

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

**FINANCIAL REPORT**  
**FOR 6 MONTHS OF THE YEAR 2019**  
**(01.01.2019 – 30.06.2019)**

**(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**

**2019**

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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	01.01.2019 – 30.06.2019

Persons in charge for drawing up of the financial report:

Mr. Boriss Matvejevs, phone +371 65402333, e-mail: [dpr@dpr.lv](mailto:dpr@dpr.lv)

Ms. Natalja Redzoba, 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, re-elected 10.01.2017 (elected since 29.08.2003)

**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 15.02.2017 (elected since 05.05.2005)

Deputy Chairman of the Council

Georgijs Sorokins, re-elected 15.02.2017 (elected since 06.11.2000)

Members of the Council

Anželina Tītkova, re-elected 15.02.2017 (elected 14.08.2009)

Genādijs Zavadskis, elected 15.02.2017

Vadims Kazačonoks, elected 15.02.2017

**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 Tītkova	no shares	-
Genādijs Zavadskis	no shares	-
Vadims Kazačonoks	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).

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**INFORMATION ON SHAREHOLDERS AND SHARES**

**MAJOR SHAREHOLDERS (OVER 5%) \***

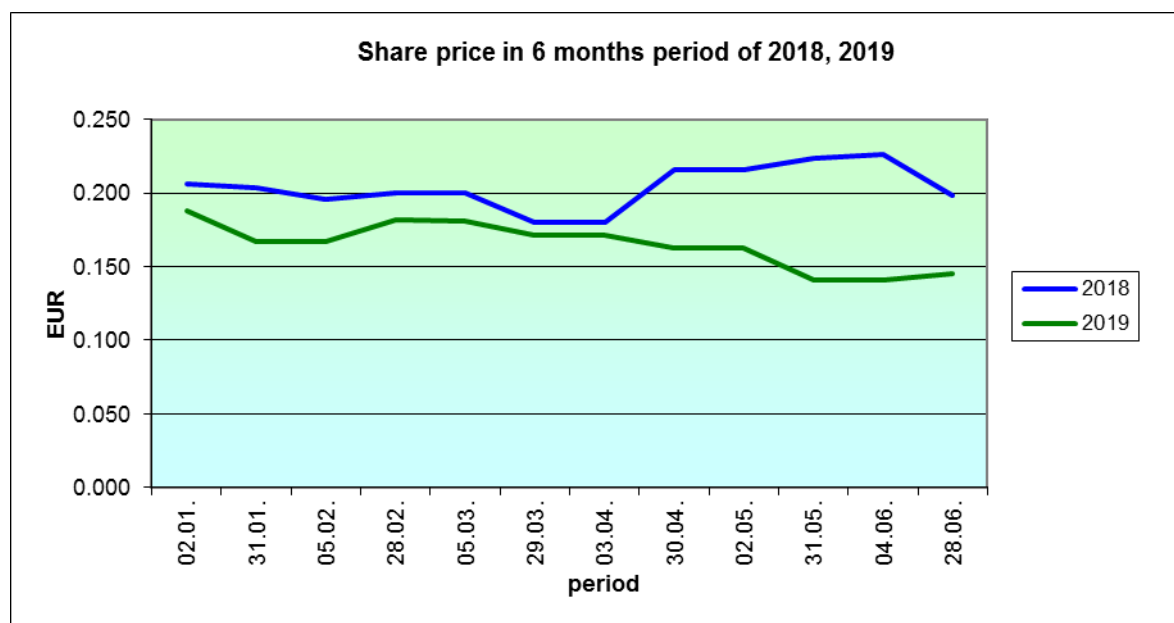
NAME	Ownership interest, %
Vladislavs Driksne	19,92
MAX Invest Holding Ltd.	13,63
Maleks S Ltd.	13,30
DVINSK MNG Ltd.	9,46

\* 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 pievadķežu rūpnīca as at 27.05.2019, 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 30.06.2019, 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 2018**

The net-turnover in 6 months of 2019 reached € 2,471 thousand, being by € 481 thousand lower than the index in 6 months of 2018.

Commodity output resulted € 1,729 thousand, what is by € 443 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 (55% eastwards and 44% westwards), 1% of products sold and services rendered on Latvian market.

The Company closed the 6 months period of 2019 with a loss before corporate income tax € 78 thousand.

The average number of employees of the Company during 6 months of 2019 was 152 people.

The average salary in 6 months period of 2019 amounted to € 631, what is by € 16 higher than in 6 months of 2018.

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. 05/2019 dated 30 August 2019).

### **Significant events. Market trends and development of the company. Risks**

#### Overall market trends

After having analysed the Company's operating conditions and performance indices, as well as market situation in 6 months of 2019, the Company's Management considers the information given in the Management reports to the Annual reports for the year 2017 and 2018 is fully up to date and relevant for the reporting period. It states that there are observed no necessary growth tendencies in manufacturing industry, and namely in the field of metalworking and mechanical engineering, where the Company is operating. This is reflected by performance indices of the Company for the reporting period.

The analysis of the previous periods for the year 2017 and 2018 enclosed the following thesis, which are topical at present too.

According to indices of the commodity output under the trademark of the Company, the sales market of the final consumers can be structurally split into two main shares as follows:

- Western market, i. e. mainly European country market, and
- Eastern market, i. e. market of the Russian Federation, Customs Union, CIS, Ukraine, as well as of Asian countries.

The Company is integrated into production and economic systems of those countries, which belong to sales market shares of the Company mentioned above, regardless of procedures and systems applied for products promotion on these markets. Thus, all the trends, factors, risks, crises and other circumstances on these markets have direct influence on the Company, its operations, as well as the income gained from its activities.

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The necessity to ensure Company's operation obliges the Company's Management to undertake all of the measures in order to retain both market shares, such actions as:

- operating due to conditions and factors of specific market shares,
- reaching compromises with partners, also unfavourable ones,
- retaining all the market shares, even those with temporary adverse factors or crisis phenomena.

Whereas the waiver for partnership with someone is possible only under condition, when production volumes are replaced by ones at the same level on another market share or by collaboration with other partners (more detailed analysis thereof is given in the Management report to the Annual report for 2018).

Western market share

After having analysed the Company's operating conditions and performance indices, as well as situation of this market share in 6 months of 2019, the Company's Management considers the information given in the Management reports to the Annual reports for the year 2017 and 2018 fully up to date and relevant for the reporting period. The Company's Management still notes that there is either stagnation or decrease of indices of economic activity in the field of metalworking and mechanical engineering in EU in general and in the field represented by the Company. For example, Industrial production Index EUROSTAT indices since 2017 are fixed at points 97-98 (in 2015 = 100). In 2019 these indices during the time period from 01.01.2019 till 01.07.2019 were even lower, especially for main manufacturing countries of the European Union. For example, the general Industrial Production decrease index in Germany were -6,2%, by months compared to 2018 it is -3,1% (January 2019) to -5,0% (May 2019). Identical decrease of industrial production indices appear in Spain, Italy, France, Great Britain, Portugal, Netherlands, Slovakia, too.

According to EPTDA analysis except decrease of Industrial Production indices the decrease of production indices appeared in such fields as Europe Motor Vehicles Production (-5,9%), Europe Power Generation, Transmission and Distribution Production (-1,8%), Europe Agricultures and Forestry Machinery Production (-0,5%) etc., where Company's products and their compatibles are used as drives and transmissions.

The production volumes of steel and metal goods decreased significantly. For example, ArcelorMittal (one of the largest world manufacturer of metal goods) is planning to reduce steel production for 2,2 million tons in 2019. British Steel plans sufficient volume decrease also.

The reasons of the above mentioned facts are associated both with active substitution of European product with products from Asia, mainly from China, on European markets (according to EUROFER, The European Steel Association, these tendencies occurred in 2015 and the negative balance grew each year reaching 10 million metric tons in 2018) and active grow of polymer materials usage instead of metal goods.

The sales results of the Company's goods (the same as in 2018) show that there are no growth tendencies in the areas, where the Company's goods are utilised. The Management Board already drew attention to these circumstances in previous Management reports and these forecasts, assessments of the market shares, as well as information on adverse factors, which had an impact on Company's activity, retain relevance even today.

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According to this statistics, there is no reason to expect that sales volumes will significantly increase in this market share. Such increase is possible only in the result of joint projects with companies from these countries in areas and technologies where the Company is not represented yet.

Moreover the Management Board made the point that according to the percentage ratio of Company's sales volumes this market share is stable enough and reaches 44% in the 6 months of 2019.

Eastern market share

The Management gave a detailed analysis of the situation in this market share in Annual reports of the Company for 2017 and 2018, including the examination of stages and processes arising there.

All above mentioned analyses and reports are fully up to date and relevant for action and indices in 6 months of 2019 – both for positive and negative factors of this market share.

For example, as a positive factor the Company pointed out relative stability of rouble exchange rate “gap” against the euro.

Unfortunately, the influence of negative factors is still going on. For example, the policy of such countries as of Russian Federation under circumstances of the mutual sanctions is stipulating the internal enterprises of the appropriate market share and enterprises of the third countries, which stays out of this sanctions policy, in launching production of substitute goods to Company products. Therefore, the Management Board finds it of utmost importance to focus shareholders' attention on these obstacles.

Another result of the economic political relations between EU and Russian Federation mentioned above, are additional import duties for the metal produced in the Russian Federation (18 -30 per cent), what the Management Board noted in its reports. It is related to protection of EU manufacturers on the EU territory. For example, the mentioned above ArcelorMittal announced that it's plans to reduces production of metal goods can be corrected only by implementation of additional protective action in EU to close the market against cheaper products of the third countries. For these reasons these duties on certain types of metal products originated in the Russian Federation remain in force in the common backdrop of rising prices. Taking into account that the Company has used customary for the production metal goods from Russia because of their cost-efficiency, flexible delivery and payment conditions, this factor caused products price increase in all market shares and reduction in sales. Similar European metal products are more expensive. Therefore the substitution of Russian metal products with European is not cost effective, but cause additional price growth. The Company stresses that market outlook does not seem very optimistic. It is expected that the effect of this factor will slow down against the forthcoming backdrop of rising prices of European and Asian driving chain manufacturers.

Consequently, the risks and loss on this market share depend mainly not on the Company, but rather on circumstances, which the Company cannot influence and eliminate by reasonable and available means. For example, except for the mentioned above, according to the Russian ROSSTAT analysis in 2018 there is a decrease in production and sales of vehicles by which product of the Company is used, however the general sales index has not changed.

Along with this, the Company considers it necessary to continue operating in this market shares due to sales volume in this share (till 50-60% each year), investments done into this market, gained contacts, visibility level of the trademark and image of a high-quality



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manufacturer. In addition, certain optimism arises by increasing customers' requirements for the price-quality ratio, ensuring the Company an obvious competitive advantage.

Development of the Industrial and Technology Park

The Company is promoting the program on development of the Industrial and Technology Park on its premises as its commercial services. Within this program, the Company inter alia carried out modernisation of its production premises by using the aid of the European Union Funds. Thereof effective saving of resources related to maintenance of production facilities was achieved. Furthermore, production space was created with appropriate infrastructure for production needs for commercial rental offer.

According to analysis of Company's operations based on results in 2018 and of the first half of the year 2019, the Company's profit from the running the Industrial and Technology Park takes the significant place in market shares of Company's goods and services.

Risks of the Company

The Company's activities are subjects to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. Information on structure and description of these risks the Management Board gave in the Management report to the Annual report for the year 2018. The information given in the annual statements for the year 2018 on financial risks is fully up to date for the interim financial report for the 6 months of the year 2019 as well.

**STATEMENT ABOUT MANAGEMENT LIABILITY**

According to the information at our disposal, this financial statements for 6 months of the year 2019 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  
30 August 2019

Rolands Zarāns

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**BALANCE SHEET**

<b>ASSETS</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>		
<b>Intangible investments</b>		
Concessions, patents, licenses, trademarks and similar rights	8 861	13 694
<b>Total intangible investments</b>	<b>8 861</b>	<b>13 694</b>
<b>Fixed assets</b>		
Immovable property:		
Land	1 853 982	1 853 982
Buildings and structures and permanent crop	1 276 539	1 361 077
Investment properties - land	88 628	88 628
Investment properties - buildings	907 156	965 060
Technological equipment and devices	2 687 409	2 945 831
Other fixed assets and inventory	40 446	52 577
Costs of the establishment of fixed assets and unfinished buildings objects	12 649	12 649
<b>Total fixed assets</b>	<b>6 866 809</b>	<b>7 279 804</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>6 875 670</b>	<b>7 293 498</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials, consumables and supplies	417 575	606 665
Work in progress	178 560	182 527
Finished products and goods for sale	109 800	233 748
Advance payments for inventories	76 215	132 771
<b>Total inventories</b>	<b>782 150</b>	<b>1 155 711</b>
<b>Debtors</b>		
Trade receivables	779 220	987 222
Other debtors	21 867	100 429
Next period costs	400	429
<b>Total debtors</b>	<b>801 487</b>	<b>1 088 080</b>
<b>Cash</b>	<b>122 828</b>	<b>15 933</b>
<b>Total current assets</b>	<b>1 706 465</b>	<b>2 259 724</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>8 582 135</u></b>	<b><u>9 553 222</u></b>

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**BALANCE SHEET**

<b>LIABILITIES</b>	<b>30.06.2019</b>	<b>30.06.2018</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	(9 228 221)	(8 944 247)
Profit of the fiscal period	(77 993)	282 968
<b>Total equity</b>	<b>1 223 037</b>	<b>1 867 972</b>
<b>Creditors</b>		
<b>Long-term creditors:</b>		
Loans from credit institutions	4 678 577	4 533 505
Deferred income	1 300 483	978 274
<b>Total long-term creditors</b>	<b>5 979 060</b>	<b>5 511 779</b>
<b>Short-term creditors:</b>		
Loans from credit institutions	207 432	697 193
Other loans	-	-
Prepayments received from purchasers	30 059	25 821
Accounts payable to suppliers and contractors	463 092	671 250
Taxes and State mandatory social insurance payments	444 968	516 092
Other creditors	116 091	149 547
Deferred income	41 742	30 259
Accrued liabilities	76 654	83 309
<b>Total short-term creditors</b>	<b>1 380 038</b>	<b>2 173 471</b>
<b>Total creditors</b>	<b>7 359 098</b>	<b>7 685 250</b>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>8 582 135</u></b>	<b><u>9 553 222</u></b>

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**INCOME STATEMENT**

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>EUR</b>	<b>EUR</b>
Net turnover	2 471 335	2 951 595
Production costs of goods sold, purchase costs of goods sold or services rendered	2 120 753	2 317 940
<b>Gross profit</b>	<b>350 583</b>	<b>633 655</b>
Selling costs	(575)	(2 967)
Administrative expenses	(334 256)	(337 820)
Other income from operating activities	66 857	253 720
Other costs of operating activities	(61 372)	(146 892)
Interest payment and similar expenses	(99 231)	(116 727)
• <i>to other persons</i>	<i>(77 993)</i>	<i>(116 727)</i>
<b>Profit before corporate income tax</b>	<b>(77 993)</b>	<b>282 968</b>
Corporate income tax for the fiscal period	-	-
<b>Loss / Profit for the fiscal period</b>	<b>(77 993)</b>	<b>282 968</b>
<b>Loss / profit per share</b>	<b>(0,011)</b>	<b>0,382</b>

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**CASH FLOW STATEMENT**

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>I. Cash flows from operating activities</b>		
1. Profit or loss before Enterprise income tax	(77 993)	282 968
<i>Adjustments to:</i>		
Depreciation of fixed assets	207 278	206 413
Depreciation of intangible assets	2 416	2 417
Other income	(41 742)	(30 260)
Interest payments and similar expenses	99 231	116 727
Income from sale of fixed assets	(1 600)	-
2. Profit or loss before adjustments to fixed assets and short-term creditors	187 590	578 265
<i>Adjustments to:</i>		
Increase or decrease in accounts receivables	(122 054)	(15 720)
Increase or decrease in inventories	217 741	(175 595)
Increase or decrease in accounts payable to suppliers, contractors and other creditors	(5 204)	159 825
3. Gross cash flows from operating activities	272 073	546 775
<b>Net cash flows from operating activities</b>	<b><u>272 073</u></b>	<b><u>546 775</u></b>
<b>II. Cash flows from investing activities</b>		
Purchases of fixed assets and intangible investments	(1 076)	(41 318)
Proceeds from sale of fixed assets	1 600	67 160
<b>Net cash flows used in investing activities</b>	<b><u>524</u></b>	<b><u>(25 842)</u></b>
<b>III. Cash flows from financing activities</b>		
Net change in borrowings	(109 013)	(441 333)
Interest payments and similar expenses	(99 231)	(116 727)
<b>Net cash flows used in financing activities</b>	<b><u>(208 244)</u></b>	<b><u>(558 060)</u></b>
<b>Net cash flows of the fiscal period</b>	<b><u>64 353</u></b>	<b><u>14 555</u></b>
<b>Cash and cash equivalents at the beginning of fiscal period</b>	<b><u>58 475</u></b>	<b><u>1 378</u></b>
<b>Cash and cash equivalents at the end of fiscal period</b>	<b><u>122 828</u></b>	<b><u>15 933</u></b>

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**STATEMENT OF CHANGES IN EQUITY**  
for the period from 01.01.2019 till 30.06.2019

	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 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 2019	-	-	-	(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>
<b>At 1 January 2018</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(8 944 247)</b>	<b>-</b>	<b>1 585 004</b>
Profit of 6 months period 2018	-	-	-	282 968	282 968
<b>At 30 June 2018</b>	<b>10 360 000</b>	<b>169 251</b>	<b>(8 944 247)</b>	<b>282 968</b>	<b>1 867 972</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 2019, its` operating results and cash flows for 6 months starting from 1 January and ending on 30 June 2019.

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 2019 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 2019 (thousand euros)

The value of the produced driving chains in these 6 months reached € 1,729 thousand, what is by € 443 thousand lower than the index of the same period of the previous fiscal year.

Production of driving chains in 6 months of 2019 (thousand meters)

The index of the produced driving chains is by 174 thousand meters lower than in 6 months of 2018.

Sales (net-turnover) in 6 months of 2019 (thousand euros)

The net-turnover of the fiscal period is fulfilled by € 2,471 thousand, being by € 481 thousand or 16 per cent less than the index in the same period of the previous year.

Core product sales in 6 months of 2019 (thousand euros)

Core product sales amounted to € 2,038 thousand in the reporting period, what is by € 495 thousand or 20 per cent less than the result of the same period in the previous year.