

JOINT STOCK COMPANY
RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA

Reg. No. 40003042006

Taxpayer's Reg. No. 40003042006

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

NON-AUDITED CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR 2006

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

JOINT STOCK COMPANY
RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA
MANAGEMENT REPORT

Into consolidation included next firms:

JSK "Rīgas elektromašīnbūves rūpnīca" (JSK "RER") the main direction of works is electrical machines and equipments production.

"Lovato - REZ" LTD the main direction of works is low voltage appliances for control and relay systems realization.

"Ražošana Enerģētika Zinātne" LTD the main direction of works is energy resources supply. The firm was included into consolidation till 01.10.2006., but from 31.12.2006. it went through a liquidation and after that time not under the JSK "RER" controlling. Therefore it excluded from consolidation since 31.12.2006.

Activity's results of included into consolidation firms during 2006 year:

profit before payment of taxes **1835120 LVL** or **2611140 EUR**

profit after payment of taxes **1545873 LVL** or **2199579 EUR**

the net turnover **14591235 LVL** or **20761457 EUR**

average amount of employees **806**

average salary **334,52 LVL** or **475,98 EUR**.

Chairman of the board

G. Uspenskis

Members of the board:

A. Berezins

V. Antjufjevs

Information about management responsibility

We are aware that consolidated statement for 2006 year conform to actuality.
Given information is right and doesn't contain of lie about assets and liability of concern.

Chairman of the board

G. Uspenskis

Members of the board:

A. Berezins

V. Antjufejevs

JSC "RER" Consolidated Balance Sheet as of 31-12-2006

0,702804

ASSETS	Code of line	Notes	31-12-06, LVL	31-12-05, LVL	31-12-06, EUR	31-12-05, EUR
1. Long-term investments						
I. Intangible investments						
1. Intangible investments	020		1334	917	1898	1305
2. Positive consolidation difference	021					
I total	050		1334	917	1898	1305
II. Fixed assets						
1. Land, buildings, constructions	060		4091984	1589353	5822369	2261446
2. Lgong-t. inv-mnt into leased fixed assets	070				0	
3. Equipment and machines	080		1714033	826882	2438849	1176547
4. Other fixed assets and inventory	090		68993	32990	98168	46941
5. Creating fixed assets	100		136483	203306	194198	289278
6. Advance payments for fixed assets	110		172126	129534	244913	184310
II total			6183619	2782065	8798497	3958522
III. Long-term financial inv-mnts						
1. Participation in capital of assoc. enterpr.	130					
2. Other investments	170		448093			
III total			448093	0	637579	0
Total of section 1	220		6633046	2782982	9437974	3959827
2. Current assets						
I. Stock						
1. Raw material, basic mat. and aux. mat.	230		2211850	1530937	3147179	2178327
2. Uncompleted products	240		1035959	877965	1474037	1249232
3. Finished products and goods for sale	250		89475	92691	127311	131887
4. Advance payments for goods	270		328443	119744	467332	170380
I total	290		3665727	2621337	5215859	3729826
II. Debtors		10				
1. Debts of buyers and customers	300		1324780	233867	1884992	332763
2. Debts of affiliated enterprises	310				0	0
3. Debts of associated enterprises	320		443	238	630	339
4. Other debtors	330		32800	200660	46670	285513
5. Expenses of next periods	360		14555	84856	20710	120739
II total			1372578	519621	1953002	739354
IV. Monetary funds	420	11	440611	1941530	626933	2762548
Total of section 2	430		5478916	5082488	7795794	7231728
B A L A N C E	440		12111962	7865470	17233768	11191555

JSC "RER" Consolidated Balance Sheet as of 31-12-2006

LIABILITIES	Code of line	Notes	31-12-06, LVL	31-12-05, LVL	31-12-06, EUR	31-12-05, EUR
1. Own Capital		12				
1. Share capital (equity capital)	450	13	5799005	5799005	8251241	8251241
2. Revaluation reserve for long-term inv	470		161271	165909	229468	236067
3. Other reserves	510		192922	192922	274503	274503
4. Retained earnings:						
a) retained earnings of previous years	530		2505	236736	3564	336845
b) ret. earnings of the financial year	540		1545873	171409	2199579	243893
Total of section 1	550		7701576	6565981	10958355	9342549
2. Savings	580	14	383778	302861	546067	430932
Total of section 2	590		383778	302861	546067	430932
3. Creditors		15				
I. Long-term creditors	740		1549843	1365	2205228	1942
I total			1549843	1365	2205228	1942
II. Short-term creditors						
1. Bank loans	770		1529179		2175826	
2. Other loans	780		19221	3514	27349	5000
3. Advance payments received from buyers	790		6364	339559	9055	483149
4. Debts to suppliers and contractors	800		346601	124194	493169	176712
5. Debts to affiliated enterprises	820				0	0
6. Debts to associated enterprises	830		1660	777	2362	1106
7. Taxes and contributions for soc.insurance	840		278607	324269	396422	461393
8. Other creditors	850		295133	182667	419935	259912
9. Unpaid dividends of previous years	780				0	0
II total	890		2476765	974980	3524118	1387272
Total of section 3	900		4026608	976345	5729346	1389214
4. Minority share				20283	0	28860
5. Negative consolidation difference					0	0
BALANCE	910		12111962	7865470	17233768	11191555

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

0,702804

No. Item	Name of Value	Code of line	Notes	31-12-06, LVL	31-12-05, LVL	31-12-06, EUR	31-12-05, EUR
1	Net turnover	010	1	14591235	15863256	20761457	22571381
2	Production costs for sold products	020	2	-10529316	-12413586	-14981867	-17662942
3	Gross-profit or gross-loss	030		4061919	3449670	5779590	4908439
4	Selling expenses	040		-252573	-192741	-359379	-274246
5	Administrative costs	050		-1739835	-1511599	-2475562	-2150812
6	Other business activity income	060	3	118994	138219	169313	196668
7	Other business activity costs	070	4	-347496	-760617	-494442	-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		730	1117	1039	1589
12	Other interest payments and similar costs	120		-22138	-3221	-31500	-4583
13	Losses from selling affiliated company	121			-586672	0	-834759
13.1	Consolidation losses	122			-101265	0	-144087
13.2	Consolidation income	123		14066	15110	20014	21500
14	Profit or loss before extraordinary items and taxes	130		1835120	580507	2611140	825988
15	Extraordinary income	140	6		132	0	188
16	Profit or loss before taxes	160		1835120	580639	2611140	826176
17	Corporate income tax	170		-218513	-214843	-310916	-305694
18	Deferred Corporate income tax	180	7	-38596	-167794	-54917	-238749
19	Other taxes	190	8	-32138	-24629	-45728	-35044
20	Minority interests	200			-1964	0	-2796
21	Consolidated profit or loss of the account. period	210		1545873	171409	2199579	243893

EPS coefficient	0,27	0,03	0,38	0,04
Number of share: 5799005				

JSC "RER" Consolidated Balance Sheet as of 31-12-2006 (LVL)

ASSETS	JSC "RER"	"Lova- to - REZ" Ltd. 50%					Consolidation Register		Consolidated Balance Sheet
							Dt	Ct	
I. Long-term investments									
I. Intangible investments									
1. Intangible investments	1303,00							0,00	1303,00
2. Intangible value	31,00								31,00
I total	1334,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1334,00
II. Fixed assets									
1. Land, buildings, structures	4080263,00	23442,00						11721,00	4091984,00
2. Lgong-t. inv-mnt into leased fixed assets									0,00
3. Equipment and machines	1707980,00	12105,00						6052,50	1714032,50
4. Other fixed assets and inventory	66209,00	5569,00						2784,50	68993,50
5. Creating fixed assets	136483,00							0,00	136483,00
6. Advance payments for fixed assets	172126,00							0,00	172126,00
II total	6163061,00	41116,00	0,00	0,00	0,00		0,00	20558,00	6183619,00
III. Long-term financial investments									
1. Participation in capital of assoc. enterpr.	59927,00							59927,00	0,00
2. Other investments	448093,00								448093,00
III total	508020,00	0,00	0,00	0,00	0,00		0,00	59927,00	448093,00
Total of section 1	6672415,00	41116,00	0,00	0,00	0,00	0,00	0,00	80485,00	6633046,00
2. Current assets									
I. Stock									
1. Raw material, basic materials and aux. mat.	2210255,00	3190,00						1595,00	2211850,00
2. Uncompleted products	1035959,00							0,00	1035959,00
3. Finished products and goods for sale	38656,00	101637,00						50818,50	89474,50
5. Advance payments for goods	328432,00	22,00						11,00	328443,00
I total	3613302,00	104849,00	0,00	0,00	0,00		0,00	52424,50	3665726,50
II. Debtors									
1. Debts of buyers and customers	1317002,00	15556,00						7778,00	1324780,00
2. Debts of affiliated enterprises									0,00
3. Debts of associated enterprises	429,00	29,00						14,50	443,50
4. Other debtors	32800,00							0,00	32800,00
7. Expenses of next periods	14170,00	771,00						385,50	14555,50
II total	1364401,00	16356,00	0,00	0,00	0,00		0,00	8178,00	1372579,00
IV. Monetary funds	416020,00	49181,00						24590,50	440610,50
Total of section 2	5393723,00	170386,00	0,00	0,00	0,00	0,00	0,00	85193,00	5478916,00
B A L A N C E	12066138,00	211502,00	0,00	0,00	0,00	0,00	0,00	165678,00	12111962,00

JSC "RER" Consolidated Balance Sheet as of 31-12-2006 (LVL)

LIABILITIES	JSC "RER"	"Lova- to - REZ" Ltd. 50%					Consolidation Register		Consolidated Balance Sheet
							Dt	Ct	
1. Own capital									
1. Share capital (equity capital)	5799005,00	115200,00					115200,00		5799005,00
3. Revaluation reserve for long-term inv.	161271,00	31984,00					31984,00		161271,00
5. Other reserves	192922,00	802,00					802,00		192922,00
6. Retained earnings:									
a) retained earnings of previous years	2505,00						0,00		2505,00
b) ret. earnings of the financial year	1530124,00	3366,00					1683,00	14066,00	1545873,00
Total of section 1	7685827,00	151352,00	0,00	0,00	0,00		149669,00	14066,00	7701576,00
2. Savings	383778,00						0,00		383778,00
Total of section 2	383778,00	0,00	0,00	0,00	0,00		0,00	0,00	383778,00
3. Creditors									
I. Long-term creditors	1549843,00						0,00		1549843,00
I total	1549843,00	0,00	0,00	0,00	0,00		0,00	0,00	1549843,00
II. Short-term creditors									
1. Bank loans	1527667,00	3023,00					1511,50		1529178,50
2. Other loans	19221,00						0,00		19221,00
3. Advance payments received from buyers	6364,00						0,00		6364,00
4. Debts to suppliers and contractors	325841,00	41521,00					20760,50		346601,50
5. Debts to affiliated enterprises							0,00		0,00
6. Debts to associated enterprises	1445,00	429,00					214,50		1659,50
7. Taxes and contributions for social insurance	274205,00	8805,00					4402,50		278607,50
8. Other creditors	291947,00	6372,00					3186,00		295133,00
9. Unpaid dividends of previous years							0,00		0,00
II total	2446690,00	60150,00	0,00	0,00	0,00		30075,00	0,00	2476765,00
Total of section 3	3996533,00	60150,00	0,00	0,00	0,00		30075,00	0,00	4026608,00
4. Minority share									0,00
5. Negative consolidation difference									0,00
B A L A N C E	12066138,00	211502,00	0,00	0,00	0,00		179744,00	14066,00	12111962,00
Total consolidation corrections							179744,00	179744,00	

JSC "RER" Consolidated Profit and Loss Account for the year 2006 (LVL)

	JSC "RER"	"Lova- to - REZ" Ltd. 50%				Consolida- tion difference	Consolidation Register		Consolidated Profit and Loss Account
							Dt	Ct	
Net turnover	14373305,00	435860,00					217930,00		14591235,00
Production costs for sold products	-10325695,00	-407243,00						203621,50	-10529316,50
Gross-profit or gross-loss	4047610,00	28617,00	0,00	0,00	0,00	0,00	217930,00	203621,50	4061918,50
Selling expenses	-249982,00	-5181,00						2590,50	-252572,50
Administrative costs	-1737662,00	-4346,00						2173,00	-1739835,00
Other business activity income	117599,00	2789,00					1394,50		118993,50
Other business activity costs	-340253,00	-14485,00						7242,50	-347495,50
Other interest income and similar income	720,00	21,00					10,50		730,50
Income from participation at capitals	1453,00								1453,00
Interest payments and similar costs	-22077,00	-123,00						61,50	-22138,50
Consolidation income						14066,00			14066,00
Consolidation losses									0,00
Profit or loss before extraordinary items and taxes	1817408,00	7292,00	0,00	0,00	0,00	14066,00	219335,00	215689,00	1835120,00
Extraordinary income									0,00
Extraordinary costs									0,00
Profit or loss before taxes	1817408,00	7292,00	0,00	0,00	0,00	14066,00	219335,00	215689,00	1835120,00
Corporate income tax	-217512,00	-2002,00						1001,00	-218513,00
Deferred Corporate income tax	-37811,00	-1570,00						785,00	-38596,00
Other taxes	-31961,00	-354,00						177,00	-32138,00
Accounting period profit/loss (net income)	1530124,00	3366,00	0,00	0,00	0,00	14066,00	219335,00	217652,00	1545873,00
Minority interests									
Consolidated profit	1530124,00	3366,00	0,00	0,00	0,00	14066,00	219335,00	217652,00	1545873,00

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

Registration number: **40003042006**

Consolidated Cash Flow Statement for the Year 2006
(indirect method)

I. Cash Flow from Operating Activities

0,702804

	Name of Value	Year 2006 31-12 LVL	Year 2005 LVL	Year 2006 31-12 EUR	Year 2005 EUR
1	Profit or loss before extraordinary items and taxes	1835120	580507	2611141	825988
	Corrections				
	Wear and tear of fixed assets	157889	143204	224656	203761
	Amortization of investment value	0	98	0	139
	Amortization of intangible investment value	769	930	1094	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	134265	54312	191042	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	-14172	86155	-20165	122588
	Consolidation corrections	-14066	137603	-20014	195791
	Not amortized part of the eliminated fixed assets			0	0
	Long-term investment revaluation reserve	-8001	-10103	-11384	-14375
2	Profit or loss before current assets and short-term liabilities balance changes impact corrections	2081492	1136596	2961698	1617231
	Corrections				
	Increase or decrease of debtors' debts balance	-1004935	-371676	-1429894	-528847
	Increase or decrease of stock balance	-1047612	337881	-1490618	480761
	Increase or decrease of expenses for next periods	70163	110920	99833	157825
	Increase or decrease of debt balance payable to suppliers, contractors and other creditors	1575233	440776	2241355	627168
	Increase or decrease of savings	71459		101677	0
	Expenses for tax payments	-32044	-30330	-45595	-43156
	Increase or decrease of other debtors' debts balance	0	-55627	0	-79150
3	Gross cash flow from operating activities	1713756	1568540	2438456	2231832
4	Expenses for interest payments	0		0	0
5	Expenses for Corporate income tax payments	-387062	-4914	-550740	-6992
6	Cash flow before extraordinary items	1326694	1563626	1887716	2224840
7	Cash flow from extraordinary item:	0	132	0	188
1	NET CASH FLOW FROM OPERATING ACTIVITIES	1326694	1563758	1887716	2225028

II. Cash Flow from Investment Activities

	Name of Value	Year 2006 31-12 LVL	Year 2005 LVL	Year 2006 31-12 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	-3837446	-325076	-5460194	-462541
4	Income from sale of fixed assets and intangible investments	14559	10788	20716	15349
5	Loans granted	0			
6	Income from loan repayment	0			
7	Expenses for fixed assets sale	-2232		-3176	
8	Received interests	0			
9	Received dividends	1453	132506	2067	188539
II	NET CASH FLOW FROM INVESTMENT ACTIVITIES	-3828361	-181782	-5447267	-258653

III. Cash Flow from Funding Activity

	Name of Value	Year 2006 31-12 LVL	Year 2005 LVL	Year 2006 31-12 EUR	Year 2005 EUR
1	Income from emission of shares and bonds or interest investments of capital sharing	0			
2	Deposited in equity	0		0	0
3	Receipts and expenditures from long-term loans	0		0	0
4	Increase of investment revaluation reserve	0		0	0
5	Granted borrowings	1548478	-1556	2203286	-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	0		0	0
9	Expenses for redemption of leased fixed assets	-8978		-12775	0
10	Paid dividends	-410099	-1055	-583518	-1501
III	NET CASH FLOW FROM FUNDING ACTIVITIES	1129401	-2611	1606993	-3715

Summary of Cash Receipts and Expenditures

	Name of Value	Year 2006 31-12 LVL	Year 2005 LVL	Year 2006 31-12 EUR	Year 2005 EUR
I	Net cash flow from operating activities	1326694	1563758	1887716	2225028
II	Net cash flow from investment activities	-3828361	-181782	-5447267	-258653
III	Net cash flow from funding activities	1129401	-2611	1606993	-3715
IV	Foreign currency rate fluctuation result	-128653	-67386	-183057	-95882
V	Net cash flow of the financial year	-1500919	1311979	-2135615	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	440611	1941530	626933	2762548

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

Registration number: **40003042006**

Consolidated Cash Flow Statement for the Year 2006
(indirect method)

I. Cash Flow from Operating Activities

	Name of Value	50%					Total
		JSC"RER"	"Lovato - rez"" Ltd.			Cons. correct.	
1	Profit or loss before extraordinary items and taxes	1817408	3646			14066	1835120
	Corrections						
	Wear and tear of fixed assets	155651	2238				157889
	Amortization of investment value						0
	Amortization of intangible investment value	769					769
	Profit from sale of fixed assets	-8859					-8859
	Savings (except for savings for unreliable debts)						0
	Profit or loss from foreign currency rate fluctuation	134265					134265
	Income from participation in capitals of subsidiary and associated enterprises of the concern	-1453					-1453
	Income from securities and loans forming long-term investment						0
	Other interest income and similar income						0
	Write-off of the value of long-term financial investment and short-term securities						0
	Interest payment and similar expenses						0
	Consolidation losses					-14172	-14172
	Consolidation corrections					-14066	-14066
	Long-term investment revaluation reserve	-8001					-8001
2	Profit or loss before current assets and short-term liabilities balance changes impact corrections	2089780	5884	0	0	-14172	2081492
	Corrections						
	Increase or decrease of debtors' debts balance	-1E+06	6403				-1004935
	Increase or decrease of stock balance	-1E+06	5544				-1047612
	Increase or decrease of expenses for next periods	70534	-371				70163
	Increase or decrease of debt balance payable to suppliers, contractors and other creditors	1572427	2806				1575233
	Increase or decrease of savings	71459					71459
	Expenses for tax payments	-31867	-177				-32044
	Increase or decrease of other debtors' debts balance						0
3	Gross cash flow from operating activities	1707839	20089	0	0	-14172	1713756
4	Expenses for interest payments						0
5	Expenses for Corporate income tax payments	-385276	-1786				-387062
6	Cash flow before extraordinary items	1322563	18303	0	0	-14172	1326694
7	Cash flow from extraordinary item:						0
1	NET CASH FLOW FROM OPERATING ACTIVITIES	1322563	18303	0	0	-14172	1326694

II. Cash Flow from Investment Activities

	Name of Value		50%				
		JSC"RER"	"Lovato - rez"" Ltd.			Cons. correct.	Total
1	Purchase of shares or interests of affiliated or associated enterprises	-4695					-4695
2	Income from expropriation of shares or interests of affiliated or associated enterprises						0
3	Purchase of fixed assets and intangible investments	-4E+06	-164				-3837446
4	Income from sale of fixed assets and intangible investments	8859	5700				14559
5	Loans granted						0
6	Income from loan repayment						0
7	Expenses for fixed assets sale		-2232				-2232
8	Received interests						0
9	Received dividends	1453					1453
II	NET CASH FLOW FROM INVESTMENT ACTIVITIES	-3831665	3304	0	0	0	-3828361

III. Cash Flow from Funding Activity

	Name of Value		50%				
		JSC"RER"	"Lovato - rez"" Ltd.			Cons. correct.	Total
1	Income from emission of shares and bonds or interest investments of capital sharing						0
2	Deposited in equity						0
3	Receipts and expenditures from long-term loans						0
4	Increase of investment revaluation reserve						0
5	Granted borrowings	1549843	-1365				1548478
6	Granted subsidies, grants, donations or contributions						0
7	Expenses for borrowings repayment						0
8	Increase of long-term creditors' debts						0
9	Expenses for redemption of leased fixed assets	-8978					-8978
10	Paid dividends	-408646	-1453				-410099
III	NET CASH FLOW FROM FUNDING ACTIVITIES	1132219	-2818	0	0	0	1129401

Summary of Cash Receipts and Expenditures

	Name of Value		50%				
		JSC"RER"	"Lovato - rez"" Ltd.			Cons. correct.	Total
I	Net cash flow from operating activities	1322563	18303	0	0	-14172	1326694
II	Net cash flow from investment activities	-3831665	3304	0	0	0	-3828361
III	Net cash flow from funding activities	1132219	-2818	0	0	0	1129401
IV	Foreign currency rate fluctuation result	-128653					-128653
V	Net cash flow of the financial year	-1505536	18789	0	0	-14172	-1500919
VI	Balance of cash and its equiv. at the beginning of the financial year	1921556	5802			14172	1941530
VII	Balance of cash and its equivalents at the end of the financial year	416020	24591				440611

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
1. Balance as of 31-12-2004	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
6. Income or loss of the accounting period (corrected due to change of the accounting policy)				171409	171409
7. Balance as of 31-12-2005	5799005	165909	192922	408145	6565981
8. Income or loss of the accounting period not included in the profit and loss account: a) decrease (-) or increase (+) of the fixed assets value		-8001 3363			-8001 3363
9. Corrections				-405640	-405640
10. Income or loss of the accounting period according to the profit or loss account				1545873	1545873
11. Balance as of 31-12-2006	5799005	161271	192922	1548378	7701576

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
1. Balance as of 31-12-2004	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
5. Reserves supplement from profit according to the company Statutes					0
6. Income or loss of the accounting period				243893	243893

7. Balance as of 31-12-2005	8251241	236067	274503	580738	9342549
8. Income or loss of the accounting period not included in the profit and loss account:					
a) decrease (-) or increase (+)		-11384			-11384
of the fixed assets value		4785			4785
9. Corrections				-577174	-577174
10. Income or loss of the accounting period according to the profit or loss account				2199579	2199579
11. Balance as of 31-12-2006	8251241	229468	274503	2203143	10958355

APPENDICES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR 2006

Note No. 1

0,702804

Net turnover

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Latvia	6190142	8807779	4749861	6758443
Estonia	1120250	1593972	1214164	1727600
Russia	2914305	4146682	2371824	3374802
Lithuania	8352	11884	9934	14135
Serbia		0	19101	27178
Slovakia		0	4813	6848
Ukraine	4275207	6083072	2129871	3030533
Sweden	74473	105966	111420	158536
Kazakhstan	8167	11621		0
Finland	339	482		0
The European Union and export		0	5252268	7473305
Total	14591235	20761458	15863256	22571380

Note No.2

Production costs of the sold products

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Salaries to staff	2554402	3634587	1934781	2752945
Social insurance contributions	596905	849319	429875	611657
Material expenses	5705615	8118359	8329919	11852407
Energy resources	1089470	1550176	281429	400437
Wear and tear of fixed assets, lease, depreciation of intang. investments	131180	186652	104307	148415
Business-trip expenses	89657	127570	68464	97415
Repair expenses	190863	271574	786377	1118914
Other expenses	171224	243630	478434	680752
Total	10529316	14981867	12413586	17662942

Note No. 3

Other income from the enterprise business activity

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Profit gained from sale of material and stock	72369	102972	36070	51323
Received penalty	137	195		
Balance from elimination of fixed assets, materials	875	1245	231	329
sale of fixed assets	8859	12605	2782	3958
Deposited salary	72	102	44	63
Income related to maintenance of the social field	24276	34542	21969	31259
Difference of exchange rates - balance	3	4	15339	21825
Currency exchange result - balance	19	27		0
Revaluation of fixed assets	8000	11383	10103	14375
Other income	3558	5063	51681	73536
Repayment of tax	826	1175		0
Total	118994	169313	138219	196668

Note No. 4

Other expenses of the enterprise business activity

	As of 31-12-06 LVL	As of 31-12-06 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	78988	112390	65710	93497
Expenses not related to the enterprise business activity	118707	168905	61812	87951
Material values price reduction	6060	8623	284624	404983
Write-off of material values		0	540	768
Currency exchange result - balance	117404	167051	69343	98666
Difference of exchange rates - balance	16870	24004		0
Elimination of fixed assets	7916	11263	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	588	837	111833	159124
Total	347495	494442	760617	1082260

Note No. 5

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

	As of 31-12-06 LVL	As of 31-12-06 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
Total	1453	2067	132506	188539

Note No. 6

	As of 31-12-06 LVL	As of 31-12-06 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)		0	28645	40758
Extraordinary income (expenses related to elimination of consequences made by storm and flood)		0	-28513	-40570
Total extraordinary income	0	0	132	188

Note No. 7

Deferred Corporate income tax

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Deferred Corporate income tax	38596	54917	167794	238749

Note No. 8

Other taxes

As of 31-12-06	As of 31-12-06	As of 31-12-05	As of 31-12-05
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	LVL	EUR	LVL	EUR
Real estate tax	19451	27676	23959	34091
Land tax	12687	18052	670	953
Total	32138	45728	24629	35044

APPENDICES TO THE BALANCE SHEET

ASSETS

Note No. 10

0,702804

JSC "RER" Consolidated Debtors' Debts as of 31-12-2006

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
1. Debts of buyers and customers (c.l. 300)	1324780	1884992	233867	332763
2. Debts of affiliated enterprises (c.l. 310)				
3. Debts of associated enterprises (c.l. 320)	443	630	238	339
4. Other debtors (c.l. 330)	32800	46670	200660	285513
incl.				
request calculations for the staff	850	1209	4499	6402
taxes paid in advance	4770	6787	12890	18341
over-paid taxes		0	148169	210825
advance payments for services	24437	34771	24545	34924
VAT of the unpaid invoices		0	10557	15021
other	2743	3903		0
5. Next periods expenses	14555	20710	84856	120739
Total debtors debts	1372578	1953002	519621	739354

Note No. 11

Monetary funds

	As of 31-12-06 LVL	As of 31-12-06 EUR	As of 31-12-05 LVL	As of 31-12-05 EUR
Cash	341	485	22256	31667
Current account	440270	626448	1919274	2730881
Total	440611	626933	1941530	2762548

LIABILITIES

Note No. 12

See "Statement on Changes in Equity for the Year 2006", page 15.

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 31-12-06 LVL	As of 31-12-06 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
Estonia (nominal holder)	4583334	6521496		0
		0		0
Total fixed capital	5799005	8251241	5799005	8251241

Note No. 14
Other savings

	As of 31-12-06	As of 31-12-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
Deferred Corporate income tax savings	197212	280607	167794	238749
Current vacations savings	186566	265460	135067	192183
Other savings				0
Total	383778	546067	302861	430932

Note No. 15
JSC "RER" Consolidated Creditors' Debts as of 31-12-2006

	As of 31-12-06	As of 31-12-06	As of 31-12-05	As of 31-12-05
	LVL	EUR	LVL	EUR
1. Long-term debts (c.l. 740)	1549843	2205228	1365	1942
2. Bank borrowings (c.l. 770)	1529179	2175826		
3. Other borrowings (c.l. 780)	19221	27349	3514	5000
4. Advance payments received from buyers (c.l. 790)	6364	9055	339559	483149
5. Debts to suppliers and contractors (c.l. 800)	346601	493169	124194	176712
6. Debts to affiliated enterprises (c.l. 820)				
7. Debts to associated enterprises (c.l. 830)	1660	2362	777	1106
8. Tax debts (c.l. 840)	278607	396422	324269	461393
9. Other creditors (c.l. 850)	295133	419935	182667	259912
incl.				
salary debt	292254	415839	179992	256106
alimony	1224	1742	1055	1501
debt settlement with staff	1635	2326	1354	1927
other	20	28	266	378
9. Not paid dividends for previous years		0		0
Total creditors' debts (c.l. 900)	4026608	5729346	976345	1389214

General Principles of Drawing the Consolidated Financial Statement for 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 **31-12-2006: 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 operation.

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 - 01-11-2006

stock- 01-10-2006

debtors - 01-01-2007

creditors - 01-01-2007

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.

I. Identification of Enterprises to be Included in the Consolidation

1) From 31.12.2006. JSK "RER" has no much influence at the "Ražošana Enerģētika Zinātne" LTD, because exist strict constraints for controlling of it. That's why exist the opportunity do not include this firm into consolidation.

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

"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 $31984 \cdot 0.5 = 15992$	3130	15992		
Other reserves $802 \cdot 0.5 = 401$	3360	401		
Profit of the financial yr. $3366 \cdot 0.5 = 1683$	3410			
			1330	59927
Equity $151352 \cdot 0.5 = 75676$		73993		59927

Negative consolidation difference 3900 14066 (73993-59927)

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.

Chairman of the board

G. Uspenskis

Members of the board:

A. Berezins

V. Antjufejevs