

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

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

**FOR 3 MONTHS OF YEAR 2011**

**(01.01.2011 – 31.03.2011)**

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

Daugavpils

2011

JSC "DITTON PIEVADKEZU RUPNICA"  
**FINANCIAL REPORT FOR 3 MONTHS OF 2011**

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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	01.01.2011 – 31.03.2011

Persons in charge for drawing up of the financial report:

Mr. Boriss Matvejevs, phone +371 65402333,  
e-mail: [dpr@dpr.lv](mailto:dpr@dpr.lv)

Ms. Natalja Redzoba, phone +371 65402333,  
e-mail: [dpr@dpr.lv](mailto:dpr@dpr.lv)

## **INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS**

### **THE MANAGEMENT BOARD**

#### Chairman of the Management Board

Pjotrs Dorofejevs, elected 22.06.2010 (Member of the Management Board from 07.01.2004)

#### Member 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](http://www.dpr.lv/web_ru/for-akcioner.htm)

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\* As of 31.03.2011

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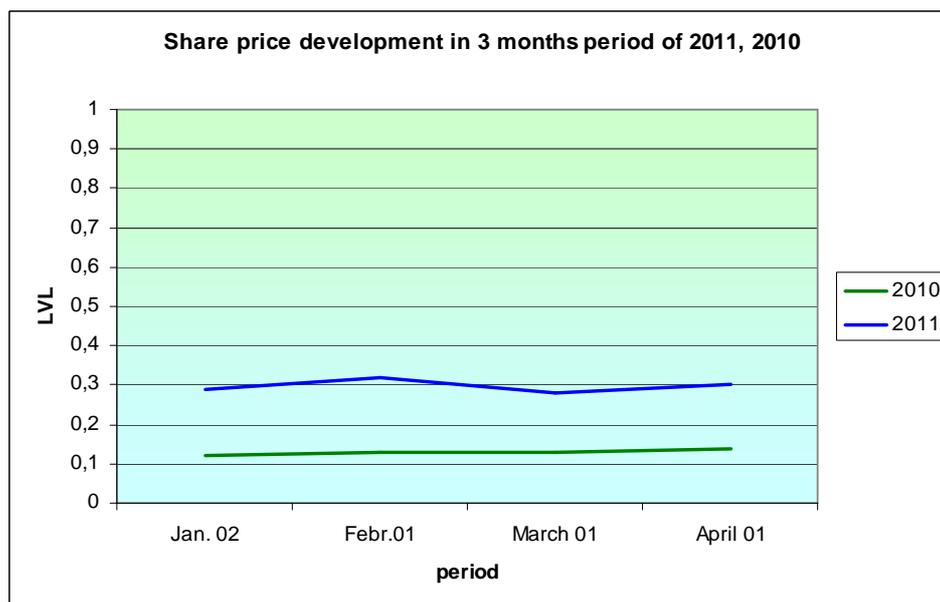
**INFORMATION ON SHAREHOLDERS AND SHARES**

**COMPANY SHAREHOLDERS (OVER 5%) \***

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	9,86
Pavels Samuilovs	9,46

\* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 23.05.2011.

**SHARE PRICE DEVELOPMENT**



## **MANAGEMENT REPORT**

### **Information on the results of the company in 3 months of year 2011**

In 3 months period of 2011 net-turnover in fact was fulfilled in the amount of 2 206 thous.LVL (3 139 thous.EUR) against the forecast 1 750 thous.LVL (2 490 thous.EUR), increase amounts to 456 thous.LVL (649 thous.EUR) or 26%. Compared to the level of previous year, net-turnover of the reporting period is by 812 thous.LVL (1 155 thous.EUR) or by 58% more.

Profit before taxes amounted to 265 thous.LVL (377 thous.EUR) in 3 months period of 2011, which is by 235 thous.LVL (334 thous.EUR) more than the forecast. Profit after taxes amounts to 255 thous.LVL (363 thous.EUR).

Commodity output is estimated in the amount of 1 568 thous.LVL (2 231 thous.EUR). The result of 3 months of 2011 is by 460 thous.LVL (655 thous.EUR) or by 42% 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 362 employees in 3 months of year 2011.

The average salary amounted to 305 LVL (434 EUR) in 3 months period of 2011, which is by 60 LVL (85 EUR) more than in 3 months of 2010.

### **Significant events. Market tendencies and development of the company.**

#### **Risks.**

The activity of the company in 3 months of the year 2011 gives the ground to consider that the situation on the market where production of the company is represented has stabilized and there are certain growth trends outlined. 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 support program for automobile manufacturers adopted by the government of Russian Federation from 01.03.2010 which undoubtedly shall increase production delivery volumes on conveyors of automobile factories. Currently, in the community of Russian Federation there are discussions about the second phase of this program or its extension. In these circumstances development and maintenance of Eastern market (RF, CIS) represent important goals and interests of the Company. In such way it can be assumed that all risks and market trends reflected in the management report of the annual report for the year 2010 are effective and relevant in the first quarter of 2011.

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 2<sup>nd</sup> quarter 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.

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Also the rate of turnover growth forecasted for 2010 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 materials, may be evidence for the probability of the "second wave" of crisis phenomena. Alongside with that, in the 1st quarter of 2011 all expected forecasts of financial indices, inclusive of investments into future development, are fulfilled.

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, 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, these conditions and revival of the market brought to positive results in the Company's activity in the 1<sup>st</sup> quarter of 2011, and it closed this period with profit.

### **STATEMENT ABOUT MANAGEMENT LIABILITY**

According to our information, the presented financial statements for 3 months of year 2011 ended 31 March 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 pievadkezu rupnica"

Pjotrs Dorofejevs

JSC "DITTON PIEVADKEZU RUPNICA"  
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**BALANCE SHEET**

*1 EUR = 0,702804 LVL*

ASSETS	31.03.2011. LVL	31.03.2011. EUR	31.03.2010. LVL	31.03.2010. EUR
<b>1. Long-term investments</b>				
<b>I. Non-material investments</b>				
Concessions, patents, licenses, trade marks and similar rights	3	4	71	101
Other non-material investments	5 307 260	7 551 551	-	-
<b>Non-material investments total</b>	<b>5 307 263</b>	<b>7 551 555</b>	<b>71</b>	<b>101</b>
<b>II. Fixed assets</b>				
Plots of land, buildings and constructions	2 205 559	3 138 228	2 916 050	4 149 165
Technological equipment and machinery	13 744	19 555	12 877	18 322
Other fixed assets and stock	88 687	126 190	810	1 153
Formation of fixed assets and costs of unfinished construction objects	7 261	10 332	7 261	10 332
<b>Fixed assets total</b>	<b>2 315 251</b>	<b>3 294 305</b>	<b>2 936 998</b>	<b>4 178 972</b>
<b>III. Long-term financial investments</b>				
Participation in the capital of other companies	47 200	67 160	47 200	67 159
Long-term loans	333 518	474 554	378 845	539 048
Assets of deferred tax	85 048	121 012	28 867	41 074
<b>Long-term financial investments total</b>	<b>465 766</b>	<b>662 726</b>	<b>454 912</b>	<b>647 281</b>
<b>1. Long-term investments total</b>	<b>8 088 280</b>	<b>11 508 586</b>	<b>3 391 981</b>	<b>4 826 354</b>
<b>2. Current assets</b>				
<b>I. Reserves</b>				
Raw materials, basic materials and subsidiary materials	626 720	891 742	787 670	1 120 754
Unfinished products	253 046	360 052	270 897	385 452
Finished products and goods for sale	341 027	485 238	711 576	1 012 481
Advance payments for goods	50 841	72 340	41 897	59 614
<b>Reserves total</b>	<b>1 271 634</b>	<b>1 809 372</b>	<b>1 812 040</b>	<b>2 578 301</b>
<b>II. Debtors</b>				
Debts of buyers and customers	1 508 099	2 145 832	5 234 173	7 447 557
Other debtors	870 189	1 238 167	475 050	675 935
Deferred expenses	-	-	367	522
<b>Debtors total</b>	<b>2 378 288</b>	<b>3 383 999</b>	<b>5 709 590</b>	<b>8 124 014</b>
<b>IV. Cash and cash equivalents</b>	<b>155 876</b>	<b>221 791</b>	<b>98 696</b>	<b>140 432</b>
<b>2. Current assets total</b>	<b>3 805 798</b>	<b>5 415 162</b>	<b>7 620 326</b>	<b>10 842 747</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>11 894 078</u></b>	<b><u>16 923 748</u></b>	<b><u>11 012 307</u></b>	<b><u>15 669 101</u></b>

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**BALANCE SHEET**

*1 EUR = 0,702804 LVL*

<b>LIABILITIES</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b>1. Equity capital</b>				
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	255 063	362 922	316 960	450 994
<b>1. Equity capital total</b>	<b>8 624 115</b>	<b>12 271 010</b>	<b>8 306 112</b>	<b>11 818 533</b>
<b>2. Long-term creditors:</b>				
Loans from credit institutions	1 429 422	2 033 885	-	-
<b>2. Long-term creditors total</b>	<b>1 429 422</b>	<b>2 033 885</b>	<b>-</b>	<b>-</b>
<b>3. Short-term creditors:</b>				
Loans from credit institutions	120 232	171 074	1 706 474	2 428 094
Other loans	160 171	227 903	175 000	249 002
Advance payments received from customers	63 641	90 552	62 023	88 251
Debts to suppliers and contractors	686 281	976 490	257 121	365 850
Taxes and compulsory social security contributions	607 872	864 924	326 414	464 445
Other creditors	130 753	186 045	139 610	198 647
Accumulated liabilities	71 591	101 865	39 553	56 279
<b>3. Short-term creditors total</b>	<b>1 840 541</b>	<b>2 618 853</b>	<b>2 706 195</b>	<b>3 850 568</b>
<b>Creditors total</b>	<b>3 269 963</b>	<b>4 652 738</b>	<b>2 706 195</b>	<b>3 850 568</b>
<b><u>LIABILITIES TOTAL</u></b>	<b><u>11 894 078</u></b>	<b><u>16 923 748</u></b>	<b><u>11 012 307</u></b>	<b><u>15 669 101</u></b>

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## INCOME STATEMENT

	31.03.2011.	31.03.2011.	31.03.2010.	31.03.2010.
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	2 205 811	3 138 586	1 394 390	1 984 038
Production cost of sold products	-1 457 707	-2 074 130	-1 192 906	-1 697 352
<b>Gross profit</b>	<b>748 104</b>	<b>1 064 456</b>	<b>201 484</b>	<b>286 686</b>
Selling costs	-281 639	-400 736	-42 165	-59 995
Administration costs	-169 492	-241 165	-157 611	-224 260
Other operating income	1 222	1 738	353 870	503 512
Other operating expenses	-13 063	-18 587	-13 058	-18 580
Interest payment and similar expenses	-19 694	-28 022	-15 522	-22 087
<b>Profit / (loss) before taxes</b>	<b>265 438</b>	<b>377 684</b>	<b>326 998</b>	<b>465 276</b>
Other taxes	-10 375	-14 762	-10 038	-14 283
<b>Profit / (loss) of reporting period</b>	<b><u>255 063</u></b>	<b><u>362 922</u></b>	<b><u>316 960</u></b>	<b><u>450 993</u></b>
<b>Index EPS</b>	<b>0.034</b>	<b>0.049</b>	<b>0.043</b>	<b>0.061</b>

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**STATEMENT OF CASH FLOW**

*1 EUR = 0,702804 LVL*

	31.03.2011. LVL	31.03.2011. EUR	31.03.2010. LVL	31.03.2010. EUR
<b>I. Cash flow of basic activity</b>				
1. Profit / (loss) before taxes	265 438	377 684	326 998	465 276
<i>Corrections:</i>				
Depreciation of fixed assets	184 364	262 326	187 454	266 723
Depreciation of non-material investments	5	7	24	34
Interest expense	19 694	28 022	15 556	22 134
Amortization share of other non-material investments	279 329	397 449	-	-
2. Profit / (loss) from economic activity in reporting period	748 830	1 065 488	530 032	754 167
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-714 050	-1 016 001	-836 881	-1 190 774
In Reserves	-15 780	-22 453	303 188	431 398
In Creditors	178 905	254 559	-25 469	-36 239
3. Cash flow of basic activity, gross	197 905	281 593	-29 130	-41 448
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-10 375	-14 762	-10 038	-14 283
<b>Cash flow of basic activity, net</b>	<b><u>187 530</u></b>	<b><u>266 831</u></b>	<b><u>-39 168</u></b>	<b><u>-55 731</u></b>
<b>II. Cash flow of investing activity</b>				
Loans issued	-94 222	-134 066	-	-
Purchase of fixed assets	-5 391	-7 671	-	-
<b>Cash flow of investing activity, net</b>	<b><u>-99 613</u></b>	<b><u>-141 737</u></b>	<b>=</b>	<b>=</b>
<b>III. Cash flow of financing activity</b>				
Loans (repaid) / received, net	-19 694	-28 021	-	-
Interest paid	-66 783	-95 024	-15 556	-22 134
<b>Cash flow of financing activity, net</b>	<b><u>-86 477</u></b>	<b><u>-123 045</u></b>	<b><u>-15 556</u></b>	<b><u>-22 134</u></b>

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**CONSOLIDATED DATA ON CASH INCOME AND EXPENSES**

*1 EUR = 0,702804 LVL*

	31.03.2011. LVL	31.03.2011. EUR	31.03.2010. LVL	31.03.2010. EUR
Cash flow of basic activity, net	187 530	266 831	-39 168	-55 731
Cash flow of investing activity, net	-99 613	-141 737	-	-
Cash flow of financing activity, net	-86 477	-123 045	-15 556	-22 134
Growth of cash and cash equivalents	1 440	2 049	-54 724	-77 865
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>155 876</u>	<u>221 792</u>	<u>98 696</u>	<u>140 432</u>

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<b>Statement of changes in equity for the period from 01.01.2011 till 31.03.2011 (LVL)</b>							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 1st January, 2011</b>	<b>7 400 000</b>	-	-	-	<b>969 052</b>	-	<b>8 369 052</b>
Profit for 3 months of 2011	-	-	-	-	-	255 063	<b>255 063</b>
<b>As at 31 March, 2011</b>	<b>7 400 000</b>	-	-	-	<b>969 052</b>	<b>255 063</b>	<b>8 624 115</b>
<b>As at 1st January, 2010</b>	<b>7 400 000</b>	-	-	-	<b>589 152</b>	-	<b>7 989 152</b>
Profit for 3 months of 2010	-	-	-	-	-	316 960	<b>316 960</b>
<b>As at 31 March, 2010</b>	<b>7 400 000</b>	-	-	-	<b>589 152</b>	<b>316 960</b>	<b>8 306 112</b>

*1 EUR = 0,702804 LVL*

<b>Statement of changes in equity for the period from 01.01.2011 till 31.03.2011 (EUR)</b>							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 1st January, 2011</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>1 378 837</b>	-	<b>11 908 088</b>
Profit for 3 months period 2011 <i>(0.702804)</i>	-	-	-	-	-	362 922	<b>362 922</b>
<b>As at 31 March, 2011</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>1 378 837</b>	<b>362 922</b>	<b>12 271 010</b>
<b>1st January, 2010</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>838 288</b>	-	<b>11 367 539</b>
Profit for 3 months period 2010 <i>(0.702804)</i>	-	-	-	-	-	450 994	<b>450 994</b>
<b>As at 31 March, 2010</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>838 288</b>	<b>450 994</b>	<b>11 818 533</b>

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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 March 2011 and the results of its operation and cash flows for the 3 months period ended 31 March 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 3 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.

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**Summary of financial results  
for 3 months of year 2011**

thous.LVL

Name of index	Forecast for 2011	3 months of year 2011		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	6 900	1 700	1 568	-132
Production of main products	6 800	1 693	1 525	-168
Production of driving chains	6 750	1 685	1 518	-167
incl. automotive	2 520	629	477	-152
industrial	4 230	1 056	1 041	-15
Sales volume	7 000	1 750	2 206	+456
Sales of main products	6 900	1 725	1 703	-22
Profit after taxes	40	10	255	+245

thous.EUR

*1 EUR = 0,702804 LVL*

Name of index	Forecast for 2011	3 months of year 2011		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	9 818	2 419	2 231	-188
Production of main products	9 676	2 409	2 170	-239
Production of driving chains	9 604	2 398	2 160	-238
incl. automotive	3 586	895	679	-216
industrial	6 019	1 503	1 481	-21
Sales volume	9 960	2 490	3 139	+649
Sales of main products	9 818	2 454	2 423	-31
Profit after taxes	57	14	363	+349

### **Explanations and analyses on separate items of financial reports**

#### Production of commodity products in the period of 3 months of year 2011 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 1 568 thous.LVL (2 231 thous.EUR). The result of reporting period is by 460 thous.LVL (655 thous.EUR) or 42% higher than in 3 months period of previous year.

#### Production of driving chains in 3 months of 2011 (thous.meters)

Production of driving chains in natural units is by 200 thous.meters less than the forecast.

#### Production of driving chains in 3 months of year 2011 (thous.LVL/thous.EUR)

Production of driving chains in money terms is by 167 thous.LVL (238 thous.EUR) less than the forecast. The actual performance of reporting period is by 424 thous.LVL (603 thous.EUR) more than in the relevant period of previous year.

#### Sales (net-turnover) in 3 months of 2011 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 1 750 thous.LVL (2 490 thous.EUR) in 3 months of year 2011, in fact it has been fulfilled in the amount of 2 206 thous.LVL (3 139 thous.EUR), increase amounts to 456 thous.LVL (649 thous.EUR). The actual performance of the reporting period is by 812 thous. LVL (1 155 thous.EUR) or 58% more than the index of the same period of previous year.

#### Sales of main products in 3 months of 2011 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 22 thous.LVL (31 thous.EUR) less than the forecast, and it is by 489 thous.LVL (696 thous.EUR) or 40 % more than the result of the relevant period of prior year.