

**JOINT-STOCK COMPANY  
“RIGA ELECTRIC MACHINE BUILDING WORKS”**

Reg. No. 40003042006  
31 Ganību Dambis, Riga, LV-1005

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR NINE MONTHS OF 2007**

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**INFORMATION ON THE COMPANY**

Name of the company	JSC "Rīgas elektromašīnbūves rūpnīca" (JSC "RER")
Legal status of the company	Joint-stock company
Registration number in the Register of Enterprises, place and date	No. 000304200, Riga, 29 November 1991
Unified registration number in the Commercial Registry, place and date	No. 40003042006, Riga, 29 September 2004
Legal address	31 Ganību Dambis, Riga, LV-1005, the Republic of Latvia
The company is under supervision of:	General meeting of shareholders
Name, last name of chairman of the Board	Grigorijs Uspenskis
Names, last names of members of the Board	Aleksandrs Berezins Vladimirs Antjufejevs Anatolijs Ostaščenko Andrejs Zujevs
Accounting period	1 January 2007 – 30 September 2007
Auditor's name, last name, identity No. and address	Jānis Mežiels Identity No.: 011059-11009 Sworn auditor's certificate No. 127 11-501 Skolas Street, Riga, LV-1010, Latvia
Information on daughter companies	"Ražošana Enerģētika Zinātne" Ltd., to be liquidated Reg. No. 40003532962 JSC "RER" contribution is 96%
Information on associated companies	"Lovato - REZ" LTD. Reg. No. 40003072180 JSC "RER" contribution is 50%

## JSC "RER" CONSOLIDATED BALANCE SHEET FOR NINE MONTHS OF 2007

<b>A S S E T S</b>	<b>Line code</b>	<b>Note</b>	<b>30.09.07 LVL</b>	<b>30.09.06 LVL</b>	<b>30.09.07 EUR</b>	<b>30.09.06 EUR</b>
<b>1. LONG-TERM INVESTMENTS</b>						
<b>I. Intangible investments</b>						
1. Intangible assets	020		3871	604	5508	859
I. Total	050		3871	604	5508	859
<b>II. Fixed assets</b>						
1. Land plots, buildings, constructions	060		4316044	1622178	6141177	2308151
2. Equipment and machinery	080		1967190	1105354	2799059	1572777
3. Other fixed assets and inventory	090		105754	37299	150474	53072
4. Creation of fixed assets	100		477258	415285	679077	590897
5. Prepayments for fixed assets	110		325434	1141244	463051	1623844
II. Total	120		7191680	4321360	10232838	6148741
<b>I. PART TOTAL AMOUNT</b>	220		7195551	4321964	10238346	6149600
<b>2. CURRENT ASSETS</b>						
<b>I. Inventories</b>						
1. Raw materials, direct materials and auxiliary materials	230		3060892	2059065	4355257	2929786
2. Unfinished products	240		1313126	991751	1868410	1411135
3. Finished products and goods for sale	250		353803	120011	503416	170760
4. Prepayments for goods	270		338071	360587	481032	513069
I. Total	290		5065892	3531414	7208115	5024750
<b>II. Debtors</b>		6				
1. Debts of buyers and customers	300		6720838	135041	9562891	192146
2. Debts of associated companies	320		284	18	404	26
3. Other debtors	330		292932	549460	416806	781811
4. Deferred expenses	360		6260	6824	8907	9710
II. Total	370		7020314	691343	9989008	983693
<b>III. Securities and participation in capitals</b>						
1. Other securities	400		1600000		2276595	
III. Total	410		1600000		2276595	
<b>IV. Cash</b>	420	7	15433	52688	21959	74968
<b>II. PART TOTAL AMOUNT</b>	430		13701639	4275445	19495677	6083411
<b>B A L A N C E</b>	440		<b>20897190</b>	<b>8597409</b>	<b>29734023</b>	<b>12233011</b>

Appendices to financial statements on pages 13 – 16 are an integral part of the financial statements.

## JSC "RER" CONSOLIDATED BALANCE SHEET FOR NINE MONTHS OF 2007

LIABILITIES	Line code	Note	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
<b>1. SHAREHOLDERS' EQUITY</b>		8				
1. Share capital (capital stock)	450	9	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		158811	159382	225968	226780
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		1522945	2505	2166956	3564
b) Undivided profit of the accounting year	540		2339592	466936	3328940	664390
<b>1. PART TOTAL AMOUNT</b>	550		10013275	6620750	14247608	9420478
<b>2. PROVISIONS</b>	580		186566	302861	265460	430932
<b>2. PART TOTAL AMOUNT</b>	590		186566	302861	265460	430932
<b>3. CREDITORS</b>		10				
<b>I. Long-term creditors</b>						
1. Loans from credit institutions	620		1534736	890111	2183733	1266514
2. Other loans	630		15107	38975	21495	55456
3. Deferred tax liabilities	731		201584		286829	
I. Total	740		1751427	929086	2492057	1321970
<b>II. Short-term creditors</b>						
1. Loans from credit institutions	770		5912648		8412940	
2. Other loans	780		157548	3514	224171	5000
3. Advance payments received from buyers	790		208748	5174	297022	7362
4. Debts to suppliers and contractors	800		1606730	272780	2286171	388131
5. Debts to associated companies	830		4737	9	6740	13
6. Taxes and social security payments	840		607622	204333	864568	290740
7. Other creditors	850		447139	240271	636219	341875
8. Unpaid dividends of previous years	880		750		1067	
II. Total	890		8945922	726081	12728898	1033121
<b>3. PART TOTAL AMOUNT</b>	900		10697349	1655167	15220955	2355091
<b>4. MINORITY INTEREST</b>				18631		26510
<b>B A L A N C E</b>	910		<b>20897190</b>	<b>8597409</b>	<b>29734023</b>	<b>12233011</b>

**JSC "RER" CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR NINE MONTHS OF 2007**

No.	Items	Line code	Note	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
1	Net turnover	010	1	18506540	9608080	26332434	13671066
2	Production costs of the goods sold	020	2	-13268741	-7264494	-18879718	-10336444
3	<b>Gross profit or loss</b>	030		<b>5237799</b>	<b>2343586</b>	<b>7452716</b>	<b>3334622</b>
4	Selling expenses	040		-299519	-172021	-426177	-244764
5	Administration expenses	050		-1988302	-1467476	-2829099	-2088030
6	Other operating income	060	3	166713	105921	237211	150713
7	Other operating expenses	070	4	-386062	-263834	-549317	-375402
8	Income from participation in capital of related and affiliated companies	080			1453		2067
9	Other interest income and similar income	100		494	624	703	888
10	Other interest payments and similar expenses	120		-254527	-139	-362159	-198
11	Loss from consolidation	121			-64320		-91519
12	Income from consolidation	122		14249	15837	20275	22534
13	Profit or loss before extraordinary items and taxes	130		2490845	499631	3544153	710911
14	Profit or loss before tax	160		2490845	499631	3544153	710911
15	Other taxes	190	5	-151253	-30054	-215214	-42763
16	Minority interest	200			-2641		-3758
17	<b>Consolidated profit or loss of the accounting period</b>	210		<b>2339592</b>	<b>466936</b>	<b>3328939</b>	<b>664390</b>

EPS (earnings per share)	0.40	0.08	0.57	0.11
The number of shares is 5799005				

## JSC "RER" CONSOLIDATION REGISTRY

## BALANCE SHEET FOR NINE MONTHS OF 2007, LVL

ASSETS	JSC "RER"	"Lovato- REZ" LTD.	Consolidation Registry: Debit	Consolidation Registry: Credit	Consolidated Balance
<b>1. LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Intangible assets	3871				3871
I. Total	3871				3871
<b>II. Fixed assets</b>					
1. Land plots, buildings, constructions	4304424	23240		11620	4316044
2. Equipment and machinery	1961692	10996		5498	1967190
3. Other fixed assets and inventory	103308	4893		2447	105754
4. Creation of fixed assets	477258				477258
5. Prepayments for fixed assets	325434				325434
II. Total	7172116	39129		19565	7191680
<b>III. Long-term financial investments</b>					
1. Participation in the capital of related companies					
2. Participation in the capital of associated companies	59927			59927	
III. Total	59927			59927	
<b>I. PART TOTAL AMOUNT</b>	<b>7235914</b>	<b>39129</b>		<b>79492</b>	<b>7195551</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Inventories</b>					
1. Raw materials, direct materials and auxiliary materials	3059297	3190		1595	3060892
2. Unfinished products	1313126				1313126
3. Finished products and goods for sale	293194	121218		60609	353803
4. Prepayments for goods	338060	22		11	338071
I. Total	5003677	124430		62215	5065892
<b>II. Debtors</b>					
1. Debts of buyers and customers	6685881	69913		34956	6720838
2. Debts of associated companies	284				284
3. Other debtors	290447	4970		2485	292932
4. Deferred expenses	5938	644		322	6260
II. Total	6982550	75527		37763	7020314
<b>III. Securities and participation in capitals</b>					
1. Other securities	1600000				1600000
III. Total	1600000				1600000
<b>IV. Cash</b>	<b>9289</b>	<b>12288</b>		<b>6144</b>	<b>15433</b>
<b>II. PART TOTAL AMOUNT</b>	<b>13595516</b>	<b>212245</b>		<b>106122</b>	<b>13701639</b>
<b>BALANCE</b>	<b>20831430</b>	<b>251374</b>		<b>185614</b>	<b>20897190</b>

## JSC "RER" CONSOLIDATION REGISTRY

## BALANCE SHEET FOR NINE MONTHS OF 2007, LVL

LIABILITIES	JSC "RER"	"Lovato- REZ" LTD.	Consolidation Registry: Debit	Consolidation Registry: Credit	Consolidated Balance
<b>1. SHAREHOLDERS' EQUITY</b>					
1. Share capital (capital stock)	5799005	115200	115200		5799005
2. Reserve for revaluation of long-term investments	158811	31984	31984		158811
3. Other provisions	192922	1168	1168		192922
4. Undivided profit:					
a) Undivided profit of previous years	1522945				1522945
b) Undivided profit of the accounting year	2329226	-7765	-3882	14249	2339592
<b>1. PART TOTAL AMOUNT</b>	<b>10002909</b>	<b>140587</b>	<b>144470</b>	<b>14249</b>	<b>10013275</b>
<b>2. PROVISIONS</b>	<b>186566</b>				<b>186566</b>
<b>2. PART TOTAL AMOUNT</b>	<b>186566</b>				<b>186566</b>
<b>3. CREDITORS</b>					
<b>I. Long-term creditors</b>					
1. Loans from credit institutions	1534736				1534736
2. Other loans	15107				15107
3. Deferred tax liabilities	200072	3023	1511		201584
I. Total	1749915	3023	1511		1751427
<b>II. Short-term creditors</b>					
1. Loans from credit institutions	5912648				5912648
2. Other loans	157548				157548
3. Advance payments received from buyers	208748				208748
4. Debts to suppliers and contractors	1559831	93798	46899		1606730
5. Debts to associated companies	4737				4737
6. Taxes and soc. security payments	603796	7652	3826		607622
7. Other creditors	444732	4814	2407		447139
8. Unpaid dividends of previous years		1500	750		750
II. Total	8892040	107764	53882		8945922
<b>3. PART TOTAL AMOUNT</b>	<b>10641955</b>	<b>110787</b>	<b>55393</b>		<b>10697349</b>
<b>BALANCE</b>	<b>20831430</b>	<b>251374</b>	<b>199863</b>	<b>14249</b>	<b>20897190</b>
Consolidation adjustments Total			199863	199863	



## JSC "RER" CONSOLIDATION REGISTRY

## PROFIT AND LOSS ACCOUNT FOR NINE MONTHS OF 2007, LVL

No.	Items	JSC "RER"	"Lovato -REZ" LTD.	Consolidation adjustments	Consolidation Registry: Debit	Consolidation Registry: Credit	Consolidated P&L Account
1	Net turnover	18358048	296984		148492		18506540
2	Production costs of the goods sold	-13120059	-297364			148682	-13268741
3	Gross profit or loss	5237989	-380		148492	148682	5237799
4	Selling expenses	-296810	-5418			2709	-299519
5	Administration expenses	-1986665	-3273			1636	-1988302
6	Other operating income	165912	1603		802		166713
7	Other operating expenses	-385903	-318			159	-386062
8	Other interest income and similar income	483	21		10		494
9	Other interest payments and similar expenses	-254527					-254527
10	Income from consolidation			14249			14249
11	Profit or loss before extraordinary items and taxes	2480479	-7765	14249	149304	153186	2490845
12	Profit or loss before tax	2480479	-7765	14249	149304	153186	2490845
13	Other taxes	-151253					-151253
14	Consolidated profit or loss of the accounting period	<b>2329226</b>	<b>-7765</b>	<b>14249</b>	<b>149304</b>	<b>153186</b>	<b>2339592</b>

**JSC "RER" CONSOLIDATED CASH FLOW STATEMENT  
FOR NINE MONTHS OF 2007** (prepared by indirect method)**I. Cash flow from operating activities**

	Items	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
1	Profit or loss before extraordinary items and taxes	2490845	499632	3544153	710912
	<b>ADJUSTMENTS</b>				
	Depreciation of fixed assets	193659	122126	275552	173770
	Amortization of investment value	-1147	1208	-1632	1719
	Amortization of intangible investment value	832	663	1184	943
	Gain from sales of fixed assets	-2100	-8859	-2988	-12605
	Profit or loss from fluctuations of currency exchange rates	75396	105690	107279	150383
	Income from participation in capital of related and affiliated companies		-1453		-2067
	Amounts written off investments	448093		637579	
	Loss from consolidation		48483		68985
	Consolidation adjustments	-14249	-9945.5	-20275	-14151
	Reserve for revaluation of long-term investments	-2460	-6526	-3500	-9286
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	<b>3188869</b>	<b>751018.5</b>	<b>4537352</b>	<b>1068603</b>
	<b>ADJUSTMENTS</b>				
	Increase or decrease of balance of receivables	-5647022	-1196362	-8034988	-1702270
	Increase or decrease of balance of inventories	-1390537	-910078.5	-1978556	-1294925
	Increase or decrease of deferred expenses	18578	77894	26434	110833
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	7120519	-59135	10131586	-84141
	Expenses for tax payments	-150651	-30047	-214357	-42753
3	Gross cash flow from operating activities	<b>3139756</b>	<b>-1366710</b>	<b>4467471</b>	<b>-1944653</b>
4	Expenses for corporate income tax payments	-208077	-302077	-296067	-429817
5	Cash flow before extraordinary items	2931679	-1668787	4171404	-2374470
I	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2931679</b>	<b>-1668787</b>	<b>4171404</b>	<b>-2374470</b>

**II. Cash flow from investing activities**

	Items	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
1	Purchase of stock or shares of related or associated companies		-4695		-6680
2	Purchase of fixed assets and intangible investments	-999856	-651270	-1422667	-926674
3	Income from sales of fixed assets and intangible investments	3265	8859	4646	12605
4	Dividends received		1453		2067
II	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-996591</b>	<b>-645653</b>	<b>-1418021</b>	<b>-918682</b>

**III. Cash flow from financing activities**

	Items	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
1	Paid in capital stock		10000		14229
2	Income and expenses from long-terms loans		-1253.5		-1783
3	Loans received		890000		1266356
4	Increase of long-term debts to creditors		38975		55456
5	Expenses for repayment of loans	-657742		-935883	
6	Expenses for repurchase of leased fixed assets	-28010		-39855	
7	Dividends paid out	-1500	-410099.5	-2134	-583519
8	Expenses for purchase of short-term securities (bill of exchange)	-1600000		-2276595	
<b>III</b>	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-2287252</b>	<b>527622</b>	<b>-3254467</b>	<b>750739</b>

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

	Items	30.09.07 LVL	30.09.06 LVL	30.09.07 EUR	30.09.06 EUR
I	Net cash flow from operating activities	2931679	-1668787	4171404	-2374470
II	Net cash flow from investing activities	-996591	-645653	-1418021	-918682
III	Net cash flow from financing activities	-2287252	527622	-3254467	750739
	Result of fluctuations of currency exchange rates	-73014	-102024	-103890	-145167
	Net cash flow of the accounting period	<b>-425178</b>	<b>-1888842</b>	<b>-604974</b>	<b>-2687580</b>
	Cash and its equivalents in the beginning of the accounting period	<b>440611</b>	<b>1941530</b>	<b>626933</b>	<b>2762548</b>
	Cash and its equivalents at the end of the accounting period	<b>15433</b>	<b>52688</b>	<b>21959</b>	<b>74968</b>

**JSC "RER" STATEMENT OF CHANGES OF CONSOLIDATED SHAREHOLDERS' EQUITY  
FOR NINE MONTHS OF 2007, LVL**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2005</b>	<b>5799005</b>	<b>165909</b>	<b>192922</b>	<b>408145</b>	<b>6565981</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed asset value		-6527			-6527
3. Adjustments				-405640	-405640
4. Income or loss of the accounting period in accordance with the profit and loss account				466936	466936
<b>5. Balance as of 30.09.2006</b>	<b>5799005</b>	<b>159382</b>	<b>192922</b>	<b>469441</b>	<b>6620750</b>
<b>6. Balance as of 31.12.2006</b>	<b>5799005</b>	<b>161271</b>	<b>192922</b>	<b>1604724</b>	<b>7757922</b>
7. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed asset value		-2460			-2460
8. Adjustments				-81779	-81779
9. Income or loss of the accounting period in accordance with the profit and loss account				2339592	2339592
<b>10. Balance as of 30.09.2007</b>	<b>5799005</b>	<b>158811</b>	<b>192922</b>	<b>3862537</b>	<b>10013275</b>

**JSC "RER" STATEMENT OF CHANGES OF CONSOLIDATED SHAREHOLDERS' EQUITY  
FOR NINE MONTHS OF 2007, EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2005</b>	<b>8251241</b>	<b>236067</b>	<b>274503</b>	<b>580738</b>	<b>9342549</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed asset value		-9287			-9287
3. Adjustments				-577174	-577174
4. Income or loss of the accounting period in accordance with the profit and loss account				664390	664390
<b>5. Balance as of 30.09.2006</b>	<b>8251241</b>	<b>226780</b>	<b>274503</b>	<b>667954</b>	<b>9420478</b>
<b>6. Balance as of 31.12.2006</b>	<b>8251241</b>	<b>229468</b>	<b>274503</b>	<b>2283316</b>	<b>11038528</b>
7. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed asset value		-3500			-3500
8. Adjustments				-116359	-116359
9. Income or loss of the accounting period in accordance with the profit and loss account				3328939	3328939
<b>10. Balance as of 30.09.2007</b>	<b>8251241</b>	<b>225968</b>	<b>274503</b>	<b>5495896</b>	<b>14247608</b>

## APPENDICES

### APPENDICES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR NINE MONTHS 2007

#### Note No. 1 - Net turnover

Country	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Latvia	8322593	11841983	4074151	5796995
Estonia	3355	4774	1103670.5	1570382
Russia	1248838	1776936	790116.5	1124234
Lithuania	4835	6880	6393.5	9097
Germany	424	603		
Great Britain	7674709	10920127		
Ukraine	1189335	1692271	3582715	5097744
Sweden	35703	50801	42527	60510
Gibraltar	6362	9052		
Kazakhstan			8167	11621
Finland			339.5	483
Byelorussia	20386	29007		
<b>Total</b>	<b>18506540</b>	<b>26332434</b>	<b>9608080</b>	<b>13671066</b>

#### Note No. 2 - Production costs of the goods sold

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Wages and salaries of personnel	4269824	6075412	1866812.5	2656235
Social security contributions	977322	1390604	435547.5	619728
Costs of materials	7246520	10310869	3997240	5687560
Energy resources	380482	541377	315238	448543
Depreciation and amortization of fixed assets and intangible investments	136560	194307	88070	125312
Travelling expenses	41984	59738	59807.5	85098
Repair expenses	52480	74672	403800	574556
Other expenses	163569	232739	97978.5	139412
<b>Total</b>	<b>13268741</b>	<b>18879718</b>	<b>7264494</b>	<b>10336444</b>

#### Note No. 3 – Other income from business activities

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Profit from other disposal (materials, lease)	141125	200803	66995	95325
Penalty received			121	172
Fixed asset liquidation residuals, materials	577	821	742	1056
Disposal of fixed assets	2100	2988	8859	12605
Deposited wages and salaries	5	7	72	102
Income connected with maintaining social sphere	19604	27894	17957	25551
Income from fluctuations of currency exchange rates	5	7	33	47
Income from currency conversion			19	27
Decrease of revaluation of fixed asset reserve	2461	3502	6526	9286
Other income	836	1189	4597	6542
<b>Total</b>	<b>166713</b>	<b>237211</b>	<b>105921</b>	<b>150713</b>

#### Note No. 4 - Other expenses of business activities

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Penalty and contractual penalties	10377	14765	859	1222
Expenses connected with maintaining social sphere	74251	105650	49753	70792
Expenses not connected with business activities of the company	118962	169268	95776	136277
Depreciation of material values			2362	3361
Loss from fluctuations of currency exchange rates	3382	4812	14854	21135
Loss from currency conversion	72014	102467	90846	129262

Fixed asset liquidation	9404	13381	9064	12897
Tax surcharge	28507	40562		
Loss from written off investments	65468	93153		
Write-off of bad debts	2945	4190		
Loss of the previous year			103	147
Other expenses	752	1069	217	309
<b>Total</b>	<b>386062</b>	<b>549317</b>	<b>263384</b>	<b>375402</b>

#### Note No. 5 – Other taxes

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Real estate tax for buildings (constructions)	142635	202952	18103	25758
Real estate tax for buildings for land	8618	12262	11951	17005
<b>Total</b>	<b>151253</b>	<b>215214</b>	<b>30054</b>	<b>42763</b>

### APPENDICES TO THE CONSOLIDATED BALANCE SHEET FOR NINE MONTHS OF 2007

#### Note No. 6 - Debtors

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
1. Debts of buyers and customers (line code 300)	6720838	9562891	135041	192146
2. Debts of associated companies (line code 320)	284	404	18	26
3. Other debtors (line code 330), including	292932	416806	549460	781811
- personnel accounts receivable	17483	24876	2157	3069
- taxes paid in advance	2628	3740	2596	3694
- overpaid taxes	251046	357207	204458	290918
- advance payments for services	16666	23714	56636	80586
- VAT of outstanding invoices			4985	7093
- others	5109	7269	278628	396451
4. Deferred expenses	6260	8907	6824	9710
<b>Total</b>	<b>7020314</b>	<b>9989008</b>	<b>691343</b>	<b>983693</b>

#### Note No. 7 – Cash

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Cash office	110	157	23797	33860
Settlement account	15323	21802	28891	41108
<b>Total</b>	<b>15433</b>	<b>21959</b>	<b>52688</b>	<b>74968</b>

#### Note No. 8 – Shareholders' equity

See "Statement of changes of consolidated shareholders equity for nine months of 2007", page 12.

#### Note No. 9 – Share capital (Capital stock)

The total number of JSC "RER" shares – 5799005 pieces of par value LVL 1.00.

Capital stock amounts to LVL 5799005, which is divided into 5799005 ordinary shares with voting right.

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
Residents, including	199525	283899	199525	283899
- natural personas	174322	248038	174322	248038
- legal persons	25203	35861	25203	35861
Non-residents, including	5599480	7967342	5599480	7967342
- Russia	2454978	3493118	1011027	1438562
- Canada	5119	7284	5119	7284
- USA	1046461	1488980	1527778	2173832
- British Virgin Islands	2092922	2977960	3055556	4347664
<b>Total</b>	<b>5799005</b>	<b>8251241</b>	<b>5799005</b>	<b>8251241</b>

**Note No. 10 - Creditors**

Items	30.09.07, LVL	30.09.07, EUR	30.09.06, LVL	30.09.06, EUR
1. Long-term creditors (line code 740). (Loan, leasing contracts; deferred tax liabilities)	1751427	2492057	929086	1321970
2. Loans from credit institutions (line code 770) (Loan contract, credit line contract)	5912648	8412940		
3. Other loans (line code 780) (Leasing contracts)	157548	224171	3514	5000
4. Advance payments received from buyers (line code 790)	208748	297022	5174	7362
5. Debts to suppliers and contractors (line code 800)	1606730	2286171	272780	388131
6. Debts to associated companies (line code 830)	4737	6740	9	13
7. Tax payable (line code 840)	607622	864568	204333	290740
8. Other creditors (line code 850), including	447139	636219	240271	341875
- wages and salaries payable	438415	623806	237055	337299
- alimony	1120	1594	1029	1464
- settlements with personnel for debts	5709	8123	1201	1709
- others	1895	2696	986	1403
Unpaid dividends of previous years (line code 880)	750	1067		
<b>Total</b>	<b>10697349</b>	<b>15220955</b>	<b>1655167</b>	<b>2355091</b>

**PRINCIPLES OF DRAWING UP OF CONSOLIDATED FINANCIAL STATEMENTS  
FOR NINE MONTHS OF 2007**

Substantiation for preparation of financial statements

Financial statements are prepared in accordance with the Republic of Latvia Law on Accounting and Law on Consolidated Annual Accounts, as well as in accordance with basic requirements of the International Accounting Standard 27. Financial statements provide a true and clear idea of assets, liabilities and financial status of the companies involved in consolidation.

Financial statements are prepared on the grounds of a concept of continuation of activities.

Profit and Loss account is drawn up by cost-of-sales accounting.

Cash flow statement is prepared by indirect method.

In comparison with 2006, a method of evaluation of materials and raw materials was changed at JSC "RER". From 01 January 2007, materials and raw materials are evaluated using FIFO method.

Monetary unit and revaluation of foreign currencies

In the financial statements, as a monetary unit and measure of value, there is used the Republic of Latvia monetary unit – lats. Profit or loss received as result of fluctuations of currency exchange rates is presented in the profit and loss account for the respective period.

Data of financial statements, which are presented in euro, are recalculated using the exchange rate stated by the Bank of Latvia on **30.09.2007: 1 EUR – 0.702804**.

Fixed assets and intangible investments

Fixed assets and intangible investments are presented in the balance sheet by depreciated cost. Depreciation and amortisation of fixed assets and intangible investments is calculated by straight-line method.

For calculation of depreciation of fixed assets, there are used the following rates:

Buildings, constructions	1.1 – 1.9 %
Equipment and machinery	2 – 20 %
Other fixed assets and inventory	10 – 50 %

Depreciation of land is not calculated.

Inventories

Remaining balance of raw materials and materials is evaluated by purchase cost value using FIFO method.

Inventory of law value is entered by purchase cost value and is written off 100% as expenses after putting into operation.

Remaining balance of finished products and unfinished products are evaluated by cost of production.

Determination of companies to be involved in consolidation

"Ražošana Enerģētika Zinātne" LTD. is not included in consolidation, because on 30.09.2007, JSC "RER" has no decisive influence in accordance with liquidation of "Ražošana Enerģētika Zinātne" LTD.

"Lovato - REZ" LTD. is the company governed jointly. There is possibility to include this company in consolidation by performing proportional consolidation or applying equity method.

**"Lovato – REZ" LTD. equity consolidation**

There is added up only a proportional concern part 50% of assets, liabilities, income, and expenses.

		Debit of account, LVL	Amount, LVL	Credit of account, LVL	Amount, LVL
Capital stock	$115200 * 0.50 = 57600$	3110	57600		
Reserve for revaluation of long-term investments	$31984 * 0.50 = 15992$	3130	15992		
Other provisions	$1168 * 0.50 = 584$	3360	584		
Profit of the accounting period	$- 7765 * 0.50 = - 3882.50$				
				1330	59927
Shareholders' equity	$140587 * 0.50 = 70293.50$		74176		59927
Negative consolidation difference	$74176 - 59927 = 14249$			3900	14249

Negative consolidation difference was included in the profit and loss account according to part 3 of clause 18 of the Law on Consolidated Annual Accounts.



