

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

Reg.No.40003030187

Višķu Str.17, Daugavpils, LV-5410, Latvia

AUDITED ANNUAL REPORT

OF YEAR 2006

(01.01.2006 – 31.12.2006)

Prepared in accordance with Latvian statutory requirements,
International Accounting Standards,
and Riga Stock Exchange rules

Daugavpils

2007

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
AUDITED ANNUAL REPORT FOR YEAR 2006

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JSC "DITTON PIEVADKĒŽU RŪPNĪCA"
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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	Nina Moisejeva, p.c. 200250-10263
Reporting period	01.01.2006 – 31.12.2006
Information on subsidiary enterprise:	
Company name	• Meteor Kettenfabrik GmbH
Address	Nürnberg Str. 2, 36456 Barchfeld Germany 100% of capital shares
Auditor	SIA "Invest-Rīga" Daugavpils" Reg. No. LV40003227526 Commercial's license No.81 Raina Str. 28, Daugavpils, LV-5403
Persons in charge for drawing up of the financial report:	
	Mr. Boriss Matvejevs, phone +371 5402333, e-mail dpr@dpr.lv
	Ms. Natalja Redzoba, phone +371 5402333, e-mail dpr.fin@dpr.lv

INFORMATION ON THE MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Eduards Zavadskis, elected 29.08.2003.

Deputy Chairman of the Management Board

Pjotrs Dorofejevs, elected 07.01.2004. (from 29.08.2003 till 07.01.2004 Member of the Management Board)

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Volda Juhno, elected 29.08.2003., relieved from the post since 03.11.2006.

Jurijs Kostromins, elected 07.01.2004.

Raimonds Bruzevics, elected 29.11.2006.

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership ¹	
	Quantity of shares	%
Eduards Zavadskis	1 480 000	20%
Pjotrs Dorofejevs	no shares	-
Natalja Redzoba	1 900	0,03
Volda Juhno (till 03.11.2006)	no shares	-
Jurijs Kostromins	no shares	-
Raimonds Bruzevics (from 29.11.2006)	1 900	0,03%

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 05.05.2005.

Deputy Chairman of the Council

Georgijs Sorokins, elected 05.05.2005.

Members of the Council

Tatjana Lapunova, elected 05.05.2005.

Jevgenijs Glinkins, elected 05.05.2005.

Vitolds Vasilenoks, elected 05.05.2005.

Information on shares owned by Members of the Council

Members of the Management Board	Share ownership ¹	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Tatjana Lapunova	no shares	-
Jevgenijs Glinkins	no shares	-
Vitolds Vasilenoks	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

¹ As of 19.05.2006

MANAGEMENT REPORT

Information on the results of the company in year 2006

In 12 months of year 2006 net-turnover in fact was fulfilled in the amount of 9 183 thous. LVL (13 066 thous.EUR) against the forecast 8 000 thous. LVL (11 383 thous.EUR), increase amounts to 1 183 thous. LVL (1 683 thous.EUR).

Profit before taxes for 12 months period of 2006 amounted to 260 605 LVL (370 807 EUR), which is by 5,5% more than in 2005 and complies with the forecast. Profit after taxes amounts to 106 879 LVL (152 075 EUR).

Growth of actually paid taxes in 2006 comes to 66,1%, compared to 92 573 LVL (131 720 EUR) in 2005, the amount paid in taxes in 12 months of 2006 makes up 153 726 LVL (218 732 EUR). Growth of enterprise income tax paid in 2006 is estimated in the amount of 41 thous.LVL (58 thous.EUR), growth of immovable property tax – 20 thous.LVL (28 thous.EUR). In view of changes in the system of immovable property tax calculation since 01.01.2007 we anticipate that there will be subsequent growth of this tax.

Due to growth of volume of customer-owned raw material processing compared to 2005, in 12 months of 2006 net-turnover was less by 446 thous.LVL (635 thous EUR), by having a contemporaneous increase of production volume in natural units (thous.meters). (For more detailed information with explanatory notes please refer to pages 5-13 of present financial statement).

At present the company exports 98% of its products to the East and West: among them 67% westwards and 31% eastwards; 2% of products are sold in Latvia.

The total sales amount to the subsidiary „Meteor Kettenfabrik” GmbH amounted to 283 136 LVL (402 866 EUR) in the reporting period, but in 12 months period of 2005 it was 274 338 LVL (390 348 EUR).

The average statistical number of employees of JSC “Ditton pievadķēžu rūpnīca” was 632 in 12 months of year 2006

The average salary amounted to 234 LVL (333 EUR), which is by 18 LVL (26 EUR) more than in 2005.

Key figures of financial standing of JSC „Ditton pievadķēžu rūpnīca”

Own capital profitability of the company (capital using ratio) achieved 1,16% in year 2006, which proves the capability of the company to develop stably (the standard of this ratio = 0,7-0,9).

Return on assets (ROA) was 2,25% in year 2006, and this is indicative of efficiency of using fixed assets and other non-current assets (normally ROA is accepted to be satisfactory at 0,5-1).

Sales profitability – commercial margin shows that in year 2006 1,16% of earned profit accounts for one unit of salable production (norm is 0,7-1,0).

Turnover ratio of long-term investments is admissible to be ≥ 1 , in year 2006 it was 1,93

Reserves turnover enables to assess the optimal size of reserves. In 2006 turnover speed was 2,64 times, compared to 2005 this ratio increased by 0,57.

Economic profitability enables to determine that 2,32% of earned profit accounts for one unit of company's assets.

Commercial profitability indicates that company earned 2,84% of profit on one net-turnover unit before taxes, and accordingly 1,16% after taxes.

Market tendencies and development of the company. Risks.

Main product sales and market development tendencies, risks and development prospects of 2006 comply with ones describes in financial statement for 12 months period of 2005, which proves the stabilization of market, its participants and relation of demand and supply, and their conservatism as well.

At the same time the Management Board notes unfavourable tendencies (risks), which do not give ground to assume the stable and optimal development of the company. These are:

- conservatism of the market, orientation toward permanent partners, which hampers an effective competition in "occupied" market segments;
- market saturation, lack of free segments of market for promotion of products;
- dumping prices from the side of Asian manufacturers;
- price growth for materials, equipment, energy resources and labour resources, which excludes possibility to submit competitive price offerings under dumping conditions from the side of Asian manufacturers;
- lack of qualified labour in the process of "generation change", which becomes more intensifying, due to non-perspective job opportunities, liquidation of appropriate technical training system, flow-out of young people for work to the states of European Union and America.

STATEMENT ABOUT MANAGEMENT LIABILITY

In opinion of the Management Board, according to the information at its disposal, the presented annual report for year 2006 has been prepared in accordance with the existing legislative requirements and gives a true and fair view of financial standing of the Company and its performance, cash flow and profits. In all substantial aspects there are Latvian accounting standards met.

The Management Board of the company has taken into account not only the provision of immediate benefit for the Company's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Company in future. The policy of the Management Board in relation to the matter of submitting proposals about directing of profit to payment of dividends has not changed for last three years, and in particular members of the Management Board propose to distribute the profit by directing 10% of net-profit to payment of dividends. For year 2006 this amount comes to 11 100 LVL (15 794 EUR) or 10,39% of net profit.

The management confirms herewith that there have not been any essential events taken place after the end of the reporting period, which could have affected the annual report of the Company for year 2006.

Management report contains truthful information.

Chairman of the Management Board,
President of the JSC "Ditton pievadķēžu rūpnīca"

Eduards Zavadskis

COUNCIL REPORT
to the annual report for year 2006

Issued according to LR Commercial Law and to the Company's Articles,
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"
dated 20.03.2007., Protocol No.110

The Council of joint-stock company "Ditton pievadķēžu rūpnīca" announces that the report of the Management Board of the Company to the annual general meeting of shareholders and annual report for year 2006 truly reflect the activity results and the financial position of the Company. Joint-Stock Company worked with profit, without the losses.

During the reporting period the Management Board was in charge of the industrial and economic activity of the Company in the accordance with the laws of Republic of Latvia in force, with the Company Articles, resolutions of general meeting of shareholders and Council recommendations.

The Council members have no claims to the Management Board and its individual members, and it evaluates the activity of the Management Board as positive and notices the increase of volume of production activity.

The Council represented interests of shareholders during the period between the general meetings, and in reporting period it supervised constantly for the Management Board activity according to the Company Articles and Laws of Republic of Latvia.

In the meeting of Council and the Management Board there was made a decision to approve the annual report for year 2006.

Altogether during the reporting period seven meetings of the Council were held. In four of the joint meetings of the Council and the Management Board there have been considered and approved interim financial reports of the Company for 3, 6, 9 and 12 months of the year 2006.

Additionally the following issues have been considered in the Council meetings and decisions on them were made:

- strategic tasks of the Company for years 2006-2008;
- acquisition of immovable property of the subsidiary "Meteor Kettenfabrik" GmbH and arrangements for improving of its activity;
- development of new types of products;
- certification of the company for a new certificate of quality.

The Council supports the proposal of the Management Board to direct the part of net-profit in the amount of 11 100 LVL or 10,39% for payment of dividends to the shareholders of the Company.

Chairman of the Council

B.Matvejevs

INDEPENDENT AUDITOR'S REPORT

To the management and shareholders of JSC "Ditton pievadķēžu rūpnīca"

Report on financial statements

We have audited the accompanying financial statement of the JSC "Ditton pievadķēžu rūpnīca", registration No.40003030187, included into the annual report for the year 2006. Audited financial statement includes the balance sheets as at 31 December 2006, statement of profit or loss for year 2006, statement in changes in shareholder's equity, cash flow for year 2006 and resume on significant accounting principles, and other explanatory information in the appendix.

Responsibility of the management for preparing of financial statement

Management of the JSC "Ditton pievadķēžu rūpnīca" is responsible for preparing of these financial statements and giving true information in conformity with the Law of Republic of Latvia "On the Annual Reports of Enterprises". This responsibility includes forming, implementation and maintaining of such internal control, which ensures preparation and providing fair view of such financial statements, which contain neither fraud, nor material inconsistency caused by mistakes, choice and using of appropriate accounting policy, and preparation of proper accounting calculations corresponding to conditions.

Responsibility of auditor

We are responsible for auditor's conclusion, which we give on the present financial statement on the base of audit conducted by us. We conducted audit in accordance with International Standards on Auditing accepted in Latvia. These standards require that we satisfy requirements of ethics, plan and perform audits to obtain reasonable assurance about whether the financial statements are free of material inconsistency.

An audit includes procedures, which are performed in order to obtain audit evidence supporting the amounts and disclosures of the financial statements. The procedures are selected on the base of professional assessment of auditor, including evaluation of material inconsistency risks caused by fraud or mistakes. By this evaluation the auditor is taking into account internal control, which is established in order to ensure preparation of financial statement and fair reflecting of information with the aim to determine audit procedures which would be suitable to conditions, but not to give conclusion on efficiency of control.

An audit includes also assessing if applied accounting principles and presumptions of management are reasonable, and general assessing of information disclosed in the financial statement.

We believe that evidences obtained in audit are sufficient and proper for giving an audit conclusion.

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Conclusion

In our opinion in all significant aspects the above mentioned financial statement gives a true and fair view about financial standing of the JSC "Ditton pievadķēžu rūpnīca" as at 31 December 2006, on financial results of its activity and cash flows in year 2006 in conformity with the Law of Republic of Latvia "On the Annual Reports of Enterprises"

Report on conformity of the Management report

We acquainted ourselves with Management report for year 2006 and we did not disclosed any material inconsistency between financial information disclosed in this Management report and in financial statement for year 2006.

SIA "Invest-Riga" Daugavpils"
Commercial company of jury auditors
License No.81

(signature)
V.Pjankovskis
Procurist

(signature)
V.Zitare
Executive jury auditor
Certificate No.62

Daugavpils, Latvia
March 23, 2007

**Note: auditor's report received at the JSC "Ditton pievadķēžu rūpnīca" on March 28, 2007*

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
AUDITED ANNUAL REPORT FOR YEAR 2006

STATEMENT OF PROFIT AND LOSS
AS AT 31.12.2006

1 EUR = 0,702804 LVL

	Number of notes	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Net turnover	1	9 182 910	13 066 104	9 629 137	13 701 028
Production cost of sold products	2	5 311 252	7 557 231	5 497 971	7 822 907
Gross profit or loss		3 871 658	5 508 873	4 131 166	5 878 121
Selling costs	3	609 548	867 309	206 954	294 469
Administration costs	4	2 388 095	3 397 953	2 921 752	4 157 278
Other operating income	5	66 316	94 359	92 433	131 520
Other operating expenses	6	564 277	802 894	791 105	1 125 641
Income from securities and loans forming long-term investments	7	-	-	500 000	711 436
Long-term financial investments and write-off of the short-term value of shares	8	-	-	500 000	711 436
Interest payment and similar expanses	9	113 803	161 927	56 675	80 641
Profit or loss before extraordinary items and taxes		262 251	373 149	247 113	351 612
Profit or loss before taxes		262 251	373 149	247 113	351 612
Enterprise income tax in reporting year	10	95 384	135 719	54 214	77 140
	10	1 646	2 342	-	-
Other taxes	11	58 342	83 013	38 359	54 580
Profit or loss of reporting year		106 879	152 075	154 540	219 892
Index EPS		0,014	0,020	0,021	0,030

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"
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BALANCE SHEET AS AT 31.12.2006

1 EUR = 0,702804 LVL

ASSETS	Number of notes	2006 LVL	2006 EUR	2005 LVL	2005 EUR
1. Long-term investments					
I. Non-material investments					
Concessions, patents, licenses, trade mark and similar rights		<u>1 807</u>	<u>2 571</u>	<u>5 875</u>	<u>8 359</u>
Non-material investments total	12	1 807	2 571	5 875	8 359
II. Fixed assets					
Plots of land, buildings and constructions and perennial plantations		4 079 563	5 804 695	3 671 314	5 223 809
Technological equipment and machinery		237 680	338 188	329 992	469 536
Other fixed assets and stock		76 221	108 452	88 194	125 489
Formation of fixed assets and costs of unfinished construction objects		20 448	29 095	25 784	36 687
Fixed assets total	13	4 413 911	6 280 430	4 115 284	5 855 521
III. Long-term financial investments					
Participation in the capital of related enterprises		220 695	314 021	220 695	314 021
Loans to related companies		118 791	169 024	48 511	69 025
Long-term financial investments total	14	339 486	483 045	269 206	383 046
1. Long-term investments total		4 755 204	6 766 046	4 390 365	6 246 926
2. Current assets					
I. Reserves					
Raw materials, basic materials and subsidiary materials		1 123 682	1 598 855	940 110	1 337 656
Unfinished products		228 321	324 872	245 894	349 876
Finished products and goods for sale	15	554 671	789 226	723 553	1 029 523
Advance payments for goods		119 951	170 675	91 341	129 968
Reserves total		2 026 625	2 883 628	2 000 898	2 847 023
II. Debtors					
Debts of buyers and customers	16	3 863 141	5 496 754	3 375 855	4 803 409
Debts of related enterprises	17	508 527	723 569	-	-
Other debtors	18	270 362	384 690	795 073	1 131 287
Deferred expenses	19	502	714	417	593
Debtors total		4 642 532	6 605 727	4 171 345	5 935 289
IV. Cash (total)	20	354 159	503 923	111 041	157 997
2. Current assets total		7 023 316	9 993 278	6 283 284	8 940 309
<u>TOTAL ASSETS</u>		<u>11 778 520</u>	<u>16 759 324</u>	<u>10 673 649</u>	<u>15 187 235</u>

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BALANCE SHEET AS AT 31.12.2006

1 EUR = 0,702804 LVL

<u>LIABILITIES & SHAREHOLDERS EQUITY</u>	Number of notes	2006 LVL	2006 EUR	2005 LVL	2005 EUR
1. Shareholders' equity					
Share capital (fixed capital)		7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:					
a) retained earnings of previous years		1 268 736	1 805 249	1 129 736	1 607 469
b) retained profit of reporting year		106 879	152 075	154 540	219 892
1. Shareholders' equity total		8 775 615	12 486 575	8 684 276	12 356 612
2. Provisions					
Provisions for deferred taxes	21	-	-	-	-
Other provisions	22	468 651	666 830	60 569	86 182
2. Provisions total		468 651	666 830	60 569	86 182
3. Long-term creditors:					
Loans from credit institutions	23	1 715 073	2 440 329	1 330 295	1 892 839
Other loans	24	40 663	57 858	-	-
Commitments of deferred enterprise income tax	25	1 646	2 342	-	-
3. Long-term creditors total		1 757 382	2 500 529	1 330 295	1 892 839
4. Short-term debts:					
Loans from credit institutions	26	240 359	342 000	240 359	342 000
Other loans	27	18 113	25 773	-	-
Advance payments from customers received	28	14 448	20 558	4 368	6 215
Debts to suppliers and contractors	29	278 000	395 559	161 009	229 096
Taxes and social security payments	30	127 018	180 730	97 165	138 253
Other creditors	31	98 934	140 770	95 608	136 038
4. Short-term creditors total		776 872	1 105 390	598 509	851 602
Creditors total		2 534 254	3 605 919	1 928 804	2 744 441
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>		<u>11 778 520</u>	<u>16 759 324</u>	<u>10 673 649</u>	<u>15 187 235</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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STATEMENT OF CASH FLOW AS AT 31.12.2006
(according to indirect method)

1 EUR = 0,702804

	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
I. Cash flow of basic activity				
1. Profit or loss before extraordinary items and taxes	+262 251	+373 149	+247 113	+351 610
<i>Corrections:</i>				
Depreciation of fixed assets (+)	+521 023	+741 349	+699 094	994 721
Write-off of value of non-material investments (+)	+4 396	+ 6 255	+5 284	7 518
Loss (+), profit (-) from financing or investing activity	-70 280	-99 999	+451 489	642 412
2. Profit or loss from economic activity in reporting year (1.line (+), (-) corrections)	+717 390	+1 020 754	1 402 980	1 996 261
<i>Corrections:</i>				
Decrease (+), increase (-) in balance of receivables	-471 102	-670 318	-1 972 620	-2 806 785
Decrease (+), increase (-) in balance of reserves	-25 727	-36 606	+1 300 678	+1 850 698
Decrease (+), increase (-) in deferred expenses	-85	-121	+109	+155
Decrease (+), increase in payables to suppliers and contractors	+116 991	+166 463	+46 703	+66 452
Decrease (+), increase in provisions	+408 082	+580 648	+10 103	+14 375
Decrease (+), increase in balance of other payables	+43 259	+61 552	-22 297	-31 726
3. Difference of cash income from economic activity and expenses (income exceeds expenses (+), expenses exceed income (-)) (2.line (+), (-) corrections)	+788 808	+1 122 372	+765 656	+1 089 430
4. Expenses on payments of taxes (-)	-153 726	-218 732	-92 573	-131 719
5. Extraordinary income (+) or extraordinary expenses (-)	-	-	-	-
Result of economic activity	+635 082	+903 640	+673 083	+957 711
II. Cash flow of investing activity				
Expenses for purchase of fixed assets	-828 693	-1 179 124	-1 371 952	+1 952 112
Proceeds from sale of fixed assets	+8 715	+12 400	+13 658	+19 434
Result of investing activity	-819 978	-1 166 724	-1 358 294	-1 932 678
III. Cash flow of financing activity				
Income or expenses from long-term loans	+443 554	+631 120	+744 440	+1 059 242
Income, expenses for short-term credit	-	-	-71 641	-101 936
Dividends paid	-15 540	-22 110	-11 839	-16 845
Result of financing activity	+428 014	+609 010	+660 960	+940 461

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
	LVL	EUR	LVL	EUR
Result of economic activity	+635 082	+903 640	+673 083	+957 711
Result of investing activity	-819 978	-1 166 724	-1 358 294	-1 932 678
Result of financing activity	+428 014	+609 010	+660 960	+940 461
Excess of cash income or overspending	+243 118	+345 926	-24 251	-34 506
Balance of cash and cash equivalents at the beginning of reporting year	+111 041	+157 997	+135 292	+192 503
Balance of cash and cash equivalents at the end of reporting year	+354 159	+503 923	+111 041	+157 997

23 March, 2007

Eduards Zavadskis

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2006 (LVL)

	Equity capital	Share premium	Long-term investment revaluation reserve	Financial instrum. revaluation reserve	Reserves	Retained profit of reporting year	Accumulated profit	Equity capital TOTAL
	LVL		LVL	LVL	LVL	LVL		LVL
31.12.2004	7 400 000					115 598	1 025 977	8 541 575
Profit of 2004 transferred to retained profit of previous years						(103 759)	103 759	-
Profit entered in reserves								
Dividends charged for 2004						(11 839)		(11 839)
Retained profit of report. year						154 540		154 540
Issue of share capital								
Increase of revaluation reserve								
Written-off revaluation reserve								
31.12.2005	7 400 000					154 540	1 129 736	8 684 276
Profit of 2005 transferred to retained profit of previous years						(139 000)	139 000	-
Profit entered in reserves								
Dividends charged for 2005						(15 540)		(15 540)
Retained profit of report. year						106 879		106 879
Issue of share capital								
Increase of revaluation reserve								
Written-off revaluation reserve								
31.12.2006	7 400 000					106 879	1 268 736	8 775 615

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"
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STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2006 (EUR)

1 EUR = 0,702804 LVL

	Equity capital	Share premium	Long-term investment revaluation reserve	Financial instrum. revaluation reserve	Reserves	Retained profit of reporting year	Accumulated profit	Equity capital TOTAL
	EUR		EUR	EUR	EUR	EUR		EUR
31.12.2004	10 529 251					164 481	1 459 834	12 153 566
Profit of 2004 transferred to retained profit of previous years						(147 636)	147 636	-
Profit entered in reserves								
Dividends charged for 2004						(16 845)		(16 845)
Retained profit of report.. year						219 891		219 891
Issue of share capital								
Increase of revaluation reserve								
Written-off revaluation reserve								
31.12.2005	10 529 251					219 891	1 607 470	12 356 612
Profit of 2005 transferred to retained profit of previous years						(197 779)	197 779	-
Profit entered in reserves								
Dividends charged for 2005						(22 112)		(22 112)
Retained profit of report.. year						152 075		152 075
Issue of share capital								
Increase of revaluation reserve								
Written-off revaluation reserve								
31.12.2006	10 529 251					152 075	1 805 249	12 486 575

APPENDIX TO THE ANNUAL REPORT FOR 2006

The joint-stock company "Daugavpils pievadkezu rupnica" was formed as a result of a privatization of the State Daugavpils driving chain factory in conformity with the order of the Cabinet No.375-r dated 09 August, 1994 and the decision (the report No.25) of the Board of the state joint-stock company "Privatization agency" having transformed the state company into joint-stock company.

The Company has received the status of public joint-stock company after its registration in the Register of Enterprises on 30 August, 1995 with the number 000303018.

08.01.2002 JSC "Daugavpils pievadkezu rupnica" changed its name to JSC "Ditton pievadkezu rupnica" with the registration number 40003030187.

29.08.2003 JSC "Ditton pievadkezu rupnica" has been registered in the Commercial Register.

The Company is the successor of rights and obligations of the state driving chain factory in conformity with conditions of privatization, and it acts on the basis of the Articles.

Kinds of activity of company:

- production of driving chains of all kinds;
- production of other plastic products;
- production of metal constructions and components of constructions;
- production of metal products used in construction;
- forging, pressing, punching and rolling of metal;
- processing of metal and facing of a surface;
- general machining processing of metal;
- production of tools;
- production of fastenings, cut products, chains and springs;
- production of others unclassified ready metal products;
- production of bearings, rack-wheels, elements of transfer and drive;
- production of machines;
- production of motorcycles and bicycles;
- production of other in another places unclassified vehicles;
- selling of motor vehicles;
- selling of motorcycles and its fixings, servicing and repairs;
- wholesale trade in machine tools;
- wholesale trade of other machines used in production, trade and navigation;
- wholesale of agricultural machines, fixings and instruments, including tractors;
- other retail trade in unspecialized shops;
- loads with motor vehicles;
- loading and unloading of loads: warehousing;
- dealership with own real estates;
- farming and renting of own real estate;
- renting of cars;
- renting of other land vehicles;
- renting of agricultural machines and instruments;
- renting of construction machines and instruments;
- renting of in other places unclassified machines and instruments;
- renting of in other places unclassified subject of individual using and the household equipment and instruments;
- consultation on questions of the program equipment, programming;
- data processing.

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The fixed capital of the company is 7 400 000 LVL, which divides into 7 400 000 public bearer shares. The nominal value of each share is 1 LVL and each share entitles to one voice.

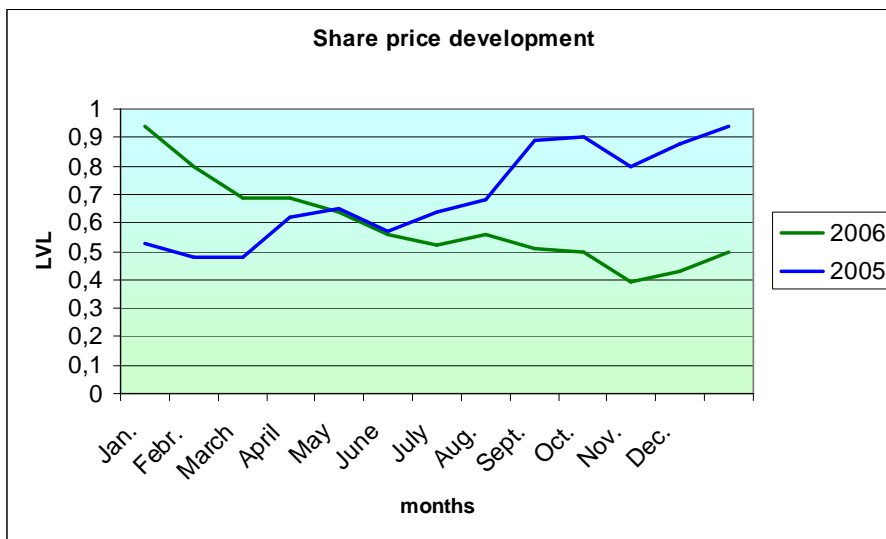
Information on shares and shareholders

Company shareholders (over 5%) as of 31.12.2006

NAME	Ownership interest, %
Eduards Zavadskis	20,00 %
Vladislavs Driksne	20,00 %
Berg Invest Holding SIA	13,16%
Steplux LLC	9,85%

** Note:* This data has been indicated as at 19.05.2006 in compliance with the list of shareholders of Latvian Central Depository. According to the Law on the Financial Instruments Market the Company has not received notifications from shareholders about changes in the volume of their financial instruments above 5%.

Share price development in years 2005 and 2006



In accordance with the Clause 56.1 of the Law on the Financial Instruments Market, the Company has no additional information at its disposal on rest part of the above mentioned Clause (part 1, sub-paragraphs 2), 4), 5), 6), 7), 8), 9), 10), 11)).

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Principles of bookkeeping and methods of evaluation

The annual report is prepared in conformity with Law On Bookkeeping and Law On Annual Reports of Enterprises. Statement on profit and loss is done in conformity with the method of turnover expenses.

Items of the annual report are evaluated in conformity with the following principles of bookkeeping:

- a) it is accepted that the company will work further;
- b) the same evaluation methods are used as in the last year;
- c) the evaluation of items is made with due foresight, i.e.
 - in the report there is the profit included received before the day of working up of balance sheet;
 - all expected sums of risk and loss which have appeared in the accounting period, or in the previous years, are taken into account, also then, if they became known during time between date of balance and day of working up of the annual report;
 - all sums of deterioration and depreciation are estimated and taken into account, no matter if the fiscal year is finished with profit or loss;
- d) income and expenses related to the accounting period are taken into account irrespective of the settlement date and date of reception or making out a bill. Expenses are coordinated with incomes in the reporting period;
- e) components of items of assets and liabilities and shareholders' equity have been evaluated separately;
- f) the balance of the beginning of the reporting period coincides with balance of the termination of the previous year;
- g) economic bargains are reflected considering their economic contents and essence, but not the legal form.

The bookkeeping was kept in 2006 on united bookkeeping accounts, which have been approved on 13 May, 1993, detailing the plan of accounts in conformity with features of economic activity of the company.

The bookkeeping register of the synthetic accounting is the Ledger, where the records are made from the statements of grouping of economic activity operations. Kinds of registers of the analytical accounting are books, cards, lists etc..

The reporting period is from 01 January 2006 till 31 December 2006.

Data reflected in these financial reports is expressed in national currency – in Latvian lats (LVL), and in Euro (EUR) as well. All monetary items of assets and liabilities and shareholders' equity are counted in lats at the rate of the Latvian bank on last day of reporting year.

	31.12.2006	31.12.2005
USD	1 USD = 0,536 LVL	1 USD = 0,593 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUR	1 RUR = 0,0203 LVL	1 RUR = 0,0206 LVL

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In the result of fluctuation in exchange rate of foreign currencies, the received profit or loss is reflected in the statement of profit and loss for the appropriate period.

In the long-term items there are the sums indicated, whose receipt, payment or write-off terms come later than one year after the termination of the proper reporting year. The sums, which have to be received, paid or written off during one year, are specified in short-term articles.

All fixed assets are stated at historical cost, less depreciation. Depreciation is calculated using the straight-line method during the period of useful using of the fixed assets.

Reserves are estimated using a method of the average expenses. Reserves have been accounted under the cost price. In case of need the value of out-of-date, damaged reserves or reserves with slow turnover is written off, or the their stocks are formed. The rests of resources have been checked in an annual inventory.

Investments in the capital of other companies are reflected in cost of purchase.

Net turnover is the income received during the year from sale of manufactured and purchased products without value added tax (VAT).

For more precise reflecting of financial standing of the company, the management of the company reflects tax provisions in the annual report, i.e. provisions for expected taxes.

In compliance with the loan contract No.2.2.1-05/93 dated 09.08.2005. JSC "Ditton pievadķēžu rūpnīca" received from JSC "Parex Banka" loan in the amount of 2 799 998,74 EUR and 500 000,00 USD. The loan has been secured with the immovable property of the borrower.

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Notes to the statement of profit and loss

(1) Net turnover

Turnover is income that was gained during the year from sale of produced and purchased products of the company without VAT, less discounts.

Breakdown of net turnover according to geographical markets:

1 EUR = 0,702804 LVL

Market	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Latvia	186 742	265 710	276 115	392 876
Eastern countries	6 125 637	8 715 996	6 474 292	9 212 088
Western countries	2 870 531	4 084 398	2 878 730	4 096 064
TOTAL	<u>9 182 910</u>	<u>13 066 104</u>	<u>9 629 137</u>	<u>13 701 028</u>

(2) Production costs of sold products

In the item there are the costs for achievement of turnover indicated.

1 EUR = 0,702804 LVL

Type of costs	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Material costs	1 935 560	2 754 054	1 937 154	2 756 322
Salary costs for production staff	1 316 924	1 873 814	1 209 864	1 721 481
Social tax and social security payments for production staff	332 192	472 667	284 018	404 121
Electricity costs	465 279	662 032	416 150	592 128
Depreciation of fixed assets	524 438	746 208	702 793	999 984
Material delivery costs	85 399	121 512	39 216	55 799
Heating and gas costs	174 587	248 415	131 685	187 371
Repair expenses	172 864	245 963	129 842	184 749
Security expenses	79 087	112 532	59 285	84 355
Business trip expenses	41 692	59 322	30 258	43 053
Water costs	16 164	22 999	12 807	18 223
Environment protection costs	2 532	3 603	1 720	2 447
Insurance costs	6 955	9 895	15 743	22 400
Stock changes	106 489	151 520	481 795	685 533
Other production costs	<u>51 090</u>	<u>72 695</u>	<u>45 641</u>	<u>64 941</u>
TOTAL	<u>5 311 252</u>	<u>7 557 231</u>	<u>5 497 971</u>	<u>7 822 907</u>

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(3) Selling costs

Type of costs	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Shipping costs	592 365	842 859	189 572	269 737
Exhibitions and advertising costs	1 458	2 075	2 934	4 174
Other selling costs	<u>15 725</u>	<u>22 375</u>	<u>14 448</u>	<u>20 558</u>
TOTAL	<u>609 548</u>	<u>867 309</u>	<u>206 954</u>	<u>294 469</u>

(4) Administration costs

Type of costs	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Administration salary	441 727	628 521	427 112	607 726
Social tax and social security payments for administration	118 544	168 673	106 508	151 547
Provisions for doubtful debts	-	-	-	-
Expenses relating to annual report and audit	2 750	3 913	2 700	3 842
Telecommunication costs	23 796	33 859	28 946	41 186
Bank services	7 195	10 238	21 064	29 971
Office expenses	4 161	5 920	2 954	4 203
Other administration costs	102 932	146 459	88 176	125 463
Other management and administrations costs	<u>1 686 990</u>	<u>2 400 370</u>	<u>2 244 292</u>	<u>3 193 340</u>
TOTAL	<u>2 388 095</u>	<u>3 397 953</u>	<u>2 921 752</u>	<u>4 157 278</u>

(5) Other incomes of economic activity of enterprise

Type of costs	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Income from material surplus in stock	2 733	3 889	3 562	5 068
Income from sale of fixed assets	10 746	15 290	8 814	12 541
Income from other periods which refer to accounting period	-	-	28 205	40 132
Other income	<u>52 837</u>	<u>75 180</u>	<u>51 852</u>	<u>73 779</u>
TOTAL	<u>66 316</u>	<u>94 359</u>	<u>92 433</u>	<u>131 520</u>

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(6) Other operating expenses

	<i>1 EUR = 0,702804 LVL</i>			
	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
Medical services	10 976	15 618	11 185	15 915
Paid fines	2 072	2 948	287	408
Provisions for doubtful debts	426 045	606 207	16 637	23 672
Training expenses	1 183	1 683	2 509	3 571
Loss from decline in exchange rate	88 618	126 092	108 752	154 740
State fee on entrepreneurship risk	1 970	2 803	2 770	3 941
Other operating expenses	<u>33 413</u>	<u>47 543</u>	<u>648 965</u>	<u>923 394</u>
TOTAL	<u>564 277</u>	<u>802 894</u>	<u>791 105</u>	<u>1 125 641</u>

(7) Income from securities and loans forming long-term investments

	<i>1 EUR = 0,702804 LVL</i>			
	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
Income from financial investments	-	-	500 000	711 436
TOTAL	<u>-</u>	<u>-</u>	<u>500 000</u>	<u>711 436</u>

(8) Extraordinary expenses

	<i>1 EUR = 0,702804 LVL</i>			
	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
Long-term financial investments and short-term write-off of the value of shares	-	-	500 000	711 436
TOTAL	<u>-</u>	<u>-</u>	<u>500 000</u>	<u>711 436</u>

(9) Interest payment and similar expenses

	<i>1 EUR = 0,702804</i>			
	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
Interest payment for loans	108 543	154 443	56 675	80 641
Other expenses	<u>5 260</u>	<u>7 484</u>	-	-
TOTAL	<u>113 803</u>	<u>161 927</u>	<u>56 675</u>	<u>80 641</u>

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(10) Enterprise income tax in reporting year

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Enterprise income tax for reporting year	95 384	135 719	54 214	77 140
Commitments from deferred enterprise income tax	<u>1 646</u>	<u>2 342</u>	-	-
TOTAL	<u>97 030</u>	<u>138 061</u>	<u>54 214</u>	<u>77 140</u>

(11) Other taxes

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Immovable property tax (land tax)	3 014	4 288	3 036	4 320
Immovable property tax	55 328	78 725	35 323	50 260
TOTAL	<u>58 342</u>	<u>83 013</u>	<u>38 359</u>	<u>54 580</u>

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Notes to the balance sheet items

(12) Intangible Assets

1 EUR = 0,702804 LVL

	Licenses		Intangible assets total	
	LVL	EUR	LVL	EUR
Initial value	39 754	56 565	39 754	56 565
31.12.05				
Purchased in 2006	328	466	328	466
31.12.06	40 082	57 031	40 082	57 031
Depreciation	33 879	48 205	33 879	48 205
31.12.05.				
Charged depreciation 2006	4 396	6 255	4 396	6 255
31.12.06	38 275	54 460	38 275	54 460
Book value as at 31.12.2005	5 875	8 360	5 875	8 360
Book value as at 31.12.2006	1 807	2 571	1 807	2 571

Computer program licenses are included into non-material investments. The planned period for write-off of the licenses – 5 years.

(13) Fixed assets

In the balance sheet all fixed assets are reflected at their purchasing price, less depreciation. The depreciation has been accounted according to straight-line method, where the following norms of the depreciation have been chosen as the basis:

	% for year
Buildings and constructions	5
Manufacturing equipment	10-50
Other fixed assets	10-40

Movement in fixed assets (LVL)

	Buildings, construction s and plots	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
Initial cost					
31.12.05	6 126 652	6 294 130	433 514	25 784	12 880 080
Purchased for year 2006	713 332	102 754	17 615	-	833 701
Disposals in 2006	-	47 920	10 507	5 336	63 763
31.12.06	6 839 984	6 348 964	440 622	20 448	13 650 018
Depreciation					
31.12.05	2 455 338	5 964 138	345 320	-	8 764 796
Charged depreciation for 2006	305 084	186 351	29 588	-	521 023
Disposals 2006	-	39 205	10 507	-	49 712
31.12.06	2 760 422	6 111 284	364 401	-	9 236 107
Book value as at 31.12.05	3 671 314	329 992	88 194	25 784	4 115 284
Book value as at 31.12.06	4 079 562	237 680	76 221	20 448	4 413 911

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Movement in fixed assets (EUR)

1 EUR = 0,702804 LVL

	Buildings, construction s and plots	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
Initial cost					
31.12.05	8 717 441	8 955 740	616 834	36 687	18 326 702
Purchased for year 2006	1 014 980	146 206	25 064	-	1 186 250
Disposals in 2006	-	68 184	14 950	7 592	90 726
31.12.06	9 732 421	9 033 762	626 948	29 095	19 422 226
Depreciation					
31.12.05	3 493 631	8 486 204	491 346	-	12 471 181
Charged depreciation for 2006	434 095	265 154	42 100	-	741 349
Disposals 2006	-	55 784	14 950	-	70 734
31.12.06	3 927 726	8 695 574	518 496	-	13 141 796
Book value as at 31.12.05	5 223 810	469 536	125 488	36 687	5 855 521
Book value as at 31.12.06	5 804 695	338 188	108 452	29 095	6 280 430

(14) Long-term financial investments

1 EUR = 0,702804 LVL

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Participation in subsidiary enterprise Meteor Kettenfabrik, Germany, 100% of capital	220 695	314 021	220 695	314 021
Loans to related companies*	<u>118 791</u>	<u>169 024</u>	<u>48 511</u>	<u>69 025</u>
TOTAL	<u>339 486</u>	<u>483 045</u>	<u>269 206</u>	<u>383 046</u>

**Note: Loans to related companies*

In reporting year the Company granted a loan in the amount of 70 280,40 LVL (100 000,00 EUR) with payback term in year 2010, with interest rate 5,9% annually. In the result, at the end of reporting year loan debt of the related company came up to 118 790,96 LVL (169 024,31 EUR).

(15) Finished products and goods for sale

1 EUR = 0,702804 LVL

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Finished products for sale	586 879	835 054	752 096	1 070 136
Baiter products for sale	1 853	2 636	9 882	14 061
Provisions for reserves with slow turnover	<u>(34 061)</u>	<u>(48 464)</u>	<u>(38 425)</u>	<u>(54 674)</u>
Book value	<u>554 671</u>	<u>789 226</u>	<u>723 553</u>	<u>1 029 523</u>

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(16) Debts of buyers and customers

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Book value of debts of buyers and customers	4 298 338	6 115 983	3 396 937	4 833 406
Debts of baiter products suppliers	-	-	-	-
Provisions for doubtful debts	<u>(435 197)</u>	<u>(619 229)</u>	<u>(21 082)</u>	<u>(29 997)</u>
Book value	<u>3 863 141</u>	<u>5 496 754</u>	<u>3 375 855</u>	<u>4 803 409</u>

There are special provisions for doubtful debts established in the amount of 100%.

(17) Debts of related enterprises

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Debts of related companies, Meteor Kettenfabrik GmbH	<u>508 527</u>	<u>723 569</u>	=	=
TOTAL	<u>508 527</u>	<u>723 569</u>	-	-

(18) Other debtors

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
VAT overpayment	129 563	184 351	165 032	234 819
VAT from non-paid bills	29 398	41 830	100 224	142 606
Overpayment of enterprise income tax	-	-	5 881	8 368
Other debtors	111 401	158 509	523 936	745 494
Book value	<u>270 362</u>	<u>384 690</u>	<u>795 073</u>	<u>1 131 287</u>

(19) Expenses of future periods

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Other payments	<u>502</u>	<u>714</u>	<u>417</u>	<u>593</u>
Book value	<u>502</u>	<u>714</u>	<u>417</u>	<u>593</u>

(20) Cash assets as at 31.12.06

	2006	2006	<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	2005	2005
			LVL	EUR
Cash on hand	2 660	3 785	795	1 131
Cash in bank	351 499	500 138	110 246	156 866
Book value	<u>354 159</u>	<u>503 923</u>	<u>111 041</u>	<u>157 997</u>

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	Currency	2006 LVL	2006 EUR	Currency	2005 LVL	2005 EUR
LVL	-	289 245	411 559	-	2 000	2 846
USD	189 996	101 838	144 902	134 431	79 718	113 428
EUR	-52 538	-36 924	-52 538	6 043	4 247	6 043
RUR	-	-	-	1 217 268	25 076	35 680
TOTAL		<u>354 159</u>	<u>503 923</u>		<u>111 041</u>	<u>157 997</u>

(21) Reserves for planned taxes

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Enterprise income tax	-	-	-	-

(22) Other provisions

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
			<i>1 EUR = 0,702804 LVL</i>	
Provisions for doubtful debts	433 551	616 888	21 083	29 998
Provisions for goods with slow turnover	34 061	48 464	38 425	54 674
Provisions from unused vacations	837	1 191	855	1 217
Social tax provisions from unused vacations	<u>202</u>	<u>287</u>	<u>206</u>	<u>293</u>
Balance value	<u>468 651</u>	<u>666 830</u>	<u>60 569</u>	<u>86 182</u>

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
			<i>1 EUR = 0,702804 LVL</i>	
Long-term creditors	<u>1 757 382</u>	<u>2 500 529</u>	<u>1 330 295</u>	<u>1 892 839</u>

(23) Credit received from A/S "Parex Banka" according to the contract No.2.2.1.-05/93 dated 06.09.2005 total, long-term

	1 715 073	2 440 329	1 330 295	1 892 839
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(24) Other loans, contract No.06820 (SIA „DnB Nord lizings”)

	40 663	57 858	-	-
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(25) Commitments from deferred enterprise income tax

	1 646	2 342	-	-
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Short-term creditors

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
(26) Received credit from AS „Parex Banka” (with repayment period in year 2007) according to the contract No.2.2.1-05/93 dated 06.09.2005	240 359	342 000	240 359	342 000

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
(27) SIA „DnB Nord Lizings”, contract No.06820, with repayment term in 2007	18 113	25 772	-	-

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
(28) Advance payments from buyers	14 448	20 558	4 368	6 215

(29) Debts to suppliers and contractors

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Settlements with suppliers (materials)	187 716	267 096	66 414	94 499
Settlements with suppliers and contractors (services)	<u>90 284</u>	<u>128 462</u>	<u>94 595</u>	<u>134 597</u>
Balance value	<u>278 000</u>	<u>395 558</u>	<u>161 009</u>	<u>229 096</u>

1 EUR = 0,702804 LVL

(30) Taxes and social security payments

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Enterprise income tax for December 2006	29 277	41 657	-	-
State fee on entrepreneurship risk for December 2006	159	226	225	320
Property tax for IV quarter of 2006	4 499	6 401	1 402	1 995
Social security payments for December of 2006	57 636	82 009	58 913	83 825
Personal income tax for December of 2006	33 849	48 163	35 419	50 397
Nature resources tax for IV quart.of 2006	<u>1 598</u>	<u>2 274</u>	<u>1 206</u>	<u>1 716</u>
Balance value	<u>127 018</u>	<u>180 730</u>	<u>97 165</u>	<u>138 253</u>

1 EUR = 0,702804 LVL

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(31) Other debtors

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
VAT paid in advance	437	622	1 275	1 814
Settlements of salaries for December 2006	928	1 320	106	151
Salary on charge cards for December 2006	75 930	108 039	75 520	107 455
Labor union member's fee for December 2006	960	1 366	1 069	1 521
Alimony payment for December 2006	547	778	801	1 140
Deductions into fund of labor union	18 903	26 896	15 379	21 882
Transfers into pension fund for December of 2006	<u>1 229</u>	<u>1 749</u>	<u>1 458</u>	<u>2 075</u>
TOTAL	<u>98 934</u>	<u>140 770</u>	<u>95 608</u>	<u>136 038</u>

1 EUR = 0,702804 LVL

(32) Transactions with related persons

Related persons are such subsidiaries and associated companies of the Company, and its participants/shareholders as well, which can control the Company or which have substantial influence on the Company in taking decisions related to basic activity, senior management staff of the Company or its headquarters and any close family member of the above described private persons, and companies, which are under control of such persons or on which they have substantial influence.

The joint-stock company controls the subsidiary Meteor Kettenfabrik GmbH (enterprise registered in Germany), and owns 100% of capital shares of the company.

LVL

Related person		Products and services sold to related persons	Products and services purchased from related persons	Debts of related persons	Debts to related persons
Meteor Kettenfabrik GmbH	2006	283 136	8 119	508 527	0
	2005	274 338	-	346 274	0
TOTAL		557 474	8 119	854 801	0

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EUR

1 EUR = 0,702804 LVL

Related persons		Products and services sold to related persons	Products and services purchased from related persons	Debts of related persons	Debts to related persons
Meteor Kettenfabrik GmbH	2006	402 866	11 552	723 569	0
	2005	390 348	-	492 704	0
KOPĀ		793 214	11 552	1 216 273	0

Terms and conditions applied to transactions with related persons

Goods are sold to related persons and purchased from related persons at normal (common) market prices. Open commitments are in no way secured at the end of year and all settlements are effected with money means. There are no guarantees received or given for any debts of related persons.

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General information

(a) Taxes (LVL)

Type of tax	Tax commitments as at 31.12.05	Charged in year 2006	Paid in year 2006	Transferred to/from other taxes	Credited for customs payments	Tax commitments as at 31.12.06
VAT	(165 032)	(916 191)	-	682 111	269 549	(129 563)
Fee on entrepreneurship risk	225	1 971	(2 037)	-	-	159
Enterprise income tax	(5 881)	95 384	(3 700)	(56 526)	-	29 277
Immovable property tax for buildings and facilities	1 402	55 328	(52 231)	-	-	4 499
Social security payments	58 913	577 187	-	(578 464)	-	57 636
Personal income tax	35 419	324 137	-	(325 707)	-	33 849
Natural resources tax	1 206	6 024	(5 632)	-	-	1 598
Immovable property tax for land	-	-	-	-	-	-
TOTAL:	(73 748)	143 840	(63 600)	(278 586)	269 549	(2 545)

Taxes (EUR)

Type of tax	Tax commitments as at 31.12.05	Charged in year 2006	Paid in year 2006	Transferred to/from other taxes	Credited for customs payments	Tax commitments as at 31.12.06
VAT	(234 819)	(1 303 622)	-	970 557	383 534	(184 350)
Fee on entrepreneurship risk	320	2 804	(2 898)	-	-	226
Enterprise income tax	(8 368)	135 719	(5 265)	(80 429)	-	41 657
Immovable property tax for buildings and facilities	1 995	78 725	(74 318)	-	-	6 402
Social security payments	83 826	821 263	-	(823 080)	-	82 009
Personal income tax	50 397	461 205	-	(463 439)	-	48 163
Natural resources tax	1 716	8 571	(8 014)	-	-	2 273
Immovable property tax for land	-	-	-	-	-	-
TOTAL:	(104 933)	204 665	(90 495)	(396 391)	383 534	(3 620)

1 EUR = 0,702804 LVL

Explanation: tax overpayment and reduction is reflected in brackets.

(b) Average number of employees

	2006	2005
Average number of employees during the reporting year	<u>632</u>	<u>641</u>

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(c) Personnel expenses

1 EUR = 0,702804 LVL

Type of payments	2006	2006	2005	2005
	LVL	EUR	LVL	EUR
Salaries	1 778 194	2 530 142	1 658 776	2 360 226
Social tax	<u>421 460</u>	<u>599 684</u>	<u>375 399</u>	<u>534 144</u>
TOTAL:	<u>2 199 654</u>	<u>3 129 826</u>	<u>2 034 175</u>	<u>2 894 370</u>

(d) Information about remuneration to Members of the Council and Management Board

1 EUR = 0,702804 LVL

	Council		Management Board		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Salaries	23 473	33 399	42 310	60 202	65 783	93 601
Social tax 24,09%	5 655	8 046	10 192	14 502	15 847	22 548
TOTAL	29 128	41 455	52 502	74 704	81 630	116 149

23 March 2007

Eduards Zavadskis