JSC "Ditton pievadķēžu rūpnīca"

MANAGEMENT REPORT

Events in the 1st quarter of 2005

In the 1st quarter of year 2005 net-turnover in fact was fulfilled in the amount of 2512 thous.LVL against the plan 1850 thous. LVL, increase 662 thous.LVL.

Loss amounts to 193 thous.LVL in the 1st quarter of 2005. Loss appeared because of increase in production costs.

In comparison with the 1st quarter of 2004 net turnover in 1st quarter of 2005 increased by 139,1%. Sales of products eastwards increased by 192,3%, westwards – increased by 134,5%, in Latvia – decreased by 3,4%.

At present the company exports 97,4% of products to the East and West: among them 69,4% westwards and 28% eastwards; 2,6% of products are sold in Latvia.

The company is planning to achieve the net-turnover in the 2nd quarter of 2005 in the amount of 1900 thous.LVL, profit is planned in the amount of 112 thous.LVL.

$$\text{Index „earnings per share" (EPS)} = \frac{\text{Net profit (loss)}}{\text{Number of shares}} = \frac{-192.641}{7.400.000} = -0{,}026$$

President E.Zavadskis

JSC "DITTON DRIVING CHAIN FACTORY"

Balance Sheet	31.03.2005	31.03.2004	31.03.2005	31.03.2004
ASSETS	**Q1**	**Q1**	**Q1**	**Q1**
CURRENT ASSETS	**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank	116 852	352 230	166 265	532 874
Short-term investments	0	0	0	0
Customer receivables				
Accounts receivable	3 105 362	1 487 398	4 418 532	2 250 224
Accounts receivable from Group companies	0	0	0	0
Allowance for uncollectible receivables	-5 048	-2 258	-7 183	-3 416
Total	**3 100 314**	**1 485 140**	**4 411 349**	**2 246 808**
Other receivables				
Other current receivables	63 344	57 625	90 130	87 179
Short-term loans given	0	0	0	0
Derrivative financial instruments	0	0	0	0
Total	**63 344**	**57 625**	**90 130**	**87 179**
Accrued income				
Other accrued income	0	0	0	0
Total	**0**	**0**	**0**	**0**
Prepaid expenses				
Prepaid taxes	63 407	47 323	90 220	71 593
Other prepaid expenses	394	1 498	561	2 266
Total	**63 801**	**48 821**	**90 781**	**73 859**
Inventories				
Raw materials	945 597	940 334	1 345 463	1 422 593
Work-in-progress	214 723	145 312	305 523	219 837
Finished goods	1 220 645	2 097 111	1 736 822	3 172 634
Prepayments to suppliers	49 806	98 219	70 868	148 592
Total	**2 430 771**	**3 280 976**	**3 458 676**	**4 963 656**
TOTAL CURRENT ASSETS	**5 775 082**	**5 224 792**	**8 217 201**	**7 904 376**
NON-CURRENT ASSETS				
Long-term financial assets	720 695	720 695	1 025 457	1 090 310
incl. Shares in subsidiaries	720 695	720 695	1 025 457	1 090 310
Total	**720 695**	**720 695**	**1 025 457**	**1 090 310**
NON-CURRENT physical assets				
Plant and equipment	11 286 723	11 204 327	16 059 560	16 950 570
Other equipment and fixtures	440 344	413 198	626 553	625 110
Accumulated depreciation	8 416 806	7 810 754	11 976 036	11 816 572
Total	**3 310 261**	**3 806 771**	**4 710 077**	**5 759 108**
Intagible assets				
Purchased licenses, trademarks etc.	9 355	16 168	13 311	24 460
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	**9 355**	**16 168**	**13 311**	**24 460**
TOTAL NON-CURRENT ASSETS	**4 040 311**	**4 543 634**	**5 748 845**	**6 873 878**
TOTAL ASSETS	**9 815 393**	**9 768 426**	**13 966 046**	**14 778 254**

JSC "DITTON DRIVING CHAIN FACTORY"

	31.03.2005	31.03.2004	31.03.2005	31.03.2004
LIABILITIES AND OWNERS' EQUITY	**Q1**	**Q1**	**Q1**	**Q1**
CURRENT LIABILITIES	**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations				
Short-term loans from financial institutons	234 000	198 000	332 952	299 546
Derivative financial instruments	0	0	0	0
Short-term capital lease obligation	0	0	0	0
Total	**234 000**	**198 000**	**332 952**	**299 546**
Customer prepayments for goods and services	10 613	10 344	15 101	15 649
Supplier payables	**406 171**	279 740	**577 929**	423 207
Total	**416 784**	**290 084**	**593 030**	**438 856**
Tax liabilities	70 584	75 751	100 432	114 601
Accrued expenses				
Salary-related accrued expenses	106 605	96 868	151 685	146 548
Interest payable	4 694	5 123	6 679	7 750
Total	**111 299**	**101 991**	**158 364**	**154 298**
Provisions	**47 937**	**85 337**	**68 209**	**129 103**
Total	**47 937**	**85 337**	**68 209**	**129 103**
TOTAL CURRENT LIABILITIES	**880 604**	**751 163**	**1 252 987**	**1 136 404**
NON-CURRENT LIABILITIES	**0**	**0**	**0**	**0**
Long-term liabilities	**585 855**	**778 080**	**833 596**	**1 177 125**
Long-term capital lease obligation	0	0	0	0
Total	**585 855**	**778 080**	**833 596**	**1 177 125**
TOTAL NON-CURRENT LIABILITIES	**1 466 459**	**1 529 243**	**2 086 583**	**2 313 529**
TOTAL LIABILITIES	**1 466 459**	**1 529 243**	**2 086 583**	**2 313 529**
OWNERS' EQUITY	**7 400 000**	**7 400 000**	**10 529 251**	**11 195 159**
Share capital	0	0	0	0
Paid in capital over par	0	0	0	0
Reserves	**0**	**0**	**0**	**0**
Other reserves	0	0	0	0
Total	**7 400 000**	**7 400 000**	**10 529 251**	**11 195 159**
Retained earnings	1 141 575	1 025 977	1 624 315	1 552 159
Net profit for the financial year	-192 641	-186 794	-274 103	-282 593
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	**8 348 934**	**8 239 183**	**11 879 463**	**12 464 725**
TOTAL LIABILITIES AND OWNERS' EQUITY	**9 815 393**	**9 768 426**	**13 966 046**	**14 778 254**

JSC "DITTON DRIVING CHAIN FACTORY"

Income statement	31.03.2005	31.03.2004	31.03.2005	31.03.2004
	Q1	Q1	Q1	Q1
	LVL	LVL	EUR	EUR
Net sales	2 511 870	1 050 685	3 574 069	1 589 539
Other operating income	14 270	24 055	20 304	36 392
Total income	**2 526 140**	**1 074 740**	**3 594 373**	**1 625 930**
Direct cost of goods sold or services rendered	-1 333 074	-109 837	-1 896 793	-166 168
Marketing, advertising and public relations expenses	-6 576	-750	-9 357	-1 135
Bad receivables	0	0	0	0
Operating expenses	-17 478	-33 238	-24 869	-50 284
Salaries, bonuses and social expenses	-461 816	-476 923	-657 105	-721 517
Depreciation expense	-188 805	-187 976	-268 645	-284 381
Other expenses	-688 662	-436 243	-979 878	-659 974
Operating expenses	**-2 696 411**	**-1 244 967**	**-3 836 647**	**-1 883 459**
EBIT	**-170 271**	**-170 227**	**-242 274**	**-257 529**
Financial items	0	188	0	284
Financial income (except Foreign Excange rate difference)	0	439	0	664
Financial costs (except Foreign Excange rate difference)	0	-251	0	-380
Foreign exchange +gain/(loss)				
Financial items				
Profit before extraordinary items and taxes	**-170 271**	**-170 039**	**-242 274**	**-257 245**
EBT	**-170 271**	**-170 039**	**-242 274**	**-257 245**
Provision for taxes	-22 370	-16 755	-31 829	-25 348
Profit after taxes	**-192 641**	**-186 794**	**-274 103**	**-282 593**
Net profit	**-192 641**	**-186 794**	**-274 103**	**-282 593**

Statement of changes in equity for the period from 01.01.2005 till 31.03.2005

	Share capital	Share premium	Other rezerves	Currency translation rezerves	Accumulated profit	Current period's profit	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
As at 1st January, 2005	**7 400 000**	**-**	**-**	**-**	**1 141 575**	**-**	**8 541 575**
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	-192 641	-192 641
As at 31 March, 2005	**7 400 000**	**-**	**-**	**-**	**1 141 575**	**-192 641**	**8 348 934**
1st January 2004	**7 400 000**	**-**	**-**	**-**	1 025 977	-	**8 425 977**
Currency translation difference	**-**	**-**	**-**	-	-	-	**-**
Profit for the current period	**-**	**-**	**-**	**-**	**-**	-186 794	**-186 794**
As at 31 March, 2004	**7 400 000**	**-**	**-**	**-**	**1 025 977**	**-186 794**	**8 239 183**

Statement of changes in equity for the period from 01.01.2005 till 31.03.2005

	Share capital EUR	Share premium EUR	Other rezerves EUR	Currency translation EUR	Accumulated profit EUR	Current period's EUR	Total EUR
As at 1st January, 2005	**10 529 251**	**-**	**-**	**-**	**1 624 315**	**-**	**12 153 566**
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004	-	-	-	-	-	-	-
Allocation of profit	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for the current period	-	-	-	-	-	-274 103	-274 103
As at 31 March, 2005	**10 529 251**	**-**	**-**	**-**	**1 624 315**	**-274 103**	**11 879 463**
As at 1st January 2004	**11 195 159**	**-**	**-**	**-**	1 552 159	-	**12 747 318**
Currency translation difference	**-**	**-**	**-**	-	-	-	**-**
Profit for the current period	**-**	**-**	**-**	**-**	**-**	-282 593	**-282 593**
As at 31 March, 2004	**11 195 159**	**-**	**-**	**-**	**1 552 159**	**-282 593**	**12 464 725**

JSC "DITTON DRIVING CHAIN FACTORY"

Cash Flow Statement	31.03.2005	31.03.2004	31.03.2005	31.03.2004
	Q1	Q1	Q1	Q1
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS	**116 944**	**375 224**	**166 396**	**567 661**
Cash received from customers	1 334 707	1 060 478	1 899 117	1 604 354
Cash received from customers MLGroup	0	0	0	0
Cash paid to suppliers and employees	-1 217 763	-685 254	-1 732 721	-1 036 693
Cash paid to suppliers and employees MLGroup	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	**-41 491**	**-109 828**	**-59 036**	**-166 154**
Cash paid for purchasing shares in subsidiary MLGroup	0	0	0	0
Business acquisition	0	0	0	0
Cash paid for purchasing non-current physical assets	-41 491	-116 001	-59 036	-175 493
Cash paid for purchasing non-current physical assets MLGroup	0	0	0	0
Cash received from the sale of non-current physical assets	0	6 173	0	9 339
Loans given	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	**-93 893**	**18 592**	**-133 598**	**28 127**
Short-term loans received	0	100 000	0	151 286
Repayment of short-term loans	-78 000	-66 000	-110 985	-99 849
Cash paid as capital lease payments	-1 107	-1 093	-1 575	-1 654
Paid interest	-14 786	-14 315	-21 038	-21 656
Paid interest MLGroup	0	0	0	0
TOTAL CASH FLOW:	**-18 440**	**283 988**	**-26 238**	**429 634**
Cash and cash equivalents as at the beginning of period	135 292	68 242	192 503	103 240
Cash and cash equivalents as at the end of period	116 852	352 230	166 265	532 874
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-18 440**	**283 988**	**-26 238**	**429 634**