

**JOINT STOCK COMPANY
“RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA”
(RIGA ELECTRIC MACHINERY FACTORY)**

Reg. No. 40003042006
Ganību dambis 31, Rīga, LV-1005

**ANNUAL REPORT
2012
(AUDITED)**

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INFORMATION ABOUT THE COMPANY

Name of the Company	AS (Joint Stock Company) "Rīgas elektromašīnbūves rūpnīca" (AS "RER")	
Legal status of the Company	Joint Stock Company	
Registration No. in the Register of Enterprises, date and place of registration	No. 000304200, Riga, 29 November 1991	
Unified Registration No. in the Commercial Register, date and place of registration	No. 40003042006, Riga, 29 September 2004	
Registered office	Ganību dambis 31, Riga, LV-1005, the Republic of Latvia	
Institution in charge of the Company	General meeting of shareholders	
The parent Company Council :		
Chairperson of the Council	Oleg Domskiy	from 12.07.12
Vice-Chairperson of the Council	Mikhail Khromov	until 12.07.12.
	Andrey Petrov	from 12.07.12.
	Oleg Domskiy	until 12.07.12.
Council Members	Andrey Isaev	
	Ekaterina Chamkina	from 12.07.12.
	Sergey Goncharov	until 12.07.12.
	Andrey Petrov	until 12.07.12.
	Yaroslav Kolesnik	until 12.07.12.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
	Mihails Morozs	until 15.03.11.
Board Members	Aleksandrs Suvorkins	from 19.04.10.
	Fedor Dudkin	from 21.06.11 until 27.06.12.
	Rita Kargina	from 21.06.11 until 27.06.12.
	Aleksandra Dormidontova	until 21.06.11.
	Igor Rulev	until 21.06.11.
	Olga Pētersone	from 27.06.12.
	Maxim Savenkov	from 27.06.12.
	Mihails Morozs	from 15.03.11 until 22.11.12.
Accounting period	1 January 2012 – 31 December 2012	
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor Ē. Figurnovs, Certified auditor's certificate No. 38	
Subsidiary (daughter) companies	SIA „LatTransKomplekt”, reģ. Nr. 40103287324 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 2 000 (2 846 EUR) Shares – 100 %	
	AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 3 925 300 (5 585 199 EUR) Shares – 98.5 %	

AS "Rīgas elektromašīnbūves rūpnīca" MANAGEMENT REPORT

Business activities of the Company in 2012

Basic business activities of AS "Rīgas elektromašīnbūves rūpnīca" (hereinafter – AS "RER") are manufacturing of electric machines and machinery. The main types of products are as follows:

- Electrical equipment for electric trains;
- Electric equipment for passenger cars;
- Electric equipment for metro cars;
- Cast products.

Net turnover of the Company accounted for LVL 26 458 628 (EUR 37 647 236), which is 116.35 % when compared with the data of 2011.

AS "RER" has concluded the financial year 2012 with profit amounting to LVL 3 342 289 (EUR 4 755 649) before tax and profit amounting to LVL 3 174 863 (EUR 4 517 423) after tax.

The Company's financial position is reflected by the following economic indicators:

Indicator	31.12.2012.	31.12.2011.
Autonomy indicator (equity / entire capital)	0.32	0.17
Proportion coefficient of loans and equity (loans / equity)	2.11	4.78
Total liquidity indicator (current assets / short-term liabilities)	1.04	1.08
Profitability indicator of the basic business activities, % (profit from the basic business activities / net turnover)	15.90	7.01
Net profitability indicator, %(net profit / net turnover)	12.00	2.31

Other indicators

In 2012 the average number of employees was 962 people, which has increased by 4.3 % when compared with 2011. In 2012 the average monthly salary was LVL 540.22 (EUR 768.66) , and this number has increased by 3.8 % when compared with 2011.

AS "RER" has to fulfill environmental protection requirements while carrying out its operating activities. In order to comply with the said requirements the Company conducts the relevant activities on a regular basis, yet proportion of costs related to those activities is not significant in the total production cost price.

Risk factors related to the business activities of the Company

Financial risks have been characterized on pages 13 and 14 in notes to financial statements of the annual report 2012.

Significant events in 2012

Since 31.08.2012 after acquiring 100% shares of "LatTransKomplekt" Ltd, reg.No.40103287324, JSC "Riga Electric Machine Building Works" has become a holding company.

On December 14, the extraordinary meeting of shareholders of JSC "Riga Electric Machine Building Works" took the resolution for reorganization commitment of subsidiary company "LatTransKomplekt" Ltd. Therefore, 'LatTransKomplekt' Ltd, is associated to JSC "Riga Electric Machine Building Works".

In December 2012 JSC "Riga Electric Machine Building Works" acquired 98.5% shares of JSC "Latvo", reg. No. 40003184975 capitalizing debt obligations of JSC "Latvo" to JSC 'Riga Electric Machine Building Works'.

Further development of the Company

In 2013 you Company continue conversion of manufacture of asynchronous traction drive rolling stock. The Company is also going update its equipment in order to provide release of new production having proper quality.

Distribution of profit made in 2012

The shareholders of JSC RER are offered to redirect company`s profit of 2012 in the amount of LVL 3 174 863 (EUR 4 517 423) to "losses of earlier years."

Company on behalf of the Board,

Chairperson of the Board

N. Erohovs

10 April 2013

PROFIT AND LOSS ACCOUNT FOR TWELVE MONTHS OF 2012

No.	Items	Line code	Note	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1	Net turnover	010	1	26458628	22739803	37647236	32355825
2	Production costs of the goods sold	020	2	(19635089)	(18574609)	(27938215)	(26429288)
3	Gross profit or loss	030		6823539	4165194	9709021	5926537
4	Selling expenses	040	3	(535942)	(618639)	(762577)	(880244)
5	Administration expenses	050	4	(2081665)	(1951403)	(2961942)	(2776596)
6	Other operating income	060	5	556087	345889	791241	492154
7	Other operating expenses	070	6	(959637)	(752185)	(1365441)	(1070263)
8	Other interest income and similar income	100	7		10362		14744
9	Writing-off long-term financial investments and short-term securities	110	8		(32590)		(46371)
10	Other interest payments and similar expenses	120	9	(460093)	(604205)	(654653)	(859706)
11	Profit or loss before extraordinary items and taxes	130		3342289	562423	4755649	800255
12	Profit or loss before tax	160		3342289	562423	4755649	800255
13	Retained corporate income tax	180	10	(55900)	79437	(79539)	113029
14	Other taxes	190	11	(111526)	(117606)	(158687)	(167338)
15	Profit or loss of the accounting period	200		3174863	524254	4517423	745946

EPS (earnings per share)	0.55	0.09	0.78	0.13
The number of shares is 5799005				

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2012

A S S E T S	Line code	Note	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1. LONG-TERM INVESTMENTS		12				
I. Intangible investments						
1. Development costs	010			68254		97117
2. Other intangible investments	021		4740	9191	6744	13078
I. Total	050		4740	77445	6744	110195
II. Fixed assets						
1. Land plots, buildings, constructions	060		4508211	4220861	6414606	6005744
2. Equipment and machinery	080		3041625	2680908	4327842	3814588
3. Other fixed assets and inventory	090		55079	29126	78370	41443
4. Creation of fixed assets	100		346884	766559	493571	1090715
II. Total	120		7951799	7697454	11314389	10952490
III. Long-term financial investments						
1. Participation in capital of related companies (subsidiaries)	130	13	4801000		6831208	
III. Total	210		4801000		6831208	
I. PART TOTAL AMOUNT	220		12757539	7774899	18152341	11062685
2. CURRENT ASSETS						
I. Stocks						
1. Raw materials, direct materials and auxiliary materials	230		2332933	1686324	3319465	2399423
2. Unfinished products	240		1440403	1888587	2049509	2687217
3. Finished products and goods for sale	250		374568	38481	532962	54754
4. Prepayments for goods	270		274777	163051	390972	232001
I. Total	290		4422681	3776443	6292908	5373395
II. Debtors						
1. Debts of buyers and customers	300	14	1369278	3986329	1948307	5672035
2. Debts of related companies (subsidiaries)	310		265191		377333	
3. Other debtors	330	15	114994	251597	163622	357989
4. Deferred expenses	360	16	73806	71851	105017	102235
II. Total	370		1823269	4309777	2594279	6132259
IV. Cash	420	17	48780	7799	69408	11097
II. PART TOTAL AMOUNT	430		6294730	8094019	8956595	11516751
B A L A N C E	440		19052269	15868918	27108936	22579436

Appendices to financial statements on pages 11 – 21 are an integral part of the financial statements.

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2012

LIABILITIES	Line code	Note	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1. SHAREHOLDERS' EQUITY						
1. Share capital (capital stock)	450	18	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		209105	214858	297530	305715
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		(3719278)	(4243532)	(5292056)	(6038002)
b) Undivided profit of the accounting year	540		3174863	524254	4517423	745946
1. PART TOTAL AMOUNT	550		5656617	2487507	8048641	3539403
2. PROVISIONS						
1. Other provisions	580	19	472563	256095	672397	364390
2. PART TOTAL AMOUNT	590		472563	256095	672397	364390
3. CREDITORS						
I. Long-term creditors						
1. Loans from credit institutions	620	20	4166288	5341873	5928094	7600801
2. Other loans	630	21	677153	55169	963502	78498
3. Debts to related companies (subsidiaries)	670		937742		1334287	
4. Other creditors	700	22	800394		1138858	
5. Deferred tax liabilities	731		271895	215995	386872	307333
I. Total	740		6853472	5613037	9751613	7986632
II. Short-term creditors						
1. Loans from credit institutions	770	20	1693808	1335468	2410072	1900200
2. Other loans	780	21	55169	1003975	78498	1428528
3. Advance payments received from buyers	790	23	1652	35398	2351	50367
4. Debts to suppliers and contractors	800	24	1779928	1795074	2532609	2554160
5. Taxes and social security payments	840	25	2177582	2815807	3098419	4006532
6. Other creditors	850	22	361478	526557	514336	749224
II. Total	890		6069617	7512279	8636285	10689011
3. PART TOTAL AMOUNT	900		12923089	13125316	18387898	18675643
BALANCE	910		19052269	15868918	27108936	22579436

CASH FLOW STATEMENT FOR TWELVE MONTHS OF 2012 (prepared by indirect method)

I. Cash flow from operating activities

	Items	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1	Profit or loss before extraordinary items and taxes	3342289	562423	4755649	800255
	ADJUSTMENTS				
	Depreciation of fixed assets	332696	328778	473384	467809
	Amortization of intangible investment value	7151	3163	10175	4501
	Gain from sales of fixed assets	(8433)	(11634)	(11999)	(16554)
	Profit or loss from fluctuations of currency exchange rates	206882	(1460)	294367	(2077)
	Other interest income and similar income		(10031)		(14273)
	Writing-off long-term financial investments and short-term securities		32590		46371
	Amounts written off fixed assets	20600	9170	29311	13048
	Reserve for revaluation of long-term investments	(5753)	(49773)	(8186)	(70821)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	3895432	863226	5542701	1228259
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	2417795	673380	3440212	958133
	Increase or decrease of balance of inventories	(534512)	(146507)	(760542)	(208461)
	Increase or decrease of deferred expenses	(1955)	(394)	(2782)	(561)
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	800140	(946792)	1138497	(1347164)
	Increase or decrease of accruals	216468	71564	308006	101826
	Expenses for tax payments	(150709)	(136183)	(214440)	(193771)
3	Gross cash flow from operating activities	6642659	378294	9451652	538261
4	Cash flow before extraordinary items	6642659	378294	9451652	538261
I	NET CASH FLOW FROM OPERATING ACTIVITIES	6642659	378294	9451652	538261

II. Cash flow from investing activities

	Items	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1	Stocks or shares purchase from related undertakings	(4801000)		(6831208)	
2	Purchase of fixed assets and intangible investments	(610340)	(230210)	(868436)	(327559)
3	Income from sales of fixed assets and intangible investments	8433	11634	11999	16554
4	Interest income received		205198		291970
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(5402907)	(13378)	(7687645)	(19035)

III. Cash flow from financing activities

	Items	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
1	Loans received	240000	777553	341489	1106358
2	Expenses for repayment of loans	(1057245)	(977742)	(1504324)	(1391202)
3	Expenses for repurchase of leased fixed assets	(220675)	(237306)	(313992)	(337656)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(1037920)	(437495)	(1476827)	(622500)

IV. Summary of cash inflow and outflow

	Items	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
I	Net cash flow from operating activities	6642659	378294	9451652	538261
II	Net cash flow from investing activities	(5402907)	(13378)	(7687645)	(19035)
III	Net cash flow from financing activities	(1037920)	(437495)	(1476827)	(622500)
	Result of fluctuations of currency exchange rates	(160851)	38467	(228869)	54737
	Net cash flow of the accounting period	40981	(34112)	58311	(48537)
	Cash and its equivalents in the beginning of the accounting period	7799	41911	11097	59634
	Cash and its equivalents at the end of the accounting period	48780	7799	69408	11097

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR TWELVE MONTHS OF 2012, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2010.g.	5799005	264632	192922	(4243532)	2013027
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(49774)			(49774)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				524254	524254
4. Balance as of 31.12.2011.g.	5799005	214858	192922	(3719278)	2487507
5. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(5753)			(5753)
b) increase of fixed assets					
6. Income or loss of the accounting period in accordance with the profit and loss account				3174863	3174863
7. Balance as of 31.12.2012.g.	5799005	209105	192922	(544415)	5656617

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR TWELVE MONTHS OF 2012, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2010.g.	8251241	376537	274503	(6038002)	2864279
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(70822)			(70822)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				745946	745946
4. Balance as of 31.12.2011.g.	8251241	305715	274503	(5292056)	3539403
5. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(8185)			(8185)
b) increase of fixed assets					
6. Income or loss of the accounting period in accordance with the profit and loss account				4517423	4517423
7. Balance as of 31.12.2012.g.	8251241	297530	274503	(774633)	8048641

NOTES

ACCOUNTING POLICY

Basis for report preparation

Annual report has been prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Accounts of Undertakings", regulations of the Cabinet of Ministers Nr 481 and Nr 488. Profit and loss account has been prepared according to the turnover cost method. Cash flow statement has been prepared in accordance with the indirect method. The annual report presents fairly and clearly financial position of the Company, as well as its assets and liabilities.

Accounting principles applied

Annual report items have been assessed according to the following accounting principles:

- Assuming the Company will continue its activities;
- The same valuation methods as previous year have also been used this year;
- The annual report includes the profit made to the date of balance sheet only;
- All losses made over the accounting year or previous years have been taken into account;
- All depreciation amounts have been calculated and taken into account, regardless of whether the accounting year was ended with profit or loss;
- All costs and income pertaining to the accounting year have been taken into account, irrespective of the date of payment, as well as the date when invoice has been received or issued. The costs and income over the reporting period have been coordinated.

Income recognition and net turnover

Net turnover is a total amount of the value of products sold and services rendered over the year without discounts and value added tax. Income from the sale of products is recognized as soon as the most significant title is conferred on the customer and risks to the products and remuneration can be assessed properly. Income from service rendering is recognized as soon as the service is rendered. Other types of income are recognized as follows:

- Income from rent – at the moment it is generated;
- Income from penalty and delay payments – at the moment they are received;
- Dividends – at the moment legal rights to the dividends are established.

Capital assets and intangible assets

Capital assets and intangible assets have been reflected on the balance sheet in their purchase prices, excluding depreciation.

Depreciation of capital assets and intangible assets has been calculated according to the straight-line method. No depreciation of land has been calculated. In order to calculate depreciation of capital assets and intangible assets the following depreciation norms (% a year) approved by the Management has been used:

Intangible assets:

- | | |
|------------|-----|
| - Licences | 20% |
| - Software | 50% |

Capital assets:

- | | |
|--------------------------------------|-------------|
| - Premises, buildings | 1.1 – 1.9 % |
| - Equipment and machinery | 2 – 20 % |
| - Other capital assets and inventory | 10 – 50 % |

Repair or maintenance costs of capital assets have been included in the profit and loss account of the period during which they have been incurred. Repair (renovation) and modernization costs that increase value of the capital assets or prolong period of using them have been capitalized and written off during the period they were used effectively.

Notes (cont.)
Accounting policy (cont.)

Unfinished construction and costs of capital asset creation

Unfinished construction reflects costs of capital asset creation and costs of construction objects. The unfinished construction has been given in its initial value. The initial value includes construction costs and other direct costs. Depreciation of the unfinished construction has not been calculated, since the relevant assets have not been finished and put into operation.

	31.12.2012.g., LVL	31.12.2011.g., LVL	31.12.2012.g., EUR	31.12.2011.g., EUR
Unfinished construction objects	118011	118011	167915	167915
Costs of capital asset creation	228873	648548	325656	922800
Total	346884	766559	493571	1090715

Financial leasing

In cases capital assets have been acquired on conditions of financial leasing, leasing interest payments and payments considered as such have been included in the profit and loss account of the period they were incurred.

Receivables

Evaluation of the remaining amounts of materials and primary materials has been carried out by employing the FIFO method.

Inventory of low value has been recorded on the basis of purchase cost price written off 100% after having been put into operation.

Remaining amounts of finished products and unfinished products have been assessed according to their cost prices. Remaining amounts of receivables have been audited at the annual inventory.

The reserves at the amount of LVL 164109 have been established for stocks of slow-turnover.

Debts of debtors

Debts of debtors have been reflected on the balance sheet in their net values subtracting special provisions for doubtful debtors. Special provisions for doubtful debtors are created for those cases when the Management believes that the debtors are not likely to repay their debts.

Currency unit and recalculation of foreign currency

Indicators reflected in the annual report have been given in the national currency of the Republic of Latvia – lats (LVL). All transactions carried out in foreign currencies have been recalculated in lats according to the exchange rate of the Bank of Latvia set on day when the relevant transaction is takes place. Assets and liabilities in the foreign currency have been recalculated in lats according to the exchange rate of the Bank of Latvia set on the last day of the reporting period – 31.12.2011. Profit made or loss incurred as a result of fluctuations of exchange rates has been reflected in the profit and loss account of the corresponding period.

	31.12.2012.g., LVL	31.12.2011.g., LVL
1 EUR	0.702804	0.702804
1 USD	0.531	0.544
1 RUB	0.0174	0.0170

Long-term and short-term items

Long-term items comprise amounts whose terms of receipt, payment or write-off fall due later than after the end of the corresponding accounting year. Amounts to be received, paid or written off in a year are given in the short-term items.

Notes (cont.)

Accounting policy (cont.)

Other securities

Short-term investments in securities not quoted in stock exchange have been given in their purchase values.

Long-term investment revaluation reserve

Long-term invest revaluation reserve is reduced if the revaluated object has been removed or sold.

Provisions

Provisions are recognized if the Company has liabilities due to some event in the past and there is a possibility that in order to meet those liabilities resources promising economic gains could be diverted from the Company and if amount of liabilities can be assessed properly.

Holiday provisions are calculated by multiplying the average earnings of an employee by the average number of holidays not taken by an employee.

Provisions for warranty repairs. A warranty period of the Company's basic products is 2 years. In 2012 warranty repair costs accounted for LVL 48 192 (EUR 68 571), which is only 0.18% of the net turnover. Since amount of the warranty repair costs is of no high importance, provisions for warranty repairs are not created.

Deferred tax

Deferred corporate income tax have been calculated according to the liability method regarding all temporary differences between values of assets and liabilities reflected in the annual report and their values for tax calculation. Deferred tax has been calculated by using the tax rate of 15% laid down the Law. The said temporary differences have mainly occurred because of using different rates when calculating depreciation of capital assets in financial accounting and tax calculation, as well as due to holiday provisions.

Risk management

Risk management is an integral part of management process of the Company. Risk management in the Company is controlled by the Council and the Board of the Company. In its activities AS RER follows the general principles of risk management listed below:

- The Company undertakes no major and uncontrollable risks regardless of related asset yield;
- Risk management methods applied by the Company are cautious, compliant with types and specifics of commercial activity of the Company and ensure efficient reduction of overall risk;
- Risk management is based upon awareness of all employees of the company about transactions and related risks being under their competence;
- The Company constantly enforces internal control after processes of commercial activities aimed to prevent risks related to compliance and consequence of financial and operative information, possibility of asset fraudulence and protection, efficiency of actions and information system and their compliance with regulatory documents, procedures and agreements.

The most substantial risks AS RER is exposed to in the course of commercial activities, are financial risks.

Financial risk

Currency risk

The Company's financial assets and liabilities that are at the foreign currency risk include cash, debts of customers and clients, debts to suppliers and contractors and short-term and long-term loans.

A significant part of the Company's income is in lats and rouble, major part of its costs are in lats, while all received loans are in euros.

From 1 January 2005 the Bank of Latvia has set the official fixed lat to euro exchange rate, which is 0.702804. As long as the Bank of Latvia maintains the said fixed exchange rate the Company's profit and loss made as a result of fluctuations of the exchange rate will not be significant.

Notes (cont.)
Accounting policy (cont.)

Interest rate risk

The Company is at the interest rate risk due to its short-term and long-term loans and financial leasing transactions. In 2011 the average rate of the Company's loans and financial leasing transactions was 6.692%, in 2011 – 5.22%.

Liquidity risk

The Company has control over its liquidity risk by ensuring the appropriate financing with the help of a credit line granted by a Latvian credit institution.

Credit risk

The Company is at the credit risk due to its debts of customers and clients. Debts of customers and clients of AS "RER" have decreased – by 59% – when compared with 2011. It is characteristic of the Company that credit risk concentrates on a separate business partner or a group of business partners of similar type.

NOTES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

Note No. 1 – Net turnover

Country	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Latvia	1651553	4347522	2349948	6185966
Russia	24417519	16981454	34742999	24162432
Ukraine	147766	239470	210252	340735
United Kingdom	150592	377085	214273	536544
Belarus	82839	119659	117869	170259
Georgia		541440		770400
New Zealand		105582		150230
Other	8359	27591	11895	39259
Total	26458628	22739803	37647236	32355825

Note No. 2 – Production costs of products sold

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Salaries	4780265	4259497	6801704	6060718
Social insurance contributions	1128615	1008728	1605874	1435291
Costs of materials	10943950	11578003	15571838	16474014
Energy resources	1201367	992821	1709391	1412657
Depreciation of capital assets and intangible assets	288522	291005	410530	414063
Business trip costs	65399	47752	93054	67945
Repair costs and remuneration for works from outside	181859	195944	258762	278803
Costs of production quality control	724721		1031186	
Development costs	68254	68254	97117	97117
Expenses on product certification	33173	32184	47201	45794
Losses due to rejects	62684	48356	89191	68804
Environmental protection costs	36277	7227	51618	10283
Other costs	120003	44838	170749	63799
Total	19635089	18574609	27938215	26429288

Note No. 3 – Selling costs

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Packing material and package	78765	218482	112072	310872
Transportation expenses	340306	311864	484212	443742
Salaries	81722	70914	116280	100902
Social insurance contributions	19498	16905	27743	24054
Other selling costs	15651	474	22270	674
Total	535942	618639	762577	880244

Notes (cont.)

Note No. 4 – Administrative costs

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Communications costs	23446	26538	33361	37760
Reimbursement for legal services	25559	3984	36367	5669
Cash circulation and expense and extra costs	9419	12399	13402	17642
Transportation expenses	18857	14248	26831	20273
Representation expenses	11394	7705	16212	10963
Salaries	1364828	1303459	1941975	1854655
Social insurance contributions	316921	303139	450938	431328
Energy resources	39704	39811	56494	56646
Depreciation of capital assets	40618	32533	57794	46290
Business trip costs	28611	17564	40710	24991
Security services	147982	144353	210559	205396
Other administrative costs	54326	45670	77299	64983
Total	2081665	1951403	2961942	2776596

Note No. 5 – Other income from operating activities of the Company

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Profit gained as a result of other sales (materials, lease, other)	238089	230176	338770	327509
Remaining amounts of removal of capital assets, materials	24285	15	34554	21
Income from sales of fixed assets	8433	11634	11999	16554
Inventory surplus		2473		3519
Income related to maintenance of social sphere	23782	23173	33839	32972
Income from fluctuations of exchange rates		1460		2077
Decrease in revaluation reserve of capital assets	5753	49773	8186	70821
Writing off debts to suppliers and contractors	249016		354318	
Other income	6729	27185	9575	38681
Total	556087	345889	791241	492154

Note No. 6 – Other costs of operating activities of the Company

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Penalty and contractual penalties	136701	413022	194508	587677
Costs related to maintenance of social sphere	43210	44084	61482	62726
Costs not related to operating activities of the Company	69838	70450	99371	100241
Re-accreditation costs		92722		131932
Loss from fluctuations of exchange rates	206882		294367	
Removal of capital assets	20600	8708	29311	12390
Write-off of bad debtors	36161	229	51452	326
Inventory deficit		9383		13351
Increase in provisions for doubtful debtors	53167	40600	75650	57769
Increase in holiday provision	17867	71564	25422	101826
Provisions for stocks of slow-turnover	164109		233506	
Other provisions	199443		283782	
Other costs	11659	1423	16590	2025
Total	959637	752185	1365441	1070263

Note No. 7 - Other interest income and similar income

Indicator	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Interest income		10031		14273
Other interest income		331		471
Total	0	10362	0	14744

Notes (cont.)

Note No. 8 - Writing-off long-term financial investments and short-term securities

Indicator	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Write-off of investment costs to the associated society	0	32590	0	46371

Note No. 9 – Other interest payments and similar costs

Indicator	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Loan agreements	449794	345999	639999	492312
Leasing agreements	10299	25306	14654	36007
Credit line agreements		232900		331387
Total	460093	604205	654653	859706

Note No. 10 – Deferred corporate income tax

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Deferred tax liabilities as at the beginning of accounting year	215995	295432	307333	420362
Deferred tax expenditure in profit and loss account of accounting year	55900	(79437)	79539	(113029)
Deferred tax liabilities as at the end of accounting year	271895	215995	386872	307333

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Deferred tax liabilities :				
Temporary difference of depreciation of capital assets	337083	232820	479626	331273
Deferred tax assets:				
Temporary differences of costs of holidays and of other costs not used	(65188)	(16825)	(92754)	(23940)
Deferred tax liabilities	271895	215995	386872	307333

Note No. 11 – Other taxes

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Real estate tax on premises (buildings)	85227	96567	121267	137402
Real estate tax on land	26299	21039	37420	29936
Total	111526	117606	158687	167338

NOTES TO BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2012

Note No. 12 – Statement of movement of long-term investments, LVL

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.12	Purchase	Removed	Remaining amount as at 31.12.12	Remaining amount as at 01.01.12	Calculated	Removed	Remaining amount as at 31.12.12	01.01.12	31.12.12.
Intangible investments										
Devel.costs	68254		68254						68254	
Licences and other	301			301	301			301		
Software	23041	2700	(50)	25691	13850	7151	(50)	20951	9191	4740
Total	91596	2700	(68304)	25992	14151	7151	(50)	21252	77445	4740
Capital assets										
Land, premises, buildings*	7018451	351666		7370117	2797590	64316		2861906	4220861	4508211
Equipment and machinery	5493513	634878	(80596)	6047795	2812605	253565	(60000)	3006170	2680908	3041625
Other capital assets	258354	40771	(2570)	296555	229228	14815	(2567)	241476	29126	55079
Creation of capital assets	766559	550124	(969799)	346884					766559	346884
Total	13536877	1577439	(1052965)	14061351	5839423	332696	(62567)	6109552	7697454	7951799
Long-term fin. investm.										
Partnership in capital of related companies		4801000		4801000						4801000
Total		4801000		4801000						4801000
In total	13628473	6381139	(1121269)	18888343	5853574	339847	(62617)	6130804	7774899	12757539

Note No. 12 – Statement of movement of long-term investments, EUR

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.12	Purchase	Removed	Remaining amount as at 31.12.12	Remaining amount as at 01.01.12	Calculated	Removed	Remaining amount as at 31.12.12	01.01.12	31.12.12
Intangible assets										
Devel.costs	97117		(97117)						97117	
Licences and other	428			428	428			428		
Software	32784	3842	(71)	36555	19706	10176	(71)	29811	13078	6744
Total	130329	3842	(97188)	36983	20134	10176	(71)	30239	110195	6744
Capital assets										
Land, premises, buildings*	9986356	500376		10486732	3980612	91514		4072126	6005744	6414606
Equipment and machinery	7816565	903350	(114678)	8605237	4001977	360790	(85372)	4277395	3814588	4327842
Other capital assets	367605	58012	(3657)	421960	326162	21080	(3652)	343590	41443	78370
Creation of capital assets	1090715	782756	(1379900)	493571					1090715	493571
Total	19261241	2244494	(1498235)	20007500	8308751	473384	(89024)	8693111	10952490	11314389
Long-term fin. investm.										
Partnership in capital of related companies		6831208		6831208						6831208
Total		6831208		6831208						6831208
In total	19391570	9079544	(1595423)	26875691	8328885	483560	(89095)	8723350	11062685	18152341

In 2012 assessed value of the premises (buildings) accounted for LVL 5 681 775 (EUR 8 084 437), assessed value of the land plot accounted for LVL 2 061 090 (EUR 2 932 667).

Notes (cont.)

Note No. 13 – Participation in capital of related companies (subsidiaries)

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
LATTRANSKOMPLEKT SIA, ieguldījuma daļa 100%	936000		1331808	
LATVO AS, ieguldījuma daļa 98.5%	3865000		5499400	
Total	4801000		6831208	

Note No. 14 – Debts of customers and clients

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Debts of customers and clients	1433403	4037327	2039549	5744599
Provisions for doubtful debtors	(64125)	(50998)	(91242)	(72564)
Total	1369278	3986329	1948307	5672035

Note No. 15 – Other debtors

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Taxes paid in advance	1117	1164	1589	1656
Overpaid taxes	95865	82975	136404	118063
Rental debts	14921	28283	21231	40243
Claims settlement		132800		188957
Other	3091	6375	4398	9070
Total	114994	251597	163622	357989

Note No. 16 – Costs of the following periods

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Insurance	1616	1596	2299	2271
Expenses for development of new techniques	68254	68254	97117	97117
Other	3936	2001	5601	2847
Total	73806	71851	105017	102235

Note No. 17 – Cash

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Current accounts in banks	48780	7799	69408	11097

Note No. 18 – Stock capital (fixed capital)

Total number of stocks of AS "RER" is 5 799 005 shares. A nominal value of each share is LVL 1.00. The Company's fixed capital is LVL 5 799 005, which is split into: 5 799 005 regular voting shares.

Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Residents, including	199135	199135	283343	283343
- physical entities	173927	173927	247475	247475
- legal entities	25208	25208	35868	35868
Non-residents, including	5599870	5599870	7967898	7967898
- Russia	1011027	1011027	1438562	1438562
- Canada	5119	5119	7284	7284
- British Virgin Islands	3249563	3249563	4623712	4623712
- Belize	1333771	1333771	1897785	1897785
- Lithuania	390	390	555	555
Total	5799005	5799005	8251241	8251241

Notes (cont.)

Note No. 19 – Other provisions

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Holiday provisions	273962	256095	389813	364390
Other provisions	198601		282584	
Total	472563	256095	672397	364390

Note No. 20 – Long-term and short-term loans from credit institutions

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Latvian credit institutions, loan agreement, including	5860096	6677341	8338166	9501001
Long-term debt	4166288	5341873	5928094	7600801
Short-term debt	1693808	1335468	2410072	1900200

As on 31/12/2012 all assets of JSC "RER" have been pledged as security for a loan.

Note No. 21 – Other loans

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Leasing agreements, including	55169	371435	78498	528504
Long-term debt		55169		78498
Short-term debt	55169	316266	78498	450006
Other loans, including	677153	687709	963502	978522
Long-term debt	677153		963502	
Short-term debt		687709		978522

Note No. 22 – Long-term and short-term other creditors

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Long-term creditors, including	800394		1138858	
Other creditors	64394		91624	
Settlement of the debts of other companies	736000		1047234	
Short-term creditors, including	361478	526557	514336	749224
Salary debt	353613	511241	503145	727430
Support payments	3447	2346	4905	3338
Trade union membership fee	1906	11043	2712	15713
Other	2512	1927	3574	2743

Note No. 23 – Advance payments received from buyers

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Local customers	160	421	228	599
Foreign customers	1492	34977	2123	49768
Total	1652	35398	2351	50367

Note No. 24 – Debts to suppliers and contractors

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Local suppliers	978952	1426971	1392923	2030397
Foreign suppliers	800976	368103	1139686	523763
Total	1779928	1795074	2532609	2554160

Notes (cont.)

Note No. 25 – Taxes and social insurance contributions

LVL

Indicators	Personal income tax	Mandatory social insurance contributions	Value added tax	Natural resources tax	Real estate tax on land	Real estate tax on premises (buildings)	State business risk fee
31.12.11. debt	1038015 *	1736580 *		1787	7013 *	32170 *	242
31.12.11. overpayment			82975				
Calculated	1248383	2140013	1188896	31172	26299	85227	2887
Penalty calculated	63400	63448				1624	
Allocated to other taxes			1204931				
Paid	1179053	1574611	2406717	30632	33312	117397	2894
Penalty paid	59229	96995				1624	
Tax debt is settled from excess payment of other tax	189809	1015122					
31.12.12. debt	921707 *	1253313 *		2327	0.00	0.00	235
31.12.12. overpayment			95865				

* As for 31.12.2011 and for 31.12.2012 the Company has no current tax debts. Tax liabilities have been restructured.

EUR

Indicators	Personal income tax	Mandatory social insurance contributions	Value added tax	Natural resources tax	Real estate tax on land	Real estate tax on premises (buildings)	State business risk fee
31.12.11. debt	1476961*	2470931*		2543	9979*	45774*	344
31.12.11. overpayment			118063				
Calculated	1776289	3044964	1691647	44354	37420	121267	4108
Penalty calculated	90210	90278				2311	
Allocated to other taxes			1714462				
Paid	1677641	2240470	3424450	43585	47399	167041	4118
Penalty paid	84275	138011				2311	
Tax debt is settled from excess payment of other tax	270075	1444388					
31.12.12. debt	1311469*	1783304*		3312	0	0	334
31.12.12. overpayment			136404				

Note No. 26 – Number of the Company's employees

Indicators	31.12.12.	31.12.11.
Average number of employees	962	922

Note No. 27 – Information about remuneration to the Council and Board Members

Indicators	31.12.12. LVL	31.12.11. LVL	31.12.12. EUR	31.12.11. EUR
Remuneration calculated to the Council Members	7450	7450	10600	10600
Remuneration calculated to the Board Members	7450	7450	10600	10600
Total	14900	14900	21200	21200

Note No. 28 – Information about remuneration for services of the commercial company of certified auditors (amounts given including VAT)

Indicators	31.12.11. LVL	31.12.10. LVL	31.12.11. EUR	31.12.10. EUR
Remuneration for auditing annual report	5445	4026	7748	5728
Remuneration for auditing consolidated annual report	1452		2066	

Company on behalf of the Board,

Chairperson of the Board

N. Erohovs

10 April 2013

MANAGEMENT CONFIRMATION REPORT

The Management of the Company is responsible for preparation of financial statements and confirms that the annual report presents fairly, in all material respects, the financial position of the Company, as well as results of its activities as at the end of the accounting year.

The Management of the Company confirms that during preparation of the audited annual report 2012 appropriate accounting methods were used and employed consistently, moreover, reasonable and careful decisions have been taken.

The Management of the Company is responsible for organizing accounting, preserving the Company's capital, as well as for preventing deceit and other dishonest activities.

Company on behalf of the Board,

Chairperson of the Board

N. Erohovs

10 April 2013