

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

FINANCIAL REPORT
FOR 6 MONTHS OF THE YEAR 2023
(01.01.2023 – 30.06.2023)
(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
2023

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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	01.01.2023 – 30.06.2023

Persons in charge for drawing up of the financial report:

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

Ms. Natalja Ignatova, phone +371 65402333, e-mail: dpr@dpr.lv

INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Management Board Member

Raimonds Bruževičs, elected since 28.03.2023.

/Rolands Zarāns was a chairman of the Management Board, from 15.01.2014 until 05.07.2023/.

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

Members of the Management Board	Owned shares *	
	Number	%
Raimonds Bruževičs	1900	0,03

COUNCIL

Chairman of the Council

Natalja Ignatova (elected since 24.02.2023)

Members of the Council

Vadims Kazačonoks (elected since 24.02.2023)

Oļegs Isupovs (elected since 24.02.2023)

Genādijs Zavadskis, re-elected on 24.02.2023 (elected since 05.02.2017).

Aleksandrs Sokolovs, re-elected on 24.02.2023, elected since 18.06.2020).

Information about the shares owned by the members of the Council

Members of the Council	Owned shares*	
	Number	%
Natalja Ignatova	none	none
Oļegs Isupovs	996	
Vadims Kazačonoks	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 21.07.2023

**beneficiary of the Shareholder DVINSK MNG, Ltd.

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

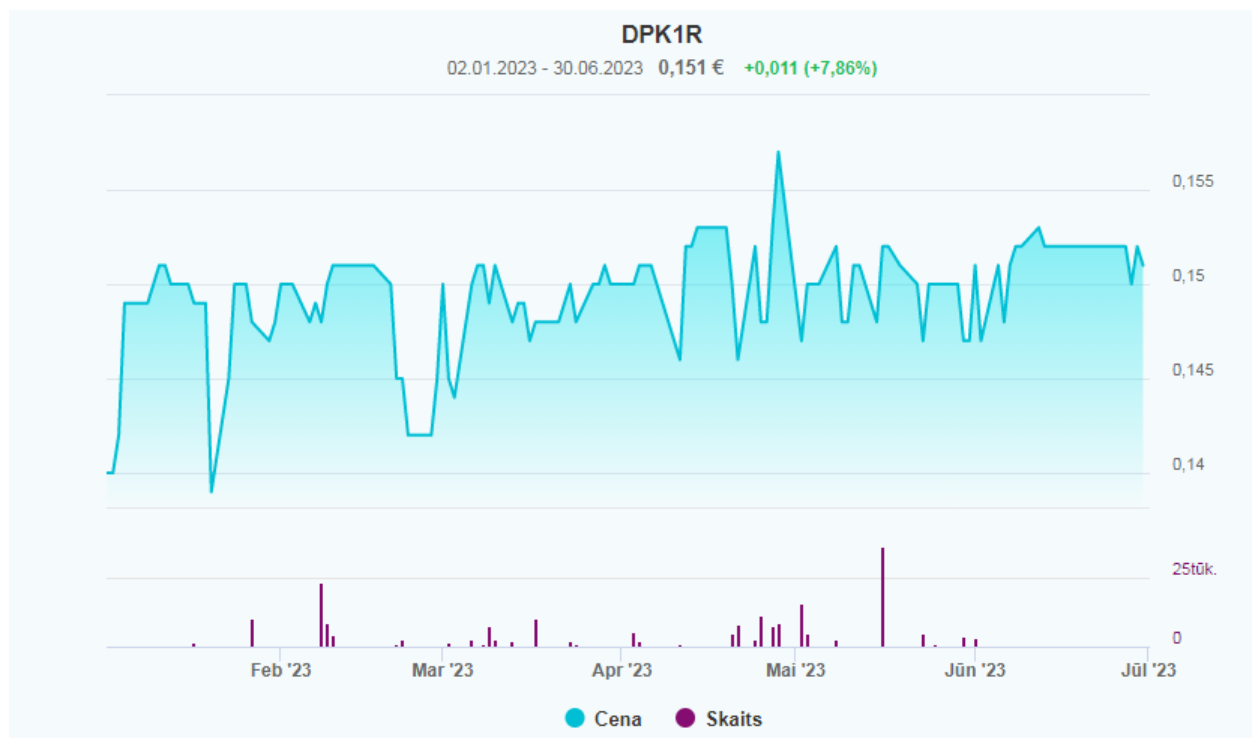
Given name, surname or Name	Shareholding, %
<i>Vladislavs Driksne</i>	14,94
MAX Invest Holding SIA	13,63
Maleks S SIA	13,56
SIA „DVINSK MNG”	9,46
<i>Eduards Zavadskis</i>	6,67
Karolīna Maija Zavadska	6,67
Marina Zavadska	6,67

** 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 21.07.2023, 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 21.07.2023, there was no information at the disposal of the Company regarding the allocation of the shares between the heirs of E. Zavadskis (6,67 % in total) and V.Driksne (14,94% 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

Share price development during 6 months of the year 2023



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Share price development during 6 months of the year 2022 (to compare with prices of the year 2023)



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2023

The net-turnover in 6 months of 2023 reached € 1,778 thousand, being by € 710 thousand lower than the index in 6 months of 2022.

Commodity output resulted € 1,116 thousand, what is by € 529 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 (47% eastwards and 52% westwards), 1% of products sold and services rendered on Latvian market.

The Company closed the 6 months period of 2023 with a loss before corporate income tax € 73 thousand.

The average number of employees of the Company during 6 months of 2023 was 137 people.

The average salary in 6 months period of 2023 amounted to € 776, what is by € 8 lower than in 6 months of 2022.

The results of Company's activities and financial statements of the Company for 6 months of 2023, this Management report were approved by Company's Management Board (Management Board meeting Protocol No. 06/2023 dated 22 July 2023).

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).

The main external factor that most affected the situation in the economy was Russian invasion of Ukraine, which affected markets. The imposed sanctions imposed certain restrictions on the market. According to the situation on the day of the review of this report for 6 months of the year 2023 the eleventh package of sanctions was adopted (23 June 2023), which determined the limitations of the possibilities of cooperation in relation to the Russian Federation and the Republic of Belarus.

Analytical and marketing research, which was made basing on the *Risk management policy of the JSC Ditton pievadķēžu rūpnīca* adopted on January 5, 2022 and *Procedures of the JSC Ditton pievadķēžu rūpnīca in connection with the implementation of measures imposed within the framework of sanctions* adopted on March 25, 2022, 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 and monitoring of the partners will be continued.

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

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

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.

At the end of 2022, a significant increase in energy resource prices and service costs was observed, which in 2023 had consequences in additional expenses.

The Company's management continuously evaluates the situation and all available information, including the impact of the crisis caused by the increase in the price of energy resources, the war and the imposed sanctions, on the Company's operation.

According to the situation on the day of the review of the financial report for 6 months of the year 2023 relations with partners from Russia are reduced. The operation of the car chain workshop is partially suspended. The Management Board carries out an operational assessment of the Company's insolvency every week.

In August 2022, the State Revenue Service started an audit for the period 2020-2022, 5 months. According to the situation on the day of the review of the financial report for 6 months of the year 2023 the audit is completed; decision of the audit dated 14.07.2023 is unfavourable to the Company. Due to the fact that, according to the opinion of the Management Board, the audit decision of the State Revenue Service is unfounded, the Board appeals the audit decision in accordance with the law. As of the date of preparation of this Management report, the decision of the Director General of the State Revenue Service (from 07.07.2023), leaving the audit decision unchanged, was appealed to the Administrative Court. However, the State Revenue Service retains the right to make a decision to forcefully collect the additionally calculated taxes from the Company before the decision of the State Revenue Service becomes indisputable (except for fines), which will destabilize the Company's operation. In this regard, the Company used the right granted by the law - to ask the State Revenue Service to divide the additional calculated taxes into terms, as well as consider other resources (making amendments to the Management Board action program, negotiations with investors, starting the legal protection process, etc.), as a way out of a difficult situation, in order to stabilize the Company's financial condition.

By observing the *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 pievadķēžu rūpnīca* adopted by the shareholders meeting on 30.06.2022 the Company manages to continue its operation.

When implementing the Program, on the day of approval of the Financial Report for 6 months of the year 2023, the Management board announces that:

1) Optimization and reduction of the Company's employees is in progress in proportion to the actual volume of production. The average number of employees of the Company during 6 months of 2023 was 137 people, which is more than in the previous year. This is related to the opening of the Instrumental Department, the goal of which is to independently perform the works of the Instrumental Department, which were previously assigned to a third party by the Company. It reduced the costs of production. However, the number of employees and the hours of employment of employees are reduced as much as possible, different employees combine professions within the framework of optimization.

2) Optimization of the Company's fixed assets was carried out by concluding long-term lease agreements for production areas, which are necessary for the fulfillment of actual orders.

3) The Company's fixed assets maintenance procedures are being optimized within the program.

4) Optimization of other production costs is in progress, including: lighting replaced with energy-saving lamps, procedures for combining professions are in progress.

5) The management of the Company is reorganizing the marketing policy, including emphasizing the strong points of the Company.

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Based on the Company's external and internal market and operating factors, taking into account that the Program is scheduled to operate until 31.12.2023, the Council and the Management Board plan to make adjustments to the Program in the 3rd quarter, anticipating its extension for the next period, which will be announced to the shareholders in the next statement of the Management Board.

Risks of the Company.

The Company's activity is exposed to various financial risks: foreign exchange risk, interest rate risk, credit risk, liquidity risk, sanctions strengthening risks, as well as other risks of raw material and resource price instability. 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 2022, as well as in this financial report for 6 months concerning instability of markets. The information on the Company's risks given in the annual statements for the year 2022 is fully up to date for the interim financial report for the 6 months of the year 2023.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to the information at Company's Management Board disposal, these financial statements for 6 months of the year 2023 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.

Member of the Management Board
JSC DITTON pievadķēžu rūpnīca
22 August 2023

Raimonds Bruževičs

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BALANCE SHEET

ASSETS	30.06.2023	30.06.2022
	EUR	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	1 613 930	1 756 372
Investment properties - land	-	-
Investment properties - buildings	-	-
Technological equipment and devices	1 679 910	1 918 909
Other fixed assets and inventory	747	10 775
Costs of the establishment of fixed assets and unfinished buildings objects	-	-
Total fixed assets	5 355 937	5 747 406
Long-term financial investments		
Other securities and investments	-	-
Total long-term financial investments	-	-
Total long-term investments	5 355 937	5 747 406
Current assets		
Inventories		
Raw materials, consumables and supplies	343 270	433 415
Work in progress	182 282	218 679
Finished products and goods for sale	273 512	293 377
Advance payments for inventories	183 355	24 563
Total inventories	982 419	970 034
Debtors		
Trade receivables	365 282	556 788
Other debtors	7 969	57 889
Next period costs	-	593
Total debtors	373 251	615 270
Cash	365 026	215 162
Total current assets	1 720 696	1 800 466
<u>TOTAL ASSETS</u>	<u>7 076 633</u>	<u>7 547 872</u>

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BALANCE SHEET

LIABILITIES	30.06.2023	30.06.2022
	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	(9 287 422)	(9 240 236)
Profit of the fiscal period	(73 468)	119 676
Total equity	1 174 611	1 408 691
Creditors		
Long-term creditors:		
Loans from credit institutions	3 437 961	3 811 577
Other loans	-	-
Deferred income	966 548	1 050 031
Total long-term creditors	4 404 509	4 861 608
Short-term creditors:		
Loans from credit institutions	300 843	185 384
Other loans	100 000	100 000
Prepayments received from purchasers	30 275	23 759
Accounts payable to suppliers and contractors	448 281	499 216
Taxes and State mandatory social insurance payments	239 897	274 952
Other creditors	233 593	65 014
Deferred income	41 742	41 742
Accrued liabilities	109 132	87 506
Total short-term creditors	1 497 513	1 277 573
Total creditors	5 902 022	6 139 181
<u>TOTAL LIABILITIES</u>	<u>7 076 633</u>	<u>7 547 872</u>

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INCOME STATEMENT

	30.06.2023	30.06.2022
	EUR	EUR
Net turnover	1 776 607	2 488 116
Production costs of goods sold, purchase costs of goods sold or services rendered	(1 411 646)	(2 032 507)
Gross profit	364 961	455 608
Selling costs	(111)	(508)
Administrative expenses	(367 239)	(316 758)
Other income from operating activities	42 225	181 445
Other costs of operating activities	(59 433)	(97 237)
Other interest receivable and similar income	-	950
Interest payment and similar expenses	(52 713)	(103 824)
• <i>to other persons</i>	<i>(52 713)</i>	<i>(103 824)</i>
Profit / loss before corporate income tax	(72 310)	119 676
Corporate income tax for the fiscal period	(1 158)	-
Loss / profit for the fiscal period	(73 468)	119 676
Loss / profit per share	(0.010)	0 016

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CASH FLOW STATEMENT

	30.06.2023	30.06.2022
	EUR	EUR
I. Cash flows from operating activities		
1. Profit or loss before Enterprise income tax	(73 468)	119 676
<i>Adjustments to:</i>		
Depreciation of fixed assets	190 285	202 952
Depreciation of intangible assets	-	-
Recognition of deferred income as revenue	(41 742)	(41 742)
Interest payments and similar expenses	52 713	103 824
Income from sale of fixed assets	-	-
2. Profit or loss before adjustments to fixed assets and short-term creditors	128 946	384 710
<i>Adjustments to:</i>		
Increase or decrease in accounts receivables	(102 756)	(30 644)
Increase or decrease in inventories	41 726	61 022
Increase or decrease in accounts payable to suppliers, contractors and other creditors	12 153	(89 594)
3. Gross cash flows from operating activities	78 911	325 494
Net cash flows from operating activities	<u>78 911</u>	<u>325 494</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	(23 157)	(162 000)
Interest payments and similar expenses	(52 713)	(103 824)
Purchase of fixed assets	-	-
Expenses for liquidation of fixed assets	-	22 523
Net cash flows used in financing activities	(75 870)	(243 301)
Net cash flows of the fiscal period	3 041	82 193
Cash and cash equivalents at the beginning of fiscal period	<u>361 985</u>	<u>132 969</u>
Cash and cash equivalents at the end of fiscal period	<u>365 026</u>	<u>215 162</u>

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STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2023 till 30.06.2023

	Equity capital	Other reserves	Retained profit of previous periods	Profit or loss of fiscal period	Total
	EUR	EUR	EUR	EUR	EUR
At 1 January 2023	10 360 000	169 251	(9 278 422)	-	1 241 829
Profit of 6 months period 2023	-		-	119 676	(73 468)
At 30 June 2023	10 360 000	169 251	(9 278 422)	119 676	1 174 611
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

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 2023, its` operating results and cash flows for 6 months starting from 1 January and ending on 30 June 2023.

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 2023 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 2023 (thousand euros)

The value of the produced driving chains in these 6 months reached € 1,116 thousand, what is by € 529 thousand less than the index of the same period of the previous fiscal year.

Production of driving chains in 6 months of 2023 (thousand meters)

The index of the produced driving chains is by 97 thousand meters lower than in 6 months of 2022.

Sales (net-turnover) in 6 months of 2023 (thousand euros)

The net-turnover of the fiscal period is fulfilled by € 1,777 thousand, being by € 711 thousand or 29 per cent less than the index in the same period of the previous year.

Core product sales in 6 months of 2023 (thousand euros)

Core product sales amounted to € 1,358 thousand in the reporting period, what is by € 638 thousand or 32 per cent less than the result of the same period in the previous year.