



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

**Report for the first quarter of 2008**

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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 (from 1998) Zigurds Kalniņš (from 1998) Maksims Araslanovs (from 2003)</i>
Supervisory Board	<i>Ēriks Kaža - Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Tatjana Ļevenkova</i>
Reporting period	<i>01.01.2008. - 31.03.2008.</i>
Main shareholders	<p>Basing on the list of shareholders prepared for the shareholders' meeting on April 25,2008:</p> <ol style="list-style-type: none"><li><i>1. JSC „Baltijas Holdings”-40.5 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i></li><li><i>2. „Tehprojekts”,Ltd.- 40.6% 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 14.3%</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 is 297.

### **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 16 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on March 31, 2008 and the results of its operations and cash flows for the period ended on March 31, 2008.

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 “Rīgas autoelektroaparātu rūpnīca” 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,

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Alfrēds Auziņš  
Chairman of the Board

May 23, 2008

*JSC „Rīgas autoelektroaparātu rūpnīca”  
Report for the first quarter of 2008*

**BALANCE SHEET**

**For the first quarter of 2008**

K=0,703 K=0,703

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 31.03.08.	At the beginning of the year 01.01.08.	At the end of the period 31.03.08.	At the beginning of the year 01.01.08.	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.
<b>A. LONG-TERM INVESTMENTS</b>										
<b>1. Intangible assets</b>										
1.1. Patents, licenses and similar rights	1.1.	010	860	1548	1224	2202	8325	12654	11842	18000
<b>1. TOTAL</b>		<b>020</b>	<b>860</b>	<b>1548</b>	<b>1224</b>	<b>2202</b>	<b>8325</b>	<b>12654</b>	<b>11842</b>	<b>18000</b>
<b>2. Fixed assets</b>										
2.1. Land, buildings and constructions	2	030	505966	508310	719724	723058	511689	905869	727865	1288576
2.2. Equipment and machinery		040	334519	366516	475845	521360	475109	514107	675831	731304
2.3. Other fixed assets and inventory		050	14385	18204	20462	25895	17489	18585	24878	26437
2.4. Advance payments for fixed assets		060	0	0	0	0	7040	1779	10014	2531
<b>2. TOTAL</b>		<b>070</b>	<b>854870</b>	<b>893030</b>	<b>1216031</b>	<b>1270313</b>	<b>1011327</b>	<b>1440340</b>	<b>1438588</b>	<b>2048848</b>
<b>A. TOTAL</b>		<b>080</b>	<b>855730</b>	<b>894578</b>	<b>1217255</b>	<b>1272515</b>	<b>1019652</b>	<b>1452994</b>	<b>1450430</b>	<b>2066848</b>
<b>B. CURRENT ASSETS</b>										
<b>1. Inventory</b>										
1.1. Raw materials, direct materials and auxiliary materials	3.1.	090	505147	529135	718559	752681	579268	579875	823994	824858
1.2. Work in progress	3.2.	100	78801	91894	112092	130717	121598	122321	172970	173999
1.3. Finished goods and goods for sale	3.3.	110	623085	499992	886323	711226	466325	655871	663336	932960
1.4. Advance payments for goods	3.4.	120	63708	52394	90623	74529	45743	15549	65068	22118
<b>1. TOTAL</b>		<b>130</b>	<b>1270741</b>	<b>1173415</b>	<b>1807597</b>	<b>1669153</b>	<b>1212934</b>	<b>1373616</b>	<b>1725368</b>	<b>1953935</b>
<b>2. Receivables</b>										
2.1. Trade receivables	4.1.	140	663648	780027	944023	1109569	892973	1124791	1270232	1599987
2.2. Other receivables	4.2.	150	44902	39516	63872	56210	65479	49728	93142	70736
2.3. Short term loans	4.3.	160	15059	21835	21421	31060				
2.4. Deferred expenses	4.4.	170	6275	4684	8926	6663	4103	4627	5837	6582
<b>2. TOTAL</b>		<b>180</b>	<b>729884</b>	<b>846062</b>	<b>1038242</b>	<b>1203502</b>	<b>962555</b>	<b>1179146</b>	<b>1369211</b>	<b>1677305</b>
<b>3. Cash</b>	5	190	568136	750093	808159	1066989	1109138	414375	1577721	589438
<b>B. TOTAL</b>		<b>200</b>	<b>2568761</b>	<b>2769570</b>	<b>3653998</b>	<b>3939644</b>	<b>3284627</b>	<b>2967137</b>	<b>4672300</b>	<b>4220678</b>
<b>TOTAL ASSETS</b>		<b>210</b>	<b>3424491</b>	<b>3664148</b>	<b>4871253</b>	<b>5212159</b>	<b>4304279</b>	<b>4420131</b>	<b>6122730</b>	<b>6287526</b>

*JSC „Rīgas autoelektroaparātu rūpnīca”  
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**BALANCE SHEET**

**For the first quarter of 2008**

K=0,703 K=0,703

LIABILITIES	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period 31.03.08.	At the beginning of the year 01.01.08.	At the end of the period 31.03.08.	At the beginning of the year 01.01.08.
<b>A. Equity capital</b>						
1. Share capital	6	220	3565509	3565509	5071848	5071848
2. Reserves:	7	230	34050	34050	48436	48436
a) other reserves		240	34050	34050	48436	48436
<b>TOTAL</b>		<b>250</b>	<b>3599559</b>	<b>3599559</b>	<b>5120284</b>	<b>5120284</b>
<b>3. Retained profit:</b>						
a) brought forward from previous years		260	-448615	-448615	-638144	-638144
b) for the current year		270	-115197		-163865	
<b>A. TOTAL</b>		<b>280</b>	<b>3035747</b>	<b>3150944</b>	<b>4318275</b>	<b>4482140</b>
<b>B.CREDITORS</b>						
<b>1. Long-term liabilities</b>						
1.1. Deferred tax liabilities	8	290	32269	32269	45902	45902
<b>1. TOTAL:</b>		<b>300</b>	<b>32269</b>	<b>32269</b>	<b>45902</b>	<b>45902</b>
<b>2. Current liabilities</b>						
2.1. Advance payments from customers	9.1.	310	17165	19485	24417	27717
2.2. Trade creditors	9.2.	320	148465	242920	211188	345547
2.3. Taxes and social security payments	9.3.	330	40207	42578	57193	60566
2.4. Other creditors	9.4.	340	67918	74578	96611	106085
2.5. Unpaid dividends	9.5.	350	6000	6000	8535	8535
2.6. Accrued liabilities	9.6.	360	76720	95374	109132	135667
<b>2. TOTAL</b>		<b>370</b>	<b>356475</b>	<b>480935</b>	<b>507076</b>	<b>684117</b>
<b>B.TOTAL</b>		<b>380</b>	<b>388744</b>	<b>513204</b>	<b>552978</b>	<b>730019</b>
<b>TOTAL LIABILITIES</b>		<b>390</b>	<b>3424491</b>	<b>3664148</b>	<b>4871253</b>	<b>5212159</b>

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.
3565509	3565509	5071848	5071848
34050	34050	48436	48436
34050	34050	48436	48436
<b>3599559</b>	<b>3599559</b>	<b>5120284</b>	<b>5120284</b>
289510	289510	411821	411821
62680		89160	
<b>3951749</b>	<b>3889069</b>	<b>5621265</b>	<b>5532105</b>
72015	72015	102440	102440
<b>72015</b>	<b>72015</b>	<b>102440</b>	<b>102440</b>
7793	53436	11085	76011
45939	204029	65347	290226
51828	34518	73724	49100
91556	73078	130236	103951
83399	93986	118633	133693
<b>280515</b>	<b>459047</b>	<b>399025</b>	<b>652981</b>
<b>352530</b>	<b>531062</b>	<b>501465</b>	<b>755421</b>
<b>4304279</b>	<b>4420131</b>	<b>6122730</b>	<b>6287526</b>

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**PROFIT OR LOSS ACCOUNT  
For the first quarter of 2008**

K=0,703

Item	Row code	LVL	LVL	EUR	EUR
		The first quarter of 2008	The first quarter of 2007	The first quarter of 2008	The first quarter of 2007
1	2	3	4	5	6
Net turnover	010	931032	1221978	1324370	1738233
Cost of sales	020	921053	1439059	1310175	2047026
<b>Gross profit or loss</b>	<b>030</b>	<b>9979</b>	<b>-217081</b>	<b>14195</b>	<b>-308793</b>
Selling expenses	040	18690	35205	26586	50078
Administrative expenses	050	103185	80860	146778	115021
Other operating income	060	86271	862194	122718	1226449
Other operating expenses	070	85331	454726	121381	646837
Interest receivable and similar income	080	2294	854	3263	1215
Profit or loss before extraordinary items and taxes	90	-108662	75176	-154569	106935
Profit or loss before taxes	100	-108662	75176	-154569	106935
Other taxes (Real estate tax)	110	6535	12496	9296	17775
<b>Profit or loss for the period</b>	<b>120</b>	<b>-115197</b>	<b>62680</b>	<b>-163865</b>	<b>89160</b>

**Earnings per share**

**-0,032**

**0,018**

**-0,046**

**0,025**

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**STATEMENT OF CASH FLOWS for the first quarter of 2008**

**A. Cash flow from operating activities**

K=0,703

No	ITEMS	2008	2007	2008	2007
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Income from sales and services	1041395	1484987	1481358	2112357
2	Payments to suppliers for goods and services	-825827	-1066699	-1174718	-1517352
3	Payments to employees and in their interests or to the third persons according to their orders	-288477	-305539	-410351	-434622
4	Other expenses for economic activities	-14720	-12058	-20939	-17152
5	Income from other economic activities	9012	10517	12819	14960
6	Tax payments	-124262	-128620	-176760	-182959
7	VAT paid	4259	-2011	6058	-2861
8	Deferred expenses	-3765	-2288	-5355	-3254
	<b>Cash flow from gross operating activities</b>	<b>-202385</b>	<b>-21711</b>	<b>-287888</b>	<b>-30883</b>
10	Income tax payments	0	-1619	0	-2303
11	Real estate tax payments	0	-12540	0	-17838
	<b>TOTAL</b>	<b>-202385</b>	<b>-35870</b>	<b>-287888</b>	<b>-51024</b>
A.	Net cash flow from operating activities	<b>-202385</b>	<b>-35870</b>	<b>-287888</b>	<b>-51024</b>

**B. Cash flow from investment activities**

No	ITEMS	2008	2007	2008	2007
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-79	-16238	-112	-23098
2	Sales of intangible and fixed assets	25725	750180	36593	1067112
3	Issued loans		-2000		-2845
4	Repaid loans	6810	930	9687	1323
5	Received interest	295		419	
	<b>TOTAL</b>	<b>32751</b>	<b>732872</b>	<b>46587</b>	<b>1042492</b>
B.	Net cash from investment activities	<b>32751</b>	<b>732872</b>	<b>46587</b>	<b>1042492</b>



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**C. Cash flow from financing**

No	ITEMS	2008	2007	2008	2007
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
1	Received interest for deposit	1965	854	2795	1215
	<b>TOTAL</b>	<b>1965</b>	<b>854</b>	<b>2795</b>	<b>1215</b>
<b>C.</b>	<b>Net cash flow from financing</b>	<b>1965</b>	<b>854</b>	<b>2795</b>	<b>1215</b>

**SUMMARY OF CASH INCOME AND EXPENDITURE**

No	ITEMS	2008	2007	2008	2007
		Q 1	Q 1	Q 1	Q 1
		LVL	LVL	EUR	EUR
A	The result from operating activities	-202385	-35870	-287888	-51024
B	The result from investment activities	32751	732872	46587	1042492
C	The result from financing	1965	854	2795	1215
D	The result from currency rate fluctuations	-14288	-3093	-20324	-4400
	Cash increase or decrease	-181957	694763	-258830	988283
	Cash and cash equivalents at the beginning of the reporting period	<b>750093</b>	<b>414375</b>	<b>1066989</b>	<b>589438</b>
	Cash and cash equivalents at the end of the reporting period	<b>568136</b>	<b>1109138</b>	<b>808159</b>	<b>1577721</b>

**STATEMENT OF EXCHANGES IN EQUITY**  
for the first quarter of 2008

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2006</b>	<b>3565509</b>	<b>34050</b>	<b>289510</b>		<b>3889069</b>
Calculated dividends for 2006			-71310		-71310
Profit (+) or losses (-) of the reporting year			-666815		-666815
<b>On Dec. 31, 2007</b>	<b>3565509</b>	<b>34050</b>	<b>-448615</b>		<b>3150944</b>
Profit (+) or losses (-) of the first quarter of 2008				-115197	-115197
<b>On March 31, 2008</b>	<b>3565509</b>	<b>34050</b>	<b>-448615</b>	<b>-115197</b>	<b>3035747</b>

<b>On March 31, 2007</b>	<b>3565509</b>	<b>34050</b>	<b>289510</b>	<b>62680</b>	<b>3951749</b>
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K=0,703

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2006</b>	<b>5071848</b>	<b>48436</b>	<b>411821</b>		<b>5532105</b>
Calculated dividends for 2006			-101437		-101437
Profit (+) or losses (-) of the reporting year			-948528		-948528
<b>On Dec. 31, 2007</b>	<b>5071848</b>	<b>48436</b>	<b>-638144</b>		<b>4482140</b>
Profit (+) or losses (-) of the first quarter of 2008				-163865	-163865
<b>On March 31, 2008</b>	<b>5071848</b>	<b>48436</b>	<b>-638144</b>	<b>-163865</b>	<b>4318275</b>

<b>On March 31, 2007</b>	<b>5071848</b>	<b>48436</b>	<b>411821</b>	<b>89160</b>	<b>5621265</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 2008**

#### **1. Long term investments.**

##### **1.1 Intangible assets. Balance sheet –row code 010**

Patents, licenses and similar rights:

Balance value on March31, 2008 was 860 LVL;

on January31, 2008 1548 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 on March31, 2008:	505966 LVL	on January31, 2008	508310 LVL
including: buildings and constructions-	372892 LVL		375236 LVL
land -	133074 LVL		133074 LVL

**Cadastral value on 31.03.08. 4516123LVL**

Cadastral value of the buildings - 2422808 LVL

Cadastral value of the land - 2093315 LVL

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

3.1. On March 31, 2008 the total value of raw materials and sub-components in the warehouses is 479724 LVL, and they provide the process of production for two months.

On January 1, 2008 the total value of stocks was 501785 LVL.

The value of other inventory (material and outfit) for auxiliary bays on March 31, 2008 was 25423 LVL.

The value of other inventory on January 1, 2008 was 27350 LVL.

3.2. On March 31, 2008 the stock of work in progress (parts) 78801 LVL provide the process of production for one month.

On January 1, 2008 the stock of work in progress (parts) amounted to 91894 LVL.

3.3. On March 31, 2008 the stock of finished goods was 623085 LVL. The increase of the stock of finished goods is justified by changes in contracts of deliveries.

The stock of finished goods is evaluated in production costs.

On January 1, 2008 the stock of finished goods amounted to 499992 LVL.

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3.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For materials	6856.67	25084.12
Enterprises of Belarus	For materials	248.85	
Enterprise of Great Britain	For materials	2027.16	
Enterprise of Germany	For materials		237.27
Enterprises of China	For materials	51267.62	26858.13
Enterprise of Lithuania	For materials	212.47	
Enterprises of Latvia	For materials	3095.43	213.93
	<b>TOTAL</b>	<b>63708.20</b>	<b>52393.54</b>

4. Receivables

4.1. Trade receivables. Balance sheet –row code 140

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For the goods	141198.10	260828.77
Enterprises of Belarus	For the goods	465047.52	426041.49
Enterprises of Lithuania	For the goods	1479.99	1632.73
Enterprises of Latvia	For the goods	55922.30	91523.62
	<b>TOTAL</b>	<b>663647.91</b>	<b>780026.61</b>

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 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Latvia	Agreement of lease	1730.83	2868.27
Enterprises of Latvia	For single orders	5410.56	1707.10
Enterprise of Latvia	For the equipment	2938.20	
Enterprise of Latvia	For the collection of the waste	244.10	216.17
Other enterprises of Latvia	Other debts	48.51	192.52
Employees of the enterprise	Settlements for business trips and other operating expenses	1660.45	835.31
Enterprise of Latvia	Scrap-metal sales		1611.41
State treasury	Settlements with customs	982.03	150.97
State Revenue Service	Overpaid taxes ( VAT)	30130.07	29872.73
Enterprises of Latvia	VAT on unpaid invoices	1757.49	2061.85
	<b>TOTAL</b>	<b>44902.24</b>	<b>39516.33</b>

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**4.3. Short term loans. Balance sheet –row code 160**

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	Contract for loan	14809.20	20775.00
Employees of the enterprise	Short term loans to the employees	250.00	1060.00
<b>Kopā:</b>		<b>15059.20</b>	<b>21835.00</b>

Interest rate according to the agreement with the enterprise of Latvia is 7.2%.

**4.4. Deferred expenses. Balance sheet –row code 170**

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	The year 2008 (tickets)	2307.70	1292.00
Enterprises of Latvia	Subscription to newspapers for 2008, special literature on legislation of Latvia	698.12	973.97
Enterprise of Latvia	Agreement for services	1250.00	
Transport insurance	2008	472.53	560.51
Auditing company of Latvia	April 2008	1500.00	1770.00
Other enterprises of Latvia	Subscriber's fee	46.39	87.69
<b>TOTAL</b>		<b>6274.74</b>	<b>4684.17</b>

**5. Cash and cash equivalents. Balance sheet –row code 190**

<i>Cash location</i>	<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on March 31, 2008</i>	<i>Balance LVL As on January 31, 2008</i>
Shop-warehouse	LVL			50.71	7945.57
Treasury	LVL			7605.53	47.97
	EUR	14295.00	0.702804	10046.58	7486.27
	USD	511.00	0.445	227.40	537.72
	<b>Total: 1</b>			<b>17930.22</b>	<b>16017.53</b>
Current accounts	LVL			20859.21	48172.92
	USD	364077.32	0.445	162014.41	130439.44
	EUR	99561.64	0.702804	69972.32	133021.50
	RUR	62526.74	0.0189	1181.76	76264.10
Deposit account	LVL	1000.00		1000.00	51000.00
	EUR	420000.00	0.702804	295177.68	
	<b>Total: 2</b>			<b>550205.38</b>	<b>734075.64</b>
	<b>Total: 1+2</b>			<b>568135.60</b>	<b>750093.17</b>

**7. Share capital. Balance sheet –row code - 220**

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

**The shareholders as on April 25, 2008 are:** (share proportion in share capital)

JSC „BALTIJAS HOLDINGS”	40.5 %
„Tehprojekts”, Ltd.	40.6 %
SJSC “VSAA”	4.6 %
Other physical and legal persons	14.3 %

**7. Reserves. Balance sheet row code - 230**

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, 2008 – 34049.62 LVL. According to the decision of shareholders the reserve will be used to cover the losses of 2007.

**8. Long-term liabilities.**

In 2007 deferred taxation liabilities were calculated as at the end of the year and included in balance sheet.

	<b>31.03.2008 (LVL)</b>	<b>1.01.2008 (LVL)</b>
Deferred taxation liabilities	32269	32269

**9. Current liabilities.**

**9.1. Advance payments from customers. Balance sheet row code – 310**

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Switzerland	For equipment		11596.26
Enterprise of Latvia	For equipment	10040.00	480.00
Enterprise of Ukraine	For goods		5217.85
Enterprise of Russia	For goods	7124.73	
Enterprise of Latvia	For goods		2190.75
<b>TOTAL</b>		<b>17164.73</b>	<b>19484.86</b>

**9.2. Trade creditors. Balance sheet row code – 320**

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	Contract for services	11480.92	12445.18
Enterprise of Latvia	Contract for services	16661.80	15762.48
Enterprise of Latvia	Contract for services	654.29	650.77
Enterprise of Latvia	Communication services		1196.79
Enterprise of Latvia	For delivery of electronic plates	115887.86	189729.00
Enterprise of Latvia	Software maintenance	194.70	194.70
Enterprises of Latvia	For materials	245.14	1954.29
Enterprise of Germany	For materials		20013.04
Enterprise of Latvia	For goods	550.00	500.00
Enterprise of Latvia	Maintenance and repairs of equipment	324.89	
Enterprise of Latvia	For the collection of the waste	663.92	
Enterprise of Latvia	Transport services	1462.14	
Enterprises of Latvia	Other services	338.90	
Enterprise of Great Britain	Different services		474.41
<b>TOTAL</b>		<b>148464.56</b>	<b>242920.66</b>

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**9.3. Taxes and social security payments. Balance sheet row code – 330**

<i>Tax</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Personal income tax	20528.56	25681.08
Social security payments	12983.24	12812.79
Income tax	0.00	3910.10
Business risk fee	59.47	66.97
Natural resource tax (NRT)	100.94	107.70
Real estate tax: incl. for buildings for land	6056.45 478.90	
<b>Total</b>	* <b>40207.56</b>	<b>42578.64</b>

\* Term of payment – April, 2008.

**9.4. Other creditors. Balance sheet row code – 340**

<i>Debt</i>	<i>Substantiation</i>	<i>Total in LVL 31.03.2008</i>	<i>Total in LVL 01.01.2008</i>
Salary		* 67165.59	72941.86
Enterprises of Latvia	For equipment	354.29	
DHL – processing of goods			812.13
Other creditors	Different accounts	398.58	824.59
<b>Total</b>		<b>67918.46</b>	<b>74578.58</b>

\* Term of payment – April, 2008.

**9.5. Calculated but unpaid dividends for the year 2006. Balance sheet row code - 350**

On March 31, 2008 the balance of unpaid dividends for the year 2006 was 6000 LVL.

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

In accordance with the law „On the annual reports” provisions for vacations of 2007 are calculated in total 95373.81 LVL. The balance of the provisions for vacations on March 31, 2008 was 76720.39 LVL.

**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>
<b>The first quarter of 2008</b>	<b>931032</b>	<b>884270</b>	<b>29005</b>	<b>17757</b>
<b>%</b>	<b>100</b>	<b>94.98</b>	<b>3.12</b>	<b>1.90</b>

<b>The first quarter of 2007</b>	<b>1221978</b>	<b>1189373</b>	<b>21010</b>	<b>11595</b>
<b>%</b>	<b>100</b>	<b>97.33</b>	<b>1.72</b>	<b>0.95</b>

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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>
<b>The first quarter of 2008</b>	<b>931032</b>	<b>180679</b>	<b>450017</b>	<b>171880</b>	<b>17259</b>	<b>111197</b>
<b>%</b>	<b>100</b>	<b>19.41</b>	<b>48.34</b>	<b>18.46</b>	<b>1.85</b>	<b>11.94</b>

<b>The first quarter of 2007</b>	<b>1221978</b>	<b>608304</b>	<b>327689</b>	<b>175199</b>	<b>8129</b>	<b>102657</b>
<b>%</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, 2008 LVL</b>	<b>Q 1, 2007 LVL</b>	<b>% to 2007</b>
<b>010</b>	Net turnover	931032	1221978	<b>76.2</b>
<b>020</b>	Cost of sales	921053	1439059	
<b>030</b>	<b>Gross profit or loss</b>	<b>9979</b>	<b>-217081</b>	
	<b>Costs for 1 LVL of net turnover (sant.)</b>	98.93	117.76	

In the first quarter of 2008 the volumes of production and sales diminished to 76.2% if compared with the first quarter of 2007.

The result of economic activities of the JSC “RAR“ in the first quarter of 2008 is losses 115197 LVL.

In the first quarter of 2008 the Managing board carried out measures to change and improve the organizational structure of the JSC “RAR“ and to diminish fixed costs.

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 goods of the company are getting more expensive, at the same time the prices of the goods produced in „RAR” are limited by severe competition in the market.

<b>Row code</b>	<b>Item</b>	<b>Q 1, 2008 LVL</b>	<b>Q 1, 2007 LVL</b>
<b>020</b>	<b>Cost of sales in total:</b>	<b>921053</b>	<b>1439059</b>
	including		
02.1.	-costs of materials and sub-components including transport expenses, custom fees and import duties	546195	737794
02.2.	- electric power	21444	95348
02.3.	-contracts (for repairing works and maintenance of different systems)	639	11543
02.4.	-salaries and social security payments	305904	525984
02.5.	<b>Amortization: total</b>	<b>39590</b>	<b>61494</b>
02.6.	<b>Operating costs total:</b>	<b>7281</b>	<b>6896</b>
	Incl. - expenses for protection of environment	524	784
	- insurance expenses	166	193
	- expenses for work safety and other operating expenses	6591	5919
<b>040</b>	<b>Selling expenses, total:</b>	<b>18690</b>	<b>35205</b>
	Incl. - salaries and social security payments	8213	11113
	- wrapping and transport costs	9257	20128
	- other expenses	1220	3964



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<b>Row code</b>	<b>Item</b>	<b>Q 1, 2008 LVL</b>	<b>Q 1, 2007 LVL</b>
<b>050</b>	<b>Administrative expenses, total :</b>	<b>103185</b>	<b>80860</b>
	including - salaries and social security payments	93570	70640
	- communication expenses	3908	4871
	- bank services	1209	1111
	- other administrative expenses and representation expenses	4498	4238
<b>060</b>	<b>Other operating income</b>	<b>86271</b>	<b>862194</b>
	including – income of foreign exchange rate revaluations	23420	21977
	- income from sales of fixed assets (machinery, buildings and land)	32960	811804
	- income from rent charges	5426	8243
	- other income (selling of scrap, materials and outfit)	24465	20170
<b>070</b>	<b>Other operating expenses:</b>	<b>85331</b>	<b>454726</b>
	Incl.- from sales of foreign currency	65645	30325
	- fixed assets written off because of selling		401246
	- other expenses	19686	23155
<b>080</b>	Interest receivable (deposit)	<b>2294</b>	<b>854</b>
<b>090</b>	<b>Profit or loss for the period before taxes</b>	<b>-108662</b>	<b>75176</b>
<b>110</b>	Real estate tax (buildings and constructions; land)	6535	12496
<b>120</b>	<b>Profit or loss for the period after taxes</b>	<b>-115197</b>	<b>62680</b>

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

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

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

May 23, 2008