

**JOINT STOCK COMPANY
“RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA”**

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

**CONSOLIDATED FINANCIAL INFORMATION
FOR 9 MONTHS OF THE YEAR 2018
(NON-AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS ADOPTED BY THE EUROPEAN UNION

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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. |
| Vice-Chairperson of the Council | Kirill Nuzhin | from 11.11.15. |
| Council Members | Andrey Sarkisov Natalia Sarkisova Sergey Bolysov Maksim Gordyukov | from 15.07.15. from 15.07.15. from 20.06.17. until 02.05.17. |
| The parent Company Board: | | |
| Chairperson of the Board | Nikolajs Erohovs | from 15.03.11. |
| Board Members | Aleksandrs Popadins Ilja Šestakovs Grigorijš Kapustins Olga Pētersone | from 08.11.13. from 30.01.15. from 18.10.16. until 12.10.17. |
| The quantity of shares which belong to the members of Council and to the members of Board (%) | Owns no shares | |
| Accounting period | 1 January 2018 – 30 September 2018 | |
| Subsidiary (daughter) companies | AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 53, Riga, the Republic of Latvia Shares – 98.7 % | |
| Auditor | SIA "Grant Thornton Baltic Audit", licence Nr.183 Blaumaņa iela 22, Riga, LV-1011, Latvija Certified auditor Silvija Gulbe Certified auditor's certificate No. 142 | |

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE 9 MONTHS OF THE YEAR 2018

| Items | 01.01.18. - 30.09.18. EUR | 01.01.17. - 30.09.17. EUR |
|---|------------------------------|------------------------------|
| Net turnover | 27 398 599 | 21 480 924 |
| Production costs of the goods sold | (23 260 291) | (17 451 630) |
| Gross profit or loss | 4 138 308 | 4 029 294 |
| Selling expenses | (447 501) | (514 773) |
| Administration expenses | (1 810 229) | (1 720 671) |
| Other operating income | 300 630 | 271 934 |
| Other operating expenses | (545 623) | (191 945) |
| Income from other securities and loans which make long-term financial investments | 35 182 | - |
| Other interest payments and similar expenses | 1 | 2 |
| Profit or loss before corporate income tax | (248 385) | (291 356) |
| Profit or loss after calculating the corporate income tax | 1 422 383 | 1 582 485 |
| Profit or loss of the accounting period | (22 059) | - |
| | 1 400 324 | 1 582 485 |

| | | |
|--------------------|-------|-------|
| Earnings per share | 0,241 | 0,272 |
|--------------------|-------|-------|

Attributable to:

| | | |
|------------------------------------|-----------|-----------|
| Equity holders of a parent company | 1 400 324 | 1 582 485 |
|------------------------------------|-----------|-----------|

Other comprehensive income / loss

| | | |
|---|----------------|----------------|
| Long-term investment revaluation reserve decrease | (2 919) | (1 435) |
| Total other comprehensive income / loss | (2 919) | (1 435) |

| | | |
|-----------------------------------|------------------|------------------|
| Total comprehensive income | 1 397 405 | 1 581 050 |
|-----------------------------------|------------------|------------------|

Attributable to:

| | | |
|------------------------------------|-----------|-----------|
| Equity holders of a parent company | 1 397 405 | 1 581 050 |
|------------------------------------|-----------|-----------|

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 9 MONTHS OF THE YEAR 2018

| A S S E T S | 30.09.18. EUR | 31.12.17. EUR |
|---|-------------------|-------------------|
| LONG-TERM INVESTMENTS | | |
| Intangible investments | | |
| Development costs | 1 274 820 | 1 581 122 |
| Concessions, patents, licences and similar rights | 335 462 | 327 352 |
| Other intangible investments | 15 488 | 24 470 |
| Prepayments for intangible investments | - | 3 625 |
| Total intangible assets | 1 625 770 | 1 936 569 |
| Fixed assets | | |
| Real estate (land, buildings and structures) | 14 935 543 | 15 266 356 |
| Technology devices and equipment | 5 643 442 | 6 088 719 |
| Other fixed assets and inventory | 220 424 | 257 612 |
| Expense of tangible assets and construction in progress | 1 534 716 | 901 770 |
| Advance payments for fixed assets | 372 526 | 177 139 |
| Total fixed assets | 22 706 651 | 22 691 596 |
| Long-term financial investments | | |
| Other securities and investments | 570 | - |
| Own shares | 10 289 | 14 551 |
| Other loans and long-term receivables | 6 579 442 | 6 835 781 |
| Total long-term financial investments | 6 590 301 | 6 850 332 |
| TOTAL LONG-TERM INVESTMENTS | 30 922 722 | 31 478 497 |
| CURRENT ASSETS | | |
| Inventories | | |
| Raw materials, direct materials and auxiliary materials | 3 782 735 | 3 677 582 |
| Work in progress | 2 978 399 | 2 019 058 |
| Finished products and goods for sale | 535 464 | 755 409 |
| Advance payments for inventories | 4 265 428 | 3 400 671 |
| Total inventories | 11 562 026 | 9 852 720 |
| Receivables | | |
| Trade receivables | 2 460 793 | 505 753 |
| Other receivables | 395 350 | 297 420 |
| Prepaid expenses | 14 022 | 4 888 |
| Total receivables | 2 870 165 | 808 061 |
| Short-term financial investments | | |
| Other securities and interest in capital | - | 90 000 |
| Total short-term financial investments | - | 90 000 |
| Cash | 41 983 | 715 764 |
| TOTAL CURRENT ASSETS | 14 474 174 | 11 466 545 |
| TOTAL ASSETS | 45 396 896 | 42 945 042 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 9 MONTHS OF THE YEAR 2018

| LIABILITIES | 30.09.18. EUR | 31.12.17. EUR |
|--|--------------------------|--------------------------|
| EQUITY CAPITAL | | |
| Share capital (equity capital) | 8 118 607 | 8 118 607 |
| Long-term investment revaluation reserve | 13 688 839 | 13 691 758 |
| Other reserves | 407 137 | 407 137 |
| Retained earnings or uncovered losses of previous years | 5 590 381 | 5 070 363 |
| Profit or loss of the reporting year | 1 400 324 | 520 018 |
| TOTAL EQUITY CAPITAL | 29 205 288 | 27 807 883 |
| PROVISIONS | | |
| Other provisions | 169 396 | 169 396 |
| TOTAL PROVISIONS | 169 396 | 169 396 |
| CREDITORS | | |
| Long-term liabilities | | |
| Borrowings from credit institutions | 3 202 067 | 3 202 067 |
| Deferred income | 1 355 014 | 1 306 115 |
| Total long-term liabilities | 4 557 081 | 4 508 182 |
| Short-term liabilities | | |
| Borrowings from credit institutions | 2 995 253 | 3 128 330 |
| Advance payments from customers | 3 693 100 | 4 541 164 |
| Trade payables | 3 169 885 | 1 475 130 |
| Taxes and mandatory state social insurance contributions | 688 801 | 497 531 |
| Other liabilities | 528 812 | 445 146 |
| Deferred income | 62 333 | 45 333 |
| Accrued liabilities | 326 947 | 326 947 |
| Total short-term liabilities | 11 465 131 | 10 459 581 |
| TOTAL CREDITORS | 16 022 212 | 14 967 763 |
| TOTAL LIABILITIES | 45 396 896 | 42 945 042 |

CONSOLIDATED CASH FLOW STATEMENT FOR 9 MONTHS OF THE YEAR 2018, EUR
(prepared by indirect method)

Cash flow from operating activities

| Items | 01.01.18. - 30.09.18. | 01.01.17. - 30.09.17. |
|---|-----------------------|-----------------------|
| Profit or loss before extraordinary items and taxes | 1 422 383 | 1 582 485 |
| ADJUSTMENTS | | |
| Depreciation of fixed assets | 1 282 300 | 1 834 322 |
| Amortization of intangible investment value | 461 557 | 566 407 |
| Income from sales of fixed assets | (3 020) | (3 490) |
| Profit or loss from fluctuations of currency exchange rates | 343 375 | (10 133) |
| Income from other securities and loans which make long-term financial investments | (35 182) | - |
| Amounts written off fixed assets | 1 793 | 766 |
| Long-term investment revaluation reserve decrease | (2 919) | (1 435) |
| Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities | 3 470 287 | 3 968 922 |
| ADJUSTMENTS | | |
| Increase or decrease of balance of receivables | (2 867 870) | 201 125 |
| Increase or decrease of balance of inventories | (844 549) | (194 219) |
| Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors | 1 189 860 | (732 018) |
| Corporate tax paid | (22 059) | - |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 925 669 | 3 243 810 |

Cash flow from investing activities

| Items | 01.01.18. - 30.09.18. | 01.01.17. - 30.09.17. |
|--|-----------------------|-----------------------|
| Acquisition of an affiliate | (570) | - |
| Proceeds from investment properties | 129 444 | 680 500 |
| Purchase of fixed assets and intangible investments | (1 258 144) | (1 258 739) |
| Income from sales of fixed assets and intangible investments | 3 020 | 3 490 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (1 126 250) | (574 749) |

Cash flow from financing activities

| Items | 01.01.18. - 30.09.18. | 01.01.17. - 30.09.17. |
|--|-----------------------|-----------------------|
| Loans received | 1 116 923 | 65 000 |
| Expenses for repayment of loans | (1 250 000) | (2 411 452) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (133 077) | (2 346 452) |

Summary of cash inflow and outflow

| Items | 01.01.18. - 30.09.18. | 01.01.17. - 30.09.17. |
|--|-----------------------|-----------------------|
| Net cash flow from operating activities | 925 669 | 3 243 810 |
| Net cash flow from investing activities | (1 126 250) | (574 749) |
| Net cash flow from financing activities | (133 077) | (2 346 452) |
| Result of fluctuations of currency exchange rates | (340 123) | 19 772 |
| Net cash flow of the accounting period | (673 781) | 342 381 |
| Cash and its equivalents in the beginning of the accounting period | 715 764 | 88 409 |
| Cash and its equivalents at the end of the accounting period | 41 983 | 430 790 |

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 9 MONTHS OF THE YEAR 2018, EUR

| Kind of changes | Share capital | Reserve for revaluation of long-term investments | Other provisions | Undivided profit | Total |
|--|------------------|--|------------------|------------------|-------------------|
| As at 01.01.2017 | 8 118 607 | 11 801 574 | 407 137 | 5 070 363 | 25 397 681 |
| Profit or loss for the accounting period | - | - | - | 1 582 485 | 1 582 485 |
| Other comprehensive income | - | (1 435) | - | - | (1 435) |
| <i>Total comprehensive income</i> | - | <i>(1 435)</i> | - | <i>1 582 485</i> | <i>1 581 050</i> |
| As at 30.09.2017 | 8 118 607 | 11 800 139 | 407 137 | 6 652 848 | 26 978 731 |
| As at 01.01.2018 | 8 118 607 | 13 691 758 | 407 137 | 5 590 381 | 27 807 883 |
| Profit or loss for the accounting period | - | - | - | 1 400 324 | 1 400 324 |
| Other comprehensive income | - | (2 919) | - | - | (2 919) |
| <i>Total comprehensive income</i> | - | <i>(2 919)</i> | - | <i>1 400 324</i> | <i>1 397 405</i> |
| As at 30.09.2018 | 8 118 607 | 13 688 839 | 407 137 | 6 990 705 | 29 205 288 |

MANAGEMENT CONFIRMATION REPORT

Consolidated financial information are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial information give a true and fair view of the financial position of the Group and of its financial performance for the period ended 30 September 2018.

In preparing those financial information for 9 months of the year 2018, management selected suitable accounting policies, made judgments and estimates that are reasonable and prudent, prepared the financial information on the going concern basis to presume that the Group will continue in business.

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

On behalf of the Group,

Chairperson of the Board

Nikolajs Erohovs

28 November 2018