

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

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

**ANNUAL REPORT FOR 3 MONTHS  
OF THE YEAR 2010  
(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	Mihails Morozs (from 19.04.2010)
Board Members	Igors Ruļovs (from 12.05.2009) Aleksandra Dormidontova (from 19.04.2010) Anatolijs Ostaščenko (from 19.04.2010) Aleksandrs Suvorkins (from 19.04.2010)
Accounting period	1 January 2010 – 31 March 2010
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 3 MONTHS OF 2010**

No.	Items	Line code	Note	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
1	Net turnover	010	1	1862585	4121337	2650220	5864134
2	Production costs of the goods sold	020	2	(2182249)	(4231777)	(3105061)	(6021276)
3	<b>Gross profit or loss</b>	030		<b>(319664)</b>	<b>(110440)</b>	<b>(454841)</b>	<b>(157142)</b>
4	Selling expenses	040	3	(61833)	(164350)	(87980)	(233849)
5	Administration expenses	050	4	(451766)	(601685)	(642805)	(856121)
6	Other operating income	060	5	348362	39707	495674	56498
7	Other operating expenses	070	6	(62175)	(292466)	(88467)	(416142)
8	Other interest income and similar income	100			1		1
9	Other interest payments and similar expenses	120	7	(145643)	(99887)	(207231)	(142126)
10	Profit or loss before extraordinary items and taxes	130		(692719)	(1229120)	(985650)	(1748881)
11	Profit or loss before tax	160		(692719)	(1229120)	(985650)	(1748881)
12	Other taxes	190	9	(8563)	(22814)	(12184)	(32461)
13	Profit or loss of the accounting period	200		<b>(701282)</b>	<b>(1251934)</b>	<b>(997834)</b>	<b>(1781342)</b>

EPS (earnings per share)	(0,12)	(0,22)	(0,17)	(0,31)
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**BALANCE SHEET FOR 3 MONTHS OF 2010**

<b>A S S E T S</b>	<b>Line code</b>	<b>Note</b>	<b>31.03.10. LVL</b>	<b>31.03.09. LVL</b>	<b>31.03.10. EUR</b>	<b>31.03.09. EUR</b>
<b>1. LONG-TERM INVESTMENTS</b>		9				
<b>I. Intangible investments</b>						
1. Development costs	010		170636	341271	242793	485585
2. Concessions, licences and similar rights	020		60	333	85	474
3. Other intangible investments	021		297	3319	423	4723
<b>I. Total</b>	<b>050</b>		<b>170993</b>	<b>344923</b>	<b>243301</b>	<b>490782</b>
<b>II. Fixed assets</b>						
1. Land plots, buildings, constructions	060		4282198	4338774	6093019	6173519
2. Equipment and machinery	080		3116273	3303612	4434057	4700616
3. Other fixed assets and inventory	090		36161	60465	51452	86034
4. Creation of fixed assets	100		594797	724059	846320	1030243
<b>II. Total</b>	<b>120</b>		<b>8029429</b>	<b>8426910</b>	<b>11424848</b>	<b>11990412</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>8260349</b>	<b>8831760</b>	<b>11753417</b>	<b>12566462</b>
<b>2. CURRENT ASSETS</b>						
<b>I. Stocks</b>						
1. Raw materials, direct materials and auxiliary materials	230		2187243	2519001	3112166	3584216
2. Unfinished products	240		1863453	2009535	2651455	2859311
3. Finished products and goods for sale	250		161686	438786	230058	624336
4. Prepayments for goods	270		256539	294771	365022	419421
<b>I. Total</b>	<b>290</b>		<b>4468921</b>	<b>5262093</b>	<b>6358701</b>	<b>7487284</b>
<b>II. Debtors</b>						
1. Debts of buyers and customers	300	10	4573956	7761874	6508153	11044152
2. Debts of affiliated companies	320		527		750	
3. Other debtors	330	11	36737	344692	52272	490452
4. Deferred expenses	360	12	128927	134776	183447	191769
<b>II. Total</b>	<b>370</b>		<b>4740147</b>	<b>8241342</b>	<b>6744622</b>	<b>11726373</b>
<b>III. Securities and participation in capitals</b>						
1. Other securities	400	13	1964792	1600000	2795647	2276595
<b>III. Total</b>	<b>410</b>		<b>1964792</b>	<b>1600000</b>	<b>2795647</b>	<b>2276595</b>
<b>IV. Cash</b>	<b>420</b>	<b>14</b>	<b>11115</b>	<b>64385</b>	<b>15815</b>	<b>91612</b>
<b>II. PART TOTAL AMOUNT</b>	<b>430</b>		<b>11184975</b>	<b>15167820</b>	<b>15914785</b>	<b>21581864</b>
<b>B A L A N C E</b>	<b>440</b>		<b>19445324</b>	<b>23999580</b>	<b>27668202</b>	<b>34148326</b>

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 3 months of the year 2010

**BALANCE SHEET FOR 3 MONTHS OF 2010**

LIABILITIES	Line code	Note	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
<b>1. SHAREHOLDERS' EQUITY</b>						
1. Share capital (capital stock)	450	15	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		264632	187436	376537	266697
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		(2380080)	1810813	(3386549)	2576555
b) Undivided profit of the accounting year	540		(701282)	(1251934)	(997834)	(1781342)
<b>1. PART TOTAL AMOUNT</b>	550		<b>3175197</b>	<b>6738242</b>	<b>4517898</b>	<b>9587654</b>
<b>2. PROVISIONS</b>						
1. Other provisions	580	16	184707	200153	262814	284792
<b>2. PART TOTAL AMOUNT</b>	590		<b>184707</b>	<b>200153</b>	<b>262814</b>	<b>284792</b>
<b>3. CREDITORS</b>						
<b>I. Long-term creditors</b>						
1. Other loans	630	18	553886	822619	788109	1170481
2. Deferred tax liabilities	731		248198	254776	353154	362514
I. Total	740		<b>802084</b>	<b>1077395</b>	<b>1141263</b>	<b>1532995</b>
<b>II. Short-term creditors</b>						
1. Loans from credit institutions	770	17	8005168	8528576	11390328	12135070
2. Other loans	780	18	507389	234458	721950	333604
3. Advance payments received from buyers	790	19	250	2531	356	3601
4. Debts to suppliers and contractors	800	20	3095512	3905945	4404515	5557659
5. Debts to affiliated companies	830		2689		3826	
6. Taxes and social security payments	840	21	2745575	2214633	3906601	3151139
7. Other creditors	850	22	926753	1097647	1318651	1561812
II. Total	890		<b>15283336</b>	<b>15983790</b>	<b>21746227</b>	<b>22742885</b>
<b>3. PART TOTAL AMOUNT</b>	900		<b>16085420</b>	<b>17061185</b>	<b>22887490</b>	<b>24275880</b>
<b>BALANCE</b>	910		<b>19445324</b>	<b>23999580</b>	<b>27668202</b>	<b>34148326</b>

**CASH FLOW STATEMENT FOR 3 MONTHS OF 2010** (prepared by indirect method)

**I. Cash flow from operating activities**

	Items	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
1	Profit or loss before extraordinary items and taxes	(692719)	(1229120)	(985650)	(1748881)
	<b>ADJUSTMENTS</b>				
	Depreciation of fixed assets	88117	97208	125379	138315
	Amortization of intangible investment value	393	1237	559	1760
	Profit or loss from fluctuations of currency exchange rates	(305053)	239845	(434051)	341269
	Amounts written off fixed assets	107	95	152	135
	Reserve for revaluation of long-term investments		(64)		(91)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	<b>(909155)</b>	<b>(890799)</b>	<b>(1293611)</b>	<b>(1267493)</b>
	<b>ADJUSTMENTS</b>				
	Increase or decrease of balance of receivables	371735	(787782)	528931	(1120913)
	Increase or decrease of balance of inventories	(505650)	1124688	(719475)	1600287
	Increase or decrease of deferred expenses	47057	42658	66956	60697
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	1563984	621163	2225349	883835
	Expenses for tax payments	(23076)	(48589)	(32834)	(69136)
3	Gross cash flow from operating activities	<b>544895</b>	<b>61339</b>	<b>775316</b>	<b>87277</b>
4	Cash flow before extraordinary items	<b>544895</b>	<b>61339</b>	<b>775316</b>	<b>87277</b>
I	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>544895</b>	<b>61339</b>	<b>775316</b>	<b>87277</b>

**II. Cash flow from investing activities**

	Items	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
1	Purchase of fixed assets and intangible investments	(2844)	(22616)	(4047)	(32180)
II	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(2844)</b>	<b>(22616)</b>	<b>(4047)</b>	<b>(32180)</b>

**III. Cash flow from financing activities**

	Items	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
1	Expenses for repayment of loans	(507157)	(442545)	(721619)	(629685)
2	Expenses for repurchase of leased fixed assets	(97667)	(25280)	(138968)	(35970)
III	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(604824)</b>	<b>(467825)</b>	<b>(860587)</b>	<b>(665655)</b>

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

	Items	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
I	Net cash flow from operating activities	544895	61339	775316	87277
II	Net cash flow from investing activities	(2844)	(22616)	(4047)	(32180)
III	Net cash flow from financing activities	(604824)	(467825)	(860587)	(665655)
	Result of fluctuations of currency exchange rates	(3300)	(29785)	(4696)	(42379)
	Net cash flow of the accounting period	<b>(66073)</b>	<b>(458887)</b>	<b>(94014)</b>	<b>(652937)</b>
	Cash and its equivalents in the beginning of the accounting period	<b>77188</b>	<b>523272</b>	<b>109829</b>	<b>744549</b>
	Cash and its equivalents at the end of the accounting period	<b>11115</b>	<b>64385</b>	<b>15815</b>	<b>91612</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2010, LVL**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2008.g.</b>	<b>5799005</b>	<b>187500</b>	<b>192922</b>	<b>1810813</b>	<b>7990240</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(64)			(64)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				(1251934)	(1251934)
<b>4. Balance as of 31.03.2009.g.</b>	<b>5799005</b>	<b>187436</b>	<b>192922</b>	<b>558879</b>	<b>6738242</b>
<b>5. Balance as of 31.12.2009.g.</b>	<b>5799005</b>	<b>264632</b>	<b>192922</b>	<b>(2380080)</b>	<b>3876479</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets					
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(701282)	(701282)
<b>8. Balance as of 31.03.2010.g.</b>	<b>5799005</b>	<b>264632</b>	<b>192922</b>	<b>(3081362)</b>	<b>3175197</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2010, EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2008.g.</b>	<b>8251241</b>	<b>266788</b>	<b>274503</b>	<b>2576555</b>	<b>11369087</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(91)			(91)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				(1781342)	(1781342)
<b>4. Balance as of 31.03.2009.g.</b>	<b>8251241</b>	<b>266697</b>	<b>274503</b>	<b>795213</b>	<b>9587654</b>
<b>5. Balance as of 31.12.2009.g.</b>	<b>8251241</b>	<b>376537</b>	<b>274503</b>	<b>(3386549)</b>	<b>5515732</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets					
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(997834)	(997834)
<b>8. Balance as of 31.03.2010.g.</b>	<b>8251241</b>	<b>376537</b>	<b>274503</b>	<b>(4384383)</b>	<b>4517898</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 31.03.2010 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 31.03.2010. : 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 2009 warranty repair costs accounted for LVL 41094 (EUR 58471), which is only 0.38% 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 3 MONTHS OF 2010**

**Note No. 1 – Net turnover**

Country	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Latvia	682909	925537	971693	1316920
Russia	1130639	2967787	1608754	4222780
British Virgin Islands		210841		300000
Ukraine	32440	4065	46158	5784
Sweden	16597	13107	23615	18650
<b>Total</b>	<b>1862585</b>	<b>4121337</b>	<b>2650220</b>	<b>5864134</b>

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

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Salaries	575236	1246347	818487	1773392
Social insurance contributions	135401	293525	192658	417648
Costs of materials	1024874	2124356	1458264	3022686
Energy resources	249846	365067	355499	519444
Depreciation of capital assets and intangible assets	76586	87073	108972	123894
Business trip costs	3642	5167	5182	7352
Repair costs and remuneration for works from outside	54871	27676	78074	39379
Development costs	42659	42659	60698	60698
Other costs	19134	39907	27225	56783
<b>Total</b>	<b>2182249</b>	<b>4231777</b>	<b>3105059</b>	<b>6021276</b>

**Note No. 3 – Selling costs**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Packing material and package	25629	58751	36467	83595
Transportation expenses	23439	79309	33351	112847
Salaries	10275	21169	14620	30121
Social insurance contributions	2475	5024	3522	7149
Other selling costs	15	97	20	137
<b>Total</b>	<b>61833</b>	<b>164350</b>	<b>87980</b>	<b>233849</b>

**Note No. 4 – Administrative costs**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Communications costs	5667	6137	8063	8732
Cash circulation and expense and extra costs	6229	2335	8863	3322
Transportation expenses	5346	1203	7607	1712
Representation expenses	967	1590	1376	2262
Salaries	288499	399405	410497	568302
Social insurance contributions	68178	93320	97009	132782
Costs of materials		2489		3542
Energy resources	11729	13043	16689	18559
Depreciation of capital assets	8236	13467	11719	19162
Business trip costs	12195	17009	17352	24202
Security services	31944	41863	45452	59566
Year's payment to Stock Exchange of Riga	2500		3557	
Other administrative costs	10276	9824	14621	13978
<b>Total</b>	<b>451766</b>	<b>601685</b>	<b>642805</b>	<b>856121</b>

Notes (cont.)

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

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Profit gained as a result of other sales (materials, lease, other)	34205	22635	48669	32207
Penalty and contractual penalties	94		134	
Remaining amounts of removal of capital assets, materials	248	465	353	662
Income related to maintenance of social sphere	8762	11365	12467	16171
Decrease in revaluation reserve of capital assets		64		91
Income from fluctuations of exchange rates	305053		434051	
Other income		5178		7367
<b>Total</b>	<b>348362</b>	<b>39707</b>	<b>495674</b>	<b>56498</b>

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

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Penalty and contractual penalties	25193		35846	
Costs related to maintenance of social sphere	14251	19365	20277	27554
Costs not related to operating activities of the Company	21286	33161	30287	47184
Losses from converting currency		212		302
Removal of capital assets	107	95	152	135
Losses from fluctuations of exchange rates		239633		340967
Loss from previous year	1338		1905	
<b>Total</b>	<b>62175</b>	<b>292466</b>	<b>88467</b>	<b>416142</b>

**Note No. 7 – Other interest payments and similar costs**

Indicator	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Loan agreements	56961	12991	81048	18485
Leasing agreements	9655	1143	13738	1626
Credit line agreements	79027	85753	112445	122015
<b>Total</b>	<b>145643</b>	<b>99887</b>	<b>207231</b>	<b>142126</b>

**Note No. 8 – Other taxes**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Real estate tax on premises (buildings)	4209	19448	5989	27672
Real estate tax on land	4354	3366	6195	4789
<b>Total</b>	<b>8563</b>	<b>22814</b>	<b>12184</b>	<b>32461</b>

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"  
Non-audited Annual Report for 3 months of the year 2010

Notes (cont.)

**NOTES TO BALANCE SHEET FOR THE 3 MONTHS OF 2010**

**Note No. 9 – Statement of movement of long-term investments, LVL**

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.10	Purchase	Removed	Remaining amount as at 31.03.10	Remaining amount as at 01.01.10	Calculated	Removed	Remaining amount as at 31.03.10	01.01.10	31.03.10.
<b>Intangible investments</b>										
Devel.costs	170636			170636					170636	170636
Licences and other	1137		(837)	300	1041	36	(837)	240	96	60
Software	10765			10765	10111	357		10468	654	297
<b>Total</b>	<b>182538</b>		<b>(837)</b>	<b>181701</b>	<b>11152</b>	<b>393</b>	<b>(837)</b>	<b>10708</b>	<b>171386</b>	<b>170993</b>
<b>Capital assets</b>										
Land, premises, buildings*	6980378			6980378	2684028	14152		2698180	4296350	4282198
Equipment and machinery	5904076	38333	(5126)	5937283	2755661	70368	(5019)	2821010	3148415	3116273
Other capital assets	269623	104		269727	229969	3597		233566	39654	36161
Creation of capital assets	630390	1379	(36972)	594797					630390	594797
<b>Total</b>	<b>13784467</b>	<b>39816</b>	<b>(42098)</b>	<b>13782185</b>	<b>5669658</b>	<b>88117</b>	<b>(5019)</b>	<b>5752756</b>	<b>8114809</b>	<b>8029429</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>14026932</b>	<b>39816</b>	<b>(42935)</b>	<b>14023813</b>	<b>5680810</b>	<b>88510</b>	<b>(5856)</b>	<b>5763464</b>	<b>8346122</b>	<b>8260349</b>

**Note No. 9 – Statement of movement of long-term investments, EUR**

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.10	Purchase	Removed	Remaining amount as at 31.03.10	Remaining amount as at 01.01.10	Calculated	Removed	Remaining amount as at 31.03.10	01.01.10	31.03.10
<b>Intangible assets</b>										
Devel.costs	242793			242793					242793	242793
Licences and other	1618		(1191)	427	1482	51	(1191)	342	136	85
Software	15317			15317	14387	507		14894	930	423
<b>Total</b>	<b>259728</b>		<b>(1191)</b>	<b>258537</b>	<b>15869</b>	<b>558</b>	<b>(1191)</b>	<b>15236</b>	<b>243859</b>	<b>243301</b>
<b>Capital assets</b>										
Land, premises, buildings*	9932183			9932183	3819028	20136		3839164	6113155	6093019
Equipment and machinery	8400743	54543	(7294)	8447992	3920953	100123	(7141)	4013935	4479790	4434057
Other capital assets	383639	148		383787	327216	5119		332335	56423	51452
Creation of capital assets	896964	1962	(52606)	846320					896964	846320
<b>Total</b>	<b>19613529</b>	<b>56653</b>	<b>(59900)</b>	<b>19610282</b>	<b>8067197</b>	<b>125378</b>	<b>(7141)</b>	<b>8185434</b>	<b>11546332</b>	<b>11424848</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>19958525</b>	<b>56653</b>	<b>(61091)</b>	<b>19954087</b>	<b>8083066</b>	<b>125936</b>	<b>(8332)</b>	<b>8200670</b>	<b>11875459</b>	<b>11753417</b>

In 2009 assessed value of the premises accounted for LVL 7 784 197 (EUR 11 075 914), assessed value of the plot accounted for LVL 3 965 648 (EUR 5 642 609).

Notes (cont.)

**Note No. 10 – Debts of customers and clients**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Debts of customers and clients	4584781	7771476	6523556	11057814
Provisions for doubtful debtors	(10825)	(9602)	(15403)	(13662)
<b>Total</b>	<b>4573956</b>	<b>7761874</b>	<b>6508153</b>	<b>11044152</b>

**Note No. 11 – Other debtors**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Demand calculations for personnel	7111	695	10118	989
Taxes paid in advance	2679	4006	3812	5700
Overpaid taxes		260711		370958
Interest income (bill of exchange)		18400		26181
Rental debts	21505	12680	30599	18042
Other	5442	48200	7743	68582
<b>Total</b>	<b>36737</b>	<b>344692</b>	<b>52272</b>	<b>490452</b>

**Note No. 12 – Costs of the following periods**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Press subscription		140		199
Insurance	381	3617	542	5147
Expenses for development of new techniques	127977	127977	182096	182095
Annual anti-virus program licences	389	1585	553	2255
Other	180	1457	256	2073
<b>Total</b>	<b>128927</b>	<b>134776</b>	<b>183447</b>	<b>191769</b>

**Note No. 13 – Other securities and partnership in capitals**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Short-term loan	1964792	1600000	2795647	2276595

**Note No. 14 – Cash**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Current accounts in banks	11115	64385	15815	91612

**Note No. 15 – Stock capital (fixed capital)**

Total number of stocks of AS "RER" is 5799005 shares. A nominal value of each share is LVL 1.00.  
The Company's fixed capital is LVL 5799005, which is split into: 5799005 regular voting shares.

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

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. 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. 16 – Other provisions**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Holiday provisions	184707	200153	262814	284792

**Note No. 17 – Long-term and short-term loans from credit institutions**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
<b>Latvian credit institutions, loan agreement, including</b>	<b>3058320</b>	<b>802834</b>	<b>4351597</b>	<b>1142330</b>
Short-term debt	3058320	802834	4351597	1142330
<b>Latvian credit institutions, credit line agreement, including</b>	<b>4946848</b>	<b>7725742</b>	<b>7038731</b>	<b>10992740</b>
Short-term debt	4946848	7725742	7038731	10992740

**Note No. 18 – Other loans**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
<b>Leasing agreements, including</b>	<b>765444</b>	<b>1057077</b>	<b>1089129</b>	<b>1504085</b>
Long-term debt	553886	822619	788109	1170481
Short-term debt	211558	234458	301020	333604
<b>Other loans, including</b>	<b>295831</b>		<b>420930</b>	
Short-term debt	295831		420930	

**Note No. 19 – Advances received from customers**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Local customers		2531		3601
Foreign customers	250		356	
<b>Total</b>	<b>250</b>	<b>2531</b>	<b>356</b>	<b>3601</b>

**Note No. 20 – Debts to suppliers and contractors**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Local suppliers	2028791	3073688	2886708	4373464
Foreign suppliers	1066721	832257	1517807	1184195
<b>Total</b>	<b>3095512</b>	<b>3905945</b>	<b>4404515</b>	<b>5557659</b>

**Note No. 21 – Taxes and social insurance contributions**

Indicators	31.03.10. LVL	31.03.09. LVL	31.03.10. EUR	31.03.09. EUR
Personal income tax	1109464	826243	1578625	1175638
Mandatory social insurance contributions	1587992	1384299	2259509	1969680
Value added tax	10132		14417	
Natural resources tax	3352	3834	4769	5455
Real estate tax on land	8065		11475	
Real estate tax on premises (buildings)	26377		37531	
State business risk fee	193	257	275	366
<b>Total</b>	<b>2745575</b>	<b>2214633</b>	<b>3906601</b>	<b>3151139</b>



Notes (cont.)

**Note No. 22 – Other creditors**

<b>Indicators</b>	<b>31.03.10. LVL</b>	<b>31.03.09. LVL</b>	<b>31.03.10. EUR</b>	<b>31.03.09. EUR</b>
Salary debt	908887	1076270	1293230	1531394
Support payments	5273	3180	7503	4525
Trade union membership fee	12593	13380	17918	19038
Other		4817		6855
<b>Total</b>	<b>926753</b>	<b>1097647</b>	<b>1318651</b>	<b>1561812</b>

Chair of the Board

M. Morozs

24 May 2010