

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 3 MONTHS OF YEAR 2007

(01.01.2007 – 31.03.2007)

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

Daugavpils

2007

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2007

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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 – 31.03.2007
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

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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.

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

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	-
Vitolds Vasilenoks	no shares	-

* As of 02.04.2007

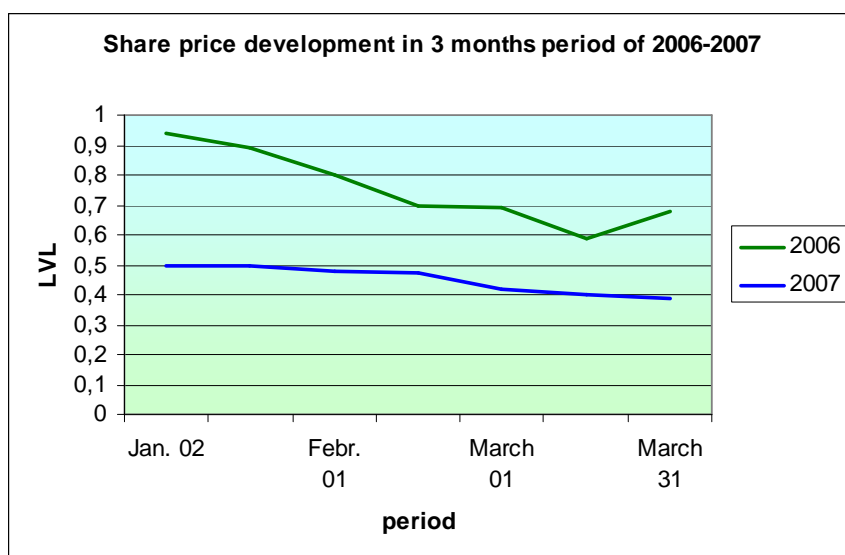
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INFORMATION ON SHAREHOLDERS AND SHARES

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 3 months of year 2007

In 3 months of year 2007 net-turnover in fact was fulfilled in the amount of 2 443 thous. LVL (3 476 thous.EUR) against the forecast 2 200 thous. LVL (3 130 thous.EUR), increase amounts to 243 thous. LVL (346 thous.EUR).

Profit of 3 months of 2007 amounts to 98 thous.LVL (139 thous.EUR).

Compared to 3 months period of year 2006, net turnover in 3 months of 2007 is more by 630 thous.LVL (896 thous.EUR).

At present the company exports 98% of its products to the East and West: among them 66% westwards and 32% eastwards; 2% of products are sold on domestic market.

Net-turnover for the 2nd quarter of 2007 is being predicted to amount to 2 200 thous.LVL (3 130 thous.EUR); profit for the 2nd quarter of 2007 is forecasted to be 10 thous.LVL (14 thous.EUR).

The total sales amount to the subsidiary „Meteor Kettenfabrik” GmbH amounted to 95 thous.LVL (135 thous.EUR) in 3 months of the current year, but in proper period of 2006 it was 88 thous.LVL (125 thous.EUR).

The average statistical number of employees of JSC “Ditton pievadķēžu rūpnīca” was 620 in 3 months of year 2007.

Market tendencies and development of the company

There have been no essential changes in reporting period relating to market tendencies and development of the company in comparison with the information described in Management Report of financial report for 12 months of 2006.

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

Eduards Zavadskis

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FINANCIAL REPORT FOR 3 MONTHS OF 2007

BALANCE SHEET	31.03.2007	31.03.2006	31.03.2007	31.03.2006
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	-78 224	91 888	-111 303	130 745
Short-term investments	0	0	0	0
Customer receivables				
Debts of buyers and customers	5 444 927	3 676 458	7 747 433	5 231 128
Accounts receivable from related companies	154 730	0	220 161	0
Allowance for uncollectible receivables	-391 150	-7 484	-556 556	-10 648
Total	5 208 507	3 668 974	7 411 038	5 220 480
Other receivables				
Other current receivables	274 499	926 811	390 577	1 318 733
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	274 499	926 811	390 577	1 318 733
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	294 372	114 820	418 854	163 374
Other prepaid expenses	377	429	536	610
Total	294 749	115 249	419 390	163 984
Inventories				
Raw materials	980 005	939 611	1 394 421	1 336 946
Work-in-progress	247 695	277 150	352 438	394 349
Finished goods	626 312	841 345	891 162	1 197 126
Prepayments to suppliers	78 308	109 799	111 422	156 230
Total	1 932 320	2 167 905	2 749 443	3 084 651
TOTAL CURRENT ASSETS	7 631 851	6 970 827	10 859 145	9 918 593
NON-CURRENT ASSETS				
Long-term financial assets	339 486	269 206	483 045	383 046
incl. Shares in subsidiaries	220 695	220 695	314 021	314 021
Total	339 486	269 206	483 045	383 046
Non-current physical assets				
Plant and equipment	13 732 943	12 484 086	19 540 217	17 763 254
Other equipment and fixtures	441 883	441 634	628 743	628 388
Accumulated depreciation	9 476 111	8 920 040	13 483 291	12 692 073
Total	4 698 715	4 005 680	6 685 669	5 699 569
Intangible assets				
Purchased licenses, trademarks etc.	1 408	4 644	2 004	6 608
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	1 408	4 644	2 004	6 608
TOTAL NON-CURRENT ASSETS	5 039 609	4 279 530	7 170 718	6 089 223
TOTAL ASSETS	12 671 460	11 250 357	18 029 863	16 007 816
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804LVL</i>

JSC "DITTON PIEVADKEZU RUPNICA"
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BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	31.03.2007	31.03.2006	31.03.2007	31.03.2006
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	180 269	180 269	256 500	256 500
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	13 666	7 739	19 445	11 011
Total	193 935	188 008	275 945	267 511
Customer prepayments for goods and services	13 286	7 218	18 904	10 270
Supplier payables	949 863	219 837	1 351 534	312 800
Total	963 149	227 055	1 370 438	323 070
Tax liabilities	286 749	78 750	408 007	112 051
Accrued expenses				
Salary-related accrued expenses	140 679	119 202	200 168	169 609
Interest payable	31 693	23 302	45 095	33 156
Total	172 372	142 504	245 263	202 765
Provisions	425 671	45 458	605 675	64 682
Total	425 671	45 458	605 675	64 682
TOTAL CURRENT LIABILITIES	2 041 876	681 775	2 905 328	970 079
NON-CURRENT LIABILITIES	0	0	0	0
Long-term liabilities	1 715 073	1 687 432	2 440 329	2 400 999
Long-terms capital lease obligation	40 663	19 720	57 858	28 059
Total	1 755 736	1 707 152	2 498 187	2 429 058
TOTAL NON-CURRENT LIABILITIES	3 797 612	2 388 927	5 403 515	3 399 137
TOTAL LIABILITIES	3 797 612	2 388 927	5 403 515	3 399 137
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	1 375 616	1 284 276	1 957 325	1 827 360
Net profit for the reporting period	98 232	177 154	139 772	252 068
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 873 848	8 861 430	12 626 348	12 608 679
TOTAL LIABILITIES AND OWNERS' EQUITY	12 671 460	11 250 357	18 029 863	16 007 816
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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INCOME STATEMENT	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	LVL	LVL	EUR	EUR
Net sales	2 443 431	1 813 474	3 476 689	2 580 341
Other operating income	98 119	435	139 611	619
Total income	2 541 550	1 813 909	3 616 300	2 580 960
Direct cost of goods sold or services rendered	-877 363	-642 817	-1 248 375	-914 646
Marketing, advertising and public relations expenses	0	-400	0	-569
Bad receivables	0	0	0	0
Operating expenses	-24 454	-8 685	-34 795	-12 358
Salaries, bonuses and social expenses	-587 966	-490 507	-836 600	-697 928
Depreciation expense	-240 311	-157 469	-341 932	-224 058
Other expenses	-637 990	-281 706	-907 778	-400 832
Operating expenses	-2 368 084	-1 581 584	-3 369 480	-2 250 391
EBIT	173 466	232 325	246 820	330 569
Percents paid	-31 693	-23 302	-45 095	-33 156
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	-1 976	-6 850	-2 812	-9 747
Financial items	-33 699	-30 152	-47 907	-42 903
Profit before extraordinary items and taxes	139 797	202 173	198 913	287 666
EBT	139 797	202 173	198 913	287 666
Provisions for taxes	-41 565	-25 019	-59 142	-35 599
Profit after taxes	98 232	177 154	139 771	252 067
Net profit	98 232	177 154	139 771	252 067
Index EPS	0.013	0.024	0.018	0.034

1 EUR =

0.702804 LVL 0.702804 LVL

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CASH FLOW STATEMENT	31.03.2007 LVL	31.03.2006 LVL	31.03.2007 EUR	31.03.2006 EUR
CASH GENERATED FROM OPERATIONS	+157 023	-273 471	+223 424	-389 114
Cash received from customers	-1 219 893	723 524	-1 735 751	1 029 482
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	+1 376 916	+450 053	+1 959 175	+640 368
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-524 869	-46 886	-746 821	-66 713
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	-524 869	-46 886	-746 821	-66 713
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	-64 537	+301 204	-91 828	+428 575
Short-term loans received	0	0	0	0
Repayment of short-term loans	-32 844	+324 506	-46 733	+461 730
Cash paid as capital lease payments	-2 256	-1 653	-3 210	-2 352
Paid interest	-29 437	-21 649	-41 885	-30 803
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-432 383	-19 153	-615 225	-27 252
Cash and cash equivalents as at the beginning of period	-354 159	111 041	-503 923	157 997
Cash and cash equivalents as at the end of period	-78 224	91 888	-111 302	130 745
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-432 383	-19 153	-615 225	-27 252
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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Statement of changes in equity for the period from 01.01.2007 till 31.03.2007 (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 1st January, 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	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 3 months of 2007	-	-	-	-	-	98 232	98 232
As at 31 March, 2007	7 400 000	-	-	-	1 375 616	98 232	8 873 848
As at 1st January, 2006	7 400 000	-	-	-	1 284 276	-	8 684 276
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 3 months of 2006	-	-	-	-	-	177 154	177 154
As at 31 March, 2006	7 400 000	-	-	-	1 284 276	177 154	8 861 430

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1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2007 till 31.03.2007 (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 1st January, 2007 <i>(0.702804)</i>	10 529 251	-	-	-	1 957 325	-	12 486 576
Issue of share capital							-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period <i>(0.702804)</i>	-	-	-	-	-	139 771	139 771
As at 31 March, 2007 <i>(0.702804)</i>	10 529 251	-	-	-	1 957 325	139 771	12 626 347
1st January, 2006 <i>(0.702804)</i>	10 529 251	-	-	-	1 827 360	-	12 356 611
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period <i>(0.702804)</i>	-	-	-	-	-	252 067	252 067
As at 31 March, 2006 <i>(0.702804)</i>	10 529 251	-	-	-	1 827 360	252 067	12 608 678

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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 31 March 2007 and the results of its operation and cash flows for the 3 months period ended 31 March 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 3 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.

JSC "DITTON PIEVADKEZU RUPNICA"
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**Summary of financial results
for 3 months of year 2007**

LVL

Name of index	Forecast for 2007	3 months of year 2007		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	8 400	2 110	2 257	+147
Production of main products	8 366	2 102	2 238	+136
Driving chains	8 146	2 047	2 178	+131
incl. automotive	3 323	830	894	+64
industrial	4 823	1 217	1 284	+67
Sales volume	8 700	2 200	2 443	+243
Sales of main products	8 660	2 190	2 434	+244
Profit after taxes	40	10	98	+88

EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2007	3 months of year 2007		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	11 952	3 002	3 211	+209
Production of main products	11 904	2 991	3 184	+193
Driving chains	11 591	2 913	3 099	+186
incl. automotive	4 728	1 181	1 272	+91
industrial	6 863	1 732	1 827	+95
Sales volume	12 379	3 130	3 476	+346
Sales of main products	13 322	3 116	3 463	+347
Profit after taxes	57	14	139	+125

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 3 months of year 2007 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 2 257 thous.LVL (3 211 thous.EUR). The result of reporting period is by 155 thous.LVL (221 thous.EUR) or 7,4% higher than the result of relevant period of year 2006.

Production of driving chains in 3 months of 2007 (thous.meters)

Production of driving chains in natural units is by 161 thous.meters more than the forecast, but it is by 89 thous. meters less than in the same period of 2006.

Production of driving chains in 3 months of year 2007 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 131 thous.LVL (186 thous.EUR), and it was by 134 thous.LVL (191 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 3 months of 2007 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 2 200 thous.LVL (3 130 thous.EUR) in 3 months of year 2007, in fact it has been fulfilled in the amount of 2 443 thous.LVL (3 476 thous.EUR), increase amounts to 243 thous.LVL (346 thous.EUR). The index of this reporting period is by 630 thous. LVL (896 thous.EUR) or 34,7% higher than the index of the same period of previous year.

Sales of main products in 3 months of 2007 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 244 thous.LVL (347 thous.EUR) more than the forecast, and it is by 682 thous.LVL (970 thous.EUR) or 38,9% more than the result of the relevant period of prior year.

Proceeds from other activities exceeded the result of the relevant period of last year by 102 thous.LVL (145 thous.EUR), and they amounted to 108 thous.LVL (154 thous.EUR).