

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

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

**CONSOLIDATED ANNUAL REPORT FOR 6 MONTHS
OF THE YEAR 2013
(NON-AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

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INFORMATION ABOUT THE PARENT 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	
The parent Company Council :		
Chairperson of the Council	Oleg Domskiy	from 12.07.12
	Mikhail Khromov	until 12.07.12.
Vice-Chairperson of the Council	Andrey Petrov	from 12.07.12.
	Oleg Domskiy	until 12.07.12.
Council Members	Andrey Isaev	
	Ekaterina Chamkina	from 12.07.12.
	Sergey Goncharov	until 12.07.12.
	Andrey Petrov	until 12.07.12.
	Yaroslav Kolesnik	until 12.07.12.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
Board Members	Aleksandrs Suvorkins	from 19.04.10.
	Fedor Dudkin	from 21.06.11 until 27.06.12.
	Rita Kargina	from 21.06.11 until 27.06.12.
	Olga Pētersone	from 27.06.12.
	Maxim Savenkov	from 27.06.12.
	Mihails Morozs	from 15.03.11 until 22.11.12.
Accounting period	1 January 2013 – 30 June 2013	
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor Ē. Figurnovs Certified auditor's certificate No. 38	
Subsidiary (daughter) companies	SIA „LatTransKomplekt”, reģ. Nr. 40103287324 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 2 000 (2 846 EUR) Shares – 100 % Liquidated from 15.07.13. AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 3 925 300 (5 585 199 EUR) Shares – 98.5 %	

MANAGEMENT REPORT

Business activities of the Holding Company during the 1st half of 2013

Basic business activities of the Holding Company are manufacturing of electric machines and machinery. The main types of products are as follows:

- Electrical equipment for electric trains;
- Electric equipment for passenger cars;
- Electric equipment for metro cars;
- Cast products.

In the first half of 2013 the net turnover of the Holding Company accounted for LVL 12 594 903 (EUR 17 920 932).

During the first half of 2013 the Holding Company sustained profit in the amount of LVL 1 704 230 (EUR 2 424 901) before tax deduction, after tax deduction – LVL 1 656 239 (EUR 2 356 616).

The economic indicators of the Holding Company

In the first half of 2013 the Autonomy indicator (equity / entire capital) was 0.45, Proportion coefficient of loans and equity (loans / equity) was 1.23, Total liquidity indicator (current assets / short-term liabilities) was 1.63, Profitability indicator of the basic business activities (profit from the basic business activities / net turnover, %) was 16.52%, Net profitability indicator (net profit / net turnover, %) was 13.15%.

Other indicators

In the first half of 2013 the average number of employees was 972 people. In the first half of 2013 the average monthly salary was LVL 597 (EUR 849) .

The Holding Company has to fulfill environmental protection requirements while carrying out its operating activities. In order to comply with the said requirements the Company conducts the relevant activities on a regular basis, yet proportion of costs related to those activities is not significant in the total production cost price.

Risk factors related to the business activities of the Holding Company

Financial risks have been characterized on pages 12 and 13 in notes to financial statements of the annual report.

Events after the date of balance sheet

On July 15, 2013 the course of reorganization of the subsidiary company 'LatTransKomplekt' Ltd by means to its takeover by the parent company, the Holding JSC 'Riga Electric Machine Building' was completed.

Further development of the Holding Company

The Holding arranges to continue conversion of the manufacture for launching drives for electric trains, metro trains, automotive vehicles using asynchronous motors.

On behalf of the Holding Company,

Chairperson of the Board

N. Erohova

29 August 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2013

No.	Items	Note	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1	Net turnover	1	12594903	13075538	17920932	18604814
2	Production costs of the goods sold	2	(9217058)	(9810220)	(13114692)	(13958685)
3	Gross profit or loss		3377845	3265318	4806240	4646129
4	Selling expenses	3	(250259)	(264365)	(356086)	(376158)
5	Administration expenses	4	(1046306)	(1066480)	(1488759)	(1517464)
6	Other operating income	5	553068	379815	786945	540428
7	Other operating expenses	6	(801481)	(603024)	(1140405)	(858026)
8	Other interest income and similar income		22		31	
9	Other interest payments and similar expenses	7	(128659)	(269438)	(183065)	(383376)
10	Profit or loss before extraordinary items and taxes		1704230	1441826	2424901	2051533
11	Profit or loss before tax		1704230	1441826	2424901	2051533
12	Other taxes	8	(47991)	(55763)	(68285)	(79344)
13	Profit or loss of the accounting period		1656239	1386063	2356616	1972189

EPS (earnings per share)	0.29	0.24	0.41	0.34
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CONSOLIDATED BALANCE SHEET FOR 6 MONTHS OF 2013

A S S E T S	Note	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1. LONG-TERM INVESTMENTS					
I. Intangible investments	9				
1. Development costs			68254		97117
2. Concessions, licences and similar rights		131190		186667	
3. Other intangible investments		2236	8484	3182	12072
I. Total		133426	76738	189849	109189
II. Fixed assets	9				
1. Land plots, buildings, constructions		4346260	4188287	6184171	5959396
2. Equipment and machinery		2881070	2751853	4099393	3915534
3. Other fixed assets and inventory		124424	26721	177039	38021
4. Creation of fixed assets		310156	650811	441312	926021
II. Total		7661910	7617672	10901915	10838972
III. Long-term financial investments					
1. Own shares		10227		14552	
2. Other long-term debtors	10	5128509		7297211	
3. Deferred tax assets		1979		2816	
III. Total		5140715		7314579	
I. PART TOTAL AMOUNT		12936051	7694410	18406343	10948161
2. CURRENT ASSETS					
I. Stocks					
1. Raw materials, direct materials and auxiliary materials		2262054	2252000	3218613	3204307
2. Unfinished products		1616282	1310552	2299762	1864747
3. Finished products and goods for sale		724981	229250	1031555	326193
4. Prepayments for goods		215898	433889	307195	617368
I. Total		4819215	4225691	6857125	6012615
II. Debtors					
1. Debts of buyers and customers	11	2381017	4694743	3387882	6680017
2. Other debtors	12	326223	127971	464173	182085
3. Deferred expenses	13	149312	37916	212452	53950
II. Total		2856552	4860630	4064507	6916052
IV. Cash	14	2023	367410	2878	522777
II. PART TOTAL AMOUNT		7677790	9453731	10924510	13451444
B A L A N C E		20613841	17148141	29330853	24399605

Appendices to financial statements on pages 10 – 18 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET FOR 6 MONTHS OF 2013

LIABILITIES	Note	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1. SHAREHOLDERS' EQUITY					
1. Share capital (capital stock)	15	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments		207390	212791	295089	302774
3. Other provisions		192922	192922	274503	274503
4. Undivided profit:					
a) Undivided profit of previous years		577656	(3719278)	821930	(5292056)
b) Undivided profit of the accounting year		1656239	1386063	2356616	1972189
1. PART TOTAL AMOUNT		8433212	3871503	11999379	5508651
2. PROVISIONS					
1. Other provisions	16	817514	451721	1163218	642741
2. PART TOTAL AMOUNT		817514	451721	1163218	642741
3. CREDITORS					
I. Long-term creditors					
1. Loans from credit institutions	17	5021535	5341873	7145001	7600801
2. Other loans	18	611439	757494	869999	1077817
3. Other creditors	19	746288	1027695	1061872	1462278
4. Deferred tax liabilities		271895	215995	386872	307333
I. Total		6651157	7343057	9463744	10448229
II. Short-term creditors					
1. Loans from credit institutions	17	1840852	667734	2619296	950100
2. Other loans	18		110338		156997
3. Advance payments received from buyers	20	90194	83059	128335	118182
4. Debts to suppliers and contractors	21	1349840	1181992	1920649	1681823
5. Taxes and social security payments	22	1050739	3010076	1495067	4282952
6. Other creditors	19	380333	428661	541165	609930
II. Total		4711958	5481860	6704512	7799984
3. PART TOTAL AMOUNT		11363115	12824917	16168256	18248213
BALANCE		20613841	17148141	29330853	24399605

CONSOLIDATED CASH FLOW STATEMENT FOR 6 MONTHS OF 2013 (prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1	Profit or loss before extraordinary items and taxes	1704230	1441826	2424901	2051533
	ADJUSTMENTS				
	Depreciation of fixed assets	266824	164281	379656	233751
	Amortization of intangible investment value	12219	3407	17386	4848
	Gain from sales of fixed assets	(319776)	(8433)	(455000)	(11999)
	Profit or loss from fluctuations of currency exchange rates	128706	144260	183132	205263
	Amounts written off fixed assets	127317	44	181156	63
	Reserve for revaluation of long-term investments	(1715)	(2067)	(2440)	(2941)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	1917805	1743318	2728791	2480518
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	(1180018)	(880096)	(1679014)	(1252264)
	Increase or decrease of balance of inventories	(391185)	(178410)	(556606)	(253855)
	Increase or decrease of deferred expenses	(71280)	33935	(101422)	48285
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(1518093)	465430	(2160052)	662247
	Increase or decrease of accruals	330508	195626	470271	278351
	Expenses for tax payments	(47991)	(89730)	(68285)	(127674)
3	Gross cash flow from operating activities	(960254)	1290073	(1366317)	1835608
4	Cash flow before extraordinary items	(960254)	1290073	(1366317)	1835608
I	NET CASH FLOW FROM OPERATING ACTIVITIES	(960254)	1290073	(1366317)	1835608

II. Cash flow from investing activities

	Items	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1	Purchase of fixed assets and intangible investments	(243029)	(87242)	(345799)	(124134)
2	Income from sales of fixed assets and intangible investments	319776	8433	455000	11999
II	NET CASH FLOW FROM INVESTING ACTIVITIES	76747	(78809)	109201	(112135)

III. Cash flow from financing activities

	Items	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
1	Loans received	1398867		1990408	
2	Expenses for repayment of loans	(472479)	(667735)	(672277)	(950101)
3	Expenses for repurchase of leased fixed assets	(55169)	(110338)	(78498)	(156997)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	871219	(778073)	1239633	(1107098)

IV. Summary of cash inflow and outflow

	Items	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
I	Net cash flow from operating activities	(960254)	1290073	(1366317)	1835608
II	Net cash flow from investing activities	76747	(78809)	109201	(112135)
III	Net cash flow from financing activities	871219	(778073)	1239633	(1107098)
	Result of fluctuations of currency exchange rates	(50345)	(73580)	(71636)	(104695)
	Net cash flow of the accounting period	(62633)	359611	(89119)	511680
	Cash and its equivalents in the beginning of the accounting period	64656	7799	91997	11097
	Cash and its equivalents at the end of the accounting period	2023	367410	2878	522777

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2013, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2011.g.	5799005	214858	192922	(3719278)	2487507
2. Decrease of fixed assets		(2067)			(2067)
3. Income or loss of the accounting period in accordance with the profit and loss account				1386063	1386063
4. Balance as of 30.06.2012.g.	5799005	212791	192922	(2333215)	3871503
5. Balance as of 31.12.2012.g.	5799005	209105	192922	577656	6778688
6. Decrease of fixed assets		(1715)			(1715)
7. Income or loss of the accounting period in accordance with the profit and loss account				1656239	1656239
8. Balance as of 30.06.2013.g.	5799005	207390	192922	2233895	8433212

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2013, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2011.g.	8251241	305715	274503	(5292056)	3539403
2. Decrease of fixed assets		(2941)			(2941)
3. Income or loss of the accounting period in accordance with the profit and loss account				1972189	1972189
4. Balance as of 30.06.2012.g.	8251241	302774	274503	(3319867)	5508651
5. Balance as of 31.12.2012.g.	8251241	297530	274503	821930	9645204
6. Decrease of fixed assets		(2441)			(2441)
7. Income or loss of the accounting period in accordance with the profit and loss account				2356616	2356616
8. Balance as of 30.06.2013.g.	8251241	295089	274503	3178546	11999379

NOTES

GENERAL INFORMATION

Since 31.08.2012 after acquiring 100% shares of "LatTransKomplekt" Ltd, reg.No.40103287324, JSC "Riga Electric Machine Building Works" has become a holding company.

In December 2012 JSC "Riga Electric Machine Building Works" acquired 98.5% shares of JSC "Latvo", reg. No. 40003184975 capitalizing debt obligations of JSC "Latvo" to JSC "Riga Electric Machine Building Works".

Consolidated financial reports include the balance data of both (the Holding) JSC "Riga Electric Machine Building Works" (hereinafter referred to as JSC "RER") and its subsidiary companies of "LatTransKomplekt" Ltd, "Latvo" JSC.

The main activities of the holding company are electric machinery and equipment manufacturing.

ACCOUNTING POLICY

Principles of preparing the financial statement

The holding company's financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS). To apply these standards there were not made any significant changes in the Holding's financial principles.

The balance data of the consolidated financial report of the holding company, the parent company's financial report and the subsidiary company's financial reports are identical. Processing the financial report the subsidiary company of the Holding applies the same accounting methods and other regulations of valuation as the parent company of the Holding does.

In the course of consolidation all both mutual transactions and residual values that are in the frames of the Holding have been excluded.

The share of JSC 'RER' in the own capital of the subsidiary company as well as the investment of JSC 'RER' into the subsidiary company's capital have been mutually excluded. The negative equity arisen out from that mutual exclusion is included into the calculations of consolidated profit or of loss.

The share belonging to the minority group of shareholders of subsidiary company JSC 'Latvo' is not separately displayed because such shareholders of the minority group are shareholders of the parent company.

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.

Comparable Information

On 30.06.12 the non-consolidated data of JSC 'Riga Electric Machine Building Works' were submitted.

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.

Notes (cont.)

Accounting policy (cont.)

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.

	30.06.2013., LVL	30.06.2012., LVL	30.06.2013., EUR	30.06.2012., EUR
Unfinished construction objects	118011	118011	167915	167915
Costs of capital asset creation	192145	532800	273397	758106
Total	310156	650811	441312	926021

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. The reserves at the amount of LVL 164109 have been established for stocks of slow-turnover.

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.

Notes (cont.)

Accounting policy (cont.)

Profit made or loss incurred as a result of fluctuations of exchange rates has been reflected in the profit and loss account of the corresponding period.

Data of the Financial report that are represented in EUR are recalculated in conformity with the exchange rate set by the Bank of Latvia as of 30.06.2013. : 1 EUR – 0.702804.

	30.06.2013.g., LVL	30.06.2012.g., LVL
1 EUR	0.702804	0.702804
1 USD	0.539	0.562
1 RUB	0.0164	0.0171

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.

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 2012 warranty repair costs accounted for LVL 113 446 (EUR 68 571), which is only 0.43% 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.

Risk management

Risk management is an integral part of management process of the holding companies. Risk management in the holding companies is controlled by the Council and the Board of the parent company. In its activities holding companies follows the general principles of risk management listed below:

- The Company undertakes no major and uncontrollable risks regardless of related asset yield;
- Risk management methods applied by the Company are cautious, compliant with types and specifics of commercial activity of the Company and ensure efficient reduction of overall risk;
- Risk management is based upon awareness of all employees of the company about transactions and related risks being under their competence;
- The Company constantly enforces internal control after processes of commercial activities aimed to prevent risks related to compliance and consequence of financial and operative information, possibility of asset fraudulence and protection, efficiency of actions and information system and their compliance with regulatory documents, procedures and agreements.

Notes (cont.)

The most substantial risks holding companies is exposed to in the course of commercial activities, are financial risks:

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 rouble, 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 been significant.

Interest rate risk

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

Liquidity risk

The Holding 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 Holding 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 TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2013

Note No. 1 – Net turnover

Country	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Latvia	125513	660767	178589	940187
Russia	11993573	12146981	17065316	17283597
Ukraine	84379	67056	120061	95412
Byelorussia	146099	80153	207880	114047
United Kingdom	17952	112535	25543	160123
Slovenia	41313		58783	
Slovakia	183637		261292	
Other	2437	8046	3468	11448
Total	12594903	13075538	17920932	18604814

Note No. 2 – Production costs of products sold

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Salaries	2204086	2462456	3136132	3503759
Social insurance contributions	519937	581446	739804	827323
Costs of materials	4680164	5708104	6659274	8121900
Energy resources	600541	655437	854493	932603
Depreciation of capital assets and intangible assets	225658	143767	321082	204562
Business trip costs	37911	34186	53942	48642
Repair costs and remuneration for works from outside	164760	76488	234432	108833
Costs of production quality control	619481		881442	
Development costs	34127	34127	48558	48558
Other costs	130393	114209	185533	162505
Total	9217058	9810220	13114695	13958685

Notes (cont.)

Note No. 3 – Selling costs

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Packing material and package	27286	43454	38824	183546
Transportation expenses	160127	169294	227840	176721
Salaries	45598	41574	64880	44576
Social insurance contributions	10864	9932	15458	10629
Other selling costs	6384	111	9084	297
Total	250259	264365	356086	415769

Note No. 4 – Administrative costs

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Communications costs	8075	11233	11490	15983
Reimbursement for legal services	9816	25091	13967	35701
Cash circulation and expense and extra costs	8279	3527	11780	5018
Transportation expenses	5965	9141	8487	13006
Representation expenses	2000	3048	2846	4337
Salaries	693752	706386	987120	1005097
Social insurance contributions	158776	163788	225918	233049
Energy resources	19405	19731	27611	28075
Depreciation of capital assets	27384	20920	38964	29766
Business trip costs	16202	10413	23053	14816
Security services	69045	74609	98242	106159
Other administrative costs	27607	18593	39281	26457
Total	1046306	1066480	1488759	1517464

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

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Profit gained as a result of other sales (materials, lease, other)	93358	119295	132837	169741
Sale of capital assets	319776	8433	455000	11999
Income related to maintenance of social sphere	10412	13844	14815	19698
Decrease in revaluation reserve of capital assets	1715	2067	2440	2941
Writing off debts to suppliers and contractors		232282		330508
Joint financing of project	60867		86606	
Other income	5641	3894	8026	5541
Total	491769	379815	699724	540428

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

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Penalty and contractual penalties	29559	83163	42059	118330
Costs related to maintenance of social sphere	25157	23431	35795	33339
Costs not related to operating activities of the Company	34084	34623	48497	49264
Loss from fluctuations of exchange rates	128706	144460	183132	205548
Removal of capital assets	127317	44	181156	63
Write-off of bad debtors	4560	8147	6488	11592
Loss from previous year	4949		7042	
General accrual	350000	300000	498005	426862
Re-accreditation costs	21787		31000	
Other costs	14063	9156	20010	13028
Total	740182	603024	1053184	858026

Note No. 7 – Other interest payments and similar costs

Indicator	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Loan agreements	124802	262392	177577	373350
Leasing agreements	318	7046	452	10026
Credit line agreements	3539		5036	
Total	128659	269438	183065	383376

Notes (cont.)

Note No. 8 – Other taxes

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Real estate tax on premises (buildings)	41640	42613	59248	60633
Real estate tax on land	6351	13150	9037	18711
Total	47991	55763	68285	79344

NOTES TO CONSOLIDATED BALANCE SHEET FOR THE 6 MONTHS OF 2013

Note No. 9 – Statement of movement of intangible assets and capital assets, LVL

	Initial value				Depreciation				Initial value	
	Remaining amount as at 01.01.13	Purchase	Removed	Remaining amount as at 30.06.13	Remaining amount as at 01.01.13	Calculated	Removed	Remaining amount as at 30.06.13	01.01.13.	30.06.13.
Intangible assets										
Licenses and other	2526	140560		143086	2526	9370		11896		131190
Software	26382			26382	21297	2849		24146	5085	2236
Total	28908	140560		169468	23823	12219		36042	5085	133426
Capital assets										
Land, premises, buildings*	7370117		(135452)	7234665	2861906	37944	(11445)	2888405	4508211	4346260
Equipment and machinery	6047795	56546	(19463)	6084878	3006170	213791	(16153)	3203808	3041625	2881070
Other capital assets	308234	82651		390885	251372	15089		266461	56862	124424
Creation of capital assets	346884	86258	(122986)	310156					346884	310156
Total	14073030	225455	(277901)	14020584	6119448	266824	(27598)	6358674	7953582	7661910

*In 2013 assessed value of the premises accounted for LVL 5 556 751 (EUR 7 906 544), assessed value of the plot accounted for LVL 1 214 517 (EUR 1 728 102).

Note No. 9 – Statement of movement of intangible assets and capital assets, EUR

	Initial value				Depreciation				Initial value	
	Remaining amount as at 01.01.13	Purchase	Removed	Remaining amount as at 30.06.13	Remaining amount as at 01.01.13	Calculated	Removed	Remaining amount as at 30.06.13	01.01.13.	30.06.13.
Licenses and other	3594	199999		203593	3594	13332		16926		186667
Software	37538			37538	30303	4053		34356	7235	3182
Total	41132	199999		241131	33897	17385		51282	7235	189849
Capital assets										
Land, premises, buildings*	10486732		(192731)	10294001	4072126	53989	(16285)	4109830	6414606	6184171
Equipment and machinery	8605237	80458	(27693)	8658002	4277395	304198	(22984)	4558609	4327842	4099393
Other capital assets	438578	117602		556180	357671	21470		379141	80907	177039
Creation of capital assets	493571	122733	(174992)	441312					493571	441312
Total	20024118	320793	(395416)	19949495	8707192	379657	(39269)	9047580	11316926	10901915

Notes (cont.)

Note No. 10 – Other long-term debtors

Rādītāji	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Long-term loan	5128509		7297211	
Total	5128509		7297211	

Note No. 11 – Debts of customers and clients

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Debts of customers and clients (for the goods and services)	2381017	4694743	3387882	6680017
Total	2381017	4694743	3387882	6680017

Note No. 12 – Other debtors

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Taxes paid in advance	66371	3510	94437	4994
Overpaid taxes	134671	79197	191620	112687
Rental debts	9124	23914	12982	34027
Guarantee	99632		141764	
Other	16425	21350	23370	30377
Total	326223	127971	464173	182085

Note No. 13 – Costs of the following periods

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Insurance	1409	1511	2005	2150
Expenses for development of new techniques	34127	34127	48558	48558
Deposit	108935		155001	
Other	4841	2278	6888	3242
Total	149312	37916	212452	53950

Note No. 14 – Cash

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Current accounts in banks	2023	367410	2878	522777

Note No. 15 – Parent Company's Stock capital (fixed capital)

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

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

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Residents, including	199135	199135	283343	283343
- physical entities	173927	173927	247475	247475
- legal entities	25208	25208	35868	35868
Non-residents, including	5599870	5599870	7967898	7967898
- Russia	1011027	1011027	1438562	1438562
- Canada	5119	5119	7284	7284
- British Virgin Islands	3249563	3249563	4623712	4623712
- Belize	1333771	1333771	1897785	1897785
- Lithuania	390	390	555	555
Total	5799005	5799005	8251241	8251241

Notes (cont.)

Note No. 16 – Other provisions

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Holiday provisions	280098	256095	398544	364390
Other provisions	537416	195626	764674	278351
Total	817514	451721	1163218	642741

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

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Latvian credit institutions, loan agreement, including	5728899	6009607	8151489	8550901
Long-term debt	5021535	5341873	7145001	7600801
Short-term debt	707364	667734	1006488	950100
Latvian credit institutions, credit line agreement, including	1133488		1612808	
Short-term debt	1133488		1612808	

As on 30/06/2013 all assets of parent Company have been pledged as security for a loan.

Note No. 18 – Other loans

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Leasing agreements, including		165507		235495
Long-term debt		55169		78498
Short-term debt		110338		156997
Other loans, including	611439	702325	869999	999318
Long-term debt	611439	702325	869999	999319

Note No. 19 – Long-term and short-term other creditors

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Long-term creditors, including	746288	1027695	1061872	1462278
Other creditors	10288	48923	14638	69611
Settlement of the debts of other companies	736000	978772	1047234	1392667
Short-term creditors, including	380333	428661	541165	609930
Salary debt	374787	424064	533273	603389
Support payments	2721	3055	3872	4347
Trade union membership fee		1542		2194
Other	2825		4020	

Note No. 20 – Advances received from customers

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Local customers	4590	1748	6531	2487
Foreign customers	85604	81311	121804	115695
Total	90194	83059	128335	118182

Note No. 21 – Debts to suppliers and contractors

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Local suppliers	657294	756703	935245	1076691
Foreign suppliers	692546	425289	985404	605132
Total	1349840	1181992	1920649	1681823

Notes (cont.)

Note No. 22 – Taxes and social insurance contributions

Indicators	30.06.13. LVL	30.06.12. LVL	30.06.13. EUR	30.06.12. EUR
Personal income tax	549242	1156108	781501	1644993
Mandatory social insurance contributions	499595	1836878	710859	2613642
Natural resources tax	1664	11632	2368	16551
Real estate tax on land		877		1248
Real estate tax on premises (buildings)		4339		6174
State business risk fee	238	242	339	344
Total	1050739	3010076	1495067	4282952

As for 30.06.2013 the Holding Company has no current tax debts. Tax liabilities have been restructured.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

29 August 2013

MANAGEMENT CONFIRMATION REPORT

Consolidated financial statements are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial statements give a true and fair view of the financial position of the Group and of its financial performance for the period ended 30 June 2013.

In preparing those consolidated financial statements, management selected suitable accounting policies, made judgments and estimates that are reasonable and prudent.

The Management Board is responsible for organizing accounting, they are also responsible for safeguarding the assets of the Group.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

29 August 2013