

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

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

FOR 9 MONTHS OF YEAR 2008

(01.01.2008 – 30.09.2008)

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

Daugavpils

2008

JSC "DITTON PIEVADKEZU RUPNICA"
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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 Moiseeva, p.c. 200250-10263
Reporting period	01.01.2008 – 30.09.2008
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

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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	20,0
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	700 000	9,46

* As of 19.09.2008.

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INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) AS OF 31.10.2008

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Pavels Samuilovs	9,46
Gatis Poiss	7,01

* *Piezīme:* Information is presented on the basis of full list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 01.06.2008., taking into account notifications on acquisition and disposal significant holding in the Issuer's equity received by the company till 31.10.2008.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 9 months of year 2008

In 9 months of 2008 net-turnover in fact was fulfilled in the amount of 6 358 thous. LVL (9 047 thous.EUR) against the forecast 6 600 thous.LVL (9 391 thous.EUR), decrease amounts to 242 thous.LVL (344 thous.EUR) or 3,7%. Compared to the level of previous year, net-turnover of the reporting period is by 324 thous.LVL (461 thous.EUR) or by 4,8% less.

Profit before taxes amounted to 2 210 thous.LVL (3 145 thous.EUR) in 9 months period of 2008, which is by 2 077 thous.LVL (2 955 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 2 114 thous.LVL (3 008 thous.EUR).

Commodity output is estimated in the amount of 6 329 thous.LVL (9 005 thous.EUR). The result of this year is by 587 thous.LVL (835 thous.EUR) or by 8,5% less than the 9 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 539 in 9 months of year 2008.

The average salary amounted to 318 LVL (452 EUR) in 9 months period of 2008, which is by 43 LVL (61 EUR) more than in 9 months of 2007.

Market tendencies and development of the company. Risks.

In the 3rd quarter of 2008 all risks and development tendencies of the company mentioned in the financial report for 6 months of 2008 remained existing.

In the 3rd quarter the general processes of global economic recession continued and worsened. Crisis occurrences and falling off in demand on consumer markets negatively affect falling off and instability in demand of company's finished products market. 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 3rd quarter 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.

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Crisis conditions have caused changes in payment terms of suppliers of raw materials and resources, who switched to work mainly in prepayment conditions. Prepayment for materials and resources in conditions of instability of demand and orders for company's production destabilizes cash flows of the company and causes delay in financial obligations fulfillment.

Inflation processes and growth of resources costs in Latvia as well are still having negative influence.

In the abovementioned circumstances the company is forced to work in economy regime by using internal resources and reorganizing production processes according to the existing volumes of demand, production and costs, including optimization of staff in accordance with production volumes and its actual employment, and to refuse from planned investments in current and capital repairs of building, engineering constructions and networks and equipment stock.

Processes which negatively influence the company are unstable and depend on general crisis in global economics. At present moment the company does not see tendencies for "stopping" and stabilization of crisis occurrences. In this connection prognosis for future development of events in economics, on raw material, resources and company's production market, and prognosis for company's future development as well are unfavorable.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 9 months of year 2008 ended September 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

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BALANCE SHEET	30.09.2008	30.09.2007	30.09.2008	30.09.2007
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	45 943	263 152	65 371	374 432
Short-term investments				
Customer receivables				
Debts of buyers and customers	5 662 558	3 905 024	8 057 094	5 556 349
Accounts receivable from related companies	0	789 806	0	1 123 793
Allowance for uncollectible receivables	-254 334	-227 756	-361 885	-324 068
Total	5 408 224	4 467 074	7 695 209	6 356 074
Other receivables				
Other current receivables	157 887	49 565	224 653	70 525
Short-term loans given	0	0	0	
Derivative financial instruments	0	0	0	
Total	157 887	49 565	224 653	70 525
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	104 865	122 712	149 209	174 603
Other prepaid expenses	0	125	0	178
Total	104 865	122 837	149 209	174 781
Inventories				
Raw materials	1 465 950	1 036 251	2 085 859	1 474 452
Work-in-progress	365 944	297 023	520 692	422 626
Finished goods	1 069 357	948 657	1 521 558	1 349 817
Prepayments to suppliers	1 205 378	72 224	1 715 098	102 765
Total	4 106 629	2 354 155	5 843 207	3 349 660
TOTAL CURRENT ASSETS	9 823 548	7 256 783	13 977 649	10 325 472
NON-CURRENT ASSETS				
Long-term financial assets	0	356 271	0	506 928
incl. shares in subsidiaries	0	35 934	0	51 129
Total	0	356 271	0	506 928
Non-current physical assets				
Land plots, buildings, equipment, costs on construction in progress	14 220 012	14 146 951	20 233 254	20 129 298
Other equipment and fixtures	322 838	446 659	459 357	635 538
Accumulated depreciation	10 456 992	9 944 765	14 878 959	14 150 126
Total	4 085 858	4 648 845	5 813 652	6 614 710
Intangible assets				
Purchased licenses, trademarks etc.	216	609	308	867
Goodwill	0	0	0	
Prepayments for intangible assets	0	0	0	
Total	216	609	308	867
TOTAL NON-CURRENT ASSETS	4 086 074	5 005 725	5 813 960	7 122 505
TOTAL ASSETS	13 909 622	12 262 508	19 791 609	17 447 977

1 EUR =

0.702804 LVL 0.702804 LVL

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BALANCE SHEET	30.09.2008	30.09.2007	30.09.2008	30.09.2007
LIABILITIES & OWNERS' EQUITY				
CURRENT LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions, unpaid dividends	0	0	0	0
Derivative financial instruments	0	0	0	0
Short-term capital lease obligations	1 577	4 604	2 244	6 551
Total	1 577	4 604	2 244	6 551
Customer prepayments for goods and services	24 162	10 091	34 379	14 358
Supplier payables	468 809	1 450 195	667 055	2 063 442
Total	492 971	1 460 286	701 434	2 077 800
Tax liabilities	221 452	89 630	315 098	127 532
Accrued expenses				
Salary-related accrued expenses	136 636	131 194	194 416	186 672
Interest payable	0	0	0	0
Total	136 636	131 194	194 416	186 672
Provisions	287 410	260 846	408 947	371 150
Total	287 410	260 846	408 947	371 150
TOTAL CURRENT LIABILITIES	1 140 046	1 946 560	1 622 139	2 769 705
NON-CURRENT LIABILITIES				
Long-term liabilities	1 749 982	0	2 490 000	0
Other loans	7 782	1 562 222	11 073	2 222 842
Total	1 757 764	1 562 222	2 501 073	2 222 842
TOTAL NON-CURRENT LIABILITIES	1 757 764	1 562 222	2 501 073	2 222 842
TOTAL LIABILITIES	2 897 810	3 508 782	4 123 212	4 992 547
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	1 941 531
Net profit for the reporting period	2 113 730	-10 790	3 007 567	-15 352
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	11 011 812	8 753 726	15 668 397	12 455 430
TOTAL LIABILITIES AND OWNERS' EQUITY	13 909 622	12 262 508	19 791 609	17 447 977
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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INCOME STATEMENT	30.09.2008 LVL	30.09.2007 LVL	30.09.2008 EUR	30.09.2007 EUR
Net sales	6 357 555	6 681 990	9 045 986	9 507 615
Other operating income	1 660 906	618 696	2 363 256	880 325
Total income	8 018 461	7 300 686	11 409 242	10 387 940
Direct cost of goods sold or services rendered	-2 251 168	-2 136 192	-3 203 123	-3 039 527
Marketing, advertising and public relations expenses	-5 185	0	-7 378	0
Bad receivables	0	0	0	0
Operating expenses	-116 083	-45 411	-165 171	-64 614
Salaries, bonuses and social expenses	-1 906 936	-1 888 939	-2 713 325	-2 687 718
Depreciation expense	-640 269	-717 992	-911 021	-1 021 611
Other expenses	-785 937	-2 328 269	-1 118 288	-3 312 828
Operating expenses	-5 705 578	-7 116 803	-8 118 306	-10 126 298
EBIT	2 312 883	183 883	3 290 936	261 642
Percents paid	-88 230	-63 459	-125 540	-90 294
Financial items				
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	-14 506	+1 228	-20 640	+1 748
Financial items				
Profit before extraordinary items and taxes	2 210 147	121 652	3 144 756	173 096
EBT	2 210 147	121 652	3 144 756	173 096
Provisions for taxes	-96 417	-132 442	-137 189	-188 448
Profit after taxes	2 113 730	-10 790	3 007 567	-15 352
Net profit	2 113 730	-10 790	3 007 567	-15 352
Index EPS	0.286	-0.001	0.407	-0.001
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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CASH FLOW STATEMENT	30.09.2008 LVL	30.09.2007 LVL	30.09.2008 EUR	30.09.2007 EUR
CASH GENERATED FROM OPERATIONS	-1 699 875	1 307 637	-2 418 704	1 860 600
Cash received from customers	-4 549 397	-707 556	-6 473 209	-1 006 761
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	2 849 522	2 015 193	4 054 505	2 867 361
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	85 554	-952 026	121 732	-1 354 611
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	-173 025	-952 026	-246 193	-1 354 611
Cash paid for purchasing non-current physical assets ML Group	0	0	0	0
Cash received from the sale of non-current physical assets	258 579	0	367 925	0
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	1 479 322	-446 618	2 104 886	-635 480
Short-term loans received	1 569 122	-383 159	2 232 659	-545 186
Repayment of short-term loans	0	0	0	0
Cash paid as capital lease payments	-1 570	-2 130	-2 234	-3 031
Paid interest	-88 230	-61 329	-125 539	-87 263
Paid interest ML Group	0	0	0	0
TOTAL CASH FLOW	-134 999	-91 007	-192 086	-129 491
Cash and cash equivalents as at the beginning of period	180 942	354 159	257 457	503 923
Cash and cash equivalents as at the end of period	45 943	263 152	65 371	374 432
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-134 999	-91 007	-192 086	-129 491
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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Statement of changes in equity for the period from 01.01.2008 till 30.09.2008 (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 January 1st, 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 9 months of 2008	-	-	-	-	-	2 113 730	2 113 730
As at September 30, 2008	7 400 000	-	-	-	1 498 082	2 113 730	11 011 812
As at January 1st, 2007	7 400 000	-	-	-	1 375 616	-	8 775 616
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-11 100	-	-11 100
Currency translation difference	-	-	-	-	-	-	-
Profit for 9 months of 2007	-	-	-	-	-	-10 790	-10 790
As at September 30, 2007	7 400 000	-	-	-	1 364 516	-10 790	8 753 726

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1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2008 till 30.09.2008 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulat ed profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at January 1st, 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 9 months period 2008 (0.702804)	-	-	-	-	-	3 007 567	3 007 567
As at September 30, 2008 (0.702804)	10 529 251	-	-	-	2 131 579	3 007 567	15 668 397
As at January 1st, 2007 (0.702804)	10 529 251	-	-	-	1 957 327	-	12 486 576
Dividend relating to 2006	-	-	-	-	-	-	-
Allocation of profit of 2006 to dividends	-	-	-	-	-15 794	-	-15 794
Currency translation difference	-	-	-	-	-	-	-
Profit for 9 months period 2008 (0.702804)	-	-	-	-	-	-15 352	-15 352
As at September 30, 2007 (0.702804)	10 529 251	-	-	-	1 941 531	-15 352	12 455 430

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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 September 30, 2008 and the results of its operation and cash flows for the 9 months period ended September 30, 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 9 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.

JSC "DITTON PIEVADKEZU RUPNICA"
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**Summary of financial results
for 9 months of year 2008**

LVL

Name of index	Forecast for 2008	9 months of year 2008		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	8 450	6 500	6 329	-171
Production of main products	8 416	6 474	6 280	-194
Driving chains	8 311	6 377	6 149	-228
incl. automotive	3 466	2 660	2 911	+251
industrial	4 845	3 717	3 238	-479
Sales volume	8 700	6 600	6 358	-242
Sales of main products	8 660	6 570	6 334	-236
Profit after taxes	40	30	2 114	+2 804

EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2008	9 months of year 2008		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	12 023	9 249	9 005	-244
Production of main products	11 975	9 212	8 936	-276
Driving chains	11 826	9 074	8 749	-325
incl. automotive	4 932	3 785	4 142	+357
industrial	6 894	5 289	4 607	-682
Sales volume	12 379	9 391	9 047	-344
Sales of main products	13 322	9 348	9 012	-336
Profit after taxes	57	43	3 008	+2 965

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 9 months of year 2008 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 6 329 thous.LVL (9 005 thous.EUR). The result of reporting period is by 587 thous.LVL (835 thous.EUR) or 8,5% lower than the result of relevant period of year 2007.

Production of driving chains in 9 months of 2008 (thous.meters)

Production of driving chains in natural units is by 329 thous.meters less than the forecast.

Production of driving chains in 9 months of year 2008 (thous.LVL/thous.EUR)

Production of driving chains in money terms is by 228 thous.LVL (324 thous.EUR) than forecasted. The actual performance of reporting period is by 519 thous.LVL (738 thous.EUR) lower than in the relevant period of previous year.

Sales (net-turnover) in 9 months of 2008 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 6 600 thous.LVL (9 391 thous.EUR) in 9 months of year 2008, in fact it has been fulfilled in the amount of 6 358 thous.LVL (9 047 thous.EUR), decrease amounts to 242 thous.LVL (344 thous.EUR). The index of this reporting period is by 324 thous. LVL (416 thous.EUR) or 4,8% lower than the index of the same period of previous year.

Sales of main products in 9 months of 2008 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 236 thous.LVL (336 thous.EUR) less than the forecast, and it is by 314 thous.LVL (447 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 1 016 thous.LVL (1 446 thous.EUR), and they amounted to 1 688 thous.LVL (2 402 thous.EUR).