

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

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

**FOR 3 MONTHS OF YEAR 2012**

**(01.01.2012 – 31.03.2012)**

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

Daugavpils

2012

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 – 31.03.2012

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](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

#### 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**

<b>Members of the Management Board</b>	<b>Share ownership *</b>	
	<b>Quantity of shares</b>	<b>%</b>
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, till 28.05.2012

Vladimirs Bagajevs, elected 28.05.2012

### **Information on shares owned by Members of the Council**

<b>Members of the Management Board</b>	<b>Share ownership *</b>	
	<b>Quantity of shares</b>	<b>%</b>
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Timo Sas (16.10.2009 – 28.05.2012)	no shares	-
Vladimirs Bagajevs (from 28.05.2012)	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 31.05.2012

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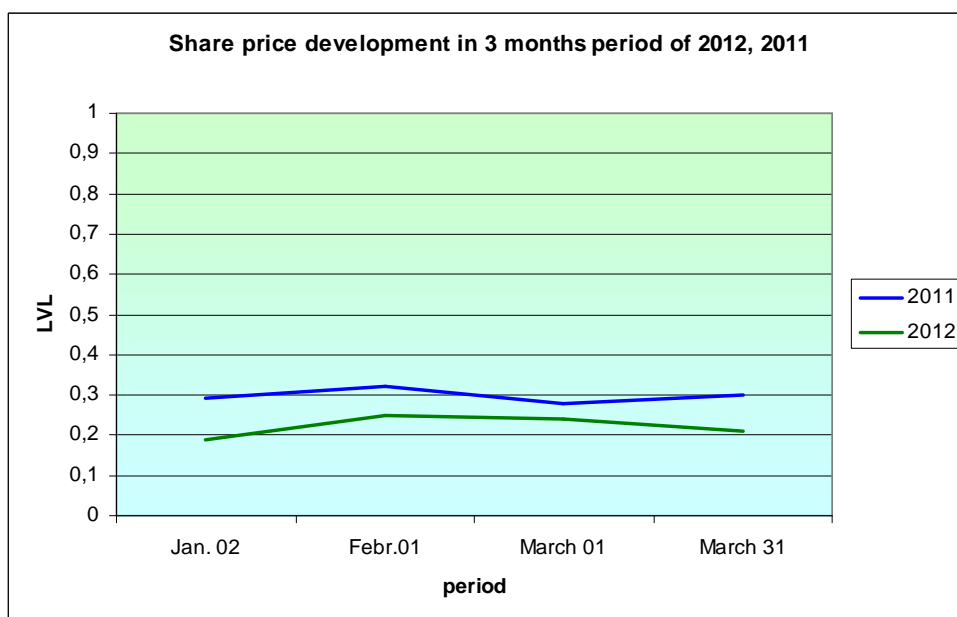
**INFORMATION ON SHAREHOLDERS AND SHARES**

**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
Pavels Samuilovs	9,46

\* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadkēžu rūpnīca” dated 18.05.2012.

**SHARE PRICE DEVELOPMENT**



## MANAGEMENT REPORT

### Information on the results of the company in 3 months of year 2012

In 3 months period of 2012 net-turnover was fulfilled in the amount of 2 804 thous.LVL (3 990 thous.EUR), which compared to the forecast is by 654 thous.LVL (931 thous.EUR) or 30% more. Compared to the level of previous year, net-turnover of the reporting period is by 598 thous.LVL (851 thous.EUR) or by 27% more.

Profit before taxes amounted to 95 thous.LVL (135 thous.EUR) in 3 months period of 2012. Profit after taxes amounts to 84 thous.LVL (120 thous.EUR).

Commodity output is estimated in the amount of 1 820 thous.LVL (2 590 thous.EUR). The result of 3 months of 2012 is by 252 thous.LVL (359 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 341 employees in 3 months of year 2012.

The average salary amounted to 330 LVL (470 EUR) in 3 months period of 2012, which is by 25 LVL (36 EUR) more than in 3 months of 2011.

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

#### Risks.

The activity of the Company in 3 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 was maintained. 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 which resulted in a certain stabilization of the financial situation of the Company, 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 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. The situation in 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 3 months period of 2012 with profit.

### **STATEMENT ABOUT MANAGEMENT LIABILITY**

According to our information, the presented financial statements for 3 months of year 2012 ended 31 March 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	31.03.2012 LVL	31.03.2012 EUR	31.03.2011 LVL	31.03.2011 EUR
<b>1. Long-term investments</b>				
<b>I. Non-material investments</b>				
Concessions, patents, licenses, trade marks and similar rights	520	740	3	4
Other non-material investments	4 189 942	5 961 750	5 307 260	7 551 551
<b>Non-material investments total</b>	<b>4 190 462</b>	<b>5 962 490</b>	<b>5 307 263</b>	<b>7 551 555</b>
<b>II. Fixed assets</b>				
Plots of land, buildings and constructions	1 612 177	2 293 921	2 205 559	3 138 228
Technological equipment and machinery	32 602	46 388	13 744	19 555
Other fixed assets and stock	26 133	37 184	88 687	126 190
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	7 261	10 332
<b>Fixed assets total</b>	<b>1 702 134</b>	<b>2 421 918</b>	<b>2 315 251</b>	<b>3 294 305</b>
<b>III. Long-term financial investments</b>				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Long-term loans	404 856	576 058	333 518	474 554
Assets of deferred tax	148 108	210 739	85 048	121 012
<b>Long-term financial investments total</b>	<b>600 164</b>	<b>853 957</b>	<b>465 766</b>	<b>662 726</b>
<b>1. Long-term investments total</b>	<b>6 492 760</b>	<b>9 238 365</b>	<b>8 088 280</b>	<b>11 508 586</b>
<b>2. Current assets</b>				
<b>I. Reserves</b>				
Raw materials, basic materials and subsidiary materials	743 246	1 057 544	626 720	891 742
Unfinished products	322 865	459 396	253 046	360 052
Finished products and goods for sale	314 103	446 928	341 027	485 238
Advance payments for goods	111 504	158 656	50 841	72 340
<b>Reserves total</b>	<b>1 491 718</b>	<b>2 122 524</b>	<b>1 271 634</b>	<b>1 809 372</b>
<b>II. Debtors</b>				
Debts of buyers and customers	3 445 412	4 902 380	1 508 099	2 145 832
Other debtors	227 040	323 048	870 189	1 238 167
<b>Debtors total</b>	<b>3 672 452</b>	<b>5 225 428</b>	<b>2 378 288</b>	<b>3 383 999</b>
<b>IV. Cash and cash equivalents</b>	<b>150 871</b>	<b>214 670</b>	<b>155 876</b>	<b>221 791</b>
<b>2. Current assets total</b>	<b>5 315 041</b>	<b>7 562 622</b>	<b>3 805 798</b>	<b>5 415 162</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>11 807 801</u></b>	<b><u>16 800 987</u></b>	<b><u>11 894 078</u></b>	<b><u>16 923 748</u></b>



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**BALANCE SHEET**

*1 EUR = 0,702804 LVL*

<b>LIABILITIES</b>	<b>31.03.2012</b>	<b>31.03.2012</b>	<b>31.03.2011</b>	<b>31.03.2011</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	1 090 469	1 551 598	969 052	1 378 837
b) profit / (loss) of reporting period	83 557	118 891	255 063	362 922
<b>1. Equity capital total</b>	<b>8 574 026</b>	<b>12 199 740</b>	<b>8 624 115</b>	<b>12 271 010</b>
<b>2. Long-term creditors:</b>				
Loans from credit institutions	1 269 113	1 805 785	1 429 422	2 033 885
<b>2. Long-term creditors total</b>	<b>1 269 113</b>	<b>1 805 785</b>	<b>1 429 422</b>	<b>2 033 885</b>
<b>3. Short-term creditors:</b>				
Loans from credit institutions	541 914	771 074	120 232	171 074
Other loans	136 062	193 599	160 171	227 903
Advance payments received from customers	30 033	42 733	63 641	90 552
Debts to suppliers and contractors	983 764	1 399 770	686 281	976 490
Taxes and compulsory social security contributions	78 808	112 134	607 872	864 924
Other creditors	135 390	192 642	130 753	186 045
Accumulated liabilities	58 691	83 510	71 591	101 865
<b>3. Short-term creditors total</b>	<b>1 964 662</b>	<b>2 795 462</b>	<b>1 840 541</b>	<b>2 618 853</b>
<b>Creditors total</b>	<b>3 233 775</b>	<b>4 601 247</b>	<b>3 269 963</b>	<b>4 652 738</b>
<b><u>LIABILITIES TOTAL</u></b>	<b><u>11 807 801</u></b>	<b><u>16 800 987</u></b>	<b><u>11 894 078</u></b>	<b><u>16 923 748</u></b>

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**INCOME STATEMENT**

	31.03.2012	31.03.2012	31.03.2011	31.03.2011
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	2 804 368	3 990 256	2 205 811	3 138 586
Production cost of sold products	-2 254 805	-3 208 298	-1 457 707	-2 074 130
<b>Gross profit</b>	<b>549 563</b>	<b>781 958</b>	<b>748 104</b>	<b>1 064 456</b>
Selling costs	-279 329	-397 449	-281 639	-400 736
Administration costs	-144 221	-205 210	-169 492	-241 165
Other operating income	8 004	11 389	1 222	1 738
Other operating expenses	-14 193	-20 195	-13 063	-18 587
Interest payment and similar expenses	-25 227	-35 895	-19 694	-28 022
<b>Profit / (loss) before taxes</b>	<b>94 597</b>	<b>134 598</b>	<b>265 438</b>	<b>377 684</b>
Other taxes	-11 040	-15 708	-10 375	-14 762
<b>Profit / (loss) of reporting period</b>	<b><u>83 557</u></b>	<b><u>118 890</u></b>	<b><u>255 063</u></b>	<b><u>362 922</u></b>
<b>Index EPS</b>	<b>0.011</b>	<b>0.016</b>	<b>0.034</b>	<b>0.049</b>

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**STATEMENT OF CASH FLOW**

*1 EUR = 0,702804 LVL*

	31.03.2012	31.03.2012	31.03.2011	31.03.2011
	LVL	EUR	LVL	EUR
<b>I. Cash flow of basic activity</b>				
1. Profit / (loss) before taxes	94 597	134 599	265 438	377 684
<i>Corrections:</i>				
Depreciation of fixed assets	154 222	219 439	184 364	262 326
Depreciation of non-material investments	29	41	5	7
Interest expense	25 227	35 895	19 694	28 022
Amortization share of other non-material investments	279 329	397 449	279 329	397 449
Income from sale of fixed assets	-351	-499		
2. Profit / (loss) from economic activity in reporting period	553 053	786 924	748 830	1 065 488
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-1 104 138	-1 571 047	-714 050	-1 016 001
In Reserves	-18 241	-25 955	-15 780	-22 453
In Creditors	436 312	620 816	178 905	254 559
3. Cash flow of basic activity, gross	-133 014	-189 262	197 905	281 593
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-11 040	-15 708	-10 375	-14 762
<b>Cash flow of basic activity, net</b>	<b><u>-144 054</u></b>	<b><u>-204 970</u></b>	<b><u>187 530</u></b>	<b><u>266 831</u></b>
<b>II. Cash flow of investing activity</b>				
Loans issued	214 334	304 970	-94 222	-134 066
Purchase of fixed assets	-15 923	-22 656	-5 391	-7 671
Income from sale of fixed assets	351	499	-	-
<b>Cash flow of investing activity, net</b>	<b><u>198 762</u></b>	<b><u>282 813</u></b>	<b><u>-99 613</u></b>	<b><u>-141 737</u></b>
<b>III. Cash flow of financing activity</b>				
Loans (repaid) / received, net	-42 977	-61 151	-19 694	-28 021
Interest paid	-25 227	-35 895	-66 783	-95 024
<b>Cash flow of financing activity, net</b>	<b><u>-68 204</u></b>	<b><u>-97 046</u></b>	<b><u>-86 477</u></b>	<b><u>-123 045</u></b>

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**CONSOLIDATED DATA ON CASH INCOME AND EXPENSES**

*1 EUR = 0,702804 LVL*

	31.03.2012	31.03.2012	31.03.2011	31.03.2011
	LVL	EUR	LVL	EUR
Cash flow of basic activity, net	-144 054	-204 970	187 530	266 831
Cash flow of investing activity, net	198 762	282 813	-99 613	-141 737
Cash flow of financing activity, net	-68 204	-97 046	-86 477	-123 045
Growth of cash and cash equivalents	-13 496	-19 203	1 440	2 049
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>150 871</u>	<u>214 670</u>	<u>155 876</u>	<u>221 792</u>

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<b>Statement of changes in equity for the period from 01.01.2012 till 31.03.2012 (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, 2012</b>	<b>7 400 000</b>	-	-	-	<b>1 090 469</b>	-	<b>8 490 469</b>
Profit for 3 months of 2012	-	-	-	-	-	83 557	<b>83 557</b>
<b>As at 31 March, 2012</b>	<b>7 400 000</b>	-	-	-	<b>1 090 469</b>	<b>83 557</b>	<b>8 574 026</b>
<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>

*1 EUR = 0,702804 LVL*

<b>Statement of changes in equity for the period from 01.01.2012 till 31.03.2012 (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, 2012</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>1 551 598</b>	-	<b>12 080 849</b>
Profit for 3 months period 2012 <i>(0.702804)</i>	-	-	-	-	-	118 891	<b>118 891</b>
<b>As at 31 March, 2012</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>1 551 598</b>	<b>118 891</b>	<b>12 199 740</b>
<b>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>

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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 2012 and the results of its operation and cash flows for the 3 months period ended 31 March 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 3 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 3 months of year 2012 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 1 820 thous.LVL (2 590 thous.EUR). The result of reporting period is by 252 thous.LVL (359 thous.EUR) or 16% higher than in 3 months period of previous year.

#### Production of driving chains in 3 months of 2012 (thous.meters)

Production of driving chains in natural units is by 149 thous.meters more than in 3 months period of previous year.

#### Production of driving chains in 3 months of year 2012 (thous.LVL/thous.EUR)

In 3 months of this year there have been driving chains produced in money terms in the amount of 1 797 thous.LVL (2 557 thous.EUR). The actual performance of reporting period is by 279 thous.LVL (397 thous.EUR) more than in the relevant period of previous year.

#### Sales (net-turnover) in 3 months of 2012 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 2 804 thous.LVL (3 990 thous.EUR). The actual performance of the reporting period is by 598 thous. LVL (851 thous.EUR) or 27% more than the index of the same period of previous year.

#### Sales of main products in 3 months of 2012 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 2 279 thous.LVL (3 243 thous.EUR), and it is by 576 thous.LVL (820 thous.EUR) or 34 % more than the result of the relevant period of prior year.