

JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

Reg.No.40003030187

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

ANNUAL REPORT OF YEAR 2009

(01.01.2009 – 31.12.2009)

Daugavpils

2010

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"
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INFORMATION ABOUT THE COMPANY

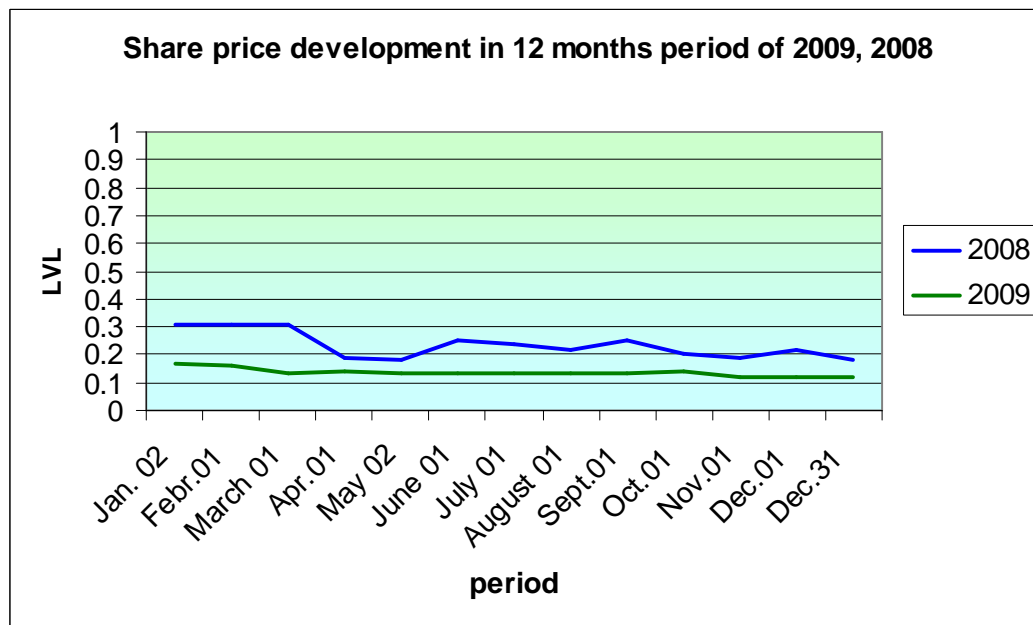
Company name	Ditton pievadkezu rupnica
Legal status	Joint Stock Company
Registration number	40003030187
Registration in Register of Enterprises	Riga, 03.10.1991
Registration in Commercial Register Office	Riga, 29.08.2003.
Legal address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Mailing address	Visku 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	Valentina Krivoguzova, p.c.191257-10218
Reporting year	01.01.2009 – 31.12.2009
Previous reporting year	01.01.2008 – 31.12.2008
Auditor	SIA "DELOITTE AUDITS Latvia" Reg. No. 40003606960 Commercial's license No.43 Gredu Str.4a, Riga, LV-1019 Jelena Mihejenkova Sworn auditor Certificate No.166

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 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 vote.

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	9,51
Pavels Samuilovs	9,46

* *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 31.12.2009.

In accordance with the Clause 56.1 of the Financial Instruments Market Law, 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)).

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 a 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.

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.

Member of the Management Board

Natalja Redzoba, elected 29.08.2003.

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

THE COUNCIL AS AT 31.12.2009

Chairman of the Council

Boriss Matvejevs, elected 14.08.2009

Deputy Chairmen of the Council

Georgijs Sorokins, elected 14.08.2009

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

Timo Sas, elected 16.10.2009

Jevgenijs Glinkins, till 14.08.2009

Pavels Samuilovs, till 14.08.2009

Jevgenijs Sokolovskis, till 16.10.2009

THE COUNCIL AS AT 31.12.2009

Chairman of the Council

Boriss Matvejevs, elected 20.06.2008

Deputy Chairmen of the Council

Georgijs Sorokins, elected 20.06.2008

Members of the Council

Jevgenijs Glinkins, elected 20.06.2008

Pavels Samuilovs, elected 20.06.2008

Jevgenijs Sokolovskis, 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
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Timo Sas	no shares	-
Jevgenijs Glinkins (till 14.08.2009)	no shares	-
Pavels Samuilovs (till 14.08.2009)	700 000	9,46
Jevgenijs Sokolovskis (till 16.10.2009)	no shares	-

For more detailed information on professional background of the Management Board and Council members please refer to our website: http://www.dpr.lv/web_ru/for-akcioner.htm

MANAGEMENT REPORT

Information on the results of the company in year 2009

In 12 months of 2009 net-turnover in fact was fulfilled in the amount of 4 906 thous.LVL (6 981 thous.EUR) against the forecast 7 450 thous.LVL (10 600 thous.EUR), decrease amounts to 2 544 thous.LVL (3 619 thous.EUR) or 34%. Compared to the level of previous year, net-turnover of the reporting period is by 3 020 thous.LVL (4 297 thous.EUR) or by 39% less.

Loss before taxes amounted to -1 055 thous.LVL (-1 500 thous.EUR) in 12 months period of 2009, which is by 1 224 thous.LVL (1 742 thous.EUR) less than the forecast. Loss after taxes amounts to -1 043 thous.LVL (-1 484 thous.EUR).

By a substantial reduction of net-turnover in 2009 it is not possible to reduce all company's expenditures, because there are expenditures, which are not directly dependent from output volumes and are related to other factors, for example, such as energy resources (heat supply or heating, electric power, gas supply), depreciation of fixed assets, security, maintaining of buildings and structures, fixed salary and taxes related to it and similar expenditures. That was the main factor for preservation of high expenditure level and appearing of company's losses.

At present the Company exports 99% of its products to the East and West: among them 69% eastwards and 30% westwards; 2% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 362 in 12 months of year 2009.

The average salary amounted to 251 LVL (357 EUR) in 12 months period of 2009, which is by 73 LVL (104 EUR) less than in 12 months of 2008.

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

Own capital profitability of the company (capital using ratio) was -13,06% in year 2009 (2008: +1,48).

Return on assets (ROA) was -29,14% in year 2009 (2008: +2,89%), and this is indicative of efficiency of using fixed assets and other non-current assets.

Sales profitability – commercial margin shows that in year 2009 -21,26% of earned profit accounts for one unit of salable production (2008: +1,82%).

Turnover ratio of long-term investments is admissible to be ≥ 1 , in year 2009 it was 1,37.

Reserves turnover ratio enables to assess the optimal size of reserves. In 2009 turnover speed was 1,71 time, compared to 2008 this ratio decreased by -0,51.

Economic profitability enables to determine that -9,46% of earned profit accounts for one unit of company's assets.

Commercial profitability indicates that company earned -21,49% of profit on one net-turnover unit before taxes, and accordingly -21,26% after taxes.

On 31.12.2009 the absolute liquidity (times) was 0,06; on 31.12.2008 – 0,03. Its level shows which part of short terms liabilities can be discharged from the available cash. At JSC „Ditton pievadķēžu rūpnīca” this ratio decreased at the end of the year by 0,03 points (standard is 0,2 – 0,5).

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Value of current liquidity ratio at the beginning of 2009 was 2,73, but on 31.12.2009 – 2,61, i.e., this ratio decreased (standard 3-2).

Ratio of quick liquidity at the beginning of 2009 was 1,48, but at the end of the year – 1,84 (standard 0,7 – 1).

Specific weight of obligations (times) in the balance at the beginning of the year was 0,22, but at the end of the year – 0,26.

Analysis on influence of currency risks in 2009.

In spite of the fact that 99% from the sales volume goes outside of Latvia, the sum total of the currency differences had an insignificant influence in the form of profit. Showing individual receipt of money means in the reporting year, the share which is due to income in LVL is 30%, in EUR – 44%, in USD – 19% and in RUR – 7%. In its turn payments for raw materials and materials have been made also in foreign currency.

Market tendencies and development of the company. Risks.

In 2009 the activity of the company proceeded in worsening crisis circumstances. The Management Board already informed the shareholders on increase of crisis appearances, their reasons and possible consequences in the quarterly reports of 2009. No features of crisis appearances termination in the spheres in which the partners of the company work, as well as beginning of recovery can be observed. In these circumstances a certain stabilization of the market only can be estimated as a positive factor.

Unfortunately, the Management Board notices that decrease in demand for the company's production, which first of all is applied in mechanical engineering, exceeded substantially the forecasted indices.

At the same time the Management Board is not alone in its too optimistic forecast about the potential level of drop in production: at the moment the developing economic crisis is unusual in its volumes, factors, levels and consequences, is not (and can not be) studied in a historical retrospection and has no full scientific-economical ground either in respect of terms and intensity, or factors.

While being included into a global and European economics the company was not able to survive like in an oasis of "prosperity" and it faces all factors of global crisis to the same degree, reflecting the level of the general decrease. The Management Board has noticed this circumstance already before, and it is valid to the full extent. Therefore, in the analysis of the company's development tendencies and risks, it is constrained to repeat the same aspects which are mentioned in the quarterly reports of year 2009.

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.

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At the same time despite the ongoing economic crisis, absence of visible signs of global economic improvement as a whole and growth of consumer's demand, but taking into account a certain stabilization of the company's market, the Management Board considers possible to change the company's development prognosis to "cautiously favorable".

The Management Board considers it as its main task to continue working upon minimizing global crisis risks, maintaining 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 with simultaneous using of all favourable conditions appearing for development of the company's chances and its market growth.

In 2010 the Management Board started with the implementation of a stabilization program.

The stabilization program comprises a plan package, which is directed to solution of two main tasks:

- 1) mitigation of the crisis effects – to stabilize the financial position of the Company;
- 2) mitigation of causes of the crisis – to draw up development strategy and on the basis of it to carry out restructuring on the company (in our opinion by production there is the chain "output of products – delivery to the final consumer" meant).

For resolving of the first task there is maximization of money means necessary by

- raising of funds,
- reducing the current working capital needs (economy).

The Management Board is already taking the following steps:

- there are receivables settlement schedules signed which are fulfilled and even ahead of schedule;
- sale of receivables in the future if necessary;
- partial temporary sale of finished goods at a reduced price;
- there is an analysis performed for suspension of non-profitable production, with a possible further sale of it;
- excluding of costly objects from the company's structure (tool department, repair service, transport department);
- cost reduction;
- productivity increase;
- reduction of infrastructure maintaining costs;
- reduction of management staff;
- expanding and deepening of research and analysis of the company's products outlet market;
- there is an additional strategy developed for product promoting on these markets;
- codifying of a database regarding current and potential suppliers of metal products and pricing on the market.

Under working results of the 1st quarter there are already contracts with the customers signed for hundreds thousands of Latvian lats both in the European Union and outside the European Union.

- In the sphere of the strategic management there has been the question considered about change of strategy for activity in Russia and CIS-states market.

On profit and losses

Considering the global economic crisis and actual performance indices of the Company, the Management Board is planning to discharge the losses of 2009 by the profit of 2010 and, if necessary, of next years. After the stabilization of the situation the profit distribution politics shall be resumed.

STATEMENT ABOUT MANAGEMENT LIABILITY

In opinion of the Management Board, according to the information at its disposal, the presented annual report for year 2009 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 have been Latvian accounting standards and demands of the legislation of Latvia satisfied.

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 2009.

Management report contains truthful information.

Chairman of the Management Board
of the JSC "Ditton pievadķēžu rūpnīca"
April 27, 2010

Eduards Zavadskis

REPORT ON CORPORATE GOVERNANCE

By arranging corporate governance of the company, the Management Board and the Council follow Corporate Governance codes, developed in 2005 and approved in a new wording in 2008 by "NASDAQ OMX Riga" JSC. 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 2009 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 9th, 2009, repeatedly elected on October 16, 2009. Statement of the revision committee regarding procedures of risks control and management in the course of drawing up the annual report for 2009 shall be presented to the annual general meeting of shareholders and enclosed in its materials.

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.

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

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

3rd 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;

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

5th 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;

6th 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"
April 27, 2010

Eduards Zavadskis

COUNCIL REPORT
to the annual report for year 2009

Issued according to LR Commercial Law and to the Company's Articles,
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"
dated 16.04.2010, Protocol No.138

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 2009 truly reflects the commercial activity results and the financial position of the Company.

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 in the circumstances of the global crises as positive. The Company worked in 2009 with loss. The reasons of the loss are set forth in the Management report to the annual report, and the Council agrees to the reasons named by the Management Board, the main criteria of which is a an all-embracing crises, including of consumer's demand and production.

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 2008 and 3, 6, and 9 months of the year 2009.

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 2010;
- 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 2009 in the Council report to the annual report the Council ascertained growth of crisis appearances in the 2nd half of the year 2008 and forecasted development of this situation at least in years 2009 and 2010.

The Council forecasted 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.

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

The Council admitted 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 would 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.

The actual course of events proved rightness of the Council's forecast. The current processes, unfortunately, denote the possibility of continuing of crises aspects also in the year 2011.

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 2010 and 2011 if such shall be gained, aiming it at goals of the Company.

From other side the Council notes several aspects which allow giving a favourable forecast of the Company's development. In a near-term outlook it is – passing through a deepest point of the recessionary decline in 2009, stabilization and a small growth compared to the indices of year 2009. In a further outlook – the project started in cooperation with "Ditton Chain" LLC in respect of reconstruction of production processes which will allow retaining competitiveness on the market.

Chairman of the Council
April 27, 2010

B.Matvejevs

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS DITTON PIEVADKEZU RUPNICA:

Report on the financial statements

We have audited the accompanying financial statements (pages 16 to 39) of AS DITTON PIEVADKEZU RUPNICA, which comprise the Company's balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended 31 December 2009 were audited by another auditor, whose report dated 24 April 2009 expressed an unqualified opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Latvian Statutory Requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS DITTON PIEVADKEZU RUPNICA as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with Latvian Statutory Requirements.

Emphasis of matter

Without qualifying auditor's report we draw attention to Note 19 of these financial statements. In 2010, the bank credit line was prolonged till 25 June 2010. The management of the Company believes that subsequently after that date the loan will be prolonged by the December 2010. The management is currently making active negotiations with the Company banker. The carrying amount of the credit lines as at 31 December 2009 amounted to LVL 1 706 474.

We also draw attention to Note 15 of these financial statements. The Company makes evaluation of the amount of accrual for doubtful receivables. An accrual is made in the amount which is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows. Uncertainty is attached to the expected pattern of repayments and discount rate applied. At 31 December 2009, a rate of 16% was applied and the repayment schedule was confirmed with the major debtor. The carrying amount of the bad debt accrual as at 31 December 2009 amounted to LVL 617 312. Any change in the underlying assumptions might have material effect on the financial statements of AS DITTON PIEVADKEZU RUPNICA.

Report on the management report

We have read the report of the management (pages 7-10) of the annual report and we have not identified any material discrepancies between the historical financial information presented in this report and the financial statements for the year ended 31 December 2009.

SIA Deloitte Audits Latvia
License No. 43

Hendrik Kramer
Authorised Representative

Riga, Latvia
27 April 2010

Jelena Mihejenkova
Sworn Auditor
Certificate No. 166

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**INCOME STATEMENT
FOR THE YEAR ENDED 31.12.2009**

1 EUR = 0,702804 LVL

	Number of notes	2009 LVL	2009 EUR	2008 (reclassified)* LVL	2008 (reclassified)* EUR
Net turnover	1	4 906 257	6 980 975	7 926 239	11 278 021
Production cost of sold products	2	-4 484 048	-6 380 226	-5 950 924	-8 467 401
Gross (loss) / profit		422 209	600 749	1 975 315	2 810 620
Selling costs	3	-680 561	-968 350	-5 185	-7 378
Administration costs	4	-690 162	-982 012	-1 275 691	-1 815 144
Other operating income	5	22 967	32 679	1 191 258	1 695 007
Other operating expenses	6	-97 730	-139 057	-1 252 002	-1 781 438
Other interest income and similar income	7	53 975	76 799	51 276	72 959
Interest payment and similar expenses	8	-85 200	-121 229	-119 328	-169 789
(Loss) / profit before taxes		-1 054 502	-1 500 421	565 643	804 837
Corporate income tax in reporting year	9	-	-	-298 055	-424 094
Income and expenses of deferred tax	9	56 114	79 843	-85 817	-122 107
Other taxes	10	-44 743	-63 664	-47 571	-67 687
(Loss) / profit of reporting year		<u>-1 043 131</u>	<u>-1 484 242</u>	<u>134 200</u>	<u>190 949</u>
Index EPS		-0,141	-0,200	0,018	0,026

* Refer to appendix 27

Appendixes from page 23 till 39 are integral parts of this financial statement.

On April 27, 2010 the financial statement of the Company has been signed by

Eduards Zavadskis
Chairman of the Management Board

(signature)

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BALANCE SHEET AS AT 31.12.2009

1 EUR = 0,702804 LVL

ASSETS	Number of notes	2009 LVL	2009 EUR	2008 LVL (reclassified)*	2008 EUR (reclassified)*
1. Long-term investments					
I. Non-material investments					
Concessions, patents, licenses, trade marks and similar rights		95	135	192	273
Non-material investments total	11	95	135	192	273
II. Fixed assets					
Plots of land, buildings and constructions and perennial plantations		3 101 961	4 413 693	3 854 608	5 484 613
Technological equipment and machinery		14 080	20 034	21 651	30 807
Other fixed assets and stock		1 150	1 636	3 683	5 240
Formation of fixed assets and costs of unfinished construction objects		7 261	10 332	21 839	31 074
Fixed assets total	12	3 124 452	4 445 695	3 901 781	5 551 734
III. Long-term financial investments					
Participation in the capital of other companies		47 200	67 159	-	-
Other loans and other long-term debtors		378 845	539 048	805 588	1 146 249
Assets of deferred tax	9	28 867	41 074	-	-
Long-term financial investments total	13	454 912	647 281	805 588	1 146 249
1. Long-term investments total		3 579 459	5 093 111	4 707 561	6 698 256
2. Current assets					
I. Reserves					
Raw materials, basic materials and subsidiary materials		951 407	1 353 730	1 348 030	1 918 074
Unfinished products		276 308	393 151	305 395	434 538
Finished products and goods for sale	14	817 168	1 162 727	1 023 910	1 456 893
Advance payments for goods		70 345	100 092	466 172	663 303
Reserves total		2 115 228	3 009 700	3 143 507	4 472 808
II. Debtors					
Debts of buyers and customers	15	4 488 066	6 385 942	3 542 523	5 040 556
Other debtors	16	384 276	546 775	96 803	137 738
Deferred expenses		367	523	-	-
Debtors total		4 872 709	6 933 240	3 639 326	5 178 294
IV. Cash (total)	17	153 420	218 297	83 453	118 743
2. Current assets total		7 141 357	10 161 237	6 866 286	9 769 845
TOTAL ASSETS		<u>10 720 816</u>	<u>15 254 348</u>	<u>11 573 847</u>	<u>16 468 101</u>

* Refer to appendix 27

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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BALANCE SHEET AS AT 31.12.2009

<u>LIABILITIES</u>	Number of notes	2009 LVL	2009 EUR	<i>1 EUR = 0,702804 LVL</i>	
				2008 LVL (reclassified)	2008 EUR (reclassified)
1. Equity capital					
Fixed capital		7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:					
a) retained earnings of previous years		1 632 282	2 322 528	1 498 082	2 131 579
b) (loss) / profit of reporting year		-1 043 131	-1 484 241	134 200	190 949
1. Equity capital total		7 989 151	11 367 538	9 032 282	12 851 779
2. Long-term creditors:					
Other loans		-	-	3 367	4 791
Liabilities of deferred tax	9	-	-	27 247	38 769
2. Long-term creditors total		-	-	30 614	43 560
3. Short-terms debts:					
Loans from credit institutions	19	1 706 474	2 428 094	1 749 982	2 489 999
Other loans		175 000	249 003	4 415	6 282
Advance payments received from customers		81 048	115 321	5 590	7 954
Debts to suppliers and contractors	20	203 111	289 001	190 679	271 312
Taxes and social security payments	21	331 291	471 385	442 423	629 511
Other creditors	22	130 957	186 334	72 150	102 660
Accumulated liabilities	23	103 784	147 672	45 712	65 044
3. Short-term creditors total		2 731 665	3 886 810	2 510 951	3 572 762
Creditors total		2 731 665	3 886 810	2 541 565	3 616 322
<u>LIABILITIES TOTAL</u>		<u>10 720 816</u>	<u>15 254 348</u>	<u>11 573 847</u>	<u>16 468 101</u>

* Refer to appendix 27

Appendixes from page 23 till 39 are integral parts of this financial statement.

On April 27, 2010 the financial statement of the Company has been signed by

Eduards Zavadskis
Chairman of the Management Board

(signature)

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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STATEMENT OF CASH FLOW AS AT 31.12.2009
(according to indirect method)

1 EUR = 0,702804

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
I. Cash flow of basic activity				
1. (Loss) / profit before taxes	-1 054 502	-1 500 421	565 643	804 837
<i>Corrections:</i>				
Depreciation of fixed assets	763 888	1 086 915	837 741	1 191 999
Depreciation of non-material investments	97	138	105	149
Provisions for long-term loans	124 750	177 503	-	-
Income from sale of fixed assets	-4 815	-6 851	-1 148 464	-1 634 117
Interest income	-53 975	-76 800	-51 276	-72 959
Interest expense	85 200	121 229	119 328	169 789
2. Profit or loss from economic activity in reporting year	-139 357	-198 287	323 077	459 698
<i>Corrections:</i>				
In Debtors	-871 405	-1 239 898	482 836	687 013
In Reserves	1 028 279	1 463 109	-963 370	-1 370 752
In Creditors	198 482	282 414	-1 067 285	-1 518 610
3. Difference of cash income from economic activity and expenses	215 999	307 338	-1 224 742	-1 742 651
4. Expenses on tax payments (corporate income tax and tax on immovable property)	-196 087	-279 007	-431 443	-613 888
Cash flow of basic activity	<u>19 912</u>	<u>28 331</u>	<u>-1 656 185</u>	<u>-2 356 539</u>
II. Cash flow of investing activity				
Loans issued	-6 010	-8 551	-	-
Expenses for purchase of fixed assets	-1 137	-1 618	-173 025	-246 192
Earnings from sale of fixed assets	19 393	27 593	244 209	347 478
Cash flow of investing activity	12 246	17 424	71 184	101 286
III. Cash flow of financing activity				
Loans received, net	123 710	176 023	1 619 991	2 305 040
Interest paid	-85 901	-122 226	-117 679	-167 442
Dividends paid	-	-	-14 800	-21 059
Cash flow of financing activity	37 809	53 797	1 487 512	2 116 539

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CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Cash flow of economic activity	19 912	28 331	-1 656 185	-2 356 539
Cash flow of investing activity	12 246	17 424	71 184	101 286
Cash flow of financing activity	37 809	53 797	1 487 512	2 116 539
Exceed of cash income over overspending	69 967	99 554	-97 489	-138 714
Balance of cash and cash equivalents at the beginning of reporting year	83 453	118 743	180 942	257 457
Balance of cash and cash equivalents at the end of reporting year	153 420	218 297	83 453	118 743

1 EUR = 0,702804 LVL

* Refer to appendix 27

Appendixes from page 23 till 39 are integral parts of this financial statement.

On April 27, 2010 the financial statement of the Company has been signed by

Eduards Zavadskis
Chairman of the Management Board

(signature)

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2009

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2009 (LVL)

	Equity capital LVL	Retained profit / (loss) of reporting year LVL	Accumulated profit LVL	Equity capital TOTAL LVL
31.12.2007	7 400 000	148 367	1 364 515	8 912 882
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 reporting year	-	134 200	-	134 200
31.12.2008	7 400 000	134 200	1 498 082	9 032 282
Profit of 2008 transferred to retained profit of previous years	-	-134 200	134 200	-
Loss of reporting year	-	-1 043 131	-	-1 043 131
31.12.2009	7 400 000	-1 043 131	1 632 282	7 989 151

Appendixes from page 23 till 39 are integral parts of this financial statement.

On April 27, 2010 the financial statement of the Company has been signed by

Eduards Zavadskis
Chairman of the Management Board

(signature)

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2009

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2009 (EUR)

1 EUR = 0,702804 LVL

	Equity capital	Retained profit / (loss) of reporting year	Accumulated profit	Equity capital TOTAL
	EUR	EUR	EUR	EUR
31.12.2007	10 529 251	211 107	1 941 532	12 681 890
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 reporting year	-	190 949	-	190 949
31.12.2008	10 529 251	190 949	2 131 579	12 851 779
Profit of 2008 transferred to retained profit of previous years	-	-190 949	190 949	-
Loss of reporting year	-	-1 484 241	-	-1 484 241
31.12.2009	10 529 251	-1 484 241	2 322 528	11 367 538

Appendixes from page 23 till 39 are integral parts of this financial statement.

On April 27, 2010 the financial statement of the Company has been signed by

Eduards Zavadskis
 Chairman of the Management Board

 (signature)

APPENDIX TO THE ANNUAL REPORT FOR 2009

Principles of bookkeeping and methods of evaluation

The annual report is prepared in conformity with requirements of Law On Accounting, Annual Accounts Law and Latvian accounting standards which have been issued by the Accounting Council of Ministry of Finance of the Republic of Latvia. Statement on profit and loss is prepared in conformity with the method of turnover expenses, which are applicable in the reporting year.

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

- a) it is accepted that the Company will be working 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 2009 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 2009 till 31 December 2009.

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.

	31.12.2009	31.12.2008
USD	1 USD = 0,489 LVL	1 USD = 0,495 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUR	1 RUR = 0,0164 LVL	1 RUR = 0,0171 LVL

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

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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 items.

Intangible assets

Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. Amortisation period covers 5 years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are immediately recognised in the income statement where the carrying value of intangible non-current assets exceeds their recoverable amount.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value. The cost of items comprises their purchase price, including import duties and any directly attributable costs of bringing the assets into working condition for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	% p.a.
Land and buildings	10
Technical equipment	10-50
Other tangible assets	10-40

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales caption.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. At each balance sheet date the Company assesses whether indications exist that the debtor will not meet its obligations. In case significant time frame between the invoice date and planned payment date expected, allowance for doubtful debts is made in the amount which is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows.

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Inventories

Raw materials are stated at cost. Cost comprises purchase price plus expenses directly attributable to the purchase. Raw materials are stated as the lower of cost and the market price. Provisions are made for slow moving inventories. Inventories are valued using the FIFO method. Work in progress is valued at the direct cost of materials used. The cost of finished goods is valued at manufacturing costs and includes direct manufacturing costs - cost of materials and direct labour costs, other manufacturing costs - energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to manufacturing.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Loans and borrowings

Loans and borrowings are recognized initially at the amount of proceeds received, net of transaction costs incurred. In subsequent periods, loans and borrowings are stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings.

Borrowing costs

Borrowing costs are expensed in the period to which they are attributable. Amounts are disclosed in the profit and loss statement as interest and similar expense.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Investments in capital of other parties

Investments in capital of other parties are valued at cost. Cost method is investment accounting method when investments are accounted based on costs incurred. Investor recognizes income only when investor receives from investee distribution of accrued profit resulting after the date of acquisition. Receiving distribution exceeding profit, such excess is considered as a recovery of an investment and accounted as a decrease in the cost of an investment.

In cases when the value of the investment has significantly decreased as a result of conditions which cannot be considered temporary, the accounting value of the investment is decreased to the recoverable value.

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Leases

Leases of fixed assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The equipment acquired under finance leasing contracts is depreciated over the useful life of the assets.

All other leases are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the profit and loss statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. Revenue is recognized on an accrual basis. Revenue is recognized at the moment of sale when the risks are transferred to the buyer.

Expenses

Expenses are recognised in the period to which they relate irrespective of the date of payment.

Related parties

Related parties are defined as shareholders, employees, members of the management board and Council, their close relatives and companies where the above mentioned persons have control.

Accruals for unused vacations

Accruals for unused vacations are calculated for all employees, taking into account each employee's average daily salary and the number of accrued unused vacation days as at the last day of the reporting period.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The principal temporary timing differences arise from differing rates of accounting and tax depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

The deferred corporate income tax liability is stated in the balance sheet as non-current liabilities.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
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Application of estimates and key assumptions

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- The Company makes evaluation of the amount of accrual for doubtful receivables and loans. An accrual is made in the amount which is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows. Uncertainty is attached to the expected pattern of repayments and discount rate applied. At 31 December 2009, a rate of 16% was applied and the repayment schedule was confirmed with the major debtor.

- Credit line prolongation. In 2010, the credit line was prolonged till 25 June 2010 (Note 19). The management of the Company believes that subsequently after that date the loan will be prolonged by the December 2010. The management is currently making active negotiations with the Company banker.

- The Company makes evaluation of carrying amount of the Company's fixed assets and make assessment if or not there are any indications that those are impaired.

- The Company makes evaluation of the useful lives of the Company's fixed assets.

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(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:

Market	2009		2008	
	LVL	EUR	LVL	EUR
Latvia	73 913	105 169	120 758	171 823
Eastern countries	3 365 639	4 788 873	5 099 593	7 256 066
Western countries	<u>1 466 705</u>	<u>2 086 933</u>	<u>2 705 888</u>	<u>3 850 132</u>
TOTAL	<u>4 906 257</u>	<u>6 980 975</u>	<u>7 926 239</u>	<u>11 278 021</u>

1 EUR = 0,702804 LVL

(2) Production costs of sold products

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

Type of costs	2009		2008	
	LVL	EUR	LVL	EUR
Material costs	1 947 382	2 770 876	2 474 542	3 520 956
Salary costs for production staff	793 782	1 129 450	1 515 545	2 156 426
Social tax and social security payments for production staff	189 124	269 099	354 804	504 841
Electricity costs	532 402	757 540	646 535	919 936
Depreciation of fixed assets	562 155	799 875	619 016	880 780
Material delivery costs	24 869	35 385	66 913	95 209
Heating and gas costs	134 993	192 078	168 806	240 189
Repair expenses	36 257	51 589	308 971	439 626
Water costs	15 129	21 527	18 893	26 882
Environment protection costs	3 836	5 458	9 628	13 699
Insurance costs	14 815	21 079	16 331	23 237
Stock changes	205 057	291 770	-291 719	-415 078
Other production costs	<u>25 057</u>	<u>34 500</u>	<u>42 659</u>	<u>60 698</u>
TOTAL	<u>4 484 048</u>	<u>6 380 226</u>	<u>5 950 924</u>	<u>8 467 401</u>

1 EUR = 0,702804 LVL

JSC "DITTON PIEVADĀKĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2009

(3) Selling costs

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Type of costs				
Costs for agent's upkeep	678 390	965 262	-	-
Exhibitions and advertising costs	2 171	3 088	5 185	7 378
TOTAL:	<u>680 561</u>	<u>968 350</u>	<u>5 185</u>	<u>7 378</u>

* In 2009 the Company signed an agent agreement with the aim to ensure sales of the products on one of the geographic markets by using existing professional opportunities and work experience of the agent. Also in 2008 the company practiced a similar way of cooperation, but basing on legal implementation of professional cooperation the received services (costs) have been included into another item of the income statement. There was no reclassification made in comparative data of the income statement of 2008, as it is not efficient.

(4) Administration costs

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Type of costs				
Administration salary	296 202	421 457	501 288	713 268
Compulsory social security contributions	71 287	101 432	126 047	179 349
Depreciation of fixed assets	201 733	287 040	217 492	309 463
Expenses relating to annual report and audit	8 715	12 400	3 000	4 269
Communication services costs	11 053	15 727	15 163	21 575
Bank services	2 219	3 157	8 598	12 234
Office expenses	896	1 276	2 043	2 907
Current repairs of buildings and offices	-	-	264 407	376 217
Expenses on business trips	16 508	23 489	16 709	23 775
Security expenses	45 678	64 994	62 975	89 605
Other administration costs	<u>35 871</u>	<u>51 040</u>	<u>57 969</u>	<u>82 482</u>
TOTAL:	<u>690 162</u>	<u>982 012</u>	<u>1 275 691</u>	<u>1 815 144</u>

In 2009 Deloitte Audits Latvia SIA provided only financial statements audit services.

(5) Other incomes of economic activity of the company

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Income from sale of fixed assets	4 815	6 851	1 148 464	1 634 117
Other income	<u>18 152</u>	<u>25 828</u>	<u>42 794</u>	<u>60 890</u>
TOTAL:	<u>22 967</u>	<u>32 679</u>	<u>1 191 258</u>	<u>1 695 007</u>

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(6) Other operating expenses of the company

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Medical services	3 113	4 429	3 690	5 250
Paid fines	21 690	30 862	21 022	29 912
(Decrease) / increase of provisions for doubtful debts	-454 314	-646 432	1 058 481	1 506 083
Provisions for advance payments for goods	455 524	648 153	-	-
Training expenses	249	354	128	182
Loss from decline in exchange rate	20 184	28 719	54 431	77 448
State fee on entrepreneurship risk	1 136	1 616	1 670	2 376
Other operating expenses	<u>50 148</u>	<u>71 354</u>	<u>112 580</u>	<u>160 187</u>
TOTAL:	<u>97 730</u>	<u>139 057</u>	<u>1 252 002</u>	<u>1 781 438</u>

(7) Other interest income and similar income

	<i>1 EUR = 0,702804</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Interest incomes	53 975	76 799	51 276	72 959
TOTAL:	<u>53 975</u>	<u>76 799</u>	<u>51 276</u>	<u>72 959</u>

(8) Interest payment and similar expenses

	<i>1 EUR = 0,702804</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Interest payment for loans	85 200	121 229	119 328	169 789
TOTAL:	<u>85 200</u>	<u>121 229</u>	<u>119 328</u>	<u>169 789</u>

(9) Corporate income tax in reporting year

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Corporate income tax for reporting year	-	-	-298 055	-424 094
Deferred tax	<u>56 114</u>	<u>79 843</u>	<u>-85 817</u>	<u>-122 107</u>
TOTAL:	<u>56 114</u>	<u>79 843</u>	<u>-383 872</u>	<u>-546 201</u>

Accrued loss for the aims of corporate income tax at December 31, 2009 amounted to LVL 661 296 (EUR 940 939). Pursuant to legislation of the Republic of Latvia the loss charged for the purpose of taxes can be discharged in date order in the following way:

	Tax losses	End year
	LVL	2017
Tax losses in 2009	<u>661 296</u>	
TOTAL:	<u>661 296</u>	

By calculating deferred tax as at December 31, 2009, accumulated tax losses of the Company have not been taking into account due to precautionary principle.

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(9) Corporate income tax in reporting year (continuation)

Calculation of deferred tax

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Depreciation of fixed assets, 15%	18 637	26 518	-27 247	-38 769
Accrued liabilities for vacations, 15%	5 933	8 442	-	-
Provisions for goods with slow turnover speed, 15%	<u>4 297</u>	<u>6 114</u>	=	=
Assets / (liabilities) of deferred tax	<u>28 867</u>	<u>41 074</u>	<u>-27 247</u>	<u>-38 769</u>

(10) Other taxes

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Immovable property tax (land)	3 426	4 875	2 999	4 267
Immovable property tax (buildings)	<u>41 317</u>	<u>58 789</u>	<u>44 572</u>	<u>63 420</u>
TOTAL	<u>44 743</u>	<u>63 664</u>	<u>47 571</u>	<u>67 687</u>

(11) Intangible Assets

	Software licenses		Intangible assets total	
	LVL	EUR	LVL	EUR
Initial value				
31.12.08.	39 843	56 691	39 843	56 691
31.12.09.	39 843	56 691	39 843	56 691
Accumulated depreciation				
31.12.08.	39 651	56 418	39 651	56 418
Charged depreciation 2009	97	138	97	138
31.12.09.	39 748	56 556	39 748	56 556
Book value as at 31.12.2008	192	273	192	273
Book value as at 31.12.2009	95	135	95	135

(12) Fixed assets

	Buildings, construction s and plots**	Equipment and machinery	Other fixed assets	Formation of fixed assets	(LVL)
					TOTAL
Initial value					
31.12.2008	8 078 083	6 116 636	321 443	21 839	14 538 001
Purchased	-	-	1 137	-	1 137
Reclassification*	-	-83 987	83 987	-	-
Disposals	-	-108 654	-9 519	-14 578	-132 751
31.12.2009	8 078 083	5 923 995	397 048	7 261	14 406 387
Accumulated depreciation					
31.12.2008	4 223 475	6 094 985	317 760	-	10 636 220
Charged depreciation	752 647	7 571	3 670	-	763 888
Reclassification *	-	-83 987	83 987	-	-
Disposals	-	-108 654	-9 519	-	-118 173
31.12.2009	<u>4 976 122</u>	<u>5 909 915</u>	<u>395 898</u>	=	<u>11 281 935</u>
Book value as at 31.12.2008	<u>3 854 608</u>	<u>21 651</u>	<u>3 683</u>	<u>21 839</u>	<u>3 901 781</u>
Book value as at 31.12.2009	<u>3 101 961</u>	<u>14 080</u>	<u>1 150</u>	<u>7 261</u>	<u>3 124 452</u>

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(12) Fixed assets (continuation)

	(EUR)				
	<i>1 EUR = 0,702804 LVL</i>				
	Buildings, construction s and plots**	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
Initial value					
31.12.08	11 494 078	8 703 189	457 371	31 074	20 685 712
Purchased	-	-	1 618	-	1 618
Reclassification *	-	-119 503	119 503	-	-
Disposals	-	-154 601	-13 544	-20 742	-188 887
31.12.09	11 494 078	8 429 085	564 948	10 332	20 498 443
Accumulated depreciation					
31.12.08	6 009 465	8 672 382	452 131	-	15 133 978
Charged depreciation	1 070 920	10 773	5 222	-	1 086 915
Reclassification *	-	-119 503	119 503	-	-
Disposals	-	-154 601	-13 544	-	-168 145
31.12.09	<u>7 080 385</u>	<u>8 409 051</u>	<u>563 312</u>	-	<u>16 052 748</u>
Book value as at 31.12.08	<u>5 484 613</u>	<u>30 807</u>	<u>5 240</u>	<u>31 074</u>	<u>5 551 734</u>
Book value as at 31.12.09	<u>4 413 693</u>	<u>20 034</u>	<u>1 636</u>	<u>10 332</u>	<u>4 445 695</u>

* Reclassification: transfer of transport means from technological equipment to other fixed assets.

** On March 8, 2010 the Company received statement of certified real estate appraisers about valuation of the Company's immovable property at the amount of 5 000 000 LVL (7 114 359 EUR).

As at December 31, 2009 the fixed assets of the Company with the initial value 6 650 493 LVL (9 462 799 EUR) were fully depreciated.

Cadastral value of landed property on December 31, 2009 was 327 685 LVL (466 254 EUR). Cadastral value of buildings on December 31, 2009 was 2 390 548 LVL (3 401 443 EUR).

(13) Long-term financial investments

	<i>1 EUR = 0,702804 LVL</i>			
	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Participation in the capital of Ditton Chain SIA, 15% from the fixed capital	47 200	67 159	-	-
Assets of deferred tax	28 867	41 074	-	-
Loan to Ditton Nams SIA	-	-	67 644	96 249
Long-term loans*	503 595	716 551	737 944	1 050 000
Provisions for long-term loans	<u>-124 750</u>	<u>-177 503</u>	-	-
TOTAL	<u>454 912</u>	<u>647 281</u>	<u>805 588</u>	<u>1 146 249</u>

* Information on issued loans to nonresidents of Latvia:

Security	Currency	Fixed interest rate per annum	Repayment term
Without security	EUR	6.5%	Till 31.05.2012

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(14) Finished products and goods for sale

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Finished products for sale	817 168	1 162 725	1 023 910	1 456 892
Stocks with slow turnover speed	28 969	41 220	30 495	43 391
Provisions for goods with slow turnover speed	<u>-28 969</u>	<u>-41 218</u>	<u>-30 495</u>	<u>-43 390</u>
TOTAL:	<u>817 168</u>	<u>1 162 727</u>	<u>1 023 910</u>	<u>1 456 893</u>

(15) Debts of buyers and customers

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Book value of debts of buyers and customers	5 105 378	7 264 298	4 854 595	6 907 466
Provisions for doubtful accounts receivable	-617 312	-878 356	-1 312 072	-1 866 910
TOTAL:	<u>4 488 066</u>	<u>6 385 942</u>	<u>3 542 523</u>	<u>5 040 556</u>

The Company evaluates the amount of provisions of doubtful debtors. Provisions are estimated in the amount which is equal to the difference between initial value of asset and current value of expected future cash flow. There is an uncertainty characteristic of the expected repayment structure and applied discount rate. As at December 31, 2009 there was the 16% discount rate applied, and repayment schedule has been adjusted with the main debtor.

(16) Other debtors

	<i>1 EUR = 0,702804 LVL</i>			
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Value added tax (VAT) overpayment	32 024	45 566	11 029	15 693
VAT from non-paid bills	10 691	15 212	24 321	34 606
Overpayment of corporate income tax	33 872	48 196	-	-
Loan to Ditton Nams SIA	67 644	96 249	-	-
Accrued interest income	105 251	149 758	51 276	72 959
Short-term part of long-term loans (refer to appendix 13)	240 359	342 000	-	-
Provisions for short-term part and interest of long-term loans	-115 696	-164 621	-	-
Other debtors	<u>10 131</u>	<u>14 415</u>	<u>10 177</u>	<u>14 480</u>
TOTAL:	<u>384 276</u>	<u>546 775</u>	<u>96 803</u>	<u>137 738</u>

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(17) Cash and cash equivalents

1 EUR = 0,702804 LVL

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Cash in paying counter	3 720	5 293	9 193	13 081
Cash in bank	<u>149 700</u>	<u>213 004</u>	<u>74 260</u>	<u>105 662</u>
Book value	<u>153 420</u>	<u>218 297</u>	<u>83 453</u>	<u>118 743</u>

	Currency	2009 LVL	2009 EUR	Currency	2008 LVL	2008 EUR
LVL	-	105 233	149 733	-	15 173	21 589
USD	49 195	24 056	34 229	26 493	13 114	18 660
EUR	34 335	24 131	34 335	78 433	55 123	78 433
RUR	-	-	-	157	3	4
CHF	-	-	-	87	40	57
TOTAL:		<u>153 420</u>	<u>218 297</u>		<u>83 453</u>	<u>118 743</u>

(18) Fixed capital

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 vote. The shareholders which own over 5% from the shares of the whole capital of the Company as at 31.12.2009 were

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	9,51
Pavels Samuilovs	9,46

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(19) Loans from credit institutions

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Credit line from AS "DnB NORD Banka"	1 706 474	2 428 094	1 749 982	2 489 999

Information on received credit line:

Number and date on the contract	Currency	Limit	Interest rate	Repayment term
No.127/07K23 dated 03.01.2008	EUR	2 490 000 EUR	6 months Euribor + 2.55%	25.06.2010

In April 2010 the credit line of the bank has been prolonged up to June 25, 2010. The management holds a view that after this date the credit line shall be prolonged till the end of 2010. At moment of signing of the financial statement the management of the Company carries on active negotiations with AS "DnB NORD Banka" about prolongation of the term of credit line.

Loan security: commercial pledge on all fixed assets, stocks and all rights to demand as a community of things at the moment of pledging, as well as on future constituents of the community of things.

(20) Debts to suppliers and contractors

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
For materials	154 152	219 339	149 689	212 988
For services	45 592	64 872	40 990	58 324
Other	<u>3 367</u>	<u>4 790</u>	=	=
TOTAL:	<u>203 111</u>	<u>289 001</u>	<u>190 679</u>	<u>271 312</u>

1 EUR = 0,702804 LVL

(21) Taxes and social security payments

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Corporate income tax	114 892	163 477	240 364	342 007
State fee on entrepreneurship risk	88	125	109	155
Property tax	8 000	11 383	-	-
Compulsory social security contributions	95 234	135 506	70 203	99 890
Personal income tax	112 847	160 567	131 667	187 345
Nature resources tax	<u>230</u>	<u>327</u>	<u>80</u>	<u>114</u>
TOTAL:	<u>331 291</u>	<u>471 385</u>	<u>442 423</u>	<u>629 511</u>

1 EUR = 0,702804 LVL

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(22) Other creditors

			<i>1 EUR = 0,702804 LVL</i>	
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Settlements of salaries for December	750	1 067	115	164
Salary on charge cards	52 662	74 931	43 854	62 398
Labor union member's fee for December	592	842	664	945
Settlements for deductions from salary	78	111	25	35
Deductions into fund of labor union	29 675	42 224	27 492	39 118
Debts for purchased shares	<u>47 200</u>	<u>67 159</u>	=	=
TOTAL:	<u>130 957</u>	<u>186 334</u>	<u>72 150</u>	<u>102 660</u>

(23) Accumulated liabilities

			<i>1 EUR = 0,702804 LVL</i>	
	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
"Invest-Rīga" SIA, Rīga	-	-	3 000	4 269
„Deloitte Audits Latvia” SIA, Rīga	8 715	12 400	-	-
„Latvenergo” AS	46 846	66 656	31 935	45 440
"Latvijas Gaze" AS	7 317	10 411	6 298	8 961
Interest for credit line	948	1 349	1 649	2 346
"Lattelekom" SIA	230	327	-	-
"Tele 2" SIA	175	249	-	-
Accrued liabilities for unused leaves	<u>39 553</u>	<u>56 280</u>	<u>2 830</u>	<u>4 028</u>
TOTAL:	<u>103 784</u>	<u>147 672</u>	<u>45 712</u>	<u>65 044</u>

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(24) Tax movement chart

Type of tax	Tax commitments as at 31.12.08	Charged in year 2009	Paid in year 2009	Transferred to/from other taxes	Credited for customs payments	LVL
						Tax commitments as at 31.12.09
VAT	-	-380 053	28 924	134 735	216 394	-
Fee on entrepreneurship risk	109	1 136	-1 157	-	-	88
Corporate income tax	240 364	-	-159 344	-	-	81 020
Immovable property tax for buildings and facilities	-	41 317	-33 317	-	-	8 000
Compulsory social security contributions	70 203	359 325	-55 970	-278 324	-	95 234
Personal income tax	131 667	150 915	-96 930	-72 805	-	112 847
Natural resources tax	80	880	-730	-	-	230
Immovable property tax for land	-	3 426	-3 426	-	-	-
TOTAL:	442 423	176 946	-321 950	-216 394	216 394	297 419

Type of tax	Tax commitments as at 31.12.08	Charged in year 2009	Paid in year 2009	Transferred to/from other taxes	Credited for customs payments	EUR
						Tax commitments as at 31.12.09
<i>1 EUR = 0,702804 LVL</i>						
VAT	-	-540 767	41 155	191 711	307 901	-
Fee on entrepreneurship risk	155	1 616	-1 646	-	-	125
Corporate income tax	342 007	-	-226 726	-	-	115 281
Immovable property tax for buildings and facilities	-	58 789	-47 406	-	-	11 383
Compulsory social security contributions	99 890	511 273	-79 638	-396 020	-	135 506
Personal income tax	187 345	214 733	-137 919	-103 592	-	160 567
Natural resources tax	114	1 252	-1 039	-	-	327
Immovable property tax for land	-	4 875	-4 875	-	-	-
TOTAL:	629 511	251 771	-458 094	-307 901	307 901	423 189

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(25) Average number of employees

	2009	2008
Average number of persons employed by the Company during the year	<u>362</u>	<u>519</u>

(26) Information about remuneration to Members of the Council and Management Board (Remuneration Report)

1 EUR = 0,702804 LVL

	Council		Management Board		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Salaries	12 008	17 086	27 527	39 167	39 535	56 253
Social tax 24,09%	<u>2 857</u>	<u>4 065</u>	<u>6 631</u>	<u>9 435</u>	<u>9 488</u>	<u>13 500</u>
TOTAL	<u>14 865</u>	<u>21 151</u>	<u>34 158</u>	<u>48 602</u>	<u>49 023</u>	<u>69 753</u>

(27) Information on reclassified positions of the financial statement

Income statement for the year from 01.01.2008 till 31.12.2008:

LVL	Before reclassification	Reclassification	After reclassification
Net turnover	7 366 603	559 636	7 926 239
Production cost of sold products	-5 739 130	-211 794	-5 950 924
Selling costs	-514 155	508 970	-5 185
Administration costs	-978 515	-297 176	-1 275 691
Other income from economic activity	1 750 894	-559 636	1 191 258

Balance sheet as at 31.12.2008

ASSETS

LVL	Before reclassification	Reclassification	After reclassification
Other loans and other long-term debtors (Long-term financial investments)	737 944	67 644	805 588
Other debtors (Debtors)	164 447	-67 644	96 803

LIABILITIES

LVL	Before reclassification	Reclassification	After reclassification
Long-term loans from credit institutions	1 686 290	-1 686 290	-
Short-term loans from credit institutions	63 692	1 686 290	1 749 982

(28) Going concern principle

The results of economic activity of the Company, like many companies of Latvia in 2009, especially in the 2nd half, have been influenced by economic crisis. In the result the Company finished year 2009 with losses amounting to LVL 1 043 131. Already at facing the first negative tendencies the management of the Company started with the plan package in order to ensure optimization of expenses, liquidity maintaining, which altogether should ensure a smaller write-down of the Company's value as far as possible.

In spite of a continuing cutback of economic activity in 2009, the Company prognosticates to finish year 2010 without losses.

(29) Events after the end of reporting period

In April 2010 the credit line of the bank has been prolonged till June 25, 2010 (appendix 19).

In the time period from the last day of the reporting period till the day of signing of the financial statement there have not been any events, which would significantly influence the financial standing of the Company or its financial results and cash flows in the corresponding reporting period.

(30) Risk of customers concentration

In 2009 approximately 50% from total income has been received from one customer with whom there is an agreement about services concluded. This agreement has been prolonged also for year 2010.
