

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

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

**CONSOLIDATED ANNUAL REPORT FOR 3 MONTHS
OF THE YEAR 2013
(NON-AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

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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
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.
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.
	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 2013 – 31 March 2013	
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 %	

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 3 MONTHS OF 2013

No.	Items	Note	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1	Net turnover	1	6951454	7106170	9891028	10111169
2	Production costs of the goods sold	2	(5226703)	(5456564)	(7436928)	(7763991)
3	Gross profit or loss		1724751	1649606	2454100	2347178
4	Selling expenses	3	(131908)	(135497)	(187688)	(192795)
5	Administration expenses	4	(497882)	(519252)	(708422)	(738829)
6	Other operating income	5	212721	75977	302674	108106
7	Other operating expenses	6	(393691)	(428360)	(560172)	(609501)
8	Other interest income and similar income		6		9	
9	Other interest payments and similar expenses	7	(70456)	(143040)	(100250)	(203528)
10	Profit or loss before extraordinary items and taxes		843541	499434	1200251	710631
11	Profit or loss before tax		843541	499434	1200251	710631
12	Profit or loss of the accounting period		843541	499434	1200251	710631

EPS (earnings per share)	0.15	0.09	0.21	0.12
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CONSOLIDATED BALANCE SHEET FOR 3 MONTHS OF 2013

A S S E T S	Note	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1. LONG-TERM INVESTMENTS					
I. Intangible investments	8				
1. Development costs			68254		97117
2. Concessions, licences and similar rights		138218		196666	
3. Other intangible investments		3179	10356	4523	14735
I. Total		141397	78610	201189	111852
II. Fixed assets	8				
1. Land plots, buildings, constructions		4489173	4204232	6387518	5982083
2. Equipment and machinery		2956768	2642810	4207102	3760380
3. Other fixed assets and inventory		129876	26100	184797	37137
4. Creation of fixed assets		295585	779099	420580	1108558
II. Total		7871402	7652241	11199997	10888158
III. Long-term financial investments					
1. Own shares		10227		14552	
2. Other long-term debtors	9	5204628		7405518	
3. Deferred tax assets		1979		2816	
III. Total		5216834		7422886	
I. PART TOTAL AMOUNT		13229633	7730851	18824072	11000010
2. CURRENT ASSETS					
I. Stocks					
1. Raw materials, direct materials and auxiliary materials		2143445	1815579	3049847	2583336
2. Unfinished products		1363452	1377213	1940017	1959598
3. Finished products and goods for sale		249360	57958	354807	82467
4. Prepayments for goods		433084	445536	616223	633941
I. Total		4189341	3696286	5960894	5259342
II. Debtors					
1. Debts of buyers and customers	10	2280214	4859197	3244452	6914014
2. Other debtors	11	197093	310267	280440	441470
3. Deferred expenses	12	61359	55853	87306	79472
II. Total		2538666	5225317	3612198	7434956
IV. Cash	13	153868	5028	218934	7154
II. PART TOTAL AMOUNT		6881875	8926631	9792026	12701452
B A L A N C E		20111508	16657482	28616098	23701462

Appendices to financial statements on pages 9 – 17 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET FOR 3 MONTHS OF 2013

LIABILITIES	Note	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1. SHAREHOLDERS' EQUITY					
1. Share capital (capital stock)	14	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments		208773	214246	297057	304845
3. Other provisions		192922	192922	274503	274503
4. Undivided profit:					
a) Undivided profit of previous years		577656	(3719278)	821930	(5292056)
b) Undivided profit of the accounting year		843541	499434	1200251	710631
1. PART TOTAL AMOUNT		7621897	2986329	10844982	4249164
2. PROVISIONS					
1. Other provisions	15	787006	256095	1119809	364390
2. PART TOTAL AMOUNT		787006	256095	1119809	364390
3. CREDITORS					
I. Long-term creditors					
1. Loans from credit institutions	16	5021535	5341873	7145001	7600801
2. Other loans	17	690145	55169	981988	78498
3. Other creditors	18	738836		1051269	
4. Deferred tax liabilities		271895	215995	386872	307333
I. Total		6722411	5613037	9565130	7986632
II. Short-term creditors					
1. Loans from credit institutions	16	840897	1112890	1196489	1583500
2. Other loans	17		935814		1331543
3. Advance payments received from buyers	19	340194	129797	484052	184684
4. Debts to suppliers and contractors	20	1268912	2347543	1805499	3340253
5. Taxes and social security payments	21	2125956	2866345	3024963	4078442
6. Other creditors	18	404235	409632	575174	582854
II. Total		4980194	7802021	7086177	11101276
3. PART TOTAL AMOUNT		11702605	13415058	16651307	19087908
B A L A N C E		20111508	16657482	28616098	23701462

CONSOLIDATED CASH FLOW STATEMENT FOR 3 MONTHS OF 2013 (prepared by indirect method)

I. Cash flow from operating activities

	Items	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1	Profit or loss before extraordinary items and taxes	843541	499434	1200251	710631
	ADJUSTMENTS				
	Depreciation of fixed assets	132692	81815	188804	116412
	Amortization of intangible investment value	4214	1535	5996	2184
	Gain from sales of fixed assets		(8433)		(11999)
	Profit or loss from fluctuations of currency exchange rates	(140144)	18537	(199407)	26376
	Amounts written off fixed assets	544		774	
	Reserve for revaluation of long-term investments	(332)	(612)	(472)	(871)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	840515	592276	1195946	842733
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	(762870)	(1168769)	(1085466)	(1663008)
	Increase or decrease of balance of inventories	455909	362642	648700	515993
	Increase or decrease of deferred expenses	15467	15998	22008	22763
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(464950)	565509	(661564)	804647
	Increase or decrease of accruals	300000		426862	
	Expenses for tax payments	(22894)	(26966)	(32575)	(38369)
3	Gross cash flow from operating activities	361177	340690	513911	484759
4	Cash flow before extraordinary items	361177	340690	513911	484759
I	NET CASH FLOW FROM OPERATING ACTIVITIES	361177	340690	513911	484759

II. Cash flow from investing activities

	Items	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1	Purchase of fixed assets and intangible investments	(191582)	(39302)	(272597)	(55922)
2	Income from sales of fixed assets and intangible investments		8433		11999
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(191582)	(30869)	(272597)	(43923)

III. Cash flow from financing activities

	Items	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
1	Loans received	265379		377600	
2	Expenses for repayment of loans	(263043)	(222578)	(374276)	(316700)
3	Expenses for repurchase of leased fixed assets	(55169)	(55169)	(78498)	(78498)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(52833)	(277747)	(75174)	(395198)

IV. Summary of cash inflow and outflow

	Items	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
I	Net cash flow from operating activities	361177	340690	513911	484759
II	Net cash flow from investing activities	(191582)	(30869)	(272597)	(43923)
III	Net cash flow from financing activities	(52833)	(277747)	(75174)	(395198)
	Result of fluctuations of currency exchange rates	(27550)	(34845)	(39203)	(49581)
	Net cash flow of the accounting period	89212	(2771)	126937	(3943)
	Cash and its equivalents in the beginning of the accounting period	64656	7799	91997	11097
	Cash and its equivalents at the end of the accounting period	153868	5028	218934	7154

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2013, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2011.g.	5799005	214858	192922	(3719278)	2487507
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(612)			(612)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				499434	499434
4. Balance as of 31.03.2012.g.	5799005	214246	192922	(3219844)	2986329
5. Balance as of 31.12.2012.g.	5799005	209105	192922	577656	6778688
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(332)			(332)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				843541	843541
8. Balance as of 31.03.2013.g.	5799005	208773	192922	1421197	7621897

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2013, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2011.g.	8251241	305715	274503	(5292056)	3539403
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(870)			(870)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				710631	710631
4. Balance as of 31.03.2012.g.	8251241	304845	274503	(4581425)	4249164
5. Balance as of 31.12.2012.g.	8251241	297530	274503	821930	9645204
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(473)			(473)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				1200251	1200251
8. Balance as of 31.03.2013.g.	8251241	297057	274503	2022181	10844982

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 31.03.12 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.

	31.03.2013., LVL	31.03.2012., LVL	31.03.2013., EUR	31.03.2012., EUR
Unfinished construction objects	118011	118011	167915	167915
Costs of capital asset creation	177574	661088	252665	940643
Total	295585	779099	420580	1108558

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 31.03.2013. : 1 EUR – 0.702804.

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 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:

Notes (cont.)

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 3 MONTHS OF 2013

Note No. 1 – Net turnover

Country	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Latvia	35963	566502	51171	806060
Russia	6780759	6519180	9648151	9275957
United Kingdom	17952		25543	
Ukraine	37930	15696	53970	22333
Byelorussia	36620		52106	
Other	42230	4792	60087	6819
Total	6951454	7106170	9891028	10111169

Note No. 2 – Production costs of products sold

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Salaries	1245522	1287677	1772218	1832199
Social insurance contributions	289109	304225	411365	432873
Costs of materials	2641191	3239427	3758076	4609289
Energy resources	424827	427603	604474	608424
Depreciation of capital assets and intangible assets	121806	74122	173314	105466
Business trip costs	17750	20548	25256	29237
Repair costs and remuneration for works from outside	75441	41652	107343	59265
Costs of production quality control	310086		441213	
Development costs	17063	17063	24278	24278
Losses due to rejects	21951	18603	31233	26470
Environmental protection costs	4404	10534	6266	14989
Other costs	57553	15110	81892	21501
Total	5226703	5456564	7436928	7763991

Notes (cont.)

Note No. 3 – Selling costs

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Packing material and package	16305	24039	23200	34204
Transportation expenses	85660	86508	121883	123090
Salaries	23691	20135	33709	28650
Social insurance contributions	5014	4815	7134	6851
Other selling costs	1238		1762	
Total	131908	135497	187688	192795

Note No. 4 – Administrative costs

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Communications costs	4413	4143	6279	5895
Reimbursement for legal services	624	10948	888	15578
Cash circulation and expense and extra costs	2167	1450	3083	2063
Transportation expenses	1635	4423	2326	6293
Salaries	331481	342561	471655	487420
Social insurance contributions	74004	79817	105298	113569
Energy resources	10890	12233	15495	17406
Depreciation of capital assets	13374	10837	19029	15420
Business trip costs	10281	4899	14629	6971
Security services	34206	35993	48671	51213
Other administrative costs	14807	11948	21069	17001
Total	497882	519252	708422	738829

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

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Profit gained as a result of other sales (materials, lease, other)	62973	58055	89603	82605
Sale of capital assets		8433		11999
Income related to maintenance of social sphere	6358	8821	9047	12551
Income from fluctuations of exchange rates	140144		199407	
Decrease in revaluation reserve of capital assets	332	612	472	871
Other income	2914	56	4145	80
Total	212721	75977	302674	108106

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

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Penalty and contractual penalties	21016	69906	29903	99467
Costs related to maintenance of social sphere	16442	15489	23395	22039
Costs not related to operating activities of the Company	16492	18303	23466	26043
Loss from fluctuations of exchange rates		18537		26376
Removal of capital assets	544		774	
Write-off of bad debtors	1455	898	2070	1278
Loss from previous year	3451		4910	
General accrual	300000	300000	426862	426862
Re-accreditation costs	21787		31000	
Other costs	12504	5227	17792	7436
Total	393691	428360	560172	609501

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Notes (cont.)

Note No. 7 – Other interest payments and similar costs

Indicator	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Loan agreements	68026	138971	96792	197738
Leasing agreements	318	4069	452	5790
Credit line agreements	2112		3006	
Total	70456	143040	100250	203528

NOTES TO CONSOLIDATED BALANCE SHEET FOR THE 3 MONTHS OF 2013

Note No. 8 – Statement of movement of intangible assets and capital assets, LVL

	Initial value				Depreciation				Initial value	
	Remaining amount as at 01.01.13	Purchase	Removed	Remaining amount as at 31.03.13	Remaining amount as at 01.01.13	Calculated	Removed	Remaining amount as at 31.03.13	01.01.13.	31.03.13.
Intangible assets										
Licenses and other	2526	140560		143086	2526	2342		4868		138218
Software	26382			26382	21297	1906		23203	5085	3179
Total	28908	140560		169468	23823	4248		28071	5085	141397
Capital assets										
Land, premises, buildings*	7370117			7370117	2861906	19038		2880944	4508211	4489173
Equipment and machinery	6047795	22156	(3623)	6066328	3006170	106469	(3079)	3109560	3041625	2956768
Other capital assets	308234	80165		388399	251372	7151		258523	56862	129876
Creation of capital assets	346884	41460	(92759)	295585					346884	295585
Total	14073030	143781	(96382)	14120429	6119448	132658	(3079)	6249027	7953582	7871402

*In 2013 assessed value of the premises accounted for LVL 5 556 751 (EUR 7 906 544), assessed value of the plot accounted for LVL 1 214 517 (EUR 1 728 102).

Note No. 8 – Statement of movement of intangible assets and capital assets, EUR

	Initial value				Depreciation				Initial value	
	Remaining amount as at 01.01.13	Purchase	Removed	Remaining amount as at 31.03.13	Remaining amount as at 01.01.13	Calculated	Removed	Remaining amount as at 31.03.13	01.01.13.	31.03.13.
Intangible assets										
Licenses and other	3594	199999		203593	3594	3333		6927		196666
Software	37538			37538	30303	2712		33015	7235	4523
Total	41132	199999		241131	33897	6045		39942	7235	201189
Capital assets										
Land, premises, buildings*	10486732			10486732	4072126	27088		4099214	6414606	6387518
Equipment and machinery	8605237	31525	(5155)	8631607	4277395	151491	(4381)	4424505	4327842	4207102
Other capital assets	438578	114065		552643	357671	10175		367846	80907	184797
Creation of capital assets	493571	58992	(131983)	420580					493571	420580
Total	20024118	204582	(137138)	20091562	8707192	188754	(4381)	8891565	11316926	11199997

Notes (cont.)

Note No. 9 – Other long-term debtors

Rādītāji	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Long-term loan	5204628		7405518	
Total	5204628		7405518	

Note No. 10 – Debts of customers and clients

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Debts of customers and clients (for the goods and services)	2215456	4859197	3152310	6914014
Total	2215456	4859197	3152310	6914014

Note No. 11 – Other debtors

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Taxes paid in advance	39178	2929	55746	4168
Overpaid taxes	132086	138513	187942	197086
Rental debts	13323	30821	18957	43854
Claims settlement		132800		188957
Other	12506	5204	17795	7404
Total	197093	310267	280440	441469

Note No. 12 – Costs of the following periods

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Insurance	1718	1440	2444	2049
Expenses for development of new techniques	51191	51191	72838	72838
Software service	2144	2059	3051	2930
Other	6306	1163	8973	1655
Total	61359	55853	87306	79472

Note No. 13 – Cash

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Current accounts in banks	153868	5028	218934	7154

Note No. 14 – 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	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. 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. 15 – Other provisions

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Holiday provisions	281351	256095	400327	364390
Other provisions	505655		719482	
Total	787006	256095	1119809	364390

Note No. 16 – Long-term and short-term loans from credit institutions

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Latvian credit institutions, loan agreement, including	5862432	6454763	8341490	9184301
Long-term debt	5021535	5341873	7145001	7600801
Short-term debt	840897	1112890	1196489	1583500

Note No. 17 – Other loans

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Leasing agreements, including		316266		450006
Long-term debt		55169		78498
Short-term debt		261097		371508
Other loans, including	690145	674717	981988	960036
Long-term debt	690145		981988	
Short-term debt		674717		960036

Note No. 18 – Long-term and short-term other creditors

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Long-term creditors, including	738836		1051269	
Other creditors	2836		4035	
Settlement of the debts of other companies	736000		1047234	
Short-term creditors, including	404235	409632	575174	582854
Salary debt	398587	399102	567138	567871
Support payments	3554	2936	5057	4178
Trade union membership fee	322	6598	458	9388
Other	1772	996	2521	1417

Note No. 19 – Advances received from customers

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Local customers	54832	416	78019	592
Foreign customers	285362	129381	406033	184093
Total	340194	129797	484052	184685

Note No. 20 – Debts to suppliers and contractors

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Local suppliers	672868	1662684	957405	2365786
Foreign suppliers	596044	684859	848094	974467
Total	1268912	2347543	1805499	3340253

Notes (cont.)

Note No. 21 – Taxes and social insurance contributions

Indicators	31.03.13. LVL	31.03.12. LVL	31.03.13. EUR	31.03.12. EUR
Personal income tax	849990	1104483	1209426	1571539
Mandatory social insurance contributions	1252379	1739171	1781975	2474617
Income tax	19471		27705	
Natural resources tax	3875	10233	5514	14560
Real estate tax on land		2192		3119
Real estate tax on premises (buildings)		10026		14266
State business risk fee	241	240	343	341
Total	2125956	2866345	3024963	4078442

As for 31.03.2013 the Holding Company has no current tax debts. Tax liabilities have been restructured.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

29 May 2013