

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

**Reg.No.40003030187**

**Višķu Str.17, Daugavpils, LV-5410, Latvia**

**AUDITED ANNUAL REPORT**

**OF YEAR 2007**

**(01.01.2007 – 31.12.2007)**

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

**Daugavpils**

**2008**

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**CONTENTS**

Information about the Company .....	3
Information on the Management Board and Council members .....	4
Management report .....	5-6
Council report .....	7-8
Auditor's report .....	9-10
Financial statements	
Statement of profit or loss .....	11
Balance sheet .....	12-13
Cash flow statement .....	14-15
Statement of changes in equity .....	16-17
Appendix to the annual report	18-21
Notes to the financial statements .....	22-33

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**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 Moiseeva, p.c. 200250-10263
Reporting period	01.01.2007 – 31.12.2007
Auditor	SIA "Invest-Rīga" Daugavpils" Reg. No. LV40003227526 Commercial's license No.81 Raiņa Str. 28, Daugavpils, LV-5403
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@dpr.lv">dpr@dpr.lv</a>

## **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 Dorofejvs, 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.

Vladimirs Kovalonoks, elected 09.05.2007.

Raimonds Bruzevics, elected 29.11.2006, relieved 12.04.2007.

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

<b>Members of the Management Board</b>	<b>Share ownership *</b>	
	<b>Quantity of shares</b>	<b>%</b>
Eduards Zavadskis	1 480 000	20
Pjotrs Dorofejvs	no shares	-
Natalja Redzoba	1 900	0,03
Jurijs Kostromins	no shares	-
Raimonds Bruzevics (29.11.2006-12.04.2007)	1 900	0,03
Vladimirs Kovalonoks (from 09.05.2007)	no shares	-

### **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)

---

<sup>1</sup> As of 02.04.2007

## **MANAGEMENT REPORT**

### **Information on the results of the company in year 2007**

In 12 months of year 2007 net-turnover in fact was fulfilled in the amount of 9 198 thous. LVL (13 088 thous.EUR) against the forecast 8 700 thous. LVL (12 379 thous.EUR), increase amounts to 498 thous.LVL (709 thous.EUR) or 5,7%. Compared to the level of previous year net-turnover of the reporting period remained approximately on the same level (increase by 15 thous.LVL (21 thous.EUR) or by 0,2%).

Profit before taxes for 12 months period of 2007 amounted to 231 895 LVL (329 957 EUR), which is by 17 thous.LVL (24 thous.EUR) more than the forecast. Profit after taxes amounts to 148 367 LVL (211 107 EUR), which is comparable with the results of 2006 and 2005.

Output of commodity products is estimated in the amount 8 840 thous.LVL (12 578 thous.EUR). The result of reporting period is by 373 thous.LVL (531 thous.EUR) or 4,4% higher than the result of relevant period of year 2006. Output increase of commodity products in money terms is related to a greater extent to growth of price of finished products, and in a lesser extent to growth of production volume due to extra single orders, which according to the management of the company can not be considered to be a constant tendency for the future. (For more detailed information on performance results with explanatory notes please refer to pages 8-16 of present financial statement).

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

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 615 people in 12 months of year 2007.

The average salary amounted to 279 LVL (397 EUR) in 12 months period of 2007, which is by 45 LVL (64 EUR) more than in 12 months of 2006.

### **Key figures of financial standing of JSC „Ditton pievadķēžu rūpnīca”**

Own capital profitability of the company (capital using ratio) achieved 1,61% in year 2007, which proves the capability of the company to develop stably (the standard of this ratio = 0,7-0,9).

Return on assets (ROA) was 3,08% in year 2007, and this is indicative of efficiency of using fixed assets and other non-current assets (normally ROA is accepted to be satisfactory at 0,5-1).

Sales profitability – commercial margin shows that in year 2007 1,61% of earned profit accounts for one unit of salable production (norm is 0,7-1,0).

Turnover ratio of long-term investments is admissible to be  $\geq 1$ , in year 2006 it was 1,91

Reserves turnover enables to assess the optimal size of reserves. In 2007 turnover speed was 2,689times, compared to 2006 this ratio increased by 0,25.

Economic profitability enables to determine that 2,00% of earned profit accounts for one unit of company's assets.

Commercial profitability indicates that company earned 2,52% of profit on one net-turnover unit before taxes, and accordingly 1,61% after taxes.

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

Main product sales and market development tendencies, risks and development prospects as described in financial statement for 9 months period of 2007, remained also in the whole reporting period.

For analytical information it can be mentioned that along existing of comparable production volumes, prices on material resources increased in average by 8,5%, but on energy resources – by 20,5%. And they are also expected to continue to grow in year 2008.

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2007**

Owing to general Latvian internal processes in growth of taxes and labour resources value, labour costs increased by 15,9%, growth of taxes paid ranges from 15% till 132%, for instance, sum paid as social tax grew by 15,9%, tax on immovable property – by 56,6%, enterprise income tax – by 131,7%.

It is assumed that owing to the further growth of prices on materials and resources, increase of average salary, deepness of lack of personal resources of average and high level in metal industry and in connection with work forces going to EU and other countries as well as changes of cadastral value of immovable property, growth trend of these taxes will remain.

Global and European economical processes, which can influence on activity of the Company in market:

- inflation processes characteristic of almost all countries;
- price fluctuations and growth in general in Latvia, and in the whole world as well on energy resources and metal, transport and other services, which is very essential for power- and metal-consuming production;
- in particular – problems of USD exchange rate, including, price formation, as the joint-stock company is working mainly in the "USD zone";
- activation of policy of economy in the market misbalance circumstances from the side of our traditional customers (temporary falling-off in demand) by parallel activation of aggressive dumping policy of Asian manufacturers, which make use of crises phenomenon in economics.

As positive moment the Management Board notes that in the stabilization circumstances of net-turnover, demand for products with simultaneous increase of costs on taxes, material and work and costs of energy resources, owing to internal reserves and correct administration of production processes the JSC succeeded to keep its income on stable level, and is comparable to the results of 2005 and 2006.

The Management Board positively evaluates the perspectives of activity and development of the Company.

## **STATEMENT ABOUT MANAGEMENT LIABILITY**

In opinion of the Management Board, according to the information at its disposal, the presented annual report for year 2007 has been prepared in accordance with the existing legislative requirements and gives a true and fair view of financial standing of the Company and its performance, cash flow and profits. In all substantial aspects there are Latvian accounting standards met.

The Management Board of the company has taken into account not only the provision of immediate benefit for the Company's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Company in future. The policy of the Management Board in relation to the matter of submitting proposals about directing of profit to payment of dividends has not changed for last three years, and in particular members of the Management Board propose to distribute the profit by directing 9,98 % of net-profit to payment of dividends. For year 2007 this amount comes to 14 800 LVL (21 059 EUR).

The management confirms herewith that there have not been any essential events taken place after the end of the reporting period, which could have affected the annual report of the Company for year 2007.

Management report contains truthful information.

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

Eduards Zavadskis

## **COUNCIL REPORT** **to the annual report for year 2007**

Issued according to LR Commercial Law and to the Company's Articles,  
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"  
dated 02.05.2008., Protocol No.119

The Council of joint-stock company "Ditton pievadķēžu rūpnīca" announces that the report of the Management Board of the Company to the annual general meeting of shareholders and annual report for year 2007 truly reflect the commercial activity results and the financial position of the Company. Joint-Stock Company worked with profit, without the losses.

During the reporting period the Management Board managed the industrial and economic activity of the Company and represented the Company in accordance with the laws of Republic of Latvia in force, with the Company Articles, resolutions of general meeting of shareholders and Council recommendations.

The shareholders as well as the Council members have no claims to the Management Board and its individual members, and the Council evaluates the activity of the Management Board as positive and notices the increase of volume of production activity.

The Council of the Company represented interests of shareholders during the period between the general meetings, and in reporting period it supervised constantly for the Management Board activity according to the Company Articles and Laws of Republic of Latvia.

Altogether during the reporting period nine meetings of the Council were held. In four of the joint meetings of the Council and the Management Board there have been considered and approved interim financial reports of the Company for 3, 6, 9 and 12 months of the year 2007.

Additionally the following issues have been considered in the Council meetings and decisions on them were made:

- strategic tasks of the Company for years 2007-2009;
- output and assimilation of new types of production;
- certification of the company for a new certificate of quality;
- analysis of employment's market and natural resources of the Company;
- changes in the Management Board;
- other questions connected with activity of the Company and foreseen in the Company's Articles and laws of Republic of Latvia.

With this the Council of the Company draws attention of the shareholders to the following important events:

- In year 2007 the Company has received the management' system's certificate ISO/TS 16949:2002, which allows to deliver produced production to the cars' producers of EU and of other countries, where this certificate is necessary, and to acquire such status of production, which gives the opportunity directly to deliver to producers.
- In year 2007 (this tendency saves also in year 2008) often showed up events of untrue informational publications in mass media about the Company. Drawing attention to these cases, the Council recommends to the shareholders to use the official

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2007**

information of the Company for judicial evaluation of situation in to them belonged joint-stock company.

The Council supports the proposal of the Management Board to direct the part of net-profit in year 2007 in the amount of 14 800 LVL or 9,98% for payment of dividends to the shareholders of the Company.

Chairman of the Council

B.Matvejaevs



## **INDEPENDENT AUDITOR'S REPORT**

**To the management and shareholders of JSC "Ditton pievadķēžu rūpnīca"**

### **Report on financial statements**

We have audited the accompanying financial statement of the JSC "Ditton pievadķēžu rūpnīca", registration No.40003030187, included into the annual report for the year 2007. Audited financial statement includes the balance at 31 December 2007, statement of profit or loss for year 2007, statement in changes of it's own capital and cash flow statement as well as resume on significant accounting principles, and other explanatory information in the appendix.

### **Responsibility of the management for preparing of financial statement**

Management of the JSC "Ditton pievadķēžu rūpnīca" is responsible for preparing of this financial statement and giving true information in conformity with the Law of Republic of Latvia "On the Annual Reports of Enterprises". This responsibility includes forming, implementation and maintaining of such internal control, which ensures preparation and providing fair view of such financial statements, which contain neither fraud, nor material inconsistency caused by mistakes, choice and using of appropriate accounting policy, and preparation of proper accounting calculations corresponding to conditions.

### **Responsibility of auditor**

We are responsible for auditor's conclusion, which we give on the present financial statement on the base of audit conducted by us. We conducted audit in accordance with International Standards on Auditing accepted in Latvia. These standards require that we satisfy requirements of ethics, plan and perform audits to obtain reasonable assurance about whether the financial statements are free of material inconsistency.

An audit includes procedures, which are performed in order to obtain audit evidence supporting the amounts and disclosures of the financial statements. The procedures are selected on the base of professional assessment of auditor, including evaluation of material inconsistency risks caused by fraud or mistakes. By this evaluation the auditor is taking into account internal control, which is established in order to ensure preparation of financial statement and fair reflecting of information with the aim to determine audit procedures which would be suitable to conditions, but not to give conclusion on efficiency of control.

An audit includes also assessing if applied accounting principles and presumptions of management are reasonable, and general assessing of information disclosed in the financial statement.

We believe that evidences obtained in audit are sufficient and proper for giving an audit conclusion.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

***Conclusion***

In our opinion in all significant aspects the above mentioned financial statement gives a true and fair view about financial standing of the JSC "Ditton pievadķēžu rūpnīca" as at 31 December 2007, on financial results of its activity and cash flows in year 2007 in conformity with the Law of Republic of Latvia "On the Annual Reports of Enterprises"

**Report on conformity of the Management report**

We acquainted ourselves with Management report for year 2007 and we did not disclosed any material inconsistency between financial information disclosed in this Management report and in financial statement for year 2007.

SIA "Invest-Rīga" Daugavpils"  
Commercial company of jury auditors  
License No.81

(signature)  
V.Pjankovskis  
Procurist

(signature)  
A.Putnins  
Executive jury auditor  
Certificate No.123

Daugavpils, Latvia  
May 19, 2008

*\*Note: auditor's report received at the JSC "Ditton pievadķēžu rūpnīca" on May 19, 2008*

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**STATEMENT OF PROFIT AND LOSS**  
**AS AT 31.12.2007**

*1 EUR = 0,702804 LVL*

	Number of notes	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Net turnover	1	9 198 338	13 088 056	9 182 910	13 066 104
Production cost of sold products	2	6 127 316	8 718 385	5 311 252	7 557 231
<b>Gross profit or loss</b>		<b>3 071 022</b>	<b>4 369 671</b>	<b>3 871 658</b>	<b>5 508 873</b>
Selling costs	3	1 255 026	1 785 741	609 548	867 309
Administration costs	4	2 140 956	3 046 306	2 388 095	3 397 953
Other operating income	5	1 594 508	2 268 780	66 316	94 359
Other operating expenses	6	971 509	1 382 333	564 277	802 894
Interest payment and similar expenses	7	66 144	94 114	113 803	161 927
<b>Profit or loss before extraordinary items and taxes</b>		<b>231 895</b>	<b>329 957</b>	<b>262 251</b>	<b>373 149</b>
<b>Profit or loss before taxes</b>		<b>231 895</b>	<b>329 957</b>	<b>262 251</b>	<b>373 149</b>
Enterprise income tax in reporting year	8	61 737	87 844	95 384	135 719
	8	-60 216	-85 679	1 646	2 342
Other taxes	9	82 007	116 685	58 342	83 013
<b>Profit or loss of reporting year</b>		<b>148 367</b>	<b>211 107</b>	<b>106 879</b>	<b>152 075</b>
<b>Index EPS</b>		<b>0,020</b>	<b>0,028</b>	<b>0,014</b>	<b>0,020</b>

May 19th, 2008

\_\_\_\_\_  
(signature)

Eduards Zavadskis

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**BALANCE SHEET AS AT 31.12.2007**

*1 EUR = 0,702804 LVL*

ASSETS	Number of notes	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>1. Long-term investments</b>					
<b>I. Non-material investments</b>					
Concessions, patents, licenses, trade mark and similar rights		<u>452</u>	<u>643</u>	<u>1 807</u>	<u>2 571</u>
<b>Non-material investments total</b>	<b>10</b>	<b>452</b>	<b>643</b>	<b>1 807</b>	<b>2 571</b>
<b>II. Fixed assets</b>					
Plots of land, buildings and constructions and perennial plantations		4 675 156	6 652 148	4 079 563	5 804 695
Technological equipment and machinery		68 148	96 968	237 680	338 188
Other fixed assets and stock		46 870	66 689	76 221	108 452
Formation of fixed assets and costs of unfinished construction objects		20 378	28 995	20 448	29 095
<b>Fixed assets total</b>	<b>11</b>	<b>4 810 552</b>	<b>6 844 800</b>	<b>4 413 911</b>	<b>6 280 430</b>
<b>III. Long-term financial investments</b>					
Participation in the capital of related enterprises		-		220 695	314 021
Loans to related companies		-		118 791	169 024
<b>Long-term financial investments total</b>	<b>12</b>			<b>339 486</b>	<b>483 045</b>
<b>1. Long-term investments total</b>		<b>4 811 004</b>	<b>6 845 443</b>	<b>4 755 204</b>	<b>6 766 046</b>
<b>2. Current assets</b>					
<b>I. Reserves</b>					
Raw materials, basic materials and subsidiary materials		1 029 413	1 467 723	1 123 682	1 598 855
Unfinished products		272 668	387 971	228 321	324 872
Finished products and goods for sale	13	888 255	1 263 873	554 671	789 226
Advance payments for goods		20 296	28 879	119 951	170 675
<b>Reserves total</b>		<b>2 210 632</b>	<b>3 145 446</b>	<b>2 026 625</b>	<b>2 883 628</b>
<b>II. Debtors</b>					
Debts of buyers and customers	14	3 926 037	5 586 247	3 863 141	5 496 754
Debts of related enterprises	15	-	-	508 527	723 569
Other debtors	16	263 769	375 309	270 362	384 690
Deferred expenses	17	-	-	502	714
<b>Debtors total</b>		<b>4 189 806</b>	<b>5 961 556</b>	<b>4 642 532</b>	<b>6 605 727</b>
<b>IV. Cash (total)</b>	<b>18</b>	<b>180 942</b>	<b>257 457</b>	<b>354 159</b>	<b>503 923</b>
<b>2. Current assets total</b>		<b>6 581 380</b>	<b>9 364 459</b>	<b>7 023 316</b>	<b>9 993 278</b>
<b><u>TOTAL ASSETS</u></b>		<b><u>11 392 384</u></b>	<b><u>16 209 902</u></b>	<b><u>11 778 520</u></b>	<b><u>16 759 324</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**BALANCE SHEET AS AT 31.12.2007**

*1 EUR = 0,702804 LVL*

<b><u>LIABILITIES &amp; SHAREHOLDERS EQUITY</u></b>	<b>Number of notes</b>	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
<b>1. Shareholders' equity</b>					
Share capital (fixed capital)		7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:					
a) retained earnings of previous years		1 364 516	1 941 532	1 268 736	1 805 249
b) retained profit of reporting year		148 367	211 107	106 879	152 075
<b>1. Shareholders' equity total</b>		<b>8 912 883</b>	<b>12 681 890</b>	<b>8 775 615</b>	<b>12 486 575</b>
<b>2. Provisions</b>					
Other provisions	19	288 750	410 854	468 651	666 830
<b>2. Provisions total</b>		<b>288 750</b>	<b>410 854</b>	<b>468 651</b>	<b>666 830</b>
<b>3. Long-term creditors:</b>					
Loans from credit institutions	20	242 000	344 335	1 715 073	2 440 329
Other loans	21	21 642	30 794	40 663	57 858
Commitments of deferred enterprise income tax	22	-	-	1 646	2 342
<b>3. Long-term creditors total</b>		<b>263 642</b>	<b>375 129</b>	<b>1 757 382</b>	<b>2 500 529</b>
<b>4. Short-term debts:</b>					
Loans from credit institutions	23	-	-	240 359	342 000
Other loans	24	19 057	27 116	18 113	25 773
Advance payments from customers received	25	1 108 807	1 577 690	14 448	20 558
Debts to suppliers and contractors	26	585 090	832 508	278 000	395 559
Taxes and social security payments	27	105 013	149 420	127 018	180 730
Other creditors	28	109 142	155 295	98 934	140 770
<b>4. Short-term creditors total</b>		<b>1 927 109</b>	<b>2 742 029</b>	<b>776 872</b>	<b>1 105 390</b>
<b>Creditors total</b>		<b>2 190 751</b>	<b>3 117 158</b>	<b>2 534 254</b>	<b>3 605 919</b>
<b><u>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</u></b>		<b><u>11 392 384</u></b>	<b><u>16 209 902</u></b>	<b><u>11 778 520</u></b>	<b><u>16 759 324</u></b>

May 19th, 2008

\_\_\_\_\_  
(signature)

Eduards Zavadskis

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**STATEMENT OF CASH FLOW AS AT 31.12.2007**

(according to indirect method)

*1 EUR = 0,702804*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
<b>I. Cash flow of basic activity</b>				
1. Profit or loss before extraordinary items and taxes	+231 895	+329 957	+262 251	+373 149
<i>Corrections:</i>				
Depreciation of fixed assets (+)	+953 129	+1 356 180	+521 023	+741 349
Write-off of value of non-material investments (+)	+1 355	+1 928	+4 396	+ 6 255
Loss (+), profit (-) from financing or investing activity	+ 339 486	+483 045	-70 280	-99 999
 2. Profit or loss from economic activity in reporting year (1.line (+), (-) corrections)	+1 525 865	+2 171 110	+717 390	+1 020 754
<i>Corrections:</i>				
Decrease (+), increase (-) in balance of receivables	+452 224	+643 457	-471 102	-670 318
Decrease (+), increase (-) in balance of reserves	-184 007	-261 818	-25 727	-36 606
Decrease (+), increase (-) in deferred expenses	+502	+714	-85	-121
Decrease (+), increase in payables to suppliers and contractors	+307 090	+436 950	+116 991	+166 463
Decrease (+), increase in provisions	-179 901	-255 976	+408 082	+580 648
Decrease (+), increase in balance of other payables	+1 082 562	+1 540 347	+43 259	+61 552
3. Difference of cash income from economic activity and expenses (income exceeds expenses (+), expenses exceed income (-)) (2.line (+), (-) corrections)	+3 004 335	+4 274 784	+788 808	+1 122 372
4. Expenses on payments of taxes (-)	-83 528	-118 850	-153 726	-218 732
<b>Result of economic activity</b>	<b>+2 920 807</b>	<b>+4 155 934</b>	<b>+635 082</b>	<b>+903 640</b>
 <b>II. Cash flow of investing activity</b>				
Expenses for purchase of fixed assets	-1 384 124	-1 969 431	-828 693	-1 179 124
Proceeds from sale of fixed assets	+34 354	+48 881	+8 715	+12 400
<b>Result of investing activity</b>	<b>- 1 349 770</b>	<b>- 1 920 550</b>	<b>-819 978</b>	<b>-1 166 724</b>
 <b>III. Cash flow of financing activity</b>				
Income, expenses for short-term credit	-1 733 155	-2 466 058	+443 554	+631 120
Dividends paid	-11 099	-15 792	-15 540	-22 110
<b>Result of financing activity</b>	<b>-1 744 254</b>	<b>-2 481 850</b>	<b>+428 014</b>	<b>+609 010</b>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**CONSOLIDATED DATA ON CASH INCOME AND EXPENSES**

*1 EUR = 0,702804 LVL*

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Result of economic activity	+2 920 807	+4 155 934	+635 082	+903 640
Result of investing activity	-1 349 770	-1 920 550	-819 978	-1 166 724
Result of financing activity	-1 744 254	-2 481 850	+428 014	+609 010
Excess of cash income or overspending	-173 217	-246 466	+243 118	+345 926
Balance of cash and cash equivalents at the beginning of reporting year	+354 159	+503 923	+111 041	+157 997
Balance of cash and cash equivalents at the end of reporting year	+180 942	+257 457	+354 159	+503 923

May 19th, 2008

\_\_\_\_\_  
(signature)

Eduards Zavadskis

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2007 (LVL)**

	Equity capital	Share premium	Long-term investment revaluation reserve	Financial instrum. revaluation reserve	Reserves	Retained profit of reporting year	Accumulated profit	Equity capital TOTAL
	<b>LVL</b>		<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>		<b>LVL</b>
<b>31.12.2005</b>	7 400 000					154 540	1 129 736	<b>8 684 276</b>
Profit of 2005 transferred to retained profit of previous years						(139 000)	139 000	-
Dividends charged for 2005						(15 540)		<b>(15 540)</b>
Retained profit of report year						106 879		<b>106 879</b>
<b>31.12.2006</b>	<b>7 400 000</b>					<b>106 879</b>	<b>1 268 736</b>	<b>8 775 615</b>
Profit of 2006 transferred to retained profit of previous years						(95 779)	95 779	-
Dividends charged for 2006						(11 100)		<b>(11 100)</b>
Retained profit of report year						148 367		<b>148 367</b>
<b>31.12.2007</b>	<b>7 400 000</b>					<b>148 367</b>	<b>1 364 515</b>	<b>8 912 882</b>

May 19th, 2008

\_\_\_\_\_

Eduards Zavadskis



JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2007 (EUR)**

*1 EUR = 0,702804 LVL*

	Equity capital	Share premium	Long-term investment revaluation reserve	Financial instrum. revaluation reserve	Reserves	Retained profit of reporting year	Accumulated profit	Equity capital TOTAL
	EUR		EUR	EUR	EUR	EUR		EUR
<b>31.12.2005</b>	<b>10 529 251</b>					<b>219 891</b>	<b>1 607 470</b>	<b>12 356 612</b>
Profit of 2005 transferred to retained profit of previous years						(197 779)	197 779	-
Dividends charged for 2005						(22 112)		(22 112)
Retained profit of report year						152 075		152 075
<b>31.12.2006</b>	<b>10 529 251</b>					<b>152 075</b>	<b>1 805 249</b>	<b>12 486 575</b>
Profit of 2006 transferred to retained profit of previous years						(136 283)	136 283	-
Dividends charged for 2006						(15 792)		(15 792)
Retained profit of report year						211 107		211 107
<b>31.12.2007</b>	<b>10 529 251</b>					<b>211 107</b>	<b>1 941 532</b>	<b>12 681 890</b>

May 19th, 2008

\_\_\_\_\_

Eduards Zavadskis

## APPENDIX TO THE ANNUAL REPORT FOR 2007

The joint-stock company "Daugavpils pievadkezu rupnica" was formed as a result of a privatization of the State Daugavpils driving chain factory in conformity with the order of the Cabinet No.375-r dated 09 August, 1994 and the decision (the report No.25) of the Board of the state joint-stock company "Privatization agency" having transformed the state company into joint-stock company.

The Company has received the status of public joint-stock company after its registration in the Register of Enterprises on 30 August, 1995 with the number 000303018.

08.01.2002 JSC "Daugavpils pievadkezu rupnica" changed its name to JSC "Ditton pievadkezu rupnica" with the registration number 40003030187.

29.08.2003 JSC "Ditton pievadkezu rupnica" has been registered in the Commercial Register.

The Company is the successor of rights and obligations of the state driving chain factory in conformity with conditions of privatization, and it acts on the basis of the Articles.

Kinds of activity of company:

- production of driving chains of all kinds;
- production of other plastic products;
- production of metal constructions and components of constructions;
- production of metal products used in construction;
- forging, pressing, punching and rolling of metal;
- processing of metal and facing of a surface;
- general machining processing of metal;
- production of tools;
- production of fastenings, cut products, chains and springs;
- production of others unclassified ready metal products;
- production of bearings, rack-wheels, elements of transfer and drive;
- production of machines;
- production of motorcycles and bicycles;
- production of other in another places unclassified vehicles;
- selling of motor vehicles;
- selling of motorcycles and its fixings, servicing and repairs;
- wholesale trade in machine tools;
- wholesale trade of other machines used in production, trade and navigation;
- wholesale of agricultural machines, fixings and instruments, including tractors;
- other retail trade in unspecialized shops;
- loads with motor vehicles;
- loading and unloading of loads: warehousing;
- dealership with own real estates;
- farming and renting of own real estate;
- renting of cars;
- renting of other land vehicles;
- renting of agricultural machines and instruments;
- renting of construction machines and instruments;
- renting of in other places unclassified machines and instruments;
- renting of in other places unclassified subject of individual using and the household equipment and instruments;
- consultation on questions of the program equipment, programming;
- data processing.

JSC "DITTON PIEVADĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

The fixed capital of the company is 7 400 000 LVL, which divides into 7 400 000 public bearer shares. The nominal value of each share is 1 LVL and each share entitles to one voice.

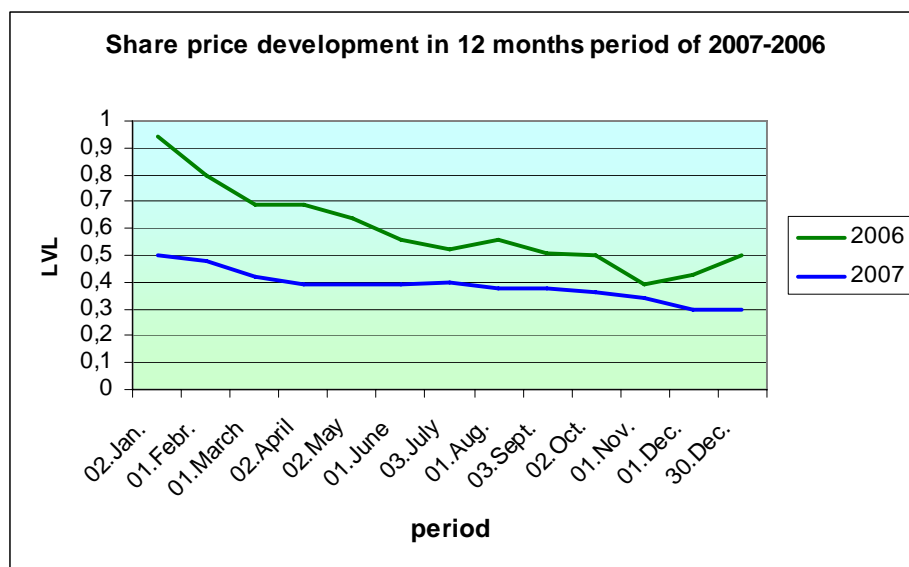
**Information on shares and shareholders**

**Company shareholders (over 5%) as of 31.12.2007**

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

*\* Note:* This data has been indicated as at 02.04.2007 in compliance with the list of shareholders of Latvian Central Depository. According to the Law on the Financial Instruments Market the Company has not received notifications from shareholders about changes in the volume of their financial instruments above 5%.

**Share price development in years 2007 and 2006**



In accordance with the Clause 56.1 of the Law on the Financial Instruments Market, the Company has no additional information at its disposal on rest part of the above mentioned Clause (part 1, sub-paragraphs 2), 4), 5), 6), 7), 8), 9), 10), 11)).

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**Principles of bookkeeping and methods of evaluation**

The annual report is prepared in conformity with Law On Bookkeeping and Annual Accounts Law. Statement on profit and loss is done in conformity with the method of turnover expenses.

Items of the annual report are evaluated in conformity with the following principles of bookkeeping:

- a) it is accepted that the company will work further;
- b) the same evaluation methods are used as in the last year;
- c) the evaluation of items is made with due foresight, i.e.
  - in the report there is the profit included received before the day of working up of balance sheet;
  - all expected sums of risk and loss which have appeared in the accounting period, or in the previous years, are taken into account, also then, if they became known during time between date of balance and day of working up of the annual report;
  - all sums of deterioration and depreciation are estimated and taken into account, no matter if the fiscal year is finished with profit or loss;
- d) income and expenses related to the accounting period are taken into account irrespective of the settlement date and date of reception or making out a bill. Expenses are coordinated with incomes in the reporting period;
- e) components of items of assets and liabilities and shareholders' equity have been evaluated separately;
- f) the balance of the beginning of the reporting period coincides with balance of the termination of the previous year;
- g) economic bargains are reflected considering their economic contents and essence, but not the legal form.

The bookkeeping was kept in 2007 on united bookkeeping accounts, which have been approved on 13 May, 1993, detailing the plan of accounts in conformity with features of economic activity of the company.

The bookkeeping register of the synthetic accounting is the Ledger, where the records are made from the statements of grouping of economic activity operations. Kinds of registers of the analytical accounting are books, cards, lists etc..

The reporting period is from 01 January 2007 till 31 December 2007.

Data reflected in these financial reports is expressed in national currency – in Latvian lats (LVL), and in Euro (EUR) as well. All monetary items of assets and liabilities and shareholders' equity are counted in lats at the rate of the Latvian bank on last day of reporting year.

	<b>31.12.2007</b>	<b>31.12.2006</b>
USD	1 USD = 0,484 LVL	1 USD = 0,536 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUR	1 RUR = 0,0197 LVL	1 RUR = 0,0203 LVL

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2007**

In the result of fluctuation in exchange rate of foreign currencies, the received profit or loss is reflected in the statement of profit and loss for the appropriate period.

In the long-term items there are the sums indicated, whose receipt, payment or write-off terms come later than one year after the termination of the proper reporting year. The sums, which have to be received, paid or written off during one year, are specified in short-term articles.

All fixed assets are stated at historical cost, less depreciation. Depreciation is calculated using the straight-line method during the period of useful using of the fixed assets.

Reserves are estimated using a method of the average expenses. Reserves have been accounted under the cost price. In case of need the value of out-of-date, damaged reserves or reserves with slow turnover is written off, or the their stocks are formed. The rests of resources have been checked in an annual inventory.

Investments in the capital of other companies are reflected in cost of purchase.

Net turnover is the income received during the year from sale of manufactured and purchased products without value added tax (VAT).

For more precise reflecting of financial standing of the company, the management of the company reflects tax provisions in the annual report, i.e. provisions for expected taxes.

In compliance with the loan contract No.2.2.1-05/93 dated 09.08.2005. JSC "Ditton pievadķēžu rūpnīca" received from JSC "Parex Banka" loan in the amount of 500 000,00 USD. The loan has been secured with the immovable property of the borrower.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

### Notes to the statement of profit and loss

#### (1) Net turnover

Turnover is income that was gained during the year from sale of produced and purchased products of the company without VAT, less discounts.

Breakdown of net turnover according to geographical markets:

	<i>1 EUR = 0,702804 LVL</i>			
	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>Market</b>				
Latvia	162 050	230 576	186 742	265 710
Eastern countries	6 221 026	8 851 723	6 125 637	8 715 996
Western countries	<u>2 815 262</u>	<u>4 005 757</u>	2 870 531	4 084 398
<b>TOTAL</b>	<b><u>9 198 338</u></b>	<b><u>13 088 056</u></b>	<b><u>9 182 910</u></b>	<b><u>13 066 104</u></b>

#### (2) Production costs of sold products

In the item there are the costs for achievement of turnover indicated.

	<i>1 EUR = 0,702804 LVL</i>			
	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>Type of costs</b>				
Material costs	2 076 086	2 954 004	1 935 560	2 754 054
Salary costs for production staff	1 563 680	2 224 916	1 316 924	1 873 814
Social tax and social security payments for production staff	386 531	549 984	332 192	472 667
Electricity costs	599 526	853 049	465 279	662 032
Depreciation of fixed assets	952 738	1 355 624	524 438	746 208
Material delivery costs	81 827	116 429	85 399	121 512
Heating and gas costs	203 961	290 210	174 587	248 415
Repair expenses	258 803	368 244	172 864	245 963
Security expenses	86 224	122 686	79 087	112 532
Business trip expenses	31 468	44 775	41 692	59 322
Water costs	13 288	18 907	16 164	22 999
Environment protection costs	2 772	3 944	2 532	3 603
Insurance costs	4 463	6 350	6 955	9 895
Stock changes	(217 663)	(309 706)	106 489	151 520
Other production costs	<u>83 612</u>	<u>118 969</u>	<u>51 090</u>	<u>72 695</u>
<b>TOTAL</b>	<b><u>6 127 316</u></b>	<b><u>8 718 385</u></b>	<b><u>5 311 252</u></b>	<b><u>7 557 231</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**(3) Selling costs**

*1 EUR = 0,702804 LVL*

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>Type of costs</b>				
Shipping costs	896 957	1 276 255	592 365	842 859
Exhibitions and advertising costs	1 466	2 086	1 458	2 075
Other selling costs	<u>356 603</u>	<u>507 400</u>	<u>15 725</u>	<u>22 375</u>
<b>TOTAL</b>	<b><u>1 255 026</u></b>	<b><u>1 785 741</u></b>	<b><u>609 548</u></b>	<b><u>867 309</u></b>

**(4) Administration costs**

*1 EUR = 0,702804 LVL*

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>Type of costs</b>				
Administration salary	483 002	687 250	441 727	628 521
Social tax and social security payments for administration	127 426	181 311	118 544	168 673
Provisions for doubtful debts	-	-	-	-
Expenses relating to annual report and audit	2 950	4 198	2 750	3 913
Telecommunication costs	20 451	29 099	23 796	33 859
Bank services	7 771	11 057	7 195	10 238
Office expenses	6 686	9 513	4 161	5 920
Other administration costs	231 236	329 019	102 932	146 459
Other management and administrations costs	<u>1 261 434</u>	<u>1 794 859</u>	<u>1 686 990</u>	<u>2 400 370</u>
<b>TOTAL</b>	<b><u>2 140 956</u></b>	<b><u>3 046 306</u></b>	<b><u>2 388 095</u></b>	<b><u>3 397 953</u></b>

**(5) Other incomes of economic activity of enterprise**

*1 EUR = 0,702804 LVL*

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Income from material surplus in stock	5 191	7 386	2 733	3 889
Income from sale of fixed assets	55 679	79 224	10 746	15 290
Income from other periods which refer to accounting period	-	-	-	-
Other income	<u>1 533 638</u>	<u>2 182 170</u>	<u>52 837</u>	<u>75 180</u>
<b>TOTAL</b>	<b><u>1 594 508</u></b>	<b><u>2 268 780</u></b>	<b><u>66 316</u></b>	<b><u>94 359</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**(6) Other operating expenses**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Medical services	9 030	12 849	10 976	15 618
Paid fines	16 141	22 967	2 072	2 948
Provisions for doubtful debts	251 332	357 613	426 045	606 207
Training expenses	1 242	1 767	1 183	1 683
Loss from decline in exchange rate	76 416	108 730	88 618	126 092
State fee on entrepreneurship risk	1 929	2 745	1 970	2 803
Other operating expenses	<u>615 419</u>	<u>875 662</u>	<u>33 413</u>	<u>47 543</u>
<b>TOTAL</b>	<b><u>971 509</u></b>	<b><u>1 382 333</u></b>	<b><u>564 277</u></b>	<b><u>802 894</u></b>

**(7) Interest payment and similar expenses**

*1 EUR = 0,702804*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Interest payment for loans	66 144	94 114	108 543	154 443
Other expenses	-	-	<u>5 260</u>	<u>7 484</u>
<b>TOTAL</b>	<b><u>66 144</u></b>	<b><u>94 114</u></b>	<b><u>113 803</u></b>	<b><u>161 927</u></b>

**(8) Enterprise income tax in reporting year**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Enterprise income tax for reporting year	61 737	87 844	95 384	135 719
Commitments from deferred enterprise income tax	<u>(60 216)</u>	<u>(85 679)</u>	<u>1 646</u>	<u>2 342</u>
<b>TOTAL</b>	<b><u>1 521</u></b>	<b><u>2 165</u></b>	<b><u>97 030</u></b>	<b><u>138 061</u></b>

**(9) Other taxes**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Immovable property tax (land tax)	3 014	4 288	3 014	4 288
Immovable property tax	<u>78 993</u>	<u>112 397</u>	<u>55 328</u>	<u>78 725</u>
<b>TOTAL</b>	<b><u>82 007</u></b>	<b><u>116 685</u></b>	<b><u>58 342</u></b>	<b><u>83 013</u></b>



JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**Notes to the balance sheet items**

**(10) Intangible Assets**

*1 EUR = 0,702804 LVL*

	Licenses		Intangible assets total	
	LVL	EUR	LVL	EUR
<b>Initial value</b>				
31.12.06	40 082	57 031	40 082	57 031
Purchased in 2007	-	-	-	-
31.12.07	40 082	57 031	40 082	57 031
<b>Depreciation</b>				
31.12.06.	38 275	54 460	38 275	54 460
Charged depreciation 2007	1 355	1 928	1 355	1 928
31.12.07	39 630	56 388	39 630	56 388
<b>Book value as at 31.12.2006</b>	<b>1 807</b>	<b>2 571</b>	<b>1 807</b>	<b>2 571</b>
<b>Book value as at 31.12.2007</b>	<b>452</b>	<b>643</b>	<b>452</b>	<b>643</b>

Computer program licenses are included into non-material investments. The planned period for write-off of the licenses – 5 years.

**(11) Fixed assets**

In the balance sheet all fixed assets are reflected at their purchasing price, less depreciation. The depreciation has been accounted according to straight-line method, where the following norms of the depreciation have been chosen as the basis:

	% for year
Buildings and constructions	10
Manufacturing equipment	10-50
Other fixed assets	10-40

**Movement in fixed assets (LVL)**

	Buildings, construction s and plots	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
<b>Initial cost</b>					
31.12.06	6 839 984	6 348 964	440 622	20 448	13 650 018
Purchased for year 2007	1 306 807	46 415	30 973	-	1 384 195
Disposals in 2007	7 332	61 250	65 852	70	134 504
31.12.07	8 139 459	6 334 129	405 743	20 378	14 899 709
<b>Depreciation</b>					
31.12.06	2 760 422	6 111 284	364 401	-	9 236 107
Charged depreciation for 2007	706 762	192 420	53 948	-	953 130
Disposals 2007	2 880	37 724	59 476	-	100 080
31.12.07	3 464 303	6 265 981	358 873	-	10 089 157
<b>Book value as at 31.12.06</b>	<b>4 079 562</b>	<b>237 680</b>	<b>76 221</b>	<b>20 448</b>	<b>4 413 911</b>
<b>Book value as at 31.12.07</b>	<b>4 675 156</b>	<b>68 148</b>	<b>46 870</b>	<b>20 378</b>	<b>4 810 552</b>

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**Movement in fixed assets (EUR)**

*1 EUR = 0,702804 LVL*

	<b>Buildings, construction s and plots</b>	<b>Equipment and machinery</b>	<b>Other fixed assets</b>	<b>Formation of fixed assets</b>	<b>TOTAL</b>
<b>Initial cost</b>					
31.12.06	9 732 421	9 033 762	626 948	29 095	19 422 226
Purchased for year 2007	1 859 419	66 043	44 070	-	1 969 532
Disposals in 2007	10 432	87 151	93 699	100	191 382
31.12.07	11 581 408	9 012 654	577 319	28 995	21 200 376
<b>Depreciation</b>					
31.12.06	3 927 726	8 695 574	518 496	-	13 141 796
Charged depreciation for 2007	1 005 632	273 788	76 761	-	1 356 181
Disposals 2007	4 098	53 676	84 627	-	142 401
31.12.07	4 929 260	8 915 686	510 630	-	14 355 576
<b>Book value as at 31.12.06</b>	<b>5 804 695</b>	<b>338 188</b>	<b>108 452</b>	<b>29 095</b>	<b>6 280 430</b>
<b>Book value as at 31.12.07</b>	<b>6 652 148</b>	<b>96 968</b>	<b>66 689</b>	<b>28 995</b>	<b>6 844 800</b>

**(12) Long-term financial investments**

*1 EUR = 0,702804 LVL*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
Participation in subsidiary enterprise Meteor Kettenfabrik, Germany, 100% of capital	-	-	220 695	314 021
Loans to related companies*	-	-	<u>118 791</u>	<u>169 024</u>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b><u>339 486</u></b>	<b><u>483 045</u></b>

**(13) Finished products and goods for sale**

*1 EUR = 0,702804 LVL*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
Finished products for sale	918 731	1 307 237	586 879	835 054
Baiter products for sale	1 853	2 636	1 853	2 636
Provisions for reserves with slow turnover	<u>32 329</u>	<u>46 000</u>	<u>(34 061)</u>	<u>(48 464)</u>
<b>Book value</b>	<b><u>888 255</u></b>	<b><u>1 263 873</u></b>	<b><u>554 671</u></b>	<b><u>789 226</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**(14) Debts of buyers and customers**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Book value of debts of buyers and customers	4 180 371	5 948 132	4 298 338	6 115 983
Debts of baiter products suppliers	-	-	-	-
Provisions for doubtful debts	(254 334)	(361 885)	<u>(435 197)</u>	<u>(619 229)</u>
<b>Book value</b>	<b><u>3 926 037</u></b>	<b><u>5 586 247</u></b>	<b><u>3 863 141</u></b>	<b><u>5 496 754</u></b>

There are special provisions for doubtful debts established in the amount of 100%.

**(15) Debts of related enterprises**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Debts of related companies, Meteor Kettenfabrik GmbH	-	-	<u>508 527</u>	<u>723 569</u>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b><u>508 527</u></b>	<b><u>723 569</u></b>

**(16) Other debtors**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
VAT overpayment	123 134	175 204	129 563	184 351
VAT from non-paid bills	27 854	39 633	29 398	41 830
Overpayment of enterprise income tax	106 801	151 964	-	-
Other debtors	<u>5 980</u>	<u>8 508</u>	111 401	158 509
<b>Book value</b>	<b><u>263 769</u></b>	<b><u>375 309</u></b>	<b><u>270 362</u></b>	<b><u>384 690</u></b>

**(17) Expenses of future periods**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Other payments	-	-	<u>502</u>	<u>714</u>
<b>Book value</b>	<b>-</b>	<b>-</b>	<b><u>502</u></b>	<b><u>714</u></b>

**(18) Cash assets as at 31.12.07**

*1 EUR = 0,702804 LVL*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Cash on hand	9 806	13 952	2 660	3 785
Cash in bank	<u>171 136</u>	<u>243 505</u>	351 499	500 138
<b>Book value</b>	<b><u>180 942</u></b>	<b><u>257 457</u></b>	<b><u>354 159</u></b>	<b><u>503 923</u></b>

JSC "DITTON PIEVADŅĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

	Currency	2007 LVL	2007 EUR	Currency	2006 LVL	2006 EUR
LVL	-	21 048	29 949	-	289 245	411 559
USD	78 784	38 131	54 256	189 996	101 838	144 902
EUR	173 112	121 664	173 112	-52 538	-36 924	-52 538
RUR	2 700	53	75	-	-	-
CHF	109	46	65	-	-	-
<b>TOTAL</b>		<b><u>180 942</u></b>	<b><u>257 457</u></b>		<b><u>354 159</u></b>	<b><u>503 923</u></b>

**(19) Other provisions**

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Provisions for doubtful debts	254 334	361 885	433 551	616 888
Provisions for goods with slow turnover	32 329	46 000	34 061	48 464
Provisions from unused vacations	1 682	2 393	837	1 191
Social tax provisions from unused vacations	<u>405</u>	<u>576</u>	<u>202</u>	<u>287</u>
<b>Balance value</b>	<b><u>288 750</u></b>	<b><u>410 854</u></b>	<b><u>468 651</u></b>	<b><u>666 830</u></b>

*1 EUR = 0,702804 LVL*

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
<b>Long-term creditors</b>	<b><u>263 642</u></b>	<b><u>375 129</u></b>	<b><u>1 757 382</u></b>	<b><u>2 500 529</u></b>

*1 EUR = 0,702804 LVL*

**(20)** Credit received from A/S "Parex Banka" according to the contract No.2.2.1.-05/93 dated 06.09.2005 total, long-term No. 7532

	242 000	344 335	1 715 073	2 440 329
--	---------	---------	-----------	-----------

**(21)** Other loans, contract No.06820 (SIA „DnB Nord lizings”)

	21 642	30 794	40 663	57 858
--	--------	--------	--------	--------

**(22)** Commitments from deferred enterprise income tax

	-	-	1 646	2 342
--	---	---	-------	-------

JSC "DITTON PIEVADĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**Short-term creditors**

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
<b>(23)</b> Received credit from AS „Parex Banka” (with repayment period in year 2007) according to the contract No.2.2.1-05/93 dated 06.09.2005	-	-	240 359	342 000

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
<b>(24)</b> SIA „DnB Nord Lizings”, contract No.06820, with repayment term in 2008	19 057	27 116	18 113	25 772

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
<b>(25)</b> Advance payments from buyers	1 108 807	1 577 690	14 448	20 558

**(26) Debts to suppliers and contractors**

*1 EUR = 0,702804 LVL*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
Settlements with suppliers (materials)	117 535	167 237	187 716	267 096
Settlements with suppliers and contractors (services)	<u>467 555</u>	<u>665 271</u>	<u>90 284</u>	<u>128 462</u>
<b>Balance value</b>	<b><u>585 090</u></b>	<b><u>832 508</u></b>	<b><u>278 000</u></b>	<b><u>395 558</u></b>

**(27) Taxes and social security payments**

*1 EUR = 0,702804 LVL*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
Enterprise income tax for December 2006	-	-	29 277	41 657
State fee on entrepreneurship risk for December 2006	153	218	159	226
Property tax for IV quarter of 2006	-	-	4 499	6 401
Social security payments for December of 2006	62 651	89 144	57 636	82 009
Personal income tax for December of 2006	35 112	49 960	33 849	48 163
Nature resources tax for IV quart.of 2006	<u>7 097</u>	<u>10 098</u>	<u>1 598</u>	<u>2 274</u>
<b>Balance value</b>	<b><u>105 013</u></b>	<b><u>149 420</u></b>	<b><u>127 018</u></b>	<b><u>180 730</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**(28) Other debtors**

*1 EUR = 0,702804 LVL*

	<b>2007 LVL</b>	<b>2007 EUR</b>	<b>2006 LVL</b>	<b>2006 EUR</b>
VAT paid in advance	-	-	437	622
Settlements of salaries for December 2006	3 992	5 860	928	1 320
Salary on charge cards for December 2006	79 816	113 568	75 930	108 039
Labor union member's fee for December 2006	949	1 350	960	1 366
Alimony payment for December 2006	930	1 323	547	778
Deductions into fund of labor union	23 455	33 374	18 903	26 896
Transfers into pension fund for December of 2006	-	-	<u>1 229</u>	<u>1 749</u>
<b>TOTAL</b>	<b><u>109 142</u></b>	<b><u>155 295</u></b>	<b><u>98 934</u></b>	<b><u>140 770</u></b>

**(29) Transactions with related persons**

Related persons are such subsidiaries and associated companies of the Company, and its participants/shareholders as well, which can control the Company or which have substantial influence on the Company in taking decisions related to basic activity, senior management staff of the Company or its headquarters and any close family member of the above described private persons, and companies, which are under control of such persons or on which they have substantial influence.

The joint-stock company controls the subsidiary Meteor Kettenfabrik GmbH (enterprise registered in Germany), and owns 100% of capital shares of the company. Shares of Meteor Kettenfabrif GmbH have been sold in November, 2007.

**LVL**

<b>Related person</b>		<b>Products and services sold to related persons</b>	<b>Products and services purchased from related persons</b>	<b>Debts of related persons</b>	<b>Debts to related persons</b>
Meteor Kettenfabrik GmbH	2007	353 579	3 792	-	0
	2006	283 136	8 119	508 527	0
<b>TOTAL</b>		<b>636 715</b>	<b>11 911</b>	<b>-</b>	<b>0</b>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**EUR**

*1 EUR = 0,702804 LVL*

Related persons		Products and services sold to related persons	Products and services purchased from related persons	Debts of related persons	Debts to related persons
Meteor Kettenfabrik GmbH	2007	503 098	5 395	-	0
	2006	402 866	11 552	723 569	0
<b>TOTAL</b>		<b>905 964</b>	<b>16 947</b>	<b>-</b>	<b>0</b>

*Terms and conditions applied to transactions with related persons*

Goods are sold to related persons and purchased from related persons at normal (common) market prices. Open commitments are in no way secured at the end of year and all settlements are effected with money means. There are no guarantees received or given for any debts of related persons.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**General information**

**(a) Taxes (LVL)**

Type of tax	Tax commit- ments as at 31.12.06	Charged in year 2007	Paid in year 2007	Transfer- red to/ from other taxes	Credited for customs payments	Tax commit- ments as at 31.12.07
VAT	(129 563)	(1 153 190)	(280)	944 633	215 266	(123 134)
Fee on entrepreneurship risk	159	1 929	(1 935)	-	-	153
Enterprise income tax	29 277	61 737	-	(139 245)	-	(48 231)
Immovable property tax for buildings and facilities	4 499	78 993	(83 492)	-	-	-
Social security payments	57 636	670 762	-	(665 747)	-	62 651
Personal income tax	33 849	356 169	-	(354 907)	-	35 111
Natural resources tax	1 598	23 071	(17 572)	-	-	7 097
Immovable property tax for land	-	3 014	(3 014)	-	-	-
<b>TOTAL:</b>	<b>(2 545)</b>	<b>42 485</b>	<b>(106 293)</b>	<b>(215 266)</b>	<b>215 266</b>	<b>(66 353)</b>

**Taxes (EUR)**

*1 EUR = 0,702804 LVL*

Type of tax	Tax commit- ments as at 31.12.06	Charged in year 2007	Paid in year 2007	Transfer- red to/ from other taxes	Credited for customs payments	Tax commit- ments as at 31.12.07
VAT	(184 350)	(1 640 842)	(398)	1 344 092	306 296	(175 202)
Fee on entrepreneurship risk	226	2 745	(2 753)	-	-	218
Enterprise income tax	41 657	87 844	-	(198 128)	-	(68 627)
Immovable property tax for buildings and facilities	6 402	112 396	(118 798)	-	-	-
Social security payments	82 009	954 408	-	(947 273)	-	89 144
Personal income tax	48 163	506 783	-	(504 987)	-	49 959
Natural resources tax	2 273	32 827	(25 002)	-	-	10 098
Immovable property tax for land	-	4 288	(4 288)	-	-	-
<b>TOTAL:</b>	<b>(3 620)</b>	<b>60 449</b>	<b>(151 239)</b>	<b>(306 296)</b>	<b>306 296</b>	<b>94 410</b>

Explanation: tax overpayment and reduction is reflected in brackets.



JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2007

**(b) Average number of employees**

	2007	2006
Average number of employees during the reporting year	<u>615</u>	<u>632</u>

**(c) Personnel expenses**

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Type of payments				
Salaries	2 061 135	2 932 731	1 778 194	2 530 142
Social tax	<u>488 329</u>	<u>694 829</u>	<u>421 460</u>	<u>599 684</u>
<b>TOTAL:</b>	<b><u>2 549 464</u></b>	<b><u>3 627 560</u></b>	<b><u>2 199 654</u></b>	<b><u>3 129 826</u></b>

*1 EUR = 0,702804 LVL*

**(d) Information about remuneration to Members of the Council and Management Board**

	Council		Management Board		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Salaries	32 523	46 276	32 676	46 494	65 199	92 770
Social tax 24,09%	7 835	11 148	7 872	11 201	15 707	22 349
<b>TOTAL</b>	<b>40 358</b>	<b>57 424</b>	<b>40 548</b>	<b>57 695</b>	<b>80 906</b>	<b>115 119</b>

*1 EUR = 0,702804 LVL*

May 19th, 2008

\_\_\_\_\_  
(signature)

Eduards Zavadskis