

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

NON-AUDITED AND NON-CONSOLIDATED

FINANCIAL REPORT

FOR 6 MONTHS OF YEAR 2007

(01.01.2007 – 30.06.2007)

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

Daugavpils

2007

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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
Public bearer shares	7 400 000
Nominal value of one public bearer share	1.00 LVL
Chief accountant	Nina Moisejeva, p.c. 200250-10263
Reporting period	01.01.2007 – 30.06.2007
Persons in charge for drawing up of the financial report:	
	Mr. Boriss Matvejevs, phone +371 65402333, e-mail: dpr@dpr.lv
	Ms. Natalja Redzoba, phone +371 65402333, e-mail: dpr.fin@dpr.lv

INFORMATION ON 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.

Jurijs Kostromins, elected 07.01.2004.

Raimonds Bruzevics, elected 29.11.2006, relieved 12.04.2007.

Vladimirs Kovalonoks, elected 09.05.2007.

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Eduards Zavadskis	1 480 000	20
Pjotrs Dorofejevs	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

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Tatjana Lapunova	no shares	-
Jevgenijs Glinkins	no shares	-

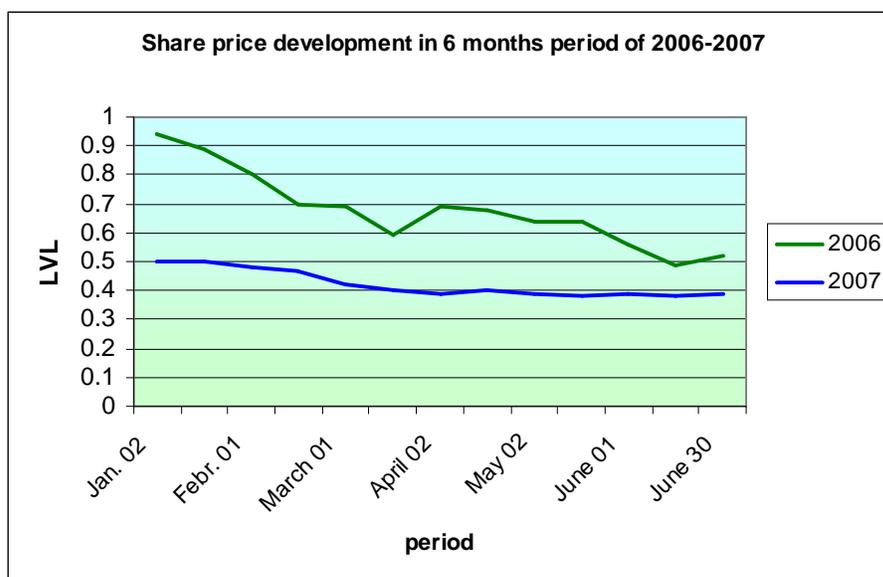
* As of 02.04.2007

INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) AS OF 02.04.2007

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

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2007

In 6 months of year 2007 net-turnover in fact was fulfilled in the amount of 4676 thous. LVL (6 653 thous.EUR) against the forecast 4 400 thous. LVL (6 261 thous.EUR), increase amounts to 276 thous. LVL (392 thous.EUR).

Profit before taxes for 6 months period of 2007 amounted to 222 357 LVL (316 386 EUR), which is by 50,2% more the forecast. Profit after taxes amounts to 128 262 LVL (182 500 EUR).

Output of commodity products is estimated in the amount 4 665 thous.LVL (6638 thous.EUR). The result of reporting period is by 398 thous.LVL (566 thous.EUR) or 9,3% 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% westwards and 31% eastwards; 2% of products are sold in Latvia.

The total sales amount to the subsidiary „Meteor Kettenfabrik” GmbH amounted to 187 868 LVL (267 312 EUR) in the reporting period, but in 6 months period of 2006 it was 143 832 LVL (204 655 EUR).

The average statistical number of employees of JSC “Ditton pievadķēžu rūpnīca” was 623 people in 6 months of year 2007.

The average salary amounted to 270 LVL (384 EUR) in 6 months period of 2007, which is by 49 LVL (70 EUR) more than in 6 months of 2006.

Market tendencies and development of the company. Risks.

Main product sales and market development tendencies, risks and development prospects in 6 months period of 2007 comply with ones describes in financial statement for 12 months period of 2006, 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 6 months of year 2007 ended June 30, 2007 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 pievadķēžu rūpnīca". Management report contains truthful information.

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

Eduards Zavadskis

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

BALANCE SHEET	30.06.2007	30.06.2006	30.06.2007	30.06.2006
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	117 611	256 806	167 345	365 402
Short-term investments	0	0	0	0
Customer receivables				
Debts of buyers and customers	4 256 259	3 084 414	6 056 111	4 388 726
Accounts receivable from related companies	870 056	0	1 237 978	0
Allowance for uncollectible receivables	-315 357	-7 484	-448 712	-10 649
Total	4 928 569	3 333 736	7 012 722	4 743 479
Other receivables				
Other current receivables	2 012 666	878 711	2 863 766	1 250 293
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	2 012 666	878 711	2 863 766	1 250 293
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	208 557	123 438	296 750	175 637
Other prepaid expenses	251	209	357	297
Total	208 808	123 647	297 107	175 943
Inventories				
Raw materials	950 327	959 905	1 352 193	1 365 822
Work-in-progress	297 403	257 784	423 166	366 793
Finished goods	748 168	662 084	1 064 547	942 061
Prepayments to suppliers	107 533	114 114	153 007	162 369
Total	2 103 431	1 993 887	2 992 913	2 837 045
TOTAL CURRENT ASSETS	9 253 474	6 329 981	13 166 508	9 006 751
NON-CURRENT ASSETS				
Long-term financial assets	320 338	269 206	455 800	383 046
incl. shares in subsidiaries	35 934	220 695	51 129	314 021
Total	320 338	269 206	455 800	383 046
Non-current physical assets				
Plant and equipment	14 136 387	13 043 315	20 114 266	18 558 965
Other equipment and fixtures	443 132	443 225	630 520	630 652
Accumulated depreciation	9 712 190	9 033 859	13 819 201	12 854 023
Total	4 867 329	4 452 681	6 925 585	6 335 594
Intangible assets				
Purchased licenses, trademarks etc.	1 008	3 736	1 434	5 316
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	1 008	3 736	1 434	5 316
TOTAL NON-CURRENT ASSETS	5 188 675	4 725 623	7 382 819	6 723 956
TOTAL ASSETS	14 442 149	11 055 604	20 549 327	15 730 707
	1 EUR =		0.702804 LVL	0.702804LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	30.06.2007	30.06.2006	30.06.2007	30.06.2006
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	120 179	120 179	170 999	170 999
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	9 163	10 194	13 038	14 505
Total	129 342	130 373	184 037	185 504
Customer prepayments for goods and services	6 430	13 572	9 149	19 311
Supplier payables	1 542 841	171 333	2 195 265	243 785
Total	1 549 271	184 905	2 204 414	263 096
Tax liabilities	94 617	78 231	134 628	111 313
Accrued expenses				
Salary-related accrued expenses	137 956	115 779	196 294	164 738
Interest payable	7 796	48 535	11 092	69 059
Total	145 752	242 545	207 386	345 110
Provisions	348 886	43 211	496 420	61 484
Total	348 886	43 211	496 420	61 484
TOTAL CURRENT LIABILITIES	2 267 868	601 034	3 226 885	855 194
NON-CURRENT LIABILITIES	0	0	0	0
Long-term liabilities	1 447 073	1 687 432	2 059 000	2 400 999
Other loans	1 834 430	35 794	2 610 159	50 931
Total	3 281 503	1 723 226	4 669 159	2 451 930
TOTAL NON-CURRENT LIABILITIES	3 281 503	1 723 226	4 669 159	2 451 930
TOTAL LIABILITIES	5 549 371	2 324 260	7 896 044	3 307 124
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	1 364 516	1 268 736	1 941 532	1 805 249
Net profit for the reporting period	128 262	62 608	182 500	89 083
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	8 892 788	8 731 344	12 653 283	12 423 583
TOTAL LIABILITIES AND OWNERS' EQUITY	14 442 149	11 055 604	20 549 327	15 730 707
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

INCOME STATEMENT	30.06.2007 LVL	30.06.2006 LVL	30.06.2007 EUR	30.06.2006 EUR
Net sales	4 675 807	3 479 001	6 653 074	4 950 172
Other operating income	315 828	23 830	449 383	33 907
Total income	4 991 635	3 502 831	7 102 457	4 984 079
Direct cost of goods sold or services rendered	-1 515 626	-1 590 439	-2 156 541	-2 262 991
Marketing, advertising and public relations expenses	0	-400	0	-569
Bad receivables	0	0	0	0
Operating expenses	-34 412	-26 769	-48 964	-38 089
Salaries, bonuses and social expenses	-1 240 862	-1 028 941	-1 765 588	-1 464 051
Depreciation expense	-478 462	-288 792	-680 790	-410 914
Other expenses	-1 436 085	-375 524	-2 043 365	-534 322
Operating expenses	-4 705 447	-3 310 865	-6 695 248	-4 710 936
EBIT	286 188	191 966	407 209	273 143
Percents paid	-63 460	-48 535	-90 295	-69 059
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	-371	-26 686	-528	-37 971
Financial items	-63 831	-75 221	-90 823	-107 030
Profit before extraordinary items and taxes	222 357	116 745	316 386	166 113
EBT	222 357	116 745	316 386	166 113
Provisions for taxes	-94 095	-54 137	-133 886	-77 030
Profit after taxes	128 262	62 608	182 500	89 083
Net profit	128 262	62 608	182 500	89 083
Index EPS	0.017	0.008	0.024	0.011
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

CASH FLOW STATEMENT	30.06.2007 LVL	30.06.2006 LVL	30.06.2007 EUR	30.06.2006 EUR
CASH GENERATED FROM OPERATIONS	1 103 070	535 599	1 569 527	762 089
Cash received from customers	-2 661 669	38 500	-3 787 214	54 780
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	3 764 739	574 099	5 356 741	816 869
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-931 389	-624 244	-1 325 247	-888 219
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	-931 389	-632 959	-1 325 247	-900 619
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	8 715	0	12 400
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	-408 229	234 410	-580 857	333 535
Short-term loans received	-344 769	282 945	-490 562	402 594
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-2 131	-1 653	-3 032	-2 352
Paid interest	-61 329	-46 882	-87 263	-66 707
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-236 548	145 765	-336 577	207 405
Cash and cash equivalents as at the beginning of period	354 159	111 041	503 922	157 997
Cash and cash equivalents as at the end of period	117 611	256 806	167 345	365 402
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-236 548	145 765	-336 577	207 405
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

Statement of changes in equity for the period from 01.01.2007 till 30.06.2007 (LVL)							
	Share capital LVL	Share premium LVL	Other reserves LVL	Currency translation reserves LVL	Accumulat ed profit LVL	Current period's profit LVL	Total LVL
As at 1st January, 2007	7 400 000	-	-	-	1 364 516	-	8 764 516
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-11 100	-	-11 100
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months of 2007	-	-	-	-	-	128 262	128 262
As at 30 June, 2007	7 400 000	-	-	-	1 353 416	128 262	8 881 678
As at 1st January, 2006	7 400 000	-	-	-	1 284 276	-	8 684 276
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-15 540	-	-15 540
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months of 2006	-	-	-	-	-	62 608	62 608
As at 30 June, 2006	7 400 000	-	-	-	1 268 736	62 608	8 731 344

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2007

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2007 till 30.06.2007 (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, 2007 (0.702804)	10 529 251	-	-	-	1 941 531	-	12 470 782
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-15 794	-	-15 794
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months period 2007 (0.702804)	-	-	-	-	-	182 500	182 500
As at 30 June, 2007 (0.702804)	10 529 251	-	-	-	1 925 737	182 500	12 637 488
1st January, 2006 (0.702804)	10 529 251	-	-	-	1 827 360	-	12 356 611
Dividend relating to 2005	-	-	-	-	-	-	-
Allocation of profit of 2005 to dividends	-	-	-	-	-22 111	-	-22 111
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months period 2006 (0.702804)	-	-	-	-	-	89 083	89 083
As at 30 June, 2006 (0.702804)	10 529 251	-	-	-	1 805 249	89 083	12 423 583

Appendix

Explanatory notes

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

This financial statement of JSC "Ditton pievakezu rupnica" has been prepared in accordance with the source documents and presents fairly the financial position of the JSC as of 30 June 2007 and the results of its operation and cash flows for the 6 months period ended 30 June 2007.

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 interim financial report for 6 months of 2007 has not been audited by jury auditor.

The interim report has been prepared in Latvian Lats and Euro.

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

**Summary of financial results
for 6 months of year 2007**

LVL

Name of index	Forecast for 2007	6 months of year 2007		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	8 400	4 250	4 665	+415
Production of main products	8 366	4 233	4 612	+379
Driving chains	8 146	4 123	4 490	+367
incl. automotive	3 323	1 673	1 882	+209
industrial	4 823	2 450	2 608	+158
Sales volume	8 700	4 400	4 676	+276
Sales of main products	8 660	4 380	4 655	+275
Profit after taxes	40	20	128	+108

EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2007	6 months of year 2007		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	11 952	6 047	6 638	+591
Production of main products	11 904	6 023	6 562	+539
Driving chains	11 591	5 866	6 389	+523
incl. automotive	4 728	2 380	2 678	+298
industrial	6 863	3 486	3 711	+225
Sales volume	12 379	6 261	6 653	+392
Sales of main products	13 322	6 232	6 623	+391
Profit after taxes	57	28	182	+154

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 6 months of year 2007 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 4 665 thous.LVL (6638 thous.EUR). The result of reporting period is by 398 thous.LVL (566 thous.EUR) or 9,3% higher than the result of relevant period of year 2006.

Production of driving chains in 6 months of 2007 (thous.meters)

Production of driving chains in natural units is by 394 thous.meters more than the forecast.

Production of driving chains in 6 months of year 2007 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 379 thous.LVL (539 thous.EUR), and it was by 372 thous.LVL (529 thous.EUR) more than in the relevant period of previous year.

Sales (net-turnover) in 6 months of 2007 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 4 400 thous.LVL (6 261 thous.EUR) in 6 months of year 2007, in fact it has been fulfilled in the amount of 4 676 thous.LVL (6 653 thous.EUR), increase amounts to 276 thous.LVL (392 thous.EUR). The index of this reporting period is by 1 197 thous. LVL (1 703 thous.EUR) or 34,4% higher than the index of the same period of previous year.

Sales of main products in 6 months of 2007 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 275 thous.LVL (391 thous.EUR) more than the forecast, and it is by 1 296 thous.LVL (1 844 thous.EUR) or 38,6% more than the result of the relevant period of prior year.

Proceeds from other activities exceeded the forecast by 229 thous.LVL (326 thous.EUR), and they amounted to 344 thous.LVL (489 thous.EUR).