

**JSC DITTON PIEVADĶĒŽU RŪPNĪCA**  
**Reg. No. 40003030187**  
**Višķu St.17, Daugavpils, LV-5410, Latvia**

**Annual Report for the Year 2022**  
**(Translation from Latvian)**

**and**  
**Corporate Governance Report**  
PREPARED IN COMPLIANCE WITH THE  
LAW ON ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS

and Independent Auditors` Report  
**(01.01.2022 – 31.12.2022)**

**Daugavpils**  
**2023**

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## INFORMATION ABOUT THE COMPANY

Company name	Ditton pievadķēžu rūpnīca
Legal status	Joint Stock Company
Registration number	40003030187
Registration in Register of Enterprises	Rīga, 03.10.1991.
Registration in Commercial Register Office	Rīga, 29.08.2003.
NACE code	28.15 Manufacture of bearings, gears, gearing and driving elements 68.2 Renting and operating of own or leased real estate 68.3 Real estate activities on a fee or contract basis
Legal address	Višķu St. 17, Daugavpils, LV-5410, Latvia
Fixed capital	10 360 000 EUR
Number of Public bearers shares	7 400 000
Nominal value of one share	1.40 EUR
Chief Accountant	Jūlija Lavrecka, p.c.010891-10200
Reporting year	01.01.2022– 31.12.2022
Independent auditors and their address	Aktīvs M Audits Ltd. Reg. No. 42403014203 Vienības gatve 99-7, Rīga, LV-1058 License No.40  Sworn auditor of the Republic of Latvia Marija Poriete Certificate No.6

Persons in charge for drawing up of the financial report:

Jūlija Lavrecka, phone +371 65402316, e-mail [dpr@dpr.lv](mailto:dpr@dpr.lv)

## INFORMATION ON SHARES AND SHAREHOLDERS

### SHARE PRICE TRENDS

Share price trends in 2021, 2022



The Company's paid up share capital is EUR 10,360,000, divided into 7,400,000 bearer shares. Each share has a nominal value of EUR 1.40, and each share carries one voting right, the right to one dividend share and one liquidation quota of the total amount of dividends or liquidation quotas, which is equal to the total amount of the shares of this category. The Company's shares are financial instruments (i.e., transferable securities), the circulation of which is regulated by the Commercial Law of the Republic of Latvia (RoL), the Law on the Financial Instruments Market of the RoL and the regulations of the organizer of the regulated market of financial instruments.

### SHAREHOLDERS OWNING MORE THAN 5% OF THE COMPANY'S TOTAL SHARE CAPITAL\*

Given name, surname or Name	Shareholding, %
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	13,56
SIA „DVINSK MNG”	9,46
Marina Zavadska	6,67
Karolina Marija Zavadska	6,67
Eduards Zavadskis	6,67

*\* Note: (1) The Company is not keeping a share owner and/or a shareholder register. The above information is provided and updated on the basis of the shareholders list dated 22.08.2022 for the extraordinary shareholders' meeting of AS Dīton pievadķēžu rūpnīca, which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

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*(2) Information about shares of M.Zavadskā and K.M.Zavadskā is given according to the Statement of significant participation of these persons dated 24.10.2022. Veracity of the given information was certified by the shareholders list of AS Ditton pievadķežu rūpnīca dated 20.02.2023 for the shareholders' meeting which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

*(3) At 31.12.2022, there was no information at the disposal of the Company regarding the allocation of the shares between the heirs of E. Zavadskis (20,00 % in total) and V.Driksne (19,92% in total) and the accounting entries in their financial instruments accounts under Section 125 of the Law on the Financial Instruments Market.*

There is no additional information and/or regulations governing the procedures specified therein at the disposal of the Management Board provided for in the rest of Section 56.1 "Additional Information to be Included in the Annual Report" of the Law of the Financial Instruments Market (Paragraph one, sub-clauses 2), 3), 4), 5), 6), 7), 8), 9), 10) and 11).

## COMPANY BACKGROUND

Joint stock company AS Daugavpils pievadķežu rūpnīca was established as a result of the privatisation of the State Daugavpils Driving Chain Factory under the Cabinet Order.No. 375-r of 9 August 1994 and the resolution of the Management Board of the state joint-stock company VAS Privatizācijas aģentūra of 2 March 1995 (Minutes No. 25), by reorganising the state-owned company into a joint-stock company.

Upon registration in the Register of Enterprises on 30 August 1995 (registration number 000303018), the Company acquired the status of a public joint-stock company.

On 8 January 2002, AS Daugavpils pievadķežu rūpnīca was renamed as joint-stock company AS Ditton pievadķežu rūpnīca (registration No. 40003030187).

On 29 August 2003, AS Ditton pievadķežu rūpnīca was registered in the Commercial Register (uniform registration number 40003030187).

On 23 January 2015, the Company's share capital was denominated in accordance with the Law on the Procedure for Introducing the Euro of the LoR.

The Company is the successor of rights and obligations of the State Daugavpils Driving Chain Factory under the Terms and Conditions of Privatization, and it carries out its activity based on its Articles of Association.

Some of the types of activity the Company is engaged in are:

- manufacture of parts and accessories for motor vehicles;
- repair of fabricated metal products, mechanisms and equipment;
- installation of production equipment and devices;
- sale of motor vehicle parts and accessories;
- sale, maintenance and repair of motorcycles, the parts and accessories thereof;
- manufacture of metal constructions;
- manufacture of metal tanks, reservoirs and containers;
- forging, pressing, stamping and rolling of metal; powder metallurgy;
- mechanical treatment of metals, treatment and coating of the surface;
- manufacture of other fabricated metal products;
- warehousing and storage facilities;
- buying and selling of owned real estate;
- leasing and facility management of owned or leased real estate;
- activities with real estate on a contract or fee basis;
- building facility management and operating activities;
- and other.

## INFORMATION ON THE MANAGEMENT BOARD AND COUNCIL MEMBERS

### THE MANAGEMENT BOARD

#### Chairman of the Management Board

Rolands Zarāns, re-elected on 14.01.2019 (elected since 15.01.2014).

#### Information about the shares held by the members of the Management Board

Members of the Management Board	Owned shares *	
	Number	%
Rolands Zarāns	none	-

### COUNCIL

#### Chairman of the Council

Boriss Matvejevs, re-elected on 18.06.2020 (elected since 05.05.2005), in a position until 01.12.2022.

#### Members of the Council

Genādijs Zavadskis, re-elected on 18.06.2020 (elected since 05.02.2017).

Oto Dzenis, elected on 18.06.2020, in a position until 01.12.2022.

Aleksandrs Sokolovs, elected on 18.06.2020.

#### Information about the shares owned by the members of the Council

Members of the Council	Owned shares*	
	Number	%
Boriss Matvejevs	none	none
Genādijs Zavadskis	none	none
Oto Dzenis	none	none
Aleksandrs Sokolovs	700 000	9,46**

Information about the professional experience of the members of the Management Board and Council can be found on the website [www.dpr.lv](http://www.dpr.lv).

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\* as at 22.08.2022

\*\* beneficiary of the Shareholder DVINSK MNG, Ltd.

## REPORT ON CORPORATE GOVERNANCE

### § 1

In arranging for the Issuer's corporate governance, the Management Board and the Council are guided by the Corporate Governance Principles and Recommendations approved by AS Nasdaq Riga (formerly "AS Nasdaq OMX Riga"), which are effective from 1 June 2010, as well as take into consideration the resolutions by the shareholders' meetings.

Information on the application of the principles referred to above and relating to the competence of shareholders is presented to the shareholders at the ordinary annual shareholders' meeting of, when approving the Annual Report. The shareholders have the opportunity to familiarise themselves with the information contained in the Corporate Governance Principles and Recommendations on the website of AS Nasdaq Riga: [http://www.nasdaqbaltic.com/files/riga/corp\\_gov\\_May\\_2010\\_LV.pdf](http://www.nasdaqbaltic.com/files/riga/corp_gov_May_2010_LV.pdf) or by submitting the relevant request in writing to the Issuer.

Information on the principles and procedures of application of the Corporate Governance Principles, limitations, exceptions and the practice of the application thereof in 2022 is presented in Annex "Report on compliance with the corporate governance principles" hereof. The shareholders may familiarise themselves with the information presented in the notes to the Annual Report, on the website of NASDAQ CSD, under the section of the relevant Issuer, in the Official System for Central Storage of the Regulated Information, and on the Issuer's website.

### § 2

The internal control system, including internal audit required under the Law on the Financial Instruments Market and the Issuer's Articles of Association, is organised in accordance with the Corporate Governance Principles. Report of the Audit Committee on the internal audit concerning the risk control and management procedures in the course of preparation of the Annual Report for 2022, is provided to the ordinary general meeting of shareholders and added to the file of the materials thereof.

Effectively, the Issuer has established a multi-tiered system for the preparation, control and risk management of the Annual Report:

Tier 1: Preparation of the Annual Report and internal control at the structural units of the Issuer;

Tier 2: Review and approval of the Annual Report on the part of the Management Board of the Issuer;

Tier 3: Audit of the Annual Report by a sworn auditor under the procedure prescribed in the Law on the Annual Financial Statements and Consolidated Financial Statements, the Accounting Law, the Commercial Law and the Law on the Financial Instruments Market of the Republic of Latvia;

Tier 4: The examination of the Annual Report of the Issuer's Council and reporting on the overall performance of the Management Board and the Issuer, which is presented in the report;

Tier 5: The examination of the Annual Report, the efficiency of the internal control and risk management, verification of the independence of the sworn auditors and elimination of deficiencies, which is carried out by the Company's Audit Committee, in accordance with the Law on the Financial Instruments Market, the Regulation (EU) No 537/2014 of the European Parliament and of the Council and the rules of procedure of the Company's Audit Committee, for reporting to the general meeting of shareholders;

Tier 6: Approving the Annual Report at the general meeting of shareholders of the Issuer.

It is obvious that the activity of the bodies specified in Tiers 3, 4, 5 and 6 is independent of the Management's Board of the Issuer and ensures the accuracy and objectivity of the Annual Report.

### § 3

Under the provisions laid down in Sections 56.1 and 56.2 of the Law on Financial Instruments Market, the Issuer is required to provide additional information as follows:

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The following shareholders have a significant interest in the Issuer:

<b>Given name, surname or Name</b>	<b>Shareholding, %</b>
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	13,56
SIA „DVINSK MNG”	9,46
Marina Zavadska	6,67
Karolīna Marija Zavadska	6,67
Eduards Zavadskis	6,67

*\* Note: (1) The Company is not keeping a share owner and/or a shareholder register. The above information is provided and updated on the basis of the shareholders list dated 22.08.2022 for the extraordinary shareholders' meeting of AS Ditton pievadķēžu rūpnīca, which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

*(2) Information about shares of M.Zavadska and K.M.Zavadska is given according to the Statement of significant participation of these persons dated 24.10.2022. Veracity of the given information was certified by the shareholders list of AS Ditton pievadķēžu rūpnīca dated 20.02.2023 for the shareholders' meeting which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

*(3) At 31.12.2022, there was no information at the disposal of the Company regarding the allocation of the shares between the heirs of E. Zavadskis (20,00 % in total) and V.Driksne (19,92% in total) and the accounting entries in their financial instruments accounts under Section 125 of the Law on the Financial Instruments Market.*

The Issuer does not have any shareholders with special control powers or limited shareholder voting rights, which are carried by their shares.

The Issuer has put in place the principles and procedures of amending the foundation documents (Articles of Association) and making changes to the composition of the Management Board, including the rotation and/or removal thereof from the office, which are applied in accordance with the provisions of the Financial Instruments Market Law, Commercial Law, the Civil Law and the Labour Law of the RoL, the Law on the Enterprise Register of the Republic of Latvia, the Law on Legal Force of Documents, the declaration on the objectives of the activity, development objectives and mission of AS Ditton pievadķēžu rūpnīca, and the assessment of the said processes, the rules of procedure of convening and holding the shareholders' meetings, other laws and regulations as well as the internal documents of the Issuer approved by the shareholders.

The rights of the members of the Management Board of the Issuer are laid down in the Commercial Law of the Republic of Latvia and the Issuer's Articles of Association, as well as laid down in the scope of work of the Management Board. No additional powers, such as powers to issue or buy back shares have been conferred on the Board Members.

§ 4

The management bodies of the Issuer are:

1. The general meeting of shareholders,
2. The Council of the Issuer,
3. The Management Board of the Issuer.

Each of the bodies has the competence (powers), rights and duties of its own as laid down in the laws of the Republic of Latvia, Regulations and Directives of the European Union, the Corporate Governance Principles, the Issuer's Articles of Association and internal documents, including in the rules of procedure of the Council and the Management Board and in the resolutions of the general meetings of shareholders. The management bodies are independent bodies.

The independence of the resolutions passed by shareholders is ensured under the provisions (Sections 268; 273-286) of the Commercial Law of the RoL, the Law on the Financial Instruments Market (Sections 54, 54.1 - 54.5), the Corporate Governance Principles, the Issuer's Articles of



Association, the Declaration of the activity, development objectives and mission of AS Ditton pievadķēžu rūpnīca, and the assessment of these processes, the rules of procedure of convening and holding the general meetings of shareholders, other laws and regulations as well as the internal documents of the Issuer.

According to the Commercial Law, the Law on the Financial Instruments Market, the Articles of Association, the Declaration of the activity, development objectives and mission of AS Ditton pievadķēžu rūpnīca, and the assessment of the said processes, the rules of procedure of the Council and Management Board, other laws and regulations as well as the Issuer's internal documents, the members of the Council and Management Board are independent in discharging their duties and accountable to the shareholders in accordance with the requirements of the law.

The Issuer arranges for and implements the procedures related to the nomination of the candidates of the Council and Management Board and voting for the candidates of the Council and Management Board, as well as related to the appointment and registration of the members of the Council and Management Board in the Register of Enterprises of the LoR in accordance with the provisions (Sections 268, 284, 292, 296 and 305) of the Commercial Law of the Republic of Latvia on the Law on the Financial Instruments Market (Sections 54, 542 and 546), the provisions of the rules of procedure of convening and holding the general meetings of the shareholders of the Issuer as well as the rules of procedure of the Council and Management Board. Remuneration of the Council and the Management Board members is made in accordance with the Remuneration Policy, which was adopted and approved by the shareholders' meeting, pursuant to the Financial Instruments Market Law of the Republic of Latvia, Directive (EU) No 2017/828 of the European Parliament and of the Council of 17 May 2017. The Remuneration Policy determines the remuneration criteria, taking into account the Company's indicators, reflects the Company's strategic long-term interests and involves Shareholders in the processes of stimulating the Company's management institutions. The internal documents of the Issuer are available on the Issuer's website [www.dpr.lv](http://www.dpr.lv).

The composition of the members of the Council and Management Board is specified on page 6 hereof, as well as on the Issuer's website [www.dpr.lv](http://www.dpr.lv).

#### § 5

Due to COVID-19 pandemic and general situation on the markets the risks of Issuer's operating activity have appeared and became actual in the year 2020, 2021 (detailed they are described in the Risk Management Policy of the Joint Stock Company Ditton pievadķēžu rūpnīca, Issuer's Management Report and Report of the Council, as well as in the notice of the Management Board in The Central Storage of Regulated Information System, on websites of the Exchange [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) and of the Issuer [www.dpr.lv](http://www.dpr.lv)). Issuer's institution will update and adopt Corporate Governance Principles to get over the negative effect of COVID-19 pandemic, to decrease risks and to optimize terms of recovery of Issuer's operative commercial activity.

The Issuer's operating indicators for the year 2021 and 2022 show, that the procedures implemented by the Issuer were reasonable and proportionate in relation to potential risks and market conditions and in general gave an opportunity to stabilize the Issuer's positions and to increase the efficiency of its operation.

#### § 6

General economic and geopolitical situation has affected the Issuer's performance in the year 2022, however, despite a significant increase in prices for both fuel and electricity, which significantly affects the production process, and inflation pressure on wages and raw materials (metal), compared to 2021, it has succeeded to maintain total (monthly) turnover. In the summer there was a visible tendency even to improve profit indicators.

However, on 13.09.2022 the funds of the Issuer's credit institution were seized by the decision of the State Revenue Service No. 30.4/17.19.5/78969. Due to this event the receipt of funds from partners and the timely payment of resources, wages etc. were prevented. It in fact put the issuer on hold. Due to this, the Issuer was forced to stop the production process from 03.10.2022 till 14.11.2022,

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which was announced in accordance with law. The number of employees was reduced in this regard. This event had a negative impact on the issuer's operations. Deals with suppliers were lost and customer orders were cancelled. For this reason, the Issuer was unable to complete the fourth quarter in the planned mode and level. It reflects the indicators of the year 2022 and will affect the indicators of the year 2023 as well. After renewal of operation, the Management board tries to perform all the necessary actions, conducts negotiations with suppliers and buyers in order to restore the Issuer's performance indicators and the level of orders to the previous level. However, it will be affected by world trends in the adoption of sanctions related to Russia's war of aggression against Ukraine, the impact of which is not predictable to this day.

§ 7

After the reporting year was closed, additional sanctions were imposed on natural and legal persons of the Russian Federation and the Republic of Belarus in the light of known political developments in the world. The Issuer's activities in these market segments in 2022 accounted for up to 48% of the Issuer's total turnover. Despite the fact that the lists drawn up within the framework of sanctions do not contain the Issuer's partners and natural persons associated with them, the Issuer does not have sufficient information to fully assess the impact of the measures implemented within the sanctions policy on the Issuer and announce its future forecasts. Based on the Issuer's corporate governance principles and acting in accordance with the legislation of the Republic of Latvia and the European Union, all possible procedures are used to assess relations with the cooperation partners of these regions, and negotiations were also initiated with state and municipal authorities, the results of which will be announced in accordance with the principles and procedures for the disclosure of inside information.

Chairman of the Management Board  
AS Ditton pievadķēžu rūpnīca  
28 April 2023

Rolands Zarāns

**COUNCIL REPORT**  
**on the Annual Report for 2022**

Issued in accordance with the Commercial Law and the Articles of Association of the Company,  
and approved by the resolution of the Council of AS Ditton pievadķēžu rūpnīca on 28 April 2023  
(Minutes No. 248)

The Council of AS Ditton pievadķēžu rūpnīca herewith declares that the report of the Management Board of the Company to the ordinary shareholders' meeting and the submitted Annual Report for the year 2022 fairly represents the performance of the Company's commercial activity and the financial position thereof.

During the reporting period, the Management Board was engaged in managing the operational and production activities and represented the Company in accordance with the existing laws of the Republic of Latvia, the Articles of Association of the Company, the Declaration of the activity, development objectives and mission of AS Ditton pievadķēžu rūpnīca, and the assessment of the said processes, the resolutions of the general meeting of shareholders and the recommendations of the Council, as well as in accordance with internal Company's documents, procedures and rules approved by the Shareholders.

No objections against the Management Board or the individual members thereof were raised and submitted either by the shareholders or the members of the Council. There is no information at the disposal of the Company on the violation of the principles of independence on the part of the members of the Management Board.

At the ordinary shareholders' meeting of the Company held for approving the Annual Report for the year 2021 on 27 June 2022, the performance of the Management Board in the previous period was rated as satisfactory and deemed appropriate for the Company's objectives and mission, as well as the actual market circumstances. No claims or requests were made in connection with the activities of the Management Board.

The Company's performance for the year 2022 reflected the actual situation of the Company's circumstances as well as the global economic conditions. The causes, circumstances and terms and conditions underlying these indicators are set out in the Management Report.

The Council of the Company represented the interests of the shareholders in the periods between the shareholders' meetings, and in accordance with the global economic conditions prevailing during the reporting period, and supervised the activity of the Management Board within the scope set forth in the Articles of Association of the Company and the laws of the Republic of Latvia.

All in all, seven meetings of the Council were held during the reporting period.

At the meetings of the Council the following matters were reviewed:

- on coordination of the Risk Management Policy of AS Ditton pievadķēžu rūpnīca (with Appendix);
- on reviewing Company's Annual Report for the year 2021 and report of the Management Board on Operating of the Management Board and Results of the Company in 12 months of the year 2021;
- on approval of the Report of the Council to the Annual Report for the year 2021;
- on coordination of the procedures of AS Ditton pievadķēžu rūpnīca in the context of execution of measures determined within the framework of sanctions;
- on reviewing and approval the agenda of the ordinary shareholders' meeting (27 June 2022);
- on reviewing draft decisions on the issues of the agenda of the announced ordinary shareholders' meeting on 27.06.2022;
- on reviewing and approving the agenda of the ordinary shareholders' meeting (27 June 2022) (new edition);
- on reviewing draft decisions on the issues of the agenda of the announced ordinary shareholders' meeting on 27.06.2022 (new edition);
- on Report of the Management Board on Operating of the Management Board and Results of Company in 3 months of the year 2022;
- on approval of the Company's Financial Report for 3 months of the year 2022;

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- on report of the Management Board on Operating of the Management Board and Results of Company in 6 months of the year 2022;
- on approval of the Company's Financial Report for 6 months of the year 2022;
- on report of the Management Board on Operating of the Management Board and Results of Company in 9 months of the year 2022;
- on approval of the Company's Financial Report for 9 months of the year 2022;
- on approval of Regulation on the inside information, on procedures for the management and public disclosure of the Inside information (incl. maintenance of the insider list) and on insiders' dealings with financial instruments of AS Ditton pievadķēžu rūpnīca in new edition;
- on approval of Regulation on the trade secret of AS Ditton pievadķēžu rūpnīca in new addition.

In addition to the above-mentioned meetings, five Council meetings were held with the Council acting in the status of the Company's Audit Committee in accordance with the competences and powers conferred on the Audit Committee. Report on this particular scope of the Council's area of activity will be included in the report of the Audit Committee of AS Ditton pievadķēžu rūpnīca to the ordinary general meeting of shareholders held for the approval of the Company's Annual Report for the year 2022.

On 27 June 2022, the ordinary shareholders' meeting of the Company rated the performance of the Council in the previous period as satisfactory and deemed it appropriate to the Company's objectives and mission. No claims or requests were made in connection with the activities of the Management Board.

The Council of the Company drew the attention of shareholders to the following important events.

In prior year reports (2019 – 2021) the Council informed the shareholders about the objectivity of the Annual Report and about the consistency thereof with the Company's actual circumstances, as well as systematically informed the shareholders about the market circumstances and the Company's future prospects because the Company is not isolated, but rather forms a part of the global business system and depends on the performance indicators of the said countries, in the markets of which due to their geographical position, logistics and actual presence the Company is represented.

By analysing the development prospects of the Company, which is included in the total world economy, in the report for the year 2022, the Council noted that the Council of the Company rates its forecasts for the year 2023 with regard to the global market outlook and demand for the Company's goods in the range of "moderately negative" to "moderately positive" in certain geographical market sectors and depending on the assortment of goods. The materialisation of the forecasts depends not only on the Company but also on the future development trends of the global economy, but also on the future dynamics of the world economy, on the impact of the consequences of the COVID-19 pandemic, as well as on certain additional sanctions regarding natural and legal persons of the Russian Federation and the Republic of Belarus; on the audit results of the State Revenue Service. In the event that global trends in the application of sanctions will prohibit the export of production and/or audit result of the State Revenue Service will be negative, threat of insolvency of the Company may occur.

In its report to the Annual Report of the year 2021, the Council stated that it assessed the Company's existing resources and the management procedures planned by the Council and the Management Board as sufficient to overcome the effects of the COVID-19 pandemic and considered that the Company had the potential to overcome the crisis, to continue economic activity and future development, if the external events (sanctions and audit results of the State Revenue Service) will be calm in relation to the operation of the Company. The Council is of the opinion that this forecast corresponds to Company's performance indicators in the year 2022.

The above is evidenced by the summary of the operation performed by the Company in the Annual Report for 2022.

Against the background of the localization of economic threats caused by the COVID-19 pandemic, new factors emerged that negatively affect the Company's operations and the Company's future development prospects. These factors are the consequence of the sanctions imposed on the

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Russian Federation and the Republic of Belarus, taking into account the volumes of production delivered to these regions as indicated by the Management Board.

In 2022, the EU has adopted a series of sanctions in response to Russia's war of aggression against Ukraine and the illegal annexation of Ukraine's Donetsk, Luhansk, Zaporozhye and Kherson regions. The measures are set to weaken Russia's economic base, denying it access to critical technologies and markets and severely limiting its ability to wage war.

In this regard, the EU has also adopted sanctions against:

- Belarus in response to its involvement in the invasion of Ukraine,
- Iran in connection with the use of Iranian drones in Russia's aggression against Ukraine.

According to the situation on the day of the review of the annual report for the year 2022 the tenth package of sanctions was adopted (25 February 2023).

Observing the requirements of the sanctions package, constantly monitoring partners, the Company successfully managed to continue operations in 2022 and maintain the turnover of goods in the first three quarters of 2022.

However, due to the decision of the State Revenue Service No. 30.4/17.19.5/78969 dated 13 September 2022, due to which the funds of the Company's credit institution accounts were seized, the Company was forced to suspend its operations, which significantly affected business relations with partners and created threats of the liquidation process for the Company.

The Council positively assesses the Company's actions, thanks to which the Company managed to restore the Company's work in a short time (downtime continued from 03.10.2022 till 14.11.2022) and continue to ensure the production process.

However, it is obvious that the mentioned restrictions caused a drop in indicators for the Company, which affected the indicators of the reporting year 2022 and will affect the indicators of the year 2023.

This event had a significant impact on the Company's operations in 2022.

It is difficult to overcome the ongoing crisis situation, the causes of which are in no way related to the Company, its production, product quality or its partners. In addition, the Council agrees with the Management Board that it is difficult to make a reliable forecast of the Company's development in the current conditions of uncertainty in all markets. The Council also agrees with the position of the Management Board regarding the preparation of the Annual Report for 2022, based on the principle "going concern assumption" and evaluates the overall Company's development forecast in the range from "moderately negative" to "moderately positive".

The Council notes that in 2022 the Company's Council and the Management Board have developed a new Risk Management Policy of the Joint Stock Company Ditton pievadķēžu rūpnīca, which, among other things, includes the risks of sanctions.

The Council declares that any aggressive and even more act of war are considered unacceptable and criminal.

In the light of the foregoing and the Company's circumstances, the Council considers it appropriate to agree with proposal of the Management Board to approve the Company's Annual Report for the year 2022 with loss in amount of EUR 47 186, as well as to support the proposal of the Management Board to cover the loss from the profit of the future years and to ask the shareholders to take the same decision at the shareholder's meeting.

Chairman of the Council  
AS Ditton pievadķēžu rūpnīca  
28 April 2023

Vadims Kazačonoks

## MANAGEMENT REPORT

### On the operating performance of the Company in 2022

In the 12 months of 2022, net turnover amounted to EUR 4 451 618, which is for EUR 823 808 less compared with the relevant 12 months indicator for 2021.

During the reporting period, the Company exported 82% of the goods manufactured by it and services to Eastern and Western markets, including 43% to Eastern markets and 39% - to Western markets, sales in Latvia amounted to 18% of the goods and services.

The Company's performance for 2022 was loss of EUR 47 186 (before taxes).

In 2022, the average statistical number of employees at AS Ditton pievadķēžu rūpnīca was 118.

In 2022, the average wages in the Company were EUR 792, which was more than the average wages in 2021 (ERU 777).

The performance of the Company and the Annual Report with the financial statements (including Appendices), this Management report and the Report on Corporate Governance (with Appendices) was approved by the Company's Management Board (Minutes No. 03/2022 of the meeting of the Management Board of 28 April 2023).

#### **Significant events. Market trends and the Company's development. Risks.**

The analysis of Company's operations in 2022 the same as in 2021 took place in the conditions of the COVID-19 pandemic, which significantly affected the openness of the market, their activity and the situation in the economy. The negative factors worsened during the lockdowns, as well as during the disease increased in the regions. Due to the quarantine and organizational measures imposed in the Company, no mass illness of the employees occurred in the Company, which could cause a complete cessation of production.

Analysis of the Company's operation under conditions of COVID-19 pandemic and lockdowns, as well as new challenges activation of certain risks in the Company's production and commercial activities are given in the Management report of the Annual Report for the year 2021 and in the Financial report for 6 months of the year 2022. All the factors, conditions, reasons and consequences indicated therein were relevant to the Company's operations during the whole year 2022.

When announcing the results of its work, the Company several times drew attention to the fact that the Company is integrated into the world economy and international economic relations, as a result of which the Company depends on the situation on market segments where the Company's as suppliers and as purchasers of raw materials and resources interests are represented.

This objectively does not allow the Company to manage market processes individually and to plan its operations in a sustainable perspective, without taking into account the general trends in all sectors of the economy.

The Company continues to produce and sell its products in two main segments of its markets, which are conditionally divided as follows:

- "Western" market or mainly the market of European countries, and
- "Eastern" market, i.e., the Russian Federation market, the Customs Union, CIS and Ukrainian markets, as well as the market of Asian countries.

The total indicators of all market segments show an increase in the cost of the Company's goods and services and the Company's net turnover.

Based on the risk diversification program (which is related to the above mentioned market segments), during the implementation of this program (during 5-7 years) the Company's share of the "eastern" segment of the market in terms of sales of goods and services has been significantly adjusted compared to the "western" segment, in favour of reducing dependence on the "eastern" segment of the market, which in 2022 makes up 43% of the Company's total turnover.

JSC DITTON PIEVADKĒŽU RŪPNĪCA  
**ANNUAL REPORT FOR THE YEAR 2022**

During the whole year 2022, the Company continued to implement a loss minimisation programme, based on the optimisation of the internal structure, infrastructure, intellectual and human resources. The Company also sees its reserves in focusing on technologically sophisticated high added value goods, as well as driving an increase in the volume of services and works outside the core production activities.

This effort enabled the Management Board to focus its activity to a single consecutive direction, rendering it more structured, categorised in stages as well as enabled an optimal allocation of resources aimed at improving the Company's economic circumstances.

The Company is seeking to render chargeable services from the programme related to the development of an industrial-technological park in its territory. Within the scope of this programme, the Company carried out the upgrading of its production facilities. This enabled the implementation of effective savings on the costs of maintenance of production facilities, as well as the creation of a commercial offer of the lease of a production facility equipped with the infrastructure necessary for production.

In 2022, tendencies of market imbalances and unpredictable increase of prices for raw materials appeared. This had a negative impact on the Company's operation results, as the Company was forced to complete orders placed under other price conditions, as well as due to a decrease in order volumes after the announcement of an increase of the prices for delivered products.

The second wave of such instability followed during the whole year 2022, during which, for equally unpredictable and incomprehensible reasons, there was a significant increase in the prices of resources used in production (electricity, gas supply), which had the same consequences as indicated in connection with the increase of the raw material prices.

The stability of production, which usually has a significant period of time (up to 2-4 months) between the order and the receipt of payment for the finished product under that order, depends on stability in all market segments and, if in any of them imbalances occur, in addition to the factors mentioned above, it may in the short term lead to a drop in demand in the markets, price inconsistencies, intensification of competition and aggressive crowding out of certain market segments.

In August 2022, the State Revenue Service started an audit for the period 2020-2022, 5 months.

According to the situation on the day of approval of the Annual Report for the year 2022 the audit has not been completed and audit results are not known.

Due to the fact that the funds of the Company's credit institution accounts were seized on September 13, 2022 by the decision of the State Revenue Service No.30.4/17.19.5/78969, which was adopted as part of the audit before the conclusion of the audit, the Management board has a justified opinion that the results of the audit will affect the indicators of the year 2022 and annual operating forecasts for the year 2023.

Due to the decision No. 30.4/17.19.5/78969 dated 13 September 2022 when the funds of the Issuer's credit institution were seized and the receipt of funds from partners and the timely payment of resources, wages etc. were prevented the Issuer was put on hold. Due to this, the Issuer was forced to stop the production process from 03.10.2022 till 14.11.2022. The number of employees was reduced in this regard. This event had a negative impact on the issuer's operations. Deals with suppliers were lost and customer orders were cancelled. For this reason, the Issuer was unable to complete the fourth quarter in the planned mode and level. It reflects the indicators of the year 2022 and led the Company to losses.

Due to the fact that in 2022 the Company operated under very difficult conditions of market instability and unpredictability, it closed the year 2022 with a loss of EUR 47 186 (before taxes).

After the end of the reporting year 2021 the current crisis situation arose in the markets in which the Company operates, which has not arisen due to the Company, its economic activities or the work of the Company's management institutions. This is due to the sanctions imposed by the European Union on the Russian Federation and the Republic of Belarus in connection with certain political developments.

In order to analyse the situation, evaluate the Company's prospects and opportunities, and planning of the operating activity management procedures, the Company adopted a Risk Management Policy on January 5, 2022, and on March 25, 2022, the Company's Management Board approved Procedures of the JSC Ditton pievadkēžu rūpnīca in connection with the implementation of measures

imposed within the framework of sanctions. In order to coordinate and implement these measures within the framework of sanctions, a responsible person was appointed in the Company.

According to the situation on the day of the review of the annual report for the year 2022 the tenth package of sanctions was adopted (25 February 2023).

The initial analytical and marketing research showed that:

firstly, the Company's products for sale are not included in the sanctions lists either by their direct meaning or as "dual purpose" products;

secondly, the Company's partners, its officials and business owners are also not included in the sanctions lists.

This research and monitoring of the partners will be continued.

However, the instability of the situation, systematic correction of the lists of sanctions, lack of systematicity and clarity in the application of sanctions, including to regulate cooperation with partners, do not allow to the Management Board to give a motivated and reliable forecast of the situation, development of the Company and its operating activity immediately.

According to the situation on the day of the review of the annual report for the year 2022 relations with partners from Russia are reduced. The employees are reduced. The operation of the car chain workshop is partially suspended. The Management Board carries out an operational assessment of the Company's insolvency every day.

It will be possible to give such a forecast as the situation stabilizes.

#### Declaration of the Company's Management Board

The Company's Management Board declares that any acts of aggression, violence or war must be considered as disproportionate, illegal and violate the human right to liberty, life and health.

#### Approval of the Annual Report and Profit distribution

Taking into account the results of the Company's work in previous years, the Management Board of the Company will submit to the shareholders' meeting an initiative to approve the Annual Report for the year 2022 in the prepared version and to cover the losses from the profit of the next years.

#### Risks to which the Company is exposed.

Taking into account the current market challenges and in order to systematize the risks themselves, their consequences, procedures for their identification, control and management, the Council and the Management Board adopted and approved the Risk Management Policy of the Joint Stock Company Ditton pievadķēžu rūpnīca.

This document is disclosed on the Company's website [www.dpr.lv](http://www.dpr.lv).

By determining the Company's risks, as well as the principles and objectives of risk management, the Company relies on the following positions:

◇ The purpose of the Company's Risk Management Policy is to establish common basic principles of risk management and division of responsibilities in the Company in order to identify and manage the most significant factors adversely affecting the Company's operations in time, ensuring strategic goals, successful development and reducing potential losses and/or reputational damage;

◇ The principles set out in the Risk Management Policy are based on international best practice in risk management and binding legislation in the Republic of Latvia;

◇ The risk management policy considers all possible and analysable risks as risks of the Company's sustainable development and as such, which:

- have an effect on sustainable planning and implemented investment programs,
- have an effect or may have an effect on the Company in the long term or short term,
- have an effect or may have an effect on the Company's financial instruments.

◇ The Risk Management Policy considers as Company's risks possible events that may adversely affect the Company's ability to provide production or other operating activities or achieve the set business objectives and effectively implement the Company's operational and development goals and missions approved by the Company's shareholders. The Risk Management Policy considers as critical



JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**ANNUAL REPORT FOR THE YEAR 2022**

risks those events that may cause to the Company to cause stop operating, significant financial loss or significant damage to the market reputation, loss of partners and the market, or events that may adversely affect the health and/or life of individuals, but the likelihood of occurrence and/or possible adverse effects of which cannot be precisely determined. Critical risks include all risks of *force majeure*, if they have occurred and thus caused negative consequences for the Company, and the forecasts for overcoming them are negative.

The Risk Management Policy also includes risk management processes, participation of the Company's institutions and employees in these processes, priorities, responsibility and supervision of these processes.

The Company's Risk Management Policy includes the following risks:

- Production risks,
- Market risks,
- Financial risks,
- Management and corruption risks,
- Legal and compliance risks,
- Risks of sanctions,
- Social risks,
- Risks of *force majeure*

Other significant events

There were no other significant circumstances that affect the Company's Annual Report for the year 2022 in 2022. However, other significant events indicated in the Management Report for the Annual Report for 2021 remain relevant.

**STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY**

According to the information at the disposal of the Management Board, the financial statements for the year 2022 have been prepared in accordance with the applicable requirements of the laws and regulations and give a true and fair view of the assets, liabilities, financial position and profit of AS Ditton pievadķēžu rūpnīca. The Management report contains true information.

Chairman of the Management Board  
AS Ditton pievadķēžu rūpnīca  
28 April 2023

Rolands Zarāns

**INCOME STATEMENT  
FOR THE YEAR 2022**

	Appendix	2022 EUR	2021 EUR
Net turnover	1	4 451 618	5 275 426
Production cost of goods sold, purchase costs of goods sold or services rendered	2	(3 671 937)	(4 251 672)
<b>Gross profit</b>		<b>779 681</b>	<b>1 023 755</b>
Selling costs	3	582	1 074
Administrative expenses	4	(701 788)	(678 349)
Other income from operating activities	5	266 122	124 807
Other costs of operating activities	6	(180 139)	(144 327)
Other interest receivable and similar income	7	1 419	1 822
Interest payment and similar expenses	8	(211 899)	(195 901)
• <i>to other persons</i>		<i>(211 899)</i>	<i>(195 901)</i>
<b>Loss or profit before corporate income tax</b>		<b>(47 186)</b>	<b>130 734</b>
Corporate income tax for the reporting year	9	-	-
<b>Loss or profit for the reporting year</b>		<b>(47 186)</b>	<b>130 734</b>
<b>Loss or profit per share</b>		<b>(0,006)</b>	<b>0,018</b>

Appendices from page 23 till 40 are integral parts of these financial statements.

According to the Management Board meeting Protocol the financial statements have been signed on behalf of the Company on 28 April 2023 by

Rolands Zarāns  
Chairman of the Management Board

\_\_\_\_\_  
(signature)

Jūlija Lavrečka  
Chief Accountant

\_\_\_\_\_  
(signature)

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
ANNUAL REPORT FOR THE YEAR 2022

**BALANCE SHEET AS AT 31.12.2022**

ASSETS	Appendix	31.12.2022 EUR	31.12.2021 EUR
<b>Long-term investments</b>			
<b>Intangible investments</b>			
Concessions, patents, licenses, trademarks and similar rights	10	-	-
<b>Total intangible investments</b>		-	-
<b>Fixed assets</b>			
Immovable property:			
Land		2 061 350	2 061 350
Buildings and structures and permanent crop		1 685 151	1 827 592
Investment property – land		-	-
Investment property - buildings		-	-
Technological equipment and devices		1 794 300	2 067 559
Other fixed assets and inventory		5 421	16 380
Fixed assets under construction		-	-
<b>Total fixed assets</b>	11	<b>5 546 222</b>	<b>5 972 881</b>
<b>Long-term financial investments</b>			
Other securities and investments		-	-
<b>Total long-term financial investments</b>		-	-
<b>TOTAL LONG-TERM INVESTMENTS</b>		<b>5 546 222</b>	<b>5 972 881</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials, consumables and supplies		399 900	437 903
Work in progress		199 963	189 594
Finished products and goods for sale		282 380	247 710
Goods in transit		-	-
Advance payments for inventories		141 902	155 849
<b>Total inventories</b>	12	<b>1 024 145</b>	<b>1 031 056</b>
<b>Debtors</b>			
Trade receivables	13	256 607	560 972
Other debtors	14	13 295	23 020
Deferred expense		593	634
<b>Total debtors</b>		<b>270 495</b>	<b>584 626</b>
<b>Cash</b>		<b>361 985</b>	<b>132 969</b>
<b>TOTAL CURRENT ASSETS</b>		<b>1 656 625</b>	<b>1 748 651</b>
<b><u>TOTAL ASSETS</u></b>		<b>7 202 847</b>	<b>7 721 532</b>

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Jūlija Lavrecka  
Chief Accountant

\_\_\_\_\_  
(signature)

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
ANNUAL REPORT FOR THE YEAR 2022

**BALANCE SHEET AS AT 31.12.2022**

<b>LIABILITIES</b>	<b>Appendix</b>	<b>31.12.2022 EUR</b>	<b>31.12.2021 EUR</b>
<b>Equity</b>			
Share capital	15	10 360 000	10 360 000
Reserves:			
Other reserves		169 251	169 251
Retained loss brought forward from the previous years		(9 240 236)	(9 370 970)
Loss/profit of the reporting year		(47 186)	130 734
<b>Total equity</b>		<b>1 241 829</b>	<b>1 289 015</b>
<b>Creditors</b>			
<b>Long-term creditors:</b>			
Loans from credit institutions	16	3 437 961	3 811 577
Deferred income	20	966 548	1 133 515
<b>Total long-term creditors</b>		<b>4 404 509</b>	<b>4 861 608</b>
<b>Short-term creditors:</b>			
Loans from credit institutions	16	324 000	347 384
Other loans	17	100 000	100 000
Prepayments received from purchasers		101 871	64 787
Accounts payable to suppliers and contractors		402 837	432 514
Taxes and State mandatory social insurance payments	18	251 585	309 836
Other creditors	19	96 138	81 597
Deferred income	20	83 484	83 484
Accrued liabilities	21	196 594	151 307
<b>Total short-term creditors</b>		<b>1 556 509</b>	<b>1 570 909</b>
<b>Total creditors</b>		<b>5 961 018</b>	<b>6 432 517</b>
<b><u>TOTAL LIABILITIES</u></b>		<b>7 202 847</b>	<b>7 721 532</b>

Appendixes from page 23 till 40 are integral parts of these financial statements.

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Jūlija Lavrečka  
Chief Accountant

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(signature)

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
ANNUAL REPORT FOR THE YEAR 2022

**CASH FLOW STATEMENT  
FOR THE YEAR 2022**

	Appendix	2022 EUR	2021 EUR
<b>I. Cash flows from operating activities</b>			
1. Profit/loss before enterprise income tax		(47 186)	130 734
<i>Adjustments for:</i>			
Depreciation of fixed assets	11	404 137	404 723
Depreciation of intangible assets	10	-	1 611
Interest payments and similar expenses	8	211 899	195 901
Other interest receivable and similar income	7	(1 419)	(1 822)
Income from sale of fixed assets	11	-	-
Deferred income	20	(83 484)	-
2. Profit before adjustments to current assets and short-term creditors		<b>731 147</b>	<b>585 439</b>
<i>Adjustments for:</i>			
Decrease in accounts receivables		314 131	(149 085)
Decrease in inventories		6 911	(90 308)
Increase in accounts payable to suppliers, contractors and other creditors		8 984	(212 801)
Interest payments expenses		(211 899)	(195 901)
<b>Net cash flows from operating activities</b>		<b>602 074</b>	<b>83 052</b>
<b>II. Cash flows from investing activities</b>			
Purchases of fixed assets and intangible investments		-	(8 955)
Proceeds from sale of fixed assets		-	-
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>(8 955)</b>
<b>III. Cash flows from financing activities</b>			
Net change in borrowings		(397 000)	(50 700)
Interest payments and similar expenses		1 419	1 822
Expenses from the liquidation of fixed assets		22 523	-
<b>Net cash flows from financing activities</b>		<b>(373 058)</b>	<b>(48 878)</b>
<b>Net decrease/increase in cash and cash equivalents</b>		<b>229 016</b>	<b>25 219</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>		<b>132 969</b>	<b>107 750</b>
<b>Cash and cash equivalents at the end of fiscal period</b>		<b>361 985</b>	<b>132 969</b>

Appendices from page 23 till 40 are integral parts of these financial statements.

According to the Management Board meeting Protocol the financial statements have been signed on behalf of the Company on 28 April 2023 by

Rolands Zarāns  
Chairman of the Management Board

\_\_\_\_\_  
(signature)

Jūlija Lavrečka  
Chief Accountant

\_\_\_\_\_  
(signature)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR 2022**

	Share capital	Reserves	Retained loss	Loss or Profit for the reporting year	Total
	EUR	EUR	EUR	EUR	EUR
<b>31 December 2020</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 345 727)</b>	<b>(25 243)</b>	<b>1 158 281</b>
Profit for the year 2020 distribution	-	-	(25 243)	25 243	-
Loss for the reporting year	-	-	-	130 734	130 734
<b>31 December 2021</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 370 970)</b>	<b>130 734</b>	<b>1 289 015</b>
Profit for the year 2021 distribution	-	-	130 734	(130 734)	-
Profit for the reporting year	-	-	-	(47 186)	(47 186)
<b>31 December 2022</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 240 236)</b>	<b>(47 186)</b>	<b>1 241 829</b>

Appendices from page 23 till 40 are integral parts of these financial statements.

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Rolands Zarāns  
Chairman of the Management Board

\_\_\_\_\_  
(signature)

Jūlija Lavrecka  
Chief Accountant

\_\_\_\_\_  
(signature)

## APPENDICES TO THE ANNUAL REPORT

### Accounting principles and valuation methods

#### *Fundamental principles of the preparation of the financial statements*

The Annual report has been prepared in compliance with the Accounting Law, Law on the Annual Accounts and Consolidated Annual Accounts and Regulation No.877 on rules of application of the Law on the Annual Accounts and Consolidated Annual Accounts of the Cabinet of Ministers. Income statement is prepared in accordance with format defined in the Appendix 3 of the Law on the Annual Accounts and Consolidated Annual Accounts, i.e., expenses are classified by their function. Under the Section 5 of Law on the Annual Accounts and Consolidated Annual Accounts, the Company is considered as a medium-sized enterprise. Financial statements of the Company are prepared pursuant to provisions of the Section 9 of the Law on the Annual Accounts and Consolidated Annual Accounts. The annual report is prepared in accordance with the requirements of Article 9 of “The Law of the Annual Accounts and Consolidated Annual Accounts”. There have been no changes in accounting policies and valuation methods used in prior years. In cases when reclassification of comparatives with no effect on prior year profit and equity are performed, relevant explanations are provided in the Notes to the financial statements or accounting policies.

Items of the annual report are evaluated accordingly to the following accounting principles which are included into Accounting Policy approved on 22 December 2016 (with amendments dated 1 June 2018):

- a) The accounting policies used by the Company are consistent with those used in the previous accounting period;
- b) Measuring of the items has been carried out with due care, i.e.:
  - only the profit accrued up to the balance sheet date has been included in the report;
  - all potential risks and losses incurred during the reporting year or in previous years have been taken into account, even in cases information on the noted risks and losses became known between the balance sheet date and date of preparation of these accounts;
  - all impairment, depreciation and amortisation amounts have been calculated and taken into account, regardless of whether the Company’s performance for the reporting year is a profit or loss
- c) The revenue and costs relating to the reporting year have been taken into account regardless of payment dates or invoice receipt or issue dates. Expenses have been matched with the revenue in the reporting year
- d) The elements of asset and liability items have been measured separately;
- e) Operating activities are identified according to their economic content and substance over their legal form.

In 2021 the bookkeeping was kept on united bookkeeping accounts, which have been approved on 13 May 1993 (with amendments dated 28 December 2017) and according to the Regulation on bookkeeping and accounting dated 8 January 2007, detailing the plan of accounts based on key aspect of the Company’s business operations.

The bookkeeping register based on synthetic accounts is the General ledger, which contains records on transactions from all the accounts. There are various kinds of analytical accounting registers, such as books, cards, lists etc.

The financial statements cover the period 1 January 2022 through 31 December 2022. Information requested by the law on the Company has been disclosed in separate part of this annual report, on page 3.

#### *Going concern disclosure*

These financial statements have been prepared under the going concern assumption.

***Going concern disclosure (continued)***

At 31 December 2022, the current assets of the Company exceeded its total current liabilities by EUR 100,116 thousand (as at 31 December 2021 the current assets exceeded current liabilities by EUR 177,742 thousand). In 2022 short time liabilities are lower than in 2021 by EUR 14,400 thousand.

Company's financial and operative indices showed stability in 2022.

In the first quarter of 2022, the so-called "sanctions risks" intensified due to the sanctions policy initiative adopted in the European Union and Latvia against the Russian Federation and the Republic of Belarus. A preliminary analysis of these risks is provided in the Management Report and in the Report of the Council. "Sanction risks" are dynamic and it is currently not possible to make reliable predictions about their future development.

The Company's products are not included in the list of goods and services that are subject to sanctions and are prohibited for export to the Russian Federation and the Republic of Belarus. Nor is the company's product a dual purpose product. The company's partners are also not included in the sanctions lists.

Given the volume of products previously sold by the Company to the Russian Federation and the Republic of Belarus, future decisions of the European Union and Latvian regulatory authorities regarding such sales opportunities, including those related to possible terms of the sales ban, will have a significant role in the Company's future operations, in the event that they are of a temporary nature.

Based on such dynamics, the Company's institutions will make strategic and tactical decisions, informing investors, as well as financial instruments market participants about it in accordance with the established procedure.

Anyway, the priority measures of the Company's institutions will be measures aimed at maintaining the Company and its economic activity, activating the possibilities of adjustment of sales and raw material markets to the extent permitted by market conditions, its activity and competing offers.

***Foreign currency revaluation***

The monetary unit used for financial statements preparations is the European Monetary Unit - euro (EUR). All the monetary assets and liabilities are converted to euro applying the exchange rate of the European Central Bank on the balance sheet date.

**31.12.2022**

1 USD = 0,92 EUR

**31.12.2021**

1 USD = 0,88 EUR

The income and loss resulted from fluctuation of foreign currency exchange rate was included in the income statement of the appropriate period.

***Long- and short-term items***

The amounts received, paid or written off which are due later than a year after the reporting period, are included in long-term items. The amounts received, paid or written off during the year are displayed as short-term items.



### ***Intangible assets***

Intangible assets are listed at their cost of acquisition, which are depreciated in a straight-line basis. The depreciation period is 5 years. When events or changes in circumstances indicate that the carrying value of intangible assets may not be recoverable, the intangible assets are reviewed for impairment.

Loss from impairment is recognized when the carrying value of intangible assets exceeds its recoverable amount.

### ***Fixed assets***

In accordance with the Company's accounting policies the bookkeeping principles for fixed assets are used also for accounting for investment property assets (refer to section "Investment property").

Fixed assets are carried at their historical cost less accumulated depreciation and impairments. The initial value of fixed assets includes their acquisition cost, including import duties and as well as any other eligible costs regarding the preparation of the assets for their proper operation according to their intended purpose. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	<b>% a year</b>
Land	Depreciation is not to be calculated
Buildings and engineering structures	5 - 10
Technological equipment and devices	6 - 33
Other fixed assets and inventory	20 - 70

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

When events or changes in circumstances indicate that the carrying value of tangible assets may not be recoverable, the fixed assets are reviewed for impairment. If there are signs, that the value is not recoverable, and if the carrying values exceeds the estimated recoverable amount, the asset or cash-generating unit are written down to its recoverable value. The recoverable amount is higher than asset's net selling price and value in use. In assessing 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. The loss from impairment is recorded in profit and loss account.

An asset is de-recognized upon its disposal, or when no future economic benefits can be expected from its use. The gain or loss on de-recognition calculated as the net disposal proceeds, minus the asset's carrying value is recorded in the income statement in the year when the asset is de-recognized.

Tenant improvement allowance is recorded as a fixed asset and depreciated using the straight-line method over the shortest time spread of the useful life of the capital improvements and lease.

### ***Investment property***

Investment property include land, buildings, engineering structures or their parts, which the Company holds as an owner in order to gain rent or in anticipation of a future increase in price (value) and not for product manufacturing or provision of services, for administrative purposes or resell in the ordinary

### ***Investment property (continued)***

course of business. Investment property is shown separately from other real estate in order to present a more meaningful information to the financial statements' users. The Company initially recognises investment property at acquisition cost.

The value of the investment property embodies the prime value of the constructions in progress, as well as borrowing costs and other directly attributable to funding of the appropriate object during the period of its preparation as a new object for its intended use.

Capitalisation of borrowing costs for investment property is terminated when no active development of the property is performed during the accounting period. The current repair and maintenance costs of the investment property are included into income statement for the period in which they incurred.

In 2020, based on Article 303 of the Cabinet of Ministers of the Republic of Latvia Regulation No. 755 "Regulations on the Application of the Law on Annual Accounts and Consolidated Annual Accounts", the balance sheet item "Investment properties" is included in the company's fixed assets.

Land is not subject to depreciation. Buildings recognised as investment properties are depreciated by the straight-line method over their useful life, in order to write off the acquisition value of the building to its estimated residual value at the end of the useful life period by using the following rates set by the Management:

	% a year
Buildings and engineering structures	5 - 10

### ***Trade and other receivables***

Trade receivables are accounted and reflected in the balance according to original invoiced amount less provisions for doubtful debts. 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, consumables and supplies are valued at acquisition cost, plus incidental costs of acquisition, on a strict lower-of-cost-or-market basis. Adequate write-downs have been applied at net selling price due impairment, full or partial outdating of inventories or when production or selling costs of inventories jumped up significantly. 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 carried at the cost of manufacture, which includes adequate material and labour costs in addition to direct material and production overheads, e.g., energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to production.

### ***Cash***

Cash and cash equivalents comprise cash at bank. The cash flow statement has been compiled based on indirect method.

### ***Accounts payable to suppliers and contractors***

Accounts payable to suppliers are recorder at their nominal value.

### ***Loans and borrowings***

Loans and borrowings are initially recognized at cost, being the fair value of the proceeds received plus/net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortized cost. Any difference between proceeds (less issue costs associated

***Loans and borrowings (continued)***

with the borrowing) and the redemption value is recognized in the income statement over the period of borrowings.

***Borrowing costs***

Borrowing costs are expensed in the period they occur and disclosed in the income statement as interest or similar expense.

***Contingencies***

Contingent liabilities are not recognised in these financial statements, as these liabilities are accepted only when as assumption of an outflow of resources has been confirmed. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in this financial report but disclosed until an inflow of economic benefits is probable. Contingent liabilities and assets are revealed when they are of essential matter.

***Investments in capital of other parties***

Investments in capital of other parties are recorded on the basis of initial cost method. The cost method is investment accounting method when investments are accounted at its purchase costs. 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.

***Revenue recognition***

Revenue is recognised under the assumption of economic benefits, which might flow to the Company, and to the extent, that 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 acquisition when the ownership is transferred to the buyer. Income from interests is accounted on a time spread based on the accrual basis.

***Expense recognition***

Expenses are recognised in the period they are associated with 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) of the reporting year and the number of accrued unused vacation days as at the balance sheet day.

***Provisions***

The provisions are present (legal or constructive) obligations of the Company arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and amount of which can be reliably estimated.

### ***Donations and funding received***

Income from donations and funding received is not recognized until the Company has obtained a reasonable assurance on meeting eligibility rules to receive donations of funding available. Income from donations or funding received is recognized in income statement on a systematic bases and matched with the expense for compensation of which donation or funding is received. Therefore, financial aid granted for long-term investment development purposes, is recorded in the balance as deferred income and included in the income statement on a systematic basis linked to the period of useful life of the fixed assets developed.

### ***Corporates income tax***

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

### ***Application of estimates and key assumptions***

The Law of the Republic of Latvia requires that when preparing the financial statements, the management of the Company is expected to share estimates and assumptions that affect the reported and off-balance sheet assets and liabilities on the day of preparation, as well as presented income and expenses of the reporting period. Actual results may differ from these estimates.

Critical judgments and key assumptions concerning the future as well as other uncertainties on the balance sheet date in view of the fact that there exists a substantial risk of the material adjustments to assets and liabilities in next financial years are listed as following.

- When assessing accounts receivable and loans, the Company evaluates their retrieval and creates provisions for doubtful accounts receivable and loans, if necessary. After the management of the Company has assessed accounts receivable and loans, it has taken a decision to create additional provisions as of 31 December 2022.
- At the end of each reporting year, the Company reviews the useful lives of fixed assets. This assessment and the calculated depreciation may vary.
- The Company evaluates advance payments to assess their recoverability and, if necessary, makes provisions for irrecoverable advances. The management of the Company has reviewed the advances paid and believes that there is no necessity for additional provisions as at 31 December 2022.

### ***Related parties' transactions***

Related parties transactions are disclosed in accordance with the legal requirements set for medium-sized companies and refers to the instances when such transactions are performed with the shareholders of the Company, its subsidiaries and associates, as well as with the Management (Board and Council members) of the Company, if these transactions are material and outside the standard business scope of the Company.

## **(1) Net turnover**

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Net turnover is income gained during the year from sale of produced and purchased products of the Company, as well as income from services net of VAT and less discounts.

Breakdown of net turnover by geographical markets:

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
<b>Market</b>		
Eastern countries	1 910 620	2 348 693
Western countries	1 746 130	1 924 589
Latvia	794 868	1 002 144
<b>TOTAL:</b>	<u>4 451 618</u>	<u>5 275 426</u>

**(2) Production cost of goods sold, purchase cost of goods sold or services rendered**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Material costs		
Salary costs for production staff	1 149 025	1 458 136
Electricity costs	662 955	771 311
Depreciation of fixed assets*	634 682	577 355
Current repair expenses	396 260	397 371
State mandatory social insurance payments	243 981	446 218
Material delivery costs	155 632	180 735
Other production costs	290 631	291 690
<b>TOTAL:</b>	<u>3 671 937</u>	<u>4 251 672</u>

\* Refer to Appendix 11.

**(3) Selling expenses**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Advertisement costs	582	1 074
Other sales costs	-	-
<b>TOTAL:</b>	<u>582</u>	<u>1 074</u>

**(4) Administrative expenses**

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	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Administrative staff salaries	458 795	460 191
State mandatory social insurance payments	105 919	107 263
Security expenses	44 313	48 245
Business travel expenses	2 178	1 048
Depreciation and amortisation	7 877	8 963
Professional fees	12 000	12 000
Other administration costs	70 706	40 639
<b>TOTAL:</b>	<b>701 788</b>	<b>678 349</b>

**(5) Other income from operating activities**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Decrease in provisions*	52 498	27 329
Assignment of Structural Funds to income (see Appendix 20)	60 520	60 520
Construction cost compensation (See Appendix 20)	22 964	22 964
Income from exchange rate fluctuations	123 779	10 712
Net income from sale of fixed assets	-	-
Decrease in vacation provision	-	3 282
Other income	6 361	-
<b>TOTAL:</b>	<b>266 122</b>	<b>124 807</b>

\* Of which EUR 52,290 thousand (2021: EUR 26,258 thousand) represents income from decrease of prior year provisions for doubtful receivables made and EUR 208 (2021: EUR 1,071 thousand) is decrease in provisions for inventories with low turnover rate due to stock sale.

**(6) Other costs of operating activities**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Penalties	54 584	52 021
Real estate tax	63 526	63 526
Increase in slow-moving inventories provisions (see Appendix 12)	-	-
Other operating expense	30 037	7 170
Net loss on foreign exchange rate fluctuations	3 848	11 970
Net loss on decrease of foreign exchange rates	6 518	6 489
Increase in bad debt provisions (see Appendix 13)	-	3 151
Provisions for advance payments (see Appendix 12)	-	-
Holiday accruals (increase)	21 626	-
<b>TOTAL:</b>	<b>180 139</b>	<b>144 327</b>

**(7) Other interest payment and similar income**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
other interest income (from unsecured debtor)	1 419	1 822
<b>TOTAL:</b>	<b>1 419</b>	<b>1 822</b>

**(8) Interest payment and similar expenses**

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	2022	2021
	EUR	EUR
Interest payment for loans	211 899	195 901
<b>TOTAL:</b>	<b>211 899</b>	<b>195 901</b>

**(9) Corporate income tax**

	2022	2021
	EUR	EUR
Corporate income tax for the reporting year	-	-
<b>TOTAL:</b>	<b>-</b>	<b>-</b>

On 31 December 2022, accumulated losses for provisions of enterprise income tax were EUR 4 601 051 (in 2021 EUR 4 601 051\*). The rest usage time limit as at 31 December 2022 has expired.

\* Due to the decision of the State Revenue Service from 10.06.2019 and the decision of the action sitting of the Senate of the Republic of Latvia from 14.12.2021, the amount of accumulated losses is adjusted in the Corporate income tax declaration for December 2021.

**(10) Intangible investments**

	Concessions, patents, licenses, trademarks and similar rights	
	EUR	
<b>At 31 December 2020</b>		
Initial value		58 875
Accumulated amortisation and depreciation		(57 264)
<b>Book value at 31 December</b>		<b>1 611</b>
<b>The year of 2021</b>		
Book value at 1 January		1 611
Purchase		-
Amortisation		(1 611)
Book value at 31 December		<b>-</b>
<b>At 31 December 2021</b>		
Initial value		58 875
Accumulated amortisation and depreciation		(58 875)
<b>Book value at 31 December</b>		<b>-</b>
<b>The year of 2022</b>		
Book value at 1 January		-
Purchase		-
Amortisation		-
<b>Book value at 31 December</b>		<b>-</b>
<b>At 31 December 2021</b>		
Initial value		58 875
Accumulated amortisation and depreciation		(58 875)
<b>Book value at 31 December</b>		<b>-</b>

All fixed assets of the Company are pledged in favour of JSC Citadele Banka, refer to Appendix 15.

**(11) Fixed assets**

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	Land plots, buildings and engineering structures *	Investment properties- land and buildings *	Technological equipment and machinery	Other fixed assets	Fixed assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
<b>At 31 December 2020</b>						
Initial value	14 868 387	1 246 700**	8 283 201	483 518	12 649	25 007 063
Reclassified	1 246 700**					
Accumulated amortisation and depreciation	(12 083 704)	(1 246 700)**	(5 969 819)	(459 634)	(12 649)	(18 513 157)
<b>Book value at 31 December</b>	<b>4 031 384</b>	<b>-</b>	<b>2 313 382</b>	<b>23 884</b>	<b>-</b>	<b>6 368 650</b>
<b>The year of 2021</b>						
Book value at 1 January	4 031 384	-	2 313 382	23 884	-	6 368 650
Purchased	-		5 670	3 285	-	8 955
Initial value of excluded fixed assets	-	-	(4 550)	(23 536)	-	(28 086)
Accumulated amortisation of excluded fixed assets	-	-	4 550	23 536	-	28 086
Amortisation	(142 441)	-	(251 493)	(10 789)	-	(404 723)
<b>Book value at 31 December</b>	<b>3 888 942</b>	<b>-</b>	<b>2 067 559</b>	<b>16 380</b>	<b>-</b>	<b>5 972 881</b>
<b>At 31 December 2021</b>						
Initial value	16 115 088	-	8 284 321	463 267	-	24 862 676
Accumulated amortisation and depreciation	(12 226 146)	-	(6 216 762)	(446 887)	-	(18 889 795)
<b>Book value at 31 December</b>	<b>3 888 942</b>	<b>-</b>	<b>2 067 559</b>	<b>16 380</b>	<b>-</b>	<b>5 972 881</b>
<b>The year of 2022</b>						
Book value at 1 January	3 888 942	-	2 067 559	16 380	-	5 972 881
Purchased	-	-	-	-	-	-
Initial value of excluded fixed assets	-	-	(45 277)	(104 264)	-	(149 541)
Accumulated amortisation of excluded fixed assets	-	-	22 753	104 264	-	127 017
Amortisation	(142 441)	-	(250 737)	(10 959)	-	(404 137)
<b>Book value at 31 December</b>	<b>3 746 501</b>	<b>-</b>	<b>1 794 300</b>	<b>5 421</b>	<b>-</b>	<b>5 546 222</b>
<b>At 31 December 2022</b>						
Initial value	16 115 088	-	8 239 044	359 003	-	24 713 135
Accumulated amortisation and depreciation	(12 368 586)	-	(6 444 744)	(353 582)	-	(19 166 913)
<b>Book value at 31 December</b>	<b>3 746 501</b>	<b>-</b>	<b>1 794 300</b>	<b>5 421</b>	<b>-</b>	<b>5 546 222</b>

All fixed assets of the Company are pledged in favour of JSC Citadele Banka, refer to Appendix 15, but the equipment purchased in 2017 is encumbered in relation to the investigative activities of the partner.

\* On 14 March 2014, the Company signed with the Investment and Development Agency of Latvia an Agreement No.L-IZI-14-0003 on implementation of the project "Construction of industry premises in the free industrial area of JSC DITTON Driving Chain Factory". The project was launched on 14 March 2014 and completed on 7 July 2015. The total costs of the project amounted to EUR 3,376,313, including eligible costs EUR 2,796,430. Ditton Būve Ltd. has performed construction works within the project due to the Construction works contract No. DPR/2014/01 dated 25 July 2014. In accordance with the statement of completion and final acceptance of work dated 25 February 2015, construction works costed EUR 2,750,704. On 29 December 2015, the Company received the aid EUR 1,159,833 EUR from the Investment and Development Agency of Latvia (LIAA).

**11) Fixed assets (continued)**



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\*The significant part of production premises of the Company is held for rent. Before 2017 property for rent was recorded as fixed assets. Starting from 2017, the value of Company's property for rent (land and buildings) is recognized as investment property. Retrospective reclassification of cost, accumulated depreciation and depreciation expense of the relevant assets has been performed.

\*\* Since the year 2020 production premises of the Company, which are held for rent are reclassified back from investment properties as a part of fixed assets (Land plots, buildings and engineering structures), because the Company has assessed information given before and considers that information in the "Investment properties" has to be given in case it is parent company of the group.

Fixed assets include the land (cadastral number 0500 007 0001), on which the infrastructure facilities of the Company are located and which has been historically purchased on instalment from a commercial company registered in Latvia and pledged in a commercial bank registered in Latvia as collateral security for the seller's loan. The title to the mentioned plot shall be transferred to the Company only after registration in the Land Registry. Under the terms of the purchase agreement, the seller is not entitled to request the cancellation of the land purchase agreement.

The Company's management has assessed the value in use of its fixed assets and investment assets in the balance sheet and considers that their recoverable value is not lower than their carrying value.

**(12) Inventories**

	31.12.2022	31.12.2021
	EUR	EUR
Raw materials, consumables and supplies	436 178	474 389
Provisions for slow-moving items	(36 278)	(36 486)
<b>Raw materials, consumables and supplies, net</b>	<b>399 900</b>	<b>473 903</b>
Work in progress	199 963	189 594
Provisions for slow-moving items	-	-
<b>Work in progress, net</b>	<b>199 963</b>	<b>189 594</b>
Finished products and goods for resale	308 618	273 948
Provisions for slow-moving items	(26 238)	(26 238)
<b>Finished products and goods for resale, net</b>	<b>282 380</b>	<b>247 710</b>
Advances for inventories	143 263	157 210
Provisions for slow-moving items	(1 361)	(1 361)
<b>Advances for inventories, net</b>	<b>141 902</b>	<b>155 849</b>
<b>TOTAL:</b>	<b>1 024 145</b>	<b>1 031 056</b>
Provisions for slow-moving items:		
At the beginning of the year	(64 085)	(65 156)
Increase (Appendices 5 and 6)	-	-
Decrease (Appendices 5 and 6)	(208)	(1 071)
At the end of the year	<b>(64 293)</b>	<b>(64 085)</b>

**(13) Trade receivables**

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	31.12.2022	31.12.2021
	EUR	EUR
Book value of trade receivables	273 487	630 142
Provisions for doubtful accounts receivable	(16 880)	(69 170)
<b>TOTAL:</b>	<b>256 607</b>	<b>560 972</b>

Provisions for doubtful accounts receivable:

At the beginning of the year	69 170	92 276
Write-off	-	-
Recovered provisions (Appendix 5)	(52 290)	(26 258)
Increase in provisions (Appendix 6)	-	3 151
At the end of the year	<b>16 880</b>	<b>69 170</b>

**(14) Other debtors**

	31.12.2022	31.12.2021
	EUR	EUR
Input value added tax receivable (VAT)	13 295	23 020
<b>TOTAL:</b>	<b>13 295</b>	<b>23 020</b>

**(15) Share capital**

The share capital of the Company is EUR 10,360,000 with nominal value of EUR 1,40 per share and a total paid shares of 7,400,000.

The shareholders owning over 5 p% of the shares of the whole capital of the Company as at 31.12.2022 and as at 31.12.2021:

NAME	Shares	Shares
	owned, % 31.12.2022	owned, % 31.12.2021
Eduards Zavadskis*	-	20,00
Vladislavs Driksne	19,92	19,92
MAX Invest Holding SIA	13,63	13,63
SIA „Maleks S”	13,56	13,30
SIA „DVINSK MNG”	9,46	9,46
Marina Zavadska	6,67	-
Karolīna Marija Zavadska	6,67	-
Eduards Zavadskis	6,67	-

*\* Note: (1) The Company is not keeping a share owner and/ or a shareholder register. The above information is provided and updated on the basis of the shareholders list dated 22.08.2022 for the extraordinary shareholders' meeting of AS Ditton pievadķežu rūpnīca, which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

*(2) Information about shares of M.Zavadska and K.M.Zavadska is given according to the Statement of significant participation of these persons dated 24.10.2022. Veracity of the given information was certified by the shareholders list of AS Ditton pievadķežu rūpnīca dated 20.02.2023 for the shareholders' meeting which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

*(3) At 31.12.2022, there was no information at the disposal of the Company regarding the allocation of the shares between the heirs of E. Zavadskis (20,00 % in total) and V.Driksne (19,92% in total) and the accounting entries in their financial instruments accounts under Section 125 of the Law on the Financial Instruments Market.*

**(16) Loans from credit institutions**

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<b>Long-term:</b>		Repayment term	31.12.2022	31.12.2021
Loan from JSC Citadele Banka	EUR	15.12.2023	3 437 961	3 811 577
<b>TOTAL long-term loans from credit institutions:</b>			<b>3 437 961</b>	<b>3 811 577</b>
<b>Short-term:</b>		Repayment term	31.12.2022	31.12.2021
Loan from JSC Citadele Banka	EUR	15.12.2023	324 000	347 384
<b>TOTAL short-term loans from credit institutions:</b>			<b>324 000</b>	<b>347 384</b>
<b>TOTAL loans from credit institutions:</b>			<b>3 761 961</b>	<b>4 158 961</b>
			31.12.2022	31.12.2021
Liabilities due within one year			324 000	347 000
Liabilities due after one year but not more than five years			3 437 961	3 811 577
<b>TOTAL:</b>			<b>3 761 961</b>	<b>4 158 961</b>

Information on loans received by the JSC Citadele banka as at 31.12.2022 is as follows:

<b>Number and date of the contract</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Limit</b>	<b>Repayment term</b>
Long-term loan No.CI2010-2.3/1 dated 10.09.2010 (Agreement dated 07.12.2022)	EUR	5%+0.6213% EURIBOR	4 305 961 EUR	15.12.2023

The loan is secured by the commercial pledge on all of the Company's assets, including intangible assets, fixed assets, investment assets, inventories, claim rights and Company's financial instruments on bank accounts in JSC Citadele banka, as a pool of things at the moment of exercising the pledge right.

The guarantees of individual shareholders of the Company and commercial pledges, as well as guarantees of several cooperation partners and real estate pledge serve as an additional collateral security for loan repayment.

The Loan agreements contain covenants upon breach of which the JSC Citadele bank may request the pre-schedule loan repayment or increase the interest rate by 1%. The information available at the moment of preparation of these financial statements shows, that, upon calculation of the ratios set, based on interpretation of specific covenants, the ratios may be or may not be reached, inclusive of accumulated DSCR ratio for the past 12 months, if one-off past loan repayments are not subtracted, is less than 1, but in the year 2019 the Company has managed to contract the services of a finance consultant for the purposes of control over the financial information and preparation of such information. The Company is working with the Bank and finance consultant on close terms and the Management does not have any information that might indicate that the Bank might exercise the above noted rights to require pre-mature repayment of the loans granted.

\* On 22 February 2019 the Company concluded agreement with AS Citadele Banka on termination of loan agreement Nr CI2011-2.3/218 and restructuring of short-term liabilities based on the noted agreement in the amount of EUR 449 543, increasing long-term Loan agreement Nr. CI2010-2.3/1 liability to EUR 4 952 086 (see Appendix 16). Taking into account the restructuring performed, short term liabilities decreased below the value of short-term assets.

**(17) Other loans**

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<b>Short-term:</b>		Repayment term	31.12.2022	31.12.2021
Other loans*	EUR	31.01.2022	100 000	3 700
<b>TOTAL long-term loans from credit institutions:</b>			<b>100 000</b>	<b>3 700</b>

Loan repayment is not secured, without collateral (pledge) registration in public registers.

**(18) Taxes and State mandatory social insurance payments**

	31.12.2022	31.12.2021
	EUR	EUR
Property tax	128 910	150 521
Personal income tax	39 329	50 918
State mandatory social insurance payments	62 064	58 744
Nature resources tax	82	345
Penalties	14 097	37 483
VAT (Penalty calculated by State Revenue Service)	7 006	11 726
Risk duty	97	99
<b>TOTAL:</b>	<b>251 585</b>	<b>309 836</b>

**(19) Other creditors**

	31.12.2022	31.12.2021
	EUR	EUR
Salaries	90 425	81 507
Other creditors	140	90
Receivables arising in favour of the personnel	5 573	-
<b>TOTAL:</b>	<b>96 138</b>	<b>81 597</b>

**(20) Deferred income**

	31.12.2022	31.12.2021
	EUR	EUR
<b>Long-term:</b>		
VA „LIAA” funding Nr.L-IZI-14-0003	675 675	736 195
Construction cost compensation	290 873	313 836
	<b>966 548</b>	<b>1 050 031</b>
<b>Short-term</b>		
VA „LIAA” funding Nr.L-IZI-14-0003	60 520	60 520
Construction cost compensation	22 964	22 964
	<b>83 484</b>	<b>83 484</b>
<b>TOTAL:</b>	<b>1 050 032</b>	<b>1 133 515</b>

On 14 March 2014, the Company signed an agreement with the Investment and Development Agency of Latvia No.L-IZI-14-0003 on implementation of the project “Construction of industry premises in the free industrial area of JSC DITTON Driving Chain Factory”. The project was launched on 14 March 2014 and completed on 7 July 2015. The total cost of the project amounted to EUR 3,376,313, including eligible costs EUR 2,796,430. Under the Construction works contract No. DPR/2014/01 dated 25 July 2014 the Ditton Būve Ltd. has performed construction works within the project. In accordance with the statement of completion and final acceptance of work dated 25 February 2015, the construction cost amounted to EUR 2,750,704.

**(20) Deferred income (continued)**

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On 29 December 2015, the Company received aid in the amount of EUR 1,159,833 EUR from the Investment and Development Agency of Latvia (LIAA) under a 5-year period ban on disposal. The Investment and Development Agency of Latvia (LIAA) has started correspondence with the Company in respect of the fulfilment of the clauses of the agreement No.L-IZI-14-0003.

In accordance with the implementation of the agreement Nr. L-IZI-14-0003 signed in 2014 with the Latvian Investment and Development Agency "On Development of Production Premises for AS "Ditton pievadķēžu rūpnīcas" within the spare production space", project costs, based on project budget assessment, were recognised in the amount of EUR 459 275 less than initially planned. The difference of funding not received from the Agency was charged to the general contractor for construction works as compensation for funding not received. Income from compensation is recognised over the useful life of the asset developed.

**(21) Accumulated liabilities**

	31.12.2022	31.12.2021
	EUR	EUR
Accrued liabilities for goods and services	87 462	63 801
Vacation accrual	109 132	87 506
<b>TOTAL:</b>	<b>196 594</b>	<b>151 307</b>

**(22) Number of employees in the Company**

	2022	2021
Average number of employees of the Company during the year:	126	139
- Council members	5	5
- Management Board members	1	2
- Other employees	120	132

**Information on remuneration of Council and Management Board members\***

	Council		Management Board		Total	
	2022	2021	2022	2021	2022	2021
	EUR		EUR		EUR	
Fixed part, variable part and extraordinary items of remuneration	82 092	65 242	40 954	42 401	123 046	107 643
State mandatory social insurance payments	18 945	15 626	8 343	10 002	27 287	25 628
<b>TOTAL:</b>	<b>101 037</b>	<b>80 868</b>	<b>49 297</b>	<b>52 403</b>	<b>150 333</b>	<b>133 271</b>

*\* The full Remuneration Report of the Management Board and the Council in accordance with the requirements of the Financial Instruments Market Law of the Republic of Latvia, Directive (EU) No 2017/828 of the European Parliament and of the Council of 17 June 2017 and the Remuneration Policy approved by the shareholders is issued as a separate document as appendix to the Annual report of the Company.*

**(23) Financial risk management**

Financial risk management in the Company is carried out in accordance with Risk Management Policy of the Joint Stock Company Ditton pievadķēžu rūpnīca.

**(23) Financial risk management (continued)**

In 2022, the following risks were considered to be current financial risks for the Company's operations.

### **Credit risk**

Credit risk is the risk that the Company might have financial loss due to business partner who failed to comply with his obligations towards the Company. Cash, trade receivables and advance payments mainly cause the credit risk.

These risks may be related to either the insolvency of the partners or the cessation of their operating activity, including at the request of third parties, by blocking or seizing the partners' bank accounts, or by the partner's own dishonest conduct.

#### *External prices*

Credit risk is associated with a sudden and unpredictable increase in the prices of raw materials and energy resources, as a result of which the Company's orders, based on prices determined before increase, become or may become such as to cause losses to the Company.

#### *Cash*

Credit risk related to cash at banks is managed by balancing the financial asset allocation in order to maintain the possibility of choosing the best offers and minimizing the loss of financial resources at the same time.

The Company oversees, assesses and mitigates this risk by appropriate work with Company's partners, for example, limiting or suspending the ongoing and future transactions with unfavourable partners, when the Company receives information about partners' possible problems with meeting their obligations.

This risk is managed and localized, including through systematic marketing research and ensuring that transactions are properly legally secured.

### **Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet its obligations timely and in full. Liquidity risk appears, when repayment terms of financial assets and liabilities do not match. 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 Appendix 16) so that the Company fulfils its obligations within the set time limits. The Company regularly monitors financial assets and liabilities mismatches, as well as stability of funding sources for long-term investments.

In the opinion of the Company's management, the Company will have sufficient cash resources to secure its liquidity.

### **Foreign currency risk**

Foreign currency risk is the risk that the Company might have financial loss due to unfavourable fluctuations in exchange rates. This risk arises when financial assets in foreign currency do not match with financial liabilities in the same currency; herewith the Company has open currency positions.

### **Interest rate risk**

Interest rate risk is the risk that the Company might have financial loss due to unfavourable fluctuations in interest rates. The Company experiences such interest rate risk of long- and short-term loans from credit institutions due to variable fixed rates, or when fixed interest period is less than the planned time of the loan repayment, or when credit interest is based on variables, or due to terms of the Loan agreement. The Company does not have any other choice and does not use any tools to mitigate the

## **(23) Financial risk management (continued)**

interest rate risk other than to fulfil loan-borrowing conditions in full and to cooperate with credit institutions.

#### **COVID-19 pandemic risk**

COVID-19 pandemic risk is the risk that in the result of decrease of global economy and activity level a significant decrease of Company's production and financial indices, which are integrated in global economy, will appear. Specific feature of this risk is that it does not depend only on Company and Company's risks management, but it depends mainly on external factors and decisions of the management institutions.

The revival of market segments, the recovery of the economy and the implementation of prudent measures to deal with the risk of the COVID-19 pandemic have made it possible to minimize the impact of this risk in 2022.

The impact of this risk is projected to be negligible in 2023.

After the end of the reporting year - 2022 - the **Risk of sanctions** arose and has a significant impact. It is forecasted that this risk will be actual during the whole year 2023 and possibly beyond. By its nature, the Risk of sanctions activates and deepens the Credit risk and Foreign currency risk, as well as may cause a significant decrease in the Company's production volumes.

#### **(24) Contingent liabilities, pledges and guarantees**

The Company issued collateral (guarantees and pledges) in accordance with the long-term loan according to the Loan Agreement No. of 10 September 2010 No. CI2010-2.3/1, which was concluded with A/S "Citadele Banka", in which the Company is a borrower.

The Company had not issued collateral (guarantees and pledges) in accordance with liabilities of the third persons.

#### **(25) Related Person Transactions**

The Company had not concluded transactions with related persons in the year 2022.

#### **(26) Subsequent events**

1) After the end of the financial year, the global economy, in which the Company is integrated, continues to decline, there are no significant tendencies in production growth, and communication and cooperation opportunities are still limited, which is obviously related to the decisions imposing sanctions on the Russian Federation and the Republic of Belarus and on unpredictable trends in the prices of raw materials and resources.

At the time of preparing the Annual report, it is not possible to provide a reasoned forecast of the impact of these factors on the Company, as the situation still remains unstable and the amount of sanctions already imposed and their addressing is being systematically adjusted.

2) Due to the fact that the funds of the Company's credit institution accounts were seized on September 13, 2022 by the decision of the State Revenue Service No.30.4/17.19.5/78969, which was adopted as part of the audit before the conclusion of the audit, the Management board has a justified opinion that the results of the audit will affect the indicators of the year 2022 and annual operating forecasts for the year 2023.

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3) The Management Board does not note any other significant event that would affect the Company after the end of the financial year at the time of preparation and approval of the Annual Report for the year 2022.

According to the Protocol of the Management Board meeting the financial statements have been signed on behalf of the Company on 28 April 2023 by

Rolands Zarāns  
Chairman of the Management Board

\_\_\_\_\_  
(signature)

Jūlija Lavrecka  
Chief Accountant

\_\_\_\_\_  
(signature)



## Independent Auditor's Report

### To the shareholders of the JSC Ditton pievadķēžu rūpnīca

#### *Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of JSC Ditton pievadķēžu rūpnīca ("the Company") set out on pages 18 to 41 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2022,
- the profit and loss statement for the year ended on 31 December 2022,
- the statement of changes in equity for the year ended on 31 December 2022,
- the statement of cash flows for the year ended on 31 December 2022, as well as
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the JSC Ditton pievadķēžu rūpnīca (the Company) as at 31 December 2022, and of its financial performance and its cash flows for the year ended on 31 December 2022 in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

#### *Basis for Opinion*

In accordance with the Law on Audit Services of the Republic of Latvia, we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (incl. International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (incl. International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Our Audit Approach*

During the audit planning process, we have determined the materiality level and assessed the risks of material misstatement of the financial statement. Especially we have assessed, whether the Management has made subjective assumptions, such as those about significant accounting estimates, which include assumptions and uncertainties about future events. The same as by other audits, performed by us, we have assessed management internal control breach risk, including assessment, whether there are evidences of bias indicating a risk of material misstatement due to fraud.

#### *Materiality*

The scope of the audit depends on application of materiality. The audit is planned with the aim to obtain reasonable assurance that the financial statements are free from material misstatement. Misstatements may result from fraud or error. They are considered to be material if, individually or aggregate, they are reasonably expected to influence the economic decisions of the users concerning the financial statements.

Basing on our professional judgement, we have set specific materiality thresholds including the total materiality level applicable to the financial statements as a whole and is given in the following schedule. Along with qualitative considerations, they helped

us to determine the scope, type, duration of the audit and the scope of audit procedures, in order to estimate impact of individual and aggregated misstatements on financial statements as a whole.

Overall materiality	Overall materiality is determined in amount of EUR 108,0 thousand, performance materiality is determined in amount of EUR 75,6 thousand
How have we determined it	The overall materiality is ca. 1,5% of balance sheet asset value, performance materiality – ca. 70% of the overall materiality
Basis for application of materiality criteria	In our opinion net turnover is one of the main criteria characterizing operating activity of the Company, which draw attention of Company's Management and investors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Response
Real estate valuation and representation in accounting registers	
<p>The balance sheet of the Company shows production buildings and constructions in the amount of 2061350 euros, which is 37.2% of the total long-term investments.</p> <p>The liquidation value of the real estate has not been determined, nor has the Company's management performed an assessment of the recoverable value of the real estate.</p> <p>In 2015, the ERDF co-financed project Construction of industry premises in the free industrial area of JSC DITTON Driving Chain Factory was completed.</p> <p>The investments made in the ERDF co-financed project are shown in the accounting records as two separate objects, but the value of the objects in which the reconstruction was carried out has not been increased.</p> <p>The real estate balance is relevant in the context of financial statements, so our audit procedures related to the audit of real estate records were significant in our audit process.</p>	<p>We obtained information about the legal status, encumbrances and expected use in the future of the real estate in the Company's records from the state single computerized land register.</p> <p>In previous audits, we have expressed our vision to the audit committee regarding the possible valuation of the real estate according to the true value and recommended to carry out real estate valuation in the future in accordance with the Regulation No. 775 of the Cabinet of Ministers of the Republic of Latvia from December 22, 2015 "Application procedure of the Law on Annual Reports and Consolidated Annual Reports" Section 5.3 of the Article 88.</p>

### Reporting on Other Information

Company management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Management Report, as set out on pages 14 to 17 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 17 of the accompanying Annual Report,
- the Statement of Corporate Governance, as set out on pages 7 to 10 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities applicable to other information in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### *Other reporting responsibilities applicable to other information in accordance with the legislation of the Republic of Latvia*

In accordance with the Law on Audit Services of the Republic of Latvia our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In accordance with the Law on Audit Services with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law. In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services our responsibility is to provide information in the auditors' report as to whether the Company has prepared a non-financial statement and whether the non-financial statement is included in the management report or is prepared as separate part of the annual report. The audited Company is not required to prepare a non-financial statement.

In accordance with the Law on Audit Services our responsibility is also to provide an opinion whether the Remuneration report contains the information referred to in the section 59.4 of the Financial Instruments Market Law and whether material misstatements are stated in the Remuneration report in connection with the financial information provided in the annual report. In our opinion the Remuneration report contains the information referred to in the section 59.4 of the Financial Instruments Market Law and no material misstatements are stated in the Remuneration report in connection with the financial information provided in the annual report.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards approved in European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation;
- obtain sufficient appropriate audit evidence about the Company's financial information to provide an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Other statements and approvals to be included in the auditors' report in accordance with the requirements of the regulatory enactments of the Republic of Latvia and the European Union when providing audit services to Companies that are public interest entities*

*Report on the compliance of financial reports with the requirements of the European Single Electronic Format (ESEF)*

The Management Board of the Company has applied the method of reporting financial statements to comply with the requirements of paragraph 3 of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018, supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format. The applicable requirements for reporting financial statements are contained in the ESEF Regulation. Based on these requirements, financial statements must be submitted in XHTML format. We certify that the electronic reporting format of the financial statements for the year 2022 complies with the ESEF regulation in this respect.

*Appointment*

On 3 November 2022 the persons entrusted with the management of the Company have appointed us to audit the financial statements of the Company for the year ended on 31 December 2022. Total uninterrupted term of our audit engagement is four years, and it includes reporting periods from the year ended on 31 December 2019 until the year ended on 31 December 2022.

We approve that:

- our auditors' opinion is consistent with the additional report submitted to the Company's Audit Committee;
- as it is stated in section 37.<sup>6</sup> of the Law on Audit Services we have not provided prohibited non-audit services given in the Paragraph 1 of the section 5 of the Regulation (EU) No. 537/2014.

During the period covered by our statutory audit, in addition to the audit, we have not provided the services to the Company, the findings of which are not set out in the Management Report attached to the financial statements or in the Company's financial statements.

The responsible sworn auditor of the audit service that results in this independent auditor 's report is Marija Poriete.

SIA "AKTĪVS M AUDITS"  
Licence No.40

*Marija Poriete*  
Member of the Board

*Marija Poriete*  
Certified Auditor of the Republic of Latvia  
Certificate No. 6

Vienības gatve 99-7, Rīga  
28 April 2023