

**JOINT-STOCK COMPANY**  
**“KURZEMES ATSLEGA 1”**  
**LV 40003044007**

## **ANNUAL REPORT**

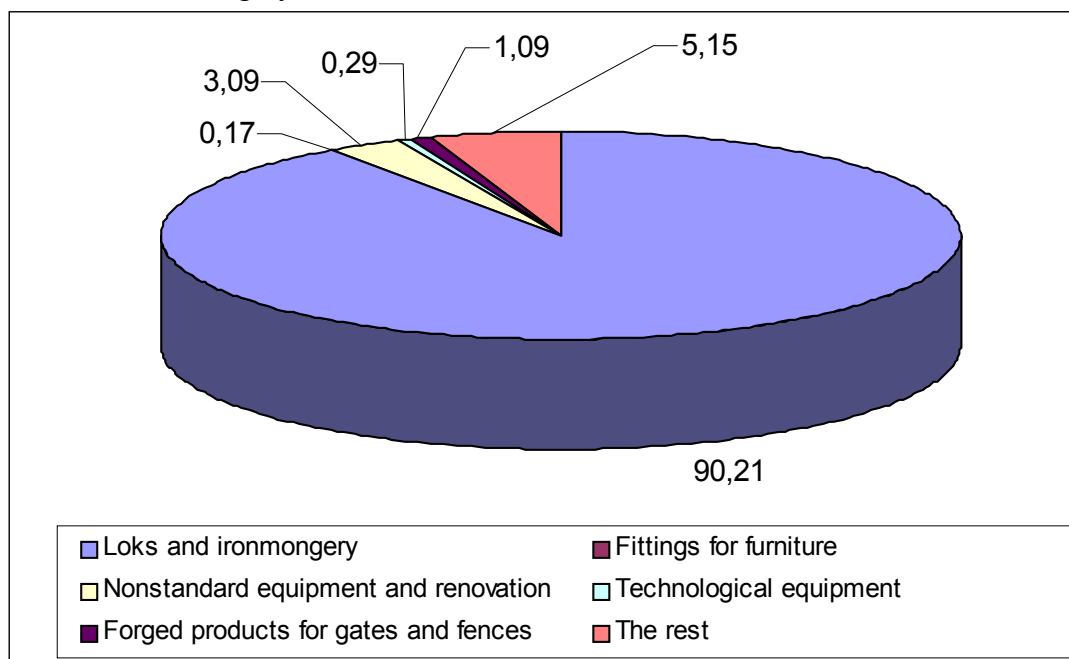
**2004**

## 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 year	January 1, 2004– December 1, 2004
Members of Board (until May 21, 2004.)  From May 21, 2004	<p><b>Raitis Brikmanis</b> – Chairman of the Board, Chief Engineer - Electrician. "Kurzemes Atslega 1", JSC  <b>Juris Grasmanis</b> – Member of Board, Chief Engineer - Mechanic, "Kurzemes Atslega 1" JSC  <b>Natālija Petrova</b> – Member of Board, A/S "Kurzemes Atslega 1, Chief Economist.  <b>Andis Abolins – Abols</b>, - Member of Board, "Kurzemes Atslega 1", JSC Chief Designer –Mechanic.  <b>Andris Taurins</b> – Member of Board, "Kurzemes Atslega 1", JSC Technologist - Mechanic.</p> <p><b>Valdis Bikis</b> – "Kurzemes Atslega 1", JSC, Technical Director – Chairman of Board  <b>Raitis Brikmanis</b> – Member of Board, "Kurzemes Atslega 1", JSC, Chief Engineer - Electrician.  <b>Juris Grasmanis</b> – Member of Board, "Kurzemes Atslega 1", JSC, Chief Engineer - Mechanic.  <b>Andris Taurins</b> – Member of Board, "Kurzemes Atslega 1", JSC, Technologic - Mechanic  <b>Ivars Lacis</b> – Member of Board "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller</p>
Members of Supervisory Council (until May 21, 2004.)  From May 21, 2004.	<p><b>Janis Daizis</b> – Deputy Chairman of Supervisory Council, "Kurzemes Atslega 1", JSC, Director.  <b>Inara Burve</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Accountant.  <b>Janis Plume</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Production Manager.  <b>Aivars Puisitis</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC Engineer Mechanic</p> <p><b>Janis Plume</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Production Manager  <b>Inara Burve</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Accountant.</p>
Chairman of Supervisory Council (until May 21, 2004)  From May 21, 2004.	<p><b>Valdis Bikis</b> – "Kurzemes Atslega 1", JSC, Technical Director.</p> <p><b>Aivars Puisitis</b></p>
Auditor	Certified Auditor <b>Aivars Rutkis</b> , Certificate Nr. 18

## 2. Report of Direction.

The annual volume of output of “Kurzemes Atslega 1” JSC during 2004 (in registered prices) was 1661.4 thousand LVL. By the side of previous year it makes 99.3%. The major proportion in total volume of products of “Kurzemes Atslega –1” are still articles of door locks and ironmongery.



**Figure 1. Structure of produced goods in 2004. (%).**

The changes in structure of production in comparison with previous year are shown in table below:

Table 1.

**Changes in production structure.**

Nr	Kind of products	Proportion in total volume 2004 (%)	Proportion in total volume 2003 (%)
1	Locks and ironmongery.	90.21	92.8
2	Fittings for furniture	0.17	0.3
3	Nonstandard equipment and renovation	3.09	2.3
4	Technological equipment	0.29	0.2
5	Forged products for gates and fences	1.09	0.4
6	The rest	5.15	4.0
	Total:	100.0	100.0

From table is evidently, that in 2004 the proportion of forged products of gateways and fences and other products had been grown-up. The proportion of technological equipment sold outside also is grown. It means, that a big attention was spent for seeking for special orders.

Because of large depreciation of fixed assets, the enterprise is doing general overhaul of equipment and constructing also nonstandard equipment. This accounts for increase of that

position in volume of output. More considerable amounts in 2004 was related with expenses for upbuilding of line for racks of electroplating line and capital repairs of central heating boilers and installation of new central heating boilers in steam-shop.

To be marked, that in comparison with year 2003, the production of locks and ironmongery is reduced. In financial terms (comparable prices) this attenuation makes 52,7 thousands LVL. This attenuation in production of locks and ironmongery must be evaluated as positive indicator, because at end of 2003 the enterprise had large reserve of complete product – 190.5 thousands LVL (in comparable prices), but at end of 2004 – 144.6 thousands LVL. Consequently the attenuation in volume of output in 2004 let improve financial standing by decreasing blocked funds in remains of products.

The value of outgoing self-made goods (in sale prices, without VAT) in 2004 by the side of previous year is grown by 4.5% or 68.3 thousands LVL and achieved 1574.1 thousands LVL. The amount of sold production is divided as follows:

- Sold in Latvian market – 54.9 %,
- Exported – 45.1 % .

The total increase of delivered production is related with Latvian market, because the amount or export by the side of year 2003 is a bit decreased and it makes 99.4% from level of year 2003. The market in Latvia is increased due to growth of proportion of forged products of gateways and fences, technological equipment, the rest of products, as well as growth of amount of sales of locks and ironmongery.

The distribution of export by countries, see in table below.

Table 2.

**The distribution of export by countries.**

Nr.	Country	Delivered, thousands LVL		% compared to year 2003
		2003	2004	
1	Lithuania	320.80	365.80	114.0 0
2	Ukraine	219.40	179.60	81.90
3	Estonia	113.50	85.80	75.60
4	Russia	60.50	53.30	88.10
5	Germany	0	24.60	-
6	Sweden	0	1.00	-
	Total:	714.20	710.10	99.40

Evidently, the growth of export in year 2004 was only to Lithuania and it exceeds the level, achieved in 2003.

From 2001, the amount of delivery to Ukraine decreases from every year. With enrolment in EU, the situation with sales in market of Ukraine deteriorates, because from May 1, 2004 on, by the import of products in territory of Ukraine is used customs duty to the tune of 20% to locks and 10% to the parts of locks, that substantially affects competitive capacity of our products in market of Ukraine.

In year 2004 the amount of export to Estonia was decreased by 24.4% compared to 2003.

As one positive fact should be mentioned the delivery of products to Germany and Sweden. The products to these countries were delivered for extra orders.

Below is shown the structure of export by countries (in percentage to total amount of export)

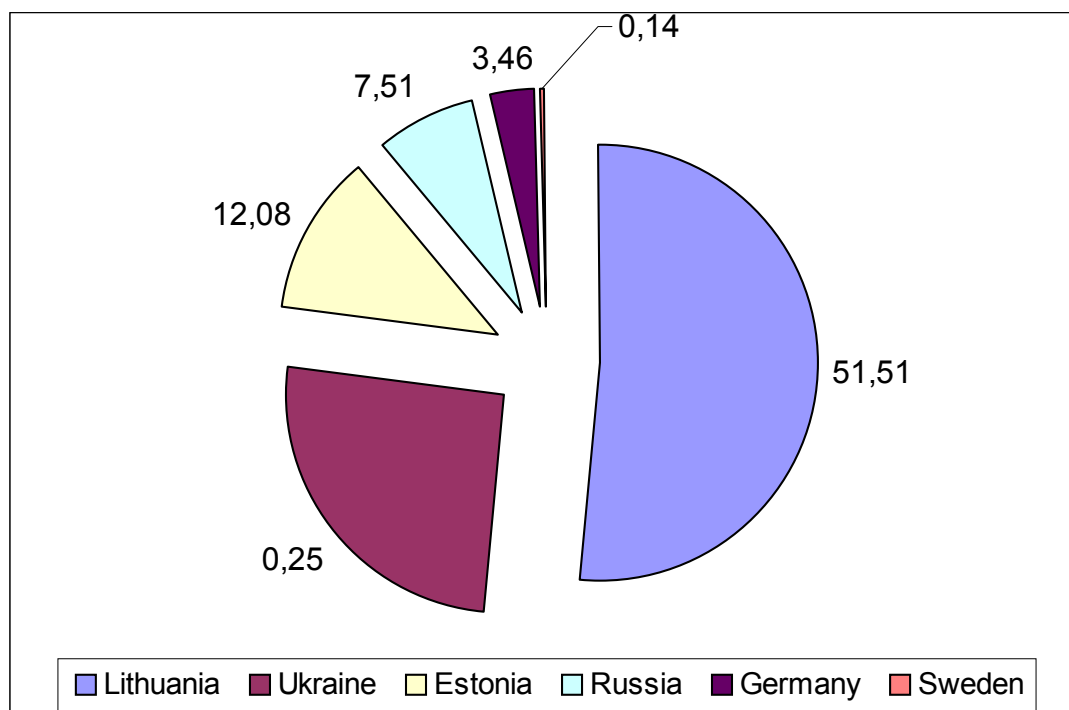


Figure 2. **Structure of export in 2004, divided by countries.**

#### **The number of employees and average earnings.**

The average annual number of employees in year of account, by the side of previous year is decreased by 7.3% and was 229 persons, but at end of year was 216 persons. The annual average monthly salary in 2004 was 172.02 LVL, that was 8% more than in previous year.

#### **The salary of Supervisory Council and Board.**

Until May 21, 2004:

First name, Name	Position	Monthly wages, LVL
Raitis Brikmanis	Chairman of the Board	80.00
Juris Grasmanis	Member of the Board	40.00
Natālija Petrova	Member of the Board	40.00
Andis Abolins – Abols	Member of the Board	40.00
Andris Taurins	Member of the Board	40.00
Valdis Bikis	Chairman of the Supervisory Council	160.00
Janis Daizis	Deputy Chairman of the Supervisory Council	120.00
Janis Plume	Member of the Supervisory Council	80.00
Inara Burve	Member of the Supervisory Council	80.00
Aivars Puisitis	Member of the Supervisory Council	80.00

From May 21, 2004:

<b>First name, Name</b>	<b>Position</b>	<b>Monthly wages, LVL</b>
Valdis Bikis	Chairman of the Board	80.00
Raitis Brikmāns	Member of the Board	40.00
Juris Grasmanis	Member of the Board	40.00
Ivars Lacis	Member of the Board	40.00
Andris Taurins	Member of the Board	40.00
Aivars Puisītis	Chairman of the Supervisory Council	480.00
Janis Plūme	Member of the Supervisory Council	80.00
Ināra Burve	Member of the Supervisory Council	80.00

### **3.The activity of “Kurzemes Atslega 1” JSC in 2005.**

The annual report 2004 has been prepared on the ground of fact, that "Kurzemes Atslega 1" JSC is capable to continue the activity in 2005. "Kurzemes Atslega 1" JSC will continue the production and sales of locks and ironmongery, and will strive to enlarge the production of forged products for gates and fences and making of various custom-made parts and components. In 2005 there has been planned a participation in international trade fair “HANNOVER MESSE 2005” for seeking of new orders. There has been planned to enlarge cooperation with German firm “Decker Bauwerkzeuge”. For that firm in 2004 were accomplished orders for amount of LVL 24612.0. In 2005 has been planned 100% (LVL 25 thousand) enlargement of turnover with firm “Decker Bauwerkzeuge”. There has been planned to expand the forge and enlarge the turnover of forgings on 10 thousands LVL. In such way there is possible to keep the reached net turnover and little increase. There will be started production of various parts in little series, for what there have been received some proposals, that needs further development if cooperation.

The predictable decrease of amount of export to Ukraine we project to cover with before-mentioned measures. In 2005 the sales of products to Ukraine recrudescenced merely in March 31. During 2004 the sales of our products to Ukraine had been carried out for terms that were unprofitable to "Kurzemes Atslega 1" JSC. It had been done to keep market in Ukraine and provide the preservation of volume of output. Having regard of political changes in Ukraine and possible reduction of import duty, we hope to increase the amount of delivery to Ukraine.

In 2005 there is planned to increase the turnover of our products in Latvia in toto by LVL 40 thousand or by 5% and in Lithuania and Estonia on LVL 30 thousand, in Russia by LVL 10 thousand.

Having regard the entry of the cheap products from China in EU and also Ukrainian market, there is necessary to continue the reduction of costs of production and costs of administration and the enhancement of quality of products to be sold. For reduction of production costs in 2004 there had been started the reconstruction of steam-shop, that will give remarkable savings of fuel, has been modernized the electroplating workshop, has been developed the project to raise funds of EU for introduction of new welding technology, that will enhance the quality of products as well as we will continue various projects for economy of electric power (installation of new type furnaces in foundry un reduction of ventilation power to required level, simultaneously improving working conditions).

### 3.1. Tax payment

"Kurzemes Atslega 1" JSC in 2004 had been performed the following tax payments:

Kind of tax	2003	2004
Value added tax		3,278.00
Income tax of enterprise	10,881.00	4,483.00
Income tax of inhabitants	86,761.00	86,779.00
Obligatory payments of the state social insurance	153,470.00	150,583.00
Tax to the real estate	5,971.00	6,082.00
Tax to natural resources	1,141.00	942.00
Total	258,224.00	252,147.00

For "Kurzemes Atslega 1" in 2004 had been calculated the following tax payments:

Kind of tax	2003	2004
Income tax of enterprise	3,722.00	1,836.00
Income tax of inhabitants	86,480.00	87,091.00
Obligatory payments of the state social insurance	150,835.00	150,939.00
Tax to the real estate	5,963.00	5,981.00
Tax to natural resources	1,197.00	985.00
Total	248,197.00	246,832.00

### 3.2. The principles of accounting and methods of valuation:

The annual report has been prepared in accordance with laws of Republic of Latvia "On Bookkeeping" and "On Annual Reports of Enterprises", Latvian standards of Bookkeeping № 1 and № 2. The Income Statement has been prepared using scheme of turnover costs. The Cash Flow report has been prepared using indirect method.

The synthetic register of accountancy of bookkeeping is General Ledger that has been made using software for bookkeeping "Kentaurs PRO".

The balances of funds had been proved during auditing from November 1, 2004 until January 1, 2005. The capital assets in balance have been reflected in residuary value.

In 2004 there had been started the enrollment of real estate of "Kurzemes Atslega 1" JSC in Real Estate Register. In January 7, 2005 there had been received the cadastre valuation of real estate (buildings) from Dienvidkurzemes Regional Office of State Land Service – see table below:

<b>Buildings</b>	<b>Cadastral value</b>
The main industrial block with compressor station	56,170.00
Office building	19,544.00
Steam-shop	13,896.00
Storage for electrolytic ingredients	11,486.00
Building of workshop for grinding-electroplating	9,190.00
Warehouse	8,555.00
The main block	8,011.00
Building of repair shop	7,218.00
Industrial block № 2	5,474.00
Building of aid station of factory	3,766.00
Warehouse	2,803.00
Transformer substation	2,176.00
Building of sawmill	1,775.00
Engineering office	1,437.00
Building of neutralization plant	998.00
House for security guard	183.00
<b>Total</b>	<b>152,682.00</b>

In the balance the buildings have been shown with residual value (from initial cost had been subtracted the accumulated depreciation, estimated by linear method) – LVL 404320. The capital assets, including buildings of "Kurzemes Atslega 1" JSC did not re-estimated, in balance they have been shown accordingly the evaluation of buildings in moment of privatization. Considering the differences between cadastral value of buildings and current balance sheet value, there is necessary to determine the intrinsic value of buildings and whether does the reduction or increase of value have permanent effect. Currently at the disposal of direction of "Kurzemes Atslega 1" JSC there is the cadastral evaluation from State Land Service that is considerably lower than balance sheet value, as well as evaluation from insurance company, that is elaborated for requirements of insurance of real estate and this considerably exceeds the value, shown in balance. Wherewith as at December 31, 2005 the real estate has been shown in purchase value - with the exception of accumulated depreciation. In 2005, to estimate the actual value of building, for evaluating of real estate will be co-opted an external expert.

The self-made punches and molds as well as inventory of little value have been shown in content of stocks. The wear and tear of fixed assets has been estimated by linear method, using norms, approved in enterprise. The stocks of raw material had been estimated using weighted-average standard first cost. The complete product is estimated using standard first cost that is estimated accordingly calculation of cost price for each product. In accounting has been used the method of continuous stocktaking. The accounting of stock movement is made in registered prices, that according the situation on last date of every month has been recalculated accordingly the actual costs. The remains of unfinished production have been calculated in accordance with data of inventory, using norms, approved in "Kurzemes Atslega 1" JSC. The remains in foreign currency are converted in LVL using exchange rate, defined from Bank of Latvia.

In 2004 had been started the preparation of documentation for reception of long-term credit from Nordic Environment Finance Corporation (NEFCO) - EUR 60,000 for financing of built of electroplating line. The contract for assignation of loan had been signed in April 4, 2005. For loan collateral the technological equipment is in pawn.



In 2004 had been received credit line from A/S NORD/LB Latvia – LVL 25,000.00, for loan collateral there are current assets in pawn. As at December 31, 2004 LVL 2,731.00 had been used from that credit line.

Doubtful debts as at December 31 were LVL 4,341.02. Special loan lost provisions have been constituted for every doubtful debtor. In 2004 there were retrieved doubtful debts of LVL 630.85 and there were established savings of LVL 39.06 for SIA “WEKTRO”.

## 4. Appendices for profit and loss calculation.

### 4.1. Net turnover.

<b>Modus operandi</b>	<b>2003</b>	<b>2004</b>
Proceeds from production of locks and ironmongery	1,497,211.00	1,565,426.00
Proceeds from sales of goods in shop	23,504.00	20,653.00
Total :	1,520,715.00	1,586,079.00

### 4.2. Production costs of sold products.

<b>The main elements of expenses</b>	<b>2003</b>	<b>2004</b>
Material costs	717,029.00	815,930.00
Wages	359,855.00	350,554.00
Obligatory payments of the state social insurance	82,303.00	83,570.00
The rest of expenses	218,267.00	218,236.00
Changes of remains of unfinished production	32,494.00	-43,909.00
Changes of remains of self-made punches, molds and materials	-19,548.00	-2,119.00
Changes of remains of complete product	-6,906.00	31,103.00
Total	1,383,494.00	1,453,365.00

### 4.3. Administration expenses.

<b>The main elements of expenses</b>	<b>2003</b>	<b>2004</b>
Wages	112,818.00	11,0914.00
Social expenses	26,277.00	26,016.00
The rest of expenses	13,952.00	14,136.00
Total	153,047.00	151,066.00

### 4.4. The rest of incomes from economic activity.

<b>Sort of revenue</b>	<b>2003</b>	<b>2004</b>
Sales of current assets	20,803.00	19,980.00
Incomes from public facilities	16,108.00	12,955.00
Incomes from lease	1,360.00	284.00
Accomplished works for capital investments in own enterprise	45,975.00	47,008.00
Incomes from exchange rate fluctuations	7,701.00	293.00
The rest of incomes	1,567.00	1,435.00
Total	93,514.00	81,955.00

#### 4.5. The rest of expenses for economic activity of enterprise.

Heads of expenditure	2003	2004
First cost of sold current assets (materials)	19,829.00	18,949.00
Expenses for social sphere	2,326.00	1,881.00
Expenses, unrelated with economic activity	13,273.00	11,217.00
Losses from exchange rate fluctuations	9,160.00	
The rest of expenses	0	1,119.00
Total	44,588.00	33,166.00

#### 4.6. The rest of interest income.

Sort of income	2003	2004
Interest profit for balance of account etc.	89.00	39.00
Received divvy	36.00	36.00
Total	125.00	75.00

#### 4.7. Interest payments.

Heads of expenditure	2003	2004
Penalty, paid up	130.00	22.00
Interest payable for credit	1,059.00	733.00
Total	1,189.00	755.00

#### 4.8. The rest of taxes

Kinds of taxes	2003	2004
Real estate tax	5,963.00	5,981.00

### 5. Appendices to balance sheet.

#### 5.1. The rest of securities.

On the December 31, 2004 to "Kurzemes Atslega 1" JSC belonged 601 equities of "A/S Nord/LB Latvia" at face value 0.01 LVL. The purchase price of these equities was 691.15 LVL.

#### 5.2. Other debtors.

Kind of debtor	2003	2004
Overpayment of income-tax of enterprise	7,418.00	2,088.00
Calculated but unpaid pretax	2,139.00	
Debt of lease from "I/U Korats"	428.00	
Other debtors	597.00	634.00
Overpayment of value added tax	8,335.00	1,049.00
Total	18,917.00	3,771.00

**5.3. Means.**

Account	Currency	Remainder	Rate of exchange	Remainder, LVL
2611	LVL	34.70	1	34.70
2617	LVL	58.41	1	57.41
2621	LVL	1178.99	1	1,178.99
2624	LVL	665.92	1	665.92
26221	USD	1302.51	0.516	672.1
26291	EUR	3387.98	0.702804	2,381.09
26251	USD	1.08	0.516	0.56
Total				4,991.76

**5.4. Joint-stock or share capital.**

The share capital consists of 918144 equities with nominal value 1.00 LVL.

46.07 % of share capital belongs to A/S "Kurzemes Atslega", №. Reg. 40003253124.

**5.5. Other borrowings.**

	Currency of loan	Exchange rate	EUR	LVL
Nordic Environment Finance Corporation (as at December 31, 2003)	EUR	0.674	25,000.00	16,850.00
Nordic Environment Finance Corporation (as at December 31, 2004)	EUR	0.702804	5,086.00	3,574.00

**5.6. Borrowings from credit institutions.**

As at December 31, 2004.

A/S NORD/LB Latvija	LVL	2,731.00
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**5.7. Other borrowings.**

	Currency of loan	Exchange rate	EUR	LVL
Nordic Environment Finance Corporation (as at December 31, 2003)	EUR	0.674	19,844.00	13,375.00
Nordic Environment Finance Corporation (as at December 31, 2004)	EUR	0.702804	20,344.00	14,298.00

**5.8. Liabilities to associated enterprises**

Name	2003	2004
"Kurzemes Atslēga" JSC № Reg. 40003253124	35,579.00 LVL	60,471.00 LVL

### 5.9 Taxes and Obligatory payments of the state social insurance

Kind of taxes	2003	2004
Income tax of inhabitants	7,172.00	7,484.00
Obligatory payments of the state social insurance	11,389.00	11,745.00
Tax to natural resources	311.00	354.00
Real estate tax		
Obligatory risk duty		81.00
Total	18,872.00	19,664.00

### 5.10. The rest of creditors.

Kind of creditors	2003	2004
Wages for December	17,759.00	18,170.00
Deduction from wages	71.00	109.00
Other creditors	2,784.00	2,468.00
Total	20,614.00	20,747.00

### 5.11. Summary of movement of long-term investment 2004

KIND OF LONG-TERM INVESTMENT	INITIAL COST					DEPRECIATION (WRITING OFF OF VALUABLES)					RESIDUAL VALUE	
	As at Jan 1, 2004.	Purchase and making	Re-valuation	Shift and removal from action	As at Dec 31, 2004.	As at Jan 1, 2004.	Calculated in year of account	Transfer	Excluded, removed from activity	As at Dec 31, 2004.	As at Jan 1, 2004.	As at Dec 31, 2004.
<b>I. INVESTMENTS (total)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Inter alia:												
Software	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0		0	0	0
<b>II. CAPITAL ASSETS (total)</b>	<b>1479962</b>	<b>87400</b>	<b>0</b>	<b>18947</b>	<b>1548415</b>	<b>769279</b>	<b>72664</b>	<b>0</b>	<b>18947</b>	<b>822996</b>	<b>710683</b>	<b>725419</b>
Inter alia:												
1. Plots, houses, buildings	655233	4517	0	0	659750	243031	9388	0	0	252419	412202	407331
2. Investments in haired capital assets	0	0	0	0	0	0	0	0	0	0	0	0
3. Technological equipment and machinery	641006	32527	0	18947	654586	459260	59290	0	18947	499603	181746	154983
4. The rest of capital assets, inventory	80512	22369	0	0	102881	66988	3986	0	0	70974	13524	31907
5. Origination of capital assets	103211	26588	0	0	129799	0	0	0	0	0	103211	129799
6. Advance payments	0	1399	0	0	1399	0	0	0	0	0	0	1399
<b>III. LONG-TERM FINANCIAL INVETSMENTS (total)</b>	<b>808</b>	<b>0</b>	<b>0</b>	<b>117</b>	<b>691</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>808</b>	<b>691</b>
Inter alia:												
Credits	116	0	0	116	0	0	0	0	0	0	116	0
Securities	692	0	0	1	691	0	0	0	0	0	692	691
	0	0	0	0	0	0	0	0	0	0	0	0
<b>LONG-TERM INVESTMENT TOTAL</b>	<b>1480770</b>	<b>87400</b>	<b>0</b>	<b>19064</b>	<b>1549106</b>	<b>769279</b>	<b>72664</b>	<b>0</b>	<b>18947</b>	<b>822996</b>	<b>711491</b>	<b>726110</b>

## BALANCE SHEETS

Currency exchange rate on 31.12.2004 LVL/EUR 0.702804

Currency exchange rate on 31.12.2003 LVL/EUR 0.674

ASSETS 1	Row code	31.12.2004 LVL	31.12.2004 EUR	31.12.2003 LVL	31.12.2003 EUR
<b>1.LONG TERM INVESTMENT</b>					
<b>I. Intangible fixed assets</b>					
<b>II. Fixed assets</b>					
1.Land, building.	70	407331	579580	412202	611576
2.Equipment and machinery	90	154983	220521	181746	269653
3.Other fixed assets	100	31907	45400	13524	20065
4.Fixed assets development costs	110	129799	184687	103211	153132
5.Prepayment for fixed assets	120	1399	1990		
<b>II Total fixed assets</b>	<b>130</b>	<b>725419</b>	<b>1032178</b>	<b>710683</b>	<b>1054426</b>
<b>III. Long term financial investment</b>					
1.Other investment and securities	180	691	983	692	1027
2.Other loans	190			116	172
<b>III. Total Long term financial investment</b>	<b>220</b>	<b>691</b>	<b>983</b>	<b>808</b>	<b>1199</b>
<b>1.Total LONG TERM INVESTMENT</b>	<b>230</b>	<b>726110</b>	<b>1033161</b>	<b>711491</b>	<b>1055625</b>
<b>2.CURRENT ASSETS</b>					
<b>I. Inventories</b>					
1.Raw materials	240	293539	417668	261985	388702
2.Work in progress	250	144841	206090	100933	149752
3.Finished goods and goods for sale	260	150450	214071	181330	269036
5.Advance payment for goods	280	2585	3678	2713	4025
<b>I. Total inventories</b>	<b>300</b>	<b>591415</b>	<b>841508</b>	<b>546961</b>	<b>811515</b>
<b>II. Debtors</b>					
1.Trade debtors	310	90884	129316	76138	112964
4.Other debtors	340	3771	5366	18917	28067
7.Deferred expenses	370	2172	3090	2591	3844
<b>II. Total debtors</b>	<b>380</b>	<b>96827</b>	<b>137772</b>	<b>97646</b>	<b>144875</b>
<b>III. Securities and capital participation</b>					
<b>IV. Cash</b>	<b>430</b>	<b>4992</b>	<b>7103</b>	<b>36025</b>	<b>53450</b>
<b>2.Total current assets</b>	<b>440</b>	<b>693234</b>	<b>986383</b>	<b>680632</b>	<b>1009840</b>
					0
<b>Total assets</b>	<b>450</b>	<b>1419344</b>	<b>2019545</b>	<b>1392123</b>	<b>2065465</b>

<b>LIABILITIES 1</b>	<b>Row code</b>	<b>31.12.2004 LVL</b>	<b>31.12.2004 EUR</b>	<b>31.12.2003 LVL</b>	<b>31.12.2003 EUR</b>
<b>1.CAPITAL</b>					
1.Share capital	460	918144	1306401	918144	1362231
3.Revaluation reserve	480	-94	-134	-94	-139
4.Reserves					0
a) Legal reserves	490			34237	50797
<b>4.Total reserves</b>	<b>530</b>			<b>34237</b>	<b>50797</b>
5.Retained profit					0
a) Previous years retained profit	540	300962	428231	257378	381866
b)current year profit	550	16058	22848	18528	27490
<b>1Total Capital and reserves</b>	<b>560</b>	<b>1235070</b>	<b>1757346</b>	<b>1228193</b>	<b>1822245</b>
<b>2. PROVISIONS</b>					
<b>3. CREDITORS</b>					
<b>1. Long term creditors</b>					
Other loans	640	3574	5085	16850	25000
<b>1. Total long term creditors</b>	<b>750</b>	<b>3574</b>	<b>5085</b>	<b>16850</b>	<b>25000</b>
<b>2. Short-term creditors</b>			<b>0</b>		<b>0</b>
3. Bank loan	780	2731	3887		
4. Other loans	790	14298	20344	13375	19844
5. Advances received from customers	800	6469	9205	2339	3470
6. Trade creditors	810	56320	80136	56301	83533
8. Amounts payable to associated companies	830	60471	86042	35579	52788
10. Taxes and social security payments	850	19664	27979	18872	28000
11.Other creditors	860	20747	29520	20614	30585
12.Deferred income	870		0		
<b>2. Total short-term creditors</b>	<b>900</b>	<b>180700</b>	<b>257113</b>	<b>147080</b>	<b>218220</b>
<b>Total creditors</b>	<b>910</b>	<b>184274</b>	<b>262198</b>	<b>163930</b>	<b>243220</b>
<b>Total liabilities</b>	<b>920</b>	<b>1419344</b>	<b>2019545</b>	<b>1392123</b>	<b>2065465</b>

**Profit and loss account 2004**

No	Item	Line No	31.12.2004 LVL	31.12.2004 EUR	31.12.2003 LVL	31.12.2003 EUR
1	Net sales	10	1586079	2256787	1520715	2256254
2	Cost of sales	20	1543365	2196011	1383494	2052662
3	Gross profit	30	132714	188835	137221	203592
4	Distribution expenses	40	5071	7215	3823	5672
5	Administration expenses	50	151066	214948	153047	227073
6	Other operating income	60	81955	116611	93514	138745
7	Other operating expenses	70	33166	53300	44588	66154
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100	75	107	125	185
11	Long term investments and short-terms bond write-off	110				
12	Interest paid and similar expense	120	755	1074	1189	1764
13	Operating profit	130	24686	35125	28213	41859
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	24686	35125	28213	41859
16	Corporate income tax	170	2647	3767	3722	5522
17	Other taxes	180	5981	8510	5963	8847
18	Net profit for the year	190	16058	22848	18528	27490



### Statements of cash flows 2004

	2003 LVL	2003 EUR	2004 LVL	2004 EUR
<b>I. Operating activities</b>				
Item				
1. Net profit	18528	27490	16058	22848
2. Amortization	89714	133107	72664	103392
3. (Increase)/decrease in inventory	-4481	-6648	-44454	-63252
4. (Increase)/decrease in debtors	18687	27726	819	-732
5. (Increase)/decrease in liabilities	-2893	-4292	33620	47837
6. (Increase)/decrease in Other loans	12	18	116	165
<b>Net cash provided by operating activities</b>	<b>119567</b>	<b>177401</b>	<b>78823</b>	<b>111405</b>
<b>II. Investing activities</b>				
Item				
1. Purchase of fixed assets	-101923	-151221	-87400	-124359
<b>Net cash used in investing activities</b>	<b>-101923</b>	<b>-151221</b>	<b>-87400</b>	<b>-124359</b>
<b>III. Financing activities</b>				
Item				
1. Dividends	-9182	-13623	-9181	-13063
3. Loans received ( repaid) from ( to) credit institutions	16850	25000	-13275	-18889
<b>Net cash flow from financing activities</b>	<b>7668</b>	<b>11377</b>	<b>-22456</b>	<b>-31952</b>
<b>Net increase in cash</b>	<b>25312</b>	<b>37555</b>	<b>-31033</b>	<b>-46347</b>
<b>CASH AT THE BEGINGING OF THE PERIOD</b>	<b>10713</b>	<b>15895</b>	<b>36025</b>	<b>53450</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>36025</b>	<b>53450</b>	<b>4992</b>	<b>7103</b>

### STATEMENT OF CHANGES IN EQUITY 2004

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
<b>AS of 31 December 2002</b>	918144	-94	16760	284037	1218847
Transfer to reserves			17477	-17477	
Dividends paid				-9182	-6583
Current year profit				18528	15929
<b>As of 31 December 2003</b>	918144	-94	34237	275906	1228193
Transfer to reserves			-34237	34237	
Dividends paid				-9181	-9181
Current year profit				16058	16058
<b>As of 31 December 2004</b>	918144	-94	0	317020	1235070

## CASH FLOW STATEMENT 2004

(Currency exchange rate on 31.12.2004 LVL/EUR 0.702804)

№		2004.LVL	2004.EUR
<b>I.</b>	<b>BUSINESS ACTIVITIES CASH FLOW</b>		
1	profit or loss before tax	24686	35125
2	Corrections:	73344	104359
	a) wear of fixed assets	72664	103392
	b) other tax income and other income	-75	-107
	c) To suppliers, contractors and other creditors payable debt profit or loss before current assets and short-term liabilities residue correction influence	755	1074
3	Corrections:	-10015	-14250
	a) debtors debt residue ( increase)/decrease	819	1165
	b) stock residue ( increase)/decrease	-44454	-63252
	c) To suppliers, contractors and other creditors payable debt residue (increase)/decrease	33620	47837
4	Gross basic activities money flow	88015	125234
5	Paid interests	-755	-1074
6	Paid company income tax	-2647	-3766
7	Paid real estate tax	-5981	-8510
8	Cash flow before extraordinary items	0	0
9	Cash flow from extraordinary items	0	0
10	Net cash flow from operating activities	78632	111883
<b>II.</b>	<b>INVESTMENTS ACTIVITY CASH FLOW</b>		0
1	Purchase of fixed assets	-87400	-124359
2	loans	116	165
3	other tax income and other income	75	107
4	Investments activity net cash flows	-87209	-124087
<b>III.</b>	<b>FINANCING ACTIVITY CASH FLOW</b>		0
1	Received loans		0
2	Costs about credit repayment	-13275	-18889
3	Dividends	-9181	-13063
4	Financing activities net cash flow	-22456	-31952
<b>IV.</b>	<b>Foreign currency exchange rate fluctuation result</b>		0
<b>V.</b>	<b>Financial period net cash flow</b>	-31063	-46347
<b>VI.</b>	<b>Cash and its equivalents residue in the beginning of fin.per.</b>	36025	53450
<b>VI.</b>	<b>Cash and its equivalents residue in the end of fin.per.</b>	4992	7103

Aivars Puisitis

Chairman of the Supervisory Council

June 6, 2005