



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

Report for the first six months of 2007

Not audited

CONTENT

| | page |
|--|------|
| Information about the company | 2 |
| Management report | 3 |
| Statement of Management Responsibility | 5 |
| Balance sheet | 6 |
| Profit or loss account | 8 |
| Statement of cash flows | 9 |
| Statement of exchanges in equity | 11 |
| Notes to financial statements: | 12 |
| 1. Notes to the balance sheet | 12 |
| 2. Notes to the profit or loss account | 16 |

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. - 30.06.2007.</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"><i>1. JSC „Baltijas Holdings”-36.7 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i><i>2. „Tehprojekts”,Ltd.- 35.5% Reg.Nr. 40103020397, 12,Unijas street, Riga</i><i>3. State social security agency- 4.6%</i><i>4. Other physical and legal persons 23.2%</i> |

Management report

1. Information about the company and its basic activities

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.

The joint stock company “Rīgas autoelektroaparātu rūpnīca” does not have a constant dealer or branch abroad.

Since 2003 the company has introduced quality management system corresponding to ISO 9001:2000. In 2007 the personnel continues to perfect the quality management system.

Average number of employees in the reporting period is 366.

2. Statements

The total volume of production and sales is 76.0 % if compared with the same period of 2006.

**Net turnover in the first six months of 2007 - 2333224 LVL
in the first six months of 2006 - 3069660 LVL**

Due to the rapid increase of material and sub component prices there appeared problems concerning the production of windshield wipers. The suppliers have raised their prices twice while the price level of company’s produced goods is limited by severe competition in the definite market. It is one of the reasons for reduced sales volumes. The company is looking for other suppliers of sub components to restore the production of windshield wipers. Resumption of the volumes of production and sales in the second half of the year will improve the results of economic activities of the enterprise.

The products of the enterprise are specific and are intended mainly for complete set of automobiles and agricultural machinery in Russia, Ukraine and Belarus. Therefore the production and delivery volumes are greatly depending on the planned production volumes of automobiles’ producers and from the per cent of the production of our enterprise in total delivery volumes.

Cash holdings in bank guarantee the ability to execute the contracts.

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

The result of economic activities of the JSC “RAR“in **the first six months of 2007** are losses 131075 LVL

The company is arranging its territory – selling the equipment that is no more necessary for production, gathering and selling the used packing materials and scrap. In the second quarter of 2007 a contract is signed with SIA “Zaļā josta” for managing of the used wrapping. Therefore “RAR” has an exemption from natural resource tax from July 1, 2007 till December 31, 2007.

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

According to amendments to laws of the Republic of Latvia the real estate tax will increase in 2007. The JSC “RAR” took the decision to concentrate production in smaller territory and to sell part of the vacant buildings and areas of land.

Income from the sale of real estate in 2007 was used as investments in the development of the enterprise.

Future prospects and further development

In 2007 the company schedules to start production of new informative systems for OAO „GAZ”, Niznij Novgorod.

The company expects that profit from basic activities in 2007 will be minimal as the price level is limited by great competition in the market.

Profit can be gained from other economic activities, i.e., from selling of estate property.

Risks for the economic activities of the company:

1) economic and market risks

Growth of prices for materials, services and fuel as well as energy resources raises costs of production. If the level of prices for materials and services remain lower for the internal market of CIS (Commonwealth of Independent States) it may create essential problems for competitiveness of goods manufactured by the company.

There is lack of new specialists with appropriate technical education.

2) political risks

Political relationships among Latvia, Russia and Belarus can have an impact on the activities of the company. At the moments of ice jam economic sanctions against Latvia are possible.

The Management Board: _____ A.Auziņš

_____ Z.Kalniņš

_____ M.Araslanovs

August 22, 2007

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 6 to 18 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on June 30, 2007 and the results of its operations and cash flows for the period ended on June 30, 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.

The Management Board of JSC “RAR” is responsible for the maintenance of proper accounting records, the safeguarding of the Company’s assets and the prevention and detection of fraud and other irregularities in the Company. The Management Board is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the Management Board,

Alfrēds Auziņš
Chairman of the Board

August 22, 2007

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

| BALANCE SHEET | | For the first six months of 2007 | | K=0,703 | K=0,703 | | | | | |
|--|-------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| ASSETS | Notes | Row code | At the end of the period 30.06.07. | At the beginning of the year 01.01.07. | At the end of the period 30.06.07. | At the beginning of the year 01.01.07. | At the end of the period 30.06.06. | At the beginning of the year 01.01.06. | At the end of the period 30.06.06. | At the beginning of the year 01.01.06. |
| | | | LVL | LVL | EUR | EUR | LVL | LVL | EUR | EUR |
| A. LONG-TERM INVESTMENTS | | | | | | | | | | |
| 1. Intangible assets | | | | | | | | | | |
| 1.1. Patents, licenses and similar rights | 1.1. | 010 | 3996 | 12654 | 5684 | 18000 | 21422 | 29936 | 30472 | 42583 |
| 1. TOTAL | | | 3996 | 12654 | 5684 | 18000 | 21422 | 29936 | 30472 | 42583 |
| 2. Fixed assets | | | | | | | | | | |
| 2.1. Land, buildings and constructions | 2. | 030 | 512999 | 905869 | 729728 | 1288576 | 894441 | 1031293 | 1272320 | 1466989 |
| 2.2. Equipment and machinery | | 040 | 442899 | 514107 | 630013 | 731304 | 205436 | 151092 | 292228 | 214925 |
| 2.3. Other fixed assets and inventory | | 050 | 16604 | 18585 | 23619 | 26437 | 20509 | 25266 | 29174 | 35940 |
| 2.4. Advance payments for fixed assets | | 060 | 0 | 1779 | | 2531 | 129142 | 213969 | 183701 | 304366 |
| 2. TOTAL | | | 972502 | 1440340 | 1383360 | 2048848 | 1249528 | 1421620 | 1777423 | 2022220 |
| A. TOTAL | | | 976498 | 1452994 | 1389044 | 2066848 | 1270950 | 1451556 | 1807895 | 2064803 |
| B. CURRENT ASSETS | | | | | | | | | | |
| 1. Inventory | | | | | | | | | | |
| 1.1. Raw materials, direct materials and auxiliary materials | 3.1. | 090 | 547936 | 579875 | 779425 | 824858 | 890015 | 629036 | 1266024 | 894788 |
| 1.2. Work in progress | 3.2. | 100 | 133819 | 122321 | 190354 | 173999 | 121157 | 100125 | 172343 | 142425 |
| 1.3. Finished goods and goods for sale | 3.3. | 110 | 436006 | 655871 | 620208 | 932960 | 684571 | 579983 | 973785 | 825011 |
| 1.4. Advance payments for goods | 3.4. | 120 | 55468 | 15549 | 78902 | 22118 | 43541 | 29894 | 61936 | 42524 |
| 1. TOTAL | | | 1173229 | 1373616 | 1668889 | 1 953 935 | 1739284 | 1339038 | 2474088 | 1904748 |
| 2. Receivables | | | | | | | | | | |
| 2.1. Trade receivables | 4.1. | 140 | 708974 | 1124791 | 1008498 | 1599987 | 1166523 | 1156058 | 1659350 | 1644464 |
| 2.2. Other receivables | 4.2. | 150 | 46727 | 49728 | 66468 | 70736 | 443216 | 114269 | 630464 | 162545 |
| 2.3. Deferred expenses | 4.3. | 160 | 2481 | 4627 | 3529 | 6582 | 1061 | 4500 | 1509 | 6401 |
| 2. TOTAL | | | 758182 | 1179146 | 1078495 | 1677305 | 1610800 | 1274827 | 2291323 | 1813410 |
| 3. Cash | 5 | 180 | 1138994 | 414375 | 1620191 | 589438 | 426648 | 667555 | 606896 | 949580 |
| 3. TOTAL | | | | | | | | | | |
| B. TOTAL | | | 3070405 | 2967137 | 4367575 | 4220678 | 3776732 | 3281420 | 5372307 | 4667738 |
| TOTAL ASSETS | | | 200 | 4046903 | 4420131 | 5756619 | 6 287 526 | 5047682 | 4732976 | 7180202 |
| | | | | | | | | | | 6732541 |

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

BALANCE SHEET

For the first six months of 2007

K=0,703 K=0,703

| LIABILITIES | Notes | Row code | At the end of the period | At the beginning of the year | At the end of the period | At the beginning of the year |
|---|-------|------------|--------------------------|------------------------------|--------------------------|------------------------------|
| | | | 30.06.07. | 01.01.07. | 30.06.07. | 01.01.07. |
| | | | LVL | LVL | EUR | EUR |
| A. Equity capital | | | | | | |
| 1. Share capital | 6 | 210 | 3565509 | 3565509 | 5071848 | 5071848 |
| 2. Reserves: | 7 | 220 | 34050 | 34050 | 48436 | 48436 |
| a) other reserves | | 230 | 34050 | 34050 | 48436 | 48436 |
| TOTAL | | 240 | 3599559 | 3599559 | 5120284 | 5120284 |
| 3. Retained profit: | | | | | | |
| a) brought forward from previous years | | 250 | 218200 | 289510 | 310384 | 411821 |
| b) for the current year | | 260 | -131075 | | -186451 | |
| A. TOTAL | | 270 | 3686684 | 3889069 | 5244217 | 5532105 |
| B.CREDITORS | | | | | | |
| 1. Long-term liabilities | | | | | | |
| 1.1. Debts to suppliers and contractors | | 280 | | | | |
| 1.2. Deferred tax liabilities | 8 | 290 | 72015 | 72015 | 102440 | 102440 |
| 1. TOTAL: | | 300 | 72015 | 72015 | 102440 | 102440 |
| 2. Current liabilities | | | | | | |
| 2.1. Loans from credit institutions | | 310 | | 0 | | |
| 2.2. Advance payments from customers | 9.1. | 320 | 2964 | 53436 | 4216 | 76011 |
| 2.3. Trade creditors | 9.2. | 330 | 46251 | 204029 | 65791 | 290226 |
| 2.4. Taxes and social security payments | 9.3. | 340 | 37528 | 34518 | 53382 | 49100 |
| 2.5. Other creditors | 9.4. | 350 | 80427 | 73078 | 114405 | 103951 |
| 2.6. Unpaid dividends | 9.5. | 360 | 71310 | | 101437 | |
| 2.7. Accrued liabilities | 9.6. | 370 | 49724 | 93986 | 70731 | 133693 |
| 2. TOTAL | | 380 | 288204 | 459047 | 409962 | 652981 |
| B. TOTAL | | 390 | 360219 | 531062 | 512402 | 755421 |
| TOTAL LIABILITIES | | 400 | 4046903 | 4420131 | 5756619 | 6287526 |

| At the end of the period | At the beginning of the year | At the end of the period | At the beginning of the year |
|--------------------------|------------------------------|--------------------------|------------------------------|
| 30.06.06. | 01.01.06. | 30.06.06. | 01.01.06. |
| LVL | LVL | EUR | EUR |
| | | | |
| 3265509 | 3265509 | 4645105 | 4645105 |
| 34050 | 165625 | 48436 | 235598 |
| 34050 | 165625 | 48436 | 235598 |
| 3299559 | 3431134 | 4693541 | 4880703 |
| | | | |
| 210211 | 78636 | 299020 | 111858 |
| 535779 | | 762132 | |
| 4045549 | 3509770 | 5754693 | 4992561 |

| 300037 | 300037 | 426795 | 426795 |
|---------------|---------------|---------------|---------------|
| 91122 | 91122 | 129619 | 129619 |
| 391159 | 391159 | 556414 | 556414 |

| 80000 | 200000 | 113798 | 284495 |
|----------------|----------------|----------------|----------------|
| 55331 | 25544 | 78707 | 36336 |
| 323728 | 370958 | 460495 | 527678 |
| 44931 | 36797 | 63913 | 52343 |
| 76355 | 72088 | 108613 | 102543 |
| | | | |
| 30629 | 126660 | 43569 | 180171 |
| 610974 | 832047 | 869095 | 1183566 |
| 1002133 | 1223206 | 1425509 | 1739980 |
| 5047682 | 4732976 | 7180202 | 6732541 |

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

PROFIT OR LOSS ACCOUNT
For the first six months of 2007

K=0,703

| Item | Row code | LVL | LVL | EUR | EUR |
|---|------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | The first six months of 2007 | The first six months of 2006 | The first six months of 2007 | The first six months of 2006 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Net turnover | 010 | 2333224 | 3069660 | 3318953 | 4366515 |
| Cost of sales | 020 | 2629994 | 2814639 | 3741101 | 4003754 |
| Gross profit or loss | 030 | -296770 | 255021 | -422148 | 362761 |
| Selling expenses | 040 | 64952 | 106040 | 92393 | 150839 |
| Administrative expenses | 050 | 166255 | 157960 | 236494 | 224694 |
| Other operating income | 060 | 909643 | 946555 | 1293945 | 1346451 |
| Other operating expenses | 070 | 494341 | 379740 | 703188 | 540171 |
| Interest receivable and similar income | 080 | 3448 | 929 | 4905 | 1322 |
| Interest payable and similar expenses | 090 | | 13162 | | 18723 |
| Profit or loss before extraordinary items and taxes | 100 | -109227 | 545603 | -155373 | 776107 |
| Profit or loss before taxes | 110 | -109227 | 545603 | -155373 | 776107 |
| Income tax (advance payment) | 120 | | 3455 | | 4915 |
| Other taxes (Real estate tax) | 130 | 21848 | 6369 | 31078 | 9060 |
| Profit or loss for the period | 140 | -131075 | 535779 | -186451 | 762132 |

| | | | | |
|---------------------------|---------------|--------------|---------------|--------------|
| Earnings per share | -0,037 | 0,164 | -0,052 | 0,233 |
|---------------------------|---------------|--------------|---------------|--------------|

STATEMENT OF CASH FLOWS for the first six months of 2007

A. Cash flow from operating activities

K=0,703

| No | ITEMS | 2007 | 2006 | 2007 | 2006 |
|----|--|--------------|----------------|--------------|----------------|
| | | six months | six months | six months | six months |
| | | LVL | LVL | EUR | EUR |
| 1 | Income from sales and services | 2799557 | 3078431 | 3982300 | 4378991 |
| 2 | Payments to suppliers for goods and services | -1861546 | -2649886 | -2648003 | -3769396 |
| 3 | Payments to employees and in their interests or to the third persons according to their orders | -644663 | -596322 | -917017 | -848253 |
| 4 | Other expenses for economic activities | -19516 | -24652 | -27761 | -35067 |
| 5 | Income from other economic activities | 19614 | 27711 | 27901 | 39418 |
| 6 | Tax payments | -268335 | -64093 | -381700 | -91171 |
| 7 | VAT paid | -2736 | -16902 | -3892 | -24042 |
| 8 | Deferred expenses | -4278 | -2904 | -6085 | -4131 |
| | Cash flow from gross operating activities | 18097 | -248617 | 25743 | -353651 |
| 9 | Interest expenses | | -13363 | | -19009 |
| 10 | Income tax payments | | -855 | | -1216 |
| 11 | Real estate tax payments | -21892 | -6379 | -31141 | -9074 |
| | TOTAL | -3795 | -269214 | -5398 | -382950 |
| A. | Net cash flow from operating activities | -3795 | -269214 | -5398 | -382950 |

B. Cash flow from investment activities

| No | ITEMS | 2007 | 2006 | 2007 | 2006 |
|----|---|---------------|---------------|----------------|---------------|
| | | six months | six months | six months | six months |
| | | LVL | LVL | EUR | EUR |
| 1 | Purchase of intangible and fixed assets | -19276 | -270730 | -27420 | -385107 |
| 2 | Sales of intangible and fixed assets | 753240 | 432200 | 1071465 | 614794 |
| 3 | Issued loans | -2000 | -4100 | -2845 | -5832 |
| 4 | Repaid loans | 2180 | 3470 | 3101 | 4936 |
| | TOTAL | 734144 | 160840 | 1044301 | 228791 |
| B. | Net cash from investment activities | 734144 | 160840 | 1044301 | 228791 |

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

C. Cash flow from financing

| No | ITEMS | 2007 | 2006 | 2007 | 2006 |
|-----------|-------------------------------------|-------------|----------------|-------------|----------------|
| | | six months | six months | six months | six months |
| | | LVL | LVL | EUR | EUR |
| 1 | Repaid loans | | -120000 | | -170697 |
| 2 | Received interest for deposit | 3448 | 929 | 4905 | 1321 |
| | TOTAL | 3448 | -119071 | 4905 | -169376 |
| C. | Net cash flow from financing | 3448 | -119071 | 4905 | -169376 |

SUMMARY OF CASH INCOME AND EXPENDIT

| No | ITEMS | 2007 | 2006 | 2007 | 2006 |
|----|--|----------------|---------------|----------------|---------------|
| | | six months | six months | six months | six months |
| | | LVL | LVL | EUR | EUR |
| A | The result from operating activities | -3795 | -269214 | -5398 | -382950 |
| B | The result from investment activities | 734144 | 160840 | 1044301 | 228791 |
| C | The result from financing | 3448 | -119071 | 4905 | -169376 |
| D | The result from currency rate fluctuations | -9178 | -13462 | -13055 | -19149 |
| | Cash increase or decrease | 724619 | -240907 | 1030753 | -342684 |
| | Cash and cash equivalents at the beginning of the reporting period | 414375 | 667555 | 589438 | 949580 |
| | Cash and cash equivalents at the end of the reporting period | 1138994 | 426648 | 1620191 | 606896 |

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

**STATEMENT OF EXCHANGES IN EQUITY
FOR THE FIRST SIX MONTHS OF 2007**

(LVL)

| | Share capital | Reserves | Profit or losses of the previous periods | Profit or losses of the reporting period | Total |
|--|----------------|---------------|--|--|----------------|
| On Dec.31, 2005 | 3265509 | 165625 | 78636 | | 3509770 |
| Losses of 2005 written-off from reserves | | -131575 | 131575 | | 0 |
| Issue of shares reg. on Sept. 20, 2006 | 300000 | | | | 300000 |
| Profit (+) or losses (-) of the previous periods | | | 79299 | | 79299 |
| On Dec. 31, 2006 | 3565509 | 34050 | 289510 | | 3889069 |
| Calculated dividends for the year 2006 | | | -71310 | | -71310 |
| Profit in the first 6 months of 2007 | | | | -131075 | -131075 |
| On June 30, 2007 | 3565509 | 34050 | 218200 | -131075 | 3686684 |

| | | | | | |
|-------------------------|----------------|--------------|---------------|--|----------------|
| On June 30, 2006 | 3265509 | 34050 | 745990 | | 4045549 |
|-------------------------|----------------|--------------|---------------|--|----------------|

K=0,703

EUR

| | Share capital | Reserves | Profit or losses of the previous periods | Profit or losses of the reporting period | Total |
|--|----------------|---------------|--|--|----------------|
| On Dec.31, 2005 | 4645105 | 235598 | 111858 | | 4992561 |
| Losses of 2005 written-off from reserves | | -187162 | 187162 | | 0 |
| Issue of shares reg. on Sept. 20, 2006 | 426743 | | | | 426743 |
| Profit (+) or losses (-) of the previous periods | | | 112801 | | 112801 |
| On Dec. 31, 2006 | 5071848 | 48436 | 411821 | | 5532105 |
| Calculated dividends for the year 2006 | | | -101437 | | -101437 |
| Profit in the first 6 months of 2007 | | | | -186451 | -186451 |
| On June 30, 2007 | 5071848 | 48436 | 310384 | -186451 | 5244217 |

| | | | | | |
|-------------------------|----------------|--------------|----------------|--|----------------|
| On June 30, 2006 | 4645105 | 48436 | 1061152 | | 5754693 |
|-------------------------|----------------|--------------|----------------|--|----------------|

NOTES TO FINANCIAL STATEMENTS

The report for the first six months of 2007 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).

Notes to balance sheet for the first six months of 2007

1. Long term investments.

1.1 Intangible assets. Balance sheet – row code 010.

At the end of the year the total value of patents, licenses and similar rights was - 3996 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: 512999 LVL Cadastral value 30.06.07. - 2493804LVL

| | |
|---|-------------|
| including: buildings and constructions- | 379925 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. Inventory. Balance sheet –row code 090; 100; 110; 120.

3.1. The total value of raw materials and sub-components in the warehouses is 508345 LVL, and they provide the process of production for two months. Other resources (materials and instruments) for departments, in total for 39591 LVL.

3.2. The stock of work in progress (parts) 133819 LVL provide the process of production for one month.

3.3. The stock of finished goods in total value of 436006 LVL ensures deliveries in time according to the signed contracts. Average monthly delivery in 2007 – 388, 9 t.LVL

3.4. Advance payments for goods.

| <i>Business partner</i> | <i>Advance payment</i> | <i>Total in LVL</i> |
|-----------------------------|------------------------|---------------------|
| Enterprises of Russia | For materials | 13363.60 |
| Enterprise of Great Britain | For materials | 5176.35 |
| Enterprise of China | For materials | 36311.28 |
| Enterprise of Germany | For materials | 18.58 |
| Enterprise of France | For materials | 9.91 |
| Enterprise of Poland | For materials | 65.01 |
| Enterprises of Latvia | For materials | 523.14 |
| | TOTAL | 55467.87 |

4. Receivables

4.1. 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 | 261991.53 |
| Enterprises of Belarus | For the goods | 315990.63 |
| Enterprise of Ukraine | For the goods | 82476.58 |
| Enterprise of Poland | For the goods | 1119.21 |
| Enterprise of Lithuania | For the goods | 3778.24 |
| Enterprises of Latvia | For the goods | 43618.18 |
| TOTAL | | 708974.37 |

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

4.2. 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 | 3791.87 |
| Enterprises of Latvia | For electric power | 840.73 |
| Enterprise of Latvia | For transport services | 231.21 |
| Enterprise of Latvia | For the collection of the waste | 118.04 |
| Other enterprises of Latvia | Other debts | 429.00 |
| Enterprise of Latvia | Agreement for sales of metal | 1444.79 |
| Employees of the enterprise | Settlements for business trips and other operating expenses | 11605.35 |
| Employees of the enterprise | Short term loan to employees | 2660.00 |
| State Revenue Service | Overpaid taxes (Real estate tax) | 165.49 |
| State Revenue Service | Overpaid taxes (Business risk fee) | 16.03 |
| State Revenue Service | Overpaid taxes (VAT) | 23909.99 |
| Enterprises of Latvia | VAT on unpaid invoices | 1514.72 |
| TOTAL | | 46727.22 |

4.3. 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 3, 2007 | 1250,00 |
| Newspaper „Diena” | Q 3, 2007 | 109.09 |
| Applied information service | Q 3, 2007 | 298.00 |
| Transport insurance | 2007 | 202.75 |
| “Atlas tours”, Ltd. | Q 3, 2007 | 567.10 |
| Other enterprises of Latvia | 2007 | 54.39 |
| TOTAL | | 2481.33 |

5. 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 | 45.73 | | 45.73 |
| Treasury | LVL | 6872.98 | | 6872.98 |
| | EUR | 16137.00 | 0.702804 | 11341.15 |
| | USD | 3399,00 | 0.522 | 1774.28 |
| | Total: 1 | | | 20034.14 |
| Current accounts | LVL | 178826.11 | | 178826.11 |
| | USD | 349510.56 | 0.522 | 182444.51 |
| | EUR | 128018.63 | 0.702804 | 89972.00 |
| | RUR | 827566.39 | 0.0202 | 16716.84 |
| Deposit account | LVL | 651000.00 | | 651000.00 |
| | Total: 2 | | | 1118959.46 |
| | Total: 1+2 | | | 1138993.60 |

6. 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. | |

7. 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 June 30, 2007 – 34050 LVL.

8. Long-term liabilities

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

| | 30.06.2007 (LVL) | 1.01.2007 (LVL) |
|-------------------------------|-------------------------|------------------------|
| Deferred taxation liabilities | 72015 | 72015 |

9. Current liabilities.

9.1. 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 | 2826.14 |
| Enterprises of Latvia | For goods | 138.10 |
| Total: | | 2964.24 |

9.2. Trade creditors. Balance sheet row code – 330

| <i>Business partner</i> | <i>Substantiation</i> | <i>Total LVL</i> |
|-----------------------------|---|------------------|
| PSJSC „Latvenergo” | Contract | 9877.46 |
| ME „Rīgas ūdens” | Contract | 708.91 |
| Enterprise of Latvia | Transport services | 500.00 |
| Enterprises of Latvia | For the collection of the waste | 28.32 |
| Other enterprises of Latvia | For services | 526.30 |
| Enterprise of Russia | Substitution of devices during guarantee period | 1205.08 |
| Enterprises of Latvia | For electronic plates | 27397.71 |
| Other enterprises of Latvia | For materials | 5787.82 |
| Enterprise of Great Britain | For materials | 219.12 |
| Total: | | 46250.72 |

9.3. 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 | 28334.99 | July 2007 |
| Social security payments | 8817.09 | July 2007 |
| Natural resource tax (NRT) | 376.55 | July 2007 |
| Total: | 37528.63 | |

9.4. Other creditors. Balance sheet row code - 350.

| <i>Debt</i> | <i>Total LVL</i> | <i>Date of payment</i> |
|-----------------|------------------|------------------------|
| Salary | 79984.74 | July 2007 |
| Other creditors | 442.05 | July 2007 |
| Total: | 80426.79 | |

9.5. Calculated but unpaid dividends for the year 2006. Balance sheet row code - 360.

In accordance with the decision of the meeting of shareholders of JSC”RAR” held on April 18, 2007 the payment date of dividends is July 9, 2007. The total amount of money for dividends is calculated 71310.18 LVL

9.6. Accrued liabilities. Balance sheet row code - 370.

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 June 30, 2007 was 49724.00LVL.

10. 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.)

10.1. 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> |
| 2333224 | 2266518 | 41906 | 24800 |
| 100 | 97.14 | 1.8 | 1.06 |

10.2. 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> |
| 2333224 | 1132058 | 645344 | 349881 | 29573 | 176368 |
| 100 | 48.52 | 27.66 | 15.00 | 1.27 | 7.55 |

| <i>Row code</i> | <i>Item</i> | <i>Six month of 2007 LVL</i> | <i>Six months of 2006 LVL</i> | <i>% to 2006</i> |
|-----------------|--|----------------------------------|-----------------------------------|------------------|
| 010 | Net turnover | 2333224 | 3069660 | 76.01 |
| 020 | Cost of sales | 2629994 | 2814639 | |
| 030 | Gross profit or loss | -296770 | 255021 | |
| | Costs for 1 LVL of net turnover (sant.) | 112.72 | 91.69 | |

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.

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 CIS (Commonwealth of Independent States) it may create essential problems for competitiveness of goods manufactured by the company.

The result of economic activities of the JSC “RAR” in the first six months of 2007 are losses 131075 LVL.

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

| Row code | Item | 6 months of 2007 LVL | 6 months of 2006 LVL |
|-----------------|---|-----------------------------|-----------------------------|
| 020 | Cost of sales in total: including | 2629994 | 2814639 |
| | Account 7.1-costs of materials and sub-components including transport expenses, custom fees and import duties | 1391233 | 1811667 |
| | Account 7171;7172 –electric power | 122973 | 121350 |
| | Account 7170 -contracts (for repairing works and maintenance of different systems) | 15657 | 6955 |
| | Account 7.2,7.3-salaries and social security payments | 972180 | 769573 |
| | Account 7.4- amortization: total | 117105 | 73388 |
| | Account 7.5- operating costs total: | 10846 | 31706 |
| | Incl. 7510 - expenses for protection of environment | 816 | 9010 |
| | 7540- insurance expenses (goods, buildings, equipment and machinery) | 355 | 925 |
| | 7551-expenses for certification of the production | 0 | 8049 |
| | 7550; 7560;7570 - expenses for work safety, business trips and other operating expenses | 9675 | 13722 |
| 040 | Selling expenses, account 7.6. total: | 64952 | 106040 |
| | Incl. 7600- salaries and social security payments | 21637 | 18529 |
| | 7610;7620- wrapping and transport costs | 36655 | 27254 |
| | 7670- marketing services according to contracts | 534 | 36922 |
| | 7635-write-off of a bad debt | 0 | 15321 |
| | 7601;7650;7660 – other expenses | 6126 | 8014 |
| 050 | Administrative expenses, account 7.7. total : | 166255 | 157960 |
| | including 7700- salaries and social security payments | 143637 | 128195 |
| | 7710- communication expenses | 10366 | 10255 |
| | 7750- bank services | 2321 | 3517 |
| | 7720;7730;7740;7760; 7770; 7790- other administrative expenses and representation expenses | 9931 | 15993 |

| | | | |
|------------|---|---------------|---------------|
| 060 | Other operating income | 909643 | 946555 |
| | including – income of foreign exchange rate revaluations - 8150, 8170 | 37185 | 120958 |
| | - income from sales of fixed assets (land, buildings and machinery) | 822716 | 768194 |
| | - income from rent charges | 14167 | 9943 |
| | - other income (selling of scrap,materials and outfit) | 35575 | 47460 |

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

| | | | |
|------------|---|----------------|---------------|
| 070 | Other operating expenses: | 494341 | 379740 |
| | Incl.- from sales of foreign currency - 8250; 8270; | 53082 | 158763 |
| | - costs for services due to sales of real estate 8296 | | 31253 |
| | - fixed assets written off because of selling | 401357 | 151788 |
| | - substitution of devices during guarantee period | 4393 | 2762 |
| | - other expenses : 8296;8297;7448;7449 | 35509 | 35174 |
| 080 | Interest receivable (deposit) | 3448 | 929 |
| 090 | Interest payable („SEB Unibanka” loan and contract for the purchase of equipment) | | 13162 |
| 110 | Profit or loss for the period before taxes | -109227 | 545603 |
| 120 | Income tax (advance payments) | | 3455 |
| 130 | Real estate tax (buildings and constructions; land) | 21848 | 6369 |
| 140 | Profit or loss for the period after taxes | -131075 | 535779 |

Chairman of the
Management Board: _____ A.Auziņš

Members of the
Management Board: _____ Z.Kalniņš

_____ M.Araslanovs

August 22, 2007