

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 6 MONTHS OF YEAR 2013

(01.01.2013 – 30.06.2013)

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

Daugavpils

2013

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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	01.01.2013 – 30.06.2013

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 05.07.2010 (Member of the Management Board from 29.08.2003)

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jevgenijs Sokolovskis, elected 05.07.2010

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 05.05.2005

Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

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	-
Vladimir Bagaev	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 30.08.2013

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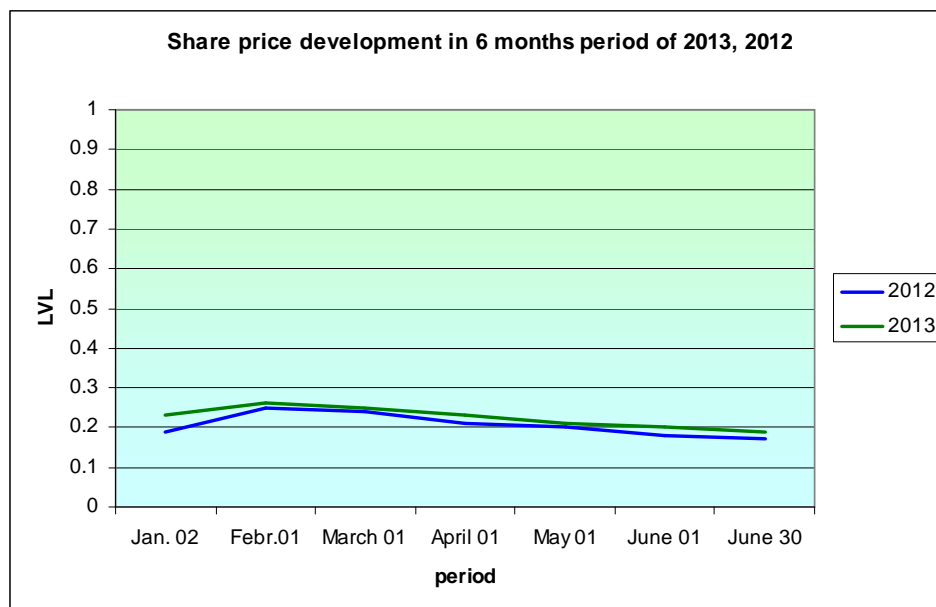
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	13,50
Vladimir Bagaev	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 17.05.2013, 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 6 months of year 2013

In 6 months period of 2013 net-turnover was fulfilled in the amount of 3 657 thous.LVL (5 203 thous.EUR), which compared to the forecast is by 57 thous.LVL (81 thous.EUR) or 2% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 627 thous.LVL (2 315 thous.EUR) or by 31% less.

Loss before taxes amounted to 232 thous.LVL (330 thous.EUR) in 6 months period of 2013. Loss after taxes amounts to 253 thous.LVL (360 thous.EUR).

Commodity output is estimated in the amount of 2 122 thous.LVL (3 019 thous.EUR). The result of 6 months of 2013 is by 887 thous.LVL (1 262 thous.EUR) or by 29% 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 327 employees in 6 months of year 2013.

The average salary amounted to 274 LVL (390 EUR) in 6 months period of 2013, which is by 67 LVL (95 EUR) less than in 6 months of 2012.

Significant events. Market tendencies and development of the company. Risks.

The activity of the Company in the first half of 2013 gives the ground to consider that in the world economy trends of the so-called "second wave" of global economic crisis are intensifying which has been forecasted by financial analysts of the European Union. Despite some increase and a subsequent stabilization of the market in previous years, the Company, for its part, also informed the shareholders and investors about its forecasts in respect of negative effects of this "second wave" of the crisis on economic activity and a potential decline in industrial production.

The general forecast of the Management Board for the drop in the Company's production due to the fact that the Company is integrated in global economy and is dependent on market activity and demand remain relevant. Relevant is also an evaluation of the activity in different market segments as well as information about other negative factors affecting the Company's activity.

More detailed information about intensification of crisis appearances and increase of the risk for the Company to operate at a loss is set out in the Management Report of the Annual Report for 2012. All the information set out in this report is valid.

The losses of the first half of the year have been predetermined also by a traditional seasonal decline in demand for the Company's products in the market, and consequently, the decline in production volumes on the background of retention and growth of costs of "winter period" (up to 10%) for property maintenance (first of all – energy resources). According to forecasts of the Management Board the Company's performance in the coming quarters will allow to balance the overall results of the activity by covering or significantly reducing these losses, unless the current economic in the global market will significantly slowdown.

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For localization and reduction of the above adverse conditions 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.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 6 months of year 2013 ended 30 June 2013 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	30.06.2013 LVL	30.06.2013 EUR	30.06.2012 LVL	30.06.2012 EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	1 195	1 700	491	698
Other non-material investments	2 793 295	3 974 501	3 910 612	5 564 300
Non-material investments total	2 794 490	3 976 201	3 911 103	5 564 998
II. Fixed assets				
Plots of land, buildings and constructions	955 119	1 359 012	1 476 448	2 100 796
Technological equipment and machinery	12 143	17 278	27 771	39 515
Other fixed assets and stock	15 852	22 555	12 964	18 446
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	31 222	44 425
Fixed assets total	1 014 336	1 443 270	1 548 405	2 203 182
III. Long-term financial investments				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Long-term loans	0	0	152 010	216 290
Assets of deferred tax	193 748	275 678	148 108	210 739
Long-term financial investments total	240 948	342 838	347 318	494 189
1. Long-term investments total	4 049 774	5 762 309	5 806 826	8 262 369
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	937 358	1 333 740	671 399	955 315
Unfinished products	284 641	405 008	306 172	435 643
Finished products and goods for sale	219 812	312 764	245 239	348 944
Advance payments for goods	37 045	52 710	42 351	60 260
Reserves total	1 478 856	2 104 222	1 265 161	1 800 162
II. Debtors				
Debts of buyers and customers	5 344 063	7 603 917	4 087 389	5 815 830
Other debtors	234 932	334 278	149 449	212 647
Debtors total	5 578 995	7 938 195	4 236 838	6 028 477
IV. Cash and cash equivalents	114 520	162 947	101 492	144 410
2. Current assets total	7 172 371	10 205 364	5 603 491	7 973 049
<u>TOTAL ASSETS</u>	<u>11 222 145</u>	<u>15 967 673</u>	<u>11 410 317</u>	<u>16 235 418</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	30.06.2013	30.06.2013	30.06.2012	30.06.2012
	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	1 081 964	1 539 496	1 079 369	1 535 804
b) profit / (loss) of reporting period	-253 402	-360 559	6 905	9 825
1. Equity capital total	8 228 562	11 708 188	8 486 274	12 074 880
2. Long-term creditors:				
Loans from credit institutions	1 242 447	1 767 843	1 269 113	1 805 785
2. Long-term creditors total	1 242 447	1 767 843	1 269 113	1 805 785
3. Short-term creditors:				
Loans from credit institutions	459 634	654 000	516 372	734 731
Other loans	107 820	153 414	135 826	193 263
Advance payments received from customers	7 140	10 159	8 399	11 951
Debts to suppliers and contractors	843 346	1 199 973	754 041	1 072 904
Taxes and compulsory social security contributions	153 837	218 890	97 507	138 740
Other creditors	120 050	170 817	94 027	133 788
Accumulated liabilities	59 309	84 389	48 758	69 376
3. Short-term creditors total	1 751 136	2 491 642	1 654 930	2 354 753
Creditors total	2 993 583	4 259 485	2 924 043	4 160 358
<u>LIABILITIES TOTAL</u>	<u>11 222 145</u>	<u>15 967 673</u>	<u>11 410 317</u>	<u>16 235 418</u>

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INCOME STATEMENT

	<i>1 EUR = 0,702804 LVL</i>			
	30.06.2013	30.06.2013	30.06.2012	30.06.2012
	LVL	EUR	LVL	EUR
Net turnover	3 657 359	5 203 953	5 284 003	7 518 459
Production cost of sold products	-3 019 642	-4 296 563	-4 317 012	-6 142 555
Gross profit	637 717	907 390	966 991	1 375 904
Selling costs	-558 658	-794 899	-565 668	-804 873
Administration costs	-274 176	-390 118	-309 136	-439 861
Other operating income	30 271	43 072	17 291	24 603
Other operating expenses	-28 039	-39 896	-29 538	-42 029
Interest payment and similar expenses	-38 810	-55 222	-50 955	-72 502
Profit / (loss) before taxes	-231 695	-329 673	28 985	41 242
Other taxes	-21 707	-30 886	-22 080	-31 417
Profit / (loss) of reporting period	<u>-253 402</u>	<u>-360 559</u>	<u>6 905</u>	<u>9 825</u>
Index EPS	-0.03	-0.05	0.00	0.00

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	30.06.2013 LVL	30.06.2013 EUR	30.06.2012 LVL	30.06.2012 EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	-231 695	-329 673	28 985	41 242
<i>Corrections:</i>				
Depreciation of fixed assets	269 852	383 965	308 687	439 223
Amortization of non-material investments	151	215	58	83
Interest expense	38 810	55 222	50 955	72 502
Amortization share of other non-material investments	558 658	794 899	558 659	794 900
Income from sale of fixed assets	-	-	351	499
2. Profit / (loss) from economic activity in reporting period	635 776	904 628	947 695	1 348 449
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-53 911	-76 708	-1 690 157	-2 404 877
In Reserves	-182 269	-259 345	208 316	296 407
In Creditors	-278 965	-396 932	173 992	247 568
3. Cash flow of basic activity	120 631	171 643	-360 154	-512 453
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-20 580	-29 283	-22 080	-31 417
Cash flow of basic activity	<u>100 051</u>	<u>142 360</u>	<u>-382 234</u>	<u>-543 870</u>
II. Cash flow of investing activity				
Loans issued	-	-	467 180	664 737
Purchase of fixed assets	-303	-431	-16 660	-23 705
Income from sale of fixed assets	-	-	-351	-499
Cash flow of investing activity	<u>-303</u>	<u>-431</u>	<u>450 169</u>	<u>640 533</u>
III. Cash flow of financing activity				
Dividends paid	-	-	-11 100	-15 794
Loans (repaid) / received, net	-49 533	-70 479	-68 755	-97 830
Interest paid	-39 482	-56 178	-50 955	-72 502
Cash flow of financing activity	<u>-89 015</u>	<u>-126 657</u>	<u>-130 810</u>	<u>-186 126</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	30.06.2013 LVL	30.06.2013 EUR	30.06.2012 LVL	30.06.2012 EUR
Cash flow of basic activity, net	100 051	142 360	-382 234	-543 870
Cash flow of investing activity, net	-303	-431	450 169	640 533
Cash flow of financing activity, net	-89 015	-126 657	-130 810	-186 126
Growth of cash and cash equivalents	-10 733	-15 272	-62 875	-89 463
Balance of cash and cash equivalents at the beginning of reporting period	<u>103 787</u>	<u>147 675</u>	<u>164 367</u>	<u>233 873</u>
Balance of cash and cash equivalents at the end of reporting period	<u>114 520</u>	<u>162 947</u>	<u>101 492</u>	<u>144 410</u>

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Statement of changes in equity for the period from 01.01.2013 till 30.06.2013 (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, 2013	7 400 000	-	-	-	1 081 964	-	8 481 964
Loss for 6 months of 2013	-	-	-	-	-	-253 402	-253 402
As at 30 June, 2013	7 400 000	-	-	-	1 081 964	-253 402	8 228 562
As at 1st January, 2012	7 400 000	-	-	-	1 090 469	-	8 490 469
Dividends charged for 2011	-	-	-	-	-11 100	-	-11 100
Profit for 6 months of 2012	-	-	-	-	-	6 905	6 905
As at 30 June, 2013	7 400 000	-	-	-	1 079 369	6 905	8 486 274

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2013 till 30.06.2013 (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, 2013 <i>(0.702804)</i>	10 529 251	-	-	-	1 539 496	-	12 068 747
Loss for 6 months period 2013 <i>(0.702804)</i>	-	-	-	-	-	-360 559	-360 559
As at 30 June, 2013 <i>(0.702804)</i>	10 529 251	-	-	-	1 539 496	-360 559	11 708 188
1st January, 2012 <i>(0.702804)</i>	10 529 251	-	-	-	1 551 598	-	12 080 849
Dividends charged for 2011	-	-	-	-	-15 794	-	-15 794
Profit for 6 months period 2012 <i>(0.702804)</i>	-	-	-	-	-	9 825	9 825
As at 30 June, 2012 <i>(0.702804)</i>	10 529 251	-	-	-	1 535 804	9 825	12 074 880

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Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in the 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 June 2013 and the results of its operation and cash flows for the 6 months period ended 30 June 2013.

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 6 months of 2013 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 6 months of year 2013 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 2 122 thous.LVL (3 019 thous.EUR). The result of reporting period is by 887 thous.LVL (1 262 thous.EUR) or 29% less than in 6 months period of previous year.

Production of driving chains in 6 months of 2013 (thous.meters)

Production of driving chains in natural units is by 587 thous.meters less than in 6 months period of previous year.

Production of driving chains in 6 months of year 2013 (thous.LVL/thous.EUR)

In 6 months of this year there have been driving chains produced in money terms in the amount of 2 115 thous.LVL (3 009 thous.EUR). The actual performance of reporting period is by 882 thous.LVL (1 255 thous.EUR) lower than in the relevant period of previous year.

Sales (net-turnover) in 6 months of 2013 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 3 657 thous.LVL (5 203 thous.EUR). The actual performance of the reporting period is by 1 627 thous.LVL (2 315 thous.EUR) or 31% less than the index of the same period of previous year.

Sales of main products in 6 months of 2013 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 3 001 thous.LVL (4 270 thous.EUR), and it is by 1 210 thous.LVL (1 722 thous.EUR) or 29% less than the result of the relevant period of prior year.