

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 6 MONTHS OF YEAR 2012

(01.01.2012 – 30.06.2012)

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

Daugavpils

2012

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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	01.01.2012 – 30.06.2012

Persons in charge for drawing up of the financial report:

Mr. Boriss Matvejevs, phone +371 65402333,
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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

Pjotrs Dorofejevs, elected 22.06.2010

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jevgenijs Sokolovskis, elected 22.06.2010

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 14.08.2009

Deputy Chairmen of the Council

Georgijs Sorokins, elected 14.08.2009

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

Timo Sas, elected 16.10.2009, till 28.05.2012

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	-
Timo Sas (till 28.05.2012)	no shares	-
Vladimir Bagaev (from 28.05.2012)	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 31.08.2012

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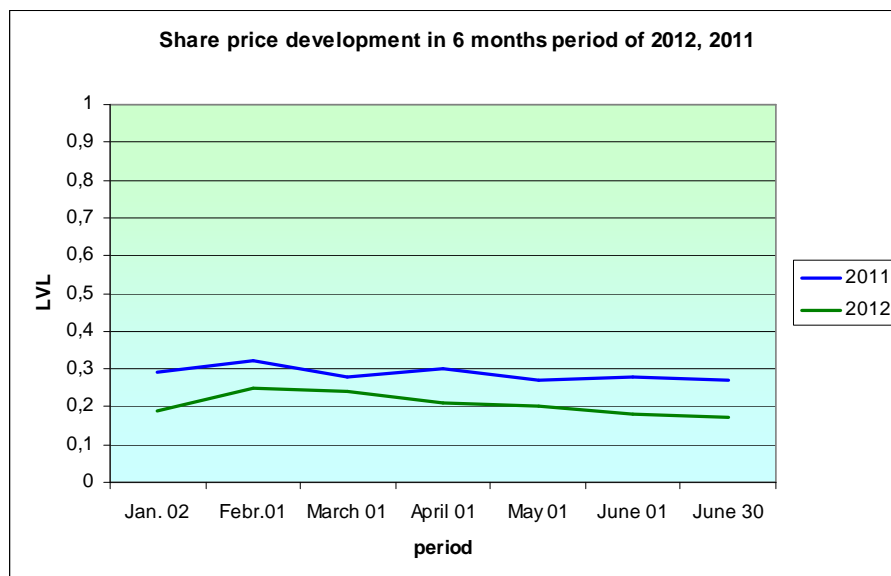
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	19,92
MAX Invest Holding SIA	13,63
Maleks S SIA	11,72
Vladimir Bagaev	9,46

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 18.05.2012, 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 2012

In 6 months period of 2012 net-turnover was fulfilled in the amount of 5 284 thous.LVL (7 518 thous.EUR), which compared to the forecast is by 1 184 thous.LVL (1 685 thous.EUR) or 29% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 308 thous.LVL (1 861 thous.EUR) or by 33% more.

Profit before taxes amounted to 29 thous.LVL (41 thous.EUR) in 6 months period of 2012. Profit after taxes amounts to 7 thous.LVL (10 thous.EUR).

Commodity output is estimated in the amount of 3 063 thous.LVL (4 358 thous.EUR). The result of 6 months of 2012 is by 120 thous.LVL (171 thous.EUR) or by 4% higher 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 339 employees in 6 months of year 2012.

The average salary amounted to 341 LVL (485 EUR) in 6 months period of 2012, which is by 1 LVL (1,4 EUR) more than in 6 months of 2011.

Significant events. Market tendencies and development of the company.

Risks.

The activity of the Company in 6 months of the year 2012 gives the ground to consider that in the mentioned period the situation on the market where production of the Company is represented was maintained. It is indicated by the economic situation on the markets of the states where production of the Company is represented and by increase of purchase orders in Eastern and Western market segments. At the same time growth of demand for production in the Eastern market, where the Company's driving chains are represented, is not infinite; the Company notes the first signs of market saturation and slowing down of growth of demand and production volumes. In these circumstances development and retention of Eastern market (RF, CIS) represent important goals and interests for the Company. In such way it can be assumed that all risks and market trends reflected in previous reports are effective and relevant in the reporting period.

Besides, the Management Board of the Company notes that up trends can be affected by instability and increase of prices on metal products, as well as by the expected domestic increase of energy prices. These changes which are not controlled by the Company and often – ungrounded and non-systematic – negatively affect production programs of the Company and don't allow to enter into long-term supply contracts due to price and prime cost fluctuations.

Also the rate of turnover growth forecasted for the reporting period can be considered as fulfilled which resulted in a certain stabilization of the financial situation of the Company, at the same time, some facts and market trends may be evidence for the probability of the "second wave" of crisis phenomena. According to analysts of Latvia and the European Union, elements of the "second wave" of global economic crisis, at least in the euro area, are becoming apparent and it has a certain impact on the Company's performance.

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This assumption is reinforced by general factors that may adversely affect tendencies of the Company's development, particularly, instability of global economic due to economic crisis in USA, to which the manufacturers responded accordingly. Also, the European economic is developing at the negative scenario, growth rates previously expected have not been achieved, the European Union devotes much effort to support its member states.

In the abovementioned period in Russian Federation there can be market stabilization observed, without demonstration of features of rapid growth. The situation in the Eastern segment of the market is constantly in the sphere of the Company's monitoring (refer also to forecasts for the Eastern market above).

Probability of the "second wave" of crisis, as well the fact that consumer market is growing with no surpassing the forecasts and in respect of many indicators it has not reached the pre-crisis level are taken into account by the Management Board by organization of the Company's activity in general. However, as indicated above, not all influencing factors can be evaluated and managed, which along with the Company's integration into global economics cause negative factors of dependence.

The Management Board considers as its main task to continue the activity aimed at development of the Company in accordance the goals and mission of the Company approved by the shareholders in respect of maintaining the Company with its brand, technologies, personnel, traditional partners and market and future development together with the whole global and Latvian economics with simultaneous using of all favorable conditions appearing for development of the Company's chances and its market growth.

Taken together, the Company closed the 6 months period of 2012 with profit.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 6 months of year 2012 ended 30 June 2012 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	30.06.2012 LVL	30.06.2012 EUR	30.06.2011 LVL	30.06.2011 EUR
1. Long-term investments				
I. Non-material investments				
Concessions, patents, licenses, trade marks and similar rights	491	698	-	-
Other non-material investments	3 910 612	5 564 300	5 027 930	7 154 100
Non-material investments total	3 911 103	5 564 998	5 027 930	7 154 100
II. Fixed assets				
Plots of land, buildings and constructions	1 476 448	2 100 796	2 048 880	2 915 294
Technological equipment and machinery	27 771	39 515	11 898	16 929
Other fixed assets and stock	12 964	18 446	70 662	100 543
Formation of fixed assets and costs of unfinished construction objects	31 222	44 425	7 261	10 331
Fixed assets total	1 548 405	2 203 182	2 138 701	3 043 097
III. Long-term financial investments				
Participation in the capital of other companies	47 200	67 160	47 200	67 160
Long-term loans	152 010	216 290	333 518	474 553
Assets of deferred tax	148 108	210 739	85 048	121 012
Long-term financial investments total	347 318	494 189	465 766	662 725
1. Long-term investments total	5 806 826	8 262 369	7 632 397	10 859 922
2. Current assets				
I. Reserves				
Raw materials, basic materials and subsidiary materials	671 399	955 315	781 133	1 111 452
Unfinished products	306 172	435 643	322 036	458 216
Finished products and goods for sale	245 239	348 944	234 980	334 346
Advance payments for goods	42 351	60 260	34 869	49 614
Reserves total	1 265 161	1 800 162	1 373 018	1 953 628
II. Debtors				
Debts of buyers and customers	4 087 389	5 815 830	1 592 096	2 265 349
Other debtors	149 449	212 647	423 811	603 029
Debtors total	4 236 838	6 028 477	2 015 907	2 868 378
IV. Cash and cash equivalents	101 492	144 410	71 993	102 437
2. Current assets total	5 603 491	7 973 049	3 460 918	4 924 443
<u>TOTAL ASSETS</u>	<u>11 410 317</u>	<u>16 235 418</u>	<u>11 093 315</u>	<u>15 784 365</u>

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BALANCE SHEET

1 EUR = 0,702804 LVL

LIABILITIES	30.06.2012	30.06.2012	30.06.2011	30.06.2011
	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	1 079 369	1 535 804	969 052	1 378 837
b) profit / (loss) of reporting period	6 905	9 825	6 854	9 752
1. Equity capital total	8 486 274	12 074 880	8 375 906	11 917 840
2. Long-term creditors:				
Loans from credit institutions	1 269 113	1 805 785	1 429 422	2 033 884
2. Long-term creditors total	1 269 113	1 805 785	1 429 422	2 033 884
3. Short-term creditors:				
Loans from credit institutions	516 372	734 731	80 155	114 050
Other loans	135 826	193 263	146 115	207 903
Advance payments received from customers	8 399	11 951	5 443	7 745
Debts to suppliers and contractors	754 041	1 072 904	625 135	889 487
Taxes and compulsory social security contributions	97 507	138 740	250 802	356 859
Other creditors	94 027	133 788	119 706	170 326
Accumulated liabilities	48 758	69 376	60 631	86 270
3. Short-term creditors total	1 654 930	2 354 753	1 287 987	1 832 640
Creditors total	2 924 043	4 160 538	2 717 409	3 866 524
<u>LIABILITIES TOTAL</u>	<u>11 410 317</u>	<u>16 235 418</u>	<u>11 093 315</u>	<u>15 784 364</u>

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INCOME STATEMENT

	30.06.2012	30.06.2012	30.06.2011	30.06.2011
	LVL	EUR	LVL	EUR
Net turnover	5 284 003	7 518 459	3 976 018	5 657 364
Production cost of sold products	-4 317 012	-6 142 555	-2 994 102	-4 260 223
Gross profit	966 991	1 375 904	981 916	1 397 141
Selling costs	-565 668	-804 873	-560 969	-798 187
Administration costs	-309 136	-439 861	-359 309	-511 251
Other operating income	17 291	24 603	29 246	41 613
Other operating expenses	-29 538	-42 029	-21 640	-30 791
Interest payment and similar expenses	-50 955	-72 502	-41 638	-59 245
Profit / (loss) before taxes	28 985	41 242	27 606	39 280
Other taxes	-22 080	-31 417	-20 752	-29 527
Profit / (loss) of reporting period	<u>6 905</u>	<u>9 825</u>	<u>6 854</u>	<u>9 753</u>
Index EPS	0.00	0.00	0.00	0.00

1 EUR = 0,702804 LVL

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STATEMENT OF CASH FLOW

1 EUR = 0,702804 LVL

	30.06.2012 LVL	30.06.2012 EUR	30.06.2011 LVL	30.06.2011 EUR
I. Cash flow of basic activity				
1. Profit / (loss) before taxes	28 985	41 242	27 606	39 280
<i>Corrections:</i>				
Depreciation of fixed assets	308 687	439 223	361 657	514 592
Depreciation of non-material investments	58	83	8	11
Interest expense	50 955	72 502	41 638	59 246
Amortization share of other non-material investments	558 659	794 900	558 659	794 900
Income from sale of fixed assets	351	499	-	-
2. Profit / (loss) from economic activity in reporting period	947 695	1 348 449	989 568	1 408 029
<i>Corrections in current assets and short-term creditors:</i>				
In Debtors	-1 690 157	-2 404 877	-381 422	-542 715
In Reserves	208 316	296 407	-117 164	-166 709
In Creditors	173 992	247 568	-318 760	-453 555
3. Cash flow of basic activity, gross	-360 154	-512 453	172 222	245 050
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-22 080	-31 417	-20 752	-29 528
Cash flow of basic activity, net	<u>-382 234</u>	<u>-543 870</u>	<u>151 470</u>	<u>215 522</u>
II. Cash flow of investing activity				
Loans issued	467 180	664 737	-65 224	-92 805
Purchase of fixed assets	-16 660	-23 705	-6 135	-8 729
Income from sale of fixed assets	-351	-499	-	-
Cash flow of investing activity, net	<u>450 169</u>	<u>640 533</u>	<u>-71 359</u>	<u>-101 534</u>
III. Cash flow of financing activity				
Dividends paid	-11 100	-15 794	-	-
Loans (repaid) / received, net	-68 755	-97 830	-120 916	-172 048
Interest paid	-50 955	-72 502	-41 638	-59 246
Cash flow of financing activity, net	<u>-130 810</u>	<u>-186 126</u>	<u>-162 554</u>	<u>-231 294</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

1 EUR = 0,702804 LVL

	30.06.2012	30.06.2012	30.06.2011	30.06.2011
	LVL	EUR	LVL	EUR
Cash flow of basic activity, net	-382 234	-543 870	151 470	215 522
Cash flow of investing activity, net	450 169	640 533	-71 359	-101 534
Cash flow of financing activity, net	-130 810	-186 126	-162 554	-231 294
Growth of cash and cash equivalents	-62 875	-89 463	-82 443	-117 306
Balance of cash and cash equivalents at the beginning of reporting period	<u>164 367</u>	<u>233 873</u>	<u>154 436</u>	<u>219 743</u>
Balance of cash and cash equivalents at the end of reporting period	<u>101 492</u>	<u>144 410</u>	<u>71 993</u>	<u>102 437</u>

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Statement of changes in equity for the period from 01.01.2012 till 30.06.2012 (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, 2012	7 400 000	-	-	-	1 090 469	-	8 490 469
Dividends charged for year 2011	-	-	-	-	-11 100	-	-11 100
Profit for 6 months of 2012	-	-	-	-	-	6 905	6 905
As at 30 June, 2012	7 400 000	-	-	-	1 079 369	6 905	8 486 274
As at 1st January, 2011	7 400 000	-	-	-	969 052	-	8 369 052
Profit for 6 months of 2011	-	-	-	-	-	6 854	6 854
As at 30 June, 2011	7 400 000	-	-	-	969 052	6 854	8 375 906

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2012 till 30.06.2012 (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, 2012 <i>(0.702804)</i>	10 529 251	-	-	-	1 551 598	-	12 080 849
Dividends charged for year 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
1st January, 2011 <i>(0.702804)</i>	10 529 251	-	-	-	1 378 837	-	11 908 088
Profit for 6 months period 2011 <i>(0.702804)</i>	-	-	-	-	-	9 752	9 752
As at 30 June, 2011 <i>(0.702804)</i>	10 529 251	-	-	-	1 378 837	9 752	11 917 840

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Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in 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 2012 and the results of its operation and cash flows for the 6 months period ended 30 June 2012.

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 2012 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 2012 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 3 063 thous.LVL (4 358 thous.EUR). The result of reporting period is by 120 thous.LVL (171 thous.EUR) or 4% less than in 6 months period of previous year.

Production of driving chains in 6 months of 2012 (thous.meters)

Production of driving chains in natural units is by 209 thous.meters less than in 6 months period of previous year.

Production of driving chains in 6 months of year 2012 (thous.LVL/thous.EUR)

In 6 months of this year there have been driving chains produced in money terms in the amount of 2 997 thous.LVL (4 264 thous.EUR). The actual performance of reporting period is by 88 thous.LVL (125 thous.EUR) less than in the relevant period of previous year.

Sales (net-turnover) in 6 months of 2012 (thous. LVL/thous.EUR)

Net-turnover has been in fact fulfilled in the amount of 5 284 thous.LVL (7 518 thous.EUR). The actual performance of the reporting period is by 1 308 thous. LVL (1 861 thous.EUR) or 33% more than the index of the same period of previous year.

Sales of main products in 6 months of 2012 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period amounted to 4 211 thous.LVL (5 992 thous.EUR), and it is by 1 199 thous.LVL (1 706 thous.EUR) or 40 % more than the result of the relevant period of prior year.