

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

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

**ANNUAL REPORT FOR 6 MONTHS
OF THE YEAR 2008
(NON-AUDITED)**

CONTENT

Information about the Company	3
Management report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	8
Statement of changes in equity	9
Notes to financial statements	10
Management confirmation report	19

INFORMATION ABOUT THE COMPANY

Name of the Company	AS (Joint Stock Company) "Rīgas elektromašīnbūves rūpnīca" (AS "RER")
Legal status of the Company	Joint Stock Company
Registration No. in the Register of Enterprises, date and place of registration	No. 000304200, Rīga, 29 November 1991
Unified Registration No. in the Commercial Register, date and place of registration	No. 40003042006, Rīga, 29 September 2004
Registered office	Ganību dambis 31, Rīga, LV-1005, the Republic of Latvia
Institution in charge of the Company	General meeting of shareholders
Chair of the Board	Grigorijs Uspenskis (from 29.08.2006)
Board Members	Aleksejs Maksimovs (from 25.07.2008) Vladimirs Antjufejevs (from 15.05.2006) Anatolijs Ostaščenko (from 07.05.2007) Andrejs Zujevs (from 07.05.2007)
Accounting period	1 January 2008 – 30 June 2008
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Rīga, LV-1010, Latvia Certified auditor Jānis Mežiels Certified auditor's certificate No. 127
Associated companies	SIA "Lovato – REZ", Reg. No. 000307218 Ganību dambis 31, Rīga, the Republic of Latvia Fixed capital LVL 115,200 (EUR 163915) Shares – 50 %

Joint Stock Company „Rīga Electric Machine Building Works” Management statement

Activity of the Company during the 1st half of 2008

The core business of the joint stock company "Rīga Electric Machine Building Works" (hereinafter – JSC "RER") is manufacture of electric machines and appliances.

Main types of products are as follows:

- Electric equipment for electric trains;
- Electric equipment for passenger coaches;
- Casting.

During the 1st half of 2008 the net turnover of the stock company "RER" reached LVL 10,926,595 (EUR 15,547,144), which is 87.72 per cent in comparison with the corresponding time period in 2007. During the 1st half of 2008 the Company sustained losses in the amount of LVL 611,206 before tax deduction, after tax deduction – LVL 662,079 (EUR 942,054). Average number of employees on 30 June 2008 was 1,347, that is 120.92 per cent in comparison with the corresponding index on 30 June 2007.

The financial standing of the Company is characterized by the following indices:

Financial stability indices:

Name of the index	30/06/2008.	30/06/2007.
Independence ratio (own capital / whole capital)	0.41	0.51
Loan and own capital relation (loan capital / own capital)	1.46	0.95

Liquidity indices:

Name of the index	30/06/2008.	30/06/2007.
General liquidity ratio (current assets / short-term liabilities)	1.08	1.56
Quick liquidity ratio (short-term debtors and funds / short-term liabilities)	0.64	1.03

Activity of the Company in the 2nd half of 2008

In the 2nd half of 2008 it is planned to begin the manufacture of new products – production of electric engine and electric equipment for the underground.

Chairperson of the Board

Grigorijs Uspenskis

PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2008

No.	Items	Line code	Note	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1	Net turnover	010	1	10926595	12455950	15547144	17723220
2	Production costs of the goods sold	020	2	(9245317)	(8903445)	(13154901)	(12668461)
3	Gross profit or loss	030		1681278	3552505	2392243	5054759
4	Selling expenses	040	3	(367502)	(192126)	(522908)	(273371)
5	Administration expenses	050	4	(1768331)	(1229037)	(2516108)	(1748762)
6	Other operating income	060	5	294309	131392	418764	186955
7	Other operating expenses	070	6	(222119)	(204036)	(316047)	(290317)
8	Other interest income and similar income	100	7	18418	464	26206	660
9	Other interest payments and similar expenses	120	8	(247259)	(141503)	(351818)	(201341)
10	Profit or loss before extraordinary items and taxes	130		(611206)	1917659	(869668)	2728583
11	Profit or loss before tax	160		(611206)	1917659	(869668)	2728583
12	Other taxes	190	9	(50873)	(103708)	(72386)	(147563)
13	Profit or loss of the accounting period	200		(662079)	1813951	(942054)	2581020

EPS (earnings per share)	(0,11)	0,31	(0,16)	0,45
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BALANCE SHEET FOR 6 MONTHS OF 2008

A S S E T S	Line code	Note	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1. LONG-TERM INVESTMENTS		10				
I. Intangible investments						
1. Concessions, licences and similar rights	020		595	1041	847	1481
2. Other intangible investments	021		6276	3388	8930	4821
I. Total	050		6871	4429	9777	6302
II. Fixed assets						
1. Land plots, buildings, constructions	060		4352879	4050987	6193589	5764035
2. Equipment and machinery	080		2040040	1771427	2902715	2520514
3. Other fixed assets and inventory	090		92418	90554	131499	128847
4. Creation of fixed assets	100		1768973	455611	2517022	648276
5. Prepayments for fixed assets	110		133312	386258	189686	549596
II. Total	120		8387622	6754837	11934511	9611268
III. Long-term financial investments						
1. Participation in capital of related companies	130			448093		637579
2. Participation in capital of affiliated companies	150		59927	59927	85268	85268
III. Total	210		59927	508020	85268	722847
I. PART TOTAL AMOUNT	220		8454420	7267286	12029556	10340417
2. CURRENT ASSETS						
I. Stocks						
1. Raw materials, direct materials and auxiliary materials	230		2395227	2750274	3408101	3913287
2. Unfinished products	240		1779699	880677	2532284	1253090
3. Finished products and goods for sale	250		856738	19463	1219028	27693
4. Prepayments for goods	270		42873	272664	61003	387966
I. Total	290		5074537	3923078	7220416	5582036
II. Debtors						
1. Debts of buyers and customers	300	11	5497275	5931657	7821918	8439988
2. Debts of affiliated companies	320		149	137	212	195
3. Other debtors	330	12	210906	179459	300091	255347
4. Deferred expenses	360	13	2482	491	3532	699
II. Total	370		5710812	6111744	8125753	8696229
III. Securities and participation in capitals						
1. Other securities	400	14	1600000	1600000	2276595	2276595
III. Total	410		1600000	1600000	2276595	2276595
IV. Cash	420	15	5991	8065	8524	11475
II. PART TOTAL AMOUNT	430		12391340	11642887	17631288	16566335
B A L A N C E	440		20845760	18910173	29660844	26906752

Appendices to financial statements on pages 10 – 19 are an integral part of the financial statements.

BALANCE SHEET FOR 6 MONTHS OF 2008

LIABILITIES	Line code	Note	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1. SHAREHOLDERS' EQUITY						
1. Share capital (capital stock)	450	16	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		193645	159408	275532	226817
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		2775263	1522945	3948843	2166956
b) Undivided profit of the accounting year	540		(662079)	1813951	(942054)	2581020
1. PART TOTAL AMOUNT	550		8298756	9488231	11808065	13500537
2. PROVISIONS						
1. Other provisions	580	17	189406	186566	269500	265460
2. PART TOTAL AMOUNT	590		189406	186566	269500	265460
3. CREDITORS						
I. Long-term creditors						
1. Loans from credit institutions	620	18	657746	1534736	935888	2183733
2. Other loans	630	19	10832	15107	15413	21495
3. Deferred tax liabilities	731		227367	200072	323514	284677
I. Total	740		895945	1749915	1274815	2489905
II. Short-term creditors						
1. Loans from credit institutions	770	18	6132526	5605494	8725798	7975899
2. Other loans	780	19	1022039	125772	1454230	178957
3. Advance payments received from buyers	790	20	53779	10896	76521	15504
4. Debts to suppliers and contractors	800	21	2871138	970909	4085261	1381479
5. Debts to affiliated companies	830		7089	3270	10087	4653
6. Taxes and social security payments	840	22	745214	352413	1060344	501439
7. Other creditors	850	23	629868	416707	896223	592919
II. Total	890		11461653	7485461	16308464	10650850
3. PART TOTAL AMOUNT	900		12357598	9235376	17583279	13140755
BALANCE	910		20845760	18910173	29660844	26906752

CASH FLOW STATEMENT FOR 6 MONTHS OF 2008 (prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1	Profit or loss before extraordinary items and taxes	(611206)	1917659	(869668)	2728583
	ADJUSTMENTS				
	Depreciation of fixed assets	145241	117457	206659	167126
	Amortization of intangible investment value	2170	274	3088	390
	Profit or loss from fluctuations of currency exchange rates	59541	42608	84719	60626
	Amounts written off fixed assets	1436		2043	
	Reserve for revaluation of long-term investments	(5793)	(1864)	(8243)	(2652)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	(408611)	2076134	(581402)	2954073
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	1421112	(4860469)	2022060	(6915824)
	Increase or decrease of balance of inventories	(446797)	(365544)	(635735)	(520122)
	Increase or decrease of deferred expenses	6657	23961	9472	34093
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	1804832	5500861	2568045	7827020
	Increase or decrease of accruals	(223555)		(318090)	
	Expenses for tax payments	(56082)	(100951)	(79797)	(143640)
3	Gross cash flow from operating activities	2097556	2273992	2984553	3235600
4	Expenses for corporate income tax payments	(108888)	(95048)	(154934)	(135241)
5	Cash flow before extraordinary items	1988668	2178944	2829619	3100359
I	NET CASH FLOW FROM OPERATING ACTIVITIES	1988668	2178944	2829619	3100359

II. Cash flow from investing activities

	Items	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1	Purchase of fixed assets and intangible investments	(1474185)	(498470)	(2097576)	(709259)
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(1474185)	(498470)	(2097576)	(709259)

III. Cash flow from financing activities

	Items	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
1	Expenses for repayment of loans	(438495)	(438495)	(623922)	(623922)
2	Expenses for repurchase of leased fixed assets	(20150)	(9482)	(28671)	(13492)
3	Expenses for purchase of short-term securities (bill of exchange)		(1600000)		(2276595)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(458645)	(2047977)	(652593)	(2914009)

IV. Summary of cash inflow and outflow

	Items	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
I	Net cash flow from operating activities	1988668	2178944	2829619	3100359
II	Net cash flow from investing activities	(1474185)	(498470)	(2097576)	(709259)
III	Net cash flow from financing activities	(458645)	(2047977)	(652593)	(2914009)
	Result of fluctuations of currency exchange rates	(61560)	(40452)	(87592)	(57558)
	Net cash flow of the accounting period	(5722)	(407955)	(8142)	(580468)
	Cash and its equivalents in the beginning of the accounting period	11713	416020	16666	591943
	Cash and its equivalents at the end of the accounting period	5991	8065	8524	11475

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2008, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2006.g.	5799005	161271	192922	1522945	7676143
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(1863)			(1863)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				1813951	1813951
4. Balance as of 30.06.2007.g.	5799005	159408	192922	3336896	9488231
5. Balance as of 31.12.2007.g.	5799005	199438	192922	2775263	8966628
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(5793)			(5793)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(662079)	(662079)
8. Balance as of 30.06.2008.g.	5799005	193645	192922	2113184	8298756

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2008, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2006.g.	8251241	229468	274503	2166956	10922168
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(2651)			(2651)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				2581020	2581020
4. Balance as of 30.06.2007.g.	8251241	226817	274503	4747976	13500537
5. Balance as of 31.12.2007.g.	8251241	283775	274503	3948843	12758362
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(8243)			(8243)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(942054)	(942054)
8. Balance as of 30.06.2008.g.	8251241	275532	274503	3006789	11808065

NOTES

ACCOUNTING POLICY

Basis for report preparation

Annual report has been prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Accounts of Undertakings", as well as pursuant to the existing Accounting standards of Latvia.

Profit and loss account has been prepared according to the turnover cost method. Cash flow statement has been prepared in accordance with the indirect method. The annual report presents fairly and clearly financial position of the Company, as well as its assets and liabilities.

Accounting principles applied

Annual report items have been assessed according to the following accounting principles:

- Assuming the Company will continue its activities;
- The same valuation methods as previous year have also been used this year;
- The annual report includes the profit made to the date of balance sheet only;
- All losses made over the accounting year or previous years have been taken into account;
- All depreciation amounts have been calculated and taken into account, regardless of whether the accounting year was ended with profit or loss;
- All costs and income pertaining to the accounting year have been taken into account, irrespective of the date of payment, as well as the date when invoice has been received or issued. The costs and income over the reporting period have been coordinated.

Income recognition and net turnover

Net turnover is a total amount of the value of products sold and services rendered over the year without discounts and value added tax. Income from the sale of products is recognized as soon as the most significant title is conferred on the customer and risks to the products and remuneration can be assessed properly. Income from service rendering is recognized as soon as the service is rendered. Other types of income are recognized as follows:

- Income from rent – at the moment it is generated;
- Income from penalty and delay payments – at the moment they are received;
- Dividends – at the moment legal rights to the dividends are established.

Capital assets and intangible assets

Capital assets and intangible assets have been reflected on the balance sheet in their purchase prices, excluding depreciation.

Depreciation of capital assets and intangible assets has been calculated according to the straight-line method. No depreciation of land has been calculated. In order to calculate depreciation of capital assets and intangible assets the following depreciation norms (% a year) approved by the Management has been used:

Intangible assets:

- | | |
|------------|-----|
| - Licences | 20% |
| - Software | 50% |

Capital assets:

- | | |
|--------------------------------------|-------------|
| - Premises, buildings | 1.1 – 1.9 % |
| - Equipment and machinery | 2 – 20 % |
| - Other capital assets and inventory | 10 – 50 % |

Repair or maintenance costs of capital assets have been included in the profit and loss account of the period during which they have been incurred. Repair (renovation) and modernization costs that increase value of the capital assets or prolong period of using them have been capitalized and written off during the period they were used effectively.

Unfinished construction and costs of capital asset creation

Unfinished construction reflects costs of capital asset creation and costs of construction objects. The unfinished construction has been given in its initial value. The initial value includes construction costs and other direct costs. Depreciation of the unfinished construction has not been calculated, since the relevant assets have not been finished and put into operation.

Notes (cont.)
Accounting policy (cont.)

Long-term financial investments

As at 30.06.2008 AS "RER" has an investment in the associated company SIA "Lovato-REZ".

No. of registration certificate and date of registration	Name	Registered office	Investment, %	Amount invested	Part of the profit for 1996-2001	Total Column 5 + column 6	Founders
1	2	3	4	5	6	7	8
000307218 04.1992	SIA "Lovato-REZ"	Ganību dambis 31, Rīga, the Republic of Latvia	50	57,600.00 LVL 81,957.00 EUR	2,327.00 LVL 3,311.00 EUR	59,927.00 LVL 85,268.00 EUR	1. AS "RER", Latvia 2. "Lovato" S.A., Italy

Financial leasing

In cases capital assets have been acquired on conditions of financial leasing, leasing interest payments and payments considered as such have been included in the profit and loss account of the period they were incurred.

Receivables

Evaluation of the remaining amounts of materials and primary materials has been carried out by employing the FIFO method.

Inventory of low value has been recorded on the basis of purchase cost price written off 100% after having been put into operation.

Remaining amounts of finished products and unfinished products have been assessed according to their cost prices.

Debts of debtors

Debts of debtors have been reflected on the balance sheet in their net values subtracting special provisions for doubtful debtors. Special provisions for doubtful debtors are created for those cases when the Management believes that the debtors are not likely to repay their debts.

Currency unit and recalculation of foreign currency

Indicators reflected in the annual report have been given in the national currency of the Republic of Latvia – lats (LVL). All transactions carried out in foreign currencies have been recalculated in lats according to the exchange rate of the Bank of Latvia set on day when the relevant transaction is takes place. Profit made or loss incurred as a result of fluctuations of exchange rates has been reflected in the profit and loss account of the corresponding period.

Data of the Financial report that are represented in EUR are recalculated in conformity with the exchange rate set by the Bank of Latvia as of 30.06.2008. : 1 EUR – 0.702804.

Long-term and short-term items

Long-term items comprise amounts whose terms of receipt, payment or write-off fall due later than after the end of the corresponding accounting year. Amounts to be received, paid or written off in a year are given in the short-term items.

Other securities

Short-term investments in securities not quoted in stock exchange have been given in their purchase values.

Long-term investment revaluation reserve

Long-term invest revaluation reserve is reduced if the revaluated object has been removed or sold.

Notes (cont.)
Accounting policy (cont.)

Provisions

Provisions are recognized if the Company has liabilities due to some event in the past and there is a possibility that in order to meet those liabilities resources promising economic gains could be diverted from the Company and if amount of liabilities can be assessed properly.

Holiday provisions are calculated by multiplying the average earnings of an employee by the average number of holidays not taken by an employee.

Provisions for warranty repairs. A warranty period of the Company's basic products is 2 years. In 2007 warranty repair costs accounted for LVL 36,337 (EUR 51,703), which is only 0.15% of the net turnover. Since amount of the warranty repair costs is of no high importance, provisions for warranty repairs are not created.

Deferred tax

Deferred corporate income tax have been calculated according to the liability method regarding all temporary differences between values of assets and liabilities reflected in the annual report and their values for tax calculation. Deferred tax has been calculated by using the tax rate of 15% laid down the Law. The said temporary differences have mainly occurred because of using different rates when calculating depreciation of capital assets in financial accounting and tax calculation, as well as due to holiday provisions.

Financial risk

Currency risk

The Company's financial assets and liabilities that are at the foreign currency risk include cash, debts of customers and clients, debts to suppliers and contractors and short-term and long-term loans.

A significant part of the Company's income is in lats and euros, major part of its costs are in lats, while all received loans are in euros.

From 1 January 2005 the Bank of Latvia has set the official fixed lat to euro exchange rate, which is 0.702804.

As long as the Bank of Latvia maintains the said fixed exchange rate the Company's profit and loss made as a result of fluctuations of the exchange rate will not be significant.

Interest rate risk

The Company is at the interest rate risk due to its short-term and long-term loans and financial leasing transactions.

Liquidity risk

The Company has control over its liquidity risk by ensuring the appropriate financing with the help of a credit line granted by a Latvian credit institution.

Credit risk

The Company is at the credit risk due to its debts of customers and clients. It is characteristic of the Company that credit risk concentrates on a separate business partner or a group of business partners of similar type.

Notes (cont.)

NOTES TO PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2008

Note No. 1 – Net turnover

Country	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Latvia	4734274	5476337	6736265	7792126
Russia	5163654	1240423	7347218	1764963
Great Britain	975742	4509552	1388356	6416514
Ukraine	6478	1176868	9217	1674532
Sweden	32027	31960	45570	45475
Other	14420	20810	20518	29610
Total	10926595	12455950	15547144	17723220

Note No. 2 – Production costs of products sold

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Salaries	3572788	2824623	5083619	4019076
Social insurance contributions	836507	640487	1190242	911331
Costs of materials	4235529	4841813	6026615	6889279
Energy resources	289018	313483	411236	446046
Depreciation of capital assets and intangible assets	103160	88890	146783	126479
Business trip costs	39015	29065	55513	41356
Repair costs and remuneration for works from outside	66705	45409	94913	64611
Other costs	102595	119675	145980	170283
Total	9245317	8903445	13154901	12668461

Note No. 3 – Selling costs

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Packing material and package	129336	109410	184029	155676
Transportation expenses	160096	17421	227796	24788
Salaries	65285	52431	92892	74603
Social insurance contributions	12508	12265	17797	17452
Other selling costs	277	599	394	852
Total	367502	192126	522908	273371

Note No. 4 – Administrative costs

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Communications costs	23227	17379	33049	24728
Office costs	2688	6740	3825	9590
Cash circulation and expense and extra costs	6655	36425	9469	51828
Transportation expenses	16765	9087	23854	12930
Representation expenses	6771	4551	9634	6475
Salaries	1177648	856185	1675642	1218242
Social insurance contributions	261559	175894	372165	250275
Costs of materials	9562	12359	13606	17585
Energy resources	57755	38863	82178	55297
Repair costs	1933	3515	2750	5001
Depreciation of capital assets	37138	27392	52843	38975
Business trip costs	47395	18793	67437	26740
Security services	92001		130906	
Year's payment to Stock Exchange of Riga	5000	5000	7114	7114
Computer's network service	7132		10148	
Other administrative costs	15102	16854	21488	23982
Total	1768331	1229037	2516108	1748762

Notes (cont.)

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

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Profit gained as a result of other sales (materials, lease, other)	36385	116541	51771	165824
Remaining amounts of removal of capital assets, materials	4675	243	6652	346
Inventory surplus	507		721	
Decrease in reserve of holiday provisions	223416		317892	
Income related to maintenance of social sphere	19604	12704	27894	18076
Decrease in revaluation reserve of capital assets	5793	1864	8243	2652
Income from fluctuations of exchange rates	3461		4925	
Other income	468	40	666	57
Total	294309	131392	418764	186955

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

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Penalty and contractual penalties	16376	9818	23301	13970
Costs related to maintenance of social sphere	85382	47963	121488	68245
Costs not related to operating activities of the Company	54898	72195	78113	102724
Losses from converting currency	63002	39560	89644	56289
Losses from fluctuations of exchange rates		3048		4337
Removal of capital assets	1436		2043	
Write-off of bad debtors		2945		4190
Loss from previous year	1025		1458	0
Tax surcharge		28507		40562
Total	222119	204036	316047	290317

Note No. 7 - Other interest income and similar income

Indicator	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Interest income (bill of exchange)	18400		26180	
Other interest income	18	464	26	660
Total	18418	464	26206	660

Note No. 8 – Other interest payments and similar costs

Indicator	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Loan agreements	45999	64357	65451	91572
Leasing agreements	18850	878	26821	1249
Credit line agreements	182410	76268	259546	108520
Total	247259	141503	351818	201341

Note No. 9 – Other taxes

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Real estate tax on premises (buildings)	45487	95090	64722	135301
Real estate tax on land	5386	8618	7664	12262
Total	50873	103708	72386	147563

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"
Non-audited Annual Report for 6 months of the year 2008

Notes (cont.)

NOTES TO BALANCE SHEET FOR THE 6 MONTHS OF 2008

Note No. 10 – Statement of movement of long-term investments, LVL

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.08	Purchase	Removed	Remaining amount as at 30.06.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 30.06.08	01.01.08	30.06.08.
Intangible investments										
Licences and other	1360			1360	563	202		765	797	595
Software	6926	3338		10264	2020	1968		3988	4906	6276
Total	8286	3338		11624	2583	2170		4753	5703	6871
Capital assets										
Land, premises, buildings*	7256001			7256001	2870218	32904		2903122	4385783	4352879
Equipment and machinery	4369920	147622	(54317)	4463225	2396162	81340	(54317)	2423185	1973758	2040040
Other capital assets	245409	14491	(117)	259783	135049	32433	(117)	167365	110360	92418
Creation of capital assets	460239	1437525	(128791)	1768973					460239	1768973
Advance payments for capital assets	396945	1270293	(1533926)	133312					396945	133312
Total	12728514	2869931	(1717151)	13881294	5401429	146677	(54434)	5493672	7327085	8387622
Long-term fin. investm.										
Partnership in capital of associated companies	59927			59927					59927	59927
Total	59927			59927					59927	59927
In total	12796727	2873269	(1717151)	13952845	5404012	148847	(54434)	5498425	7392715	8454420

Note No. 10 – Statement of movement of long-term investments, EUR

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.08	Purchase	Removed	Remaining amount as at 30.06.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 30.06.08	01.01.08	30.06.08
Intangible assets										
Licences and other	1935			1935	801	287		1088	1134	847
Software	9855	4750		14605	2874	2801		5675	6981	8930
Total	11790	4750		16540	3675	3088		6763	8115	9777
Capital assets										
Land, premises, buildings*	10324359			10324359	4083952	46818		4130770	6240407	6193589
Equipment and machinery	6217836	210047	(77286)	6350597	3409431	115737	(77286)	3447882	2808405	2902715
Other capital assets	349186	20619	(166)	369639	192157	46148	(165)	238140	157029	131499
Creation of capital assets	654861	2045414	(183253)	2517022					654861	2517022
Advance payments for capital assets	564802	1807464	(2182580)	189686					564802	189686
Total	18111044	4083544	(2443285)	19751303	7685540	208703	(77451)	7816792	10425504	11934511
Long-term fin. investm.										
Partnership in capital of associated companies	85268			85268					85268	85268
Total	85268			85268					85268	85268
In total	18208102	4088294	(2443285)	19853111	7689215	211791	(77451)	7823555	10518887	12029556

Notes (cont.)

* In 2008 assessed value of the premises decreased and accounted for LVL 9920904 (EUR 14116175), while assessed value of the plot increased significantly and accounted for LVL 16372912 (EUR 23296555).

Note No. 11 – Debts of customers and clients

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Debts of customers and clients	5509324	5931657	7839062	8439988
Provisions for doubtful debtors	(12049)		(17144)	
Total	5497275	5931657	7821918	8439988

Note No. 12 – Other debtors

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Demand calculations for personnel	1652	16819	2351	23931
Taxes paid in advance	9325	47120	13268	67046
Overpaid taxes	127603	68163	181563	96987
Advance payments for services	48715	44263	69315	62981
Interest income (bill of exchange)	18400		26181	
Other	5211	3094	7413	4402
Total	210906	179459	300091	255347

Note No. 13 – Costs of the following periods

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Press subscription	31	40	44	57
Insurance	169	175	240	249
Annual anti-virus program licences	1585		2255	
Year's travel visas	544	276	774	393
Other	153		219	
Total	2482	491	3532	699

Note No. 14 – Other securities and partnership in capitals

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Simple bill of exchange	1600000	1600000	2276595	2276595

Note No. 15 – Cash

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Current accounts in banks	5991	8065	8524	11475

Note No. 16 – Stock capital (fixed capital)

Total number of stocks of AS "RER" is 5,799,005 shares. A nominal value of each share is LVL 1.00. The Company's fixed capital is LVL 5,799,005, which is split into: 5,799,005 regular voting shares.

Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Residents, including	199525	199525	283898	283898
- physical entities	174322	174322	248037	248037
- legal entities	25203	25203	35861	35861
Non-residents, including	5599480	5599480	7967343	7967343
- Russia	1011027	1011027	1438562	1438562
- Canada	5119	5119	7284	7284
- Estonia (nominal shareholder)	4583334	4583334	6521497	6521497
Total	5799005	5799005	8251241	8251241

Notes (cont.)

Note No. 17 – Other provisions

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Holiday provisions	189406	186566	269500	265460

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

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Latvian credit institutions, loan agreement, including	1096241	1973231	1559810	2807655
Long-term debt	657746	1534736	935888	2183733
Short-term debt	438495	438495	623922	623922
Latvian credit institutions, credit line agreement, including	5694031	5166999	8101876	7351977
Short-term debt	5694031	5166999	8101876	7351977

Note No. 19 – Other loans

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Leasing agreements, including	1032871	140879	1469643	200452
Long-term debt	10832	15107	15413	21495
Short-term debt	1022039	125772	1454230	178957

Note No. 20 – Advances received from customers

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Local customers	34616		49255	
Foreign customers	19163	10896	27266	15504
Total	53779	10896	76521	15504

Note No. 21 – Debts to suppliers and contractors

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Local suppliers	2144974	732530	3052023	1042296
Foreign suppliers	726164	238379	1033238	339183
Total	2871138	970909	4085261	1381479

Note No. 22 – Taxes and social insurance contributions

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Personal income tax	181826	144595	258715	205740
Mandatory social insurance contributions	557508	200147	793262	284785
Natural resources tax	5497	3273	7822	4657
Real estate tax on land	33	4084	47	5810
State business risk fee	350	314	498	447
Total	745214	352413	1060344	501439

Notes (cont.)

Note No. 23 – Other creditors

Indicators	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Salary debt	616631	413430	877388	588256
Support payments	1392	1290	1981	1836
Trade union membership fee	8361	1967	11897	2799
Other	3484	20	4957	28
Total	629868	416707	896223	592919

Chair of the Board

G. Uspenskis

20 August 2008

Statement on the Management responsibility

The management of the Company is responsible for the issue of the financial statement and confirms that the financial statement holds the actual and objective representation of the financial standing and performance results of the company by the end of the accounts period.

The management of the Company confirms that appropriate accounting methods were applied and justified and considerate decisions were made when drawing up the financial statement on the 6 months of 2008.

The management bears responsibility regarding the provision of appropriate accounting system, preservation of the Company's capital.

On behalf of the Board of the Company,

Chairperson of the Board

G. Uspenskis

20 August 2008