



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

**Report for six months of 2010**

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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 (since 1998) Zigurds Kalniņš (since 1998) Maksims Araslanovs (since 2003)</i>
Supervisory Board	<i>Ēriks Kaža - Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Ņina Kaža</i>
Reporting period	<i>01.01.2010. - 30.06.2010.</i>
Main shareholders	<i>Basing on the list of shareholders prepared on April 19,2010: 1. JSC „Baltijas Holdings”-41.6 % Reg.Nr.40003148033, 2, Klijanu street, Riga 2. „Tehprojekts”,Ltd.- 41.6% Reg.Nr. 40103020397, 12,Unijas street, Riga 3. State social security agency- 4.6% 4. Other physical and legal persons 12.2%</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 - production of control and measuring devices for motorcars and tractors.

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

The company has introduced quality management system corresponding to ISO 9001:2000.

JSC „Rīgas autoelektroaparātu rūpnīca” does not have a constant dealer or branch abroad.

Average number of employees in 6 months of 2010 is 29.

### **2. Statements**

The economic crisis has essentially influenced the economic activities of JSC “RAR”.

In 2009 the total volume of production and sales sharply reduced, and in 2009 was only 22.7 % if compared with the year 2008.

In the first quarter of 2010 the volumes of production and sales diminished to 44.2% if compared with the first quarter of 2009. But the demand increased during the second quarter, therefore the sales in the first 6 months of 2010 are 88,1% if compared with the same period of 2009.

Net turnover in 6 months of 2009 was 389981 LVL  
in 6 months of 2010 – 343937 LVL

The result of economic activities of the JSC “RAR” in six months of 2010 is losses 148324 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. At the same time the price level of company’s produced goods is limited by severe competition in the definite market.

The production of several items is terminated therefore JSC “RAR” is selling materials and equipment that is no more necessary.

At the end of 2009 great part of customers’ debts were regained. Today all customers’ debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days.

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

The Board predicts that the volumes of production and sales in 2010 will approximately remain at the level of 2009. It is very complicate to predict further perspectives of the enterprise in this economic situation. Therefore the Managing board is developing measures to change and improve the organizational structure and to diminish fixed costs to carry out economic activities.

***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. 99% of net turnover is export. Before signing of contracts the company evaluates the exchange risk and tries to avoid it.

*4) Economic and market risk*

The main corporate customers are the enterprises of NVS (Commonwealth of Independent States). If the level of prices for materials and services remain lower for the internal market of NVS it may create essential problems for competitiveness of goods manufactured by the company. Besides, even if the prices are equal the automobile and tractor producers prefer local suppliers. The only possibility to stay in the market is to offer products of higher quality for low prices.

*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 25, 2010

## **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 17 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on June 30, 2010 and the results of its operations and cash flows for the period ended on June 30, 2010.

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

August 25, 2010

*JSC „Rīgas autoelektroaparātu rūpnīca”  
Report for 6 months of 2010*

**BALANCE SHEET**

**For six months of 2010**

K=0,702804

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 30.06.10.	At the beginning of the year 1.01.10.	At the end of the period 30.06.10.	At the beginning of the year 1.01.10.	At the end of the period 30.06.09.	At the beginning of the year 1.01.09.	At the end of the period 30.06.09.	At the beginning of the year 1.01.09.
<b>A. LONG-TERM INVESTMENTS</b>										
<b>1. Intangible assets</b>										
1.1. Patents, licenses and similar rights		010	0	0	0	0	0	126	0	179
<b>1. TOTAL</b>		<b>020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>179</b>
<b>2. Fixed assets</b>										
2.1. Land, buildings and constructions	1	030	484865	489554	689901	696573	494243	498932	703244	709916
2.2. Equipment and machinery		040	68654	120518	97686	171482	178077	238801	253381	339783
2.3. Other fixed assets and inventory		050	944	1471	1343	2093	2514	4052	3577	5766
<b>2. TOTAL</b>		<b>060</b>	<b>554463</b>	<b>611543</b>	<b>788930</b>	<b>870148</b>	<b>674834</b>	<b>741785</b>	<b>960202</b>	<b>1055465</b>
<b>A. TOTAL</b>		<b>070</b>	<b>554463</b>	<b>611543</b>	<b>788930</b>	<b>870148</b>	<b>674834</b>	<b>741911</b>	<b>960202</b>	<b>1055644</b>
<b>B. CURRENT ASSETS</b>										
<b>1. Inventory</b>										
1.1. Raw materials, direct materials and auxiliary materials	2.1.	080	263940	261494	375553	372073	281208	302457	400123	430358
1.2. Work in progress	2.2.	090	42707	50786	60767	72262	52012	42774	74007	60862
1.3. Finished goods and goods for sale	2.3.	100	833183	1053684	1185512	1499257	1037492	1060082	1476218	1508361
1.4. Advance payments for goods	2.4.	110	20359	26292	28968	37410	15017	58	21367	82
<b>1. TOTAL</b>		<b>120</b>	<b>1160189</b>	<b>1392256</b>	<b>1650800</b>	<b>1981002</b>	<b>1385729</b>	<b>1405371</b>	<b>1971715</b>	<b>1999663</b>
<b>2. Receivables</b>										
2.1. Trade receivables	3.1.	130	205427	98594	292296	140287	801230	794151	1140048	1129975
2.2. Other receivables	3.2.	140	58612	26764	83398	38082	21188	25562	30148	36372
2.3. Short term loans	3.3	150	22490	154617	32000	220000				
2.4. Deferred expenses		160	198	1737	282	2471	2671	717	3800	1020
<b>2. TOTAL</b>		<b>170</b>	<b>286727</b>	<b>281712</b>	<b>407976</b>	<b>400840</b>	<b>825089</b>	<b>820430</b>	<b>1173996</b>	<b>1167367</b>
<b>3. Cash</b>	4	180	198340	51010	282212	72580	15545	131500	22118	187107
<b>3. TOTAL</b>							<b>2226363</b>	<b>2357301</b>	<b>3167829</b>	<b>3354137</b>
<b>B.TOTAL</b>			<b>190</b>	<b>1645256</b>	<b>1724978</b>	<b>2340988</b>	<b>2901197</b>	<b>3099212</b>	<b>4128031</b>	<b>4409781</b>
<b>TOTAL ASSETS</b>		<b>200</b>	<b>2199719</b>	<b>2336521</b>	<b>3129918</b>	<b>3324570</b>				

*JSC „Rīgas autoelektroaparātu rūpnīca”  
Report for 6 months of 2010*

**BALANCE SHEET**

**For six months of 2010**

K=0,702804

	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period 30.06.10.	At the beginning of the year 1.01.10.	At the end of the period 30.06.10.	At the beginning of the year 1.01.10.
<b>LIABILITIES</b>						
<b>A. Equity capital</b>						
1. Share capital	5	210	3565509	3565509	5073262	5073262
<b>TOTAL</b>			<b>3565509</b>	<b>3565509</b>	<b>5073262</b>	<b>5073262</b>
<b>2. Retained profit:</b>						
a) brought forward from previous years		230	-1371975	-1371975	-1952145	-1952145
b) for the current year		240	-148324		-211046	
<b>A. TOTAL</b>			<b>250</b>	<b>2045210</b>	<b>2910071</b>	<b>3121117</b>
<b>B.CREDITORS</b>						
<b>1. Current liabilities</b>						
1.1. Advance payments from customers	6.1	260	75783	20129	107830	28641
1.2. Trade creditors	6.2	270	59495	67904	84654	96619
1.3. Taxes and social security payments	6.3	280	3	22731	4	32343
1.4. Other creditors	6.4	290	15261	25604	21714	36431
1.5. Accrued liabilities	6.5	300	3967	6619	5645	9418
<b>B.TOTAL</b>			<b>310</b>	<b>154509</b>	<b>219847</b>	<b>203452</b>
<b>TOTAL LIABILITIES</b>			<b>320</b>	<b>2199719</b>	<b>3129918</b>	<b>3324569</b>

LVL	LVL	EUR	EUR
At the end of the period 30.06.09.	At the beginning of the year 1.01.09.	At the end of the period 30.06.09.	At the beginning of the year 1.01.09.
3565509	3565509	5073262	5073262
<b>3565509</b>	<b>3565509</b>	<b>5073262</b>	<b>5073262</b>
-698239	-698239	-993505	-993505
-321244		-457089	
<b>2546026</b>	<b>2867270</b>	<b>3622668</b>	<b>4079757</b>

3028	1368	4309	1947
181520	135863	258280	193316
62254	25803	88579	36714
107657	34828	153182	49556
712	34080	1013	48491
<b>355171</b>	<b>231942</b>	<b>505363</b>	<b>330024</b>
<b>2901197</b>	<b>3099212</b>	<b>4128031</b>	<b>4409781</b>



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**PROFIT OR LOSS ACCOUNT  
For 6 months of 2010**

K=0.702804

Item	Row code	LVL	LVL	EUR	EUR
		6 months of 2010	6 months of 2009	6 months of 2010	6 months of 2009
1	2	3	4	5	6
Net turnover	010	343937	389981	489378	554893
Cost of sales	020	399726	493190	568759	701746
<b>Gross profit or loss</b>	<b>030</b>	<b>-55789</b>	<b>-103209</b>	<b>-79381</b>	<b>-146853</b>
Selling expenses	040	13590	13415	19337	19088
Administrative expenses	050	113199	201372	161068	286527
Other operating income	060	66811	56607	95064	80545
Other operating expenses	070	19921	47305	28345	67309
Interest receivable and similar income	080	1080	42	1537	60
Profit or loss before extraordinary items and taxes	90	-134608	-308652	-191530	-439172
Profit or loss before taxes	100	-134608	-308652	-191530	-439172
Other taxes (Real estate tax)	110	13716	12592	19516	17917
<b>Profit or loss for the period</b>	<b>120</b>	<b>-148324</b>	<b>-321244</b>	<b>-211046</b>	<b>-457089</b>

**Earnings per share**

**-0,042**

**-0,090**

**-0,059**

**-0,128**

*JSC „Rīgas autoelekroaparātu rūpnīca”  
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**STATEMENT OF CASH FLOWS for six months of 2010**

**A. Cash flow from operating activities**

K=0,703

No	ITEMS	2010	2009	2010	2009
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Income from sales and services	302000	415092	429707	590623
2	Payments to suppliers for goods and services	-199813	-206181	-284308	-293369
3	Payments to employees and in their interests or to the third persons according to their orders	-62498	-202079	-88927	-287533
4	Other expenses for economic activities	-4902	-6183	-6975	-8798
5	Income from other economic activities	14174	9083	20168	12924
6	Tax payments	-26887	-114596	-38257	-163055
7	VAT received		250		356
8	Deferred expenses	-123	-1256	-175	-1787
	<b>Cash flow from gross operating activities</b>	<b>21951</b>	<b>-105870</b>	<b>31233</b>	<b>-150639</b>
10	Income tax payments				
11	Real estate tax payments	-13716	-12592	-19516	-17917
	<b>TOTAL</b>	<b>8235</b>	<b>-118462</b>	<b>11717</b>	<b>-168556</b>
A.	Net cash flow from operating activities	<b>8235</b>	<b>-118462</b>	<b>11717</b>	<b>-168556</b>

**B. Cash flow from investment activities**

No	ITEMS	2010	2009	2010	2009
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Sales of intangible and fixed assets	3509	2900	4993	4126
2	Repaid loans	132127		188000	
3	Received interest	1054		1500	
	<b>TOTAL</b>	<b>136690</b>	<b>2900</b>	<b>194493</b>	<b>4126</b>
B.	Net cash from investment activities	<b>136690</b>	<b>2900</b>	<b>194493</b>	<b>4126</b>

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**C. Cash flow from financing**

No	ITEMS	2010	2009	2010	2009
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Received interest for deposit	27	42	38	60
	<b>TOTAL</b>	<b>27</b>	<b>42</b>	<b>38</b>	<b>60</b>
<b>C.</b>	<b>Net cash flow from financing</b>	<b>27</b>	<b>42</b>	<b>38</b>	<b>60</b>

**SUMMARY OF CASH INCOME AND EXPENDITURE**

No	ITEMS	2010	2009	2010	2009
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
A	The result from operating activities	8235	-118462	11717	-168556
B	The result from investment activities	136690	2900	194493	4126
C	The result from financing	27	42	38	60
D	The result from currency rate fluctuations	2378	-435	3384	-619
	Cash increase or decrease	<b>147330</b>	<b>-115955</b>	<b>209632</b>	<b>-164989</b>
	Cash and cash equivalents at the beginning of the reporting period	<b>51010</b>	<b>131500</b>	<b>72580</b>	<b>187107</b>
	Cash and cash equivalents at the end of the reporting period	<b>198340</b>	<b>15545</b>	<b>282212</b>	<b>22118</b>

**STATEMENT OF EXCHANGES IN EQUITY**

for six months of 2010

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On December 31, 2008</b>	<b>3565509</b>	<b>0</b>	<b>-414565</b>	<b>-283674</b>	<b>2867270</b>
Losses of 2008 carried forward			-283674	283674	0
Profit (+) or losses (-) of the first quarter of 2009				-673736	-673736
<b>On December 31, 2009</b>	<b>3565509</b>	<b>0</b>	<b>-698239</b>	<b>-673736</b>	<b>2193534</b>
Losses of 2009 carried forward			-673736	673736	0
Profit (+) or losses (-) of the first six months of 2010				-148324	-148324
<b>On June 30, 2010</b>	<b>3565509</b>	<b>0</b>	<b>-1371975</b>	<b>-148324</b>	<b>2045210</b>

<b>On June 30, 2009</b>	<b>3565509</b>	<b>0</b>	<b>-698239</b>	<b>-321244</b>	<b>2546026</b>
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K=0.702804

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On December 31, 2008</b>	<b>5073262</b>	<b>0</b>	<b>-589873</b>	<b>-403632</b>	<b>4079757</b>
Losses of 2008 carried forward			-403632	403632	0
Profit (+) or losses (-) of the first quarter of 2009				-958640	-958640
<b>On December 31, 2009</b>	<b>5073262</b>	<b>0</b>	<b>-993505</b>	<b>-958640</b>	<b>3121117</b>
Losses of 2009 carried forward			-958640	958640	0
Profit (+) or losses (-) of the first six months of 2010				-211046	-211046
<b>On June 30, 2010</b>	<b>5073262</b>	<b>0</b>	<b>-1952145</b>	<b>-211046</b>	<b>2910071</b>

<b>On June 30, 2009</b>	<b>5073262</b>	<b>0</b>	<b>-993505</b>	<b>-457089</b>	<b>3622668</b>
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## NOTES TO FINANCIAL STATEMENTS

The report for 6 months of 2010 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 six months of 2010

**1. 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, 2010:	484865 LVL	on January 1, 2010	489554 LVL
including: buildings and constructions-	351791LVL		356480 LVL
land -	133074 LVL		133074 LVL
<b>Cadastral value on June 30, 2010</b>	<b>2662470LVL</b>		
Cadastral value of the buildings -	1729821LVL		
Cadastral value of the land -	932649 LVL		

**3. Inventory. Balance sheet –row code 080; 090; 100; 110**

2.1. On June 30, 2010 the total value of raw materials and sub-components in the warehouses is 253252 LVL and they provide the process of production for two months.

On January 1, 2010 the total value of stocks was 250797 LVL.

The value of other inventory (material and outfit) for auxiliary bays on June 30, 2010 was 10688 LVL.

The value of other inventory on January 1, 2010 was 10697 LVL.

2.2. On June 30, 2010 the stock of work in progress (parts) 42707 LVL provide the process of production for one month.

On January 1, 2010 the stock of work in progress (parts) amounted to 50786 LVL.

2.3. On June 30, 2010 the stock of finished goods was 833183 LVL.

The stock of finished goods is evaluated in production costs.

On January 1, 2010 the stock of finished goods amounted to 1053684 LVL.

The the stock of finished goods deminished because the volume of production was small. The goods were realized from stocks of warehouses.

2.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Russia	For materials		121.43
Enterprises of China	For materials		12676.87
Enterprises of Latvia	For materials	343.62	
Enterprises of Latvia	For outfit	20015.87	13493.84
	<b>TOTAL</b>	<b>20359.49</b>	<b>26292.14</b>

### 3. Receivables

#### 3.1. Trade receivables. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Russia	For the goods	111674.48	831.13
Enterprises of Belarus	For the goods	63332.10	97188.79
Enterprise of Ukraine	For the goods	29846.25	
Enterprises of Latvia	For the goods	574.18	574.18
<b>TOTAL</b>		<b>205427.01</b>	<b>98594.10</b>

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 45 days.

#### 3.2. Other receivables. Balance sheet –row code 140

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Latvia	Agreement of lease	1347.84	2599.54
Enterprises of Latvia	For materials	1893.64	1893.64
Enterprise of Belarus	For materials and outfit	12320.36	
Enterprise of Latvia	For the equipment	5140.39	5140.39
Enterprise of Belarus	For the equipment	28498.71	
Other enterprises of Latvia	Other debts	127.37	14.41
Employees of the enterprise	Settlements for business trips and other operating expenses	225.82	272.12
State Revenue Service	Overpaid taxes	8184.51	14450.09
Enterprises of Latvia	VAT on unpaid invoices	873.65	2393.51
<b>TOTAL</b>		<b>58612.29</b>	<b>26763.70</b>

#### 3.3. Short term loans Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Latvia	Agreement: Repayment date – December, 2010	22489.73	154616.88
<b>Total:</b>		<b>22489.73</b>	<b>154616.88</b>

#### 4. Cash and cash equivalents. Balance sheet –row code 180

<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on June 30, 2010</i>	<i>Balance LVL As on January 1, 2010</i>
LVL			66684.36	50445.86
USD	108327.03	0.573	62074.16	240.58
EUR	97772.18	0.702804	68714.69	310.25
RUR	47083.79	0.0184	866.34	13.77
<b>Total</b>			<b>198339.55</b>	<b>51010.46</b>

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

Share capital is 3565509 LVL. Nominal value of a share is 1.00 LVL.  
There are 1802723 registered shares and 1762786 bearer's shares.  
All the shares have equal rights.

**6. Current liabilities.**

**6.1. Trade creditors. Balance sheet row code – 260**

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprise of Russia	For goods	58213.26	2558.82
Enterprise of Latvia	For real estate	17570.10	17570.10
<b>Total:</b>		<b>75783.36</b>	<b>20128.92</b>

**6.2. Trade creditors. Balance sheet row code – 270**

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
JSC „Latvenergo”	Contract	5033.90	9427.45
Enterprise of Belarus	For materials	172.89	
Enterprises of Latvia	For materials and sub-components	49316.39	50134.00
Enterprises of Latvia	Different services	4971.74	8342.75
<b>Total:</b>		<b>59494.92</b>	<b>67904.20</b>

**6.3. Taxes and social security payments. Balance sheet row code – 280**

<i>Tax</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Personal income tax		9026.14
Social security payments		13702.11
Business risk fee	3.47	1.72
Natural resource tax (NRT)		1.15
<b>Total</b>	<b>3.47</b>	<b>22731.12</b>

All taxes are paid.

**6.4. Other creditors. Balance sheet row code – 290**

<i>Debt</i>	<i>Substantiation</i>	<i>Total in LVL 30.06.2010</i>	<i>Total in LVL 01.01.2010</i>
Salary	Term of payment – April, 2010	13611.63	24313.66
Other creditors	Different	1649.44	1290.21
<b>Total</b>		<b>15261.07</b>	<b>25603.87</b>

**6.5. Accrued liabilities. Balance sheet row code – 300**

In accordance with the law „On the annual reports” provisions for vacations of 2009 are calculated in total 6619 LVL. The balance of the provisions for vacations on June 30, 2010 was 3967 LVL.

## 7. 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.)

### 7.1. 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>Six months of 2010</b>	<b>343937</b>	<b>342377</b>	<b>1553</b>	<b>7</b>
<b>%</b>	<b>100</b>	<b>99.5</b>	<b>0.5</b>	<b>0.0</b>

<b>Six months of 2009</b>	<b>389981</b>	<b>380021</b>	<b>8473</b>	<b>1487</b>
<b>%</b>	<b>100</b>	<b>97.4</b>	<b>2.2</b>	<b>0.4</b>

### 7.2. 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>Six months of 2010</b>	<b>343937</b>	<b>170596</b>	<b>20371</b>	<b>140968</b>	<b>8946</b>	<b>3056</b>
<b>%</b>	<b>100</b>	<b>49.6</b>	<b>5.9</b>	<b>41.0</b>	<b>2.6</b>	<b>0.9</b>

<b>Six months of 2009</b>	<b>389981</b>	<b>24777</b>	<b>181460</b>	<b>153080</b>	<b>848</b>	<b>29816</b>
<b>%</b>	<b>100</b>	<b>6.4</b>	<b>46.5</b>	<b>39.3</b>	<b>0.2</b>	<b>7.6</b>

<i>Row code</i>	<i>Item</i>	<b>6 months 2009 LVL</b>	<b>6 months 2008 LVL</b>	<b>% to 2008</b>
<b>010</b>	Net turnover	389981	1665082	<b>23.4</b>
<b>020</b>	Cost of sales	493190	1585585	
<b>030</b>	<b>Gross profit or loss</b>	<b>-103209</b>	<b>79497</b>	
	<b>Costs for 1 LVL of net turnover (sant.)</b>	126.46	95.23	

Demand for the goods of the enterprise has diminished due to economic crisis.

In the first quarter of 2010 the volumes of production and sales diminished to 44.2% if compared with the first quarter of 2009. But the demand increased during the second quarter, therefore the sales in the first 6 months of 2010 are 88,1% if compared with the same period of 2009.

The result of economic activities of the JSC “RAR“ in six months of 2010 is losses 148324 LVL.

The Board is carrying out measures to change and improve the organizational structure of the JSC “RAR“ and to diminish fixed costs.



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Row code	Item	6 months 2010 LVL	6 months 2009 LVL
	<b>Net turnover</b>	<b>343937</b>	<b>389981</b>
<b>020</b>	<b>Cost of sales in total:</b>		
	including	<b>399726</b>	<b>493190</b>
	-costs of materials and sub-components including transport expenses, custom fees and import duties	115367	147841
	-salaries and social security payments	145269	226161
	-electric power	51283	46462
	-contracts	22982	2215
	-amortization	58582	67473
	-operating costs	6243	3038
<b>030</b>	<b>Gross profit or loss</b>	<b>-55789</b>	<b>-103209</b>
<b>040</b>	<b>Selling expenses, total:</b>	<b>13590</b>	<b>13415</b>
	Incl. - salaries and social security payments	4962	7218
	- wrapping and transport costs	7820	5787
	- other expenses	808	410
<b>050</b>	<b>Administrative expenses, total :</b>	<b>113199</b>	<b>201372</b>
	including - salaries and social security payments	31919	186660
	- communication expenses	2340	4464
	- expenses due to annual report	2000	1500
	- bank services	760	985
	- other administrative expenses	76180	7763
<b>060</b>	<b>Other operating income</b>	<b>66811</b>	<b>56607</b>
	including – income of foreign exchange rate revaluations	7632	15966
	- income from sales of materials and outfit	12468	
	- income from sales of fixed assets	31651	10883
	- income from rent charges	10680	6197
	- diminishing of taxes of the previous year (social payments)		4654
	- other income	4380	18907
<b>070</b>	<b>Other operating expenses:</b>	<b>19921</b>	<b>47305</b>
	Incl.- from sales of foreign currency	4907	21185
	- other expenses	15014	26120
<b>080</b>	<b>Interest receivable (deposit)</b>	<b>1080</b>	<b>42</b>
<b>090</b>	<b>Interest payable and similar expenses</b>	<b>0</b>	<b>0</b>
<b>100</b>	<b>Profit or loss for the period before taxes</b>	<b>-134608</b>	<b>-308652</b>

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<b>110</b>	Real estate tax (buildings and constructions; land)	<b>13716</b>	12592
<b>120</b>	<b>Profit or loss for the period after taxes</b>	<b>-148324</b>	<b>-321244</b>

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

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

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

August 25, 2010