

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

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

**ANNUAL REPORT FOR 9 MONTHS  
OF THE YEAR 2009  
(NON-AUDITED)**

## CONTENT

Information about the Company	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	7
Statement of changes in equity	8
Notes to financial statements	9

## 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) Igoris Ruļovs (from 12.05.2009) Andrejs Zujevs (from 07.05.2007)
Accounting period	1 January 2009 – 30 September 2009
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 2009**

No.	Items	Line code	Note	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
1	Net turnover	010	1	8204400	16725586	11673809	23798365
2	Production costs of the goods sold	020	2	(8709268)	(13860540)	(12392172)	(19721772)
3	<b>Gross profit or loss</b>	030		<b>(504868)</b>	<b>2865046</b>	<b>(718363)</b>	<b>4076593</b>
4	Selling expenses	040	3	(344848)	(548882)	(490674)	(780989)
5	Administration expenses	050	4	(1605751)	(2682481)	(2284778)	(3816827)
6	Other operating income	060	5	159433	323276	226853	459980
7	Other operating expenses	070	6	(500828)	(311387)	(712614)	(443062)
8	Other interest income and similar income	100	7	23041	18428	32784	26221
9	Other interest payments and similar expenses	120	8	(413956)	(377832)	(589006)	(537607)
10	Profit or loss before extraordinary items and taxes	130		(3187777)	(713832)	(4535798)	(1015691)
11	Profit or loss before tax	160		(3187777)	(713832)	(4535798)	(1015691)
12	Other taxes	190	9	(68443)	(80958)	(97386)	(115193)
13	Profit or loss of the accounting period	200		<b>(3256220)</b>	<b>(794790)</b>	<b>(4633184)</b>	<b>(1130884)</b>

EPS (earnings per share)	(0,56)	(0,14)	(0,80)	(0,20)
--------------------------	--------	--------	--------	--------

**BALANCE SHEET FOR 9 MONTHS OF 2009**

<b>A S S E T S</b>	<b>Line code</b>	<b>Note</b>	<b>30.09.09. LVL</b>	<b>30.09.08. LVL</b>	<b>30.09.09. EUR</b>	<b>30.09.08. EUR</b>
<b>1. LONG-TERM INVESTMENTS</b>		10				
<b>I. Intangible investments</b>						
1. Development costs	010		341271		485585	
2. Concessions, licences and similar rights	020		176	501	250	713
3. Other intangible investments	021		1309	5124	1863	7291
<b>I. Total</b>	<b>050</b>		<b>342756</b>	<b>5625</b>	<b>487698</b>	<b>8004</b>
<b>II. Fixed assets</b>						
1. Land plots, buildings, constructions	060		4310430	4338517	6133189	6173154
2. Equipment and machinery	080		3201329	3394799	4555081	4830364
3. Other fixed assets and inventory	090		44687	80743	63584	114887
4. Creation of fixed assets	100		648219	669448	922333	952539
5. Prepayments for fixed assets	110			54259		77204
<b>II. Total</b>	<b>120</b>		<b>8204665</b>	<b>8537766</b>	<b>11674187</b>	<b>12148148</b>
<b>III. Long-term financial investments</b>						
1. Participation in capital of affiliated companies	150		59927	59927	85268	85268
<b>III. Total</b>	<b>210</b>		<b>59927</b>	<b>59927</b>	<b>85268</b>	<b>85268</b>
<b>I. PART TOTAL AMOUNT</b>	<b>220</b>		<b>8607348</b>	<b>8603318</b>	<b>12247153</b>	<b>12241420</b>
<b>2. CURRENT ASSETS</b>						
<b>I. Stocks</b>						
1. Raw materials, direct materials and auxiliary materials	230		2016709	2454742	2869518	3492783
2. Unfinished products	240		1579860	2595662	2247938	3693294
3. Finished products and goods for sale	250		406122	273212	577860	388746
4. Prepayments for goods	270		354865	188072	504927	267602
<b>I. Total</b>	<b>290</b>		<b>4357556</b>	<b>5511688</b>	<b>6200243</b>	<b>7842425</b>
<b>II. Debtors</b>						
1. Debts of buyers and customers	300	11	5394135	4483398	7675163	6379301
2. Debts of affiliated companies	320		215	301	306	428
3. Other debtors	330	12	31686	315536	45085	448967
4. Deferred expenses	360	13	51999	4697	73988	6683
<b>II. Total</b>	<b>370</b>		<b>5478035</b>	<b>4803932</b>	<b>7794542</b>	<b>6835379</b>
<b>III. Securities and participation in capitals</b>						
1. Other securities	400	14	1641438	1600000	2335556	1600000
<b>III. Total</b>	<b>410</b>		<b>1641438</b>	<b>1600000</b>	<b>2335556</b>	<b>1600000</b>
<b>IV. Cash</b>	<b>420</b>	<b>15</b>	<b>6248</b>	<b>3973</b>	<b>8890</b>	<b>5653</b>
<b>II. PART TOTAL AMOUNT</b>	<b>430</b>		<b>11483277</b>	<b>11919593</b>	<b>16339231</b>	<b>16960052</b>
<b>B A L A N C E</b>	<b>440</b>		<b>20090625</b>	<b>20522911</b>	<b>28586384</b>	<b>29201472</b>

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

**BALANCE SHEET FOR 9 MONTHS OF 2009**

LIABILITIES	Line code	Note	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
<b>1. SHAREHOLDERS' EQUITY</b>						
1. Share capital (capital stock)	450	16	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		185108	191229	263385	272094
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		1810813	2775263	2576555	3948843
b) Undivided profit of the accounting year	540		(3256220)	(794790)	(4633184)	(1130884)
<b>1. PART TOTAL AMOUNT</b>	550		<b>4731628</b>	<b>8163629</b>	<b>6732500</b>	<b>11615797</b>
<b>2. PROVISIONS</b>						
1. Other provisions	580	17	200153	189406	284792	269500
<b>2. PART TOTAL AMOUNT</b>	590		<b>200153</b>	<b>189406</b>	<b>284792</b>	<b>269500</b>
<b>3. CREDITORS</b>						
<b>I. Long-term creditors</b>						
1. Loans from credit institutions	620	18		657746		935888
2. Other loans	630	19	818198	10832	1164191	15413
3. Deferred tax liabilities	731		254776	227367	362514	323514
I. Total	740		<b>1072974</b>	<b>895945</b>	<b>1526705</b>	<b>1274815</b>
<b>II. Short-term creditors</b>						
1. Loans from credit institutions	770	18	8429907	5752170	11994677	8184601
2. Other loans	780	19	102376	1024770	145668	1458116
3. Advance payments received from buyers	790	20	133	27691	189	39401
4. Debts to suppliers and contractors	800	21	2442957	2670264	3476015	3799443
5. Debts to affiliated companies	830		4277	317	6086	451
6. Taxes and social security payments	840	22	2427150	1175398	3453523	1672441
7. Other creditors	850	23	679070	623321	966229	886907
II. Total	890		<b>14085870</b>	<b>11273931</b>	<b>20042387</b>	<b>16041360</b>
<b>3. PART TOTAL AMOUNT</b>	900		<b>15158844</b>	<b>12169876</b>	<b>21569092</b>	<b>17316175</b>
<b>BALANCE</b>	910		<b>20090625</b>	<b>20522911</b>	<b>28586384</b>	<b>29201472</b>

**CASH FLOW STATEMENT FOR 9 MONTHS OF 2009** (prepared by indirect method)

**I. Cash flow from operating activities**

	Items	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
1	Profit or loss before extraordinary items and taxes	(3187777)	(713832)	(4535798)	(1015691)
	<b>ADJUSTMENTS</b>				
	Depreciation of fixed assets	287260	226690	408734	322551
	Amortization of intangible investment value	3403	3417	4842	4862
	Gain from sales of fixed assets				
	Profit or loss from fluctuations of currency exchange rates	173846	67948	247361	96681
	Amounts written off investments				
	Amounts written off fixed assets	2802	2060	3987	2931
	Reserve for revaluation of long-term investments	(2392)	(8209)	(3404)	(11680)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	<b>(2722858)</b>	<b>(421926)</b>	<b>(3874278)</b>	<b>(600346)</b>
	<b>ADJUSTMENTS</b>				
	Increase or decrease of balance of receivables	1863207	2314302	2651105	3292955
	Increase or decrease of balance of inventories	2089319	(738749)	2972833	(1051145)
	Increase or decrease of deferred expenses	125435	4442	178478	6320
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(943991)	1843911	(1343178)	2623649
	Increase or decrease of accruals		(223416)		(317892)
	Expenses for tax payments	(71403)	(58775)	(101597)	(83629)
3	Gross cash flow from operating activities	<b>339709</b>	<b>2719789</b>	<b>483363</b>	<b>3869912</b>
4	Expenses for corporate income tax payments		(164477)		(234030)
5	Cash flow before extraordinary items	<b>339709</b>	<b>2555312</b>	<b>483363</b>	<b>3635882</b>
I	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>339709</b>	<b>2555312</b>	<b>483363</b>	<b>3635882</b>

**II. Cash flow from investing activities**

	Items	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
1	Purchase of fixed assets and intangible investments	(34567)	(1785456)	(49184)	(2540475)
II	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(34567)</b>	<b>(1785456)</b>	<b>(49184)</b>	<b>(2540475)</b>

**III. Cash flow from financing activities**

	Items	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
1	Expenses for repayment of loans	(677772)	(657742)	(964383)	(935883)
2	Expenses for repurchase of leased fixed assets	(152952)	(50044)	(217631)	(71206)
III	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(830724)</b>	<b>(707786)</b>	<b>(1182014)</b>	<b>(1007089)</b>

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

	Items	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
I	Net cash flow from operating activities	339709	2555312	483363	3635882
II	Net cash flow from investing activities	(34567)	(1785456)	(49184)	(2540475)
III	Net cash flow from financing activities	(830724)	(707786)	(1182014)	(1007089)
	Result of fluctuations of currency exchange rates	8558	(69810)	12176	(99331)
	Net cash flow of the accounting period	<b>(517024)</b>	<b>(7740)</b>	<b>(735659)</b>	<b>(11013)</b>
	Cash and its equivalents in the beginning of the accounting period	<b>523272</b>	<b>11713</b>	<b>744549</b>	<b>16666</b>
	Cash and its equivalents at the end of the accounting period	<b>6248</b>	<b>3973</b>	<b>8890</b>	<b>5653</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 9 MONTHS OF 2009, LVL**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2007.g.</b>	<b>5799005</b>	<b>199438</b>	<b>192922</b>	<b>2775263</b>	<b>8966628</b>
2. 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					
3. Income or loss of the accounting period in accordance with the profit and loss account				(794790)	(794790)
<b>4. Balance as of 30.09.2008.g.</b>	<b>5799005</b>	<b>191229</b>	<b>192922</b>	<b>1980473</b>	<b>8163629</b>
<b>5. Balance as of 31.12.2008.g.</b>	<b>5799005</b>	<b>187500</b>	<b>192922</b>	<b>1810813</b>	<b>7990240</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(2392)			(2392)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(3256220)	(3256220)
<b>8. Balance as of 30.09.2009.g.</b>	<b>5799005</b>	<b>185108</b>	<b>192922</b>	<b>(1445407)</b>	<b>4731628</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 9 MONTHS OF 2009, EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2007.g.</b>	<b>8251241</b>	<b>283775</b>	<b>274503</b>	<b>3948843</b>	<b>12758362</b>
2. 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					
3. Income or loss of the accounting period in accordance with the profit and loss account				(1130884)	(1130884)
<b>4. Balance as of 30.09.2008.g.</b>	<b>8251241</b>	<b>272094</b>	<b>274503</b>	<b>2817959</b>	<b>11615797</b>
<b>5. Balance as of 31.12.2008.g.</b>	<b>8251241</b>	<b>266788</b>	<b>274503</b>	<b>2576555</b>	<b>11369087</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(3403)			(3403)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(4633184)	(4633184)
<b>8. Balance as of 30.09.2009.g.</b>	<b>8251241</b>	<b>263385</b>	<b>274503</b>	<b>(2056629)</b>	<b>(6732500)</b>



## 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 30.09.2009 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 30.09.2009. : 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 2008 warranty repair costs accounted for LVL 90,596 (EUR 128,906), which is only 0.40% 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 2009**

**Note No. 1 – Net turnover**

Country	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Latvia	1951335	7462197	2776500	10617750
Russia	5915638	8181050	8417195	11640585
Great Britain		981892		1397106
Ukraine	55158	10295	78483	14648
Sweden	60303	56568	85803	80489
BVI	210841		300000	
Other	11125	33584	15828	47787
<b>Total</b>	<b>8204400</b>	<b>16725586</b>	<b>11673809</b>	<b>23798365</b>

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

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Salaries	2565907	5319315	3650957	7568703
Social insurance contributions	605233	1244593	861169	1770896
Costs of materials	4359172	6282484	6202543	8939169
Energy resources	571189	528405	812729	751853
Depreciation of capital assets and intangible assets	259797	168142	369658	239245
Business trip costs	14370	53321	20447	75869
Repair costs and remuneration for works from outside	115598	104578	164481	148801
Development costs	127977		182095	
Other costs	90025	159702	128093	227236
<b>Total</b>	<b>8709268</b>	<b>13860540</b>	<b>12392172</b>	<b>19721772</b>

**Note No. 3 – Selling costs**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Packing material and package	128994	185716	183542	264250
Transportation expenses	164918	247526	234657	352198
Salaries	40868	93209	58150	132624
Social insurance contributions	9770	22013	13901	31322
Other selling costs	298	418	424	595
<b>Total</b>	<b>344848</b>	<b>548882</b>	<b>490674</b>	<b>780989</b>

**Note No. 4 – Administrative costs**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Communications costs	22579	37291	32127	53060
Office costs		4345		6182
Cash circulation and expense and extra costs	5188	8466	7382	12046
Transportation expenses	12050	27031	17146	38462
Representation expenses	4777	11662	6797	16594
Salaries	1044818	1772209	1486642	2521626
Social insurance contributions	239183	386342	340327	549715
Costs of materials	3809	13004	5420	18503
Energy resources	50564	82049	71946	116745
Repair costs		3630		5165
Depreciation of capital assets	37023	54038	52679	76889
Business trip costs	41907	76644	59628	109055
Security services	110742	137436	157572	195554
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	28111	28272	39998	40228
<b>Total</b>	<b>1605751</b>	<b>2682481</b>	<b>2284778</b>	<b>3816827</b>

Notes (cont.)

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

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Profit gained as a result of other sales (materials, lease, other)	113717	50863	161805	72372
Penalty and contractual penalties	13629		19392	
Remaining amounts of removal of capital assets, materials	2013	5525	2864	7861
Inventory surplus		4853		6905
Decrease in reserve of holiday provisions		223416		317892
Income related to maintenance of social sphere	26380	26803	37535	38137
Decrease in revaluation reserve of capital assets	2392	8209	3404	11680
Income from fluctuations of exchange rates		3000		4269
Other income	1302	607	1853	864
<b>Total</b>	<b>159433</b>	<b>323276</b>	<b>226853</b>	<b>459980</b>

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

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Penalty and contractual penalties	85027	38217	120983	54378
Costs related to maintenance of social sphere	42902	102700	61044	146127
Costs not related to operating activities of the Company	190885	92699	271605	131899
Losses from converting currency	212	70948	302	100950
Losses from fluctuations of exchange rates	173634		247059	
Removal of capital assets	2802	2060	3987	2931
Loss from previous year		1525		2170
Inventory deficit		3238		4607
Other costs	5366		7635	
<b>Total</b>	<b>500828</b>	<b>311387</b>	<b>712615</b>	<b>443062</b>

**Note No. 7 - Other interest income and similar income**

Indicator	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Interest income (bill of exchange)	23038	18400	32780	26180
Other interest income	3	28	4	40
<b>Total</b>	<b>23041</b>	<b>18428</b>	<b>32784</b>	<b>26220</b>

**Note No. 8 – Other interest payments and similar costs**

Indicator	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Loan agreements	72901	64226	103729	91385
Leasing agreements	53178	35811	75665	50954
Credit line agreements	287877	277795	409612	395268
<b>Total</b>	<b>413956</b>	<b>377832</b>	<b>589006</b>	<b>537607</b>

**Note No. 9 – Other taxes**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Real estate tax on premises (buildings)	58344	72879	83016	103698
Real estate tax on land	10099	8079	14370	11495
<b>Total</b>	<b>68443</b>	<b>80958</b>	<b>97386</b>	<b>115193</b>

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"  
Non-audited Annual Report for 9 months of the year 2009

Notes (cont.)

**NOTES TO BALANCE SHEET FOR THE 9 MONTHS OF 2009**

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

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.09	Purchase	Removed	Remaining amount as at 30.09.09	Remaining amount as at 01.01.09	Calculated	Removed	Remaining amount as at 30.09.09	01.01.09	30.09.09.
<b>Intangible investments</b>										
Devel.costs	341271			341271					341271	341271
Licenses and other	1137			1137	720	241		961	417	176
Software	10265	500		10765	6294	3162		9456	3971	1309
<b>Total</b>	<b>352673</b>	<b>500</b>		<b>353173</b>	<b>7014</b>	<b>3403</b>		<b>10417</b>	<b>345659</b>	<b>342756</b>
<b>Capital assets</b>										
Land, premises, buildings*	7284609			7284609	2931607	42572		2974179	4353002	4310430
Equipment and machinery	5848019	61114	(24197)	5884936	2489285	218519	(24197)	2683607	3358734	3201329
Other capital assets	264678	7583	(2259)	270002	198603	28971	(2259)	225315	66075	44687
Creation of capital assets	724287	5992	(82060)	648219					724287	648219
Advance payments for capital assets	36856		(36856)						36856	
<b>Total</b>	<b>14158449</b>	<b>74689</b>	<b>(145372)</b>	<b>14087766</b>	<b>5619495</b>	<b>290062</b>	<b>(26456)</b>	<b>5883101</b>	<b>8538954</b>	<b>8204665</b>
<b>Long-term fin. investm.</b>										
Partnership in capital of associated companies	59927			59927					59927	59927
<b>Total</b>	<b>59927</b>			<b>59927</b>					<b>59927</b>	<b>59927</b>
<b>In total</b>	<b>14571049</b>	<b>75189</b>	<b>(145372)</b>	<b>14500866</b>	<b>5626509</b>	<b>293465</b>	<b>(26456)</b>	<b>5893518</b>	<b>8944540</b>	<b>8607348</b>

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

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.09	Purchase	Removed	Remaining amount as at 30.09.09	Remaining amount as at 01.01.09	Calculated	Removed	Remaining amount as at 30.09.09	01.01.09	30.09.09
<b>Intangible assets</b>										
Devel.costs	485585			485585					485585	485585
Licenses and other	1618			1618	1025	343		1368	593	250
Software	14606	711		15317	8956	4498		13454	5650	1863
<b>Total</b>	<b>501809</b>	<b>711</b>		<b>502520</b>	<b>9981</b>	<b>4841</b>		<b>14822</b>	<b>491828</b>	<b>487698</b>
<b>Capital assets</b>										
Land, premises, buildings*	10365065			10365065	4171301	60575		4231876	6193764	6133189
Equipment and machinery	8320982	86957	(34429)	8373510	3541934	310924	(34429)	3818429	4779048	4555081
Other capital assets	376603	10790	(3214)	384179	282587	41222	(3214)	320595	94016	63584
Creation of capital assets	1030568	8526	(116761)	922333					1030568	922333
Advance payments for capital assets	52441		(52441)						52441	
<b>Total</b>	<b>20145659</b>	<b>106273</b>	<b>(206845)</b>	<b>20045087</b>	<b>7995822</b>	<b>412721</b>	<b>(37643)</b>	<b>8370900</b>	<b>12149837</b>	<b>11674187</b>
<b>Long-term fin. investm.</b>										
Partnership in capital of associated companies	85268			85268					85268	85268
<b>Total</b>	<b>85268</b>			<b>85268</b>					<b>85268</b>	<b>85268</b>
<b>In total</b>	<b>20732736</b>	<b>106984</b>	<b>(206845)</b>	<b>20632875</b>	<b>8005803</b>	<b>417562</b>	<b>(37643)</b>	<b>8385722</b>	<b>12726933</b>	<b>12247153</b>

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	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Debts of customers and clients	5403859	4495447	7688999	6396445
Provisions for doubtful debtors	(9724)	(12049)	(13836)	(17144)
<b>Total</b>	<b>5394135</b>	<b>4483398</b>	<b>7675163</b>	<b>6379301</b>

**Note No. 12 – Other debtors**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Demand calculations for personnel	9534	3273	13566	4657
Taxes paid in advance	1631	6033	2321	8584
Overpaid taxes	233	155870	332	221783
Advance payments for services		123095		175148
Interest income		18400		26181
Rental debts	15671		22298	
Other	4617	8865	6568	12614
<b>Total</b>	<b>31686</b>	<b>315536</b>	<b>45085</b>	<b>448967</b>

**Note No. 13 – Costs of the following periods**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Expenses for development of new techniques	42659		60698	
Insurance	8483	2119	12071	3015
Annual anti-virus program licenses	857	1585	1219	2255
Long-term visas		912		1298
Other		81		115
<b>Total</b>	<b>51999</b>	<b>4697</b>	<b>73988</b>	<b>6683</b>

**Note No. 14 – Other securities and partnership in capitals**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Simple bill of exchange	1641438	1600000	2335556	2276595

**Note No. 15 – Cash**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Current accounts in banks	6248	3973	8890	5653

**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	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. 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
<b>Total</b>	<b>5799005</b>	<b>5799005</b>	<b>8251241</b>	<b>8251241</b>

Notes (cont.)

**Note No. 17 – Other provisions**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Holiday provisions	200153	189406	284792	269500

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

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
<b>Latvian credit institutions, loan agreement, including</b>	<b>614483</b>	<b>876993</b>	<b>874331</b>	<b>1247848</b>
Long-term debt		657746		935888
Short-term debt	614483	219247	874331	311960
<b>Latvian credit institutions, credit line agreement, including</b>	<b>7815424</b>	<b>5532923</b>	<b>11120346</b>	<b>7872641</b>
Short-term debt	7815424	5532923	11120346	7872641

**Note No. 19 – Other loans**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
<b>Leasing agreements, including</b>	<b>920574</b>	<b>1035602</b>	<b>1309859</b>	<b>1473529</b>
Long-term debt	818198	10832	1164191	15413
Short-term debt	102376	1024770	145668	1458116

**Note No. 20 – Advances received from customers**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Local customers		27691		39401
Foreign customers	133		189	
<b>Total</b>	<b>133</b>	<b>27691</b>	<b>189</b>	<b>39401</b>

**Note No. 21 – Debts to suppliers and contractors**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Local suppliers	1888372	2030515	2686912	2889162
Foreign suppliers	554585	639749	789103	910281
<b>Total</b>	<b>2442957</b>	<b>2670264</b>	<b>3476015</b>	<b>3799443</b>

**Note No. 22 – Taxes and social insurance contributions**

Indicators	30.09.09. LVL	30.09.08. LVL	30.09.09. EUR	30.09.08. EUR
Personal income tax	928835	317756	1321613	452126
Mandatory social insurance contributions	1473809	787746	2097041	1120862
Natural resources tax	1318	3391	1875	4825
Real estate tax on land	3393	33	4828	47
Real estate tax on premises (buildings)	19602	22487	27891	31996
Value added tax		43644		62100
State business risk fee	193	341	275	485
<b>Total</b>	<b>2427150</b>	<b>1175398</b>	<b>3453523</b>	<b>1672441</b>



Notes (cont.)

**Note No. 23 – Other creditors**

<b>Indicators</b>	<b>30.09.09. LVL</b>	<b>30.09.08. LVL</b>	<b>30.09.09. EUR</b>	<b>30.09.08. EUR</b>
Salary debt	654581	606591	931385	863103
Support payments	2466	1724	3509	2453
Trade union membership fee	14115	11061	20084	15738
Other	7908	3945	11251	5613
<b>Total</b>	<b>679070</b>	<b>623321</b>	<b>966229</b>	<b>886907</b>

Chair of the Board

G. Uspenskis

16 November 2009