

**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 2015
(NON-AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

CONTENT

Information about the parent Company	3
Management report	4
Consolidated comprehensive income statement	6
Consolidated statement of financial position	7
Consolidated cash flow statement	9
Consolidated statement of changes in equity	10
Notes to the consolidated financial statements	11
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
Vice-Chairperson of the Council	Andrey Petrov	from 12.07.12.
Council Members	Andrey Isaev Ekaterina Chamkina Sergey Goncharov Andrey Sarkisov Natalia Sarkisova Ivgeny Sokolsky	until 15.07.15. until 15.07.15. until 15.07.15. from 15.07.15. from 15.07.15. from 15.07.15.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
Board Members	Aleksandrs Suvorkins Olga Pētersone Maxim Savenkov Aleksandrs Popadins Nikolajs Čudinovs Ilja Šestakovs	until 30.01.15. from 27.06.12. until 30.01.15. from 08.11.13. from 30.01.15. from 30.01.15.
Accounting period	1 January 2015 – 30 June 2015	
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor J. Mežiels Certified auditor's certificate No. 127	
Subsidiary (daughter) companies	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 2015

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 2015 the net turnover of the Holding Company accounted for EUR 6 593 710.

During the first half of 2015 the Holding Company sustained profit in the amount of EUR 78 272 before tax and profit amounting to EUR 12 269 after tax.

Taking into consideration a sharp drop of Russian Ruble rate in relation to Euro (RUB/EUR) that provides its adverse affect in 2014, all first quarter of 2015 year the management of concern provided renewal of sale agreements with buyers of the Russian market to currency of euro in contracts. Furthermore since 2015 there is no more exchange rate risk.

Also devaluation of Russian ruble at the Russian market continues. It has the adverse effect marketability of Concern because of currency of euro in Contracts. As a result of it decreased volume of sales for Russian market.

With the purpose to provide financial stability of concern the Board of JSC "Riga electric machine building works" has approved an arrangement of measures that provide optimization of all costs. This plan was reduced to practice in the first quarter of 2015. This arrangement of measures forecasted all types of costs, including reduction in the number of employees till 35% - 50%.

Dismissal of employees took place at the initiative of their and with the permission of the employer. Compensation was paid to the dismissed employees at the amount of EUR 0,7 mln. Taking into consideration compensation payments in the first quarter of 2015 year that provides its adverse effect on financial results of Concern. However this adverse effect will be compensated at the cost of economy of expenses.

JSC "Riga electric machine building works" plans to finish 2015 year without losses.

Other indicators

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 2015.

Important events

The Council of JSC "Riga electric machine building works" was selected for 3 years in June this year.

JSC "Riga electric machine building works" has received notification on 1st July, 2015 and from Lacrier select inc. notification about loss of significant direct shareholding and Padmore systems corp. notification about loss of significant direct shareholding in JSC "Riga electric machine building works".

According to this notification Lacrier select inc. has lost a direct significant shareholding in JSC "Riga electric machine building works", by losing its proportion of voting rights from 1 333 771 shares, which constitutes 23% of JSC "Riga electric machine building works" total capital.

Also Padmore systems corp. has lost a direct significant shareholding in JSC "Riga electric machine building works", by losing its proportion of voting rights from 1 333 771 shares, which constitutes 23% of JSC "Riga electric machine building works" total capital.

JSC "Riga electric machine building works" has received notification on 8th July, 2015 from Private Company "Krona Grup" about acquisition of significant direct shareholding in JSC "Riga electric machine building works".

According to this notification Private Company "Krona Grup" has 2 667 542 shares, which constitutes 46 % of JSC "Riga electric machine building works" total capital.

Further development of the Holding Company

For the second quarter of 2015 Concern plans various important product sales to decrease volume of sales for Russian market.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

27 August 2015

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR 6 MONTHS OF THE YEAR 2015

No.	Items	Note	30.06.15. EUR	30.06.14. EUR
1	Net turnover	1	6593710	18373499
2	Production costs of the goods sold	2	(6316626)	(14978620)
3	Gross profit or loss		277084	3394879
4	Selling expenses	3	(177143)	(420055)
5	Administration expenses	4	(914933)	(1568967)
6	Other operating income	5	1203783	79101
7	Other operating expenses	6	(99645)	(191630)
8	Other interest income and similar income		41	25
9	Other interest payments and similar expenses	7	(210915)	(221971)
10	Profit or loss before extraordinary items and taxes		78272	1071382
11	Profit or loss before tax		78272	1071382
12	Other taxes	8	(66003)	(68386)
13	Profit or loss of the accounting period		12269	1002996

Earnings per share	0,002	0.17
--------------------	-------	------

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 6 MONTHS OF THE YEAR 2015

A S S E T S	Note	30.06.15. EUR	30.06.14. EUR
1. LONG-TERM INVESTMENTS			
I. Intangible investments	9		
1. Development costs		2269721	588079
2. Concessions, licences and similar rights		462182	368986
3. Other intangible investments		10957	32871
I. Total		2742860	989936
II. Fixed assets	9		
1. Land plots, buildings, constructions		12334605	13374582
2. Equipment and machinery		4850690	4956641
3. Other fixed assets and inventory		208041	265465
4. Creation of fixed assets		1774238	603157
5. Prepayments for fixed assets		1057583	
II. Total		20225157	19199845
III. Long-term financial investments			
1. Own shares		14551	14551
2. Other long-term debtors	10	8098237	6567376
III. Total		8112788	6581927
I. PART TOTAL AMOUNT		31080805	26771708
2. CURRENT ASSETS			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials		2657421	3068056
2. Unfinished products		2417924	2082450
3. Finished products and goods for sale		498798	447326
4. Prepayments for goods		72359	989423
I. Total		5646502	6587255
II. Debtors			
1. Debts of buyers and customers	11	3608252	4367256
2. Other debtors	12	220675	252461
3. Deferred expenses	13	21805	13655
II. Total		3850732	4633372
IV. Cash	14	192	1631
II. PART TOTAL AMOUNT		9497426	11222258
B A L A N C E		40578231	37993966

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 2015

LIABILITIES	Note	30.06.15. EUR	30.06.14. EUR
1. SHAREHOLDERS' EQUITY			
1. Share capital (capital stock)	15	8118607	8251241
2. Reserve for revaluation of long-term investments	16	6777536	6892268
3. Other provisions		407137	274503
4. Undivided profit:			
a) Undivided profit of previous years		4765821	4113439
b) Undivided profit of the accounting year		12269	1002996
1. PART TOTAL AMOUNT		20081370	20534447
2. PROVISIONS			
1. Other provisions	17	201510	407577
2. PART TOTAL AMOUNT		201510	407577
3. CREDITORS			
I. Long-term creditors			
1. Loans from credit institutions	18	7146161	6494003
2. Other loans	19	489000	489000
3. Debts to suppliers and contractors	20	519534	
4. Other creditors	21	1104357	1093164
5. Deferred income	22	962755	
6. Deferred tax liabilities		1664156	1622639
I. Total		11885963	9698806
II. Short-term creditors			
1. Loans from credit institutions	18	3904442	3735207
2. Advance payments received from buyers	23	38407	75408
3. Debts to suppliers and contractors	20	2156338	2176139
4. Taxes and social security payments	24	1730900	803235
5. Other creditors	21	579301	563147
II. Total		8409388	7353136
3. PART TOTAL AMOUNT		20295351	17051942
BALANCE		40578231	37993966

CONSOLIDATED CASH FLOW STATEMENT FOR 6 MONTHS OF THE YEAR 2015
(prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.15. EUR	30.06.14. EUR
1	Profit or loss before extraordinary items and taxes	78272	1071382
	ADJUSTMENTS		
	Depreciation of fixed assets	860010	810452
	Amortization of intangible investment value	211734	43139
	Gain from sales of fixed assets	(5064)	
	Profit or loss from fluctuations of currency exchange rates	(908345)	104642
	Amounts written off fixed assets	11861	
	Reserve for revaluation of long-term investments	(10347)	(298)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	238121	2029317
	ADJUSTMENTS		
	Increase or decrease of balance of receivables	(1995408)	(1157410)
	Increase or decrease of balance of inventories	580150	384843
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	1846710	404529
	Increase or decrease of accruals	(199807)	
	Expenses for tax payments	(33002)	(68386)
3	Gross cash flow from operating activities	436764	1592893
4	Expenses from company tax payments	(113307)	
5	Cash flow before extraordinary items	323457	1592893
I	NET CASH FLOW FROM OPERATING ACTIVITIES	323457	1592893

II. Cash flow from investing activities

	Items	30.06.15. EUR	30.06.14. EUR
1	Purchase of fixed assets and intangible investments	(1535870)	(1859688)
2	Income from sales of fixed assets and intangible investments	5064	
3	Income from repayment of loans		187770
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(1530806)	(1671918)

III. Cash flow from financing activities

	Items	30.06.15. EUR	30.06.14. EUR
1	Loans received	944073	900179
2	Expenses for repayment of loans	(570000)	(828000)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	374073	72179

IV. Summary of cash inflow and outflow

	Items	30.06.15. EUR	30.06.14. EUR
I	Net cash flow from operating activities	323457	1592893
II	Net cash flow from investing activities	(1530806)	(1671918)
III	Net cash flow from financing activities	374073	72179
	Result of fluctuations of currency exchange rates	797599	(4878)
	Net cash flow of the accounting period	(35677)	(11724)
	Cash and its equivalents in the beginning of the accounting period	35869	13355
	Cash and its equivalents at the end of the accounting period	192	1631

**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 31.12.2013.	8251241	6892566	274503	4113439	19531749
2. Long-term investment revaluation reserve decrease		(298)			(298)
3. Income or loss of the accounting period in accordance with the profit and loss account				1002996	1002996
4. Balance as of 30.06.2014.	8251241	6892268	274503	5116435	20534447
5. Balance as of 31.12.2014.	8118607	6787883	407137	4765821	20079448
6. Long-term investment revaluation reserve decrease		(10347)			(10347)
7. Income or loss of the accounting period in accordance with the profit and loss account				12269	12269
8. Balance as of 30.06.2015.	8118607	6777536	407137	4778090	20081370

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:

- Development costs	33.3% - 20%
- 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 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	30.06.15. EUR	30.06.14. EUR
Unfinished construction objects	252605	252605
Costs of capital asset creation	1521633	350552
Total	1774238	603157

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.

Provisions for stocks of slow-turnover are individually made for every type of stocks.

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 - 3 years. In 2014 warranty repair costs accounted is only 0.09% 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 was in euro and USA dollar, major part of its costs was in euro. All received loans were in euro.

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 2015

Note No. 1 – Net turnover

Country	30.06.15. EUR	30.06.14. EUR
Latvia	210040	219724
Russia	5793673	17968149
Ukraine	15660	20880
Belarus	5975	57620
Slovakia	15289	
Azerbaijan		81444
Kazakhstan		13773
Poland		7023
Finland	6903	
Uzbekistan	542414	
Other	3756	4886
Total	6593710	18373499

Note No. 2 – Production costs of products sold

Indicators	30.06.15. EUR	30.06.14. EUR
Salaries	1506887	3540186
Social insurance contributions	344347	820303
Costs of materials	2857886	8039298
Energy resources	474993	840307
Depreciation of fixed assets and intangible investments, write-off of intangible investments value	866978	704388
Business trip costs	28407	31655
Repair costs and remuneration for works from outside	174180	140237
Costs of production quality control		714679
Losses due to rejects	3014	31284
Environmental protection costs	5142	9951
Other costs	54792	106332
Total	6316626	14978620

Notes to consolidated comprehensive income statement (cont.)

Note No. 3 – Selling costs

Indicators	30.06.15. EUR	30.06.14. EUR
Packing material and package	23539	64103
Transportation expenses	99486	255249
Salaries	41700	81670
Social insurance contributions	9733	18943
Other selling costs	2685	90
Total	177143	420055

Note No. 4 – Administrative costs

Indicators	30.06.15. EUR	30.06.14. EUR
Communications costs	11332	11819
Reimbursement for legal services	993	3776
Cash circulation and expense and extra costs	20441	28114
Transportation expenses	10948	10290
Representation expenses	2185	3577
Salaries	550582	899651
Social insurance contributions	112545	202167
Energy resources	12976	31374
Depreciation of capital assets	140733	151215
Business trip costs	19849	14196
Security services	11349	95443
Inspection audit services		17332
Consulting services for the projects of the European funds		42686
Other administrative costs	21000	57327
Total	914933	1568967

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

Indicators	30.06.15. EUR	30.06.14. EUR
Profit gained as a result of other sales (lease, other)	47654	58778
Sale of capital assets	5064	
Income related to maintenance of social sphere	13225	15785
Profit from fluctuations of exchange rates	908345	
Decrease in revaluation reserve of capital assets	10347	298
Decrease in holiday provision	199807	
Other income	19341	4240
Total	1203783	79101

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

Indicators	30.06.15. EUR	30.06.14. EUR
Penalty and contractual penalties	27873	2034
Costs related to maintenance of social sphere	24272	37118
Costs not related to operating activities of the Company	31414	46320
Loss from fluctuations of exchange rates		104642
Removal of capital assets	11861	
Other costs	4225	1516
Total	99645	191630

Notes to the consolidated financial statements (cont.)

Note No. 7 – Other interest payments and similar costs

Indicator	30.06.15. EUR	30.06.14. EUR
Loan agreements	159986	178424
Credit line agreements	44339	43547
Other	6590	
Total	210915	221971

Note No. 8 – Other taxes

Indicators	30.06.15. EUR	30.06.14. EUR
Real estate tax on premises (buildings)	55983	58716
Real estate tax on land	10020	9670
Total	66003	68386

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 01.01.15.	1997102	634447	80384	13779279	10200603	670297	1273371	1013049
Purchase	409994				621934	3075	1125290	872308
Removed					(157915)	(3553)	(624423)	(827774)
Write-off of value	(137375)							
Remaining amount as at 30.06.15.	2269721	634447	80384	13779279	10664622	669819	1774238	1057583
Depreciation								
Remaining amount as at 01.01.15.		108863	58470	1020823	5555675	433483		
Calculated		63402	10957	423851	404311	31848		
Removed					(146054)	(3553)		
Remaining amount as at 30.06.15.		172265	69427	1444674	5813932	461778		
Remaining value								
01.01.15.	1997102	525584	21914	12758456	4644928	236814	1273371	1013049
30.06.15.	2269721	462182	10957	12334605	4850690	208041	1774238	1057583

*In 2015 assessed value of the premises accounted EUR 7 464 275, assessed value of the plot accounted for EUR 2 004 062.

Note No. 10 – Other long-term debtors

Rādītāji	30.06.15. EUR	30.06.14. EUR
Long-term loan of the subsidiary (daughter) company (until 31.12.17.)	8098237	6567376
Total	8098237	6567376

Note No. 11 – Debts of customers and clients

Indicators	30.06.15. EUR	30.06.14. EUR
Debts of customers and clients (for the goods and services)	3608252	4367256
Total	3608252	4367256

Notes to the consolidated financial statements (cont.)

Note No. 12 – Other debtors

Indicators	30.06.15. EUR	30.06.14. EUR
Taxes paid in advance	984	10853
Overpaid taxes	137556	175710
Rental debts	6985	6086
Processing of goods	70634	53527
Other	4516	6285
Total	220675	252461

Note No. 13 – Costs of the following periods

Indicators	30.06.15. EUR	30.06.14. EUR
Insurance	1818	2709
Payment for use of design documentation	13831	
Computer's network service		5158
Sertification	3246	4024
Other	2910	1764
Total	21805	13655

Note No. 14 – Cash

Indicators	30.06.15. EUR	30.06.14. EUR
Current accounts in banks	192	1631

Note No. 15 – 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 EUR 1.40. The Company's fixed capital is EUR 8 118 607, which is split into: 5 799 005 regular voting shares. Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	30.06.15. EUR	30.06.14. EUR
Residents, including	274111	283343
- physical entities	237567	247475
- legal entities	36544	35868
Non-residents, including	7844496	7967898
- Russia	1415438	1438562
- Canada	7167	7284
- British Virgin Islands	4549388	4623712
- Belize	1867279	1897785
- Lithuania	3823	555
- Estonia	1401	
Total	8118607	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. Revaluation is processed for whole group of capital assets 'Land plots, buildings and constructions'.

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	30.06.15. EUR	30.06.14. EUR
Holiday provisions	192594	397853
Other provisions	8916	9724
Total	201510	407577

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

Indicators	30.06.15. EUR	30.06.14. EUR
Latvian credit institutions, loan agreement, including	8057650	7405492
Long-term debt	7146161	6494003
Short-term debt	911489	911489
Latvian credit institutions, credit line, including	2992953	2823718
Short-term debt	2992953	2823718

As on 30.06.2015 all assets of parent Company have been pledged as security for a loan.

Note No. 19 – Other loans

Indicators	30.06.15. EUR	30.06.14. EUR
Other loans, including	489000	869999
Long-term debt	489000	869999

Note No. 20 – Debts to suppliers and contractors

Indicators	30.06.15. EUR	30.06.14. EUR
Long-term creditors, including	519534	
Foreign suppliers	519534	
Short-term creditors, including	2156338	2176139
Local suppliers	1343381	1075399
Foreign suppliers	812957	1100740

Note No. 21 – Long-term and short-term other creditors

Indicators	30.06.15. EUR	30.06.14. EUR
Long-term creditors, including	1104357	1093164
Other creditors	57123	45930
Settlement of the debts of other companies	1047234	1047234
Short-term creditors, including	579301	563147
Salary debt	466656	554759
Support payments	2544	4028
Trade union membership fee	486	907
Earnest	97885	
Other	11730	3453

Note No. 22 – Deferred income

Indicators	30.06.15. EUR	30.06.14. EUR
Support for the project implementation in the frames of the Centre of Competence	102712	
Support for the project implementation in the frames of the European Regional Fund of Development (ERAF) "Investments of high-level added value"	860043	
Total	962755	

Notes to the consolidated financial statements (cont.)

Note No. 23 – Advances received from customers

Indicators	30.06.15. EUR	30.06.14. EUR
Local customers	8897	395
Foreign customers	29510	75013
Total	38407	75408

Note No. 24 – Taxes and social insurance contributions

Indicators	30.06.15. EUR	30.06.14. EUR
Personal income tax	672296	295840
Mandatory social insurance contributions	1003235	277723
Natural resources tax	1578	2564
Income tax	20594	226769
Real estate tax on land	5010	
Real estate tax on premises (buildings)	27991	
State business risk fee	196	339
Total	1730900	803235

As for 30.06.2015 the Holding Company has no current tax debts.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

27 August 2015

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 2015.

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

27 August 2015