

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

NON-AUDITED AND NON-CONSOLIDATED

FINANCIAL REPORT

FOR 12 MONTHS OF YEAR 2007

(01.01.2007 – 31.12.2007)

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

Daugavpils

2008

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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	01.01.2007 – 31.12.2007
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.fin@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. (from 29.08.2003 till 07.01.2004 Member of the Management Board)

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jurijs Kostromins, elected 07.01.2004.

Vladimirs Kovalonoks, elected 09.05.2007.

Raimonds Bruzevics, elected 29.11.2006, relieved 12.04.2007.

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
Jurijs Kostromins	no shares	-
Raimonds Bruzevics (29.11.2006-12.04.2007)	1 900	0,03
Vladimirs Kovalonoks (from 09.05.2007)	no shares	-

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 *	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Tatjana Lapunova	no shares	-
Jevgenijs Glinkins	no shares	-

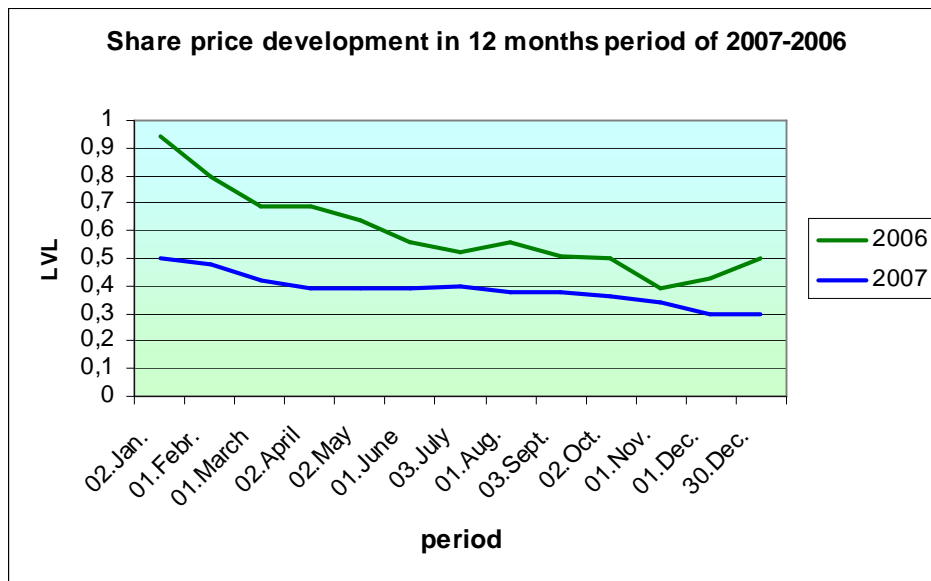
* As of 02.04.2007

INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) AS OF 02.04.2007

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

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 12 months of year 2007

In 12 months of year 2007 net-turnover in fact was fulfilled in the amount of 9 198 thous. LVL (13 088 thous.EUR) against the forecast 8 700 thous. LVL (12 379 thous.EUR), increase amounts to 498 thous.LVL (709 thous.EUR) or 5,7%. Compared to the level of previous year net-turnover of the reporting period remained approximately on the same level (increase by 15 thous.LVL (21 thous.EUR) or by 0,2%).

Profit before taxes for 12 months period of 2007 amounted to 231 895 LVL (329 957 EUR), which is by 68 thous.LVL (97 thous.EUR) more than the forecast. Profit after taxes amounts to 108 234 LVL (154 003 EUR), which is comparable with the results of 2006 and 2005.

Output of commodity products is estimated in the amount 8 840 thous.LVL (12 578 thous.EUR). The result of reporting period is by 373 thous.LVL (531 thous.EUR) or 4,4% higher than the result of relevant period of year 2006. Output increase of commodity products in money terms is related to a greater extent to growth of price of finished products, and in a lesser extent to growth of production volume due to extra single orders, which according to the management of the company can not be considered to be a constant tendency for the future. (For more detailed information on performance results with explanatory notes please refer to pages 8-16 of present financial statement).

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 in Latvia.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 615 people in 12 months of year 2007.

The average salary amounted to 279 LVL (397 EUR) in 12 months period of 2007, which is by 45 LVL (64 EUR) more than in 12 months of 2006.

Market tendencies and development of the company. Risks.

Main product sales and market development tendencies, risks and development prospects as described in financial statement for 9 months period of 2007, remained also in the whole reporting period.

At the same time in different periods of time some of tendencies may become more significant in respect of interests and income misbalance of the joint-stock company.

In the reporting period the processes of general crisis and similar negative phenomena in global and European economics have been significant:

- inflation processes characteristic of almost all countries;

- price fluctuations and growth in general in Latvia, and in the whole world as well on energy resources and metal, transport and other services, which is very essential for power- and metal-consuming production;
- in particular – problems of USD exchange rate, including, price formation, as the joint-stock company is working mainly in the “USD zone”;
- activation of policy of economy in the market misbalance circumstances from the side of our traditional customers (temporary falling-off in demand) by parallel activation of aggressive dumping policy of Asian manufacturers, which make use of crises phenomenon in economics.

For analytical information it can be mentioned that along existing of comparable production volumes, prices on material resources increased in average by 8,5%, but on energy resources – by 20,5%. And they are also expected to continue to grow in year 2008.

Owing to general Latvian internal processes in growth of taxes and labour resources value, labour costs increased by 15,9%, growth of taxes paid ranges from 15% till 132%, for instance, sum paid as social tax grew by 15,9%, tax on immovable property – by 56,6%, enterprise income tax – by 131,7%.

It is assumed that owing to the further growth of prices on materials and resources, average loan costs, and changes of cadastral value of immovable property as well, growth trend of these taxes will remain.

As positive moment the Management Board notes that in the stabilization circumstances of net-turnover, demand for products with simultaneous increase of costs on taxes, material and resources, owing to internal reserves and correct administration of production processes the JSC succeeded to keep its income on stable level, and is comparable to the results of 2006 and 2005.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 12 months of year 2007 ended December 31, 2007 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.

Deputy Chairman of the Management Board of
JSC “Ditton pievadķēžu rūpnīca”

Pjotrs Dorofejevs

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

BALANCE SHEET	31.12.2007	31.12.2006	31.12.2007	31.12.2006
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	180 942	354 159	257 457	503 923
Short-term investments				
Customer receivables				
Debts of buyers and customers	4 180 371	4 806 865	5 948 132	6 839 553
Accounts receivable from related companies	0	0	0	0
Allowance for uncollectible receivables	-254 334	-435 197	-361 885	-619 230
Total	3 926 037	4 371 668	5 586 247	6 220 323
Other receivables				
Other current receivables	33 834	270 362	48 142	384 690
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	33 834	270 362	48 142	384 690
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	189 802	0	270 064	0
Other prepaid expenses	0	502	0	714
Total	0	502	0	714
Inventories				
Raw materials	1 029 413	1 123 682	1 464 723	1 598 855
Work-in-progress	272 668	228 321	387 972	324 872
Finished goods	888 255	554 671	1 263 873	789 226
Prepayments to suppliers	20 296	119 951	28 878	170 675
Total	2 210 632	2 026 625	3 145 446	2 883 628
TOTAL CURRENT ASSETS	6 541 247	7 023 316	9 307 356	9 993 278
NON-CURRENT ASSETS				
Long-term financial assets				
incl. shares in subsidiaries	0	220 695	0	314 021
Loans to related companies	0	118 791	0	169 024
Total	0	339 486	0	483 045
Non-current physical assets				
Land plots, buildings, equipment, costs on construction in progress	14 493 966	13 188 948	20 623 056	18 766 182
Other equipment and fixtures	405 743	461 070	577 320	656 044
Accumulated depreciation	-10 089 157	-9 236 107	-14 355 577	-13 141 796
Total	4 810 552	4 413 911	6 844 799	6 280 430
Intangible assets				
Purchased licenses, trademarks etc.	452	1 807	643	2 571
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	452	1 807	643	2 571
TOTAL NON-CURRENT ASSETS	4 811 004	4 755 204	6 845 442	6 766 046
TOTAL ASSETS	11 352 251	11 778 520	16 152 798	16 759 324
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	31.12.2007	31.12.2006	31.12.2007	31.12.2006
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	0	240 359	0	342 000
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	19 057	18 113	27 116	25 773
Total	19 057	258 472	27 116	367 773
Customer prepayments for goods and services	1 108 807	14 448	1 577 690	20 558
Supplier payables	585 090	164 634	832 508	234 253
Total	1 693 897	179 082	2 410 198	254 811
Tax liabilities	105 013	127 018	149 420	180 730
Accrued expenses				
Salary-related accrued expenses	109 142	98 497	155 295	140 149
Interest payable	0	113 803	0	161 927
Total	214 155	339 318	304 715	482 806
Provisions	288 750	470 297	410 854	669 172
Total	288 750	470 297	410 854	669 172
TOTAL CURRENT LIABILITIES	2 215 859	1 247 169	3 152 883	1 774 562
NON-CURRENT LIABILITIES				
Long-term liabilities	242 000	1 715 073	344 335	2 440 329
Other loans	21 642	40 663	30 794	57 858
Total	263 642	1 755 736	375 129	2 498 187
TOTAL NON-CURRENT LIABILITIES	263 642	1 755 736	375 129	2 498 187
TOTAL LIABILITIES	2 479 501	3 002 905	3 528 012	4 272 749
OWNERS' EQUITY	7 400 000	7 400 000	10 529 251	10 529 251
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	1 364 516	1 268 736	1 941 532	1 805 249
Net profit for the reporting period	108 234	106 879	154 003	152 075
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 872 750	8 775 615	12 624 786	12 486 575
TOTAL LIABILITIES AND OWNERS' EQUITY	11 352 251	11 778 520	16 152 798	16 759 324
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

INCOME STATEMENT	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
Net sales	9 198 338	9 182 910	13 088 056	13 066 104
Other operating income	1 534 278	28 155	2 183 081	40 061
Total income	10 732 616	9 211 065	15 271 137	13 106 165
Direct cost of goods sold or services rendered	-3 244 595	-3 162 049	-4 616 643	-4 499 190
Marketing, advertising and public relations expenses	-2 773	-1 458	-3 946	-2 075
Bad receivables	0	0	0	0
Other operating expenses	-893 697	-476 314	-1 271 616	-677 734
Salaries, bonuses and social expenses	-2 534 526	-2 177 535	-3 606 306	-3 098 353
Depreciation expense	-954 134	-525 429	-1 357 610	-747 618
Other expenses	-2 788 667	-2 433 416	-3 967 915	-3 476 668
Operating expenses	-10 418 392	-8 786 201	-14 824 036	-12 501 638
EBIT	314 224	424 864	447 101	604 527
Percents paid	-66 144	-113 803	-94 115	-161 927
Financial items				
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	-16 185	-50 456	-23 029	-71 793
Financial items	-82 329	-164 259	-117 144	-233 720
Profit before extraordinary items and taxes	231 895	260 605	329 957	370 807
EBT	231 895	260 605	329 957	370 807
Provisions for taxes	-123 661	-153 726	-175 954	-218 732
Profit after taxes	108 234	106 879	154 003	152 075
Net profit	108 234	106 879	154 003	152 075
Index EPS	0.015	0.014	0.021	0.020
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

CASH FLOW STATEMENT	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
CASH GENERATED FROM OPERATIONS	2 920 807	635 082	4 155 934	903 640
Cash received from customers	487 569	720 920	693 748	1 025 777
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	3 408 376	1 356 002	4 849 682	1 929 417
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	1 349 770	-819 978	1 920 550	-1 166 723
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	1 384 124	-828 693	1 969 431	-1 179 123
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	34 354	8 715	48 881	12 400
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	1 744 254	428 014	2 481 850	609 009
Short-term loans received	1 784 953	600 593	2 539 759	854 567
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-40 699	-58 776	-57 909	-83 631
Paid interest	0	-113 803	0	-161 927
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-173 217	243 118	-246 466	345 926
Cash and cash equivalents as at the beginning of period	180 942	111 041	257 457	157 997
Cash and cash equivalents as at the end of period	354 159	354 159	503 923	503 923
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-173 217	243 118	-246 466	345 926
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

Statement of changes in equity for the period from 01.01.2007 till 31.12.2007 (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 January 1st, 2007	7 400 000	-	-	-	1 375 616	-	8 775 616
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-11 100	-	-11 100
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit in 12 months of 2007	-	-	-	-	-	108 234	108 234
As at December 31, 2007	7 400 000	-	-	-	1 364 516	108 234	8 872 750
As at January 1st, 2006	7 400 000	-	-	-	1 284 276	-	8 684 276
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-15 540	-	-15 540
Currency translation difference	-	-	-	-	-	-	-
Profit for 12 months of 2006	-	-	-	-	-	106 879	106 879
As at December 31, 2006	7 400 000	-	-	-	1 268 736	106 879	8 775 615

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 12 MONTHS PERIOD OF 2007

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2007 till 31.12.2007 (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 January 1st, 2007 (0.702804)	10 529 251	-	-	-	1 957 324	-	12 486 575
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-15 794	-	-15 794
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 12 months period 2007 (0.702804)	-	-	-	-	-	154 003	154 003
As at December 31, 2007 (0.702804)	10 529 251	-	-	-	1 941 530	154 003	12 624 784
As at January 1st, 2006 (0.702804)	10 529 251	-	-	-	1 827 360	-	12 356 611
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-22 111	-	-22 111
Currency translation difference	-	-	-	-	-	-	-
Profit for 12 months period 2006 (0.702804)	-	-	-	-	-	152 075	152 075
As at December 31, 2006 (0.702804)	10 529 251	-	-	-	1 805 249	152 075	12 486 575

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 December 31, 2007 and the results of its operation and cash flows for the 12 months period ended December 31, 2007.

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 12 months of 2007 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 12 months of year 2007**

(thous.LVL)

Name of index	12 months of 2007		Deviation (+ / -)
	Forecast	In fact	
Production of commodity products	8 400	8 840	+440
Production of main products	8 366	8 763	+397
Driving chains	8 146	8 533	+387
incl. automotive	3 323	3 666	+343
industrial	4 823	4 867	+44
Sales volume	8 700	9 198	+498
Sales of main products	8 660	9 154	+494
Profit after taxes	40	108	+68

(thous. EUR)

1 EUR = 0,702804 LVL

Name of index	12 months of 2007		Deviation (+ / -)
	Forecast	In fact	
Production of commodity products	11 952	12 578	+626
Production of main products	11 904	12 469	+565
Driving chains	11 591	12 141	+550
incl. automotive	4 728	5 216	+488
industrial	6 863	6 925	+62
Sales volume	12 379	13 088	+709
Sales of main products	13 322	13 025	+703
Profit after taxes	57	154	+97

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 12 months of year 2007 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 8 840 thous.LVL (12 578 thous.EUR). The result of reporting period is by 15 thous.LVL (21 thous.EUR) or 0,2% higher than the result of 12 months period of year 2006.

Production of driving chains in 12 months of 2007 (thous.meters)

Production of driving chains in natural units is by 73 thous.meters more than the forecast.

Production of driving chains in 12 months of year 2007 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 387 thous.LVL (551 thous.EUR), and it was by 324 thous.LVL (461 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 12 months of 2007 (thous. LVL/ thous.EUR)

Net-turnover has been forecasted to amount to 8 700 thous.LVL (12 379 thous.EUR) in 12 months of year 2007, in fact it has been fulfilled in the amount of 9 198 thous.LVL (13 088 thous.EUR), increase amounts to 498 thous.LVL (709 thous.EUR). The index of this reporting period is by 15 thous. LVL (21 thous.EUR) or 0,2% higher than the index of the same period of previous year.

Sales of main products in 12 months of 2007 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 494 thous.LVL (703 thous.EUR) more than the forecast, and in its turn it is by 621 thous.LVL (884 thous.EUR) or 7,3% more than the result of the relevant period of prior year.

Proceeds from other activities exceeded the result of previous year by 1 528 thous.LVL (2 174 thous.EUR), and they figured up to 1 595 thous.LVL (2 269 thous.EUR).