

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 9 MONTHS OF YEAR 2011

(01.01.2011 – 30.09.2011)

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

Daugavpils

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 – 30.09.2011

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

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

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

* As of 30.09.2011

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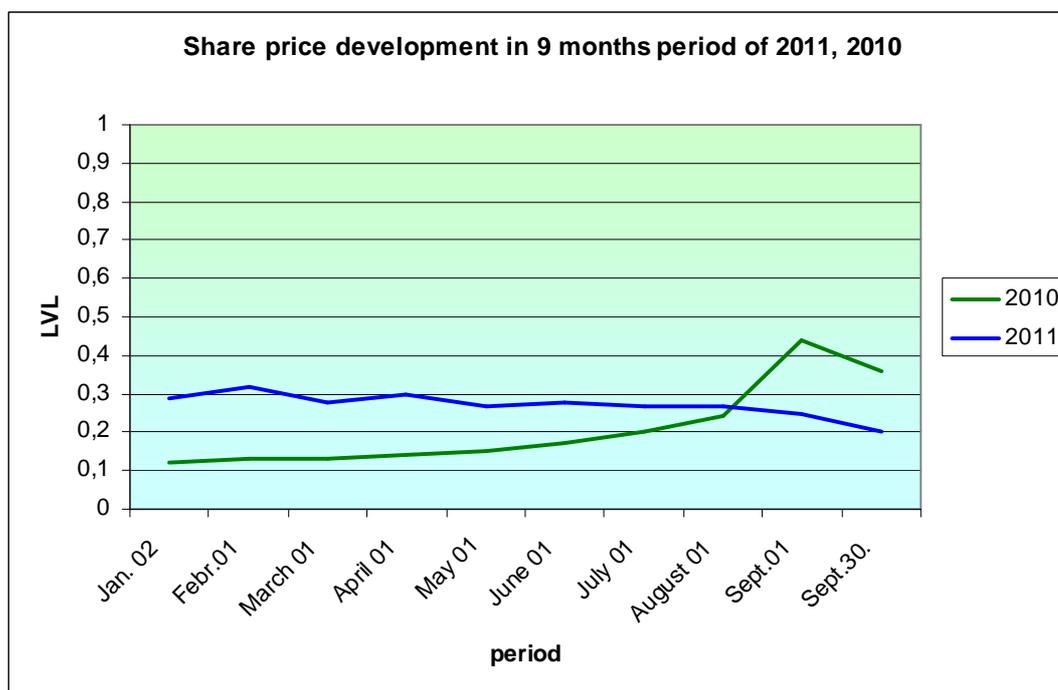
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	11,10
Pavels Samuilovs	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 06.10.2011.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 9 months of year 2011

In 9 months period of 2011 net-turnover was fulfilled in the amount of 5 972 thous.LVL (8 497 thous.EUR), which compared to the forecast is by 672 thous.LVL (956 thous.EUR) or 13% more. Compared to the level of previous year, net-turnover of the reporting period is by 559 thous.LVL (795 thous.EUR) or by 10% more.

Profit before taxes amounted to 63 thous.LVL (90 thous.EUR) in 9 months period of 2011. Profit after taxes amounts to 32 thous.LVL (46 thous.EUR).

Commodity output is estimated in the amount of 5 067 thous.LVL (7 210 thous.EUR). The result of 9 months of 2011 is by 837 thous.LVL (1 191 thous.EUR) or by 20% 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 365 employees in 9 months of year 2011.

The average salary amounted to 347 LVL (494 EUR) in 9 months period of 2011, which is by 52 LVL (74 EUR) more than in 9 months of 2010.

Significant events. Market tendencies and development of the company.

Risks.

The activity of the Company in 9 months of the year 2011 gives the ground to consider that in the mentioned period 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 continuing support program for automobile manufacturers adopted by the government of Russian Federation which undoubtedly shall increase production delivery volumes on conveyors of automobile factories. 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 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 reporting period.

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 2nd 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 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, in particular, increase of prices on raw

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materials, 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 can affect the Company's economic performance for 2011 and in subsequent years.

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, which is based on ongoing customer demand support programs. The situation in the Eastern segment of the market is constantly in the sphere of the Company's monitoring (see also 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.

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, including elements of the "second wave" of the 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 9 months period of 2011 with profit.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 9 months of year 2011 ended 30 September 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 pievadķēžu rūpnīca"

Pjotrs Dorofejevs

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BALANCE SHEET

1 EUR = 0,702804 LVL

ASSETS	30.09.2011. LVL	30.09.2011. EUR	30.09.2010. LVL	30.09.2010. EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	578	822	23	33
Other non-material investments	4 748 600	6 756 649	-	-
Non-material investments total	4 749 178	6 757 471	23	33
II. Fixed assets				
Plots of land, buildings and constructions	1 895 628	2 697 236	2 547 747	3 625 118
Technological equipment and machinery	10 053	14 304	12 016	17 097
Other fixed assets and stock	55 582	79 086	123 881	176 267
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	7 261	10 331
Fixed assets total	1 992 485	2 835 051	2 690 905	3 828 813
III. Long-term financial investments				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Long-term loans	265 874	378 305	378 845	539 047
Assets of deferred tax	85 048	121 012	28 867	41 074
Long-term financial investments total	398 122	566 477	454 912	647 281
1. Long-term investments total	7 139 785	10 158 999	3 145 840	4 476 127
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	746 167	1 061 700	757 768	1 078 207
Unfinished products	265 809	378 212	276 562	393 512
Finished products and goods for sale	329 911	469 421	565 787	805 042
Advance payments for goods	106 241	151 167	85 261	121 316
Reserves total	1 448 128	2 060 500	1 685 378	2 398 077
II. Debtors				
Debts of buyers and customers	1 463 076	2 081 770	6 182 335	8 796 670
Other debtors	838 045	1 192 431	832 398	1 184 396
Debtors total	2 301 121	3 274 201	7 014 733	9 981 066
IV. Cash and cash equivalents	123 316	175 463	35 002	49 803
2. Current assets total	3 872 565	5 510 164	8 735 113	12 428 946
<u>TOTAL ASSETS</u>	<u>11 012 350</u>	<u>15 669 163</u>	<u>11 880 953</u>	<u>16 905 073</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	31.09.2011	31.09.2011	31.09.2010	31.09.2010
	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	969 052	1 378 837	589 152	838 288
b) profit / (loss) of reporting period	31 601	44 964	1 144 011	1 627 781
1. Equity capital total	8 400 653	11 953 052	9 133 163	12 995 320
 2. Long-term creditors:				
Loans from credit institutions	1 429 422	2 033 884	-	-
2. Long-term creditors total	1 429 422	2 033 884	-	-
 3. Short-term creditors:				
Loans from credit institutions	40 077	57 024	1 564 438	2 225 995
Other loans	444 585	632 587	160 171	227 903
Advance payments received from customers	5 808	8 264	14 248	20 273
Debts to suppliers and contractors	322 536	458 927	440 053	626 139
Taxes and compulsory social security contributions	164 662	234 294	399 569	568 535
Other creditors	143 939	204 808	129 758	184 629
Accumulated liabilities	60 668	86 323	39 553	56 279
3. Short-term creditors total	1 182 275	1 682 227	2 747 790	3 909 753
Creditors total	2 611 697	3 716 111	2 747 790	3 909 753
 <u>LIABILITIES TOTAL</u>	<u>11 012 350</u>	<u>15 669 163</u>	<u>11 880 953</u>	<u>16 905 073</u>

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INCOME STATEMENT

	30.09.2011.	30.09.2011.	30.09.2010.	30.09.2010.
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	5 971 885	8 497 227	5 611 248	7 984 086
Production cost of sold products	-4 473 518	-6 365 243	-4 420 816	-6 290 254
Gross profit	1 498 367	2 131 984	1 190 432	1 693 832
Selling costs	-840 298	-1 195 636	-159 597	-227 086
Administration costs	-533 480	-759 074	-533 047	-758 458
Other operating income	29 832	42 447	776 410	1 104 732
Other operating expenses	-30 606	-43 548	-37 132	-52 834
Other interest income and similar income	2 865	4 077	116	165
Interest payment and similar expenses	-63 950	-90 993	-63 056	-89 720
Profit / (loss) before taxes	62 730	89 257	1 174 126	1 670 631
Other taxes	-31 129	-44 293	-30 115	-42 850
Profit / (loss) of reporting period	<u>31 601</u>	<u>44 964</u>	<u>1 144 011</u>	<u>1 627 781</u>
Index EPS	0.004	0.006	0.155	0.220

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	30.09.2011. LVL	30.09.2011. EUR	30.09.2010. LVL	30.09.2010. EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	62 730	89 257	1 174 126	1 670 631
<i>Corrections:</i>				
Depreciation of fixed assets	534 068	759 910	565 137	804 118
Depreciation of non-material investments	8	11	72	102
Interest income	-2 865	-4 077	-	-
Interest expense	63 950	90 993	63 110	89 797
Amortization share of other non-material investments	837 989	1 192 351	-	-
2. Profit / (loss) from economic activity in reporting period	1 495 880	2 128 445	1 802 445	2 564 648
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-125 778	-178 966	-2 064 202	-2 937 095
In Reserves	-192 274	-273 581	429 850	611 621
In Creditors	-683 229	-972 147	172 990	246 143
3. Cash flow of basic activity, gross	494 599	703 751	341 083	485 317
4. Expenses on tax payments (tax on immovable property)	-31 129	-44 293	-30 115	-42 850
Cash flow of basic activity, net	<u>463 470</u>	<u>659 458</u>	<u>310 968</u>	<u>442 467</u>
II. Cash flow of investing activity				
Interest received	-	-	-116	-165
Loans issued	-535 208	-761 532	-76 096	-108 275
Purchase of fixed assets	-32 908	-46 824	-131 589	-187 234
Income from sale of fixed assets	-	-	703	1 000
Cash flow of investing activity, net	<u>-586 116</u>	<u>-808 356</u>	<u>-207 098</u>	<u>-294 674</u>
III. Cash flow of financing activity				
Loans (repaid) / received, net	137 476	195 611	-156 865	-223 199
Interest paid	-63 950	-90 993	-63 110	-89 797
Financial leasing liabilities paid	-	-	-2 313	-3 291
Cash flow of financing activity, net	<u>73 526</u>	<u>104 618</u>	<u>-222 288</u>	<u>-316 287</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	30.09.2011. LVL	30.09.2011. EUR	30.09.2010. LVL	30.09.2010. EUR
Cash flow of basic activity, net	463 470	659 458	310 968	442 467
Cash flow of investing activity, net	-568 116	-808 356	-207 098	-294 674
Cash flow of financing activity, net	73 526	104 618	-222 288	-316 287
Growth of cash and cash equivalents	-31 120	-44 280	-118 418	-168 494
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>123 316</u>	<u>175 463</u>	<u>35 002</u>	<u>49 803</u>

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Statement of changes in equity for the period from 01.01.2011 till 30.09.2011 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 1st January, 2011	7 400 000	-	-	-	969 052	-	8 369 052
Profit for 9 months of 2011	-	-	-	-	-	31 601	31 601
As at 30 September, 2011	7 400 000	-	-	-	969 052	31 601	8 400 653
As at 1st January, 2010	7 400 000	-	-	-	589 152	-	7 989 152
Profit for 9 months of 2010	-	-	-	-	-	1 144 011	1 144 011
As at 31 September, 2010	7 400 000	-	-	-	589 152	1 144 011	9 133 163

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2011 till 30.09.2011 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1st January, 2011 <i>(0.702804)</i>	10 529 251	-	-	-	1 378 837	-	11 908 088
Profit for 9 months period 2011 <i>(0.702804)</i>	-	-	-	-	-	44 964	44 964
As at 30 September, 2011 <i>(0.702804)</i>	10 529 251	-	-	-	1 378 837	44 964	11 953 052
1st January, 2010 <i>(0.702804)</i>	10 529 251	-	-	-	838 288	-	11 367 539
Profit for 9 months period 2010 <i>(0.702804)</i>	-	-	-	-	-	1 627 781	1 627 781
As at 30 September, 2010 <i>(0.702804)</i>	10 529 251	-	-	-	838 288	1 627 781	12 995 320

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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 September 2011 and the results of its operation and cash flows for the 9 months period ended 30 September 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 9 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 9 months of year 2011 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 5 067 thous.LVL (7 210 thous.EUR). The result of reporting period is by 837 thous.LVL (1 191 thous.EUR) or 20% higher than in 9 months period of previous year.

Production of driving chains in 9 months of 2011 (thous.meters)

Production of driving chains in natural units is by 332 thous.meters more than the result of 9 months of 2010.

Production of driving chains in 9 months of year 2011 (thous.LVL/thous.EUR)

Driving chains have been produced in money terms in the amount of 4 937 thous.LVL (7 025 thous.EUR) in 9 months of this year. The actual performance of reporting period is by 769 thous.LVL (1 094 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 9 months of 2011 (thous. LVL/thous.EUR)

Net-turnover has been fulfilled in fact in the amount of 5 972 thous.LVL (8 497 thous.EUR) in 9 months of year 2011. The actual performance of the reporting period is by 559 thous. LVL (795 thous.EUR) or 10% more than in the same period of previous year.

Sales of main products in 9 months of 2011 (thous. LVL/ thous.EUR)

Sales of main products amounted to 4 687 thous.LVL (6 669 thous.EUR) in the reporting period, which is by 627 thous.LVL (892 thous.EUR) or 15% 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 1st half-year of 2011 (deviations no more than $\pm 1\%$).