

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

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

**FOR 12 MONTHS OF YEAR 2006**

**(01.01.2006 – 31.12.2006)**

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

Daugavpils

2007

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

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JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
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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
Nominal value of one public bearer share	1.00 LVL
Chief accountant	Nina Moisejeva, p.c. 200250-10263
Reporting period	01.01.2006 – 31.12.2006
Persons in charge for drawing up of the financial report:	
Mr. Boriss Matvejevs, phone +371 5402333, e-mail <a href="mailto:dpr@dpr.lv">dpr@dpr.lv</a>	
Ms. Natalja Redzoba, phone +371 5402333, e-mail <a href="mailto:dpr.fin@dpr.lv">dpr.fin@dpr.lv</a>	

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**INFORMATION ON THE 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.

Volda Juhno, elected 29.08.2003., relieved from the post since 03.11.2006.

Jurijs Kostromins, elected 07.01.2004.

Raimonds Bruzevics, elected 29.11.2006.

**Information on shares owned by Members of the Management Board**

<b>Members of the Management Board</b>	<b>Share ownership<sup>1</sup></b>	
	<b>Quantity of shares</b>	<b>%</b>
Eduards Zavadskis	1 480 000	20%
Pjotrs Dorofejevs	no shares	-
Natalja Redzoba	1 900	0,03
Volda Juhno (till 03.11.2006)	no shares	-
Jurijs Kostromins	no shares	-
Raimonds Bruzevics (from 29.11.2006)	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**

<b>Members of the Management Board</b>	<b>Share ownership<sup>1</sup></b>	
	<b>Quantity of shares</b>	<b>%</b>
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Tatjana Lapunova	no shares	-
Jevgenijs Glinkins	no shares	-
Vitolds Vasilenoks	no shares	-

For more detailed information on professional background of the Management Board and Council members please refer to our website: [http://www.dpr.lv/web\\_ru/for-akcioner.htm](http://www.dpr.lv/web_ru/for-akcioner.htm)

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<sup>1</sup> As of 19.05.2006

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

<b>BALANCE SHEET</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>	354 159	111 041	503 923	157 997
<b>Short-term investments</b>	0	0	0	0
<b>Customer receivables</b>				
Accounts receivable	4 806 865	3 396 938	6 839 553	4 833 407
Accounts receivable from Group companies	0	0	0	0
Allowance for uncollectible receivables	-435 197	-21 083	-619 230	-29 998
<b>Total</b>	<b>4 371 668</b>	<b>3 375 855</b>	<b>6 220 323</b>	<b>4 803 409</b>
<b>Other receivables</b>				
Other current receivables	270 362	774 969	384 690	1 102 682
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
<b>Total</b>	<b>270 362</b>	<b>774 969</b>	<b>384 690</b>	<b>1 102 682</b>
<b>Accrued income</b>				
Other accrued income	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Prepaid expenses</b>				
Prepaid taxes	-	20 104	-	28 605
Other prepaid expenses	502	417	714	593
<b>Total</b>	<b>502</b>	<b>20 521</b>	<b>714</b>	<b>29 198</b>
<b>Inventories</b>				
Raw materials	1 123 682	940 110	1 598 855	1 337 656
Work-in-progress	228 321	245 894	324 872	349 876
Finished goods	554 671	723 553	789 226	1 029 523
Prepayments to suppliers	119 951	91 341	170 675	129 966
<b>Total</b>	<b>2 026 625</b>	<b>2 000 898</b>	<b>2 883 628</b>	<b>2 847 021</b>
<b>TOTAL CURRENT ASSETS</b>	<b>7 023 316</b>	<b>6 283 284</b>	<b>9 993 278</b>	<b>8 940 307</b>
<b>NON-CURRENT ASSETS</b>				
<b>Long-term financial assets</b>				
incl. Shares in subsidiaries	220 695	220 695	314 021	314 021
Loans to related companies	118 791	48 511	169 024	69 025
<b>Total</b>	<b>339 486</b>	<b>269 206</b>	<b>483 045</b>	<b>383 046</b>
<b>Non-current physical assets</b>				
Plant and equipment	13 188 948	12 420 782	18 766 182	17 673 180
Other equipment and fixtures	461 070	459 298	656 044	653 522
Accumulated depreciation	-9 236 107	-8 764 796	-13 141 796	-12 471 181
<b>Total</b>	<b>4 413 911</b>	<b>4 115 284</b>	<b>6 280 430</b>	<b>5 855 521</b>
<b>Intangible assets</b>				
Purchased licenses, trademarks etc.	1 807	5 875	2 571	8 360
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
<b>Total</b>	<b>1 807</b>	<b>5 875</b>	<b>2 571</b>	<b>8 360</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4 755 204</b>	<b>4 390 365</b>	<b>6 766 046</b>	<b>6 246 927</b>
<b>TOTAL ASSETS</b>	<b>11 778 520</b>	<b>10 673 649</b>	<b>16 759 324</b>	<b>15 187 234</b>

1 EUR =

0.702804 LVL

0.702804 LVL

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)

BALANCE SHEET	31.12.2006	31.12.2005	31.12.2006	31.12.2005
LIABILITIES & OWNERS' EQUITY				
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
<b>Debt obligations</b>				
Short-term loans from financial institutions	240 359	240 359	342 000	342 000
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	18 113	0	25 773	0
<b>Total</b>	<b>258 472</b>	<b>240 359</b>	<b>367 773</b>	<b>342 000</b>
<b>Customer prepayments for goods and services</b>	<b>14 448</b>	<b>4 368</b>	<b>20 558</b>	<b>6 215</b>
<b>Supplier payables</b>	<b>164 634</b>	<b>105 609</b>	<b>234 253</b>	<b>150 268</b>
<b>Total</b>	<b>179 082</b>	<b>109 977</b>	<b>254 811</b>	<b>156 483</b>
<b>Tax liabilities</b>	<b>127 018</b>	<b>97 165</b>	<b>180 730</b>	<b>138 253</b>
<b>Accrued expenses</b>				
Salary-related accrued expenses	98 497	94 333	140 149	134 224
Interest payable	113 803	56 675	161 927	80 642
<b>Total</b>	<b>339 318</b>	<b>248 173</b>	<b>482 806</b>	<b>353 119</b>
<b>Provisions</b>	<b>470 297</b>	<b>60 569</b>	<b>669 172</b>	<b>86 182</b>
<b>Total</b>	<b>470 297</b>	<b>60 569</b>	<b>669 172</b>	<b>86 182</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1 247 169</b>	<b>659 078</b>	<b>1 774 562</b>	<b>937 784</b>
<b>NON-CURRENT LIABILITIES</b>				
<b>Long-term liabilities</b>	<b>1 715 073</b>	<b>1 330 295</b>	<b>2 440 329</b>	<b>1 892 839</b>
Long-terms capital lease obligation	40 663	0	57 858	0
<b>Total</b>	<b>1 755 736</b>	<b>1 330 295</b>	<b>2 498 187</b>	<b>1 892 839</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1 755 736</b>	<b>1 330 295</b>	<b>2 498 187</b>	<b>1 892 839</b>
<b>TOTAL LIABILITIES</b>	<b>3 002 905</b>	<b>1 989 373</b>	<b>4 272 749</b>	<b>2 830 623</b>
<b>OWNERS' EQUITY</b>	<b>7 400 000</b>	<b>7 400 000</b>	<b>10 529 251</b>	<b>10 529 251</b>
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
<b>Total</b>	<b>7 400 000</b>	<b>7 400 000</b>	<b>10 529 251</b>	<b>10 529 251</b>
<b>Retained earnings</b>	<b>1 268 736</b>	<b>1 129 736</b>	<b>1 805 249</b>	<b>1 607 470</b>
<b>Net profit for the reporting period</b>	<b>106 879</b>	<b>154 540</b>	<b>152 075</b>	<b>219 890</b>
<b>Currency translation reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL OWNERS' EQUITY</b>	<b>8 775 615</b>	<b>8 684 276</b>	<b>12 486 575</b>	<b>12 356 611</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>11 778 520</b>	<b>10 673 649</b>	<b>16 759 324</b>	<b>15 187 234</b>
	1 EUR =		0.702804 LVL	0.70204 LVL

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
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<b>INCOME STATEMENT</b>	<b>31.12.2006 LVL</b>	<b>31.12.2005 LVL</b>	<b>31.12.2006 EUR</b>	<b>31.12.2005 EUR</b>
Net sales	9 182 910	9 629 137	13 066 104	13 701 028
Other operating income	28 155	540 658	40 061	769 287
<b>Total income</b>	<b>9 211 065</b>	<b>10 169 795</b>	<b>13 106 165</b>	<b>14 470 315</b>
Direct cost of goods sold or services rendered	-3 162 049	-3 271 967	-4 499 190	-4 655 590
Marketing, advertising and public relations expenses	-1 458	-2 084	-2 075	-2 965
Bad receivables	0	0	0	
Operating expenses	-476 314	-682 352	-677 734	-970 899
Salaries, bonuses and social expenses	-2 177 535	-2 065 534	-3 098 353	-2 938 990
Depreciation expense	-525 429	-702 793	-747 618	-999 984
Other expenses	-2 443 416	-3 084 301	-3 476 668	-4 388 565
<b>Operating expenses</b>	<b>-8 786 201</b>	<b>-9 809 031</b>	<b>-12 501 638</b>	<b>-13 956 993</b>
<b>EBIT</b>	<b>424 864</b>	<b>360 764</b>	<b>604 527</b>	<b>513 322</b>
Percents paid	-113 803	-56 675	-161 927	-80 641
<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
Exchange rate +gain / -loss	-50 456	-56 976	-71 793	-81 070
<b>Financial items</b>	<b>-164 259</b>	<b>-113 651</b>	<b>-233 720</b>	<b>-161 711</b>
<b>Profit before extraordinary items and taxes</b>	<b>260 605</b>	<b>247 113</b>	<b>370 807</b>	<b>351 611</b>
<b>EBT</b>	<b>260 605</b>	<b>247 113</b>	<b>370 807</b>	<b>351 611</b>
Provisions for taxes	-153 726	-92 573	-218 732	-131 720
<b>Profit after taxes</b>	<b>106 879</b>	<b>154 540</b>	<b>152 075</b>	<b>219 891</b>
<b>Net profit</b>	<b>106 879</b>	<b>154 540</b>	<b>152 075</b>	<b>219 891</b>
<b>Index EPS</b>	<b>0,014</b>	<b>0,021</b>	<b>0,020</b>	<b>0,030</b>
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

CASH FLOW STATEMENT	31.12.2006 LVL	31.12.2005 LVL	31.12.2006 EUR	31.12.2005 EUR
<b>CASH GENERATED FROM OPERATIONS</b>	<b>635 082</b>	<b>717 919</b>	<b>903 640</b>	<b>1 021 507</b>
Cash received from customers	720 920	7 665 589	1 025 777	10 907 150
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	1 356 002	-6 947 670	1 929 417	-9 885 643
Cash paid to suppliers and employees ML Group	0	0	0	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-819 978</b>	<b>- 1 358 294</b>	<b>-1 166 723</b>	<b>-1 932 678</b>
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	-828 693	13 658	-1 179 123	19 434
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	8 715	-1 371 952	12 400	-1 952 112
Loans given	0	0	0	0
Interest received	0	0	0	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>428 014</b>	<b>616 124</b>	<b>609 009</b>	<b>876 665</b>
Short-term loans received	600 593	672 799	854 567	957 307
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-58 776	-4 727	-83 631	-6 726
Paid interest	-113 803	-51 948	-161 927	-73 916
Paid interest ML Group	0	0	0	0
<b>TOTAL CASH FLOW</b>	<b>243 118</b>	<b>-24 251</b>	<b>345 926</b>	<b>-34 506</b>
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	354 159	111 041	503 923	157 997
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>243 118</b>	<b>-24 251</b>	<b>345 926</b>	<b>-34 506</b>
	1 EUR =		0.702804 LVL	0.702804 LVL



JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

Statement of changes in equity for the period from 01.01.2006 till 31.12.2006 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 1st January, 2006</b>	<b>7 400 000</b>	-	-	-	<b>1 284 276</b>	-	<b>8 684 276</b>
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-15 540	-	<b>- 15 540</b>
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 12 months of 2006	-	-	-	-	-	106 879	<b>106 879</b>
<b>As at 31 December, 2006</b>	<b>7 400 000</b>	-	-	-	<b>1 268 736</b>	<b>106 879</b>	<b>8 775 615</b>
<b>As at 1st January, 2005</b>	<b>7 400 000</b>	-	-	-	<b>1 141 575</b>	-	<b>8 541 575</b>
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit of 2004 to dividends	-	-	-	-	-11 839	-	<b>- 11 839</b>
Currency translation difference	-	-	-	-	-	-	-
Profit for 12 months of 2005	-	-	-	-	-	154 540	<b>154 540</b>
<b>As at 31 December, 2005</b>	<b>7 400 000</b>	-	-	-	<b>1 129 736</b>	<b>154 540</b>	<b>8 684 276</b>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

*1 EUR = 0,702804 LVL*

<b>Statement of changes in equity for the period from 01.01.2006 till 31.12.2006 (EUR)</b>							
	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, 2006</b>	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 827 360</b>	<b>-</b>	<b>12 356 611</b>
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	- 22 111	-	- 22 111
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	152 075	152 075
<b>As at 31 December, 2006</b>	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 805 249</b>	<b>152 075</b>	<b>12 486 575</b>
<b>As at 1st January, 2005</b>	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 624 315</b>	<b>-</b>	<b>12 153 566</b>
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit of 2004 to dividends	-	-	-	-	- 16 846	-	- 16 846
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	219 891	219 891
<b>As at 31 December, 2005</b>	<b>10 529 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 607 469</b>	<b>219 891</b>	<b>12 356 611</b>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

Appendix

**Explanatory notes**

Accounting policies and methods applied in present financial statement are consistent with those applied in last Annual Report.

This financial statement of JSC "Ditton pievaķēžu rūpnīca" has been prepared in accordance with the source documents and presents fairly the financial position of the JSC as of 31 December 2006 and the results of its operation and cash flows for the 12 months period ended 31 December 2006.

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 financial report for 12 months of 2006 has not been audited by jury auditor.

The present financial report has been prepared in Latvian Lats and Euro.

Currency exchange rate: 1 EUR = 0,702804 LVL.

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

**Summary of financial results  
for 12 months of year 2006**

thous.LVL

Name of index	Forecast for 2006	12 months of year 2006 actually	Deviation ( + / - )
Production of commodity products	7 600	8 467	+867
Production of main products	7 565	8 396	+831
Driving chains	7 479	8 209	+730
Incl. automotive		3 400	+162
industrial		4 809	+568
Sales volume	8 000	9 183	+1 183
Sales of main products	7 800	8 533	+733
Profit after taxes	80	107	+27

thous.EUR

*1 EUR = 0,702804 LVL*

Name of index	Forecast for 2006	12 months of year 2006 actually	Deviation ( + / - )
Production of commodity products	10 814	12 047	+1 233
Production of main products	10 764	11 946	+1 182
Driving chains	10 642	11 680	+1 038
Incl. automotive		4 838	+231
industrial		6 843	+808
Sales volume	11 383	13 066	+1 683
Sales of main products	11 098	12 141	+1 043
Profit after taxes	114	152	+38

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**FINANCIAL REPORT FOR 12 MONTHS OF 2006 (unaudited)**

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

Production of commodity products in the period of 12 months of year 2006 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 8 467 thous.LVL (12 047 thous.EUR). The result of reporting period is by 678 thous.LVL (965 thous.EUR) or 8,7% higher than the result of 12 months of year 2005.

Production of driving chains in 12 months of 2006 (thous.meters)

Production of driving chains in natural units is by 105 thous.meters less than the forecast, but it is by 237 thous. meters more than the index of the same period of 2005.

Production of driving chains in 12 months of year 2006 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 730 thous.LVL (1 038 thous.EUR), and it was by 596 thous.LVL (848 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 12 months of 2006 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 8 000 thous.LVL (11 383 thous.EUR) in 12 months of year 2006, in fact it has been fulfilled in the amount 9 183 thous.LVL (13 066 thous.EUR), increase is equal to 1 183 thous.LVL (1 683 thous.EUR). The index of this reporting period is by 446 thous. LVL (635 thous.EUR) or 5% lower than the index of the same period of previous year.

Sales of main products in 12 months of 2006 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 733 thous.LVL (1 043 thous.EUR) more than the forecast, but it is by 862 thous.LVL (1 227 thous.EUR) or by 9,2% less 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 416 thous.LVL (592 thous.EUR), and they amounted to 650 thous.LVL (925 thous.EUR).

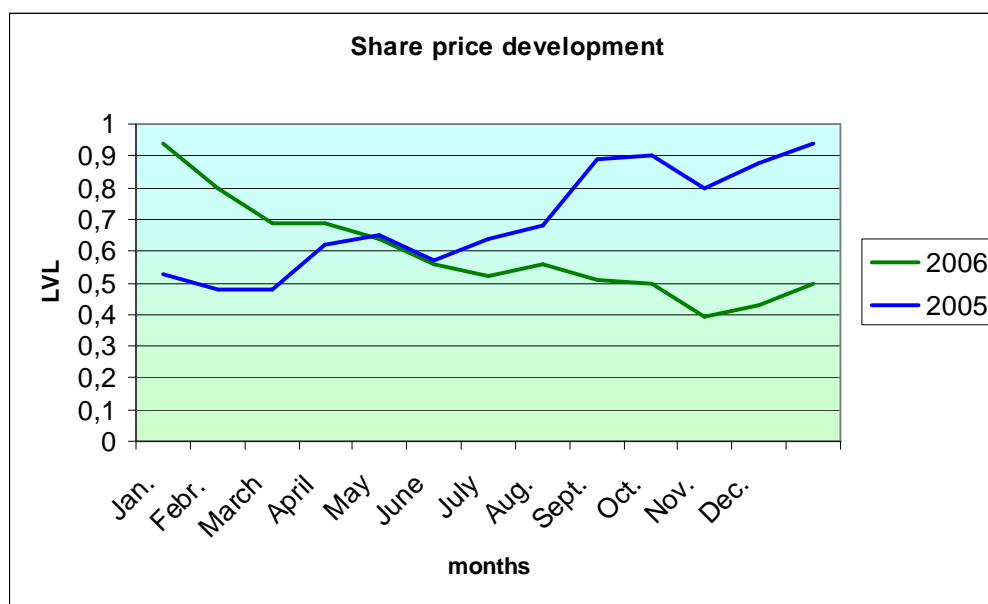
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**INFORMATION ON SHAREHOLDERS AND SHARES**

**COMPANY SHAREHOLDERS (OVER 5%) AS OF 19.05.2006**

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

**SHARE PRICE DEVELOPMENT IN THE YEARS 2005 AND 2006**



## **MANAGEMENT REPORT**

### **Information on the results of the company in 12 months of year 2006**

In 12 months of year 2006 net-turnover in fact was fulfilled in the amount of 9 183 thous. LVL (13 066 thous.EUR) against the forecast 8 000 thous. LVL (11 383 thous.EUR), increase amounts to 1 183 thous. LVL (1 683 thous.EUR).

Profit before taxes for 12 months period of 2006 amounted to 260 605 LVL (370 807 EUR), which is by 5,5% more than in 2005 and complies with the forecast. Profit after taxes amounts to 106 879 LVL (152 075 EUR).

Growth of actually paid taxes in 2006 comes to 66,1%, compared to 92 573 LVL (131 720 EUR) in 2005, the amount paid in taxes in 12 months of 2006 makes up 153 726 LVL (218 732 EUR). Growth of enterprise income tax paid in 2006 is estimated in the amount of 41 thous.LVL (58 thous.EUR), growth of immovable property tax – 20 thous.LVL (28 thous.EUR). In view of changes in the system of immovable property tax calculation since 01.01.2007 we anticipate that there will be subsequent growth of this tax.

Due to growth of volume of customer-owned raw material processing compared to 2005, in 12 months of 2006 net-turnover was less by 446 thous.LVL (635 thous EUR), by having a contemporaneous increase of production volume in natural units (thous.meters). (For more detailed information with explanatory notes please refer to pages 5-13 of present financial statement).

At present the company exports 98% of its products to the East and West: among them 67% westwards and 31% eastwards; 2% of products are sold in Latvia.

The total sales amount to the subsidiary „Meteor Kettenfabrik” GmbH amounted to 283 136 LVL (402 866 EUR) in the reporting period, but in 12 months period of 2005 it was 274 338 LVL (390 348 EUR).

The average statistical number of employees of JSC “Ditton pievadkēžu rūpnīca” was 632 in 12 months of year 2006

The average salary amounted to 234 LVL (333 EUR), which is by 18 LVL (26 EUR) more than in 2005.

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**Market tendencies and development of the company. Risks.**

Main product sales and market development tendencies, risks and development prospects of 2006 comply with ones describes in financial statement for 12 months period of 2005, which proves the stabilization of market, its participants and relation of demand and supply, and their conservatism as well.

At the same time the Management Board notes unfavourable tendencies (risks), which do not give ground to assume the stable and optimal development of the company. These are:

- conservatism of the market, orientation toward permanent partners, which hampers an effective competition in "occupied" market segments;
- market saturation, lack of free segments of market for promotion of products;
- dumping prices from the side of Asian manufacturers;
- price growth for materials, equipment, energy resources and labour resources, which excludes possibility to submit competitive price offerings under dumping conditions from the side of Asian manufacturers;
- lack of qualified labour in the process of "generation change", which becomes more intensifying, due to non-perspective job opportunities, liquidation of appropriate technical training system, flow-out of young people for work to the states of European Union and America.

**STATEMENT ABOUT MANAGEMENT LIABILITY**

According to our information, the presented financial statements for 12 months of year 2006 ended 31 December, 2006 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 pievadkēžu rūpnīca". Management report contains truthful information.

Chairman of the Management Board,  
President of the JSC "Ditton pievadkēžu rūpnīca"



Eduards Zavadskis