

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

Non-audited

Finance Statement

The first nine months 2006

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1.Information on enterprise.

State registration Nr. and date	000304400 February 1996. Dropped from Register of Companies 2004.11.06. "KURZEMES ATSLEGA 1" JSC, had been enrolled in Commercial Register June 1, 2004 with identification number Nr. 40003044007
Registration number of VAT	LV 40003044007, January 22, 1997
The name of enterprise and address	Joint stock company "KURZEMES ATSLEGA 1" Kalvenes street -27, Aizpute LV 3456, Latvia
Financial period	January 1, 2005– December 31, 2005
Members of Supervisory Council (until April 15 ,.2006)	Valdis Bikis – "KURZEMES ATSLEGA 1", JSC, Technical Director – Chairman of Supervisory Council Raitis Brikmanis – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Engineer - Electrician. Juris Grasmanis – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Engineer - Mechanic. Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Supervisory Council (from April 15,.2006)	Valdis Bikis – "KURZEMES ATSLEGA 1", JSC, Technical Director – Chairman of Supervisory Council Peteris Hanka – Member of Supervisory Council,, Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council, Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Board	Janis Plume – Member of Board, "Kurzemes Atslega 1", JSC, Production Manager Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant.
Chairman of Board	Aivars Puisitis
Auditor	Certified Auditor Aivars Rutkis , Certificate Nr. 18

2.Report of Direction

The net turnover of first 9 months 2006 in comparison with the first 9 months 2005 has increased on 8.8% and it makes 1.296.5 thousands LVL. According to the budget made by board, the net turnover for 2006 is planned in volume of 1,800 thousands LVL. Performance of the budget for September 30, 2006 makes 72.3 % from the planned volume of an annual turnover.

The first 9 months 2006, is characterized by a significant increase of material costs, therefore volume of profit in first 9 months 2006 is smaller than the profit in first 9 months 2005. The retained earnings for September 30, 2006 is 2,985 LVL. In comparison with first 9 months 2005, that was finished with retained earnings 12,267 LVL, the amount of earnings is remarkably lower. The largest increment of expenses is bounded with the rise in the price of Zinc and Aluminum since January 1, 2006. Increase of expenses has caused also the necessity to raise the earnings of employees, to attract the workforce. The average wages in firsts 9 months 2006 were 201 LVL. In comparison with the first 9 months 2005 the wages has increased on 14.5%. The average wages in firsts 9 months 2005 were 175.51. The increment makes 25.49 LVL per capita. The average number of employees in first 9 months 2006 was 197, in respective months of year 2005 – 204.

The budget, composed by direction, in part of expenses has been accomplished on 72.5% of annual extent.

Having regard of above mentioned circumstances, in year 2006 there is not expected remarkable profit, because the facility of rise of sale prices of products has been restricted by competition and purchasing power, although the sale prices of products had been increased since September 1, 2006 and they will be increased also since year 2007.

To ensure the consummation of profit that was scheduled in budget of year 2006 i.e. approximately 10,000 LVL, the direction will steady check the level of proceeds and expenses.

Under circumstances when the prices of material resources continuously grow, the enterprise it is compelled to buy materials in greater parties, that in the long-term plan pays off due to the prices as each following party of a material should be bought more expensively. Consequently the turnover of current assets decreases and there is

necessity for peripheral means. Therefore “KURZEMES ATSLEGA 1” JSC in September 2006 has increased a limit of credit line in DnB NORD – from 40,000 LVL to 50,000 LVL. For guaranty of increase of credit limit there is issued the commercial pawn on reserves in size of LVL 35,000.

November 28, 2006

Aizpute

Statement of responsibility of direction.

Non-audited report of first nine months 2006 and a report of board are prepared being guided by the kindest conscience and good accounting practice. The accounting period is estimated being based on all information known to us at the moment of preparation of the financial report. Financial report gives a real and clear idea about assets, liabilities, financial situation and profits .

Responsibility for non-audited semiannual report of first nine months 2006 bears the Board of joint stock company “KURZEMES ATSLEGA 1”.

Chairman of the Board	Aivars Puisītis
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Member of the Board	Janis Plume
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Member of the Board	Inara Burve
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Name of the company: JSC "KURZEMES ATSLEGA1 "

Registration Nr. 40003044007

VAT Reg. nr. LV 40003044007

Address : Kalvenes -27, Aizpute, LV 3456

UNIT :LVL, EUR

BALANCE SHEET

On 30 SEPTEMBER 2006

ASSETS 1	Row code	30.09.06. LVL	30.09.05. LVL	30.09.06. EUR	30.09.05. EUR
1.LONG TERM INVESTMENT					
I. Intangible investments					
1.Concesions, patents, licenses, trade mark	50	2325	0	3308	0
Total intangible investments	60	2325	0	3308	0
II. Fixed assets					
1. Land, building.	70	398739	400225	567354	569469
2.Equipment and machinery	90	141385	120637	201173	171561
3.Other fixed assets	100	73995	26604	105285	37854
4.Fixed assets development costs	110	66934	186262	95239	265027
5.Prepayment for fixed assets	120	0	1686	0	2399
II Total fixed assets	130	681053	735414	969051	1046400
III. Long term financial investment					
1.Other investment and securities	180	0	691	0	983
2.Other loans	190				
III Total Long term financial investment	220	0	691	0	983
1.Total LONG TERM INVESTMENT	230	683378	736105	972359	1047383
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	341597	274352	486049	390368
2.Work in progress	250	170451	142215	242530	202354
3.Finished goods and goods for sale	260	130362	85645	185488	121862
5.Advance payment for goods	280	0	20035	0	28507
I. Total inventories	300	642410	522247	914067	743091
II. Debtors					
1.Trade debtors	310	150927	137250	214750	195289
4.Other debtors	340	1423	611	2025	869
7.Deferred expenses	370	1488	318	2117	452
II. Total debtors	380	153838	138179	218892	196610
III. Securities and capital participation					
IV . Cash	430	4640	8924	6602	12698
2.Total current assets	440	800888	669350	1139561	952399
Total assets	450	1484266	1405455	2111920	1999782

1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

LIABILITIES 1	Row code	30.09.06. LVL	30.09.05. LVL	30.09.06. EUR	30.09.05. EUR
1.CAPITAL					
1.Share capital	460	918144	918144	1306401	1306401
3.Revaluation reserve	480	-94	-94	-134	-134
4.Reserves					
a)legal reserves	490				
4.Total reserves	530				
5.Retained profit					
a) previous years retained profit	540	326891	312429	465124	444546
current year profit	550	2985	12267	4247	17454
1Total Capital and reserves	560	1247926	1242746	1775638	1768268
2.PROVISIONS					
3.CREDITORS					
1.Long term creditors					
Other loans	640	46203	30000	65741	42686
.Amounts payable to associated companies	650	40375	40375	57448	57499
1.Total long term creditors	750	86578	70375	123189	100135
2.Short-term creditors					
3. Other loans	780	8113	0	11544	0
4..Bank loan	790	10300	524	14656	746
5.Advances received from customers	800	5268	3895	7496	5542
6.Trade creditors	810	84088	44715	119646	63623
8.Amounts payable to associated companies	830	2437	0	3468	0
10.Taxes and social security payments	850	18467	23734	26276	33770
11.Other creditors	860	21089	19466	30007	27698
2. Total short-term creditors	900	149762	92334	213093	131379
Total creditors	910	236340	162709	336282	231524
Total liabilities	920	1484266	1405455	2111920	1999782

1 EUR uz 30.09.2005, 30.09.2006 = 0.702804 LVL

JSC "KURZEMES ATSLEGA 1"
 reg.No.40003044007
 Taxpayer No.LV40003044007
 Address : Kalvenes str.27, Aizpute

Profit or loss account
 30 September 2006

N.	Item	line No	30.09.06.	30.09.05.	30.09.06.	30.09.05.
			LVL	LVL	EUR	EUR
1	Net sales	10	1296473	1191276	1844715	1695033
2	Cost of sales	20	-1171994	-1053980	-1667597	-1499678
3	Gross profit	30	124479	137296	177118	195355
4	Distribution expenses	40	-12186	-7045	-17339	-10024
5	Administration expenses	50	-111082	-106587	-158055	-151660
6	Other operating income	60	29732	23435	42305	33345
7	Other operating expenses	70	-19899	-26591	-28314	-37836
8	Income from participation in subsidiary capital	80	0	0	0	0
			0	0	0	0
10	Income from other interest and similar incomes	100	20	13	28	18
11	Long term investments and		0	0	0	0
	short-terms bond write-off	110	0	0	0	0
12	Interest paid and similar expense	120	-2065	-1219	-2938	-1734
13	Operating profit	130	8999	19302	12804	27464
14	Extraordinary income	140	0	0	0	0
15	Extraordinary expenses	150	0	0	0	0
16	Profit before taxes	160	8999	19302	12804	27464
16	Corporate income tax	170	-1753	-2821	-2494	-4014
17	Other taxes	180	-4261	-4214	-6063	-5996
18	Net profit for the year	190	2985	12267	4247	17454

1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

Profit on 1 stock 30.06.2006 = 0.005 LVL

Profit on 1 stock 30.06.2005 = 0.01 LVL

The name of enterprise: **Joint-stock company "KURZEMES ATSLEGA 1"**

Reg.No.: **40003044007**

Address: **Kalvenes street 27, Aizpute, district Liepāja, LV3456, Latvia**

Cash flow statement 30 September 2006

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.09.06.	30.09.05.	30.09.06.	30.09.05.
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		8999	19302	12804	27464
Corrections:		59300	52089	84377	74116
a) Wear and tear of fixed assets;		57255	50883	81467	72400
b) Value cancellation if long-term investments;					
c) Formation of reserves (except the reserves for unreliable debt);					
d) Profit or loss from fluctuation of foreign currency exchange rate;					
e) Proceeds from partnership in capital of subsidiary company and associated enterprises					
f) Proceeds from no securities and loans, that have been made long-term investment					
g) The rest of incomes and similar incomes		-20	-13	-28	-18
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		2065	1219	2938	1734
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		68299	71391	97181	101580
Adjustments:		-50262	-3643	-71516	-5184
a) Increase or decrease of residues of debts of debtors;		-8066	-41325	-11477	-58800
b) Increase or decrease of residues of resources;		-67421	69168	-95931	98417
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		25225	-31486	35892	-44801
3. The gross cash flow of basic activity.		18037	67748	25665	96396
4. Expenses for interest payments.		-2065	-1219	-2938	-1734
5. Expenses for payments of enterprise income tax		-1753	-2821	-2494	-4014
6. Expenses for fixed asset tax payments		-4261	-4214	-6063	-5996
7. Cash flow before extraordinary items.		9958	59494	14170	84652
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		9958	59494	14170	84652

1.	2.	3.	4.	5.	8.
			0		0
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.					
3. Purchase of fixed assets and nonmaterial investments		-54380	-62210	-77376	-88517
4. Proceeds from sales of fixed assets and nonmaterial investments.		62376		88752	
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests		20	13	28	18
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		8016	-62197	11404	-88498
III. Financing activities					
1.	2.	3.	4.	5.	6.
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		3092	26425	4400	37599
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-20395	-16505	-29019	-23484
5. Expenses for redemption of hired fixed assets					
6. Dividends paid		-2617	-3285	-3724	-4674
7. Changes of reserves					
7. Net cash flow of financing activity		-19920	6635	-28343	9441
1	2	3	4	5	6
IV. The result of exchange rate fluctuations of foreign currency.					
V. The net cash flow of year of account		-1946	3935	-2769	5595
VI. The reminder of currency and its equivalents at the beginning of year of account.		6586	4992	9371	7103
VII. The reminder of currency and its equivalents at the end of year of account.		4640	8924	6602	12698

1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

JSC "KURZEMES ATSLEGA 1"
 reg.No.40003044007
 Taxpayer No.LV40003044007
 Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY
 30 September 2006 LVL

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
AS of 31 December 2004 LVL	918144	-94		317020	1235070
Current year profit				12267	12267
Dividend paid				-4591	-4591
As of 30 September 2005 LVL	918144	-94		324696	1242746
Current year profit				11377	11377
dividend paid					
As of 31 December 2005 LVL	918144	-94		336073	1254123
Current year profit				2985	2985
dividend paid				-9182	-9182
As of 30 September 2006	918144	-94		329877	1247927

JSC "KURZEMES ATSLEGA 1"
 reg.No.40003044007
 Taxpayer No.LV40003044007
 Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY
 30 September 2006 EUR

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
AS of 31 December 2004 LVL	1306401	-134		451079	1757346
Current year profit				17454	17454
Dividend paid				-6532	-6532
As of 30 September 2005 LVL	1306401	-134		462001	1768268
Current year profit				16187	16187
dividend paid					
As of 31 December 2005 LVL	1306401	-134		478188	1874455
Current year profit				4247	4247
dividend paid				-13064	-13064
As of 30 September 2006	1306401	-134		469370	1775638

1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

Accounting policy.

Report for the 9 months of 2006 is made accordingly Latvian book - keeping principles.

Profit or loss statement is made accordingly turnover costs model.

Cash flow overview is made stating main operation cash flow using the indirect method.

Comparing to the previous year accounting and evaluation methods have not been changed.

Fixed assets are evaluated on their purchasing price, excluding depreciation.

Depreciation are calculated linear, accordingly confirmed parameters.

All values of raw are evaluated accordingly their purchasing prices. Production in progress is evaluated accordingly the standard production costs. The finished goods are evaluated accordingly standard production costs. For calculation of stock value the average weight method is used (FIFO method).

Debtors debts in balance are stated in net value, deducting special accumulations for doubtful debt (at 30 SEPTEMBER 2006 – 3298.76 LVL).

All amounts of debtors debts in balance are expected to be received during one year.

All deals in foreign currency are booked accordingly the currency rate of the Bank of Latvia at the date of the deal. All foreign cash means at the end of the report period are evaluated accordingly the exchange rate of the Latvian bank on the last day of the report period.

Information for the ‘Balance sheet’.
1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

1. The rest of securities.

On the December 31 ,2005 to ‘KURZEMES ATSLEGA 1’JSC belonged 601 equities of ‘A/S NORD /LB Latvija’ at face value 0.01 LVL. The purchase price of these equities was 691.15 LVL. Actions are sold on April 21 st,2006 at the price of 3.30 LVL (a total sum 1983.30 LVL)

2. The distribution of trade debtors by countries

Valstis	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Latvia	96858	68438	137817	97378
Lituania	14138	28074	20117	39946
Estonia	3511	6505	4996	9256
Russia	2400	1967	3415	2799
Germany	4848	5972	6898	8497
Ukraina	29172	26294	41508	37413
Total	150927	137250	214750	195289

3.Joint –stock or share capital.

The share capital consists of 918144 equities with nominal value 1.00 LVL.
 48.36% (443976 equities)of share capital belongs to A/S ‘KURZEMES ATSLEGA 1’, reg.40003253124. 10% of share capital belongs to Bargain Trade Oy , Finland

4.Long term creditors)

Creditors	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Nordic Environment Finance Corporation	30668	30000	43637	42686
NORD LB/Lizings	15535	0	22104	0
A/S ‘Kurzemes Atslega’	40375	40375	57448	57449
Total	86578	70375	123189	100135

5. Other borrowings (Short-term creditors)

Creditors	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Nordic Environment Finance Corporation	7400	0	10529	0
NORD LB/Lizings	713	0	1015	0
Total	8113	0	11544	0

6. Borrowings from credit institutions.

Creditors	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
A/S NORD /LB Latvija	10300	524	14656	746

7.Trade creditors

Business partner	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Enterprises of Latvia	75390	36566	107270	52029
Enterprises of Lithuania	4800	8149	6830	11594
Enterprises of Italy	3898	0	5546	0
TOTAL	84088	44715	119646	62623

8.Liabilities to associated Enterprises

Business partner	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
A/S "Kurzemes atslega"	2437	0	3468	0

9. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Income tax of inhabitants	6871	6120	9777	8708
Obligatory payments of the state social insurance	10890	10274	15495	14618
Other taxes	706	7340	1004	10444
Total	18467	23734	26276	33770

10. The rest of creditors.

Kind of creditors	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Wages for September	14525	16590	20667	23605
Dividend	6564	1308	9340	1861
Other creditors	0	1568	0	2232
Total	21089	19466	30007	27698

Information for the ''Profit and loss account''.

1 EUR 30.06.2005, 30.06.2006 = 0.702804 LVL

1. Net sales

Modus operandi	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Incomings from production of locks and ironmongery	1256064	1158289	1787218	1648096
Incomings from sales of goods in shop	25667	18915	36521	26914
Incomings from rendering of services	14742	14072	20976	20023
Incomings from rendering of public facilities	1296473	1191276	1844715	195033
Total:	1256064	1158289	1787218	1648096

2. Production costs of sales.

The main elements of expenses	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Material costs	738131	598059	1050266	850961
Wages	268377	248172	381866	353117
Obligatory payments of the state social insurance	62970	57594	89598	81949
Electrical energy	42345	34766	60252	49468
Costs of depreciation of fixed	57225	50883	81424	72400
The rest of expenses	71737	53281	102073	75812
Expenses in total	1240785	1042755	1765478	1483707
Correction of expenses			0	
Changes of remains of unfinished production	-20076	2626	-28566	3736
Changes of remains of self-made punches, molds and materials	-16624	-14332	-23654	-20393
Changes of remains of complete product	-11979	64806	-17045	92211
Changes of remains self-made fixed assets	-20112	-41875	-28617	-59583
Total	1171994	1053980	1667597	1499678

3. Administration expenses.

The main elements of expenses	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Wages	82642	78631	117589	111882
Social expenses	20068	18734	28554	26656
The rest of expenses	8372	9222	11912	13122
Total	111082	106587	158055	151660

4. The rest of incomes for economic activity

Sort of revenue	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
Sales of current assets	21089	19737	30007	28084
Incomes from exchange rate fluctuations	0	1408	0	2003
The rest of incomes	8643	2290	12298	3258
Total	29732	23435	42305	33345

5. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.06 LVL	30.09.05 LVL	30.09.06 EUR	30.09.05 EUR
First cost of sold current assets	13049	17487	18567	24882
Expenses for social sphere	3001	1691	4270	2406
Expenses, unrelated with economic activity, donations	3849	7413	5477	10548
Total	19899	26591	28314	37836

Chairman of Board:

Aivars Puisitis

Members of Board :

Janis Plume

Inara Burve