

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

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

**CONSOLIDATED ANNUAL REPORT FOR 6 MONTHS
OF THE YEAR 2014
(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	Andrey Petrov	from 12.07.12.
Council Members	Andrey Isaev Ekaterina Chamkina Sergey Goncharov	from 01.07.02. from 12.07.12. from 12.07.12.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
Board Members	Aleksandrs Suvorkins Olga Pētersone Maxim Savenkov Aleksandrs Popadins	from 19.04.10. from 27.06.12. from 27.06.12. from 08.11.13.
Accounting period	1 January 2014 – 30 June 2014	
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 2 846 EUR Shares – 100 % Liquidated from 15.07.13. AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital 5 495 420 EUR Shares – 98.5 %	

MANAGEMENT REPORT

Business activities of the Holding Company during the 1st half of 2014

Basic business activities of the Holding Company are manufacturing of electric machines and machinery (NACE code 2711). 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.

In the first half of 2014 the net turnover of the Holding Company accounted for EUR 18 373 499, which is 102.5 % when compared with the corresponding time period in 2013.

During the first half of 2014 the Holding Company sustained profit in the amount of EUR 1 071 382 before tax and profit amounting to EUR 1 002 996 after tax.

The economic indicators of the Holding Company

In the first half of 2014 the Autonomy indicator (equity / entire capital) was 0.55, which has increased by 22 % when compared with the corresponding time period in 2013. Proportion coefficient of loans and equity (loans / equity) was 0.81, which has improved by 34 % when compared with the corresponding time period in 2013. Total liquidity indicator (current assets / short-term liabilities) was 1.53. Profitability indicator of the basic business activities (profit from the basic business activities / net turnover, %) was 7.65%, in comparison with 1st half – year period of 2013 it has considerably decreased due to shortfall in profits caused with the ruble exchange rate decline against euro (RUB / EUR).

Other indicators

In the first half of 2014 the average number of employees was 961 people, which has slightly decreased when compared with the corresponding time period in 2013. In the first half of 2014 the average monthly salary was EUR 761.

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 13 and 14 in notes to financial statements of the annual report for 6 months of the year 2014.

Events after the date of balance sheet

On 16 July 2014, JSC "RIGA ELECTRIC MACHINERY FACTORY" (JSC "RER") and Latvian Investment and development agency (LIAA) signed agreement No.L-APV-14-0125. The agreement stipulates that LIAA will support JSC "RER" investment project "Jaunu elektromašīnbūves produktu ieviešana ražošanā" (Launch of new electrical engineering products) within the framework of European Regional Development Fund (ERDF) support program "High value-added investments". Project application identification No.APV/2.1.2.4.0/14/04/017. The project application was approved by LIAA 30 June 2014 ruling No.9.2.1.1./4715SF. Total Project investment 1.48 million EUR. Total ERDF co-financing 425 448,59 EUR. The aim of the project is to purchase new machinery for expanding product range and introducing three new products. The project will expand the use of the research capabilities of the company.

On August 1, 2014 according to resolution taken on June 27, 2014 a regular meeting of shareholders of JSC RER Holding parent company carried out share denomination from lat to euro.

Further development of the Holding Company

In 2014 you Holding Company continue conversion of the manufacture for launching drives for electric trains, metro trains, automotive vehicles using asynchronous motors.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

28 August 2014

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR 6 MONTHS OF THE YEAR 2014

No.	Items	Note	30.06.14. EUR	30.06.13. EUR
1	Net turnover	1	18373499	17920932
2	Production costs of the goods sold	2	(14978620)	(13114692)
3	Gross profit or loss		3394879	4806240
4	Selling expenses	3	(420055)	(356086)
5	Administration expenses	4	(1568967)	(1488759)
6	Other operating income	5	79101	699724
7	Other operating expenses	6	(191630)	(1053184)
8	Other interest income and similar income		25	31
9	Other interest payments and similar expenses	7	(221971)	(183065)
10	Profit or loss before extraordinary items and taxes		1071382	2424901
11	Profit or loss before tax		1071382	2424901
12	Other taxes	8	(68386)	(68285)
13	Profit or loss of the accounting period		1002996	2356616

Earnings per share	0.17	0.41
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 6 MONTHS OF THE YEAR 2014

A S S E T S	Note	30.06.14. EUR	30.06.13. EUR
1. LONG-TERM INVESTMENTS			
I. Intangible investments	9		
1. Development costs		588079	
2. Concessions, licences and similar rights		368986	186667
3. Other intangible investments		32871	3182
I. Total		989936	189849
II. Fixed assets	9		
1. Land plots, buildings, constructions		13374582	6184171
2. Equipment and machinery		4956641	4099393
3. Other fixed assets and inventory		265465	177039
4. Creation of fixed assets		603157	441312
II. Total		19199845	10901915
III. Long-term financial investments			
1. Own shares		14551	14551
2. Other long-term debtors	10	6567376	7297211
3. Deferred tax assets			2817
III. Total		6581927	7314579
I. PART TOTAL AMOUNT		26771708	18406343
2. CURRENT ASSETS			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials		3068056	3218613
2. Unfinished products		2082450	2299762
3. Finished products and goods for sale		447326	1031555
4. Prepayments for goods		989423	307195
I. Total		6587255	6857125
II. Debtors			
1. Debts of buyers and customers	11	4367256	3387882
2. Other debtors	12	252461	464173
3. Deferred expenses	13	13655	212452
II. Total		4633372	4064507
IV. Cash	14	1631	2878
II. PART TOTAL AMOUNT		11222258	10924510
B A L A N C E		37993966	29330853

Appendices to financial statements on pages 11 – 19 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 6 MONTHS OF THE YEAR 2014

LIABILITIES	Note	30.06.14. EUR	30.06.13. EUR
1. SHAREHOLDERS' EQUITY			
1. Share capital (capital stock)	15	8251241	8251241
2. Reserve for revaluation of long-term investments	16	6892268	295089
3. Other provisions		274503	274503
4. Undivided profit:			
a) Undivided profit of previous years		4113439	821930
b) Undivided profit of the accounting year		1002996	2356616
1. PART TOTAL AMOUNT		20534447	11999379
2. PROVISIONS			
1. Other provisions	17	407577	1163218
2. PART TOTAL AMOUNT		407577	1163218
3. CREDITORS			
I. Long-term creditors			
1. Loans from credit institutions	18	6494003	7145001
2. Other loans	19	489000	869999
3. Other creditors	20	1093164	1061872
4. Deferred tax liabilities		1622639	386872
I. Total		9698806	9463744
II. Short-term creditors			
1. Loans from credit institutions	18	3735207	2619296
2. Advance payments received from buyers	21	75408	128335
3. Debts to suppliers and contractors	22	2176139	1920649
4. Taxes and social security payments	23	803235	1495067
5. Other creditors	20	563147	541165
II. Total		7353136	6704512
3. PART TOTAL AMOUNT		17051942	16168256
BALANCE		37993966	29330853

CONSOLIDATED CASH FLOW STATEMENT FOR 6 MONTHS OF THE YEAR 2014

(prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.14. EUR	30.06.13. EUR
1	Profit or loss before extraordinary items and taxes	1071382	2424901
	ADJUSTMENTS		
	Depreciation of fixed assets	810452	379656
	Amortization of intangible investment value	43139	17386
	Gain from sales of fixed assets		(455000)
	Profit or loss from fluctuations of currency exchange rates	104642	183132
	Amounts written off fixed assets		181156
	Reserve for revaluation of long-term investments	(298)	(2440)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	2029317	2728791
	ADJUSTMENTS		
	Increase or decrease of balance of receivables	(1157410)	(1780436)
	Increase or decrease of balance of inventories	384843	(556606)
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	404529	(2160052)
	Increase or decrease of accruals		470271
	Expenses for tax payments	(68386)	(68285)
3	Gross cash flow from operating activities	1592893	(1366317)
4	Cash flow before extraordinary items	1592893	(1366317)
I	NET CASH FLOW FROM OPERATING ACTIVITIES	1592893	(1366317)

II. Cash flow from investing activities

	Items	30.06.14. EUR	30.06.13. EUR
1	Purchase of fixed assets and intangible investments	(1859688)	(345799)
2	Income from sales of fixed assets and intangible investments		455000
3	Income from repayment of loans	187770	
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(1671918)	109201

III. Cash flow from financing activities

	Items	30.06.14. EUR	30.06.13. EUR
1	Loans received	900179	1990408
2	Expenses for repayment of loans	(828000)	(672277)
3	Expenses for repurchase of leased fixed assets		(78498)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	72179	1239633

IV. Summary of cash inflow and outflow

	Items	30.06.14. EUR	30.06.13. EUR
I	Net cash flow from operating activities	1592893	(1366317)
II	Net cash flow from investing activities	(1671918)	109201
III	Net cash flow from financing activities	72179	1239633
	Result of fluctuations of currency exchange rates	(4878)	(71636)
	Net cash flow of the accounting period	(11724)	(89119)
	Cash and its equivalents in the beginning of the accounting period	13355	91997
	Cash and its equivalents at the end of the accounting period	1631	2878

**CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2014,
EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2012.	8251241	297530	274503	821930	9645204
2. Long-term investment revaluation reserve decrease		(2441)			(2441)
3. Income or loss of the accounting period in accordance with the profit and loss account				2356616	2356616
4. Balance as of 30.06.2013.	8251241	295089	274503	3178546	11999379
5. Balance as of 31.12.2013.	8251241	6892566	274503	4113439	19531749
6. Long-term investment revaluation reserve decrease		(298)			(298)
7. Income or loss of the accounting period in accordance with the profit and loss account				1002996	1002996
8. Balance as of 30.06.2014.	8251241	6892268	274503	5116435	20534447

On June 2, 2014 according to resolution taken a regular meeting of shareholders of Holding subsidiary company of "Latvo" JSC carried out share denomination from lat to euro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

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 company of "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.

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 to the consolidated financial statements (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.

Items	30.06.14. EUR	30.06.13. EUR
Unfinished construction objects	252605	167915
Costs of capital asset creation	350552	273397
Total	603157	441312

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 EUR 218 352 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 eiro (EUR). All transactions carried out in foreign currencies have been recalculated in euros according to the exchange rate of the Bank of Latvia set on day when the relevant transaction is takes place.

Notes to the consolidated financial statements (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.

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 2013 warranty repair costs accounted is only 1.73% 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 to the consolidated financial statements (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 rouble, major part of its costs are in euros, while all received loans are in euros.

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 COMPREHENSIVE INCOME STATEMENT FOR 6 MONTHS OF THE YEAR 2014

Note No. 1 – Net turnover

Country	30.06.14. EUR	30.06.13. EUR
Latvia	219724	178589
Russia	17968149	17065316
Ukraine	20880	120061
Belarus	57620	207880
United Kingdom		25543
Slovenia		58783
Slovakia		261292
Azerbaijan	81444	
Kazakhstan	13773	
Poland	7023	
Other	4886	3468
Total	18373499	17920932

Note No. 2 – Production costs of products sold

Indicators	30.06.14. EUR	30.06.13. EUR
Salaries	3540186	3136132
Social insurance contributions	820303	739804
Costs of materials	8039298	6659274
Energy resources	840307	854493
Depreciation of capital assets and intangible assets	704388	321082
Business trip costs	31655	53942
Repair costs and remuneration for works from outside	140237	234432
Costs of production quality control	714679	881442
Development costs		48558
Losses due to rejects	31284	53140
Environmental protection costs	9951	9744
Other costs	106332	122649
Total	14978620	13114692

Notes to consolidated comprehensive income statement (cont.)

Note No. 3 – Selling costs

Indicators	30.06.14. EUR	30.06.13. EUR
Packing material and package	64103	38824
Transportation expenses	255249	227840
Salaries	81670	64880
Social insurance contributions	18943	15458
Other selling costs	90	9084
Total	420055	356086

Note No. 4 – Administrative costs

Indicators	30.06.14. EUR	30.06.13. EUR
Communications costs	11819	11490
Reimbursement for legal services	3776	13967
Cash circulation and expense and extra costs	28114	11780
Transportation expenses	10290	8487
Representation expenses	3577	2846
Salaries	899651	987120
Social insurance contributions	202167	225918
Energy resources	31374	27611
Depreciation of capital assets	151215	38964
Business trip costs	14196	23053
Security services	95443	98242
Audit services	17332	
Consulting services	42686	
Other administrative costs	57327	39281
Total	1568967	1488759

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

Indicators	30.06.14. EUR	30.06.13. EUR
Profit gained as a result of other sales (materials, lease, other)	58778	132837
Sale of capital assets		455000
Income related to maintenance of social sphere	15785	14815
Decrease in revaluation reserve of capital assets	298	2440
Joint financing of project		86606
Other income	4240	8026
Total	79101	699724

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

Indicators	30.06.14. EUR	30.06.13. EUR
Penalty and contractual penalties	2034	42059
Costs related to maintenance of social sphere	37118	35795
Costs not related to operating activities of the Company	46320	48497
Loss from fluctuations of exchange rates	104642	183132
Removal of capital assets		181156
Write-off of bad debtors	441	6488
Loss from previous year	763	7042
General accrual		498005
Re-accreditation costs		31000
Other costs	312	20010
Total	191630	1053184

Notes to the consolidated financial statements (cont.)

Note No. 7 – Other interest payments and similar costs

Indicator	30.06.14. EUR	30.06.13. EUR
Loan agreements	178424	177577
Leasing agreements		452
Credit line agreements	43547	5036
Total	221971	183065

Note No. 8 – Other taxes

Indicators	30.06.14. EUR	30.06.13. EUR
Real estate tax on premises (buildings)	58716	59248
Real estate tax on land	9670	9037
Total	68386	68285

Note No. 9 – Statement of movement of intangible assets and capital assets, EUR

	Intangible investments			Capital assets				
	Development costs	Licences and similar rights	Other intangible investments	Land, premises, buildings*	Equipment and machinery	Other capital assets	Creation of capital assets	Prepayments for capital assets
Initial value								
Remaining amount as at 01.01.14.		203593	80384	13962666	9285691	561948	573952	244501
Purchase	588079	234020			889206	119178	1039684	
Removed					(3327)	(1040)	(1010479)	(244501)
Remaining amount as at 30.06.14.	588079	437613	80384	13962666	10171570	680086	603157	
Depreciation								
Remaining amount as at 01.01.14.		36926	36075	153687	4863457	394406		
Calculated		31701	11438	434397	354799	21255		
Removed					(3327)	(1040)		
Remaining amount as at 30.06.14.		68627	47513	588084	5214929	414621		
Remaining value								
01.01.14.		166667	44309	13808979	4422234	167542	573952	244501
30.06.14.	588079	368986	32871	13374582	4956641	265465	603157	

*In 2014 assessed value of the premises accounted for EUR 7 828 802 , assessed value of the plot accounted for EUR 1 934 015.

Note No. 10 – Other long-term debtors

Rādītāji	30.06.14. EUR	30.06.13. EUR
Long-term loan of the subsidiary (daughter) company (until 01.12.15.)	6567376	7297211
Total	6567376	7297211

Note No. 11 – Debts of customers and clients

Indicators	30.06.14. EUR	30.06.13. EUR
Debts of customers and clients (for the goods and services)	4367256	3387882
Total	4367256	3387882

Notes to the consolidated financial statements (cont.)

Note No. 12 – Other debtors

Indicators	30.06.14. EUR	30.06.13. EUR
Taxes paid in advance	10853	94437
Overpaid taxes	175710	191620
Rental debts	6086	12982
Guarantee		141764
Processing of goods	53527	
Other	6285	23370
Total	252461	464173

Note No. 13 – Costs of the following periods

Indicators	30.06.14. EUR	30.06.13. EUR
Insurance	2709	2005
Expenses for development of new techniques		48558
Deposit		155001
Software service	5158	
Sertification	4024	
Other	1764	6888
Total	13655	212452

Note No. 14 – Cash

Indicators	30.06.14. EUR	30.06.13. EUR
Current accounts in banks	1631	2878

Note No. 15 – Parent Company's Stock capital (fixed capital)

Total number of stocks of AS "RER" is 5 799 005 shares.
The Company's fixed capital is EUR 8 251 241.

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

Indicators	30.06.14. EUR	30.06.13. EUR
Residents, including	283343	283343
- physical entities	247475	247475
- legal entities	35868	35868
Non-residents, including	7967898	7967898
- Russia	1438562	1438562
- Canada	7284	7284
- British Virgin Islands	4623712	4623712
- Belize	1897785	1897785
- Lithuania	555	555
Total	8251241	8251241

Note No. 16 – Reserve for revaluation of long-term investments

In 2013 the parent Company carried out revaluation of immovable property. Immovable property was evaluated according to its market value. Evaluation was carried out by independent evaluator BIZNESA KONSULTANTU GRUPA(BUSINESS CONSULTING GROUP) Ltd. Market value of immovable property was determined by means of income method.

As result of evaluation increase of active value was ascertained at the amount of EUR 7 938 940 that was included into equity capital position 'Long-term investment revaluation reserve', from which deferred tax effect was deducted at the amount of EUR 1 216 335.

Notes to the consolidated financial statements (cont.)

Note No. 17 – Other provisions

Indicators	30.06.14. EUR	30.06.13. EUR
Holiday provisions	397853	398544
Other provisions	9724	764674
Total	407577	1163218

Note No. 18 – Long-term and short-term loans from credit institutions

Indicators	30.06.14. EUR	30.06.13. EUR
Latvian credit institutions, loan agreement, including	7405492	8151489
Long-term debt	6494003	7145001
Short-term debt	911489	1006488
Latvian credit institutions, credit line, including	2823718	1612808
Short-term debt	2823718	1612808

As on 30.06.2014 all assets of parent Company have been pledged as security for a loan.

Note No. 19 – Other loans

Indicators	30.06.14. EUR	30.06.13. EUR
Other loans, including	489000	869999
Long-term debt	489000	869999

Note No. 20 – Long-term and short-term other creditors

Indicators	30.06.14. EUR	30.06.13. EUR
Long-term creditors, including	1093164	1061872
Other creditors	45930	14638
Settlement of the debts of other companies	1047234	1047234
Short-term creditors, including	563147	541165
Salary debt	554759	533273
Support payments	4028	3872
Trade union membership fee	907	
Other	3453	4020

Note No. 21 – Advances received from customers

Indicators	30.06.14. EUR	30.06.13. EUR
Local customers	395	6531
Foreign customers	75013	121804
Total	75408	128335

Note No. 22 – Debts to suppliers and contractors

Indicators	30.06.14. EUR	30.06.13. EUR
Local suppliers	1075399	935245
Foreign suppliers	1100740	985404
Total	2176139	1920649

Notes to the consolidated financial statements (cont.)

Note No. 23 – Taxes and social insurance contributions

Indicators	30.06.14. EUR	30.06.13. EUR
Personal income tax	295840	781501
Mandatory social insurance contributions	277723	710859
Natural resources tax	2564	2368
Income tax	226769	
State business risk fee	339	339
Total	803235	1495067

As for 30.06.2014 the Holding Company has no current tax debts.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

28 August 2014

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 30 June 2014.

In preparing those consolidated financial statements, management selected suitable accounting policies, made judgments and estimates that are reasonable and prudent.

The Management Board is responsible for organizing accounting, they are also responsible for safeguarding the assets of the Group.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

28 August 2014