



JOINT STOCK COMPANY

„RĪGAS AUTOELEKTROAPARĀTU RŪPNĪCA”

Reg. No 40003030454

Report for the first nine months of 2005

(not audited)

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Information about the company

1. Name of the company

Joint Stock Company “Rīgas autoelektroaparātu rūpnīca”

2. Registration number and date

No 40003030454 from June 30, 2004

3. Address and contacts

2, Klijanu street, Riga, Latvia, LV-1013

Phone +371 7378670

Fax +371 7372581

4. Equity capital on September 30, 2005

3265509 LVL ; nominal value of a share 1.00 LVL

Supervisory Board

Ēriks Kaža (Chairman)

Gunārs Lubis (Vice Chairman)

Viktors Rojs

Kristina Kaža

Tatjana Levenkova

Management Board

Alfrēds Auziņš (Chairman)

Zigurds Kalniņš

Maksims Araslanovs

5. Auditor

Ēvalds Figurnovs,

“Sarguns” reg. No LV41503013991

13, Malnavas street, Riga

6. Average number of employees in the reporting period - 405

The company’s “Rīgas autoelektroaparātu rūpnīca” profile of production and basic activities:

- production of control and measuring devices for motorcars and tractors, automotive accessories and different locks;
- designing of new devices as well as designing and manufacturing of tooling and instruments

The following technological processes are used in the manufacturing: metal machining and punching, pressure casting of zinc alloys, moulding of plastics, electroplating and paint coating and assembling of finished products.

The products of the enterprise are specific and are intended mainly for complete set of automobiles and agricultural machinery in Russia, Ukraine and Belarus.

Since 2003 the company has introduced quality management system corresponding to ISO 9001:2000. In 2005 the personnel continues to perfect the quality management system.

BALANCE SHEET

**For the first nine
months of 2005**

K=0.703 K=0.703

			LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period 30.09.05.	At the beginning of the year 01.01.05.	At the end of the period 30.09.05.	At the beginning of the year 01.01.05.
1	2	3	4	5	6	7
A. LONG-TERM INVESTMENTS						
1. Intangible assets						
1.1. Patents, licenses and similar rights	1	010	34278	47166	48760	67092
1. TOTAL		020	34278	47166	48760	67092
2. Fixed assets						
2.1. Land, buildings and constructions	2	030	1041516	1040117	1481531	1479541
2.2. Equipment and machinery		040	165488	201832	235402	287101
2.3. Other fixed assets and inventory		050	27796	29139	39539	41449
2.4. Construction in progress		060	90040	90040	128080	128080
2.5. Advance payments for fixed assets	3	070	79727		113410	
2. TOTAL		080	1404567	1361128	1997962	1936171
3. Long-term financial investments						
3.1. Participation in capital of affiliated companies	4	090	1040	1040	1479	1479
3. TOTAL		100	1040	1040	1479	1479
A. TOTAL		110	1439885	1409334	2048201	2004742
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, direct materials and auxiliary materials	5.1.	120	640220	563128	910697	801036
1.2. Work in progress	5.2.	130	113094	95401	160873	135706
1.3. Finished goods and goods for sale	5.3.	140	414958	466570	590267	663684
1.4. Advance payments for goods	5.4.	150	12918	21929	18376	31193
1. TOTAL		160	1181190	1147028	1680213	1631619
2. Receivables						
2.1. Trade receivables	6.1.	170	1048437	1271538	1491375	1808731
2.2. Other receivables	6.2.	180	96150	93956	136771	133650
2.3. Deferred expenses	6.3.	190	2935	3088	4175	4393
2. TOTAL		200	1147522	1368582	1632321	1946774
3. Cash	7	210	600421	411307	854084	585074
B. TOTAL		220	2929133	2926917	4166618	4163467
TOTAL ASSETS		230	4369018	4336251	6214819	6168209

BALANCE SHEET

For the first nine months
of 2005

K=0.703 K=0.703

			LVL	LVL	EUR	EUR
LIABILITIES	Notes	Row code	At the end of the period 30.09.05.	At the beginning of the year 01.01.05.	At the end of the period 30.09.05.	At the beginning of the year 01.01.05.
1	2	3	4	5	6	7
A. Equity capital						
1. Share capital	8	240	3265509	3265368	4645105	4644904
2. Reserves:	9	250	165625	165625	235598	235598
a) other reserves		260	165625	165625	235598	235598
TOTAL		270	3431134	3430993	4880703	4880502
3. Retained profit:						
a) brought forward from previous years		280	250195	250195	355896	355896
b) for the current year		290	21892		31141	
A. TOTAL		300	3703221	3681188	5267740	5236398
B.CREDITORS						
1. Long-term liabilities						
1.1. Debts to suppliers and contractors	10	310	300037	300037	426795	426795
1. TOTAL		320	300037	300037	426795	426795
2. Current liabilities						
2.1. Advance payments from customers	11.1.	330	30175	6515	42923	9267
2.2. Trade creditors	11.2.	340	271712	54971	386503	78195
2.3. Taxes and social security payments	11.3.	350	395	14045	562	19979
2.4. Other creditors	11.4.	360	63478	64636	90296	91943
2.5. Accumulated obligations	11.5.	370		214859		305632
2. TOTAL		380	365760	355026	520284	505016
B.TOTAL		390	665797	655063	947079	931811
TOTAL LIABILITIES		400	4369018	4336251	6214819	6168209

PROFIT OR LOSS ACCOUNT

For the first nine months of 2005

K=0,703

No	Items	Notes	Row code	LVL	LVL	EUR	EUR
				The first nine months of 2005	The first nine months of 2004	The first nine months of 2005	The first nine months of 2004
	1	2	3	4	5	6	7
1	Net turnover	12	010	3986349	4465577	5670482	6352172
2	Cost of sales		020	3633573	3346828	5168667	4760779
3	Gross profit or loss		030	352776	1118749	501815	1591393
4	Selling expenses		040	178845	261283	254403	371668
5	Administrative expenses		050	206692	197289	294014	280639
6	Other operating income		060	220259	182194	313313	259166
7	Other operating expenses		070	136347	287823	193950	409421
8	Interest receivable and similar income		080	3256	10232	4632	14555
9	Interest payable and similar expenses		90	13395	12083	19054	17188
10	Profit or loss before extraordinary items and taxes		100	41012	552697	58339	786198
11	Profit or loss before taxes		110	41012	552697	58339	786198
	Income tax		120	7720		10982	
12	Other taxes (Real estate tax)		130	11400	11552	16216	16433
13	Profit or loss for the period		140	21892	541145	31141	769765

Earnings per share

0,007

0,166

0,010

0,236

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

A. Cash flow from operating activities

K=0.703

K=0.703

No	ITEMS	2005	2004	2005	2004
		nine months	nine months	nine months	nine months
		LVL	LVL	EUR	EUR
1	Income from sales and services	4319271	3869249	6144055	5503910
2	Payments to suppliers for goods and services	-3104583	-3158489	-4416192	-4492872
3	Payments to employees and in their interests or to the third persons according to their orders	-747115	-652288	-1062753	-927863
4	Other expenses for economic activities	-31200	-37382	-44381	-53175
5	Income from other economic activities	17296	23566	24603	33522
6	Tax payments	-152801	-102983	-217356	-146491
7	Received taxes (VAT)	783		1114	
8	Deferred expenses	-7639	-6577	-10866	-9355
	Cash flow from gross operating activities	294012	-64904	418224	-92324
9	Interest expenses	-15132	-8563	-21525	-12181
10	Income tax payments	-15987		-22741	
11	Real estate tax payments	-11406	-11552	-16225	-16432
	TOTAL	251487	-85019	357733	-120937
A.	Net cash flow from operating activities	251487	-85019	357733	-120937

B. Cash flow from investment activities

No	ITEMS	2005	2004	2005	2004
		nine months	nine months	nine months	nine months
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-114242	-32670	-162506	-46472
2	Sales of intangible and fixed assets	38639	17860	54963	25405
3	Issued loans	-8250	-2000	-11735	-2845
4	Repaid loans	1190	1120	1693	1593
5	Received interest		887		1262
	TOTAL	-82663	-14803	-117585	-21057
B.	Net cash from investment activities	-82663	-14803	-117585	-21057

C. Cash flow from financing

No	ITEMS	2005	2004	2005	2004
		nine months	nine months	nine months	nine months
		LVL	LVL	EUR	EUR
1	Income from issue of shares or bonds	141	1	201	1
2	Received interest for deposit	3256	9112	4631	12962
	TOTAL	3397	9113	4832	12963
C.	Net cash flow from financing	3397	9113	4832	12963

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2005 nine months	2004 nine months	2005 nine months	2004 nine months
		LVL	LVL	EUR	EUR
A	The result from operating activities	251487	-85019	357733	-120937
B	The result from investment activities	-82663	-14803	-117585	-21057
C	The result from financing	3397	9113	4832	12963
D	The result from currency rate fluctuations	16893	-11152	24030	-15863
	Cash increase or decrease	189114	-101861	269010	-144894
	Cash and cash equivalents at the beginning of the year	411307	493628	585074	702173
	Cash and cash equivalents at the end of the year	600421	391767	854084	557279

STATEMENT OF EXCHANGES IN EQUITY
for the first nine 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 June 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
Issue of shares reg. on June 10, 2005	141			141
Profit (+) or losses (-) of the reporting period			21892	21892
On September 30, 2005	3265509	165625	272087	3703221

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 June 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
Issue of shares reg. on June 10, 2005	201			201
Profit (+) or losses (-) of the reporting period			31141	31141
On September 30, 2005	4645105	235598	387037	5267740

Notes to the financial statements for the first nine 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 (EUR).

1. Intangible assets. Balance sheet –row code 010

At the end of the period the total value of patents, licenses and similar rights was 34278 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: 1041516 LVL

including: buildings and constructions - 820635 LVL; land - 220881 LVL

Value of buildings is increased as a result of capital repairs (repairs of windows in the assembly shop).

3. Advance payments for fixed assets. Balance sheet – row code 070

Advance payments for reconstruction works of electroplating shop and for new equipment.

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL</i>
Enterprises of Belarus	For machinery	24570.03
Enterprise of Lithuania	For machinery	12650.47
Enterprise of Lithuania	Complementary parts for reconstruction	843.36
Enterprises of Latvia	For reconstruction works	38346.22
Enterprises of Latvia	Capital repairs of heating main (detail design)	3317.16
	Total:	79727.24

4. Participation in capital of affiliated companies. Balance sheet – row code 090

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.

5. Inventory. Balance sheet –row code 120;130;140;150

5.1. The total value of raw materials and sub-components in the warehouses is 640220 LVL and they provide the process of production for two months.

5.2. The reserves of work in progress (parts) 113094 LVL provide the process of production for two weeks.

5.3. The reserves of finished goods 414958 LVL ensure deliveries in time according to the signed contracts (delivery volume of a month). The increase of the value of stocks if compared with the value at the beginning of the year is due to the increase of material, sub-component and fuel prices. That raised the value of the stocks.

5.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL</i>
Enterprises of Russia	For materials	7310.70
Enterprises of Germany	For materials	2382.51
Enterprises of Latvia	For materials	1407.63
Enterprises of Taiwan	For materials	1817.00
	Total:	12917.84

6. Receivables

6.1. Trade receivables. Balance sheet –row code 170

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprises of Russia	For the goods	575796.23
Enterprises of Belarus	For the goods	445266.96
USA (Adventure Service)	For the goods	7216.18
Enterprises of Latvia	For the goods	20158.07
Total:		1048437.44

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days.

6.2. Other receivables. Balance sheet –row code 180

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprise of Russia	For the goods	19282.71
Enterprises of Latvia	Other sales	2533.16
Enterprises of Latvia	Agreement of lease	1021.37
Employees of the enterprise	Settlements for business trips and other operating expenses	11272.70
Employees of the enterprise	Short-term loans to the employees	7155.00
State Revenue Service	Overpaid taxes (VAT)	48780.27
State treasury	Other overpaid taxes	2418.12
Enterprises of Latvia	VAT on unpaid invoices	1849.18
Enterprise of Latvia	Scrap-metal sales	1837.90
Total:		96150.41

6.3. Deferred expenses. Balance sheet –row code 190

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL</i>
Riga Stock exchange	2005, 4 th quarter	1250.00
Newspaper „Diena”	2005, 4 th quarter	149.02
Transport insurance	2005	360.75
„Atlas turs”,Ltd.	2005	1087.42
Other enterprises of Latvia	2005	87.75
Total:		2934.94

7. Cash and cash equivalents on September 30, 2005 Balance sheet –row code 210

<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	LVL			74.21
and treasury	LVL			5006.38
	EUR	2262	0.7028040	1589.74
	USD	8081	0.583	4436.63
	Total: 1			11106.96
Current accounts	LVL			179863.46
	USD	330073.36	0.583	241209.83
	EUR	182268.44	0.7028040	147941.87
	RUR	4689342.63	0.0204	20298.77
	Total: 2			589313.93
	Total: 1+2			600420.89

8. Share capital. Balance sheet –row code 240

Share capital of the company is 3265509 LVL. The nominal value of each share is 1.00 LVL.

The shareholders as on September 30, 2005:

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

Other physical and legal persons

9. Reserves. Balance sheet row code- 250

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 September 30, 2005 – 165625 LVL.

10. Long-term liabilities. Balance sheet row code - 310

Debt for obtained machinery 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. In total 300037.02 LVL.

11. Current liabilities

11.1. Advance payments from customers. Balance sheet row code- 330

<i>Business partner</i>	<i>Advance payments</i>	<i>Total LVL</i>
Enterprises of Latvia	For goods and services	175.06
Enterprises of Latvia	Preliminary contract of real estate’s purchase	30000.00
Total:		30175.06

11.2. Trade creditors. Balance sheet row code- 340

<i>Business partner</i>	<i>Substantiation</i>	<i>Total LVL</i>
Enterprises of Latvia	For materials	242215.53
Enterprise of England	For materials	215.74
Enterprise of Germany	For materials	15393.52
PSJSC „Latvenergo”	Contract	11637.55
ME „Rīgas ūdens”	Contract	929.70
Enterprise of Russia	For services	80.81
Other enterprises of Latvia	For services	1238.91
Total:		271711.76

11.3. Taxes and social security payments. Balance sheet row code- 350

<i>Tax</i>	<i>Total LVL</i>	<i>Date of payment</i>
Business risk fee	142.85	October, 2005
Natural resource tax	251.99	October, 2005
Total:	394.84	

11.4. Other creditors. Balance sheet row code- 360

<i>Debt</i>	<i>Total LVL</i>	<i>Date of payment</i>
Salary	60213.46	October, 2005
Deductions from salaries (collection orders)	1258.25	October, 2005
Interest payable (contract of equipment’s purchase)	1506.22	October, 2005
For machinery	500.00	October, 2005
Total:	63477.93	

11.5. Accumulated obligations. Balance sheet row code - 370

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 six months of the year for the services which were received in 2004 was written off of the accumulated obligations.
There are no more provisions on September 30, 2005.
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 nine months of 2005 for the year 2004 were written off of the created provisions.
There are no more provisions on September 30, 2005.

12. Profit or loss account

Breakdown of net turnover by kind of production: (LVL and %)

Net turnover Total:	including		
	Control and measuring devices for vehicles	Locks	Various orders
3986349	3894678	63433	28238
100%	97.7%	1.6%	0.7%

Breakdown of net turnover by geographical markets: (LVL and %)

Net turnover Total	including				
	Russia	Belarus	Ukraine	EU	Latvia
3986349	1832644	1180337	743883	35003	194482
100%	45.97%	29.61%	18.66%	0.88%	4.88%

Row code	Item	The first nine months of 2005 LVL	The first nine months of 2004 LVL	%
010	Net turnover	3986349	4465577	89.3
020	Cost of sales	3633573	3346828	
030	Gross profit or loss	352776	1118749	
	Costs for 1 LVL of net turnover (sant.)	91.15	74.95	

The operating activities of the JSC"RAR" during the first nine months of 2005 resulted in profit - 21892 LVL. The net turnover in nine months of 2005 has diminished if compared with that in the same period of the previous year and is 89,3% of it. Due to the rapid rise of material, sub-component, energy and fuel prices in 2005 the expenses have increased.

Row code	Item	The first nine months of 2005 LVL	The first nine months of 2004 LVL
020	Cost of sales in total: of them	3633573	3346828
020.1	Account 7.1-costs of materials and sub-components including transport expenses, custom fees and import duties	2286304	2088263
020.2	Account 7171 –electric power	136516	131511
020.3	Account 7170 -contracts (for repairing works and maintenance of different systems)	18361	19632
020.4	Account 7.2,7.3-salaries and social security payments	1018633	940159
020.5	Account 7.4- amortization	128221	73435
020.6	Account 7.5- operating expenses: total	45538	93828
	including 7540- insurance expenses (goods, buildings, equipment and machinery)	3183	72673
	7551 - certification of the production	22176	2862
	7550; 7560; 7570 –expenses for work safety and other operating expenses	20179	18293

040	Selling expenses, account 7.6. total:	178845	261283
	including 7600- salaries and social security payments	23876	20249
	7610; 7620- wrapping and transport costs	31588	21301
	7670- marketing services according to contracts (explanation in part 11.5 -1.)	113371	210226
	7601;7650;7660 – other expenses	10010	9507

050	Administrative expenses, account 7.7.total :	206692	197289
	including 7700- salaries and social security payments	164952	161009
	7710- communication expenses	16505	16160
	7750- bank services	3824	4211
	7720;7730;7740;7760; 7770; 7790- other administrative and representation expenses	21411	15909

060	Other operating income :	220259	182194
	including – income of foreign exchange rate revaluations - 8150, 8170	150988	82439
	- income from sales of fixed assets	25986	12806
	- income from rent charges	9751	10064
	- other income (selling of scrap, materials and tools)	33534	52937
	-income from certificates of privatization (28 LVL- purchase price)		23948

070	Other operating expenses:	136347	287823
	including - from sales of foreign currency	105505	106623
	- written-off nonmarketable goods – in 2004		131189
	Other expenses	30842	50011
080	Interest receivable (deposit)	3256	10232
090	Interest payable (contract for equipment purchase)	13395	12083
110	Profit or loss before taxes	41012	552697
120	Income tax (advance payment)	7720	0
130	Real estate tax (buildings and constructions; land)	11400	11552
140	Profit or loss for the period	21892	541145

Chief accountant Tamara Visocka – phone +371 7370268

Chairman of the
Management Board

A.Auzinsh