

JSC DITTON PIEVADKĒŽU RŪPNĪCA
Reg. No. 40003030187
Višķu Street 17, Daugavpils, LV-5410 Latvia

FINANCIAL REPORT
FOR 6 MONTHS OF THE YEAR 2022
(01.01.2022 – 30.06.2022)
(not subject to audit by the independent sworn auditor)

**Prepared in accordance with Financial Instruments Market Law and Law On the Annual
Financial Statements and Consolidated Financial Statements of the Republic of Latvia**

Daugavpils

2022

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INFORMATION ABOUT THE COMPANY

Company name	DITTON pievadķēžu rūpnīca
Legal status	Joint Stock Company
Registration number	40003030187
Registration in Register of Enterprises	Rīga, 03.10.1991
Registration in Commercial Register Office	Rīga, 29.08.2003
Legal address	Višķu St. 17, Daugavpils, LV-5410, Latvia
Mailing address	Višķu St. 17, Daugavpils, 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	Jūlija Lavrecka
Reporting period	01.01.2022 – 30.06.2022

Persons in charge for drawing up of the financial report:

Ms. Jūlija Lavrecka, phone +371 65402316, e-mail: dpr@dpr.lv

Mr. Boriss Matvejevs, phone +371 65402333, e-mail: dpr@dpr.lv

INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Rolands Zarāns, re-elected on 14.01.2019 (elected since 15.01.2014).

Information about the shares held by the members of the Management Board

Members of the Management Board	Owned shares *	
	Number	%
Rolands Zarāns	none	none

COUNCIL

Chairman of the Council

Boriss Matvejevs, re-elected on 18.06.2020 (elected since 05.05.2005).

Members of the Council

Genādijs Zavadskis, re-elected on 18.06.2020 (elected since 05.02.2017).

Aleksandrs Sokolovs, elected on 18.06.2020.

Information about the shares owned by the members of the Council

Members of the Council	Owned shares*	
	Number	%
Boriss Matvejevs	none	none
Genādijs Zavadskis	none	none
Aleksandrs Sokolovs	700 000	9,46**

Information about the professional experience of the members of the Management Board and Council of the JSC Ditton pievadķēžu rūpnīca (hereafter – Company) can be found on the website www.dpr.lv.

* at 25.08.2022

**beneficiary of the Shareholder DVINSK MNG, Ltd.

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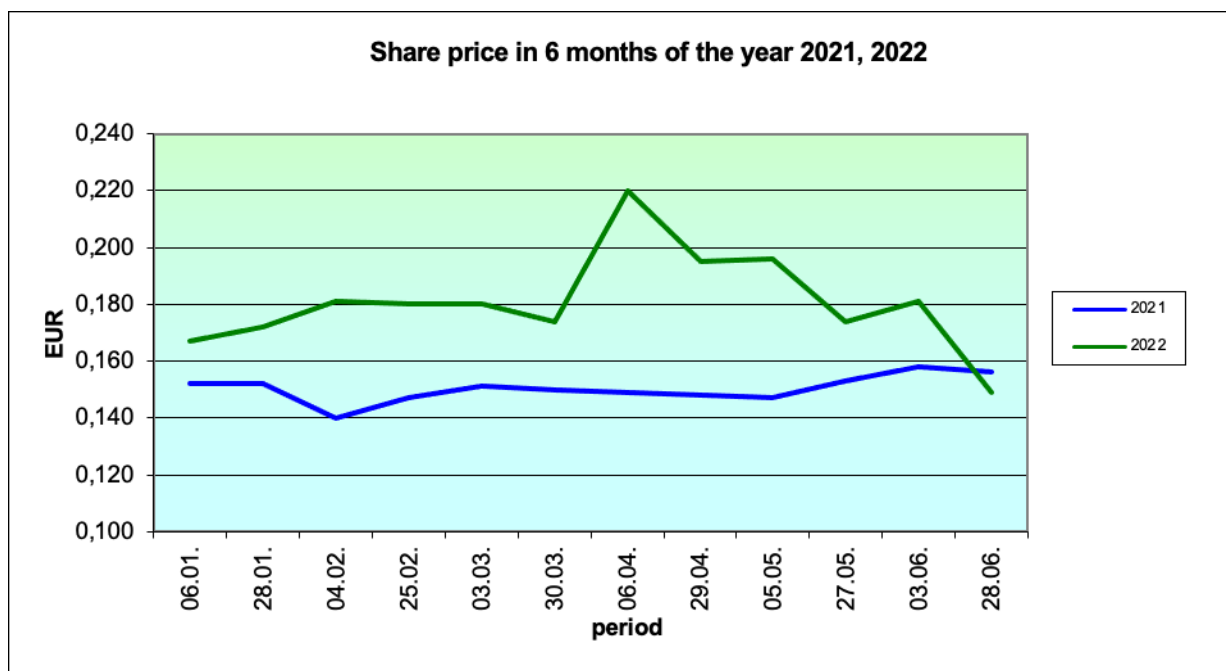
SHAREHOLDERS OWNING MORE THAN 5% OF THE COMPANY'S TOTAL SHARE CAPITAL*

Given name, surname or Name	Shareholding, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	13,56
SIA „DVINSK MNG”	9,46

**Note: (1) The Company is not keeping a share owner and/or a shareholder register. The above information is provided and updated on the basis of the shareholders list of AS Ditton pievadķežu rūpnīca dated 25.08.2022, which was received from Nasdaq CSD under the Commercial Law of the RoL and the Law on the Financial Instruments Market, taking into consideration the statements of shareholders on the acquisition or loss of their holdings submitted to the Company under Section 61 of the Law on Financial Instruments Market.*

(2) At 30.06.2022, there was no information at the disposal of the Company regarding the allocation of the shares between the heirs of E. Zavadskis (20,00 % in total) and V.Driksne (19,92% in total) and the accounting entries in their financial instruments accounts under Section 125 of the Law on the Financial Instruments Market.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2022

The net-turnover in 6 months of 2022 reached € 2,488 thousand, being by € 11 thousand higher than the index in 6 months of 2021.

Commodity output resulted € 1,645 thousand, what is by € 258 thousand less than in the relevant period of the previous year.

The export of the core products to Eastern and Western markets amounted to 99 per cent (43% eastwards and 56% westwards), 1% of products sold and services rendered on Latvian market.

The Company closed the 6 months period of 2022 with a profit before corporate income tax € 120 thousand.

The average number of employees of the Company during 6 months of 2022 was 122 people.

The average salary in 6 months period of 2022 amounted to € 773, what is by € 26 higher than in 6 months of 2021.

The results of Company's activities and financial statements of the Company for 6 months of 2022, this Management report were approved by Company's Management Board (Management Board meeting Protocol No. 08/2022 dated 22 August 2022).

Significant events. Market trends and the Company's development. Risks.

When announcing the results of its work, the Company systematically drew attention to the fact that the Company is integrated into the world economy and international economic relations, as a result of which the Company depends on the situation on market segments where the Company's as suppliers and as purchasers of raw materials and resources interests are represented.

This objectively does not allow the Company to manage market processes individually and to plan its operations in a sustainable perspective, without taking into account the general trends in all sectors of the economy.

In 2020-2021, the main external factors that most affect the situation in the economy were the restrictions and slowdown in activity caused by the COVID-19 pandemic, as well as an unbalanced and unpredictable increase in prices of raw materials and resources (electricity supply, gas supply).

Analysis of this impact on the Company is provided in the Management Report to the Annual Report of the Company for the year 2021.

The main external factors that most affected the situation in the Company in the first half of the year 2022 were the mentioned above processes related to the increase in prices of raw materials and resources, as well as the sanctions imposed in the European Union and Latvia regarding the regions where the Company's markets were located. Analysis of this impact on the Company is also provided by the Management Report to the Annual report of the Company for the year 2021, as well as in the special publications of the Company.

The Company continues to produce and sell its products in two main segments of its markets, which are conditionally divided as follows:

“Western” market or mainly the market of European countries, and

“Eastern” market, i.e., the Russian Federation market, the Customs Union, CIS and Ukrainian markets, as well as the market of Asian countries.

The total indicators of all market segments show an increase in the cost of the Company's goods and services and the Company's net turnover.

Based on the risk diversification program (which is related to the above mentioned market segments), during the implementation of this program (during 5-7 years) the Company's share of the “eastern” segment of the market in terms of sales of goods and services has been significantly

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adjusted compared to the “western” segment, in favour of reducing dependence on the "eastern" segment of the market, which in the first half of the year 2022 makes up 34% of the Company's total turnover and 47% of the Company's total sales.

In order to analyse situation in the Company's markets systematically, to evaluate the Company's prospects and opportunities, to plan the management procedures of economic activity and risk management:

(a) the Council and the Management Board of the Company adopted the *Risk management policy of the JSC Ditton pievadkēžu rūpnīca* on January 5, 2022 and *Procedures of the JSC Ditton pievadkēžu rūpnīca in connection with the implementation of measures imposed within the framework of sanctions* on March 25, 2022 were adopted. In order to coordinate and implement these measures within the framework of sanctions, a responsible person was appointed in the Company.

The analytical and marketing research showed that:

firstly, the Company's products for sale are not included in the sanctions lists either by their direct meaning or as "*dual purpose*" products;

secondly, the Company's partners, its officials and business owners are also not included in the sanctions lists.

This research will be continued.

However, the instability of the situation, systematic correction of the lists of sanctions, lack of systematicity and clarity in the application of sanctions, including to regulate cooperation with partners, do not allow to the Management Board to give a motivated and reliable forecast of the situation, development of the Company and its operating activity immediately.

(b) On June 27, 2022, the shareholders of the Company adopted *Program of procedures for the operation and management of the Company for the period of time from 1 July 2022 till 31 December 2023 of the JSC Ditton pievadkēžu rūpnīca*.

The procedures and programs adopted by the Company in the first half of the year 2022 showed that they are effective, and the Company closed this time period with profit of EUR 120 thousand (before corporate income tax).

The Company is seeking to render chargeable services from the programme related to the development of an industrial-technological park in its territory. Within the scope of this programme, the Company carried out the upgrading of its production facilities. This enabled the implementation of effective savings on the costs of maintenance of production facilities, as well as the creation of a commercial offer of the lease of a production facility equipped with the infrastructure necessary for production.

Risks to which the Company is exposed.

The structure, analysis, relevance and procedures of the risk management are specified in the Management Report to the Annual report of the Company for the year 2021. The information on the Company's risks given in the annual statements for the year 2021 is fully up to date for the interim financial report for the 6 months of the year 2022.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to the information at Company's Management Board disposal, these financial statements for 6 months of the year 2022 have been prepared in compliance with the existing legislative requirements, gives a true and fair view of the assets, liabilities, financial standing and profits of the Company. Management report contains truthful information.

Chairman of the Management Board
JSC DITTON pievadkēžu rūpnīca
31 August 2022

Rolands Zarāns

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BALANCE SHEET

ASSETS	30.06.2022 EUR	30.06.2021 EUR
Long-term investments		
Intangible investments		
Concessions, patents, licenses, trademarks and similar rights	-	-
Total intangible investments	-	-
Fixed assets		
Immovable property:		
Land	2 061 350	2 061 350
Buildings and structures and permanent crop	1 756 372	1 898 813
Investment properties - land	-	-
Investment properties - buildings	-	-
Technological equipment and devices	1 918 909	2 193 686
Other fixed assets and inventory	10 775	19 675
Costs of the establishment of fixed assets and unfinished buildings objects	-	-
Total fixed assets	5 747 406	6 173 524
Long-term financial investments		
Other securities and investments	-	-
Total long-term financial investments	-	-
Total long-term investments	5 747 406	6 173 524
Current assets		
Inventories		
Raw materials, consumables and supplies	433 415	605 486
Work in progress	218 679	164 801
Finished products and goods for sale	293 377	235 830
Advance payments for inventories	24 563	54 692
Total inventories	970 034	1 060 809
Debtors		
Trade receivables	556 788	492 129
Other debtors	57 889	34 750
Next period costs	593	634
Total debtors	615 270	527 513
Cash	215 162	7 199
Total current assets	1 800 466	1 595 521
<u>TOTAL ASSETS</u>	<u>7 547 872</u>	<u>7 769 045</u>

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BALANCE SHEET

LIABILITIES	30.06.2022	30.06.2021
	EUR	EUR
Equity		
Share capital	10 360 000	10 360 000
Reserves:		
Other reserves	169 251	169 251
Retained losses brought forward from the previous years	(9 240 236)	(9 370 970)
Profit of the fiscal period	119 676	61 312
Total equity	1 408 691	1 219 593
Creditors		
Long-term creditors:		
Loans from credit institutions	3 811 577	4 135 577
Other loans	-	100 000
Deferred income	1 050 031	1 133 515
Total long-term creditors	4 861 608	5 369 092
Short-term creditors:		
Loans from credit institutions	185 384	150 384
Other loans	100 000	-
Prepayments received from purchasers	23 759	25 927
Accounts payable to suppliers and contractors	499 216	395 976
Taxes and State mandatory social insurance payments	274 952	400 902
Other creditors	65 014	74 641
Deferred income	41 742	41 742
Accrued liabilities	87 506	90 788
Total short-term creditors	1 277 573	1 180 360
Total creditors	6 139 181	6 549 452
<u>TOTAL LIABILITIES</u>	<u>7 547 872</u>	<u>7 769 045</u>

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INCOME STATEMENT

	30.06.2022	30.06.2021
	EUR	EUR
Net turnover	2 488 116	2 476 636
Production costs of goods sold, purchase costs of goods sold or services rendered	(2 032 507)	(1 984 445)
Gross profit	455 608	492 191
Selling costs	(508)	(438)
Administrative expenses	(316 758)	(323 913)
Other income from operating activities	181 445	62 502
Other costs of operating activities	(97 237)	(71 554)
Other interest receivable and similar income	950	1 044
Interest payment and similar expenses	(103 824)	(98 521)
• <i>to other persons</i>	<i>(103 824)</i>	<i>(98 521)</i>
Profit before corporate income tax	119 676	61 312
Corporate income tax for the fiscal period	-	-
Loss / Profit for the fiscal period	119 676	61 312
Loss / profit per share	0,016	0,008

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CASH FLOW STATEMENT

	30.06.2022	30.06.2021
	EUR	EUR
I. Cash flows from operating activities		
1. Profit or loss before Enterprise income tax	119 676	61 312
<i>Adjustments to:</i>		
Depreciation of fixed assets	202 952	201 975
Depreciation of intangible assets	-	1 611
Recognition of deferred income as revenue	(41 742)	(41 742)
Interest payments and similar expenses	103 824	98 521
Income from sale of fixed assets	-	-
2. Profit or loss before adjustments to fixed assets and short-term creditors	384 710	321 677
<i>Adjustments to:</i>		
Increase or decrease in accounts receivables	(30 644)	(91 972)
Increase or decrease in inventories	61 022	(120 061)
Increase or decrease in accounts payable to suppliers, contractors and other creditors	(89 594)	(181 124)
3. Gross cash flows from operating activities	325 494	(71 480)
Net cash flows from operating activities	<u>325 494</u>	<u>(71 480)</u>
II. Cash flows from investing activities		
Purchases of fixed assets and intangible investments	-	-
Proceeds from sale of fixed assets	-	-
Net cash flows used in investing activities	=	=
III. Cash flows from financing activities		
Net change in borrowings	(162 000)	76 300
Interest payments and similar expenses	(103 824)	(98 521)
Purchase of fixed assets	-	(6 850)
Expenses for liquidation of fixed assets	22 523	-
Net cash flows used in financing activities	(243 301)	(29 071)
Net cash flows of the fiscal period	82 193	(100 551)
Cash and cash equivalents at the beginning of fiscal period	<u>132 969</u>	<u>107 750</u>
Cash and cash equivalents at the end of fiscal period	<u>215 162</u>	<u>7 199</u>

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STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2022 till 30.06.2022

	Equity capital	Other reserves	Retained profit of previous periods	Profit or loss of fiscal period	Total
	EUR	EUR	EUR	EUR	EUR
At 1 January 2022	10 360 000	169 251	(9 240 236)	-	1 289 015
Profit of 6 months period 2022	-		-	119 676	119 676
At 30 June 2022	10 360 000	169 251	(9 240 236)	119 676	1 408 691
At 1 January 2021	10 360 000	169 251	(9 370 970)	-	1 158 281
Profit of 6 months period 2021	-		-	(61 312)	61 312
At 30 June 2021	10 360 000	169 251	(9 370 970)	(61 312)	1 219 593

Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statements are consistent with those applied in the last Annual report.

These financial statements of the JSC DITTON pievadķēžu rūpnīca prepared on the basis of source documents present fairly the financial position of the JSC as at 30 June 2022, its` operating results and cash flows for 6 months starting from 1 January and ending on 30 June 2022.

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 consistently to each category.

The interim financial report for 6 months of the year 2022 has not been audited by the sworn auditor.

The interim report has been prepared in euros.

Explanations and analyses on separate items of financial reports

Production of driving chains in 6 months of 2022 (thousand euros)

The value of the produced driving chains in these 6 months reached € 1,645 thousand, what is by € 258 thousand less than the index of the same period of the previous fiscal year.

Production of driving chains in 6 months of 2022 (thousand meters)

The index of the produced driving chains is by 159 thousand meters lower than in 6 months of 2021.

Sales (net-turnover) in 6 months of 2022 (thousand euros)

The net-turnover of the fiscal period is fulfilled by € 2,488 thousand, being by € 11 thousand or 0,4 per cent more than the index in the same period of the previous year.

Core product sales in 6 months of 2022 (thousand euros)

Core product sales amounted to € 1,996 thousand in the reporting period, what is by € 21 thousand or 1 per cent less than the result of the same period in the previous year.