

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

FINANCIAL REPORT
FOR 6 MONTHS OF THE YEAR 2021
(01.01.2021 – 30.06.2021)
(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

2021

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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	01.01.2021 – 30.06.2021

Persons in charge for drawing up of the financial report:

Ms. Jūlija Lavrecka, phone +371 65402316, e-mail: dpr@dpr.lv

Mr. Boriss Matvejevs, phone +371 65402333, e-mail: 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

Jevgēnijs Koršenkovs, elected 01.09.2021

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership*	
	Quantity of shares	%
Rolands Zarāns	no shares	-
Jevgēnijs Koršenkovs	no shares	-

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, re-elected 18.06.2020 (elected since 05.05.2005)

Members of the Council

Genādijs Zavadskis, re-elected 18.06.2020 (elected 15.02.2017)

Otto Dzenis, elected 18.06.2020.

Aleksandrs Sokolovs, elected 18.06.2020.

Information on shares owned by Members of the Council

Members of the Council	Share ownership*	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Genādijs Zavadskis	no shares	-
Otto Dzenis	no shares	-
Aleksandrs Sokolovs	700,000	9,46**

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.

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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.	13,56
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 Dittton pievadķēžu rūpnīca as at 18.06.2020, 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 30.06.2020, 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.

** Note:

Beneficiary of the shareholder DVINSK MNG, Ltd.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2021

The net-turnover in 6 months of 2021 reached € 2,477 thousand, being by € 336 thousand higher than the index in 6 months of 2020.

Commodity output resulted € 1,903 thousand, what is by € 297 thousand more 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 (43% eastwards and 56% westwards), 1% of products sold and services rendered on Latvian market.

The Company closed the 6 months period of 2021 with a profit before corporate income tax € 61 thousand.

The average number of employees of the Company during 6 months of 2021 was 132 people.

The average salary in 6 months period of 2021 amounted to € 748, what is by € 104 higher than in 6 months of 2020.

The results of Company's activities and financial statements of the Company for 6 months of 2021, this Management report were approved by Company's Management Board (Management Board meeting Protocol No. 05/2021 dated 20 August 2021).

Significant events. Market trends and the Company's development. Risks.

Proceeding from the situation on the global economic markets, which changes rapidly, the Management considers as important to divide analysis of market tendencies, Company's development and Company's risks into two stages:

The first stage: in the conditions of relatively stable market prices for raw materials and energy resources.

The second stage: in the conditions of market imbalances and unpredictable increases in raw material and resource prices.

Both stages have common principles and procedures in the context of declining economic activity and markets as a result of the lockdowns announced on the territory of all market segments in the conditions of COVID-19 pandemic.

Analysis of the Company's activities under conditions of COVID-19 pandemic and lockdowns, as well as new challenges activation of certain risks in the Company's production and commercial activities are given in the Management report of the Annual report for the year 2020. All the factors, conditions, reasons and consequences indicated therein are relevant to the Company's operations in the first half of 2021.

When announcing the results of its work, the Company several times drew attention to the fact that the Company is integrated into the world economy and international economic relations, as a result of which the Company depends on the situation on market segments where the Company's as suppliers and as purchasers of raw materials and resources interests are represented.

This objectively does not allow the Company to manage market processes individually and to plan its operations in a sustainable perspective, all the more because a number of announced prognoses indicate that the COVID-19 pandemic not only has not been overcome, but it has a "recurring wave" tendencies.

The Company continues to produce and sell its products in two main segments of its markets, which are conditionally divided as follows:

- "Western" market or mainly the market of European countries, and
- "Eastern" market, i.e., the Russian Federation market, the Customs Union, CIS and Ukrainian markets, as well as the market of Asian countries.

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In the first half of the year 2021 tendencies in both markets show a slight increase in the Company's total production (8%), with a decrease in industrial chain deliveries (mainly in the “western” market segment) and an increase in automotive chain deliveries (mostly in the “eastern” market segment).

In the first half of the year 2021, the Company continued to implement a loss minimisation programme, based on the optimisation of the internal structure, infrastructure, intellectual and human resources. The Company also sees its reserves in focusing on technologically sophisticated high added value goods, as well as driving an increase in the volume of services and works outside the core production activities.

This effort enabled the Management Board to focus its activity to a single consecutive direction, rendering it more structured, categorised in stages as well as enabled an optimal allocation of resources aimed at improving the Company’s economic circumstances.

The Company is seeking to render chargeable services from the programme related to the development of an industrial-technological park in its territory. Within the scope of this programme, the Company carried out the upgrading of its production facilities. This enabled the implementation of effective savings on the costs of maintenance of production facilities, as well as the creation of a commercial offer of the lease of a production facility equipped with the infrastructure necessary for production.

In May-June 2021, tendencies of market imbalances and unpredictable increase of prices for raw materials and resources appeared. This had a negative impact on the Company's operation results, as the Company was forced to complete orders placed under other price conditions, as well as due to a decrease in order volumes after the announcement of an increase of the prices for delivered products.

Any production is reliable in terms of stability for price of raw materials and resources over the expected time period. At present, the Company cannot make a proper prognosis regarding the terms and level of stabilization of raw material and resource prices, therefore the Company anticipates instability in production and sales with an overall positive forecast until the Company's markets stabilize.

Risks of the Company

The Company’s activities are subjects to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk, COVID-19 pandemic risk, as well as other risks of instability of prices for raw materials and resources. Information on structure and description of these risks, as well as about risks’ management the Management Board gave in the Management report to the Annual report for the year 2020, as well as in this report for 6 months concerning the instability of markets. The information given in the annual statements for the year 2020 on financial risks is fully up to date for the interim financial report for the 6 months of the year 2021 as well.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to the information at our disposal, this financial statements for 6 months of the year 2020 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
31 August 2021

Rolands Zarāns

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BALANCE SHEET

ASSETS	30.06.2021 EUR	30.06.2020 EUR
Long-term investments		
Intangible investments		
Concessions, patents, licenses, trademarks and similar rights	-	4 028
Total intangible investments	-	4 028
Fixed assets		
Immovable property:		
Land	2 061 350	1 972 722
Buildings and structures and permanent crop	1 898 813	1 192 001
Investment properties - land	-	88 628
Investment properties - buildings	-	849 253
Technological equipment and devices	2 193 686	2 439 250
Other fixed assets and inventory	19 675	29 196
Costs of the establishment of fixed assets and unfinished buildings objects	-	-
Total fixed assets	6 173 524	6 571 050
Long-term financial investments		
Other securities and investments	-	-
Total long-term financial investments	-	-
Total long-term investments	6 173 524	6 575 078
Current assets		
Inventories		
Raw materials, consumables and supplies	605 486	520 221
Work in progress	164 801	145 023
Finished products and goods for sale	235 830	304 119
Advance payments for inventories	54 692	43 214
Total inventories	1 060 809	1 012 577
Debtors		
Trade receivables	492 129	391 057
Other debtors	34 750	30 059
Next period costs	634	478
Total debtors	527 513	421 594
Cash	7 199	2 267
Total current assets	1 595 521	1 436 438
<u>TOTAL ASSETS</u>	<u>7 769 045</u>	<u>8 011 516</u>

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BALANCE SHEET

LIABILITIES	30.06.2021	30.06.2020
	EUR	EUR
Equity		
Share capital	10 360 000	10 360 000
Reserves:		
Other reserves	169 251	169 251
Retained losses brought forward from the previous years	(9 370 970)	(9 345 727)
Profit of the fiscal period	61 312	(37 731)
Total equity	1 219 593	1 145 793
Creditors		
Long-term creditors:		
Loans from credit institutions	4 135 577	4 282 577
Other loans	100 000	3 700
Deferred income	1 133 515	1 216 999
Total long-term creditors	5 369 092	5 503 276
Short-term creditors:		
Loans from credit institutions	150 384	265 522
Other loans	-	22 200
Prepayments received from purchasers	25 927	26 008
Accounts payable to suppliers and contractors	395 976	387 333
Taxes and State mandatory social insurance payments	400 902	493 852
Other creditors	74 641	59 854
Deferred income	41 742	41 742
Accrued liabilities	90 788	65 936
Total short-term creditors	1 180 360	1 362 447
Total creditors	6 549 452	6 865 723
<u>TOTAL LIABILITIES</u>	<u>7 769 045</u>	<u>8 011 516</u>

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INCOME STATEMENT

	30.06.2021	30.06.2020
	EUR	EUR
Net turnover	2 476 636	2 141 052
Production costs of goods sold, purchase costs of goods sold or services rendered	1 984 445	1 728 709
Gross profit	492 191	412 343
Selling costs	(438)	(528)
Administrative expenses	(323 913)	(332 536)
Other income from operating activities	62 502	70 648
Other costs of operating activities	(71 554)	(93 202)
Other interest receivable and similar income	1 044	206
Interest payment and similar expenses	(98 521)	(94 662)
• <i>to other persons</i>	<i>(98 521)</i>	<i>(94 662)</i>
Profit before corporate income tax	61 312	(37 731)
Corporate income tax for the fiscal period	-	-
Loss / Profit for the fiscal period	61 312	(37 731)
Loss / profit per share	0,008	(0,005)

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CASH FLOW STATEMENT

	30.06.2021	30.06.2020
	EUR	EUR
I. Cash flows from operating activities		
1. Profit or loss before Enterprise income tax	61 312	(37 731)
<i>Adjustments to:</i>		
Depreciation of fixed assets	201 975	215 888
Depreciation of intangible assets	1 611	2 416
Recognition of deferred income as revenue	(41 742)	-
Interest payments and similar expenses	98 521	94 662
Income from sale of fixed assets	-	-
2. Profit or loss before adjustments to fixed assets and short-term creditors	321 677	275 235
<i>Adjustments to:</i>		
Increase or decrease in accounts receivables	(91 972)	238 349
Increase or decrease in inventories	(120 061)	(94 154)
Increase or decrease in accounts payable to suppliers, contractors and other creditors	(181 124)	(219 399)
3. Gross cash flows from operating activities	71 480	200 031
Net cash flows from operating activities	<u>71 480</u>	<u>200 031</u>
II. Cash flows from investing activities		
Purchases of fixed assets and intangible investments	-	(2 380)
Proceeds from sale of fixed assets	-	-
Net cash flows used in investing activities	=	<u>(2 380)</u>
III. Cash flows from financing activities		
Net change in borrowings	76 300	(111 085)
Interest payments and similar expenses	(98 521)	(94 662)
Purchase of fixed assets	(6 850)	-
Net cash flows used in financing activities	<u>(29 071)</u>	<u>(205 747)</u>
Net cash flows of the fiscal period	<u>(100 551)</u>	<u>(8 096)</u>
Cash and cash equivalents at the beginning of fiscal period	<u>107 750</u>	<u>10 363</u>
Cash and cash equivalents at the end of fiscal period	<u>7 199</u>	<u>2 267</u>

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STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2021 till 30.06.2021

	Equity capital	Other reserves	Retained profit of previous periods	Profit or loss of fiscal period	Total
	EUR	EUR	EUR	EUR	EUR
At 1 January 2021	10 360 000	169 251	(9 370 970)	-	1 158 281
Profit of 6 months period 2021	-		-	61 312	61 312
At 30 June 2021	10 360 000	169 251	(9 370 970)	(61 312)	1 219 593
At 1 January 2020	10 360 000	169 251	(9 345 727)	-	1 183 524
Profit of 6 months period 2020	-		-	(37 731)	(37 731)
At 30 June 2020	10 360 000	169 251	(9 345 727)	(37 731)	1 145 793

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 2021, its` operating results and cash flows for 6 months starting from 1 January and ending on 30 June 2021.

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 2021 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 2021 (thousand euros)

The value of the produced driving chains in these 6 months reached € 1,903 thousand, what is by € 297 thousand higher than the index of the same period of the previous fiscal year.

Production of driving chains in 6 months of 2021 (thousand meters)

The index of the produced driving chains is by 27 thousand meters lower than in 6 months of 2020.

Sales (net-turnover) in 6 months of 2021 (thousand euros)

The net-turnover of the fiscal period is fulfilled by € 2,477 thousand, being by € 336 thousand or 16 per cent more than the index in the same period of the previous year.

Core product sales in 6 months of 2021 (thousand euros)

Core product sales amounted to € 2,016 thousand in the reporting period, what is by € 271 thousand or 16 per cent more than the result of the same period in the previous year.