

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 12 months OF YEAR 2013

(01.01.2013 – 31.12.2013)

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

Daugavpils

2014

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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	01.01.2013 – 31.12.2013

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

Rolands Zarans, elected 15.01.2014

Pjotrs Dorofejevs, elected 05.07.2010, till 15.01.2014

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jevgenijs Sokolovskis, elected 05.07.2010

Information on shares owned by Members of the Management Board

Members of the Management Board

	Share ownership *	
	Quantity of shares	%
Rolands Zarans, from 15.01.2014	no shares	-
Pjotrs Dorofejevs, till 15.01.2014	no shares	-
Natalja Redzoba	no shares	-
Jevgenijs Sokolovskis	1 900	0,03

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

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	-
Vladimir Bagaev	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 28.02.2014

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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	13,50
Vladimir Bagaev	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 17.05.2013, taking into account the shareholders’ notifications on acquisition and disposal significant holding in the Issuer’s equity.

SHARE PRICE DEVELOPMENT



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MANAGEMENT REPORT

Information on the results of the company in 12 months of year 2013

In 12 months period of 2013 net-turnover was fulfilled in the amount of 6 688 thous.LVL (9 516 thous.EUR), which compared to the forecast is by 512 thous.LVL (729 thous.EUR) or by 7% less. Compared to the level of previous year, net-turnover of the reporting period is by 3 172 thous.LVL (4 513 thous.EUR).

Profit before taxes amounted to 47 thous.LVL (67 thous.EUR) in 12 months period of 2013. Loss after taxes amounts to 1,7 thous.LVL (2,6 thous.EUR).

Commodity output is estimated in the amount of 4 224 thous.LVL (6 010 thous.EUR). The result of 12 months of 2013 is by 1 901 thous.LVL (2 705 thous.EUR) 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 322 employees in 12 months of year 2013.

The average salary amounted to 286 LVL (407 EUR) in 12 months period of 2013, which is by 57 LVL (81 EUR) less than in 12 months of 2012.

Significant events. Market tendencies and development of the company. Risks.

Upon completion of the year 2013, the Company's management notes that in the field of metal processing and machine building there are not increasing trends observed in the sector represented by the Company, which is also reflected in the Company's performance indices for the reporting year.

In the opinion of the management in the industrial production sector represented by the Company the reporting year has been characterized by stagnation and lack of growth, which previously has been defined by market analysts as "the second wave of the crisis", which becomes apparent not so much as a catastrophic or sharp decline, but more as the lack of activity. So, for instance, a certain stagnation could be observed in the Eastern market sector (RF) represented by the Company where upon the end of government support programs production volumes in the field of metal processing and machine building decreased. In substantiation of these conditions the Company refers to the report of the Industry, Research and Energy Committee of the European Parliament from November 15, 2013 "CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe" 2013/2062 (INI)), where the situation in the automotive market is analyzed, and addressing this issue at EU level refers to its overall relevance and importance. The Management Board focused on these circumstances in its previous management reports, making a moderately optimistic or pessimistic forecasts for its performance, and these forecasts, evaluation of the activity in different market segments as well as information about other negative factors affecting the Company's remain relevant even now.

Considering that the Company's production is not the end product to be delivered to end user, but rather a component (such as a unit of car engines and industrial drives), as well as the main productions, which one way or another are related to the Company's products are organized and structured as OEM-production system, the Company as a supplier to the first-tire and second-tier component suppliers of the automotive manufacturers is fully

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integrated into the global economy. Thus, it is logical that the Company is dependent on market activity and demand, particularly in the fields of metal processing and machine building, and its production volumes are directly dependent on market developments and indicators, on the end product's supply-and-demand situation, the price offered and expediency of its production at the given price, and they are formed on the basis of individual orders, which are not related to each other and are focused on a variety of end users.

Other objective factors that affected the Company's financial results are existing business conditions in relationship with the Company's raw materials suppliers, which unfortunately can not be controlled by the Company. Under influence of generally known events in Cyprus Eastern suppliers of raw materials or metal adopted more stringent business conditions by switching to prepayment terms, which results in slowing down the velocity of money from the moment when it is paid for the raw materials till receipt of payment for the products sold. The Company currently does not see as possible to refuse cooperation with Eastern (RF) suppliers of raw materials due to economic benefits in respect of the price offered compared with the European suppliers. Negative developments are also observed in the Western or European market, where some market players (for example, such as the long-term Company's partner C.M. CATENIFICIO MILANESE S.R.L.) have been suffering financial difficulties. Thus, it can be argued that not only the Company is exposed to negative factors, but also other European, including Latvian (such as JSC „Liepājas metalurģs”) and CIS manufacturers and suppliers.

For localization and reduction of the above adverse conditions the Company's management is currently actively working on restructuring of the internal management processes, admitting that these measures are implemented with some delay, and it has been a subjective factor in respect of the Company's performance results for 2013.

The Company still operates 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, and in respect of the production volumes for 2014 the Company's management retains a moderately optimistic outlook.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 12 months of year 2013 ended 31 December 2013 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 pievadkezu rupnica". Management report contains truthful information.

Chairman of the Management Board of
JSC "Ditton pievadkezu rupnica"

Rolands Zarans

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BALANCE SHEET

1 EUR = 0,702804 LVL

ASSETS	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	1 045	1 487	1 346	1 916
Other non-material investments	2 234 635	3 179 599	3 351 953	4 769 399
Non-material investments total	2 235 680	3 181 086	3 353 299	4 771 315
II. Fixed assets				
Plots of land, buildings and constructions	1 950 864	2 775 829	1 211 781	1 724 209
Technological equipment and machinery	4 688	6 670	19 587	27 869
Other fixed assets and stock	13 742	19 553	21 295	30 300
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	31 222	44 425
Fixed assets total	2 000 516	2 846 477	1 283 885	1 826 803
III. Long-term financial investments				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Assets of deferred tax	231 680	329 651	193 748	275 678
Long-term financial investments total	278 880	396 811	240 948	342 838
1. Long-term investments total	4 515 076	6 424 374	4 878 132	6 940 956
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	699 031	994 631	774 012	1 101 320
Unfinished products	204 730	291 305	256 473	364 928
Finished products and goods for sale	146 644	208 656	258 985	368 502
Advance payments for goods	1 275 966	1 815 536	7 117	10 127
Reserves total	2 326 371	3 310 128	1 296 587	1 844 877
II. Debtors				
Debts of buyers and customers	5 451 934	7 757 403	5 320 705	7 570 681
Other debtors	163 966	233 303	203 798	289 978
Expenses of future periods	-	-	581	827
Debtors total	5 615 900	7 990 706	5 525 084	7 861 486
IV. Cash and cash equivalents	145 721	207 342	103 787	147 676
2. Current assets total	8 087 992	11 508 176	6 925 458	9 854 039
<u>TOTAL ASSETS</u>	<u>12 603 068</u>	<u>17 932 550</u>	<u>11 803 590</u>	<u>16 794 995</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	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	1 081 964	1 539 496	1 079 369	1 535 804
b) profit / (loss) of reporting period	1 690	2 405	2 595	3 692
1. Equity capital total	8 483 654	12 071 152	8 481 964	12 068 747
 2. Long-term creditors:				
Loans from credit institutions	1 088 339	1 548 567	1 242 447	1 767 843
2. Long-term creditors total	1 088 339	1 548 567	1 242 477	1 767 843
 3. Short-term creditors:				
Loans from credit institutions	549 722	782 184	497 585	707 999
Other loans	275 110	391 446	119 402	169 894
Advance payments received from customers	23 772	33 825	6 206	8 830
Debts to suppliers and contractors	1 632 968	2 323 504	1 059 504	1 507 538
Taxes and compulsory social security contributions	223 468	317 966	186 448	265 292
Other creditors	252 718	359 585	113 126	160 964
Accumulated liabilities	73 317	104 321	96 908	137 888
3. Short-term creditors total	3 031 075	4 312 831	2 079 179	2 958 405
Creditors total	4 119 414	5 861 398	3 321 626	4 726 248
 <u>LIABILITIES TOTAL</u>	<u>12 603 068</u>	<u>17 932 550</u>	<u>11 803 590</u>	<u>16 794 995</u>

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INCOME STATEMENT

	<i>1 EUR = 0,702804 LVL</i>			
	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	LVL	EUR	LVL	EUR
Net turnover	6 687 773	9 515 843	9 860 179	14 029 771
Production cost of sold products	-6 039 312	-8 593 166	-7 897 696	-11 237 409
Gross profit	648 461	922 677	1 962 483	2 792 362
Selling costs	-1 117 318	-1 589 800	-1 124 327	-1 599 773
Administration costs	-557 766	-793 629	-639 838	-910 407
Other operating income	1 225 283	1 743 421	1 697	2 415
Other operating expenses	-75 682	-107 686	-104 111	-148 137
Other interest income and similar income	562	799	8 682	12 353
Interest payment and similar expenses	-76 299	-108 564	-100 966	-143 662
Profit / (loss) before taxes	47 241	67 218	3 620	5 151
Deferred tax income and losses	37 932	53 972	45 640	64 939
Other taxes	-83 483	-118 785	-46 665	-66 398
Profit / (loss) of reporting period	<u>1 690</u>	<u>2 405</u>	<u>2 595</u>	<u>3 692</u>
Index EPS	0.000	0.000	0.000	0.000

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	47 241	67 218	3 620	5 151
<i>Corrections:</i>				
Depreciation of fixed assets	524 490	746 282	595 036	846 660
Amortization of non-material investments	1 117 619	1 590 229	1 117 448	1 589 985
Income from sale of fixed assets, net	-1 181 491	-1 681 110	-351	-499
Interest income	562	799	-8 682	-12 353
Interest expense	76 299	108 563	100 966	143 662
2. Profit / (loss) from economic activity in reporting period	584 720	831 981	1 808 037	2 572 606
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-91 378	-130 019	-2 993 716	-4 259 674
In Reserves	-1 046 934	-1 489 653	176 890	251 692
In Creditors	-485 262	-690 466	622 316	885 476
3. Cash flow of basic activity	-	-	-386 473	-549 901
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-37 949	-53 996	-42 049	-59 380
Cash flow of basic activity	<u>-1 076 803</u>	<u>-1 532 153</u>	<u>-428 522</u>	<u>-609 731</u>
II. Cash flow of investing activity				
Loans issued	-	-	619 190	881 028
Purchase of fixed assets	-46 486	-66 144	-39 415	-56 082
Sale of fixed assets	1 187 973	1 690 333	2 283	3 248
Interest received	-	-	30 682	43 657
Cash flow of investing activity	<u>1 141 487</u>	<u>1 624 189</u>	<u>612 740</u>	<u>871 851</u>
III. Cash flow of financing activity				
Dividends paid	-	-	-11 100	-15 793
Loans (repaid) / received, net	50 521	71 885	-130 632	-185 873
Interest paid	-73 271	-104 255	-103 066	-146 650
Cash flow of financing activity	<u>-22 750</u>	<u>-32 370</u>	<u>-244 798</u>	<u>-348 316</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	LVL	EUR	LVL	EUR
Cash flow of basic activity, net	-1 076 803	-1 532 153	-428 522	-609 731
Cash flow of investing activity, net	1 141 487	1 624 189	612 740	871 580
Cash flow of financing activity, net	-22 750	-32 370	-244 798	-348 316
Growth of cash and cash equivalents	41 934	59 666	-60 580	-86 197
Balance of cash and cash equivalents at the beginning of reporting period	<u>103 787</u>	<u>147 676</u>	<u>164 367</u>	<u>233 873</u>
Balance of cash and cash equivalents at the end of reporting period	<u>145 721</u>	<u>207 342</u>	<u>103 787</u>	<u>147 676</u>

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**Statement of changes in equity for the period from 01.01.2013 till 31.12.2013
(LVL)**

	Equity capital LVL	Retained profit / (loss) of reporting year LVL	Retained profit of previous years LVL	Equity capital TOTAL LVL
31.12.2011	7 400 000	121 417	969 052	8 490 469
Loss of 2011 transferred to retained profit of previous years	-	-121 417	121 417	-
Dividends paid	-	-	-11 100	-11 100
Profit of reporting year	-	2 595	-	2 595
31.12.2012	7 400 000	2 595	1 079 369	8 481 964
Profit of 2012 transferred to retained profit of previous years	-	-2 595	2 595	-
Profit of reporting year	=	<u>1 690</u>	=	<u>1 690</u>
31.12.2013	<u>7 400 000</u>	<u>1 690</u>	<u>1 081 964</u>	<u>8 483 654</u>

1 EUR = 0,702804 LVL

**Statement of changes in equity for the period from 01.01.2013 till 31.12.2013
(EUR)**

	Equity capital EUR	Retained profit / (loss) of reporting year EUR	Retained profit of previous years EUR	Equity capital TOTAL EUR
31.12.2011	10 529 251	172 761	1 378 837	12 080 849
Loss of 2011 transferred to retained profit of previous years	-	-172 761	172 761	-
Dividends paid	-	-	15 794	-15 794
Profit of reporting year	-	3 692	-	3 692
31.12.2012	10 529 251	3 692	1 535 804	12 068 747
Profit of 2012 transferred to retained profit of previous years	-	-3 692	3 692	-
Profit of reporting year	=	<u>2 405</u>	=	<u>2 405</u>
31.12.2013	<u>10 529 251</u>	<u>2 405</u>	<u>1 539 496</u>	<u>12 071 152</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 2013 and the results of its operation and cash flows for the 12 months period ended 31 December 2013.

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 2013 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 2013 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 4 224 thous.LVL (6 010 thous.EUR). The result of reporting period is by 1 901 thous.LVL (2 705 thous.EUR) or 31% less than in 12 months period of previous year.

Production of driving chains in 12 months of 2013 (thous.meters)

Production of driving chains in natural units is by 1 029 thous.meters less than in 12 months period of previous year.

Production of driving chains in 12 months of year 2013 (thous.LVL/thous.EUR)

In 12 months of this year there have been driving chains produced in money terms in the amount of 4 224 thous.LVL (6 010 thous.EUR). The actual performance of reporting period is by 1 901 thous.LVL (2 705 thous.EUR) lower than in the relevant period of previous year.

Sales (net-turnover) in 12 months of 2013 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 6 688 thous.LVL (9 516 thous.EUR). The actual performance of the reporting period is by 3 172 thous.LVL (4 513 thous.EUR) or 32% less than the index of the same period of previous year.

Sales of main products in 12 months of 2013 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 5 500 thous.LVL (7 826 thous.EUR), and it is by 2 438 thous.LVL (3 469 thous.EUR) or 31% less than the result of the relevant period of prior year.