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Comment of the Company to the annual report

On 29 April 2012 the JSC AS „Ditton pievadķēžu rūpnīca”, hereinafter – the Company, disclosed its audited annual report with the report of the auditor SIA „Deloitte Audits Latvia”, hereinafter – the Auditor.

In the Auditor’s report there are some judgments concerning the Company, which in the opinion of the Council and the Management Board are significant information for shareholders and potential investors.

In this regards, in order to fulfil requirements of Clause 59 of Financial Instrument Market Law, the Council and the Management Board consider it necessary to disclose following explanations.

1. Regarding impossibility to perform a reliable and guaranteed evaluation of effectiveness and efficiency of the Company’s investments into markets of next periods.

In conditions when the world economy has not finished an exit from global economic recession and according to many economic analysts the world economy expects “the second wave” of crisis, when problems with a default affect earlier prosperous countries, when the issue concerning the lack of an appreciable growth of a real sector of economy is topical, when more developed countries of the world community are compelled to increase funds for overcoming of the crisis phenomena (IMF, ECB), when all this occurs against the background of high unemployment rate and a low consumption level which has not reached the pre-crisis level, it is impossible to make reliable and long-term forecasts of the markets for long prospect.

In this regard the Auditor’s conclusions completely coincide with a position of the Company which is presented in the reports of the management and of the Council to the annual report, and also earlier was published in annexes to quarterly reports of the Company.

At the same time analyzing an aspect of the Company’s investments into markets of next periods, it is necessary to recognize that forecasts of the Company for a reasonable prospect completely came true. This is testified by the results of the Company’s activity in 2011, and also that the Company maintained and strengthened its position in these markets.

Certainly, risks of commercial activity are topical always. Certainly, the Company can not restrict the activity only to Latvia and objective circumstances demand its presence on other markets and with different level of risks. Presence of risks doesn’t mean that the Company should stop its economic activity till the moment when there will be certain ideal markets for the Company created, with absolute guarantees and protection. There will be never such circumstances on the market.

The Company is compelled to work and will work on all markets, considering, forecasting and managing risks as much as possible. In this regard the Company is solidary with the Auditor that these risks and conditions of the market are dynamic, they can’t be forecasted for a long term and in definite frames, but it is necessary to analyze constantly this dynamics and to correct policy of the Company in due time, including by using the Company’s investments into the markets of next periods.

The Company conducts such activities all the time.

2. As to the provisions for the Company’s debt liabilities with a high risk. According to rules of law of the Republic of Latvia and the European Union, the decision on provisions is within the competence of a capital company. Judgments of expert institutions are recommendations to the Company, as well as an emphasis of an attention on those circumstances which are subject to a

systematic control. Of course, the Company is grateful for such expert recommendations and emphasis, and they are taken into consideration.

At the same time existing objective circumstances don't cause, in the Company's opinion, a real need for provisions for debit debts designated by the Auditor.

For the decisions about provisions there is a formal sign necessary (delay of payment terms agreed by contractors), and also an informal subjective sign (high probability of risk that the debt shall not be repaid).

In this concrete case the formal sign is absent and the debts are not delayed by term of payments. For shareholders and investors it is essentially and important that these are not long-term debts, belong to economic activity of the Company in October - December 2011. For shareholders and investors it is essentially and important also that as of 25 April 2012 45% from these obligations is already paid.

In addition, Clause 37 of Annual Accounts Law provides for provisions not for all debit debts in general, but only for that part, which according to the Company's evaluation is doubtful or unreliable. Dynamics of return indicates absence of such debit debts and this circumstance, unfortunately, has not been taken into consideration by the Auditor.

The largest debtor of the Company is a Latvian company owning assets (real estate, shares), in this connection, and also due to its reputation the Company does not see a high probability of risk that this debt shall not be repaid by this debtor (as the total amount of the debt does not exceed a criterion specified in Clause 59 of Financial Instrument Market Law, it is not required to disclose information on this partner).

In these conditions provisions seem to be unreasonable, otherwise it is necessary to admit a need of such provisions for any operations of economic and commercial activity, for example, for accounts and settlements in Latvian banks, as it is also priori impossible to estimate risks of such operations, for example, prompt crash of Latvijas Krājbanka with termination of settlements and loss of deposits.

At the same time the Company is going to analyze performance of debt liabilities and if signs will occur, according to which these provisions shall be objectively necessary, they will be certainly executed.

The Management Board and the Council