

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 12 MONTHS OF YEAR 2012

(01.01.2012 – 31.12.2012)

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

Daugavpils

2013

JSC "DITTON PIEVADKEZU RUPNICA"
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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	01.01.2012 – 31.12.2012

Persons in charge for drawing up of the financial report:

Mr. Boriss Matvejevs, phone +371 65402333,
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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	no shares	-
Jevgenijs Sokolovskis	1 900	0,03

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, till 28.05.2012

Vladimir Bagaev, elected 28.05.2012

Information on shares owned by Members of the Council

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Timo Sas (till 28.05.2012)	no shares	-
Vladimir Bagaev (from 28.05.2012)	700 000	9,46

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

* As of 31.12.2012

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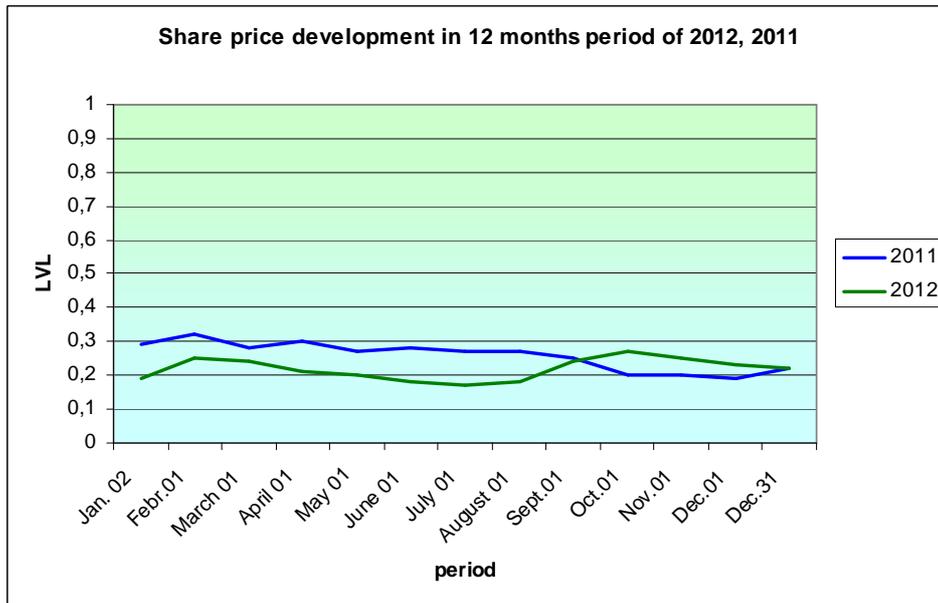
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	11,72
Vladimir Bagaev	9,46

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadkēžu rūpnīca” dated 18.05.2012, taking into account the shareholders’ notifications on acquisition and disposal significant holding in the Issuer’s equity.*

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 12 months of year 2012

In 12 months period of 2012 net-turnover was fulfilled in the amount of 9 860 thous.LVL (14 030 thous.EUR), which compared to the forecast is by 1 360 thous.LVL (1 935 thous.EUR) or 16% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 190 thous.LVL (1 693 thous.EUR) or by 14% more.

Profit before taxes amounted to 3,6 thous.LVL (5 thous.EUR) in 12 months period of 2012. Profit after taxes amounts to 2,6 thous.LVL (4 thous.EUR).

Commodity output is estimated in the amount of 6 125 thous.LVL (8 715 thous.EUR). The result of 12 months of 2012 is by 380 thous.LVL (541 thous.EUR) or by 6% lower 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 337 employees in 12 months of year 2012.

The average salary amounted to 343 LVL (488 EUR) in 12 months period of 2012, which is by 13 LVL (19 EUR) less than in 12 months of 2011.

Significant events. Market tendencies and development of the company.

Risks.

The activity of the Company in 12 months of the year 2012 gives the ground to consider that in the mentioned period the situation on the market where production of the Company is represented remained in previous positions. 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. At the same time 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 retention 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.

Besides, the Management Board of the Company notes that up trends can be affected by instability and increase of prices on metal products, 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 and don't 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, at the same time, some facts and market trends 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.

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This assumption is reinforced by general factors that may adversely affect tendencies of the Company's development, particularly, instability of global economic to which the manufacturers responded accordingly.

In the abovementioned period in Russian Federation there can be market stabilization observed, without demonstration features of rapid growth. The situation on the Eastern segment of the market is constantly in the sphere of the Company's monitoring (refer also to 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.

The Management Board considers as its main task to continue the activity aimed at development of the Company in accordance the goals and mission of the Company approved by the shareholders in respect of 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 2012 with a positive profit performance.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 12 months of year 2012 ended 31 December 2012 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 pievadkezu rupnica"

Pjotrs Dorofejevs

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BALANCE SHEET

1 EUR = 0,702804 LVL

ASSETS	31.12.2012 LVL	31.12.2012 EUR	31.12.2011 LVL	31.12.2011 EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	1 346	1 916	549	781
Other non-material investments	3 351 953	4 769 399	4 459 271	6 359 200
Non-material investments total	3 353 299	4 771 315	4 469 820	6 359 981
II. Fixed assets				
Plots of land, buildings and constructions	1 211 781	1 724 209	1 748 766	2 488 270
Technological equipment and machinery	19 587	27 869	20 577	29 278
Other fixed assets and stock	21 295	30 300	39 868	56 727
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	31 222	44 425
Fixed assets total	1 283 885	1 826 803	1 840 433	2 618 700
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
Assets of deferred tax	193 748	275 678	148 108	210 738
Long-term financial investments total	240 948	342 838	814 498	1 158 926
1. Long-term investments total	4 878 132	6 940 956	7 124 751	10 137 607
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	774 012	1 101 320	895 385	1 274 018
Unfinished products	256 473	364 928	292 430	416 090
Finished products and goods for sale	258 985	368 502	243 759	346 838
Advance payments for goods	7 117	10 127	41 903	59 623
Reserves total	1 296 587	1 844 877	1 473 477	2 096 569
II. Debtors				
Debts of buyers and customers	5 320 705	7 570 681	2 254 213	3 207 456
Other debtors	203 798	289 978	301 087	428 408
Expenses of future periods	581	827	-	-
Debtors total	5 525 084	7 861 486	2 555 300	3 635 864
IV. Cash and cash equivalents	103 787	147 676	164 367	233 873
2. Current assets total	6 925 458	9 854 039	4 193 144	5 966 306
<u>TOTAL ASSETS</u>	<u>11 803 590</u>	<u>16 794 995</u>	<u>11 317 895</u>	<u>16 103 913</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	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	1 079 369	1 535 804	969 052	1 378 837
b) profit / (loss) of reporting period	2 595	3 692	121 417	172 761
1. Equity capital total	8 481 964	12 068 747	8 490 469	12 080 849
2. Long-term creditors:				
Loans from credit institutions	1 242 447	1 767 843	1 269 113	1 805 785
2. Long-term creditors total	1 242 447	1 767 843	1 269 113	1 805 785
3. Short-term creditors:				
Loans from credit institutions	504 086	717 250	581 991	828 099
Other loans	119 402	169 894	138 962	197 725
Advance payments received from customers	6 206	8 830	17 019	24 216
Debts to suppliers and contractors	1 059 504	1 507 538	452 591	643 979
Taxes and compulsory social security contributions	186 448	265 292	162 048	230 573
Other creditors	113 126	160 964	119 922	170 634
Accumulated liabilities	90 407	128 637	85 780	122 053
3. Short-term creditors total	2 079 179	2 958 405	1 558 313	2 217 279
Creditors total	3 321 626	4 726 248	2 827 426	4 023 064
<u>LIABILITIES TOTAL</u>	<u>11 803 590</u>	<u>16 794 995</u>	<u>11 317 895</u>	<u>16 103 913</u>

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INCOME STATEMENT

	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	9 860 179	14 029 771	8 670 416	12 336 891
Production cost of sold products	-7 897 696	-11 237 409	-6 661 177	-9 478 001
Gross profit	1 962 483	2 792 362	2 009 239	2 858 890
Selling costs	-1 124 327	-1 599 773	-1 119 628	-1 593 087
Administration costs	-639 838	-910 407	-727 939	-1 035 764
Other operating income	1 697	2 415	45 338	64 510
Other operating expenses	-104 111	-148 137	-27 635	-39 321
Other interest income and similar income	8 682	12 353	24 978	35 540
Interest payment and similar expenses	-100 966	-143 662	-104 490	-148 675
Profit / (loss) before taxes	3 620	5 151	99 863	142 093
Deferred tax income and losses	45 640	64 939	63 060	89 726
Other taxes	-46 665	-66 398	-41 506	-59 058
Profit / (loss) of reporting period	<u>2 595</u>	<u>3 692</u>	<u>121 417</u>	<u>172 761</u>
Index EPS	0.000	0.000	0.016	0.023

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	LVL	EUR	LVL	EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	3 620	5 151	99 863	142 093
<i>Corrections:</i>				
Depreciation of fixed assets	595 036	846 660	698 328	993 631
Amortization of non-material investments	1 117 448	1 589 985	1 117 354	1 589 852
Income from sale of fixed assets, net	351	499	1 932	2 749
Interest income	-8 682	-12 353	-24 978	-35 540
Interest expense	100 966	143 662	104 490	148 675
2. Profit / (loss) from economic activity in reporting period	1 808 739	2 573 604	1 996 989	2 841 460
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-2 991 784	-4 256 925	-975 775	-1 388 403
In Reserves	176 890	251 692	-217 623	-309 650
In Creditors	615 252	875 424	-548 114	-779 896
3. Cash flow of basic activity	-390 903	-556 205	255 477	363 511
4. Expenses on tax payments (tax on immovable property and corporate income tax)	-41 486	-59 029	-39 076	-55 600
Cash flow of basic activity	<u>-432 389</u>	<u>-615 234</u>	<u>216 401</u>	<u>307 911</u>
II. Cash flow of investing activity				
Loans issued	649 872	924 684	-270 202	-384 463
Purchase of fixed assets	-39 415	-56 082	-47 047	-66 942
Sale of fixed assets	-351	-499	-	-
Cash flow of investing activity	<u>610 106</u>	<u>868103</u>	<u>-317 249</u>	<u>-451 405</u>
III. Cash flow of financing activity				
Dividends paid	-11 100	-15 793	-	-
Loans (repaid) / received, net	-124 131	-176 623	213 458	303 723
Interest paid	-103 066	-146 650	-102 679	-146 099
Cash flow of financing activity	<u>-238 297</u>	<u>-339 066</u>	<u>110 779</u>	<u>157 624</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	LVL	EUR	LVL	EUR
Cash flow of basic activity, net	-432 389	-615 234	216 401	307 911
Cash flow of investing activity, net	610 106	868 103	-317 249	-451 405
Cash flow of financing activity, net	-238 297	-339 066	110 779	157 624
Growth of cash and cash equivalents	-60 580	-86 197	9 931	14 130
Balance of cash and cash equivalents at the beginning of reporting period	<u>164 367</u>	<u>233 873</u>	<u>154 436</u>	<u>219 743</u>
Balance of cash and cash equivalents at the end of reporting period	<u>103 787</u>	<u>147 675</u>	<u>164 367</u>	<u>233 873</u>

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**Statement of changes in equity for the period from 01.01.2012 till 31.12.2012
(LVL)**

	Equity capital LVL	Retained profit / (loss) of reporting year LVL	Retained profit of previous years LVL	Equity capital TOTAL LVL
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	-	121 417	-	121 417
31.12.2011	7 400 000	121 417	969 052	8 490 469
Profit of 2011 transferred to retained profit of previous years	-	-121 417	121 417	-
Dividends paid	-	-	-11 100	-11 100
Profit of reporting year	=	<u>2 595</u>	=	<u>2 595</u>
31.12.2012	<u>7 400 000</u>	<u>2 595</u>	<u>1 079 369</u>	<u>8 481 964</u>

1 EUR = 0,702804 LVL

**Statement of changes in equity for the period from 01.01.2012 till 31.12.2012
(EUR)**

	Equity capital EUR	Retained profit / (loss) of reporting year EUR	Retained profit of previous years EUR	Equity capital TOTAL EUR
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	-	172 761	-	172 761
31.12.2011	10 529 251	172 761	1 378 837	12 080 849
Profit of 2011 transferred to retained profit of previous years	-	-172 761	172 761	-
Dividends paid	-	-	-15 794	-15 794
Profit of reporting year	=	<u>3 692</u>	=	<u>3 692</u>
31.12.2012	<u>10 529 251</u>	<u>3 692</u>	<u>1 535 804</u>	<u>12 068 747</u>

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Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in the 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 2012 and the results of its operation and cash flows for the 12 months period ended 31 December 2012.

This financial report has been prepared in compliance with statutory regulations of the Republic of Latvia on a going concern basis. Appropriate accounting policies have been applied on a consistent base.

The interim financial report for 12 months of 2012 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 2012 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 6 125 thous.LVL (8 715 thous.EUR). The result of reporting period is by 380 thous.LVL (541 thous.EUR) or 6% less than in 12 months period of previous year.

Production of driving chains in 12 months of 2012 (thous.meters)

Production of driving chains in natural units is by 426 thous.meters less than in 12 months period of previous year.

Production of driving chains in 12 months of year 2012 (thous.LVL/thous.EUR)

In 12 months of this year there have been driving chains produced in money terms in the amount of 5 996 thous.LVL (8 532 thous.EUR). The actual performance of reporting period is by 332 thous.LVL (472 thous.EUR) lower than in the relevant period of previous year.

Sales (net-turnover) in 12 months of 2012 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 9 860 thous.LVL (14 030 thous.EUR). The actual performance of the reporting period is by 1 190 thous. LVL (1 693 thous.EUR) or 14% more than the index of the same period of previous year.

Sales of main products in 12 months of 2012 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 7 938 thous.LVL (11 295 thous.EUR), and it is by 900 thous.LVL (1 281 thous.EUR) or 13 % more than the result of the relevant period of prior year.