

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

**NON-AUDITED AND NON-CONSOLIDATED
FINANCIAL REPORT
FOR 9 MONTHS OF YEAR 2005**

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

Daugavpils

2005

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JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT

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

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.c. 200250-10263
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Reporting period	01.01.2005 – 30.09.2005
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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

MANAGEMENT REPORT

Events in 9 months of year 2005

In 9 months of year 2005 net-turnover in fact was fulfilled in the amount of 7170 thous. LVL against the forecast 5800 thous. LVL, increase amounts to 1370 thous. LVL.

Profit of 9 months of 2005 amounts to 120 thous.LVL.

In comparison with the period of 9 months of year 2004, net turnover in 9 months of 2005 increased by 33,6%; sales of products increased by 53,0% eastwards and by 6,0% westwards, sales in Latvia increased by 17,0%.

Growth of indices on Eastern market, from one side, is related to effective industrial and business activities in CIS, first of all, in Russian Federation, and from the other side, to problems with domestic production of driving chains in these countries (decrease of production volume, termination of several types of production, lag in production technologies from market requirements).

According to the Board assessment, the management of the company reacted in proper time and filled with products the demand which arose.

At the same time, the production level, which has been achieved, does not guarantee that it will remain the same or grow in case these problems of domestic production in mentioned countries are solved with regard to factor of "protection of domestic producer".

At present the company exports 96,4% of its products to the East and West: among them 30,2% westwards and 66,2% eastwards; 3,6% of products are sold in Latvia.

The company is planning to achieve the net-turnover in the amount of 1600 thous.LVL in the 4th quarter of 2005; profit is forecasted to amount to 21 thous.LVL in the 4th quarter of 2005.

The average statistical number of employees of JSC "Ditton pievadkezu rupnica" was 654 in 9 months of year 2005.

President

E.Zavadskis

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BALANCE SHEET	30.09.2005	30.09.2004	30.09.2005	30.09.2004
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	288 050	222 295	409 858	331 289
Short-term investments	0	0	0	0
Customer receivables				
Accounts receivable	2 738 272	1 713 451	3 896 210	2 553 578
Accounts receivable from Group companies	0	0	0	0
Allowance for uncollectible receivables	- 4 911	- 905	- 6 988	- 1 349
Total	2 733 361	1 712 546	3 889 222	2 552 229
Other receivables				
Other current receivables	112 595	104 095	160 208	155 134
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	112 595	104 095	160 208	155 134
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	24 266	16 829	34 527	25 080
Other prepaid expenses	132	128	188	191
Total	24 398	16 957	34 715	25 271
Inventories				
Raw materials	971 035	1 048 185	1 381 658	1 562 124
Work-in-progress	227 953	194 602	324 348	290 018
Finished goods	1 319 276	2 050 820	1 877 161	3 056 364
Prepayments to suppliers	489 493	181 788	696 486	270 921
Total	3 007 757	3 475 395	4 279 653	5 179 427
TOTAL CURRENT ASSETS	6 166 161	5 531 288	8 773 656	8 243 350
NON-CURRENT ASSETS				
Long-term financial assets				
incl. Shares in subsidiaries	720 695	720 695	1 025 457	1 074 061
Total	720 695	720 695	1 025 457	1 074 061
Non-current physical assets				
Plant and equipment	11 121 190	11 301 999	15 824 028	16 843 516
Other equipment and fixtures	464 361	413 163	660 726	615 742
Accumulated depreciation	8 619 250	8 073 851	12 264 088	12 032 565
Total	2 966 301	3 641 311	4 220 666	5 426 693
Intangible assets				
Purchased licenses, trademarks etc.	6 701	12 236	9 535	18 236
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	6 701	12 236	9 535	18 236
TOTAL NON-CURRENT ASSETS	3 693 697	4 374 242	5 255 658	6 518 990
TOTAL ASSETS	9 859 858	9 905 530	14 029 314	14 762 340

1 EUR =

0.702804 LVL

0.671 LVL

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BALANCE SHEET	30.09.2005	30.09.2004	30.09.2005	30.09.2004
LIABILITIES & OWNERS' EQUITY				
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	78 000	66 000	110 984	98 361
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	0	0	0	0
Total	78 000	66 000	110 984	98 361
Customer prepayments for goods and services	19 729	16 510	28 072	24 605
Supplier payables	265 808	171 436	378 211	255 493
Total	285 537	187 946	406 283	280 098
Tax liabilities	71 152	65 636	101 240	97 818
Accrued expenses				
Salary-related accrued expenses	103 762	89 951	147 640	134 055
Interest payable	40 067	43 085	57 010	64 210
Total	143 829	133 036	204 650	198 265
Provisions	45 357	72 203	64 537	107 605
Total	45 357	72 203	64 537	107 605
TOTAL CURRENT LIABILITIES	623 875	524 821	887 694	782 147
NON-CURRENT LIABILITIES	0	0	0	0
Long-term liabilities	585 855	846 028	833 597	1 260 847
Long-terms capital lease obligation	0	0	0	0
Total	585 855	846 028	833 597	1 260 847
TOTAL NON-CURRENT LIABILITIES	585 855	846 028	833 597	1 260 847
TOTAL LIABILITIES	1 209 730	1 370 849	1 721 291	2 042 994
OWNERS' EQUITY	7 400 000	7 400 000	10 529 251	11 028 316
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	11 028 316
Retained earnings	1 129 736	1 025 978	1 607 470	1 529 028
Net profit for the reporting period	120 392	108 703	171 302	162 002
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 650 128	8 534 681	12 308 023	12 719 346
TOTAL LIABILITIES AND OWNERS' EQUITY	9 859 858	9 905 530	14 029 314	14 762 340
1 EUR =			0.702804 LVL	0.671 LVL

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INCOME STATEMENT	30.09.2005	30.09.2004	30.09.2005	30.09.2004
	LVL	LVL	EUR	EUR
Net sales	7 169 551	5 365 622	10 201 352	7 996 456
Other operating income	29 544	60 485	42 037	90 142
Total income	7 199 095	5 426 107	10 243 389	8 086 598
Direct cost of goods sold or services rendered	-2 567 043	-1 489 895	-3 652 573	-2 220 410
Marketing, advertising and public relations expenses	-6 924	-1 731	-9 852	-2 580
Bad receivables	0	0	0	0
Operating expenses	-105 554	-36 169	-150 190	-53 903
Salaries, bonuses and social expenses	-1 512 599	-1 475 371	-2 152 234	-2 198 765
Depreciation expense	-547 104	-588 350	-778 459	-876 826
Other expenses	-2 215 556	-1 596 008	-3 152 452	-2 378 551
Operating expenses	-6 954 780	-5 187 524	-9 895 760	-7 731 035
EBIT	244 315	238 583	347 629	355 563
Percents paid	-40 067	-43 805	-57 011	-65 283
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	-11 898	-28 635	-16 929	-42 675
Financial items				
Profit before extraordinary items and taxes	192 350	166 143	273 689	247 605
EBT	192 350	166 143	273 689	247 605
Provisions for taxes	-71 958	-57 440	-102 387	-85 604
Profit after taxes	120 392	108 703	171 302	162 001
Net profit	120 392	108 703	171 302	162 001
Index EPS	0.016	0.015	0.023	0.022
1 EUR =			0.702804 LVL	0.671 LVL

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CASH FLOW STATEMENT	30.09.2005 LVL	30.09.2004 LVL	30.09.2005 EUR	30.09.2004 EUR
CASH GENERATED FROM OPERATIONS	480 849	601 165	684 186	895 924
Cash received from customers	2 771 362	1 842 861	3 943 292	2 746 440
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	-2 290 513	-1 241 696	-3 259 106	-1 850 516
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-54 024	-344 707	-76 869	-513 722
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	-54 387	-364 667	-77 386	-543 468
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	363	19 960	517	29 746
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	-274 067	-102 405	-389 962	-152 615
Short-term loans received	-234 000	139 400	-332 952	207 750
Repayment of short-term loans	0	-198 000	0	-295 082
Cash paid as capital lease payments	-3 342	-3 697	-4 755	-5 510
Paid interest	-36 725	-40 108	-52 255	-59 773
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	152 758	154 053	217 355	229 587
Cash and cash equivalents as at the beginning of period	135 292	68 242	192 503	101 702
Cash and cash equivalents as at the end of period	288 050	222 295	409 858	331 289
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	152 758	154 053	217 355	229 587
1 EUR =			0.702804 LVL	0.671 LVL

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Statement of changes in equity for the period from 01.01.2005 till 30.09.2005 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 1st January, 2005	7 400 000	-	-	-	1 141 575	-	8 529 736
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 p months of 2005	-	-	-	-	-	120 392	120 392
As at 30 September, 2005	7 400 000	-	-	-	1 129 736	120 392	8 650 128
As at 1st January, 2004	7 400 000	-	-	-	1 025 977	-	8 425 977
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period 9 months of 2005	-	-	-	-	-	108 703	108 703
As at 30 September, 2004	7 400 000	-	-	-	1 025 977	108 703	8 534 680

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Statement of changes in equity for the period from 01.01.2005 till 30.09.2005 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1st January, 2005 (0.702804)	10 529 251	-	-	-	1 624 315	-	12 153 566
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)	-	-	-	-	-	171 303	171 303
As at 30 September, 2005 (0.702804)	10 529 251	-	-	-	1 607 469	171 303	12 308 023
1st January 2004 (0.674)	10 979 228	-	-	-	1 522 221	-	12 747 318
Currency translation difference	49 088	-	-	-	6 806	-	55 894
Profit for the current period (0.671)	-	-	-	-	-	162 001	162 001
As at 30 September, 2004 (0.671)	11 028 316	-	-	-	1 529 027	162 001	12 719 344

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Appendix

**Summary of financial results
for 9 months of year 2005**

(thous. LVL)

Name of index	Forecast for 2005	9 months of year 2005		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	7 000	5 451	6 091	+ 640
Sales volume	7 400	5 800	7 170	+ 1 370
Costs of sold products	7 232	5 673	6 992	+ 1 319
Profit or loss before taxes	178	134	192	+ 58
Taxes	93	70	72	+ 2
Profit or loss after taxes	85	64	120	+ 56

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 9 months of year 2005 (thous.LVL)

Output of commodity products is estimated in the amount 6 091 thous.LVL. The result of the period of 9 months is by 864 thous.LVL or 16,5% higher than the result of relevant period of year 2004.

Production of driving chains in 9 months of year 2005 (thous.meters)

Production of driving chains in the natural units exceeded the forecast by 824 thous.meters, and it is by 582 thous. meters more than the index of the same period of 2004.

Production of driving chains in 9 months of year 2005 (thous.LVL)

Production of driving chains in money terms exceeded the forecast by 610 thous.LVL. and it was by 935 thous.LVL more than in the relevant period of year 2004.

Sales (net-turnover) in 9 months of 2005 (thous. LVL)

Net-turnover has been forecasted to amount to 5 800 thous.LVL in 9 months of year 2005, in fact it has been fulfilled in the amount 7 170 thous.LVL, excess is equal to 1 370 thous.LVL. The index of this reporting period is by 1 804 thous. LVL higher than the index of the same period of previous year.

Sales of main products in 9 months of 2005 (thous. LVL)

Forecast for sales of main products has been exceeded by 1 338 thous.LVL, the actual result of the reporting period is by 1 769 thous.LVL higher than the result of the relevant period of prior year.

Sales of driving chains in 9 months of 2005 (thous. meters)

In comparison with the same period of previous year, in 9 months of year 2005 sales of driving chains in natural units increased on the Eastern market by 27,4% or by 655 thous.meters, whereas the sales on the Western market decreased by 12,0% or by 200 thous.meters.

Comparing the structure of sold products in 9 months 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 11,2%, where the level of sales of automobile chains increased by 21,2%, and sales of industrial chains increased by 8,1%.

Sales volume of consumer goods decreased by 28,5% owing mainly to the decrease of sales of bicycle pedals.