

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

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

**ANNUAL REPORT FOR 6 MONTHS
OF THE YEAR 2011
(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, Riga, 29 November 1991
Unified Registration No. in the Commercial Register, date and place of registration	No. 40003042006, Riga, 29 September 2004
Registered office	Ganību dambis 31, Riga, 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	Fjedors Dudkins (from 21.06.2011) Rita Kargina (from 21.06.2011) Mihails Morozs (from 19.04.2010) Aleksandrs Suvorkins (from 19.04.2010)
Accounting period	1 January 2011 – 30 June 2011
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor Jānis Mežiels Certified auditor's certificate No. 127
Associated companies	SIA "Lovato – REZ", Reg. No. 000307218 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital LVL 115 200 (EUR 163 915) Shares – 50 %

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

Activity of the Company during the 1st half of 2011

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 2011 the net turnover of the stock company "RER" reached LVL 10 846 377 (EUR 15 433 004), which is 167.88 per cent in comparison with the corresponding time period in 2010. During the 1st half of 2011 the Company sustained profit in the amount of LVL 193 020 (EUR 274 643) before tax deduction, after tax deduction – LVL 134 217 (EUR 190 974). Average number of employees on 30 June 2011 was 860, that is 111.40 per cent in comparison with the corresponding index on 30 June 2010.

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

Financial stability indices:

Name of the index	30/06/2011.	30/06/2010.
Independence ratio (own capital / whole capital)	0.13	0.18
Loan and own capital relation (loan capital / own capital)	6.45	4.55

Liquidity indices:

Name of the index	30/06/2011.	30/06/2010.
General liquidity ratio (current assets / short-term liabilities)	0.65	0.72
Quick liquidity ratio (short-term debtors and funds / short-term liabilities)	0.37	0.45

Profitability indicators

Indicator	30/06/2011.	30/06/2010.
Profitability indicator of the basic business activities, % (profit from the basic business activities / net turnover)	4.62	- 0.11
Net profitability indicator, %(net profit / net turnover)	1.24	- 0.12

Activity of the Company in the 2nd half of 2011

Despite all the difficulties, in the second half of 2011 JSC "RER" plans to keep its production and sales volumes at the level of the first half of 2011; the company keeps contributions to its development and will raise investments to acquire state-of the-art equipment and to improve technological process, meanwhile it keeps working out new products , thus increasing the company's potential and competitiveness.

On behalf of the Board of the Company,

Chairperson of the Board

Nikolajs Erohovs

18 August 2011

PROFIT AND LOSS ACCOUNT FOR 6 MONTHS OF 2011

No.	Items	Line code	Note	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1	Net turnover	010	1	10846377	6460853	15433004	9192966
2	Production costs of the goods sold	020	2	(9158522)	(6118913)	(13031403)	(8706429)
3	Gross profit or loss	030		1687855	341940	2401601	486537
4	Selling expenses	040	3	(292204)	(175852)	(415769)	(250215)
5	Administration expenses	050	4	(894887)	(921210)	(1273309)	(1310764)
6	Other operating income	060	5	266570	516443	379295	734832
7	Other operating expenses	070	6	(282276)	(202710)	(401643)	(288430)
8	Other interest income and similar income	100	7	10362		14744	
9	Other interest payments and similar expenses	120	8	(302400)	(292689)	(430276)	(416459)
10	Profit or loss before extraordinary items and taxes	130		193020	(734078)	274643	(1044499)
11	Profit or loss before tax	160		193020	(734078)	274643	(1044499)
12	Other taxes	190	9	(58803)	(18313)	(83669)	(26057)
13	Profit or loss of the accounting period	200		134217	(752391)	190974	(1070556)

EPS (earnings per share)	0,02	(0,13)	0,03	(0,18)
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BALANCE SHEET FOR 6 MONTHS OF 2011

A S S E T S	Line code	Note	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1. LONG-TERM INVESTMENTS		10				
I. Intangible investments						
1. Development costs	010		136508	170636	194233	242793
2. Concessions, licences and similar rights	020			45		64
3. Other intangible investments	021		6763	187	9623	266
I. Total	050		143271	170868	203856	243123
II. Fixed assets						
1. Land plots, buildings, constructions	060		4223222	4268045	6009104	6072881
2. Equipment and machinery	080		2799606	3048877	3983480	4338161
3. Other fixed assets and inventory	090		28181	32907	40098	46822
4. Creation of fixed assets	100		597051	593971	849527	845145
II. Total	120		7648060	7943800	10882209	11303009
III. Long-term financial investments						
1. Participation in capital of affiliated companies	150		59927	59927	85268	85268
III. Total	210		59927	59927	85268	85268
I. PART TOTAL AMOUNT	220		7851258	8174595	11171333	11631400
2. CURRENT ASSETS						
I. Stocks						
1. Raw materials, direct materials and auxiliary materials	230		2080963	2200076	2960944	3130426
2. Unfinished products	240		1388537	1206646	1975710	1716903
3. Finished products and goods for sale	250		84130	97131	119706	138205
4. Prepayments for goods	270		341515	275373	485932	391820
I. Total	290		3895145	3779226	5542292	5377354
II. Debtors						
1. Debts of buyers and customers	300	11	4974073	4611053	7077468	6560937
2. Debts of affiliated companies	320		193	82	275	117
3. Other debtors	330	12	242066	75720	344430	107740
4. Deferred expenses	360	13	37336	86965	53124	123740
II. Total	370		5253668	4773820	7475297	6792534
III. Securities and participation in capitals						
1. Other securities	400	14		1641438		2335556
III. Total	410			1641438		2335556
IV. Cash	420	15	5461	5238	7770	7453
II. PART TOTAL AMOUNT	430		9154274	10199722	13025359	14512897
B A L A N C E	440		17005532	18374317	24196692	26144297

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

BALANCE SHEET FOR 6 MONTHS OF 2011

LIABILITIES	Line code	Note	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1. SHAREHOLDERS' EQUITY						
1. Share capital (capital stock)	450	16	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		215522	264632	306660	376537
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		(4243532)	(2380080)	(6038002)	(3386549)
b) Undivided profit of the accounting year	540		134217	(752391)	190974	(1070556)
1. PART TOTAL AMOUNT	550		2098134	3124088	2985376	4445176
2. PROVISIONS						
1. Other provisions	580	17	184531	184707	262564	262814
2. PART TOTAL AMOUNT	590		184531	184707	262564	262814
3. CREDITORS						
I. Long-term creditors						
1. Other loans	630	19	292474	553886	416153	788109
2. Deferred tax liabilities	731		295432	248198	420362	353154
I. Total	740		587906	802084	836515	1141263
II. Short-term creditors						
1. Loans from credit institutions	770	18	6929272	7476168	9859466	10637629
2. Other loans	780	19	848978	166951	1207987	237550
3. Advance payments received from buyers	790	20	127037	15026	180757	21380
4. Debts to suppliers and contractors	800	21	2754488	3186656	3919283	4534203
5. Debts to affiliated companies	830		1878	4111	2672	5849
6. Taxes and social security payments	840	22	2938545	2794218	4181173	3975814
7. Other creditors	850	23	534763	620308	760899	882619
II. Total	890		14134961	14263438	20112237	20295044
3. PART TOTAL AMOUNT	900		14722867	15065522	20948752	21436307
BALANCE	910		17005532	18374317	24196692	26144297

CASH FLOW STATEMENT FOR 6 MONTHS OF 2011 (prepared by indirect method)

I. Cash flow from operating activities

	Items	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1	Profit or loss before extraordinary items and taxes	193020	(734078)	274643	(1044499)
	ADJUSTMENTS				
	Depreciation of fixed assets	166247	176204	236548	250716
	Amortization of intangible investment value	1041	518	1481	737
	Gain from sales of fixed assets	(980)		(1394)	
	Profit or loss from fluctuations of currency exchange rates	(44350)	(423711)	(63104)	(602886)
	Other interest income and similar income	(10031)		(14273)	
	Amounts written off fixed assets	8589	440	12221	626
	Reserve for revaluation of long-term investments	(49110)		(69877)	
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	264426	(980627)	376245	(1395306)
	ADJUSTMENTS				
	Increase or decrease of balance of receivables	(528817)	718347	(752439)	1022116
	Increase or decrease of balance of inventories	(86745)	202879	(123427)	288671
	Increase or decrease of deferred expenses	34121	89019	48550	126663
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	206014	1418547	293132	2018411
	Expenses for tax payments	(116563)	(54746)	(165854)	(77897)
3	Gross cash flow from operating activities	(227564)	1393419	(323793)	1982658
4	Cash flow before extraordinary items	(227564)	1393419	(323793)	1982658
I	NET CASH FLOW FROM OPERATING ACTIVITIES	(227564)	1393419	(323793)	1982658

II. Cash flow from investing activities

	Items	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1	Purchase of fixed assets and intangible investments	(40492)	(5635)	(57615)	(8018)
2	Income from sales of fixed assets and intangible investments	980		1394	
3	Interest income received	205198		291970	
II	NET CASH FLOW FROM INVESTING ACTIVITIES	165686	(5635)	235749	(8018)

III. Cash flow from financing activities

	Items	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
1	Loans received	777553		1106358	
2	Expenses for repayment of loans	(660402)	(1327468)	(939667)	(1888817)
3	Expenses for repurchase of leased fixed assets	(110338)	(142274)	(156997)	(202438)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	6813	(1469742)	9694	(2091255)

IV. Summary of cash inflow and outflow

	Items	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
I	Net cash flow from operating activities	(227564)	1393419	(323793)	1982658
II	Net cash flow from investing activities	165686	(5635)	235749	(8018)
III	Net cash flow from financing activities	6813	(1469742)	9694	(2091255)
	Result of fluctuations of currency exchange rates	18615	10008	26486	14239
	Net cash flow of the accounting period	(36450)	(71950)	(51864)	(102376)
	Cash and its equivalents in the beginning of the accounting period	41911	77188	59634	109829
	Cash and its equivalents at the end of the accounting period	5461	5238	7770	7453

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2011, LVL

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2009.g.	5799005	264632	192922	(2380080)	3876479
2. Income or loss of the accounting period that is not included in the profit and loss account: a) decrease of fixed assets b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				(752391)	(752391)
4. Balance as of 30.06.2010.g.	5799005	264632	192922	(3132471)	3124088
5. Balance as of 31.12.2010.g.	5799005	264632	192922	(4243532)	2013027
6. Income or loss of the accounting period that is not included in the profit and loss account: a) decrease of fixed assets b) increase of fixed assets		(49110)			(49110)
7. Income or loss of the accounting period in accordance with the profit and loss account				134217	134217
8. Balance as of 30.06.2011.g.	5799005	215522	192922	(4109315)	2098134

STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 6 MONTHS OF 2011, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2009.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 b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				(1070556)	(1070556)
4. Balance as of 30.06.2010.g.	8251241	376537	274503	(4457105)	4445176
5. Balance as of 31.12.2010.g.	8251241	376537	274503	(3386549)	5515732
6. Income or loss of the accounting period that is not included in the profit and loss account: a) decrease of fixed assets b) increase of fixed assets		(69877)			(69877)
7. Income or loss of the accounting period in accordance with the profit and loss account				190974	190974
8. Balance as of 30.06.2011.g.	8251241	306660	274503	(5847028)	2985376

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", as well as pursuant to the existing Accounting standards of Latvia.

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 30.06.2011 AS "RER" has an investment in the associated company SIA "Lovato-REZ".

No. of registration certificate and date of registration	Name	Registered office	Investment, %	Amount invested	Part of the profit for 1996-2001	Total Column 5 + column 6	Founders
1	2	3	4	5	6	7	8
000307218 04.1992	SIA "Lovato-REZ"	Ganību dambis 31, Rīga, the Republic of Latvia	50	57,600.00 LVL 81,957.00 EUR	2,327.00 LVL 3,311.00 EUR	59,927.00 LVL 85,268.00 EUR	1. AS "RER", Latvia 2. "Lovato" S.A., Italy

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 30.06.2011. : 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.

Notes (cont.)

Accounting policy (cont.)

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.

Provisions for warranty repairs. A warranty period of the Company's basic products is 2 years. In 2010 warranty repair costs accounted for LVL 17 707 (EUR 25 195), which is only 0.13% 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.

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 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 2011

Note No. 1 – Net turnover

Country	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Latvia	2187625	2441822	3112710	3474400
Russia	7825819	3897197	11135137	5545212
Ukraine	225847	32440	321351	46158
Sweden	4510	72771	6417	103544
Georgia	541440		770400	
Belarus	40781		58026	
Other	20355	16623	28963	23652
Total	10846377	6460853	15433004	9192966

Note No. 2 – Production costs of products sold

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Salaries	2043075	1481593	2907034	2108117
Social insurance contributions	483783	349465	688361	497244
Costs of materials	5719690	3442935	8138386	4898855
Energy resources	541402	435452	770346	619592
Depreciation of capital assets and intangible assets	150572	164191	214245	233623
Business trip costs	22458	11573	31955	16467
Repair costs and remuneration for works from outside	97825	81051	139192	115325
Development costs	34127	85318	48558	121397
Other costs	65590	67335	93326	95809
Total	9158522	6118913	13031403	8706429

Note No. 3 – Selling costs

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Packing material and package	128997	92346	183546	131397
Transportation expenses	124200	55972	176721	79641
Salaries	31328	22125	44576	31481
Social insurance contributions	7470	5330	10629	7584
Other selling costs	209	79	297	112
Total	292204	175852	415769	250215

Note No. 4 – Administrative costs

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Communications costs	10576	15228	15048	21667
Cash circulation and expense and extra costs	9003	15591	12810	22184
Transportation expenses	7139	10057	10158	14310
Representation expenses	2697	2490	3837	3543
Salaries	596421	600227	848631	854046
Social insurance contributions	138855	141724	197573	201655
Energy resources	19308	18688	27473	26591
Depreciation of capital assets	15749	16195	22409	23043
Business trip costs	8009	17490	11396	24886
Security services	64993	66492	92477	94610
Other administrative costs	22137	17028	31497	24229
Total	894887	921210	1273309	1310764

Notes (cont.)

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

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Profit gained as a result of other sales (materials, lease, other)	130135	76886	185165	109399
Penalty and contractual penalties	259	94	369	134
Remaining amounts of removal of capital assets, materials	12	345	17	491
Sale of capital assets	980	158	1394	225
Inventory surplus	2271		3231	
Income related to maintenance of social sphere	12527	15073	17824	21447
Decrease in revaluation reserve of capital assets	49110		69877	
Income from fluctuations of exchange rates	44350	423711	63104	602886
Other income	26926	176	38314	250
Total	266570	516443	379295	734832

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

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Penalty and contractual penalties	207695	135736	295523	193135
Costs related to maintenance of social sphere	23967	23500	34102	33437
Costs not related to operating activities of the Company	32716	41516	46551	59072
Inventory deficit	9123		12981	
Removal of capital assets	8589	440	12221	626
Loss from previous year	36	1518	51	2160
Other costs	150		214	
Total	282276	202710	401643	288430

Note No. 7 - Other interest income and similar income

Indicator	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. 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	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Loan agreements	115040	115227	163687	163953
Leasing agreements	14268	18753	20302	26683
Credit line agreements	173092	158709	246287	225823
Total	302400	292689	430276	416459

Note No. 9 – Other taxes

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Real estate tax on premises (buildings)	48283	8417	68700	11976
Real estate tax on land	10520	9896	14969	14081
Total	58803	18313	83669	26057

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Notes (cont.)

NOTES TO BALANCE SHEET FOR THE 6 MONTHS OF 2011

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

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.11	Purchase	Removed	Remaining amount as at 30.06.11	Remaining amount as at 01.01.11	Calculated	Removed	Remaining amount as at 30.06.11	01.01.11	30.06.11.
Intangible investments										
Devel.costs	136508			136508					136508	136508
Licences and other	301			301	286	15		301	15	
Software	10765	7726		18491	10702	1026		11728	63	6763
Total	147574	7726		155300	10988	1041		12029	136586	143271
Capital assets										
Land, premises, buildings*	6992345		(735)	6991610	2740678	28444	(734)	2768388	4251667	4223222
Equipment and machinery	5917086	25467	(453422)	5489131	3004034	131937	(446446)	2689525	2913052	2799606
Other capital assets	267340	4834	(6354)	265820	236513	5866	(4740)	237639	30827	28181
Creation of capital assets	594586	23688	(21223)	597051					594586	597051
Total	13771357	53989	(481734)	13343612	5981225	166247	(451920)	5695552	7790132	7648060
Long-term fin. investm.										
Partnership in capital of associated companies	59927			59927					59927	59927
Total	59927			59927					59927	59927
In total	13978858	61715	(481734)	13558839	5992213	167288	(451920)	5707581	7986645	7851258

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

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.11	Purchase	Removed	Remaining amount as at 30.06.11	Remaining amount as at 01.01.11	Calculated	Removed	Remaining amount as at 30.06.11	01.01.11	30.06.11
Intangible assets										
Devel.costs	194233			194233					194233	194233
Licences and other	428			428	407	21		428	21	
Software	15317	10993		26310	15228	1459		16688	89	9623
Total	209978	10993		220971	15635	1480		17115	194343	203856
Capital assets										
Land, premises, buildings*	9949211		(1046)	9948165	3899633	40472	(1044)	3939061	6049578	6009104
Equipment and machinery	8419255	36236	(645161)	7810330	4274356	187729	(635235)	3826850	4144899	3983480
Other capital assets	380391	6878	(9041)	378228	336528	8346	(6744)	338130	43863	40098
Creation of capital assets	846020	33705	(30198)	849527					846020	849527
Total	19594877	76819	(685446)	18986250	8510517	236547	(643023)	8104041	11084360	10882209
Long-term fin. investm.										
Partnership in capital of associated companies	85268			85268					85268	85268
Total	85268			85268					85268	85268
In total	19890123	87812	(685446)	19292489	8526152	238027	(643023)	8121157	11363971	11171333

Notes (cont.)

* In 2010 assessed value of the premises accounted for LVL 5 740 348 (EUR 8 167 779), assessed value of the plot accounted for LVL 2 319 907 (EUR 3 300 930).

Note No. 11 – Debts of customers and clients

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Debts of customers and clients	4984715	4622306	7092610	6576949
Provisions for doubtful debtors	(10642)	(11253)	(15142)	(16012)
Total	4974073	4611053	7077468	6560937

Note No. 12 – Other debtors

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Demand calculations for personnel	3334	928	4744	1320
Taxes paid in advance	1186	3227	1688	4592
Overpaid taxes	208619	44852	296838	63819
Rental debts	25567	21808	36379	31030
Other	3360	4905	4781	6979
Total	242066	75720	344430	107740

Note No. 13 – Costs of the following periods

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Insurance	851	803	1211	1143
Expenses for development of new techniques	34127	85318	48558	121396
Annual anti-virus program licences	162	156	231	222
Other	2196	688	3124	979
Total	37336	86965	53124	123740

Note No. 14 – Other securities and partnership in capitals

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Short-term loan		1641438		2335556

Note No. 15 – Cash

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.10. EUR	30.06.10. EUR
Current accounts in banks	5461	5238	7770	7453

Note No. 16 – 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	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. 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. 17 – Other provisions

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Holiday provisions	184531	184707	262564	262814

Note No. 18 – Long-term and short-term loans from credit institutions

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Latvian credit institutions, loan agreement, including	2010722	2533840	2861000	3605330
Short-term debt	2010722	2533840	2861000	3605330
Latvian credit institutions, credit line agreement, including	4918549	4942328	6998465	7032299
Short-term debt	4918549	4942328	6998465	7032299

Note No. 19 – Other loans

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Leasing agreements, including	498403	720837	709164	1025659
Long-term debt	292474	553886	416153	788109
Short-term debt	205929	166951	293011	237550
Other loans, including	643049		914976	
Short-term debt	643049		914976	

Note No. 20 – Advances received from customers

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Local customers	2270	970	3230	1380
Foreign customers	124767	14056	177527	20000
Total	127037	15026	180757	21380

Note No. 21 – Debts to suppliers and contractors

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Local suppliers	2224170	2243136	3164708	3191695
Foreign suppliers	530318	943520	754575	1342508
Total	2754488	3186656	3919283	4534203

Note No. 22 – Taxes and social insurance contributions

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Personal income tax	1267919	1161220	1804086	1652267
Mandatory social insurance contributions	1669250	1614084	2375129	2296635
Natural resources tax	1149	4515	1635	6424
Real estate tax on premises (buildings)		14208		20216
State business risk fee	227	191	323	272
Total	2938545	2794218	4181173	3975814

Notes (cont.)

Note No. 22 – Other creditors

Indicators	30.06.11. LVL	30.06.10. LVL	30.06.11. EUR	30.06.10. EUR
Salary debt	519403	602546	739044	857346
Support payments	4155	3939	5912	5605
Trade union membership fee	11205	13823	15943	19668
Total	534763	620308	760899	882619

On behalf of the Board of the Company,

Chair of the Board

Nikolajs Erohovs

18 August 2011

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 2011.

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

18 August 2011