

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 9 MONTHS OF YEAR 2014

(01.01.2014 – 30.09.2014)

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

Daugavpils

2014

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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	01.01.2014 – 30.09.2014

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

Rolands Zarans, elected 15.01.2014

Pjotrs Dorofejevs, elected 05.07.2010, till 15.01.2014

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Raimonds Bruzevics, elected 11.03.2014., till 15.08.2014

Jevgenijs Sokolovskis, till 05.03.2014

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	-
Pjotrs Dorofejevs, till 15.01.2014	no shares	-
Raimonds Bruzevics, till 15.08.2014	1 900	0,03
Jevgenijs Sokolovskis, till 05.03.2014	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, til 24.10.2014.

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	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 28.11.2014

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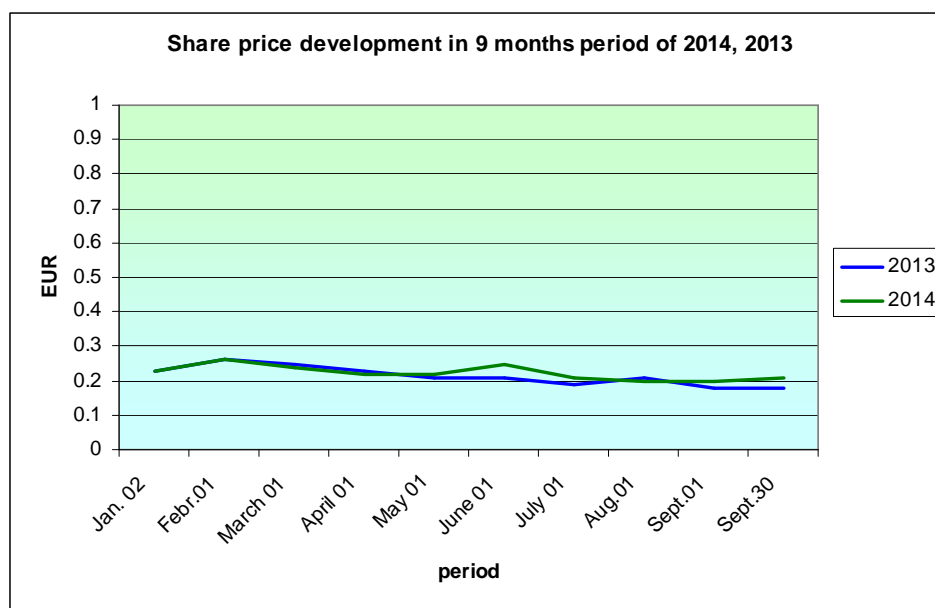
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

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

** Note: Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 27.10.2014, 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 9 months of year 2014

In 9 months period of 2014 net-turnover was fulfilled in the amount of 8 873 thous.EUR, which compared to the forecast is by 533 thous.EUR or by 6% more. Compared to the level of previous year, net-turnover of the reporting period is by 1 050 thous.EUR more.

Profit before taxes amounted to 90 thous.EUR in 9 months period of 2014. Profit after taxes amounts to 20 thous.EUR.

Commodity output is estimated in the amount of 5 760 thous.EUR. The result of 9 months of 2014 is by 598 thous.EUR higher than in the relevant period of previous year.

At present the company exports 86% of its products to the East and West: among them 57% eastwards and 29% westwards; 14% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 294 employees in 9 months of year 2014.

The average salary amounted to 481 EUR in 9 months period of 2014, which is by 69 EUR more than in 9 months of 2013.

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 2014, the Company's management believes that information set out before in the management reports to the annual report for 2013 and report for 6 months of 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. So, for instance, a certain stagnation could be observed in the Eastern market sector (RF) represented by the Company where upon the end of government support programs production volumes in the field of metal processing and machine building decreased. 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 in 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 different market segments as well as information about other negative factors affecting the Company's remain relevant even now.

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Furthermore, several European sources - mass media, automotive research centers (e.g. CAR) and research companies (e.g. Inovev) report on the anticipated closure of some automotive companies and the general decline in the branch. The Russian Federation automaker AvtoVAZ also reports on reduction of automobile production volume. This is due to the slowdown in economic activity resulting in a cautious behavior of consumers and putting off larger purchases such as a car. On the background of lack of the overall economic growth as evidenced by the minimum growth rates of both European and Russian GDP, the demand for the Company's industrial chains do not indicate an increase in this sector either.

Thus, taking into account that the Company as the supplier to the first-tire and second-tier component suppliers of the automotive manufacturers is fully integrated into the global economy, its activity, efficiency and performance is directly dependent on the general market situation, economic developments and political decisions as well.

Subject to the above conditions, and the current situation where economy of Europe and other states is directly affected by the mutual economic sanctions of the European Union and the Russian Federation due to the Russian-Ukrainian crisis and there is no probability excluded that they will not be imposed also in other braches like shipbuilding, mechanical engineering and other as reported, for example, by the European Business Association, the Company refrains from making optimistic forecasts in respect of the growth of its production volumes and performance indicators. In the present circumstances the Company is looking at the existing market trends with caution, and like both Latvian and foreign companies, which regardless of their will are involved in these processes, hopes that relations of the European Union and the Russian Federation can be settled by diplomatic means, without harming business and the economy of the one or the other party.

Taken together, the Company closed the reporting period with positive earnings.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 9 months of year 2014 ended 30 September 2014 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 pievadkezu rupnica". Management report contains truthful information.

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

Rolands Zarans

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BALANCE SHEET

ASSETS	30.09.2014. EUR	30.09.2013. EUR
1. Long-term investments		
I. Non-material investments		
Concessions, patents, licenses, trade marks and similar rights	1 165	1 594
Other non-material investments	1 987 250	3 577 050
Non-material investments total	1 988 415	3 578 644
II. Fixed assets		
Plots of land, buildings and constructions	2 278 461	1 185 114
Technological equipment and machinery	8 126	12 437
Other fixed assets and stock	3 618	18 930
Formation of fixed assets and costs of unfinished construction objects	387 640	44 425
Fixed assets total	2 677 845	1 260 906
III. Long-term financial investments		
Participation in the capital of other companies	67 160	67 160
Other loans and other long-term debtors	4 076 674	-
Assets of deferred tax	329 651	275 678
Long-term financial investments total	4 473 485	342 838
1. Long-term investments total	9 139 745	5 182 388
2. Current assets		
I. Reserves		
Raw materials, basic materials and subsidiary materials	918 463	1 039 634
Unfinished products	291 375	353 854
Finished products and goods for sale	270 695	315 708
Advance payments for goods	1 123 913	18 624
Reserves total	2 604 446	1 727 820
II. Debtors		
Debts of buyers and customers	4 910 666	8 038 274
Other debtors	1 014 671	282 887
Expenses of future periods	14 000	-
Debtors total	5 939 337	8 321 161
IV. Cash and cash equivalents	765 845	63 581
2. Current assets total	9 309 628	10 112 562
<u>TOTAL ASSETS</u>	<u>18 449 373</u>	<u>15 294 950</u>

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BALANCE SHEET

LIABILITIES	30.09.2014. EUR	30.09.2013. EUR
1. Equity capital		
Fixed capital	10 529 251	10 529 251
Retained earnings:		
a) retained earnings of previous years	1 543 379	1 539 496
b) profit / (loss) of reporting period)	19 850	-801 271
1. Equity capital total	12 092 480	11 267 476
2. Long-term creditors:		
Loans from credit institutions	1 585 658	1 730 751
2. Long-term creditors total	1 585 658	1 730 751
3. Short-term creditors:		
Loans from credit institutions	1 920 729	645 546
Other loans	239 645	158 832
Advance payments received from customers	88 300	80 919
Debts to suppliers and contractors	1 829 207	976 557
Taxes and compulsory social security contributions	348 060	182 651
Other creditors	276 867	167 946
Accumulated liabilities	68 427	84 272
3. Short-term creditors total	4 771 235	2 296 723
Creditors total	6 356 893	4 027 474
<u>LIABILITIES TOTAL</u>	<u>18 449 373</u>	<u>15 294 950</u>

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INCOME STATEMENT

	30.09.2014.	30.09.2013.
	EUR	EUR
Net turnover	8 872 972	7 822 327
Production cost of sold products	-7 545 030	-6 688 034
Gross profit	1 327 942	1 134 293
Selling costs	-1 192 691	-1 192 350
Administration costs	-600 846	-590 860
Other operating income	724 985	46 030
Other operating expenses	-57 822	-69 716
Interest payment and similar expenses	-111 441	-81 046
Profit / (loss) before taxes	90 127	-753 649
Deferred tax income and losses	-70 277	-47 622
Other taxes	<u>19 850</u>	<u>-801 271</u>
Profit / (loss) of reporting period	0.002	-0.108

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STATEMENT OF CASH FLOW

	30.09.2014.	30.09.2013.
	EUR	EUR
I. Cash flow of basic activity		
1. Profit / (loss) before taxes	90 127	-753 649
<i>Corrections:</i>		
Depreciation of fixed assets	509 884	566 328
Amortization of non-material investments	321	321
Interest expense	111 441	81 047
Amortization share of other non-material investments	1 192 349	1 192 350
Income from sale of fixed assets	-679 782	-612
2. Profit / (loss) from economic activity in reporting period	1 224 340	1 085 785
<i>Corrections in current assets and short-term creditors:</i>		
In Debtors	-2 025 305	-459 674
In Reserves	705 682	117 057
In Creditors	-526 862	-588 809
3. Cash flow of basic activity	-622 145	154 359
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-70 277	-48 483
Cash flow of basic activity	<u>-692 422</u>	<u>105 876</u>
II. Cash flow of investing activity		
Purchase of fixed assets	-366 106	-431
Income from sale of fixed assets	704 637	612
Cash flow of investing activity	<u>338 531</u>	<u>181</u>
III. Cash flow of financing activity		
(Loans (repaid) / received, net	1 023 835	-110 607
Interest paid	-111 441	-79 544
Cash flow of financing activity	<u>912 394</u>	<u>-190 151</u>

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

	30.09.2014. EUR	30.09.2013. EUR
Cash flow of basic activity	-692 422	105 876
Cash flow of investing activity	338 531	181
Cash flow of financing activity	912 394	-190 151
Growth of cash and cash equivalents	-558 503	-84 094
Balance of cash and cash equivalents at the beginning of reporting period	<u>207 342</u>	<u>147 675</u>
Balance of cash and cash equivalents at the end of reporting period	<u>765 845</u>	<u>63 581</u>

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STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2014 till 30.09.2014

	Equity capital	Retained profit of previous periods	Profit of reporting period	Total
	EUR	EUR	EUR	EUR
1st January 2014	10 529 251	1 543 379	-	12 072 630
Profit for 9 months period 2014	-	-	19 850	19 850
30th September 2014	10 529 251	1 543 379	19 850	12 092 480
1st January 2013	10 529 251	1 539 496	-	12 068 747
Loss for 9 months period 2013	-	-	-801 271	-801 271
30th September 2013	10 529 251	1 539 496	-801 271	11 267 476

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 September 2014 and the results of its operation and cash flows for the 9 months period ended 30 September 2014.

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 9 months of 2014 has not been audited by jury auditor.

The interim report has been prepared in Euro.

Explanations and analyses on separate items of financial reports

Production of commodity products in the 9 months period of year 2014 (thous.EUR)

Output of commodity products is estimated in the amount 5 760 thous.EUR. The result of reporting period is by 528 thous.EUR or 12% more than in 9 months period of previous year.

Production of driving chains in 9 months of year 2014 (thous.meters)

Production of driving chains in natural units is by 263 thous.meters more than in 9 months period of previous year.

Production of driving chains in 9 months of year 2014 (thous.EUR)

In 9 months of this year there have been driving chains produced in money terms in the amount of 5 656 thous.EUR. The actual performance of reporting period is by 599 thous.EUR higher than in the relevant period of previous year.

Sales (net-turnover) in 9 months of year 2014 (thous.EUR)

In 9 months period of year 2014 net-turnover has been in fact fulfilled in the amount of 8 873 thous.EUR. The actual performance of the reporting period is by 1 050 thous.EUR or 13% more than the index of the same period of previous year.

Sales of main products in 9 months of year 2014 (thous.EUR)

Sales of main products in the reporting period amounted 6 676 thous.EUR, and it is by 225 thous.EUR or 4% more than the result of the relevant period of prior year.