

**JOINT STOCK COMPANY
“RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA”
(RIGA ELECTRIC MACHINERY FACTORY)**

Reg. No. 40003042006
Ganību dambis 31, Rīga, LV-1005

**ANNUAL REPORT FOR 6 MONTHS
OF THE YEAR 2012
(NON-AUDITED)**

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INFORMATION ABOUT THE COMPANY

Name of the Company	AS (Joint Stock Company) "Rīgas elektromašīnbūves rūpnīca" (AS "RER")
Legal status of the Company	Joint Stock Company
Registration No. in the Register of Enterprises, date and place of registration	No. 000304200, Rīga, 29 November 1991
Unified Registration No. in the Commercial Register, date and place of registration	No. 40003042006, Rīga, 29 September 2004
Registered office	Ganību dambis 31, Rīga, LV-1005, the Republic of Latvia
Institution in charge of the Company	General meeting of shareholders
Chair of the Board	Nikolajs Erohovs (from 15.03.2011)
Board Members	Olga Pētersone (from 27.06.2012) Maxim Savenkov (from 27.06.2012) Mihails Morozs (from 19.04.2010) Aleksandrs Suvorkins (from 19.04.2010)
Accounting period	1 January 2012 – 30 June 2012
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Rīga, LV-1010, Latvia

Joint Stock Company „Rīga Electric Machine Building Works” Management statement

Activity of the Company during the 1st half of 2012

The core business of the joint stock company "Rīga Electric Machine Building Works" (hereinafter – JSC "RER") is manufacture of electric machines and appliances.

Main types of products are as follows:

- Electric equipment for electric trains;
- Electric equipment for passenger coaches;
- Casting.

During the 1st half of 2012 the net turnover of the stock company "RER" reached LVL 13 075 538 (EUR 18 604 814), which is 120.55 per cent in comparison with the corresponding time period in 2011. During the 1st half of 2012 the Company sustained profit in the amount of LVL 1 441 826 (EUR 2 051 533) before tax deduction, after tax deduction – LVL 1 386 063 (EUR 1 972 189).

Average number of employees on 30 June 2012 was 977, that is 113.60 per cent in comparison with the corresponding index on 30 June 2011.

The financial standing of the Company is characterized by the following indices:

Financial stability indices:

Name of the index	30/06/2012.	30/06/2011.
Independence ratio (own capital / whole capital)	0.23	0.13
Loan and own capital relation (loan capital / own capital)	2.96	6.45

Liquidity indices:

Name of the index	30/06/2012.	30/06/2011.
General liquidity ratio (current assets / short-term liabilities)	1.72	0.65
Quick liquidity ratio (short-term debtors and funds / short-term liabilities)	0.95	0.37

Profitability indicators

Indicator	30/06/2012.	30/06/2011.
Profitability indicator of the basic business activities, % (profit from the basic business activities / net turnover)	14.79	4.62
Net profitability indicator, %(net profit / net turnover)	10.60	1.24

Activity of the Company in the 2nd half of 2012

In 2nd half of 2012 JSC 'RER' is going to sustain production rates at the level of actually achieved rates in 1st half of 2012.

On behalf of the Board of the Company,

Chairperson of the Board

Nikolajs Erohovs

21 August 2012

PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2012

No.	Items	Line code	Note	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1	Net turnover	010	1	13075538	10846377	18604814	15433004
2	Production costs of the goods sold	020	2	(9810220)	(9158522)	(13958685)	(13031403)
3	Gross profit or loss	030		3265318	1687855	4646129	2401601
4	Selling expenses	040	3	(264365)	(292204)	(376158)	(415769)
5	Administration expenses	050	4	(1066480)	(894887)	(1517464)	(1273309)
6	Other operating income	060	5	379815	266570	540428	379295
7	Other operating expenses	070	6	(603024)	(282276)	(858026)	(401643)
8	Other interest income and similar income	100	7		10362		14744
9	Other interest payments and similar expenses	120	8	(269438)	(302400)	(383376)	(430276)
10	Profit or loss before extraordinary items and taxes	130		1441826	193020	2051533	274643
11	Profit or loss before tax	160		1441826	193020	2051533	274643
12	Other taxes	190	9	(55763)	(58803)	(55763)	(83669)
13	Profit or loss of the accounting period	200		1386063	134217	1972189	190974

EPS (earnings per share)	0.24	0,02	0.34	0,03
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BALANCE SHEET FOR 6 MONTHS OF 2012

A S S E T S	Line code	Note	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1. LONG-TERM INVESTMENTS		10				
I. Intangible investments						
1. Development costs	010		68254	136508	97117	194233
2. Other intangible investments	021		8484	6763	12072	9623
I. Total	050		76738	143271	109189	203856
II. Fixed assets						
1. Land plots, buildings, constructions	060		4188287	4223222	5959396	6009104
2. Equipment and machinery	080		2751853	2799606	3915534	3983480
3. Other fixed assets and inventory	090		26721	28181	38021	40098
4. Creation of fixed assets	100		650811	597051	926021	849527
II. Total	120		7617672	7648060	10838972	10882209
III. Long-term financial investments						
1. Participation in capital of affiliated companies	150			59927		85268
III. Total	210			59927		85268
I. PART TOTAL AMOUNT	220		7694410	7851258	10948161	11171333
2. CURRENT ASSETS						
I. Stocks						
1. Raw materials, direct materials and auxiliary materials	230		2252000	2080963	3204307	2960944
2. Unfinished products	240		1310552	1388537	1864747	1975710
3. Finished products and goods for sale	250		229250	84130	326193	119706
4. Prepayments for goods	270		433889	341515	617368	485932
I. Total	290		4225691	3895145	6012615	5542292
II. Debtors						
1. Debts of buyers and customers	300	11	4694743	4974073	6680017	7077468
2. Debts of affiliated companies	320			193		275
3. Other debtors	330	12	127971	242066	182085	344430
4. Deferred expenses	360	13	37916	37336	53950	53124
II. Total	370		4860630	5253668	6916052	7475297
IV. Cash	420	14	367410	5461	522777	7770
II. PART TOTAL AMOUNT	430		9453731	9154274	13451444	13025359
B A L A N C E	440		17148141	17005532	24399605	24196692

Appendices to financial statements on pages 11 – 19 are an integral part of the financial statements.

BALANCE SHEET FOR 6 MONTHS OF 2012

LIABILITIES	Line code	Note	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1. SHAREHOLDERS' EQUITY						
1. Share capital (capital stock)	450	15	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		212791	215522	302774	306660
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		(3719278)	(4243532)	(5292056)	(6038002)
b) Undivided profit of the accounting year	540		1386063	134217	1972189	190974
1. PART TOTAL AMOUNT	550		3871503	2098134	5508651	2985376
2. PROVISIONS						
1. Other provisions	580	16	451721	184531	642741	262564
2. PART TOTAL AMOUNT	590		451721	184531	642741	262564
3. CREDITORS						
I. Long-term creditors						
1. Loans from credit institutions	620	17	5341873		7600801	
2. Other loans	630	18	757494	292474	1077817	416153
3. Debts to suppliers and contractors	650	20	978772		1392667	
4. Other creditors	700	22	48923		69611	
5. Deferred tax liabilities	731		215995	295432	307333	420362
I. Total	740		7343057	587906	10448229	836515
II. Short-term creditors						
1. Loans from credit institutions	770	17	667734	6929272	950100	9859466
2. Other loans	780	18	110338	848978	156997	1207987
3. Advance payments received from buyers	790	19	83059	127037	118182	180757
4. Debts to suppliers and contractors	800	20	1181992	2754488	1681823	3919283
5. Debts to affiliated companies	830			1878		2672
6. Taxes and social security payments	840	21	3010076	2938545	4282952	4181173
7. Other creditors	850	22	428661	534763	609930	760899
II. Total	890		5481860	14134961	7799984	20112237
3. PART TOTAL AMOUNT	900		12824917	14722867	18248213	20948752
BALANCE	910		17148141	17005532	24399605	24196692

CASH FLOW STATEMENT FOR 6 MONTHS OF 2012 (prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1	Profit or loss before extraordinary items and taxes	1441826	193020	2051533	274643
	ADJUSTMENTS				
	Depreciation of fixed assets	164281	166247	233751	236548
	Amortization of intangible investment value	3407	1041	4848	1481
	Gain from sales of fixed assets	(8433)	(980)	(11999)	(1394)
	Profit or loss from fluctuations of currency exchange rates	144260	(44350)	205263	(63104)
	Other interest income and similar income		(10031)		(14273)
	Amounts written off fixed assets	44	8589	63	12221
	Reserve for revaluation of long-term investments	(2067)	(49110)	(2941)	(69877)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	1743318	264426	2480518	376245
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	(880096)	(528817)	(1252264)	(752439)
	Increase or decrease of balance of inventories	(178410)	(86745)	(253855)	(123427)
	Increase or decrease of deferred expenses	33935	34121	48285	48550
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	465430	206014	662247	293132
	Increase or decrease of accruals	195626		278351	
	Expenses for tax payments	(89730)	(116563)	(127674)	(165854)
3	Gross cash flow from operating activities	1290073	(227564)	1835608	(323793)
4	Cash flow before extraordinary items	1290073	(227564)	1835608	(323793)
I	NET CASH FLOW FROM OPERATING ACTIVITIES	1290073	(227564)	1835608	(323793)

II. Cash flow from investing activities

	Items	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1	Purchase of fixed assets and intangible investments	(87242)	(40492)	(124134)	(57615)
2	Income from sales of fixed assets and intangible investments	8433	980	11999	1394
3	Interest income received		205198		291970
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(78809)	165686	(112135)	235749

III. Cash flow from financing activities

	Items	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
1	Loans received		777553		1106358
2	Expenses for repayment of loans	(667735)	(660402)	(950101)	(939667)
3	Expenses for repurchase of leased fixed assets	(110338)	(110338)	(156997)	(156997)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(778073)	6813	(1107098)	9694

IV. Summary of cash inflow and outflow

	Items	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
I	Net cash flow from operating activities	1290073	(227564)	1835608	(323793)
II	Net cash flow from investing activities	(78809)	165686	(112135)	235749
III	Net cash flow from financing activities	(778073)	6813	(1107098)	9694
	Result of fluctuations of currency exchange rates	(73580)	18615	(104695)	26486
	Net cash flow of the accounting period	359611	(36450)	511680	(51864)
	Cash and its equivalents in the beginning of the accounting period	7799	41911	11097	59634
	Cash and its equivalents at the end of the accounting period	367410	5461	522777	7770

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2012, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2010.g.	5799005	264632	192922	(4243532)	2013027
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(49110)			(49110)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				134217	134217
4. Balance as of 30.06.2011.g.	5799005	215522	192922	(4109315)	2098134
5. Balance as of 31.12.2011.g.	5799005	214858	192922	(3719278)	2487507
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(2067)			(2067)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				1386063	1386063
8. Balance as of 30.06.2012.g.	5799005	212791	192922	(2333215)	3871503

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2012, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2010.g.	8251241	376537	274503	(3386549)	5515732
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(69877)			(69877)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				190974	190974
4. Balance as of 30.06.2011.g.	8251241	306660	274503	(5847028)	2985376
5. Balance as of 31.12.2011.g.	8251241	305715	274503	(5292056)	3539403
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(2941)			(2941)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				1972189	1972189
8. Balance as of 30.06.2012.g.	8251241	302774	274503	(3319867)	5508651

NOTES

ACCOUNTING POLICY

Basis for report preparation

Annual report has been prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Accounts of Undertakings", regulations of the Cabinet of Ministers Nr 481 and Nr 488. Profit and loss account has been prepared according to the turnover cost method. Cash flow statement has been prepared in accordance with the indirect method. The annual report presents fairly and clearly financial position of the Company, as well as its assets and liabilities.

Accounting principles applied

Annual report items have been assessed according to the following accounting principles:

- Assuming the Company will continue its activities;
- The same valuation methods as previous year have also been used this year;
- The annual report includes the profit made to the date of balance sheet only;
- All losses made over the accounting year or previous years have been taken into account;
- All depreciation amounts have been calculated and taken into account, regardless of whether the accounting year was ended with profit or loss;
- All costs and income pertaining to the accounting year have been taken into account, irrespective of the date of payment, as well as the date when invoice has been received or issued. The costs and income over the reporting period have been coordinated.

Income recognition and net turnover

Net turnover is a total amount of the value of products sold and services rendered over the year without discounts and value added tax. Income from the sale of products is recognized as soon as the most significant title is conferred on the customer and risks to the products and remuneration can be assessed properly. Income from service rendering is recognized as soon as the service is rendered. Other types of income are recognized as follows:

- Income from rent – at the moment it is generated;
- Income from penalty and delay payments – at the moment they are received;
- Dividends – at the moment legal rights to the dividends are established.

Capital assets and intangible assets

Capital assets and intangible assets have been reflected on the balance sheet in their purchase prices, excluding depreciation.

Depreciation of capital assets and intangible assets has been calculated according to the straight-line method. No depreciation of land has been calculated. In order to calculate depreciation of capital assets and intangible assets the following depreciation norms (% a year) approved by the Management has been used:

Intangible assets:

- | | |
|------------|-----|
| - Licences | 20% |
| - Software | 50% |

Capital assets:

- | | |
|--------------------------------------|-------------|
| - Premises, buildings | 1.1 – 1.9 % |
| - Equipment and machinery | 2 – 20 % |
| - Other capital assets and inventory | 10 – 50 % |

Repair or maintenance costs of capital assets have been included in the profit and loss account of the period during which they have been incurred. Repair (renovation) and modernization costs that increase value of the capital assets or prolong period of using them have been capitalized and written off during the period they were used effectively.

Unfinished construction and costs of capital asset creation

Unfinished construction reflects costs of capital asset creation and costs of construction objects. The unfinished construction has been given in its initial value. The initial value includes construction costs and other direct costs. Depreciation of the unfinished construction has not been calculated, since the relevant assets have not been finished and put into operation.

Notes (cont.)

Accounting policy (cont.)

Long-term financial investments

As at 30.06.2012 the liquidation procedure of associated company SIA Lovato – REZ, reg. No. 000307218, was finished. Losses caused by writing-off value of non-recoverable investment in amount of LVL 32 590 are included in calculation of profit or losses for the 2011 year.

Financial leasing

In cases capital assets have been acquired on conditions of financial leasing, leasing interest payments and payments considered as such have been included in the profit and loss account of the period they were incurred.

Receivables

Evaluation of the remaining amounts of materials and primary materials has been carried out by employing the FIFO method.

Inventory of low value has been recorded on the basis of purchase cost price written off 100% after having been put into operation.

Remaining amounts of finished products and unfinished products have been assessed according to their cost prices.

Debts of debtors

Debts of debtors have been reflected on the balance sheet in their net values subtracting special provisions for doubtful debtors. Special provisions for doubtful debtors are created for those cases when the Management believes that the debtors are not likely to repay their debts.

Currency unit and recalculation of foreign currency

Indicators reflected in the annual report have been given in the national currency of the Republic of Latvia – lats (LVL). All transactions carried out in foreign currencies have been recalculated in lats according to the exchange rate of the Bank of Latvia set on day when the relevant transaction is takes place. Profit made or loss incurred as a result of fluctuations of exchange rates has been reflected in the profit and loss account of the corresponding period.

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 30.06.2012. : 1 EUR – 0.702804.

Long-term and short-term items

Long-term items comprise amounts whose terms of receipt, payment or write-off fall due later than after the end of the corresponding accounting year. Amounts to be received, paid or written off in a year are given in the short-term items.

Other securities

Short-term investments in securities not quoted in stock exchange have been given in their purchase values.

Long-term investment revaluation reserve

Long-term invest revaluation reserve is reduced if the revaluated object has been removed or sold.

Provisions

Provisions are recognized if the Company has liabilities due to some event in the past and there is a possibility that in order to meet those liabilities resources promising economic gains could be diverted from the Company and if amount of liabilities can be assessed properly.

Holiday provisions are calculated by multiplying the average earnings of an employee by the average number of holidays not taken by an employee.

Notes (cont.)

Accounting policy (cont.)

Provisions for warranty repairs. A warranty period of the Company's basic products is 2 years. In 2011 warranty repair costs accounted for LVL 10 070 (EUR 14 328), which is only 0.04% of the net turnover. Since amount of the warranty repair costs is of no high importance, provisions for warranty repairs are not created.

Deferred tax

Deferred corporate income tax have been calculated according to the liability method regarding all temporary differences between values of assets and liabilities reflected in the annual report and their values for tax calculation. Deferred tax has been calculated by using the tax rate of 15% laid down the Law. The said temporary differences have mainly occurred because of using different rates when calculating depreciation of capital assets in financial accounting and tax calculation, as well as due to holiday provisions.

Risk management

Risk management is an integral part of management process of the Company. Risk management in the Company is controlled by the Council and the Board of the Company. In its activities AS RER follows the general principles of risk management listed below:

- The Company undertakes no major and uncontrollable risks regardless of related asset yield;
- Risk management methods applied by the Company are cautious, compliant with types and specifics of commercial activity of the Company and ensure efficient reduction of overall risk;
- Risk management is based upon awareness of all employees of the company about transactions and related risks being under their competence;
- The Company constantly enforces internal control after processes of commercial activities aimed to prevent risks related to compliance and consequence of financial and operative information, possibility of asset fraudulence and protection, efficiency of actions and information system and their compliance with regulatory documents, procedures and agreements.

The most substantial risks AS RER is exposed to in the course of commercial activities, are financial risks.

Financial risk

Currency risk

The Company's financial assets and liabilities that are at the foreign currency risk include cash, debts of customers and clients, debts to suppliers and contractors and short-term and long-term loans.

A significant part of the Company's income is in lats and ruble, major part of its costs are in lats, while received loans are in euros, lats and dollar.

From 1 January 2005 the Bank of Latvia has set the official fixed lat to euro exchange rate, which is 0.702804.

As long as the Bank of Latvia maintains the said fixed exchange rate the Company's profit and loss made as a result of fluctuations of the exchange rate will not be significant.

Interest rate risk

The Company is at the interest rate risk due to its short-term and long-term loans and financial leasing transactions.

Liquidity risk

The Company has control over its liquidity risk by ensuring the appropriate financing with the help of a credit line granted by a Latvian credit institution.

Credit risk

The Company is at the credit risk due to its debts of customers and clients. It is characteristic of the Company that credit risk concentrates on a separate business partner or a group of business partners of similar type.

Notes (cont.)

NOTES TO PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2012

Note No. 1 – Net turnover

Country	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Latvia	660767	2187625	940187	3112710
Russia	12146981	7825819	17283597	11135137
Ukraine	67056	225847	95412	321351
Sweden		4510		6417
Georgia		541440		770400
Belarus	80153	40781	114047	58026
United Kingdom	112535		160123	
Other	8046	20355	11448	28963
Total	13075538	10846377	18604814	15433004

Note No. 2 – Production costs of products sold

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Salaries	2462456	2043075	3503759	2907034
Social insurance contributions	581446	483783	827323	688361
Costs of materials	5708104	5719690	8121900	8138386
Energy resources	655437	541402	932603	770346
Depreciation of capital assets and intangible assets	143767	150572	204562	214245
Business trip costs	34186	22458	48642	31955
Repair costs and remuneration for works from outside	76488	97825	108833	139192
Development costs	34127	34127	48558	48558
Other costs	114209	65590	162505	93326
Total	9810220	9158522	13958685	13031403

Note No. 3 – Selling costs

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Packing material and package	43454	128997	61829	183546
Transportation expenses	169294	124200	240884	176721
Salaries	41574	31328	59154	44576
Social insurance contributions	9932	7470	14132	10629
Other selling costs	111	209	159	297
Total	264365	292204	376158	415769

Note No. 4 – Administrative costs

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Communications costs	11233	10576	15983	15048
Reimbursement for legal services	25091		35701	
Cash circulation and expense and extra costs	3527	9003	5018	12810
Transportation expenses	9141	7139	13006	10158
Representation expenses	3048	2697	4337	3837
Salaries	706386	596421	1005097	848631
Social insurance contributions	163788	138855	233049	197573
Energy resources	19731	19308	28075	27473
Depreciation of capital assets	20920	15749	29766	22409
Business trip costs	10413	8009	14816	11396
Security services	74609	64993	106159	92477
Other administrative costs	18593	22137	26457	31497
Total	1066480	894887	1517464	1273309

Notes (cont.)

Note No. 5 – Other income from operating activities of the Company

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Profit gained as a result of other sales (materials, lease, other)	119295	130135	169741	185165
Penalty and contractual penalties		259		369
Remaining amounts of removal of capital assets, materials	171	12	243	17
Sale of capital assets	8433	980	11999	1394
Inventory surplus		2271		3231
Income related to maintenance of social sphere	13844	12527	19698	17824
Decrease in revaluation reserve of capital assets	2067	49110	2941	69877
Income from fluctuations of exchange rates		44350		63104
Writing off debts to suppliers and contractors	232282		330508	
Other income	3723	26926	5298	38314
Total	379815	266570	540428	379295

Note No. 6 – Other costs of operating activities of the Company

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Penalty and contractual penalties	83163	207695	118330	295523
Costs related to maintenance of social sphere	23431	23967	33339	34102
Costs not related to operating activities of the Company	34623	32716	49264	46551
Inventory deficit		9123		12981
Loss from fluctuations of exchange rates	144460		205548	
Removal of capital assets	44	8589	63	12221
Losses from previous year		36		51
Write-off of bad debtors	8147		11592	
General accrual	300000		426862	
Other costs	9156	150	13028	214
Total	603024	282276	858026	401643

Note No. 7 - Other interest income and similar income

Indicator	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Interest income (short-term loans)		10031		14273
Other interest income		331		471
Total		10362		14744

Note No. 8 – Other interest payments and similar costs

Indicator	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Loan agreements	262392	115040	373350	163687
Leasing agreements	7046	14268	10026	20302
Credit line agreements		173092		246287
Total	269438	302400	383376	430276

Note No. 9 – Other taxes

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Real estate tax on premises (buildings)	42613	48283	60633	68700
Real estate tax on land	13150	10520	18711	14969
Total	55763	58803	79344	83669

Notes (cont.)

NOTES TO BALANCE SHEET FOR THE 6 MONTHS OF 2012

Note No. 10 – Statement of movement of long-term investments, LVL

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.12	Purchase	Removed	Remaining amount as at 30.06.12	Remaining amount as at 01.01.12	Calculated	Removed	Remaining amount as at 30.06.12	01.01.12	30.06.12.
Intangible investments										
Devel.costs	68254			68254					68254	68254
Licences and other	301			301	301			301		
Software	23041	2700		25741	13850	3407		17257	9191	8484
Total	91596	2700		94296	14151	3407		17558	77445	76738
Capital assets										
Land, premises, buildings*	7018451			7018451	2797590	32574		2830164	4220861	4188287
Equipment and machinery	5493513	195830	(20617)	5668726	2812605	124844	(20576)	2916873	2680908	2751853
Other capital assets	258354	4460	(1470)	261344	229228	6862	(1467)	234623	29126	26721
Creation of capital assets	766559	73189	(188937)	650811					766559	650811
Total	13536877	273479	(211024)	13599332	5839423	164280	(22043)	5981660	7697454	7617672
In total	13628473	276179	(211024)	13693628	5853574	167687	(22043)	5999218	7774899	7694410

Note No. 10 – Statement of movement of long-term investments, EUR

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.12	Purchase	Removed	Remaining amount as at 30.06.12	Remaining amount as at 01.01.12	Calculated	Removed	Remaining amount as at 30.06.12	01.01.12	30.06.12.
Intangible assets										
Devel.costs	97117			97117					97117	97117
Licences and other	428			428	428			428		
Software	32784	3842		36626	19707	4847		24554	13077	12072
Total	130329	3842		134171	20135	4847		24982	110194	109189
Capital assets										
Land, premises, buildings*	9986356			9986356	3980612	46348		4026960	6005744	5959396
Equipment and machinery	7816565	278641	(29335)	8065871	4001976	177638	(29277)	4150337	3814589	3915534
Other capital assets	367605	6346	(2092)	371859	326162	9763	(2087)	333838	41443	38021
Creation of capital assets	1090715	104139	(268833)	926021					1090715	926021
Total	19261241	389126	(300260)	19350107	8308750	233749	(31364)	8511135	10952491	10838972
In total	19391570	392968	(300260)	19484278	8328885	238596	(31364)	8536117	11062685	10948161

In 2012 assessed value of the premises accounted for LVL 5 681 775 (EUR 8 084 437), assessed value of the plot accounted for LVL 2 061 090 (EUR 2 932 667).

Notes (cont.)

Note No. 11 – Debts of customers and clients

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Debts of customers and clients (for the goods and services)	4694743	4974073	6680017	7077468
Total	4694743	4974073	6680017	7077468

Note No. 12 – Other debtors

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Demand calculations for personnel	1417	3334	2016	4744
Taxes paid in advance	3510	1186	4994	1688
Overpaid taxes	79197	208619	112687	296838
Rental debts	23914	25567	34027	36379
Other	19933	3360	28361	4781
Total	127971	242066	182085	344430

Note No. 13 – Costs of the following periods

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Insurance	1511	851	2150	1211
Expenses for development of new techniques	34127	34127	48558	48558
Annual anti-virus program licences	137	162	195	231
Other	2141	2196	3047	3124
Total	37916	37336	53950	53124

Note No. 14 – Cash

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Current accounts in banks	367410	5461	522777	7770

Note No. 15 – Stock capital (fixed capital)

Total number of stocks of AS "RER" is 5 799 005 shares. A nominal value of each share is LVL 1.00. The Company's fixed capital is LVL 5 799 005, which is split into: 5 799 005 regular voting shares.

Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Residents, including	199525	199525	283898	283898
- physical entities	174322	174322	248037	248037
- legal entities	25203	25203	35861	35861
Non-residents, including	5599480	5599480	7967343	7967343
- Russia	1011027	1011027	1438562	1438562
- Canada	5119	5119	7284	7284
- Estonia (nominal shareholder)	4583334	4583334	6521497	6521497
Total	5799005	5799005	8251241	8251241

Notes (cont.)

Note No. 16 – Other provisions

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Holiday provisions	256095	184531	364390	262564
Other provisions	195626		278351	
Total	451721	184531	642741	262564

Note No. 17 – Long-term and short-term loans from credit institutions

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Latvian credit institutions, loan agreement, including	6009607	2010722	8550901	2861000
Long-term debt	5341873		7600801	
Short-term debt	667734	2010722	950100	2861000
Latvian credit institutions, credit line agreement, including		4918549		6998465
Short-term debt		4918549		6998465

Note No. 18 – Long-term and short-term other loans

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Leasing agreements, including	165507	498403	235495	709164
Long-term debt	55169	292474	78498	416153
Short-term debt	110338	205929	156997	293011
Other loans, including	702325	643049	999318	914976
Long-term debt	702325		999319	
Short-term debt		643049		914976

Note No. 19 – Advances received from customers

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Local customers	1748	2270	2487	3230
Foreign customers	81311	124767	115695	177527
Total	83059	127037	118182	180757

Note No. 20 – Long-term and short-term debts to suppliers and contractors

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Long-term debt, including	978772		1392667	
Local suppliers	978772		1392667	
Short-term debt, including	1181992	2754488	1681823	3919283
Local suppliers	756703	2224170	1076691	3164708
Foreign suppliers	425289	530318	605132	754575

Note No. 21 – Taxes and social insurance contributions

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Personal income tax	1156108	1267919	1644993	1804086
Mandatory social insurance contributions	1836878	1669250	2613642	2375129
Natural resources tax	11632	1149	16551	1635
Real estate tax on land	877		1248	
Real estate tax on premises (buildings)	4339		6174	
State business risk fee	242	227	344	323
Total	3010076	2938545	4282952	4181173

Notes (cont.)

Note No. 22 – Long-term and short-term other creditors

Indicators	30.06.12. LVL	30.06.11. LVL	30.06.12. EUR	30.06.11. EUR
Long-term creditors, including	48923		69611	
Interest	48923		69611	
Short-term creditors, including	428661	534763	609930	760899
Salary debt	424064	519403	603389	739044
Support payments	3055	4155	4347	5912
Trade union membership fee	1542	11205	2194	15943

On behalf of the Board of the Company,

Chair of the Board

Nikolajs Erohovs

21 August 2012

Statement on the Management responsibility

The management of the Company is responsible for the issue of the financial statement and confirms that the financial statement holds the actual and objective representation of the financial standing and performance results of the company by the end of the accounts period.

The management of the Company confirms that appropriate accounting methods were applied and justified and considerate decisions were made when drawing up the financial statement on the 6 months of 2012.

The management bears responsibility regarding the provision of appropriate accounting system, preservation of the Company's capital.

On behalf of the Board of the Company,

Chairperson of the Board

Nikolajs Erohovs

21 August 2012