



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

Report for six months of 2011

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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>
Board	<i>Alfrēds Auziņš - Chairman (since 1998) Zigurds Kalniņš (since 1998) Maksym Araslanov (since 2003)</i>
Council	<i>Ēriks Kaža - Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Ņina Kaža</i>
Reporting period	<i>01.01.2011 - 30.06.2011</i>
Main shareholders	Basing on the list of shareholders prepared on April 30,2011: <ol style="list-style-type: none"> <i>1. JSC „Baltijas Holdings”-43.9 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i> <i>2. „Tehprojekts”,Ltd.- 43.9% Reg.Nr. 40103020397, 12,Unijas street, Riga</i> <i>3. Other physical and legal persons 12.2%</i>

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 9001:2008. JSC „Rīgas autoelektroaparātu rūpnīca” does not have a constant dealer or branch abroad. Average number of employees in the reporting period is 43.

Management report

The total volume of sales in six months of 2011 was only 16.5 % from that in six months of 2010.

Net turnover in six months of 2010 was 343937 LVL
in six months of 2011 – 56869 LVL

But if in the first half of 2010 great part of sales was realized from warehouses and the volume of production in that period was only 46620 LVL, then in the first half of 2011 goods on 79240 LVL were produced and the sales were realized mostly from the production of this year.

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

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

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

Due to the complicated economic situation the result of economic activities in six months of 2011 are losses 143 178 LVL that is only a little bit less than in six months of 2010.

Future prospects and further development

The board predicts that the volumes of sales in 2011 will be smaller than in 2010 as the producers of automobiles in Russia, Belarus and Ukraine still have not overcome economic crisis. According to shriveled opportunities for sales they have reduced the volumes of production. Due to the reduced demand the requests for deliveries according to contracts in 2011 are small. Besides, the managers of Belarus have set a target to assemble in tractors only self made parts thus refusing from importing. So “RAR” do not have a contract with Minsk Tractor Plant this year.

It is very complicate to predict further perspectives of the enterprise in this economic situation. There are new ideas how to enlarge collaboration with Ukraine, but meanwhile the Managing board is developing measures to change and improve the organizational structure and to diminish fixed costs to carry out economic activities in 2011.

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 9001:2008. 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 are EUR and USD. 94% 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*

There are three main factors which must be taken into account when setting the price – costs of production, demand and prices of competitors. 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. 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.

Members of Board:

_____ Z. Kalnīnsh

_____ M. Araslanov

August 30, 2011

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 15 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on June 30, 2011 and the results of its operations and cash flows for the period ended on June 30, 2011.

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 Board,

Zigurds Kalninsh
Member of the Board

August 30, 2011

*JSC „Rīgas autoelektroaparātu rūpnīca”
Report for the six months of 2011*

BALANCE SHEET

For 6 months of 2011

K=0,702804

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 30.06.11.	At the beginning of the year 1.01.11.	At the end of the period 30.06.11.	At the beginning of the year 1.01.11.	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.
A. LONG-TERM INVESTMENTS										
1. Fixed assets										
1.1. Land, buildings and constructions	1	010	474524	480176	675187	683229	484865	489554	689901	696573
1.2. Equipment and machinery		020	15721	25304	22369	36004	68654	120518	97686	171482
1.3. Other fixed assets and inventory		030	441	674	627	959	944	1471	1343	2093
2. TOTAL		040	490686	506154	698183	720192	554463	611543	788930	870148
2. Long-term financial investments										
2.1. Other securities and investments		050	200	200	285	285				
3. TOTAL		060	200	200	285	285				
A. TOTAL		070	490886	506354	698468	720477	554463	611543	788930	870148
B. CURRENT ASSETS										
1. Inventory										
1.1. Raw materials, direct and auxiliary mat.		080	323118	262497	459756	373500	263940	261494	375553	372073
1.2. Work in progress		090	52830	35628	75170	50694	42707	50786	60767	72262
1.3. Finished goods and goods for sale		100	725345	686289	1032073	976501	833183	1053684	1185512	1499257
1.4. Advance payments for goods	2	110	7627	26035	10852	37045	20359	26292	28968	37410
1. TOTAL		120	1108920	1010449	1577851	1437740	1160189	1392256	1650800	1981002
2. Receivables										
2.1. Trade receivables	3.1.	130	46430	176721	66064	251451	205427	98594	292296	140287
2.2. Other receivables	3.2.	140	86167	63533	122605	90399	58612	26764	83398	38082
2.3. Short term loans		150	90640	75640	128969	107626	22490	154617	32000	220000
2.4. Deferred expenses		160	2635	195	3749	278	198	1737	282	2471
2. TOTAL		170	225872	316089	321387	449754	286727	281712	407976	400840
3. Cash		180	55647	113664	79178	161729	198340	51010	282212	72580
B. TOTAL		190	1390439	1440202	1978416	2049223	1645256	1724978	2340988	2454422
TOTAL ASSETS		200	1881325	1946556	2676884	2769700	2199719	2336521	3129918	3324570

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BALANCE SHEET		For six months of 2011		K=0,702804						
		LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR	
LIABILITIES	Notes	Row code	At the end of the period 30.06.11.	At the beginning of the year 1.01.11.	At the end of the period 30.06.11.	At the beginning of the year 1.01.11.	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.
A. Equity capital										
1. Share capital	5	210	3565509	3565509	5073262	5073262	3565509	3565509	5073262	5073262
TOTAL		220	3565509	3565509	5073262	5073262	3565509	3565509	5073262	5073262
2. Retained profit:										
a) brought forward from previous years		230	-1703607	-1703607	-2424015	-2424015	-1371975	-1371975	-1952145	-1952145
b) for the current year		240	-143178		-203724		-148324		-211046	
A. TOTAL		250	1718724	1861902	2445523	2649247	2045210	2193534	2910071	3121117
B. CREDITORS										
1. Current liabilities										
1.1. Advance payments from customers		260	36412	17570	51810	25000	75783	20129	107830	28641
1.2. Trade creditors	6.1.	270	90795	47377	129190	67412	59495	67904	84654	96619
1.3. Taxes and social security payments	6.2.	280	12201	3545	17361	5044	3	22731	4	32343
1.4. Other creditors	6.3.	290	16112	7927	22925	11279	15261	25604	21714	36431
1.5. Accrued liabilities	6.4.	300	7081	8235	10075	11718	3967	6619	5645	9419
2. TOTAL		310	162601	84654	231361	120453	154509	142987	219847	203453
B. TOTAL		320	162601	84654	231361	120453	154509	142987	219847	203453
TOTAL LIABILITIES		330	1881325	1946556	2676884	2769700	2199719	2336521	3129918	3324570

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PROFIT OR LOSS ACCOUNT
For six months of 2011

K=0.702804

Item	Row code	LVL	LVL	EUR	EUR
		Six months of 2011	Six months of 2010	Six months of 2011	Six months of 2010
1	2	3	4	5	6
Net turnover	010	56869	343937	80917	489378
Cost of sales	020	121169	387327	172408	551117
Gross profit or loss	030	-64300	-43390	-91491	-61739
Selling expenses	040	6258	13590	8904	19337
Administrative expenses	050	72709	125598	103456	178710
Other operating income	060	39229	61904	55818	88082
Other operating expenses	070	24547	15014	34927	21363
Interest receivable and similar income	080	0	1080	0	1537
Interest expense and similar expense	090	0		0,00	
Profit or loss before extraordinary items and taxes	100	-128585	-134608	-182960	-191530
Profit or loss before taxes	110	-128585	-134608	-182960	-191530
Other taxes (Real estate tax)	120	14593	13716	20764	19516
Profit or loss for the period	130	-143178	-148324	-203724	-211046

Earnings per share	-0,040	-0,042	-0,057	-0,059
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STATEMENT OF CASH FLOWS for six months of 2011

I. Cash flow from operating activities

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No	ITEMS	2011	2010	2011	2010
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Income from sales and services	207471	302000	295205	429707
2	Payments to suppliers, to employees and other expenses for production	-257006	-289321	-365687	-411667
3	Other income or expenses for economic activities	14928	9272	21241	13193
4	Cash flow from gross operating activities	-34607	21951	-49241	31233
5	Real estate tax payments	-14593	-13716	-20764	-19516
I.	Net cash flow from operating activities	-49200	8235	-70005	11717

II. Cash flow from investment activities

No	ITEMS	2011	2010	2011	2010
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Sales of intangible and fixed assets	8454	3509	12029	4993
2	Given loans	-15000		-21343	
3	Repaid loans		132127		188000
4	Received interest		1054		1500
II.	Net cash from investment activities	-6546	136690	-9314	194493

III. Cash flow from financing

No	ITEMS	2011	2010	2011	2010
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Received interest for deposit		27		38
III.	Net cash flow from financing	0	27	0	38

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**SUMMARY OF CASH INCOME AND
EXPENDITURE**

No	ITEMS	2011	2010	2011	2010
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
I.	The result from operating activities	-49200	8235	-70005	11717
II.	The result from investment activities	-6546	136690	-9314	194493
III.	The result from financing	0	27		38
IV.	The result from currency rate fluctuations	-2271	2378	-3232	3384
V.	Cash increase or decrease	-58017	147330	-82551	209632
VI.	Cash and cash equivalents at the beginning of the reporting period	113664	51010	161729	72580
VII.	Cash and cash equivalents at the end of the reporting period	55647	198340	79178	282212

STATEMENT OF EXCHANGES IN EQUITY

for six months of 2011

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On December 31, 2009	3565509	0	-698239	-673736	2193534
Losses of 2009 carried forward			-673736	673736	0
Profit (+) or losses (-) of the first quarter of 2010				-331632	-331632
On December 31, 2010	3565509	0	-1371975	-331632	1861902
Losses of 2010 carried forward			-331632	331632	0
Profit (+) or losses (-) of the six months of 2011				-143178	-143178
On June 30, 2011	3565509	0	-1703607	-143178	1718724

On June 30, 2010	3565509	0	-1371975	-148324	2045210
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K=0.702804

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On December 31, 2009	5073262	0	-993505	-958640	3121117
Losses of 2009 carried forward			-958640	958640	0
Profit (+) or losses (-) of the first quarter of 2010				-471870	-471870
On December 31, 2010	5073262	0	-1952145	-471870	2649247
Losses of 2010 carried forward			-471870	471870	0
Profit (+) or losses (-) of six months of 2011				-203724	-203724
On June 30, 2011	5073262	0	-2424015	-203724	2445523

On June 30, 2010	5073262	0	-1952145	-211046	2910071
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NOTES TO FINANCIAL STATEMENTS

The report for six months of 2011 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 stock of finished goods is evaluated in production costs.

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 2011

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, 2011:	474524 LVL	on January 1, 2010	480176 LVL
including: buildings and constructions-	341450 LVL		347102 LVL
land -	133074 LVL		133074 LVL
Cadastral value on 01.01.11.	2564309LVL		
Cadastral value of the buildings -	1696319LVL		
Cadastral value of the land -	867990 LVL		

2. Advance payments for goods. Balance sheet –row code 140

All kinds of stock is increased as precurse to fulfil contracts for 2011.

3. Receivables

3.1. Trade receivables. Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2011</i>	<i>Total in LVL 01.01.2011</i>
Enterprises of Russia	For the goods		156453
Enterprises of Ukraine	For the goods	18217	
Enterprises of Belarus	For the goods	11994	10789
Enterprises of Latvia	For the goods	16219	9479
TOTAL		46430	176721

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 45 days. Enterprises of Belarus fall behind the term of payment.

3.2. Other receivables. Balance sheet –row code 160

<i>Debt</i>	<i>Total in LVL 30.06.2011</i>	<i>Total in LVL 01.01.2011</i>
Agreement of lease	36	3356
For materials and outfit	33105	12982
For the equipment	34859	33639
Overpaid taxes	16746	12307
VAT on unpaid invoices	717	1165
Other debts	704	84
	86167	63533

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4. Cash and cash equivalents. Balance sheet –row code 200

<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on June 30, 2011</i>	<i>Balance LVL As on January 1, 2011</i>
LVL			29713.18	22903.60
USD	34966.21	0.489	17098.47	58384.51
EUR	8316.34	0.702804	5844.75	31240.71
RUR	169906.73	0.0176	2990.36	1135.55
Total			55646.76	113664.37

5. Share capital. Balance sheet –row code - 230

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 – 290

<i>Substantiation</i>	<i>Total in LVL 30.06.2011</i>	<i>Total in LVL 01.01.2011</i>
For electric power	3943	6373
For water supply	226	210
For materials and sub-components	77628	37118
Different services	8998	3676
	90795	47377

6.2. Taxes and social security payments. Balance sheet row code – 300

<i>Tax</i>	<i>Total in LVL 30.06.2011</i>	<i>Total in LVL 01.01.2011</i>
Personal income tax	4402	2061
Social security payments	7545	1474
Other	254	
Total	12201	3545

6.3. Other creditors. Balance sheet row code – 310

<i>Debt</i>	<i>Total in LVL 30.06.2011</i>	<i>Total in LVL 01.01.2011</i>
Salary	14800	6453
Other creditors	1312	1474
Total	16112	7927

6.4. Accrued liabilities. Balance sheet row code – 320

In accordance with the law „On the annual reports” provisions for vacations of 2010 are calculated in total 8235 LVL. The balance of the provisions for vacations on June 30, 2011 was 7081 LVL.

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Notes to profit or loss account

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>
Six months of 2011	56869	52905	258	3706
%	100	93.0	0.5	6.5
Six months of 2010	343937	342377	1553	7
%	100	99.5	0.5	0.0

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>
Six months of 2011	56869	866	1205	34322	12695	7781
%	100	1.5	2.1	60.4	22.3	13.7
Six months of 2010	343937	170596	20371	140968	8946	3056
%	100	49.5	5.9	41.0	2.6	0.9

In 2011 the security costs are classified as administrative expenses. To ensure comparability of data the items of 2010 are recalculated

Items	In the report of 2010		In the report of 2011	
	LVL	EUR	LVL	EUR
Cost of sales	399726	568759	387327	551117
Administrative expenses	113199	161068	125598	178710

In 2011 the profit and loss account includes only the result of currency fluctuations and currency exchange. To ensure comparability of data the items of 2010 are recalculated.

Items	In the report of 2010		In the report of 2011	
	LVL	EUR	LVL	EUR
Other operating income	66811	95064	61904	88082
incl. income from currency fluctuations and currency exchange	7632	10859	2726	3879
Other operating expenses	19921	28345	15014	21363
incl. losses from currency fluctuations and currency exchange	4907	6892		

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Row code	Item	6 months of 2011 LVL	6 months of 2010 LVL
020	Cost of sales in total:		
	including	121169	387327
	-costs of materials and sub-components including transport expenses, custom fees and import duties	35207	115367
	-salaries and social security payments	51445	145269
	- electric power	14165	51283
	-contracts (for repairing works and maintenance of different systems)	3616	10583
	Amortization	14549	58582
	Operating costs	2187	6243
040	Selling expenses, total:	6258	13590
	Incl. - salaries and social security payments	3072	4962
	- wrapping and transport costs	2975	7820
	- other expenses	211	808
050	Administrative expenses, total :	72709	125598
	including - salaries and social security payments	41837	31919
	- communication expenses	2163	2340
	- expenses due to annual report	2000	2000
	- bank services	601	760
	- security costs	12409	12399
	- other administrative expenses	13699	76180
060	Other operating income	39229	61904
	including – income of foreign exchange rate revaluations	507	2725
	- income from sales of fixed assets	8381	31651
	- sales of materials	20786	12468
	- income from rent charges	7970	10680
	- other income	1585	4380
70	Other operating expenses	24547	15014
	Including – electric power for tenants	7155	9030
	- other expenses	17392	5984

Members of the
Board:

_____ Z.Kalninh

_____ M.Araslanov

August 30, 2011