JSC „DITTON PIEVADĶĒŽU RŪPNĪCA"

Reg.No.40003030187
Višķu Str.17, Daugavpils, LV-5410, Latvia

ANNUAL REPORT OF YEAR 2013

(01.01.2013 – 31.12.2013)

Daugavpils

2014

CONTENTS

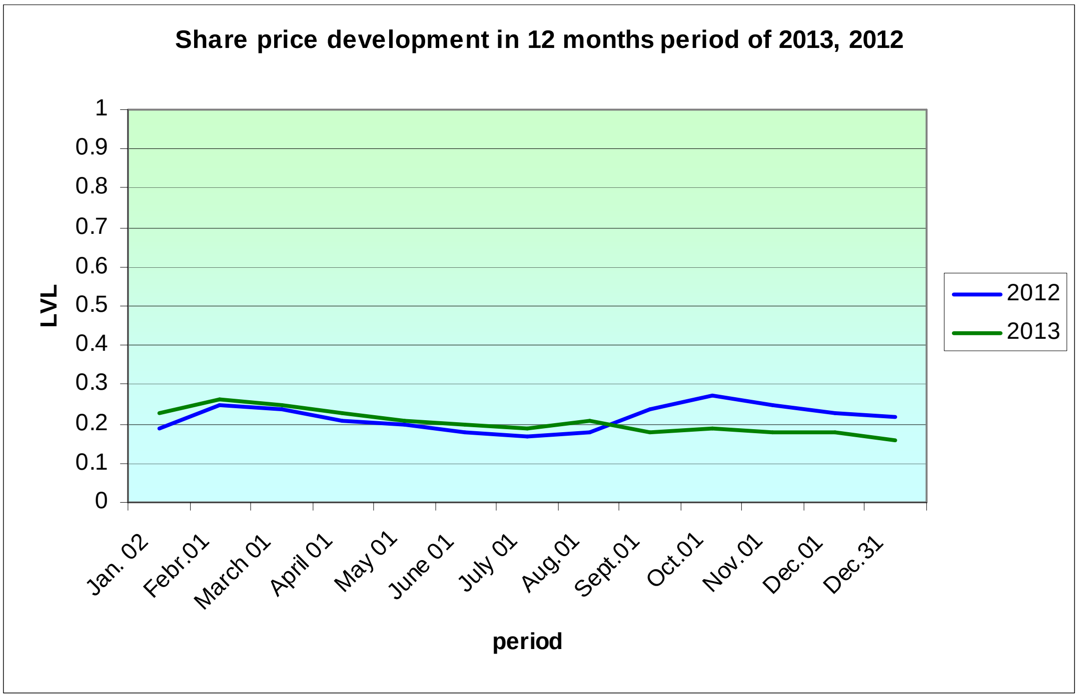
INFORMATION ABOUT THE COMPANY

Company name	Ditton pievadķēžu rūpnīca
Legal status	Joint Stock Company
Registration number	40003030187
Registration in Register of Enterprises	Riga, 03.10.1991
Registration in Commercial Register Office	Riga, 29.08.2003.
Legal address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Mailing address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Fixed capital	7 400 000.00 LVL
Public bearer shares	7 400 000
Nominal value of one share	1.00 LVL
Chief accountant	Valentina Krivoguzova, p.c.191257-10218
Reporting year	01.01.2013 – 31.12.2013
Previous reporting year	01.01.2012 – 31.12.2012
Auditors and their address	SIA "Deloitte Audits Latvia" Reg. No. 40003606960 Commercial's license No.43 Gredu Str.4a, Riga, LV-1019 Jeļena Mihejenkova Sworn auditor Certificate No.166

Persons in charge for drawing up of the financial report:
Mr. Boriss Matvejevs, phone +371 65402333, e-mail dpr@dpr.lv
Ms. Natalja Redzoba, phone +371 65402333, e-mail dpr@dpr.lv

INFORMATION ON SHARES AND SHAREHOLDERS

SHARE PRICE DEVELOPMENT



The fixed capital of the company is 7 400 000 LVL, which divides into 7 400 000 public bearer shares. The nominal value of each share is 1 LVL and each share entitles to one vote.

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	13,50
Vladimirs Bagajevs /Vladimir Bagaev/	9,46

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca" dated 17.05.2013, taking into account the shareholders' notifications on acquisition and disposal significant holding in the Issuer's equity in accordance with Clause 61 of Financial Instrument Market Law.*

In accordance with the Clause 56.1 of the Financial Instruments Market Law, the Company has no additional information at its disposal on rest part of the above mentioned Clause (part 1, sub-paragraphs 2), 4), 5), 6), 7), 8), 9), 10), 11)).

COMPANY BACKGROUND

The joint-stock company "Daugavpils pievadkezu rupnica" was formed as a result of a privatization of the State Daugavpils driving chain factory in conformity with the order of the Cabinet No.375-r dated 09 August, 1994 and the decision (the report No.25) of the Board of the state joint-stock company "Privatization agency" having transformed the state company into a joint-stock company.

The Company has received the status of a public joint-stock company after its registration in the Register of Enterprises on 30 August, 1995 with the registration number 000303018.

08.01.2002 JSC "Daugavpils pievadkezu rupnica" changed its name to JSC "Ditton pievadkezu rupnica" with the registration number 40003030187.

29.08.2003 JSC "Ditton pievadkezu rupnica" has been registered in the Commercial Register.

The Company is the successor of rights and obligations of the State driving chain factory in conformity with conditions of privatization, and it acts on the basis of the Articles.

Types of activity of company:

- production of driving chains of all kinds;
- production of other plastic products;
- production of metal constructions and components of constructions;
- production of metal products used in construction;
- forging, pressing, punching and rolling of metal;
- processing of metal and facing of a surface;
- general machining processing of metal;
- production of tools;
- production of fastenings, cut products, chains and springs;
- production of others unclassified ready metal products;
- production of bearings, rack-wheels, elements of transfer and drive;
- production of machines;
- production of motorcycles and bicycles;
- production of other in another places unclassified vehicles;
- selling of motor vehicles;
- selling of motorcycles and its fixings, servicing and repairs;
- wholesale trade in machine tools;
- wholesale trade of other machines used in production, trade and navigation;
- wholesale of agricultural machines, fixings and instruments, including tractors;
- other retail trade in unspecialized shops;
- loads with motor vehicles;
- loading and unloading of loads: warehousing;
- dealership with own real estates;
- farming and renting of own real estate;
- renting of cars;
- renting of other land vehicles;
- renting of agricultural machines and instruments;
- renting of construction machines and instruments;
- renting of in other places unclassified machines and instruments;
- renting of in other places unclassified subject of individual using and the household equipment and instruments;
- consultation on questions of the program equipment, programming;
- data processing.

INFORMATION ON THE MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Rolands Zarans, elected 15.01.2014
Pjotrs Dorofejevs, elected 05.07.2010, till 15.01.2014

Member of the Management Board

Natalja Redzoba, elected 29.08.2003.
Raimonds Bruzevics, elected 10.03.2014.
Jevgenijs Sokolovskis, elected 05.07.2010, till 05.03.2014

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership *	
	Quantity of shares	**%**
Rolands Zarans, from 15.01.2014.	nav	nav
Pjotrs Dorofejevs, till 15.01.2014.	nav	nav
Natalja Redzoba	nav	nav
Raimonds Bruzevics, from 10.03.2014.	1 900	0,03
Jevgenijs Sokolovskis, till 05.03.2014.	1 900	0,03

THE COUNCIL AS AT 31.12.2013

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000
Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009
Vladimirs Bagajevs /Vladimir Bagaev/, elected 28.05.2012.

THE COUNCIL AS AT 31.12.2012

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000
Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009
Vladimirs Bagajevs /Vladimir Bagaev/, elected 28.05.2012.

Information on shares owned by Members of the Council

Members of the Management Board	Share ownership *	
	Quantity of shares	**%**
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Vladimirs Bagajevs	700 000	9,46

For more detailed information on professional background of the Management Board and Council members please refer to our website: http://www.dpr.lv/web_ru/for-akcioner.htm

* as at 29.04.2014

MANAGEMENT REPORT

Information on the results of the company in year 2013

In 2013 net-turnover was fulfilled in the amount of 6 688 thous.LVL (9 516 thous.EUR), which compared to the level of previous year is by 3 172 thous.LVL (4 513 thous.EUR) or by 32% less.

Profit before taxes amounted to 48,5 thous.LVL (69,0 thous.EUR) in 2013. Loss after taxes amounts to 2,7 thous.LVL (3,9 thous.EUR).

Commodity output is estimated in the amount of 4 224 thous.LVL (6 010 thous.EUR). The result of 2013 is by 1 901 thous.LVL (2 705 thous.EUR) or by 31% lower than in the previous year.

At present the company exports 91% of its products to the East and West: among them 64% eastwards and 27% westwards; 9% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 322 employees in 2013.

The average salary amounted to 286 LVL (407 EUR) in 2013, which is by 57 LVL (81 EUR) less than in 2012.

Key figures of financial standing of JSC „Ditton pievadķēžu rūpnīca"

Own capital profitability of the company (capital using ratio) was 0,03% in year 2013 (2012: 0,03%).

Return on long-turn assets (ROA) was 0,04% in year 2013 (2012: 0,05%), and this is indicative of efficiency of using fixed assets and other non-current assets.

Sales profitability – commercial margin shows that in year 2013 0,06% of earned profit accounts for one unit of salable production (2012: 0,04%).

Turnover ratio of long-term investments is admissible to be ≥ 1, in year 2013 it was 0,91 (2012: 2,02).

Reserves turnover ratio enables to assess the optimal size of reserves. In 2013 turnover speed of reserves was 6,37 times, in 2012: 7,65 times.

Economic profitability enables to determine that 0,02% of earned profit accounts for one unit of company's assets (2012: 0,02%).

Commercial profitability indicates that in 2013 the company earned 0,72% of profit on one net-turnover unit before taxes, and in 2012 accordingly – 0,04%.

On 31.12.2013 the absolute liquidity (times) was 0,05; on 31.12.2012 – 0,05. Its level shows which part of short terms liabilities can be discharged from the available cash.

Value of current liquidity ratio at the beginning of 2013 was 3,33, but on 31.12.2013 – 1,74, i.e., this ratio decreased (standard 3-2).

Ratio of quick liquidity at the beginning of 2013 was 2,71, but at the end of the year – 0,96 (standard 0,7 – 1).

Specific weight of liabilities in the balance was 0,28 at the beginning of the year, but at the end of the year – 0,33.

Analysis on influence of currency risks in 2013.

In spite of the fact that 91% from the sales volume goes outside of Latvia, the sum total of the currency differences made up LVL 25 632 in the form of loss. Showing individual receipt of money means in the reporting year, the share which is due to income in LVL is 19%, in EUR – 66%, in USD – 8% and in RUB – 7%. In its turn payments for raw materials and materials have been made also in foreign currency (EUR, USD, RUB).

Significant events. Market tendencies and development of the company. Risks.

Upon completion of the year 2013, the Company's management notes that in the field of metal processing and machine building there are not increasing trends observed in the sector represented by the Company, which is also reflected in the Company's performance indices for the reporting year.

In the opinion of the management in the industrial production sector represented by the Company the reporting year has been characterized by stagnation and lack of production growth, which previously has been defined by market analysts as "the second wave of the crisis", which becomes apparent not so much as a catastrophic or sharp decline, but more as the lack of activity. So, for instance, a certain stagnation could be observed in the Eastern market sector (RF) represented by the Company where upon the end of government support programs production volumes in the field of metal processing and machine building decreased. In substantiation of these conditions the Company refers to the report of the Industry, Research and Energy Committee of the European Parliament from November 15, 2013 "CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe" 2013/2062 (INI)), where the situation in the automotive market is analyzed, and addressing this issue at EU level refers to its overall relevance and importance. The Management Board focused on these circumstances in its previous management reports, making a moderately optimistic or pessimistic forecasts for its performance, and these forecasts, evaluation of the activity in different market segments as well as information about other negative factors affecting the Company's remain relevant even now.

Considering that the Company's production is not the end product to be delivered to end user, but rather a component (such as a unit of car engines and industrial drives), as well as the main productions, which one way or another are related to the Company's products are organized and structured as OEM-production system, the Company as a supplier to the first-tire and second-tier component suppliers of the automotive manufacturers is fully integrated into the global economy. Thus, it is logical that the Company is dependent on market activity and demand, particularly in the fields of metal processing and machine building, and its production volumes are directly dependent on market developments and indicators, on the end product's supply-and-demand situation, the price offered and expediency of its production at the given price, and they are formed on the basis of individual orders, which are not related to each other and are focused on a variety of end users.

Other objective factors that affected the Company's financial results are existing business conditions in relationship with the Company's raw materials suppliers, which unfortunately can not be controlled by the Company. Under influence of generally known events in Cyprus Eastern suppliers of raw materials or metal adopted more stringent business conditions by switching to prepayment terms, which results in slowing down the velocity of money from the moment when it is paid for the raw materials till receipt of payment for the products sold. The Company currently does not see as possible to refuse cooperation with Eastern (RF) suppliers of raw materials due to economic benefits in respect of the price offered compared with the European suppliers. Negative developments are also observed in the Western or European market, where some market players (for example, such as the long-term Company's partner C.M. CATENIFICIO MILANESE S.R.L.) have been suffering financial difficulties. Thus, it can be argued that not only the Company is exposed to negative factors, but also other European, including Latvian (such as JSC „Liepājas metalurgs") and CIS manufacturers and suppliers.

Significant effect on the Company's development and economic performance is exercised by the crisis in the relationship of Russia and Ukraine and intentions of the European Union to impose sanctions that will restrict economic ties with the Russian Federation. The Company has information that the consumers of our products in Ukraine have already refused to pay for it to the Russian traders. In turn, Russian suppliers of raw materials either switch to a full prepayment or do not guarantee the supply of raw materials which restricts the Company's capabilities to plan production, accept and fulfill orders. Alternative sources of raw materials, for instance European ones, raise the cost of products by 10-15%. Given that up to 80% of raw materials and up to 45% of sales of finished products are related to Russian markets, the consequences of the appliance of the full range of sanctions by European Union against the Russian Federation can be very harmful and irreversible for the Company with the prospect of losing the whole market sector, which will be occupies by manufacturers of other countries, such as Chinese ones.

Taken together, the Company closed the year 2013 with profit.

On use of profit

According to the Council's recommendation, as well as taking into account market conditions and interests of shareholders, the Management Board intends to propose to the regular meeting of shareholders when considering an issue on the use of profit gained in 2013 to leave the profit unshared and to aim it at development of the Company, including the respective proposal into draft decisions of the regular meeting of shareholders.

STATEMENT ABOUT MANAGEMENT LIABILITY

In opinion of the Management Board, according to the information at its disposal, the annual report has been prepared in accordance with the existing legislative requirements and gives a true and fair view of financial standing of the Company and its performance, cash flow and capital. In all substantial aspects there have been demands of the legislative acts of the Republic of Latvia satisfied.

The management confirms herewith that, except for the annex 29, there have not been any essential events taken place after the end of the reporting year, which could have affected the annual report of the Company for year 2013.

Management report contains truthful information.

Chairman of the Management Board
of the JSC "Ditton pievadķēžu rūpnīca" Rolands Zarans
29 April 2014

REPORT
ON CORPORATE GOVERNANCE

§ 1

By arranging corporate governance of the Issuer, the Management Board and the Council follow Principles of Corporate Governance, approved by "NASDAQ OMX Riga" and effective from June 1, 2010.

Information about application of the above-mentioned Principles regarding responsibility of the shareholders is presented to the shareholders on the annual general meeting. The shareholders may familiarize themselves with information comprised by the Principles of Corporate Governance on the web site of NASDAQ OMX Riga http://www.nasdaqomxbaltic.com/files/riga/corp_gov_May_2010_final_EN.pdf or by submitting an appropriate request to the Issuer.

Information about order and procedures of application of Principles of Corporate Governance, restrictions, exceptions and practice in 2013 has been reflected in the appendix to this report "Statement on corporate governance principles". The shareholders may familiarize themselves with information included into the appendix on the website of NASDAQ OMX Riga, in the appropriate section of the Issuer, or in CSRI-system or on the website of the Issuer on the internet.

§ 2

System of internal control is arranged in compliance with the Principles of Corporate Governance, including the institution of a revision committee. Statement of the revision committee regarding procedures of risks control and management in the course of compiling the annual report for 2013 is presented to the annual general meeting of shareholders and enclosed in its materials.

At the Issuer there exists a multi-stage system of compiling of the annual report, control and risks management at compiling the annual report.

1st stage: compiling of the annual report and internal control in subdivisions of the Issuer;

2nd stage: examining and approval of the annual report by the Management Board of the Issuer;

3rd stage: auditing of the annual report by an independent sworn auditor in accordance with the Annual Accounts Law, Law on Accounting, Commercial Law and Financial Instrument Market Law;

4th stage: examination of the annual report by the revision committee and its statement on the annual report quality and independence of the sworn auditor;

5th stage: examination of the annual report by the Council of the Issuer and its statement about activity of the Management Board and the Issuer in general reflected in this report;

6th stage: approving of the annual report in a general meeting of shareholders of the Issuer.

It is obvious that activity of the institutions mentioned in stages 3, 4 and 5 are independent of the Issuer and ensures accuracy of the annual report and independency.

§ 3

According to the requirements of Clauses 56.1 and 56.2 of Financial Instrument Market Law the Issuer provides additional information on following:

The following shareholders have a significant holding (shares percentage of the equity capital being owned or in management is indicated on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca" dated 17.05.2013, taking into account the shareholders' notifications on acquisition and disposal significant holding in the Issuer's equity in accordance with Clause 61 of Financial Instrument Market Law):

- Eduards Zavadskis – 20,00%
- Vladislavs Driksne – 19,92%
- MAX Invest Holding SIA – 13,63%
- Maleks S SIA – 13,50%
- Vladimir Bagaev – 9,46%

There are no shareholders with specific control rights at the Issuer, neither restrictions to the shareholders' voting rights arising from their shares.

Order and procedures for amending documents of incorporation (Articles) and changing of the composition of the Management Board, including their rotation and/or recall are determined by and applied in accordance with Commercial Law, Civil Law, Labour Law, Law on the Enterprise Register of the Republic of Latvia, Law on Legal Force of Documents, Declaration on objectives and mission of the activity and development of JSC „Ditton pievadkezu rupnica" and evaluation of these processes, Regulations of the convening and course of shareholders' meetings and other legal acts related to these procedures.

Rights of the Management Board members are stated in Commercial Law and the Issuer's Articles, and also reflected in Regulations of the Management Board. Additional powers, including powers to issue or redeem shares, have not been granted to the Management Board members.

§ 4

The Issuer's institutions are:

- meeting of shareholders;
- Council of the Issuer;
- Management Board of the Issuer.

Each institution have its own competence (powers), rights and obligations, which are determined by laws of the Republic of Latvia, Principles of Corporate Governance, the Issuer's Articles and internal documents, including Regulations of the Management Board. Institutions are independent.

Independence of the shareholders' resolution is ensured in conformity with norms of the Commercial Law (Clauses 268, 273-286), Financial Instrument Market Law (Clauses 54, 54.[1] - 54.[5]), Principles of Corporate Governance, Articles of the Issuer, Declaration on objectives and mission of the activity and development of JSC „Ditton pievadkezu rupnica" and evaluation of these processes, Regulations of the convening and course of shareholders' meetings and other normative acts and internal documents of the Issuer.

Council and Management Board members are independent in conformity with Commercial Law, Financial Instrument Market Law, Articles, Declaration on objectives and mission of the activity and development of JSC „Ditton pievadkezu rupnica" and evaluation of these processes, Regulations of the Council and Management Board and other normative acts and Issuer's internal documents in exercising their duties and according to legal norms are accountable in front of the shareholders.

Personal composition of the Council and the Management Board is specified on page 6 of the current annual report.

Note: the Issuer – JSC „Ditton pievadkezu rupnica"

Chairman of the Management Board
of the JSC "Ditton pievadķēžu rūpnīca" Rolands Zarans
29 April 2014

COUNCIL REPORT
to the annual report for year 2013

Issued in conformity with Commercial Law and to the Company's Articles,
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"
dated 15.04.2014, Protocol No.175

The Council of joint-stock company "Ditton pievadķēžu rūpnīca" announces that the report of the Management Board of the Company to the regular meeting of shareholders and annual report for year 2013 truly reflects the commercial activity results and the financial position of the Company.

During the reporting period the Management Board managed production and economic activities of the Company and represented the Company in accordance with the laws of the Republic of Latvia in force, with the Company Articles, Declaration on objectives and mission of the activity and development of JSC „Ditton pievadķēžu rūpnīca" and evaluation of these processes, resolutions of general meeting of shareholders and Council recommendations.

The shareholders as well as the Council members have not expressed or submitted any claims against the Management Board and its individual members, and the Council evaluates the activity of the Management Board as positive. The Company closed the year 2013 with a profit which corresponds to the actual state of the Company and global economic conditions. This situation on the global markets can be characterized as consequences of crisis phenomena of years 2008 to 2010 (or "the second wave") in the form of general stagnation or a slight increase in activity on the background of a decline in production in some sectors of the economy due to a fall in demand for goods and services in this sector. Unfortunately, such decline in production is observed by us, for example, in the automotive industry in all regional markets where the Company's products are represented.

In 2013 there have been no changes in the composition of the Council.

The Council of the Company represented interests of the shareholders during the time periods between the meetings of shareholders, and according to global economic conditions in the reporting period it supervised the activities of the Management Board within the scope specified in the Company's Articles and Laws of the Republic of Latvia.

Altogether during the reporting period nine meetings of the Council were held. In four of the joint meetings of the Council and the Management Board there have been considered and approved financial reports of the Company for 12 months of 2012 and interim financial reports for 3, 6, and 9 months of the year 2013.

Additionally the following issues have been considered in the Council meetings and decisions on them were made:

- reviewing the annual report of 2012 and approval of the Council report;
- approving of draft resolutions on the issues of agenda of the regular meeting of shareholders convened;
- Company's performance results;
- forecasts of the Company's performance for 2014;
- prolongation of a term of office (re-election) of the Management Board member;
- consent to the Management Board for transaction of real estate purchase;
- other issues related to the activity of the Company and stipulated by the Company's Articles and laws of Republic of Latvia.

Herewith the Council of the Company draws attention of the shareholders to the following important events:

In 2009 in the Council report to the annual report the Council ascertained growth of crisis appearances in the 2nd half of the year 2008 and forecasted development of this situation at least in years 2009 and 2010.

According to the aforementioned prognosis it was expected that till 2011 influence of the global crisis on economics shall essentially decrease, there will be stabilization and a certain growth of economic activity will begin in the European Union and worldwide as well. This determined goals and tasks of the Company in the crisis period, first of all, for retaining potential of further development.

At the same time the Council is forced to note escalating of the signs of "the second wave" of the global economic crisis, which has been forecasted in 2009-2011 by many experts, economists and politicians. It is not ruled out that this "second wave" of the global economic crisis can last much longer and as a result cause a severe downturn in global economic activity. For more information about the signs of "the second wave" of the economic crisis in respect of the Company refer to the Management report on pages 7-9 of this annual report.

Along with this, the actual development of the Company and economic efficiency on the market in 2013 appeared to be more positive, although the actual results of the Company's activity turned out to be lower than the forecasts previously expressed by the Council in respect of sales volumes of the Company's production and services. Moreover the Company retained its position on the global market by retaining partners, contracts and prospects for growth of production volumes.

The Council of the Company evaluates its forecasts for outlooks of the global market and demand for the Company's products within the range from "slightly negative" to "moderately positive" in some geographic sectors of the market and depending on a product range, as the Company is fully integrated into the global economy and is not dependent on the Latvian market. A high level of risks of decline in production volumes is caused by the Russian-Ukrainian crisis and intentions of the European Union to introduce economic sanctions against Russia. Analysis of this situation is set out in the Management report on pages 7-9 of this annual report. Implementation of the sanctions in one way or another in respect of the restriction or termination of economic relations with Russia will change the Council's forecasts for the Company's activity and development to "negative". More accurate forecasts of drop in production and assessment of the Company's development outlooks are not able at the moment due to the lack of information about the planned sanctions.

The Company continued its co-operation project with "Ditton Chain" SIA, which will help to bring new and improved types of production to the market. On all aspects of collaboration and projects that have gained support or are being implemented, the Company has timely informed shareholders and potential investors in compliance with principles of the Financial Instruments Market Law and "NASDAQ OMX Riga".

Taking notice of information mentioned above and the situation in the Company, the Council considers it appropriate to recommend to the Management Board to propose to the regular meeting of shareholders when considering an issue on the use of profit gained in 2013 to leave it undistributed and to aim it at development of the Company, as well as considers it appropriate to ask the shareholders to support this proposal.

Chairman of the Council — Boriss Matvejevs
29 April 2014

Translation from Latvian

INDEPENDENT AUDITOR'S REPORT

To the shareholders of JSC "Ditton pievadķēžu rūpnīca":

Report on the financial statements

We had been entrusted to perform audit of the accompanying financial statement (presented on pages 17 to 42) included into the annual report for year 2013 of JSC "Ditton pievadķēžu rūpnīca". The audited financial statement comprises the Company's balance sheet as of 31 December 2013, the income statement, statement of changes in equity and cash flow statement for the year 2013, as well as a summary of significant accounting policies and other explanatory information in the appendix.

Management's responsibility for the preparation of the financial statement

Management is responsible for the preparation of this financial statement and fair presentation of the information supplied in accordance with Latvian Law on Annual Reports and also for such internal control which the management considers necessary in order to ensure preparation of the financial statement free from material misstatement, whether due to fraud or error.

Auditor's responsibility

We are responsible for the opinion expressed on this financial statement based on our audit, which should conducted in accordance with International Standards on Auditing. However, because of the circumstances, mentioned in the sections "Grounds for refusal to issue an opinion" we did not have the opportunity to obtain sufficient and appropriate audit evidence.

Grounds for refusal to issue an opinion

1. As described in the appendix 11 to the financial statement, as at 31 December 2013 there are other non-material investments included in the balance sheet of JSC „Ditton pievadķēžu rūpnīca" with the book value of LVL 2,234,635 (31.12.2012: LVL 3,351,953). In the item „Selling costs" (appendix 3) of the income statement of JSC „Ditton pievadķēžu rūpnīca" for 2013 there are included amortization costs of the said intangible asset in the amount of LVL 1,117,318 (2012: LVL 1,117,318). In the course of the audit, we did not have the opportunity to obtain sufficient and appropriate audit evidence to verify assumptions of JSC "Ditton pievadķēžu rūpnīca" concerning the use of the asset, to evaluate its recoverable amount and to determine whether it is necessary to make provisions in relation to the possible decrease of the value of this asset.

INDEPENDENT AUDITOR'S REPORT (continuation)

2. As at 31 December 2013 there is a land plot included in the balance sheet position fixed assets of JSC „Ditton pievadķēžu rūpnīca" with the book value of LVL 1,209,550. In the course of the audit, we did not have the opportunity to obtain sufficient and appropriate audit evidence to verify ownership rights to this asset, its recoverability and to determine whether it is necessary to make provisions in relation to the possible decrease of the value of this asset.

3. As at 31 December 2013 in the balance sheet position current assets which totally amount to LVL 3,908,512 (31.12.2012.: LVL 4,786,841), there are debtors debs in the amount of LVL 2,474,622 (31.12.2012.: LVL 4,786,841), other debts in the amount of LVL 17,570, an advance payment in the amount of LVL 1,275,233 and reserves in the amount of LVL 141,087 included. In the course of the audit, we did not have the opportunity to obtain sufficient and appropriate audit evidence to verify recoverability of this asset, and to determine whether it is necessary to make provisions in relation to the possible decrease of the value of this asset.

4. As at 31 December 2013 in the balance sheet position Long-term financial investments, which totally amount to LVL 3,096,783, there are other loans and other long-term debtors in the amount of LVL 2,865,103 and deferred tax asset in the amount of LVL 231,680 included. In the course of the audit, we did not have the opportunity to obtain sufficient and appropriate audit evidence to verify recoverability of this asset and to determine whether it is necessary to make provisions in relation to the possible decrease of the value of this asset.

5. As at 31 December 2013 the total value of assets mentioned in paragraphs 1, 2, 3 and 4 constitute 83% of the total assets of JSC „Ditton pievadķēžu rūpnīca". This may have a significant impact on JSC „Ditton pievadķēžu rūpnīca" in the case if JSC „Ditton pievadķēžu rūpnīca" will not be able to recover the full value of the assets mentioned in the paragraphs 1, 2, 3 and 4 in the future. This financial statements is prepared under the going concern basis and do not include any corrections that might be necessary if the going concern assumption is not applicable.

6. As at 31 December 2013 JSC „Ditton pievadķēžu rūpnīca" has contingent liabilities in the amount of LVL 452,544 (31.12.2012.: LVL 291,000) related to the activities of the JSC „Ditton pievadķēžu rūpnīca" in 2012 and 2013. According to the assessment of the management of „Ditton pievadķēžu rūpnīca" as at 31 December of 2012 and 2013 there have not been any provisions made for the said contingent liabilities. In our opinion there is a significant probability that in the future for fulfillment of contingent liabilities there will be needed an outflow of resources with economic benefits from JSC „Ditton pievadķēžu rūpnīca". Consequently, in our opinion, in this financial statement it is necessary to make provisions for the possible contingent liabilities in the amount of LVL 452,544. If these provisions would be reflected in this financial statement, as at 31 December 2013the profit for the reporting period would be by LVL 284,947 less, retained earnings would be by LVL 167,597 less and accounts payable would be by LVL 452,544 higher.

INDEPENDENT AUDITOR’S REPORT (continuation)

Refusal to issue the opinion

Due to significance of the influence and/or possible influence of issues mentioned in the section „Grounds for refusal to issue an opinion” we were not able to obtain sufficient and appropriate audit evidence which would enable us to issue the opinion on this financial statement. Therefore we do express our opinion on this financial statement.

Report on other legal and regulatory requirements

Since we do not provide our opinion on the financial statement, we do not express our opinion on compliance of the management report with the financial statement.

Deloitte Audits Latvia SIA
License No. 43

Roberts Stugis
Member of the Management Board

Jeļena Mihejenkova
Sworn Auditor of the Republic of Latvia
Certificate No. 166

Riga, Latvia
29 April 2014

INCOME STATEMENT
FOR THE YEAR 2013

1 EUR = 0,702804 LVL

	Appen-dix	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Net turnover	1	6 687 773	9 515 844	9 860 179	14 029 771
Production cost of sold products	2	-6 036 434	-8 589 072	-7 897 696	-11 237 409
Gross (loss) / profit		**651 339**	**926 772**	**1 962 483**	**2 792 362**
Selling costs	3	-1 117 318	-1 589 800	-1 124 327	-1 599 773
Administration costs	4	-557 766	-793 630	-639 838	-910 407
Other operating income	5	1 225 283	1 743 421	1 697	2 415
Other operating expenses	6	-75 682	-107 686	-104 111	-148 137
Other interest income and similar income	7	562	800	8 682	12 353
Interest payment and similar expanses	8	-77 955	-110 920	-100 966	-143 662
Profit before taxes		**48 463**	**68 957**	**3 620**	**5 151**
Corporate income tax	9	-3 049	-4 338	43 134	61 374
Other taxes	10, 25	-42 685	-60 735	-44 159	-62 833
Profit of reporting year		**2 729**	**3 884**	**2 595**	**3 692**
Index EPS		**0,000**	**0,000**	**0,000**	**0,000**

Appendixes from page 24 till 42 are integral parts of this financial statement.

On 29 April 2014 the financial statement of the Company has been signed by

Rolands Zarans
Chairman of the Management Board

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(signature)

BALANCE SHEET AS AT 31.12.2013

1 EUR = 0,702804 LVL

ASSETS	Appen-dix	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
1. Long-term investments					
I. Non-material investments					
Software licenses		1 045	1 487	1 346	1 916
Other non-material investments		2 234 635	3 179 599	3 351 953	4 769 399
Non-material investments total	11	**2 235 680**	**3 181 086**	**3 353 299**	**4 771 315**
II. Fixed assets					
Plots of land, buildings and constructions		1 950 864	2 775 829	1 211 781	1 724 209
Technological equipment and machinery		4 688	6 669	19 587	27 869
Other fixed assets and stock		13 742	19 554	21 295	30 300
Formation of fixed assets		31 222	44 425	31 222	44 425
Fixed assets total	12	**2 000 516**	**2 846 477**	**1 283 885**	**1 826 803**
III. Long-term financial investments					
Participation in the capital of other companies	13	47 200	67 160	47 200	67 160
Assets of deferred tax	9	231 680	329 651	193 748	275 678
Other loans and other long-term debtors	15	2 865 103	4 076 674	-	-
Long-term financial investments total		**3 143 983**	**4 473 485**	**240 948**	**342 838**
1. Long-term investments total		**7 380 179**	**10 501 049**	**4 878 132**	**6 940 956**
2. Current assets					
I. Reserves					
Raw materials, basic materials and subsidiary materials		699 031	994 632	774 012	1 101 320
Unfinished products		204 730	291 305	256 473	364 928
Finished products and goods for sale	14	146 644	208 656	258 985	368 502
Advance payments for goods and services		1 275 966	1 815 535	7 117	10 127
Reserves total		**2 326 371**	**3 310 128**	**1 296 587**	**1 844 877**
II. Debtors					
Trade receivables	15	2 586 831	3 680 729	5 320 705	7 570 681
Other debtors	16	163 966	233 303	203 798	289 978
Deferred expenses		-	-	581	827
Debtors total		**2 750 797**	**3 914 032**	**5 525 084**	**7 861 486**
IV. Cash (total)	17	**145 721**	**207 342**	**103 787**	**147 676**
2. Current assets total		**5 222 889**	**7 431 502**	**6 925 458**	**9 854 039**
TOTAL ASSETS		**12 603 068**	**17 932 550**	**11 803 590**	**16 794 995**

BALANCE SHEET AS AT 31.12.2013

1 EUR = 0,702804 LVL

LIABILITIES	**Appendix**	**31.12.2013 LVL**	**31.12.2013 EUR**	**31.12.2012 LVL**	**31.12.2012 EUR**
1. Equity capital					
Fixed capital	18	7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:					
a) retained earnings of previous years		1 081 964	1 539 495	1 079 369	1 535 804
b) profit of reporting year		2 729	3 884	2 595	3 692
1. Equity capital total		**8 484 693**	**12 072 630**	**8 481 964**	**12 068 747**
2. Long-term creditors:					
Loans from credit institutions	19	1 114 407	1 585 658	1 242 447	1 767 843
2. Long-term creditors total		**1 114 407**	**1 585 658**	**1 242 447**	**1 767 843**
3. Short-terms debts:					
Loans from credit institutions	20	523 654	745 093	497 585	708 000
Other loans		275 110	391 446	119 402	169 894
Advance payments received from customers		23 772	33 825	6 206	8 830
Debts to suppliers and contractors	21	1 631 746	2 321 766	1 059 504	1 507 538
Taxes and mandatory state social insurance contributions	22, 25	223 651	318 226	186 448	265 292
Other creditors	23	252 718	359 585	113 126	160 964
Accumulated liabilities	24	73 317	104 321	96 908	137 887
3. Short-term creditors total		**3 003 968**	**4 274 262**	**2 079 179**	**2 958 405**
Creditors total		**4 118 375**	**5 859 920**	**3 321 626**	**4 726 248**
LIABILITIES TOTAL		**12 603 068**	**17 932 550**	**11 803 590**	**16 794 995**

Appendixes from page 24 till 42 are integral parts of this financial statement.

On 29 April 2014 the financial statement of the Company has been signed by

Rolands Zarans
Chairman of the Management Board

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(signature)

STATEMENT OF CASH FLOW FOR THE YEAR 2013

1 EUR = 0,702804

	Appen-dix	2013 LVL	2013 EUR	2012 LVL	2012 EUR
I. Cash flow of basic activity					
1. Profit before taxes		48 463	68 957	3 620	5 151
Corrections:					
Depreciation of fixed assets	12	524 490	746 282	595 036	846 660
Amortization of non-material investments	11	1 117 619	1 590 229	1 117 448	1 589 985
Income from exclusions of fixed assets, net	5, 6	-1 181 492	-1 681 112	-351	-499
Interest income	7	-562	-800	-8 682	-12 353
Interest expense	8	77 955	110 920	100 966	143 662
2. Profit from economic activity in reporting year		586 473	834 476	1 808 037	2 572 606
Corrections:					
In Debtors		- 90 254	- 128 419	-2 993 716	-4 259 674
In Reserves		-1 046 933	-1 489 651	176 890	251 692
In Creditors		-488 140	-694 562	622 316	885 476
3. Cash flow of basic activity		-1 038 854	-1 478 156	-386 473	-549 901
4. Expenses for tax payments (tax on immovable property and corporate income tax)	25	-37 949	-53 997	-42 049	-59 830
Cash flow of basic activity net		**-1 076 803**	**-1 532 153**	**-428 522**	**-609 731**
II. Cash flow of investing activity					
Loans repaid, net		-	-	619 190	881 028
Purchase of fixed assets		-46 487	-66 146	-39 415	-56 082
Sale of fixed assets		1 187 974	1 690 335	2 283	3 248
Interest received		-	-	30 682	43 657
Cash flow of investing activity net		**1 141 487**	**1 624 189**	**612 740**	**871 851**
III. Cash flow of financing activity					
Dividends paid		-	-	-11 100	-15 794
Loans received / (repaid), net		50 521	71 885	-130 632	-185 873
Interest paid		-73 271	-104 255	-103 066	-146 650
Cash flow of financing activity net		**-22 750**	**-32 370**	**-244 798**	**-348 316**

STATEMENT OF CASH FLOW FOR THE YEAR 2013
(continuation)

CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	Appen-dix	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Cash flow of basic activity		-1 076 803	-1 532 153	-428 522	-609 731
Cash flow of investing activity		1 141 487	1 624 189	612 740	871 850
Cash flow of financing activity		-22 750	-32 370	-244 798	-348 316
Increase / (decrease) of cash and cash equivalents		41 934	59 666	-60 580	-86 197
Balance of cash and cash equivalents at the beginning of reporting year		103 787	147 676	164 367	233 873
Balance of cash and cash equivalents at the end of reporting year	17	145 721	207 342	103 787	147 676

Appendixes from page 24 till 42 are integral parts of this financial statement.

On 29 April 2014 the financial statement of the Company has been signed by

Rolands Zarans
Chairman of the Management Board

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(signature)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2013

(LVL)

	Equity capital	Retained profit of previous years	Profit of reporting year	Equity capital TOTAL
	LVL	LVL	LVL	LVL
31.12.2011	**7 400 000**	**969 052**	**121 417**	**8 490 469**
Profit of 2011 transferred to retained profit of previous years	-	121 417	-121 417	**-**
Dividends paid	-	-11 100	-	**-11 100**
Profit of reporting year	-	-	2 595	**2 595**
31.12.2012	**7 400 000**	**1 079 369**	**2 595**	**8 481 964**
Profit of 2012 transferred to retained profit of previous years	-	2 595	-2 595	**-**
Profit of reporting year	-	-	2 729	**2 729**
31.12.2013	**7 400 000**	**1 081 964**	**2 729**	**8 484 693**

Appendixes from page 24 till 42 are integral parts of this financial statement.

On 29 April 2014 the financial statement of the Company has been signed by

Rolands Zarans
Chairman of the Management Board

(signature)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2013

(EUR)

1 EUR = 0,702804 LVL

	Equity capital EUR	Retained profit of previous years EUR	Profit of reporting year EUR	Equity capital TOTAL EUR
31.12.2011	**10 529 251**	**1 378 837**	**172 761**	**12 080 849**
Loss of 2011 transferred to retained profit of previous years	-	172 761	-172 761	**-**
Dividends paid	-	-15 794	-	**-15 794**
Profit of reporting year	-	-	3 692	**3 692**
31.12.2012	**10 529 251**	**1 535 804**	**3 692**	**12 068 747**
Profit of 2012 transferred to retained profit of previous years	-	3 692	-3 692	**-**
Profit of reporting year	-	-	3 884	**3 884**
31.12.2013	**10 529 251**	**1 539 495**	**3 884**	**12 072 630**

Appendixes from page 24 till 42 are integral parts of this financial statement.

On 29 April 2014 the financial statement of the Company has been signed by

Rolands Zarans
Chairman of the Management Board

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(signature)

APPENDIX TO THE ANNUAL REPORT

Principles of bookkeeping and methods of evaluation

The annual report is prepared in conformity with requirements of Law On Accounting and Annual Accounts Law. Statement on profit and loss is prepared in conformity with the method of turnover expenses.

Items of the annual report are evaluated in conformity with the following accounting principles:

a) it is accepted that the Company will be working further;

b) the same evaluation methods are used as in the last year;

c) the evaluation of items is made with due foresight, i.e.

- in the report there is the profit included received before the day of working up of balance sheet;
- all expected sums of risk and loss which have appeared in the accounting period, or in the previous years, are taken into account, also then, if they became known during time between date of balance and day of working up of the annual report;
- all sums of deterioration and depreciation are estimated and taken into account, no matter if the fiscal year is finished with profit or loss;

d) income and expenses related to the accounting period are taken into account irrespective of the settlement date and date of reception or making out a bill. Expenses are coordinated with incomes in the reporting period;

e) components of items of assets and liabilities have been evaluated separately;

the balance of the beginning of the reporting period coincides with balance of the closing of the previous year;

f) economic bargains are reflected considering their economic contents and essence, but not the legal form.

The bookkeeping was kept in 2013 on united bookkeeping accounts, which have been approved on 13 May, 1993, detailing the plan of accounts in conformity with features of economic activity of the Company.

The bookkeeping register of the synthetic accounting is the Ledger, where the records are made from the statements of grouping of economic activity operations. Kinds of registers of the analytical accounting are books, cards, lists etc..

The reporting year is from 01 January 2013 till 31 December 2013.

Data reflected in these financial reports is expressed in national currency – in Latvian lats (LVL), and in Euro (EUR) as well. All monetary items of assets and liabilities and shareholders' equity are counted in lats at the rate of the Latvian bank on last day of reporting year.

	31.12.2013	**31.12.2012**
USD	1 USD = 0,515000 LVL	1 USD = 0,531000 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUB	1 RUB = 0,015600 LVL	1 RUB = 0,017400 LVL

In the result of fluctuation in exchange rate of foreign currencies, the received profit or loss is reflected in the income statement for the appropriate period.

Long-term and short-term items

In the long-term items there are the sums indicated, whose receipt, payment or write-off terms come later than one year after the termination of the proper reporting year. The sums, which have to be received, paid or written off during one year, are specified in short-term items.

Intangible assets

Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. Amortisation period covers 5 years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are immediately recognised in the income statement where the carrying value of intangible non-current assets exceeds their recoverable amount.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value, if there is such. The cost of items comprises their purchase price, including import duties and any directly attributable costs of bringing the assets into working condition for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	% p.a.
Land and buildings	10
Technological equipment	10-50
Other tangible assets	10-40

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales caption.

Recognition of book value of fixed assets is terminated when the asset is disposed of or when no economic benefits are expected from its use in future. Any profit or loss arising from derecognition of the asset (which is calculated as the difference between the net disposal proceeds and the carrying value) is recognized in the income statement in the year when the asset is derecognised.

Costs related to capital improvements of the leased property are capitalized and reflected as fixed assets. Depreciation of these assets is calculated by the straight-line method over the shortest period of the useful life of capital improvements and lease.

Trade and other receivables

Trade receivables are accounted and reflected in the balance according to original invoiced amount less provision for doubtful debs. The company creates provisions for unsecured accounts receivable, on the basis of an individual assessment of the accounts receivable. Debts are written off when the retrieval is considered as impossible.

Inventories

Raw materials are stated at cost. Cost comprises purchase price plus expenses directly attributable to the purchase. Raw materials are stated as the lower of cost and the market price. Provisions are made for slow moving inventories. Inventories are valued using the FIFO method. Work in progress is valued at the direct cost of materials used. The cost of finished goods is valued at manufacturing costs and includes direct manufacturing costs - cost of materials and direct labour costs, other manufacturing costs - energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to manufacturing.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Loans and borrowings

Loans and borrowings are recognized initially at the amount of proceeds received, net of transaction costs incurred. In subsequent periods, loans and borrowings are stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings.

Borrowing costs

Borrowing costs are expensed in the period to which they are attributable. Amounts are disclosed in the profit and loss statement as interest and similar expense.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Investments in capital of other parties

Investments in capital of other parties are valued at cost. Cost method is investment accounting method when investments are accounted based on costs incurred. Investor recognizes income only when investor receives from investee distribution of accrued profit resulting after the date of acquisition. In cases when the value of the investment has significantly decreased as a result of conditions which cannot be considered temporary, the accounting value of the investment is decreased to the recoverable value.

Leases
Leases of fixed assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The equipment acquired under finance leasing contracts is depreciated over the useful life of the assets.
All other leases are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the profit and loss statement on a straight-line basis over the lease term.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. Revenue is recognized on an accrual basis. Revenue is recognized at the moment of sale when the risks are transferred to the buyer.

Expenses
Expenses are recognised in the period to which they relate irrespective of the date of payment.

Accruals for unused vacations
The amount of accrued liabilities is calculated by multiplying employee's average salary, including social tax, in the reporting year and the number of accrued unused vacation days as at the last day of the reporting year.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is expected that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Corporate income tax
Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The principal temporary timing differences arise from differing rates of accounting and tax depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

The deferred corporate income tax liability is stated in the balance sheet as non-current liabilities.

In cases where the total result of deferred tax asset should be included in the assets of the balance sheet, it is included in the annual report only when its recovery is surely expected.

Application of estimates and key assumptions
In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- The Company assesses accounts receivable and loans and evaluates their retrieval, when necessary creating provisions for doubtful accounts receivable and loans. The Company's management has assessed accounts receivable and believes that there is no need to make additional provisions as of 31 December 2013.

- The Company evaluates book value of fixed assets and non-material investments and assess whether there are any signs which indicate that recoverable value of assets is lower than their book value. Management of the Company calculates and recognizes loss from impairment of assets and non-material investments based on estimates on their future use. The Company's management believes that there is no need for significant adjustments of value of fixed assets and non-material investments as of 31 December 2013.

- At the end of each reporting year the Company makes evaluation of the useful lives of fixed assets. This assessment and hence the calculated depreciation may vary.

- The Company evaluates the advances paid and assesses their recoverability, if necessary, making provisions for irrecoverable advances. The Company's management has assessed the advances paid, and does not consider it necessary to create additional provisions as at 31 December 2013.

(1) Net turnover

Net turnover is income that was gained during the year from sale of produced and purchased products of the Company, as well as income from services rendered without VAT less discounts.

Breakdown of net turnover according to geographical markets:

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Market				
Eastern countries	4 249 258	6 046 149	6 486 467	9 229 411
Western countries	1 842 954	2 622 287	2 632 894	3 746 271
Latvia	595 561	847 408	740 818	1 054 089
TOTAL	**6 687 773**	**9 515 844**	**9 860 179**	**14 029 771**

(2) Production costs of sold products

In the item there are the costs for achievement of turnover indicated.

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Type of costs				
Material costs	3 611 722	5 139 017	5 090 723	7 243 446
Salary costs for production staff	798 913	1 136 751	1 042 732	1 483 674
Electricity costs	541 182	770 033	634 022	902 132
Depreciation of fixed assets	474 255	674 804	517 767	736 716
Mandatory state social insurance contributions	190 052	270 420	248 126	353 051
Heating and gas costs	131 502	187 110	178 444	253 903
Material delivery costs	74 773	106 392	75 681	107 684
Water costs	16 726	23 799	33 863	48 183
Current repair expenses	10 991	15 638	24 255	34 512
Insurance costs	17 286	24 596	16 951	24 119
Environment protection costs	8 800	12 521	6 725	9 569
Stock changes	111 530	158 693	-19 277	-27 429
Other production costs	48 702	69 298	47 684	67 849
TOTAL	**6 036 434**	**8 589 072**	**7 897 696**	**11 237 409**

(3) Selling costs

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Amortization of non-material investments*	1 117 318	1 589 800	1 117 318	1 589 801
Other	-	-	7 009	9 972
TOTAL:	**1 117 318**	**1 589 800**	**1 124 327**	**1 599 773**

*Refer to appendix 11 of this financial statement.

(4) Administration costs

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Administration salary	307 506	437 542	344 084	489 587
Mandatory state social insurance contributions	72 068	102 544	80 558	114 624
Depreciation and amortization	50 536	71 906	77 400	110 130
Security expenses	49 830	70 902	49 830	70 902
Expenses on business trips	8 706	12 388	11 304	16 084
Communication services costs	8 632	12 282	11 126	15 831
Expenses relating to annual report and audit*	8 806	12 530	9 309	13 246
Bank services	4 279	6 088	5 162	7 345
Office expenses	850	1 209	1 092	1 553
Other administration costs	46 553	66 239	49 973	71 105
TOTAL:	**557 766**	**793 630**	**639 838**	**910 407**

* Deloitte Audits Latvia SIA provided the Company only annual report audit services for the year 2013.

(5) Other incomes of economic activity

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Income from sale of fixed assets net	1 187 974	1 690 335	351	499
Decrease of provisions for doubtful accounts receivable (appendix 15)	22 556	32 094	-	-
Decrease of provisions for reserves with slow turnover speed (appendix 14)	2 503	3 561	-	-
Decrease of provisions for vacations	11 107	15 804	-	-
Other income	1 143	1 627	1 346	1 916
TOTAL:	**1 225 283**	**1 743 421**	**1 697**	**2 415**

(6) Other operating expenses

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Penalties	29 226	41 585	6 590	9 377
Loss from exchange rate differences, net	25 632	36 471	52 217	74 298
Fixed assets selling costs	6 482	9 223	-	-
State fee on entrepreneurship risk	1 008	1 434	1 057	1 504
Training expenses	424	603	409	582
Increase of provisions for unsecured debts (appendix 15)	-	-	23 440	33 352
Provisions for reserves with slow turnover speed, net	-	-	2 127	3 026
Other operating expenses	12 910	18 370	18 271	25 998
TOTAL:	**75 682**	**107 686**	**104 111**	**148 137**

(7) Other interest income and similar income

1 EUR = 0,702804

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Interest income from loans	562	800	8 682	12 353
TOTAL:	**562**	**800**	**8 682**	**12 353**

(8) Interest payment and similar expenses

1 EUR = 0,702804

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Interest payment for loans	77 955	110 920	100 966	143 662
TOTAL:	**77 955**	**110 920**	**100 966**	**143 662**

(9) Corporate income tax

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Corporate income tax for the reporting Year (appendix 25)	-40 981	-58 310	-2 506	-3 566
Deferred tax	37 932	53 972	45 640	64 940
TOTAL:	**-3 049**	**-4 338**	**43 134**	**61 374**

(9) Corporate income tax (continuation)

Calculation of deferred tax

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Depreciation of fixed assets, 15%	224 011	318 739	184 038	261 862
Accrued liabilities for vacations, 15%	6 355	9 042	8 021	11 413
Provisions for stocks with slow turnover speed, 15%	1 314	1 870	1 689	2 403
Assets of deferred tax	**231 680**	**329 651**	**193 748**	**275 678**

(10) Other taxes

1 EUR = 0,702804 LVL

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Immovable property tax (buildings)	38 068	54 166	39 543	56 265
Immovable property tax (land)	4 617	6 569	4 616	6 568
TOTAL	**42 685**	**60 735**	**44 159**	**62 833**

(11) Intangible assets

1 EUR = 0,702804 LVL

	Other non-material investments*		Software licenses		Intangible assets total	
	LVL	EUR	LVL	EUR	LVL	EUR
Initial value 31.12.2012	**5 586 589**	**7 949 000**	**41 348**	**58 833**	**5 627 937**	**8 007 833**
31.12.2013	5 586 589	7 949 000	41 348	58 833	5 627 937	8 007 833
Accumulated amortization 31.12.2012	**2 234 636**	**3 179 601**	**40 002**	**56 917**	**2 274 638**	**3 236 518**
Charged amortization	1 117 318	1 589 800	301	429	1 117 619	1 590 229
31.12.2013	3 351 954	4 769 401	40 303	57 346	3 392 257	4 826 747
Book value as at 31.12.2012	**3 351 953**	**4 769 399**	**1 346**	**1 916**	**3 353 299**	**4 771 315**
Book value as at 31.12.2013	**2 234 635**	**3 179 599**	**1 045**	**1 487**	**2 235 680**	**3 181 086**

* According to the Purchase contract from 29.12.2010 (entered into force on the basis of the shareholder's decision approved on 31.05.2011) between the Company and a non-resident of the Republic of Latvia (legal person), the parties agreed that the last passes on to, but the Company takes over from this person the market (i.e. receives control) on the territory of RF and CIS states belonging to this company for sales of the Company's products and pays for it, by determining acquisition value of non-material investments on the basis of external and internal estimates and calculations and business prognosis for next five years in the amount of LVL 5 586 589. Other non-material investments are subject to amortization within 5 years by a straight-line method. Amortization is included into the item "Selling costs" of the income statement (appendix 3).

(12) Fixed assets

(LVL)

	Land plots, buildings and constructions	Equipment and machinery	Other fixed assets and inventory	Formation of fixed assets	Total
Initial value					
31.12.2012	**8 061 344**	**5 202 914**	**494 681**	**31 222**	**13 790 161**
Purchased	1 239 550	4 890	3 163	-	1 247 603
Disposals	-	845 400	133 256	-	978 656
31.12.2013	9 300 894	4 362 404	364 588	31 222	14 059 108
Accumulated depreciation 31.12.2012	**6 849 563**	**5 183 327**	**473 386**	**-**	**12 506 276**
Charged depreciation	500 467	13 306	10 717	-	524 490
Disposals	-	838 917	133 257	-	972 174
31.12.2013	7 350 030	4 357 716	350 846	-	12 058 592
Book value as at 31.12.2012	**1 211 781**	**19 587**	**21 295**	**31 222**	**1 283 885**
Book value as at 31.12.2013	**1 950 864**	**4 688**	**13 742**	**31 222**	**2 000 516**

(EUR)

1 EUR = 0,702804 LVL

	Land plots, buildings and constructions	Equipment and machinery	Other fixed assets and inventory	Formation of fixed assets	Total
Initial value 31.12.2012	**11 470 260**	**7 403 079**	**703 868**	**44 425**	**19 621 632**
Purchased	1 763 720	6 958	4 501	-	1 775 179
Disposals	-	1 202 896	189 606	-	1 392 502
31.12.2013	13 233 980	6 207 141	518 763	44 425	20 004 309
Accumulated depreciation 31.12.2012	**9 746 051**	**7 375 210**	**673 568**	**-**	**17 794 829**
Charged depreciation	712 100	18 933	15 249	-	746 282
Disposals	-	1 193 671	189 608	-	1 383 279
31.12.2013	10 458 151	6 200 472	499 209	-	17 157 832
Book value as at 31.12.2012	**1 724 209**	**27 869**	**30 300**	**44 425**	**1 826 803**
Book value as at 31.12.2013	**2 775 829**	**6 669**	**19 554**	**44 425**	**2 846 477**

As at 31 December 2013 the fixed assets of the Company with the initial value 7 759 286 LVL (11 040 469 EUR) (as at 31.12.2011: 7 902 845 LVL (11 244 735 EUR)) were fully depreciated.

Cadastral value of landed property as at 31 December 2013 was 310 137 LVL (441 285 EUR) (as at 31.12.2012: 310 041 LVL (441 149 EUR)). Cadastral value of buildings on 31 December 2013 was 2 549 639 LVL (3 627 810 EUR) (as at 31.12.2012: 2 535 589 LVL (3 607 818 EUR).

On 8 March 2010 the Company received statement of certified real estate appraisers about valuation of the Company's immovable property at the amount of 5 000 000 LVL (7 114 359 EUR).

As of 31 December 2013 immovable property (buildings and structures) of the Company with book value 1 950 864 LVL (2 775 829 EUR) has been pledged as a loan security in favour of Latvian commercial bank (appendixes 19 and 20).

(13) Participation in equity of other companies

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Participation in the capital of Ditton Chain SIA, 15% from the fixed capital	47 200	67 160	47 200	67 160
Long-term loans to Ditton Chain SIA	-	-	-	-
TOTAL	**47 200**	**67 160**	**47 200**	**67 160**

(14) Finished products and goods for sale

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Finished products for sale	146 644	208 656	258 985	368 502
Stocks with slow turnover speed	8 758	12 462	11 261	16 023
Provisions for stocks with slow turnover speed	-8 758	-12 462	-11 261	-16 023
TOTAL:	**146 644**	**208 656**	**258 985**	**368 502**

Provisions for stocks with slow turnover speed:

As at beginning of year	11 261	16 023	9 134	12 997
Decrease / (increase) (appendix 5)	-2 503	-3 561	2 127	3 026
As at end of year	**8 758**	**12 462**	11 261	16 023

(15) Other loans and other long-term debitors, and trade receivables

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Assignment contracts	2 865 103	4 076 674	-	-
TOTAL:	**2 865 103**	**4 076 674**	**-**	**-**

In the reporting year the Company has concluded 5 assignment contracts with repayment period until 31st December 2015. No interest is payable. Assignments are not secured.

Trade receivables

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Book value of trade receivables	1 937 046	2 756 269	5 433 032	7 730 508
Assignment contracts*	739 556	1 052 293	-	-
Provisions for doubtful accounts receivable	-89 771	-127 733	-112 327	-159 827
TOTAL:	**2 586 831**	**3 680 729**	**5 320 705**	**7 570 681**

* Assignment contract which has been concluded with the Latvian resident (entity) for the amount of EUR 739 556 has been fully paid on the date of approval of this annual report and the related receivables are reflected in this report among short-term receivables.

Provisions for doubtful accounts receivable:

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
As at beginning of year	112 327	159 827	88 887	126 475
(Decrease) / increase (appendixes 5 and 6)	-22 556	-32 094	23 440	33 352
As at end of year	89 771	127 733	112 327	159 827

Note: For diversification of commercial risks and optimization of co-operation with the debtors the Company has taken legal actions, including optimization and renewal of contractual obligations, in the result of which the leading supplier and the Company's regional dealers (debtors) have guaranteed settlements with the Company by their activity, property and cash.

(16) Other debtors

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Value added tax (VAT) overpayment* (appendix 25)	17 699	25 183	19 533	27 793
VAT from non-paid bills	-	-	92 538	131 670
Accrued interest income	675	960	113	161
Payments for rent and electricity	125 522	178 602	54 601	77 690
Other	20 070	28 558	37 013	52 664
TOTAL:	**163 966**	**233 303**	**203 798**	**289 978**

(17) Cash and cash equivalents

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Cash in bank	145 721	207 342	101 777	144 816
Cash in paying counter	-	-	2 010	2 860
Book value	**145 721**	**207 342**	**103 787**	**147 676**

	Currency	31.12.2013 LVL	31.12.2013 EUR	Currency	31.12.2012 LVL	31.12.2012 EUR
LVL	-	25 517	36 308	-	5 309	7 554
USD	19 527	10 056	14 308	50 073	26 589	37 833
EUR	156 726	110 148	156 726	68 234	47 955	68 234
RUB	-	-	-	1 375 510	23 934	34 055
TOTAL:		**145 721**	**207 342**		**103 787**	**147 676**

(18) Fixed capital

The fixed capital of the Company is 7 400 000 LVL, which divides into 7 400 000 public bearer shares. The nominal value of each share is 1 LVL and each share entitles to one vote. The shareholders who own over 5% from the shares of the whole capital of the Company as at 31.12.2013 and at 31.12.2012 were:

NAME	Shares owned, % 31.12.2013	Shares owned, % 31.12.2012
Eduards Zavadskis	20,00	20,00
Vladislavs Driksne	19,92	19,92
MAX Invest Holding SIA	13,63	13,63
Maleks S SIA	13,50	11,72
Vladimirs Bagajevs /Vladimir Bagaev/	9,46	9,46

(19) Long-term loans from credit institutions

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Loan from JSC "Citadele banka" (long-term part)	**1 114 407**	**1 585 658**	**1 242 447**	**1 767 843**

For information about the loan refer to appendix 20 of this financial statement.

(20) Short-term loans from credit institutions

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Credit line from JSC "Citadele banka"	421 682	600 000	421 682	600 000
Loan from JSC "Citadele banka" (short-term part)	101 972	145 093	75 903	108 000
TOTAL:	**523 654**	**745 093**	**497 585**	**708 000**

As at 31.12.2013 information on loans received from JSC "Citadele banka" is following:

Number and date on the contract	Currency	Limit	Interest rate	Repayment term
Loan No.CI2010-2.3/1 dated 10.09.2010	EUR	2 300 000 EUR	6 months Euribor + 3.95 %	09.09.2015
Credit line No.CI2011-2.3/218 dated 25.11.2011	EUR	600 000 EUR	6 months Euribor + 4.00 %	10.02.2014

Loan security is a commercial pledge on all fixed assets, stocks and all rights to demand of the Company as a community of things at the moment of pledging, as well as on future constituents of the community of things. In accordance with the terms of this credit contract, the Company and SIA "Ditton Chain" (resident of the Republic of Latvia) undertake to ensure total DSCR (debt-service coverage ratio) ratio not less than 1.5. According to estimations of the Company's management this requirement has been fulfilled. The actual DSCR ratio for 2013 was 6.4; and in 2012 – 7.3.

According to the Agreement No.2 dated 28.02.2014 on Amendments to the Loan Agreement No.CI2010-2.3/1 dated 10.09.2010 for the period from 28.02.2014 to 27.08.2014 there has been the interest rate changed to 4% plus 0.38%. Starting with 01.03.2014 up to 01.08.2014 the monthly payment of the loan principal sum amounts to EUR 9000.00. The maturity date is 09.09.2015.
According to the Agreement No.5 dated 28.02.2014 on Amendments to the Credit Line Agreement No.CI2011-2.3/218 dated 25.11.2011 for the period from 28.02.2014 to 27.08.2014 there has been the interest rate changed to 4% plus 0.32%. The maturity date has been prolonged up to 10.08.2014.
All conditions of the Loan Agreement No.CI2010-2.3/1 and the Credit Line Agreement No.CI2011-2.3/218 have been fulfilled by JSC "Ditton pievadķēžu rūpnīca".

(21) Debts to suppliers and contractors

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
For materials	1 236 177	1 758 921	548 967	781 110
For services	395 569	562 845	510 537	726 428
TOTAL:	**1 631 746**	**2 321 766**	**1 059 504**	**1 507 538**

(22) Taxes and social security payments

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Mandatory state social insurance contributions	68 001	96 757	127 340	181 188
Personal income tax	92 263	131 278	41 504	59 055
Immovable property tax	24 736	35 196	14 540	20 689
Corporate income tax	38 433	54 685	2 506	3 566
Nature resources tax	138	196	471	670
State fee on entrepreneurship risk	80	114	87	124
TOTAL:	**223 651**	**318 226**	**186 448**	**265 292**

(23) Other creditors

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Settlements of salaries for December	49 906	71 010	62 036	88 269
Labor union member's fee 0,2% from salary	38 013	54 088	37 290	53 059
Advance payers' VAT	150 999	214 851	-	-
Debts for purchased shares	13 800	19 636	13 800	19 636
TOTAL:	**252 718**	**359 585**	**113 126**	**160 964**

(24) Accumulated liabilities

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Unused vacations	42 369	60 287	53 476	76 089
Electricity	19 696	28 025	19 840	28 230
Gas	-	-	9 062	12 894
Interest for loan	5 884	8 372	6 501	9 250
Auditing services	5 102	7 259	5 102	7 259
Transport services	-	-	2 150	3 059
Environment protection	-	-	434	618
Communication services	266	378	308	438
Customs warehouse services	-	-	35	50
TOTAL:	**73 317**	**104 321**	**96 908**	**137 887**

(25) Tax movement chart

Type of tax	Tax liabilities as at 31.12.2012 LVL	Charged in year 2013 LVL	Fines charged in 2013 LVL	Recovered in 2013 LVL	Paid in year 2013 LVL	Fines paid in 2013 LVL	Transfer-red from /to other taxes LVL	Tax liabilities as at 31.12.2013 LVL
VAT	-19 533	360 793	5 775	149 731	-822 634	-5 775	313 944	-17 699
State entrepreneurial risk fee	87	1 007	-	-	-1 014	-	-	80
Corporate income tax	2 506	40 981	-	-	-5 054	-	-	38 433
Immovable property tax for buildings and facilities	13 370	38 068	908	-	-29 817	-555	-	21 974
Mandatory state social insurance contributions	127 340	381 820	4 248	-	-148 078	-2 907	-294 422	68 001
Personal income tax	41 504	185 576	3 073	-	-117 286	-1 082	-19 522	92 263
Natural resources tax	471	1 939	-	-	-2 272	-	-	138
Immovable property tax for land	1 170	4 617	120	-	-3 078	-67	-	2 762
TOTAL:	**166 915**	**1 014 801**	**14 124**	**149 731**	**-1 129 233**	**-10 386**	**-**	**205 952**
Including (Overpayment) (appendix 16)	**-19 533**							**-17 699**
Liabilities (appendix 22)	**186 448**							**223 651**

Type of tax	Tax liabilities as at 31.12.2012	Charged in year 2013	Fines charged in 2013	Recovered in 2013	Paid in year 2013	Fines paid in 2013	Transfer-red from /to other taxes	Tax liabilities as at 31.12.2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
VAT	-27 793	513 362	8 217	213 048	-1 170 502	-8 217	446 702	-25 183
State entrepreneurial risk fee	124	1 433	-	-	-1 443	-	-	114
Corporate income tax	3 566	58 310	-	-	-7 191	-	-	54 685
Immovable property tax for buildings and facilities	19 024	54 166	1 292	-	-42 426	-790	-	31 266
Mandatory state social insurance contributions	181 188	543 281	6 045	-	-210 696	-4 136	-418 925	96 757
Personal income tax	59 055	264 051	4 372	-	-166 883	-1 540	-27 777	131 278
Natural resources tax	670	2 759	-	-	-3 233	-	-	196
Immovable property tax for land	1 665	6 569	171	-	-4 380	-95	-	3 930
TOTAL:	**237 499**	**1 443 931**	**20 097**	**213 048**	**-1 606 754**	**-14 778**	**-**	**293 043**
Including (Overpayment) (appendix 16)	**-27 793**							**-25 183**
Liabilities (appendix 22)	**265 292**							**318 226**

(26) Average number of employees

	2013	2012
Average number of persons employed by the Company during the year	322	337

(27) Remuneration Report of the Council and Management Board members

1 EUR = 0,702804 LVL

	Council		Management Board		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Salaries and remuneration	11 505	16 370	26 338	37 476	37 843	53 846
Mandatory state social insurance contributions	2 772	3 944	6 345	9 028	9 117	12 972
TOTAL	**14 277**	**20 314**	**32 683**	**46 504**	**46 960**	**66 818**

(28) Going concern principle

The Company closed the year 2013 with profit in the amount of LVL 2 729 (EUR 3 884). In the existing circumstances the Company is continuing to work in economy regime by using internal resources and reorganizing production processes according to the existing volumes of demand, production and costs, including optimization of staff in accordance with production volumes and its actual employment. The Company intends to close the year 2014 without losses.

This financial statement has been prepared in accordance with the going concern principle and does not include any adjustments that might be necessary if the going concern principle is not applicable.

More detailed information about the Company's business principles, goals and mission are set out in the Management Report (pages 7-9) and the Council report (pages 12-13) of this Annual Report, and also in the Declaration on objectives and mission of the activity and development of JSC "Ditton pievadķēžu rūpnīca" and evaluation of these processes approved by shareholders, refer to the Company's website www.dpr.lv .

(29) Events after the end of reporting period

On 1st January 2014 Latvia joined the euro zone and the Latvian Lats were replaced by the euro. Since that date, the Company's accounts are kept in euro. By conversion to the euro there was used the official exchange rate set by the Latvian Bank - 1 euro /0.702804 Latvian lat. The Company's financial statements for subsequent financial periods will be prepared in euro.

In 2014 the Company has signed with the credit institution supplements to the contracts. Refer to appendix 20.

In the time period from the last day of the reporting year till the day of signing of this financial statement there have not been any other significant events, which would significantly influence the financial standing of the Company as at 31 December 2013.

(30) Eventual liabilities, pledges and guarantees

On 10.09.2010 the Company concluded Credit contract Nr.CI2010-2.3/1 with JSC "Citadele banka". In conformity with the Credit contract there is a commercial pledge on the whole property as a community of things fixed in favour of the JSC "Citadele banka", as well as there is a financial pledge fixed on all settlement accounts opened in JSC "Citadele banka" in favour of the JSC "Citadele banka". The pledge serves as a security of received credit resources. Along with the Credit contract are have been Pledge Agreement No. CI2010-2.3/1-IE1, Pledge Agreement No. CI2010-2.3/1-IE2 and Commercial Pledge Agreement No.CI2010-2.3/1-KL3 concluded.

On 25.11.2011 the Company concluded a Credit Line Agreement No.CI2011-2.3/218 with the JSC „Citadele banka".

- Pledge Agreement Nr.CI2011-2.3/218-IE1: subject of the pledge – immovable property under cadastral No. 0500 507 1401 (buildings and constructions), Mendelejeva Str. 11, Visku Str. 17, Daugavpils;
- Pledge Agreement Nr.CI2011-2.3/218-IE2: subject of the pledge – immovable property under cadastral No. 0500 007 1402 (land), Visku Str.17, Daugavpils;
- Commercial Pledge Agreement No.CI2011-2.3/218-KL3: subject of the pledge: movable property of the JSC „Ditton pievadķēžu rūpnīca", commercial pledge registration deed No.100154408;
- Commercial Pledge Agreement No.CI2011-2.3/218-KL4: subject of the pledge: movable property of SIA „Ditton Chain" (pledgor SIA „Ditton Chain"), commercial pledge registration deed No.100154409;
- Guarantee Agreement Nr.CI2011-2.3/218-GL-7; subject: guarantee; guarantor SIA „Ditton Chain".

The Company has also granted a security for the partner's SIA "Ditton Chain" liabilities by concluding with JSC "Citadele banka" Pledge Agreement No.CI2010-2.3/2-IE1, Pledge Agreement No.CI2010-2.3/2-IE2, Commercial Pledge Agreement No.CI2010-2.3/2-KL4 and Guarantee Agreement No.CI2010-2.3/2-GL8, maximum amount of the guarantee is 4 400 000 EUR (3 092 337,61 LVL).

Taking into account that SIA „Ditton Chain" has issued mutual guarantees in respect of JSC „Ditton pievadķēžu rūpnīca", and SIA „Ditton Chain" has also received credit funds, which are actually invested into the immovable property of JSC „Ditton pievadķēžu rūpnīca", in case, if contractual obligations become terminated regardless of reasons, investment made by SIA „Ditton Chain" remain at disposal of JSC „Ditton pievadķēžu rūpnīca" without any compensation to SIA „Ditton Chain".

On 30.09.2013 the Company concluded with JSC „Citadele banka" a Guarantee Agreement No.2.3-13/59 in favor of Investment and Development Agency of Latvia. Guarantee amount is 19 653,42 LVL (27 964,30 EUR), guarantee expiry date – 29th February 2016.

(31) Financial risk management

The Company's activity is subject to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk
Foreign currency risk is the risk that the Company will have financial loss from unfavorable fluctuations in exchange rates. This risk arises when financial assets in foreign currency do not match with the financial liabilities in the same currency, so there appear open currency positions for the Company. The Company has no significant financial assets and liabilities expressed in other currencies, excluding the Latvian lats and the euro. On 1st January, 2014 Latvia joined the euro zone and the Latvian Lats have been replaced by the euro. Thus, in the accounting year the Company's exposure to foreign currency risk was not significant.

Interest rate risk
Interest rate risk is the risk that the Company will have financial loss from unfavorable fluctuations in interest rates. Interest rate risk appears for the Company mainly from long-term and short-term loans from credit institutions, to which variable interest rate applies (refer to appendix 20). This causes risk that by increasing of interest rates the Company's interest expenses will grow. The Company does not use any tools to mitigate the interest rate risk.

Credit risk
Credit risk is the risk that the Company will have financial loss if a business partner fails to fulfill his obligations towards the Company. Credit risk is mainly caused by money means, trade receivables, advance payments and long-term and short-term loans issued.

Money means
Credit risk related to money in banks is managed by balancing the financial asset allocation in order to maintain simultaneously the possibility to choose the best offers and reduce the probability of financial means. The Company regularly evaluates credit ratings of the banks set by international rating agencies, as well as assesses the banks' financial performance.

Trade receivables
The Company has a significant credit risk concentration. As at 31 December 2013 in the result of transactions with one partner trade receivables, other loans and other long-term receivables the Company made 93% of the total Company's trade receivables, other loans and other long-term receivables (31.12.2012: 90%), and in 2013 income from transactions with the given partner made 56% of the Company's net turnover (in 2012: 58%).

The Company regularly monitors overdue trade receivables. The balance value of trade receivables has been reduced by provisions for bad and doubtful trade receivables.

Long-term and short-term loans issued
The balance value of the loans issued has been reduced by provisions for bad and doubtful loans.

Advance payments
The Company regularly monitors the receipt of goods and services for advance payments paid. Balance value of the advance payments has been reduced by provisions for bad and doubtful trade receivables.

Liquidity risk
Liquidity risk is the risk that the Company will not be able promptly and fully to ensure fulfillment of its obligations. Liquidity risk appears, when repayment terms of financial assets and liabilities are not consistent. The aim of the Company's liquidity risk management is to maintain an adequate amount of cash and cash equivalents, and ensure appropriate sufficient funding through credit lines issued by the banks (refer to the notes 19 and 20) so that the Company fulfill its obligations within the set time limits. The Company regularly assesses the consistency of the financial assets and liabilities terms, as well as stability of the funding sources of long-term investments. In the opinion of the Company's management the Company will have sufficient cash resources to ensure that its liquidity is not at risk.

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