



**Industrial Rubber Products, Inc.  
2004 Annual Report**

Dear Stockholder,

In early 2004 I informed you that although the economy had continued to be depressed, I expected a recovery that would carry us well into the future. The Metals, Aggregates, Construction, and Energy markets have and are all experiencing 20-year high cycles, and full and complete recovery after 5 years of recession. Our customers have filled their order books, increased prices to record levels, and are buying more of our products at sustainable levels. Their forecasts for this recovery are now planned for well into 2006. We have not been idle or entered into this opportunity unprepared. In 2004 we invested \$300,000 in new marketing and sales strategies. We spent \$200,000 in Research and Development on products for the Oil industry. We have developed, applied for patent, produced, and successfully tested state of the art piping products. We have investigated alliances with companies in foreign countries and original equipment manufacturers. Many of our manufacturing plants are working overtime to insure uninterrupted supplies to our customers. We will continue to grow during this time of opportunity.

We also know that having an upturn with the Status Quo is not enough. The keys to survival at the turn of the century were paying off debt, reducing costs and managing assets. IRP has followed this model and we are now positioned for a future of greater profitability, growth, and stock value increases. To serve this end we are negotiating long term technical and commercial contracts with major energy companies for our new patent pending "IRACORE" products. We are planning major manufacturing expansion through the acquisition of operating facilities. We are continuously looking for strategic partners in our new technological areas.

The staff at IRP is capable and prepared to manage this planned growth for 2005 and beyond and welcomes you to join us in this exciting time of opportunity

Thank you,

Daniel O. Burkes  
President



Industrial Rubber Products, Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2004 and 2003

Assets	2004	2003 (Restated)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 104,050	\$ 244,551
Trade receivables, less allowance for doubtful accounts 2004 \$35,000; 2003 \$75,000	2,917,755	2,243,643
Income tax refund receivable	-----	940
Inventories	1,413,983	1,160,810
Prepaid expenses	276,821	199,516
Deferred taxes	150,000	169,708
<b>Total current assets</b>	<b>4,862,609</b>	<b>4,019,168</b>
<b>Other Assets</b>		
Cash value of life insurance	331,390	295,656
Investment in common stock of Acotec S.A.	120,000	120,000
Due from related party	-----	214,302
Unamortized deferred debt expense	55,043	76,461
	<b>506,433</b>	<b>706,419</b>
Deferred Taxes	1,200,000	1,322,000
Intangible Pension Asset	33,799	37,027
<b>Property and Equipment</b>		
Land	511,576	576,672
Buildings and leasehold improvements	3,181,783	1,849,972
Automotive equipment	638,266	546,394
Machinery and equipment	6,619,419	6,456,218
	<b>10,951,044</b>	<b>9,429,256</b>
Less accumulated depreciation	5,693,428	5,074,149
	<b>5,257,616</b>	<b>4,355,107</b>
	<b>\$11,860,457</b>	<b>\$ 10,439,721</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Bank notes payable	\$ 814,008	\$ 445,405
Current maturities of long-term debt	562,640	453,467
Accounts payable	1,380,612	893,375
Accrued expenses	571,379	464,103
<b>Total current liabilities</b>	<b>3,328,639</b>	<b>2,256,350</b>
Long-Term Debt, less current maturities	3,313,326	2,892,784
Accrued Pension Costs	<u>58,180</u>	<u>73,030</u>
<b>Stockholders' Equity</b>		
Common stock, \$.001 par value; authorized 25,000,000 shares;		
2004 issued 5,458,205; 2003 issued 5,437,205 shares	5,458	5,437
Additional paid-in capital	6,152,291	6,137,612
Accumulated deficit	(1,043,028)	(950,141)
Accumulated other comprehensive income	45,591	24,649
	<b>5,160,312</b>	<b>5,217,557</b>
	<b>\$11,860,457</b>	<b>\$ 10,439,721</b>

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Industrial Rubber Products, Inc. and Subsidiaries

Consolidated Statements of Operations  
Years Ended December 31, 2004 and 2003

	2004	2003 (Restated)
Net Sales	\$ 16,627,399	\$ 13,613,991
Cost of Sales	12,988,360	11,025,395
<b>Gross profit</b>	<b>3,639,039</b>	<b>2,588,596</b>
Operating Expenses	3,141,679	2,641,553
<b>Operating income (loss)</b>	<b>497,360</b>	<b>(52,957)</b>
Nonoperating Income (Expense)		
Interest and other income	11,058	19,937
Interest expense	(327,359)	(357,100)
	<b>(316,301)</b>	<b>(337,163)</b>
<b>Income (loss) before income taxes</b>	<b>181,059</b>	<b>(390,120)</b>
Federal and State Income Taxes (Credits)	67,942	(98,059)
<b>Net income (loss)</b>	<b>\$ 113,117</b>	<b>\$ (292,061)</b>
Earnings (Loss) per Common Share		
Basic	\$ 0.02	\$ (0.05)
Diluted	\$ 0.02	\$ (0.05)
Weighted Average Number of Shares and Share Equivalents		
Basic	5,458,205	5,437,205
Diluted	5,462,654	5,437,205

## ***Industrial Rubber Products Highlights***

### **Sales Growth**

As stated in the stockholders letter our core industries and historic customers have helped us to achieve exceptional sales growth:

For 2004 our sales increased just over 3 million dollars and was a growth 22% over 2003. The positive sales trend continued in the 1<sup>st</sup> quarter of 2005 as sales grew by 14% over the 1<sup>st</sup> quarter of 2004.

### **IRACORE Pipe**

As we stated last year, the Canadian Oil Sands Industry is a phenomenal opportunity for IRP. We have developed, produced and successfully tested \$1.75 million of our state of the art, patent pending IRACORE pipe products. These breakthroughs are being used to entice more orders and the potential for long-term commitments. The Northern Alberta region currently uses 200 kilometers of pipe products that can be replaced by IRACORE. We are already in and working closely with all of the major companies in this region with similar acceptance of IRP's IRACORE pipe lining systems.

According to Chicago Tribune, March 13<sup>th</sup> 2005, "Production of oil from the oil sands industry of Canada is likely to triple in the next 15 years."

### **Representatives**

During the past year we have worked on developing a representative base for selling our products both worldwide and with more efficiency in the United States. We have secured representative agreements covering most of the continental United States as well as six other countries with more being negotiated. This continues to allow our products to be marketed globally in the most effective manner.

### **Managing Assets to Profitability**

In late 2004 we purchased the T.J. Products building, which we were formerly leasing. By doing this we were able to reduce operating costs annually by \$130,000. This savings along with the savings of converting to Public Non-Reporting Entity and reducing our Cost of Sales by 3% points helped us to achieve an increase in Operating Profit of \$550,000 and a Net Profit increase of \$405,000.

### **Shareholders Value**

The results of these efforts contributed to our stock value increase of **\$0.65/share** (\$0.40/share, May 2004 to \$1.05/share as of April 18, 2005 Current) or a 163% increase in value.

### **Form 15 Filing**

The Company saved an estimated \$75,000 of direct costs in 2004 by becoming a Public Non Reporting Entity. In addition, an invaluable amount of management time was able to be redirected to the sales and research and development of our IRACORE product line.

Please contact Jim Skalski via phone at (218) 263-8831 or email [jims@irproducts.com](mailto:jims@irproducts.com) if you would like to receive a copy of the Company's entire 2004 audit report.