

JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

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

FOR 9 MONTHS OF YEAR 2015

(01.01.2015 – 30.06.2015)

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

Daugavpils

2015

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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	10 360 000 EUR
Number of public bearer shares	7 400 000
Nominal value of one share	1.40 EUR
Chief accountant	Valentina Krivoguzova
Reporting period	01.01.2015 – 30.06.2015

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

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INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Rolands Zarans, elected 15.01.2014

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Rolands Zarans,	no shares	-
Natalja Redzoba	no shares	-

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

Deputy Chairmen of the Council

Georgijs Sorokins, elected 06.11.2000

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
Anzelina Titkova	no shares	-
Vladimir Bagaev	no shares	-

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 16.07.2015

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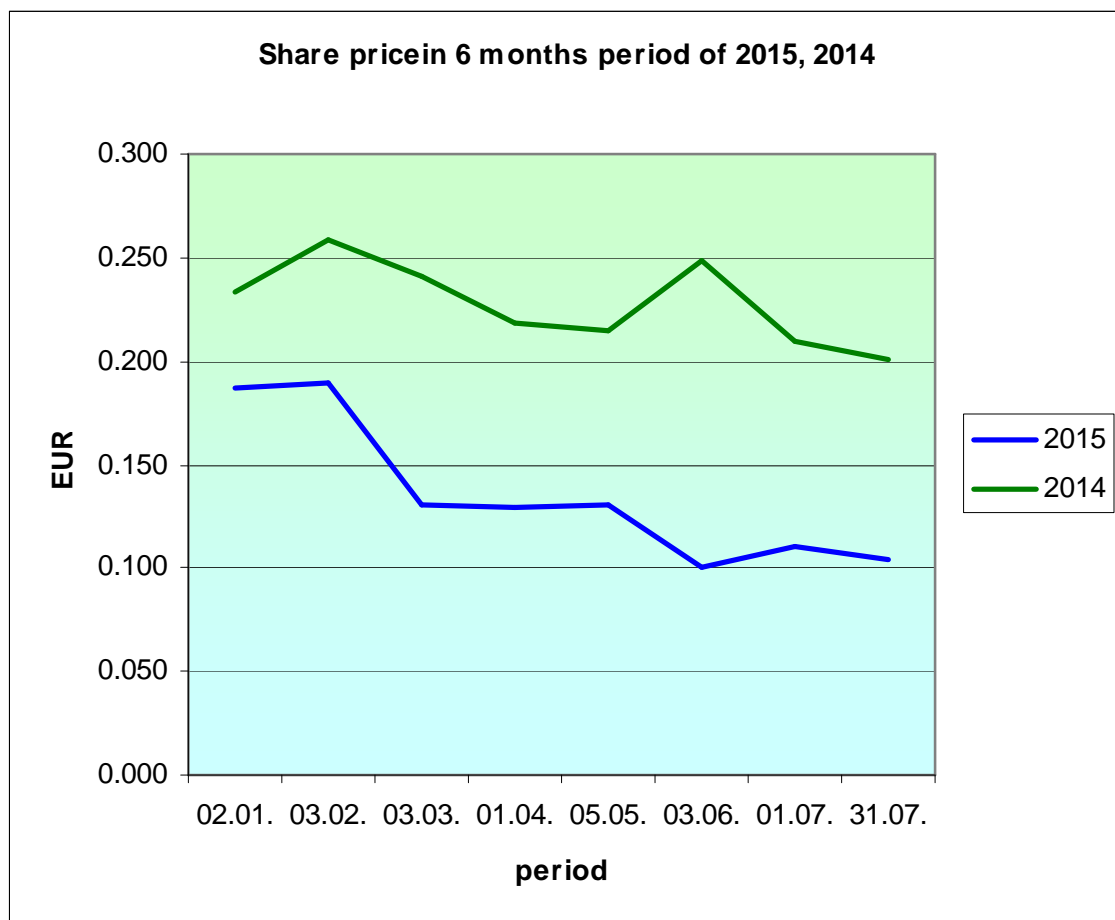
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	12,29
DVINSK MNG SIA	9,46

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnica” dated 16.07.2015, taking into account the shareholders’ notifications on acquisition and disposal significant holding in the Issuer’s equity.*

SHARE PRICE DEVELOPMENT



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MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2015

In 6 months period of 2015 net-turnover was fulfilled in the amount of 3 187 thous.EUR, which is by 3 262 thous.EUR or 51% less than index of the 6 months period of 2014.

Commodity output is estimated in the amount of 2 641 thous.EUR. The result of 6 months of 2015 is by 1 275 thous.EUR lower than in the relevant period of previous year.

In the reporting period the company exported 61 % of its core products to the East and West: among them 35% eastwards and 26% westwards; 39% of products were sold on domestic market.

The Company closed the 6 months period of 2015 with book losses before taxes in the amount of 1 711 thous.EUR. Book losses after taxes amounted to 1 771 thous.EUR. The analysis of the loss structure and causes is given in the section „Significant events. Market tendencies and development of the company. Risks” of the Management report to the annual report for 2014 also applies to the figures of the reporting period.

The average statistical number of employees of JSC “Ditton pievadķēžu rūpnīca” was 209 employees in 6 months of year 2015.

The average salary amounted to 457 EUR in 6 months period of 2015, which is by 38 EUR less than in 6 months of 2014.

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

Having analyzed the Company’s operating conditions, performance and market situation in six months of 2015, the Company’s management believes that information set out before in the management report to the annual report for 2014 is fully up to date and relevant for the reporting period, and still notes that in the field of metal processing and machine building there are no increasing trends observed in the sector represented by the Company, which is also reflected in the Company’s performance indices for the reporting period.

In accordance with the output indices for the products with the JSC “Ditton pievadķēžu rūpnīca” trade mark, their sales to the final consumers is structurally divided into the following main segments:

- “Western” market or mainly European market, and
- “Eastern” market or market of the Russian Federation, Customs Union, CIS and Ukraine.

The Company is integrated into the production and economics of those countries, which belong to the above mentioned market segments of the Company’s product sales, regardless of the products promotion procedures and systems on these markets. In this way, all the trends, factors, risks, crises and other conditions on these markets have direct impact on the Company, its operations, as well as the income gained from its activities.

The necessity to retain the Company’s activity obliges the Company’s Management Board to take all of the measures in order to retain both market segments, to operate there in proportion to the their conditions and factors, to reach compromises with partners, including unfavorable ones, to retain all market segments, including when there are temporary adverse factors or crisis phenomena, in its turn to practice refusal of partnership with someone only on condition if these production volumes are replaced by

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analogous ones in other market segments or with other partners (more detailed analysis thereof is given in the management report to the annual report for 2014).

"Western" market segment

Having analyzed the Company's operating conditions, performance and situation of this market segment in 6 months of 2015, the Company's management believes that information set out before in the management report to the annual report for 2014 is fully up to date and relevant for the reporting period, and still notes that in the field of metal processing and machine building there are no increasing trends observed in the sector represented by the Company, which is also reflected in the Company's performance indices for the reporting period.

In the opinion of the management in the industrial production sector represented by the Company the reporting period still has been characterized by stagnation and lack of production growth, which previously has been defined by market analysts as "the second wave of the crisis", which becomes apparent not so much as a catastrophic or sharp decline, but more as the lack of activity. In substantiation of these conditions the Company refers to the report of the Industry, Research and Energy Committee of the European Parliament from November 15, 2013 "CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe" (2013/2062 (INI)), where the situation on the automotive market is analyzed, and addressing this issue at EU level refers to its overall relevance and importance. The Management Board focused on these circumstances in its previous management reports, making a moderately optimistic or pessimistic forecasts for its performance, and these forecasts, evaluation of the activity in market segments as well as information about other negative factors affecting the Company's activity remain relevant even now.

"Eastern" market segment

The Management gave a detailed analysis of the situation in this segment in the Company's Annual Report 2014, including the examination of stages and processes arising in this segment.

The management pointed out that one of the disadvantages was instability of the exchange rate of the ruble being the equivalent for trading operations in the Customs Union, and it was triggered by transnational prohibition processes, instability in oil values and crisis phenomena caused by these adverse factors in the economies of the Customs Union and the CIS.

These circumstances resulted in the instability of demand for products, price hikes, refusals in favor of domestic producers due to cheaper offerings in the ruble currency (despite loss of quality), etc. Business and partnership continued (and continues) to exist with the hope that the restricting conditions will be cancelled and the ruble will stabilize, which will allow planning and predicting relationships in a certain perspective. Unfortunately, after prolongation of economic sanctions, after a short stability market and mutual exchange rate volatility increased again and as the result loss risks from operation in this segment increased significantly again.

Another element affecting this market segment is the general content of economic policies of the Customs Union offering businesses to focus on the Eastern region instead of "unpredictable West". By default, different types of support, including at the consumer

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level, are dedicated to sales of the products coming from states having not joined the sanctions system.

In addition, at the national level there are actively stimulated domestic companies of this market segment starting production of the products alternative to the ones of JSC "Ditton pievadķēžu rūpnīca".

In such a way, risks and losses in this market segment are primarily related not to the Company, but rather to the circumstances which the Company is unable to influence and to eliminate by reasonable and available means.

Along with this, the Company considers it necessary to continue operating in this market segment, with regard to investments into this market, contacts, a well-known trademark and image of a high-quality manufacturer. In addition, certain optimism is caused by the fall of Chinese producers' level and price increases in the economy of this country, increase of Customs Union consumer demands towards the price-quality ratio level, where the Company has obvious competitive advantages.

Besides, the Company plans to activate sales opportunities of its production potential in other industrial sectors, where special chain gears are in demand, like units and machinery being applied in agriculture and production. The Company is also implementing a loss minimization program due to the optimization of the internal structure, use of infrastructural, intellectual and human resources.

The Company's general outlook is moderately positive.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 6 months of year 2015 ended 30 June 2015 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 pievadķezu rupnica". Management report contains truthful information.

Chairman of the Management Board of
JSC "Ditton pievadķezu rupnica"

Rolands Zarans

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BALANCE SHEET

ASSETS	30.06.2015. EUR	30.06.2014. EUR
1. Long-term investments		
I. Non-material investments		
Concessions, patents, licenses, trade marks and similar rights	844	1 272
Other non-material investments	794 900	2 384 700
Non-material investments total	795 744	2 385 972
II. Fixed assets		
Plots of land, buildings and constructions	4 730 414	2 434 814
Technological equipment and machinery	15 132	4 800
Other fixed assets and stock	5 342	11 726
Formation of fixed assets and costs of unfinished construction objects	10 331	44 425
Fixed assets total	4 761 219	2 495 765
III. Long-term financial investments		
Participation in the capital of other companies	67 160	67 160
Assets of deferred tax	-	4 076 674
Other loans and other long-term debtors	-	329 651
Long-term financial investments total	67 160	4 473 485
1. Long-term investments total	5 624 123	9 355 222
2. Current assets		
I. Reserves		
Raw materials, basic materials and subsidiary materials	974 128	860 322
Unfinished products	199 611	274 823
Finished products and goods for sale	498 973	258 043
Advance payments for goods	2 098 665	429 760
Reserves total	3 771 377	1 822 948
II. Debtors		
Debts of buyers and customers	1 009 414	4 736 046
Other debtors	137 444	304 367
Expenses of future periods	22 416	-
Debtors total	1 169 274	5 040 413
IV. Cash and cash equivalents	61 678	37 972
2. Current assets total	5 002 329	6 901 333
<u>TOTAL ASSETS</u>	<u>10 626 452</u>	<u>16 256 555</u>

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BALANCE SHEET

LIABILITIES	30.06.2015. EUR	30.06.2014. EUR
1. Equity capital		
Fixed capital	10 360 000	10 529 251
Other reserves	169 251	-
Retained earnings:		
a) retained earnings of previous years	-5 637 329	1 543 379
b) profit / (loss) of reporting period)	-1 770 689	2 290
	3 121 233	12 076 247
 2. Long-term creditors:		
Loans from credit institutions	1 502 387	1 585 658
2. Long-term creditors total	1 502 387	1 585 658
 3. Short-term creditors:		
Loans from credit institutions	2 025 672	678 729
Other loans	328 607	245 336
Advance payments received from customers	48 786	33 072
Debts to suppliers and contractors	2 873 282	1 085 955
Taxes and compulsory social security contributions	194 987	328 990
Other creditors	478 680	155 328
Accumulated liabilities	52 818	68 567
	6 002 832	2 595 977
	7 505 219	4 181 635
 <u>LIABILITIES TOTAL</u>	<u>10 626 452</u>	<u>16 256 555</u>

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INCOME STATEMENT

	30.06.2015. EUR	30.06.2014. EUR
Net turnover	3 187 012	6 448 730
Production cost of sold products	-3 815 176	-5 114 598
Gross profit	-628 164	1 334 132
Selling costs	-794 900	-795 191
Administration costs	-286 114	-422 039
Other operating income	122 838	6 744
Other operating expenses	-70 269	-27 967
Interest payment and similar expenses	-54 521	-61 058
Profit / (loss) before taxes	-1 711 130	34 621
Other taxes	-59 559	-32 331
Profit / (loss) of reporting period	-1 770 689	<u>2 290</u>
Index EPS	-0,171	0.00

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STATEMENT OF CASH FLOW

	30.06.2015. EUR	30.06.2014. EUR
I. Cash flow of basic activity		
1. Profit / (loss) before taxes	-1 711 130	34 621
<i>Corrections:</i>		
Depreciation of fixed assets	195 888	350 712
Amortization of non-material investments	214	215
Interest expense	54 521	61 058
Amortization share of other non-material investments	794 900	794 899
2. Profit / (loss) from economic activity in reporting period	-665 607	1 241 505
<i>Corrections in current assets and short-term creditors:</i>		
In Debtors	2 747 716	-1 126 381
In Reserves	-2 353 524	1 487 180
In Creditors	1 092 355	-1 465 811
3. Cash flow of basic activity	820 940	136 493
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-59 559	-32 331
Cash flow of basic activity	<u>761 381</u>	<u>104 162</u>
II. Cash flow of investing activity		
Purchase of fixed assets	-729 430	-
Cash flow of investing activity	<u>-729 430</u>	<u>=</u>
III. Cash flow of financing activity		
Loans received / (repaid), net	24 672	-212 474
Interest paid	-54 521	-61 058
Cash flow of financing activity	<u>-29 849</u>	<u>-273 532</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

	30.06.2015. EUR	30.06.2014. EUR
Cash flow of basic activity	761 381	104 162
Cash flow of investing activity	-729 430	-
Cash flow of financing activity	-29 849	-273 532
Growth of cash and cash equivalents	2 102	-169 370
Balance of cash and cash equivalents at the beginning of reporting period	<u>59 576</u>	<u>207 342</u>
Balance of cash and cash equivalents at the end of reporting period	<u>61 678</u>	<u>37 972</u>

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STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2015 till 30.06.2015

	Equity capital	Other reserves	Retained profit of previous periods	Profit of reporting period	Total
	EUR	EUR	EUR	EUR	EUR
1 January 2015	10 529 251	-	-5 637 329	-	4 891 922
Other reserves	-169 251	169 251	-	-	-
Loss of 3 months period 2015	-		-	-1 770 689	-1 770 689
31 March 2015	10 360 000	169 251	-5 637 329	-1 770 689	3 121 233
1 January 2014	10 529 251	-	1 543 379	-	12 072 630
Profit of 3 months period 2014	-	-	-	2 290	2 290
31 March 2014	10 529 251		1 543 379	2 290	12 074 920

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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 2015 and the results of its operation and cash flows for the 6 months period ended 30 June 2015.

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 2015 has not been audited by jury auditor.

The interim report has been prepared in Euro.

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Explanations and analyses on separate items of financial reports

Production of driving chains in 6 months period of 2015 (thous.EUR)

In 6 months of this year there have been driving chains produced in money terms in the amount of 2 641 thous.EUR. The actual performance of reporting period is by 1 270 thous.EUR lower than in the relevant period of previous year.

Production of driving chains in 6 months period of 2015 (thous.meters)

Production of driving chains in natural units is by 475 thous.meters less than in 6 months period of previous year.

Sales (net-turnover) in 6 months period of 2015 (thous.EUR)

In 6 months period of year 2015 net-turnover has been in fact fulfilled in the amount of 3 187 thous.EUR. The actual performance of the reporting period is by 3 262 thous.EUR or 51% less than the index of the same period of previous year.

Sales of main products in 6 months period of 2015 (thous.EUR)

Sales of core products amounted to 2 553 thous.EUR in the reporting period, and it is by 2 614 thous.EUR or 51% less than the result of the relevant period of previous year.