



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

Report for the first 6 months of 2008

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*JSC „Rīgas autoelektroaparātu rūpnīca”
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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 Council	<i>Ēriks Kaža - Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Tatjana Ļevenkova</i>
Reporting period	<i>01.01.2008 - 30.06.2008</i>
Main shareholders	<i>The list prepared on April 25, 2008: 1. JSC „Baltijas Holdings”-40.5 % Reg.Nr.40003148033, 2, Klijanu street, Riga 2. „Tehprojekts”,Ltd.- 40.6% Reg.Nr. 40103020397, 12,Unijas street, Riga 3. State social security agency- 4.6% 4. Other physical and legal persons 14.3%</i>
Auditor	<i>“Auditorfirma „Grāmatvedis””Ltd. Reg Nr. 42803007531 Commercial license No37 58, Brīvības street, Riga, LV-1011</i>

Management report for 6 months of 2008

1. Information about the company and its basic activities

The company was found 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.

Since 2003 the company has introduced quality management system corresponding to ISO 9001:2000. The personnel continue to perfect the quality management system.

Average number of employees in the reporting period is 270.

2. Statements

The total volume of production and sales in the first 6 months of 2008 is 71, 4 % if compared with the same period of 2007.

**Net turnover in 6 months of 2008 was 1665082LVL
in 6 months of 2007 – 2333224 LVL**

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 depending on the planned production volumes of automobiles’ producers and from the per cent of the production of our enterprise in total delivery volumes.

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.

According to amendments to laws of the Republic of Latvia the real estate tax will increase in 2007-2008. The JSC “RAR” took the decision to concentrate production in smaller territory and to sell part of the vacant buildings and areas of land.

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 6 months of 2008 is losses:

Losses after taxes are 128258 LVL.

The rapid growth of prices that broke out in 2007 and in 2008 has a negative influence upon the economic activities of the enterprise while the price level of company’s produced goods is limited by severe competition in the definite market.

Business of the enterprise is closely related with the operational environment

The operational environment of the enterprise is formed by the legislation on taxes and minimal wages, on the protection of environment and on labour safety. The enterprise is obliged to increase the costs to ensure the demands of laws. Year by year the prices of all kind of energy resources (thermal energy, gas, electric energy, water supply and sewage treatment) are increasing.

The other elements of the operational environment are suppliers, creditors, buyers and competitors. The suppliers are striving for profitable prices and guaranteed payments. The buyers are expecting a product of complying price, quality and warranty. The competitors and market conditions are limiting the price level and profit.

Future prospects and further development

The Management Board predicts that the volumes of production and sales in 2008 may reduce as the producers of automobiles in Russia and Ukraine are going to reduce the volumes of production of the old models.

The Managing board is analyzing all costs and the performance of 2007 to carry out economic activities in 2008. The Managing board is developing measures to change and improve the organizational structure and to diminish fixed costs.

Risks for the economic activities of the company:

1) Risk for technological innovations

Developing and introducing of new technologies is an expensive process. If it is necessary to obtain new machinery, equipment, punch press or introduce new technologies, it may cost from tens of thousands EUR up to hundred of thousands EUR. It is hard to return this money because the new product takes part in a tender where design, functions, quality as well as price are evaluated. As the products are intended for complete set of definite automobiles there is a risk that a contract will not be signed for any of reasons.

2) Quality risk and responsibility

The company has introduced quality management system corresponding to **ISO 9001:2000**. According to technical demands the guarantee period is two years from the production date. The producer guarantees substitution of faulty devices during guarantee period. According to contract the producer is responsible for the quality of the product. The supplier is to pay fine for delivery of imperfect goods therefore additional expenses may arise because of substitution of the products in guarantee period.

3) Exchange risk

There are different currencies denoted in contracts with the suppliers of materials and sub-components as well as contracts for deliveries of the company's production. The most often is EUR. 90% of net turnover is export. Before signing of contracts the company evaluates the exchange risk and tries to avoid it.

The rapid decrease in the exchange rate of USD that broke out in the last quarter of 2007 has a negative influence upon the economic activities of the enterprise. The fall in the exchange rate of USD causes losses for the company.

4) Economic and market risk

Growth of prices for materials, services and fuel as well as energy resources raises costs of production. There are three main factors which must be taken into account when setting the price – costs of production, demand and prices of competitors.

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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.

There is lack of new specialists with appropriate technical education.

5) Political risk

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.

JSC “Rīgas autoelektroaparātu rūpnīca” has neither foreign mission nor branch.

Management Board: _____

A.Auziņš

Z.Kalniņš

M. Araslanovs

August 18, 2008

Statement of Management Responsibility

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

The financial statements on pages 7 to 20 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on June 30, 2008 and the results of its operations and cash flows for the period ended on June 30, 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 autoelekroaparātu 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,

Alfrēds Auziņš
Chairman of the Board

August 18, 2008

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BALANCE SHEET		For the first 6 months of 2008		K=0,703 K=0,703							
			LVL	LVL	EUR	EUR		LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period 30.06.08	At the beginning of the year 01.01.08.	At the end of the period 30.06.08.	At the beginning of the year 01.01.08.		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.
A. LONG-TERM INVESTMENTS											
1. Intangible assets											
1.1. Patents, licenses and similar rights	1.1.	010	479	1548	681	2202		3996	12654	5684	18000
1. TOTAL		020	479	1548	681	2202		3996	12654	5684	18000
2. Fixed assets											
2.1. Land, buildings and constructions	2.	030	503621	508310	716388	723058		512999	905869	729728	1288576
2.2. Equipment and machinery		040	302523	366516	430332	521360		442899	514107	630013	731304
2.3. Other fixed assets and inventory		050	10855	18204	15441	25895		16604	18585	23619	26437
2.4. Advance payments for fixed assets		060	0	0	0	0		0	1779	0	2531
2. TOTAL		070	816999	893030	1162161	1270313		972502	1440340	1383360	2048848
A. TOTAL		080	817478	894578	1162842	1272515		976498	1452994	1389044	2066848
B. CURRENT ASSETS											
1. Inventory											
1.1. Raw materials, direct materials and auxiliary materials	3.1.	090	464493	529135	660730	752681		547936	579875	779425	824858
1.2. Work in progress	3.2.	100	60543	91894	86121	130717		133819	122321	190354	173999
1.3. Finished goods and goods for sale	3.3.	110	850453	499992	1209748	711226		436006	655871	620208	932960
1.4. Advance payments for goods	3.4.	120	37005	52394	52639	74529		55468	15549	78902	22118
1. TOTAL		130	1412494	1173415	2009238	1669153		1173229	1373616	1668889	1 953 935
2. Receivables											
2.1. Trade receivables	4.1.	140	703591	780027	1000841	1109569		708974	1124791	1008498	1599987
2.2. Other receivables	4.2.	150	40538	39516	57664	56210		44067	46888	62684	66696
2.3. Short term loans	4.3.	160	6820	21835	9701	31060		2660	2840	3784	4040
2.4. Deferred expenses	4.4.	170	3341	4684	4752	6663		2481	4627	3529	6582
2. TOTAL		180	754290	846062	1072958	1203502		758182	1179146	1078495	1677305
3. Cash	5.	190	379697	750093	540110	1066989		1138994	414375	1620191	589438
B. TOTAL		200	2546481	2769570	3622306	3939644		3070405	2967137	4367575	4220678
TOTAL ASSETS		210	3363959	3664148	4785148	5212159		4046903	4420131	5756619	6 287 526

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BALANCE SHEET		For the first 6 months of 2008		K=0,703 K=0,703						
			LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
LIABILITIES	Notes	Row code	At the end of the period 30.06.08.	At the beginning of the year 01.01.08.	At the end of the period 30.06.08	At the beginning of the year 01.01.08.	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.
A. Equity capital										
1. Share capital	6	220	3565509	3565509	5071848	5071848	3565509	3565509	5071848	5071848
2. Reserves:	7	230	0	34050	0	48436	34050	34050	48436	48436
a) other reserves		240	0	34050	0	48436	34050	34050	48436	48436
TOTAL		250	3565509	3599559	5071848	5120284	3599559	3599559	5120284	5120284
3. Retained profit:										
a) brought forward from previous years		260	-414565	-448615	-589708	-638144	218200	289510	310384	411821
b) for the current year	10	270	-128258		-182444		-131075		-186451	
A. TOTAL		280	3022686	3150944	4299696	4482140	3686684	3889069	5244217	5532105
B.CREDITORS										
1. Long-term liabilities										
1.1. Deferred tax liabilities	8	290	32269	32269	45902	45902	72015	72015	102440	102440
1. TOTAL:		300	32269	32269	45902	45902	72015	72015	102440	102440
2. Current liabilities										
2.1. Advance payments from customers	9.1.	310	1200	19485	1707	27717	2964	53436	4216	76011
2.2. Trade creditors	9.2.	320	159581	242920	227000	345547	46251	204029	65791	290226
2.3. Taxes and social security payments	9.3.	330	24868	42578	35374	60566	37528	34518	53382	49100
2.4. Other creditors	9.4.	340	59305	74578	84360	106085	80427	73078	114405	103951
2.5. Unpaid dividends	9.5.	350	0	6000	0	8535	71310		101437	
2.6. Accrued liabilities	9.6.	360	64050	95374	91109	135667	49724	93986	70731	133693
2. TOTAL		370	309004	480935	439550	684117	288204	459047	409962	652981
B. TOTAL		380	341273	513204	485452	730019	360219	531062	512402	755421
TOTAL LIABILITIES		390	3363959	3664148	4785148	5212159	4046903	4420131	5756619	6287526

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STATEMENT OF CASH FLOWS for the first 6 months of 2008

A. Cash flow from operating activities

K=0,703

No	ITEMS	2008	2007	2008	2007
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Income from sales and services	1784318	2799557	2538148	3982300
2	Payments to suppliers for goods and services	-1375834	-1861546	-1957089	-2648003
3	Payments to employees and in their interests or to the third persons according to their orders	-552596	-644663	-786054	-917017
4	Other expenses for economic activities	-20680	-19516	-29417	-27761
5	Income from other economic activities	14117	19614	20081	27901
6	Tax payments	-236331	-268335	-336175	-381700
7	VAT paid	4699	-2736	6684	-3892
8	Deferred expenses	-5015	-4278	-7134	-6085
	Cash flow from gross operating activities	-387322	18097	-550956	25743
9	Income tax payments	-13071	-21892	-18593	-31141
	TOTAL	-400393	-3795	-569549	-5398
A.	Net cash flow from operating activities	-400393	-3795	-569549	-5398

B. Cash flow from investment activities

No	ITEMS	2008	2007	2008	2007
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-79	-19276	-112	-27420
2	Sales of intangible and fixed assets	31687	753240	45074	1071465
3	Issued loans		-2000		-2845
4	Repaid loans	14560		20711	
5	Received interest	1006	2180	1431	3101
	TOTAL	47174	734144	67104	1044301
B.	Net cash from investment activities	47174	734144	67104	1044301

C. Cash flow from financing

No	ITEMS	2008	2007	2008	2007
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Paid dividends	-6000		-8535	
2	Received interest for deposit	5551	3448	7896	4905
	TOTAL	-449	3448	-639	4905
C.	Net cash flow from financing	-449	3448	-639	4905

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SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2008	2007	2008	2007
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
A	The result from operating activities	-400393	-3795	-569549	-5398
B	The result from investment activities	47174	734144	67104	1044301
C	The result from financing	-449	3448	-639	4905
D	The result from currency rate fluctuations	-16728	-9178	-23795	-13055
	Cash increase or decrease	-370396	724619	-526879	1030753
	Cash and cash equivalents at the beginning of the reporting period	750093	414375	1066989	589438
	Cash and cash equivalents at the end of the reporting period	379697	1138994	540110	1620191

STATEMENT OF EXCHANGES IN EQUITY
for the first 6 months of 2008

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2006	3565509	34050	289510		3889069
Calculated dividends for 2006			-71310		-71310
Profit (+) or losses (-) of the reporting year			-666815		-666815
On Dec. 31, 2007	3565509	34050	-448615		3150944
Losses covered from the reserves		-34050	34050		0
Profit (+) or losses (-) of the first 6 months of 2008				-128258	-128258
On June 30, 2008	3565509	0	-414565	-128258	3022686
On June 30, 2007	3565509	34050	218200	-131075	3686684

K=0,703

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2006	5071848	48436	411821		5532105
Calculated dividends for 2006			-101437		-101437
Profit (+) or losses (-) of the reporting year			-948528		-948528
On Dec. 31, 2007	5071848	48436	-638144		4482140
Losses covered from the reserves		-48436	48436		0
Profit (+) or losses (-) of the first 6 months of 2008				-182444	-182444
On June 30, 2008	5071848	0	-589708	-182444	4299696
On June 30, 2007	5071848	48436	310384	-186451	5244217

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 6 months of 2008

1. Long term investments.

1.1 Intangible assets. Balance sheet –row code 010

Patents, licenses and similar rights:

Balance value on June 30, 2008 was 479 LVL;

on January 31, 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 June 30, 2008:	503621 LVL	on January 31, 2008	508310 LVL
including: buildings and constructions-	370547 LVL		375236 LVL
land -	133074 LVL		133074 LVL

Cadastral value on 30.06.08. 4516063LVL

Cadastral value of the buildings - 2422748 LVL

Cadastral value of the land - 2093315 LVL

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

3.1. On June 30, 2008 the total value of raw materials and sub-components in the warehouses is 440326 LVL, and they provide the process of production for two months.

The value of other inventory (material and outfit) for auxiliary bays on June 30, 2008 was 24167 LVL.

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

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

3.2. On June 30, 2008 the stock of work in progress (parts) 60543 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 June 30, 2008 the stock of finished goods was 850453 LVL. The stock of finished goods is evaluated in production costs. The increase of the stock of finished goods is justified by concluded contracts and formed to ensure the deliveries of goods in time.

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 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For materials	208.01	25084.21
Enterprise of Austria	For materials	1818.51	
Enterprises of China	For materials	32276.61	26858.13
Enterprise of Germany	For materials		237.27
Enterprise of Lithuania	For materials	212.47	
Enterprise of Latvia	For materials	2263.68	
Other enterprises of Latvia	For materials	225.68	213.93
	TOTAL	37004.96	52393.54

4. Receivables

4.1. Trade receivables. Balance sheet –row code 140

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For the goods	101947.98	260828.77
Enterprises of Belarus	For the goods	546876.21	426041.49
Enterprises of Lithuania	For the goods	1465.01	1632.73
Enterprises of Latvia	For the goods	53301.48	91523.62
	TOTAL	703590.68	780026.61

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 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Latvia	Agreement of lease	1021.94	2868.27
Enterprises of Latvia	For single orders	8765.00	1707.10
Enterprises of Latvia	For the equipment	4395.50	
Enterprise of Latvia	For transport services	62.98	
Enterprise of Latvia	For the collection of the waste	56.01	216.17
Other enterprises of Latvia	Other debts	8.17	192.52
Enterprise of Latvia	Scrap-metal sales	1192.92	1611.41
State treasury	Settlements with customs	3637.22	150.97
Employees of the enterprise	Settlements for business trips and other operating expenses	3811.45	835.31
State Revenue Service	Overpaid taxes (VAT)	15841.57	29872.73
Enterprises of Latvia	VAT on unpaid invoices	1745.71	2061.85
	TOTAL	40538.47	39516.33

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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 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	Contract: repayment date July 1, 2008	6820.20	20775.00
Employees of the enterprise	Short term loans to the employees	0	1060.00
Kopā:		6820.20	21835.00

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 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	The year 2008 (tickets)	1292.00	1292.00
Enterprises of Latvia	Newspapers, special literature on legislation of Latvia	393.20	973.97
Enterprise of Latvia	Agreement for services	1250.00	
Transport insurance	2008	231.70	560.51
Auditing company of Latvia	April 2008		1770.00
Enterprises of Latvia	Subscriber's fee	46.39	87.69
Other enterprises of Latvia	Different services	128.00	
TOTAL		3341.29	4684.17

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 June 30, 2008</i>	<i>Balance LVL As on January 31, 2008</i>
Shop-warehouse	LVL			42.29	47.97
Treasury	LVL			7357.17	7945.57
	EUR	4165.00	0.702804	2927.18	7486.27
	USD	1431,00	0.447	639.66	537.72
	Total: 1			10966.30	16017.53
Current accounts	LVL			21248.88	48172.92
	USD	54054.19	0.447	24162.22	130439.44
	EUR	36375.64	0.702804	25564.94	133021.50
	RUR	135604.81	0.019	2576.49	76264.10
Deposit account	LVL	420000.00	0.702804	295177.68	
	EUR				51000.00
	Total: 2			368730.21	734075.64
	Total: 1+2			379696.51	750093.17

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6. 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 January 1, 2008 – 34050 LVL.

According to the decision of shareholders the reserve was used to cover the losses of 2007. Balance of the reserves on June 30, 2008 is “0” LVL.

8. Long-term liabilities. Balance sheet row code - 290

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

	30.06.2008 (LVL)	1.01.2008 (LVL)
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 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Switzerland	For equipment		11596.26
Enterprise of Latvia	For equipment	1200.00	480.00
Enterprise of Ukraine	For goods		5217.85
Enterprise of Latvia	For goods	0.35	2190.75
TOTAL		1200.35	19484.86

9.2. Trade creditors. Balance sheet row code – 320

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	Contract for services	11403.74	12445.18
Enterprise of Latvia	Contract for services		15762.48
Enterprise of Latvia	Contract for services	501.52	650.77
Enterprise of Latvia	Communication services	52.34	1196.79
Enterprise of Latvia	For delivery of electronic plates	123194.24	189729.00
Enterprise of Latvia	Software maintenance	194.70	194.70
Enterprises of Latvia	For materials	23424.41	1954.29
Enterprise of Latvia	Maintenance and repairs of equipment	565.09	
Enterprise of Germany	For materials		20013.04
Enterprises of Latvia	For materials	245.37	
Enterprise of Latvia	For goods		500.00
Enterprise of Great Britain	Different services		474.41
TOTAL		159581.41	242920.66

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

<i>Tax</i>	<i>Total in LVL 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Personal income tax	20343.55	25681.08
Social security payments	4398.76	12812.79
Income tax	0	3910.10
Business risk fee	43.72	66.97
Natural resource tax (NRT)	82.20	107.70
Total	24868.23	42578.64

* Term for payment – July, 2008.

9.4. Other creditors. Balance sheet row code – 340

<i>Debt</i>	<i>Substantiation</i>	<i>Total in LVL 30.06.2008</i>	<i>Total in LVL 01.01.2008</i>
Salary		58727.28	72941.86
DHL – processing of goods			812.13
Other creditors	Different accounts	577.51	824.59
Total		59304.79	74578.58

* Term for salary payment – July, 2008.

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

The dividends 6000 LVL are paid on May, 2008.

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 June 30, 2008 was 64050.00 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.)

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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>
6 months of 2008	1665082	1592733	42857	29492
%	100	95.66	2.57	1.77
6 months of 2007	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>
6 months of 2008	1665082	325754	793884	338297	29642	177505
%	100	19.56	47.68	20.32	1.78	10.66
6 months of 2007	2333224	1132058	645344	349881	29573	176368
%	100	48.52	27.66	15.00	1.27	7.55

<i>Row code</i>	<i>Item</i>	6 months of 2008 LVL	6 months of 2007 LVL	% vs. 2007
010	Net turnover	1665082	2333224	71.36
020	Cost of sales	1585585	2629994	
030	Gross profit or loss	79497	-296770	
	Costs for 1 LVL of net turnover (sant.)	95.23	112.72	

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.

At the beginning of 2008 the Managing board carried out measures to change and improve the organizational structure of the JSC “RAR” and to diminish fixed costs.

Costs for 1 LVL of production have diminished in comparison with the same period of the previous year and were 95.23 santims.

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.

The result of economic activities of the JSC “RAR” in the first 6 months of 2008 is losses 128258 LVL.

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Row code	Item	6 months of 2008 LVL	6 months of 2007 LVL
020	Cost of sales in total: including	1585585	2629994
02.1.	-costs of materials and sub-components including transport expenses, custom fees and import duties	859634	1391233
02.2.	- electric power	94644	122973
02.3.	-contracts (for repairing works and maintenance of different systems)	2767	15657
02.4.	-salaries and social security payments	538804	972180
02.5.	Amortization: total	78720	117105
02.6.	Operating costs total:	11016	10846
	Incl. - expenses for protection of environment	1167	816
	- insurance expenses	244	355
	- costs of certification of the production	1433	0
	- expenses for work safety, business trips and other operating expenses	8172	9675
040	Selling expenses, total:	38453	64952
	Incl. - salaries and social security payments	16077	21637
	- wrapping and transport costs	20268	36655
	- marketing services by signed contracts		534
	- other expenses	2108	6126

050	Administrative expenses, total :	213218	166255
	including - salaries and social security payments	190552	143637
	- communication expenses	8390	10366
	- bank services	2152	2321
	- other administrative expenses and representation expenses	12124	9931

060	Other operating income	171873	909643
	including – income of foreign exchange rate revaluations	43024	37185
	- income from sales of fixed assets (machinery, buildings and land)	53716	822716
	- income from rent charges	8745	14167
	- other income (selling of scrap,materials and outfit)	66388	35575

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070	Other operating expenses:	120988	494341
	Incl.- from sales of foreign currency	87210	53082
	- fixed assets written off because of selling		401357
	- substitution of devices during guarantee period	2398	4393
	- other expenses	31380	35509
080	Interest receivable (deposit)	6102	3448
090	Profit or loss for the period before taxes	-115187	-109227
110	Real estate tax (buildings and constructions; land)	13071	21848
120	Profit or loss for the period after taxes	-128258	-131075

Chairman of the
Management Board: _____ A.Auziņš

Members of the
Management Board: _____ Z.Kalniņš

_____ M.Araslanovs

August 18, 2008