



**Joint stock company
„Rigas autoelektroaparatu rupnica”**

Reg.No. 4 0003030454
Address: Klijanu str. 2, Riga, LV-1013

Report for 9 months of 2015

Prepared according to the legislation standards of the Republic of Latvia

(Not audited)

Riga,2015

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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 - 30.09.2015</i>
Main shareholders	<i>Basing on the list of shareholders prepared on April 30,2015: 1. JSC „Baltijas Holdings”-43.9 % Reg.Nr.40003148033, 2, Klijanu street, Riga 2. „Tehprojekts”,Ltd.- 43.9% Reg.Nr. 40103020397, 12,Unijas street, Riga 3. Other physical and legal persons 12.2%</i>
Certified auditor	<i>Aivars Rutkis Licence No 18</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).

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 17.

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 5 to 15 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on September 30, 2015 and the results of its operations and cash flows for the period ended on September 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

November 27, 2015

BALANCE SHEET

EUR

<u>ASSETS</u>	Notes	30.09.2015	30.09.2014
A. LONG-TERM INVESTMENTS			
1. Fixed assets			
1.1. Land, buildings and constructions		3647443	2697606
1.2. Equipment and machinery		617527	527340
1.3. Costs of unfinished building objects		0	418707
1. TOTAL	1	4264970	3643653
2. Long-term financial investments			
2.1. Participation in the capital of related companies	2	0	35000
2.2. Participation in the capital of associated companies	3	12273	
2.3. Other securities and investments			256
2. TOTAL		12273	35256
A. TOTAL		4277243	3678909
B. CURRENT ASSETS			
1. Inventory			
1.1. Raw materials, basic materials and consumables		259234	306864
1.2. Work in progress		82219	94478
1.3. Finished goods and goods for sale		242658	485144
1.4. Advance payments for goods		58673	59133
1. TOTAL		642784	945619
2. Debtors			
2.1. Purchasers' debts		261484	171291
2.2. Other debtors		265877	560407
2.3. Next period costs	4	51	93
2. TOTAL		527412	731791
3. Cash	5	2147	232933
B. TOTAL		1172343	1910343
TOTAL ASSETS		5449586	5589252

BALANCE SHEET

EUR

<u>LIABILITIES</u>	Notes	30.09.2015	30.09.2014.
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		-32216	-181270
A. TOTAL		2392564	2543063
B.PROVISIONS			
1.Other provisions	7	9105	9665
B. TOTAL		9105	9665
C.CREDITORS			
1. Long term creditors			
1.1.Other loans			318942
1.2.Next period income	9	2039811	1002109
1.TOTAL		2039811	1321051
2. Short term creditors			
2.1.Loans from credit institutions			459360
2.2.Other loans		231327	468900
2.3.Prepayments from customers		620202	345
2.4. Accounts payable to suppliers and contractors		98180	297688
2.5. Taxes and State mandatory social insurance payments	8	23812	8894
2.6. Other creditors		12449	13834
2.7.Next period income	9	21723	456152
2.8. Accrued obligations		413	1722
2.TOTAL		1008106	1706895
C.TOTAL		3047917	3036524
TOTAL LIABILITIES		5449586	5589252

PROFIT OR LOSS ACCOUNT

Item	Notes	EUR	
		9 months of 2015	9 months of 2014
Net turnover	1	186499	538526
Production costs of sold goods and services	2	404553	686121
Gross profit or loss		-218054	-147595
Sales costs	3	2175	7775
Administrative expenses	4	29927	75653
Other income from economic activities	5	294636	127841
Other costs of economic activities	6	37878	28353
Other interest income and similar income		0	313
Interest payments and similar expenses		8704	21707
Profit or loss before extraordinary items and taxes		-2102	-152929
Profit or loss before taxes		-2102	-152929
Other taxes (Real estate tax)		30114	28341
Profit or loss for the accounting year		-32216	-181270
Earnings per share		-0,009	-0,051

STATEMENT OF CASH FLOWS for 9 months of 2015

	9 months 2015	9 months 2014
I. Cash flow from operating activities		
1 Income from sales and services	563064	459085
2 Payments to suppliers, to employees and other expenses for production	341706	444734
3 Other income or expenses for economic activities	22016	34585
4 Cash flow from gross operating activities	243374	48936
5 Real estate tax payments	21076	28341
I. Net cash flow from operating activities	222298	20595
II. Cash flow from investment activities	9 months 2015	9 months 2014
1 Purchase of shares		35000
2 Purchase of intangible and fixed assets	689088	1637250
3 Sales of intangible and fixed assets	747891	170107
II. Net cash from investment activities	58803	-1502143
III. Cash flow from financing	9 months 2015	9 months 2014
1 Received loan	67910	1313260
2 Received as financing of KPFI projects	310872	464020
3 Repaid loans	742522	98112
4 Paid interest	25754	17776
III. Net cash flow from financing	-389494	1661392
SUMMARY OF CASH INCOME AND EXPENDITURE	9 months 2015	9 months 2014
I The result from operating activities	222298	20595
II The result from investment activities	58803	-1502143
III The result from financing	-389494	1661392
IV The result from currency rate fluctuations	2	-283
Cash increase or decrease	-108391	179561
Cash and cash equivalents at the beginning of the reporting period	110538	53372
Cash and cash equivalents at the end of the reporting period	2147	232933

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 9 months of 2014				-181270	-181270
On September 30, 2014	5073262	0	-2348929	-181270	2543063
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 9 months of 2015				-32216	-32216
On September 30, 2015	5073262	0	-2648482	-32216	2392564

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.

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	30.09.2015.	31.12.2014.	30.09.2014.
USD	1.1204	1.2141	1.2701
RUR	73.4567	72.337	50.1927

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.

*JSC „Rigas autoelektroaparatu rupnica”
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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 JSC „Rigas autoelektroaparatu rupnica”.

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. Received funding is 417426 EUR.

Statement of changes in fixed assets in 2015

	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 revalued cost on December 31, 2014	88826	2827209	1792069	123908	749144	5581156
Obtained and renovated		1012562	186028		-749144	449446
Disposals			560680	85762		646442
Historical or revalued cost on September 30, 2015	88826	3839771	1417417	38146	0	5384160

Depreciation

On December 31, 2014	0	229680	1229814	121538	0	1581032
Charge for the year		51474	76311			127785
Disposals			506235	83392		589627
On September 30, 2015	0	281154	799890	38146	0	1119190

Net book value on December 31, 2014	88826	2597529	562255	2370	749144	4000124
Net book value on September 30, 2015	88826	3558617	617527	0	0	4264970

2. Participation in the capital of related companies.

In 2014 a new enterprise JSC „Rigas autoelektrokomponentu rupnica” was created. 100% of shares belonged to JSC „Rigas autoelektroaparatu rupnica”. In 2015 the company sold all the shares.

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. Next period costs.

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

5. Cash.

On September 30, 2014 216303.47 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 September 30, 2015 are 9105 EUR.

8. Taxes and State mandatory social insurance payments.

<i>Tax</i>	<i>Total in EUR 30.09.2015</i>	<i>Total in EUR 30.09.2014</i>
Personal income tax	2731	3154
Social security payments	3417	5671
Business risk fee	6	12
Cars' tax for enterprises	57	57
Value added tax	8563	
Real estate tax	9038	
Total:	23812	8894

9. 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, 63626 EUR are included in the income of the first six months of 2015 and other 21723 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>
9 months of 2015	186499	151994	30668	3837
%	100	81.5	16.4	2.1
9 months of 2014	538526	496909	37873	3744
%	100	92.3	7.0	0.7

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>
9 months of 2015	186499		78193	6257		102049
%	100		41.9	3.4		54.7
9 months of 2014	538526	104278	100782	174281	117868	41317
%	100	19.3	18.7	32.4	21.9	7.7

2. Production costs of sold goods and services, total:

	<u>9 months of 2015</u>	<u>9 months of 2014</u>
including	404553	686121
-costs of materials and sub-components including transport expenses, custom fees and import duties	100632	320848
-salaries and social security payments	141496	234715
- electric power	23061	31773
-services related to the process of production	3949	12856
-inventory and outfit	534	3762
- amortization	127785	48884
-operating costs	7096	33283

*JSC „Rigas autoelektroaparatu rupnica”
Report for 9 months of 2015*

3. Sales costs, total:	2175	7775
Incl. - transport costs	1967	6900
- other expenses	208	875
4. Administrative expenses, total :	29927	75653
including - salaries and social security payments	21610	63087
- communication expenses	1112	1254
- bank services	828	2626
- payments to Stock exchange	3907	4321
- expenses due to shareholders' meeting	387	366
- other administrative expenses	2083	3999
5. Other income from economic activities	294636	127841
- income from sales of fixed assets	34280	47462
-remuneration for the use of intellectual property	30000	10000
- sales of materials	2685	19835
- sales of scrap metal	9516	14494
-revaluation investing in property	150900	
- next period income referable to first quarter of 2013	63626	26312
- other income	3629	9738
6. Other costs of economic activities:	37878	28353
including- net loss on exchange rate fluctuations	24879	3364
-changes of material stock	8368	19797
- other expenses	4631	5192

Chairman of the Board _____ E.Kazha

Members of the Board _____ G.Lubis

_____ M.Araslanov

November 27, 2015