

**JSC „DITTON PIEVADKĒŽU RŪPNĪCA”**

**Reg.No.40003030187**

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

**AUDITED ANNUAL REPORT**

**OF YEAR 2008**

**(01.01.2008 – 31.12.2008)**

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

**Daugavpils**

**2009**

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

**CONTENTS**

Information about the Company .....	3-5
Information on the Management Board and Council members .....	6
Management report .....	7-9
Report on Corporate Governance .....	10
Council report .....	11-12
Independent auditor's report .....	13-14
Financial statements	
Statement of profit or loss .....	15
Balance sheet .....	16-17
Cash flow statement .....	18-19
Statement of changes in equity .....	20-21
Appendix to the annual report	22-23
Notes to the financial statements .....	24-34

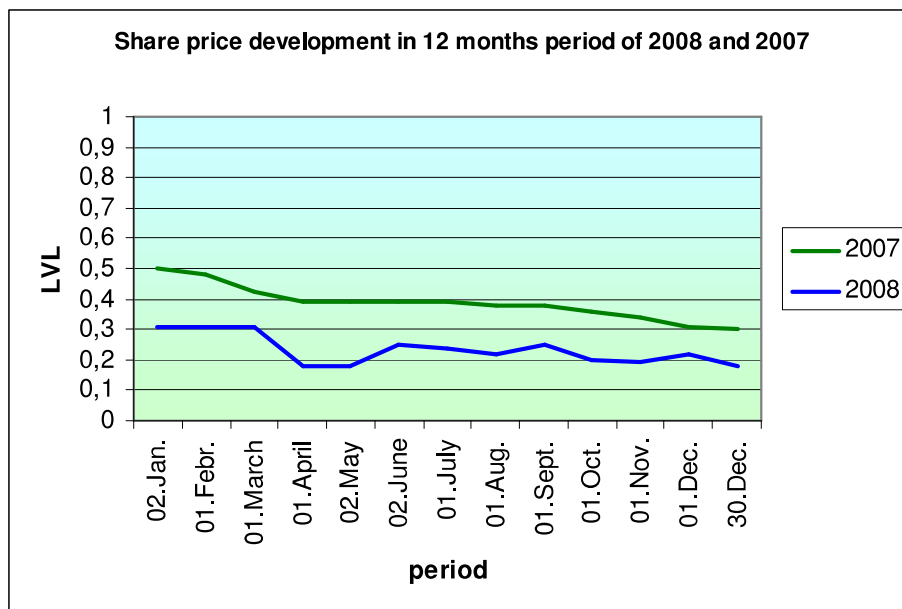
JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

**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 – 31.12.2008
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 65402333, e-mail <a href="mailto:dpr@dpr.lv">dpr@dpr.lv</a>	
Ms. Natalja Redzoba, phone +371 65402333, e-mail <a href="mailto:dpr@dpr.lv">dpr@dpr.lv</a>	

## INFORMATION ON SHARES AND SHAREHOLDERS

### SHARE PRICE DEVELOPMENT



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.

### COMPANY SHAREHOLDERS (OVER 5%) \*

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

\* *Note:* 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 31.03.2009.

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 PIEVADKĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

## COMPANY BACKGROUND

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.

Types 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 "DITON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

**INFORMATION ON THE MANAGEMENT BOARD AND  
COUNCIL MEMBERS**

**THE MANAGEMENT BOARD**

Chairman of the Management Board

Eduards Zavadskis, elected 29.08.2003

Deputy Chairman of the Management Board

Pjotrs Dorofejevs, elected 07.01.2004

Members of the Management Board

Natalja Redzoba, elected 29.08.2003

Jurijs Kostromins, elected 07.01.2004, relieved 09.01.2009

Vladimirs Kovalonoks, elected 09.05.2007, relieved 09.01.2009

**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	20,0
Pjotrs Dorofejevs	no shares	-
Natalja Redzoba	1 900	0,03
Jurijs Kostromins (07.01.2004 – 09.01.2009)	no shares	-
Vladimirs Kovalonoks (09.05.2007 – 09.01.2009)	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**

<b>Members of the Management Board</b>	<b>Share ownership *</b>	
	<b>Quantity of shares</b>	<b>%</b>
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Jevgenijs Glinkins	no shares	-
Jevgenijs Sokolovskis	no shares	-
Pavels Samuilovs	700 000	9,46

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)

---

\* As of 31.03.2009

## **MANAGEMENT REPORT**

### **Information on the results of the company in year 2008**

In 12 months of 2008 net-turnover in fact was fulfilled in the amount of 7 367 thous. LVL (10 482 thous.EUR) against the forecast 8 700 thous.LVL (12 379 thous.EUR), decrease amounts to 1 333 thous.LVL (1 897 thous.EUR) or 7,5%. Compared to the level of previous year, net-turnover of the reporting period is by 1 831 thous.LVL (2 606 thous.EUR) or by 20% less.

Profit before taxes amounted to 566 thous.LVL (805 thous.EUR) in 12 months period of 2008, which is by 334 thous.LVL (475 thous.EUR) more than in 2007 owing to the sale of non-business assets – land plot owned by the company. Profit after taxes amounts to 134 thous.LVL (191 thous.EUR).

Commodity output is estimated in the amount of 7 780 thous.LVL (11 070 thous.EUR). The result of this year is by 1 060 thous.LVL (1 508 thous.EUR) or by 12% less than the 12 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 519 in 12 months of year 2008.

The average salary amounted to 324 LVL (461 EUR) in 12 months period of 2008, which is by 45 LVL (64 EUR) more than in 12 months of 2007.

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

Own capital profitability of the company (capital using ratio) achieved 1,48% in year 2008, which proves the capability of the company to develop stably (the standard of this ratio = 0,7-0,9).

Return on assets (ROA) was 2,89% in year 2008, 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 2008 1,82% 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 2008 it was 1,59.

Reserves turnover ratio enables to assess the optimal size of reserves. In 2008 turnover speed was 2,13 times, compared to 2007 this ratio increased by 0,76.

Economic profitability enables to determine that 4,92% of earned profit accounts for one unit of company's assets.

Commercial profitability indicates that company earned 7,68% of profit on one net-turnover unit before taxes, and accordingly 1,82% after taxes.

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

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 2008 the company has not received any noticeable consumers' reclamations), but

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

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.

At the end of 2008 these tendencies have been aggravated through inflation of our consumers' currencies against EUR, where the rate of Latvian currency, in which our costs have been calculated and actually paid, remained unchanged.

In 2008 the economics have been comprised by global crisis. Its indications are such as crisis occurrences in the sphere of circulation of financial instruments, including in banking sector, inflation and devaluation of almost all national currencies, dropping of companies' capitalization and confidence level in crediting-investments sector obstructing attraction of crediting-investment means, falling of consumers demand and overproduction of some goods and services, and suspension of production and/or substantial decline of production caused by this (which especially concerned the company as supplier of component parts for companies of automobile industry), recession processes and ongoing production and GDP falling, which are now observable in most developed countries.

It all concerned the joint-stock company "Ditton pievadķēžu rūpnīca" at full extent.

Positive indices of the balance have been achieved first of all owing to the sale of non-profile assets about which the shareholders have been informed in the management report of financial report for 6 months of 2008, and owing to purchase orders placed in 2007 and beginning of 2008 as well.

Future global processes have substantially changed the dynamics of purchase orders and company's development.

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. Substantial delays in payments for services and finished products occurred owing to suspension of our consumers' production and/or inability to sell their production. In respect to market specifics (restricted volumes, specialization, traditional focusing on definite partners etc.), immediate collection of debts shall not have the necessary result and vice versa – it will cause loss of consumers and their confidence, and it seems to be problematic to reestablish them.

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.

The Management Board considers it necessary to restrict these negative company's development prognosis to the crises period, which according to analysts shall be most critical in 2009 and 2010.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

The Management Board considers it as its main task to minimize global crisis risks, maintain the company with its brand, technologies, personnel, traditional partners and market with future development upon overcoming the crisis together with the whole global and Latvian economics.

**Profit distribution policy**

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 proposed to distribute the profit by directing up to 10% of net-profit to payment of dividends. For year 2007 this amount amounted to 14 800 LVL (21 059 EUR).

This year, taking into account global economic crisis and company's retention priority, the Management Board proposes to leave the net-profit of 2008 undistributed by directing it to the goals of Company's retention and development.

**STATEMENT ABOUT MANAGEMENT LIABILITY**

In opinion of the Management Board, according to the information at its disposal, the presented annual report for year 2008 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 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 2008.

Management report contains truthful information.

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

Eduards Zavadskis

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

**REPORT  
ON CORPORATE GOVERNANCE**

By arranging corporate governance of the company, the Management Board and the Council follow Corporate Governance codes, developed and approved by NASDAQ OMX Riga (before „Riga Stock Exchange”) in 2005. Information about application of the above-mentioned Codes regarding responsibility of the shareholders has been presented on the annual general meeting of shareholders on April 27, 2007 (Protocol No.1). The shareholders may familiarize themselves with information comprised by the Corporate Governance codes on the web site of NASDAQ OMX Riga <http://www.nasdaqomxbaltic.com/?id=1700277> or by filing an appropriate request to the company.

Information about order and procedures of application of Corporate Governance codes, restrictions, exceptions and practice in 2008 has been reflected in the appendix of this statement. The shareholders may familiarize themselves with information included into the appendix on the website of NASDAQ OMX Riga, in the appropriate section of the company, or by filing an appropriate request to the company.

System of internal control is arranged in compliance with the Corporate Governance codes, by adding the institution of revision committee, which has been founded and elected in the extraordinary meeting of shareholders on January 9<sup>th</sup>, 2009. Statement of the revision committee regarding procedures of risks control and management in the course of drawing up the annual report for 2008 is enclosed.

In the company there exists a multi-stage system of drawing up the annual report, control and risks management at drawing up the annual report.

1<sup>st</sup> stage: drawing up of the annual report and internal control in subdivisions of the company;

2<sup>nd</sup> stage: examining and approval of the annual report by the Management Board of the company;

3<sup>rd</sup> stage: auditing of the annual report by an independent sworn auditor in accordance with the Annual Accounts Law, Law On Accounting, Commercial Law and Law On the Financial Instruments Market;

4<sup>th</sup> stage: examination of the annual report by the revision committee and its statement on the annual report quality and independence of the sworn auditor;

5<sup>th</sup> stage: examination of the annual report by the Council of the company and its statement about activity of the Management Board and company in general reflected in this report;

6<sup>th</sup> stage: approving of the annual report in a general meeting of shareholders of the company.

It is obvious that activity of the institutions mentioned in stages 3, 4 and 5 are independent of the company and ensure accuracy of the annual report and independency.

Independence of the shareholders' resolution is ensured in conformity with norms of the Commercial Law (Clauses 273-286) and Corporate Governance codes.

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

Eduards Zavadskis

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

**COUNCIL REPORT**  
**to the annual report for year 2008**

Issued according to LR Commercial Law and to the Company's Articles,  
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"  
dated 24.04.2009., Protocol No.126

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.

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.

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 seven 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 12 months of 2007 and 3, 6, and 9 months of the year 2008.

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

- convening of annual general meeting of shareholders and approving of draft resolutions;
- considering the composition of the Management Board and powers of their members;
- convening of extraordinary meeting of shareholders and approving of draft resolutions;
- confirming budget prognosis for 2009;
- other issues related to the activity of the Company and stipulated by the Company's Articles and laws of Republic of Latvia.

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

In the 2<sup>nd</sup> half of 2008 there could be the expansion and deepening of global economic crisis observed, prognosis and influence on perspectives of the Company of which for 2009-2010 are described in the Management report. Positive indices of the Company's activity in general have been achieved owing to the Company's activity in the 1<sup>st</sup> half of 2008 and sale of non-profile assets. Results of the 2<sup>nd</sup> half of 2008 are less effective and not related to the performance of the Management Board. On the contrary, the Council evaluates the performance of the Management Board as timely and effective response to the crisis challenges. Nevertheless it is impossible to solve effectively the negative consequences of crisis within one separate company.

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

The Council considers that 2009 and 2010 will be survival years for the Company in the situation when the consumers demand for goods and equipment in which our products are applied is falling off, which has caused and will cause overproduction of these goods and equipment and suspension of some productions.

The Council admits the right of the Management Board to take "difficult" decisions related to the decrease of productions volumes and staff redundancy.

The Council admits that, in spite of timely and effective responses to the crisis challenges, in 2009 and 2010 the Company may not have profit retaining the Company itself, brand and partners.

That will allow retaining Company in growing crisis, stabilizing its activity in the period of global economic slowdown and recession and increasing production volumes upon global economic revival and surmounting the crisis.

In these circumstances the Council considers it necessary to recommend the Management Board and also urges the shareholders to refuse to distribute the profit of 2008, and also of 2009 and 2010 if such shall be gained, aiming it at goals of the Company.

From other side the Council considers that possible positive results of the crisis shall be review of priorities in favor of real sector of economics.

Chairman of the Council

B.Matvejevs

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on financial statements**

We have audited the financial statement of the JSC "Ditton pievadķēžu rūpnīca", registration No.40003030187, included into the accompanying annual report for the year 2008. Audited financial statement includes the balance at 31 December 2008, statement of profit or loss for year 2008, statement in changes of its own capital and cash flow statement, as well as a 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 International Accounting Standards which have been approved by the European Community. 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 basis of audit conducted by us. We conducted audit in accordance with International Auditing Standards 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 basis 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 significant presumptions of the 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 2008**

***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 2008, on financial results of its activity and cash flows in year 2008 in conformity with International Accounting Standards which have been approved by the European Community.

**Report on conformity of the Management report**

We acquainted ourselves with the Management report for year 2008 and we did not disclose any material inconsistency between financial information disclosed in this Management report and in financial statement for year 2008.

SIA "Invest-Riga" Daugavpils"  
Commercial company of sworn auditors  
License No.81

(signature)  
V.Pjankovskis  
Procurist

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

Daugavpils, Latvia  
April 24<sup>th</sup>, 2009

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

STATEMENT OF PROFIT AND LOSS  
AS AT 31.12.2008

1 EUR = 0,702804 LVL

	Number of notes	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Net turnover	1	7 366 603	10 481 731	9 198 338	13 088 056
Production cost of sold products	2	5 739 130	8 166 046	6 127 316	8 718 385
<b>Gross profit or loss</b>		<b>1 627 473</b>	<b>2 315 685</b>	<b>3 071 022</b>	<b>4 369 671</b>
Selling costs	3	514 155	731 577	1 255 026	1 785 741
Administration costs	4	978 515	1 392 301	2 140 956	3 046 306
Other operating income	5	1 750 894	2 491 297	1 594 508	2 268 780
Other operating expenses	6	1 252 002	1 781 438	971 509	1 382 333
Other interest income and similar income	7	51 276	72 959	-	-
Interest payment and similar expanses	8	119 328	169 788	66 144	94 114
<b>Profit or loss before extraordinary items and taxes</b>		<b>565 643</b>	<b>804 837</b>	<b>231 895</b>	<b>329 957</b>
<b>Profit or loss before taxes</b>		<b>565 643</b>	<b>804 837</b>	<b>231 895</b>	<b>329 957</b>
Enterprise income tax in reporting year	9	298 055	424 094	61 737	87 844
	9	85 817	122 107	-60 216	-85 679
Other taxes	10	47 571	67 687	82 007	116 685
<b>Profit or loss of reporting year</b>		<b>134 200</b>	<b>190 949</b>	<b>148 367</b>	<b>211 107</b>
<b>Index EPS</b>		<b>0,018</b>	<b>0,026</b>	<b>0,020</b>	<b>0,028</b>

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**BALANCE SHEET AS AT 31.12.2008**

*1 EUR = 0,702804 LVL*

ASSETS	Number of notes	2008 LVL	2008 EUR	2007 LVL	2007 EUR
<b>1. Long-term investments</b>					
<b>I. Non-material investments</b>					
Concessions, patents, licenses, trade mark and similar rights		<u>192</u>	<u>273</u>	<u>452</u>	<u>643</u>
<b>Non-material investments total</b>	<b>11</b>	<b>192</b>	<b>273</b>	<b>452</b>	<b>643</b>
<b>II. Fixed assets</b>					
Plots of land, buildings and constructions and perennial plantations		3 854 608	5 484 613	4 675 156	6 652 148
Technological equipment and machinery		21 651	30 807	68 148	96 968
Other fixed assets and stock		3 683	5 240	46 870	66 689
Formation of fixed assets and costs of unfinished construction objects		21 839	31 074	20 378	28 995
<b>Fixed assets total</b>	<b>12</b>	<b>3 901 781</b>	<b>5 551 734</b>	<b>4 810 552</b>	<b>6 844 800</b>
<b>III. Long-term financial investments</b>					
Participation in the capital of related enterprises		-	-	-	-
Loans to related companies		-	-	-	-
Other loans and other long-term debtors		737 944	1 050 000	-	-
<b>Long-term financial investments total</b>	<b>13</b>	<b>737 944</b>	<b>1 050 000</b>	<b>-</b>	<b>-</b>
<b>1. Long-term investments total</b>		<b>4 639 917</b>	<b>6 602 007</b>	<b>4 811 004</b>	<b>6 845 443</b>
<b>2. Current assets</b>					
<b>I. Reserves</b>					
Raw materials, basic materials and subsidiary materials		1 348 030	1 918 074	1 029 413	1 467 723
Unfinished products		305 395	434 538	272 668	387 971
Finished products and goods for sale	14	1 054 405	1 500 283	888 255	1 263 873
Advance payments for goods		466 172	663 303	20 296	28 879
<b>Reserves total</b>		<b>3 174 002</b>	<b>4 516 198</b>	<b>2 210 632</b>	<b>3 145 446</b>
<b>II. Debtors</b>					
Debts of buyers and customers	15	3 542 523	5 040 556	3 926 037	5 586 247
Debts of related enterprises		-	-	-	-
Other debtors	16	164 447	233 987	263 769	375 309
Deferred expenses		-	-	-	-
<b>Debtors total</b>		<b>3 706 970</b>	<b>5 274 543</b>	<b>4 189 806</b>	<b>5 961 556</b>
<b>IV. Cash (total)</b>	<b>17</b>	<b>83 453</b>	<b>118 743</b>	<b>180 942</b>	<b>257 457</b>
<b>2. Current assets total</b>		<b>6 964 425</b>	<b>9 909 484</b>	<b>6 581 380</b>	<b>9 364 459</b>
<b><u>TOTAL ASSETS</u></b>		<b><u>11 604 342</u></b>	<b><u>16 511 491</u></b>	<b><u>11 392 384</u></b>	<b><u>16 209 902</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**BALANCE SHEET AS AT 31.12.2008**

*1 EUR = 0,702804 LVL*

<b><u>LIABILITIES &amp; SHAREHOLDERS EQUITY</u></b>	<b>Number of notes</b>	<b>2008 LVL</b>	<b>2008 EUR</b>	<b>2007 LVL</b>	<b>2007 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		1 498 082	2 131 579	1 364 516	1 941 532
b) retained profit of reporting year		134 200	190 949	148 367	211 107
<b>1. Shareholders' equity total</b>		<b>9 032 282</b>	<b>12 851 779</b>	<b>8 912 883</b>	<b>12 681 890</b>
<b>2. Provisions</b>					
Other provisions	18	33 325	47 418	288 750	410 854
<b>2. Provisions total</b>		<b>33 325</b>	<b>47 418</b>	<b>288 750</b>	<b>410 854</b>
<b>3. Long-term creditors:</b>					
Loans from credit institutions	19	1 686 290	2 399 374	242 000	344 335
Other loans	20	3 367	4 791	21 642	30 794
Commitments of deferred enterprise income tax	21	27 247	38 769		
<b>3. Long-term creditors total</b>		<b>1 716 904</b>	<b>2 442 934</b>	<b>263 642</b>	<b>375 129</b>
<b>4. Short-term debts:</b>					
Loans from credit institutions	22	63 692	90 625	-	-
Other loans	23	4 415	6 282	19 057	27 116
Advance payments from customers received	24	5 590	7 954	1 108 807	1 577 690
Debts to suppliers and contractors	25	190 679	271 312	585 090	832 508
Taxes and social security payments	26	442 423	629 511	105 013	149 420
Other creditors	27	72 150	102 660	109 142	155 295
Accumulated liabilities	28	42 882	61 016	-	-
<b>4. Short-term creditors total</b>		<b>821 831</b>	<b>1 169 360</b>	<b>1 927 109</b>	<b>2 742 029</b>
<b>Creditors total</b>		<b>2 538 735</b>	<b>3 612 294</b>	<b>2 190 751</b>	<b>3 117 158</b>
<b><u>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</u></b>		<b><u>11 604 342</u></b>	<b><u>16 511 491</u></b>	<b><u>11 392 384</u></b>	<b><u>16 209 902</u></b>

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**STATEMENT OF CASH FLOW AS AT 31.12.2008**  
(according to indirect method)

*1 EUR = 0,702804*

	<b>2008 LVL</b>	<b>2008 EUR</b>	<b>2007 LVL</b>	<b>2007 EUR</b>
<b>I. Cash flow of basic activity</b>				
1. Profit or loss before extraordinary items and taxes	+565 643	+804 837	+231 895	+329 957
<i>Corrections:</i>				
Depreciation of fixed assets (+)	+837 741	+1 191 999	+953 129	+1 356 180
Write-off of value of non-material investments (+)	+105	+149	+1 355	+1 928
Loss (+), profit (-) from financing or investing activity	-737 944	-1 050 000	+ 339 486	+483 045
2. Profit or loss from economic activity in reporting year (1.line (+), (-) corrections)	+665 545	+946 985	+1 525 865	+2 171 110
<i>Corrections:</i>				
Decrease (+), increase (-) in balance of receivables	+482 836	+687 013	+452 224	+643 457
Decrease (+), increase (-) in balance of reserves	-963 370	-1 370 752	-184 007	-261 818
Decrease (+), increase (-) in deferred expenses	-	-	+502	+714
Decrease (+), increase in payables to suppliers and contractors	-394 411	-561 196	+307 090	+436 950
Decrease (+), increase in provisions	-255 425	-363 437	-179 901	-255 976
Decrease (+), increase in balance of other payables	-759 917	-1 081 264	+1 082 562	+1 540 347
3. Difference of cash income from economic activity and expenses (income exceeds expenses (+), expenses exceed income (-)) (2.line (+), (-) corrections)	-1 224 742	-1 742 651	+3 004 335	+4 274 784
4. Expenses on payments of taxes (-)	-431 443	-613 888	-83 528	-118 850
<b>Result of economic activity</b>	<b>-1 656 185</b>	<b>-2 356 539</b>	<b>+2 920 807</b>	<b>+4 155 934</b>
<b>II. Cash flow of investing activity</b>				
Expenses for purchase of fixed assets	-173 025	-246 192	-1 384 124	-1 969 431
Proceeds from sale of fixed assets	+244 209	+347 478	+34 354	+48 881
<b>Result of investing activity</b>	<b>+71 184</b>	<b>+101 286</b>	<b>- 1 349 770</b>	<b>- 1 920 550</b>
<b>III. Cash flow of financing activity</b>				
Income, expenses for short-term credit	+1 502 312	+2 137 598	-1 733 155	-2 466 058
Dividends paid	-14 800	-21 059	-11 099	-15 792
<b>Result of financing activity</b>	<b>+1 487 512</b>	<b>+2 116 539</b>	<b>-1 744 254</b>	<b>-2 481 850</b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

## CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Result of economic activity	-1 656 185	-2 356 539	+2 920 807	+4 155 934
Result of investing activity	+71 184	+101 286	-1 349 770	-1 920 550
Result of financing activity	+1 487 512	+2 116 539	-1 744 254	-2 481 850
Excess of cash income or overspending	-97 489	-138 714	-173 217	-246 466
Balance of cash and cash equivalents at the beginning of reporting year	+180 942	+257 457	+354 159	+503 923
Balance of cash and cash equivalents at the end of reporting year	+83 453	+118 743	+180 942	+257 457

*1 EUR = 0,702804 LVL*

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2008 (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
	LVL		LVL	LVL	LVL	LVL		LVL
<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)		(11 100)
Retained profit of report year						148 367		148 367
<b>31.12.2007</b>	<b>7 400 000</b>					<b>148 367</b>	<b>1 364 515</b>	<b>8 912 882</b>
Profit of 2007 transferred to retained profit of previous years						(133 567)	133 567	-
Dividends charged for 2007						(14 800)		(14 800)
Retained profit of report year						134 200		134 200
<b>31.12.2008</b>	<b>7 400 000</b>					<b>134 200</b>	<b>1 498 082</b>	<b>9 032 282</b>

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

## STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2008 (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>31.12.2006</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>
Profit of 2007 transferred to retained profit of previous years						(190 047)	190 047	-
Dividends charged for 2007						(21 060)		(21 060)
Retained profit of report year						190 949		190 949
<b>31.12.2008</b>	<b>10 529 251</b>					<b>190 949</b>	<b>2 131 759</b>	<b>12 851 779</b>

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis

## APPENDIX TO THE ANNUAL REPORT FOR 2008

### Principles of bookkeeping and methods of evaluation

The annual report is prepared in conformity with requirements of Law On Accounting, Annual Accounts Law and international financial standards which have been adopted and approved in the European Community. 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 2008 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 2008 till 31 December 2008.

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.

	31.12.2008	31.12.2007
USD	1 USD = 0,495 LVL	1 USD = 0,484 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUR	1 RUR = 0,0171 LVL	1 RUR = 0,0197 LVL

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
**AUDITED ANNUAL REPORT FOR YEAR 2008**

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.127/07K23 dated 03.01.2008 JSC "Ditton pievadķēžu rūpnīca" received from JSC "DnB NORD Banka" loan in the amount of EUR 2 490 000. The loan has been secured with the immovable property of the borrower.

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

### 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>	
	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
<b>Market</b>				
Latvia	120 758	171 823	162 050	230 576
Eastern countries	4 539 957	6 459 776	6 221 026	8 851 723
Western countries	<u>2705 888</u>	<u>3 850 132</u>	<u>2 815 262</u>	<u>4 005 757</u>
<b>TOTAL</b>	<b><u>7 366 603</u></b>	<b><u>10 481 731</u></b>	<b><u>9 198 338</u></b>	<b><u>13 088 056</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>	
	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
<b>Type of costs</b>				
Material costs	1 965 572	2 796 757	2 076 086	2 954 004
Salary costs for production staff	1 515 545	2 156 426	1 563 680	2 224 916
Social tax and social security payments for production staff	354 804	504 841	386 531	549 984
Electricity costs	646 535	919 936	599 526	853 049
Depreciation of fixed assets	836 508	1 190 244	952 738	1 355 624
Material delivery costs	66 913	95 209	81 827	116 429
Heating and gas costs	168 806	240 189	203 961	290 210
Repair expenses	308 971	439 626	258 803	368 244
Security expenses	62 975	89 605	86 224	122 686
Business trip expenses	16 709	23 775	31 468	44 775
Water costs	18 893	26 882	13 288	18 907
Environment protection costs	9 628	13 699	2 772	3 944
Insurance costs	16 331	23 237	4 463	6 350
Stock changes	(291 719)	(415 078)	(217 663)	(309 706)
Other production costs	<u>42 659</u>	<u>60 698</u>	<u>83 612</u>	<u>118 969</u>
<b>TOTAL</b>	<b><u>5 739 130</u></b>	<b><u>8 166 046</u></b>	<b><u>6 127 316</u></b>	<b><u>8 718 385</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

(3) Selling costs

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
<b>Type of costs</b>				
Shipping costs	376 384	535 546	896 957	1 276 255
Exhibitions and advertising costs	5 185	7 378	1 466	2 086
Other selling costs	<u>132 586</u>	<u>188 653</u>	<u>356 603</u>	<u>507 400</u>
<b>TOTAL</b>	<b><u>514 155</u></b>	<b><u>731 577</u></b>	<b><u>1 255 026</u></b>	<b><u>1 785 741</u></b>

(4) Administration costs

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
<b>Type of costs</b>				
Administration salary	501 288	713 268	483 002	687 250
Social tax and social security payments for administration	126 047	179 349	127 426	181 311
Provisions for doubtful debts	-	-	-	-
Expenses relating to annual report and audit	3 000	4 269	2 950	4 198
Telecommunication costs	15 163	21 575	20 451	29 099
Bank services	8 598	12 234	7 771	11 057
Office expenses	2 043	2 907	6 686	9 513
Other administration costs	57 969	82 482	231 236	329 019
Other management and administrations costs	<u>264 407</u>	<u>376 217</u>	<u>1 261 434</u>	<u>1 794 859</u>
<b>TOTAL</b>	<b><u>978 515</u></b>	<b><u>1 392 301</u></b>	<b><u>2 140 956</u></b>	<b><u>3 046 306</u></b>

(5) Other incomes of economic activity of enterprise

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Income from material surplus in stock	559 636	796 290	5 191	7 386
Income from sale of fixed assets	1 148 464	1 634 117	55 679	79 224
Income from other periods which refer to accounting period	-	-	-	-
Other income	<u>42 794</u>	<u>60 890</u>	<u>1 533 638</u>	<u>2 182 170</u>
<b>TOTAL</b>	<b><u>1 750 894</u></b>	<b><u>2 491 297</u></b>	<b><u>1 594 508</u></b>	<b><u>2 268 780</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

(6) Other operating expenses

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Medical services	3 690	5 250	9 030	12 849
Paid fines	21 022	29 912	16 141	22 967
Provisions for doubtful debts	1 058 481	1 506 083	251 332	357 613
Training expenses	128	182	1 242	1 767
Loss from decline in exchange rate	54 431	77 448	76 416	108 730
State fee on entrepreneurship risk	1 670	2 376	1 929	2 745
Other operating expenses	<u>112 580</u>	<u>160 187</u>	<u>615 419</u>	<u>875 662</u>
<b>TOTAL</b>	<b><u>1 252 002</u></b>	<b><u>1 781 438</u></b>	<b><u>971 509</u></b>	<b><u>1 382 333</u></b>

(7) Other interest income and similar income

*1 EUR = 0,702804*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Interest incomes	51 276	72 959	-	-
<b>TOTAL</b>	<b><u>51 276</u></b>	<b><u>72 959</u></b>	<b>-</b>	<b>-</b>

(8) Interest payment and similar expenses

*1 EUR = 0,702804*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Interest payment for loans	119 328	169 788	66 144	94 114
Other expenses	-	-	-	-
<b>TOTAL</b>	<b><u>119 328</u></b>	<b><u>169 788</u></b>	<b><u>66 144</u></b>	<b><u>94 114</u></b>

(9) Enterprise income tax in reporting year

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Enterprise income tax for reporting year	298 055	424 094	61 737	87 844
Commitments from deferred enterprise income tax	<u>85 817</u>	<u>122 107</u>	<u>(60 216)</u>	<u>(85 679)</u>
<b>TOTAL</b>	<b><u>383 872</u></b>	<b><u>546 201</u></b>	<b><u>1 521</u></b>	<b><u>2 165</u></b>

(10) Other taxes

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Immovable property tax (land tax)	2 999	4 267	3 014	4 288
Immovable property tax	<u>44 572</u>	<u>63 420</u>	<u>78 993</u>	<u>112 397</u>
<b>TOTAL</b>	<b><u>47 571</u></b>	<b><u>67 687</u></b>	<b><u>82 007</u></b>	<b><u>116 685</u></b>

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

Notes to the balance sheet items

**(11) Intangible Assets**

*1 EUR = 0,702804 LVL*

	Licenses		Intangible assets total	
	LVL	EUR	LVL	EUR
<b>Initial value</b>				
31.12.07.	40 082	57 031	40 082	57 031
Purchased in 2008	-	-	-	-
Withdrawn in 2008	239	340	239	340
31.12.08.	39 843	56 691	39 843	56 691
<b>Depreciation</b>				
31.12.07.	39 630	56 388	39 630	56 388
Charged depreciation 2008	105	149	105	149
Excluded in 2008	84	120	84	120
31.12.08.	39 651	56 418	39 651	56 418
<b>Book value as at 31.12.2007</b>	<b>452</b>	<b>643</b>	<b>452</b>	<b>643</b>
<b>Book value as at 31.12.2008</b>	<b>192</b>	<b>273</b>	<b>192</b>	<b>273</b>

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

**(12) 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>					
31.12.2007	8 139 459	6 334 129	405 743	20 378	14 899 709
Purchased for year 2008	-	20 799	3 603	1 461	25 863
Disposals in 2008	61 376	238 292	87 903	-	387 571
31.12.2008	8 078 083	6 116 636	321 443	21 839	14 538 001
<b>Depreciation</b>					
31.12.2007	3 464 303	6 265 981	358 873	-	10 089 157
Charged depreciation for 2008	759 172	53 777	24 792	-	837 741
Disposals 2008	-	224 773	65 905	-	290 678
31.12.2008	4 223 475	6 094 985	317 760	-	10 636 220
<b>Book value as at 31.12.2007</b>	<b>4 675 156</b>	<b>68 148</b>	<b>46 870</b>	<b>20 378</b>	<b>4 810 552</b>
<b>Book value as at 31.12.2008</b>	<b>3 854 608</b>	<b>21 651</b>	<b>3 683</b>	<b>21 839</b>	<b>3 901 781</b>

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**Movement in fixed assets (EUR)**

*1 EUR = 0,702804 LVL*

	Buildings, construction s and plots	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
<b>Initial cost</b>					
31.12.07	11 581 408	9 012 654	577 319	28 995	21 200 376
Purchased for year 2008	-	29 594	5 127	2 079	36 800
Disposals in 2008	87 330	339 059	125 075	-	551 464
31.12.08	11 494 078	8 703 189	457 371	31 074	20 685 712
<b>Depreciation</b>					
31.12.07	4 929 260	8 915 686	510 630	-	14 355 576
Charged depreciation for 2008	1 080 204	76 518	35 276	-	1 191 998
Disposals 2008	-	319 823	93 774	-	413 597
31.12.08	6 009 464	8 672 381	452 132	-	15 133 977
<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>
<b>Book value as at 31.12.08</b>	<b>5 484 614</b>	<b>30 808</b>	<b>5 239</b>	<b>31 074</b>	<b>5 551 735</b>

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

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Participation in subsidiary enterprise Meteor Kettenfabrik, Germany, 100% of capital	-	-	-	-
Loans to related companies*	-	-	-	-
Other loans, "Mandrake Developments Limited", agreement dated 07.01.2008	<u>737 944</u>	<u>1 050 000</u>	-	-
<b>TOTAL</b>	<b><u>737 944</u></b>	<b><u>1 050 000</u></b>	<b>-</b>	<b>-</b>

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

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Finished products for sale	998 530	1 420 780	854 073	1 215 237
Baiter products for sale	25 380	36 112	1 853	2 636
Provisions for reserves with slow turnover	<u>30 495</u>	<u>43 391</u>	<u>32 329</u>	<u>46 000</u>
<b>Book value</b>	<b><u>1 054 405</u></b>	<b><u>1 500 283</u></b>	<b><u>888 255</u></b>	<b><u>1 263 873</u></b>

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

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Book value of debts of buyers and customers	4 854 595	6 907 466	4 180 371	5 948 132
Debts of baiter products suppliers	-	-	-	-
Provisions for doubtful debts	(1 312 072)	(1 866 910)	(254 334)	(361 885)
<b>Book value</b>	<b><u>3 542 523</u></b>	<b><u>5 040 556</u></b>	<b><u>3 926 037</u></b>	<b><u>5 586 247</u></b>

There are special provisions for doubtful debts established in the amount of 25%.

JSC "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

(16) Other debtors

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
VAT overpayment	11 029	15 693	123 134	175 204
VAT from non-paid bills	24 321	34 606	27 854	39 633
Overpayment of enterprise income tax	-	-	106 801	151 964
Settlements with debtors for interest	51 276	72 959	-	-
Short-term loan agreement from 23.03.08	67 644	96 249	-	-
Other debtors	<u>10 177</u>	<u>14 480</u>	<u>5 980</u>	<u>8 508</u>
<b>Book value</b>	<b><u>164 447</u></b>	<b><u>233 987</u></b>	<b><u>263 769</u></b>	<b><u>375 309</u></b>

(17) Cash assets as at 31.12.08

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Cash on hand	9 193	13 081	9 806	13 952
Cash in bank	<u>74 260</u>	<u>105 662</u>	<u>171 136</u>	<u>243 505</u>
<b>Book value</b>	<b><u>83 453</u></b>	<b><u>118 743</u></b>	<b><u>180 942</u></b>	<b><u>257 457</u></b>

	Currency	2008 LVL	2008 EUR	Currency	2007 LVL	2007 EUR
LVL	-	15 173	21 589	-	21 048	29 949
USD	26 493	13 114	18 660	78 784	38 131	54 256
EUR	78 433	55 123	78 433	173 112	121 664	173 112
RUR	157	3	4	2 700	53	75
CHF	87	40	57	109	46	65
<b>TOTAL</b>		<b><u>83 453</u></b>	<b><u>118 743</u></b>		<b><u>180 942</u></b>	<b><u>257 457</u></b>

(18) Other provisions

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Provisions for doubtful debts	-	-	254 334	361 885
Provisions for goods with slow turnover	30 495	43 390	32 329	46 000
Provisions from unused vacations	2 281	3 246	1 682	2 393
Social tax provisions from unused vacations	<u>549</u>	<u>782</u>	<u>405</u>	<u>576</u>
<b>Balance value</b>	<b><u>33 325</u></b>	<b><u>47 418</u></b>	<b><u>288 750</u></b>	<b><u>410 854</u></b>

JSC "DITTON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

*1 EUR = 0,702804 LVL*

	2008 LVL	2008 EUR	2007 LVL	2007 EUR
<b>Long-term creditors</b>	<b><u>1 716 904</u></b>	<b><u>2 442 934</u></b>	<b><u>263 642</u></b>	<b><u>375 129</u></b>
(19) Credit received from JSC "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
(19) Credit received from JSC "DnB NORD Banka", contract No.127/07K23 from 03.01.2008	1 686 290	2 399 374	-	-
(20) Other loans, contract No.06820, No.05230 (SIA „DnB Nord lizings”)	3 367	4 791	21 642	30 794
(21) Commitments from deferred enterprise income tax	27 247	38 769	-	-
<b>Short-term creditors</b>				
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
(22) Credit received from JSC "DnB NORD Banka", contract No.127/07K23 from 03.01.2008	63 692	90 625	-	-
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
(23) SIA „DnB Nord Lizings”, contract No.06820, No.05230	4 415	6 282	19 057	27 116
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
(24) Advance payments from buyers	5 590	7 954	1 108 807	1 577 690
<b>(25) Debts to suppliers and contractors</b>				
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Settlements with suppliers (materials)	149 689	212 988	117 535	167 237
Settlements with suppliers and contractors (services)	<u>40 990</u>	<u>58 324</u>	<u>467 555</u>	<u>665 271</u>
<b>Balance value</b>	<b><u>190 679</u></b>	<b><u>271 312</u></b>	<b><u>585 090</u></b>	<b><u>832 508</u></b>

*1 EUR = 0,702804 LVL*

JSC "DITON PIEVADĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

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

			<i>1 EUR = 0,702804 LVL</i>	
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Enterprise income tax for December 2008	240 364	342 007	-	-
State fee on entrepreneurship risk for December 2008	109	155	153	218
Property tax for IV quarter of 2008	-	-	-	-
Social security payments for December, November of 2008	70 203	99 890	62 651	89 144
Personal income tax for IV quarter of 2008	131 667	187 345	35 112	49 960
Nature resources tax for IV quarter of 2008	<u>80</u>	<u>114</u>	<u>7 097</u>	<u>10 098</u>
<b>Balance value</b>	<b><u>442 423</u></b>	<b><u>629 511</u></b>	<b><u>105 013</u></b>	<b><u>149 420</u></b>

**(27) Other debtors**

			<i>1 EUR = 0,702804 LVL</i>	
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
Settlements of salaries for December 2008	115	164	3 992	5 860
Salary on charge cards for December 2008	43 854	62 398	79 816	113 568
Labor union member's fee for December 2008	664	945	949	1 350
Alimony payment for December 2008	25	35	930	1 323
Deductions into fund of labor union	27 492	39 118	23 455	33 374
<b>TOTAL</b>	<b><u>72 150</u></b>	<b><u>102 660</u></b>	<b><u>109 142</u></b>	<b><u>155 295</u></b>

**(28) Accumulated liabilities**

			<i>1 EUR = 0,702804 LVL</i>	
	2008 LVL	2008 EUR	2007 LVL	2007 EUR
SIA „Invest-Rīga”, Rīga	3 000	4 269	-	-
„Latvenergo”	31 935	45 440	-	-
Latvijas Gaze	6 298	8 961	-	-
Interest for credit in December 2008	<u>1 649</u>	<u>2 346</u>	-	-
<b>TOTAL</b>	<b><u>42 882</u></b>	<b><u>61 016</u></b>	<b>-</b>	<b>-</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.

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

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 Kettenfabrik GmbH have been sold in November, 2007.

LVL

Related person		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	353 579	3 792	-	0
	2008	-	-	-	-
<b>TOTAL</b>		<b>353 579</b>	<b>3 792</b>	<b>-</b>	<b>0</b>

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
	2008	-	-	-	-
<b>TOTAL</b>		<b>503 098</b>	<b>5 395</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 "DITON PIEVADKĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

**General information**

**(a) Taxes (LVL)**

Type of tax	Tax commit- ments as at 31.12.07	Charged in year 2008	Paid in year 2008	Transfer- red to/ from other taxes	Credited for customs payments	Tax commit- ments as at 31.12.08
VAT	(123 134)	(608 551)	(11 162)	393 774	326 749	-
Fee on entrepreneurship risk	153	1 670	1 714	-	-	109
Enterprise income tax	(48 231)	298 055	-	(25 467)	-	224 357
Immovable property tax for buildings and facilities	-	-	-	-	-	-
Social security payments	62 651	660 940	70 327	(583 062)	-	70 202
Personal income tax	35 111	312 768	104 218	(111 994)	-	131 667
Natural resources tax	7 097	8 519	15 536	-	-	80
Immovable property tax for land	-	-	-	-	-	-
<b>TOTAL:</b>	<b>(66 353)</b>	<b>673 401</b>	<b>180 633</b>	<b>(326 749)</b>	<b>326 749</b>	<b>426 415</b>

**Taxes (EUR)**

Type of tax	Tax commit- ments as at 31.12.07	Charged in year 2008	Paid in year 2008	Transfer- red to/ from other taxes	Credited for customs payments	Tax commit- ments as at 31.12.08
VAT	(175 202)	(865 890)	(15 881)	560 290	464 921	-
Fee on entrepreneurship risk	218	2 376	2 439	-	-	155
Enterprise income tax	(68 627)	424 094	-	(36 236)	-	319 231
Immovable property tax for buildings and facilities	-	-	-	-	-	-
Social security payments	89 144	940 433	100 066	(829 621)	-	99 890
Personal income tax	49 959	445 028	148 288	(159 354)	-	187 345
Natural resources tax	10 098	12 121	22 105	-	-	114
Immovable property tax for land	-	-	-	-	-	-
<b>TOTAL:</b>	<b>(94 410)</b>	<b>958 162</b>	<b>257 017</b>	<b>(464 921)</b>	<b>464 921</b>	<b>606 735</b>

*1 EUR = 0,702804 LVL*

Explanation: tax overpayment and reduction is reflected in brackets.

**(b) Average number of employees**

	<b>2008</b>	<b>2007</b>
Average number of employees during the reporting year	<u>519</u>	<u>615</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"  
AUDITED ANNUAL REPORT FOR YEAR 2008

(c) Personnel expenses

			<i>1 EUR = 0,702804 LVL</i>	
	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Type of payments				
Salaries	2 018 244	2 871 702	2 061 135	2 932 731
Social tax	<u>481 108</u>	<u>684 555</u>	<u>488 329</u>	<u>694 829</u>
<b>TOTAL:</b>	<b><u>2 499 352</u></b>	<b><u>3 556 257</u></b>	<b><u>2 549 464</u></b>	<b><u>3 627 560</u></b>

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

	Council		Management Board		<i>1 EUR = 0,702804 LVL</i>	
	LVL	EUR	LVL	EUR	TOTAL LVL	TOTAL EUR
Salaries	25 521	36 313	40 314	57 362	65 835	93 675
Social tax 24,09%	6 148	8 749	9 711	13 817	15 859	22 566
<b>TOTAL</b>	<b>31 669</b>	<b>45 062</b>	<b>50 025</b>	<b>71 179</b>	<b>81 694</b>	<b>161 241</b>

April 24<sup>th</sup>, 2009

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

Eduards Zavadskis