



JOINT STOCK COMPANY

„RĪGAS AUTOELEKTROAPARĀTU RŪPNĪCA”

Reg. No 40003030454

Report for the first three months of 2006

(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 December 30, 2005

3265509 LVL; nominal value of a share 1.00 LVL

5. The largest share holders

”Baltijas Holdings”, JSC

“Tehprojekts”, Ltd.

“VSAA”, SJSC

Other physical and legal persons

Supervisory Board

Ēriks Kaža (Chairman)

Gunārs Lubis (Vice Chairman)

Viktors Rojs

Kristina Kaža

Tatjana Levenkova

Management Board

Alfrēds Auziņš (Chairman)

Zigurds Kalniņš

Maksims Araslanovs

6. Auditor

Ēvalds Figurnovs,

“Sarguns” reg. No LV41503013991

13, Malnavas street, Riga

7. Bank and account numbers

Hansabanka, JSC, 26, Kalku street, Riga

LVL - LV10HABA0001407031604, SWIFT- code HABA LV 22

USD - LV73HABA0019407031604, SWIFT-code HABA LV22

SEB UNIBANKA, JSC

LVL - LV23UNLA0001000267204, SWIFT-code UNLA LV 2X

8. Average number of employees in the reporting period - **425**

Name of the company	JSC "Rīgas autoelektroaparātu rūpnīca"
Registration Nr.	40003030454
VAT reg. Nr.	LV-40003030454
Address	2, Klijanu str., Rīga, LV -1013
Phone	7378670; 7370268
Fax	7372581

Unit: LVL; EUR

BALANCE SHEET
for the first three months of 2006

Date of presentation:

Date of entry:

JSC "Rigas autoelektroaparatu rupnica" Reg. No. 40003030454

For the first three
months of 2006

BALANCE SHEET

K=0.703 K=0.703

			LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.
1	2	3	4	5	6	7
A. LONG-TERM INVESTMENTS						
1. Intangible assets						
1.1. Patents, licenses and similar rights	1	010	25762	29936	36646	42583
1. TOTAL		020	25762	29936	36646	42583
2. Fixed assets						
2.1. Land, buildings and constructions	2	030	876464	1031293	1246749	1466989
2.2. Equipment and machinery		040	224208	151092	318930	214925
2.3. Other fixed assets and inventory		050	23060	25266	32802	35940
2.4. Advance payments for fixed assets	3	060	123563	213969	175765	304366
2. TOTAL		070	1247295	1421620	1774246	2022220
A. TOTAL		080	1273057	1451556	1810892	2064803
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, direct materials and auxiliary materials	4.1.	090	1089163	629036	1549307	894788
1.2. Work in progress	4.2.	100	110727	100125	157507	142425
1.3. Finished goods and goods for sale	4.3.	110	748393	579983	1064570	825011
1.4. Advance payments for goods	4.4.	120	36868	29894	52444	42524
1. TOTAL		130	1985151	1339038	2823828	1904748
2. Receivables						
2.1. Trade receivables	5.1.	140	1194973	1156058	1699819	1644464
2.2. Other receivables	5.2.	150	729630	114269	1037880	162545
2.3. Deferred expenses	5.3.	160	3874	4500	5511	6401
2. TOTAL		170	1928477	1274827	2743210	1813410
3. Cash						
3. TOTAL	6	180	496330	667555	706017	949580
B. TOTAL		190	4409958	3281420	6273055	4667738
TOTAL ASSETS		200	5683015	4732976	8083947	6732541

JSC "Rigas autoelektroaparatu rupnica" Reg. No. 40003030454

For the first three months
of 2006

BALANCE SHEET

K=0.703 K=0.703

LIABILITIES	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period 31.03.06.	At the beginning of the year 01.01.06.	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.
1	2	3	4	5	6	7
A. Equity capital						
1. Share capital	7	210	3265509	3265509	4645105	4645105
2. Reserves:	8	220	34050	165625	48436	235598
a) other reserves		230	34050	165625	48436	235598
TOTAL		240	3299559	3431134	4693541	4880703
3. Retained profit:						
a) brought forward from previous years		250	210211	78636	299020	111858
b) for the current year		260	625190		889317	
A. TOTAL		270	4134960	3509770	5881878	4992561
B. Provisions						
1.1.Provisions for deferred tax		280	91122	91122	129619	129619
B. TOTAL		290	91122	91122	129619	129619
C.CREDITORS						
1. Long-term liabilities						
1.1.Debts to suppliers and contractors	9	300	300037	300037	426795	426795
1. TOTAL		310	300037	300037	426795	426795
2. Current liabilities						
2.1.Loans from credit institutions	10.1.	320	180000	200000	256045	284495
2.2. Advance payments from customers	10.2.	330	52313	25544	74414	36336
2.3. Trade creditors	10.3.	340	756766	370958	1076481	527678
2.4. Taxes and social security payments	10.4.	350	8810	36797	12532	52343
2.5. Other creditors	10.5.	360	90579	72088	128846	102543
2.6. Accrued liabilities	10.6.	370	68428	126660	97337	180171
2. TOTAL		380	1156896	832047	1645655	1183566
B.TOTAL		390	1456933	1132084	2072450	1610361
TOTAL LIABILITIES		400	5683015	4732976	8083947	6732541

JSC "Rigas autoelektroaparatu rupnica" Reg. No. 40003030454

PROFIT OR LOSS ACCOUNT

For the first three months of 2006

K=0,703

No	Items	Row code	LVL	LVL	EUR	EUR
			The first three months of 2006	The first three months of 2005	The first three months of 2006	The first three months of 2005
	1	2	3	4	5	6
1	Net turnover	010	1626187	889516	2313211	1265314
2	Cost of sales	020	1471693	866948	2093447	1233212
3	Gross profit or loss	030	154494	22568	219764	32102
4	Selling expenses	040	28742	19889	40885	28292
5	Administrative expenses	050	71403	68861	101569	97953
6	Other operating income	060	865739	84075	1231492	119595,00
7	Other operating expenses	070	285878	40456	406654	57548
8	Interest receivable and similar income	080	480	970	682	1380
9	Interest payable and similar expenses	090	6224	4316	8853	6139
10	Profit or loss before extraordinary items and taxes	100	628466	-25909	893977	-36855
11	Profit or loss before taxes	110	628466	-25909	893977	-36855
12	Other taxes (Real estate tax)	120	3276	3062	4660	4356
13	Profit or loss for the period	130	625190	-28971	889317	-41211

Earnings (+) or losses (-) per share

0,191 -0,009 0,272 -0,013

JSC "Rigas autoelekroaparatu rupnica" Reg. No. 40003030454

STATEMENT OF CASH FLOWS for the first three months of 2006

A. Cash flow from operating activities

K=0.703

K=0.703

No	ITEMS	2006 Three months LVL	2005 Three months LVL	2006 Three months EUR	2005 Three months EUR
1	Income from sales and services	1617658	1233542	2301078	1754683
2	Payments to suppliers for goods and services	-1403604	-921313	-1996592	-1310545
3	Payments to employees and in their interests or to the third persons according to their orders	-278521	-241704	-396189	-343818
4	Other expenses for economic activities	-13159	-10708	-18718	-15232
5	Income from other economic activities	6273	4547	8923	6468
6	Tax payments	-46229	-52111	-65759	-74127
7	Received taxes (VAT)	-12464	254	-17730	361
8	Deferred expenses	-2002	-2593	-2848	-3688
	Cash flow from gross operating activities	-132048	9914	-187835	14102
9	Interest expenses	-6341	-4552	-9020	-6475
10	Income tax payments	-855		-1216	
11	Real estate tax payments	-3274	-3063	-4657	-4357
	TOTAL	-142518	2299	-202728	3270
A.	Net cash flow from operating activities	-142518	2299	-202728	3270

B. Cash flow from investment activities

No	ITEMS	2006 Three months LVL	2005 Three months LVL	2006 Three months EUR	2005 Three months EUR
1	Purchase of intangible and fixed assets	-203978	-1238	-290154	-1761
2	Sales of intangible and fixed assets	201100	36985	286060	52610
3	Issued loans	-4100		-5832	
4	Repaid loans	1275	960	1814	1366
	TOTAL	-5703	36707	-8112	52215
B.	Net cash from investment activities	-5703	36707	-8112	52215

C. Cash flow from financing

No	ITEMS	2006 Three months LVL	2005 Three months LVL	2006 Three months EUR	2005 Three months EUR
1	Repaid loans	-20000		-28450	
2	Received interest for deposit	480	970	683	1380
	TOTAL	-19520	970	-27767	1380
C.	Net cash flow from financing	-19520	970	-27767	1380

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2006 Three months LVL	2005 Three months LVL	2006 Three months EUR	2005 Three months EUR
A	The result from operating activities	-142518	2299	-202728	3270
B	The result from investment activities	-5703	36707	-8112	52215
C	The result from financing	-19520	970	-27767	1380
D	The result from currency rate fluctuations	-3484	11378	-4956	16185
	Cash increase or decrease	-171225	51354	-243563	73050
	Cash and cash equivalents at the beginning of the year	667555	411307	949580	585074
	Cash and cash equivalents at the end of the year	496330	462661	706017	658124

JSC "Rigas autoelektroaparatu rupnica" Reg. No. 40003030454
STATEMENT OF EXCHANGES IN EQUITY
for the first three months of 2006

(LVL)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2004	3265368	165625	210211	3641204
Issue of shares reg. on June 10, 2005	141			141
Profit (+) or losses (-) of the reporting period			-131575	-131575
On Dec. 31, 2005	3265509	165625	78636	3509770
Losses of 2005 written- off from reserves		-131575	131575	0
Profit of the first three months of 2006			625190	625190
On March 31, 2006	3265509	34050	835401	4134960

K=0.703 (EUR)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2004	4644904	235598	299020	5179522
Issue of shares reg. on June 10, 2005	201			201
Profit (+) or losses (-) of the reporting period			-187162	-187162
On Dec. 31, 2005	4645105	235598	111858	4992561
Losses of 2005 written- off from reserves		-187162	187162	0
Profit of the first three months of 2006			889317	889317
On March 31, 2006	4645105	48436	1188337	5881878

Notes to the financial statements for the first nine months of 2005

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

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 reporting period the total value of patents, licenses and similar rights was 25762 LVL. The intangible assets are being written-off in the period of five 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: 876464 LVL

including: buildings and constructions - 716704 LVL; land - 159760 LVL

Cadastral value of the land as on March 31, 2006 - 127447 LVL.

Cadastral value of buildings – 1306352 LVL.

According to the taken decision the JSC”RAR” is concentrating its manufacturing in smaller areas and part of the unused buildings and land was sold.

3. Advance payments for fixed assets. Balance sheet – row code 060

Capital repairs of electroplating shop and obtaining of new equipment.

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL</i>
Enterprise of USA	For machinery	3123.75
Enterprise of Lithuania	For machinery	12650.47
Enterprises of Latvia	Capital repairs of premises, ventilation and water pipes in electroplating shop	107789.28
	Total:	123563.50

4. Inventory. Balance sheet –row code 090 totals 1089163 LVL

4.1. The total value of raw materials and sub-components in the warehouses is 537650.85LVL, of uninstalled equipment – 483640.40 LVL and other stock (materials and inventory) for service shops – 67892.11 LVL.

It is scheduled that the equipment will be installed on July, 2006.

Balance sheet –row code 100;

4.2. The stock of work in progress (parts) 100727 LVL provide the process of production for two weeks.

Balance sheet –row code 110;

4.3. The increase of the stock of finished goods formed up due to the changes in orders depending on seasonal fluctuations and changes of the date of deliveries.

The total value of the stock of finished goods is 748393 LVL.

Balance sheet –row code 120;

4.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL</i>
Enterprises of Russia	For materials	27913.94
Enterprises of Belarus	For materials	2510.15
Enterprise of Great Britain	For materials	48.02
Enterprises of India	For repair parts	4798.95
Enterprises of Latvia	For materials	1597.55
	Total:	36868.61

5. Receivables

5.1. Trade receivables. Balance sheet –row code 140

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprises of Russia	For the goods	345539.56
Enterprise of Ukraine	For the goods	92316.59
Enterprises of Belarus	For the goods	701442.48
USA (Adventure Service)	For the goods	7216.18
Enterprises of Latvia	For the goods	48457.85
Total:		1194972.66

“Adventure Service” debt for the goods amounts 7216.18 LVL and is a bad debt. A cession contract was signed to retrieve the debt, but despite the developed activities it is not possible to regain it and it will be written-off.

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

5.2. Other receivables. Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprise of Russia	For the goods	19282.71
Enterprise of Latvia	Contract of sale of real estate	585000.00
Enterprise of Latvia	Services according to contracts	5900.00
Enterprises of Latvia	Agreement of lease	1625.70
Enterprise of Latvia	For electric power	451.68
Employees of the enterprise	Settlements for business trips and other operating expenses	2026.80
Employees of the enterprise	Short-term loans to the employees	8925.00
Employees of the enterprise	Settlements for salaries	12817.05
State Revenue Service	Overpaid taxes (VAT)	73932.66
State Revenue Service	Overpaid taxes (Income tax)	13720.84
State Revenue Service	Other overpaid taxes	93.70
Enterprises of Latvia	VAT in unpaid invoices	2836.71
Enterprises of Latvia	Different services	3003.69
Customs	Customs duty	13.39
Total:		729629.93

5.3. Deferred expenses. Balance sheet –row code 160

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL</i>
Riga Stock exchange	The 2 nd quarter of 2006	1475.00
Newspaper „ Diena”	The 2 nd quarter of 2006	127.14
Transport insurance	The 2 nd quarter of 2006	333.28
Auditing firm of Latvia	April, 2006	1500.00
Other enterprises of Latvia	April, 2006	438.27
Total:		3873.69

7. Cash and cash equivalents on March 31, 2006. Balance sheet – row code 180.

<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			1771.16
and treasury	EUR	4137.00	0,7028040	2907.50
	USD	4048.00	0.582	2355.94
	Total: 1			7034.60
Current accounts	LVL			275498.89
	USD	64136.96	0.582	37327.71
	EUR	43465.72	0,7028040	30547.88
	RUR	6948601.78	0.021	145920.64
	Total: 2			489295.12
	Total: 1+2			496329.72

7. Share capital. Balance sheet row code- 210

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

The shareholders as on March 31, 2006:

JSC "BALTIJAS HOLDINGS "	31.1 %;
"Tehprojekts", Ltd	30.7 %;
SJSC "VSAA"	5.0 %;
Other physical and legal persons	33.2 %.

8. Reserves. Balance sheet row code- 220

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 December 31, 2005 – 165625 LVL. The losses of 2005 are written off from these reserves. Balance on March 31, 2006 is 34050 LVL.

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

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.

10. Current liabilities**10.1. Balance sheet row code - 320**

SEB Unibanka credit balance at the end of the reporting period was LVL 180 000. Date of repayment of credit is October 16, 2006.

10.2. 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	384.20
Enterprise of Lithuania	For goods	520.07
Enterprise of Estonia	For goods	308.74
Enterprises of Latvia	Preliminary contract of real estate's sale	51100.00
Total:		52313.01

10.3. Trade creditors. Balance sheet row code- 340

<i>Business partner</i>	<i>Substantiation</i>	<i>Total LVL</i>
	For delivery of electronic plates	468794.29
Enterprise of Belarus	For equipment	200608.37
Enterprise of France	For materials	16.52
PSJSC „Latvenergo”	Contract	15352.22
JSC „Rīgas siltums”	Contract	17275.85
ME „Rīgas ūdens”	Contract	947.68
Enterprise of Latvia	For repair works	3203.62
Enterprise of Latvia	For materials (steel)	28441.10
Enterprise of Latvia	For services due to contract of sale of real estate	15626.74
Other enterprises of Latvia	For materials and services	6499.36
Total:		756765.75

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

<i>Tax</i>	<i>Total LVL</i>	<i>Date of payment</i>
Personal income tax	2867.27	April, 2006
Social security payments	5771.99	April, 2006
Natural resource tax	170.98	April, 2006
Total:	8810.24	

10.5. Other creditors. Balance sheet row code- 360

<i>Debt</i>	<i>Total LVL</i>	<i>Date of payment</i>
Salary	85998.02	April, 2006
Interest payable (contract of equipment's purchase)	1554.86	April, 2006
Enterprise of Latvia	1511.91	Returned goods
Other transactions with credit cards	187.89	April, 2006
Settlements for deductions from salaries	1325.87	April, 2006
Total:	90578.55	

10.6. Accrued liabilities. Balance sheet row code - 370

- At the end of 2005 due amount for advertising, marketing and transport services which were received in 2005 were calculated to be 41610.05 LVL and were included in balance sheet as accrued liabilities as the enterprise had not received the invoices. The invoices which were received and paid during the first quarter of 2006 but referred to the deals of 2005 were written off of the accrued liabilities.
- In accordance with the law „On the annual reports of enterprises” provisions for vacations were calculated in total 85049.97 LVL. There were vacations processed during the first quarter of 2006 but referring to the year 2005. These expenses were written off of the provisions. **Balance on March 31, 2006** was 68428.54 LVL.

11. 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
1626187	1604957	12368	8862
100%	98.7	0.8	0.5

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

Net turnover Total	including				
	Russia	Belarus	Ukraine	EU	Latvia
1626187	527743	710424	283754	11020	93246
100%	32.45	43.69	17.45	0.68	5.73

Net turnover in the first quarter of 2006 has increased by 82.8 % if compared with the same period of 2005. The result of economic activities of the JSC “RAR“ in the first quarter of 2006 is profit 625190 LVL. The analyses of profit or loss account reveal that profit is gained from other economic activities due to sales of real estate (row code 060-070). Profit from basic activities (production and sales of control and measuring devices for vehicles and different locks) was 54349LVL i.e. 3.3% of net turnover (row code 030-040-050; gross profit – selling expenses – administrative expenses).

Row code	Item	The first three months of 2006 LVL	The first three months of 2005 LVL	%
010	Net turnover	1626187	889516	182.8
020	Cost of sales	1471693	866948	
030	Gross profit or loss	154494	22568	
	Costs for 1 LVL of net turnover (020:010)	90.5	97.5	

Row code	Items	LVL	LVL
020	Cost of sales in total, including	1471693	866948
	Account 7.1-costs of materials and sub-components including transport expenses, custom fees and import duties	977192	469168
	Account 7171;7172 –electric power	78793	61831
	Account 7170 -contracts (for repairing works and maintenance of different systems)	3658	3351
	Account 7.2,7.3-salaries and social security payments	365055	274148
	Account 7.4- amortization: total	33730	47031
	Account 7.5- operating expenses: total	13265	11419
	including 7540- insurance expenses (goods, buildings, equipment and machinery)	724	470
	7550; 7551;7560; 7570 –expenses certification of the production, for work safety and other operating expenses	12541	10949
40	Selling expenses, total of account 7.6. ,	28742	19889
	including 7600- salaries and social security payments	9253	7605
	7610;7620- wrapping and transport costs	14657	9053
	7670- marketing services according to contracts (explanation in item 10.6-1)	965	75
	7601;7650;7660- other selling expenses	3867	3156

50	Administrative expenses total of account 7.7.	71403	68861
	including 7700- salaries and social security payments	59094	56919
	7710- communication expenses	4588	4512
	7750- bank services	2092	1124
	7720;7730;7740;7760;7770;7790- other administrative and representation expenses	5629	6306

60	Other operating income:	865739	84075
	including – income of foreign exchange rate revaluations - 8150, 8170	70301	60430
	- income from sales of fixed assets (land, buildings and equipment)	763573	15065
	- income from rent charges	5489	4098
	- other income (sales of scrap, materials goods and outfit)	26376	4482

70	Other operating expenses:	285878	40456
	including - from sales of foreign currency - 8250; 8270	81891	33456
	- other expenses (for services due to the sale of real estate) - 8296	31253	
	- write-off of fixed assets because of selling	151788	
	- other expenses: 8296;8297;7448;7449	20946	7000
80	Interest receivable (deposit)	480	970
90	Interest payable (“SEB Unibanka” credit and purchase contract of equipment)	6224	4316
110	Profit or loss before taxes	628466	-25909
120	Real estate tax (buildings and constructions; land)	3276	3062
130	Profit or loss for the period after taxes	625190	-28971

Member of the
Management Board

Z.Kalninch