

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

NON-AUDITED AND NON-CONSOLIDATED

FINANCIAL REPORT

FOR 3 MONTHS OF YEAR 2009

(01.01.2009 – 31.03.2009)

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

Daugavpils

2009

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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	01.01.2009 – 31.03.2009
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

Eduards Zavadskis, elected 29.08.2003.

Deputy Chairman of the Management Board

Pjotrs Dorofejevs, elected 07.01.2004.

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	%
Eduards Zavadskis	1 480 000	20
Pjotrs Dorofejevs	no shares	-
Natalja Redzoba	1 900	0,03

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 20.06.2008

Deputy Chairman of the Council

Georgijs Sorokins, elected 20.06.2008

Members of the Council

Jevgenijs Glinkins, elected 20.06.2008

Jevgenijs Sokolovskis, elected 20.06.2008

Pavels Samuilovs, elected 20.06.2008

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
Jevgenijs Glinkins	no shares	-
Jevgenijs Sokolovskis	no shares	-
Pavels Samuilovs	700 000	9,46

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 31.03.2009

INFORMATION ON SHAREHOLDERS AND SHARES

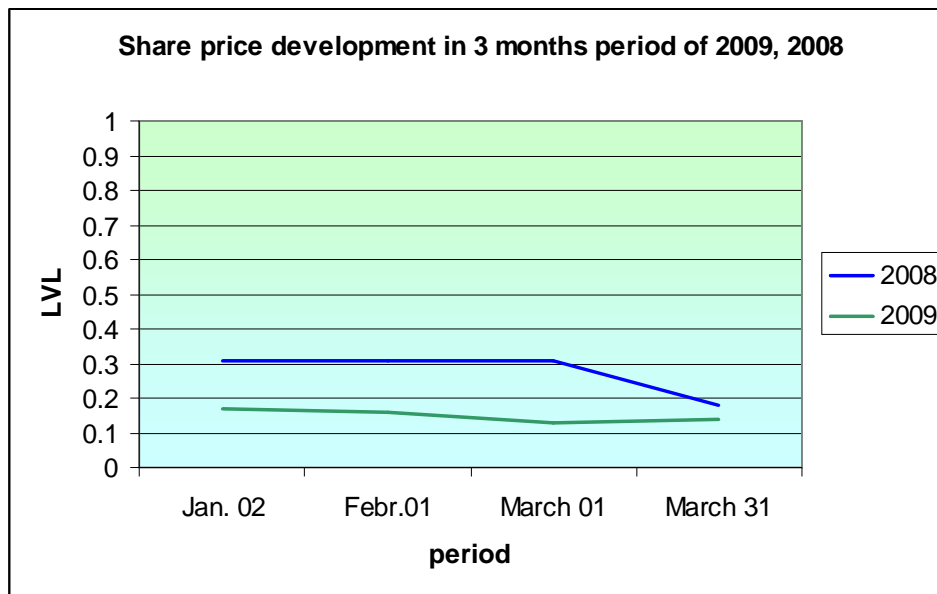
COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Pavels Samuilovs	9,46
Gatis Poiss	7,01

* **Note:** Information is presented on the basis of full list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 01.06.2008., taking into account notifications on acquisition and disposal significant holding in the Issuer's equity received by the company till 31.03.2009.

SHARE PRICE DEVELOPMENT

Share price development in 3 months period of 2009 and 2008



MANAGEMENT REPORT

Information on the results of the company in 3 months of year 2009

In 3 months of 2009 net-turnover in fact was fulfilled in the amount of 794 thous.LVL (1 130 thous.EUR) against the forecast 1 800 thous.LVL (2 561 thous.EUR), decrease amounts to 1 006 thous.LVL (1 431 thous.EUR) or 44%. Compared to the level of previous year, net-turnover of the reporting period is by 1 254 thous.LVL (1 784 thous.EUR) or by 39% less.

Loss before taxes amounted to 233 thous.LVL (332 thous.EUR) in 3 months period of 2009, which is by 274 thous.LVL (390 thous.EUR) less than the forecast. Loss after taxes amounts to 262 thous.LVL (373 thous.EUR).

Commodity output is estimated in the amount of 1 419 thous.LVL (2 019 thous.EUR). The result of 3 months of 2009 is by 635 thous.LVL (904 thous.EUR) or by 69% less than the 3 months result of the previous year.

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

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 378 in 3 months of year 2009.

The average salary amounted to 272 LVL (387 EUR) in 3 months period of 2009, which is by 42 LVL (74 EUR) less than in 3 months of 2008.

Market tendencies and development of the company. Risks.

In the 1st quarter the activity of the company proceeded in worsening crisis circumstances. The Management Board informed the shareholders on increase of crisis appearances, their reasons and possible consequences in quarterly and annual reports for 2008.

Unfortunately, the Management Board notices that decrease in demand for the company's production, which first of all is applied in mechanical engineering, exceeded substantially the forecasted indices.

At the same time the Management Board is not alone in its too optimistic forecast about the potential level of drop in production: at the moment the developing economic crisis is unusual in its volumes, factors, levels and consequences, is not (and can not be) studied in a historical retrospection and has no full scientific-economical ground either in respect of terms and intensity, or factors. In these conditions not only in scientific circles, but also governments of many economically developed countries have given wrong prognoses in respect of decrease level of GDP, production and consumers demand, and now abstain from any optimistic crisis evaluations.

While being included into a global and European economics the company was not able to survive like in an oasis of "prosperity" and it faces all factors of global crisis to the same degree, reflecting the level of the general decrease.

It is worsened also by the factor that automobile industry faces the most intensive crisis appearances because of an unpredictable drop in the consumers demand for its production (for some types – by 50-60%).

Many companies of automobile industry decrease their production and staff, stop their activity, do restructuring by means of merging or overtaking.

In the 1st quarter of 2009 the Russian manufacturers didn't resume their activity practically (e.g. AVTOVAZ) at the conditions, in which exactly this market consumed up to 65-70% of the company's production,

The Management Board has systematically informed the shareholders about an inability to do a rapid restructuring of our production placing an emphasis on Western market and make an aggressive promotion of our production on it. In the crisis conditions such restructuring is all the more impossible.

In the abovementioned circumstances the company is forced to work in economy regime by using internal resources and reorganizing production processes according to the existing volumes of demand, production and costs, including optimization of staff in accordance with production volumes and its actual employment.

Processes which negatively influence the company are unstable and depend on general crisis in global economics. At present moment the company does not see tendencies for "stopping" and stabilization of crisis occurrences. In this connection prognosis for future development of events in economics, on raw material, resources and company's production market, and prognosis for company's future development as well are unfavorable.

The Management Board considers it necessary to restrict these negative prognoses of the company's development to the crises period, which according to analysts shall be most critical in 2009 and 2010.

The Management Board considers it as its main task to minimize global crisis risks, maintain the company with its brand, technologies, personnel, traditional partners and market with future development upon overcoming the crisis together with the whole global and Latvian economics.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 3 months of year 2009 ended March 31, 2009 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 pievadķēžu rūpnīca". Management report contains truthful information.

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

Eduards Zavadskis

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

BALANCE SHEET	31.03.2009 LVL	31.03.2008 LVL	31.03.2009 EUR	31.03.2008 EUR
ASSETS				
CURRENT ASSETS				
Cash and bank	62 940	105 076	89 556	149 510
Short-term investments	0		0	0
Customer receivables				
Debts of buyers and customers	4 814 914	4 486 516	6 851 005	6 383 737
Accounts receivable from related companies	0	0	0	0
Allowance for uncollectible receivables	-1 312 072	-254 334	-1 866 910	-361 885
Total	3 502 842	4 232 182	4 984 095	6 021 852
Other receivables				
Other current receivables	888 604	82 839	1 264 369	117 869
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	888 604	82 839	1 264 369	117 869
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	59 017	245 839	83 974	349 797
Other prepaid expenses	0	0	0	0
Total	59 017	245 839	83 974	349 797
Inventories				
Raw materials	1 285 265	1 121 864	1 828 767	1 596 269
Work-in-progress	318 755	318 551	453 548	453 257
Finished goods	1 371 608	1 010 102	1 951 622	1 437 246
Prepayments to suppliers	497 519	1 245 717	707 906	1 772 496
Total	3 473 147	3 696 234	4 941 843	5 259 268
TOTAL CURRENT ASSETS	7 986 550	8 362 170	11 363 837	11 898 296
NON-CURRENT ASSETS				
Long-term financial assets	0	0	0	0
incl. Shares in subsidiaries	0	0	0	0
Total	0	0	0	0
Non-current physical assets				
Land plots, buildings, equipment, costs on construction in progress	14 114 548	14 426 667	20 083 192	20 527 298
Other equipment and fixtures	321 442	356 883	457 371	507 799
Accumulated depreciation	10 743 006	10 199 632	15 285 920	14 512 769
Total	3 692 984	4 583 918	5 254 643	6 522 328
Intangible assets				
Purchased licenses, trademarks etc.	167	264	237	375
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	167	264	237	375
TOTAL NON-CURRENT ASSETS	3 693 151	4 584 182	5 254 880	6 522 703
TOTAL ASSETS	11 679 701	12 946 352	16 618 717	18 420 999

1 EUR =

0.702804 LVL 0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

BALANCE SHEET	31.03.2009	31.03.2008	31.03.2009	31.03.2008
LIABILITIES & OWNERS' EQUITY	LVL	LVL	EUR	EUR
SHORT-TERM LIABILITIES				
Debt obligations				
Short-term loans from financial institutions	52 381	0	74 531	0
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	2 819	6 997	4 011	9 956
Total	55 200	6 997	78 542	9 956
Customer prepayments for goods and services	11 513	14 382	16 382	20 464
Creditors	469 211	176 225	667 627	250 745
Total	480 724	190 607	684 009	271 209
Tax liabilities	490 696	161 200	698 198	229 367
Accrued expenses				
Salary-related accrued expenses	107 916	143 665	153 551	204 417
Interest payable	25 100	29 531	35 714	42 019
Total	133 016	173 196	189 265	246 436
Provisions	33 325	288 229	47 417	410 113
Total	33 325	288 229	47 417	410 113
SHORT-TERM LIABILITIES TOTAL	1 192 961	820 229	1 697 431	1 167 081
LONG-TERM LIABILITIES				
Long-term liabilities	1 686 290	1 749 982	2 399 374	2 490 000
Long-terms capital lease obligation	3 367	21 642	4 791	30 794
Deferred tax obligation	27 247	0	38 769	0
Total	1 716 904	1 771 624	2 442 934	2 520 794
LONG-TERM LIABILITIES TOTAL	2 909 865	2 591 853	4 140 365	3 687 875
CREDITORS TOTAL	2 909 865	2 591 853	4 140 365	3 687 875
OWNERS' EQUITY				
Share capital	0	0	0	0
Paid in capital over par	0	0	0	0
Reserves	0	0	0	0
Other reserves	0	0	0	0
Total	7 400 000	7 400 000	10 529 251	10 529 251
Retained earnings	1 632 282	1 512 882	2 322 528	2 152 637
Net profit for the reporting period	-262 446	1 441 617	-373 427	2 051 237
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 769 836	10 354 499	12 478 352	14 733 125
TOTAL LIABILITIES	11 679 701	12 946 352	16 618 717	18 420 999
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

INCOME STATEMENT	31.03.2009 LVL	31.03.2008 LVL	31.03.2009 EUR	31.03.2008 EUR
Net sales	793 463	2 047 554	1 128 996	2 913 407
Other operating income	94 753	1 231 426	134 822	1 752 161
Total income	888 216	3 278 980	1 263 818	4 665 568
Direct cost of goods sold or services rendered	-447 812	-515 279	-637 179	-733 176
Marketing, advertising and public relations expenses	0	-2 521	0	-3 587
Bad receivables	0	0	0	0
Operating expenses	-5 282	-15 493	-7 516	-22 045
Salaries, bonuses and social expenses	-381 704	-618 980	-543 116	-880 729
Depreciation expense	-194 243	-223 976	-276 383	-318 689
Other expenses	-70 103	-385 709	-99 747	-548 814
Operating expenses	-1 099 144	-1 761 958	-1 563 941	-2 507 040
EBIT	-210 928	1 517 022	-300 124	2 158 528
Percents paid	-25 100	-29 532	-35 714	-42 020
Financial items	0	0	0	0
Financial income (except Foreign Exchange rate difference)	0	0	0	0
Financial costs (except Foreign Exchange rate difference)	0	0	0	0
Exchange rate +gain / -loss	2 378	-8 335	3 384	-11 860
Financial items	-22 722	-37 867	-32 330	-53 880
Profit before extraordinary items and taxes	233 650	1 479 155	-332 454	2 104 648
EBT	233 650	1 479 155	-332 454	2 104 648
Provisions for taxes	-28 796	-37 538	-40 973	-53 411
Profit after taxes	-262 446	1 441 617	-343 427	2 051 237
Net profit	-262 446	1 441 617	-343 427	2 051 237
Index EPS	-0.035	0.195	0.050	0.277
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

CASH FLOW STATEMENT	31.03.2009 LVL	31.03.2008 LVL	31.03.2009 EUR	31.03.2008 EUR
CASH GENERATED FROM OPERATIONS	-22 185	-1 556 505	-31 566	-2 214 707
Cash received from customers	-1 305 084	-3 259 637	-1 856 967	-4 638 046
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	-1 282 899	+1 703 132	+1 825 401	+2 423 339
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	+14 579	+2 845	+20 744	+4 048
Cash paid for purchasing shares in subsidiary ML Group	0	0	0	0
Business acquisition	0	0	0	0
Cash paid for purchasing non-current physical assets	+14 579	+2 845	+20 744	+4 048
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	0	0	0	0
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	-12 907	+1 477 794	-18 365	+2 102 711
Long-term loans received	+12 338	+1 507 982	+17 555	+2 145 665
Short-term loans received	0	0	0	0
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-145	-656	-206	-934
Paid interest	-25 100	-29 532	-35 714	-42 020
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-20 513	-75 866	-29 187	-107 948
Cash and cash equivalents as at the beginning of period	+83 453	-180 942	+118 743	-257 457
Cash and cash equivalents as at the end of period	+62 940	+105 076	+89 556	+149 507
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-20 513	-75 866	-35 714	-107 948
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

Statement of changes in equity for the period from 01.01.2009 till 31.03.2009 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 1st January, 2009	7 400 000	-	-	-	1 632 282	-	9 032 282
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2008	-	-	-	-	-	-	-
Allocation of profit of 2008 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 3 months of 2009	-	-	-	-	-	-262 446	-262 446
As at 31 March, 2009	7 400 000	-	-	-	1 632 282	-262 446	8 769 836
As at 1st January, 2008	7 400 000	-	-	-	1 512 882	-	8 912 882
Dividend relating to 2007	-	-	-	-	-	-	-
Allocation of profit of 2007 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 3 months of 2008	-	-	-	-	-	1 441 617	1 441 617
As at 31 March, 2008	7 400 000	-	-	-	1 512 882	1 441 617	10 354 499

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2009

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2009 till 31.03.2009 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1st January, 2009 (0.702804)	10 529 251	-	-	-	2 322 528	-	12 851 799
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2008	-	-	-	-	-	-	-
Allocation of profit of 2008 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period (0.702804)	-	-	-	-	-	-373 427	-373 427
As at 31 March, 2008 (0.702804)	10 529 251	-	-	-	2 322 528	-373 427	12 478 352
1st January, 2007 (0.702804)	10 529 251	-	-	-	2 152 637	-	12 681 888
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period (0.702804)	-	-	-	-	-	2 051 236	2 051 236
As at 31 March, 2007 (0.702804)	10 529 251	-	-	-	2 152 637	2 051 236	14 733 124

Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in last Annual Report.

This financial statement of JSC "Ditton pievakezu rupnica" has been prepared in accordance with the source documents and presents fairly the financial position of the JSC as of March 31, 2009 and the results of its operation and cash flows for the 3 months period ended 31 March 2009.

This financial report has been prepared in compliance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent base.

The interim financial report for 3 months of 2009 has not been audited by jury auditor.

The interim report has been prepared in Latvian Lats and Euro.

Currency exchange rate: 1 EUR = 0,702804 LVL.

**Summary of financial results
for 3 months of year 2009**

thous.LVL

Name of index	Forecast for 2009	3 months of year 2009		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	7 200	1 785	1 419	-366
Production of main products	7 182	1 415	1 354	-61
Production of driving chains	7 131	2 465	1 941	-524
incl. automotive	2 821	1 766	1 384	-382
industrial	4 310	699	557	-142
Sales volume	7 450	1 800	794	-1 006
Sales of main products	7 400	1 788	788	-1 000
Profit after taxes	35	8	-262	-270

thous.EUR

1 EUR = 0.702804 LVL

Name of index	Forecast for 2009	3 months of year 2009		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	10 245	2 540	2 019	-521
Production of main products	10 219	2 013	1 927	-86
Production of driving chains	10 147	3 507	2 762	-745
incl. automotive	4 014	2 512	1 969	-543
industrial	6 133	995	793	-202
Sales volume	10 600	2 561	1 130	-1 431
Sales of main products	10 529	2 544	1 121	-1 423
Profit after taxes	57	11	-373	-384

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 3 months of year 2009 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 1 419 thous.LVL (2 019 thous.EUR). The result of reporting period is by 635 thous.LVL (904 thous.EUR) or 69% less than in 3 months period of previous year.

Production of driving chains in 3 months of 2009 (thous.meters)

Production of driving chains in natural units is by 289 thous.meters less than the forecast.

Production of driving chains in 3 months of year 2009 (thous.LVL/thous.EUR)

Production of driving chains in money terms is by 382 thous.LVL (544 thous.EUR) less than the forecast. The actual performance of reporting period is by 605 thous.LVL (861 thous.EUR) less than in the relevant period of previous year.

Sales (net-turnover) in 3 months of 2009 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 1 800 thous.LVL (2 561 thous.EUR) in 3 months of year 2009, in fact it has been fulfilled in the amount of 794 thous.LVL (1 130 thous.EUR), decrease amounts to 1 006 thous.LVL (1 431 thous.EUR). The actual performance of the reporting period is by 1 254 thous.LVL (1 784 thous.EUR) or 38,8 less than the index of the same period of previous year.

Sales of main products in 3 months of 2009 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 1 000 thous.LVL (1 423 thous.EUR) less than the forecast, and it is by 1 252 thous.LVL (1 781 thous.EUR) or 38,6% less than the result of the relevant period of prior year.

Proceeds from other activities are by 2 thous.LVL (3 thous.EUR) less than the result of the relevant period of last year and they amounted to 6 thous.LVL (9 thous.EUR).