



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

Report for 6 months of 2015

(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>
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 - 30.06.2015</i>
Main shareholders	Basing on the list of shareholders prepared on April 30,2015: <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 ГОСТ ISO-9001: 2011 (ISO 9001:2008), ГОСТ Р ИСО/ТУ 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.

Management report

Economic activities in the reporting period

Net turnover of the enterprise in 6 months of 2015 is 156048 EUR. It is about 40, 7 % less than in the corresponding period of 2014. Partly it has been affected by political and consequently by economical situation in Russia and in the Ukraine.

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.

The result of economic activities in this period is profit 8521 EUR.

Average number of employees in the reporting period is 18.

In 2014 a new enterprise JSC „Rīgas autoelektrokomponentu rūpnīca” was created. 100% of shares belonged to JSC „Rīgas autoelektroaparātu rūpnīca”. In 2015 the company sold the shares for 190200 EUR.

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 417.4 thousand euro are received.

Future prospects and further development

The board predicts that the volumes of sales in 2015 will still 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 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.

Risks for the economic activities of the company

The activities of the company are not subjected to the fluctuations of foreign currencies' exchange rate because mainly EUR are used in the deals with the purchasers as well as with the suppliers. The risk factor is the exchange rate of local currency in purchasers' countries against EUR 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

August 31, 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 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, 2015 and the results of its operations and cash flows for the period ended on June 30, 2015.

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

August 31, 2015

BALANCE SHEET

EUR

<u>ASSETS</u>	Notes	30.06.2015	30.06.2014
A. LONG-TERM INVESTMENTS			
1. Fixed assets			
1.1. Land, buildings and constructions	1	3665340	2708855
1.2. Equipment and machinery		643701	546871
1.3. Other fixed assets and inventory		0	5
1. TOTAL		4309041	3255731
2. Long-term financial investments			
2.1. Participation in the capital of associated companies	2	12351	
2.2. Other securities and investments			256
2. TOTAL		12351	256
A. TOTAL		4321392	3255987
B. CURRENT ASSETS			
1. Inventory			
1.1. Raw materials, basic materials and consumables		261387	319598
1.2. Work in progress		82358	105850
1.3. Finished goods and goods for sale		269878	680126
1.4. Advance payments for goods		58656	60535
1. TOTAL		672279	1166109
2. Debtors			
2.1. Purchasers' debts	3	234985	84751
2.2. Other debtors		266240	691830
2.3. Next period costs	4	69	143
2. TOTAL		501294	776724
3. Cash	5	1374	123744
3. TOTAL			
B. TOTAL		1174947	2066577
TOTAL ASSETS		5496339	5322564

BALANCE SHEET

EUR

<u>LIABILITIES</u>	Notes	30.06.2015	30.06.2014.
A. Equity			
1. Share capital	6	5073262	5073262
TOTAL		5073262	5073262
2. Retained profit:			
a) brought forward from previous years		-2648482	-2348929
b) for the accounting year		8521	-114168
A. TOTAL		2433301	2610165
B.PROVISIONS			
1.Other provisions	7	9104	12169
B. TOTAL		9104	12169
C.CREDITORS			
1. Long term creditors			
1.1.Other loans			318942
1.2.Next period income	11	2039811	1002109
1.TOTAL		2039811	1321051
2. Short term creditors			
2.1.Loans from credit institutions	8		352807
2.2.Other loans		231317	
2.3.Prepayments from customers		620202	3045
2.4. Accounts payable to suppliers and contractors	9	99959	633691
2.5. Taxes and State mandatory social insurance payments	10	8790	8641
2.6. Other creditors		8722	12649
2.7.Next period income	11	43447	366688
2.8. Accrued obligations		1686	1658
2.TOTAL		1014123	1379179
C.TOTAL		3053934	2700230
TOTAL LIABILITIES		5496339	5322564

PROFIT OR LOSS ACCOUNT

Item	Notes	EUR	
		6 months of 2015	6 months of 2014
Net turnover	1	156048	263007
Production costs of sold goods and services	2	318186	326458
Gross profit or loss		-162138	-63451
Sales costs	3	2114	5634
Administrative expenses	4	24182	51171
Other income from economic activities	5	260005	68141
Other costs of economic activities	6	34281	31499
Other interest income and similar income		0	313
Interest payments and similar expenses		8693	11969
Profit or loss before extraordinary items and taxes		28597	-95270
Profit or loss before taxes		28597	-95270
Other taxes (Real estate tax)		20076	18898
Profit or loss for the accounting year		8521	-114168
Earnings per share		0,002	-0,032

STATEMENT OF CASH FLOWS for 6 months of 2015

	6 months 2015	6 months 2014
I. Cash flow from operating activities		
1 Income from sales and services	544262	267828
2 Payments to suppliers, to employees and other expenses for production	321236	315306
3 Other income or expenses for economic activities	18610	18035
4 Cash flow from gross operating activities	241636	-29443
5 Real estate tax payments	20076	18898
I. Net cash flow from operating activities	221560	-48341
II. Cash flow from investment activities	6 months 2015	6 months 2014
1 Purchase of intangible and fixed assets	689088	875800
2 Sales of intangible and fixed assets	747855	11474
II. Net cash from investment activities	58767	-864326
III. Cash flow from financing	6 months 2015	6 months 2014
1 Received loan	67910	737806
2 Received as financing of KPFI projects	310872	357466
3 Repaid loans	742522	110750
4 Paid interest	25754	1204
III. Net cash flow from financing	-389494	983318
SUMMARY OF CASH INCOME AND EXPENDITURE	6 months 2015	6 months 2014
I The result from operating activities	221560	-48341
II The result from investment activities	58767	-864326
III The result from financing	-389494	983318
IV The result from currency rate fluctuations	3	-279
Cash increase or decrease	-109164	70372
Cash and cash equivalents at the beginning of the reporting period	110538	53372
Cash and cash equivalents at the end of the reporting period	1374	123744

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 6 months of 2014				-114168	-114168
On June 30, 2014	5073262	0	-2348929	-114168	2610165
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 6 months of 2015				8521	8521
On June 30, 2015	5073262	0	-2648482	8521	2433301

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 “Balance”, 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	30.06.2015.	31.12.2014.	30.06.2014.
USD	1.1189	1.2141	1,3658
RUR	62,355	72.337	46,3779

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 June 30, 2015:	3665340 EUR
including: buildings and constructions-	2597529 EUR		3576514 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 „Rīgas autoelektroaparātu rūpnīca” 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. Received funding is 417426 EUR.

2. Other securities and investments.

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

3. Purchasers' and other debts.

All the debts are receivable within a year.

4. Next period costs.

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

5. Cash.

On June 30, 2014 109750,00 EUR was financial security for advance payment from „Vides investīciju fonds” within the KPFI project. This money was blocked.

6. 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).

7. 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 June 30, 2015 are 9104 EUR.

8. Loans

Reconstruction of buildings is implemented attracting investments of Climate changes financial instrument (KPFI). „Rīgas autoelektroaparātu rūpnīca” is financing the projects attaching credits of other enterprises (On June 30, 2015 the loan is 231317 EUR).

9. Accounts payable to suppliers and contractors.

All the debts are payable within a year.

10. Taxes and State mandatory social insurance payments.

<i>Tax</i>	<i>Total in EUR 30.06.2015</i>	<i>Total in EUR 30.06.2014</i>
Personal income tax	693	3070
Social security payments	1120	5502
Business risk fee	6	12
Cars' tax for enterprises	57	57
Value added tax	6914	
Total:	8790	8641

11. 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 and administrative building. The received financing will be gradually included in income during the service life fixed assets. 85349 EUR will be included in the income this year, 41902 EUR are included in the income of the first six months of 2015 and other 43447 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>
6 months of 2015	156048	122822	30668	2558
%	100	78,7	19,7	1,6
6 months of 2014	263007	230787	29741	2479
%	100	87,7	11,3	1,0

*JSC „Rīgas autoelektroaparātu rūpnīca”
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Breakdown of net turnover by geographical markets: (EUR 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 2015	156048		78193	5544		72311
%	100		50.1	3.6		46.3
6 months of 2014	263007	74316		150109	6362	32220
%	100	28.3		57.1	2.4	12.2

	<u>6 months of 2015</u>	<u>6 months of 2014</u>
2. Production costs of sold goods and services, total:	318186	326458
including		
-costs of materials and sub-components including transport expenses, custom fees and import duties	86354	169296
-salaries and social security payments	118378	92215
- electric power	19585	16563
-services related to the process of production	3450	7674
-inventory and outfit	469	3443
- amortization	83713	18098
-operating costs	6237	19169
3. Sales costs, total:	2114	5634
Incl. - transport costs	1967	5046
- other expenses	147	588
4. Administrative expenses, total :	24182	51171
including - salaries and social security payments	18048	41625
- communication expenses	710	846
- bank services	744	1816
- payments to Stock exchange	2605	2000
- expenses due to shareholders' meeting	387	366
- other administrative expenses	1688	4518
5. Other income from economic activities	260005	68141
- income from sales of fixed assets	34250	11682
-remuneration for the use of intellectual property	20000	10000
- sales of materials	516	19835
- sales of scrap metal	8808	9570
-revaluation investing in property	150900	
- next period income referable to first quarter of 2013	41902	9222
- other income	3629	7832

*JSC „Rīgas autoelektroaparātu rūpnīca”
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6. Other costs of economic activities:	34281	31499
including- net loss on exchange rate fluctuations	23459	1826
-changes of material stock	6205	19797
- other expenses	4617	9876

Chairman of the Board _____ E.Kazha

Members of the Board _____ G.Lubis

_____ M.Araslanov

August 31, 2015