

**JOINT STOCK COMPANY  
RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA**

Reg. No. 40003042006

Taxpayer's Reg. No. 40003042006

Ganību dambis 31, Riga, LV-1005, phone 7046903

**NON-AUDITED CONSOLIDATED FINANCIAL STATEMENT  
FOR 9 MONTHS OF THE YEAR 2006**

Enterprise Information	3
Balance Sheet	4
Profit and Loss Account	6
Cash Flow Statement	10
Statement on Changes in Equity	14
Appendices	16
General Principles of Drawing the Financial Statement	21

## Enterprise Information

Name of Enterprise	JSC Rīgas elektromašīnbūves rūpnīca
Enterprise legal status	Joint Stock Company
RE registration number, place and date	No. 000304200, Riga, 29 November 1991
Uniform Registration Number at the Commercial Register, place and date	No. 40003042006, Riga, 29 September 2004
Legal Address	Ganību dambis 31, Riga, LV-1005, Latvia
Institution in charge of the enterprise	Shareholders' meeting
Name, surname of Chairman of the Board	Grigorijs Uspenskis
Name, surname of the Board Members	Aleksandrs Berezins Jurijs Semjonovs Vladimirs Antjufejevs Tatjana Romanova
Accounting period	from 1 January 2006 to 30 September 2006
Auditor's name, surname, identity number and address	Janis Meziels Identity number: 011059-11009 Sworn Auditor's Certificate No. 127 Skolas iela 11 - 501, Riga, LV-1010, Latvia

JSC "RER" has subsidiary and associated companies.

<b>Subsidiary companies</b>	1. "Ražošanas Enerģētika Zinātne" Ltd.	96 % investment
	2. "Latvo-REZ" Ltd.	92% investment (affiliated to "Ražošanas Enerģētika Zinātne" Ltd. in April 2006)
<b>Associated companies</b>	1. "Lovato - REZ" Ltd.	50 % investment

**JSC "RER" Consolidated Balance Sheet as of 30-09-2006**

0,702804

ASSETS	Code of line	Notes	30-09-06, LVL	31-12-05, LVL	30-09-06, EUR	31-12-05, EUR
<b>1. Long-term investments</b>		9				
<b>I. Intangible investments</b>						
1. Intangible investments	020		604	917	859	1305
2. Positive consolidation difference	021					
I total	050		604	917	859	1305
<b>II. Fixed assets</b>						
1. Land, buildings, constructions	060		1622178	1589353	2308151	2261446
2. Lgong-t. inv-mnt into leased fixed asset	070				0	
3. Equipment and machines	080		1105354	826882	1572777	1176547
4. Other fixed assets and inventory	090		37299	32990	53072	46941
5. Creating fixed assets	100		415285	203306	590897	289278
6. Advance payments for fixed assets	110		1141244	129534	1623844	184310
II total			4321360	2782065	6148741	3958522
<b>III. Long-term financial inv-mnts</b>						
1. Participation in capital of affil. enterpr.	130					
2. Participation in capital of assoc. enterpr.	150					
III total			0	0	0	0
<b>Total of section 1</b>	220		4321964	2782982	6149600	3959827
<b>2. Current assets</b>						
<b>I. Stock</b>						
1. Raw material, basic mat. and aux. mat.	230		2059065	1530937	2929786	2178327
2. Uncompleted products	240		991751	877965	1411135	1249232
3. Finished products and goods for sale	250		120011	92691	170760	131887
4. Advance payments for goods	270		360587	119744	513069	170380
I total	290		3531414	2621337	5024750	3729826
<b>II. Debtors</b>		10				
1. Debts of buyers and customers	300		135041	233867	192146	332763
2. Debts of affiliated enterprises	310				0	0
3. Debts of associated enterprises	320		18	238	26	339
4. Other debtors	330		549460	200660	781811	285513
5. Expenses of next periods	360		6824	84856	9710	120739
II total			691343	519621	983693	739354
<b>IV. Monetary funds</b>	420	11	52688	1941530	74968	2762548
<b>Total of section 2</b>	430		4275445	5082488	6083411	7231728
<b>BALANCE</b>	<b>440</b>		<b>8597409</b>	<b>7865470</b>	<b>12233011</b>	<b>11191555</b>

**JSC "RER" Consolidated Balance Sheet as of 30-09-2006**

<b>LIABILITIES</b>	<b>Code of line</b>	<b>Notes</b>	<b>30-09-06, LVL</b>	<b>31-12-05, LVL</b>	<b>30-09-06, EUR</b>	<b>31-12-05, EUR</b>
<b><i>1. Own Capital</i></b>		12				
1. Share capital (equity capital)	450	13	5799005	5799005	8251241	8251241
3. Revaluation reserve for long-term inv	470		159382	165909	226780	236067
4 d. Other reserves	510		192922	192922	274503	274503
5. Retained earnings:						
a) retained earnings of previous years	530		2505	236736	3564	336845
b) ret. earnings of the financial year	540		466936	171409	664390	243893
<b><i>Total of section 1</i></b>	<b>550</b>		<b>6620750</b>	<b>6565981</b>	<b>9420478</b>	<b>9342549</b>
<b><i>2. Savings</i></b>	<b>580</b>	<b>14</b>	<b>302861</b>	<b>302861</b>	<b>430932</b>	<b>430932</b>
<b><i>Total of section 2</i></b>	<b>590</b>		<b>302861</b>	<b>302861</b>	<b>430932</b>	<b>430932</b>
<b><i>3. Creditors</i></b>		<b>15</b>				
<b>I. Long-term creditors</b>	<b>740</b>		<b>929086</b>	<b>1365</b>	<b>1321970</b>	<b>1942</b>
I total			929086	1365	1321970	1942
<b>II. Short-term creditors</b>						
4. Other loans			3514	3514	5000	5000
5. Advance payments received from buyers	790		5174	339559	7362	483149
6. Debts to suppliers and contractors	800		272780	124194	388131	176712
8. Debts to affiliated enterprises	820				0	0
9. Debts to associated enterprises	830		9	777	13	1106
10. Taxes and contributions for social insur	840		204333	324269	290740	461393
11. Other creditors	850		240271	182667	341875	259912
14. Unpaid dividends of previous years	780				0	0
II total	890		726081	974980	1033121	1387272
<b><i>Total of section 3</i></b>	<b>900</b>		<b>1655167</b>	<b>976345</b>	<b>2355091</b>	<b>1389214</b>
<b><i>4. Minority share</i></b>			<b>18631</b>	<b>20283</b>	<b>26510</b>	<b>28860</b>
<b><i>5. Negative consolidation difference</i></b>					<b>0</b>	<b>0</b>
<b>BALANCE</b>	<b>910</b>		<b>8597409</b>	<b>7865470</b>	<b>12233011</b>	<b>11191555</b>

**JSC "RER" Consolidated Profit and Loss Account  
for 9 months of the year 2006**

0,702804

No. Item	Name of Value	Code of line	Notes	30-09-06, LVL	31-12-05, LVL	30-09-06, EUR	31-12-05, EUR
1	Net turnover	010	1	9608080	15863256	13671066	22571381
2	Production costs for sold products	020	2	-7264494	-12413586	-10336444	-17662942
3	<b>Gross-profit or gross-loss</b>	030		2343586	3449670	3334622	4908439
4	Selling expenses	040		-172021	-192741	-244764	-274246
5	Administrative costs	050		-1467476	-1511599	-2088030	-2150812
6	Other business activity income	060	3	105921	138219	150713	196668
7	Other business activity costs	070	4	-263834	-760617	-375402	-1082260
8	Income from participation in capitals of subsidiary and associated enterprises of the concern	080	5	1453	132506	2067	188539
10	Other interest income and similar income	100		624	1117	888	1589
12	Other interest payments and similar costs	120		-139	-3221	-198	-4583
13	Losses from selling affiliated company	121			-586672	0	-834759
13.1	Consolidation losses	122		-64320	-101265	-91519	-144087
13.2	Consolidation income	123		15837	15110	22534	21500
14	Profit or loss before extraordinary items and taxes	130		499631	580507	710911	825988
15	Extraordinary income	140	6		132	0	188
16	Profit or loss before taxes	160		499631	580639	710911	826176
17	Corporate income tax	170			-214843	0	-305694
18	Deferred Corporate income tax	180	7		-167794	0	-238749
19	Other taxes	190	8	-30054	-24629	-42763	-35044
20	Minority interests	200		-2641	-1964	-3758	-2796
21	<b>Consolidated profit or loss of the account. perio</b>	210		<b>466936</b>	<b>171409</b>	<b>664390</b>	<b>243893</b>

EPS coefficient

0,08

0,03

0,11

0,04

Number of share 5799005

Name of Enterprise: **JSC "Rīgas elektromašīnbūves rūpnīca"**

Registration number: **40003042006**

**Consolidated Cash Flow Statement for 9 Months of the Year 2006**  
(indirect method)

**I. Cash Flow from Operating Activities**

0,702804

	Name of Value	Year 2006	Year 2005	Year 2006	Year 2005
		30-09 LVL	LVL	30-09 EUR	EUR
1	Profit or loss before extraordinary items and taxes	499632	580507	710912	825988
	<b>Corrections</b>				
	Wear and tear of fixed assets	122126	143204	173770	203761
	Amortization of investment value	1208	98	1719	139
	Amortization of intangible investment value	663	930	943	1323
	Profit from sale of fixed assets	-8859	-3231	-12605	-4597
	Savings (except for savings for unreliable debts)	0	135067	0	192183
	Profit or loss from foreign currency rate fluctuation	105690	54312	150383	77279
	Income from participation in capitals of subsidiary and associated enterprises of the concern	-1453	-132506	-2067	-188539
	Income from securities and loans forming long-term investment	0			
	Other interest income and similar income	0		0	0
	Write-off of the value of long-term financial investment and short-term securities	0	144560	0	205690
	Interest payment and similar expenses			0	0
	Consolidation losses	48483	86155	68985	122588
	Consolidation corrections	-9945,5	137603	-14151	195791
	Not amortized part of the eliminated fixed assets			0	0
	Long-term investment revaluation reserve	-6526	-10103	-9286	-14375
2	Profit or loss before current assets and short-term liabilities balance changes impact corrections	751018,5	1136596	1068603	1617231
	<b>Corrections</b>				
	Increase or decrease of debtors' debts balance	-1196362	-371676	-1702270	-528847
	Increase or decrease of stock balance	-910078,5	337881	-1294925	480761
	Increase or decrease of expenses for next periods	77894	110920	110833	157825
	Increase or decrease of debt balance payable to suppliers, contractors and other creditors	-54693	440776	-77821	627168
	Increase or decrease of savings	0		0	0
	Expenses for tax payments	-30047	-30330	-42753	-43156
	Increase or decrease of other debtors' debts balance	-4442	-55627	-6320	-79150
3	Gross cash flow from operating activities	-1366710	1568540	-1944653	2231832
4	Expenses for interest payments	0		0	0
5	Expenses for Corporate income tax payments	-302077	-4914	-429817	-6992
6	Cash flow before extraordinary items	-1668787	1563626	-2374470	2224840
7	Cash flow from extraordinary items	0	132	0	188
<b>1</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-1668787</b>	<b>1563758</b>	<b>-2374470</b>	<b>2225028</b>

## II. Cash Flow from Investment Activities

	Name of Value	Year 2006 30-09 LVL	Year 2005 LVL	Year 2006 30-09 EUR	Year 2005 EUR
1	Purchase of shares or interests of affiliated or associated enterprises	-4695		-6680	
2	Income from expropriation of shares or interests of affiliated or associated enterprises	0			
3	Purchase of fixed assets and intangible investments	-651270	-325076	-926674	-462541
4	Income from sale of fixed assets and intangible investments	8859	10788	12605	15349
5	Loans granted	0			
6	Income from loan repayment	0			
7	Profit share	0			
8	Received interests	0			
9	Received dividends	1453	132506	2067	188539
<b>II</b>	<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-645653</b>	<b>-181782</b>	<b>-918682</b>	<b>-258653</b>

## III. Cash Flow from Funding Activity

	Name of Value	Year 2006 30-09 LVL	Year 2005 LVL	Year 2006 30-09 EUR	Year 2005 EUR
1	Income from emission of shares and bonds or interest investments of capital sharing	0			
2	Deposited in equity	10000		14229	0
3	Receipts and expenditures from long-term loans	-1253,5		-1783	0
4	Increase of investment revaluation reserve	0		0	0
5	Granted borrowings	890000	-1556	1266356	-2214
6	Granted subsidies, grants, donations or contributions	0		0	0
7	Expenses for borrowings repayment	0		0	0
8	Increase of long-term creditors' debts	38975		55456	0
9	Expenses for redemption of leased fixed assets	0		0	0
10	Paid dividends	-410099,5	-1055	-583519	-1501
<b>III</b>	<b>NET CASH FLOW FROM FUNDING ACTIVITIES</b>	<b>527622</b>	<b>-2611</b>	<b>750739</b>	<b>-3715</b>

## Summary of Cash Receipts and Expenditures

	Name of Value	Year 2006 30-09 LVL	Year 2005 LVL	Year 2006 30-09 EUR	Year 2005 EUR
I	Net cash flow from operating activities	-1668787	1563758	-2374470	2225028
II	Net cash flow from investment activities	-645653	-181782	-918682	-258653
III	Net cash flow from funding activities	527622	-2611	750739	-3715
IV	Foreign currency rate fluctuation result	-102024	-67386	-145167	-95882
V	Net cash flow of the financial year	-1888842	1311979	-2687580	1866778
VI	Balance of cash and its equiv. at the beginning of the financial year	1941530	629551	2762548	895770
VII	Balance of cash and its equivalents at the end of the financial year	52688	1941530	74968	2762548

**JSC "Rīgas elektromašīnbūves rūpnīca", Reg.No. 40003042006, Ganību dambis 31, Rīga**

**Consolidated Account on Changes in Equity, LVL**

Type of changes	Share or interest capital	Long-term inv. revaluation reserve	Other reserves	Retained earnings	Total
<b>1. Balance as of 31-12-2004</b>	5799005	176012	340625	-161365	6154277
2. Income or loss of the accounting period not included in the profit and loss account:					
a) decrease (-) or increase (+) of the fixed assets value		-10103			-10103
3. Corrections			-147703	398101	250398
4. Decrease (-) or increase (+) of shares emission premium					0
5. Reserves supplement from profit according to the company Statutes					0
9. Income or loss of the accounting period (corrected due to change of the accounting policy)				171409	171409
<b>10. Balance as of 31-12-2005</b>	5799005	165909	192922	408145	6565981
2. Income or loss of the accounting period not included in the profit and loss account:					
a) decrease (-) or increase (+) of the fixed assets value		-6527			-6527
3. Corrections				-405640	-405640
9. Income or loss of the accounting period according to the profit or loss account				466936	466936
<b>10. Balance as of 30-09-2006</b>	5799005	159382	192922	469441	6620750

**Consolidated Account on Changes in Equity, EUR**

0,702804

Type of changes	Share or interest capital	Long-term inv. revaluation reserve	Other reserves	Retained earnings	Total
<b>1. Balance as of 31-12-2004</b>	8251241	250443	484666	-229602	8756748
2. Income or loss of the accounting period not included in the profit and loss account:					
a) decrease (-) or increase (+) of the fixed assets value		-14376			-14376
3. Corrections			-210163	566447	356284
4. Decrease (-) or increase (+) of shares emission premium	0		0		0
5. Reserves supplement from profit according to the company Statutes			0		0
9. Income or loss of the accounting period				243893	243893

<b>10. Balance as of 31-12-2005</b>	8251241	236067	274503	580738	9342549
2. Income or loss of the accounting period not included in the profit and loss account:					
a) decrease (-) or increase (+) of the fixed assets value		-9287			-9287
3. Corrections			0	-577174	-577174
9. Income or loss of the accounting period according to the profit or loss account				664390	664390
<b>10. Balance as of 30-09-2006</b>	8251241	226780	274503	667954	9420478

**JSC "RER" Consolidated Balance Sheet as of 30-09-2006 (LVL)**

ASSETS	JSC "RER"	"Lova- to - REZ" Ltd. 50%	"REZ" Ltd. 96%				Consolidation Register		Consolidated Balance Sheet
							Dt	Ct	
<i>I. Long-term investments</i>									
<b>I. Intangible investments</b>									
1. Intangible investments	604,00							0,00	604,00
2. Intangible value									0,00
I total	604,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	604,00
<b>II. Fixed assets</b>									
1. Land, buildings, structures	1340351,00	23509,00	270073,00					11755,00	1622178,00
2. Lgong-t. inv-mnt into leased fixed assets									0,00
3. Equipment and machines	1021466,00	13673,00	77052,00					6837,00	1105354,00
4. Other fixed assets and inventory	28916,00	15222,00	772,00					7611,00	37299,00
5. Creating fixed assets	415285,00							0,00	415285,00
6. Advance payments for fixed assets	1141244,00							0,00	1141244,00
II total	3947262,00	52404,00	347897,00	0,00	0,00		0,00	26203,00	4321360,00
<b>III. Long-term financial investments</b>									
1. Participation in capital of affil. enterpr.	448093,00							448093,00	0,00
2. Participation in capital of assoc. enterpr.	59927,00							59927,00	0,00
III total	508020,00	0,00	0,00	0,00	0,00		0,00	508020,00	0,00
<b>Total of section 1</b>	<b>4455886,00</b>	<b>52404,00</b>	<b>347897,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>534223,00</b>	<b>4321964,00</b>
<b>2. Current assets</b>									
<b>I. Stock</b>									
1. Raw material, basic materials and aux. mat.	2054564,00	3190,00	2906,00					1595,00	2059065,00
2. Uncompleted products	991751,00							0,00	991751,00
3. Finished products and goods for sale	62077,00	115869,00						57935,00	120011,00
5. Advance payments for goods	339391,00	22,00	21185,00					11,00	360587,00
I total	3447783,00	119081,00	24091,00	0,00	0,00		0,00	59541,00	3531414,00
<b>II. Debtors</b>									
1. Debts of buyers and customers	111088,00	52052,00	14876,00					42975,00	135041,00
2. Debts of affiliated enterprises			164310,00					164310,00	0,00
3. Debts of associated enterprises	18,00							0,00	18,00
4. Other debtors	543771,00	897,00	5240,00					448,50	549459,50
7. Expenses of next periods	6796,00	56,00						28,00	6824,00
II total	661673,00	53005,00	184426,00	0,00	0,00		0,00	207761,50	691342,50
<b>IV. Monetary funds</b>	33125,00	11047,00	14040,00					5523,50	52688,50
<b>Total of section 2</b>	<b>4142581,00</b>	<b>183133,00</b>	<b>222557,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>272826,00</b>	<b>4275445,00</b>
<b>B A L A N C E</b>	<b>8598467,00</b>	<b>235537,00</b>	<b>570454,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>807049,00</b>	<b>8597409,00</b>

JSC "RER" Consolidated Balance Sheet as of 30-09-2006 (LVL)

LIABILITIES	JSC "RER"	"Lova- to - REZ" Ltd. 50%	"REZ" Ltd. 96%			Consolidation Register		Consolidated Balance Sheet
						Dt	Ct	
<i>1. Own capital</i>								
1. Share capital (equity capital)	5799005,00	115200,00	427600,00			542800,00		5799005,00
3. Revaluation reserve for long-term inv.	159382,00	34074,00				34074,00		159382,00
5. Other reserves	192922,00	2255,00	42603,00			44858,00		192922,00
6. Retained earnings:								
a) retained earnings of previous years	2505,00		-70440,00			-70440,00		2505,00
b) ret. earnings of the financial year	439549,00	24963,00	66030,00			79443,00	15837,00	466936,00
<b>Total of section 1</b>	<b>6593363,00</b>	<b>176492,00</b>	<b>465793,00</b>	<b>0,00</b>	<b>0,00</b>	<b>630735,00</b>	<b>15837,00</b>	<b>6620750,00</b>
<i>2. Savings</i>	274508,00		28353,00			0,00		302861,00
<b>Total of section 2</b>	<b>274508,00</b>	<b>0,00</b>	<b>28353,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>302861,00</b>
<i>3. Creditors</i>								
<b>I. Long-term creditors</b>	928975,00	223,00				112,00		929086,00
I total	928975,00	223,00	0,00	0,00	0,00	112,00	0,00	929086,00
<b>II. Short-term creditors</b>								
4. Other loans		7028,00				3514,00		3514,00
5. Advance payments received from buyers	5174,00					0,00		5174,00
6. Debts to suppliers and contractors	219873,00	39493,00	33160,00			19746,50		272779,50
8. Debts to affiliated enterprises	181259,00					181259,00		0,00
9. Debts to associated enterprises		18,00				9,00		9,00
10. Taxes and contributions for social insurance	177267,00	7775,00	23179,00			3887,50		204333,50
11. Other creditors	218048,00	4508,00	19969,00			2254,00		240271,00
14. Unpaid dividends of previous years						0,00		0,00
II total	801621,00	58822,00	76308,00	0,00	0,00	210670,00	0,00	726081,00
<b>Total of section 3</b>	<b>1730596,00</b>	<b>59045,00</b>	<b>76308,00</b>	<b>0,00</b>	<b>0,00</b>	<b>210782,00</b>	<b>0,00</b>	<b>1655167,00</b>
<i>4. Minority share</i>							18631,00	18631,00
<i>5. Negative consolidation difference</i>								0,00
<b>BALANCE</b>	<b>8598467,00</b>	<b>235537,00</b>	<b>570454,00</b>	<b>0,00</b>	<b>0,00</b>	<b>841517,00</b>	<b>34468,00</b>	<b>8597409,00</b>
Total consolidation corrections						841517,00	841517,00	

**JSC "RER" Consolidated Profit and Loss Account for 9 months of the year 2006 (LVL)**

	JSC "RER"	"Lova- to - REZ" Ltd. 50%	"REZ" Ltd. 96%			Consolida- tion difference	Consolidation Register		Consolidated Profit and Loss Account
							Dt	Ct	
Net turnover	9319419,00	344630,00	1149601,00				1205570,00		9608080,00
Production costs for sold products	-7299098,00	-310011,00	-843645,00					1188260,00	-7264494,00
<b>Gross-profit or gross-loss</b>	<b>2020321,00</b>	<b>34619,00</b>	<b>305956,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1205570,00</b>	<b>1188260,00</b>	<b>2343586,00</b>
Selling expenses	-170158,00	-3726,00						1863,00	-172021,00
Administrative costs	-1231394,00	-3064,00	-234550,00					1532,00	-1467476,00
Other business activity income	104646,00	2551,00					1275,50		105921,50
Other business activity costs	-260038,00	-5049,00	-1272,00					2524,50	-263834,50
Other interest income and similar income	570,00	18,00	45,00				9,00		624,00
Income from participation at capitals	1453,00								1453,00
Interest payments and similar costs		-121,00	-78,00					60,50	-138,50
Consolidation income						15837,00			15837,00
Consolidation losses						-64320,00			-64320,00
Profit or loss before extraordinary items and taxes	465400,00	25228,00	70101,00	0,00	0,00	-48483,00	1206854,50	1194240,00	499631,50
Extraordinary income									0,00
Extraordinary costs									0,00
Profit or loss before taxes	465400,00	25228,00	70101,00	0,00	0,00	-48483,00	1206854,50	1194240,00	499631,50
Corporate income tax									0,00
Deferred Corporate income tax									0,00
Other taxes	-25851,00	-265,00	-4071,00					132,50	-30054,50
Accounting period profit/loss (net income)	439549,00	24963,00	66030,00	0,00	0,00	-48483,00	1206854,50	1194372,50	469577,00
Minority interests							2641,00		-2641,00
<b>Consolidated profit</b>	<b>439549,00</b>	<b>24963,00</b>	<b>66030,00</b>	<b>0,00</b>	<b>0,00</b>	<b>-48483,00</b>	<b>1209495,50</b>	<b>1194372,50</b>	<b>466936,00</b>

**APPENDICES TO THE BALANCE SHEET**

**ASSETS**

**Note No. 10** 0,702804  
**JSC "RER" Consolidated Debtors' Debts as of 30-09-2006**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
1. Debts of buyers and customers (c.l. 300)	135041	192146	233867	332763
2. Debts of affiliated enterprises (c.l. 310)				
3. Debts of associated enterprises (c.l. 320)	18	26	238	339
4. Other debtors (c.l. 330)	549460	781811	200660	285513
incl.				
request calculations for the staff	2157	3069	4499	6402
taxes paid in advance	2596	3694	12890	18341
over-paid taxes	204458	290918	148169	210825
advance payments for services	56636	80586	24545	34924
VAT of the unpaid invoices	4985	7093	10557	15021
other	278628	396451		0
5. Next periods expenses	6824	9710	84856	120739
<b>Total debtors debts</b>	<b>691343</b>	<b>983693</b>	<b>519621</b>	<b>739354</b>

**Note No. 11**  
**Monetary funds**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Cash	23797	33860	22256	31667
Current account	28891	41108	1919274	2730881
<b>Total</b>	<b>52688</b>	<b>74968</b>	<b>1941530</b>	<b>2762548</b>

**LIABILITIES**

**Note No. 12**

See "Statement on Changes in Equity for 9 Months of the Year 2006", page 14.

**Note No. 13**

**Description of the Interest (Share) Fixed Capital**

Total number of the company shares - 5799005 pieces at a nominal value of LVL 1,00.

Fixed capital is LVL 5799005, divided into:

LVL 5799005 ordinary shares with the vote.

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Residents, incl.	199525	283899	4782859	6805395
natural persons	174322	248038	4757656	6769534
legal entities	25203	35861	25203	35861
Non-residents	5599480	7967342	1016146	1445846
Russia	1011027	1438562	1011027	1438562
Canada	5119	7284	5119	7284
USA	1527778	2173832		0
British Virgin Islands	3055556	4347664		0
<b>Total fixed capital</b>	<b>5799005</b>	<b>8251241</b>	<b>5799005</b>	<b>8251241</b>

**Note No. 14**  
**Other savings**

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Deferred Corporate income tax savings	167794	238749	167794	238749
Current vacations savings	135067	192183	135067	192183
Other savings				0
<b>Total</b>	<b>302861</b>	<b>430932</b>	<b>302861</b>	<b>430932</b>

**Note No. 15**  
**JSC "RER" Consolidated Creditors' Debts as of 30-09-2006**

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
1. Long-term debts	929086	1321970	1365	1942
2. Other borrowings	3514	5000	3514	5000
3. Advance payments received from buyers (c.l. 790)	5174	7362	339559	483149
4. Debts to suppliers and contractors (c.l. 800)	272780	388131	124194	176712
5. Debts to affiliated enterprises (c.l. 820)				
6. Debts to associated enterprises (c.l. 830)	9	13	777	1106
7. Tax debts (c.l. 840)	204333	290740	324269	461393
8. Other creditors (c.l. 850)	240271	341875	182667	259912
incl.				
salary debt	237055	337299	179992	256106
alimony	1029	1464	1055	1501
debt settlement with staff	1201	1709	1354	1927
other	986	1403	266	378
9. Not paid dividends for previous years		0		0
<b>Total creditors' debts (c.l. 900)</b>	<b>1655167</b>	<b>2355091</b>	<b>976345</b>	<b>1389214</b>

**APPENDICES TO THE PROFIT AND LOSS ACCOUNT FOR 9 MONTHS OF THE YEAR 20**

**Note No. 1** 0,702804  
**Net turnover**

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Latvia	4074151	5796995	4749861	6758443
Estonia	1103670,5	1570382	1214164	1727600
Russia	790116,5	1124234	2371824	3374802
Lithuania	6393,5	9097	9934	14135
Serbia		0	19101	27178
Slovakia		0	4813	6848
Ukraine	3582715	5097744	2129871	3030533
Sweden	42527	60510	111420	158536
Kazakhstan	8167	11621		0
Finland	339,5	483		0
		0		0
The European Union and export		0	5252268	7473305
<b>Total</b>	<b>9608080</b>	<b>13671066</b>	<b>15863256</b>	<b>22571380</b>

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

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Salaries to staff	1866812,5	2656235	1934781	2752945
Social insurance contributions	435547,5	619728	429875	611657
Material expenses	3997240	5687560	8329919	11852407
Energy resources	315238	448543	281429	400437
Wear and tear of fixed assets, lease, depreciation of intang. investments	88070	125312	104307	148415
Business-trip expenses	59807,5	85098	68464	97415
Repair expenses	403800	574556	786377	1118914
Other expenses	97978,5	139412	478434	680752
<b>Total</b>	<b>7264494</b>	<b>10336444</b>	<b>12413586</b>	<b>17662942</b>

**Note No. 3**  
**Other income from the enterprise business activity**

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Profit gained from sale of material and stock	66995	95325	36070	51323
Received penalty	121	172		
Balance from elimination of fixed assets, materials sale of fixed assets	742	1056	231	329
Deposited salary	8859	12605	2782	3958
	72	102	44	63
Income related to maintenance of the social field	17957	25551	21969	31259
Difference of exchange rates - balance	33	47	15339	21825
Currency exchange result - balance	19	27		0
Revaluation of fixed assets	6526	9286	10103	14375
Other income	4597	6542	51681	73536
				0
<b>Total</b>	<b>105921</b>	<b>150713</b>	<b>138219</b>	<b>196668</b>

**Note No. 4**

**Other expenses of the enterprise business activity**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Delayed penalty for due invoices	859	1222	63	90
Expenses related to maintenance of the social field	49753	70792	65710	93497
Expenses not related to the enterprise business activity	95776	136277	61812	87951
Material values price reduction	2362	3361	284624	404983
Write-off of material values		0	540	768
Currency exchange result - balance	90846	129262	69343	98666
Difference of exchange rates - balance	14854	21135		0
Elimination of fixed assets	9064	12897	9272	13193
Write-off of the sold capital shares balance value		0	144560	205690
Savings of unreliable debtors		0	5950	8466
Write-off of bad debts		0	65	92
Write-off of damaged goods		0	1000	1423
Expenses for revaluation of goods		0	5845	8317
Last year losses	103	147		0
Other	217	309	111833	159124
<b>Total</b>	<b>263834</b>	<b>375402</b>	<b>760617</b>	<b>1082260</b>

**Note No. 5**

**Income from participation in capitals of subsidiary and associated enterprises of the concern**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Dividends of affiliated enterprises		0	131451	187038
Dividends of associated enterprises	1453	2067	1055	1501
<b>Total</b>	<b>1453</b>	<b>2067</b>	<b>132506</b>	<b>188539</b>

**Note No. 6**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Extraordinary income (compensation of losses suffered as a result of storm and flood)			28645	40758
Extraordinary income (expenses related to elimination of consequences made by storm and flood)			-28513	-40570
<b>Total extraordinary income</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>188</b>

**Note No. 7**

**Deferred Corporate income tax**

	As of 30-09-06 LVL	As of 30-09-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
1. Balance value of fixed assets and intang. investment (Total)			2422997	3447614
2. Balance value of fixed assets not involved in the business activity (social field)			41203	58627
3. Total (1 - 2)			2381794	3388988
4. Residual value of fixed assets and intang. investments			1043878	1485305

for taxation purposes				
5. Temporary differences (4 - 3)		0	-1337916	-1903683
6. Savings for vacations		0	135067	192183
7. Transferred losses		0	84223	119839
7. Temporary differences (5 + 6)		0	-1118626	-1591661
8. Deferred tax on the balance sheet date (7*0,15)	<b>0</b>	<b>0</b>	<b>-167794</b>	<b>-238749</b>

**Note No. 8**

**Other taxes**

	As of 30-09-06	As of 30-09-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Real estate tax	18103	25758	23959	34091
Land tax	11951	17005	670	953
<b>Total</b>	<b>30054</b>	<b>42763</b>	<b>24629</b>	<b>35044</b>

## General Principles of Drawing the Consolidated Financial Statement for 9 Months of the year 2006

### Statement Justification.

The Financial Statement is drawn in accordance with the Republic of Latvia Laws on Accounting and on Consolidated Annual Statements, as well as in accordance with the basic requirements of the International Accounting Standard No.27.

The Profit and Loss Account is made by applying the method of turnover expenses.

The Financial Statement provides a true and clear concept of the enterprise assets, liabilities, financial situation and losses.

The Cash Flow Statement is made by applying indirect methods.

The accounting and evaluation methods applied at the enterprise have not been changed, if compared to the year 2005.

In 2006 the accounting has been recorded at the approved common accounting accounts, providing a detailed account plan according to peculiarities of the business activity.

The synthetic accounting register is the general ledger where entries are made from grouping reports of the business operations. The types of the register of analytical accounting are books, cards, lists.

The Financial Statement has been prepared on the basis of the concept of continued activity.

### Monetary Unit and Revaluation of Foreign Currencies.

The RL monetary unit - lat- is used as a currency unit in the Financial Statement and as the accounting and value measure.

The Financial Statement data represented in EUR are recalculated according to the exchange rate set by the Bank of Latvia as of **30-09-2006: 1 EUR - 0,702804.**

The profit or loss gained as a result of foreign currency exchange rate fluctuations are represented in the Profit and Loss Account for the corresponding period.

### Fixed Assets.

The fixed assets and intangible long-term investments are presented as the balance value at the Balance Sheet.

The fixed assets and intangible investments wear and tear has been calculated applying the linear method.

The following rates set by the management are applied for calculation of the fixed assets wear and tear:

Buildings, constructions and perennial plantations	1.1 - 1.9 %
Equipment and machines	2 -20 %
Other fixed assets and inventory	10 - 50 %

The low-value inventory is registered for the purchase price and has been written-off 100% for losses after putting into circulation.

### Stock

Balance of raw material and material have been evaluated by applying average weighed actual cost (price).

Balance of finished products has been evaluated by actual prime cost.

Stock balance have been verified at the annual stock-taking.

The debtors and creditors' debts are actual.

Remaining assets have been verified during stock-taking according to the situation as of:

long-term investments - 01-11-2005

stock- 01-10-2005

debtors - 01-01-2006

creditors - 01-01-2006

monetary funds - 01-10-2006

The Consolidated Financial Statement items were compared with the corresponding items of the Consolidated Financial Statement for the year 2005, because there has not been prepared any Consolidated Financial Statement for the corresponding period for the year 2005.

### ***I. Identification of Enterprises to be Included in the Consolidation***

1) The requirement of exclusion from the consolidation does not apply to the "REZ" Ltd. according to Article 10 of the Law. The requirement of non-inclusion at the consolidation does not either apply to the enterprise according to Article 10 of the Law.

2) According to Part 1, Article 28 of the Law "Lovato - REZ" Ltd. is a collectively-governed enterprise. The enterprise may be included in the consolidation by implementing proportional consolidation or applying the method of equity.

#### ***Equity Consolidation***

##### **I. JSC "REZ" (96 %)**

	D	C	Sum	Sum
Fixed capital $427600 \cdot 0,96 = 410496$	3110	1310	410496	
Other reserves $42603 \cdot 0,96 = 40899$	3360	1310	40899	
Losses from prev. yrs. $-70440 \cdot 0,96 = -67622$	3420	1310	-67622	
Profit of the finan. yr. $66030 \cdot 0,96 = 63389$	3410	1310		
	3900	1330		448093

Equity  $465793 \cdot 0,96 = 447162$

Total 383773 448093

Consolidation difference

64320 (448093-383773)

The consolidation difference was included in the Profit and Loss Account as consolidation losses.

##### *Minority share*

	D	C	Sum
Fixed capital $427600 \cdot 0,04 = 17104$	3110	3800	17104
Other reserves $42603 \cdot 0,04 = 1704$	3360	3800	1704
Losses from prev. yrs. $-70440 \cdot 0,04 = -2818$	3420	3800	-2818
Profit of the finan. yr. $66030 \cdot 0,04 = 2641$	3410	3800	2641
Equity $465793 \cdot 0,04 = 18631$		Total	18631

##### **II. "Lovato - REZ" Ltd. (50 %)**

Only the proportional share of the concern is summed 50 % of assets, liabilities, income, expenses.

	D	Sum	C	Sum
Fixed capital $115200 \cdot 0,5 = 57600$	3110	57600		
Long-t. inv. reval. Reserve $34074 \cdot 0,5 = 1703$	3130	17037		
Other reserves $2255 \cdot 0,5 = 1127$	3360	1127		
Profit of the financial yr. $24963 \cdot 0,5 = 12482$	3410			
			1330	59927
Equity $176492 \cdot 0,5 = 88246$		75764		59927

Negative consolidation difference

3900 15837 (75764-59927)

The negative consolidation difference was included in the Profit and Loss Account in conformity with Part 3, Article 19 of the Law on Consolidated Annual Statements.

## ***II. Correction of Income and Expenses***

The income gained as a result of mutual transactions between the enterprises involved in the consolidation and the corresponding expenses totaling to LVL 1033255 were excluded from items of the Consolidated Profit and Loss Account.

## ***III. Correction of Mutual Payments Balance Amount***

The mutual payments balance at the amount of LVL 181259 was excluded from the items of the Consolidated Balance Sheet. The amount was included in the items of debtors and creditors' debts.

Chairman of the Board

G. Uspenskis

21.11.2006.