



**Joint stock company
„Rigas autoelektroaparatu rūpnīca”
(reg.Nr. 4 0003030454)**

Report for 3 months of 2015

(Not audited)

CONTENT

	Page
Information about the company	3
Balance sheet	4
Profit or loss account	6
Statement of cash flows	7
Statement of exchanges in equity	8
Notes to financial statements:	9

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>01.01.2015 - 31.03.2015</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>
Certified auditor	<i>Aivars Rutkis Licence No 18</i>

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 ГOCT ISO-9001: 2011 (ISO 9001:2008), ГOCT P ИCO/TY 16949-2009 (ISO/TS 16949:2009).

As the company owns real estate, it is gradually developing another branch of activities – management and rental of real estate.

Average number of employees in the reporting period is 18.

BALANCE SHEET

<u>ASSETS</u>	Notes	31.03.2015 EUR	31.03.2014 EUR
A. LONG-TERM INVESTMENTS			
1. Fixed assets			
1.1. Land, buildings and constructions	1	3683237	1976012
1.2. Equipment and machinery		669876	0
1.3. Other fixed assets and inventory			24
1.4. Costs of unfinished building objects			
1.5. payments on account for intangible investments			385000
1. TOTAL		4353113	2361036
2. Long-term financial investments			
2.1. Participation in the capital of related companies	2	190200	
2.2. Participation in the capital of associated companies	3	12935	
2.3. Other securities and investments			256
2. TOTAL		203135	256
A. TOTAL		4556248	2361292
B. CURRENT ASSETS			
1. Inventory			
1.1. Raw materials, basic materials and consumables		262660	335408
1.2. Work in progress		83654	97466
1.3. Finished goods and goods for sale		408030	623264
1.4. Advance payments for goods		58822	63794
1. TOTAL		813166	1119932
2. Debtors			
2.1. Purchasers' debts	4	180578	70479
2.2. Other debtors		277125	695251
2.3. Short term loans			27134
2.4. Next period costs	5	87	194
2.5. Accrued income			
2. TOTAL		457790	793058
3. Cash	6	108063	56190
3. TOTAL		1379019	1969180
B. TOTAL		1379019	1969180
TOTAL ASSETS		5935267	4330472

BALANCE SHEET

<u>LIABILITIES</u>	Notes	31.03.2015	31.03.2014
		EUR	EUR
A. Equity			
1. Share capital	7	5073262	5073262
TOTAL		5073262	5073262
2. Retained profit:			
a) brought forward from previous years		-2648482	-2348929
b) for the accounting year		68073	-88838
A. TOTAL		2492853	2635495
B. PROVISIONS			
1. Other provisions	8	10238	13592
B. TOTAL		10238	13592
C. CREDITORS			
1. Long term creditors			
1.1. Other loans			336999
1.2. Next period income	12	1639376	1002109
1. TOTAL		1639376	1339108
2. Short term creditors			
2.1. Loans from credit institutions	9	330955	
2.2. Other loans	9	350419	
2.3. Prepayments from customers		726755	3045
2.4. Accounts payable to suppliers and contractors	10	299468	188447
2.5. Taxes and State mandatory social insurance payments	11	19478	9071
2.6. Other creditors		12620	13992
2.7. Next period income	12	51269	123583
2.8. Accrued obligations		1836	4139
2. TOTAL		1792800	342277
C. TOTAL		343176	1681385
TOTAL LIABILITIES		5935267	4330472

PROFIT OR LOSS ACCOUNT

Item	Notes	EUR	
		3 months of 2015	3 months of 2014
Net turnover	1	38424	186037
Production costs of sold goods and services	2	98861	232794
Gross profit or loss		-60437	-46757
Sales costs	3	54	2951
Administrative expenses	4	17340	23418
Other income from economic activities	5	186191	7364
Other costs of economic activities	6	23811	8941
Other interest income and similar income		0	194
Interest payments and similar expenses		6438	4874
Profit or loss before extraordinary items and taxes		78111	-79383
Profit or loss before taxes		78111	-79383
Other taxes (Real estate tax)		10038	9455
Profit or loss for the accounting year		68073	-88838
Earnings per share		0,019	-0,025

STATEMENT OF CASH FLOWS for 3 months of 2015

	3 months 2015	3 months 2014
I. Cash flow from operating activities		
1 Income from sales and services	463928	188047
2 Payments to suppliers, to employees and other expenses for production	50584	183413
3 Other income or expenses for economic activities	3352	7950
4 Cash flow from gross operating activities	416696	12584
5 Real estate tax payments		9455
I. Net cash flow from operating activities	416696	3129
II. Cash flow from investment activities	3 months 2015	3 months 2014
1 Purchase of intangible and fixed assets	689088	385000
2 Sales of intangible and fixed assets	517967	
3 Given loans		
II. Net cash from investment activities	-171121	-385000
III. Cash flow from financing	3 months 2015	3 months 2014
1 Received loan	67910	385000
2 Received as financing of KPFI projects		109750
3 Repaid loans	292467	109750
4 Paid interest	23497	
III. Net cash flow from financing	-248054	385000
SUMMARY OF CASH INCOME AND EXPENDITURE	3 months 2015	3 months 2014
I The result from operating activities	416696	3129
II The result from investment activities	-171121	-385000
III The result from financing	-248054	385000
IV The result from currency rate fluctuations	4	-311
Cash increase or decrease	-2475	2818
Cash and cash equivalents at the beginning of the reporting period	110538	53372
Cash and cash equivalents at the end of the reporting period	108063	56190

STATEMENT OF EXCHANGES IN EQUITY

	Share capital	Long term investment revaluation reserve	Profit (+) or losses(-) from previous years	Profit (+) or losses(-) for the accounting period	Equity
On December 31, 2013	5073262	0	-2755068	406139	2724333
Profit covers losses of the previous years			406139	-406139	0
Profit (+) or losses(-) for the 3 months of 2014				-88838	-88838
On March 31, 2014	5073262	0	-2348929	-88838	2635495
On December 31, 2014	5073262	56815	-2348929	-299553	2481595
Desposal of revaluated long term investments		-56815			-56815
Transfer of the losses of the previous year			-299553	299553	0
Profit (+) or losses(-) for the 3 months of 2015				68073	68073
On March 31, 2015	5073262	0	-2648482	68073	2492853

NOTES TO FINANCIAL STATEMENTS

1. General principles

The report 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;
- keeps going concern principle;
- is complete in all essential aspects.

Software developed by “Bilance”, Ltd. is used to compile accounting registers.

3. The recognition of revenue and expenditure

The net turnover is the total value of goods sold during the reporting period, as well as revenue from rent, what applies to this period.

Costs are recognized in accordance with the accrual principle in the period in which they have incurred regardless of the invoice date.

Loan costs associated with the loans, are included in expenses in the period to which they relate and are listed under “interest payments and similar costs.”

4. Foreign currency

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	31.03.2015	31.03.2014
USD	1.0845	1.3759
RUR	62.5595	49.1646

5. Fixed assets

Fixed assets are recorded at historic cost net of depreciation. Depreciation of fixed assets is calculated using the straight-line method applying the depreciation rates set by management.

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

6. Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recorded at their acquisition. If the value of shares are set in currency, it is translated into euros in accordance with the European Central Bank exchange rate for the last day of reporting period.

7. Stock

Stock of materials and purchased parts is estimated using weighted average prices. The stock of finished goods is valued in accordance with the lowest market price.

8. Accounts receivable and payable

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.

9. Provisions for unused vacations

Amount of provisions for vacations is calculated by multiplying the average wage per day of each of the employees in the reporting year by the amount of his accrued but not used vacation days at the end of the reporting year.

Balance sheet

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 March 31, 2015:	3683237 EUR
including: buildings and constructions-	2597529 EUR		3594411 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		

On January 31, 2015 JSC „Rigas autoelektroaparatu rupnica” completed improvement of the effectiveness of expenditure of energy in administrative building. 1.2 million euro was invested, partly attracting investments of Climate changes financial instrument.

2. Participation in the capital of related companies.

JSC „Rigas autoelektrokomponentu rupnica” made a property investment in JSC „Rigas autoelektroaparatu rupnica” valued at 152200 EUR, increasing its capital by issuing new shares. 100% of shares belong to JSC „Rigas autoelektroaparatu rupnica”.

3. Other securities and investments.

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

4. Purchasers' and other debts.

All the debts are receivable within a year.

5. Next period costs.

Next period costs include magazine subscriptions, accumulated guarantee deposit for mobile communications.

6. Cash.

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

7. Share capital.

Share capital is 5073262 EUR (3565509 LVL).

Total amount of issued shares is 3565509. 1762786 are bearer' shares, which are circulated in the regular market. 1802723 are registered shares, which are not involved in regular markets. All the shares have equal rights. Nominal value of a share is 1.42 EUR (1.00LVL).

8. Other provisions

In accordance with the law „On the annual reports” provisions for vacations of 2014 are calculated in total 15927 EUR. The unused vacations on March 31, 2015 are 10238 EUR.

9. Loans

Reconstruction of buildings is implemented attracting investments of Climate changes financial instrument (KPFI). „Rigas autoelektroaparatu rupnica” is financing the projects attaching credits of other enterprises (On March 31, 2015 the loan is 350419 EUR), as well as loan from credit institution – 330955 EUR (including financial security). Interest rate for financial security is set 1,5% and for credit 5,5%. Interest is payable once a month. The loan repayment term is 06.07.2015.

10. Accounts payable to suppliers and contractors.

All the debts are payable within a year.

11. Taxes and State mandatory social insurance payments.

<i>Tax</i>	<i>Total in EUR 31.03.2015</i>	<i>Total in EUR 31.12.2014</i>
Personal income tax	3351	1981
Social security payments	6026	3515
Business risk fee	6	8
Cars' tax for enterprises	57	57
Real estate tax	10038	
Total:	19478	5561

On March 31, 2015 overpaid VAT is 1490 EUR.

12. Next period income.

There is financing received for projects - reconstruction of office building improving effectiveness of expenditure of thermal energy and improvement of effect from usage of energy in the production building. The received financing will be gradually included in income during the service life fixed assets. 1639376 EUR will be included in the income of next years, 17090 EUR are included in the income of the first three months of 2015 and other 51269 EUR will be included in the income till the end of this year.

Notes to profit or loss account

1. 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.

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>Rental of real estate</i>
3 months of 2015	38424	28175	8970	1279
%	100	73.3	23.4	3.3
3 months of 2014	186037	175670	9128	1239
%	100	94.4	4.9	0.7

*JSC „Rigas autoelektroaparatu rūpnīca”
Report for 3 months of 2015*

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

	<i>Net turnover Total:</i>	<i>Including</i>			
		<i>Russia</i>	<i>Ukraine</i>	<i>EU</i>	<i>Latvia</i>
3 months of 2015	38424				38424
%	100				100.0
3 months of 2014	566642	40903	128972	5795	10367
%	100	22.0	69.2	3.1	5.7

	<u>3 months of 2015</u>	<u>3 months of 2014</u>
2. Production costs of sold goods and services, total:		
including	98861	232794
-costs of materials and sub-components including transport expenses, custom fees and import duties	17700	134284
-salaries and social security payments	34040	58891
- electric power	6066	13791
-services related to the process of production	676	6384
-inventory and outfit	89	46
- amortization	39641	9055
-operating costs	649	10343
3. Sales costs, total:	54	2951
Incl. - transport costs		2646
- other expenses	54	305
4. Administrative expenses, total :	17340	23418
including - salaries and social security payments	14800	19914
- communication expenses	362	407
- bank services	143	413
- payments to Stock exchange	889	889
- expenses due to shareholders' meeting	387	224
- other administrative expenses	759	1571
5. Other income from economic activities	186191	7364
- income from sales of fixed assets	1450	2200
-remuneration for the use of intellectual property	10000	
- sales of materials		553
- sales of scrap metal	3122	
-revaluation investing in property	150900	
- next period income referable to first quarter of 2013	17090	4611
- other income	3629	

*JSC „Rigas autoelektroaparatu rupnica”
Report for 3 months of 2015*

6. Other costs of economic activities:	23811	8941
including- exchange rate of foreign currency	20141	454
- expenses due to substitution of devices during guarantee period		135
- other expenses	3670	8352

Chairman of the Board _____ E.Kazha

Members of the Board _____ G.Lubis

_____ M.Araslanov

May 28, 2015