

# **JSC DITTON PIEVADĶĒŽU RŪPNĪCA**

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

**FOR 3 MONTHS OF YEAR 2016**

**(01.01.2016 – 31.03.2016)**

Prepared in accordance with Latvian statutory requirements  
and JSC NASDAQ OMX Riga provisions

Daugavpils

2016

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**INFORMATION ABOUT THE COMPANY**

|  |  |
|--|--|
| Company name                               | Ditton pievadķēžu rūpnīca                    |
| Legal status                               | Joint Stock Company                          |
| Registrations 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,<br>LV-5410, Latvia |
| Mailing address                            | Višķu St. 17, Daugavpils,<br>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                           | Valentīna Krivoguzova                        |
| Reporting period                           | 01.01.2016 – 31.03.2016                      |

Persons in charge for drawing up of the financial report:

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

Ms. Natalja Redzoba, phone +371 65402333, email: [dpr@dpr.lv](mailto:dpr@dpr.lv)

## INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

### THE MANAGEMENT BOARD

Chairman of the Management board

Rolands Zarāns, elected 15.01.2014

Member 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 Zarāns                  | no shares          | - |
| Natalja Redzoba                 | no shares          | - |

### THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005

Deputy Chairman of the Council

Georgijs Sorokins, elected 06.11.2000

Members of the Council

Anželina Titkova, elected 14.08.2009

### Information on shares owned by Members of the Council

| Members of the Council | Share ownership *  |      |
|------------------------|--------------------|------|
|                        | Quantity of shares | %    |
| Boriss Matvejevs       | no shares          | -    |
| Georgijs Sorokins      | 5 768              | 0,08 |
| Anželina Titkova       | no shares          | -    |

For more information on professional background of the Management board and Council members, please refer to the website of the JSC Ditton pievadķēžu rūpnīca [www.dpr.lv](http://www.dpr.lv).

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\* As at 02.02.2016

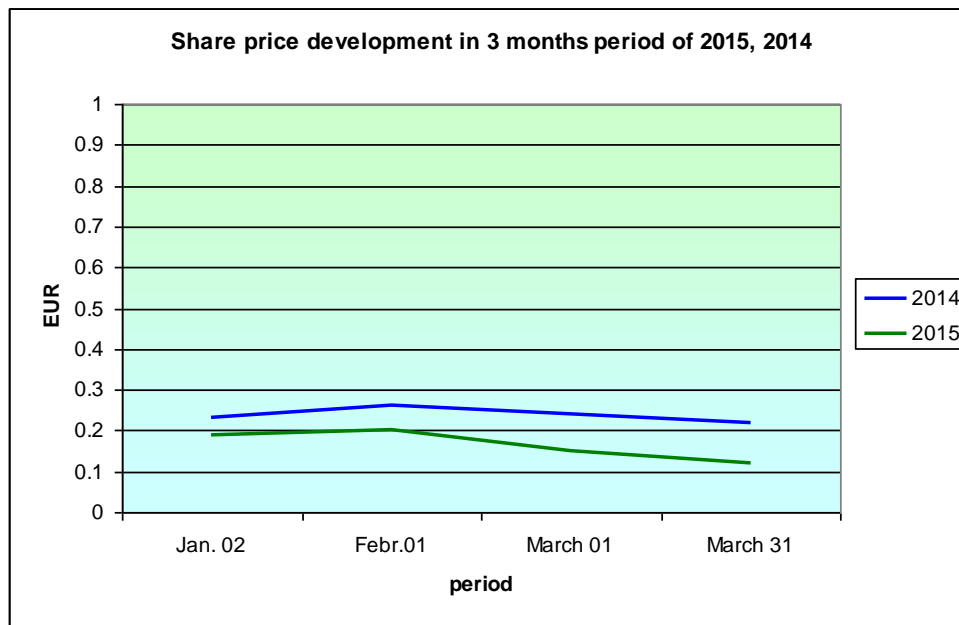
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**COMPANY SHAREHOLDERS WITH OVER 5% OF EQUITY OWNERSHIP \***

| <b>NAME</b>             | <b>Ownership interest<br/>%</b> |
|-------------------------|---------------------------------|
| Eduards Zavadskis       | 20,00                           |
| Vladislavs Driksne      | 19,92                           |
| MAX Invest Holding Ltd. | 13,63                           |
| Maleks S Ltd.           | 12,24                           |
| DVINSK MNG Ltd.         | 9,46                            |

*\* Note: Information is provided and updated upon shareholders list for the shareholders` meeting of the JSC Ditton pievadķežu rūpnica on 02.02.2016, taking into account submitted to the Company shareholders` notices of acquisition or disposal of interests.*

**SHARE PRICE DEVELOPMENT**



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**MANAGEMENT REPORT**

**Information on the results of the company in 3 months of year 2016**

The net-turnover was fulfilled in 3 months period of 2016 for EUR 1,369 thousand.

In the reporting period, the company exported 71 per cent of its core products to Eastern and Western markets (37 per cent eastwards and 34 per cent westwards), and 29 per cent were sold on Latvian market.

The Company closed the 3 months period of 2016 with pre-tax book losses EUR 507 thousand. Book losses after taxes amounted to EUR 523 thousand. The reasons and circumstances, which affected these indices, are revealed in the section „Significant events. Market tendencies and development of the company. Risks”

The average statistical number of employees of JSC Ditton pievadķēžu rūpnīca in 3 months of year 2016 was 166 employees.

The average salary in 3 months of 2016 amounted to EUR 563 what is by EUR 144 higher than in 3 months of 2015.

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

The Company's' Management board released in the Management report to the annual report for 2015 all the significant events, market tendencies, development and risks of the Company, as well as other significant factors influencing these processes.

All the circumstances and factors mentioned before remained relevant for the reporting period, and thus have to be taken into account.

Along with the circumstances stated in the report for the year 2015, there have been retail sales volumes down in the fourth quarter of 2016 that significantly affected Company`s loss as prime costs retained at their level. Company`s sales volumes collapse is caused by measures the Company was forced to undertake, and namely to increase substantially prices for 5-15 per cent in the first quarter of 2016. In the short term, such price increases objectively cause decrease in sales and customer loss, followed afterwards with market stabilization as sales increase and customer return in the future.

The reason for rise in price is associated with additional tax charges 18-30 per cent for the metal products exported from the Russian Federation to the European Union what Management board already reported in its statements to shareholders.

The in-depth and objective analysis of all the tendencies will be possible upon performance results for the first half of the year 2016.

The Management board reports on launching development of the Industrial and Technology Park based on the infrastructure (industrial premises, utility connections, communication lines) owned by the Company and developed together with the European Regional Development Fund in 2015 in the frame of project “Construction of industry premises in the free industrial area of JSC Ditton pievadķēžu rūpnīcas”. The initial results on park performance will be summed up in the 6 months report for the year 2016.

**STATEMENT ABOUT MANAGEMENT LIABILITY**

According to the information at disposal of the Management board, this financial statement for 3 months of 2016 has been prepared in compliance with the existing legislative requirements, gives a true and fair view of the assets, liabilities, financial position and profits of the Joint Stock Company. Management report contains truthful information.

Chairman of the Management board  
of JSC Ditton pievadķēžu rūpnīca

Rolands Zarāns

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**BALANCE SHEET**

| <b>ASSETS</b>  | <b>31.03.2016.</b>      | <b>31.03.2015.</b>       |
|--|-------------------------|--------------------------|
|  | <b>EUR</b>              | <b>EUR</b>               |
| <b>1. Long-term investments</b>  |                         |                          |
| <b>I. Intangible investments</b>   |                         |                          |
| Concessions, patents, licenses, trademark and similar rights               | 522                     | 951                      |
| Other intangible investments   | -                       | 1 192 350                |
| <b>Total intangible investments</b>  | <b>522</b>              | <b>1 193 301</b>         |
| <b>II. Fixed assets</b>  |                         |                          |
| Land, buildings and structures   | 4 589 243               | 4 829 218                |
| Equipment and machinery  | 24 681                  | 16 798                   |
| Other fixed assets and inventory   | 34 825                  | 6 849                    |
| Costs of the establishment of fixed assets and unfinished building objects | 12 649                  | 10 331                   |
| <b>Total fixed assets</b>  | <b>4 661 398</b>        | <b>4 863 196</b>         |
| <b>III. Long-term financial investments</b>                                |                         |                          |
| Participation in the capital of related companies                          | 67 160                  | 67 160                   |
| <b>Total long-term financial investments</b>                               | <b>76 160</b>           | <b>67 160</b>            |
| <b>1. Total long-term investments</b>                                      | <b>6 135 171</b>        | <b>9 925 921</b>         |
| <b>2. Current assets</b>   |                         |                          |
| <b>I. Inventories</b>  |                         |                          |
| Raw materials, basic materials and consumables                             | 486 466                 | 703 511                  |
| Work in progress   | 200 875                 | 276 078                  |
| Finished products and goods for sale                                       | 310 261                 | 610 220                  |
| Advance payments for goods and services                                    | 1 582 813               | 1 428 659                |
| <b>Total inventories</b>   | <b>2 580 415</b>        | <b>3 018 468</b>         |
| <b>II. Debtors</b>   |                         |                          |
| Trade receivables  | 672 597                 | 2 691 008                |
| Other debtors  | 84 778                  | 218 460                  |
| Next period costs  | -                       | 6 096                    |
| <b>Total debtors</b>   | <b>757 375</b>          | <b>2 915 564</b>         |
| <b>IV. Cash and cash equivalents</b>                                       | <b>74 640</b>           | <b>39 357</b>            |
| <b>2. Total current assets</b>   | <b>3 412 430</b>        | <b>5 973 389</b>         |
| <b><u>TOTAL ASSETS</u></b>   | <b><u>8 141 510</u></b> | <b><u>12 097 046</u></b> |

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**BALANCE SHEET**

| <b>LIABILITIES</b>   | <b>31.03.2016.<br/>EUR</b> | <b>31.03.2015.<br/>EUR</b> |
|--|----------------------------|----------------------------|
| <b>1. Equity</b>   |                            |                            |
| Stock or share capital (equity capital)                    | 10 360 000                 | 10 360 000                 |
| Other reserves   | 169 251                    | 169 251                    |
| Retained profits:  |                            |                            |
| a) retained profits brought forward from the previous year | -9 907 291                 | -5 637 329                 |
| b) retained profits of fiscal period                       | - 522 525                  | -938 224                   |
| <b>1. Total equity</b>                                     | <b>99 435</b>              | <b>3 953 698</b>           |
| <b>2. Long-term creditors</b>                              |                            |                            |
| Loans from credit institutions                             | -                          | 1 502 387                  |
| Next period income   | 1 099 313                  | -                          |
| <b>2. Total long-term creditors</b>                        | <b>1 099 313</b>           | <b>1 502 387</b>           |
| <b>3. Short-term creditors:</b>                            |                            |                            |
| Loans from credit institutions                             | 2 054 223                  | 2 052 576                  |
| Other loans  | 328 607                    | 406 607                    |
| Prepayments received from purchasers                       | 36 460                     | 51 651                     |
| Accounts payable to suppliers and contractors              | 3 626 687                  | 3 263 185                  |
| Taxes and State mandatory social insurance payments        | 221 901                    | 422 637                    |
| Other creditors  | 578 054                    | 376 540                    |
| Next period income   | 45 390                     | -                          |
| Accrued obligations  | 51 440                     | 67 765                     |
| <b>3. Total short-term creditors</b>                       | <b>6 942 762</b>           | <b>6 640 961</b>           |
| <b>Total creditors</b>                                     | <b>8 042 075</b>           | <b>8 143 348</b>           |
| <b><u>TOTAL LIABILITIES</u></b>                            | <b><u>8 141 510</u></b>    | <b><u>12 097 046</u></b>   |



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**INCOME STATEMENT**

|   | <b>31.03.2016.</b>     | <b>31.03.2015.</b>     |
|---|------------------------|------------------------|
|   | <b>EUR</b>             | <b>EUR</b>             |
| Net turnover                                | 1 368 741              | 1 456 518              |
| Production costs of goods sold              | -1 852 568             | -1 794 962             |
| <b>Gross profit</b>                         | <b>-483 827</b>        | <b>-338 444</b>        |
| Sales costs                                 | -7 128                 | -397 450               |
| Administrative expenses                     | -147 564               | -146 864               |
| Other income from operating activities      | 146 891                | 19 287                 |
| Other costs of operating activities         | -15 093                | -17 708                |
| Interest payment and similar expenses       | -545                   | -27 266                |
| <b>Profit or loss before taxes</b>          | <b>-507 266</b>        | <b>-908 445</b>        |
| Other taxes                                 | -15 259                | -29 779                |
| <b>Profit or loss for the fiscal period</b> | <b><u>-522 525</u></b> | <b><u>-938 224</u></b> |
| <b>Earnings per share (EPS)</b>             | <b>-0.071</b>          | <b>-0.127</b>          |

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**CASH FLOW STATEMENT**

|  | <b>31.03.2016.</b>      | <b>31.03.2015.</b>     |
|--|-------------------------|------------------------|
|  | <b>EUR</b>              | <b>EUR</b>             |
| <b>I. Cash flows from operating activities</b>                       |                         |                        |
|  | -507 266                | -908 445               |
| 1. Profit or loss before taxes                                       |                         |                        |
| <i>Adjustments to:</i>   |                         |                        |
| Depreciation of the received EU structural funds                     | -15 130                 | -                      |
| Depreciation of tangible assets                                      | 43 605                  | 93 911                 |
| Amortization of intangible assets                                    | 108                     | 107                    |
| Interest payments  | 545                     | 27 266                 |
| Amortization of other intangible assets                              | -                       | 397 450                |
| 2. Net-profit or net-loss from operating activities in fiscal period | -478 138                | -389 711               |
| <i>Adjustments to Current assets and Short-term creditors:</i>       |                         |                        |
| Debtors  | 11 989                  | 1 001 426              |
| Reserves   | 11 559                  | -1 600 615             |
| Creditors  | 733 525                 | 1 625 580              |
| 3. Cash flows from operating activities                              | 278 935                 | 636 680                |
| 4. Taxes payments (corporate income and immovable property taxes)    | -15 259                 | -29 779                |
| <b>Net cash provided by operating activities</b>                     | <b><u>263 676</u></b>   | <b><u>606 901</u></b>  |
| <b>II. Cash flows from investing activities</b>                      |                         |                        |
| Loans issued   | -                       | -                      |
| Purchases of fixed assets  | -27 750                 | -729 430               |
| Disposal of fixed assets   | -                       | -                      |
| <b>Net cash used in investing activities</b>                         | <b><u>-27 750</u></b>   | <b><u>-729 430</u></b> |
| <b>III. Cash flows from financing activities</b>                     |                         |                        |
| Proceeds from borrowings or repayment of borrowings, net             | -240 000                | 129 576                |
| Interest payments  | -545                    | -27 266                |
| <b>Net cash used in financing activities</b>                         | <b><u>- 240 545</u></b> | <b><u>102 310</u></b>  |

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CASH FLOW STATEMENT  
SUMMURY

|   | 31.03.2016.<br>EUR | 31.03.2015.<br>EUR |
|---|--------------------|--------------------|
| Cash flows from operating activities                        | 263 676            | 606 901            |
| Cash flows from investing activities                        | -27 750            | -729 430           |
| Cash flows from financing activity                          | -240 545           | 102 310            |
| Net (decrease)/increase in cash and cash equivalents        | -4 619             | -20 219            |
| Cash and cash equivalents at the beginning of fiscal period | 79 259             | 59 576             |
| Cash and cash equivalents at the end of fiscal period       | 74 640             | 39 357             |

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**STATEMENT OF CHANGES IN EQUITY**  
**for the period from 01.01.2016 till 31.03.2016**

|  | Equity<br>capital | Other<br>reserves | Retained<br>profit of<br>previous<br>periods | Profit/<br>loss of<br>reporting<br>period | Total            |
|--|-------------------|-------------------|--|---|------------------|
|  | EUR               | EUR               | EUR  | EUR                                       | EUR              |
| <b>At 1 January 2016</b>               | <b>10 360 000</b> | -                 | <b>-9 907 291</b>                            | -   | <b>452 709</b>   |
| Other reserves                         | -                 | 169 251           | -  | -   | 169 251          |
| Profit/loss of 3 months<br>period 2016 | -                 |                   | -  | -522 525                                  | -522 525         |
| <b>At 31 March 2016</b>                | <b>10 360 000</b> | <b>169 251</b>    | <b>-9 907 291</b>                            | <b>-522 525</b>                           | <b>99 435</b>    |
| <b>At 1 January 2015</b>               | <b>10 529 251</b> | -                 | <b>-5 637 329</b>                            | -   | <b>4 891 922</b> |
| Other reserves                         | -169 251          | 169 251           | -  | -   | -                |
| Profit/loss of 3 months<br>period 2015 | -                 |                   | -  | -938 224                                  | -938 224         |
| <b>At 31 March 2015</b>                | <b>10 360 000</b> | <b>169 251</b>    | <b>-5 637 329</b>                            | <b>-938 224</b>                           | <b>3 953 698</b> |

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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 the JSC DITTON pievadķēžu rūpnīca prepared under source documents presents fairly the financial position of the JSC as at 31 March 2016, its` operating results and cash flows for 3 months ended 31 March 2016.

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 3 months of 2016 has not been audited by sworn auditor.

The interim report has been prepared in euros.

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**Explanations and analyses on separate items of financial reports**

Commodity output in 3 months of 2016 (in thousands of meters)

The raw volume of driving chains produced is by € 82 thousand of meters less than in 3 months of 2015.

Commodity output in 3 months of 2016 (in thousands of euros)

The volume of driving chains produced in 3 months of this year reached € 905 thousand, being by € 557 thousand lower than in the relevant period of previous year.

Sales (net-turnover) in 3 months of 2016 (in thousands of euros)

The net-turnover in the fiscal period is fulfilled by € 1,369 thousand, what is by € 87 thousand or by 6% less than the index in the same period of the previous year.

Core product sales in 3 months of 2015 (in thousands of euros)

Core product sales amounted to € 1,130 thousand in the reporting period, what is by € 78 thousand or by 7% less than the result of the same period in the previous year.