

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

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

**ANNUAL REPORT FOR 9 MONTHS
OF THE YEAR 2008
(NON-AUDITED)**

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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, Riga, 29 November 1991
Unified Registration No. in the Commercial Register, date and place of registration	No. 40003042006, Riga, 29 September 2004
Registered office	Ganību dambis 31, Riga, 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 September 2008
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor Jānis Mežiels Certified auditor's certificate No. 127
Associated companies	SIA "Lovato – REZ", Reg. No. 000307218 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 115,200 (EUR 163915) Shares – 50 %

PROFIT AND LOSS ACCOUNT FOR 9 MONTHS OF 2008

No.	Items	Line code	Note	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1	Net turnover	010	1	16725586	18358048	23798365	26121149
2	Production costs of the goods sold	020	2	(13860540)	(13120059)	(19721772)	(18668162)
3	Gross profit or loss	030		2865046	5237989	4076593	7452987
4	Selling expenses	040	3	(548882)	(296810)	(780989)	(422323)
5	Administration expenses	050	4	(2682481)	(1986665)	(3816827)	(2826770)
6	Other operating income	060	5	323276	165912	459980	236072
7	Other operating expenses	070	6	(311387)	(385903)	(443062)	(549090)
8	Other interest income and similar income	100	7	18428	483	26221	687
9	Other interest payments and similar expenses	120	8	(377832)	(254527)	(537607)	(362159)
10	Profit or loss before extraordinary items and taxes	130		(713832)	2480479	(1015691)	3529404
11	Profit or loss before tax	160		(713832)	2480479	(1015691)	3529404
12	Other taxes	190	9	(80958)	(151253)	(115193)	(215214)
13	Profit or loss of the accounting period	200		(794790)	2329226	(1130884)	3314190

EPS (earnings per share)	(0,14)	0,40	(0,20)	0,57
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BALANCE SHEET FOR 9 MONTHS OF 2008

A S S E T S	Line code	Note	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1. LONG-TERM INVESTMENTS		10				
I. Intangible investments						
1. Concessions, licences and similar rights	020		501	910	713	1295
2. Other intangible investments	021		5124	2961	7291	4213
I. Total	050		5625	3871	8004	5508
II. Fixed assets						
1. Land plots, buildings, constructions	060		4338517	4304424	6173154	6124644
2. Equipment and machinery	080		3394799	1961692	4830364	2791236
3. Other fixed assets and inventory	090		80743	103308	114887	146994
4. Creation of fixed assets	100		669448	477258	952539	679077
5. Prepayments for fixed assets	110		54259	325434	77204	463051
II. Total	120		8537766	7172116	12148148	10205002
III. Long-term financial investments						
1. Participation in capital of affiliated companies	150		59927	59927	85268	85268
III. Total	210		59927	59927	85268	85268
I. PART TOTAL AMOUNT	220		8603318	7235914	12241420	10295778
2. CURRENT ASSETS						
I. Stocks						
1. Raw materials, direct materials and auxiliary materials	230		2454742	3059297	3492783	4352987
2. Unfinished products	240		2595662	1313126	3693294	1868410
3. Finished products and goods for sale	250		273212	293194	388746	417177
4. Prepayments for goods	270		188072	338060	267602	481016
I. Total	290		5511688	5003677	7842425	7119590
II. Debtors						
1. Debts of buyers and customers	300	11	4483398	6685881	6379301	9513152
2. Debts of affiliated companies	320		301	284	428	404
3. Other debtors	330	12	315536	290447	448967	413270
4. Deferred expenses	360	13	4697	5938	6683	8449
II. Total	370		4803932	6982550	6835379	9935275
III. Securities and participation in capitals						
1. Other securities	400	14	1600000	1600000	1600000	1600000
III. Total	410		1600000	1600000	1600000	1600000
IV. Cash	420	15	3973	9289	5653	13217
II. PART TOTAL AMOUNT	430		11919593	13595516	16960052	19344677
B A L A N C E	440		20522911	20831430	29201472	29640455

Appendices to financial statements on pages 9 – 17 are an integral part of the financial statements.

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"
Non-audited Annual Report for 9 months of the year 2008

BALANCE SHEET FOR 9 MONTHS OF 2008

LIABILITIES	Line code	Note	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1. SHAREHOLDERS' EQUITY						
1. Share capital (capital stock)	450	16	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		191229	158811	272094	225968
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		(794790)	2329226	(1130884)	3314190
1. PART TOTAL AMOUNT	550		8163629	10002909	11615797	14232858
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	5752170	5912648	8184601	8412940
2. Other loans	780	19	1024770	157548	1458116	224171
3. Advance payments received from buyers	790	20	27691	208748	39401	297022
4. Debts to suppliers and contractors	800	21	2670264	1559831	3799443	2219438
5. Debts to affiliated companies	830		317	4737	451	6740
6. Taxes and social security payments	840	22	1175398	603796	1672441	859124
7. Other creditors	850	23	623321	444732	886907	632797
II. Total	890		11273931	8892040	16041360	12652232
3. PART TOTAL AMOUNT	900		12169876	10641955	17316175	15142137
BALANCE	910		20522911	20831430	29201472	29640455

CASH FLOW STATEMENT FOR 9 MONTHS OF 2008 (prepared by indirect method)

I. Cash flow from operating activities

	Items	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1	Profit or loss before extraordinary items and taxes	(713832)	2480479	(1015691)	3529404
	ADJUSTMENTS				
	Depreciation of fixed assets	226690	182832	322551	260146
	Amortization of intangible investment value	3417	832	4862	1184
	Gain from sales of fixed assets		(2100)		(2988)
	Profit or loss from fluctuations of currency exchange rates	67948	75396	96681	107279
	Amounts written off investments		448093		637579
	Amounts written off fixed assets	2060	9404	2931	13381
	Reserve for revaluation of long-term investments	(8209)	(2460)	(11680)	(3500)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	(421926)	3192476	(600346)	4542485
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	2314302	(5617373)	3292955	(7992802)
	Increase or decrease of balance of inventories	(738749)	(1380747)	(1051145)	(1964626)
	Increase or decrease of deferred expenses	4442	18514	6320	26343
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	1843911	7095201	2623649	10095561
	Increase or decrease of accruals	(223416)		(317892)	
	Expenses for tax payments	(58775)	(150651)	(83629)	(214357)
3	Gross cash flow from operating activities	2719789	3157420	3869912	4492604
4	Expenses for corporate income tax payments	(164477)	(208077)	(234030)	(296067)
5	Cash flow before extraordinary items	2555312	2949343	3635882	4196537
I	NET CASH FLOW FROM OPERATING ACTIVITIES	2555312	2949343	3635882	4196537

II. Cash flow from investing activities

	Items	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1	Purchase of fixed assets and intangible investments	(1785456)	(999408)	(2540475)	(1422029)
2	Income from sales of fixed assets and intangible investments		2100		2988
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(1785456)	(997308)	(2540475)	(1419041)

III. Cash flow from financing activities

	Items	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1	Expenses for repayment of loans	(657742)	(657742)	(935883)	(935883)
2	Expenses for repurchase of leased fixed assets	(50044)	(28010)	(71206)	(39855)
3	Expenses for purchase of short-term securities (bill of exchange)		(1600000)		(2276595)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(707786)	(2285752)	(1007089)	(3252333)

IV. Summary of cash inflow and outflow

	Items	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
I	Net cash flow from operating activities	2555312	2949343	3635882	4196537
II	Net cash flow from investing activities	(1785456)	(997308)	(2540475)	(1419041)
III	Net cash flow from financing activities	(707786)	(2285752)	(1007089)	(3252333)
	Result of fluctuations of currency exchange rates	(69810)	(73014)	(99331)	(103889)
	Net cash flow of the accounting period	(7740)	(406731)	(11013)	(578726)
	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	3973	9289	5653	13217

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 9 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		(2460)			(2460)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				2329226	2329226
4. Balance as of 30.09.2007.g.	5799005	158811	192922	3852171	10002909
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		(8209)			(8209)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(794790)	(794790)
8. Balance as of 30.09.2008.g.	5799005	191229	192922	1980473	8163629

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 9 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		(3500)			(3500)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				3314190	3314190
4. Balance as of 30.09.2007.g.	8251241	225968	274503	5481146	14232858
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		(11681)			(11681)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(1130884)	(1130884)
8. Balance as of 30.09.2008.g.	8251241	272094	274503	2817959	11615797

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 30.09.2008 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 30.09.2008. : 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 9 MONTHS OF 2008

Note No. 1 – Net turnover

Country	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Latvia	7462197	8182395	10617750	11642500
Russia	8181050	1248838	11640585	1776936
Great Britain	981892	7674605	1397106	10919979
Ukraine	10295	1189335	14648	1692271
Sweden	56568	35703	80489	50801
Other	33584	27172	47787	38662
Total	16725586	18358048	23798365	26121149

Note No. 2 – Production costs of products sold

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Salaries	5319315	4236467	7568703	6027949
Social insurance contributions	1244593	969572	1770896	1379577
Costs of materials	6282484	7142560	8939169	10162947
Energy resources	528405	380482	751853	541377
Depreciation of capital assets and intangible assets	168142	135137	239245	192283
Business trip costs	53321	41984	75869	59738
Repair costs and remuneration for works from outside	104578	52480	148801	74672
Other costs	159702	161377	227236	229619
Total	13860540	13120059	19721772	18668162

Note No. 3 – Selling costs

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Packing material and package	185716	174771	264250	248677
Transportation expenses	247526	20611	352198	29327
Salaries	93209	81623	132624	116139
Social insurance contributions	22013	19084	31322	27154
Other selling costs	418	721	595	1026
Total	548882	296810	780989	422323

Note No. 4 – Administrative costs

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Communications costs	37291	29764	53060	42350
Office costs	4345	10969	6182	15607
Cash circulation and expense and extra costs	8466	43480	12046	61866
Transportation expenses	27031	14208	38462	20216
Representation expenses	11662	7453	16594	10605
Salaries	1772209	1401416	2521626	1994037
Social insurance contributions	386342	278283	549715	395961
Costs of materials	13004	19386	18503	27584
Energy resources	82049	56749	116745	80747
Repair costs	3630	4513	5165	6421
Depreciation of capital assets	54038	43095	76889	61319
Business trip costs	76644	34789	109055	49500
Security services	137436	17968	195554	25566
Year's payment to Stock Exchange of Riga	5000	5000	7114	7114
Computer's network service	12916		18378	
Consulting service	22146		31511	
Other administrative costs	28272	19592	40228	27877
Total	2682481	1986665	3816827	2826770

Notes (cont.)

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

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Profit gained as a result of other sales (materials, lease, other)	50863	141125	72372	200803
Remaining amounts of removal of capital assets, materials	5525	577	7861	821
Sale of capital assets		2100		2988
Inventory surplus	4853		6905	
Decrease in reserve of holiday provisions	223416		317892	
Income related to maintenance of social sphere	26803	19604	38137	27894
Decrease in revaluation reserve of capital assets	8209		11680	
Income from fluctuations of exchange rates	3000		4269	
Losses from converting currency		2461		3502
Other income	607	45	864	64
Total	323276	165912	459980	236072

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

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Penalty and contractual penalties	38217	10377	54378	14765
Costs related to maintenance of social sphere	102700	74251	146127	105648
Costs not related to operating activities of the Company	92699	118962	131899	169268
Losses from converting currency	70948	72014	100950	102467
Losses from fluctuations of exchange rates		3382		4812
Removal of capital assets	2060	9404	2931	13381
Write-off of bad debtors		2945		4190
Loss from previous year	1525		2170	
Loss from written off investments		65468		93153
Tax surcharge		28507		40562
Inventory deficit	3238		4607	
Other costs		593		844
Total	311387	385903	443062	549090

Note No. 7 - Other interest income and similar income

Indicator	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Interest income (bill of exchange)	18400		26180	
Other interest income	28	483	40	687
Total	18428	483	26220	687

Note No. 8 – Other interest payments and similar costs

Indicator	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Loan agreements	64226	93892	91385	133596
Leasing agreements	35811	3717	50954	5289
Credit line agreements	277795	156918	395268	223274
Total	377832	254527	537607	362159

Note No. 9 – Other taxes

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Real estate tax on premises (buildings)	72879	142635	103698	202952
Real estate tax on land	8079	8618	11495	12262
Total	80958	151253	115193	215214

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Notes (cont.)

NOTES TO BALANCE SHEET FOR THE 9 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 30.09.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 30.09.08	01.01.08	30.09.08.
Intangible investments										
Licences and other	1360			1360	563	296		859	797	501
Software	6926	3339		10265	2020	3121		5141	4906	5124
Total	8286	3339		11625	2583	3417		6000	5703	5625
Capital assets										
Land, premises, buildings*	7256001			7256001	2870218	47266		2917484	4385783	4338517
Equipment and machinery	4369920	1553453	(77475)	5845898	2396162	132412	(77475)	2451099	1973758	3394799
Other capital assets	245409	19455	(117)	264747	135049	49072	(117)	184004	110360	80743
Creation of capital assets	460239	1735406	(1526197)	669448					460239	669448
Advance payments for capital assets	396945	1370099	(1712785)	54259					396945	54259
Total	12728514	4678413	(3316574)	14090353	5401429	228750	(77592)	5552587	7327085	8537766
Long-term fin. investm.										
Partnership in capital of associated companies	59927			59927					59927	59927
Total	59927			59927					59927	59927
In total	12796727	4681752	(3316574)	14161905	5404012	232167	(77592)	5558587	7392715	8603318

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 30.09.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 30.09.08	01.01.08	30.09.08
Intangible assets										
Licences and other	1935			1935	801	421		1222	1134	713
Software	9855	4751		14606	2874	4441		7315	6981	7291
Total	11790	4751		16541	3675	4862		8537	8115	8004
Capital assets										
Land, premises, buildings*	10324359			10324359	4083952	67253		4151205	6240407	6173154
Equipment and machinery	6217836	2210364	(110237)	8317963	3409431	188405	(110237)	3487599	2808405	4830364
Other capital assets	349186	27682	(166)	376702	192157	69824	(166)	261815	157029	114887
Creation of capital assets	654861	2469260	(2171582)	952539					654861	952539
Advance payments for capital assets	564802	1949475	(2437073)	77204					564802	77204
Total	18111044	6656781	(4719058)	20048767	7685540	325481	(110402)	7900619	10425504	12148148
Long-term fin. investm.										
Partnership in capital of associated companies	85268			85268					85268	85268
Total	85268			85268					85268	85268
In total	18208102	6661532	(4719058)	20150576	7689215	330343	(110402)	7909156	10518887	12241420

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	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Debts of customers and clients	4495447	6685881	6396445	9513152
Provisions for doubtful debtors	(12049)		(17144)	
Total	4483398	6685881	6379301	9513152

Note No. 12 – Other debtors

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Demand calculations for personnel	3273	15759	4657	22423
Taxes paid in advance	6033	1867	8584	2657
Overpaid taxes	155870	251046	221783	357206
Advance payments for services	123095	16666	175148	23714
Interest income (bill of exchange)	18400		26181	
Other	8865	5109	12614	7270
Total	315536	290447	448967	413270

Note No. 13 – Costs of the following periods

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Press subscription	31	200	44	285
Insurance	2119	1924	3015	2737
Annual anti-virus program licences	1585	3267	2255	4649
	912	547	1298	778
Other	50		71	
Total	4697	5938	6683	8449

Note No. 14 – Other securities and partnership in capitals

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Simple bill of exchange	1600000	1600000	2276595	2276595

Note No. 15 – Cash

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Current accounts in banks	3973	9289	5653	13217

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	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. 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	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Holiday provisions	189406	186566	269500	265460

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

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Latvian credit institutions, loan agreement, including	876993	1753984	1247848	2495695
Long-term debt	657746	1534736	935888	2183733
Short-term debt	219247	219248	311960	311962
Latvian credit institutions, credit line agreement, including	5532923	5693400	7872641	8100978
Short-term debt	5532923	5693400	7872641	8100978

Note No. 19 – Other loans

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Leasing agreements, including	1035602	172655	1473529	245666
Long-term debt	10832	15107	15413	21495
Short-term debt	1024770	157548	1458116	224171

Note No. 20 – Advances received from customers

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Local customers	27691	7115	39401	10124
Foreign customers		201633		286898
Total	27691	208748	39401	297022

Note No. 21 – Debts to suppliers and contractors

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Local suppliers	2030515	1298266	2889162	1847265
Foreign suppliers	639749	261565	910281	372173
Total	2670264	1559831	3799443	2219438

Note No. 22 – Taxes and social insurance contributions

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Personal income tax	317756	145445	452126	206950
Mandatory social insurance contributions	787746	452236	1120862	643473
Natural resources tax	3391	3632	4825	5168
Real estate tax on land	33	2154	47	3065
Real estate tax on premises (buildings)	22487		31996	
Value added tax	43644		62100	
State business risk fee	341	329	485	468
Total	1175398	603796	1672441	859124

Notes (cont.)

Note No. 23 – Other creditors

Indicators	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Salary debt	606591	436008	863103	620384
Support payments	1724	1120	2453	1594
Trade union membership fee	11061	5709	15738	8123
Other	3945	1895	5613	2696
Total	623321	444732	886907	632797

Chair of the Board

G. Uspenskis

24 November 2008