

JOINT STOCK COMPANY  
**"RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA"**

Reg. No. 40003042006

Taxpayer's Reg. No. 40003042006

Rīga, Ganību dambis 31, LV-1005, Phone: 7046903

**NON-AUDITED CONSOLIDATED FINANCIAL REPORT  
FOR 3 MONTHS OF THE YEAR 2007**

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**Company information**

Company name	JSC „Rīgas Elektromašīnbūves rūpnīca"
Company's legal status	Joint Stock Company
Registration number at RE, place and date	No. 000304200, Riga, 29 November, 1991
Common registration number Commercial Register No., place and date registered	No. 40003042006, Riga, 29 September, 2004
Legal address	Ganību dambis 31, Riga, LV-1005, Latvia
Institution supervising the company	General meeting of shareholders
First name, last name of the Chairman of the Board	Grigorijs Uspenskis
First and last names of the Board Members	Aleksandrs Berezins Vladimirs Antjufejevs Anatolijs Ostaščenko Andrejs Zujevs
Reporting period	1 January, 2007 – 31 March, 2007
Auditor's first name, last name, identity number and address	Jānis Mežiels Identity number: 011059-11009 Sworn auditor's certificate No. 127 Skolas iela 11 - 501, Riga, LV-1010, Latvia
Joint stock company "RER" has a daughter company for liquidation and an associated company.	
<b>Daughter companies</b>	1. "Ražošana Enerģētika Zinātne" Ltd. 96 % investment (for liquidation)
<b>Associated companie</b>	1. "Lovato - REZ" Ltd. 50 % investment

## JSC "RER" Consolidated Balance Sheet as of 31 March, 2007

0,702804

ASSETS	Row code	Notes	31.03.07. LVL	31.12.06. LVL	31.03.07. EUR	31.12.06. EUR
<b>1. Long-term investments</b>						
<b>I. Intangible assets</b>						
1. Intangible assets	20		1197	1334	1703	1898
I total	50		1197	1334	1703	1898
<b>II. Fixed assets</b>						
1. Pieces of land, buildings, constructions	60		4077311	4091984	5801491	5822369
2. Equipment and machinery	80		1772670	1714033	2522282	2438849
3. Other fixed assets and inventory	90		88958	68993	126576	98168
4. Formation of fixed assets	100		248411	136483	353457	194198
5. Advance payments for fixed assets	110		259429	172126	369134	244913
II total			6446779	6183619	9172940	8798497
<b>III. Long-term financial investment</b>						
1. Share in capital of related undertakings	130		448093	448093	637579	637579
2. Share in capital of associated companies	150					
III total			448093	448093	637579	637579
<b>Section 1 total</b>	220		6896069	6633046	9812222	9437974
<b>2. Current assets</b>						
<b>I. Stock</b>						
1. Raw material, direct and aux. mat.	230		2355847	2211850	3352068	3147179
2. Unfinished production	240		955798	1035959	1359978	1474037
3. Finished prod. and goods for sale	250		91243	89474	129827	127310
4. Advance payments for goods	270		370104	328443	526611	467332
I total	290		3772992	3665726	5368484	5215858
<b>II. Debtors</b>		6				
1. Debts of buyers and clients	300		4310822	1324780	6133747	1884992
2. Debts of associated companies	320		365	443	519	630
3. Other debtors	330		60675	98831	86333	140624
4. Next periods expenses	360		10833	24838	15414	35341
II total			4382695	1448892	6236013	2061587
<b>III. Securities and participation in capitals</b>						
1. Other securities	400		1600000		2276595	
<b>IV. Funds</b>	420	7	99935	440611	142195	626933
<b>Section 2 total</b>	430		9855622	5555229	14023287	7904378
<b>BALANCE</b>	440		16751691	12188275	23835509	17342352

## JSC "RER" Consolidated Balance Sheet as of 31 March, 2007

<b>ABILITIES</b>	<b>Row code</b>	<b>Notes</b>	<b>31.03.07. LVL</b>	<b>31.12.06. LVL</b>	<b>31.03.07. EUR</b>	<b>31.12.06. EUR</b>
<b>1. Equity capital</b>		8				
1. Share capital (equity capital)	450	9	5799005	5799005	8251241	8251241
2. Long-t. investm. revaluation reserve	470		160693	161271	228644	229468
3. Other reserves	510		192922	192922	274503	274503
4. Retained profit						
a) retained profit from previous years	530		1522945	2505	2166956	3564
b) retained profit of the reporting year	540		1191499	1602219	1695350	2279752
<b>Section 1 total</b>	550		8867064	7757922	12616694	11038528
<b>2. Accruals</b>	580		186566	186566	265460	265460
<b>Section 2 total</b>	590		186566	186566	265460	265460
<b>3. Creditors</b>		10				
<b>I. Long-term creditors</b>						
1. Bank borrowings	620		1534736	1534736	2183733	2183733
2. Other borrowings	630		15107	15107	21495	21495
3. Retained corporate income tax	731		201584	200072	286828	284677
I total	740		1751427	1749915	2492056	2489905
<b>II. Short-term creditors</b>						
1. Loans from credit institutions	770		4057742	1529179	5773647	2175826
2. Other loans	780		14513	19221	20650	27349
3. Advance payments from purchasers	790		3391	5639	4825	8024
4. Debts to suppliers and contractors	800		1046859	346601	1489546	493169
5. Debts to associated companies	830		5526	1660	7863	2362
6. Taxes and social insurance payments	840		399931	296438	569051	421793
7. Other creditors	850		418672	295134	595717	419936
8. Unpaid dividends from previous years	780					
II total	890		5946634	2493872	8461299	3548459
<b>Section 3 total</b>	900		7698061	4243787	10953355	6038364
<b>4. Minority share</b>						
<b>5. Negative consolidation difference</b>						
<b>BALANCE</b>	<b>910</b>		<b>16751691</b>	<b>12188275</b>	<b>23835509</b>	<b>17342352</b>

Appendices to the Financial Statement on pages 16 to 21 are an indispensable part to the Financial Report.

**JSC "RER" Consolidated Profit and Loss Statement  
for 3 months of the year 2007**

0,702804

No.	Items	Row code	Note	31.03.07. LVL	31.12.06. LVL	31.03.07. EUR	31.12.06. EUR
1	Net turnover	10	1	6121734	14591235	8710443	20761458
2	Sales production operating costs	20	2	-4173495	-10529316	-5938348	-14981867
3	<b>Gross profit or loss</b>	30		1948239	4061919	2772095	5779591
4	Sales costs	40		-86302	-252573	-122797	-359379
5	Administrative expenses	50		-563901	-1697965	-802359	-2415987
6	Other operating charges	60	3	28547	118995	40618	169315
7	Other expenses of the company economic activity	70	4	-53783	-383442	-76526	-545589
8	Revenue from share in the holding company daughter and associated companies capitals	80			1453		2067
10	Other interest received and related income	100		136	730	194	1039
12	Other interest payment and related expenses	120		-48569	-22138	-69107	-31500
13	Revenue from liquidation of daughter company	121			63389		90194
14	Consolidation revenue	122		15749	14066	22408	20015
15	Profit or loss before extraordinary items and taxes	130		1240116	1904434	1764526	2709766
16	Extraordinary income	140					
17	Profit or loss before taxes	160		1240116	1904434	1764526	2709766
18	Corporate income tax	170			-231263		-329058
19	Retained corporate income tax	180			-41455		-58985
20	Other taxes	190	5	-48617	-32138	-69176	-45728
21	Minority interest	200			2641		3757
22	<b>Consolid. profit and loss of the reporting year</b>	210		<b>1191499</b>	<b>1602219</b>	<b>1695350</b>	<b>2279752</b>

EPS coefficient or equity per share

0,21

0,28

0,29

0,39

Number of shares

5799005

## JSC "RER" Consolidated Balance Sheet as of 31 March, 2007 (in lats)

A S S E T S	JSC "RER"	JSC "Lova- to - REZ" 50%	Consolidation Book		Consolidated Balance
			Dt	Ct	
<b>I. Long-term investments</b>					
<b>I. Intangible assets</b>					
1. Intangible assets	1197			0	1197
I total	1197	0	0	0	1197
<b>II. Fixed assets</b>					
1. Pieces of land, buildings, constructions	4065624	23374		11687	4077311
2. Equipment and machinery	1766816	11708		5854	1772670
3. Other fixed assets and inventory	86201	5513		2756,5	88957,5
4. Formation of fixed assets	248411			0	248411
5. Advance payments for fixed assets	259429			0	259429
II total	6426481	40595		0 20297,5	6446778,5
<b>III. Long-term financial investment</b>					
1. Share in capital of related companies	448093				448093
2. Share in capital of associated companies	59927			59927	
III total	508020	0		0 59927	448093
<b>Section 1 total</b>	<b>6935698</b>	<b>40595</b>	<b>0</b>	<b>0 80224,5</b>	<b>6896068,5</b>
<b>2. Current assets</b>					
<b>I. Stock</b>					
1. Raw material, direct and aux. mat.	2354252	3190		1595	2355847
2. Unfinished production	955798			0	955798
3. Finished prod. and goods for sale	38038	106410		53205	91243
4. Advance payments for goods	370093	22		11	370104
I total	3718181	109622		0 54811	3772992
<b>II. Debtors</b>					
1. Debts of buyers and clients	4292074	37497		18748,5	4310822,5
2. Debts of associated companies	365			0	365
3. Other debtors	60660	29		14,5	60674,5
4. Next periods expenses	10544	578		289	10833
II total	4363643	38104		0 19052	4382695
<b>III. Securities and participation in capitals</b>					
1. Other securities	1600000				1600000
<b>IV. Funds</b>	<b>92862</b>	<b>14146</b>		<b>7073</b>	<b>99935</b>
<b>Section 2 total</b>	<b>9774686</b>	<b>161872</b>	<b>0</b>	<b>0 80936</b>	<b>9855622</b>
<b>B A L A N C E</b>	<b>16710384</b>	<b>202467</b>	<b>0</b>	<b>0 161160,5</b>	<b>16751690,5</b>

## JSC "RER" Consolidated Balance Sheet as of 31 March, 2007 (in lats)

LIABILITIES	JSC "RER"	JSC "Lova- to - REZ" 50%	Consolidation Book		Consolidated Balance
			Dt	Ct	
<b>I. Equity capital</b>					
1. Share capital (equity capital)	5799005	115200	115200		5799005
2. Long-t. investm. revaluation reserve	160693		0		160693
3. Other reserves	192922	32786	32786		192922
4. Retained profit					
a) retained profit from previous years	1522945	3366	3366		1522945
b) retained profit of the reporting year	1178909	-6319	-3159,5	15749	1191498,5
<b>Section 1 total</b>	<b>8854474</b>	<b>145033</b>	<b>148192,5</b>	<b>15749</b>	<b>8867063,5</b>
<b>2. Accruals</b>	<b>186566</b>		<b>0</b>		<b>186566</b>
<b>Section2 total</b>	<b>186566</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>186566</b>
<b>3. Creditors</b>					
<b>I. Long-term creditors</b>					
1. Bank borrowings	1534736				1534736
2. Other borrowings	15107				15107
3. Retained corporate income tax	200072	3023	1511,5		201583,5
I total	1749915	3023	1511,5	0	1751426,5
<b>II. Short-term creditors</b>					
1. Loans from credit institutions	4057742		0		4057742
2. Other loans	14513		0		14513
3. Advance payments from purchasers	3391		0		3391
4. Debts to suppliers and contractors	1025612	42495	21247,5		1046859,5
5. Debts to associated companies	5344	365	182,5		5526,5
6. Taxes and social insurance payments	396410	7041	3520,5		399930,5
7. Other creditors	416417	4510	2255		418672
8. Unpaid dividends from previous years			0		0
II total	5919429	54411	27205,5	0	5946634,5
<b>Section 3 total</b>	<b>7669344</b>	<b>57434</b>	<b>28717</b>	<b>0</b>	<b>7698061</b>
<b>4. Minority share</b>					<b>0</b>
<b>5. Negative consolidation difference</b>					<b>0</b>
<b>BALANCE</b>	<b>16710384</b>	<b>202467</b>	<b>176909,5</b>	<b>15749</b>	<b>16751690,5</b>
Total consolidation corrections			176909,5	176909,5	



## JSC "RER" Consolidated Profit and Loss Statement as of 31 March, 2007 (in lats)

	JSC "RER"	JSC "Lova- to - REZ" 50%	Consolidated difference	Consolidation Book		Consolidated P/L Statement
				Dt	Ct	
Net turnover	6081020	81429		40714,5		6121734,5
Sold production costs	-4131191	-84609			42304,5	-4173495,5
<b>Gross profit or loss</b>	<b>1949829</b>	<b>-3180</b>	<b>0</b>	<b>40714,5</b>	<b>42304,5</b>	<b>1948239</b>
Sales costs	-85315	-1975			987,5	-86302,5
Administrative expenses	-563194	-1414			707	-563901
Other commercial activity income	28391	312		156		28547
Other commercial activity expenses	-53747	-72			36	-53783
Other interest received and related income	131	10		5		136
Income from participation in capitals						0
Interest payment and related expenses	-48569					-48569
Consolidation revenue			15749			15749
Profit or loss before extraordinary items and taxes	1227526	-6319	15749	40875,5	44035	1240115,5
Extraordinary income						
Extraordinary costs						
Profit or loss before taxes	1227526	-6319	15749	40875,5	44035	1240115,5
Corporate income tax						0
Retained corporate income tax						0
Other taxes	-48617					-48617
Reporting period profit/loss (net income)	1178909	-6319	15749	40875,5	44035	1191498,5
Minority interest						0
<b>Consolidated profit</b>	<b>1178909</b>	<b>-6319</b>	<b>15749</b>	<b>40875,5</b>	<b>44035</b>	<b>1191498,5</b>

Company name: JSC "Rīgas elektromašīnbūves rūpnīca"

Registration number: 40003042006

**Consolidated Cash Flow Statement for 3 months of the year 2007**  
(applying indirect method)

**Operating cash flow**

0,702804

	Items	Year 2007	Year 2006	Year 2007	Year 2006
		31.03. LVL	31.12. LVL	31.03. EUR	31.12. EUR
1	Profit or loss before extraordinary income/costs and taxes	1240116	1904434	1764526	2709765
	<b>Corrections:</b>				
	Fixed assets depreciation	57467	157889	81768	224656
	Write-offs of investment value	0	0	0	0
	Intangible assets value write-off	137	769	195	1094
	Profit from fixed assets sales	0	-8859	0	-12605
	Accruals formation (excluding accruals from unsafe debts)	0	0	0	0
	Profit or loss from foreign currency fluctuations	-5594	134265	-7960	191042
	Income from participation in the equity of the holding daughter and associated companies	0	-1453	0	-2067
	Revenues from securities and loans that make long-term investment	0	0	0	0
	Other interest received and related income	0	0	0	0
	Long-term financial investment and short-term security value write-off	0	0	0	0
	Interest paid and related costs	0	0	0	0
	Consolidation loss	0	-14172	0	-20165
	Consolidation corrections	-15749	-77455	-22409	-110209
	Long-term investment revaluation reserve	-578	-8001	-822	-11384
2	Profit and loss before current assets short-term liabilities balance changes influence corrections	1275799	2087417	1815298	2970127
	<b>Corrections</b>				
	Increase or decrease of account receivable	-3130897	-1004936	-4454865	-1429895
	Increase or decrease of reserves balance	-65604,5	-1047612	-93347	-1490618
	Increase or decrease of next period costs	14004,5	59881	19927	85203
	Increase or decrease of debt balance payable to suppliers, contractors and other creditors	3710672	1579591	5279811	2247556
	Increase or decrease of accruals	0	71459	0	101677
	Expenses for tax payments	-43706	-32044	-62188	-45595
3	Gross cash flow from basic activity	1760268	1713756	2504636	2438455
4	Expenses from interest payments	0	0	0	0
5	Expenses from company tax payments	-48534	-387062	-69058	-550740
6	Cash flow before extraordinary items	1711734	1326694	2435578	1887715
7	Cash flow from extraordinary items	0	0	0	0
1	<b>NET CASH FLOW FROM OPERATING ACTIVITY</b>	<b>1711734</b>	<b>1326694</b>	<b>2435578</b>	<b>1887715</b>

**II. Cash Flow from Investment**

	<b>Items</b>	<b>Year 2007</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2006</b>
		<b>31.03.</b>	<b>31.12.</b>	<b>31.03.</b>	<b>31.12.</b>
		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
1	Stocks or shares purchase from related or associated undertakings	0	-4695	0	-6680
2	Revenues from share alienation of related undertakings or associated companies	0	0	0	0
3	Purchase of fixed and intangible assets	-233342	-3837446	-332016	-5460194
4	Revenues from sales of fixed and intangible assets	515	14559	733	20716
5	Loans	0	0	0	0
6	Revenues from loan repayments	0	0	0	0
7	Costs for sale of fixed assets	0	-2232	0	-3176
8	Interest received	0	0	0	0
9	Dividends received	0	1453	0	2067
II	<b>NET CASH FLOW FROM INVESTMENT ACTIVITY</b>	<b>-232827</b>	<b>-3828361</b>	<b>-331283</b>	<b>-5447267</b>

**III. Cash Flow from Financing**

	<b>Items</b>	<b>Year 2007</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2006</b>
		<b>31.03.</b>	<b>31.12.</b>	<b>31.03.</b>	<b>31.12.</b>
		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
1	Revenues from stocks and shares emission or capital interest investment	0	0	0	0
2	Paid to equity capital	0	0	0	0
3	Income and expenses from long-term loans	0	0	0	0
4	Investment revaluation reserve increase	0	0	0	0
5	Loans received	0	1548478	0	2203286
6	Received subsidies, grants, gifts or donations	0	0	0	0
7	Loan repayment costs	-219247	0	-311960	0
8	Increase of long-term debts to creditors	0	0	0	0
9	Leased fixed assets redemption costs	-4709	-8978	-6700	-12775
10	Dividends disbursed	0	-410099	0	-583518
11	Purchase of short-term securities	-1600000		-2276595	
III	<b>NET CASH FLOW FROM FINANCING ACTIVITY</b>	<b>-1823956</b>	<b>1129401</b>	<b>-2595255</b>	<b>1606993</b>

**Summary of Cash Income and Expenses**

	<b>Items</b>	<b>Year 2007</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2006</b>
		<b>31.03.</b>	<b>31.12.</b>	<b>31.03.</b>	<b>31.12.</b>
		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
I	Net flow from basic activity	1711734	1326694	2435578	1887715
II	Cash flow from investments	-232827	-3828361	-331283	-5447267
III	Net cash flow from financing	-1823956	1129401	-2595255	1606993
IV	Result of foreign currency rate fluctuation	4373	-128653	6222	-183056
V	Net cash flow of reporting period	-340676	-1500919	-484738	-2135615
VI	Cash and cash equivalents at the beginning of reporting year	440611	1941530	626933	2762548
VII	Cash and cash equivalents at the end of reporting year	99935	440611	142195	626933

Company name: **JSC "Rīgas elektromašīnbūves rūpnīca"**

Registration number: **40003042006**

**Consolidated Cash Flow Statement for 3 months of the Year 2007**

**(applying indirect method)**

**I. Operating cash flow**

	Items	50%			Total
		AS"RER"	"Lo-vato-rez" Ltd.	Cons. correct.	
1	Profit or loss before extraordinary income/costs and taxes	1227526	-3159	15749	1240116
	<b>Corrections</b>				
	Fixed assets depreciation	56948	519		57467
	Write-offs of investment value				0
	Intangible assets value write-off	137			137
	Profit from fixed assets sales				0
	Accruals formation (excluding accruals from unsafe debts)				0
	Profit or loss from foreign currency fluctuations	-5594			-5594
	Income from participation in the equity of the holding daughter and associated companies				0
	Revenues from securities and loans that make long-term investment				0
	Other interest received and related income				0
	Long-term financial investment and short-term security value write-off				0
	Interest paid and related costs				0
	Consolidation loss				0
	Consolidation corrections			-15749	-15749
	Long-term investment revaluation reserve	-578			-578
2	Profit and loss before current assets short-term liabilities balance changes influence corrections	1278439	-2640	0	1275799
	<b>Corrections</b>				
	Increase or decrease of account receivable	-3119428	-11469		-3130897
	Increase or decrease of reserves balance	-63218	-2386,5		-65604,5
	Increase or decrease of next period costs	13908	96,5		14004,5
	Increase or decrease of debt balance payable to suppliers, contractors and other creditors	3712030	-1358		3710672
	Increase or decrease of accruals				0
	Expenses for tax payments	-43706			-43706
3	Gross cash flow from basic activity	1778025	-17757	0	1760268
4	Expenses from interest payments				0
5	Expenses from company tax payments	-48534			-48534
6	Cash flow before extraordinary items	1729491	-17757	0	1711734
7	Cash flow from extraordinary items				0
I	<b>NET CASH FLOW FROM OPERATING ACTIVITY</b>	1729491	-17757	0	1711734

**II. Cash flow from investment**

	Items	50%		Total
		JSC "RER"	"Lo-vato-rez" Ltd.	
1	Stocks or shares purchase from rel. or assoc. undertakings			0
2	Revenues from share alienation of related undertakings or associated companies			0
3	Purchase of fixed and intangible assets	-233066	-276	-233342
4	Revenues from sales of fixed and intangible assets		515	515
5	Loans			0
6	Revenues from loan repayments			0
7	Costs for sale of fixed assets			0
8	Interest received			0
9	Dividends received			0
II	NET CASH FLOW FROM INVESTMENT ACTIVITY	-233066	239	0

**III. Cash Flow from Financing**

	Items	50%		Total
		JSC "RER"	"Lo-vato-rez" Ltd.	
1	Revenues from stocks and shares emission or capital interest investment			0
2	Paid to equity capital			0
3	Income and expenses from long-term loans			0
4	Investment revaluation reserve increase			0
5	Loans received			0
6	Received subsidies, grants, gifts or donations			0
7	Loan repayment costs	-219247		-219247
8	Increase of long-term debts to creditors			0
9	Leased fixed assets redemption costs	-4709		-4709
10	Dividends disbursed			0
11	Purchase of short-term securities	-1600000		-1600000
III	NET CASH FLOW FROM FINANCING ACTIVITY	-1823956	0	0

**Summary of Cash Income and Expenses**

	Items	50%		Total
		JSC "RER"	"Lo-vato-rez" Ltd.	
I	Net flow from basic activity	1729491	-17757	0
II	Cash flow from investments	-233066	239	0
III	Net cash flow from financing	-1823956	0	0
IV	Result of foreign currency rate fluctuation	4373		4373
V	Net cash flow of reporting period	-323158	-17518	0
VI	Cash and cash equivalents at the beginning of rep. year	416020	24591	440611
VII	Cash and cash equivalents at the end of reporting year	92862	7073	99935

### Consolidated Statement of Changes in Equity for 3 months of the Year 2007 LVL

Type of changes	Share capital	Long-t. investm. reval. res.	Other reserves	Retained earnings	Total
<b>1. Balance as of 31.12.2005</b>	5799005	165909	192922	408145	6565981
2. Reporting period profit or loss not included in the profit and loss statement:					
a) fixed assets value					
decrease (-) or		-8001			-8001
increase (+)		3363			3363
3. Corrections				-405640	-405640
4. Reporting period profit or loss according to the profit and loss statement				1602219	1602219
<b>5. Balance as of 31.12.2006</b>	5799005	161271	192922	1604724	7757922
6. Reporting period profit or loss not included in the profit and loss statement:					
a) fixed assets value					
decrease (-) or		-578			-578
increase (+)					
7. Corrections				-81779	-81779
8. Reporting period profit or loss according to the profit and loss statement				1191499	1191499
<b>9. Balance as of 31.03.2007</b>	5799005	160693	192922	2714444	8867064

## Consolidated Statement of Changes in Equity for 3 months of the Year 2007, EUR

0,702804

Type of changes	Share capital	Long-t. investm. reval. res.	Other reserves	Retained earnings	Total
<b>1. Balance as of 31.12.2005</b>	8251241	236067	274503	580738	9342549
2. Reporting period profit or loss not included in the profit and loss statement:					
a) fixed assets value decrease (-) or increase (+)		-11384 4785			-11384 4785
3. Corrections				-577174	-577174
4. Reporting period profit or loss according to the profit and loss statement				2279752	2279752
<b>5. Balance as of 31.12.2006</b>	8251241	229468	274503	2283316	11038528
6. Reporting period profit or loss not included in the profit and loss statement:					
a) fixed assets value decrease (-) or increase (+)		-824			-824
7. Corrections				-116360	-116360
8. Reporting period profit or loss according to the profit and loss statement				1695350	1695350
<b>9. Balance as of 31.03.2007</b>	8251241	228644	274503	3862306	12616694

## APPENICES TO PROFIT AND LOSS STATEMENT FOR 3 MONTHS OF THE YEAR 200

**Note No. 1** 0,702804  
**Net turnover**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Latvia	2760557	3927919	6190142	8807780
Estonia	1564	2225	1120250	1593972
Russia	1156236	1645176	2914305	4146682
Lithuania	1652	2351	8352	11884
German	424	603		0
United Kingdom	1718863	2445722		0
Ukraine	459871	654337	4275207	6083072
Sweden	22567	32110	74473	105966
Kazakhstan			8167	11620
Finland			339	482
<b>Total</b>	<b>6121734</b>	<b>8710443</b>	<b>14591235</b>	<b>20761458</b>

**Note No. 2**  
**Sales production operating costs**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Staff salaries	1263741	1798141	2554402	3634587
Social insurance payments	296160	421398	596905	849319
Material costs	2278801	3242442	5705615	8118359
Power resources	185231	263560	1089470	1550176
Depreciation of fixed assets, rent, intang, assets depreciation	43660	62123	131180	186652
Costs for business trips	16719	23789	89657	127570
Repair costs	28595	40687	190863	271574
Other expenditure	60588	86208	171224	243630
<b>Total</b>	<b>4173495</b>	<b>5938348</b>	<b>10529316</b>	<b>14981867</b>

**Note No. 3**  
**Other operating charges**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Profit gained as a result of material and inventory sale	14403	20494	72369	102972
Fines received			137	195
Fixed assets liquidation remains, materials	118	168	875	1245
Fixed assets sale			8859	12605
Deposited salary			72	102
Revenue related to social area maintenance	7667	10909	24276	34542
Currency exchange rate difference - net	347	494	3	4
Currency exchange result - net	5247	7466	19	27
Revaluation of fixed assets	578	822	8000	11383
Other proceeds	187	265	3559	5065
Overpaid soc.ins.tax return			826	1175
<b>Total</b>	<b>28547</b>	<b>40618</b>	<b>118995</b>	<b>169315</b>



**Note No. 4****Other expenses of the company economic activity**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Overdue fines for outstanding invoices	7	10	859	1222
Expenses related to social area maintenance	26019	37022	93873	133569
Expenses not related to the company commercial activity	24776	35253	139768	198872
Depreciation of material values			6060	8623
Write-off of material values				0
Currency exchange result - net			117404	167051
Currency exchange rate difference - net			16870	24004
Liquidation of fixed assets			7916	11263
Write-off of sold equity shares balance value				0
Accruals of doubtful debtors				0
Bad debts write-off	2945	4190		0
Damaged goods write-off				0
Goods revaluation expenses				0
Last year losses			103	147
Other	36	51	589	838
<b>Total</b>	<b>53783</b>	<b>76526</b>	<b>383442</b>	<b>545589</b>

**Note No. 5****Other taxes**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Real estate tax on buildings (constructions)	39999	56913	19451	27676
Real estate tax on land	8618	12262	12687	18052
<b>Total</b>	<b>48617</b>	<b>69175</b>	<b>32138</b>	<b>45728</b>

**APPENDIX TO THE BALANCE SHEET FOR 3 MONTHS OF THE YEAR 2007**  
**ASSETS**

**Note No. 6** 0,702804  
**JSC "RER" consolidated debtors' debts as of 31 March, 2007**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
1. Debts of purchasers and customers (r.c. 300)	4310822	6133747	1324780	1884992
2. Debts of associated companies (r.c. 320)	365	519	443	630
3. Other debtors (r.c. 330)	60675	86333	98831	140624
incl.				
staff request calculations	2989	4253	851	1211
taxes paid in advance	34299	48803	4770	6787
overpaid taxes	12405	17651		0
advance payments for services	8554	12171	24437	34771
VAT for not paid invoices		0		0
other	2428	3455	2743	3903
revenue by the moment of the daughter company liq.		0	66030	93952
4. Next periods expenses	10833	15414	24838	35341
<b>Total debtors debts</b>	<b>4382695</b>	<b>6236013</b>	<b>1448892</b>	<b>2061587</b>

**Note No. 7**  
**Funds**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Cash		0	341	485
Current account	99935	142195	440270	626448
<b>Total</b>	<b>99935</b>	<b>142195</b>	<b>440611</b>	<b>626933</b>

**LIABILITIES**

**Note No. 8**

See page No. 14, 15 of the Consolidated statement of changes in equity for 3 months of the year 2007.

**Note No. 9**

**Description of shares fixed capital**

The total number of the company shares - 5799005 units at a nominal value of LVL 1,00.

Fixed capital accounts for LVL 5799005, divided in the following way:

LVL 5799005 ordinary shares with the vote.

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
Residents, incl.	199525	283899	199525	283899
natural persons	174322	248038	174322	248038
legal entities	25203	35861	25203	35861
Non-residents, incl.	5599480	7967342	5599480	7967342
Russia	1011027	1438562	1011027	1438562
Canada	5119	7284	5119	7284
Estonia (nominal holder)	4583334	6521496	4583334	6521496
<b>Total fixed capital</b>	<b>5799005</b>	<b>8251241</b>	<b>5799005</b>	<b>8251241</b>

**Note No. 10****JSC "RER" Consolidated creditors' debts as of 31 March, 2007**

	As of 31.03.07	As of 31.03.07	As of 31.12.06	As of 31.12.06
	LVL	EUR	LVL	EUR
1. Long-term debts (r.c. 740)	1751427	2492056	1749915	2489905
2. Loans from credit institutions (r.c.770)	4057742	5773647	1529179	2175826
3. Other loans (r.c.780)	14513	20650	19221	27349
4. Advance payments received from purchasers (r.c. 790)	3391	4825	5639	8024
5. Debts to suppliers and contractors (r.c. 800)	1046859	1489546	346601	493169
6. Debts to associated companies (r.c. 830)	5526	7863	1660	2362
7. Tax debts (r.c. 840)	399931	569051	296438	421793
8. Other creditors (r.c. 850)	418672	595717	295134	419936
incl.				
wages debt	413557	588439	292254	415838
alimony	1265	1800	1224	1742
settlement of debt payments to staff	3712	5282	1635	2326
other	138	196	21	30
<b>Total creditor's debts (r.c. 900)</b>	<b>7698061</b>	<b>10953355</b>	<b>4243787</b>	<b>6038364</b>

## General Development Principles of the Consolidated Financial Report for 3 Months of the Year 2007

### Report preparation basis

The Financial report has been developed according to the Republic of Latvia Law on Accounting and the Law on Consolidated Annual Reports, as well as in conformity with main requirements of the International Accounting Standard No. 27.

The Profit and loss statement has been calculated by applying the turnover expenses method.

The Financial report provides for a true and plain notion of the company assets, liabilities, financial situation and losses.

Cash flow overview is prepared according to indirect method.

As compared to 2006 year at the JSC "RER" is changed the method of stocks valuation. From 1 of January 2007 the stocks amount is value using the FIFO method.

The accounting in 2006 has been recorded in the approved accounts of common accounting, representing in details the chart of account according to peculiarities of the commercial activity.

The synthetic accounting register is the general ledger where entries are made via grouping reports of commercial transactions. Types of analytical accounting registers are ledgers, cards and lists.

The Financial report has been developed on the basis of the further activity concept.

### Currency unit and foreign currencies translation

In the Financial report and accounting for the currency unit measure there is used the RL currency unit - lat.

Data of the Financial report that are represented in EUR are recalculated in conformity with the exchange rate set by the Bank of Latvia as of 31.03.2007: **1 EUR - 0,702804**.

Profit or loss generated as a result of foreign exchange rate fluctuations are represented at the profit and loss statement for the particular period.

### Fixed assets

Fixed assets and intangible investment in the Balance Sheet are represented at their balance value.

Depreciation of fixed assets and intangible investment has been calculated by applying the linear method.

To the fixed assets depreciation calculation the following rates set by the management are applied:

Buildings, constructions and long-term greeneries	1.1 - 1.9 %
Equipment and machinery	2 -20 %
Other fixed assets and inventory	10 - 50 %

Inferior inventory has been recorded at the purchase price and written-off to expenses in 100% after transfer to use.

### Stocks

Balance of raw-materials and direct materials is evaluated by FIFO method.

Balance of ready production is evaluated in the actual cost-price.

Stock remains are checked in annual inventory.

The debts of debtors and creditors are real.

Balance of assets has been verified during stock-taking, according to the situation as of:

Long-term investment - 01.11.2006

stocks - as of 01.10.2006

debtors - as of 01.01.2007

creditors - as of 01.01.2007

Items of the Consolidated financial report were verified with the respective items of the Consolidated financial report for the year 2006.

### ***I. Identification of Enterprises to be Involved in the Consolidation***

1) As of 31.03.2007 JSC "Rīgas elektromašīnbūves rūpnīca" does not hold the decisive influence due to "Ražošana Enerģētika Zinātne" Ltd. That is why "Ražošana Enerģētika Zinātne" Ltd. is not included in the consolidation.

2) According to section 1 of paragraph 28 of the Law "Lovato - REZ" Ltd. is a jointly administered company. There is a possibility that the company might be included in the consolidation by applying the proportional consolidation or the method of equity capital.

### ***I. Equity Capital Consolidation***

#### **"Lovato - REZ" Ltd. (50 %)**

Only the proportional part of the holding company is summed, i.e. 50 % of assets, liabilities, income, expenditures.

	D	Sum	C	Sum
Fixed capital $115200 \cdot 0.5 = 57600$	3110	57600		
Long-t. inv. reval. reserve $31984 \cdot 0.5 = 15992$	3130	15992		
Oth. reserves $802 \cdot 0.5 = 401$	3360	401		
Prev. year profit $3366 \cdot 0.5 = 1683$	3420	1683		
Rep. year profit $-6319 \cdot 0.5 = -3160$	3410			
			1330	59927
Equity capital $145033 \cdot 0.5 = 72516$		75676		59927
Negative consolidation difference			3900	15749 (75676 - 59927)
Consolidated Annual Reports.				

Chairman of the Board

G. Uspenskis

25 May, 2007