

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

**NON-AUDITED AND NON-CONSOLIDATED
FINANCIAL REPORT
FOR 3 MONTHS OF YEAR 2006**

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

Daugavpils

2006

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 3 MONTHS OF 2006

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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

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	01.01.2006 – 31.03.2006
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Persons in charge for drawing up of the financial report:

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MANAGEMENT REPORT

Events in 3 months of year 2006

In 3 months of year 2006 net-turnover in fact was fulfilled in the amount of 1 813 thous. LVL (2 580 thous.EUR) against the forecast 1 950 thous. LVL (2 775 thous.EUR), decrease amounts to 137 thous. LVL (195 thous.EUR).

Profit of 3 months of 2006 amounts to 177 thous.LVL (252 thous.EUR).

In comparison with the period of 3 months of year 2005, net turnover in 3 months of 2006 decreased by 669 thous.LVL (995 thous.EUR).

At present the company exports 95% of its products to the East and West: among them 53% westwards and 42% eastwards; 5% of products are sold in Latvia.

Predicted net-turnover for the 2nd quarter of 2006 amounts of 1 980 thous.LVL (2 817 thous.EUR); profit is forecasted to amount to 20 thous.LVL (28 thous.EUR) in the 2nd quarter of 2006.

The average statistical number of employees of JSC "Ditton pievadkezu rupnica" was 636 in the 1st quarter of year 2006.

President

E.Zavadskis

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BALANCE SHEET	31.03.2006	31.03.2005	31.03.2006	31.03.2005
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	91 888	116 852	130 745	166 265
Short-term investments	0	0	0	0
Customer receivables				
Accounts receivable	3 676 458	3 105 362	5 231 128	4 418 532
Accounts receivable from Group companies	0	0	0	0
Allowance for uncollectible receivables	-7 484	-5 048	-10 648	-7 183
Total	3 668 974	3 100 314	5 220 480	4 411 349
Other receivables				
Other current receivables	926 811	63 344	1 318 733	90 130
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	926 811	63 344	13 187 733	90 130
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	114 820	63 407	163 374	90 220
Other prepaid expenses	429	394	610	561
Total	115 249	63 801	163 984	90 781
Inventories				
Raw materials	939 611	645 597	1 336 946	1 345 463
Work-in-progress	277 150	214 723	394 349	305 523
Finished goods	841 345	1 220 645	1 197 126	1 736 822
Prepayments to suppliers	109 799	49 806	156 230	70 868
Total	2 167 905	2 430 771	3 084 651	3 458 676
TOTAL CURRENT ASSETS	6 970 827	5 775 082	9 918 593	8 217 201
NON-CURRENT ASSETS				
Long-term financial assets	269 206	720 695	383 046	1 025 457
incl. Shares in subsidiaries	220 695	720 695	314 021	1 025 457
Total	269 206	720 695	383 046	1 025 457
Non-current physical assets				
Plant and equipment	12 484 086	11 286 723	17 763 254	16 059 560
Other equipment and fixtures	441 634	440 344	628 388	626 553
Accumulated depreciation	8 920 040	8 416 806	12 692 073	11 976 036
Total	4 005 680	3 310 261	5 699 569	4 710 077
Intangible assets				
Purchased licenses, trademarks etc.	4 644	9 355	6 608	13 311
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	4 644	9 355	6 608	13 311
TOTAL NON-CURRENT ASSETS	4 279 530	4 040 311	6 089 223	5 748 845
TOTAL ASSETS	11 250 357	9 815 393	16 007 816	13 966 046

1 EUR =

0.702804 LVL 0.702804 LVL

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BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	31.03.2006	31.03.2005	31.03.2006	31.03.2005
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	180 269	234 000	256 500	332 952
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	7 739	0	11 011	0
Total	188 008	234 000	267 511	332 952
Customer prepayments for goods and services	7 218	10 613	10 270	15 101
Supplier payables	219 837	406 171	312 800	577 929
Total	227 055	416 784	323 070	593 030
Tax liabilities	78 750	70 584	112 051	100 432
Accrued expenses				
Salary-related accrued expenses	119 202	106 605	169 609	151 685
Interest payable	23 302	4 694	33 156	6 679
Total	142 504	111 299	202 765	158 364
Provisions	45 458	47 937	64 682	68 209
Total	45 458	47 937	64 682	68 209
TOTAL CURRENT LIABILITIES	681 775	880 604	970 079	1 252 987
NON-CURRENT LIABILITIES	0	0	0	0
Long-term liabilities	1 687 432	585 855	2 400 999	833 596
Long-terms capital lease obligation	19 720	0	28 059	0
Total	1 707 152	585 855	2 429 058	833 596
TOTAL NON-CURRENT LIABILITIES	2 388 927	1 466 459	3 399 137	2 086 583
TOTAL LIABILITIES	2 388 927	1 466 459	3 399 137	2 086 583
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	1 284 276	1 141 575	1 827 360	1 624 315
Net profit for the reporting period	177 154	-192 641	252 068	-274 103
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 861 430	8 348 934	12 608 679	11 879 463
TOTAL LIABILITIES AND OWNERS' EQUITY	11 250 357	9 815 393	16 007 816	13 966 046
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804</i>

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INCOME STATEMENT	31.03.2006	31.03.2005	31.03.2006	31.05.2006
	LVL	LVL	EUR	EUR
Net sales	1 813 474	2 511 870	2 580 341	3 574 069
Other operating income	435	14 270	619	20 304
Total income	1 813 909	2 526 140	2 580 960	3 594 373
Direct cost of goods sold or services rendered	-642 817	-1 333 074	-914 646	-1 896 793
Marketing, advertising and public relations expenses	-400	-6 576	-569	-9 357
Bad receivables	0	0	0	0
Operating expenses	-8 685	-17 478	-12 358	-24 869
Salaries, bonuses and social expenses	-490 507	-461 816	-697 928	-657 105
Depreciation expense	-157 469	-188 805	-224 058	-268 645
Other expenses	-281 706	-688 662	-400 832	-979 878
Operating expenses	-1 581 584	-2 696 411	-2 250 391	-3 836 647
EBIT	232 325	-170 271	350 569	-242 274
Percents paid	-23 302		-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	-6 850	0	-9 747	0
Financial items	-30 152	0	-42 903	0
Profit before extraordinary items and taxes	202 173	-170 271	287 666	-242 274
EBT	202 172	-170 271	287 666	-242 274
Provisions for taxes	-25 019	-22 370	-35 599	-31 829
Profit after taxes	177 154	-192 641	252 067	-274 103
Net profit	177 154	-192 641	252 067	-274 103
Index EPS	0.024	0.026	0.034	0.037
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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CASH FLOW STATEMENT	31.03.2006 LVL	31.03.2005 LVL	31.03.2006 EUR	31.03.2005 EUR
CASH GENERATED FROM OPERATIONS	-273 471	116 944	-389 114	116 396
Cash received from customers	723 524	1 334 707	1 029 482	1 899 117
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	+450 053	-1 217 763	+640 368	-1 732 721
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-46 886	-41 491	-66 713	-59 036
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	--46 886	-41 491	-66 713	-59 036
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	+301 204	-93 893	+428 575	-133 598
Short-term loans received	0	0	0	0
Repayment of short-term loans	+324 506	-78 000	+461 730	-110 985
Cash paid as capital lease payments	-1 653	-1 107	-2 352	-1 575
Paid interest	-21 649	-14 786	-30 803	-21 038
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-19 153	-18 440	-27 252	-26 238
Cash and cash equivalents as at the beginning of period	111 041	135 292	157 997	192 503
Cash and cash equivalents as at the end of period	91 888	116 852	130 745	166 265
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-19 153	-18 440	-27 252	-26 238
	/ EUR =		0.702804 LVL	0.702804 LVL

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Statement of changes in equity for the period from 01.01.2006 till 31.03.2006 (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, 2006	7 400 000	-	-	-	1 284 276	-	8 684 276
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period of 3 months of 2006	-	-	-	-	-	177 154	177 154
As at 31 March, 2006	7 400 000	-	-	-	1 284 276	177 154	8 861 430
As at 1st January, 2005	7 400 000	-	-	-	1 141 575	-	8 541 575
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period 3 months of 2005	-	-	-	-	-	-192 641	-192 641
As at 31 March, 2005	7 400 000	-	-	-	1 141 575	-192 641	8 348 934

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Statement of changes in equity for the period from 01.01.2006 till 31.03.2006 (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, 2006 (0.702804)	10 529 251	-	-	-	1 827 360	-	12 356 611
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period (0.702804)	-	-	-	-	-	252 067	252 067
As at 31 March, 2006 (0.702804)	10 529 251	-	-	-	1 827 360	252 067	12 608 678
1st January, 2005 (0.702804)	10 529 251	-	-	-	1 624 315	-	12 153 566
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period (0.702804)	-	-	-	-	-	-274 103	-274 103
As at 31 March, 2005 (0.702804)	10 529 251	-	-	-	1 624 315	-274 103	11 879 463

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Appendix

**Summary of financial results
for 3 months of year 2006**

LVL

Name of index	Forecast for 2006	3 months of year 2006		Deviation (+ / -)
		forecast	In fact	
Production of commodity products	7 600	1 900	2 102	+202
Production of main products	7 565	1 892	2 088	+196
Driving chains	7 479	1 843	2 044	+201
Incl. automotive		810	742	-68
industrial		1 033	1 302	+269
Sales volume	8 000	1 950	1 813	-137
Sales of main products	7 800	1 900	1 752	-148
Profit after taxes	80	20	177	+ 157

EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2006	3 months of year 2006		Deviation (+ / -)
		forecast	In fact	
Production of commodity products	10 814	2 703	2 991	+288
Production of main products	10 764	2 692	2 971	+279
Driving chains	10 642	2 622	2 908	+286
Incl. automotive		1 152	1 056	-97
industrial		1 470	1 853	+383
Sales volume	11 383	2 775	2 580	-195
Sales of main products	11 098	2 703	2 493	-210
Profit after taxes	114	28	252	+224

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 3 months of year 2006 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 2 102 thous.LVL (2 991 thous.EUR). The result of reporting period is by 247 thous.LVL (351 thous.EUR) or 13,3% higher than the result of relevant period of year 2005.

Production of driving chains in 3 months of year 2006 (thous.meters)

Production of driving chains in the natural units exceeded the forecast by 22 thous.meters, and it is by 110 thous. meters more than the index of the same period of 2005.

Production of driving chains in 3 months of year 2006 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 201 thous.LVL (286 thous.EUR), and it was by 222 thous.LVL (316 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in the 1st quarter of 2006 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 1 950 thous.LVL (2 775 thous.EUR) in the 1st quarter of year 2006, in fact it has been fulfilled in the amount 1 813 thous.LVL (2 580 thous.EUR), decrease is equal to 137 thous.LVL (195 thous.EUR). The index of this reporting period is by 699 thous. LVL (995 thous.EUR) or 27,8% lower than the index of the same period of previous year.

Sales of main products in 3 months of 2006 (thous. LVL)

Sales of main products in the reporting period is by 148 thous.LVL (210 thous.EUR) lower than forecast, but it is by 716 thous.LVL (1 019 thous.EUR) more than the result of the relevant period of prior year.

Proceeds from other activities have been exceeded by 11 thous.LVL (16 thous.EUR) or by 22%, and it amounted to 61thous.LVL (87 thous.EUR).