JOINT STOCK COMPANY “LATVIJAS VALSTS MEŽI”

(UNIFIED REGISTRATION NUMBER 40003466281)

ANNUAL REPORT 2013

(14th accounting year)

PREPARED IN ACCORDANCE WITH

THE ANNUAL ACCOUNTS LAW OF THE REPUBLIC OF LATVIA

AND THE REPORT OF INDEPENDENT AUDITORS

Riga, 2013

General Information

Name of the enterprise	Latvijas valsts meži
Legal status	Joint stock company
Registration number, place and date	40003466281 Riga, 28 October 1999 Re-registration in the Commercial Register 1 November 2004
Registered office	Kristapa iela 30 Riga, Latvia, LV-1046
Full name and address of the Shareholder	Ministry of Agriculture of the Republic of Latvia (100%) 2 Republikas laukums Riga, Latvia, LV-1981
Stockholder's representative	Arvīds Ozols
Responsible official of the Ministry of Agriculture	Jānis Birģelis
Members of the Board	Roberts Strīpnieks – Chairman of the Board
	Gints Bumbieris
	Arnis Melnis
	Edvīns Zakovics
Subsidiary company	SIA Jaunmoku pils (100%)
	Tume Municipality, Tukums Region, Latvia, LV-3139
Associated company	SIA Meža un koksnes produktu pētniecības un attīstības institūts [Forest and Wood Products Research and Development Institute] (40%)

	Dobeles iela 41, Jelgava, Latvia, LV-3001	
Accounting year	1 January 2013 – 31 December 2013	
Auditors	Iveta Vimba Sworn Auditor of the Republic of Latvia Certificate No. 153	Ernst & Young Baltic Ltd. Kronvalda bulvāris 3-5, Rīga Latvia, LV – 1010 Licence No.17

Report of the management

15 April 2014

Type of activity

The purpose of the activities of the joint stock company “Latvijas valsts meži” (hereinafter referred to as - LVM or the Company) is administration of the state-owned forest property and management of the public forest ensuring the preservation and increase of its value and generation of revenue for its owner – the state.

The stockholder of LVM is the state represented by the Ministry of Agriculture of Republic of Latvia. The Company’s governing bodies are the General Meeting and the Board. The highest decision-making body is the General Meeting representing the stockholder: the Ministry of Agriculture. The highest executive body of LVM is the Board. As at 31 December 2013, the LVM Management Board consisted of 4 members: the Chairman of the Board and three Members of the Board.

LVM administers and manages 1.62 million hectares of land of the Republic of Latvia, including 1.59 million hectares of forest land, out of which 1.35 million ha is forest. In accordance with the LVM strategy confirmed in 2010, 0.32 million hectares or 20% of the total area owned by LVM are managed as nature conservation areas, including 0.23 million hectares of conservation areas which are located in the forest areas. The economic activity with the objective to produce high-value wood is planned in 1.16 million hectares of forest, out of which 0.18 million hectares are managed with additional conditions for environmental protection, recreation and environment exploration.

Activity of the Enterprise in the reporting year

	Budget mln LVL	**Actual implementation Mln LVL**
Revenue, of which from	**176.30**	**183.80**
sales of roundwood assortments	156.18	160.56
certified products delivery guarantees	-	0.33
sales of standing trees	12.40	15.10
sales of wood chips for energy production	2.47	2.06
sales of seeds and forest planting stock	2.65	2.03
management of the real estate	1.50	1.32
lease of the hunting grounds	0.44	0.43
recreation and hunting services	0.59	0.62
other revenue*	0.01	1.30
interest income	0.06	0.05
Total costs:	**135.23**	**130.22**
production costs	129.30	124.94
corporate management costs	5.93	5.28
Real estate tax	**2.10**	**2.28**
Donations	**2.16**	**2.80**
Profits before tax	**36.82**	**48.50**
Company income tax	4.42	5.98
Profits after tax	**32.40**	**42.52**

* The difference between various revenues and costs that are not directly linked with the Company's business activities

Report of the management (continuation)

Total revenues in 2013 by 7.51 million lats exceed the planned ones, including the revenues from sale of timber exceed the figures planned into the budget by 7 million lats. The overachieving of revenues is significantly influenced by the sale of roundwood assortments and the sale of standing trees. In 2013, the overachieving of revenues from sales of roundwood assortments was due to higher sales volume of sawlogs, poles and beams blocks, as well as a higher weighted-average sales price of assortments. The firewood volume and sales price also exceed the budgeted sales. The revenue from the sale of standing trees is higher than the planned revenue mainly due to higher average sales prices. The unfavourable market situation in Scandinavia has cause the decrease of the delivery amount of the chips through ports to foreign buyers and the increase of the proportion of supplies for the local market. Thus, the energy chips revenues are lower than planned in the budget, as the average sales price of chips has been lower than planned. The revenue from the sale of forest tree seed and plants is lower than the budgeted revenue which was affected by the fall in demand for forest tree seedlings in Latvian and Swedish markets. It has not allowed realizing the budgeted amount of forest tree seedlings.

The total operating costs are lower than budgeted, which can be explained by the lower forestry work and forest infrastructure maintenance costs, as well as by the smaller land registration costs. Forestry activities in 2013 were carried out according to the situation in nature, while the unit price of forestry work services was lower than planned. Forest infrastructure costs were mainly affected by lower volume carried out for culvert maintenance, winter operations and lower prices. Land registration has been carried out in accordance with the surveyed amount of land submitted by the surveyors.

The Joint-stock Company "Latvijas valsts meži" in 2013 has completely fulfilled its obligations towards the owner, i.e., the State, by paying the payment envisaged in the Cabinet Regulation No. 1471 "Procedures for the Determination and Transfer into the State Budget of the Profit Share to be Disbursed for the Use of the State Capital" in the amount of 34.7 million lats (34.7 million lats from the income of 2012) and all the taxes applicable to LVM (40.1 million lats)..

In accordance with the basic principles approved by the owner of the Enterprise, LVM during the reporting year for various objectives has donated 2.8 million lats.

Operations plan	Unit	Business operations plan	Actual implementation
Sales of roundwood assortments	mln m3	4.70	4.80
Sales of standing trees	mln m3	0.85	0.87
Sales of energy chips	mln loose m3	0.33	0.32
Sales of energy chips	Mln Mwh	0.248	0.252
Forest regeneration	thou ha	15.7	19.5
including artificial regeneration	thou ha	10.1	10.3
Forest (young stand) tending	thou ha	38.8	39.4
Registration of land in the Land Register	thou ha	234.7	202.7
Forest road construction	km	300	329

The overflow of the sales volume of standing trees have been mainly created by the felling areas contracted in 2012 which IML partners have bought out in 2013. The round wood sales volume has slightly exceeded the planned volume mainly due to larger volumes of coniferous tree and deciduous tree sawlogs, as well as due to the volume of poles and sleeper blocks. The actual dimensions of trees and wood quality also have affected the outcome of the volume of pulpwood and wood in the felling areas that provided lower pulpwood and firewood higher sales volume than budgeted in 2013. The energy woodchip sales volume in loose m3 is less than the budgeted volume due to falling demand. By contrast, the volume of chips sold in MWh is higher than the budgeted volume, which indicates a higher quality of the delivered

chips. In 2013, 287 vessels, including 9 vessels with chips, were shipped through ports.

In 2013 the forest has been regenerated in the area of 10.3 thousand hectares with the tree species, regeneration types and technologies and in accordance with volume necessary in nature envisaged in the LVM Strategic Plan. The volumes of natural regeneration have been significantly higher than the budgeted volumes - 9.2 thousand hectares or 165% of the budgeted volumes that is connected with the changes in birch regeneration plan replacing the artificial regeneration by the natural regeneration. Young forest stands have been tended over the planned volume in the area of 39.4 thousand hectares with the periodicity and intensity provided for in the above-said plan.

Report of the management (continuation)

In 2013, 329 km of forest roads were launched into operation, including 165 km of roads that were reconstructed and 164 km that were constructed anew. The above-said roads are comprised into the balance-sheet of the Enterprise, and 20.3 million lats were invested in their construction. In the reporting year, the construction of the objects with a total length of 249 km has been started. These objects will be put into operation in 2014.

In 2013, the total surveyed and registered in the Land Register area is 0.20 million hectares, but from 2000 in its entirety the total surveyed and registered in the Land Register area is 1.08 million hectares of land. Carrying out a task to restore the property boundaries for the planning units of 2014 and 2015, the borders renovation works have been performed in the area of 0.03 million hectares of forest lands.

In all the eight LVM regions, the annual FSC and PEFC surveillance audits have been made in which the elimination of shortcomings identified in previous audits has been tested and the compliance of economic activities with the certification standards has been re-valuated. Significant non-compliance with the certification requirements was not detected. Some insignificant shortcomings were identified which are mainly related to non-compliance with the requirements for labour and environmental protection, improvement of logging process quality and environmental management process.

The ISO recertification audit has been carried out. The certificate for production and sale of forest seedlings in compliance with the requirements of EN ISO 9001: 2009 quality management standard has been obtained.

The most significant public relations projects and events of LVM in 2013:

- In the 2nd quarter of 2013, all over Latvia LVM has organised various the *Forest Days* activities - tree planting, putting bird cages, garbage collection in the forest using standardized informative wall charts which show a forest management cycle and contain information on forests, a renewable resource and CO2 life cycle;

- Within the framework of the Project "Oxygen" forest seeding and planting events in Latvia have been organized, including the Night of Museums in 13 different museums. Around 20000 fir and pine tree seeds were planted during the campaign;
- For the sixth time a special summer camp has been organized for 40 the most active teachers participating in the LVM environmental education program "Learn about Forest" - in collaboration with the Centre for Continuing Education of the Forest and Wood Products Research and Development Institute (MEKA) the teachers got the opportunity to receive the certificates confirming the completion of the 36-hour environmental education course "Promotion of the schoolchildren's cognitive activities and creativity in the learning process about forests";
- In the *Mammadaba* Master Class, organised by LVM, 11000 participants from 158 Latvian educational establishments have taken part;
- During the Riga City Festival, *Mammadaba* Embassy, in the creative information space "Esplanade 2014" was open to all enthusiasts offering everybody to learn more about various recreational opportunities in Latvia's state forests and participate in educational activities - the *Mammadaba* School of Birds for families with children, making birdhouses together and Facts of Nature cinema hosted by Mammadaba friends Māris Olte and Māris Maskalāns;
- With the LVM support the opportunity was given for children to participate free of charge in 10 summer camps. 250 children from different camps participated in the LVM organized workshops on the theme "Trees are entering the city";
- Participation in the exhibition of the forest branch "Forest occupies Riga", during which the LVM informed how fast forest grows and what is the forest management cycle;
- The first edition in Russian has accompanied the *Mammadaba* magazines in Latvian and English, as well the Handbook for determining the forest types has been issued;
- LVM has organized three Nature Days for environmental monitoring, forest management planning and forest management planning in the areas which must be managed differently than the rest of the areas;
- *Forest Science Days* have been organized the day - in cooperation with the Forest faculty of Latvia University of Agriculture on forest resource data and innovations, as well as in collaboration with LVMI Silava and VMD MPS Kalsnava on forest statistical inventory, on forest protection and new forestry technologies.

Enterprise and Environment

In 2013, in the territory administered by LVM for nature protection purposes 16% of the forest areas have been managed which is more than 20% of the total area.

Since 2011, in the LVM lands located outside the statutory protected areas the identification and mapping of the protected habitats of EU and Latvian importance have been resumed. The mapping of the rare and specially protected species has also been resumed. This has been done both in eco-forest areas and the rest of the LVM

areas in assessing the environmental impact of the planned forest infrastructure construction objects and assessing the potential felling areas. The fixed data in nature are entered in the LVM database which in daily work is used by all the LVM employees who plan and carry out forest management. In 2013, the LVM database is supplemented with more than 1300 new, rare and specially protected plants, fungi, lichens, invertebrates species discoveries, but during three seasons, the LVM experts have fixed more than 4000 rare and specially protected species. Every year the LVM experts find some rarity – in the Latvian territory little known or unknown so far undocumented species. For example, during the 2013 season, 3 new flora and fauna species have been found: *Dichelyma falcatum* and two species of beetle.

Report of the management (continuation)

Over the past three seasons, in the LVM area in addition to so far found and protected natural forest habitats (50 thousand hectares) the protected habitats of EU and Latvian importance are also mapped annually and their quality is assessed. The total area of the above mentioned habitats is already 24.7 thousand hectares - nearly 30 types of protected habitats. Of them, 7.7 thousand hectares have been established in 2013. The largest proportion consists of forest and bog habitats, of which the most frequently identified forest habitats are swamp forests, old or natural boreal forests and swampy forests. From the established forest habitats, 48% are excellent and good quality, 52% - medium and low quality forest habitats.

The LVM employees, examining the areas provided for economic activities, each year find new large nests and inform about them the LVM bird experts who survey the nests, identify bird species and determine the necessary protection. In 2013, the LVM employees have reported about 188 newly discovered large nests. Until the expert judgment a 500 meter wide safety zone for the newly discovered nests is set, and for this area no forestry activities are planned. Currently the LVM database contains information on 1650 large nests, of which 944 are nesting sites of protected bird species. The LVM database contains also information on the historical nesting sites. All known nests are provided with adequate protection. In 2013, the LVM database has been supplemented with 160 new nests of protected birds.

Every year in the territory administered by LVM monitoring of species and habitats of protected birds and plants is carried out. Monitoring results are used in the planning of economic activity. To minimize the impact of economic activities on the identified natural values additional precautions are determined. For example, in the areas of black stork nesting, in addition to the existing protection of the nesting site, within the radius of 500 m forestry operations are prohibited within the nesting period (relating to 136 nests in 2014). In the zones around wood-grouse mating-places during spring – summer period forestry activities do not take place within the radius of 1000 m (In 2014 in 241 mating places in the area of 86 thousand ha). This year, the LVM roads that lead through the nature areas of nesting sites or mating-places are started to be closed within the nesting period from March to the end of July.

In order to improve or restore the quality of the protected habitats and protected species, LVM performs annually habitat maintenance. In 2013, in the area of 262

hectares forest habitats have been tended. In the area of 142 hectares wood grouse habitats have been tended. In the area of 330 hectares forest glades have been hayed.

Planning and development of the Enterprise

As a representative of the public forest managers, LVM has commenced participation in the Advisory Board of the Forest Development Fund and the working group established by the Ministry of Agriculture for the development of the laws and regulations relating to the nature and environmental issues.

In collaboration with the Latvian State Forestry Research Institute “Silava” evaluation and planning for the implementation of the selection program has been organized.

A joint planning with the RTU has been organized to identify potential areas of cooperation in 2014 within the framework of the implementation of the Memorandum of the both parties.

LVM has coordinated with the management of the State Stock Company "Latvijas valsts ceļi" (Latvian State Roads) the potential co-programmable directions and resources for implementation of the Transport Innovation Program.

In collaboration with the Latvian State Forestry Science Institute Silava and Latvia University of Agriculture *Forest Science Days* the Forestry Science Days have been planned for 2014.

To preserve the natural diversity in the areas managed by LVM the system for the protection of capercaillie populations, habitat conservation and management has been developed.

LVM has used the opportunity in collaboration with the Latvian Employers' Confederation (LEC) to get prepared for the conference on social dialogue in Latvia and participate in the discussion on energy policy development in respect of mandatory procurement components of electricity.

In order to improve personnel management processes in the company, as well as to integrate the personnel management and LVM management processes in a single information system LVM has launched the introduction of the work performance management information system for the senior and middle managers.

LVM has provided that throughout the company external documents are signed and sent electronically.

LVM has supported the Forest faculty of Latvia University of Agriculture in assessment of the study program content and preparation of opinions on doctoral dissertations.

LVM has arranged the process of production and development cooperation in the implementation of the research projects in the forests managed by LVM.

LVM has entered into the Memorandum of cooperation in scientific research with the Forest and Wood Products Research and Development Institute.

Report of the management (continuation)

In accordance with the priorities of scientific research defined in the LVM strategy, LVM has carried out such studies:

- Adaptation of forestry to climate changes;
- Research program of forestry practices effects on greenhouse gas emissions and CO2 removals;
- Development of the methods for assessing the amount of CO2 released by the production;
- Modelling forest stands growth and yield for resource mobilization opportunities;
- The development of methodological support for reducing the environmental impact of forest management and for introduction of appropriate monitoring system;
- Economically efficient, sustainable and productive use of land for production of agriculture and forestry produce;
- Innovations for the improvement of transport efficiency, development of the research program;
- The research project on stem shape and assortments;
- Pruning of standing trees (spruce) and the impact of mechanical trunk protection measures on the future growth and quality of trees;
- The research on different energy resources;
- Reduced tyre pressure on the low bearing capacity roads;
- Silvicultural evaluation of sample cutting sites in the Baltic Sea protection zone;
- Individual trunk protection methods of young forest stands, their evaluation;
- Research of limiting factors of the spread of root rot;
- Approbation of mechanical protection methods and comparison with the traditional methods of plant protection against a large pine weevil damage;
- Development of methodology for determination of the area to be felled, wood volume and assortment structure in the forest areas affected by the forces of nature;
- Forest Tree Breeding studies of genetically high-quality forest reproductive material selection;
- Forest fertilization impact assessment in relation to the increase in the value of the forest stands;
- The LVM assessment of forestry and economic factors of pine sowing;
- Root rot surveillance and restriction in coniferous forests;
- Monitoring of pest population prevalence and intensity of damage, development of control recommendations;

Participation in international processes

Participation in the international conference on the management of forest tree seed plantations in the Baltic Sea region.

Within the framework of International activities and due to participation and support of the LVM specialists the Eustafor booklet on the Natura 2000 site planning and management has been prepared;

LVM has supported the industry and the Ministry of Agriculture in carrying out the study "Economically efficient, sustainable and productive use of land for production of agriculture and forestry produce", in participating in the work of the Committee on Climate Change in relation to LULUCF (Land Use, Land-Use Change and Forestry) Working Group and ratification of the amendments to the Kyoto Protocol, as well as has provided support in the implementation of the EU Timber Regulation in Latvia.

Within the framework of International activities the visit to the Swedish Forest Research Institute Skogforsk has taken place, the development directions, the performed activities and current fields of action have been mutually presented.

Participation and report OSCAR (The Operations Systems Centre of Advanced Research) in the conference in Norway on LVM experience in forestry work service management.

Management of financial risks

LVM carries out its economic activity pursuant to the long-term development plan. It provides that the company must ensure a stable profit and positive cash flow from operating activities. Financial management at the Enterprise is effected in centralised manner, and the liquidity completely ensures the fulfilment of all obligations towards the cooperation partners and the State. Taking into account that nearly all revenues (more than 99%) according to the sale market is in lats or euro, the impact of currency risk on the financial indicators of the Enterprise is minimal.

The monetary means accrued by the Enterprise are placed in low-risk financial instruments – deposits of credit institutions and money market fund of JSC “SEB banka”, where the discharge of the fund shares is made at the request by the Enterprise with the aim to earn stable revenues.

Circumstances and events after the end of the reporting year

In the period since the last day of the reporting period till signature of this Report, there have not been any other noteworthy events that would significantly influence the financial condition of the Enterprise as of 31 December 2013.

Report of the management (continuation)

The most important intents for implementation in entrepreneurial activity in 2014:

To maintain the forest management certifications FSC and PEFC in all the LVM regions. To ensure the presence of Certificate ISO 9001 for production and sale of forest seedlings.

To ensure the sales of roundwood assortments at least in the amount of 4.80 million cubic meters and the sales of standing trees according to the long-term logging contracts in the amount of 0.87 million cubic meters.

To provide the energy woodchip sales volume of not less than 359 thousand loose cubic meters.

To carry out forest regeneration of 15.6 thousand hectares, including ensuring the natural regeneration of 6.9 thousand hectares.

To carry out the agro technical treatment of the restored forest areas of 25.8 thousand hectares and treatment of young stands in the thinning areas of 39.4 thousand hectares.

To clean drainage ditches out of alluvium in the area of 367 thousand cubic meters.

To put into service the renewed forest drainage systems in the area of 14.8 thousand hectares and the newly built and reconstructed forest roads with a total length of 260 kilometres.

In order to complete the survey of the land managed by LVN and its registration in the Land Register by 31 December 2015, in 2014 to survey and register in the Land Register 174.9 thousand hectares of land. To carry out borders restoration and maintenance of 35.8 thousand hectares.

To provide the forest seedlings sales volume of not less than 52.54 million forest tree seedlings, including 47.13 million new technology plants.

When carrying out technology and work practices research evaluate the opportunities and benefits of production of energy wood from young stands care, growing stock care and the produced wood in the process of removing overgrowth of ditches of forestry drainage systems.

To evaluate the short-term and long-term impacts of climate change on woody plants in determining forestry customization options.

To specify the tree trunk-shaped generatrix equations and work out algorithms to make prognosis on the assortment result for making strategic and tactical planning calculations and felling evaluation.

To maintain and develop the Tērvete Nature Park complex as the leader of the forest education centre in Northern Europe, as well as to restore and improve the infrastructure of the Pokaiņu forest.

To reduce the amount of carbon dioxide (CO2) emissions from the vehicle fuel consumed due to the company's activities (petrol, diesel, gas), electricity and gas (heating).

Report of the management (continuation)

Distribution of Profits Recommended by the Board

Distributable profits	LVL
	42 517 538
Recommended distribution of profits:	
Calculate dividends to stockholders	38 265 784
Retained profits	4 251 754

The Board recommends channelling the retained profits in the amount of LVL 4 251 754 into increasing the equity capital in accordance with the enterprise strategy.

Roberts Strīpnieks
Chairman of the Board

Profit and Loss Account

	Note	**2013 LVL**	**2012 LVL**
Net sales	3	182 654 815	178 084 584
Cost of sales	4	(123 972 483)	(123 972 483)
Gross profit		**59 617 678**	**54 112 101**
Selling expenses	5	(1 027 801)	(761 152)
Administrative expenses	6	(5 490 633)	(5 386 390)
Other operating income	7	630 392	948 560
Other operating expenses	8	(2 947 848)	(2 972 518)
Other interest income and similar income	9	521 463	1 131 810
Interest expenses and similar costs	10	(11 462)	(210 885)
Profit before taxes		**51 291 789**	**46 861 526**
Corporate income tax	11	(5 981 886)	(5 146 042)
Change in deferred tax	11	(399 106)	(785 996)
Other taxes	27	(2 393 259)	(2 379 583)
Net profit for the accounting year		**42 517 538**	**38 549 905**

The notes form an integral part of these financial statements.

Roberts Strīpnieks
Chairman of the Board

Balance Sheet

ASSETS

LONG-TERM INVESTMENTS	Note	**31.12.2013 LVL**	**31.12.2012 LVL**
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights	13	477 502	702 693
TOTAL		**477 502**	**702 693**
Fixed assets			
Land, buildings and structures	14	171 128 864	162 675 981
Equipment and machinery	14	4 444 779	3 752 333
Other fixed assets	14	2 614 053	2 383 542
Payments on account for fixed assets and fixed assets in the course of construction	14	7 905 696	7 134 864
Payments on account for fixed assets		1 077 871	1 362 892
TOTAL		**187 171 263**	**177 309 612**
Investment properties	**14**	**823 495**	**-**
Biological assets	**15**	**6 103 606**	**5 234 696**
Long-term financial investments			
Participation in capital of affiliated companies	16	1 139 200	1 139 200
Participation in capital of associated companies	16	398 400	398 400
Loans to affiliated companies	17, 28	60 000	90 000
Other securities	21	310 000	290 000
TOTAL		**1 907 600**	**1 917 600**
TOTAL LONG-TERM INVESTMENTS		**196 483 466**	**185 164 601**
CURRENT ASSETS			
Stocks			
Raw materials, basic materials and consumables		479 782	437 804
Finished products and goods for sale	18	14 961 843	12 972 841
Advance payments for goods		854	931
Draft animals		184	184
TOTAL		**15 442 663**	**13 411 760**
Accounts receivable			
Accounts receivable from buyers and	19	9 582 960	10 399 905

customers			
Accounts receivable from affiliated companies	28	42 903	42 826
Accounts receivable from associated companies	28	79 599	
Other accounts receivable	20	1 455 562	8 627 006
Prepaid expenses		377 841	309 022
TOTAL		**11 538 865**	**19 378 759**
Securities and participation in capital			
Other securities and investments	21	5 361 204	8 060 500
TOTAL		**5 361 204**	**8 060 500**
Cash and cash equivalents	22	**16 354 058**	**13 146 068**
TOTAL CURRENT ASSETS		**48 696 790**	**53 997 087**
TOTAL ASSETS		**245 180 256**	**239 161 688**

The notes form an integral part of these financial statements

Roberts Strīpnieks
Chairman of the Board

Balance Sheet

LIABILITIES

	Note	**31.12.2013 LVL**	**31.12.2012 LVL**
EQUITY			
Share capital	23	181 325 322	177 470 332
Retained profits of the current reporting year		42 517 538	38 549 905
TOTAL EQUITY		**223 842 860**	**216 020 237**
PROVISIONS			
Other provisions	24	11 477 247	12 094 960
TOTAL PROVISIONS		**11 477 247**	**12 094 960**
ACCOUNTS PAYABLE			
Long-term accounts payable			
Deferred tax liabilities	11	1 070 153	671 047
Other accounts payable		12 745	12 745
TOTAL		**1 082 898**	**683 792**
Short-term accounts payable			
Prepayments received from purchasers		673 082	235 228
Accounts payable to suppliers and		5 348 439	7 075 858

contractors			
Accounts payable to affiliated companies	28	557	1 068
Accounts payable to associated companies	28	12 618	6 175
Taxes and social insurance payments	27	586 995	442 001
Other accounts payable	25	632 523	618 900
Accrued obligations	26	1 523 037	1 983 469
TOTAL		**8 777 251**	**10 362 699**
TOTAL ACCOUNTS PAYABLE		**9 860 149**	**11 046 491**
TOTAL LIABILITIES		**245 180 256**	**239 161 688**

The notes form an integral part of these financial statements.

Roberts Strīpnieks
Chairman of the Board