

JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”

Reg.No.40003030187

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

ANNUAL REPORT OF YEAR 2010

(01.01.2010 – 31.12.2010)

Daugavpils

2011

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

CONTENTS

	PAGE
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 statement:	
Income statement	15
Balance sheet	16-17
Cash flow statement	18-19
Statement of changes in equity	20-21
Appendix to the annual report	22-38

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

INFORMATION ABOUT THE COMPANY

Company name	Ditton pievadķēžu rūpnīca
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 share	1.00 LVL
Chief accountant	Valentina Krivoguzova, p.c.191257-10218
Reporting year	01.01.2010 – 31.12.2010
Previous reporting year	01.01.2009 – 31.12.2009
Auditors and their address	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

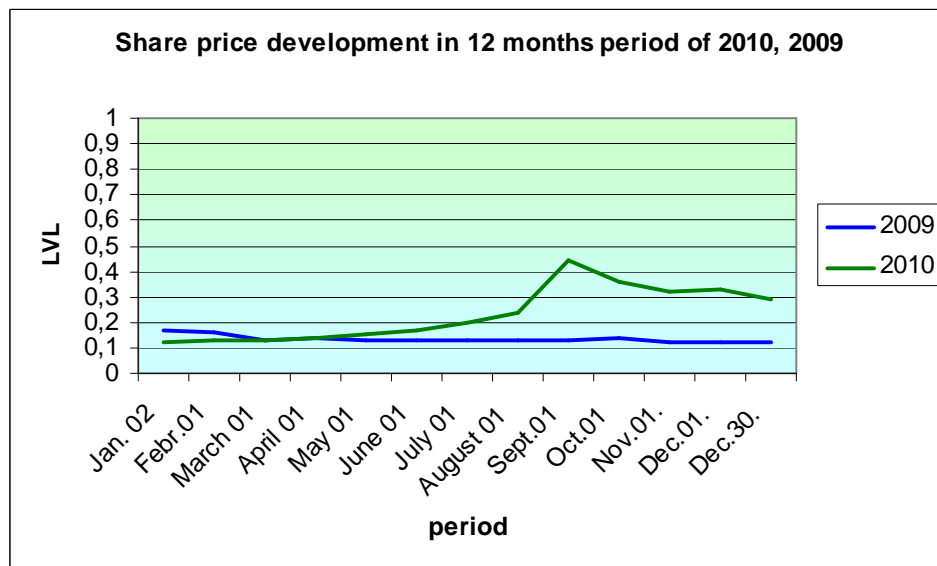
Persons in charge for drawing up of the financial report:

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	9,65
Pavels Samuilovs	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 20.05.2010 prepared for a shareholder meeting, taking into account the shareholders’ notifications on acquisition and disposal significant holding in the Issuer’s equity.

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

Pjotrs Dorofejevs, elected 22.06.2010 (Member of the Management Board from 07.01.2004)
Eduards Zavadskis (29.08.2003. till 22.06.2010)

Member of the Management Board

Natalja Redzoba, elected 29.08.2003.
Jevgenijs Sokolovskis, elected 22.06.2010

Information on shares owned by Members of the Management Board

Members of the Management Board

	Share ownership *	
	Quantity of shares	%
Pjotrs Dorofejevs	no shares	-
Eduards Zavadskis (till 22.06.2010)	1 480 000	20
Natalja Redzoba	1 900	0,03
Jevgenijs Sokolovskis	no shares	-

THE COUNCIL AS AT 31.12.2010

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

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

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	-

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

* as at 31.12.2010

MANAGEMENT REPORT

Information on the results of the company in year 2010

In 2010 net-turnover in fact was fulfilled in the amount of 6 838 thous.LVL (9 729 thous.EUR) against the forecast 6 000 thous.LVL (8 537 thous.EUR), increase amounts to 838 thous.LVL (1 192 thous.EUR) or 14%. Compared to the level of previous year, net-turnover of the reporting period is by 1 932 thous.LVL (2 748 thous.EUR) or by 39% more.

Profit before taxes amounted to 364 thous.LVL (518 thous.EUR) in 2010, which is by 247 thous.LVL (351 thous.EUR) more than the forecast. Profit after taxes amounts to 380 thous.LVL (541 thous.EUR).

Commodity output is estimated in the amount of 5 613 thous.LVL (7 987 thous.EUR). The result of 2010 is by 1 300 thous.LVL (1 850 thous.EUR) or by 30% higher than the result of previous year.

At present the company exports 99% of its products to the East and West: among them 68% eastwards and 31% westwards; 1% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 386 employees in 2010.

The average salary amounted to 281 LVL (399 EUR) in 2010, which is by 54 LVL (77 EUR) more than in 2009.

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

Own capital profitability of the company (capital using ratio) was 4,54% in year 2010 (2009: -13,06).

Return on assets (ROA) was 4,44% in year 2010 (2009: -28,60%), and this is indicative of efficiency of using fixed assets and other non-current assets.

Sales profitability – commercial margin shows that in year 2010 5,56% of earned profit accounts for one unit of salable production (2009: -21,26%).

Turnover ratio of long-term investments is admissible to be ≥ 1 , in year 2010 it was 0,80 (2009: 1,35).

Reserves turnover ratio enables to assess the optimal size of reserves. In 2010 turnover speed of reserves was 3,69 times, in 2009: 1,71 time.

Economic profitability enables to determine that 3,42% of earned profit accounts for one unit of company's assets.

Commercial profitability indicates that company earned 5,32% of profit on one net-turnover unit before taxes, and accordingly 5,56% after taxes.

On 31.12.2010 the absolute liquidity (times) was 0,09; on 31.12.2009 – 0,06. Its level shows which part of short terms liabilities can be discharged from the available cash.

Value of current liquidity ratio at the beginning of 2010 was 2,59, but on 31.12.2010 – 1,72, i.e., this ratio decreased (standard 3-2).

Ratio of quick liquidity at the beginning of 2010 was 1,82, but at the end of the year – 1,00 (standard 0,7 – 1).

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

Specific weight of liabilities in the balance was 0,26 at the beginning of the year, but at the end of the year – 0,27.

Analysis on influence of currency risks in 2010.

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 22%, in EUR – 54%, in USD – 10% and in RUR – 14%. In its turn payments for raw materials and materials have been made also in foreign currency.

Significant events. Market tendencies and development of the company. Risks.

The activity of the company in year 2010 gives the ground to consider that the situation on the market where production of the company is represented has stabilized and there are certain growth trends outlined. It is indicated by the economic situation on the markets of the states where production of the company is represented and by increase of purchase orders volumes from the side of our main partners (IWIS, KTS) represented on the Western market as well. Improvement of the situation on the Eastern market has been favoured by the support program for automobile manufacturers adopted by the government of Russian Federation from 01.03.2010 which undoubtedly shall increase production delivery volumes on conveyors of automobile factories. Currently, in the community of Russian Federation there are discussions about the second phase of this program or its extension. In these circumstances development and maintenance of Eastern market (RF, CIS) represent important goals and interests of the Company.

However, the Management Board of the company notes that up trends can be affected by price increase on metal products which started on the market in the 2nd quarter of 2010.

Also the rate of turnover growth forecasted for 2010 can be considered as fulfilled which resulted in a certain stabilization of the financial situation of the company, at the same time, some facts and market trends, in particular, increase of prices on raw materials, may be evidence for the probability of the "second wave" of crisis phenomena.

In view of this and various "scenarios" of potential development of product markets, the Management Board with the approval of the Council adopted a decision on substantial investments into the "market of next periods". At the same time, the Management Board and the Council believe that the final decision on this investment should be adopted by investors (shareholders) at a general meeting along with approving the annual report, and however the project of investments is reflected in the report for 12 months of 2010, the decision on them will be effective only after its adopting by investors (shareholders). The company shall disclose information on the shareholders' decision in addition through the information disclosing systems of ORICGS and NASDAQ OMX Riga.

Despite this, by assessing the situation in the company and measures being taken for ensuring the business activity of the company in the crisis and post-crisis period, it is necessary to take into account, that while being included into a global and European economics the company is 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

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

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 previous reports. At the same time, the Management Board traces growth of positive trends on the market.

In the existing circumstances the company is continuing 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.

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 favorable conditions appearing for development of the company's chances and its market growth.

Taken together, these conditions and revival of the market brought to positive results in the Company's activity in 2010, and it closed the year with profit

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. 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 2010 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 2010.

Management report contains truthful information.

Chairman of the Management Board
of the JSC "Ditton pievadķēžu rūpnīca"
29 April, 2011

Pjotrs Dorofejevs

REPORT ON CORPORATE GOVERNANCE

By arranging corporate governance of the company, the Management Board and the Council follow Principles of Corporate Governance, approved by "NASDAQ OMX Riga" in 2008 and effective from January 1, 2009. Information about application of the above-mentioned Principles regarding responsibility of the shareholders is presented to the shareholders on the annual general meeting. The shareholders may familiarize themselves with information comprised by the Principles of Corporate Governance on the web site of NASDAQ OMX Riga http://www.nasdaqomxbaltic.com/files/riga/corp_gov_feb2009_eng.pdf or by filing an appropriate request to the company.

Information about order and procedures of application of Principles of Corporate Governance, restrictions, exceptions and practice in 2010 has been reflected in the appendix of this report. 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 in CSRI-system or on the website of the Company in the internet.

System of internal control is arranged in compliance with the Principles of Corporate Governance, including the institution of revision committee. Statement of the revision committee regarding procedures of risks control and management in the course of drawing up the annual report for 2010 is 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"
29 April, 2011

Pjotrs Dorofejevs

COUNCIL REPORT **to the annual report for year 2010**

Issued in conformity with Commercial Law and to the Company's Articles,
approved by Council resolution of the JSC "Ditton pievadķēžu rūpnīca"
dated 15.04.2011, Protocol No.147

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 2010 truly reflects the commercial activity results and the financial position of the Company.

During the reporting period the Management Board managed production and economic activities of the Company and represented the Company in accordance with the laws of the 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 closed the year 2010 with profit which corresponds to the actual state of affairs in global markets in conditions of gradual overcoming the global economic crisis.

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's Articles and Laws of the Republic of Latvia.

Altogether during the reporting period nine 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 2009 and 3, 6, and 9 months of the year 2010.

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;
- approving budget prognosis for 2011;
- 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 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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

According to the forecast 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 development of the Company and economic efficiency on the market appeared to be more positive, and it surpassed the forecast previously made by the Council in respect of growth rates of sales volumes. It can be definitely assessed as a positive factor; however, in prospect the growth rates on the market may not be as positive and successful as in 2010 (relative to the previous year 2009). Scientists-economists have not yet turned away from the issue of probability of the "second wave" of global economic crisis. Therefore, the general forecast of the Council for the Company's development is moderately positive.

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 aiming it at discharge of losses of 2009, and also to refuse to distribute the profit of 2011, if such will be gained, aiming it at development of the Company.

Simultaneously, the Council notes that the Management Board and the Company intend to make investments in future and development of the Company, which is being implemented (or planned) in the form of acquisition and securing of the rights on the market and new products, investments in energy saving and new technologies. One of these projects is collaboration with "Ditton Chain" SIA, which will help to bring new and improved types of production to the market. On all aspects of collaboration and projects that have received support or are being implemented, the Company has timely informed shareholders and potential investors in compliance with principles of the Financial Instruments Market Law and "NASDAQ OMX Riga".

Chairman of the Council
29 April, 2011

Boriss Matvejevs

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS DITTON PIEVADKEZU RUPNICA:

Report on the financial statements

We have audited accompanying financial statements (pages 15 to 38) included into the annual report for year 2010 of AS DITTON PIEVADKEZU RUPNICA. The audited financial statement comprises the Company's balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended on 31 December 2010, and a summary of significant accounting policies and other explanatory information in the appendix.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Latvian Law on Annual Reports and for designing, implementing and maintaining of such internal control which ensures preparation of the financial statement free from material misstatement, whether due to fraud or error.

Auditor's responsibility

We are responsible for the opinion which we express 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 professional 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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

Basis for the qualified opinion

As of 31 December 2010 the Company has other non-material investments in the amount of LVL 5 586 589. We do not have an opportunity on the basis of information currently available to evaluate this investment and calculations of the Company relevant to use of these assets, since it is characterized by a significant future uncertainty. Consequently, we could not evaluate a recoverable value of other non-material investments and volume of necessary provisions in view of value decrease of these assets.

Qualified opinion

In our opinion, except for the effects of possible correction which may result from the matter described in the previous paragraph, the financial statements give a true and fair view of the financial position of AS DITTON PIEVADKEZU RUPNICA as of 31 December 2010, and its financial performance and its cash flows for the year ended on 31 December 2010, in accordance with Latvian Law on Annual Reports.

Report in conformity with requirements of other statutory acts

It's our responsibility to get acquainted with the management report for the year 2010, which is presented on pages 7-9, as well as to check if information included into it conforms to the financial statements. Management of AS DITTON PIEVADKEZU RUPNICA is responsible for preparation of the management report in accordance with the Latvian Law on Annual Reports. Our work in respect of management report was limited and we do not have checked any other information except that which is included into financial statement of AS DITTON PIEVADKEZU RUPNICA. In our opinion, information included into the management report corresponds to the historical financial information presented in financial statement for the year 2010.

SIA Deloitte Audits Latvia
License No. 43

Hendrik Kramer
Procurator

Riga, Latvia
29 April, 2011

Jelena Mihejenkova
Sworn Auditor
Certificate No. 166

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

**INCOME STATEMENT
FOR THE YEAR ENDED 31.12.2010**

1 EUR = 0,702804 LVL

	Appen- dix	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Net turnover	1	6 837 694	9 729 162	4 906 257	6 980 975
Production cost of sold products	2	-6 216 710	-8 845 581	-4 484 048	-6 380 226
Gross (loss) / profit		620 984	883 581	422 209	600 749
Selling costs	3	-255 849	-364 040	-680 561	-968 350
Administration costs	4	-753 749	-1 072 488	-690 162	-982 012
Other operating income	5	879 442	1 251 334	22 967	32 679
Other operating expenses	6	-89 174	-126 884	-97 730	-139 057
Other interest income and similar income	7	49 651	70 647	53 975	76 799
Interest payment and similar expanses	8	-87 428	-124 399	-85 200	-121 229
(Loss) / profit before taxes		363 877	517 751	-1 054 502	-1 500 421
Income and expenses of deferred tax	9	56 181	79 938	56 114	79 843
Other taxes	10	-40 158	-57 140	-44 743	-63 664
(Loss) / profit of reporting year		<u>379 900</u>	<u>540 549</u>	<u>-1 043 131</u>	<u>-1 484 242</u>
Index EPS		0,051	0,073	-0,141	-0,200

Appendixes from page 22 till 38 are integral parts of this financial statement.

On 29 April, 2011 the financial statement of the Company has been signed by

Pjotrs Dorofejevss
Chairman of the Management Board

(signature)

JSC "DITON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

BALANCE SHEET AS AT 31.12.2010

1 EUR = 0,702804 LVL

ASSETS	Appen- dix	2010 LVL	2010 EUR	2009 LVL	2009 EUR
1. Long-term investments					
I. Non-material investments					
Concessions, patents, licenses, trade marks and similar rights		8	11	95	135
Other non-material investments (purchase of market)		5 586 589	7 949 000	-	-
Non-material investments total	11	5 586 597	7 949 011	95	135
II. Fixed assets					
Plots of land, buildings and constructions and perennial plantations		2 369 111	3 370 941	3 101 961	4 413 693
Technological equipment and machinery		12 540	17 843	14 080	20 034
Other fixed assets and stock		105 311	149 844	1 150	1 636
Formation of fixed assets and costs of unfinished construction objects		7 261	10 332	7 261	10 332
Fixed assets total	12	2 494 223	3 548 960	3 124 452	4 445 695
III. Long-term financial investments					
Participation in the capital of other companies		47 200	67 160	47 200	67 159
Long-term loan		333 518	474 554	446 489	635 296
Assets of deferred tax	9	85 048	121 012	28 867	41 074
Long-term financial investments total	13	465 766	662 726	522 556	743 529
1. Long-term investments total		8 546 586	12 160 697	3 647 103	5 189 359
2. Current assets					
I. Reserves					
Raw materials, basic materials and subsidiary materials		679 921	967 441	951 407	1 353 730
Unfinished products		257 381	366 220	276 308	393 151
Finished products and goods for sale	14	250 280	356 116	817 168	1 162 727
Advance payments for goods		68 272	97 142	70 345	100 092
Reserves total		1 255 854	1 786 919	2 115 228	3 009 700
II. Debtors					
Debts of buyers and customers	15	947 090	1 347 588	4 488 066	6 385 942
Other debtors	16	622 927	886 344	316 632	450 526
Deferred expenses		-	-	367	523
Debtors total		1 570 017	2 233 932	4 805 065	6 836 991
IV. Cash (total)	17	154 436	219 743	153 420	218 297
2. Current assets total		2 980 307	4 240 594	7 073 713	10 064 988
TOTAL ASSETS		<u>11 526 893</u>	<u>16 401 291</u>	<u>10 720 816</u>	<u>15 254 348</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

BALANCE SHEET AS AT 31.12.2010

1 EUR = 0,702804 LVL

<u>LIABILITIES</u>	Appen- dix	2010 LVL	2010 EUR	2009 LVL	2009 EUR
1. Equity capital					
Fixed capital	18	7 400 000	10 529 251	7 400 000	10 529 251
Retained earnings:					
a) retained earnings of previous years		589 152	838 288	1 632 282	2 322 528
b) (loss) / profit of reporting year		379 900	540 549	-1 043 131	-1 484 241
1. Equity capital total		8 369 052	11 908 088	7 989 151	11 367 538
2. Long-term creditors:					
Loans from credit institutions	19	1 429 422	2 033 885	-	-
2. Long-term creditors total		1 429 422	2 033 885	-	-
3. Short-terms debts:					
Loans from credit institutions	20	160 309	228 099	1 706 474	2 428 094
Other loans		186 877	265 902	175 000	249 003
Advance payments received from customers		6 199	8 820	81 048	115 321
Debts to suppliers and contractors	21	638 812	908 948	203 111	289 001
Taxes and social security payments	22	532 598	757 819	331 291	471 385
Other creditors	23	107 714	153 263	130 957	186 334
Accumulated liabilities	24	95 910	136 468	103 784	147 672
3. Short-term creditors total		1 728 419	2 459 319	2 731 665	3 886 810
Creditors total		3 157 841	4 493 704	2 731 665	3 886 810
<u>LIABILITIES TOTAL</u>		<u>11 526 893</u>	<u>16 401 291</u>	<u>10 720 816</u>	<u>15 254 348</u>

Appendixes from page 22 till 38 are integral parts of this financial statement.

On 29 April, 2011 the financial statement of the Company has been signed by

Pjotrs Dorofejevs
Chairman of the Management Board

(signature)

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

STATEMENT OF CASH FLOW AS AT 31.12.2010
(according to indirect method)

1 EUR = 0,702804

	Appen- dix	2010 LVL	2010 EUR	2009 LVL	2009 EUR
I. Cash flow of basic activity					
1. (Loss) / profit before taxes		363 877	517 751	-1 054 502	-1 500 421
<i>Corrections:</i>					
Depreciation of fixed assets	12	764 319	1 087 528	763 888	1 086 915
Depreciation of non-material investments	11	87	124	97	138
Provisions for long-term loans		-124 750	-177 503	124 750	177 503
Income from sale of fixed assets, net	5	-1 957	-2 785	-4 815	-6 851
Interest income	7	-49 651	-70 647	-53 975	-76 800
Interest expense	8	87 428	124 398	85 200	121 229
2. Profit / (loss) from economic activity in reporting year		1 039 353	1 478 866	-139 357	-198 287
<i>Corrections:</i>					
In Debtors		-1 742 364	-2 479 161	-871 405	-1 239 898
In Reserves		859 374	1 222 779	1 028 279	1 463 109
In Creditors		603 654	858 923	198 482	282 414
3. Cash flow of basic activity, gross		760 017	1 081 407	215 999	307 338
4. Expenses for tax payments (corporate income tax and tax on immovable property)	25	-182 220	-259 276	-196 087	-279 007
Cash flow of basic activity net		<u>577 797</u>	<u>822 131</u>	<u>19 912</u>	<u>28 331</u>
II. Cash flow of investing activity					
Loans issued		-258 197	-367 382	-6 010	-8 551
Expenses for purchase of fixed assets		-134 089	-190 791	-1 137	-1 618
Earnings from sale of fixed assets		1 957	2 785	19 393	27 593
Cash flow of investing activity net		-390 329	-555 388	12 246	17 424
III. Cash flow of financing activity					
Loans (repaid) / received, net		-104 866	-149 210	123 710	176 023
Interest paid		-81 586	-116 086	-85 901	-122 226
Cash flow of financing activity net		-186 452	-265 296	37 809	53 797

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

CONSOLIDATED DATA ON CASH INCOME AND EXPENSES

		<i>1 EUR = 0,702804 LVL</i>			
	Appen- dix	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Cash flow of basic activity net		577 797	822 131	19 912	28 331
Cash flow of investing activity net		-390 329	-555 388	12 246	17 424
Cash flow of financing activity net		-186 452	-265 296	37 809	53 797
Increase of cash and cash equivalents		1 016	1 446	69 967	99 554
Balance of cash and cash equivalents at the beginning of reporting year		<u>153 420</u>	<u>218 297</u>	<u>83 453</u>	<u>118 743</u>
Balance of cash and cash equivalents at the end of reporting year	17	<u>154 436</u>	<u>219 743</u>	<u>153 420</u>	<u>218 297</u>

Appendixes from page 22 till 38 are integral parts of this financial statement.

On 29 April, 2011 the financial statement of the Company has been signed by

Pjotrs Dorofejevs
Chairman of the Management Board

(signature)

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2010 (LVL)

	Equity capital LVL	Retained profit / (loss) of reporting year LVL	Retained profit of previous years LVL	Equity capital TOTAL LVL
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
Loss of 2009 transferred to retained profit of previous years	-	1 043 131	-1 043 131	-
Profit of reporting year	=	<u>379 900</u>	=	<u>379 900</u>
31.12.2010	<u>7 400 000</u>	<u>379 900</u>	<u>589 152</u>	<u>8 369 052</u>

Appendixes from page 22 till 38 are integral parts of this financial statement.

On 29 April, 2011 the financial statement of the Company has been signed by

Pjotrs Dorofejevs
 Chairman of the Management Board

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JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2010 (EUR)

1 EUR = 0,702804 LVL

	Equity capital	Retained profit / (loss) of reporting year	Retained profit of previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR
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
Loss of 2009 transferred to retained profit of previous years	-	1 484 241	-1 484 241	-
Profit of reporting year	-	<u>540 549</u>	-	<u>540 549</u>
31.12.2010	<u>10 529 251</u>	<u>540 549</u>	<u>838 288</u>	<u>11 908 088</u>

Appendixes from page 22 till 38 are integral parts of this financial statement.

On 29 April, 2011 the financial statement of the Company has been signed by

Pjotrs Dorofejevs
 Chairman of the Management Board

(signature)

APPENDIX TO THE ANNUAL REPORT

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 have been evaluated separately;
the balance of the beginning of the reporting period coincides with balance of the closing of the previous year;
- f) economic bargains are reflected considering their economic contents and essence, but not the legal form.

The bookkeeping was kept in 2010 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 2010 till 31 December 2010.

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.

	31.12.2010	31.12.2009
USD	1 USD = 0,535 LVL	1 USD = 0,489 LVL
EUR	1 EUR = 0,702804 LVL	1 EUR = 0,702804 LVL
RUR	1 RUR = 0,0176 LVL	1 RUR = 0,0164 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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

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"
ANNUAL REPORT FOR YEAR 2010

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 provisions for doubtful receivables. Provisions are estimated 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. The Company's management has assessed accounts receivable and believes that there is no need to make additional provisions as of 31 December 2010.

- The Company evaluates book value of fixed assets and non-material investments and assess whether there are any signs which indicate that recoverable value of assets is lower than their book value. Management of the Company calculates and recognizes loss from impairment of assets and investment properties based on estimates on their future use. In view of the expected cash flows from the use of long-term assets, the Company's management believes that there is no need for significant adjustments of value of fixed assets and non-material investments as of 31 December 2010.

- At the end of each reporting year the Company makes evaluation of the useful lives of fixed assets and investment property. This assessment and hence the calculated depreciation may vary.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(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	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Latvia	257 730	366 717	73 913	105 169
Eastern countries	4 374 374	6 224 173	3 365 639	4 788 873
Western countries	<u>2 205 590</u>	<u>3 138 272</u>	<u>1 466 705</u>	<u>2 086 933</u>
TOTAL	<u>6 837 694</u>	<u>9 729 162</u>	<u>4 906 257</u>	<u>6 980 975</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	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Material costs	2 813 761	4 003 620	1 947 382	2 770 876
Salary costs for production staff	983 901	1 399 965	793 782	1 129 450
Compulsory social security contributions	235 303	334 806	189 124	269 099
Electricity costs	601 137	855 341	532 402	757 540
Depreciation of fixed assets	564 187	802 766	562 155	799 875
Material delivery costs	61 383	87 340	24 869	35 385
Heating and gas costs	236 275	336 189	134 993	192 078
Current repair expenses	54 189	77 104	36 257	51 589
Water costs	20 158	28 682	15 129	21 527
Environment protection costs	6 240	8 879	3 836	5 458
Insurance costs	18 597	26 461	14 815	21 079
Stock changes	570 960	812 403	205 057	291 770
Other production costs	<u>50 619</u>	<u>72 025</u>	<u>24 247</u>	<u>34 500</u>
TOTAL	<u>6 216 710</u>	<u>8 845 581</u>	<u>4 484 048</u>	<u>6 380 226</u>

1 EUR = 0,702804 LVL

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(3) Selling costs

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
Type of costs	LVL	EUR	LVL	EUR
Costs for agent's upkeep	255 849	364 040	678 390	965 262
Exhibitions and advertising costs	=	=	<u>2 171</u>	<u>3 088</u>
TOTAL:	<u>255 849</u>	<u>364 040</u>	<u>680 561</u>	<u>968 350</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 (these services have been received both in 2009 and in 2010).

(4) Administration costs

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
Type of costs	LVL	EUR	LVL	EUR
Administration salary	316 287	450 036	296 202	421 457
Compulsory social security contributions	75 099	106 856	71 287	101 432
Depreciation of fixed assets	200 132	284 762	201 733	287 040
Expenses relating to annual report and audit*	8 223	11 700	8 715	12 400
Communication services costs	11 019	15 679	11 053	15 727
Bank services	4 273	6 080	2 219	3 157
Office expenses	1 282	1 824	896	1 276
Expenses on business trips	19 285	27 440	16 508	23 489
Security expenses	49 830	70 902	45 678	64 994
Other administration costs	<u>68 319</u>	<u>97 209</u>	<u>35 871</u>	<u>51 040</u>
TOTAL:	<u>753 749</u>	<u>1 072 488</u>	<u>690 162</u>	<u>982 012</u>

* Deloitte Audits Latvia SIA provided the Company only with financial statements audit services for the year 2010.

(5) Other incomes of economic activity of the company

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
Type of costs	LVL	EUR	LVL	EUR
Income from sale of fixed assets, net	1 957	2 785	4 815	6 851
Decrease of provisions for bad debtors	779 032	1 108 463	-	-
Income from exchange rate difference, net	8 038	11 437	-	-
Income from rendering services (demolition works)	88 950	126 564	-	-
Other income	<u>1 465</u>	<u>2 085</u>	<u>18 152</u>	<u>25 828</u>
TOTAL:	<u>879 442</u>	<u>1 251 334</u>	<u>22 967</u>	<u>32 679</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(6) Other operating expenses of the company

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Medical services costs	3 280	4 667	3 113	4 429
Fines paid	38 296	54 490	21 690	30 862
Net increase of provisions, <i>incl.</i>	-	-	1 210	1 721
<i>Provisions for doubtful debts</i>	-	-	-454 314	-646 432
<i>Provisions for advance payments for goods</i>	-	-	455 524	648 153
Provisions for reserves with slow turnover speed	14 810	21 073	-	-
Training expenses	678	965	249	354
Loss from decline in exchange rate, net	-	-	20 184	28 719
State fee on entrepreneurship risk	1 084	1 542	1 136	1 616
Other operating expenses	<u>31 026</u>	<u>44 147</u>	<u>50 148</u>	<u>71 354</u>
TOTAL:	<u>89 174</u>	<u>126 884</u>	<u>97 730</u>	<u>139 057</u>

(7) Other interest income and similar income

	<i>1 EUR = 0,702804</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Interest income from loans	49 651	70 647	53 975	76 799
TOTAL:	<u>49 651</u>	<u>70 647</u>	<u>53 975</u>	<u>76 799</u>

(8) Interest payment and similar expenses

	<i>1 EUR = 0,702804</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Interest payment for loans	87 428	124 399	85 200	121 229
TOTAL:	<u>87 428</u>	<u>124 399</u>	<u>85 200</u>	<u>121 229</u>

(9) Corporate income tax

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Deferred tax	<u>56 181</u>	<u>79 938</u>	<u>56 114</u>	<u>79 843</u>
TOTAL:	<u>56 181</u>	<u>79 938</u>	<u>56 114</u>	<u>79 843</u>

Accrued loss for the aims of corporate income tax at December 31, 2010 amounted to LVL 690 701 (EUR 982 779). 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	
Tax losses in 2009	661 296	2016
Tax losses in 2010	<u>29 405</u>	2017
TOTAL:	<u>690 701</u>	

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

By calculating deferred tax as at December 31, 2010, accumulated tax losses of the Company have not been taking into account due to precautionary principle.

Calculation of deferred tax

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Depreciation of fixed assets, 15%	74 828	106 471	18 637	26 518
Accrued liabilities for vacations, 15%	8 096	11 519	5 933	8 442
Provisions for goods with slow turnover speed, 15%	<u>2 124</u>	<u>3 022</u>	<u>4 297</u>	<u>6 114</u>
Assets of deferred tax	<u>85 048</u>	<u>121 012</u>	<u>28 867</u>	<u>41 074</u>

(10) Other taxes

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Immovable property tax (land)	4 301	6 120	3 426	4 875
Immovable property tax (buildings)	<u>35 857</u>	<u>51 020</u>	<u>41 317</u>	<u>58 789</u>
TOTAL	<u>40 158</u>	<u>57 140</u>	<u>44 743</u>	<u>63 664</u>

(11) Statement on movement of long-term intangible assets

	Other non-material investments		Software licenses		Intangible assets total	
	LVL	EUR	LVL	EUR	LVL	EUR
Initial value						
31.12.09.	-	-	39 843	56 691	39 843	56 691
Acquired	5 586 589	7 949 000	-	-	5 586 589	7 949 000
31.12.10.	5 586 589	7 949 000	39 843	56 691	5 626 432	8 005 691
Accumulated depreciation						
31.12.09.	-	-	39 748	56 556	39 748	56 556
Charged depreciation	-	-	87	124	87	124
31.12.10.	<u>5 586 589</u>	<u>7 949 000</u>	<u>39 835</u>	<u>56 680</u>	<u>39 835</u>	<u>56 680</u>
Book value as at 31.12.2009.	-	-	<u>95</u>	<u>135</u>	<u>95</u>	<u>135</u>
Book value as at 31.12.2010.	<u>5 586 589</u>	<u>7 949 000</u>	<u>8</u>	<u>11</u>	<u>5 586 597</u>	<u>7 949 011</u>

According to the Purchase contract from 29.12.2010 between the Company and a non-resident of LR (legal person), the parties agreed that the last passes, but the Company takes over from this person the market on the territory of RF and CIS states belonging to it for sales of the Company's products and pays for it, by determining recoverable value of non-material investments as at 31.12.2010 on the basis of external and internal estimates and calculations and business prognosis for next five years in the amount of 5 586 589 LVL and presuming gross profit ratio of an appropriate cash generating unit in the amount of 40% by average growth of sales volumes 3% per annum.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

According to the Agreement from 29.12.2010 between the Company and this non-resident of LR (legal person) the mutual settlement has been executed in the form of offset of counterclaims.

(12) Statement on movement of fixed assets

	(LVL)				
	Buildings, construction s and plots*	Equipment and machinery	Other fixed assets	Formation of fixed assets	TOTAL
Initial value					
31.12.2009	8 078 083	5 923 995	397 048	7 261	14 406 387
Purchased	-	4 046	130 043	-	134 089
Disposals	14 157	355 764	28 861	-	398 783
31.12.2010	8 063 926	5 572 277	498 230	7 261	14 141 694
Accumulated depreciation					
31.12.2009	4 976 122	5 909 915	395 898	-	11 281 935
Charged depreciation	732 850	5 586	25 883	-	764 319
Disposals	14 157	355 764	28 862	-	398 783
31.12.2010	<u>5 694 815</u>	<u>5 559 737</u>	<u>392 919</u>	-	<u>11 647 471</u>
Book value as at 31.12.2010	<u>3 101 961</u>	<u>14 080</u>	<u>1 150</u>	<u>7 261</u>	<u>3 124 452</u>
Book value as at 31.12.2010	<u>2 369 111</u>	<u>12 540</u>	<u>105 311</u>	<u>7 261</u>	<u>2 494 223</u>

	(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					
31.12.09	11 494 078	8 429 085	564 948	10 332	20 498 443
Purchased	-	5 757	185 034	-	190 791
Disposals	20 144	506 207	41 065	-	567 416
31.12.10	11 473 934	7 928 635	708 917	10 332	20 121 818
Accumulated depreciation					
31.12.09	7 080 385	8 409 051	563 312	-	16 052 748
Charged depreciation	1 042 752	7 950	36 826	-	1 087 528
Disposals	20 144	506 209	41 065	-	567 418
31.12.10	<u>8 102 993</u>	<u>7 910 792</u>	<u>559 073</u>	-	<u>16 572 858</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>
Book value as at 31.12.10	<u>3 370 941</u>	<u>17 843</u>	<u>149 844</u>	<u>10 332</u>	<u>3 548 960</u>

(12) Statement on movement of fixed assets (continuation)

* 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). The management of the Company believes that there are not corrections of value of fixed asset necessary as at 31 December 2010.

As at December 31, 2010 the fixed assets of the Company with the initial value 6 755 587 LVL (9 612 334 EUR) were fully depreciated. 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.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

Cadastral value of landed property on December 31, 2010 was 327 196 LVL (465 558 EUR). Cadastral value of buildings on December 31, 2010 was 2 441 805 LVL (3 474 376 EUR).

(13) Long-term financial investments

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Participation in the capital of Ditton Chain SIA, 15% from the fixed capital	47 200	67 160	47 200	67 159
Assets of deferred tax	85 048	121 012	28 867	41 074
Long-term loans and accrued interest*	333 518	474 554	571 239	812 799
Provisions for long-term loans	=	=	<u>-124 750</u>	<u>-177 503</u>
TOTAL	<u>465 766</u>	<u>662 726</u>	<u>522 556</u>	<u>743 529</u>

1 EUR = 0,702804 LVL

* Information on loans granted to a non-resident and resident of Latvia as at 31.12.2009:

Security	Currency	Fixed interest rate per annum	Repayment
Without security	EUR/LVL	6.50 – 6.75%	Up to 31.12.2012

In 2010 the loan to the non-resident of Latvia has been settled in full amount in the form of offsetting of mutual claims. Refer to appendix 11.

Information on loans granted to residents of Latvia as at 31.12.2010:

Security	Currency	Fixed interest rate per annum	Repayment	Maximum limit
Without security	LVL	4.00 – 6.75%	Up to 31.12.2012	395 000 LVL

(14) Finished products and goods for sale

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Finished products for sale	250 280	356 116	817 168	1 162 725
Stocks with slow turnover speed	14 159	20 146	28 969	41 220
Provisions for goods with slow turnover speed	<u>-14 159</u>	<u>-20 146</u>	<u>-28 969</u>	<u>-41 218</u>
TOTAL:	<u>250 280</u>	<u>356 116</u>	<u>817 168</u>	<u>1 162 727</u>

1 EUR = 0,702804 LVL

(15) Debts of buyers and customers

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Book value of debts of buyers and customers*	1 025 816	1 459 605	5 105 378	7 264 298
Provisions for doubtful accounts receivable	-78 726	-112 017	-617 312	-878 356
TOTAL:	<u>947 090</u>	<u>1 347 588</u>	<u>4 488 066</u>	<u>6 385 942</u>

1 EUR = 0,702804 LVL

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

In 2010 a part of buyers' debts has been settled in the form of offsetting of mutual claims. Refer to appendix 11.

(16) Other debtors

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Value added tax (VAT) overpayment*	334 519*	475 978	32 024	45 566
VAT from non-paid bills	45 588	64 866	10 691	15 212
Overpayment of corporate income tax	63 609	90 507	33 872	48 196
Accrued interest income	12 605	17 935	105 251	149 758
Short-term part of long-term loans (refer to appendix 13)	-	-	240 359	342 000
Provisions for short-term part of long-term loan and interest	-	-	-115 696	-164 621
Other debtors	19 514	27 766	10 131	14 415
Other	<u>147 092</u>	<u>209 292</u>	=	=
TOTAL:	<u>622 927</u>	<u>886 344</u>	<u>316 632</u>	<u>450 526</u>

* The management of the Company intends to aim an overpaid value added tax for payment of other taxes (for compulsory social insurance contributions and personal income tax debt settlement).

(17) Cash and cash equivalents

	<i>1 EUR = 0,702804 LVL</i>			
	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Cash in paying counter	21	30	3 720	5 293
Cash in bank	<u>154 415</u>	<u>219 713</u>	<u>149 700</u>	<u>213 004</u>
Book value	<u>154 436</u>	<u>219 743</u>	<u>153 420</u>	<u>218 297</u>

	Currency	2010	2010	Currency	2009	2009
		LVL	EUR		LVL	EUR
LVL	-	6 097	8 675	-	105 233	149 733
USD	269	144	205	49 195	24 056	34 229
EUR	194 585	136 755	194 585	34 335	24 131	34 335
RUR	650 000	<u>11 440</u>	<u>16 278</u>	-	=	=
TOTAL:		<u>154 436</u>	<u>219 743</u>		<u>153 420</u>	<u>218 297</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(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 who own over 5% from the shares of the whole capital of the Company as at 31.12.2010 and at 31.12.2009 were:

NAME	Shares owned, % 2010	Shares owned, % 2009
Vladislavs Driksne	20,39	20,39
Eduards Zavadskis	20,00	20,00
MAX Invest Holding SIA	13,16	13,16
Maleks S SIA	9,65	9,51
Pavels Samuilovs	9,46	9,46

(19) Loans from credit institutions

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Loan from AS "Citadele Banka"	1 429 422	2 033 885	-	-

For information about the loan refer to appendix 20.

(20) Short-term loans from credit institutions

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Credit line from AS "DnB NORD Banka"	-	-	1 706 474	2 428 094
Loan from AS "Citadele Banka"	<u>160 309</u>	<u>228 099</u>	=	=
TOTAL:	<u>160 309</u>	<u>228 099</u>	<u>1 706 474</u>	<u>2 428 094</u>

Information on loan received from AS "Citadele Banka" is following:

Number and date on the contract	Currency	Limit	Interest rate	Repayment term
No.CI2010-2.3/1 dated 10.09.2010	EUR	2 300 000 EUR	6 months Euribor + 3.85 %	09.09.2015.

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

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(20) Short-term loans from credit institutions (continuation)

Information on credit line received from AS "DnB NORD Banka" as at 31.12.2009 is following:

Number and date on the contract	Currency	Limit	Interest rate	Repayment year
No.127/07K23 dated 03.01.2008	EUR	2 490 000 EUR	6 months Euribor + 2.55%	2011

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

(21) Debts to suppliers and contractors

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
			<i>1 EUR = 0,702804 LVL</i>	
For materials	348 847	496 365	154 152	219 339
For services	289 965	412 583	45 592	64 872
Other	=	=	<u>3 367</u>	<u>4 790</u>
TOTAL:	<u>638 812</u>	<u>908 948</u>	<u>203 111</u>	<u>289 001</u>

(22) Taxes and social security payments

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
			<i>1 EUR = 0,702804 LVL</i>	
Advance payment of corporate income tax	-	-	114 892	163 477
State fee on entrepreneurship risk	92	131	88	125
Immovable property tax	6 778	9 644	8 000	11 383
Compulsory social security contributions	322 868	459 400	95 234	135 506
Personal income tax	202 444	288 052	112 847	160 567
Nature resources tax	<u>416</u>	<u>592</u>	<u>230</u>	<u>327</u>
TOTAL:	<u>532 598</u>	<u>757 819</u>	<u>331 291</u>	<u>471 385</u>

(23) Other creditors

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
			<i>1 EUR = 0,702804 LVL</i>	
Settlements of salaries for December	60 921	86 682	53 490	76 109
Labor union member's fee 0,2% from salary	32 993	46 945	30 267	43 066
Debts for purchased shares	<u>13 800</u>	<u>19 636</u>	<u>47 200</u>	<u>67 159</u>
TOTAL:	<u>107 714</u>	<u>153 263</u>	<u>130 957</u>	<u>186 334</u>

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(24) Accumulated liabilities

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Electricity	18 495	26 316	46 846	66 656
Auditing services	4 934	7 020	8 715	12 400
Gas	11 501	16 364	7 317	10 411
Accrued interest for loan	6 790	9 662	948	1 349
Communication services	215	306	405	576
Unused vacations	<u>53 975</u>	<u>76 800</u>	<u>39 553</u>	<u>56 280</u>
TOTAL:	<u>95 910</u>	<u>136 468</u>	<u>103 784</u>	<u>147 672</u>

1 EUR = 0,702804 LVL

(25) Tax movement chart

Type of tax	Tax liabilities as at 31.12.2009	Charged in year 2010	Fines charged in 2010	Paid in year 2010	Fines paid in 2010	Credited for customs payments	LVL
							Tax liabilities as at 31.12.2010
VAT	-32 024	538 568	-	-713 497	-	-127 566	-334 519
State entrepreneurial risk fee	88	1 084	-	-1 080	-	-	92
Corporate income tax	81 020	-	-	-140 788	-3 841	-	-63 609
Immovable property tax for buildings and facilities	8 000	35 857	3 037	-37 131	-2 985	-	6 778
Compulsory social insurance contributions	95 234	426 718	10 088	-205 139	-4 033	-	322 868
Personal income tax	112 847	246 121	8 362	-158 986	-5 900	-	202 444
Natural resources tax	230	1 369	-	-1 183	-	-	416
Immovable property tax for land	-	4 301	-	-4 301	-	-	-
TOTAL:	265 395	1 254 018	21 487	-1 262 105	-16 759	-127 566	134 470
	<i>Including overpayment (liabilities)</i>						-398 128
							532 598

EUR

1 EUR = 0,702804 LVL

Type of tax	Tax liabilities as at 31.12.2009	Charged in year 2010	Fines charged in 2010	Paid in year 2010	Fines paid in 2010	Credited for customs payments	EUR
							Tax liabilities as at 31.12.2010
VAT	-45 566	766 313	-	-1 015 215	-	-181 510	-475 978
State entrepreneurial risk fee	125	1 542	-	-1 537	-	-	131
Corporate income tax	115 281	-	-	-200 323	-5 467	-	-90 509
Immovable property tax for buildings and facilities	11 383	51 020	4 321	-52 833	-4 247	-	9 644
Compulsory social insurance contributions	135 506	607 165	14 354	-291 887	-5 738	-	459 400
Personal income tax	160 567	350 199	11 898	-226 217	-8 395	-	288 052
Natural resources tax	327	1 948	-	-1 683	-	-	592

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

Immovable property tax for land	-	6 120	-	-6 120	-	-	-
TOTAL:	377 623	1 784 307	30 573	-1 795 813	-23 847	-181 510	191 333
<i>Including overpayment</i>	-45 566						-566 487
<i>(liabilities)</i>	423 189						757 819

(26) Average number of employees

	2010	2009
Average number of persons employed by the Company during the year	<u>386</u>	<u>362</u>

(27) Information on remuneration to Members of the Council and Management Board

	Council		Management Board		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Salaries	7 560	10 757	26 170	37 237	33 730	47 993
Social tax 24,09%	<u>1 821</u>	<u>2 591</u>	<u>6 304</u>	<u>8 970</u>	<u>8 125</u>	<u>11 561</u>
TOTAL	<u>9 381</u>	<u>13 348</u>	<u>32 474</u>	<u>46 207</u>	<u>41 855</u>	<u>59 554</u>

1 EUR = 0,702804 LVL

(28) Going concern principle

The Company closed the year 2010 with profit in the amount of LVL 379 900. In the existing circumstances the Company is continuing 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.

The Company intends to close the year 2011 without losses.

(29) Events after the end of reporting period

In the time period from the last day of the reporting year till the day of signing of this financial statement there have not been any significant events, which would significantly influence the financial standing of the Company as at December 31, 2010.

JSC "DITTON PIEVADĶĒŽU RŪPNĪCA"
ANNUAL REPORT FOR YEAR 2010

(30) Eventual liabilities

On 10.09.2010 the Company concluded Credit contract Nr.CI2010-2.3/1 with JSC "Citadele banka". In conformity with the Credit contract there is a commercial pledge on the whole property as a community of things fixed in favour of the JSC "Citadele banka", as well as there is a financial pledge fixed on all settlement accounts opened in JSC "Citadele banka" in favour of the JSC "Citadele banka". The pledge serves as a security of received credit resources. Along with the Credit contract are have been Pledge Agreement No. CI2010-2.3/2-IE1, Pledge Agreement No. CI2010-2.3/2-IE2 and Commercial Pledge Agreement No.CI2010-2.3/2-KL4 concluded.

The Company has also granted a security for partner's SIA "Ditton Chain" liabilities by concluding with JSC "Citadele banka" Pledge Agreement No.CI2010-2.3/2-IE1, Pledge Agreement No.CI2010-2.3/2-IE2, Commercial Pledge Agreement No.CI2010-2.3/2-KL4 and Guarantee Agreement No.CI2010-2.3/2-GL8.

Taking into account that SIA „Ditton Chain” has issued mutual guarantees in respect of JSC „Ditton pievadķēžu rūpnīca”, and SIA „Ditton Chain” has also received credit funds, which are actually invested into the immovable property of JSC „Ditton pievadķēžu rūpnīca”, in case, if contractual obligations become terminated regardless of reasons, investment made by SIA „Ditton Chain” remain at disposal of JSC „Ditton pievadķēžu rūpnīca” without any compensation to SIA „Ditton Chain”. SIA „Ditton Chain” is making investments under control of JSC „Ditton pievadķēžu rūpnīca”.
