

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

**NON-AUDITED AND NON-CONSOLIDATED
FINANCIAL REPORT**

FOR 12 MONTHS OF YEAR 2011

(01.01.2011 – 31.12.2011)

Prepared in accordance with Latvian statutory requirements
and AS “NASDAQ OMX Riga” rules

Daugavpils

2012

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

Contents

Information about the Company	3-5
Management report	6-7
Balance sheet	8-9
Income statement.....	10
Cash flow statement	11-12
Statement of changes in equity	13
<i>Appendixes</i>	
<i>Explanatory notes</i>	14
<i>Explanations and analyses on separate items of financial reports</i>	15

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

INFORMATION ABOUT THE COMPANY

Company name	Ditton pievadkezu rupnica
Legal status	Joint Stock Company
Registrations number	40003030187
Registration in Register of Enterprises	Riga, 03.10.1991
Registration in Commercial Register Office	Riga, 29.08.2003
Legal address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Mailing address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Fixed capital	7 400 000.00 LVL
Public bearer shares	7 400 000
Nominal value of one public bearer share	1.00 LVL
Chief accountant	Valentina Krivoguzova
Reporting period	01.01.2011 – 31.12.2011

Persons in charge for drawing up of the financial report:

Mr. Boriss Matvejevs, phone +371 65402333,
e-mail: dpr@dpr.lv

Ms. Natalja Redzoba, phone +371 65402333,
e-mail: dpr@dpr.lv

INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Pjotrs Dorofejevs, elected 22.06.2010

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jevgenijs Sokolovskis, elected 22.06.2010

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Pjotrs Dorofejevs	no shares	-
Natalja Redzoba	1 900	0,03
Jevgenijs Sokolovskis	no shares	-

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 14.08.2009

Deputy Chairmen of the Council

Georgijs Sorokins, elected 14.08.2009

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

Timo Sas, elected 16.10.2009

Information on shares owned by Members of the Council

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Timo Sas	no shares	-

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

* As of 31.12.2011

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

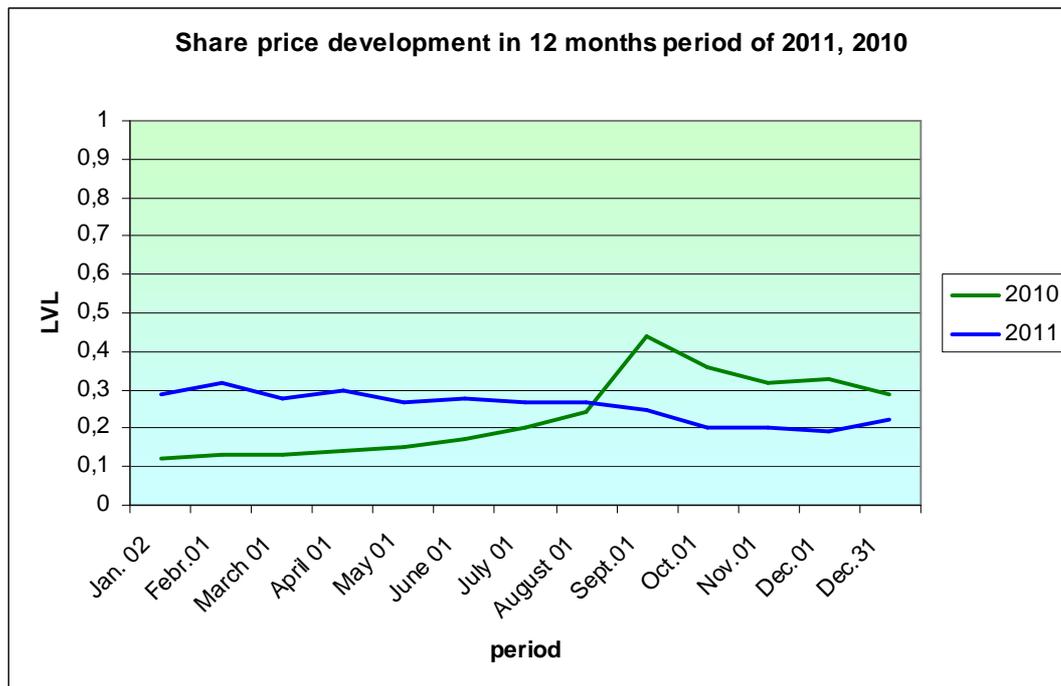
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	11,10
Pavels Samuilovs	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 06.10.2011.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 12 months of year 2011

In 12 months period of 2011 net-turnover was fulfilled in the amount of 8 670 thous.LVL (12 336 thous.EUR), which compared to the forecast is by 1 670 thous.LVL (2 376 thous.EUR) or 24% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 832 thous.LVL (2 607 thous.EUR) or by 27% more.

Profit before taxes amounted to 100 thous.LVL (142 thous.EUR) in 12 months period of 2011. Profit after taxes amounts to 121 thous.LVL (173 thous.EUR).

Commodity output is estimated in the amount of 6 505 thous.LVL (9 256 thous.EUR). The result of 12 months of 2011 is by 892 thous.LVL (1 269 thous.EUR) or by 16% higher than in the relevant period of previous year.

At present the company exports 99% of its products to the East and West: among them 68% eastwards and 31% westwards; 1% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 358 employees in 12 months of year 2011.

The average salary amounted to 356 LVL (507 EUR) in 12 months period of 2011, which is by 45 LVL (64 EUR) more than in 12 months of 2010.

Significant events. Market tendencies and development of the company.

Risks.

The activity of the Company in 12 months of the year 2011 gives the ground to consider that in the mentioned period the situation on the market where production of the Company is represented has stabilized. It is indicated by the economic situation on the markets of the states where production of the Company is represented and by increase of purchase orders in Eastern and Western market segments. Improvement of the situation on the Eastern market is still favoured by the continuing support program for automobile manufacturers adopted by the government of Russian Federation which undoubtedly shall increase production delivery volumes on conveyors of automobile factories. Growth of demand for production in the Eastern market, where the Company's driving chains are represented, is not infinite; the Company notes the first signs of market saturation and slowing down of growth of demand and production volumes. In these circumstances development and maintenance of Eastern market (RF, CIS) represent important goals and interests for the Company. In such way it can be assumed that all risks and market trends reflected in previous reports are effective and relevant in the reporting period.

However, the Management Board of the Company notes that up trends can be affected by price increase on metal products which started on the market in the 2nd half of 2010, as well as by the expected domestic increase of energy prices. These changes which are not controlled by the Company and often – ungrounded and non-systematic – negatively affect production programs of the Company, do not allow to enter into long-term supply contracts due to price and prime cost fluctuations.

Also the rate of turnover growth forecasted for the reporting period can be considered as fulfilled which resulted in a certain stabilization of the financial situation of the Company, at the same time, some facts and market trends, in particular, increase of prices on raw

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

materials, may be evidence for the probability of the "second wave" of crisis phenomena. According to analysts of Latvia and the European Union, elements of the "second wave" of global economic crisis, at least in the euro area, are becoming apparent and it has a certain impact on the Company's performance.

This assumption is reinforced by general factors that may adversely affect tendencies of the Company's development, particularly, instability of global economic due to economic crisis in USA, to which the manufacturers responded accordingly. Also, the European economic is developing at the negative scenario, growth rates previously expected have not been achieved, the European Union devotes much effort to support its member states.

In the abovementioned period in Russian Federation there can be market stabilization observed, without demonstration of features of rapid growth, which is based on ongoing customer demand support programs. The situation in the Eastern segment of the market is constantly in the sphere of the Company's monitoring (see also forecasts for the Eastern market above).

Probability of the "second wave" of crisis, as well the fact that consumer market is growing with no surpassing the forecasts and in respect of many indicators it has not reached the pre-crisis level are taken into account by the Management Board by organization of the Company's activity in general. However, as indicated above, not all influencing factors can be evaluated and managed, which along with the Company's integration into global economics cause negative factors of dependence.

In the existing circumstances the Company is continuing to work in economy regime by using internal resources and reorganizing production processes according to the existing volumes of demand, production and costs, including optimization of staff in accordance with production volumes and its actual employment.

The Management Board considers it as its main task to continue working upon allocation of consequences of global crisis, including elements of the "second wave" of the crisis, maintaining the Company with its brand, technologies, personnel, traditional partners and market and future development together with the whole global and Latvian economics with simultaneous using of all favorable conditions appearing for development of the Company's chances and its market growth.

Taken together, the Company closed the 12 months period of 2011 with profit.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 12 months of year 2011 ended 31 December 2011 have been prepared in accordance with the existing legislative requirements and give a true and fair view of the assets, liabilities, financial position and profits of the joint-stock company "Ditton pievadķēžu rūpnīca". Management report contains truthful information.

Chairman of the Management Board of
JSC "Ditton pievadķezu rūpnīca"

Pjotrs Dorofejevs

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

BALANCE SHEET

1 EUR = 0,702804 LVL

ASSETS	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	549	781	8	11
Other non-material investments	4 469 271	6 359 200	5 586 589	7 949 000
Non-material investments total	4 469 820	6 359 981	5 586 597	7 949 011
II. Fixed assets				
Plots of land, buildings and constructions	1 748 766	2 488 270	2 369 111	3 370 941
Technological equipment and machinery	20 577	29 278	12 540	17 843
Other fixed assets and stock	39 868	56 727	105 311	149 844
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	7 261	10 331
Fixed assets total	1 840 433	2 618 700	2 494 223	3 548 960
III. Long-term financial investments				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Long-term loans	619 190	881 028	333 518	474 553
Assets of deferred tax	148 108	210 738	85 048	121 012
Long-term financial investments total	814 498	1 158 926	465 766	662 725
1. Long-term investments total	7 124 751	10 137 607	8 546 586	12 160 696
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	895 385	1 274 018	679 921	967 441
Unfinished products	292 430	416 090	257 381	366 220
Finished products and goods for sale	243 759	346 838	250 280	356 116
Advance payments for goods	41 903	59 623	68 272	97 142
Reserves total	1 473 477	2 096 569	1 255 854	1 786 919
II. Debtors				
Debts of buyers and customers	2 254 213	3 207 456	947 090	1 347 588
Other debtors	301 087	428 408	622 927	886 345
Debtors total	2 555 300	3 635 864	1 570 017	2 233 933
IV. Cash and cash equivalents	164 367	233 873	154 436	219 743
2. Current assets total	4 193 144	5 966 306	2 980 307	4 240 595
<u>TOTAL ASSETS</u>	<u>11 317 895</u>	<u>16 103 913</u>	<u>11 526 893</u>	<u>16 401 291</u>

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	31.09.2011	31.09.2011	31.09.2010	31.09.2010
	LVL	EUR	LVL	EUR
1. Equity capital				
Fixed capital	7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:				
a) retained earnings of previous years	969 052	1 378 837	589 152	838 288
b) profit / (loss) of reporting period	121 417	172 761	379 900	540 549
1. Equity capital total	8 490 469	12 080 849	8 369 052	11 908 088
2. Long-term creditors:				
Loans from credit institutions	1 269 113	1 805 785	1 429 422	2 033 885
2. Long-term creditors total	1 269 113	1 805 785	1 429 422	2 033 885
3. Short-term creditors:				
Loans from credit institutions	581 991	828 099	160 309	228 099
Other loans	138 962	197 725	186 877	265 902
Advance payments received from customers	17 019	24 216	6 199	8 820
Debts to suppliers and contractors	452 591	643 979	638 812	908 948
Taxes and compulsory social security contributions	162 048	230 573	532 598	757 819
Other creditors	119 922	170 634	107 714	153 263
Accumulated liabilities	85 780	122 053	95 910	136 467
3. Short-term creditors total	1 558 313	2 217 279	1 728 419	2 459 318
Creditors total	2 827 426	4 023 064	3 157 841	4 493 203
<u>LIABILITIES TOTAL</u>	<u>11 317 895</u>	<u>16 103 913</u>	<u>11 526 893</u>	<u>16 401 291</u>

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

INCOME STATEMENT

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	8 670 416	12 336 891	6 837 694	9 729 162
Production cost of sold products	-6 661 177	-9 478 001	-6 216 710	-8 845 581
Gross profit	2 009 239	2 858 890	620 984	883 581
Selling costs	-1 119 628	-1 593 087	-255 849	-364 040
Administration costs	-727 939	-1 035 764	-753 749	-1 072 488
Other operating income	45 338	64 510	879 442	1 251 333
Other operating expenses	-27 635	-39 321	-89 174	-126 883
Other interest income and similar income	24 978	35 540	49 651	70 647
Interest payment and similar expenses	-104 490	-148 675	-87 428	-124 399
Profit / (loss) before taxes	99 863	142 093	363 877	517 751
Deferred tax income and losses	63 060	89 726	56 181	79 938
Other taxes	-41 506	-59 058	-40 158	-57 140
Profit / (loss) of reporting period	<u>121 417</u>	<u>172 761</u>	<u>379 900</u>	<u>540 549</u>
Index EPS	0.016	0.023	0.051	0.073

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	99 863	142 093	363 877	517 751
<i>Corrections:</i>				
Depreciation of fixed assets	698 328	993 631	764 319	1 087 528
Depreciation of non-material investments	36	51	87	124
Provisions for long-term loans	-	-	-124 750	-177 503
Income from sale of fixed assets, net	-1 933	-2 750	-1 957	-2 785
Interest income	-24 978	-35 540	-49 651	-70 647
Interest expense	104 490	148 675	87 428	124 398
2. Profit / (loss) from economic activity in reporting period	875 806	1 246 160	1 039 353	1 478 866
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	179 841	255 891	-1 742 364	-2 479 161
In Reserves	-217 623	-309 650	859 374	1 222 779
In Creditors	-558 934	-795 292	603 654	858 923
3. Cash flow of basic activity, gross	279 090	397 109	760 017	1 081 407
4. Expenses on tax payments (tax on immovable property)	-39 076	-55 600	-182 220	-259 276
Cash flow of basic activity, net	<u>240 014</u>	<u>341 509</u>	<u>577 797</u>	<u>822 131</u>
II. Cash flow of investing activity				
Loans issued	-297 680	-423 560	-258 197	-367 382
Purchase of fixed assets	-47 048	-66 943	-134 089	-190 791
Sale of fixed assets	3 866	5 501	1 957	2 785
Cash flow of investing activity, net	<u>-340 862</u>	<u>-485 002</u>	<u>-390 329</u>	<u>-555 388</u>
III. Cash flow of financing activity				
Loans (repaid) / received, net	213 458	303 723	-104 866	-149 210
Interest paid	-102 679	-146 099	-81 586	-116 086
Cash flow of financing activity, net	<u>110 779</u>	<u>157 624</u>	<u>-186 452</u>	<u>-265 296</u>

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Cash flow of basic activity, net	240 014	341 509	577 797	822 131
Cash flow of investing activity, net	-340 862	-485 002	-390 329	-555 388
Cash flow of financing activity, net	110 779	157 624	-186 452	-265 296
Growth of cash and cash equivalents	9 931	14 131	1 016	1 446
Balance of cash and cash equivalents at the beginning of reporting period	<u>154 436</u>	<u>219 743</u>	<u>153 420</u>	<u>218 297</u>
Balance of cash and cash equivalents at the end of reporting period	<u>164 367</u>	<u>233 874</u>	<u>154 436</u>	<u>219 743</u>

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

**Statement of changes in equity for the period from 01.01.2011 till 31.12.2011
(LVL)**

	Equity capital LVL	Retained profit / (loss) of reporting year LVL	Retained profit of previous years LVL	Equity capital TOTAL LVL
31.12.2009	7 400 000	-1 043 131	1 632 282	7 989 151
Profit of 2009 transferred to retained profit of previous years	-	1 043 131	-1 043 131	-
Profit of reporting year	-	379 900	-	379 900
31.12.2010	7 400 000	379 900	589 152	8 369 052
Loss of 2010 transferred to retained profit of previous years	-	-379 900	-379 900	-
Profit of reporting year	=	<u>121 417</u>	=	<u>121 417</u>
31.12.2011	<u>7 400 000</u>	<u>121 417</u>	<u>969 052</u>	<u>8 490 469</u>

1 EUR = 0,702804 LVL

**Statement of changes in equity for the period from 01.01.2011 till 31.12.2011
(EUR)**

	Equity capital EUR	Retained profit / (loss) of reporting year EUR	Retained profit of previous years EUR	Equity capital TOTAL EUR
31.12.2009	10 529 251	-1 484 281	2 322 528	11 367 538
Profit of 2009 transferred to retained profit of previous years	-	1 484 241	-1 484 241	-
Profit of reporting year	-	540 549	-	540 549
31.12.2010	10 529 251	540 549	838 288	11 908 088
Loss of 2010 transferred to retained profit of previous years	-	-540 549	540 549	-
Profit of reporting year	=	<u>172 761</u>	=	<u>172 761</u>
31.12.2011	<u>10 529 251</u>	<u>172 761</u>	<u>1 378 837</u>	<u>12 080 849</u>

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS OF 2011

Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in last Annual Report.

This financial statement of JSC "Ditton pievadkezu rupnica" has been prepared in accordance with the source documents and presents fairly the financial position of the JSC as of 31 December 2011 and the results of its operation and cash flows for the 12 months period ended 31 December 2011.

This financial report has been prepared in compliance with Latvian Financial Accounting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent base.

The interim financial report for 12 months of 2011 has not been audited by jury auditor.

The interim report has been prepared in Latvian Lats and Euro.

Currency exchange rate: 1 EUR = 0,702804 LVL.

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 12 months of year 2011 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 6 505 thous.LVL (9 256 thous.EUR). The result of reporting period is by 892 thous.LVL (1 269 thous.EUR) or 16% higher than in 12 months period of previous year.

Production of driving chains in 12 months of 2011 (thous.meters)

Production of driving chains in natural units is by 208 thous.meters more than the result of 12 months of 2010.

Production of driving chains in 12 months of year 2011 (thous.LVL/thous.EUR)

Driving chains have been produced in money terms in the amount of 6 328 thous.LVL (9 004 thous.EUR) in 12 months of this year. The actual performance of reporting period is by 824 thous.LVL (1 172 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 12 months of 2011 (thous. LVL/thous.EUR)

Net-turnover has been fulfilled in fact in the amount of 8 670 thous.LVL (12 336 thous.EUR) in 12 months of year 2011. The actual performance of the reporting period is by 1 832 thous. LVL (2 607 thous.EUR) or 27% more than in the same period of previous year.

Sales of main products in 12 months of 2011 (thous. LVL/ thous.EUR)

Sales of main products amounted to 7 038 thous.LVL (10 014 thous.EUR) in the reporting period, which is by 2 124 thous.LVL (3 022 thous.EUR) or 43% more than the result of the relevant period of previous year.