

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 9 MONTHS OF YEAR 2012

(01.01.2012 – 30.09.2012)

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

Daugavpils

2012

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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 – 30.09.2012

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	no shares	-
Jevgenijs Sokolovskis	1 900	0,03

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

Vladimir Bagaev, elected 28.05.2012

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 (till 28.05.2012)	no shares	-
Vladimir Bagaev (from 28.05.2012)	700 000	9,46

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 30.11.2012

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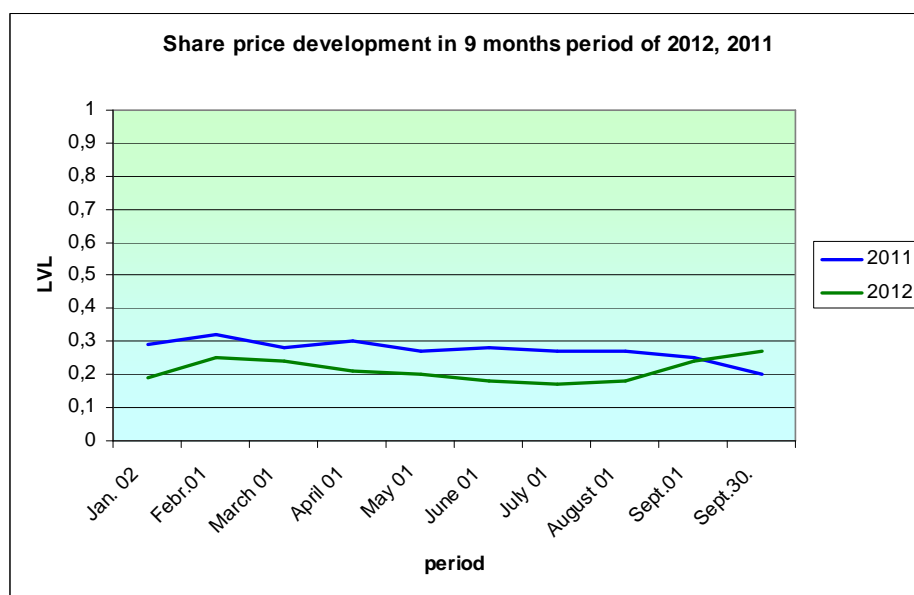
INFORMATION ON SHAREHOLDERS AND SHARES

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
Vladimir Bagaev	9,46

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadkēžu rūpnīca” dated 18.05.2012, 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 9 months of year 2012

In 9 months period of 2012 net-turnover was fulfilled in the amount of 7 580 thous.LVL (10 785 thous.EUR), which compared to the forecast is by 1 180 thous.LVL (1 679 thous.EUR) or 18% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 608 thous.LVL (2 288 thous.EUR) or by 27% more.

Profit before taxes amounted to 35 thous.LVL (50 thous.EUR) in 9 months period of 2012. Profit after taxes amounts to 2 thous.LVL (3 thous.EUR).

Commodity output is estimated in the amount of 5 008 thous.LVL (7 126 thous.EUR). The result of 9 months of 2012 is by 59 thous.LVL (84 thous.EUR) or by 1% lower 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 339 employees in 9 months of year 2012.

The average salary amounted to 346 LVL (492 EUR) in 9 months period of 2012, which is by 2 LVL (3 EUR) less than in 9 months of 2011.

Significant events. Market tendencies and development of the company.

Risks.

The activity of the Company in 9 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 remained still stable. 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, 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 to which the manufacturers responded accordingly.

In the abovementioned period in Russian Federation there can be market stabilization observed, without demonstration features of rapid growth. The situation on 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 9 months period of 2012 with profit.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 9 months of year 2012 ended 30 September 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	30.09.2012 LVL	30.09.2012 EUR	30.09.2011 LVL	30.09.2011 EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	462	658	578	822
Other non-material investments	3 631 283	5 166 850	4 748 600	6 756 649
Non-material investments total	3 631 745	5 167 508	4 749 178	6 757 471
II. Fixed assets				
Plots of land, buildings and constructions	1 344 063	1 912 429	1 895 628	2 697 236
Technological equipment and machinery	23 602	33 583	10 053	14 304
Other fixed assets and stock	24 194	34 425	55 582	79 086
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	31 222	44 425
Fixed assets total	1 423 081	2 024 862	1 992 485	2 835 051
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
Assets of deferred tax	148 108	210 738	85 048	121 012
Long-term financial investments total	195 308	277 898	398 122	566 477
1. Long-term investments total	5 250 134	7 470 268	7 139 785	10 158 999
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	663 521	944 105	746 167	1 061 700
Unfinished products	300 111	427 019	265 809	378 212
Finished products and goods for sale	302 167	429 945	329 911	469 421
Advance payments for goods	21 537	30 644	106 241	151 167
Reserves total	1 287 336	1 831 713	1 448 128	2 060 500
II. Debtors				
Debts of buyers and customers	4 589 862	6 530 786	1 463 076	2 081 770
Other debtors	117 812	167 631	838 045	1 192 431
Debtors total	4 707 674	6 698 417	2 301 121	3 274 201
IV. Cash and cash equivalents	49 350	70 219	123 316	175 463
2. Current assets total	6 044 360	8 600 349	3 872 565	5 510 164
<u>TOTAL ASSETS</u>	<u>11 294 494</u>	<u>16 070 617</u>	<u>11 012 350</u>	<u>15 669 163</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	30.09.2012	30.09.2012	30.09.2011	30.09.2011
	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	1 079 369	1 535 804	969 052	1 378 837
b) profit / (loss) of reporting period	2 268	3 227	31 601	44 964
1. Equity capital total	8 481 637	12 068 282	8 400 653	11 953 052
 2. Long-term creditors:				
Loans from credit institutions	1 269 113	1 805 785	1 429 422	2 033 884
2. Long-term creditors total	1 269 113	1 805 785	1 429 422	2 033 884
 3. Short-term creditors:				
Loans from credit institutions	496 738	706 794	40 077	57 024
Other loans	128 084	182 247	444 585	632 587
Advance payments received from customers	40 915	58 218	5 808	8 264
Debts to suppliers and contractors	574 777	817 834	322 536	458 927
Taxes and compulsory social security contributions	124 613	177 308	164 662	234 294
Other creditors	129 859	184 773	143 939	204 808
Accumulated liabilities	48 758	69 376	60 668	86 323
3. Short-term creditors total	1 543 744	2 196 550	1 182 275	1 682 227
Creditors total	2 812 857	4 002 335	2 611 697	3 716 111
 <u>LIABILITIES TOTAL</u>	<u>11 294 494</u>	<u>16 070 617</u>	<u>11 012 350</u>	<u>15 669 163</u>

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INCOME STATEMENT

	30.09.2012	30.09.2012	30.09.2011	30.09.2011
	LVL	EUR	LVL	EUR
			<i>1 EUR = 0,702804 LVL</i>	
Net turnover	7 580 171	10 785 612	5 971 885	8 497 227
Production cost of sold products	-6 137 905	-8 733 452	-4 473 518	-6 365 243
Gross profit	1 442 266	2 052 160	1 498 367	2 131 984
Selling costs	-844 998	-1 202 323	-840 298	-1 195 636
Administration costs	-464 719	-661 236	-533 480	-759 074
Other operating income	18 943	26 953	29 832	42 447
Other operating expenses	-50 499	-71 854	-30 606	-43 548
Other interest income and similar income	8 569	12 193	2 865	4 077
Interest payment and similar expenses	-74 174	-105 540	-63 950	-90 993
Profit / (loss) before taxes	35 388	50 353	62 730	89 257
Other taxes	-33 120	-47 126	-31 129	-44 293
Profit / (loss) of reporting period	<u>2 268</u>	<u>3 227</u>	<u>31 601</u>	<u>44 964</u>
Index EPS	0.000	0.000	0.004	0.006

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	30.09.2012 LVL	30.09.2012 EUR	30.09.2011 LVL	30.09.2011 EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	35 388	50 353	62 730	89 257
<i>Corrections:</i>				
Depreciation of fixed assets	455 089	647 533	534 068	759 910
Depreciation of non-material investments	87	124	8	11
Interest income	-8 569	-12 193	-2 865	-4 077
Interest expense	74 174	105 540	63 950	90 993
Amortization share of other non-material investments	837 988	1 192 350	837 989	1 192 351
Income from sale of fixed assets	-351	-499	-	-
2. Profit / (loss) from economic activity in reporting period	1 393 806	1 983 208	1 495 880	2 128 445
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-2 119 909	-3 016 359	-125 778	-178 966
In Reserves	186 141	264 855	-192 274	-273 581
In Creditors	57 666	82 051	-683 229	-972 147
3. Cash flow of basic activity, gross	-482 296	-686 245	494 599	703 751
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-33 120	-47 126	-31 129	-44 293
Cash flow of basic activity, net	<u>-515 416</u>	<u>-733 371</u>	<u>463 470</u>	<u>659 458</u>
II. Cash flow of investing activity				
Loans issued	619 190	881 029	-535 208	-761 532
Purchase of fixed assets	-37 737	-53 695	-32 908	-46 824
Income from sale of fixed assets	351	499	-	-
Cash flow of investing activity, net	<u>581 804</u>	<u>827 833</u>	<u>-586 116</u>	<u>-808 356</u>
III. Cash flow of financing activity				
Dividends paid	-11 100	-15 794	-	-
Loans (repaid) / received, net	-96 131	-136 782	137 476	195 611
Interest paid	-74 174	-105 540	-63 950	-90 993
Cash flow of financing activity, net	<u>-181 405</u>	<u>-258 116</u>	<u>73 526</u>	<u>104 618</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	30.09.2012 LVL	30.09.2012 EUR	30.09.2011 LVL	30.09.2011 EUR
Cash flow of basic activity, net	-515 416	-733 371	463 470	659 458
Cash flow of investing activity, net	581 804	827 833	-568 116	-808 356
Cash flow of financing activity, net	-181 405	-258 116	73 526	104 618
Growth of cash and cash equivalents	-115 017	-163 654	-31 120	-44 280
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>49 350</u>	<u>70 219</u>	<u>123 316</u>	<u>175 463</u>

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Statement of changes in equity for the period from 01.01.2012 till 30.09.2012 (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, 2012	7 400 000	-	-	-	1 090 469	-	8 490 469
Dividends charged for year 2011	-	-	-	-	-11 100	-	-11 100
Profit for 9 months of 2012	-	-	-	-	-	2 268	2 268
As at 30 September, 2012	7 400 000	-	-	-	1 079 369	2 268	8 481 637
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

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2012 till 30.09.2012 (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, 2012 <i>(0.702804)</i>	10 529 251	-	-	-	1 551 598	-	12 080 849
Dividends charged for year 2011	-	-	-	-	-15 794	-	-15 794
Profit for 9 months period 2012 <i>(0.702804)</i>	-	-	-	-	-	3 227	3 227
As at 30 September, 2012 <i>(0.702804)</i>	10 529 251	-	-	-	1 535 804	3 227	12 068 282
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

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 2012 and the results of its operation and cash flows for the 9 months period ended 30 September 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 9 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 9 months of year 2012 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 5 008 thous.LVL (7 126 thous.EUR). The result of reporting period is by 59 thous.LVL (84 thous.EUR) or 1% less than in 9 months period of previous year.

Production of driving chains in 9 months of 2012 (thous.meters)

Production of driving chains in natural units is by 266 thous.meters less than in 9 months period of previous year.

Production of driving chains in 9 months of year 2012 (thous.LVL/thous.EUR)

In 9 months of this year there have been driving chains produced in money terms in the amount of 4 903 thous.LVL (6 976 thous.EUR). The actual performance of reporting period is by 34 thous.LVL (49 thous.EUR) lower than in the relevant period of previous year.

Sales (net-turnover) in 9 months of 2012 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 7 580 thous.LVL (10 785 thous.EUR). The actual performance of the reporting period is by 1 608 thous. LVL (2 288 thous.EUR) or 27% more than the index of the same period of previous year.

Sales of main products in 9 months of 2012 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 6 071 thous.LVL (8 638 thous.EUR), and it is by 1 384 thous.LVL (1 969 thous.EUR) or 30 % more than the result of the relevant period of prior year.