

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

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

**CONSOLIDATED ANNUAL REPORT FOR 12 MONTHS
OF THE YEAR 2012
(AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

CONTENT

| | |
|--------------------------------------|----|
| Information about the parent Company | 3 |
| Management report | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Cash flow statement | 8 |
| Statement of changes in equity | 9 |
| Notes to financial statements | 10 |
| Management confirmation report | 20 |

INFORMATION ABOUT THE PARENT 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 |
| | Mikhail Khromov | until 12.07.12. |
| Vice-Chairperson of the Council | 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 % | |

MANAGEMENT REPORT

Business activities of the Holding Company in 2012

Basic business activities of the Holding Company 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 Holding Company accounted for LVL 26 458 628 (EUR 37 647 236).

The Holding Company has concluded the financial year 2012 with profit amounting to LVL 4 464 360 (EUR 6 352 211) before tax and profit amounting to LVL 4 296 934 (EUR 6 113 985) after tax.

The economic indicators of the Holding Company

In 2012 the Autonomy indicator (equity / entire capital) was 0.38, Proportion coefficient of loans and equity (loans / equity) was 1.67, Total liquidity indicator (current assets / short-term liabilities) was 1.03, Profitability indicator of the basic business activities (profit from the basic business activities / net turnover, %) was 20.17%, Net profitability indicator (net profit / net turnover, %) was 16.24%.

Other indicators

In 2012 the average number of employees was 979 people. In 2012 the average monthly salary was LVL 557 (EUR 793).

The Holding Company 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 Holding Company

Financial risks have been characterized on pages 12 and 13 in notes to financial statements of the annual report 2012.

Significant events in 2012

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 Holding Company

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

On behalf of the Holding Company,

Chairperson of the Board

N. Erohovs

10 April 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 12 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 | (19522195) | (18574609) | (27777581) | (26429288) |
| 3 | Gross profit or loss | 030 | | 6936433 | 4165194 | 9869655 | 5926537 |
| 4 | Selling expenses | 040 | 3 | (567727) | (618639) | (807803) | (880244) |
| 5 | Administration expenses | 050 | 4 | (2156260) | (1951403) | (3068082) | (2776596) |
| 6 | Other operating income | 060 | 5 | 545138 | 345889 | 775661 | 492154 |
| 7 | Other operating expenses | 070 | 6 | (956613) | (752185) | (1361138) | (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 | Consolidation difference | 121 | | 1123482 | | 1598571 | |
| 12 | Profit or loss before extraordinary items and taxes | 130 | | 4464360 | 562423 | 6352211 | 800255 |
| 13 | Profit or loss before tax | 160 | | 4464360 | 562423 | 6352211 | 800255 |
| 14 | Retained corporate income tax | 180 | 10 | (55900) | 79437 | (79539) | 113029 |
| 15 | Other taxes | 190 | 11 | (111526) | (117606) | (158687) | (167338) |
| 16 | Profit or loss of the accounting period | 200 | | 4296934 | 524254 | 6113985 | 745946 |

| | | | | |
|--------------------------|------|------|------|------|
| EPS (earnings per share) | 0.74 | 0.09 | 1.05 | 0.13 |
|--------------------------|------|------|------|------|

CONSOLIDATED BALANCE SHEET FOR 12 MONTHS OF 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 | | 5085 | 9191 | 7235 | 13078 |
| I. Total | 050 | | 5085 | 77445 | 7235 | 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 | | 56862 | 29126 | 80907 | 41443 |
| 4. Creation of fixed assets | 100 | | 346884 | 766559 | 493571 | 1090715 |
| II. Total | 120 | | 7953582 | 7697454 | 11316926 | 10952490 |
| III. Long-term financial investments | | | | | | |
| 1. Own shares | 170 | | 10227 | | 14552 | |
| 2. Other long-term debtors | 180 | | 5052390 | | 7188903 | |
| 3. Deferred tax assets | 201 | | 1979 | | 2816 | |
| III. Total | 210 | | 5064596 | | 7206271 | |
| I. PART TOTAL AMOUNT | 220 | | 13023263 | 7774899 | 18530432 | 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 | | 374975 | 38481 | 533542 | 54754 |
| 4. Prepayments for goods | 270 | | 338598 | 163051 | 481782 | 232001 |
| I. Total | 290 | | 4486909 | 3776443 | 6384298 | 5373395 |
| II. Debtors | | | | | | |
| 1. Debts of buyers and customers | 300 | 13 | 1520132 | 3986329 | 2162953 | 5672035 |
| 2. Other debtors | 330 | 14 | 214758 | 251597 | 305573 | 357989 |
| 3. Deferred expenses | 360 | 15 | 78032 | 71851 | 111030 | 102235 |
| II. Total | 370 | | 1812922 | 4309777 | 2579556 | 6132259 |
| IV. Cash | 420 | 16 | 64656 | 7799 | 91997 | 11097 |
| II. PART TOTAL AMOUNT | 430 | | 6364487 | 8094019 | 9055851 | 11516751 |
| B A L A N C E | 440 | | 19387750 | 15868918 | 27586283 | 22579436 |

Appendices to financial statements on pages 10 – 19 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET FOR 12 MONTHS OF 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 | 17 | 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 | | 4296934 | 524254 | 6113985 | 745946 |
| 1. PART TOTAL AMOUNT | 550 | | 6778688 | 2487507 | 9645203 | 3539403 |
| 2. PROVISIONS | | | | | | |
| 1. Other provisions | 580 | 18 | 487006 | 256095 | 692947 | 364390 |
| 2. PART TOTAL AMOUNT | 590 | | 487006 | 256095 | 692947 | 364390 |
| 3. CREDITORS | | | | | | |
| I. Long-term creditors | | | | | | |
| 1. Loans from credit institutions | 620 | 19 | 4166288 | 5341873 | 5928094 | 7600801 |
| 2. Other loans | 630 | 20 | 677153 | 55169 | 963502 | 78498 |
| 3. Other creditors | 700 | 21 | 800394 | | 1138858 | |
| 4. Deferred tax liabilities | 731 | | 271895 | 215995 | 386872 | 307333 |
| I. Total | 740 | | 5915730 | 5613037 | 8417326 | 7986632 |
| II. Short-term creditors | | | | | | |
| 1. Loans from credit institutions | 770 | 19 | 1693808 | 1335468 | 2410072 | 1900200 |
| 2. Other loans | 780 | 20 | 55169 | 1003975 | 78498 | 1428528 |
| 3. Advance payments received from buyers | 790 | 22 | 37072 | 35398 | 52749 | 50367 |
| 4. Debts to suppliers and contractors | 800 | 23 | 1809366 | 1795074 | 2574496 | 2554160 |
| 5. Taxes and social security payments | 840 | 24 | 2217854 | 2815807 | 3155722 | 4006532 |
| 6. Other creditors | 850 | 21 | 393057 | 526557 | 559270 | 749224 |
| II. Total | 890 | | 6206326 | 7512279 | 8830807 | 10689011 |
| 3. PART TOTAL AMOUNT | 900 | | 12122056 | 13125316 | 17248133 | 18675643 |
| B A L A N C E | 910 | | 19387750 | 15868918 | 27586283 | 22579436 |

CONSOLIDATED CASH FLOW STATEMENT FOR 12 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 | 4464360 | 562423 | 6352211 | 800255 |
| | ADJUSTMENTS | | | | |
| | Depreciation of fixed assets | 335981 | 328778 | 478058 | 467809 |
| | Amortization of intangible investment value | 7290 | 3163 | 10373 | 4501 |
| | Gain from sales of fixed assets | (8433) | (11634) | (11999) | (16554) |
| | Profit or loss from fluctuations of currency exchange rates | 197689 | (1460) | 281286 | (2077) |
| | Consolidation difference | (1086420) | | (1545836) | |
| | Other interest income and similar income | | (10031) | | (14273) |
| | Writing-off long-term financial investments | | 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 | 3925314 | 863226 | 5585218 | 1228259 |
| | ADJUSTMENTS | | | | |
| | Increase or decrease of balance of receivables | 2182022 | 673380 | 3104738 | 958133 |
| | Increase or decrease of balance of inventories | 559336 | (146507) | 795863 | (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 | (15597) | (946792) | (22193) | (1347164) |
| | Increase or decrease of accruals | 208052 | 71564 | 296031 | 101826 |
| | Expenses for tax payments | (150709) | (136183) | (214440) | (193771) |
| 3 | Gross cash flow from operating activities | 6706463 | 378294 | 9542435 | 538261 |
| 4 | Expenses from company tax payments | (63504) | | (90358) | |
| 5 | Cash flow before extraordinary items | 6642959 | 378294 | 9452077 | 538261 |
| I | NET CASH FLOW FROM OPERATING ACTIVITIES | 6642959 | 378294 | 9452077 | 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 | (4785233) | | (6808773) | |
| 2 | Purchase of fixed assets and intangible investments | (610340) | (230210) | (868436) | (327559) |
| 3 | Income from sales of fixed assets and intangible investments | 9048 | 11634 | 12874 | 16554 |
| 4 | Expenses for sales of fixed assets | (806) | | (1147) | |
| 5 | Interest income received | | 205198 | | 291970 |
| II | NET CASH FLOW FROM INVESTING ACTIVITIES | (5387331) | (13378) | (7665482) | (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 | 341490 | 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) | (1476826) | (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 | 6642959 | 378294 | 9452077 | 538261 |
| II | Net cash flow from investing activities | (5387331) | (13378) | (7665482) | (19035) |
| III | Net cash flow from financing activities | (1037920) | (437495) | (1476826) | (622500) |
| | Result of fluctuations of currency exchange rates | (160851) | 38467 | (228869) | 54737 |
| | Net cash flow of the accounting period | 56857 | (34112) | 80900 | (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 | 64656 | 7799 | 91997 | 11097 |

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 12 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 | | | | 4296934 | 4296934 |
| 7. Balance as of 31.12.2012.g. | 5799005 | 209105 | 192922 | 577656 | 6778688 |

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 12 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 | | | | 6113985 | 6113985 |
| 7. Balance as of 31.12.2012.g. | 8251241 | 297530 | 274503 | 821929 | 9645203 |

NOTES

GENERAL INFORMATION

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.

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".

Consolidated financial reports include the balance data of both (the Holding) JSC "Riga Electric Machine Building Works" (hereinafter referred to as JSC "RER") and its subsidiary companies of "LatTransKomplekt" Ltd, "Latvo" JSC.

The main activities of the holding company are electric machinery and equipment manufacturing.

ACCOUNTING POLICY

Principles of preparing the financial statement

The holding company's financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS). To apply these standards there were not made any significant changes in the Holding's financial principles.

The balance data of the consolidated financial report of the holding company, the parent company's financial report and the subsidiary company's financial reports are identical. Processing the financial report the subsidiary company of the Holding applies the same accounting methods and other regulations of valuation as the parent company of the Holding does.

In the course of consolidation all both mutual transactions and residual values that are in the frames of the Holding have been excluded.

The share of JSC "RER" in the own capital of the subsidiary company as well as the investment of JSC "RER" into the subsidiary company's capital have been mutually excluded. The negative equity arisen out from that mutual exclusion is included into the calculations of consolidated profit or of loss.

The share belonging to the minority group of shareholders of subsidiary company JSC "Latvo" is not separately displayed because such shareholders of the minority group are shareholders of the parent company.

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.

Comparable Information

On 31.12.11 the non-consolidated data of JSC "Riga Electric Machine Building Works" were submitted.

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.

Notes (cont.)
Accounting policy (cont.)

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.

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., LVL | 31.12.2011., LVL | 31.12.2012., EUR | 31.12.2011., 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. 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.

Notes (cont.)
Accounting policy (cont.)

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.

Data of the Financial report that are represented in EUR are recalculated in conformity with the exchange rate set by the Bank of Latvia as of 31.12.2012. : 1 EUR – 0.702804.

| | 31.12.2012., LVL | 31.12.2011., 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.

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 113 446 (EUR 68 571), which is only 0.43% 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 holding companies. Risk management in the holding companies is controlled by the Council and the Board of the parent company. In its activities holding companies 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

Notes (cont.)

asset fraudulence and protection, efficiency of actions and information system and their compliance with regulatory documents, procedures and agreements.

The most substantial risks holding companies is exposed to in the course of commercial activities, are financial risks:

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.

Interest rate risk

The Holding Company is at the interest rate risk due to its short-term and long-term loans and financial leasing transactions.

Liquidity risk

The Holding 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 Holding Company is at the credit risk due to its debts of customers and clients. 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 CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 12 MONTHS OF 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 |
| Byelorussia | 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 | 10831056 | 11578003 | 15411204 | 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 | | 1031185 | |
| Development costs | 68254 | 68254 | 97117 | 97117 |
| Expenses of product's certification | 33173 | 32184 | 47201 | 45794 |
| Losses due to rejects | 62684 | 48356 | 89191 | 68804 |
| Environmental protection costs | 36277 | 7227 | 51618 | 10283 |
| Other costs | 120003 | 44838 | 170750 | 63799 |
| Total | 19522195 | 18574609 | 27777581 | 26429288 |

Notes (cont.)

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 | 107974 | 70914 | 153633 | 100902 |
| Social insurance contributions | 25031 | 16905 | 35616 | 24054 |
| Other selling costs | 15651 | 474 | 22270 | 674 |
| Total | 567727 | 618639 | 807803 | 880244 |

Note No. 4 – Administrative costs

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|--|------------------|------------------|------------------|------------------|
| Communications costs | 24296 | 26538 | 34570 | 37760 |
| Reimbursement for legal services | 27794 | 3984 | 39547 | 5669 |
| Cash circulation and expense and extra costs | 10075 | 12399 | 14335 | 17642 |
| Transportation expenses | 18857 | 14248 | 26831 | 20273 |
| Representation expenses | 11422 | 7705 | 16252 | 10963 |
| Salaries | 1416849 | 1303459 | 2015995 | 1854655 |
| Social insurance contributions | 329453 | 303139 | 468769 | 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 | 60599 | 45670 | 86226 | 64984 |
| Total | 2156260 | 1951403 | 3068082 | 2776597 |

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) | 227140 | 230176 | 323191 | 327509 |
| Remaining amounts of removal of capital assets, materials | 24285 | 15 | 34554 | 21 |
| Sale of capital 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 | 9574 | 38681 |
| Total | 545138 | 345889 | 775661 | 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 | 138500 | 413022 | 197068 | 587677 |
| Costs related to maintenance of social sphere | 43210 | 44084 | 61482 | 62726 |
| Costs not related to operating activities of the Company | 70567 | 70450 | 100408 | 100241 |
| Re-accreditation costs | | 92722 | | 131932 |
| Loss from fluctuations of exchange rates | 197689 | | 281286 | |
| 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 | 56617 | 40600 | 80559 | 57769 |
| Increase in holiday provision | 17867 | 71564 | 25422 | 101826 |
| Provisions for stocks of slow-turnover | 164109 | | 233506 | |
| Other provisions | 199443 | | 283782 | |
| Other costs | 11850 | 1423 | 16862 | 2025 |
| Total | 956613 | 752185 | 1361138 | 1070263 |

Notes (cont.)

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 (short-term loans) | | 10031 | | 14273 |
| Other interest income | | 331 | | 471 |
| Total | | 10362 | | 14744 |

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 | | 32590 | | 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 |

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"
Audited Consolidated Annual Report for 12 months of the year 2012

Notes (cont.)

NOTES TO CONSOLIDATED BALANCE SHEET FOR THE 12 MONTHS OF 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 | Consol. difference | Removed | Remaining amount as at 31.12.12 | Remaining amount as at 01.01.12 | Calculated | Consol. difference | Removed | Remaining amount as at 31.12.12 | 01.01.12 | 31.12.12 |
| Intangible assets | | | | | | | | | | | | |
| Devel.costs | 68254 | | | (68254) | | | | | | | 68254 | |
| Licenses and other | 301 | | 2225 | | 2526 | 301 | | 2225 | | 2526 | | |
| Software | 23041 | 2700 | 691 | (50) | 26382 | 13850 | 7290 | 207 | (50) | 21297 | 9191 | 5085 |
| Total | 91596 | 2700 | 2916 | (68304) | 28908 | 14151 | 7290 | 2432 | (50) | 23823 | 77445 | 5085 |
| 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 | 17150 | (8041) | 308234 | 229228 | 18100 | 10831 | (6787) | 251372 | 29126 | 56862 |
| Creation of capital assets | 766559 | 550124 | | (969799) | 346884 | | | | | | 766559 | 346884 |
| Total | 13536877 | 1577439 | 17150 | (1058436) | 14073030 | 5839423 | 335981 | 10831 | (66787) | 6119448 | 7697454 | 7953582 |
| Long-term fin. investm. | | | | | | | | | | | | |
| Own shares | | | 10227 | | 10227 | | | | | | | 10227 |
| Other debtors | | | 5054369 | | 5054369 | | | | | | | 5054369 |
| Total | | | 5064596 | | 5064596 | | | | | | | 5064596 |
| In total | 13628473 | 1580139 | 5084662 | (1126740) | 19166534 | 5853574 | 343271 | 13263 | (66837) | 6143271 | 7774899 | 13023263 |

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

| | Initial value | | | | Depreciation | | | | Remaining value | | | |
|--------------------------------|---------------------------------|----------------|--------------------|---------------------------------|-----------------|--------------------|---------------------------------|--------------|--------------------|---------------------------------|-----------------|--------------------|
| | Remaining amount as at 01.01.12 | Purchase | Consol. difference | Remaining amount as at 01.01.12 | Purchase | Consol. difference | Remaining amount as at 01.01.12 | Purchase | Consol. difference | Remaining amount as at 01.01.12 | Purchase | Consol. difference |
| Intangible assets | | | | | | | | | | | | |
| Devel.costs | 97117 | | | (97117) | | | | | | | | 97117 |
| Licenses and other | 428 | | 3166 | | 3594 | 428 | | 3166 | | 3594 | | |
| Software | 32784 | 3842 | 983 | (71) | 37538 | 19706 | 10375 | 293 | (71) | 30303 | 13078 | 7235 |
| Total | 130329 | 3842 | 4149 | (97188) | 41132 | 20134 | 10375 | 3459 | (71) | 33897 | 110195 | 7235 |
| 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 | 24402 | (11441) | 438578 | 326162 | 25754 | 15411 | (9656) | 357671 | 41443 | 80907 |
| Creation of capital assets | 1090715 | 782756 | | (1379900) | 493571 | | | | | | 1090715 | 493571 |
| Total | 19261241 | 2244494 | 24402 | (1506019) | 20024118 | 8308751 | 478058 | 15411 | (95028) | 8707192 | 10952490 | 11316926 |
| Long-term fin. investm. | | | | | | | | | | | | |
| Own shares | | | 14552 | | 14552 | | | | | | | 14552 |
| Other debtors | | | 7191719 | | 7191719 | | | | | | | 7191719 |
| Total | | | 7206271 | | 7206271 | | | | | | | 7206271 |
| In total | 19391570 | 2248336 | 7234822 | (1603207) | 27271521 | 8328885 | 488433 | 18870 | (95099) | 8741089 | 11062685 | 18530432 |

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

Notes (cont.)

Note No. 13 – 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 | 1584257 | 4037327 | 2254195 | 5744599 |
| Provisions for doubtful debtors | (64125) | (50998) | (91242) | (72564) |
| Total | 1520132 | 3986329 | 2162953 | 5672035 |

Note No. 14 – Other debtors

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|-----------------------|------------------|------------------|------------------|------------------|
| Taxes paid in advance | 14091 | 1164 | 20050 | 1656 |
| Overpaid taxes | 174717 | 82975 | 248600 | 118063 |
| Rental debts | 14921 | 28283 | 21231 | 40243 |
| Claims settlement | | 132800 | | 188957 |
| Other | 11029 | 6375 | 15692 | 9070 |
| Total | 214758 | 251597 | 305573 | 357989 |

Note No. 15 – 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 | 8162 | 2001 | 11614 | 2847 |
| Total | 78032 | 71851 | 111030 | 102235 |

Note No. 16 – Cash

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|---------------------------|------------------|------------------|------------------|------------------|
| Current accounts in banks | 64656 | 7799 | 91997 | 11097 |

Note No. 17 – Parent Company's 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. 18 – Other provisions

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|--------------------|------------------|------------------|------------------|------------------|
| Holiday provisions | 281351 | 256095 | 400326 | 364390 |
| Other provisions | 205655 | | 292621 | |
| Total | 487006 | 256095 | 692947 | 364390 |

Note No. 19 – 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 parent Company have been pledged as security for a loan.

Note No. 20 – 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. 21 – 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 | 393057 | 526557 | 559270 | 749224 |
| Salary debt | 377086 | 511241 | 536545 | 727430 |
| Support payments | 3447 | 2346 | 4905 | 3338 |
| Trade union membership fee | 1906 | 11043 | 2712 | 15713 |
| Other | 10618 | 1927 | 15108 | 2743 |

Note No. 22 – Advances received from customers

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|-------------------|------------------|------------------|------------------|------------------|
| Local customers | 35580 | 421 | 50626 | 599 |
| Foreign customers | 1492 | 34977 | 2123 | 49768 |
| Total | 37072 | 35398 | 52749 | 50367 |

Note No. 23 – Debts to suppliers and contractors

| Indicators | 31.12.12. LVL | 31.12.11. LVL | 31.12.12. EUR | 31.12.11. EUR |
|-------------------|------------------|------------------|------------------|------------------|
| Local suppliers | 987803 | 1426971 | 1405517 | 2030397 |
| Foreign suppliers | 821563 | 368103 | 1168979 | 523763 |
| Total | 1809366 | 1795074 | 2574496 | 2554160 |

Notes (cont.)

Note No. 24 – Taxes and social insurance contributions

LVL

| Indicators | Personal income tax | Mandatory social insurance contributions | Income tax | 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 | 1265923 | 2169320 | 650 | 1310751 | 31172 | 26299 | 85227 | 2887 |
| Penalty calculated | 63400 | 63448 | | | | | 1624 | |
| Allocated to other taxes | | | | 1204931 | | | | |
| Consol. difference | 33043 | 35179 | 68333 | 320302 | | | | 29 |
| Paid | 1206240 | 1602484 | 63279 | 2533245 | 30632 | 33312 | 117397 | 2894 |
| Penalty paid | 59229 | 96995 | | | | | 1624 | |
| Tax debt is settled from excess payment of other tax | 189809 | 1015122 | | | | | | 46 |
| Consol. difference | 23353 | 36941 | 32826 | 339776 | | | | |
| 31.12.12. debt | 925616* | 1258999* | 30677 | | 2327 | 0 | 0 | 235 |
| 31.12.12. overpayment | 3866 | 6014 | 57799 | 120012 | | | | 17 |

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

EUR

| Indicators | Personal income tax | Mandatory social insurance contributions | Income tax | 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 | 1476962* | 2470931* | | | 2543 | 9979* | 45774* | 344 |
| 31.12.11. overpayment | | | | 118063 | | | | |
| Calculated | 1801246 | 3086664 | 925 | 1865031 | 44354 | 37420 | 121267 | 4108 |
| Penalty calculated | 90210 | 90278 | | | | | 2311 | |
| Allocated to other taxes | | | | 1714462 | | | | |
| Consol. difference | 47016 | 50055 | 97229 | 455749 | | | | 41 |
| Paid | 1716325 | 2280129 | 90038 | 3604483 | 43585 | 47399 | 167041 | 4118 |
| Penalty paid | 84276 | 138011 | | | | | 2311 | |
| Tax debt is settled from excess payment of other tax | 270074 | 1444388 | 46706 | | | | | |
| Consol. difference | 33227 | 52561 | | 483457 | | | | 65 |
| 31.12.12. debt | 1317032* | 1791395* | 43649 | | 3312 | 0 | 0 | 334 |
| 31.12.12. overpayment | 5501 | 8557 | 82239 | 170761 | | | | 24 |

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

10 April 2013

MANAGEMENT CONFIRMATION REPORT

Consolidated financial statements are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial statements give a true and fair view of the financial position of the Group and of its financial performance for the period ended 31 December 2012.

In preparing those financial statements, management selected suitable accounting policies, made judgments and estimates that are reasonable and prudent, prepared the financial statements on the going concern basis to presume that the Group will continue in business.

The Management Board is responsible for organizing accounting, they are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

10 April 2013