



JOINT STOCK COMPANY

„RĪGAS AUTOELEKTROAPARĀTU RŪPNĪCA”

Reg. No 40003030454

Report for the first three months of 2005

(not audited)

BALANCE SHEET

For the first three
months of 2005

K=0,703 K=0,703

			LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
1	2	3	4	5	6	7
A. LONG-TERM INVESTMENTS						
1. Intangible assets						
1.1. Patents, licenses and similar rights		010	42886	47166	61004	67092
1. TOTAL		020	42886	47166	61004	67092
2. Fixed assets						
2.1. Land, buildings and constructions		030	1036788	1040117	1474805	1479541
2.2. Equipment and machinery		040	187820	201832	267169	287101
2.3. Other fixed assets and inventory		050	27135	29139	38599	41449
2.4. Construction in progress		060	90040	90040	128080	128080
2. TOTAL		070	1341783	1361128	1908653	1936171
3. Long-term financial investments						
3.1. Participation in capital of affiliated companies		080	1040	1040	1479	1479
3. TOTAL		090	1040	1040	1479	1479
A. TOTAL		100	1385709	1409334	1971136	2004742
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, direct materials and auxiliary materials		110	562719	563128	800454	801036
1.2. Work in progress		120	98260	95401	139772	135706
1.3. Finished goods and goods for sale		130	585918	466570	833454	663684
1.4. Advance payments for goods		140	18257	21929	25970	31193
1. TOTAL		150	1265154	1147028	1799650	1631619
2. Receivables						
2.1. Trade receivables		160	964680	1271538	1372233	1808731
2.2. Other receivables		170	87611	93956	124625	133650
2.3. Deferred expenses		180	2828	3088	4023	4393
2. TOTAL		190	1055119	1368582	1500881	1946774
3. Cash		200	462661	411307	658124	585074
3. TOTAL		210	2782934	2926917	3958655	4163467
B. TOTAL		210	2782934	2926917	3958655	4163467
TOTAL ASSETS		220	4168643	4336251	5929791	6168209

BALANCE SHEET

For the first three months
of 2005

K=0,703 K=0,703

			LVL	LVL	EUR	EUR
LIABILITIES	Notes	Row code	At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
1	2	3	4	5	6	7
A. Equity capital						
1. Share capital		230	3265368	3265368	4644904	4644904
2. Reserves:		240	165625	165625	235598	235598
a) other reserves		250	165625	165625	235598	235598
TOTAL		260	3430993	3430993	4880502	4880502
3. Retained profit:						
a) brought forward from previous years		270	250195	250195	355896	355896
b) for the current year		280	-28971		-41211	
A. TOTAL		290	3652217	3681188	5195187	5236398
B. CREDITORS						
1. Long-term liabilities						
1.1. Debts to suppliers and contractors		300	300037	300037	426795	426795
1. TOTAL		310	300037	300037	426795	426795
2. Current liabilities						
2.1. Advance payments from customers		320	34332	6515	48837	9267
2.2. Trade creditors		330	40693	54971	57885	78195
2.3. Taxes and social security payments		340	28343	14045	40317	19979
2.4. Other creditors		350	63818	64636	90780	91943
2.5. Accumulated obligations		360	49203	214859	69990	305632
2. TOTAL		370	216389	355026	307809	505016
B. TOTAL		380	516426	655063	734604	931811
TOTAL LIABILITIES		390	4168643	4336251	5929791	6168209

PROFIT OR LOSS ACCOUNT
For the first three months of 2005

K=0,703 K=0,703

No	Items	Row code	LVL	LVL	EUR	EUR
			The first three months of 2005	The first three months of 2004	The first three months of 2005	The first three months of 2004
	1	3	4	5	6	7
1	Net turnover	010	889516	1267024	1265314	1802310
2	Cost of sales	020	866948	1009698	1233212	1436270
3	Gross profit or loss	030	22568	257326	32102	366040
4	Selling expenses	040	19889	107427	28292	152812
5	Administrative expenses	050	68861	62723	97953	89222
6	Other operating income	060	84075	52720	119595,00	74993
7	Other operating expenses	070	40456	47527	57548	67606
8	Interest receivable and similar income	080	970	3575	1380	5085
9	Interest payable and similar expenses	090	4316		6139	
10	Profit or loss before extraordinary items and taxes	100	-25909	95944	-36855	136478
11	Profit or loss before taxes	110	-25909	95944	-36855	136478
12	Other taxes	120	3062	3101	4356	4411
13	Profit or loss for the period	130	-28971	92843	-41211	132067
14	Earnings per share		-	0,017	-	0,024

STATEMENT OF CASH FLOWS for the first three months of the year 2005

A. Cash flow from operating activities

K=0,703 K=0,703

No	ITEMS	2005	2004	2005	2004
		three months	three months	three months	three months
		LVL	LVL	EUR	EUR
1	Income from sales and services	1233542	1318752	1754683	1875892
2	Payments to suppliers for goods and services	-921313	1024155	1310545	-1456835
3	Payments to employees and in their interests or to the third persons according to their orders	-241704	-192988	-343818	-274521
4	Other expenses for economic activities	-10708	-13828	-15232	-19670
5	Income from other economic activities	4547	6213	6468	8838
6	Tax payments	-52111	-25444	-74127	-36193
7	Received taxes (VAT)	254		361	
8	Deferred expenses	-2593	-2134	-3688	-3036
	Cash flow from gross operating activities	9914	66416	14102	94475
9	Interest expenses	-4552		-6475	
10	Real estate tax payments	-3063	-3101	-4357	-4411
	TOTAL	2299	63315	3270	90064
A.	Net cash flow from operating activities	2299	63315	3270	90064

B. Cash flow from investment activities

No	ITEMS	2005	2004	2005	2004
		three months	three months	three months	three months
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-1238	-11113	-1761	-15808
2	Sales of intangible and fixed assets	36985	2970	52610	4225
3	Repaid loans	960	300	1366	427
	TOTAL	36707	-7843	52215	-11156
B.	Net cash from investment activities	36707	-7843	52215	-11156

C. Cash flow from financing

No	ITEMS	2005	2004	2005	2004
		three months	three months	three months	three months
		LVL	LVL	EUR	EUR
1	Received interest for deposit	970	3575	1380	5085
	TOTAL	970	3575	1380	5085
C.	Net cash flow from financing	970	3575	1380	5085

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2005 three months	2004 three months	2005 three months	2004 three months
		LVL	LVL	EUR	EUR
A	The result from operating activities	2299	63315	3270	90064
B	The result from investment activities	36707	-7843	52215	-11156
C	The result from financing	970	3575	1380	5085
D	The result from currency rate fluctuations	11378	-2287	16185	-3253
	Cash increase or decrease	51354	56760	73050	80740
	Cash and cash equivalents at the beginning of the year	411307	493628	585074	702173
	Cash and cash equivalents at the end of the year	462661	550388	658124	782913

STATEMENT OF EXCHANGES IN EQUITY
for the first three months the year 2005

(LVL)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2003	3265367	726466	-560841	3430992
Issue of a share reg. on Jun.30, 2004	1			1
Write-off of the losses of previous years		-560841	560841	0
Profit of the year 2004			250195	250195
On Dec.31, 2004	3265368	165625	250195	3681188
Losses of the year 2005			-28971	-28971
On March 31,2005	3265368	165625	221224	3652217

K=0,703 (EUR)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2003	4644903	1033380	-797782	4880501
Issue of a share reg. on Jun.30, 2004	1			1
Write-off of the losses of previous years		-797782	797782	0
Profit of the year 2004			355896	355896
On Dec.31, 2004	4644904	235598	355896	5236398
Losses of the year 2005			-41211	-41211
On March 31,2005	4644904	235598	314685	5195187

Chairman of the
Management Board

A. Auzinsh

Notes to the financial statements for the first three months of 2005.

The report is prepared in accordance with the law „On accountancy”, „On the annual reports of enterprises” and Latvian accounting standards Nr 1 and Nr 2.

Profit or loss account is prepared in accordance with methods of turnover expenses.

Statement of cash flows is prepared using the direct method.

The financial statements include comparable information of the same period of the previous year.

The financial statements are presented in the national currency of Latvia, the lat (LVL) and in euro.

1. Intangible assets. Balance sheet –row code 010.

At the end of the period the total value of patents, licenses and similar rights was 42886 LVL. Long-term investments are written off over 5 years.

2. Buildings, constructions and land are registered in Land Register and is the property of „RAR”.

Balance sheet –row code 030.

Balance value at the end of the period: 1036788 LVL.

of them : buildings and constructions - 815907 LVL; land - 220881 LVL.

3. Participation in capital of affiliated companies. Balance sheet – row code 080.

Investments in the share capital of joint venture „ARV”,Ltd. - **1040 LVL (50% of the share capital)** – production of steering column switches in Russia, Vladimir city.

4. Inventory. Balance sheet –row code 110; 120;130;140.

4.1. The total value of raw materials and sub-components in the warehouses is 562719 LVL and they provide the process of production for two months.

4.2. The reserves of work in progress (parts) 98260 LVL provide the process of production for two weeks.

4.3. The reserves of finished goods increased by 119348 LVL because of changes in orders related with seasonal fluctuations and changes of delivery time by separate business partners.

4.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL</i>
Enterprises of Russia	For materials	6714,87
Enterprise of Germany	For materials	332,57
Enterprise of Lithuania	For materials	1057,72
Enterprise of China	For materials	4468,80
Enterprises of Latvia	For materials	5596,70
Enterprise of France	For materials	85,96
	Total:	18256,62

5. Receivables.

5.1. Trade receivables. Balance sheet –row code 160

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprises of Russia	For the goods	714518,10
Enterprises of the Ukraine	For the goods	85771,60
Enterprises of Belarus	For the goods	145566,18
USA (Adventure Service)	For the goods	7216,18
Enterprises of Latvia	For the goods	11607,58
	Total:	964679,64

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 45 up to 60 days.

5.2. Other receivables. Balance sheet –row code 170.

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprise of Russia	For the goods	19282,71
Enterprise of Latvia	Agreement of lease	1625,40
Enterprise of Russia	Certification of the production	7763,87
Enterprises of Latvia	Agreement of lease	1091,03
Enterprises of Latvia	For electric power	402,95
Employees of the enterprise	Settlements for business trips and other operating expenses	6855,43
Employees of the enterprise	Short-term loans to the employees	1030,00
State Revenue Service	Overpaid taxes (VAT)	37914,29
Enterprises of Latvia	VAT on unpaid invoices	4659,12
Enterprise of China	Samples of materials	465,52
Enterprises of Latvia	Scrap-metal sales	1117,14
Enterprises of Latvia	Services	5384,24
Custom	Custom's duty	19,05
Total:		87610,75

5.3. Deferred expenses. Balance sheet –row code 180.

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL</i>
Riga Stock exchange	2005	1250,00
Newspaper „Diena”	2005	149,02
Transport insurance	2005	351,65
„Atlas turs”,Ltd.	2005	1017,29
Other enterprises of Latvia	2005	60,79
Total:		2828,75

6. Cash and cash equivalents on March 31, 2005 Balance sheet –row code 200.

<i>Cash location</i>	<i>Currency</i>	<i>Balance In currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL</i>
Shop-warehouse and cash department	LVL			4450,76
	EUR	3672	0,7028040	2580,70
	USD	2370	0,543	1286,91
	Total: 1			8318,41
Current accounts	LVL			141599,63
	USD	178408,96	0,543	96876,07
	EUR	189139,76	0,7028040	132928,18
	RUR	4253274,68	0,0195	82938,85
	Total: 2			454342,73
	Total: 1+2			462661,14

7. Share capital. Balance sheet –row code 230.

Share capital of the company is 3265368 LVL. The nominal value of each share is 1,00 LVL.

The shareholders as on March 31,2005 :

JSC“ BALTIJAS HOLDINGS “ - 30,7 % ; SIA “ Tehprojekts” - 30,7 %
 SJSC VSAA - 5,0%
 LTD RB Securities - 5,9%

Other

- 27,7%

8. Reserves. Balance sheet row code- 240.

The shareholders' meeting in 2003 took a decision to diminish the share capital and to create reserves. The losses of the previous years are written off of the reserves. Balance of the reserves on March 31,2005 – 165625 LVL.

9. Long-term liabilities. Balance sheet row code - 300 .

Debt for obtained equipment is 265037,02 LVL. According to the agreement it shall be paid in 2007. 35000LVL are transferred to JSC„RAR” as investments according to the rules of privatization.

10. Current liabilities.

10.1. Advance payments from customers. Balance sheet row code- 320 .

<i>Business partner</i>	<i>Advance payments</i>	<i>Total LVL</i>
Enterprises of Latvia	For goods and services	606,84
Enterprise of the Ukraine	For goods	3724,60
Enterprises of Latvia	Preliminary contract of real estate's purchase	30000,00
Total:		34331,44

10.2. Trade creditors. Balance sheet row code- 330

<i>Business partner</i>	<i>Substantiation</i>	<i>Total LVL</i>
Enterprises of Latvia	For materials	341,91
Enterprise of England	For materials	215,73
Enterprise of France	For materials	36,23
PSJSC „Latvenergo”	Contract	12557,19
JSC „Rīgas siltums”	Contract	15953,23
ME „Rīgas ūdens”	Contract	746,82
Enterprise of Latvia	For repairs	1052,49
Enterprise of Russia	For services	8822,39
Other enterprises of Latvia	For services	967,34
Total:		40693,33

10.3. Taxes and social security payments. Balance sheet row code- 340.

<i>Tax</i>	<i>Total LVL</i>	<i>Date of payment</i>
Personal income tax	12926,12	April,2005
Social security payments	5589,64	April,2005
Business risk fee	148,75	April,2005
Natural resource tax	110,98	April,2005
Income tax of the enterprise	9567,45	April,2005
Total:	28342,94	

10.4. Other creditors. Balance sheet row code- 350.

<i>Debt</i>	<i>Total LVL</i>	<i>Date of payment</i>
Salary	62127,12	April,2005
Interest payable (contract of equipment's purchase)	1493,88	April,2005
Other deals	196,89	April,2005
Total:	63817,89	

10.5. Accumulated obligations. Balance sheet row code - 360.

1. The balance sheet at the end of 2004 as accumulated obligations for short term creditors include the predicted commission 134606,04 LVL for advertising, marketing and transport services, which were really received in 2004, but for which the invoices were not received yet. The value of invoices received and paid during the first three months of the year for the services which were received in 2004 was written off of the accumulated obligations. **Balance of the accumulated obligations on March 31, 2005 was 1335 LVL.**

2. In accordance with the law „On the annual reports of enterprises” provisions for vacations are calculated in total 80252,81 LVL. The expenses for the drawn up vacations during the first three months of 2005 for the year 2004 were written off of the created provisions. **Balance on March 31, 2005 was 47868,30 LVL.**

11. Profit or loss account.

The operating activities of the JSC”RAR” during the first three months of 2005 resulted in losses - 28971 LVL. The main reasons:

1. net turnover decreased by 29,8% if compared with the first three months of 2004;
2. the expenses per 1 lat of net turnover have increased.

Row code	Item	The first three months of 2005 LVL	The first three months of 2004 LVL	%
010	Net turnover	889516	1267024	70,2
020	Cost of sales	866948	1009698	85,9
030	Gross profit or loss	22568	257326	
	Expenses per 1 lat in santims (020 : 010)	97,5	79,7	

Row code	Item	The first three months of 2005 LVL	The first three months of 2004 LVL
020	Cost of sales in total: of them	866948	1009698
	Account 7.1-costs of materials and sub-components including transport expenses , custom fees and import duties	469168	612720
	Account 7171,7172 –electric power	61831	68253
	Account 7170 -contracts (for repairing works and maintenance of different systems)	3351	1371
	Account 7.2,7.3-salaries and social security payments	274148	275297
	Account 7.4- amortization:	47031	24117
	Account 7.5- operating expenses: total	11419	27940
	of them 7540- insurance expenses (goods, buildings, equipment and machinery)	470	22268
	7550;7551; 7560;7570 – certification of the production, expenses for work safety and other operating expenses ;	10949	5672
040	Selling expenses, account 7.6. total:	19889	107427
	of them 7600- salaries and social security payments.	7605	6560
	7610;7620- wrapping and transport costs.	9053	6080

	7670- marketing services according to contracts (explanation in part 10.5 -1.)	75	89826
	7601;7650;7660 – other expenses;	3156	4961
050	Administrative expenses, account 7.7.total :	68861	62723
	of them 7700- salaries and social security payments.	56919	51247
	7710- communication expenses.	4512	4020
	7750- bank services.	1124	1194
	7720;7730;7740;7760; 7770; 7790- other administrative and representation expenses;	6306	6262

060	Other operating income :	84075	52720
	of them – income of foreign exchange rate revaluations - 8150, 8170;	60430	24805
	- income from sales of fixed assets;	15065	3342
	- income from rent charges;	4098	3584
	- other income (selling of scrap, materials and tools)	4482	13007
	-income from certificates of privatization (28 LVL- purchase price)		7982

070	Other operating expenses:	40456	47527
	of them – from sales of foreign currency;	33456	37426
	- other expenses ;	7000	10101
080	Interest receivable (deposit)	970	3575
090	Interest payable (contract for equipment purchase)	4316	
110	Profit or loss before taxes.	-25909	95944
120	Real estate tax (buildings and constructions; land)	3062	3101
130	Profit or loss for the period.	-28971	92843