



**Joint stock company  
„Rīgas autoelektroaparātu rūpnīca”  
( reg.Nr. 4 0003030454 )**

**Report for the first quarter of 2007**

Not audited

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## Information about the company

Name of the company	<i>Rīgas autoelektroaparātu rūpnīca</i>
Legal form	<i>Joint stock company</i>
Registration number in the Register of Enterprises, place and date	<i>000303045, Riga, 22.04.1998</i>
Registration number in Commercial Register, place and date	<i>40003030454, Riga, 30.06.2004</i>
Address	<i>2, Klijanu street, Riga, Latvia, LV-1013</i>
Management Board	<i>Alfrēds Auziņš - Chairman Zigurds Kalniņš Maksims Araslanovs</i>
Reporting period	<i>01.01.2007. - 31.03.2007.</i>
Main shareholders	<p>Basing on the list of shareholders prepared for the shareholders' meeting on April 18,2007:</p> <ol style="list-style-type: none"><li><i>1. JSC „Baltijas Holdings”-36.7 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i></li><li><i>2. „Tehprojekts”,Ltd.- 35.5% Reg.Nr. 40103020397, 12,Unijas street, Riga</i></li><li><i>3. State social security agency- 4.6%</i></li><li><i>4. Other physical and legal persons 23.2%</i></li></ol>

The company was founded in 1946 under the Ministry of Automotive industry of the USSR as a manufacturer of electric equipment and other goods for automobiles and agricultural machinery. At now the joint stock company “Rīgas autoelektroaparātu rūpnīca” has the same profile of production and basic activities:

- production of control and measuring devices for motorcars and tractors, automotive accessories and different locks;
- designing of new devices as well as designing and manufacturing of tooling and instruments

The following technological processes are used in the manufacturing: metal machining and punching, pressure casting of zinc alloys, moulding of plastics, electroplating and paint coating and assembling of finished products.

JSC „ Rīgas autoelektroaparātu rūpnīca” does not have a constant dealer or branch abroad. Average number of employees in the reporting quarter – 395.

### **Statement of Management Responsibility**

The Management Board of JSC „Rīgas autoelektroaparātu rūpnīca” (the Company) is responsible for the preparation of the financial statements of the Company.

The financial statements on pages 4 to 15 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on March 31, 2007 and the results of its operations and cash flows for the period ended on March 31, 2007.

The financial statements are prepared in accordance with laws “On accountancy”, “On the annual reports” and Latvian Accounting Standards on a going company basis. Appropriate accounting policies have been applied on a consistent basis. Judgements and estimates made by the Management Board in the preparation of the financial statements have been prudent and reasonable.

On behalf of the Management Board,

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Alfrēds Auziņš  
Chairman of the Board

May 23, 2007

*JSC „Rīgas autoelektroaparātu rūpnīca”  
Report for the first quarter of 2007*

**BALANCE SHEET**

**For the first quarter of 2007**

K=0,703 K=0,703

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 31.03.07.	At the beginning of the year 01.01.07.	At the end of the period 31.03.07.	At the beginning of the year 01.01.07.	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.
1	2	3	4	5	6	7	8	9	10	11
<b>A. LONG-TERM INVESTMENTS</b>										
<b>1. Intangible assets</b>										
1.1. Patents, licenses and similar rights	1.1.	010	8325	12654	11842	18000	25762	29936	36646	42583
<b>1. TOTAL</b>		<b>020</b>	<b>8325</b>	<b>12654</b>	<b>11842</b>	<b>18000</b>	<b>25762</b>	<b>29936</b>	<b>36646</b>	<b>42583</b>
<b>2. Fixed assets</b>										
2.1. Land, buildings and constructions	2	030	511689	905869	727865	1288576	876464	1031293	1246749	1466989
2.2. Equipment and machinery		040	475109	514107	675831	731304	224208	151092	318930	214925
2.3. Other fixed assets and inventory		050	17489	18585	24878	26437	23060	25266	32802	35940
2.4. Advance payments for fixed assets	3	060	7040	1779	10014	2531	123563	213969	175765	304366
<b>2. TOTAL</b>		<b>070</b>	<b>1011327</b>	<b>1440340</b>	<b>1438588</b>	<b>2048848</b>	<b>1247295</b>	<b>1421620</b>	<b>1774246</b>	<b>2022220</b>
<b>A. TOTAL</b>		<b>080</b>	<b>1019652</b>	<b>1452994</b>	<b>1450430</b>	<b>2066848</b>	<b>1273057</b>	<b>1451556</b>	<b>1810892</b>	<b>2064803</b>
<b>B. CURRENT ASSETS</b>										
<b>1. Inventory</b>										
1.1. Raw materials, direct materials and auxiliary materials	4.1.	090	579268	579875	823994	824858	1089163	629036	1549307	894788
1.2. Work in progress	4.2.	100	121598	122321	172970	173999	110727	100125	157507	142425
1.3. Finished goods and goods for sale	4.3.	110	466325	655871	663336	932960	748393	579983	1064570	825011
1.4. Advance payments for goods	4.4.	120	45743	15549	65068	22118	36868	29894	52444	42524
<b>1. TOTAL</b>		<b>130</b>	<b>1212934</b>	<b>1373616</b>	<b>1725368</b>	<b>1953935</b>	<b>1985151</b>	<b>1339038</b>	<b>2823828</b>	<b>1904748</b>
<b>2. Receivables</b>										
2.1. Trade receivables	5.1.	140	892973	1124791	1270232	1599987	1194973	1156058	1699819	1644464
2.2. Other receivables	5.2.	150	65479	49728	93142	70736	729630	114269	1037880	162545
2.3. Deferred expenses	5.3.	160	4103	4627	5837	6582	3874	4500	5511	6401
<b>2. TOTAL</b>		<b>170</b>	<b>962555</b>	<b>1179146</b>	<b>1369211</b>	<b>1677305</b>	<b>1928477</b>	<b>1274827</b>	<b>2743210</b>	<b>1813410</b>
<b>3. Cash</b>	6.	180	1109138	414375	1577721	589438	496330	667555	706017	949580
<b>B. TOTAL</b>		<b>190</b>	<b>3284627</b>	<b>2967137</b>	<b>4672300</b>	<b>4220678</b>	<b>4409958</b>	<b>3281420</b>	<b>6273055</b>	<b>4667738</b>
<b>TOTAL ASSETS</b>		<b>200</b>	<b>4304279</b>	<b>4420131</b>	<b>6122730</b>	<b>6287526</b>	<b>5683015</b>	<b>4732976</b>	<b>8083947</b>	<b>6732541</b>

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**BALANCE SHEET**

**For the first quarter of 2007**

K=0,703 K=0,703

LIABILITIES	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period 31.03.07.	At the beginning of the year 01.01.07.	At the end of the period 31.03.07.	At the beginning of the year 01.01.07.
1	2	3	4	5	6	7
<b>A. Equity capital</b>						
1. Share capital	7	210	3565509	3565509	5071848	5071848
2. Reserves:	8	220	34050	34050	48436	48436
a) other reserves		230	34050	34050	48436	48436
<b>TOTAL</b>		<b>240</b>	<b>3599559</b>	<b>3599559</b>	<b>5120284</b>	<b>5120284</b>
<b>3. Retained profit:</b>						
a) brought forward from previous years		250	289510	289510	411821	411821
b) for the current year		260	62680		89160	
<b>A. TOTAL</b>		<b>270</b>	<b>3951749</b>	<b>3889069</b>	<b>5621265</b>	<b>5532105</b>
<b>B.CREDITORS</b>						
<b>1. Long-term liabilities</b>						
1.1. Debts to suppliers and contractors		280		0		0
1.2. Deferred tax liabilities	9	290	72015	72015	102440	102440
<b>1. TOTAL:</b>		<b>300</b>	<b>72015</b>	<b>72015</b>	<b>102440</b>	<b>102440</b>
<b>2. Current liabilities</b>						
2.1. Loans from credit institutions		310		0		0
2.2. Advance payments from customers	10.1.	320	7793	53436	11085	76011
2.3. Trade creditors	10.2.	330	45939	204029	65347	290226
2.4. Taxes and social security payments	10.3.	340	51828	34518	73724	49100
2.5. Other creditors	10.4.	350	91556	73078	130236	103951
2.6. Accrued liabilities	10.5.	360	83399	93986	118633	133693
<b>2. TOTAL</b>		<b>370</b>	<b>280515</b>	<b>459047</b>	<b>399025</b>	<b>652981</b>
<b>B. TOTAL</b>		<b>380</b>	<b>352530</b>	<b>531062</b>	<b>501465</b>	<b>755421</b>
<b>TOTAL LIABILITIES</b>		<b>390</b>	<b>4304279</b>	<b>4420131</b>	<b>6122730</b>	<b>6287526</b>

LVL	LVL	EUR	EUR
At the end of the period 31.03.06.	At the beginning of the year 01.01.06.	At the end of the period 31.03.06.	At the beginning of the year 01.01.06.
8	9	10	11
3265509	3265509	4645105	4645105
34050	165625	48436	235598
34050	165625	48436	235598
<b>3299559</b>	<b>3431134</b>	<b>4693541</b>	<b>4880703</b>
210211	78636	299020	111858
625190		889317	
<b>4134960</b>	<b>3509770</b>	<b>5881878</b>	<b>4992561</b>
300037	300037	426795	426795
91122	91122	129619	129619
<b>391159</b>	<b>391159</b>	<b>556414</b>	<b>556414</b>
180000	200000	256045	284495
52313	25544	74414	36336
756766	370958	1076481	527678
8810	36797	12532	52343
90579	72088	128846	102543
68428	126660	97337	180171
<b>1156896</b>	<b>832047</b>	<b>1645655</b>	<b>1183566</b>
<b>1548055</b>	<b>1223206</b>	<b>2202069</b>	<b>1739980</b>
<b>5683015</b>	<b>4732976</b>	<b>8083947</b>	<b>6732541</b>

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**PROFIT OR LOSS ACCOUNT**  
**For the first quarter of 2007**

K=0,703

Item	Row code	LVL	LVL	EUR	EUR
		The first quarter of 2007	The first quarter of 2006	The first quarter of 2007	The first quarter of 2006
1	2	3	4	5	6
Net turnover	010	1221978	1626187	1738233	2313211
Cost of sales	020	1439059	1471693	2047026	2093447
<b>Gross profit or loss</b>	<b>030</b>	<b>-217081</b>	<b>154494</b>	<b>-308793</b>	<b>219764</b>
Selling expenses	040	35205	28742	50078	40885
Administrative expenses	050	80860	71403	115021	101569
Other operating income	060	862194	865739	1226449	1231492
Other operating expenses	070	454726	285878	646837	406654
Interest receivable and similar income	080	854	480	1215	682
Interest payable and similar expenses	090		6224		8853
Profit or loss before extraordinary items and taxes	100	75176	628466	106935	893977
<b>Profit or loss before taxes</b>	<b>110</b>	<b>75176</b>	<b>628466</b>	<b>106935</b>	<b>893977</b>
Other taxes (Real estate tax)	120	12496	3276	17775	4660
<b>Profit or loss for the period</b>	<b>130</b>	<b>62680</b>	<b>625190</b>	<b>89160</b>	<b>889317</b>

**Earnings per share**

**0,018**

**0,191**

**0,025**

**0,272**

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**STATEMENT OF CASH FLOWS for the first quarter of 2007**

**A. Cash flow from operating activities**

K=0,703

No	ITEMS	2007	2006	2007	2006
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Income from sales and services	1484987	1617658	2112357	2301078
2	Payments to suppliers for goods and services	-1066699	-1403604	-1517352	-1996592
3	Payments to employees and in their interests or to the third persons according to their orders	-305539	-278521	-434622	-396189
4	Other expenses for economic activities	-12058	-13159	-17152	-18718
5	Income from other economic activities	10517	6273	14960	8923
6	Tax payments	-128620	-46229	-182959	-65759
7	VAT paid	-2011	-12464	-2861	-17730
8	Deferred expenses	-2288	-2002	-3254	-2848
	<b>Cash flow from gross operating activities</b>	<b>-21711</b>	<b>-132048</b>	<b>-30883</b>	<b>-187835</b>
9	Interest expenses		-6341		-9020
10	Income tax payments	-1619	-855	-2303	-1216
11	Real estate tax payments	-12540	-3274	-17838	-4657
	<b>TOTAL</b>	<b>-35870</b>	<b>-142518</b>	<b>-51024</b>	<b>-202728</b>
A.	Net cash flow from operating activities	<b>-35870</b>	<b>-142518</b>	<b>-51024</b>	<b>-202728</b>

**B. Cash flow from investment activities**

No	ITEMS	2007	2006	2007	2006
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-16238	-203978	-23098	-290154
2	Sales of intangible and fixed assets	750180	201100	1067112	286060
3	Issued loans	-2000	-4100	-2845	-5832
4	Repaid loans	930	1275	1323	1814
	<b>TOTAL</b>	<b>732872</b>	<b>-5703</b>	<b>1042492</b>	<b>-8112</b>
B.	Net cash from investment activities	<b>732872</b>	<b>-5703</b>	<b>1042492</b>	<b>-8112</b>



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**C. Cash flow from financing**

No	ITEMS	2007	2006	2007	2006
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Repaid loans		-20000		-28450
2	Received interest for deposit	854	480	1215	683
	<b>TOTAL</b>	<b>854</b>	<b>-19520</b>	<b>1215</b>	<b>-27767</b>
<b>C.</b>	<b>Net cash flow from financing</b>	<b>854</b>	<b>-19520</b>	<b>1215</b>	<b>-27767</b>

**SUMMARY OF CASH INCOME AND EXPENDIT**

No	ITEMS	2007	2006	2007	2006
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
A	The result from operating activities	-35870	-142518	-51024	-202728
B	The result from investment activities	732872	-5703	1042492	-8112
C	The result from financing	854	-19520	1215	-27767
D	The result from currency rate fluctuations	-3093	-3484	-4400	-4956
	Cash increase or decrease	<b>694763</b>	-171225	988283	-243563
	Cash and cash equivalents at the beginning of the reporting period	<b>414375</b>	<b>667555</b>	<b>589438</b>	<b>949580</b>
	Cash and cash equivalents at the end of the reporting period	<b>1109138</b>	<b>496330</b>	<b>1577721</b>	<b>706017</b>

**STATEMENT OF EXCHANGES IN EQUITY  
FOR THE FIRST QUARTER OF 2007**

( LVL )

	Share capital	Reserves	Profit or losses	Total
<b>On Dec.31, 2005</b>	<b>3265509</b>	<b>165625</b>	<b>78636</b>	<b>3509770</b>
Losses of 2005 written-off from reserves		<b>-131575</b>	<b>131575</b>	<b>0</b>
Issue of shares <b>reg. on Sept. 20, 2006</b>	<b>300000</b>			<b>300000</b>
Profit (+) or losses (-) of the previous periods			79299	<b>79299</b>
<b>On Dec. 31, 2006</b>	<b>3565509</b>	<b>34050</b>	<b>289510</b>	<b>3889069</b>
Profit (+) or losses (-) of the reporting period			62680	62680
<b>On March 31, 2007</b>	<b>3565509</b>	<b>34050</b>	<b>352190</b>	<b>3951749</b>

<b>On March 31, 2006</b>	<b>3265509</b>	<b>34050</b>	<b>835401</b>	<b>4134960</b>
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K=0,703

EUR

	Share capital	Reserves	Profit or losses	Total
<b>On dec.31. 2005</b>	<b>4645105</b>	<b>235598</b>	<b>111858</b>	<b>4992561</b>
Losses of 2005 written-off from reserves		<b>-187162</b>	<b>187162</b>	<b>0</b>
Issue of shares <b>reg. on Sept. 20, 2006</b>	<b>426743</b>			<b>426743</b>
Profit (+) or losses (-) of the previous periods			112801	<b>112801</b>
<b>On Dec. 31, 2006</b>	<b>5071848</b>	<b>48436</b>	<b>411821</b>	<b>5532105</b>
Profit (+) or losses (-) of the reporting period			89160	<b>89160</b>
<b>On March 31, 2007</b>	<b>5071848</b>	<b>48436</b>	<b>500981</b>	<b>5621265</b>

<b>On March 31, 2006</b>	<b>4645105</b>	<b>48436</b>	<b>1188337</b>	<b>5881878</b>
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## NOTES TO FINANCIAL STATEMENTS

The annual report is prepared in accordance with the law „On accountancy”, „On the annual reports” and Latvian accounting standards.

Profit or loss account is prepared in accordance with methods of turnover expenses.

Statement of cash flows is prepared using the direct method.

The financial statements include comparable information of the same period of the previous year.

The financial statements are presented in the national currency of Latvia, the lat (LVL) and in euro (EUR).

### Balance sheet for the first quarter of 2007

#### 1. Long term investments. Balance sheet –row code 010

##### 1.1 Statement of changes in long-term investments 010.

At the end of the year the total value of patents, licenses and similar rights was - 8325 LVL.

(Paid design works carried out by other enterprises according with contracts. Those permit the enterprise to make equipment for manufacturing process and to produce devices for motorcars and tractors. The purchased design documentation is hold in the design office). Long term investments are disposed to expenses in 5 years.

#### 2. Buildings, constructions and land are registered in Land Register and is the property of „RAR”. Balance sheet –row code 030

Balance value at the end of the period: 511689 LVL Cadastral value 31.03.07. - 2493804LVL

including: buildings and constructions-	378615 LVL
land -	133074 LVL
Cadastral value of the buildings -	2391640 LVL
Cadastral value of the land -	102164 LVL

In compliance with the taken decision JSC “RAR” concentrated production in smaller territory and sold part of the vacant buildings and areas of land.

#### 3. Advance payments for fixed assets. Balance sheet – row code 060.

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL</i>
Enterprise of Sweden	For machinery	7039.99
	<b>Total:</b>	<b>7039.99</b>

#### 4. Inventory. Balance sheet –row code 090; 100; 110; 120.

4.1. The total value of raw materials and sub-components in the warehouses is 555237.24 LVL, and they provide the process of production for two months. Other resources (materials and instruments) for departments, in total for 24030.44 LVL.

4.2. The stock of work in progress (parts) 121598 LVL provide the process of production for one month.

4.3. The stock of finished goods in total value of 466325 LVL ensures deliveries in time according to the signed contracts. Average monthly delivery in the first quarter of 2007 – 407.3 t.LVL

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4.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL</i>
Enterprises of Russia	For materials	19920.97
Enterprise of Great Britain	For materials	4142.38
Enterprise of France	For materials	9.91
Enterprise of China	For materials	20515.50
Enterprises of Latvia	For materials	1153.82
	<b>TOTAL</b>	<b>45742.58</b>

5. Receivables

5.1. Trade receivables. Balance sheet –row code 140

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprises of Russia	For the goods	509366.64
Enterprises of Belarus	For the goods	313130.12
Enterprise of Ukraine	For the goods	5824.69
Enterprise of Poland	For the goods	1119.21
Enterprises of Latvia	For the goods	63532.48
	<b>TOTAL</b>	<b>892973.14</b>

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days.

5.2. Other receivables. Balance sheet –row code 150.

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL</i>
Enterprises of Latvia	Agreement of lease	2883.64
Enterprises of Latvia	For electric power	962.73
Enterprise of Latvia	For transport services	913.65
Enterprise of Latvia	For the collection of the waste	197.92
Other enterprises of Latvia	Other debts	61.98
Employees of the enterprise	Settlements for business trips and other operating expenses	8353.54
Employees of the enterprise	Short term loan to employees	3910.00
Enterprise of Latvia	Scrap-metal sales	2691.54
Enterprise of Latvia	For the order	685.71
State Revenue Service	Overpaid taxes (Real estate tax)	165.49
State Revenue Service	Overpaid taxes (Business risk fee)	12.78
State Revenue Service	Overpaid taxes ( VAT)	38927.42
State Revenue Service	Overpaid taxes ( Income tax)	3455.45
Enterprises of Latvia	VAT on unpaid invoices	2257.59
	<b>TOTAL</b>	<b>65479.44</b>

5.3. Deferred expenses. Balance sheet –row code 160.

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL</i>
Riga Stock exchange	Contract for Q 2, 2007	1250.00
Newspaper „Diena”	Q 2, 2007	127.09
Applied information service	Q 2, 2007	447.00
Transport insurance	2007	374.40
Auditing company of Latvia	April 2007	1500.00
Other enterprises of Latvia	2007	404.60
	<b>TOTAL</b>	<b>4103.09</b>

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**6. Cash and cash equivalents.**

<i>Cash location</i>	<i>Currency</i>	<i>Balance In currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL</i>
Shop-warehouse	LVL	48.90		48.90
Treasury	LVL	5350.27		5350.27
	EUR	7167.00	0.7028	5037.00
	USD	1024.00	0.528	540.67
	<b>Total: 1</b>			<b>10976.84</b>
Current accounts	LVL	840350.00		840350.00
	USD	63188.36	0.528	33363.46
	EUR	233882.67	0.7028	164373.68
	RUR	446971.20	0.0203	9073.52
Deposit account	LVL	51000.00		51000.00
	<b>Total: 2</b>			<b>1098160.66</b>
	<b>Total: 1+2</b>			<b>1109137.50</b>

**7. Share capital. Balance sheet –row code - 210**

Share capital is 3565509 LVL. Nominal value of a share is 1,00 LVL.

**The shareholders as on April 18, 2007 are:** (share proportion in share capital)

JSC „BALTIJAS HOLDINGS”	36.7 %
„Tehprojekts”, Ltd.	35.5 %
SJSC “VSAA”	4.6 %
Other physical and legal persons	23.2 %
incl. each member of the board owns 180 shares.	

**8. Reserves. Balance sheet row code - 220.**

The shareholders’ meeting in 2003 took a decision to diminish the share capital and to create reserves. The losses of the previous years are written off of the reserves. Balance of the reserves on March 31, 2007 – 34049.62 LVL.

**9. Long-term liabilities.**

In 2006 deferred taxation liabilities were calculated as at the end of the year and included in balance sheet.

	<b>31.03.2007 (LVL)</b>	<b>1.01.2007 (LVL)</b>
Deferred taxation liabilities	72015	72015

**10. Current liabilities.**

**10.1. Advance payments from customers. Balance sheet row code - 320.**

<i>Business partner</i>	<i>Advance payments</i>	<i>Total LVL</i>
Enterprises of Lithuania	For goods	7792.85
<b>Total:</b>		<b>7792.85</b>

**10.2. Trade creditors. Balance sheet row code - 330**

<i>Business partner</i>	<i>Substantiation</i>	<i>Total LVL</i>
PSJSC „Latvenergo”	Contract	14692.52
JSC „Rīgas siltums”	Contract	10625.77
ME „Rīgas ūdens”	Contract	790.37
JSC „Latvijas gāze”	Contract	16.00
Enterprise of Latvia	Transport services	1019.07
Enterprises of Latvia	For the collection of the waste	95.18
Other enterprises of Latvia	For services	536.46
Enterprises of Latvia	For materials	1481.08
Enterprise of Germany	For materials	16460.90
Enterprise of Great Britain	For materials	221.65
<b>Total:</b>		<b>45939.00</b>

**10.3. Taxes and social security payments. Balance sheet row code - 340.**

<i>Tax</i>	<i>Total LVL</i>	<i>Date of payment</i>
Personal income tax	31828.00	April 2007
Social security payments	18851.62	April 2007
Natural resource tax (NRT)	1148.10	April 2007
<b>Total:</b>	<b>51827.72</b>	

**10.4. Other creditors. Balance sheet row code - 350.**

<i>Debt</i>	<i>Total LVL</i>	<i>Date of payment</i>
Salary	90895.42	April 2007
Other creditors	661.19	April 2007
<b>Total:</b>	<b>91556.61</b>	

**10.5. Accrued liabilities. Balance sheet row code - 360.**

In accordance with the law „On the annual reports” provisions for vacations of 2006 are calculated in total 93986.40 LVL. The balance of the provisions for vacations on March 31, 2007 was 83399.33LVL.

**11. Notes to profit or loss account**

Net turnover is income from basic economic activities of the Company. It consists of total value of sold goods and delivered services without discounts and value added tax. Production costs of sold goods are expenses for used materials, all kind of services and energy, costs for personnel, amortization of tangible assets and writing-off of intangible assets as well as other expenses (expenses for labour safety, certification of the goods, business trips etc.)

**11.1. Breakdown of net turnover by kind of production: (LVL and %)**

<i>Net turnover Total:</i>	<i>Including</i>		
	<i>Control and measuring devices for vehicles</i>	<i>Locks</i>	<i>Different orders</i>
<b>1221978</b>	<b>1189373</b>	<b>21010</b>	<b>11595</b>
<b>100</b>	<b>97.33</b>	<b>1.72</b>	<b>0.95</b>

**11.2. Breakdown of net turnover by geographical markets: (LVL and %)**

<i>Net turnover Total</i>	<i>including</i>				
	<i>Russia</i>	<i>Belarus</i>	<i>Ukraine</i>	<i>EU</i>	<i>Latvia</i>
<b>1221978</b>	<b>608304</b>	<b>327689</b>	<b>175199</b>	<b>8129</b>	<b>102657</b>
<b>100</b>	<b>49.78</b>	<b>26.82</b>	<b>14.34</b>	<b>0.66</b>	<b>8.4</b>

<i>Row code</i>	<i>Item</i>	<b>Q1, 2007 LVL</b>	<b>Q 1, 2006 LVL</b>	<b>% to 2006</b>
<b>010</b>	Net turnover	1221978	1626187	<b>75.14</b>
<b>020</b>	Cost of sales	1439059	1471693	
<b>030</b>	<b>Gross profit or loss</b>	<b>-217081</b>	<b>154494</b>	
	<b>Costs for 1 LVL of net turnover (sant.)</b>	117.76	90.5	

Due to the rapid rise of material, sub-component, energy and fuel prices, and also the amendments of LR legislation on the minimal wages, the company costs per one LVL increased.

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These factors have a negative impact on the results of economic activities because the prices of the goods produced in „RAR” are limited by severe competition in the market. If the level of prices for materials and services remain lower for the internal market of NVS (Commonwealth of Independent States) it may create essential problems for competitiveness of goods manufactured by the company.

Rise of prices for the big contractors is predicted only from April 1, 2007.

The result of economic activities of the JSC “RAR“ in the first quarter of 2007 is profit 62680 LVL. Profit is gained from other economic activities due to sales of real estate.

<b>Row code</b>	<b>Item</b>	<b>Q 1, 2007 LVL</b>	<b>Q 1, 2006 LVL</b>
<b>020</b>	<b>Cost of sales in total:</b>	<b>1439059</b>	<b>1471693</b>
	including		
	Account 7.1-costs of materials and sub-components including transport expenses, custom fees and import duties	737794	977192
	Account 7171;7172 –electric power	95348	78793
	Account 7170 -contracts (for repairing works and maintenance of different systems)	11543	3658
	Account 7.2,7.3-salaries and social security payments	525984	365055
	<b>Account 7.4- amortization: total</b>	<b>61494</b>	<b>33730</b>
	<b>Account 7.5- operating costs total:</b>	<b>6896</b>	<b>13265</b>
	<b>Incl. 7510 - expenses for protection of environment</b>	<b>784</b>	
	7540- - insurance expenses (goods, buildings, equipment and machinery)	193	724
	7550; 7560;7570 - expenses for work safety and other operating expenses	5919	12541
<b>040</b>	<b>Selling expenses, account 7.6. total:</b>	<b>35205</b>	<b>28742</b>
	Incl. 7600- salaries and social security payments	11113	9253
	7610;7620- wrapping and transport costs	20128	14657
	7670- marketing services according to contracts		965
	7601;7650;7660 – other expenses	3964	3867
<b>050</b>	<b>Administrative expenses, account 7.7. total :</b>	<b>80860</b>	<b>71403</b>
	including 7700- salaries and social security payments	70640	59094
	7710- communication expenses	4871	4588
	7750- bank services	1111	2092
	7720;7730;7740;7760; 7770; 7790- other administrative expenses and representation expenses	4238	5629
<b>060</b>	<b>Other operating income</b>	<b>862194</b>	<b>865739</b>
	including – income of foreign exchange rate revaluations - 8150, 8170	21977	70301
	- income from sales of fixed assets (land, buildings and machinery)	811804	763573
	- income from rent charges	8243	5489
	- other income (selling of scrap,materials and outfit)	20170	26376

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<b>070</b>	<b>Other operating expenses:</b>	<b>454726</b>	<b>285878</b>
	Incl.- from sales of foreign currency - 8250; 8270;	30325	81891
	- costs for services due to sales of real estate 8296		31253
	- fixed assets written off because of selling	401246	151788
	- other expenses : 8296;8297;7448;7449	23155	20946
<b>080</b>	Interest receivable (deposit)	854	480
<b>090</b>	Interest payable („SEB Unibanka” loan and contract for the purchase of equipment)		6224
<b>110</b>	<b>Profit or loss for the period before taxes</b>	<b>75176</b>	<b>628466</b>
<b>120</b>	Real estate tax (buildings and constructions; land)	12496	3276
<b>130</b>	<b>Profit or loss for the period after taxes</b>	<b>62680</b>	<b>625190</b>

Chairman of the  
Management Board: \_\_\_\_\_ A.Auziņš

Members of the  
Management Board: \_\_\_\_\_ Z.Kalniņš

\_\_\_\_\_ M.Araslanovs

May 23, 2007