

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

Reg. No. 40003042006  
Ganību dambis 53, Riga, LV-1005

**CONSOLIDATED ANNUAL REPORT FOR 9 MONTHS  
OF THE YEAR 2016  
(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 53, 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	Stanislav Vodolazskii	from 22.07.16.
	Andrey Petrov	until 22.07.16.
	Oleg Domskiy	until 11.11.15.
Vice-Chairperson of the Council	Kirill Nuzhin	from 11.11.15.
	Andrey Petrov	until 11.11.15.
Council Members	Andrey Sarkisov	from 15.07.15.
	Natalia Sarkisova	from 15.07.15.
	Maksim Gordyukov	from 22.07.16.
	Ivgeny Sokolsky	until 22.07.16.
	Andrey Isaev	until 15.07.15.
	Ekaterina Chamkina	until 15.07.15.
	Sergey Goncharov	until 15.07.15.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
Board Members	Olga Pētersone	from 27.06.12.
	Aleksandrs Popadins	from 08.11.13.
	Iļja Šestakovs	from 30.01.15.
	Grigorijs Kapustins	from 18.10.16.
	Aleksandrs Suvorkins	until 30.01.15.
	Maxim Savenkov	until 30.01.15.
	Nikolajs Čudinovs	until 06.09.16.
Accounting period	1 January 2016 – 30 September 2016	
Auditor	SIA "Grant Thornton Baltic", licence No. 155 Blaumaņa Street 22, Riga, LV-1011, Latvia Certified auditor Kaspars Rutkis Certified auditor's certificate No. 171	
Subsidiary (daughter) companies	AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 53, Riga, the Republic of Latvia Fixed capital 5 495 420 EUR Shares – 98.7 %	
	SIA „RER-Termināls”, reģ. Nr. 40203010535 Ganību dambis 53, Riga, the Republic of Latvia Fixed capital 1 140 000 EUR Shares – 91.23 %	

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR 9 MONTHS OF THE YEAR 2016**

No.	Items	Note	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
1	Net turnover	1	13 649 193	9 287 987
2	Production costs of the goods sold	2	(11 721 212)	(8 844 566)
<b>3</b>	<b>Gross profit or loss</b>		<b>1 927 981</b>	<b>443 421</b>
4	Selling expenses	3	(341 219)	(251 884)
5	Administration expenses	4	(1 443 610)	(1 344 988)
6	Other operating income	5	353 888	1 757 230
7	Other operating expenses	6	(115 770)	(393 652)
8	Other interest income and similar income			41
9	Other interest payments and similar expenses	7	(303 899)	(309 909)
10	Profit or loss before extraordinary items and taxes		77 371	(99 741)
11	Profit or loss before tax		77 371	(99 741)
12	Other taxes	8	(76 697)	(99 004)
13	Profit or loss of the accounting period		<b>674</b>	<b>(198 745)</b>

EPS (earnings per share)	0.000116	(0.03)
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 9 MONTHS OF THE YEAR 2016**

A S S E T S	Note	30.09.16. EUR	30.09.15. EUR
<b>1. LONG-TERM INVESTMENTS</b>			
<b>I. Intangible investments</b>	9		
1. Development costs		2 113 309	2 201 034
2. Concessions, licences and similar rights		303 677	430 481
3. Other intangible investments		8 715	5 479
4. Prepayments for intangible investments		13 200	
I. Total		<b>2 438 901</b>	<b>2 636 994</b>
<b>II. Fixed assets</b>	9		
1. Land plots, buildings, constructions		16 777 406	11 888 442
2. Equipment and machinery		7 088 316	8 055 521
3. Other fixed assets and inventory		228 895	193 190
4. Creation of fixed assets		922 335	563 482
II. Total		<b>25 016 952</b>	<b>20 700 635</b>
<b>III. Long-term financial investments</b>			
1. Own shares		14 551	14 551
2. Other long-term debtors	10	7 558 156	7 535 706
III. Total		<b>7 572 707</b>	<b>7 550 257</b>
<b>I. PART TOTAL AMOUNT</b>		<b>35 028 560</b>	<b>30 887 886</b>
<b>2. CURRENT ASSETS</b>			
<b>I. Stocks</b>			
1. Raw materials, direct materials and auxiliary materials		2 682 454	2 707 748
2. Unfinished products		2 632 838	2 309 268
3. Finished products and goods for sale		232 047	310 715
4. Prepayments for goods		401 084	191 709
I. Total		<b>5 948 423</b>	<b>5 519 440</b>
<b>II. Long-term investments for sale</b>			194787
<b>III. Debtors</b>			
1. Debts of buyers and customers	11	2 470 410	3 061 421
2. Other debtors	12	189 772	184 426
3. Deferred expenses	13	7 425	18 740
II. Total		<b>2 667 607</b>	<b>3 264 587</b>
<b>IV. Cash</b>	14	33 716	2 658
<b>II. PART TOTAL AMOUNT</b>		<b>8 649 746</b>	<b>8 981 472</b>
<b>B A L A N C E</b>		<b>43 678 306</b>	<b>39 869 358</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 9 MONTHS OF THE YEAR 2016**

LIABILITIES	Note	30.09.16. EUR	30.09.15. EUR
<b>1. SHAREHOLDERS' EQUITY</b>			
1. Share capital (capital stock)	15	8 118 607	8 118 607
2. Reserve for revaluation of long-term investments	16	11 801 648	6 515 556
3. Other provisions		407 137	407 137
4. Undivided profit:			
a) Undivided profit of previous years		4 602 447	4 765 821
b) Undivided profit of the accounting year		674	(198 745)
5. Minority stockholders		100 000	
<b>1. PART TOTAL AMOUNT</b>		<b>25 030 513</b>	<b>19 608 376</b>
<b>2. PROVISIONS</b>			
1. Other provisions	17	186 585	201 510
<b>2. PART TOTAL AMOUNT</b>		<b>186 585</b>	<b>201 510</b>
<b>3. CREDITORS</b>			
<b>I. Long-term creditors</b>			
1. Loans from credit institutions	18	7 502 648	7 852 923
2. Debts to suppliers and contractors	19	519 534	519 534
3. Other creditors	20		1 047 234
4. Deferred income	21	1 518 712	1 260 309
5. Deferred tax liabilities		2 587 893	1 618 339
I. Total		<b>12 128 787</b>	<b>12 298 339</b>
<b>II. Short-term creditors</b>			
1. Loans from credit institutions	18	3 331 742	3 609 143
2. Advance payments received from buyers	22	52 304	20 383
3. Debts to suppliers and contractors	19	1 628 497	1 887 556
4. Taxes and social security payments	23	992 661	1 759 056
5. Other creditors	20	327 217	484 995
II. Total		<b>6 332 421</b>	<b>7 761 133</b>
<b>3. PART TOTAL AMOUNT</b>		<b>18 461 208</b>	<b>20 059 472</b>
<b>BALANCE</b>		<b>43 678 306</b>	<b>39 869 358</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR 9 MONTHS OF 2016** (prepared by indirect method)

**I. Cash flow from operating activities**

	Items	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
1	Profit or loss before extraordinary items and taxes	77 371	(99 741)
	<b>ADJUSTMENTS</b>		
	Depreciation of fixed assets	1 828 744	1 300 337
	Amortization of intangible investment value	547 149	317 600
	Income from sales of fixed assets	(6 031)	(228 354)
	Profit or loss from fluctuations of currency exchange rates	(4 807)	(905 954)
	Amounts written off fixed assets	933	252 363
	Reserve for revaluation of long-term investments	(47 595)	(318 145)
	Other operating income	(3 812)	
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	<b>2 391 952</b>	<b>318 106</b>
	<b>ADJUSTMENTS</b>		
	Increase or decrease of balance of receivables	(221 212)	745 232
	Increase or decrease of balance of inventories	(250 825)	436 988
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(722 781)	630 934
	Increase or decrease of accruals		(199 807)
	Expenses for tax payments	(84 881)	(77 003)
3	Gross cash flow from operating activities	<b>1 112 253</b>	<b>1 854 450</b>
4	Expenses from company tax payments	(98 904)	(133 900)
5	Cash flow before extraordinary items	<b>1 013 349</b>	<b>1 720 550</b>
I	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1 013 349</b>	<b>1 720 550</b>

**II. Cash flow from investing activities**

	Items	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
1	Purchase of fixed assets and intangible investments	(854 094)	(3 554 973)
2	Income from sales of fixed assets and intangible investments	6 031	228 354
3	Income from expropriation of shares of subsidiary companies	100 000	
II	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(748 063)</b>	<b>(3 326 619)</b>

**III. Cash flow from financing activities**

	Items	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
1	Loans received	1 545 237	1 804 435
2	Expenses for repayment of loans	(1 802 692)	(1 018 899)
III	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(257 455)</b>	<b>785 536</b>

**IV. Summary of cash inflow and outflow**

	Items	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
I	Net cash flow from operating activities	1 013 349	1 720 550
II	Net cash flow from investing activities	(748 063)	(3 326 619)
III	Net cash flow from financing activities	(257 455)	785 536
	Result of fluctuations of currency exchange rates	25 446	787 322
	Net cash flow of the accounting period	<b>33 277</b>	<b>(33 211)</b>
	Cash and its equivalents in the beginning of the accounting period	<b>439</b>	<b>35 869</b>
	Cash and its equivalents at the end of the accounting period	<b>33 716</b>	<b>2 658</b>

**CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY  
FOR 9 MONTHS OF 2016, EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Minority stockholders	Total
<b>Balance as of 01.01.2015.</b>	<b>8 118 607</b>	<b>6 787 883</b>	<b>407 137</b>	<b>4 765 821</b>		<b>20 079 448</b>
Long-term investment revaluation reserve decrease		(272 327)				(272 327)
Profit or loss of the accounting period in accordance with the profit and loss account				(198 745)		(198 745)
<b>Balance as of 30.09.2015.</b>	<b>8 118 607</b>	<b>6 515 556</b>	<b>407 137</b>	<b>4 567 076</b>		<b>19 608 376</b>
<b>Balance as of 01.01.2016.</b>	<b>8 118 607</b>	<b>11 842 471</b>	<b>407 137</b>	<b>4 602 447</b>		<b>24 970 662</b>
Long-term investment revaluation reserve decrease		(40 823)				(40 823)
Profit or loss of the accounting period in accordance with the profit and loss account				674		674
Minority stockholders changes					100 000	100 000
<b>Atlikums uz 30.09.2016.g.</b>	<b>8 118 607</b>	<b>11 801 648</b>	<b>407 137</b>	<b>4 603 121</b>	<b>100 000</b>	<b>25 030 513</b>



## NOTES

### GENERAL INFORMATION

In December 2012 JSC "Riga Electric Machine Building Works" acquired 98.7% shares of JSC "Latvo", reg. No. 40003184975 capitalizing debt obligations of JSC "Latvo" to JSC 'Riga Electric Machine Building Works'.

5th of August 2016 Company Register of Republic of Latvia registered a subsidiary company of JSC «Riga electric machine building works» - «RER-Terminals» LTD, registration Nr. 40203010535. JSC «Riga electric machine building works» made property investment in the share capital of «RER-Terminals» LTD, which consisted from the land plot and buildings located on it. Market value of property invested is 1 140 000 EUR.

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 "Latvo" JSC, «RER-Terminals» LTD.

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 companies 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.

	30.09.16. EUR	30.09.15. EUR
Unfinished construction objects		57 818
Costs of capital asset creation	922 335	505 664
<b>Total</b>	<b>922 335</b>	<b>563 482</b>

#### 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 European Central Bank 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. Warranty repair costs is of no high importance, provisions for warranty repairs are not created.

Government grants

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 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 9 MONTHS OF THE YEAR 2016**

**Note No. 1 – Net turnover**

Country	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Latvia	129 605	295 436
Russia	12 645 996	7 938 148
Ukraine	93 960	31 320
Byelorussia	60 273	82 201
Slovakia	453 503	28 906
Poland		46 523
Uzbekistan	251 246	841 450
Georgia	11 422	
Other	3 188	24 003
<b>Total</b>	<b>13 649 193</b>	<b>9 287 987</b>

**Note No. 2 – Production costs of products sold**

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Salaries	2 454 881	2 018 670
Social insurance contributions	557 688	460 365
Costs of materials	5 611 439	4 237 487
Energy resources	728 894	535 882
Depreciation of capital assets and intangible assets, write-off of intangible investments value	1 922 046	1 245 196
Business trip costs	55 419	43 308
Repair costs and remuneration for works from outside	242 052	219 255
Losses due to rejects	28 190	4 271
Environmental protection costs	19 076	6 789
Other costs	101 527	73 343
<b>Total</b>	<b>11 721 212</b>	<b>8 844 566</b>

Notes to consolidated comprehensive income statement (cont.)

**Note No. 3 – Selling costs**

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Packing material and package	36 690	34 190
Transportation expenses	164 845	136 458
Salaries	59 522	61 450
Social insurance contributions	13 721	14 216
Other selling costs	66 441	5 570
<b>Total</b>	<b>341 219</b>	<b>251 884</b>

**Note No. 4 – Administrative costs**

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Communications costs	13 916	17 236
Reimbursement for legal services		1 278
Cash circulation and expense and extra costs	22 056	25 929
Transportation expenses	19 546	15 861
Representation expenses		2 620
Salaries	753 154	819 993
Social insurance contributions	167 001	164 661
Energy resources	35 424	16 570
Depreciation of capital assets	319 916	210 767
Business trip costs	19 081	27 133
Security services		11 349
Consulting services for the projects of the European funds		4 987
Other administrative costs	93 516	26 604
<b>Total</b>	<b>1 443 610</b>	<b>1 344 988</b>

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

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Profit gained as a result of other sales (lease, other)	80 317	67 082
Sale of capital assets	6 031	228 354
Income related to maintenance of social sphere		18 545
Decrease in revaluation reserve of capital assets	47 595	318 145
Income from fluctuations of exchange rates	4 807	905 954
Decrease in holiday provision		199 807
Decrease in deferred income (Eurofound)	208 926	
Other income	6 212	19 343
<b>Total</b>	<b>353 888</b>	<b>1 757 230</b>

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

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Penalty and contractual penalties	39 458	39 969
Costs related to maintenance of social sphere	21 381	34 927
Costs not related to operating activities of the Company	51 850	47 271
Removal of capital assets	933	252 363
Other costs	2 148	19 122
<b>Total</b>	<b>115 770</b>	<b>393 652</b>

Notes to the consolidated financial statements (cont.)

**Note No. 7 – Other interest payments and similar costs**

Indicator	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Loan agreements	236 459	233 657
Credit line agreements	67 440	66 708
Other		9 544
<b>Total</b>	<b>303 899</b>	<b>309 909</b>

**Note No. 8 – Other taxes**

Indicators	01.01.16. - 30.09.16. EUR	01.01.15. - 30.09.15. EUR
Real estate tax on premises (buildings)	61 414	83 974
Real estate tax on land	15 283	15 030
<b>Total</b>	<b>76 697</b>	<b>99 004</b>

**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	Prepayments for intangible investments	Land, premises, buildings*	Equipment and machinery	Other capital assets	Creation of capital assets
<b>Initial value</b>								
Remaining amount as 01.01.16.	2 142 347	634 447	95 324		17 661 671	14 154 298	670 719	643 332
Purchase	417 683			18 640		45 299	88 780	436 862
Removed				(5 440)	(779)	(63 261)	(17 805)	(157 859)
Write-off of value	(206 062)							
Consolidation difference					17 048			
Remaining amount as at 30.09.16.	2 353 968	634 447	95 324	13 200	17 677 940	14 136 336	741 694	922 335
<b>Depreciation</b>								
Remaining amount as 01.01.16.	278	235 667	81 006			6 234 493	489 121	
Calculated	240 381	95 103	5 603		910 646	876 616	41 482	
Removed					(18)	(63 089)	(17 804)	
Consolidation difference					(10 094)			
Remaining amount as at 30.09.16.	240 659	330 770	86 609		900 534	7 048 020	512 799	
<b>Remaining value</b>								
01.01.16.	2 142 069	398 780	14 318		17 661 671	7 919 805	181 598	643 332
30.09.16.	2 113 309	303 677	8 715	13 200	16 777 406	7 088 316	228 895	922 335

\* In 2016 assessed value of the premises accounted EUR 6 373 640, assessed value of the plot accounted for EUR 1 586 075.

**Note No. 10 – Other long-term debtors**

Rādītāji	30.09.16. EUR	30.09.15. EUR
Long-term loan of the subsidiary (daughter) company (until 31.12.17.)	7 558 156	7 535 706
<b>Total</b>	<b>7 558 156</b>	<b>7 535 706</b>

Notes to the consolidated financial statements (cont.)

**Note No. 11 – Debts of customers and clients**

Indicators	30.09.16. EUR	30.09.15. EUR
Debts of customers and clients (for the goods and services)	2 470 410	3 061 421
<b>Total</b>	<b>2 470 410</b>	<b>3 061 421</b>

**Note No. 12 – Other debtors**

Indicators	30.09.16. EUR	30.09.15. EUR
Taxes paid in advance	7 804	2 114
Overpaid taxes	118 916	85 620
Rental debts	3 444	7 306
Processing of goods	9 515	70 017
Financial support for participation in public tender	45 237	
Other	4 856	19 369
<b>Total</b>	<b>189 772</b>	<b>184 426</b>

**Note No. 13 – Costs of the following periods**

Indicators	30.09.16. EUR	30.09.15. EUR
Insurance	1 790	1 813
Payment for use of design documentation	2 912	11 648
Certification	1 995	3 025
Other	728	2 254
<b>Total</b>	<b>7 425</b>	<b>18 740</b>

**Note No. 14 – Cash**

Indicators	30.09.16. EUR	30.09.15. EUR
Current accounts in banks	33 716	2 658

**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. Company's shares are listed on the Stock Exchange Nasdaq Riga AS, on the Baltic Secondary List. Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	30.09.16. EUR	30.09.15. EUR
Residents, including	270 938	270 938
- physical entities	234 394	233 135
- legal entities	36 544	37 803
Non-residents, including	7 847 669	7 847 669
- Russia	5 149 997	5 149 997
- Canada	7 167	7 167
- British Virgin Islands	814 829	814 829
- Belize	1 867 279	1 867 279
- Lithuania	2 446	2 446
- Estonia	5 951	5 951
<b>Total</b>	<b>8 118 607</b>	<b>8 118 607</b>

Company shareholders (over 5%) as of 30.06.2016

Name	Ownership interest (%)
SAS Krona Grup, Russia	46
Mals Company Ltd., Belize	23
AAS Baltijskij Bank, Russia	17.40
Imfelant Productions Inc., British Virgin Islands	10.05

Notes to the consolidated financial statements (cont.)

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

In 2015 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 *Colliers International Advisor*. Market value of immovable property was determined by means of income method and market 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 6 280 140 that was included into equity capital position 'Long-term investment revaluation reserve', from which deferred tax effect was deducted at the amount of EUR 945 163.

**Note No. 17 – Other provisions**

Indicators	30.09.16. EUR	30.09.15. EUR
Holiday provisions	182 040	192 594
Other provisions	4 545	8 916
<b>Total</b>	<b>186 585</b>	<b>201 510</b>

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

Indicators	30.09.16. EUR	30.09.15. EUR
<b>Latvian credit institutions, loan agreement, including</b>	<b>7 847 885</b>	<b>8 479 412</b>
Long-term debt	7 502 648	7 852 923
Short-term debt	345 237	626 489
<b>Latvian credit institutions, credit line agreement, including</b>	<b>2 986 505</b>	<b>2 982 654</b>
Short-term debt	2 986 505	2 982 654

As on 30/09/2016 all assets of parent Company have been pledged as security for a loan.

**Note No. 19 – Debts to suppliers and contractors**

Indicators	30.09.16. EUR	30.09.15. EUR
<b>Long-term creditors, including</b>	<b>519 534</b>	<b>519 534</b>
Foreign suppliers	519 534	519 534
<b>Short-term creditors, including</b>	<b>1 628 497</b>	<b>1 887 556</b>
Local suppliers	1 198 720	1 124 678
Foreign suppliers	429 777	762 878

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

Indicators	30.09.16. EUR	30.09.15. EUR
<b>Long-term creditors, including</b>		<b>1 047 234</b>
Settlement of the debts of other companies		1 047 234
<b>Short-term creditors, including</b>	<b>327 217</b>	<b>484 995</b>
Salary debt	326 036	357 604
Support payments		1 963
Trade union membership fee		399
Earnest		112 885
Other	1 181	12 144



Notes to the consolidated financial statements (cont.)

**Note No. 21 – Deferred income**

Indicators	30.09.16. EUR	30.09.15. EUR
Support for the project implementation in the frames of the Centre of Competence	290 516	134 495
Support for the project implementation in the frames of the European Regional Fund of Development (ERAF) "Investments of high-level added value"	1 228 196	1 125 814
<b>Total</b>	<b>1 518 712</b>	<b>1 260 309</b>

**Note No. 22 – Advances received from customers**

Indicators	30.09.16. EUR	30.09.15. EUR
Local customers	2 130	5 267
Foreign customers	50 174	15 116
<b>Total</b>	<b>52 304</b>	<b>20 383</b>

**Note No. 23 – Taxes and social insurance contributions**

Indicators	30.09.16. EUR	30.09.15. EUR
Personal income tax	424 100	773 888
Mandatory social insurance contributions	566 830	961 397
Natural resources tax	1 532	1 600
Real estate tax on land		3 340
Real estate tax on premises (buildings)		18 661
State business risk fee	199	170
<b>Total</b>	<b>992 661</b>	<b>1 759 056</b>

As for 30.09.2016 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

30 November 2016