

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

NON-AUDITED AND NON-CONSOLIDATED

FINANCIAL REPORT

FOR 6 MONTHS OF YEAR 2008

(01.01.2008 – 30.06.2008)

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

Daugavpils

2008

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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	01.01.2008 – 30.06.2008
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@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.

Members of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jurijs Kostromins, elected 07.01.2004.

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	-
Vladimirs Kovalonoks	no shares	-

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 20.06.2008.

Deputy Chairman of the Council

Georgijs Sorokins, elected 20.06.2008.

Members of the Council

Jevgenijs Glinkins, elected 20.06.2008.

Jevgenijs Sokolovskis, elected 20.06.2008.

Pavels Samuilovs, elected 20.06.2008.

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
Jevgenijs Glinkins	no shares	-
Jevgenijs Sokolovskis	no shares	-
Pavels Samuilovs	no shares	-

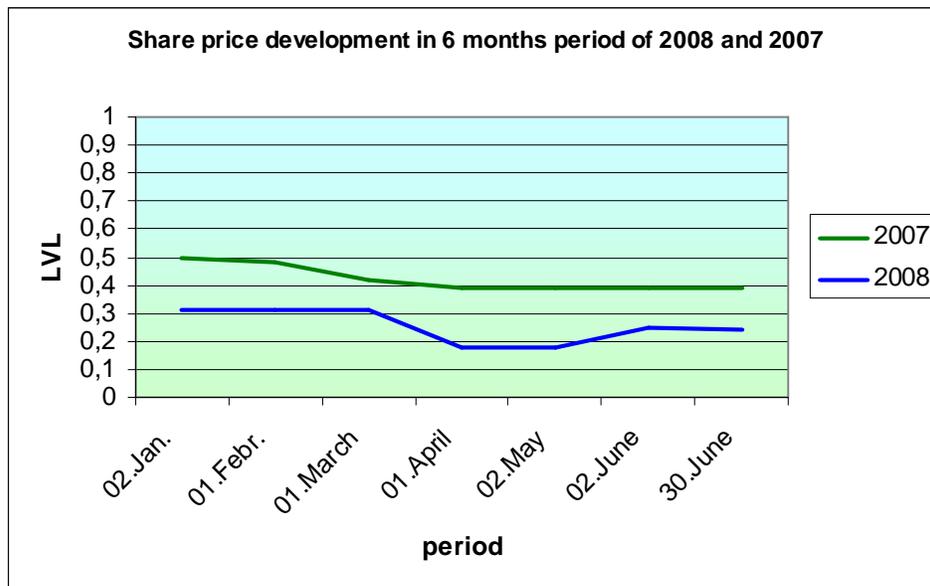
* As of 01.06.2008

INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) AS OF 01.06.2008

NAME	Ownership interest, %
Eduards Zavadskis	20,00
Vladislavs Driksne	20,00
MAX Invest Holding SIA	13,16
Steplx LLC	9,85
Gatis Poiss	7,01

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2008

In 6 months of 2008 net-turnover in fact was fulfilled in the amount of 4 452 thous. LVL (6 335 thous.EUR) against the forecast 4 350 thous.LVL (6 189 thous.EUR), increase amounts to 102 thous.LVL (146 thous.EUR) or 2,3%. Compared to the level of previous year, net-turnover of the reporting period is by 400 thous.LVL (569 thous.EUR) or by 15,3% less.

Profit before taxes amounted to 2 061 thous.LVL (2 933 thous.EUR) in 6 months period of 2008, which is by 1 972 thous.LVL (2 806 thous.EUR) more than the forecast owing to the sale of non-business assets – land plot owned by the company. Profit after taxes amounts to 1 986 thous.LVL (2 826 thous.EUR).

Commodity output is estimated in the amount of 4 210 thous.LVL (5 990 thous.EUR). The result of this year is by 455 thous.LVL (647 thous.EUR) or by 9,8% less than the 6 months result of the last year.

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 on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 543 in 6 months of year 2008.

The average salary amounted to 311 LVL (444 EUR) in 6 months period of 2008, which is by 41 LVL (58 EUR) more than in 6 months of 2007.

Market tendencies and development of the company. Risks.

In the 2nd quarter of 2008 all risks and development tendencies of the company mentioned in the financial report for 3 months of 2008 remained existing.

There are still tendencies of price growth for metal and resources active. In the 2nd quarter of 2008 the average price growth for metal additionally was estimated 15-20% (in different positions) against the level of the 1st quarter of 2008. There is the price growth constantly observed in natural monopolies (state and municipal enterprises). In May 2008 the price for water supply and canalization services increased by 38-39%. In the second half of 2008 there is price increase on the following resources expected: electric power (by 20%) and gas (by 40%), and heat energy as well. In such conditions it is not possible to formulate optimistic forecast in respect of any production branch on the territory of Latvia.

In the 2nd quarter the general processes of global economic recession continued. And it is considered as a basis to forecast a future instability of market and market prices, in circumstances of which the company is acting. The company

notes that production quality in general complies with market requirements (in the 1st half of the year the company has not received any noticeable consumers' reclamations), but taking into account the abovementioned causes, the natural price growth from one side and sales slowdown from other side give no grounds for optimistic forecasts in respect of maintaining of production volume.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 6 months of year 2008 ended June 30, 2008 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 2008

BALANCE SHEET	30.06.2008	30.06.2007	30.06.2008	30.06.2007
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	149 142	117 611	212 210	167 345
Short-term investments	0	0	0	0
Customer receivables				
Debts of buyers and customers	5 528 848	4 256 259	7 866 843	6 056 111
Accounts receivable from related companies	0	870 056	0	1 237 978
Allowance for uncollectible receivables	-254 334	-315 357	-361 885	-448 712
Total	5 274 414	4 928 569	7 504 815	7 012 722
Other receivables				
Other current receivables	84 155	2 012 666	119 742	2 863 766
Short-term loans given	0	0	0	0
Derrivative financial instruments	0	0	0	0
Total	84 155	2 012 666	119 742	2 863 766
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	181 937	208 557	258 873	296 750
Other prepaid expanses	0	251	0	357
Total	181 937	208 808	258 873	297 107
Inventories				
Raw materials	1 116 645	950 327	1 588 843	1 352 193
Work-in-progress	308 242	297 403	438 589	423 166
Finished goods	841 609	748 168	1 197 502	1 064 547
Prepayments to suppliers	1 297 451	107 533	1 846 106	153 007
Total	3 563 947	2 103 431	5 071 040	2 992 913
TOTAL CURRENT ASSETS	9 104 453	9 253 474	12 954 470	13 166 508
NON-CURRENT ASSETS				
Long-term financial assets	0	320 338	0	455 800
incl. shares in subsidiaries	0	35 934	0	51 129
Total	0	320 338	0	455 800
Non-current physical assets				
Land plots, buildings, equipment, costs on construction in progress	14 230 754	14 136 387	20 248 539	20 114 266
Other equipment and fixtures	334 764	443 132	476 326	630 520
Accumulated depreciation	10 281 495	9 712 190	14 629 249	13 819 201
Total	4 284 023	4 867 329	6 095 616	6 925 585
Intangible assets				
Purchased licenses, trademarks etc.	240	1 008	341	1 434
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	240	1 008	341	1 434
TOTAL NON-CURRENT ASSETS	4 284 263	5 188 675	6 095 957	7 382 819
TOTAL ASSETS	13 537 858	14 442 149	19 262 637	20 549 327
	1 EUR =		0.702804 LVL	0.702804LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2008

BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	30.06.2008	30.06.2007	30.06.2008	30.06.2007
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions, unpaid dividends	14 800	120 179	21 058	170 999
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	6 422	9 163	9 138	13 038
Total	21 222	129 342	30 196	184 037
Customer prepayments for goods and services	6 723	6 430	9 566	9 149
Supplier payables	192 228	1 542 841	273 516	2 195 265
Total	198 951	1 549 271	283 082	2 204 414
Tax liabilities	241 102	94 617	343 057	134 628
Accrued expenses				
Salary-related accrued expenses	141 075	137 956	200 732	196 294
Interest payable	0	7 796	0	11 092
Total	141 075	145 752	200 732	207 386
Provisions	288 106	348 886	409 938	496 420
Total	288 106	348 886	409 938	496 420
TOTAL CURRENT LIABILITIES	890 456	2 267 868	1 267 005	3 226 885
NON-CURRENT LIABILITIES	0	0	0	0
Long-term liabilities	1 749 982	1 447 073	2 490 000	2 059 000
Other loans	13 462	1 834 430	19 155	2 610 159
Total	1 763 444	3 281 503	2 509 155	4 669 159
TOTAL NON-CURRENT LIABILITIES	1 763 444	3 281 503	2 509 155	4 669 159
TOTAL LIABILITIES	2 653 900	5 549 371	3 776 160	7 896 044
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	1 498 082	1 364 516	2 131 579	1 941 532
Net profit for the reporting period	1 985 876	128 262	2 825 647	182 500
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	10 883 958	8 892 778	15 486 477	12 653 283
TOTAL LIABILITIES AND OWNERS' EQUITY	13 357 858	14 442 149	19 262 637	20 549 327
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2008

INCOME STATEMENT	30.06.2008 LVL	30.06.2007 LVL	30.06.2008 EUR	30.06.2007 EUR
Net sales	4 452 336	4 675 807	6 335 103	6 653 074
Other operating income	1 414 481	315 828	2 012 625	449 383
Total income	5 866 817	4 991 635	8 347 728	7 102 457
Direct cost of goods sold or services rendered	-1 401 394	-1 515 626	-1 994 004	-2 156 541
Marketing, advertising and public relations expenses	-3 792	0	-5 396	0
Bad receivables	0	0	0	0
Operating expenses	-105 137	-34 412	-149 596	-48 964
Salaries, bonuses and social expenses	-1 251 977	-1 240 862	-1 781 403	-1 765 588
Depreciation expense	-437 026	-478 462	-621 832	-680 790
Other expenses	-530 346	-1 436 085	-754 614	-2 043 365
Operating expenses	-3 729 672	-4 705 447	-5 306 845	-6 695 248
EBIT	2 137 145	286 188	3 040 883	407 209
Percents paid	-58 386	-63 460	-83 076	-90 295
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	-17 795	-371	-25 320	-528
Financial items	-76 181	-63 831	-108 396	-90 823
Profit before extraordinary items and taxes	2 060 964	222 357	2 932 487	316 386
EBT	2 060 964	222 357	2 932 487	316 386
Provisions for taxes	-75 088	-94 095	-106 841	-133 886
Profit after taxes	1 985 876	128 262	2 825 646	182 500
Net profit	1 985 876	128 262	2 825 646	182 500
Index EPS	0.268	0.017	0.381	0.024
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2008

CASH FLOW STATEMENT	30.06.2008 LVL	30.06.2007 LVL	30.06.2008 EUR	30.06.2007 EUR
CASH GENERATED FROM OPERATIONS	-1 622 172	1 103 070	-2 308 142	1 569 527
Cash received from customers	-4 119 306	-2 661 669	-5 861 244	-3 787 214
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	2 497 134	3 764 739	3 553 102	5 356 741
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	90 571	-931 389	128 870	-1 325 247
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	-150 751	-931 389	-214 499	-1 325 247
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	241 321	0	343 369	0
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	1 499 801	-408 229	2 134 025	-580 857
Short-term loans received	1 558 187	-344 769	2 217 101	-490 562
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-1 168	-2 131	-1 662	-3 032
Paid interest	-57 218	-61 329	-81 414	-87 263
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-31 800	-236 548	-45 247	-336 577
Cash and cash equivalents as at the beginning of period	180 942	354 159	257 457	503 922
Cash and cash equivalents as at the end of period	149 142	117 611	212 210	167 345
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-31 800	-236 548	-45 247	-336 577
	1 EUR =		0.702804 LVL	0.702804 LVL

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2008

Statement of changes in equity for the period from 01.01.2008 till 30.06.2008 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 1st January, 2008	7 400 000	-	-	-	1 512 883	-	8 912 883
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2007	-	-	-	-	-	-	-
Allocation of profit of 2007 to dividends	-	-	-	-	-14 801	-	-14 801
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months of 2008	-	-	-	-	-	1 985 876	1 985 876
As at 30 June, 2008	7 400 000	-	-	-	1 498 082	1 985 876	10 883 958
As at 1st January, 2007	7 400 000	-	-	-	1 364 516	-	8 764 516
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-11 100	-	-11 100
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

JSC "DITON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2008

1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2008 till 30.06.2008 (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, 2008 (0.702804)	10 529 251	-	-	-	2 152 639	-	12 681 890
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2007	-	-	-	-	-	-	-
Allocation of profit of 2007 to dividends	-	-	-	-	-21 060	-	-21 060
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months period 2008 (0.702804)	-	-	-	-	-	2 825 647	2 825 647
As at 30 June, 2008 (0.702804)	10 529 251	-	-	-	2 131 579	2 825 647	15 486 477
1st January, 2007 (0.702804)	10 529 251	-	-	-	1 941 531	-	12 470 782
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-15 794	-	-15 794
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

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 2008 and the results of its operation and cash flows for the 6 months period ended 30 June 2008.

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 2008 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 2008**

LVL

Name of index	Forecast for 2008	6 months of year 2008		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	8 450	4 200	4 210	-10
Production of main products	8 416	4 183	4 174	-9
Driving chains	8 311	4 095	4 090	-5
incl. automotive	3 466	1 708	1 882	+174
industrial	4 845	2 387	2 208	-179
Sales volume	8 700	4 350	4 452	+102
Sales of main products	8 660	4 330	4 434	+104
Profit after taxes	40	20	1 986	+1 966

EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2008	6 months of year 2008		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	12 023	5 976	5 990	+14
Production of main products	11 975	5 952	5 939	-13
Driving chains	11 826	5 827	5 820	-7
incl. automotive	4 932	2 431	2 678	+247
industrial	6 894	3 396	3 142	-254
Sales volume	12 379	6 189	6 335	+146
Sales of main products	13 322	6 161	6 309	+148
Profit after taxes	57	28	2 826	+2 798

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 6 months of year 2008 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 4 200 thous.LVL (5 976 thous.EUR). The result of reporting period is by 455 thous.LVL (647 thous.EUR) or 9,8% lower than the result of relevant period of year 2007.

Production of driving chains in 6 months of 2008 (thous.meters)

Production of driving chains in natural units is by 107 thous.meters less than the forecast.

Production of driving chains in 6 months of year 2008 (thous.LVL/thous.EUR)

Production of driving chains in money terms exceeded the forecast by 5 thous.LVL (7 thous.EUR), but it was by 400 thous.LVL (569 thous.EUR) less than in the relevant period of previous year.

Sales (net-turnover) in 6 months of 2008 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 4 350 thous.LVL (6 189 thous.EUR) in 6 months of year 2008, in fact it has been fulfilled in the amount of 4 452 thous.LVL (6 335 thous.EUR), increase amounts to 102 thous.LVL (146 thous.EUR). The index of this reporting period is by 224 thous. LVL (319 thous.EUR) or 4,8% lower than the index of the same period of previous year.

Sales of main products in 6 months of 2008 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 104 thous.LVL (148 thous.EUR) more than the forecast, and it is by 221 thous.LVL (314 thous.EUR) or 4,7% less than the result of the relevant period of prior year.

Proceeds from other activities exceeded the result of relevant period of previous year by 1 086 thous.LVL (1 545 thous.EUR), and they amounted to 1 430 thous.LVL (2 035 thous.EUR).