

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

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

**FOR 6 MONTHS OF YEAR 2011**

**(01.01.2011 – 30.06.2011)**

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

Daugavpils

2011

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	01.01.2011 – 30.06.2011

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

### **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	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 30.06.2011

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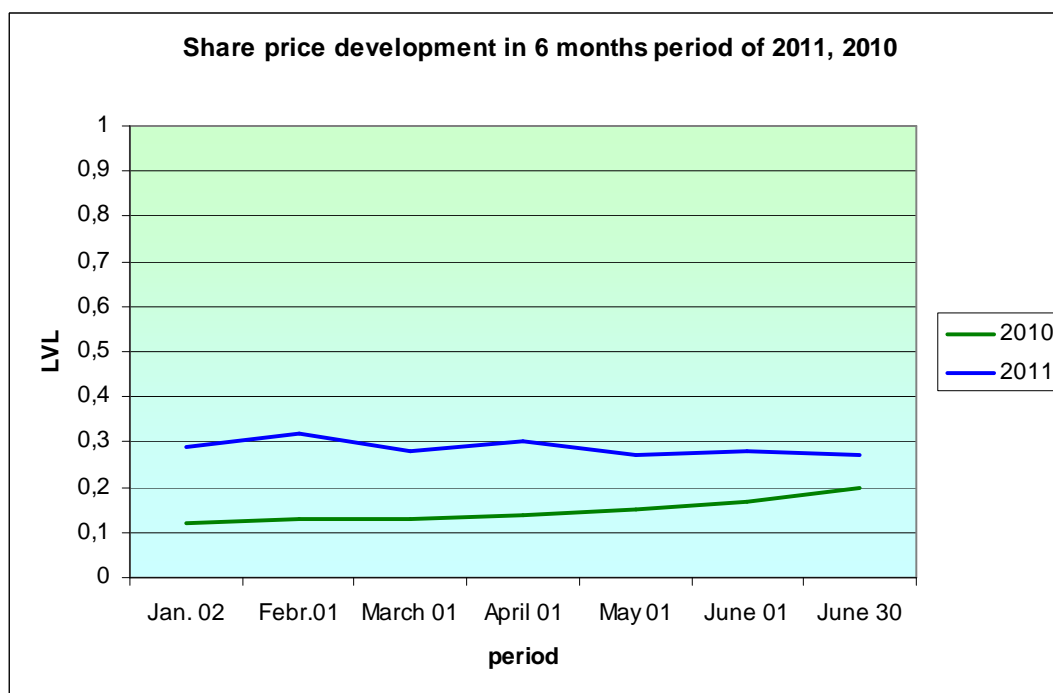
**INFORMATION ON SHAREHOLDERS AND SHARES**

**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 6 months of year 2011

In 6 months period of 2011 net-turnover was fulfilled in the amount of 3 976 thous.LVL (5 657 thous.EUR), which compared to the forecast is by 476 thous.LVL (677 thous.EUR) or 14% more. Compared to the level of previous year, net-turnover of the reporting period is by 442 thous.LVL (629 thous.EUR) or by 13% more.

Profit before taxes amounted to 28 thous.LVL (40 thous.EUR) in 6 months period of 2011. Profit after taxes amounts to 7 thous.LVL (10 thous.EUR).

Commodity output is estimated in the amount of 3 183 thous.LVL (4 529 thous.EUR). The result of 6 months of 2011 is by 739 thous.LVL (1052 thous.EUR) or by 30% 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 6 months of year 2011.

The average salary amounted to 342 LVL (487 EUR) in 6 months period of 2011, which is by 77 LVL (110 EUR) more than in 6 months of 2010.

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

#### Risks.

The activity of the company in 6 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. 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 which undoubtedly shall increase production delivery volumes on conveyors of automobile factories. 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 first half 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> 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 1<sup>st</sup> half of 2011 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

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prices on raw materials, may be evidence for the probability of the "second wave" of crisis phenomena.

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 Russian Federation there can be market stabilization observed, without demonstration of features of rapid growth, which is based on ongoing customer demand support programs.

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, the Company closed the 6 months period of 2011 with profit.

## **STATEMENT ABOUT MANAGEMENT LIABILITY**

According to our information, the presented financial statements for 6 months of year 2011 ended 30 June 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

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**BALANCE SHEET**

*1 EUR = 0,702804 LVL*

ASSETS	30.06.2011. LVL	30.06.2011. EUR	30.06.2010. LVL	30.06.2010. EUR
<b>1. Long-term investments</b>				
<b>I. Non-material investments</b>				
Concessions, patents, licenses, trade marks and similar rights	-	-	47	67
Other non-material investments	5 027 930	7 154 100	-	-
<b>Non-material investments total</b>	<b>5 027 930</b>	<b>7 154 100</b>	<b>47</b>	<b>67</b>
<b>II. Fixed assets</b>				
Plots of land, buildings and constructions	2 048 880	2 915 294	2 730 766	3 885 530
Technological equipment and machinery	11 898	16 929	11 673	16 610
Other fixed assets and stock	70 662	100 543	5 212	7 416
Formation of fixed assets and costs of unfinished construction objects	7 261	10 331	7 261	10 331
<b>Fixed assets total</b>	<b>2 138 701</b>	<b>3 043 097</b>	<b>2 754 912</b>	<b>3 919 887</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	333 518	474 553	378 845	539 047
Assets of deferred tax	85 048	121 012	28 867	41 074
<b>Long-term financial investments total</b>	<b>465 766</b>	<b>662 725</b>	<b>454 912</b>	<b>647 281</b>
<b>1. Long-term investments total</b>	<b>7 632 397</b>	<b>10 859 922</b>	<b>3 209 871</b>	<b>4 567 235</b>
<b>2. Current assets</b>				
<b>I. Reserves</b>				
Raw materials, basic materials and subsidiary materials	781 133	1 111 452	898 421	1 278 338
Unfinished products	322 036	458 216	309 228	439 992
Finished products and goods for sale	234 980	334 346	703 979	1 001 672
Advance payments for goods	34 869	49 614	32 332	46 004
<b>Reserves total</b>	<b>1 373 018</b>	<b>1 953 628</b>	<b>1 943 960</b>	<b>2 766 006</b>
<b>II. Debtors</b>				
Debts of buyers and customers	1 592 096	2 265 349	6 097 512	8 675 978
Other debtors	423 811	603 029	597 379	849 994
<b>Debtors total</b>	<b>2 015 907</b>	<b>2 868 378</b>	<b>6 694 891</b>	<b>9 525 972</b>
<b>IV. Cash and cash equivalents</b>	<b>71 993</b>	<b>102 437</b>	<b>56 302</b>	<b>80 110</b>
<b>2. Current assets total</b>	<b>3 460 918</b>	<b>4 924 443</b>	<b>8 695 153</b>	<b>12 372 088</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>11 093 315</u></b>	<b><u>15 784 365</u></b>	<b><u>11 905 024</u></b>	<b><u>16 939 323</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	6 854	9 752	1 176 644	1 674 214
<b>1. Equity capital total</b>	<b>8 375 906</b>	<b>11 917 840</b>	<b>9 165 796</b>	<b>13 041 753</b>
 <b>2. Long-term creditors:</b>				
Loans from credit institutions	1 429 422	2 033 884	-	-
<b>2. Long-term creditors total</b>	<b>1 429 422</b>	<b>2 033 884</b>	<b>-</b>	<b>-</b>
 <b>3. Short-term creditors:</b>				
Loans from credit institutions	80 155	114 050	1 658 412	2 359 708
Other loans	146 115	207 903	160 171	227 902
Advance payments received from customers	5 443	7 745	14 812	21 076
Debts to suppliers and contractors	625 135	889 487	364 206	518 218
Taxes and compulsory social security contributions	250 802	356 859	353 465	502 935
Other creditors	119 706	170 326	148 609	211 452
Accumulated liabilities	60 631	86 270	39 553	56 279
<b>3. Short-term creditors total</b>	<b>1 287 987</b>	<b>1 832 640</b>	<b>2 739 228</b>	<b>3 897 570</b>
<b>Creditors total</b>	<b>2 717 409</b>	<b>3 866 524</b>	<b>2 739 228</b>	<b>3 897 570</b>
 <b><u>LIABILITIES TOTAL</u></b>	<b><u>11 093 315</u></b>	<b><u>15 784 364</u></b>	<b><u>11 905 024</u></b>	<b><u>16 939 323</u></b>

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## INCOME STATEMENT

	30.06.2011.	30.06.2011.	30.06.2010.	30.06.2010.
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	3 976 018	5 657 364	3 533 996	5 028 423
Production cost of sold products	-2 994 102	-4 260 223	-2 503 272	-3 561 835
<b>Gross profit</b>	<b>981 916</b>	<b>1 397 141</b>	<b>1 030 724</b>	<b>1 466 588</b>
Selling costs	-560 969	-798 187	-102 739	-146 183
Administration costs	-359 309	-511 251	-340 957	-485 138
Other operating income	29 246	41 613	669 378	952 440
Other operating expenses	-21 640	-30 791	-22 460	-31 958
Interest payment and similar expenses	-41 638	-59 245	-37 226	-52 968
<b>Profit / (loss) before taxes</b>	<b>27 606</b>	<b>39 280</b>	<b>1 196 720</b>	<b>1 702 781</b>
Other taxes	-20 752	-29 527	-20 076	-28 567
<b>Profit / (loss) of reporting period</b>	<b><u>6 854</u></b>	<b><u>9 753</u></b>	<b><u>1 176 644</u></b>	<b><u>1 674 214</u></b>
<b>Index EPS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.159</b>	<b>0.226</b>

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**STATEMENT OF CASH FLOW**

*1 EUR = 0,702804 LVL*

	30.06.2011. LVL	30.06.2011. EUR	30.06.2010. LVL	30.06.2010. EUR
<b>I. Cash flow of basic activity</b>				
1. Profit / (loss) before taxes	27 606	39 280	1 196 720	1 702 779
<i>Corrections:</i>				
Depreciation of fixed assets	361 657	514 592	374 300	532 582
Depreciation of non-material investments	8	11	48	68
Interest expense	41 638	59 246	37 272	53 033
Amortization share of other non-material investments	558 659	794 900	-	-
2. Profit / (loss) from economic activity in reporting period	989 568	1 408 029	1 608 340	2 288 462
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-381 422	-542 715	-1 822 181	-2 592 730
In Reserves	-117 164	-166 709	171 268	243 692
In Creditors	-318 760	-453 555	70 454	100 248
3. Cash flow of basic activity, gross	172 222	245 050	27 881	39 672
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-20 752	-29 528	-20 076	-28 566
<b>Cash flow of basic activity, net</b>	<b><u>151 470</u></b>	<b><u>215 522</u></b>	<b><u>7 805</u></b>	<b><u>11 106</u></b>
<b>II. Cash flow of investing activity</b>				
Loans issued	-65 224	-92 805	-	-
Purchase of fixed assets	-6 135	-8 729	-4 760	-6 773
<b>Cash flow of investing activity, net</b>	<b><u>-71 359</u></b>	<b><u>-101 534</u></b>	<b><u>-4 760</u></b>	<b><u>-6 773</u></b>
<b>III. Cash flow of financing activity</b>				
Loans (repaid) / received, net	-120 916	-172 048	-62 891	-89 486
Interest paid	-41 638	-59 246	-37 272	-53 033
<b>Cash flow of financing activity, net</b>	<b><u>-162 554</u></b>	<b><u>-231 294</u></b>	<b><u>-100 163</u></b>	<b><u>-142 519</u></b>

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**CONSOLIDATED DATA ON CASH INCOME AND EXPENSES**

*1 EUR = 0,702804 LVL*

	30.06.2011. LVL	30.06.2011. EUR	30.06.2010. LVL	30.06.2010. EUR
Cash flow of basic activity, net	151 470	215 522	7 805	11 106
Cash flow of investing activity, net	-71 359	-101 534	-4 760	-6 773
Cash flow of financing activity, net	-162 554	-231 294	-100 163	-142 519
Growth of cash and cash equivalents	-82 443	-117 306	-97 118	-138 186
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>71 993</u>	<u>102 437</u>	<u>56 302</u>	<u>80 111</u>

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Statement of changes in equity for the period from 01.01.2011 till 30.06.2011 (LVL)							
	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 6 months of 2011	-	-	-	-	-	6 854	<b>6 854</b>
<b>As at 30 June, 2011</b>	<b>7 400 000</b>	-	-	-	<b>969 052</b>	<b>6 854</b>	<b>8 375 906</b>
<b>As at 1st January, 2010</b>	<b>7 400 000</b>	-	-	-	<b>589 152</b>	-	<b>7 989 152</b>
Profit for 6 months of 2010	-	-	-	-	-	1 176 644	<b>1 176 644</b>
<b>As at 31 June, 2010</b>	<b>7 400 000</b>	-	-	-	<b>589 152</b>	<b>1 176 644</b>	<b>9 165 796</b>

*1 EUR = 0,702804 LVL*

Statement of changes in equity for the period from 01.01.2011 till 30.06.2011 (EUR)							
	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 6 months period 2011 <i>(0.702804)</i>	-	-	-	-	-	9 752	<b>9 752</b>
<b>As at 30 June, 2011</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>1 378 837</b>	<b>9 752</b>	<b>11 917 840</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 6 months period 2010 <i>(0.702804)</i>	-	-	-	-	-	1 674 214	<b>1 674 214</b>
<b>As at 30 June, 2010</b> <i>(0.702804)</i>	<b>10 529 251</b>	-	-	-	<b>838 288</b>	<b>1 674 214</b>	<b>13 041 753</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 30 June 2011 and the results of its operation and cash flows for the 6 months period ended 30 June 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 6 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 6 months of year 2011 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 3 183 thous.LVL (4 529 thous.EUR). The result of reporting period is by 739 thous.LVL (1 052 thous.EUR) or 30% higher than in 6 months period of previous year.

#### Production of driving chains in 6 months of 2011 (thous.meters)

Production of driving chains in natural units is by 468 thous.meters more than the result of 6 months of 2010.

#### Production of driving chains in 6 months of year 2011 (thous.LVL/thous.EUR)

Driving chains have been produced in money terms in the amount of 3 085 thous.LVL (4 389 thous.EUR) in 6 months of this year. The actual performance of reporting period is by 672 thous.LVL (956 thous.EUR) more than in the relevant period of previous year.

#### Sales (net-turnover) in 6 months of 2011 (thous. LVL/thous.EUR)

Net-turnover has been fulfilled in fact in the amount of 3 976 thous.LVL (5 657 thous.EUR) in 6 months of year 2011. The actual performance of the reporting period is by 442 thous. LVL (629 thous.EUR) or 13% more than in the same period of previous year.

#### Sales of main products in 6 months of 2011 (thous. LVL/ thous.EUR)

Sales of main products amounted to 3 012 thous.LVL (4 286 thous.EUR) in the reporting period, which is by 246 thous.LVL (350 thous.EUR) or 9 % more than the result of the relevant period of previous year.

#### Performance of forecasts for production and sales, and the company's profit

Key figures of production and sales, as well as company's profit meet the forecasts assumed by the Management Board for the 1<sup>st</sup> half-year of 2011 (deviations no more than  $\pm 1\%$ ).