

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

**NON-AUDITED AND NON-CONSOLIDATED  
FINANCIAL REPORT  
FOR THE 1<sup>ST</sup> HALF OF YEAR 2005**

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

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# JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

## Information about the Company

Company name	Ditton pievadkezu rupnica
Legal status	Joint Stock Company
Registrations number	40003030187
Registration in Register of Enterprises	Rīga, 03.10.1991
Registration In Commercial Register Office	Rīga, 29.08.2003.
Legal address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Mailing address	Visku Str. 17, Daugavpils, LV-5410, Latvia

### The Council

Chairman of the Council	- Boriss Matvejevs
Members of the Council	- Georgijs Sorokins
	- Tatjana Lapunova
	- Jevgenijs Glinkins
	- Vitolds Vasilenoks

### The Board

Chairman of the Board	- Eduards Zavadskis
Members of the Board	- Pjotrs Dorofejevs
	- Natalja Redzoba
	- Volda Juhno
	- Jurijs Kostromins

Fixed capital	7 400 000.00 LVL
Nominal value of public name share	1.00 LVL

Chief accountant	Nina Moisejeva, p.k. 200250-10263
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Reporting period	01.01.2005 – 30.06.2005
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### Persons in charge for drawing up of the financial report:

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## MANAGEMENT REPORT

### *Events in the 1st half-year of 2005*

In the 1<sup>st</sup> half of year 2005 net-turnover in fact was fulfilled in the amount of 4940 thous. LVL against the forecast 3900 thous. LVL, increase amounts to 1040 thous. LVL.

Profit of the 1<sup>st</sup> half of year 2005 amounts to 121 thous.LVL.

In comparison with the 1<sup>st</sup> half of year 2004, net turnover in 1<sup>st</sup> half-year of 2005 increased by 90,7%.

At present the company exports 96,7% of products to the East and West: among them 67,6% westwards and 29,1% eastwards; 3,3% of products are sold in Latvia.

The company is planning to achieve the net-turnover in the amount of 1900 thous.LVL in the 3<sup>rd</sup> quarter of 2005, profit is forecasted to amount to 22 thous.LVL in the 3<sup>rd</sup> quarter of 2005.

President

E.Zavadskis

# JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

## JSC "DITTON PIEVADKEZU RUPNICA"

Balance Sheet	30.06.2005	30.06.2004	30.06.2005	30.06.2004
ASSETS	Q1	Q1	Q1	Q1
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	68 267	56 018	97 135	84 492
Short-term investments	0	0	0	0
Customer receivables				
Accounts receivable	3 054 975	1 210 774	4 346 838	1 826 205
Accounts receivable from Group companies	0	0	0	0
Allowance for uncollectible receivables	-4 911	-905	-6 988	-1 365
<b>Total</b>	<b>3 050 064</b>	<b>1 209 869</b>	<b>4 339 850</b>	<b>1 824 840</b>
Other receivables				
Other current receivables	134 557	102 534	191 457	154 651
Short-term loans given	0	0	0	0
Derrivative financial instruments	0	0	0	0
<b>Total</b>	<b>134 557</b>	<b>102 534</b>	<b>191 457</b>	<b>154 651</b>
Accrued income				
Other accrued income	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Prepaid expenses				
Prepaid taxes	22 724	19 425	32 333	29 299
Other prepaid expenses	263	540	374	814
<b>Total</b>	<b>22 987</b>	<b>19 965</b>	<b>32 707</b>	<b>30 113</b>
Inventories				
Raw materials	1 002 644	996 621	1 426 634	1 503 199
Work-in-progress	228 286	167 804	324 822	253 098
Finished goods	1 178 273	2 976 537	1 676 531	4 489 498
Prepayments to suppliers	409 573	52 135	582 770	78 635
<b>Total</b>	<b>2 818 776</b>	<b>4 193 097</b>	<b>4 010 757</b>	<b>6 324 430</b>
<b>TOTAL CURRENT ASSETS</b>	<b>6 094 651</b>	<b>5 581 483</b>	<b>8 671 907</b>	<b>8 418 526</b>
NON-CURRENT ASSETS				
Long-term financial assets	720 695	720 695	1 025 457	1 087 021
incl. Shares in subsidiaries	720 695	720 695	1 025 457	1 087 021
<b>Total</b>	<b>720 695</b>	<b>720 695</b>	<b>1 025 457</b>	<b>1 087 021</b>
NON-CURRENT physical assets				
Plant and equipment	11 145 177	11 371 666	15 858 158	17 151 834
Other equipment and fixtures	439 743	416 462	625 698	628 148
Accumulated depreciation	8 446 893	7 967 952	12 018 846	12 018 027
<b>Total</b>	<b>3 138 027</b>	<b>3 820 176</b>	<b>4 465 010</b>	<b>5 761 955</b>
Intangible assets				
Purchased licenses, trademarks etc.	7 951	14 200	11 313	21 418
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
<b>Total</b>	<b>7 951</b>	<b>14 200</b>	<b>11 313</b>	<b>21 418</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3 866 673</b>	<b>4 555 071</b>	<b>5 501 780</b>	<b>6 870 394</b>
<b>TOTAL ASSETS</b>	<b>9 961 324</b>	<b>10 136 554</b>	<b>14 173 687</b>	<b>15 288 920</b>
EUR exchange rate			0.702804	0.663

# JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

## JSC "DITTON PIEVADKEZU RUPNICA"

	30.06.2005	30.06.2004	30.06.2005	30.06.2004
<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Q1</b>	<b>Q1</b>	<b>Q1</b>	<b>Q1</b>
<b>CURRENT LIABILITIES</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>				
Short-term loans from financial institutions	156 000	132 000	221 968	199 095
Derivative financial instruments	0	0	0	0
Short-term capital lease obligation	0	0	0	0
<b>Total</b>	<b>156 000</b>	<b>132 000</b>	<b>221 968</b>	<b>199 095</b>
<b>Customer prepayments for goods and services</b>	8 184	126 597	11 645	190 946
<b>Supplier payables</b>	<b>301 755</b>	370 602	<b>429 359</b>	558 977
<b>Total</b>	<b>309 939</b>	<b>497 199</b>	<b>441 004</b>	<b>749 923</b>
<b>Tax liabilities</b>	75 184	73 070	106 977	110 211
<b>Accrued expenses</b>				
Salary-related accrued expenses	108 223	99 262	153 987	149 717
Interest payable	27 902	29 466	39 701	44 443
<b>Total</b>	<b>136 125</b>	<b>128 728</b>	<b>193 688</b>	<b>194 160</b>
<b>Provisions</b>	<b>47 169</b>	<b>82 737</b>	<b>67 115</b>	<b>124 792</b>
<b>Total</b>	<b>47 169</b>	<b>82 737</b>	<b>67 115</b>	<b>124 792</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>724 417</b>	<b>913 734</b>	<b>1 030 752</b>	<b>1 378 181</b>
<b>NON-CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Long-term liabilities</b>	<b>585 855</b>	<b>696 028</b>	<b>833 597</b>	<b>1 049 816</b>
Long-term capital lease obligation	0	0	0	0
<b>Total</b>	<b>585 855</b>	<b>696 028</b>	<b>833 597</b>	<b>1 049 816</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>585 855</b>	<b>696 028</b>	<b>833 597</b>	<b>1 049 816</b>
<b>TOTAL LIABILITIES</b>	<b>1 310 272</b>	<b>1 609 762</b>	<b>1 864 349</b>	<b>2 427 997</b>
<b>OWNERS' EQUITY</b>	<b>7 400 000</b>	<b>7 400 000</b>	<b>10 529 251</b>	<b>11 161 387</b>
<b>Share capital</b>	0	0	0	0
<b>Paid in capital over par</b>	0	0	0	0
<b>Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other reserves	0	0	0	0
<b>Total</b>	<b>7 400 000</b>	<b>7 400 000</b>	<b>10 529 251</b>	<b>11 616 387</b>
<b>Retained earnings</b>	1 129 736	1 025 977	1 607 469	1 547 477
<b>Net profit for the financial year</b>	121 316	100 815	172 618	152 059
<b>Currency translation reserve</b>	0	0	0	0
<b>TOTAL OWNERS' EQUITY</b>	<b>8 651 052</b>	<b>8 526 792</b>	<b>12 309 338</b>	<b>12 860 923</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>9 961 324</b>	<b>10 136 554</b>	<b>14 173 687</b>	<b>15 288 920</b>
EUR exchange rate			0.702804	0.663

# JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

## JSC "DITTON PIEVADKEZU RUPNICA"

Income statement	30.06.2005	30.06.2004	30.06.2005	30.06.2004
	Q1	Q1	Q1	Q1
	LVL	LVL	EUR	EUR
Net sales	4 939 863	2 589 999	7 028 792	3 906 484
Other operating income	19 345	41 484	27 525	62 570
<b>Total income</b>	<b>4 959 208</b>	<b>2 631 483</b>	<b>7 056 317</b>	<b>3 969 054</b>
Direct cost of goods sold or services rendered	-2 045 958	-46 115	-2 911 136	-69 556
Marketing, advertising and public relations expenses	-6 924	-1 010	-9 852	-1 523
Bad receivables	0	0	0	0
Operating expenses	-44 441	-21 191	-63 234	-31 962
Salaries, bonuses and social expenses	-960 392	-961 501	-1 366 515	-1 450 228
Depreciation expense	-371 550	-389 213	-528 668	-587 048
Other expenses	-1 325 144	-1 027 599	-1 885 510	-1 549 923
<b>Operating expenses</b>	<b>-4 754 409</b>	<b>-2 446 629</b>	<b>-6 764 915</b>	<b>-3 690 240</b>
<b>EBIT</b>	<b>204 799</b>	<b>184 854</b>	<b>291 402</b>	<b>278 814</b>
Percents paid	-27 902	-29 466	-39 701	-44 443
<b>Financial items</b>				
Financial income (except Foreign Exchange rate difference)	0	0	0	0
Financial costs (except Foreign Exchange rate difference)	0	0	0	0
Foreign exchange +gain/(loss)	-8116	-16 483	-11 584	-24 861
<b>Financial items</b>				
<b>Profit before extraordinary items and taxes</b>	<b>168 781</b>	<b>138 905</b>	<b>240 153</b>	<b>209 510</b>
<b>EBT</b>	<b>168 781</b>	<b>138 905</b>	<b>240 153</b>	<b>209 510</b>
Provision for taxes	-47 465	-38 090	-67 535	-57 451
<b>Profit after taxes</b>	<b>121 316</b>	<b>100 815</b>	<b>172 618</b>	<b>152 059</b>
<b>Net profit</b>	<b>121 316</b>	<b>100 815</b>	<b>172 618</b>	<b>152 059</b>
<b>Index "Earnings per share" (EPS)</b>	<b>0.016</b>	<b>0.014</b>	<b>0.023</b>	<b>0.021</b>
EUR exchange rate			0.702804	0.663

# JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

## JSC "DITTON PIEVADKEZU RUPNICA"

Cash Flow Statement	30.06.2005	30.06.2004	30.06.2005	30.06.2004
	Q1	Q1	Q1	Q1
	LVL	LVL	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS</b>	<b>167 885</b>	<b>485 038</b>	<b>238 879</b>	<b>731 581</b>
Cash received from customers	2 546 328	2 261 221	3 623 098	3 410 590
Cash received from customers MLGroup	0	0	0	0
Cash paid to suppliers and employees	-2 378 443	-1 776 183	-3 384 219	-2 679 009
Cash paid to suppliers and employees MLGroup	0	0	0	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-51 008</b>	<b>-325 196</b>	<b>-72 578</b>	<b>-490 492</b>
Cash paid for purchasing shares in subsidiary MLGroup	0	0	0	0
Business acquisition	0	0	0	0
Cash paid for purchasing non-current physical assets	-51 371	-336 042	-73 094	-506 851
Cash paid for purchasing non-current physical assets MLGroup	0	0	0	0
Cash received from the sale of non-current physical assets	363	10 846	516	16 359
Loans given	0	0	0	0
Interest received	0	0	0	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-183 902</b>	<b>-172 066</b>	<b>261 669</b>	<b>-259 526</b>
Short-term loans received	-156 000	-132 000	-221 968	-199 095
Repayment of short-term loans	0	-10 600	0	-15 988
Cash paid as capital lease payments	-2 311	-2 465	-3 288	-3 718
Paid interest	-25 591	-27 001	-36 413	-40 725
Paid interest MLGroup	0	0	0	0
<b>TOTAL CASH FLOW:</b>	<b>-67 025</b>	<b>-12 224</b>	<b>-95 368</b>	<b>-18 437</b>
Cash and cash equivalents as at the beginning of period	135 292	68 242	192 503	102 929
Cash and cash equivalents as at the end of period	68 267	56 018	97 135	84 492
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-67 025</b>	<b>-12 224</b>	<b>-95 368</b>	<b>-18 437</b>
EUR exchange rate			0.702804	0.663



# JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

Statement of changes in equity for the period from 01.01.2005 till 30.06.2005 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 1st January, 2005</b>	<b>7 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 141 575</b>	<b>-</b>	<b>8 541 575</b>
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit of 2004 to dividends	-	-	-	-	-11 839	-	- 11 839
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	121 316	121 316
<b>As at 30 June, 2005</b>	<b>7 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 129 736</b>	<b>121 316</b>	<b>8 651 052</b>
<b>1st January 2004</b>	<b>7 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 025 977</b>	<b>-</b>	<b>8 425 977</b>
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	100 815	100 815
<b>As at 30 June, 2004</b>	<b>7 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 025 977</b>	<b>100 815</b>	<b>8 526 792</b>

# JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

Statement of changes in equity for the period from 01.01.2005 till 30.06.2005 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 1st January, 2005</b> (0.702804)	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 624 315</b>	<b>-</b>	<b>12 153 566</b>
Issue of share capital							-
	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit of 2004 to dividends	-	-	-	-	- 16 846	-	- 16 846
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period (0.702804)	-	-	-	-	-	172 618	172 618
<b>As at 30 June, 2005</b> (0.702804)	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 607 469</b>	<b>172 618</b>	<b>12 309 338</b>
<b>1st January 2004</b> (0.674)	<b>10 979 227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 522 221</b>	<b>-</b>	<b>12 501 448</b>
Currency translation difference	182 160	-	-	-	25 256	-	207 416
Profit for the current period (0.663)	-	-	-	-	-	152 059	152 059
<b>As at 30 June, 2004</b> (0.663)	<b>11 161 387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 547 477</b>	<b>152 059</b>	<b>12 860 923</b>

# JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

## Financial results of JSC "Ditton pievadķēžu rūpnīca" for the 1<sup>st</sup> half of year 2005

(thous. LVL)

Name of index	Forecast for 2005	1st half of year 2005		Deviation ( + / - )
		forecast	in fact	
Production of commodity products	7 000	3 513	3 986	+ 473
Production of main products	6 970	3 498	3 964	+ 466
Driving chains	6 867	3 430	3 892	+ 462
Incl. - automobile chains		1 324	1 536	+ 212
- industrial chains		2 106	2 356	+ 250
Sales volume	7 400	3 900	4 940	+ 1 040
Sales of main products	7 200	3 800	4 822	+ 1 022
Profit after taxes	85	43	121	+ 78

**Explanations and analyses on separate items of financial reports**

Production of commodity products for the 1<sup>st</sup> half of year 2005 (thous.LVL)

Output of commodity products is estimated in the amount 3 986 thous.LVL. The result of this half-year is by 569 thous.LVL or 16,7% higher than the result of 1<sup>st</sup> half of the year 2004.

Production of driving chains in the 1<sup>st</sup> half of year 2005 (thous.meters)

Production of driving chains in the natural units exceeded the forecast by 600 thous.meters, and it is by 366 thous. meters more than the index of the same period of 2004.

Production of driving chains in the 1<sup>st</sup> half of year 2005 (thous.LVL)

Production of driving chains in money terms exceeded the forecast by 462 thous.LVL. and it was by 646 thous.LVL more than in the proper period of year 2004.

Sales (net-turnover) in the 1<sup>st</sup> half of 2005 (thous. LVL)

Net-turnover has been forecasted for the 1<sup>st</sup> half of year 2005 in the amount of 3900 thous.LVL, in fact it has been fulfilled in the amount 4 534 thous.LVL, excess is equal to 634 thous.LVL. According to balance sheet net-turnover was 4 940 thous. LVL. The index of this reporting period is by 412 thous. LVL higher than the index of the same period of previous year.

Sales of main products (thous. LVL)

Forecast for sales of main products amounting to 3 800 thous.LVL has been exceeded by 616 thous.LVL, the actual result of the reporting period is by 373 thous.LVL higher than the result of the proper period of prior year.

Sales of driving chains in the 1<sup>st</sup> half of the year (thous. meters)

In comparison with the same period of previous year, in the 1<sup>st</sup> half of year 2005 sales of driving chains in natural units increased on the Eastern market by 23,9% or by 413 thous.meters, whereas the sales on the Western market decreased by 20,4% or by 242 thous.meters.

Comparing the structure of sold products in 1<sup>st</sup> half of the year 2005 in natural units with the proper period of prior year, it can be observed that increase of sales of driving chains was 5,9%, where the level of sales of automobile chains increased by 13,1%, and sales of industrial chains increased by 3,6%.

Sales volume of consumer goods decreased by 62,1% owing mainly to the decrease of sales of bicycle pedals.