

**JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”**

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

**FOR 6 MONTHS OF YEAR 2015**

**(01.01.2015 – 30.06.2015)**

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

Daugavpils

2015

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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,<br>LV-5410, Latvia |
| Mailing address                            | Visku Str. 17, Daugavpils,<br>LV-5410, Latvia |
| Fixed capital                              | 10 360 000 EUR                                |
| Number of public bearer shares             | 7 400 000                                     |
| Nominal value of one share                 | 1.40 EUR                                      |
| Chief accountant                           | Valentina Krivoguzova                         |
| Reporting period                           | 01.01.2015 – 30.06.2015                       |

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

Rolands Zarans, elected 15.01.2014

#### Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

### **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> |
| Rolands Zarans,                        | no shares                 | -        |
| Natalja Redzoba                        | no shares                 | -        |

### **THE COUNCIL**

#### Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

#### Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000

#### 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**

| <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     |
| Anzelina Titkova                       | no shares                 | -        |
| Vladimir Bagaev                        | 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 16.07.2015

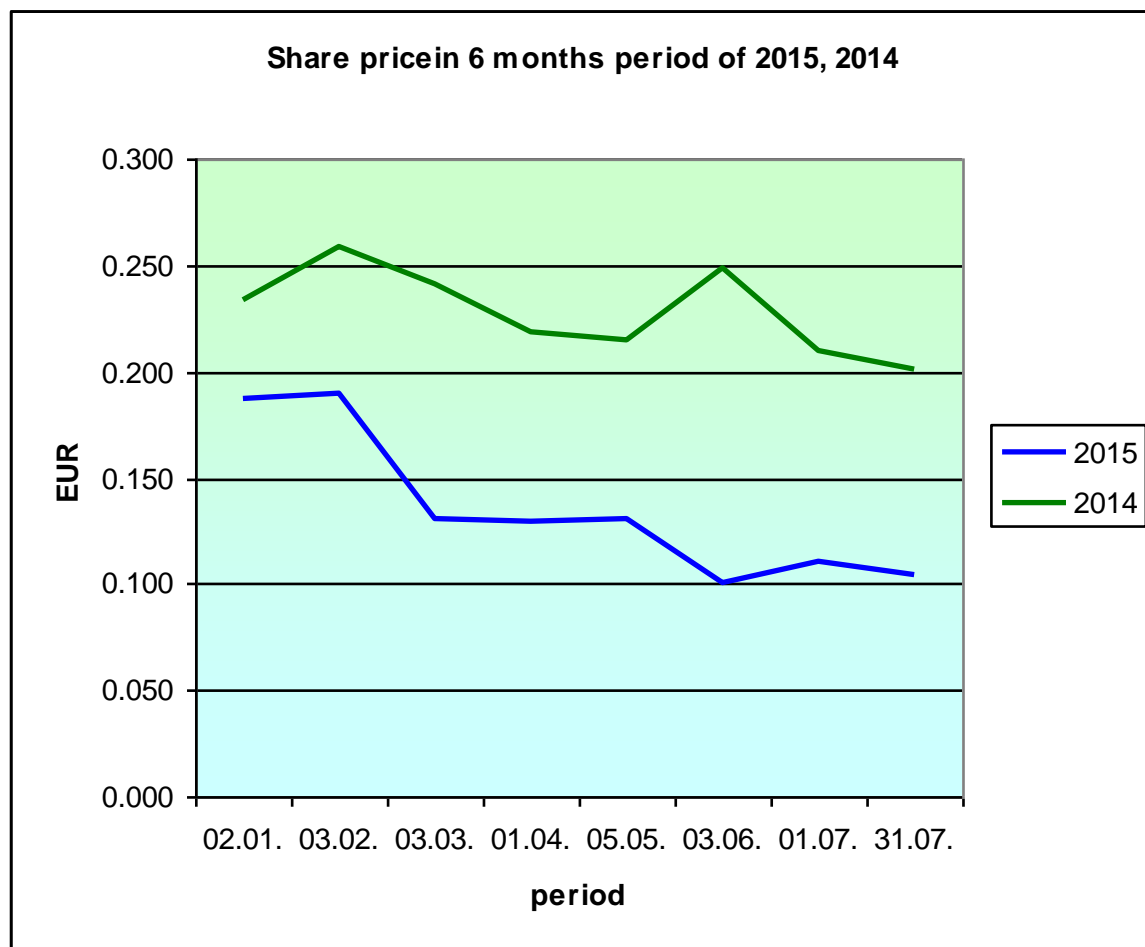
## INFORMATION ON SHAREHOLDERS AND SHARES

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

| NAME                   | Ownership interest, % |
|------------------------|-----------------------|
| Eduards Zavadskis      | 20,00                 |
| Vladislavs Driksne     | 19,92                 |
| MAX Invest Holding SIA | 13,63                 |
| Maleks S SIA           | 12,29                 |
| DVINSK MNG SIA         | 9,46                  |

*\* Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķezu rūpnīca” dated 16.07.2015, 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 6 months of year 2015**

In 6 months period of 2015 net-turnover was fulfilled in the amount of 3 187 thous.EUR, which is by 3 262 thous.EUR or 51% less than index of the 6 months period of 2014.

Commodity output is estimated in the amount of 2 641 thous.EUR. The result of 6 months of 2015 is by 1 275 thous.EUR lower than in the relevant period of previous year.

In the reporting period the company exported 61 % of its core products to the East and West: among them 35% eastwards and 26% westwards; 39% of products were sold on domestic market.

The Company closed the 6 months period of 2015 with book losses before taxes in the amount of 1 711 thous.EUR. Book losses after taxes amounted to 1 771 thous.EUR. The analysis of the loss structure and causes is given in the section „Significant events. Market tendencies and development of the company. Risks” of the Management report to the annual report for 2014 also applies to the figures of the reporting period.

The average statistical number of employees of JSC “Ditton pievadķēžu rūpnīca” was 209 employees in 6 months of year 2015.

The average salary amounted to 457 EUR in 6 months period of 2015, which is by 38 EUR less than in 6 months of 2014.

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

Having analyzed the Company’s operating conditions, performance and market situation in six months of 2015, the Company’s management believes that information set out before in the management report to the annual report for 2014 is fully up to date and relevant for the reporting period, and still notes that in the field of metal processing and machine building there are no increasing trends observed in the sector represented by the Company, which is also reflected in the Company’s performance indices for the reporting period.

In accordance with the output indices for the products with the JSC “Ditton pievadķēžu rūpnīca” trade mark, their sales to the final consumers is structurally divided into the following main segments:

- “Western” market or mainly European market, and
- “Eastern” market or market of the Russian Federation, Customs Union, CIS and Ukraine.

The Company is integrated into the production and economics of those countries, which belong to the above mentioned market segments of the Company’s product sales, regardless of the products promotion procedures and systems on these markets. In this way, all the trends, factors, risks, crises and other conditions on these markets have direct impact on the Company, its operations, as well as the income gained from its activities.

The necessity to retain the Company’s activity obliges the Company’s Management Board to take all of the measures in order to retain both market segments, to operate there in proportion to the their conditions and factors, to reach compromises with partners, including unfavorable ones, to retain all market segments, including when there are temporary adverse factors or crisis phenomena, in its turn to practice refusal of partnership with someone only on condition if these production volumes are replaced by

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analogous ones in other market segments or with other partners (more detailed analysis thereof is given in the management report to the annual report for 2014).

"Western" market segment

Having analyzed the Company's operating conditions, performance and situation of this market segment in 6 months of 2015, the Company's management believes that information set out before in the management report to the annual report for 2014 is fully up to date and relevant for the reporting period, and still notes that in the field of metal processing and machine building there are no increasing trends observed in the sector represented by the Company, which is also reflected in the Company's performance indices for the reporting period.

In the opinion of the management in the industrial production sector represented by the Company the reporting period still has been characterized by stagnation and lack of production 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. 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 on 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 market segments as well as information about other negative factors affecting the Company's activity remain relevant even now.

"Eastern" market segment

The Management gave a detailed analysis of the situation in this segment in the Company's Annual Report 2014, including the examination of stages and processes arising in this segment.

The management pointed out that one of the disadvantages was instability of the exchange rate of the ruble being the equivalent for trading operations in the Customs Union, and it was triggered by transnational prohibition processes, instability in oil values and crisis phenomena caused by these adverse factors in the economies of the Customs Union and the CIS.

These circumstances resulted in the instability of demand for products, price hikes, refusals in favor of domestic producers due to cheaper offerings in the ruble currency (despite loss of quality), etc. Business and partnership continued (and continues) to exist with the hope that the restricting conditions will be cancelled and the ruble will stabilize, which will allow planning and predicting relationships in a certain perspective. Unfortunately, after prolongation of economic sanctions, after a short stability market and mutual exchange rate volatility increased again and as the result loss risks from operation in this segment increased significantly again.

Another element affecting this market segment is the general content of economic policies of the Customs Union offering businesses to focus on the Eastern region instead of "unpredictable West". By default, different types of support, including at the consumer

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level, are dedicated to sales of the products coming from states having not joined the sanctions system.

In addition, at the national level there are actively stimulated domestic companies of this market segment starting production of the products alternative to the ones of JSC "Ditton pievadķēžu rūpnīca".

In such a way, risks and losses in this market segment are primarily related not to the Company, but rather to the circumstances which the Company is unable to influence and to eliminate by reasonable and available means.

Along with this, the Company considers it necessary to continue operating in this market segment, with regard to investments into this market, contacts, a well-known trademark and image of a high-quality manufacturer. In addition, certain optimism is caused by the fall of Chinese producers' level and price increases in the economy of this country, increase of Customs Union consumer demands towards the price-quality ratio level, where the Company has obvious competitive advantages.

Besides, the Company plans to activate sales opportunities of its production potential in other industrial sectors, where special chain gears are in demand, like units and machinery being applied in agriculture and production. The Company is also implementing a loss minimization program due to the optimization of the internal structure, use of infrastructural, intellectual and human resources.

The Company's general outlook is moderately positive.

#### **STATEMENT ABOUT MANAGEMENT LIABILITY**

According to our information, the presented financial statements for 6 months of year 2015 ended 30 June 2015 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 pievadķezu rupnica". Management report contains truthful information.

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

Rolands Zarans



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**BALANCE SHEET**

| <b>ASSETS</b>  | <b>30.06.2015.<br/>EUR</b> | <b>30.06.2014.<br/>EUR</b> |
|--|----------------------------|----------------------------|
| <b>1. Long-term investments</b>  |                            |                            |
| <b>I. Non-material investments</b>                                     |                            |                            |
| Concessions, patents, licenses, trade marks and similar rights         | 844                        | 1 272                      |
| Other non-material investments   | 794 900                    | 2 384 700                  |
| <b>Non-material investments total</b>                                  | <b>795 744</b>             | <b>2 385 972</b>           |
| <b>II. Fixed assets</b>  |                            |                            |
| Plots of land, buildings and constructions                             | 4 730 414                  | 2 434 814                  |
| Technological equipment and machinery                                  | 15 132                     | 4 800                      |
| Other fixed assets and stock   | 5 342                      | 11 726                     |
| Formation of fixed assets and costs of unfinished construction objects | 10 331                     | 44 425                     |
| <b>Fixed assets total</b>  | <b>4 761 219</b>           | <b>2 495 765</b>           |
| <b>III. Long-term financial investments</b>                            |                            |                            |
| Participation in the capital of other companies                        | 67 160                     | 67 160                     |
| Assets of deferred tax   | -                          | 4 076 674                  |
| Other loans and other long-term debtors                                | -                          | 329 651                    |
| <b>Long-term financial investments total</b>                           | <b>67 160</b>              | <b>4 473 485</b>           |
| <b>1. Long-term investments total</b>                                  | <b>5 624 123</b>           | <b>9 355 222</b>           |
| <b>2. Current assets</b>   |                            |                            |
| <b>I. Reserves</b>   |                            |                            |
| Raw materials, basic materials and subsidiary materials                | 974 128                    | 860 322                    |
| Unfinished products  | 199 611                    | 274 823                    |
| Finished products and goods for sale                                   | 498 973                    | 258 043                    |
| Advance payments for goods   | 2 098 665                  | 429 760                    |
| <b>Reserves total</b>  | <b>3 771 377</b>           | <b>1 822 948</b>           |
| <b>II. Debtors</b>   |                            |                            |
| Debts of buyers and customers  | 1 009 414                  | 4 736 046                  |
| Other debtors  | 137 444                    | 304 367                    |
| Expenses of future periods   | 22 416                     | -                          |
| <b>Debtors total</b>   | <b>1 169 274</b>           | <b>5 040 413</b>           |
| <b>IV. Cash and cash equivalents</b>                                   | <b>61 678</b>              | <b>37 972</b>              |
| <b>2. Current assets total</b>   | <b>5 002 329</b>           | <b>6 901 333</b>           |
| <b><u>TOTAL ASSETS</u></b>   | <b><u>10 626 452</u></b>   | <b><u>16 256 555</u></b>   |

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**BALANCE SHEET**

| <b>LIABILITIES</b>                                 | <b>30.06.2015.</b>       | <b>30.06.2014.</b>       |
|--|--------------------------|--------------------------|
|  | <b>EUR</b>               | <b>EUR</b>               |
| <b>1. Equity capital</b>                           |                          |                          |
| Fixed capital                                      | 10 360 000               | 10 529 251               |
| Other reserves                                     | 169 251                  | -                        |
| Retained earnings:                                 |                          |                          |
| a) retained earnings of previous years             | -5 637 329               | 1 543 379                |
| b) profit / (loss) of reporting period)            | -1 770 689               | 2 290                    |
|  | <b>3 121 233</b>         | <b>12 076 247</b>        |
| <br>   |                          |                          |
| <b>2. Long-term creditors:</b>                     |                          |                          |
| Loans from credit institutions                     | 1 502 387                | 1 585 658                |
| <b>2. Long-term creditors total</b>                | <b>1 502 387</b>         | <b>1 585 658</b>         |
| <br>   |                          |                          |
| <b>3. Short-term creditors:</b>                    |                          |                          |
| Loans from credit institutions                     | 2 025 672                | 678 729                  |
| Other loans  | 328 607                  | 245 336                  |
| Advance payments received from customers           | 48 786                   | 33 072                   |
| Debts to suppliers and contractors                 | 2 873 282                | 1 085 955                |
| Taxes and compulsory social security contributions | 194 987                  | 328 990                  |
| Other creditors                                    | 478 680                  | 155 328                  |
| Accumulated liabilities                            | 52 818                   | 68 567                   |
|  | <b>6 002 832</b>         | <b>2 595 977</b>         |
|  | <b>7 505 219</b>         | <b>4 181 635</b>         |
| <br>   |                          |                          |
| <b><u>LIABILITIES TOTAL</u></b>                    | <b><u>10 626 452</u></b> | <b><u>16 256 555</u></b> |

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**INCOME STATEMENT**

|  | <b>30.06.2015.</b> | <b>30.06.2014.</b>  |
|--|--------------------|---------------------|
|  | <b>EUR</b>         | <b>EUR</b>          |
| Net turnover                               | 3 187 012          | 6 448 730           |
| Production cost of sold products           | -3 815 176         | -5 114 598          |
| <b>Gross profit</b>                        | <b>-628 164</b>    | <b>1 334 132</b>    |
| Selling costs                              | -794 900           | -795 191            |
| Administration costs                       | -286 114           | -422 039            |
| Other operating income                     | 122 838            | 6 744               |
| Other operating expenses                   | -70 269            | -27 967             |
| Interest payment and similar expenses      | -54 521            | -61 058             |
| <b>Profit / (loss) before taxes</b>        | <b>-1 711 130</b>  | <b>34 621</b>       |
| Other taxes                                | -59 559            | -32 331             |
| <b>Profit / (loss) of reporting period</b> | <b>-1 770 689</b>  | <b><u>2 290</u></b> |
| <b>Index EPS</b>                           | <b>-0,171</b>      | <b>0.00</b>         |

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**STATEMENT OF CASH FLOW**

|  | <b>30.06.2015.</b>     | <b>30.06.2014.</b>     |
|--|------------------------|------------------------|
|  | <b>EUR</b>             | <b>EUR</b>             |
| <b>I. Cash flow of basic activity</b>  |                        |                        |
|  | -1 711 130             | 34 621                 |
| 1. Profit / (loss) before taxes  |                        |                        |
| <i>Corrections:</i>  |                        |                        |
| Depreciation of fixed assets   | 195 888                | 350 712                |
| Amortization of non-material investments   | 214                    | 215                    |
| Interest expense   | 54 521                 | 61 058                 |
| Amortization share of other non-material investments                             | 794 900                | 794 899                |
| 2. Profit / (loss) from economic activity in reporting period                    | -665 607               | 1 241 505              |
| <i>Corrections in current assets and short-term creditors:</i>                   |                        |                        |
| In Debtors   | 2 747 716              | -1 126 381             |
| In Reserves  | -2 353 524             | 1 487 180              |
| In Creditors   | 1 092 355              | -1 465 811             |
| 3. Cash flow of basic activity   | 820 940                | 136 493                |
| 4. Expenses on tax payments (corporate income tax and tax on immovable property) | -59 559                | -32 331                |
| <b>Cash flow of basic activity</b>   | <b><u>761 381</u></b>  | <b><u>104 162</u></b>  |
| <b>II. Cash flow of investing activity</b>                                       |                        |                        |
| Purchase of fixed assets   | -729 430               | -                      |
| <b>Cash flow of investing activity</b>   | <b><u>-729 430</u></b> | <b>=</b>               |
| <b>III. Cash flow of financing activity</b>                                      |                        |                        |
| Loans received / (repaid), net   | 24 672                 | -212 474               |
| Interest paid  | -54 521                | -61 058                |
| <b>Cash flow of financing activity</b>   | <b><u>-29 849</u></b>  | <b><u>-273 532</u></b> |

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**CONSOLIDATED DATA ON CASH INCOME AND EXPENSES**

|  | 30.06.2015.<br>EUR | 30.06.2014.<br>EUR |
|--|--------------------|--------------------|
| Cash flow of basic activity  | 761 381            | 104 162            |
| Cash flow of investing activity  | -729 430           | -                  |
| Cash flow of financing activity  | -29 849            | -273 532           |
| Growth of cash and cash equivalents  | 2 102              | -169 370           |
| Balance of cash and cash equivalents at the beginning<br>of reporting period | <u>59 576</u>      | <u>207 342</u>     |
| Balance of cash and cash equivalents at the end of<br>reporting period       | <u>61 678</u>      | <u>37 972</u>      |

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**STATEMENT OF CHANGES IN EQUITY**  
**for the period from 01.01.2015 till 30.06.2015**

|                                   | Equity<br>capital | Other<br>reserves | Retained<br>profit of<br>previous<br>periods | Profit of<br>reporting<br>period | Total             |
|-----------------------------------|-------------------|-------------------|--|----------------------------------|-------------------|
|                                   | EUR               | EUR               | EUR  | EUR                              | EUR               |
| <b>1 January 2015</b>             | <b>10 529 251</b> | -                 | <b>-5 637 329</b>                            | -                                | <b>4 891 922</b>  |
| Other reserves                    | -169 251          | 169 251           | -  | -                                | -                 |
| Loss of 3 months period<br>2015   | -                 | -                 | -  | -1 770 689                       | <b>-1 770 689</b> |
| <b>31 March 2015</b>              | <b>10 360 000</b> | <b>169 251</b>    | <b>-5 637 329</b>                            | <b>-1 770 689</b>                | <b>3 121 233</b>  |
| <b>1 January 2014</b>             | <b>10 529 251</b> | -                 | <b>1 543 379</b>                             | -                                | <b>12 072 630</b> |
| Profit of 3 months period<br>2014 | -                 | -                 | -  | 2 290                            | <b>2 290</b>      |
| <b>31 March 2014</b>              | <b>10 529 251</b> | -                 | <b>1 543 379</b>                             | <b>2 290</b>                     | <b>12 074 920</b> |

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 30 June 2015 and the results of its operation and cash flows for the 6 months period ended 30 June 2015.

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 6 months of 2015 has not been audited by jury auditor.

The interim report has been prepared in Euro.

## Explanations and analyses on separate items of financial reports

### Production of driving chains in 6 months period of 2015 (thous.EUR)

In 6 months of this year there have been driving chains produced in money terms in the amount of 2 641 thous.EUR. The actual performance of reporting period is by 1 270 thous.EUR lower than in the relevant period of previous year.

### Production of driving chains in 6 months period of 2015 (thous.meters)

Production of driving chains in natural units is by 475 thous.meters less than in 6 months period of previous year.

### Sales (net-turnover) in 6 months period of 2015 (thous.EUR)

In 6 months period of year 2015 net-turnover has been in fact fulfilled in the amount of 3 187 thous.EUR. The actual performance of the reporting period is by 3 262 thous.EUR or 51% less than the index of the same period of previous year.

### Sales of main products in 6 months period of 2015 (thous.EUR)

Sales of core products amounted to 2 553 thous.EUR in the reporting period, and it is by 2 614 thous.EUR or 51% less than the result of the relevant period of previous year.