



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

Report for 12 months of 2014

(Not audited)

CONTENT

	Page
Information about the company	3
Management report	4
Statement of Management Responsibility	6
Balance sheet	7
Profit or loss account	9
Statement of cash flows	10
Statement of exchanges in equity	12
Notes to financial statements:	13

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>
Main activities	<i>NACE 2712 manufacture of electric equipment NACE 6820 renting and operating of own real estate</i>
Board	<i>Eriks Kazha - Chairman Gunars Lubis Maksym Araslanov</i>
Council	<i>Edgars Lubis – Chairman Viktors Rojs Deputy Chairman Zane Sproge Nina Kazha Galina Kraveca</i>
Reporting period	<i>01.01.2014 - 31.12.2014</i>
Main shareholders	Basing on the list of shareholders prepared on October 31,2014: <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>

Management report

The company “Rīgas autoelektroaparātu rūpnīca” 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 and assembling of finished products.

The company has introduced quality management system corresponding to ГОСТ ISO-9001: 2011 (ISO 9001:2008), ГОСТ Р ИСО/ТУ 16949-2009 (ISO/TS 16949:2009).

Economic activities in the reporting period

Net turnover of the enterprise in 2014 is 649497 EUR. It has increased by 14.6 % if compared with 2013 due to a contract signed with the company of Belarus for the sale of the existing stock of the products.

Average number of employees in the reporting period is 29.

The products of the enterprise are specific and are intended mainly for complete set of automobiles and agricultural machinery in Russia, the 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. 89.4 % of net turnover in 2014 is export, including 22.6 % to Russia, 30.0% to the Ukraine and 18.7% to Belarus.

The result of economic activities in this period is losses 312175 EUR. Partly it has been affected by political and consequently by economical situation in Russia and in the Ukraine.

A new enterprise JSC „Rīgas autoelektrokomponentu rūpnīca” is created. 100% of shares belong to JSC „Rīgas autoelektroaparātu rūpnīca”.

In 2014 JSC „Rīgas autoelektroaparātu rūpnīca” invested 1, 3 million euro to improve the effectiveness of expenditure of energy in production building attracting 0, 73 million euro as investments of Climate changes financial instrument. These investments stopped the deterioration and dilapidation of building structure and utilities as well as reduced the costs for energy. It has become possible to maintain adequate microclimate in premises. While implementing the project, JSC „Rīgas autoelektroaparātu rūpnīca” has obtained two new central heating boilers and a ventilation system that will ensure heating and hot water supply in long-term applying system of renewable energy resources and thus ensuring growth of economic efficiency.

In 2014 JSC „Rīgas autoelektroaparātu rūpnīca” started activities to improve the effectiveness of expenditure of energy in administrative building. The project was finished on January 31, 2015. Total investments are 1.2 million euro. Financing from Climate changes financial instrument is scheduled 0.71 million euro.

To get a bank guarantee to repay the advance payment received from the Ministry of Environmental Protection and Regional Development and credit, real estate on Klijanu street 2 is pledged as security.

Within the framework of the project the bank loan is 330955 EUR.

Future prospects and further development

The board predicts that the volumes of sales in 2015 will be the same as in 2014. Cooperation with the existing customers in Russia, in the Ukraine and in Belarus will continue. Political situation in these countries do not allow scheduling increase of deliveries

The real estate that belongs to the company is much bigger than it is necessary for the process of production. Great activities are carried out to restore buildings and enhance the efficiency of the estate. In 2015 renovation work is expected to be completed.

Risks for the economic activities of the company

The activities of the company are subjected to the fluctuations of foreign currencies' exchange rate because not only EUR but also US dollars are used in the deals with the purchasers as well as with the suppliers. The risk factor is not only fluctuations of the US dollar exchange rate against EUR, but also the exchange rate of local currency in purchasers' countries against EUR and US dollar which burden their settlement on the production.

Besides, problems may occur because of political situation in the countries of collaboration partners as it is now confirmed by the situation in Ukraine.

Chairman of the Board: _____ E.Kazha

Members of the Board: _____ G.Lubis

_____ M. Araslanov

February 26, 2015

Statement of Management Responsibility

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

The financial statements on pages 4 to 18 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on December 31, 2014 and the results of its operations and cash flows for the period ended on December 31, 2014.

The financial statements are prepared in accordance with laws “On accountancy” and “On the annual reports” 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,

Eriks Kazha
Chairman of the Board

February 26, 2015

*JSC „Rīgas autoelektroaparātu rūpnīca”
Report for 12 months of 2014*

BALANCE SHEET

For 2014

EUR

ASSETS	Notes	At the end of the period 31.12.14.	At the beginning of the year 1.01.14.	At the end of the period 31.12.13.	At the beginning of the year 1.01.13.
A. LONG-TERM INVESTMENTS					
1. Fixed assets					
1.1. Land, buildings and constructions	1	2686355	1985036	1985036	3163911
1.2. Equipment and machinery		562255	0		5142
1.3. Other fixed assets and inventory		2370	56	56	250
1.4. Costs of unfinished building objects	2	749144			
1. TOTAL		4000124	1985092	1985092	3169303
2. Long-term financial investments					
2.1. Participation in the capital of related companies	3	35000			
2.1. Other securities and investments	4	11581	256	256	285
2. TOTAL		46581	256	256	285
A. TOTAL		4046705	1985348	1985348	3169588
B. CURRENT ASSETS					
1. Inventory					
1.1. Raw materials, basic materials and consumables		271761	356838	356838	321427
1.2. Work in progress		83654	100655	100655	110186
1.3. Finished goods and goods for sale		405440	624989	624989	671847
1.4. Advance payments for goods		58802	59022	59022	92144
1. TOTAL		819657	1141504	1141504	1195604
2. Debtors					
2.1. Purchasers' debts	5	172622	72774	72774	37646
2.2. Other debtors		564575	709166	709166	281726
2.3. Short term loans			26941	26941	17452
2.4. Next period costs	6	114	172	172	203
2. TOTAL		737311	809053	809053	337027
3. Cash	3. TOTAL	7	110538	53372	30556
B. TOTAL		1667506	2003929	2003929	1563187
TOTAL ASSETS		5714211	3989277	3989277	4732775

*JSC „Rīgas autoelektroaparātu rūpnīca”
Report for 12 months of 2014*

BALANCE SHEET

For 2014

EUR

LIABILITIES	Notes	At the end of the period 31.12.13.	At the beginning of the year 1.01.13.	At the end of the period 31.12.12.	At the beginning of the year 1.01.12.
A. Equity					
1. Share capital	8	5073262	5073262	5073262	5073262
2. Long-term investment revaluation reserve	9	56815	0	0	945477
TOTAL		5130077	5073262	5073262	6018739
2. Retained profit:					
a) brought forward from previous years		-2348929	-2755068	-2755068	2755068
b) for the accounting year		-312175	406139	406139	
A. TOTAL		2468973	2724333	2724333	3263671
B. PROVISIONS					
1. Other provisions	10	15927	15569	15569	18597
B. TOTAL		15927	15569	15569	18597
C. CREDITORS					
1. Long term creditors					
1.1. Other loans		239111	57181	57181	472237
1.2. Next period income		1639376	1002109	1002109	756471
1. TOTAL		1878487	1059290	1059290	1228708
2. Short term creditors					
2.1. Loans from credit institutions		330955			
2.2. Other loans	11	348900			
2.3. Prepayments from customers		106553	5245	5245	71141
2.4. Accounts payable to suppliers and contractors	12	476979	137889	137889	95889
2.5. Taxes and State mandatory social insurance payments	13	5561	8819	8819	8271
2.6. Other creditors		7975	14506	14506	22074
2.7. Next period income	14	68359	18443	18443	18486
2.8. Accrued obligations	15	5542	5183	5183	5938
2. TOTAL		1350824	190085	190085	221799
C. TOTAL		3229311	1249375	1249375	1450507
TOTAL LIABILITIES		5714211	3989277	3989277	4732775

**PROFIT OR LOSS ACCOUNT
For 2014**

EUR

Item	Notes	2014	2013
1	2	3	4
Net turnover	16	649497	566642
Production costs of goods sold		879817	590233
Gross profit or loss		-230320	-23591
Sales costs		9400	7281
Administrative expenses		108125	132411
Other income from economic activities		193967	709905
Other costs of economic activities		90855	92864
Other interest income and similar income		313	1332
Interest payments and similar expenses		29971	13849
Profit or loss before extraordinary items and taxes		-274391	441241
Profit or loss before taxes		-274391	441241
Other taxes (Real estate tax)		37784	35102
Profit or loss for the accounting year		-312175	406139

Earnings per share

-0,088

0,114

STATEMENT OF CASH FLOWS for 2014

I. Cash flow from operating activities

No	ITEMS	2014	2013
		EUR	EUR
1	Income from sales and services	585041	464986
2	Payments to suppliers, to employees and other expenses for production	567985	597218
3	Other income or expenses for economic activities	49818	107827
4	Cash flow from gross operating activities	66874	-24405
5	Real estate tax payments	37784	35102
I.	Net cash flow from operating activities	29090	-59507

II. Cash flow from investment activities

No	ITEMS	2014	2013
		EUR	EUR
1	Purchase of shares	46116	
2	Purchase of intangible and fixed assets	1785775	
3	Sales of intangible and fixed assets	172793	176618
4	Given loans		71143
II.	Net cash from investment activities	-1659098	105475

III. Cash flow from financing

No	ITEMS	2014	2013
		EUR	EUR
1	Received loan	1313260	42686
2	Received as financing of KPFI projects	837137	264038
3	Repaid loans	432518	326538
4	Paid interest	30374	
III.	Net cash flow from financing	1687505	-19814

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2014	2013
		EUR	EUR
I	The result from operating activities	29090	-59507
II	The result from investment activities	-1659098	105475
III	The result from financing	1687505	-19814
IV	The result from currency rate fluctuations	-331	-3338
	Cash increase or decrease	57166	22816
	Cash and cash equivalents at the beginning of the reporting period	53372	30556
	Cash and cash equivalents at the end of the reporting period	110538	53372

STATEMENT OF EXCHANGES IN EQUITY

EUR	31.12. 2014.	31.12. 2013.	31.12. 2012.	31.12. 2014.
Share capital	5073262	5073262	5073262	5073262
Long-term investment revaluation reserve				
In the balance sheet of the previous period	0	945477	0	0
Exchanges of long-term investment revaluation reserve	56815	-945477	945477	0
In the balance sheet at the end of the accounting period	56815	0	945477	0
Retained profit				
Retained profit brought forward from previous years	-2348929	-2755068	-2759842	-2348929
Profit of the accounting year	-312175	406139	4774	-310035
Total profit in the balance sheet at the end of the accounting year	-2661104	-2348929	-2755068	-2658964
Equity				
In the balance sheet of the previous period	2724333	3263671	3263671	2724333
In the balance sheet at the end of the accounting period	2468973	2724333	3263671	2414298

NOTES TO FINANCIAL STATEMENTS

1. General principles

The report for the year 2014 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 financial statements include comparable information of the same period of the previous year.

The financial statements are presented in euro (EUR).

2. Accounting policy

The accounting policy of the Company was developed to ensure that the information is:

- applicable for decision making;
- is credible and fairly presents the results of activities and the financial position;
- reveals economic essence of a deal;
- is not prejudiced;
- is prudent;
- is complete is all essential aspects.

The reporting period is

January 1, 2014 till December 31, 2014.

Accounts in 2014 are kept according to the approved chart of accounts of the enterprise.

2.1. The synthetic register of accounting is general ledger. The entries in it are made from the grouping reports of economic operations. Registers of analytic accounting are accounting entry books, lists and cards.

2.2. Computers and software developed by “Bilance”, Ltd. are used to compile accounting registers.

2.3. Balances of assets on 31.12.2014 were checked-up in an inventory from 01.01.2015 until 31.01.2015.

2.4. Depreciation of fixed assets is calculated using the straight-line method applying the depreciation rates set by management.

*JSC „Rīgas autoelektroaparātu rūpnīca”
Report for 12 months of 2014*

Kind of fixed assets	Rate of depreciation	
	In financial accounts	
Buildings, constructions and transmission devices	From 1,0% to 8,3 %	
	Years	Months
Equipment and machinery		
Loading devices and machinery	2	24
Technological equipment and machinery, working in adverse conditions	4	48
Technological equipment for production, laboratory equipment (measurement equipment)	5	60
Thermal technical equipment, pumps and compressors, ventilation equipment	7	84
Power units, electric motors, telecommunication equipment	8	96
Vehicles (cars, trucks and trailers)	5	60
Other fixed assets and inventory		
Office equipment and inventory	10	120
Computers, software, xeroxes and electronic cash-registers	5	60
Inventory used in production and for transportation and storage of goods	3	36
Other inventory	5	60

2.5. Stock of materials and purchased parts is estimated using weighted average prices.

2.6. The stock of finished goods is valued in accordance with the lowest market price.

2.7. Foreign currency in bank accounts and in treasury is translated into EUR in accordance with the European Central Bank exchange rate for the last day of reporting period.

Foreign currency	31.12.2014	31.12.2013
USD	1.2141	1.365
RUR	72.337	45.052

2.8. All debts are real and reconciled with debtors and creditors. Debts in foreign currency are translated into EUR in accordance with the European Central Bank exchange rate for the last day of reporting period. The resulting profit or loss is revealed in profit or loss account of the period.

2.9. In compliance with the law „On annual reports” deferred taxation liabilities are to be calculated for the beginning of the year 2013 and at the end of it and included in balance sheet. Changes in liabilities of deferred income tax are to be revealed in profit or loss account. Deferred income tax is calculated by liability method including all temporary differences between asset and liability values in financial statements and their values in the calculations for taxes. Assets of deferred income tax are accepted only if it is expected to regain them.

Balance sheet for the year 2014

1. Buildings, constructions and land are registered in Land Register and the property belongs to „RAR”.

Balance value on December 31, 2014:	2686355 EUR	on January 1, 2014:	1985036 EUR
including: buildings and constructions-	2597529 EUR		1896210 EUR
land -	88826 EUR		88826 EUR
Cadastral value on 01.01.2015	2067250 EUR		
Cadastral value of the buildings -	1646069 EUR		
Cadastral value of the land -	421181 EUR		

In 2014 JSC „Rīgas autoelektroaparātu rūpnīca” invested 1.3 million euro to improve the effectiveness of expenditure of energy in production building attracting 0.73 million euro as investments of Climate changes financial instrument. After carrying out of the activities of the project JSC „Rīgas autoelektroaparātu rūpnīca” obtained two new central heating boilers that will ensure heating and hot water supply in long-term applying system of renewable energy resources and new ventilation system.

Statement of changes in fixed assets in 2014

	Land	Buildings and constructions	Equipment and machinery	Other fixed assets and inventory	Unfinished building objects	Total
	EUR	EUR	EUR	EUR		EUR

Historical or re-valued cost

Historical or re-valued cost on January 1, 2014	88826	2085341	1416753	121538	0	3712458
Obtained and renovated		741868	546871		749144	2037883
Disposals			226000			226000
Revaluation			54445	2370		56815
Historical or revalued cost on December 31, 2014	88826	2827209	1737624	121538	749144	5581156

Depreciation

On January 1, 2014	0	189131	1416753	121482	0	1727366
Charge for the year		40548	39062	56		79666
Disposals			226000			226000
On December 31, 2014	0	229679	1229815	121538	0	1581032

Net book value on January 1, 2014	88826	1896210	0	56	0	1985092
Net book value on December 31, 2014	88826	2597530	507809	0	749144	4000124

The equipment involved in production process is reevaluated.

2. Costs of unfinished building objects.

In 2014 JSC „Rīgas autoelektroaparātu rūpnīca” started activities to improve the effectiveness of expenditure of energy in administrative building. The project was finished on January 31, 2015. Total investments are 1.2 million euro. Financing from Climate changes financial instrument is scheduled 0.71 million euro.

To get a bank guarantee to repay the advance payment received from the Ministry of Environmental Protection and Regional Development and credit, real estate on Klijanu street 2 is pledged as security.

3. Participation in the capital of related companies.

A new enterprise JSC „Rīgas autoelektrokomponentu rūpnīca” is created. 100% of shares belong to JSC „Rīgas autoelektroaparātu rūpnīca”.

4. Other securities and investments.

JSC „Rīgas autoelektrokomponentu rūpnīca” owns 27,5% of parts of joint venture in Belarus, limited liability company „ETON-AVTO”.

5. Purchasers' and other debts.

All the debts are receivable within a year.

6. Next period costs.

Next period costs are magazine subscriptions.

7. Cash.

106553,47 EUR is financial security for advance payment from „Vides investīciju fonds” within the KPFI project. This money temporarily is blocked.

8. Share capital.

Share capital is 3565509 LVL (5073262 EUR). Nominal value of a share is 1.00 LVL (1.42 EUR).

There are 1802723 registered shares and 1762786 bearer's shares.

All the shares have equal rights.

9. Long-term investment revaluation reserve.

The equipment involved in production process is reevaluated.

10. Other provisions.

In accordance with the law „On the annual reports” provisions for vacations of 2014 are calculated in total 15927 EUR.

The provisions for vacations of 2013 were calculated 15569 EUR.

11. Loans.

Reconstruction of buildings is implemented attracting investments of Climate changes financial instrument (KPMI). „RAR” is financing the projects attaching credits of other enterprises – 588011 EUR (including 239111 EUR long-term and 348900 EUR short-term) as well as loan from credit institution – 330955 EUR (including financial security).

13.Accounts payable to suppliers and contractors.

All the debts are payable within a year.

13. Taxes and State mandatory social insurance payments.

<i>Tax</i>	<i>Date of payment</i>	<i>Total in EUR 31.12.2014</i>	<i>Total in EUR 01.01.2014</i>
Personal income tax	January, 2015	1981	3073
Social security payments	January, 2015	3515	5677
Business risk fee	January, 2015	8	12
VAT			
Cars' tax for enterprises	January, 2015	57	57
Total:		5561	8819

14. Next period income.

The financing 730210.58 LVL (1038996 EUR) was received for KPMI-10/51 project (the year 2012) - reconstruction of office building improving effectiveness of expenditure of thermal energy. Respectively 18443,72 EUR were included in the income of 2014, 18443,72 EUR will be included in the income of 2015 and 983664,89 EUR are long term next period income.

The financing 730583,19 EUR was received for KPMI-15.2/94 project (the year 2014). 24957,48 EUR are included in the income of 2014. Respectively 49914,96 EUR will be included in the income of 2015 and 655710,75 EUR are long term next period income.

15.Accrued liabilities.

5542 EUR for different services received in December 2014.

16. Net turnover.

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 etc.)

As from 2013 net turnover includes income from demise of real estate.

*JSC „Rīgas autoelektroraparātu rūpnīca”
Report for 12 months of 2014*

Breakdown of net turnover by kind of production: (EUR and %)

	<i>Net turnover Total:</i>	<i>Including</i>			
		<i>Control and measuring devices for vehicles</i>	<i>Different orders</i>	<i>Other metal ware</i>	<i>Demise of real estate</i>
2014	649497	580197	64277		5023
%	100	89.3	9.9		0.8
2013	566642	429436	36306	95937	4963
%	100	75.8	6.4	16.9	0.9

Breakdown of net turnover by geographical markets: (EUR and %)

	<i>Net turnover Total:</i>	<i>Including</i>				
		<i>Russia</i>	<i>Ukraine</i>	<i>Belarus</i>	<i>EU</i>	<i>Latvia</i>
2014	649497	146607	194724	121458	117868	68840
%	100	22.6	30.0	18.7	18.1	10.6
2013	566642	315254	95488		18540	137360
%	100	55.5	16.9		3.3	24.2

27. Average number of employees during the financial year

Average number of employees in the reporting period is 29.
Average number of employees in 2013 also was 29.

Chairman of the Board _____ E.Kazha

Members of the Board _____ G.Lubis

_____ M.Araslanov

February 26, 2015