the energy-intensive production process, the increase in cost prices under the influence of rapidly growing general inflation, an increase in the cost of purchased energy resources as a result of changes in the market price, an increase in salary costs, which was affected by both the review of compensation in 2022 and an increase in costs due to the lack of labour had a much more significant impact on gross profit. During the reporting period, the Company has actively worked on the revision of sales prices to reduce the impact of cost increases on its results.



The operating profit for the year 2022 amounts to EUR 6.4 million, which is lower compared to 2021 (EUR 7.4 million). The operating margin for the reporting period in the year 2022 is 5.9% (2021: 9.4 %) which was impacted negatively by the rapid increase in production costs. The unaudited net profit of the reporting year is EUR 6.3 million (a decrease of EUR 2.4 million or 27.5% vs 2021), which was affected by both the above-mentioned factors and recognized losses from exchange rate fluctuations (mostly the value of the Russian ruble against the euro).

The Company's return on equity (ROE) and return on assets (ROA) ratios at the reporting date and in the previous two comparative periods:

	31.12.2022	31.12.2021	31.12.2020
ROA*	3.4%	5.1%	5.7%
ROE**	4.5%	6.4%	7.2%

* ROA = Net profit / average asset value x 100%

** ROE = Net profit / average total equity x 100%

In the reporting period, the ROA and ROE ratios were negatively affected by recognized losses from currency rate fluctuations. The adjusted ROA and ROE ratios (excluding unrealized losses from the calculation base) respectively would be 4.1% and 5.5 % at the end of the reporting period.

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REPORT OF THE MANAGEMENT (continued)

The Company's EBIT* and EBITDA** indicators for the reporting period and in the previous two comparative periods:

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR 000	EUR 000	EUR 000
EBITDA*	8 504	9 771	9 977
EBIT **	6 382	7 398	7 388

* *EBITDA = Earnings before interest and corporate income tax, depreciation and amortization*

* *EBIT = Earnings before interest and corporate income tax*

The Company's management uses the previously reported alternative performance indicators in assessing the Company's performance for a particular financial period and in making decisions.

AS Amber Latvijas balzams is one of the largest local taxpayers. During the reporting period, the Company paid taxes of EUR 74.9 million to the state budget, including excise tax amounting to EUR 60.9 million.

Non-financial performance and activities for the reporting year

Apart from the financial indicators, the Company is using the following comparative indicators for the purposes of operational analysis: RFT (*right first time*) and OTIF (*on time in full*) & quality. RFT shows the share of products manufactured right on the first time. During the year 2022, RFT reached 97%, which is a small decrease against the respective period in 2021 (97.6%). The OTIF result for reporting period is 79.6% which is a decrease in comparison to the indicator for the year 2021 – 96%; the reasons for the decrease are related to challenges in logistics and warfare in Ukraine.

As a result of the invasion of Russian military forces in Ukraine on February 2022, the Company faced a number of significant changes, mostly such as an increase in prices for raw materials and energy, availability of materials, restructuring of supply chains to meet production plans approved by customers, as well as with the need to review sales prices. Also, the international sanctions regime imposed on Russia and the close monitoring of fulfilment of sanction compliance requirements has also affected the Company's day-to-day operations. The Company has successfully adapted to the new situation in close cooperation with the management of Amber Beverage Group and continues to follow the development of the situation.

REPORT OF THE MANAGEMENT (continued)

Risk assessment and management

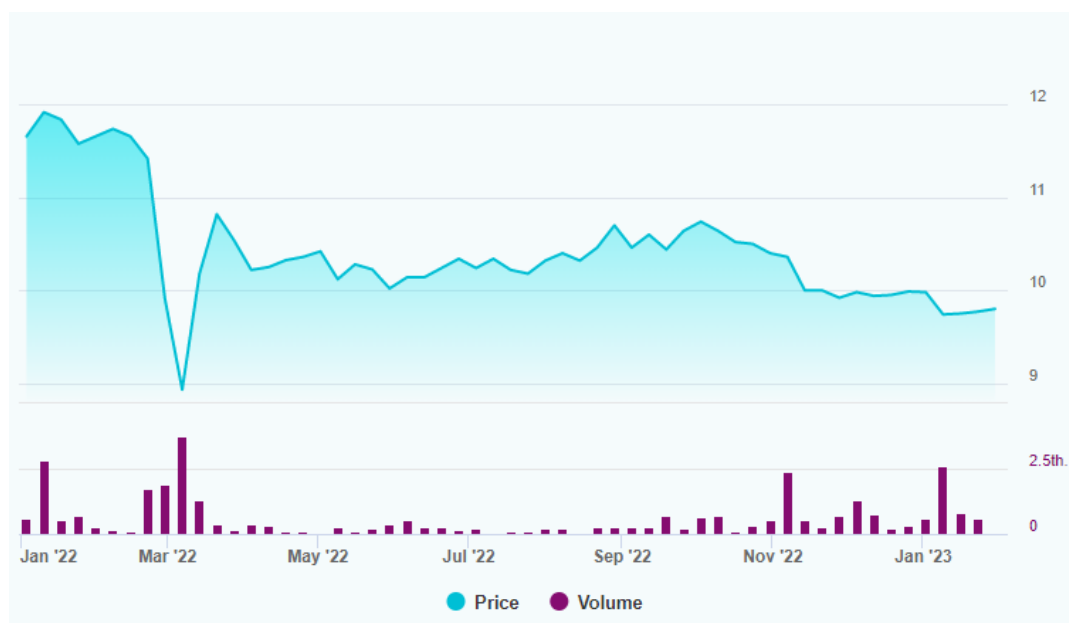
As regards to the Company's products and risk management process, the following factors to which greater consideration is given should be mentioned on the basis of an assessment of external and internal factors that are likely to affect the Company's operations:

- the timely identification and compliance with statutory requirements by taking into account timely information and education of staff;
- the ensuring of production continuity by timely planning production capacity and load;
- the maintenance of adequate jobs by investing in the development of production, services and human resources by means of training;
- geopolitical changes in the region by ensuring compliance of cooperation partners with legal requirements, survey of alternative suppliers.

In the course of business, the Company strictly complies with the legislation of the Republic of Latvia. Considering the industry, the Company is devoting a great deal of attention to the assessment of transactions and their conformity with laws.

Stock and fund market

During the year 2022, the Company's share price fluctuated from EUR 8.93 to EUR 11.92 per share (Nasdaq Baltic indicator BAL1R; ISIN: LV0000100808).



The dynamics of share price for the previous three reporting periods is presented as follows:

	Average price, EUR	Minimum price, EUR	Maximum price, EUR
The year 2022	10.00	8.93	11.92
The year 2021	11.80	8.97	11.98
The year 2020	8.85	7.46	11.30

Financial risk management

In the ordinary course of business, AS Amber Latvijas balzams is exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. The Company's management handles financial risks on an ongoing basis to minimize their potential adverse effects on the financial performance of the Company.

The Company's borrowings have variable interest rates. The Company's management is considering the use of hedging instruments to minimize the effect of variable interest rates.

REPORT OF THE MANAGEMENT (continued)

Financial assets which potentially expose the Company to a certain degree of credit risk concentration are primarily trade receivables, receivables from related companies and loans. The Company has introduced and pursues a credit policy whereby goods are sold on credit only to customers having sound credit histories. The Company also complies with sanctions regimes based on the information published on the website of the Ministry of Foreign Affairs of the Republic of Latvia for international transactions as well as internal procedures.

The Company pursues a prudent liquidity risk management policy, according to which adequate credit resources are ensured to settle liabilities when they fall due. The Company's management handles liquidity and cash flow risks by maintaining adequate cash reserves and securing sufficient financing by means of loans, credit lines, finance leases by monitoring forecasted and actual cash flows and by matching the maturities of financial assets and liabilities on an ongoing basis.

On 31 December 2022, the Company's current assets exceeded its current liabilities by EUR 89 million euros (on 31.12.2021 by EUR 124 million). The Company has a strong ability to meet its current liabilities as they fall due. The Company's liquidity ratio (current ratio) and short-term liquidity ratio (quick ratio) for the last three years are as follows:

	31.12.2022	31.12.2021	31.12.2020
Current ratio*	2.70	4.56	3.30
Quick ratio**	2.08	3.83	2.55

* *Current ratio = The proportion of current assets to current liabilities*

** *Quick ratio = A total of trade receivables, receivables from related parties and cash and cash equivalents to current liabilities*

At the end of reporting period liquidity indicators were mostly affected by changes in the inventory balance as the Company created sufficient reserves of raw materials to ensure the production process.

Since the last day of interim financial statements and the signing of these interim financial statements, there have been no other subsequent events that would have a significant effect on the financial position of the Company as of 31 December 2022.

Future prospects of Company

The Company will continue improving the efficiency of production, with a focus on purchase, planning and infrastructure improvements to support its goal: to deliver quality products with a competitive cost advantage.

In the first half of 2023, a significant drop in the prices of raw materials and energy resources is not expected, rather, the market will experience rapid price fluctuations, which will be influenced by geopolitical and macroeconomic policy changes and events in the international financial markets. However, the Company continues to work actively, balancing the impact of resource cost increases with sales price revisions.


Also, investments in infrastructure facilities will be continued in 2023.

Intars Geidāns
Chairman of the Board
Riga, 28 February 2023

STATEMENT OF THE MANagements' RESPONSIBILITY

The management of the Company declares that in accordance with the information at its disposal, the condensed financial statements presented were prepared under laws and regulations in force and represent truthful and clear information on the company's assets, equity, liabilities, financial situation and profits or losses.

The Management Report contains truthful information.



Intars Geidāns
Chairman of the Board
Riga, 28 February 2023

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INCOME STATEMENT

	Notes	01.01.2022- 31.12.2022 EUR	01.01.2021- 31.12.2021 EUR
Revenue	3	108 128 898	78 541 026
Cost of sales	4	(88 854 294)	(60 631 250)
Gross profit		19 274 604	17 909 776
Distribution expenses	5	(8 478 993)	(7 179 735)
Administrative expenses	6	(4 468 728)	(4 665 686)
Other operating income		689 188	1 529 290
Other operating expenses		(633 942)	(218 935)
Operating profit		6 382 129	7 374 710
Net finance income/ (costs)	7	(50 007)	1 356 557
Profit before tax		6 332 122	8 731 267
Net profit		6 332 122	8 731 267

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2022- 31.12.2022 EUR	01.01.2021- 31.12.2021 EUR
Net profit	6 332 122	8 731 267
Total comprehensive income for the period	6 332 122	8 731 267

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STATEMENT OF FINANCIAL POSITION

	31.12.2022 EUR	31.12.2021 EUR
ASSETS		
Non-current assets		
Intangible assets	360 940	231 191
Property, plant and equipment	15 236 211	13 358 670
Right-of-use assets	1 766 606	2 533 275
Loans to group companies	33 730 915	-
Other non current assets	1 564 861	423 325
Total non-current assets:	52 659 533	16 546 461
Current assets		
Inventories	31 939 822	24 908 893
Trade receivables	2 049 260	1 311 505
Receivables from group companies	60 108 353	64 593 875
Loans to group companies within the Group account	46 433 065	67 296 278
Other current assets	507 262	476 842
Cash and cash equivalents	150 931	88 909
Total current assets:	141 188 693	158 676 302
<u>Total assets</u>	<u>193 848 226</u>	<u>175 222 763</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Reserves	2 318 823	2 318 823
Retained earnings	127 708 909	125 874 927
Total equity:	140 611 279	138 777 297
Liabilities		
Non-current liabilities		
Borrowings	887 555	1 648 701
Total non-current liabilities:	887 555	1 648 701
Current liabilities		
Borrowings	1 222 189	1 051 163
Trade payables	15 897 558	7 004 576
Payables to group companies	4 848 742	1 925 224
Taxes payable	27 409 203	22 489 422
Other liabilities	2 971 700	2 326 380
Total current liabilities:	52 349 392	34 796 765
Total liabilities:	53 236 947	36 445 466
<u>Total equity and liabilities</u>	<u>193 848 226</u>	<u>175 222 763</u>

Intars Geidāns
Chairman of the Board
Riga, 28 February 2023

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2020.	10 495 660	87 887	2 318 823	120 592 233	133 494 603
Net profit	-	-	-	8 731 267	8 731 267
Total comprehensive income	-	-	-	8 731 267	8 731 267
Dividends	-	-	-	(3 448 573)	(3 448 573)
31.12.2021.	10 495 660	87 887	2 318 823	125 874 927	138 777 297
Net profit	-	-	-	6 332 122	6 332 122
Total comprehensive income	-	-	-	6 332 122	145 109 419
Dividends	-	-	-	(4 498 140)	(4 498 140)
31.12.2022.	10 495 660	87 887	2 318 823	127 708 909	140 611 279

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CASH FLOW STATEMENT

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Cash flow from operating activities		
Profit for the period before taxation	6 332 122	8 731 267
<u>Adjustments for:</u>		
Depreciation amortisation	2 122 180	2 372 128
Net (profit) on sales and disposal of property, plant and equipment, investment property and intangibles	(1 135)	(502 489)
Accruals for slow moving stock	55 401	-
Impairment of long-term investments	-	366 848
Interest income	(1 324 323)	(1 429 765)
Interest expense	74 911	96 935
<u>Changes in working capital:</u>		
(Increase)/ decrease in inventories	(7 086 330)	183 572
Decrease / (increase) in trade and other receivables	2 575 812	(9 791 499)
Increase in trade and other payables	17 390 627	142 203
Net cash generated from operating activities	20 139 265	169 200
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2 928 096)	(2 000 329)
Proceeds from sales of property, plant and equipment	7 473	33 652
Proceeds from repayment of issued borrowings	4 047 876	-
Interest received	1 274 955	1 339 645
Changes in credit lines (net)	(16 866 210)	5 218 280
Net cash flow (used in) / generated from investing activities	(14 464 002)	4 591 248
Cash flow from financing activities		
Borrowings repaid	(310 704)	(310 704)
Lease payments	(725 791)	(1 094 890)
Interest paid	(78 606)	(96 935)
Payment of dividends	(4 498 140)	(3 448 573)
Net cash flow used in financing activities	(5 613 241)	(4 951 102)
Net increase in cash and cash equivalents	62 022	(190 654)
Cash and cash equivalents at the beginning of the period	88 909	279 563
Cash and cash equivalents at the end of the period	150 931	88 909

NOTES

(1) GENERAL INFORMATION

AS Amber Latvijas balzams (until 30.04.2022 – Latvijas balzams; hereinafter also - the Company) is a joint-stock company, which is incorporated and has its registered office in Latvia. The Company was founded in 1900. The registered address of the Company is 160 Aleksandra Caka Street, Riga, LV-1012, Republic of Latvia. Shares of AS Amber Latvijas balzams are listed on the Baltic Secondary List of the Nasdaq Riga AS (BAL1R, ISIN LV0000100808).

The Company is the largest producer of alcoholic beverages in the Baltic States. AS Amber Latvijas balzams produces more than 100 different alcoholic beverages. The major shareholder of the Company which owns 89.99% of the Company's share capital as of 31 December 2022, is Amber Beverage Group Holding S.à r.l. (a company incorporated in Luxembourg).

(2) ACCOUNTING POLICIES

Basis for preparation

The condensed financial statements for 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements of the year 2022.

To ensure proper comparison of financial information the data in the report, some items of the 2021 Profit or Loss Statement have been reclassified.

Functional currency and revaluation

The functional and presentation currency of the Company is the official currency of the Republic of Latvia – the euro (EUR).

Foreign currency transactions have been translated into euros applying the exchange rate valid at the beginning of the day of transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

On the last day of the reporting period, all monetary assets and liabilities were translated into euros in accordance with the rates (at the end of the day) published on the European Central Bank's website except for monetary assets and liabilities denominated in Russian rubles - for revaluation of such assets and liabilities the exchange rate published by the Central Bank of Russia on the last day of the reporting period is used.

The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized net in the income statement in the respective period.

	31.12.2022. EUR	Average 2022 EUR	31.12.2021. EUR	Average 2021 EUR
1 USD	0.9376	0.8838	0.8829	0.8216
1 GBP	1.1275	1.1976	1.1901	1.1202
1 RUB	0.0142	0.0116	0.0117	0.0110

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company intends to adopt the above standards and interpretations and to evaluate their effects on the effective date.

NOTES (continued)

(3) NET REVENUE

a) Operation and reportable segment

The core activity of the Company is the production of alcoholic beverages. AS Amber Latvijas balzams produces over 100 different brands of beverages. Since the Company's core activity is mainly the production of alcoholic beverages, the Company has only one operation and reportable segment.

b) Revenue by type

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Production of alcoholic beverages	100 624 546	73 574 468
Sales of other goods and materials	2 248 010	728 501
Other services	5 256 342	4 238 057
	<u>108 128 898</u>	<u>78 541 026</u>

c) Revenue by geography (by customer)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Cyprus	63 263 571	43 526 904
Latvia	31 277 962	26 464 244
Lithuania	4 948 195	4 355 466
Germany	2 205 371	22 550
Sweden	490 936	73 274
Estonia	1 164 086	833 312
Romania	613 682	415 510
Turkey	654 922	279 028
Ukraine	282 738	281 675
Finland	113 109	0
Norway	164 243	180 457
Brazil	153 495	246 789
Other	2 796 588	1 861 817
	<u>108 128 898</u>	<u>78 541 026</u>

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NOTES (continued)

(4) COST OF SALES

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Raw materials and consumables	74 785 712	48 679 568
Salary expense	6 651 189	5 691 781
The state compulsory social insurance contributions	1 560 379	1 331 880
Depreciation of non-current assets	1 164 604	1 205 140
Energy resources	1 502 878	860 998
Repair and maintenance expenses	703 846	655 685
Management of packaging	767 144	726 092
Insurance payments	28 664	27 958
Laboratory expenses	28 880	24 791
Accrued expenses on unused annual leave	59 053	80 869
Other costs	1 601 945	1 346 488
	<u>88 854 294</u>	<u>60 631 250</u>

(5) DISTRIBUTION EXPENSES

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Salary expenses	2 142 197	1 922 746
Advertising and sales promotion expenses	2 660 195	2 118 900
Depreciation of non-current assets	880 848	992 726
Transportation expenses	876 430	696 162
Warehouse maintenance expenses	673 340	430 398
The state compulsory social insurance contributions	499 610	452 534
Other expenses	746 373	566 269
	<u>8 478 993</u>	<u>7 179 735</u>

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NOTES (continued)

(6) ADMINISTRATIVE EXPENSES

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Management services and expenses	2 766 149	2 433 359
Salary expenses	595 074	670 816
Depreciation of non-current assets	76 728	174 262
Computer maintenance	229 655	209 880
Financial support, sponsorship	12 500	103 954
The state compulsory social insurance contributions	117 259	154 388
Real estate tax	150 639	161 355
Professional service costs	108 718	78 868
Transport costs	34 134	27 664
Office expenses	11 295	8 734
Communication and postal expenses	12 105	12 601
Representation expenses	23 780	17 142
Bank commissions	8 651	15 685
Other expenses	322 041	596 978
	<u>4 468 728</u>	<u>4 665 686</u>

(7) NET FINANCE INCOME/ (COSTS)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR	EUR
Finance income		
Interest income related parties	1 324 323	1 429 765
Foreign exchange gain, net	-	23 727
Total finance income	<u>1 324 323</u>	<u>1 453 492</u>
Finance costs		
Interest expense	74 067	96 935
Interest expense to related parties	844	-
Foreign exchange loss, net	1 299 419	-
Total finance costs	<u>1 374 330</u>	<u>96 935</u>
Net finance income / (costs)	<u>(50 007)</u>	<u>1 356 557</u>

In 2022 position Foreign exchange gain/ (loss), net includes unrealized net foreign exchange gain of EUR 1 299 thousand mainly due to euro valuation against the Russian ruble.

(8) SUBSEQUENT EVENTS

There were no subsequent events since the last date of the financial period until the date of signing these unaudited condensed financial statements, which require adjustment to or disclosure in these unaudited condensed financial statements.