

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

**FINANCIAL REPORT**  
**FOR 6 MONTHS OF THE YEAR 2020**  
**(01.01.2020 – 30.06.2020 )**  
**(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**

**2020**

JSC DITTON PIEVADKĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**Contents**

Information about the Company .....	3-5
Management report .....	6-8
Balance sheet .....	9-10
Income statement.....	11
Cash flow statement .....	12
Statement of changes in equity .....	13
<i>Appendixes</i>	
<i>Explanatory notes</i> .....	14
<i>Explanations and analyses on separate items of financial reports</i> .....	15

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**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	01.01.2020 – 30.06.2020

Persons in charge for drawing up of the financial report:

Ms. Jūlija Lavrecka, phone +371 65402316, e-mail: [dpr@dpr.lv](mailto:dpr@dpr.lv)

Mr. Boriss Matvejevs, 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 Zarāns, re-elected 14.01.2019 (elected since 15.01.2014)

Member of the Management Board

Natalja Redzoba, (until 31.05.2020.)

**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 Zarāns	no shares	-
Natalja Redzoba	no shares	-

**THE COUNCIL**

Chairman of the Council

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

Deputy Chairman of the Council

Georgijs Sorokins, until 18.06.2020.

Members of the Council

Anželina Titkova, until 18.06.2020.

Genādijs Zavadskis, re-elected 18.06.2020 (elected 15.02.2017)

Otto Dzenis, elected 18.05.2020.

Aleksandrs Sokolovs, elected 18.06.2020.

**Information on shares owned by Members of the Council**

<b>Members of the Council</b>	<b>Share ownership*</b>	
	<b>Quantity of shares</b>	<b>%</b>
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Anželina Titkova	no shares	-
Genādijs Zavadskis	no shares	-
Otto Dzenis	no shares	-
Aleksandrs Sokolovs	no shares	-

For more detailed information on professional background of Members of the Management Board and of the Council, please refer to our website: [www.dpr.lv](http://www.dpr.lv).

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
FINANCIAL REPORT FOR 6 MONTHS OF 2020

INFORMATION ON SHAREHOLDERS AND SHARES

MAJOR SHAREHOLDERS (OVER 5%) \*

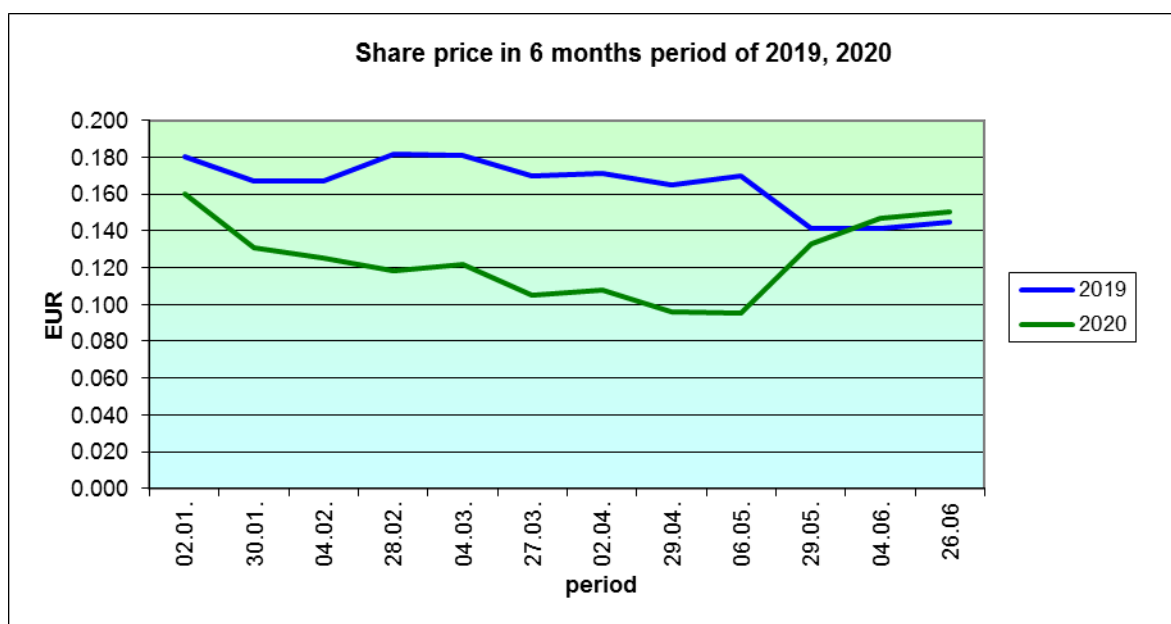
NAME	Ownership interest, %
Vladislavs Driksne	19,92
MAX Invest Holding Ltd.	13,63
Maleks S Ltd.	13,56
DVINSK MNG Ltd.	9,46

\* Note:

1) The Company does not keep any Shareholder Register. Information presented is provided and updated in accordance with the lists of shareholders of the JSC Ditton pievadķēžu rūpnīca as at 18.06.2020, which is prepared by Nasdaq CSD SE for shareholders' meeting due to the Commercial Law and the Financial Instruments Market Law of the Republic of Latvia, taking into account the shareholders' notifications of the acquisition and disposal major holding in the Issuer's equity in accordance with the section 61 of the Financial Instruments Market Law.

2) As at 30.06.2020, the Company has no information at its disposal on distribution of stocks (20%) among heirs of E. Zavadskis and their records in financial instruments accounts pursuant to the section 125 of the Financial Instruments Market Law.

SHARE PRICE DEVELOPMENT



## MANAGEMENT REPORT

### Information on the results of the company in 6 months of year 2020

The net-turnover in 6 months of 2020 reached € 2,141 thousand, being by € 330 thousand lower than the index in 6 months of 2019.

Commodity output resulted € 1,606 thousand, what is by € 123 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 2020 with a loss before corporate income tax € 37 thousand.

The average number of employees of the Company during 6 months of 2020 was 134 people.

The average salary in 6 months period of 2019 amounted to € 644, what is by € 13 higher than in 6 months of 2019.

The results of Company's activities and financial statements of the Company for 6 months of 2019, this Management report were approved by Company's Management Board (Management Board meeting Protocol No. 05/2020 dated 14 August 2019).

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

Proceeding from the situation on the global economic markets, which changes rapidly, the Management considers as important to divide analysis of market tendencies, Company's development and Company's risks into two stages:

The first stage: before start of COVID-19 pandemic.

The Company assigns that during this period a market situation and Company's operating activity future outlook analysis given by the Company in the Management Report to the Annual Reports for the years 2018 and 2019 were actual.

The analysis of the general market trends and analysis of market trends on it's particular segments were given by the Company.

Significant aspects of this analysis, which remained actual fully in 2020, were the following:

In accordance with the performance indicators of the goods manufactured under the brand of AS Ditton pievadķēžu rūpnīca, the sale thereof to final consumers is structurally categorised into the following main segments:

- "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 Company forms an integral part of the production and economy of such countries, which represent the above-mentioned market outlet segments for the goods of the Company irrespective of the procedures aimed at promoting the goods and systems in these markets. This way, all the trends, factors, risks, crises and other circumstances in the relevant markets have a direct impact on the Company, its activity and income to be derived from its activity.

Due to the need to be able to operate in the future as a going concern provides for a duty to be imposed on the Management Board of the Company to take all measures aimed at retaining both of the market segments, operate there consistently with their terms and conditions, seek compromises with the counterparties, including those which are not favourable to the Company, retain all market segments.

Detailed analysis of both market segments and the Company's expectations from them is provided in the Management report of the Company's Annual Report for the Year 2019.

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

The Company pointed out, that these market factors to any extent were systematic and long-term. They are related not to the Company but to the conditions beyond the Company's control and which cannot be eliminated by the Company with reasonable and affordable means.

The Company's Management considers that all mentioned above factors were in force until the beginning of COVID-19 pandemic and had direct influence on Company's performance results in 2019.

In the first half of the year 2020, the Company continued to implement a loss minimisation programme, based on the optimisation of the internal structure, infrastructure, intellectual and human resources. The Company also sees its competitiveness in focusing on technologically sophisticated high added value goods, as well as driving an increase in the volume of services and works outside the core production activities.

This effort enabled the Management Board to focus its activity to a single consecutive direction, rendering it more structured, categorised in stages as well as enabled an optimal allocation of resources aimed at improving the Company's economic circumstances.

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 using the financing of the European Union (the project "Construction of the production facilities in the vacant production areas of AS Ditton pievadķēžu rūpnīca") 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.

The second stage: after start of COVID-19 pandemic.

Unfortunately, the Company does not have enough information to give a precise assessment of situation in market segments, where the economic interests and activity of the Company are concentrated. Due to crisis phenomena, production stoppage, drop in economic activity and drop in sales, the Company's market situation is unstable, dynamic and nonstandard, wherefore it cannot be predicted with enough level of guaranty. For example, the Company's volume of sales on Western market segment for the first time exceeded the volume of sales on the Eastern market segment. To assume the retention of this tendency or the dynamics of return to the previous sales correlation is impossible at present.

The Company notes the impact of the COVID-19 pandemic at all stages of the commercial chain of production and sales of the Company's products. The volume of orders decreased, a number of orders were refused by the customers. A number of customers, for example, AvtoVAZ, announced a temporary suspension of production and a refusal to purchase components, including the Company's products.

Schedules and terms of payments were systematically missed. Due to the situation at the border and different conditions of epidemiological danger, there were refusals by suppliers as much as delivery terms of raw materials and finished products were missed.

Many producers of raw materials, for example, producers of metal products, switched to reduced work due to the drop in orders. Some of the Company's orders were not included in the plan for the production of exclusive types of metal, since the manufacturer did not collect the required volume of orders for the production (smelting) of the batch.

All of the above circumstances influenced the results of the Company's work in the first half of the year 2020.

The company does not consider it possible to overcome the crisis phenomena only for one production. In respect that Company is integrated into world economy, "western" and "eastern" market segments, decrease level of Company's production directly depends on crisis level on these market segments. Besides production decrease, level will directly depend on period of decrease of business activity caused by limitation and quarantine measures. It will depend also on decrease of unemployment, on correction of consumer demand, which first of all is orientated on essential commodities.

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

The Management of the Company considers global economy being on initial stage of crisis phenomena and tendencies. It seems that forecasts about terms and levels of Company's production decrease will be possible to evaluate not earlier than according to results of the Company's work, which will be given in appropriate Company's report. Whereas terms and forecasts of overcoming of these signs of the crisis will be possible to evaluate basing on the actual market decrease and period of limitation measures, which influence economy. Anyway this period optimistically evaluated is expected for the term starting from twelve months.

To localize the mitigation of the impacts of the COVID-19 pandemic, the Company with varying results have attempted to initiate various types of support, including:

- The Company applied to the State Revenue Service as tax administrator with a request to provide extension and distribution of tax payments during the quarantine announced in Latvia; the request was granted;

- The Company announced the partial stoppage of production as an important information and asked for support in form of payment for downtime to employees of suspended production processes; the State Revenue Service rejected the application for formal reasons, compensation (up to 15%) was paid from social support funds, the other downtime was paid by the Company;

- The Company applied to The Real Estate Tax Administrator Department (Daugavpils City Council) with a request, within their competence, to revise the tax interest rate, as well as to postpone the payment terms with the provision of payment by instalments and the cancellation of penalty due to the breach of terms. The message of the Daugavpils City Council regarding the consideration of the application was not received, at the same time a demand was received to pay off the arisen tax liabilities immediately;

- The Company's appeal to The State Institutions with a request to grant the right to repay, in the context of the COVID-19 pandemic and quarantine, payments on obligations with a deferral and in parts were left without satisfaction;

- No agreement was found with resource providers on cancellation of penalty for extension of payment terms if the Company makes payments in parts within a reasonable period of time in the context of unstable cash flows due to the COVID-19 pandemic;

The above-mentioned gives reason for the Company to believe that the support and assistance to the production companies in the real economy, oriented to the export of products, is declarative and was actually absent in nature.

#### Risks of the Company

The Company's activities are subjects to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk and COVID-19 pandemic risks. Information on structure and description of these risks, as well as about risks' management the Management Board gave in the Management report to the Annual report for the year 2019. The information given in the annual statements for the year 2019 on financial risks is fully up to date for the interim financial report for the 6 months of the year 2020 as well.

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

According to the information at our disposal, this financial statements for 6 months of the year 2020 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 pievadķēžu rūpnīca  
31 August 2020

Rolands Zarāns



JSC DITTON PIEVADKĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**BALANCE SHEET**

<b>ASSETS</b>	<b>30.06.2020. EUR</b>	<b>30.06.2019. EUR</b>
<b>Long-term investments</b>		
<b>Intangible investments</b>		
Concessions, patents, licenses, trademarks and similar rights	4 028	8 861
<b>Total intangible investments</b>	<b>4 028</b>	<b>8 861</b>
<b>Fixed assets</b>		
Immovable property:		
Land	1 972 722	1 853 982
Buildings and structures and permanent crop	1 192 001	1 276 539
Investment properties - land	88 628	88 628
Investment properties - buildings	849 253	907 156
Technological equipment and devices	2 439 250	2 687 409
Other fixed assets and inventory	29 196	40 446
Costs of the establishment of fixed assets and unfinished buildings objects	-	12 649
<b>Total fixed assets</b>	<b>6 571 050</b>	<b>6 866 809</b>
<b>Long-term financial investments</b>		
Other securities and investments	-	-
<b>Total long-term financial investments</b>	<b>-</b>	<b>-</b>
<b>Total long-term investments</b>	<b>6 575 078</b>	<b>6 875 670</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials, consumables and supplies	520 221	417 575
Work in progress	145 023	178 560
Finished products and goods for sale	304 119	109 800
Advance payments for inventories	43 214	76 215
<b>Total inventories</b>	<b>1 012 577</b>	<b>782 150</b>
<b>Debtors</b>		
Trade receivables	391 057	779 220
Other debtors	30 059	21 867
Next period costs	478	400
<b>Total debtors</b>	<b>421 594</b>	<b>801 487</b>
<b>Cash</b>	<b>2 267</b>	<b>122 828</b>
<b>Total current assets</b>	<b>1 436 438</b>	<b>1 706 465</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>8 011 516</u></b>	<b><u>8 582 135</u></b>

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**BALANCE SHEET**

<b>LIABILITIES</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>EUR</b>	<b>EUR</b>
<b>Equity</b>		
Share capital	10 360 000	10 360 000
Reserves:		
Other reserves	169 251	169 251
Retained losses brought forward from the previous years	(9 345 727)	(9 228 221)
Profit of the fiscal period	(37 731)	(77 993)
<b>Total equity</b>	<b>1 145 793</b>	<b>1 223 037</b>
<b>Creditors</b>		
<b>Long-term creditors:</b>		
Loans from credit institutions	4 282 577	4 678 577
Other loans	3 700	-
Deferred income	1 216 999	1 300 483
<b>Total long-term creditors</b>	<b>5 503 276</b>	<b>5 979 060</b>
<b>Short-term creditors:</b>		
Loans from credit institutions	265 522	207 432
Other loans	22 200	-
Prepayments received from purchasers	26 008	30 059
Accounts payable to suppliers and contractors	387 333	463 092
Taxes and State mandatory social insurance payments	493 852	444 968
Other creditors	59 854	116 091
Deferred income	41 742	41 742
Accrued liabilities	65 936	76 654
<b>Total short-term creditors</b>	<b>1 362 447</b>	<b>1 380 038</b>
<b>Total creditors</b>	<b>6 865 723</b>	<b>7 359 098</b>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>8 011 516</u></b>	<b><u>8 582 135</u></b>

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**INCOME STATEMENT**

	<b>30.06.2020.</b>	<b>30.06.2019.</b>
	<b>EUR</b>	<b>EUR</b>
Net turnover	2 141 052	2 471 335
Production costs of goods sold, purchase costs of goods sold or services rendered	1 728 709	2 120 753
<b>Gross profit</b>	<b>412 343</b>	<b>350 583</b>
Selling costs	(528)	(575)
Administrative expenses	(332 536)	(334 256)
Other income from operating activities	70 648	66 857
Other costs of operating activities	(93 202)	(61 372)
Interest payment and similar expenses	206	-
• <i>to other persons</i>	(94 662)	(99 231)
	<i>(94 662)</i>	<i>(77 993)</i>
<b>Profit before corporate income tax</b>	<b>(37 731)</b>	<b>(77 993)</b>
Corporate income tax for the fiscal period	-	-
<b>Loss / Profit for the fiscal period</b>	<b>(37 731)</b>	<b>(77 993)</b>
<b>Loss / profit per share</b>	<b>(0,005)</b>	<b>(0,011)</b>

JSC DITTON PIEVADKĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**CASH FLOW STATEMENT**

	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>EUR</b>	<b>EUR</b>
<b>I. Cash flows from operating activities</b>		
1. Profit or loss before Enterprise income tax	(37 731)	(77 993)
<i>Adjustments to:</i>		
Depreciation of fixed assets	215 888	207 278
Depreciation of intangible assets	2 416	2 416
Other income	-	(41 742)
Interest payments and similar expenses	94 662	99 231
Income from sale of fixed assets	-	(1 600)
2. Profit or loss before adjustments to fixed assets and short-term creditors	275 235	187 590
<i>Adjustments to:</i>		
Increase or decrease in accounts receivables	238 349	(122 054)
Increase or decrease in inventories	(94 154)	217 741
Increase or decrease in accounts payable to suppliers, contractors and other creditors	(219 399)	(5 204)
3. Gross cash flows from operating activities	200 031	272 073
<b>Net cash flows from operating activities</b>	<b><u>200 031</u></b>	<b><u>272 073</u></b>
<b>II. Cash flows from investing activities</b>		
Purchases of fixed assets and intangible investments	(2 380)	(1 076)
Proceeds from sale of fixed assets	-	1 600
<b>Net cash flows used in investing activities</b>	<b><u>(2 380)</u></b>	<b><u>524</u></b>
<b>III. Cash flows from financing activities</b>		
Net change in borrowings	(111 085)	(109 013)
Interest payments and similar expenses	(94 662)	(99 231)
<b>Net cash flows used in financing activities</b>	<b><u>(205 747)</u></b>	<b><u>(208 244)</u></b>
<b>Net cash flows of the fiscal period</b>	<b><u>(8 096)</u></b>	<b><u>64 353</u></b>
<b>Cash and cash equivalents at the beginning of fiscal period</b>	<b><u>10 363</u></b>	<b><u>58 475</u></b>
<b>Cash and cash equivalents at the end of fiscal period</b>	<b><u>2 267</u></b>	<b><u>122 828</u></b>

JSC DITTON PIEVADĶĒŽU RŪPNĪCA  
**FINANCIAL REPORT FOR 6 MONTHS OF 2020**

**STATEMENT OF CHANGES IN EQUITY**  
for the period from 01.01.2020 till 30.06.2020

	Equity capital	Other reserves	Retained profit of previous periods	Profit or loss of fiscal period	Total
	EUR	EUR	EUR	EUR	EUR
<b>At 1 January 2020</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 345 727)</b>	<b>-</b>	<b>1 183 524</b>
Profit of 6 months period 2020	-		-	(37 731)	(37 731)
<b>At 30 June 2020</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 345 727)</b>	<b>(37 731)</b>	<b>1 145 793</b>
<b>At 1 January 2019</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 228 221)</b>	<b>-</b>	<b>1 301 030</b>
Profit of 6 months period 2029	-		-	(77 993)	(77 993)
<b>At 30 June 2019</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(9 228 221)</b>	<b>(77 993)</b>	<b>1 223 037</b>

*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 2020, its` operating results and cash flows for 6 months starting from 1 January and ending on 30 June 2020.

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 2020 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 2020 (thousand euros)

The value of the produced driving chains in these 6 months reached € 1,606 thousand, what is by € 123 thousand lower than the index of the same period of the previous fiscal year.

Production of driving chains in 6 months of 2020 (thousand meters)

The index of the produced driving chains is by 63 thousand meters lower than in 6 months of 2019.

Sales (net-turnover) in 6 months of 2020 (thousand euros)

The net-turnover of the fiscal period is fulfilled by € 2,141 thousand, being by € 330 thousand or 13 per cent less than the index in the same period of the previous year.

Core product sales in 6 months of 2020 (thousand euros)

Core product sales amounted to € 1,745 thousand in the reporting period, what is by € 293 thousand or 14 per cent less than the result of the same period in the previous year.