



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

Report for six months of 2012

(Not audited)

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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>Alfreds Auzinsh - Chairman (since 1998 up to 26.07.2012) Zigurds Kalninsh (since 1998) Maksims Araslanovs (since 2003)</i>
Supervisory Board	<i>Eriks Kazha - Chairman Gunars Lubis – Deputy Chairman Viktors Rojs Kristina Kazha (up to 18.04.2012) Nina Kazha Galina Kraveca (since 18.04.2012)</i>
Reporting period	<i>01.01.2012 - 30.06.2012</i>
Main shareholders	Basing on the list of shareholders prepared on April 30,2012: <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 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. JSC “Rīgas autoelektroaparātu rūpnīca” has maintained 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. Average number of employees in the reporting quarter is 34.

Management report

The total volume of sales in six months of 2012 was by 52.6 % higher than in six months of 2011.

**Net turnover in six months of 2011 was 56869 LVL
in six months of 2012 – 86762 LVL**

75.6% of the sold goods were produced this year, but 24.4% were realized from warehouses.

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 or liquidating 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. Enterprises of Belarus fall behind the term of payment.

The result of economic activities in six months of 2012 is profit 4162 LVL.

At the beginning of the year the balance value of real estate is much lower than cadastral value. Therefore the real estate on Klijanu street 2B is revaluated in conformity with actual value determined by certified estimator.

Future prospects and further development

The board predicts that in total the volumes of production and sales in 2012 will be lower than in 2011. But the enterprise of Russia GAZ has entered into negotiations regarding contract for 2013 with bigger volumes than in 2012.

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 of production.

In 2012 JSC „RAR” will invest 1,1 million LVL in reconstruction of office building improving effectiveness of expenditure of thermal energy and establishing ventilation system attracting investments of Climate changes financial instrument. „RAR” is financing 35% of the project attaching credits of shareholders.

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) 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.

3) 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.

Members of the Board _____ Z.Kalninch

_____ M.Araslanov

August 31, 2012

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 16 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on June 30, 2012 and the results of its operations and cash flows for the period ended on June 30, 2012.

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 31, 2012

*JSC „Rīgas autoelektroaparātu rūpnīca”
Report for six months of 2012*

BALANCE SHEET

For six months of 2012

K=0,702804

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 30.06.12.	At the beginning of the year 1.01.12.	At the end of the period 30.06.12.	At the beginning of the year 1.01.12.	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.
A. LONG-TERM INVESTMENTS										
1. Fixed assets										
1.1. Land, buildings and constructions	1	010	1069766	409229	1522140	582280	412337	417249	586703	593692
1.2. Equipment and machinery		020	8059	11520	11467	16392	15721	25304	22369	36004
1.3. Other fixed assets and inventory		030	245	346	348	492	441	674	627	959
1.4. Costs of unfinished building objects		040	4848		6898					
1.5. Payments on account for fixed assets	2	060	304200	0	432838	0		0		0
1. TOTAL		060	1387118	421095	1973691	599164	428499	443227	609699	630655
2. Long-term financial investments										
2.1. Other securities and investments		070	200	200	285	285	200	200	285	285
2. TOTAL		080	200	200	285	285	200	200	285	285
A. TOTAL		090	1387318	421295	1973976	599449	428699	443427	609984	630940
B. CURRENT ASSETS										
1. Inventory										
1.1. Raw materials, basic materials and consumables		100	217942	247309	310103	351889	323118	262497	459756	373500
1.2. Work in progress		110	34580	28834	49203	41027	52830	35628	75170	50694
1.3. Finished goods and goods for sale		120	571281	572896	812860	815158	725345	686289	1032073	976501
1.4. Advance payments for goods	3	130	15856	15454	22561	21989	7627	26035	10852	37044
1. TOTAL		140	839659	864493	1194727	1230063	1108920	1010449	1577851	1437739
2. Debtors										
2.1. Purchasers' debts	4	150	45596	73684	64877	104843	46430	176721	66064	251451
2.2. Other debtors	5	160	354751	236491	504765	336496	238501	215867	339356	307151
2.3. Short term loans		170	40000	75640	56915	107626	90640	75640	128969	107626
2.4. Next period costs		180	1400	166	1992	236	2635	195	3750	278
2. TOTAL		190	441747	385981	628549	549201	378206	468423	538139	666506
3. Cash										
3. TOTAL	6	200	221063	489497	314544	696492	55647	113664	79178	161729
B. TOTAL		210	1502469	1739971	2137820	2475756	1542773	1592536	2195168	2265974
TOTAL ASSETS		220	2889787	2161266	4111796	3075205	1971472	2035963	2805152	2896914

*JSC „Rīgas autoelektroaparātu rūpnīca”
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BALANCE SHEET

For six months of 2012

K=0,702804

LIABILITIES	Notes	Row code	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
			At the end of the period 30.06.12.	At the beginning of the year 1.01.12.	At the end of the period 30.06.12.	At the beginning of the year 1.01.12.	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.
A. Equity										
1. Share capital	7	230	3565509	3565509	5073262	5073262	3565509	3565509	5073262	5073262
2. Long-term investment revaluation reserve	8	240	664485	0	945477	0	0	0	0	0
TOTAL		250	4229994	3565509	6018739	5073262	3565509	3565509	5073262	5073262
2. Retained profit:										
a) brought forward from previous years		260	-1939628	-1939628	-2759842	-2759842	-1596630	-1596630	-2271800	-2271800
b) for the accounting year		270	4162		5922		-142438		-202671	
A. TOTAL		280	2294528	1625881	3264819	2313420	1826441	1968879	2598791	2801462
B.PROVISIONS										
1.Other provisions	9	290	7454	9674	10606	13765	7081	8235	10075	11718
B. TOTAL		300	7454	9674	10606	13765	7081	8235	10075	11718
C.CREDITORS										
1.Long- term creditors										
1.1. Other loans	10	310	68989	0	98163	0	0	0	0	0
1. TOTAL		320	68989	0	98163	0	0	0	0	0
2. Short term creditors										
2.1. Advance payments from customers		330	10550	0	15011		18842		26810	
2.2. Accounts payable to suppliers and contractors	11	340	110446	131376	157150	186931	90795	47377	129190	67411
2.3. Taxes and State mandatory social insurance payments	12	350	18584	10907	26443	15520	12201	3545	17361	5044
2.4. Other creditors	13	360	12061	11659	17161	16589	16112	7927	22925	11279
2.5.Next period income	14	370	367175	367175	522443	522443				
2.6. Accrued obligations		380		4594		6537				
2. TOTAL		400	518816	525711	738208	748020	137950	58849	196286	83734
C.TOTAL		410	587805	525711	836371	748020	137950	58849	196286	83734
TOTAL LIABILITIES		420	2889787	2161266	4111796	3075205	1971472	2035963	2805152	2896914

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PROFIT OR LOSS ACCOUNT
For six months of 2012

K=0.702804

Item	Row code	LVL	LVL	EUR	EUR
		Six months of 2012	Six months of 2011	Six months of 2012	Six months of 2011
1	2	3	4	5	6
Net turnover	010	86762	56869	123451	80917
Production costs of goods sold	020	120895	120429	172018	171355
Gross profit or loss	030	-34133	-63560	-48567	-90438
Sales costs	040	1577	6258	2244	8904
Administrative expenses	050	54298	72709	77259	103456
Other income from economic activities	060	172898	39229	246012	55818
Other costs of economic activities	070	68118	24547	96923	34927
Other interest income and similar income	080	3082	0	4385	0
Interest payments and similar expenses	090		0		
Profit or loss before extraordinary items and taxes	100	17854	-127845	25404	-181907
Profit or loss before taxes	110	17854	-127845	25404	-181907
Other taxes (Real estate tax)	130	13692	14593	19482	20764
Profit or loss for the accounting year	140	4162	-142438	5922	-202671

Earnings per share	0,001	-0,040	0,002	-0,057
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STATEMENT OF CASH FLOWS for six months of 2012

I. Cash flow from operating activities

K=0.702804

No	ITEMS	2012	2011	2012	2011
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Income from sales and services	55502	207471	78972	295205
2	Payments to suppliers, to employees and other expenses for production	-196999	-257006	-280304	-365687
3	Other income or expenses for economic activities	48049	14928	68368	21241
4	Cash flow from gross operating activities	-93448	-34607	-132964	-49241
5	Real estate tax payments	-13692	-14593	-19482	-20764
I.	Net cash flow from operating activities	-107140	-49200	-152446	-70005

II. Cash flow from investment activities

No	ITEMS	2012	2011	2012	2011
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Purchase of fixed assets	-304368		-433077	
2	Sales of intangible and fixed assets	35138	8454	49997	12029
3	Given loans		-15000		-21343
4	Repaid loans	35640		50711	
5	Received interest	3076		4377	
II.	Net cash from investment activities	-230514	-6546	-327992	-9314

III. Cash flow from financing

No	ITEMS	2012	2011	2012	2011
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
1	Received loans	68989		98162	
III.	Net cash flow from financing	68989		98162	

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**SUMMARY OF CASH INCOME AND
EXPENDITURE**

No	ITEMS	2012	2011	2012	2011
		6 months	6 months	6 months	6 months
		LVL	LVL	EUR	EUR
I	The result from operating activities	-107140	-49200	-152446	-70005
II	The result from investment activities	-230514	-6546	-327992	-9314
III	The result from financing	68989	0	98162	0
IV	The result from currency rate fluctuations	231	-2271	328	-3232
	Cash increase or decrease	-268434	-58017	-381948	-82551
	Cash and cash equivalents at the beginning of the reporting period	489497	113664	696492	161729
	Cash and cash equivalents at the end of the reporting period	221063	55647	314544	79178

STATEMENT OF EXCHANGES IN EQUITY

LVL	30.06.2012	At the end of 2011	30.06.2011	At the end of 2011
Share capital	3565509	3565509	3565509	3565509
Long-term investment revaluation reserve				
In the balance sheet of the previous period	0	0	0	0
Exchanges of long-term investment revaluation reserve	664485	0	0	0
In the balance sheet at the end of the accounting period	664485	0	0	0
Retained profit				
Retained profit brought forward from previous years	-1939628	-1596630	-1596630	-1703607
Correction				106977
Profit of the accounting year	4162	-342998	-142438	
Total profit in the balance sheet at the end of the accounting year	-1935466	-1939628	-1739068	-1596630
Equity		1625881		
In the balance sheet of the previous period	1625881	1968879	1968879	1861902
Correction	0		0	106977
In the balance sheet at the end of the accounting period	2294528	1625881	1826441	1968879

EUR	30.06.2012	At the end of 2011	30.06.2011	At the end of 2011
Share capital	5073262	5073262	5073262	5073262
Long-term investment revaluation reserve				
In the balance sheet of the previous period	0	0	0	0
Exchanges of long-term investment revaluation reserve	945477	0	0	0
In the balance sheet at the end of the accounting period	945477	0	0	0
Retained profit				
Retained profit brought forward from previous years	-2759842	-2271800	-2271800	-2424014
Correction				152214
Profit of the accounting year	5922	-488042	-202671	
Total profit in the balance sheet at the end of the accounting year	-2753920	-2759842	-2474471	-2271800
Equity				
In the balance sheet of the previous period	2313420	2801462	2801462	2649248
Correction				152214
In the balance sheet at the end of the accounting period	3264819	2313420	2598791	2801462

NOTES TO FINANCIAL STATEMENTS

The report of six months of 2012 is prepared in accordance with the law „On accountancy”, „On the annual reports” Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on enforcement policies of the law on annual reports” and Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on content and preparation procedures of the cash flow statement and statement of changes in equity”.

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, produced in 2012, is evaluated in production costs.

The stock of finished goods, produced in previous years, is valued in accordance with the lowest market price.

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 2012

1. Buildings, constructions and land are registered in Land Register and the property belongs to „RAR”. **Balance sheet –row code 010**

Balance value on June 30, 2011:	1069766 LVL	on January 1, 2012	409229 LVL
including: buildings and constructions-	680539 LVL		296933 LVL
land -	389227 LVL		112296 LVL
Cadastral value on 01.01.2012	2281525 LVL		
Cadastral value of the buildings -	1559531 LVL		
Cadastral value of the land -	721994 LVL		

At the beginning of the year the balance value of real estate is much lower than cadastral value. Therefore the real estate on Klijanu street 2B is revaluated in conformity with actual value determined by certified estimator.

Increase in value is stated in long-term investment revaluation reserves.

2. Payments on account for fixed assets . Balance sheet –row code 060

In 2012 JSC „RAR” will invest 1,1 million LVL in reconstruction of office building improving effectiveness of expenditure of thermal energy and establishing ventilation system attracting investments of Climate changes financial instrument. Advance payment 304200,00 LVL is made.

3. Advance payments for goods. Balance sheet –row code 130

<i>Advance payment</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
For services	65	
For materials	123	12081
For outfit	15668	3373
TOTAL	15856	15454

4. Purchasers' debts. Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
Enterprises of Russia	For the goods	34808	
Enterprises of Belarus	For the goods	10788	11994
Enterprises of Latvia	For the goods		56864
Enterprises of Ukraine	For the goods		4826
TOTAL		45596	73684

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days. Enterprises of Belarus fall behind the term of payment.

5. Other debtors. Balance sheet –row code 160

<i>Debt</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
Agreement of lease	36	36
For materials and outfit	116430	42474
For the equipment	79167	34859
For real estate	158131*	158131
VAT on unpaid invoices	221	
Other debts	766	991
	354751	236491

- Term of payment - within one and a half year

6. 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, 2012</i>	<i>Balance LVL As on January 1, 2012</i>
LVL			195658.75	376875.77
USD	25186.28	0.562	14458.47	35733.76
EUR	14533.01	0.702804	10213.86	892.14
RUR	42796.20	0.017	731.82	75995.67
Total			221062.90	489497.34

169332.20 LVL is the remaining advance payment from „Vides investīciju fonds” within the KPFI project.

7. 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.

8. Long-term investment revaluation reserve. Balance sheet row code 240

Increase in value due to revaluation of real estate is stated in long-term investment revaluation reserves.

9. Other provisions. Balance sheet row code – 290

In accordance with the law „On the annual reports” provisions for vacations of 2011 are calculated in total 9674 LVL. The balance of the provisions for vacations on June 30, 2012 was 7454 LVL.

10. Other loans.

Reconstruction of office building is implemented attracting investments of Climate changes financial instrument. „RAR” is financing 35% of the project attaching credits of shareholders.

11. Accounts payable to suppliers and contractors. Balance sheet row code – 340

<i>Substantiation</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
For electric power	3841	
For water supply	226	212
For materials and sub-components	69389	106853
Payments to Stock exchange	762	762
Agreement of lease	23289	11777
Different services	12939	11772
Total	110446	131376

12. Taxes and State mandatory social insurance payments. Balance sheet row code – 350

<i>Tax</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
Personal income tax	2143	2799
Social security payments	3950	4750
Business risk fee	7	8
VAT	12324	3350
Cars' tax for enterprises	160	
Total	18584	10907

13. Other creditors. Balance sheet row code – 360

<i>Debt</i>	<i>Total in LVL 30.06.2012</i>	<i>Total in LVL 01.01.2012</i>
Salary	10520	9672
Other creditors	1541	1987
Total	12061	11659

14. Next period income. Balance sheet row code 370

Received advance for KPFI project 367175 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 2012	86762	81268	0	5494
%	100	93.7	0.0	6.3

Six months of 2011	56869	52905	258	3706
%	100	93.0	0.5	6.5

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 2012	86762	59842	0	3830	17520	5570
%	100	69.0	0.0	4.4	20.2	6.4

6 months of 2011	56869	866	1205	34322	12695	7781
%	100	1.5	2.1	60.4	22.3	13.7

Row code	Item	6 months, 2012 LVL	6 months, 2011 LVL
020	Production costs of goods sold, total: including	120895	120429
	-costs of materials and sub-components including transport expenses, custom fees and import duties	48484	35207
	-salaries and social security payments	93647	51445
	- electric power	18239	14165
	-contracts (for repairing works and maintenance of different systems)	2432	3616
	-amortization	9996	13809
	- changes of ready made goods' stock value	-59596	
	-operating costs	7693	2187
040	Sales costs, total:	1577	6258
	Incl. - salaries and social security payments		3072
	- wrapping and transport costs	1412	2975
	- other expenses	165	211
050	Administrative expenses, total :	54298	72709
	including - salaries and social security payments	33006	41837
	- communication expenses	1594	2163
	- expenses due to annual report		2000
	- bank services	306	601
	- security costs	14891	12409
	- other administrative expenses	4501	13699

*JSC „Rīgas autoelektroaparātu rūpnīca”
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060	Other income from economic activities	172898	39229
	including – income of foreign exchange rate revaluations		507
	- income from sales of fixed assets	60469	8381
	- sales of materials and outfit	81317	20786
	- sales of scrap metal	30931	1053
	- income from rent charges	178	7970
	- other income	3	532
70	Other costs of economic activities:	68118	24547
	including- exchange rate of foreign currency	541	
	- changes of material stock's value	57731	13203
	- other expenses	9846	11344

Members of the Board _____ Z.Kalninch

_____ M.Araslanov

August 31, 2012